

*On the Road to IPO*

*Listing Options &  
Key Considerations*



# ***Presenter***

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# *Agenda*

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## **Topic**

Overview of Equity Markets & Global Trends

Key Listing Venues for Mining Companies

Key IPO Considerations

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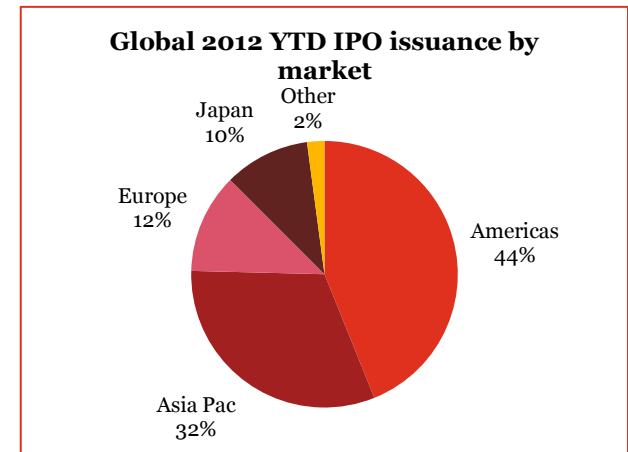
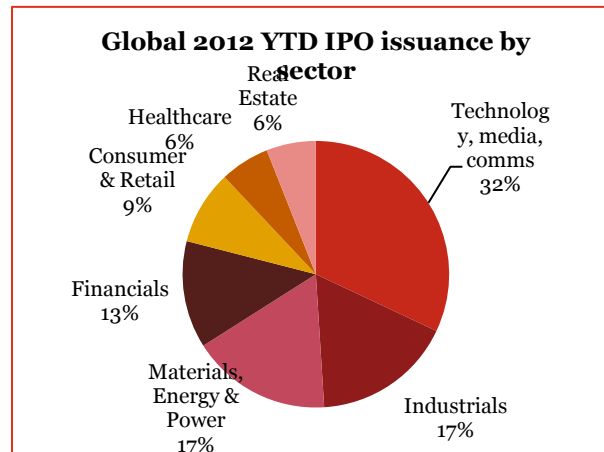
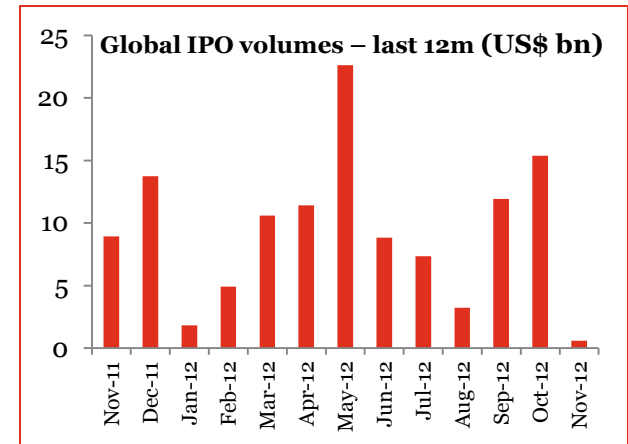
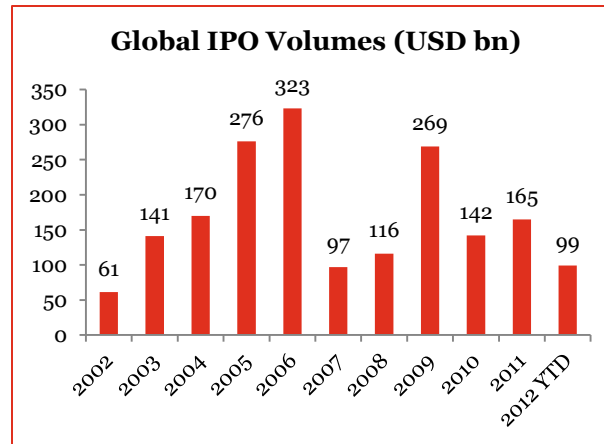
# Some of 2012 equity market themes: Facebook, Eurozone crisis and resilience of SE Asia

