



# Equity Capital Market Watch

Indonesia, H1 2023 in review

August 2023





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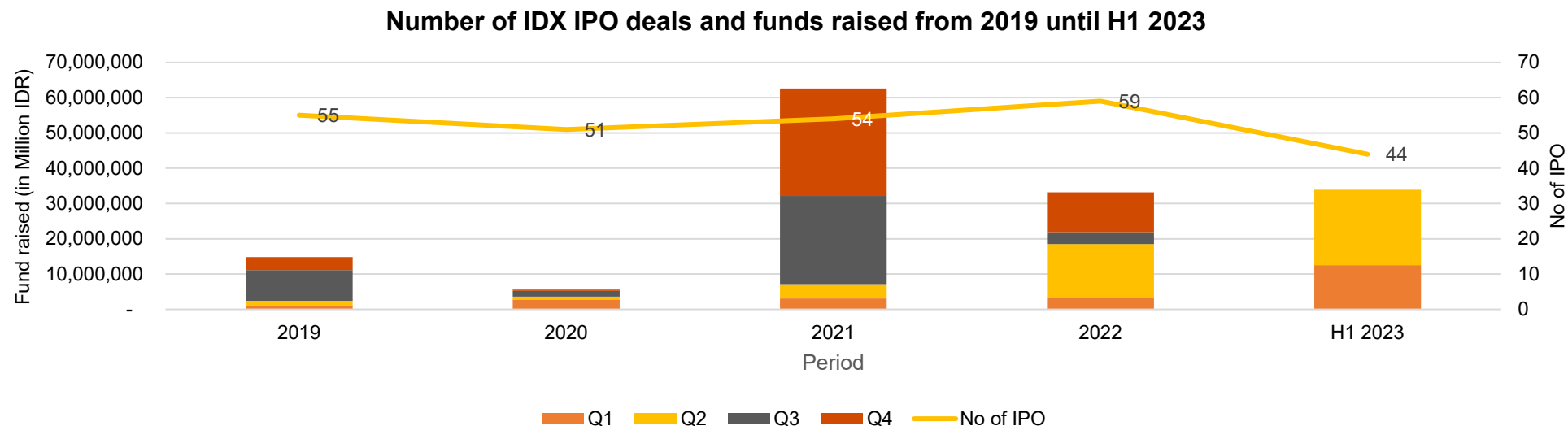
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# Overview



The Indonesian IPO (Initial Public Offering) market has consistently showcased its resilience, with an upward trend in the number of companies getting listed, averaging >50 newly minted companies annually since 2019. While the number of IPO deals in 2020 remained above 50, the Covid-19 pandemic significantly affected proceeds raised with only Rp5,578 billion (US\$395 million), a 62% decrease from 2019. However, the Indonesian IPO Market bounced back in 2021 with total funds raised of Rp62,608 billion (US\$4,502 million), positioning Indonesia as the best-performing IPO market in Southeast Asia. This impressive rebound in 2021 was largely driven by late-stage tech startups such as the IPO of Bukalapak in 2021 followed by GoTo and BliBli in 2022.

Notably, from mid 2022 up to 2023, the market trend shifted from tech start-ups to energy and metals & minerals. The total annual IPO proceeds in 2022 have already been exceeded by the performance in the first half of 2023 which largely came from listings of several nickel and energy companies. As of 30 June 2023, there were 44 listings raising aggregate proceeds of Rp33,905 billion (US\$2.2 billion).

The top three IPO players during H1 2023 were PT Trimegah Bangun Persada Tbk (metals & minerals), PT Pertamina Geothermal Energy Tbk (geothermal), and PT Merdeka Battery Materials Tbk (metals & minerals). These companies contributed 85% of total IPO proceeds during H1 2023. Supported robustly by the combination of domestic and foreign institutional investors, as well as sovereign wealth funds and strategic investors, these sizable IPOs are indicative of a red-hot equity market thus far.

Since 2019, Indonesia has pivoted towards a sustainable economy, emphasizing green and renewable energy alternatives to fossil fuels. Given its vast natural resources, the country stands to meet a significant chunk of global clean energy demand. To attract both domestic and foreign investments, the Government is streamlining regulations, bolstering infrastructure, and promoting development of its natural resources sector. A key ambition lies in dominating the battery market in the coming decade, leveraging the rapidly growing nickel industry and the ambitious electric vehicle ecosystem.

