

Friday, 07 August 2020

BUY
Maintain

Last price (IDR)	179
Target Price (IDR)	250
Upside/Downside	+39.7%
Previous Target Price (IDR)	240

Stock Statistics

Sector	Construction
Bloomberg Ticker	WSBP JJ
No of Shrs (mn)	26,361
Mkt. Cap (IDRbn/USDmn)	4,719/324
Avg. daily T/O (IDRbn/USDmn)	13.9/1.0

Major shareholders (%)

Waskita Karya	60.0
Public	40.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	9.5	14.8	16.4
Consensus	21.3	24.8	28.7
Danareksa/Cons	(55.3)	(40.0)	(42.8)

WSBP relative to JCI Index



Source : Bloomberg



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Waskita Beton Precast (WSBP JJ)

More external works may support the rating

We expect FY20 new contracts of IDR4.0tn, or -43%yoy. New contracts booked as of mid-Jul20 reached IDR1.06tn, or 27% of our FY target. While the rate is lower than the historical rate of 44%, our new contracts estimate for 2H20 is only 63% of the historical average contracts value of IDR4.7tn in 2H. We see that the company will benefit from government plans to boost budget spending in the remainder of the year.

We further cut our FY20 forecast given the weak 1H20 result. We cut our FY20 new contracts target to IDR4.0tn, or -43.1%yoy on the back of weak realization in 1H20 due to the covid-19 pandemic. The new contracts as of mid-Jul20 reached IDR1.06tn (-67.4%yoy), or 26.5% of our FY target. Our FY20 new contracts target is 20% lower than the management's new target of IDR5.0tn and 67% lower than the management's initial target of IDR12.0tn. We believe our new contracts target is achievable as the remaining target of IDR3.0tn is only 63% of the historical new contracts booked in 2H at IDR4.7tn on average. WSBP's order book as of mid Jul20 stood at IDR5.7tn.

Awaiting more new contracts and to continue its ongoing projects in 2H20. WSBP is awaiting some new projects to be awarded by Hutama Karya such as: the Padang – Scincin toll road and the Binjai – Langkat toll road, along with three irrigation projects from the Ministry of Public Works and Housing and a seaport project in Bali. For the private sector, WSBP is participating in tenders for smelter projects in West Kalimantan, Kendar – North Sulawesi and in East Java. The company still has ongoing projects from Hutama Karya such as the Aceh – Sigli toll road, the Indrapura – Kisanan toll road, the Tebing Tinggi – Kuala Tanjung toll road, and the Pekan Baru – Bakinang toll road. These projects should support revenues in the future.

Awaiting a new rating from Pefindo. WSBP is expecting a new rating from Pefindo by early Sep20. The rating will be used in its bonds issuance expected this year for the refinancing of its short term bank loans. In May20, WSBP's rating was downgraded to BB mostly reflecting the high risk from its high dependency on its parent, WSKT (more than 50% of the works when the assessment was conducted). However, WSBP is looking for more external projects. As of mid Jul20, the portion of external contracts had reached 60% and they are expected to rise to 70% by end-2020. Around 66% or IDR3.8tn of the company's debts are ST bank loans. WSBP's bank loan cost stands at 9.5% to 10.5%pa. The DER stood at 0.84x as of Jun20 with an ICR of 1.19x.

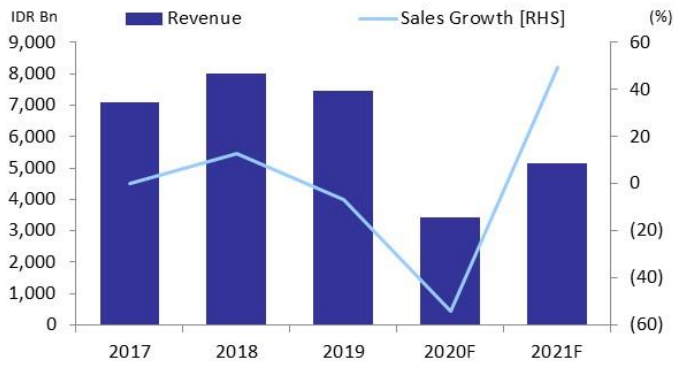
Maintain BUY with a slightly higher target price of IDR250 (old: IDR240) based on 16.9x PE multiple, implying the median between its average PE and +1SD PE as we roll over our valuation to 2021. WSBP is trading at 12.1x 21PE.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	8,000	7,467	3,440	5,134	5,946
EBITDA (IDRbn)	1,650	1,289	522	767	871
EBITDA Growth (%)	7.8	(21.9)	(59.5)	46.8	13.5
Net profit (IDRbn)	1,103	806	250	391	433
EPS (IDR)	42.6	30.6	9.5	14.8	16.4
EPS growth (%)	10.3	(28.2)	(69.0)	56.4	10.7
BVPS (IDR)	304.4	308.6	310.4	322.9	335.6
DPS (IDR)	28.5	20.9	7.6	2.4	3.7
PER (x)	4.2	5.9	18.9	12.1	10.9
PBV (x)	0.6	0.6	0.6	0.6	0.5
Dividend yield (%)	15.9	11.7	4.3	1.3	2.1
EV/EBITDA (x)	5.4	8.0	15.3	11.8	10.8

