The IPO Journey Stop, Look and Leap

A quick guide for companies listing on the Indonesia Stock Exchange

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Introduction

The Indonesia Stock Exchange ("IDX") was ASEAN's fastest growing major exchange in 2021. The Jakarta composite index has grown by over 72% in the decade to 2021. Market capitalisation reached a remarkable level of US$ 578.6 billion (IDR 8,255 trillion) in December 2021. After a muted performance in 2017, the Indonesian equity markets saw increased activity in 2018 and broke the record in 2021. The exchange led the market with 54 IPOs and proceeds of US$ 3.9 billion. This momentum was driven by the listing of technology companies including PT Bukalapak.com Tbk in 2021 and PT GOTO Gojek Tokopedia Tbk in 2022 that raised US$ 1.5 billion and US$ 1.1 billion, respectively. Indonesia has the second highest concentration of unicorns in ASEAN.

As of December 2021, there are 769 listed companies and this number will continue to grow in the coming years. The recent technology boom and the convenience of new regulations to attract new issuers also encourage young and ambitious financial technology companies, e-commerce and other innovative industries to expand their businesses. Many companies in the past preferred to obtain funding through bond issuance or bank loans but going public has become more popular against the backdrop of increasing market capitalisation, and with it, the ability to raise greater sums faster than via bonds or loans.

This guide sets out some of the basic requirements and documents to be submitted to the regulators in relation to an issuer's plan for an Initial Public Offering ("IPO"). These requirements are based on the existing regulations that are applicable in Indonesia, including the recent regulations from the IDX and the Indonesian Financial Services Authority ("OJK").

Registration Statement to OJK

The registration statement for a public offering must consist of a cover letter, a prospectus, a summary prospectus to be used in the public offering, a preliminary prospectus to be used for book building and other documents required as part of the registration statement. Other documents include, among others, the following:

- proposed issue scheduled
- audited financial statements and related audit report/(s)
- comfort letter from the independent public accountants
- further information on forecast and/or projection (if included in the prospectus)
- legal due diligence report and legal opinion
- appraisal report
- underwriting agreement (if any)
- guarantee agreement (if any)

If the latest audited financial statements have aged more than 180 days (without any relaxation period due to COVID-19) when the IPO is deemed effective, an audit of subsequent interim financial statements is required. A review or audit of the comparative interim period is not required.

In addition, OJK may request additional information as part of OJK's review process through OJK's comment letter. Such information is not intended to be available to the public such as tax registration numbers of commissioners, directors or shareholders, copy of articles of association for institutional shareholders or any other information received by OJK from parties involved in the public offering to support the adequacy and accuracy of the required disclosures and to address OJK's questions.

The Issuer and the capital market supporting professionals are liable for the accuracy and completeness of the information contained in the registration statement and supporting documents.

OJK has issued regulation No. 58/POJK.04/2017 on the Electronic Submission of Registration Statements and Applications for Corporate Actions, which requires the Issuer to utilise the OJK's online licensing system (called SPRINT) for the submission of all documents relating to registration statements.

Public Offering

Under Indonesian laws, a 'Public Offering' is an offering of securities (including shares) by an Issuer carried out in the territory of the Republic of Indonesia or to Indonesian citizens by using mass media or offered to more than 100 parties or sold to more than 50 parties, within a certain time and specified amounts.

Registration Requirements

In order to be able to undertake an IPO, an Issuer must submit a Registration Statement to the OJK in respect of the proposed sale or offering of its securities to the public. The IPO may only take place after the Registration Statement has been declared effective by the OJK.

General Listing Requirements

An IPO is normally followed by the listing of the securities on the stock exchange. Currently, there is only one stock exchange in Indonesia, the IDX.

The IDX currently has 3 (three) boards: Main Board, Development Board, and Acceleration Board. The Main Board serves as the flag-carrier of the IDX and is intended for companies fulfilling regional listing standards relating to size, track record and net tangible assets. The Development Board allows listing of both large and small companies with prospects but which do not yet qualify to list on the Main Board. The Acceleration Board allows the listing of small and medium-sized companies that have potential but are not yet qualified to be listed on the Development Board.

