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Analysis of Stock Intrinsic Value and Projection of Financial Statements through a fundamental analysis approach to PT. Fast Food Indonesia, Tbk in 2022.

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ABSTRACT

This study aims to determine the intrinsic value of PT. Fast Food Indonesia, TBK using the residual profit valuation model which can determine the value of equity at that time as the sum of the current book value and the present value of the estimated residual income in the future. This study uses a descriptive quantitative approach in presenting the results of the analysis. The data source in this study is the annual financial report of PT. Fast food Indonesia, Tbk in 2021 and 2022. Data collection techniques in this study used observation and documentation techniques. This research shows that the result of the projection is the intrinsic value of PT. Fast Food Indonesia Tbk in 2022 is Rp. 1.70 which was found based on the calculation of the prospective analysis in the residual profit valuation model (*Residual Income Model)*. It was recorded that until the end of December 2022 the share price of PT. Fast Food Indonesia, Tbk is Rp. 820. So it can be concluded that the value of PT. Fast Food Indonesia, Tbk is overvalued or the stock market price is higher than the intrinsic value of the stock.

Keywords: *Stock instruction value, Financial statement, prospective analysis, financial ratio*

INTRODUCTION

The company is an organization that has goals to be achieved, one of which is to make a profit. Until now profit can also be used as a factor to see the success or failure of a company in managing finances. Financial information is the most important component in monitoring the continuity of the company's business journey. Based on financial information, company management and investors can make a decision. Information will be increasingly useful in making decisions through financial report analysis which intends to dig deeper, wider information and reveal various things hidden in it.

The analysis is carried out according to the objectives of financial statement analysis includes screening*, forecasting* as well as evaluation to provide more information for economic actors in making decisions. Research related to prospective analysis has provided a lot of empirical evidence that future cash flows can be better predicted by accrual data than by cash flow data, and in capital market studies (Anggono, 2002). Furthermore, Barth et.al. (2001) this is possible because the accruals component contains different information, which is not only unpaid cash flows from past transactions, but also regarding future cash flows expected by management from operating and investing activities. However, financial report analysis that is done manually tends to take quite a long time and there is a possibility of miscalculation and interpretation. Therefore, efforts to support the attainment of the benefits of information in accordance with the objectives of financial statement analysis are through prospective analysis of financial statements.

The importance of prospective analysis for companies is one of them for predicting future profit conditions and this analysis is needed in determining good decisions for shareholder investment. However, in reality there are still many companies that do not understand this prospective analysis. According to Subramanyam (2014) this analysis can be carried out only after historical financial reports are adjusted to accurately reflect the company's economic performance. Prospective analysis includes forecasts of financial position (balance sheet), income statement and statement of cash flows. Prospective analysis is the core effect assessment where this analysis is useful for testing the accuracy of the company's strategic plan. For this reason, it is necessary to analyze whether the company is able to generate sufficient cash flow to fund the expected growth or whether the company requires debt or equity funding in the future. It also needs to be analyzed whether the current strategic plan will produce the benefits predicted by the company's management. And finally, prospective analysis is useful for creditors to assess the company's ability to meet its obligations.

Prospective analysis can also be used to calculate the intrinsic value of a company. Intrinsic value describes the actual value per share of the company. Before doing this, the first thing to pay attention to is the investment, whether the price per share in the market is in accordance with its intrinsic value or not, as well as when an investor already has shares, whether the shares will be sold or held. In determining the intrinsic value, it is also necessary to pay attention to the fundamental factors of the company. Each company has a different intrinsic value. To find out the intrinsic value of a company's common stock, of course, a prospective analysis must be carried out first. For example, to determine the intrinsic value of a company using a valuation model residual *income*, it is necessary to project net income and book value of equity in the future to estimate the current stock price.

