

Wednesday, 31 July 2019

**BUY**  
**Maintain**

Last price (IDR) 380  
Target Price (IDR) 500  
Upside/Downside +31.6%  
Previous Target Price (IDR) 500

**Stock Statistics**

Sector Construction  
Bloomberg Ticker WSBP IJ  
No of Shrs (mn) 24,516  
Mkt. Cap (IDRbn/USDmn) 9,316/664  
Avg. daily T/O (IDRbn/USDmn) 30.9/2.2

**Major shareholders (%)**

Waskita Karya 60.0  
Public 40.0

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	48.5	54.4	58.7
Consensus	40.3	45.1	43.8
Danareksa/Cons	20.4	20.6	33.8

**WSBP relative to JCI Index**



Source : Bloomberg



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# Waskita Beton Precast (WSBP IJ)

## Normalizing margins and cash flow

**WSBP booked weak 1H19 results. Earnings in 1H19 dropped by 45.5%yoy to IDR377bn on the back of flattish revenues and lower margins. Revenues reached IDR3.8tn, -0.6%yoy owing to lower carry over contracts. This resulted in a higher realization rate of 30.3% vs. 24.1% in the previous year. The gross margin was squeezed to 17.6% in Jun19 from 29.8%. We believe the lower gross margin owed to more projects being under regular contracts than turnkey contracts. Hence, the DER improved to 0.57x and operating cash flow was IDR312bn.**

**WSBP booked weak 1H19 earnings.** The 1H19 earnings reached IDR377bn, down by 45.5%yoy on the back of flattish revenues and lower margins. The result accounted for 31.7% of our target, below the average past two-years figure of 53.1%.

**Revenues in 1H19 reached IDR3.8tn**, or slightly lower than in the previous year (-0.6%yoy). The number is 42.7% of our full year target, in-line with the average past two-years figure of 42.8%. The flattish revenues reflect lower carry over contracts. Hence, the realization rate in 1H19 reached 30.3% or higher than in the previous year (24.1%).

**Order book.** The order book reached IDR12.6tn in Jun19, -20.9%yoy on the back of lower carry over contracts. Carry over contracts in 2019 reached IDR9.3tn, down by 12.5%yoy (1H18: IDR10.7tn). However, new contracts in Jun19 reached IDR3.2tn, up by 9.5%yoy. The new contracts are 31.3% of the FY target of IDR9.1tn (+56.0%yoy). The 6M19 new contracts are 9.6%yoy higher than in the previous year (1H18: IDR3.0tn).

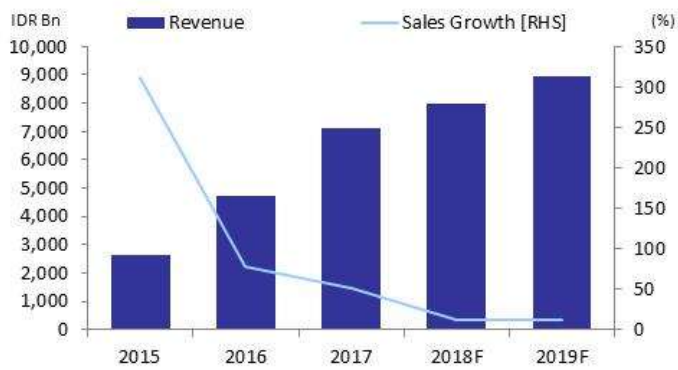
**Margins, debt, and cash flow.** Margins are narrowing. The gross margin was squeezed to 17.6% in 1H19 from 29.8% in 1H18. Consequently, the operating margin dropped to 14.6% in 1H19 (1H18: 27.3%). We believe lower margins reflect a greater number of projects under regular payment than turnkey. This also results in better operating cash flow and leverage. WSBP booked lower debt at IDR4.4tn in Jun19 compared to IDR5.5tn as of Dec18. Hence, the DER improved to 0.57x in Jun19 (1H18: 0.69x). Operating cash flow improved to IDR312bn, higher than IDR52bn in the previous year.

