

Friday, 13 December 2019

OVERWEIGHT

Maintain

Construction

Moving in the right direction

WIKA relative to JCI Index



PTPP relative to JCI Index



Source : Bloomberg

We remain upbeat on the sector's prospects in 2020. Deleveraging is on the cards for WSKT in the near future, while WIKA and PTPP are set for assets divestment in 2020. Cash flow and the supporting bureaucracy remain of concern to investors despite implementation of new PSAK and the planned fundraising that will be needed to finance projects. WIKA remains our top pick in the sector.

We believe the sector is headed in the right direction. Investor concerns remain, particularly in relation to:

1) Deleveraging. Deleveraging is needed to create strong and healthy balance sheets that provide more room for growth. At the current juncture, WSKT would benefit the most from deleveraging given that it has the highest leverage in the sector (Sep 19: 2.82x). Currently, WSKT is in the process of finalizing the sale agreement for the divestment of 40% stakes in two toll roads by the end of the month.

2) Assets divestment. Assets divestment is vital to improve the quality of the overall assets owned. WIKA and PTPP target assets divestment in 2020. PTPP's assets for sale are the Kuala Tanjung Port, the Panadaan – Malang toll road, and the Manado – Bitung toll road. Divestments are sought at valuations above 1.3x PBV. PTPP has 17 assets with stakes ranging from 12.5-72%. Like PTPP, WIKA is also welcome to new investors. WIKA sold its 20% stake in the Surabaya – Mojokerto toll road in a deal worth IDR715bn (at PBV of 3.8x) in May 19.

3) Cash flow improvement. Operating cash flow can be improved if the payments for projects are not delayed. Turnkey schemes are clearly not an option to achieve positive operating cash flow.

4) Improving bureaucracy. The government has shown a strong commitment toward improving the law in an effort to support the sector over the past five years. This is also expected to be the case going forward, especially in relation to the payment schedule for infrastructure projects; for example, the acceleration of payments to ADHI for construction of the Greater Jakarta LRT project.

5) The implementation of PSAK 71 and PSAK 72. PSAK 71 requires companies to book costs on impairment expenses for all credit sales. This will lead to choppy interim earnings for companies which carry out government projects since budget disbursement is concentrated in the second half of the year. PSAK 72 forbids companies from booking revenues without the asset being handed over. This will mostly impact high-rise property projects that are still in the construction phase as the company can no longer book the revenues based on the project's construction progress.

6) Fundraising. Asset backed securities (such as KIK-EBA) and equity backed securities (such as RDPT and DINFRA), in addition to perpetual bonds remain as fundraising options for companies in the sector. Furthermore, some companies are still studying the possibility of issuing global bonds. More foreign investor participations are targeted in the future.

Maintain overweight. We have made changes to our targets for WIKA, ADHI, and WSKT with new TPs for these companies. Our new TPs are based on 2020 EPS. WIKA remains as our top pick in the sector.



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Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2019F	2020F	2019F	2020F	2020F
Wijaya Karya	WIKI IJ	BUY	3,000	18,478.1	8.2	6.8	1.1	1.0	15.2
Pembangunan Perumahan	PTPP IJ	BUY	2,300	10,384.8	7.9	7.1	0.7	0.7	9.9
Adhi Karya	ADHI IJ	BUY	2,000	4,504.5	6.8	6.0	0.6	0.5	9.4
Waskita Karya	WSKT IJ	BUY	2,200	19,953.6	9.3	8.9	1.0	1.0	11.1
Wika Beton	WTON IJ	BUY	680	3,818.9	7.5	6.7	1.1	1.0	15.8
Waskita Beton Precast	WSBP IJ	BUY	410	7,943.1	10.2	8.8	1.0	0.9	10.8

