



# Examination Stock Underperformance Leveraging Financial Ratios, Intrinsic Valuation, and Multiple Market Approach (Case Study: Indonesia Leading MRO Company)

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**ABSTRACT:** AMF a prominent MRO company in Asia-Pacific region, especially Indonesia, has experienced decline in stock performance since its IPO in 2017. This study aims to discover factors contributing in company's declining value and provide feasible recommendation to improve stock performance and financial health. A ten-year financial report assessment from 2014 to 2023 was conducted to gain a broader overview of company's financial condition. This study examines financial ratios and compared to industry average through Multiple Market Approach. External risk affecting the underperformance of stock are also evaluated through PESTEL and Porter's Five Forces. Result of the study indicate underperformance of AMF is due to decreasing profitability margin, inefficient use of assets, increasing operational expenses, and unfavourable external economic condition. The evaluation also reveal that the stock undervalued by market, where this statement is reinforced by intrinsic value of company is 3.88x higher than current market price, as well as supported by comparisons with similar industries where the financial ratios such as P/E ratio, M/B ratio, and EV/EBITDA are below industry average. The analysis proposes stock performance enhancement and financial stability by optimizing operational processes, capitalizing on technological advancement, and establishing strategic partnership to diversify revenue streams and enhance market presence.

**KEYWORDS:** Financial Ratios, Intrinsic Valuation, Multiple Market Approach, Stock Performance.

## I. INTRODUCTION

Maintenance, Repair, and Overhaul (MRO) play a crucial role in aviation industry, ensuring the safety, reliability, and regulatory compliance of an aircraft in the industry. These activities are essential for maintaining aircraft airworthiness and ensuring operational readiness. Moreover, good maintenance compliance ensures that an airline has reliable serviceable aircraft that can maximize its economic value throughout its operating life. The growing worldwide aviation industry has resulted in increasing demands for more regular and comprehensive maintenance services, which might be diverse not only for routine maintenance purposes but also for aesthetic purposes, such as painting for aircraft livery. According to Visiongain reports in 2023, the market size in 2022 reached approximately US\$83 billion with a projection CAGR of 4.3% between 2023 and 2033. Numerous companies, including AMF, recognized the potential for business growth in this particular sector, and sought to become a publicly traded company, with the objective of expanding its operation and capturing more extensive market share. This transition in a business not only signifies the advancement of the business development, but may also have implications for various aspects of the business such as financial framework and organizational management. However, the industry may not be as good as it seems, because for the last few years, AMF stock performance has been declining since its initial public offering by 78% as the industry is highly impacted on global economic recession, geopolitical issues, and COVID-19 outbreak which further dragged its stock prices down and made it an unfavorable business segment.

An assessment of a company's intrinsic value seems to be necessary when reflecting on declining performance from year to year. This approach is beneficial as it assesses whether a stock is undervalued or overvalued by the market by examining current financial performance and projected financial performance. Furthermore, the evaluation is also supported by benchmarking it with the industry in the same sector through Market Multiple Approach to see the performance when compared to average industry, whether it is undervalued or overvalued, by looking at its market value ratios. This study seeks to answer the following research question: (1) What are the internal and external factors contributing to the volatility of stock prices? (2) How can Discounted Cash Flow (DCF) and market multiple approach be utilized to reveal the intrinsic value of AMF and other comparable companies? (3) Which



areas within AMF finance and operations require improvement to enhance the company's financial performance and stock valuation?

## II. LITERATURE REVIEW

In financial markets, evaluation and assessment of stock markets is important to make a knowledgeable decision for analyst, investors, and portfolio managers to have a grounded judgement. Valuation is a fundamental aspect of financial disciplines including investment and portfolio management. The valuation process involves methods such as discounted cash flow, relative valuation, and the determination of an asset's true worth. A thorough and detailed guidance to gain information is needed, and through this literature review, the information needed to make those judgement is explained.

