

26 Nov 2020
Construction, Equity

Price IDR. 1060
Target Price IDR. 1820
JKSE Index 5714,64



Stock Code
Bloomberg code WSKT IJ
Market cap (IDR.bn) 14388,4
52-Week High (IDR) 1560
52-Week Low (IDR) 394
6-m Avg Daily. Val (IDR) 1060
Free Float (%) 33.96

Major Shareholders (%)
Government 66.04%
Public 33.96%

USD/IDR-YE
2019A 13866
2020F (Avg) 14158

Key Indicators 2021F
Debt/ Equity (x) 2.55
Current ratio (x) 1,03

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Investment Consideration

45% of contract target booked

WSKT booked new contracts in 9M20 of IDR 12,2 trillion, 45% of the 2020F target of IDR. 26,8 trillion. Most of the new contracts, 49%, are from business development, 20% from Government, 27% from SOE and 13% from private projects. The largest contribution to the 3Q20 new orders is still toll road projects namely Pasuruan – Probolinggo section 4 toll road (IDR.1,7 Tn) and Bogor – Ciawi – Sukabumi section 3 and 4 toll road (IDR.3,3 Tn), Jakarta- Cikampek South Package 3 toll road (IDR.689 Bn), followed by non-toll road projects namely Jragung Dam package 1 (IDR.733 Bn) and Irrigation Network D.I Rentang (IDR.553 Bn). The implementation of PSBB phase 2 during the month of September to October has not affected the progress of the projects which to date has reached almost 100%. We revise our 2020 revenue target based on the 9M20 results and burn rate, to IDR.16,8 trillion.

Transaction progress update

WSKT through its subsidiary PT Waskita Toll Road (WTR) has signed a Conditional Sales and Purchase Agreement (CSPA) for the sale of shares amounting to IDR.550 Bn or 30% of WTR's ownership in PT Kresna Kusuma Dyandra Marga (KKDM) through equity based instrument namely RDPT. KKDM owns the Bekasi – Cawang – Kampung Melayu toll road concession (16 km) which has began partial operation for sections 1A, 1B and 1C. Based on this transaction, WSKT will be able to reduce consolidated debt by IDR.6,5 Tn

Maintaining business sustainability

Going forward, WSKT has potential new business in the next few years of +/- IDR. 92 trillion. The potential new business includes projects in Java, namely infrastructure, connectivity, and piping worth IDR.49 trillion. Plus potential projects in East Kalimantan and Sulawesi for connectivity infrastructure and EPC which are worth IDR.20 trillion. A subsidiary of PT Waskita Realty, Waskita Modern Realty (West Java) in partnership with Modern Land Group will develop an area of 600 hectares. In addition WSKT which is incorporated in the consortium together with other SOEs, namely Jasa Marga, Adhi Karya, PT PP, and Brantas Abipraya is also planning to sign the Yogyakarta - Bawen Toll Road Business Agreement. The 75.8 KM toll road project has an investment value of +/- IDR.14 Trillion

Valuation: 72% upside

We have a Target price of IDR.1820/share or trading at 24,75X PER. With 72% upside, we recommend BUY.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
Revenue	45.213	48.789	31.387	16.800	24.960
Cost of Revenue	(35.749)	(39.926)	(25.783)	(14.784)	(20.218)
Gross Profit	9.464	8.863	5.605	2.016	4.742
Operating expense	(2.104)	(1.668)	(1.372)	(840)	(998)
Operating Profit	7.360	7.195	4.233	1.176	3.744
EPS	286	292	69	(98)	74
Net Profit	3.882	3.963	938	(1.327)	998
EBITDA	8.486	10.094	5.844	3.249	6.065

