

Thursday, 04 June 2020

**BUY**  
**Maintain**

Last price (IDR) 162  
Target Price (IDR) 240  
Upside/Downside +48.1%  
Previous Target Price (IDR) 310

**Stock Statistics**

Sector Construction  
Bloomberg Ticker WSBP IJ  
No of Shrs (mn) 26,361  
Mkt. Cap (IDRbn/USDmn) 4,271/303  
Avg. daily T/O (IDRbn/USDmn) 7.8/0.6

**Major shareholders (%)**

Waskita Karya 60.0  
Public 40.0

**EPS Consensus (IDR)**

	2020F	2021F	2022F
Danareksa	27.5	29.5	33.4
Consensus	36.7	41.1	n/a
Danareksa/Cons	(25.2)	(28.3)	(28.3)

**WSBP relative to JCI Index**



Source : Bloomberg



**Maria Renata**

(62-21) 5091 4100 ext. 3513

maria.renata@danareksa.co.id

# Waskita Beton Precast (WSBP IJ)

## Lower rating from Fitch Ratings Indonesia

The Indonesian ratings agency, Fitch Ratings Indonesia, lowered WSBP's National Long-term rating to BB from BBB- with a negative outlook on the back of increasing risk due to the COVID-19 pandemic. In addition, it also reflects the lower rating given to its parent WSKT, whose rating was lowered to BBB+. The lower rating will impact the price of WSBP's outstanding bonds and might result in a higher coupon rate for the issuance of new bonds. We maintain our BUY call with a lower TP of IDR240 from IDR310 previously.

**Lower ratings from Fitch.** Fitch Ratings Indonesia has downgraded WSBP's National Long-term rating to BB (idn) from BBB- (idn) by end-May 20. This follows the ratings cut at the parent company level, as WSKT's long-term rating was previously lowered to BBB+(idn) from A(idn). Both WSBP and WSKT are given a negative outlook on the back of weakening in their financial profiles as the COVID-19 pandemic will lead to lower new contract tenders, delays in project completion, and extended customer payments. Furthermore, the ratings on Standalone Credit Profile (SCP) for WSBP have been cut to BB(idn) from BBB-(idn), encompassing the ratings on two WSBP outstanding bonds with a total value of IDR2.0tn.

**The impact of the ratings downgrades.** For the outstanding bonds, we believe the lower ratings will impact the price of WSBP's bonds in the secondary market. And in the primary market, the lower rating will mean a higher cost of debt for WSBP when it issues new bonds which will be reflected in a higher coupon rate. Currently, there are only two outstanding WSBP bonds: WSBP01CN1 and WSBP01CN2, issued back in Apr19 and Oct19, nominally at IDR500bn and IDR1.5tn, respectively. The coupon is 9.95% for WSBP01CN1 and 9.75% for WSBP01CN2. Both bonds had BBB+ ratings when issued.

**Our FY20 targets.** We expect flattish new contracts growth for this year in view of the pandemic. This results in lower revenues and net income. We expect revenues to fall by 2.7%yoy to IDR8.9tn resulting in IDR724bn of net income (-10.2%yoy). More positively, we hope the loosening of large-scale social distancing measures can become a positive catalyst for WSBP's operational performance. Our revenues and net income targets are 26% and 34% lower than the management's. WSBP targets FY20 revenues of IDR9.9tn (+32.3%yoy) and net income of IDR1.1tn (+36.8%yoy).

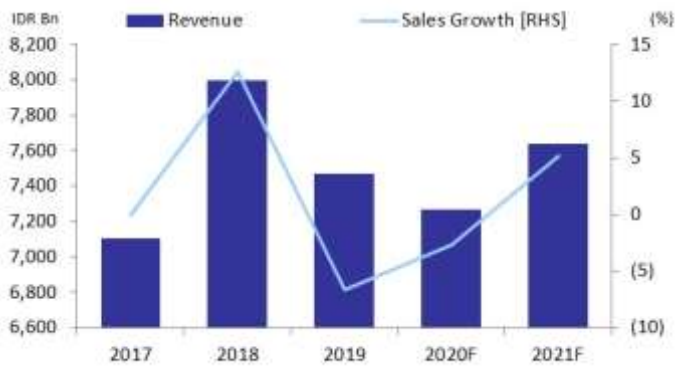
**Maintain BUY.** We arrive at a new lower TP of IDR240, based on -1SD historical 3-yr PE of 8.4x. We hope the upcoming 'new normal' condition with the government loosening large scale social restrictions can put infrastructure projects development back on track. WSBP's DER stood at 0.75x as of Dec19, lower than its covenant of 2.5x, with an ICR of 4.1x. BUY maintained.