Type	Main Board & New Economy Board (4)	Development Board	Acceleration Board(2)
Corporate form	An Indonesian limited liability company (*Perseroan Terbatas* or PT)	An Indonesian limited liability company (*Perseroan Terbatas* or PT)	An Indonesian limited liability company (*Perseroan Terbatas* or PT)
Company history	36 consecutive months of commercial operation history	12 consecutive months of commercial operation history	The company must have commenced its commercial operation illustrated by the revenue recorded in the most recent financial year
Financial statements and audit opinion	Audited financial statements of the most recent 3 (three) years with unmodified opinion covering the financial statements for the last 2 (two) years and last interim financial statements (if any)	Unmodified opinion covering the financial statements for the last 12 months and the last interim financial statements (if any)	Unmodified opinion covering the audited financial statements of the most recent financial year or covering the period less than one year since the establishment of the company
Capital	Shall fulfill one of the following conditions: • Profit before tax in last one financial year and Net tangible assets (1) min. IDR 250 billion, or • Cumulative profit before tax in the last two financial years min. IDR 100 billion and Market Capitalisation Value min. IDR 1 trillion prior to listing, or • Revenue in the last one financial year min. IDR 800 billion and Market Capitalisation Value IDR 8 trillion prior to listing, or • Total Assets in the last one financial year min. IDR 2 trillion and Market Capitalisation Value min. IDR 4 trillion, or • Operating Activity Cash Flow in the last two financial years min. IDR 200 billion and Market Capitalisation Value min. Rp 4 trillion.	Shall fulfill one of the following conditions: • the company has minimum Net Tangible Assets of IDR 50 billion; or • the company has (i) cumulative profit before tax for the last two financial years of IDR 10 billion; and (ii) minimum Market Capitalisation Value of IDR 100 billion prior to the listing date; or • the company has minimum revenue in the last one financial year of IDR 40 billion; and (ii) minimum Market Capitalisation Value of IDR 400 billion prior to the listing date • total assets in the last one financial year min. IDR 250 billion and Market Capitalisation Value min. IDR 500 billion. • operating Activity Cash Flow in the last two financial years min. IDR 20 billion and Market Capitalisation Value min. 400 billion. For a company which has experienced loss or has not booked any profit or has been operating for less than 2 (two) years, it must obtain operational and net profit at the end of the 2nd financial year after the listing date based on its announced financial forecast, or end of 6th financial year for businesses that require a longer period of time to reach break-even point (e.g. infrastructure, plantation, forestry concession right, or industrial forest concession right or other businesses related to public service)	Not regulated (3) For a company which has experienced operating loss or has not booked any profit, it must achieve an operating profit at the latest by the end of the 6th financial year after the listing date based on its financial forecast.
Minimum no. of stakeholders	≥1,000 with following conditions: • for a Prospective Listed Company making a Public Offer, the number of shareholders is shareholders after the IPO; • for a Prospective Listed Company originating from a Public Company, the number of shareholders is the latest number of shareholders no later than 1 (one) month prior to submitting an application for Listing.	≥500 with following conditions: • for a Prospective Listed Company making a Public Offer, the number of shareholders is shareholders after the IPO; • for a Prospective Listed Company originating from a Public Company, the number of shareholders is the latest number of shareholders no later than 1 (one) month prior to submitting an application for Listing.	≥300, after the IPO
Public float	At least 300 million shares owned by non-controlling shareholders and non-substantial shareholders after the initial listing and must be at least: • 20% if total equity is < IDR500 billion prior to listing • 15% if total equity is IDR500 billion to IDR2 trillion prior to listing • 10% if total equity is > IDR2 trillion prior to listing	At least 150 million shares owned by non-controlling shareholders and non-substantial shareholders after the initial listing and must be at least: • 20% if total equity is < IDR500 billion prior to listing • 15% if total equity is IDR500 billion to IDR2 trillion prior to listing • 10% if total equity is > IDR2 trillion prior to listing	At least 20% of shares in paid-up capital owned by non-controlling shareholders and non-substantial shareholders after the initial listing

Note:

(1) Total assets (excluding intangible assets, deferred tax assets) less total liabilities and minority interest.

