GLOBAL LEGAL INSIGHTS

Mergers & Acquisitions 2025

14th Edition

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Overview

Despite the recent slowdown in GDP growth at the beginning of 2025, Indonesia continues to present a compelling market for investors. With a GDP exceeding USD1 trillion in 2024, positioning it as the world's 16th largest economy and forecasted to be fourth largest economy in 2050, Indonesia demonstrates underlying economic strength and productivity that remain attractive to both domestic and international investors. Indonesia's demographic dividend, characterised by a large and youthful population, provides a robust consumer base and a dynamic workforce. Indonesia's abundant natural resources and ongoing infrastructure development initiatives offer lucrative opportunities in industries like energy, mining, and transportation. The government's commitment to improving the business climate through regulatory reforms and investment incentives further enhances its attractiveness to investors. With its strategic position as a gateway to the ASEAN region, Indonesia is poised to benefit from regional trade integration, making it an ideal destination for investors seeking growth and diversification in emerging markets. However, while Indonesia continues to present a compelling market for investors, it is not without challenges. Geopolitical uncertainties, including the impact of global trade tensions and regional stability, can influence investor confidence and capital flows. Domestically, regulatory inconsistencies, infrastructure bottlenecks in certain areas, and a complex bureaucracy can present hurdles to market entry and operational efficiency.

M&A-related laws

M&A in Indonesia is mainly governed by:

(i) Law of the Republic of Indonesia No. 40 of 2007 on Limited Liability Companies (as amended by Government Regulation *in lieu* of Law No. 2 of 2022 on Job Creation and ratified by Law No. 6 of 2023 on the Stipulation of Government Regulation *in lieu* of Law No. 2 of 2022 on Job Creation into Law ("**New Job Creation Law**")) ("**Company Law**");

(ii) Law of the Republic of Indonesia No. 25 of 2007 on Investment (as amended by the New Job Creation Law) ("**Investment Law**");

(iii) Law of the Republic of Indonesia No. 8 of 1995 on Capital Market (as amended by Law of the Republic of Indonesia No. 4 of 2023 on the Development and Strengthening of the Financial Sector ("**PPSK Law**")) ("**Capital Market Law**");

(iv) Government Regulation of the Republic of Indonesia No. 27 of 1998 on Mergers, Consolidations and Acquisitions; and

(v) Presidential Regulation of the Republic of Indonesia No. 10 of 2021 on Investment Business Fields (as amended by Presidential Regulation of the Republic of Indonesia No. 49 of 2021 on Amendment to Presidential Regulation of the Republic of Indonesia No. 10 of 2021 on Investment Business Fields) ("**Positive List**").

In addition, there are several other laws and regulations affecting the M&A process, such as (i) Law of the Republic of Indonesia No. 27 of 2022 on Personal Data Protection ("**PDP Law**"); (ii) Law of the Republic of Indonesia No. 5 of 1999 on Prohibition of Monopolistic Acts and Unfair Business Competition (as amended by the New Job Creation Law); (iii) Law of the Republic of Indonesia No. 13 of 2003 on Labor (as amended by the New Job Creation Law); and (iv) other industry-specific regulations that may stipulate prior approvals from the relevant supervisory bodies. It is to be further noted that the rules of the Financial Services Authority (*Otoritas Jasa Keuangan* or "**OJK**") and the Indonesian Stock Exchange ("**IDX**") apply to M&A involving publicly listed companies.

The relevant government authorities governing M&A activities are generally:

(i) The Minister of Law ("**MOL**"), as the authority providing relevant approvals or notification receipt for change of shareholders/acquisition under the Company Law.

(ii) The Online Single Submission system, as managed by the Indonesian Capital Investment Board, together with the relevant government authority of the relevant business of the company, has the authority for the issuance of business licensing, which is now being assessed based on risk-based assessments.

(iii) OJK is the main government authority for M&A involving public companies, banks and financial services companies.

(iv) Various government authorities depending on the line of business of the target company (for example, Bank Indonesia ("**BI**") as the relevant authority in a payment system business).

Acquisition methods

The Company Law generally stipulates four types of M&A transactions, namely: (i) acquisitions; (ii) mergers; (iii) consolidations; and (iv) spin-offs.

From a practical perspective, the main methods commonly used to acquire a company in Indonesia are the acquisition of shares, reorganisation (mergers and consolidations) and business transfers.

