

Analysis of Net Profit on Assets and Net Margin as a Measure of Company Value

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ABSTRACT

Many companies are trying to increase the value of the company, this is done, because the management is aware of the limitations, and the importance of long-term investment for the progress of the company. This study tries to analyze financial fundamentals, namely in terms of net income from assets. The research method is based on quantitative, namely analyzing financial statement data as a source of analysis. The object of research is PT Antam Tbk, with the amount of data used for 11 years (2010-2020). The data was taken based on the determination of the criteria, namely purposively. The results of the study stated that the increase in the value of PT Antam's company was due to good profits, especially the aspect of net profit margin. In other words, NPM is the main source in PT Antam's earnings management, thereby leading to a better market response. What is interesting is the contribution value of ROA and NPM, showing a large portion, namely 71.5%. This confirms, if profit is the main factor in increasing the value of the company.

Keywords: Net Profit from Assets, Net Profit from Margin, Company Value

INTRODUCTION

In a company that has *gone public*, it is very important for them to know the movement of shares that occur regardless of the size of the movement. This is because the increasing value of a company's shares will attract more investors to invest their capital in the company. One way that is widely used by investors or investors to invest is by owning shares of a company listed on the capital market.

When compared to other investments, investing in stocks allows investors to get *return* a larger (*high return*) even though stocks also have a *high risk*, namely when the stock price can also decline rapidly for investors to obtain a higher *return*. he hoped. Therefore, in investing, every investor must consider the *trade-off* between *return* and

risk. The higher *return* that investors expect to get, the greater the risk that must be borne by investors.

Firm value is one of the parameters that measures how much the company's ability to attract investors, one of which can be in the form of profits (*dividends*) or stock prices or stock *returns* . If the value of the company is high, there will be more investors who want to buy the shares, causing the share price to be high. The higher the value of the company will benefit shareholders because the greater the profit that will be obtained by shareholders.

According to Sari, et. al. (2020), the higher the value of the company, of course, the greater the profit, resulting in an increase in stock market prices due to increased supply and demand.

According to Wahongan (2019) who argues that if the company's profits are high, investors will be interested in buying the shares, so that the share price will increase. So from the explanation above, it can be seen that the relationship between ROA and NPM with firm value is closely related as a mutually beneficial system for the company. Firm value is the value of the benefits offered to investors as a way to obtain capital, with sufficient capital the company will be able to increase the effectiveness of its business so that the profit obtained from activities (ROA) is maximized and the profit is obtained from optimal operations (NPM).

In line with the explanation above, PT. ANTAM is one of the leading mining companies in Indonesia. As a government-owned company (BUMN) PT. ANTAM realizes the importance of being an independent and well-established company. Where is PT. ANTAM does not depend on the state budget to optimize its business. Therefore, *going public* is one way to become an independent and professional company. As a consequence, PT. ANTAM is a public company, which anyone can invest and invest in PT. ANTAM, in return PT. ANTAM provides a return on this investment.

One of the commitments of PT. ANTAM to investors is to ensure that the company is able to manage the capital that has been given into a profitable investment value, this is evidenced by the financial statements of PT. ANTAM as follows.

Table 1. Financial Statements of PT. Antam, Tbk

Name of Issuer	Year	ROA	NPM	Earnings Per Share
PT. ANTAM	2006	32.97%	42.70%	12.60%
	2007	56.27%	56.44%	7.10%
	2008	16.76%	17.86%	1.80%
	2009	5.92%	6.74%	0.62%
	2010	16.11%	22.51%	2.07%
	2011	13.24%	19.45%	2.11%
	2012	4.55%	8.57%	0.94%
	2013	1.93%	3.73%	0.44%
	2014	-0.62%	-1.45%	-0.14%
	2015	-2.31%	-66.60%	-0.29%

Source: Financial Report of PT. Antam, 2020

Based on the data above, it is known that the ROA of PT. ANTAM experienced fluctuations, but relatively decreased, especially in 2014 and 2015. It can be seen that in 2007 the ROA value was the highest at 56.27%, while in 2015 it was the lowest at -2.31%. This shows that PT. ANTAM seen from the aspect of profitability has not shown good growth. However, market sensitivity cannot be ignored, because at any time it can decline. As in the EPS column (earnings per share), it can be seen that the trend of EPS is not in line with ROA, even though if you look at the theory in fact, a good ROA can increase EPS.

