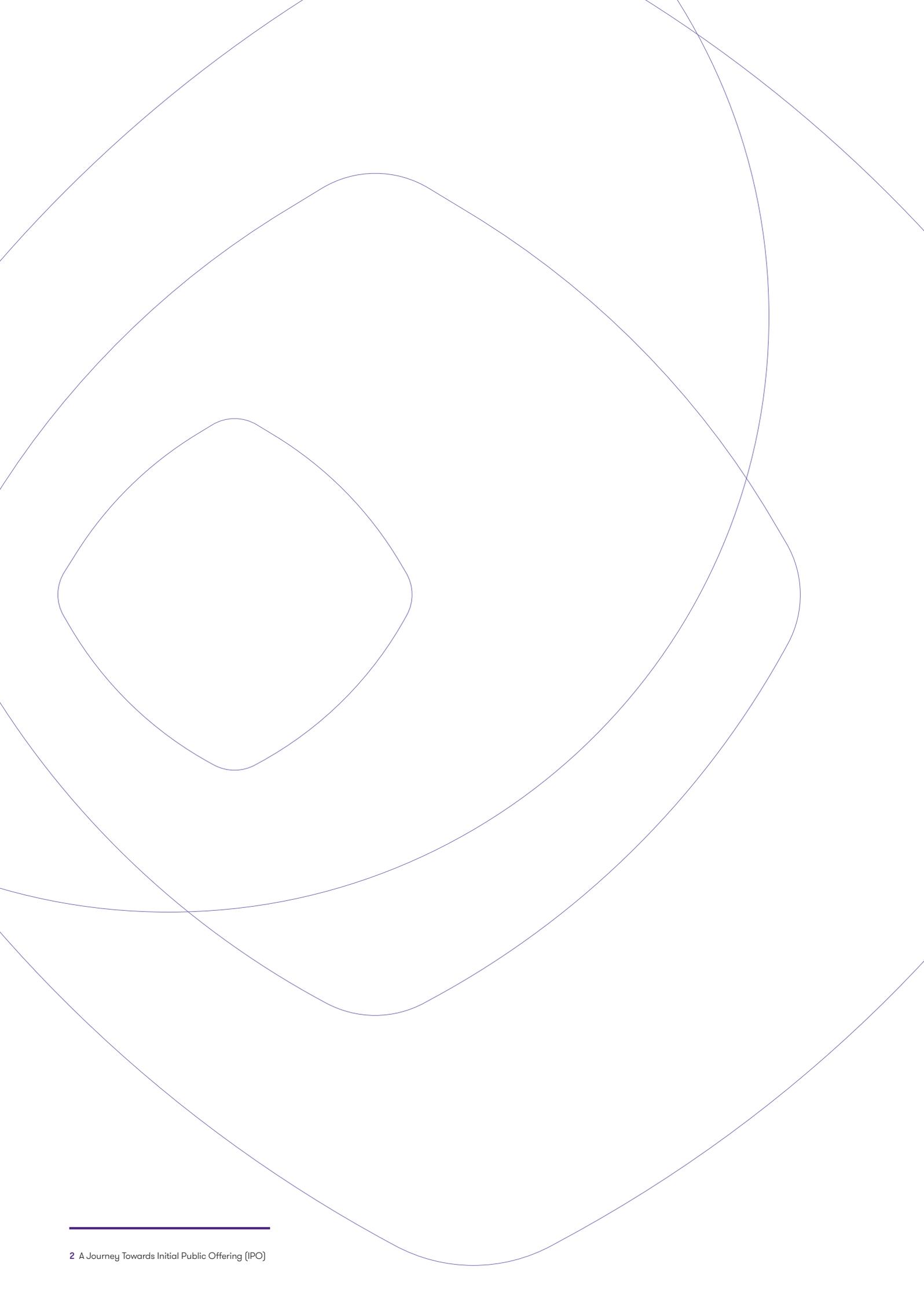


A Journey Towards Initial Public Offering (IPO)

The Why, How, and What Next

November 2023



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The Why

Does your company need to go public?

