

Investment Consideration

Stronger toll road business

WSKT has new contracts of IDR. 7,65 trillion or 11% the of the target for 2018F, of IDR. 55 trillion. WSKT has a high amount of carry over projects for this year, with the total order book as of 1H18 at IDR. 97 trillion. 87% of the new contracts come from pre cast and toll road projects. From a total of 18 toll roads, 6 are already operating (kanci-Pejagan, Pejagan –Pemalang section 1&2, Medan –Kualanamu -Tebing Tinggi section 2 to 6, Becakayu section 1B&1C, Ngawi-Kertosono section 1 to 3, and Solo – Ngawi section Kartasura –Sragen). WSKT has 10 other toll roads to be completed during 2018-2019. Several other turnkey construction projects, such as LRT Palembang and electricity transmission will be completed in 2018. WSKT will receive cash from turnkey projects of about IDR. 20-30 trillion.

Maintaining DER ratio

Despite many of the projects still requiring funding, we estimate by issuing bonds and adding loans, WSKT interest bearing debt to equity ratio will be 1.98x in 2018F compared to 1,85x in 2017A, still below the 2x which is management policy. We are targeting the interest bearing debt to equity ratio in 2018-2019 to average 1,81x.

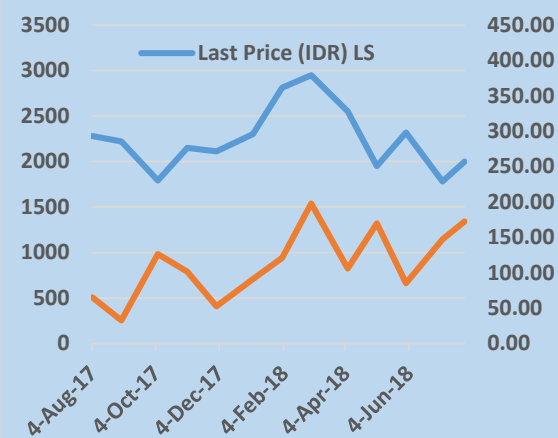
Valuation: 52% upside

We have a one year target share price for WSKT of IDR. 3140, which would put the stock on 5.48x PER & gives the shares 52% potential upside. Compared to other peers, WSKT has the lowest PE ratio. We recommend BUY.

Profit and Loss (IDR.bn)	2015 A	2016 A	2017 A	2018 F	2019 F	2020 F
Revenue	14,153	23,788	45,213	50,396	66,454	76,730
Cost of Revenue	(12,232)	(19,820)	(35,749)	(40,317)	(53,163)	(61,384)
Gross Profit	1,921	3,968	9,464	10,079	13,291	15,346
Operating expense	(518)	(788)	(2,104)	(1,512)	(1,994)	(2,302)
Operating Profit	1,403	3,180	7,360	8,567	11,297	13,044
Other income	(296)	(692)	(1,330)	(504)	(665)	(767)
PBT	1,107	2,487	6,029	8,063	10,633	12,277
taxes	(69)	(667)	(1,854)	(1,603)	(1,994)	(2,302)
Minority interest	0	(100)	(320)	(1,147)	(900)	(1,039)
EPS	77.20	147.49	286.00	394.07	573.62	662.33
Net Profit	1,048	1,713	3,882	5,349	7,786	8,990
EBITDA	1,590	3,668	8,486	12,456	16,262	20,019

3 August 2018
Construction, Equity

Price IDR. 2070
Target Price IDR. 3140
JKSE Index 6011.72



Stock Code
Bloomberg code WSKT IJ
Market cap (IDR.bn) 29,183.9
52-Week High (IDR) 3,150
52-Week Low (IDR) 1,770
6-m Avg Daily. Val (IDR) 2,387
Free Float (%) 33.96

Major Shareholders (%)
Government 66.04%
Public 33.96%

USD/IDR-YE
2017A 13,480
2018F (Avg) 13,926

Key Indicators 2018F
ROE (%) 19.04
Debt/ Equity (x) 1.64
Current ratio (x) 1.10

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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

