



Stock Valuation of PT. Bank ABC Tbk.

Naeyza Islamey Ningrum ¹, Isrochmani Murtaqi ²

^{1,2}School of Business and Management, Institute Technology Bandung

ABSTRACT: PT Bank ABC Tbk aspires to be one of the top 10 global sharia banks in 2025 in terms of market capitalization. As of December 2023, PT. Bank ABC Tbk ranks 13 with 5,18 billion USD in market capitalization. This research aims to examine PT. Bank ABC Tbk stock by using Discounted Cash Flow (DCF) through Free Cash Flow to Equity (FCFE), and Relative Valuation method through the Price to Book Value (PBV), and to determine whether the stock is undervalued or overvalued.

According to Free Cash Flow to Equity (FCFE) valuation result, the intrinsic value per share of PT. Bank ABC Tbk is Rp 37.497 per share, while its share price as of 31 December 2023, is Rp 1.740, indicating that the stock of PT. Bank ABC Tbk is undervalued by the market. This means that the market has not completely recognized the PT. Bank ABC Tbk 's ability to generate future cash flows. PT. Bank ABC Tbk's undervalued stock offers the possibility of returns for the potential investor as the share price rises over time to reflect the intrinsic value per share.

The company's Price to Book Value (PBV) is 2.07, while the PBV of the average of the company's peers is 2.72. This means PT Bank ABC Tbk is undervalued ie. the share is underpriced compared to the average of its peers.

Based on the result, this research recommends to buy the stock of PT. Bank ABC Tbk because it is undervalued based on FCFE and based on PBV.

KEYWORDS: Stock Valuation, FCFE Valuation, Price to Book Value.

INTRODUCTION

PT. Bank ABC Tbk is Indonesia's biggest Islamic bank and was created in 2021 because of the consolidation of three Islamic bank and is already listed in BEI. PT. Bank ABC Tbk has aspiration to be the Top 10 Global Islamic Bank in terms of market capitalization. Market capitalization is calculated by multiplying the number of outstanding shares by the market price per share. PT. Bank ABC Tbk can increase market capitalization by giving information to the market about the intrinsic value of the company, if its worth to buy than it will increase the stock demand and increased the stock price as well as the market capitalization.

Figure 1 provides information about the share price performance of PT. Bank ABC Tbk between 2021 and 2023, in which the closing price and market capitalization in 2021 are the highest among the periods, i.e., the first quarter of 2021 performed the closing share price at 2.290 and the market value achieved 93,96 Trillion. Even though the market capitalization increased from the fourth quarter of 2021 to 80.26 trillion in the fourth quarter of 2023, it is still low compared to the first quarter of 2021, which reached 93.96 trillion in market capitalization when PT. Bank ABC Tbk was established.

Year	Share Price (Rp)				Total Outstanding Shares (Share)	Transaction Volume (Share)	Market Capitalization (Rp Trillion)
	Opening	Highest	Lowest	Closing			
2023							
1 st Quarter	1,650	1,700	1,650	1,680	46,129,260,138	3,133,128,500	77.49
2 nd Quarter	1,670	1,690	1,655	1,690	46,129,260,138	1,778,645,300	77.96
3 rd Quarter	1,620	1,630	1,605	1,625	46,129,260,138	1,448,638,700	74.96
4 th Quarter	1,740	1,745	1,710	1,740	46,129,260,138	1,169,014,400	80.26
2022							
1 st Quarter	1,620	1,625	1,605	1,605	41,129,307,343	1,190,638,400	66.01
2 nd Quarter	1,350	1,355	1,340	1,340	41,129,307,343	560,250,900	55.11
3 rd Quarter	1,495	1,500	1,400	1,470	41,129,307,343	1,289,347,000	60.46
4 th Quarter	1,295	1,310	1,270	1,290	46,129,260,138	980,433,400	59.51
2021							
1 st Quarter	2,350	2,350	2,210	2,290	41,031,208,943	10,061,997,400	93.96
2 nd Quarter	2,180	2,370	2,150	2,300	41,128,868,743	3,808,326,000	94.60
3 rd Quarter	2,050	2,080	2,010	2,040	41,128,868,743	4,356,091,600	83.90
4 th Quarter	1,790	1,805	1,780	1,780	41,129,307,343	1,880,546,500	73.21

