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Financial Performance Evaluation Based on Economic Value-Added at PT XYY (Persero) Tbk

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KEYWORDS

EVA, NOPAT, WACC, Invested Capital

ABSTRACT

ROA and ROE PT XYZ has fluctuated, but the two financial ratios do not give a clear picture of the company's ability to generate earnings or profits for shareholders or potential investors. The purpose of this research is to find the value added to the financial performance of XYZ by using EVA, and formulate policies and management strategies in accordance with the conditions XYZ EVA value. EVA value obtained by considering the value of NOPAT, WACC and Invested Capital. This type of research is historical research, the analysis of the data used is descriptive statistical analysis. EVA calculation results for 5 (five) years has a value> 0 indicates a positive value, it means a process of value-added, or the company is able to generate the level of return that exceeds the cost of capital operation.

INTRODUCTION

Company condition information obtained from the company's internal conditions that are commonly used is financial statement information. Fundamental and technical information can be used as a basis for investors to predict risk or uncertainty, amount, time and other factors related to investment activities in the capital market.

By calculating all capital costs, you will see the company's real ability to create added value. Companies whose net profit looks good, do not necessarily have added value in their operational activities. Conversely, companies that record high Economic Value Added (EVA), certainly their net profit will be high. This can be seen in companies whose assets are above 1 trillion whose EVA is good and liquid shares are hunted by investors (blue chips). Gulo and Irmawati (2019) stated that EVA is a method of measuring company performance that calculates the actual economic profit that has been successfully created by a company. By calculating the value of EVA, the company can see a picture of the increase or decrease in the value of economic profits that are actually created from its performance, so that the company's position is known from the investor's point of view, whether the company has become a wealth creator or wealth destroyer. Sugiono (2017) stated that stock prices are forward looking which means that stock prices reflect investor expectations of the company's ability to generate cash flows now and in the future. EVA is more backward looking, which is looking at the results that have been done by management in one period, so it is not surprising that shares of several companies that have a poor EVA value still have high stock prices because they are sought after by many investors. So for investors who choose stocks based on fundamentals and long-term orientation, EVA is worth considering.

PT XYZ (Persero) Tbk or XYZ as one of the companies engaged in the distribution and transmission of domestic natural gas. The rapid growth in sales volume and very competitive selling prices compared to diesel fuel as its main competitor gave positive results on the company's financial statements. The selling price and debt of the company are almost entirely

denominated in foreign currencies providing additional benefits for the company for the minimal risk of loss in foreign currency transactions due to the existence of natural hedges up to the operational level. Of course, the expected final profit is the attractive returns that the company can provide to investors.

From Table 1.1. It can be seen that the value of Return on Assets (ROA) and Return on Equity (ROE) of XYZ from 2017 to 2021 fluctuated. Both financial ratios do not provide a clear picture of the company's ability to generate profits or profits for shareholders or potential investors. The ROA value is obtained from net income to total assets. The higher the ROA value indicates the higher the company's ability to generate profits from the total assets it manages, while ROE is obtained from the company's net profit against the owner's wealth (Equity). ROE indicates the level of a company's ability to earn profits for shareholders. This ratio is influenced by the size of the company's debt. If the proportion of debt is greater, the greater this ratio.

Stock price is the value of shares that occur in the stock exchange market at a certain time determined by market participants. Changes in stock prices are a reflection of fundamental macroeconomic factors as well as internal company activities. From the value of ROA and ROE contained in the company's financial performance picture has not been clearly described, so EVA calculations are needed as a financial performance analysis that measures the company's ability to generate added value for investors.

For this reason, of course, it will be very interesting to analyze XYZ's financial statements, where the financial statements used are the financial statements of the last 5 (five) years starting from 2017 to 2021 from XYZ using the EVA method, it will be seen how much added value has been created by management for the company and how much the company's ability to increase added value each year.

