

EQUITY VALUE ANALYSIS WITH THE INCOME APPROACH IN PALM OIL PLANTATION COMPANIES (CASE STUDY: PT SISIRAU AND PT SATYA AGUNG)

Alfred Johnson Sianipar^{1*}, Khaira Amalia Fachrudin², Darmawan Dwi Atmoko³

Universitas Sumatera Utara, Indonesia

Email: alfredjohnsonsianipar@gmail.com^{1*}, khaira@usu.ac.id²,
darmawan.atmoko@kemenkeu.go.id³

Abstract

Equity value is the net worth that belongs to the owners or shareholders of a company after all liabilities have been settled from the total assets owned. Equity value reflects the portion of net ownership in the company that truly belongs to the shareholders. This study aims to analyze the equity value of two palm oil plantation companies in Indonesia, PT Sisirau and PT Satya Agung, using an income-based approach through the Discounted Cash Flow (DCF) method. This approach is considered highly relevant for valuing companies with long-term income prospects and relatively stable cash flows, as is typical in the palm oil plantation industry. The study is also strategically significant, as both companies are preparing for an Initial Public Offering (IPO), where valuation becomes a key consideration for potential investors. The data used in this research consists of audited financial statements from 2017 to 2024 and financial projections for the period 2025 to 2034. The research applies a quantitative approach combined with descriptive analysis, using both primary and secondary data. Equity value is estimated based on projected Free Cash Flow to the Firm (FCFF), discounted using the Weighted Average Cost of Capital (WACC). The analysis also considers business risk, cost structure, CPO price trends, and relevant government regulations. The results indicate that the income approach provides a more accurate estimate of equity value, reflecting the future economic potential of the companies. PT Satya Agung has an indicative equity value of IDR 3.85 trillion, significantly higher than PT Sisirau's IDR 1.67 trillion. This difference is attributed to PT Satya Agung's stronger cash position, lower debt burden, and higher growth potential. Therefore, PT Satya Agung is considered more suitable to proceed with an IPO in the near future. This study concludes that the DCF is highly appropriate for valuing companies with long-term growth orientation and stable cash flow. Moreover, the findings contribute to academic literature and serve as a practical reference for companies, investors, regulators, and academics in understanding income-based equity valuation, particularly in the palm oil plantation sector.

Keywords: Company Valuation, Equity Value, Discounted Cash Flow, Income Approach, FCFF, IPO, Palm Oil Plantation.

INTRODUCTION

Palm oil is one of Indonesia's leading commodities and plays a vital role in the country's economy. Indonesia is the world's largest palm oil producer, with numerous companies involved in the plantation, processing, and export of palm oil products. Palm oil produces palm oil, which is used in various consumer products, cosmetics, and biodiesel. Furthermore, palm oil contributes to state revenue and creates jobs for millions of people, particularly in regions that rely heavily on this agricultural sector. With its continued growth prospects, the palm oil industry faces significant challenges and opportunities, making it crucial to evaluate the economic value of companies operating in this sector. The following data presents palm oil performance in Indonesia.

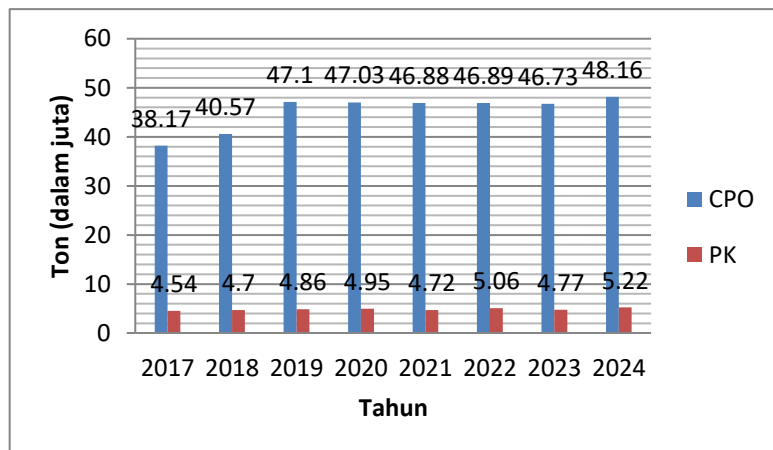


Figure 1. Palm Oil Production Data in Indonesia

Source: Indonesian Palm Oil Association (GAPKI), Annual Data 2017-2024

Figure 1 shows the trend of palm oil production in Indonesia from 2017 to 2024, consisting of Crude Palm Oil (CPO) and Palm Kernel Oil (PK). CPO production experienced a significant increase from 38.17 million tons in 2017 to a peak of 47.10 million tons in 2019, then remained relatively stable in the range of 46–47 million tons during the period from 2020 to 2023, before increasing again to 48.16 million tons in 2024. Meanwhile, PKO production showed a relatively stable trend in the range of 4.1 to 4.6 million tons throughout the same period. These data indicate that Indonesia has consistently maintained a high palm oil production capacity, with fluctuations influenced by factors such as weather conditions, export policies, and the impact of the pandemic.