(i) Acquisition of shares in a private company

The two methods of acquiring shares of a private company in Indonesia are a share transfer (from existing shareholders) and a new share issuance.

The Company Law defines acquisition as a legal act performed by a legal entity or an individual to acquire shares of a target that results in a transfer of control. As such, if a company acquires a target company either using a shares transfer or by way of a new shares issuance, and such action constitutes a "change of control" under the Company Law, certain procedures are necessary to be undertaken pursuant to the Company Law (including announcements to creditors and employees, as well as having the shares purchase agreement made in a notarial deed). The Company Law does not elaborate on what is defined as "*control*"; however, it is generally accepted that this would mean having the majority percentage of shares and/or the ability to influence management members (including appointment thereof) and policy

in a company. If a transfer of shares does not fall under "acquisition" above, then a simpler process is applicable (will not necessarily require certain announcements to creditors and employees).

In general, a transfer of shares takes effect on the execution of a share purchase agreement (which can be privately drawn or in a notarial deed form). For acquisition by way of subscription of new shares, parties usually enter into a share subscription agreement. Issuance of new shares requires an amendment to the articles of association of the company due to capital increase and therefore must obtain an approval from or be notified to MOL (as applicable).

Compared to acquisitions, other corporate actions such as mergers, consolidations and spin-offs are less frequent in Indonesia.

Due diligence exercise over the target and entry to a conditional share purchase agreement/share subscription agreement are common practice in acquisition of shares in Indonesia. However, we have seen representations and warranties insurances being deployed in several acquisition transactions in Indonesia, albeit being less frequent in practice (usually seen if a transaction involves a US-based acquirer/seller).

(ii) Acquisition of shares in a public company

Acquisition of publicly listed companies is regulated and supervised by OJK and mainly regulated by OJK Regulation No. 9/POJK.04/2018 on Acquisition of Publicly Listed Companies ("**POJK 9/2018**").

POJK 9/2018 stipulates a different definition of "control" applicable for publicly listed company acquisition. A party is deemed to have a control of a company if such party directly or indirectly: (i) has more than 50% of the total issued shares in a public company; or (ii) has the ability to determine, directly or indirectly, the management and/or policy of the public company in any way.

POJK 9/2018 introduces examples of documents or information that may be used as evidence of control over a public company:

(i) an agreement with other shareholders that shows a possession of more than 50% of the voting rights in the public company;

(ii) a document/information that provides the authority to control financial and operational policy of the public company based on the articles of association or an agreement;

(iii) a document/information that provides the authority to appoint or dismiss most members of the Board of Directors ("**BOD**") and Board of Commissioners ("**BOC**");

(iv) a document/information that provides the ability to control the majority voting rights in the BOD and BOC meetings, resulting in control over the public company; and/or

(v) other documents/information indicating a control over the public company.

A mandatory tender offer is required to be conducted following such acquisition of control of a publicly listed company by: (i) the new controller; or (ii) another party appointed by the new controller (this must be a subsidiary of the controller with at least 50% of the shares being owned by the controller). Certain procedures (including the submission of a draft announcement to OJK (including supporting documents) and an announcement in a daily newspaper with nationwide circulation or IDX's website) must be conducted. The mandatory tender offer needs to be conducted within 30 days from the date of the announcement.

In light of the above, it is important to consider whether the acquisition of a public company will trigger the mandatory tender offer.

It is also possible to structure an acquisition of shares of a publicly listed company through a voluntary tender offer mechanism. However, it may be worth mentioning that, unlike other jurisdictions, Indonesian law does not provide for a right to demand the sale of shares (the so-called squeeze-out right), which allows an acquirer to compulsorily acquire the shares of minority shareholders of the target company if the acquirer purchases a certain number of shares or more.

(iii) Business transfer

When acquiring a private company in Indonesia, instead of acquiring shares of the target company, it is also a common practice to establish a new company and all (or part) of the target company's business to be transferred to the new company. This method is usually tax driven and often considered by the acquirer due to existing liabilities in the target company. However, as a general rule of thumb in Indonesia, licences and permits of the target company cannot be transferred to the newly established company, which may create disadvantages such as the need to re-apply for the licences and permits under the newly established company, and the possibility of taxation issues at the time of asset transfer. If a company transfers assets exceeding 50% of its total net assets to another company, a special resolution of the shareholders meeting of the transferor company is required.

Foreign investment requirements

M&A in Indonesia by foreign investors may be subject to the applicable foreign investments restrictions, depending on the line of business of the target company.