Companies that will analyze their financial statements to do forecasting is PT. Fast Food Indonesia, Tbk which is the reference for forecasting 2021 and 2022. The projection year is focused on the next 5 years, starting from 2013 to 2027. This company is a multinational company in the fast food sector. This company, which has been established for 44 years, has no doubt about its successful experience in building a business. The experience of success and continued growth for more than 44 years, has undoubtedly made the KFC brand the market leader for fast food restaurants in the country. So that prospective analysis needs to be studied in measuring the company's financial performance.

METHOD

This study uses a quantitative descriptive research technique. Quantitative description research techniques are used in explaining numbers or data obtained by researchers from various sources related to the research topic (Sugiyono, 2016). This study also uses documentation techniques in data collection so that researchers are only observers and are not directly involved in the annual financial reports of PT. Fast Food Indonesia, Tbk. The data source analyzed came from the official website of PT. Indonesian Fast Food. As an observer, the researcher only records things that are deemed necessary as research data.

Prospective analysis includes forecasting financial position (balance sheet), income statement, and cash flow statement (Subramanyam, 2014). In projecting the financial statements that are first analyzed are the statement of financial position and profit and loss, after that determine the ratios and assumptions used to project the results of the projection at PT. Indonesian Fast Food, TBK. More concisely, the research stages are described as follows.

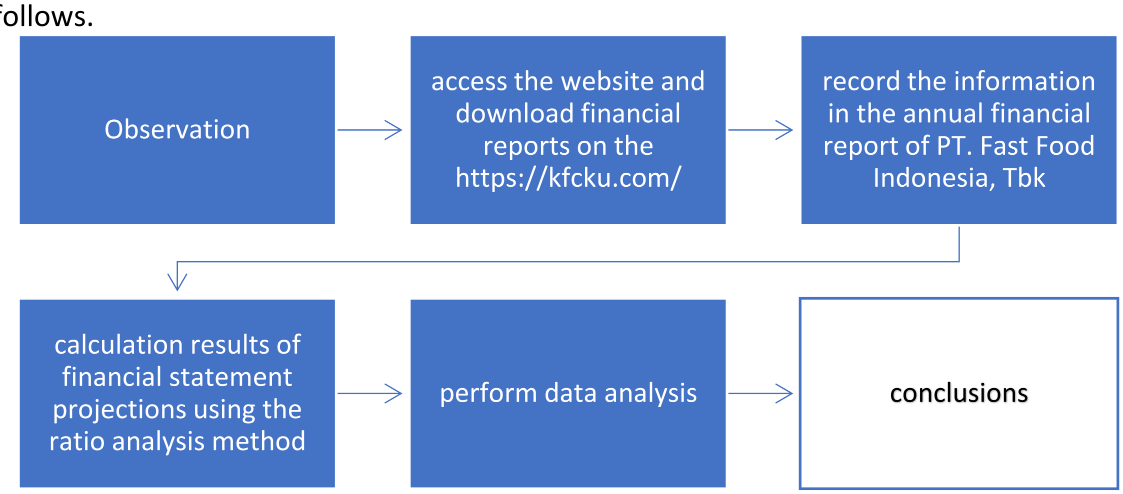

Figure 1. Research Flow Chart

FINDING AND DISCUSSION

Prospective analysis is a form of forecasting in the future regarding the company's achievements in terms of profit, cash flow, etc. Prospective analysis can only be carried out using historical financial report data that has been adjusted to accurately reflect the economic performance of a company. Prospective analysis is useful for various parties, for example creditors who use prospective analysis information to assess a company's ability to meet its obligations. In addition, the information in the prospective analysis can also be used to test the accuracy of the company's strategic plans in the future.

