

On the Road to IPO: Stop, Look and Leap

A Summary Guide for Companies
to Listing on the Indonesia Stock Exchange



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The Decision to Go Public

What does “going public” mean? It is the process of offering securities—generally common shares—of a privately owned company for sale to the public. The first time these securities are offered is referred to as an Initial Public Offering or IPO.



Public offering

An IPO in which a company sells its unissued securities and receives all the proceeds in the form of additional capital is called a primary offering. A securities sale in which securities held by the owners of the company are sold and from which the owners (not the Company) receive the proceeds is called a secondary offering. IPOs are almost always primary offerings, but may include the sale of shares held by the present owners.



Why “go public”?

The most important question business stakeholders should ask is, “Why go public?” Some of the possible reasons include the following:

- to raise money for expansion of operations;
- to facilitate acquisitions of other companies (strategic alliance or merger);
- to attract and retain employees;
- to diversify and liquefy personal holdings;
- to provide liquidity for existing owners/ shareholders/investors;
- to strengthen the company’s reputation and brand recognition; and
- exit or partial sale of the company.

Other reasons may be private and personal. It is very important to keep specific goals in mind throughout the IPO process.

Tip



During the IPO process, companies often underestimate the requirements to complete the transaction in addition to the ongoing obligations and scrutiny of life as a public company. An early assessment of a company preparing to go public could uncover unforeseen issues, including in the following areas:

- financial reporting;
- tax;
- governance;
- internal controls;
- compliance;
- valuation;
- environmental, social and governance (“ESG”); and
- structuring (tax and legal).

Tip



Companies need to objectively assess their readiness for life as a public company. Going public requires management to be prepared to meet shareholder and market expectations from day one.

Companies will need to address ongoing compliance and regulatory requirements, operational effectiveness, risk management, periodic reporting and investor relations.

Is going public right for your company?

A company usually begins to think about going public when the funding required to meet the demands of business expansion begins to exceed its ability to raise additional private/venture capital or debt capacity. But simply needing capital does not always mean that going public is the right, or even possible, answer. A company must also be perceived as an attractive investment candidate with a solid business plan, management team, and growth prospects.

Going public is, in every sense, a transformational event. It has to be the right strategy for funding the next stage in the organization’s development. The organization has to be prepared to accept the additional disciplines that come with being a public company, and if so, which market will provide the best valuation and access to capital at the right time.

The answers to the following questions may help determine if a company is a public offering candidate.

Does your company have an attractive track record?

Generally, a company that outpaces the industry average in growth will have a better chance of attracting prospective investors than one with marginal or inconsistent growth. Investment bankers want the IPO that they underwrite to be successful. Therefore, they look for companies that can fulfill several benchmark criteria to boost the chances for a successful offering and good performance in the aftermarket.

Here are some of the most important factors:

- a large addressable market;
- a unique and differentiated business model;
- an attractive product or service, preferably one with a competitive advantage or first mover status;
- an experienced “public company-ready” management team;
- a positive trend of historical financial results;
- favorable financial prospects in a growth industry, including revenue growth, future earnings visibility, and strong cash flow generation;
- a well-thought-out, focused business plan;
- strong financial, operational, and compliance controls; and
- practical, purpose-led ESG plan.

Although some companies may not currently meet all these criteria, they may still be perceived as having enormous potential for growth due to other favorable characteristics (e.g., a product or service that is highly visible, unique, or of interest to the public and capable and committed management).

Has your company received venture or private capital funding?

Many growing companies can increase credibility and validate their business strategy and management team before they go public by first raising private equity to expand their business and overall market reach. Investments from private equity sources are viewed as “smart money”, which can also help increase valuation leading up to an IPO.

Has your company reached the point where prospects for maintaining strong sales and earnings growth trends in the future are reasonably good?

Many companies that have successfully gone public have illustrated market support for their product or service that would sustain an increasing annual growth rate over a period of time.



Are your company's products or services highly visible and of interest to the consuming and investing public?

An established company can answer this question with historical sales data, while an early-stage company must use market research projections and demonstrate product superiority. An early-stage company may qualify as an IPO candidate due to the uniqueness of its product or service.

Is your ESG profile appealing to sustainability-focused investors?

Many investors prioritize investing capital in companies that are not only profitable but are also seeking to mitigate climate change risk, reduce environmental impacts, promote diversity, equity, and inclusion, promote corporate social responsibility, increase impact on the community, and develop strong corporate governance structures. A company considering an IPO should understand heightened investor expectations and determine the impact of ESG on its equity story.

Is your company prepared to furnish financial statements with the Indonesian Financial Services Authority (“Otoritas Jasa Keuangan” or “OJK”) and the Indonesia Stock Exchange (“Bursa Efek Indonesia” or “IDX”) on a timely basis?

Public companies need to submit financial statements on a periodic basis (see “Meeting reporting requirements” p. 33) with the OJK and IDX, with prescribed data requirements and required adherence to VIII.G7 reporting and disclosure guidelines. These financial statements are due relatively soon after each period ends, so there is increased time pressure on reporting compared to that of a privately held company. Identifying critical path items due to the length of time required to address during the close process (monthly, quarterly, and annually) as well as establishing appropriate systems, processes and controls is critical to the ability to meet public company reporting requirements.

Has your company established the necessary financial statements integrity through the implementation of an effective system of internal control to support management’s reporting obligations as a public company?

Unlike the Sarbanes Oxley Act of 2002, which requires a public company in the United States to evaluate and report to the public on the effectiveness of its internal control over financial reporting, or in Singapore, where the regulators require the issuer to provide a copy of an internal control report issued by the independent auditors and state its remediation efforts on internal control weaknesses identified, there is no similar explicit requirement in Indonesia. The internal control report, however, is requested by OJK as part of its registration statement review process and must be discussed with the company’s auditors in advance. Producing reliable financial information is one of the key elements of good corporate governance in which IDX enhanced the listings rules and now requires an Audit Committee and internal audit unit to be established at the time of listing.

Is leadership capable and committed?

In any public offering, the quality of the leadership team is a key factor. It is vital to ensure that the Board of Commissioners (“BoC”), as well as the Board of Directors (“BoD”), have the right blend of experience and skills to operate a public company, establish the optimal corporate governance structure and ensure that the board committees are operating effectively.

To gain credibility with the investing public, the organization must have experienced leadership that functions well as a team. In addition, management with significant ownership demonstrates to investors its vested interest in the company’s future. To have a successful IPO, management must be committed

to the time and effort involved in meeting registration requirements, conducting analyst and other investor-facing meetings, and providing financial reports required by the OJK, IDX, and the shareholders on a timely basis. It must also be prepared to upgrade the company’s system of management controls and financial reporting to comply with full disclosure requirements and shorter financial reporting deadlines and to confirm the ability to forecast future operating performance; all of which are necessary to maintain credibility and investor confidence after the IPO.

Do the benefits outweigh the costs of going public?

Selling equity represents a permanent forfeiture of a portion of the returns associated with corporate growth. Also, raising equity capital in the public markets can entail substantial costs, such as underwriting and other advisers’ fees and expenses (see “Pros and cons of going public” p. 7). The answer as to whether the benefits outweigh the cost will not be known until several years after an IPO.

Which stock market?

Indonesia has only one stock exchange (see “Main Board, Development Board, Acceleration Board, and the New Economy Board” p. 24). As the economy continues to become more global, companies sometimes consider dual listings (Indonesia and overseas) to attract foreign investors. A handful of big corporations in Indonesia have dual listings in IDX and other stock exchanges, such as the New York Stock Exchange, Singapore Stock Exchange, Australian Stock Exchange, etc. Each stock exchange has specific entry requirements, such as earnings history, shareholders’ equity, market capitalization, number of expected shareholders, and corporate governance. A company seeking to go public must choose the market, geography and exchange that is right for its shares. A company’s banking advisers can furnish in-depth information on the investor base in each market and the market’s likely appetite for the company’s shares. A company and its advisers should approach the stock exchange early in the capital raising process to ensure the smoothest possible transaction. Apart from the considerations above, a company seeking to go public in two stock exchanges will likely need to evaluate the impact of IFRS, US GAAP or other potential Generally Accepted Accounting Principles (“GAAP”) on the offering process, and other governance and internal controls related requirements.

Is the market right?

The demand for IPOs can vary dramatically, depending on overall market strength, the market’s recent experience with IPOs, industry economic conditions, technological changes, and many other factors. Stock market volatility is one of the most unpredictable aspects of going public and makes timing the IPO critical in achieving the best possible result.

Tip



The sooner you are ready to enter the market, the more likely you will be to time an opportune market, which can provide an opportunity for greater proceeds and market valuation.



Although no one can accurately forecast the market's mood, you must consider the importance of timing and be prepared to alter your company's timetable. The usual time, if you are adequately prepared, from the initial meeting of all of the team members until the completion of an offering, can take at least six months (under the best circumstances) to nine months and, in some cases, even longer. However, if the company is not prepared (e.g., need to create significant financial reporting or complete multi-period audits or need to undertake a corporate restructuring), the timetable can be much more protracted and costly. Recognizing the urgency of the registration process and being prepared to efficiently navigate the going public process is critical. The proper approach is to plan well, anticipate the likelihood of delays and position your company to launch when a window opens. Market conditions will also impact the valuation of your company and the eventual pricing of its shares.

Pros and cons of going public

Pros...

- **Increased cash and long-term capital** - Funds are obtained to support growth, increase working capital, invest in plant and equipment, expand research and development, and retire debt, among other goals.
- **Increased market value** - The value of public companies tends to be higher than that of comparable private companies. This is partly the result of increased liquidity, transparency of publicly available information, and a readily ascertainable value.
- **Liquidity** - Subject to certain restrictions and practical market value limitations, shareholders may, over time, sell their shares in the public market.
- **Equity offerings** - An IPO increases corporate net worth, does not need to be repaid, and might permit additional borrowing on more favorable terms because of an improved debt-to-equity ratio or more effective use of collateral.
- **Enhanced reputation and brand** - Visibility of shareholders and their company is usually enhanced. The ability to enter and influence customer negotiations can be positively impacted by having the transparency of public company status.
- **Ability to attract and retain key personnel** - If a company is publicly owned, employee incentive and benefit plans are typically established in the form of share ownership arrangements to attract and retain key personnel. Stock option plans may be more attractive to officers and other key personnel than generous salary arrangements due to the significant upside potential.
- **Mergers & acquisitions ("M&A")** - Public companies can use their stock as acquisition currency, thereby conserving cash.

Cons...

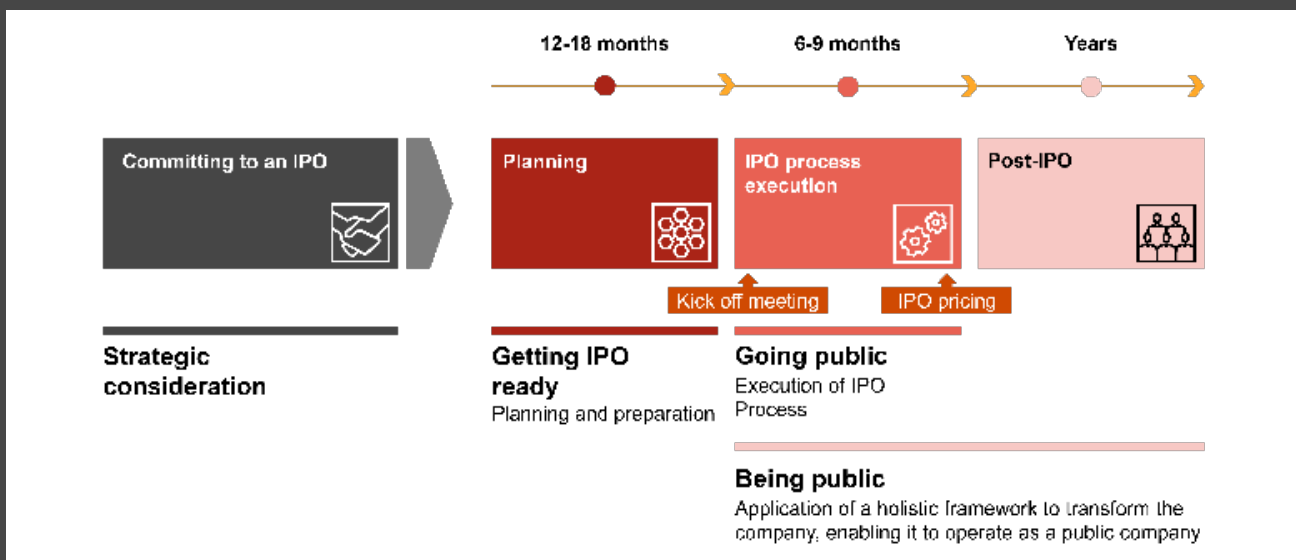
- **Going public expenses** - Several factors play a role in determining the cost of an IPO, but the costs of going public are always significant. These costs will generally include underwriting fees, fees related to legal, accounting, and financial advisers, fees paid to Kustodian Sentral Efek Indonesia (“KSEI”) and Kliring Penjaminan Efek Indonesia (“KPEI”), selling fees, OJK filing fee, the IDX listing fee, and any other fees paid to ensure the success of the registration process. Most expenses directly related to a completed IPO are reflected as an offset to the proceeds received and a reduction of additional paid-in-capital. However, such costs are generally expensed if the IPO is not completed.
- **Being public expenses** - New roles and responsibilities associated with being a public company will require hiring of new talent and skills across several areas of the business, particularly within finance and reporting, legal, human resources, information technology and investor relations. Public companies are required to report/furnish quarterly financial information and certify annual financial information. There will be ongoing expenses related to these changes, such as fees paid to independent auditors where a public company desires to have quarterly financial information reviewed. In cases where an issuer fails to furnish the quarterly financial statements on the set deadlines, a review or an audit is required. Administrative and investor relations costs include those related to quarterly reports, annual reports, transfer agents, and public relations. A public company will now be paying premiums for directors’ and officers’ liability insurance as well.
- **Loss of privacy** - The registration statement and subsequent filings for public company reporting require disclosure of many facets of your company’s business, operations, and finances that may never before have been known outside the company. Sensitive areas of disclosure that will be available to competitors, customers, and employees include 1) extensive financial information (e.g., financial position, sales, cost of sales, gross profit, net income, business segment data, related-party transactions, borrowings, cash flows and major customers); 2) the compensation of commissioners and directors, including cash compensation and stock option plans (if applicable); and 3) the security holdings of commissioners, directors, and major shareholders (insiders).
- **Pressure for short-term performance** - In a private company, the business owner/manager is free to operate independently. However, once the company becomes publicly owned, the owner acquires as many partners as the company has shareholders and is accountable to all of them. Shareholders expect steady growth in areas such as sales, profits, market share, and product innovation. Thus, in a publicly held company, management is under constant pressure to balance short-term demands for growth with strategies that achieve long-term results. Further, often the inability to meet analysts’ expectations of short-term earnings can dramatically hurt the marketplace’s long-term valuation of your company.
- **Restrictions on insider sales** - Stock sales by insiders are usually limited. Typically, the company’s existing shareholders (including employees who purchase the company’s shares during the IPO process) will be prohibited from selling their stock during a specified time following the IPO. This is called the “lock-up” period. BAPEPAM-LK Rule No. IX.A.6 prohibits any party (i.e., pre-IPO investors) who acquires shares from the issuer with a price and conversion value below the price in an IPO during the period of 6 (six) months prior to submitting the registration statement to OJK from transferring some or all of the shares up to 8 (eight) months after the effectiveness date.
- **Investor relations** - Investors’ inquiries, investment-community presentations, and printing and distributing quarterly and annual financial reports require a significant time commitment by management. They often also require additional personnel or public relations resources.
- **No turning back** - The IPO process is a significant distraction. Management will be challenged to run the day-to-day operations while actively participating in the IPO process.