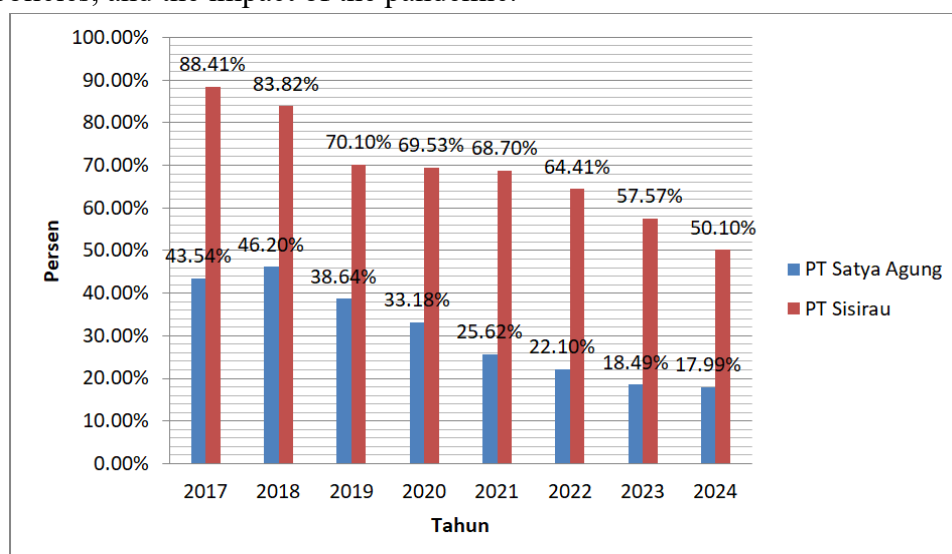


Figure 2. Equity Value of PT Satya Agung and PT Sisirau

Source: Annual Report of PT Satya Agung and PT Sisirau 2017-2024

Figure 2 shows the development of the equity percentage to total assets of PT Satya Agung and PT Sisirau during the period 2017 to 2024. In general, it can be seen that PT Sisirau has a much higher equity percentage than PT Satya Agung at the beginning of the period, which is 88.41% in 2017, while PT Satya Agung is only 43.54%. However, there is a gradual downward trend in PT Sisirau's equity from year to year, reaching 50.10% in 2024. Conversely, PT Satya Agung also experienced a consistent, even sharper decline in the equity percentage, from 46.20% in 2018 to only 17.99% in 2024. This decline indicates that both companies are increasingly relying on debt financing in their capital structure, especially PT Satya Agung which shows a tendency towards higher leverage. Nevertheless, PT Sisirau still maintains a relatively healthier capital structure as seen from the larger proportion of equity compared to PT Satya Agung throughout the period.

Academically, this research also contributes to the literature on company valuation, particularly in the palm oil plantation sector. Previous studies, such as Damodaran (2012), Copeland et al. (2000), and Franks et al. (1991), emphasize that the income approach, particularly the Discounted Cash Flow (DCF) method, is highly appropriate for companies with measurable and sustainable revenue projections. Even at the MSME scale, as demonstrated by Tsurumi and Nara (2016), this approach is considered more accurate in reflecting a company's economic value than the asset-based approach. Therefore, the use of the income approach in valuing PT Sisirau and PT Satya Agung is expected to produce credible, strategic, and appropriate equity value estimates that reflect the current reality of the plantation business.

LITERATURE REVIEW

Basic Theory of Assessment

Assessment, which is a translation of the English word appraisal, means the activity of conducting an assessment process on a particular object or thing. According to the Indonesian Society of Professional Appraisers (MAPPI), assessment is literally a process or activity to express an estimated value and opinion on a particular object within a certain period and with due regard to applicable provisions such as KEPI (Indonesian Appraisal Code of Ethics) and SPI (Indonesian Appraisal Standards) or other legislation (MAPPI, 2018).

Investment

Investment is the sacrifice of resources (time, money, and effort) today in the hope of gaining more resources in the future (Laopodis, 2021). From this perspective, investment can be understood as a sacrifice made today to gain future benefits. The purpose of investment is to generate income or appreciation through the acquisition of assets or goods (Hayes, 2022). The value of an asset tends to increase over time due to appreciation. People who purchase goods as investments do not do so with the intention of using them for consumption, but rather to generate wealth in the future.

Entity

According to Hutomo (2016), an entity (stock) can be defined as a sign of participation or ownership by an individual or business entity in a company or limited liability company. An entity is a piece of paper that states that the owner of the paper is the owner of the company that issued the securities. The portion of ownership is determined by the amount of investment invested in the company. Entities are the most popular and widely recognized securities in the community (Tandelilin, 2010).

Valuation by Income (Income Approach)

Income can be used to estimate Value by anticipating and quantifying the ability of the Assessment Object to generate returns that will be received in the future.

Common methods used in income valuation are:

- a) Discounted Cash Flow Method; and
- b) Capitalization of Income Method The above method can only be used if the management of the Object

The assessment has prepared a business plan that will be used as the Basis for Value (business plan-based valuation).

Conceptual Framework of the Research

The conceptual framework of research is the primary foundation upon which research activities are fully oriented (Trisliatanto, 2020:145). In this case, the researcher creates a research framework to facilitate understanding of the flow and objectives of the research to be conducted.