Exhibit 1. WIKA – forecast changes

(IDR Bn)	2018	Old		New		Chg. (%)		Growth (%yoy)	
		2019	2020	2019	2020	2019	2020	2019	2020
New contracts	50,560	58,144	66,866	58,144	66,866	0.0%	0.0%	15.0%	15.0%
Carry over	72,953	87,566	99,681	87,566	102,942	0.0%	3.3%	20.0%	17.6%
Order book	123,513	145,710	166,547	145,710	169,808	0.0%	2.0%	18.0%	16.5%
Revenues	31,158	39,026	46,736	35,765	44,777	-8.4%	-4.2%	14.8%	25.2%
Gross profit	3,605	4,659	5,623	4,304	5,404	-7.6%	-3.9%	19.4%	25.6%
Op. profit	3,352	4,858	5,713	4,383	5,665	-9.8%	-0.8%	30.8%	29.3%
Net profit	1,730	2,320	2,738	2,258	2,714	-2.7%	-0.9%	30.5%	20.2%
GPM (%)	11.6%	11.9%	12.0%	12.0%	12.1%				
OPM (%)	10.8%	12.4%	12.2%	12.3%	12.7%				
NPM (%)	5.6%	5.9%	5.9%	6.3%	6.1%				

Source: Danareksa Sekuritas estimates

Exhibit 2. PTPP – forecast changes (as issued in <http://dmia.danareksaonline.com/Upload/20191206%20PTPP.pdf>)

(IDR Bn)	2018	Old		New		Chg. (%)		Growth (%yoy)	
		2019	2020	2019	2020	2019	2020	2019	2020
New contracts	43,490	47,839	54,058	41,316	49,579	-13.6%	-8.3%	-5.0%	20.0%
Carry over	52,575	62,500	65,684	62,500	62,262	0.0%	-5.2%	18.9%	-0.4%
Order book	96,065	110,339	119,742	103,816	111,841	-5.9%	-6.6%	8.1%	7.7%
Revenues	25,120	28,155	30,976	25,469	28,066	-9.5%	-9.4%	1.4%	10.2%
Gross profit	3,546	4,300	4,630	3,493	3,983	-18.8%	-14.0%	-1.5%	14.0%
Op. profit	3,047	3,779	4,058	2,993	3,421	-20.8%	-15.7%	-1.8%	14.3%
Net profit	1,502	1,703	1,965	1,311	1,455	-23.0%	-25.9%	-12.7%	11.0%
GPM (%)	14.1%	15.3%	14.9%	13.7%	14.2%				
OPM (%)	12.1%	13.4%	13.1%	11.8%	12.2%				
NPM (%)	6.0%	6.0%	6.3%	5.1%	5.2%				

Source: Danareksa Sekuritas estimates

Exhibit 3. ADHI – forecast changes

(IDR Bn)	2018	Old		New		Chg. (%)		Growth (%yoy)	
		2019	2020	2019	2020	2019	2020	2019	2020
New contracts	24,600	29,520	35,424	27,060	29,766	-8.3%	-16.0%	10.0%	10.0%
Carry over	36,598	41,109	52,857	36,312	47,344	-11.7%	-10.4%	-0.8%	30.4%
Order book	61,198	70,629	88,281	63,372	77,110	-10.3%	-12.7%	3.6%	21.7%
Revenues	15,655	17,772	20,811	16,028	17,362	-9.8%	-16.6%	2.4%	8.3%
Gross profit	2,507	2,765	3,244	2,497	2,721	-9.7%	-16.1%	-0.4%	9.0%
Op. profit	1,933	2,171	2,493	2,022	2,216	-6.8%	-11.1%	4.6%	9.6%
Net profit	644	733	847	664	745	-9.4%	-12.0%	3.0%	12.3%
GPM (%)	16.0%	15.6%	15.6%	15.6%	15.7%				
OPM (%)	12.3%	12.2%	12.0%	12.6%	12.8%				
NPM (%)	4.1%	4.1%	4.1%	4.1%	4.3%				

