The Analysis of Financial Performance by Using Economic Value Added (EVA) Method and Financial Value Added (FVA) Case Studies on Manufacturing Companies Cosmetics and Household Sub-Sector Listed in Indonesian Stock Exchange During 2014-2016

Iwan Sugianto
Management Study Program
STIE Latifah Mubarokiyah Suryalaya
Tasikmalaya, Indonesia
sugianto729@gmail.com

Asep Sueful Falah
Finance and Banking Studies Program
STIE Latifah Mubarokiyah Suryalaya
Tasikmalaya, Indonesia

Abstract—This study aims to determine: 1) Financial performance in manufacturing companies’ cosmetics and household sub-sector listed on BEI by using Economic Value Added (EVA). 2) Financial performance in manufacturing companies’ cosmetics and household sub-sector listed in Indonesian Stock Exchange by using Financial Value Added (FVA). The method used in this research is comparative descriptive method with quantitative approach with this type of case study. The technique of taking data using documentation study. The sampling method used, is purposive sampling the total of 3 sample companies namely PT. Martina Berto Tbk, PT. Mustika Ratu Tbk, and PT. Mandom Indonesia Tbk. The analytical tool used, is Economic Value Added (EVA) method and Financial Value Added (FVA) method. The results of this study indicate that: 1) All the company’s management has been able to create positive EVA value. This shows that the management is able to create economic value added for the company and shareholders. 2) All the company’s management has been able to create positive FVA value. Means the company’s management is able to provide financial value added for the company and its shareholders.

Keywords—financial performance; Economic Value Added (EVA); Financial Value Added (FVA)

I. INTRODUCTION

In this era of globalization, technology is growing rapidly and is at the heart of all activities. So that the company does not experience losses, the company is required to continue to make improvements in various fields, one of which is the financial sector, so that the company can continue to compete and maintain its existence.

The purpose of this study is expected to be able to explain the analysis of the results of the financial performance of the cosmetics and household needs manufacturing companies listed on the Indonesia Stock Exchange (IDX), which are analyzed using the Economic Value Added (EVA) and Financial Value methods. Added (FVA). Economic Value Added (EVA) and Financial Value Added (FVA) are appropriate performance measurement tools. Economic Value Added (EVA) can measure performance or management achievement based on the size of added value created during a certain period. The Financial Value Added (FVA) is a measure of performance by considering the contribution of fixed assets in generating net profits [1].

Financial performance is a description of the achievements that have been achieved by the company in a period concerning financial aspects, marketing, fund raising, and distribution of funds and human resources [2].

The results of the study stated that financial ratios as a means of measuring financial performance pose a problem, the problem that arises with ratio analysis is that there is no optimal ratio to achieve the goal of maximizing shareholder wealth. Syahliana then the statement was also strengthened by Keiso, Weygandt, and Warfield which stated that the biggest criticism of financial ratio analysis is the difficulty of achieving high comparability among companies in certain industries [3,4]. Furthermore, it refers to the research results of Muhammad Ridho Firdausi, Dadan Rahadian, Andrieta Shintia Dewi that the EVA value is negative on the average telecommunications operator but in 2008, 2013-2015 the TLKM had a positive EVA [5]. The average FVA value is positive for telecommunications operators. This is reinforced by research results in Malaysia by Madan Lal Bhasin. 2017 that there is no strong evidence to support the Stern Stewart Statement that EVA is superior to traditional performance measures in relation to MVA. But this fact is different from the
results of research conducted by Malhamah, and Sari Octavera [2]. That the highest EVA and MVA values during the last 5 years of the observation period were PT Indofood Sukes Makmur Tbk and the lowest was PT. Ultra Jaya Milk Industry and Tranding Company Tbk. Furthermore, The result of the research is that there is no process of economic value added and there is a decrease of shareholder value of PT Indofarma (Persero) Tbk during 2 observation period but economic value added process and increase of shareholder value of PT Kimia Farma (Persero) Tbk during observation period, there is difference of EVA between state-owned enterprises in pharmaceutical subsector of Indonesia Stock Exchange and there is difference of MVA between state-owned enterprises in pharmaceutical subsector of Indonesia Stock Exchange [6]. The results of research conducted at the company in Germany showed that ROCE with a factor of 0.97 was inversely correlated with EVA and the absence of EVA calculations was a reverse measure to represent value creation [7].

The cause of the increase and decrease in EVA and MVA is that an increase or decrease in the value of EVA is influenced by the amount of capital costs incurred by the company and an increase or decrease in the value of the MVA is influenced by the stock price and the number of shares outstanding. From some research results, this is interested in being re-examined in companies listed on the IDX on different types of sub-sectors. this needs to be examined, so that the method used for the analysis of financial performance can be used to examine the various sub-sectors of companies listed on the IDX.