Prospective analysis includes forecasts of financial position (balance sheet), income statement and statement of cash flows. In projecting the financial statements that are first analyzed are the statement of financial position and profit and loss, after that determine the ratios and assumptions used to project the results of the projection at PT. Fast Food Indonesia, TBK in full is presented in the attachment on the final page. The projection process is done by calculating the expected sales growth. In this case using historical trends to predict the level of sales in the future. A more detailed analysis involves external information, such as:

1. Expected level of macro activity. Because customer purchases are affected by the level of personal disposable income (*Personal disposable income)*, the analysis includes estimates related to economic growth in general and retail sales growth in particular. For example, if the economy improves, it can be projected that there will be an increase in sales compared to last year's sales.
2. Competition map. Did the number of competitors increase or did the weaker competitors cease operations. Changes that occur in the competitive landscape will affect projections of unit sales and the company's ability to raise prices. This will have an impact on growth.
3. Mix of new and old shops. New stores generally enjoy a greater increase in sales compared to old stores, because new stores can reach markets that are not well matched or provide a more up-to-date product mix than existing competitors.

Profit and Loss Report Projection

Profit and loss projections describe the financial performance of a company, especially in terms of profits and losses experienced by a company. The following is an overview of the projected profit and loss report of the company PT Fast Food Indonesia, TBK for the 2021-2022 period as follows.

Table 1. Calculation results of projected profit and loss statements

No	Asumsi Peramalan	2021	2022
1	Sales Growth		21%
2	Gross Profit Margin	60.65%	62.56%
3	Selling/Selling Expenses		-51.72%
4	General and administrative expenses/Sales		-12.71%
5	Other income		1.50%
6	Other expenses		2.80%
7	Financial Income		-47.56%
8	Finance Fees		-1.01%
9	Tax Expense/Revenue before tax		-17.08%
10	Net profit margin	-6.210%	-1.32%

The steps in projecting the Profit and Loss Report of PT Fast Food Indonesia, Tbk are as follows:

a. Sales and Operating Income.

Projected sales and operating income for the following year, calculated by knowing the previous year's sales growth and operating income. More concisely can be formulated as follows:

$$\frac{Sales\ in\ 2021 - Sales\ in\ 2022}{Sales\ in\ 2022}$$

Financial report data, it can be seen that sales in 2021 amounted to Rp. 4,840,596,018 and in 2022 it is Rp. 5,857,474,313 so that the resulting sales growth rate is **0.21 or 21%** (Rp. 4,840,596,018 - Rp. 5,857,474,313 / Rp. 5,857,474,313). The results obtained are used as the basis for calculating sales growth projections for the next 5 years. Sales in 2018 can be predicted by calculating last year's sales plus the percentage of sales growth: Sales in 2022 x (1+ 0.20) which will produce sales figures in 2018 of Rp. 7,087,971,233. This calculation formula is also used to calculate the sales growth rate in the following years in the same way. The results of this analysis describe the prospect of increasing profits in the next 5 years, so that this can be an illustration of PT. Indonesian fast food, Tbk.

b. Gross profit

In calculating the projected gross profit for the following year, the first thing to do is to find out the previous year's gross profit margin, in the following way:

$$\frac{Gross\ profit}{Sales}$$

In 2022, the gross profit margin is 62.56%, the results of this agreement will be a reference for determining the amount of gross profit in the following years. The trick is to divert sales with a predetermined gross profit margin. For example, in 2023, the calculation is as follows Rp. Rp. 7,087,971,233 x 62,565% = Rp. 4,434,588,408 and to calculate the gross profit margin it is assumed to be fixed every year for 5 years.

c. Cost of goods sold.

Cost of goods sold is calculated using the difference between sales and gross profit. For example, in 2023 the gross profit is Rp. 7,087,971,233 – Rp. 4,434,588,408 =**Rp. 2,653,382,825** then the calculation of cost of goods sold using the same technique for the following years.

d. Selling Expenses and General and Administrative and Selling Expenses.

Selling Expenses and General Expenses and Administration and Selling are calculated by knowing the percentage of selling expenses General and Administrative and Selling Expenses. After that, the projected selling expenses and general and administrative expenses for the following year are calculated, by multiplying the percentage with the projected sales for the projected year in question. PT Fast Food Indonesia TBK, the percentage of selling expenses to sales in 2022 is Rp. 3,029,685,440 / Rp. 5,857,474,313 = -51,723%. so that the percentage of selling expenses to sales in 2023 is -51,723% x (Rp. 7,087,971,233) =**(Rp. 901,144,247)**. For the calculation of General and Administrative Expenses for the following year, use the same method and for the next year's projections use the same percentage.

e. Other Income.

