

3 June 2022
Construction, Equity

Price **IDR. 565**
Target Price **IDR. 940**
JKSE Index **7211.495**



Investment Consideration

Targeting 25% new contract growth

In 2021, WSKT booked new contracts valued at IDR 17.7 trillion or 28.5% lower YoY with total carry over contracts of IDR 25.486 trillion. As of 4M22, New contracts were IDR 6.94 trillion up +283.05% YoY with most from infrastructure connectivity projects. In 2022F, WSKT is targeting new contracts of about IDR 30 trillion. We estimate WSKT will achieve 80% of this new contract target. The top 5 new contracts YTD include 1,000 Km Road upgrading – South Section 2 worth IDR 4,15 trillion, Road and Bridge revitalization North Sumatera IDR 954.3 billion, Trans Sumatra Toll Road IDR 229.49 billion, Kamojing Irrigation West Java IDR 219.73 billion, Road & bridge Blitar East Java IDR 218.29 billion. WSKT is pursuing contracts with advanced payments and monthly progress payments so that the Account Receivables (AR) can be controlled better than they were before.

Recovery on track

WSKT is running 8 financial health projects, including 1). A capital injection from the government of IDR 7.9 trillion which was approved in the EGMS 2021. A rights issue of IDR 4 trillion is also 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. 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 the Sumatra toll road construction. 7). Business transformation 8). Focus on GCG and risk management. The implementation of this restructuring strategy had a positive impact on the Company's 2021 performance. With better efficiency and cost management, WSKT achieved a lesser 2021FY net loss of IDR 1.1 trillion compared to IDR 7.4 trillion in 2020FY. We estimate net income in 2022-2023F will grow compared to 2021FY with debt restructuring and a leaner operating cost structure.

Valuation: significant upside

We maintain our target price of IDR 940/share or trading at 11X PER. With 66% upside, we recommend BUY.

| Profit and Loss (IDR.bn) | 2018 A | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F |
|--------------------------|----------|----------|----------|----------|----------|----------|
| Revenue | 48,789 | 31,387 | 16,190 | 12,224 | 15,091 | 18,261 |
| Cost of Revenue | (39,926) | (25,783) | (15,136) | (10,326) | (14,035) | (15,887) |
| Gross Profit | 8,863 | 5,605 | 1,054 | 1,898 | 1,056 | 2,374 |
| Operating expense | (1,668) | (1,372) | (4,724) | (2,305) | (1,509) | (1,826) |
| Operating Profit | 7,195 | 4,233 | (3,670) | (407) | (453) | 548 |
| Other income | (198) | (2,614) | (4,706) | (358) | 507 | 1,084 |
| PBT | 6,997 | 1,619 | (8,376) | (765) | 54 | 1,632 |
| taxes | (2,406) | (300) | (263) | (752) | (317) | (383) |
| Minority interest | (657) | (91) | 1,928 | 743 | 46 | 92 |
| EPS | 292 | 69 | (542) | (81) | (30) | 80 |
| Net Profit | 3,963 | 938 | (7,360) | (1,096) | (412) | 1,083 |
| EBITDA | 10,094 | 5,844 | (2,913) | 2,735 | 3,544 | 5,341 |

Stock Code
Bloomberg code **WSKT IJ**
Market cap (IDR.bn) **14,490**
52-Week High (IDR) **1,013**
52-Week Low (IDR) **482**
6-m Avg Daily. Val (IDR) **545**
Free Float (%) **17.52**

Major Shareholders (%)
Government **82.48%**
Public **17.52%**

USD/IDR-YE
2021A **14278**
2022F **14544**

Key Indicators **2023F**
Debt/ Equity (x) **2.02**
Current ratio (x) **1.56**

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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 (As of 2021FY)

