

Tuesday, 05 October 2021

BUY
Maintain

Last price (IDR) 960
Target Price (IDR) 1,300
Upside/Downside +35.4%
Previous Target Price (IDR) 1,300

Stock Statistics

Sector Construction
Bloomberg Ticker WSKT IJ
No of Shrs (mn) 13,574
Mkt. Cap (IDRbn/USDmn) 13,031/913
Avg. daily T/O (IDRbn/USDmn) 39.1/2.7

Major shareholders (%)

Govt. Indonesia 66.0
Public 34.0

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	(21.5)	(51.2)	(7.7)
Consensus	(40.4)	(57.4)	(11.8)
Danareksa/Cons	(46.8)	(10.6)	(34.9)

WSKT relative to JCI Index



Source : Bloomberg



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Waskita Karya (WSKT IJ)

Protected by the knight in shining armor

WSKT conducted a meeting yesterday. Participating in the meeting were some government representatives: 1) Hendrika Nora Oslo Sinaga, the Deputy Assistant of Infrastructure in the Ministry of SOE, 2) Meirijal Nur, the Director of Separated State Wealth in DJKN, Ministry of Finance, and 3) Danang Parikesit, the Head of BPJT, the Ministry of PUPR. Their attendance demonstrates the government's support for WSKT. Under WSKT's "8 Performance Recovery Streams" program, two of the streams are related to the government's support: the provision of additional capital of IDR7.9tn and government guarantees given through PII (Penjaminan Infrastruktur Indonesia).

Capital injection of IDR7.9tn from the government. WSKT will receive IDR7.9tn of additional capital from the government through a rights issue. The maximum number of new shares to be issued will be 24.5bn with a maximum dilution rate of 64%. The government should determine the exercise price by the end of the month. Additional capital from minority shareholders is targeted to reach IDR4.06tn, representing 34% ownership. So far, no party has committed to be the stand-by buyer.

BPJT (toll authority) seeks to operate 2,500km of new toll roads in the period of 2019-2024. This is to meet the target of more than 4,200km of toll roads being operated by 2024. For WSKT, it seeks to construct 1,082km of toll roads (19 toll roads in all) of which 600km has already started operation. As such, the additional capital given will be used by WSKT to continue the development of 7 toll roads, besides strengthening its capital structure.

WSKT still able to get loans thanks to government guarantees. The government, through PII, provides guarantees for any bonds issued by WSKT with a maximum amount of IDR5.6tn. On Sep21, WSKT issued bonds amounting to IDR1.77tn by using the guarantee. As such, the remaining guarantee will be used in 2022 as WSKT plans to issue bonds with a value of up to IDR3.9tn. The government's support allows WSKT to book credit from bank syndication as it seeks to obtain IDR9.8tn for the working cap needed to undertake 148 ongoing projects.

Assets divestments. WSKT seeks to divest 13 toll roads by 2025 of which 3 were delivered in 1H21. WSKT hopes those divestments will reduce the debts by up to IDR41.0tn, which is 59% of the debts as of Jun21. WSKT has signed a CSPA with Akses Pelabuhan Indonesia regarding the sale of a 55% stake in Cibitung Tanjung Priok Port Tollways, a concession holder of the Cibitung – Cilincing toll road, and the transaction is targeted to be finalized this year. The toll road had IDR9.7tn of total assets as of Jun21 and IDR456mn of net profits. In the future, WSKT will focus on water infrastructure, airports, and railroads.

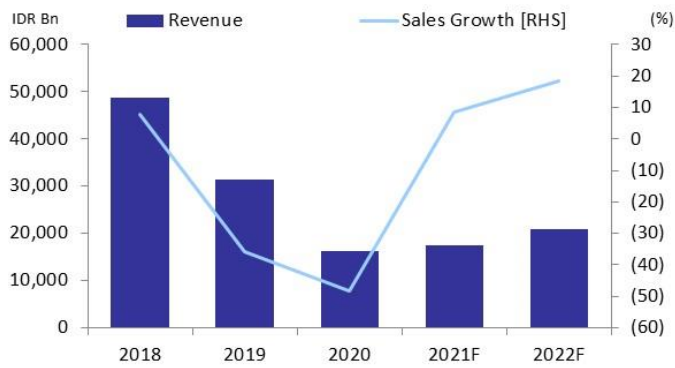
We maintain our BUY call on WSKT as we see that the ongoing restructuring progress is headed in the right direction. WSKT released its audited 1H21 result with a bottom line of IDR154bn (1H20: IDR-1.1tn) compared to the unaudited figure of IDR41bn. We maintain our EV/EBITDA target at 24.0x and TP of IDR1,300.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	31,387	16,190	17,576	20,800	24,509
EBITDA (IDRbn)	4,548	(3,609)	829	3,133	4,204
EBITDA Growth (%)	(42.2)	(179.4)	(123.0)	277.8	34.2
Net profit (IDRbn)	938	(7,379)	(292)	(696)	(104)
EPS (IDR)	69.1	(543.6)	(21.5)	(51.2)	(7.7)
EPS growth (%)	(76.3)	(886.5)	(96.0)	138.1	(85.0)
BVPS (IDR)	1,317.4	554.9	536.2	487.9	493.6
DPS (IDR)	73.0	3.5	0.0	0.0	(10.2)
PER (x)	13.9	n/m	n/m	n/m	n/m
PBV (x)	0.7	1.7	1.8	2.0	1.9
Dividend yield (%)	7.6	0.4	0.0	0.0	(1.1)
EV/EBITDA (x)	16.4	(21.3)	87.8	22.2	16.7

