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STATE-OWNED OR STATE-OWED? EVALUATING INDONESIA'S DIVESTMENT RETURNS FROM PT VALE INDONESIA TBK.

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ABSTRACT

This study endeavors to predict and elucidate the prospective returns on governmental investments in the divestment shares of PT Vale Indonesia Tbk. Financial data were collated through the documentation technique, leveraging annual reports from the company. The financial information was subsequently analyzed employing a quantitative methodology— specifically, the discounted cash flow model—to ascertain the intrinsic value of the firm. The findings indicate that the intrinsic value of PT Vale Indonesia Tbk. surpasses its market price on the stock exchange, suggesting that the investment by the Indonesian government is poised to yield capital gains. However, the potential for dividend earnings appears limited due to the company's inconsistent history of dividend distribution. This research contributes to the enhancement of governmental investment strategies in divestment shares and provide valuation recommendations for PT Mineral Industri Indonesia, which has been designated by the Government of Indonesia to acquire shares in PT Vale Indonesia Tbk.

Keywords: *Investment; Shares; Divestment; Intrinsic Value; Dividend.*

ABSTRAK

Penelitian ini berusaha untuk memprediksi dan menjelaskan prospek imbal hasil dari investasi pemerintah dalam divestasi saham PT Vale Indonesia Tbk. Data keuangan dikumpulkan melalui teknik dokumentasi, dengan memanfaatkan laporan tahunan perusahaan. Informasi keuangan ini kemudian dianalisis dengan menggunakan metodologi kuantitatif-khususnya model arus kas yang didiskontokan-untuk memastikan nilai intrinsik perusahaan. Temuan menunjukkan bahwa nilai intrinsik PT Vale Indonesia Tbk. melampaui harga pasarnya di bursa saham, yang menunjukkan bahwa investasi pemerintah Indonesia siap untuk menghasilkan *capital gain*. Namun, potensi pendapatan dividen tampaknya terbatas karena sejarah pembagian dividen perusahaan yang tidak konsisten. Penelitian ini bertujuan untuk memberikan kontribusi pada peningkatan strategi investasi pemerintah dalam saham divestasi dan memberikan rekomendasi valuasi untuk PT Mineral Industri Indonesia, yang telah ditunjuk oleh Pemerintah Indonesia untuk mengakuisisi saham PT Vale Indonesia Tbk.

Kata Kunci: Investasi; Saham; Divestasi; Nilai Intrinsik; Dividen.

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1. INTRODUCTION

Within the framework of public administration, it is incumbent upon the government to actualize societal welfare. This objective is typically pursued through the allocation of state revenues towards fulfilling communal necessities via governmental expenditures. However, not all collected revenues are expended directly; a portion is earmarked for investment purposes. According to Bakroh (2020), government investment entails the allocation of funds into enterprises with the expectation of deriving financial returns. Such investments, particularly in state-owned enterprises, are categorized under the ambit of restricted state assets. As stipulated by the Law of the Republic of Indonesia Number 19 of 2003 concerning State-Owned Enterprises, restricted state assets comprise state resources derived from the national budget (APBN), intended for equity participation in public or private corporations. These investments by the government have subsequently generated returns for the state, manifesting as dividends.

Over the past decade, as depicted in Figure 1, dividends from state-owned enterprises have exhibited substantial growth. The average annual increase in dividend payouts received by the state has been quantified at 17.26 percent. Notably, the year 2023 marked a significant peak, with dividends surging by 102.22 percent. According to Government Regulation of the Republic of Indonesia Number 1 of 2008, which pertains to Government Investment, there is a pronounced emphasis on investments in the infrastructure sector. Nonetheless, this regulation does not preclude governmental investments in other sectors. For instance, the government has actively engaged in the mining sector by acquiring divestment shares in mining companies, as documented by Tambunan (2021). This strategy reflects a diversified investment approach to enhance state revenue generation.

According to Article 112(1) of the Law of the Republic of Indonesia Number 3 of 2020, which amends Law Number 4 of 2009 on Mineral and Coal Mining, foreign-owned business entities at the production operation stage are mandated to divest 51 percent of their shares progressively. This divestiture must be to the central government, local governments, state-owned enterprises (BUMN), regional-owned enterprises (BUMD), and/or national private enterprises. The detailed implementation of this regulation, outlined in Article 147(2) of Government Regulation Number 96 of 2021, specifies that the divestment should occur incrementally over six years: 5 percent in the fifteenth year, 10 percent in the sixteenth, 15 percent in the seventeenth, 20 percent in the eighteenth, 30 percent in the nineteenth, and finally 51 percent by the twentieth year of production. This staged divestment applies specifically to mining companies operating open-pit mines integrated with processing and/or refining facilities.

