IDENTIFICATION OF FIRM MULTIPLIER OF
COMPARABLE FIRM VALUATION METHOD ON
INDONESIAN IPO

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ABSTRACT

Objectives
The aim of this research is to find the relevant valuation measurement, firm multiplier, which is utilized by issuers or underwriters during IPO.

Method
Companies that conducted IPO, in the Indonesia Stock Exchange (IDX), within year 2001 to and 2007 are taken as sample. The hypotheses are developed to find the relevant valuation multiplier and the data are analyzed using One-Sample T Test, Kolmogorov-Smirnov (K-S) Test, and Binomial Test.

Results and Conclusion
The empirical results suggest that there are similarities and differences in valuation results when comparable firm valuation is utilizing different firm multiplier. Among the five methods, i.e. arithmetic mean, median, harmonic mean, closest ROA, and closest TA, in calculating the comparable multiplier, closest TA performs the worst in Indonesia capital market during 2001-2007. There is no statistical difference between selecting arithmetic mean, median, and harmonic mean. Closest ROA outperforms arithmetic mean and closest TA but has similar performance to median and harmonic mean.

Key words
IPO, Enterprise Value/Earnings Before Interest and Taxes (EV/EBIT), Multiple valuation, Comparable firms, Offering Price.