



Optimal Capital Structure Analysis on Aggressive and Moderate Expansion Strategy to Increase Shareholder Value, Case Study on Hospital Industry in Indonesia 2017-2021

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Abstract .After the Covid-19 pandemic, the need for hospital infrastructure has become important. The government encourages the improvement of health facilities by opening foreign and local financing opportunities and opening National Health Insurance (JKN) to meet the basic needs of decent public health. The source of funds to expand can use debt and equity, but the decision to use this source of funds will affect the cost of capital that will be borne by the company. The composition of debt and capital needs to be considered to increase the value of shareholders' value. The objective of this research is to determine the optimal capital structure of companies in the hospital industry in Indonesia, seen from the company's expansion pattern whether it is aggressive or moderate. The data analysis method used in this study is the deductive method and quantitative analysis determines the optimal capital structure of hospital companies that have been listed on IDX. The variables used are, Cost of Equity, Cost of Debt, WACC, DCF, and Cost of Financial Distress. This research calculates the optimal capital structure in the hospital industry through the highest corporate value approach by considering the lowest cost of capital and the risk of bankruptcy. From the calculation, HEAL's optimal capital structure value is 70% debt and 30% equity, MIKA is 35% debt and 65% equity, and PRIM is 2% debt and 98% equity. It can be concluded that companies that expand aggressively have a higher proportion of debt value than companies that expand moderately.

Keywords: Free Cash Flow to Firm, Optimal Capital Structure, Valuation, WACC.

1 INTRODUCTION

The health industry is an industry that will continue to grow, this is because the health industry has become an important need needed by society which means that the demand for health products or services will always exist. In addition, the health industry is included in the non-cyclical industry, which is an industry that develops well in the event of an economic crisis.

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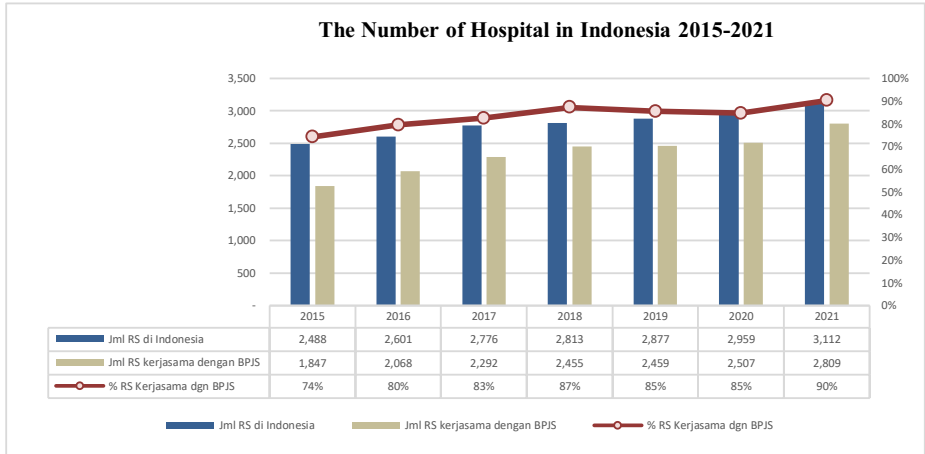


Fig. 1. The Number of Hospital in Indonesia
 Source: Indonesia Health Profile 2021 (data processed)

The addition of this hospital is also driven by a government program in the form of Universal Healthcare Coverage (UHC) health insurance, also known as National Health Insurance (JKN). At the end of 2021, there are already more than 235.719 million participants in the JKN system in Indonesia, or 86.7% of the Indonesian population with a government target of 98% of the population.