Regarding the provisions for share divestment, multiple foreign-owned mining entities have transferred ownership stakes to Indonesian entities. In 2009, the Indonesian Government successfully completed a 14 percent divestment in PT Newmont Nusa Tenggara (NNT). Subsequent to this transaction, the shareholding previously held by the Sumitomo and Newmont Indonesia Ltd. consortium in PT NNT was transferred to PT Multi Daerah Bersaing, a consortium composed of the West Nusa Tenggara Provincial Government, Sumbawa Regency Government, and West Sumbawa Regency Government. Moreover, in 2018, the divestment agreement concerning PT Freeport Indonesia (PTFI) was finalized. This deal resulted in the transfer of a 51.23 percent stake held by Freeport MacMoran in PTFI to PT Indonesia Asahan Aluminum

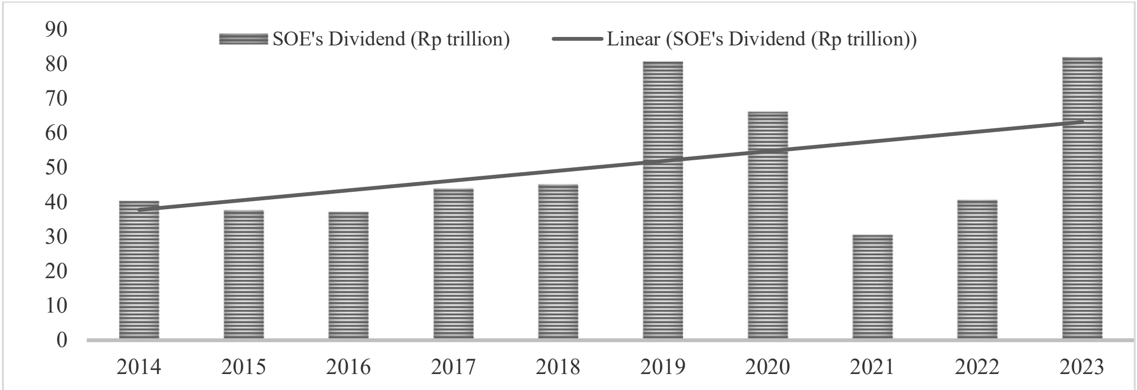

Figure 1. Dividends from State-Owned Enterprises
Source: Central Government Financial Statements (2024)

(Inalum). This pattern of successful divestment was replicated with PT Vale Indonesia Tbk. in 2020, when Inalum acquired shares from Vale Canada Ltd. and Sumitomo Metal Mining Co., Ltd., elevating its stake in PT Vale Indonesia Tbk. to 20 percent.

PT Vale Indonesia Tbk., a nickel mining company in Indonesia, operates under a contract of work initially signed with the Indonesian government on July 27, 1968. This contract, originally valid for thirty years commencing with the onset of commercial production in 1978, was amended in 1996, extending its duration until December 28, 2025. As the expiration approaches, the company is required to apply for a special mining business license (IUPK) to continue operations, adhering to the stipulations of Law Number 3 of 2020. This law mandates that holders of a work contract apply for a renewal between five years and one year prior to the expiration of the existing contract. Under Law Number 3 of 2020, foreign-owned entities at the production operation stage must divest 51 percent of their shares progressively to the central government, local governments, state-owned enterprises (BUMN), regional-owned enterprises (BUMD), and/or national private enterprises. PT Vale Indonesia has progressively met these divestment requirements; by 2020, the company had divested a total of 40.64 percent of its shares, including a 20 percent stake sold to BUMN Inalum. Consequently, the company still needs to divest an additional 11 percent of its shares to fulfill the legal requirement. PT Vale Indonesia Tbk. has been publicly listed on the Indonesia Stock Exchange since May 16, 1990, with 20.64 percent of its shares currently held by the public.

Divestment is characterized as the process through which capital is withdrawn, a foreign subsidiary is sold, or operations are ceased within the host country (Fang et al., 2022). The decision to divest a subsidiary is contingent upon multiple variables, such as escalating labor costs, liberal trade policies, taxation levels, fluctuations in foreign exchange rates, governance related to corruption control, labor market efficiencies, and environmental regulations (Borga et al., 2019). Wu et al. (2021) suggest that divestment decisions are influenced by the deteriorating financial performance of both the parent company and the subsidiary, as well as the subsidiary's strategic significance within the local market. According to Belderbos et al. (2021), divestment serves as a cost-minimization strategy, particularly concerning labor expenses. Additionally, in sectors where businesses are not vertically integrated, divestment is prompted by regulatory demands of the host nation. In contrast, research by Schmid and Morschett (2020) indicates that the performance of the subsidiary is a more critical determinant of divestment decisions than the performance of the parent company or the characteristics of the host country. Lurkov and Benito (2020) further note that divestment is more probable in cases where the subsidiary plays a pivotal role within the domestic economy.

