ASSESSING FINANCIAL PERFORMANCE AND COMPANY VALUATION WITHIN THE FRAMEWORK OF PT XYZ'S LONG-TERM PLAN

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Abstract

This study evaluates the financial performance and determines the fair value of PT XYZ, a state-owned Indonesian coal mining company, within the framework of its Long-Term Corporate Plan (RJPP). In an era of fluctuating coal prices and increasing pressure for energy transition, mining companies face challenges in maintaining profitability while planning for future sustainability. The research aims to assess PT XYZ's financial health from 2021-2023 based on the Decree of the Minister of SOEs No. KEP-100/MBU/2002 and determine its fair value using established valuation methodologies. Using a mixed-method approach, the study analyzes secondary data from financial statements, coal price forecasts, and strategic planning documents. Findings reveal that PT XYZ improved from an AA rating in 2021-2022 to AAA in 2023, despite challenges in inventory management due to transportation constraints. The FCFF valuation across three scenarios, optimistic, moderate, and pessimistic, yielded enterprise values ranging from IDR 27.7-84.4 trillion, with the moderate scenario providing the most realistic assessment at IDR 33 trillion. Relative valuation using PER and PBV metrics further suggests potential undervaluation in moderate and optimistic scenarios. The research concludes that PT XYZ's financial health and valuation are significantly dependent on infrastructure development timelines and the successful implementation of diversification strategies aimed at mitigating long-term coal demand decline. Strategic recommendations emphasize adherence to project execution timelines, alignment of financing strategies, and acceleration of diversification initiatives to maximize long-term value.

Keywords: Financial Performance, Company Valuation, Coal Mining, FCFF, Strategic Planning

INTRODUCTION

In this era of globalization, economic growth is quite rapid. Indonesia stands as one of the countries with the largest economy in Southeast Asia, with a Gross Domestic Product value based on current prices reaching Rp 59,638.9 trillion in 2024 (Statistic Indonesia, 2024). The GDP growth in Indonesia can be considered quite stable, with quite high growth occurring in Q3 of 2022 which reached 5.73%. The mining sector is one of the significant contributors to Indonesia's gross domestic product, accounting for 8.78% of GDP in Q2 2024. From 2021 to the second quarter of 2024, the GDP contribution of the mining sector remained relatively stable, with the highest GDP contribution value in 2022 of 12.22% (2,393.4 trillion Rupiah) and in the second quarter of 2024 it had reached 9.06% (542.496 billion Rupiah) (Statistic Indonesia, 2024). Consequently, the mining sector stands as a vital sector in economic development. Mining in Indonesia is not only the main driver of the regional economy but also a source of state revenue through taxes, royalties, and dividends from large mining companies.

Investment is a commitment to invest funds or other resources now to gain profits in the future (Tandelilin, 2019). Therefore, before making an investment, careful consideration and calculation are needed to prevent potential losses. Investors must pay attention to the condition or health of the target company, which can be assessed from its financial position (Supriyanto & Sasongko, 2025). A company's financial position is closely related to its performance and valuation. A strong financial position, as reflected in a healthy balance sheet, adequate liquidity, and a balanced debt structure, provides a solid foundation for efficient operations. A company's performance, measured by indicators such as revenue, net income, and cash flow, is often influenced by how well the company manages its financial resources. Financial statement analysis is the process of explaining and breaking down the parts of a company's financial statements into information intended to understand the company's financial position (Grediani et al., 2022; Nurlatipah et al, 2023).

PT XYZ, a state-owned mining company founded in 1950, now possesses assets exceeding 24 trillion Rupiah. The company's business unit focuses on coal with various quality levels from IPC 53 to BA 70. PT XYZ's vision is to become "A world-class energy company that cares about the environment," with a mission of "Managing energy sources by developing corporate competence and human excellence to provide maximum added value for stakeholders and the environment." As a public company, PT XYZ has a well-structured organizational hierarchy to ensure smooth operations and efficient resource management, with the President Director overseeing multiple key directorates, including Business Development, Finance and Risk Management, Human Resources, and Operations and Production.

Indonesia is a major coal exporter, with approximately 80% of coal production designated for export and the remainder for domestic needs (Nugroho, 2017). Since 2009, domestic coal prices have been regulated by the Minister of Energy and Mineral Resources Regulation Number 34/2009, which established the Coal Benchmark Price (HPB) as a reference. The Domestic Market Obligation (DMO) policy aims to ensure coal availability for domestic needs. PT XYZ's DMO coal realization has shown consistent growth, increasing from 16.1 million tons in 2021 to 19.2 million tons in 2022 and reaching 21.4 million tons in 2023. However, the new regulations requiring sales at lower domestic prices compared to international market prices have raised concerns about reduced company profits.

As a company dependent on coal sales, fluctuations in coal commodity prices significantly impact PT XYZ's revenue and net profit. Between 2021 and 2024, coal supply and demand showed notable fluctuations. In 2021, coal supply (958 Mt) was lower than demand (970 Mt), creating a supply deficit that likely contributed to the 2022 price surge as market forces adjusted (Wood Mackanzie and McCloskey, 2025). When supply falls short of demand, coal prices typically rise due to scarcity and increased competition for available resources. When the supply value is lower than the demand value, it affects product pricing, which tends to increase and vice versa (Siregar et al., 2016).