Preparing to Become a Public Company

A successful IPO requires careful planning. A company must prepare its management team and business units to begin acting and functioning as a public company, both internally and externally. Focusing narrowly on accounting and financial reporting matters surrounding preparation of the offering document is the wrong approach – a cross-functional, holistic view to readiness is critical to preparing the organization to operate as a public company.



Preparation is the secret to success



Planning, executing and managing an IPO is a complex task for any organization. The better prepared a company is, the more efficient and less costly the process can be. While the planning process for an IPO can start the day a company is incorporated or as late as six months before a public offering, we recommend that an orderly plan be executed over a one- to two-year period. This window gives a private company time to think, act and perform as a public company.

Build an effective management team

As a company prepares for its IPO, it must expand its management capabilities. The investment community wants to be sure that the management running a company is not a “one-person band”. This may require adding individuals with public company experience in marketing, operations, development, and finance. Many companies also want to put a chief financial officer in place who has previously been through the IPO process before. The team needs to be cohesive and share a long-term vision for the company to obtain maximum financial returns and valuation.



Develop budgets/business plans and measure performance

Throughout the IPO process, underwriters will ask for financial projections and will compare a company’s historical performance to past budgets and peers’ performance. Accordingly, a company should establish a financial planning and analysis team, to put a budget and forecasting process in place. Companies should get into the habit of preparing realistic budgets and updated forecasts and be able to articulate why variances have occurred. For the early-stage company, projections and market share are the most important measures of performance including a clear path to profitability.

The IDX requires an IPO aspirant to submit a financial projection for a period of at least three (3) years as part of the listing application. After a company goes public, budgets and projections will become important tools for research analysts. Further, this information and a public company’s ability to meet its own earnings estimates and the analyst’s earnings estimates can have a significant impact on its stock performance. Often, overpromising growth prospects leads to the market “penalizing” the company with a decline in stock price and restricted access to new capital. Similarly, all things being equal, those that deliver on their promises have ongoing access to more capital, possibility of further growth and followed by good stock price.

Evaluate corporate governance principles and practices

Given the level of interest by institutional investors and the investing public in corporate governance matters, it is important to take a close look at the corporate governance principles and practices when planning the public offering process. It is essential to comply with the Limited Liability Company Law (“Undang-Undang Perseroan Terbatas”) No. 40 of 2007 and OJK’s regulation.

Listing requirements implicitly require that good corporate governance be put in place. For example, an issuer must form an audit committee, nomination or remuneration committee, and an internal audit unit at the time of listing, have an established corporate secretary, have independent commissioners of at least 30% of the total number of members of the BoC, have at least one independent director in the BoD composition and submit reliable financial statements with an unqualified audit opinion.

An independent director in a listed company:

- may not have an affiliated relationship with the company’s controlling shareholders for at least 6 (six) months prior to the appointment as a non-affiliated director;
- may not have an affiliated relationship with any commissioner or other director of the listed company;
- may not act as a member of the board of directors in another company; and
- may not be an insider in the supporting institution or profession of the capital market whose service was used by the listed company for six months before his or her appointment as a director of the listed company.

The function of a corporate secretary shall be performed by one of the directors of the listed company or an official of the listed company designated to carry out such function. The corporate secretary acts as a liaison or contact person between the listed company, governmental authorities (including OJK), and the public. The corporate secretary must have access to material and relevant information relating to the listed company and must be familiar with all statutory regulations relating to capital markets, particularly on disclosure matters.



Create an audit committee

Investors now expect published information to be subject to objective, board-level review. Audit committees have an essential role in ensuring the integrity and transparency of corporate reporting. As such, audit committees are responsible for providing their opinion and advice to the BoC in respect of the report from the BoD as well as carrying out the following responsibilities: (i) review of any financial information prior to the press release; (ii) review of the company’s compliance against the applicable capital market rules and regulations; (iii) review the work of internal audit; (iv) report to the BoC any risks faced by the company and implementation of the company’s risk management policy; (v) review and report to the BoC regarding any concerns about the company as a public entity; and (vi) maintain the confidentiality of the company’s document, data, and information.

OJK specifically defines the role and composition of public company audit committees (OJK Regulation No. 55/POJK.04/2015 concerning “Formation and Guidelines for the Implementation of Work of Audit Committee”). The Audit Committee must consist of at least three members, including Independent Commissioners and external sources, and is chaired by an Independent Commissioner. The other members must also be independent persons, at least one of whom must be an expert in the field of accounting and/or finance.

An independent commissioner in a listed company must:

- come from outside the listed company;
- not own shares of the listed company directly or indirectly;
- not have an affiliated relationship with the listed company, commissioners, directors or principal shareholders or controlling shareholders of the listed company;
- not have any business relationship which is directly or indirectly related to the listed company’s business activity; and
- have adequate knowledge of all relevant capital market regulations.

The following persons are prohibited from becoming members of the audit committee of a listed company:

- any insider person of the public accountant, legal counsel, or another party who has provided audit, non-audit and/or other consultation services to the company in the last six months before his or her appointment as a member of the audit committee;
- any party that has the authority and responsibility to plan, direct or control the activity of the listed company in the last six months before his or her appointment as a member of the audit committee, except an independent commissioner;
- any party which owns shares, either directly or indirectly, in the listed company;
- any party which has a family relationship, either by marriage or blood, up to second degree vertically

- or horizontally with any commissioner, director or principal shareholder of the listed company; and/or
- any party which has a business relationship that is directly or indirectly related to the listed company's business activity.

In addition to the above, each member of the audit committee must:

- have high integrity, ability, knowledge, and adequate experience (including any relevant educational qualifications) and be able to communicate properly;
- be capable of reading and understanding financial reports, and at least one member of the audit committee must have an educational qualification in accounting or finance; and
- have adequate knowledge of all relevant capital markets regulations.

Build a positive public image

A positive image can enhance the initial sales effort and maintain the public's interest in the shares in the aftermarket. Accordingly, most companies will need to enhance or create such an image with those who will buy the company's shares and those who influence that buying decision (e.g., financial analysts, stockbrokers, the financial press, and industry publications). A positive image cannot be developed overnight; it can take months or even years to accomplish, so the earlier a company gets started, the better.

Creating or enhancing a company's image may require hiring a public relations firm well in advance of the public offering. This firm can help a company get its "story" out prior to the offering and maintain positive external communications and shareholder relations after it has gone public. Other ways a company can enhance its public image include adding analysts and business press editors to its mailing lists, participating in trade shows and conferences that are attended by analysts, and publicizing key employee appointments.

Build relationships with an investment banking firm, a law firm, a financial adviser, and an independent auditor

These relationships will serve to establish a company's credibility. Factors to consider when selecting such firms for an IPO process are discussed later in this chapter (see "Identifying the going-public team – the players" p. 14).



Tip



Begin positioning your company early! Have audited annual financial statements, reviewed quarterly financial information, and a well-documented and conservative business plan. Ensure that legal "housekeeping" is thorough. Cultivate relationships with the professionals who can and will help you, including underwriters, lawyers, and public accountants.

Establish incentive compensation plans

Developing a long-term incentive compensation plan is critical to keeping management and employees motivated. Today, many companies establish such plans for the benefit of their management team and employees shortly after formation.

Have financial statements audited

A company that wants to go public needs to have audited financial information that is in accordance with Indonesian Financial Accounting Standards ("IFAS") for listing in Indonesia. It is easier and more cost-effective to perform audits of financial statements in the normal course of business rather than shortly before going public. Further, audited financial statements provide increased credibility to the company.

The company's financial statements included in a registration statement will also have to conform to guidelines prescribed by OJK Regulation No. VIII. G.7 concerning "Presentation and Disclosure of Financial Statements of Issuers or Public Companies", which may be different from the financial statements previously prepared for a private company. As the company gains financial sophistication, it should also begin preparing quarterly financial statements. Having them prepared can add to the investment banker's evaluation of the company.

Tip



If you wait until "crunch" time to have multiple-year audits, you may face two unpleasant surprises: first, the high costs of the reconstructed financial statements, and second, figures that show the company may be performing at a level below expectations.

Draft management’s discussion and analysis to be included in the prospectus and annual report

Many companies face difficulties describing the reasons for their performance. A registration statement and all future annual report filings with the OJK will require the inclusion of management’s discussion and analysis (“MD&A”) related to the financial statements.

MD&A must be included in the prospectus during the registration process and in the annual report when a company becomes public. MD&A is a quantitative and qualitative discussion of a company’s performance. MD&A requires the disclosure of the following information, among others:

1. Any known trends, demands, commitments, events, or uncertainties that are likely to result in a material increase or decrease in the company’s liquidity.
2. Discussion about significant commitments on capital expenditure, the purpose of such commitments, the funding source of those commitments, and management’s plan to protect foreign exchange risk fluctuation if the funding is provided in foreign currency.
3. Discussion on how far the future results of operation or financial condition of companies overcome the risk of exchange rates and interest rate fluctuations. In this case, a description of all unprotected loans and commitments in foreign currency or floating rate debt must also be disclosed.
4. Discussion and analysis of anticipated material developments, events, trends, competitive conditions, and known uncertainties.
5. Description of any events or abnormal transactions, or material economic changes that could significantly affect the reported income in the audited financial statements. In addition, an explanation of material revenue or expense component may be required so that the reader can understand the issuer’s operating results.
6. In case the financial statements disclose the material increases or decreases in sales or net income, it then requires a discussion about how far those changes can be associated with price fluctuation, sales quantity and/or the existence of new goods or services.
7. Discussion about the impact of price fluctuation on sales and net income along with operating income for the past two years or since the companies started the business for the newly established entity.
8. Description of the company’s business prospects.

As a company completes its annual and quarterly financial statements, it should take time to write its MD&A. It can be very difficult to remember, three

years after the fact, why insurance costs went up or when a marketing campaign commenced. The practice of writing quality and comprehensive MD&A will expedite the registration process and will be a major step toward operating and reporting as a public company post-IPO.

Tip



Establish a strong project management function to ensure initial and robust issue identification, establish a plan, monitor progress, understand interdependencies between workstreams, and encourage communication within the project team.

Develop equity story and embed ESG strategy

It is important to present a well-articulated equity story to the marketplace so that investors understand the company and the drivers that provide the basis for the valuation of the company. It communicates the company’s mission and business model, strengths and market opportunities, and how the company is positioned relative to competitors. An investment thesis that resonates with potential shareholders can provide the foundation for strong IPO aftermarket stock performance. It is also important to keep in mind the increasing importance of including the company’s ESG performance and strategic plans as an integral part of the equity story.

As ESG continues to gain momentum, investors want an equity story with ESG at its heart—a sustainable equity story which goes beyond mandatory prospectus requirements. Investors want to invest in businesses that can satisfy shareholders’ financial expectations and also credibly demonstrate that they fundamentally recognize and are responding to the risks and opportunities ESG practices present, most significantly around climate change. It is imperative that companies considering going public in the next few years have their ESG house in order.

(For further discussion on ESG, see “Environmental, social and governance” p. 43).



