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Financial Performance Analysis Using the Economic Value-Added Method

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Conflict of Interest Statement:

The author(s) declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

ABSTRACT

Purpose: This research aimed to evaluate the financial performance of cosmetics companies traded on the Indonesia Stock Exchange (IDX) using Economic Value Added (EVA) analysis.

Research Design and Methodology: The study employed a descriptive-analytical approach, using audited financial statements from PT Mustika Ratu Tbk, PT Martina Berto Tbk, and PT Mandom Indonesia Tbk for the years 2017–2019. Quantitative data derived from secondary sources were analyzed using the EVA method to assess economic performance.

Findings and Discussion: Results showed that PT Mustika Ratu Tbk and PT Martina Berto Tbk achieved positive EVA values, indicating favorable economic performance. In contrast, PT Mandom Indonesia Tbk had negative EVA values, reflecting financial difficulties. EVA analysis effectively distinguishes between successful and struggling companies.

Implications: The findings offer valuable insights for investors and management to evaluate corporate performance using Economic Value Added (EVA). Companies with negative EVA values should enhance financial management. Future research may apply EVA to other industries or extend the study period.

Introduction

The growth of the cosmetics and beauty industry has led to an abundance of products and services saturating the market. Producers strive to capture consumer attention by employing a range of promotional techniques for their products and services. The advancement of cosmetics and beauty enterprises creates a competitive environment in which corporations strive to capture consumer attention for their products and services. Renaldi and Utiyati (2016) argue that climate, socio-cultural conditions, and purchasing power can contribute to the convergence of consumer preferences worldwide, particularly in the cosmetics and beauty industries. The cosmetics and beauty industry exhibits significant growth potential and offers favorable investment opportunities for companies operating within this sector. Despite the rapid growth of cosmetics enterprises, their profit margins remain relatively moderate due to the industry's specialized nature, which necessitates adherence to prevailing trends. Cosmetics companies also face market constraints. Hence, the cosmetics sector must establish a substantial target interest rate. It is imperative to employ a robust performance assessment framework to enhance the potential for lucrative investment prospects, such as using Economic Value Added (EVA), which has proven to be a productive method for assessing performance.

The potential for lucrative investments can be discerned by evaluating the company's financial performance and profitability. The utilization of Economic Value Added (EVA) by organizations is essential due to its function as a metric that specifically emphasizes value creation, as elucidated by Salmah (2013). The objective of EVA is to enhance the value or value added of the capital shareholders invest in the company's activities (Santoso, 2018). The company expressed interest in utilizing Economic Value Added (EVA), indicating a primary objective of maximizing shareholder wealth by enhancing the company's share value. The primary emphasis in evaluating a company's performance is its ability to meet its responsibilities, which also generates company value and indicates its future possibilities (Bahtiar, 2018). The company's accomplishments are evaluated based on the presentation of its current financial statements. The financial statements provide a basis for assessing financial performance, considering the company's capacity to effectively utilize its resources in generating net income and appraising management effectiveness (Hasanuddin et al., 2021). Assessing firm performance primarily concerns the company's ability to create profits (Arindia et al., 2016; Hajering & Muslim, 2022). A corporation's profitability measures its capacity to meet its financial commitments to its stakeholders (Amin et al., 2021). Additionally, a firm's profitability is a crucial factor in determining its overall value, as it provides insight into the company's future potential. Profit is often used to evaluate performance or as a basis for other metrics, such as return on investment or earnings per share. Investors are likely to express interest in allocating their capital to a company that demonstrates favorable financial performance, as this offers the prospect of future gains from their investment (Syamni, 2016).

Investors consider a firm's financial success as a crucial aspect when making investment decisions (Sari, 2015; Ahmad et al., 2023). The management of a company endeavors to enhance its financial performance to sustain its operations and entice potential investors to allocate their resources (Ridwan et al., 2023). An inverse relationship exists between a company's financial success and the investment risk it assumes, whereby a higher level of financial performance corresponds to a lower likelihood of investment risk and an increased potential for higher stock returns. According to Arindia et al. (2017), an increase in investor interest in purchasing a company's shares leads to a corresponding upward movement in the share price. The significance of evaluating financial performance is a matter of concern, particularly in the context of beauty industry enterprises operating in Indonesia. This pertains specifically to organizations listed on the Indonesia Stock Exchange, as they employ financial ratios to assess their organizational success. The findings of the financial ratio analysis are presented as a quantitative measure that compares the value of a specific account in the financial statements with the values of other charges (Melita Sari, 2017).