Figure: 1 Share Price Performance of PT. Bank ABC Tbk

Source: PT. Bank ABC Tbk website, 2023



As of December 2023, PT. Bank ABC Tbk ranks 13 with 5,18 billion USD in market capitalization, where the top ten are Al Rajhi Bank (77 billion USD), Kuwait Finance (35 billion USD), Alinma Bank (19.68 billion USD), Abu Dhabi Commer (17.20 billion USD), Qatar Islamic Bank (12.25 billion USD), Bank Albilad (11.45 billion USD), Emirates Islamic (11.24 billion USD), Dubai Islamic (11.12 billion USD), Abu Dhabi Islami (10.30 billion USD), and Doubyan Bank K.S. (7.84 billion USD). PT. Bank ABC still lacks 2,66 billion USD to be in the top 10 global syariah bank (Figure 2).

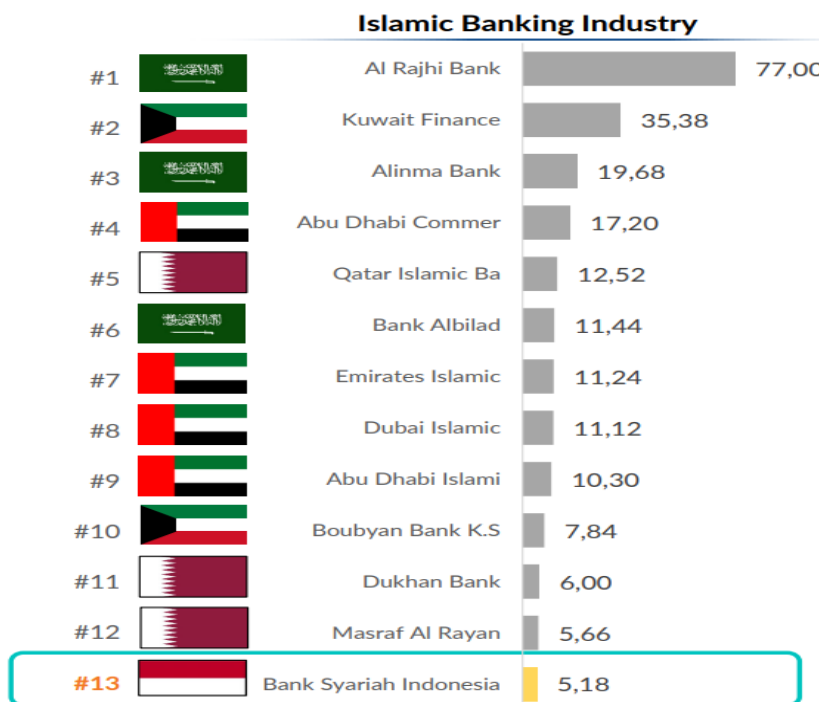


Figure 2 Market Capitalization Globally
Source: Bloomberg 2023.

This research aims to examine the real value of the stock compared to the current market price and determine the relative value with similar stocks in the market. In addition, by calculating the stock valuation of PT. Bank ABC Tbk, it can be determined whether the stock is undervalued or overvalued as an information for investor to make strategic buying decisions and can influence market capitalization of PT. Bank ABC Tbk.

Therefore, this study analyzed the stock valuation of PT. Bank ABC Tbk by using Discounted Cashflow (DCF) and Relative Valuation Method and to determine whether the company is undervalued or overvalued based on the market perception.

CONCEPTUAL FRAMEWORK

Figure 3 illustrates the concept of interrelated components to solve the business issue in this research. The author analyzes the business environment and financial performances of PT. Bank ABC Tbk. The Business Environmental analysis will be conducted using Porter’s 5 Forces framework and the External component of SWOT Analysis, which are the opportunities (O) and threats (T), meanwhile the internal analysis will define the financial performances and Internal component of SWOT Analysis, which are the strengths (S) and weaknesses (W) to understand how these factors affect its business performance. Valuation of the company will be by using Free Cashflow of Equity method, and by Price to Book method.