### Key Financial Statements

Standardized financial records and reporting are essential components of financial reporting. This ensured the credibility of the report and compliance with the accounting standards applied. GAAP or Generally Accepted Accounting Principles are the criteria for creating and maintaining financial records and reporting that has been approved by Financial Accounting Standards Board (FASB), where in Indonesia itself is following Indonesian Financial Reporting Standards (SAK) which are shaped by International Financial Reporting Standards (IFRS) and customized to suit different types of organizations. Gitman and Zutter (2015) mentioned that key financial statements that are required by Securities and Exchange Commission (SEC) for reporting to shareholders are (1) Income Statement or also known as profit and loss account, (2) Balance Sheet which is a fundamental financial statement providing a concise overview of a company financial health in certain period of time, (3) Statement of Stockholders' Equity is a financial report which outlines the fluctuations of worth shareholders' equity throughout a certain time, (4) Statement of Cashflows which display company's cash inflows, outflows, and general financial condition, (5) Notes to Financial Statements offer detailed information that enhances the core financial statements.

### Financial Performance Analysis

Financial analysis is the process of identifying a company's financial advantages and disadvantages based on available accounting data and financial statements (Kalyan, 2020). To analyse financial performance, this study employs financial ratios, which can be grouped into five categories, liquidity, profitability, efficiency, leverage, and market value ratios.

1. Liquidity ratios were used to evaluate the company's current financial condition. Lalithchandra and Rajendhiran (2021) also state that liquidity ratios involve multiple aspects that impact different areas of corporate operations, including financial reporting, earnings management, investment choices, and stock returns. Liquidity ratios contain two metrics such as current ratio which evaluate the company's ability to fulfill its short-terms liabilities, and quick ratio which assess the company's short-term liquidity by determining its capacity to settle its current liabilities using its most liquid assets, excluding inventories.
2. Profitability ratios assess a company's capacity to generate revenue in relation to assets, equity, sales, and other financial measures. There are six profitability ratios used for evaluating a company's performance, gross profit margin which assist in evaluating financial condition and profitability of a company by dividing gross profits by revenue and expressing it in percentage, operating profit margin which assesses a company's ability to control costs and generate profits from its core business operations, net profit margin which reflects how well a company earns profit in comparison to its sales, earnings per share which assess company's profitability and influences investment choices, return on assets which indicate a company's profitability in proportion to its assets to highlight the effectiveness a company utilizes its assets to generate profits (Jewell & Mankin, 2012), and return on equity which indicate a company's ability to generate profits from its shareholders' equity to highlight how well a company utilized shareholders.
3. Efficiency ratios assess a company's operational performance by examining how well it manages its assets (Gitman & Zutter, 2015). This ratio includes inventory turnover which quantifies the rate a company utilizes its inventory in certain period of time, average payment period examines time a company's take to settle its debts, day sales outstanding calculates the average duration a company needs to receive payments after making a sale.
4. Leverage ratios assess a company's debt levels in relation to its equity or assets. This ratio includes debt to equity ratio which estimate the proportion of company funding sourced from creditors and investors, debt ratio which calculate the



proportion company's assets that are funded by debt, times interest earned ratio assess a company's ability to pay off interest obligations through operational profits, fixed payment coverage ratio evaluates a company's capacity to meet all fixed expenses, not just interest, offering a more complete perspective on its financial strength.

5. Market value ratios provide insight of how market perceive company's performance in terms of its risk and return. This ratio is grouped into two, price to earnings ratio utilized financial indicator that quantifies the relative value of a company's shares which offers insight the amount of value that investors are ready to attribute to a company's profits per dollar (Brealey et al., 2010), market to book ratio which compares a company's market value to its book value to assess whether it is undervalued or overvalued.

### DuPont Analysis

DuPont analysis developed by F. Donaldson Brown in 1914 is a methodical and comprehensive approach for evaluating performance and profitability by breaking down and examining each component of ROE into profit margin, asset turnover, and equity multiplier. DuPont Analysis also helps investors determine the financial activities that contribute most to the changes in the ROE (Hargrave, 2024).