(2) On 22 July 2019, IDX issued Regulation No. I-V, No. Kep-00059/BEI/07-2019, which was mainly intended to regulate the listing in Acceleration Board with the purpose to expand the funding opportunity for small and mid-sized companies, also to improve investment products. IDX can transfer the listing of such comp anies from Acceleration Board to Development Board or Main Board, subject to the fulfilment of types for each boards as specified above and subject to the assessment from IDX regarding thereof. Such transfer will be done by IDX on every month of May and shall be effective in accordance with the IDX announcement. Further, the companies intending to be listed in the Acceleration Board are subject to OJK Regulation No. 53/POJK.04/2017 on the Registration Statement for the Public Offering and Increase of Capital with Pre-emptive Rights by the Small and Mid-sized Companies.

(3) Not regulated based on the IDX' listing rule. However, based on OJK Regulation on the Registration Statement in relation to the Public Offering and Increase of Capital with the Pre-emptive Rights for the Medium and Small-size Issuer, (i) the small-sized company is: (a) a company with total assets is not more than Rp50 billion, and (b) is not controlled by any shareholder of non-small or medium size company, and/or the company with total assets of not more than Rp250 billion, and (ii) The medium-sized company is (a) a company with total assets is more than Rp50 billion up to Rp250 billion, and (b) is not controlled by any shareholder of non-small or medium size company, and/or the company with total assets of more than Rp250 billion

(4) The New Economy Board is a listing board which is equivalent to the Main Board. Companies can be listed on the New Economy Board if the company fulfils the conditions listed on the Main Board and has special characteristics determined by the Exchange, includes:
- have high revenue growth;
- uses technology to create product or service innovations that increase productivity and economic growth and have social benefits; and
- included in the business field as determined by the Exchange.

Listing Requirements for Mining Companies

In addition to the general requirements that apply to all types of business, the IDX has introduced additional listing requirements specific to mining companies in No. I-A.1 Kep-00100/BEI/10-2014, as follows:

- Own the necessary permits for mining, production operation, land permits and other permits that are related to the mining activities
- At least one of the directors has an engineering education background and has experience in operations in a managerial position in mining companies for at least 5 (five) years in the last 7 (seven) years.
- Have proven and probable reserves based on a competent person's report
- Have a Clean and Clear (CnC) certificate or other documents equal to mining certification from the Directorate General of Minerals and Coal or other authority appointed by the Government of Republic of Indonesia
- For a candidate that has entered production stage but has not commenced any sales, the candidate must have:
  - A feasibility study report for 3 (three) years and be signed by a competent person before the listing application is submitted to IDX
  - A statement from a competent person that the data and information in the feasibility study is still valid and relevant, created within 1 (one) year of the listing application being submitted to the IDX
  - A permit for operational production for the mining area included in the feasibility study
  - The candidate's financial projection must show profit at the end of 4th year after the listing date
  - A work plan and budget for the implementation of mineral or coal mining business activities which have been previously submitted to the authorised institution.

Tax Considerations

Sale of shares in public companies

Under Government Regulation No. 14/1997, the sale of listed shares is subject to 0.1% final income tax on the amount of the proceeds. The 0.1% final income tax shall be withheld by the IDX and paid to the State Treasury.

For founder shares (i.e. shares owned by the existing shareholders when an IPO is considered effective by the relevant authority), a 0.5% final income tax should be paid by the founder shareholders within 1 (one) month after listing to make them eligible for the 0.1% final income tax rate on subsequent sale of the listed shares. Otherwise, any capital gain from the sale of founder shares in the future will be subjected to normal income tax rates (currently 22% for companies and progressive rates up to a maximum of 35% for individuals).

Corporate Income Tax reduction for eligible public companies

Under Government Regulation No. 30/2020, a 3% reduction in Corporate Income Tax can be granted to public companies which satisfy the following conditions:

- At least 40% of their paid-in shares are publicly owned; and
- The public should consist of at least 300 individuals, each holding less than five percent of the paid in shares;
- These two conditions should be maintained for at least six months (183 days) in a tax year.