Research by Silva and Moreira (2019) identifies poor subsidiary performance and excessive business diversification as key determinants of divestment decisions. Within the Indonesian mining sector, the regulation of share divestment is emblematic of state control as stipulated in Article 33 paragraph (3) of the 1945 Constitution of the Republic of Indonesia, which mandates that land, water, and natural resources are to be managed by the state for the maximal benefit of the populace (Tamam, 2019). Despite the legislative framework aiming to restore state authority in the mining sector, the actualization of this goal remains suboptimal. Suradiyanto (2019) notes that the current focus of divestment efforts primarily on augmenting state revenue, coupled with foreign entities maintaining substantial control and ownership, detracts from its effectiveness. Moreover, Trisnamansyah and Zamil (2017) highlight a continued dominance by foreign shareholders, with up to 70 percent of mining shares potentially remaining under foreign ownership, leaving Indonesians as minority stakeholders. Among various factors influencing divestment highlighted in prior research, the determination of share price emerges as pivotal. Pawestri and Zaidun (2020) argue that the objectives of divestment are not met when the Indonesian parties cannot reach consensus on share pricing, underlining the necessity for a transparent mechanism to determine share prices in divestment transactions.

This study distinguishes itself from prior research by focusing on the potential benefits accruing to the government from its investment in PT Vale Indonesia Tbk shares. To this end, the research assesses the intrinsic value of divested shares through a business valuation approach, adhering to the Indonesian Valuation Standards to ensure methodological clarity. Additionally, the study explores the potential dividends that the government could realize from these investment activities. This research endeavors to introduce a novel methodology in its analytical approach; a literature review conducted as part of this study reveals that no existing research has aimed to determine the intrinsic value of shares by applying this specific business valuation method. In contrast, previous studies have predominantly analyzed the divestment of mining company shares through a socio-juridical lens.

This study is grounded in the positivist paradigm, which asserts that research functions as a mechanism to uncover truths. Within this framework, experimentation is employed to scrutinize and verify causal relationships via empirical observation, with theory providing the foundation for the objective measurement and explanation of phenomena (Sekaran & Bougie, 2016). Focused on the case of PT Vale Indonesia Tbk's share divestment to the state-owned entity PT Mineral Industri Indonesia (MIND ID), this research investigates whether the government stands to gain from its investment in these shares. ***The objective of this study is to predict and delineate the prospective returns on government investment resulting from the divestment of PT Vale Indonesia Tbk shares.*** Given that pricing is a crucial component negotiated between the shareholder-seller and the Indonesian buyer in share sale and purchase transactions, there is a requisite need for a business valuation method to ascertain the intrinsic value of PT Vale Indonesia Tbk shares. According to Djaja (2017), Prastyawan et al. (2022), and Saputro and Qadri (2024), the valuation method is advantageous as it provides a definitive reference for the intrinsic value of divested shares. It is anticipated that the outcomes of this research will not only elucidate the potential returns but also offer valuable recommendations regarding the share valuation for MIND ID, designated by the Government of Indonesia to execute the purchase of PT Vale Indonesia Tbk shares.

2. LITERATURE REVIEW

During increasing business competition, various business actors are required to be able to determine the direction of strategies that can accommodate various developments in the business world. The strategy taken by the company must be in line with management efforts that cover various aspects of the company. One aspect of management that should not escape the company's attention is financial management. With effective and efficient financial management actions, the company can achieve its core objective, which is to provide welfare maximization for shareholders/owners (Titman et al., 2018). In general, financial management actions are carried out to allocate the company's assets (resources) to generate positive returns. One of the activities carried out by the company in managing its assets is divestment. In contrast to assets that can be utilized to provide a rate of return, divestment is carried out on assets that are considered not profitable. Divestment is the act of releasing assets, business lines, or business divisions that are not in accordance with the original purpose of generating returns for the company. According to research by Mentari and Firmansyah (2019), divestment can increase the profitability and capital structure of the company. According to the Business Dictionary, divestment is the act of selling assets owned by a company for a specific purpose, such as increasing liquidity or reducing debt burden. In the accounting concept, divestment transactions are recorded as nonrecurring gains or losses. There are two main perspectives behind divestment, namely to maximize the market value owned by shareholders and to improve management's welfare (Foster, 1986). In addition, Flickinger (2009) stated that divestment is a way to improve efficiency and investment management.