In calculating other income projections, you must know the percentage of other income in the previous year. The percentage obtained in 2022 is 1.507% by using the formula:

$$\frac{other\ income\ 2022}{net\ sales\ 2022}$$

PT Fast Food Indonesia has other income Rp. 88,266,013 / net sales Rp. 5,857,474,313. Then, the value of other income in 2023 is the percentage of other income multiplied by net sales in 2023. The method used for the next is also the same, assuming the same percentage (using the percentage of 2022).

f. Other Expenses.

Calculating the projection of other expenses in the following year, by knowing the percentage of other expenses compared to general and administrative expenses in the previous year. The percentage of other expenses in 2022 is**1,185%** so that the percentage of other expenses compared to general and administrative expenses in 2022 x projected general and administrative expenses in 2018. The method used for the following year is also the same, assuming the percentage is always the same (using the 2022 percentage).

g. Financial Income.

The next year's financial income projection is calculated after knowing the increase in financial income. The increase in financial income uses a percentage comparison between financial income for 2022 and 2021. The increase in financial income for 2022 is -47,563% obtained from (Rp. 7,812,035 - Rp. 14,897,855) / Rp. 14,897,855. So that income in 2023 can be obtained by using this percentage of growth in financial income. 2023 revenue is Rp. 4,096,421 ((-47.563% x Rp. 7,812,035) + Rp. 7,812,035). The growth is assumed to be the same every subsequent projection year. The results of this analysis describe the existence of business losses resulting in a decrease in the company's income level. This can be a consideration of the company's management in making a decision.

h. Finance Fees.

Finance costs occur because of short-term loans. So to calculate the financial cost of the next projected year, we must know the percentage of the financial cost of the previous year's short-term loans. Based on these calculations, the percentage of financial costs in 2022 is -1.010%. This percentage is assumed to be the same each year, this value will then be multiplied by the short-term loan in the year concerned.

i. Tax Expense and Income Before Tax.

Tax Expense and Income Before Tax are calculated after knowing the percentage of the previous year's tax expense. Calculated by comparing the tax expense with the amount of pre-tax profit and loss of -17,089% obtained from the calculation (Rp. 15,962,424/ Rp. 93,410,093) the percentage result is then multiplied by profit before income tax -17.089% x -Rp. 118,627,476 = Rp. 20,271,707 for 2023 and used for the next year's projection in the same way.

Projection Report of Financial Position

The projection of the statement of financial position can be explained as to start projecting receivables, inventories, accounts payable using sales projections and cost of goods sold and their turnover rate. For example, the accounts receivable turnover rate and inventory turnover rate from 2023 to 2027 are calculated using the reference years 2021 and 2022. In calculating the projected financial position report of PT Fast Food Indonesia, Tbk uses several selected ratios related to several related accounts. The steps taken are as follows:

Table 2. Calculation results using financial ratio analysis

Analisis Rasio	Hasil perhitungan
Third party trade receivables turnover rate	3749.43 times
Turnover rate of trade receivables from related parties	19538.94 times
Inventory turnover rate	-698.42 times
Third party accounts payable turnover rate	-618.64 times
Turnover rate of related party trade payables	-4224.56 times
Turnover rate of trade payables of other third parties	-960.95 times
Fixed asset turnover rate	947.61 times
Taxes payable/tax charges	711.53%
Capital expenditure (CAPEX)	Rp 289,183,786
CAPEX/ Sales	4.94%
Accrual turnover rate	3205.56%

