

Financial and Strategy Analysis to Improve the Performance of PT. Tayang Visi Aplikasi Digital

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Abstract—PT. Tayang Visi Aplikasi Digital (TVAD) is an agency company that provides advertising services in Bandung. PT. TVAD had decreasing in terms of gross profit due 2013 to 2017, compared to others company. This research focuses on finding the alternative improvement strategies for PT. TVAD's performance to increase the profit also the value of the company. This research consists of financial performance analysis to analyze the factors that affect the financial current condition, also external and internal analysis to find a current condition, next by TOWS matrix the author can suggest the new strategy and analyze the valuation after improvement. DCF would be calculate to make a valuation of the company. The result of valuation used prescribed assumption and three scenarios of growth the company will gain an additional value after doing the improvement. This research recommends to build new team/division to provide new service in terms to resolve the decrement profit and will make the value increasing. The conclusion and recommendation are conducted from business strategy and finance strategy point of view.

Keywords—*advertising agency; decreasing profitability; financial performance analysis; strategy analysis*

I. INTRODUCTION

Advertising can be beneficial in building brand image and awareness for the product. Therefore, many big companies with their products are often heard by us. The company is always trying to do an advertising campaign to get closer to the product or value they have received easily by the customer [1].

PT. Tayang Visi Aplikasi Digital (TVAD) is an agency company that provides advertising services through the concept of advertising above the line and below the line in Bandung which had successfully helped companies in Indonesia. PT. TVAD had decreasing and had a small of money in terms of gross profit due 2013 to 2017 and slowly rise up from 2014 to 2016, but then has had some decrement in 2017, compared to others company. Below is the chart of gross profit margin of PT. TVAD, PT. Mahaka Media, PT. Fortune Indonesia for past five years.

According to the data above, PT. TVAD is the lowest company compared to PT. Mahaka Media and PT. Fortune One, nevertheless at 2015 to 2016 PT. TVAD was higher than PT Mahaka Media, PT. TVAD also show the small amount that they earned for past five years. Although, PT. TVAD is the

smallest company between the others, PT. TVAD's never reach the minus point during 2013 to 2016.

Compared to PT. Mahaka Media and PT. Fortune Indonesia, those companies are a 'big player' on the advertising industry. In fact, the companies had a hardest time to make its company rise back. Since PT. Mahaka Media and PT. Fortune Indonesia not only provides as an agency of advertising but also, they are providing a platform to make an advertisement such as billboard (above the line advertisement). It might indicate the higher risk of those company.

A. Problem Statement

Compared to others company, PT. TVAD had a smallest profitability. Thus, this research focusing on finding the alternative improvement strategies for PT. TVAD's performance to increasing either the profitability or the value of the company itself. Occur to the profitability data above, PT. TVAD indicates unhealthy financial condition due the unstable return and the low profitability. Therefore, it necessary to examine the financial performance of PT. TVAD to analyze the factors that affect unhealthy financial condition of the company, and also to suggest strategy to improve the performance of PT. TVAD

B. Research Objective

- To identify the current condition of PT. TVAD on the advertising industry.
- To find out the financial and strategy alternative to improve the low profitability of PT. TVAD.
- To provide recommendation to improve PT. TVAD performance.

II. LITERATURE REVIEW

A. Financial Performance Analysis

Financial performance analysis methods are selecting, evaluating, interpreting financial data, in order to formulate an assessment of a company's present and future financial condition and performance. Occur to Gregory theories, the financial performance analysis will be relating with this research in order to increase the profitability, and others

objective that want to reach. The results or outputs of the stage one is we will know the trend or seasonal component; to predict the funding will be required in the future and to predict a seasonal component and the tools will be use are statement of cash flows, cash budgets, sources and uses statement. At the stage two the output is we will know 'health of a firm'. Last, the output of the third stage we will know the business risk relates to the risk inherent in the operations of the firm. In this research the author uses three methods to aim the financial performance analysis there are trend analysis, cross section, DuPont analysis [2]. Below will be explained each of the methods that the author will use.

1) *Trend analysis*: Trend analysis is an index that relates two accounting numbers and is obtained by dividing one number by other. Comparing the ratios of one firm with those similar companies/firms/industry averages. In this part the similarity is as one should compare "apple to apple" [2]. This method is use for measure the financial condition and performance of a company. Financial ratios analysis can divided into four ratios, above are the types of the ratio provides;

a) *Activity ratios*: Shows the of effectiveness on asset investment to use.

b) *Liquidity ratios*: Shows the ability to meet short-term immediate obligations.

c) *Solvency ratios*: Shows the ability to satisfy debt obligations.

d) *Profitability ratios*: Shows the ability to manage expenses to produce profits from sales of the company.

