

The Analysis of Financial Performance Based on the Economic Value Added Method at PT Indofood Sumber Makmur Tbk (Period 2019–2023)

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Abstract

Financial performance assessment is a crucial aspect in evaluating a company's success in creating value for shareholders and ensuring business sustainability. The Economic Value Added (EVA) method is employed as a more comprehensive performance measurement tool compared to traditional methods, as it considers the cost of capital in evaluating financial performance. This study aims to analyze the economic performance of PT. Indofood Sukses Makmur Tbk from 2019 to 2023 using the EVA method. A quantitative approach, incorporating descriptive analysis techniques was employed, utilizing the company's annual financial reports obtained from the Indonesia Stock Exchange (IDX). The results indicate that the EVA value of PT. Indofood Sukses Makmur Tbk fluctuated during the study period, with positive values in some years indicating value creation for shareholders, while negative values in certain years suggest that the cost of capital exceeded net operating profit after tax. Factors such as interest rates, operational efficiency, and management policies contributed to EVA value fluctuations. Therefore, the company needs to focus on financial management strategies to sustain value creation continuously.

Keywords: Economic Value Added; Financial Performance; PT. Indofood Sukses Makmur Tbk.

INTRODUCTION

Each company has different metrics for evaluating financial performance, so performance evaluation methods can vary from company to company. One frequently used method is financial ratio analysis, often referred to as the traditional method. This method encompasses various ratios, such as profitability, liquidity, and leverage. However, this traditional approach is considered less effective in maximizing company value because it tends to be short-term oriented and does not consider the cost of capital. The main weakness of the traditional method in measuring value creation is the absence of capital expense calculations, making it challenging to determine whether a company is truly generating value (Iswandira et al., 2015). In this case, the Economic Value Added (EVA) method becomes relevant as a more comprehensive method for assessing a company's financial performance.

Economic Value Added (EVA) is an indicator of economic profit obtained from the difference between net operating profit after tax (NOPAT) and the cost of capital. In Indonesia, EVA is referred to as Economic Value Added (NITAMI), a financial management system used to assess a company's economic profit. This concept emphasizes that prosperity can only be achieved if a company has the capacity to cover all operating costs and capital costs. Economic Value Added (EVA) is a measure of financial performance obtained by calculating the difference between operating profit after tax (NOPAT) and capital costs in a period. This capital cost is calculated by multiplying the company's cost of capital by the funds invested at the beginning of the period (Rizal R. Manullang et al, 2024).

The application of the Economic Value Added (EVA) method in a company focuses more on efforts to create corporate value, which is one of EVA's main advantages. Corporate value reflects investors' perceptions of a company's performance, which is often linked to its share price and profitability. With the EVA approach, shareholders can evaluate the extent to which a company has successfully created added value (Muhajir, 2020).

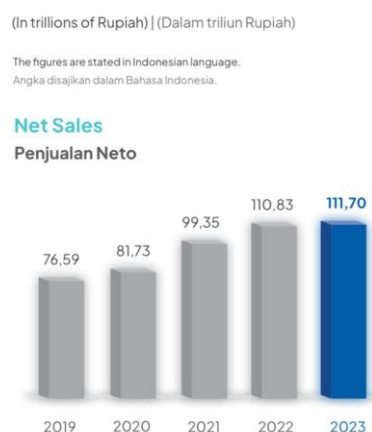
This theoretical linkage positions EVA as a relevant tool in industries with high capital intensity, such as the food and beverage sector in which PT Indofood operates. By integrating EVA with theories of competitive advantage and firm value creation, this study contributes to the literature by showing how EVA can reveal the real economic contribution of large consumer-goods firms whose growth depends on efficient capital allocation, cost leadership, and long-term brand equity. The analysis enhances existing research by providing empirical evidence from Indonesia's largest FMCG company, highlighting how EVA complements traditional financial ratios in assessing sustainable value creation.

In 2022, revenue from retail sales of packaged food and beverages in Indonesia is projected to reach USD 40.11 billion, equivalent to approximately IDR 601.65 trillion based on an assumed exchange rate of IDR 15,000 per USD. This information is sourced from Euromonitor International and included in a United States Department of Agriculture (USDA) report titled "Indonesia: Food Processing Ingredients," published in April 2023. The report also noted that PT Indofood Sukses Makmur Tbk was the largest packaged food and beverage company in Indonesia in 2022 (United States Department of Agriculture, 2023).

Given Indofood's dominant market position, applying EVA in this study offers new insights into how large corporations in Indonesia's strategic food sector manage capital to sustain competitiveness and stakeholder value. This strengthens the study's theoretical contribution by connecting EVA-based financial evaluation with broader frameworks of value creation, industry structure, and Islamic economic principles emphasizing fairness, transparency, and real performance.