Identifying the going-public team—the players

Expert direction and assistance is needed to stage a successful IPO. It is a big production with an imposing cast of characters. The company will screen and pick some of these professionals, but one of the starring roles is assigned to Company's key management. However, OJK is a character that has long since memorized the lines and knows how to play its role. Also, other self-regulatory bodies such as IDX, KSEI, and KPEI will also play their part in the IPO process.

Tip



Even with an experienced team of advisors, make sure your company takes an active role in controlling the progress of the IPO. Remember: of all the parties involved, the company has the most at stake.



The OJK

The OJK is charged with ensuring a fair and level playing field for public companies and their investors. It has the authority to pursue civil and criminal prosecution against those who breach established procedures. Liability may arise from material misstatements or omissions in a registration statement. If the OJK finds mistakes or requests clarification during the registration process, it can delay an IPO. It is crucial to constantly monitor the drafting of the registration statement and ensure that all of its components and the assumptions behind those components are clearly understood. The outside professionals will only advise and provide input but the final decisions rest on the company.

OJK reviews the registration statement and ultimately allows or denies an issue to “go effective”, that is, sell shares. The OJK concerns itself with the thoroughness and clarity of the registration statement and the prospectus to ensure that these documents adequately inform potential investors. Keep in mind that the OJK only regulates the vehicle used to offer the security. It evaluates neither the company nor the quality of the security.

Company personnel

The level of a company's participation in preparing the registration document frequently depends on the expertise of the company's personnel. In Indonesia, where IPOs are solely domestic, the underwriter drafts the offering document and prepares the registration statement. If the IPO transaction has an international offering to institutional investors (pursuant to Rule 144A / Regulation S), the drafting of the offering document is done by the issuer's international counsels (see discussion below). In any case, company personnel will have to provide the necessary information with which to prepare the documents and be actively involved in all aspects of the drafting of the prospectus and the registration process.

The level of commitment a public offering will require of the company's officers and personnel cannot be under-estimated. The process commands a great deal of attention and will likely distract management from the day-to-day operations of the business. This is common in an IPO and, in some instances, may necessitate hiring additional staff. As mentioned earlier, the team's commitment to the offering could well be the difference between a successful IPO and a failed attempt.

Issuer's counsel

At present, in Indonesia, the prospectus is prepared by the lead underwriter, who then invites the company (or its representatives), legal adviser, and independent public accountants to discussions as part of the due diligence process (see “Performing due diligence procedures” p. 23). Where an IPO involves an international offering to institutional investors outside Indonesia pursuant to Rule 144A and Regulation S, the issuer's counsels (both local and international) are always present; with the international counsel taking the lead in the drafting the international offering document. This then gets translated to the Indonesian language and is conformed to comply with the OJK rules.

An issuer's counsel(s) must be professionally competent and have the ability to put technically challenging concepts and descriptions of complicated transactions into plain Bahasa Indonesia and/ or English. He or she must have the ability to evaluate large amounts of information and turn around documents quickly. It is imperative to appoint a law firm that is experienced with the IPO process and with the industry the issuer belongs in.

Underwriter

A critical part in planning the IPO is the selection of an investment banker or “underwriter”. This courting process should start early and will allow each side to develop a level of comfort and knowledge to create a positive team environment.

A principal, or lead underwriter, works with a company to develop the registration statement, coordinate the roadshow, underwrite certain risks, and form a syndicate. This syndicate comprises an underwriting group, which bears the risk of the underwriting and the selling group. The selling group solicits interest from its retail and institutional clients, sells shares once an IPO goes effective, and provides aftermarket support. The share allotment each underwriter is committed to buying will be stipulated in the prospectus.

Good lead underwriters and investment bankers have a highly developed sense of what sells (or does not sell) and for how much. They also have an instinct for timing an issue, and they are able to anticipate pitfalls and calculate risks. A good working relationship with an underwriter is critical, regardless of the size of the firm a company selects.

Underwriter's counsel

Also involved in the IPO process (i.e., where there's an international offering) are the underwriter's counsels (both local and international), who are generally responsible for drafting the underwriting agreement. They also review the entire registration statement and any related agreements and contracts that are filed as exhibits thereto. Their principal objective in reviewing the registration statement is to ascertain on behalf of the underwriters that the registration statement is complete and not misleading. Another task generally performed by the underwriter's counsel (particularly where an IPO includes an international offering) is negotiating the content of "comfort" letters (the definition can be found in the independent public accountants section of this chapter). However, for the Indonesia-only portion of the offering, the form of comfort letter is strictly prescribed by the OJK, who is an addressee of the comfort letter and reviews the comfort letter (pursuant to BAPEPAM-LK Rule No. VIII.G.5). Generally, if the offering is solely in Indonesia, no underwriter's counsel is involved.

Independent public accountants

The independent public accountants, which must be registered with the OJK, will play a key role throughout the registration process. The selection of a public accounting firm should also be based on its:

- experience with public company financial reporting;
- expertise in IFAS;
- reputation and extensive experience with IPOs and other capital markets transactions; and
- ability to continue to serve the company appropriately through its growth and expansion.

Other factors to consider are the size of the accounting firm's local and global resources (particularly if the offering will also be offered to institutional buyers overseas) and its experience in the company's industry. Some of the specific services the independent public accountants will provide include the following:

- pre-IPO diagnostic reviews and strategic advice in the planning stage of the process to establish a realistic plan to enter the capital markets;
- requisite technical expertise in IFAS and OJK rules and requirements;
- guidance on the identification of potentially sensitive or problematic accounting issues (e.g., common control transactions, business combinations), disclosure issues, and the overall transparency of financial reporting;
- audits of the financial statements for the track record period (the process of auditing multiple years of financial statements and related disclosure requirements for public offerings can be extensive. An established relationship with an auditor who knows the company's business well, coupled with thorough preparation on the part of the company, will enable the process to be completed more effectively and efficiently, which can be crucial to the success of the offering);
- issuance of comfort letter/(s) to assist the underwriter in its due diligence efforts (this letter details certain procedures that the company's independent public accountants perform at the request of the underwriter concerning the financial statements or other financial information included in the prospectus. For further discussion on comfort letters, see "Performing due diligence procedures" p. 23); and
- in-depth review of the prospectus and assistance in responding to OJK comments relating to the financial statements and disclosures.

The importance of engaging qualified, independent public accountants long before the IPO cannot be overstated, particularly if the company has never had its financial statements audited. The first audit of many start-up and high-growth companies often discloses accounting and financial reporting problems that must be resolved before the registration statement can be filed.

Typically, large accounting firms such as PwC are structured as full-service professional firms, offering services in various lines of services (e.g., audit, tax, legal, risk management, advisory). The independent public accountants, as well as individuals from these other lines of services, can play a valuable role as advisers in a variety of areas (subject to independence restrictions) before, during, and after the going-public process. Some of these roles include evaluating whether

going public is the best alternative for a company, evaluating incentive compensation plans (if any), addressing a company's accounting system needs and capabilities, reviewing the terms and conditions of acquisitions, conducting tax planning and evaluating the tax and legal aspects of the restructuring process. Due to independence considerations, a company may also employ a second accounting firm to provide IPO and financial reporting advisory services, as described in the following section.

Accounting and Financial adviser

Companies often seek transaction support and advisory services from a second accounting firm that is not restricted by independence standards.

A financial adviser can offer advice and assistance to companies with limited experience in IPOs and executing capital market transactions by providing an objective view of the critical issues involved in accessing a particular capital market. Some of the principal ways in which a financial adviser can assist a company going through a capital-raising transaction include the following:

- Advice on project management — Companies must define the transaction requirements and the roles and responsibilities of management and their advisers at the outset. Failure to do so early can jeopardize control and the effective management of the transaction.
- Strategic advice — Companies must evaluate alternative approaches and establish a realistic plan to enter the capital markets. The financial adviser can also assist in assessing the company's business plan and articulate an appealing investment case.
- Issue resolution — The financial adviser can advise and assist with complex accounting and financial reporting, tax, restructuring, and deal execution matters.
- Technical advisory — The financial adviser can and should have extensive experience with complex capital markets transactions.
- Pre and Post-transaction services — A knowledgeable financial adviser can provide advisory assistance with the following:
 - implementing the new financial reporting protocols necessary to meet public company reporting requirements, along with ongoing technical advice on these requirements;
 - corporate governance and internal control;
 - the adoption of new accounting, reporting, and disclosure standards;
 - training accounting and financial reporting staff;
 - human resources and organization; and
 - technology enhancements.

For more information, see "How we will support your IPO" p. 46.

Tip



By appointing key advisors early, management is freed up to focus on the marketing phase of the IPO, where they can add the most value. Management will also be able to anticipate issues and avoid untimely delays, preserving the value of the IPO and enhancing the market's confidence in management, while at the same time protecting the company's brand equity.



Chapter 3

The Going Public Process



3.1 Before filling out the registration statement

1. Conducting the “all-hands” meeting

This meeting should be attended by all members of the working group—company management, independent public accountants, accounting and financial adviser (if any), underwriters, and legal counsels. The purpose of this initial organizational meeting is to discuss the nature of the offering and the appropriate registration statement form, coordinate responsibilities for sections of the registration statement, establish a timetable for the anticipated filing date and share information regarding the working group’s availability.

2. Registration statement form

Form IX.C.1 is the basic registration form for IPOs. On the other hand, smaller businesses (a company that is not an investment fund and has total assets not exceeding Rp100 billion and the share offer is not more than Rp40 billion) can use Form IX.C.7. The difference between the information required in the registration statement for small/medium companies and all other companies are as follows:

Requirements	Form IX.C.1	Form IX.C.1 (small reporting companies only)
Audited financial statements	3 years	2 years
Audited interim financial statements	Required when the effective date of the registration statement is over 180 days from the latest audited annual financial statements	Required when the effective date of the registration statement is over 180 days from the latest audited annual financial statements
Earnings per share	3 years	2 years
Management’s discussion and analysis	Required	Required
Selected financial data	Required – 3 years	Not required
Supplemental financial information schedules and industry-specific disclosures	Required	As requested

3. Preparing the registration statement

The registration statement is the document by which the company seeks approval from OJK for the offering. The company and the capital market supporting professionals are liable for the accuracy and completeness of the information contained in the registration statement and its supporting documents. The registration statement for a public offering should consist of a cover letter, a prospectus, a summary prospectus to be used in the public offering (if required in Rule Number IX.A.2), a preliminary prospectus to be used for book building (if any), and other documents required as part of the registration statement (BAPEPAM-LK Rule IX.C.1). Other documents include,

among others, the following:

- the proposed issue schedule;
- a draft of the securities certificate;
- the audited financial statements as required in Rule Number IX.C.2;
- a comfort letter from the independent public accountant with respect to changes after the date of the audited financial statements;
- a written statement from the issuer regarding accounting matters;
- further information on a forecast and or projection (if included in the Prospectus);
- a legal due diligence report and legal opinion;

- the curriculum vitae of members of the board of commissioners and the board of directors;
- appraisal report;
- underwriting agreements (if any);
- trust agent agreements (if any);
- guarantee agreement (if any);
- a preliminary agreement with one or more securities exchange (if securities are to be listed on exchange(s));
- other information requested by OJK as deemed necessary in reviewing the registration statement to the extent that it can be made available to the public without adversely affecting the interest of the prospective issuer or others associated with the public offering process; and
- a statement concerning the completeness of the public offering documents from the following:
 1. the issuer;
 2. the Managing Underwriter; and
 3. the Capital Market Supporting Professionals, as specified in Form Number IX.C.1-2 attachment 2, Number IX.C.1-3 attachment 3 and Number IX.C.1-4 attachment 4 of this rule.

In addition, OJK may request other information that is not part of the registration statement. Such information is not intended to be available to the public, such as tax registration numbers of commissioners, directors, or shareholders, copies of identity cards (KTP) and proof of citizenship, copies of passports or other proof for foreigners, and copies of the articles of association for institutional shareholders, a statement sealed with appropriate stamp duty, from the commissioners and directors stating whether or not they are involved in any legal case or any other information received by OJK from parties involved in the public offering to support the adequacy and accuracy of the required disclosures.

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 utilize 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

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.

4. Prospectus

A prospectus is required for every equity offering and is submitted to OJK as part of the registration statement. After OJK issues the pre-effective statement, the company must publish the summary prospectus (or abridged prospectus) in at least one nationally circulating Indonesian language daily newspaper no later than two working days after the submission of the registration statement. If the company wishes to conduct a public expose (a public briefing on the company and its prospectus with a view to encouraging public interest in purchasing shares during the offering), it then distributes a preliminary prospectus. The summary and preliminary prospectuses set out information regarding the company and the offering (except for the offering price) and are used for book building purposes.

Following the statement of effectiveness from OJK, the company will then issue the final prospectus. This supersedes the summary and preliminary prospectuses and includes detailed information on the number of shares to be offered, the offering price, and underwriting commitments. Prospectuses are normally distributed by the underwriters.



A company may include in the prospectus the disclosure of material facts other than those specified in the regulation (BAPEPAM-LK Rule IX.C.2) in accordance with the company's operations or industrial sector in order not to mislead the public. The issuer, underwriter(s), and capital market supporting institutions and professionals are responsible for determining and disclosing the facts in a clear and concise manner.

OJK has prescribed the information required to be disclosed in the cover of the prospectus, such as the effective date, the offering period, the allotment date, the refund date, the securities submission date, the proposed listing date, the company's full name, business address, logo (if any), telephone, telex, facsimile and PO box number (head office, the factory,

and any representative office) and its main business activity, the name of the securities exchange(s) (if any) where the securities will be listed, the nature of the offering including a description of the essential elements like amount, nominal value and price of the share, the full name of the managing underwriter and other underwriters (if any), the place and date of issuance of the prospectus, and other information.