B. DuPont Analysis

This method uses to determine the relationship among financial statement accounts, to decompose a return into certain components. There are five indicators for the return equity such as total asset turnover, financial leverage, net profit margin, operating profit margin and tax effect. Occur to that by combining income statement and balance sheet into two profitability measurement which are ROA and ROE [3]. The firm could evaluate its financial health to generate profits and decide which aspect that needs to be improved to make an increasing on the.

C. Valuation Analysis

Valuation analysis allows the firm to convert and simplify the firm's worth into number. Intangible asset valuation can be divided into three approach there are cost approach, market approach, and income approach [4]. According to Reilly, the most familiar valuation analysis is cost approach and market approach. In bankruptcy case the cost approach is more applicable to the intangible asset valuation.

D. Financing Strategy

With a sharp growth in sales, nowadays the company are portrayed as an exceedingly created modern company. In this circumstance, the company tend to have great demands for capital since stocks and receivables are increased. The greater

the tension of sales growth is the greater capital demands will be.

E. Strategic Management

Strategic management can be defined as the art and science of formulating, implementing and evaluation cross-functional decisions that enable an organization to achieve its objective. Strategic management focuses on integrating development and information systems to achieve organizational success. Those stages occur at three hierarchical levels in a large organization: corporate, divisional (strategic business unit), functional. The method helps a firm function as a competitive team [5].

III. METHODOLOGY

Research was conducted using qualitative method to identify the current condition of PT. TVAD. Data were collected through structured interview for PT. TVAD financial performance, for the others company, the author was conducted literature review through the financial report which listed on IDX. For the external analysis the author uses the data from journal and articles, for the internal analysis the author conduct interview with the director of PT. TVAD.

IV. DATA ANALYSIS

In this section the author will analyze; financial performance analysis, the author will comparing the financial performance of those company with PT.TVAD; External analysis consist of societal environment, the author will deeply explain with PESTEL analysis; Internal analysis consist of corporate structure, corporate culture, corporate resource, valuation current condition; New strategy determination using TOWS analysis; WACC calculation after improvement; Discounted Cash Flow calculation; and at the end will be result of improvement.

A. Financial Performance Analysis

There are four methods that are going to be used to analyze PT. TVAD financial performance. Profitability, liquidity, leverage and activity ratios will be analyzed using trend analysis, cross sectional, and DuPont method.

1) *Trend analysis*: By comparing the ratio from 2013 to 2017 of PT.TVAD the author will explain about each ratio.

- Profitability

From the explanation above, the condition interpret that the company had done several improvement to increase the efficiency in using its asset. Following the trend of ROA and ROE also happen to decrease from 2013 to 2014, then followed by the next year shows stable, meanwhile the ROA is decreasing as well as mentioned above, but the company make some improvement from 2015 to 2016 the ROE was increase into 42%. But for some reason the ROE shows decrease.

- Liquidity

From the data above PT.TVAD the highest ratio of cash ratio shows in 2015 which 216%, at this time the

capability of paying the current liabilities of the company is more higher than the other years. The decrement shows from 2016 to 2017. By this condition led to a lower short-term debt needed in year 2016 and caused an incline in current ratio. After that, the company slowly decline because of they have a smaller net income in 2017. PT.TVAD quick ratio is shows mostly above 100%. In accordance with its current ratio the quick ratio also had a decline in year 2015 to 2016 followed by year 2016 to 2017. The lower quick ratio of PT. TVAD implies that the company's investment has lowered capability in meeting its current debt.

- Debt/leverage

The debt ratios calculation of PT.TVAD was increasing from year 2013 to 2015 in all terms of debt ratios which are debt to asset and long term debt to total asset. The reason was because the higher debt or in particular from the growth payables and bank loans that was following the higher operating expenses time to time.

- Activity

The activity ratios consist of total average collection period, average payment period, total asset turnover. The total asset turnover of the company seemed to be fluctuating from 2013 to 2016, then slowly decreased from 89% to 65% in 2017. The total asset turnover was gradually declining from 2013 to 2017 as the effect of the higher growth in total asset especially in the receivables. On the other hand, the average collection period shows a small of number, which is good for the company to collect the account payable from the other parties, but there is some increase in 2015 and 2017. For average payment period the number shows fluctuating as well as other two ratios, but in the last year the company shows longer than 2016 which 36.80 days \approx 37 days.