Under the Investment Law, a company with only domestic investment is referred to as a *Penanaman Modal Dalam Negeri* company (domestic investment company), while a company with foreign investment is referred to as a *Penanaman Modal Asing* company (foreign investment company). To put it simply, an Indonesian company with even a minority foreign investment is classified as a foreign investment company under the Investment Law. A foreign investment company can be either a joint venture (with a local shareholder) or 100% foreign investment, subject to the foreign investment restriction regulations.

The foreign investment regime in Indonesia is mainly regulated by the Investment Law and Positive List, which prohibits foreign investment in certain sectors or sets limits on the percentage of shareholding held by a foreign investor in certain sectors/business lines.

Additionally, specific industries may be subject to the authority of, and certain foreign ownership limitations stipulated by, specific government agencies (for example, OJK or BI for banking/finance business).

Other than the foreign investment restrictions mentioned above, there are general capital requirements applicable to a foreign investment company. A foreign investment company must have at least IDR10 billion issued and paid-up capital. In addition, a foreign investment company must have an investment value (excluding land and building) of more than IDR10 billion (which is applicable for each line of business and project location and subject to certain exceptions).

Other considerations

Other issues worth considering in an acquisition transaction include (i) termination benefits to employees; and (ii) merger control filing to the Indonesian Competition Supervisory Commission (*Komisi Pengawas Persaingan Usaha* or "**KPPU**").

As a rule of thumb, an employer may terminate the employment of the employees (and the employees are entitled to receive certain termination benefits) in the event of:

(i) a merger, consolidation or separation of a company and the employee does not agree to continue the employment relationship, or the employer does not agree to accept the employee; and

(ii) an acquisition of a company (including in the event of an acquisition that amends the terms of employment and the relevant employee does not agree to continue the employment relationship).

In relation to merger control filing, any merger, consolidation or acquisition that falls under certain thresholds must be notified to the KPPU. As a general rule of thumb, a notification to the KPPU is required if the following thresholds are met: (i) a combined value of assets exceeding IDR2.5 trillion; and/or (ii) combined annual sales value exceeding IDR5 trillion. Under the previous regime, the value

of the assets was calculated based on worldwide assets. Currently, the calculation of assets and sales value is based on assets and sales generated within the Republic of Indonesia. In addition, the parties involved in transactions should have assets or generate sales/business within the Republic of Indonesia. A notification to the KPPU is not required if only one party in the transaction fulfils the condition above. An affiliated transaction is also exempted from the merger control filing requirement.

Significant deals and highlights

In May 2024, PT Bank OCBC NISP Tbk ("**OCBC Indonesia**") acquired Commonwealth Bank of Australia's ("**CBA**") Indonesian unit, PT Bank Commonwealth Indonesia, for IDR2.2 trillion. Having acquired 100% of PT Bank Commonwealth Indonesia, it was made a wholly owned subsidiary of OCBC Indonesia. This deal aims to reassert OCBC Indonesia's position in the Indonesian banking industry and expand its customers in the ASEAN region, as it brings more than 1.2 million PT Bank Commonwealth Indonesia customers to OCBC Indonesia. This is in line with CBA's strategy to divest and focus on its banking business in Australia and New Zealand.

At the end of 2024, Indonesia's XL Axiata decided to enter into a USD6.5 billion merger with Smartfren Telecom and its unit Smart Telcom. Both telco companies decided to create an entity with an enterprise value of IDR104 trillion. This merger is aimed to expand digital connectivity and increase assets. On 25 March 2025, shareholders of the telco company had approved the plans of merger in an extraordinary general meeting of shareholders and had received regulatory approvals from the Ministry of Communication and Digital Affairs, IDX and OJK. The new company will serve over 94.3 million subscribers and is expected to generate an annual revenue of IDR45.8 trillion. As of 16 April 2025, they had effectively executed the merger and are operating as a listed company under the name PT XLSmart Telecom Sejahtera Tbk.

Recently in March 2025, in the chemical industry, Lotte Chemical Corp sold a 25% stake for USD462.7 million in its Indonesian subsidiary, PT Lotte Chemical Indonesia, and was acquired by an undisclosed securities firm and five special-purpose vehicles. PT Lotte Chemical Indonesia is currently constructing Indonesia's second naphtha cracker facility in Cilegon, Banten. Additionally, it has signed a 10-year ethylene supply contract with PT Asahimas Chemical. Through PT Lotte Chemical Indonesia's USD3.9 billion large-scale petrochemical plant, they will supply ethylene, a key raw material in the petrochemical industry, serving as the foundation for numerous products, such as various plastics, resins and a major component for plastic packaging and other materials. These 10-year long-term sales are seen to bolster the petrochemical supply chain in Indonesian and to reduce the dependency on imported raw materials.

