

3 October 2019
Construction, Equity

Price IDR. 1540
Target Price IDR. 2500
JKSE Index 6055.43



Stock Code
Bloomberg code **WSKT IJ**
Market cap (IDR.bn) **22397.0**
52-Week High (IDR) **2230**
52-Week Low (IDR) **1415**
6-m Avg Daily. Val (IDR) **1890**
Free Float (%) **33.96**

Major Shareholders (%)
Government **66.04%**
Public **33.96%**

USD/IDR-YE
2018A **14390**
2019F (Avg) **14198**

Key Indicators **2020F**
ROE (%) **10.61**
Debt/ Equity (x) **2.26**
Current ratio (x) **1.16**

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

Investment Consideration

Lower target on New contract

WSKT is lowering the target for new contracts in 2019 to Rp45 trillion from Rp55 trillion. Up until August 2019, WSKT has booked Rp9.7 trillion of new contracts or 21.5% of their target. Like its peers, WSKT has been affected by the unfavourable political situation during 1H19 which delayed some investment projects such as toll roads. WSKT is optimistic the new target is achievable with contributions from toll roads 20%, civil works 21%, precast 17%, LRT and railway 13%, & others. WSKT is currently in the process of completing some national strategic projects (PSN) with turnkey schemes which include the Trans Sumatera toll road, Electric Transmission in Sumatera and the LRT in South Sumatera. WSKT is also in the middle of developing 18 toll roads in Sumatera and Java. We believe 2020's new contracts will be bigger than 2019's.

Expected 40 trillion cash inflow

WSKT is expecting a cash inflow by the end of 2019 amounting to Rp40 trillion which consist of Rp26 trillion from turnkey projects as the majority of turnkey projects will be completed in 2019 and Rp14 trillion from conventional projects which have a progress payment scheme. Income will also come from conventional projects in the form of monthly payments. WSKT will also receive additional payments of Rp7 trillion from LMAN. WSKT will also be focusing on improving the company's balance sheet by selling toll roads. As of 1H19, the gearing ratio was at 2.68x, below their covenants of 3.00x

JV project progress

In their realty business, WSKT's 60:40 JV with MDLN (Modernland Realty) is currently accumulating land bank located in Cibitung, West Java. As of 1H19, this JV has acquired 130 ha out of a target 350 ha of land, which will be later integrated with WSKT's Cibitung-Cilincing toll road.

Valuation: 62%

We are targeting WSKT share price (TP) within one year to reach Rp2,500 or 62% upside potential which is a 15.33x PE.

Profit and Loss (IDR.bn)	2016 A	2017 A	2018 A	2019 F	2020 F
Revenue	23,788	45,213	48,789	36,860	50,590
Cost of Revenue	(19,820)	(35,749)	(39,926)	(29,488)	(41,484)
Gross Profit	3,968	9,464	8,863	7,372	9,106
Operating expense	(788)	(2,104)	(1,668)	(1,106)	(1,518)
Operating Profit	3,180	7,360	7,195	6,266	7,589
Other income	(692)	(1,330)	(198)	(2,580)	(1,745)
PBT	2,487	6,029	6,997	3,686	5,844
taxes	(667)	(1,854)	(2,406)	(1,106)	(1,518)
Minority interest	(100)	(320)	(657)	(378)	(519)
EPS	147.49	285.97	291.95	164.11	283.04
Net Profit	1,713	3,882	3,963	2,228	3,842
EBITDA	3,668	8,486	10,094	7,773	10,568