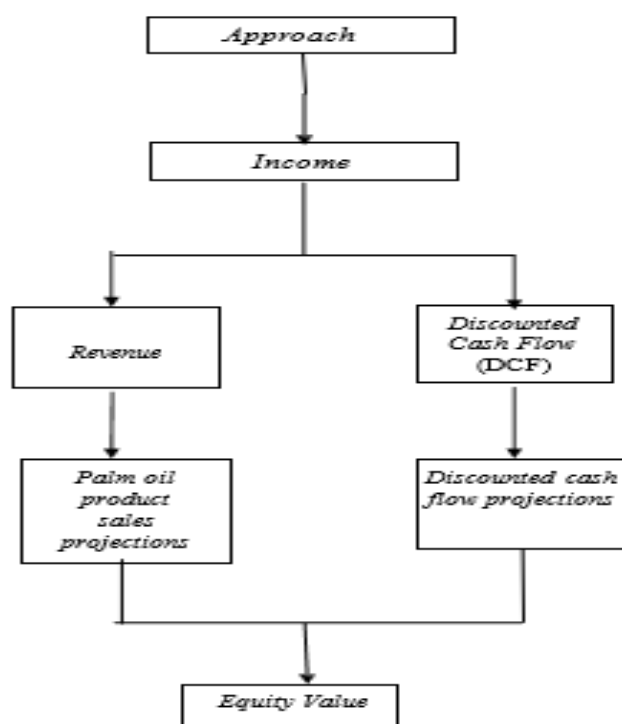


Figure 3. Conceptual Framework

Using the Income approach, this study will assess companies based on their capacity to generate future cash flows. The method used is Discounted Cash Flow (DCF), which calculates projected free cash flows and then discounts them to their present value using a discount rate that reflects business risk and investor return expectations. This approach is considered highly relevant for PT Sisirau and PT Satya Agung, as both operate in the palm oil industry, which has long-term growth prospects. Key variables such as crude palm oil (CPO) prices, operational costs, and land productivity are key components in estimating future cash flows.

METHOD

Conducting research requires a research method that functions as a method or process used to solve a problem. The research method will help researchers as a guide to systematically direct the research. Based on the problem formulation and research background that have been described, the type of research used is descriptive research. Descriptive research (descriptive) or taxonomic research is a research that aims to create a systematic, factual, and thorough description of the facts and characteristics of a particular population or area, and expands on only a few specific variables (not in-depth like a case study) (Trisliatanto, 2020).

Location and Time of Research

The research was conducted at the Head Office of PT. Satya Agung and PT. Sisirau because the necessary data were available and the financial reports presented were audited financial reports for the 2017-2024 financial years. This research lasted for two months, from April to May 2025.

Data Types and Sources

a. Primary Data

Primary data was obtained through interviews with investor relations and management of PT. Satya Agung and PT. Sisirau. Collecting primary data through interviews with investor relations and management of PT. Satya Agung and PT. Sisirau is an effective method for obtaining direct information from relevant sources regarding the company's condition and strategic decisions that can affect the company's valuation analysis.

b. Secondary Data

Secondary data was obtained from literature studies such as company financial reports from 2017 to 2024, newspapers, websites, information and news on the internet and others.

Operational Definition of Variables

In company valuation research or analysis, the use of the Discounted Cash Flow (DCF) method requires clear operational definitions of variables so that each variable used in the

calculation can be understood consistently. The following are operational definitions of the variables commonly used in both methods (Damodaran, 2006).

1. Cash Flow Projection (FCFF/FCFE)

Estimate future cash flows based on financial and industry trends (5–10 years).

Formula for FCFF:

$$\text{FCFF} = \text{EBIT} \times (1 - T) + \text{Depreciation} - \Delta \text{Working Capital} - \text{Capex}$$

2. Determining Discount Rate (WACC)

$$\text{Formula: } \text{WACC} = (E/V \times R_e) + (D/V \times R_d \times (1 - T))$$

$$R_e \text{ is calculated using CAPM: } R_e = R_f + \beta \times (R_m - R_f)$$

3. Calculating Terminal Value (TV)

Using the Gordon Growth Model:

$$\text{TV} = (\text{FCFF}_n \times (1 + g)) / (\text{WACC} - g)$$

4. Calculating Present Value (PV)

Discount all projected cash flows and terminal value to the present using WACC.

Result = Enterprise Value.

Subtract net debt → obtain Equity Value.

5. Revenue Projection

Based on historical data, trends, and assumptions about industry growth, economic growth, product prices, sales volume, marketing strategy, and regulation.

$$\text{Formula: } \text{Revenue} = \text{Sales Volume} \times \text{Product Price}$$

RESULTS AND DISCUSSION

Overview of Research Object

PT Sisirau is a palm oil plantation company based in Aceh Tamiang, Aceh Province. The company owns extensive plantations, most of which are in the mature phase, contributing significantly to its operating income. Its primary activities include oil palm cultivation, plantation maintenance, fresh fruit bunch (FFB) harvesting, and sales to processors or palm oil mills.

In its operations, PT Sisirau implements sustainable agricultural practices by adhering to technical standards for plantation management. The company has a professional organizational structure and a robust financial management system. This is reflected in its financial statements, which show positive cash flow and stable year-on-year growth from 2017 to 2024.

Equity Value Calculation Using the DCF Approach

Discounted Cash Flow (DCF) is an approach to company valuation that involves discounting future cash flows to their present value. This approach assumes that a company's value is equal to the present value of the cash flows it will generate in the future.

DCF is usually used to assess the feasibility of long-term investments and is very suitable for companies that have relatively stable or projectable operational cash flows, such as companies in the palm oil plantation sector.

FCFF Projections**Table 1.** Projected FCFF Calculation of PT Sisirau

Year	Net profit for the year	Depreciation & Amortization	Interest * (1-t)	Cash Inflow	Capex	Changes in Working Capital	Cash Outflow	FCFF
2025	22,174,802	5,745,895	10,112,936	38,033,633	2,500,000	24,622,327	27,122,328	65,155,961
2026	33,739,905	9,309,000	10,137,734	53,186,639	2,500,000	5,720,484	8,220,484	61,407,123
2027	22,383,908	17,668,000	10,115,892	50,167,800	2,500,000	1,465,732	3,965,732	54,133,531
2028	24,568,281	18,534,000	10,013,421	53,115,702	2,500,000	-211,688	2,288,312	55,404,014
2029	30,734,030	18,534,000	9,792,097	59,060,127	2,500,000	-584,707	1,915,293	60,975,420
2030	38,304,965	18,534,000	9,438,807	66,277,772	2,500,000	-789,430	1,710,570	67,988,342
2031	44,543,339	18,534,000	8,901,096	71,978,435	2,500,000	-633,797	1,866,203	73,844,637
2032	47,527,738	18,534,000	8,104,404	74,166,142	2,500,000	-265,748	2,234,252	76,400,394
2033	48,352,392	18,534,000	6,953,395	73,839,786	2,500,000	34,356	2,534,356	76,374,142
2034	49,506,423	18,534,000	6,949,577	74,990,000	2,500,000	39,945	2,539,945	77,529,945

