FAIR PRICE OF STOCK USING PRICE EARNING RATIO AND PRICE TO BOOK VALUE IN INVESMENT SERVICE COMPANIES

Hadi Satria Ganefi[1]
Digital Business, Kuningan University, Indonesia
hadi.satria@uniku.ac.id

Yasir Maulana[2]
Management, Kuningan University, Indonesia
yasir@uniku.ac.id

Wachjuni[3]
Management, Kuningan University, Indonesia
wachjuni@uniku.ac.id

Abstract

Investment is a current sacrifice made by investors with the aim of achieving future profits. One instrument investors utilize in investing is stocks, which offer high returns accompanied by high risks. Therefore, to minimize risk and maximize returns, investors require adequate information and accurate analysis of the stocks they choose. This study aims to analyze the fairness of stock prices of Investment Services sub-sector companies listed on the Indonesia Stock Exchange during the 2024 period using fundamental analysis with the Price Earnings Ratio (PER) and Price to Book Value (PBV) methods. Purposive sampling was used as a sampling technique, and four companies were selected. The results showed that, based on fundamental analysis using the PER and PBV methods, two companies were overvalued and one company was undervalued. However, inconsistent results were found within one company. This study provides information that can be used as a basis for consideration by investors in making investment decisions, both to buy and sell shares, especially in the investment services sector.

Keywords: Stocks price, investment decision, price earnings ratio, price to book value

JEL Classification: G11, G12, G14, M41

INTRODUCTION

Investment is the activity of investing a certain amount of money or capital in a company with the aim of obtaining profits in the future. Investment can be seen as a form of sacrifice made by an investor with the aim of obtaining greater profits in the future than the investment made currently. Once an investor has determined their investment goals, they can determine what type of investment to choose to achieve those goals. One popular type of investment is stock investment in the capital market. Stocks are proof of ownership of a company, giving the holder the right to receive a share of the company's assets and profits. (Devilishanti et al., 2025).

The development of the capital market in Indonesia has shown significant growth. The Indonesia Stock Exchange (IDX) recorded that the number of Indonesian capital market investors had reached 21,037,426 Single Investor Identification

(SID) as of January 2026. This increase reflects growing public awareness and interest in investment activities and the capital market. Investment serves as a tool for long-term financial planning, aligned with established investment objectives. (Azizah dan Widodo, 2024)

Investments can be made in real assets, such as land, gold, and property, or in financial assets involving securities, including bonds, stocks, Bank Indonesia Certificates (SBI), and other financial instruments. Among these instruments, stocks are a primary choice for investors because they offer the potential for relatively high returns, both through dividend distribution and capital gains, which is the difference between the selling and purchase prices of shares. However, this high potential profit also comes with a high level of risk, making stock investments known for their high risk-high return characteristics. Therefore, to minimize risk while maximizing returns, investors need adequate information and accurate analysis of the stocks they choose. (Ganefi et al., 2023).

Stock valuation is a step in the stock investment decision-making process. Stock valuation aims to determine the intrinsic value of a stock, which is then compared to the market price. If the intrinsic value is lower than the market price, the stock is categorized as overvalued, so investors tend to delay purchasing or choose to sell the stock. Conversely, if the intrinsic value is higher than the market price, the stock is considered undervalued and is considered worth buying. Therefore, stock valuation plays a crucial role in helping investors make rational investment decisions. (Devilishanti, Manajemen, et al., 2025).

Stock price valuation can be done using various approaches (Hasnia et al., 2023). The approaches used in this study utilize the Price Earnings Ratio (PER) and Price to Book Value (PBV). Several previous studies have conducted numerous analytical studies related to fair stock price valuation using both the Price Earnings Ratio and Price Book Value methods. (Romy dan Roza, 2023); (Rully Movizar, 2024). However, although many studies have previously analyzed fair share price valuations, research conducted in the financial sector, particularly investment services, is still relatively limited in the Indonesian market, resulting in a lack of information that investors can utilize regarding which stocks should be purchased in the investment services sub-sector. Based on this description, stock valuation analysis in Investment Services sub-sector companies is crucial for understanding how financial ratios, particularly the Price Earnings Ratio (PER) and Price to Book Value (PBV), are used as a basis for investment decisions. Therefore, this study aims to analyze stock valuation using PBV and PER in investment decisions in Investment Services companies listed on the Indonesia Stock Exchange (IDX) for the 2024 period.

