CHAPTER V

RECOMMENDATION & LESSON LEARNED

5.1 Conclusion

PT Indofood Sukses Makmur Tbk (INDF) decision to spinoffs PT Indofood CBP (ICBP) had brought positive impact to parent company and also to ICBP as subsidiary. Based on previous chapter about discussion and analysis, there are some conclusions could be summarized as follow :

1. Using DCF valuation method with assumption INDF did not spinoffs ICBP in 2010, the fair value per share was Rp.5,018 and the market price reached highest level at Rp5,750 on September 22nd, 2010 as quoted from yahoo finance. Comparing between fair value and market value means INDF stock value was overvalued. On the other side INDF got positive impact of ICBP spinoffs strategy reflected on INDF market price was higher than its fair value because investors still believes in INDF performance and promising business prospect in the future.

2. Using DCF valuation method with assumption ICBP was still being subsidiary in 2010 and did not spun offs, the fair value per share was Rp.2,704 and market price reached highest level at Rp5,950 on October 7th, 2010 as quoted from yahoo finance. As result of spinoffs, ICBP market price during 2010 was higher than its

fair value (overvalued). Yet by seeing this result, ICBP spinoff was the right decision to get money inflow from investors and they still believe that ICBP has promising prospect in the future.

3. Taking a look into ratio analysis if we compare between INDF and MYOR, we could take some conclusion for some ratios INDF shows better performance than MYOR. For instance INDF receivable turnover was 14x, days of receivable was 26.52 days meanwhile MYOR receivable turnover was 5.26x and days of inventory was 69.62 days, it indicated INDF has managed its receivable and collect faster than MYOR. But for some other ratios such liquidity ratio, long term debt ratios, INDF performance was below MYOR. Reason why some INDF ratios performances were below its competitor, possibly because of difference in business size and financing policy compared with MYOR.

5.2 Recommendation

As a leader in consumer goods industry PT Indofood Sukses Makmur Tbk (INDF) should maintain company performance to increase competitiveness with other players in market. In other words INDF always demanded to find good strategic that could increase value to its stakeholders and shareholders. With strong brand name it would be easy for INDF to obtain support from external party. Few key point that should be maintained by INDF :

1. INDF decision to spinoffs ICBP in 2010 was the right decision among other fund raising options. By doing spinoffs subsidiary, INDF received loan payment around 4.4 trillion rupiah from ICBP and INDF market price was appreciated to Rp.5,750 which mean higher than its fair value at Rp5,018.

2. INDF as a leading consumer goods company, has broad market share, good brand image, broad product portfolio, would be easier to find and build relationship with external financing sources. Therefore INDF should always develop financing strategy to find potential investors with low financing cost to support company operation.

5.3 Lesson Learned

Lesson learned from discussion in chapter four could be summarized as follow :

1. There are many ways to get fund raising from external sources such initial public offering (IPO), bond issuance, bank loan, sub-debt issuance etc. Before selecting appropriate financing strategy that suit with company's condition, we have to analyze economic condition, cost and benefit constraint and consider impact of each option to company financial performance.

2. To do a good investment, investors should understand about economic condition, company performance, prospect in the future, going concern of the business etc. To analyze company financial performance could be conduct by doing valuation using various methods. By taking adequate information investors are expected to get overview either the target company is promising to give return or not.