

6 Feb 2020  
Construction, Equity

Price IDR. 1190  
Target Price IDR. 1780  
JKSE Index 5978.51



**Stock Code**  
**Bloomberg code** WSKT IJ  
**Market cap (IDR.bn)** 22397  
**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 (%)** 10.38  
**Debt/ Equity (x)** 2.21  
**Current ratio (x)** 1.20

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

### Investment Consideration

#### Lower contracts, better outlook

WSKT booked new contracts in 2019 lower than our estimate at IDR 26 trillion due to the unfavourable political situation during 2019 which delayed some investment projects such as toll roads. WSKT is optimistic their 2020 target is achievable with contributions from toll roads 26%, Building 16%, civil works 13%, transmission 11%, dams and irrigation, 10%, port 6%, and others 17%. WSKT is also in the middle of developing 18 toll roads in Sumatera and Java. We therefore believe 2020 new contracts will be bigger than 2019.

#### Huge cash inflows, more coming

WSKT is expecting a cash inflow in 2020 of Rp10 trillion which includes IDR 4.5 trillion from the Jakarta-Cikampek II elevated road and IDR 2.7 trillion from the Palembang LRT. By the end of 2019, WSKT has received payments from turnkey project amounting to IDR 22 trillion. WSKT received their biggest cash inflow of around IDR 10.3 trillion from Tebanggi Besar – Pematang panggang – kayu Agung toll roads. WSKT also received IDR 3.4 trillion from Batang –Semarang and Cinere – Serpong toll roads. WSKT received a further IDR 5.3 trillion from several toll roads projects in Java and Sumatera. In addition to payments from turnkey projects, in 2019, WSKT has received more than IDR 15.9 trillion of progress payments from other projects. WSKT has also received reimbursement for land clearing from LMAN amounting to IDR 5.8 trillion.

#### Targeting net gearing 2.4x

We estimate WSKT 2019-2020 net gearing will be around 2.4x after receiving this cash flow. Management aims to strengthen financing in the future and WSKT will also participate in contractor Pre-Financing for projects to better manage their margin.

#### Valuation: 49% upside

We estimate one year target price of WSKT will be IDR 1780 or trading at 8x PER, with 49% upside, we recommend to BUY.

Profit and Loss (IDR.bn)	2016 A	2017 A	2018 A	2019 F	2020 F	2021 F
Revenue	23,788	45,213	48,789	29,660	35,182	47,717
Cost of Revenue	(19,820)	(35,749)	(39,926)	(24,025)	(28,498)	(38,651)
<b>Gross Profit</b>	<b>3,968</b>	<b>9,464</b>	<b>8,863</b>	<b>5,635</b>	<b>6,685</b>	<b>9,066</b>
Operating expense	(788)	(2,104)	(1,668)	(890)	(1,055)	(1,432)
<b>Operating Profit</b>	<b>3,180</b>	<b>7,360</b>	<b>7,195</b>	<b>4,746</b>	<b>5,629</b>	<b>7,635</b>
Other income	(692)	(1,330)	(198)	(2,076)	(1,214)	(1,726)
<b>PBT</b>	<b>2,487</b>	<b>6,029</b>	<b>6,997</b>	<b>2,669</b>	<b>4,416</b>	<b>5,908</b>
taxes	(667)	(1,854)	(2,406)	(890)	(1,055)	(1,432)
Minority interest	(100)	(320)	(657)	(305)	(361)	(490)
EPS	147.49	285.97	291.95	110.20	222.76	296.18
<b>Net Profit</b>	<b>1,713</b>	<b>3,882</b>	<b>3,963</b>	<b>1,496</b>	<b>3,024</b>	<b>4,020</b>
<b>EBITDA</b>	<b>3,668</b>	<b>8,486</b>	<b>10,094</b>	<b>6,811</b>	<b>9,418</b>	<b>12,184</b>