Coal price fluctuations at PT XYZ from 2021 to 2024 are evident in both the reference coal price (HBA) and global index prices. The HBA ranged from its lowest at USD 121.47/Ton in 2021 to its highest at USD 276.58/Ton in 2022. In the global index, particularly FOB Newcastle @6000kcal/kg NAR Market, prices fluctuated between USD 134.9/Ton in 2024 and USD 360.2/Ton in 2022. For FOB Indonesia @5000kcal/kg GAR, prices ranged from USD 74.19/Ton in 2024 to USD 127.83/Ton in 2022, while FOB Indonesia @4200kcal/kg GAR prices varied from USD 53.9/Ton in 2024 to USD 85.9/Ton in 2022 (Wood Mackanzie and McCloskey, 2025). Global demand, especially from major consumers like China and India, significantly influences these price fluctuations (Direktorat Jenderal Mineral Dan Batubara Kementerian Energi Dan Sumber Daya Mineral, 2024).

PT XYZ's performance in the first quarter of 2024 reflects these market challenges, with revenue decreasing to IDR 9.4 trillion from IDR 9.95 trillion in Q1 2023. Net profit also declined by 31.98% to IDR 790.9 billion from IDR 1.16 trillion in the same period of 2023. Fluctuations in coal prices directly affect the company's income proportion (Gunarto & Wulansari, 2020).

Beyond revenue impacts, coal price fluctuations also influence company valuation. Company valuation, the process of determining a company's or business's value, is crucial for business decisions and attracting investor interest. It's based on various factors, including assets, revenue, and financial performance (Damodaran, 2015). Accurate valuations enable business owners and investors to make wiser decisions regarding resource allocation and long-term investments.

PT XYZ's Long-Term Corporate Plan (RJPP) is a vital planning document that serves as a reference for decision-making and implementing activities. It includes strategic initiatives for expanding power generation and investing in new renewable energy ventures, demonstrating the company's commitment to diversifying revenue streams and enhancing sustainability. PT XYZ aims to achieve a coal sales target of 100 million tons by 2029 (PT XYZ, 2025), a significant increase from the average annual coal sales realization of approximately 34.97 million tons over the last four years. Achieving these objectives requires substantial capital expenditure, which directly impacts the company's valuation.

The relationship between company valuation and the RJPP lies in how financial projections and growth strategies affect the assessment of company value. Realistic future cash flow projections and clear growth strategies in the RJPP are important inputs in valuation methods such as discounted cash flow (DCF) analysis (Kacaribu, 2023). More realistic and measurable projections in the RJPP increase investor confidence in the company's valuation. However, overly optimistic projections without a strong basis can reduce credibility and negatively affect valuation. Therefore, integrating a realistic long-term plan with effective risk management is key to sustainably increasing company valuation.

This research aims to evaluate the health level of PT XYZ from 2021-2023 based on the Decree of the Minister of SOEs No. KEP-100/MBU/200 and compare it with industry peers. Additionally, it seeks to determine PT XYZ's fair value using the free cash flow to the firm (FCFF) and relative valuation methods in alignment with the Long-Term Plan (RJPP). The study employs secondary data for the period 2021-2023 derived from annual reports, published data, statements, internal data modifications, and other supporting sources. The financial health assessment follows the methodology established by the Decree of the Minister of SOEs, while calculations and recommendations account for uncertainties, risks, and other factors that may influence actual results.

LITERATURE REVIEW

Financial performance assessment and company valuation are crucial elements in corporate financial planning and investment decision-making. This study examines PT XYZ's financial performance and valuation within its long-term planning framework, utilizing established analytical methods to provide a comprehensive assessment.

External Environment Analysis

The business environment significantly impacts a company's operational success. PESTEL analysis serves as a valuable tool for monitoring the macro environment where companies operate or plan to launch new projects (Fam et al., 2018). This framework encompasses political, economic, sociocultural, technological, environmental, and legal factors that affect market competition. Newton (2014) emphasizes that organizations must identify external factors through various disciplines to obtain a comprehensive understanding of their potential impact.

Complementing the macro-environment assessment, Porter's Five Forces analysis systematically evaluates competitive pressures within an industry. As Porter (2008) illustrates, this framework examines five fundamental forces: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and rivalry among existing competitors. This collective strength determines a company's competitive position and profitability potential within its industry (Putranto & Wijayanti, 2018).

Resource-Based Perspective

The Resource-Based View (RBV) analyzes how a company's unique internal resources and capabilities provide competitive advantages (Thompson et al., 2018). This approach examines organizations from the "inside out," focusing on what makes them successful or unsuccessful by evaluating their tangible and intangible resources (Lubis, 2023). Tangible resources include physical assets, while intangible resources encompass organizational knowledge, culture, and reputation.

