



Stock Valuation and Business Performance of Property Industry Post COVID-19 Era (Case Study of PT B)

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

In 2019 the pandemic Covid-19 caused sharp decline on Indonesian economy, yet in 2021 the economic condition started to recover, indicated by 7% increase in Gross Domestic Product and Consumer Confidence Index. One sector influenced by strong economic recovery is property industry, furthermore government gave stimulus to boost property industry growth. PT B is a leading property developer having various projects and land bank across Indonesia. Post Covid-19 era, the financial performance of PT B showed a good condition, the evidence is the increase in company profitability and decline in the debt. The fundamentals contrast with the stock price as the price declined even in the recovery phase. This condition encourages the writer to do the research on PT B stock valuation and whether the share is classified as overvalued or undervalued. The research will utilize secondary such as financial reports, annual reports, public expose from idx.co.id, and other literature sources. The methodology to process the data is Discounted Cash Flow valuation method to find the actual intrinsic value and value-added intrinsic value, to find the fair value using Net Asset Value valuation method. The added value is a proposal to developing housing projects for

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Generation Z with goal to increase the company share price. The result is the stock fair value to be IDR 1,312 – 2,554. Finally, the author will determine if the stock of PT B is undervalued or overvalued based on the research results.

Keywords: Property developer; recovery phase; stock valuation; discounted cash flow; added-value; net asset value.

1. INTRODUCTION

COVID-19 is a disease caused by the SARS-CoV-2 virus. The first official cases were reported in Wuhan, China in December 2019. In Indonesia, the first two cases confirmed in early March 2020. In a short time, the disease spreading rapidly. By 28 March 2020, the confirmed reached 1,155 cases spreading in 28 provinces (Source: covid.go.id).

From the macro side, the pandemic resulted in the decline in Indonesian GDP. In 2020, GDP contracted, and the growth declined with rate of -2.1% in total. In 2021, Indonesia annual GDP grew sharply by more than 5% to 3.7%. The Indonesia GDP growth shown in Fig. 1.

Starting end of 2021, the economy started to bounce back and looking at the economic condition in 2022, Indonesia experienced rapid growth of 5.2%. Economic growth was boosted by a sharp acceleration in private consumption. The latest consumer survey conducted by Bank Indonesia in December 2022 showed Consumer Confidence Index of 119.9 compared to December 2021 of 118.5 [3]. Strong economic growth and increasing Consumer Confidence Index resulted in high performance in all sectors including property sector.

1.1 Overview

PT B is the leading property developer in Indonesia having almost 40 years of experience in the field of property development. The company established in 1984 as a part of SM Group. The company manages a strategic land bank with more than fifty projects in city development, residential, commercial, retail, and industrial estates [18].

1.2 Business Scope

PT B main business in real estate business consists of residential area and industrial estates sales, rental, profit sharing and fee-based; building and infrastructure construction; land

preparation; water, electricity, and amusement parks [18].

PT B aims to balance between sales revenue and recurring revenue. The contributors of sales development revenues are residential areas, shop houses, industrial and commercial estates, apartments, and trade centre. In the recurring revenues side, the company has a portfolio of office buildings, malls as well as hotels and recreation area. PT B owns shopping malls, office buildings, building management, hotels also convention and exhibition facilities [18].

1.3 Business Prospect

PT B has benefited from portfolio diversification especially during pandemic time. These five products have the potential to further developed since the market demand is high. The Company will continue to develop its recurring income portfolio with goal to reach 20% of total revenue [18].

1.4 Business Issue

Looking at the Residential Property Price Survey conducted by Bank Indonesia, the price of residential housing (IHPR) increases year by year. In 2022, the price increased by 2% compared to in 2021. Even during pandemic era, the housing price increased although with lower price growth [2]. From the commercial side, the sales prices growth fluctuating year by year. In general, the price increased since 2020 until 2022 [1].

Property sector experienced downturn during 2020 due to Covid-19. In general, most noticeable effects of Covid-19 on the property sector is the decline in demand for both residential and commercial properties. As a result of reduced demand, property developers have had to delay or cancel new construction projects, leading to a decrease in property supply. Moreover, the pandemic has also resulted in a slowdown in property sales, and many property buyers have postponed their investment decisions until the pandemic situation improves [1,2].

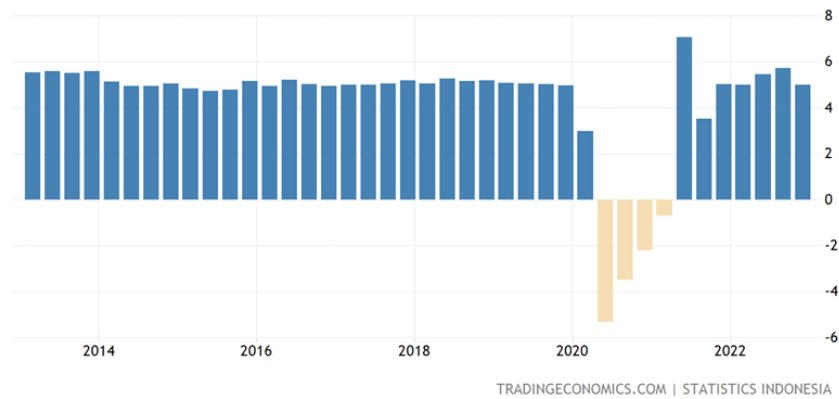


Fig. 1. Indonesia GDP annual growth
(tradingeconomics.com, 2023)