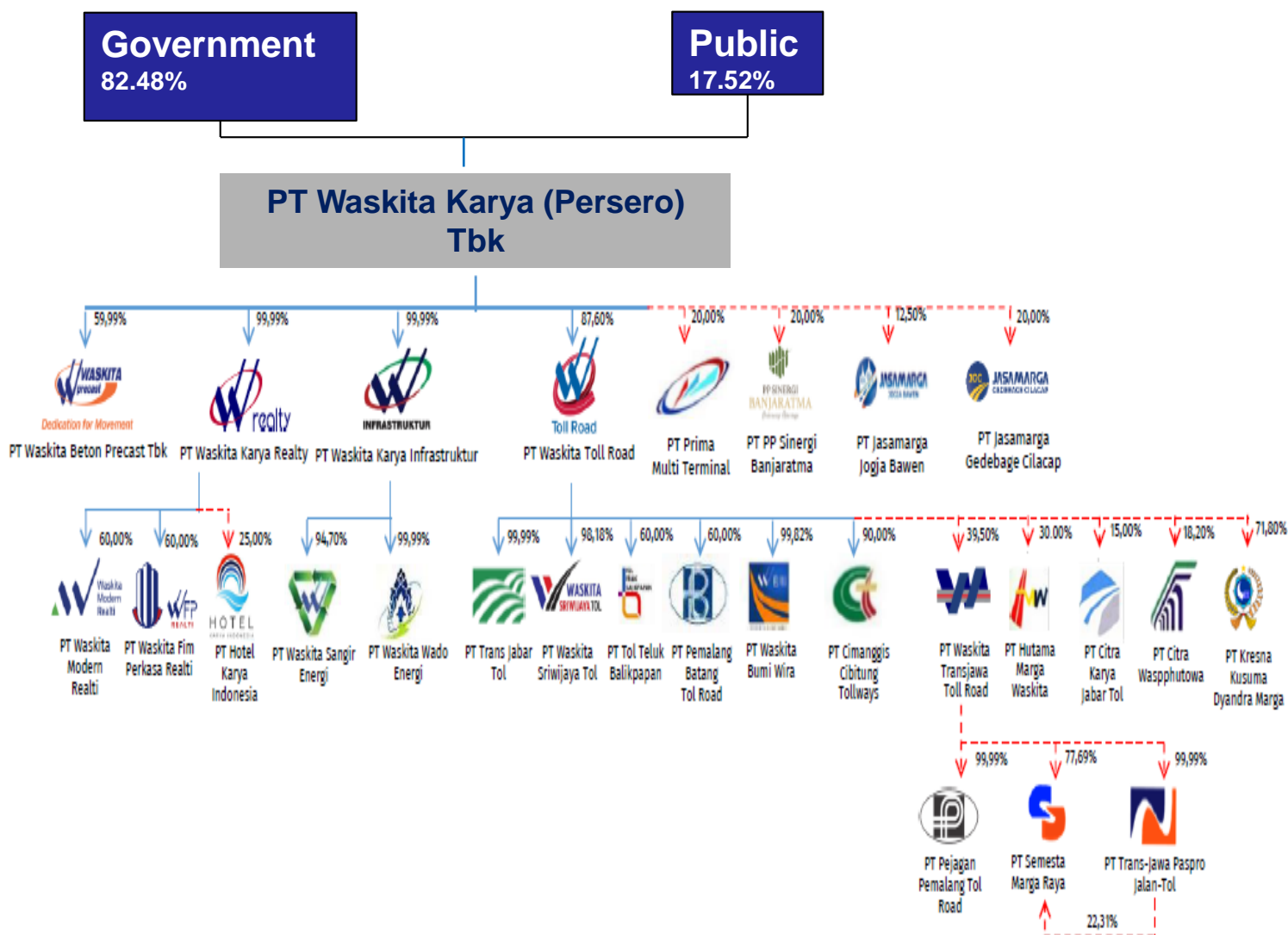


Chart: New contract and order book yoy (IDR. In bn)