Currently, the assessment of corporate performance using conventional ratios is subject to several limitations and flaws. Like traditional accounting measurement tools, financial ratio analysis has a significant limitation: its disregard for the cost of capital. Consequently, it becomes challenging to ascertain whether a company has effectively generated value. The application of financial ratio analysis is subject to shortcomings and constraints, as noted by Adiguna et al. (2017). One disadvantage of financial ratios is their reliance on historical economic value data, namely book value, without considering the market value of assets held. The weakness is that it needs to notify management about the company's value addition adequately. An operational performance measurement system was established to address the flaws and limitations associated with financial ratios, catering to the organization's specific requirements. The presence of EVA prompts the organization to allocate increased attention to endeavors to generate corporate value. The relevance of EVA in measuring value-based performance stems from its function as a financial management system designed to assess a firm's economic profit. Bahtiar (2018) asserts that EVA operates on the principle that true prosperity can only be achieved when a company successfully covers its operational and capital costs. It is anticipated that firm owners will promote value-enhancing measures or strategies within management, as this facilitates the effective functioning of the organization. The utilization of EVA facilitates the process of goal setting within management, ensuring that internal objectives are informed by long-term considerations rather than focusing solely on immediate outcomes. Economic Value Added (EVA) provides a framework for evaluating the viability of investment projects, while also facilitating the assessment of ordinary management performance by promoting value-enhancing endeavors. According to Supriyanto and Lestari (2015), EVA can also contribute to establishing an appropriate payment or incentive structure that motivates management to adopt an owner-like mindset.

The study conducted by Harida & Zahroh (2015) utilizing the Economic Value Added (EVA) technique revealed that the performance of PT Holcim Indonesia exhibited a fluctuating trend. In contrast, PT Indocement Tunggal Prakarsa and PT Semen Indonesia demonstrated an upward trajectory in their EVA values. To enhance the financial performance of PT Holcim Indonesia, it is anticipated that PT Indocement Tunggal Prakarsa and PT Semen Indonesia will strive to optimize capital utilization and effectively manage corporate assets. A study by Wahyuni (2015) found that the EVA (Economic Value Added) of firms on the Jakarta Islamic Index exhibited predominantly positive values during the observation period. However, two companies, PT Aneka Tambang, Tbk, and PT Vale Indonesia, Tbk, demonstrated negative EVA in 2013. A positive Economic Value Added (EVA) signifies management's achievement in generating economic value for both the company and its fund providers.

Conversely, a negative EVA suggests the opposite outcome. This study is a replication research endeavor that examines the use of Economic Value Added (EVA) as a metric for evaluating the financial performance of organizations. This study distinguishes itself from prior research by employing the Return on Investment (ROI) metric to assess the desired degree of return that investors seek. Researchers are motivated to conduct a study that examines and analyzes the performance of cosmetic companies listed on the IDX using Economic Value Added (EVA) analysis, given the contextual background of these issues.

Financial management, also referred to as expenditure management in scholarly literature, encompasses all the operations undertaken by a firm regarding the acquisition, utilization, and management of funds and assets in alignment with the organization's overarching objectives. Financial management can be defined as the practice of effectively managing the acquisition, allocation, and utilization of resources to achieve organizational goals. According to Martono (2010), financial management, often known as expenditure management, encompasses all the operations undertaken by a firm to acquire funds, allocate funds, and effectively manage assets. According to Irham (2012), "financial management" encompasses several tasks related to developing, utilizing, and distributing funds.

The primary objective of corporate finance management is to optimize shareholder wealth. A company's wealth can be assessed by examining its typical stock price trajectory in the market. In this scenario, the valuation of stocks may serve as an indicator of the company's financial health and its approach to dividend distribution. Hence, within economic theories, the variable commonly employed in market research to symbolize the worth of a company is the stock price. This variable encompasses a range of indicators, such as stock return, expected stock price, abnormal return, price-earnings ratio (P/E), and other metrics that reflect the cost of common stock within the capital market. Therefore, one can infer that the primary objective of corporate financial management is to optimize shareholder wealth, which entails enhancing the company's value —a quantifiable indicator of public perception and the company's sustainability (Salehi et al., 2014; Sartono, 2008).

