

2 December 2021
Construction, Equity

Price IDR. 765
Target Price IDR. 940
JKSE Index 6508,85



Investment Consideration

Targeting lower new contracts

As of 9M21, WSKT has booked new contracts valued at IDR. 11.8 trillion or 57% of their total revised target or 79.44% of new contracts pre Covid 19. Total new contracts during 9M21 are 65,94% from internal business development with toll roads still dominant, Government 26,95%, SOE 4,56%, Private 2,56%. The top 5 new contracts during 9M21 include Kayu Agung –Palembang – Betung toll road Phase II IDR 5,01 trillion, Musi Kramasan Bridge IDR 1,01 trillion, Provider of Pasar Baru Infrastructure IDR 533 billion, Mbay 1 Dam IDR 445 billion, Rukoh steering building IDR 415 billion. In order to achieve at least close to Pre Covid 19 new contracts, WSKT continue to pursue contracts especially those with advanced payments and monthly progress payments so that Account Receivables (AR) can be controlled better than before. We estimate WSKT will achieve 70-80% of the new contracts target this year.

WSKT's recovery is on track

WSKT is running 8 financial health projects, including 1). A capital injection from the government called PMN (State Capital Participation) of IDR 7.9 trillion was approved in EGMS 2021. A rights issue of IDR 4 trillion is planned for the end of November. 2). A Government guaranteed working capital facility of IDR 8.08 trillion. 3). A Master Restructuring Agreement (MRA) with 21 banks to restructure credit facilities amounting to IDR 29.2 Trillion. 4). Financial restructuring for subsidiaries with IDR 16.62 trillion of restructuring done out of the target IDR 20.42 trillion. 5). Toll road divestment. Up to 10M21 4 toll road divestments have been completed out of 5 including Medan-Kualanamu-Tebing Tinggi (JMKT), Semarang – Batang (JSB), Cinere – Serpong (CSI), and Cibitung – Cilincing (CTP). For 2022, WSKT is targeting a further 4-5 toll road divestments. 6). Completing Sumatra toll road construction. 7). Business transformation 8). Focus on GCG and risk management. The implementation of the restructuring and lean strategy had a positive impact on the Company's 3Q 2021 performance, as the cost of revenue decreased by 42.30% YoY, financial expense decreased by 39.80% and other expenses - net decreased 44.50% YoY. With better efficiency and cost effectiveness in the 3Q quarter of 2021, WSKT managed to achieve a 9M21 net profit of IDR 145.02 billion or an increase of 104.29% YoY compared to 9M20. We estimate net income 2021-2023 will grow compared to 2020FY with debt restructuring and a leaner operating cost structure.

Valuation: 22% upside

We have a Target price of IDR.940/share or trading at 22,6X PER. With 22% upside, we recommend BUY.

| Profit and Loss (IDR.bn) | 2019 A | 2020 A | 2021 F | 2022 F | 2023 F |
|--------------------------|----------|----------|---------|----------|----------|
| Revenue | 31.387 | 16.190 | 10.573 | 16.740 | 21.051 |
| Cost of Revenue | (25.783) | (18.168) | (9.410) | (15.568) | (18.314) |
| Gross Profit | 5.605 | (1.978) | 1.163 | 1.172 | 2.737 |
| Operating expense | (1.372) | (1.702) | (2.115) | (1.674) | (2.105) |
| Operating Profit | 4.233 | (3.680) | (952) | (502) | 632 |
| EPS | 69 | (544) | 31 | 41 | 50 |
| Net Profit | 938 | (7.379) | 416 | 555 | 684 |
| EBITDA | 5.844 | -3.618 | 4.318 | 4.751 | 5.183 |

Stock Code
Bloomberg code WSKT IJ
Market cap (IDR.bn) 10720
52-Week High (IDR) 2080
52-Week Low (IDR) 715
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 14353

