Analysis of Intrinsic Value of Shares with DDM and PER Approach as Basis for Investment Decisions

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Abstract. This research includes quantitative descriptive research aimed at analyzing the intrinsic value of stocks as well as providing advice on investment decisions, with the object of the research being companies that are listed in the LQ45 index, using DDM and PER approaches. Sampling is done with purposive sampling techniques. The analysis results indicate that 16 companies are undervalued. The investment decision that can be considered is to buy the shares. While one company's stock is in an overvalued state, so the recommended investment decision is to sell the stock.

Keywords: Dividend Discount Model, Investment Decision, Intrinsic Value of Stock, Price Earning Ratio.

1 Introduction

The current situation in the Middle East, namely the Israeli-Palestinian conflict, as well as Russia and Ukraine, has led to increased deglobalization. US support for Israel could worsen trade relations between the US and the Middle East. This could lead to inflation as well as rising global interest rates, which would eventually lead to deteriorating global economic growth [1]. The global financial markets also face new geopolitical uncertainty as a result of the Israeli-Palestinian conflict. Investors expect this conflict to raise new concerns and have an impact on market participants [2]. This conflict may heighten investors' interest in transferring their existing funds to safe-haven assets. Investors are making this move as they assess the geopolitical risks to the markets in the Middle East [3]. In an interview with [4], Oktavianus Audi, Capital Market Observer of PT Dimanika Gelora Satya, said that although the impact of the Israeli-Palestinian conflict on the market appears to have begun to diminish, investors remain obliged to be alert to new developments whose effects could re-escalate the panic over inflation. Regarding the call for a boycott of Israeli-affiliated products, Octavianus responded that the call must have a negative effect on the issuer, that is on the price of the company's shares.

According to Michell and Warren in [5], for investors who typically buy stocks for the long term, the current market conditions present an opportunity for a sale-and-purchase transaction of stocks, as these investors often make decisions that are contrary to market trends. Investment decisions significantly impact investors during their

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investing journey [6]. The magnitude of the potential losses and gains will be determined directly. Therefore, consistent stock valuation is necessary to assess the company's performance [7]. Technical and fundamental analysis are two methods that can be used when valuing stocks. Capital, assets, income, and other financial statements that are expected to support the stock market form the basis of fundamental research [8]. According to Tandelilin in [9], stocks calculations can generate intrinsic value, which can then be used as a comparison material with the market closing price to help investment decisions. According to Husain in [10], intrinsic value is the original value of a stock. To make an investment decision, investors must be able to rate stocks.

Dwiyono, in [8], stated that stock valuation could fundamentally be done with various approaches. DDM and PER are two approaches that can be used to find out the intrinsic value of stocks. Once the instrumental value of a stock is known, investors can generate investment decisions by comparing the price of the stock with the intrinsic value of the share. There are three conditions of stock after comparison, namely undervalued, overvalued, and correctly valued.

Research on the analysis of intrinsic stock value using the DDM and PER approaches has previously been conducted by Ganefi, Prasetyono, and Amalia (2023), which found that out of 12 selected banking subsector companies, 10 were in an undervalued condition and 2 were in an overvalued condition. Ain & Fadila (2023) demonstrated that the DDM approach is the most accurate method for determining intrinsic value compared to the PER and PBV approaches. Masruroh et al. (2023) found that out of 5 selected banking companies, 2 were in an undervalued condition and 3 were in an overvalued condition.

The LQ45 index is one of the stock indices currently available in the IDX. It is important to note the valuation of the shares included in the LQ45 index, given their high market capitalization and inclusion of options with the highest liquidity compared to stocks not listed in the index. Based on the background description, the purpose of this research is to analyze the intrinsic value of stocks as well as to advise stock investment decisions to investors in companies listed in the LQ45 index using DDM and PER approaches.

2 Theoretical Review

2.1 Investment

An investment is an action that allocates your current financial resources with the potential for future profit. In general, there are two types of assets that can be used as a means of investment, namely real assets like gold and real estate, as well as financial assets such as deposits, stocks, and bonds [11]. Investors are those who make investments. According to Rusdin in [12], shares are certificates that become a company's mark, and shareholders have the right to claim the company's profits and assets.

