

Research Paper

Optimal Capital Structure Analysis to Determine the Fair Price of Shares in Telecommunications Sub Sector Companies

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Abstract

One of the operational objectives of the company is to be able to maximize the value of the company, to meet the interests of all its stakeholders. One way to maximize company value is by implementing an optimal capital structure. To obtain an optimal capital structure, companies can use the Cost of Capital approach. The Cost of Capital approach is a method for determining the combination of capital costs, which consists of the Cost of Equity and the Cost of Debt, so that the optimal capital structure is then achieved, represented by Debt to Asset Ratio (DAR). By taking into account the company's bankruptcy costs, an optimal capital structure will imply maximized company value. Then the company value that has been obtained will be used to determine the fair price of the company's shares using the market capitalization approach. The results showed for 2019, PT. Telekomunikasi Indonesia will achieve an optimal capital structure at a DAR level of 29%, resulting in a corporate value of Rp. 280,476 billion and a fair price of shares of Rp. 2,831. While PT. Indosat achieved an optimal capital structure at a DAR level of 19%, with a company value of Rp 9,134 billion and a fair share price of Rp 1,681. While the optimal capital structure of PT. XL Axiata was achieved at a DAR level of 0%, bringing the company's value to Rp 26,620 billion and the fair price of the shares of Rp 2,491.

Keywords: Capital Structure, Company Value, Fair Share Price

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