Challenges of an IPO

Going public is a major challenge for any company and there are many decisions that will need to be taken prior to an IPO. Management will need to steer the company through a complex and often time-consuming process in order to be ready for an IPO.

Planning and good preparation are crucial for a successful flotation. It’s not simply a question of appointing advisors but about ensuring that the company is ready to be listed on the public markets and that it is able to meet the challenges that such a listing brings.

In our experience, there are a number of key issues to address prior to an IPO:

- Choosing the right market
- Preparation of a well-constructed, attractive investor ‘story’ and future strategy
- Ensuring that the board of directors and management team have the right blend of experience and skills
- Establishing the right corporate governance structure, underpinned by robust management information and management reporting systems
- Ensuring appropriate board committees are operating effectively
- Assessing suitability of existing capital and organisation structure
- Financial track record
- Effective and efficient operations including reporting processes
- Readiness to change and embrace a “listed company” mindset
- Management and employee incentive arrangements

All of these issues require a significant amount of time and resources and need to be undertaken in addition to the day-to-day requirements of running the business itself.

How can PwC Indonesia Help?

At the start

IPO readiness assessment

By undertaking a structured exercise to analyse a company’s state of preparedness for the listing requirements of the chosen market, PwC Indonesia (PwC) can provide management with a full understanding of the key IPO issues as they apply to the company. The output of this assessment, a project plan can be developed to address these issues and identify resources to perform the necessary remediation work.

A typical IPO readiness assessment would cover the following areas:

- The historical track record and equity story
- How do they compare to the peer group?
- Are there any transitional issues?
- What additional disclosures will be required as a listed company?
- Transaction structuring (e.g. tax efficiency)
- Identification of key value drivers and risk factors impacting on business valuation
- Assessment of existing systems, financial reporting procedures and management information to identify potential weaknesses or opportunities for enhancements
- Assessment of corporate governance arrangements
- Help in selection of the right market and advisory team
- General planning and preparation for being a public company

Throughout the assessment process, issues can be identified and dealt with at an early stage saving time and money. Early planning allows you to react quickly, minimise potential embarrassment, reputational damage as well as the potential for company and personal fines. It is the first 12 months post-IPO where the benefits of careful preparation and planning are realised.

The IPO is not the end of the story – it is only the beginning. Once listed, a company will address these issues and identify resources to perform the necessary remediation work.

After the IPO

There are many ways in which PwC can assist during the IPO process itself:

- Advising on business plan & financial modelling, investment case and business valuation
- Providing due diligence support, including reviews of the listing prospectus and offering memoranda
- Providing advice on the company’s financial reporting procedures including assisting in drafting any required financial reporting procedures.
- Helping address and implement organisational structure, process or corporate governance changes
- Advising on culture and employee management including incentive schemes as well as the need to establish the right resources
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Questions?

If you are planning on listing, there will be many questions you will want to ask:

- What is an appropriate IPO price?
- What does being a public company really mean?
- How long will it take to complete an IPO?
- How do we have the right resources?
- Are my people ready?
- Do we have an attractive story for potential investors?
- What is the best way to articulate our strategy?
- What are the corporate governance issues we need to address?
- What are the implications of a concurrent offering of shares to institutions in Indonesia or the US (via 144A) or elsewhere (via Reg S)?
- How can we ensure we have a competitive advantage over other companies in the sector?
- In my finance function ready?
- Are the operations run and managed efficiently?
- What additional disclosures will we need to provide as a public company?
- Which of our subsidiaries has a modifiable audit opinion?
- How do we need to adapt our board and governance structures?
- How will this affect our existing incentive arrangements?
- Any other possible listing venues?
This brochure highlights some of the issues that will need to be resolved before, during and after a successful Initial Public Offering (“IPO”) process. At PwC, we have unmatched experience in public offerings across a wide range of markets both domestic and international and can assist you in resolving many of the issues identified in this brochure.

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PwC Indonesia IPO Centre

PwC Indonesia’s IPO Centre is comprised of specialists who provide a broad range of services to companies in connection with capital markets transactions, including:

- Advising on and assessing your company’s readiness for becoming a public company
- Considering listing eligibility issues
- Lead advisory services - providing advice in the evaluation, preparation and execution of the IPO
- Advising on the restructuring and re-organization to effectuate the IPO
- Advising on establishment or enhancement of internal audit and other governance systems suitable for a listed company
- Acting as reporting accountants (auditors) on capital markets transactions
- Assisting and advising on accounting conversion projects
- Advising on regulatory issues
- General planning and preparation

Photo courtesy of Indonesia Stock Exchange (IDX)

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