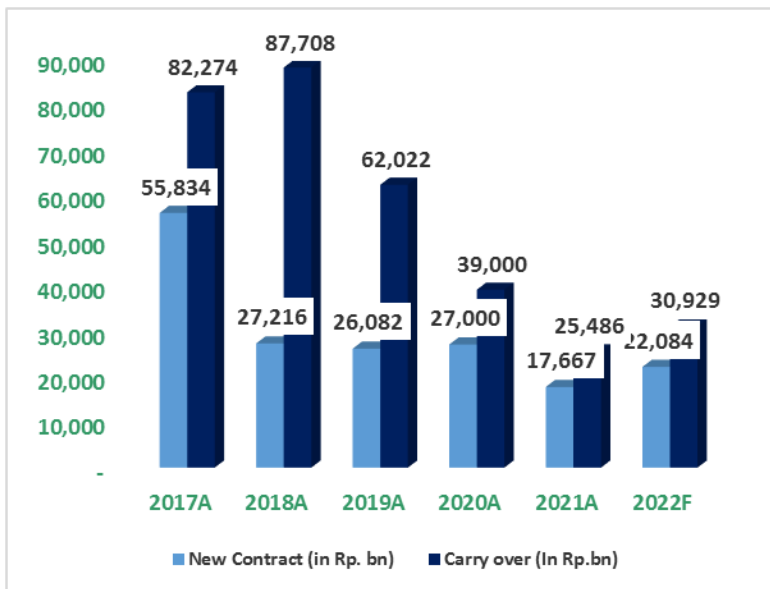


Chart: New contract segmentation based on owner as of 2021

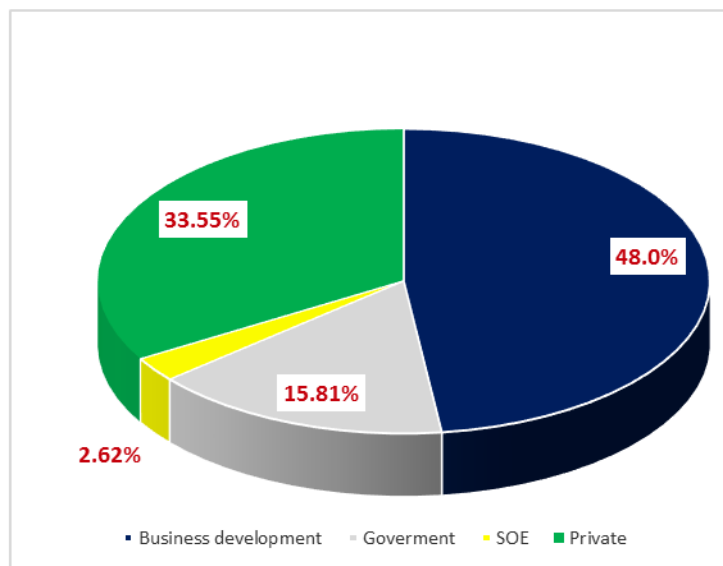


Chart: EBITDA margin YoY (%)

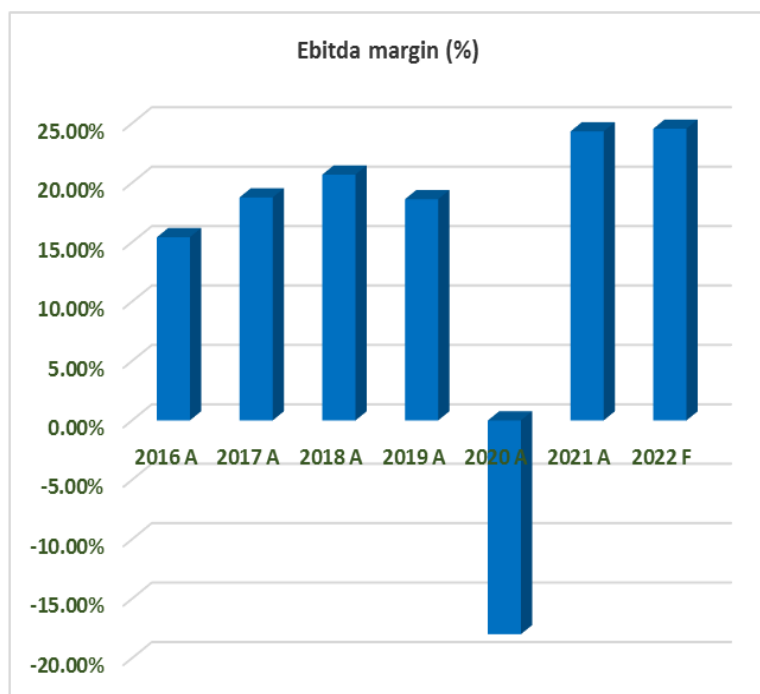
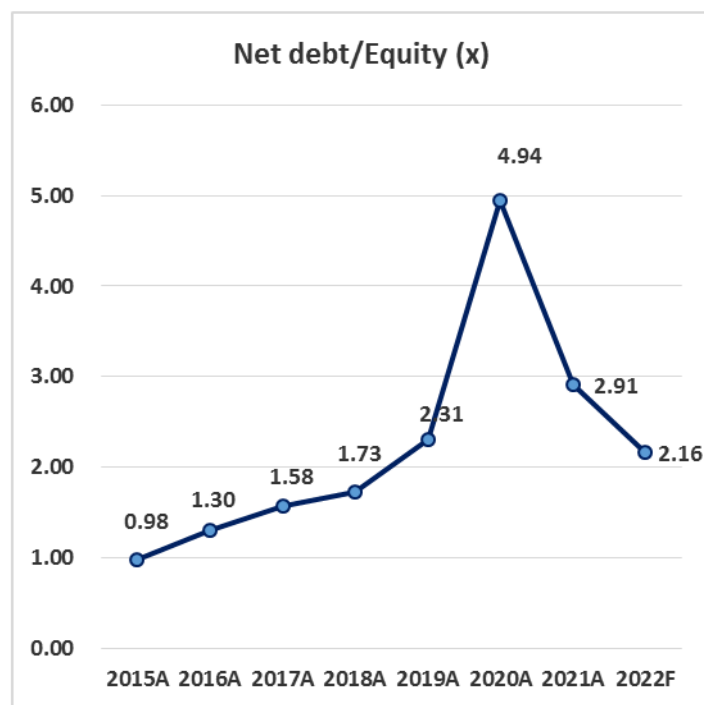


