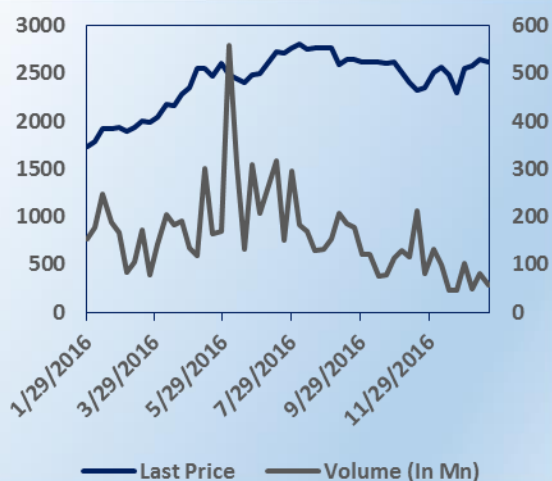


2 February 2016  
Construction, Equity

Price IDR. 2560  
Target Price IDR. 3525  
JKSE Index 5237,161



**Stock Code**  
**Bloomberg code** WSKT IJ  
**Market cap (IDR.bn)** 35,563.1  
**52-Week High (IDR)** 2,860  
**52-Week Low (IDR)** 1,710  
**6-m Avg Daily. Val (IDR)** 2,597  
**Free Float (%)** 33.96

**Major Shareholders (%)**  
**Government** 66.04%  
**Public** 33.96%

**USD/IDR-YE**  
**2016A** 13,436  
**2017F (6M Avg)** 13,221

**Key Indicators** 2017F  
**ROE (%)** 13.17  
**Total Debt/ Equity (x)** 2.53  
**Current ratio (x)** 0.74

**Analyst: Revita Dhiah Anggrainy**  
revita.anggrainy@binaartha.com

### Investment Consideration

#### Strengthening contribution from toll roads

PT Waskita Karya (Persero) Tbk plans to strengthen its toll road business with additional toll road concessions from 2017 onward. The company currently has 750 kilometers of toll road concessions in Java and Sumatra. From a total of 15 concessions, 8 will complete construction in 2017 & 2018. The 8 concessions are Ciawi-Sukabumi (54km), Bekasi-Cawang-Kampung Melayu (21km), Pemalang-Batang (39km), Solo-Ngawi (90km), Ngawi-Kertosono (87km), Semarang-Batang (75km), Medan-Kualanamu-T.Tinggi (62km), and Depok-Antasari (22km). In the September 2016 financial results, 1.05% of total revenue came from toll roads, compared to 0.22% in 2015. WSKT plans to IPO its toll road subsidiary Waskita Toll Road (WTR) to help expand its business & this plan is currently at the study stage.

#### Targeting 43% increase in order book

We target new contracts in 2017 totaling IDR80tn, an increase of 9.6% from our 2016 new contract target of IDR73tn. Total order book will reach IDR160tn in 2017, an increase of 43% yoy. As of September 2016, WSKT had booked new contracts of IDR58tn, an increase of 135.3% compared to IDR25tn in September 2015. Most new contracts in 2017 will come from toll road projects. In other business lines, WSKT plans to allocate IDR1tn to acquire additional land bank for its realty sector in 2017. In Energy, the 2x5 MW Mini Hydro Plant in Sangir, West Sumatera is currently finalizing construction and is targeted to be operating this year. We estimate revenue in 2017 of IDR37 tn, growth of 48.7% yoy.