METHOD, DATA AND ANALYSIS

The type of research used in this study is quantitative descriptive analysis, where the research variables used are investment decisions using Price Earning Ratio (PER) and Price to Book Value (PBV) analysis on issuers of the investment financial services sub-sector listed on the Indonesian Stock Exchange in 2024. The population in this study is the investment services sub-sector companies listed on the Indonesia Stock Exchange. This study took samples using a purposive sampling method, with the criteria used in sample selection in this study being the company publishing a complete financial report in 2024, distributing dividends in that year, and having positive financial performance. With these criteria, four company samples were taken as follows

Table 1 List of Investment Service Sub-sector Companies

No	Code	Company
1	AMOR	Ashmore Asset Management
2	PANS	Panin Sekuritas
3	RELI	Reliance Sekuritas
4	YULE	Yulie Sekuritas Indonesia

The type of data used is secondary data in the form of the company's annual financial reports. For stock prices, the closing price taken on December 20th is used. To calculate stock value using the Price Earnings Ratio method with constant growth, proceed as follows

g : ROE x Retention Ratio
Retention Ratio : 1 - Dividen Payout Ratio
DPR : DPS / EPS

Keterangan
g : Dividend Growth
ROE : Laba bersih atas modal
DPS : Dividen per share
EPS : Earning per share

Estimated cash earnings per share (EPS):

$$EPS = EPS_0 (1 + g)$$

Looking for expected returns (k):

$$k = \frac{D1}{P0} + g$$

$$\text{Price Earning Ratio} = \frac{DPR}{k-g}$$

Intrinsic Value = Estimated EPS x PER

Meanwhile, Price To Book Value (PBV) is carried out as follows:

$$\text{Book Value Per Share (BVPS)} = \frac{\text{Total Equity}}{\text{Outstanding Shares}}$$

$$PBV = \frac{\text{Market Price per share}}{\text{Book Value Per share}}$$

Information	Market Condition	Investment Decisions
PBV > 1	Overvalued	Investors can hold shares if the growth prospects are still very high or sell if the price has already exceeded its intrinsic value too far and the company will face the prospect of a decline in the future
PBV < 1	Undervalued	Worth considering buying or increasing shareholding, assuming the company has healthy fundamentals and a good ROE
PBV = 1	Fairvalued	The current market price reflects the company's true value. Investors can hold the stock or buy on weakness during minor corrections

RESULT AND DISCUSSION

The company's financial data in this study was analyzed using the Price Earnings Ratio (PER) and Price To Book Value (PBV) methods to assess the comparison of financial ratios as a basis for assessing the fairness of the stock price of the Investment service sub-sector for the 2024 period. Stock valuation based on a company's fundamental performance requires a number of financial variables analyzed through financial ratios, such as Return on Equity (ROE), dividend policy, and Earnings per Share (EPS). These variables are used to evaluate the company's ability to generate profits, optimize capital use, and provide returns to shareholders.

Table 2 ROE, EPS, DPS, and DPR Values in 2024.

No	Code	ROE	DPS	EPS	DPR
1	AMOR	35%	60	47,40	126%
2	PANS	7,59%	150	164,04	91,44%
3	RELI	3,5%	20,05	11,83	16,94%
4	YULE	7,43%	8	23,79	33,63%
Average		13,38%	59,62	61,76	105,11%

Table 2 illustrates the company's fundamental performance, reviewed through profitability ratios and dividend policies for the 2024 period. The company's financial performance in 2024 shows significant differences. AMOR had the highest ROE of 35%. Therefore, the company distributed a large dividend exceeding the current year's net profit. High management confidence provides optimism that the company has excellent future cash flow prospects, and this is one of their steps to maintain or improve their reputation through the Dividend Payout Ratio. PANS had the highest EPS of 164.04 with a DPR of 91.44%, reflecting good profit capability but with a slightly lower dividend distribution portion, while YULE showed relatively stable performance with an ROE of 7.43% and a DPR of 33.63%.

Table 3 Intrinsic Stock Value Using Price Earning Ratio in the Investment Services Sub-Sector in 2024

No	Code	g	Estimated DPS	Estimated EPS	Expected Return (k)	Estimasi PER	Intrinsic Value
1	AMOR	-0,094	54,38	42,96	-1,51%	16,14	693,37
2	PANS	0,007	150,97	165,11	10,08%	9,69	1.600
3	RELI	-0,024	19,56	11,54	0,75%	53,24	614,7
4	YULE	0,049	8,39	24,96	5,22%	114,76	2.864
Average		**0,004**	**38,88**	**47,74**	**3,87%**	**32,30**	**962.18**

Based on Table 3, the PER calculation results show that PT Yule Sekuritas and PT Panin Sekuritas have the highest intrinsic values of Rp2.864 and Rp1.600, respectively, supported by positive EPS and stable growth rates. Meanwhile, PT Ashmore Assetanagement and Reliance Sekuritas have lower intrinsic values. Negative or declining dividend growth indicates that the company is paying smaller dividends compared to the previous period, or the rate of dividend increases is slowing. Some of the main causes include a decrease in company profits from the previous period, an increase in operational costs, or a company policy of retaining profits because the company chooses to allocate profits for investment, expansion, research and development (R&D), or other strategic activities.

