Financial Performance Analysis With Economic Value Added On Telecommunication Companies Listed In BEI

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Abstract

This research describes the financial performance based on the Economic Value Added (EVA) method, which aims to know the condition of Net Operating Profit After Tax (NOPAT), Cost of Capital (COC) condition, and financial performance condition based on Economic Value Added (EVA) in telecommunications company which is listed on BEI. The sample using PT. Telekomunikasi Indonesia, PT. XL Axiata and PT. Indosat. on 2012-2016. This research uses a descriptive with quantitative approach. The result of the analysis shows that the condition of NOPAT PT. Telekomunikasi Indonesia and PT. XL Axiata is good and positive, while NOPAT PT. Indosat in 2013 is negative. The condition of COC for all companies is positive and fluctuating. EVA Condition for PT. Telekomunikasi Indonesia on 2012-2016 positive, which means EVA> 0. It shows that the company can add value for the company. EVA condition for PT. XL Axiata in 2012 and 2013 was positive or EVA> 0, on 2014 and 2015 EVA was negative or EVA < 0 and in 2016 EVA had a positive result. PT. Indosat is only able to make value for the company just on 2012 and 2016 with EVA positive or EVA> 0, then on 2013 to 2015 the result of EVA is negative or EVA < 0 which means the company cannot make a value-added for the company.

Keywords: Financial Performance, Net Operating Profit After Tax (NOPAT), Cost of Capital (COC), Economic Value Added (EVA).

Introduction

In this era of globalization, technological advances and the development of information flows have led to rapid business development. In Indonesia, there are various supporting sectors to achieve maximum economic growth, including the Agriculture, Plantation, Fisheries, Forestry, Finance, Mining, Transportation, Tourism, Housing, Health, Education, etc. sectors. Apart from that, there is still one sector that is no less important in achieving Indonesia's economic growth, namely the telecommunications sector. The role of the telecommunications sector is important in participating in Indonesia's economic growth and employment, considering that every activity related to the economy must be carried out quickly and precisely. Telecommunications also plays an important role in increasing the efficiency of economic, trade and administrative activities, improving the effectiveness of social and emergency services, and distributing more evenly the social, cultural and economic benefits of development outcomes throughout communities and countries.

Therefore, developing telecommunications infrastructure is an urgent need for a country. Widespread access to cellular communications and the internet has created a fast and easy atmosphere. This is based on three important things, namely first, technological progress, telecommunications and informatics. Second, economic globalization which places telecommunications as a traded service and as a means for other services. Third, the arrival of the information society which places information as a factor of production. In this case, one of the telecommunications industries that is growing rapidly is the cellular industry. When
compared with other sectors, the cellular industry will have the broadest reach. The causal factor is very easy access to operator services. The need for increasingly better communication from urban, rural to remote areas is a reality that cannot be denied. For the cellular industry, the growing market share must also be balanced with increased investment. For this reason, in order to survive, these companies must be able to develop their business through effective and efficient performance, so that many investors will want to invest their capital in these companies, both for long-term and short-term investments.

In 2016, Telkomsel led the cellular industry in Indonesia with the number of subscribers reaching 157.4 million. Indosat is in second place with customers reaching 85 million. Meanwhile 3 and XL are in third and fourth positions with 56.5 million and 44 million customers respectively. Currently, competition in winning customers focuses on internet services. This requires operators to improve quality, both from network, speed, to appropriate tariffs. Investors will monitor, control and evaluate the operational activities of the company chosen as a place to invest. Investor expectations is to get a rate of return on investment through the distribution of large dividends from the capital invested in the company. In general, to find out about the condition of the company, investors will evaluate the company from financial reports such as balance sheets, profit and loss reports, cash flow reports, capital changes reports and notes to financial reports. Then, ratio analysis can be carried out to analyze the company's financial condition and achievements.

