IPO PRICING MODEL AT THE INDONESIA STOCK EXCHANGE (IDX) USING BLACK AND SCHOLES METHOD

(For the Issuers Conducting IPO in the Period of 2009 to 2013)

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ABSTRACT

One of financial managers' duty is to find out an optimal capital structure of their company. From some methods, one of the most used is bring in another owner equity, in this case the public. Data showed that there was still a high number of undervalue IPO. For the period of 2009 until 2013, from 112 companies conducted IPO, there were more than 65% experienced undervalue for the first thirty days of listing. Therefore, this study aims to find an alternative method in calculating the share price for IPO. Besides, this study also develops an equation to predict the tendency of the share price after listing, whether it will be undervalued or overvalued. The alternative method used here was Black and Scholes Model because the equity of the firm can be considered as a call option on the assets of the business. The prediction model was added by EPS and Public Portion variables to see if they can increase the prediction ability. Black and Scholes Model could give a better result showed by its standard deviation value about 37% closer to the real price than the traditional model represented by Relative Valuation Model. Furthermore, the prediction model gaves results that the model could predict the tendency of the share price after listing about 74%; generate four dominant variables: JIBOR (4549.105%), Public Portion (-267.4107%), Variance (46.8449%), and Tenor (-1.2942%); and generate solution variables characterized by external and internal characteristics.

Keywords: IPO Pricing Model, Black and Scholes, EPS, Public Portion, Prediction Model, Solution Variables

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