Equity Research
PT Waskita karya (Persero) Tbk

BUY

26 August 2022
Construction, Equity

Price	**IDR.**	**540**
Target Price	**IDR.**	**700**
JKSE Index		**7135.248**



Stock Code	
Bloomberg code	**WSKT IJ**
Market cap (IDR.bn)	**15,669**
52-Week High (IDR)	**946**
52-Week Low (IDR)	**482**
6-m Avg Daily. Val (IDR)	**537**
Free Float (%)	**24.65**
Major Shareholders (%)	
Government	**75.35%**
Public	**24.65%**
USD/IDR-YE	
2021A	**14278**
2022F	**14827**
Key Indicators	**2023F**
Net Debt/ Equity (x)	**2.54**
Current ratio (x)	**1.19**

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Investment Consideration

New contract target maintained

As of 7M22, New contracts were worth IDR 9.90 trillion, up +131.13% YoY, with most of the new contracts coming from infrastructure connectivity projects with a 68.71% share followed by Subsidiaries 9.80%, Water Infrastructure 9.27%, buildings 5.55%, and others 6.67%. In 2022F, WSKT is targeting new contracts of about IDR 30 trillion. The top 5 new contracts YTD include 1,000 km Road upgrading – South Section 2 worth IDR 4,15 trillion, Road and Bridge revitalization North Sumatera IDR 947,9 billion, University of Gadjah Mada GIK Building IDR 326 billion, East Timor Oecusse, Timor Leste IDR 322,89 billion, Basic Structural Construction for PT AMMAN Mining Area, NTB IDR. 314,14 billion. We estimate revenue in 2022-2023F will have a compound average growth rate of 37% compared to 2021A.

Recovery on track

To help restructure its finances, WSKT is finding new projects that are self financing as payment is based on the progress of the project. In terms of outstanding payments, WSKT has received a partial PMN payment from the government of IDR 7.9 trillion for the completion of 6-7 toll road projects. In addition, WSKT has set up a PNM war room, to closely monitor the progress of the outstanding payments. The remaining IDR 5.07 trillion, is projected to be received in 2022. WSKT is in the process of applying for an additional PMN payment of IDR 3 trillion, and is also waiting for the proceeds of their Right issue. In terms of other funding, tranche A and KMK Penjaminan, with facilities worth around IDR 3-4 trillion, can be an additional liquidity for WSKT. WSKT is also trying to manage their receivables. WSKT has taken action to accelerate collection of cash payments, especially for problematic receivables. We believe that with financial restructuring and new funding facilities as well as good receivables governance, WSKT can gradually reduce its debt burden and increase profits in the future

Toll road divestment

This year, WSKT will divest 4 toll roads which include kanci - Pejagan (SMR), Pejagan - Pemalang (PPTR), Pemalang batang (PBTR), Cimanggis - Cibitung (CCT). CCT's divestment has been done through a share swap. Two others SMR and PPTR are in the process of follow up with potential investors with a transaction expected in August which will be worth around IDR 5.8 trn. The other, PBTR, is still looking for potential investors.

Valuation: 29.6% upside

We have a target price of IDR 700/share which means trading at 10.3X PER. With 29.6% upside, we recommend BUY.

Financial Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Revenue growth		-35.67%	-48.42%	-24.50%	40.48%	33.96%
EBITDA margin(%)		18.62%	-17.99%	22.37%	30.27%	27.67%
NET Profit margin(%)		2.99%	-45.46%	-8.97%	6.86%	8.54%
Current ratio	1.18	0.99	0.59	1.56	1.28	1.19
Net Debt/ equity (X)	1.73	2.31	4.94	2.91	2.69	2.52

Company Profile

PT Waskita Karya (Persero) Tbk was established as a state owned company on January 1, 1961. Originally a Dutch company named “Volker Aannemings Maatschappij N.V.”, which was expropriated under the Government’s Decree No. 62/1961, Waskita Karya initially participated in water-related developments including reclamation, dredging, harbors and irrigation. In 1973, the company changed its name to PT Waskita Karya (Persero), known more familiarly as “Waskita”. From then, the company started to expand its business as a general contractor, engaging in a wider range of construction activities including highways, bridges, ports, airports, buildings, sewage plants, cement plants, factories, and other industrial facilities. In the 1990’s, the Company completed numerous well known high-rise buildings such as BNI City, BI Building, Mandiri Plaza Tower, the Shangri-La Hotel, and several multi-storey apartment buildings in Jakarta and other cities in Indonesia. The company then listed its shares in December 2012, and became PT Waskita Karya (Persero) Tbk. On July 11th 2013, 85% owned subsidiary PT Waskita Sangir Energi was established. PT Waskita Sangir Energi is engaged in building a mini hydro power plant located in Sangir, West Sumatera. In 2014, WSKT established several subsidiaries, Waskita Toll Road, Waskita Beton Precast, Waskita Karya Realty, Prima Multi Terminal, and Jasamarga Kualanamu Tol. Currently, the company is considered to be one of the most prominent construction companies in Indonesia. PT Waskita Beton Precast Tbk conducted an IPO on 20th September 2016.

