

FROM EQUITY RESEARCH

Waskita Beton Precast: Strong earnings growth but still below expectations (WSBP IJ. IDR 480. BUY. TP IDR 580)

Even though the 2017 earnings growth reached 57.6%yoy, the result is still below our estimate and the consensus. The FY17 earnings are only 88% and 91% of our estimate and the market expectations respectively. The strong earnings growth was supported by 50.6%yoy growth in revenues on the back of a massive order book. We have a BUY call on WSBP with a TP of IDR580.

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MARKET NEWS

Macroeconomy

- Government: the distribution of village funds has faced obstacles

Sector

- Retail: Growing minimarkets business and higher internet penetration
- Telco: SIM registration reached 81% by end of Feb'18

Corporate

- MIKA: To open two new hospitals which serve BPJS patients

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6,597	(0.0)	3.8	623
Thailand	1,830	(0.0)	4.4	2,445
Philippines	8,475	(1.4)	(1.0)	186
Malaysia	1,856	(0.8)	3.3	739
Singapore	3,518	(0.6)	3.4	1,540
Regional				
China	3,259	(1.0)	(1.4)	40,610
Hong Kong	30,845	(1.4)	3.1	17,409
Japan	22,068	(1.4)	(3.1)	15,603
Korea	2,427	(1.2)	(1.6)	5,239
Taiwan	10,815	(0.2)	1.6	4,658
India	34,184	(0.5)	0.4	503
NASDAQ	7,273	(0.8)	5.4	121,284
Dow Jones	25,029	(1.5)	1.3	13,430

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	13,751	(1.0)	(2.7)	(1.4)
SBI rate	%	4.25	-	-	-
10y Gov	Indo bond	6.63	0.2	0.4	0.3

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	104	(0.0)	(0.1)	3.4
Gold	US\$/toz	1,318	(0.0)	(2.3)	1.2
Nickel	US\$/mt.ton	13,798	(0.6)	1.3	8.6
Tin	US\$/mt.ton	21,820	0.4	-	8.6

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,236	0.5	11.5	17.7
Corn	US\$/mt.ton	138	1.2	6.7	10.1
Oil (WTI)	US\$/barrel	62	(0.1)	(6.4)	2.0
Oil (Brent)	US\$/barrel	65	(2.7)	(6.3)	(3.2)
Palm oil	MYR/mt.ton	2,536	0.1	3.2	6.1
Rubber	US\$/kg	149	0.3	1.3	1.4
Pulp	US\$/tonne	1,069	N/A	3.4	6.9
Coffee	US\$/60kgbag	94	(1.6)	(1.2)	(11.6)
Sugar	US\$/MT	361	3.1	2.5	(8.5)
Wheat	US\$/ton	135	3.8	6.3	12.4
Soy Oil	US\$/lb	32	(0.7)	(3.4)	(3.4)
Soy Bean	US\$/by	1,045	0.7	4.9	9.8

Source: Bloomberg

Thursday, 01 March 2018

BUY
Maintain

Last price (IDR)	480
Target Price (IDR)	580
Upside/Downside	+20.8%
Previous Target Price (IDR)	580

Stock Statistics

Sector	Construction
Bloomberg Ticker	WSBP IJ
No of Shrs (mn)	25,685
Mkt. Cap (IDRbn/USDmn)	12,329/897
Avg. daily T/O (IDRbn/USDmn)	59.0/4.3

Major shareholders (%)

Waskita Karya	60.0
Public	40.0
Estimated free float	40.0

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	44.1	52.4	58.8
Consensus	41.6	50.5	55.2
Danareksa/Cons	5.9	3.9	6.5

WSBP relative to JCI Index



Source : Bloomberg



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Waskita Beton Precast (WSBP IJ)

Strong earnings growth but still below expectations

Even though the 2017 earnings growth reached 57.6%yoy, the result is still below our estimate and the consensus. The FY17 earnings are only 88% and 91% of our estimate and the market expectations respectively. The strong earnings growth was supported by 50.6%yoy growth in revenues on the back of a massive order book. We have a BUY call on WSBP with a TP of IDR580.

