

Wijaya Karya Beton (WTON JJ) : BUY

Mkt. Cap: US\$245m | 3m Avg. Daily Val: US\$0.28m

Last Traded Price (1 Aug 2018): Rp406

Price Target 12-mth: Rp760 (87% upside)

Analyst

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On track to meet FY18 target

- Topline and bottomline numbers are in line with our and consensus' estimates
- Revenue and margin improvement seen in Java region
- Secured 48% of its new contract target in 7M18
- Maintain BUY with unchanged TP of Rp760

Forecasts and Valuation

FY Dec (Rpbn)	2016A	2017A	2018F	2019F
Revenue	3,482	5,362	6,725	7,834
EBITDA	529	698	831	962
Pre-tax Profit	353	436	521	639
Net Profit	272	337	403	494
Net Pft (Pre Ex.)	272	337	403	494
Net Pft Gth (Pre-ex) (%)	56.7	23.7	19.4	22.7
EPS (Rp)	31.3	38.7	46.2	56.7
EPS Pre Ex. (Rp)	31.3	38.7	46.2	56.7
EPS Gth Pre Ex (%)	57	24	19	23
Diluted EPS (Rp)	31.3	38.7	46.2	56.7
Net DPS (Rp)	9.38	11.6	13.9	17.0
BV Per Share (Rp)	278	307	342	384
PE (X)	13.0	10.5	8.8	7.2
PE Pre Ex. (X)	13.0	10.5	8.8	7.2
P/Cash Flow (X)	nm	6.4	4.4	4.8
EV/EBITDA (X)	7.4	6.3	5.1	4.5
Net Div Yield (%)	2.3	2.9	3.4	4.2
P/Book Value (X)	1.5	1.3	1.2	1.1
Net Debt/Equity (X)	0.1	0.3	0.2	0.2
ROAE (%)	11.8	13.2	14.2	15.6

Source of all data on this page: Company, AllianceDBS, DBSVI, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

In-line 2Q18 earnings

Wijaya Karya Beton (WTON) booked a net profit of Rp102bn (+19% y-o-y, +78% q-o-q) in 2Q18, bringing its 1H18 net profit to Rp160bn. 1H18 net profit forms 40% and 37% our and consensus' FY18 estimates, respectively, largely in line with the 3-year historical average of 41%.

Double-digit topline growth

WTON booked 2Q18 revenue of Rp1.4tr (+11% y-o-y, +18% q-o-q). The revenue booked in 1H18 represents 39% and 42% of our and consensus' full-year estimates, largely in line with its 3-year average of 38%. The decent topline growth was supported by its energy and industrial plant segment which recorded revenue of Rp1.5tr (+87% y-o-y, +58% q-o-q). Despite booking 5% lower revenue compared to 1Q18, the construction segment still recorded 12% revenue growth in 2Q18.

The decent topline growth was due to strong contribution from the Java area which saw a 21% y-o-y increase which was offset by a 5% y-o-y decrease from ex-Java regions.

Margin expansion from Java region

WTON's 2Q18 gross margin expanded to 14.1% from 13.6% in 2Q17 and 11.5% in 1Q18. Likewise, net margin improved to 7.3% in 2Q18 from 6.8% in 2Q17 and 4.8% in 1Q18. The margin improvement was supported by strong margins in the Java region, even though ex-Java regions were hit by lower margins.

Flash Note

Secured Rp3.66tr new contracts in 7M18

In 7M18, WTON secured new contracts of Rp3.66tr (+11% y-o-y), which is 48% of its FY18 new contract target of Rp7.6tr. The new contract wins have largely stemmed from infrastructure projects that contributed 69% of the total.