Indofood is a national company with a long history in the food and beverage sector, with a strong and prominent presence across its various business lines. Since its founding in 1968, the company has become a market leader in various product categories, including instant noodles, cooking oil, cereals, milk, and more. Indofood also controls approximately 75% of the instant noodle market share in Indonesia. The following is the sales value of PT Indofood Sukses Makmur Tbk from 2019 to 2023 (Annual Report, 2023).

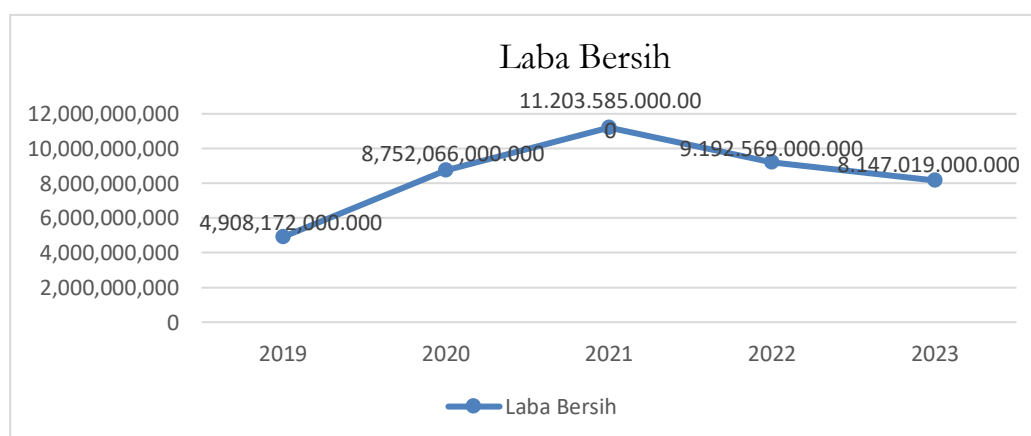
Figure 1. Financial Report of PT. Indofood Sukses Makmur Tbk



Source: Financial Report of PT. Indofood Sukses Makmur Tbk

Based on Figure 1.1, the sales value of PT Indofood Sukses Makmur Tbk has increased annually from 2019 to 2023. In 2020, sales rose to IDR 81.73 trillion, indicating growth of around 6.7% compared to the previous year. The positive trend continued in 2021 with a significant increase to IDR 99.35 trillion, or an increase of around 21.5% from 2020. In 2022, net sales reached IDR 110.83 trillion, recording a growth of 11.6% from the previous year. That year, Indofood also recorded the highest sales value in Indonesia. Meanwhile, in 2023, sales increased to IDR 111.70 trillion, although the increase was smaller than in previous years, which was around 0.8%. The following is the net profit data of PT. Indofood Sukses Makmur Tbk for 2019 – 2023 (Annual Report, 2023).

Figure 2. Net profit data of PT. Indofood Sukses Makmur Tbk



Source: Processed Data, 2024

As shown in Figure 2, PT Indofood Sukses Makmur Tbk's (INDF) net profit has experienced unstable fluctuations over the past five periods. In 2019, the company recorded a net profit of IDR 4.9 trillion, which then increased significantly by 78.33% to IDR 8.7 trillion in 2020. This increase reflects excellent performance compared to the previous year. The positive trend continued in 2021, with net profit reaching IDR 11.2 trillion, a 28.01% growth from the previous year, demonstrating the company's resilience despite facing various challenges. However, in 2022, net profit fell to IDR 9.1 trillion, a 17.96% decrease, indicating pressure or obstacles in the company's operations. In 2023, net profit declined again to IDR 8.15 trillion, a 28.11% decrease compared to the previous year, reflecting a significant decline in the company's financial performance (PT. Indofood Sukses Makmur Financial Report, 2023).

Unstable net income can create uncertainty and risk for shareholders, ultimately impacting their investment decisions. One impact is the company's inability to consistently distribute dividends, raising investor concerns about the company's stability and future prospects (Karlina et al., 2024). The capital ownership structure of PT Indofood Sukses Makmur Tbk consists of 50.07% owned by the company's owners and 49.93% by the public. This demonstrates the significant role of investors in the company's operations. With nearly half of the company's capital coming from the public, shareholder ownership is a crucial factor in the company's finances. Therefore, the company has a responsibility to create added value that meets investor expectations to maintain their trust and encourage sustainable investment (Adrianah Adrianah et al., 2023) .

Based on the background description, the researcher is interested in making PT Indofood Sukses Makmur Tbk the object of research in order to analyze the company's financial performance.