Source: Secondary Data, 2025 (processed)

Based on the projection of PT Sisirau's Free Cash Flow to the Firm (FCFF) calculation for 10 years, it is seen that the company consistently generates positive free cash flow, which reflects healthy and sustainable financial performance. The highest FCFF is projected to occur in 2034, which is IDR 77,529,945, while the lowest is in 2025, which is IDR 65,155,961. The FCFF trend shows a strengthening tendency from year to year, in line with net profit growth, efficiency in working capital management, and the stability of capital expenditure (Capex) which is relatively constant at IDR 2,500,000 per year.

Cash inflows were primarily supported by significant increases in net income and depreciation and amortization expenses, particularly from 2026 onward. Furthermore, the interest element (1 - t) also contributed positively to increasing operating cash flow. Meanwhile, cash outflows, consisting of capital expenditure (capex) and changes in working capital, remained relatively stable. In some years, such as 2028–2032, there was a decrease in working capital (negative value), which actually increased total FCFF.

FCFF Calculation Projection of PT Satya Agung**Table 2.** Projected FCFF Calculation of PT Satya Agung

Year	Net profit for the year	Depreciation & Amortization	Interest * (1-t)	Cash Inflow	Capex	Changes in Working Capital	Cash Outflow	FCFF
2025	315,416	25,547,895	29,244,298	55,107,608	2,500,000	15,977,314	18,477,315	73,584,923
2026	22,725,440	33,837,000	29,333,897	85,896,337	2,500,000	169,989	2,669,989	88,566,326
2027	10,824,956	49,166,000	28,810,115	88,801,070	2,500,000	1,576,033	4,076,033	92,877,103
2028	26,065,866	51,606,000	27,889,785	105,561,651	2,500,000	-1,501,441	998,559	106,560,209
2029	51,532,054	51,606,000	26,505,918	129,643,972	2,500,000	-2,495,995	4,005	129,647,977
2030	74,871,968	51,606,000	24,544,285	151,022,253	2,500,000	-2,281,540	218,460	151,240,713
2031	91,798,595	51,606,000	21,933,916	165,338,511	2,500,000	-1,541,688	958,312	166,296,823

					,000			
2032	98,253,200	51,606,000	18,580,224	168,439,424	2,500,000	-361,995	2,138,005	170,577,429
2033	100,878,131	51,606,000	14,277,798	166,761,929	2,500,000	176,794	2,676,795	169,438,723
2034	105,188,516	51,606,000	12,077,484	168,872,000	2,500,000	57,616	2,557,616	171,429,616

Source: Secondary Data, 2025 (processed)

Based on PT Satya Agung's FCFF projection data for the period 2025 to 2034, it is clear that the company is showing very strong financial performance, marked by a consistent increase in FCFF every year. The highest FCFF value is projected to occur in 2034, amounting to Rp171,429,616, while the lowest value is recorded in 2025, amounting to Rp73,584,923. Although the initial value in 2025 appears lower than the years after, the figure remains very positive and indicates that from the outset, the company has had excellent liquidity and cash productivity capabilities.

The year-over-year increase in FCFF was primarily driven by significant increases in net income, depreciation, and cash flow efficiency. Net income rose sharply from only around Rp315,416 in 2025 to over Rp105 million in 2034, reflecting impressive operational performance growth. Furthermore, stable, high depreciation (around Rp51 million annually since 2027) has been a key factor in increasing cash inflow without reducing operating profit, as depreciation is a non-cash expense.

Details of PT Sisirau's DCF Calculation

Table 3. Proportion of Equity and Liabilities of PT Sisirau

Year	Equity	Debt	Equity + Liabilities	% Equity	% Debt
2017	274,449,796	35,970,447	310,420,243	0.884	0.116
2018	285,005,910	55,013,772	340,019,682	0.838	0.162
2019	298,682,366	127,415,176	426,097,543	0.701	0.299
2020	305,924,697	134,080,860	440,005,557	0.695	0.305
2021	324,942,467	148,014,454	472,956,921	0.687	0.313
2022	332,800,201	183,873,156	516,673,357	0.644	0.356
2023	338,034,932	249,114,472	587,149,404	0.576	0.424
2024	323,442,059	322,123,424	645,565,483	0.501	0.499

Source: Secondary Data, 2025 (processed)

Table 3 shows that PT Sisirau's equity proportion has consistently decreased from 2017 to 2024, from 88.4% in 2017 to 50.1% in 2024. This means that at the beginning of the period, the company's capital structure was dominated by equity, but over time, there has been a shift towards a balanced mixed capital structure between equity and debt. This reflects the company's increasing dependence on external financing (debt). The decline in the equity proportion could also indicate that the company is increasing liabilities more aggressively than its equity growth.