2) *Cross section*: To analyze the financial performance of PT.TVAD, this research compare the company with the competitor that runs in the same business industry, the other company is already go public, so that the author get the data from IDX. Meanwhile, PT.TVAD is not go public. In this case PT.TVAD will be compare to its most contributing at advertising industry in Indonesia which are PT.Mahaka Media and PT.Fortune Indonesia. The data were used last year data which 2017.

a) *Profitability*

- Gross profit margin

From the compared companies PT.TVAD shows the lowest level of the gross profit margin at the end, the company reached 10% in 2014 for they gross profit margin. Although the company had faced several declines during these past five years. Although, PT.Mahaka Media shows the highest margin compare to other two but at the end of year PT.Fortune Indonesia is leading this margin.

- Operating profit margin

Based on analysis above, at the end PT.TVAD lead the operating profit margin lowest the other two competitors from past three years. Due this situation PT.TVAD is not good enough in maintain their operating expenses, on the other hand the company is the smallest company compare to PT.Mahaka Media and PT.Fortune One. Furthermore, PT.TVAD should make an improvement to make an increasing in operating profit after the last year. The big gap in the operating profit margin indicates that PT.Mahaka Media has too many operating expenses compared to PT.Fortune Indonesia, as a result those expenses has significantly reduce the company's earnings.

- Net profit margin

For the net profit margin of PT.Fortune Indonesia represent a stable around 35% to 38% during 2013 to 2016 it implies that the company is quite efficient because of the stable margin. The company was able to maintain its operating cost minimization as it shown from the graph. The company is a big company of advertising as well, but based on the research, PT.Fortune Indonesia has no any platform of advertising, they only produce and distribute to the television station, but the company has many client and also a big client. But the small number of net profit margin compare to PT.TVAD, it might be because of the Indonesia's economic growth, exchange rate of Rupiah against US, since this company is public and listed in IDX, the external factor such that might be affect to company's performance. At the end of year the company shows the highest margin compare the other two which 164%.

- ROA

The low ROA of PT.TVAD indicates the lack of efficiency during that year, on the other side this company is leading it shows the company was more effective and efficient in using its asset to generate profit in 2014 and 2017. Otherwise, PT.Mahaka Media has the lower ROA from in 2017 compared to PT.TVAD, but shows quite stable ratio, it was followed by the net profit margin as well. For the PT.Fortune Indonesia it was shows a increasing significantly because they can maintain their asset against the net income.

- ROE

PT.Mahaka Media and PT.Fortune One are leading in return on equity similar with return on asset, however the patterns are the same. PT.TVAD margin from 2014 to 2015 shows stable in 3%. Compared to the other company, the pattern of these companies are similar with ROA which PT.Mahaka Media position is still lower from 2014. For PT.Fortune Indonesia, they has best ability in generate profits from its investor money in this time because of the highest position in last year.

b) *Liquidity Ratio*

- Current ratio

According to chart and explanation above, PT.Fortune Indonesia is the most liquid, compared to the other companies. The high current ratio of PT.Fortune Indonesia represents its ability in maintains their total asset with its debt. PT.Fortune One is the most consistent besides had a small movement due 2014 to 2015, the short term debt still sufficiently covered by its total asset.

- Quick ratio

Compared to the other company, PT.TVAD and PT.Fortune Indonesia shows similar which has had increasing during 2013 to 2015, otherwise PT.TVAD has decrease in last year. According to the theory of Gitman & Zutter, PT.Mahaka Media shows a number below 100% at 2013 and 2017, it was prove that this company is not liquid compared to others company.

- Cash ratio

Over all, PT.Fortune Indonesia is leading this ratio, the average of the cash ratio during 2013 to 2017 is 195%. The highest ratio is at 2017 for 198% and the smallest is at 2015. Which at 2017 they were reach 198% and at 2015 they were reach 183%.

c) *Debt/Leverage Ratios*

- Debt to asset

PT.Fortune Indonesia is similar with PT.TVAD was inclining from 2014 to 2016. The growth in debt to asset was not necessarily significant as it followed the growth of its annual net sales. The company showed more dependency to its debt especially from the trade payables to finance its asset. The continuous growth in its debt to asset has led the company to stay above the industry average for the past three years.

