Envisioning
Indonesia Investment Authority (INA)

Game changer for Indonesia’s Investment

M. Foreign Affairs / M. Finance / INA Session

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Member of Supervisory Board INA

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FDI and economic growth

To achieve economic growth and infrastructure development targets in a declining investment and an overleveraged environment, Indonesia will need a breakthrough to attract foreign direct investments.

1. Indonesia needs ample funding to build infrastructures...

2. ...however it experienced a decline in FDI ...

3. ...while many SOEs has also experienced over leveraged...

"...Indonesia will need ~USD430Bn for infrastructure development 2020 – 2024 while on the other side the government’s fiscal capacity is limited..."
Investment and job creation

Increase of investment drives economic growth through job creation

"Every 1% increase in investment will increase economic growth by 0.3%."  

Economic growth (GDP)

"For every 0.3% increase in economic growth, the average job creation is 0.16%."  

"Every 0.3% increase in economic growth will absorb 33,000 workers."

With assumption(1) INA is fully operational by March 21, there is potential investment up to USD 2Bn which leads to increase in investment by +1.08% yoy, drives economic growth of +0.33 ppt yoy in 1Q21, and absorb ~36,000 workers

Assumptions:
1. Inflation 1.72%
2. Exchange rate Rp14.100/USD
3. 2Bn investment direct to socio-economic assets fully on March 21
**SWF to promote economic growth**

International practices have used SWFs as a part of government investment to drive economic growth.

<table>
<thead>
<tr>
<th>Dimensi</th>
<th>Norwegian Oil Fund, Norway</th>
<th>Government of Singapore Investment Corporation (GIC), Singapore</th>
<th>National Investment &amp; Infrastructure Fund (NIIF), India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Size</strong></td>
<td>USD 1,099 Bn</td>
<td>USD 440 Bn</td>
<td>USD 3 Bn</td>
</tr>
<tr>
<td><strong>Source of Funds</strong></td>
<td>Internal (Oil Revenues)</td>
<td>Internal</td>
<td>Internal + FDI</td>
</tr>
<tr>
<td><strong>Investment Objectives and Criteria</strong></td>
<td>• Financial return • Focuses primarily on listed entities (equities and bonds) globally outside of Norway • Wealth creation / preservation for future generation(s); also when needed to support government budget during time of needs</td>
<td>• Financial return • Focus on publicly listed company long term investment • Multiple asset class: global equities, bonds, private equity dan real estate</td>
<td>• Financial return and inviting FDI • Focuses on long-term sustainable infrastructure development (wide range of infrastructure sub-classes)</td>
</tr>
<tr>
<td><strong>Entity and regulatory Framework</strong></td>
<td>• Established via Government Petroleum Fund Act (by Storting/ Norwegian parliament) • An entity under Norwegian central bank</td>
<td>• Established through Singapore Companies Act, 1981 • Reserve management entities other than Monetary Authority of Singapore (MAS) and Temasek</td>
<td>• Trust form – co-investment by Government of India and private (Global and domestic) funds • Supervised by MoF</td>
</tr>
</tbody>
</table>
**Nature of Indonesia Investment Authority**

INA has the authority in managing the Investments of the Central Government as stipulated under the Law on Job Creation for the purpose of long term value

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**Objectives**
INA aims to increase Investment and strengthen the long-term value of assets that is managed by INA in order to support sustainable development.

**Functions and Duties**

- INA has the function to manage investment
- INA has the duty to plan, organize, supervise and control as well as evaluate Investment.

