

# Assessing Free Cash Flow to Firm and Relative Valuation Method in Agriculture Plantation Companies Listed in Indonesia Stock Exchange in 2018

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Abstract: As we know Indonesia is producer the largest CPO and the biggest Muslims in the world. Based on these two points, the researcher tried to analyze agricultural plantation companies shares listed on the Indonesia Stock Exchange especially sharia shares in 2018. The Stability of global CPO prices greatly influences fluctuations stock price in the agriculture industry, why company valuation is needed. The Assessing method employed DCF with the FCFE approach, and the Relative valuation method with PER and PBV approaches. The 2013-2017 financial report is a basis for projections examination during period 2018-2022, an example in research is a company that has the most substantial market value and equity in the ISSI Index - consisting of AALI, SIMP, and LSIP applied in the pessimistic, moderate, and optimistic scenario. The results of this study by adopting the DCF-FCFE method in all three scenarios, AALI intrinsic value, and LSIP considered to overvalued, SIMP is undervalued. By employing Relative valuation method using the PBV and PER approach; the AALI, SIMP and LSIP values still lie in the industry range based on IDX 1st Quartal 2018. Referring to the calculation results, this study recommends sales for AALI and LSIP, buying for SIMP.

## 1. INTRODUCTION

Indonesia is known as an agrarian country with the largest oil palm production in the world. Consequently, industrial growth is strongly influenced by the value of world CPO prices. Based on Malaysian data on palm oil, the value of palm oil prices in the period 2017 to 2018 downward trend, this reflected in Figure 1.1.



Figure 1.1: Palm Oil Price Graph.

The Indonesian Sharia Stock Index is a stock index based on Islamic sharia which is included in the List of Sharia Securities. Based on the announcement of IDX No. Peng-00452/BEI.OPP/06-2018 on June 7, 2018. There are nine companies listed in the Indonesian Sharia Stock Index which are engaged in the agriculture plantation industry consisting of those in Table 1.1.

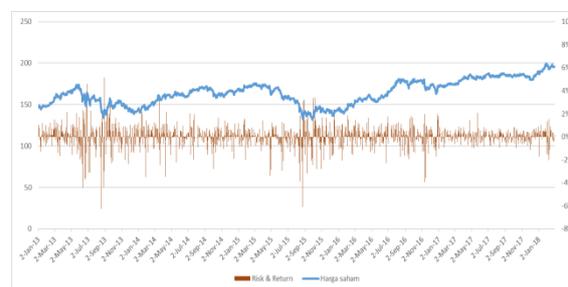


Figure 1.2: Tren Stock Price ISSI.

Table 1.1: List of Nine ISSI Shares in 2018.

Nu.	Code	Market Value m. (IDR)	Equity b. (IDR)
1	AALI	1,789,776	18,536
2	LSIP	1,621,795	8,122
3	SIMP	474,602	18,181
4	TBLA	177,225	4,000
5	GZCO	91,294	1,538
6	SGRO	42,501	4,005
7	ANJT	26,475	5,316
8	PALM	5,360	1,540
9	MAGP	1,264	754

The fluctuating value of the stock price shown in designates that stock investment has a value of risk and return that investors must bear within. This study took three companies that possess the most substantial market value and equity as a sample to project the intrinsic value of the shares of the three companies namely AALI, SIMP, and SIMP. Tren is fluctuating stock price, risk and return present Figure 1.3, Figure 1.4, and Figure 1.5.

Figure 1.3 shows the entire period of January 2013 to June 2018, the value of the stock price of Astra Agro Lestari Tbk. (AALI) shows a decline, but when seen in this period it was 13.4% on August 26, 2013, and the risk was -9.8% on February 25, 2016.

Figure 1.4 shows that during the period of January 2013 to June 2018 the value of the stock price of PT. Salim Ivomas Pratama Tbk. (SIMP) shows a downward trend, but further, when seen in that period there is a return of 17.4% on March 1, 2018, and risk of -10.7% on August 24, 2015



Figure 1.3: Tren Stock Price, Risk, and Return AALI.



Figure 1.4: Tren Stock Price, Risk and Return SIMP.