- Debt to equity ratio

Between the other two companies, PT.TVAD had a significantly movement. The movement might be because the employee benefits and also the related parties in long-term liabilities.

d) *Activity ratio*

- Average collection period

PT.TVAD, shows the smallest number of day, which the PT.TVAD will get the account payable more faster than the other two company. However, there are small increment in terms of this ratio from 2016 to 2017.

- Average payment period

PT.TVAD shows the smallest number, which the company has a shortest day to pay the account receivables compare to other companies.

- Total asset turnover

The declined in PT.TVAD total asset turnover in 2015 was not follow by the growth of the sales on that year. In 2015 the company reached 41% and represent the

lowest asset turnover of the past five years. The total asset on that year was decrease 7% with the increase 18% on sales. The lower total asset was primarily due to the fall in production equipment receivable. After that year, the company had slowly rise up until 89% in 2016. The inclining number of total asset might be from the payments delay from the client. But then, the company slowly decrease into 68%.

- DuPont analysis

Based on the analysis above, PT.TVAD needs to improve its net profit margin and the total asset turnover in order to get higher profitability. One of the improvement is to increase the value of the company by adding some new service of the company, by that the company can reach a higher value and makes the net profit margin and total asset turnover increasing. Because of there is no innovation during this past five years. So basically the company needs an innovation of the service.

3) *External and internal analysis:* From the findings the author can conclude SWOT and TOWS from the external and internal analysis. Thus, from TOWS the author can make a new strategy determination for increase the value of PT.TVAD. Below is the explanation about SWOT that the company has.

- Strength: provides a high quality of product, Had a good reputation of advertising company in Bandung, Has a good price for the service, High level of information
- Weaknesses: Low level of promotion activity, Relative financial size and low profitability, Less innovation
- Opportunities: Presidential election in 2019, Open an employment, Benefit for the advertising agency, Technological developments, Guidelines regarding advertising and broadcasting
- Threats: Improve marketing's product, Stereotypes, Organization behavior, Shifting to social media, Copy right issue.

a) *TOWS Analysis*

- S1-O1. Create a new advertisement content when the election time
- S1-O2-O3-O4. Develop or make a new division with a technology which develop nowadays
- S2-O5. Involve to the advertising and broadcasting community
- W1-W4-O2. Build a new team focusing on innovation for the business
- W2-W3-O4. Keep up to date with the advertising platform
- S1-S4-T3. Ask the client to make an advertisement through the social media

- S2-T1. Create a new marketing strategy to maintain the high quality of product
- S2-T2. Gives the fact through the advertising for the organization
- S4-T4. Register the information for copy right
- W1-T1. Create an attractive yet up to date marketing promotion

From the SWOT analysis the author makes a TOWS to be suggest for the company, after conduct several analyses the author conclude that the company should make a new team regarding the improvement of their value, furthermore the company will offer a digital advertising service.

4) *Valuation analysis*: The author used three scenarios of growth percentage which are pessimist scenario 5%, most-likely scenario 10%, optimist scenario 15%, the author suggest that the company will gain 10% percentage because the growth of digital advertising is 25% in Indonesia.

V. CONCLUSION

Since PT. TVAD is running in creative industry, it competes with other existing or even newcomer advertising companies to attract the business or even the market. Therefore, PT. TVAD requires improvements to survive in the industry. Not only to keep the business or technology updated in the industry, but also to expand the service yet the market. PT. TVAD needs to use concentration strategy to expand the business. This strategy is concentrated on PT. TVAD main service, which is advertising. PT. TVAD needs to develop its service in order to expand their business and attract more client. The focus is not only to attract new client, but also has to maintain the existing service so the client will not switch to other advertising company.

According to TOWS Matrix, PT. TVAD needs to engage their new and current clients by providing unique and additional value to satisfy them such as special service to the client, as a consultant of marketing communication. By applying differentiation strategy, PT. TVAD will be able to keep their current customers and has a high opportunity get into new market. PT. TVAD will also survive in the industry by its growing market, as well as make the value of the company increasing

For the functional strategy, Marketing department in PT. TVAD cover four strategies from TOWS Matrix that directly related with the clients, it has two main objectives: to keep current customer and to attract new customer. R&D department in PT. TVAD has an important role of the company growth since most of recommended strategy in TOWS is related to the creation of new innovations and gain the real information in line of services. Human resource department covers the management of employee especially in R&D department. Operation department covers the production of the TVC. Finance department should take an investing strategy. the investing strategy is not particular on money or in bank but in human resource such as make a workshop/training from the undergraduate/student to aim the attracting marketing platform. From the dividend.

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