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**Authorities**

- Carry out fund placement in the form of financial instrument
- Carry out asset Management Activity
- Engage in cooperation with another party including a trust fund
- Determine a prospective Investment partner
- Lend or borrow
- Administer the assets

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**Law No 11/2020 on Job Creation**

**Article 154 Par (3)**
Central Government Investment is carried out by Minister of Finance as the State General Treasurer in accordance with the law and regulation and an institution that is sui generis in managing investment.
Establishment and Mandate

- Established by Indonesian law as a sui generis Indonesian legal entity
- Established to attract capital (sovereign, private, others) to invest in economically viable strategic sectors of the Indonesian economy, supporting sustainable development and boosting economic growth
- Primarily a commercial entity
- Mandate:
  - Asset optimization (e.g., shares in SOEs, fixed assets, operating assets) through corporate actions
  - Attract investments by co-investing with both overseas and local partners
  - Play active role in Improving Indonesian investment climate

Organization Structure & Governance

- Reporting to the President
- Two-tier board consist of Supervisory and Directors Board, complemented by an Advisory Board (non-governing, envisioned to be comprised of world-class experts from the SWF’s co-investors)
  - Supervisory Board (5 people): Minister of Finance (Chair), Minister of State-Owned Enterprises, plus three independent professionals – largely to supervise the Directors Board; typical Board of Commissioners role in a typical Indonesian LLC (“PT”) but with some shareholder authorities (e.g., appointment, proposing additional capital)
  - Directors Board (5 people): Independent professionals selected and appointed by the Supervisory Board – setting strategic and operational policies and typical senior executive roles
- Three independent professionals of the Supervisory Board are formally approved by the President of the Republic of Indonesia with Parliament consultation
INA’s Supervisory Board
The independent supervisory board combines entrepreneurship, business development and commercial as well as governance and risk management expertise

Haryanto Sahari
- Mr. Sahari is one of Indonesia’s most senior public accountants with more than 30 years of experience and currently sits as an Independent Commissioner on the Board of Bank Permata, one of Indonesia’s largest banks.
- Mr. Sahari was the country senior partner of PriceWaterhouseCoopers in Indonesia at which he led a number of audits of Indonesia’s largest companies and oversaw restructuring of large companies during the Asian Financial Crisis.
- Mr. Sahari is particularly sought after for his expertise in ensuring good governance and risk management by multinational and domestic companies.

Yozua Makes
- Dr. Makes is the Founder and Managing Partner of Makes & Partners, with more than 30 years of experience in transnational mergers and acquisitions, corporate finance, project finance, foreign investment and a broad range of complex cross-border commercial transactions associated with capital markets and corporate finance.
- Dr. Makes has received numerous awards and recognitions from international publications such as IFLR, Asian Mena Counsel, and Global Who’s Who as a Top Capital Market lawyer since 1990s. He is the most commended external counsel in Southeast Asia by Asian Mena in 2017.

Darwin Cyril Noerhadi
- Dr. Noerhadi is one of the most prominent investors in Indonesia – Dr. Noerhadi’s growth fund has raised and invested USD 1.5 billions across Indonesia, Malaysia, India, and Vietnam;
- Dr. Noerhadi had held a number of Board positions in leading Indonesian companies, including Hermina (one of Indonesia’s leading hospital chains), Austindo (natural resource business group) and Mandiri Sekuritas
- Prior to that, Dr. Noerhadi also held top executive positions including as the CEO of Jakarta Stock Exchange, the CFO of Medco Energi, and Corporate Finance leader of PriceWaterhouseCoopers in Indonesia.
### Brief of Indonesia Investment Authority (2/2)
#### Unique Features and investment strategies