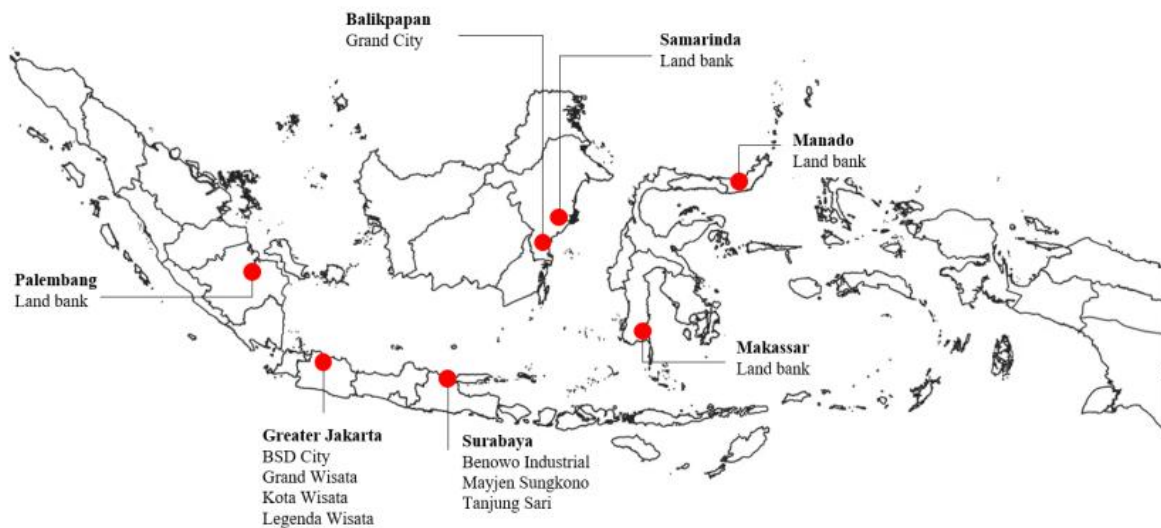


Fig. 2. Landed project of PT B across Indonesia [18]

PT B enjoyed the increase in sales of residential products during pandemic era. In the recovery phase, in 2021, the company succeeded in increasing the revenue by 24% and profit by 379% [18]. However, the stock price kept stagnant and has not followed strong recovery performance. The stock price increase by 61% in 2021 compared to 2020 and then slowing down until today. The big questions would be, does the stock price reflected the company performance and fundamental? How is the company valuation?

The wider goal of this final project to evaluate the fundamental of PT B and to determine intrinsic and fair price. The valuation process will be conducted using Discounted Cash Flow (DCF). After doing the valuation, the writer planned to find the connection between company fundamental to its stock price in the post Covid-19 era.

2. LITERATURE REVIEW

According to (Schmidlin, 2014) [19], company valuation is concerned with determining a company's fair worth. The definition of valuation is a method for estimating the existing or future value of a company or an asset. The true value of a business is not fixed but always a compromise of differing assessment approaches resulting to a specific fair company value range.

Based on explanation by (Damodaran, 2012), discounted cash flow valuation is one of the most used valuation methods. The basis of discounted cash flow valuation is the present value. From the present value of any assets, the analyst can calculate the expected future cash flow value. According to this idea, cash flow used in discounted cash flow valuation is free cash flow while discount rate is weighted average cost of capital [7].

$$\text{Company Value} = \frac{\text{Cash flow}_{t=1}}{(1+r)} + \frac{\text{Cash flow}_{t=2}}{(1+r^2)} + \dots + \frac{\text{Cash flow}_{t=n}}{(1+r^n)}$$

Based on explanation by (Gitman & Zutter, 2010), the firm's free cash flow (FCF) is the cash available to investors (creditors and equity owners) after deducting all operating needs and net investment payment [9].

$$\begin{aligned} \text{FCF} = & \\ & \text{Operating Cash Flow} - \\ & \text{Net Fixed Asset Investment} - \\ & \text{Net Current Asset Investment} \end{aligned}$$

(Gitman & Zutter, 2010) explains the weighted average cost of capital (WACC) to measure the average future cost of capital over the long run. Before calculating WACC, analyst need to understand that cost of capital is divided into two, cost of equity and cost of debt. WACC is calculated by weighting each cost of capital by its percentage in the company's capital structure [9].

$$\begin{aligned} \text{WACC} = & r_E \times \frac{\text{equity}}{\text{equity} + \text{debt}} + r_{\text{debt}} \times \\ & \frac{\text{debt}}{\text{equity} + \text{debt}} \times (1 - s) \end{aligned}$$

According to (Coskun, Erol, & Morri, 2020) Net Asset Value is a valuation method describing the fair value of the company on per-share basis. Net Asset Value is often applied to fund companies, partnerships, trusts, real estates, and other investments [6].

$$\text{NAV} = \text{Investment} + \text{Cash and Equivalents} - \text{Debt Liabilities}$$

This research includes external analysis that will be conducted through PESTEL and Porter's Five Forces analysis. Based on explanation by (Thompson, Peteraf, Gamble, & Strickland III, 2018) every company operating in an environment. The environment is divided into two, macro and micro-environment. PESTEL analysis (Political, Economic, Sociocultural, Technological, Environment and Legal) aims to analyse the macro environment of a company mainly on the external factors that may affect the business. The macro environment of every country is different, therefore a similar company from different countries will have different PESTEL Analysis result [21].

