

8 MAY 2019

COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	WTON IJ
Sector	Precast Concrete
Current Price	Rp 555
Target Price	Rp 830
Previous Target Price	Rp 830
Upside/Downside	50%
Share Out (bn shares)	8.7
Market Cap (Rp bn)	Rp 4,837
52 – w range (low-high)	Rp 298 – Rp 650
52 – w average daily	Rp 428

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 31 MARCH 2019

PT Wijaya Karya (Persero) Tbk	60.0%
Koperasi Karya MitraS atya (KKMS)	6.4%
Yayasan Wlajaya Karya	1.0%
Public (below 5%)	28.3%
Treasury Stock	4.3%

Source: Company data

FORWARD PER BAND



Source: Bloomberg and Lotus Andalan Research

PT WIJAYA KARYA BETON Tbk

1Q19 Seasonal Below Expectation – Still A Good Result

WTON 1Q19 revenue and net profit only covered by 16% and 13% to our 2019 forecast which was caused by low infrastructure spending realization, 1Q19 new contract decline of 5.2% YoY and 2019 Election effect. However, the company was still able to record a good performance in 1Q19, in which the revenue and net profit increased by 8.4% YoY and 22.8% YoY, respectively. The 1Q19 gross and operating margins increased by 93 bps became to 12.4% and to 9.9%, respectively, thanks to one-stop solution of precast concrete business strategy and cost efficiency initiative. Although the recent share price increased by 48% YTD 2019 and still trading below its 5 years average fwd PER band of 15.47x, therefore, we maintain our BUY rating.

1Q19 Below expectation due seasonal factor but still recorded a good result

WTON's 1Q19 revenue and net profit came below expectation which only covered by 16% and 13% to our 2019F of Rp 7.9 trillion in revenue and Rp 530 billion in net profit. This was entirely caused by 1) a seasonal factor as a result of low infrastructure spending realization; 2) 1Q19 new contract decline of 5.2% YoY due to the delay in the tender of infrastructure projects and 3) 2019 Election effect. However, we note that the company was still able to record a good performance in 1Q19, in which the revenue and net profit increased by 8.4% YoY and 22.8% YoY attained to Rp 1.29 trillion (vs Rp 1.19 trillion in 1Q18) and to Rp 71 billion (vs Rp 58 billion in 1Q18), respectively.

Profitability continued to increase driven by one-stop solution and cost efficiency

On the profitability side, the company managed to improve its profitability thanks to 1) one-stop solution of precast concrete business strategy (i.e.: precast sales and installation services) and 2) cost efficiency initiative, mainly in material (-24.3% YoY) and direct labour (-73.3% YoY) expenses. We note that the 1Q19 gross and operating margins increased by 93 bps became to 12.4% (vs 11.5% in 1Q18) and to 9.9% (vs 9.0% in 1Q18), respectively. Meanwhile, WTON's net margin also increased by 64 bps from 4.8% to 5.5% during the same period driven by gain on forex of Rp 1.1 billion (vs loss on forex of Rp 160 million in 1Q18) and higher interest income of 63.1% YoY.

Keep BUY rating with TP Rp 830/share

Recently, the share price has increased by 48% YTD 2019 and still trading at 9.12x PER 2019F which is still translated into a very attractive valuation, below its 5 years average fwd PER band of 15.47x, while our fair value offer 50% upside potential. Therefore, we maintain our BUY rating on the counter.

**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)	2017A	2018A	2019F	2020F	2021F
Revenue	5,362	6,931	7,858	9,440	11,144
EBITDA	709	959	1,035	1,253	1,487
Net profit	337	486	530	671	824
EPS (Rp)	39	56	61	77	94
PER (x)	14.35	9.95	9.12	7.21	5.87
BVPS (Rp)	307	352	396	454	526
PBV (x)	1.81	1.58	1.40	1.22	1.06
EV/EBITDA (x)	7.96	5.66	5.98	5.06	4.43
Dividend yield (%)	2.19	3.02	3.29	4.16	5.11
RoE (%)	13.22	16.94	16.28	18.10	19.28

