

Indonesia - A new path to the future

With impressive economic foundations and ambitious plans for the future, Indonesia has entered 2022 in a strong position, despite experiencing a relatively challenging pandemic. The country is on course to see its economy grow by 5.2% this year, and by between 5.3% and 5.9% in 2023, according to governmental figures.

"I am confident that we can accelerate our economic growth much better in 2022," said Indonesian President Joko "Jokowi" Widodo in remarks at the CNBC Indonesia Economic Outlook 2022 conference held in March. "We must continue to raise investment that creates new employment and we must continue to strive for inclusive and equitable economic growth," he added.

Indonesia is an increasingly important market regionally and globally, with a rapidly expanding middle class and a population of over 270 million; it's now the world's fourth most populous country as well as the tenth largest economy in terms of purchasing power parity.

At the same time, roughly 20% of Indonesia's GDP comes from the export of goods and services, primarily oil and gas, minerals, crude palm oil and rubber products. The Indonesian government is aiming to gradually decrease the export of raw materials and instead encourage domestic downstreaming and the



Joko Widodo
President of Indonesia

export of higher-valued goods and products.

"The downstreaming measures will gradually be higher, increasing, and continue to drive the economy and create jobs in the country," says Jokowi, who was first elected president in 2014 and has pushed to turn Indonesia into a regional as well as global economic powerhouse.

In May, Jokowi met with Elon Musk, co-founder and CEO of Tesla, as part of attempts to persuade the world's biggest electric vehicle maker to establish manufacturing operations in Indonesia. The country is hoping to produce upwards of 400,000 electric cars by 2025, and 5.7 million by 2035, with tax breaks and reduced import tariffs for manufacturers who choose to set up shop in the country.

Jokowi has also invited Musk to attend a G20 summit being held in Bali in November, when Indonesia holds the G20 presidency for the first time, an important milestone for the country as it looks to play a larger role internationally.

Indonesia is also pushing to become a pioneer in clean energy. "Indonesian nature provides us with great capital to develop cheap green electricity: hydro power, wind power, solar power, and geothermal power are very abundant in our country," Jokowi said back in March. "We must optimise this strength to increase Indonesia's competitiveness in the future green economy era."

Meanwhile, the government has started construction on its new capital, Nusantara, this year, with Jokowi stating that the construction will become a driving force of economic growth, especially in the eastern part of the country, as well as a motor for greater innovation, which will only increase future economic developments for Indonesia.

Sido Muncul - Asia's Herbal Innovator

Affirming Indonesia's investment-grade credit rating, in February 2022 Moody's noted the Asian giant's economic resilience, and its continued policy effectiveness. Its forecast growth of 5% over the next two years outstrips that of its ratings peers, and has been boosted by structural reform.

Indonesia has one of the world's most promising herbal industries, with herbal medicine sales nearing \$1.4bn a year even before the pandemic, according to industry figures; demand surged by an estimated 30% in 2020. The country produces 30,000 of the 40,000 medicinal plant species grown globally, positioning it also as a major exporter.

Leading this remarkable sector is Sido Muncul, which operates Asia's largest herbal factory, and exports to nearly 20 markets worldwide. Founded in 1935 by Ibu Rakhmat Sulistio as a small business selling jamu - traditional herbal medicine - it now sells more than 300 products.

"Our reputation is founded on our high-quality products," says Jonatha Sofjan Hidayat, president commissioner of Sido Muncul, and Ibu Rakhmat Sulistio's grandson. "People trust the skills that we have, and we are known for our contribution to boosting value-add in the Indonesian economy."

Sulistio started out running a humble cake shop, but she and her family have built up the



Sido Muncul's top management

company over generations, always with the aim of helping improve the broader health of society at the heart of the business. It has remained a family concern - Sido Muncul is currently run by Jonatha Sofjan Hidayat and his four siblings. Following an IPO in 2013, it is listed on the Indonesia stock exchange, providing an investment opportunity for those looking to build exposure to a rapidly-growing industry globally.

