

# PT Wijaya Karya Bangunan Gedung Tbk

## Minutes of the Public Expose 2019

Indonesia Stock Exchange Building

Jl. Jend. Sudirman Kav. 52-53

17 September 2019

### Presented by

1. Nariman Prasetyo : President Director
2. Syailendra Ogan : Director of Finance
3. Rudy Hartono : Director of Operations I
4. Djaka Nugraha : Director of Operations II
5. Bobby Iman Setya : Corporate Secretary

**Moderator** : Bobby Iman Setya

**Attendees** : 81 attendees, consisting of investors, representatives from securities companies, 34 journalists, and was broadcasted live on YouTube on WEGE Live Channel

The following is a summary of the question-and-answer session of the Public Expose 2019:

### 1. Fauzan – RHB Sekuritas

- a. What is the reason for WEGE's optimism that it can achieve its targets by the end of the year?
- b. What are the sums that WEGE stated when submitting tenders to secure its new contract targets in the upcoming years? What is the success rate set by the Company?
- c. Are there plans to look for loans for concession projects in the next period?
- d. What are the projects that WIKA Pracetak Gedung (WPG) aims to secure?

### Answers:

#### President Director: Nariman Prasetyo

- a. As of September 2019, the Company has secured new contracts valued at Rp5.2 trillion. To achieve the 2019 target of Rp11.9 trillion, the Company must secure another Rp6.7 trillion in new contracts.

We are optimistic we can achieve the remaining contract value through our market, business, and commercial strategies. The remaining Rp6.7 trillion does not refer to the number of projects, but rather to its value. For example, Rp6.7 trillion may be the sum of seven projects. We set a success rate of 20% to 30% in project tenders that we win.

There was a slowdown in new project acquisition up to June 2019 due to political factors. However, since passing the political uncertainty until September 2019, the Company has secured Rp5.2 trillion in new contracts. In a two-month period, we have secured Rp4 trillion in new contracts.

We emphasise on a success rate of 20% to 30% to achieve the remaining new contract target by the end of 2019. We have achieved this in the past two months.

- b. We cannot disclose detailed information on tenders we submit because it is confidential company information. However, we can disclose the Company's gross profit and net profit on a consolidated basis.
- c. The move to borrow for the concession business is a mitigation measure, depending on the condition of current capex. New borrowings must consider the profit we can achieve. Currently, we are studying the feasibility of expanding the modular plant in Purwakarta. We found that modular projects can provide the Company with a sustainable source of revenue.
- d. On a consolidated basis, the contribution of new contracts by WIKA Pracetak Gedung (WPG) is about Rp300 billion. WPG is an upstream subsidiary that supports the Company's core business activities in the precast industry.

## 2. Ahmad – Investor

- a. How much are the construction costs savings enabled by using modular construction methods?
- b. Pertaining to the capital city move, what is the priority for state-owned enterprises (*Badan Usaha Milik Negara*, BUMN) that will construct buildings for the new capital? Is WEGE going to be involved in the project in 2021?
- c. Are there going to be major plans for overseas expansion? If so, what is the target revenue?
- d. What is the target net profit growth per year for the next three years?
- e. Following the capital city move, are there plans to work on turnkey projects?

### Answers:

#### President Director: Nariman Prasetyo

- a. The modular business is fairly new and has been running for close to two years while its production and sales have been on-going for one year. Each product's cost of sales is different, but we can maintain a certain profit (margin) as planned. The modular business has no competing "pioneer," which is a major advantage for the Company.
- b. WEGE has prepared for the capital city move by deploying WPG's precast products for the one million home programme in Kalimantan, which is straightforward to construct and resistant to earthquakes. Our engineering team is already on-site and ready to move once we are ready.
- c. Overseas projects are managed by WIKA's Overseas Project Department. All policies on securing and working on overseas projects are governed by WIKA. For now, WEGE is focusing on domestic projects. However, if WIKA needed people to manage building constructions, we will be ready and we will provide support.

#### Director of Finance: Syailendra Ogan

- d. Our target net profit growth for the next three years is between 10% and 20%.
- e. We will respond accordingly to turnkey projects from the government or private sector. What we are doing right now is working with financial and non-financial institutions to make sure that turnkey projects we undertake does not affect the Company's cashflow. To illustrate, we structure turnkey projects with financial and non-financial institutions so that it is financed using turnkey facilities as well. This way, we do not have to spend our working capital while continuing to pay our vendors as normal. Our liabilities with financial and non-

financial institutions are guaranteed to become due at the same time of the turnkey project's. The Company's financials are thus not affected.

We will undertake a turnkey project if it offers good opportunities. If we do, we will mitigate risks accordingly.

### **3. Emanuel – Buana Capital**

- a. What is the estimated operating cash flow at the end of 2019? Will it be positive or negative, as was the case as at 1H2019 where the Company's operating cash flow was at negative Rp1.4 trillion?

**Answer:**

**President Director: Nariman Prasetyo**

- a. We estimate that the Company will book positive operating cash flow between Rp200 and Rp300 billion at the end of 2019. The Company's operating cash flow as at 1H2019 was due to carryover projects that are mostly owned by the private sector. In private sector projects, we are always looking after their balance of payment. Thus, if there are delays of payment to the accounts receivable, we will put the construction on hold. However, if the project owner is the Government or BUMN, we will continue project progress until completion because the certainty of payment is very high.