**US markets in the lead, boosted by \$16bn Facebook IPO**

**Other markets subdued, with AsiaPac proceeds less than 1/2 of 2011 and Europe less than 1/3<sup>rd</sup>**

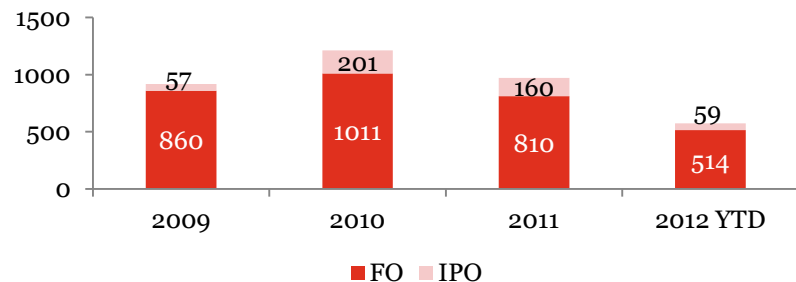
**Tech IPOs dominated, with nearly a quarter of global proceeds raised in this sector**

**Share of energy and mining IPO proceeds reduced to 17% from 27% in 2011**

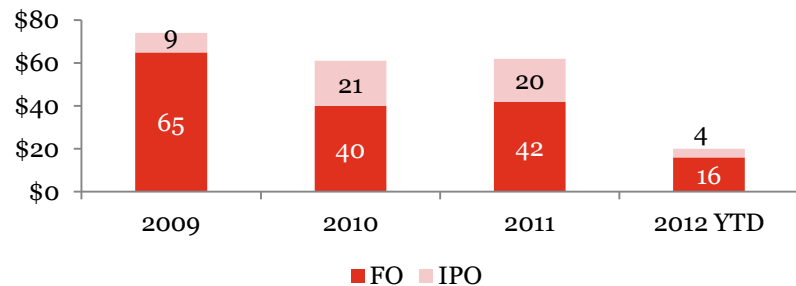


# Equity capital raising - mining and metals

**Total number of IPOs and Follow-Ons in Metals and Mining**



**Total amount raised by IPOs and Follow-Ons in Metals and Mining (USD bn)**



**IPOs in the Mining and metals industry (2009 – 2012 YTD)**

Exchange name	Total money raised (USD m)	Number of IPOs
London – Main and AIM	\$11,694M	26
Hong Kong	\$9,155M	30
New York	\$2,972M	13
Toronto – TSX and TSX-V	\$2,063M	128
Australia	\$1,653M	122

Source: Dealogic as of 07 November 2012

PwC Asia School of Mines 2012

PwC

November 2012

Slide 5

# ***Some of EU&M equity stories of 2012***

**US and China markets generated most sizeable IPOs, although no jumbos this year**

Company	Market	Country of ops	Amount raised	Comments
<b>Ivanplats</b>	TSX	Africa	\$305m	Successful IPO of African platinum miner – quality of assets and Robert Friedland's name key to success
<b>Linn Co</b>	Nasdaq	US	\$1,270m	Secondary offering in Oct 2012 of a NYSE listed company subsidiary structured as an IPO – no change of control
<b>China Nonferrous Mining Corp</b>	HKSE	Zambia	\$252m	First Africa-based (copper) miner to list in HK, part of a Chinese SOE
<b>Petrologistics</b>	NYSE	US	\$595m	Propylene producers, priced at bottom of range in May 2012
<b>Eland Oil &amp; Gas</b>	LSE-AIM	Nigeria	\$187m	Successful IPO of a Nigerian producer, to fund acquisitions of fields divested by majors. Further acquisition plans.
<b>Sunshine Oilsands</b>	HKSE	Canada	\$579m	Early stage tar sands company backed by Chinese SOEs, shares priced at bottom and fell on debut. TSX secondary listing plans
<b>Huadian Fuxin Energy Corp</b>	HKSE	China	\$319m	Diversified energy company with hydropower projects, coal-fired power plants, wind power and clean energy projects throughout China
<b>Seadrill Partners</b>	NYSE	UK	\$221m	Successful spin off of offshore drilling rigs operator owned by Norwegian Seadrill Ltd in MLP structure
<b>PAK SA</b>	WSE	Poland	\$215m	Government selling down its stake in the utility company
<b>Gas Malaysia</b>	Malaysia	Malaysia	\$233m	The sole licensed seller of natural gas in Peninsular Malaysia,
<b>Yechiu Metal Recycling</b>	Shanghai	China	\$216m	Asia's largest secondary aluminium producer
<b>RusPetro</b>	LSE	Russia	\$261m	Russian upstream oil company, completed IPO in January 2012

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# ***Outlook***

- IPO pipeline remains strong, however alternative sources of financing increasingly sought.
- Increased EU&M activity in debt markets, including high yield bonds
- Increasing competition among key financial centres for IPO candidates, eg promotion of Hong Kong as a listing venue for resource sector, first mining IPOs in Singapore
- Attractive environment for M&A with strong balance sheets, favourable fundamentals and lower valuations – Chinese buyers particularly active seeking undervalued gold stocks and upstream O&G assets

