The Influence of Fundamental Factors to Company Value
(Case study Pharmacy Industry listed in IDX)

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Abstract - The research objective was to determine the influence of fundamental factors to Company Value of the Pharmacy Industry listed in Indonesia Stock Exchange period 2014 - 2016. The method of research used a quantitative approach and multiple regression analysis of data using Eviews 8.10. Hypothesis testing using t-test and F test with a significance level of 0.5. The results showed that the partial fundamental factors such as profit margin (PM) and earnings per share (eps) does not affect the company value, only return on equity that affect the company value of Simultaneously, the fundamental factors such as profit margin (PM), return on equity (ROE), and earnings per share (EPS) affect the stock price of Pharmacy Industry listed in Indonesia Stock Exchange.

Key Words: fundamental factors, profit margin (PM), return on equity (ROE), earnings per share (EPS), and company value.

1. INTRODUCTION
1.1 Background
The economy is closely related to the capital market with the Composite Stock Price Index (IHSG) which at any time is always changing up or down. Capital markets have a function as a means of funding for companies and other institutions, and as a means for investment activities. Thus, the capital market facilitates various facilities and infrastructure for the sale and purchase of securities and other related activities. So the capital market has a big role for the economy of a country because the capital market runs two functions simultaneously, economic function and financial function. In the capital market will meet between the Investors in the decision of buying or selling shares. The analysis is to look at the fundamental factors of listed

1.2 Research Formulation
Based on the background of the above problems, then the research formula is whether the fundamental factors affect the value of companies in Pharmaceutical industry companies listed on the stock exchanges of Indonesia period 2013 to 2016.

1.3 Research Objectives
The purpose of this study is to determine the effect of fundamental factors on the value of companies Pharmaceutical industries listed on the stock exchanges of Indonesia period 2013 to 2016.

2 THEORY BASIS
2.1 Signaling Theory
The signaling theory suggests that a good quality company will signal good to the market, thus the market is expected to differentiate good and bad quality companies. In order for the signal to be
effective, the firm's value must be captured and perceived well, and not easily imitated by poor quality companies (Megginson, 1987) [4]. Cue or signal is an action taken by a company companies in the stock exchange other than technical factors. Fundamental factor is a benchmark of the value of the company whether the company deserves the collection as a portfolio in its investment or unfit to be stored in its portfolio, therefore the issuer must maintain its fundamental factor to keep firm value in good condition. The value of the company is measured by the share price of the issuer. Fundamental factors that are often used by investors in assessing the company, among others, profit margin ratio, return on equity and earnings per share. By analyzing these three things, it is expected that investors will invest funds in the company. As the subject of this research is the pharmaceutical industry, because the pharmaceutical industry in Indonesia has a pretty good prospect, it is seen from the total population of Indonesia which amounts to approximately 230 Million [2], also the government policy in the form of BPJS Health so that the market share of the pharmaceutical industry is very promising. Pharmaceutical industries listed on the Indonesian stock exchange are 10 (ten) [1] companies competing in the domestic market. Fundamental analysis used in this research is Profit Margin Ratio (PMR), Return on Equity (ROE) and Earning per Share (EPS) as independent variable and company value as dependent variable with measuring instrument is stock price of issuer in capital market.

According to Fahmi (2012: 86) [3], by buying and owning stock investors will gain some profits to be earned that is to gain capital gains (the difference between the purchase price and the selling price), also get the dividend (profit sharing provided by the company derived from profit Generated by the company), and has voting rights to ordinary shareholders. Management that gives instructions for investors about how management views the prospect of the company. Companies with lucrative prospects will try to avoid the sale of shares and to seek any new capital required in other ways, including the use of debt that exceeds the normal target of capital structure (Brigham and Houston: 2001) [5].

2.2 Company Value

The value of the firm is the present value of the expected cash cash flow, or the future value of the firm discounted at the cost of capital. Some value concepts that explain the value of a company are the nominal value, market value, intrinsic value, book value and liquidation value (Manurung, 2004: 5) [6], in this study the company's value is measured from the stock market value of the issuer at the end of year closing price.