The results of Tinneke's (2007) research, in manufacturing companies show that the value of EVA has a positive effect on stock returns but is not significant. These results show that EVA has a relationship with stock returns. Considering that companies whose net profit looks good, do not necessarily have added value in their operational activities. Conversely, companies that record good EVA, certainly have good net profits. Conventional financial statements do not take into account the cost of capital incurred, while EVA includes a capital cost component to measure company performance. The cost of capital reflects the level of risk of the company.

Based on the background that has been outlined, the problem in this study is based on the ratio of ROA and ROE shows fluctuating financial performance. In this study, we want to know "How is XYZ's financial performance when measured using EVA?"

The purpose of this study is to compare the acquisition of EVA value with the value of financial ratios as a benchmark for assessing XYZ performance and formulating policies that can be carried out by management in XYZ in accordance with the conditions of EVA Value.

METHOD

The type of research used in this study is historical research. This study aims to describe in an integrated and critical manner past circumstances and facts to prove certain truths (Sinulingga, 2019). This research reconstructs the past objectively and systematically by collecting, analyzing and evaluating and synthesizing evidence to establish facts and draw conclusions appropriately.

The data collection technique used is documentation. Documentation is a data collection carried out by recording financial data owned by PT XYZ in accordance with the needs of the discussion in this study. Descriptive statistical analysis is statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make generalized conclusions or generalizations. This analysis is only in the form of basic data accumulation in the form of descriptions alone in the sense of not looking for or explaining interrelationships, testing hypotheses, making predictions, or drawing conclusions (Sugiyono, 2003).

RESULTS AND DISCUSSION

Account NOPAT

NOPAT is the first component in EVA calculations. Adjusted NOPAT shows the company's ability to generate profits from the company's operational activities. *Adjusted* NOPAT is obtained from *unadjusted* NOPAT that has been adjusted recorded in *equity equivalent*. Before calculating *adjusted* NOPAT , you first need toknow the value of unadjusted NOPAT. The components of the NOPAT calculation follow the pattern in the theoretical foundation chapter, but the accounts of foreign exchange profit (loss), swap contract profit (loss), investment fund income profit, short-term investment sales profit and income from company slowdown penaltiesare excluded. In the company's income statement, the five accounts are classified under miscellaneous income (expenses).

For the foreign exchange profit (loss) account, the value of this account is dominated by the elaboration exchange rate difference compared to the transaction exchange rate difference because operationally, the company earns revenue from gas distribution sales using 2 tariffs, namely Rupiah and Dollars and purchases gas using Dollars so that the effect of the transaction exchange rate difference is not significant. With the position of net liabilities that continue to increase and the use of the reporting currency, namely Rupiah, requires that at the balance sheet date, all assets and liabilities in foreign currencies are described in Rupiah based on the average exchange rate of purchases and sales of Bank Indonesia, the company in its business activities has a risk of fluctuations in the exchange rate of the Rupiah against foreign currencies that are uncertain, specifically USD and JPY. Therefore, in order to reduce accounting distortions, then in the calculation of NOPAT, this account is excluded.

For profit (loss) account *swap* contracts, the derivative instrument the company uses is interest rate swaps to provide a hedge against the risk of changes in the fair value of liabilities caused by the risk of interest rate fluctuations. The profit or loss recorded constitutes the gain or loss with respect to changes in the fair value of derivative instruments charged in the current period. Because the value of this account has the risk of uncertain interest rate fluctuations, in the calculation of NOPAT, this account is excluded.

For investment fund income accounts and short-term investment sales accounts, the company has an agreement to place investment funds in the form of *a discretationary* fund investment portfolio of IDR 300 billion to be managed by investment managers. This agreement is annually reviewed. In 2019, this agreement was terminated and the company received back some of the funds placed. In 2019 and 2018, the company earned revenue from discretionary fund investments of Rp 31.7 billion and Rp 14.4 billion (after deducting management services). Because the account is not a non-routine transaction, in the calculation of NOPAT, this account is excluded.

Calculation of *unadjusted* NOPAT by issuing foreign exchange profit (loss) accounts, swap contract profit (loss), investment fund income profit, short-term investment sales profit and income from late fees. Estimated income tax includes the estimated current year's tax without deferred tax. The tax rate used in calculating the tax *shield on interest expense* is 30%.