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# ***Today's Agenda***

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## **Topic**

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Overview of Equity Markets & Global Trends

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Key IPO Considerations

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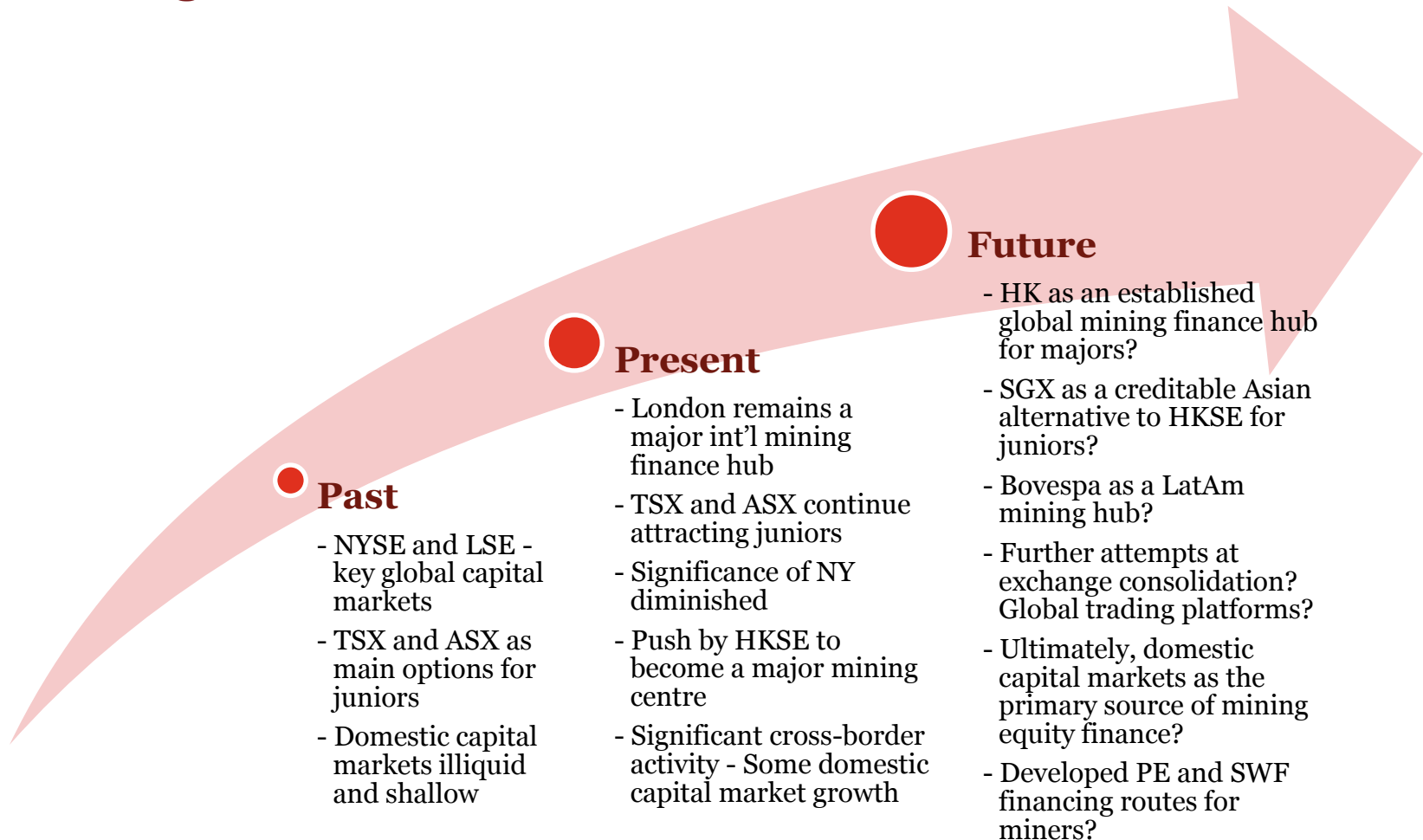


# *Markets for Miners*



# ***Evolution of the mining industry capital markets***

## **Increasing choice for issuers and strong competition amongst exchanges**



# Which market – which investors will buy your story?



LSE

ASX

TSX

HK

Overview

- Leading exchange for inbound listings
- Significant liquidity and appetite for resource companies
- Global diversified miners account for c.30% of market value of sector
- Well developed market infrastructure including large number of mining analysts and investors

