

# ANALYSIS OF FINANCIAL PERFORMANCE WITH USING ECONOMIC VALUE ADDED: A STUDY ON INDOFOOD CBP SUKSES MAKMUR

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**ABSTRACT**---The purpose of this study is to determine the financial performance. Indofood CBP Sukses Makmur Tbk in 2015 until 2018, based on the method of EVA. The data used in this study a financial statement data from 2015 to 2018 year. Data analysis method used is descriptive statistical analysis methods. From the data analysis berdasarkan EVA method shows good performance for over 4 years of research EVA company shows a negative value ((EVA <0). The results showed that PT. Indofood CBP Sukses Makmur Tbk.'Re unable to create added value is positive. It could occurs because of high cost of capital is not followed by increasing the value of Net operating profit After Taxes lower earnings to increase the amount of debt in the company. EVA obtained is always negative can be influenced by the amount of profit that is less than the amount of debt is high enough, it can lead to lack of interest of the shareholders to invest in the Company. Despite the negative EVA value but the company still has a positive profit so that the company is still viable and very still in demand by investors.

**Keywords**---financial performance, economic value added.

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## I. PRELIMINARY

Now that economic growth in Indonesia is increasing with increasing population and cause the level of consumption of the need for goods and services increases with economic development, and competition in today's business world is increasing the company must improve performance so that companies are able to face the competition of influence in economic development both nationally and internationally.

Ministry of Industry noted, throughout 2018, the food and beverage industry grew by 7.91% or exceed national economic growth in the numbers 5.17%. In fact, growth in industrial production of large and medium manufacturing in the fourth quarter of 2018 rose by 3.90% yoy to the fourth quarter of 2017, one of which is caused by increased production of the beverage industry, which reached 23.44%. Furthermore, the food industry one of the sectors that support the increase in the value of national investment, which in 2018 accounted for up to Rp 56.60 trillion. Realization of the total value of investment in the manufacturing sector last year reached Rp 222.3 trillion. (<https://news.detik.com> 26 September 2019 21:48 AM).

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Each year the food and beverage companies listed in Indonesia Stock Exchange has increased and is now sub-sectors of the food and drinks were still positive growth was supported by the Indofood Group, which Indofood Sukses Makmur Tbk (INDF) and Indofood CPB Sukses Makmur Tbk (ICPB) with profit growth of 13.5% and 10.24%. Even seen the growth of food and beverage industry are processed by the Central Bureau of Statistics as follows:



Figure 1. Growth in Food and Beverage Industry Sector  
Source: National Statistics (2019).

Based on Figure 1.1 decline in performance of listed companies sub-sector of food and beverages as well according to the Central Statistics Agency (BPS) on the economic growth of the manufacturing industry, particularly the food and beverage industry. In the first quarter of 2019, the food and beverage industry sector grew by 6.77% (yoy). Although growth was higher than the fourth quarter of 2018 is only 2.74%, growth in the first quarter of this year was lower than in previous years that touched the figure of 8 to 12%. Slowing food and beverage sector has been felt at least since the middle of last year. Growth in this sector is consecutive decline since reaching its highest level in the fourth quarter 2017 with a growth of 13.77%. (<https://katadata.co.id> 19 November 2019 15:35 AM).

The development of today's business world is increasing and competing against each other which will increase the company's profit more strict. Then this is true for companies that have to do special expertise in analyzing the financial statements of the company and be able to analyze financial statements as well as the analysis accurately and will help all parties involved in assessing and using the information, one of the company's management. The financial statements are very important to analyze because the information contained therein can be used as a tool for evaluating financial performance, thus increasing the company's financial performance and financial performance perusahaan will be better over time. According to Fahmi Irham (2017):

EVA method is a new approach in assessing the performance of companies that are fair and fully memperhatikan donors in terms of interests, expectations and degree of justice, which is measured by using a weighted size and structure of the existing initial capital. EVA is based on the concept of measurement of company profits considering the expectations of each fund provider (creditors and shareholders). EVA is a new concept departing from the concept of cost of capital (cost of capital). (Gendro Wiyono and Hadri Kusuma 2017: 75-76).