"As a publicly-listed company, we are always interested in partnerships and new investors," says Jonatha Sofjan Hidayat. "And with our wide range of innovative products, we are always looking to reach new customers."

Sido Muncul has always prized innovation, putting new products on the market and adapting to changing demands, including altering the

flavour profile of some medicines to appeal to the millennial market. Jonatha Sofjan Hidayat himself has developed JSH Capsule, a unique new product designed to strengthen immunity to covid-19, based on an alkaline pH that helps absorb toxins in the digestive tract. The JSH capsule sold over 100,000 cartons and cured more than one hundred thousand patients.

Sido Muncul's subsidiary, PT Semarang Herbal Indoplant (SHI) made its first export of essential oil products to France last year, worth 60,000 tonnes. The appreciation for the product was so big that France requested an additional 60,000 tonnes by the end of this year. India followed suit, also requesting shipments of essential oils, showing the great export potential of the company.

Sido Muncul is also a diversified business - it owns three five-star hotels including the beautiful Tentrem Hotel in Jakarta. Its investments reflect its confidence in the Indonesian economy, and its deep roots in the country.

"Our own business is based on Indonesia's legacy," says Jonatha Sofjan Hidayat. "We want to strengthen Indonesia's brand and show what an excellent, secure place it is to do business, with a huge consumer market. And the way we do our job demonstrates that Indonesia can make great products."

Optik Melawai

A clear vision for the future for Indonesia's largest optics chain

The Indonesian economy continues to show strong growth, expanding by over 5% year-on-year in the first quarter of 2022, aided by a recovery in consumption as well as investment and exports. Economic growth is expected to continue at this pace throughout the year, according to the country's finance ministry.

At the same time, the Indonesian market is becoming an increasingly enticing one for both domestic and international brands, with its population of over 270 million and a fast-growing middle class. International brands looking to expand into the country, however, need to compete with increasingly strong domestic rivals, like Optik Melawai, Indonesia's largest optical store, which has hundreds of branches spread throughout major cities in the country. Either that, or partner with them.

"My father started the company in 1981 as a store whose name originated from the street it was on," says Eddyanto Hadisurjo, Optik Melawai's managing director. "At the time there were almost no shopping centres, we were the ones that introduced the first modern optics with a modern format. Soon after, shopping centres were built and we opened more and more stores," he says.

Eddyanto joined the company in 1989, after completing his studies at the University of Western Australia. Back then, Optik Melawai had 20 stores and less than 50 employees in its head office. Today, it has hundreds of stores across the country and employ more than 2000 employees. "Our two competitors were initially two generations ahead of us, but when we opened, they still only had less than 10 stores each. Today, we have grown to more than 300 stores," says Hadisurjo. Beside working as exclusive distributor from many big international brands choose to work with us, we also differentiated ourselves by creating our own house brand Illustro which are currently available in eyewear, ophthalmic lens and also contact lenses.

"We are also doing things from end to end, from lens processing, store design, in house training, information technology to own advertising and marketing department," he adds. "We have over 30 people in marketing. We have a department for almost everything here.

Optik Melawai prides itself on providing the best quality service to its customers and partners, using partner as well as proprietary technology and working constantly to develop new glasses and optic solutions. The company introduced the first innovative store in Indonesia, complete with air conditioning and a modern customer experience, and has long been seen as a trusted household name across the country.

At the same time, the company is very technologically driven, and strives to improve and embrace new ideas, says Hadisurjo, all the while concentrating on the end customer. Being the largest optical chain store in Indonesia we have



not just quantity, but we also have quality, as our customers are very loyal we have customers who are ministers, businessmen, artist and other public figures. We don't want just the top though; we want the middle market as well."

Optik Melawai currently only serves about 10% of Indonesia's population, meaning there are plenty of opportunities to grow domestically. "We think the market can grow by 10% a year as the economy progresses and more and more of the Indonesian population can afford our products, and we plan to have a steady growth ourselves of 11%, 12% a year through organic as well as the opening for of new stores," says Hadisurjo. "Indonesia has a large growing population. We also have natural resources. With higher commodity prices and more industry is build locally to process the raw material into finish products more job will be created which will further benefit the Indonesian economy.