Financial Performance Measurement

Financial performance analysis evaluates a company's stability and general financial health over a specific period, allowing for comparison with industry peers (Faishal et al., 2023; Hartono et al, 2023). According to (Fahmi, 2019), financial performance analysis determines whether a company has implemented proper financial practices by producing statements that meet standards such as Financial Accounting Standards (SAK) or Generally Accepted Accounting Principles (GAAP).

Financial ratio analysis measures company performance by comparing information in financial statements during specific periods (Zagita et al., 2024). For state-owned enterprises, the Decree of the Minister of BUMN Number Kep-100/MBU/2002 specifies eight key ratios: return on equity (ROE), return on investment (ROI), cash ratio, current ratio, collection period, inventory turnover, total asset turnover (TATO), and total equity to total assets.

Valuation Methodologies

Valuation determines the fair value of a company or asset, both present and future. As defined by Investopedia (2023), this process is essential for maximizing shareholder equity through increasing company value. Valuation models help management evaluate the potential effects of strategic investment decisions on shareholder value through scenario simulations.

The Discounted Cash Flow (DCF) method is fundamental for determining a company's intrinsic value. According to (Damodaran, 2015), four main factors influence company valuation with this approach: cash flow generation ability from current assets, growth rate, time required to achieve stable growth, and cost of capital. Within DCF, the Free Cash Flow to Firm (FCFF) approach uses pre-interest payment accounting figures, while Free Cash Flow to Equity (FCFE) uses post-interest payment figures (Brealey et al., 2020).

Previous research by (Gilbran & Hendrawan, 2022) demonstrated the effectiveness of FCFF in valuing oil and gas companies, while (Faishal et al., 2023) successfully applied similar methodologies to assess mining companies. Additionally, (Gnap & Pitera, 2023) found that FCFF creates fewer risks than FCFE or Economic Value Added (EVA) techniques when evaluating business interests.

By integrating these analytical frameworks, this study presents a comprehensive approach to evaluating PT XYZ's financial performance and determining its intrinsic value within the context of its long-term strategic plan.

RESEARCH METHOD

This study employs a mixed-method approach to assess the financial performance and company valuation of PT XYZ within the framework of its Long-Term Plan (RJPP). The research design follows a structured process that begins with problem identification in the coal mining sector, particularly focusing on PT XYZ as the research object, followed by systematic data collection and analysis to address the research questions.

The research utilizes secondary data as its primary data source, including the company's financial statements for the period 2021-2023, coal price forecasts from external analysts, and the company's Long-Term Plan document. As (Sekaran & Bougie, 2016) notes, secondary data refers to information collected from existing sources such as company records, government publications, and industry analyses. Data collection is conducted through the documentation method, gathering information from relevant records, financial reports, books, journals, and credible websites to ensure comprehensive and reliable analysis.

The analytical framework comprises both external and internal analyses. The external analysis incorporates qualitative and quantitative data from secondary sources to understand the company's external environment through macroeconomic analysis, PESTEL analysis, and Porter's Five Forces analysis. The internal analysis focuses on quantitative data to compute financial ratios, company valuation, and relative valuation.

The financial ratio analysis follows the guidelines set forth by the Ministry of SOEs in Decision Number Kep-100/MBU/2002, examining four key ratio categories: profitability, liquidity, solvency, and activity. The profitability analysis includes Return on Equity (ROE) and Return on Investment (ROI), calculated using the formulas:

$$ROE = \frac{Earning\ After\ Tax}{Total\ Equity}\ x\ 100\%$$

$$ROI = \frac{EBIT + Depreciation}{Capital\ Employed}\ x\ 100\%$$

Liquidity is assessed through the Current Ratio and Cash Ratio, while solvency is measured using the Total Equity to Total Asset Ratio (TETA). Activity ratios include Total Asset Turnover (TATO), Collection Period, and Inventory Turnover. Each ratio is evaluated against standardized assessment scores to determine the company's financial health, categorized as "Healthy," "Less Healthy," or "Unhealthy" based on the cumulative score as shown in Table 1.

Table 1.
Financial Health Level Classification

Category	Rating	Total Score
Healthy	AAA	TS > 95
	AA	80 < TS <= 95
	A	65< TS <= 80
Less Healthy	BBB	50< TS <= 65
	BB	40< TS <= 50
	B	40 < TS <= 40
Unhealthy	CCC	20 < TS <= 30
	C	10 < TS <= 20
	C	TS <= 10

The company valuation employs three key methodologies. First, scenario planning develops three distinct scenarios, optimistic, moderate, and pessimistic, based on project completion confidence, influencing investment absorption and infrastructure development. Second, the Discounted Cash Flow method, specifically using the Free Cash Flow to Firm (FCFF) approach, calculates the company's intrinsic value through six sequential steps: financial statement projection, calculation of Free Cash Flow to Firms, determination of discount rate using Weighted Average Cost of Capital (WACC), calculation of terminal value, present value computation, and sensitivity analysis. The FCFF is calculated as:

FCFF=EBIT×(1−tax rate)+depreciation−capital expenditure−Δ working capital

Third, relative valuation using Price Earnings Ratio (PER) and Price Book Value (PBV) compares the company's valuation metrics with industry averages to provide additional perspective on the company's market position.

