

ABSTRACT

Indonesia is one of the countries with the largest population in the world; this condition causes health products to be urgently needed. The Indonesia Stock Exchange is an institution that trades various financial instruments that can be traded, including debt securities (bonds), mutual funds, stocks (stocks) and other financial instruments. Company stock is an investment option that has a big risk, for that it is necessary to evaluate the actual fair price of the shares.

This study aims to determine the fair value of shares in pharmaceutical sub-sector companies with the largest market capitalization listed on the Indonesia Stock Exchange. The object of this research is PT. Kalbe Farma Tbk, PT. Kimia Farma Tbk, and PT. Indofarma Tbk. It is important to know the fair value of company shares because knowing the fair value of a company's shares can help reduce risk and uncertainty in making investment decisions.

The assessment method employed was Discounted Cash Flow Model (DCF) using Free Cash Flow to the Firm (FCFF), Relative Valuation (RV) using Price to Earning Ratio (PER), and Price to Book Value (PBV) using three scenarios, namely the pessimistic, moderate, and optimistic scenarios. This study used historical data in the form of annual reports from 2015 to 2019, which became the basis of the 2020-2024 projection.

The results showed that the stock fair value of three pharmaceutical companies using the DCF-FCFF method in three scenarios, which were pessimistic, moderate, and optimistic, were undervalued. On the other hand, the RV-PER method found that their stock was in the condition of overvalued. Moreover, based on the RV-PBV method in the pessimistic scenario, KAEF was undervalued and KLBF and INAF were overvalued. Meanwhile, in the moderate and optimistic scenarios, all three companies were overvalued.

This research can contribute to academics as a reference for similar research using other variables. This research helps in understanding the problems related to company valuation using the DCF-FCFF, RV-PER and RV-PBV methods. In future studies it is recommended to use longer historical data and use other methods, so that the results obtained can be more accurate and reflect the true value of the company.

Keywords : *Free Cash Flow to Firm, Price Book Value, Price Earning Ratio, Valuation*