

Tuesday, 21 November 2017

**BUY**  
**Maintain**

Last price (IDR)	2,150
Target Price (IDR)	2,700
Upside/Downside	+25.6%
Previous Target Price (IDR)	2,800

#### Stock Statistics

Sector	Construction
Bloomberg Ticker	WSKT IJ
No of Shrs (mn)	13,574
Mkt. Cap (IDR bn/USDmn)	29,184/2,157
Avg. daily T/O (IDR bn/USDmn)	46.8/3.5

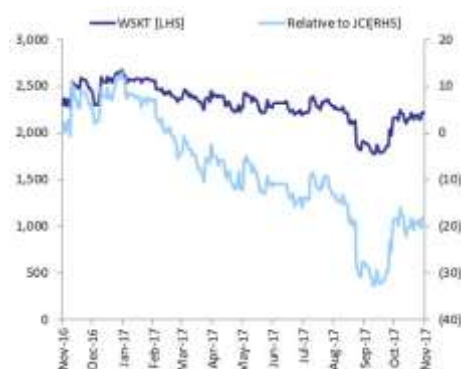
#### Major shareholders

Govt. Indonesia	66.0%
Public	34.0%
Estimated free float (%)	32.2

#### EPS Consensus(IDR)

	2017F	2018F	2019F
Danareksa	224.5	245.8	224.3
Consensus	228.6	258.2	281.1
Danareksa/Cons	(1.8)	(4.8)	(20.2)

#### WSKT relative to JCI Index



Source : Bloomberg

#### Maria Renata

(62-21) 29 555 888 ext.3513  
maria.renata@danareksa.com

## Waskita Karya(WSKT IJ)

### No glory without sacrifice

**We maintain our BUY call on WSKT with a new TP of IDR2,700 (old: IDR2,800). The development of toll roads and the funding remain the key issues. We expect the order book in 2018 to grow 6%yoy to IDR155tn despite the lower new contracts target. WSKT's order book is the largest among its peers.**

**2018 contracts target.** WSKT's order book is the largest among the construction companies in Indonesia. We expect the 2018 order book to reach IDR155tn (+6%yoy) despite the lower new contracts target. The new contracts in 2018 are expected to reach IDR50.0tn, or lower than the IDR60.0tn of new contracts targeted in 2017.

**Acquiring toll road projects...** WSKT, through Waskita Toll Road (WTR), owns 18 toll roads with a total length covering 997km of which more than 82% is still under construction. The management claims that the investment needed for the toll roads will reach more than IDR100tn while "toll road concession rights" booked as of Sep reached IDR27.1tn, indicating that around IDR73tn of funds is needed to develop the toll roads.

**...to enlarge assets.** Since entering the toll road business in 2015, WSKT's balance sheet has increased significantly. Total assets, which only reached IDR12.5tn at the end of 2014, have since grown to IDR87.7tn as of Sep17. However, the leverage also increased (up from 1.1x in Dec16 to IDR1.7x as of Sep17). This includes the IDR5.2tn of additional equity received in 2015. However, with only IDR22.0tn of equity as of Sep17, WSKT will have difficulties in carrying out all the toll road projects. As such, the company plans to divest 10 of its toll roads through IPO and direct divestment. We have not included the divestments into our forecast.

**Waiting for the payment of receivables.** WSKT's receivables (trade receivables, retention receivables, and gross amount due from customers) as of Sep17 reached IDR24.8tn with the Ministry of Transportation (MoT) as the biggest debtor with unpaid bills reaching IDR5.3tn or 21% of the receivables. Other large debtors include Hutama Karya, which owes IDR4.8tn (19.3% of the receivables) and Jasamarga Semarang Batang, which owes IDR2.7tn (11.1%).

**Valuation.** We expect single-digit growth in the 2018 net income due to higher financing costs and minorities and 22%yoy growth in revenues. We maintain our BUY call on WSKT with a lower TP of IDR2,700 (old: IDR2,800). Our new TP is based on: 1) -1SD PE multiple of 11.0x (old: +1SD of 16.5x PE), and 2) 2018 EPS of IDR246 (old: 2017 EPS of IDR176).

#### Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue, (IDRbn)	14,153	23,788	38,860	47,486	50,090
EBITDA, (IDRbn)	1,272	2,963	5,901	7,192	7,592
EBITDA Growth, (%)	51.8	132.9	99.1	21.9	5.6
Net profit (IDRbn)	1,048	1,713	3,047	3,336	3,045
EPS (IDR)	90.2	126.2	224.5	245.8	224.3
EPS growth (%)	73.7	39.9	77.9	9.5	(8.7)
BVPS, (IDR)	821.9	815.5	1,004.0	1,184.3	1,336.9
DPS, (IDR)	7.4	15.4	37.9	67.4	73.7
PER (x)	24.5	17.5	9.8	9.0	9.9
PBV (x)	2.7	2.7	2.2	1.9	1.7
Dividend yield (%)	0.3	0.7	1.7	3.0	3.3
EV/EBITDA (x)	25.8	15.0	11.5	11.3	11.0

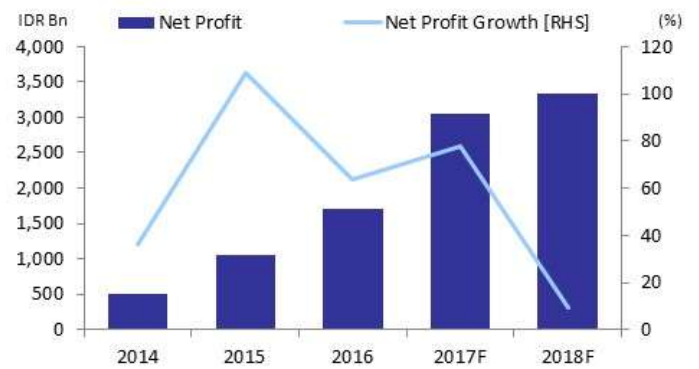
Source : WSKT, Danareksa Estimates

**Exhibit 1. REVENUE AND GROWTH**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. NET PROFIT AND GROWTH**



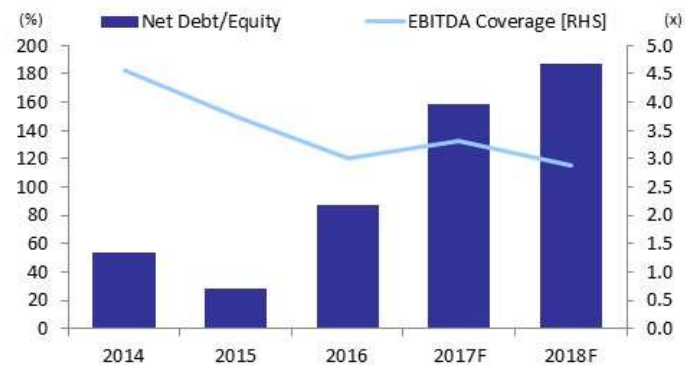
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. MARGINS**



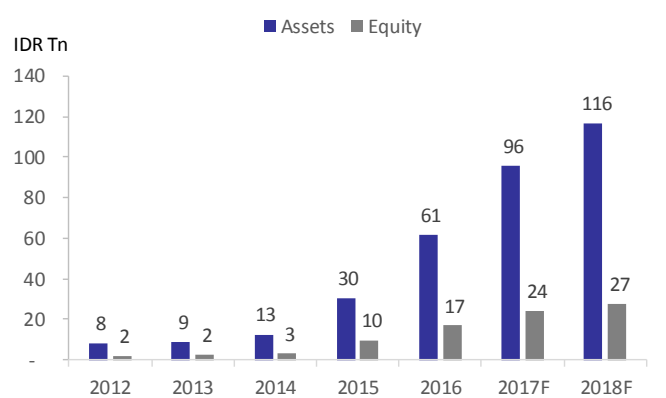
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. GEARING LEVEL**



