

Analysis of PT Jasa Marga's Financial Performance during Infrastructure Development Acceleration Program (The year 2014-2018)

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Abstract

Jasa Marga is a state-owned company engaged in the field of toll road infrastructure. 2016 is the beginning of the company's to accelerate development which directly changes the company's strategy in decision making. This is a qualitative research to answer how Jasa marga manages their company during infrastructure acceleration form a financial performance point of view. There are five main measurements in financial analysis, they are Profitability Analysis, Operational Management Analysis, Investment Management Analysis, Funding Analysis Management, and Corporate Cash Flow Analysis. Acceleration of infrastructure decreases the profitability of the company because costs increase higher than the company revenue. Operational performance is worse due to Rising Costs. Management Investment shows that the company's returns are decreasing due to the company's net profit is decreasing. Funding management show, liquidity is decreasing due to the increase in short term liability; While solvency shows Jasa Marga relies on banks and bonds as the main source of company Funding. Cash flows Analysis shows infrastructure acceleration makes the free cash flow of the company declined throughout the year, this is related to revenue growth that is smaller than the increase in company costs.

Keywords: Infrastructure acceleration, Financial statement analysis, Toll road



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I. INTRODUCTION

Jasa Marga is a State-Owned Enterprise (BUMN) which is engaged in providing toll road services. The government infrastructure development acceleration program has made Jasa Marga feel a significant effect from the program because the toll road is one of the infrastructures whose construction has experienced significant growth. It is proved by the kilometer length increase of toll roads which changed dramatically from 2014-2018 as shown in Figure 1.

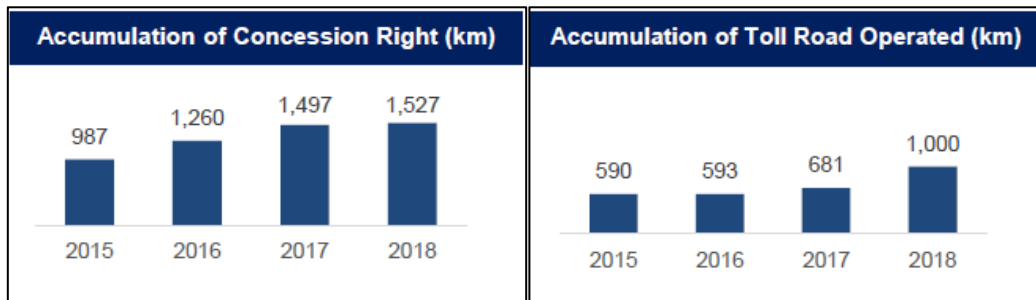


Fig.1 Toll road development (Jasa Marga, 2018)

Company performance is an important concern for the owners of corporate entities, like investors and other shareholders, this is because the investment that has been made in a company is expected to grow in value and provide returns according to expectations and occur continuously. Good company performance will provide added value to the company's shareholders. Financial statement analysis is done by evaluating and extracting all available information starting from the company's financial situation, management, and strategy to produce a conclusion that is useful in conducting business analysis. Some elements commonly used in the analysis of financial statements are short-term liquidity, capital structure and solvency, returns on capital investment, asset turnover, and operating performance and profitability of the company.

The massive growth of toll roads in a short time due to infrastructure acceleration directly changes the business climate of the industry where PT Jasa Marga operates, where Jasa Marga must obtain and allocate funds to expand their business at the same time, toll road expansion also experienced a direct impact on the company's financial performance. During 2018, it was noted that Jasa Marga received reducing net profits when compared to the same period in the previous year, this was due to the high-interest expense and rising costs due to company expansion. Infrastructure acceleration condition is unique and occurs only at certain times, which makes this case interesting to study, where is how companies make decisions in adapting to changes in the business climate in terms of how the company's strategy in funding all of its projects, Decision of tariff rates related to company revenues, and how is the state of other companies in the same industry in the era of infrastructure acceleration.

