

ANALYSIS OF THE COMPANY'S PERFORMANCE BASED ON METHOD OF ECONOMIC VALUE ADDED

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Abstract— *Economic value added is financial performance analysis tool of company that used for measure the value added per valuation period and also used by investor as a guidance and based to make an investment in the company. The purpose of this study was to know the financial performance in the fishery sub sector company that registered in Indonesia Stock Exchange at the period 2014 to 2016. And also to compare the financial performance in the fishery sub sector company. The research method used is quantitative study of economic value added method with the following steps; calculate Net Operating Profit After Tax, calculate Invested Capital, calculate Weighted Average Cost of Capital, calculate Capital Charges and calculate Economic Value Added, and taking conclusion based on EVA measurement. From 3 (three) fishery sub sector companies that registered in Indonesia Stock Exchange, there are 2 (two) companies namely PT. Central Proteina Prima Tbk and PT. Inti Agri Resources Tbk that experience negative value or $EVA < 0$, that means on the firms there is no value added. At the same time, 1 (one) company namely PT. Dharma Samudera Fishing Industries Tbk experience positive value or $EVA > 0$, means on the firm there is value added. To increase EVA value in companies in the fisheries sub sector, it is better for companies to increase operating profit, ie company management is expected to be able to manage capital costs and debt costs effectively and efficiently in the company's operations to obtain high Net operating profit after tax values. For fisheries sub-sector companies that have $EVA > 0$, or positive EVA, continue to maintain or improve the company's performance and management in managing the company's economic operations to be able to produce returns or profits that exceed capital costs*

Keywords —*Net Operating Profit After Tax, Invested Capital, Weighted Average Cost Of Capital, Capital Charge, Economic Value Added*

I. INTRODUCTION

In general, the purpose of the company is to generate profits and to enrich the owners and shareholders. As an institution of Wealth Creator Institution, the company must be able to generate profit by maximizing the performance of the company that becomes one of the company's achievements in its activities [1]. Another thing that is done by company is to create a high-quality product that has a value to sell, expanding the market with the stock sale, observation through customers and competitors, and creating a good atmosphere in the environment as well as with the government [2].

The company's achievement shows its value to illustrates the reputation itself. Reputation is a picture of good or bad about an object. According to Katz [3], image is how others' see about a company, a person, a committee, or an activity.

Company with good reputation describes that the company's activities has been running well through its indicators and objectives that have been established. For those things to happen, it requires effective and efficient management performance.

The assessment of the company or an organization is to analyse the activities of the company. In this case, financial performance analysis is one example method to measure the company's performance. to analyse the financial of the company, we need a financial report as known as balance sheet, profit and loss, cash flow, and the company's capital changes [4]. The purpose of conducting the financial analysis is to provide the information that impacts the company's performance, developments in the future, investors, decision making management, and its financial position to the interested parties [5].

Financial performance assessment can be done by financial ratios and added value analysis. Financial ratios are usually the simplest method of financial assessment that provides limited information about profitability, solvency and liquidity but unable to provides detailed information about the values and performance management of the company for achieving its objectives [6].

Another limitation of this financial ratios is that it is difficult to say whether a certain ratio is "good" or "bad". For example, the current high ratio may indicate a strong liquidity position that looks alright, or an excessive cash which is bad because the bank excess cash is a non-profit generating asset. Likewise, the high turnover ratio of the fixed assets may indicate that the company has been using its assets efficiently, or it capitalises too low and unable to afford enough assets [7].

Another method to analyse the financial statement for assessing performance is to use the Economic Value Added (EVA). EVA is simply defined as the operation profit after tax that is reduced by the cost of the capital used to generate profit [8]. However, EVA can also be use as a valuation concept that company can use to measure its financial performance as a result from the company activities or management strategies [9]. From accounting perspective, EVA is defines as the difference between the firm's net operating profit after tax (NOPAT) and its weighed average cost of capital [10]

EVA is able to calculate the actual economic profit or true economic profit of a company in a particular year and is very different when compared to accounting profit. EVA reflects the residual income that remains after all capital costs, including share capital, have been deducted. While

accounting profits are calculated without deducting capital costs.

EVA provides a better measurement of the added value provided by the company to shareholders. Therefore managers who focus on EVA can be interpreted to have operated in consistent ways to maximize shareholder wealth.