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

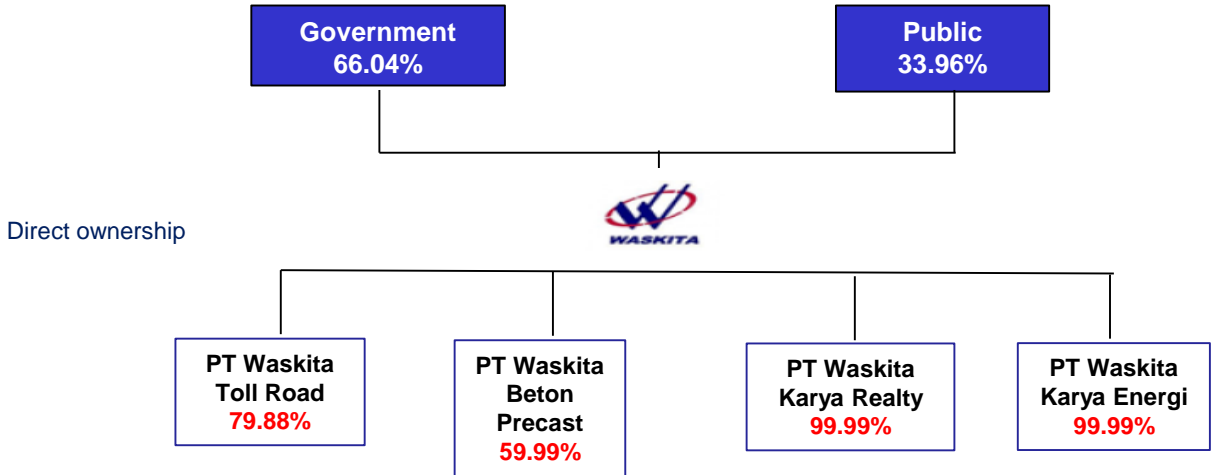


Table: Toll road projects of WSKT

Section	Length (Km)	Shares (%)	Target Completion
Kanci Pejagan	35	77.69	Operating
Pejagan - Pemalang	57	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
			Sec Kertasura - Sragen operating
Solo - Ngawi	90.43	0.4	2019
Ciawi - Sukabumi	83.1	0.9999	2018
Pasuruan - Probolinggo	31.3	0.9999	2019
Krian - Legundi - Bunder -Manyar	38.29	0.99	2019
Kayu Agung - Palembang - Betung	111.69	0.98	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)

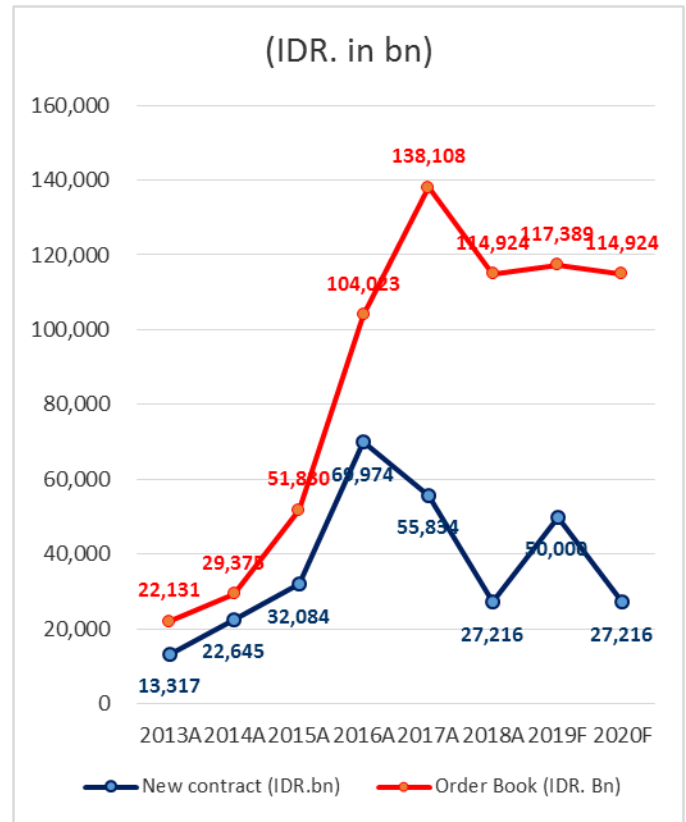


Chart: Net Income YoY (IDR. Bn)

