

13 July 2020
Construction, Equity

Price IDR. 720
Target Price IDR. 1300
JKSE Index 5054.86



Stock Code
Bloomberg code WSKT IJ
Market cap (IDR.bn) 9976.9
52-Week High (IDR) 2180
52-Week Low (IDR) 394
6-m Avg Daily. Val (IDR) 735
Free Float (%) 33.96

Major Shareholders (%)
Government 66.04%
Public 33.96%

USD/IDR-YE
2019A 13866
2020F (Avg) 14413

Key Indicators 2020F
ROE (%) 2.91
Debt/ Equity (x) 2.46
Current ratio (x) 0.96

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Investment Consideration

A better outlook

WSKT booked new contracts in 1Q20 of IDR 3,16 trillion, 6,3% of the 2020F target. The new contracts are from toll and building projects. Most of the new contracts, 76%, are from private businesses and the rest are government projects. Large new contracts in 1Q20 include the Pasuruan – Probolinggo section 4 toll road and UIN Jambi projects. The total order book up to 1Q20 is IDR. 54 trillion, 50% from WSKT's internal business development projects. Going forward, WSKT aims to broaden their business portfolio by penetrating into new markets overseas and non-toll road infrastructure projects. We revise our target new contracts in 2020F, using a worse case scenario, to 70% of the initial target of IDR. 50 trillion, and the balance is shifted to 2021

Covid 19 mitigation

To mitigate the Covid-19 impact, WSKT has executed several action plans such as an OPEX efficiency program and re-evaluation of 2020 capex. WSKT has proposed several action plans to the ministry of SOE to prevent key ratio breaches such as tenor relaxation for supply chain and rescheduling tenor and interest payments for bank loans and bonds. WSKT will also ensure projects outside red zone areas will operate normally and will speed up progress of those projects.

Huge cash inflows

WSKT is expecting a cash inflow in 2020 of IDR.10-11 trillion from several turnkey project payments. As of 1Q20, WSKT recorded positive operating cashflow of IDR. 2,8 trillion due to receipt of IDR. 7,1 trillion cash from turnkey project payments (Japek elevated and several toll roads projects) and IDR. 1,1 trillion of land reimbursement payments from LMAN 1Q20. WSKT's Divestment of 3 minority-owned and 1 majority –owned toll roads are in the due diligence process and are targeted to be finalized in 2H20. In addition, WSKT is planning to divest its shares in the Cibitung-Cilincing Toll road and has received a Letter of Intent from potential investors who are in the due diligence process.

Valuation: remain significant upside

Based on adjustments after 1Q20, we estimate a one year target price of WSKT of IDR 1300 or trading at 7x PER, with significant upside, we maintain our recommend to BUY.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
Revenue	45.213	48.789	31.387	23.452	44.899
Cost of Revenue	-35.749	-39.926	-25.783	-18.996	-36.369
Gross Profit	9.464	8.863	5.605	4.456	8.531
Operating expense	-2.104	-1.668	-1.372	-938	-1.796
Operating Profit	7.360	7.195	4.233	3.518	6.735
EPS	285,97	291,95	69,11	58,82	191,68
Net Profit	3.882	3.963	938	798	2.602
EBITDA	8.486	10.094	5.844	5.335	9.060