In the mining business sector, the government seeks to show its existence as the owner of mining assets. The existence of the government is important because following Article 33 paragraph (2) and paragraph (3) of the 1945 Constitution, mining products are one of the production outputs that fulfill the lives of many people so that control must be given to the state to be utilized for the benefit of the welfare and prosperity of the people equitably. Furthermore, the government as the representation of the state in this case is the party that has the authority to make regulations to smooth the economic path, in addition to prohibiting the exploitation of weak people by other people with capital (Salim, 2011). Therefore, the government has enacted Law of the Republic of Indonesia Number 4 of 2009 concerning Mineral and Coal Mining as a legal basis for regulating mineral and coal mining business activities that play an important role in supporting economic growth and sustainable regional development. In the law, one of the arrangements that emphasize the importance of the existence and participation of the state in the management of mineral and coal mining business is the provision related to the divestment of shares for mining companies holding mining business licenses (IUP) and special mining business licenses (IUPK) whose shares are owned by foreigners.

The divestment of shares to the Indonesian government has been problematic. These obstacles relate to the non-compliance of foreign mining companies and the indecisiveness of past regulations (Silitonga & Sulistiyono, 2019). Before 2009, the rules regarding share divestment were not recognized because they were not regulated in the then prevailing law, namely the Law of the Republic of Indonesia Number 11 of 1967 concerning Basic Mining Provisions. Since its enactment, Law Number 4 of 2009 contains provisions on divestment which are further regulated in its implementing regulations. The divestment provisions can be found in the following laws and regulations: (1) Law of the Republic of Indonesia Number 4 of 2009 on Mineral and Coal Mining. Later, the government together with the DPR revised this law and passed it into Law of the Republic of Indonesia Number 3 of 2020 concerning Amendments to Law Number 4 of 2009 concerning Mineral and Coal Mining; (2) Government Regulation of the Republic of Indonesia Number 96 of 2021 concerning the Implementation of Mineral and Coal Mining Business Activities; (3) Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 09 of 2017 concerning Procedures for Share Divestment and Mechanisms for Determining the Price of Divestment Shares in Mineral and Coal Mining Business Activities, as amended by Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 43 of 2018 concerning Amendments to Regulation of the Minister of Energy and Mineral Resources Number 09 of 2017 concerning Procedures for Share Divestment and Mechanisms for Determining the Price of Divestment Shares in Mineral and Coal Mining Business Activities; and (4) Decree of the Minister of Energy and Mineral Resources Number 84 K/32/MEM/2020 concerning Guidelines for the Implementation of Offerings, Evaluation, and Calculation of Divestment Share Prices in the Mineral and Coal Mining Sector.

The presence of this legislation is a solution to the problem of divesting shares that had occurred. In addition, a mining management model is needed by means of community share ownership and divestment of shares prioritized for producing regions. Neither Law Number 3 of 2020 nor Government Regulation Number 96 of 2021 contains any definition of share divestment. However, when referring to the previous regulation, namely Government Regulation of the Republic of Indonesia Number 23 of 2010 concerning the Implementation of Mineral and Coal Mining Business Activities, share divestment is the number of foreign shares that must be offered for sale to Indonesian participants. The non-juridical benefits of share divestment for the Government of Indonesia are increased state revenue, increased regional revenue, improved community welfare, and reduced role of foreign legal entities in the management and utilization of mining natural resources in Indonesia (Yoesry, 2019).

Article 112 paragraph (1) of Law Number 3 of 2020 stipulates that business entities holding IUP or IUPK at the production operation stage whose shares are owned by foreigners must divest 51 percent of their shares. The divestment process is carried out in stages by the central government, local governments, BUMN, BUMD, and/or national private business entities. There are several considerations underlying the Indonesian side's willingness or unwillingness to absorb the divestment of shares. One of the considerations is the price of the shares offered. In practice, business entities and Indonesian participants may negotiate to determine the price. However, it has been stipulated in Article 14 of Minister of Energy and Mineral Resources Regulation No. 43/2018 that the price of divested shares offered to Indonesian participants is calculated based on fair market value. The calculation of the intrinsic value of shares according to the same regulation is carried out using the method of: (1) discounted cash flow on economic benefits during the period from the time of divestment implementation until the end of the validity period of the production operation IUP or production operation IUPK; and/or (2) market data benchmarking.

The efficient market theory was first proposed by Eugene Fama in 1965 (Brown, 2020). According to this theory, market prices reflect all information known to all market participants and change quickly in response to new information (Rambeli et al., 2022). A market is said to be efficient if its prices reflect all important information and there is no possibility to predict prices (Salas-Molina et al., 2021). The efficient market theory is based on the assumption that there is no cost in obtaining information. In addition, efficient markets consist of market participants who act rationally and homogeneously and there are no restrictions on short-selling (Fender, 2020). Research on determining the intrinsic value of shares conducted by Yuliani et al. (2021), Sulistijo and Sumirat (2021), and Rahmawantari and Puspitaningtyas (2019) showed that the intrinsic value of shares of companies which are the members of the IDX30 Index and the Jakarta Islamic Index on the Indonesia Stock Exchange is higher than the market price. The intrinsic value is the supposed value of a stock. Calculating the intrinsic value of stock results in three conditions: under-value stocks (intrinsic value greater than the market price), over-value stocks (intrinsic value less than the market price), and correct-value stocks (intrinsic value equal to the market price) (Nursetyo & Syarifudin, 2020). The determination of the value of PT Vale Indonesia Tbk. aims to make investment decisions. From a business perspective, the Indonesian party will invest in under-valued stocks because of the expectation of returns in the form of future stock price increases. In addition to price increases (capital gains), the Indonesian party also expects a level of profit in the form of dividends (Martini, 2023).