The analysis incorporates both cross-sectional and time-series approaches as suggested by (Hanafi & Halim, 2018). The cross-sectional analysis compares the company's financial ratios with those of other companies in the same sector and with industry standards. The time-series analysis examines the company's historical financial data to identify trends and assess performance improvements over time, providing a comprehensive understanding of PT XYZ's financial trajectory and valuation prospects within its strategic framework.

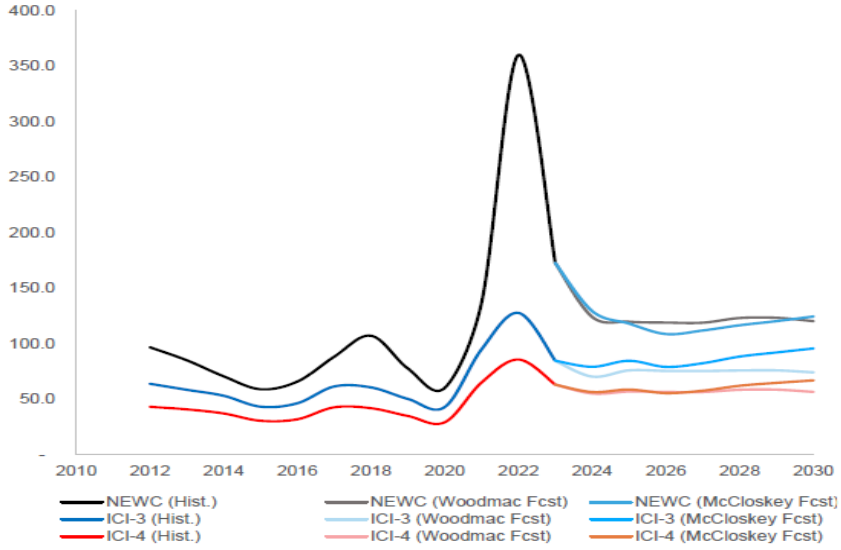
RESULTS AND DISCUSSION

This section presents the analysis of PT XYZ's financial performance and strategic positioning within Indonesia's coal mining industry. The analysis encompasses both external and internal factors influencing the company's operations, followed by strategic recommendations aligned with the company's long-term objectives.

External Analysis

The coal mining industry in Indonesia operates within a complex macro-environmental framework. Using PESTEL analysis, several critical factors were identified that significantly impact PT XYZ's operations. Political factors, including geopolitical tensions such as the Russia-Ukraine conflict and U.S.-China trade disputes, create uncertainties in global trade and supply chains. These tensions particularly affect the coal industry, where international shipping routes and export markets are vulnerable to disruption.

Economic analysis reveals that despite global economic slowdown, coal demand remains robust in developing Asian nations. Price forecasts indicate relative stability in coal indices, with the Newcastle Coal Index projected to maintain a range between $100-150 per ton, as illustrated in Figure 1.



Source: Industry Analysis Report, 2024

Social factors demonstrate a growing public preference for reduced coal dependence, particularly in Southeast Asia where an ISEAS survey highlights increased support for coal phase-out initiatives. However, immediate transition remains challenging due to economic and infrastructural limitations in Indonesia.

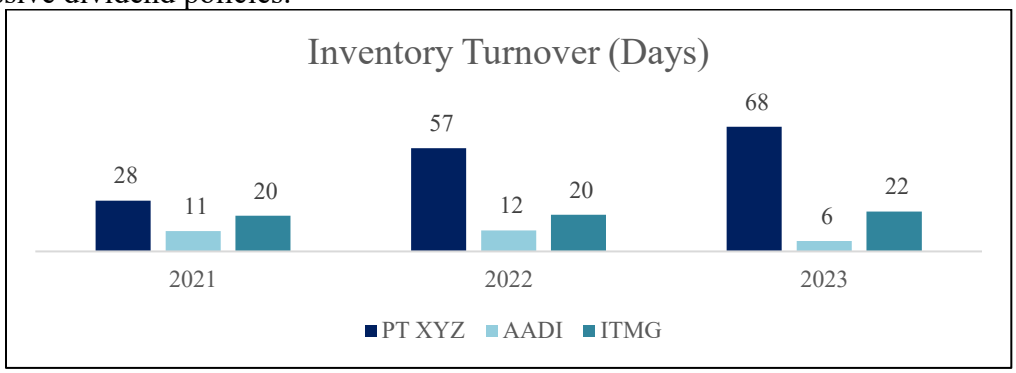
Internal Analysis

The Resource-Based View analysis reveals PT XYZ's competitive strengths stem from substantial coal reserves in Sumatra and well-developed mining infrastructure. However, a critical operational bottleneck exists in the company's heavy reliance on logistic partner for coal transportation, limiting logistics flexibility and impacting distribution efficiency.

