

22 NOVEMBER 2018

COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	WTON IJ
Sector	Precast Concrete
Current Price	Rp 354
Target Price	Rp 700
Upside/Downside	98%
Share Out (bn shares)	8.7
Market Cap (Rp bn)	Rp 3,085
52 – w range (low-high)	Rp 298 – Rp 625
52 – w average daily	Rp 447

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 30 SEPTEMBER 2018

PT Wijaya Karya (Persero) Tbk	60.0%
Koperasi Karya Mitra5 atya (KKMS)	6.7%
Yayasan Wlajaya Karya	1.0%
Public (below 5%)	28.0%
Treasury Stock	4.3%

Source: Company data

FORWARD PER BAND



Source: Bloomberg and Lotus Andalan Research

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PT WIJAYA KARYA BETON Tbk

Site Visit to the Balikpapan-Samarinda Toll Project

We visited to Balikpapan – Samarinda toll road project, East Kalimantan with a total length of 62.8 km which was owned by PT Jasamarga Balikpapan Samarinda as a consortium of JSMR, WIKA, PTPP and PT Bangun Tjipta Sarana. WIKA is acted as main contractor while WTON will supply the needs of ready-mix and precast product for the project. This toll road is targeted to commence operation in 2019 which aims to reduce travel time of Balikpapan - Samarinda and to encourage the further development of CPO, coal, oil & gas and agriculture industrial areas. Currently, the share price has rebounded significantly by 19% which was still traded below its 5 years average PER – 1 std dev of 10.12x. Hence, we kept our BUY rating since our fair value offer a significant upside potential of 98%.

Balikpapan – Samarinda toll road project, a pioneer of Trans Kalimantan toll road

On 14-15 November 2018, we visited to Balikpapan – Samarinda toll road project, East Kalimantan with a total length of 62.8 km which is divided into section 2 Sampoja-Muara Jawa (30.1 km), section 3 Muara Jawa-Palaran (17.2 km) and section 4 Palaran-Samarinda (16.6 km). This toll road project was owned by PT Jasamarga Balikpapan Samarinda as a consortium of Jasa Marga (JSMR IJ; 55% ownership), Wijaya Karya (WIKA IJ; 15%), Pembangunan Perumahan (PTPP IJ; 15%) and PT Bangun Tjipta Sarana (15%). The total investment value is Rp 10 trillion, including land acquisition cost of Rp 4 trillion and the construction work value of Rp 6 trillion. WIKA is acted as main contractor while WTON will supply the needs of ready-mix and precast product with total investment value of Rp 1.3 trillion. Recently, the progress of the construction work and land acquisition reached 77% and 96%, respectively. We note that this toll road is targeted to commence operation in 2019 which aims to reduce travel time of Balikpapan - Samarinda from 3 hours – 3.5 hours to only 1 hour – 1.5 hours and also to encourage the further development of CPO, coal, oil & gas and agriculture industrial areas as well as to reduce logistic cost. We also note that the Balikpapan – Samarinda toll road is one of the national strategic projects (Proyek Strategis Nasional atau “PSN”) and a pioneer in the further development of the Trans Kalimantan toll road.

Secure more potential projects in 2019

Based on the discussion with the management, we foresee that WTON will secure several potential projects in 2019F-2020F, i.e.: MRT phase II (Bundaran HI – Kampung Bandan), additional precast contract for HSR project (Jakarta – Bandung), additional package of Pettarani toll road (Maros – Makassar with total length of 12 km), BORR phase II, RDMP oil refinery project and potential package of Rp 1 trillion for Trans Sumatera toll road (total length of 75 km). Hence, we foresee that those potential projects will boost WTON’s financial performance in 2019F. Hence, we forecast that the company’s 2019F revenue and net profit will grow by 18% YoY and 13% YoY to reach Rp 7.7 trillion and Rp 435 billion, respectively.

Keep BUY rating with TP Rp 700/share

Currently, the share price has rebounded significantly by 19% from its lowest closing price of Rp 298/share (as of 1 November 2018) and traded at 7.09x PER 2019F which is still translated into a very attractive valuation, below its 5 years average PER – 1 std dev of 10.12x). Hence, we kept our BUY rating since our fair value at Rp 700/share offer a significant upside potential of 98%.

The Risk: 1) delays in infrastructure projects; 2) rising raw material prices; 3) weakening Rupiah currency; 3) delays in production capacity expansions; 4) contingencies from being labour-intensive; and 5) increasing competition.

