

# Indonesia IPO Markets Watch

2023 Year in review

January 2024



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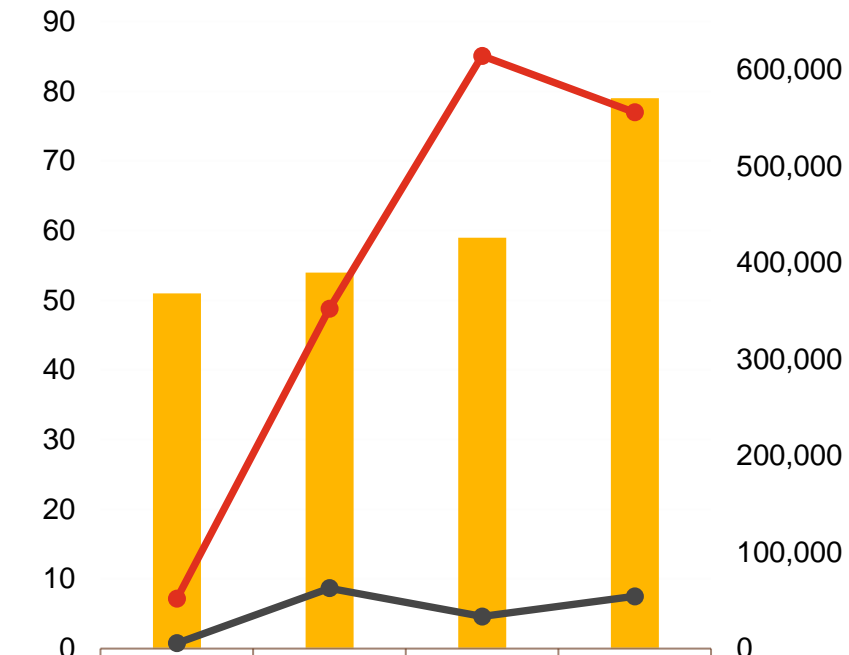
# Indonesia's IPO boom: 2023 in review

Indonesia Stock Exchange (IDX) witnessed a boom in 2023 with 79 IPOs (2022: 59) raising total proceeds of Rp54,135 billion or US\$3.55 billion (2022: Rp33,139 billion or US\$2.23 billion). As of 31 December 2023, there were 906 listed companies on the IDX with total market capitalisation at Rp11,674,055 billion (US\$765 billion).

The Indonesian IPO market demonstrated remarkable resilience and growth in 2023. The IDX welcomed **79** new listings, a **34%** increase compared to the prior year. Total IPO proceeds reached **Rp54,135 billion (US\$3.55bn)**, which is **60%** higher from 2022. This significant boost was primarily fuelled by five major IPOs – Amman Mineral, Harita Nickel, Merdeka Battery Materials, Pertamina Geothermal Energy and Barito Renewables Energy – which collectively raised **Rp42,094 billion (US\$2.76bn)** representing **78%** of the year's total IPO proceeds.



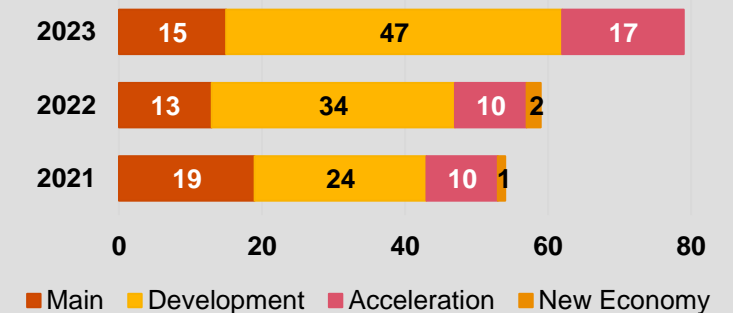
No of IPOs  
IPO Market Capitalisation/  
IPO Fund Raised (in Billion Rp)



No. of IPOs	51	54	59	79
IPO Fund Raised	5,578	62,608	33,139	54,135
IPO Market Capitalisation*	51,556	352,408	614,596	556,019

\*IPO market capitalisation represent the total market value of shares for companies listed in the current year, calculated at the closing price on their initial trading day

No of IPOs by Board 2021-2023



Indonesia's Development Board leads the IPO count from 2021 to 2023. This highlights the country's fertile ground for high-growth small and medium-sized companies.