If in a particular year either or both of the conditions are not met, the facility is not applicable for that year.

(Note: the discussion above does not include tax matters or consequences in connection with purchase, ownership and disposition of shares in a listed entity by a non-resident individual or non-resident entity)

Preparation for Life as a Public Company

Once listed, the company has to be prepared to perform as a public company where there will be a greater degree of public scrutiny and continuous financial reporting and regulatory compliance obligations. It is highly suggested that the company has familiarised itself with public company standards before undertaking an IPO.

The most significant change is the rigid timeline of financial and other regulatory reporting preparation and submission to the public, which requires the company to accelerate its reporting process, both financial and administrative matters.

Reporting Requirements

Certain periodic reports must be released to the public through the IDX and subject to the supervision of the OJK. These periodic reports include the audited annual financial report, annual report, interim financial report and incidental reports

Type of Report	Description	Submission Due Date
Annual financial statements	Consists of the audited annual financial statements, and the accompanying external auditor's opinion.	At the latest 3 (three) months after the end of the financial year. In addition, the public announcement should be released in 2 (two) Indonesian daily newspapers, of which one has to have a national distribution. Small/medium sized companies are required to announce only in 1 (one) Indonesian daily newspaper with national distribution.
Annual report	This is the annual report to shareholders (conforming to OJK specifications), and it discloses information about significant financial data, report of the Boards of Commissioners and Directors, company's profile, corporate governance, management analysis and director's responsibility on the financial statements. It also contains the company's audited annual financial statements, which includes the external auditor's opinion.	At the latest 4 (four) months after the end of the financial year.
Interim financial statements/semi-annual financial statements	IDX requires the company to submit an interim financial statements for each quarter of the fiscal year (OJK only requires the company to submit a semi-annual financial statements/2nd quarter of the fiscal year). There is no requirement from OJK/IDX for the interim financial reports to be reviewed/audited by independent accountants prior to filing.	• Unaudited/unreviewed - end of the first month after fiscal quarter end • Reviewed - end of the second month after fiscal quarter end • Audited - end of the third month after fiscal quarter end
Incidental reports	This is a report filed for significant events/information/facts relating to the public company such as conflict of interest transactions; a change in principal activity; an acquisition or disposal of assets; merger; bankruptcy; a change of independent public accountants; dividend declaration; a commitment to a plan involving exit or disposal activities; asset impairments; material legal claims; change in management and other material information or facts possibly affecting share prices.	As promptly as possible and no later than 2 (two) working days after the occurrence of the material information or fact.
Other periodical reports, as relevant, among others:	(i) Fund Utilization Realization Report (*Laporan Realisasi Penggunaan Dana* or "LRPD") to OJK regarding the utilisation of proceeds from public offering. (ii) Report to IDX by a company which will conduct any corporate action that may cause a dilution for the holders of equity stocks other than shares, requiring the company to report to the IDX regarding such corporate action and the plan to protect the interests of each holder.	(i) LRPD shall be submitted every 6 (six) months with the report dates of 30 June and 31 December. The first LRPD shall be made at the closest date of the transaction, and the next LRPD shall be delivered to OJK on the 10th of the next month. (ii) Report to IDX regarding corporate action that may cause dilution of shares shall be submitted at the latest on the next day after the company decides to conduct the action.
Public expose	Public expose is a general presentation to the public explaining the performance of the company spread evenly throughout the year. The company is required to conduct the annual or incidental public expose as requested by IDX and in the Indonesian language. The public expose can be held at IDX office, or other places as long as the investors, analyst, fund manager, representative of IDX and mass media can all be present.	At the latest 3 (three) IDX Days after the public expose, a report consists of a summary of discussion in the session, and a copy of the list of attendees.

Environmental, social and governance (ESG)

The impact of climate change is a high-profile issue that investors and regulators are focusing on. There are two broad categories of risk: the first is the threat of exposure to the physical risks of climate change, such as severe weather events and the effects of rising temperatures; and alongside the physical impacts are what many call the transitional impacts, by which we mean the policy changes and economic consequences of efforts being made towards decarbonization of the economy. With respect to transitional risk there is both a 'top down' impact - in the form of changes in legislation and policy - as well as a 'bottom up' shift in consumer preferences for low or no emissions products.

