



PT WASKITA BETON PRECAST (WSBP)

Basic Industry and Chemical

Fighting the Waves

BUY

Target Price : **IDR 500**

Stock Data

Curent Price : IDR 332
 52wk Range H-L : IDR 510-314
 Share Outstanding : 26.36 bn
 Free Float (%) : 40%
 Mkt Capitalization : 8,488 (IDR bn)

Major Shareholders

PT Waskita Karya Tbk 60.00%
 Public < 5% 40.00%



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3Q18 Highlight: Continuing to Grow, but more Slowly

WSBP recorded top-line growth of 8.53% YoY to IDR5.43 tn in 9M18 (vs IDR5.01 tn in 9M17), reflecting 64.00%/63.09% of the MNCS / Consensus' estimates. Gross profit increased 15.89% YoY to IDR1.56 tn with GPM 28.69% in 9M18. Operating profit was recorded at IDR1.40 tn, up 14.24 YoY with OPM 25.81%, reflecting 74.66%/73.63% of the estimated MNCS/Consensus. EBITDA was recorded to increase by 23.96% YoY to IDR1.77 tn in 9M18, reflecting 59.75%/61.00% of the MNCS/Consensus' target. Net income increased 7.23% YoY in 9M18 to IDR884.85 bn (vs IDR825.17 bn in 9M17) with NPM at 16.27%, reflecting 73.33%/72.17% of the MNCS/Consensus target.

Positive cash flow, as well as a More Developing Commitment

Company managed to record positive operating cash flows worth IDR82.45 bn in 9M18 (vs -IDR2.23 tn in 9M17). Positive operating cash flows were supported by receipt of payment of IDR7.16 tn, disbursed for projects originating from five (5) toll road developments. Meanwhile, Management's commitment to cut back on turnkey-based projects will ensure a more secure cash flow for the Company. On the other hand, potential WSBP strategies include: 1) Acquiring companies providing raw materials; 2) Development of 1.1 ha laboratory facility; 3) Plans to increase plant capacity to 3.75 mn tons/year. This strategy will strengthen Company business from upstream to downstream, thus potentially increasing margins in the current period.

Revised New Contract, with Delay of Payments

WSBP was recorded a new contract value of 52.11% from IDR8.3 tn of the revised of new contract value in FY18E. The Company cut the new contract value from the initial target of IDR11.5 tn in the beginning year. The risk of delays in the completion of projects by the parent company, PT Waskita Karya Tbk (WSKT) and the failure to divest two (2) BECAKAYU Toll Roads and KAPALBETUNG Toll Roads, worth IDR3 tn.

Recommendation BUY with TP IDR500

We have a positive outlook on the growth prospects of the Company financial performance, supported by the completion of payments for several projects, such as the KLBM toll road worth Rp3.51 tn. We maintain a **BUY** recommendation for WSBP with **TP: IDR500**, which reflects **PE/PBV 10.92x/1.70x** in FY18E and **9.44x/1.56x** in FY19F. Meanwhile, risks that have the potential to hinder performance growth include: 1) New contracts in FY18E below the target; 2) Project delays from the WSKT parent.

Key Financial Highlight

In billion IDR	FY15	FY16	FY17	FY18E	FY19F
Revenues	2,644.32	4,717.15	7,104.16	8,497.31	9,470.84
EBITDA	366.42	1,229.96	1,908.48	2,214.34	2,505.90
Net Income	334.37	634.82	1,000.33	1,206.69	1,396.04
ROA (%)	7.72%	4.62%	6.70%	6.08%	6.61%
ROE (%)	25.12%	8.57%	13.67%	14.64%	14.34%
PE (x)		14.20	9.01	6.95	6.00
PBV (x)		1.22	1.23	1.08	0.99