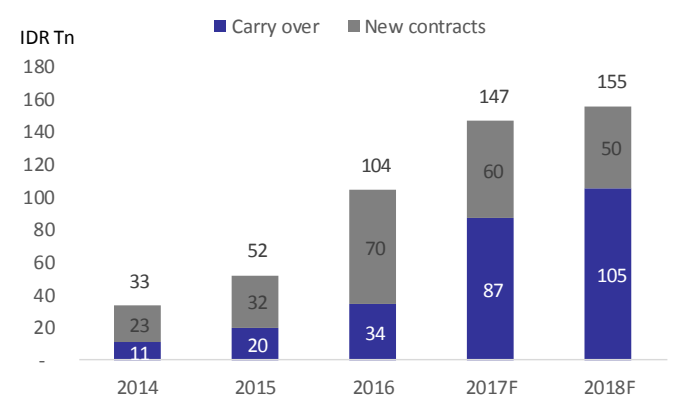
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. ASSETS AND EQUITY**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 6. ORDER BOOK**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 7. FORECAST CHANGES**

	2017			2018		
	Old	New	Chg	Old	New	Chg
New contracts	60,000	60,000	0.0%	60,000	50,000	-16.7%
Carry over	86,648	86,648	0.0%	112,356	105,493	-6.1%
Order book	146,648	146,648	0.0%	172,356	155,493	-9.8%
Revenues	34,117	38,860	13.9%	43,436	47,486	9.3%
Gross profit	5,389	6,912	28.3%	6,841	8,299	21.3%
Op. profit	4,575	6,207	35.7%	5,954	7,559	27.0%
Profit after tax	2,603	3,445	32.3%	3,298	3,811	15.6%
Net profit	2,383	3,047	27.9%	3,034	3,336	9.9%

Source: Danareksa Sekuritas estimates

**Exhibit 8. RECEIVABLES**

	Dec-16		Sep-17	
<b>Account receivables (IDR Bn)</b>				
Related parties	1,356		1,548	
Third parties	882		1,415	
<b>Retention receivables (IDR Bn)</b>				
Related parties	376		554	
Third parties	590		629	
<b>Gross amount due from customers (IDR Bn)</b>				
Related parties	6,910		10,440	
Third parties	6,199		6,789	
<b>Total</b>	<b>16,315</b>		<b>21,376</b>	
<b>Details</b>	<b>IDR Bn</b>	<b>%</b>	<b>IDR Bn</b>	<b>%</b>
Ministry of Transportation	3,449	21.1%	5,266	24.6%
Hutama Karya	577	3.5%	4,785	22.4%
Jasamarga Semarang Batang	596	3.7%	2,748	12.9%
PLN	2,016	12.4%	2,669	12.5%
Ministry of Public Works and Housing	1,126	6.9%	1,573	7.4%
Jasa Marga Jln Layang Cikampek	1,368	8.4%	1,363	6.4%

Source: Company

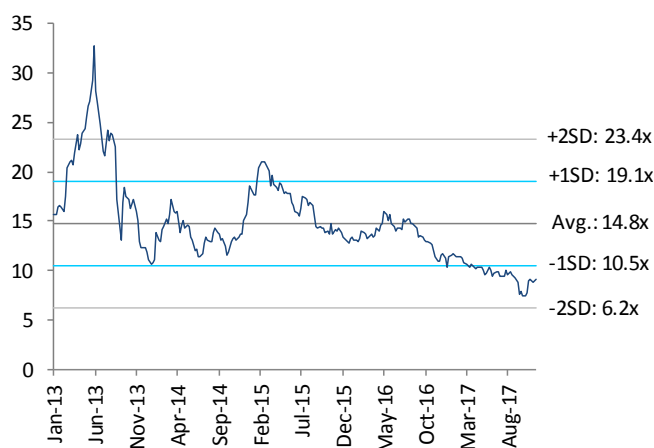
**Exhibit 9. BANK LOANS**

	Dec-16	Sep-17
<b>Total bank loans (ST + LT)</b>	<b>IDR Bn</b>	<b>IDR Bn</b>
WSKT	10,156	19,229
WSBP	3,356	4,778
Waskita Tol Road (WTR)	2,723	4,816
Waskita Karya Realty (WKR)	-	120
<b>Total</b>	<b>16,235</b>	<b>28,943</b>