- High concentration of mid/small cap companies
- Investors have significant experience with international exploration & development assets
- Rio Tinto and BHP Billiton account for over 2/3 of mining sector value
- Limited large scale IPOs in resources

- High concentration of small cap companies, fewer large scale IPOs
- Investors have significant experience with international exploration & development assets
- Flexible listing regime
- Proximity to US capital
- Lower trading volumes than other global exchanges

- Fewer number of resource companies, large Chinese SOEs
- Investors less familiar with international miners, limited analyst coverage
- Lack of understanding of exploration assets, companies with only inferred resources not eligible to list
- Complex regulatory process
- Higher proportion of retail investors

# Which market – which investors will buy your story?



LSE



ASX



TSX



HK

Commodity &  
geographic focus

- Largest listing venue for **copper** companies by market value
- Strong presence of **precious metals**
- Most international venue, particularly well represented Russia / CIS and Africa

- Most diversified listing venue with **balanced mix** across **all commodities**
- Largest listing venue for **iron ore** by market cap
- Predominantly projects in Australia, SE Asia and increasingly Africa

- High concentration of precious metal companies especially **gold**
- **Uranium** and **potash** miners well represented
- International companies mainly from US and Australasia

- Largest listing venue for **coal** companies by market value
- Proximity to Chinese base is an advantage

# The Emerging Markets Exchange



**IDX**

Indonesia Stock Exchange  
Bursa Efek Indonesia

**31**

Number of listed  
mining stocks at  
December 31, 2011

- **Predominantly Coal**
- **Petroleum & Natural Gas**
- **Metals & minerals**
- **Land/Stone Quarry**

**US\$46bil**

Market Cap of energy &  
mining companies @  
December 31, 2011

## 21 COAL MINING

1. ADRO Adaro Energy Tbk. [S]
2. ARII Atlas Resources Tbk [S]
3. ATPK ATPK Resources Tbk.
4. BORN Borneo Lumbung Energi & Metal Tbk. [S]
5. BRAU Berau Coal Energy Tbk.
6. BUMI Bumi Resources Tbk.
7. BYAN Bayan Resources Tbk.
8. DEWA Darma Henwa Tbk. [S]
9. DOLD Delta Dunia Makmur Tbk.
10. GEMS Golden Energy Mines Tbk. [S]
11. GTBO Garda Tujuh Buana Tbk. [S]
12. HRUM Harum Energy Tbk. [S]
13. ITMG Indo Tambangraya Megah Tbk. [S]
14. KKGI Resource Alam Indonesia Tbk. [S]
15. PKPK Perdana Karya Perkasa Tbk.
16. PTBA Tambang Batubara Bukit Asam Tbk. [S]
17. PTRO Petrosea Tbk. [S]



# ***Which market – considerations to help your decision***

## **Likely investor base**

Management track record  
Commodity fit, degree of diversification  
Size and stage of development of assets, extent of capital required  
Quality and risks of assets



## **Geographic proximity**

Location of management  
Location of mines  
Proximity to key customers and markets, especially China



## **Market**

Market capitalisation and liquidity  
Location of listing peers  
Total money raised from resource IPOs  
Presence of mining analysts

Where to list a mining company?



## **Regulation and process**

Admission criteria, including CPR requirements  
Ongoing obligations  
Speed and cost  
Index inclusion

# Comparison of stock exchanges

At 31 December 2011	London		Australia	Toronto		Hong Kong	Indonesia
	Main Market	AIM	ASX	TSX	TSXV	Main Board	Main & Dev't Board
<b>Total number of issuers</b>	1,376	1,143	2,079	1,588	2,249	1,326	440
<b>Total market cap, US\$ bn</b>	5,584	101	1,198	1,967	48	2,247	390
<b>No. of mining issuers listed</b>	44	136	687	371	1,274	69	31
<b>Mining market cap, US\$ bn</b>	405	20	308	391	28	243	46
<b>New mining IPOs in 2011</b>	3	9	49	6	42	7	3
<b>Proceeds of mining IPOs in 2011, US\$ m</b>	10,907	67	471	202	145	2,124	384
<b>Average raise</b>	3,636	7	10	34	3	303	128

Converted at: USD:AUD of 1.02, USD:CAD of 0.98, USD:GBP of 1.55, HKD:USD of 7.76, USD:Rupiah 9,068  
sources: World Federation of Exchanges, stock exchanges, ThomsonOne data, PwC research

