

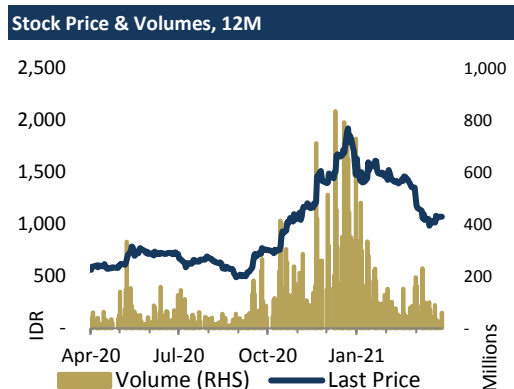
Buy (unchanged)

Target Price (IDR) 1,220 (from 1,400)
Potential Upside (%) +20.8

Price Comparison	
Cons. Target Price (IDR)	1,011
SSI vs. Cons. (%)	120.7

Stock Information	
Last Price (IDR)	1,011
Shares Issued (Mn)	13,574
Market Cap. (IDR Bn)	13,574
52-Weeks High/Low (IDR)	2,080/635
3M Avg. Daily Value (IDR Bn)	43.3
Free Float (%)	34.0
Shareholder Structure:	
Republic of Indonesia (%)	66.0
Public (%)	34.0

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	(30.6)	19.8	18.3	41.8
JCI Return	9.2	7.2	8.6	27.2
Relative	(39.7)	12.5	9.8	14.7



Company Background

PT Waskita Karya (Persero) Tbk (WSKT) is a construction SOE established in 1961. Today, WSKT operates 5 business lines, namely construction services (civil, EPC and building), toll road investment, precast, realty and other infrastructure investments.



Andreas Kristo

+62 21 2854 8393

andreas.kristo@samuel.co.id

Journey to a Better Future

We maintain BUY rating for WSKT with TP of IDR 1,220, reflecting 0.75x 22F P/S 22F (5-year P/S average). We are optimistic that the company could achieve its performance recovery target by 2025 at the latest, assuming the company executes its recovery strategies properly.

Divestment of Cibitung-Cilincing toll road. Through its subsidiary Waskita Toll Road, WSKT has sold 55% ownership of Cibitung Tanjung Priok Port Tollways (the concession holder of Cibitung-Cilincing toll road) to Akses Pelabuhan Indonesia for IDR 2.44 trillion. The transaction was carried out at a valuation of 1.96x P/B and would reduce WSKT's debt level by IDR 5.8 trillion.

Divestment of toll roads will continue. WSKT's management expects to complete the divestment of 2 or 3 more toll roads in 4Q21, one of which is in due diligence with INA. WSKT will continue to divest its toll roads until 2024, to improve its balance sheet and as a part of its business transformation. After deconsolidation and debt repayment, the company's debt is projected to decline to IDR 41 trillion (prev: IDR 90 trillion).

Debt restructuring is nearing completion. WSKT has restructured IDR 45.9 trillion of its bank loans (total: IDR 54.07 trillion). WSKT was granted a 5-year tenor extension to December 2026, with a lower interest rate (5.5% p.a., previously 8.75% p.a – 9.0% p.a.) At the moment, WSKT is restructuring IDR 3.6 trillion of Waskita Beton Precast's (WSBP) debt, which is expected to be completed in 4Q21.

IDR 11.79 trillion rights issue. WSKT will issue a maximum of 24.5 billion new shares in its rights issue, which will be held in 4Q21. WSKT is currently waiting for the issuance of the initial permit, Government Regulation (PP) regarding PMN, and the exercise price, which will be decided by the Ministry of SOEs. WSKT will obtain IDR 11.79 trillion from the rights issue, which will be used to support the construction of its toll roads.