**Maintain BUY.** We maintain our BUY call on WSBP as we expect more contracts to be booked in 2H19. WSBP is trading at 2019 PE of 7.9x. Our TP implies 10.1x 2019 PE.

**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	7,104	8,000	8,951	10,296	11,289
EBITDA (IDRbn)	1,530	1,650	1,729	1,925	2,122
EBITDA Growth (%)	35.5	7.8	4.8	11.3	10.2
Net profit (IDRbn)	1,000	1,103	1,189	1,335	1,438
EPS (IDR)	38.6	42.6	48.5	54.4	58.7
EPS growth (%)	14.2	10.3	13.8	12.2	7.7
BVPS (IDR)	282.6	304.4	336.3	354.3	372.2
DPS (IDR)	12.9	30.6	33.8	36.4	40.8
PER (x)	9.9	9.0	7.9	7.1	6.5
PBV (x)	1.4	1.3	1.1	1.1	1.0
Dividend yield (%)	3.4	8.0	8.8	9.5	10.6
EV/EBITDA (x)	8.7	8.2	7.5	7.1	6.7

Source : WSBP, Danareksa Estimates

**Exhibit 1. Revenues and Growth**


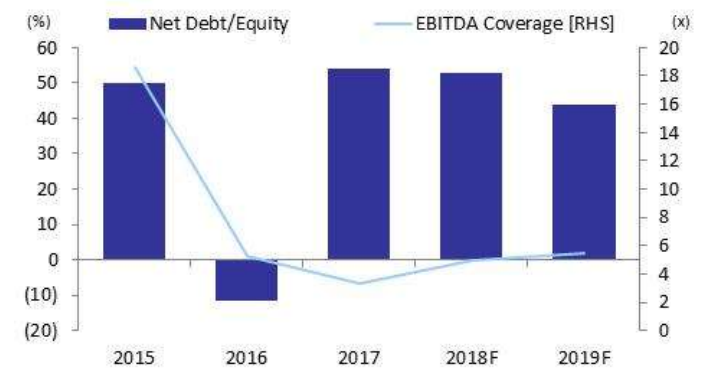
Source: Company, Danareksa Sekuritas estimates

**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. WSBP 1H19 Result Summary**

IDR Bn	2Q18	1Q19	2Q19	QoQ Chg %	YoY Chg %	1H19	YoY Chg %	Danareksa FY19F	1H19/ FY19F %
Revenue	1,550	2,201	1,622	(26.3)	4.7	3,823	(0.6)	8,951	42.7
Gross profit	398	391	282	(27.8)	(29.1)	673	(41.3)	1,929	34.9
Op. profit	341	336	224	(33.4)	(34.3)	560	(46.7)	1,729	32.4
Net profit	180	291	86	(70.6)	(52.4)	377	(45.5)	1,189	31.7
GPM (%)	25.7	17.8	17.4	(0.4)	(8.3)	17.6	(12.2)	21.6	
OPM (%)	22.0	15.3	13.8	(1.5)	(8.2)	14.6	(12.7)	19.3	
NPM (%)	11.6	13.2	5.3	(8.0)	(6.3)	9.9	(8.1)	13.3	

Source: Company, Danareksa Sekuritas estimates

### Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>7,104</b>	<b>8,000</b>	<b>8,951</b>	<b>10,296</b>	<b>11,289</b>
COGS	(5,156)	(6,154)	(7,021)	(8,161)	(8,948)
<b>Gross profit</b>	<b>1,948</b>	<b>1,846</b>	<b>1,929</b>	<b>2,135</b>	<b>2,341</b>
<b>EBITDA</b>	<b>1,530</b>	<b>1,650</b>	<b>1,729</b>	<b>1,925</b>	<b>2,122</b>
<b>Oper. profit</b>	<b>1,530</b>	<b>1,650</b>	<b>1,729</b>	<b>1,925</b>	<b>2,122</b>
Interest income	88	11	26	22	22
Interest expense	(462)	(332)	(318)	(325)	(357)
Forex Gain/(Loss)	0	(1)	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	66	0	0	0
<b>Pre-tax profit</b>	<b>1,156</b>	<b>1,394</b>	<b>1,437</b>	<b>1,622</b>	<b>1,787</b>
Income tax	(156)	(291)	(248)	(287)	(349)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>1,000</b>	<b>1,103</b>	<b>1,189</b>	<b>1,335</b>	<b>1,438</b>
<b>Core Net Profit</b>	<b>1,000</b>	<b>1,105</b>	<b>1,189</b>	<b>1,335</b>	<b>1,438</b>

### Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	1,028	1,299	1,082	1,082	1,156
Receivables	8,721	5,518	5,618	6,397	6,822
Inventory	859	2,228	1,924	2,012	2,206
Other Curr. Asset	967	1,191	1,470	1,695	1,859
Fixed assets - Net	3,149	4,726	5,164	5,539	5,851
Other non-curr.asset	196	260	273	287	301
<b>Total asset</b>	<b>14,920</b>	<b>15,222</b>	<b>15,531</b>	<b>17,012</b>	<b>18,195</b>
ST Debt	4,988	5,463	4,711	5,419	5,942
Payables	2,318	1,405	2,116	2,459	2,697
Other Curr. Liabilities	287	459	449	434	419
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	9	13	11	12	14
<b>Total Liabilities</b>	<b>7,603</b>	<b>7,340</b>	<b>7,287</b>	<b>8,325</b>	<b>9,071</b>
Shareholder's Funds	7,317	7,882	8,244	8,687	9,124
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>14,920</b>	<b>15,222</b>	<b>15,531</b>	<b>17,012</b>	<b>18,195</b>

### Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,000	1,103	1,189	1,335	1,438
Depreciation and Amort.	375	389	462	525	588
Change in Working Capital	(1,919)	(577)	625	(763)	(560)
Other Oper. Cash Flow	234	256	280	291	321
<b>Operating Cash Flow</b>	<b>(310)</b>	<b>1,171</b>	<b>2,556</b>	<b>1,388</b>	<b>1,788</b>
Capex	(841)	(1,189)	24	150	276
Others Inv. Cash Flow	91	11	25	21	21
<b>Investing Cash Flow</b>	<b>(750)</b>	<b>(1,178)</b>	<b>49</b>	<b>171</b>	<b>297</b>
Net change in debt	183	1,924	(752)	708	523
New Capital	(776)	0	0	0	0
Dividend payment	(316)	(747)	(828)	(892)	(1,001)
Other Fin. Cash Flow	(459)	(122)	(318)	(325)	(357)
<b>Financing Cash Flow</b>	<b>(1,368)</b>	<b>1,054</b>	<b>(1,898)</b>	<b>(509)</b>	<b>(835)</b>
<b>Net Change in Cash</b>	<b>(2,428)</b>	<b>1,048</b>	<b>707</b>	<b>1,050</b>	<b>1,250</b>
Cash - begin of the year	4,206	1,028	1,299	1,082	1,082
Cash - end of the year	1,028	1,299	1,082	1,082	1,156

### Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	50.6	12.6	11.9	15.0	9.6
EBITDA	35.5	7.8	4.8	11.3	10.2
Operating profit	35.5	7.8	4.8	11.3	10.2
Net profit	57.6	10.3	7.8	12.2	7.7
<b>Profitability (%)</b>					
Gross margin	27.4	23.1	21.6	20.7	20.7
EBITDA margin	21.5	20.6	19.3	18.7	18.8
Operating margin	21.5	20.6	19.3	18.7	18.8
Net margin	14.1	13.8	13.3	13.0	12.7
ROAA	7.0	7.3	7.7	8.2	8.2
ROAE	13.6	14.5	14.8	15.8	16.1
<b>Leverage</b>					
Net Gearing (x)	0.5	0.5	0.4	0.5	0.5
Interest Coverage (x)	3.3	5.0	5.4	5.9	6.0

Source : WSBP, Danareksa Estimates

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