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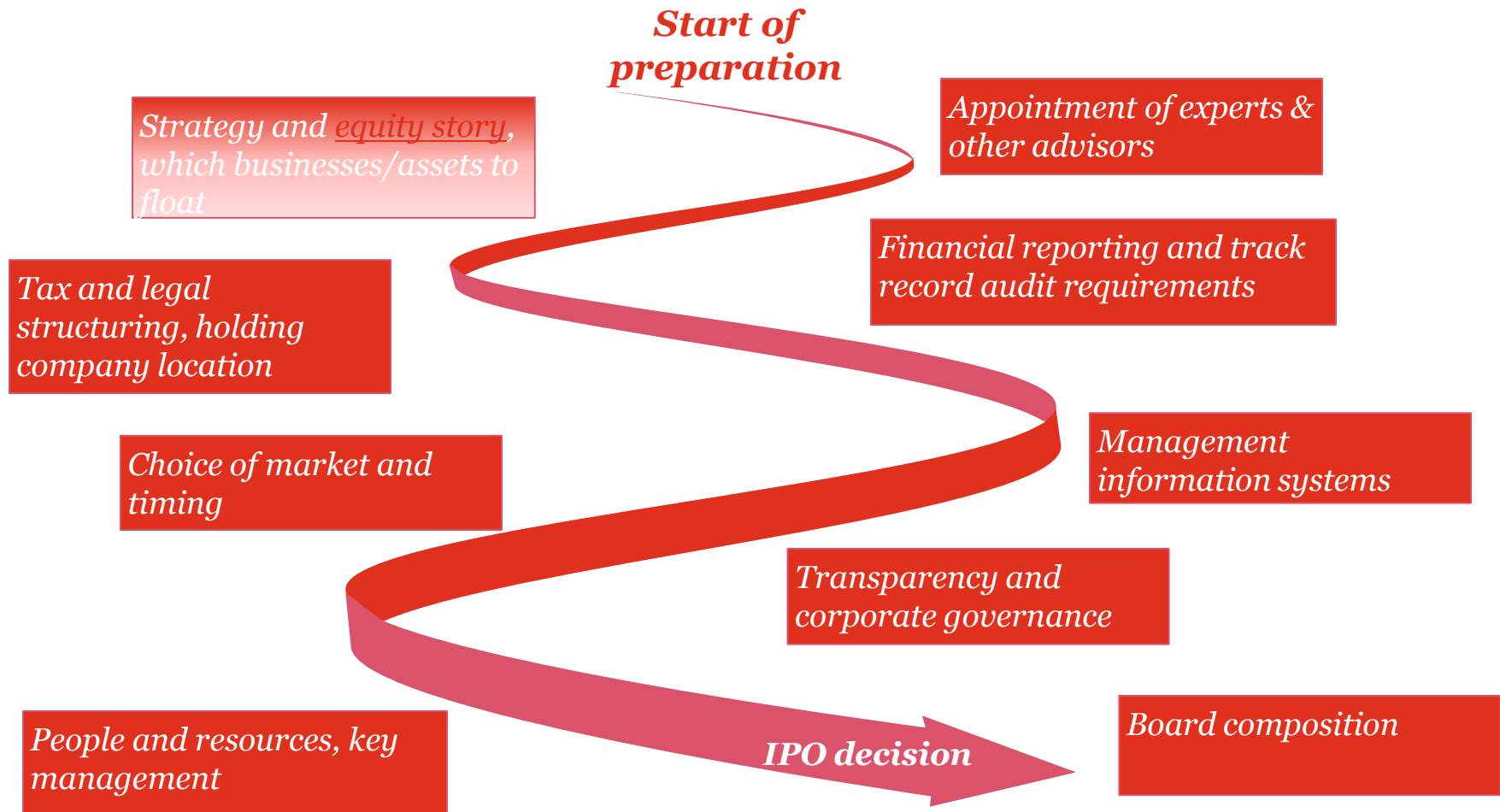