Information that should be disclosed in the prospectus is divided into the following sections:

1. The public offering

A company must disclose the number of shares offered, the nominal value and the offering price, the rights of the shareholders with regards to dividends, pre-emptive rights, convertible bonds, and warrants (if any). A brief statement (in a font that attracts the attention of readers) concerning any factors which may cause the securities trading in the public offering to be limited or illiquid also needs to be disclosed.

In addition, in this section, a company should also disclose certain information, which also may have been discussed in other sections, such as the following:

- A brief statement concerning any substantial risk factors that may cause a material loss of the securities' quality.
- The capital structure at the time the prospectus is published, including authorized, issued, and fully paid-in capital, as well as: (a) the number and value of shares to be offered to the public; (b) the number and nominal value of each share and the total; (c) information whether the shares issued and offered to the public are newly issued or in the portfolio and fully paid shares; (d) a statement regarding the number and percentage of shares to be listed on a securities exchange (divided into shares offered to the public and additional fully paid shares listed); and (e) a statement with regard to the intention of the issuer or existing shareholders to issue or list other shares within 12 (twelve) months after the effective date.
- A description of the capital structure prior to and after the public offering (in tabular form), which includes: (a) the authorized, issued, and fully paid-in capital (total number of shares, nominal value, and total nominal value of shares); (b) a description of ownership by shareholders that own 5% or more, and directors and commissioners (number of shares, nominal value, and the percentage); (c) shares in the portfolio including the number and the nominal value of the shares; (d) proforma capital shares for the convertible securities (if any).
- The issuer's full name, business address, logo (if any), telephone, telex, facsimile, and PO box number (the company's head office, factory, and any representative office), and the main business activities of the issuer.

2. The use of proceeds

A company must disclose and discuss the planned use of proceeds from the offering. This section of the prospectus should be carefully drafted because OJK requires reports on the actual use of proceeds after the offering is completed. Because the planned use of proceeds may change between the filing date and the effective date as the company's plans change, it may be necessary to revise this section of the prospectus and let OJK know of the change. Typical use of proceeds includes: (a) the development of existing facilities, diversification, additional working capital, repayment of existing debts, or acquiring other company; (b) the estimated amount of the net proceeds to be applied, directly or indirectly, for the purchase of or investment in any other company, (if any). If such a company is an affiliated person of the issuer, this fact and the nature of the relationship existing with the issuer must be disclosed.

3. Statement of liabilities

A company must disclose all liabilities based on the latest audited financial statements, including the amount of current and long-term liabilities, details of liabilities in accordance with the balance sheet accounts, and commitments and contingencies as of the latest financial statements date, as well as other liabilities after the date of the latest financial statements through to the effective date.

4. Management discussion and analysis

In this section, management provides investors and users information relevant to the assessment of the financial condition, results of operations, liquidity, and capital resources of the company, with particular emphasis on the company's prospects for the future. It is imperative that this section should be carefully drafted. It must be written from the point of view of the company's management as objectively as possible, pointing out both favorable and unfavorable developments.

5. Business risks

Risk factors are those that are specific to the company and not to any other company or any offering. Business risks are arranged based on the degree of risk. These factors may include, but not limited to, the following:

- recent adverse developments or operating losses;
- the need for additional financing;
- the dilution to public investors;
- industry trends or business seasonality;
- the existence of significant competition;
- the company's dependence on a few customers, suppliers, or key members of management;
- information regarding significant contracts or licenses;
- impact of current or proposed legislation; and
- technology changes.



8. Business activities and prospects of the issuer

A company must make extensive disclosures about its business, its principal products, and/or services and its market share in the industry (if a reliable source for such data is available). Among these are the following items:

- a company's business plan;
- information regarding the sources and the availability of raw materials for production and the extent of dependency on any single supplier;
- information regarding the production and quality control process, including a general description of the development status of certain products and services, including whether such development will require any substantial investment;
- the production and output capacity for the most recent 5 (five) years or such shorter period since the establishment of the company;
- a description of principal segments, products, services, and markets for the company's products and services;
- the validity period of principal patents, trademarks, licenses, franchises and concessions and their importance to the company;
- the extent of the company's dependence on a single or a group of customers;
- seasonality of business activities, if any;
- business activities of the company, related to working capital, which present specific risks such as: maintaining a significant amount of supplies, providing the option to return merchandise or providing extended payment terms to customers;
- a description of the current backlog of orders, the development of such orders over the past three years and the possibilities of future backlog orders;
- dependence on government contracts;
- competitive conditions in the industry including the relative competitive position of the company (if a reliable source for such data is available);
- summary information on research and development expenditures;
- a description on the marketing activities including among other things: the marketing area for products, the selling and distribution system and data regarding sales figures of the company and its subsidiaries in rupiah value (in conformity with the financial report) and in units (if any) for the last five years or such shorter period since the establishment of the company (if possible data should be divided into major product classification);
- a description of the company's prospects in relation to the industry, the general economy, and the international market. Quantitative supporting data may be added if a reliable source of such data is available;
- transaction with related parties (type, volume, time frame, and price);
- information relating to foreign operations, if any;
- regulations affecting the industry and company; and
- pending or threatened legal proceedings.

6. Important events after the date of the auditors' report

Outlines information on all material events subsequent to the date of the auditor's report on the historical financial statements included in the Prospectus.

7. Description regarding the issuer

A company must disclose a brief history of the company, such as information regarding the establishment, the history of legal documents, changes of ownership, development of the business activities, important agreements, existing facilities owned by the company, relationship with other companies based on ownership and current articles of association approved by the Minister of Law and Human Rights.

A company must also provide a brief discussion about the BoD and BoC, including their citizenship, age, relevant working experience, and their educational background.

Information on human resources should also be presented in a tabular format and provide a breakdown of employees by position and education. Other information, such as the existence of educational and training facilities, foreign employees, welfare benefits such as medical, transportation, labor agreement, etc. should also be disclosed.

9. Summary of important financial data

This section sets out financial data for the last three years or a shorter period since the company's establishment, including relevant financial ratios. The data presented must be consistent with the financial statements (including the names of accounts used) included in the prospectus. There needs to be an explicit statement describing that the financial data are obtained from the audited historical financial statements. Additionally, a statement that the financial statements for the relevant periods have been audited by an independent public accountant is also required.

10. Stockholders' equity

A company must disclose information regarding stockholders' equity based on the audited financial statements including the following:

- a table showing details of equity for all periods as shown in the financial statements;
- changes in the company's capital structure including, among other things, changes in authorized capital approved by the Minister of Law and Human Rights, changes in issued and paid-in capital, and the nominal value per share;
- changes in the capital structure after the most recent financial statements date;
- the public offering schedule shall include the amount offered and nominal value of the stock; and
- the capital structure of a company prior to the offering and after all securities offered are sold is usually presented in a tabular format.

11. Dividend policy

A company must disclose its proposed dividend policy, including the percentage range of the proposed dividend (e.g., percentage of net profits or another basis). In addition, any restrictions on the company's ability to pay dividends also need to be disclosed. For example, it is not uncommon for many new public companies not to pay dividends but rather retain earnings to finance operations and the company's expansion. Restrictions might be based on debt, contractual agreements, or the regulatory environment in which a company operates.

12. Taxation

A company must provide a description of the applicable taxation, both to the investor to the company, and any special tax advantages that may be applicable.

13. Underwriting

Information must be provided regarding important provisions of the underwriting agreement, including names of the managing underwriter/(s), underwriters, the type of underwriting and the amount underwritten by each underwriter (if any), affiliation relationships between the underwriter/(s) and the issuer, and the determination of the share price for the public offering.

14. Capital market supporting institutions and professionals

Information must be provided about the names, addresses, and written statements from the notary public, legal consultant, independent public accountants, appraiser, and any other professionals (for example, a geologist) participating in the public offering and a disclosure stating that the capital market supporting professionals are independent and have no affiliation with the issuer.

15. Legal opinion

An opinion by the legal consultant, includes, among other things, the following:

- the legality of the deed of establishment and the articles of association, including any amendments thereto;
- the legality of agreements regarding the public offering and other important agreements;
- whether all licenses and approvals required to perform the business or proposed business of the issuer have been duly obtained;
- the status of ownership of material assets of the issuer;
- any material litigation, prosecution, or other civil or criminal legal action in which the issuer or any of its commissioners or directors is involved;
- whether the issuer's capital and any proposed changes thereto are in conformity with applicable rules and regulations and have received all necessary approvals; and
- any other material items related to the legal status of the issuer and the securities offering.



16. Financial statements

OJK has specific rules regarding the content and age of the financial statements that must be presented in a prospectus. A company must generally present audited financial statements (statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows, and the notes to the financial statements) for three years, with the auditors' report on such financial statements. Note that the audit opinion for the most recent 2 (two) years needs to be unqualified. Smaller companies may present such information for two years only or other reports and explanatory material that are part of the financial statements (if applicable). If the effectiveness date of a registration statement is over 180 (one hundred eighty) days after the date of the latest annual financial statements included in the registration statement, a subsequent interim financial statements must be audited, so that the period between the effectiveness date of the registration statement and the interim financial statements is not more than 180 (one hundred eighty) days.

17. Appraisers' report (if any)

A summary of the appraiser's report including, among other things, the methods of appraising, a description of the property involved, and the results of the appraisal.

18. Articles of association

The current articles of association that are approved by the Minister of Law and Human Rights.

19. Terms for orders to purchase securities

A company must provide information on how to submit an order to purchase the shares, acceptable applicants, the number ordered, submission of order forms, offering period, allotment date, special orders by employees, payment terms, order form receipts, allotment of shares, cancellation of orders, refunds, delivery of share certificates; and other terms if any.

20. Distribution of prospectuses and order forms

Also to be provided is a list of the names, addresses, and phone numbers of underwriters and selling agents.



5. Performing due diligence procedures



Throughout the registration statement preparation process, the entire IPO team will perform necessary procedures to provide a reasonable ground that, as of the effective date, the registration statement contains no significant untrue or misleading information and that no material information has been omitted. These procedures are referred to as due diligence, which holds all parties participating in the registration liable for any material misstatements or omissions in the registration statement.

Due diligence procedures entail the company's legal counsels and underwriters reviewing a company and its management, including, but not limited to, visiting facility sites, reviewing significant agreements and contracts, financial statements, tax returns, board of directors' and shareholders' minutes of meetings; and performing various analyses of the company and the industry in which it operates.

Legal counsels (the company's and underwriters') will also distribute questionnaires to the directors and officers, requesting them to review, verify, and comment on the information contained in the draft registration statement. In addition, the directors and officers may be interviewed by the legal counsels.

Due diligence also encompasses reading the entire registration statement by all parties involved in its preparation to ensure that there are no material misstatements, omissions, or inconsistencies.

In addition, as part of their due diligence procedures, underwriters request comfort letters from the company's independent public accountants with respect to financial information subsequent to the financial statements included in the prospectus and on events subsequent to the accountants' report date. Comfort letter guidelines for IPOs in Indonesia are prescribed in BAPEPAM-LK Rule No. VIII.G.5. Comfort letters (prepared in Bahasa language) are also addressed to OJK who reviews and provides comments on them. Generally, comfort letters are required to be submitted in the first and second filings of the registration statement. A final comfort letter is then issued, and the comfort letter date therein indicates the last date of the auditor's responsibility in conducting audit procedures needed to prepare

the comfort letter, which may not be more than 14 (fourteen) days before the registration statement is declared effective.

Where the public offering also involves an offering outside of Indonesia (pursuant to Rule 144A and Regulation S under the U.S. Securities and Exchange Act of 1933, as amended), the international comfort letters in respect of international offering are addressed and delivered to the underwriters and specific rules/guidelines apply. Generally, international comfort letters follow the US standard, AU-C Section 920 – “Letters for Underwriters and Certain Other Requesting Parties”.

Tip



There are numerous opportunities for schedule slippage during the IPO process. Some of it may be unavoidable but the company must strive to maintain its IPO timetable as much as possible. For each unscheduled delay, company’s management team must balance their potential costs (new required interim financial information, a missed market window, or a less enthusiastic underwriter) against the costs of hasty decisions.

3.2 The IPO process



1. Main Board, Development Board, Acceleration Board, and the New Economy Board

The Indonesia Stock Exchange consists of the Main Board, Development Board, Acceleration Board and the New Economy 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 both large and small companies with prospectus that 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.

Under the listing rules, a company is deemed qualified to undertake an initial listing on the Main Board if it fulfills certain requirements, including having the following:

- a registration statement declared effective by OJK;
- been duly incorporated as a limited liability company and operating in the same core business for at least 3 (three) consecutive years;
- generated profits at least in the last 1 (one) financial year;
- audited financial reports covering at least the last 3 (three) years and unmodified audit opinions from

the auditor covering the financial reports for the last 2 (two) years and the last audited interim report (if any);

- profit before tax in the last one financial year and net tangible asset of at least Rp250 billion (based on the latest audited annual financial report);
- cumulative profit before tax on the latest two years min. Rp 100 billion and Share Capitalization Value min. Rp 1 trillion prior to listing;
- revenue min. Rp 800 billion and Share Capitalization Value Rp 8 trillion prior to listing;
- total assets min. Rp 2 trillion and Share Capitalization Value min. Rp 4 trillion;
- operating activity cash flow on the latest two years min. Rp 200 billion and capital market min. Rp 4 trillion;
- shares owned by non-controlling shareholders and non-substantial shareholders after the initial listing are at least 300,000,000 (three hundred million) shares and meet the following conditions:
 - at least 20% (twenty percent) of the total number of shares in the paid-up capital, with an equity value that is less than Rp500 billion prior to the listing;
 - at least 15% (fifteen percent) of the total number of shares in the paid-up capital, with an equity value between Rp500 billion and Rp2 trillion prior to the listing; and
 - at least 10% (ten percent) of the total number of shares in the paid-up capital, with an equity value more than Rp2 trillion prior to the listing.
- at least 1,000 (one thousand) shareholders, with the following conditions:
 - for a prospective listed company making a public offer, the number of shareholders is shareholders after the IPO; and
 - 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.