The 2017 earnings rose 57.6%yoy - below expectations. Net income in 2017 reached IDR1.0tn, up 57.6%yoy (FY16: IDR635bn). Nonetheless, the figure is still below our estimate and the consensus (88.3% of our full year target of IDR1.1tn and 90.9% of the consensus of IDR1.1tn). The high expectations were based on the management's target of IDR1.2tn.

Revenues jumped 50.6%yoy. WSBP booked 2017 revenues of IDR7.1tn, up 50.6%yoy (FY16: IDR4.7tn). This figure is 93.4% of our target of IDR7.6tn and 93.9% of the consensus of IDR7.6tn. Nonetheless, it is still below the management's guidance of IDR7.9tn.

The 2017 order book jumped 40.9%yoy. The order book in 2017 reached IDR21.2tn, up 40.9%yoy from IDR15.1tn in 2016. This increase was underpinned by IDR10.3tn of carry over contracts and IDR11.0tn of new contracts booked in 2017. The new contracts booked in 2017 were 9.8%yoy lower than 2016's IDR12.2tn.

Margins, DER, and operating cash flow. The gross margin improved to 27.4% in 2017 from 25.8% in 2016. Furthermore, the net profit margin widened to 14.1% from 13.5% in FY16. WSBP's total interest bearing debts reached IDR5.0tn by Dec 17 (Dec 16: IDR3.4tn), resulting in a higher debt to equity ratio (DER). The DER reached 0.68x in Dec 17, up from 0.45x in Dec 16. Meanwhile, operating cash flow in 2017 was still negative at IDR2.4tn compared to negative 3.0tn in 2016. Note that WSBP received the second tranche of the payment from the Becakayu project amounting to IDR1.1tn in Jan 18. Hence, the receivables from the Becakayu works for sections 1B and 1C have been fully paid. We expect better operating cash flow in 1Q18.

Maintain BUY. We currently have a BUY call on WSBP and we are going to review our forecast on WSBP on the back of the release of the audited FY17 results. We are awaiting the full financial statements to be released by the company.

MARKET NEWS

MACROECONOMY

Government: the distribution of village funds has faced obstacles

The delay in the distribution of village funds has occurred because some villages have been unable to present information regarding village revenues and expenditure as the requirement for funds distribution. To support the *cash for work* program, the government has revised regulations regarding the regional and village funds transfer management which enables the funds to be distributed starting in January 2018. The government has accelerated the distribution of village funds in three ways: 1) holding a workshop to calculate and manage village funds for regional governments, 2) sending a letter that contains the steps to accelerate the distribution of the funds, and 3) involving the Ministry of Home Affairs. So far, the distribution of village funds has reached IDR5.2tn or 43.3% from the first phase target of IDR12tn. (Investor Daily)

SECTOR

Retail: Growing minimarkets business and higher internet penetration

Based on the recent survey conducted by Snapcart, 39% of Indonesians shop at minimarkets. The data also reveals a shift in shopping behavior from hypermarkets and supermarkets to minimarkets, especially for FMCG. According to the Lead Asia Pacific, however, Indonesia's e-commerce penetration is still lagging behind that of other countries in the Asia Pacific. In Indonesia, internet penetration stood at 29.6% of the total population of 264 million people in 2017, according to the survey. However, the growth of internet penetration is expected to rise going forward reaching nearly 50% of the total population in 2020. The average shopping basket through online payments as of 2017 was about USD31.7 per customer, but this figure is expected to increase to USD78.1 per customer in 2020. (Kontan)

Telcos: SIM registration reached 81% by the end of Feb 18

According to the Ministry of Communications and Informatics, total SIM registrations reached 305.78mn or equivalent to 81% of the total registered cellular users of 376mn as of the end of Feb 18. TSEL claims total SIM registrations of 142.96mn or 75.3% of its total subscribers. ISAT claims total SIM registrations of 101.2mn or 91% of its total subscribers, while EXCL claims total SIM registrations of 42.5mn or equivalent to 79.7% of its total subscribers. (Bisnis Indonesia)