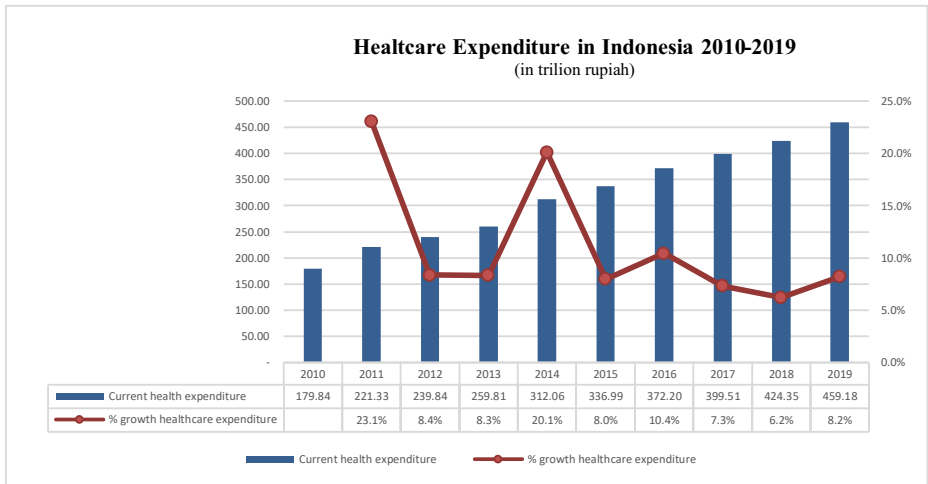


Fig. 2. History of Health Expenditure and its Growth in Indonesia in 2010-2019
 Source: World Bank Data (data processed)

The CAGR growth of healthcare expenditures in Indonesia is 11%, and the high potential growth in health expenditure in Indonesia attracts the attention of health service providers, especially hospital-based ones. If you look at the composition of the value of health expenditures, there has been a change in financing patterns that were formerly dominated by health expenditures financed by personal and private insurance, to financing originating from the government. This change is certainly caused by the establishment of the National Health Insurance (JKN) policy implemented in Indonesia.

Reflecting on the COVID-19 pandemic that lasted almost two years, it provides lessons that the development of health infrastructure is important. In addition, the growth of the middle class is anticipated to raise demand for excellent and affordable healthcare. The government encourages the improvement of health facilities by opening foreign and local financing opportunities. This is supported by a change in the focus of bank financing on hospital infrastructure. So this makes it easier for hospital business actors to obtain additional capital in the form of debt and capital from investors.

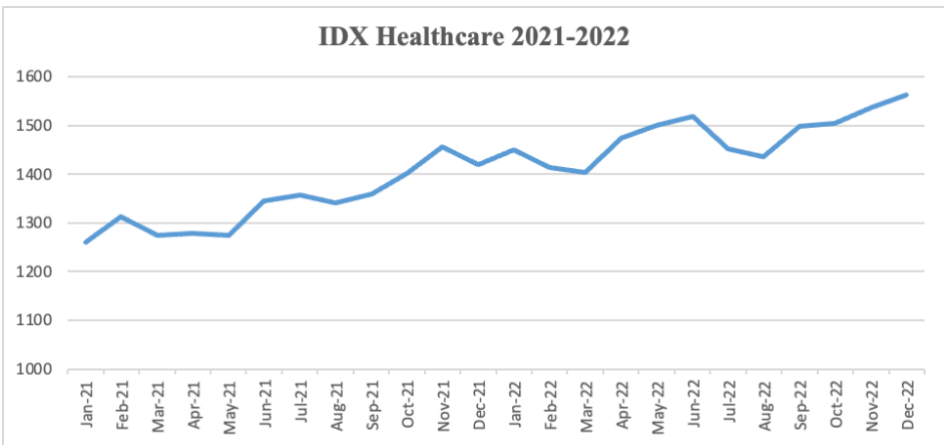


Fig. 3. IDX Healthcare Growth in 2021-2022
Source: Investing.com (data processed)

Figure 3 shows that during the past two years, the health sector’s stock price movement has increased by 24%. The growth of IDX healthcare can show that industrially, hospitals are a profitable business sector. The decision to grow must frequently be made by management in an effort to boost financial performance. If you look at the expansion pattern carried out by hospitals that have IPOs, there are two categories of expansion: hospital that expand aggressively and hospitals that expand moderately. To expand, capital is needed in an effort to realize the company's goals. Each source of funds has different risks and returns; therefore, it is important for management to decide the source of funds used in order to provide optimal profits for the company and shareholders.

With the opportunity to improve health facilities in Indonesia and the ease of access to funding for both third parties and investors, determining the source of funds is important. In hospital companies that engage in aggressive expansion (HEAL, MIKA)

and moderate expansion (PRIM), this is done to determine the ideal capital structure value as a guide when deciding how to employ finance sources for the business. The composition of debt and capital is also known as capital structure. The company's capital structure will greatly affect the cost of capital (WACC) that must be borne by the company. To determine the optimal cost of capital composition, the value of the company is commonly used as a parameter in calculating the optimal capital structure value.

The cost of paying interest will rise if a business keeps taking on more debt since interest payments are linked to the risk of bankruptcy, which reduces the value of the company. The costs of bankruptcy risk are divided into two parts: the cost of bankruptcy itself and the chance of bankruptcy. The value of the cost of capital in particular capital structure compositions, serves as the basis for the calculation in this study, which then shows the potential costs related to bankruptcy (cost of financial distress). The best capital structure for the firm will be determined by these two factors, which will result in the maximum company value.

