

15 April 2021
Construction, Equity

Price IDR. 1030
Target Price IDR. 925
JKSE Index 6050,28



Stock Code
Bloomberg code WSKT IJ
Market cap (IDR.bn) 13780
52-Week High (IDR) 2080
52-Week Low (IDR) 486
6-m Avg Daily. Val (IDR) 1060
Free Float (%) 33.96

Major Shareholders (%)
Government 66.04%
Public 33.96%

USD/IDR-YE
2020A 14055
2021F 14633

Key Indicators 2021F
Debt/ Equity (x) 3.46
Current ratio (x) 0.59

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

Investment Consideration

Targeting lower new contracts

In 2020, WSKT revenue decreased by -48% YoY to IDR 16.19 trillion as a result of construction progress disruptions due to the longer-than-expected impact of the covid-19 pandemic. WSKT recorded a net loss of IDR 7,3 trillion mainly due to increased interest expenses from toll road investment funding, decreased project productivity, and considerable operating expenses due to the Covid-19 pandemic. The cost of interest increased due to more toll roads owned by Waskita that have started operating in 2020 such as Krian – Legundi – Bunder – Manyar toll road, Kayu Agung – Palembang – Betung toll road and Cimanggis – Cibitung toll road. In addition, the divestment process planned by Waskita was delayed due to the Covid-19 pandemic. Of the 5 segments for divestment, only 1 deal has been realized. Total new contracts booked in 2020 was IDR 27 trillion, of which 46% came from internal, business development with toll roads still dominant. The tender winning rate was slightly higher than 2019 at 35,2% which reflects the trust of project owners despite the lackluster construction sector performance. For 2021, WSKT targets New contracts of IDR 26 trillion mainly from government projects, especially those with advanced payments and monthly progress payments so that Account Receivables (AR) can be controlled this year better than last year.

WSKT strategies in 2021

There are two strategies for WSKT to improve performance in 2021. The first is an organizational transformation, where WSKT continues to strive to be a market leader in infrastructure, digitization of business processes, implementing risk management and GCG and increasing existing capacity and capabilities. The second is a financial restructuring, improving financial performance by improving opex efficiency, focusing on projects that have monthly progress payments, debt restructuring both for parent and subsidiaries. WSKT is also focusing on improving the capital ratio, and a balance sheet recovery by divesting toll roads (as many as 9 sections with IDR 11 trillion). WSKT is also looking at getting government financial support in the form of a capital injection that is in the discussion process with the ministries of finance and state-owned enterprises.

Valuation: -10.2% downside

We have a Target price of IDR.925/share or trading at 17,96X PER. With -10.2% downside, we recommend SELL.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
Revenue	45.213	48.789	31.387	16.190	18.597	21.051
Cost of Revenue	(35.749)	(39.926)	(25.783)	(18.168)	(15.621)	(17.262)
Gross Profit	9.464	8.863	5.605	(1.978)	2.975	3.789
Operating expense	(2.104)	(1.668)	(1.372)	(1.702)	(744)	(842)
Operating Profit	7.360	7.195	4.233	(3.680)	2.232	2.947
Other income	(1.330)	(198)	(2.614)	(5.400)	(1.424)	(1.474)
PBT	6.029	6.997	1.619	(9.081)	808	1.474
taxes	(1.854)	(2.406)	(300)	234	(391)	(442)
Minority interest	(320)	(657)	(91)	2.117	(54)	(61)
EPS	286	292	69	(544)	14	51
Net Profit	3.882	3.963	938	(7.379)	186	698
EBITDA	8.486	10.094	5.844	-3.618	4.260	4.887