2.2 Assessment of Stock Prices

In [13], it is mentioned that financial statements are the result of many steps taken to record and summarize data on company transactions. An integral component of financial analysis is ratio analysis. Financial ratio analytics help to assess the performance and financial health of a company as they can highlight significant relationships between different estimates in financial reports. The fundamental analysis ratio used to find the intrinsic value of the stock consists of return on equity, earnings per share, dividend per share, and dividend payout ratio. ROE aims to provide insight into the efficiency with which companies use their equity to generate net profit [14]. Syamduddin in [12] shows that EPS is the amount of money generated from each regular stock sheet. As described by Rahardjo in [12], DPS is the dividend to be received by the shareholders fixed on RUPS. The DPR indicates the percentage of the total profit that the company will distribute as a dividend. Hanafi in [12] explains that the DPR ratio will have a low value for fast growing companies and a high value for slow growing companies.

In order for the investment decision chosen to be wise or correct, investors are required to evaluate the stocks they are in demand for. There are two basic types of stock valuation: fundamental and technical analysis. As suggested by Wefi in [15], technical analysis in the stock market operates on the assumption that the current situation is influenced by past events. Technical analysis is a method that studies past price trends and projects for the future. Fundamental analysis involves valuing a company's stock by checking its financial statistics, including income, sales, and other relevant factors. Fundamental analyses involve valuing the value inherent in a stock and comparing it to its market price to ensure that the market price accurately represents the actual value of the stock [16]. In [12], there are two fundamental methods commonly used in stock valuation, namely:

1. Dividend Discount Model (DDM)

The DDM is a valuation that sees the rate of growth as a determinant of the stock price [17]. One model that uses the present value method that uses dividends as the basis of valuation is the constant growth model, this model assumes that each year, the profits earned by the company are at the same level (Halim in [18]).

2. Price Earning Ratio (PER)

According to Tandelilin in [12], the PER approach is a popular approach used by stock analysts, as well as practitioners. PER is a measure of the amount of rupiah that investors are willing to pay for each rupiah of profit obtained and calculated, by comparing the current stock market price with EPS.

2.3 Investment Decisions

According to Husnan in [12], one of the purposes of stock analysis is to first determine the intrinsic value of a company and then evaluate the value in relation to the current market price. Here's the guidelines used:

1. The stock is considered undervalued, if intrinsic value > current market price, so the stock should be purchased or held if already owned.

2. The stock is considered overvalued, if intrinsic value < current market price, so it should be sold.
3. If if intrinsic = current market price, the stock is considered fair price and is in a state of balance (correctly valued).

3 Research Methods

The research method used is quantitative descriptive. The research uses secondary data from the IDX website, which is a summary data on the performance of LQ45 companies. The research focuses on the intrinsic value of companies that are listed in the 2019-2023 lQ45 index as the subject of the research. In this study, the purposive sampling technique is used as a sample-taking technique. The criteria used, namely:

1. Companies that entered the LQ45 index during 2019 to 2023.
2. Companies that are listed annually in the LQ45 stock list during 2019 to 2023.
3. Companies that during the year 2019 to 2023, consistently distributed deviden.
4. Companies that have full financial statements data for 2019 to 2023

Based on the sample selection criteria, there are 17 companies that meet the criteria: ADRO, ANTM, ASII, BBCA, BBNI, BBRI, BMRI, EXCL, INKP, INTP, ITMG, KLBF, PTBA, SMGR, TLKM, UNTR, and UNVR. Documentation methods are used to gather research data. The financial data used is profits after taxes, total equity, amount of shares in circulation, dividends paid, and share closing price. Financial ratio analysis will be done using the data. The stages of the analysis performed, as follows:

1. Analysis of the Financial Ratio of Intrinsic Value of Shares
   1) Return On Equity (ROE)
   $$ROE = \frac{Net\ Profit\ After\ Tax}{Stockholders\ Equity} \quad (1)$$
   2) Earning Per Share (EPS)
   $$EPS = \frac{earning\ available\ for\ common\ stock}{number\ of\ share\ of\ common\ stock\ outstanding} \quad (2)$$
   3) Dividend Per Share (DPS)
   $$DPS = \frac{dividend\ paid}{number\ of\ share\ of\ common\ stock\ outstanding} \quad (3)$$
   4) Dividend Payout Ratio (DPR)
   $$DPR = \frac{Dividend\ Per\ Share}{Earning\ Per\ Share} \quad (4)$$
2. Calculate Intrinsic Value with Dividend Discount Model (DDM)
   1) Calculate the expected rate of dividend growth (g)
   $$g = ROE\ x\ (1\text{-}DPR) \quad (5)$$
   2) Determine the estimate of the expected dividend in the future
   $$D_t = D_0\ (1 + g) \quad (6)$$
   3) Determine the expected return (k)
   $$k = \frac{D_0}{P_0} + g \quad (7)$$
   4) Calculate the intrinsic value with constant growth DDM
   $$P_0^* = \frac{D_t}{k-g} \quad (8)$$
3. Calculating Intrinsic Value with Price Earning Ratio Method (PER)