Table 1. *Unadjusted* NOPAT PT XYZ (Persero)Tbk

Year	NOPAT
2017	4.542.793.299.874
2018	6.170.794.332.746
2019	5.363.886.667.154
2020	6.794.171.331.758
2021	7.798.008.274.172

Source: Data Processing Results, 2022

Unadjusted NOPAT needs to be made some adjustments that will be recorded at *equity equivalent*. The point of all these adjustments is to convert *accrual* into *cash* and capitalize on

costs that should be treated as investments in order to minimize data manipulation and encourage management to think long-term. Adjustments made must have a material impact on the EVA. Calculation of adjustment - adjustments to the company's *NOPAT* were made for 5 periods, namely 2017, 2018, 2019, 2020, and 2021. Adjustments made include:

a. Provisions *for bad debts*

The EVA method that emphasizes *economic profit* does not recognize the establishment of allowance for receivables due to the absence of outflow of company cash and to suppress the possibility of management manipulation of company profits through the establishment of allowance for doubtful receivables.

b. *Deferred tax*

Financial Accounting Standards and Tax Provisions have many differences so that the determination of accounting profit and taxable income or fiscal profit also often produces differences. The difference is called fiscal correction which is divided into positive correction and negative correction while for the purposes of implementing PSAK 46 is divided into:

1) Time difference
2) Fixed difference

The EVA method that emphasizes *economic profit* does not recognize deferred taxes because there is no corporate cash outflow and the value of taxes owed that are obligations to the state will be different from the tax burden.

c. Tuition and training costs

The company continues to develop its human resource capabilities, reflected in the education and training costs incurred by the company every period. Human resources as an asset *(intangible assets)* are not reflected in the company's financial statements because they are difficult to assess.

The EVA method, which emphasizes *economic profit*, views that the cost of education and training of human resources will increase the ability of human resources. Therefore, these costs are seen to be capitalized and amortized according to their useful life.

d. Post-employment benefit costs

The company recognizes post-employment benefits in accordance with the Employment Law N0. 13/2017 dated March 25, 2017. The rewards are not funded. The company's post-employment benefits are calculated by actuaries using the "Projected Unit Credit" calculation method. The EVA method that emphasizes *economic profit* does not recognize the cost of post-employment benefits because there is no outflow of the company's cash. The following is in Table 2. is the result of the calculation of *Adjusted* NOPAT

Table 2. *Adjusted* NOPAT PT XYZ (Persero) Tbk

Year	NOPAT
2017	4.930.696.595.380
2018	6.660.235.424.849
2019	6.382.519.199.451
2020	8.268.720.721.899
2021	9.191.904.493.462

Source: Data Processing Results, 2022

Based on the calculation of *Adjusted* NOPAT for 5 periods, namely 2017, 2018, 2019, 2020 and 2021, it shows that there is an increase in the company's ability to produce NOPAT during these 5 periods. The increase in NOPAT that occurred showed that the company was able to create value through increasing the availability of gas supply, increasing the sales volume of gas transmission and distribution and increasing sales margins through an increase in industry-specific selling prices as seen in and the efficiency of operating costs as seen which shows the percentage of the company's operating expenses to revenue is relatively stable except in 2018 there was an increase of 24.25%. This increase occurred due to depreciation costs on the new operation of gas transmission pipelines so that it was not optimal in generating revenue.

Table 3 Operational Performance of PT XYZ (Persero) Tbk 2019 - 2021

Information	2019	2020	2021
Natural Gas Sales Volume (MMSfcd)	1.640,76	1.684,13	1.677,98
Number of Household Customers	86.167	87.437	88.613
Number of Commercial Customers	1.641	1.674	1.717
Number of Industrial Customers	1.245	1.253	1.260
Distribution Pipeline Network Length (Km)	3.836	3.865	3.950
Transmission Pipeline Network Length (Km)	2.047	2.047	2.047

Source: PT XYZ Annual Report, 2021

From Table 3. can be seen the operational performance of PT XYZ from 2019 to 2021. Based on indicators of gas sales volume, number of customers and length of pipelines, it can be concluded that PT XYZ's operational performance has increased every year.