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

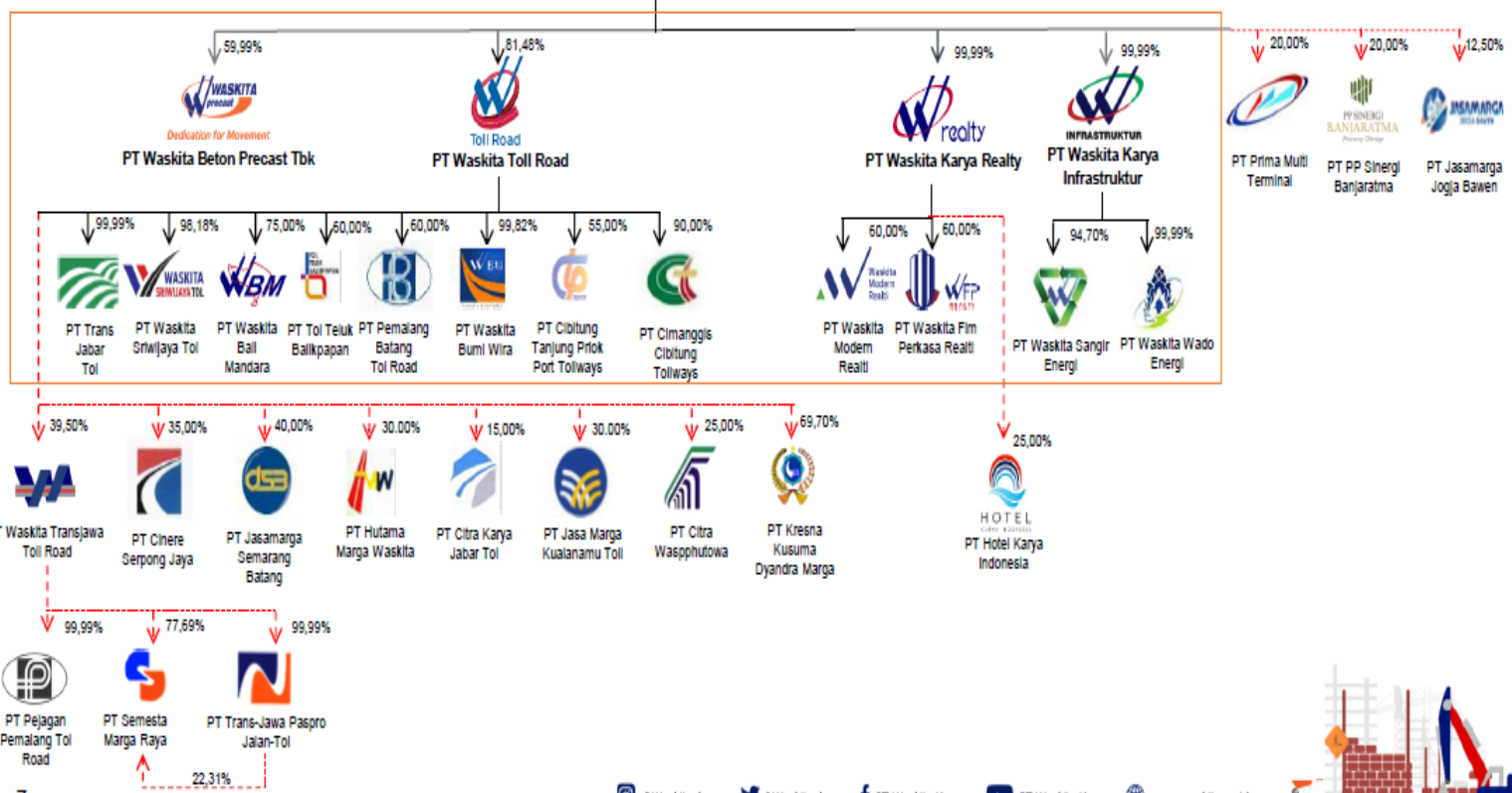


Chart: New contract and order book yoy (IDR. In bn)