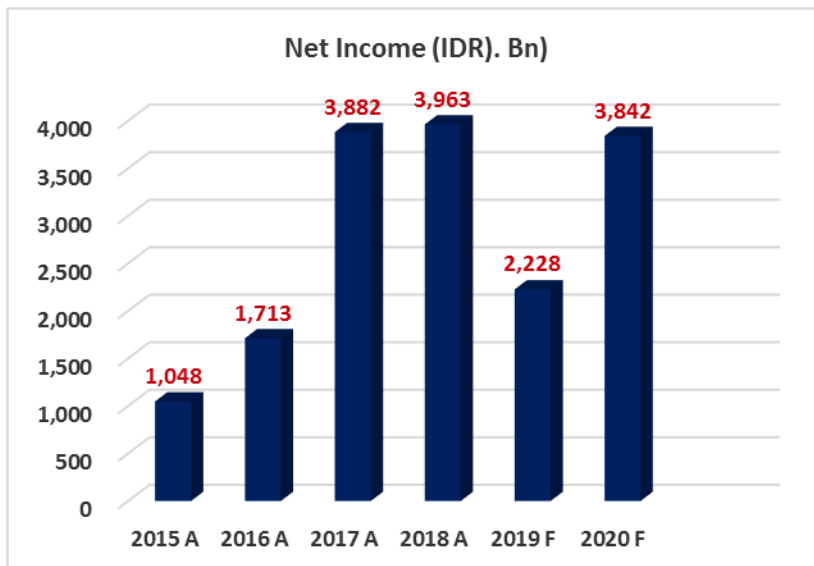
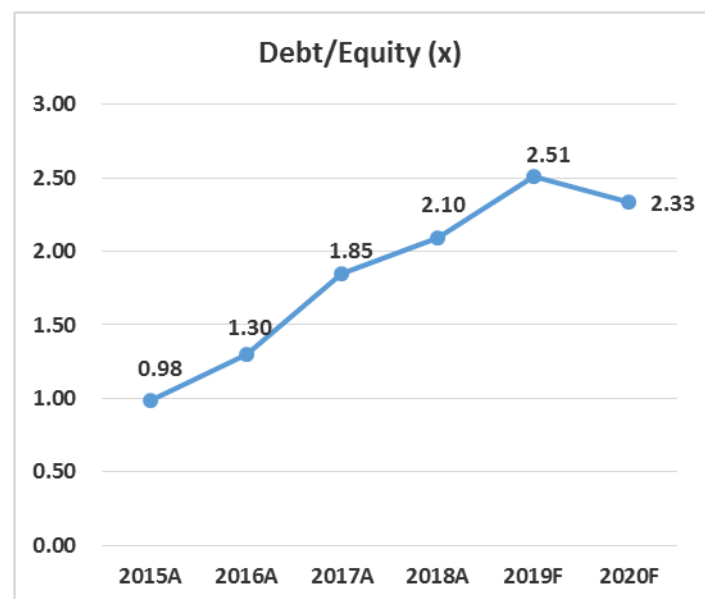


Chart: Debt to equity ratio (yoy)



Ratio Highlights yoy

	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Growth (% YoY)						
Sales		68.08%	90.06%	7.91%	-24.45%	37.25%
OP		62.04%	80.37%	11.68%	-26.14%	40.68%
EBITDA		130.74%	131.35%	18.95%	-23.00%	35.96%
NP		63.52%	126.57%	2.09%	-43.79%	72.47%
EPS		91.05%	93.90%	2.09%	-43.79%	72.47%
Profitability						
Operating Margin(%)	9.92%	13.37%	16.28%	14.75%	17.00%	15.00%
EBITDA margin(%)	11.23%	15.42%	18.77%	20.69%	21.09%	20.89%
NET Profit margin(%)	7.40%	7.20%	8.59%	8.12%	6.04%	7.59%
ROA(%)	3.46%	2.79%	3.97%	3.19%	1.57%	2.36%
ROE(%)	10.80%	10.21%	17.06%	13.72%	7.19%	10.61%
Liquidity						
Current ratio	1.32	1.27	1.00	1.18	1.22	1.16
Solvability						
Debt/ equity (X)	0.98	1.30	1.85	2.10	2.51	2.26
Gross debt (IDR bn)	9,542	21,778	42,002	60,561	77,635	81,635
Per Share data (IDR)						
EPS	77.2	147.5	286.0	291.9	164.1	283.0
BVS	715	1,236	1,677	2,128	2,283	2,666

Profit and Loss (IDR.bn yoy)