2 LITERATURE REVIEW

2.1 Capital Structure

Capital structure is a method for companies to create the right side of its balance sheet consisting of capital and debt (Zani et al., 2013). "A company's capital structure is the mix of debt and equity the company uses to finance its business. The goal of a company's capital structure decision is to determine the financial leverage or capital structure that maximizes the value of the company by minimizing the weighted average cost of capital." (CFA Institute Lv III Volume 3 Corporate Finance: 2020: 296). The composition of debt and capital in the capital structure can be measured based on two ratios: total debt ratio and debt to equity ratio (Ross et al., 2010: 51).

$$\text{Debt to Total Asset} = \text{Total Hutang} / \text{Total Asset} \quad (1)$$

$$\text{Debt to Equity Ratio} = \text{Total Hutang} / \text{Modal Mandiri} \quad (2)$$

2.2 Company Value

(Modigliani-Miller, 1963) stated that company value is influenced by the expected return after-tax, tax rate, and leverage. This theory stated that interest costs are useful as a tax deduction. Companies that increase the amount of debt in the capital structure will increase company value. Companies can maximize the increase of their value by using funding through debt. However, at a certain point, the value of the debt can no longer be used as leverage to increase company value. For this reason, it is necessary to determine the optimal capital structure to calculate the highest company value. The FCFE valuation approach estimates a company's value as the present value of the future FCFE discounted at a weighted average cost of capital:

$$\text{Firm value} = \sum_{t=1}^{\infty} \frac{\text{FCFF}_t}{(1 + \text{WACC})^t} \tag{3}$$

2.3 Optimal Capital Structure

Brigham and Houston explained that optimal capital structure is a structure that maximizes company value. Furthermore, (Brigham and Houston, 2011: 172) explained that a capital structure that maximizes company value is a structure that can minimize the weighted average cost of capital (WACC).

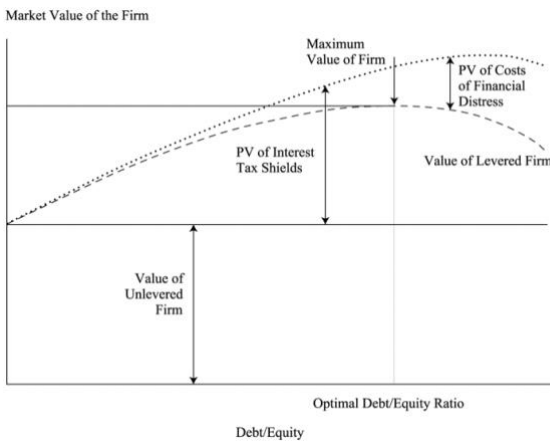


Fig. 4. Optimal Capital Structure
 Source: CFA Institute Lv III Volume 3 Corporate Finance

A company's management employs these techniques to determine the proper level of debt for the business. The tax benefit from the loan's interest expenditure deduction must be weighed against the risk involved in using debt. Thus, the amount of financial leverage employed should be determined by the owners and management's tolerance for risk as well as the stability of the business environment.

2.4 Cost Of Capital (WACC)

According to (Sudana, 2013), the cost of capital is the minimum level of income required by the capital owner. Companies can maximize the increase of their value by using funding through debt. However, at a certain point, the value of the debt can no longer be used as leverage to increase company value. For this reason, it is necessary to determine the optimal capital structure to calculate the highest company value. The

weighted average cost of capital can be written in the following equation (Pratt, 2002: 46):

$$WACC = EwKe + WpKp + WdKd(1-t) \quad (4)$$

Where:

WACC = Weighted Average Cost of Capital

We = Proportion of common equity

Ke = Cost of common equity

Wp = Proportion of preferred equity

Kp = Cost of preferred equity

Wd = Proportion of debt

Kd = Cost of Debt

T = Tax

2.5 Cost of Financial Distress

Companies that use a large amount of debt have the potential for financial distress. Financial distress occurs when the company is unable to pay the debt and debt costs. This risk will trigger creditors to ask for a higher rate of return from the company. Financial distress and agency costs can reduce the value of a leveraged company. The more debt there is, the higher the probability of bankruptcy. In other words, the probability of bankruptcy depends partly on a firm's business risk. Other factors that influence the probability of bankruptcy are the firm's corporate governance structure and management.