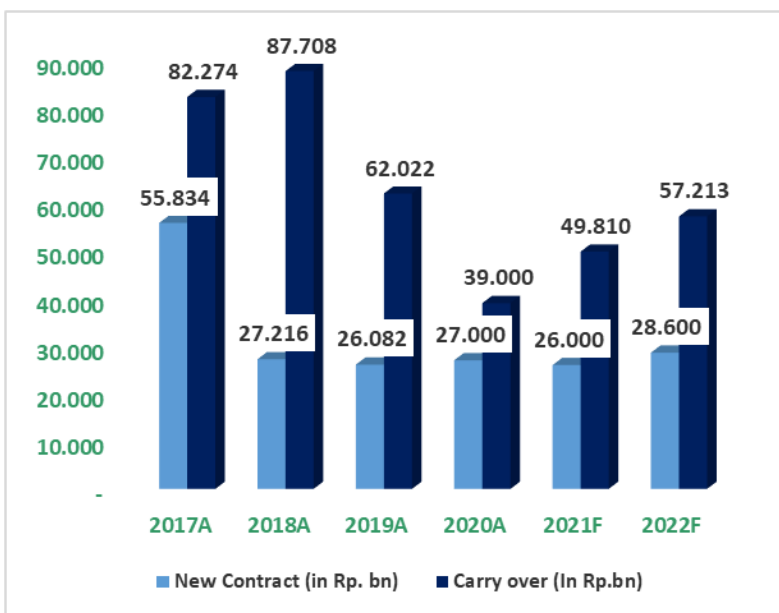


Chart: New contract segmentation based on owner as of 9M20

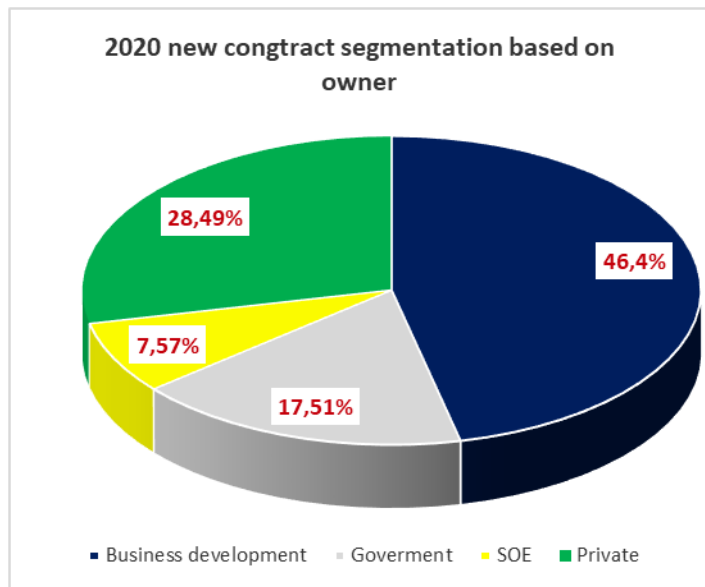


Chart: EBITDA margin YoY (%)