**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**

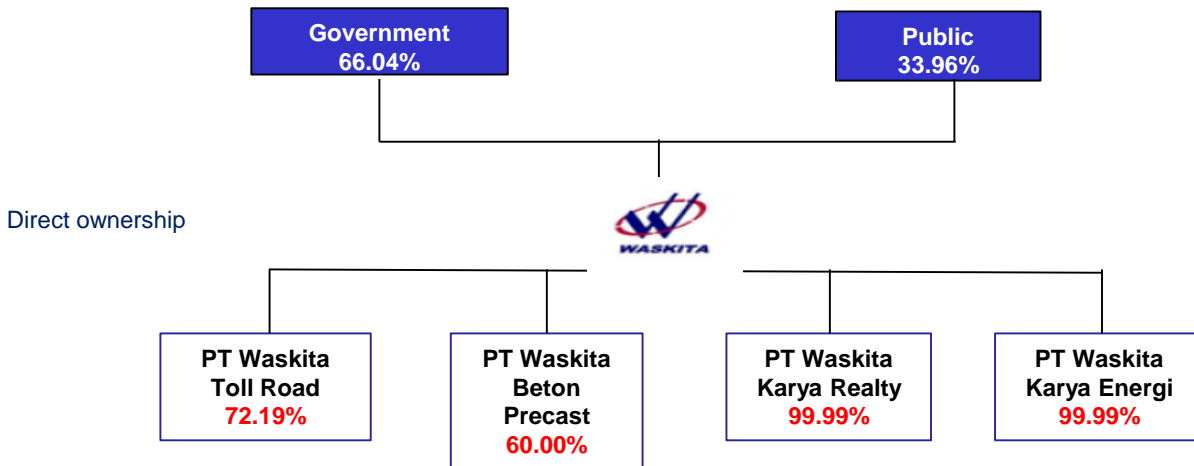


Table: Toll road projects of WSKT

Section	Length (Km)	Shares (%)	Target Completion
Kanci Pejagan	35	77.69	Operating
Pejagan - Pemalang	57.5	99.99	Operating
Ciawi - Sukabumi	54	99.99	Section 1: Operating
Cimanggis - Cibitung	26.28	90	2020
Cibitung - Cilincing	34.02	55	2020
Pasuruan - Probolinggo	31.3	99.99	Operating
Bekasi - Cawang - Kampung Melayu	16.02	99.65	Operating
Pemalang - Batang	39.2	60	Operating
Kayu Agung - Palembang - Betung	111.69	98	2019
Legundi - Bunder	29	55	2019
Solo -Ngawi	90	40	Operating
Ngawi - Kertosono	87	40	Operating
Semarang - Batang	75	40	Operating
Cinere - Serpong	10.14	35	2019
Kuala Tanjung - T. Tinggi - parapat	143.25	30	2020
Medan _ Kualanamu _ T. Tinggi	61.7	30	Operating
Krian-Legundi-Bunyer-Manyar	38.29	99.99	Section 1: operating
Depok Antasari	27.75	25	Section 1: Operating