**Key Financials**

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	8,000	7,467	7,269	7,642	8,398
EBITDA (IDRbn)	1,650	1,289	1,181	1,241	1,364
EBITDA Growth (%)	7.8	(21.9)	(8.4)	5.1	9.9
Net profit (IDRbn)	1,103	806	724	776	880
EPS (IDR)	42.6	30.6	27.5	29.5	33.4
EPS growth (%)	10.3	(28.2)	(10.2)	7.3	13.3
BVPS (IDR)	304.4	308.6	328.4	351.0	377.0
DPS (IDR)	28.5	20.9	7.6	6.9	7.4
PER (x)	3.8	5.3	5.9	5.5	4.9
PBV (x)	0.5	0.5	0.5	0.5	0.4
Dividend yield (%)	17.6	12.9	4.7	4.2	4.5
EV/EBITDA (x)	5.1	7.7	8.2	7.8	7.0

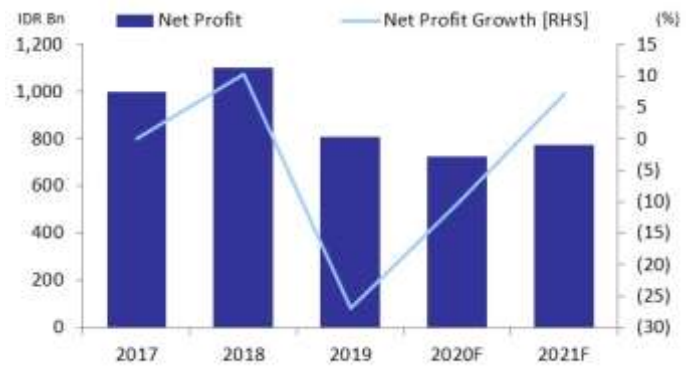
Source : WSBP, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



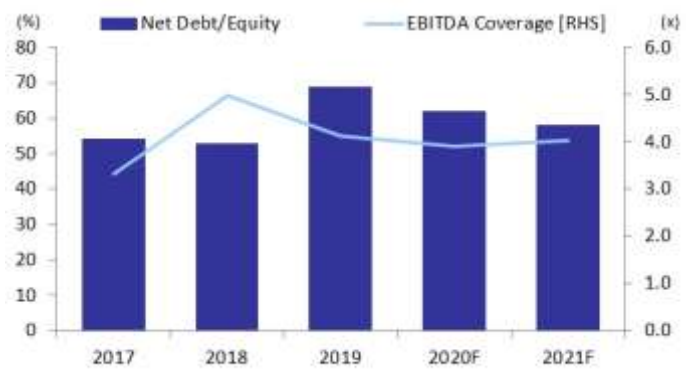
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



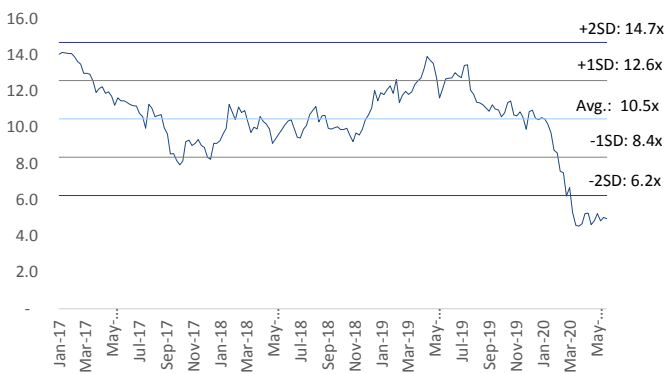
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



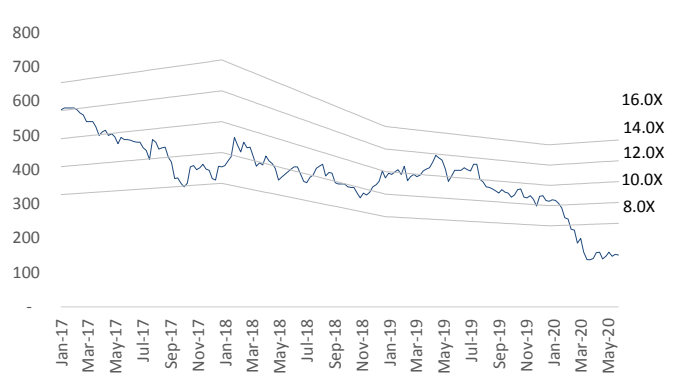
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. Share Price Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. Changes in forecast**

	Old			New		Chg. (%)		YoY (%)	
	2019	2020	2021	2020	2021	2020	2021	2020	2021
New contracts	7,032	10,497	11,547	7,032	8,087	-33.0%	-30.0%	0.0%	15.0%
Carry over	8,910	8,825	10,434	8,673	9,118	-1.7%	-12.6%	-2.7%	5.1%
Order book	15,942	19,323	21,981	15,705	17,205	-18.7%	-21.7%	-1.5%	9.6%
Revenues	7,467	8,888	9,892	7,269	7,642	-18.2%	-22.7%	-2.7%	5.1%
Gross profit	1,563	1,556	1,730	1,381	1,452	-11.3%	-16.1%	-11.6%	5.1%
Op.profit	1,289	1,350	1,497	1,181	1,241	-12.6%	-17.1%	-8.4%	5.1%
Net income	806	899	1,007	724	776	-19.5%	-22.9%	-10.2%	7.3%
GPM (%)	20.9%	17.5%	17.5%	19.0%	19.0%				
OPM (%)	17.3%	15.2%	15.1%	16.2%	16.2%				
NPM (%)	10.8%	10.1%	10.2%	10.0%	10.2%				