2.3 Shares

According to Tjiptono and Hendy (2006: 6) [7], shares may be defined as a sign of participation or possession of a person or entity within a corporation or limited liability company. The share is a piece of paper explaining that the paper owner is the owner of the company issuing the securities. Portion of ownership is determined by how much inclusion is invested in the company. According to Fahmi (2012:
2.4 Stock Price
According to Sunariyah (2006: 128), stock price is the price of a stock on the ongoing market in the stock exchange. Stock prices can be affected by the market situation, among others, the stock price in the primary market is determined by the underwriter and the company that will go public (issuer), based on the fundamental analysis of the company. The role of underwriters in the primary market in addition to determining stock prices, also carry out the sale of shares to the public as prospective investors. While the stock price in the secondary market is determined by demand and supply between buyers and sellers. The amount of demand and supply is influenced by several factors, among others, internal factors associated with the company's internal policies and company performance has been achieved. Internal factors are also related to things that should be controlled by management such as earnings per share, the amount of dividends are divided, the performance of corporate management, and prospects of the company in the future. While external factors of the company that is beyond the ability of the company or beyond the ability of management to control, among others, the emergence of political turmoil in a country, changes in monetary policy, and high inflation rate.

2.5 Fundamental Factors Affecting Corporate Value
According to Tjiptono and Hendy (2006: 189), fundamental analysis is one way to conduct stock valuation by studying or observing various indicators related to macroeconomic conditions and industrial conditions of a company including various financial indicators and company management. Thus, fundamental analysis is an analysis based on various real data to evaluate or project the value of a stock. Some commonly used data or indicators are income, profit, sales growth, return on equity, profit margin, and other financial data such as earnings per share, as a means to assess company performance and future growth potential. According to Tandelilin (2010: 363), in conducting a fundamental analysis with investors able to choose a viable company to be an alternative investment, choosing a stock of companies whose market price is lower than intrinsic value so it is worth buying, and choosing a stock of companies whose market price Higher than intrinsic value making it profitable to sell. Before choosing a company to be an alternative investment, investors must be careful in choosing a company because not necessarily all shares of companies classified as a large company is always a good investment alternative. To know the stock of a company deserve to be an investment choice, then the investor must analyze the company first. The fundamental factors used in this study are as follows:

1. Profit Margin
According to Kasmir (2010: 199), profit margin on sales or profit margin ratio (profit margin on sales)
is one of the ratios used to measure profit margins on sales. The way to measure the profit margin ratio is to compare net after-tax profits with net sales.

\[
\text{Profit Margin Ratio} = \left( \frac{\text{Net Income after Tax}}{\text{Net Sales}} \right) \times 100\% \]

2. Return On Equity
According to Brigham and Houston (2009: 109) [5], the usual rate of return on equity is to measure the return on investment of ordinary shareholders. How to calculate return on equity (ROE) is to compare net income with ordinary equities.

\[
\text{Return on Equity} = \left( \frac{\text{Net Income after Tax}}{\text{Equity}} \right) \times 100\% \]

3. Earning Per Share
According to Fahmi (2012: 96) [3], the notion of earning per share is a form of giving the profits given to the shareholders of each share of shares owned. How to calculate earnings per share (EPS) is to compare net income with the number of shares outstanding.

\[
\text{Earning Per Share} = \left( \frac{\text{Net Income after Tax}}{\text{Out Standing Stock}} \right) \times 100\% \]

2.6 Previous Research
Kasmir in Krisnawati Br. Tarigan, Nurainun Bangun, and Joanita (2007) [11] conducted a study on the Influence Analysis of ROE and EPS on Stock Price of Manufacturing Companies Listed on the Jakarta Stock Exchange. The result of research shows that partially return on equity (ROE) and earnings per share (EPS) have an effect on stock price and simultaneously return on equity (ROE) and earnings per share (EPS) influence to stock price. Husnan in Neneng Rina Andriani and Aryati Kusumastuti (2008) [12] conducted a study on the Effect of Earning Per Share (EPS) on Stock Market Price (Case Study at Manufacturing Company Listed In Indonesia Stock Exchange). The research results show that earnings per share have positive correlation and significant effect to stock market price. That is, if the value of EPS rose, it will have an impact on rising stock market prices. Winston Tarore and Winston Pontoh (2010) [13] conducted a study on the Influence Analysis of Devidend Per Share (DPS) and Earning Per Share (EPS) Against Stock Price On Company Go Public In Indonesia Stock Exchange. The result of research shows that DPS has a significant influence on stock price of go pubic company in Indonesia Stock Exchange, EPS has a significant influence to stock price of go pubic company in Indonesian Stock Exchange, and dividend per share (DPS) and earnings per share (EPS) Simultaneously (together) has a significant influence on stock prices go pubic companies in Indonesia Stock Exchange.