Financial ratio analysis that is commonly used is divided into four main categories, namely profitability ratios, activity ratios, leverage ratios, and liquidity ratios. The main measuring tool for evaluating a company's financial performance in investment activities that is commonly used by investors is the profitability ratio which shows the company's results for the funds invested. So far, the research conducted has only analyzed financial reports based on profitability ratios without using measurements of added value to the cost of capital. Measurements that only analyze the company's financial statements have the weakness of ignoring the cost of capital, so it is difficult for companies to know whether the company has created value or not. Apart from that, measurements based on financial ratios often do not reflect actual performance so that the company looks good and improving, in contrast to what is actually true, performance has not increased or even decreased.

Therefore, we need a performance measuring tool that shows actual achievements that are able to encourage activities/strategies to add economic value (value added activities). In this case, Economic Value Added (EVA) is very relevant because EVA can measure management performance based on the amount of economic added value created as a result of activities carried out by the company in the following period. The mathematical definition of EVA is an operating profit after tax deducted from capital costs to assess the company's performance. Positive EVA indicates that the company is in good condition to create wealth. Applying the EVA concept in a company will make the company focus more attention on creating company value. This is an advantage of EVA compared to other calculation methods. Apart from that, the use of EVA can be used as a reference to provide information regarding capital costs as compensation for the funds used to finance investments.

However, EVA also has several weaknesses as a measuring tool because it only measures the final result. Based on the background above, research was conducted with the title "Financial Performance Analysis Using the Economic Value-Added Method in Telecommunication Companies Listed on the IDX (Case Study of PT Telekomunikasi Indonesia, PT. XL Axiata, and PT Indosat. 2012 -2016). Based on the background of the problem explained previously, the identification of the problem in this research is how to measure value creation for shareholders, because in general companies still use performance measurements that are commonly used, namely profitability ratios, activity ratios, leverage ratios, and liquidity ratios. Use of Economic Value Added (EVA) makes the company focus attention on creating company value.

The higher the EVA value, the more interested investors will be in investing their funds in the company, which will have an impact on increasing demand for the company's shares so that the company's share price will be high.
Method

The types of data used are qualitative data and quantitative data. Qualitative data is in the form of related company profiles, while quantitative data is in the form of financial reports and share data of related companies. The data source used is secondary. Secondary data is data obtained by researchers from existing sources, in the form of related data obtained from companies that have been published via the related company’s website. The data collection technique is carried out by means of library research, namely data collection by reading company reports and literature, scientific writings, etc. related to the research object.

By analyzing the data obtained, the method used is descriptive, in this case the author only provides an overview of the problem that has been researched, namely assessing financial performance using the Economic method, Value Added (EVA), which is as follows:

\[
\text{EVA (Economic Value Added)} = \text{NOPAT} - \text{COC}
\]

Where

\[
\text{NOPAT} = \text{Net Profit} + \text{Interest Expenses}
\]

\[
\text{COC} = \text{WACC} \times \text{IC}
\]

Results and Discussion

Based on the discussions and calculations that have been carried out, research results have been obtained regarding the condition of the Net Operating Profit After Tax (NOPAT), the condition of the cost of capital (COC) and the condition of financial performance based on the Economic Value Added (EVA) method at PT. Telekomunikasi Indonesia, PT. XL Axiata, and PT. Indosat. period 2012-2016. NOPAT condition at PT. Telekomunikasi Indonesia, PT. XL Axiata, and PT. Indosat. 2012-2016 can be seen in Table 1 below.