2.6 Previous Research

(Virda Dimas Ekaputra, 2021) conducted research on Optimizing Company Value with an Optimal Capital Structure Approach, a study at PT Bandarudara Internasional Jawa Barat, which aims to determine the capital structure and cost of capital that produces the highest company value using the DCF and FCFF methods. The results obtained that the optimal capital structure value intended in the highest company value is in the composition of debt of 60% and equity of 40% for PT Bandarudara Internasional West Java. The equation with this research is the same method of calculating valuation and financial distress. The industry of study is what makes the difference.

(Norita and Yidi Wjayanto, 2015) examined the optimum capital structure in IT company PT XYZ using the calculation of company value and capital cost by considering financial distress and agency cost. From the results of the study, the value of the company's capital structure is at 30% debt and 70% equity for the approach to the highest company value and the composition of 45% debt and 65% equity for the approach with the lowest cost of capital. Using the same FCFF method and approach. The industry of study is what makes the difference.

(Dessy Elvina, 2021) conducted research to obtain an optimal capital structure to increase the corporate value of PT Bukit Asam Tbk. Where in this study it was found that the optimal capital structure occurred in 2018 with a WACC value of 6.43%. Similarities in capital structure as a research variable, variations in both the areas analyzed and the methodologies employed.

(Yuliana Uzliawati, 2018) conducted a study aimed at examining the effect of capital structure on company value using linear regression analysis. The results of this study show that a higher capital structure with a long-term Debt to Equity Ratio (DER) and Debt to Asset Ratio (LDAR) is an indicator of higher company value. Capital structure is being used as a research variable in this study. The distinction is in the approach taken and the area of study.

(Wiagustini et al., 2017) conducted a study aimed at determining the optimal composition of capital structure that can increase company value with capital structure analysis methods and company value with Tobin's Q ratio. Similarities in capital structure as a research variable, variations in both the areas analyzed and the methodologies employed.

3 RESEARCH METHODOLOGY

The method of data analysis used in this study is the deductive method, which uses generally available data to then make a specific conclusion, and quantitative analysis determines the optimal capital structure of hospital companies that have been listed on the Indonesia Stock Exchange. The variables used in this study are the cost of Equity, Cost of Debt, WACC, DCF, and Cost of Financial Distress on a ratio scale. The object of research to be analysed in this study is the optimal capital structure of companies in the hospital industry in Indonesia.

The sample of this study was taken by purposive sampling, where the sample was used if it met the following criteria:

1. Hospitals that have IPO and listed on the IDX during the research period (2017-2021).
2. Financial statements are available and published for the last 5 years (2017-2021).
3. Recorded net profit value in 5 consecutive years (2017-2021).

Then the division of investment strategy categories was carried out, namely aggressive and moderate. Where companies that carry out aggressive investment strategies have the following criteria:

1. The growth of the company is carried out inorganically through mergers and acquisitions.
2. The growth in the number of hospitals is higher than the average growth of hospitals in the Health Industry.

If the company meets both investment criteria, it is categorized as a company that invests aggressively, if it only meets one of the criteria, the company is categorized as moderate. From here obtained samples as follows:

Table 1. List of Research Samples

No	Name of Issuer	Expansion Category
1	PT Medikaloka Hermina Tbk	Aggressive
2	PT Mitra Keluarga Kaya Sehat Tbk	Aggressive
3	PT Royal Prima Tbk	Moderate

This study makes use of secondary data, specifically the company's most recent five years' worth of financial statements from 2017 to 2021. This information will become historic data, which will be processed and used to provide projections of future cash flows as a foundation for estimating the worth of the company. In order to calculate the WACC value, multiple capital structure scenarios are also used, as are simulations of the cost of financial distress under various debt situations. These calculations will then be merged to determine the company's maximum possible value.

4 RESULT/FINDING

4.1 Aggressive Expansion

In expanding aggressively, companies tend to require a greater capital value compared to other companies. According to Kelly and Louise (2004), aggressive expansion means that the company allocates all its large resources to carry out market penetration strategies with the aim of increasing company profits. In this study, aggressive expansion is defined as having a growth in the number of hospitals equal to or greater than the industry average and expanding by acquiring hospitals.

4.2 PT Medikaloka Hermina Tbk (HEAL)

A company's projected future cash flow must be calculated in order to determine the worth of the company. For the purpose of estimating company performance projections, historical data analysis is the foundation. HEAL recorded an increase in historical performance for five consecutive years; this was also driven by an increase in the number of hospitals. In 2021, HEAL had 43 hospitals, with a target of adding up to 60 hospitals. From 2015 to 2021, hospital CAGR growth HEAL reached 35%, with an average growth in the number of industrial hospitals worth 35%.