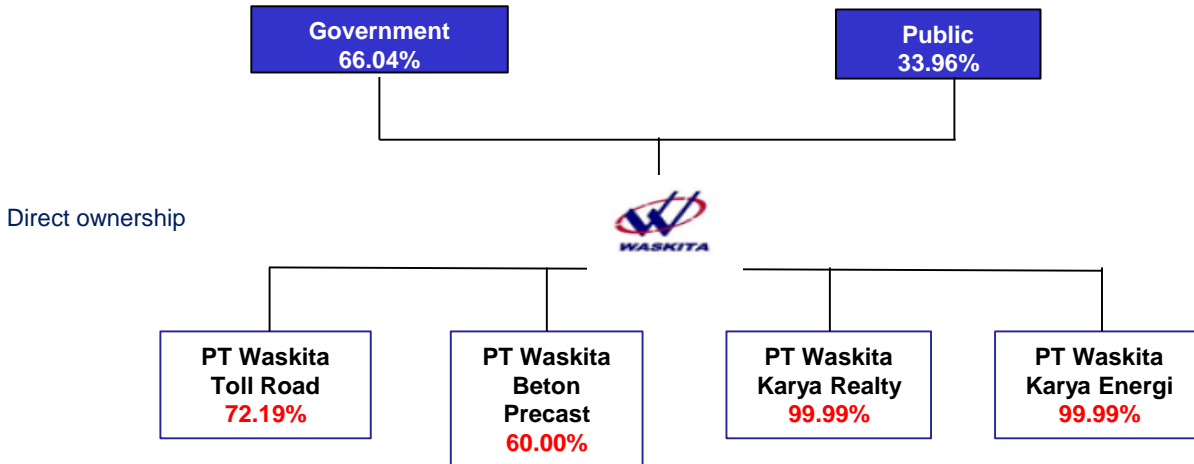


Table: Toll road projects of WSKT

Section	Length (Km)	Shares (%)	Target Completion
Kanci Pejagan	35	77.69	Operating
Pejagan - Pemalang	57	99.99	Operating
Medan-Kualanamu-T.Tinggi	61.7	0.3	Sec 2-6 operating
Bekasi-Cawang-Kampung Melayu	16.02	0.9954	Sec 1B & 1C operating
Ngawi - Kertosono	108.02	0.4	Sec 1-3 operating
Solo - Ngawi	90.43	0.4	Sec Kertasura - Sragen operating
Ciawi - Sukabumi	83.1	0.9999	2019
Pasuruan - Probolinggo	31.3	0.9999	2018
Krian - Legundi - Bunder -Manyar Kayu Agung - Palembang - Betung	38.29	0.99	2019
Cimanggis - Cibitung	26.28	0.9	2018
Pemalang - Batang	39.2	0.6	2018
Cibitung - Cilincing	34.02	0.55	2019
Semarang - Batang	75	0.4	2018
Cinere - Serpong	10.14	0.35	2019
Kuala Tanjung-T.Tinggi-Parapat	143.25	0.3	2020
Depok - Antasari	0.2775	0.25	2018
Cileunyi - Sumedang - Dawulan	60.1	0.15	2020

