

# PT Wijaya Karya Bangunan Gedung Tbk

## Summary of the Public Expose 2018

Indonesia Stock Exchange Building

Jl. Jend. Sudirman Kav. 52-53

29 August 2018

### **Presented by**

Nariman Prasetyo : President Director  
Nur Al Fata : Director of Human Capital and Development  
Abiprayadi : Director of Finance

**Moderator** : Mohammad Edo Azhara

**Attendees** : 121 attendees, consisting of analysts, investors, and journalists

The PT Wijaya Karya Bangunan Gedung Tbk Public Expose was moderated by Mr Edo Azhara of the Indonesia Stock Exchange.

The first part of the presentation was delivered by the President Director, Mr Nariman Prasetyo. His presentation discussed the Company's vision and mission, business lines, business development, shareholders, shareholding structure, and project highlights.

The second part of the presentation was delivered by the Director of Finance, Mr Abiprayadi. His presentation discussed the Company's financial highlights, i.e. year-on-year business performance from 1H-2016 to 1H-2018 and performance guidance from FY2016 to FY2018<sup>1</sup>. He also discussed the Company's order book, new contracts as at July 2018, and contract targets for 2018. Mr Abiprayadi also shared the Company's customer profile, repeat orders, and asset and equity growth from FY2014 to 1H2018. Lastly, he discussed the Company's financial profile from 1H2016 to 1H2018 (in terms of revenue; net profit; cash; and debt-to-equity ratio), its cash flow, and its financial ratios.

The third part of the presentation was delivered by the Director of Human Capital dan Development, Mr Nur Al Fata. His presentation discussed the Company's business developments in both downstream (concessions) and upstream (precast, modular, and geotechnical services) segments; its concessions rights (de Braga Hotel and Bank Mandiri Proklamasi office building); modular products; modular projects (Pulau Merah and Rinjani); and capex in 2018.

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<sup>1</sup> FY2018F: Forecasted business performance in the 2018 Financial Year

The following is a summary of the question-and-answer session of the Public Expose 2018:

### **1. Edo Azhara – IDX**

#### **Question:**

- a. Please describe WIKA Gedung's future developments in relation its share price given that it has dropped since the IPO. Are there plans to improve the share price?

#### **Answer from the Director of Finance:**

- a. In my view, a certain perception on cash flow has caused share prices of state-owned enterprises and construction companies to move in a downward trend in 2017, especially so for the latter. WIKA Gedung's business and finances is different from infrastructure companies, yet the public investors considered both as similar. This is the reason why WIKA Gedung's share price declined in its IPO year.

On the other hand, we will continue working towards our targets and to inform the public of our efforts. The Corporate Secretary and the Investor Relations department will continue to inform the public of WIKA Gedung's achievements and new contracts. This is the Company's commitment towards achieving its set objectives. WIKA Gedung is considered to be fundamentally solid, which will be reflected by its share price in due course. In addition, WIKA Gedung is relatively "new," in that it has been less than 1 (one) year old since its IPO on 30 November 2017.

### **2. Liga – OCBC Sekuritas**

#### **Question:**

- a. Is WIKA Gedung going to continue investing in the concessions business, as was the case for the de Braga Hotel? In that example, the building was constructed by WIKA Gedung. As part of its investments, is WIKA Gedung going to operate the hotel as well? Going forward, is WIKA Gedung going to adopt this investment scheme for other property developments?

#### **Answer from the Director of Finance:**

- a. WIKA Gedung is no longer engaged in the property business since 2016. In the WIKA Group, all property businesses are managed by WIKA Realty, which engages in activities such as land bank investments, land acquisitions, and property developments. On the other hand, WIKA Gedung does not acquire land but optimises assets owned by the Government or state-owned enterprises with clearly named off-takers/buyers. This is WIKA Gedung's long-term investment plan. The long-term plan can also be carried out under the Public-Private Partnership (PPP) scheme promoted by the Government. Using the scheme, WIKA Gedung is engaged in the construction of social infrastructures, such as hospitals, schools, and correctional facilities in the future.