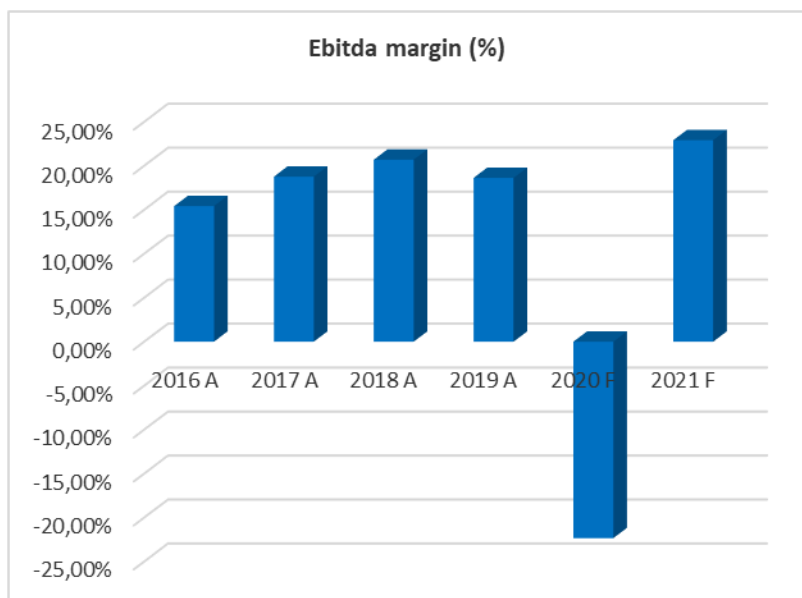
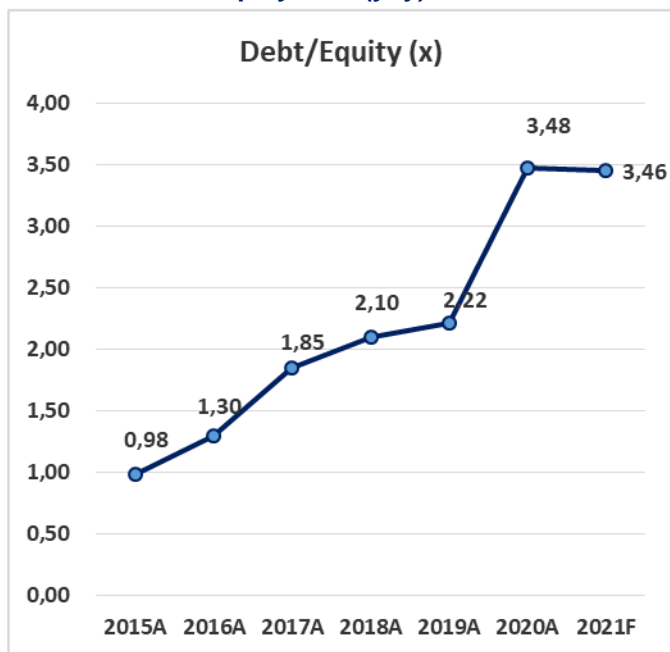


Chart: Debt to equity ratio (yoy)



Ratio Highlights yoy

Ratio highlights	2017 A	2018 A	2019 A	2020 F	2021 F	2022 F
Growth (% YoY)						
Sales	90,06%	7,91%	-35,67%	-48,42%	14,86%	13,20%
OP	80,37%	11,68%	-35,42%	-29,53%	-14,02%	10,50%
EBITDA	131,35%	18,95%	-42,10%	-161,90%	-217,77%	14,71%
NP	126,57%	2,09%	-76,33%	-886,51%	-102,52%	276,26%
EPS	93,90%	2,09%	-76,33%	-886,54%	-102,52%	276,26%
Profitability (%)						
Operating Margin(%)	16,28%	14,75%	13,49%	-22,73%	12,00%	14,00%
EBITDA margin(%)	18,77%	20,69%	18,62%	-22,34%	22,91%	23,22%
NET Profit margin(%)	8,59%	8,12%	2,99%	-45,57%	1,00%	3,32%
ROA(%)	3,97%	3,19%	0,77%	-6,99%	0,18%	0,62%
ROE(%)	17,06%	13,72%	3,22%	-44,51%	1,13%	4,08%
Liquidity (x)						
Current ratio	1,00	1,18	1,09	0,67	0,59	0,52
Solvability (x)						
Debt/ equity (X)	1,85	2,10	2,22	3,48	3,46	3,26
Gross debt (IDR bn)	42.002	60.561	64.530	57.685	56.545	55.876
Per Share data (IDR)						
EPS	286,0	291,9	69,1	-543,6	13,7	51,5
BVS	1.677	2.128	2.145	1.221	1.206	1.261

Cash Flow yoy (IDR. Bn)

