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Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7 No. 1 (2022) 1171-1194 ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

UNBOXING "ICBP" BUSINESS DURING PANDEMIC: HAS PRICE REFLECTED ACCOUNTING INFORMATION?

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ARTICLE INFO

***Article History*:**

Received 20 January 2022

Accepted 17 April 2022

Available online 31 Mei 2022

ABSTRACT

This study aims to determine the intrinsic value of PT Indofood CBP Sukses Makmur, Tbk equity during the Covid-19 pandemic. The research employed the qualitative approach utilizing the explanatory case study framework to achieve the research objective. The purposive sampling method was used to determine a single sample public firm as the study object which was chosen from the population of 677 public firms listed in Indonesia Capital Market per beginning 2020. The data collection was focused on gathering financial data related to the firm's business activities. The data gathered was examined using the fundamental analysis framework which includes seven analyses on the business environment and the competition in the food-beverage industry in Indonesia; the firm competitive positioning; the company's growth strategy; the environmental, social, and government policy; the risks of the share ownership; the financial ratios; and the appraisal of entity's intrinsic value. The results of our study indicated that the fair value of ICBP equity during the pandemic was undervalued. This research contributes to supporting the efficient market theory by proving that the firm market price has not reflected all accounting information, meaning that Indonesia's capital market remained in a semi-strong efficient state during the outbreak. The study implies, in a practical manner, that investors may adopt research findings to improve their decision on long-term equity investment in ICBP shares.

Keyword: **Covid-19, Instrinsic Value, Stock, Efficient Market**

ABSTRAK

Penelitian ini bertujuan untuk menentukan nilai intrinsik saham PT Indofood CBP Sukses Makmur, Tbk di masa pandemi Covid-19. Penelitian ini menggunakan pendekatan kualitatif berbasis studi kasus eksplanatori untuk memenuhi tujuan riset. Teknik purposive sampling digunakan untuk menentukan satu emiten terpilih sebagai objek studi yang berasal dari total populasi sebanyak 677 perusahaan yang terdaftar di Bursa Efek Indonesia pada awal tahun 2020. Metode pengumpulan data berfokus pada koleksi data keuangan yang berkaitan dengan aktivitas bisnis perusahaan. Data yang telah diperoleh kemudian dianalisis menggunakan kerangka analisis fundamental yang meliputi tujuh tahap analisis terkait: karakteristik lingkungan bisnis dan kondisi industri makanan-minuman di Indonesia; posisi kompetitif perusahaan; strategi pertumbuhan penjualan; kebijakan lingkungan, sosial, dan tata kelola; resiko yang membayangi kepemilikan saham perusahaan; rasio keuangan; serta valuasi nilai intrinsik perusahaan. Hasil penelitian ini mengungkapkan bahwa nilai wajar saham ICBP di masa pandemi berada dalam kondisi undervalued. Penelitian ini berkontribusi untuk mendukung teori pasar efisien dengan membuktikan bahwa harga pasar perusahaan belum mencerminkan semua informasi akuntansi penting sehingga kondisi pasar modal Indonesia masih berada dalam kondisi efisien setengah kuat di periode pandemi ini. Penelitian ini berkontribusi secara praktis untuk membantu investor dalam melakukan keputusan investasi jangka panjang di saham ICBP.

Kata kunci: **Covid-19, Nilai Instrinsik, Saham, Pasar Efisien**

Introduction

The Covid-19 epidemic is continuously spreading over the globe (Saraswati, 2020). The capital market was initially unaffected, but as the number of fatalities proven positive for Covid-19 rise, the financial market begins to react negatively (Khan et al., 2020). The Indonesian capital market, according to Junaedi and Salistia

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Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

(2020) is among those affected by the epidemic. This condition is mirrored in the Jakarta Composite Index’s (JCI) performance, which is declining during the pandemic period (Junaedi and Salistia, 2020). Meanwhile, the outbreak seems not to affect the performance of PT Indofood CBP Sukses Makmur Tbk (ICBP, 2019), which is a corporate entity with the stock code "ICBP" manufacturing well-known packaged foods or drinks and also offering a diverse range of basic foods-beverages for consumers of all ages (Osok, 2019).

The average share price of ICBP during the previous ten years, from 2011 to 2019, shows that the average stock price of ICBP has constantly climbed (ICBP, 2020). The increase was consistent with ICBP's operating performance in the same period, which has risen year after year (ICBP, 2019). This improved performance was shown in the company's net profit, which expanded every year (ICBP, 2020). Nevertheless, the average share price of ICBP has dropped drastically for 2020, from Rp10,701.00 per share in 2019 to Rp10,050.00 per share in 2020 (ICBP, 2019, 2020). The drop in share prices was triggered by a worldwide phenomenon, the Covid-19 crisis, which affected not just the Indonesian capital market, but also the global financial market (Sitinjak, 2020). The 2020 decline was not accompanied by a decrease in the company's operating performance of the same year. The financial report data for the third quarter of 2017-2020 confirms that ICBP's turnover and operating profit are increasing year in and year out (ICBP, 2019).

Retail investors are difficult to determine whether the company's stocks are cheap, fair, or overpriced because the change of ICBP's average share price does not represent the underlying worth of ICBP's shares (Husain, 2017). The data is critical for investors who ponder acquiring, exchanging, or holding a large number of ICBP shares (Wibowo et al., 2019). As a result, the purpose of this study is to investigate the intrinsic value of ICBP equity, particularly during the Covid-19 crisis. ICBP's inherent risk during the epidemic is also addressed in this paper. Following Husain (2017) intrinsic value, also termed as a fundamental value, is a stock's genuine value. Meanwhile, as per Gottwald (2012) the real value is a price that represents the true value of the stock. Thus, intrinsic value is a measure of a stock's fundamental worth that is used to determine whether the share price is undervalued or overvalued. This value is a piece of vital information for investors when deciding whether to invest in the company's shares for the long run or trade the stocks for the short term, according to Danil and Yusra (2019) as well as Wibowo et al. (2019).

The main ingredient to analyze the intrinsic equity value of the public company is accounting information. Zeller et al. (2019) explained that accounting information, in stock valuation context, may be in form of quantitative information disclosed in financial statements that can be processed further to generate financial ratios like Price Earnings Ratio, Return on Assets, and Return on Equity. Notwithstanding, qualitative information to support the financial statements data, such as business plan and strategy, is also used by scholars to refine the intrinsic value analysis (Cohen et al., 2008 and Subramanyam, 2014). Chartered Financial Analyst (CFA) Institute (2015) and Pinto et al. (2010) provide a comprehensive framework to perform business valuation using accounting-related information: quantitative and qualitative data. Using the a forementioned framework is the best way to put into surface the fundamental aspect of a firm’s business in a thorough

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

manner resulting in qualitative data towards the business external environment and firm operational performance (Healy and Palepu, 2012 and Subramanyam, 2014). The data is used to formulate a company's real equity value which will be compared to the corporate market price to conclude whether the intrinsic worth is under or overvalued (Gottwald, 2012). If the market price is undervalued, investors may consider investing in a firm's shares for the long-term period or vice-versa (Nugraha and Sulasmiyati, 2017).

The comparison between a firm's intrinsic value and its market price is a critical point to determine whether the market price has reflected all available accounting information since the intrinsic value is simply a manifestation of accounting-related data (Mubarok and Fadhli, 2020). The prevalence of shares with underlying worth deviating from their market prices indicates that the market has not fully incorporated all accounting information (Sari, 2020). Thus, according to the efficient market theory, the market with such conditions cannot be considered as a strong efficient market (Brown, 2020; Malkiel and Fama, 1970; Sari, 2020). Rossi (2015) strongly argues that a strong-efficient capital market exists only when the price of securities represents all available information including accounting data available for public, or unpublished company information.

