

Monday, 02 December 2019

BUY
Maintain

Last price (IDR) 294
Target Price (IDR) 410
Upside/Downside +39.5%
Previous Target Price (IDR) 500

Stock Statistics

Sector Construction
Bloomberg Ticker WSBP JJ
No of Shrs (mn) 24,516
Mkt. Cap (IDRbn/USDmn) 7,208/511
Avg. daily T/O (IDRbn/USDmn) 12.1/0.9

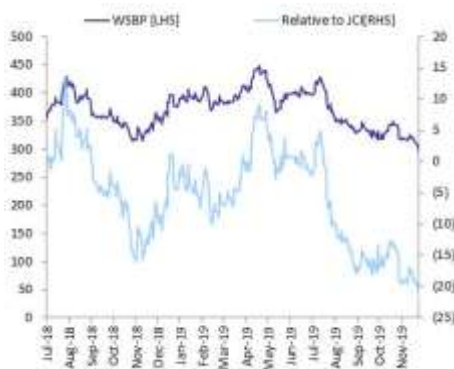
Major shareholders (%)

Waskita Karya 60.0
Public 40.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	31.7	36.7	41.1
Consensus	40.0	45.8	47.1
Danareksa/Cons	(20.9)	(19.9)	(12.7)

WSBP relative to JCI Index



Source : Bloomberg



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Waskita Beton Precast (WSBP JJ)

Seeking greater independence

We cut our 2019 targets and expect negative growth given the weak performance up to Sep 19. WSBP's contribution from third parties is increasing, and in 10M19 the contribution from third parties for new contracts reached 52%. We expect 2019 earnings to fall 30%yoy but also foresee a turnaround in 2020 with growth of 16%yoy. We have a lower new TP due to a lower applied PE and EPS base.

Looking for more jobs from third parties. We lower our targets by 16-30% given the soft 9M performance due to political issues and the tight leverage in the group. While related parties contribute around 92% of WSBP's revenues, WSKT itself contributes around 40% of the revenues. WSBP has obtained more works from third parties, with the contribution targeted to reach 50% next year, or higher than the 40% targeted in 2019 and 30% in 2018. However, this will result in lower margins, we believe. Please note that since early this year, WSBP no longer has turnkey projects in its pipeline. As a result, the gross margin dropped to 17.9% in Sep19 from around 24% historically.

Expecting 2019 earnings to fall by 30%. We cut our 2019 new contracts target by 30%, resulting in lower revenues (-16%) and lower earnings (-35%). Hence, we expect 2019 revenues and earnings to fall by 6.0%yoy and 29.6%yoy given the lower margins and higher financing costs. WSBP booked IDR4.4tn of new contracts in 10M19 with 52% of the works coming from third parties. This figure is 62% of our full year target.

2020 targets. We expect 50%yoy growth in new contracts to IDR10.5tn in 2020, lifted by the impact of project delays in 2019. One of the major projects delayed to next year is the Balikpapan – Penajam Paser Utara toll road due to the planned relocation of the capital city. BPJT (the toll road authority) is reviewing the project and the tender offer is expected in 2020. The toll road has been initiated by Waskita Toll Road. WSBP is eyeing ~IDR3.0tn of works from the project. The revenues and net income in 2020 are targeted to grow by 18%yoy and 16%yoy, respectively.

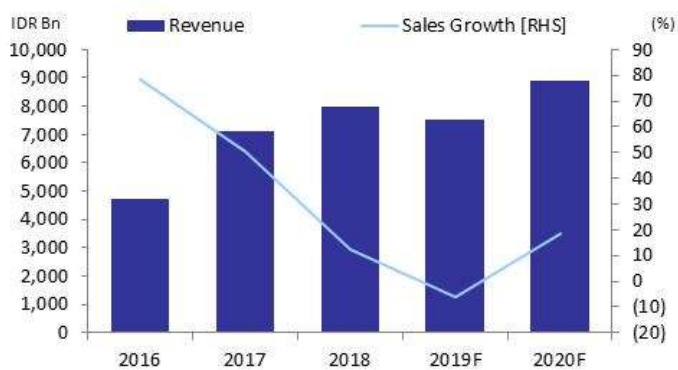
Bond issuances. WSBP issued bonds in two phases this year. These issuances were part of the Waskita Beton Precast I phase 2019 with a total value of IDR2.0tn. In Jun19 WSBP issued IDR500bn of bonds carrying an interest rate of 9.95%pa, while IDR1.5tn were issued in the second phase in Oct19 carrying an interest rate of 9.75%pa. The bonds are rated BBB+ by Fitch Ratings Agency. As such, we expect WSBP's DER to reach 0.69x by Dec19 (Sep19: 0.64x). The management said it would issue another bond next year amounting to IDR2.0tn.