II. LITERATURE REVIEW

2.1 Business analysis with financial performance

Business analysis is a series of stages in the process of assessing the prospects and economic risks of a company that involves identifications related to the business environment, company strategy, position and company financial performance which is used to make better decision base on financial situations, management, business environment, and corporate strategy. (Wild & Haslsey, 2008)

Financial Report is a description of the company's financial position starting from the results of the company's business income, costs, funding, etc. Financial statements analysis is conducted by an in-depth analysis of the company's financial performance by looking at the relation of how the executed strategy compares with the targets which are set and projected by the company. In conducting financial analysis five major parts are commonly used as benchmarks in conducting company financial analysis, namely (Wild, Subramanyam, 2008):

2.1.1 Profitability Analysis

Profitability is the starting line that is most commonly used in conducting financial performance analysis because its meaning is important and straight forward, which is a measurement of the level

of company profit. Profitability analysis is usually measured by measuring the value of Return on Equity (ROE) and Return on Asset (ROA)

$$ROE = \frac{Net\ Income}{ShareHolder's\ Equity}$$

$$ROA = \frac{Net\ Income}{Sales} \times \frac{Sales}{ShareHolder's\ Equity}$$

2.1.2 Operational Management Analysis

Assessment of operations management is done by assessing how the company effectively and efficiently generating profits and reducing operating costs to provide maximum profit to all shareholders which usually used profit margin to measure this parameter

$$Gross\ Profit\ Margin = \frac{Gross\ Profit}{Total\ Revenue} \quad (3)$$

$$Operating\ Profit\ Margin = \frac{Operating\ Profit}{Total\ Revenue} \quad (4)$$

$$Net\ Profit\ Margin = \frac{Net\ Profit}{Total\ Revenue} \quad (5)$$

2.1.3 Investment Management Analysis

The assessment of investment management is done by assessing the effectiveness of the asset turnover activities carried out by the company. This is done by measuring the relationship between earnings and capital investment, commonly known as the return on capital investment. RNOA, ROCE, and Equity Growth rate commonly used to measure this analysis

$$RNOA = \frac{Net\ income\ (Net\ Operating\ after\ -\ tax\ -\ NOPAT)}{Average\ net\ operating\ asset\ (Net\ operating\ assets\ -\ NOA)} \quad (6)$$

$$ROCE = \frac{Net\ Income\ -\ Preferred\ stock\ Dividend}{Average\ common\ equity} \quad (7)$$

2.1.4 Funding Management Analysis

There are two assessments in measuring the performance of funding management, namely the assessment of current liabilities (Liquidity Analysis) and the assessment of long-term liabilities (Solvency Analysis).

These are some ratio that usually used to measure Company Liquidity

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Liability} \quad (8)$$

$$Quick\ Ratio = \frac{Cash + Current\ investment + account\ receivable}{Current\ Liability} \quad (9)$$

$$Cash\ Ratio = \frac{Cash}{Current\ Liability} \quad (10)$$

$$Operating\ Cash\ flow\ Ratio = \frac{Operating\ Cash\ Flow}{Current\ Liability} \quad (11)$$

These are some ratio that usually used to measure Company Solvability

$$Liability\ -\ to\ -\ equity\ ratio = \frac{Total\ Liabilities}{Shareholder\ Equity} \quad (12)$$

$$Liability\ -\ to\ -\ total\ asset = \frac{Total\ Liabilities}{Total\ Asset} \quad (13)$$

(14)

$$\text{Long term debt to equity ratio} = \frac{\text{Long term debt}}{\text{Shareholder equity}}$$

2.1.5 Cash Flow Analysis

Cash flow analysis will provide deeper knowledge related to operational policies, investments and funding carried out by the company during the year. Cash flow analysis also clarifies the quality and integrity of the information contained in the income statement and the company's balance sheet in the financial statements.