Economic Value Added is one of method to assess financial performance. EVA is an indicator of the added value of an investment. Positive EVA shows that company management has succeeded in increasing company value for company owners in accordance with the objectives of financial management to maximize company value. The negative EVA indicates that the company's management has not succeeded in increasing the value of the company for the owner of the company in accordance with the objectives of financial management to maximize the value of the company, while the zero EVA indicates that the company's management was not successful in maximizing the value of the company[10].

The object of this research is a company that engaged in the fishery sub-sector that goes public, or in other words has sold its shares to the listed public on the Indonesia Stock Exchange. It is chosen in this sub-sector because it keeps increasing nowadays, but still a few that is brave enough to sell their shares in IDX, as those companies still have a price sale in a minimum share. The growth of the company's revenue in fisheries also suffered from a decline due to a moratorium that has been issued by the Minister of Maritime and Fisheries of Indonesia on October 2014, which refers to eradicate illegal fishing. As the result on the prohibition of illegal fishing, there are many companies are having difficulties in obtaining the raw materials production that resulting a decline of fishery export sub-sector value in the period of the moratorium. This indicates that the performance in the fishery sub-sector has been fluctuating.

The fluctuating circumstances make it difficult for the investors and potential investors in the selection of investing, particularly in the fishery sub-sector.

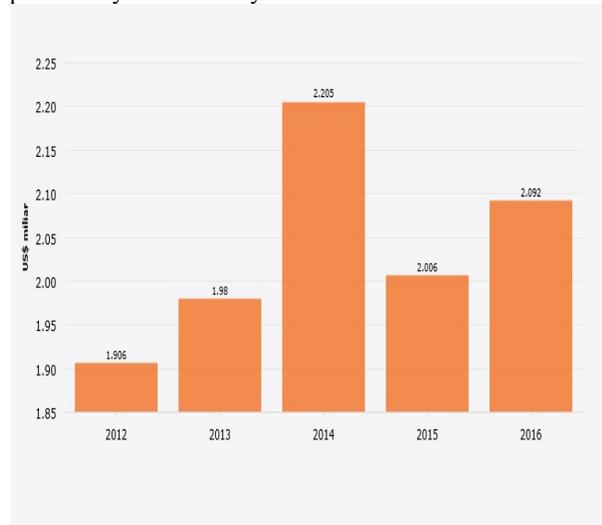


Figure 1. Indonesian Fisheries Export

From the graph above shows the value of Indonesian fisheries exports per Semester I 2016 reached US \$ 2 billion, up 4.3 percent over the same period in 2015. This increase occurred as a result of the transition to the moratorium run by the Ministry of Maritime Affairs and Fisheries (KKP) in 2015

Previously, fisheries exports in Semester I 2015 decreased by 8.6 percent compared to the same period in 2014. While export volumes were recorded to have fallen by 14.9 percent. As believed by the CTF, that the moratorium on ex-foreign ship business licenses will indeed reduce supply for the time being. This shows that the state of performance in the fisheries sub-sector has fluctuated. These fluctuating conditions make it difficult for investors and potential investors in the selection of investing, especially in the fisheries sub-sector

Related to the investment of companies engaged in fisheries that are still few who sell their shares on the Indonesia Stock Exchange and share prices are still minimal, it is important to analyze the economic value added of companies that are relevant in measuring performance based on value, and the development and improvement of performance in companies engaged in the fisheries sector to trigger investors' attention to be interested in investing or investing in companies engaged in the fisheries sub-sector

Based on the background above, the purpose of this writing is to determine the financial performance of the company in the fishery sub-sector listed on IDX in the period 2014-2016 and to identify the financial performance in sub-sector fisheries registered with IDX and which companies that have potential for investment.

II. METHOD

This type of research is quantitative research that is research that emphasizes testing theories through measuring research variables with numbers and analyzing quantitative data that is financial performance analysis using EVA (Economic Value Added). The samples of this research are PT. Central Proteina Prima Tbk, PT. Dharma Samudera Fishing Industri Tbk, PT. Inti Agri Resources Tbk. Secondary data is used in this research which is the annual financial statement of income and balance sheet report period of 2014-2016.

