

# EXECUTIVE SUMMARY

## PPM SCHOOL OF MANAGEMENT

**Title** : CORPORATE VALUATION AND VALUE ENHANCEMENT  
(Study Case : PT Borneo Lumbung Energi & Metal Tbk.)

**Author** : Gianti Hertina and Henny Amelia

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### **Problem Statement:**

PT Borneo Lumbung Energy and Metal Tbk. (BORN) is the only hard coking coal company in Indonesia. Nowadays the current macro economic and the coal industry is in good condition to support the development of the company. At the end of 2011 BORN decided to diversify their products by acquiring BUMI Plc stakes. This management action supposedly causes the decline of the company performance and increased the bankruptcy risk in 2012, mostly because of a significant increase in long term debt in terms of the acquisition funding. BORN decided to borrow US\$ 1,000,000,000 from Standard Bank Chartered. The management action got a negative reaction from the public. This is reflected in the company's stock price declines. In early 2012 the stock price was at Rp.820 per share and in just a few months the share price dropped significantly and reached the level of Rp.465 per

share. Based on these facts, BORN necessarily need to take action immediately, because BORN is a public company which 30% of the ownership is by public.

Based on the previous explanation, the problem of research questions are:

1. How much is BORN's fair value?
2. How is the condition of company value enhancement factors of BORN nowadays?
3. What is the most appropriate recommendation to increase the value of BORN.?

**Research Method** : Mixed of Qualitative and Quantitative Research

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

**Findings:**

Based on Discounted CashFlow (DCF), Relative Valuation (RV) and Economic Value Added (EVA) analysis, the fair value of BORN is \$1.726.952.222 or around Rp. 770.7 while share prices on the Stock Exchange today is around Rp. 530.00. This indicates BORN need to increase the value of the company by analyzing the factors that can increase the value of the company. And through value enhancement factors analyst, BORN's capacity utilization is still not optimal and could be improved, so that the value of company will increase up to 150% compare to the current value.

**Conclusions**

Increased capacity utilization will improve the value of the company.

**Recommendations:**

BORN need to optimize the utilization of its production capacity as well as maintaining the level of sales so that the value of the company can be increased.