Source: Company data and Lotus Andalan Research

Interim Financial Result									
	1Q18	1Q19	YoY	FY18F	%cover	4Q18	1Q19	QoQ	The Comments
<b>Assumption (In Rp billion)</b>									
New Contract	1,550	1,469	-5.2%	9,077	16%	2,283	1,469	-35.6%	Below due to the seasonal
<b>P/L (In Rp billion)</b>									
Revenue	1,193	1,294	8.4%	7,858	16%	2,825	1,294	-54.2%	Below due to the seasonal
Cost of revenue	1,056	1,133	7.3%	6,847	17%	2,487	1,133	-54.4%	
Gross profit	137	161	17.2%	1,011	16%	338	161	-52.5%	
Operating Expense	29	32	10.0%	186	17%	35	32	-7.1%	
Operating profit	108	129	19.6%	825	16%	304	129	-57.6%	
EBITDA	159	188	18.1%	1,035	18%	362	188	-48.0%	
Net Profit	58	71	22.8%	530	13%	207	71	-65.7%	Below due to the seasonal
<b>Profitability</b>									
Gross margin	11.5%	12.4%		12.9%		12.0%	12.4%		YoY and QoQ operational profitability improved thanks to the company's strategy transformation as one-stop solution and its cost efficiency program.
EBIT margin	9.0%	9.9%		10.5%		10.7%	9.9%		
EBITDA margin	13.4%	14.6%		13.2%		12.8%	14.6%		
Net margin	4.8%	5.5%		6.7%		7.3%	5.5%		
<b>Revenue Breakdown</b>									
Concrete	1,072	1,105	3.1%			2,357	1,105	-53.1%	
Quarry	3	31	1091.4%			40	31	-23.4%	
Service	119	158	33.1%			428	158	-63.1%	
<b>Total Revenue</b>	<b>1,193</b>	<b>1,294</b>	<b>8.4%</b>			<b>2,825</b>	<b>1,294</b>	<b>-54.2%</b>	
<b>Gross Margin Breakdown</b>									
Concrete	12.0%	13.9%				12.2%	13.9%		
Quarry	14.9%	4.7%				9.0%	4.7%		
Service	6.3%	3.8%				10.8%	3.8%		
<b>Total Gross Margin</b>	<b>11.5%</b>	<b>12.4%</b>				<b>12.0%</b>	<b>12.4%</b>		

