

9 Sept 2020  
Construction, Equity

Price IDR. 630  
Target Price IDR. 890  
JKSE Index 5244.07



**Stock Code**  
**Bloomberg code** WSKT IJ  
**Market cap (IDR.bn)** 8551.6  
**52-Week High (IDR)** 1800  
**52-Week Low (IDR)** 394  
**6-m Avg Daily. Val (IDR)** 630  
**Free Float (%)** 33.96

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

**USD/IDR-YE**  
**2019A** 13866  
**2020F ( Avg)** 14765

**Key Indicators** 2020F  
**Debt/ Equity (x)** 2.59  
**Current ratio (x)** 0.87

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### Investment Consideration

#### Lower new contract target

WSKT booked new contracts in 1H20 of IDR 8,13 trillion, 31% of the 2020F target. Most of the new contracts, 74,18%, are from business development, 23,95% from Government, and 1,87% from private projects. WSKT is currently aiming for a more balanced payment structure by focusing on projects that use progress payment schemes and reducing exposures to pre-financing/turnkey projects. We revise our target new contracts in 2020F, to 15% of WSKT's target and the balance we shift to 2021. WSKT will achieve their revenue target this year by accelerating the progress of infrastructure projects temporarily halted during PSBB. They will also look to get more conventional projects from SOE, government as well as private customers, while eyeing new markets such as transportation, connectivity, water resources and land development projects ..

#### Lower revenue in 1H20

As of 1H20, WSKT booked revenue of IDR. 8 trn, down -46% yoy. This is caused by WSKT being very selective on land acquisition, especially for toll road projects, in order to better manage their balance sheet and leverage. Slow progress of only 40% - 50% in several on-going projects is because of the large scale social distancing ("PSBB") measures during the period of April - May 2020, and also negatively affected revenue. The bottom line was a net loss of IDR. -1,1 trn, caused by high interest expense from operating toll roads. The company is negotiating several debt reprofiling scheme such as payment rescheduling and interest rate adjustment at the WSKT level as well as the toll road level

#### Huge cash inflows

This year, WSKT is targeting to receive Rp 30 - 35 Tn of project payments as well as a disbursement for land acquisition from LMAN amounting to Rp 3,8 Tn. As of 1H20, WSKT has received Rp 7,1 Tn of turnkey project payments and Rp 5,3 Tn of conventional project payments and will receive additional turnkey payments from several toll roads and LRT projects in 2H20. This year, WSKT plans to divest 5 toll roads with estimated gains of around Rp 1,2 - 1,3 Trn. This includes Bekasi - Cawang - Kampung Melayu toll road (16,05 Km), Cibitung-Cilincing toll road (35 Km), and other 3 toll roads (175km)

#### Valuation: 42% upside

We revise our WSKT target price based on adjustments after the 1H20 to IDR.890/share or trading at 14X PER. With 42% upside, we recommend BUY.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
<b>Revenue</b>	<b>45.213</b>	<b>48.789</b>	<b>31.387</b>	<b>21.000</b>	<b>28.440</b>
Cost of Revenue	(35.749)	(39.926)	(25.783)	(18.060)	(23.036)
<b>Gross Profit</b>	<b>9.464</b>	<b>8.863</b>	<b>5.605</b>	<b>2.940</b>	<b>5.404</b>
Operating expense	(2.104)	(1.668)	(1.372)	(1.050)	(1.138)
<b>Operating Profit</b>	<b>7.360</b>	<b>7.195</b>	<b>4.233</b>	<b>1.890</b>	<b>4.266</b>
EPS	286	292	69	(90)	64
<b>Net Profit</b>	<b>3.882</b>	<b>3.963</b>	<b>938</b>	<b>(1.226)</b>	<b>872</b>
<b>EBITDA</b>	<b>8.486</b>	<b>10.094</b>	<b>5.844</b>	<b>3.853</b>	<b>6.710</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 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**