Profit and Loss (IDR.bn)	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Revenue	14,153	23,788	45,213	48,789	36,860	50,590
Cost of Revenue	(12,232)	(19,820)	(35,749)	(39,926)	(29,488)	(41,484)
Gross Profit	1,921	3,968	9,464	8,863	7,372	9,106
Operating expense	(518)	(788)	(2,104)	(1,668)	(1,106)	(1,518)
Operating Profit	1,403	3,180	7,360	7,195	6,266	7,589
Other income	(296)	(692)	(1,330)	(198)	(2,580)	(1,745)
PBT	1,107	2,487	6,029	6,997	3,686	5,844
taxes	(69)	(667)	(1,854)	(2,406)	(1,106)	(1,518)
Minority interest	0	(100)	(320)	(657)	(378)	(519)
EPS	77.20	147.49	285.97	291.95	164.11	283.04
Net Profit	1,048	1,713	3,882	3,963	2,228	3,842
EBITDA	1,590	3,668	8,486	10,094	7,773	10,568

Balance Sheet (IDR.bn) yoy

Balance sheet (IDR.bn)	2015A	2016A	2017A	2018A	2019F	2020F
Cash	5,511	10,656	6,089	10,846	7,426	11,224
Short term Investment	11	8	8	8	8	8
AR	4,654	4,317	1,871	3,768	7,069	6,930
Inventory	826	2,557	3,236	5,089	6,059	8,316
Other Current Asset	7,073	22,174	41,223	47,278	53,447	55,649
Total Current Asset	18,075	39,713	52,427	66,989	74,010	82,128
Non Current Asset						
Fixed Asset	1,923	3,014	4,742	7,091	10,842	14,916
Other non current Asset	10,311	18,707	40,726	50,311	57,133	65,768
Total Non Current Asset	12,234	21,720	45,469	57,402	67,975	80,684
Total Asset	30,309	61,433	97,896	124,392	141,985	162,812
AP	5,472	7,185	14,098	14,906	15,148	15,939
Short term bank loan	3,194	12,063	24,291	27,959	34,435	35,435
Other Current liabilities	4,999	12,036	13,920	13,935	11,058	19,224
Total Current Liabilities	13,665	31,284	52,309	56,800	60,641	70,598
Long term loans	3,677	4,148	8,666	20,752	26,703	29,703
bond	2,671	5,568	9,045	11,849	16,498	16,498
Other long term liabilities	592	3,661	5,121	6,103	7,155	9,821
Total Non Current Liabilities	6,940	13,376	22,832	38,705	50,356	56,021
Total Liabilities	20,605	44,660	75,141	95,504	110,997	126,620
Equity	9,704	16,773	22,755	28,887	30,988	36,192
Liabilities + equity	30,309	61,433	97,896	124,392	141,985	162,812

Cash Flow yoy (IDR. Bn)

Cash Flow (IDR.bn)	2016A	2017 A	2018 A	2019F	2020F
Net Income	1,713.3	3,881.7	3,962.8	2,227.5	3,841.8
Depreciation	197.9	524.7	637.6	921.8	1,409.4
- Change in WC	1,125.9	3,744.1	(5,314.9)	(6,599.5)	5,637.2
Cash From Operating Activities	3,037.1	8,150.5	(714.4)	(3,450.1)	10,888.5
capex	(9,684.1)	(524.7)	(637.6)	(921.8)	(1,409.4)
cash from investing activities	(9,684.1)	(524.7)	(637.6)	(921.8)	(1,409.4)
Long term loans	470.8	4,517.6	12,086.7	5,950.2	3,000.0
bond	2,896.9	3,477.7	2,804.1	4,648.6	0.0
other long term liabilities	3,068.4	1,460.2	982.1	1,052.3	2,665.4
Equity	5,355.8	2,099.9	2,169.5	(126.5)	1,362.3
cash from financing activities	11,791.8	11,555.5	18,042.5	11,524.7	7,027.7
Net Changes in Cash	5,144.8	(4,567.0)	4,756.7	(3,419.8)	3,798.2
Beginning Balance	5,511.2	10,656.0	6,089.0	10,845.7	7,425.9
Ending balance	10,656.0	6,089.0	10,845.7	7,425.9	11,224.1

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
(62-21) 520-6678 ext.612

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