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

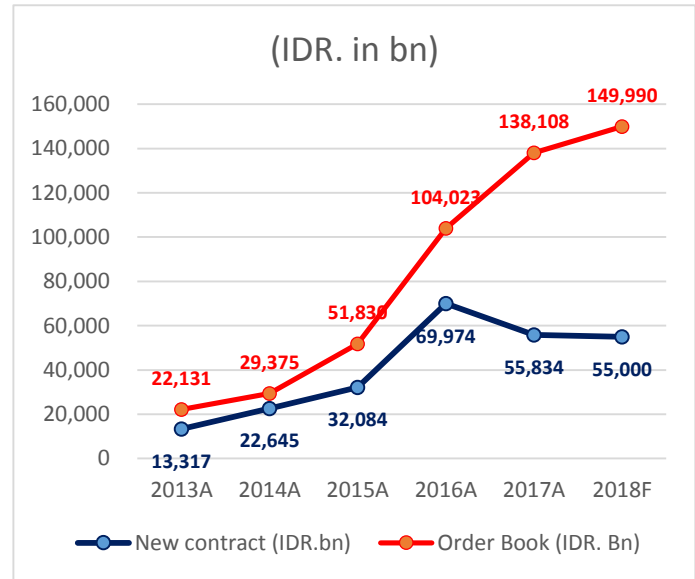


Chart: Net Income YoY (IDR. Bn)

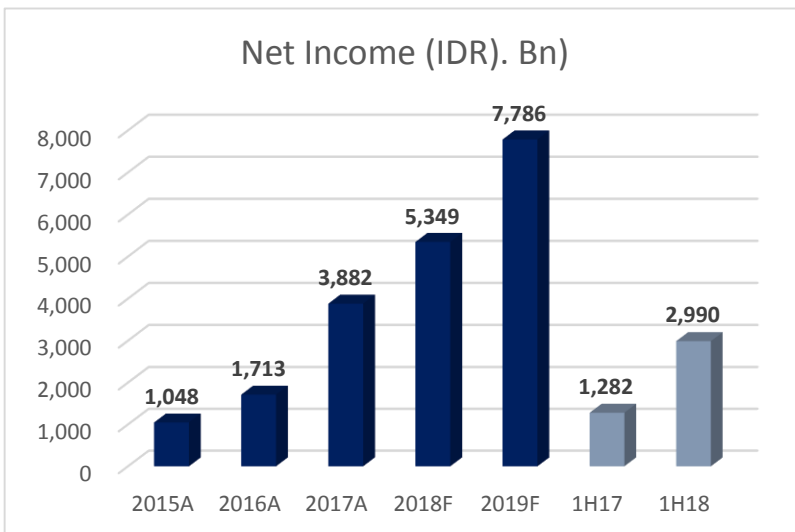
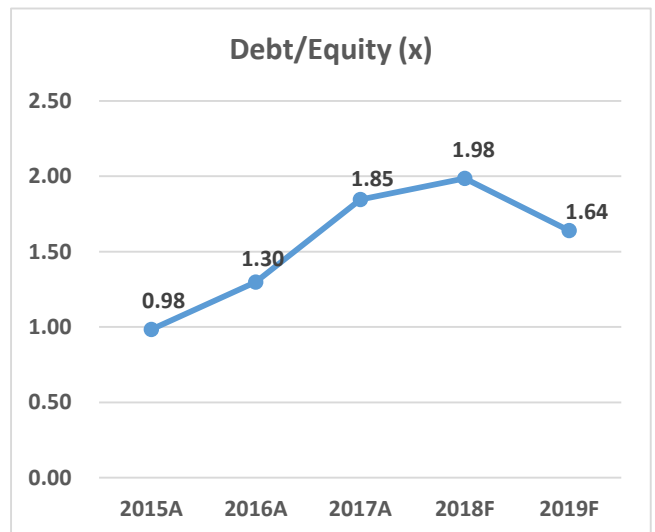


Chart: Debt to equity ratio (yoy)