Company Profile

PT Waskita Karya (Persero) Tbk was established as a state owned company on January 1, 1961. Originally a Dutch company named “Volker Annemings Maatschappij N.V.”, which was expropriated under the Government’s Decree No. 62/1961, Waskita Karya initially participated in water-related developments including reclamation, dredging, harbors and irrigation. In 1973, the company changed its name to PT Waskita Karya (Persero), known more familiarly as “Waskita”. From then, the company started to expand its business as a general contractor, engaging in a wider range of construction activities including highways, bridges, ports, airports, buildings, sewage plants, cement plants, factories, and other industrial facilities. In the 1990’s, the Company completed numerous well known high-rise buildings such as BNI City, BI Building, Mandiri Plaza Tower, the Shangri-La Hotel, and several multi-storey apartment buildings in Jakarta and other cities in Indonesia. The company then listed its shares in December 2012, and became PT Waskita Karya (Persero) Tbk. On July 11th 2013, 85% owned subsidiary PT Waskita Sangir Energi was established. PT Waskita Sangir Energi is engaged in building a mini hydro power plant located in Sangir, West Sumatera. In 2014, WSKT established several subsidiaries, Waskita Toll Road, Waskita Beton Precast, Waskita Karya Realty, Prima Multi Terminal, and Jasamarga Kualanamu Tol. Currently, the company is considered to be one of the most prominent construction companies in Indonesia. PT Waskita Beton Precast Tbk conducted an IPO on 20th September 2016.

Company Structure

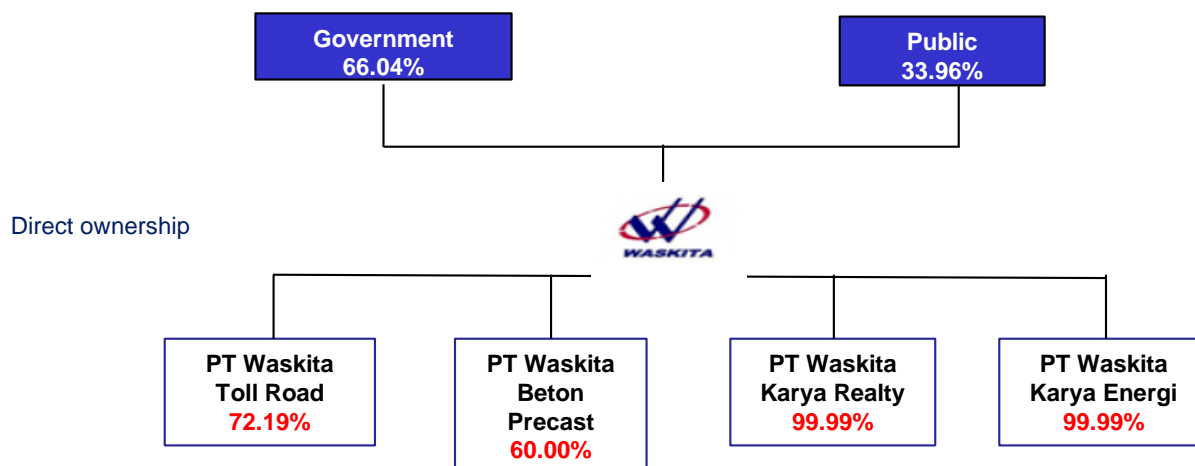


Chart: New contract and order book yoy (IDR. In bn)