### Weighted Average Cost of Capital (WACC)

WACC is a financial measure used for valuations, investment analysis, and performance assessment (Arnold & Crack, 2004). Cost in WACC represent the weighted average of the cost of equity and debt, rather than a separate cost. WACC is calculated by first determining the proportion of debt and equity to capital, calculating the cost of debt, calculating cost of equity by utilizing capital asset pricing model, and finally summing up the proportion of cost to form WACC value.

$$WACC = (E/V * K_e) + (D/V * K_d * (1-T))$$

Where:

E= total equity

V= E+D

K<sub>d</sub>= cost of debt

D= total debt

K<sub>e</sub>= cost of equity

T= corporate tax rate

### Intrinsic Valuation Method

Intrinsic valuation is a fundamental concept in which it identifies the true value of an asset regardless of its market price so that it can analyse whether a stock is undervalued or overvalued. On the other hand, market value is subject to fluctuations influenced by variables such as market conditions, intrinsic valuation aims to determine the "real" worth based on its fundamental characteristics and take into account factors such as forecasted cash flows, prospective growth, and level of risk associated to the asset. Procedure of intrinsic valuation begin with forecasting cash flows, identifying applicable discount rate reflecting degree of risk, calculating terminal value, and making adjustments for any particular risks or uncertainties.

### Market Multiple Approach

Market multiple approach is a valuation process that utilized financial metrics to evaluate the worth of a business by comparing it to comparable companies (Bernström, 2014). This approach utilized financial ratios such as P/E ratio, M/B ratio, EV/EBITDA to assist the comparison. Holthausen and Zmijewski (2012) show that Market Multiple Approach requires making changes to account for variations in risk profiles, growth prospects, cost structures, working capital, and capital expenditure to ensure accurate comparison.

### PESTEL Analysis

PESTEL represents Political, Economic, Social, Technological, Environmental, and Legal factors. A company can benefit from identifying potential possibilities and risks that may arise from external developments. Obtaining a comprehensive understanding of these external aspects is essential for formulating a mitigation plan that is efficient and in line with the company's goals while maximizing available resources (Rothaermel, 2021).

### Porter's Five Forces

Porter's Five Forces is a conceptual model developed by Michael E. Porter that assist in assessing the competitive landscape in an industry that usually employs strategic planning and business analysis to comprehend competitiveness in an industry. This model outline five forces to determine the level of competition such as, threat of new entrants, bargaining power of buyers, threat of substitute products, and bargaining power of suppliers.



### III. METHODOLOGY

This research utilizes both internal and external analysis to obtain a broader and comprehensive overview of current practices performance, industry average standards, and external factors that might influence stock volatility in the market. Internal analysis will incorporate four years (2020-2023) financial performance analysis of AMF and benchmark MRO companies from Germany, America, and Singapore; and five years of AMF financial statement forecast from 2024 to 2028 that will be used for the DCF calculation and determination of intrinsic value of company. External analysis will incorporate assessment of Porter's five forces, PESTEL analysis, and multiple market approach. Both internal and external analysis results are employed to propose business solution so that it can increase AMF stock value in the market and enhance the financial performance of AMF.

### IV. RESULT AND DISCUSSION

#### A. External Analysis

##### 1) Porter's Five Forces

Utilizing Porter's Five Forces, researcher can understand the complexities and competitive rivalry, potential for new competitors to enter the market, influence of suppliers and customers in bargaining, and possibility of alternative products or services.

