

28 April 2020
Precast, Equity

Price **IDR. 141**
Target Price **IDR. 300**
JKSE Index **4513,14**



Stock Code
Bloomberg code **WSBP IJ**
Market cap (IDR.bn) **3690.6**
52-Week High (IDR) **452**
52-Week Low (IDR) **109**
6-m Avg Daily. Val (IDR) **250**
Free Float (%) **40.00**

Major Shareholders (%)
PT Waskita Karya (Persero) Tbk **59.99%**
Koperasi Waskita **0.01%**
Public **40.00%**

USD/IDR-YE
2019A **13866**
2020F (Avg) **15400**

Key Indicators **2020F**
Debt/ Equity (x) **0.78**
Current ratio (x) **0.39**

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Investment Consideration

Continued external expansion

WSBP is targeting contracts of IDR 11.9 tn in 2020, up 70% yoy. The significant increase mainly comes from large projects which should be executed in 2019 but were postponed. New contracts for 2020 are targeted to include several toll roads, buildings, and LRT projects such as in the Philippines. Starting 2019, WSBP has been expanding the use of their latest innovative products to cooperate with companies including SOEs, SOE subsidiaries, private companies, governments, and overseas companies. The new product innovation includes a 1.2-m in diameter and 50-m long spun pile which is the first kind of such precast product in Indonesia and even Southeast Asia. Other new products include concrete railway, concrete poles and sprig WP. This year, WSBP is continuing its target to increase new contracts from external parties. In early 2020, WSBP has signed an MOU of Cooperation with PT Pertamina Trans Continental for repair and construction of ports, and with PT Angkasa Pura Properti for the construction and maintenance of the airport area. In both partnerships, WSBP has a role in providing precast concrete products. In addition, the company also signed a Contract for Concrete Bearing Procurement for the Ministry of Transportation of the Republic of Indonesia-Directorate General of Railways. Later, WSBP will supply railroad-related products for railroad development projects from 2020 to 2022. As of 1Q20, WSBP has new contracts worth IDR 576 bn comprising Padang – Sicincin toll road (IDR 170 bn), Indralaya – Prabumulih (IDR 62bn), Jakarta Garden City complex (IDR 24bn), Manggarai – Jatinegara Railway facilities (IDR 25bn), Lampung Bay projects (IDR 60bn). Based on project owner, new contracts in 1Q20 came from private companies (74.02%) and SOE (25.98%). We estimate there will be a decrease in the number of new contracts this year due to the Covid-19 outbreak. But we remain optimistic as WSBP has carry-over contracts of IDR 8.9 trillion, most of which are toll roads in Java and Sumatera.

Strengthening market share

To strengthen their position in the precast market, WSBP is trying to boost capacity by upgrading most of the existing plants' capacity to 3.7 mn tons. In 2020 WSBP is targeting to add capacity again to reach 4mn tons. The capacity improvements will be made to existing plants such as in Gasing (South Sumatera) and Bojonegara (Banten) that have direct dock access. In addition, WSBP plans to build a new plant in Penajam (East Kalimantan) which is planned to be completed this year as a preparation for the construction of the new capital.

Valuation: significant upside

Using the assumption an adjusted WACC of 8.3%, we have a one-year target price of IDR 300/share, which represents a significant upside and a 6.6x PER. We recommend BUY.

Profit and Loss					
(IDR.bn)	2017A	2018A	2019A	2020F	2021F
Revenue	7.104	8.000	7.467	8.304	9.110
Cost of revenues	(5.156)	(6.154)	(5.904)	(6.560)	(7.106)
Gross Profit	1.948	1.846	1.563	1.744	2.004
Operating expense	(415)	(196)	(274)	(249)	(273)
Operating Profit	1.534	1.650	1.289	1.495	1.731
Other income	(377)	(294)	(340)	(350)	(405)
Pretax income(PBT)					
taxes	(156)	(252)	(143)	(193)	(211)
Net Profit	1.000	1.103	806	952	1.115
EPS	39	43	33	39	45
EBITDA	1.908	2.038	1.603	1.897	2.204