1) Calculate the expected rate of dividend growth (g)

$$g = ROE\ x\ (1\text{-}DPR) \quad (9)$$

2) Determine Estimated Cash EPS

$$EPS_1 = EPS_0\ (1 + g) \quad (10)$$

3) Determine the expected return (k)

$$k = \frac{D_0}{P_0} + g \quad (11)$$

4) Calculating Price Earning Ratio (PER)

$$PER = \frac{D_t/EPS_1}{k-g} \quad (12)$$

5) Calculate the Intrinsic Value of Stock

$$Intrinsic\ value\ (\text{IV}) = EPS\ estimate\ x\ PER \quad (13)$$

4. Comparing Intrinsic Value of Stock with Stock Price and Investment Decision Making

Table 1. Criteria for Comparing Intrinsic Value of Stock with Stock Price and Investment Decision Making.

Description	Market Price Conditions	Investment Decision
Intrinsic value > market value	*Undervalued*	Buying stock
Intrinsic value < market value	*Overvalued*	Selling stock
Intrinsic value = market value	*Correctly valued*	Holding stock

4 Result And Discussion

4.1 Financial Ratio Analysis of Intrinsic Value of Shares

Assessment of the intrinsic value of stocks using DDM and PER approaches requires financial ratio data for companies, consisting of ROE, EPS, DPS, and DPR. The development of financial ratios in time series from 2019 to 2023 for each of the companies studied is shown in the table below.

Table 2. Financial Ratio Analysis.

No.	Stock Code	Financial Ratio	2019	2020	2021	2022	2023	Average
1.	ADRO	ROE (in %)	10,84	3,96	22,57	41,38	24,24	20,60
		EPS (in Rp)	175,66	64,79	426,89	1.265,69	819,41	550,49
		DPS (in Rp)	109,61	65,93	301,23	429,08	409,74	263,12
		DPR (in %)	62,40	101,76	70,56	38,88	50	64,72
2.	ANTM	ROE (in %)	1,07	6,04	8,93	16,11	10,04	8,44
		EPS (in Rp)	8,07	47,83	77,47	159	128,07	84,09
		DPS (in Rp)	2,82	16,74	38,74	79,50	128,07	53,17
		DPR (in %)	35	35	50	50	100	54
3.	ASII	ROE (in %)	14,68	10,38	11,74	15,06	17,04	13,78