Financial ratio analysis comparing PT XYZ with industry peers Adaro Andalan Indonesia (AADI) and Indo Tambangraya Megah (ITMG) reveals several noteworthy trends.

PT XYZ's Return on Equity (ROE) decreased from 43% in 2022 to 28% in 2023, reflecting industry-wide market normalization. The company's pronounced Domestic Market Obligation (DMO) fulfillment consistently above 50% compared to competitors' 25% has constrained profitability through regulated pricing at $70 per ton and $90 per ton for domestic sales.

PT XYZ's declining liquidity position, with its current ratio decreasing from 243% in 2021 to 152% in 2023, primarily attributed to a 355% increase in inventory levels and aggressive dividend policies.



Source: Company Financial Reports, 2021-2023

Figure 2 reveals particular challenges in The Inventory Turnover, with PT XYZ's inventory days increasing dramatically from 28 days in 2021 to 68 days in 2023, while competitors AADI (6 days) and ITMG (22 days) maintained significantly more efficient inventory management. This disparity corresponds with PT XYZ's 226% inventory increase, largely resulting from transportation capacity constraints despite production growth.

Strategic Direction

Based on shareholder mandates emphasizing Reserve Mastery, Downstream Development, and Market Leadership, PT XYZ has formulated a four-pillar strategic approach focusing on Mining, Logistics/Infrastructure/Trading, Energy/Utilities/Downstream, and Green Business initiatives. These pillars align with the company's mission of "Becoming a World-Class Energy Company that Cares for the Environment."

The Mining pillar addresses reserve expansion and sustainable production practices, while the logistics pillar targets infrastructure development to resolve transportation bottlenecks that currently constrain inventory management efficiency. The Energy pillar extends beyond traditional coal mining into electricity generation and industrial utility services. Perhaps most significantly, the Green Business pillar positions PT XYZ to navigate the energy transition through renewable energy investments and carbon management initiatives, reflecting growing stakeholder emphasis on environmental sustainability.

These strategic initiatives demonstrate PT XYZ's adaptation to evolving energy markets while addressing operational inefficiencies identified through comparative financial analysis. The company's high DMO requirements necessitate particular attention to cost optimization and strategic export allocation to maintain competitive financial performance against industry peers with greater pricing flexibility.

Scenario Planning

PT XYZ has developed three distinct scenarios to forecast business conditions and inform strategic decision-making. These scenarios, optimistic, moderate, and pessimistic, are predicated on the timely completion of infrastructure projects and their impact on investment absorption, infrastructure development, operational efficiency, coal monetization, and stripping ratio optimization.

In the optimistic scenario, expedited infrastructure completion facilitates increased production output and enhanced coal transportation. The capital expenditure arrangement for this scenario (Table 1) shows strategic allocation toward railway infrastructure projects, which are anticipated to be completed on time or ahead of schedule.

Table 1.
Capital Expenditure Arrangement Optimistic Scenario

Optimistic Scenario						(In Billion Rp)
Detail	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
New Railways Transportation 1	630	3,022	1,312	-	-	-
Existing Port Expansion	-	-	505	505	-	-
New Railways Transportation 2	-	-	-	741	2,225	741
Maintenance Capex	695	1,356	1,134	1,262	1,350	1,667
Subsidiaries Capex	559	2,423	4,004	7,796	4,720	4,221
Others Development Project	474	326	3,630	5,335	6,083	2,111
Total CAPEX	**2,357**	**7,127**	**10,584**	**15,639**	**14,378**	**8,740**

Source: PT XYZ Financial Planning Department

The moderate scenario assumes delays in infrastructure completion, leading to gradual improvement in coal transportation capacity. The capital expenditure plan (Table 2) reflects these assumptions, with the Existing Port Expansion and New Railways Transportation 2 projects delayed by approximately 12 months.

Table 2.
Capital Expenditure Arrangement Moderate Scenario

Moderate Scenario						(In Billion Rp)
Detail	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
New Railways Transportation 1	630	3,022	1,312	-	-	-
Existing Port Expansion	-	-	-	505	505	-
New Railways Transportation 2	-	-	-	-	741	2,225
Maintenance Capex	695	1,356	721	1,145	1,266	1,343
Subsidiaries Capex	559	2,423	4,004	6,614	3,762	3,099
Others Development Project	474	326	3,630	5,335	6,083	2,111
Total CAPEX	**2,357**	**7,127**	**9,666**	**13,600**	**12,355**	**8,777**

Source: PT XYZ Financial Planning Department

In the pessimistic scenario, substantial delays in infrastructure development critically constrain coal transportation capacity. The capital expenditure arrangement (Table 3) shows the Existing Port Expansion and New Railways Transportation 2 projects experiencing delays of 12 to 24 months.