3. RESEARCH METHOD

This research is anchored in the positivist paradigm, which treats empirical study as a mechanism to predict the intrinsic value of PT Vale Indonesia Tbk shares. Central to this analysis is the application of the efficient market hypothesis, which serves to elucidate the relationship between intrinsic value and market prices. Data collection is primarily conducted through the examination of secondary data, specifically the financial statements of PT Vale Indonesia Tbk, which include both the statement of financial position and the income statement. Concurrently, financial statements from PT Aneka Tambang Tbk are also analyzed to facilitate a comparative assessment of the dividends accrued to the state from investments in these companies' shares. As outlined by Qadri et al. (2024) and Saputro and Qadri (2024), the intrinsic value of shares is quantified using a specific formula detailed in their study. We used the same formula as theirs in measuring firms' intrinsic values (Formula 1). The process of business valuation is summarized in Figure 2. This methodology allows for a rigorous evaluation of financial performance and shareholder value within the context of market dynamics.

Intrinsic Value = FV Total Share Price / $(1 + r)^n$ ... (Formula 1)

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<tr><th colspan="6">(1) Scope of assignment</th></tr>
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<tr><td>Identify the assignor and users of the report</td><td>Determination of assessment objectives</td><td>Value basis determination</td><td>Identify the object of the assessment</td><td>Assessment date</td><td>Assumptions and boundary conditions</td></tr>
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Figure 2. Business Valuation Process

In this study, the concept of future value (FV) is utilized, where *r* represents the yield or discount rate, and *n* denotes the number of years under consideration. Deviating from traditional models that utilize stock price as a variable, this research modifies the formula by substituting stock price with cash flow. The collected secondary data is subsequently subjected to quantitative analysis within the framework of business valuation. This process is depicted in the accompanying schematic of the business valuation methodology. The primary method employed to ascertain the intrinsic value of shares is the discounted cash flow technique, which involves discounting the future cash flows to their present value at the time of valuation (Ross et al., 2002). This approach is a fundamental method within the income-based valuation framework. The resulting valuation provides an estimate of the shares' intrinsic value, pertinent to divestment transactions. Subsequently, the determined intrinsic value is juxtaposed with the market price as recorded on the stock exchange. This comparison aims to address the research questions and hypotheses and to ascertain the valuation state of the stock (undervalued, overvalued, or fairly valued).

4. RESULTS AND DISCUSSION

The estimation of the intrinsic value of shares for PT Vale Indonesia Tbk employs the discounted cash flow (DCF) method, utilizing financial data sourced from the company's website through documentation techniques. Financial statements provided the basis for projecting the net cash flows received by the company, specifically the Free Cash Flow to Firm (FCFF). These FCFF values were subsequently discounted to their present value using a discount rate determined by the Weighted Average Cost of Capital (WACC) approach. Once discounted, the calculation of the enterprise value and equity value was performed by deducting the company's debt from the enterprise value. The resulting equity value was then divided by the total number of outstanding shares to derive the intrinsic value per share. Regarding the company's financial performance, the income statement over the past three years indicates that revenue primarily stems from the sale of nickel matte. In 2022, as shown in Table 1, PT Vale Indonesia Tbk reported an

Table 1. Overview of the Income Statement

Variable (US$ thousand)	2020	2021	2022
Revenue	764,744	953,174	1,179,452
Cost of revenue	(640,365)	(704,323)	(865,885)
Gross profit	124,379	248,851	313,567
Operating expenses	(7,385)	(17,691)	(19,734)
Net operating profit	116,994	231,160	293,833
Interest expense	(1,610)	(2,755)	(3,820)
Profit before tax	115,384	228,405	290,013
Tax expense	(25,384)	(50,249)	(63,803)
Profit after tax	90,000	178,156	226,210

Source: PT Vale Indonesia Tbk. (2023)