Company Profile

PT Waskita Beton Precast Tbk (WSBP) was formally established as a subsidiary of PT Waskita Karya (Persero) Tbk (WSKT) on October 7, 2014. WSBP is a company that focuses on precast and ready mixed concrete production, and it became the largest producer in Indonesia. The company listed its shares on the Indonesian Stock Exchange market (BEI) on September 20, 2016. As of 2019, WSBP has an approximate production capacity of 3.7 million tons per year from its 9 plants, as well as 73 batching plants and 5 quarries. Many famous landmarks have been built using WSBP's precast & ready mix concrete, including Bali's Benoa highway, the Gempol-Pasuruan highway, the Gempol-Porong highway, the Pejagan-Pemalang highway (both packets 1&2), an LRT in Palembang, the Becakayu highway sections 1B and 1C, Terminal 3 in Soekarno Hatta International Airport, the busway route in Adam Malik, an underpass in Palembang, as well as other famous Indonesian architectural projects.

Plant Location



Chart: WSBP's production installment capacities yoy

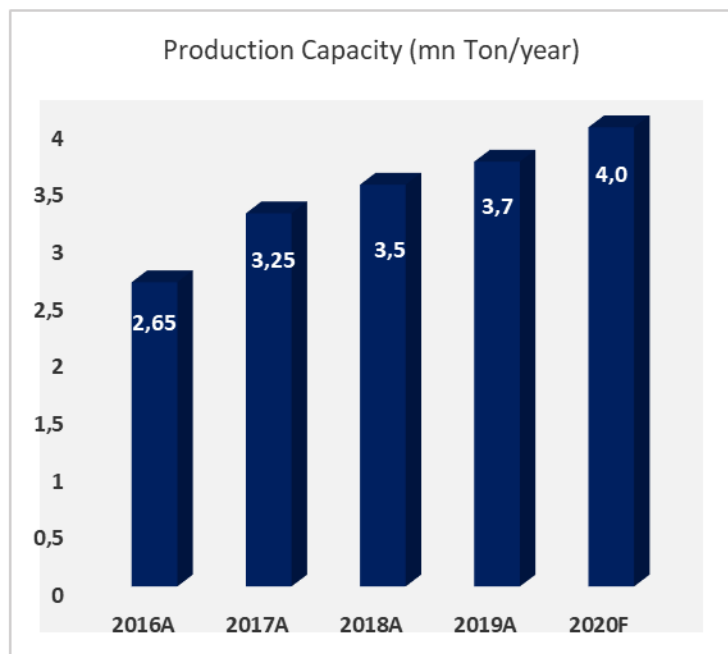


Chart: New contract and carry over contract yoy (in IDR. Trillion)