Table 1. NOPAT Condition PT. Telekomunikasi Indonesia, PT. XL Axiata, and PT. Indosat. 2012-2016 (in millions of rupiah)

<table>
<thead>
<tr>
<th>Tahun</th>
<th>PT. Telekomunikasi Indonesia Tbk.</th>
<th>PT. XL Axiata Tbk.</th>
<th>PT. Indosat Tbk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>20.443.000</td>
<td>3.526.249</td>
<td>2.953.210</td>
</tr>
<tr>
<td>2013</td>
<td>21.906.000</td>
<td>2.100.797</td>
<td>(431.992)</td>
</tr>
<tr>
<td>2014</td>
<td>23.855.000</td>
<td>867.284</td>
<td>544.643</td>
</tr>
<tr>
<td>2015</td>
<td>26.429.000</td>
<td>1.815.639</td>
<td>3.816.168</td>
</tr>
<tr>
<td>2016</td>
<td>29.883.000</td>
<td>2.190.057</td>
<td>3.294.995</td>
</tr>
</tbody>
</table>

Condition of PT's Net Operating Profit After Tax (NOPAT). Telekomunikasi Indonesia. continues to increase every year. This is because net profit always increases every year. Different from PT. XL Axiata. and PT. Indosat which changes every year. PT. XL. Axiata. in 2014 it experienced a loss, so that in 2014 NOPAT decreased. This financial condition occurred because of the company's debt to complete the purchase of Axis, thereby increasing the value of the company's debt. Meanwhile for PT. Indosat can see that NOPAT in 2013 was negative, namely (Rp. 431,992). PT. Indosat. in 2013 and 2014 experienced losses, although PT. Indosat. increases every year. This was due to being burdened by litigation cases that befell its subsidiaries in the internet services sector. This condition affects the company's profit and loss, and of course affects the NOPAT condition. Furthermore, the condition of capital costs (COC) at PT
Telekomunikasi Indonesia, PT. XL Axiata, and PT. Indosat. 2012-2016 will be explained in table 2.

Table 2. Condition of COC PT. Telekomunikasi Indonesia, PT. XL Axiata and PT. Indosat. 2012-2016

<table>
<thead>
<tr>
<th>Tahun</th>
<th>PT. Telekomunikasi Indonesia Tbk.</th>
<th>PT. XL Axiata Tbk.</th>
<th>PT. Indosat Tbk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2,161,315,86</td>
<td>1,608,560,88</td>
<td>1,494,618,49</td>
</tr>
<tr>
<td>2013</td>
<td>1,692,383,27</td>
<td>1,552,749,99</td>
<td>2,862,205,95</td>
</tr>
<tr>
<td>2014</td>
<td>3,858,682,86</td>
<td>2,603,070,27</td>
<td>2,717,303,77</td>
</tr>
<tr>
<td>2015</td>
<td>2,522,866,50</td>
<td>2,568,202,61</td>
<td>4,067,464,15</td>
</tr>
<tr>
<td>2016</td>
<td>2,912,402,57</td>
<td>1,288,738,02</td>
<td>2,378,798,60</td>
</tr>
</tbody>
</table>

Cost of capital (COC) is a cost that must be incurred or paid by the company to obtain capital used for company investment. Therefore, the cost of capital is an important concept in investment analysis, because it can show the minimum level of profit that can be obtained from the investment. Based on Table 2, it can be seen that the COC condition experienced increases and decreases in the 2012-2016 period. The highest COC value PT. Telekomunikasi Indonesia and PT. XL Axiata was in 2014 amounting to IDR 3,858,682.86 for PT. Indonesian Telecommunication and Rp. 2,603,070.27 for PT. XL Axiata, while the highest COC value is PT. Indosat was in 2015 at Rp. 4,067,464.15. Several factors that influence the cost of capital include the general condition of the economy, market conditions, or the amount of financing.

After knowing the NOPAT and COC conditions of each company, the EVA results are obtained, which will be explained in table 3.