Table 3.
Capital Expenditure Arrangement Pessimistic Scenario

Pessimistic Scenario						(In Billion Rp)
Detail	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
New Railways Transportation 1	630	3,022	1,312	-	-	-
Existing Port Expansion	-	-	-	-	-	505
New Railways Transportation 2	-	-	-	-	-	741
Maintenance Capex	695	1,356	1,134	1,262	1,350	1,667
Subsidiaries Capex	559	2,423	4,004	6,367	1,200	701
Others Development Project	474	326	3,630	5,335	6,083	2,111
Total CAPEX	**2,357**	**7,127**	**10,079**	**12,964**	**8,632**	**5,724**

Source: PT XYZ Financial Planning Department

Financial Health Assessment

The financial health of PT XYZ was evaluated using the weighted financial ratio based on the decree of the Ministry of SOEs No. KEP-100/MBU/2002. The assessment compared PT XYZ's performance with industry peers Adaro Andalan Indonesia (AADI) and Indo Tambangraya Megah (ITMG).

Table 4.
Financial Health of PT XYZ and Its Industry Peers

Company		2021	2022	2023
PT XYZ	Category	AA	AA	AAA
	Status	Healthy	Healthy	Healthy
Adaro Andalan Indonesia (AADI)	Category	AA	AAA	AA
	Status	Healthy	Healthy	Healthy
Indo Tambangraya Megah (ITMG)	Category	AAA	AAA	AA
	Status	Healthy	Healthy	Healthy

Source: Financial statement analysis

PT XYZ demonstrated significant improvement in financial performance over the past three years, achieving an upgrade from AA rating in 2021-2022 to AAA in 2023. This improvement was driven by consistent profitability, better asset utilization, and strong financial ratios. However, rising inventory levels, reflected in increasing inventory turnover days, remain a challenge for PT XYZ, primarily due to higher coal production capacity not yet matched by sufficient transportation infrastructure.

Discounted Cash Flow Valuation

The valuation analysis is based on financial projections calculated using projected coal sales volume and coal prices. Free Cash Flow to the Firm (FCFF) was calculated for each scenario (Table 5), reflecting the available cash for reinvestment and debt servicing.

Table 5.
Free Cash Flow to The Firm (in Billion Rupiah)

Optimistic Scenario

Free Cash Flow to The Firm *(In Billion Rp)*

Description	2024	2025	2026	2027	2028	2029
EBIT	6,975	7,391	9,401	12,138	14,623	24,233
Tax Rate	22%	22%	22%	22%	22%	22%
EBIT (1-Tax)	5,441	5,765	7,333	9,468	11,406	18,902
Depreciation & Amortization	1,336	1,270	1,695	2,344	3,424	4,284
Capital Expenditure	(2,357)	(7,127)	(10,584)	(15,639)	(14,378)	(8,740)
Δ Net Working Capital	(887)	(2,428)	979	37	(93)	(82)
FCFF	**3,532**	**(2,521)**	**(577)**	**(3,790)**	**359**	**14,364**

Moderate Scenario

Free Cash Flow to The Firm *(In Billion Rp)*

Description	2024	2025	2026	2027	2028	2029
EBIT	6,975	6,405	7,269	8,304	10,480	15,012
Tax Rate	22%	22%	22%	22%	22%	22%
EBIT (1-Tax)	5,441	4,996	5,669	6,477	8,174	11,709
Depreciation & Amortization	1,336	1,270	1,695	2,298	3,217	3,928
Capital Expenditure	(2,357)	(7,127)	(9,666)	(13,600)	(12,355)	(8,777)
Δ Net Working Capital	(887)	(2,526)	1,055	61	55	(182)
FCFF	**3,532**	**(3,387)**	**(1,247)**	**(4,763)**	**(908)**	**6,678**

Pessimistic Scenario

Free Cash Flow to The Firm *(In Billion Rp)*

Description	2024	2025	2026	2027	2028	2029
EBIT	6,975	5,016	6,189	7,689	8,893	11,157
Tax Rate	22%	22%	22%	22%	22%	22%
EBIT (1-Tax)	5,441	3,912	4,827	5,998	6,937	8,702
Depreciation & Amortization	1,336	1,270	1,695	2,319	3,194	3,591
Capital Expenditure	(2,357)	(7,127)	(10,079)	(12,964)	(8,632)	(5,724)
Δ Net Working Capital	(887)	(2,580)	1,097	31	76	(75)
FCFF	**3,532**	**(4,526)**	**(2,460)**	**(4,617)**	**1,574**	**6,494**

Source: Financial projection analysis

The cost of equity was calculated using the Capital Asset Pricing Model (CAPM), resulting in a rate of 12.20%. This is higher than other forecasts, including Bloomberg's data and PT XYZ's internal cost of equity setting, which range between 10-11%. The debt rate was derived from an internal evaluation conducted by PT XYZ's Corporate Finance team, focusing on medium-term loans and notional pooling facilities.

The Weighted Average Cost of Capital (WACC) was calculated for each scenario, reflecting different debt-equity compositions (Table 6).