# Performance of companies recently listed in the IDX

## Performance of Top 5 IDX Listings by Proceeds in H1 2023 for Each Board

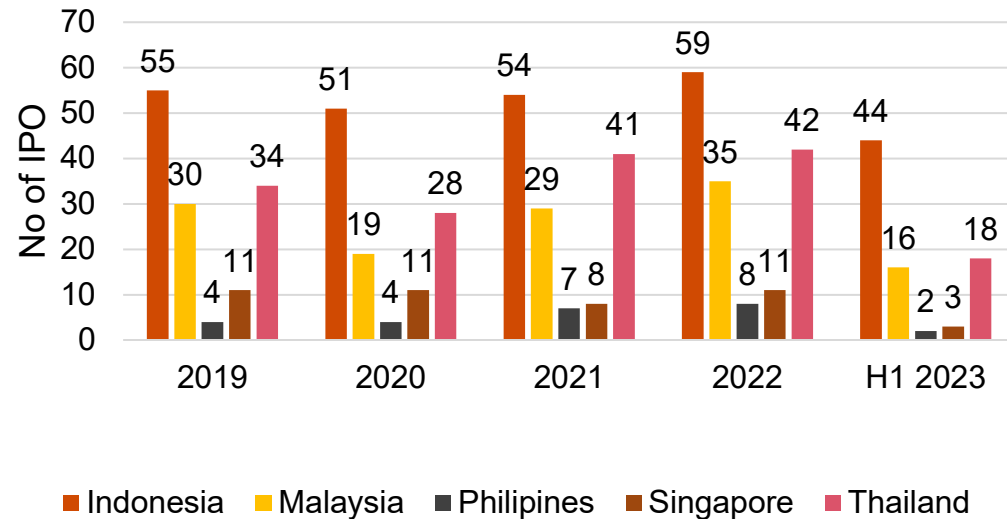
Issuer	Sector	Listing Date	Funds Raised (in Million IDR)	IPO Offering Price (in IDR)	First Day Closing Price (in IDR)	Last Close* (in IDR)	% Change First Day Closing vs IPO Price	% Change Last Close vs IPO Price
<b>Main Board</b>								
PT Trimegah Bangun Persada Tbk	Basic Materials	12-Apr-23	9,997,000	1,250	1,305	935	4.21%	-25.20%
PT Pertamina Geothermal Energy Tbk	Infrastructure	24-Feb-23	9,056,250	875	875	875	0.00%	0.00%
PT Hillcon Tbk	Energy	1-Mar-23	552,875	1,250	1,330	2,690	6.02%	115.20%
PT Petindo Jaya Kreasi Tbk	Energy	8-Mar-23	371,711	220	274	845	19.71%	284.09%
PT Tripar Multivision Plus Tbk	Consumer Cyclicals	8-May-23	217,433	234	292	650	19.86%	177.78%
<b>Sub-total</b>			<b>20,195,269</b>					
<b>Development Board</b>								
PT Merdeka Battery Materials Tbk	Basic Materials	18-Apr-23	9,182,250	795	885	810	10.17%	1.89%
PT VKTR Teknologi Mobilitas Tbk	Consumer Cyclicals	19-Jun-23	875,000	100	111	118	9.91%	18.00%
PT Nusantara Sawit Sejahtera Tbk	Consumer Non- Cyclicals	10-Mar-23	453,166	127	135	212	5.93%	66.93%
PT Jobubu Jarum Minahasa Tbk	Consumer Non- Cyclicals	6-Jan-23	176,000	220	258	336	14.73%	52.73%
PT Saptausaha Gemilangindah Tbk	Properties & Real Estate	8-Mar-23	161,000	100	135	50	25.93%	-50.00%
<b>Sub-total</b>			<b>10,847,416</b>					
<b>Acceleration Board</b>								
PT Graha Mitra Asia Tbk	Properties & Real Estate	22-Jun-23	108,000	90	99	129	9.09%	43.33%
PT Arsy Buana Travelindo Tbk	Consumer Cyclicals	5-Apr-23	96,194	140	154	238	9.09%	70.00%
PT Menn Teknologi Indonesia Tbk	Technology	18-Apr-23	75,000	100	71	46	-40.85%	-54.00%
PT Hoffmen Cleanindo Tbk	Industrials	16-Feb-23	67,600	130	117	204	-11.11%	56.92%
PT Lavender Bina Cendikia Tbk	Consumer Cyclicals	11-Jan-23	52,640	188	170	43	-10.59%	-77.13%
<b>Sub-total</b>			<b>399,434</b>					
<b>Total</b>			<b>31,442,119</b>					