Table 4. Discount Table and NPV of PT Sisirau

Year	Equity	Debt	Cost of Equity (Ke)	Cost of Debt (Kd)	WACC	FCFF	Discount Factor	NPV FCFF
2017	0.884	0.116	16.88%	9.21%	15.75%	39,608,260	0.863931	34,218,799
2018	0.838	0.162	16.88%	9.21%	15.31%	20,190,257	0.867227	17,509,546
2019	0.701	0.299	16.88%	9.21%	13.98%	20,920,216	0.770955	16,128,537
2020	0.695	0.305	16.88%	9.21%	13.92%	4,102,191	0.676395	2,774,700
2021	0.687	0.313	16.88%	9.21%	13.84%	13,054,265	0.595416	7,772,718
2022	0.644	0.356	16.88%	9.21%	13.43%	322,023	0.532550	171,493
2023	0.576	0.424	16.88%	9.21%	12.76%	3,097,946	0.486485	1,507,105
2024	0.501	0.499	16.88%	9.21%	12.04%	271,320	0.505547	137,165
Total								80,220,063

Source: Secondary Data, 2025 (processed)

Based on table 4, it can be explained that PT Sisirau's Weighted Average Cost of Capital (WACC) shows a downward trend from 15.75% in 2017 to 12.04% in 2024. This decrease is caused by the increasing proportion of debt in the company's capital structure (see Table 4.3). Because the cost of debt (9.21%) is lower than the cost of equity (16.88%), the increase in the proportion of debt automatically lowers the company's WACC. Furthermore, the NPV value of Free Cash Flow to the Firm (FCFF) after discounting shows significant fluctuations each year. Over the eight years (2017–2024), the total cumulative NPV is IDR 80,220,063, which represents the estimated total value of the company's FCFF in present value.

Table 5. Projected WACC Value of PT Sisirau

Year	Equity	Debt	Cost of Equity (To)	Cost of Debt (Kd)	WACC
2025	0.250	0.750	16.88%	9.21%	9.61%
2026	0.250	0.750	16.88%	9.21%	9.61%
2027	0.250	0.750	16.88%	9.21%	9.61%
2028	0.250	0.750	16.88%	9.21%	9.61%
2029	0.250	0.750	16.88%	9.21%	9.61%
2030	0.250	0.750	16.88%	9.21%	9.61%
2031	0.250	0.750	16.88%	9.21%	9.61%
2032	0.250	0.750	16.88%	9.21%	9.61%
2033	0.250	0.750	16.88%	9.21%	9.61%
2034	0.250	0.750	16.88%	9.21%	9.61%

Source: Secondary Data, 2025 (processed)

Table 5 shows that PT Sisirau's projected capital structure for the period 2025 to 2034 shows a consistent composition of 25% equity and 75% debt. This composition reflects a funding strategy that relies heavily on debt to fund the company's future operations and investments.

The Cost of Equity (K_e) is projected to remain at 16.88%, while the Cost of Debt (K_d) is maintained at 9.21% throughout the projection period. With a fixed capital structure and cost of capital, PT Sisirau's Weighted Average Cost of Capital (WACC) is also projected to remain stable at 9.61% annually from 2025 to 2034.

Details of PT Satya Agung's DCF Calculation

Table 6. Proportion of Equity and Liabilities of PT Satya Agung

Year	Equity	Debt	Equity + Liabilities	% Equity	% Debt
2017	158,932,990	206,110,929	365,043,919	0.435	0.565
2018	176,275,417	205,234,883	381,510,300	0.462	0.538
2019	181,884,137	288,840,634	470,724,770	0.386	0.614
2020	189,295,165	381,286,879	570,582,044	0.332	0.668
2021	189,869,371	551,300,052	741,169,423	0.256	0.744
2022	184,766,362	651,197,095	835,963,457	0.221	0.779
2023	175,116,921	771,837,721	946,954,642	0.185	0.815
2024	173,111,194	789,405,338	962,516,532	0.180	0.820

Source: Secondary Data, 2025 (processed)

Based on Table 6, it can be explained that during the period 2017 to 2024, the percentage of equity of PT Satya Agung experienced a drastic decline from 43.5% in 2017 to only 18.0% in 2024. This indicates that the company increasingly relies on external funding (debt) rather than internal funding (equity) to finance its operational and investment activities. Furthermore, the proportion of debt in the capital structure increases sharply from 56.5% in 2017 to 82.0% in 2024. This reflects that almost all of the company's financing at the end of the period depends on debt. The company's total equity and liabilities (assets) increase significantly from IDR 365 billion in 2017 to IDR 962 billion in 2024, indicating growth in the scale of operations.

Table 7. Discount Table and NPV of PT Satya Agung

Year	Equity	Debt	Cost of Equity(T_o)	Cost of Debt(K_d)	WACC	FCFF	Discount Factor	NPV FCFF
2017	0.435	0.565	16.88%	9.21%	11.40%	720,221	0.897666	646,518
2018	0.462	0.538	16.88%	9.21%	11.66%	7,298,293	0.896057	6,539,689
2019	0.386	0.614	16.88%	9.21%	10.93%	6,746,005	0.812647	5,482,121
2020	0.332	0.668	16.88%	9.21%	10.40%	10,995,115	0.743178	8,171,327
2021	0.256	0.744	16.88%	9.21%	9.67%	4,716,559	0.691271	3,260,423
2022	0.221	0.779	16.88%	9.21%	9.33%	13,634,139	0.640182	8,728,326
2023	0.185	0.815	16.88%	9.21%	8.98%	12,005,278	0.567873	6,817,469
2024	0.180	0.820	16.88%	9.21%	8.93%	5,668,945	0.598570	3,393,261
Total								43,039,134

Source: Secondary Data, 2025 (processed)

Based on Table 7, it can be explained that the Weighted Average Cost of Capital (WACC) of PT Satya Agung shows a downward trend from 11.40% in 2017 to 8.93% in 2024. This decrease occurs along with the increasing proportion of debt in the capital structure (see Table 4.7), because the cost of debt is cheaper than the cost of equity and can reduce the average overall cost of capital.

PT Satya Agung's Free Cash Flow to the Firm (FCFF) has fluctuated significantly, reaching a high of Rp 13.63 billion in 2022 and a low of Rp 720 million in 2017. However, the overall trend shows an increase in net operating cash flow, reflecting the company's growing operational performance and efficiency over time.