According to (Thompson, Peteraf, Gamble, & Strickland III, 2018), external analysis such as PESTEL and Porter's Five Forces put more attention on the outside environment of a

company. Different with PESTEL analysis that put more focus on the outside factors, according to (Dobbs, 2014) Porter' Five Forces put more stress on the industry and competitive factors. The analysis comprises of Suppliers, Substitute Products, New Entrants, Buyers, and Rival Companies [8,21].

3. METHODOLOGY

The purpose of research methodology is to provide a systematic approach to conducting research studies in a way that ensures the accuracy, reliability, and validity of the results. The goal of this research is to calculate intrinsic value and valuation of PT B therefore the methodology will explain the how to calculate the intrinsic value and valuation. Furthermore, the framework will be used to propose a recommendation related to the company stock.

3.1 Data Collection Method

In this research, the writer used the secondary data. The secondary data used in this research are:

1. Financial and annual report of PT B and its competitors. accessed from IDX. The financial reports used are audited reports from period 2018-2022.
2. Other supporting documents from books, journals, and articles.

3.2 Data Analysis Method

The data analysis method of this research is quantitative analysis. Quantitative analysis is a method of data analysis that involves using statistical and mathematical tools to examine numerical data. The analysis comprises of several steps which are:

1. Assessing Internal and External Business Environment Internal analysis basis is PT B annual reports, external analysis by PESTEL and Porter's Five Forces.
2. Analysing Financial Report
The analysis included in this part are financial ratios and cash flow analysis. Historical data used as a basis for future performance projection.
3. Determine company's Equity Value and Intrinsic Value per Share. Valuation and intrinsic value are determined by calculating cash flow by Discounted Cash Flow method and total asset by Net Asset Value valuation.

4. RESULT AND DISCUSSION

4.1 External Analysis

External analysis is the analysis of outside factors affecting a company's competitive position and influencing its strategic formulation.

4.1.1 PESTEL analysis

PESTEL analysis is to identify the macro-environmental factors that might affect the company business.

4.1.2 Porter' five forces

The focus of this model is the profitability potential of the industry. The five forces of this model are threats by industry rivalry, powerful buyers, potential new entrants, powerful suppliers, and substitute products.

4.2 Internal Analysis

Internal analysis is based on assessment of company internal resources and capabilities. The resources are divided into tangible and intangible resources. The tangible resources are financial resources. The intangible resources are marketing resources; brand, image, reputation; human resources and organizational factors.

4.2.1 Land bank

PT B is one of the largest property developers. The company is managing various projects across Indonesia.

4.2.2 Financial resources

Financial resources that will be analyzed in this research are assets, equity, revenue, profit, debts or liabilities, stock price and market size through market capitalization from 2018 to 2022.

4.2.2.1 Assets, equity and liabilities

Referring to Fig. 3, the assets of PT B increased year by year. In 2019, the cash was lower since PT B acquired a transportation company to be its subsidiary. Shareholders' equity and liabilities show steady growth.

4.2.2.2 Revenue and net profit

The revenues and net profit declined in 2020 since pandemic Covid-19 happened in that year. During recovery phase in 2021 and 2022 the revenues and net profit recovered. The revenues of 2022 increased for more than 50% compared

to 2020. The 2022 net profit was 546% of net profit of 2020 although still lower than the profit before pandemic era. Overall, the company has a good profitability performance.

4.2.2.3 Stock price and market Capitalization

Stock price and market capitalization can be seen in the Fig. 5 below. The stock price used is on 30 December of respective year. The price declined since 2018 to 2022. Since market capitalization is calculated from stock price times the outstanding shares, the market capitalization also decreased from year to year. The decrease caused by pandemic and although the revenues and profit show that PT B business is healthy, investors still wait and see to invest in property sector like PT B.

4.2.2.4 Dividend history

Dividend history compared to stock price is shown in the Fig. 6. From 2008 to 2016 PT B shared dividend to the investors. The company stopped to share the dividend for the year of 2017. After ceasing sharing dividend, the stock price decreased.

4.2.3 Marketing and brand

PT B is a company with a good reputation and good brand name in the property sector. This is proven by many awards received by the company in 2022. The achievements can be seen in the table below.

4.2.4 Human resources

Human resources or human capital is an important factor for PT B. By the end of 2022, the number of employees was 3,377 people. In PT B, there are six position levels. The rank from lowest to highest is non-staff (intern), staff and section head, manager, senior manager divided into managers and division head, top management divided into group division head, directors, and CEO of each project. The composition is as following:

4.2.5 Stockholder composition

PT B went public on 6 June 2008 by offering 1,093,562,000 shares at IDR 550 to the public. To increase the working capital, in December 2021 PT B did a limited right issue. PT B conducted a series of capital increases without pre-emptive rights in 2014, 2015 and 2020 with a total of 3,674,369,220 shares [18,20].