Chart: Net debt to equity ratio (yoy)



Ratio Highlights

| Ratio highlights | 2018 A | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F |
|-----------------------------|--------|---------|----------|----------|---------|----------|
| Growth (% YoY) | | | | | | |
| Sales | | -35.67% | -48.42% | -24.50% | 23.45% | 21.01% |
| OP | | -35.42% | -41.29% | -31.78% | 35.92% | 13.20% |
| EBITDA | | -42.10% | -149.85% | -193.89% | 29.58% | 50.69% |
| NP | | -76.33% | -884.49% | -85.11% | -62.46% | -363.03% |
| EPS | | -76.33% | -884.53% | -85.11% | -62.46% | -363.03% |
| Profitability (%) | | | | | | |
| Operating Margin(%) | 14.75% | 13.49% | -22.67% | -3.33% | -3.00% | 3.00% |
| EBITDA margin(%) | 20.69% | 18.62% | -17.99% | 22.37% | 23.49% | 29.25% |
| NET Profit margin(%) | 8.12% | 2.99% | -45.46% | -8.97% | -2.73% | 5.93% |
| ROA(%) | 3.19% | 0.80% | -7.30% | -1.06% | -0.37% | 0.93% |
| ROE(%) | 13.72% | 3.95% | -64.39% | -7.09% | -2.17% | 5.90% |
| Liquidity (x) | | | | | | |
| Current ratio | 1.18 | 0.99 | 0.59 | 1.56 | 1.64 | 1.56 |
| Solvability (x) | | | | | | |
| Net Debt/ equity (X) | 1.73 | 2.31 | 4.94 | 2.91 | 2.21 | 2.02 |
| Gross debt (IDR bn) | 60,561 | 63,910 | 57,685 | 57,859 | 61,139 | 61,363 |
| Per Share data (IDR) | | | | | | |
| EPS | 291.9 | 69.1 | -542.2 | -80.8 | -30.3 | 79.8 |
| BVS | 2,128 | 1,751 | 842 | 1,139 | 1,400 | 1,352 |