#### Valuation: 38% upside

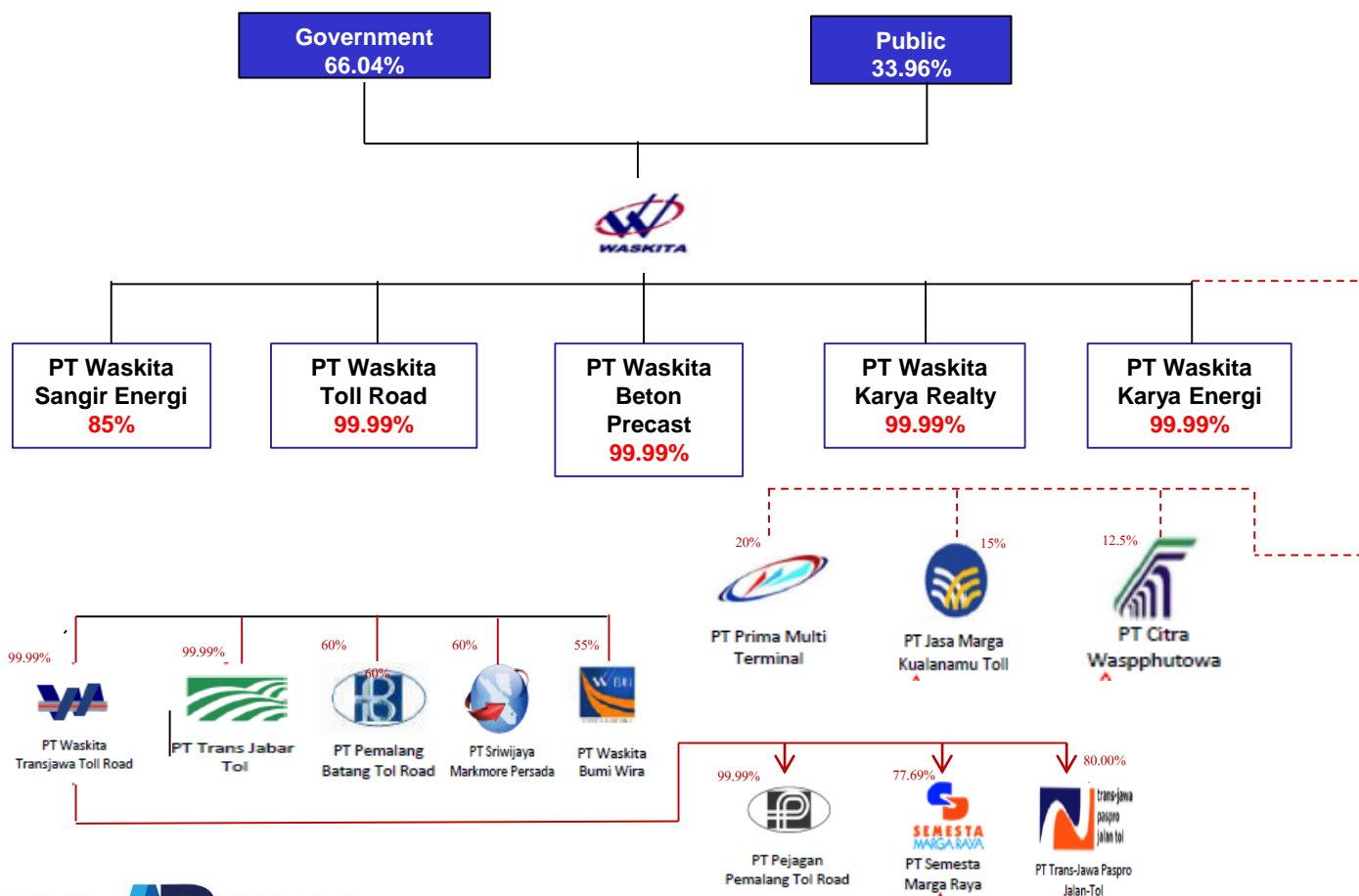
We have a one year target share price for WSKT of IDR3,525, which would put the stock on 19x PER & gives the shares 38% potential upside. We recommend BUY.