Company Structure (As of 1H22)

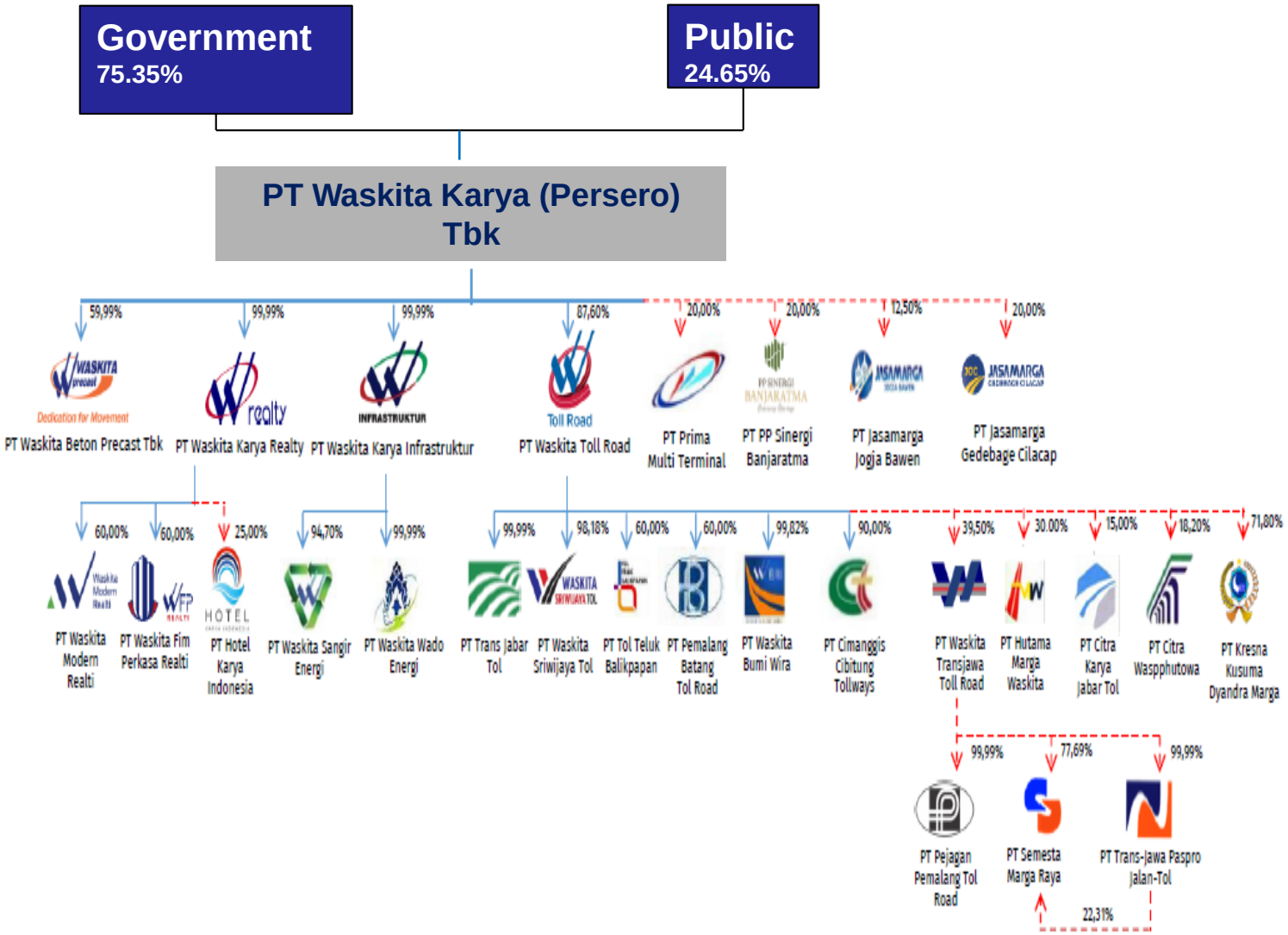


Chart: New contract and order book yoy (IDR. In bn)