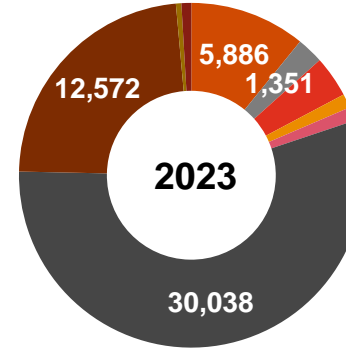
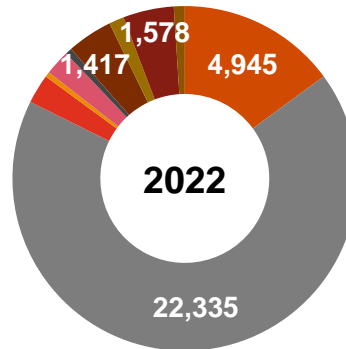
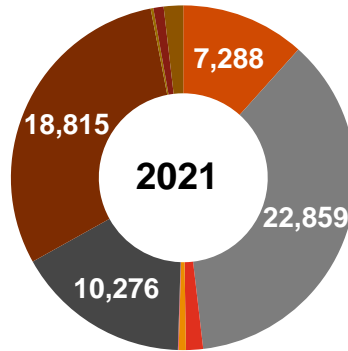
In 2023, despite the overall increase in funds raised through IPOs, the IPO market capitalisation saw a decrement compared to 2022. This was primarily due to a drop in the market capitalisation of PT GoTo Gojek Tokopedia Tbk, which in 2022 contributed a significant market capitalization of Rp452,427 billion.

# Indonesia's IPO theme shift: from tech titans to green giants



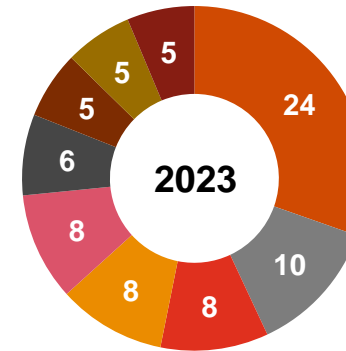
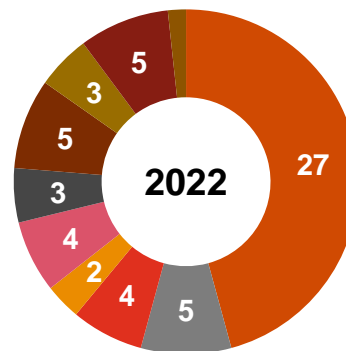
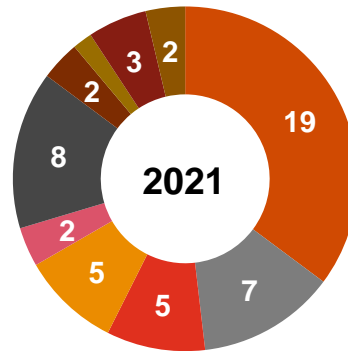
IPO Fund Raised by Sectors in 2021-2023 (in Billion Rp)

- Consumers
- Technology
- Energy
- Industrials
- Properties & Real Estate
- Basic Materials
- Infrastructures
- Transportation & Logistic
- Healthcare
- Financials



Indonesia's tech sector drew substantial investments over the past two years, with IPOs in 2021 and 2022 generating Rp22,859 billion (US\$1.60 billion) and Rp22,335 billion (US\$1.50 billion), respectively. Regulatory initiatives like the New Economy Board and the Multiple Voting Shares scheme propelled market dynamics, culminating in the major listings of GoTo and BliBli in 2022. These two companies alone accounted for 66% of the funds raised in 2022, underscoring the tech industry's vital role in the Indonesian economy during that period.

No. of IPO by Sectors in 2021-2023



A new theme emerged in 2023 with investors' increasing focus on green technology and sustainability. Companies in the metal and mineral industries (classified under the Basic Materials sector), specifically in the electric battery value chain and renewable energy (classified under the Infrastructures sector) dominated the IPO scene. Amman Mineral, Harita Nickel, Merdeka Battery Materials, Pertamina Geothermal Energy and Barito Renewables Energy collectively raised Rp42,094 billion (US\$2.76 billion), representing 78% of funds raised in 2023. Indonesia aims to establish itself as a key player in the global electric vehicle supply chain.