4.2.6 Business solutions

This section consists of two big parts. The first part is financial performance analysis. Financial performance analysis conducted is an analysis using several financial ratios. The second part is valuation. The valuation that will be conducted is Discounted Cash Flow and Net Asset Value valuation.

4.2.6.1 Financial performance analysis

Looking at the income statement, the revenues growth from 2018-2022 is not parallel with the gross profit growth. The gross profit growth is slower than the revenues growth. Gross profit is revenues minus cost of revenue. The higher the cost of revenues, the lower the growth profit. The highest portion of the cost of revenues is construction cost. The growth of revenues and gross profit can be seen in the table below.

From 2018 to 2022, revenues grew by 54% and gross profit by 44%. The lower gross profit growth is caused by construction costs. Construction costs grew by almost 700% from 2018 to 2022. The sharp increase in construction costs is caused by the increase in steel prices. PT B needs a huge amount of steel for construction purposes. Steel is utilized for the structure of the building.

Despite the increase in the construction cost, net profit is growing. The sales figure dropped in 2020 due to covid-19 pandemic. To tackle the drop in sales, PT B introduced the national promotional strategy in 2020, a sales program that gives the customers additional discounts and gimmicks and implemented in all PT B projects across Indonesia. The introduction of a national promotional strategy in 2020 has been proven to be effective in increasing the sales numbers and ultimately increased revenues and profit.

4.2.6.2 Market seasonality

Market seasonality is the likelihood of stock market to create a consistent pattern over the calendar year. In general, the stock market tends to repeat its pattern over long periods of time.

In general, the PT B market created a pattern as shown in Fig. 7. The seasonality pattern of PT B revenues goes down in Q2 and then increases in Q3 and Q4. The revenue peak happened in Q4. From internal sources, the revenues increase in

Q3 and Q4 is caused by numerous product launches that took place in that period.

There is an anomaly from the pattern in 2019. In 2019, the revenue peak happened in Q2 instead of Q4. 2019 was a politic year due to presidential election. The presidential election was conducted in May 2019, the result announced in June and due to dispute, the result from Supreme Court and Constitutional Court announced in Q3 2019 (Source: bawaslu.go.id).

4.2.6.3 Profitability ratio

Looking at the profitability ratio, the Gross Profit Margin is proportional with operating profit margin. The net profit margin reached its peak in 2019 and then decreased 83.2% in 2020 due to pandemic. However, in 2021 and 2022 due to recovery in economic conditions, the net profit margin gradually increased in-line with the increase in sales numbers.

4.2.6.4 Solvency

The figure above shows the solvency of PT B from 2019 to 2022. Generally, the debt to asset ratio and debt to equity ratio are stable. There is a spike in 2020 meaning in that year PT B relied more on debt financing than equity. However, overall PT B is in good condition since DER and DAR are still below 1.

4.2.6.5 Management performance

The Return on Assets and Return on Equity are proportional. In 2020, ROA dropped by 86% and ROE by 85%. Along with the recovery in many sectors including economy, ROA and ROE started to increase in 2021. In 2022, compared to 2020 the ROA increased by 412% from 0.8% to 4.09% and ROE increased by 395% from 1.41% to 6.98% meaning the management is more effective to earn profit in 2022.

4.2.6.6 Technology

The company is developing a digital environment to be ready for the future. Digital environments currently being built are data centers and dedicated technology centers for tech companies and start-ups. The long-term goal is to get support from technology companies to implement smart cities and smart homes.

Table 1. PESTEL analysis

| | |
|---------------|--|
| Politic | In 2024 Indonesia will have presidential election. The politic year feared to have effect to economic instability. As mentioned by Bisnis Indonesia, property sector has high uncertainty due to political year in 2024. |
| Economic | In 2021, Bank Indonesia interest rate reached a record low of 3.50% and increased up to 5.75% in 2022. Low interest rate equal to low installment making buying property interesting for many Indonesian customers [3]. |
| Sociocultural | Based on report from BPS, Indonesia's demography is dominated by millennials and gen Z for more than 50%. However, as mentioned by the Minister of Finance, Sri Mulyani, gen Z will not be able to buy a house due to low purchasing power (Source: idxchannel.com). PT B needs to build affordable houses for millennials and gen Z. |
| Technology | Many industrial sectors are utilizing IoT since it is more efficient. For example, IoT can be used to control energy usage, customers are able to experience the housing model by Virtual Reality. PT B needs to implement IoT in the future to stay relevant. |
| Environment | Due to recent conditions, many parties agreed to limit gas emission. One example was to implement carbon neutral across different sectors. In the real estate sectors in Indonesia, one concrete action is to build green buildings. Green building is a building using a process that is environmentally friendly and energy efficient. |
| Legal | Property developers in Indonesia need to follow several rules such as Land Utilization Permit, Building Permit, and several other regulations. Some regulations are: Law No. 5 of 1960 concerning Basic Agrarian Regulations Decree of Minister of Public Housing No. 9 of 1995 concerning Sales Purchase Agreement (PPJB). |