Furthermore, the table above shows the growth of NPM. Based on the NPM ratio, it can be seen that PT. ANTAM has a downward trend, even tends to be negative. This can be seen in recent years, especially in 2014 which was -1.45% and in 2015 of -66.60%. This condition explains that ROA profit growth is in line with NPM profit growth, where the operational level is still a burden for company activities. In other words, although the company is able to generate profits from its business activities, it has not been able to reduce operating costs.

Then in table 1. also shows information about net income per share. It can be seen that the net income per share of PT. ANTAM experienced a downward trend. This can be seen in the data in 2014 of -0.14% and in 2015 of -0.29%. This data explains that the company's ability to generate profits is only limited to being able to revive business activities, the existing profits have not significantly increased the value of the company. In investment science, of course, the value of net income per share becomes an investor's consideration whether a company deserves to be given capital or not.

Although in reality the *go public* is able to generate profits, but if it cannot provide profits for investors, investors tend to hold back their investment.

THEORETICAL BASIS

Every company is established with the aim of making a profit, therefore every business activity will be oriented towards the ability to generate maximum profit. More than that, the company is implicitly expected to provide benefits for investors or investors. In other words, companies must be able to manage their investment activities as effectively as possible, thereby creating operational efficiency and optimal profits, so that they can provide more benefits for investors or investors. As stated by Nasution (2020) ROA is a ratio used to measure the company's ability to generate profits from investment activities. The greater the ROA, the greater the level of profit achieved by the company and the better the position of the company in terms of asset use.

Research conducted by Bacha & Mirakhor (2019) and Mukhtaruddin, et, al. (2019) suggests the higher the ROA, the better the productivity of assets in obtaining net profits. This will further increase the company's attractiveness to investors. The increase in the attractiveness of the company makes the company more attractive to investors, because the rate of return will be even greater. This will also have an impact that the share price of the company in the Capital Market will also increase so that ROA will affect the company's share price.

In addition to earning profits from the asset or investment side, the company will also optimize the ability to generate profits from the operational side or what is called *net profit margin*. According to Suyanto, et, al. (2020) *Net Profit Margin* (NPM) is the ratio used to show the company's ability to generate net profit after tax. In this view, the company tries as much as possible to suppress expenses that can reduce company profits, one of which is by creating business operational efficiencies such as advertising costs or taxes.

To strengthen the explanation above, Anwar (2019) stated that the greater the NPM, the more productive the company's performance will be, thus increasing trust. investors to invest in the company. This ratio shows how big the percentage of net profit earned from each sale. The greater this ratio, the better the company's ability to earn

high profits. The relationship between net income after tax and net sales shows the ability of management to drive the company successfully enough to leave a certain margin as a reasonable compensation for owners who have provided their capital for a risk. The result of the calculation reflects the net profit per rupiah of sales. Capital market investors need to know the company's ability to generate profits (Muslih & Bachri, 2020). By knowing this, investors can judge whether the company is *profitable* or not. According to Bastian and Pratiwi, et, al. (2019) the NPM number can be said to be good if $> 5\%$.

For investors, the most important thing is to get a profit from each investment, but to be able to see whether a business company is worthy of investment is to look at the value of the company, or the bargaining power of the company for the rewards that will be given. According to Yuniningsih, et, al. (2019) firm value is the expected future profit value, which is recalculated with the right interest rate. So from the explanation above, it can be seen the relationship between ROA and NPM with a closely related value as a mutually beneficial system for the company. Firm value is the value of the benefits offered to investors as a way to obtain capital, with sufficient capital the company will be able to increase the effectiveness of its business so that the profit obtained from activities (ROA) is maximized and the profit is obtained from optimal operations (NPM). A company will try to maximize the value of the company. An increase in the value of the company is usually marked by an increase in stock prices in the market (Luthfiah & Suherman, 2018).