Source: Danareksa Sekuritas estimates

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
<b>Revenue</b>	<b>8,000</b>	<b>7,467</b>	<b>7,269</b>	<b>7,642</b>	<b>8,398</b>
COGS	(6,154)	(5,904)	(5,888)	(6,190)	(6,802)
<b>Gross profit</b>	<b>1,846</b>	<b>1,563</b>	<b>1,381</b>	<b>1,452</b>	<b>1,596</b>
<b>EBITDA</b>	<b>1,650</b>	<b>1,289</b>	<b>1,181</b>	<b>1,241</b>	<b>1,364</b>
<b>Oper. profit</b>	<b>1,650</b>	<b>1,289</b>	<b>1,181</b>	<b>1,241</b>	<b>1,364</b>
Interest income	11	9	14	24	33
Interest expense	(332)	(312)	(302)	(308)	(311)
Forex Gain/(Loss)	(1)	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	66	3	0	0	0
<b>Pre-tax profit</b>	<b>1,394</b>	<b>988</b>	<b>892</b>	<b>957</b>	<b>1,085</b>
Income tax	(291)	(182)	(169)	(181)	(205)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>1,103</b>	<b>806</b>	<b>724</b>	<b>776</b>	<b>880</b>
<b>Core Net Profit</b>	<b>1,105</b>	<b>806</b>	<b>724</b>	<b>776</b>	<b>880</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	1,299	469	604	813	1,184
Receivables	5,518	6,671	6,749	6,903	7,026
Inventory	2,228	1,537	1,452	1,526	1,677
Other Curr. Asset	1,191	1,019	963	1,012	1,112
Fixed assets - Net	4,726	5,742	6,192	6,608	6,987
Other non-curr.asset	260	712	712	712	712
<b>Total asset</b>	<b>15,222</b>	<b>16,149</b>	<b>16,671</b>	<b>17,574</b>	<b>18,699</b>
ST Debt	5,463	4,091	3,985	6,180	4,420
Payables	1,405	1,652	1,774	1,865	2,050
Other Curr. Liabilities	459	237	243	252	264
Long Term Debt	0	1,990	1,990	0	2,000
Other LT. Liabilities	13	45	21	24	26
<b>Total Liabilities</b>	<b>7,340</b>	<b>8,015</b>	<b>8,014</b>	<b>8,322</b>	<b>8,761</b>
Shareholder's Funds	7,882	8,135	8,657	9,252	9,938
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>15,222</b>	<b>16,149</b>	<b>16,671</b>	<b>17,574</b>	<b>18,699</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	1,103	806	724	776	880
Depreciation and Amort.	(389)	(314)	(349)	(385)	(421)
Change in Working Capital	(577)	(233)	169	(176)	(175)
Other Oper. Cash Flow	256	(163)	288	284	279
<b>Operating Cash Flow</b>	<b>394</b>	<b>96</b>	<b>832</b>	<b>499</b>	<b>563</b>
Capex	(1,966)	(1,329)	(800)	(800)	(800)
Others Inv. Cash Flow	11	24	14	24	33
<b>Investing Cash Flow</b>	<b>(1,955)</b>	<b>(1,305)</b>	<b>(786)</b>	<b>(776)</b>	<b>(767)</b>
Net change in debt	1,924	618	(106)	205	240
New Capital	0	0	0	0	0
Dividend payment	(747)	(554)	(202)	(181)	(194)
Other Fin. Cash Flow	(122)	(312)	(302)	(308)	(311)
<b>Financing Cash Flow</b>	<b>1,054</b>	<b>(248)</b>	<b>(610)</b>	<b>(284)</b>	<b>(265)</b>
<b>Net Change in Cash</b>	<b>(506)</b>	<b>(1,457)</b>	<b>(564)</b>	<b>(561)</b>	<b>(470)</b>
Cash - begin of the year	1,028	1,299	469	604	813
Cash - end of the year	1,299	469	604	813	1,184

### Exhibit 11. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
<b>Growth (%)</b>					
Sales	12.6	(6.7)	(2.7)	5.1	9.9
EBITDA	7.8	(21.9)	(8.4)	5.1	9.9
Operating profit	7.8	(21.9)	(8.4)	5.1	9.9
Net profit	10.3	(26.9)	(10.2)	7.3	13.3
<b>Profitability (%)</b>					
Gross margin	23.1	20.9	19.0	19.0	19.0
EBITDA margin	20.6	17.3	16.2	16.2	16.2
Operating margin	20.6	17.3	16.2	16.2	16.2
Net margin	13.8	10.8	10.0	10.2	10.5
ROAA	7.3	5.1	4.4	4.5	4.9
ROAE	14.5	10.1	8.6	8.7	9.2
<b>Leverage</b>					
Net Gearing (x)	0.5	0.7	0.6	0.6	0.5
Interest Coverage (x)	5.0	4.1	3.9	4.0	4.4

Source : WSBP, Danareksa Estimates

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