### **3. Victor – DBS Sekuritas**

#### **Question:**

- a. Historically, is WIKA Gedung similar with other listed construction companies, in that it secures more new contracts in the second half of the year? Since WIKA Gedung has reached 76% of its contract target in the first half, will it revise its targets?

**Answer from the President Director:**

- a. We view the targets set in the Business Plan and Budget (*Rencana Kerja dan Anggaran Perusahaan, RKAP*) as minimum requirements that must be achieved. We are optimistic that we can exceed the objectives set in the RKAP because we were able to do so in 2015, 2016, and 2017. For 2018, we hope to achieve more than our stated goals, both in terms of new contracts and net profit.

**Answer from the Director of Finance:**

- a. It is this industry's nature for payments to be made in the fourth quarter. The Company's net profit in the first half of 2018 was Rp178 billion from a target of Rp443 billion (net profit in FY2018F). Bearing in mind that payments will be made at the end of the fourth quarter, our projections suggest that we can achieve our stated goals.

As for new projects, we have secured new and on-going projects that have been underway since January, in addition to carryover projects from the previous year. Both projects are paid at the end of the fourth quarter. Furthermore, we are undertaking several single-year projects that will be paid before the end of the year.

**4. Andreas – Kresna Sekuritas**

**Questions:**

- a. Does the Company hold only 2 concession rights as mentioned in the presentation, i.e. de Braga Hotel and Mandiri Proklamasi office building, or does it have other concession rights? Which property concession rights is the Company focusing to secure this year?
- b. As for profitability from concession rights, have it made profit or still recording losses? If it is still recording losses, how long does it take to reach the break-even point? How many percent does the concession business contribute to the Company's net profit?

**Answer from the Director of Human Capital and Development:**

- a. At this time, the Company holds 2 concession rights, i.e. the de Braga Hotel and Mandiri Proklamasi office building. We are currently working to secure the concession rights to a hospital in Sidoarjo, the Dharmais Hospital in Jakarta, and another hospital in Medan. All these projects are tendered using the PPP scheme, where WIKA Gedung was invited to submit its proposals by its investors. Other investors for the projects are foreign companies and are only invited to submit proposals for medical equipment. The PPP scheme is very low risk since it is guaranteed by Regional Budgets (*Anggaran Pendapatan dan Belanja Daerah, APBD*) and the State Budget (*Anggaran Pendapatan dan Belanja Negara, ABPN*) as well as the Indonesia Infrastructure Guarantee Fund (*Penjaminan Infrastruktur Indonesia, PII*).
- b. In terms of its profitability, the concession business governed by its feasibility, in that the payback period must be less than 10 years and the minimum internal rate of return (IRR) must be at least 4% of the weighted average cost of capital (WACC). The average/desired IRR is about 15 to 16%.

**5. Yusuf – Retail Investor**

**Question:**

- a. The financial ratios in 1H-2018 showed decline in some metrics, such as return on equity (ROE) that dropped to 9.74%, and a drop in gross profit margin (GPM) that caused operating margin (OPM) to drop to 9.45%. What is the management's strategy to improve the ratios so that retail investors find it worth investing?

**Answer from the Director of Human Capital and Development:**

- a. The ROE in this period is expected to decline compared with the previous period. In 2017, there was a significant increase in capital owing to the IPO exercise.  
The GPM's decline in this year was caused by numerous new Government projects, whose profitability are less than projects from the private sector. However, Government-backed projects benefit our cash flow since the certainty of payment is high.

The decrease in NPM in 1H-2018 compared with 1H-2017 was due to differences in project mix, in that work in package A pays more than package B. But most importantly is achieving our goals in the full-year results. Our projections suggest that we can meet the RKAP by that time.

**Thank You**