The function of financial management can be categorized into three primary roles, with investment decision-making being a key topic of discussion. Investment refers to allocating a company's financial resources toward capital investment. Investments can be categorized into two main types: tangible assets and financial assets. Real assets refer to tangible assets that are either physical or visually perceptible. Examples of such assets include inventory, buildings, land, and structures. In the interim, financial assets encompass securities such as stocks and bonds. b. The Determination of Financing Policy (Financing Decision). The funding policy is the second primary policy following the investment policy. While considering investment decisions, analyzing the assets on the balance sheet is essential. Conversely, while examining funding decisions, the focus should be on the sources of cash found on the liabilities side. Funding decisions encompass multiple factors, including the decision on asset management. Efficient management is essential for assets acquired with adequate funding. Financial managers, alongside their counterparts within the organization, oversee the operations of existing assets at various levels. Financial managers are responsible for allocating funds for the procurement and utilization of assets. Financial managers must prioritize managing current investments above fixed assets (Khan et al., 2017; Lee, 2011).

Hefrizal (2018) posits that financial statements are the outcome of an accounting procedure that conveys information on a company's economic data or operations to stakeholders having a vested interest in said data or processes. According to Myer, as cited in S. Munawir (2004), financial statements refer to a pair of comprehensive records prepared by professional accountants at the end of a specific accounting period for an organization. There are two distinct lists in financial reporting: the balance sheet, also known as the financial position statement, and the income statement, also referred to as the profit and loss statement. In contemporary business practices, it has been customary for corporations to incorporate a supplementary index, commonly referred to as a list of surpluses or undistributed profits, specifically denoting retained revenues. According to Agnes Sawir (2005), financial statements represent the outcome of the accounting process. All monetary transactions are systematically recorded and processed. The ultimate report is also offered in terms of economic worth.

According to Dewi (2017), a company's financial performance holds significant value for various stakeholders, including investors, creditors, analysts, financial consultants, brokers, government entities, and management. According to Kosalathevi (2013), evaluating firm performance typically involves assessing net income (profit) or its utilization as a foundation for additional metrics such as return on investment or earnings per share. In a broad sense, financial success is an accomplishment achieved by a firm operating within the financial sector within a specific timeframe, indicating the organization's overall well-being. Conversely, financial performance pertains to the robustness of a firm's financial framework and its ability to generate profits based on the assets at its disposal. The matter is intricately linked to the management's ability to effectively and efficiently oversee, allocate, and utilize the company's resources. According to Kang et al. (2012), three distinct types of metrics can be employed to assess performance quantitatively. These measures include 1—measures based on a Single Criterion. Single-criterion measures refer to performance measures that utilize only a single metric to evaluate managers' performance. One potential limitation of using a single criterion to assess success is that individuals may focus solely on that criterion, disregarding other relevant factors. 2. Measures with Multiple Criteria. Multiple criteria measures refer to performance measures that utilize various metrics to evaluate managerial criteria. The utilization of this assortment serves the objective of aligning the endeavors of managers, whose performance is considered, with their respective performance metrics. The composite criteria measure is a quantitative assessment tool that combines multiple criteria to evaluate a particular subject or phenomenon. Hybrid criteria refer to a performance evaluation method that incorporates multiple indicators, assigning appropriate weights to each metric and computing the average as a comprehensive indicator of managerial performance.

According to Costin (2017), Economic Value Added (EVA) is an internal metric utilized to assess a corporation's generation or erosion of shareholder capital over a specific time frame. Economic Value Added (EVA) pertains to evaluating a company's operational efficiency in utilizing capital resources to generate additional value. Economic value is derived when a corporation generates a return on its invested capital or incurs costs. The EVA (Economic Value Added) metric quantifies the value generated by an investment. A positive Economic Value Added (EVA) indicates that the company's return on capital exceeds the cost of capital, signifying its ability to generate additional wealth for its owners through value creation.

In contrast, a negative Economic Value Added (EVA) indicates that the organization's aggregate cost of capital surpasses its post-tax operating profit, signifying suboptimal financial performance. According to Xin'e (2012), an advantage of Economic Value Added (EVA) as a metric for evaluating a company's financial performance is its ability to serve as a measure of value creation. One of the advantages of EVA is its emphasis on assessing added value by considering the costs associated with investments. The EVA concept is a corporate tool used to determine economic expectations. It focuses on the equitable consideration of stakeholders' expectations, taking into account the capital structure through a weighted measure. This measure is guided by market value rather than book value, reflecting a fair degree of justice. The utilization of EVA computations as an assessment concept does not necessitate the inclusion of comparison data, such as industry standards or other company-specific information, hence allowing for independent analysis. According to Xin'e, the EVA idea can serve as a foundation for assessing a corporation's financial performance. Economic Value Added (EVA) can be a foundation for evaluating employee bonuses, particularly in divisions that generate higher EVA. This approach aligns with the notion that EVA contributes to the satisfaction of stakeholders. The straightforward implementation of Economic Value Added (EVA) demonstrates that this notion is a pragmatic metric characterized by its simplicity in computation and usability.