Table 6.
Weighted Average Cost of Capital

Weight of Capital	Optimistic	Moderate	Pessimistic
Total Debt	177,039	175,261	176,518
Total Equity	235,677	207,526	192,073
Total	412,716	382,788	368,591
Wd	43%	46%	48%
We	57%	54%	52%
WACC	**9.6%**	**9.5%**	**9.3%**

Source: Financial analysis

Terminal values were calculated considering a long-term decline in global coal demand, with Wood Mackenzie forecasting a projected decline of 3.75% annually from 2024 to 2050. PT XYZ has adopted a diversification strategy aimed at transitioning 50% of revenue from coal to alternative energy and downstream initiatives. The terminal value calculation incorporates this assumption by applying an infinite growth rate of -1.88%.

The enterprise value and fair value of equity varied among different scenarios (Table 7), highlighting the degree of investment realization and success of diversification efforts.

Table 7.
Terminal Value and Value of The Firm (in Billion Rupiah)

Optimistic Scenario
Free Cash Flow to The Firm *(In Billion Rp)*

Description	2024	2025	2026	2027	2028	2029
EBIT	6,975	7,391	9,401	12,138	14,623	24,233
Tax Rate	22%	22%	22%	22%	22%	22%
EBIT (1-Tax)	5,441	5,765	7,333	9,468	11,406	18,902
Depreciation & Amortization	1,336	1,270	1,695	2,344	3,424	4,284
Capital Expenditure	(2,357)	(7,127)	(10,584)	(15,639)	(14,378)	(8,740)
Δ Net Working Capital	(887)	(2,428)	979	37	(93)	(82)
FCFF	**3,532**	**(2,521)**	**(577)**	**(3,790)**	**359**	**14,364**
Terminal Value						122,344
Pending Capital Expenditure						-
Total FCFF	**3,532**	**(2,521)**	**(577)**	**(3,790)**	**359**	**136,708**
PV of Cash Flow	3,532	(2,299)	(480)	(2,875)	249	86,264
Accumulated PV of Cash Flow	**3,532**	**1,233**	**754**	**(2,122)**	**(1,873)**	**84,391**

Value of The Firm (In Billion Rp)	**84,391**
Value per Share (Rp/Share)	**7,325**

Moderate Scenario
Free Cash Flow to The Firm *(In Billion Rp)*

Description	2024	2025	2026	2027	2028	2029
EBIT	6,975	6,405	7,269	8,304	10,480	15,012
Tax Rate	22%	22%	22%	22%	22%	22%
EBIT (1-Tax)	5,441	4,996	5,669	6,477	8,174	11,709
Depreciation & Amortization	1,336	1,270	1,695	2,298	3,217	3,928
Capital Expenditure	(2,357)	(7,127)	(9,666)	(13,600)	(12,355)	(8,777)
Δ Net Working Capital	(887)	(2,526)	1,055	61	55	(182)
FCFF	**3,532**	**(3,387)**	**(1,247)**	**(4,763)**	**(908)**	**6,678**
Terminal Value						57,742
Pending Capital Expenditure						(4,942)
Total FCFF	**3,532**	**(3,387)**	**(1,247)**	**(4,763)**	**(908)**	**59,478**
PV of Cash Flow	3,532	(3,094)	(1,040)	(3,630)	(632)	37,828
Accumulated PV of Cash Flow	**3,532**	**438**	**(602)**	**(4,233)**	**(4,865)**	**32,962**

Value of The Firm (In Billion Rp)	**32,962**
Value per Share (Rp/Share)	**2,861**

Pessimistic Scenario
Free Cash Flow to The Firm *(In Billion Rp)*

Description	2024	2025	2026	2027	2028	2029
EBIT	6,975	5,016	6,189	7,689	8,893	11,157
Tax Rate	22%	22%	22%	22%	22%	22%
EBIT (1-Tax)	5,441	3,912	4,827	5,998	6,937	8,702
Depreciation & Amortization	1,336	1,270	1,695	2,319	3,194	3,591
Capital Expenditure	(2,357)	(7,127)	(10,079)	(12,964)	(8,632)	(5,724)
Δ Net Working Capital	(887)	(2,580)	1,097	31	76	(75)
FCFF	**3,532**	**(4,526)**	**(2,460)**	**(4,617)**	**1,574**	**6,494**
Terminal Value						56,778
Pending Capital Expenditure						(11,941)
Total FCFF	**3,532**	**(4,526)**	**(2,460)**	**(4,617)**	**1,574**	**51,331**
PV of Cash Flow	3,532	(4,139)	(2,057)	(3,531)	1,101	32,834
Accumulated PV of Cash Flow	**3,532**	**(607)**	**(2,664)**	**(6,195)**	**(5,094)**	**27,740**

Value of The Firm (In Billion Rp)	**27,740**
Value per Share (Rp/Share)	**2,408**

Source: Financial analysis

Sensitivity analysis assessed the effects of variations in the infinite growth rate and WACC on PT XYZ's valuation (Table 8). A 20% increase in revenue from transitioning to downstream business results in a higher infinite growth rate and elevated firm valuation,

while a 20% decrease leads to reduced valuation due to diminished long-term earnings potential.