Table 4 Investment Decisions Based on PER in the Investment Services Sub-Sector

Company	Closing price	Intrinsic	Information	Investment Decision
PT Ashmore Assetanagement	765	693	*Overvalue*	Selling stocks
PT Panin Sekuritas	1.590	1.600	*Undervalue*	Buy stocks
PT Reliance Sekuritas	630	614,7	*Overvalue*	Selling stocks
PT Yulie Sekuritas Indonesia	2.730	2.864	*Undervalue*	Buy stocks

Table 5 Investment Decisions Based on PBV in the Investment Services Sub-Sector

Company	Closing price	Book Value	PBV	Information	Investment Decision
PT Ashmore Assetanagement	765	134,68	5,61	*Overvalue*	Sell shares
PT Panin Sekuritas	1.590	2.160	0,74	*Undervalue*	Buy shares
PT Reliance Sekuritas	630	338,45	1,86	*Overvalue*	Selling shares
PT Yulie Sekuritas Indonesia	2.730	320,07	8,53	*Overvalue*	Selling shares

Tables 4 and 5 present a comparison between stock market prices and their fair value, with PER and PBV. Of the four companies analyzed based on PER, two were overvalued: PT Ashmore Asset Management and PT Reliance Sekuritas. Meanwhile, PT Panin Sekuritas and PT Yulie Sekuritas Indonesia were undervalued. Overvaluation can be caused by market speculation, excessive investor enthusiasm, or short-term trends. This condition also reflects long-term prospects and a positive outlook on the company's condition, which is considered good by investors, supported by analyst research. (Ma'rifat et al., 2024); (Najoan, 2025). Investors can benefit from specific strategies, such as short selling, or by selling their entire portfolio of stocks. Potential investors planning to retain equity capital should avoid purchasing stocks in this category. Undervalued stocks can be used as an investment decision, including them in a selected portfolio or increasing the proportion of their holdings. Undervalued stocks occur when the required rate of return exceeds the investor's expected return.

Meanwhile, based on the PBV method, three shares are in an overvalued condition, namely PT Ashmore Asset Management, PT Reliance Sekuritas and PT Yulie Sekuritas Indonesia, while PT Panin Sekuritas shares are undervalued. Shares of this type, according to the PBV method calculation, generally have a market price that is lower than the book value adjusted to the industry average PBV, thus reflecting the potential for future share price increases.

Based on the results of stock valuation research using the Price Earning ratio (PER) and Price To Book Value (PBV) methods as the basis for making investment decisions in Investment

Service sub-sector companies, there are several important aspects that need to be considered, including:

1. Investors should pay attention to the company's financial indicators, such as profit levels, dividend policies, and company prospects, because these indicators reflect the company's fundamental condition and expectations in maximizing returns.

2. Investors can evaluate shares before making financial decisions. This aims to manage risk more effectively. Stock valuation aims to identify the condition of stock prices, whether they are undervalued, fair valued, or overvalued. The results of the study indicate that, based on stock valuation using the PER and PBV methods during the study period, most of the sample companies' shares were overvalued, indicating that the intrinsic value of the shares is lower than the market price. This condition can be used as a reference and strategic consideration for investors in making future investment decisions. (Ilmiah & Pendidikan, 2024)

CONCLUSION

Based on the stock valuation results using the Price Earnings Ratio (PER) and Price to Book Value (PBV) methods for Investment Services companies listed on the Indonesia Stock Exchange for the 2024 period, there are differences in the stock fairness assessment results between the two methods. Based on the PER and PBV methods, AMOR and RELI shares are consistently overvalued, while PANS shares are consistently undervalued in both methods. Therefore, these shares are worthy of consideration by long-term investors who pay attention to the company's fundamental performance with the aim of profiting from both capital gains and future increases in company value. Meanwhile, based on the PBV method, YULE is undervalued, while under the PER method, it is overvalued. This indicates inconsistent results for the two methods. The difference between the PER and PBV results for YULE shares is not a contradiction. This is possible because the company has a high net asset value, but its ability to generate profits is still relatively low. This is because the PBV stock fairness considers the book value of each share, while the PER considers the profit aspect of each share.

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