Source: Danareksa Sekuritas estimates

Exhibit 4. WSKT – forecast changes

(IDR Bn)	2018	Old		New		Chg. (%)		Growth (%yoy)	
		2019	2020	2019	2020	2019	2020	2019	2020
New contracts	27,220	47,430	54,545	32,664	35,930	-31.1%	-34.1%	20.0%	10.0%
Carry over	87,700	65,944	66,351	65,944	60,111	0.0%	-9.4%	-24.8%	-8.8%
Order book	114,920	113,374	120,896	98,608	96,041	-13.0%	-20.6%	-14.2%	-2.6%
Revenues	48,789	46,552	51,789	38,318	40,095	-17.7%	-22.6%	-21.5%	4.6%
Gross profit	8,863	8,581	9,463	7,087	7,432	-17.4%	-21.5%	-20.0%	4.9%
Op. profit	7,224	7,106	7,845	5,978	6,314	-15.9%	-19.5%	-17.2%	5.6%
Net profit	3,963	2,903	3,215	2,145	2,234	-26.1%	-30.5%	-45.9%	4.2%
GPM (%)	18.2%	18.4%	18.3%	18.5%	18.5%				
OPM (%)	14.8%	15.3%	15.1%	15.6%	15.7%				
NPM (%)	8.1%	6.2%	6.2%	5.6%	5.6%				

Source: Danareksa Sekuritas estimates

Exhibit 5. WTON – forecast changes (as issued in <http://dmia.danareksaonline.com/Upload/20191127%20WTON.pdf>)

(IDR Bn)	2018	Old		New		Chg. (%)		Growth (%yoy)	
		2019	2020	2019	2020	2019	2020	2019	2020
New contracts	7,664	8,813	10,135	8,124	8,936	-7.8%	-11.8%	6.0%	10.0%
Carry over	5,120	5,854	6,893	5,409	6,496	-7.6%	-5.8%	5.6%	20.1%
Order book	12,784	14,667	17,029	13,532	15,431	-7.7%	-9.4%	5.9%	14.0%
Revenues	6,931	7,773	9,025	7,037	8,179	-9.5%	-9.4%	1.5%	16.2%
Gross profit	882	980	1,137	957	1,079	-2.3%	-5.2%	8.4%	12.7%
Op. profit	757	791	919	808	905	2.0%	-1.5%	6.7%	12.1%
Net profit	486	554	651	507	574	-8.5%	-11.9%	4.2%	13.2%
GPM (%)	12.7%	12.6%	12.6%	13.6%	13.2%				
OPM (%)	10.9%	10.2%	10.2%	11.5%	11.1%				
NPM (%)	7.0%	7.1%	7.2%	7.2%	7.0%				

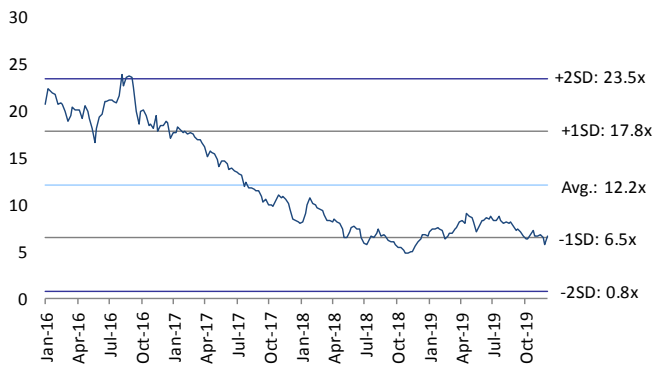
Source: Danareksa Sekuritas estimates

Exhibit 6. WSBP – forecast changes (as issued in <http://dmia.danareksaonline.com/Upload/20191202%20WSBP.pdf>)

(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%
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%				