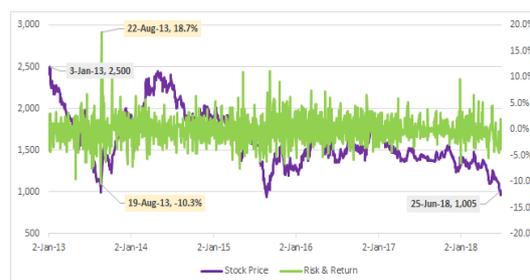


Figure 1.5: Tren Stock Price, Risk and Return LSIP.

While Figure 1.5 shows from January 2013 to June 2018 the value of the share price of PT London Sumatra Indonesia Tbk. (LSIP) shows a downward trend in the value of shares, but when viewed in this period it was 18.7% on August 22, 2013, and the risk was -10.3% on August 19, 2013

Investment in stocks is speculative action as one must deal with the uncertain value of stock prices in a particular period of time.

Moreover, misprice might occur anytime. Investment demands its player to apprehend the fluctuation of stock prices and the company value. Therefore, a valuation examination must be conducted to determine the fair value of a company. Some researchers conduct evaluations to assess the fair price of companies.

Fundamental analysis is more relevant for stock price valuation because it connects indicators associated with the characteristics and financial condition of the company, both from the cash flow condition, risk profile, and even growth potential due to varied investor's focus areas such as asset quality, arrangement capital, and equity, even the future potential of the company (Damodaran, 2006).

A valuation is a tool for analyzing and validating a company, and an investor must conduct a valuation in advance so that their decision will be in accordance with the expected gain.

In conducting such an analysis, several approaches can be utilized. The first one is used to determine the intrinsic value of shares by discounting the company's free cash flow and the relative valuation method.

Based on the background as mentioned earlier, assessing the company's intrinsic value included in the Indonesian Syariah Stock Index is necessary, especially in the agriculture plantation industry. This study took three companies that possess the most substantial market value and equity as a sample to project the intrinsic value of the shares of the three companies in the 2018-2022 period. The basis was 2013-2017 financial report historical data, run under three scenarios: pessimistic, moderate, and

optimistic; using the DCF-FCFF, RV-PBV, and RV-PER analysis method.

## 2. LITERATURE REVIEW

### 2.1 Valuation on Stock Price

Valuation stock price is a process used to determine the intrinsic value of a stock. There are two techniques in evaluating, namely:

- a. Fundamental analysis: an analysis that considers multiple good factors in terms of company performance, analysis of business competition, industry analysis, and economic analysis both macro and micro.
- b. Technical analysis: an analysis technique based on stock price fluctuations in a particular period.

The purpose of valuation is to find out the value of shares in overvalued or undervalued conditions, and in general. Damodaran (2006) stated, there are three methods of valuation, in between:

1. Discounted cash flow valuation.
2. Relative Valuation.
3. Contingent claim valuation.

### 2.2 Discount Cash Flow (DCF)

This method is a model that discounts the Free Cash Flow Firm, Free Cash Flow Equity, and dividend discounted model (Damodaran, 2006). DCF method focuses on cash flows generated from the company's business and operational activities or free cash flow starting from the assumption that all company expense reduces company revenues.

#### 2.2.1 Free Cash Flow to Firm

Furthermore Damodaran (2006), that assessing the most commonly used operating assets is the present value of the expected free cash flow in the company. The equation is expressed as follows:

$$FCFF = EBIT(1 - T) - (CAPEX - DA) \pm \Delta WC \quad (1)$$

In determining cash flow projections, a terminal value is used. Damodaran (2006) asserted that terminal value reflects the current value of the company from all future cash flows obtained from a predetermined period time based on the analysis scenario. The equation is expressed as follows:

$$TV_t = \frac{(FCFF_t) \times (1+g)}{WACC-g} \quad (2)$$

After getting the cash flow value obtained from a certain period (FCFF scenario) and the Terminal Value discounted for the present value, the projected value of the Company is obtained. The equation is expressed as follows:

$$\text{Value of the Firm} = \sum_{t=1}^{t=n} \frac{FCFF_t}{(1+WACC)^t} + \frac{TV}{(1+WACC)^t} \quad (3)$$

#### 2.2.2 Cost of Capital

Larrabee and Voss (2013) stated that Capital costs are the average cost of each weighted source with the proportion of total capital represented. Therefore, the cost of capital is also referred to as the weighted average capital cost (WACC).