Cash Flow

| Cash Flow (IDR.bn) | 2018 A | 2019 A | 2020 A | 2021 A | 2022F | 2023F |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| Net Income | 3,962.8 | 938.1 | (7,359.7) | (1,096.2) | (411.5) | 1,082.5 |
| Depreciation | 637.6 | 604.7 | 721.8 | 606.8 | 433.1 | 640.2 |
| - Change in WC | (5,314.9) | 8,967.2 | 11,399.7 | (23,145.7) | 3,287.9 | 3,592.3 |
| Cash From Operating Activities | (714.4) | 10,510.1 | 4,761.8 | (23,635.1) | 3,309.4 | 5,315.0 |
| capex | (12,571.3) | (15,776.8) | (159.6) | 10,392.6 | (3,878.9) | 2,468.2 |
| cash from investing activities | (12,571.3) | (15,776.8) | (159.6) | 10,392.6 | (3,878.9) | 2,468.2 |
| Long term loans | 12,086.7 | 8,572.9 | (6,238.8) | 26,085.6 | (2,000.0) | (2,000.0) |
| bond | 2,804.1 | 573.1 | (2,694.3) | (5,251.6) | 3,280.0 | (775.7) |
| other long term liabilities | 682.1 | 596.6 | 1,559.3 | (1,017.7) | 1,627.9 | 1,800.0 |
| Equity | 2,169.5 | (6,063.2) | (4,973.3) | 5,128.5 | 3,957.9 | (1,739.3) |
| cash from financing activities | 17,742.5 | 3,679.4 | (12,347.0) | 24,944.9 | 6,865.8 | (2,714.9) |
| Net Changes in Cash | 4,756.7 | (1,587.4) | (8,044.9) | 11,952.3 | 6,296.3 | 5,068.3 |
| Beginning Balance | 6,089.0 | 10,845.7 | 9,258.3 | 1,213.4 | 13,165.8 | 19,462.1 |
| Ending balance | 10,845.7 | 9,258.3 | 1,213.4 | 13,165.8 | 19,462.1 | 24,530.4 |

Balance Sheet (IDR.bn) yoy

| Balance sheet (IDR.bn) | 2018A | 2019A | 2020A | 2021A | 2022F | 2023F |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash | 10,846 | 9,258 | 1,213 | 13,166 | 19,462 | 24,530 |
| Short term Investment | 8 | 8 | 239 | 47 | 100 | 100 |
| AR | 3,768 | 3,009 | 4,424 | 2,907 | 4,920 | 5,053 |
| Inventory | 5,089 | 3,787 | 3,824 | 4,355 | 4,134 | 5,053 |
| Other Current Asset | 47,278 | 29,363 | 19,055 | 22,113 | 18,109 | 20,087 |
| Total Current Asset | 66,989 | 45,425 | 28,755 | 42,589 | 46,726 | 54,823 |
| Fixed Asset | 7,091 | 5,413 | 7,278 | 5,413 | 7,114 | 8,394 |
| Other non current Asset | 50,311 | 67,161 | 64,734 | 55,600 | 57,345 | 52,956 |
| Total Non Current Asset | 57,402 | 72,575 | 72,012 | 61,013 | 64,459 | 61,350 |
| Total Asset | 124,392 | 118,000 | 100,768 | 103,602 | 111,185 | 116,174 |
| Account Payable | 14,906 | 12,881 | 13,102 | 7,603 | 10,750 | 13,058 |
| Short term bank loan | 27,959 | 22,162 | 24,871 | 4,210 | 6,210 | 9,210 |
| Other Current liabilities | 13,935 | 10,747 | 10,593 | 15,487 | 11,469 | 12,783 |
| Total Current Liabilities | 56,800 | 45,790 | 48,565 | 27,300 | 28,429 | 35,051 |
| Long term loans | 20,752 | 29,325 | 23,086 | 49,172 | 47,172 | 45,172 |
| MTN | 300 | 300 | 0 | 250 | 250 | 250 |
| bond | 11,849 | 12,422 | 9,728 | 4,477 | 7,757 | 6,981 |
| Other long term liabilities | 5,803 | 6,400 | 7,959 | 6,941 | 8,569 | 10,369 |
| Total Non Current Liabilities | 38,705 | 48,447 | 40,774 | 60,840 | 63,748 | 62,772 |
| Total Liabilities | 95,504 | 94,237 | 89,339 | 88,140 | 92,177 | 97,823 |
| Equity | 28,887 | 23,762 | 11,429 | 15,461 | 19,008 | 18,351 |
| Liabilities + equity | 124,392 | 118,000 | 100,768 | 103,602 | 111,185 | 116,174 |

Profit and Loss

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| Net Profit | 3,963 | 938 | (7,360) | (1,096) | (412) | 1,083 |
| EBITDA | 10,094 | 5,844 | (2,913) | 2,735 | 3,544 | 5,341 |

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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