So based on the above description, the researchers will conduct research on financial performance, entitled "Financial Performance Analysis Method Using Economic Value Added PT. Indofood CBP Sukses Makmur Tbk and PT. Indofood Sukses Makmur Tbk Period 2014-2018".

The purpose of this study was to determine the company's financial performance by applying the method of economic value added (EVA) at PT. Indofood CBP Sukses Makmur Tbk. AndPT. Indofood Sukses Makmur Tbk During the period 2015 - 2018.

## II. LITERATURE REVIEW

### Performance

According Rudianto (2013: 189), is a picture of the achievement of performance of an activity or program implementation in realizing the vision, mission, goals, and objectives of the organization. Simply put, the performance is "job performance". Performance can also be interpreted as "the work" of a person or group of people within the organization.

### Financial performance

According to Fahmi Irham (2017: 239), the financial performance is an analysis done to see the extent to which a company has conducted using the rules of financial performance is good and right. Such as by making a financial statement meets the standards and provisions of SAK (Financial Accounting Standards) or GAAP (general accepted accounting principle), and others.

### Financial statements

According Mulyawan Faithful (2015: 83), financial statements are the tools of work bookkeeper penguin used to determine or assess the financial position of the company.

### Financial Statement Analysis

According Faithful Mulyawan (2015: 100), analysis of financial statements is the decomposition of the posts of financial statements into units of information that are smaller and look at the relationship that are significant or have meaning between one and the other, between the quantitative data and the data is non-quantitative aims to determine the financial conditions in the process of generating the right decision.

### Method of Economic Value Added (EVA)

According Rudianto (2013: 217), Economic Value Added (EVA) is a measurement of financial performance based on the value that reflects the absolute amount of shareholder value is generated, either increases or decreases each year. EVA is a financial management system for the company's economic profit measure, which states that prosperity can only be created if the company is able to meet all operating costs (operating costs) and capital costs (cost of capital).

According Rudianto (2013: 218), a way to measure the economic value added is by using the following formula:

$$EVA = NOPAT - \text{Capital Charge}$$

Information :

NOPAT = Income (Loss) Before Tax Effort - Taxes

Capital Charges = Invested Capital x WACC

According Rudianto (2013: 222), to see whether the company has been going on EVA or not, can be determined with the following criteria:

1.  $EVA > 0$  or EVA worth Positive, In this position means that the management company has managed to create economic value for the company.
2.  $EVA = 0$ . In this position means that the management company is in a break-even point. The Company does not decline but at the same time making no progress economically.
3.  $EVA < 0$  or EVA worth Negative, In this position means there is a process of economic value for the company, the profits generated do not meet the expectations of creditors and shareholders of the company (investor).

The EVA performance measure used as an evaluation tool in addition to the company's management performance, can also be used as a planning tool the enterprise. As one part of elements of the budget drawn up the company at the beginning of a specified period, the size of the EVA be one of the targets to be achieved by the management company.

#### Framework

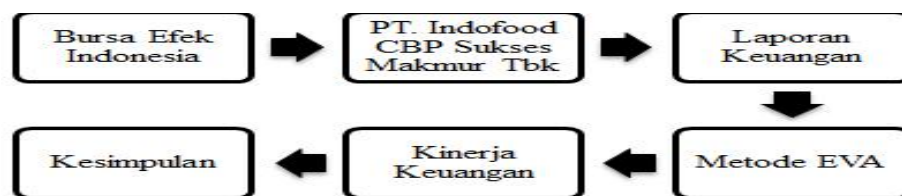


Figure 1. Framework Thinkers

Source: Adapted by the author, 2020.

### III. RESEARCH METHODOLOGY

#### Types and Sources of Data

This research is descriptive with quantitative approach in which data is presented in the form of figures derived from the financial statements of the company. The data used in this research is secondary data obtained from the official website [www.idx.co.id](http://www.idx.co.id).