Table 2. Overview of the Statement of Financial Position

Variable (US$ thousand)	2020	2021	2022
Assets			
Current assets	695,972	836,576	989,802
Non-current assets	1,618,686	1,636,252	1,668,314
Total assets	2,314,658	2,472,828	2,658,116
Liability			
Current liabilities	160,710	168,430	175,039
Non-current liabilities	133,560	149,937	128,297
Total liabilities	294,270	318,367	303,336
Equity			
Share capital	136,413	136,413	136,413
Additional paid-in capital	277,760	277,760	277,760
Retained earnings	1,606,205	1,740,278	1,940,597
Non-controlling interest	10	10	10
Total equity	2,020,388	2,154,461	2,354,780
Total liabilities and equity	2,314,658	2,472,828	2,658,116

Source: PT Vale Indonesia Tbk. (2023)

Table 3. The Intrinsic Value of Shares

Variable	Value (US$ thousand)
Enterprise value	5,789,967.00
Debt	(0).00
Equity value	5,789,967.00
Equity value (11%)	585,945.00
Value per share (US$)	0.54
Value per share (IDR)	8,344.00

average selling price of US$19,348 per ton and a production volume of 60,090 tons. This financial overview provides a context for assessing the economic dynamics influencing the intrinsic share valuation.

The price is increased if compared to the 2021 price of US$14,309 per ton. The company's statement of financial position for the last three years is as shown in Table 2. The total assets owned by the company have experienced an average growth of 6.15 percent in the last three years. The increase in assets is inseparable from the company's financial performance, which has also grown in the last three years. The process of calculating the intrinsic value of shares, as summarized in Table 3 using the discounted cash flow method, results in the value per share of IDR 8,344.00.

The steps to determine the intrinsic value of a stock are as follows. (1) Analyze the company's historical performance through the year 2020—2022 financial statements. Performance analysis is preceded by adjusting (normalizing) non-operating, non-recurring, and unusual items in the statement of financial position and income statement. In general, there are two types of historical performance analysis, namely common size analysis and financial ratio analysis; (2) Perform financial performance projections based on historical financial performance analysis. Projections in this assessment include projections of income statements and statements of financial position within a specific period of six years. The projection starts from 2023 to 2028; (3) Calculate the free cash flow to the firm (FCFF) during the projection period. The FCFF value during the projection period is as in Table 4. (4) Determine the discount rate based on the weighted average cost of capital (WACC). The discount rate is based on the calculation described in Table 5. The discount rate is obtained at 14.50 percent; (5) Calculate the terminal value, which is the value of the total cash flow for the company after the specific period. The period after the specific period is called the perpetual period. This is based on the assumption that business activities run on the principle of going concern. The terminal value is calculated using the following formula.

Terminal Value = $FCFF_{2028}$ x (1 + Growth Rate) / (WACC - Growth Rate)

Based on the calculation of FCFF in the third step and WACC in the fourth step and a growth rate of 3.75 percent, the value of FCFF during the perpetual period is US$6,958,355,884; (6) Determine the indication of enterprise value by summing up the present value of FCFF during the specific period and perpetual period as in the following equation.

Present Value = $\sum FCFF_i / (1 + WACC)^i + TV / (1 + WACC)^n$

According to the calculation, the indication of enterprise value is obtained as US$5,082,880,625; (7) Calculate the enterprise value by summing up the indication of enterprise value and the value of non-operating assets (cash and cash equivalents). The enterprise value using the discounted cash flow method is obtained at US$5,789,966,625; (8) Determine the equity value of the divested shares, as shown in Table 6, at US$585,944,622. (9) Calculate the value per share by dividing the value of divested shares and the number of shares.The calculation is exhibited in Table 7. Then the value per share in rupiah currency is obtained by converting the dollar exchange rate to rupiah (according to Investing.com, the exchange rate of 1 US$ is equal to IDR 15,565).

Based on the calculation of value according to the discounted cash flow method, the intrinsic value of PT Vale Indonesia Tbk. shares is IDR 8,344. Compared to the Indonesia Stock Exchange data as of December 31, 2022, the company's shares were traded at IDR 7,100. Thus, the company's shares are classified as undervalued because their intrinsic value is higher than the market price (Nursetyo & Syarifudin, 2020). With this intrinsic value, there is a potential price upside of 13.61 percent. The results of determining the intrinsic value of shares are in line with previous research. The study by Suyana and Kartikasari (2018) was designed to assess the valuation of PT Sat Nusapersada Tbk.'s shares and to furnish prospective investors with guidance regarding stock acquisition decisions. Their findings indicated that the shares were undervalued, leading to a recommendation for investors to purchase the stock. Similarly, research conducted by Alam (2021) sought to evaluate the fairness of stock prices for banks listed on the