Profit and Loss (IDR.bn)	2013 A	2014 A	2015 A	2016 F	2017 F	2018 F
Revenue	9,686.61	10,286.81	14,152.75	25,447.25	37,835.44	59,551.89
Cost of Revenue	(8,775.91)	(9,177.92)	(12,231.51)	(21,884.64)	(32,538.48)	(51,214.63)
<b>Gross Profit</b>	<b>910.70</b>	<b>1,108.90</b>	<b>1,921.24</b>	<b>3,562.62</b>	<b>5,296.96</b>	<b>8,337.27</b>
Operating expense	(340.18)	(420.20)	(517.84)	(763.42)	(1,135.06)	(1,786.56)
<b>Operating Profit</b>	<b>672.19</b>	<b>885.81</b>	<b>1,414.99</b>	<b>2,786.47</b>	<b>4,142.98</b>	<b>6,520.93</b>
Other income	(62.14)	(119.67)	(15.50)	(254.47)	(378.35)	(595.52)
<b>PBT</b>	<b>610.05</b>	<b>766.14</b>	<b>1,399.49</b>	<b>2,532.00</b>	<b>3,764.63</b>	<b>5,925.41</b>
taxes	(243.23)	(254.39)	(350.41)	(809.22)	(1,203.17)	(1,893.75)
Minority interest	0.09	0.32	0.15	(12.72)	(18.92)	(29.78)
EPS	38.21	53.00	77.20	124.67	185.37	291.76
<b>Net Profit</b>	<b>368.06</b>	<b>511.89</b>	<b>1,047.74</b>	<b>1,692.24</b>	<b>2,516.06</b>	<b>3,960.20</b>
<b>EBITDA</b>	<b>832.56</b>	<b>987.78</b>	<b>1,882.22</b>	<b>3,308.08</b>	<b>4,770.10</b>	<b>7,189.47</b>



### Company Profile

PT Waskita Karya (Persero) Tbk was established as a state owned company on January 1, 1961. Originally a Dutch company named “Volker Aannemings 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



Waskita Karya's Business Lines

<p><b>1</b> <b>Construction</b></p>	<p><b>2</b> <b>Toll Road</b></p>	<p><b>3</b> <b>Precast</b></p>	<p><b>4</b> <b>Realty</b></p>	<p><b>5</b> <b>Energy</b></p>
				
<p>Civil and Building construction including :</p> <ul style="list-style-type: none"> <li>- Airport</li> <li>- Harbour</li> <li>- Road/Highway</li> <li>- Railway</li> <li>- Bridges</li> <li>- Highrise building</li> <li>- Power plants</li> <li>- etc</li> </ul>	<ul style="list-style-type: none"> <li>• Build and Operate Toll Road</li> <li>• Engage in 15 sections in Java &amp; Sumatera</li> </ul>	<ul style="list-style-type: none"> <li>• Listed in IDX on 20 September 2016 by issuing new shares amounting Rp 5,2 T</li> <li>• Production of high quality concrete products including:             <ul style="list-style-type: none"> <li>- Girder</li> <li>- Spun Pile</li> <li>- Box Culvert</li> <li>- Sheet Pile</li> <li>- Etc</li> </ul> </li> </ul>	<p>Realty and Property Development, focusing on highrise building for :</p> <ul style="list-style-type: none"> <li>- Hotel</li> <li>- Apartment</li> <li>- SOHO</li> <li>- Office</li> <li>- Mixed Use</li> </ul>	<p>Build and operate mini hydro power plants</p> 

Construction



The Company's market includes Government, SOE/Regional Enterprises, and private sector companies, both domestic and foreign. WSKT's main services include building projects, civil projects, and EPC. The company is currently undergoing a transformation to further develop its businesses, precast, concrete, realty, toll road investments, & energy, in order to strengthen its competitive advantage and add more value. As a part of the transformation, the company has set up 4 geographical sub divisions.