Several scholars have conducted studies on the intrinsic value of equities on a number of occasions. Husain (2017) scrutinized the intrinsic value of PT Mayora Indah Tbk's shares using the Price Earnings Ratio (PER) approach from 2010 to 2016. According to his findings, the intrinsic value of PT Mayora Indah Tbk's shares in 2010-2016 was in line with its market price (Husain, 2017). Alhazami (2020) carried out the following study finding that several equities that were still attractive for collection on the Indonesia Stock Exchange (IDX) during the Covid-19 epidemic. ASII, BSDE, and MNCN were three equities reasonably inexpensive. Moreover, he also explained that four equities with issuer codes: INCO, HMSP, BBCA, and BBRI were relatively pricey (Alhazami, 2020). Nugraha and Sulasmiyati (2017) on the other hand, investigated the intrinsic values of three tobacco firms listed on the IDX between 2013 to 2016 utilizing the relative valuation method. They employed three approaches: PER, Price Book Value (PBV), and Prices Sales Ratio (PSR). Their findings unveiled that the shares of PT Gudang Garam Tbk, PT HM Sampoerna Tbk, and PT Wismilak Inti Makmur Tbk were overpriced in the period of 2013-2016 (Nugraha and Sulasmiyati, 2017). Meanwhile, Yusuf (2015) and Rahayu (2018) have initiated studies to examine the inherent values of food and beverage stocks during multiple periods including PT Indofood CBP Sukses Makmur Tbk. Yusuf's research (2015) evaluated numerous food and beverage firms that satisfied specific requirements in 2011-2013 as research samples of which was ICBP. According to his findings, ICBP shares were overrated from 2011 to 2013 (Yusuf, 2015). Rahayu (2018), like Yusuf (2015) incorporated various entities in the food and beverage industry as study samples from 2014 to 2016. ICBP is one of the firms that fitted the requirements for being a sample. ICBP shares were undervalued from the 2014 to 2016 period (Rahayu, 2018).

This study differs from past researches, which only looked at the underlying prices of stocks, by providing empirical and methodological research novelty. The empirical novelty is in form of the emphasis on abstracting the accounting

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

information using the fundamental analysis framework to provide qualitative and quantitative evidences to prove the semi-strong efficient state of Indonesia's capital market. The early works demonstrate that comparatively few investigations have been conducted to display the qualitative insights for supporting the stock valuation. Yet, research on the inherent worth of ICBP business remains limited, with just a few studies, like Yusuf (2015) and Rahayu (2018) available. Furthermore, academics are still less likely to conduct research on the pricing of ICBP equity during the Covid-19 outbreak. In order to sustain the methodological novelty, our study combines the fundamental analysis framework used by Subramanyam (2014), CFA Institute (2015), and Pinto et al. (2010) which consists of the business environment and strategy analysis, environmental-social-governance analysis, risk analysis, financial analysis, and prospective analysis. Our research restricts the subject of study to PT Indofood CBP Sukses Makmur Tbk, and the evaluation period is just for the Covid-19 pandemic period, which is 2020. This study is expected to contribute practically for the advancement of the accounting industry in general, particularly the stock valuation field by providing the investors a better outlook of ICBP business and financial performance. Our findings will help them make finer decisions to invest in ICBP shares for the long-term period. In the context of theoretical importance, our research will supplement previous studies on the ICBP equity valuation, and support the efficient market theory. As a nutshell, the objective of this paper is to address the following question: *Has the ICBP price represented all accounting information in order to validate the hypothesis of a semi-strong efficient market in Indonesia?*

Literature Review

The Theory of Efficient Market as Theoretical Lens

The efficient market theory was proposed by Eugene Fama in the late 1960s (Brown, 2020). Fama stated that in an efficient capital market, the prices of securities will perfectly reflect all available information (Malkiel and Fama, 1970). In other words, all information is readily available, and no party may keep it hidden. As a result, in efficient market circumstances, neither side can gain extraordinary returns (Gumanti and Utami, 2004). Malkiel and Fama (1970) categorized market efficiency into three types: weak, semi-strong, and strong. Weak form efficiency occurs when market security prices only completely reflect previous information (Brown, 2020). Likewise, the semi-strong form's market is a setting in which the price of securities in the market, in addition to reflecting historical information, also reflects current knowledge of all publicly available data (Mubarok and Fadhli, 2020). Market conditions in which the price of securities reflects all available information, whether historical information, publicly available materials or unpublished data, are examples of strong form capital market (Rossi, 2015).

Price as a Reflection of Accounting Information

The prevalence of shares with underlying worth deviating from their market prices indicates that the market has not fully incorporated all accounting information (Mubarok and Fadhli, 2020 and Wibowo et al., 2019). The comparison

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

between a firm's intrinsic value and its market price is a critical point to determine whether the market price has reflected all available accounting information since the intrinsic value is simply a manifestation of accounting-related data (Mubarok and Fadhli, 2020). Yuliah et al. (2019) performed a study on the share price valuation to estimate the level of efficiency of the Indonesian capital market. They evaluated the fair pricing of textile and clothing firms listed on the IDX in 2018, which comprised eighteen textile and apparel firms. However, they only chose five businesses, including issuers with the code: BELL, PBRX, RICY, SRIL, and TRIS. The dividend discount model was wielded to assay stocks. They discovered that the stocks of BELL and RICY were overpriced, whereas the shares of PBRX, SRIL, and TRIS were undervalued (Yuliah et al., 2019). The existence of equities with intrinsic values differing from their market values means the market has not completely immersed all accounting information, and hence the market cannot be regarded to be efficient (Sari, 2020).

Brilliand et al. (2016) undertook a further investigation on the appraisal of the fundamental value of international corporations in the cement sub-sector listed on IDX from 2013 to 2015. They chose three businesses with the issuer codes INTP, SMCB, and SMGR using a purposive sample approach. The dividend discount model and PER were the stock valuation methods wrought in their study. According to research's findings, the shares of INTP, SMCB, and SMGR were undervalued when applying both the dividend discount model and the PER approach (Brilliand et al., 2016). As a result of the undervalued situation indicating a gap between the market price and the innate value of the three businesses' shares, we can deduce that financial accounting information was not completely utilized by market players in Indonesia during 2013-2015. These market characteristics suggested that the Indonesian capital market was a semi-strong efficient market at that time (Sari, 2020).

In a similar period of 2013-2014, Andrianto and Mirza (2016) practiced investigation on the form of capital market efficiency in Indonesia. Secondary data from daily stock prices of the LQ45 index, the Jakarta Islamic index, and the Kompas 100 index were included in their study. Andrianto and Mirza (2016) identified that the capital market in Indonesia is in a semi-strong state using inferential statistical testing. Other scholars have undertaken research on the intrinsic values of ICBP business from 2011 to 2016. Yusuf (2015) uncovered that ICBP prices were overvalued from 2011 to 2013 while between 2014 and 2016, the prices were underpriced as unveiled by Rahayu (2018).

Based on the findings from previous research, we can infer that when there has been a discrepancy between the market price of a stock and its real value, the market is not deemed to be fully efficient; and hence the Indonesian capital market is still in a semi-strong form (Brown, 2020; Sari, 2020). As conclusion, the propositions of this study are demarcated as follows.

H_1 : The intrinsic value of ICBP equities has covered all available financial accounting information in the indonesian capital market.

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

Research Methode

Research Paradigm and Approach: Positivist Worldview and Explanatory Case Study Framework

Researchers define the study as a qualitative case study with the positive paradigm as the basis of logical view. The positivist thought has the artifact that research must be based on a commitment to a cause that is clearly present in the world (Qadri and Najiha, 2021). Therefore, each argument in a positive-paradigm study must be based on facts and not on subjective judgments (Kamayanti, 2016 and Qadri and Najiha, 2021). Researchers employed the explanatory case study methodology by Yin (2018) as modified further by Qadri and Jauhari (2020). They explained that the explanatory case study research design must follow multiple research processes. Those are (1) the formulation of case study question; (2) the determination of research proposition; (3) the data collection for satisfying the research question and proposition; (4) the brief description of the object of study to be scrutinized; (5) the explanation of how to relate the data to the study question and proposition; and (6) the interpretation of the criteria for interpreting the research findings (Qadri and Jauhari, 2020 and Yin, 2018). The first step was fulfilled by setting the query word "has" which then was used in our work to predict and explain whether the stock price of ICBP during the Covid-19 crisis conveyed all public information. The second step was addressed by formulating a single proposition related to the price and accounting information dynamics, which then was tested using fundamental analysis techniques.