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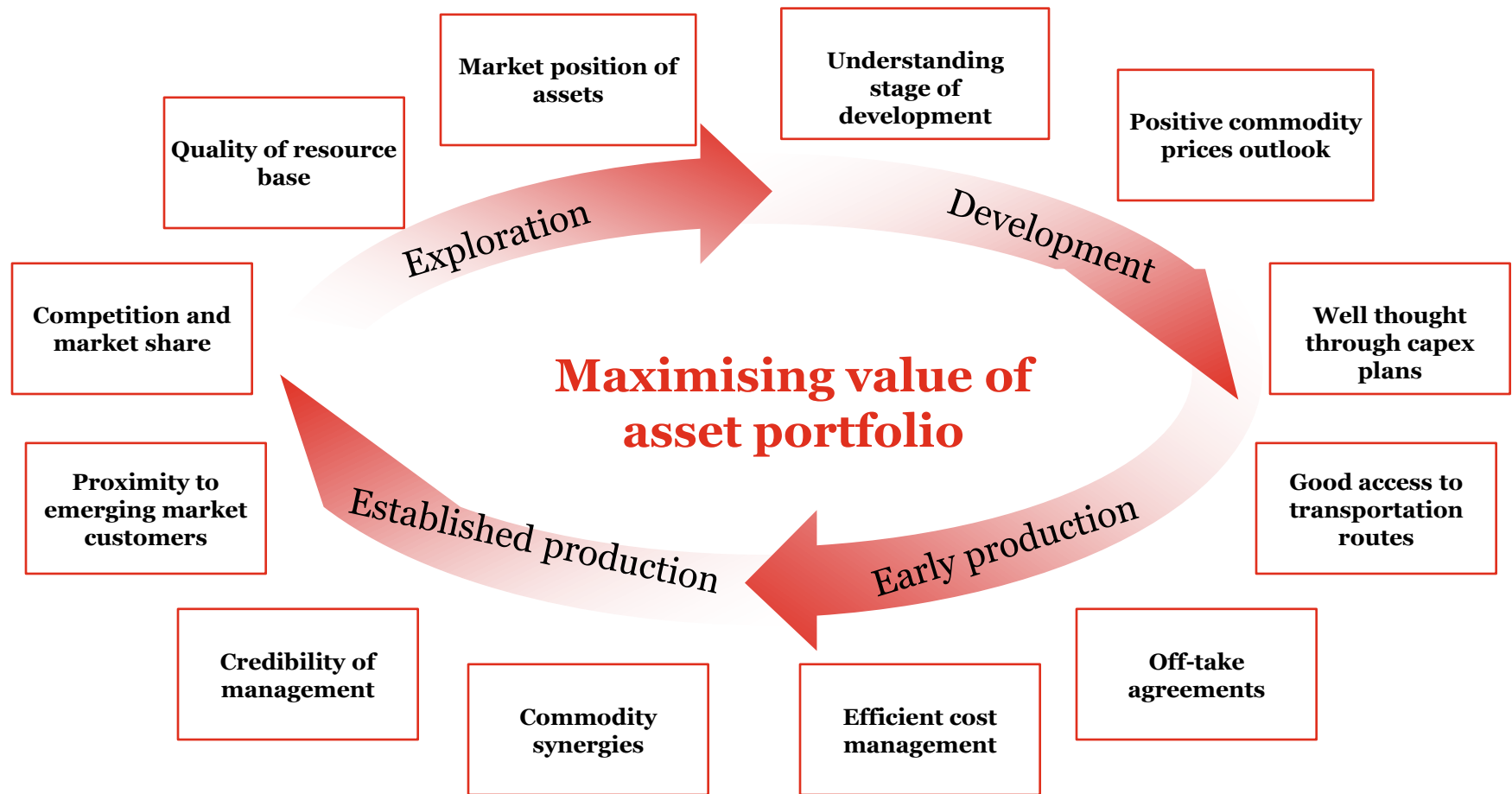
Key IPO Considerations