The Decision to Go Public

It is important for companies to determine their main objectives and the benefits that they can obtain first.

A Public Offering is when a company undertakes its initial public offering, IPO, by selling shares of stock to the public, usually to raise additional capital. It is regulated under UUPM No. 8, 1995.

Finding the Right Reasons

The following are several possible reasons why companies would want to go public:

1. To raise capital for operation and/or expansion
2. To fund strategic action plans such as M&A or a strategic alliance
3. To attract and retain human capital
4. To strengthen a company's position in the market
5. To exit or partially sell their share of the company
6. To provide liquidity to shareholders/investors

Key Pointer

When it comes to an IPO, Companies need to initially assess clear main goals for undertaking this action. Subsequently, they need to objectively assess their readiness prior and post-IPO before becoming a Public Company. **Companies need to ensure that their internal organizations already comply with the applicable regulation starting from an internal readiness checklist on audited financial statements, taxation, Good Corporate Governance ("GCG"), Internal control, compliance, valuation, environmental, social and Governance ("ESG"), and Legal Compliance.**

Preliminary Consideration to Go Public

After finding the right reason on how essential it is to go public, the company needs to run internal assessments to be able to define their ultimate main objectives.

1

What is the company's long-term business plan?

2

What is the amount of capital required by the company through the Initial Public Offering (IPO)?

3

What is the maximum percentage of public ownership expected by shareholders?

4

Is there a need for a spin-off, merger, acquisition, or asset divestment before conducting a public offering?

5

Which subsidiaries in a group have the greatest likelihood of going public?

6

Are there licensing provisions in regulations, agreements or other matters that need to be amended prior to the IPO?

7

Are there significant issues within the company that could disrupt the IPO process?

8

Does the company need to make changes to the composition of the company's directors and/or commissioners?

Benefits of Going Public

Seizing the opportunity of going public for greater market outcomes

1

Unlimited Source of Funds

Funds sourced from the capital market can be utilized to bolster working capital, facilitating the expansion of the company, settling debts, and pursuing investments.

2

Enhance a Company's Value

As a listed company, it allows the public to access real-time data information. Any enhancements in operational and financial performance usually influence share prices which consequently elevate the company's overall worth.

3

Improve a Company's Image

Media outlets, data providers, and securities analysts frequently cover information and news related to the listed company. This widespread coverage serves as free publicity, bolstering the company's reputation.

4

Tax Incentive

Tax incentives are provided for both the company & its founder. For companies listed in the Indonesia Stock Exchange, it will receive a 3% reduction on income tax.

5

Employees with High Loyalty & Professionalism

Listed Companies usually offer incentives to employees in the form of shares. By actively involving employees in the company's growth, a sense of ownership is fostered, leading to heightened professionalism and improved performance among employees.

6

Provide Liquidity for Shareholders or Investors

After the company goes public, shareholders/investors will receive fresh proceeds from the market which will potentially be exposed to capital gain.

7

Accelerate the Implementation of GCG

Listed companies are required to implement Good Corporate Governance (GCG) as part of their mandatory reporting to the authorities.

8

Ensure Business Continuity

As fresh funds come in, the company can enhance its operational and business endeavors, while also opening up possibilities for business expansion.

Common Issues For Private Companies Looking to Go Public

A company's internal assessment prior to IPO Preparation

- 1 A close cycle is inadequate for Public Company Reporting.
- 2 Policies & Procedures are not adequate or documented.
- 3 An IPO plan is not fully taken into consideration in their budgeting and forecasting
- 4 External financial reporting has not fully complied with regulatory standards.
- 5 Internal organization skills such as Finance, Operational department are not adequate.

Key Pointer

The company needs to ensure that its management team and business units are fully prepared to transition into the role of a public company by adopting a holistic perspective within the organization. **If the internal team's skillset is inadequate, it is suggested that they hire external parties to assist in processes such as Business process outsourcing, Advisory, Audit, consultants etc.**



The How

Preparation Process for Going Public



The A to Z Process of Going Public

Careful and meticulous planning is essential for a successful Initial Public Offering (IPO)

12-18 Months

Decision to an IPO

Planning & Preparation

Strategic Consideration & Planning

Be ready for going public
Organizing the IPO team for the preparation phase

What to do first?