Precast



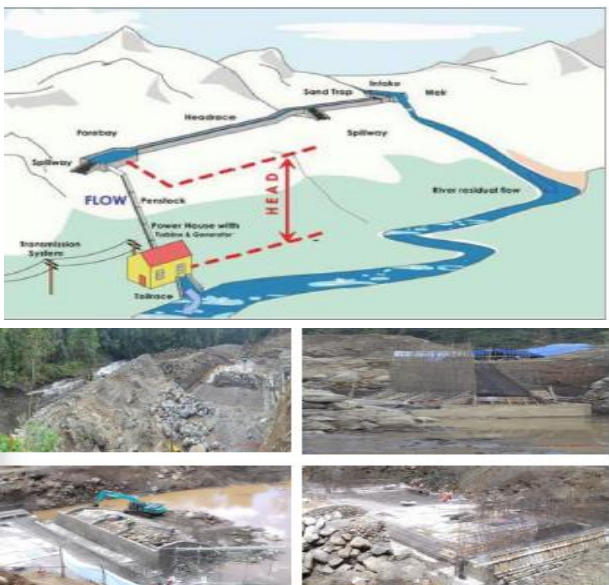
As of September 2016, The company concrete plants have total capacity of 2.3 million MT together with 28 readymix batching plants. The Company's concrete plants are spread out through Karwang, Sadang, Cibitung, Sidoarjo, Kalijati, Bojonegara, and Palmebang, Readymix batching plants are located in Central Java, Jakarta, South Sumatera, and East Java. The Company's precast products include Girder, Spun Pile, Square Pile, Box Girder, Pier Head, while readymix products include ready mix with a concrete quality of K100-K700.

Realty



Currently, all realty investments are carried out by PT Waskita Karya Realty. The company owns 10 investment projects including 8 projects in Java, 1 project in Bali, and 1 in Sumatera. WSKT Realty's total landbank of 11,1 Ha is mostly in the Jakarta area, followed by Surabaya, Bali, and Medan. Realty's projects include Dafam Teraskita (Hotel & Office), Brooklyn (Apartment, SOHO & Office), Yukata Suites (Apartment), Two Senopati (Apartment), RNI Office Park (Office), Apartment Pejaten, Nines CBD (Mixed Use), 88 Avenue (Mixed Use), Zalakka (Hotel & Apartment), and The Reiz Condo (Apartment & Condo).

Energy



In energy, the company has established a subsidiary in the mini hydro power plant sector called Waskita Sangir Energi, which is located in Sangir, West Sumatera. The total investment is Rp266bn for an output capacity of 10 MW. The project as of September 2016 is in the final stages of construction. This power plant is a BOO scheme for 20 years dating from the start of construction in May 2014. WSKT has 85% ownership, while JV partner PT Shalawat Power has 15%.

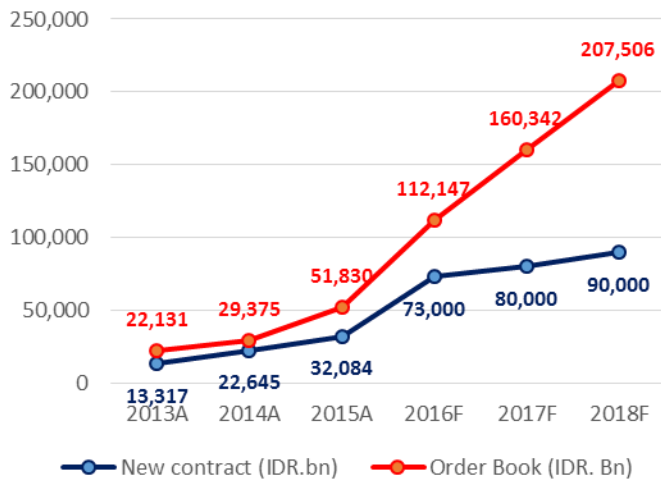
**Table: Toll road projects of WSKT**

Section	Length (Km)	Shares (%)	Target Completion
Kanci Pejagan	35	77.69	Opearting
Pejagan - Pemalang	57	99.99	Sec 1 &2: Operating
Ciawi - Sukabumi	54	99.99	2018
Cimanggis - Cibitung	26	90	2019
Pasuruan - Probolinggo	31	80	2020
Bekasi - Cawang - Kampung Melayu	21	60	2018
Pemalang - Batang Kayu Agung	39	60	2018
palembang - Betung	112	60	2019
Legundi - Bunder	29	55	2019
Solo -Ngawi	90	40	2018
Ngawi - Kertosono	87	40	2018
Semarang - Batang	75	40	2018
Cinere - Serpong	10	35	2020
Medan _ Kualanamu _ T. Tinggi	62	30	2018
Depok Antasari	22	25	2017