OJK issued POJK NOMOR 51 /POJK.03/2017 on the application of financial sustainability report for financial institution, issuer, and listed company. The financial sustainability report must be submitted to regulators aligned with the annual report of the listed company. The application of financial sustainability report must cover several principles as follows:
- Responsible investment
- Sustainability business strategy and practice
- Social and environment risk management
- Governance
- Informative communication
- Inclusive
- Development of priority sector
- Coordination and collaboration

The due date of submission of the sustainability report to regulators is the same as the Annual Report. The sustainability report can be submitted as part of the Annual Report or reported separately.

Multiple Voting Shares (MVS)

On 1 December 2021, the OJK issued the regulation governing the implementation of classes of multiple voting rights share ("**MVS**") under OJK Regulation No. 22/POJK.04/2021 (the "**MVS Regulation**").

Multiple voting share means the share which entitles the holder to exercise a greater number of votes per share than the holder of any other class or series of shares of the issuer.

The MVS Regulation enables the implementation of shares classification with multiple voting rights for companies that create innovations with high productivity and growth rates (in which such companies intend to become listed companies).

MVS can only be implemented by issuers deemed as having innovation and high growth rate, specifically technology start-ups that intend to do an IPO in Indonesia. Usually, there are concerns among start-up founders when conducting an IPO because of the potential dilutive effect on the founder's ownership in the company, which in turn diminishes the founder's ability to retain control of the company. By issuing the MVS Regulation, OJK tries to facilitate for start-up founders to retain certain control over the company and protect their vision post-IPO. Concurrently, the MVS Regulation also provides certainty to the public regarding who holds control over the company.

Issuer Eligibility Criteria

An issuer that intends to implement MVS must stipulate the MVS classification in its articles of association and fulfill the following criteria:

1. Utilises technology to create product innovation that enhances productivity and economic growth, as well as produce a broad range of social benefits;
2. Have shareholder(s) that provide significant contribution to the utilisation of technology;
3. Have:
   a. Total company assets of at least IDR 2 trillion based on the latest audited financial report;
   b. Conducted operational activities for at least three years before the submission of the registration statement;
   c. A compound annual growth rate in total assets of at least 20% within the last three-year period based on the relevant annual audited financial reports;
   d. A compound annual growth rate in revenue of at least 30% within the last three-year period based on the relevant annual audited financial reports;
4. Is an existing issuer who has never conducted public offer of equity securities;
5. If relevant, satisfies any other criteria as determined by the OJK.

MVS Holder Criteria

Parties that are permitted to possess MVS for the first time must meet the following requirements:

1. Must have been determined as holders of MVS during a general meeting of shareholders of the issuer ("GMS");
2. Must have been listed within the relevant IPO prospectus; and
3. Must possess more than 50% of all voting rights.

In addition, the following parties may also become MVS holders after the IPO:

1. Parties that can possess MVS, as listed within the IPO prospectuses; and/or
2. Members of boards of directors who make a significant contribution to the business growth of MVS Issuers and who have been approved by the relevant independent shareholders during the GMS.

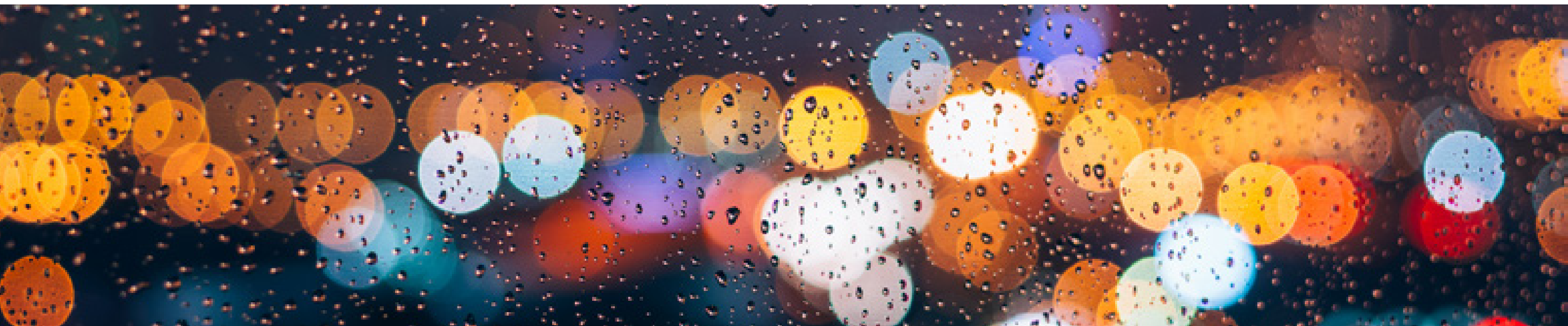
If the holders of MVS encompass more than one party, then the MVS holders must pursue the same vision and mission; and vote the same way in relation to every decision made during the GMS.