The Consumers sector led in terms of IPO deals with 70 listings in the last three years, reflecting the country's economic vitality and the middle class's growing affluence and spending power. Consumer businesses adapt to a digitally-focused landscape, transitioning from traditional models to tech-enabled operations and business models. This evolution not only showcases their competitive edge but also their ability to capitalize on a consumer base that is increasingly seeking enhanced experiences and convenience. All these play a crucial role in driving Indonesia's economic growth.

# Top 5 IPO listings in 2022 and 2023

## Performance of Top 5 IDX Listings by Proceeds in 2022 & 2023

<b>1</b>	<b>GoTo Gojek Tokopedia</b> Tech – Start-ups	
<b>Rp13,728 bil</b>	Listing Date: 11 April 2022 Offering Price: Rp338 Last close*: Rp86	
<b>2</b>	<b>Global Digital Niaga (Blibli)</b> Tech – Start-ups	
<b>Rp7,997 bil</b>	Listing Date: 8 November 2022 Offering Price: Rp450 Last close*: Rp482	
<b>3</b>	<b>Mora Telematika Indonesia</b> Telecommunications	
<b>Rp1,000 bil</b>	Listing Date: 8 August 2022 Offering Price: Rp396 Last close*: Rp452	
<b>4</b>	<b>Jayamas Medical Industri</b> Healthcare	
<b>Rp828 bil</b>	Listing Date: 8 November 2022 Offering Price: Rp204 Last close*: Rp214	
<b>5</b>	<b>Adaro Minerals Indonesia</b> Energy - Coal	
<b>Rp492 bil</b>	Listing Date: 3 January 2022 Offering Price: Rp100 Last close*: Rp1,360	



<b>1</b>	<b>Amman Mineral</b> Energy - Copper	
<b>Rp10,726 bil</b>	Listing Date: 7 July 2023 Offering Price: Rp1,695 Last close*: Rp6,550	
<b>2</b>	<b>Harita Nickel</b> Energy - Nickel	
<b>Rp9,997 bil</b>	Listing Date: 12 April 2023 Offering Price: Rp1,250 Last close*: Rp1,000	
<b>3</b>	<b>Merdeka Battery Materials</b> Energy - Nickel	
<b>Rp9,182 bil</b>	Listing Date: 18 April 2023 Offering Price: Rp795 Last close*: Rp560	
<b>4</b>	<b>Pertamina Geothermal Energy</b> Renewables Energy	
<b>Rp9,056 bil</b>	Listing Date: 24 February 2023 Offering Price: Rp875 Last close*: Rp1,170	
<b>5</b>	<b>Barito Renewables Energy</b> Renewables Energy	
<b>Rp3,132 bil</b>	Listing Date: 9 October 2023 Offering Price: Rp780 Last close*: Rp7,475	

Source: IDX website

\*Last close as of 31 December 2023

# Indonesia capital market update

## IDX 2023 highlights and outlook in 2024

### Indonesia Stock Exchange (IDX) and Hong Kong Exchanges and Clearing (HKEX) Strategic Collaboration

On 24 November 2023, IDX was added as a Recognised Stock Exchange (RSE), allowing Indonesian listed companies to apply for a secondary listing in HKEX. This recognition follows a memorandum signed between IDX and HKEX in July 2023 to explore cooperation in several areas, including cross-listing opportunities.

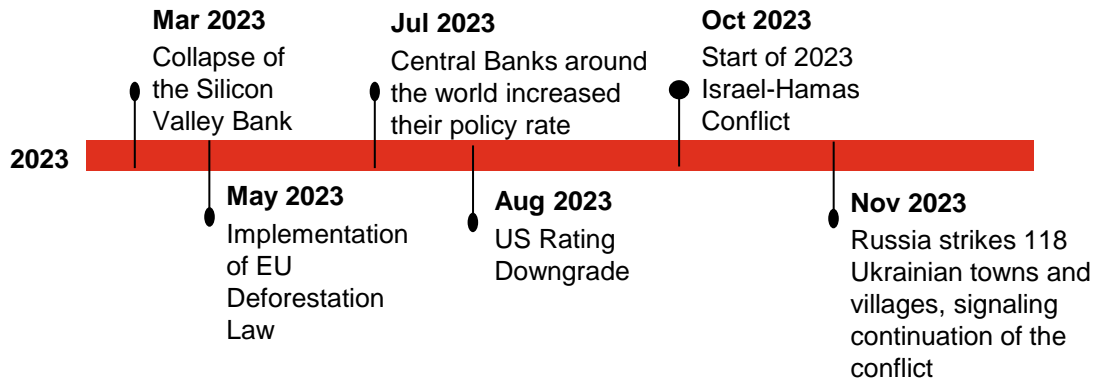
IDX joins 16 other international exchanges around the world that are already accepted as RSEs. With this strategic collaboration, listed companies in Indonesia will have access to a wider regional and global investor base, opening up new opportunities for growth and enhanced market visibility.