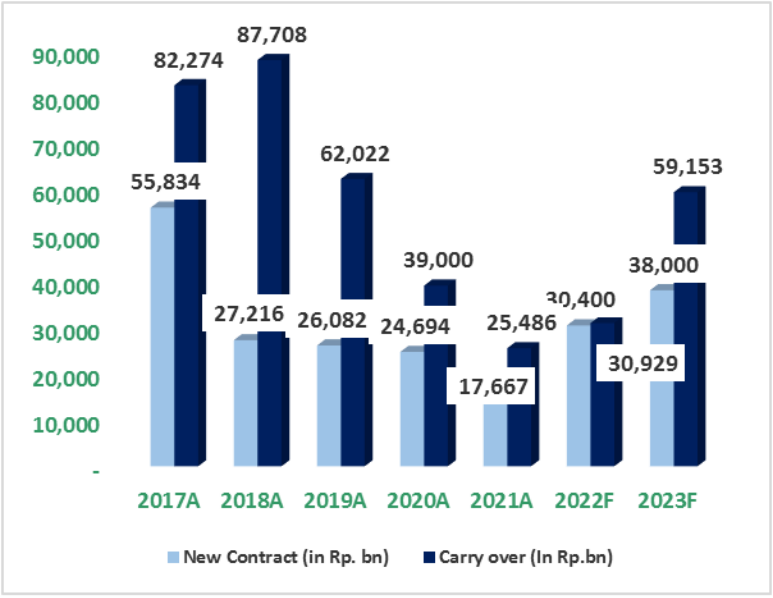


Chart: New contract segmentation based on owner as of 1H22

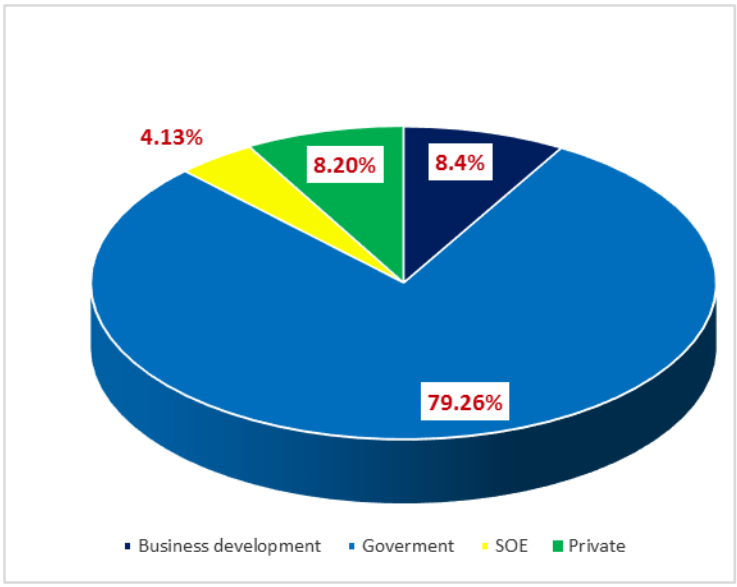


Chart: EBITDA margin YoY (%)