Consequently, it becomes a significant factor while speeding up business decisions. In addition to its advantages, it is essential to acknowledge that EVA also has several drawbacks, which can be summarized as follows: a. The notion of EVA solely focuses on measuring the outcome, neglecting the assessment of determining actions. EVA is overly reliant on the premise that investors heavily rely on a fundamental approach when evaluating and making decisions about the purchase or sale of certain shares, while other factors exert a more significant influence (Putra & Liyanti, 2016).

Research Design and Methodology

The present study falls within the category of quantitative research. The study focused on a sample of cosmetic companies on the Indonesia Stock Exchange. The present study utilizes a representative sample of financial reports from various publicly listed cosmetics firms on the Indonesia Stock Exchange from 2017 to 2019. The study used secondary data as its primary source, including firm papers and written materials such as financial reports and other relevant financial data about the company's status. Researchers employ data-collecting methodologies, such as field studies (also known as field research) and documentation procedures, to gather pertinent data. Specifically, these approaches involve gathering data by examining financial statement papers relevant to the research subject. The present study employs a descriptive research approach to explore the financial performance of cosmetic industry companies listed on the IDX. Specifically, the evaluation is conducted using the Economic Value Added (EVA) technique. The measuring instruments employed for this purpose are as follows:

Table 1. Operational Variable

Variable	Measurement
Analysis of Economic Value Added (EVA)	EVA=NOPAT - (WACCxInvested Capital)
Analysis NOPAT	NOPAT= PROFIT AFTER TAX
Weighted Average Cost of Capital Analysis	WACC=Wd·Kd(1-T) +Ws·Ks

Findings and Discussion

Findings

Table 2 presents the operating profit of PT Mustika Ratu Tbk from 2017 to 2019. The profit obtained in 2019 was Rp. 173,216, it can be concluded that PT Mustika Ratu Tbk 2017 2018 decreased by Rp . 6,386,267,676, and in 2018-2019 decreased by Rp. 5,238,582,564.

Table 2. Total Operating Profit of PT Mustika Ratu Tbk.

Year	Operating Profit (RP)
2017	11.625.023.456
2018	5.238.755.780
2019	173.216

Source: *PT. Mustika Ratu Tbk*

Table 3, the calculation of NOPAT in 2017-2019 PT. Mustika Ratu Tbk. In 2017, the NOPAT was obtained by PT. Mustika Ratu Tbk was Rp. In 2018, PT obtained $8,719,767,592 in NOPAT. Mustika Ratu Tbk decreased by Rp. 4,790,690,757, and in 2019, the NOPAT obtained by PT. Mustika Ratu Tbk experienced another decrease of Rp. 3,923,936,923. NOPAT in 2017 indicates that PT Mustika Ratu Tbk has a low-profit level, suggesting that, based on this profit, PT Mustika Ratu Tbk can be considered to have poor financial performance among cosmetics companies in Indonesia. Poor economic performance will result in a low level of profit. This decrease in NOPAT contributes to the reduction in added value generated by PT Mustika Ratu Tbk. The greater the decrease in NOPAT value, the smaller the increase in added value obtained.

Table 3. NOPAT Calculation of PT Mustika Ratu Tbk

Year	A Operating Profit (Rp)	B Tax 25% (RP)	(a-b) NOPAT (Rp)
2017	11.625.023.456	2.906.255.864	8.719.767.592
2018	5.238.755.780	1.309.688.945	3.929.066.835
2019	173.216	43.304	129.912

Source: PT. Mustika Ratu

Table 4. Total long-term liabilities and equity of PT Mustika Ratu Tbk

Year	Long-Term Liabilities (Rp)	Equity (Rp)	Year (Rp)
2017	16.916.040.867	378.955.415.449	395.871.456.316
2018	17.165.678.527	377.026.019.809	394.191.698.366
2019	20.076.021.579	369.089.199.975	389.165.321.554

Source: PT. Mustika Ratu Tbk

Based on Table 4, the total long-term liabilities and equity at PT Mustika Ratu Tbk from 2017 to 2019 show that the proportion of debt in the capital structure (Wd) was 0.04273 in 2017, 0.0435 in 2018, and 0.00515 in 2019. Based on Table 5, the amount of operating profit and assets in 2017-2019 at PT Mustika Ratu Tbk, the ROI in 2017 was 2.347; in 2018, it was 1.054; and in 2019, it was 0.00004.