Invested Capital Calculation

Invested capital is the next component required in calculating EVA. Invested capital used is *Invested* capital that has been adjusted *or adjusted invested capital*. calculated using company financial statement data. The purpose of this calculation is:

a. Removing assets in the exercise from total fixed assets because these assets cannot yet be used to generate income for the company.
b. Issuing accounts that create accounting distortions, have uncertainty risks and irregular transactions (such as foreign exchange profit or loss, swap contract profit or loss, investment fund income profit, short-term investment sales profit and late penalty income).
c. Issuing accounts that are *not funding sources | non-interest-bearing currrent liabilities* to obtain economic profits so that what is left behind is all company funding provided by shareholders and lenders. The accounts to be issued are also called *non-interest-bearing current liabilities*. For the accrued costs account of the company, there is an accrue value of interest costs on loans that have been issued. Then specifically for 2021, the company's accounts payable have *an accrue* value of USD 39.7 million and USD 66.4 million to Conoco Phillips and Pertamina in connection with *take or pay* provisions. The value is an advance based on the 'Make Up Gas' agreement which consists of payment for the difference in the amount of gas flowed with the minimum natural gas purchase quantity as stated in the Gas Sale and Purchase Agreement. The advance will be credited with the excess quantity of gas flowed with the minimum quantity of gas purchases that occur thereafter.

Calculation of *unadjusted invested capital* of the company using the *operating approach*. Here's on 4. is the result of the calculation of the *company's unadjusted invested capital* .

Table 4. *Unadjusted Invested Capital* PT XYZ (Persero) Tbk

Year	*Invested Capital*
2017	20.622.564.288.476
2018	27.563.141.912.554
2019	24.796.629.102.392
2020	11.903.738.171.095
2021	32.035.029.706.161

Source: Data Processing Results, 2022

As with NOPAT, *unadjusted invested capital* needs some adjustments. Adjustments were made to convert *accrual* into *cash* and capitalize on costs that should be treated as investments with the aim of minimizing data manipulation and encouraging management to think long-term. Adjustments made must have a material impact on the EVA. The following is in Table 5. is the result of adjustments to the company's *invested capital*.

Table 5. *Adjusted Invested Capital* PT XYZ (Persero) Tbk

Year	*Invested Capital*
2017	21.010.467.583.982
2018	28.052.583.004.657
2019	25.815.261.634.689
2020	13.378.287.561.236
2021	33.428.925.925.451

Source: Data Processing Results, 2022

Based on the results of *adjusted invested capital* calculations starting in 2017, 2018, 2019 and 2021, it shows that there is an increase in assets that can be used to generate income for the company. The increase in assets is carried out through funding both through debt and internal company funds. In 2020, *invested capital* decreased due to a significant increase in the company's investment in assets, especially gas transmission and distribution pipelines. The increase in assets is still in the group of assets under implementation because it cannot be used to generate income so that the calculation of assets in implementation is issued.

***Weighted Average Cost of Capital* (WACC)** Calculation

The relationship between *cost of debt* and cost of equity is incorporated in the *weighted average cost of capital*. The company seeks to create value for shareholders by increasing the *earning return* beyond the *company's cost of capital*. Investors' investment in company equity has greater risk than if the investor lends funds to the company. Therefore, the cost of equity must include a risk premium that exceeds the usual rate that the company pays to creditors. WACC can be calculated using the formula as written in the theoretical foundation chapter. In the calculation of WACC there are 3 components that need to be calculated:

1. Cost *of debt*

In its growth strategy and to maintain one of its competitive advantages, the company continues to develop gas transmission and distribution pipelines to realize an Integrated Gas Transmission and Distribution Pipeline Network System in Indonesia. This strategy requires enormous funding. One of the sources of funding obtained by the company comes from debt. The debt is obtained by the company from foreign financial institutions (through forwarding loans from the Government of the Republic of Indonesia originating from intergovernmental loan agreements) and domestic financial institutions as well as through its subsidiaries.