- Build an internal IPO team
- Develop a budget/business plan
- Evaluate corporate governance principles & practices
- Create an audit committee
- Draft management discussions & analyses
- Have your financial statement audited
- Develop an equity story and an ESG strategy
- RUPS & Article of Association

Key Parties

- Internal IPO team
- Management team
- Independent pre-IPO Advisory
- Internal & External Auditors
- Underwriters
- Legal Counsel & Notary
- Share Registrar
- Independent Appraiser



6-9 Months

Years

IPO Process Execution

Post-IPO

Going public

Implementing path to an IPO, marketing & pricing the IPO

Being public

Listed Companies should be ready to run its business operation based on regulatory standards

Key Parties

- Trustee (“Wali Amanat”)
- Credit Rating Agency
- Accounting & Finance Advisor

Key Parties

- Key management team
- Effective operational, finance, accounting, general administration team
- Internal Risk & Audit Committee
- Investor relation team
- Business Process Outsourcing (if needed)

Phases of an IPO Execution Process

Key IPO preparation tasks include the initial restructuring, due diligence by professional parties and the drafting of the prospectus and offering circular.



Planning

1. Appoint professional Advisers
2. Kick-off meeting
3. Develop an overarching project management framework (Establish committees, develop workplan, outline IPO timetable)
4. Develop a stakeholder management plan (establish dialogue, outline a roadmap for successful resolution)
5. Implement restructuring – legal separation, accounting, tax, etc
6. Preliminary review of offering structuring alternatives



IPO Preparations

1. Implement due diligence programs
2. Finalize management team and Board of Directors
3. Complete accounting reports and financial projections
4. Refine your equity story and key investment themes
5. Draft and finalize prospectus and offering circular
6. Submission of listing application to OJK and ongoing review process
7. Brief public relations firm
8. Understand potential investor issues and develop responses



IPO Process Execution

1. Finalize the offer structure
2. Syndicate and analyst briefing
3. Management roadshows
4. Cornerstone and/or anchor investor process
5. Distribute prospectus and Offering Circular
6. Open shareholder information center
7. Launch offer website
8. Retail broker briefings
9. Pricing and allocation of shares listing
10. Ongoing public relations program

Determine a Company's Listing Board based on the IDX Equity Listing Requirement Key