Key Indicators 2022F
Debt/ Equity (x) 4.22
Current ratio (x) 0.63

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

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

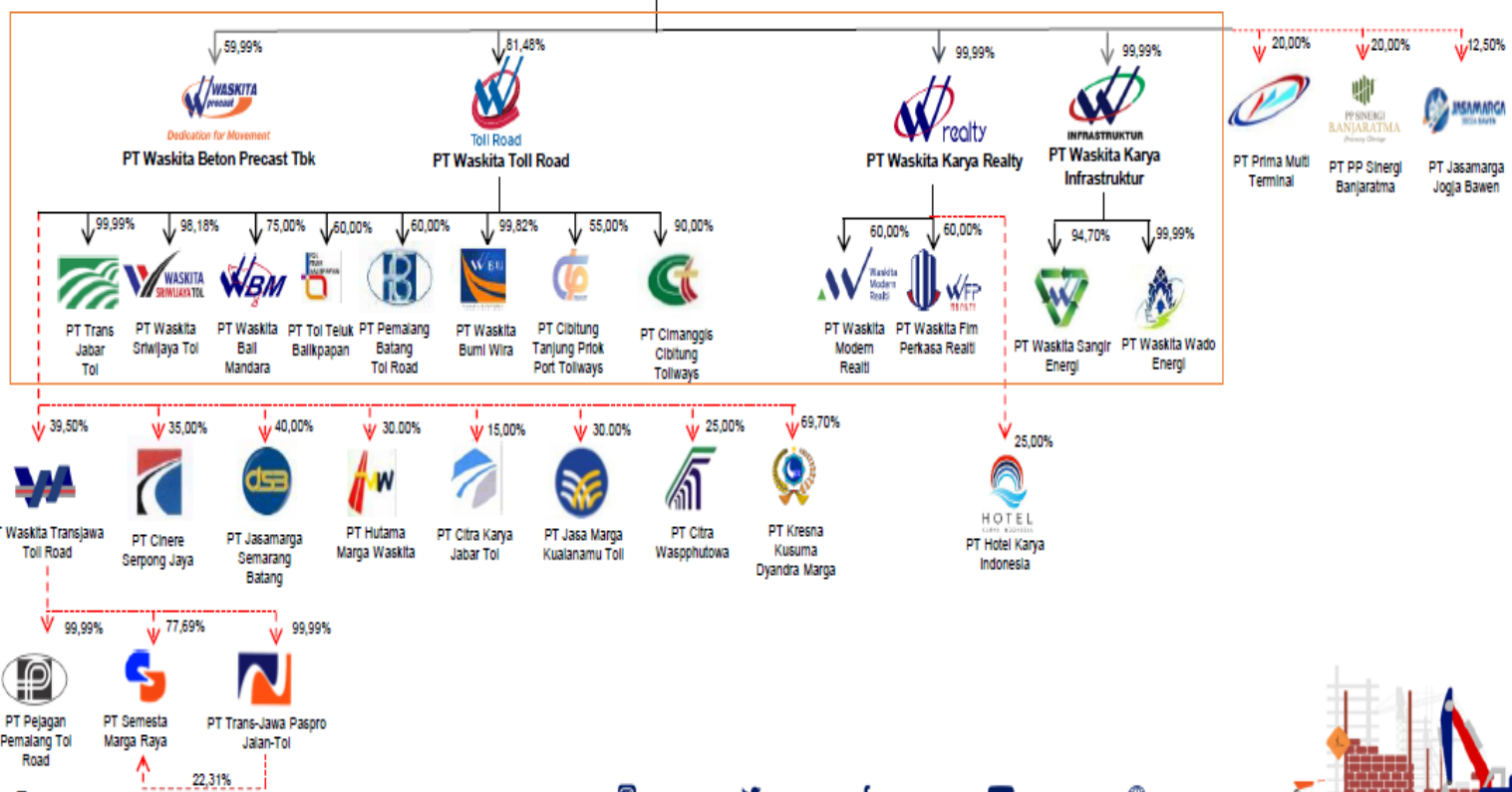


Chart: New contract and order book yoy (IDR. In bn)