### Investor Sentiment and IPO Trajectory Amidst Indonesia's 2024 Elections

The February 2024 elections in Indonesia present a dual impact on the economy. While historically boosting sectors like consumer goods, transportation, and hospitality through increased spending, elections also bring a degree of uncertainty, often leading to cautious investment behaviour. The anticipation of new economic policies post-election tends to make investors hesitant, preferring a 'wait and see' strategy. The investors' cautiousness, combined with global geopolitical uncertainties, creates a complex environment that requires astute navigation by businesses, investors, and policymakers alike.

Amid these complexities, the Indonesian capital market continues to be a hub for high-growth companies with robust business models. The market's resilience and the drive of these companies suggest a steady trend in listings. Based on news dated 4 December 2023, IDX estimates 60-65 initial public offerings for 2024. This target, balanced with a cautiously optimistic outlook, acknowledges the election's influence while highlighting the potential of Indonesian businesses in a dynamic economic environment.

# Global economy 2023 and outlook in 2024



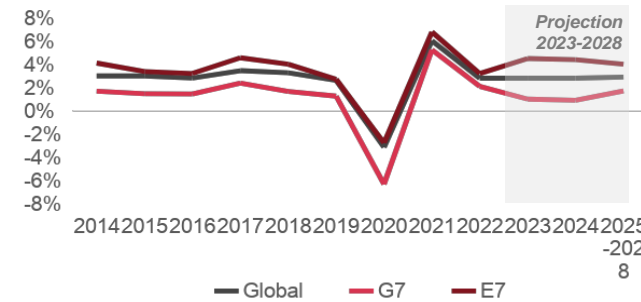
**Silicon Valley Bank (“SVB”) Collapse:** On March 2023, Silicon Valley Bank (SVB), as a financing provider for around half of US venture-backed companies, collapsed due to a lack of asset diversification and a bank run, signaling uncertainty in the US technology and healthcare industries.

**US Rating Downgrade:** Rating agency Fitch downgraded the US government bond rating from AAA to AA+. This was largely attributable to the increasing debt load and the challenges within US politics pertaining to the management of spending and tax strategies.

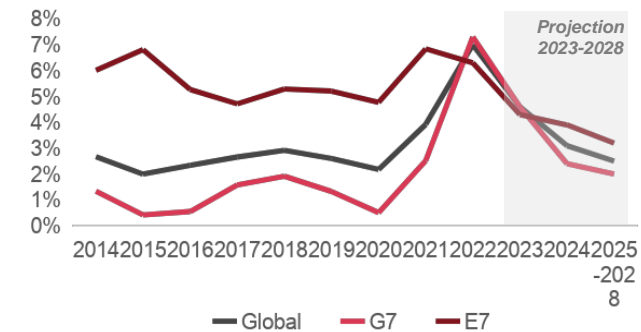
**Central Bank Policy Rate Hike:** Inflation remains above target in almost all economies due to the rise in core commodity prices around the world. As a result, the Bank of Canada, the Bank of England, the European Central Bank, and the Federal Reserve all raised interest rates in July.

**Israel-Hamas Conflict:** The Israel-Hamas conflict raises concerns about geopolitical stability, potentially affecting oil prices and disrupting trade routes. Additionally, heightened tensions can create uncertainties in financial markets, impacting investor confidence.

**Economic Growth**  
In %, 2014-2028f



**Consumer Price Index (CPI)**  
In %, 2014-2028f



- Outlook for global economy is more optimistic than the outlook at the end of 2022.
- Global CPI soared to its highest level in the last eight years in 2022 but steadily decreased through 2023 and expected to continue the trend in 2024.
- The Federal Reserve is expected to decrease the funds rate in 2024 while the European Central Bank and the Bank of England are expected to hold the rate for the foreseeable future.