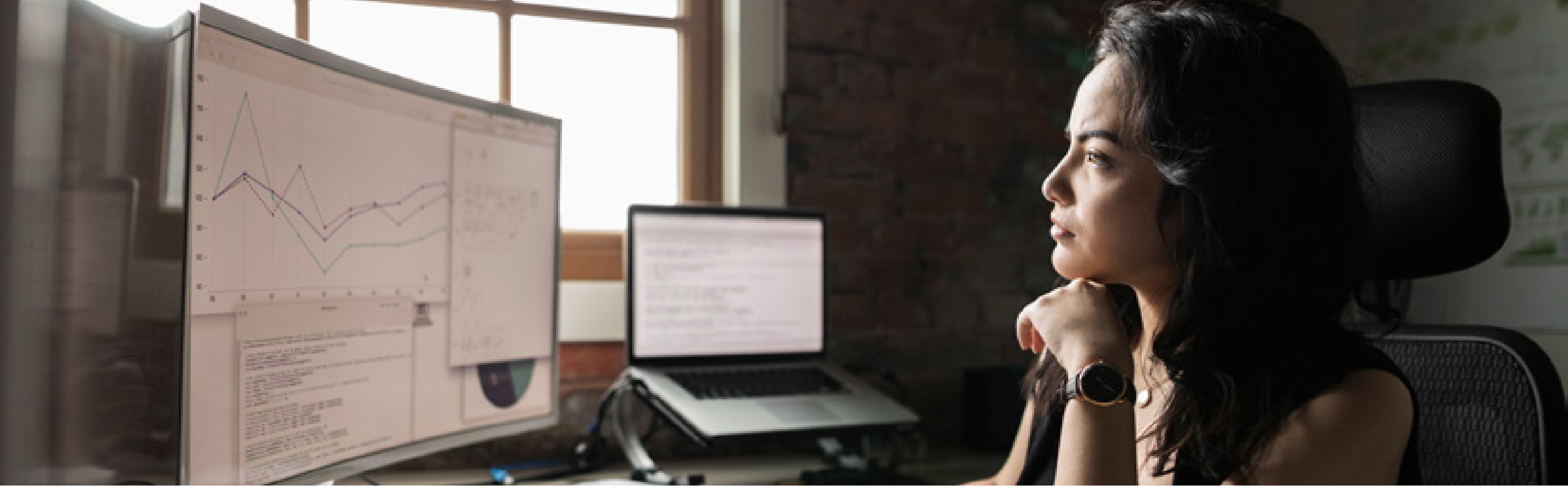
Term of MVS

Under the MVS Regulation, the MVS classification may be implemented for 10 years following the effective date of the issuer's IPO registration statement. The period can be extended once for a maximum of another 10 years, subject to approval from the independent shareholders in a general meeting of shareholders.

Lock-Up Period

In addition to the above limit, the MVS Regulation prohibits MVS holders from transferring all or part of their MVS for two years after the effective date of the IPO registration statement. Meanwhile, holders of pre-public-offering ordinary shares are prohibited from transferring their shares until eight months after the effective date of the IPO registration statement, if the book value for each share is lower than the public-offering value based on the most recent financial statements.





Where to Start?

You have now decided to explore the potential for an initial public offering. Where do you start your preparation?

