

## **EXECUTIVE SUMMARY**

### **PPM GRADUATE SCHOOL OF MANAGEMENT**

Title : Corporate Financing Strategy for PT.Perkebunan Nusantara  
IV year 2011-2014

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#### **Statement of the Problem :**

How to set the company's financial strategy in alignment to the businesses plan in 2011-2014.

**Research Method :** Descriptive quantitative method

#### **Summary of Findings, Conclusions, and Recommendations :**

##### **Findings :**

PT. Perkebunan Nusantara (PTPN IV) has constantly gained notable profit for the last 5 (five) years, including surviving the global financial crisis in 2008-2009. In order to survive and compete in palm oil industry, PTPN IV has prepared some strategic planning and development in its business.

It has considered on numbers of projects for the upcoming 5 (five) years. Though further analyses on how to finance these projects has not been determined. Therefore, a financing strategy shall be provided as a decision making tool for PTPN IV on the amount, source and composition of the instruments.

##### **Conclusions:**

There are several financial instruments that can be used by PTPN IV to fund their projects. However, the composition of the company's capital structure must firstly be decided before choosing the financial instruments. A number of approaches need to be analyzed to decide the capital structure composition that suits with company's performance in the future. Then, by

analyzing and calculating the Cost of Capital of each financial instrument, PTPN IV can compare each instrument with one another, and later choose on the instruments that suites the company's future expectation.

**Recommendations:**

Based on the analysis, PT. Perkebunan Nusantara IV is best to have its capital structure at 42:58 on its Debt Equity Ratio, hence will result the estimated Weighted Average Cost of Capital (WACC) at 16.88% level.

To achieve this composition, Equity in 2014 shall target on Rp. 7.68 Billion. Where 43% is the initial year 2010 equity. 36% is from the equity growth, gained from retained earnings. And the remaining 21% from Initial Public Offerings (IPO).

On the other hand, debt will target on Rp. 5.57 Billion. Where 63% is from existing year 2010 bank loans. 15% will come from additional bank loans. And the remaining will be obtained equally from obligation and Medium Term Notes (MTN) at 11% each.