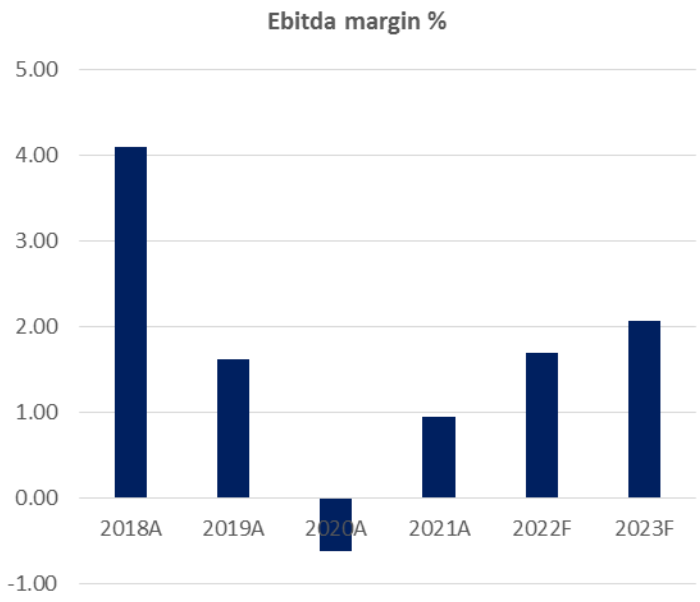
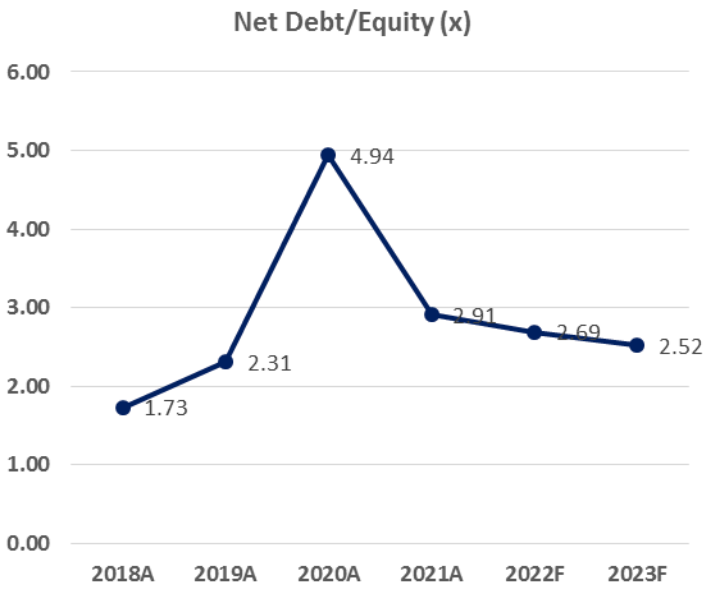


Chart: Net debt to equity ratio (yoy)



Ratio Highlights

Ratio highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)							
Sales		-35.67%	-48.42%	-24.50%	40.48%	33.96%	29.82%
OP		-35.42%	-41.29%	-31.78%	48.01%	30.95%	29.82%
EBITDA		-42.10%	-149.85%	-193.89%	90.07%	22.45%	0.14%
NP		-76.33%	-884.49%	-85.11%	-207.52%	66.70%	-4.60%
EPS		-76.33%	-884.53%	-92.32%	-198.22%	66.70%	-4.60%
Profitability (%)							
Operating Margin(%)	14.75%	13.49%	-22.67%	-3.33%	1.00%	3.00%	3.00%
EBITDA margin(%)	20.69%	18.62%	-17.99%	22.37%	30.27%	27.67%	21.35%
NET Profit margin(%)	8.12%	2.99%	-45.46%	-8.97%	6.86%	8.54%	6.28%
ROA(%)	3.19%	0.80%	-7.30%	-1.06%	1.02%	1.54%	1.42%
ROE(%)	13.72%	3.95%	-64.39%	-7.09%	6.10%	9.95%	9.56%
Liquidity (x)							
Current ratio	1.18	0.99	0.59	1.56	1.28	1.19	1.11
Solvability (x)							
Net Debt/ equity (X)	1.73	2.31	4.94	2.91	2.69	2.52	0.00
Gross debt (IDR bn)	60,561	63,910	57,685	57,859	61,139	61,363	59,665
Per Share data (IDR)							
EPS	291.9	69.1	-542.2	-41.7	40.9	68.2	65.1
BVS	2,128	1,751	842	1,139	1,424	1,455	1,444

Cash Flow

Cash Flow (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022F	2023F	2024F
Net Income	3,962.8	938.1	(7,359.7)	(1,096.2)	1,178.6	1,964.7	1,874.3
Depreciation	637.6	604.7	721.8	606.8	433.1	640.2	755.5
- Change in WC	(5,314.9)	8,967.2	11,399.7	(23,145.7)	2,656.0	3,093.7	1,107.8
Cash From Operating Activities	**(714.4)**	**10,510.1**	**4,761.8**	**(23,635.1)**	**4,267.7**	**5,698.6**	**3,737.5**
capex	(12,571.3)	(15,776.8)	(159.6)	10,392.6	(15,221.9)	(2,244.0)	(4,925.4)
cash from investing activities	**(12,571.3)**	**(15,776.8)**	**(159.6)**	**10,392.6**	**(15,221.9)**	**(2,244.0)**	**(4,925.4)**
Long term loans	12,086.7	8,572.9	(6,238.8)	26,085.6	(2,000.0)	(2,000.0)	(2,000.0)
bond	2,804.1	573.1	(2,694.3)	(5,251.6)	3,280.0	(775.7)	(698.1)
other long term liabilities	682.1	596.6	1,559.3	(1,017.7)	2,809.6	3,311.5	3,894.8
Equity	2,169.5	(6,063.2)	(4,973.3)	5,128.5	2,689.1	(1,541.1)	(2,029.8)
cash from financing activities	**17,742.5**	**3,679.4**	**(12,347.0)**	**24,944.9**	**6,778.7**	**(1,005.3)**	**(833.2)**
Net Changes in Cash	4,756.7	(1,587.4)	(8,044.9)	11,952.3	(4,175.6)	2,449.3	(2,021.0)
Beginning Balance	**6,089.0**	**10,845.7**	**9,258.3**	**1,213.4**	**13,165.8**	**8,990.2**	**11,439.5**
Ending balance	**10,845.7**	**9,258.3**	**1,213.4**	**13,165.8**	**8,990.2**	**11,439.5**	**9,418.5**