Under the listing rules, a company is deemed qualified to undertake an initial listing on the Development Board if it fulfills certain requirements, including having the following:

- a registration statement declared effective by OJK;

- been duly incorporated as a limited liability company and operating for at least the past 12 (twelve) consecutive months in the same core area of business activity;
- unmodified audit opinions from the auditor covering the financial report for the last 12 months and the last audited interim report (if any);
- net tangible assets of at least Rp5 billion;
- profit in the most recent audited financial year of Rp1 billion and minimum market capitalization value of Rp100 billion prior to the listing date;
- profit in the most recent audited financial year of Rp40 billion and minimum market capitalization value of Rp200 billion prior to the listing date;
- total assets min. Rp 250 billion and Market Capital min. Rp 500 billion;
- for a company that has experienced loss or has not booked any profit or has been operating for less than 2 (two) years, either: (i) based on its financial forecast that is to be announced on the stock exchange at the end of the second financial year after the listing date it shall obtain operational and net profits; or (ii) based on its financial forecast by no later than at the end of the company's sixth financial year as of the listing date, it has obtained operational and net profits, especially if the proposed listed company is a company that by nature of its business will likely require a longer period of time to reach a breakeven point (such as infrastructure, plantation, forestry concession right (HPH), or industrial forest concession right (HTI) or other business related to public service);
- shares owned by non-controlling shareholders and non-substantial shareholders after the initial listing are at least 150,000,000 (one hundred fifty million) shares and meet the following conditions:
 - at least 20% (twenty percent) of the total number of shares in the paid-up capital, with an equity value that is less than Rp500 billion prior to the listing;
 - at least 15% (fifteen percent) of the total number of shares in the paid-up capital, with an equity value between Rp500 billion and Rp2 trillion prior to the listing; and
 - at least 10% (ten percent) of the total number of shares in the paid-up capital, with an equity value more than Rp2 trillion prior to the listing.
- at least 500 (five hundred) shareholders, with following conditions:
 - for a Prospective Listed Company making a Public Offer, the number of shareholders is shareholders after the IPO; and
 - 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.

Under the listing rules, a company is deemed qualified to undertake an initial listing on the Acceleration Board if it fulfills certain requirements, including having the following:

- a registration statement declared effective by OJK;
- must have commenced its commercial operation

illustrated by the revenue recorded in the most recent financial year;

- unmodified audit opinion from the auditor covering the financial report of the most recent financial year or covering the period less than one year since the establishment of the company;
- for a company that has experienced loss or has not booked any profit, it must obtain operational profit at the latest by the end of the sixth financial year after the listing date based on its financial forecast;
- at least 20% of paid-up capital is owned by non-controlling shareholders and non-substantial shareholders after the initial listing; and
- at least 300 (three hundred) shareholders after the IPO.

The rules allow a company listed in the Development Board to be promoted to the Main Board if it fulfills the requirements for listing on the Main Board as well as the rules allow a company listed in the Acceleration Board to be promoted to the Development Board if it fulfills the requirements for listing on the Development Board.

In December 2022, IDX launched the New Economy Board. This board is aimed towards technology-based companies that create products and/or service innovations that have broad social benefits and is characterized by high growth rates.

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 fulfills the requirements for being listed on the Main Board and has special characteristics that include:

1. High revenue growth;
2. Uses technology to create innovations in products or service that increase productivity and economic growth and have social benefits; and
3. Included in the business field as determined by the Exchange.

The New Economy Board is provided by the Exchange to encourage the development of listed companies that utilize technology and the digital economy, as well as a means of branding for listed companies. In addition, the New Economy Board is expected to provide broader listing board segmentation in IDX which help investors in determining their investment strategies.

The New Economy Board also accommodates the listing of companies that have a Share with Multiple Voting Rights (MVS) scheme as stipulated in POJK No. 22/POJK.04/2021 concerning Application of Classification of Shares with Multiple Voting Rights by Issuers with Innovation and High Growth Rates Conducting Public Offerings Equity Securities in the Form of Shares. Each share of MVS has more than 1 voting right for shareholders who meet the requirements, in contrast to ordinary shares which each share only has 1 voting right.

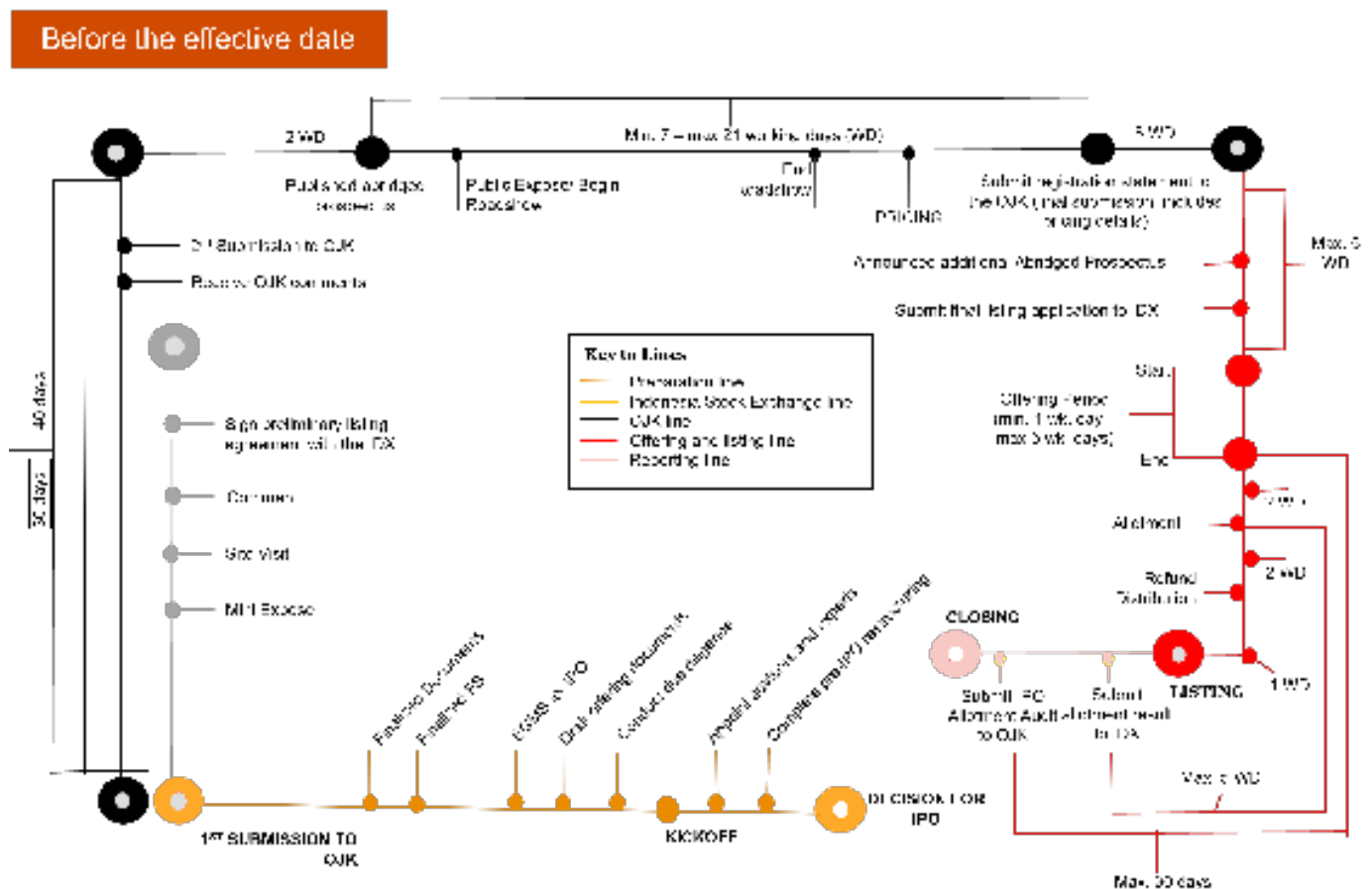
2. IDX submission

An IPO commences with the issuer submitting a listing application to IDX using the prescribed form and pays an initial listing fee between Rp25-250 million for a listing on the Main Board or Rp25-150 million for a listing on the Development Board. The listing applicant also pays a registration fee of Rp25 million, which is then deducted from the initial listing fee when the listing application is formally accepted. The application is accompanied by, among other things, the company's deed of establishment/articles of incorporation, material information such as the company structure, directors' and supervisors' background, company's finances and prospects, shareholders, proposed number of shares to be

offered and use of proceeds, material agreements and financial ratios, a legal opinion and an independent appraiser's report, financial statements audited by a Public Accountant registered with OJK, Internal Control Report, and public offering Prospectus. Additional information is required for companies operating in specific sectors, such as mining. After submitting the application, a company then makes a presentation to IDX about the conditions of the company and plans. The evaluation is done within 10 (ten) days from the receipt of a complete application. If the application is successful, IDX will approve and issue a preliminary listing agreement between the company and IDX.

3. Typical execution timeline

The diagram below outlines a typical execution timeline involving key participants in an IPO for the period leading up to and after an offering.



For details of the process, please refer to BAPEPAM-LK Rule No IX.A.2

3.3 Before the effective date

1. Filing and OJK review

When the registration statement has been completed, the documents, including exhibits, are filed with the OJK. At least one copy of the registration statement and other documents must be manually signed by the persons whose names appear in the registration statement and affixed with adequate stamp duty. The registration statement must be written in the Indonesian language. Any supporting documents written in other languages must be accompanied by an Indonesian language translation (certified by a sworn translator).

Once filed with the OJK, the registration statement is reviewed by the staff of the OJK. The staff reviews the documents to determine whether there is full and fair disclosure, particularly to determine whether or not the document contains misstatements or omissions of material facts. However, the OJK staff's review cannot be relied upon to assure the accuracy or completeness of the data. Registration statements should be complete at the time the document is filed, and the age requirements of the financial statements should be met.



2. Responding to the OJK letter of comment and preparing the amended registration statement

Once the registration statement is submitted to OJK, it will be assessed over a maximum period of 20 (twenty) working days. During this period, the regulator may request further information and clarification on the registration statement. Each comment on the registration statement must be addressed and resolved in writing before the registration statement can become effective. If revisions are necessary, they are made in an amended registration statement. The answer and the revision should be delivered to OJK within 10 (ten) working days upon receipt of the comment(s); otherwise, the registration statement will be canceled.

If OJK does not request the issuer to make any change or insert additional information within 45 (forty five) days of the submission, the registration statement shall be deemed to have been submitted in complete form. The registration statement becomes effective at either of the following:

- a. on the basis of elapsed time, which is:
 - i. 45 (forty five) days from the date since a complete registration statement has been received by OJK; or
 - ii. 45 (forty five) days from the date since the latest amendments proposed by the issuer or requested by OJK have been submitted.
- b. on the basis of a declaration of effectiveness by OJK that no further disclosures are required.

Upon satisfactory resolution of comments, OJK will grant permission to the issuer to publish the summary prospectus. The issuer must then publish the summary prospectus in at least 1 (one) Indonesian newspaper no later than 2 (two) working days and must give proof of publication to OJK within 2 (two) working days of publication. The issuer can also publish the summary prospectus in other mass media.

3. Commencing the selling effort

Book building commences immediately after the publication of the prospectus, and continues for a minimum of 7 (seven) working days and a maximum of 21 (twenty-one) working days. As the rule requires a company to submit its final offering price and the number of shares no later than 21 (twenty-one) working days after the pre-effective statement is issued, it appears that the maximum period allowed for book building is 21 (twenty-one) working days.

There are no specific regulations in Indonesia governing how the book building process should be carried out.

- a. Research reports by participating brokers/dealers
Research reports are regulated under BAPEPAM-LK Rule IX.A.9. While the rule does not prohibit the promotion of securities, including through research reports, it sets out clear guidance as to what is allowed and what is not. It is prohibited to:
 - provide inaccurate or misleading information;
 - fail to disclose material facts;
 - provide a false or misleading picture so an unsophisticated investor may be persuaded to believe that the securities discussed in the report are a suitable investment instrument even though, in reality, the investor lacks the capacity to bear inherent risks;
 - give a buy or sell recommendation without stating the date of the recommendation, market price of the security on the date of recommendation, the party making the recommendation, and information on whether such party has an interest in the securities; and
 - fail to state that interested parties should read the offering documents before making any purchases (on a public offering).

Violation of these prohibitions gives rise to both civil and criminal liability under the Capital Markets Act.

- b. The preliminary prospectus
BAPEPAM-LK Regulation No. IX.A.8 defines the preliminary prospectus as a written document that contains all information required in the prospectus submitted to OJK as part of the registration statement, except for information regarding the nominal value, the number and the price of the securities offered, the securities underwriting, or other matters that cannot yet be determined.