THEORETICAL BASIS

Financial Performance Measurement

According to Ehrhardt, measuring financial performance is the process of evaluating a company's financial performance in order to achieve its financial goals (Ehrhardt, 2011). Meanwhile, Sudarma explained that measuring financial performance involves analysis and evaluation to identify the company's strengths, weaknesses, opportunities and threats (Sudarma, 2017) .

Based on definitions put forward by experts in management and economics, financial performance measurement can be summarized as a systematic evaluation and analysis process to assess a company's ability to achieve its financial targets. This process is carried

out through optimal and efficient management of financial resources and by considering various economic factors that influence a company's financial performance.

1.1 Objectives of Financial Performance Measurement

Financial performance evaluation has several main objectives, namely:

- a. Maximizing profits, so that the company can survive and grow.
- b. Increase the company's value, in order to attract investor interest.
- c. Manage financial risks, to ensure financial stability.
- d. Resource optimization, to increase productivity and cost efficiency (Supriyanto B., 2020).

1.2 Financial Performance Measurement Tools

Various methods frequently used to assess financial performance include:

- a. Liquidity Ratio: Measures a company's ability to meet short-term obligations, such as the Current Ratio and Quick Ratio.
- b. Profitability Ratios: Assess a company's efficiency in generating profits, such as Return on Assets (ROA) and Return on Equity (ROE).
- c. Efficiency Ratios: Evaluate the effectiveness of asset and resource utilization, such as Asset Turnover and Inventory Turnover.
- d. Solvency Ratio: Measures a company's capacity to meet long-term obligations, such as the Debt to Equity Ratio.
- e. Cash Flow Analysis: Assesses cash flows from a company's operational, investing, and financing activities.
- f. Return on Investment (ROI): Measures the profitability of investments made by the company.
- g. Economic Value Added (EVA): Determines the economic value added generated after taking into account the cost of capital (Ehrhardt, 2011).

Economic Value Added (EVA) Method

The Economic Value Added (EVA) method is one approach to evaluating a company's performance. The concept of economic value added, or EVA, was initially introduced by Stewart Management Services, a United States-based consulting firm, in the 1990s. EVA is used to measure residual income minus the cost of capital from a business's operating profit. Blocher echoed this sentiment, stating that EVA is a form of residual income calculation that is gaining increasing attention. According to Houston, EVA is calculated by subtracting after-tax operating profit from after-tax weighted average capital expense, which is then obtained by multiplying total assets minus short-term liabilities (Houston, E. F., 2010).

Relevance of this method becomes particularly significant in the context of PT Indofood's financial performance during 2019–2023, a period marked by fluctuating input costs, pandemic-related supply chain disruptions, and capital structure adjustments. Unlike traditional profitability indicators such as Return on Investment (ROI) or Return on Equity

(ROE), which focus primarily on accounting earnings and do not incorporate the firm's cost of capital, EVA provides a clearer assessment of whether Indofood actually created economic value for its shareholders. ROI and ROE may show positive trends even when a company fails to generate returns exceeding its capital costs, potentially leading to misleading interpretations of performance. In contrast, EVA explicitly measures value creation by adjusting for the opportunity cost of invested capital, thereby offering a more comprehensive and investor-oriented evaluation. This makes EVA the most appropriate metric for the study's objectives, as it captures Indofood's true economic profitability and its ability to generate value beyond conventional accounting measures throughout the 2019–2023 period.

1.1 Purpose and Benefits of EVA

The purpose of implementing EVA is to provide a more realistic picture of a company's financial performance by taking into account the cost of capital. Some of the benefits of EVA for companies include:

- a. Measure value creation more accurately than traditional methods.
- b. Aligning the interests of management and shareholders, because EVA focuses on optimizing profits after considering the cost of capital.
- c. Improve the efficiency of capital use, by ensuring that investments generate returns greater than their cost of capital.
- d. Encourage better capital management, so companies can identify projects that provide optimal returns.

1.2 Steps for Calculating the Eva Method

There are a number of stages to analyze a company's financial performance using the EVA method.

- a. Perform Net Operating Profit After Tax (NOPAT) calculations.
with the formula:

$$\text{NOPAT} = \text{Earnings Before Interest and Taxes (EBIT)} - \text{Tax Expense}$$

- b. Calculate Invested Capital (IC) using the formula:

$$\text{IC} = \text{Total Debt and Equity} - \text{Short-Term Debt}$$

- c. Perform WACC calculations, which reflect the company's cost of capital, using the formula:

$$\text{WACC} = \{D \times r_d (1 - \text{Tax})\} + (E \times r_e)$$

D = Percentage of debt in capital composition

r_d = Cost of debt

Tax = Tax rate

E = Percentage of equity in capital composition

r_e = Cost of equity

- d. Calculate Capital Charges (CC) using the formula:

$$\text{Capital Charges} = \text{Invested Capital} \times \text{WACC}$$

- e. Performing EVA calculationscalculated using the following formula:

$$\text{EVA} = \text{NOPAT} - \text{Capital Charges}$$

If the Economic Value Added (EVA) is positive ($EVA > 0$), it means the company has successfully increased its economic value. If EVA is zero ($EVA = 0$), the company is at break-even because all profits are used to cover capital costs. Conversely, if EVA is negative ($EVA < 0$), the company has failed to create added value and is experiencing economic losses.