Nowadays Optik Melawai is increasingly open to forming partnerships, either as a supplier or working with technological partners and others that can help to grow the business further. "We already work with partners all over the world," Hadisurjo says. "We are very open and transparent. We have always fulfilled our obligations in partnerships."

Ultimately, Hadisurjo says, the company wants to be associated with quality, technology and the latest trends in eyewear. "The most

important thing for us is quality. With the right quality, the right price and the wide assortment of products, people will trust your brand."

For Hadisurjo, quality is not just in the products, but also in the services, corporate structure, store design, marketing, human resources, and the whole value chain. "We want to be seen as a credible and trustworthy company. People lose faith in companies when they don't honour their obligations," he adds.

One area Optik Melawai has yet to fully explore is working with a partner to help it grow its retail offerings overseas, though this may be a future possibility, says Hadisurjo. "If we go overseas, we won't have the exclusivity of brands, but we still have the products, service and quality that Optik Melawai is known for. It would take time as our current focus is still to grow our domestic market," he says, while adding that one approach would be to acquire a chain store, or partner with a major chain.

For now, however, the domestic market remains a land of opportunities.

When it comes to Indonesia, Hadisurjo says the country has the advantage of having a large and young population, and one with growing spending power. "We also have natural resources," he adds. "We have democracy. We have political certainty and also the rule of law."

Wismilak Inti Makmur Tbk

Helping to turn Indonesia into a modern and relevant business nation

Indonesia is fast becoming a key market for globally ambitious companies; it's the world's fourth most populous nation and tenth largest economy in terms of purchasing power parity, according to the World Bank, with the poverty rate more than halving in the last two decades alone. Efforts by the Indonesian government to develop the country's infrastructure and invest in the development of human capital have also been paying off, with the economy expected to maintain a steady 5% GDP growth.

Wismilak Inti Makmur Tbk, an Indonesia-based holding company, is one of those that has witnessed the development of the country.

Wismilak was set up in 1962 by the current president director's grandparents, who decided to establish their own tobacco business. "Our first brand was Galan, coined of Tiga Sembilan or Three Nines, and the second brand was Wismilak, coined of Wish Me Luck," says Ronald Walla, Wismilak's president director and the third generation of his family to run the company. "In 1984 my father established the distribution centre, which is called Gawih Jaya, and a decade later he created the holding company, Wismilak Inti Makmur" he adds.

Wismilak now has four production facilities in Indonesia, as well as four regional logistic centres, over 50 distribution areas and agents across the country. Through its Gelora Djaja subsidiary the company manufactures both hand-rolled and machine-rolled clove cigarettes, known locally as kretek, as well as cigars, which are then marketed and distributed through the other subsidiary. Our group also have an advanced cigarette filters manufacturing division to fulfill the domestic and international market. Wismilak's cigars and other products are exported all around South East Asia and beyond.

Tobacco is a competitive business, and in a market primarily driven by the big players Wismilak has had to establish and dominate its own niche. "We focus on the premium segment," says Walla. "We are not the largest by volume, but we are consistently the highest in terms of product quality. We want to give the best to our consumers. We export, we make cigars, which is something we also do to enhance our brand image. Our cigars were launched in 2000. We started with Wismilak premium cigars and now we have six different sizes, three different lines," he says.

At the same time, the company is currently expanding across mid-priced segment cigarettes. "We started in 2017. We have a good plan with medium prices to gain traction in the market. We've been growing at 40-50% per year in the last three or four years," he says, adding that the move further opens up the possibility to expand their distribution.

While Indonesia has many sub-cultures, price points and markets, Wismilak's six decades of experience and understanding of the market has put it in a strong position to benefit from the rapidly expanding economy.

Wismilak previously worked with Japan Tobacco International, and it has a strong track record of working with large foreign partners. The company continues to look for exciting joint venture partnerships to increase its market share and enable expansion, both domestically and internationally,



while also ensuring that it remains the local partner of choice for production and distribution in Indonesia.