Table 2. HEAL Financial Projections

HEAL Proj	2017	2018	2018	2020	2021
Revenue	6.402.137	7.351.548	8.743.652	10.303.220	11.333.542
COGS	2.841.509	3.262.893	3.880.761	4.572.956	5.030.251
Gross Profit	3.560.629	4.088.655	4.862.891	5.730.265	6.303.291
Operastional Cost	1.280.556	1.470.457	1.748.905	2.060.850	2.266.935
EBITDA	2.280.073	2.618.199	3.113.986	3.669.415	4.036.356
Depreciation	392.510	450.717	536.066	631.682	694.850
EBIT	1.887.563	2.167.481	2.577.920	3.037.733	3.341.506

Source: processed data

Table 2 will be the basis for calculating cash flows in the future, by simulating the value of capital structure to obtain the cost of capital (WACC). The cost of capital decreases if a company's debt increases at some given point. A company that continues to increase its debt will lead to an increase in the cost of financial distress.

Table 3. HEAL - WACC Simulation on Specific Capital Structures

DER	CoD	CoE	CoE-Debt	CoE Adj	WACC
205%	6,4%	14,6%	6,5%	27,9%	13,42%
210%	6,4%	14,6%	6,5%	28,2%	13,41%
215%	6,4%	14,6%	6,5%	28,5%	13,40%
220%	6,4%	14,6%	6,5%	28,9%	13,39%
225%	6,4%	14,6%	6,5%	29,2%	13,38%
230%	6,4%	14,6%	6,5%	29,5%	13,37%
235%	6,4%	14,6%	6,5%	29,8%	13,37%
240%	6,4%	14,6%	6,5%	30,2%	13,36%
245%	6,4%	14,6%	6,5%	30,5%	13,35%
250%	6,4%	14,6%	6,5%	30,8%	13,34%

Source: processed data

An analysis of company value can be used to assess management's success in maximizing future profit. When bankruptcy risk is taken into consideration, the ratio of debt to equity will be at its highest point. Bankruptcy risk is calculated using the Debt Service Coverage Ratio (DSCR) approach, where the DSCR value required by banks is 1.25 of its EBITDA value. In HEAL, the cost of financial distress occurs when the debt value is more than 70%, with the highest company value being at a DER ratio of 235%, or the equivalent of 70.15% debt and 29.85% equity.

Table 4. HEAL Company Value Calculation

DER	Dw	Ew	WACC	Value of Equity	Financial Distress	Firm Value
205%	67,21%	32,79%	13,42%	16.013.019	-	16.013.019
210%	67,74%	32,26%	13,41%	17.389.810	-	17.389.810
215%	68,25%	31,75%	13,40%	17.860.573	-	17.860.573
220%	68,75%	31,25%	13,39%	18.220.104	-	18.220.104
225%	69,23%	30,77%	13,38%	18.523.628	-	18.523.628
230%	69,70%	30,30%	13,37%	18.794.835	-	18.794.835
235%	70,15%	29,85%	13,37%	19.045.708	(229.470)	18.816.238
240%	70,59%	29,41%	13,36%	19.282.960	(492.643)	18.790.317
245%	71,01%	28,99%	13,35%	19.510.645	(755.817)	18.754.828
250%	71,43%	28,57%	13,34%	19.731.353	(1.018.990)	18.712.362

Source: processed data

In Figure 5, you can see a graph of the value of HEAL companies with different capital structure values. The company's value rises as debt increases, however at the time where DER 235% indicates the maximum value, the company's leverage is no longer increased, so the value of the company gradually decreases as debt is added.

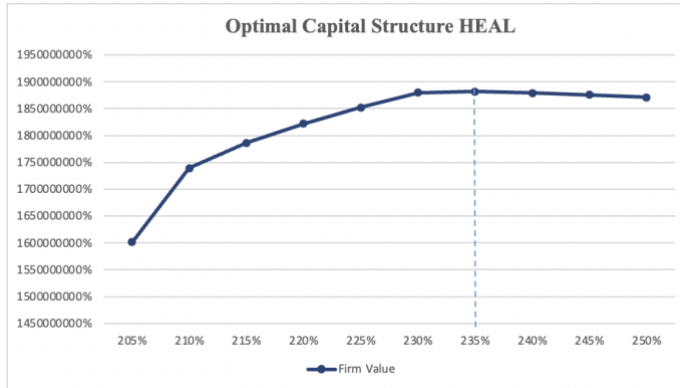


Fig. 5. Optimal Capital Structure HEAL

Source: data processed

4.3 PT Mitra Keluarga Kaya Sehat (MIKA)

MIKA recorded revenue growth that continued to increase in line with the addition of its hospitals. In 2021, MIKA has 25 hospitals and plans to add up to 32 hospitals. From 2015 to 2021, the hospital's CAGR growth reached 36%, with an average growth in the number of industrial hospitals of 35%.