1.3 Factors Affecting EVA Value

a. External Factors

- 1) Macroeconomic Conditions(Irawan & Manurung, 2020): Inflation, interest rates, and exchange rates can increase operational and capital costs, thereby reducing EVA.
- 2) Government policy(Lestari & Aprilriani, 2016): Changes in tax rates or regulations have an impact on net profit after tax (NOPAT), which has an impact on EVA.
- 3) Industrial Competition(Porter, 2008): Intense competition can put pressure on prices and increase marketing costs, potentially reducing profitability and EVA.

b. Internal Factors

- 1) Management Decisions(Tito et al., 2023): Inefficient resource allocation and suboptimal capital structure can increase WACC and depress EVA.
- 2) Operational Efficiency(Khasanah & February, 2020): Good management of production, distribution, and administration costs can increase profitability and support an increase in EVA.

RESEARCH METHODS

This study employs a quantitative approach with descriptive methods. The data analyzed are secondary data, including the annual financial reports of PT Indofood Sumber Makmur Tbk for the 2019–2023 period, obtained from the Indonesia Stock Exchange (IDX). To measure financial performance based on the Economic Value Added (EVA) concept, this study calculates several key components, namely:

1. Net Operating Profit After Tax (NOPAT): Net operating profit after tax, which reflects the company's profitability from its operational activities.
2. Invested Capital (IC): Total capital used by a company to run its business operations, including equity and interest-bearing debt.
3. Weighted Average Cost of Capital (WACC): The weighted average cost of capital calculated from the cost of equity and the cost of debt after tax.
4. Capital Charges (CC): Capital costs incurred by a company as compensation to investors for the use of capital.

5. Economic Value Added (EVA): The difference between operating profit after tax (NOPAT) and cost of capital (CC), which shows the economic value added created by the company.

RESULTS

Net Operating Tax (NOPAT)

NOPAT formula = Earnings Before Interest and Taxes (EBIT) – Tax Expense

Table 1. NOPAT Calculation Results

Table 1. Year	EBIT (1)	Tax Burden (2)	NOPAT = (1) – (2)
2019	Rp. 8,749,397	Rp. 2,846,668	Rp. 5,902,729
2020	Rp. 12,426,334	Rp. 3,674,268	Rp. 8,752,066
2021	Rp. 14,456,085	Rp. 3,252,500	Rp. 11,203,585
2022	Rp. 12,318,765	Rp. 3,126,196	Rp. 9,192,569
2023	Rp. 15,615,384	Rp. 4,121,651	Rp. 11,493,733

Source: Processed Data, 2024

Referring to the analysis in Table 1, NOPAT fluctuated with significant increases in 2020, 2021, and 2023, indicating the company's success in optimizing operating profit. However, in 2022, NOPAT decreased due to lower operating profit and a lower tax burden compared to the previous year.

Invested Capital

IC Formula = Total Debt and Equity – Short-Term Debt

Table 2. IC Calculation Results

Year	Total Debt and Equity (1)	Short Term Debt (2)	IC = (1) – (2)
2019	Rp. 96,198,559	Rp. 24,686,862	Rp. 71,511,697
2020	Rp. 163,136,516	Rp. 27,975,875	Rp. 135,160,641

2021	Rp. 179,365,193	Rp. 40,403,404	Rp. 138,961,789
2022	Rp. 180,433,300	Rp. 30,725,942	Rp. 149,707,358
2023	Rp. 186,587,957	Rp. 32,914,504	Rp. 153,673,453

Source: Processed Data, 2024

Referring to the results in Table 2, the Invested Capital (IC) value has increased annually, influenced by increased corporate funding through both debt and equity. This increase reflects the success of the company's strategy to expand its operational capacity.