Source: Company data and Lotus Andalan Research

## Financial Highlights of PT Wijaya Karya Beton Tbk

In Rp Billion									
<b>BALANCE SHEET</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>INCOME STATEMENT</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
<b>ASSETS</b>									
Cash and cash equivalent	638	865	522	626	<b>Total Revenues</b>	<b>5,362</b>	<b>6,931</b>	<b>7,858</b>	<b>9,440</b>
Accounts Receivable	1,228	1,231	1,292	1,552	COGS	4,696	6,048	6,847	8,203
Inventories	1,034	1,206	1,313	1,573	<b>Gross profit</b>	<b>667</b>	<b>882</b>	<b>1,011</b>	<b>1,238</b>
Other current assets	1,451	2,569	2,237	2,687	Operating expenses	136	150	186	223
<b>Total Current Assets</b>	<b>4,351</b>	<b>5,871</b>	<b>5,364</b>	<b>6,438</b>	<b>Operating profit</b>	<b>530</b>	<b>733</b>	<b>825</b>	<b>1,015</b>
Fixed Assets	2,679	2,948	3,288	3,617	<b>EBITDA</b>	<b>709</b>	<b>959</b>	<b>1,035</b>	<b>1,253</b>
Investments in associates	-	-	-	-	Equity net income of associates	-	-	-	-
Other non-current assets	37	63	63	63	Interest income	4	5	7	6
<b>Total Non-Current Assets</b>	<b>2,717</b>	<b>3,011</b>	<b>3,351</b>	<b>3,680</b>	Interest expenses	(89)	(95)	(138)	(154)
<b>TOTAL ASSETS</b>	<b>7,068</b>	<b>8,882</b>	<b>8,715</b>	<b>10,118</b>	Others	(26)	(23)	(26)	(25)
<b>LIABILITIES &amp; EQUITY</b>					<b>Total other income/(expenses)</b>	<b>(111)</b>	<b>(113)</b>	<b>(157)</b>	<b>(173)</b>
Short term loan	1,245	1,455	1,878	2,128	<b>Income before tax</b>	<b>420</b>	<b>619</b>	<b>668</b>	<b>842</b>
Accounts Payable	1,223	1,146	1,313	1,573	Tax expense	(79)	(133)	(134)	(168)
Current maturities - LT debts	200	-	-	-	<b>Net profit before minority interest</b>	<b>340</b>	<b>487</b>	<b>535</b>	<b>673</b>
Other current liabilities	1,548	2,647	1,860	2,224	Minority interest	(3)	(0)	(4)	(3)
<b>Total Current Liabilities</b>	<b>4,216</b>	<b>5,248</b>	<b>5,051</b>	<b>5,925</b>	<b>Net profit</b>	<b>337</b>	<b>486</b>	<b>530</b>	<b>671</b>
LT debt - net current maturities	-	350	-	-	<b>EPS (Rp)</b>	<b>39</b>	<b>56</b>	<b>61</b>	<b>77</b>
MTN	-	-	-	-					
Other non-current liabilities	104	147	120	123					
<b>Total Non-Current Liabilities</b>	<b>104</b>	<b>497</b>	<b>120</b>	<b>123</b>					
<b>Minority Interest</b>	<b>72</b>	<b>72</b>	<b>95</b>	<b>109</b>					
Capital Stock	872	872	872	872					
Additional paid in capital	973	973	973	973					
Others equity	(103)	(58)	(58)	(58)					
Retained earnings	935	1,278	1,662	2,174					
<b>Total Equity</b>	<b>2,676</b>	<b>3,064</b>	<b>3,449</b>	<b>3,960</b>					
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>7,068</b>	<b>8,882</b>	<b>8,715</b>	<b>10,118</b>					
<b>CASH FLOW STATEMENT</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>KEY FINANCIAL RATIOS</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
Net profit	337	486	530	671	<b>Growth (%)</b>				
Depreciation & Amortization	179	226	210	238	Revenue	54.01	29.25	13.38	20.13
Change in WC	(281)	(252)	(22)	(246)	Gross profit	32.16	32.37	14.59	22.38
Others	(158)	332	(783)	(100)	Operating Profit	29.91	38.12	12.63	23.02
<b>Net Operating Cash Flow</b>	<b>77</b>	<b>792</b>	<b>(65)</b>	<b>562</b>	EBITDA	30.42	35.18	7.95	21.05
Change in fixed assets - net	(639)	(494)	(550)	(566)	Net Profit	23.49	44.27	9.03	26.47
Others	(33)	(26)	-	-	<b>Profitability (%)</b>				
<b>Net Investing Cash Flow</b>	<b>(672)</b>	<b>(520)</b>	<b>(550)</b>	<b>(566)</b>	Gross margin	12.43	12.73	12.87	13.11
Change in borrowings - net	976	10	423	250	Operating margin	9.89	10.57	10.50	10.75
Change in equity	(2)	45	-	-	EBITDA margin	13.22	13.83	13.17	13.27
Change in other liabilities	(4)	43	(27)	4	Net Profit margin	6.29	7.02	6.75	7.10
Dividend payment	(85)	(106)	(146)	(159)	ROAA	5.75	6.10	6.03	7.12
Adjustment	7	(37)	23	13	ROAE	13.22	16.94	16.28	18.10
<b>Net Financing Cash Flow</b>	<b>891</b>	<b>(45)</b>	<b>273</b>	<b>108</b>	<b>Solvency (x)</b>				
<b>Change in cash</b>	<b>296</b>	<b>227</b>	<b>(343)</b>	<b>104</b>	Current ratio	1.03	1.12	1.06	1.09
Cash at the beginning period	342	638	865	522	Quick ratio	0.79	0.89	0.80	0.82
Cash at the ending period	638	865	522	626	DER	0.54	0.47	0.54	0.54
					EBITDA coverage	8.01	10.11	7.50	8.12
					Net debt to equity	0.30	0.19	0.39	0.38

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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