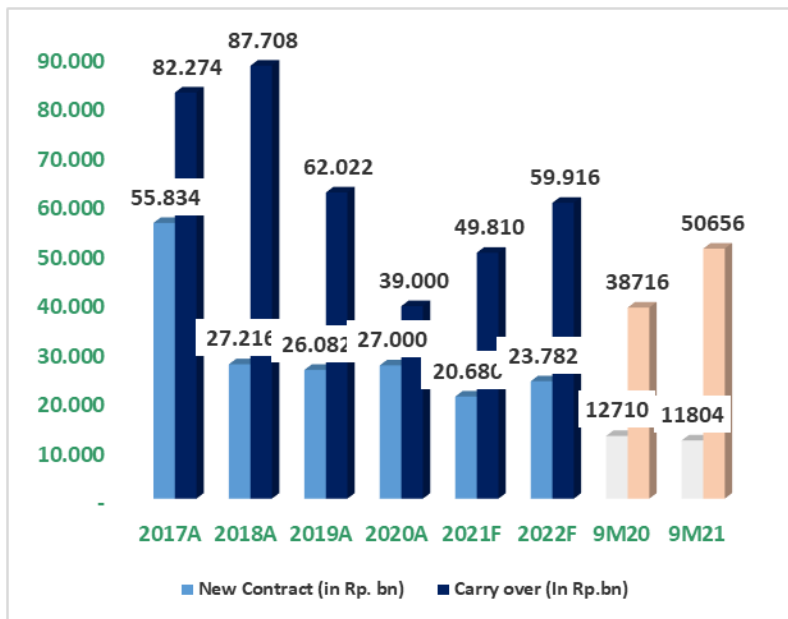


Chart: New contract segmentation based on owner as of 9M21

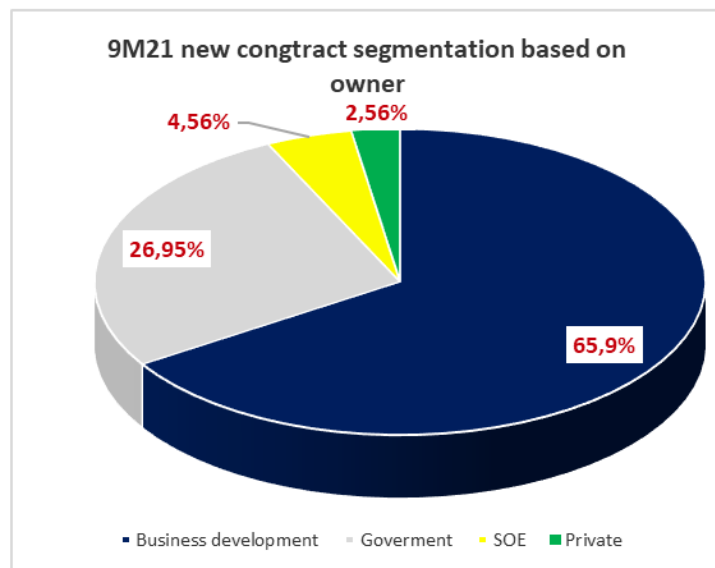


Chart: EBITDA margin YoY (%)