(Source: Author's Analysis)

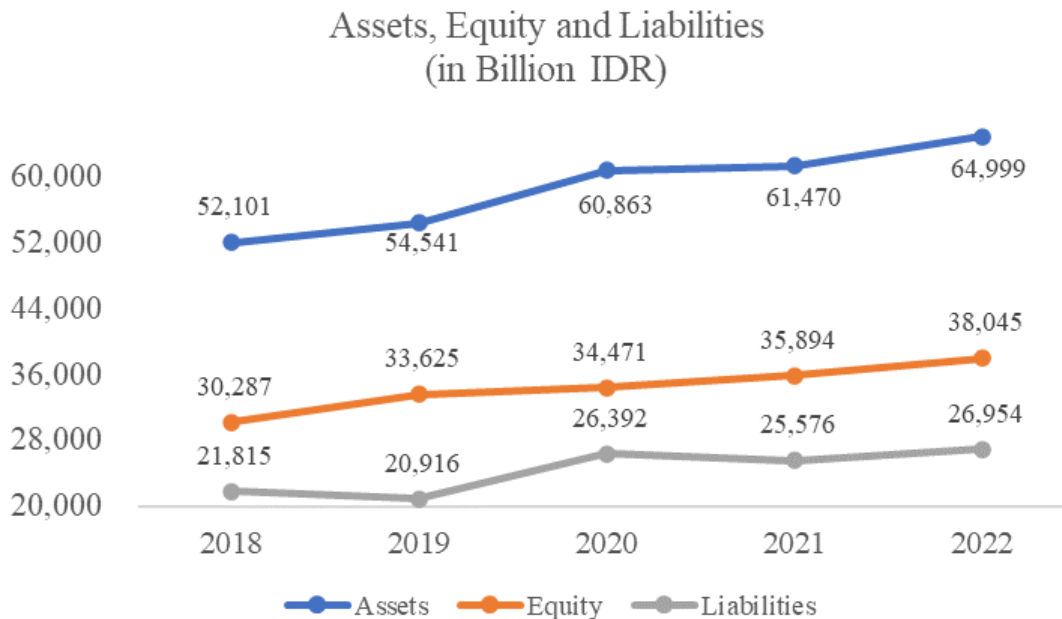


Fig. 3. Balance sheet
(Source: Author's Analysis)

Table 2. Porter's five forces

| Forces | Explanation | Classification |
|-------------------------------|---|-----------------------|
| Bargaining Power of Suppliers | PT B needs a huge number of structural steels to construct its products. To fulfill its needs, the company purchases steel from suppliers abroad and domestic suppliers. Since the number of purchases is very high, it will be easy to select suppliers from the market. | Low |
| Bargaining Power of Buyers | There are many developers around the Jakarta area. Buyers are able to choose to buy a housing product from which developer. Furthermore, the buyers are well informed related to quality and prices. In many cases, the buyers tend to postpone buying housing products. | High |
| Threat of Substitutes | In the property sector, it is hard to find substitutes for property products. One example of substitutes is, since PT B is profit oriented, the company tends to sell property products. However, some people tend to lease instead of buying, some people choose to live in a share house instead of owning a property. | Low |
| Threat of New Entrants | PT B owns numerous projects across Indonesia with huge amount of land bank. BC for example has an area of 6,000 ha [18] with excellent public facilities. New developers need a significant amount of investment for buying the land and building public facilities. The huge amount of investment becomes an entry barrier for new entrants. | Low |
| Industry Rivalry | PT B products are landed houses, apartments, shophouses, malls, hotels, and offices. In the Jakarta area, there are several big developers with business similar to PT B. | High |

(Source: Author's Analysis)

Table 3. PT B land bank

| Project | Total Area (ha) | Developed Area (ha) | Land Bank (ha) |
|----------------|------------------------|----------------------------|-----------------------|
| BC | 5,950 | 3,750 | 2,200 |
| GW | 1,100 | 619 | 481 |
| KW | 750 | 586 | 164 |
| LW | | | |
| BI | 430 | - | 430 |
| MS | 41 | - | 41 |
| TS | 1.7 | - | 1.7 |
| GC | 270 | 114 | 156 |
| SP | 245 | - | 245 |
| MP | 14 | - | 14 |
| MP2 | 5 | - | 5 |
| PP | 150 | - | 150 |

(Source: Author's Analysis)

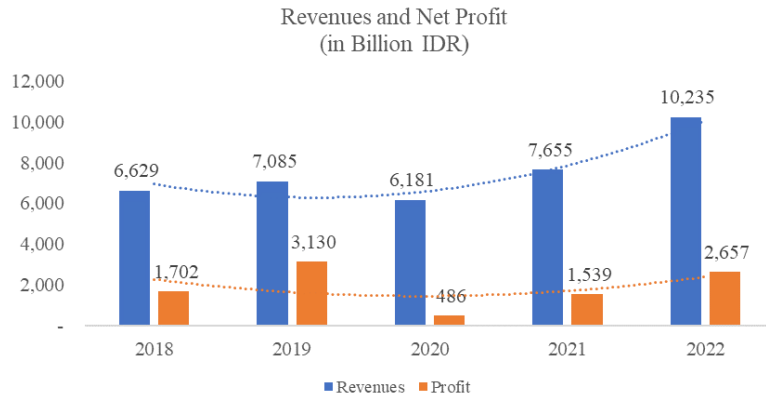


Fig. 4. Revenues and net profit
(Source: Author's Analysis)