#### Data collection technique

The means used to obtain the data in making this thesis, the researcher using the following method:

1. Collection of secondary data research through the website of Indonesia Stock Exchange or [www.idx.co.id](http://www.idx.co.id) with existing data sources in the financial statements at. Indofood CBP Sukses Makmur Tbk Period 2015-2018.
2. Literature study, the authors collected data by reading a few books, journals and research prior to the case being discussed is the financial performance measure with EVA method.

#### Data analysis technique

Data needed in this study were processed using quantitative analysis techniques, that is by doing the calculations and analysis results that are relevant to the problem, namely the measurement of financial performance using the EVA concept is as follows:

- a. Calculating NOPAT (Net Operating After Tax), Formula  $NOPAT = EBIT - \text{Tax Burden}$
- b. Calculating IC (Invested Capital), Formula  $\text{Invested Capital} = \text{Total Debt} + \text{Short-term debt} + \text{Ekuitas}$
- c. Calculating WACC (Weighted Average Cost Of Capital), Formula  $WACC = Wd \times Kd (1-T) + We \times Ke$
- d. Calculating Capital Charges, Formula  $CC = WACC \times IC$

- e. Calculating Economic Value Added (EVA), Formula  $EVA = NOPAT - \text{Capital Charges}$

#### IV. RESULTS AND DISCUSSION

Table 1. Calculation of Net Operating Income Seteleh Tax (NOPAT)  
Year 2015 - 2018 (In millions of Rupiah)

Year	EBIT	Tax expense	NOPAT
2015	3,992,132.00	1,086,486.00	2,905,646.00
2016	4,864,168.00	1,357,953.00	3,506,215.00
2017	5,221,746.00	1,663,388.00	3,558,358.00
2018	6,447,921.00	1,788,004.00	4,659,917.00

Source of data: The data is processed.

Based on Table 1 above, it can be seen that from 2015 until 2018 experienced an increase in profit, which is 2015 USD. 3,992,132, 2016 amounted to 4,864,168, in 2017 amounting to Rp. 5,221,746, and in 2018 amounted to Rp. 6447921. The tax burden also affects NOPAT annually. The tax burden from 2015 until 2018 the highest increases in 2018 of Rp. 1788004. NOPAT is affected by the value of net income with interest charges. Every year shows that the value of NOPAT in PT.Indofood CBP Sukses Makmur Tbk fluctuation. NOPAT each year is positive, because the resulting profit is greater than the tax burden. Therefore, PT Indofood CBP Sukses Makmur Tbk. have a good performance of a calculated NOPAT.

Table 2. Calculation Invested Capital (IC) Years 2015-2018 (In millions of Rupiah)

Year	Total Debt & Equity	Cost Burden	IC
2015	26,560,624.00	6,002,344.00	20,558,280.00
2016	28,901,948.00	6,469,785.00	22,432,163.00
2017	31,619,514.00	6,827,588.00	24,791,926.00
2018	34,367,153.00	7,235,398.00	27,131,755.00

Source of data: The data is processed.

Based on Table 2 above, it can be seen that as NOPAT Invested Capital which is one komponen for assessment of performance by using EVA. Invested Capital or Capital is the sum

total debt and total equity invested. Calculation of the results in Table 2 above, every year PT. Indofood CBP Sukses Makmur Tbk. have the loan amount beyond the short-term debt without increasing interest. Based on Table 2 above that have the highest value in the year 2018 amounting to Rp. 27,131,755, while the lowest value of Invested Capital in 2015 amounted to Rp. 20.55828 million.

Table 3. Calculation Weighted Average Cost Of Capital (WACC) Years 2015-2018 (In millions of Rupiah)

Year	Wd	Kd *	We	To	WACC
2015	0.202904572	0.197544742	0.797095428	0.2783189	0.2619295
2016	0.175254611	0.198096024	0.824745389	0.2327205	0.2266524

2017	0.180203668	0.217412245	0.819796332	0.1867065	0.1922398
2018	0.163078467	0.200426161	0.836921533	0.1925298	0.1938176

Source of data: The data is processed.