**Focus on strengthening toll road business line**

To strengthen its toll road business, PT Waskita Karya (Persero) Tbk is targeting additional toll road concessions in 2017 onward. The company already has 15 toll road concessions covering 750 kilometers in Java and Sumatra. Out of the 15 concessions, 8 will complete construction in 2017 & 2018. The 8 concessions are Ciawi-Sukabumi (54km), Bekasi-Cawang-Kampung Melayu (21km), Pemalang-Batang (39km), Solo-Ngawi (90km), Ngawi-Kertosono (87km), Semarang-Batang (75km), Medan-Kualanamu-T.Tinggi (62km), and Depok-Antasari (22km). In the September 2016 financial results, 1.05% of total revenue came from toll roads, compared to 0.22% in 2015. WSKT plans to IPO its toll road subsidiary Waskita Toll Road (WTR) to help expand its business & this plan is currently at the study stage. The expansion is part of WSKT’s position as one of the development agents contributing to toll road development in the country.

**Table: New contract and order book yoy (IDR. In bn)**  
(IDR. in bn)

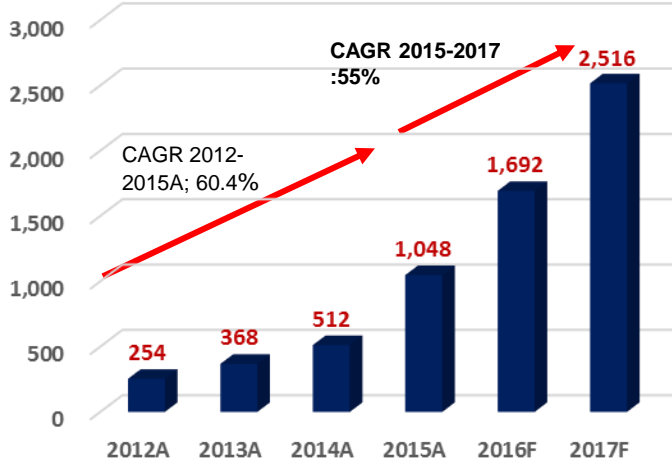


**Targeting 43% increase in order book**

We target new contracts in 2017 totaling IDR80tn, an increase of 9.6% from our 2016 new contract target of IDR73tn. Total order book will reach IDR160tn in 2017, an increase of 43% yoy. As of September 2016, WSKT had booked new contracts of IDR58tn, an increase of 135.3% compared to IDR25 tn in September 2015. Most new contracts in 2017 will come from toll road projects. In other business lines, WSKT plans to allocate IDR1 tn to acquire additional landbank for its Realty sector in 2017. In Energy, the 2x5 MW Mini Hydro Plant in Sangir, West Sumatera is currently finalizing construction and is targeted to be operating this year.

In precast, the target is to add five more plants in Palembang (South Sumatera), Klaten (Central Java), East Kalimantan, South Sulawesi, and North Sumatera with production capacity expected to rise to 3.8 million MT in 2018 from the current 2.3 million MT as of September 2016. WSKT plans capex for 2017 of IDR30tn with the source of fund coming from bank loans, bonds, and an injection of fund from strategic investors. We estimate revenue in 2017 will increase 48.7% yoy to IDR37trn