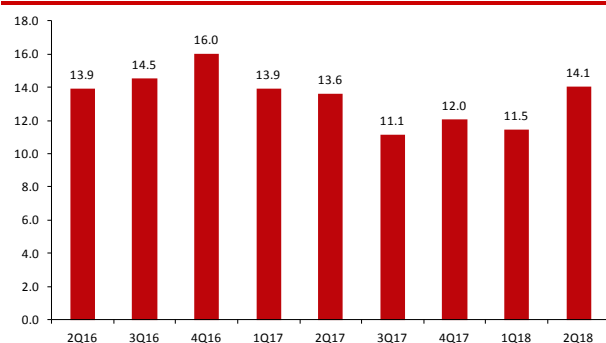
Higher gearing from higher cash conversion cycle days

As of end-June 2018, WTON's net gearing remained stable q-o-q at c.50% but was higher y-o-y vs. c.30% as of end-Dec 2017 on the back of a lower cash balance. WTON's cash conversion cycle increased to 82 days as of end-June 2018 from 48 days as of end-Dec 2017 from higher receivable and inventory days, offset by higher payable days.

Valuation and recommendation

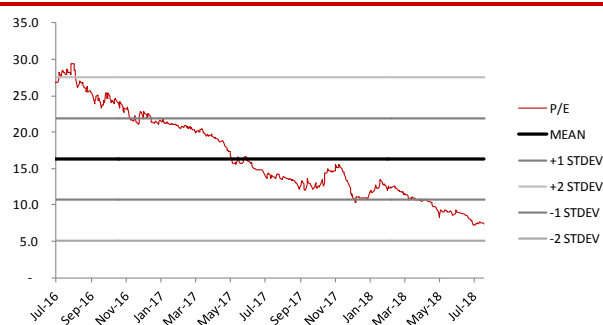
We are using 16.5x FY18F PE, or its 2-year average, to derive our TP of Rp760 (which implies 13.4x FY19F PE). We maintain our BUY call as the stock is currently trading at a forward PE of 7.4x, or -1.5SD of its historical mean.

WTON gross margin (%)



Source: Company, DBSVI

WTON forward PE band



Source: Bloomberg Finance L.P., DBSVI

WTON results summary

WTON	2Q17	1Q18	2Q18	% Chg y-o-y	% Chg q-o-q	6M17	6M18	% Chg y-o-y	Cons	% of cons	DBSVI	% of DBSVI
Sales	1,267	1,193	1,402	11%	18%	1,996	2,596	30%	6,177	42%	6,725	39%
Gross profit	173	137	197	14%	44%	274	334	22%	817	41%	812	41%
Operating profit	137	108	152	11%	42%	219	260	19%	663	39%	626	42%
Net profit	86	58	102	19%	78%	137	160	17%	431	37%	403	40%

Gross margin	14%	11%	14%
Operating margin	11%	9%	11%
Net margin	7%	5%	7%

14%	13%
11%	10%
7%	6%

13%
11%
7%

12%
9%
6%

Source: Company, DBSVI

Quarterly / Interim Income Statement (Rpbn)

FY Dec	2Q2017	1Q2018	2Q2018	% chg yoy	% chg qoq
Revenue	1,267	1,193	1,402	10.7	17.5
Cost of Goods Sold	(1,094)	(1,056)	(1,205)	10.1	14.1
Gross Profit	173	137	197	14.3	43.9
Other Oper. (Exp)/Inc	(35.6)	(29.4)	(44.9)	26.1	52.7
Operating Profit	137	108	152	11.2	41.6
Other Non Opg (Exp)/Inc	1.60	(5.5)	16.2	897.6	(392.2)
Associates & JV Inc	0.0	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(22.3)	(19.6)	(27.8)	(24.3)	(41.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	116	82.4	141	21.0	70.7
Tax	(30.1)	(24.8)	(38.1)	26.6	54.0
Minority Interest	(0.2)	0.0	(0.2)	0.4	395.6
Net Profit	86.0	57.6	102	19.1	77.6
Net profit bef Except.	86.0	57.6	102	19.1	77.6
EBITDA	139	102	169	21.5	65.1
Margins (%)					
Gross Margins	13.6	11.5	14.1		
Opg Profit Margins	10.8	9.0	10.9		
Net Profit Margins	6.8	4.8	7.3		

Source of all data: Company, AllianceDBS, DBSVI

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	04 Dec 17	555	760	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS, DBSVI

Analyst: Victor STEFANO

AllianceDBS, DBSVI recommendations are based an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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