Table 2. Companies in the Fisheries Sub Sector Listed on the IDX

No	Stock Code	Name of Emiten	Date of IPO	Syariah Stock
1	CPRO	Central ProteinaprimaTbk, PT	28-Nov-2006	X
2	DSFI	Dharma Samudra Fishing Industries Tbk, PT	24- Nov-2000	√
3	IIKP	Inti Agri Resources Tbk, PT	20-Okt-2002	√

Source: IDX

The data is collected through official website of Indonesia Stock Exchange and from the websites of those companies mentioned above. All the data and information collected is then processed through quantitative approach. The results of this study explicate in conclusion. Here are the following steps of the analysis using EVA method:

Table 3. Steps Of EVA Calculation

	Calculation
1. NOPAT (<i>Net Operating Profit After Tax</i>)	$NOPAT = \text{profit (loss) after tax} + \text{credit interest}$
2. Invested Capital	$IC = (\text{Total debt} + \text{equity}) - \text{short term debt}$
3. WACC (<i>Weighted Average Cost Of Capital</i>) where:	$WACC = [(D \times rd) (1 - \text{tax}) + (E \times re)]$
	$D = \frac{\text{Total debt} \times 100\%}{\text{Total debt} + \text{equity}}$
	$rd = \frac{\text{credit interest} \times 100\%}{\text{Total debt}}$
	$E = \frac{\text{Total equity} \times 100\%}{\text{Total debt} + \text{equity}}$
	$re = \frac{\text{net profit after tax} \times 100\%}{\text{Total equity}}$
	$\text{Tax} = \frac{\text{tax expenses} \times 100\%}{\text{Net income before tax}}$
4. CC (<i>Capital Charges</i>)	$CC = WACC \times \text{Invested Capital}$
5. EVA (<i>Economic Value Added</i>)	$EVA = NOPAT - \text{Capital Charges}$

Steps of EVA Calculation

- If $EVA > 0$, it indicates an economical value added for the company
- If $EVA < 0$, it indicates no value added for the company
- If $EVA = 0$, it indicates the position of “breakeven” because the profit has been used to pay the obligation to the funders either the creditor or the shareholder [10]

One of the advantages of EVA as a company performance appraisal is that it can be used as value creation. Another advantage of EVA is:

- EVA focuses its valuation on value added by calculating the burden as a consequence of investment.
- The concept of EVA is a company tool in measuring expectations which are viewed economically in its measurement by taking into account the expectations of funders fairly where the degree of justice is expressed by a weighted measure of the existing capital structure and is guided by market values and not book values.
- EVA calculations can be used independently without requiring comparative data such as industry standards or other company data as a valuation concept.
- The concept of EVA can be used as a basis for assessing employee bonuses, especially in divisions that provide more EVA so that it can be said that EVA runs stakeholder satisfaction concepts.

e. The easy application of EVA shows that the concept is a practical measure, easy to calculate and easy to use so it is one

of the considerations in accelerating business decision making.

In addition to various advantages, the concept of EVA also has weaknesses. These weaknesses include according to Iramani (2005):

- EVA only measures the end result, this concept does not measure determinative activities.
- EVA relies too much on the belief that investors rely heavily on a fundamental approach in reviewing and making decisions to sell or buy certain stocks when other factors are sometimes even more dominant. [11]

III. DISCUSSION

According to Iramani [12], EVA is a method of financial management to measure companies profit that stating the prosperity can only be created if the company can fulfil all the operating costs and capital costs. EVA is the company’s goal to increase the value added from the capital to be implanted by shareholders in the operation of the company. Therefore, EVA is a differentiation between Net Operating Profit After Tax (NOPAT) than Cost of Capital.

- Calculation of Economic Value Added (EVA) at PT. Central Proteina Prima Tbk period 2014-2016. Here is the following summary of EVA calculation that has been reached by PT. Central Proteina Prima Tbk in 2014-2016.