Since 2012, Wismilak has been publicly traded on the Indonesian Stock Exchange. "The primary reason for the IPO was for succession planning," says Walla. "I'm the fourth generation in the tobacco business and the management want to give flexibility to the founding family members of their involvement in the tobacco industry," he says, adding that the IPO was also a good way to improve market share, corporate governance and overall professionalism.

At the same time, since 2010 Wismilak has held local entrepreneurship competitions for SMEs and star-ups, with the winners getting entrepreneurship training and access to the market. The first year they had 600 proposals; now they get upwards of 18,000 a year, with the latest program, called the Diplomat Success Challenge, kicking off in June 2022. "We listen and reach out to a lot of people and want to facilitate people who want to learn and grow. We want to help to execute their good ideas," says Walla.

Walla says there's a lot of philosophical ideas behind Wismilak's corporate branding, which includes a logo featuring a wise old man carrying a stick and carrot. "If you work hard you get the fruit of your labour, the carrot, otherwise you get the stick. To grow, you also need to study, so that's why he is also carrying a diploma," he says.

In keeping with this desire to grow, the company has been strongly modernising its businesses,

implementing ERP, CRM and HR softwares and to streamline business flow and standardize operations. "It took us more than two years to finish implementing it. We fixed a lot of issues. Many things are measured and rewarded now," Walla says, adding that the company also uses sales force automation to improve that side of operations. More importantly, past ten years, alongside with the good digital tools, we have transformed our human resource capability in the organization into the culture of collaboration, continuous improvement, and highest integrity. Many good initiatives are initiated bottom up nowadays, that is able to make us work more flexible, open mind, and stay relevant to face the next bigger challenges and thrive.

When it comes to Indonesia itself, Walla says huge and important changes are underway. "There are so many things that the president, Joko Widodo, has done, a lot of fundamental infrastructure," he says. "He started with transportation infrastructure, built toll roads, the airport, and it has gone on from there."

"My dream is for every company to be able to contribute," Walla adds. "We are creating the framework to be able to do this together with other national SME associations."



WISMILAK

BFI Finance

Indonesia's multifinance leader takes bold steps to grow

Indonesia will be the fourth-biggest economy on earth by 2050 and will be a "key player" globally over the next two decades, according to forecasts by the Economist Intelligence Unit. The outlook reflects the Asian giant's rise to international economic prominence, buoyed by its population of 275m, abundant natural resources, and strategic location.

KPMG has described the Indonesian financial sector as "ripe for investment" on the back of this strong macroeconomic outlook. In particular, the multifinance segment is booming, enjoying growth that outstrips that of overall GDP.

BFI Finance, one of Indonesia's leading multifinance companies, is leading the way in the industry, leveraging its unique corporate identity and values. "We pride ourselves on our exceptional professionalism and consistency," says Francis Lay, BFI Finance's President Director and CEO. "We stay ahead of the curve in technology and innovation; being agile is in our DNA, and we are not afraid to take bold steps to grow."

BFI Finance, with an asset size and market capitalization of over USD 1 billion respectively, was the first multifinance company to list on the Indonesia Stock Exchange, and has attracted many foreign investors looking to tap into the financial sector's dynamism. Listed in 1990, BFI Finance has consistently (save for 1997, the



Asian Financial Crisis and the last two years due to Covid-19), delivered growth for its shareholders and has formed long-lasting relationships with international banks and partners, including in the US, underpinning its global reputation. The company's assets boasted a compounded annual growth rate of 23% for the 10 years preceeding 2020. The Covid-19 pandemic resulted in slower growth for 2021-2022 but the company's recent results have shown that it is back on track now that the economy has reopened. The company is committed to enhancing shareholder value and has consistently delivered stable and high ROE hovering around 20%.

"We have a track record of discipline and transparency that investors and partners appreciate," says Lay.