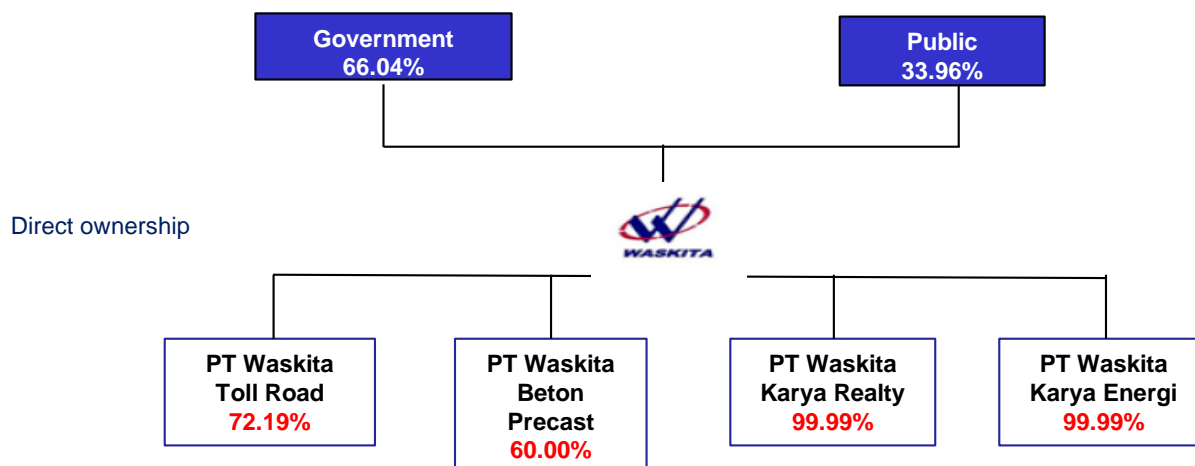


Chart: New contract and order book yoy (IDR. In bn)

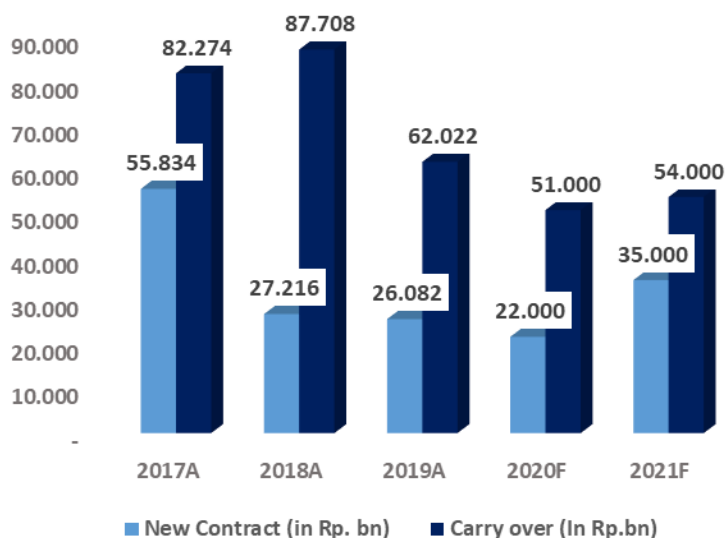


Chart: New contract segmentation based on owner as of 1H20

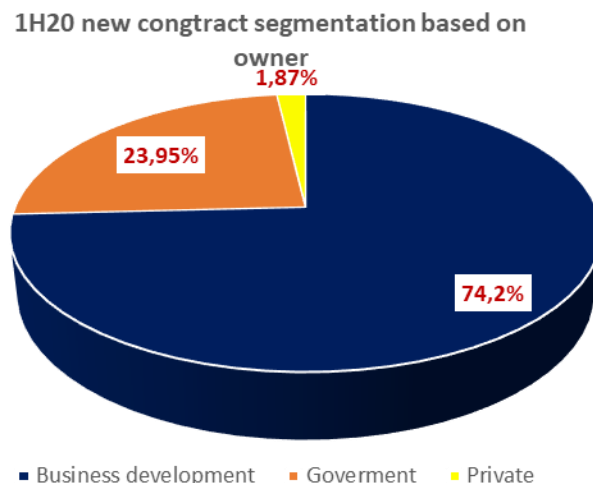


Chart: EBITDA margin YoY (%)