Balance Sheet (IDR.bn) yoy

Balance sheet (IDR.bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Cash	10,846	9,258	1,213	13,166	8,990	11,440	**9,418**
Short term Investment	8	8	239	47	50	100	100
AR	3,768	3,009	4,424	2,907	5,599	6,365	7,363
Inventory	5,089	3,787	3,824	4,355	4,705	6,365	9,000
Other Current Asset	47,278	29,363	19,055	22,113	20,607	25,304	23,890
Total Current Asset	**66,989**	**45,425**	**28,755**	**42,589**	**39,950**	**49,575**	**49,772**
Fixed Asset	7,091	5,413	7,278	5,413	7,114	8,394	9,905
Other non current Asset	50,311	67,161	64,734	55,600	68,688	69,012	71,671
Total Non Current Asset	**57,402**	**72,575**	**72,012**	**61,013**	**75,802**	**77,406**	**81,576**
Total Asset	**124,392**	**118,000**	**100,768**	**103,602**	**115,752**	**126,980**	**131,348**
Account Payable	14,906	12,881	13,102	7,603	12,232	16,449	16,363
Short term bank loan	27,959	22,162	24,871	4,210	6,210	9,210	10,210
Other Current liabilities	13,935	10,747	10,593	15,487	13,051	16,103	18,515
Total Current Liabilities	**56,800**	**45,790**	**48,565**	**27,300**	**31,493**	**41,762**	**45,088**
Long term loans	20,752	29,325	23,086	49,172	47,172	45,172	43,172
MTN	300	300	0	250	250	250	250
bond	11,849	12,422	9,728	4,477	7,757	6,981	6,283
Other long term liabilities	5,803	6,400	7,959	6,941	9,751	13,063	16,957
Total Non Current Liabilities	**38,705**	**48,447**	**40,774**	**60,840**	**64,930**	**65,465**	**66,662**
Total Liabilities	**95,504**	**94,237**	**89,339**	**88,140**	**96,423**	**107,228**	**111,750**
Equity	**28,887**	**23,762**	**11,429**	**15,461**	**19,329**	**19,753**	**19,597**
Liabilities + equity	**124,392**	**118,000**	**100,768**	**103,602**	**115,752**	**126,980**	**131,348**

Profit and Loss

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Revenue	**48,789**	**31,387**	**16,190**	**12,224**	**17,172**	**23,004**	**29,863**
Cost of Revenue	(39,926)	(25,783)	(15,136)	(10,326)	(15,283)	(20,013)	(25,981)
Gross Profit	**8,863**	**5,605**	**1,054**	**1,898**	**1,889**	**2,991**	**3,882**
Operating expense	(1,668)	(1,372)	(4,724)	(2,305)	(1,717)	(2,300)	(2,986)
Operating Profit	**7,195**	**4,233**	**(3,670)**	**(407)**	**172**	**690**	**896**
Other income	(198)	(2,614)	(4,706)	(358)	1,537	1,967	1,740
PBT	**6,997**	**1,619**	**(8,376)**	**(765)**	**1,709**	**2,657**	**2,636**
taxes	(2,406)	(300)	(263)	(752)	(361)	(483)	(627)
Minority interest	(657)	(91)	1,928	743	53	116	230
EPS	292	69	(542)	(42)	41	68	65
Net Profit	**3,963**	**938**	**(7,360)**	**(1,096)**	**1,179**	**1,965**	**1,874**
EBITDA	**10,094**	**5,844**	**(2,913)**	**2,735**	**5,199**	**6,366**	**6,375**

Stock Ratings:
Buy: a recommendation to purchase the security with upside potential of 20% or greater
Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.
Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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