III. RESEARCH METHODOLOGY

This is a descriptive Case study that tried to answer how is the condition of the financial performance of Jasa Marga while infrastructure acceleration that rapidly changes the company decision making. The data that is used in this study are Jasa Marga's financial report from 2014-2018 that can be publicly downloaded online, the latest news related to the toll road, and some interview with Jasa Marga employee off the record. The research starts with industrial analysis both internal and external factor which affecting corporate financially. All identified factors are treated as variables that can influence the corporate finance performance result. Corporate financial analysis is being done by using financial ratio analysis method which comprises of profitability analysis, Operational management analysis, investment management analysis, funding management analysis, and cash flow analysis. Each analysis is being compared by time series, so analysts can see the changing tendency of each financial factor performance from year to year..

IV. FINDING AND DISCUSSION

4.1 Profitability Analysis

ROA ratio of Jasa Marga's company has decreased every year, this is due to the rapid growth in the company's assets which grew higher, especially during infrastructure acceleration compared to the growth in operating profit. ROE is compiled by the same numerator as ROA, that is company profit, but this declining pattern does not occur in the ROE ratio, wherein this ratio from 2014 to 2018 it tends to be stable at around 10-11%, which means an increase in corporate profits each year is similar to the growth of equity owned by the company because its nominal tends to be stable every year.

Table 1. Profitability Ratio

Rasio Profitabilitas	2018	2017	2016	2015	2014
ROA	2,47%	2,64%	3,37%	3,59%	3,88%
ROE	10,08%	11,40%	11,04%	10,67%	11,22%

4.2 Operational management analysis

In 2014 and 2015 the profit margins of the company relatively high and increasing, but during the era of infrastructure acceleration that began in 2016, all profit margins were depressed and tended to decline. This happens because there has been a very significant increase in construction revenue which has made a very large contribution to the percentage of company revenue, thereby reducing the value of the company's total profit margin. The magnitude of the effect of construction revenue is affected by the size of the company's infrastructure development during infrastructure acceleration; while the calculation of construction income depends on the construction burden, the amount of which is affected by the intensity of development

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Table 2. Operational Management Analysis

Rasio Manajemen Operasi	2018	2017	2016	2015	2014
<i>Gross profit margin</i>	16,00%	15,13%	29,15%	41,91%	40,22%
<i>Operating Profit margin</i>	14,65%	13,25%	25,00%	35,31%	33,49%
<i>Net Profit margin</i>	8,68%	9,26%	15,90%	21,00%	20,17%

4.3 Investment management analysis

From 2014 to 2015 there was an increase in the value of the company's RNOA due to an increase in the company's revenue which grew larger than the growth of the operational asset. There was a decrease in the value of RNOA after entering the infrastructure acceleration caused by the growth of assets available for use in operations to be greater than the company's revenue growth thereby depressing the value of RNOA. In 2018 there was an increase in the value of RNOA but it was still smaller than in 2016 due to the higher assets owned by the company.

The company's ROCE value from 2014 to 2016 always experiences an increase which is the result of the increase in the company's revenue that is higher than the capital growth used. In 2017 and 2018 there was a decline in the value of ROCE caused by revenue that was lower than capital growth during infrastructure acceleration. The value of the company's equity growth rate has increased from 2014 to 2016, this is due to the increase in corporate income and the ratio decrease of the company's dividend distribution, in 2016, the increase in equity growth was also driven by the increase in new equity of the company due to new capital from the government, which stimulated an increase in company equity that could reach 10% that year. In 2017 and 2018 the increase in equity was not as high as in 2016 but was still higher when compared to 2014 and 2015 due to the higher retained earnings of the company and dividend payout ratio which was lower in value compared to the DPR in 2014 and 2015

Table 3. Investment management analysis

Rasio Manajemen Investasi	2018	2017	2016	2015	2014
<i>Return on net operating assets-(RNOA)</i>	5,96%	5,77%	6,79%	7,19%	6,91%
<i>Return on common equity-(ROCE)</i>	6,25%	6,00%	7,60%	7,09%	6,72%
<i>Return on long-term debt and equity</i>	6,34%	6,49%	8,42%	7,27%	7,67%
<i>Equity growth rate</i>	8,28%	8,80%	10,52%	7,08%	6,60%