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

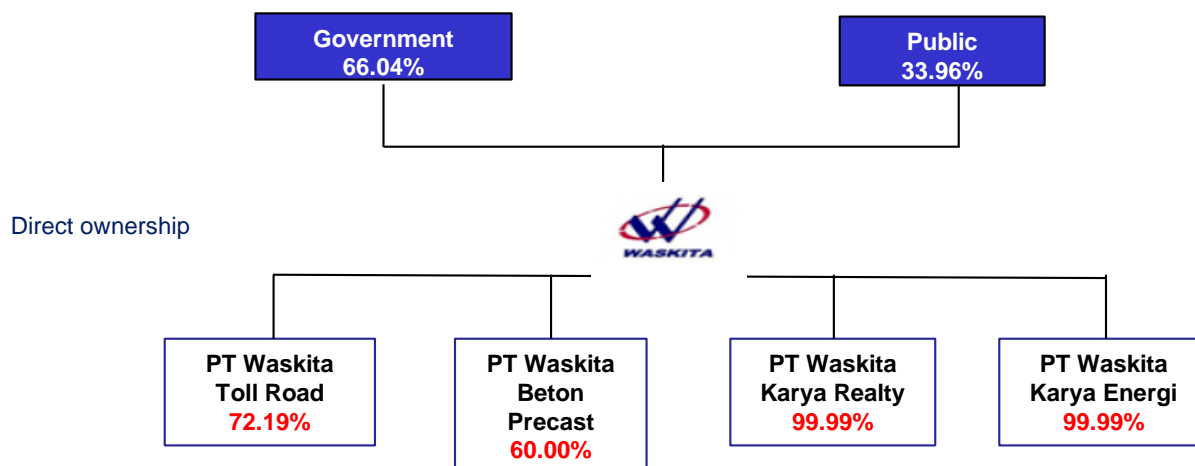


Table: Toll road projects of WSKT

Section	Length (Km)	Shares (%)	Target Completion
Kanci Pejagan	35	77.69	Operating
Pejagan - Pemalang	57.5	99.99	Operating
Ciawi - Sukabumi	54	99.99	Section 1: Operating
Cimanggis - Cibitung	26.28	90	2020
Cibitung - Cilincing	34.02	55	2020
Pasuruan - Probolinggo	31.3	99.99	Operating
Bekasi - Cawang - Kampung Melayu	16.02	99.65	Operating
Pemalang - Batang	39.2	60	Operating
Kayu Agung - Palembang - Betung	111.69	98	2019
Legundi - Bunder	29	55	2019
Solo -Ngawi	90	40	Operating
Ngawi - Kertosono	87	40	Operating
Semarang - Batang	75	40	Operating
Cinere - Serpong	10.14	35	2019
Kuala Tanjung - T. Tinggi - parapat	143.25	30	2020
Medan _ Kualanamu _ T. Tinggi	61.7	30	Operating
Krian-Legundi-Bunyer-Manyar	38.29	99.99	Section 1: operating
Depok Antasari	27.75	25	Section 1: Operating

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

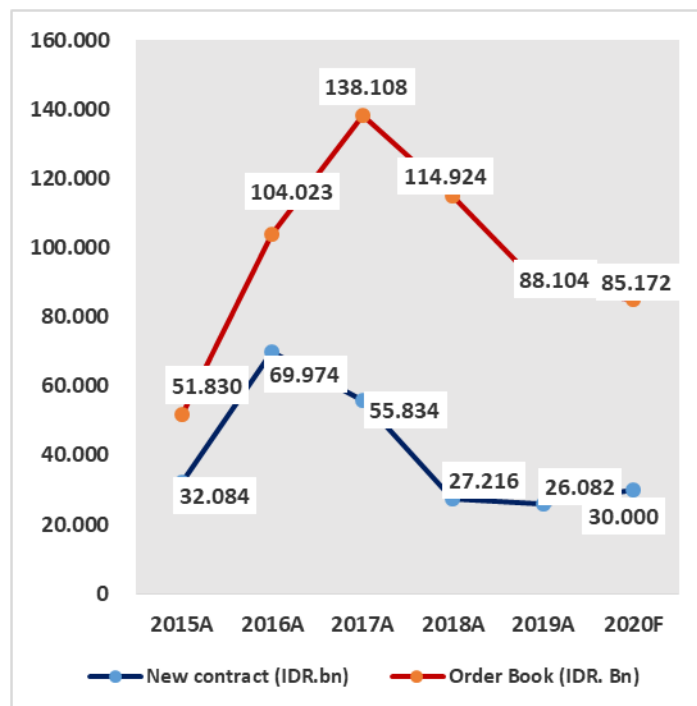


Chart: EBITDA margin YoY (%)