Valuation and recommendation. We maintain BUY recommendation for WSKT with TP of IDR 1,220, reflecting 0.75x 2022F P/S (5-year P/S average). We believe that P/S valuation method is the right method for WSKT at the moment, considering WSKT's negative financial condition, and the fact that the company is projected to record net losses and negative EBITDA in 2022. In addition, the planned rights issue will certainly affect the company's equity value. Downside risk: slower-than-expected divestment and poor execution of business transformation strategy.

Key Financials and Ratios (IDR 1,010 per share)

Y/E Dec	19A	20A	21F	22F	23F
Revenue (IDR Bn)	31,387	16,190	17,541	22,020	28,173
EBITDA (IDR Bn)	4,838	(2,961)	(606)	(181)	418
EV/EBITDA (x)	16.2	(26.1)	(121.4)	(330.9)	119.4
Net Profit (IDR Bn)	938	(7,379)	(617)	(2,609)	(1,156)
EPS (IDR)	69	(544)	(45)	(192)	(85)
EPS Growth (%)	62.0	(93.4)	16.6	39.4	117.4
P/E Ratio (x)	14.6	(1.9)	(22.2)	(5.3)	(11.9)
BVPS (IDR)	2,145	1,221	1,067	866	774
P/BV Ratio (x)	0.5	0.8	0.9	1.2	1.3
DPS (IDR)	5.4	0.3	-	-	-
Dividend Yield (%)	0.5	0.0	-	-	-
ROAE (%)	3.2	(32.3)	(4.0)	(19.9)	(10.4)
ROAA (%)	0.8	(6.5)	(0.6)	(2.9)	(1.5)
Interest Coverage (x)	1.3	(0.6)	(0.1)	(0.1)	0.1
Net Gearing (x)	2.2	3.8	4.1	3.9	3.5

Table 1. Forecast Changes

	New		Old		Change (%)	
	21F	22F	21F	22F	21F	22F
New Contract (IDR Bn)	22,000	27,500	23,310	30,000	-5.6%	-8.3%
Order Book (IDR Bn)	71,595	81,554	63,310	72,000	13.1%	13.3%
Burn Rate (%)	24.5%	27.0%	33.0%	35.8%	(8.5)	(8.8)
Revenue (IDR Bn)	17,541	22,020	20,892	25,740	-16.0%	-14.5%
Gross Profit (IDR Bn)	526	1,101	2,089	3,861	-74.8%	-71.5%
Operating Profit (IDR Bn)	-1,316	-881	522	2,244	-352.0%	-139.3%
Net Profit (IDR Bn)	-617	-2,609	-1,060	-477	-41.8%	447.0%

Source: Company, SSI Research

Table 2. State Capital Injection (PMN 2021) Allocation

Scenario	Length (km)	Ownership (%)	PMN (IDR bn)
Kayu Agung - Palembang - Betung	112	99.18	3,031
Bekasi - Cawang - Kp. Melayu	16	69.70	1,130
Pasuruan - Probolinggo	44	99.99	1,219
Krian - Legundi - Bunder - Manyar	38	99.82	1,056
Ciawi - Sukabumi	54	99.99	637
Cimanggis - Cibitung	25	90.00	623
Pejagan - Pernalang *	58	99.99	204
Total	347		7,900