Table 8. WACC Projection of PT Satya Agung

Year	Equity	Debt	Cost of Equity (To)	Cost of Debt (Kd)	WACC
2025	0.250	0.750	16.88%	9.21%	9.61%
2026	0.250	0.750	16.88%	9.21%	9.61%
2027	0.250	0.750	16.88%	9.21%	9.61%
2028	0.250	0.750	16.88%	9.21%	9.61%
2029	0.250	0.750	16.88%	9.21%	9.61%
2030	0.250	0.750	16.88%	9.21%	9.61%
2031	0.250	0.750	16.88%	9.21%	9.61%
2032	0.250	0.750	16.88%	9.21%	9.61%
2033	0.250	0.750	16.88%	9.21%	9.61%
2034	0.250	0.750	16.88%	9.21%	9.61%

Source: Secondary Data, 2025 (processed)

Based on Table 8, PT Satya Agung's Weighted Average Cost of Capital (WACC) projection for the period 2025 to 2034 shows a stable value of 9.61% annually. This is due to the fixed capital structure composition, with a proportion of equity of 25% and debt of 75%, and the assumption that the Cost of Equity (Ke) remains at 16.88% and the Cost of Debt (Kd) at 9.21% throughout the period.

This financing structure reflects PT Satya Agung's continued high-leverage strategy, predominantly funded through debt. While this structure lowers the WACC (because the cost of debt is lower than the cost of equity), it also implies increased financial risk that must be carefully managed, particularly in light of fluctuations in revenue and debt interest payments.

Table 9. Revenue History

Year	PT Sisirau	Growth	PT Satya Agung	Growth
2017	326,786,401		29,497,769	
2018	322,308,035	-1.37%	26,468,140	-10.27%
2019	233,666,747	-27.50%	24,927,703	-5.82%
2020	274,711,601	17.57%	28,353,771	13.74%
2021	467,282,227	70.10%	129,226,875	355.77%
2022	421,810,611	-9.73%	241,349,102	86.76%

2023	292,925,111	-30.56%	235,619,455	-2.37%
2024	294,025,265	0.38%	266,799,373	13.23%
Average	329,189,500	2.70%	122,780,274	64.4%

Source: Secondary Data, 2025 (processed)

Based on historical revenue for the period 2017 to 2024, PT Sisirau showed an average annual revenue of Rp329,189,500, which is significantly higher than PT Satya Agung which recorded an average revenue of Rp122,780,274. This indicates that PT Sisirau has a larger business scale and more stable sales volume overall. However, PT Sisirau experienced quite sharp revenue fluctuations from year to year, including significant declines in 2019 and 2023. Meanwhile, although PT Satya Agung's revenue value is still lower, this company showed a very high average annual growth of 64.4%, far exceeding PT Sisirau which was only 2.70%.

Table 10. Projection Calculation Results

Year	PT Sisirau	PT Satya Agung
2025	451,133,000	451,133,000
2026	458,106,000	458,106,000
2027	464,558,000	464,558,000
2028	464,737,000	464,737,000
2029	465,744,000	465,744,000
2030	465,047,000	465,047,000
2031	464,246,000	464,246,000
2032	463,398,000	463,398,000
2033	463,398,000	463,398,000
2034	463,398,000	463,398,000

Source: Secondary Data, 2025 (processed)

This revenue projection is used as the basis for calculating future cash flows using the DCF approach. The assumed growth reflects conservatism and takes into account the palm oil plantation life cycle, market risks, and production capacity. The year-over-year decline in growth also reflects a conservative approach to long-term projections.

Table 11. Comparison of Income of PT Sisirau and PT Satya Agung

Indicator	PT Sisirau	PT Satya Agung
Total Present Value (Rp Thousand)	512,606,528	926,898,621
Cash (+)	1,245,991,172	3,007,578,305
Bank debt	(85,486,654)	(85,486,654)
Leasing debt	17,658	-
Post-employment benefit debt	(7,338,731)	(952,937)
Indicated Value of 100% equity (Rp Thousand)	1,665,789,973	3,848,037,335

Source: Secondary Data, 2025 (processed)

Based on Table 11, it can be seen that PT Satya Agung has a significantly greater financial performance than PT Sisirau, both in terms of total present value, available cash, and the company's equity indication value.

In terms of Total Present Value (TPV), PT Satya Agung recorded a value of Rp926.90 billion, nearly double that of PT Sisirau, which was Rp512.61 billion. This difference indicates that PT Satya Agung's future cash flow generation is significantly greater, reflecting more promising business prospects and profitability.

Meanwhile, PT Satya Agung's cash position is also significantly stronger, at Rp3.01 trillion, compared to Rp1.25 trillion at PT Sisirau. This substantial cash availability provides significant flexibility for operations and business expansion.

RESULTS AND DISCUSSION

Valuation Analysis with Income Approach

Company value assessment using the Income approach, specifically the Discounted Cash Flow (DCF) method, provides a comprehensive overview of an entity's potential economic value based on projected future cash flows discounted to their present value. In this study, the DCF method was used to evaluate the equity value of two palm oil plantation companies, PT Sisirau and PT Satya Agung.

The Free Cash Flow to the Firm (FCFF) projection shows that PT Satya Agung consistently generates a higher FCFF value than PT Sisirau throughout the projection period from 2025 to 2034. In the initial projection year (2025), PT Sisirau's FCFF value was recorded at IDR 65.16 million, while PT Satya Agung reached IDR 73.58 million. This difference continues to increase, until in 2034, PT Satya Agung's FCFF reaches IDR 171.42 million, more than double PT Sisirau's FCFF which is only IDR 77.53 million.