Population, Sample, and Data Collection Method

The third step of the explanatory case study framework is to explain the process of sampling technique and data collection method. Researchers applied the purposive sampling procedures to determine the study object. The criteria for selecting a single sample are *first*, setting the research population which was public companies listed on Indonesia stock exchange (IDX) per January 1, 2020, totaled 677 firms; *second*, selecting consumer goods companies listed on IDX per January 1, 2020, amounted 78 firms; *third*, screening the top-three fast-moving consumers' goods companies based on the similarity of financial characteristics resulting in ICBP and two other peers are PT Mayora Indah, Tbk. (MYOR) and PT Unilever Indonesia, Tbk. (UNVR); and *fourth*, establishing the study object which was ICBP because the company has a business uniqueness in form of selling worldwide noodle brand Indomie and gaining bullish trend on firm's annual stock price for the last ten years.

The data collected in our study was in the form of secondary data, which, in general, referred to information gathered by third parties (Qadri and Firmansyah, 2020). We adopted the literature study approach to acquire secondary data. Literature review inquiry is a systematic process of gathering data and information through reading, comprehending, and examining relevant works of literature such as books, journals, corporate reports, official rules, and official websites (Qadri, 2019 and Rahmansyah et al., 2020). The researchers largely obtained data from financial statements of PT Indofood CBP Sukses Makmur Tbk in 2017, 2018, and 2019, which were gained from the company's website or the IDX's homepage. Additionally, we undertook supplementary information such as stock prices, financial ratios from

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

comparable firms, and other historical data. Not only that, but we also collected supportive evidence from the National Statistics Agency's main site, financial webpages such as www.yahoo.finance.com and www.investing.com, as well as several national and international economic institutions' websites such as the World Bank, International Monetary Fund, IHS Markit, and others. In addition, the study involved relevant supporting shreds of evidence in the form of analyst remarks. We acquired information from financial analyst statements via infamous economic and business media such as CNBC, Kontan, Kompas, and others. We attempted to discover and collect secondary data that were genuine and relevant to the study topics.

Data Analysis Method

Researchers harnessed the explanation building strategy as the data analysis method, which is a procedure utilized in the construction of an explanatory case study by developing a complete analysis of the case being examined (Wasantari and Qadri, 2021 andYin, 2018). We divided the technique into seven stages of fundamental analysis adopted from CFA Institute (2015), Pinto et al. (2010), and Subramanyam (2014), which were (a) business analysis that is in line with the third procedure of ICBP brief description; (b) growth strategy analysis; (c) environmental, social, and governance analysis; (d) financial ratio analysis; (e) business risk analysis; (f) forecasting analysis, (g) valuation analysis.

Fundamental analysis in this research started with *the identification of the firm's business environment*, both internally and externally, applying Porter's five forces approach (Porter, 1989). The business evaluation was divided into five parts: intense competition, consumer and supplier bargaining power, the threat of new entrants, and the substitutions concept (Dobbs, 2014). These 5 phases were the primary focus of our business assessment. Afterward, we executed a critical examination of annual reports, financial reports, and financial news on websites. Every sentence that was tied to one of the five main forces of business analysis is labeled and then the results were presented based on the label. *The second stage was to complete a background reading on the company's corporate growth agenda*, which was appraised via Porter's generic strategy framework (Porter, 1989). The strategy analysis contained two procedures (Akan et al., 2006 and Collins and Winrow, 2010) which were identifying product differentiation strategy and evaluating cost leadership program from ICBP internal documents.

The third stage involved completing an assessment of the company's environmental, social, and governance programs using two analytical methods: Global Reporting Initiatives 4 (GRI4) and the Good Corporate Governance (GCG) framework. The GRI4 framework is used to evaluate environmental and social (ES) practices. It consists of 91 criteria that must be completed by the firm in order to be classified as having complete environmental and social performance. We implement the technique employed by Firmansyah and Triastie (2020) to assess ICBP's environmental and social performance by attributing a score to each component of information provided by the enterprise inside the annual report, which then is totaled up and divided by the total GRI4 criteria. To analyze corporate governance quality, we deployed the GCG standards, which consisted of 49 evaluation criteria developed

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

by Al'Alam and Firmansyah (2019). These requirements are categorized into four main dimensions: investor rights, fair treatment of shareholders, disclosure and transparency, and the function of the management board. A checklist was also created to assess the GCG performance of ICBP. A score of 1 was assigned if the criteria stated in the checklist were declared in the company's annual report, whereas a value of 0 was awarded if the information on the corporate governance criterion was not included annual report.

The fourth stage was to conduct a financial analysis by reviewing the company's financial ratios. The four major sets of ratios used to gauge ICBP's financial performance were liquidity, profitability, activity, and solvency (Pinto et al., 2010 and Subramanyam, 2014). Following that, *the fifth phase covered performing an investment risk analysis on the company's stock*. We explored the business risks of ICBP during the Covid-19 outbreak using the ISO31000 model as proposed by Araujo-Lima et al. (2021). To complete the risk analysis procedures, we focused our critical reading on the ICBP annual reports and the latest prospectus, especially in the business risk section. We then classified the ICBP risks based on ISO31000 criteria and assessed the impact-probability of each identifiable risk. We have drawn the risk analysis results into a risk diagram as presented in the results and discussion section.

The sixth and seventh stages involved projecting and appraising the fair value of the business's equity. This study employed five approaches to determine the fair price of equity: price-earnings ratio, discounted dividend model, discounted abnormal earnings, discounted abnormal operating income, and discounted free cash flow. *The Price Earning Ratio* is a rate that equates stock values to earnings per share (Gitman, 2009). *The Discounted Dividend Model* (DDM) is a stock valuation tool that incorporates future dividend value as a value driver (Penman, 2007). The dividend is then discounted at a specific rate to arrive at a present value. *The Discounted Abnormal Earnings* (DAE) method, also known as residual income model, is a stock valuation technique that combines (1) converting the expected abnormal earnings value in the future to a present value and then (2) adding the initial book value equity in the year the valuation is performed. Abnormal earnings are the disparity between the company's profit and the return normally expected by investors, which is represented in the form of the cost of equity (Healy and Palepu, 2012). *The Discounted Abnormal Operating Income* (DAOI) technique is similar to the discounted abnormal earnings method in conception. The value driver in this approach is abnormal operating income, which is the distinction between the firm's operating income and the normal rate of return expected from the use of assets (Penman, 2007). *Discounted Free Cash Flow* (DFCF) approach is an investment appraisal method that emphasizes the translation of the predicted future value of free cash flow into a present value. The cash value generated by operational activities after subtracting expenses for working capital and costs for fixed asset acquisition is known as the free cash flow (Healy and Palepu, 2012).

The additional method required in the application of the explanatory case study research design was the procedure for interpreting research findings, known as an analytical generalization, which referred to the process of cognizing findings to the theoretical framework applied. The notion of efficient market hypothesis by

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

Malkiel and Fama (1970) was operated in this study as the theoretical lens. We analyzed the data to see if they support or refute the concept of the semi-efficient Indonesian capital market.

Result and Discussion

The result section consists of seven subsections to fulfill the research purpose, which are: (1) ICBP business profiles; (2) corporate growth strategy, (3) environmental, social, and governance (ESG) performance, (4) financial ratio analysis, (5) business risk, (6) forecasted financial statements, and (7) prospective valuation. We present the discussion section after describing the research findings.