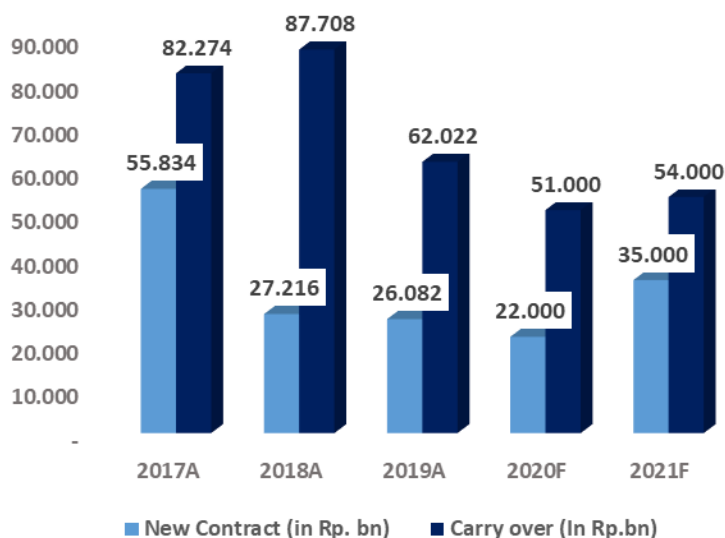


Chart: New contract segmentation based on owner as of 9M20

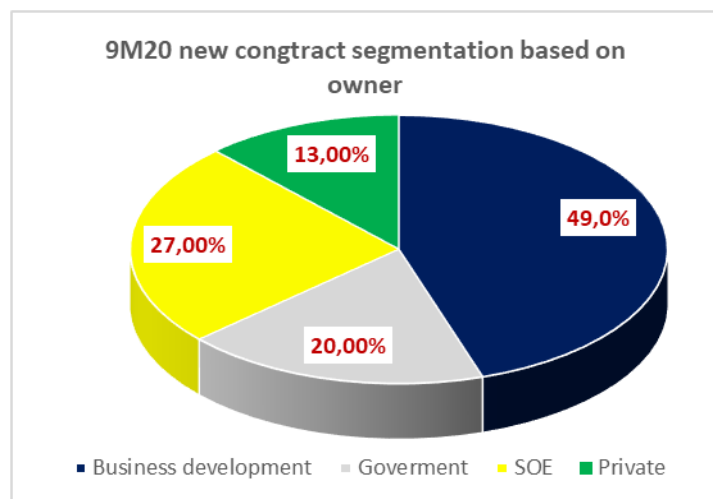


Chart: EBITDA margin YoY (%)

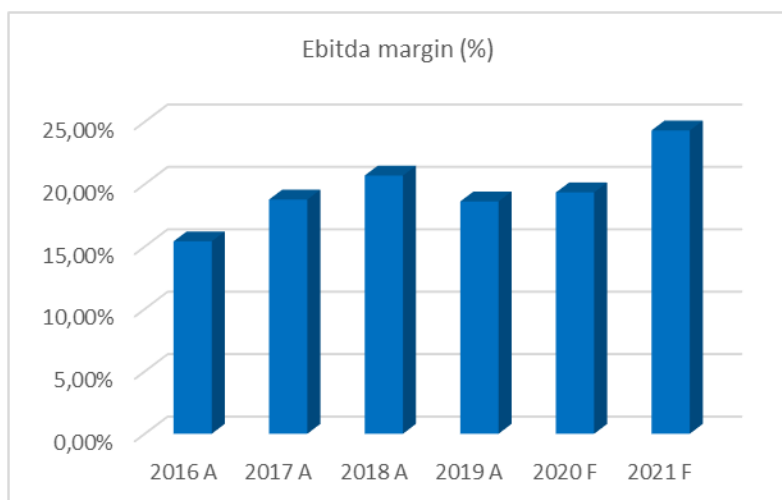


Chart: Debt to equity ratio (yoy)

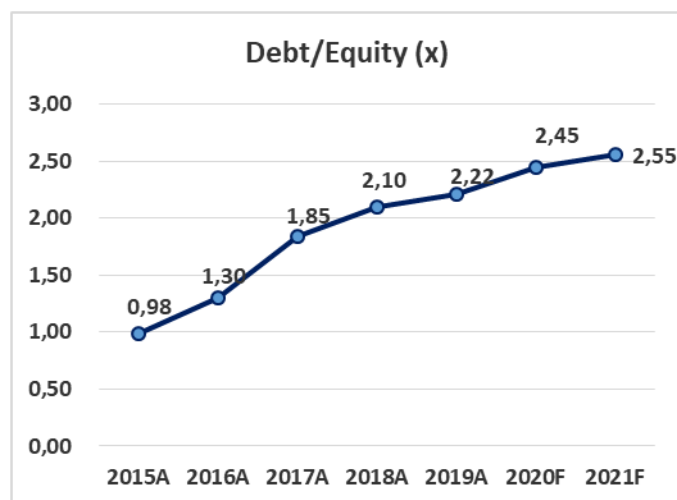


Table: Toll Road Divestment 2020 target

Toll road Divestment 2020 target	Length	Ownership	Scheme
Bekasi-Cawang-Kamp. Melayu	16,05 Km	99,70%	Equity Instrument (RDPT)
Cibitung-Cilincing	35 Km	55,00%	Direct Divestment
3 toll roads	175 Km	varied	Share Swap