Table 5. The Amount of Operating Profit and Assets of PT. Mustika Ratu Tbk

Year	Operating Profit (Rp)	Total Asset (Rp)
2017	11.737.268.368	500.138.658.228
2018	5.238.755.780	497.090.038.108
2019	173.216	483.037.173.864

Source: PT. Mustika Ratu Tbk

Weighted Average Cost (WACC) Calculation Analysis

Based on the findings derived from the WACC computation, it can be asserted that the WACC of PT Mustika Ratu Tbk declined in 2019, amounting to 0.0112%. The decline will affect the value added acquired by PT Mustika Ratu Tbk. The Weighted Average Cost of Capital (WACC) of PT Mustika Ratu Tbk pertains to the company's long-term loan obligations. The long-term loans held by PT Mustika Ratu Tbk indicate the company's effective execution of its financial performance. If the corporation exhibits significant borrowing, it might be inferred that its financial performance is deemed inadequate. PT Mustika Ratu holds long-term loans, resulting in a low Weighted Average Cost of Capital (WACC), as the equity level and the corresponding return level solely determine WACC.

Table 6. Total Assets and Short-Term Liabilities of PT. Mustika Ratu Tbk

Year	Total Asset (Rp)	Short-Term Liabilities (Rp)
2017	500.138.658.228	104.267.201.912
2018	497.090.038.108	102.898.339.772
2019	483.037.173.864	93.871.952.310

Source: PT. Mustika Ratu Tbk

Based on the computed figures for Invested Capital, it can be inferred that PT Mustika Ratu Tbk's Invested Capital amounted to Rp. Rp 395,871,456,316 in 2017 and declined to Rp 389,165,221,554 in 2019. Invested Capital elucidates how a corporation employs its assets to satisfy its short-term borrowing obligations. The fluctuations in the rise and decline levels will influence the accrued value acquired by PT Mustika Ratu Tbk. If there is an increase in Invested Capital, it cannot be concluded that the financial performance is favorable. Conversely, if there is a decline in Invested Capital, the financial performance can be deemed positive. This phenomenon can be attributed to the company's loss of added value, as it demonstrates the extent to which total assets are utilized to repay short-term loans.

Calculation Analysis using Economic Value Added (EVA)

The EVA technique can ascertain the financial value increment achieved by PT Mustika Ratu Tbk. The EVA methodology evaluates economic value added, quantifying the net operating profit after tax (NOPAT) as a percentage of the weighted average cost of capital (WACC). The EVA (Economic Value

Added) for the year 2017 amounted to 939,495,942. In the subsequent year, 2018, the EVA decreased to 264,138,835. Finally, in 2019, the EVA further declined to 19,013,125. Based on the findings derived from the EVA calculation, it can be inferred that PT Mustika Ratu Tbk has achieved a positive and ascending EVA value. The observed rise in EVA (Economic Value Added) indicates favorable financial performance achieved by PT Mustika Ratu Tbk. The excellent outcome is attributed to a decrease in the value of Invested Capital and an increase in the acquired WACC value. This observation demonstrates that the overall asset value allocated to repay short-term loans is very substantial; however, it is counterbalanced by low Ks (cost of equity) and Kd (cost of debt).

Table 7. The amount of operating profit of PT. Martina Berto Tbk

Year	Operating Profit (Rp)
2017	7.944.819.926
2018	11.454.570.311
2019	26.644.369.286

Source: PT. Martina Berto Tbk

From Table 7, regarding the operating profit of PT Martina Berto Tbk from 2017 to 2019, the amount of profit earned in 2017 was Rp. 7,944,819,926, and in 2018-2019 it increased; in 2018 it was Rp.3,509,750,385 and in 2019, it was Rp.15,189,798,375.

Table 8. NOPAT Calculation PT. Martina Berto Tbk

Year	(a) Operating profit (Rp)	(b) Tax 25% (Rp)	(a-b) NOPAT (Rp)
2017	7.944.819.926	1.986.204.982	5.958.614.944
2018	11.454.570.311	2.863.642.578	8.590.927.733
2019	26.644.369.286	6.661.092.322	19.983.276.964

Source: PT. Martina Berto Tbk

From Table 8, the calculation of NOPAT for 2017-2019 at PT Martina Berto Tbk shows that in 2017, it was Rp. 5,958,614,944; in 2018, it increased by Rp. 8,590,927,733, and in 2019, the NOPAT obtained by PT Martina Berto Tbk experienced another increase of Rp. 19,983,276,964.