CORPORATE

MIKA: To open two new hospitals which serve BPJS patients

Mitra Keluarga (MIKA) will open two new hospitals in Gading Serpong (March 2018) and Bintaro (Nov 2018) this year. The hospitals will immediately serve patients from BPJS. The company is currently developing new hospitals in Surabaya and Bekasi (namely Restu Kasih – which also serves BPJS patients). In 2018, MIKA has earmarked IDR600bn on capex. The management targets 17% yoy top line growth, which will come from existing hospitals (9%), hospitals under the Kasih Group (7%) and new hospitals (1%). (Kontan)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Feb-18	27-Feb-18					
Semen Baturaja	SMBR	3,730	3,150	18.4	19.9	13.7	(1.8)	SELL
Matahari Department Store	LPPF	10,650	9,350	13.9	0.7	(5.3)	6.5	BUY
Bumi Serpong Damai	BSDE	1,935	1,790	8.1	8.1	3.2	13.8	BUY
Erajaya Swasembada	ERAA	995	960	3.6	8.2	17.1	35.4	BUY
Astra Agro Lestari	AALI	14,425	14,000	3.0	3.0	10.7	9.7	HOLD
Bekasi Fajar	BEST	306	298	2.7	4.1	(3.2)	22.4	BUY
Ramayana	RALS	1,180	1,150	2.6	1.3	(0.8)	(1.7)	HOLD
Mayora Indah	MYOR	2,410	2,360	2.1	0.4	5.2	19.3	HOLD
Alam Sutera	ASRI	392	384	2.1	1.0	(4.9)	10.1	HOLD
Bukit Asam	PTBA	3,170	3,110	1.9	(6.2)	(5.1)	28.9	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Feb-18	27-Feb-18					
BPD Jatim	BJTM	740	775	(4.5)	(5.1)	(4.5)	4.2	BUY
Ace Hardware	ACES	1,330	1,380	(3.6)	(1.5)	(2.2)	15.2	BUY
Charoen Pokphand	CPIN	3,440	3,560	(3.4)	(5.0)	0.9	14.7	HOLD
Indocement	INTP	21,975	22,725	(3.3)	0.8	0.5	0.1	SELL
United Tractors	UNTR	35,600	36,600	(2.7)	(3.8)	(8.2)	0.6	BUY
Vale Indonesia	INCO	3,390	3,470	(2.3)	(3.7)	(10.8)	17.3	HOLD
Adaro Energy	ADRO	2,350	2,400	(2.1)	(4.9)	(2.1)	26.3	BUY
Semen Indonesia	SMGR	11,125	11,325	(1.8)	(3.9)	4.0	12.4	SELL
Bank Central Asia	BBCA	23,175	23,550	(1.6)	(3.5)	(0.9)	5.8	HOLD
Astra International	ASII	8,075	8,200	(1.5)	(1.2)	(5.8)	(2.7)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- ASII: 2017: Boosted by strong commodity prices, BMRI: Pursuing new avenues, UNVR: Solid earnings on improved operating margin, UNTR: Strong coal price boosted net profit, INCO: Strong prices improved quarterly profit, LSIP: Disappointing FY17 Results, BSDE: Highest net profit since its inceptions, LPPF: More optimistic in 2018 [SnapShot20180228](#)
- Astra Agro Lestari: Decent Performance, Bank Negara Indonesia: Challenges loom, Indo Tambangraya: Focus on organic expansion, Matahari Department Store: Attractive valuation [SnapShot20180227](#)
- Indo Tambangraya: Strong coal price boosted net profit, Wika Beton: Strong revenues from a solid order book [SnapShot20180223](#)
- Automotive: Strong car sales in January 2018, MPPA: Under pressure from stiff competition [SnapShot20180221](#)
- Plantation: Turning from Surplus to Deficit, Timah: Moderating growth [SnapShot20180220](#)

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