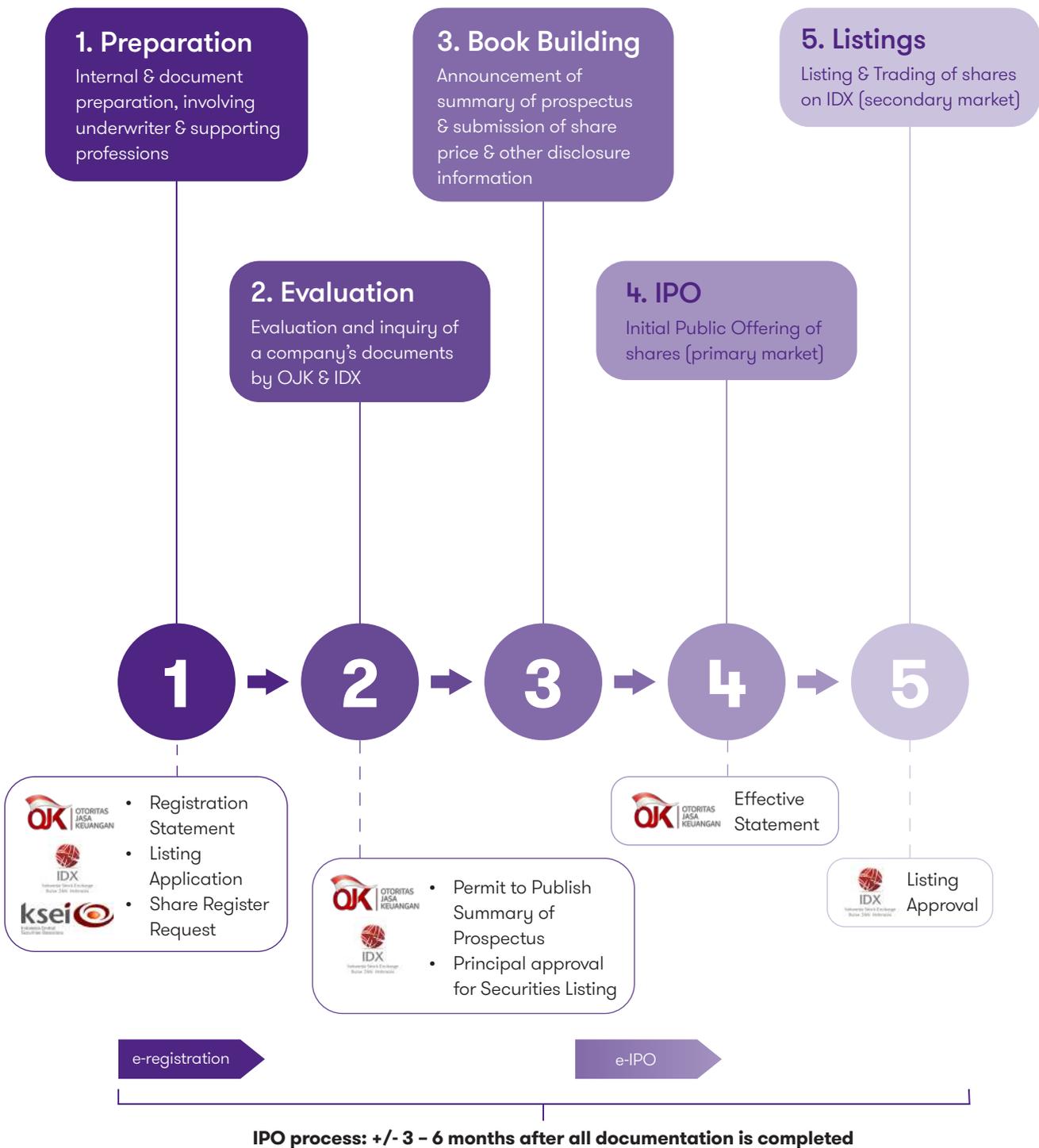
Financial, Business, Good Corporate Governance, and Capital Structure Criteria

Criteria		Equity			
		Main Board & New Economy Board	Development Board	Acceleration Board	
Financials	Operational Lifetime (generate revenue)	≥36 Months	≥12 Months	N/A (Pursuant to POJK 53: Assets ≤Rp250 billion or equal to USD 16.9 mn)	
	Audited Financial Report*	Min. 3 years (2 years unqualified opinion)	Min. 12 months (unqualified opinion)		
	Financial Test (must meet one of the criteria):				
	Net Tangible Asset** & Profit Before Tax	≥Rp250 bn (USD16.7 mn)	Only NTA ≥Rp50 billion (USD 3.3 mn)		
		Or	Or		
	Market Cap & Cumulative PBT for the past 2 years	Rp1 trillion (USD67 mn) & ≥Rp100 billion (USD6.7 mn)	≥Rp100 billion (USD6.7 mn) & ≥Rp10 billion (USD0.67 mn)		
		Or	Or		
	Market Cap & Revenue	≥Rp8 trillion (USD533.3 mn) & ≥Rp800 billion (USD53.3 mn)	≥Rp400 billion (USD26.7 mn) & ≥Rp40 billion (USD2.7 mn)		
		Or	Or		
	Market Cap & Total asset	≥Rp4 trillion (USD266.7 mn) & ≥Rp2 trillion (USD53.3 mn)	≥Rp500 billion (USD33.3 mn) & ≥Rp250 billion (USD16.7 mn)		
		Or	Or		
	Market Cap & Cumulative CFO for the past 2 years	≥Rp4 trillion (USD266.7 mn) & ≥Rp200 billion (USD13.3 mn)	≥Rp400 billion (USD26.7 mn) & ≥Rp20 billion (USD1.3 mn)		
		Or	Or		
	Good Corporate Governance	Incorporation	Limited Liability Company (Perseroan Terbatas – PT)		Limited Liability Company (Perseroan Terbatas – PT)
Independent Coordinator		Yes (Min. 30%)	Yes (Min. 30%)	Yes, with a 6 month grace period for medium scale issuers & 1 year grace period for small scale issuers	
Audit Committee and Internal Audit		Yes	Yes		
Corporate Secretary		Yes	Yes		
Capital Structure	Shares Offered to Public (Free Float)	Min. 300mn shares	Min. 150mn shares	Min. 20%	
		Equity			Total Shares
		<Rp500 bn (< USD33.3 mn)			20%
		Rp500 bn – Rp2 tn (USD33.3 mn – USD133.3 mn)			15%
	>Rp2 tn (> USD133.3 mn)		10%		
	Number of Shareholders	≥1,000 parties	≥500 parties	≥300 parties	
IPO Share Price	≥Rp100		≥Rp50		