Tabel 3
Summary and Calculation of EVA
PT. Central Proteina Prima Tbk
(in Millions of Rupiah)

	2014	2015	2016
NOPAT	(174.464)	(866.793)	(547.030)
Invested Capital	4.081.991	5.823.112	4.205.641
WACC	-2,33%	-8,12%	-4,36%
Capital Charges	(95.110)	(472.837)	(183.366)
EVA	(79.354)	(393.956)	(363.664)

- Calculation of Economic Value Added (EVA) at PT. Dharma Samudera Fishing Industries Tbk period 2014-2016. Here is the following summary of EVA calculation that has been reached by PT. Dharma Samudera Fishing Industries Tbk period 2014-2016:

Table 4. Summary and Calculation of EVA
PT. Dharma Samudera Fishing IndustriesTbk
Period 2014-2016 (in millions of rupiah)

	2014	2015	2016
NOPAT	12.197.518.869	13.546.992.898	11.244.897.769
Invested Capital	180.371.792.644	202.497.886.977	206.499.153.691
WACC	4,46%	4,471%	2,98%
Capital Charges	8.044.581.952	9.053.680.527	6.153.674.780
EVA	4.152.936.917	4.493.312.371	5.091.222.989

Based on the calculation above, the value of EVA in 2014 is 4.152.936.917, in 2015 4.493.312.371, and in 2016 5.091.222.989. $EVA > 0$, the value of this EVA is positive which means there is a value added in PT. Dharma Samudera Fishing Industries Tbk.

- c. Calculation of EVA at PT. Inti Agri Resources Tbk in the period 2014-2016 Here is the following summary of EVA calculation that has been reached by PT. Inti Agri Resources Tbk in the period 2014-2016

Table 5. Summary and Calculation of EVA
PT. Inti Agri Resources Tbk
Period 2014-2016 (in millions of rupiah)

	2014	2015	2016
NOPAT	(9.714.876.237)	(14.625.294.008)	(23.683.268.510)
Invested Capital	347.395.694.302	320.748.249.252	294.447.658.346
WACC	-2,67%	4,33%	6,33%
Capital Charges	(9.275.465.038)	(13.888.399.193)	(18.638.536.773)
EVA	(439.411.199)	(736.894.815)	(5.044.731.737)

Based on the calculation above, it has been identified that the company suffered from negative fluctuation for 3 years. In 2014 - 439,411,199, in 2015 - 736,894,815, and in 2016 - 5,044,731,737. So, $EVA < 0$ means there is no economical added value at PT. Inti Agri Resources TBK in the period 2014-2016.

- d. Average value of EVA in Sub-Sector Fisheries Companies in the period 2014-2016. In the following

graphic, represents the composition between each company in the fisheries sub-sector.

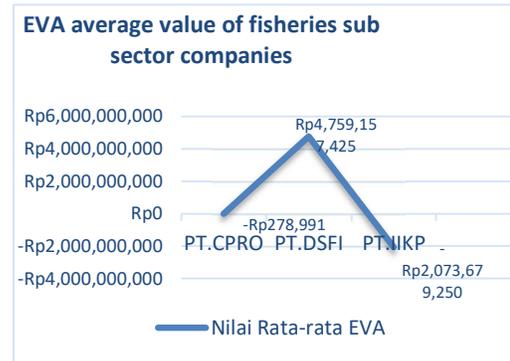


Figure 2. Average value of EVA in each sub sector fisheries company in the period 2014-2016.

Based on the summary from the chart above, PT. Charma Samudera Fishing Industries Tbk, experienced a positive average added value of Rp. 4,759,157,425. PT. Central Proteina Prima TBK generates a value of -Rp. 278,991 and PT. Inti Agri Resources TBK is about -Rp. 2,073,679,250.

The value of EVA in PT Central Proteina Prima Tbk and PT. inti Agro Resources Tbk in the period 2014 and 2016 showing in the negative fluctuation because it indicates with the prohibition of illegal fishing from the Indonesia Minister of Maritime and Fisheries at that year. At the same time, the manager is unable to provide and offer a positive value to the company's funders. Meanwhile, the value of EVA in PT. Samudera Fishing Industries Tbk in those period showed a positive value, which means that the management of that company is able to provide the added value to the company and funders even in the period of moratorium Ministry of CKP, which gave the effect on the reduction of raw materials in fishery companies.

Companies that covers in the fishery sub-sector can also be used as an object for knowledge investment about the products and added value assembled by the company in the sub-sector fishery. PT. Dharma Samudra Fishing Industries Tbk is one of the companies that engaged in fishery sub-sector that exports their seafood products. From the analysis, the company is able to add value $EVA > 0$ to the company's economy. So that, the manager has been success to provide positive results to the investors and funders of the company.