No.	Stock Code	Financial Ratio	2019	2020	2021	2022	2023	Average
		EPS (in Rp)	536,19	399,27	498,87	714,96	835,87	597,03
		DPS (in Rp)	213,99	114	239,01	639,99	519	345,20
		DPR (in %)	39,91	28,55	47,91	89,51	62,09	53,59
4.	BBCA	ROE (in %)	16,41	14,70	15,50	18,43	20,07	17,02
		EPS (in Rp)	1.158,59	1.100,43	254,90	330,45	394,56	647,79
		DPS (in Rp)	555	530	145	205	270	341
		DPR (in %)	47,90	48,16	56,89	62,04	68,43	45,31
5.	BBNI	ROE (in %)	12,56	2,98	8,81	13,48	13,93	10,35
		EPS (in Rp)	824,96	176,09	585,03	981,95	561,23	625,85
		DPS (in Rp)	206,24	44,02	146,26	392,78	280,61	213,98
		DPR (in %)	25	25	25	40	50	33
6.	BBRI	ROE (in %)	16,66	8,22	10,76	17,10	19,30	14,41
		EPS (in Rp)	280,87	152,17	205	338,72	398,56	275,06
		DPS (in Rp)	168,52	98,91	174,25	287,91	319	209,72
		DPR (in %)	60	65	85	85	80,04	75,01
7.	BMRI	ROE (in %)	13,40	8,87	13,69	17,93	21,11	15
		EPS (in Rp)	588,90	360,26	601,06	882,23	598,93	606,28
		DPS (in Rp)	353,34	220,27	360,64	529,34	353,96	363,51
		DPR (in %)	60	61,14	60	60	60	60,23
8.	EXCL	ROE (in %)	3,73	1,94	6,41	4,33	4,82	4,25
		EPS (in Rp)	66,67	34,89	120,71	84,87	97,24	80,88
		DPS (in Rp)	19,93	31,76	51	42	48,62	38,66
		DPR (in %)	29,89	91,01	42,25	49,49	50	52,53
9.	INKP	ROE (in %)	6,85	6,92	11,08	15,30	6,86	9,40
		EPS (in Rp)	697,14	758,11	1.374,69	2.465,65	1.159,41	1.291
		DPS (in Rp)	50	50	50	50	50	50
		DPR (in %)	7,17	6,60	3,64	2,03	4,31	4,75
10.	INTP	ROE (in %)	7,95	8,15	8,67	9,42	9,30	8,70
		EPS (in Rp)	498,56	490,69	503,83	536,98	568,41	519,69
		DPS (in Rp)	500	725	490,23	160	90	393,05
		DPR (in %)	100,29	147,75	97,30	29,80	15,83	78,19
11.	ITMG	ROE (in %)	14,55	4,62	39,33	61,38	27,99	29,57
		EPS (in Rp)	1.640,73	507,69	6.188,38	16.707,6	6.826,21	6.374,12
		DPS (in Rp)	1.275	474	4.344,01	10.544	4.407	4.208,80
		DPR (in %)	77,71	93,36	70,20	63,11	64,56	73,79
12.	KLBF	ROE (in %)	15,77	15,70	16,26	16,59	12,92	15,45
		EPS (in Rp)	53,48	58,31	67,92	73,12	59,81	62,53
		DPS (in Rp)	20	34	35	38	31	31,60
		DPR (in %)	37,40	58,31	51,53	51,97	51,83	50,21
13.	PTBA	ROE (in %)	22,22	14,24	32,87	43,78	28,49	28,32
		EPS (in Rp)	362,53	213,41	688,51	1.094,05	531,54	578,01

No.	Stock Code	Financial Ratio	2019	2020	2021	2022	2023	Average
		DPS (in Rp)	326,28	74,69	688,51	1.094,05	398,65	516,44
		DPR (in %)	90	35	100	100	75	80
14.	SMGR	ROE (in %)	7,41	8,17	5,59	5,53	5,02	6,34
		EPS (in Rp)	403,29	470,76	340,75	350,27	321,48	377,31
		DPS (in Rp)	40,33	188,30	172,64	245,19	84,73	146,24
		DPR (in %)	10	40	50,66	70	26,36	39,40
15.	TLKM	ROE (in %)	18,75	20,29	20,35	16,06	18,09	18,71
		EPS (in Rp)	188,40	210,01	249,94	209,49	247,92	221,15
		DPS (in Rp)	154,06	168,01	149,97	167,60	178,50	163,63
		DPR (in %)	81,78	80	60	80	72	74,76
16.	UNTR	ROE (in %)	19,43	9,96	14,99	24,80	26,01	19,04
		EPS (in Rp)	3.032,62	1.609,38	2.755,85	5.783,65	5.675,35	3.771,37
		DPS (in Rp)	1.213	644	1.240	7.008,76	2.270	2.475,15
		DPR (in %)	40	40,02	45	121,18	40	57,24
17.	UNVR	ROE (in %)	139,97	145,09	133,25	134,21	141,99	138,90
		EPS (in Rp)	968,92	187,77	150,93	140,62	125,84	314,82
		DPS (in Rp)	965	187	150	140	140	316,40
		DPR (in %)	99,60	99,59	99,38	99,56	111,25	101,88

Source: Processed Data (2024)

Referring to the data presented in table 2, it can be seen that the development of the financial ratio of each company during the observation year has fluctuated. A company that consistently increases its Return on Equity (ROE) ratio over time is likely to demonstrate strong management capabilities. On the contrary, a decrease in the ROE over time can indicate a company's obstacle to earning profits. If a company is losing and has negative equity, its ROE can look very high. Investors should check whether the company's profits and equity both show positive results.