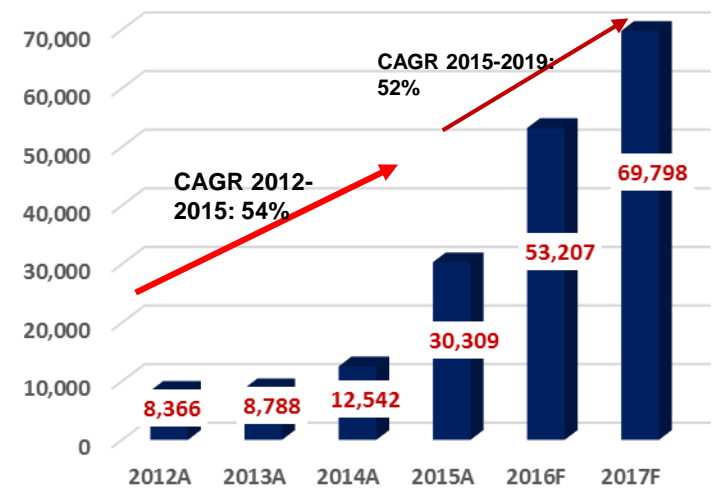
Chart: Net Income YoY (IDR. Bn)



Valuation: 38% upside

By expanding their business in precast, concrete, realty, toll road investments (as part of the national development plan), & energy, we forecast 2017 EPS will grow to IDR185.37 or an increase of 55% in CAGR from 2015 to 2017. We have a one year target share price for WSKT of IDR3,525, which would put the stock on 19x PER & gives the shares 38% potential upside. We recommend BUY.

Chart: Total Assets YoY (IDR. Bn)



Profit and Loss (IDR.bn) YoY

Profit and Loss (IDR.bn)	2013 A	2014 A	2015 A	2016 F	2017 F	2018 F
Revenue	9,686.61	10,286.81	14,152.75	25,447.25	37,835.44	59,551.89
Cost of Revenue	(8,775.91)	(9,177.92)	(12,231.51)	(21,884.64)	(32,538.48)	(51,214.63)
<b>Gross Profit</b>	<b>910.70</b>	<b>1,108.90</b>	<b>1,921.24</b>	<b>3,562.62</b>	<b>5,296.96</b>	<b>8,337.27</b>
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EPS	38.21	53.00	77.20	124.67	185.37	291.76
<b>Net Profit</b>	<b>368.06</b>	<b>511.89</b>	<b>1,047.74</b>	<b>1,692.24</b>	<b>2,516.06</b>	<b>3,960.20</b>
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Ratio Highlights

	2013 A	2014A	2015A	2016 F	2017F	2018F
<b>Growth (% YoY)</b>						
Sales	9.97%	6.20%	37.58%	79.80%	48.68%	57.40%
OP	24.45%	31.78%	59.74%	96.92%	48.68%	57.40%
EBITDA	41.17%	18.64%	90.55%	75.75%	44.20%	50.72%
NP	44.89%	39.08%	104.68%	61.51%	48.68%	57.40%
EPS	44.89%	38.71%	45.64%	61.50%	48.68%	57.40%
<b>Profitability</b>						
Operating Margin(%)	6.94%	8.61%	10.00%	10.95%	10.95%	10.95%
EBITDA margin(%)	8.59%	9.60%	13.30%	13.00%	12.61%	12.07%
NET Profit margin(%)	3.80%	4.98%	7.40%	6.65%	6.65%	6.65%
ROA(%)	4.19%	4.08%	3.46%	3.18%	3.73%	4.30%
ROE(%)	15.44%	17.97%	10.80%	10.46%	13.17%	15.35%
<b>Liquidity</b>						
Current ratio	1.23	1.15	0.92	0.79	0.74	0.82
<b>Solvability</b>						
Total debt/ equity (X)	2.69	3.40	2.12	2.29	2.53	2.57
Gross debt (IDR bn)	6,405	9,693	20,605	37,032	48,307	66,242
<b>Per Share data (IDR)</b>						
EPS	38.2	53.0	77.2	124.7	185.4	291.8
BVS	247	295	715	1,192	1,408	1,901
EBITDA/share	86.4	102.3	138.7	243.7	351.4	529.7

**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.

**RESEARCH TEAM**  
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