The preliminary prospectus is used in the book building process to solicit interest from investors to purchase the shares and to gauge the offering price of the shares. The issuer typically conducts a public expose (a public briefing on the issuer and its prospectus with a view to encouraging public interest in purchasing shares during the offering) where the preliminary prospectus is used.

The rule requires that the cover page of the preliminary prospectus must contain the date of its publication and the following statement (written in capital letters and printed in red ink to attract attention):

THE INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE. A REGISTRATION STATEMENT HAS BEEN SUBMITTED TO OJK BUT HAS NOT BECOME EFFECTIVE. THIS DOCUMENT MAY ONLY BE USED TO CONDUCT BOOK BUILDING OF THESE SECURITIES. THESE SECURITIES MAY NOT BE OFFERED UNTIL THE REGISTRATION STATEMENT THAT HAS BEEN SUBMITTED TO OJK BECOMES EFFECTIVE. PLACING AN ORDER TO BUY THE SECURITIES MAY ONLY BE DONE AFTER THE BUYER OR SUBSCRIBER RECEIVES OR HAS HAD AN OPPORTUNITY TO READ THE PROSPECTUS.

The preliminary prospectus may include the information regarding the range of the number of the offered shares and the price of securities being offered and other information such as the nominal value, underwriting discounts or commissions, discounts or commissions to dealers, or other matters that are determinable.

- c. Financial analyst meetings or “roadshows” (where the IPO includes an international offering pursuant to Rule 144A/Reg S)

For potential investors to learn about the company, an underwriter will arrange meetings, called “roadshows,” with financial

analysts, brokers, and potential institutional investors. These meetings are generally attended by the company’s president and key management officials such as the chief executive officer and chief financial officer and may take place in many different locations throughout the country or the world.

It is vital that the management team is well prepared for these meetings. This cannot be emphasized enough. The company should not assume that the prospectus is able to “stand on its own”—a company should anticipate potential questions concerning specifics about its business and know the answers. The credibility projected by a management team in its presentation and its ability to respond to potential investors’ and brokers’ questions will be a major influence on the success of the offering.

The “roadshows” represent a critical part of a company’s selling efforts because it is a venue where a management team promotes interest in the offering with the institutional investors abroad. This can be a very grueling process since the span of time can last up to two weeks with a number of presentations a day. In addition, a company cannot discount the fact that in an active market it becomes more difficult to pique institutional investors’ interest if they are going through three to five “dog and pony” shows a day.

Undoubtedly, underwriters will play a significant role in preparing a management team for these presentations. Additionally, some companies have sought assistance from professional investor relations organizations. Although a company may have a good “story” to tell, these advisers can help tailor it to investors.

Tip



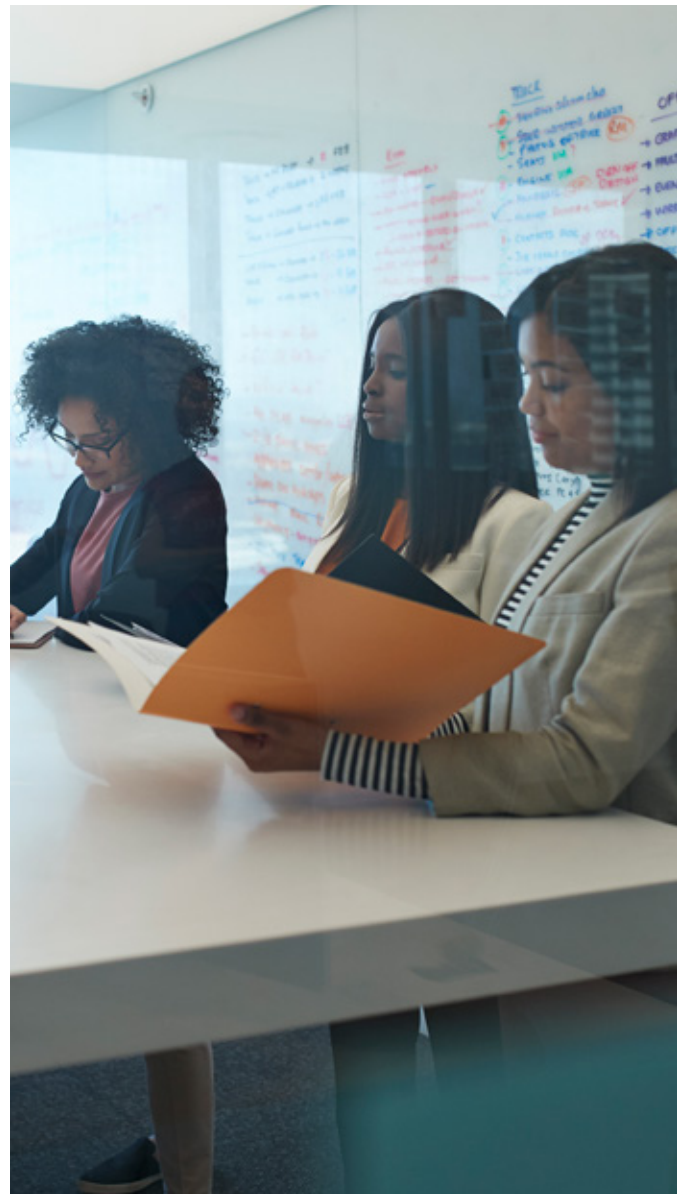
When it comes to roadshows, form may matter almost as much as substance. Roadshows allow you to tell your corporate story, but they also enable you to showcase the talent, caliber, and integrity of your management team through an organized, orchestrated, and smooth presentation. It can be one of the most important elements of a successful offering. Maximize the value of your roadshow through planning, preparation, and practice!



4. The underwriting agreement

As Indonesia is a civil law jurisdiction, the underwriting agreement is made in the form of the notarial deed before filing the registration statement. At this stage, the underwriting commitment is still conditional on the occurrence of a number of events, including an agreement on the price of the offered securities (which has yet to be determined). This provides an easy exit for both issuer and underwriters if an agreement cannot be reached, as pricing is a highly subjective matter.

The agreement can be amended should OJK, following its review of the registration statement, require an amendment. After the completion of book building and as soon as the underwriter and issuer agree on the price of the securities, the underwriting agreement is amended for the last time. At this stage, the issuer and underwriter will have a very limited window should they wish to leave the deal.



3.4 After the effective date

After the registration statement has been declared effective, the issuer then distributes the formal prospectus to the public and prospective purchasers. Any correction and/or changes to the summary prospectus must be published in at least 1 (one) Indonesian daily newspaper that has a nationwide circulation no later than 1 (one) working day after the statement of effectiveness by OJK and proof or certification of such publication be submitted to OJK no later than 2 (two) working days.

The public offering period must commence no later than 2 (two) working days after the statement of effectiveness by OJK and runs between 1 (one) and 5 (five) working days. After the public offering period expires, allotment of the securities must take place within 2 (two) working days. Distribution or refund of the securities, as the case may be, takes place no later than 2 (two) working days after the allotment date or the announcement of the cancellation. Finally, the listing must take place no later than 1 (one) working day after the distribution of the securities.

The company is required to submit a report on the results of the public offering to OJK no later than 5 (five) working days after the allotment date. The company must appoint an Independent Public Accountants to carry out an Agreed Upon Procedure (AUP) in respect of the funds it received from the public offering. The report on this AUP must be submitted to OJK no later than 30 (thirty) days from the expiry of the public offering period.



Life as a Public Company

Given that the IPO process can take many months, an IPO issuer may want or need to pursue a private offering that is not registered with the SEC on the same schedule as the IPO. Concurrent public and private offerings are common, but they must be properly structured and conducted.



We are public! Now what?

Public companies must proactively manage their reputations by communicating regularly with investors, analysts and the financial media. Regular communication will help them maintain a positive image and make sure their story is being told accurately. The public's perception of a company has a direct effect on the value of its stock. Do not underestimate it. Life as a public company also means getting comfortable with the cadence of quarterly and annual reporting requirements, their content and costs.



Maintaining investor enthusiasm

Once a company is public, considerable effort must be expended to maintain its market position. If investor enthusiasm is not maintained, trading will decline. If a company's shares are thinly traded, the benefits sought from the IPO (such as liquidity through a future secondary offering) will not be realized. Thus, effective distribution and support of the stock, as well as continuing security analyst interest, is necessary after the IPO.

A strategy for aftermarket support can be determined with the assistance of a financial public relations firm. This strategy usually includes choosing an individual within your company to handle shareholder relations. This ensures that a company will release information that is uniform and accurate.

A public company's performance, as perceived by the market, is reflected in the value of its stock. Management faces the pressure of balancing short-term productivity with long-term goals. Negative developments, such as releasing lower-than-expected earnings, may adversely affect the stock's value. Management will need to ensure that all communications with external parties fully explain the company's results. This transparency in reporting will, in turn, create greater market trust.

Earnings are not the only factor that affects the public's perception of your company. Even after a company goes public, it should strive to maintain (or improve) the characteristics it sought to have. These characteristics, modified for a post-IPO company, include the following:

- Is the company demonstrating a sustained or increasing growth rate that is high enough to attract/satisfy investors? A company must continue to grow at a rate satisfactory to investors; its share value will be determined to a large extent by the company's earnings potential.
- Are the company's products or services highly visible and of interest to the industry and investing public? The company should project a positive image to its investors, customers and community. This is important because the attitude of the public may sway the stock's value. For example, today interest in ESG issues is steadily growing and becoming increasingly important. A strategy must be developed to address such concerns.
- Is management capable and committed? Management plays a key role in the way a company performs; therefore, it is essential that management remains innovative, committed, and capable.



The following provides an overview of the key steps in the IPO process.

Going public and being public: an organization's execution blueprint

Pre-IPO	Post-IPO
Accounting, Reporting, and Financial Effectiveness	
Evaluate and resolve complex accounting issues and OJK reporting and disclosure issues	Continue to enhance policies and procedures, budgeting, forecasting, and management reporting including transforming it into an automated and scalable process to speed up the financial reporting process.
Consult on financial statements and other financial information requirements with the auditor and other service providers	
Accelerate financial close and reporting timelines	
Enhance policies and procedures to support an accelerated timeline	
Enhance management reporting, including budgeting and forecasting	
Assess accounting and finance gaps and needs	
Recruit additional finance talent and improve departments	
Corporate and Financial Strategy	
Challenge management's business plan	Assess future M&A opportunities to achieve growth objectives.
Develop IPO story and identify KPIs	
Analyse key value drivers	
Transaction structuring	
Governance and Leadership	
Assess gaps in corporate governance requirements	Perform incremental compliance and transparency enhancements and further steps to increase ESG rating in terms of governance.
Assess ESG strategy (e.g. corporate responsibility, sustainability, climate issues)	
Provide solutions for Board/Audit Committee (independence) pre-filing	
Internal Controls	
Assess internal control gaps	Perform incremental improvements/ enhancements including transforming it into an automation process or digitalisation.
Media and Investors Relations	
Assess media/investor relations gaps	Perform incremental improvements/ enhancements.
Establish a process for earnings releases and earnings calls	
Provide solutions for personnel and process gaps pre-filing (in conjunction with reporting needs)	
Treasury and Risk Management	
Assess treasury needs	Perform incremental improvements/ enhancements including performing a finance function effectiveness assessment.
Provide solutions for personnel and process gaps pre-filing	
Legal	
Assess legal needs for filing and beyond	Operate under new legal guidelines.
Create an appropriate legal entity structure; obtain required regulatory approvals	
Retain securities counsel; retain underwriters	
Tax	
Assess tax needs for filing and beyond	Execute tax strategic plan and enhancements.
Create appropriate tax structure and strategy for public company	
Provide solutions for personnel and process gaps pre-filing	

Human Resources	
Assess HR and benefit needs	Ensure adequate resources and administer new plans.
Create an appropriate compensation, benefits plan, and agreements for public company	
Support recruiting and reorganization efforts of workstreams throughout the organization pre-filing	
Technology	
Modify or enhance technology capabilities to support financial reporting requirements, and to support efforts of workstreams throughout the organization	Perform incremental improvements/ enhancements.
Project Management	
Establish project governance	Manage post-filing activities.
Manage the pre-filing activities	

(Note: PwC may not be able to provide all of these services to PwC audit clients or clients with independence restrictions)

Preparation for life as a public company

The IPO is not the end of the story—it is only the beginning. Once listed, your company will be under greater public scrutiny and will have a range of continuing obligations with which to comply. Any weakness in systems or failure to comply with regulations could cause management public embarrassment, reputation damage, and the potential for company and personal fines. The benefits of careful preparation and planning are realized within the first year of the IPO.

Public companies are required to comply with a host of reporting and other requirements. The most significant change for many companies is the need to close and report publicly on their financial results on the accelerated timeline requirements. This is a process the company will need to be fully prepared to meet; the inability to meet these requirements will shake investor confidence or subject the company to a delisting.