Result 1: ICBP Business Profiles

External Business Forces

The covid-19 pandemic has had a serious impact on various aspects of life, including the economic aspect. In the first two quarters of 2020, The World Bank (2020) recorded that countries with the largest economic powers such as the United States, Germany, France, Italy, South Korea, and Japan fell into a recession. This fall was due to the lockdown policies carried out to break the spread of the Covid-19 virus. The lockdown policy caused the economy to almost stop in various countries. This condition made the World Bank projects that global GDP will decline by 5.2% in 2020 (Figure 1). In Indonesia, the National Planning and Development Agency (Bappenas) reported that the Covid-19 epidemic cost the country Rp362 trillion in spending power between March and June 2020. In addition, the outbreak has led Indonesia's unemployment rate to rise considerably to 7.07 percent as of August 2020. This result was higher than the 5.23 percent recorded in August of 2019. As an outcome, Indonesia's GDP growth plummeted to -5.32 percent in the second quarter of 2020 (Figure 1).

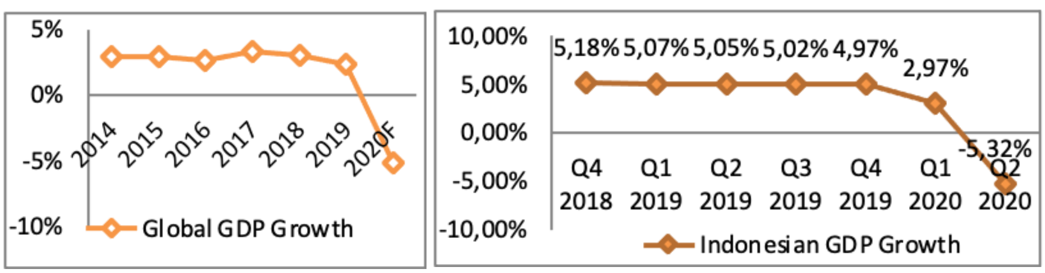


Figure 1. Global & Indonesian GDP Growth
Source: www.worldbank.org

One of the sub-sectors in Indonesia whose growth was impeded was the food and beverage industry. This decline may be due to a major drop in household spending in 2020, which has been one of the engines of economic development. The food and beverage industry sub-growth has slowed as a consequence of its significant reliance on household consumption power. Despite the fact that overall household expenditure has declined, spending on food and drinks was increasing. This uptrend indicated that the food-and-beverage business has a positive value, as seen by customers' prioritization of household spending. The food-and-beverage sector is expected to increase at a rate of 5% to 7% in 2021. This uptrend is in line with the

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

World Bank's projections for Indonesia's economic growth, which are 4.4 percent in 2021, 5% in 2022, and 5.1 percent in 2023. These results are not completely typical because growth predictions for this industry in the years leading up to the Covid pandemic -19 ranged from 7% to 9% each year.

Internal Business Forces

PT Indofood CBP Sukses Makmur is a manufacturing company listed on Indonesia Stock Exchange since 2010 with the stock code "ICBP". The company is engaged in the food and beverage sub-sector of the consumer goods industry. PT Indofood CBP Sukses Makmur was established in 2009 as a result of the restructuring of its parent company, PT Indofood Sukses Makmur (INDF). To date, INDF holds 80.53% of ICBP's shares, and the remaining 19.47% is held by public investors. ICBP's business structure consists of six production divisions, i.e Instant Noodles Division, Dairy Products Division, Snack Food Division, Food Seasoning Division, Nutrition, Special Food Division, and Beverage Division. Most of these production divisions are more than 30 years old so it can be said that they are well established. Each production division produces products with various market brands, thus creating product diversification which is a strength for the company. The findings of Porter's five measures of power analysis reveal that ICBP's key strength is buyers' low bargaining power (Figure 2). The ICBP's position is advantageous due to the purchasers' poor bargaining strength. Although numerous other firms, in recent years, have offered substitute items that are comparable to ICBP's core products, the brand equity of ICBP's goods is still undeniably strong in maintaining consumer loyalty. Conversely, the enormous number of alternative items that have the ability to replace the presence of ICBP products is the entity's major vulnerability. Pasta, cereals, bread, maize, and potatoes have the same features as quick noodles, specifically that they may be used as a rice alternative. This drawback, however, is somewhat offset by the lower cost of instant noodles, therefore it has little influence on ICBP's success.

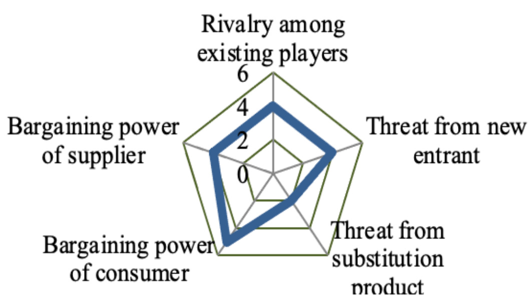


Figure 2. Porter's Five Forces Analysis of ICBP Business
Source: Researchers Analysis

The ICBP's cost-cutting strategy entails increasing the number and capacity of industrial facilities, automating production processes, reducing energy consumption, and achieving raw material self-sufficiency. The creation of a new plant in Palembang to make oil and instant noodle seasoning, which was completed in 2019, reflected the increase in the number of manufacturing facilities. The increase in production capacity was achieved by increasing the manufacturing capacity of

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7 No. 1 2022

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

instant noodles and dairy products by 5% each in 2019. The ISO 50001 framework for energy management is used to achieve energy consumption efficiency. Similarly, the government's awarding of the Subroto Award in 2019 for the area of energy management in major companies to ICBP reflects the successful energy consumption efficiency plan. In addition to focusing on lackluster sales, ICBP has a strategy to stay profitable through these numerous sorts of cost leadership techniques.

ICBP's product diversification policy is accomplished through a variety of market segments. Differentiation strategy in the instant noodle segment is achieved by introducing new flavor variants inspired by Indonesian regional cuisines, such as *Indomie Goreng Rendang, Indomie Hype Abis Ayam Geprek, Indomie Goreng Sate, Indomie Goreng Iga Penyet, Indomie Goreng Aceh, and Indomie Goreng Cabe Ijo.* Differentiation in the dairy market is evidenced by the introduction of innovative packaging for sweetened condensed milk products, in the form of pouch packaging with an air holder. In addition, ICBP released *Esspesia Es Potong Rasa Neapolitan*, which is Indonesia's unique single-serving *"es potong"* product. ICBP distinguished its goods in the food seasoning category by introducing innovative packaging for soy sauce items. In the Nutrition and Specialty Foods category, ICBP focuses on offering better customer service through seminars, workshops, discussion shows, and partnerships with health care experts.

Result 2: ICBP Growth Strategies

Market Share Expansion: Acquisition of Pinehill

ICBP officially purchased all shares of Pinehill Company Limited (PCL) for US$2.99 billion on August 28, 2020. The US$300 million acquisition cost will be financed from ICBP's internal funds, with the rest US$2.69 trillion coming from loan withdrawals, according to the company's management strategy. Pinehill Company Limited is a Middle Eastern, African, and Eastern European manufacturer. Under the Indomie name, the firm makes fast-served noodles. Saudi Arabia, Nigeria, Egypt, Turkey, Serbia, Ghana, Morocco, and Kenya are among the company's eight countries of operation. These eight countries together have a population of almost 550 million people. Pinehill operates 12 manufacturing sites in eight countries, with a total annual production capacity of more than 10 billion packets. Pinehill also has a global distribution network, which reaches more than 885 million people in 33 countries. With the takeover, ICBP has the potential to expand its customer base, particularly in instant noodle products, to more than three times Indonesia's population.

Employee Competence and Welfare Improvement

ICBP performed multiple pieces of training in 2019 in order to increase staff competency. Annual initiatives such as Indofood CIPTA and Continuous Improvement Boot Camp, for example, sought to allow employees to innovate and share their expertise. In addition, the ICBP ran the Management Trainee (MT) program, aiming to give management training to future workers. ICBP provides pay packages in compliance with applicable national and local rules to increase employee wellbeing. Employees can also make use of health services and perks including health clinics located around the company, yearly checkups, and lactation facilities.

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

Female employees are also entitled to three months of fully paid maternity leave, as well as extended leave for religious pilgrimages. Then, through **scholarship programs** ranging from elementary schools to universities, ICBP supports the future of employees' children.