WACC is one of the most critical factors in calculating Discounted Cash Flow. Minor changes to the WACC will result in significant changes in company value. Weighted Average Cost of Capital is the composition of the capital structure between debt and equity. The equation is expressed as follows:

$$WACC = (W_e \times R_e) + ((W_d \times R_d) \times (1 - t)) \quad (4)$$

### 2.3 Relative Valuation

The relative valuation method is one of the most common asset valuation methods used to compare the value of a company's stock price in the same industry (Damodaran, 2006). One form of multiples is price multiples, where the main component of price multiple is market price, some examples of price multiples are Price Earning Ratio and Price Book Value.

#### 2.3.1 Price Book Value

Price to Book Value multiple is defined as market price per share compared to book value per share, defined as follows:

$$\frac{P_o}{B_o} = \frac{\text{Share holders' Funds-Preferred Capital}}{\text{Number of outstanding equity share}} \quad (5)$$

#### 2.3.2 Price Earning Ratio

The Earning Multiple Approach is defined as a Market price per share compared to Earning per share, defined as follows:

$$\frac{P}{E} \text{ Multiple} = \frac{P_0}{EPS_1} \quad (6)$$

## 2.4 Previous Research

Some researchers assessed supporting this research as follow:

Zemba and Hendrawan (2018) stated in the research explained about the business investment opportunity of the health sub-sector in Indonesia is still wide open, cause capacity of hospitals in Indonesia can be served only 3.25% from total potential patients, there is still has potential market about 96.75% equivalent with 9,501,350 customers. Some companies that invest in the health care business in Indonesia, there are MIKA, SAME, SILO, and SRAJ, all of which will be evaluated using DCF and Relative Assessment. This research is intended to search the fair value of the company. This assessment reveals how well each company makes more money in the future. Valid for all companies, especially those in services such as hospitals, good ratings are very sensitive, once customers are exposed to a large scale to an event that decreases the company's rating then to restore fair prices takes a long time. Can be seen in a hospital whose value is undervalued. Perform the research in the healthcare industry using Discounted Cash Flow and Relative valuation method, four companies that were sample namely SAME, SILO, SRAJ, and MIKA, three companies SAME, SRAJ and MIKA were overvalued during 2018, and only SILO shares are undervalued.

Neaxie and Hendrawan (2017) perform study projection stock price telecommunication companies 2017-2020 stock prices of three telecommunications companies using the DCF-FCFF method, Relative valuation PER, PBV, and enterprise multiple approaches in three scenarios. Results Analysis of the study using the DCF-FCFF method of the fair value of shares in the TLKM optimistic scenario, and EXCL undervalued, ISAT is overvalued; TLKM moderate scenario, undervalued, ISAT and EXCL overvalued; The pessimist scenario of TLKM, ISAT and EXCL are overvalued. While the results using the Relative valuation method of the TLKM PER approach, and EXCL is undervalued, ISAT is overvalued; the TLKM, Overvalued, ISAT, and EXCL PBV approaches are undervalued; TLKM's Multiple EBITDA approaches, Overvalued, ISAT, and EXCL are undervalued.

Renu and Christie (2018) perform a comparison of these two analysis techniques. From the results of the study found that fundamental analysis is more directed at how to find reasons for changes in stock

price movements. The fundamental analysis mainly depends on the strength of estimates over a period of time. Most long-term investors care more about the fundamentals of corporate investment in fundamental analysis. The disadvantage of fundamental analysis is that the process of analysis is complicated and takes a long time which will be difficult for ordinary people. More importantly, fundamental analysis cannot predict quantum movements but only predicts bias in the direction of stock price movements while technical analysis has the disadvantage of using efficient market hypotheses as technical indicators. Predictions use past stock price trends in valuing markets by comparing random price distributions conditioned which serves to estimate price changes. This is very challenging for an efficient market concept where prices cannot be predicted in a rational.