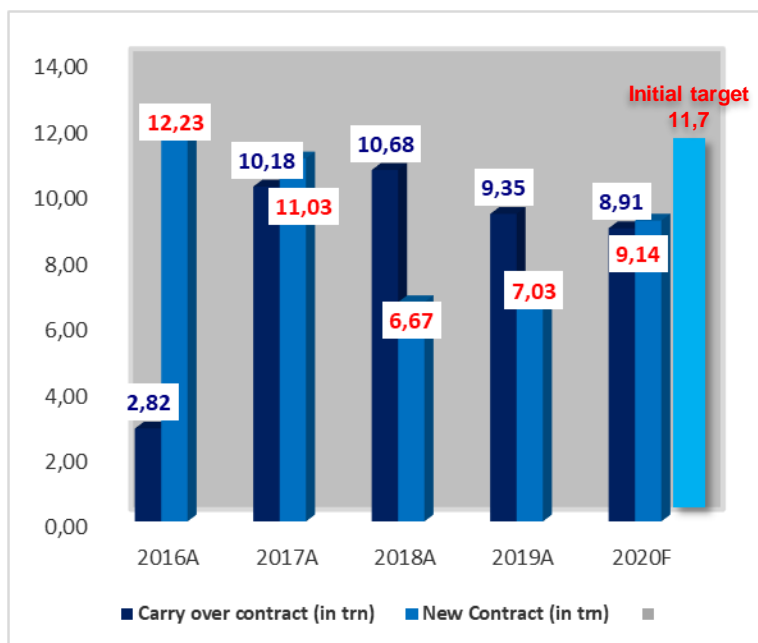


Chart: WSBP's new contract based on project owner (%) YoY

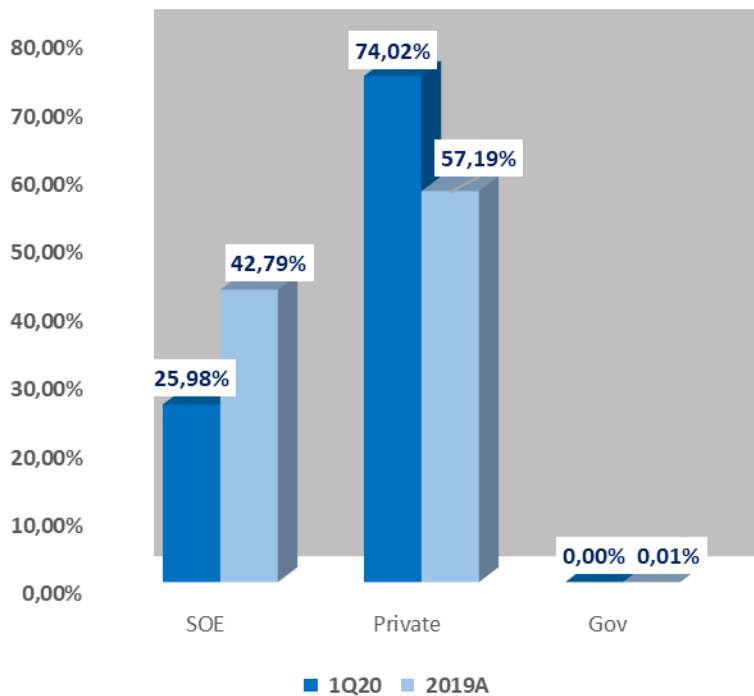
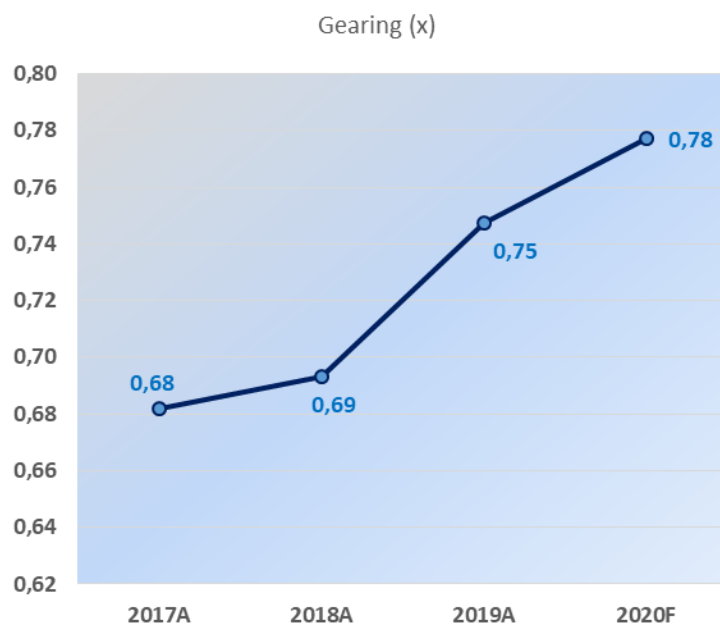


Chart: WSBP's gearing ratio (x) yoy



Profit and Loss (IDR.bn) yoy

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taxes	(156)	(252)	(143)	(193)	(211)
Net Profit	1.000	1.103	806	952	1.115
EPS	39	43	33	39	45
EBITDA	1.908	2.038	1.603	1.897	2.204