Key aspects affecting global economy performance in 2024 includes:

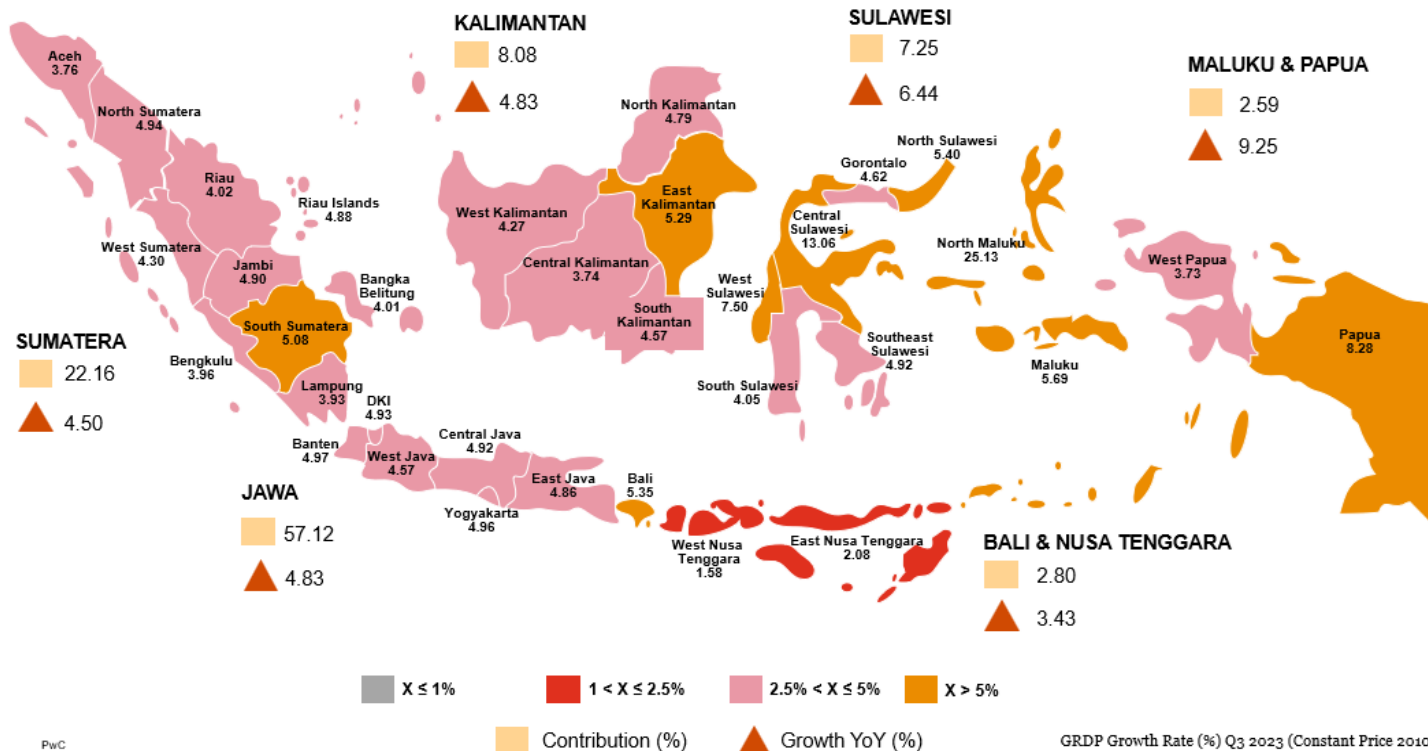


# Indonesia's 2023 economic overview and 2024 outlook



Indonesia's economy in 2023 demonstrated resilience and growth across multiple sectors, with a positive outlook for 2024. The strategic focus on inclusive and sustainable economic transformation, alongside effective fiscal policies and steady investment growth, positions Indonesia well for future economic stability and growth.

## Regional Economy Growth and Contribution to National Economy



Indonesia's economy in Q3 2023 **grew at 4.94% year-over-year**, even against a backdrop of global economic slowdown, allowing it to be an upper middle-income country as of July 2023.

Household **consumption grew by 5.06% YoY in Q3 2023**, in line with increased mobility, stable public purchasing power, and high consumer confidence.