Source: IDX website

\*Last close as of 27 June 2023

# Key regional bourses

**Number of IPOs in Southeast Asia Exchange**



Source: Official stock exchange websites, excluding reverse takeovers and secondary listings

## Indonesia: Leading the Pack in Southeast Asia by Number of IPOs in the Last 4 Years

Indonesia's IPO market has consistently taken the top spot in Southeast Asia in terms of the number of listings. Despite the challenges posed by the pandemic, 2020, 2021, and 2022 witnessed the IDX standing tall among its regional peers, and this momentum has been sustained in H1 2023. Such a positive trajectory speaks volumes about Indonesia's appeal to investors, rooted deeply in its well-maintained political and macroeconomic stability.

## Thailand: Holding a Strong Second Position by Number of IPOs in Southeast Asia

In the competitive IPO landscape of Southeast Asia, Thailand has consistently showcased its appeal to businesses, securing the second spot in H1 2023. Over the recent years, Thailand's Stock Exchange has seen a remarkable trend in IPOs: from 34 listings in 2019, a slight dip to 28 in 2020, and rebounding impressively with 41 in 2021 and 42 in 2022. Thai Life Insurance PCL made headlines by raising approximately US\$1 billion in July 2022, marking it as the largest IPO in Thailand for that year. Until H1 2023, the biggest IPOs on the Thailand Stock Exchange were:

- Master Style PCL, a life science and health care company, listed on 25 January 2023 and raised US\$91 million;
- Millennium Group Corporation (Asia) PCL, a consumer business company, listed on 26 April 2023 and raised US\$65 million;
- MEB Corporation PCL, a consumer business company, listed on 14 February 2023 and raised US\$61 million.

## Malaysia: Charting Growth in the IPO Scene

In 2022, Malaysia's IPO landscape was notably marked by Farm Fresh Bhd, which stood out as the largest IPO of the year within the country. Their noteworthy listing in February 2022 drew significant investor attention, culminating in a substantial rise of around US\$238 million. The Malaysia equity market landscape in 2023 is projected to be an even more robust year. The Malaysia Stock Exchange has set a target for 39 companies to make their public debut, underscoring Malaysia's commitment to fortifying its capital market. Until H1 2023, the biggest IPOs on the Malaysia Stock Exchange were:

- Radlum Development Bhd, a real estate company, listed on 31 May 2023 and raised US\$94 million;
- Cape EMS Bhd, an industrial product company, listed on 10 March 2023 and raised US\$53 million.



# The road ahead

## Outlook for the rest of 2023

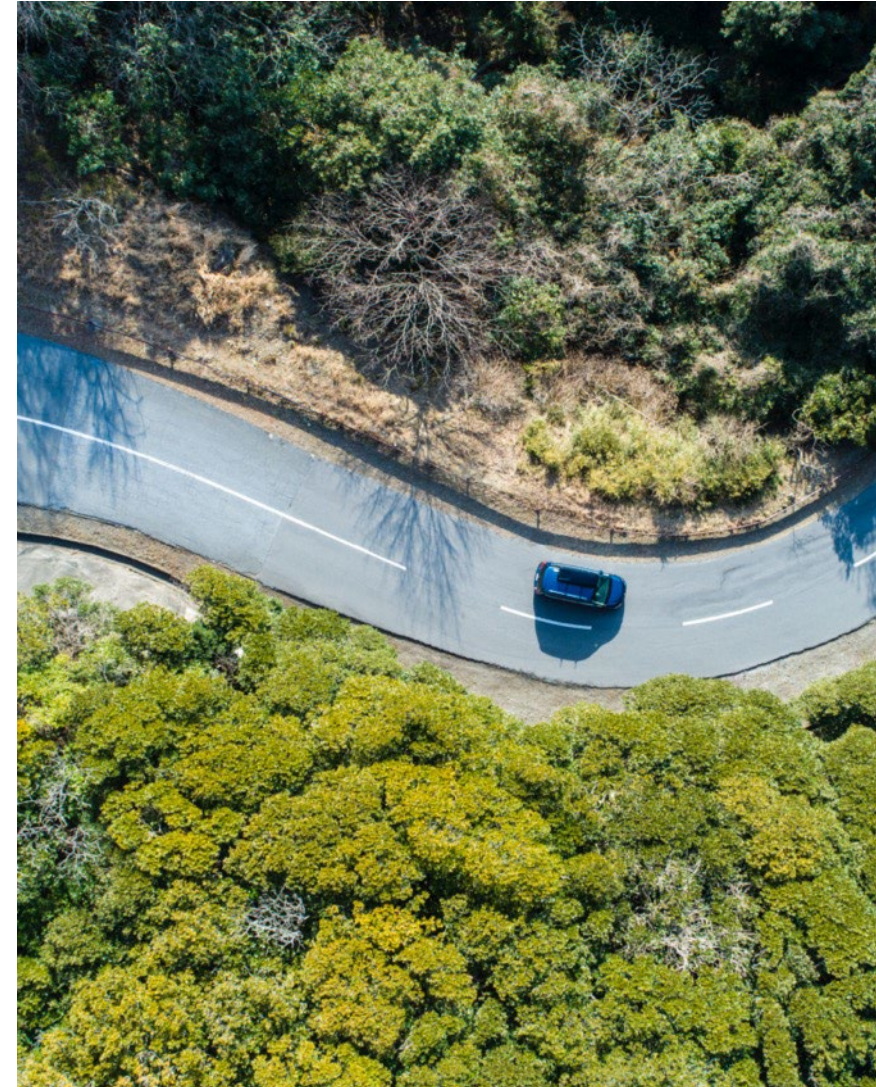
The Indonesian capital market is on the brink of marking a significant milestone in 2023. Astonishingly, as of 9 August 2023, the number of IPO has surged to 62 companies, surpassing the total of 59 companies that went public in 2022. According to the IDX, there are still almost 30 companies in the pipeline for the rest of 2023. This sets the stage for the market to potentially break the historic record of 66 listings set in 1990, as highlighted by the IDX. Such an impressive trajectory is underscored by significant listings like Amman Mineral, a mining company that raised an astounding Rp10.73 trillion (US\$712 million) in early July 2023, contributing significantly to the total funds raised of Rp49.15 trillion (US\$3,227 million) by 9 August 2023.