The positive value shows that NOPAT and IC (Invested Capital) are greater than the cost of capital used by the company, so that financial performance can be categorized as positive during the period 2014-2016. And also, it has a value-added economy that is useful to be considered by outside investors or shareholders in making decision for investment.

Many benefits can be describe from the calculation of added value, both for shareholders and for management. By calculating the added value, shareholders have a simple reference to assess the management's performance in a certain period. If management has been able to provide added value to the company, it means that management has worked in accordance with the wishes of shareholders. The higher the value produced by management, the better the company's performance. But on the contrary if management is not able to provide added value to the company, it is said that

management is unable to fulfill the wishes of shareholders to increase company value

EVA value at PT. Central Proteina Prima Tbk and PT. Inti Agro Resources Tbk, in the period from 2014 to 2016 in which the year was issued and the moratorium from the Indonesian Minister of Maritime Affairs and Fisheries about the prohibition of Illegal Fishing showed a negative value. Thus in those days managers were less able to provide positive added value to corporate funders. While the EVA Value at PT. Dharma Samudra Fishing Industries Tbk in the period of 2014 to 2016 showed a positive value, thus the management of PT. Dharma Samudera Fishing Industries Tbk is still able to provide added value to the company and corporate funders even though the Ministry of Maritime Affairs and Fisheries Ministry's moratorium has been put in effect, which has the effect of reducing raw materials on fishing companies.

Companies that move in the fisheries sub sector can also be used as objects to invest while learning about products and added value produced by companies in the fisheries sub sector. PT. Dharma Samudra Fishing Industries Tbk is one of the companies engaged in the fisheries sub sector that has seafood export products. This company has been analyzed to have an added value of an average of Rp. 4,579,157,425, which means that the company has been able to create added economic value of the company, EVA value > 0. Thus the manager has been able to provide positive results for investors or corporate funders.

Positive values indicate that NOPAT and IC (Invested Capital) are greater than the cost of capital used by the company so that financial performance can be categorized positively during 2014-2016. And also has economic added value that can be used as consideration for those who need especially investors or shareholders to make investment decisions.

IV. CONCLUSION

Based on the analysis results and discussion that has been done, then here are the conclusions: Financial performance analysis using Economic Value Added (EVA) method that is listed on Indonesia Stock Exchange (IDX) in the period 2014-2016, which is the period of the moratorium by Minister of Maritime Affairs and Fisheries concerning The Ban on Illegal Fishing, affects EVA to negative value < 0 in every year of each research. The EVA value caused by company's NOPAT decreased or loss while the capital cost is higher. Although one of the three companies, known as PT. Dharma Samudera Fishing Industries Tbk, experienced the average value of EVA > 0 in the period 2014-2016. A positive EVA value indicates the company's NOPAT is higher than the capital cost that is used for company operations. This shows that the managements of that company is capable of working efficiently in managing the company.

Based on the EVA analysis results, to make comparison between the three companies on their financial performance then PT. Dharma Samudra Fishing Industries Tbk is better than the two others because it has an average value of EVA while the other two companies; PT. Central Proteina Prima Tbk and PT. Inti Agri Resources Tbk are in negative fluctuate on their EVA value.

PT. Dharma Samudra Fishing Industries Tbk is one of the companies in the fishery sub-sector that exports their seafood products. This company has been analysed to have a positive EVA > 0, in every year from 2014-2016 with average EVA Rp. 4,579,157,425, which means that the company was able to create value-added to its company economy. So that, the manager is able to maximize and provide financial performance efficiently and offer benefits to investors and funders of the company, as a consideration for potential investors who are attracted and interested to do investment in the fishery sub-sectorable to find general.

To increase EVA value in companies in the fisheries sub sector, it is better for companies to increase operating profit, ie company management is expected to be able to manage capital costs and debt costs effectively and efficiently in the company's operations to obtain high Net operating profit after tax values. For fisheries sub-sector companies that have EVA > 0, or positive EVA, continue to maintain or improve the company's performance and management in managing the company's economic operations to be able to produce returns or profits that exceed capital costs

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