**North Maluku** led with an **exceptional 25.13% growth**, primarily fueled by the processing and mining sectors.

The Government of **Indonesia** had announced a **5.2% economic growth** assumption in the 2024 National Budget.

Key aspects affecting Indonesia's economy performance in 2024 includes:

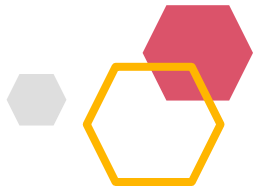
Indonesia Election	Capital Relocation to IKN
China Economy Slowdown	Global Turbulence

**Indonesia's short-term growth projection**

**2023f-2027f: 5.0%**

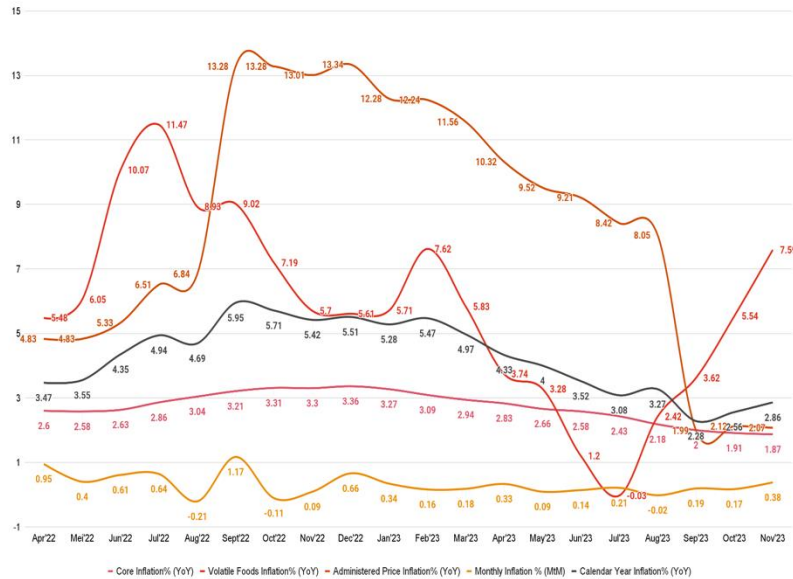


# Indonesia's 2023 economic overview and 2024 outlook

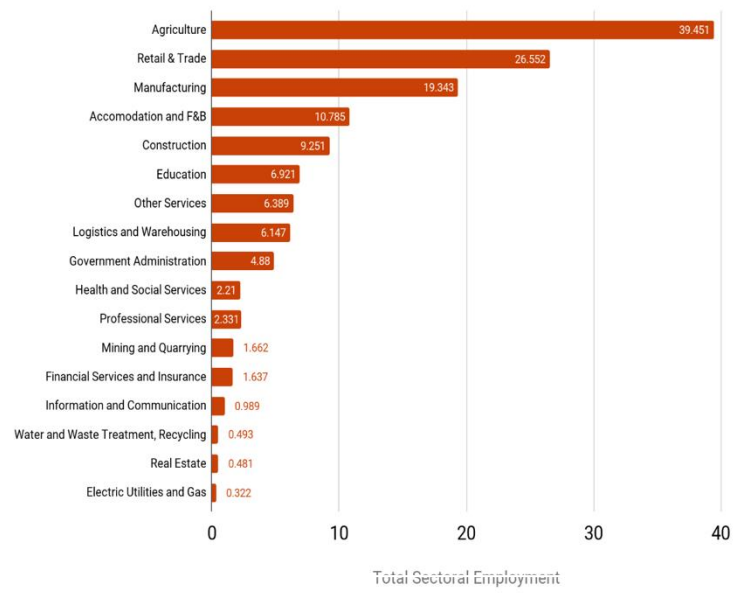


Multiple international institutions predict Indonesia to maintain a 5% growth rate throughout 2024 following a healthy performance in 2023