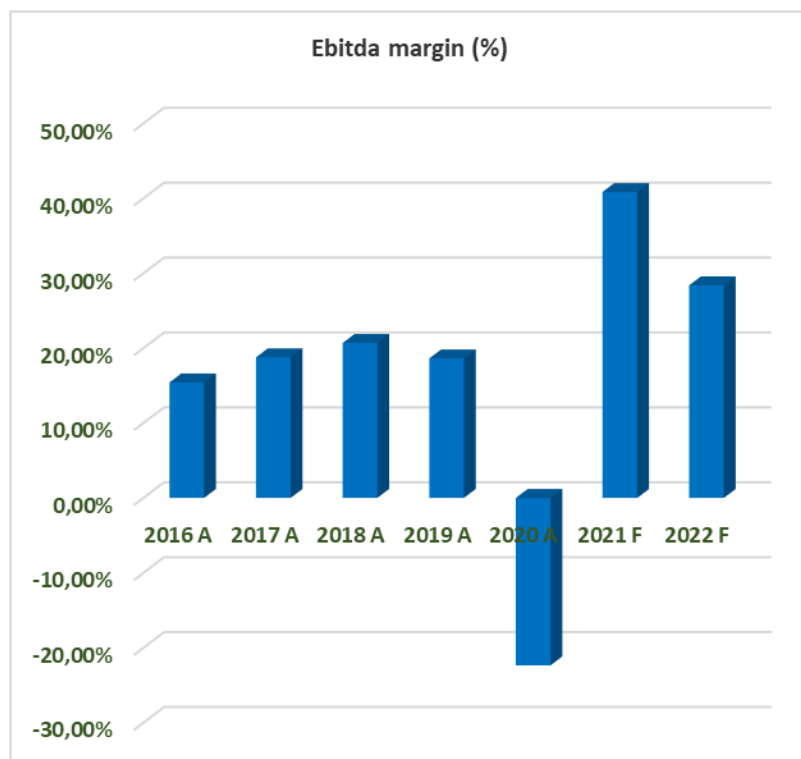
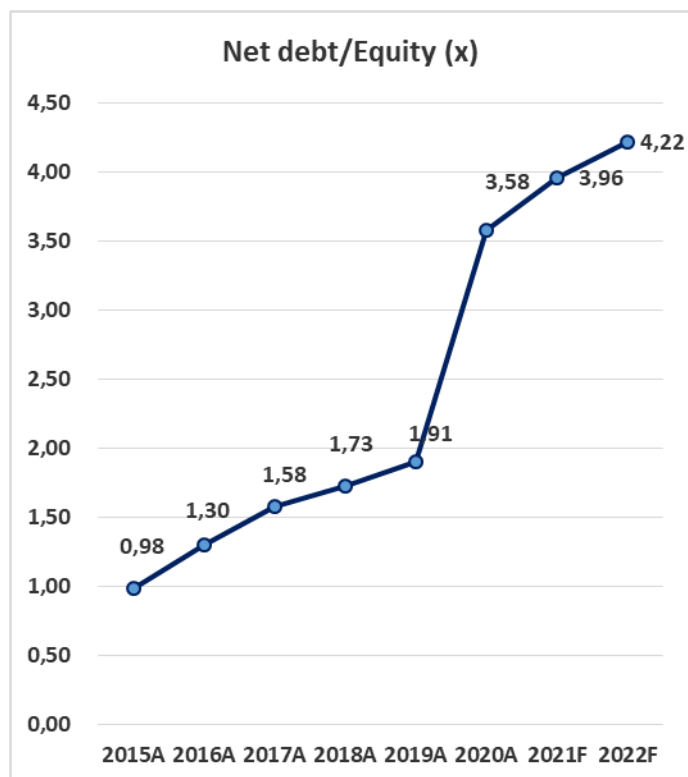


Chart: Net debt to equity ratio (yoy)