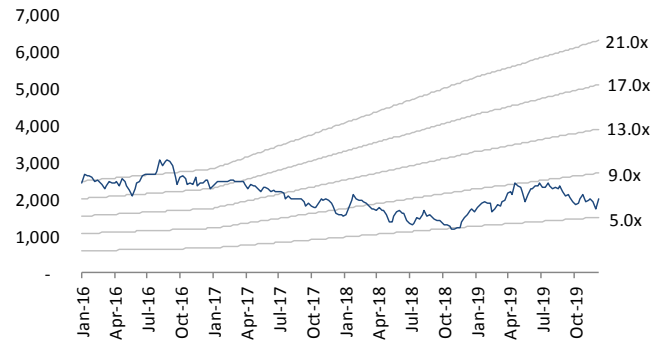
Source: Danareksa Sekuritas estimates

Exhibit 7. WIKA – PE Band Chart



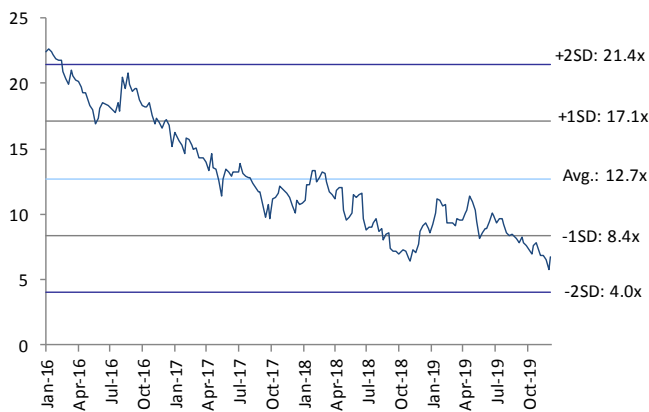
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 8. WIKA – Share Price Chart



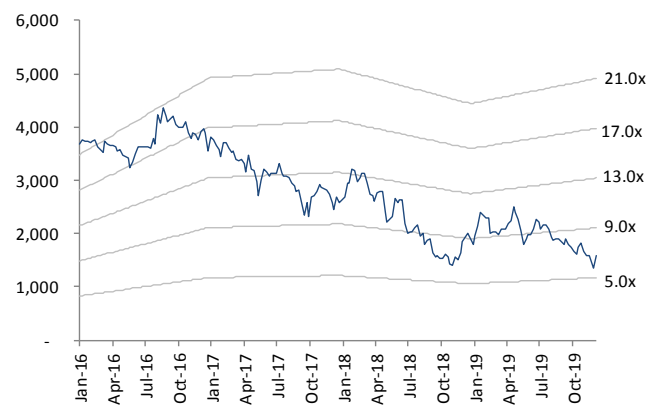
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 9. PTPP – PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 10. PTPP – Share Price Chart



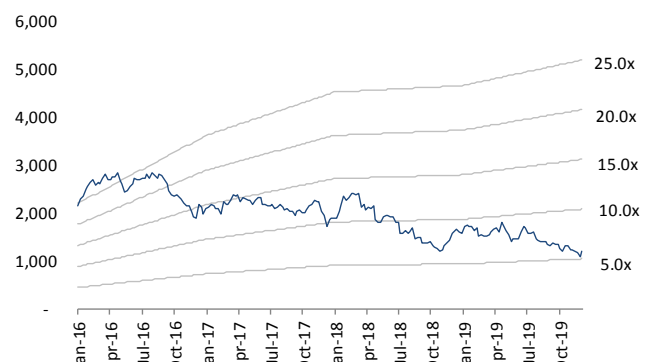
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 11. ADHI – PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 12. ADHI – Share Price Chart