METHOD

The object of this research is PT. ANTAM, Tbk having its address at Jl. Gen. Sudirman kav 52 – 53, Senayan, South Jakarta. The data used in this study are the company's financial statements in the form of balance sheets and income statements for the period 2010 - 2020. The research method uses a descriptive quantitative approach, in which the financial statements are the source of analysis. The method of analysis used multiple linear regression. The stages of the research were descriptive analysis, classical assumption test, hypothesis testing and coefficient of determination test.

RESULTS

Based on the data, the trend of ROA tends to be low over the last 11 years (2010-2020). This situation confirms that PT. Antam during 2013-2019 experienced difficulties in increasing its ability to generate profits, one of the strong factors is domestic political instability. The instability of domestic politics makes the domestic economy unhealthy which has an impact on the decline in people's purchasing power of precious metals, this triggers a decline in company income (Setyawan, et, al., 2020). In addition, the bad condition of the international economy has an impact on the export of various mines, which of course has a direct impact on the company's income to decline (Mahzura, 2018).

The low ROA is directly proportional to the NPM, for 10 years (2010-2019) the level of net income did not grow. The lack of good NPM allows companies to experience difficulties in terms of liquidation, especially in short-term assets. If conditions like this are left unchecked, it will have an impact on losses that make the position of PT. Antam is no longer seen as a suitable mining company to invest in, as a result, the value of the company plummets.

Table 2. Research Summary

Variable	Regression Coefficient / Determination	$t_{\text{count}}/ F_{\text{count}}$	Significance	Conclusion
ROA – Firm Value	0.110	0.641	0.540	Not significant
NPM – Firm value	0.851 4.950	0.001	Significant	ROA
& NPM – Firm value	0.715	13,563	0.003	Significant

Source: Research data, 2017

The simple regression coefficient value is 0.110. This means that the ROA ratio has a positive effect on the PBV firm value of 0.110. By interpretation, if ROA increases by one unit, then the value of the company's PBV will increase by 0.110. This finding confirms the descriptive analysis above, that the ROA income ratio of PT. Antam during the 2006-2016 period was in an unfavorable position. Of course, it is necessary for the board of directors to make an improvement effort in order to improve the situation, for example by penetrating the central government bureaucracy and or taking independent steps from political influence (Manurung, et, al., 2019).

The simple regression coefficient value is 0.851. it means that the NPM has an effect on the PBV value of the company by 0.851. With the interpretation, if the NPM increases by one unit, the value of the company's PBV will increase by 0.851.

Based on the results of the analysis above, it is known that the calculated F of 13,563 is greater than the F table of 4.26 ($13,563 > 4.26$), so it can be concluded that ROA and NPM are proven to have a positive and significant effect on the value of the PBV company with a coefficient of determination of 0.715 (*Adjusted R Square*). This means that ROA and NPM can explain the company value of PT. Antam Tbk during the 2006-2016 period was 71.5%, while the remaining 28.5% was explained by other variables outside this research, such as liquidity ratios, activity ratios, *leverageratios*, market ratios and others.

The interesting thing from this research is that ROA has no significant effect on firm value. Of course this finding can be a material for discussion for financial experts to review the financial situation of PT. Antam looks at all aspects that are considered related, both directly and indirectly, both financial and non-financial aspects, both domestic and international effects, both internal and external bureaucracy, and so on (Nirino, et, al., 2019).

CONCLUSION

Based on the ratio analysis, the average growth of *Return on Assets* (ROA) of PT. ANTAM during the 2006-2016 period was 54.79%, the average NPM growth was 107.37%, and the average PBV company value growth was 0.16%.

The results of the regression analysis prove that ROA has a positive but not significant effect on firm value with a regression coefficient value of 0.110, NPM has a positive and significant effect on firm value with a regression coefficient value of 0.851 and simultaneously ROA and NPM variables have a positive and significant effect on firm value. with a calculated F value of 13,563 and the coefficient of determination is 71.5%, while the remaining 28.5% is explained by other variables outside of this research, such as liquidity ratios, activity ratios, *leverage* ratios, market ratios and others.

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