Key developments

As of the date of this article, there has been no update or discussion for regulatory reforms in relation to M&A procedures under the Company Law. However, there have been several regulatory highlights issued in the past year that are relevant for M&A transactions in Indonesia.

Financial conglomerates

In late 2024, OJK introduced a pivotal regulation, OJK Regulation No. 30 of 2024 on Financial Conglomerates and Financial Conglomerate Holding Companies. This regulation aims to fortify the regulatory framework governing financial conglomerates and enhance the governance of their holding companies, as mandated by the PPSK Law.

Financial conglomerates, consisting of financial services institutions (such as banks, insurance companies, securities companies, finance companies, infrastructure finance companies, venture capital companies, and peer-to-peer lending companies) connected within one group through ownership/control, are now

subject to a new structural requirement. Specifically, those meeting certain asset value thresholds must be controlled by a designated financial conglomerate holding company, established or appointed by the controlling or ultimate shareholder. This holding company can be either operational (an existing Indonesian financial services institution) or non-operational (a non-financial services institution in the form of an Indonesian limited liability company), with its designation requiring OJK approval.

The regulation sets forth specific thresholds for the obligation to designate a financial conglomerate holding company:

(i) Category I: Financial conglomerates with total assets of at least IDR100 trillion, comprising at least two financial services institutions in different sectors; or

(ii) Category II: Financial conglomerates with total assets ranging from IDR20 trillion to less than IDR100 trillion, comprising at least three financial services institutions in three different sectors.

Applications for OJK approval to designate a new financial conglomerate holding company must be submitted within six months of meeting the criteria. For existing financial conglomerates, the application must be submitted within six months following the regulation's enactment. Restructuring to comply with the holding company requirements must be completed within one year after receiving OJK approval for the establishment of the holding company.

It should be noted that restructuring for this purpose is exempted from provisions under OJK regulations in the capital market sector, including the mandatory tender offer obligation that is applicable for a publicly listed company.

Reporting for a change of a listed company's shareholder

OJK enacted Regulation No. 4 of 2024 on Reports of Ownership or Any Ownership Changes in Public Company Shares and Reports on Activities of Pledging Public Company Shares ("**POJK 4/2024**"). While the obligation to report ownership or changes in ownership of a listed company was already established under the previous regulation (which has now been revoked by POJK 4/2024), the new regulation introduces significant modifications to the reporting requirements.

Under the previous regulation, the reporting obligation was applicable for direct and indirect ownership of shares amounting to at least 5% of a publicly listed company's paid-up capital, as well as any change in share ownership of at least 0.5%. POJK 4/2024 refines these requirements by mandating reporting for shares with voting rights and any change in the percentage of shareholding (rounded down to the nearest percentage). This change has been implemented to align with the new provisions allowing the issuance of multiple voting shares in a publicly listed company. Additionally, the reporting timeline has been reduced from 10 days to three business days as OJK has established an electronic system for this matter.

Personal data protection issues in M&A transactions

Since October of 2024, the PDP Law has been fully enforced. The PDP Law serves as a comprehensive regulatory framework for personal data-processing activities, applicable to all types of businesses, industries and organisations, whether private or public. While the PDP Law applies to all data-processing activities, other laws and regulations may provide additional or more stringent provisions for specific types of data processing that fall under the scope of such regulations, insofar as they do not contradict the provisions set out under the PDP Law.

In relation to M&A transactions, personal data protection compliance is an important aspect that should not be overlooked. First and foremost, with the recent global trend of enforcement relating to personal data protection violation, an acquirer must be aware of the personal data compliance of the target company to identify potential non-compliance, not to mention handling of personal data during the due diligence stage, which is also of importance.

There may be certain information, including employee information, customer/supplier information or third-party information, that is to be shared/disclosed during the due diligence stage. The seller or target company must ensure that it has the appropriate lawful ground and complies with the applicable regulations for disclosure of such information.