<table>
<thead>
<tr>
<th>Highlights of Unique Features</th>
<th>Investment universe &amp; strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The SWF will have full authority in investment decision making and P&amp;L management</td>
<td>• Public and private equity (initial focus), open for project financing and debt instruments</td>
</tr>
<tr>
<td>• Changes in capital/equity to be decided by Government Regulations</td>
<td>• Key sectors of Indonesian economy (selection of priority socio-economic investments)</td>
</tr>
<tr>
<td>• The flexibility and ability to adopt international investing best practices, e.g., setting-up fund in relevant authorities if needed to facilitate co-investment from international investors, mandating investment to professional investment managers, etc.</td>
<td>• Investment horizon: medium-to-long term</td>
</tr>
<tr>
<td>• Preferential rights in terms of asset transfer / transaction with SOEs (maintaining fair market valuation)</td>
<td>• Geography: initial focus on domestic (Indonesian) assets, with the possibility to go overseas at later stages</td>
</tr>
<tr>
<td>• Bankruptcy protection</td>
<td>• Active management through board-level position(s) to oversee assets’ operations and value creation initiatives</td>
</tr>
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Possible participation structure
INA provides flexibility for investors to direct their investments either in funds or direct to assets with professional managers and clear governance.
Value creation of INA

Along with investment partners, INA will enhance value creation on certain asset under period of time

<table>
<thead>
<tr>
<th>Early investment Year 0-1</th>
<th>Optimization of asset Year 1-10</th>
<th>Value creation End year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>• INA and investor will create fund (can be in the form of trust)</td>
<td>• Management of asset to create and optimize its value:</td>
<td>• Exit strategy:</td>
</tr>
<tr>
<td>• Entity will invest in certain asset in Indonesia (e.g. toll road)</td>
<td>– Professional management</td>
<td>– IPO</td>
</tr>
<tr>
<td></td>
<td>– Optimization in operation</td>
<td>– Selling</td>
</tr>
<tr>
<td></td>
<td>– Economic scale up (can be refinancing)</td>
<td></td>
</tr>
</tbody>
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INA

Strategic partner

Fund

PT Toll road

INA

Strategic partner

Fund

PT Toll road

INA

Strategic partner

Fund

PT Toll road
Investment Opportunities Batch 1: Toll-road
A number of high-potential toll-road opportunities ranging from stable brownfield assets to greenfield projects with future value potentials

**ASSET UNDER CONSTRUCTION**

<table>
<thead>
<tr>
<th>Company</th>
<th>Length (km)</th>
<th>Total Investment Cost (USD Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT Cinere Serpong Jaya</td>
<td>10.1</td>
<td>254.3</td>
</tr>
<tr>
<td>PT Cibitung Tanjung Priok Port</td>
<td>34</td>
<td>720.3</td>
</tr>
<tr>
<td>PT Cimanggis Cibitung Tollways</td>
<td>25.4</td>
<td>633.3</td>
</tr>
<tr>
<td>PT Waskita Bumi Wira</td>
<td>38.3</td>
<td>814.9</td>
</tr>
</tbody>
</table>

**OPERATING ASSETS**

<table>
<thead>
<tr>
<th>Company</th>
<th>Length (km)</th>
<th>Total Investment Cost (USD Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT Jasamarga Jalanlayang Cikampek</td>
<td>36</td>
<td>1,082.2</td>
</tr>
<tr>
<td>PT Pejagan Pemalong Toll Road</td>
<td>57.5</td>
<td>456.0</td>
</tr>
<tr>
<td>PT Jasamarga Semarang Balang</td>
<td>75</td>
<td>736.4</td>
</tr>
<tr>
<td>PT Jasamarga Pandan Malang</td>
<td>37.6</td>
<td>398.0</td>
</tr>
</tbody>
</table>
**Investment Opportunities Batch 1: Airport**

Soekarno Hatta International Airport – Indonesia's busiest and the World’s 8th busiest airport

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**Soekarno Hatta International Airport**

<table>
<thead>
<tr>
<th>Terminal 1</th>
<th>Terminal 2</th>
<th>Terminal 3</th>
<th>Terminal 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Terminal 1 Image]</td>
<td>![Terminal 2 Image]</td>
<td>![Terminal 3 Image]</td>
<td>![Terminal 4 Image]</td>
</tr>
</tbody>
</table>

### Passenger traffic (yearly)

- Terminal 1: 13.0 Mn
- Terminal 2: 18.4 Mn
- Terminal 3: 23.1 Mn
- Terminal 4: Under development