* Fully operating

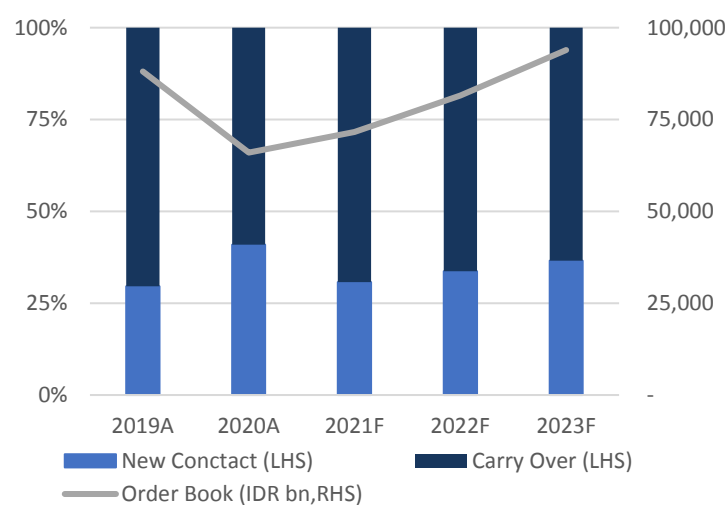
Source: Company, SSI Research

Table 3. Rights issue scenario

Scenario	Ratio of new shares	New Shares (bn sh)	Exercise price (IDR)	Discount to current price	Dilution rate on equity
A	180%	24.5	489	-51%	64%
B	170%	23.1	518	-48%	63%
C	160%	21.8	550	-45%	62%
D	150%	20.4	587	-42%	60%
E	140%	19.0	629	-37%	58%
F	130%	17.7	677	-33%	57%
G	120%	16.3	733	-27%	55%
H	110%	15.0	800	-20%	52%
I	100%	13.6	880	-12%	50%

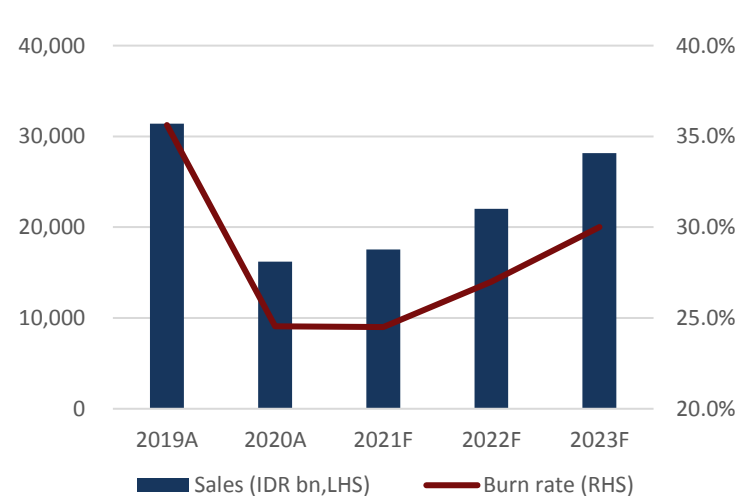
Source: Company, SSI Research

Figure 1. New Contract, Carry Over and Order Book



Source: Company, SSI Research

Figure 2. Revenue and Burn Rate



Source: Company, SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	19A	20A	21F	22F	23F
Revenue	31,387	16,190	17,541	22,020	28,173
Cost of Revenue	(25,783)	(18,168)	(17,015)	(20,919)	(26,201)
Gross profit	5,605	(1,978)	526	1,101	1,972
Operating expense	(1,372)	(1,702)	(1,842)	(1,982)	(2,254)
Operating Profit	4,233	(3,680)	(1,316)	(881)	(282)
EBITDA	4,838	(2,961)	(606)	(181)	418
Share in JV Profit	(290)	(649)	(610)	(540)	(400)
Other Income (Expense)	48	(1,409)	3,700	1,000	1,500
Finance Income	958	750	1,000	950	900
Finance Expense	(3,621)	(4,741)	(4,220)	(3,600)	(3,000)
Pre-tax profit	1,329	(9,729)	(1,446)	(3,071)	(1,282)
Income Tax	(300)	234	29	61	26
After tax profit	1,029	(9,496)	(1,417)	(3,009)	(1,256)
Minority Interest	91	(2,117)	(800)	(400)	(100)
Net profit	938	(7,379)	(617)	(2,609)	(1,156)