Table 4. Projected FCFF Value

Variable (Million US$)	2023	2024	2025	2026	2027	2028
Earnings after tax	246.1	290.0	359.7	446.1	553.3	686.2
Net interest expenses	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	273.4	322.2	399.6	495.6	614.6	762.3
Capital expenditure	(149.3)	(149.3)	(149.3)	(149.3)	(149.3)	(149.3)
Changes in net working capital	(256.8)	(190.9)	(303.2)	(376.1)	(466.5)	(578.5)
Free cash flow to the firm	113.5	272.0	306.7	416.2	552.1	720.6

Table 5. Determination of Discount Rate

Capital Structure	Market Weight	Capital Costs	WACC
Debt	25.33%	8.69%	2.20%
Equity	74.67%	16.47%	12.30%
WACC			14.50%

Table 6. Determination of Equity Value

Variable	Value (US$ thousand)
Enterprise value	5,789,967
Debt	(0)
Equity value	5,789,967
Discount for lack of marketability (8%)	463,197
Equity value after discount	5,326,769
Value of divested shares (11%)	585,945

Table 7. Value per Share

Variable	Value (US$)
Value of divested shares	585,944,622.00
Number of shares	1,092,997,259.00
Intrinsic value of shares	0.54
Intrinsic value of shares (IDR)	8,344.00

Table 8. The Dividend of PT Vale Indonesia Tbk.

Dividend per Share (IDR)	Recording Date	Payment Date
89.6	May 17, 2023	May 31, 2023
47.3	May 11, 2021	May 28, 2021
123.81	December 3, 2014	December 17, 2014

Source: PT Vale Indonesia Tbk.

Table 9. The Dividend of PT Aneka Tambang Tbk.

	2019	2020	2021	2022	2023
Dividend (IDR million)	306,048	67,848	402,273	930,871	1,910,482

Source: PT Aneka Tambang Tbk.

Indonesia Stock Exchange. This analysis aimed to provide an in-depth understanding of stock valuations within the banking sector.

In Alam's (2021) study, it was found that there were six companies whose shares were classified as undervalued. In research by Siregar (2021), it is shown that the shares of INKP and TKIM are classified as undervalued. The determination of conditions in the study uses the discounted cash flow method on the value of free cash flow to the firm (FCFF). The calculation of the intrinsic value of shares in this study explains that the shares of PT Vale Indonesia Tbk. are undervalued. The results of this study are in line with the efficient market theory. In determining the intrinsic value of shares, data and information obtained from an efficient market are required. In addition, the characteristics of an efficient market are that market participants act rationally and homogeneously. With this behavior, the condition of the company's stock price can be predicted. The intrinsic value of shares that are higher than the market price is also related to the theory of value investing. According to Damodaran (2012), investors want to buy company shares at a lower price than their asset value. This principle is based on the theory that the value of the company comes from two things, namely investments that have been made by the company and investments that are expected to occur in the future. Based on these two theories, the results of this study strengthen the truth of the theory that underlies. In general, the principle of anticipation applies in investment practice. According to this principle, investors purchase an asset with the expectation of profits received in the future (Pratt & Niculita, 2008).This profit expectation is the basis for determining the intrinsic value of the stock.

Rational investors buy shares at a lower price than the intrinsic value because investors expect an increase in the value of their investment in the form of capital gains. In addition to the principle of anticipation, investors have the principle of substitution. Based on this principle, investors will not buy shares at a price that exceeds their intrinsic value. If the stock price exceeds its intrinsic value, investors could potentially face investment losses (capital loss). Thus, the results of this study are in line with common investor rationality.

In addition to the expectation of profit in the form of capital gains, the Government of Indonesia as an investor expects income in the form of dividends. Investors want dividends that are relatively stable and received consistently from year to year. The projection of dividend distribution by PT Vale Indonesia Tbk. can refer to the history of dividend distribution by the company as in Table 8. Based on the financial statements, the company does not distribute dividends on a stable basis. The company recorded three dividend distributions, namely in 2014, 2021, and 2023. The instability of dividend distribution by the company does not provide confidence for investors, in this case MIND ID, because the purpose of investors investing in the company is to obtain dividends (Martini, 2023). Despite the potential for an increase in terms of capital gains, Indonesian parties do not have sufficient confidence to obtain dividends due to the unsustainable history of dividend distribution.

In the mining sector, the Indonesian government has invested in PT Aneka Tambang Tbk. The company is a state-owned enterprise engaged in the mining and processing of nickel ore. PT Aneka Tambang Tbk. distributes dividends to its shareholders (including the government) in the amounts presented in Table 9. In the financial statements of PT Aneka Tambang Tbk. it is stated that the company has distributed dividends regularly in the last five years. The amounts of dividends distributed to shareholders has generally experienced an increasing trend, except for a decrease in 2020. This routine dividend distribution is more capable of providing sufficient confidence for the government to invest due to the expectationof continued dividend distribution in the future.