Source: Bloomberg, MNCS as of Nov 11, 2018

3Q18 Highlight: Continuing to Grow, but more Slowly

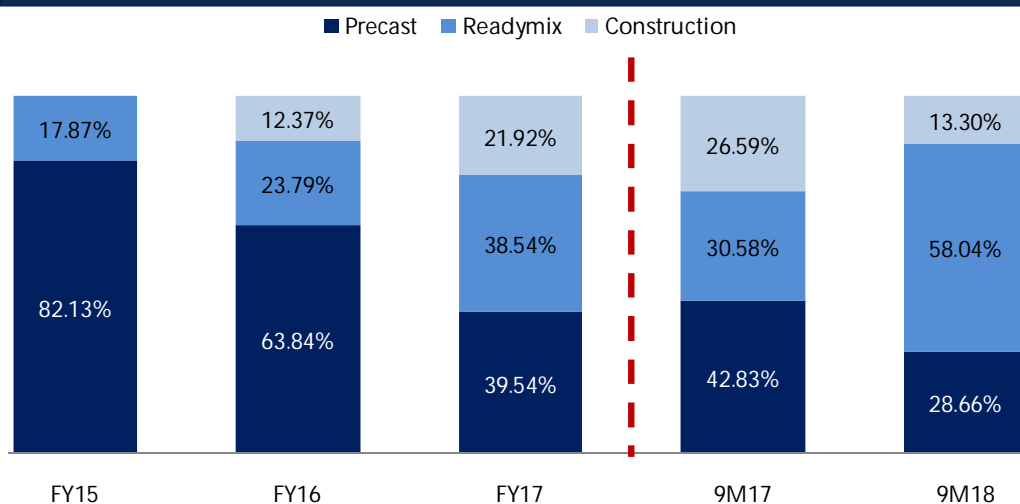
WSBP recorded top-line growth of 8.53% YoY to IDR5.43 tn in 9M18 (vs IDR5.01 tn in 9M17), reflecting 64.00%/63.09% of the MNCS/Consensus estimates. The growth was supported by the Readymix Division, which increased significantly, by 105.61% YoY, to IDR3.15 tn in 9M18 (vs IDR1.53 tn in 9M17), and contributed 57.93% to WSBP revenue. Although it continues to grow, it is not as significant as it was in 9M17, where the top-line grew to 63.42% YoY. This was due to the Precast Division's performance which dropped -27.51% YoY to IDR1.56 tn in 9M18, contributing 28.61% to WSBP revenue. Gross profit recorded an increase of 15.89%, where by the Company managed to carry out overhead expense efficiency of 15.78% YoY, so that the gross profit margin increased to 28.69% (vs 26.86% in 9M17). Operating profit was recorded at IDR1.40 tn, an increase of 14.24% YoY. EBITDA increased 23.96% YoY to IDR1.77 tn in 9M18, reflecting 59.75%/61.00% of the MNCS/Consensus' target. Although WSBP performance was as high as the previous period, the Company managed to reduce its financial burden in 9M18 by 7.68% YoY, so that net profit increased 7.23% YoY in 9M18 to IDR884.85 bn (vs IDR825.17 bn on 9M17) reflecting 73.33%/72.17% of the MNCS/Consensus' target.

Exhibit 01. 9M18 Financial Results

IDR Billion	9M18	9M17	3Q18	2Q18	YoY	QoQ	FY18 Cons	FY18 MNCS	%Cons	%MNCS
Revenue	5,439	5,011	1,550	1,593	8.53%	2.76%	8,620	8,497	63.09%	64.00%
COGS	2,699	1,998	1,152	1,179	35.09%	2.37%				
Gross Profit	1,560	1,346	398	413	15.90%	3.88%	2,230	2,361	69.96%	66.10%
Gross Profit Margin	28.69%	26.87%	25.68%	25.96%						
Operating Income	1,404	1,229	341	354	14.24%	3.92%	1,907	1,881	73.63%	74.66%
EBITDA	1,323	705	482	450	87.66%	-6.71%	2,169	2,214	61.00%	59.75%
EBITDA Margin	24.33%	14.07%	31.10%	28.24%						
Net Profit	885	825	180	194	7.23%	7.98%	1,226	1,207	72.17%	73.33%
Net Profit Margin	16.27%	16.47%	11.60%	12.19%						