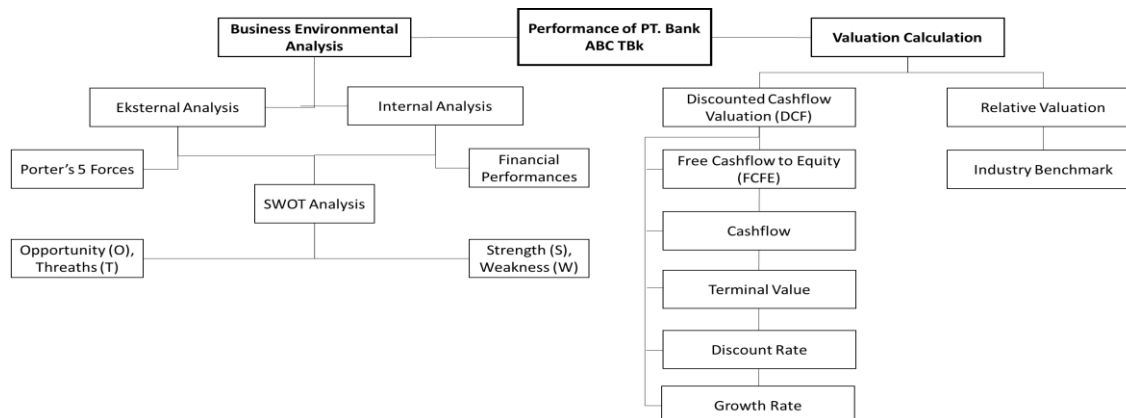


Figure 3. Conceptual Framework

Sources: Author Analysis

METHODOLOGY

Quantitative research is employed in this research design, with financial valuation methods being utilized within the framework of valuation analysis. This research uses secondary data by gathering data from the existing source that has been process and open to public. This research will conduct business environment analysis through Porter’s 5 Forces and SWOT Analysis. Meanwhile, the valuation calculated by Discounted Cashflow (DCF) and Relative Valuation method. The FCFE valuation conducted as shown in Table 1 as follows (Damodaran, 2012):

Table 1 FCFE Valuation Calculation

Source: Internal Analysis

Indicator
EBIT Growth Rate
EBIT
Tax Rate
EBI After Tax = EBIT x (1-T)
Less: Net Capital Spending
Less: Change in Non Cash Working Capital
Free Cashflow to the Firm
Less: Interest Expense After Tax
Add: Net Borrowing
Free Cashflow to Equity
Cost of Equity
Present Value of FCFE
SUM of Present Value of FCFE
Less: Debt
Add: Cash and Non Cash Qquivalents
Value of Equity
Number of shares outstanding
Estimated Intrinsic Value per share
Share price per 31 Dec 2023
Price as a percentage of intrinsic Value
The stock is undervalued or overvalued



This research compares its relative valuation to three other publicly listed companies in the same industry, specifically in the Islamic banking sector: Bank.JK, BTPS.JK, and PNBS.JK. This research uses multiple relative valuations, which utilize the price-to-book value that is calculated as follows (Damodaran, 2012)

$$\frac{\text{Price}}{\text{Book Value}} = \frac{\text{Share Price} \times \text{Number of Shares Outstanding}}{\text{Total Asset} - \text{Total Liabilities}}$$

RESULT

A. Porter’s 5 Forces

The bargaining power of suppliers is moderate, as customers act as both cash providers and suppliers, contributing revenue through financing, particularly in institutional banking which expects significant returns, viewed as costs by the bank. This can be mitigated through negotiation and good relationships. The bargaining power of buyers is low due to the similarity of banking products, strict regulation, and pricing strategies based on macroeconomic factors, limiting customers' negotiation power. The threat of new entrants is low due to strict regulations by the Indonesian Financial Services Authority (OJK) and Bank Indonesia, including minimum capital requirements and Shariah compliance. The threat of substitutes is moderate, with Islamic banking products similar to those in the Financial Technology Syariah and Multifinance Syariah sectors, but banking services are generally preferred due to higher interest rates in fintech and multifinance. Lastly, rivalry among existing competitors is high, with PT. Bank ABC Tbk facing competition from conventional banks, digital banks, multifinance, and fintech, which are more adaptable to technological changes. The bank must balance technological advancements with adherence to Islamic standards and capital regulations.

