

Friday, 08 June 2018

BUY
Maintain

Last price (IDR) 2,410
Target Price (IDR) 3,000
Upside/Downside +24.5%
Previous Target Price (IDR) 3,000

Stock Statistics

Sector Construction
Bloomberg Ticker WSKT IJ
No of Shrs (mn) 13,574
Mkt. Cap (IDRbn/USDmn) 32,713/2,358
Avg. daily T/O (IDRbn/USDmn) 84.4/6.1

Major shareholders (%)

Govt. Indonesia 66.0
Public 34.0
Estimated free float 34.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	321.9	371.1	437.2
Consensus	318.4	347.7	383.6
Danareksa/Cons	1.1	6.8	14.0

WSKT relative to JCI Index



Source : Bloomberg



Maria Renata

(62-21) 2955 5888 ext.3513

maria.renata@danareksa.com

Waskita Karya (WSKT IJ)

Trying to remain healthy

WSKT plans to issue IDR3.5tn of bonds in 2H18 for debt restructuring. This issuance will be the second stage of the shelf-registered bonds issuance, with the coupon rate in the range of 8%-9%. As of Mar 18, around 71% of WSKT's debts were bank loans bearing an interest rate ranging from 7.9% to 10.0%. We believe that the company's strategy to issue bonds is appropriate in view of the upward trend in domestic interest rates. BUY maintained on WSKT as we expect to see gains from the issuance of RDPT in Apr 18 to be booked in the 1H18 financial result.

Plans to undertake debt restructuring by replacing short-term debts (which carry high interest rates) with long-term debts (which carry lower interest rates). With this goal in mind, WSKT plans to issue IDR3.5tn of bonds in 2H18. This will be the second stage of the shelf-registered bonds issuance with targeted proceeds of IDR10.0tn, of which IDR3.0tn were issued in the first stage in 2017. The shelf-registered bonds to be issued in the second stage will have a coupon rate in the range of 8%-9%.

Debt profile. WSKT's total interest bearing debts as of Mar 18 reached IDR49.4tn, resulting in a DER of 2.02x. The leverage is still below the level stipulated in its internal policy at a maximum level of 2.5x to 3.0x. Around 71% of the debts are bank loans (with 83.8% of them channelled by top-10 creditors). BNI is the largest creditor with loans extended to WSKT reaching IDR10.1tn (including loans channelled to subsidiaries). This amount is 29% of WSKT's total bank loans (the details can be seen in exhibits 7 and 8).

WSKT currently owns 18 toll roads through its subsidiary, Waskita Toll Road (WTR). The total investment needed for these toll roads is IDR130tn (only 5 of them have started to be operated). As such, WSKT has no plans to acquire new toll road concessions this year and will instead focus on the development of its toll roads. This is reflected in the new contracts obtained in 4M18 of IDR4.2tn or only 6% of the full year target of IDR70.0tn.

More toll roads being operated. WSKT seeks to operate 437.5km of toll roads by end-2018 and then 889km by 2020. At the same time, WSKT is also trying to reduce its ownership in several toll roads so it becomes a minority shareholder. The capex needed this year is approximately IDR28.0tn funded by: 1) ~IDR10.5tn from the repayment of turnkey projects, 2) ~IDR6.7tn from the receipt of land acquisition bailout funds, 3) payment for the Palembang LRT project amounting to IDR9.0tn, and 4) the remaining IDR1.8tn from debt raising.

Maintain BUY. We maintain our forecast and BUY call on WSKT. In Apr 18, WSKT launched a financial instrument called RDPT which generated proceeds of IDR5.0tn through the sale of 70% ownership in three toll roads. We expect WSKT to book gains from the transaction of around IDR1.7tn (based on our calculations) in the 1H18 unaudited financial result.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	23,788	45,213	51,046	58,471	64,309
EBITDA (IDRbn)	2,974	7,034	8,324	9,541	10,431
EBITDA Growth (%)	133.8	136.5	18.3	14.6	9.3
Net profit (IDRbn)	1,713	3,882	4,369	5,038	5,934
EPS (IDR)	147.5	334.1	321.9	371.1	437.2
EPS growth (%)	63.5	126.5	(3.7)	15.3	17.8
BVPS (IDR)	952.9	1,205.6	1,298.4	1,607.1	1,972.1
DPS (IDR)	15.4	37.9	57.2	64.4	74.2
PER (x)	16.3	7.2	7.5	6.5	5.5
PBV (x)	2.5	2.0	1.9	1.5	1.2
Dividend yield (%)	0.6	1.6	2.4	2.7	3.1
EV/EBITDA (x)	15.9	10.0	9.3	8.1	7.3

