

CHAPTER V

CONCLUSION AND SUGGESTION

A. Conclusion

According to the explanation and review from the previous chapter, this research done in order to know the analysis and the determination of investment decision using Free cash Flow to Equity (FCFE) and Price Earning Ratio (PER) in stock valuation. Based on the analyzing process, this research concludes that:

1. The results of the beta calculation and cost of equity in the FCFE approach, companies that have high beta (β) are not companies that have high cost of equity (K_e). This result differs from the common theory that the relationship between beta and cost of equity is linear. This difference is due to the value of the risk-free rate of return in the research period is higher than the rate of market return. Thus, investment's interest in investment with zero risk is higher than investment with risk.
2. The result of stock valuation using FCFE with constant growth model, there are 9 undervalued companies and 9 overvalued companies. Undervalued company's stock can be said to be a low-priced stock because the market price is lower than the intrinsic price. Otherwise, overvalued stock is an expensive stock price because the market price is higher than the intrinsic price.
3. From the condition of the stock, the recommendation of investment decision for 9 undervalued companies is buy or keep the stocks. Investors should buy the stocks and for investors who have ownership of the stocks

are expected to be able to add the number of stocks or holding stocks owned. It is expected that investors can gain more profit when stock market prices continue to rise beyond their intrinsic value. While, the recommendation of investment decision of overvalued position is sell the stock. Investors better to sell the stocks because it is considered to expensive.

4. The result stock valuation using PER approach, there are only 4 undervalued companies from 18 companies. Those are AKRA, BSDE, INTP and SMGR. The companies that have intrinsic value higher than market value or usually called overvalued are 14 companies.
5. The recommendation of investment decision that investor can take based on the result of PER approach is investor can buy or keep the stock of 4 undervalued companies. The companies consist of PT. AKR Corporindo Tbk. (AKRA), PT. Bumi Serpong Damai Tbk. (BSDE), PT. Indocement Tunggal Prakasa Tbk. (INTP) and PT. Semen Indonesia (Persero) Tbk. (SMGR). The others companies are the overvalued companies. Thus, investor can take the decision to sell the stocks.
6. There are several companies that have similar stock position and recommendation of investment decision between FCFE and PER approach. Those are AKRA, BBKA, BBRI, BMRI, KLBF, PTBA, UNTR, and UNVR

B. Suggestion

1. For investor, it would be better if the investors implement both of FCFE and PER approach in order to generate the best recommendation of investment

decision. PER and FCFE have different indicator in generating intrinsic value. Thus, if the investors implement both approaches, it expected to be more profitable decision.

2. For the next researchers who interested in stock valuation, either FCFE or PER is the commonly approach used in valuing stock prices. But in calculation of FCFE, there are several growth models. It would be great for the next researcher to do stock valuation with different growth models, such as two stage discounted FCFE model or a three-stage FCFE model.