B. SWOT Analysis

PT. Bank ABC Tbk demonstrates strong financial performance, evidenced by a 15.67% asset growth from 2021 to 2023, improved ROA from 1.61% to 2.35%, reduced CIR from 52.57% to 49.86%, and a lower NPF ratio from 2.93% to 2.08%, showcasing effective risk management and operational efficiency. Capitalizing on Indonesia's 87% Muslim population, the bank has significantly expanded its market share in Sharia banking, aligning with the growing demand for Sharia-compliant products. However, weaknesses in digital transformation and IT infrastructure need addressing, with opportunities in increasing active and registered users, expanding merchant partnerships, and enhancing ATM and CRM deployments to improve operational efficiency and consumer engagement. The growing consumer base, evidenced by a 10.53% increase to 19.65 million and a 25.89% rise in active mobile app users, presents opportunities for product penetration and digital banking service expansion. Despite these strengths, the bank faces threats from shifting consumer preferences towards digital banking, necessitating continued investment in digital capabilities to maintain competitive advantage and enhance customer loyalty and satisfaction.

C. Free Cash Flow to Equity (FCFE) Valuation

Table 3. Table 4.18 Free Cash Flow to Equity Calculation (in IDR Million)

Source: Internal Analysis

	2023 BASE YEAR	2024 1	2025 2	2026 3	2027 4	2028 5
EBIT GROWTH RATE	34,42%	31,34%	28,25%	25,17%	22,09%	19,01%
EBIT	7.591.358	9.970.115	12.787.119	16.006.134	19.542.418	23.257.962
TAX RATE	22%	22%	22%	22%	22%	22%
EBIT AFTER TAX = NOPAT = EBIT (1 - T)	5.921.259	7.776.690	9.973.953	12.484.785	15.243.086	18.141.210
LESS NET CAPITAL SPENDING	-980.203	-	-	-	-	-
LESS CHANGE IN NON-CASH WORKING CAPITAL	66.633.015	1.287.350	1.651.084	2.066.727	2.523.335	3.003.089
FREE CASH FLOW TO THE FIRM	71.574.071	94.001.854	120.561.558	150.911.630	184.252.992	219.284.486
LESS INTEREST EXPENSE AFTER TAX	-34.360	-45.126	-57.877	-72.446	-88.452	-105.270



ADD NET BORROWING	11.760.256	15.445.340	19.809.340	24.796.122	30.274.404	36.030.390
FREE CASH FLOW TO EQUITY	<u>83.299.967</u>	<u>109.402.068</u>	<u>140.313.052</u>	<u>175.635.305</u>	<u>214.438.944</u>	<u>255.209.607</u>
COST OF EQUITY		16,8365%	16,8365%	16,8365%	16,8365%	16,8365%
PRESENT VALUE OF FCFE		<u>93.636.892</u>	<u>102.787.663</u>	<u>110.122.536</u>	<u>115.077.258</u>	<u>117.220.704</u>
SUM OF PRESENT VALUE OF FCFE	1.724.469.701					
LESS DEBT		NOT APPLICABLE				
ADD CASH AND CASH EQUIVALENTS	5.255.841					
VALUE OF EQUITY	1.729.725.542					
NUMBER OF SHARES OUTSTANDING	46.129					
ESTIMATED INTRINSIC VALUE PER SHARE	37.497					
SHARE PRICE PER 31 DEC 2023	1.740					
PRICE AS A PERCENTAGE OF INTRINSIC VALUE	4,64%					
THE STOCK IS UNDERVALUED						

Table 3. Free Cash Flow to Equity (in IDR Million)

Source: Internal Analysis

	2023 BASE YEAR	2029 6	2030 7	2031 8	2032 9	2033 10	TERMINAL YEAR
EBIT GROWTH RATE	34,42%	15,93%	12,85%	9,77%	6,69%	3,61%	3,61%
EBIT	7.591.358	26.963.450	30.428.668	33.401.837	35.636.541	36.922.939	
TAX RATE	22%	22%	22%	22%	22%	22%	
EBIT AFTER TAX = NOPAT = EBIT (1-T)	5.921.259	21.031.491	23.734.361	26.053.433	27.796.502	28.799.892	
LESS NET CAPITAL SPENDING	-980.203	-3.481.545	-3.928.977	-4.312.875	-4.601.422	-4.767.523	
LESS CHANGE IN NON-CASH WORKING CAPITAL	66.633.015	236.671.220	267.087.110	293.184.056	312.799.127	324.090.464	
FREE CASH FLOW TO THE FIRM	<u>71.574.071</u>	<u>254.221.166</u>	<u>286.892.494</u>	<u>314.924.614</u>	<u>335.994.207</u>	<u>348.122.834</u>	
LESS INTEREST EXPENSE AFTER TAX	-34.360	-122.041	-137.725	-151.182	-161.297	-167.120	
ADD NET BORROWING	11.760.256	41.770.797	47.138.986	51.744.913	55.206.834	57.199.675	
FREE CASH FLOW TO EQUITY	<u>83.299.967</u>	<u>295.869.922</u>	<u>333.893.755</u>	<u>366.518.344</u>	<u>391.039.744</u>	<u>405.155.389</u>	3.173.729.720
COST OF EQUITY		16,8365%	16,8365%	16,8365%	16,8365%	16,8365%	16,8365%
PRESENT VALUE OF FCFE		<u>116.313.356</u>	<u>112.346.236</u>	<u>105.552.228</u>	<u>96.386.021</u>	<u>85.474.434</u>	669.552.372
SUM OF PRESENT VALUE OF FCFE	1.724.469.701						
LESS DEBT		NOT APPLICABLE					