- Threats of New Entrants: In MRO industries, potential threat of new entrants is generally can be considered negligible due to high barrier to enter the business, not only in terms of capital investment, but also certifications due to highly regulated aviation business, skilled labour that needs time and experience to develop, economies of scale, and track record. Therefore, it can be concluded that the threat posed by new entrants is low.
- Bargaining Power of Buyers: Although AMF is considered a significant player in the Indonesian MRO industry, it also faced challenges by service providers globally, offering various services, not only in terms of regular maintenance but also appearance (painting or livery), and difference in technological advancement. Overall, the ability of buyers to negotiate is moderate in MRO industry.
- Threat of Substitutions: In the aviation industry, strict regulations made it impossible to substitute the MRO itself. Although technological advancements have been significant, it has not been able to fully replace human-led MRO.
- Bargaining Power of Suppliers: in MRO industry which is heavily rely on parts either expendable, repairable, or rotatable items, might face a high threat from suppliers. Suppliers gain advantageous over this, as aircraft parts is difficult to produce and strictly regulated, the threat is considered to be high.
- Competitive Rivalry: MRO industry which is rapidly growing due to rising demand for air travel and need of maintain aging fleet made the market competitive is high, but on the other hand, the barriers in entering the business is also high, which made the competition is between the leading MRO company only. AMF has medium threat on this force, although AMF's current infrastructure and range of services form a strong base, it has to improve its market standing in the fierce competition from global market.

##### 2) PESTEL Analysis

Politically, AMF impacted by the decision from Ministry of State-Owned Enterprises for strategic and critical decisions, and the impact of travel restrictions during the COVID-19 pandemic also heavily impacted the revenue of the company, as total aircraft maintained is significantly decreasing by 50% from affiliated companies due to decreased flight and ongoing financial obligations such as lease and maintenance costs. Economically, volatility of exchange rates also impacted the company, as payment to vendors are made in USD while most proportion of the revenue is made in IDR. Socially, the factor impacting AMF is the travel behaviour changing post-covid which showed in figure 1, where from the air transportation statistics by Indonesia Central Bureau of Statistics shows that domestic passengers decreased by 44.38% and international flight passengers 61.05% compared to 2018.

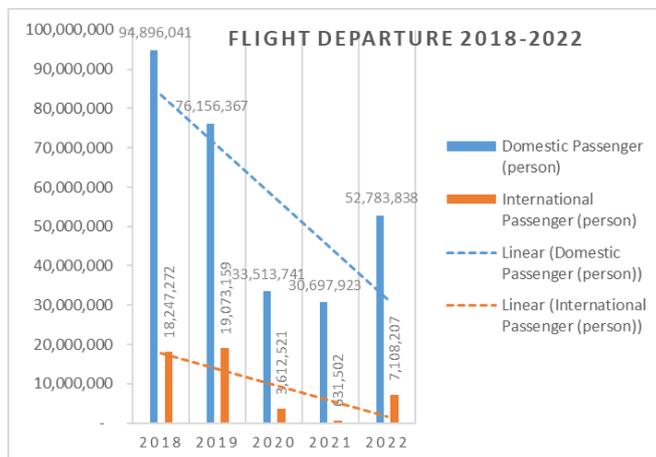


Figure 1. Domestic and International Flight Departure 2018-2022 (Source: BPS, 2023)

Technologically, AMF recognizes the need to embrace modern technologies to stay competitive, even if it may involve extensive financial investment. However, it is crucial to have effective financial management to take advantage of these possibilities and reduce the dangers associated with them. This will ensure that AMF remains competitive and financially stable in a market that is driven by technology. Environmentally, AMF works in an environment that is highly regulated, aviation regulatory, ICAO, as well as local regulatory bodies enforce a strict environmental requirement on MRO including decreasing carbon emissions, regulate waste management, and ensure optimal usage of resources. Legally, AMF operates under a strict regulation both form local and international regulatory bodies which should be adhered to maintain its certification and capabilities in performing maintenance on various aircraft type.

3) Market Multiple Approach

A four years financial analysis from 2020 to 2023 are employed to compare AMF financial performance to its comparable market such as Triumph, SIAEC, and AAR Corp. This approach is divided into two analyses, which are horizontal and vertical analysis, in horizontal analysis, it compared year on year performance of AMF.