Maintain BUY. Together with its parent company, WSBP is expanding its business overseas. Currently, it is eyeing a train project in the Philippines in which WSKT participated in the tender offer as the contractor. We use 2020 EPS as the base for our TP of IDR410 and apply 11.1x PE (10.1x previously) based on the average historical PE.

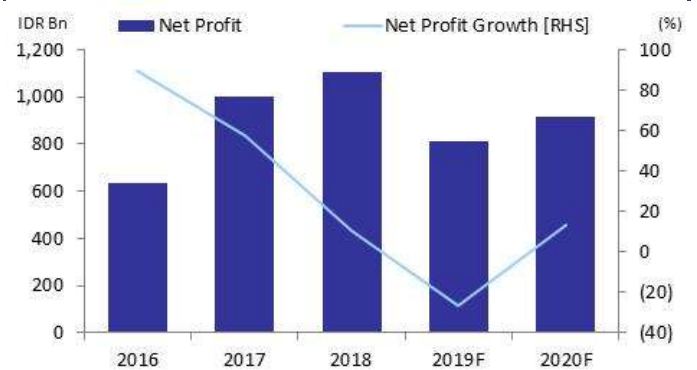
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	7,104	8,000	7,518	8,888	9,892
EBITDA (IDRbn)	1,530	1,650	1,145	1,350	1,497
EBITDA Growth (%)	35.5	7.8	(30.6)	17.9	10.9
Net profit (IDRbn)	1,000	1,103	776	899	1,007
EPS (IDR)	38.6	42.6	31.7	36.7	41.1
EPS growth (%)	14.2	10.3	(25.7)	15.8	12.0
BVPS (IDR)	282.6	304.4	330.7	351.5	374.3
DPS (IDR)	12.9	30.6	22.5	15.8	18.3
PER (x)	7.6	6.9	9.3	8.0	7.2
PBV (x)	1.0	1.0	0.9	0.8	0.8
Dividend yield (%)	4.4	10.4	7.7	5.4	6.2
EV/EBITDA (x)	7.3	6.9	10.6	9.0	8.0

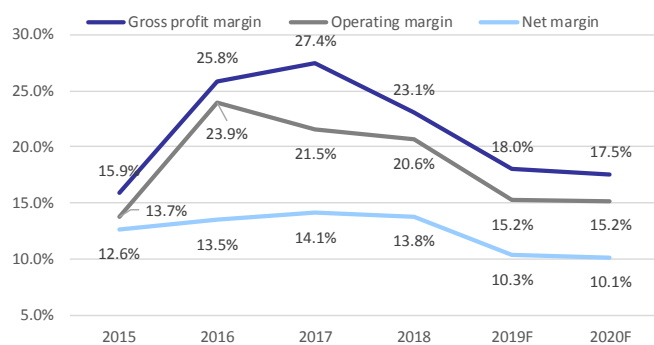
Source : WSBP, Danareksa Estimates

Exhibit 1. Revenues and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


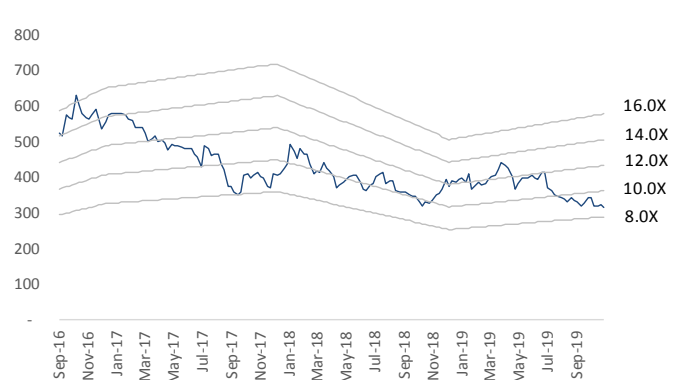
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart


Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart


Source: Bloomberg, Danareksa Sekuritas estimates

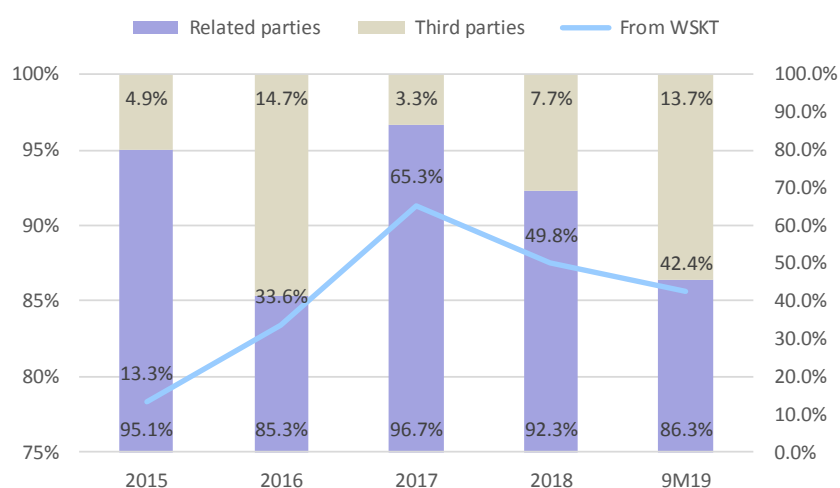
Management's target. The management targets 2019 new contracts to reach IDR7.0tn, resulting in IDR7.6tn of revenues and IDR882bn of net income. Our targets are 1% and 12% lower than management's revenues and net income targets. For 2020, management expect strong new contracts at IDR12.0tn, resulting in IDR10.0tn of revenues and IDR1.1tn of net income. Our targets are 12% lower of the management's new contracts and 10% and 18% lower for revenues and net income.

Exhibit 7. Forecast changes

(IDR Bn)	2018	Old		New		Chg. (%)		Growth (%yoy)	
		2019	2020	2019	2020	2019	2020	2019	2020
New contracts	6,665	9,998	10,997	6,998	10,497	-30.0%	-4.5%	5.0%	50.0%
Carry over	10,681	13,557	16,098	9,345	8,825	-31.1%	-45.2%	-12.5%	-5.6%
Order book	17,346	23,554	27,095	16,343	19,323	-30.6%	-28.7%	-5.8%	18.2%
Revenues	8,000	8,951	10,296	7,518	8,888	-16.0%	-13.7%	-6.0%	18.2%
Gross profit	1,846	1,929	2,135	1,353	1,556	-29.9%	-27.1%	-26.7%	15.0%
Op.profit	1,650	1,729	1,925	1,145	1,350	-33.8%	-29.9%	-30.6%	17.9%
Net profit	1,103	1,189	1,335	776	899	-34.7%	-32.6%	-29.6%	15.8%
Burn rate (%)	46.1%	38.0%	38.0%	46.0%	46.0%				
GPM (%)	23.1%	21.6%	20.7%	18.0%	17.5%				
OPM (%)	20.6%	19.3%	18.7%	15.2%	15.2%				
NPM (%)	13.8%	13.3%	13.0%	10.3%	10.1%				

