

ABSTRACT

This study aims to calculate the intrinsic value or fair value of company shares in the pharmaceutical sub-sector which are listed on the Indonesia Stock Exchange. The data used in this study are historical data and company financial statements for the period 2017 to 2021 and projecting them for 5 years (2022 to 2026). This study uses the Discounted Cash Flow method with Free Cash Flow to Firm and the Relative Valuation method with Price to Earning Ratio and Price to Book Value. In conducting the research, the authors use simulations in 3 scenarios, namely optimistic scenarios (conditions above industrial growth), moderate scenarios (average industrial conditions) and pessimistic scenarios (conditions below industrial growth). There are 11 pharmaceutical sub-sector companies listed on the IDX, but 3 companies that will be the object of research, namely MERK, SIDO and TSPC.

The results of the research using the DCF-FCFF method show that MERK is overvalued in pessimistic and moderate scenarios, and undervalued in optimistic scenarios. SIDO is overvalued in all scenarios, while TSPC is undervalued in all scenarios. For the RV method with the PER approach, the results show that MERK and SIDO are undervalued in all scenarios, while TSPC is undervalued in pessimistic and moderate scenarios, and overvalued in optimistic scenarios. Meanwhile, based on the PBV approach, the results show that MERK is undervalued in pessimistic scenarios and overvalued in moderate and optimistic scenarios. SIDO is overvalued in all scenarios, while TSPC is undervalued in the pessimistic and moderate scenarios and overvalued in the optimistic scenario.

Keywords: Valuation, Discounted Cash Flow, Relative Valuation, pharmaceutical sub-sector