II. METHOD

A. Data Collection Technique

Documentation study is a method of collecting data from written documentary material obtained from internal company records by reading, studying and analyzing data related to research [8].

The data source used in this study is secondary data where this data is obtained from the official website of Indonesia Capital Market Directory (www.idx.co.id).

B. Population and Sample

In this study, the population is 6 cosmetic manufacturing companies and household necessities listed on the Indonesia Stock Exchange (IDX), including: PT. Akasha Wira International Tbk (d. Ades Waters Indonesia Tbk, PT), PT Kino Indonesia Tbk, PT. Martina Berto Tbk, PT. Mustika Ratu Tbk, PT. Mandom Indonesia Tbk, and PT. Unilever Indonesia Tbk. (www.sahamok.com).

The sample selection criteria made by the author are as follows:

- The researched company is a cosmetics and household necessity manufacturing company listed on the Indonesia Stock Exchange in the 2014-2016 period.
- The company has completed financial statements during the observation period.

Based on the above criteria, the company selected as a sample is PT. Martina Berto Tbk, PT. Mustika Ratu Tbk, and PT. Mandom Indonesia Tbk. 3 (three) other companies are not sampled because they are not included in the criteria specified by the author.

C. Analysis Tool Design

The tool used to analyze financial statements in this study is using the method of Economic Value Added (EVA) and Financial Value Added (FVA).

1) Economic Value Added (EVA): EVA shows additional benefits received by shareholders after considering the opportunity cost of the funds issued. This method reduces operating income after tax (NOPAT) with capital costs. This difference is a residual value, and is expressed as added value [9].

According to Keown, the formula for Economic Value Added (EVA) is:

\[ \text{EVA} = \text{NOPAT} - \left( \text{WACC} \times \text{IC} \right) \]

| TABLE I. EVA CALCULATION TABLE |
|--------------------------------|
| **EVA Component** | **Formula** |
| ----------------- | ----------- |
| NOPAT            | Net Operating Profit After Taxes |
| WACC             | [(D x rd) x (1 – tax rate)] + (E x re) |
| IC               | (total amount of debt + equity) – short-term debt |
| EVA              | NOPAT – (WACC x IC) |

Where:

- NOPAT = Net Operating Profit After Taxes
- WACC = Weighted Average Cost of Capital
- IC = Invested Capital
- D = Cost of Debt Capital
- rd = Percentage of Debt in Capital Structure
- Tax = Tax
- E = Cost of Equity Capital
- re = Capital Cost Percentage in Capital Structure

From the calculation will be concluded with the interpretation of the following results:

- If EVA > 0 this shows that there is an economic value added for the company.
- If EVA <0 this indicates that there is no economic value added for the company.
If EVA = 0 this indicates a break-even position because profit has been used to pay obligations to funders both creditors and shareholders.

2) Financial Value Added (FVA): According to Irhamani and Febrian in Firdausi, Rahadian and Dewi, the Financial Economic Value Added or, more simply, the Financial Value Added (FVA) is a new method of measuring company performance and value added [5]. This method considers the contribution of fixed assets in generating the company's net profits. According to Rodriguez in Firdausi, Rahadian and Dewi [5] mathematically FVA measurements are stated as follows:

\[ \text{FVA} = \text{NOPAT} - (\text{ED} - D) \]

Where:

- NOPAT = Net Operating Profit After Taxes
- ED-D = Equivalent Depreciation – Depreciation
- k = Weighted Average Cost of Capital (WACC)

\[ \text{TR} = \text{Total Resource} \]

From the calculation will be concluded with the interpretation of the following results:

If FVA > 0 this shows that there is a financial value added to the company.

If FVA < 0 this shows that there is no financial value added for the company.

If FVA = 0 this shows the break-even position.

D. Place and Time of Research

1) Place of research: This research was conducted on cosmetics and household needs manufacturing companies listed on the Indonesia Stock Exchange (IDX) based in Jakarta for the period 2014-2016. Sources of data were obtained from the official website of the Indonesia Capital Market Directory (www.idx.co.id).

2) Time of research: This research was conducted from January to August 2018.

III. RESULTS

A. Analysis of Financial Performance Using Economic Value Added (EVA)

1) EVA (Economic Value Added) PT. Martina Berto, Tbk.:
2) **Financial Value Added (FVA) PT. Mandom Indonesia, Tbk.**

The results of the calculations above can be seen that the value of FVA PT. Martina Berto Tbk continues to increase, this can be indicated by the results of 2014 and 2015 data, in 2014 FVA PT. Martina Berto is Rp. 497,561,796,736 and increased by 257,676,147,547 in 2015. Then in 2016 it increased again by 271,739,366,436. While PT. Mustika Ratu Tbk and PT. Mandom Indonesia from 2014 to 2016 fluctuated. However, from the above calculations, it can be seen that each company has been able to cover the equivalent depreciation costs that must be incurred by the company because they all have a positive FVA value. And the largest FVA is owned by PT. Mandom Indonesia Tbk in 2016 which is Rp. 4,008,201,954,300, this is due to the increasing profit after tax and depreciation value so that it can cover the equivalent depreciation cost, and the smallest FVA is at PT. Mustika Ratu Tbk, which is Rp. 303,490,014,101.