Given this momentum and with the upcoming 2024 general election in Indonesia, there is a general expectation that companies will seize the fundraising window prior to the general election in early 2024. The pipeline includes listings of several state owned companies, including companies in the nickel and related metals industry to support the Government's effort to accelerate the downstream nickel industry and the creation of an electric vehicle battery ecosystem in Indonesia. The IDX remains hopeful about the upcoming IPOs, underlining their alignment with the Government's broader vision. Nonetheless, this optimism should be tempered with caution.

With investors becoming more selective and price sensitive, potential issuers must focus on becoming fit for listing and avoiding typical pitfalls throughout the process such as:

- Lack of IPO preparation and inability to meet due diligence requirements;
- Poor investor engagement;
- Inability to present both financial and non-financial information to support the equity story;
- Lack of a clear and demonstrable path to profitability.

The year ahead promises both excitement and challenges, setting the stage for a potentially historic year for Indonesia's capital market for the remainder of 2023 and beyond.



# ESG: Sustainability reporting in Indonesia

Starting from 2019, the Financial Services Authority (OJK) mandates Financial Institutions and Public Listed Companies to release sustainability reports pursuant to POJK 51/POJK.03/2017. For guidance on reporting ESG performance, companies can refer to SEOJK 16/SEOJK.04/2021.

Sustainability reporting is mandatory in accordance with the following timeframe:

- Financial service institutions (large banks and foreign banks) - from 2019;
- Financial service institutions (smaller banks, other non-bank financial service institutions, and listed companies) - from 2020;
- Large credit unions and securities companies, public listed companies with medium-scale assets - from 2022;
- Smaller credit unions, pawnbrokers, guarantee institutions and Islamic guarantee institutions, securities companies that do not administer customer securities accounts, and public listed companies with small-scale assets - from 2024; and
- Pension fund - from 2025

Financial services institutions are also required to publish a Sustainable Finance Action Plan, which includes their short-term plan (one year) and long-term plan (five years) annually.

In 2022, **GRI (Global Reporting Initiative)** and **SDGs (Sustainable Development Goals)** are the most commonly used standards and frameworks for sustainability reporting in Indonesia, followed by International Organization for Standardization (ISO) and the Task Force on Climate-related Financial Disclosures (TCFD). IDX became a TCFD supporter in June 2021, as part of its ambition to support sustainability in Indonesia's capital market. Adopters of the TCFD have increased from 4% in 2021 to 10% in 2022.

