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PT Waskita Beton Precast Tbk

Recommendation: **BUY**
Last Price: 340

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WSBP's share price at 340 is still considerably undervalued and does not fairly represent the company's true performance. Some considerations behind this are:

- Solid fundamentals with ongoing support from parent company
- WSBP's ability to record profits and rewarding its shareholders
- Stock is currently trading at lower end of range historically with lower valuation relative to competitor

Stock Information

Company Name	PT Waskita Beton Precast Tbk	
Stock Code	WSBP	
Business Line	Construction	
Last Price	340	
Shares Outstanding	26.361.157.534	
Market Cap	8.962.793.561.560	
Shareholders	PT Waskita Karya (Persero) Tbk	60%
	Public	40%

Solid Fundamentals with Ongoing Support from Parent Company

WSBP keeps recording satisfactory results marked by net income growth of 7,15% yoy for Q3/2018. Moreover, company's fundamental remains strong with Debt to Equity Ratio (DER) of 1,2x or relatively low for a construction firm.

In addition, WSBP still reaps the benefits of full support from its parent company Waskita Karya (WSKT). This is highlighted by several new key projects that have been signed, which are: Cibitung Cilincing toll road, Kulonprogo I airport project, and Refinery development master plan RU V Balikpapan. This ongoing support from WSKT will be a crucial factor for WSBP to maintain its strong performance in the future.

Financial Highlights (in Million IDR)

	Q3/2018	FY 2017	FY 2016
Balance Sheet			
Current Assets	12.716.867	11.574.945	11.296.401
Non Current Assets	3.661.473	3.344.604	2.437.867
Total Assets	16.378.340	14.919.549	13.734.268
Short Term Liabilities	8.917.619	7.593.431	4.877.850
Long Term Liabilities	9.461	9.462	1.450.916
Total Liabilities	8.927.080	7.602.893	6.328.766
Equity	7.451.260	7.316.656	7.405.502
Profit and Loss			
Revenue	5.438.690	7.104.158	4.717.150
Gross Profit	1.560.409	1.948.191	1.219.218
Net Income	884.852	1.004.519	635.271

Strong Ability to Record Profits and Rewarding Shareholders

WSBP has a proven ability to record profits which is marked by ROA level of 9,4% and ROE of 18,17%. Moreover, the company paid dividends at a generous level of 75% of 2017's net income with a dividend yield of 6,95%. This indicates that WSBP does not hesitate to reward its shareholders but without ignoring the financial condition of the company.

Stock Price is Still Trading at Low Valuation

With solid fundamentals, the share price of WSBP is still trading at 340 or far lower than its 2016 IPO price of 490. This represents a PER of 6,54x or trailing behind its direct competitor WTON (PER 8,54x) whereas WSBP's market cap is far greater than WTON. With that in mind, we calculate that a fair price for WSBP is 450.

Competitor Analysis

	WSBP	WTON
Asset Growth	**10,07%**	18,18%
Equity Growth	**1,37%**	11,54%
Sales Growth	**8,00%**	20,59%
Net Income Growth	**7,15%**	26,89%
PER	**6,54x**	8,54
PBV	**1,19x**	1,06
Market Cap	**8.804**	4.706
ROA	**9,40%**	4,81%
ROE	**18,17%**	12,45%

Significant Target Cut for 2018

In 2018, the firm has cut its contract booking target twice from the initial amount of IDR 11,52 T to IDR 6,6 T which represents a 42,7% reduction. This brings a question mark on the company's planning method. As of October 2018, contract booking has reached IDR 4,56 T or almost 70% of the revised 2018 target.

For 2019, the company has announced a new booking target of IDR 10,54 T. While the company has missed its initial booking target in the past, we consider this 2019 booking target as reasonable. The main reason for this is WSBP has been actively pursuing several toll roads projects in Java & Sumatera for its 2019 pipeline. Furthermore, the firm has also drawn out key plans to increase next year's performance, such as: launching new precasts products, increasing production capacity, and updgrading IT system.

WSBP 1-year Stock Price



Risk Factors

- As 2019 is an election year, the company will face some risks since WSBP has been one of the SOEs that benefited from the government ambitious infrastructure programs. A change in political direction could potentially lead to a slow down in development projects.
- As a construction firm, WSBP constantly facing delays in payments since most of its projects are goverment owned where the disbursments of payment require a lenghty process. In the short term, this could pose a liqudity problem for the company.

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