3 RESEARCH METHODS
3.1 Research Objects
The object of this research is the fundamental factor and stock price of the pharmaceutical industry companies listed on the Indonesian stock exchange (IDX) totaly 10 company.

3.2 Sampling Techniques
The population of this study is the pharmaceutical industry listed on the Indonesian stock exchanges, the research period of 2013 to 2016 which published the annual report. By taking samples based on consideration of certain criteria (purposive sampling). Based on the search results on IDX.co.id that for the
SCPI of 2016 has not published the annual report and audit report therefore the sample size is 9 companies as follows:

Table 1
Sample Observation Pharmacy Industry Listed in Indonesia Stock Exchange

<table>
<thead>
<tr>
<th>No</th>
<th>Code</th>
<th>Company Name</th>
<th>Address</th>
<th>Date Listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DMLA</td>
<td>Daewo Ygrepharmaceutical</td>
<td>Nov 11, 1994</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>EAS</td>
<td>Inofarma, Tbk</td>
<td>April 17, 2001</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>ISDO</td>
<td>PFB Sukanto Arenan Farmasi Mace, Tbk</td>
<td>Dec 18, 2013</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>RAIS</td>
<td>Raja Farmasi (Pasar) Tbk</td>
<td>Jan 25, 2001</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>KESF</td>
<td>Keda Farmasi Tbk</td>
<td>Feb 25, 1999</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>MSFK</td>
<td>March Tbk</td>
<td>July 23, 1981</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>PTTA</td>
<td>Pembina Farmasi Tbk</td>
<td>Oct 29, 2001</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>GSF</td>
<td>Gospo Farmasi Indonesia, Tbk</td>
<td>Mar 27, 1995</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>ICF</td>
<td>Indosfa Pacific, Tbk</td>
<td>June 17, 1994</td>
<td></td>
</tr>
</tbody>
</table>

3.3 Types And Data Sources
Types of data used in this study are secondary data that is profit margin, return on equity, earnings per share and market price obtained from the official website of Indonesia Stock Exchange (IDX).

3.4 Operational variables
This research uses two variables that are independent variable and dependent variable. The dependent variable (Y) is the stock price. While the independent variables (X) are the fundamental factors of profit margin (X1), return on equity (X2), and earnings per share (X3).

Hypothesis:
Ha: Profit Margin Ratio, Return On Equity, and Earning Per Share (fundamental analysis) Effect on company value

H0: Profit Margin Ratio, Return On Equity, and Earning Per Share (fundamental analysis) does not affect company value

3.5 Data Analysis Techniques
3.5.1 Descriptive analysis
According to Nazir (2011: 54) descriptive analysis is: "Descriptive method is a method of researching the status of a group of people, or subject, a set of conditions, a system of thought, or a class of events in the present" In this research is a group of pharmaceutical industries listed on the stock exchange Indonesia from 2013 to 2016.

3.5.2 Classic Assumption Test
According to Hasan (2001: 280), in the use of regression, there are some basic assumptions. The basic assumption is also known as the classical assumption. With the fulfillment of classical assumptions, the results obtained can be more accurate and closer to or equal to reality. The classical assumption consists of:

A. Authentication
Autocorrelation means that there is a correlation between the sample members and the observed data sorted by time, so that a datum appears to be influenced by the previous datum. The way to know the autocorrelation in the regression can use the Durbin-Watson test. The criteria used to detect the presence or absence of autocorrelation symptoms are as follows:
1. 1.65 <DW <2.35 no autocorrelation occurs.
2. 1.21 <DW <1.65 or 2.35 <DW <2.79 can not be inferred.
3. D-W <1.21 or DW> 2.79 occur autocorrelation.
B. Multicollinearity
Multicollinearity means between one independent variable and the other independent variable in linear correlation linear regression model. To know the existence of multicollinearity in calculation using eviews8.10, can use partial correlation by looking closeness relation between explanatory variable. To determine the relationship between two independent variables having a multicollinearity problem is to look at the significance (2-tailed) value, if the value is less than 0.025 then indicated to have multicollinearity symptoms.