Source : WSKT, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



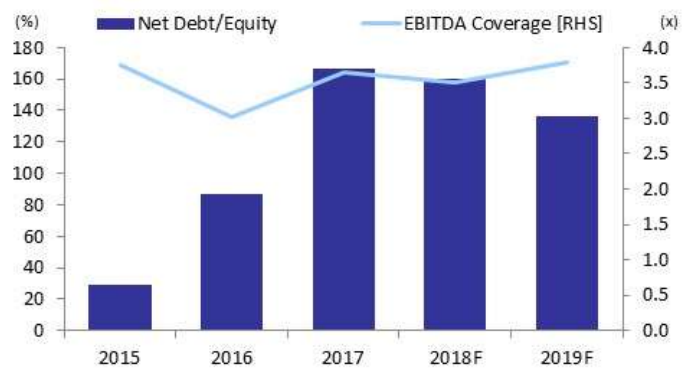
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



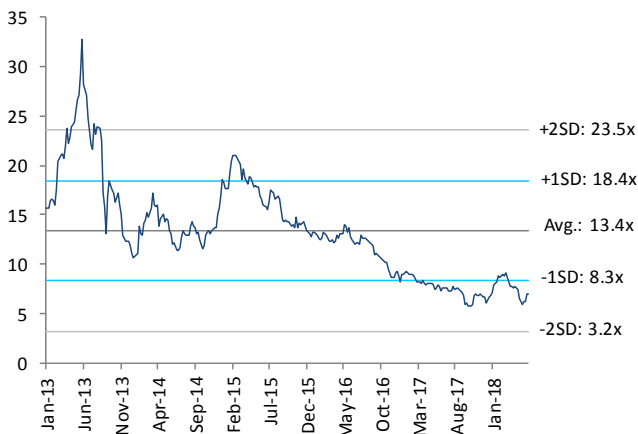
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



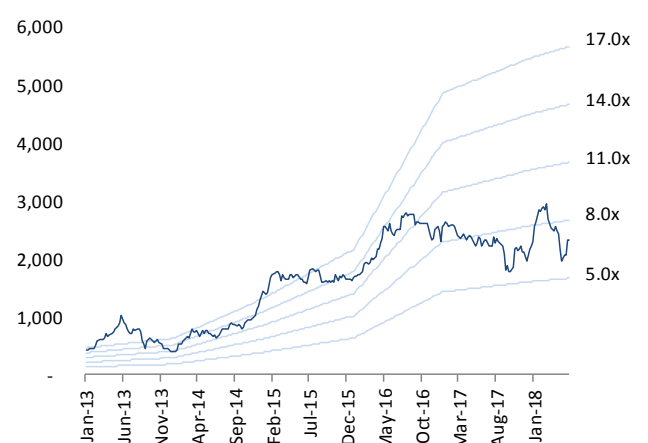
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. Leverage as of Mar18

	Mar-18	Dec-17
ST Bank Loans - related parties	11,810	16,642
ST Bank Loans - third parties	6,261	7,650
Financial institution non-bank	1,529	1,589
Current mature		
LT Bank loans	4	5
Total - ST debts	19,604	25,886
LT Bank loans - related parties	11,518	5,455
LT Bank loans - third parties	5,473	3,211
Financial institution non-bank	311	304
Bonds	12,498	9,045
Total - LT debts	29,800	18,015
Total debts (ST + LT)	49,405	43,901
Equity	24,492	22,755
Cash	7,254	6,089
DER	2.02	1.93
Net gearing	1.72	1.66

Source: Company

Exhibit 8. Creditor breakdown as of Mar18

	Value (IDR Bn)		%		Interest rate	
	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17
1 BNI	10,154	8,293	29.0%	25.2%	9.0%-10.0%	9.0%-10.0%
2 Bank Mandiri	5,335	4,996	15.2%	15.2%	9.18%-10.0%	9.18%-10.0%
3 BRI	5,148	5,440	14.7%	16.5%	9.5%-10.0%	9.5%-10.0%
4 Indonesia Eximbank	1,614	2,202	4.6%	6.7%	8.75%	8.75%
5 Bank Panin	1,402	1,800	4.0%	5.5%	8.90%	8.90%
6 Sumitomo Mitsui Indonesia	1,396	1,853	4.0%	5.6%	7.9%-8.05%	7.9%-8.05%
7 Bank of China Limited – Jkt branch	1,225	613	3.5%	1.9%	na	na
8 Bank of Tokyo Mitsubishi UFJ, Ltd	1,186	921	3.4%	2.8%	Ice Libor + min 1.1%	Ice Libor + min 1.1%
9 BPD Jawa Barat dan Banten	1,058	825	3.0%	2.5%	9.00%	9.00%
10 CIMB Niaga	764	199	2.2%	0.6%	na	na
Total Top-10 bank loans	29,283	27,141	83.5%	82.3%		
Others	5,783	5,821	16.5%	17.7%		
Total bank loans	35,066	32,962	100.0%	100.0%		