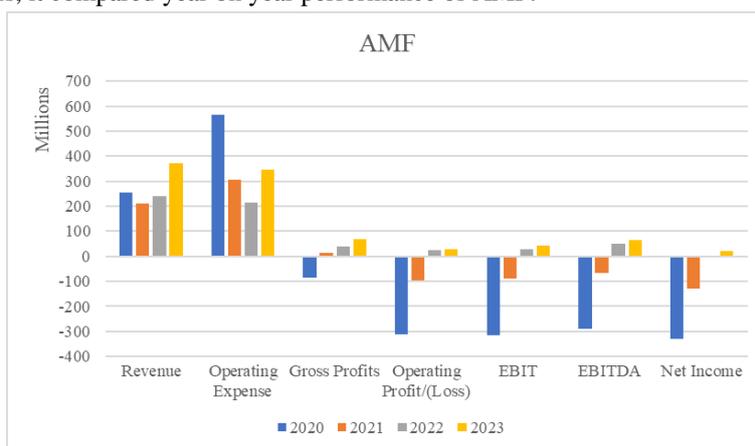


Figure 2. AMF Horizontal Analysis

AMF performance showed in figure 2 is fluctuating from 2020 to 2023, especially in 2021 and 2022 owing to COVID-19 pandemic. Thus, from the fluctuating data, AMF showing improvement and act quickly to rebound which can be seen to the increasing revenue in 2023 and starting to record positive net income in 2022. Next, in vertical analysis showed in table 1, the performance of AMF is compared to another MRO company as mentioned before. The comparison is based only on the financial performance of each business in the year 2023.



Table 1. Vertical Analysis Average 2020-2023

	Description	Triumph	AAR Corp	SIAEC	AMF	Industry Average
Enterprise Value as Multiple of	Revenue	1.17	1.10	3.03	2.27	1.89
	OPEX	1.55	1.32	4.41	1.77	2.26
	Gross Profits	4.83	6.57	9.72	13.34	8.62
	EBIT	8.86	25.07	10.42	5.74	12.52
	EBITDA	3.30	16.54	24.28	1.94	11.52
	Net Income	(21.20)	95.89	(20.28)	41.29	23.93
Market Value	P/E Ratio	-5.41	78.76	-27.42	9.46	13.85
	M/B Ratio	-0.81	1.81	1.58	-0.67	0.48

The analysis of the financial metrics from 2020 to 2023, in comparison to the industry average, suggests that AMF is undervalued across several metrics, including OPEX, EBIT, EBITDA, P/E Ratio, and M/B Ratio. This undervaluation may indicate that investors perceive AMF as riskier than its competitors, potentially due to financial instability or regulatory risk.

B. Internal Analysis

1) Five Ratio Analysis

Table 2. AMF Five Ratios Comparison to Industry Standards

Five Ratios	2020	2021	2022	2023	Average	Industry Average	Notes
Current Ratio	63%	65%	81%	88%	74%	253%	Below standard
Quick Ratio	44%	47%	58%	62%	53%	187%	Below standard
Return on Assets (ROA)	-63.12%	-32.04%	0.93%	4.48%	-22.44%	-5.18%	Below standard
Return on Equity (ROE)	Anomaly	Anomaly	-1.10%	-6.48%	-3.79%	2.73%	Anomaly refer to false positive result due to negative equity and assets. Below standards
Operating Profit Margin	-122.65%	-44.87%	10.42%	7.42%	-37.42%	-6.96%	Below standard
Net Profit Margin	-129.51%	-60.47%	1.52%	5.40%	-45.77%	-10.42%	Below standard
Gross Profit Margin	-33.49%	6.50%	16.27%	18.31%	1.90%	18.24%	Below standard
Earnings Per Share	-0.0116	-0.0045	0.0001	0.0007	-0.0038	-0.1281	Below standard
Inventory Turnover	2.90	2.66	3.43	4.67	3.41	5.30	Below standard