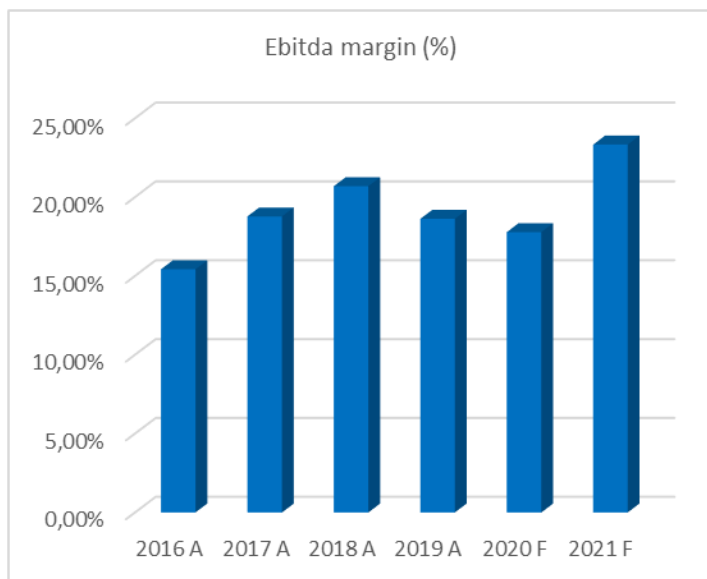


Chart: Debt to equity ratio (yoy)

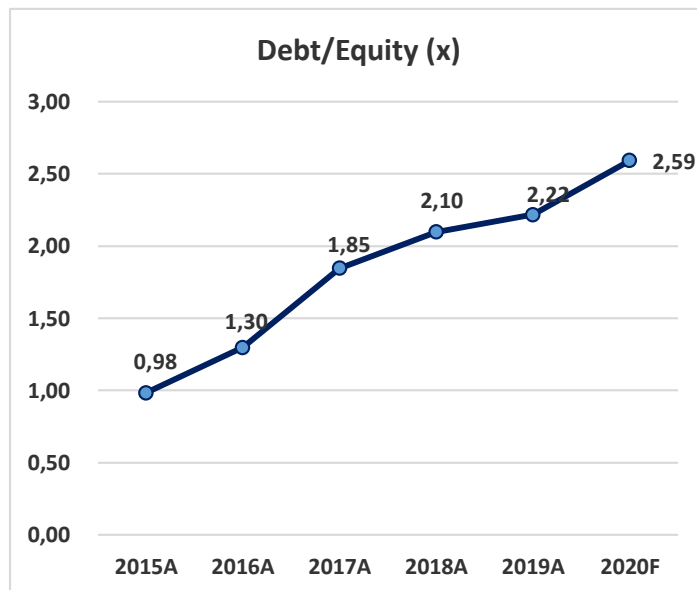


Table: Toll Road Divestment 2020 target

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
<b>Growth (% YoY)</b>					
Sales	90,06%	7,91%	-35,67%	-33,09%	35,43%
OP	80,37%	11,68%	-35,42%	-29,95%	27,55%
EBITDA	131,35%	18,95%	-42,10%	-34,06%	74,12%
NP	126,57%	2,09%	-76,33%	-230,72%	-171,08%
EPS	93,90%	2,09%	-76,33%	-230,73%	-171,08%
<b>Profitability (%)</b>					
Operating Margin(%)	16,28%	14,75%	13,49%	9,00%	15,00%
EBITDA margin(%)	18,77%	20,69%	18,62%	18,35%	23,59%
NET Profit margin(%)	8,59%	8,12%	2,99%	-5,84%	3,07%
ROA(%)	3,97%	3,19%	0,77%	-0,98%	0,62%
ROE(%)	17,06%	13,72%	3,22%	-4,56%	3,05%
<b>Liquidity (x)</b>					
Current ratio	1,00	1,18	1,09	0,85	0,87
<b>Solvability (x)</b>					
Debt/ equity (X)	1,85	2,10	2,22	2,59	2,75
Gross debt (IDR bn)	42.002	60.561	64.530	69.697	78.697
<b>Per Share data (IDR)</b>					
EPS	286,0	291,9	69,1	-90,4	64,2
BVS	1.677	2.128	2.145	1.981	2.108