Launching of New Products and Increasing Export Sales

ICBP released 65 new products in 2018, covering a wide range of production areas. There were new product categories such as multi-cereal milk and ice cream sandwiches among these new goods. Indomilk Pouch, Milkuat Choco Malt, Promina Baby Cereal "Homemade," and Chitato Maxx were among the 20 new products introduced by ICBP in 2019. The board of directors of ICBP declared that this approach would be continued in order to increase the company's market position and achieve long-term growth. According to Figure 3, the percentage of ICBP's export sales has constantly grown from 2017 to 2019. In 2017, the company's export sales portion was 8.7% of total sales. Then in 2018, the portion of export sales increased to double digits, which was 10% of total sales. Then, in 2019, ICBP's export sales portion increased again to 10.8% of total sales. In 2019, the largest export sales were to Saudi Arabia which reached 28% of total export sales. The increasing trend was considered by the Board of Directors as a potential that was believed to continue to grow. The board also stated that the company will continue to strive to increase export sales as a form of sustainable growth strategy.

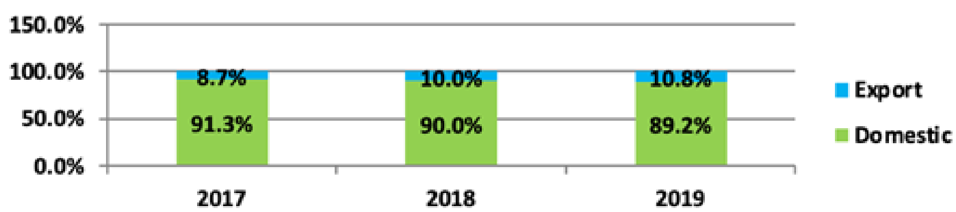


Figure 3. Overseas and Domestic Sales of ICBP
Source: Researchers Analysis

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7 No. 1 2022

Result 3: ICBP Environmental, Social, and Governance Performance

Environmental Indicators: Eco-friendly Action

Certain areas of the environment, such as effluent and waste, water, and emission, are frequently key concerns that create environmental breaches in Indonesia. In February 2020, for example, two textile factories, PT Kamarga Kurnia Textile Industri (KKTI) and PT How Are You Indonesia (HAYI), were found to have violated environmental laws by polluting the Citarum Watershed (DAS). The associated corporation was condemned to a significant fine as a result of the environmental infringement case. Learning from the case, ICBP adopts an ISO 14001-based Environmental Management System to reduce the risk of tripping over environmental hazards and to safeguard the environment (EMS). ICBP also lowers its carbon intensity by implementing energy-saving efforts and utilizing renewable energy sources. To better control and monitor power usage in each operational unit, ICBP also installs an ISO 50001-based Energy Management System

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

Social Indicators: Employee Welfare and Product Image Protection

Matter of fact, ICBP is more concerned with displaying the company's internal social performance, which is the personnel issue. Both the area of labor practices and work comfort and the subcategory of human rights, which ICBP disclosed the most, are related to the company's social environment. This fact became understandable, given that the ICBP had labor concerns in 2014. Employee unhappiness, in the 2014 case, stemmed from a salary raise that was regarded too tiny and implemented unilaterally without going through union talks. Employees went on strike as a reaction, resulting in protests. Since then, ICBP management appears to have realized the importance of employee wellness.

The myriad initiatives conducted by ICBP management to increase employee expertise and welfare, including the provision of pay packages in compliance with national and regional norms and regulations, demonstrate such effort. Additionally, ICBP is also concerned about the security and well-being of its personnel. The Occupational Health and Safety Assessment Series ("OHSAS") 18001 and ISO 45001 certifications for the execution of ICBP's employee health and safety programs prove the company's commitment to safety.

Apart from putting a premium on employee well-being, ICBP is indeed sensitive to the quality of the items the business creates. ICBP has appropriately reported numerous significant indicators linked to product responsibility, including food safety, halal certifications, marketing provisions, and product information, albeit not all indicators pertaining to product responsibility have been reported. For the field of laboratory competence, ICBP has earned a credential from a range of foreign food quality and safety standards, including ISO 9001, Food Safety System Certification (FSSC) 22000, ISO 22000, AIB International Standard, and ISO 17025. In terms of halal certificates, ICBP likewise claims unequivocally that the company exclusively distributes MUI-certified halal items.

Governance Indicators: High Compliance to The Governance Regulation

In comparison to the environmental and social categories, the governance category is the one that ICBP discloses the most. This fact implies that ICBP has recognized the value of solid governance processes in ensuring the company's long-term viability. This practice also highlights ICBP's adherence to the Financial Services Authority Regulation Number 21 of 2015, which requires public businesses to follow good corporate governance procedures. To avoid situations of corporate governance infractions such as corruption, insider trading, information disclosure, and investor rights abuses, good governance measures are necessary.

The ESG Performance Comparison: ICBP, MYOR, and UNVR

Researchers also looked through ICBP disclosures of peer businesses' environmental, social, and governance practices to get comparative data. PT Mayora Indah, Tbk. (MYOR) and PT Unilever Indonesia, Tbk. (UNVR) were chosen as peer firms because they operate in the same industry as ICBP and have a big market capitalization. The disclosures made by each enterprise in 2019 were scrutinized. In general, ICBP's ESG performance is outstanding, with an average percentage of disclosure across the three categories of 52 percent (Figure 4). If elaborated, ICBP exposes 38 percent of environmental indicators, 46 percent of social indicators, and 72 percent of governance indicators. When compared to its peers, UNVR and MYOR, ICBP's performance is better than MYOR's (41 pecent average disclosure) but worse than UNVR's (60 percent average disclosure).

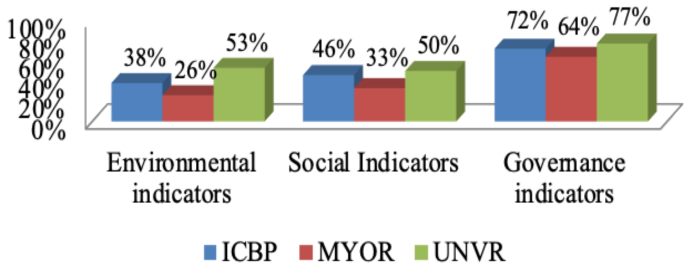


Figure 4. ESG Performance of ICBP, MYOR, and UNVR
Source: Researchers Analysis

Result 4: ICBP Financial Ratios

The liquidity, profitability, activity, and solvency ratios are utilized by equity analysts to assess the company's performance (Pinto et al., 2010). The Current Ratio, Quick Ratio, and Cash Ratio were being employed in this study as liquidity ratios (Table 1). With the exception of the cash ratio in 2018, which shows 0.65, the liquidity element of the ICBP for 2017, 2018, and 2019 displays a figure greater than 1. The company's liquidity performance tends to be relatively strong, based on these findings. This score implies that the corporation can meet or pay its short-term obligations (Subramanyam, 2014). Gross profit margin, operating profit margin, EBITDA margin, net profit margin, return on assets, and return on equity are among the profitability measures examined in our study. Almost all forms of ICBP profitability ratios have positive values and have been improving year after year (Table 1). This condition shows that the firm is profitable both in terms of gross profit and operating profit, as well as in terms of asset utilization. *Total Asset Turnover, Inventory Turnover,* and *Average Day's Inventory* are among the activity ratios analyzed in this research. The ratios indicate a decrease from 2017 to 2019 (Table 1) denoting that the company's asset management has not been implemented efficiently. Then, the *Debt to Assets Ratio* and *Debt to Equity Ratio* is used as proxies to measure solvency ratios. ICBP's Debt to Asset Ratio shrank every year from 2017 to 2019, with ratios of 35.72 percent, 33.93 percent, and 31.1 percent from 2017 to 2019 (Table 1). The diminution in the debt-to-asset ratio is a clear gauge that ICBP is far less in jeopardy. Until then, the Debt-to-Equity Ratio tumbled from 2017 to 2019 (Table 1). Because loan funding is smaller than ICBP's capital, this circumstance suggests that ICBP is at a reduction in the risk.