All sources of funding from loans and *Guaranteed Notes* are recorded by the company on non-current liabilities. Loans obtained by the company from overseas financial institutions.

Meanwhile, the loan obtained by the company from domestic financial institutions came from PT Bank Negara Indonesia (Persero) Tbk. Long-term debt obtained by the company in the form of the issuance of *Guaranteed Notes* of USD 150 million and USD 125 million resulted in funds of USD 145 million and USD 119.8 million.

The repayment of non-current obligations is carried out by paying principal and interest installments periodically. Interest costs are calculated by looking at the interest rate charged as written in the debt agreement. Information showing data on *interest bearing liabilities* owned by the company for 5 periods, namely 2017, 2018, 2019, 2020 and 2021.

In obtaining the cost of *debt (cost* of debt) of the company, it can be calculated by adding up the percentage multiplication of each long-term debt with the interest rate of long-term debt. The tax rate used is 30%. The calculation of the company's debt costs for 5 periods, namely 2017, 2018, 2019, 2020 and 2021 can be seen in Appendix 8. The following is in Table 6. is the result of calculating the cost of debt of the company.

Table 6. *Cash of Debt After Tax* PT XYZ (Persero) Tbk

Information	2017	2018	2019	2020	2021
Cost of Debt	6.83%	7.05%	7.34%	7.26%	5.49%

Tax	2.07%	2.12%	2.24%	2.14%	2.17%
Cost of Debt	4.76%	4.93%	5.10%	5.12%	3.32%

Source: Data Processing Results, 2022

2. Cost *of Equity*

Another source of funding used by the company in its growth strategy and maintaining one of its competitive advantages by continuously developing gas transmission and distribution pipelines to realize an Integrated Gas Transmission and Distribution Pipeline Network System in Indonesia is equity. The equity of the funding company is obtained from the shareholders. Shareholders who invest their funds in the company expect *capital gains* from the appreciation of the value of the company's stock price and dividends on the profits generated by the company. When investing funds, shareholders will definitely want a higher return than if they lend the funds. Compared to *returns* earned by creditors periodically, returns earned by shareholders are *volatile*. Therefore, the company's cost of equity can be referred to as *an opportunity cost* for shareholders. In calculating the *cost of equity*, the approach to be used is the *Capital Asset Pricing Model* (CAPM). In the CAPM calculation formula, requires the following components:

a. Risk-free rate of return (Rf)

The company's risk-free rate of return for 5 periods, namely 2017, 2018, 2019, 2020 and 2021 using the average interest rate of Bank Indonesia Certificates (SBI) obtained from information issued by Bank Indonesia (BI).

b. Stock market rate of return ($_{Rüm}$)

The company's stock market returns for 5 periods, namely 2017, 2018, 2019, 2020 and 2021 which is the sum of the *base premium for mature equity market* and Indonesia *country risk premium*. Especially for 2021, Rm is assumed to be the same as 2020.

c.Beta Coefficient (B)

A measure of the *volatility* of a company's stock return against stock market returns. Beta reflects *market risk* that cannot be diversified.

After Rf, Rm and B are known, the *cost of equity* calculation can be done. The following are the results of *the cost of equity* calculation which can be seen in Table 7.

Table 7. *Cost of Equity of* PT XYZ (Persero) Tbk

Information	2017	2018	2019	2020	2021
Cost of Equity	26.90%	17.67%	24.08%	23.49%	18.89%

Source: Data Processing Results, 2022

3. Company's Capital Structure

The company's funding consists of debt and equity. The composition of the company's funding for 5 periods, namely 2017, 2018, 2019, 2020 and 2021 can be seen in Table 6.6 The calculation of the company's WACC can be done after the cost of *debt, cost of equity* and composition of the company's *capital structure* are obtained.