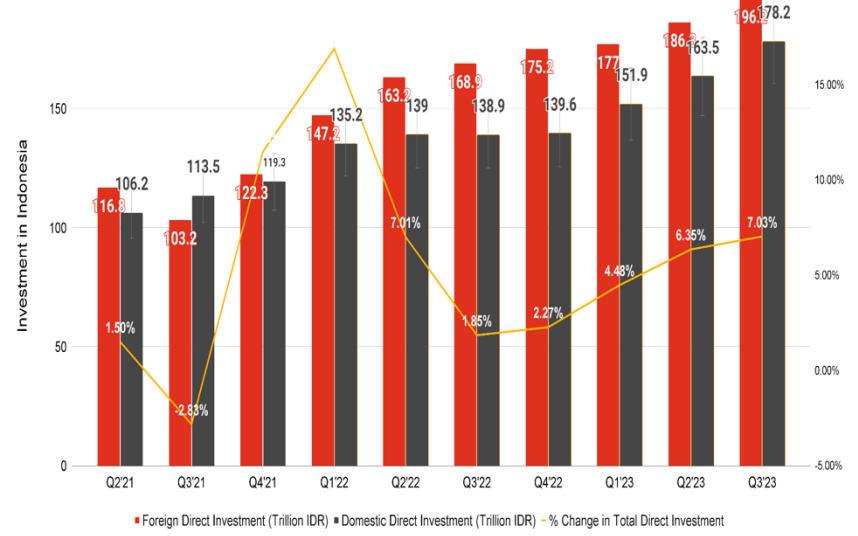
Inflation in Indonesia April 2022 - November 2023



Employment Absorption by Industry August 2023



Investment Realisation in Indonesia (Q3 2023)



**Inflation was under control at 2.86% YoY in November 2023**, with core inflation at 1.87%. El Nino has resulted in a sharp increase in rice prices since July 2023, and is expected to continue until February 2024. The potential for inflation to rise is quite high at the end of 2023 and early 2024. Bank Indonesia had announced its target to maintain inflation rate at 2.5% (plus minus 1%) throughout 2024.

The labor market improved with the active workforce growing by 2.77% to 147.71 million, and **unemployment rate declined to 5.32%**. The decrease in the unemployment rate is expected to provide an additional boost to domestic consumption, which has been the main contributor to Indonesia's economy.

Indonesia's total investment realisation in Q3 2023 amounted to **IDR 374.4 trillion, 75.2%** of the total investment target for 2023. Investment realisation in Q3 2023 increased by 21.6% YoY (7.0% Quarter on Quarter – "QoQ") with Foreign Direct Investment ("FDI") realisation at 52.4%.

# Value creation in IPO: mastering the art of a well-narrated equity story

**Forging an equity story is an art, not exact science, with each company having its own unique story.**

A study from Nasdaq shows that, since the 1980s, ~80% of companies that went public experienced declines in profitability and overall lower return in the long-term. One of the key reasons is because **subpar equity stories failed to convince investors of the companies' potential value**, leading to overvaluation sentiments from the market.

In narrating a compelling equity story, a company should define their identity, what they do and why they are an attractive investment. Even though there is no one-size-fits-all, there are key components that construct a well-narrated equity story.

## Key Equity Story Components



**A compelling equity story is substantiated with historical performance, appealing projections and tangible value creation journey**

A good equity story provides a comprehensive narrative of the company's business prospects that is substantiated by the historical performance and appealing projections. This narrative should be equipped with a **clear value creation journey consisting of key levers** to get from "today" to the "aspired future state".

**Therefore, instilling a value creation mindset from day-1 of IPO preparation is equally essential to the company's compliance with capital market regulations and other activities to be IPO ready.**

**Identifying value levers is critical in building a clear value creation journey**

Not all companies have a comprehensive understanding of the required value levers in building their value creation journey. They should be identified through **inside-out diagnosis of the company using multiple lenses**. This allows companies to capture value levers **not only from the strategic perspective**, but also from other facets, such as operational excellence, tax efficiency, capital mgmt. and ESG implementation.

## Key Value Creation Levers



### Strategic repositioning of offerings and capabilities

**Develop distinct differentiation from competitors** on value propositions and how to realize them by **(re)defining market positioning strategically** through **business model enhancement** (e.g tuning pricing, vertical integration, transformational M&A, etc), **revamping portfolio of product/services**, and **optimising capital allocation** (e.g revisiting make vs. buy for key aspects, etc).



### Improve topline and bottom-line performance and prepare for headwinds

**Improve performance by increasing revenue growth**, (e.g optimise channel mix, cross-sell, data monetization, etc), **optimising costs** (e.g flexible labour, consolidate internal services, streamline processes, etc), and **preparing for geopolitical/regulatory headwinds** (e.g diversify supply chain, ESG, etc).