### V. CONCLUSION

The results of research conducted on the financial performance of manufacturing companies in the cosmetics sub-sector and household needs listed on the BEI for the period 2014-2016, the results obtained are based on the results of EVA and FVA analysis that all company management has been able to create positive EVA and FVA values. This shows that the company's management is able to create economic added value for the company and its shareholders.

### ACKNOWLEDGMENT

In the process of preparing this paper until the proposal for registration at the international seminar committee held by ICEBEF UPI Bandung, it is fitting for us as researchers to thank the honorable ones:

- Mr. KH Bahan Ahmad Jihad, SBAR as Leader of the Suryalaya Islamic Boarding School Large Family as well as Assistant II Chief of Finance STIE Latifah Mubarokiyah Suryalaya Tasikmalaya who has provided moral support and material until finally this paper can be completed as well as proposed to the Seminar committee.
- The Directors of PT. Martina Berto. Tbk which has made the source material of this research report.
- Directors of PT. Mustika Ratu. Tbk which has made the source material of this research report.
- Directors of PT. Mandom Indonesia. Tbk who have made the source material of this research report.
- Chairperson of STIE Latifah Mubarokiyah Suryalaya Tasikmalaya who has guided and directed the writer about the completion of this research study.
- The Chief Assistants in STIE Latifah Mubarokiyah Suryalaya Tasikmalaya.
- Mr. Adi Robith Setiana, SE., MM as the Head of the Bureau who has supported and facilitated until this paper can be proposed to the ICEBEF UPI Bandung 2018 International Seminar Committee.

---

**IV. DISCUSSIONS**

**A. Results of Analysis Based on the EVA Method**

### TABLE IX. EVA VALUE MANUFACTURING COMPANY COSMETIC AND HOUSEHOLD PURPOSES REGISTERED ON THE IDX 2014-2016 PERIOD (PRESENTED IN RUPIAH)**

| Company          | 2014     | 2015     | 2016     |
|------------------|----------|----------|----------|
| Martina Berto    | 342,464,183.346 | 583,867,431.169 | 857,026,771.000 |
| Mustika Ratu     | 552,365,530.537 | 659,578,161.417 | 220,585,843.581 |
| Mandom Indonesia | 2,930,188.047,647 | 2,472,098.311,669 | 3,207,632.471,373 |

The biggest EVA result is at PT. Mandom Indonesia Tbk which is Rp. 3,207,632,471,373 in 2016, this was due to an increase in net sales and an increase in operating expenses that were not too high. And the smallest EVA is at PT. Mustika Ratu Tbk in 2016 which is Rp. 220,585,843,581.

### B. Results of Analysis Based on the FVA Method**

### TABLE X. TABLE OF VALUE OF FVA MANUFACTURING COMPANY OF COSMETIC AND HOUSEHOLD UTILITIES SUB-SECTOR REGISTERED ON THE IDX FOR THE 2014-2016 PERIOD (SERVED IN RUPIAH)**

| Company          | 2014     | 2015     | 2016     |
|------------------|----------|----------|----------|
| Martina Berto    | 497,561,796.736 | 755,237,944.283 | 1,026,977.310,719 |
| Mustika Ratu     | 653,057,229.731 | 760,254,249.506 | 303,490,014.101 |
| Mandom Indonesia | 3,726,718.291,585 | 2,894,570.421,106 | 4,008,201,954,300 |

---

The biggest EVA result is at PT. Mandom Indonesia Tbk which is Rp. 3,207,632,471,373 in 2016, this was due to an increase in net sales and an increase in operating expenses that were not too high. And the smallest EVA is at PT. Mustika Ratu Tbk in 2016 which is Rp. 220,585,843,581.