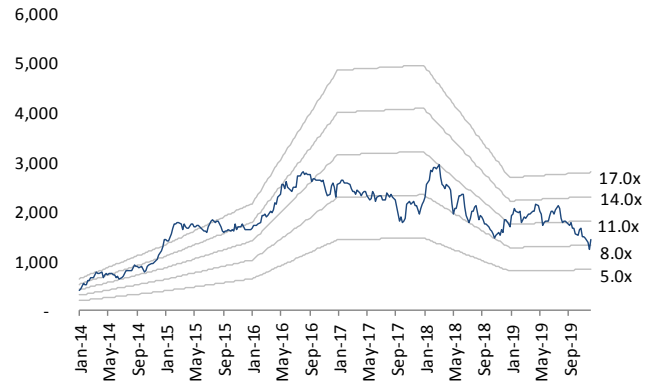
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 13. WSKT – PE Band Chart



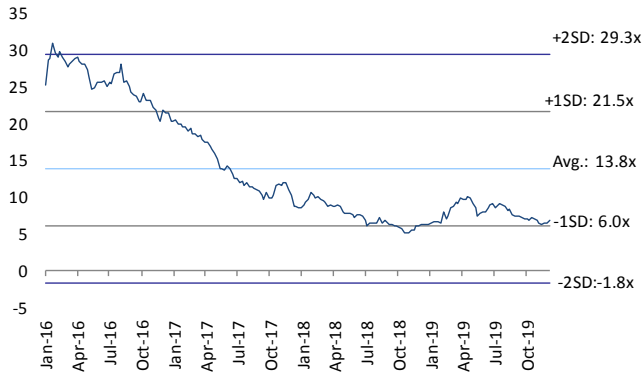
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 14. WSKT – Share Price Chart



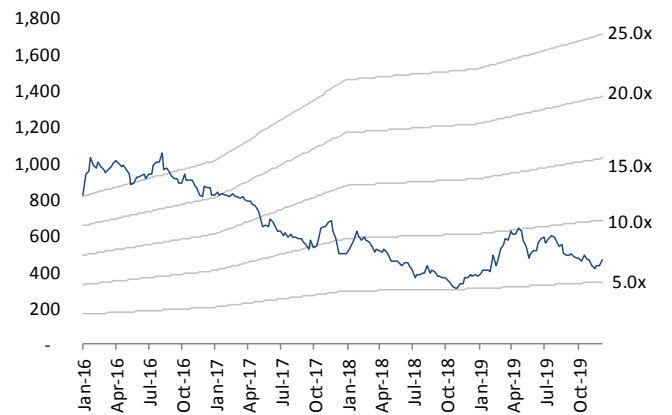
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 15. WTON – PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 16. WTON – Share Price Chart



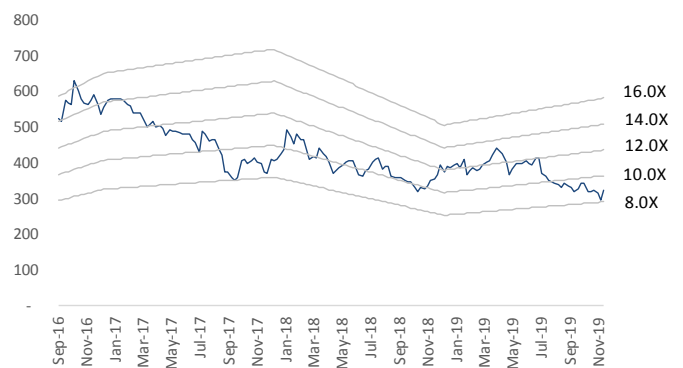
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 17. WSBP – PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 18. WSBP – Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 19. Applied PE

	TP (IDR/sh)	Applied PE (x)	Notes
WIKA	3,000	10.0	Median Avg. PE and -1SD
PTPP	2,300	10.0	Median Avg. PE and -1SD
ADHI	2,000	10.0	Median Avg. PE and -1SD
WSKT	2,200	13.4	Median +1SD PE and Avg.
WTON	680	10.0	Median Avg. PE and -1SD
WSBP	410	11.1	Avg. PE

Source: Danareksa Sekuritas estimates

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