Capital Structure and Its Impact on WACC

A company's capital structure plays a crucial role in determining the Weighted Average Cost of Capital (WACC), which is the discount factor in the DCF method. WACC reflects the average cost of all of a company's funding sources, both debt and equity, adjusted for their proportion in the capital structure.

PT Sisirau exhibited a relatively balanced capital structure, with equity at 50.1% and debt at 49.9% at the end of 2024. In 2017, its equity reached 88.4%, indicating that the company initially relied heavily on equity funding. However, significant structural changes have occurred over time, reflecting a shift in its financing strategy toward external funding.

Interpretation of Equity Value Based on DCF

The equity value calculation using the DCF method yields a cumulative Net Present Value (NPV) of FCFF of Rp80.22 billion for PT Sisirau and Rp43.04 billion for PT Satya Agung. This figure indicates that, based on net operating cash flows discounted at their respective WACCs, PT Sisirau provides greater economic added value.

However, when considering all elements of equity valuation, including available cash and the company's liabilities, the final result reveals a different picture. The total present value of PT Satya Agung's assets is recorded at IDR 926.90 billion, significantly higher than PT Sisirau's IDR 512.61 billion. PT Satya Agung's cash holdings are also significantly larger (IDR 3.01 trillion) than PT Sisirau's (IDR 1.25 trillion).

Revenue Growth and Business Scale

In terms of historical revenue (2017–2024), PT Sisirau recorded an average annual revenue of Rp329.19 million, significantly higher than PT Satya Agung's Rp122.78 million. This indicates that PT Sisirau has a larger business scale and is well established in its industry.

However, PT Sisirau's revenue growth is relatively low, at only 2.70% per year. There have even been significant revenue fluctuations, particularly in 2019 and 2023. This indicates market instability or challenges that have not been addressed with an appropriate growth strategy.

IPO Feasibility Evaluation

Considering all aspects of FCFF, WACC, equity value, capital structure, cash position, and growth trends, it can be concluded that PT Satya Agung has more ideal characteristics for carrying out an Initial Public Offering (IPO).

CLOSING

Conclusion

Based on the results of the analysis of the valuation of the companies PT Sisirau and PT Satya Agung using two main approaches, namely the income approach, the following conclusions can be drawn:

1. The income statement for PT Sisirau and PT Satya Agung was calculated using the Discounted Cash Flow (DCF) method by calculating FCFF and discounting it using their respective WACC. As a result, PT Sisirau has a higher FCFF NPV (Rp80.22 billion), but PT Satya Agung's equity value is higher (Rp3.85 trillion) due to its significantly stronger cash position and high performance growth.
2. Based on the valuation and financial analysis, PT Satya Agung is more suitable for an Initial Public Offering (IPO) due to its higher equity valuation, high revenue growth, and more promising financial projections compared to PT Sisirau. Several key indicators supporting PT Satya Agung's suitability are:
 - a. Significant Equity Valuation
PT Satya Agung's equity value reached Rp3.85 trillion, nearly double that of PT Sisirau. This reflects the company's strong financial position and attractiveness to public investors.
 - b. Very High Revenue Growth
PT Satya Agung has recorded an aggressive revenue growth trend, which is a strong signal of attractive return potential for medium- and long-term investors.
 - c. Excellent Liquidity

With a cash position of over Rp3 trillion, the company has high flexibility in meeting operational needs, paying short-term liabilities, and funding post-IPO expansion without liquidity pressure.

d. Low WACC

PT Satya Agung's Weighted Average Cost of Capital (WACC) level is relatively low, so that capital cost efficiency can support investment financing and increase the company's value after going public.

PT Sisirau is not yet eligible for an IPO because:

- a. At the peak of the projection in 2034, PT Sisirau's FCFF only reached IDR 77.5 billion, a relatively small figure compared to the capital requirements and investor expectations for a company ready to go public.
- b. In terms of valuation, although PT Sisirau recorded a total NPV of FCFF of Rp80.22 billion, the company's equity value is only around Rp1.67 trillion. Cash availability is also limited, at Rp1.25 trillion, indicating that the company does not yet have sufficient cash reserves to support aggressive expansion or post-IPO liquidity. Furthermore, PT Sisirau's liability structure is less than ideal due to a substantial post-employment benefit debt burden of Rp7.34 billion, plus the existence of leasing debt, which could hinder the company's financial flexibility in the future.

Suggestion

Based on the results of the research that has been conducted, the researcher provides several suggestions that are expected to be input for companies and related parties in the process of assessing equity value and IPO plans:

1. For PT Satya Agung

Given that the Discounted Cash Flow valuation results indicate a high equity value and strong cash flow projections, PT Satya Agung is advised to immediately prepare for an IPO with a transparent, data-driven valuation strategy. The company should also strengthen financial communications with potential investors by preparing a prospectus that details cash flow projections, growth assumptions, and expansion strategies. Furthermore, PT Satya Agung needs to maintain operational efficiency and cash management to ensure consistent growth leading up to and after the IPO.

2. For PT Sisirau

The valuation results indicate that although PT Sisirau has the potential for stable cash flow, its equity value still lags behind that of PT Satya Agung. Therefore, PT Sisirau is advised to postpone its IPO plans until the company has significantly improved its financial performance. The company can first focus on optimizing land productivity, operational cost efficiency, and strengthening its cash position. Furthermore, improvements to its capital structure and diversification of revenue sources are also important to strengthen future free cash flow.