Source: Data processed, 2022

a. Turnover rate of trade receivables from third parties and related parties

The formula used is as follows:

$$\frac{Sales}{Accounts\ receivable}$$

The data used comes from 2022, so that the turnover rate of third-party receivables and related parties can be known at 8286,154% and 6249,272% so that to know the projection of third party trade receivables in 2018 is calculated by Rp. 5,758,076,496 / 8286.154% = Rp. 69,490,337 and projected receivables from realized parties is calculated at Rp. 5,758,076,496 / 6249.272% = Rp. 92,139,958. The projected number of accounts receivable will be different each year, this is due to the calculation of accounts receivable turnover depending on the company's net sales, even though it is calculated using the same method.

b. Inventory turnover rate

The formula used is as follows:

$$\frac{Cost\ of\ \ goods\ sold}{inventory\ average}$$

The above formula will produce a percentage of PT Fast Food Indonesia, Tbk's inventory turnover rate of -698.42 times. Inventory Projection Figures will be different each year because to determine the value of inventory is the cost of goods sold divided by the inventory turnover ratio so that the inventory value will be different each year. However, the calculation method remains the same with a fixed ratio of -698.42 times. Example for 2023 inventory = IDR 2,653,882,825 / -698.42 times. = IDR 379,912,704

c. Third party and related party debt turnover rates

In calculating debt turnover of third parties and related parties, the following formula is used:

$$\frac{Sales}{Accounts\ payable}$$

In PT Fast Food Indonesia's financial statements, the debt recording is divided into 4 components, in which there are third party trade payables, realized party trade payables, and other third party trade payables which can be identified at -618.64 times, -4224.56 times, and -960.95 times. The projected number of trade payables will be different each year because to determine the value of trade payables is sales divided by the trade payable turnover ratio so that the value of trade payables will be different each year but the method of calculation remains the same with a fixed ratio. For example, if you want to calculate third party business payables in 2023, then Rp. 2,653,882,825 / -618.64 times = Rp. 276,564,915. The calculation method is the same if you want to see the projected accounts payable of the realized party, trade payables of other parties and trade payables of other realized parties for the coming years.

d. Fixed asset turnover rate

Fixed asset projections can be calculated by means of the previous year's fixed asset value plus estimated capital expenditures. The estimated capital expenditure is calculated from the estimated sales multiplied by the CAPEX/Sales percentage. CAPEX can be seen at CALK PT. Fast Food Indonesia Tbk. CAPEX 2022 of IDR 289,183,786 The percentage of CAPEX / Sales is 4.94%. This CAPEX percentage will be used in the same way as projected investment properties and fixed assets for the following year. Fixed asset value in 2022 is Rp. 618,134,040. So, if the accumulated value of the fixed asset turnover rate is 947.61 times.

e. Taxes Payable/Tax Fees

In calculating this ratio, use the tax payable method on the statement of financial position (Balance Sheet) / income tax expense report. Based on financial data for 2022, it is known that the value of this ratio is 711.53%

f. Dividends per share

PT. Fast Food Indonesia Tbk. through the General Meeting of Shareholders decided not to distribute dividends to shareholders. The results of this decision were based on the occurrence of business losses experienced by PT. Fast Food Indonesia in 2021. This decision is based on mutual agreement with all company stakeholders.

g. Capital Expenditure (CAPEX)

In calculating the capital expenditure ratio or CAPEX for 2021 and 2022, information is obtained from the Notes to Financial Statements (CALK) of Rp. 231,187,396 and Rp. 289,183,786 To calculate the CAPEX projection for 2022, first find the CAPEX ratio for 2022 by dividing sales by capital expenditure. The CAPEX ratio is 4.94% x Sales in 2022 IDR 5,857,474,313 = IDR. 289,359,231 for the following year CAPEX is calculated with a fixed ratio of 4.94% multiplied by sales for that year.

h. Accrual Turnover Rate

The accrual turnover ratio is calculated by dividing the projected sales and other income by the accrual turnover rate. The accrual turnover rate is calculated as = Sales and other income in 2022 (Rp 5,857,474,313 / Rp 182,728,403) = 3205.56%. This accrual turnover rate is used in the same way in calculating projected accrual expenses for the following year. An example in 2023 is, the projected accrual expenses for 2023 of IDR 221,114,698 are obtained from sales in 2023 divided by the accrual turnover rate in 2022. Projected accruals for the following year use the same method as projections for 2023 and so on.