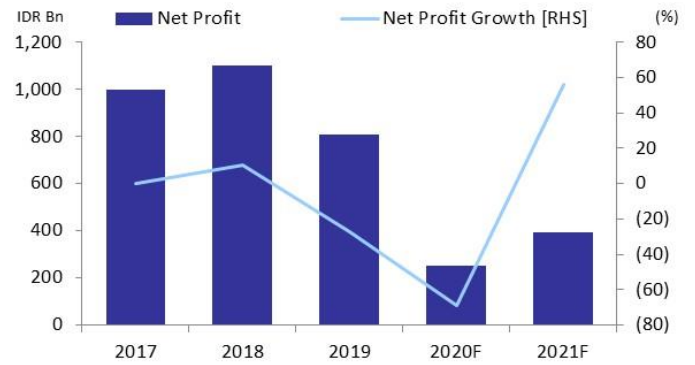
Source : WSBP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



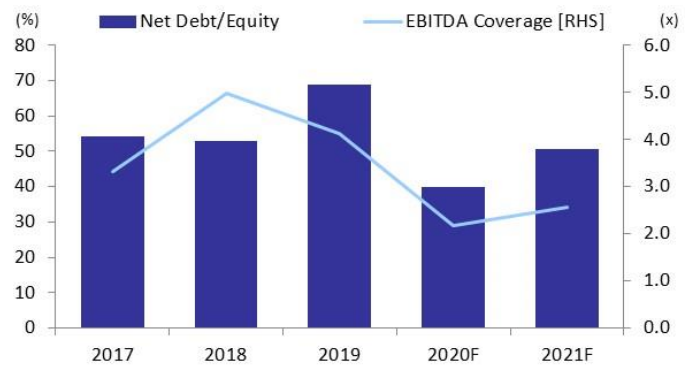
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



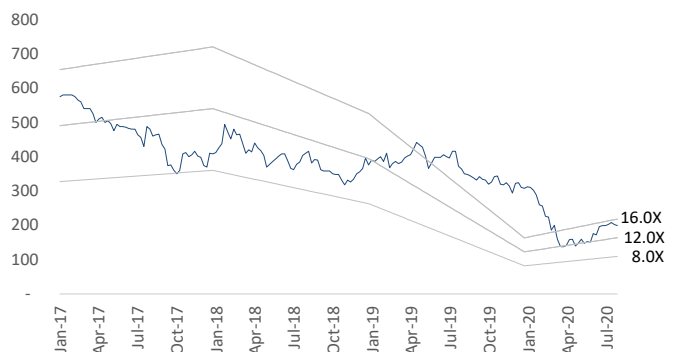
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. WSBP 1H20 result summary

IDR Bn	2Q19	1Q20	2Q20	QoQ Chg %	YoY Chg %	1H20	YoY Chg %	Danareksa FY20	1H20/ FY20F %
Revenue	1,622	754	347	(53.9)	(78.6)	1,101	(71.2)	3,440	32.0
Gross profit	282	187	19	(89.9)	(93.3)	206	(69.4)	654	31.5
Op. profit	224	149	(35)	(123.2)	(115.4)	114	(79.6)	522	21.9
Net profit	86	105	(99)	(195.0)	(216.2)	5	(98.6)	250	2.1
GPM (%)	17.4	24.9	5.4	(19.4)	(12.0)	18.7	1.1	19.0	
OPM (%)	13.8	19.7	(9.9)	(29.7)	(23.7)	10.4	(4.3)	15.2	
NPM (%)	5.3	13.9	(28.6)	(42.5)	(33.9)	0.5	(9.4)	7.3	

Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Changes in our forecast

	2019	New		Old		Chg. (%)		YoY (%)	
		2020	2021	2020	2021	2020	2021	2020	2021
New contracts	7,032	4,000	6,000	7,032	8,087	-43.1%	-25.8%	-43.1%	50.0%
Carry over	9,345	4,600	5,160	8,673	9,118	-47.0%	-43.4%	-50.8%	12.2%
Order book	16,377	8,600	11,160	15,705	17,205	-45.2%	-35.1%	-47.5%	29.8%
Revenues	7,467	3,440	5,134	7,269	7,642	-52.7%	-32.8%	-53.9%	49.2%
Gross profit	1,563	654	920	1,381	1,452	-52.7%	-36.6%	-58.2%	40.8%
Op. profit	1,289	522	767	1,181	1,241	-55.7%	-38.2%	-59.5%	46.8%
Net income	806	250	391	724	776	-65.4%	-49.6%	-69.0%	56.4%
GPM (%)	20.9%	19.0%	17.9%	19.0%	19.0%				
OPM (%)	17.3%	15.2%	14.9%	16.2%	16.2%				
NPM (%)	10.8%	7.3%	7.6%	10.0%	10.2%				

Source: Danareksa Sekuritas estimates

Exhibit 9. New contracts achievement analysis

	FY	1H	1H vs FY (%)	2H	2H vs FY (%)
2017	11,032	4,500	40.8%	6,532	59.2%
2018	6,665	2,970	44.6%	3,695	55.4%
2019	7,030	3,254	46.3%	3,776	53.7%
2020	4,000	1,060	26.5%	2,940	73.5%
%yoy		-67.4%		-22.1%	
Avg 2017-19		3,575	43.9%	4,668	56.1%
2H20F vs. Avg				63.0%	

Source: Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	8,000	7,467	3,440	5,134	5,946
COGS	(6,154)	(5,904)	(2,786)	(4,213)	(4,880)
Gross profit	1,846	1,563	654	920	1,066
EBITDA	1,650	1,289	522	767	871
Oper. profit	1,650	1,289	522	767	871
Interest income	11	9	14	14	10
Interest expense	(332)	(312)	(240)	(299)	(333)
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	297	482	548
Income tax	(291)	(182)	(47)	(91)	(115)
Minority interest	0	0	0	0	0
Net profit	1,103	806	250	391	433
Core Net Profit	1,105	806	250	391	433

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	1,299	469	347	253	306
Receivables	5,518	6,671	5,182	5,306	5,568
Inventory	2,228	1,537	687	1,039	1,203
Other Curr. Asset	1,191	1,019	456	682	790
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	13,576	14,600	15,567
ST Debt	5,463	4,091	1,634	4,557	2,973
Payables	1,405	1,652	1,527	1,270	1,471
Other Curr. Liabilities	459	237	220	237	250
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	5,392	6,088	6,720
Shareholder's Funds	7,882	8,135	8,183	8,512	8,847
Minority interests	0	0	0	0	0
Total Equity & Liabilities	15,222	16,149	13,576	14,600	15,567

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	1,103	806	250	391	433
Depreciation and Amort.	(389)	(314)	(349)	(385)	(421)
Change in Working Capital	(577)	(233)	2,737	(940)	(319)
Other Oper. Cash Flow	256	(163)	225	285	323
Operating Cash Flow	394	96	2,863	(649)	16
Capex	(1,966)	(1,329)	(800)	(800)	(800)
Others Inv. Cash Flow	11	24	14	14	10
Investing Cash Flow	(1,955)	(1,305)	(786)	(786)	(790)
Net change in debt	1,924	618	(2,457)	933	416
New Capital	0	0	0	0	0
Dividend payment	(747)	(554)	(202)	(63)	(98)
Other Fin. Cash Flow	(122)	(312)	(240)	(299)	(333)
Financing Cash Flow	1,054	(248)	(2,898)	572	(14)
Net Change in Cash	(506)	(1,457)	(821)	(863)	(788)
Cash - begin of the year	1,028	1,299	469	347	253
Cash - end of the year	1,299	469	347	253	306

Exhibit 13. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	12.6	(6.7)	(53.9)	49.2	15.8
EBITDA	7.8	(21.9)	(59.5)	46.8	13.5
Operating profit	7.8	(21.9)	(59.5)	46.8	13.5
Net profit	10.3	(26.9)	(69.0)	56.4	10.7
Profitability (%)					
Gross margin	23.1	20.9	19.0	17.9	17.9
EBITDA margin	20.6	17.3	15.2	14.9	14.6
Operating margin	20.6	17.3	15.2	14.9	14.6
Net margin	13.8	10.8	7.3	7.6	7.3
ROAA	7.3	5.1	1.7	2.8	2.9
ROAE	14.5	10.1	3.1	4.7	5.0
Leverage					
Net Gearing (x)	0.5	0.7	0.4	0.5	0.5
Interest Coverage (x)	5.0	4.1	2.2	2.6	2.6

Source : WSBP, Danareksa Estimates

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