Table 9. Total long-term liabilities and Equity of PT. Martina Berto Tbk

Year	Long-Term Liabilities (RP)	Equity (Rp)	Total (Rp)
2017	113.747.793.028	453.749.133.904	1.067.496.926.932
2018	65.624.793.028	434.213.595.966	499.838.338.994
2019	53.950.225.983	440.926.897.771	494.877.123.754

Source: PT. Martina Berto Tbk

Based on Table 9, the total long-term liabilities and equity for PT Martina Berto Tbk from 2017 to 2019 indicate the following proportions of debt in the capital structure (Wd): 0.000046528 in 2017, 0.003528008 in 2018, and 0.048490944 in 2019. According to the data presented in Table 10, the analysis of operational profit and assets for the years 2017-2019 at PT Martina Berto Tbk reveals that the return on investment (ROI) was 1.28% in 2017, 1.76% in 2018, and 3.471% in 2019.

Table 10. The amount of operating profit and assets of PT Martina Berto Tbk.

Year	Operating Profit (Rp)	Total asset (Rp)
2017	7.944.819.926	619.383.082.066
2018	11.454.570.311	648.899.377.240
2019	24.644.369.289	709.959.168.088

Source: PT. Martina Berto Tbk.

The weighted average cost of capital (WACC) is calculated by aggregating the costs associated with each capital component, including short-term loans, long-term loans (also referred to as the cost of debt), and share capital deposits (also referred to as the cost of equity). These costs are assigned weights based on their respective proportions within the company's capital structure. Based on the computed figures, it can be asserted that the Weighted Average Cost of Capital (WACC) for PT Martina Berto Tbk saw an upward trend in 2018 and 2019, with values of 1.752% and 3.089%, respectively. The rise will significantly affect the additional value PT Martina Berto Tbk acquired. The weighted average cost of capital (WACC) calculation for PT Martina Berto Tbk indicates that the company has no long-term loans.

Table 11. Total Assets and Short-term Liabilities of PT. Martina Berto Tbk

Year	Total asset (Rp)	Short-term liabilities (Rp)
2017	619.383.082.066	111.683.722.179
2018	648.899.377.240	149.060.988.246
2019	709.959.168.088	155.284.557.576

Source: *PT. Martina Berto Tbk*

The Invested Capital of PT Martina Berto Tbk for 2017-2019 may be derived from the data presented in Table 11. In 2017, the Invested Capital amounted to 507,699,359,887. This number decreased to 499,838,388,994 in 2018 and subsequently increased to 554,674,610,512 in 2019. Based on the obtained calculation outcomes, it can be stated that the Invested Capital of PT Martina Berto Tbk increased in 2019, amounting to Rp. 554,674,610,512. Invested Capital is a metric that elucidates how a corporation utilizes its assets to fulfill its obligations regarding short-term loans. The increase will significantly affect the additional value PT Martina Berto Tbk acquired. If there is a growth in Invested Capital, it is impossible to conclude that the company's financial performance is favorable. Additionally, it elucidates that the company's accrued value would diminish as it demonstrates the extent of total assets utilized to settle immediate-term debts.

Calculation using Economic Value Added (EVA)

Based on the Economic Value Added (EVA) evaluation, it may be inferred that PT Martina Berto Tbk has generated a negative and declining EVA value. Based on the derived EVA value, it is evident that PT Mandom Indonesia Tbk has exhibited subpar financial performance. The negative number is attributed to the rise in Invested Capital and the drop in the calculated WACC value. This observation demonstrates that the overall asset value allocated to repay both short-term and long-term loans is substantial while concurrently maintaining a proportionate level of low Ks and Kd.

Table 12. The amount of Operating Profit of PT. Mandom Tbk

Year	Operating profit (Rp)
2017	254.496.455.569
2018	218.680.216.268
2019	235.853.651.395

Source: *PT. Mandom Indonesia Tbk*

According to the data presented in Table 12, there was a notable increase in PT Mandom Indonesia Tbk's operational profit from 2017 to 2019. Specifically, the profit earned in 2017 witnessed a significant rise of Rp. 254,496,455,569. Based on the available dataset of operational profit figures from 2017 to 2019, the computed net operating profit after tax (NOPAT) for 2017 was 63,624,113,892. Similarly, the tax amounts for 2018 and 2019 were determined to be 54,670,054,067 and 58,963,412,850, respectively.