Table 5. Fig. 6. Table 5. MIKA Financial Projections

MIKA Proj	2017	2018	2018	2020	2021
Revenue	4.476.795	4.958.423	5.463.846	5.806.716	5.888.010
COGS	2.064.092	2.286.154	2.519.187	2.677.272	2.714.754
Gross Profit	2.412.703	2.672.269	2.944.659	3.129.444	3.173.256
Operastional Cost	569.898	631.209	695.550	739.197	749.546
EBITDA	1.842.805	2.041.060	2.249.110	2.390.247	2.423.710
Depreciation	198.721	220.100	242.535	257.755	261.364
EBIT	1.644.084	1.820.960	2.006.574	2.132.492	2.162.347

Source: processed data

In the simulation of MIKA's capital structure, the value of the cost of capital (WACC) continues to decrease along with the increase in debt; This comes due to the fact that businesses who use bank loans to finance their operations gain tax benefits. Tax benefits are calculated by multiplying the value of the cost of debt by the proportion of debt, resulting in a smaller WACC value.

Table 6. MIKA - WACC Simulation on Specific Capital Structures

DER	CoD	CoE	CoE-Debt	CoE Adj	Dw	Ew	WACC
50%	8,8%	12,9%	1,7%	13,7%	33,3%	66,7%	12,09%
55%	8,8%	12,9%	1,7%	13,8%	35,5%	64,5%	12,04%
60%	8,8%	12,9%	1,7%	13,9%	37,5%	62,5%	11,99%
65%	8,8%	12,9%	1,7%	14,0%	39,4%	60,6%	11,94%
70%	8,8%	12,9%	1,7%	14,1%	41,2%	58,8%	11,89%
75%	8,8%	12,9%	1,7%	14,2%	42,9%	57,1%	11,85%
80%	8,8%	12,9%	1,7%	14,2%	44,4%	55,6%	11,81%
85%	8,8%	12,9%	1,7%	14,3%	45,9%	54,1%	11,78%
90%	8,8%	12,9%	1,7%	14,4%	47,4%	52,6%	11,74%
95%	8,8%	12,9%	1,7%	14,5%	48,7%	51,3%	11,71%

Source: processed data

Table 7 shows the probability of the cost of financial distress starts to increase when the debt value exceeds 50%. MIKA's highest company value is at a DER value ratio of 55%, equivalent to debt at 35% and equity at 65%.

Table 7. MIKA Company Value Calculation

DER	Dw	Ew	WACC	Value of Equity	Financial Distress	Firm Value
50%	33%	67%	12.09%	9,225,696	(472,692)	8,753,004
55%	35%	65%	12.04%	9,890,049	(828,201)	9,061,848
60%	38%	63%	11.99%	10,107,503	(1,183,709)	8,923,793
65%	39%	61%	11.94%	10,261,867	(1,539,218)	8,722,649
70%	41%	59%	11.89%	10,383,958	(1,894,727)	8,489,231
75%	43%	57%	11.85%	10,487,308	(2,250,235)	8,237,073
80%	44%	56%	11.81%	10,578,795	(2,605,744)	7,973,052
85%	46%	54%	11.78%	10,662,288	(2,961,253)	7,701,035
90%	47%	53%	11.74%	10,740,128	(3,316,761)	7,423,367
95%	49%	51%	11.71%	10,813,818	(3,672,270)	7,141,549

Source: processed data

In Figure 6, MIKA's company value reaches its highest level at a DER ratio of 55%, at which point increasing debt causes the value of the company to decrease. The probability of cost of financial distress increased because of changes in the increasing DER capital structure because the decrease was brought on by MIKA's high capital requirement.