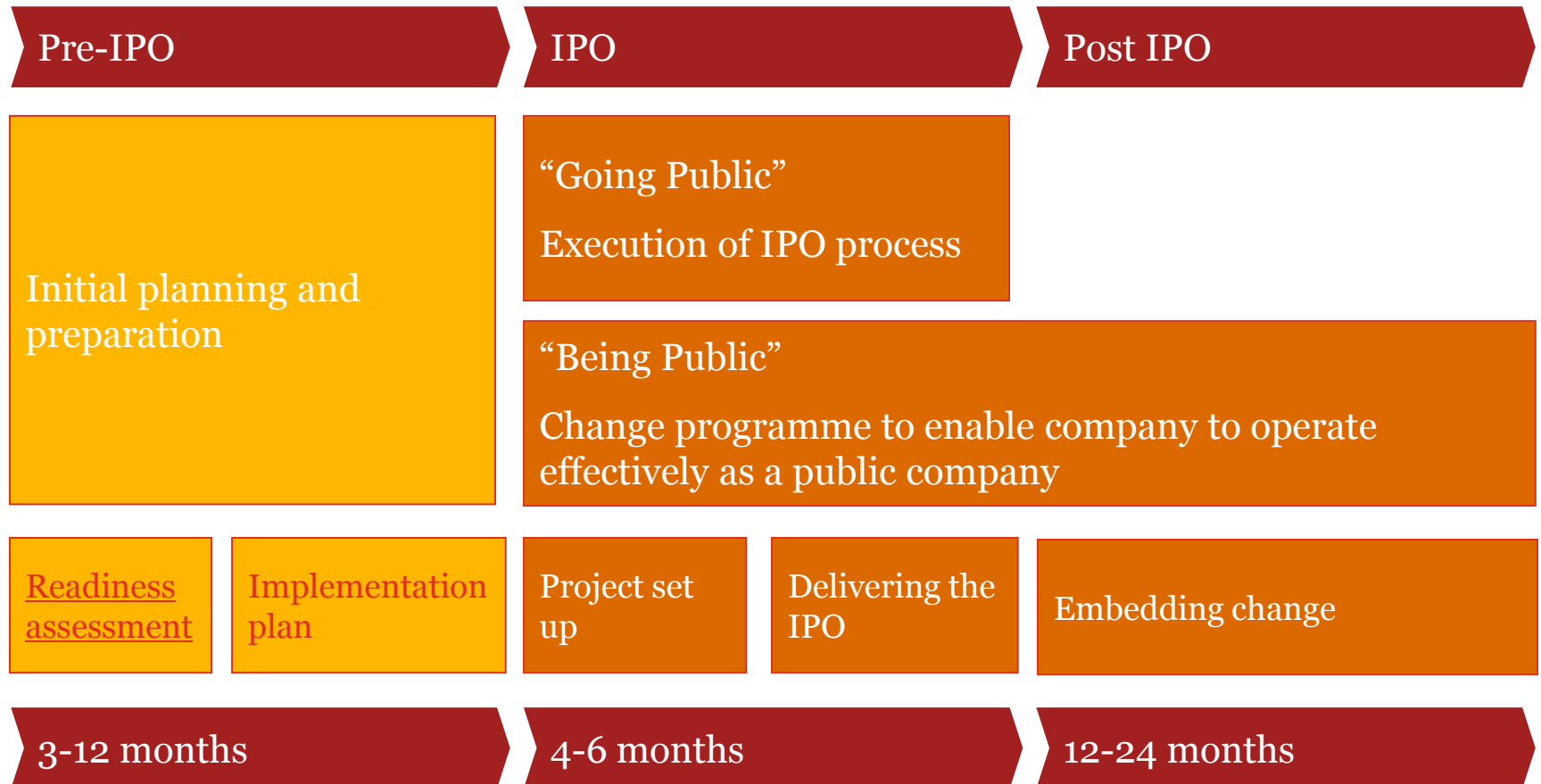
# *Key decisions on the road to IPO*



# What is your equity story



# *The IPO journey*



# Assessing IPO Readiness

Key factors	Private		IPO Ready
Structure	A collection of legacy businesses	⇒	<i>Efficient tax &amp; legal structure</i>
Financial history	FS prepared for tax/ entity structuring	⇒	<i>GAAP compliant (3 to 5 years record)</i>
Financial control & governance	Informal, owner managed	⇒	<i>Robust internal controls &amp; governance framework</i>
Taxation	Unidentified exposures	⇒	<i>Compliance &amp; disclosure</i>
Business planning & forecasting	Cash based annual budget	⇒	<i>Reliable working capital forecasts, longer term strategic plans</i>
Management information	Standalone local GAAP	⇒	<i>Integrated GAAP, defined KPIs</i>
Related party transactions	Opaque & confusing	⇒	<i>Transparent &amp; arms length</i>
Legal title to assets	Assumed	⇒	<i>Confirmed</i>



# Understanding the scale of the challenge

## *The IPO process*

- Creation of the new group structure
- Prepare equity story
- Numerous advisers and requirements
- Public expose, investor road shows and communication
- IPO workstreams
- Prospectus rules and regulations

## *Transforming the business to operate as a public company*

- Reputation, predictability and citizenship
- Corporate governance requirements
- Financial reporting procedures, KPIs and business planning
- Financing and working capital
- Timely and transparent reporting
- Independence

*“Business as usual”*



*“Risk of delivery failure”*

## *Accounting and regulatory requirements*

- 3-5 year financial history with full disclosures
- Availability of consolidated financial information at level of issuer
- Consideration of impact of segmental presentation on presentation of the business
- Financial reporting – internal and external
- Complexity of the standards and rules

## *Corporate governance framework*

- Board and management structure
- Acting and delivering as a stand-alone entity
- Formality of control and oversight, and corporate governance
- Location of management, head corporate functions and operations
- Risk management framework