Cash Flow					
Y/E Dec (IDR Bn)	19A	20A	21F	22F	23F
Net Profit	938	(7,379)	(617)	(2,609)	(1,156)
D&A	601	720	720	710	700
Changes in Working Capital	16,486	3,256	(3,549)	3,420	1,194
Others	(8,692)	7,562	5,843	850	80
Operating Cash Flow	9,332	4,158	2,397	2,371	818
Capital Expenditure	(17,319)	1,632	(2,765)	11,100	9,357
LT investment and others	(2,396)	531	5,672	360	(170)
Investing Cash Flow	(19,715)	2,162	2,907	11,460	9,187
Net Borrowing	9,502	(9,203)	(3,532)	(13,440)	(10,070)
Dividend Paid	(991)	(47)	-	-	-
Others	283	(5,115)	(1,475)	(115)	(100)
Financing Cash Flow	8,795	(14,366)	(5,008)	(13,555)	(10,170)
Net Changes	(1,587)	(8,045)	296	276	(165)
Cash at beginning	10,845	9,258	1,213	1,510	1,785
Cash at ending	9,258	1,213	1,510	1,786	1,620

Balance Sheet					
Y/E Dec (IDR Bn)	19A	20A	21F	22F	23F
Cash & ST Investment	9,258	1,213	1,510	1,785	1,620
Receivables	17,727	15,447	16,700	15,310	15,150
Others	22,052	15,879	9,220	8,760	8,826
Total Current Asset	49,038	32,539	27,430	25,855	25,596
Net Fixed Asset	8,663	7,820	7,100	6,390	5,690
Toll Road Concession Rights	55,379	53,871	56,636	45,536	36,179
Other Asset	9,509	11,359	5,500	4,930	4,970
Total Non Current Asset	73,551	73,050	69,236	56,856	46,839
Total Assets	122,589	105,589	96,666	82,711	72,435
Payables	12,381	13,095	10,700	13,500	14,900
Debt - Short Term	28,375	29,226	27,300	20,230	17,700
Other Current Liability	4,267	5,917	5,200	4,820	4,600
Total Current Liability	45,023	48,238	43,200	38,550	37,200
Debt - Long Term	45,771	35,716	34,110	27,740	20,200
Other Non Current Liabilities	2,677	5,057	4,870	4,660	4,530
Total Non Current Liability	48,447	40,774	38,980	32,400	24,730
Total Liability	93,471	89,011	82,180	70,950	61,930
Minority interest	11,236	9,045	7,550	7,400	7,300
Total Equity	29,118	16,578	14,486	11,761	10,505

Key Ratios					
Y/E Dec	19A	20A	21F	22F	23F
Gross Profit Margin (%)	17.86	(12.22)	3.00	5.00	7.00
Operating Margin (%)	15.41	(18.29)	(3.45)	(0.82)	1.48
EBITDA Margin (%)	(0.92)	(4.01)	(3.48)	(2.45)	(1.42)
Pre-Tax Margin (%)	4.23	(60.09)	(8.24)	(13.95)	(4.55)
Net Profit Margin (%)	2.99	(45.57)	(3.52)	(11.85)	(4.10)
Revenue Growth (%)	(35.67)	(48.42)	8.34	25.53	27.94
Net Profit Growth (%)	(76.33)	(886.50)	(91.64)	323.15	(55.69)
Debt to Equity (x)	2.5	3.9	4.2	4.1	3.6
Net Gearing (x)	2.2	3.8	4.1	3.9	3.5
EBITDA/Finance cost (x)	1.3	(0.6)	(0.1)	(0.1)	0.1
Order Book/Revenue	2.8	4.1	4.1	3.7	3.3

Major Assumptions					
	19A	20A	21F	22F	23F
New Contract (IDR Bn)	26,082	27,003	22,000	27,500	34,375
Carry Over (IDR Bn)	62,022	38,993	49,595	54,054	59,535
Order Book (IDR Bn)	88,104	65,996	71,595	81,554	93,910
Burn Rate (%)	35.6%	24.5%	24.5%	27.0%	30.0%
JV Profit (IDR Bn)	(290)	(649)	(610)	(540)	(400)