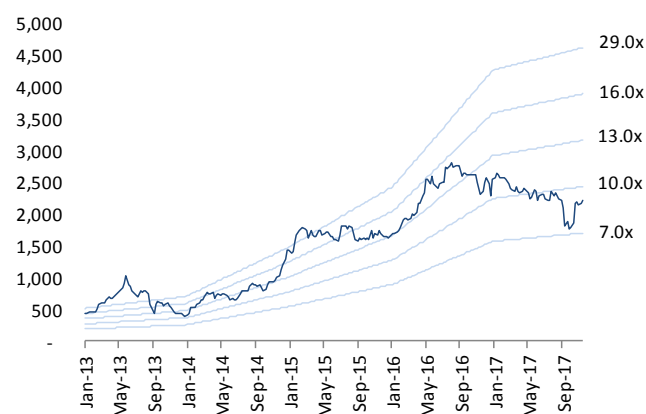
  

<b>Major creditors</b>	<b>IDR Bn</b>	<b>%</b>	<b>IDR Bn</b>	<b>%</b>
BRI	2,929	18.0%	6,159	21.3%
BNI	3,862	23.8%	3,225	11.1%
Bank Mandiri	1,261	7.8%	2,728	9.4%
Bank Panin	2,097	12.9%	2,296	7.9%
Bank BRI and Bank BNI	-	0.0%	1,721	5.9%
BNI and BRI	1,449	8.9%	1,449	5.0%
Bank BRI and Bank BCA	-	0.0%	938	3.2%

Source: Company

**Exhibit 10. PE BAND CHART**


Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 11. SHARE PRICE CHART**


Source: Bloomberg, Danareksa Sekuritas estimates

### Exhibit 12. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
<b>Revenue</b>	<b>14,153</b>	<b>23,788</b>	<b>38,860</b>	<b>47,486</b>	<b>50,090</b>
COGS	(12,232)	(19,820)	(31,947)	(39,187)	(41,343)
<b>Gross profit</b>	<b>1,921</b>	<b>3,968</b>	<b>6,912</b>	<b>8,299</b>	<b>8,747</b>
<b>EBITDA</b>	<b>1,272</b>	<b>2,963</b>	<b>5,901</b>	<b>7,192</b>	<b>7,592</b>
<b>Oper. profit</b>	<b>1,415</b>	<b>3,161</b>	<b>6,207</b>	<b>7,559</b>	<b>7,978</b>
Interest income	73	187	426	276	229
Interest expense	(340)	(983)	(1,779)	(2,498)	(3,009)
Forex Gain/(Loss)	13	(1)	0	0	0
Income From Assoc. Co's	(1)	11	0	2	2
Other Income (Expenses)	239	104	0	0	0
<b>Pre-tax profit</b>	<b>1,398</b>	<b>2,480</b>	<b>4,854</b>	<b>5,340</b>	<b>5,201</b>
Income tax	(350)	(667)	(1,410)	(1,529)	(1,600)
Minority interest	0	(100)	(397)	(475)	(556)
<b>Net profit</b>	<b>1,048</b>	<b>1,713</b>	<b>3,047</b>	<b>3,336</b>	<b>3,045</b>
<b>Core Net Profit</b>	<b>1,035</b>	<b>1,714</b>	<b>3,047</b>	<b>3,336</b>	<b>3,045</b>