Table 3. Condition of EVA PT. Telekomunikasi Indonesia, PT. XL Axiata and PT Indosat 2012-2016

<table>
<thead>
<tr>
<th>Tahun</th>
<th>PT. Telekomunikasi Indonesia Tbk.</th>
<th>PT. XL Axiata Tbk.</th>
<th>PT. Indosat Tbk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2,161,315,86</td>
<td>1,917,688,12</td>
<td>1,458,591,51</td>
</tr>
<tr>
<td>2013</td>
<td>1,692,383,27</td>
<td>548,047,01</td>
<td>(2,294,197,95)</td>
</tr>
<tr>
<td>2014</td>
<td>3,858,682,86</td>
<td>(1,735,788,27)</td>
<td>(2,172,660,77)</td>
</tr>
<tr>
<td>2015</td>
<td>2,522,866,50</td>
<td>(752,563,61)</td>
<td>(2,251,290,15)</td>
</tr>
<tr>
<td>2016</td>
<td>2,912,402,57</td>
<td>901,318,98</td>
<td>916,190,40</td>
</tr>
</tbody>
</table>

Based on Table 3, you can see the Economic Value Added (EVA) condition of PT Telekomunikasi Indonesia, PT. XL Axiata, and PT. Indosat. The year 2012-2016 PT. Telekomunikasi Indonesia during 2012-2016 had an EVA value that was always positive or EVA > 0. This shows that PT. Telekomunikasi Indonesia. able to create company value and funders can obtain an investment return that is the same or more than the investment that has been made. This condition also shows good financial performance because it can create value for the company. This is because PT. Telekomunikasi Indonesia. constant in running his business and not experiencing losses. PT. XL Axiata. in 2012 and 2013 it had EVA > 0, meaning the company was able to create value for the company, even though the EVA value decreased.
In 2014 and 2015, PT. XL Axiata, unable to create company value because the EVA value was <0 or equal to (Rp. 1,735,786.27) for 2014 and (Rp. 752,563.61) for 2015. This was due to the Axis acquisition process which caused PT. XL Axiata loss. But in 2016 PT. XL Axiata produces an EVA value > 0 or a positive value. Meanwhile PT. Indosat, only able to produce company value in 2012 and 2016. EVA value > 0 or positive value in 2012 was IDR. 1,458,591.51 and in 2016 it was IDR. 916,196.40. In contrast to 2013 to 2015, the EVA value was < 0 or negative, respectively (Rp. 3,294,197.95), (Rp. 2,172,660.77) and (Rp. 251,296.15). Due to the losses experienced in 2013 and the increasing value of debt as well as the high cost of capital, it was unable to generate value for the company.

**Conclusion**

NOPAT Condition of PT. Telekomunikasi Indonesia. 2012-2016 experienced an increase every year, NOPAT in 2012-2016 was Rp. 20,443,000, Rp. 21,906,000, Rp. 23,855,000, IDR 26,429,000 and IDR. 29,883,000. Condition of COC PT. Telekomunikasi Indonesia in 2012-2016 each amounting to Rp. 2,161,315.86, Rp. 1,692,383.27, Rp. 3,858,682.86, Rp. 2,522,866.50 and Rp. 2,912,402.57. And the condition of EVA PT. Telekomunikasi Indonesia in 2012-2016 showed positive EVA or EVA >0. This shows that the financial performance of PT. Indonesian Telecommunication based on the EVA method is good and capable of generating added value for the company. Investors can also get investment returns equal to or more than the investment they have made. NOPAT Condition of PT. Indosat. 2012-2016 each amounting to Rp. 2,953,210, (Rp. 431,992), Rp. 544,643, Rp. 3,816,168 and Rp. 3,294,995. Condition of COC PT. Indosat. 2012-2016 respectively Rp. 1,494,618.49, Rp. 2,862 205.95, Rp. 2,717,303.77, Rp. 4,067,464.15 and Rp. 2,378,798.60. Condition of EVA PT. Indosat in 2012 showed positive EVA or EVA 0, namely Rp. 1,458,591.51. From 2013 to 2015, EVA showed negative results or EVA < 0, respectively (Rp. 3,294,197.95), (Rp. 2,172,660.77) and (Rp. 251,296.15). In 2016 positive EVA or EVA <0 was IDR. 916,196.40.

**Reference**