# Getting your company IPO ready - conclusion

*IPO windows are tight  
- being well prepared  
ensures deadlines can  
be met*



*Have you decided which  
market best suits you?*



*Have you got your equity  
story right? Are you clear  
about your strategy?*

*Identify and address  
issues early in the  
process*

**How PwC  
can help**

**IPO readiness  
IPO advisory**

**Structuring &  
Tax**

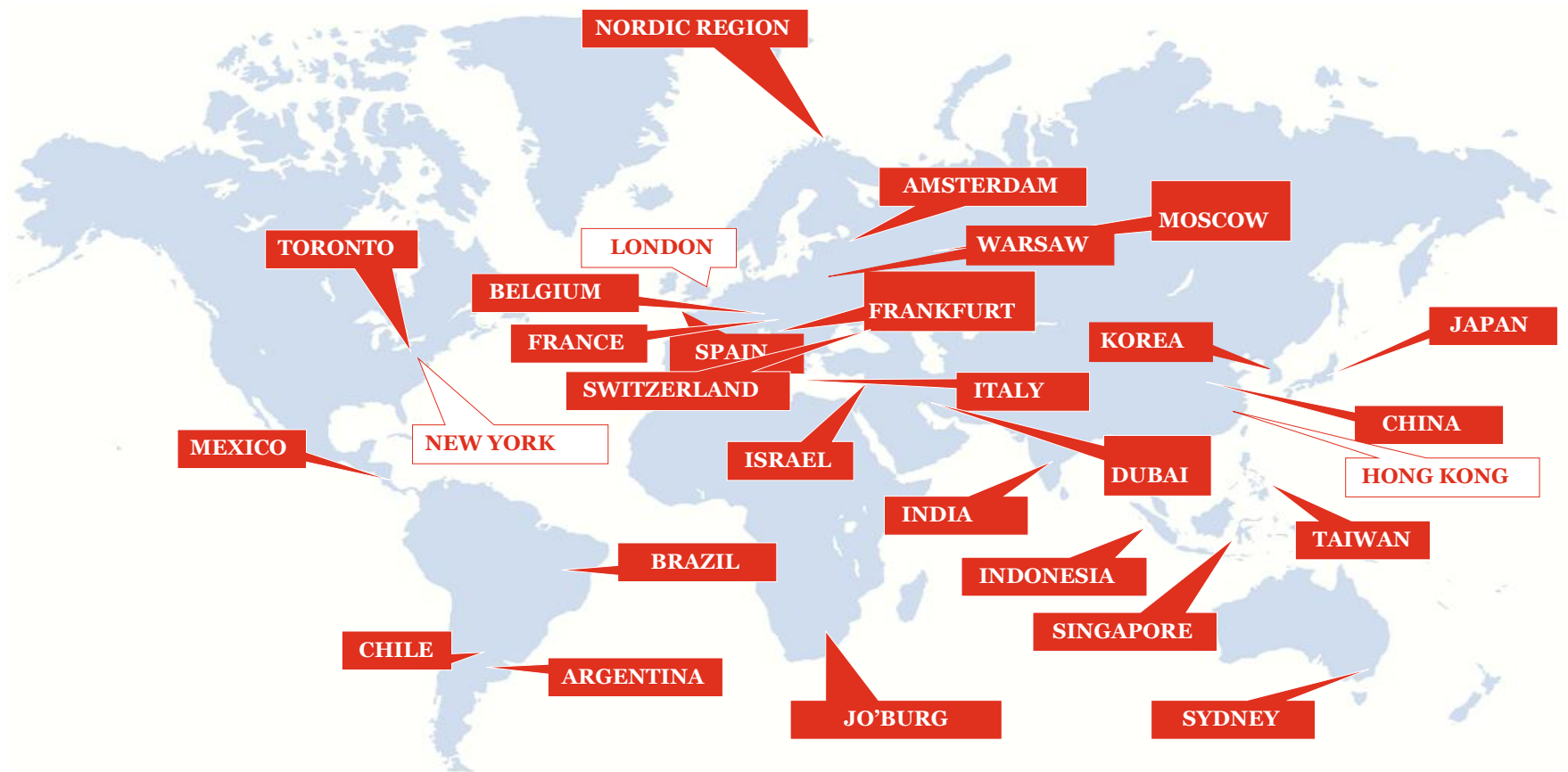
**Corporate  
Governance**

**Accounting  
advice**

**Reporting  
Accountant**

# *PwC Global Capital Markets network*

Over 400 professionals in more than 27 territories



*PwC Capital Markets Group locations*

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# *Thank you*

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