Ratio Highlights yoy

| Ratio highlights | 2018 A | 2019 A | 2020 F | 2021 F | 2022 F | 2023 F |
|-----------------------------|--------|---------|----------|----------|--------|--------|
| Growth (% YoY) | | | | | | |
| Sales | 7,91% | -35,67% | -48,42% | -34,69% | 58,32% | 25,75% |
| OP | 11,68% | -35,42% | -29,53% | -48,20% | 65,43% | 17,64% |
| EBITDA | 18,95% | -42,10% | -161,90% | -219,35% | 10,03% | 9,11% |
| NP | 2,09% | -76,33% | -886,51% | -105,64% | 33,46% | 23,32% |
| EPS | 2,09% | -76,33% | -886,54% | -105,64% | 33,46% | 23,32% |
| Profitability (%) | | | | | | |
| Operating Margin(%) | 14,75% | 13,49% | -22,73% | -9,00% | -3,00% | 3,00% |
| EBITDA margin(%) | 20,69% | 18,62% | -22,34% | 40,84% | 28,38% | 24,62% |
| NET Profit margin(%) | 8,12% | 2,99% | -45,57% | 3,93% | 3,31% | 3,25% |
| ROA(%) | 3,19% | 0,77% | -6,99% | 0,41% | 0,52% | 0,61% |
| ROE(%) | 13,72% | 3,22% | -44,51% | 2,77% | 4,08% | 5,37% |
| Liquidity (x) | | | | | | |
| Current ratio | 1,18 | 1,09 | 0,67 | 0,68 | 0,63 | 0,66 |
| Solvability (x) | | | | | | |
| Net Debt/ equity (X) | 1,73 | 1,91 | 3,58 | 3,96 | 4,22 | 4,32 |
| Gross debt (IDR bn) | 60.561 | 64.530 | 57.685 | 62.238 | 61.776 | 61.898 |
| Per Share data (IDR) | | | | | | |
| EPS | 291,9 | 69,1 | -543,6 | 30,6 | 40,9 | 50,4 |
| BVS | 2.128 | 2.145 | 1.221 | 1.106 | 1.003 | 939 |

Cash Flow yoy (IDR. Bn)

| Cash Flow (IDR.bn) | 2018 A | 2019 A | 2020 A | 2021F | 2022F | 2023F |
|---------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| Net Income | 3.962,8 | 938,1 | (7.378,6) | 415,8 | 554,9 | 684,3 |
| Depreciation | 637,6 | 604,7 | 721,8 | 625,6 | 590,3 | 770,3 |
| - Change in WC | (5.314,9) | 4.587,7 | 11.668,5 | 1.919,9 | 6.453,1 | 3.467,5 |
| Cash From Operating Activities | (714,4) | 6.130,6 | 5.011,8 | 2.961,3 | 7.598,2 | 4.922,1 |
| capex | (12.571,3) | (16.753,7) | (220,6) | 3.720,5 | (4.055,4) | 252,7 |
| cash from investing activities | (12.571,3) | (16.753,7) | (220,6) | 3.720,5 | (4.055,4) | 252,7 |
| Long term loans | 12.086,7 | 9.193,0 | (6.858,9) | 1.039,2 | (2.000,0) | (2.000,0) |
| bond | 2.804,1 | 573,1 | (2.694,3) | (486,4) | (462,1) | (878,0) |
| other long term liabilities | 682,1 | (23,5) | (656,0) | (894,3) | 2.466,5 | 1.724,4 |
| Equity | 2.169,5 | (706,8) | (5.162,4) | (1.977,3) | (1.962,9) | (1.549,7) |
| cash from financing activities | 17.742,5 | 9.035,8 | (15.371,5) | (2.318,8) | (1.958,5) | (2.703,2) |
| Net Changes in Cash | 4.756,7 | (1.587,4) | (8.044,9) | 1.763,1 | 1.584,3 | 2.471,6 |
| Beginning Balance | 6.089,0 | 10.845,7 | 9.258,3 | 1.213,4 | 2.976,5 | 4.560,8 |
| Ending balance | 10.845,7 | 9.258,3 | 1.213,4 | 2.976,5 | 4.560,8 | 7.032,3 |