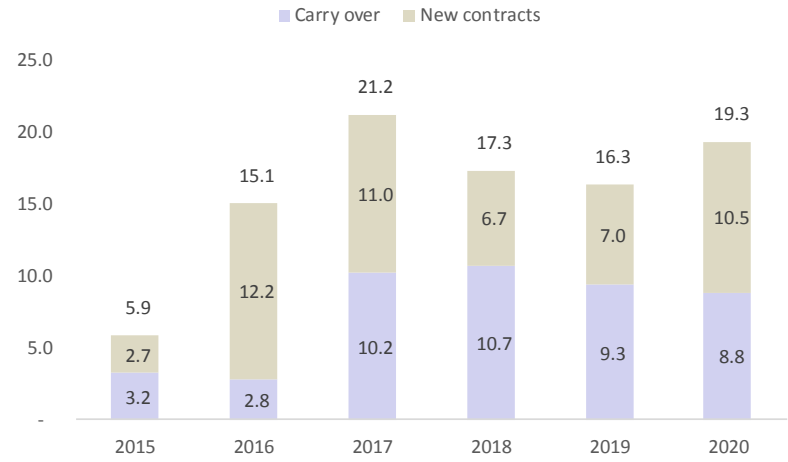
Source: Danareksa Sekuritas estimates

Exhibit 8. Revenues contributor



Source: Danareksa Sekuritas estimates

Exhibit 9. Order book



Source: Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	7,104	8,000	7,518	8,888	9,892
COGS	(5,156)	(6,154)	(6,165)	(7,332)	(8,162)
Gross profit	1,948	1,846	1,353	1,556	1,730
EBITDA	1,530	1,650	1,145	1,350	1,497
Oper. profit	1,530	1,650	1,145	1,350	1,497
Interest income	88	11	26	20	15
Interest expense	(462)	(332)	(223)	(262)	(271)
Forex Gain/(Loss)	0	(1)	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	66	10	0	0
Pre-tax profit	1,156	1,394	957	1,109	1,242
Income tax	(156)	(291)	(181)	(210)	(235)
Minority interest	0	0	0	0	0
Net profit	1,000	1,103	776	899	1,007
Core Net Profit	1,000	1,105	776	899	1,007

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	1,028	1,299	668	380	1,012
Receivables	8,721	5,518	6,952	7,267	7,777
Inventory	859	2,228	1,689	2,009	2,012
Other Curr. Asset	967	1,191	1,248	1,478	1,645
Fixed assets - Net	3,149	4,726	5,164	5,121	5,045
Other non-curr.asset	196	260	273	287	301
Total asset	14,920	15,222	15,994	16,540	17,792
ST Debt	4,988	5,463	3,596	3,285	5,735
Payables	2,318	1,405	1,858	2,210	2,460
Other Curr. Liabilities	287	459	436	423	409
Long Term Debt	0	0	1,986	1,992	0
Other LT. Liabilities	9	13	11	12	14
Total Liabilities	7,603	7,340	7,887	7,922	8,617
Shareholder's Funds	7,317	7,882	8,107	8,618	9,176
Minority interests	0	0	0	0	0
Total Equity & Liabilities	14,920	15,222	15,994	16,540	17,792

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,000	1,103	776	899	1,007
Depreciation and Amort.	(375)	(389)	(462)	(494)	(525)
Change in Working Capital	(1,919)	(577)	(524)	(524)	(444)
Other Oper. Cash Flow	234	256	185	229	242
Operating Cash Flow	(1,059)	394	(25)	110	280
Capex	(1,591)	(1,966)	(900)	(450)	(450)
Others Inv. Cash Flow	91	11	25	19	14
Investing Cash Flow	(1,499)	(1,955)	(875)	(431)	(436)
Net change in debt	183	1,924	119	(305)	458
New Capital	(776)	0	0	0	0
Dividend payment	(316)	(747)	(552)	(388)	(449)
Other Fin. Cash Flow	(459)	(122)	(223)	(262)	(271)
Financing Cash Flow	(1,368)	1,054	(656)	(955)	(263)
Net Change in Cash	(3,927)	(506)	(1,556)	(1,275)	(418)
Cash - begin of the year	4,206	1,028	1,299	668	380
Cash - end of the year	1,028	1,299	668	380	1,012

Exhibit 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	50.6	12.6	(6.0)	18.2	11.3
EBITDA	35.5	7.8	(30.6)	17.9	10.9
Operating profit	35.5	7.8	(30.6)	17.9	10.9
Net profit	57.6	10.3	(29.6)	15.8	12.0
Profitability (%)					
Gross margin	27.4	23.1	18.0	17.5	17.5
EBITDA margin	21.5	20.6	15.2	15.2	15.1
Operating margin	21.5	20.6	15.2	15.2	15.1
Net margin	14.1	13.8	10.3	10.1	10.2
ROAA	7.0	7.3	5.0	5.5	5.9
ROAE	13.6	14.5	9.7	10.8	11.3
Leverage					
Net Gearing (x)	0.5	0.5	0.6	0.6	0.5
Interest Coverage (x)	3.3	5.0	5.1	5.2	5.5

Source : WSBP, Danareksa Estimates

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