Weight Average Cost of Capital

$$\text{WACC formula} = \{D \times r_d (1-\text{Tax})\} + (E \times r_e)$$

Table 3. Results of Calculation of Capital Level from Debt (D)

Year	Total Debt (1)	Total Debt and Equity (2)	D = (1) : (2) x 100%
2019	Rp. 41,996,071	Rp. 96,198,559	43.66%
2020	Rp. 83,998,472	Rp. 163,136,516	51.49%
2021	Rp. 92,724,082	Rp. 179,356,193	51.69%
2022	Rp. 86,810,262	Rp. 180,433,300	48.11%
2023	Rp. 86,123,066	Rp. 186,587,957	46.16%

Source: Processed Data, 2024

Table 4. Results of Debt Cost Calculation

Year	Interest Expense (1)	Total Debt (2)	RD = (1) : (2) x 100%
2019	Rp. 1,727,018	Rp. 41,996,071	4.11%
2020	Rp. 1,875,812	Rp. 83,998,472	2.23%
2021	Rp. 2,884,772	Rp. 92,724,082	3.11%
2022	Rp. 7,998,890	Rp. 86,810,262	9.21%
2023	Rp. 3,524,625	Rp. 86,123,066	4.09%

Source: Processed Data, 2024

Table 5. Results of Calculation of Capital Level from Equity

Year	Total Equity (1)	Total Debt and Equity (2)	$E = (1) : (2) \times 100\%$
2019	Rp. 54,202,488	Rp. 96,198,559	56.34%
2020	Rp. 79,138,044	Rp. 163,136,516	48.51%
2021	Rp. 86,632,111	Rp. 179,365,193	48.30%
2022	Rp. 93,623,202	Rp. 180,433,300	51.89%
2023	Rp. 100,464,891	Rp. 186,587,957	53.84%

Source: Processed Data, 2024

Table 6. Results of Capital Cost Calculation

Year	Net Profit After Tax (1)	Total Equity (2)	$RE = (1) : (2) \times 100\%$
2019	Rp. 5,902,729	Rp. 54,202,488	10.89%
2020	Rp. 8,752,066	Rp. 79,138,044	11.06%
2021	Rp. 11,203,585	Rp. 86,632,111	12.93%
2022	Rp. 9,192,569	Rp. 93,623,202	9.82%
2023	Rp. 11,493,733	Rp. 100,464,891	11.44%

Source: Processed Data, 2024

Table 7. Results of Capital Calculation from Equity

Year	Tax Burden (1)	Net Profit Before Tax (2)	$TAX = (1) : (2) \times 100\%$
2019	Rp. 2,846,668	Rp. 8,749,397	32.54%
2020	Rp. 3,674,268	Rp. 12,426,334	29.57%
2021	Rp. 3,252,500	Rp. 14,456,085	22.50%
2022	Rp. 3,126,196	Rp. 12,318,765	25.38%
2023	Rp. 4,121,651	Rp. 15,615,384	26.39%

Source: Processed Data, 2024

Based on the table results from the calculation stages presented above, the WACC value can be determined using the following formula:

a. 2019

$$WACC = \{(0.4366 \times 0.0411)(1 - 0.3254) + (0.5634 \times 0.1089)\} = 0.07$$

b. 2020

$$WACC = \{(0.5149 \times 0.0223)(1 - 0.2957) + (0.4851 \times 0.1106)\} = 0.06$$

c. 2021

$$WACC = \{(0.5169 \times 0.0311)(1 - 0.2250) + (0.4830 \times 0.1293)\} = 0.07$$

d. 2022

$$WACC = \{(0.4811 \times 0.0921)(1 - 0.2538) + (0.5189 \times 0.0982)\} = 0.08$$

e. 2023

$$WACC = \{(0.4611 \times 0.0409)(1 - 0.2639) + (0.5384 \times 0.1144)\} = 0.07$$

The WACC value has fluctuated over the past five years. Increases in the WACC are influenced by the cost of debt and the cost of equity. Conversely, decreases in the WACC can be caused by falling market interest rates, the lower cost of debt compared to the cost of equity, and the tax benefits of interest-based debt deductions.

Capital Charge (CC)

$$CC \text{ formula} = WACC \times IC$$

Table 8. Capital Charge Calculation Results

Year	WACC (1)	IC (2)	CC = (1) x (2)
2019	0.07	Rp. 71,511,697	Rp. 5,005,818.79
2020	0.06	Rp. 135,160,641	Rp. 8,109,638.46
2021	0.07	Rp. 138,961,789	Rp. 9,727,325.23
2022	0.08	Rp. 149,707,358	Rp. 11,976,588.64
2023	0.07	Rp. 153,673,453	Rp. 10,757,141.71

Source: Processed Data, 2024

The increase in Capital Charges (CC) is in line with the increase in Weighted Average Cost of Capital (WACC) or Invested Capital (IC). If WACC and IC increase simultaneously, the impact on CC will be more significant. Conversely, if both decrease, the CC value will also decrease. In 2022, both WACC and IC increased simultaneously, resulting in the CC value reaching its highest level in the analysis.