Based on Table 3 above, we can see who has the highest WACC value in 2015 amounted to 26.19%, while the value of the lowest WACC in 2017 amounted to 19.22%. Investment rate of return earned by investors in 2015 to 2016 increased, but in 2017 the rate of return received by investors decreased, due to the total capital, the cost of the forest, the cost of equity and the tax rate was lower than in 2015, 2016 and 2018 . value WACC each year has increased, thus increasing the value of WACC are achieved each year, the greater the investment returns earned by investors.

Table 4. Calculation Capital Changes Tahun 2015 - 2018 (In millions of Rupiah)

Year	WACC	invested Capital	Capital Changes
2015	0.2619295	20,558,280.00	5.384.819.06
2016	0.2266524	22,432,163.00	5.084.303.60
2017	0.1922398	24,791,926.00	4.765.994.53
2018	0.1938176	27,131,755.00	5.258.610.55

Source of data: The data is processed.

Based on Table 4 above, it can be seen that the capital value of the lowest charges in 2017 amounted to Rp. 4,765,994.53 and capital value of the highest charges in 2015 amounted to Rp. 5,384,819.06. Due to the 2017 rate of investment return earned by investors are lower than in 2015, so that the capital invested in the company in 2017 is low. Based on the above table it can be seen that how much capital invested by shareholders in a company, so the larger the investment returns earned by investors, the greater the capital invested into the company.

Table 5. Calculation *Economic Value Added*  
 Year 2015 - 2018 (In millions of Rupiah)

Year	NOPAT	Cost of Capital	EVA
2015	2,905,646.00	5.384.819.06	(2.479.173.06)
2016	3,506,215.00	5.084.303.60	(1.578.088.60)
2017	3,558,358.00	4.765.994.53	(1.207.636.53)
2018	4,659,917.00	5.258.610.55	(598.693.55)

Source of data: The data is processed.

Based on Table 4.5 above, it can be seen that the EVA from 2015 until 2018 is negative. EVA lowest value in 2018 amounted to USD - 598,693.55; and the highest value in 2015 amounted to Rp. -2,479,173.06. The level of the company's financial performance in 2015 is negative, but in 2016 the company's financial performance improved significantly from 2015 but still be negative, due to the company's invested capital is greater than the operating profit after tax.

Here is the conclusion of the Financial Performance of PT. Indofood CBP Sukses Makmur Tbk. Table 5 above:

Table 6. Financial performance condition based on Economic Value Added Tahun 2015 - 2018 (In millions of Rupiah)

Year	EVA	Information
2015	(2.479.173.06)	EVA <0, means the financial performance of PT. Indofood CBP Sukses Makmur Tbk. In bad state
2016	(1.578.088.60)	EVA <0, means the financial performance of PT. Indofood CBP Sukses Makmur Tbk. In bad state
2017	(1.207.636.53)	EVA <0, means the financial performance of PT. Indofood CBP Sukses Makmur Tbk. In bad state
2018	(598.693.55)	EVA <0, means the financial performance of PT. Indofood CBP Sukses Makmur Tbk. In bad state

Source: Data processed.

Based on the results Table 6 above, it is known that during the four years from 2015 to 2018 EVA PT. Indofood CBP Sukses Makmur Tbk is negative or EVA <0, which means that the company can not provide economic added value to investors. In another sense the company has been unable to generate returns that exceed the cost of capital operation. But the company's financial performance is still good because it has a positive value in the calculation of NOPAT, Invested Capital, Capital Changes and WACC. In the first year ie 2015 EVA value is Rp. (2,479,173.06) this means that the level of return generated has not been able to cover the risk / total capital of Rp. 5,384,819.06 which must be borne by the company, in other words, a decline in wealth / corporate value destruction caused by the cost of capital is greater than the net operating profit after taxes. But in that year the company had a positive or a good profit. Invested Capital companies or loans beyond the short-term debt without interest is quite high and WACC is the highest received by investors this year.