Average Payment Period	247.27	411.28	352.02	189.70	300.07	123.17	Higher than standard
Day Sales Outstanding	144.64	87.18	58.55	55.74	86.53	58.50	Higher than standard
Debt to Equity Ratio	-343%	-217%	-218%	-245%	-256%	-135%	Below standard
Debt Ratio	141%	185%	185%	169%	170%	91%	Higher than standard
Times Interest Earned Ratio	-11.17	-3.98	1.24	1.83	-3.02	3.89	Below standard
Price to Earnings Ratio	-0.93	-1.15	32.65	7.26	9.46	13.85	Below standard

Based on the evaluation of AMF five ratios performance from 2020 to 2023 in table 2 and taking its average compared to industry average, the result is far from the industry standards. While the last two years from 2021 to 2022 can be justified as a special case due to force majeure and in 2023 shows a recovery state, this result implies that there is an urgent need to address this performance immediately.

2) DuPont Analysis

DuPont analysis is utilized in this research to breakdown each component of ROE and make it possible to identify the component that contributes most in performance reduction.

Table 3. DuPont Ratio Analysis 2020-2023

Five Ratios	2020	2021	2022	2023
Profit Margin Ratio	-129.51%	-60.47%	1.52%	5.40%
Total Asset Turnover	48.74%	52.99%	61.10%	82.93%
Equity Multiplier	-2.43	-1.17	-1.18	-1.45
ROA	-63.12%	-32.04%	0.93%	4.48%
ROE	<b>153.60%</b>	<b>37.64%</b>	-1.10%	-6.48%

Based on the result showed in table 3, in 2020 and 2021, severe losses are indicated by a very negative profit margin, moderate asset turnover, and false positive ROE due to the calculation of two negative values (profit margin and equity multiplier). Conversely, in 2022 and 2023, there is an improvement in profit margin and asset turnover, and negative ROE highlights the impact of the financial structure.

3) Absolute Valuation

Prior to determining the intrinsic value of AMF, in table 4, growth assumption of each component of the income statement and balance sheet is made based on ten years historical performance from 2014 to 2023. The growth rate will be used as a basis for forecasting 5 years ahead from 2024 to 2028 of AMF income statement and balance sheet.

Table 4. Part of Income Statement and Balance Sheet Assumption Growth Rate

Income Statement	Assumption	Growth Rate
Revenue	Growth rate following research done by Expert Market Research for Indonesia MRO Market Outlook 2024-2032.	5.50%
Material Expenses	Growth following historical average to revenue proportion.	24.88%



Subcontract Expenses	Growth following historical average to material and employee proportion	46.99%
Depreciation Expenses	Growth rate is using historical average proportion to net fixed asset and right of use	11.39%
Income Tax Benefit/(Expense)	Growth rate is following Law Number 7 of 2021 on Harmonization of Tax Regulations	22%
<b>Balance Sheet</b>	<b>Assumption</b>	<b>Growth Rate</b>
Cash	Growth rate is analyzed from year-on-year average growth for the past 10 years	39.18%
Trade Receivables	Forecasted using five ratios by multiplying Day Sales Outstanding and Net Sales divided by 365.	DSO 55.74
Trade Payables	Forecasted by multiplying Average Payable Period and COGS divided by 365	APP 166
Accruals	Accruals comes from purchase of inventories and services. Growth rate comes from comparison to total of inventories and trade payables	25.87%
Total Non-Current Liabilities	Forecasted using CAGR	20.44%

WACC which is used for company valuation is calculated by weighting the funding sources of the company’s financing structure multiplied by the cost of debt and the cost of equity (Damodaran, 2012). The calculation of the FCFF from 2024 to 2028 uses the forecasted income statement and balance sheet, where the FCFF can be summarized in table 5 below.