Economic Value Added (EVA)

EVA formula = NOPAT – CC

Table 9. NOPAT Calculation Results

Year	NOPAT (1)	CC (2)	EVA = (1) x (2)
2019	Rp. 5,902,729	Rp. 5,005,818.79	Rp. 896,910.21
2020	Rp. 8,752,066	Rp. 8,109,638.46	Rp. 642,427.54
2021	Rp. 11,203,585	Rp. 9,727,325.23	Rp. 1,476,259.77
2022	Rp. 9,192,569	Rp. 11,976,588.64	Rp - 2,784,019.64
2023	Rp. 11,493,733	Rp. 10,757,141.71	Rp. 736,591.29
Average	Rp. 9,308,936.40	Rp. 9,115,302.57	Rp. 193,633.83

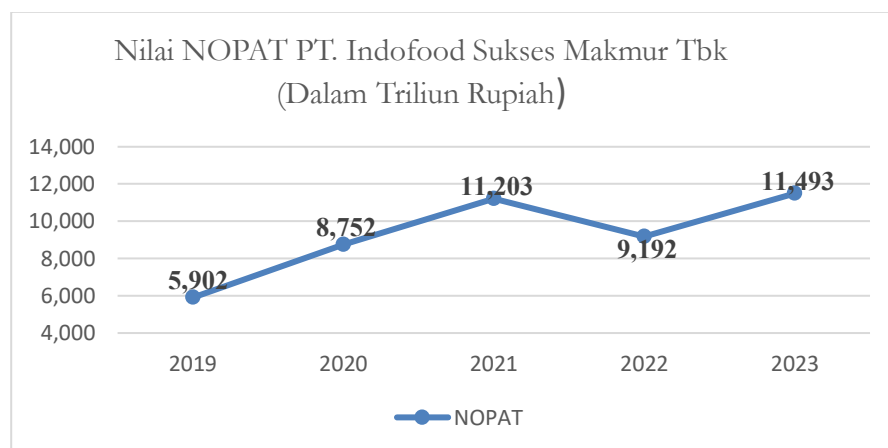
Source: Processed Data, 2024

Positive Economic Value Added (EVA) values in 2019, 2020, 2021, and 2023 indicate the company's success in generating added value. However, in 2022, a negative EVA indicates the company was unable to cover its capital costs. This condition can be influenced by various factors, both internal and external to the company. Nevertheless, the average EVA value throughout the analysis period continues to show a positive trend.

Reporting Research Results

Net Operating Tax (NOPAT) Value

Figure 3. Net Operating After Tax (NOPAT) Value of PT. Indofood Sukses Makmur Tbk



PT. Indofood Sukses Makmur Tbk's NOPAT value has fluctuated over the past five years. In 2020, NOPAT increased by 48.29% to IDR 5.9 trillion compared to 2019. This increase continued in 2021, with a 28.01% increase to IDR 8.7 trillion. This surge was due to increased operating profit during the COVID-19 pandemic. However, in 2022, NOPAT decreased by 17.95% to IDR 9.1 trillion, due to external factors such as rising production costs, supply chain disruptions, and global inflation. Internally, dependence on imported raw materials and limited operational efficiency also contributed to this decline. In 2023, NOPAT increased again by 25.03% to IDR 11.4 trillion, indicating a recovery in the company's performance after facing various previous challenges. This NOPAT fluctuation demonstrates the importance of the company's strategy in maintaining stable profitability through cost efficiency and effective sales strategies.

IC Invested Capital Value

Figure 4. IC Value of Invested Capital of PT. Indofood Sukses Makmur Tbk

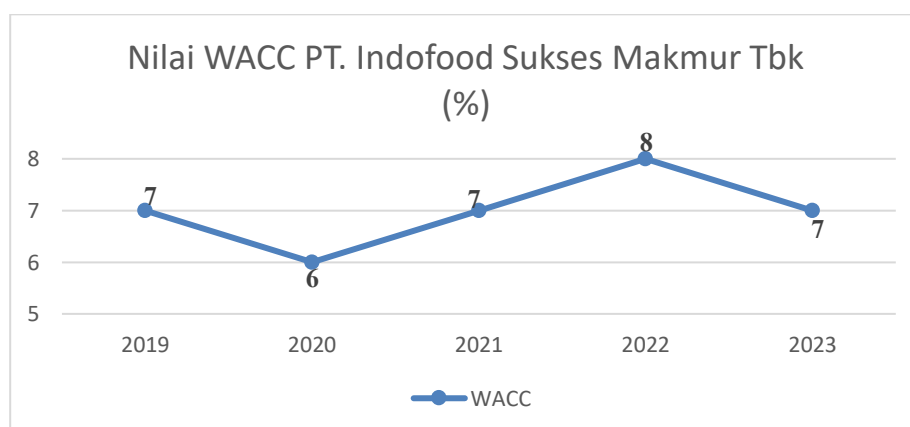


Invested Capital of PT. Indofood Sukses Makmur Tbk experienced a consistent increase from 2019 to 2023. In 2019, IC was recorded at IDR 71.511 trillion, almost doubling to IDR 135.160 trillion in 2020. This increase reflected additional capital to increase