The fluctuation of the company's EPS is influenced by the company's net profit and the number of shares outstanding. An increase in EPS can occur because the company's net profit increases and the number of shares outstanding remains the same, or because the company's net profit remains the same but the number of shares outstanding decreases. A decrease in EPS can be caused by the company's net profit remaining the same and the number of shares outstanding increasing, or by the company's net profit decreasing with the number of shares outstanding remaining the same.

An increase in the DPS ratio will provide a positive outlook for investors. Investors have an interest in investing their money in companies that can generate a high DPS and experience an increase every year. Nevertheless, investors should pay attention to the causes of the large amount of DPS generated and the increase in DPS each year. A higher DPS does not always indicate that the company is improving. The company's profits, not allocated towards the company's development needs, may also contribute to a high DPS, and this can be a warning sign for the company's future development, which may also lead to losses for investors down the line.

In general, investors must look for companies that frequently distribute dividends and have high dividend values, but a high DPR rating does not necessarily indicate a good thing. Stocks with a high DPR usually have a background of established companies, or even fall into the category of blue-chip companies. Shareholders with a high DPR do not necessarily experience long-term, stable price growth. Increasing dividends suggest a smaller allocation of funds for corporate business expansion, whereas lower DPR figures suggest that corporations utilize the majority of their profits for business development. As a result, the company hopes to grow faster in the future. Stocks with a low DPR are usually companies that are actively expanding. If the company's business strategy runs smoothly, investors can expect to gain significant capital gains in the future. A good DPR is one whose value falls within the industry standard range.

4.2 Calculating Intrinsic Value with Constant Growth DDM And PER

The calculation of the intrinsic value of stocks with constant growth DDM and PER is presented in the table below.

Table 3. Intrinsic values with constant growth DDM and PER.

No.	Stock Code	g	Dt	k	EPS	PER	Intrinsic Value DDM	Intrinsic value PER
1.	ADRO	0,10	449,12	0,27	898,17	2,90	Rp 2.609	Rp 2.609
2.	ANTM	0,03	132,46	0,11	132,46	13,31	Rp 1.763	Rp 1.763
3.	ASII	0,06	550,55	0,15	886,68	6,76	Rp 5.993	Rp 5.993
4.	BBCA	0,07	289,54	0,10	423,11	23,82	Rp 10.080	Rp 10.080
5.	BBNI	0,07	299,31	0,12	598,61	9,58	Rp 5.733	Rp 5.733
6.	BBRI	0,04	330,21	0,09	412,57	14,36	Rp 5.926	Rp 5.926
7.	BMRI	0,06	375,12	0,12	625,20	10,26	Rp 6.412	Rp 6.412
8.	EXCL	0,02	49,70	0,05	99,40	20,57	Rp 2.044	Rp 2.044
9.	INKP	0,09	54,50	0,10	1.263,87	7,18	Rp 9,075	Rp 9.075
10.	INTP	0,02	91,94	0,03	580,64	16,54	Rp 9.602	Rp 9.602
11.	ITMG	0,10	4.828,61	0,27	7.479,25	3,76	Rp 28.104	Rp 28.104
12.	KLBF	0,08	33,39	0,10	64,42	26,92	Rp 1.734	Rp 1.734
13.	PTBA	0,04	413,48	0,20	551,31	4,59	Rp 2.531	Rp 2.531
14.	SMGR	0,04	88,06	0,05	334,14	19,91	Rp 6.652	Rp 6.652
15.	TLKM	0,05	187,03	0,09	259,77	15,93	Rp 4.139	Rp 4.139
16.	UNTR	0,07	2.434,50	0,17	6.086,61	3,99	Rp 24.265	Rp 24,265
17.	UNVR	-0,03	136,25	0,01	122,47	28,05	Rp 3,435	Rp 3,435

Source: Processed Data (2024)

Referring to Table 3, which presents the data for calculating the intrinsic value of stocks using the constant growth DDM method and PER, it can be observed that the intrinsic value of each company's stock calculated using the constant growth DDM method and PER yields the same intrinsic value.

4.3 Comparing Intrinsic Value of Stock with Stock Price and Investment Decision Making

The stock market price is taken from the closing price at the end of 2023. The results of the comparison between the stock market price and the intrinsic value of the stock will determine whether the stock market price is in undervalued, overvalued, or correctly valued conditions. The table below presents the stock condition by comparing the intrinsic value of the stock with the stock market price.

Table 4. Comparison of Intrinsic Value of Stock and Stock Price with DDM and PER Methods.