### **4. Ari – Sucor Sekuritas**

- a. Does WEGE have any plans to revise its targets for new contracts, revenue, and earnings? As of September, are these metrics on target?
- b. Has the housing project in Senegal been recognised in the Company's financial statements?
- c. What is the expected timeline for the new presidential palace at the new capital city and how much is the cost?

**Answers:**

**Director of Operations I: Rudy Hartono**

- a. Our new contract target for 2019 is Rp11.9 trillion. We have booked Rp5.2 trillion as at September 2019, thus a deficit of Rp6.7 trillion from the target. We find that there is strong demand from both the domestic and overseas markets. We can reduce the deficit with a success rate between 20% to 30%, which means that we have space to take on more projects. If our success rate exceeds 30%, we are optimistic that we will not revise our targets for 2019.

**Director of Finance: Syailendra Ogan**

- b. We are not able to recognise the housing project in Senegal since it was created/led by the holding company (WIKA) and we adhere to their guidance. Although the bilateral MoU has been signed, we are waiting for a more comprehensive legal agreement. If the legal foundations are sound, we can recognise the project as WEGE's new contract. The process might take about two to three months.

**President Director: Nariman Prasetyo** (addendum to question b)

- c. We have not recognised the Senegal housing project and we have not accounted for the project in our new contract projections.

## 5. Anthony – Sinarmas Sekuritas

- a. Is Patra Wijaya Realtindo a property company or a construction company that builds property projects?
- b. In relation to the invitation to tender for the Pakubuwono project with a contract worth Rp2 trillion held in November, how much of the amount will be awarded to the winning contractor? If for example WEGE wins the project, how much is the actual contract value earned?
- c. As of September 2019, WEGE has secured Rp5.2 trillion worth of new contracts compared with Rp1.7 trillion at the end of 1H2019. What are the projects WEGE has undertaken, excluding the Jakarta International Stadium (JIS)?

### Answers:

#### President Director: Nariman Prasetyo

- a. Patra Wijaya Realtindo is a joint venture (JV) between Patra Jasa, WIKA Realty, and WEGE. The JV was established as a developer of premium properties at strategic locations in Jakarta. WEGE holds a 10% stake in the JV as a construction company, not as a developer or property company. The developers are Patra Jasa and WIKA Realty; the project is called The Pakubuwono.
- b. The Rp2 trillion is the capex for construction work, such as permits, overhead costs, design, and environmental impact analysis. If we include non-construction work, the amount will exceed Rp2 trillion, but what we are aiming for the Rp2 trillion in the project's building construction portion.

#### Director of Operations I: Rudy Hartono

- c. The Rp5.2 trillion in new contracts are from the following projects:
  - 1) Jakarta International Stadium
  - 2) The Park Mall Semarang
  - 3) Domestic Hotel at Soekarno-Hatta Airport Terminal 3
  - 4) Suncity Residence Apartemen in Sidoarjo
  - 5) PITK Office Building
  - 6) At-Thohir Mosque
  - 7) Taman Ismail Marzuki
  - 8) Makassar Airport
  - 9) Provincial Prosecutor's Office in Nusa Tenggara Barat
  - 10) An apartment complex in Tangerang
  - 11) Bale Hinggil Apartment
  - 12) An apartment complex Jakarta
  - 13) Collins Apartment in Serpong
  - 14) Embarcadero Suites

## 6. Hendra – Investor

- a. Why does WEGE use precast technology instead of 3D printing for a project in the Gatot Subroto area, given that 3D printing is less expensive in every way?
- b. Regarding the project with Pertamina, are there concerns for allegations of corruption, collusion, or nepotism? Shouldn't the project be awarded through open tenders?

- c. Are there any contractors that construct buildings for the middle to low class or low-income communities (*Masyarakat Berpenghasilan Rendah, MBR*)? Are there no entrustments/delegations from the Ministry of State-owned Enterprises?

**Answers:**

**President Director: Nariman Prasetyo**

- a. Precast is a technology we use to speed-up the construction process. If we were to work using conventional methods, the process would take longer to finish compared with using precast technology. Precast is a form of hard/ tangible technology, where its equipment, working method, and engineering value can be seen on-site. Soft/intangible technology, such as 3D printing or Building Information Modelling (BIM), are technical tools that we also use to speed-up progress of a given project. This is a non-issue for us. Every technology is indeed useful for us, both in terms of time, cost, and quality it creates for a given project.

**Director of Finance: Syailendra Ogan** (addendum to question a)

WEGE has adopted the BIM software suite for our projects to create efficiencies and mitigate issues. In addition, every project tender that we participated in have required the use of BIM. The BIM software suite is part of WEGE's standard operating procedure. The Jakarta International Stadium is an example of a project developed using BIM.

**President Director: Nariman Prasetyo**

- b. As good corporate citizens, we conduct our business operations in accordance with the principles of good corporate governance (GCG). The principles were observed when submitting tender bids to secure new contracts. Investing in a joint venture company with Patra Jasa was an opportunity for us to secure the work as a contractor through a tendering process that meets the principles of GCG.
- c. In relation to projects for low-income communities, we have constructed the Rusun (low-income housing project) last year. When undertaking projects, we consider our capacity and knowledge, all while considering risks and its mitigation in order to generate profit. We are always prepared to undertake projects for low-income communities, as was the case for the one million home programme and constructing new houses for the new capital city in Kalimantan.

**Thank You**