production capacity during the pandemic. In 2021, IC rose to IDR 138.961 trillion, indicating a strategy to stabilize capital use. In 2022, IC increased again to IDR 149.707 trillion, reflecting the need for additional capital to address rising global raw material prices. The peak occurred in 2023 with IC of IDR 153.674 trillion, demonstrating the company's strategy of increasing competitiveness through new product development and operational efficiency. Although increasing IC is a positive indicator, the company must ensure a sufficiently high operating profit so that the increase in IC does not become a burden that reduces economic added value.

Weight Average Cost of Capital value

Figure 5. Weighted Average Cost of Capital Value of PT. Indofood Sukses Makmur Tbk

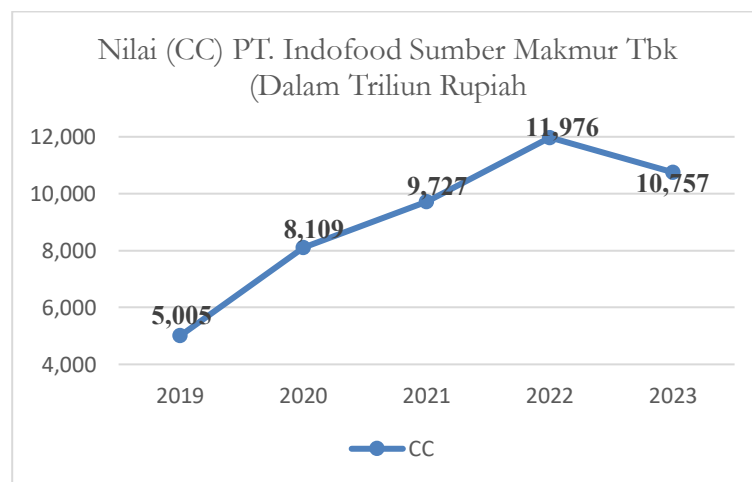


WACC reflects the weighted average cost of equity and debt capital. PT. Indofood Sukses Makmur Tbk's WACC fluctuated volatily from 2019 to 2023. In 2019, the WACC was 7%, dropping to 6% in 2020 due to declining global and domestic interest rates during the pandemic. In 2021, the WACC rose again to 7% due to rising funding costs. 2022 recorded a record-high WACC of 8% due to global inflation and rising interest rates. However, in

2023, the WACC fell again to 7%, demonstrating the company's success in effectively managing its cost of capital. This WACC fluctuation underscores the importance of maintaining an efficient capital structure to create added economic value for the company.

Capital Charge (CC) Value

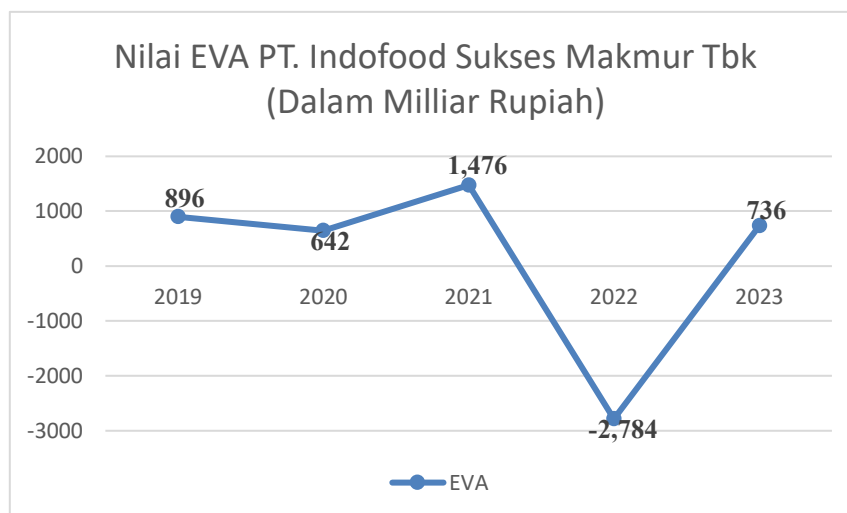
Figure 6. Capital Charge (CC) of PT. Indofood Sukses Makmur Tbk



Capital Charge (CC) reflects the cost of capital calculated based on IC and WACC. PT. Indofood Sukses Makmur Tbk's CC value increased from 2019 to 2022, but decreased in 2023. In 2019, CC was recorded at IDR 5 trillion, increasing to IDR 8.1 trillion in 2020 due to additional investments. In 2021, CC rose again to IDR 9.7 trillion, reflecting the optimization of capital use post-pandemic. A significant increase occurred in 2022, with CC reaching IDR 11.9 trillion due to increased capital costs. However, in 2023, CC decreased to IDR 10.757 trillion, indicating efficiency in capital management. Overall, the CC value reflects the company's efforts to balance business scale and capital cost efficiency.