Reddy, et al. (2011) show whether the company adds shareholder value by generating profits exceeding and above the cost of capital and measuring the value generated or spent by the company in reducing the cost of capital from the return of capital invested using the EVA method. Based on the results of the research method of return, the value of the performance measure against SVA (Shareholder Value add) is EVA 84%, ROCE 45%, RONW 37%, EPS 26%. This analysis states that EVA is the best measure for measuring shareholder value.

Gordon (2016) perform research was conducted to show the discovery of the problem. Therefore this article was used to re-examine the problem of the many findings in mortgage financing in developing countries. The method used is DCF to provide detailed information about inherent asset values where mortgage financing can be used optimally. Based on the results of the study it was found that using traditional approaches usually did not take into account variations in cash flows caused by vacancies (vacancies) or rental revisions. Based on the results of mathematic calculation assumptions, the value of property mortgages is ₹12 million and is based on the cost of ₹32 million with the same accommodation. However, if you use the DCF method the actual value is reflected around ₹15 million for the same property.

Ved (2013) in the study it states that although Discounted Cash is a well-received method lately, this method may not be suitable in certain cases, for example in Investment Companies. How can one assume the dividends to be paid in the future by the investment company? Moreover, how people can assume. The assessor must be based on the fact that

the projections provided by management will generally be growth-oriented. Therefore, it is essential for the assessor to understand the risks involved in achieving specific projections and hence the discount rate and growth rate need to be chosen. In some cases, the appraiser can recommend a set of values and then submit to the relevant parties to arrive at the transaction price in making a decision.

Foerster and Sapp (2006) discusses how investors value financial assets by comparing valuations obtained using fundamental valuation methods and actual prices for equity during the period of 1871 to 2005, fundamental valuation methods require estimation of equity costs at each time each time, whereas in dividend-based valuation methods has performed quite well based on the actual prices for the S & P Composite Index, especially since 1945. Changes in the way investors value equity over the past century, found the cost of equity starting at 7% at the beginning of the century to almost 11% today. Economic conditions too explain differences and changes between estimated costs an estimated cost of equity. The Fed Model, but this undervaluation decreases over time, and the Fed Model's predictive ability diminishes when one considers other factors. We also compare the estimated cost of equity (based on the CAPM) with the implied steps of the actual price and dividend series and can explain the many differences related to economic conditions.

French (2013) complete This research uses three valuation approaches including cost, market, and income. In the income approach, the investment method looks at the price of an asset that generates income more than one period of holding an investment. The cash flow discount (DCF) method was developed to look at cash flows every three months that describe the actual revenue from cash flows. The aim is to provide general changes to the DCF quarterly model.

The methodology used in this study is to look at the picture of each quarter of the DCF model. That based on research with the DCF quarterly model can be seen to produce estimates of market value because the use of DCF can be developed and expanded, so it is useful to be able to do the cash flow model appropriately.

### 3. THEORETICAL FRAMEWORK

The theoretical framework presented as figure 3.1.

The Indonesian Shariah Stock Index is a part of the Indonesia Stock Exchange which is a sharia-

based stock index, the value of a fluctuating stock price in the stock exchange is determined by the sell (bid) and buy (demand) mechanism. Stock prices are one of the important considerations when investing, sentiment and information factors cause stock prices to fluctuate, and consequently, it is difficult to predict the value of stock prices in the future which can cause mispriced. A valuation is a tool in analyzing, evaluating and validating a company to obtain intrinsic value based on

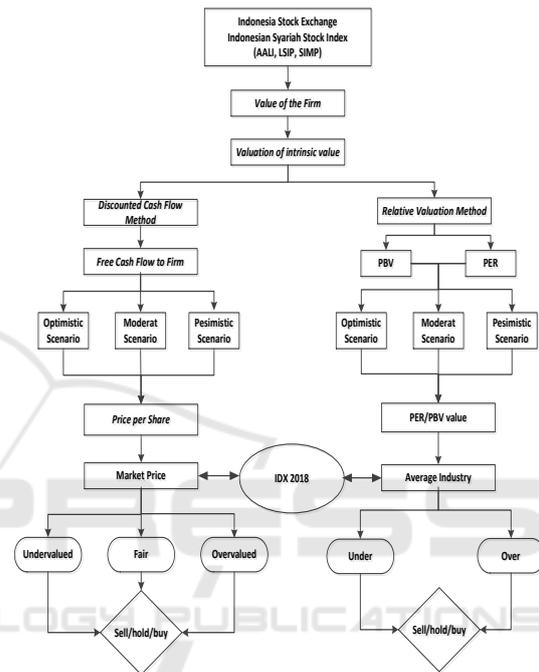


Figure 3.1: Frameworks.

the company's fundamentals. This valuation basis is based on the assumption of the company's condition in the future by using company historical data for five years 2013-2017 as a basis for projecting the period of 2018-2022.