Financial Summary

(Rp billion)	2016A	2017A	2018F	2019F	2020F
Revenue	3,482	5,362	6,514	7,718	8,459
EBITDA	544	709	826	924	1,040
Net profit	273	337	387	435	546
EPS (Rp)	31	39	44	50	63
PER (x)	11.30	9.15	7.98	7.09	5.65
BVPS (Rp)	278	307	340	376	424
PBV (x)	1.27	1.15	1.04	0.94	0.83
EV/EBITDA (x)	5.91	5.49	4.60	4.05	3.51
Dividend yield (%)	2.77	3.28	3.76	4.23	5.31
RoE (%)	11.80	13.22	13.72	13.94	15.65

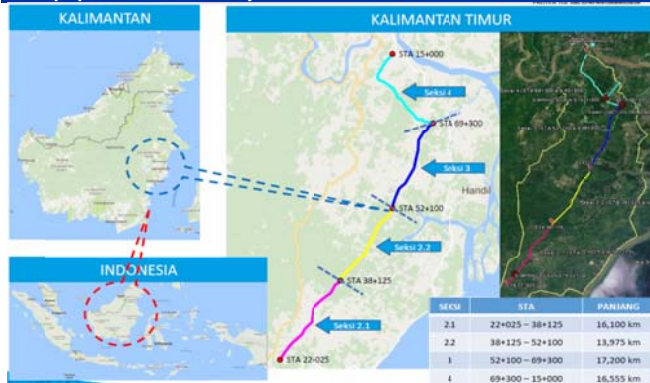
Source: Company data and Lotus Andalan Research

Project Information

- Package : 2,3 and 4 Balikpapan - Samarinda Toll Road
- Investor : Jasa Marga (JSMR) - Wijaya Karya (WIKA) - Pembangunan Perumahan (PTPP) - BCS Consortium
- Owner : PT Jasamarga Balikpapan Samarinda
- Main Contractor : PT Wijaya Karya (Persero) Tbk (WIKA)
- Sub-contractor* : PT Wijaya Karya Beton Tbk (WTON)
- Total Investment value : Rp 10 trillion
- Total construction value : Rp 6 trillion
- Length : 62.86 km
- Rigid Pavement : 30 cm
- Construction schedule : 2 years
- Payment method : Without DP, 120 days SCF Progress

*) Ready Mix and Precast
Source: Company data

Balikpapan-Samarinda Layout



Source: Company data

Batching Plant Location



Source: Company data

Scope of Work - WTON

Produk	Produk/Vol/Sat	Scope Pekerjaan
Beton Precast	TP Dia 500 = 21.092 m' TP Dia 600 = 32.676 m' W 325 A = 7.535 m' PC I H140 L16 = 320 bh PC I H160 L25 = 316 bh PC I H170 L30 = 171 bh PC I H210 L40 = 40 bh	Pengadaan, Pengiriman & Pemasangan
Beton Segar/ Ready Mix Concrete	K - 450 = 478.470 m3 (Rigid Pavement) K - 350 = 58.658 m3 (Pier Head & Kolom) K - 250 = 121.970 m3 (Abutment & Box Culvert) K - 125 = 199.112 m3 (Lean Concrete/LC) Total = 858.210 m3	

Source: Company data

Scope of Work - WTON

PRODUK	VOL	SAT	OMZET
READY MIX CONCRETE	858.210	M3	1.102.554.738.379
BALOK TERSTRESSING	847	BTG	118.440.000.000
TIANG PANCANG	53.768	M'	42.053.220.000
CCSP	7.535	M'	5.725.980.000
TOTAL			1.268.774.938.379

