

ABSTRACT

The investment opportunities of the health sub-sector business in Indonesia are still wide open, because capacity of all hospitals in Indonesia is only able to serve 3.25% of the total potential patients, there is still 96.75% potential market that equivalent to 9,501,350 customers. Hospital business investment in Indonesia is not much choice, there are only 4 issuers, MIKA, SAMA, SILO, and SRAJ. Because of this enormous chance to gain more revenue, absolutely attract investor to make an investment, so then all of them will be evaluating using DCF and Relative Valuation, to know their fair value. This fair value becomes essential when investors want to execute investment decisions, which they will not want to buy stocks if their prices soar, worrying too if they buy stocks whose prices are falling. Undervalued or overvalued must have a comparable price that called fair value, and this research are meant to be done searching fair value of those company.

Financial statement data are collect for 5 years between 2013 and 2017 as the historical aspect to generate forecast for next 5 years 2018-2022. Every income and cost are carefully calculated, to create ratio using geometric or arithmetic average. The goal of forecast is to get the potential free cash flow that can be produce in the future. Unfortunately, one out of four issuers always suffer losses, they lack performance to produce cash flow, and to financing their operations they were rely on debt and releasing new shares. In the circumstances like this DCF method is no longer relevant because the value of the equity becomes negative, causing P/E value to negative. It makes difficult to analyze, because no matter how low the stock price is, as long as P/E and FCFF are negative then valuation result always overvalued. The rest of them can be processed according to valuation theory. In the optimistic, moderate, pessimistic scenarios that have been designed, MIKA and SAME has no significant difference in results, all scenarios shows overvalued in both DCF and Relative Valuation perspective, SILO slightly have different result in certain scenario, while moderate and optimist said it undervalue, but pesimist shows undervalue, its mean SILO's current value is between pesimist and moderate, its about 11% below fair value. SRAJ have another story, due to sufering in loss, all we can see as P/E result is negatif value, and it fair value is 86% bellow it current value, so yes its too far overvalued.

Keywords : valuation, healthcare industry, hospital, DCF, relative valuation, FCFF, P/E.