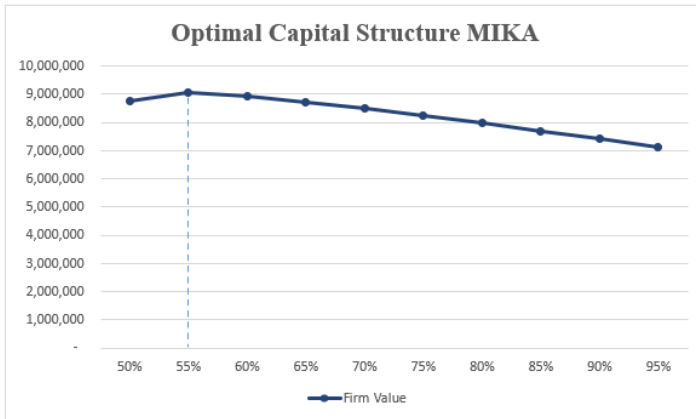


Fig. 7. Optimal Capital Structure MIKA

Source: data processed

4.4 Moderate Expansion

The study defines the category of moderate expansion as meeting either of these two criteria: growth in the number of hospitals equal to or greater than the industry average, or expansion through hospital acquisitions.

PT Royal Prima Tbk

. PT Royal Prima only has three hospitals until 2021. Where the CAGR growth of PRIM hospitals is 25%, with an average growth in the number of industrial hospitals as large as 35%. At the time of the IPO in 2018, PRIM planned to add four hospitals; this year, PRIM also made an acquisition of one hospital to increase its service capacity.

Table 8. PRIM Financial Projections

PRIM Proj	2017	2018	2018	2020	2021
Revenue	329.810	354.171	507.109	680.707	847.017
COGS	188.246	202.151	289.443	388.529	483.453
Gross Profit	141.564	152.020	217.666	292.179	363.564
Operasional Cost	39.062	41.948	60.061	80.622	100.320
EBITDA	102.502	110.073	157.604	211.557	263.244
Depreciation	6.458	6.935	9.929	13.328	16.584
EBIT	96.044	103.138	147.676	198.229	246.660

Source: processed data

Table 9. PRIM - WACC Simulation on Specific Capital Structures

DER	CoD	CoE	CoE-Debt	CoE Adj	Dw	Ew	WACC
0%	3,9%	10,8%	5,7%	10,8%	0,0%	100,0%	10,77%
1%	3,9%	10,8%	5,7%	10,8%	1,0%	99,0%	10,76%
2%	3,9%	10,8%	5,7%	10,9%	2,0%	98,0%	10,75%
3%	3,9%	10,8%	5,7%	10,9%	2,9%	97,1%	10,74%
4%	3,9%	10,8%	5,7%	11,0%	3,8%	96,2%	10,73%
5%	3,9%	10,8%	5,7%	11,1%	4,8%	95,2%	10,72%
6%	3,9%	10,8%	5,7%	11,1%	5,7%	94,3%	10,71%
7%	3,9%	10,8%	5,7%	11,2%	6,5%	93,5%	10,70%
8%	3,9%	10,8%	5,7%	11,2%	7,4%	92,6%	10,69%
9%	3,9%	10,8%	5,7%	11,3%	8,3%	91,7%	10,68%

Source: processed data

The capital worth of PRIM, a corporation with only three hospitals, is often lower than that of HEAL and MIKA, which both have dozens of hospitals. While the slight increase in debt will have a significant impact on the company's performance since the business scale is not yet enormous but already has interest expenses, which will reduce the company's profits. The company will not experience the results of leverage to its fullest potential. The maximum firm value for PRIM is at a DER ratio of 2% with a debt value of 2% and 98% equity, as illustrated in Table 10 and Figure 7.

Table 10. PRIM Company Value Calculation

DER	Dw	Ew	WACC	Value of Equity	Financial Distress	Firm Value
0%	0%	100%	10,77%	1.196.098	-	1.196.098
1%	1%	99%	10,76%	1.204.214	-	1.204.214
2%	2%	98%	10,75%	1.206.208	-	1.206.208
3%	3%	97%	10,74%	1.205.708	-	1.205.708
4%	4%	96%	10,73%	1.203.947	-	1.203.947
5%	5%	95%	10,72%	1.201.457	-	1.201.457
6%	6%	94%	10,71%	1.198.509	-	1.198.509
7%	7%	93%	10,70%	1.195.253	-	1.195.253
8%	7%	93%	10,69%	1.191.779	-	1.191.779