JASA	VOL	SAT	OMZET
ERECTION	847	BTG	26.558.000.000
PEMANCANGAN	60.520	M'	11.530.570.000
TOTAL			38.088.570.000

Source: Company data

The construction work progress



Source: Company data

The construction work progress



Source: Company data

The construction work progress

STA 46+000



Source: Company data

The construction work progress

STA 51+000



Source: Company data

The construction work progress

STA 59+575



Source: Company data

The construction work progress

STA 62+900



Source: Company data

The construction work progress

STA 1+550



Source: Company data

The construction work progress

STA 12+600



Source: Company data

Analyst in Action



Source: Company data

Analyst and WTON Management in Action



Source: Company data

Financial Highlights of PT Wijaya Karya Beton Tbk

In Rp Billion									
BALANCE SHEET	2016A	2017A	2018F	2019F	INCOME STATEMENT	2016A	2017A	2018F	2019F
ASSETS									
Cash and cash equivalent	342	638	406	291	Total Revenues	3,482	5,362	6,514	7,718
Accounts Receivable	663	1,228	1,338	1,586	COGS	2,977	4,696	5,749	6,850
Inventories	694	1,034	1,102	1,314	Gross profit	504	667	765	868
Other current assets	740	1,451	1,398	1,795	Operating expenses	96	136	163	201
Total Current Assets	2,440	4,351	4,245	4,985	Operating profit	408	530	602	667
Fixed Assets	2,219	2,679	2,811	2,820	EBITDA	544	709	826	924
Investments in associates	-	-	-	-	Equity net income of associates	-	-	-	-
Other non-current assets	4	37	15	19	Interest income	16	4	21	14
Total Non-Current Assets	2,223	2,717	2,826	2,839	Interest expenses	(57)	(89)	(122)	(111)
TOTAL ASSETS	4,663	7,068	7,070	7,824	Others	(27)	(26)	(20)	(25)
LIABILITIES & EQUITY					Total other income/(expenses)	(67)	(111)	(121)	(121)
Short term loan	350	1,245	1,058	870	Income before tax	341	420	481	546
Accounts Payable	664	1,223	1,417	1,689	Tax expense	(59)	(79)	(91)	(103)
Current maturities - LT debts	120	200	58	81	Net profit before minority interest	282	340	391	443
Other current liabilities	730	1,548	1,076	1,318	Minority interest	(9)	(3)	(4)	(8)
Total Current Liabilities	1,864	4,216	3,608	3,958	Net profit	273	337	387	435
LT debt - net current maturities	200	-	323	392	EPS (Rp)	31	39	44	50
MTN	-	-	-	-					
Other non-current liabilities	108	104	97	103					
Total Non-Current Liabilities	308	104	419	495					
Minority Interest	69	72	81	91					
Capital Stock	872	872	872	872					
Additional paid in capital	973	973	973	973					
Others equity	(101)	(103)	(103)	(103)					
Retained earnings	679	935	1,220	1,540					
Total Equity	2,423	2,676	2,962	3,281					
TOTAL LIABILITIES & EQUITY	4,663	7,068	7,070	7,824					
CASH FLOW STATEMENT	2016A	2017A	2018F	2019F	KEY FINANCIAL RATIOS	2016A	2017A	2018F	2019F
Net profit	273	337	387	435	Growth (%)				
Depreciation & Amortization	135	179	224	257	Revenue	31.26	54.01	21.47	18.49
Change in WC	(74)	(281)	(18)	(186)	Gross profit	53.52	32.16	14.75	13.44
Others	(381)	(158)	(62)	(86)	Operating Profit	71.23	29.91	13.52	10.78
Net Operating Cash Flow	(46)	77	530	420	EBITDA	65.59	30.42	16.43	11.91
Change in fixed assets - net	(357)	(639)	(355)	(266)	Net Profit	57.01	23.49	14.75	12.50
Others	(0)	(33)	22	(4)	Profitability (%)				
Net Investing Cash Flow	(357)	(672)	(333)	(270)	Gross margin	14.49	12.43	11.74	11.24
Change in borrowings - net	(62)	976	(330)	(165)	Operating margin	11.73	9.89	9.24	8.64
Change in equity	(4)	(2)	-	-	EBITDA margin	15.62	13.22	12.67	11.97
Change in other liabilities	29	(4)	(7)	6	Net Profit margin	7.84	6.29	5.94	5.64
Dividend payment	(55)	(85)	(101)	(116)	ROAA	5.99	5.75	5.47	5.84
Adjustment	13	7	9	10	ROAE	11.80	13.22	13.72	13.94
Net Financing Cash Flow	(78)	891	(429)	(265)	Solvency (x)				
Change in cash	(481)	296	(232)	(115)	Current ratio	1.31	1.03	1.18	1.26
Cash at the beginning period	824	342	638	406	Quick ratio	0.94	0.79	0.87	0.93
Cash at the ending period	342	638	406	291	DER	0.19	0.54	0.38	0.29
					EBITDA coverage	9.62	8.01	6.78	8.36
					Net debt to equity	0.05	0.30	0.24	0.20

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **Neutral** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

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