Result 5: ICBP Business Risks

Risk Identification

The primary risks associated with ICBP are listed in Table 2. These risks are divided into three categories by the author: market risk, industry risk, and operational risk. Market risk is divided into two types: the risk of a drop in public consumption and the risk of price volatility in commodities and raw materials. Then there's the

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

competitiveness risk that ICBP has to deal with. Food security risk, natural catastrophe risk, climate change, global warming risk, sustainability risk, and cyber security risk are the four kinds of operational risk.

Table 1. ICBP's Financial Ratios

Liquidity Ratios	2017	2018	2019
Current Ratio	2,43	1,95	2,54
Quick Ratio	1,91	1,32	1,91
Cash Ratio	1,29	0,65	1,27
Profitability Ratios	**2017**	**2018**	**2019**
Gross Profit Margin	31,1%	31,9%	34,1%
Operating Profit Margin	14,7%	16,8%	17,5%
EBITDA Margin	17,0%	19,4%	20,3%
Net Profit Margin	10,7%	11,9%	11,9%
Return on Asset (ROA)	17,3%	19,5%	20,3%
Return on Equity (ROE)	18,3%	21,7%	21,3%
Activity Ratios	**2017**	**2018**	**2019**
Total Asset Turnover	1,13	1,12	1,09
Inventory Turnover	7,71	7,20	7,11
Average Day's Inventory	47,37	50,69	51,31
Solvability Ratios	**2017**	**2018**	**2019**
Debt to Asset Ratio	35,72%	33,93%	31,10%
Debt to Equity Ratio	55,57%	51,35%	45,14%

Source: Researchers Analysis

Table 2. ICBP Risk Identification

Risk Type	Description
Market Risk (MR)	Risk of decreasing public consumption (MR1)
	Risk of rising commodity and raw material prices (MR2)
Industry Risk (IR)	Risk of competitive rivalry (IR1)
Operational Risk (OR)	Risk of food safety (OR1)
	Risk of natural disasters and global warming (OR2)
	Risk of sustainability (OR3)
	Risk of cybersecurity (OR4)

Source: Researchers Analysis

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7 No. 1 2022

Risk Analysis

Risk analysis is carried out by evaluating the identified possible risks. The likelihood and effect components of the situation are evaluated in this step. The authors presented a grading system of 1 to 5, with 1 denoting unusual, 2 meaning improbable, 3 defining plausible, 4 expressing likely, and 5 signifying certain. We also utilized a grading system of 1 to 5, with 1 indicating insignificance, 2 suggesting minor, 3 showing moderate, 4 implying large, and 5 signaling catastrophic. Table 3 shows the findings of the analysis on the likelihood and effect of each identified risk.

Risk Evaluation

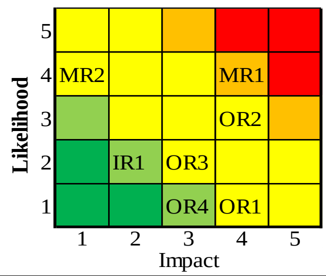
Each identified and analyzed risk is mapped into a risk rating matrix depending on the likelihood and impact of the risk. The authors defined the risk evaluation parameters, which are used to create the risk evaluation matrix. Table 3 shows the results of translating the identified threats into the risk evaluation matrix. Competition risk and cybersecurity risk are included in the low-level group, according to the data (Low). Meanwhile, the medium-level risk category includes the

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

risks of growing commodity and raw material costs, food security, natural disasters, climate change and global warming, and sustainability (Medium). The possibility of reduced public consumption is listed in the high-risk category (High).

Table 3. ICBP Risk Analysis and Evaluation

Risk Type	Likelihood	Impact
Risk of decreasing public consumption (MR1)	4	4
Risk of rising commodity and raw material prices (MR2)	4	1
Risk of competitive rivalry (IR1)	2	2
Risk of food safety (OR1)	1	4
Risk of natural disasters and global warming (OR2)	3	4
Risk of sustainability (OR3)	2	3
Risk of cybersecurity (OR4)	1	3



Source: Researchers Analysis

Result 6: ICBP Forecasted Financial Statements

Figure 5 depicts a summary of the ICBP 2017-2023 forecasted financial statements, which include a statement of financial performance and a statement of financial position. The acquisition of Pinehill is expected to boost revenues by 5.7 percent. The Covid-19 contagion is expected to slow ICBP's core business sales growth to 5.6 percent. This figure was calculated using a 9 percent average sales increase in 2018 and 2019, adjusted for the food and beverage industry's -3.4 percent average sales growth. As a nutshell, the overall predicted sales increase in 2020 is 11.3 percent, which is derived from the company's main business plus contributions from Pinehill.

Sales are expected to increase by 27.95 percent from 2020 to 2021. The introduction of complete Pinehill sales into ICBP's consolidated reporting is the key driver of this development. In addition, sales predictions for 2021 take into account the immunization program, which began in 2021, as well as strong corporate fundamentals. Sales are expected to increase by 16 percent in 2022 compared to the previous year. This rise is still dependent on Pinehill's contribution and the economy's recovery following the Covid-19 epidemic. Sales are expected to increase by 15 percent in 2023, based on the expectation that people's buying power will revive following the Covid-19 pandemic. The predictions for gross profit margin and operating profit margin for 2020-2023 are 32.3 percent and 16.3 percent, respectively. The average Gross Profit Margin and Operating Profit Margin for 2017-2019 were used to arrive at this number. A US$2.05 billion loan was used to pay part of Pinehill's acquisition, leading ICBP's future interest expenditure to rise. The long-term interest rate on loans in foreign currencies carried by ICBP is indicated to be in the range of 1.35 percent to 1.65 percent in the financial statements as of June 30, 2020.

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

If the interest rate for new loans remains in that range, ICBP's interest expenditure will climb by Rp 412.56 billion to Rp 504.24 billion. Because the new loan deal was established in mid-August 2020, the corporation will only be responsible for the loan interest from August 2020 to December 31, 2020. The tax rate utilized for the forecasting period is following Perpu No. 1 Year 2020, which is 22 percent in 2020-2021 and 20 percent in 2022-2023. The residual value after projecting other balance sheet items is used to calculate the predicted value of cash and cash equivalents during the forecasting period. The projected value of inventories, other current assets, fixed assets, and other non-current assets for the prediction period is calculated using the average percentage of sales of trade receivables in 2017-2019 of 10.8 percent, while the projected value of inventories, other current assets, fixed assets, and other non-current assets is calculated using the same method, yielding an average of 9.6 percent, 6 percent, 25.9 percent, and 18.9 percent. Pinehill's purchase value is US$ 2.99 billion (Rp 43.99 trillion) in forecasted fixed assets, which is more than Pinehill's consolidated equity value of US$ 246.3 million (Rp3.623 trillion). Starting in 2020, the gap between the purchase cost and Pinehill's equity valuation is set to increase Goodwill's worth by US$ 2.7 trillion.