At its heart, BFI Finance is committed to serving the underbanked and empowering the mass market through providing them with equity to improve their livelihoods and achieve their dreams. It was the first multifinance company in Indonesia to have a licenced fintech - PT Finansial Integrasi Teknologi (FIT) - and puts technology at the heart of its long-term strategy. The company has responded rapidly to the challenges of the Covid-19 pandemic, and will set path for future expansion.

"Digital transformation is key and must be pursued in earnest in order to stay relevant in the business," says Lay. "We want to increase automation to be more efficient, faster, and more productive - and to have more capacity to serve our partners."

Lay sees enhancing the financial and technological ecosystem in Indonesia as central to the company's goals, and is a passionate advocate of his country's potential. "It is paramount to strengthen the country's image as an ideal place for foreign investors," says Lay. "Indonesia has great potential in many sectors and has companies with unique brand equity. The country also possesses abundant natural resources and the government is easing bureaucratic burdens."

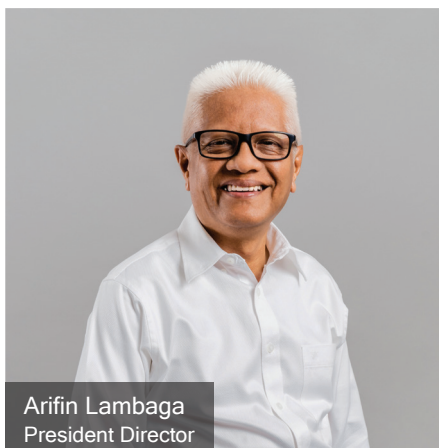


MUTU International - An international partner for Indonesia's growth

Citing a favourable growth outlook and low government debt, ratings agency Fitch affirmed Indonesia's investment grade rating in late 2021. Fitch expects Asia's sixth-largest economy to expand by 6.8% in 2022 and average 6% growth in the coming years. This rapid growth will boost Indonesia's share of the global testing, inspection, and certification (TIC) market, which is expected to be worth more than \$275bn by 2027, according to SkyQuest Technology, an international consultancy. Certification is particularly crucial for Indonesia's huge agriculture sector, which accounts for 14% of GDP; the country is one of the world's leading exporters of agricultural produce.

MUTU International is Indonesia's largest private TIC company and has been a key supporter of Indonesian exporters for more than three decades. "In this sector, trust, transparency, and high standards are extremely important for all stakeholders," says MUTU International president director Arifin Lambaga. "We've become the local partner of choice for international businesses looking for testing, inspection, and certification, and we help guide our foreign counterparts in doing business in Indonesia."

Founded in 1990, the company initially focused on the forest-based sector, ensuring Indonesian businesses met the demanding standards required by Japanese importers. Now MUTU works agricultural sector, including palm oil and fisheries companies, and as well as in industries



Arifin Lambaga
President Director

including hospitality, construction, and energy. In the future, MUTU will focus to support Indonesia economic growth, such as natural resources and green economic, digital economic and sharia economic. Such has been its success that it now works with on certification for 4000 clients around Asia-Pacific and Middle East, and has subsidiaries in China and Vietnam. MUTU has been licenced by international agencies including the United States Environmental Protection Agency, which has awarded it Third Party Certifier status, and also International Sustainability and Carbon Certification (ISCC),

the certification body for greenhouse gases. With growing demand for environmental compliance and greater sustainability across the world, MUTU International's services are more in demand than ever, not least in sensitive segments such as crude palm oil production.

MUTU International also became a support system for creating a better and sustainable business system throughout the globe. Traceability system for aquaculture, for instance, has been MUTU International's concern and thus collaborate with Indonesia's biggest market to export aquaculture products, China and its Chinese Academy of Inspection and Quarantine (CAIQ) system.

By helping Indonesian exporters meet the standards required by the global market and particularly major importing countries, MUTU International has helped cement the country's reputation as a producer of quality, with ever-improving standards of environmental protection. Lambaga is rightly proud of his country's achievements - and notes that the door to this dynamic economy is open to all corners.

"It's easy doing business in Indonesia," he says. "This is a safe and secure place to operate as a foreign investor. Now there is a unique window of opportunity to come and invest here, forming partnerships with local companies."