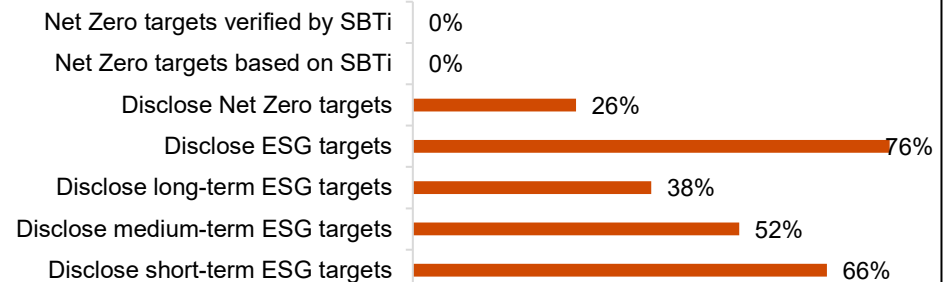
While assurance is not a compulsory at this time, its importance has grown significantly in the current landscape. As stakeholders increasingly focus on companies' sustainability practices, assurance offers a level of credibility and validation. It reinforces trust and provides stakeholders with confidence in the sustainability information presented by companies.

**Indonesia is committed to being net zero or carbon neutral in 2060.**

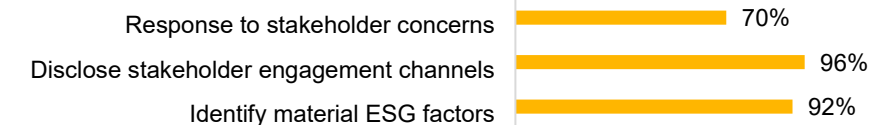
In 2022, a marked increase in transparency concerning sustainability efforts was observed among Indonesian companies. A significant number of them disclosed ESG targets, pinpointing material ESG factors and detailing the ESG scope in their sustainability reports. These insights are drawn from the "Sustainability Counts II" study<sup>1</sup>, a collaboration between PwC and the National University of Singapore's Centre for Governance and Sustainability (CGS).

This study focused on the top 50-listed companies by market capitalisation in selected Asia Pacific regions, including Indonesia. The information was curated from the most recent sustainability and annual reports available as of January 2023, emphasizing reports communicated in English. Below are summary highlights specific to Indonesia.

## Strategies & Targets



## Materiality & Stakeholder engagement



## Building Trust



<sup>1</sup>Source: <https://www.pwc.com/gx/en/issues/esg/esg-asia-pacific/sustainability-counts-2023.html>

# ESG: What's new in 2023

In June 2023, ISSB (International Sustainability Standards Board) issued its first two IFRS Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Financial Information. These Standards are to be applied for annual reporting periods commencing after 1 January 2024.

## IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

### Objective:

Disclosure of material information about **sustainability-related risks and opportunities** and its impacts on financial position to **meet investor (lenders and other creditors) needs**

### Contents:

- **Applies TCFD architecture** whenever providing information about sustainability. The IFRS Sustainability Disclosure Standards are based on the four-pillars of the Task Force on Climate-Related Financial Disclosures (TCFD framework): governance, strategy, risk management and metrics and targets;
- Requires **industry-specific disclosures**;
- Can be used in conjunction with **any accounting requirements (GAAP)**.

### Guidance:

To identify sustainability-related risks and opportunities and material topics, companies can use **IFRS Sustainability Disclosure Standards** and shall consider: **SASB (Sustainability Accounting Standards Board)**, and may consider **CDSB (Climate Disclosure Standards Board)**, **industry practice**, **materials of investor-focused standard setters**, **GRI Standards**, and **European Sustainability Reporting Standards**.

## IFRS S2 - Climate-Related Disclosures

### Objective:

- Disclosure of material information about climate-related risks and opportunities and its impacts on financial position
- Requirement for industry-specific disclosures supported by accompanying guidance built on SASB Standards.

### Contents (not exhaustive):

- **Governance**
- **Strategy**
  - Climate-related risks and opportunities
  - Business model and value chain
  - Strategy and decision making
  - Financial position, financial performance, and cash flows
  - Climate resilience
- **Risk Management**
- **Metrics and Targets**
  - Climate-related metrics
  - Climate-related targets



Greenhouse gas (GHG) emissions are required to be disclosed in IFRS S2, but Scope 3 is exempted in the first year of applying S2.

## Recommendations for adoption of IFRS S1 and S2

- ✓ Alignment between POJK 51/2017, GRI Standards, and IFRS S1 & S2;
- ✓ More comprehensive sustainability and climate risk and opportunities analysis and GHG emission calculation;
- ✓ Demonstrate and locate the connection between climate and sustainability risks and opportunities and financial impacts.



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