Source: Company

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	23,788	45,213	51,046	58,471	64,309
COGS	(19,820)	(35,749)	(40,956)	(47,130)	(51,861)
Gross profit	3,968	9,464	10,091	11,341	12,448
EBITDA	2,974	7,034	8,324	9,541	10,431
Oper. profit	3,172	7,386	8,718	9,987	10,919
Interest income	187	334	304	235	354
Interest expense	(983)	(1,932)	(2,368)	(2,510)	(2,590)
Forex Gain/(Loss)	(1)	0	0	0	0
Income From Assoc. Co's	0	0	2	2	22
Other Income (Expenses)	104	267	330	0	0
Pre-tax profit	2,480	6,055	6,986	7,714	8,705
Income tax	(667)	(1,854)	(2,096)	(2,067)	(2,098)
Minority interest	(100)	(320)	(521)	(610)	(673)
Net profit	1,713	3,882	4,369	5,038	5,934
Core Net Profit	1,714	3,881	4,369	5,038	5,934

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	10,656	6,089	4,710	7,087	10,628
Receivables	10,902	13,122	15,963	17,323	19,053
Inventory	2,557	3,236	3,366	3,874	4,263
Other Curr. Asset	15,584	29,963	27,798	29,730	23,649
Fixed assets - Net	3,014	4,742	6,382	7,911	9,425
Other non-curr.asset	18,450	40,381	54,643	60,194	71,069
Total asset	61,172	97,541	112,870	126,129	138,095
ST Debt	15,350	25,886	29,793	32,684	35,343
Payables	14,715	25,449	29,648	34,043	37,460
Other Curr. Liabilities	1,219	975	1,324	1,479	1,623
Long Term Debt	9,890	18,015	19,214	19,281	18,402
Other LT. Liabilities	3,300	3,011	3,610	4,006	4,394
Total Liabilities	44,474	73,336	83,589	91,492	97,222
Shareholder's Funds	11,070	14,006	17,624	21,815	26,769
Minority interests	5,704	8,748	10,061	11,067	12,173
Total Equity & Liabilities	61,247	96,090	111,274	124,373	136,164

Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,713	3,882	4,369	5,038	5,934
Depreciation and Amort.	198	351	393	446	488
Change in Working Capital	(12,491)	(7,611)	3,710	715	7,485
Other Oper. Cash Flow	1,956	1,315	2,687	2,697	2,652
Operating Cash Flow	(8,624)	(2,062)	11,160	8,896	16,560
Capex	(1,288)	(2,080)	(2,033)	(1,976)	(2,002)
Others Inv. Cash Flow	(5,707)	(23,374)	(13,466)	(4,730)	(10,306)
Investing Cash Flow	(6,995)	(25,454)	(15,499)	(6,705)	(12,308)
Net change in debt	17,160	19,615	5,429	2,828	1,909
New Capital	1	(416)	0	0	0
Dividend payment	(184)	(535)	(776)	(874)	(1,008)
Other Fin. Cash Flow	3,818	848	(1,157)	(1,616)	(1,605)
Financing Cash Flow	20,795	19,512	3,496	339	(704)
Net Change in Cash	5,176	(8,004)	(843)	2,529	3,548
Cash - begin of the year	5,511	10,656	6,089	4,710	7,087
Cash - end of the year	10,656	6,089	4,710	7,087	10,628

Exhibit 12. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	68.1	90.1	12.9	14.5	10.0
EBITDA	133.8	136.5	18.3	14.6	9.3
Operating profit	124.2	132.8	18.0	14.6	9.3
Net profit	63.5	126.6	12.6	15.3	17.8
Profitability (%)					
Gross margin	16.7	20.9	19.8	19.4	19.4
EBITDA margin	12.5	15.6	16.3	16.3	16.2
Operating margin	13.3	16.3	17.1	17.1	17.0
Net margin	7.2	8.6	8.6	8.6	9.2
ROAA	3.7	4.9	4.2	4.2	4.5
ROAE	16.6	31.0	27.6	25.5	24.4
Leverage					
Net Gearing (x)	0.9	1.7	1.6	1.4	1.1
Interest Coverage (x)	3.2	3.8	3.7	4.0	4.2

Source : WSKT, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.