Preparing for life as a public company should happen in parallel with the process your company undertakes for its IPO. The company should monitor its processes and infrastructure so it can make any necessary changes in advance of the IPO date. Key questions to ask include the following:

- Do we have the ability to close our books accurately each quarter and report the results to the public in accordance with OJK reporting guidelines? Do we currently have a repeatable monthly and quarterly close process?
- Does our finance department have the expertise with OJK accounting and reporting requirements to allow us to comply with regulations we did not need to consider before as a private company (e.g., such as segment reporting, disclosure on detailed customers/ suppliers, or any other disclosure requirement

as stipulated in OJK Rule No.VIII.G.7)

- Does our planning and analysis function have the ability to accurately forecast our results to allow for more effective interaction with the investor community and to assist in the analysis of the current period results for reporting purposes?
- Have we established an internal audit charter and an audit committee?
- Does our technology infrastructure adequately support our compliance efforts?
- Have we established an ethics and compliance process and communicated it throughout the organization?

This preparation process can often be lengthy, depending on the current maturity of a company's existing processes. It is vital that the company understands and addresses any gaps before going public. The magnitude of the required improvements will determine the number of resources required. Many companies have resource constraints during the going-public process, during which so much attention is paid to the initial filing documents and the marketing efforts.

- **Meeting reporting requirements**

As a public company, you are now required by the OJK and IDX to file certain periodic reports to keep the investing public informed, such as an annual financial report, annual report, and interim financial report, as well as incidental report/(s). As noted previously, preparing to meet these requirements should be a focus of the company as it creates its filings. A company should also discuss the obligations under the various regulations with its lawyers and auditors at the beginning to lay out the obligations and ensure they can be met.

The table below presents an overview of certain reports that must be released to public through IDX and subject to the supervision of the OJK:

Type of Report	Description	Submission Due Date
Annual Financial Statements	Consists of the audited annual financial statements and the accompanying auditor's opinion.	No later than the end of the third month after the date of the annual financial statements.
Annual Report	This is the annual report to the General Meeting of Shareholders (conforming to OJK specifications). It discloses information about significant financial data, information on shares (if any), reports of the Boards of Commissioners and Directors, the company's profile, corporate governance, management analysis, social and environmental responsibility of the company, and director's responsibility statement letter on the financial statements. It also contains the company's audited annual financial statements.	The end of the fourth month after the end of the financial year.
Interim Financial Report/ Semi-annual Report	<ul style="list-style-type: none"> • IDX requires the company to submit an interim financial report for each quarter of the fiscal year • OJK only requires the company to submit a semi-annual report/2nd quarter of the fiscal year. <p>There is no requirement from OJK and IDX for the interim financial reports to be reviewed/audited by independent accountants if furnished within the first month after the end of the quarter.</p>	<ul style="list-style-type: none"> • Unaudited - End of the first month after the date of interim financial report or semi-annual financial report (as relevant). • Reviewed - End of the second month after after the date of interim financial report or semi-annual financial report (as relevant). • Audited - End of the third month after the date of interim financial report or semi-annual financial report (as relevant).
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 the principal activity; an acquisition or disposal of assets; merger; bankruptcy; a change of independent accountants; dividend declaration; a commitment to a plan involving exit or disposal activities; asset impairments; material legal claims; change in management and other important information 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 utilization of proceeds from the public offering until all of such public offering proceeds have been realised.	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 (either 30 June or 31 December) from the closing of the transaction.

	ii. Report to IDX by a company that 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	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 company's performance spread evenly throughout the year. The company is required to conduct the annual or incidental public expose as requested by IDX and at least in the Indonesian language. The public expose can be held at the IDX office or other places as long as the investors, analysts, fund managers, representatives of IDX, and mass media can all be present.	At the latest 3 (three) IDX Trading Days after the public expose, a report consists of a summary of the discussion in the session and a copy of the list of attendees.

- **Periodic report submission**

The annual financial statements should be audited by an independent public accountant that is registered with the OJK. The audited annual financial statements also include the directors' statement regarding the responsibility of the directors on the financial statements.

The annual financial statements are presented using the Indonesian language and the foreign language (at least, in English language). However, if there is any inconsistency in the language translation, the Indonesian language version will be used as the basis of interpretation. The obligation to present the annual financial statements in a foreign language does not apply to small and medium scale companies.

All companies listed on the Indonesia Stock Exchange are required to submit the original printed audited report and must submit the financial statement in the Extensible Business Reporting Language (XBRL) format.

The listed company is required to conduct a public expose at least once a year and can be performed on the same date as that of the annual general meeting of shareholders.

- **Reporting and transparency of information**

The audited annual financial statements should be announced to the public at the latest at the end of the third month after the annual report date. The public announcement should be released in IDX website.

- **Timely disclosure of material information**

A public company whose registration statement has become effective must report to OJK and make public and material information regarding events that may affect the price of securities or investors' decisions not later than 2 (two) working days after the event occurs. Events, information, or

material facts consist of (among other things) the following:

- a merger, spin-off, consolidation or establishment of a joint venture;
- a stock split or merger (reversed stock split);
- an unusual dividend (which is extraordinary in nature);
- an acquisition or loss of an important contract;
- a significant new product or innovation;
- a change in control or significant change in management;
- a call for the purchase or redemption of debt securities;
- a sale of a material amount of securities to the public or in a limited manner;
- a purchase, a loss from the sale, of a material asset;
- a relatively important labor dispute;
- any important litigation against the company and/or the company's directors or commissioners;
- an offer to purchase securities of another company;
- a change in the independent auditors;
- a replacement of the company's trust agent; and/or
- a change in the company's fiscal year.

- **Related party disclosure in the financial statements or annual report**

OJK requires adequate disclosure in the financial statements or annual report regarding transactions between the company and its related parties. The disclosure should mention the nature of the relationship and transactions. The company should present detailed related party disclosure in each account of assets, liabilities, revenue, and purchases (or other expense) for any related party transaction with the percentage comparison against total assets liabilities, revenue, and purchase (expense).

OJK governs that any transaction exceeding Rp5,000,000,000 (five billion rupiah) or any other individual who is considered a related party (including immediate family members) or 0.5% of paid-up capital with of the public company, which one is lower, related party entities should be disclosed.

The terms and conditions of the related party transactions should also be disclosed by the company. Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

- **Material transaction disclosure in the annual report**

OJK requires adequate disclosure in the annual report of the implementation of any material transaction conducted by the public company. Material transaction is a transaction that has a value of 20% or more of the equity of the public company.

- **Internal audit**

The management of public companies is required by OJK to create an internal audit charter. The internal audit charter is established by the BoD after BoC's approval. The internal audit charter should at least cover its structure and position within the organizational structure, duties and responsibility, authority, ethical code, and accountability.

The internal audit unit, which should consist of at least 1 (one) internal auditor, has several responsibilities, such as to arrange and perform an annual internal audit work, to test and evaluate the internal control implementation and risk management system, to provide advice for improvement and objective information regarding the related audited areas, and to monitor, analyse, and report the progress of recommended actions.

The internal audit unit reports his/her audit findings to the President Director and Board of Commissioners.

- **Insider trading**

Insider trading, fraud, and market manipulation of securities are prohibited under Indonesian capital markets laws. In such circumstances, a transaction may be canceled or suspended by the IDX or OJK may suspend or revoke the license of the capital market supporting institution and supporting professionals involved. A party engaging in (i) misleading conduct, fraud, or falsification in connection with the sale of securities; (ii) other actions to mislead the public regarding trading activities, market conditions, or price; or (iii) insider trading is liable for the loss incurred and faces a fine of up to Rp150 billion and imprisonment of up to 15 (fifteen) years.

- **Environmental, social and governance**

In recent years, investors have had a heightened focus on a public company's commitment to ESG strategic initiatives. Investors want consistent, high-quality information that outlines a strategic plan for long-term value creation. Other stakeholders, including customers and regulators, are also demanding more transparency. While standards are still forming in this area, public companies should consider the impact its ESG-related initiatives and disclosures have on its stock value and reputation.

- **Delisting**

A company can be delisted by IDX if it fulfills one of the following conditions: (i) suffers certain conditions which adversely affect the going concern of the company, financially or legally, or adversely affect the continuing status of the company as a public listed company and the company has not shown any sufficient remedial actions; or (ii) its shares are suspended from the regular market and the cash market and may only be traded in the negotiation market for at least the last 24 (twenty-four) months.



Chapter 5

Private Offerings



Private placements

Rule 144A

Although market participants often refer to Rule 144A offerings, as a technical matter, most Rule 144A transactions involve two steps: sales to initial purchasers under an exemption, such as Regulation S or Regulation D, and resales to QIBs under Rule 144A. As a result, Rule 144A transactions follow various limitations not found directly in Rule 144A itself and the explicit requirements of Rule 144A.

Securities purchased under Rule 144A are deemed restricted securities and can only be resold pursuant to Rule 144A or another exemption (including the Regulation S resale safe harbor).

The requirements for a valid Rule 144A transaction include sales to QIBs and notices to buyers. In sales to QIBs, the securities must be offered and sold only to QIBs or to a person who the seller (and any person acting on its behalf) “reasonably believes” is a QIB. For a notice to buyers, the seller (and any person acting on its behalf) must take “reasonable steps” to ensure that the buyer is aware that the seller may be relying on Rule 144A (generally by so noting either in the offering document or, in the case of an undocumented offering, in the trade confirmation).

Section 4(a)(2) – Traditional private placements

Section 4(a)(2) of the Securities Act exempts “transactions by an issuer not involving any public offering”. The term “public offering” is not defined in the Securities Act, and the scope of the Section 4(a)(2) exemption has largely evolved through case law, SEC pronouncements, and market practice.

The core issue is whether the persons to whom securities are offered need the protection of the Securities Act—that is, whether they are sufficiently sophisticated to be able to fend for themselves. In determining whether a transaction is a public offering, relevant factors include the number of offerees and their relationship to each other and the issuer, the number of securities being offered, the size of the offering, and the manner in which the offering is conducted. All of the surrounding circumstances must be considered in this analysis.

Section 4(a)(2) is only available for offers and sales by an issuer; resales of securities acquired from an issuer require a separate exemption (such as Rule 144A). Global IPOs in certain jurisdictions are structured for tax and regulatory reasons as Section 4(a)(2) covers sales directly to investors.

Private placements under Section 4(a)(2) typically consist of, among other things, the following:

- a non-public offering (that is, an offering without any form of general solicitation or advertising);
- to a limited number of offerees;
- those buying for investment and not with a view to distribution; and
- sophisticated investors and have been provided with or have access to information about the issuer.

In addition, the securities issued in a private placement generally include restrictions on resales by the purchasers (such as through the use of stop-transfer orders, restrictive legends, etc).





Basic considerations

An IPO in Indonesia can also be offered outside of Indonesia (i.e., in the US or via Rule 144A or elsewhere via Regulation S). As a result, an offering document is separately prepared and is used for such jurisdictions. The content of this document, the distribution of which is tightly controlled by law, is largely at the discretion of the investment bankers and US counsels. Despite the absence of a U.S. Securities and Exchange Commission review, the investment bankers and US counsels involved in the private placement will require a substantial amount of prospectus-type information to be included in an offering circular (memorandum) to be distributed to potential investors. The document is not normally as comprehensive as an SEC registration statement, and often the company can negotiate the information to be included.

Regarding financial statements in a Rule 144A offering circular, annual home-country GAAP audited financial statements and unaudited (but reviewed) interim financial statements are generally provided. Such financial statements are not needed to be reconciled to generally accepted accounting principles in the United States (“US GAAP”), but a description of the differences between the home country and US GAAP or home country and IFRS is typically provided, often accompanied by an SEC-style MD&A.

A private placement will not result in an issuer having periodic SEC reporting requirements, although an understanding to provide some level of ongoing reporting to the holders is often included in the private placement document. Companies should be aware that 144A offering requires the involvement of a qualified US securities counsel to ensure that any securities sales meet the complex provisions of the rule and that appropriate disclosures are made to protect the company against US securities litigation. The independent public accountants involved in a 144A transaction are required to furnish a comfort letter to the underwriters. The independent public accountants also play an important role in connection with the Rule 144A offering due to the inclusion of audited financial statements in the private placement document.

Chapter 6

Other Considerations



Tax Considerations

Restructuring prior to an IPO

An IPO process may include shareholding/business restructuring to maximize the IPO value. The restructuring may have tax implications which must be considered by the shareholders and company conducting the IPO.



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 rate (currently 22% for entities and progressive rates up to a maximum of 35% for individuals).

The definition of founder shareholder includes an individual or entity whose name is listed in the company's list of shareholders or Articles of Association prior to the effectivity of the registration statement (see "3.3 Before the effective date" p.27). The definition of founder shares includes the following:

- a. shares acquired by the founder originating from the capitalization of any premium which is issued after the IPO; and
- b. shares originating from the founder shares' stock split.

(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)

Corporate Income Tax reduction for eligible public companies

A 3% reduction in Corporate Income Tax can be granted to public companies which satisfy the following conditions:

- the minimum 40% of of required listed shares must be owned by a minimum of 300 shareholders;
- each of those shareholders may only own less than 5% of the entire issued and fully paid-up shares; and
- the provisions as intended above must be met for at least 183 calendar days within one fiscal year.

The fulfilment of those requirements above is to be confirmed by submitting a report to the Directorate General of Taxes ("DGT").

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



Multiple Voting Shares

On 2 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 shares 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 the 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. utilizes 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 utilization of technology;
3. have:
 - a. total company assets of at least IDR 2 trillion based on the latest audited financial reports;
 - 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; and
 - 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; and
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 board 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.

Environmental, social, and governance (“ESG”)

In the world of investment, we often talk about “ESG” instead of “sustainability”. This abbreviation stands for Environmental, Social and Governance. It means that factors such as energy, climate, availability of raw materials, health, safety and good corporate governance are taken into account in the selection and management of holdings in companies. Where companies in this area have the correct capacity, private equity is ideally suited to exploit these opportunities while making a positive contribution to society, not only profit, but also to people and planet. The entire investment process - from selection to exit - provides opportunities for sustainability.