Source: processed data

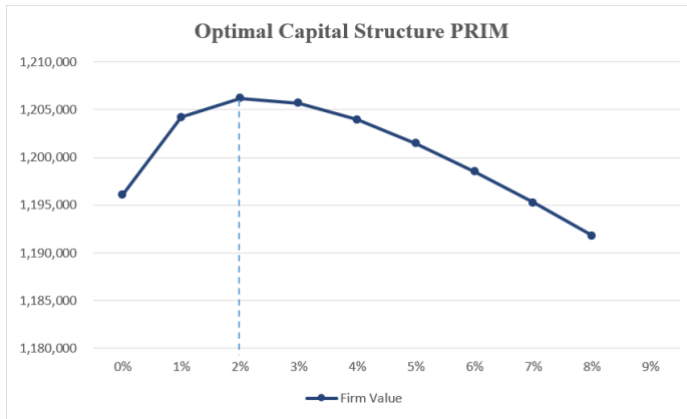


Fig. 8. Optimal Capital Structure PRIM

Source: processed data

5 DISCUSSION

The optimal capital structure is when the composition of the value of debt and own capital is at a certain level that can produce the highest company value. While the value of the company is calculated using the company's projected performance in the future and then doing a discount calculation to get the current value, To determine the value of the company, an analysis of the company's performance history is first carried out, and then projections of previous historical conditions are carried out.

The optimal capital structure depends on several factors, including the business risks faced by the company, along with its tax condition, financial information management, and transparency. However, based on this theory, we can state that a company must take into consideration a number of factors, including its business risks and the possible cost of financial distress when deciding on its capital structure. According to the calculation's results, the value of WACC will rise in line with the level of debt. The WACC number will have an impact on the company's value; the greater the WACC value, the lower the company's value, and vice versa. However, because the tax shelter is no longer present, the leverage created by debt will eventually reach its maximum level. This is in line with Modigliani and Miller's theory of proposition II (Modigliani & Miller, 1963).

This condition is also in accordance with the theory of Brigham and Houston, where the ability of the structure to minimize the overall cost of capital allows for maximizing company value (Brigham and Houston, 2010: 172). According to De Klerk et al., (2015), the purpose of investing shareholders in a company is to get returns in the form of dividends and differences in stock price increases, and it is the responsibility of company management to take actions that will maximize the combination of dividends and stock price increases. The stock price itself is associated with an increase in company value; the higher the company value, the higher the company's share price,

and a high company value indicates an increase in shareholder wealth and good investment management (Ernawati and Widayawati, 2015).

From the results of this study, it is determined that the optimal capital structure value for companies that expand aggressively has a greater DER value ratio compared to companies that expand moderately. HEAL has an optimal capital structure ratio of a DER ratio of 235%, or debt of 70.15% and equity of 29.85%, and MIKA has an optimal capital structure ratio of a DER ratio of 55%, or debt of 35% and 65%. Meanwhile, PRIM, which is a company that is expanding moderately, has an optimal capital structure with a DER ratio of 2% or 2% debt and 98% equity.

The difference in the value of this capital structure is due to differences in company growth and the size of the company itself (Selvi Sembiring and Ita Trisnawati, 2019). In addition, the company's profitability also contributes to its value, so if there is a change in the capital structure due to an increase in the value of debt, of course, this will affect the company's financial performance.

6 CONCLUSION AND RECOMMENDATION

The calculation results show that each company has an optimal capital structure that varies according to company conditions. HEAL has an optimal capital structure ratio of 235% DER, equivalent to 70.15% debt and 29.85% equity. This value was obtained with a company value of Rp. 18,816,238 million; the results of the WACC calculation were at a value of 13.37% with a large cost of financial distress of Rp. 229,490 million. MIKA has an optimal capital structure ratio at the DER level of 55% with debt of 35% and equity of 65%. MIKA has the highest company value of Rp. 9,061.848 million at a WACC value of 12.04%. Meanwhile, in PRIM companies, the capital structure is at a ratio of DER 2%, with debt 2% and equity 98%. The highest company value was obtained at Rp. 1,206,208 million, with a WACC value of 10.75%.

From the results of this study, it can be concluded that companies that expand aggressively have a greater debt value ratio compared to companies that expand moderately. This is because the capital requirements differ according to the type of expansion.

For hospital companies that want to carry out expansion activities, it is necessary to pay attention to the condition of the company's existing capital structure in advance. For companies that want to expand aggressively, they need to pay attention to the capital structure that has a DER ratio between 55% and 235%, or equivalent to the value of the proportion of debt between 35% and 70.15%. As for companies that want to expand moderately, the recommended DER value ratio is 0% to less than 55%. Where the company will need to conduct simulations in advance to determine with certainty the optimal capital structure in accordance with the company's financial condition. This optimal capital structure will then provide an increase in company value, which is also accompanied by an increase in stock price. An increase in stock price will result in an increase in shareholder wealth.

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