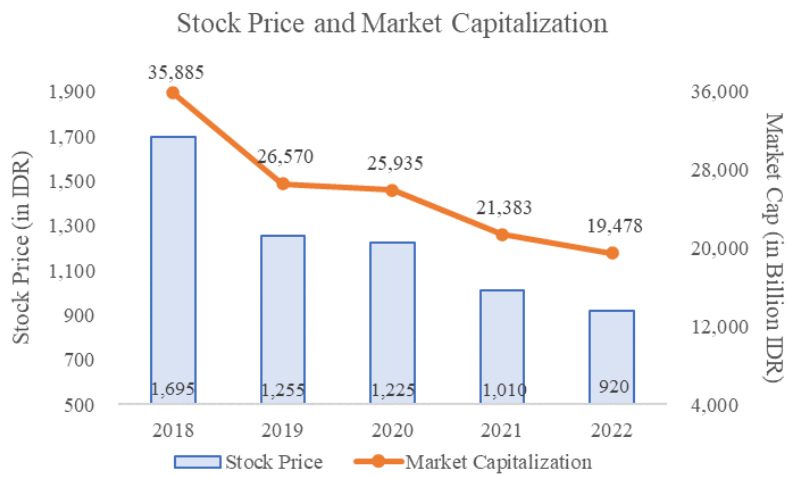


Fig. 5. Stock price and market capitalization
(Source: Author's Analysis)

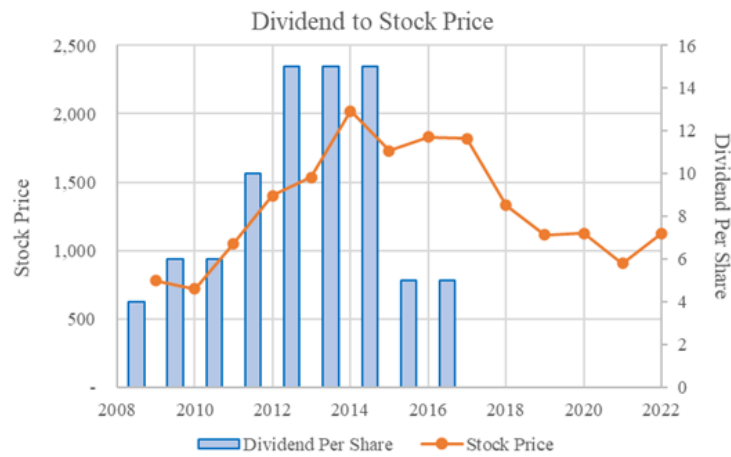


Fig. 6. Dividend to stock price
(Source: Author's Analysis)

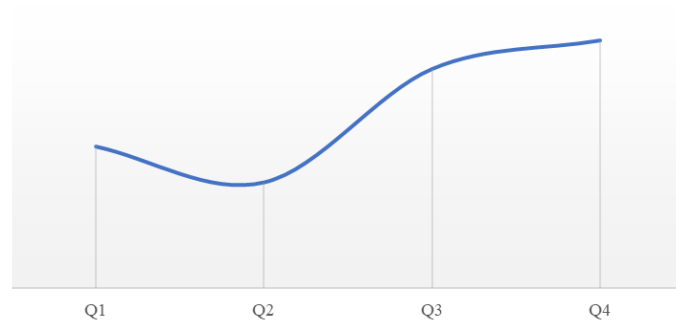


Fig. 7. General pattern of PT B seasonality
(Source: Author's Analysis)

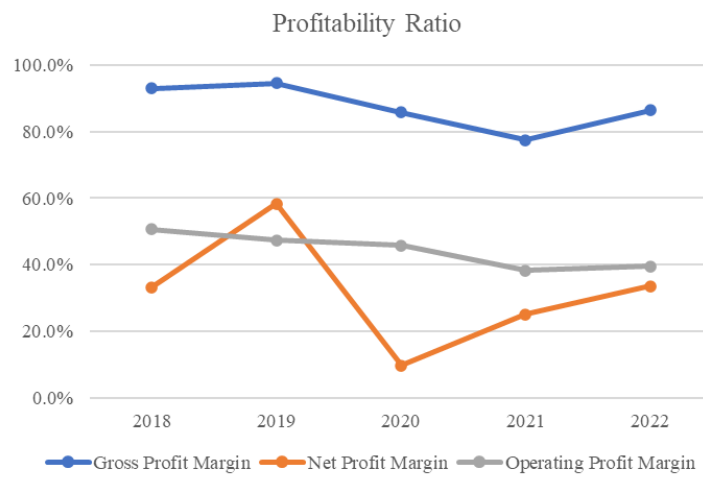


Fig. 8. PT B profitability ratio 2018 – 2022
(Source: Author's Analysis)