Table 13. NOPAT Calculation PT. Mandom Tbk

Year	(a) Operating profit (Rp)	(b) Tax 25% (Rp)	(a-b) NOPAT (Rp)
2017	254.496.455.569	63.624.113.892	190.872.341.677
2018	218.680.216.268	54.722.246.071	163.957.970.197
2019	235.853.651.395	58.963.412.850	176.850.238.545

Source: *PT. Mandom Indonesia Tbk*

According to the data presented in Table 13 of the NOPAT calculation for the years 2017-2019 at PT Mandom Tbk, it can be observed that the NOPAT for PT Mandom Tbk in 2017 amounted to Rp. 190,872,341,677. However, in the subsequent year, 2018, there was a decline in NOPAT, resulting in a loss of Rp. 163,957,970,197. Moving on to 2019, the NOPAT acquired was recorded at Rp. 176,850,238,545. The rise in net operating profit after tax (NOPAT) achieved by PT Mandom Tbk in

2017 can be attributed to a concurrent increase in operating profit during the same fiscal year. The rise in net operating profit after tax (NOPAT) observed in 2017 indicates that PT Mandom Tbk has achieved substantial profitability. Consequently, it can be inferred that PT Mandom Tbk exhibits commendable financial performance as a prominent cosmetics enterprise within the Indonesian market. A strong financial performance is likely to yield a substantial degree of profitability. The rise in NOPAT directly impacts the growth in added value achieved by PT Mandom Tbk. As the NOPAT value of PT. Mandom Tbk. Increases, there is a corresponding increase in the added value obtained.

Table 14. Total Long-term Liabilities and Equity of PT. Mandom Indonesia Tbk

Year	Long-term liabilities (Rp)	Ekuitas (Rp)	Total (Rp)
2017	83.667.063.909	1.283.504.442.268	1.367.171.506.177
2018	178.637.378.908	1.714.871.478.033	1.893.508.856.941
2019	144.294.749.027	1.783.158.507.325	1.927.453.256.355

Source: *PT. Mandoom Indonesia Tbk*

According to the data presented in Table 14, the aggregate amount of long-term liabilities and equity for the years 2017-2019 at PT Mandom Indonesia Tbk is observable. The calculation of the debt proportion in the company's capital structure (Wd) reveals that in 2017, it amounted to 0.061197; in 2018, it increased to 0.09434; and in 2019, it decreased to 0.07486.

Table 15. The amount of operating profit and total assets of PT. Mandom Indonesia Tbk

Year	Operating profit (Rp)	Total asset (Rp)
2017	254.496.455.569	1.853.235.343.636
2018	218.680.216.268	2.082.096.848.703
2019	235.853.651.395	2.185.101.038.101

Source: *PT. Mandom Indonesia Tbk.*

According to the data presented in Table 15, the operational earnings and assets of PT Mandom Indonesia Tbk for the years 2017-2019 were analyzed. The company's return on investment (ROI) was 13.73% in 2017, 10.52% in 2018, and 10.79% in 2019.

Weighted Average Cost (WACC) Calculation

Based on the findings derived from the WACC computation, it can be stated that the weighted average cost of capital (WACC) for PT Mandom Tbk declined in 2018 and 2019, specifically to 9.520% and 9.980%, respectively. The reduction will significantly impact the value-added obtained by PT Maustika Ratu Tbk. The Weighted Average Cost of Capital (WACC) of PT Mustika Ratu Tbk pertains to the company's long-term loan obligations. The long-term loans held by PT Mustika Ratu Tbk indicate the company's effective execution of its financial performance. If the company exhibits significant indebtedness, it can be inferred that its financial performance could be better. PT Mustika Ratu has no long-term loans, resulting in a relatively low Weighted Average Cost of Capital (WACC). This is primarily because the WACC is calculated based solely on the equity level and the corresponding rate of return.

Table 16. Total assets and current liabilities of PT Mandom Indonesia Tbk

Year	Total asset (Rp)	Short-term liabilities (Rp)
2017	1.853.235.343.636	486.053.837.459
2018	2.082.096.848.703	222.930.621.643
2019	2.185.101.038.101	223.305.151.868

Source: *PT. Mandom Indonesia Tbk*

According to the data presented in Table 16, the invested capital at PT Mandom Indonesia Tbk in 2017 was recorded as 1,367,181,506,177. In the subsequent year, 2018, the invested capital increased to 1,859,166,627,060. Finally, in 2019, the invested capital further rose to 1,962,065,886,233. Based on the findings of the calculations, it can be concluded that the Invested Capital of PT Mandom Tbk increased in fiscal year 2019, specifically by an amount of Rp. 1,962,065,886,233. Invested Capital is a metric that elucidates how a corporation employs its assets to fulfill its obligations regarding short-

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term loans. The increase will significantly affect the additional value acquired by PT Mandom Tbk. If there is a growth in Invested Capital, it is impossible to conclude that the company's financial performance is favorable. This phenomenon can be attributed to the decrease in the company's added value, as it demonstrates the utilization of total assets to repay short-term loans.