**Table 5. Summary of FCFF Calculation 2024F-2028F**

	2024F	2025F	2026F	2027F	2028F
EBIT	54,006,878	62,133,938	70,720,406	79,799,945	89,408,013
Tax Rate	22%	22%	22%	22%	22%
EBIT (1-T)	42,125,365	48,464,472	55,161,917	62,243,957	69,738,250
Depreciation	19,923,715	20,936,058	22,000,237	23,118,930	24,294,952
Changes in NWC	43,825,825	11,403,456	15,826,523	21,958,456	30,467,018
Capital Expenditure	708,497	839,113	993,808	1,177,023	1,394,014
FCFF	17,514,757	57,157,960	60,341,823	62,227,408	62,172,169
PV FCFF	15,678,773	45,802,862	43,285,483	39,958,898	35,738,454

From the forecasted FCFF, it is then discounted back to the present value using WACC 11.71%, resulting in total PV FCFF \$180,464,471 which is used in calculation for terminal growth using company’s growth rate 2.28%.

$$\text{Terminal Value} = \frac{(\text{FCFF}_n * (1+g))}{(WACC-g)}$$

From the calculation, AMF terminal growth is 674,333,978 and discounted back to present value resulting \$387,627,682. Firm value is calculated by summing up PV FCFF and PV Terminal Value which resulting \$568,092,153. Finally, the intrinsic share value is calculated by dividing firm value with the issued shares resulting in \$0.02012 for each share, which is then multiplied by 2023 currency rate to get IDR value resulting in IDR 310.19 per share. This intrinsic value is far above the market value in December 29, 2023 at IDR 80 so that concluded as undervalued share. Another statistic used in evaluating stock valuation is Market to Book Ratio, P/E Ratio, and EV/EBITDA compared it to industry average.

**Table 6. Market Valuation Compare to Market Standards**

Valuation Metrics	AMF (Average)	Industry Standards (Average)	Result
P/E Ratio	9.46	13.85	Undervalued
EV/EBITDA	1.94	11.52	Undervalued
M/B Ratio	-0.67	0.48	Undervalued



According to the result in table 6, by averaging the performance of those metric and compared it to the average industry standards, it can be seen that the analysis supporting the previous result which state that AMF share is undervalued. In the M/B ratio, despite the negative outcome, which shows that the company's book value is negative owing to its liabilities surpassing its assets and resulting in negative equity, the M/B ratio is less than 1, suggesting that the company is undervalued.

## V. BUSINESS SOLUTION

The internal analysis of AMF financial performance, conducted through the application of five ratios and DuPont analysis, combined with the external analysis employing PESTEL, Porter's five forces, and Multiple Market Approach, has led to the formulation of a business solution aimed at enhancing the company's share value:

1. This analysis identified two companies that could serve as benchmarks, SIAEC and AAR Corp. Both companies have demonstrated remarkable accomplishments, with SIAEC exhibiting financial stability and operational efficiency, while AAR Corp exhibited exceptional performance in terms of profitability and market value indicators. Given the primary objective of enhancing the share value of AMF, AAR Corp will serve as a more reliable comparative reference. Notably, in addition to its strong profitability and market value performance, AAR Corp has also demonstrated stable and improved figures throughout the 2020-2023 period.
2. By incorporating DCF and FCFF methodologies, the firm value and share value of the AMF's projected 5-year income statement and balance sheet were calculated. The research discovered that AMF share value has recently been undervalued by the market in relation to its current market price. The calculated share value was significantly higher than the market price. The market's misperception of the potential of AMF is seen in its undervaluation. This presents an opportunity for the company to strengthen its stock price by enhancing multiple performance indicators when examined using financial ratios. When discussing increasing market assessment of AMF share price, the only factor is not solely market value ratios (P/E Ratio, M/B Ratio, and EV/EBITDA), the company should also enhance:
  - ROE to measure the company ability to generate profits from shareholders' equity
  - Profit Margin to assess how much profit company makes for every dollar revenue
  - Debt to Equity Ratio to assess company's financial leverage and risk
  - Current Ratio for evaluating company's ability to pay short-term liabilities with its short-term assets
  - EPS which represents portion of company's profit allocated to each outstanding share.
3. External analysis which is conducted by using Porter's Five Forces and PESTEL Analysis to assess the influence of uncertain external factors that might affect AMF. The following approach can be considered to minimize the effect of possible causes from external factors:
  - Most of these forces have no significant impact on AMF except for the bargaining power of suppliers. In response to the high bargaining power of suppliers, as the main issue is due to the payment term and geographical distance of supplier location which most of the time affects the TAT (Turn Around Time) of the maintenance process, it is suggested AMF to diversify its base of suppliers and negotiate a long-term contract to ensure stability and prompt reaction to prevent any future disruptions that might affect the main business process. It should be noted that, AMF should develop its in-house capabilities for critical component and for laboratory analysis which is routine in aircraft maintenance, aside from reducing waiting time, it can also cost saving. As for the medium threat such as bargaining power of buyers and competitive rivalry, it is advisable that AMF keep innovating in terms of service offerings, speed of maintenance, and quality of maintenance in accordance with applicable regulations. This strategy will aid in reducing and controlling potential risks, ensuring that AMF retains its advantage over competitors in the market.
  - AMF should mitigate the risk from overdependency on affiliate group customers and expand its client base, as from the internal analysis done, proportion of affiliate and non-affiliate customer groups is 47:53, with almost half of its customers coming from the affiliate group. Additionally, AMF should pivot its business and adapt to changing travel behaviours and lifestyles by targeting another customer segment such as cargo airline company. Adaption of AI technology should also be considered along with continuous employee training to keep up with the fast changing in the technology. Furthermore, to maintain reputation in the environmental awareness, even though AMF has already implemented sustainable practices such as managing energy and water use, emissions handling, liquid and solid



waste handling, receiving ISO 14001:2004 regarding Environmental Management System in 2013, and upgrading of certification from ISO 14001:2004 to ISO 14001:2015 in 2018, AMF should maintain these good practices and improve its ESG reporting since the last updated is 2019. Finally, as aviation sector is heavily regulated, AMF needs to ensure the compliance with the current aviation regulation to prevent license revocation. By adhering to these aspects, AMF can maintain its competitive advantage and improve its financial performance.

## VI. CONCLUSION

Evaluating the performance of AMF financial ratios, which is far from industry standards, surely impacts its stock performance and makes it difficult to gain market and investor trust. Its stock volatility is influenced by financial metrics such as liquidity, profitability, and efficiency ratios. Current ratio and quick ratio which are below 1, indicating AMF difficulties in maintaining short-term assets. Profitability ratios which showing fluctuating performance has huge impact on investor confidence due to operational expense increment. Finally, the efficiency ratios show inefficiency of AMF in managing its assets and poor receivable collection. This underperformance strains company's working capital which eventually worsening its financial condition and contributing to its stock volatility.

Through utilizing DCF and Market Multiple Approach, it reveals that AMF stock is undervalued by the market, which shown by intrinsic value which is 3.88x higher than market value and resulting a lower value of market valuation when comparing P/E ratio, M/B ratio and EV/EBITDA to industry standards.

Therefore, the optimization of operational procedures including cost control must be the focus of attention. This effort includes frequent audit to ensure that materials are installed and consumed not only in the maintenance process, but also systematically to prevent unrecorded cost or unbilled cost. Implementation of lean manufacturing principles also aid in decreasing unnecessary cost, while on one side it can improve efficiency to reduce TAT, on the other side, it also helps in preventing COPQ (Cost of Poor Quality) that can cut company profits. Implementing rigorous inventory management through Economic Order Quantity is also essential to avoid excessive stockpiling of materials, which might result in waste due to material expiry. Maintaining a healthy level of profitability ratios following the predetermined corporate work plan and budget is essential to make sure achieved corporate target revenue, better management of liquidity and leverage ratios, and enhancing cash flow management strategies to reduce reliance on debt to guarantee financial stability and resilience.

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