### Revenue

- Terminal 1: ~USD 105 Mn
- Terminal 2: ~USD 145 Mn
- Terminal 3: ~USD 200 Mn
- Terminal 4: Under development

### Enterprise Value

- Terminal 1: ~USD 400 Mn
- Terminal 2: ~USD 540 Mn
- Terminal 3: ~USD 700 Mn
- Terminal 4: Under development

### Equity Value

- Terminal 1: ~USD 270 Mn
- Terminal 2: ~USD 380 Mn
- Terminal 3: ~USD 500 Mn
- Terminal 4: ~USD 320 Mn

### Total

- ~USD 1.470 Mn

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1. Revenue estimates based on 2019 passenger traffic at Terminal 1-2-3
2. Median EV/Revenue 3.7x
3. Assumes 30% Debt to Total Assets
Investment Opportunities Batch 1: Seaport Container Terminal
Integrated Indonesia Container Terminals – the World’s 9th largest

Global Rank of Container Operators
Mn TEU, 2018

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>TEU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China Cosco Shipping Ports</td>
<td>117,37</td>
</tr>
<tr>
<td>2</td>
<td>China Merchant Port</td>
<td>109,06</td>
</tr>
<tr>
<td>3</td>
<td>Hutchison Port</td>
<td>84,60</td>
</tr>
<tr>
<td>4</td>
<td>PSA International</td>
<td>81,00</td>
</tr>
<tr>
<td>5</td>
<td>DP World</td>
<td>71,40</td>
</tr>
<tr>
<td>6</td>
<td>Terminal Investment Ltd</td>
<td>45,00</td>
</tr>
<tr>
<td>7</td>
<td>APM Terminal Investment Ltd</td>
<td>43,40</td>
</tr>
<tr>
<td>8</td>
<td>Shanghai Int'l Port Group</td>
<td>42,01</td>
</tr>
<tr>
<td>9</td>
<td>Pelindo I, II, III, IV</td>
<td>16,85</td>
</tr>
<tr>
<td>10</td>
<td>Tianjin Port Holding</td>
<td>15,90</td>
</tr>
<tr>
<td>11</td>
<td>ICTSI</td>
<td>9,74</td>
</tr>
</tbody>
</table>

Consolidation of Pelindo I-II-III-IV will create the World’s 9th largest player

Value Creation Phase

Developing integrated seaport

External partnership through private placement (e.g., via NIA fund)

Value Realization through IPO

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (USD Mn)</th>
<th>EBITDA (USD Mn)</th>
<th>Enterprise Value1) (USD Mn)</th>
<th>Equity Value2) (USD Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>800</td>
<td>220</td>
<td>1,000</td>
<td>750</td>
</tr>
<tr>
<td>2</td>
<td>980</td>
<td>310</td>
<td>1,500</td>
<td>1,100</td>
</tr>
<tr>
<td>3</td>
<td>1,100</td>
<td>380</td>
<td>2,000</td>
<td>1,450</td>
</tr>
</tbody>
</table>

1) Enterprise Value/EBITDA Pelindo multiple 7.80x
2) Assumes 30% Debt to Total Assets
Envisioned Indonesia Investment Authority

- Indonesia Investment Authority (INA) is the Indonesian sovereign wealth fund, established on November 2020 in the framework of the promulgation of Law No.11/2020 on Job Creation (Omnibus Law). This legal framework will provide legal certainty which will insulate INA from political interference and change of regimes.

- It is designed as sui-generis entity, a 100% owned by Government of Indonesia, having independent management and report directly to the President.

- INA has the authority in managing the Investment of Central Government of Indonesia, to become a trusted investment partner for both international and domestic investors for Indonesia’s long term and sustainable economic development.

- It’s core mandate is to co-invest, together with investment partners in commercially viable projects and investment opportunities in Indonesia.
Thank you