The second year is 2016, the value of EVA company experienced a significant increase from Rp. (2,479,173.06) increased to Rp. (1,578,088.60) which means an increase of Rp. 901,084.46. However, the increase was only made a few changes and still produce a negative value, which means that the company has not been able to cover the total level of risk or capital invested Rp. 5,084,303. 60 to be borne. In 2016 the company increased the value of NOPAT (Income), but this increase and the increase in the value of Invested Capital and the declining value of the WACC thus making the value of Capital Changes also rose. The third year is 2017, the value of EVA company experienced a slight increase from Rp. (1,578,088.60) increased to Rp. (1,207,636.53) which means an increase of Rp. 370,452.07.

However, the increase was only made a few changes and still produce a negative value, which means that the company has not been able to cover the total level of risk or capital invested Rp. 4,765,994.53 to be borne. In this third of companies increased the value of EVA, but it is followed by the increasing value of Invested Capital and the declining value of the WACC so that follow make many changes. In 2018, the value of the company EVA continued to increase from Rp. (1,207,636.53) increase from the previous year to USD (598,693.55) which means an increase of Rp. 608,942.98 However, the increase was only made a few changes and still produce a negative value, which means that the company has not been able to cover the total level of risk or capital invested Rp. 5,258,610.55 to be borne. Although it has a value which is still negative but the company has increased the value of NOPAT just in that year Invested Capital also increased which makes Capital Changes also increased.

Overall performance of PT. Indofood CBP Sukses Makmur Tbk. Over the last four years EVA generated value fluctuates and show negative numbers (EVA <0), this is due to the proportion of debt that is too high resulting in increased capital costs. Besides, because NOPAT is too low, causing the value of EVA is low then the company must increase profits

without having to raise capital or reduce the use of capital. EVA negative value indicates that the value of the company is reduced due to the resulting rate of return is lower than the rate of return demanded by investors. This means that PT. Indofood CBP Sukses Makmur Tbk can not produce a return that exceeds the cost of capital that must be borne. Economic Value Added PT. Indofood CBP Sukses Makmur Tbk. negative values for 2015 to 2018 because of lower NOPAT Capital Changes in the appeal.

In fact, every year the company continued to increase the value of NOPAT. This is because the value Invested capital at the same time also increased and followed by the declining value of the WACC making the Capital Changes also increased due to investment returns received by investors increased. PT. Indofood CBP Sukses Makmur Tbk is a big company in Indonesia which is able to lead the market in the field of instant food and beverage industry. This proves that this company is a company that is financially a good company only produced EVA worth Negaif but investment returns received by investors remained positive value.

## V. CONCLUSIONS AND RECOMMENDATIONS

### Conclusion

Based on the company's financial performance measurement using method of Economic Value Added (EVA) at PT. Indofood CBP Sukses Makmur Tbk can be concluded that: PT. Indofood CBP Sukses Makmur Tbk during the period of the year 2015-2018 can not create positive economic added value. This means that the performance of PT. Indofood CBP Sukses Makmur Tbk is still not good.

In 2018 PT. Indofood CBP Sukses Makmur Tbk produce EVA grades of Rp (598,693.55) and is the best EVA value obtained by the company, as happened tingginya on the cost of capital and is not followed by an increase in net operating profit after tax (NOPAT). In 2015, PT. Indofood CBP Sukses Makmur Tbk produce EVA grades of Rp. (2,479,173.06) which is the worst value generated EVA PT. Indofood CBP Sukses Makmur Tbk, which is due to the large capital costs are not comparable to the magnitude of the increase in net operating profit after tax. Despite having a negative EVA value until the current stock of PT. Indofood CBP Sukses Mamur Tbk. Still in demand by investors, meaning investors are not expensive EVA as financial performance, because no assessment of performance in addition to EVA: analysis The financial ratios.

## VI. Suggestion

1. For investors, it is hoped through this research, the investor would be expensive and also were able to choose more carefully in the decision to invest. A good starting point for investors to invest is by assessing financial performance in the company Adapa.
2. For companies, the value of EVA is expected to improve its performance so as to create economic value for the company in the future.

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