Getting started

We have a proprietary IPO readiness assessment using a holistic framework which is both time-efficient for senior management and thorough in scope. With one call to our Capital Markets team, we can mobilise a cross-functional team to be with you quickly and be ready to advise and assist you in your assessment.

When should you know your state of readiness?

Most companies underestimate the significant effort and time needed to develop the capabilities needed to be public. Twelve to eighteen months ahead of an IPO kick-off with your legal and banking team would be the optimal time to assess your state of readiness. This affords your team the time needed to build your capabilities in such a way that your IPO process proceeds smoothly. It is much more challenging to try and develop your capabilities while in the middle of an IPO process. You still have to be able to run your company and the demands of a readiness are significant as are the calls on your time from the IPO process.

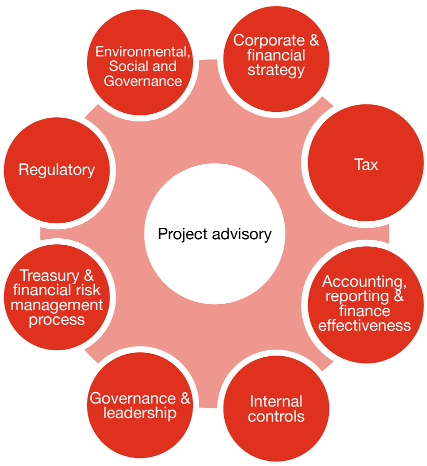
This is where PwC can help

Most private companies are likely unprepared to be public and will need a significant investment of management time and funds to bring their capabilities up to public company standards. This period of preparation which PwC calls “readiness” can be 12-24 months depending on the maturity of the company and the complexity of the business. The first step to readiness is an assessment of where your company currently stands. You cannot change what you do not measure. We can help you properly assess and identify gaps in your company’s preparedness.

By undertaking a structured exercise to analyse a company’s state of preparedness for going public, we can give you a full understanding of key IPO issues as they apply to your company. From the results of this assessment, we can help you develop a project plan to address issues and identify resources. A typical IPO readiness assessment addresses the questions: What additional information is needed for the prospectus, such as additional financial statements of acquired and to-be-acquired businesses? Are the accounting policies suitable for a listed company? How do they compare to the peer group? What additional disclosures will be required as a listed entity?

How can the capital structure be improved? Are there any other financing alternatives? What comparables should be considered for the IPO? How will the company be valued? How to execute the capital market transactions, including dealing with the underwriters? Where is the company as it relates to Environment, Social and Governance (ESG) matters?

The chart below illustrates our IPO Readiness framework that we will use to identify and evaluate the needs of your company.



Advanced planning helps you minimise the impact of potentially unpleasant surprises and be prepared to benefit from any positive market movements. In our experience, businesses that have undertaken a full pre-IPO readiness exercise are those that are best prepared to handle the complexities of an IPO.

Start Early

The portrayal of the timeline that needs to be in your mind set out below. Unlike timelines that focus on the “going public” process typically signified by the kick-off meeting with bankers and lawyers, the PwC timeline is thorough. We know from experience that companies need time to transform their practices internally and move the organisation into a public company mindset. If you are thinking about being public in 1-2 years, you are currently in the hot zone of this timetable. The PwC readiness assessment applies a holistic framework designed to help you guide your company through pricing into public company status. Again, your guiding principle should be to create an organisation capable of “being” public vs simply “going” public.

Kick-off meeting | IPO Pricing

12 - 18 months	6 months	Years
Pre IPO	IPO	Post IPO

Assessment

Readiness
Planning and preparation

Going Public
Execution of the IPO Process

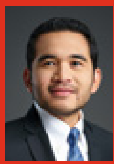
Being Public
Application of a holistic framework to transform the company, enabling it to operate as a public company

Contacts

Irwan Lau
irwan.lau@
pwc.com

Ali Widodo
ali.widodo@
pwc.com

Eric Darmawan
eric.darmawan@
pwc.com



Danar Sunartoputra
danar.sunartoputra@
pwc.com

Andi Harun
andi.harun@
pwc.com

pwc