Source : Bloomberg, Company, MNCS

Exhibit 02. Trend of Composition Revenue WSBP

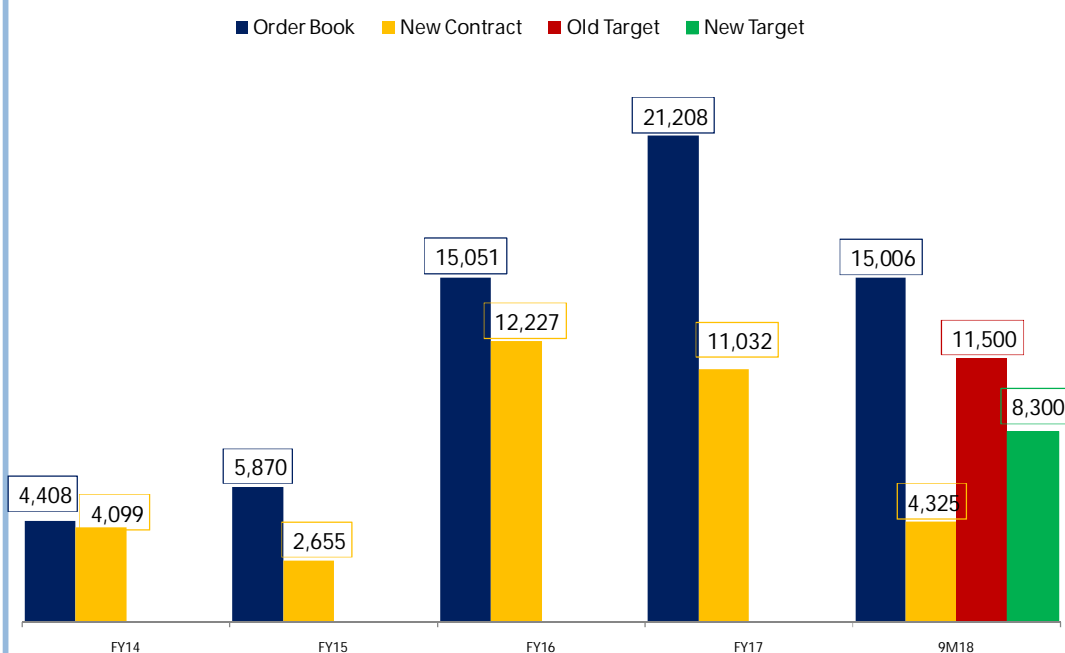


Source : Company, MNCS

**Realistic with Conditions,
Construction Players**

WSBP was observed to record a new contract value of 52.11% from the revised target, to IDR8.3 tn, from the initial target of IDR11.5 tn. We consider this quite realistic, in view of conditions the construction sector in general, which recorded an average realization of new contracts in 9M18 only reaching 39.46% in 9M18. WSBP revised its new contract projection, due to the low achievement of new contracts in 9M18. In addition, several project tenders that are being targeted by WSBP in 2H18 include: 1) Bridge for the Penajam-Balikpapan toll road, worth IDR750 bn; 2) Sukabumi-Ciranjang toll road valued at IDR700 bn; 3) Pertamina oil refinery in Balikpapan, valued at IDR350 bn.