Ratio Highlights yoy

Ratio highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	90,06%	7,91%	-35,67%	-46,48%	48,57%
OP	80,37%	11,68%	-35,42%	-42,66%	36,75%
EBITDA	131,35%	18,95%	-42,10%	-44,40%	86,66%
NP	126,57%	2,09%	-76,33%	-241,42%	-175,21%
EPS	93,90%	2,09%	-76,33%	-241,43%	-175,21%
Profitability (%)					
Operating Margin(%)	16,28%	14,75%	13,49%	7,00%	15,00%
EBITDA margin(%)	18,77%	20,69%	18,62%	19,34%	24,30%
NET Profit margin(%)	8,59%	8,12%	2,99%	-7,90%	4,00%
ROA(%)	3,97%	3,19%	0,77%	-1,20%	0,76%
ROE(%)	17,06%	13,72%	3,22%	-5,18%	3,60%
Liquidity (x)					
Current ratio	1,00	1,18	1,09	1,29	1,03
Solvability (x)					
Debt/ equity (X)	1,85	2,10	2,22	2,45	2,55
Gross debt (IDR bn)	42.002	60.561	64.530	62.732	70.732
Per Share data (IDR)					
EPS	286,0	291,9	69,1	-97,7	73,5
BVS	1.677	2.128	2.145	1.885	2.040

Cash Flow yoy (IDR. Bn)

Cash Flow (IDR.bn)	2017 A	2018 A	2019 A	2020F	2021F
Net Income	3.881,7	3.962,8	938,1	(1.326,8)	997,9
Depreciation	524,7	637,6	604,7	656,1	696,0
- Change in WC	3.744,1	(5.314,9)	4.587,7	(7.430,1)	9.074,3
Cash From Operating Activities	8.150,5	(714,4)	6.130,6	(8.100,7)	10.768,2
capex	(24.273,0)	(12.571,3)	(16.753,7)	7.075,1	(19.735,3)
cash from investing activities	(24.273,0)	(12.571,3)	(16.753,7)	7.075,1	(19.735,3)
Long term loans	4.517,6	12.086,7	9.193,0	1.163,4	5.000,0
MTN					
bond	3.477,7	2.804,1	573,1	3,3	0,0
other long term liabilities	1.460,2	682,1	(23,5)	772,4	3.182,4
Equity	2.099,9	2.169,5	(706,8)	(2.202,9)	1.107,0
cash from financing activities	11.555,5	17.742,5	9.035,8	(263,8)	9.289,4
Net Changes in Cash	(4.567,0)	4.756,7	(1.587,4)	(1.289,5)	322,3
Beginning Balance	10.656,0	6.089,0	10.845,7	9.258,3	7.968,8
Ending balance	6.089,0	10.845,7	9.258,3	7.968,8	8.291,1

Balance Sheet (IDR.bn) yoy

Balance sheet (IDR.bn)	2017A	2018A	2019A	2020F	2021F
Cash	6.089	10.846	9.258	7.969	8.291
Short term Investment	8	8	8	8	8
AR	1.871	3.768	3.556	1.933	2.735
Inventory	3.236	5.089	4.471	6.720	8.206
Other Current Asset	41.223	47.278	31.744	28.560	27.456
Total Current Asset	52.427	66.989	49.038	45.190	46.697
Fixed Asset	4.742	7.091	8.663	8.700	9.979
Other non current Asset	40.726	50.311	64.888	57.120	74.880
Total Non Current Asset	45.469	57.402	73.551	65.820	84.859
Total Asset	97.896	124.392	122.589	111.011	131.556
Account Payable	14.098	14.906	12.381	10.126	14.361
Short term bank loan	24.291	27.959	22.162	19.197	22.197
Other Current liabilities	13.920	13.935	10.480	5.712	8.736
Total Current Liabilities	52.309	56.800	45.023	35.035	45.294
Long term loans	8.666	20.752	29.945	31.109	36.109
MTN	0	300	300	300	300
bond	9.045	11.849	12.422	12.426	12.426
Other long term liabilities	5.121	5.803	5.780	6.552	9.734
Total Non Current Liabilities	22.832	38.705	48.447	50.386	58.569
Total Liabilities	75.141	95.504	93.471	85.422	103.863
Equity	22.755	28.887	29.118	25.589	27.694
Liabilities + equity	97.896	124.392	122.589	111.011	131.556

Profit and Loss (IDR.bn yoy)

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Operating expense	(2.104)	(1.668)	(1.372)	(840)	(998)
Operating Profit	7.360	7.195	4.233	1.176	3.744
Other income	(1.330)	(198)	(2.614)	(2.051)	(1.911)
PBT	6.029	6.997	1.619	(875)	1.833
taxes	(1.854)	(2.406)	(300)	(67)	(524)
Minority interest	(320)	(657)	(91)	(49)	(72)
EPS	286	292	69	(98)	74
Net Profit	3.882	3.963	938	(1.327)	998
EBITDA	8.486	10.094	5.844	3.249	6.065

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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