The next process is the determination of valuation values based on the DCF-FCFF method, RV-PBV, and RV-PER. The projection of determining the future cash flow is based on assumptions using three scenarios of conditions, namely pessimistic, moderate and optimistic. A pessimistic scenario is a scenario that assumes that a company's growth rate is below the growth of industrial figures, a moderate scenario assumes that conditions are very likely to be seen from the company's fundamental figures and optimistic scenario is a scenario that assumes that the company's growth rate is above the growth of industrial figures. The results of the analysis using

the DCF-FCFF method will get intrinsic Price per share while using RV-PBV and RV-PER will produce a Price per share value based on equity and earnings per share.

Based on the description of the information in the previous article above, the researcher defines the research as follows:

1. Identifying the intrinsic value of AALI, SIMP and LSIP stock prices using the Discounted Cash Flow Method Free Cash Flow to Firm approach and comparing the Relative Valuation method with the industry value in the pessimistic scenario.
2. Identifying the intrinsic value of AALI, SIMP and LSIP stock prices using the Discounted Cash Flow Method Free Cash Flow to Firm approach and comparing the Relative Valuation method with the industry value in a moderate scenario
3. Identifying the intrinsic value of AALI, SIMP and LSIP stock prices using the Discounted Cash Flow Method Free Cash Flow to Firm approach and compare the Relative Valuation method with the industry value in an optimistic scenario.
4. Provide recommendations from results analysis the intrinsic value of AALI, SIMP and LSIP stock prices to investors based on the Discounted Cash Flow Method Free Cash Flow to Firm approach and Relative Valuation method with the industry value in a pessimistic, moderate and optimistic scenario.

Based on the phenomena and conditions described above, the purpose of this study is to find the fair price of three agriculture-plantation industrial companies listed on the Indonesia Stock Exchange using the Discounted Cash Flow (DCF) method with the Flow to Firm (FCFF) Free Cash approach and Relative valuation method with Price to Earning Ratio (PER) and Price Book Value (PBV) approaches

#### 4. METHODS

This type of research is verificative research with quantitative methods, aimed at explaining the existing phenomena by using numbers, namely valuation to obtain intrinsic value of shares of companies engaged in the Agriculture plantation industry listed in the Sharia Stock Index Indonesia using the Discounted Cash Flow method Free Cash Flow to Firm approach and Relative Valuation with

the Price Book Value and Price Earning Ratio approach.

### 5. DISCUSSION

This discussion reviews the results of research obtained from each company using the Discounted Cash Flow Method Free Cash Flow to Firm and Relative Valuation with the Price Book Value and Price to Earning Ratio approaches in three scenarios, namely the pessimistic scenario, moderate scenario, and scenario optimistic.

#### 5.1 Results of Discount Cash Flow Method Calculation

The results of a calculation, processing, and analysis of overall stock valuation data based on the Discounted Cash Flow Method Free Cash Flow to Firm approach are shown in Table 5.1.1 below:

Table 5.1.1: DCF-FCFF Intrinsic Value.

Code	Scenario	Intrinsic Value	Market price 2 Jan'18	Condition
AALI	Pessimistic	6.135	13.275	Overvalued
	Moderate	8.166		Overvalued
	Optimistic	11.299		Overvalued
SIMP	Pessimistic	897	625	Undervalued
	Moderate	1.039		Undervalued
	Optimistic	1.120		Undervalued
LSIP	Pessimistic	669	2.425	Overvalued
	Moderate	684		Overvalued
	Optimistic	713		Overvalued