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	(1.226,4)	871,7
Depreciation	524,7	637,6	604,7	656,1	696,0
- Change in WC	3.744,1	(5.314,9)	4.587,7	8.977,3	(2.300,2)
<b>Cash From Operating Activities</b>	<b>8.150,5</b>	<b>(714,4)</b>	<b>6.130,6</b>	<b>8.407,1</b>	<b>(732,4)</b>
capex	(24.273,0)	(12.571,3)	(16.753,7)	(13.084,9)	(10.015,3)
<b>cash from investing activities</b>	<b>(24.273,0)</b>	<b>(12.571,3)</b>	<b>(16.753,7)</b>	<b>(13.084,9)</b>	<b>(10.015,3)</b>
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)	2.410,4	2.901,6
Equity	2.099,9	2.169,5	(706,8)	(1.006,6)	855,7
<b>cash from financing activities</b>	<b>11.555,5</b>	<b>17.742,5</b>	<b>9.035,8</b>	<b>2.570,4</b>	<b>8.757,3</b>
Net Changes in Cash	(4.567,0)	4.756,7	(1.587,4)	(2.107,4)	(1.990,4)
<b>Beginning Balance</b>	<b>10.656,0</b>	<b>6.089,0</b>	<b>10.845,7</b>	<b>9.258,3</b>	<b>7.150,9</b>
<b>Ending balance</b>	<b>6.089,0</b>	<b>10.845,7</b>	<b>9.258,3</b>	<b>7.150,9</b>	<b>5.160,5</b>

**Balance Sheet (IDR.bn) yoy**

Balance sheet (IDR.bn)	2017A	2018A	2019A	2020F	2021F
Cash	6.089	10.846	9.258	7.151	5.161
Short term Investment	8	8	8	8	8
AR	1.871	3.768	3.556	2.301	3.273
Inventory	3.236	5.089	4.471	6.329	6.233
Other Current Asset	41.223	47.278	31.744	23.100	31.284
<b>Total Current Asset</b>	<b>52.427</b>	<b>66.989</b>	<b>49.038</b>	<b>38.889</b>	<b>45.959</b>
Fixed Asset	4.742	7.091	8.663	8.700	9.979
Other non current Asset	40.726	50.311	64.888	77.280	85.320
<b>Total Non Current Asset</b>	<b>45.469</b>	<b>57.402</b>	<b>73.551</b>	<b>85.980</b>	<b>95.299</b>
<b>Total Asset</b>	<b>97.896</b>	<b>124.392</b>	<b>122.589</b>	<b>124.870</b>	<b>141.258</b>
Account Payable	14.098	14.906	12.381	12.658	14.025
Short term bank loan	24.291	27.959	22.162	26.162	30.162
Other Current liabilities	13.920	13.935	10.480	7.140	8.532
<b>Total Current Liabilities</b>	<b>52.309</b>	<b>56.800</b>	<b>45.023</b>	<b>45.960</b>	<b>52.720</b>
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	8.190	11.092
<b>Total Non Current Liabilities</b>	<b>22.832</b>	<b>38.705</b>	<b>48.447</b>	<b>52.024</b>	<b>59.926</b>
<b>Total Liabilities</b>	<b>75.141</b>	<b>95.504</b>	<b>93.471</b>	<b>97.984</b>	<b>112.646</b>
<b>Equity</b>	<b>22.755</b>	<b>28.887</b>	<b>29.118</b>	<b>26.885</b>	<b>28.613</b>
<b>Liabilities + equity</b>	<b>97.896</b>	<b>124.392</b>	<b>122.589</b>	<b>124.870</b>	<b>141.258</b>

**Profit and Loss (IDR.bn yoy)**

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Operating expense	(2.104)	(1.668)	(1.372)	(1.050)	(1.138)
<b>Operating Profit</b>	<b>7.360</b>	<b>7.195</b>	<b>4.233</b>	<b>1.890</b>	<b>4.266</b>
Other income	(1.330)	(198)	(2.614)	(2.552)	(2.187)
<b>PBT</b>	<b>6.029</b>	<b>6.997</b>	<b>1.619</b>	<b>(662)</b>	<b>2.079</b>
taxes	(1.854)	(2.406)	(300)	(84)	(853)
Minority interest	(320)	(657)	(91)	(61)	(82)
EPS	286	292	69	(90)	64
<b>Net Profit</b>	<b>3.882</b>	<b>3.963</b>	<b>938</b>	<b>(1.226)</b>	<b>872</b>
<b>EBITDA</b>	<b>8.486</b>	<b>10.094</b>	<b>5.844</b>	<b>3.853</b>	<b>6.710</b>

**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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