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

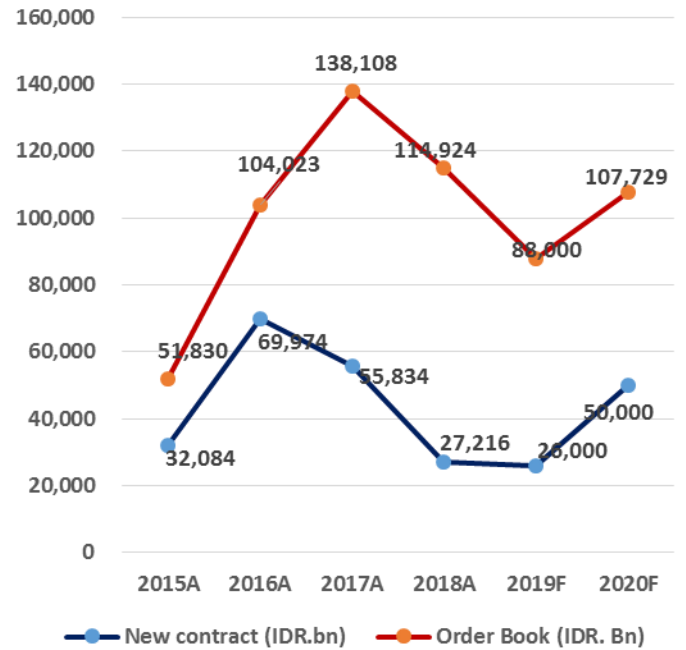


Chart: Net margin vs EBITDA margin (YoY)

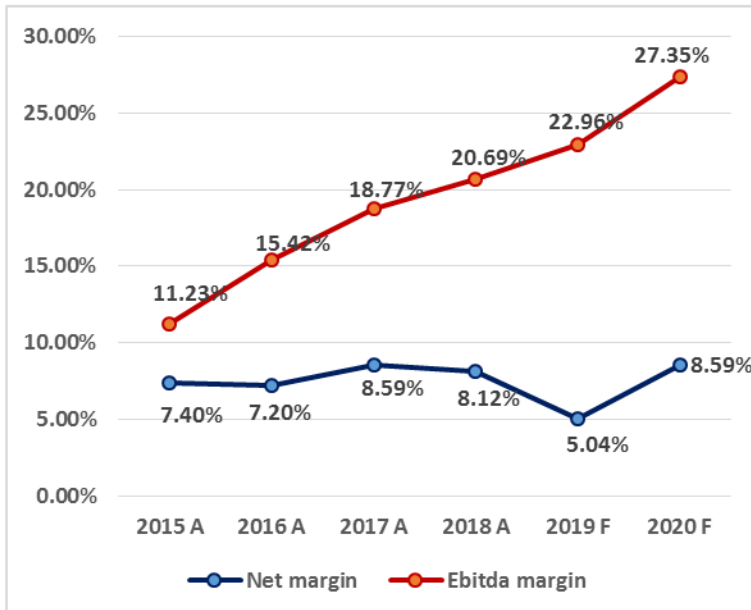
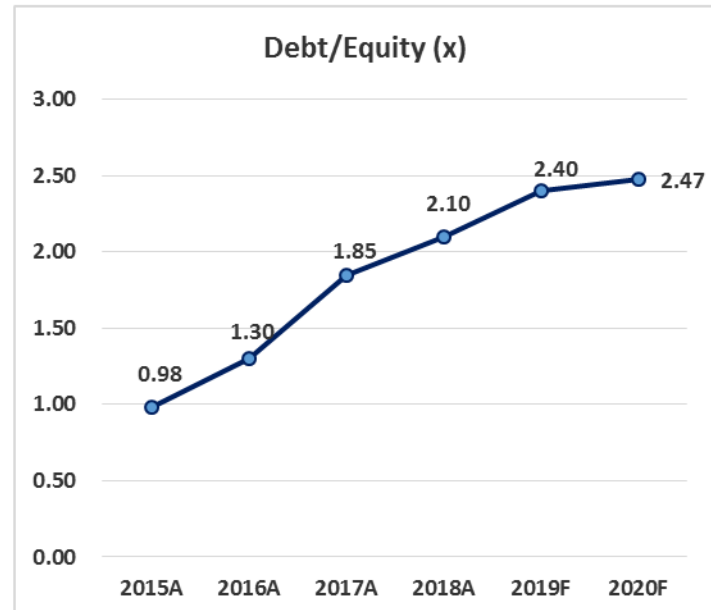


Chart: Debt to equity ratio (yoy)