Source: Company, SSI Research

Peers Comparison

Ticker	Market Cap (IDR Tn)	YTD Chg. (%)	Total Equity (IDR Tn) FY20	Total Assets (IDR Tn) FY20	ROE (%)		PBV (x)		PE (x)		EPS Growth (%)	
					21F	22F	21F	22F	21F	22F	21F	22F
PTPP	7.8	(33.0)	14.3	54.0	4.9	6.3	0.5	0.5	10.2	7.4	459.1	38.2
ADHI	4.1	(25.4)	5.6	37.6	6.1	10.1	0.7	0.6	11.1	6.0	329.2	83.5
WSKT	13.7	(30.2)	23.8	115.6	(4.2)	(22.2)	0.9	1.2	(22.4)	(5.3)	(91.7)	326.7
WIKA	12.5	(30.7)	16.2	61.4	7.1	8.9	0.7	0.6	9.5	6.8	53.1	39.5
Average					0.0	(1.3)	0.1	0.1	(1.1)	0.1	21.6	30.1

Source: SSI Research, Bloomberg (valuation at last price)

Research Team			
Suria Dharma	Head of Equity Research, Strategy, Banking, Consumer Staples	suria.dharma@samuel.co.id	+6221 2854 8148
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Fikri Permana	Senior Economist	fikri.permana@samuel.co.id	+6221 2854 8144
William Mamudi, CFTe, CMT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
Yosua Zisokhi	Cement , Cigarette,Paper, Plantation,Telco Infra, Chemical	yosua.zisokhi@samuel.co.id	+6221 2854 8387
Andreas Kristo Saragih	Constructions, Toll Roads	andreas.kristo@samuel.co.id	+6221 2864 8303
Dessy Lapagu	Aviation, Coal, Metal	dessy.lapagu@samuel.co.id	+6221 2854 8392
Olivia Laura Anggita	Healthcare, Property	olivia.laura@samuel.co.id	+6221 2854 8346
M. Farras Farhan	Media, Poultry, Oil & Gas	farras.farhan@samuel.co.id	+6221 2854 8346
Calista Muskitta	Retail	calista.muskitta@samuel.co.id	+6221 2854 8331
Pebe Peresia	Consumer Staples	pebe.peresia@samuel.co.id	+6221 2854 8339
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Henry Sutanto	Institutional Equity Sales	henry.sutanto@samuel.co.id	+6221 2854 8329
Fachruly Fiater	Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Suryanti Salim	Sales Trader	suryanti.salim@samuel.co.id	+6221 2854 8173
Muhammad Faisal	Dealer	m.faisal@samuel.co.id	+6221 2854 8173

Private Wealth Management			
Evelyn Satyono	Head of PWMEquity Sales	evelyn.satyono@samuel.co.id	+6221 2854 8380
Clarice Wijana	PWM Equity Sales	clarice.wijana@samuel.co.id	+6221 2854 8395
GittaWahyuRetnani	PWM Equity Sales	gitta.wahyu@samuel.co.id	+6221 2854 8365
WahyudiBudiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Julio Simangunsong	Fixed Income Sales	julio.natanael@samuel.co.id	+6221 28548384
Fendy	Fixed Income Sales	fendy@samuel.co.id	+6221 28548385

Equity Retail / Online Team			
Joseph Soegandhi	Head of OLT	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Nugroho Nuswantoro	Head of Marketing Online Trading	nugroho.nuswantoro@samuel.co.id	+6221 2854 8372
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Salt World Widjaja	Retail Equity Sales	salt@samuel.co.id	+6221 2854 8163
Michael Alexander	Equity Retail	michael.alexander@samuel.co.id	+6221 2854 8163
Albertha Palma	Equity Assistant	albertha.palma@samuel.co.id	+6221 2854 8163

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