Exhibit 03. Trend of New Contract and Order Book

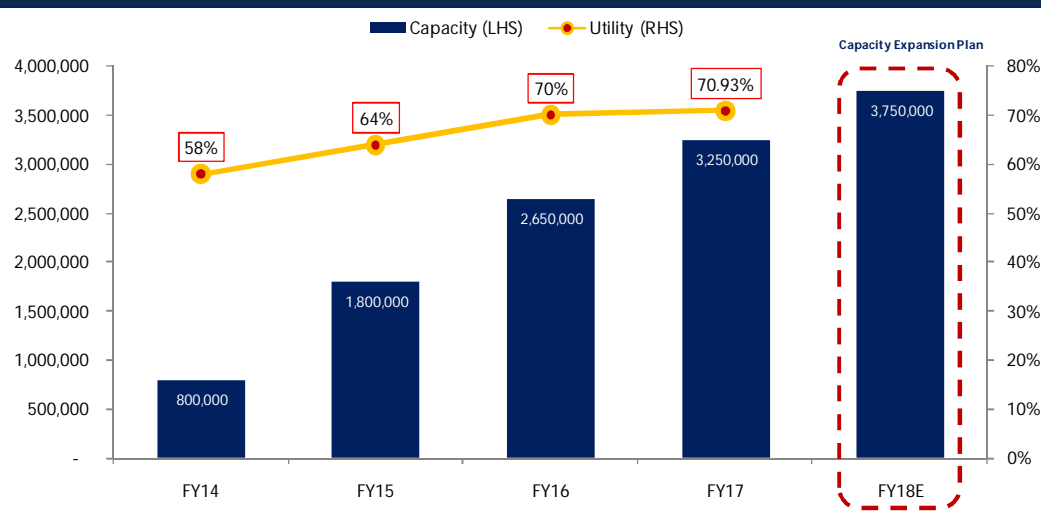


Source : Company, MNCS

**Integrated Precast Business
as an Effort to Increase
Margins and Elevate Product
Quality**

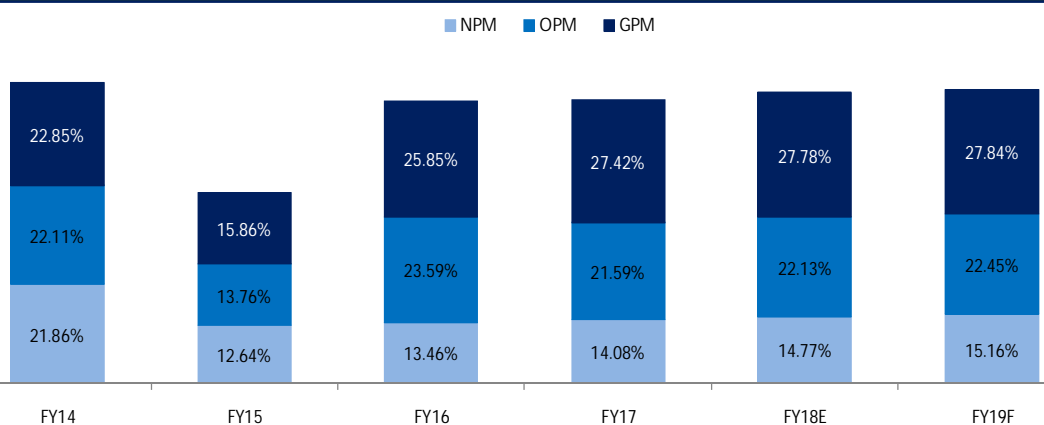
WSBP plans to develop its integrated precast business from upstream to downstream, in an effort to increase margins. Some of the strategies implemented by WSBP in realizing these objectives include: 1) Acquiring companies providing raw materials such as sand, iron and steel, adding the potential to increase gross profit margin by around 1%-2%; 2) Development of a 1.1 ha laboratory facility in the Karawang area, West Java with a funding value of IDR27 bn, in order to improve product quality. Amid the decline in targeted new contracts, WSBP still plans to add plant capacity, raising it to 3.75 mn tons/year, so that the Company will have a strong base for the availability of precast products when national infrastructure development is revived. At present the Company has 5 quarry factories, located across several areas in Java. With a strengthened product and business base, we assess the potential to increase margins reflected in FY18E. We project for 9M18 GPM will rise by 27.78%, OPM 22.13% and NPM 14.20% (vs 27.42%, 21.59%, 14.08% for FY17).

Exhibit 04. Capacity Plant WSBP



Source : Company, MNCS

Exhibit 05. Trend of Margin WSBP



Source : Company, MNCS

Delay in Payments and Settlement of Projects is still a Major Risk

The risk of delays in project completion, payment terms and turnkey project is a risk that must be faced. First, the delay in the completion of projects by the parent company, PT Waskita Karya Tbk (WSKT) and the failure to divest BECAKAYU Toll Road and KAPALBETUNG Toll Road, worth IDR3 tn. Furthermore, entering a political year in FY18E-FY19F becomes a main factor that demands attention. Completion of a number of pending national infrastructure projects is also an obstacle to the growth of construction. Currently there are 40 PSN projects that are running and/or have been completed up to 8M18, from a target of 245 planned PSN projects.

Recommendation BUY with TP IDR500

We have a positive outlook on the growth prospects of the Company's financial performance, supported by the completion of payments for several projects, such as the KLBM toll road, worth Rp3.51 tn. We maintain a **BUY** recommendation for **WSBP** with **TP: IDR500**, which reflects **PE/PBV 10.92x/1.70x** in FY18E and **9.44x/1.56x** in FY19F. Meanwhile, risks that have the potential to hinder performance growth include: 1) New contracts in FY18E below the target; 2) Unexpected delays in WSKT parent projects.