### Exhibit 13. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	5,511	10,654	5,523	4,571	3,065
Receivables	3,244	8,823	13,904	16,787	16,885
Inventory	826	2,557	2,626	3,221	3,398
Other Curr. Asset	6,214	14,838	21,974	24,247	24,187
Fixed assets - Net	1,923	3,275	4,837	6,382	7,911
Other non-curr.asset	12,580	21,267	46,644	61,082	67,066
<b>Total asset</b>	<b>30,309</b>	<b>61,425</b>	<b>95,519</b>	<b>116,300</b>	<b>122,523</b>
ST Debt	3,488	15,350	24,707	35,703	33,706
Payables	8,882	14,892	23,236	27,501	29,038
Other Curr. Liabilities	1,295	1,219	2,003	2,251	2,451
Long Term Debt	4,809	9,890	18,745	20,169	23,170
Other LT. Liabilities	2,131	3,300	2,934	3,307	3,590
<b>Total Liabilities</b>	<b>20,605</b>	<b>44,652</b>	<b>71,625</b>	<b>88,932</b>	<b>91,954</b>
Shareholder's Funds	9,547	11,070	13,628	16,075	18,146
Minority interests	157	5,704	10,267	11,293	12,423
<b>Total Equity &amp; Liabilities</b>	<b>30,309</b>	<b>61,425</b>	<b>95,519</b>	<b>116,300</b>	<b>122,523</b>

#### Exhibit 14. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	1,048	1,713	3,047	3,336	3,045
Depreciation and Amort.	143	198	306	368	386
Change in Working Capital	2,727	(10,230)	(3,392)	(1,283)	1,469
Other Oper. Cash Flow	2,190	1,956	1,011	2,622	3,089
<b>Operating Cash Flow</b>	<b>6,108</b>	<b>(6,363)</b>	<b>972</b>	<b>5,042</b>	<b>7,990</b>
Capex	(1,444)	(1,550)	(1,867)	(1,913)	(1,916)
Others Inv. Cash Flow	(6,450)	(5,630)	(21,814)	(12,697)	(4,643)
<b>Investing Cash Flow</b>	<b>(7,894)</b>	<b>(7,180)</b>	<b>(23,681)</b>	<b>(14,611)</b>	<b>(6,559)</b>
Net change in debt	4,976	17,160	18,510	12,459	1,056
New Capital	5,342	1	0	0	0
Dividend payment	(197)	(184)	(514)	(914)	(1,001)
Other Fin. Cash Flow	(189)	4,564	2,784	(1,471)	(1,879)
<b>Financing Cash Flow</b>	<b>9,932</b>	<b>21,541</b>	<b>20,780</b>	<b>10,073</b>	<b>(1,824)</b>
<b>Net Change in Cash</b>	<b>8,147</b>	<b>7,999</b>	<b>(1,929)</b>	<b>505</b>	<b>(393)</b>
Cash - begin of the year	1,675	5,511	10,654	5,523	4,571
Cash - end of the year	5,511	10,654	5,523	4,571	3,065

#### Exhibit 15. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
<b>Growth (%)</b>					
Sales	37.6	68.1	63.4	22.2	5.5
EBITDA	51.8	132.9	99.1	21.9	5.6
Operating profit	61.6	123.4	96.3	21.8	5.5
Net profit	108.9	63.5	77.9	9.5	(8.7)
<b>Profitability (%)</b>					
Gross margin	13.6	16.7	17.8	17.5	17.5
EBITDA margin	9.0	12.5	15.2	15.1	15.2
Operating margin	10.0	13.3	16.0	15.9	15.9
Net margin	7.4	7.2	7.8	7.0	6.1
ROAA	4.9	3.7	3.9	3.2	2.5
ROAE	16.9	16.6	24.7	22.5	17.8
<b>Leverage</b>					
Net Gearing (x)	0.3	0.9	1.6	1.9	1.8
Interest Coverage (x)	4.2	3.2	3.5	3.0	2.7

Source : WSKT, Danareksa Estimates

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