OJK issued OJK Regulation No. 51/POJK.03/2017 concerning “The Application of Financial Sustainability Reports for Financial Institutions, Issuers, and Listed Companies”. The financial sustainability report submitted to regulators must be 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; and
- coordination and collaboration.

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

Companies looking to access capital via IPOs need to be particularly sensitive to the fact that ESG matters have become an integral part of every company’s equity story. They will increasingly be expected to provide information about the role ESG plays in their strategy, with a focus on the material value drivers and risks that can impact their financial position and performance. And with the momentum around establishing global standards on non-financial reporting, the focus on companies providing ESG information is gathering pace. Transparency about the company’s material ESG issues, such as its efforts to decarbonise its operations and supply chain, backed by reliable data, is therefore becoming increasingly necessary for making that critical first impression.

After all, newly-listed companies will soon be benchmarked and competing for capital against those companies that already have robust reporting on their ESG strategy and material issues. Indeed, some investors will only consider companies that meet certain ESG criteria, thereby having a direct impact on

the company’s access to the investment pool. Investor pressure is becoming more intense, while at the same time companies are continually working to understand and meet the ever-growing information needs of their other stakeholders.

Companies need to show that ESG is genuinely part of their overall strategy and that they are aware of the impact these factors can have on their business. Investors are looking more closely for signs of this.

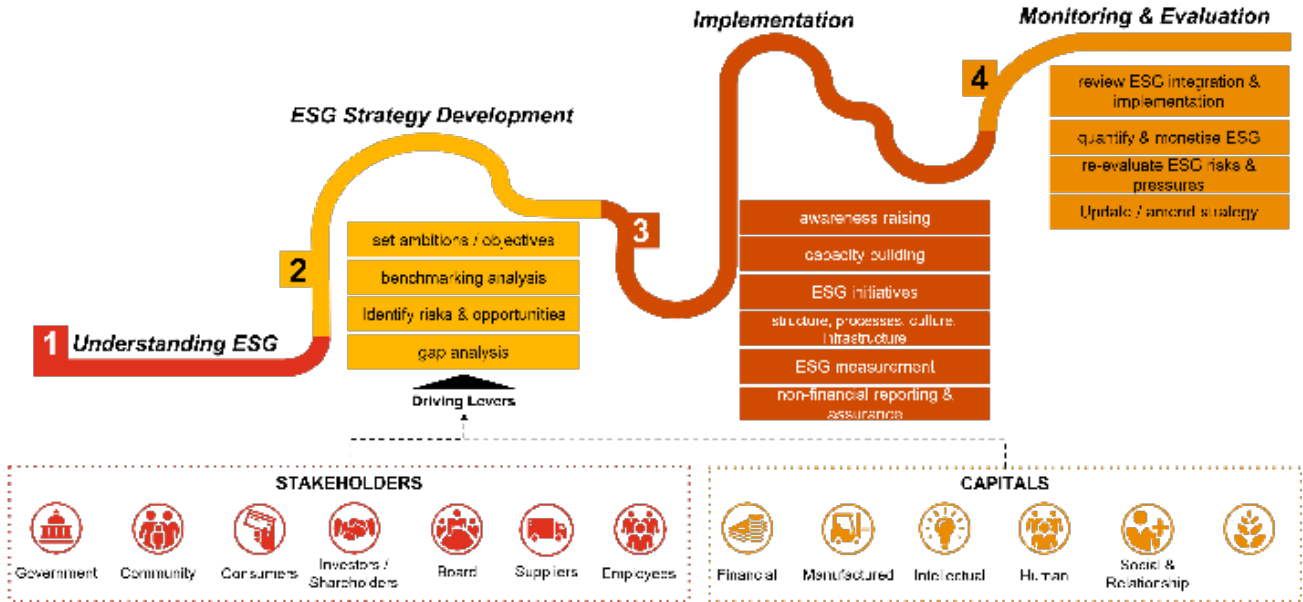
They are also looking at the quality of reporting, which can affect their ability to understand the drivers of risk and value in a company’s business model and impact the accuracy of their own valuations. Underestimating ESG’s importance in an IPO story, the prospectus and related marketing materials may raise questions about a management team’s ability to effectively identify and manage risks. We know from our previous research that investors link the quality of a company’s management to the quality of its reporting. A lack of clarity on ESG matters could lead to questions about the company’s long-term viability at a time when it’s only beginning to build a track record of performance. Making the effort to include substantive ESG information in the prospectus also helps ensure “reporting readiness”, indicating that the company is well prepared to meet the requirements for their first year’s annual report under the public company reporting regime.

Presenting the company’s position on the material ESG issues as part of the IPO story could be an effective way of future proofing the reporting strategy and processes of the business, right from the start of its listed life. Stakeholders will be looking for robust and reliable ESG information to assess whether ESG really is factored into decisions about operating the business. Being able to see non-financial targets and guidance on the impact of material issues on the financial performance can help companies show that they take ESG matters seriously. For companies wanting to make that good first impression, what was once a ‘nice to have’ is quickly becoming essential.



ESG value creation journey

Despite incumbent challenges, ESG Strategy – from the establishment of good governance to the incorporation of science-based targets – offers opportunities as well as threats. Changes in consumer preferences present the most salient opportunity. In Indonesia, businesses will have an opportunity to generate revenue from carbon credits as the price of carbon increases. Digital transformation, sustainable investment and policy reform will catalyze progress toward development goals, strengthen the country’s ESG ecosystem and ultimately create shared value for all.



How can ESG create value?



Make no mistake, although investors expect ESG to be a core part of a company’s strategy, they’re not quite prepared to accept lower returns simply to meet ESG objectives. Rather, they want to invest in businesses that can satisfy shareholders’ financial expectations and also credibly demonstrate that they fundamentally recognize and are responding to the risks and opportunities ESG practices present, most significantly around climate change. It’s imperative that companies considering going public have their ESG house in order.

Conclusion

You now have the facts about what it takes to go public—the preparation, execution, compliance, and ongoing commitment. You have a good idea of the time it takes, and you have weighed the costs against the benefits. Practically speaking, you have begun to work through a process of strategic planning and analysis. You know what it takes to get your company looking and operating like a public company. Don't try to do too much at once. You can strike a balance between internal and external resources. Together, we can walk down the road ahead.



How we will support your IPO

Going public is a monumental decision. It forever changes how a company does business. Preparation for a public offering is key. This is where we can help.

The process of completing a public offering can be time-consuming and expensive and can take substantial management focus away from the day-to-day operations of a company. The preparation for “being public” can be just as important as the process for “going public”. Your company will need to meet numerous additional requirements as a public company that may require a long lead time, new skill sets, and additional resources. Thinking through the requirements and developing an appropriate action plan can reduce unexpected pre-IPO work and post-IPO issues.

Of course, the IPO is not the end of the story. Once listed, a company will be under far greater public scrutiny and will have a range of continuing compliance obligations. Any weakness in systems or failure to comply could cause management public embarrassment and reputational damage.

It could also subject the company and its officers and directors to litigation. In the first 12 (twelve) months post-IPO, the benefits of careful preparation and planning are also realized. PwC helps you understand the processes required to meet new demands on your organization and, in certain instances, helps you form the underlying infrastructure to operate effectively in the new environment.

Your PwC engagement team will be chosen specifically to meet your unique needs. You will have the support of resources that bring the technical, industry, private and public company, and IPO transaction experience required to keep you ahead of the curve and prepare you for potential issues you could face as a public company.

Whether acting in the capacity of your independent public accountant, tax service provider, or financial advisor, we will be an active part of your team. Our goal is to be a trusted business advisor that helps make your success possible.



Readiness assessment

Evaluate your readiness to go public

By undertaking a structured exercise to analyze a company's state of preparedness for going public, we can give management a full understanding of key IPO issues as they apply to the 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 following 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? Is the company exploring a dual listing and what are the advantages and disadvantages?

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



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

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 ESG matters?

We will bring an integrated solution to evaluate your organization across all major functions to identify areas that may need to be created or enhanced prior to being public company ready. We can support and advise management in the critical areas as you implement those changes and undergo the transformation to public company processes.

Prepare an action plan

Our team will work closely with you to “get your house in order” and help you make the transition from a private company to a public company. We will assist you in getting your financial statements in order, advise on necessary restructuring, advise on business financial modeling, investment case, and business valuation, assist in the establishment of an IPO advisory team, and provide guidance on professional relationships for an IPO.

Review financial controls

We will provide the understanding you need about system controls and corporate governance to be ready for the reporting demands of a public company. We will help you assess your internal controls, highlight areas of potential risk, and provide recommendations for improvement.

Accounting, reporting & finance effectiveness

We can benchmark your existing finance function team’s effectiveness against leading practices. The benchmark would cover your people, process, data management, and technology adoption level. Based on the benchmarking, we can help you set the right performance indicators, consider critical design decisions for future improvement, and implement the latest technology to improve your overall finance function effectiveness. With our emerging technology and lean implementation approach, we can provide you with a faster implementation cycle than the classic accounting, reporting & finance technology.

Going public

PwC can also help in many ways during the IPO process. As independent public accountants/ auditors, we can provide assurance on historical financial information, participate in due diligence with the investment banks and give comfort on financial information included in the registration statement.

As auditors or non-audit service providers, we will advise you in connection with providing due diligence support and drafting the registration statement or prospectus, including the critical management discussion and analysis (“MD&A”) in your prospectus. We will also advise you on the presentation of your financial statements (i.e., for the track record period), including pro forma financial statements that may be required. Further, we will advise you on your selection of key accounting policies, and we will provide advice on the tax structure. Our prior experience will give you invaluable insights on current OJK views and how other registrants are dealing with common IPO issues. We will help you anticipate and respond to issues raised by regulators as they relate to accounting, financial, and reporting matters. These insights will help streamline the IPO process.

We will also advise you on a wide variety of infrastructure issues, such as process alternatives for designing key controls.

IPO transactions can be complex, time-consuming, and a distraction for management from the day-to-day needs of running the business. Effective project management is key. Our project management specialists can advise and recommend an appropriate project governance framework and project plans. We can assess project deliverables, interdependencies, risks and resources.



Being public

Systems and internal controls

Our professionals can help you establish and document an effective internal control environment so the right processes and systems are in place to support the business. Specifically, we can provide the following services for each area:

Internal controls

- Internal controls optimization services to assess the current environment and establish a rationalized controls framework focused on a risk-based approach and the ability to provide controls comfort in an efficient manner.
- Readiness assessment to validate controls effectiveness, provide management insights into the controls environment, and have the ability to remediate possible controls deficiencies.
- Provide access to existing libraries of controls to streamline the process of developing a framework and leveraging industry-leading practices.
- Third-party assurance to provide comfort over the operations and controls of a third-party service provider for key financial and/or technology support.

Assistance in defining needs and selecting new systems

We have industry and technology-focused professionals who have controls-related experience across most major technology platforms.

We assist our clients in the selection process for key accounting, management, and investor reporting technology platforms and provide consolidation applications for their business needs. We will work with you to document a list of key requirements that can be used to evaluate each option and determine the best fit. We will work closely with you throughout this process, acting as a trusted advisor, with management driving the process and owning the final deliverables and action items. As part of this process, we can do the following:

- assess the effectiveness of internal systems, processes, and personnel to establish the appropriate baseline for public company operations and complying with regulatory as well as reporting requirements;
- assist in defining the business requirements for the systems based on internal stakeholder interviews and leveraging industry-leading practices;
- provide access to existing libraries of controls to streamline the process of developing a framework and leveraging industry-leading practices; and
- provide third-party assurance to provide comfort over the operations and controls of a third-party service provider for key financial and/or technology support.

Governance and leadership

We can assist our clients with the performance of governance diagnostic and benchmark studies and advice management in the following ways:

- designing corporate governance structures to comply with relevant regulatory requirements;
- developing approaches for planning and embedding governance, risk management, and compliance into the organization;
- delivering training on various aspects of corporate governance;
- advising management on enhancing board charter, by-laws, committee mandates, and corporate governance; and
- developing corporate policies and procedures.



Treasury and risk management

In an IPO environment, a company may be exposed to significant risks related to treasury activities. PwC can assist with developing appropriate “best practice” treasury and cash recommendations linked to the finance function and wider business. For example, in certain circumstances, we could assist in the design and implementation of policies and procedures, cash flow forecasting, and systems and risk management processes.

Environmental, social, and governance (“ESG”)

We can assist in conducting materiality assessments to determine ESG focus, that is in accordance with internal and external stakeholders, as a baseline in developing ESG/sustainability reports required for public companies. Referring to the PwC survey, how a company manages ESG risks and opportunities becomes an important factor in investment decision-making. Therefore, it is recommended for a company to address company impacts on the environment, social issues, and governance to answer a wide variety of questions that stakeholders may raise. We will work with you by conducting a workshop that will engage management and department heads to validate and finalize the material topics for your company. In addition, to elevate your ESG/sustainability reporting, we can do the following:

- conducting gap analysis on your ESG current position against the ESG frameworks or rating agencies’ metrics;
- determining and documenting ESG strategy, policies and practices;
- developing ESG/sustainability reporting strategy;
- developing ESG/sustainability reports; and
- ESG assurance.



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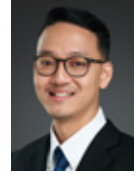
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