Balance Sheet (IDR.bn) yoy

| Balance sheet (IDR.bn) | 2018A | 2019A | 2020A | 2021F | 2022F | 2022F |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash | 10.846 | 9.258 | 1.213 | 2.977 | 4.561 | 7.032 |
| Short term Investment | 8 | 8 | 239 | 44 | 100 | 100 |
| AR | 3.768 | 3.556 | 4.424 | 5.214 | 5.458 | 5.825 |
| Inventory | 5.089 | 4.471 | 4.209 | 5.794 | 4.586 | 5.825 |
| Other Current Asset | 47.278 | 31.744 | 22.453 | 19.032 | 20.088 | 23.156 |
| Total Current Asset | 66.989 | 49.038 | 32.539 | 33.061 | 34.792 | 41.938 |
| Fixed Asset | 7.091 | 8.663 | 7.820 | 7.378 | 8.559 | 10.099 |
| Other non current Asset | 50.311 | 64.888 | 65.231 | 61.326 | 63.611 | 61.047 |
| Total Non Current Asset | 57.402 | 73.551 | 73.050 | 68.704 | 72.169 | 71.146 |
| Total Asset | 124.392 | 122.589 | 105.589 | 101.765 | 106.961 | 113.084 |
| Account Payable | 14.906 | 12.381 | 13.095 | 11.587 | 11.924 | 15.053 |
| Short term bank loan | 27.959 | 22.162 | 24.871 | 28.871 | 30.871 | 33.871 |
| Other Current liabilities | 13.935 | 10.480 | 10.273 | 8.459 | 12.722 | 14.735 |
| Total Current Liabilities | 56.800 | 45.023 | 48.238 | 48.917 | 55.517 | 63.659 |
| Long term loans | 20.752 | 29.945 | 23.086 | 24.125 | 22.125 | 20.125 |
| MTN | 300 | 300 | 2.835 | 235 | 235 | 235 |
| bond | 11.849 | 12.422 | 9.728 | 9.242 | 8.780 | 7.902 |
| Other long term liabilities | 5.803 | 5.780 | 5.124 | 4.229 | 6.696 | 8.420 |
| Total Non Current Liabilities | 38.705 | 48.447 | 40.774 | 37.832 | 37.836 | 36.683 |
| Total Liabilities | 95.504 | 93.471 | 89.011 | 86.749 | 93.353 | 100.342 |
| Equity | 28.887 | 29.118 | 16.578 | 15.016 | 13.608 | 12.743 |
| Liabilities + equity | 124.392 | 122.589 | 105.589 | 101.765 | 106.961 | 113.084 |

Profit and Loss (IDR.bn yoy)

| Profit and Loss (IDR.bn) | 2018 A | 2019 A | 2020 A | 2021 F | 2022 F | 2023 F |
|--------------------------|---------------|---------------|----------------|---------------|---------------|---------------|
| Revenue | 48.789 | 31.387 | 16.190 | 10.573 | 16.740 | 21.051 |
| Cost of Revenue | (39.926) | (25.783) | (18.168) | (9.410) | (15.568) | (18.314) |
| Gross Profit | 8.863 | 5.605 | (1.978) | 1.163 | 1.172 | 2.737 |
| Operating expense | (1.668) | (1.372) | (1.702) | (2.115) | (1.674) | (2.105) |
| Operating Profit | 7.195 | 4.233 | (3.680) | (952) | (502) | 632 |
| Other income | (198) | (2.614) | (5.400) | 1.532 | 1.574 | 686 |
| PBT | 6.997 | 1.619 | (9.081) | 580 | 1.072 | 1.318 |
| taxes | (2.406) | (300) | 234 | (222) | (352) | (442) |
| Minority interest | (657) | (91) | 2.117 | 159 | 51 | 107 |
| EPS | 292 | 69 | (544) | 31 | 41 | 50 |
| Net Profit | 3.963 | 938 | (7.379) | 416 | 555 | 684 |
| EBITDA | 10.094 | 5.844 | -3.618 | 4.318 | 4.751 | 5.183 |

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**

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