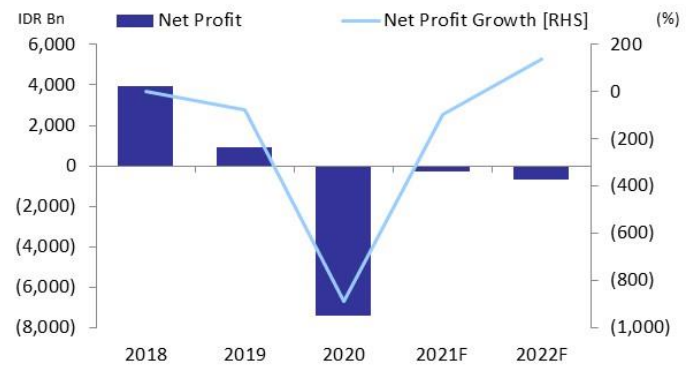
Source : WSKT, BRI Danareksa Estimates

Exhibit 1. Revenues and Growth



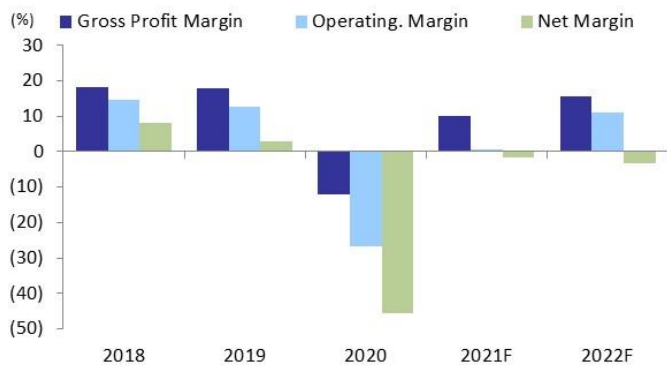
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



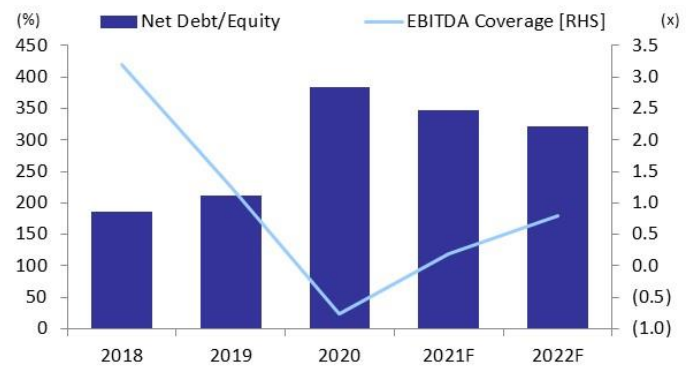
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins



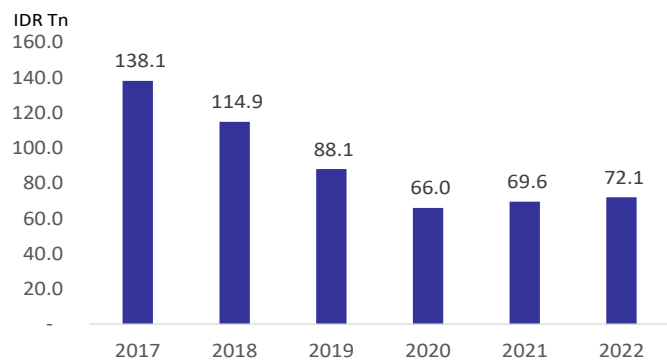
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