3.5.3 Multiple Regression Model
To know the influence of fundamental factors to stock price used multiple regression model with analysis using eviews 8.10 as follows:

\[ Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 \]

Y = Stock price (Company Value)
\( a \) = Constant
\( b_1 \) = coefficient regression profit margin
\( b_2 \) = coefficient regression return on equity
\( b_3 \) = coefficient regression earnings per share
\( X_1 \) = profit margin
\( X_2 \) = return on equity
\( X_3 \) = earnings per share

3.5.4 Hypothesis Testing
To test the hypothesis used t test and F test.

1. t test
Testing hypothesis partially by using t test, Test steps as follows:
1. Formulate the hypothesis
Ho: \( p = 0 \), there is no influence of fundamental factors on stock prices
Ha: \( p \neq 0 \), there is the influence of fundamental factors on stock prices
2. Determine the value of error where \( \alpha = 5\% \), after \( \alpha \) is known then look for \( t_\alpha \) or \( t_\alpha / 2 \) of t table with df = n-k-1
3. Calculating t arithmetic using Eviews 8.10
4. Conclusion to reject or accept Ho, which depends on the formulation of the hypothesis, that is:
Ho accepted if \(-t_\alpha / 2 \leq t_0 \leq t_\alpha / 2\); Ho is rejected if \( t_0 > t_\alpha / 2 \) or \( t_0 < -t_\alpha / 2 \)

2 F test
Testing the hypothesis simultaneously by using F test, steps F-test as follows:
1. Determine the formulation of hypothesis
Ho: \( p = 0 \) there is no influence of fundamental factors on stock prices
Ha: \( p \neq 0 \) there is influence of factors to stock price.
2. Determining the real level of \( \alpha \) and F table values
The real level of \( \alpha = 5\% \), the F value of the table are determined with degrees of freedom \( v_1 = k-1 \) and \( v_2 = n-k \).
3. Calculate F arithmetic using eviews 8.10
4. Conclusion to reject or accept Ho
Ho accepted if \(-F_\alpha / 2 \leq F_0 \leq F_\alpha / 2\); Ho is rejected if \( F_0 > F_\alpha / 2 \) or \( F_0 < -F_\alpha / 2 \)

<table>
<thead>
<tr>
<th>Year</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3.84</td>
<td>12.15</td>
<td>140.00</td>
<td>2.2000</td>
</tr>
<tr>
<td>2014</td>
<td>4.00</td>
<td>13.20</td>
<td>150.00</td>
<td>2.2000</td>
</tr>
<tr>
<td>2015</td>
<td>4.20</td>
<td>14.20</td>
<td>160.00</td>
<td>2.2000</td>
</tr>
<tr>
<td>2016</td>
<td>4.30</td>
<td>15.20</td>
<td>170.00</td>
<td>2.2000</td>
</tr>
<tr>
<td>2017</td>
<td>4.40</td>
<td>16.20</td>
<td>180.00</td>
<td>2.2000</td>
</tr>
</tbody>
</table>

Minimum: \( 3.04 \)
Maximum: \( 5.00 \)
Average: \( 4.20 \)
Standard Deviation: \( 0.75 \)
4 Result
4.1 Descriptive analysis
Based on table 2 in 2013 obtained the lowest profit margin obtained by INAF with -4.05% while the highest obtained SQBB with a value of 35% and average 11.30% with a standard deviation of 11.11% while for the lowest Return On Equity obtained INAF with Value -9.18% and highest on SQBB with value 43.00% and average 17.31% with standard deviation 14.96%. For the lowest Earning Per Share is INAF with the value of IDR -17.50 and highest TSPC with value IDR 141,00. The lowest company value in PYFA with the value of IDR 147,00 and the highest of MERK with the value of IDR 189,000.00 the average value of pharmaceutical industry in the year 2013 is IDR 23,078,33 with standar deviation IDR 62,305.02. Sebesar IDR 23,078,33 dengan standar deviation IDR 62,305.02.