Based on the results of WACC calculations using the formula "WACC = W_d . k_d (1 – T) + W_s . K s " for 5 periods, namely 2017, 2018, 2019, 2020 and 2021 showed that there was a decrease in the company's cost of capital in 2018 and 2021 and an increase in 2017, 2019 and 2020. The following is in Table 8. is a breakdown of the company's WACC calculation for 5 periods, namely 2017, 2018, 2019, 2020 and 2021.

Table 8. *Weighted Average Cost of Capital* PT XYZ (Persero) Tbk

Information	2017	2018	2019	2020	2021
Debt Ratio (W_d)	58%	65%	60%	57%	61%
Cost of Debt (K_d)	4,76%	4,93%	5,10%	5,12%	3,32%

Tax (T)	30%	30%	30%	30%	30%
Equity Ratio (W_s)	42%	35%	40%	43%	39%
Cost of Equity (K_s)	26,90%	17,67%	24,08%	23,49%	18,89%
WACC	13,23%	8,43%	11,77%	12,14%	8,78%

Source : Data Processing Results, 2022

The decrease in the cost of capital that occurred was mainly caused by a decrease in *the company's cost of* equity and *equity ratio*. The decrease in the company's *cost of* equity was caused by a decrease in beta which showed a decrease in volatility from the company's stock return to stock market returns, while the decrease in the company's *equity ratio* was due to a decrease in the company's net income. Conversely, the increase in the cost of capital that occurred was due to an increase in the company's cost of equity and *equity ratio*. The increase in the company's *cost* equity was due to an increase in beta which showed an increase in volatility from the company's stock return to stock market returns, while the increase in the company's equity ratio was due to an increase in the company's net income.

EVA Calculation

The company's EVA calculation can be done after all its components such as NOPAT, *invested capital* and WACC are obtained. But before that, the calculation of capital *charges* is carried out, which is a multiplication between *invested capital* and WACC. The following is in Table 9. shows the calculation of the company's capital charges for 5 periods, namely 2017, 2018, 2019, 2020 and 2021.

Table 9. *Capital Charges* PT XYZ (Persero) Tbk

No	Year	*Invested Capital* (Rp)	WACC (%)	*Capital Charges* (Rp)
		a	b	a x b
1	2017	21.010.467.583.982	13,23	2.779.684.861.361,82
2	2018	28.052.583.004.657	8,43	2.364.832.747.292,58
3	2019	25.815.261.634.689	11,77	3.038.456.294.402,90
4	2020	13.378.287.561.236	12,14	1.624.124.109.934,05
5	2021	33.428.925.925.451	8,78	2.935.059.696.254,60

Source : Data Processing Results, 2022

After the capital charges are obtained, the calculation of the company's EVA, which is the multiplication between can be calculated by NOPAT and *capital charges* can be done. The following is in Table 10. shows the calculation of the company's EVA for 5 periods, namely 2017, 2018, 2019, 2020 and 2021.

Table 10. EVA PT XYZ (Persero) Tbk

Year	NOPAT (IDR)	*Capital Charges* (Rp)	EVA
	a	B	A – B
2017	4.904.349.245.659	2.779.684.861.361,82	2.124.664.384.298,18
2018	6.632.240.777.735	2.364.832.747.292,58	4.267.408.030.442,42
2019	6.352.774.262.091	3.038.456.294.402,90	3.314.317.967.688,10
2020	8.243.923.737.159	1.624.124.109.934,05	6.619.799.627.224,95
2021	9.164.683.513.728	2.935.059.696.254,60	6.229.623.817.473,40

Source : Data Processing Results, 2022

Based on EVA calculations for 5 periods, namely 2017, 2018, 2019, 2020 and 2021, if interpreted it shows that in 2018 there was an increase in economic value added compared to