Ratio Highlights yoy

	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F	2021 F
<b>Growth (% YoY)</b>							
Sales		68.08%	90.06%	7.91%	-39.21%	18.62%	35.63%
OP		62.04%	80.37%	11.68%	-39.83%	18.62%	35.63%
EBITDA		130.74%	131.35%	18.95%	-32.53%	41.26%	30.01%
NP		63.52%	126.57%	2.09%	-62.25%	102.13%	32.96%
EPS		91.05%	93.90%	2.09%	-62.25%	102.13%	32.96%
<b>Profitability</b>							
Operating Margin(%)	9.92%	13.37%	16.28%	14.75%	16.00%	16.00%	16.00%
EBITDA margin(%)	11.23%	15.42%	18.77%	20.69%	22.96%	27.35%	26.22%
NET Profit margin(%)	7.40%	7.20%	8.59%	8.12%	5.04%	8.59%	8.43%
ROA(%)	3.46%	2.79%	3.97%	3.19%	1.06%	1.85%	2.04%
ROE(%)	10.80%	10.21%	17.06%	13.72%	4.55%	8.00%	9.00%
<b>Liquidity</b>							
Current ratio	1.32	1.27	1.00	1.18	1.21	1.36	1.22
<b>Solvability</b>							
Debt/ equity (X)	0.98	1.30	1.85	2.10	2.40	2.47	2.45
Gross debt (IDR bn)	9,542	21,778	42,002	60,561	78,984	93,484	109,484
<b>Per Share data (IDR)</b>							
EPS	77.2	147.5	286.0	291.9	110.2	222.8	296.2
BVS	715	1,236	1,677	2,128	2,424	2,784	3,289

Cash Flow yoy (IDR. Bn)

Cash Flow (IDR.bn)	2016A	2017 A	2018 A	2019F	2020F	2021F
Net Income	1,713.3	3,881.7	3,962.8	1,495.8	3,023.6	4,020.2
Depreciation	197.9	524.7	637.6	921.8	1,409.4	2,155.0
- Change in WC	1,125.9	3,744.1	(5,314.9)	(5,691.6)	(6,805.7)	11,666.6
<b>Cash From Operating Activities</b>	<b>3,037.1</b>	<b>8,150.5</b>	<b>(714.4)</b>	<b>(3,273.9)</b>	<b>(2,372.7)</b>	<b>17,841.8</b>
capex	(9,684.1)	(24,273.0)	(12,571.3)	(13,681.4)	(11,152.5)	(29,530.5)
<b>cash from investing activities</b>	<b>(9,684.1)</b>	<b>(24,273.0)</b>	<b>(12,571.3)</b>	<b>(13,681.4)</b>	<b>(11,152.5)</b>	<b>(29,530.5)</b>
Long term loans	470.8	4,517.6	12,086.7	9,321.6	10,000.0	9,000.0
MTN						
bond	2,896.9	3,477.7	2,804.1	1,595.8	3,500.0	3,000.0
other long term liabilities	3,068.4	1,460.2	682.1	128.9	1,104.5	2,506.9
Equity	5,355.8	2,099.9	2,169.5	2,521.6	1,854.3	2,842.1
<b>cash from financing activities</b>	<b>11,791.8</b>	<b>11,555.5</b>	<b>17,742.5</b>	<b>13,567.8</b>	<b>16,458.8</b>	<b>17,349.0</b>
Net Changes in Cash	5,144.8	(4,567.0)	4,756.7	(3,387.5)	2,933.6	5,660.3
<b>Beginning Balance</b>	<b>5,511.2</b>	<b>10,656.0</b>	<b>6,089.0</b>	<b>10,845.7</b>	<b>7,458.2</b>	<b>10,391.8</b>
<b>Ending balance</b>	<b>10,656.0</b>	<b>6,089.0</b>	<b>10,845.7</b>	<b>7,458.2</b>	<b>10,391.8</b>	<b>16,052.1</b>