Prospective Analysis in Residual Profit Valuation Models

Prospective analysis is important for companies, one of which is to predict future profit conditions, and this analysis is needed in determining good decisions for shareholder investment. The valuation process requires estimates of future net income and the book value of shareholder equity. In a relatively simple form, this valuation model requires estimation of the following six parameters:

a. Sales growth
b. Net Profit Margin
c. Net Working Capital Turnover
d. Fixed Asset Turnover
e. Financial Leverage
f. Cost of Equity Capital

Sales of PT Fast Food Indonesia, Tbk are expected to grow by 21% annually for the five-year projected intrinsic value from 2023 to 2027. This figure is obtained from the projected income statement that has been made. This five-year period constitutes the forecast *horizon*, the time period in which we have the highest confidence in our estimates (Subramanyam, 2014). Furthermore, sales are assumed to continue growing at a long-term inflation rate of around 21%.

Losses experienced by the company in 2022 result in the calculation of the net profit margin for each year. Profit margin is calculated from the percentage of comprehensive income divided by sales and other income. The net profit margin has decreased significantly starting from -1,679% in 2023 to -1,735% in 2027.

The rate of turnover of net working capital obtained from sales/average net working capital has decreased after projections are made. In 2023 net working capital turnover -24.56 However, after making projections for the next five years, net working capital turnover will increase by -6.25 in 2027.

The fixed asset turnover rate is calculated by selling/the average fixed asset has decreased after projections are made. In 2023, fixed asset turnover will be at -0.13. However, after making projections for the next five years, net working capital turnover will increase by -0.09 in 2027. Then the ratio of total operating assets to equity will increase by 0.23 in 2023 and decrease by 0.06 in 2027.

Net profit is estimated using projected sales and projected net profit margin (sales x net profit margin). Initial equity is taken from the equity at the end of the previous year using the required return on equity (cost of equity capital) to calculate expected profit. Net profit minus expected profit results in residual profit. then the residual profit generated, calculated its present value using a discount factor. For example, the discount factor for 2023 is calculated. Present value of residual income for each year forecast *horizon* added up to get the cumulative present value until 2027. The figure is -Rp. 448,673,861.
After that, to calculate the value of equity per share, the first thing to do is to calculate the final residual income (*terminal residual value)*. The method is as follows: -Rp 242,780,661 / (13.57%-21%) ((1+13.57 %) ^5) = Rp. 6,167,614,189 then determines the value of equity in 2022 by adding up the present value of the cumulative residual income, the value of the final residual income, and the book value of the initial equity (2022 equity). Figures were obtained in the amount of IDR 6,783,235,776. After that, divided by the number of outstanding common shares of 3990277158, the estimated value of equity per share of PT. Fast Food Indonesia Tbk in 2022 is obtained at IDR 1.70

CONCLUSION

Based on the results of the analysis in this study, conclusions can be drawn regarding the results of the projection in the form of the intrinsic value of PT. Fast Food Indonesia Tbk describes that through calculating the estimated value of equity per share (intrinsic value) PT. Fast Food Indonesia, Tbk 2022 is Rp. 1.70 which was found based on the calculation of the prospective analysis in the residual profit valuation model (*Residual*

Income Model). It was recorded that until the end of December 2022 the share price of PT. Fast Food Indonesia, Tbk is Rp. 820. So it can be concluded that the value of PT. Fast Food Indonesia, Tbk is overvalued or the stock market price is higher than the intrinsic value of the stock. The results of this analysis are expected to be a consideration for improving the company's financial performance.

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