2017. However, in 2019 it decreased, then experienced an increase in EVA in 2020 and fell again in 2021. The EVA value in the last five years shows a positive number (EVA > 0). The positive value of EVA in 2020 and 2021 was due to the increase in NOPAT, which is the company's *economic profit*, although *the company's capital costs* also increased due to the increase in long-term debt for project funding. The increase in the company's NOPAT was due to the increase in gas supply so that it could increase the company's gas distribution and transmission sales. This increase in NOPAT can cover *the capital charges* owned by the company. The calculation of EVA in 2020 has a greater value than in 2021. This is mainly due to the company's low capital charges in 2020 due to low *invested capital* due to the issuance of assets under exercise (ADP) in total fixed assets because these assets cannot be used to generate income. For 2021, although the company's NOPAT increased compared to 2020, the company's *capital charges* increased significantly. This increase is due to part of SSWJ's transmission and distribution pipeline network having been completed by the end of 2018. The results of the EVA calculation in 2021 compared to 2020 show that the company has not been able to use its fixed assets (SSWJ gas transmission and distribution pipelines) optimally to generate revenue, while *double declining* on these fixed assets has begun.

Implications of Research Results

In 2018 the ROA and ROE values were lower than in 2017, while the EVA value actually increased compared to the previous year. The value of EVA decreased in 2019 but the value of ROA and ROE actually increased. The difference in trends in the ROA, ROE and EVA indicators shows that there are different points of view in assessing the company's financial performance.

The increase in EVA trend in 2018 was mainly due to the company having low *capital charges* due to a decrease in WACC to 8.43%. The decrease in WACC calculation was caused by a low *cost of equity of* 17.67% due to a decrease in *risk fixed rate* to 7.46% and beta to 0.78. The decrease in *capital charges* in 2018 showed a significant decrease in the company's equity risk.

The decline in ROE trend in 2018 was mainly due to the decline in the company's net profit which was mainly caused by depreciation costs (*double declining* method) on gas pipelines and equipment machinery for gas pipelines owned by PT XYZ's newly operated subsidiary in 2018 and foreign exchange losses due to the weakening of the value of the Rupiah against foreign currencies, in particular USD and JPY and the increase in net foreign currency liabilities held by the company for funding SSWJ projects due to additional debt from JBIC denominated in JPY.

In increasing the added value of the company, PT XYZ budgeted capital expenditure of US $ 800 million or equivalent to Rp10 trillion in 2015. The company's capital expenditure in 2015 will be used for infrastructure expenditure and other parent projects. Participation in subsidiaries is estimated at US$800 million, of which approximately US$400 million - US$500 million is used for *multiyear* transmission and distribution pipelines. The multi-year project will depend on field conditions, permits, gas supply conditions in Indonesia, global economic conditions and the Indonesian economy. The rest can be done through investment in subsidiaries.

The capital expenditure value is still based on oil prices for the 2022 period. With the situation of the development of world oil prices that fluctuate, as well as the development of the economic situation, the value of Capex can be reviewed again.

The investment made by the issuer coded PGAS shares in 2015 aims to support the company's growth and support government programs. The program includes the development and strengthening of gas pipelines in West Java, East Java, Central Sumatra, and Batam. Then for the development of gas pipelines to households in stages in several locations of the company to support the conversion of fuel oil (BBM).

Furthermore, the conversion program to fuel gas (BBG) in the transportation sector was carried out by building gas filling stations (SPBG) in 16 locations, placing mobie refueling units (MRU) and procuring converter kits. Finally, the installation program or procurement of equipment and facilities to support operations.

CONCLUSION

The calculation of EVA for 5 (five) years has a value of > 0 showing a positive value, meaning that there is a value-added process or the company is able to produce a rate of return on operations that exceeds the cost of capital. The increase was due to a decrease in WACC. The decrease in WACC calculation was caused by the low cost of equity caused by a decrease in risk free rate and beta. The decrease in capital charges in 2018 showed a significant decrease in the company's equity risk.

The value of EVA from 2017 to 2021, although positive, still tends to fluctuate. This is because PT XYZ started investing in the construction of gas pipelines and has not been able to enjoy the results of the investment while the company is burdened with high capital costs due to its long-term debt.

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