Stock Code	Intrinsic Value DDM	Intrinsic Value PER	Market Price	Stock Conditions	Investment Decision
ADRO	Rp 2.609	Rp 2.609	Rp 2.380	Undervalued	Buying stocks
ANTM	Rp 1.763	Rp 1.763	Rp 1.705	Undervalued	Buying stocks
ASII	Rp 5.993	Rp 5.993	Rp 5.650	Undervalued	Buying stocks
BBCA	Rp 10.080	Rp 10.080	Rp 9.400	Undervalued	Buying stocks
BBNI	Rp 5.733	Rp 5.733	Rp 5.375	Undervalued	Buying stocks
BBRI	Rp 5.926	Rp 5.926	Rp 5.725	Undervalued	Buying stocks
BMRI	Rp 6.412	Rp 6.412	Rp 6.050	Undervalued	Buying stocks
EXCL	Rp 2.044	Rp 2.044	Rp 2.000	Undervalued	Buying stocks
INKP	Rp 9.075	Rp 9.075	Rp8.325	Undervalued	Buying stocks
INTP	Rp 9.602	Rp 9.602	Rp 9.400	Undervalued	Buying stocks
ITMG	Rp 28.104	Rp 28.104	Rp 25.650	Undervalued	Buying stocks
KLBF	Rp 1.734	Rp 1.734	Rp 1.610	Undervalued	Buying stocks
PTBA	Rp 2.531	Rp 2.531	Rp 2.440	Undervalued	Buying stocks
SMGR	Rp 6.652	Rp 6.652	Rp 6.400	Undervalued	Buying stocks
TLKM	Rp 4.139	Rp 4.139	Rp 3.950	Undervalued	Buying stocks
UNTR	Rp 24.265	Rp 24.265	Rp 22.625	Undervalued	Buying stocks
UNVR	Rp 3.435	Rp 3.435	Rp 3.530	Overvalued	Selling stocks

Source: Data Processed (2024)

After conducting an intrinsic valuation of stocks using DDM and PER methods, with reference to Table 4, it can be seen that there are 16 companies that are undervalued. This condition implies that the stock market price is still lower than the stock's intrinsic value. Therefore, an investment decision that an investor can consider is to buy shares for an investor who has not already owned shares, and for an investor who already owns shares, it can increase the amount of investment that he owns because there is a possibility that the price of the stock will rise or that the investor will be able to sell shares when the share price rises again, while a company is in a condition of overvalued stock. This condition implies that the stock market price is higher than the stock's intrinsic value. So, the recommended investment decision is to sell the stock to those who already have the stock in order to avoid losses from the falling stock price, and then it is recommended not to buy the share for investors who have not already owned it.

5 Conclusions and Advices

5.1 Conclusions

Based on the research results, we conclude that 16 companies have undervalued stocks. This condition indicates that the stock price on the market is still cheaper when compared to the intrinsic value of the stock. Therefore, investment decisions that can be considered by investors are buying shares for investors who do not yet have stock, and for investors who have invested in these shares, they can increase the amount of investment they have because there is a possibility that the stock price will increase, or investors can sell shares when the stock price rises again. While one company is in overvalued stock conditions. This condition indicates that the stock price on the market is more expensive or high when compared to the intrinsic value of the stock. Therefore, the recommended investment decision is to sell shares for those who already have shares. In order to avoid losses from decreasing stock prices, it is advisable not to buy shares for investors who do not yet have shares. Investors must also consider the development of the company's fundamental variables analyzed using the ROE, EPS, DPS, and DPR ratios to make long-term investment decisions, in addition to the intrinsic value of the stock.

5.2 Advices

Based on the research results, we suggest that investors who prioritize dividend acquisition for long-term investments should first conduct an intrinsic value analysis of stocks using the DDM and PER approaches. The objective of this approach is to be mutually complementary as well as to help investors make investment choices, i.e., choices to buy, sell, and hold stocks. Second, for capital investors and potential investors interested in investing in companies listed in the LQ45 index, it is recommended not only to take into account the intrinsic value of stock and fundamental variables but also to be expected to consider external aspects such as macroeconomic, political, social, and company prospects in the future. Third, the investor is advised to combine fundamental and technical analysis in order to improve accuracy in making investment decisions. Although the intrinsic valuation of stocks with DDM and PER is a future-related estimate that has a degree of uncertainty, both approaches can be used as additional references for prospective capital investors in managing their investments.

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