

Monday, 29 June 2020

BUY
Maintain

Last price (IDR) 196
Target Price (IDR) 240
Upside/Downside +22.4%
Previous Target Price (IDR) 240

Stock Statistics

Sector Construction
Bloomberg Ticker WSBP JJ
No of Shrs (mn) 26,361
Mkt. Cap (IDRbn/USDmn) 5,167/363
Avg. daily T/O (IDRbn/USDmn) 10.7/0.7

Major shareholders (%)

Waskita Karya 60.0
Public 40.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	27.5	29.5	33.4
Consensus	27.5	29.5	33.4
Danareksa/Cons	(0.2)	(0.2)	(0.1)

WSBP relative to JCI Index



Source : Bloomberg



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Waskita Beton Precast (WSBP JJ)

Weak 1Q20 results

WSBP booked weak net income of IDR105bn in 1Q20, slumping by 64.1%yoy on the back of lower revenues. The top line is down by 61.8%yoy to IDR754bn. New contracts booked in 5M20 reached IDR713bn, accounting for 6% of the management's FY target of IDR11.9tn. The DER stood at 0.83x as of Mar20, with an interest coverage ratio of 4.90x. We maintain our forecast while we await new guidance from the management to be released soon.

WSBP's 1Q20 earnings sank 64.1%yoy to IDR105bn (1Q19: IDR291bn) on the back of lower revenues and margins. The result is 14.4% of our FY target and 12.6% of the consensus. Previously, we cut our FY20 bottom line target by 19.5% expecting 10.2%yoy lower FY20 earnings at IDR724bn. We are awaiting the company's guidance as it plans to revise down its FY20 targets on the back of the Covid-19 pandemic. The new targets are expected to be released soon.

The 1Q20 top line fell 61.8%yoy to IDR754bn (1Q19: IDR2.2tn) on the back of lower new contracts and the implementation of PSBB (wide-scale social distancing restrictions) due to the pandemic. The revenues are ~10% of our estimate and the consensus. New contracts as of Mar20 reached IDR577bn and IDR713bn as of May20. The 5M20 figure is 6.0% of the management's FY target of IDR11.9tn.

Margins, leverage, and cash flow. Gross margins were higher at 24.9% in 1Q20 vs. 17.8% in 1Q19. WSKT remained as the largest revenues contributor with a contribution of 47.1% (1Q19: 50.8%). Total debts were relatively stable at IDR6.0tn as of Mar20, resulting in a 0.83x DER. The ratio is higher than 0.75x as of Dec19 on the back of lower 1Q20 earnings. The interest coverage ratio in 1Q20 slipped to 4.90x from 11.13x in 1Q19. Interest expenses grew by 17.6%yoy to IDR30.3bn. Operating cash flow was negative IDR155bn or relatively stable compared to negative IDR136bn last year.

Lower ratings from Fitch Ratings Indonesia. Fitch cut WSBP's National Long-Term rating and Standalone Credit Profile (SCP) to BB (Idn) from BBB- (Idn) at the end of May20. The outlook was downgraded to negative on the back of rising risk due to the pandemic.

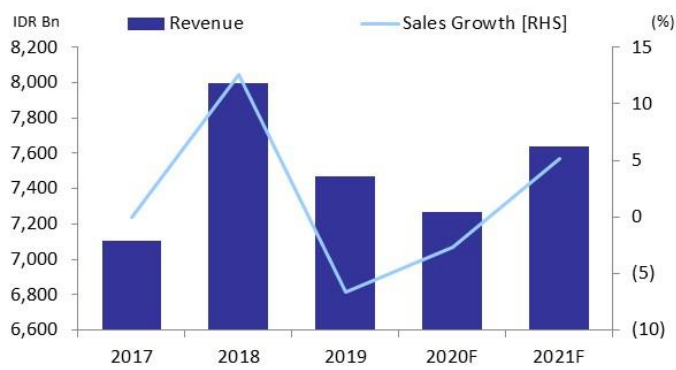
Maintain our forecast. We maintain our forecast on WSBP as we await the new guidance from the management. WSBP is trading at 2020 PE of 7.1x. Our TP is IDR240, implying 8.4x 2020PE.

