ABSTRACT

Equity is a seed that will grow as the firm operated. To increase the net income by increasing market share or expanding the business, firm must increase debt or equity. Creditor will lend the money if the firm can show the capability to pay the debt and show some collateral. If firm can not increase leverage any more, firm should sell the equity. Firm sells equity above the book value because of the prospect of the firm. Investor will buy the equity if it gives a higher return than interest in bank.

Firm and investors evaluate the equity with expectation of some profit. Firm wants to value the equity as high as it can, but investors, when they buy equity, they want to pay as low as possible. Investors, because they are taking a risk when buying equity, they must analyze the firm carefully. A good fundamental analysis can help investor to avoid a wrong investment.

Fair offering price of stocks can help maintain the image and the value of the stock market itself. In a closely efficient market, almost all investors have the information about the stocks, but a smart investor can pick a good buy most of the time.

In Indonesia, most of personal investors do not have enough knowledge about equity analysis and they often end their activities in capital market because of loosing money. Equity market in Indonesia will grow along with the economic growth of the nation as long as price of share do reflect the value of the firm. After knowing the issues above, hopefully the use of IPO-Analyzer will help an investor to avoid a big loss and to gain some profit.

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