Source: calculations of researchers

The results of the study using Discounted Cash Flow Free Cash Flow to Firm approach presented in Table 5.1.1 obtained the intrinsic value of shares for AALI, SIMP and LSIP companies using a pessimistic, moderate and optimistic scenario. The intrinsic value of the research if compared with the market share price on January 2, 2018, the condition of AALI and LSIP shares are overvalued. The intrinsic value obtained from the AALI stock price research in the pessimistic scenario was Rp. 6,135, moderate scenario Rp. 8,166, optimistic scenario of Rp. 11,299, the value is lower than the market share value on January 2, 2018, which closes with the value of AALI's shares of Rp. 13,275. Likewise, for the intrinsic value of LSIP shares in a pessimistic scenario as much as Rp. 669, moderate scenario Rp. 684, optimistic scenario Rp. 713, the intrinsic value

is lower than the market share value on January 2, 2018, which closes with the value of LSIP shares of Rp. 2,425. While for SIMP shares the condition is undervalued in the pessimistic, moderate and optimistic scenario. The intrinsic value obtained in the research process is higher than the market share value on January 2, 2019, which closes with the value of SIMP shares of Rp. 625, whereas based on the results of the research the intrinsic value of SIMP shares in the condition of the pessimistic scenario is Rp. 897, moderate scenario Rp. 1,039, optimistic scenario Rp. 1,120.

## 5.2 Results of Calculation of the Relative Valuation Method

In research using the relative valuation method with the PBV and PER approaches, based on the results of the calculation, processing, and analysis of the overall data, the stock valuation values obtained are presented in Table 5.2.1.

Table 5.2.1 is the result of relative valuation with PBV and PER approaches AALI, SIMP, and LSIP companies with a pessimistic, moderate and optimistic scenario.

Based on IDX 1st Quarter 2018 data, the range of PBV is 3.33 - 0.26 times, PBV value 3.33 times at Sumber Mas Sarana Palm Oil Company (SSMS), PBV value 0.26 times at Gozco Plantation Tbk (GZCO) and for the average industry PBV is 1.14 times. While the PER value range is 31.28 - 52.18 times, PER value 31.28 times at Provident Agro Tbk (PALM), PER -52.18 times at Multi Agro Gemilang Plantation Tbk (MAGP) and for the average industry PER is 1.41 times

The results showed that the PBV value of these three companies when compared with IDX 1st Quarter 2018, designated that the value of PBV and PER AALI, SIMP and LSIP were still included in the Industry value range.

PBV is the company's equity value. PBV can be defined as stock prices compared to equity values per share. It can be calculated by dividing the stock price by Book Value, where the Book Value is generated from equity divided by the average number of shares outstanding. The higher the PBV value, the more delta between the stock price and the actual value. In the case of PBV analysis on the agriculture plantation company, the analysis results that stated that the lowest PBV value of the three companies studied was LSIP company worth 0.56 times, which means that the value of the shares is 0.56 times compared to the book value.

Table 5.2.1: RV-PBV and RV-PER Intrinsic Value.

Code	Scenario	PBV	PER
AALI	Pessimistic	0,6370	5,08
	Moderate	0,8479	5,88
	Optimistic	1,1732	7,97
SIMP	Pessimistic	0,7801	9,01
	Moderate	0,9035	9,46
	Optimistic	0,9742	10,00
LSIP	Pessimistic	0,5624	5,70
	Moderate	0,5743	5,77
	Optimistic	0,5991	5,91

Source: calculations of researchers

PER is the most basic benchmark in fundamental stock analysis. Simply stated, PER is a comparison between the stock price and the company's net profit, where the price of an issuer's stock is compared to the net profit generated by the issuer in a year. Because the focus of the calculation is the net profit generated by the company, by knowing the PER of an issuer, investors can find out whether the price of a stock is reasonable or not. PER is generated by dividing the stock price by earnings per share of the company. Based on the research data, the highest PER is SIMP shares which is equal to 10 times, meaning that the intrinsic price of SIMP shares is ten times greater than the company's net profit per share.