Exhibit 09. Financial Projections											
Income Statement						Balance Sheet					
IDR Billion	FY15	FY16	FY17	FY18E	FY19F	IDR Billion	FY15	FY16	FY17	FY18E	FY19F
Revenues	2,644.32	4,717.15	7,104.16	8,497.31	9,470.84	Current Assets	1,054.58	11,296.40	11,574.94	11,969.29	11,550.97
Precast	2,171.90	3,011.44	2,808.94	3,359.79	3,744.72	Cash and Cash Equivalents	98.19	4,205.82	1,028.35	288.32	7.67
Readymix	472.42	1,121.99	2,738.19	3,275.16	3,650.39	Trade Receivable	562.86	5,626.19	6,627.12	2,832.44	2,025.71
Construction Service	-	583.73	1,557.03	1,862.37	2,075.74	Inventories	54.55	231.95	858.69	3,750.14	4,024.51
COGS	2,224.89	3,497.93	5,155.97	6,136.60	6,834.07	Others current Assets	338.98	1,232.45	3,060.78	5,098.39	5,493.09
Gross Profit	419.43	1,219.22	1,948.19	2,360.71	2,636.77	Non-Current Assets	3,277.83	2,437.87	3,344.60	4,242.45	4,962.89
Total Expenses	56.07	97.01	406.04	479.93	510.96	Fix Asset-net	987.35	1,932.85	3,148.70	4,008.12	4,701.73
Selling	2.32	4.28	6.99	8.22	8.78	Other Non-Current Assets	2,290.48	505.01	195.90	234.32	261.17
General & administration	53.75	92.73	399.05	471.71	502.18	Current Liabilities	2,541.51	4,877.85	7,794.13	8,427.06	8,029.88
Operating Profit	363.91	1,112.83	1,533.68	1,880.78	2,125.81	Account Payable	1,792.39	2,433.50	2,518.91	2,386.46	2,847.53
Other Income/Expenses	(18.36)	(145.48)	(377.44)	(490.70)	(517.61)	Short Term Debt	301.78	1,907.06	3,539.08	5,615.74	5,087.64
Earning Before Tax	345.55	967.34	1,156.23	1,390.08	1,608.20	Other current liabilities	447.34	537.29	1,736.14	424.87	94.71
Tax Expenses	11.18	332.53	155.90	183.39	212.17	Non-Current Liabilities	460.07	1,450.92	9.46	11.32	12.62
Net Income	334.37	634.82	1,000.33	1,206.69	1,396.04	Long-term Liabilities-Net	459.26	1,448.92	-	-	-
EPS (full amount)	12.68	24.08	37.95	45.78	52.96	Other Non-Current Liabilities	0.82	1.99	9.46	11.32	12.62
						TOTAL EQUITY	1,330.83	7,405.50	7,316.66	7,773.35	8,471.37

Cash Flow						Ratios					
IDR Billion	FY15	FY16	FY17	FY18E	FY19F	Ratio	FY15	FY16	FY17	FY18E	FY19F
CFO Total	2,130.27	(3,045.90)	(2,904.39)	(837.13)	2,044.70	Revenue Growth (%)	311.93%	78.39%	50.60%	19.61%	11.46%
Net Income	334.37	634.82	1,000.33	1,206.69	1,396.04	Operating Profit Growth (%)	156.45%	205.80%	37.82%	22.63%	13.03%
Depreciation	2.51	117.13	374.80	333.57	380.09	Net Profit Growth (%)	138.32%	89.86%	57.58%	20.63%	15.69%
Change in Working Capital	1,705.45	(4,599.61)	(1,742.98)	971.48	993.44	Current Ratio (%)	41.49%	231.59%	152.43%	142.03%	143.85%
Change in Others	87.93	801.76	(2,536.55)	(3,348.87)	(724.86)	Quick Ratio (%)	39.35%	226.83%	141.13%	97.53%	93.73%
CFI Total	(3,058.66)	722.83	(1,281.54)	(1,231.41)	(1,100.54)	Asset/Liabilities (%)	144.34%	217.01%	196.24%	192.12%	205.33%
Capex	(768.19)	(1,062.63)	(1,590.65)	(1,192.99)	(1,073.69)	Liabilities/Equity (%)	225.54%	85.46%	103.91%	108.56%	94.94%
Change in Others	(2,290.48)	1,785.46	309.11	(38.42)	(26.85)	Net Debt to Equity (%)	57.19%	45.32%	48.37%	72.24%	60.06%
CFF Total	961.50	8,415.26	190.57	1,328.51	(1,224.82)	Gross Profit Margin (%)	15.86%	25.85%	27.42%	27.78%	27.84%
Dividend Paid	-	(379.00)	(317.00)	(750.00)	(698.02)	Operating Profit Margin (%)	13.76%	23.59%	21.59%	22.13%	22.45%
Net Change in Debt	761.04	2,594.94	183.10	2,076.66	(528.10)	EBITDA Margin (%)	13.86%	26.07%	26.86%	26.06%	26.46%
Equity Fund Raised	199.64	5,819.14	-	-	-	Net Profit Margin (%)	12.64%	13.46%	14.08%	14.20%	14.74%
Others	0.82	1.18	7.47	1.86	1.30	ROA (%)	7.72%	4.62%	6.70%	7.44%	8.45%
Change in Cash	(174.04)	4,107.63	(3,177.47)	(740.03)	(280.65)	ROE (%)	25.12%	8.57%	13.67%	15.52%	16.48%
Beginning Cash	272.22	98.19	4,205.82	1,028.35	288.32						
Ending Cash	98.19	4,205.82	1,028.35	288.32	7.67						

Source: Company, MNCS

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BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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