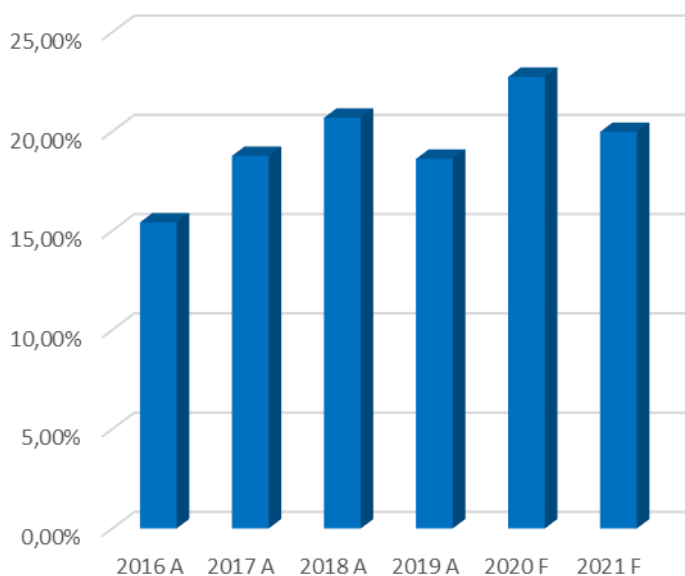
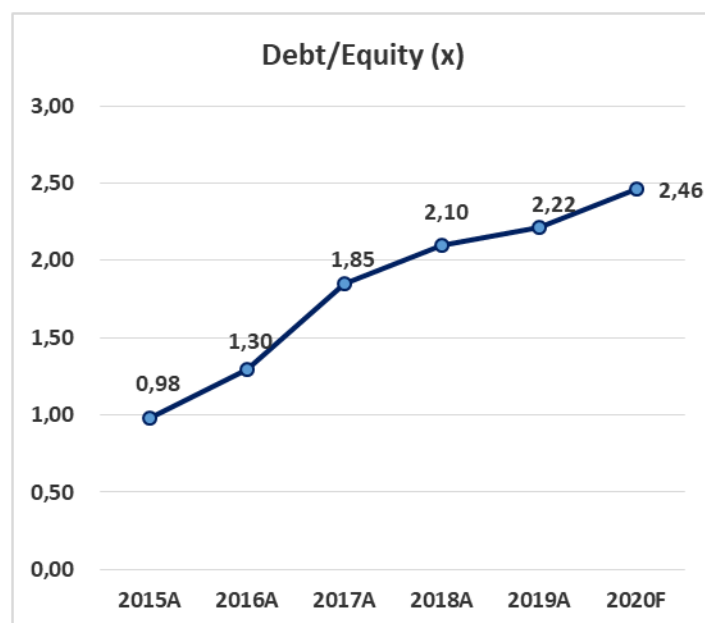


Chart: Debt to equity ratio (yoy)



Ratio Highlights yoy

Ratio highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	90,06%	7,91%	-35,67%	-25,28%	91,45%
OP	80,37%	11,68%	-35,42%	-26,32%	91,45%
EBITDA	131,35%	18,95%	-42,10%	-8,71%	69,82%
NP	126,57%	2,09%	-76,33%	-14,89%	225,86%
EPS	93,90%	2,09%	-76,33%	-14,89%	225,86%
Profitability (%)					
Operating Margin(%)	16,28%	14,75%	13,49%	15,00%	15,00%
EBITDA margin(%)	18,77%	20,69%	18,62%	22,75%	20,18%
NET Profit margin(%)	8,59%	8,12%	2,99%	3,40%	5,79%
ROA(%)	3,97%	3,19%	0,77%	0,70%	1,79%
ROE(%)	17,06%	13,72%	3,22%	2,91%	8,47%
Liquidity (x)					
Current ratio	1,00	1,18	1,09	0,91	0,96
Solvability (x)					
Debt/ equity (X)	1,85	2,10	2,22	2,46	2,49
Gross debt (IDR bn)	42.002	60.561	64.530	67.532	76.532
Per Share data (IDR)					
EPS	286,0	291,9	69,1	58,8	191,7
BVS	1.677	2.128	2.145	2.022	2.263