To capitalize on the investment opportunities presented by PT Vale Indonesia Tbk., the Government of Indonesia should adopt a strategic investment approach based on the principles of value investing and the anticipation of future gains, as underscored by the undervaluation of PT Vale Indonesia Tbk. shares. Firstly, given that the shares are currently undervalued according to studies and adhere to the principles of an efficient market, the government should consider increasing its stake in PT Vale Indonesia Tbk. to leverage potential capital gains as market correction occurs. This approach aligns with Damodaran's (2012) advice on purchasing shares priced below their intrinsic value, predicated on the company's historical and potential future investments. Secondly, in light of the inconsistency in dividend payouts from PT Vale Indonesia, the government, as a strategic investor, should engage in active dialogue with the company's management to seek greater transparency and possibly influence a more consistent dividend policy. This would not only aid in realizing stable returns but also enhance the predictability of income from dividends, crucial for long-term fiscal planning.

Moreover, the government should integrate its investment strategy with broader economic policies, particularly in the mining sector where it already has significant engagements, such as with PT Aneka Tambang Tbk. By aligning its investments in PT Vale Indonesia with those in other mining enterprises like PT Aneka Tambang, the government can synergize its holdings, potentially leading to better management and operational efficiencies across its investments. Furthermore, diversification of investments within the mining sector should also be considered. While focusing on nickel mining with PT Vale Indonesia, the government could explore opportunities in other minerals and metals, thus spreading risk and potentially increasing the overall yield of its investment portfolio.

Finally, the government should establish a rigorous monitoring framework to regularly assess the performance of its investments in PT Vale Indonesia and other entities. This should include a systematic review of financial health, market position, and compliance with environmental and regulatory standards. Such continuous oversight will ensure that the government's investment objectives align with changing market dynamics and policy environments, securing optimal returns on its investments. By adopting these strategies, the Government of Indonesia can maximize both capital gains and dividend yields, ensuring that its investments contribute significantly to national economic growth and the welfare of its citizens.

5. CONCLUSION

This study is designed to forecast and elucidate the prospective profits from the Indonesian government's investment in the divestment shares of PT Vale Indonesia Tbk. The primary research question addresses whether the government can derive substantial benefits from such an investment. Utilizing the discounted cash flow methodology within the framework of business valuation of PT Vale Indonesia Tbk.'s equity, it was established that the intrinsic value of an 11% ownership stake amounts to US$585,944,622. When converted at the exchange rate of IDR 15,565 per USD as of December 31, 2022, this value translates to IDR 9,120,228,049,067, or IDR 8,344 per share. This valuation significantly exceeds the market price on the stock exchange, which stands at IDR 7,100 per share, presenting a potential increase in value of 13.61 percent. Such a rise suggests a prospective capital gain for the Government of Indonesia. Conversely, the potential for deriving profit in the form of dividends appears limited due to the irregular history of dividend distribution by PT Vale Indonesia, contrasting with the government's experience with PT Aneka Tambang Tbk., which has consistently disbursed dividends over the past five years. This study aligns with prior research but distinguishes itself by specifically calculating the intrinsic value of PT Vale Indonesia Tbk. shares, which are set to be acquired through MIND ID, employing valuation practices consistent with

Indonesian Valuation Standards. This approach introduces a methodological novelty, addressing a gap in the existing literature which has largely focused on divestment from a socio-juridical perspective rather than a detailed financial valuation.

This research also aims to provide actionable stock price recommendations for MIND ID, designated by the Government of Indonesia to purchase shares of PT Vale Indonesia Tbk. These recommendations serve as crucial indicators for identifying whether stocks are undervalued, overvalued, or fairly valued. The findings suggest that MIND ID should acquire shares when their market price falls below the calculated intrinsic value. By adhering to this strategy, the government, via MIND ID, stands to potentially enhance its investment value through future capital gains. Conversely, purchasing shares at a price exceeding their intrinsic value could lead to a depreciation in investment value, or capital loss—a scenario that MIND ID, as a profit-oriented state-owned enterprise, must diligently avoid. To safeguard its financial interests, MIND ID is advised to rigorously manage its investment decision-making process. This involves performing a thorough valuation of divested shares in compliance with legal mandates and Indonesian Valuation Standards. Furthermore, MIND ID should engage in price negotiations that are conducted ethically, purposefully, and prudently, underpinned by rationaldecision-making in line with the principles of the business judgment rule doctrine (Mulyana, 2018).

This research is limited by its exclusive use of the discounted cash flow method and does not incorporate other valuation approaches such as the market approach, which is also recognized under Indonesian Valuation Standards. Notably, the Minister of Energy and Mineral Resources Regulation No. 43/2018 advocates for the use of market data benchmarking methods. Future research could enrich the understanding of share valuation by integrating these approaches, thereby providing a more holistic analysis based on relevant market data for the valuation object.

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