	2017A	2018A	2019A	2020F	2021F	2022F	2023F (TV)
Net Sales	**35.606.593**	**38.413.407**	**42.296.703**	**47.076.230**	**60.234.037**	**69.871.483**	**80.352.205**
COGS	(24.547.757)	(26.147.857)	(27.892.690)	(31.848.093)	(40.749.636)	(47.269.577)	(54.360.014)
Gross Profit	**11.058.836**	**12.265.550**	**14.404.013**	**15.228.137**	**19.484.401**	**22.601.905**	**25.992.191**
Operating expense	(5.681.180)	(6.493.793)	(7.125.871)	(7.800.183)	(9.980.334)	(11.577.187)	(13.313.765)
Other operating income	409.016	819.176	434.257	676.003	864.946	1.003.338	1.153.838
Other operating expense	(564.926)	(143.012)	(312.282)	(423.245)	(541.542)	(628.188)	(722.416)
Operating Profit	**5.221.746**	**6.447.921**	**7.400.117**	**7.680.713**	**9.827.472**	**11.399.868**	**13.109.848**
Finance income	403.924	312.998	289.408	413.244	528.745	613.345	705.346
Finance expense	(153.935)	(225.568)	(161.444)	(352.233)	(689.136)	(726.054)	(859.806)
Interest Income Final Tax	(80.312)	(58.965)	(43.233)	(75.521)	(96.629)	(112.090)	(128.903)
Share on Profit (Loss) of Venture Entities	(184.862)	(29.601)	(47.876)	(111.324)	(142.439)	(165.230)	(190.014)
Income Before Tax	**5.206.561**	**6.446.785**	**7.436.972**	**7.554.879**	**9.428.013**	**11.009.840**	**12.636.472**
Income Tax	(1.663.388)	(1.788.004)	(2.076.943)	(1.662.073)	(2.074.163)	(2.201.968)	(2.527.294)
Net Profit	**3.543.173**	**4.658.781**	**5.360.029**	**5.892.805**	**7.353.850**	**8.807.872**	**10.109.177**
(Amount in IDR Mn)	**2017A**	**2018A**	**2019A**	**2020F**	**2021F**	**2022F**	**2023 (TV)**
ASSETS							
Cash and cash equivalent	8.796.690	4.726.822	8.359.164	8.538.434	5.808.167	6.731.323	6.697.452
Receivables	4.126.439	4.271.356	4.131.950	5.096.375	6.520.812	7.564.142	8.698.764
Inventory	3.261.635	4.001.277	3.840.690	4.496.864	5.753.738	6.674.336	7.675.486
Other current assets	394.567	1.122.113	293.121	741.025	948.142	1.099.845	1.264.821
Total Current Assets	**16.579.331**	**14.121.568**	**16.624.925**	**18.872.698**	**19.030.859**	**22.069.646**	**24.336.523**
Fixed asset-net	8.120.254	10.741.622	11.342.412	12.174.697	15.577.524	18.069.928	20.780.417
Goodwill	1.424.030	1.775.839	1.775.839	42.349.612	42.349.612	42.349.612	42.349.612
Other non-current assets	5.495.899	7.728.124	8.966.138	8.905.498	11.394.584	13.217.718	15.200.375
Total Non-current Assets	**15.040.183**	**20.245.585**	**22.084.389**	**63.429.806**	**69.321.721**	**73.637.258**	**78.330.405**
TOTAL ASSETS	**31.619.514**	**34.367.153**	**38.709.314**	**82.302.505**	**88.352.579**	**95.706.904**	**102.666.928**
LIABILITIES & EQUITY							
Short term bank loan	672.886	862.238	458.108	818.732	1.047.568	1.215.179	1.397.456
Trade payable	3.519.343	3.705.883	3.257.654	4.273.461	5.467.894	6.342.757	7.294.170
Accrued expense	1.472.210	1.701.628	1.841.517	2.027.140	2.593.726	3.008.722	3.460.030
Other current liabilities	1.163.149	965.649	999.080	1.277.739	1.634.867	1.896.446	2.180.913
Total current liabilities	**6.827.588**	**7.235.398**	**6.556.359**	**8.397.073**	**10.744.055**	**12.463.104**	**14.332.570**
Long term liabilities	956.922	851.739	1.702.075	31.427.075	31.427.075	40.852.075	40.852.075
Other long term liabilities	3.510.674	3.572.866	3.779.776	12.839.882	12.839.882	3.414.882	3.414.882
Total non-current liabilities	**4.467.596**	**4.424.605**	**5.481.851**	**44.266.957**	**44.266.957**	**44.266.957**	**44.266.957**
TOTAL LIABILITIES	**11.295.184**	**11.660.003**	**12.038.210**	**52.664.030**	**55.011.012**	**56.730.061**	**58.599.527**
Ordinary share	583.095	583.095	583.095	583.095	583.095	583.095	583.095
Share premium-ordinary	5.985.469	5.985.469	5.985.469	5.985.469	5.985.469	5.985.469	5.985.469
Retained earnings	12.799.244	15.029.629	18.495.204	21.462.575	25.165.666	30.800.943	35.891.502
Other equity	195.860	20.730	237.070	237.070	237.070	237.070	237.070
Non controlling interest	760.662	1.088.227	1.370.266	1.370.266	1.370.266	1.370.266	1.370.266
TOTAL EQUITY	**20.324.330**	**22.707.150**	**26.671.104**	**29.638.475**	**33.341.566**	**38.976.843**	**44.067.402**
TOTAL LIABILITIES & EQUITY	**31.619.514**	**34.367.153**	**38.709.314**	**82.302.505**	**88.352.579**	**95.706.904**	**102.666.928**

Figure 5. Forecasted Income Statements
Source: Researchers Analysis

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

The average percentage of sales of the current debts in 2017-2019, namely 1.7 percent for short-term bank loans, 9.1 percent for trade payables, 4.3 percent for accrued expenditures, and 2.7 percent for other short-term debts. The value of long-term debt in 2020 and 2021 is calculated using the balance as of December 31, 2019, plus the US$ 2.05 trillion in long-term debt utilized to fund the acquisition of Pinehill. The loan deal has a 5-year duration and was signed on August 18, 2020, thereby increasing the long-term debt balance in 2020. Owing to the reclassification of other long-term debt, the overall non-current liabilities will grow by US$ 650 million in 2022. The reclassification is attributable to the acquisition's retention value, which will be finalized on April 20, 2022. Starting in 2022-2023, at an exchange rate of Rp 14,500 per dollar, the value of long-term debt will jump to Rp 9,425 trillion. During the forecast period, the prognosis of ordinary shares, share premium, other equity values, and non-controlling interests are the same as the balance as of December 31, 2019. The expected retained earnings balance is computed by subtracting the current year's dividend forecast from the previous year's retained profits plus net income for the current year.

Result 7: ICBP Prospective Valuation

The weighted average cost of capital (WACC) and the terminal growth rate are two key assumptions required to accurately calculate the intrinsic value of ICBP's equity. To process these assumptions for generating the real equity value, we used five equity valuation methods: Price Earnings Ratio, Dividend Discount Model, Discounted Abnormal Earnings Researchers, Discounted Abnormal Operating Income, and Discounted Free Cash Flow. Table 4 depicts the findings of ICBP's equity valuation.

Table 4. ICBP Prospective Analysis

Method	Intrinsic Value (1/1/2020)	Market value (1/1/2020)	Remarks
Price-earnings ratio	7.931	10.895	Overvalued
Discounted abnormal earnings	10.782	10.895	Overvalued
Discounted dividend	6.324	10.895	Overvalued
Discounted abnormal operating income	11.921	10.895	Undervalued
Discounted free cash flow	7.210	10.895	Overvalued
Average	**8.834**	**10.895**	**Overvalued**
***Convert intrinsic value as of 1/1/2020 to intrinsic value as of 17/6/2021 and 30/4/2022 (future value)**			
Intrinsic value as of 1/1/2020	8.834		
Time factor (1/1/2020 - 17/6/2021)	1,46 years		
Time factor (1/1/2020 - 30/4/2022)	2,33 years		
Discount rate (WACC)	7,07%		
Discount factor	1,104912277		
Intrinsic value as of 17/6/2021	**9.760**		
Intrinsic value as of 30/4/2022	**10.360**		

Source: Researchers Analysis

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

The WACC value is the cost of capital based on the financial structure of the firm. The cost of debt (CoD) for ICBP in 2017-2019 is 2.79 percent, which is the ratio of average interest expense to net debt. The CoD After-Tax ICBP that will be applied is 1.98 percent, based on the average income tax rate for 2017-2019 of 29.2 percent. The Average Cost of Equity (CoE) for ICBP in the period of 2017-2019 is determined using the Capital Asset Pricing Model (CAPM), which is 8.58 percent. As of December 31, 2017, 2018, and 2019, the risk-free rate refers to the yield on 10-year Indonesian government bonds. For the December period 2017, 2018, and 2019, the Market Risk Premium for the Indonesian capital market was implemented. According to Pefindo, the ICBP beta mostly used is the corrected beta for December 2017, 2018, and 2019. WACC is also measured using the average WACC from 2017 to 2019. The WACC of ICBP for the forecasting period is 7.07 percent, as shown in Table 4. The food and beverage sector is heavily reliant on public consumption power, and its market share is fairly constant. As a corollary, the terminal growth rate is calculated using Indonesia's long-term GDP growth. The ICBP terminal growth rate is 2.5 percent, taking into account the firm's basic conditions and the prudence factor as a margin of safety.