Economic Value Added (EVA) value

Figure 6. Economic Value Added (EVA) of PT. Indofood Sukses Makmur Tbk



EVA is used to measure a company's success in generating economic added value. During the 2019–2023 period, PT. Indofood Sukses Makmur Tbk's EVA was mostly positive, except in 2022, when it recorded a negative EVA. In 2019, EVA was recorded at IDR 896 billion, demonstrating the company's success in generating added value for shareholders. However, in 2020, EVA fell to IDR 642 billion due to rising capital costs and the initial impact of the COVID-19 pandemic. 2021 marked a recovery year, with EVA increasing significantly to IDR 1.4 trillion, indicating efficient capital management and post-pandemic economic stabilization.

In 2022, EVA dropped drastically to -Rp 2.7 trillion because operating profit (NOPAT) was unable to cover capital expenses (CC). This decline was influenced by rising prices of food raw materials such as sugar, flour, and cooking oil. According to Franky, Director of PT. Indofood Sukses Makmur Tbk, the cooking oil shortage in early 2022 was caused by the increasing selling price of crude palm oil (CPO) on the global market. The international CPO price reached its highest level on March 9, 2022, at MYR 7,074 per ton and rose again on April 29, 2022, to MYR 7,104 per ton, the highest price in the last 10 years. This led to an increase in the price of Bimoli oil and a shortage in the market.

Furthermore, rising fuel prices increase operational costs and reduce consumer spending, particularly among lower-middle-income groups. Government policies restricting single-use plastics and regulating nutrition labels also impact product demand, adding to the challenges facing companies.

In 2023, EVA rose again to IDR 736 billion, demonstrating improvements in the company's performance and efficiency. While still lower than in 2021, this increase signals stabilization and recovery after the significant decline in the previous year. Fluctuations in EVA demonstrate the importance of a more stable strategy to increase operating profit and

reduce capital costs so the company can continue to generate more value for shareholders and maintain investor confidence.

DISCUSSIONS

The results of this study align with those of Sarapi (2022) and Adiguna (2017), indicating that the EVA method is effective in evaluating value-added creation. However, this study has the advantage of a longer analysis period (2019–2023) and a focus on the food and beverage sector, which contributes to the literature on financial performance in this industry. In addition to the numerical results, the fluctuations in EVA throughout the period reveal several underlying causes that provide broader implications for the company's financial condition. The most notable decline occurred in 2022, when EVA turned negative because NOPAT was unable to offset the significantly increased Capital Charge (CC). This was driven by external pressures such as global inflation, supply chain instability, and sharp increases in key input prices particularly crude palm oil (CPO), which reached its highest levels in a decade and directly inflated the cost of cooking oil and other raw materials used by the company. Rising fuel prices and softer consumer purchasing power also added pressure to operating profitability.

Internally, the company faced rising production and distribution expenses, higher dependence on imported materials, and an increase in invested capital that subsequently raised the CC. The elevated WACC in 2022 further intensified the cost burden, reflecting higher interest rates and increased capital risks. These internal and external factors collectively explain the decline in economic value creation during that year. The rebound in 2023, shown by the return to positive EVA, indicates improvements in operational efficiency, stabilization of raw material costs, and more effective capital management. Thus, the discussion of EVA trends highlights not only the company's financial performance but also how broader economic conditions, market dynamics, and strategic operational decisions shape Indofood's ability to generate sustainable economic value.

CONCLUSION

Based on the Economic Value Added (EVA) analysis, PT. Indofood Sukses Makmur Tbk's financial performance in 2019, 2020, 2021, and 2023 showed positive results, indicating the company's success in creating economic added value. However, in 2022, the company recorded a negative EVA value, indicating an inability to cover capital costs. This could be influenced by external factors such as global inflation and rising raw material prices, as well as internal factors such as limited operational efficiency. These findings are specific to PT. Indofood and the food & beverage sector in Indonesia, and therefore cannot be

directly generalized to other companies or industries. Future research is recommended to explore other industries or use primary data to validate these results and gain a more comprehensive understanding of value creation in different business contexts.

This study is limited by the use of secondary data, which may not fully capture real-time market dynamics. Potential biases in PT. Indofood's financial reporting or broader market conditions could also have influenced the results. Future research is recommended to explore other industries or use primary data, such as managerial interviews or internal surveys, to validate these findings and provide a more comprehensive understanding of value creation in different business contexts.

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