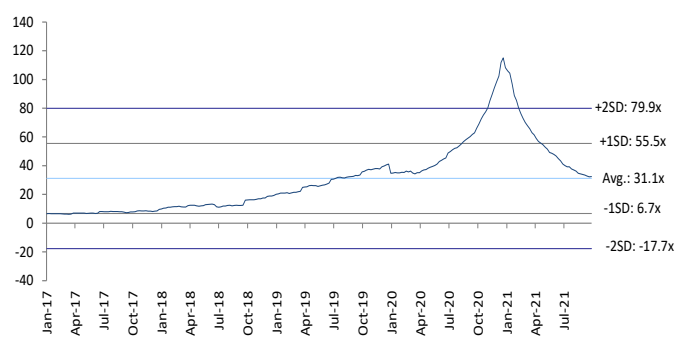
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. Order Book



Source: BRI Danareksa Sekuritas estimates

Exhibit 6. EV/EBITDA Band Chart



Source: Bloomberg, BRI Danareksa Sekuritas estimates

Exhibit 7. WSKT Rights issue analysis

Assumptions						
Outstanding shares	bn sh		13.6			
Government's injection	Rp bn		7,900.0			
Government's stake	%		66.0%			
Total proceeds	Rp bn		11,962.4			
Current price	Rp/sh		960			
Based on share price		Current Price	Share price appreciation			
			10.0%	20.0%	30.0%	40.0%
Exercise price = current price	Rp/sh	960	1,056	1,152	1,248	1,344
New shares to be issued	bn sh	12.5	11.3	10.4	9.6	8.9
Ratio of new shares	%	91.8%	83.5%	76.5%	70.6%	65.6%
No of shares - post rights issue	bn sh	26.0	24.9	24.0	23.2	22.5
Dilution rate on equity	%	-47.9%	-45.5%	-43.3%	-41.4%	-39.6%

Source: Company

Exhibit 8. State capital injection allocation

Toll road	Km	Stake (%)	Value (IDR Bn)	%
Kayu Agung - Palembang - Betung	112.0	99.18%	3,031	38.4%
Bekasi - Cawang - Kampung Melayu	16.0	69.70%	1,130	14.3%
Cimanggis - Cibitung	25.0	90.00%	623	7.9%
Ciawi - Sukabumi	54.0	99.99%	637	8.1%
Pejagan - Pematang	58.0	99.99%	204	2.6%
Pasuruan - Probolinggo	44.0	99.99%	1,219	15.4%
Krian - Legundi Bunder - Manyar	38.0	99.82%	1,056	13.4%
Total	347.0		7,900.0	100.0%

Source: Company

Exhibit 9. WSKT 1H21 result summary

	2Q20	1Q21	2Q21	QoQ (%)	YoY (%)	1H20	1H21			
							Old	Audited	Chg (%)	YoY (%)
Revenue	3,868	2,671	2,039	(23.7)	(47.3)	8,038	4,717	4,711	-0.1%	(41.4)
Gross profit	229	275	(104)	nm	nm	1,066	173	170	-1.5%	(84.0)
Op. profit	(211)	(25)	(669)	nm	nm	383	(744)	(694)	-6.8%	nm
Net profit	(1,138)	(46)	200	nm	nm	(1,095)	41	154	275.7%	nm
GPM (%)	5.9	10.3	nm			13.3	3.7	3.6		
OPM (%)	nm	nm	nm			4.8	nm	nm		
NPM (%)	nm	nm	9.8			nm	0.9	3.3		

Source: Company

Exhibit 10. Changes in our forecast

			New		Old		Chg (%)		%yoy	
	2019	2020	2021	2022	2021	2022	2021	2022	2021	2022
New contracts	26,082	27,000	20,000	23,000	20,000	23,000	0.0%	0.0%	-25.9%	15.0%
Carry over	62,022	39,000	49,595	49,090	49,595	49,090	0.0%	0.0%	27.2%	-1.0%
Order book	88,104	66,000	69,595	72,090	69,595	72,090	0.0%	0.0%	5.4%	3.6%
Revenues	31,387	16,190	17,576	20,800	17,576	20,800	0.0%	0.0%	8.6%	18.3%
Gross profit	5,605	(1,978)	1,748	3,247	1,748	3,247	0.0%	0.0%	-188.4%	85.7%
Op.profit	3,943	(4,329)	118	2,307	118	2,307	0.0%	0.0%	-102.7%	1848.8%
Interest exp.	(3,621)	(4,741)	(4,156)	(3,927)	(4,156)	(3,927)	0.0%	0.0%	-12.4%	-5.5%
Net profit	938	(7,379)	(292)	(696)	(392)	(696)	-25.6%	0.0%	-96.0%	138.1%
Burn rate	35.6%	24.5%	25.3%	28.9%	25.3%	28.9%				
GPM (%)	17.9%	-12.2%	9.9%	15.6%	9.9%	15.6%				
OPM (%)	12.6%	-26.7%	0.7%	11.1%	0.7%	11.1%				
NPM (%)	3.0%	-45.6%	-1.7%	-3.3%	-2.2%	-3.3%				

Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	31,387	16,190	17,576	20,800	24,509
COGS	(25,783)	(18,168)	(15,828)	(17,553)	(20,148)
Gross profit	5,605	(1,978)	1,748	3,247	4,361
EBITDA	4,548	(3,609)	829	3,133	4,204
Oper. profit	3,943	(4,329)	118	2,307	3,247
Interest income	958	750	984	750	700
Interest expense	(3,621)	(4,741)	(4,156)	(3,927)	(3,487)
Forex Gain/(Loss)	(13)	(3)	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	1,268	(8,323)	(3,053)	(869)	460
Income tax	(1,006)	(123)	(449)	(246)	(462)
Minority interest	(91)	2,117	423	85	(102)
Net profit	938	(7,379)	(292)	(696)	(104)
Core Net Profit	183	(6,326)	(3,079)	(1,030)	(104)

Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	9,258	1,213	2,210	1,902	3,689
Receivables	13,738	13,100	9,149	6,553	7,722
Inventory	4,471	4,209	4,120	3,607	4,140
Other Curr. Asset	21,562	13,777	10,883	10,796	10,752
Fixed assets - Net	8,663	7,820	8,155	8,482	8,802
Other non-curr.asset	64,888	65,231	67,076	69,008	71,011
Total asset	122,589	105,589	101,832	100,588	106,354
ST Debt	26,993	29,257	19,609	20,823	18,354
Payables	15,563	15,651	14,310	15,797	17,249
Other Curr. Liabilities	2,467	3,330	2,823	2,843	2,873
Long Term Debt	43,894	35,716	42,418	37,617	42,641
Other LT. Liabilities	4,553	5,057	5,443	5,940	6,499
Total Liabilities	93,471	89,011	84,603	83,020	87,615
Shareholder's Funds	17,882	7,532	7,278	6,623	6,700
Minority interests	11,236	9,045	9,950	10,945	12,039
Total Equity & Liabilities	122,589	105,589	101,832	100,588	106,354

Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	938	(7,379)	(292)	(696)	(104)
Depreciation and Amort.	605	720	711	826	957
Change in Working Capital	11,702	5,662	4,940	4,544	(172)
Other Oper. Cash Flow	2,970	4,342	3,351	3,482	3,135
Operating Cash Flow	16,215	3,345	8,710	8,156	3,816
Capex	(2,177)	124	(1,046)	(1,153)	(1,277)
Others Inv. Cash Flow	(13,301)	981	(587)	(864)	(958)
Investing Cash Flow	(15,478)	1,105	(1,633)	(2,017)	(2,235)
Net change in debt	3,890	(6,184)	(2,634)	(3,478)	2,393
New Capital	0	298	0	0	0
Dividend payment	(991)	(47)	0	0	139
Other Fin. Cash Flow	(5,975)	(7,006)	(3,264)	(2,946)	(2,408)
Financing Cash Flow	(3,075)	(12,939)	(5,898)	(6,423)	125
Net Change in Cash	(2,339)	(8,489)	1,179	(284)	1,705
Cash - begin of the year	10,846	9,258	1,213	2,210	1,902
Cash - end of the year	9,258	1,213	2,210	1,902	3,689

Exhibit 14. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	(35.7)	(48.4)	8.6	18.3	17.8
EBITDA	(42.2)	(179.4)	(123.0)	277.8	34.2
Operating profit	(45.4)	(209.8)	(102.7)	1,848.8	40.7
Net profit	(76.3)	(886.5)	(96.0)	138.1	(85.0)
Profitability (%)					
Gross margin	17.9	(12.2)	9.9	15.6	17.8
EBITDA margin	14.5	(22.3)	4.7	15.1	17.2
Operating margin	12.6	(26.7)	0.7	11.1	13.2
Net margin	3.0	(45.6)	(1.7)	(3.3)	(0.4)
ROAA	0.8	(6.5)	(0.3)	(0.7)	(0.1)
ROAE	5.2	(58.1)	(3.9)	(10.0)	(1.6)
Leverage					
Net Gearing (x)	2.1	3.8	3.5	3.2	3.1
Interest Coverage (x)	1.1	(0.9)	0.0	0.6	0.9

Source : WSKT, Danareksa Estimates

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