The Price Earnings Ratio technique of valuation involves multiplying ICBP's earnings per share by the peer firms' average PER. PT Indofood Sukses Makmur, PT Mayora Indah, and PT Ultra Jaya Milk are the peer corporations in this case. According to the calculations, the industry's average PER is 18.36. The intrinsic value of *IDR 7,931.00* was calculated using ICBP's EPS of IDR 432.00. The second method is ***Dividend Discount Model***. This technique of valuation involves translating the predicted dividend in the future into a present value. The estimated future dividend value is based on a 49.64 percent average dividend payment ratio from 2017 to 2019. The forecasting period's forecasted net income is then multiplied by this ratio. Using an 8.58 percent discount rate, the DDM's intrinsic value on January 1, 2020, is *IDR 6,324.00*. Then, the third method is ***Discounted Abnormal Earnings***. Using this approach, the value of ICBP equity is calculated by converting the predicted abnormal earnings value in the future to a present value and then adding the initial book value equity in the valuation year. The discrepancy between the profit made by the firm and the return generally expected by investors, which is represented in the cost of equity, is known as abnormal earnings (Healy and Palepu, 2012). The intrinsic value resulting from the DAE approach given in Table 4 is *IDR 10,782.00*.

The ***Abnormal Operating Income*** analysis is the next valuation method to be addressed. By transforming the predicted future abnormal operating income value to a present times value and then adding the beginning total asset in the year the valuation was undertaken, the intrinsic value of ICBP's equity can be obtained. The disparity between the profit made by the firm and the return generally expected by investors, which is represented in the amount of cost of equity, is known as abnormal operating income (Healy and Palepu, 2012). The DAOI method yielded an inherent value of *IDR 11,921.00*. The last valuation approach is the ***Discounted Free Cash Flow*** technique which translates the expected future value of free cash flow into a present value. After subtracting expenses for working capital and capital expenditures, free cash flow is the cash value generated by operational activities (Healy and Palepu, 2012). The intrinsic value of ICBP based on this technique *is IDR 7,210.00*, as shown in Table 4.

Based on the average inherent worth created by each approach, the quantity of intrinsic value employing a combination of five methods is tabulated. The underlying value of ICBP shares as of January 1, 2020, is amounting to *IDR 8,834.00*, based on a 20% weighting of each method. Meanwhile, the fundamental value as of 17 June 2021 is derived from turning the value of the 1 January 2020 valuation result to a price value on 17 June 2021, in this case, the prospective worth

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7 No. 1 2022

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

of the 1 January 2020 appraisal price. The future value of *IDR 9,760.00* is estimated using a discount rate equal to the WACC and a period of 76 weeks or 1.46 years, which is assessed from January 1, 2020, to June 17, 2021. We also computed the inherent value of ICBP equity per share on the forecasted date of April 30, 2022, using our model resulting in the value of IDR 10.360,00.

Discussion: Support or Reject the Semi-Strong Efficient Hypothesis?

The inherent value on June 17, 2021, is produced by adjusting the price of the valuation outcome on January 1, 2020, to a future value on June 17, 2021, using the WACC discount rate. For 76 weeks, the ICBP equity value per share is *IDR 9,760.00* as of June 17, 2021. Meanwhile, the market value of ICBP's shares was *IDR 8,175.00* at the same time. As a result, we can infer that ICBP's shares are undervalued as of June 17, 2021, since their market value is less than their real value. This case proves that the intrinsic value of ICBP's shares differs from its market price. The mismatch between the intrinsic value and the ICBP stock market price, according to Sari (2020) signifies that ***the stock market price has not completely represented all available accounting information.*** Based on these findings, the null hypothesis is failed to reject. Referring to the efficient market theory, the strong form of the efficient market cannot be attained when the market price does not fully reflect all useful information for decision making (Malkiel and Fama, 1970). Based on these assessments, our research may conclude that Indonesia's capital market efficiency is not categorized as strong efficient but semi-strong form.

Our findings align with Yuliah's research (2019) which proposes that the company's equity is undervalued if the inherent worth of firm equity is higher than its market price, connoting that the entity's market price is experiencing a bearish trend. Our research results show that ICBP equity was undervalued during the recent pandemic, and hence investors may opt to invest in ICBP shares because the market price is cheaper than corporate real worth. Based on this condition, the ICBP market price is expected to rise in the long run.

The consistent outcome was found in Brilliand's (2016) research because our analysis unveiled that the underpriced position of ICBP market price indicates a divergence between the current price and the intrinsic worth of the firm equity, suggesting that financial information was not fully absorbed by Indonesian market participants. Several conditions may cause the divergence, one of which is the market makers' strategy. The players behind the firm's price volatility will play the distribution strategy to bring the price down by selling a large number of the company's shares. The makers can proceed with the strategy when they know the upcoming corporate actions provided by insider informants. When the stock price touches the bottom line, the makers may immediately activate the stock accumulation mechanism in a certain period to hike the price in the future.

The limited information provided by insiders is a common practice found in the Indonesian capital market praxis. This condition is strong evidence of what Andrianto and Mirza (2016) have argued in their study stating that restricted investors oftentimes have admittance to the company's real condition that retail investors cannot catch up to. Our results conform to their argument from the context that the existence of insider information is proof of an inefficient capital market form. Another proof is that there was a tendency that the average annual price of ICBP increases slightly over ten years especially price uptrend every January. Both price tendency and insider appearance are capital market anomalies sponsored by market makers by which retailers are incapable of doing so. Thus, researchers may firmly state that ICBP market price has not fully encapsulated all available accounting information, and so the market is going no further than semi-strong efficient.

Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 7. No. 1 (2022) 1171-1194
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

Conclusion

Because of the Covid-19 epidemic, ICBP's external business climate is generally hostile. However, a supportive internal business environment, along with a fast development strategy in the form of the acquisition of Pinehill and various other tactics, allowed ICBP to remain optimistic about its prospects. One component that still has to be addressed is ICBP's ESG performance, which is comparatively poor when compared to its counterparts, notably UNVR. The presence of many inherent hazards that range from low to high levels has further impacted the appeal of ICBP shares. Stable financial ratios demonstrate a healthy economic position, making financial projections more positive. Based on all of the top-down analyses, the intrinsic value of ICBP's shares was Rp 9,760.00 on June 17, 2021, which was higher than the market value of Rp 8,175.00 on the same day. As a result, it may be argued that ICBP shares are undervalued on June 17, 2021, and there is insufficient evidence to reject the null hypothesis. As a result, the market price of ICBP has not represented all accounting-related information, implying that Indonesia's capital market was still in a semi-strong form efficient condition throughout the pandemic.

Limitation

Fundamental and technical analysis are the two most frequent methods of stock analysis, but the analysis performed in this study is confined to fundamental analysis without technical examination. The research findings are solely from one side, which is fundamental assessment. For reasons of accuracy and data availability, the forecasting period used in this study is only three years following the base year plus one year as the terminal value.

Suggestion

Further study should incorporate technical and fundamental analysis, so that the study results may be seen from both perspectives. The forecasting period can be prolonged, but it must be backed by trustworthy supporting data.

Implication

This research shows that, in order to be more appealing to investors, ICBP management may leverage our findings as a foundation to build future sustainability strategies. This study, on the other hand, is intended to provide information on the intrinsic value of ICBP equities, allowing investors to decide whether to invest in ICBP shares for the long term.

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