It is also important to note that Article 48 of the PDP Law now expressly requires that, in the event that a personal data controller performs a merger, separation, acquisition or consolidation of a legal entity, such personal data controller is obligated to submit a notification of the transfer of personal data to the data subject prior to and after conducting such transaction (closing of M&A transaction).

The PDP Law is currently in effect and full enforcement of its provisions is still subject to the issuance of 11 implementing regulations mandated under the PDP Law.

Industry sector focus

In 2025, Indonesia's industrial growth has been seen to present opportunities for vast improvements and economic wealth through advancements in various sectors such as manufacturing, agriculture, infrastructure, digital economy, mining and energy, and services-based sectors such as logistics, tourism and healthcare. The country aims to increase foreign investment by expanding around the selected sectors by not only boosting local production but also creating a favourable environment.

The manufacturing sector remains a crucial part of Indonesia's strategy as it provides foreign investors opportunities in sectors like basic metals, automotive and technology. Per Q3 2024, foreign investments in the manufacturing sector reached IDR403.3 trillion (USD24.6 billion), which constitutes 56.3% of total foreign investments in Indonesia. The metal industry emerged as the largest contributor, with foreign investment reaching IDR167 trillion (USD10.18 billion). Indonesia's manufacturing sector had experienced an increase in the goods-producing sector. Although majorly driven by domestic demands, production levels are continuously growing and there has been a rise in export orders, despite high-profile layoffs. The increased interest in foreign investment in basic metals is backed by global demand for nickel, essential in steel and electric vehicle ("**EV**") battery production, supported by Indonesia's vast nickel reserves and investment laws. The automotive industry is a priority in Indonesia's industrial roadmap, given its status as a key market in the ASEAN region. The rise in internet users and the popularity of the e-commerce and fintech sectors further drive technological innovation and market expansion.

The Investment Coordination Board ("**BKPM**") recorded that in 2024, the downstream industry sector played a crucial role in attracting foreign investment to Indonesia. Recently, the government has actively promoted downstream industries as one of the key sectors to enhance foreign investment, based on the premise that increased downstream activities will add value to Indonesian products and create employment opportunities. This sector actively facilitates the increase in employment levels, evidenced by the planned strategic investment that will support Indonesia's economic growth, one being the commissioning of a new copper smelter in Gresik, East Java by PT Freeport Indonesia, expected to increase Indonesia's capacity to refine and export processed copper.

Green energy initiatives in Indonesia are continuously gaining momentum, as it plays a pivotal role in enhancing investment opportunities in Indonesia. Recent efforts have focused on green projects, such as British Petroleum's decision to invest USD7 billion in a carbon capture project and gas field development that would unlock 3 trillion cubic feet of gas resources, which is scheduled to start in 2028 at the Tangguh facility. The government aims to increase renewable energy availability and develop industries related to EVs and minerals, through collaborations with South Korea, China and Japan to help bring in expertise, technologies and foreign investments and international partnerships to develop other essential components for EV battery production such as lithium, cobalt, and manganese. Indonesia is strategically investing to develop a robust supply chain to support EV production, with a focus on nickel processing as the world's largest holder of nickel reserves.

The fintech sector in Indonesia is still undergoing substantial growth, predicted to reach a revenue of USD8.6 billion by 2025. With new regulations being enacted to support the sector, it continues to attract large investors, fuelled by the large population. P2P lending and e-payment platforms are dominant players in the fintech landscape followed by Buy Now Pay Later services, which are expected to reach USD8.95 billion by 2025. Indonesia's fintech industry is one of the most competitive and dynamic in the ASEAN region, with several unicorns and a decacorn emerging in the sector, according to *ASEAN Briefing*.

The year ahead

Despite facing headwinds from global political tensions and broader global investment slowdowns, Indonesia remains an attractive investment destination. The substantial 15.9% year-on-year increase in investment realisation to IDR465.2 trillion in Q1 2025 depicts investor confidence despite global uncertainty. Indonesia's robust fundamentals, including its USD1 trillion GDP, strategic location, favourable demographics, and vast natural resources, continue to support its position as a key investment destination. The government's ongoing efforts in regulatory reforms and infrastructure initiatives further reinforce its attractiveness. Active investment sectors and landmark transactions such as investments in digital infrastructure and green steel initiatives reflect optimism for Indonesia's M&A outlook. As such, Indonesia remains a dynamic player in Southeast Asia's investment landscape, offering opportunities for growth and strategic expansion.

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- Industry sector focus, considering which sectors have dominated M&A activity in the past year
- The year ahead

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