Cash Flow (IDR.bn) yoy

Cash Flow (IDR. bn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	1.000	1.103	806	952	1.115
+Depreciation	375	389	314	402	473
- Change in WC	-740	1.344	-1.636	214	1.179
Cash From Operating Activities	635	2.836	-517	1.569	2.767
capex	-1.591	-1.966	-1.329	-1.423	-2.150
Other non current asset	309	-64	-452	-35	-73
cash from investing activities	-1.282	-2.030	-1.781	-1.458	-2.223
Bond payable	0	0	1.990	0	1.000
Long term bank loan to related party	-1.449	0	0	0	0
Employee benefit liabilities	7	1	9	0	0
Deffered tax liabilities	0	3	22	3	3
Equity	-1.089	-538	-554	318	-731
cash from financing activities	-2.531	-534	1.468	321	272
Net Changes in Cash	-3.177	271	-830	431	816
Beginning Balance	4.206	1.028	1.299	469	901
Ending balance	1.028	1.299	469	901	1.717

Balance sheet (IDR.bn) yoy

Balance sheet (IDR. bn)	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	1.028,35	1.299,20	469,33	900,68	1.716,80
Trade Account Receivable	6.627,12	4.254,48	2.502,05	3.412,46	3.494,10
inventory	858,69	2.228,09	1.536,51	1.797,23	1.946,71
Other current asset	3.060,78	2.454,36	5.187,47	4.982,19	4.554,81
Total current Asset	11.574,94	10.236,13	9.695,35	11.092,56	11.712,43
Net Fixed Asset other long term asset	3.148,70	4.726,30	5.741,68	6.762,31	8.439,36
	195,90	259,96	712,09	747,33	819,87
Total non current Asset	3.344,60	4.986,26	6.453,77	7.509,64	9.259,23
Total Asset	14.919,55	15.222,39	16.149,12	18.602,20	20.971,65
Trade account payable	2.318,21	1.404,92	1.651,56	1.592,48	1.996,63
Short Term bank loans	4.988,01	5.463,10	4.091,24	5.318,61	5.850,47
Advances from customer	86,51	106,49	68,77	83,04	91,10
Other Current liabilities	200,70	352,75	168,35	166,07	204,97
Total current liabilities	7.593,43	7.327,26	5.979,92	7.160,21	8.143,17
Bond payable	0,00	0,00	1.990,14	1.990,14	2.990,14
Long term bank loan to related party	0,00	0,00	0,00	0,00	0,00
Employee benefit liabilities	9,46	10,26	19,50	19,50	19,50
Deffered tax liabilities	0,00	2,55	25,02	27,82	30,52
Total non current liabilities	9,46	12,81	2.034,65	2.037,46	3.040,16
Total Liabilities	7.602,89	7.340,08	8.014,57	9.197,66	11.183,33
Total Equities	7.316,66	7.882,31	8.134,55	9.404,54	9.788,33
Total Liabilities and equity	14.919,55	15.222,39	16.149,12	18.602,20	20.971,65

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	50,60%	12,61%	-6,66%	11,20%	9,71%
OP	37,82%	7,57%	-21,87%	15,96%	15,80%
EBITDA	55,17%	6,80%	-21,38%	18,35%	16,22%
NP	57,58%	10,31%	-26,94%	18,13%	17,07%
EPS	14,20%	10,31%	-22,85%	18,13%	17,07%
Profitability					
Operating Margin(%)	21,59%	20,62%	17,26%	18,00%	19,00%
EBITDA margin(%)	26,86%	25,48%	21,46%	22,84%	24,20%
NET Profit margin(%)	14,08%	13,79%	10,80%	11,47%	12,24%
ROA(%)	6,70%	7,25%	4,99%	5,12%	5,32%
ROE(%)	13,67%	14,00%	9,91%	10,13%	11,39%
Liquidity					
Current ratio (X)	1,52	1,40	1,62	1,55	1,44
cash ratio (x)	0,14	0,18	0,08	0,13	0,21
Solvability					
Debt/ Equity	0,68	0,69	0,75	0,78	0,90
Debt ratio	0,33	0,36	0,38	0,39	0,42
Per Share data (Rp)					
EPS	38,64	42,62	32,88	38,84	45,47
BVS	0,00	0,00	0,00	0,00	0,00

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 0-19%.

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

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