3. For Appraisers

It is recommended that appraisals rely on more than one approach, but rather combine the cash flow method (DCF/FCFF), the market approach, and the asset-based approach. This provides a more comprehensive picture of the company's actual fair value than simply looking at the current asset value. It is recommended to conduct a sensitivity analysis on key variables (discount rate/WACC, revenue projections, and profit margins). This helps assess how changes in assumptions affect the company's value and provides more reliable decision-making guidance.

REFERENCES

- Adnyana, Made, I. 2020. Investment and Portfolio Management. Ed. Melati. Jakarta: LPU-UNAS.
- Amri, N. F. (2025). Entity Theory. e-accounting.com.
- Arsha, MRMI, Rihayanam, GI, and Swara, VAANN 2022. Estimation of Fair Entity Price Value of PT. Bukalapak.com Tbk When Conducting IPO in 2021. JIMAT, 13 (2), 671-681.
- BPS. 2023. Indonesian Statistics 2023. Jakarta: BPS.
- Brighman, F., Eugene and Daves, R., Phillip. 2006. Intermediate Financial Management. Ninth Edition. South-Western College Pub.
- Damodaran, A. (2002). Damodaran on Valuation, Security Analysis for Investment and Corporate Finance, 2nd Edition. John Wiley & Son, Inc. New Jersey
- Damodaran, A. (2012). Investment valuation: Tools and Techniques for Determining the Value of any Asset (Vol. 666). John Wiley & Sons
- Desiyanti, Rika. 2012. Investment and Portfolio Theory. Padang: Bung Hatta University Press.
- Directorate General of Plantations, Ministry of Agriculture, Republic of Indonesia. 2023. National Superior Plantation Statistics 2019-2023. Jakarta: Directorate General of Plantations.
- Fakhruddin, Shopian and Hardianto, 2001, Investment Analysis Tools and Models in the Capital Market, Book 1, Pt Alex Media Komputindo, Jakarta.
- Fasisal, A., Samben, R., and Pattisahusiwa, S. 2017. Financial Performance Analysis. Performance, 14 (1), 6-15.
- Fransiskus Paulus Paskalis (2016), Getting Closer to the Indonesian Capital Market, Yogyakarta: Deepublish
- Ganefi, SH, Prasetyono, A., and Amalia, RM 2023. Fundamental entity valuation using the dividend discount model and price earning ratio methods for investment decisions. JREB, 16 (1), 68-80.
- Harmono. (2009). Financial Management: Theory and Application. Jakarta: Bumi Aksara.
- Hartono, Jogiyoanto. 2022. Portfolio and Investment Analysis: A Module Approach. Yogyakarta: ANDI Publisher.
- Hidayat, Wahyu, Wastam. 2018. Basics of Financial Statement Analysis. Ponorogo: Uwais, Indonesia's Inspiration.

- Halim, A. 2010. Basics of Cost Accounting. 4th Edition. Yogyakarta: BPFE Husnan, S. (2000). Financial Management. Yogyakarta: UPP AMP YKPN Isnaini, Nor and Nunung Ghoniyah. 2013. Analysis of Entity Investment Risk in Companies Listed on the Jakarta Islamic Index (JII). Economic and Management Media. Vol. 28. No. 2
- Jones, PC, Utama, S., Frensidy, B., Ekaputra, AI, and Budiman, UR 2008. Investments Analysis and Management: An Indonesian Adaptation. Tenth Edition. Jakarta: Salemba Empat.
- Julia, Permata, Azkhiya and Hendrawan, Riko. 2021. Stock Valuation on IDX- Listed Retail Companies Using DCF with FCFF and Relative Valuation. *Theijbm*, 9(7), 253-259.
- Kieso, ED, Kimmel, DP, and Weygandt, JJ 2018. Accounting Principles. Thirteenth Edition. Hoboken: John Wiley & Sons, Inc.
- Lesmana, Theresia and Sun, Yen. 2013. Business Valuation and Estimation of Intrinsic Value of PT. Garuda Indonesia (Persero), Tbk during the February 2011 IPO. *Binus Business Review*, 4 (1), 253-259.
- Lubis, Aurora, Tona. 2016. Investment Management and Financial Behavior: Theoretical and Empirical Approaches. Jakarta: Salim Media Indonesia.
- MAPPI .2018. Indonesian Appraiser Code of Ethics & Indonesian Appraisal Standards (KEPI & SPI) (7th Edition). Jakarta: MAPPI.
- Mardalis. 2008. Research Methods: A Proposal Approach. Jakarta: Bumi Aksara.
- Nazir, M. 2011. Research Methods. Jakarta: Ghalia Indonesia
- Nugraha, Septian, Egananda and Sulasmiyati, Sri. 2017. Analysis of Intrinsic Value of Entities with Relative Valuation Techniques (Study of Cigarette Sub-Sector Companies Listed on the Indonesia Stock Exchange in the 2013-2016 Period). *JAB*, 52 (1), 106-113.
- Pratt, P., Shannon and Niculita, V., Alisa. 2008. Valuing a Business: The Analysis and Appraisal of Closely Held Companies. Fifth Edition. New York: The McGraw-Hill Companies, Inc.
- Schmidlin, Nicolas. 2014. The Art of Company Valuation and Financial Statement Analysis. John Wiley & Sons Ltd.
- Setianto, Buddy. 2016. Revealing Institutional Investor Strategies as the Main Driver of Entity Price Increases. Jakarta. Bumisaka Kurnia.
- Sukamulja, Sukmawati. 2022. Financial Statement Analysis as a Basis for Investment Decision Making. Revised Edition. Yogyakarta: ANDI Publisher.
- Tandelilin, Eduardus. 2010. Portfolio and Investment: Theory and Application. First edition. Yogyakarta: Kanisius
- Trisliatanto, Agung, Dimas. 200. Research Methodology: A Complete Guide to Easy Research. Yogyakarta: ANDI Publisher.