Table 8.
Sensitivity Analysis (in Billion Rupiah)

(In Billion Rp)

Optimistic Scenario		Infinite Growth Rate		
		-1.125%	-1.875%	-2.625%
WACC	9.134%	96,779	90,055	84,188
	9.646%	90,398	84,391	79,119
	10.158%	84,639	79,249	74,493
Moderate Scenario		**Infinite Growth Rate**		
		-1.125%	-1.875%	-2.625%
WACC	8.927%	39,006	35,730	32,879
	9.474%	35,861	32,962	30,422
	10.020%	33,058	30,480	28,207
Pessimistic Scenario		**Infinite Growth Rate**		
		-1.125%	-1.875%	-2.625%
WACC	8.777%	33,833	30,535	27,670
	9.348%	30,638	27,740	25,205
	9.919%	27,818	25,257	23,002

Source: Financial analysis

Relative Valuation

PT XYZ's valuation was also assessed through a comparative analysis of its Price-to-Earnings Ratio (PER) and Price-to-Book Value (PBV) against the industry average.

Table 9.
Relative Valuation Each Scenario

Scenario	Current PER Avg. Peers	Current PER PT XYZ	Forecast PER PT XYZ	Condition
Optimistic	3.42	5.85	1.98	Undervalue
Moderate			3.27	Undervalue
Pessimistic			4.59	Overvalue
Scenario	**Current PBV Avg. Peers**	**Current PBV PT XYZ**	**Forecast PBV PT XYZ**	**Condition**
Optimistic	0.88	1.66	0.56	Undervalue
Moderate			0.71	Undervalue
Pessimistic			0.81	Undervalue

Source: Financial analysis

In the pessimistic scenario, PT XYZ appears overvalued based on PER but undervalued based on PBV. In the moderate and optimistic scenarios, both metrics indicate undervaluation, suggesting potential upside if PT XYZ achieves its revenue and profitability targets.

Implementation Plan

To support accelerated coal monetization and improve supply chain efficiency, PT XYZ plans to implement critical infrastructure projects: New Railway Transportation 1, Existing Port Expansion, New Railway Transportation 2, and Renewable/Downstream Initiative. These projects follow a structured 6-stage implementation plan: Initiation, Internal Study, DD/FS, FEED, EPC, and COD.

For long-term sustainability and value maximization, PT XYZ needs to adhere to project execution timelines, align financing strategies effectively, and bolster diversification initiatives. This strategy aims to mitigate risks associated with decreasing coal demand, enhance cash flow stability, and elevate both intrinsic and market-based valuation metrics.

CONCLUSION

The comprehensive analysis of PT XYZ's financial performance and valuation within the framework of its Long-Term Plan reveals significant insights into the strategic positioning and future prospects of this coal mining enterprise. The company has demonstrated remarkable financial resilience, evidenced by its progression from an AA rating in 2021-2022 to an AAA rating in 2023, according to the Ministry of SOEs' assessment criteria. This achievement is particularly notable considering the challenging market conditions characterized by coal price fluctuations and increasing regulatory pressures through the Domestic Market Obligation policy.

PT XYZ's financial performance, when compared to industry peers such as Adaro Andalan Indonesia and Indo Tambangraya Megah, highlights both strengths and areas requiring attention. While the company maintains strong profitability ratios, its inventory management efficiency has deteriorated significantly, with inventory turnover days increasing from 28 days in 2021 to 68 days in 2023 substantially higher than competitors. This inefficiency stems primarily from transportation infrastructure constraints that prevent optimal coal monetization despite increased production capacity.

The valuation analysis using the Free Cash Flow to Firm methodology across three scenarios demonstrates the critical importance of infrastructure project execution. The enterprise value ranges from IDR 27.7 trillion in the pessimistic scenario to IDR 84.4 trillion in the optimistic scenario, with the moderate scenario yielding a value of IDR 33 trillion. These variations underscore how infrastructure development timelines directly impact valuation outcomes. Moreover, the relative valuation analysis suggests potential undervaluation compared to industry averages, particularly if the company achieves its moderate or optimistic scenario projections.

The strategic implications of this study extend beyond financial metrics. PT XYZ's four-pillar strategy focusing on Mining, Logistics/Infrastructure/Trading, Energy/Utilities/Downstream, and Green Business initiatives represents a well-conceived response to both operational challenges and market evolution. The emphasis on downstream diversification and renewable energy investments demonstrates forward-thinking adaptation to the projected long-term decline in global coal demand.

For sustainable value creation, PT XYZ must prioritize three key areas: accelerating infrastructure development to enhance coal monetization efficiency, optimizing the domestic-export sales mix to mitigate the impact of DMO requirements, and expediting diversification initiatives to ensure long-term revenue stability. These priorities should be supported by targeted capital allocation strategies that balance immediate operational needs with long-term strategic positioning.

This research contributes to the body of knowledge on financial management in resource-based industries by demonstrating how infrastructure constraints and regulatory requirements can significantly impact financial performance and valuation. For practitioners, particularly in state-owned enterprises, the study provides a structured approach to integrating financial analysis with long-term strategic planning. Future research could explore the effectiveness of diversification strategies in resource companies and develop more sophisticated valuation methodologies that better account for the unique challenges faced by companies in transition from traditional to sustainable business models.

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