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PRICE AS A PERCENTAGE OF INTRINSIC VALUE	4,64%
THE STOCK IS UNDERVALUED	

Based on the FCFE valuation result as presented in Table 3, the intrinsic value per share of PT. Bank ABC Tbk is Rp 37.497 per share, while its share price as of December 31, 2023, is Rp 1.740, indicating that the stock of PT. Bank ABC Tbk is undervalued by the market. This means that the market has not completely recognized the company's ability to generate future cash flows. PT. Bank ABC Tbk's undervalued stock offers the possibility of returns as the share price rises over time to reflect the intrinsic value per share. Based on the result, this research recommends to buy the stock of PT. Bank ABC Tbk because it is undervalued based on FCFE.

D. Relative Valuation

In this case there are three Syariah Bank that will be used for benchmarking which are: BANK.JK, BTPS.JK, PNBS.JK. The author determines the comparable firms based on Islamic bank that has been registered in Indonesian Stock Exchange (IDX).

Table 4. Price to Book Value Valuation (in IDR Million)

Source: Internal Analysis, 2024

COMPANY	AVERAGE	PEER 1	PEER 2	PEER 3
TOTAL ASSET		7.092.120	21.435.366	17.343.246
TOTAL LIABILITIES		4.006.879	12.658.233	14.554.723
BOOK VALUE = TOTAL ASSET – TOTAL LIABILITIES		3.085.241	8.777.133	2.788.523
SHARED ISSUED & OUSTANDING		14.768	7.703	38.813
BOOK VALUE PER SHARE		209	1.139	72
SHARE PRICE 29 DEC 2023		1.240	1.690	54
PRICE/BOOK VALUE	2,72	5,94	1,48	0,75

Table 4. Price to Book Value Valuation (in IDR Million)

Source: Internal Analysis, 2024

COMPANY	ABC.JK
TOTAL ASSET	353.624.124
TOTAL LIABILITIES	314.885.203
BOOK VALUE = TOTAL ASSET – TOTAL LIABILITIES	38.738.921
SHARED ISSUED & OUSTANDING	46.129
BOOK VALUE PER SHARE	840
SHARE PRICE 29 DEC 2023	1.740
PRICE/BOOK VALUE	2,07

Based on the calculations Table 4.10, PT. Bank ABC Tbk has a Price to Book Value (P/BV) ratio of 2.07, lower than the average PBV ratio compared to the PBV of the average of its peers which is 2.72. This means PT Bank ABC Tbk is undervalued ie. the share is underpriced compared to the average of its peers.



CONCLUSION

The intrinsic value per share of PT. Bank ABC Tbk is Rp 37.497 per share, while its share price as of December 31, 2023, is Rp 1.740, indicating that the stock of PT. Bank ABC Tbk is undervalued by the market. This means that the market has not completely recognized the company's ability to generate future cash flows. PT. Bank ABC Tbk's undervalued stock offers the possibility of returns as the share price rises over time to reflect the intrinsic value per share. Based on the results, this research recommends to buy the stock of PT. Bank ABC Tbk because it is undervalued based on FCFE.

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Based on the valuation assessments of this research, the author may provide an approach of action to the investor. PT. Bank ABC Tbk is undervalued based on the Free Cash Flow to Equity (FCFE) method. The author suggests existing investors hold and the potential investor to buy PT ABC Tbk shares because the current price is lower than its intrinsic value. Furthermore, based on the relative value using the Price-to-Book Value (PBV) ratio, the author may recommend potential buyers to consider purchasing PT. Bank ABC Tbk shares, as the price is competitive in comparison to competitors.

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