Calculation of Economic Value Added (EVA)

Based on the Economic Value Added (EVA) analysis, it can be deduced that PT Mandom Indonesia Tbk has achieved a positive and ascending EVA value. Based on the observed decline in EVA value, it may be inferred that PT Martina Berto Tbk has exhibited favorable financial performance. The encouraging result is attributed to the decrease in Invested Capital and the increase in the WACC value. This observation demonstrates that the overall asset value allocated to repay short-term loans is very substantial; however, it is counterbalanced by relatively low Ks (equity cost of capital) and Kd (debt cost of capital).

Table 17. Results of Calculation of Financial Value of Cosmetic Companies with EVA

Company	NOPAT			WACC			INVESTED CAPITAL		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
PT. Mustika Ratu Tbk	8.719.76	3.929.06	129	2,889	6,036	0,0112	395.871.45	394.1191.69	389.165.22
PT. Martina Berto Tbk	(5,958.61)	(8.958.92)	(19.983.27)	- 0,544	- 1,528	-3,089	(554.674.61)	(449.838.38)	(507.699.35)
PT. Mandom Indonesia Tbk	190.872.34	163.957.97	176.850.23	9,98	9,52	12,07	1.367.181.50	1.859.166.62	1962.065.88

Discussion

Analyzing the financial valuation of cosmetics and beauty enterprises using Economic Value Added (EVA) reveals that from 2017 to 2019, a single firm exhibited a negative EVA, while two companies showed a positive EVA. The companies demonstrating a positive Economic Value Added (EVA) include PT Mustika Ratu Tbk and PT Mandom Indonesia Tbk. PT Martina Berto Tbk is the company that exhibits a negative Economic Value Added (EVA) value. A negative Economic Value Added (EVA) number indicates that the organization is facing challenges in improving its financial performance due to insufficient profitability or excessive capital investment. In this instance, PT Martina Berto Tbk exhibits substantial invested capital and weighted average cost of capital (WACC). Furthermore, PT Martina Berto Tbk has acquired a significant debt, resulting in a negative economic value added (EVA) value. Based on the analysis, it is evident that the company is facing challenges in meeting its requirements to fulfill its commitments, thereby hindering its ability to generate value. This is primarily attributed to the insufficient profits generated, which fail to meet stakeholders' expectations, particularly those of shareholders.

The companies that exhibit a positive Economic Value Added (EVA) include PT Mustika Ratu Tbk and PT Mandom Indonesia Tbk. PT Mustika Ratu Tbk is a publicly listed company. A positive Economic Value Added (EVA) value signifies that the company can generate value through its operational activities. This implies that the organization cannot only meet all its financial responsibilities but also earn additional profits. Positive Economic Value Added (EVA) demonstrates a harmonious relationship between the growth in profits obtained and the corresponding increase in the value of the capital invested. In response to the rise in profitability, the corporation mitigates the situation by decreasing the valuation of its invested capital.

Conclusion

The cosmetics companies that exhibit a positive Economic Value Added (EVA) include PT Mustika Ratu Tbk and PT Mandom Indonesia Tbk. The cosmetics industry company experiences an increase in its positive value, which can be attributed to the significant impact of its high net operating profit after tax (NOPAT). As a result, the company's financial performance may be characterized as favorable. PT Martina Berto Tbk is a cosmetic sector company with a negative Economic Value Added (EVA) value. In 2014, PT Martina Berto Tbk saw a decline in its Economic Value Added (EVA) of Rp.

3,196,730,426. This decline may be attributed to a significant increase in the Weighted Average Cost of Capital (WACC).

Consequently, the increase in Net Operating Profit After Tax (NOPAT) held by PT Martina Berto Tbk indicates that its financial performance cannot be deemed favorable. A positive Economic Value Added (EVA) value means a company's financial success, demonstrating its ability to generate value through operational endeavors, particularly in meeting financial obligations and generating profits. In contrast, organizations exhibiting a negative Economic Value Added (EVA) indicate their inability to create further value due to their inability to generate substantial revenues.

One potential recommendation for the company is to enhance its focus on the financial performance methodology. This would enable the company to evaluate its financial performance effectively. To improve the organization's economic performance, it is essential to enhance its profitability and reduce its reliance on borrowed capital for operational activities. This strategic approach aims to minimize interest expenses incurred by the company.

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