Cash Flow (IDR.bn)	2017 A	2018 A	2019 A	2020 A	2021F	2022F
Net Income	3.881,7	3.962,8	938,1	(7.378,6)	185,6	698,4
Depreciation	524,7	637,6	604,7	721,8	625,6	619,8
- Change in WC	3.744,1	(5.314,9)	4.587,7	11.668,5	7.199,7	8.186,0
Cash From Operating Activities	8.150,5	(714,4)	6.130,6	5.011,8	8.010,9	9.504,1
capex	(24.273,0)	(12.571,3)	(16.753,7)	(220,6)	(1.341,2)	(7.044,0)
cash from investing activities	(24.273,0)	(12.571,3)	(16.753,7)	(220,6)	(1.341,2)	(7.044,0)
Long term loans	4.517,6	12.086,7	9.193,0	(6.858,9)	(2.000,0)	(2.000,0)
bond	3.477,7	2.804,1	573,1	(2.694,3)	(2.140,2)	(1.669,4)
other long term liabilities	1.460,2	682,1	(23,5)	(656,0)	2.129,1	957,0
Equity	2.099,9	2.169,5	(706,8)	(5.162,4)	(398,4)	58,1
cash from financing activities	11.555,5	17.742,5	9.035,8	(15.371,5)	(2.409,4)	(2.654,3)
Net Changes in Cash	(4.567,0)	4.756,7	(1.587,4)	(8.044,9)	1.424,7	(194,2)
Beginning Balance	10.656,0	6.089,0	10.845,7	9.258,3	1.213,4	2.638,2
Ending balance	6.089,0	10.845,7	9.258,3	1.213,4	2.638,2	2.444,0

Balance Sheet (IDR.bn) yoy

Balance sheet (IDR.bn)	2017A	2018A	2019A	2020A	2021F	2022F
Cash	6.089	10.846	9.258	1.213	2.638	2.444
Short term Investment	8	8	8	239	8	8
AR	1.871	3.768	3.556	4.424	2.038	2.365
Inventory	3.236	5.089	4.471	4.209	3.567	4.037
Other Current Asset	41.223	47.278	31.744	22.453	23.060	23.156
Total Current Asset	52.427	66.989	49.038	32.539	31.311	32.010
Fixed Asset	4.742	7.091	8.663	7.820	7.747	8.618
Other non current Asset	40.726	50.311	64.888	65.231	66.019	71.572
Total Non Current Asset	45.469	57.402	73.551	73.050	73.766	80.190
Total Asset	97.896	124.392	122.589	105.589	105.077	112.200
Account Payable	14.098	14.906	12.381	13.095	13.757	14.995
Short term bank loan	24.291	27.959	22.162	24.871	27.871	30.871
Other Current liabilities	13.920	13.935	10.480	10.273	11.158	15.999
Total Current Liabilities	52.309	56.800	45.023	48.238	52.785	61.864
Long term loans	8.666	20.752	29.945	23.086	21.086	19.086
MTN	0	300	300	2.835	0	0
bond	9.045	11.849	12.422	9.728	7.588	5.919
Other long term liabilities	5.121	5.803	5.780	5.124	7.253	8.210
Total Non Current Liabilities	22.832	38.705	48.447	40.774	35.927	33.215
Total Liabilities	75.141	95.504	93.471	89.011	88.712	95.079
Equity	22.755	28.887	29.118	16.578	16.365	17.121
Liabilities + equity	97.896	124.392	122.589	105.589	105.077	112.200

Profit and Loss (IDR.bn yoy)

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
Revenue	45.213	48.789	31.387	16.190	18.597	21.051
Cost of Revenue	(35.749)	(39.926)	(25.783)	(18.168)	(15.621)	(17.262)
Gross Profit	9.464	8.863	5.605	(1.978)	2.975	3.789
Operating expense	(2.104)	(1.668)	(1.372)	(1.702)	(744)	(842)
Operating Profit	7.360	7.195	4.233	(3.680)	2.232	2.947
Other income	(1.330)	(198)	(2.614)	(5.400)	(1.424)	(1.474)
PBT	6.029	6.997	1.619	(9.081)	808	1.474
taxes	(1.854)	(2.406)	(300)	234	(391)	(442)
Minority interest	(320)	(657)	(91)	2.117	(54)	(61)
EPS	286	292	69	(544)	14	51
Net Profit	3.882	3.963	938	(7.379)	186	698
EBITDA	8.486	10.094	5.844	-3.618	4.260	4.887

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
(62-21) 520-6678 ext.612

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.