Table 3
Description data in year 2014

<table>
<thead>
<tr>
<th>No</th>
<th>Date</th>
<th>Company</th>
<th>Year</th>
<th>X1</th>
<th>X2</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2014-02-01</td>
<td>INAF</td>
<td>2014</td>
<td>1.84</td>
<td>2.50</td>
<td>730.00</td>
</tr>
<tr>
<td>2</td>
<td>2014-02-02</td>
<td>INAF</td>
<td>2014</td>
<td>3.08</td>
<td>1.23</td>
<td>0.08</td>
</tr>
<tr>
<td>3</td>
<td>2014-02-03</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
<tr>
<td>4</td>
<td>2014-02-04</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
<tr>
<td>5</td>
<td>2014-02-05</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
<tr>
<td>6</td>
<td>2014-02-06</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
<tr>
<td>7</td>
<td>2014-02-07</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
<tr>
<td>8</td>
<td>2014-02-08</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
<tr>
<td>9</td>
<td>2014-02-09</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
<tr>
<td>10</td>
<td>2014-02-10</td>
<td>INAF</td>
<td>2014</td>
<td>0.08</td>
<td>1.23</td>
<td>350.00</td>
</tr>
</tbody>
</table>

Source: IDX processed

Based on table 3 in 2014 obtained the lowest profit margin obtained by INAF with the value of 0.08% there is an increase from the year 2013 amounted to 101.98% while the highest obtained SQBB with a value of 33% and average 12.40% with a standard deviation of 11.25% While for the lowest Return On Equity obtained by INAF with a value of 1.25% an increase of 113.62% from 2013 and the highest on SQBB with value of 45.00% and average 17.49% with a standard deviation of 14.16%. For the lowest Earning Per Share is INAF with value 0.38 and highest TSPC with value IDR 129,00. The lowest value of the Company in PYFA with the value of IDR 135,00 and the highest MERK with the value of IDR 160,000.00 the average value of pharmaceutical industry in the year 2014 is equal to IDR 19,951,11 with standar deviation IDR 52,613,32.
Based on table 5 in 2016 obtained the lowest profit margin obtained by INAF with -1.04% there is an increase from 2015 by 360% while the highest obtained SQBB with a value of 29% and average 11.32% with a standard deviation of 9.97% while For the lowest Return On Equity obtained INAF with the value of -3.02% decreased by 226.36% from 2015 and the highest on SQBB with value 46.30% and average 16.54% with the standard deviation 13.94%. For the lowest Earning Per Share is INAF with value IDR -5.60 and highest DVLA with value IDR 136,00. The lowest value of the Company in PYFA with the value of IDR 200.00 and the highest SQBB with the value of IDR 10,500.00 The average value of the pharmaceutical industry in 2016 amounted to IDR 3,793.33 with standard deviation IDR 3,950.31

4.2.2 Hypothesis Testing
Result of research show t count from profit margin (PM) equal to -2.197843 bigger than t table = -2,032 with level of significance 0.05 mean Ho rejected and accept Ha hence there influence of profit margin (PM) to company value Result of research show t count from return on equity (ROE) equal to 3.605988 bigger than t table = 2,032, with significance level 0.05 mean Ho rejected and accept Ha hence there influence of return on equity (ROE) to company value. Result of research show t count from earnings per share (EPS) equal to -2.807893 bigger than t table = -2,032 with significance level 0.05 means Ho rejected and accept Ha mean there is influence earnings per share (EPS) to company value. The result of the research shows that there is a simultaneous or significant influence between profit margin (PM), return on equity (ROE), and earnings per share (EPS) with stock price because F value count = 5.704135 which is bigger than F table ie 5.41 with a significance level of 0.05 means reject Ho and accept Ha. So obtained regression equation is as follows:

\[ Y = 9101.15869371 - 3668.3805459 \times X_1 + 4693.84239038 \times X_2 - 701.905057477 \times X_3 \]

Information:

Y = Company Value

X1 = Profit Margin Ratio

X2 = Return On Equity

X3 = Earnings Per Share

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions
Partially, the fundamental factors of profit margin and earnings per share do not affect the value of the company only return on equity which affects the value of the pharmaceutical industry companies listed on the stock exchange of Indonesia. Simultaneously, the fundamental factors affect the value of the pharmaceutical industry listed on the stock exchange of Indonesia.

5.2 Suggestions
Suggestions to be conveyed that the author should before buying shares, investors should also consider the economic conditions. Investors should carefully select a company capable of operating despite uncertain economic conditions. The pharmaceutical
industry is expected to increase innovation in the product. With innovations in pharmaceutical industry products can further increase sales and profits that have been obtained so that the pharmaceutical industry can further improve the welfare of shareholders and can make investors interested in investing in the pharmaceutical industry. For further research, it is better to add other financial ratios in analyzing the fundamental factors.

REFERENCE