Balance Sheet (IDR.bn) yoy

Balance sheet (IDR.bn)	2016A	2017A	2018A	2019F	2020F	2021F
Cash	10,656	6,089	10,846	7,458	10,392	16,052
Short term Investment	8	8	8	8	8	8
AR	4,317	1,871	3,768	5,688	3,640	3,922
Inventory	2,557	3,236	5,089	4,876	5,783	7,844
Other Current Asset	22,174	41,223	47,278	53,388	63,328	62,032
<b>Total Current Asset</b>	<b>39,713</b>	<b>52,427</b>	<b>66,989</b>	<b>71,419</b>	<b>83,152</b>	<b>89,858</b>
<b>Non Current Asset</b>						
Fixed Asset	3,014	4,742	7,091	10,842	16,577	26,162
Other non current Asset	18,707	40,726	50,311	59,320	63,328	81,118
<b>Total Non Current Asset</b>	<b>21,720</b>	<b>45,469</b>	<b>57,402</b>	<b>70,162</b>	<b>79,905</b>	<b>107,281</b>
<b>Total Asset</b>	<b>61,433</b>	<b>97,896</b>	<b>124,392</b>	<b>141,581</b>	<b>163,057</b>	<b>197,139</b>
AP	7,185	14,098	14,906	12,189	11,085	15,034
Short term bank loan	12,063	24,291	27,959	35,465	36,465	40,465
Other Current liabilities	12,036	13,920	13,935	11,271	13,369	18,132
<b>Total Current Liabilities</b>	<b>31,284</b>	<b>52,309</b>	<b>56,800</b>	<b>58,925</b>	<b>60,919</b>	<b>73,632</b>
Long term loans	4,148	8,666	20,752	30,074	40,074	49,074
MTN	0	0	300	300	300	300
bond	5,568	9,045	11,849	13,445	16,945	19,945
Other long term liabilities	3,661	5,121	5,803	5,932	7,036	9,543
<b>Total Non Current Liabilities</b>	<b>13,376</b>	<b>22,832</b>	<b>38,705</b>	<b>49,751</b>	<b>64,355</b>	<b>78,862</b>
<b>Total Liabilities</b>	<b>44,660</b>	<b>75,141</b>	<b>95,504</b>	<b>108,676</b>	<b>125,275</b>	<b>152,494</b>
<b>Equity</b>	<b>16,773</b>	<b>22,755</b>	<b>28,887</b>	<b>32,905</b>	<b>37,782</b>	<b>44,645</b>
<b>Liabilities + equity</b>	<b>61,433</b>	<b>97,896</b>	<b>124,392</b>	<b>141,581</b>	<b>163,057</b>	<b>197,139</b>

Profit and Loss (IDR.bn yoy)

Profit and Loss (IDR.bn)	2016 A	2017 A	2018 A	2019 F	2020 F	2021 F
<b>Revenue</b>	<b>23,788</b>	<b>45,213</b>	<b>48,789</b>	<b>29,660</b>	<b>35,182</b>	<b>47,717</b>
Cost of Revenue	(19,820)	(35,749)	(39,926)	(24,025)	(28,498)	(38,651)
<b>Gross Profit</b>	<b>3,968</b>	<b>9,464</b>	<b>8,863</b>	<b>5,635</b>	<b>6,685</b>	<b>9,066</b>
Operating expense	(788)	(2,104)	(1,668)	(890)	(1,055)	(1,432)
<b>Operating Profit</b>	<b>3,180</b>	<b>7,360</b>	<b>7,195</b>	<b>4,746</b>	<b>5,629</b>	<b>7,635</b>
Other income	(692)	(1,330)	(198)	(2,076)	(1,214)	(1,726)
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Minority interest	(100)	(320)	(657)	(305)	(361)	(490)
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<b>EBITDA</b>	<b>3,668</b>	<b>8,486</b>	<b>10,094</b>	<b>6,811</b>	<b>9,418</b>	<b>12,184</b>

**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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