## 6. CONCLUSION

The valuation results are based on technical analysis by considering fundamental matters, using standard formulas in valuation science, so that it is concluded:

1. In the pessimistic scenario, the intrinsic value of the shares of an agriculture plantation company listed on the Indonesia Stock Exchange using Discounted Cash Flow method for AALI is overvalued because of the market price on January 2, 2018, Rp. 13,275 is higher when compared to the intrinsic value obtained from the research results of Rp. 6,135, for SIMP are in an undervalued condition due to market prices on January 2, 2018, Rp. 625 is lower than the intrinsic value that has been calculated at Rp. 875, while LSIP is overvalued because of the market price on January 2, 2018, Rp. 2,425 is higher than the intrinsic value that has been calculated at Rp. 669.

Based on calculations using the Relative Valuation method of the Price Book Value

approach, the value of the three companies <1.14 (average industry), namely AALI has a value of 0.64 times, SIMP 0.78 times, and LSIP 0.56 times. Whereas with the Price Earning Ratio approach, the value of the three companies > 1.41 (average industry), namely PER AALI has a value of 5.08 times, SIMP of 9.01 times, and LSIP of 5.7 times. The PBV and PER values in the range industry based on IDX 1st Quarter 2018 data.

2. In the moderate scenario, the intrinsic value of the shares of the agriculture plantation company listed on the Indonesia Stock Exchange using the Discounted Cash Flow method for AALI is overvalued because the market price on January 2, 2018 Rp 13,275 is higher than the intrinsic value obtained from the results of research Rp 8,166, for SIMP are in an undervalued condition due to market prices on January 2, 2018 Rp 625 is lower than the intrinsic value that has been calculated at Rp. 1,039, while for LSIP is overvalued because of the market price on January 2, 2018, Rp. 2,425 is higher than the intrinsic value calculated at Rp. 684.

Based on calculations using the Relative Valuation method of the Price Book Value approach, the value of the three companies <1.14 (average industry), namely AALI has a value of 0.85 times, SIMP 0.90 times, and LSIP 0.57 times. Whereas with the Price Earning Ratio approach, the value of the three companies > 1.41 (average industry), namely PER AALI has a value of 5.88 times, SIMP of 9.46 times and LSIP of 5.77 times. The PBV and PER values in the range industry based on IDX 1st Quarter 2018 data.

3. In the optimistic scenario, the intrinsic value of the shares of an agriculture plantation company listed on the Indonesia Stock Exchange using the Discounted Cash Flow method, for AALI is overvalued because of the market price on January 2, 2018, Rp. 13,275 is higher when compared to the intrinsic value obtained from the research results of Rp. 11,299, for SIMP it is in an undervalued condition due to market prices on January 2, 2018, Rp. 625 is lower than the intrinsic value that has been calculated at Rp. 1,120, while for LSIP it is overvalued because of the market price on January 2, 2018, Rp. 2,425 is higher than the intrinsic value that has been calculated at Rp. 713.

Based on calculations using the Relative Valuation method of the Price Book Value approach, AALI has a value of 1.17 times > 1.14

(average industry), for SIMP 0.97 times and LSIP 0.60 times <1.14 (average industry). Whereas with Price Earning Ratio approach, the value of the three companies > 1.41 (average industry), namely PER AALI has a value of 7.97 times, SIMP of 10 times, and LSIP of 5.91 times. The PBV and PER values in the range industry based on IDX 1st Quarter 2018 data.

4. The recommended intrinsic value of the calculation results is in the pessimistic, moderate and optimistic scenario with the DCF method of AALI and LSIP shares being "sell", and SIMP shares "buy", while based on AALI, SIMP, LSIP relative valuations are worth buying or maintained if investors have owned its shares because its value is still in the industrial range and is included in the category of good performance.

## 7. FUTURE SCOPE

This study only 5-year history data, it is expected that for the next research to improve the accuracy and validity of the data valuation, you should use longer history data, such as history for 10 years and can combine by adding contingent claim method. For investors in investing stock price agriculture plantation industry, in addition to using the results of assessments as a basis for reference in decision making, they should also look at the business, economic and social political conditions of the country concerned. Indonesia is the produces the largest crude palm oil in the world, and the value palm oil prices greatly affect the price of the industrial stock. Related to this, in the agriculture industry we must pay attention to the conditions and regulations in the largest consumer countries of CPO, other vegetable oil prices, and attention to issue environmental sustainability, which is the phenomena can affect the selling price of CPO.

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