*Must be audited by a registered public accountant

**The total physical assets of a company minus all intangible assets and liabilities.

Initial Public Offering and Listing Process on Indonesia Stock Exchange (IDX)



What Next

IPO Aftermath

Publicly traded companies need to actively maintain their reputation by engaging in regular communication with investors, analysts, and the financial media.

The public's perception of the company directly impacts the value of its stock, and this influence should not be underestimated.

Embracing the responsibilities of being a public company involves becoming accustomed to the rhythm of quarterly and annual reporting obligations, as well as requirements submissions frequently to the Authorities.



Key Factors to be taken after Going Public



The IPO is not the end of the story – It is only a beginning

Publicly traded companies are obligated to adhere to various reporting and other requirements.

One of the most notable changes for many companies is the requirement to expedite the closure and public reporting of their financial results.

It is crucial that the company is thoroughly prepared to meet these accelerated timeline requirements, as failure to do so can shake investor confidence and affect the share's price.

Reporting Requirements Overview

The following graphic provides a summary of specific reports that need to be disclosed to the public via IDX (Indonesia Stock Exchange) and are subject to supervision of OJK.

Regulation : Decision Letter Of The Board Of Directors Of The Indonesia Stock Exchange (No. KEP- 00015/BEI/01-2021)
Subject: Amendment to Regulation Number I-E Concerning Obligations for Submission of Information

1

Annual Audited Financial Statements:

No later than the end of the third month after the date of the annual financial statements.

2

Annual Report and ESG Report*: The end of the fourth month after the end of the financial year.

3

Interim Financial Report / Semi Annual Report:

Audited - End of the third month after the date of interim financial report or semi-annual financial report (as relevant).

4

Incidental Report:

As promptly as possible and no later than 2 (two) working days after the occurrence of the material information or fact.

5

Fund Utilization Realization Report (LRPD) to OJK:

LRPD shall be submitted every 6 (six) months with the report dates of 30 June and 31 December.

6

Public Expose:

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.

7

Corporate Action (if cause dilution):

Report to IDX and submit at the latest on the next day after the company decides to conduct the action.

*ESG report might be required for listed Co effectively in 2024

Our IPO-related Services

We will happily provide you with our comprehensive IPO services and connect you with our experts.



Audit and Assurance

To provide you with audit services; thus, we will ensure that you will have appropriate audit financial statements ready for your IPO process.



Tax and Transfer Pricing

To ensure that your company has complied with all applied tax regulations and governance.



Advisory

To assist you with the IPO strategy from end-to-end and to liaise with securities companies and other related parties. Our Advisory Team will ensure that your IPO action is successful.



Business Process Solutions

To ensure all of your documentation and compliance are ready for IPO preparation, and to ensure your company can cope with the changes after the IPO.



Contact Us

Find out how Grant Thornton can assist you for your IPO success strategic action.

For inquiries, please contact our Business Development Partner at bd@id.gt.com.