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)	4.6	6.4	7.1	6.7	5.9
PBV (x)	0.6	0.6	0.6	0.6	0.5
Dividend yield (%)	14.5	10.7	3.9	3.5	3.8
EV/EBITDA (x)	5.7	8.4	8.9	8.5	7.6

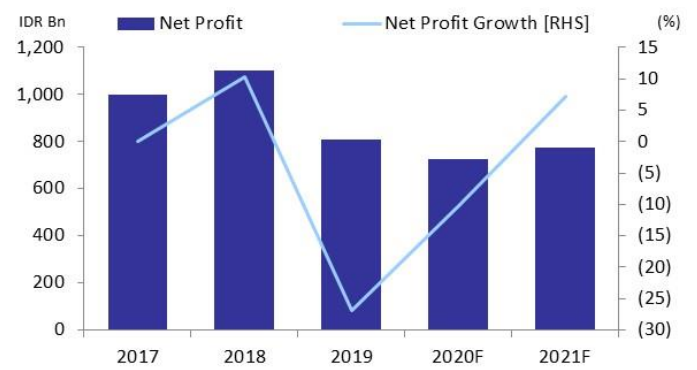
Source : WSBP, Danareksa Estimates

Exhibit 1. Revenues and Growth



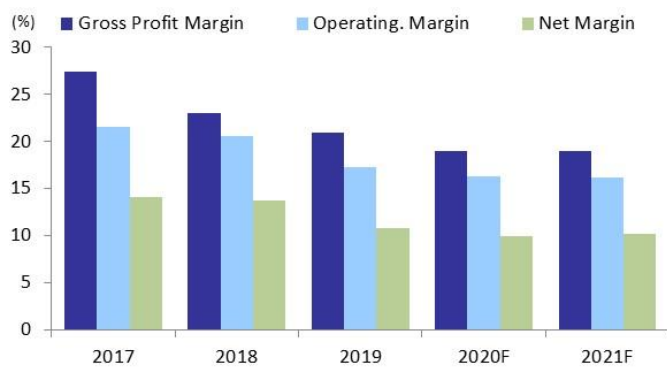
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



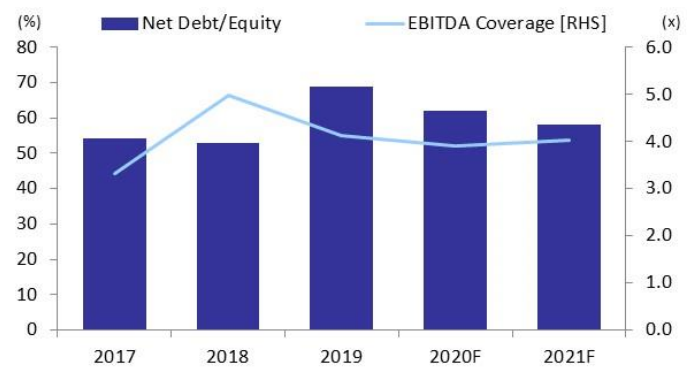
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



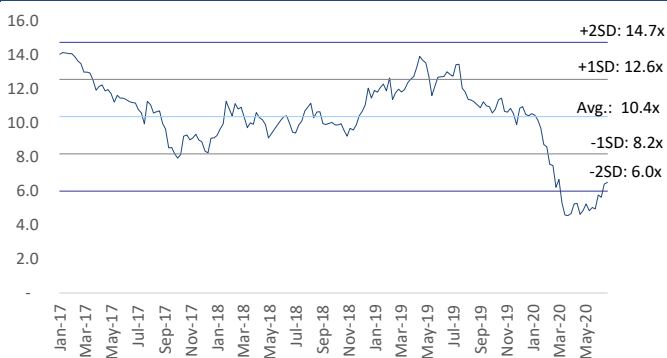
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



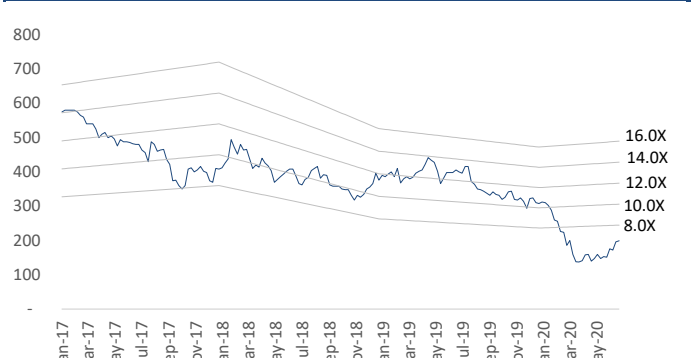
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart

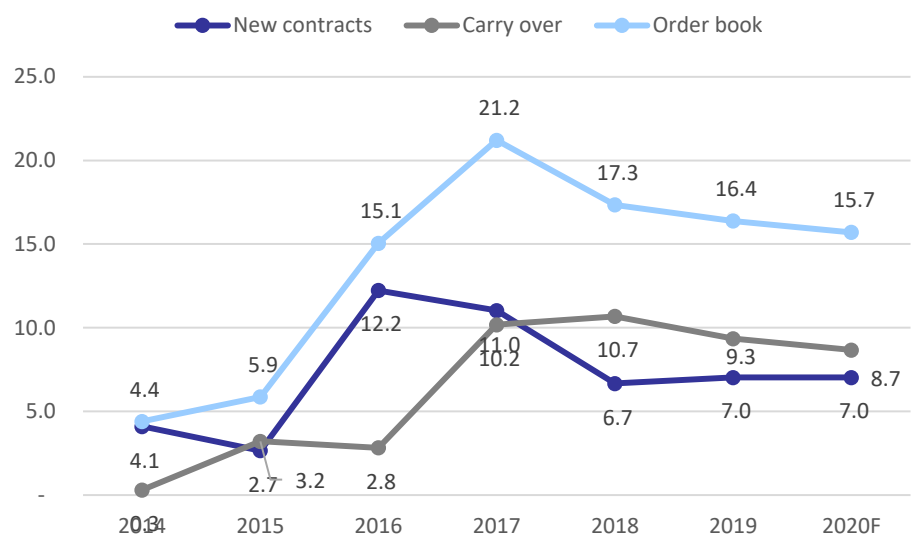


Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. WSBP 1Q20 result summary

IDR Bn	1Q19	4Q19	1Q20	QoQ Chg %	YoY Chg %	Danareksa FY20F	1Q20/FY20F %
Revenue	2,201	1,972	754	(61.8)	(65.8)	7,269	10.4
Gross profit	391	578	187	(67.6)	(52.1)	1,381	13.6
Op. profit	336	483	149	(69.2)	(55.7)	1,181	12.6
Net profit	291	294	105	(64.5)	(64.1)	724	14.4
GPM (%)	17.8	29.3	24.9	(4.5)	7.1	19.0	
OPM (%)	15.3	24.5	19.7	(4.8)	4.5	16.2	
NPM (%)	13.2	14.9	13.9	(1.0)	0.6	10.0	

Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Order book breakdown


Source: Company, Danareksa Sekuritas estimates

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	8,000	7,467	7,269	7,642	8,398
COGS	(6,154)	(5,904)	(5,888)	(6,190)	(6,802)
Gross profit	1,846	1,563	1,381	1,452	1,596
EBITDA	1,650	1,289	1,181	1,241	1,364
Oper. profit	1,650	1,289	1,181	1,241	1,364
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
Pre-tax profit	1,394	988	892	957	1,085
Income tax	(291)	(182)	(169)	(181)	(205)
Minority interest	0	0	0	0	0
Net profit	1,103	806	724	776	880
Core Net Profit	1,105	806	724	776	880

Exhibit 10. 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
Total asset	15,222	16,149	16,671	17,574	18,699
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
Total Liabilities	7,340	8,015	8,014	8,322	8,761
Shareholder's Funds	7,882	8,135	8,657	9,252	9,938
Minority interests	0	0	0	0	0
Total Equity & Liabilities	15,222	16,149	16,671	17,574	18,699

Exhibit 11. 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
Operating Cash Flow	394	96	832	499	563
Capex	(1,966)	(1,329)	(800)	(800)	(800)
Others Inv. Cash Flow	11	24	14	24	33
Investing Cash Flow	(1,955)	(1,305)	(786)	(776)	(767)
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)
Financing Cash Flow	1,054	(248)	(610)	(284)	(265)
Net Change in Cash	(506)	(1,457)	(564)	(561)	(470)
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 12. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
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
Profitability (%)					
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
Leverage					
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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