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	798,4	2.601,7
Depreciation	524,7	637,6	604,7	651,4	718,9
- Change in WC	3.744,1	(5.314,9)	4.587,7	6.517,6	1.631,9
Cash From Operating Activities	8.150,5	(714,4)	6.130,6	7.967,5	4.952,5
capex	(24.273,0)	(12.571,3)	(16.753,7)	(4.096,4)	(11.937,5)
cash from investing activities	(24.273,0)	(12.571,3)	(16.753,7)	(4.096,4)	(11.937,5)
Long term loans	4.517,6	12.086,7	9.193,0	(1.000,0)	5.000,0
MTN					
bond	3.477,7	2.804,1	573,1	1,6	0,0
other long term liabilities	1.460,2	682,1	(23,5)	(1.461,3)	3.949,4
Equity	2.099,9	2.169,5	(706,8)	(2.467,6)	663,7
cash from financing activities	11.555,5	17.742,5	9.035,8	(4.927,2)	9.613,1
Net Changes in Cash	(4.567,0)	4.756,7	(1.587,4)	(1.056,1)	2.628,1
Beginning Balance	10.656,0	6.089,0	10.845,7	9.258,3	8.202,2
Ending balance	6.089,0	10.845,7	9.258,3	8.202,2	10.830,3

Balance Sheet (IDR.bn) yoy

Balance sheet (IDR.bn)	2017A	2018A	2019A	2020F	2021F
Cash	6.089	10.846	9.258	8.202	10.830
Short term Investment	8	8	8	8	8
AR	1.871	3.768	3.556	2.570	4.920
Inventory	3.236	5.089	4.471	5.140	5.782
Other Current Asset	41.223	47.278	31.744	21.107	35.920
Total Current Asset	52.427	66.989	49.038	37.027	57.460
Non Current Asset					
Fixed Asset	4.742	7.091	8.663	8.986	11.886
Other non current Asset	40.726	50.311	64.888	68.010	76.329
Total Non Current Asset	45.469	57.402	73.551	76.996	88.215
Total Asset	97.896	124.392	122.589	114.024	145.675
AP	14.098	14.906	12.381	7.389	14.146
Short term bank loan	24.291	27.959	22.162	26.162	30.162
Other Current liabilities	13.920	13.935	10.480	7.036	15.715
Total Current Liabilities	52.309	56.800	45.023	40.587	60.024
Long term loans	8.666	20.752	29.945	28.945	33.945
MTN	0	300	300	300	300
bond	9.045	11.849	12.422	12.424	12.424
Other long term liabilities	5.121	5.803	5.780	4.318	8.268
Total Non Current Liabilities	22.832	38.705	48.447	45.988	54.937
Total Liabilities	75.141	95.504	93.471	86.574	114.961
Equity	22.755	28.887	29.118	27.449	30.715
Liabilities + equity	97.896	124.392	122.589	114.024	145.675

Profit and Loss (IDR.bn yoy)

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Operating expense	-2.104	-1.668	-1.372	-938	-1.796
Operating Profit	7.360	7.195	4.233	3.518	6.735
Other income	-1.330	-198	-2.614	-2.576	-2.688
PBT	6.029	6.997	1.619	941	4.047
taxes	-1.854	-2.406	-300	-91	-1.347
Minority interest	-320	-657	-91	-68	-130
EPS	285,97	291,95	69,11	58,82	191,68
Net Profit	3.882	3.963	938	798	2.602
EBITDA	8.486	10.094	5.844	5.335	9.060

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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