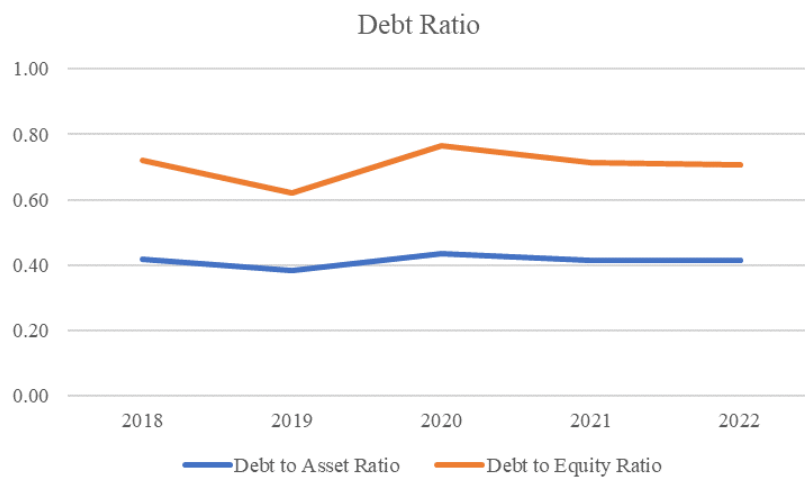


Fig. 9. PT B debt ratio 2018 – 2022
(Source: Author's Analysis)

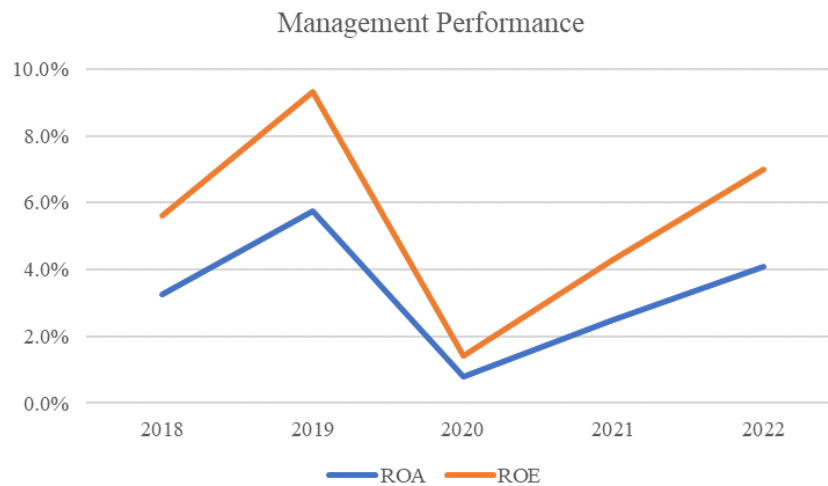


Fig. 10. Management effectiveness 2018 – 2022
(Source: Author's Analysis)

4.2.6.7 Weighted Average Cost of Capital (WACC)

This research employs Discounted Cash Flow valuation method, according to (Damodaran, 2012), in firm valuation the discount factor used is WACC. Before defining WACC, cost of debt, cost of equity should be defined first.

4.2.6.8 Discounted Cash Flow (DCF)

DCF calculation shows that the PT B intrinsic value is IDR 1,312 per share. As per the 9 June 2023 closing, PT B stock is traded at IDR 1,170 per share. This means, according to valuation through DCF method, PT B stock at 1,170 per share is undervalued by 10.80%.

4.2.6.9 Discounted cash flow with added value

Minister of Finance, Sri Mulyani mentioned that gen Z are not able to buy house. She explained that the income level and housing price level are not in equilibrium state. Gen Z or the young generations demand an affordable house while developers tend to supply houses for higher prices.

To fulfil the demand of gen Z, the writer recommends PT B to develop a large cluster and build 1,000 small houses with land size 30 sqm and building size 40 – 45 sqm with price of IDR 930 million including furniture and VAT.

Assuming the total unit provided is 1,000 units and 80% sold, the intrinsic value becomes IDR 1,708. The closing price per 9 June is IDR 1,170, meaning with the intrinsic value of IDR 1,708, the margin of safety is 31.51%.

4.2.6.10 Net asset valuation

The calculation of Net Asset Value is started by listing down the land bank owned by PT B and calculate the total value by finding the price/sqm. Net asset value is the value if all the land banks sold at the 2022 price. The total net asset value after discount divided by current shares outstanding equal to fair value per share.

As per the 9 June 2023 closing, PT B stock is traded at IDR 1,170 per share. The margin of safety from closing price to fair price is 118.29% and the margin of safety from intrinsic value of IDR 1,312 is 45.98%.