### Optimise asset utilisation and financial leverages:

**Optimise efficiency of investment and financing strategy** (e.g renegotiate financing, green financing, etc) and **management of working capital, capex, cash flow and tax** (e.g reassess capital projects, real time cash monitoring, etc).



### Leverage impactful shifts, align stakeholders and implement sustainability

**Leverage emerging trends that impact business agility** (e.g re-evaluate customers' brand sentiment, cybersecurity, employee wellbeing, etc), **align stakeholder** messaging and expectation, and **adopt business sustainability** (e.g consider net zero initiatives, connecting priorities to societal impacts, etc).

# Value creation in IPO: mastering the art of a well-narrated equity story

**The ability to assess value levers from multiple perspectives can unlock a company's flexibility in timing its IPO**

There are many aspects that may affect a company's decision in timing its IPO. Most are "forced" when their capital dries up. Others have more flexibility and prefer to maximise their value by delaying their IPOs.

Whichever case that might be, **by understanding their own value levers, companies can strategically plan for the pre-IPO implementation of value levers that matches with their timeline and generate the optimal value.**

**Alignment between company's milestones with a well-narrated storytelling will instil trust and optimism from investors**

**IPO preparation** typically consists of activities related to compliance to **regulatory requirements** and accounting clean up. While adjustments in financial reports may entice investors and boost valuation, **misaligned pre-IPO transactions will harm the company's equity story** – resulting in negative sentiments and potential value trap in the long-term. It is imperative to **show the market that the initial cornerstones of the equity story have been set** and manifested through a series of successful initiatives.

**Creating a well-narrated communication of a company's initiatives Pre-IPO that tallies to its equity story is crucial.** A company implementing a repositioning initiative through carve-out is much more convincing when the carve-out is not sporadic and part of a bigger narrative to create long-term value. That way the company showed its firmly-narrated equity story and the realisation to capture future potential value. This **convincing story will inspire investors' trust and optimism.**

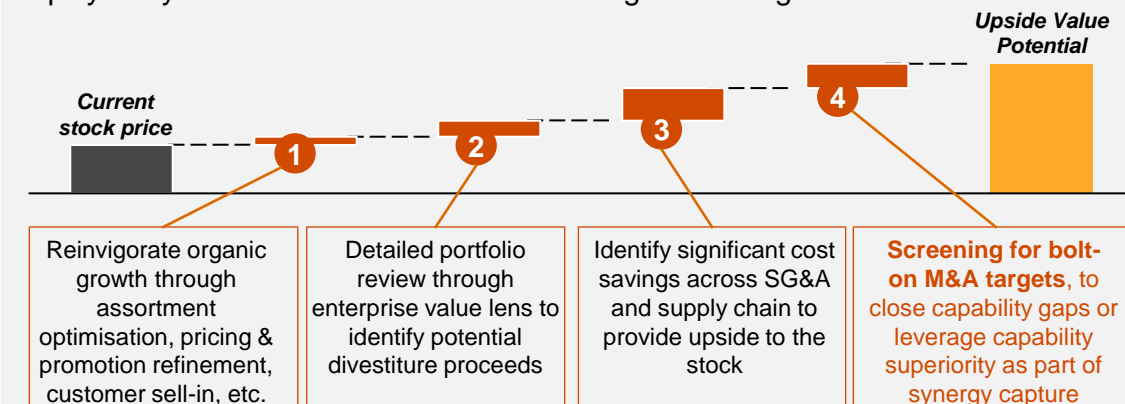
**A real case study on how a clear equity story with value creation levers can tangibly enhance a company's value in ~18 months:**

## Background

The client is one of the largest public consumer goods players in its sector with over a dozen distinct product categories and customer segmentations but limited synergies. The client had gone through a prolonged period of declining sales, market share and stock price, and needed to renew its strategy and portfolio and reset its cost structure to rigorously increase the shareholders' value.

## Value Creation Result

We revisited the client's equity story and developed a **four-pronged approach** to drive improvements through the main organic and inorganic avenues. Well-articulated potential upside from proposed initiative based on the client's revisited equity story and value creation levers was a game changer for client.



**Based on a strengthened equity story, client was on track to implement value creation initiatives over ~12-18 months set to increase share price by ~50% and drive 20%+ increase in annual total shareholders' return.**

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