---

### TABLE VII. TABLE OF VALUE OF FVA MANUFACTURING COMPANY OF COSMETIC AND HOUSEHOLD UTILITIES SUB-SECTOR REGISTERED ON THE IDX FOR THE 2014-2016 PERIOD (SERVED IN RUPIAH)**

| Information | 2014     | 2015     | 2016     |
|-------------|----------|----------|----------|
| NOPA T      | 552,128,819.032 | 659,262,808.058 | 220,391,260.970 |
| ED          | (23,394,987.068) | (30,392,179.942) | (18,368,598.457) |
| D           | 77,533,423.631 | 70,599,261.506 | 64,730,154.674 |
| ED-D        | (100,928,410.699) | (100,991,441.448) | (83,098,753.131) |
| FVA         | 653,057,229.731 | 760,254,249.506 | 303,490,014.101 |

---

The biggest EVA result is at PT. Mandom Indonesia Tbk which is Rp. 3,207,632,471,373 in 2016, this was due to an increase in net sales and an increase in operating expenses that were not too high. And the smallest EVA is at PT. Mustika Ratu Tbk in 2016 which is Rp. 220,585,843,581.

---

The biggest EVA result is at PT. Mandom Indonesia Tbk which is Rp. 3,207,632,471,373 in 2016, this was due to an increase in net sales and an increase in operating expenses that were not too high. And the smallest EVA is at PT. Mustika Ratu Tbk in 2016 which is Rp. 220,585,843,581.

---

The biggest EVA result is at PT. Mandom Indonesia Tbk which is Rp. 3,207,632,471,373 in 2016, this was due to an increase in net sales and an increase in operating expenses that were not too high. And the smallest EVA is at PT. Mustika Ratu Tbk in 2016 which is Rp. 220,585,843,581.

---

The biggest EVA result is at PT. Mandom Indonesia Tbk which is Rp. 3,207,632,471,373 in 2016, this was due to an increase in net sales and an increase in operating expenses that were not too high. And the smallest EVA is at PT. Mustika Ratu Tbk in 2016 which is Rp. 220,585,843,581.

---

The biggest EVA result is at PT. Mandom Indonesia Tbk which is Rp. 3,207,632,471,373 in 2016, this was due to an increase in net sales and an increase in operating expenses that were not too high. And the smallest EVA is at PT. Mustika Ratu Tbk in 2016 which is Rp. 220,585,843,581.
• Lecturers of STIE Latifah Mubarokiyah Suryalaya Tasikmalaya who have supported and helped to complete this paper.

• Colleagues of STIE Latifah Mubarokiyah Suryalaya Tasikmalaya who have supported and helped to complete this paper.

REFERENCES

[1] Kurbasari, Y. Kinerja keuangan pada PT Panorama Transportasi, Tbk yang Terdaftar Di Bursa Efek Indonesia Menggunakan pendekatan Financial Value Added (FVA) dan Economic value Added (EVA). Bisma. Program Studi Manajemen STIE Widya Dharma Pontianak, 1(3), 588-599, 2016.

[2] Malhamah, and Octavera, S. “Analisis Kinerja Keuangan Dengan Menggunakan metode Economic Value Added (EVA) dan Market Value Added (MVA) Pada Perusahaan Manufaktur Sektor Makanan dan Minuman yang Go Public di BEI”. Ekonomi & Bisnis Dharma Andalas, 20(1), 76, 2018.

[3] Syahalia, L.Y. Analisis Kinerja Keuangan Dengan Menggunakan Metode EVA (Economic Value Added) dan MVA (Market Value Added) Pada Perusahaan Tambang Batubaya yang Listing di Bursa Efek Indonesia. Administrasi Bisnis, 1(2), 114-125, 2013.

[4] Kieso, D.E., Weygandt, J.J., and Warfield, T.D. Akuntansi intermediate. Terjemahan Emil Salim, vol. 1, 2002.

[5] Firdausi, M.R., Rahadian, D., and Dewi, A.S. “Analisis Kinerja Keuangan Dengan Menggunakan Metode Economic Value Added (EVA), Financial Value Added (FVA) dan Market Value Added (MVA) Studi Kasus Pada Operator Telekomunikasi yang Terdaftar di BEI Periode 2008-2015”. eProceedings of Management, 4(2), 1416, 2017.

[6] Ninin Non Ayu Salamah. “EVA dan Mva Analysis of State-Owned Enterprises in the Pharmaceutical Sub-Sector of Indonesia Stock Exchange”. Account and Financial Management Fakulty of Economy University of PGRI Palembang Journal, vol. 3, no. 3, pp. 1371-1375, 2018.

[7] Guenter Blendinger, and Grzegorz Michalski. “Value Add Financial Measures Used By German Dax 30 Corporations As Part Of Highly Professionalized Corporate Governance Management”. Review of innovation and Competitiveness: A Journal of Economic and Social Research, Vol.4, No.1, 2018.

[8] Sujarwieni, V.W. Metodologi Penelitian (cetak pertama ed.). Yogyakarta: Pustakabarupress, 2014.

[9] Asnawi, S.K., and Wijaya, C. FINON (Finance For Non Finance) Manajemen Keuangan Untuk Non Keuangan (1 ed.). Jakarta: Rajawali pers, 2015.