Table 4. PT B awards and achievement [18]

| Projects | Year | Awards and achievements |
|----------|------|--|
| BSD City | 2022 | Best Sustainable Developers (Asia) from Asia Property Award Brand of The Year Category in World Branding Award of 2021 and 2022 Marketeer of the Year 2022 for Industry Marketing Champion from MarkPlus Inc. Outstanding Achievement Sustainable Development from FIABCI-REI |

Table 5. Employees composition based on age [18]

| Position Level | 2022 | | | 2021 | | |
|----------------|------------------|--------------------|------------------|------------------|--------------------|------------------|
| | <30 years old | 30-50 years old | >50 years old | <30 years old | 30-50 years old | >50 years old |
| NonStaff | 51 | 549 | 163 | 57 | 610 | 142 |
| Staff | 455 | 1,210 | 262 | 343 | 1,161 | 233 |
| Manager | 22 | 371 | 214 | 14 | 399 | 184 |
| Senior Manager | 0 | 30 | 26 | 0 | 30 | 32 |
| Top Management | | 6 | 18 | 0 | 7 | 18 |
| Total | 3,377 | | | 3,230 | | |

Table 6. Stockholder composition [18,20]

| Stockholder Name | Number of Stock | % |
|----------------------------|-----------------|--------|
| PT PA | 7,178,090,864 | 33.90 |
| PT EU | 5,425,964,486 | 25.63 |
| Public and Others below 5% | 8,309,339,762 | 39.25 |
| Total | 21,171,365,812 | 100.00 |

Table 7. Revenues, gross profit, construction costs in million IDR

| Year | Revenues | Gross Profit | Construction Cost |
|--------|------------|--------------|-------------------|
| 2018 | 6,628,782 | 4,754,508 | 123,051 |
| 2019 | 7,084,864 | 5,066,066 | 120,673 |
| 2020 | 6,180,589 | 4,251,843 | 119,287 |
| 2021 | 7,654,802 | 4,740,051 | 490,049 |
| 2022 | 10,235,480 | 6,826,040 | 980,497 |
| Growth | 54% | 44% | 697% |

(Source: Author's Analysis)

Table 8. WACC calculation

| Variable | Value |
|-------------------------------|------------|
| Firm Equity Value (mio IDR) | 38,045,436 |
| Firm Debt Value (mio IDR) | 11,938,555 |
| Total Debt + Equity (mio IDR) | 49,983,991 |
| We | 76.12% |
| Wd | 23.88% |
| Cost of Equity | 17.00% |
| Cost of Debt | 7.93% |
| Tax | 22% |
| WACC | 14.42% |

(Source: Author's Analysis)

Table 9. Intrinsic value

| Intrinsic Value | |
|-------------------------------------|----------------|
| Firm Value (mio IDR) | 29,973,445 |
| Net Debt (mio IDR) | 2,204,136 |
| Equity Value (mio IDR) | 27,769,310 |
| Current Shares Outstanding | 21,171,365,812 |
| Intrinsic Value Per Share (IDR) | 1,312 |
| Closing Price per 9 June 2023 (IDR) | 1,170 |
| Margin of Safety | 10.80% |

(Source: Author's Analysis)

Table 10. Added-value intrinsic value

| Intrinsic Value | |
|-------------------------------------|----------------|
| Firm Value (mio IDR) | 38,372,038 |
| Net Debt (mio IDR) | 2,204,136 |
| Equity Value (mio IDR) | 36,167,902 |
| Current Shares Outstanding | 21,171,365,812 |
| Intrinsic Value Per Share (IDR) | 1,708 |
| Closing Price per 9 June 2023 (IDR) | 1,170 |
| Margin of Safety | 31.51% |

(Source: Author's Analysis)

Table 11. Fair value from NAV

| | |
|--|-------------|
| Total Value (mio IDR) | 286,875,000 |
| Total Value After Tax 5% (mio IDR) | 272,531,520 |
| Less: Debt (mio IDR) | 11,938,555 |
| Plus: Cash (mio IDR) | 9,734,419 |
| Total Net Asset Value | 270,327,114 |
| Discount to NAV | 80% |
| Total Net Asset Value after Discount (mio IDR) | 54,065,423 |
| Current Shares Outstanding | 21,171,812 |
| Fair Value per Share (IDR) | 2,554 |

(Source: Author's Analysis)

5. CONCLUSION

PT B is the property developer with the largest land bank in Indonesia. Since its IPO in 2008 the stock price is considerably constant. However, in 2017 the stock price started to decline. During the pandemic era, the company owner bought the shares to prevent steep decline of the stock price. The company stock has a long investment timeframe.

In general, the financial performance of PT B is in good condition in terms of profitability and solvency. The Return on Assets and Return on Equity is a little low since PT B has the highest assets and equity. The valuation result of the research indicates that PT B stock is undervalued. As calculated using Discounted Cash Flow method, the intrinsic value per share

is IDR 1,312 with margin of safety of 10.80% as compared to the closing price on 9 June 2023 which is IDR 1,170.

The proposal to increase the share price is to have a value added which is develop a large cluster with affordable houses to attract the gen Z customers. With the sales numbers assumption of 80%, the intrinsic value of is 1,708 per share. Compared to the actual intrinsic value, the value-added intrinsic value is 30.18% higher. The margin of safety compared to the closing price on 9 June 2023 is 45.98%.

A common valuation method to find a fair price of property or real estate industry is Net Asset Value. As a result, the fair value of PT B shares is IDR 2,554 per share.

In summary, the range of fair price is IDR 1,312 – 2,554 per share.

COMPETING INTEREST

Authors have declared that they have no known competing financial interests or non-financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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