Ratio Highlights yoy

	2015 A	2016 A	2017 A	2018 F	2019 F	2020 F
Growth (% YoY)						
Sales		68.08%	90.06%	11.46%	31.86%	15.46%
OP		62.04%	80.37%	12.78%	31.86%	15.46%
EBITDA		130.74%	131.35%	46.79%	30.55%	23.10%
NP		63.52%	126.57%	37.80%	45.56%	15.46%
EPS		91.05%	93.92%	37.79%	45.56%	15.46%
Profitability						
Operating Margin(%)	9.92%	13.37%	16.28%	17.00%	17.00%	17.00%
EBITDA margin(%)	11.23%	15.42%	18.77%	24.72%	24.47%	26.09%
NET Profit margin(%)	7.40%	7.20%	8.59%	10.61%	11.72%	11.72%
ROA(%)	3.46%	2.79%	3.97%	3.96%	4.55%	4.39%
ROE(%)	10.80%	10.21%	17.06%	18.29%	19.04%	16.97%
Liquidity						
Current ratio	1.32	1.27	1.00	1.12	1.10	1.14
Solvability						
Debt/ equity (X)	0.98	1.30	1.85	1.98	1.64	1.49
Gross debt (IDR bn)	9,542	21,778	42,002	58,045	67,045	79,045
Per Share data (IDR)						
EPS	77.2	147.5	286.0	394.1	573.6	662.3
BVS	715	1,236	1,677	2,155	3,012	3,903

Profit and Loss (IDR.bn yoy)

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Balance Sheet (IDR.bn) yoy

Balance sheet (IDR.bn)	2015A	2016A	2017A	2018F	2019F	2020F
Cash	5,511	10,656	6,089	13,500	8,089	9,958
Short term Investment	11	8	8	8	8	8
AR	4,654	4,317	1,871	5,544	7,310	8,440
Inventory	826	2,557	3,236	2,943	3,880	4,480
Other Current Asset	7,073	22,174	41,223	55,436	73,099	84,403
Total Current Asset	18,075	39,713	52,427	77,431	92,387	107,291
Non Current Asset						
Fixed Asset	1,923	3,014	4,742	7,345	12,224	20,893
Other non current Asset	10,311	18,707	40,726	50,396	66,454	76,730
Total Non Current Asset	12,234.26	21,720.44	45,468.74	57,741.27	78,678.06	97,623.78
Total Asset	30,309.1	61,433.0	97,895.8	135,172.2	171,064.8	204,914.3
AP	5,472	7,185	14,098	15,119	19,936	23,019
Short term bank loan	3,194	12,063	24,291	28,924	30,924	32,924
Other Current liabilities	4,999	12,036	13,920	25,198	33,227	38,365
Total Current Liabilities	13,665	31,284	52,309	69,241	84,087	94,308
Long term loans bond	3,677	4,148	8,666	13,086	16,086	22,086
Other long term liabilities	2,671	5,568	9,045	16,036	20,036	24,036
	592	3,661	5,121	7,559	9,968	11,510
Total Non Current Liabilities	6,940	13,376	22,832	36,681	46,089	57,631
Total Liabilities	20,605	44,660	75,141	105,922	130,176	151,939

Cash Flow yoy (IDR. Bn)

Cash Flow (IDR.bn)	2016A	2017A	2018F	2019F	2020F
Net Income	1,713.3	3,881.7	5,348.8	7,785.9	8,989.9
Depreciation	197.9	524.7	1,490.8	2,276.9	3,789.6
- Change in WC	1,125.9	3,744.1	(660.8)	(5,521.1)	(2,813.5)
Cash From Operating Activities	3,037.1	8,150.5	6,178.8	4,541.7	9,966.0
capex	(9,684.1)	(524.7)	(1,490.8)	(2,276.9)	(3,789.6)
cash from investing activities	(9,684.1)	(524.7)	(1,490.8)	(2,276.9)	(3,789.6)
Long term loans	470.8	4,517.6	4,420.3	3,000.0	6,000.0
bond	2,896.9	3,477.7	6,990.3	4,000.0	4,000.0
other long term liabilities	3,068.4	1,460.2	2,438.5	2,408.6	1,541.5
Equity	5,355.8	2,099.9	1,146.6	3,852.3	3,096.7
cash from financing activities	11,791.8	11,555.5	14,995.7	13,260.9	14,638.2
Net Changes in Cash	5,144.8	(4,567.0)	7,411.2	(5,411.1)	1,869.0
Beginning Balance	5,511.2	10,656.0	6,089.0	13,500.1	8,089.1
Ending balance	10,656.0	6,089.0	13,500.1	8,089.1	9,958.1

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
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