4.4 Funding management analysis

Liquidity of Jasa Marga in 2014 to 2015 experienced a moderate increase but in 2016 the beginning year of infrastructure acceleration, a significant increase in the value of Liquidity due to Jasa Marga has started raising funds to develop toll road acceleration by issuing and selling new shares, Jasa Marga has done a lot of land acquisition which significantly increased the value of the company's receivables and directly increased the value of current assets owned. Because 2016 is still an initiation process, the costs that must be incurred due to development have not yet risen significantly. In 2017 there was a decrease in the value of the Company's Liquidity, this was due to the large value of the accrual expense in the form of payment for construction services and debt to the bank which was very significant in value so that the value of the ratio was reduced, although in 2017 Jasa Marga returned to raising funds by way of issues global and domestic bonds that also increase the company's cash value and current assets.

Table 4. Liquidity Analysis

Rasio Likuiditas	2018	2017	2016	2015	2014
<i>Current ratio</i>	0,47	1,02	1,72	0,87	0,73
<i>Quick Ratio</i>	0,47	1,00	1,65	0,81	0,69
<i>Accounts receivable turnover</i>	1,14	0,90	2,09	71,83	64,17
<i>Cash to current assets</i>	0,50	0,36	0,32	0,89	0,93
<i>Cash to current liabilities</i>	0,24	0,37	0,55	0,77	0,68
<i>Cash Flow Ratio</i>	0,04	0,33	0,38	0,37	0,36

Companies Funding is dominated by corporate funding through liabilities. The based ratio of components of liabilities compared to equity; the value of this ratio continues to increase every year, which means the proportion of funding growth using liabilities is higher in growth than the growth in corporate equity. Funding growth through higher liabilities is driven by the need for companies to meet the government's strategy to accelerate infrastructure so that economic equality is expected to occur immediately that improves the business climate in the country.

Table 5. Solvability Analysis

Rasio Solvabilitas	2018	2017	2016	2015	2014
<i>Total debt to equity</i>	3,08	3,31	2,27	1,97	1,89
<i>Total debt ratio</i>	0,75	0,77	0,69	0,66	0,65
<i>Long-term debt to equity</i>	1,54	1,95	1,13	1,36	1,50
<i>Fixed assets to equity</i>	0,05	0,07	0,07	0,08	0,06
<i>Current liabilities to total liabilities</i>	0,50	0,41	0,50	0,31	0,21

4.5 Cash Flow analysis

The main source of company revenue over the last few years comes from cash flow obtained from operating activities, they are revenues from toll roads and other businesses. The funds obtained by the company are utilized for the company's needs to continue to grow and fulfill their needs, such as for use in capital expenditures related to the construction of additional toll roads and increasing toll road concession rights owned by the company. Cash flows from investing activities are mainly used for adding rights to use toll roads and other tangible & intangible assets owned by the company. Cash flows from financing activities mostly come from bank loans and corporate bonds. However, during the era of acceleration, funding infrastructure was also obtained from non-bank financial institutions and breakthroughs such as global bond (komodo bond) which is sold abroad but using IDR currency as a source of corporate funding to run its operations. final corporate free cash flow tends to decrease due to the pressure from the development cost of the new toll road.

4.6 Toll road Business Analysis during infrastructure acceleration and the future

Politically Indonesia is one of the most complex places to doing business due to highly regulated on anything; but because infrastructure acceleration is targeted to own 5000 km toll road in 2024 is government primary project it makes it easier for the company to get permit especially during land acquisition during the expansion. Socially people nowadays tend to seek the fastest solution for every problem they met and technologically toll road still the best answer to fast travel to their destination because it cut travel time significantly. Economically in 2018, Indonesia's economy tends to be stable and higher compared to global growth and has a low inflation rate.

Based on those fact toll road business still gives so many potentials in the future due to government commitment to support all companies to fulfill government target and demographically

toll road still one of the best choices for people to travel to their destination due to faster time travel consumption and relatively less crowded than the major arterial road.

In term of sustainability, (Maria,2019) found on her case study regarding the profit of the balmera branch company office, the profit of early operational of toll road tend to be low due to low earnings, but after several years of operation, the earning of that branch is increase due to several factors like the increase of the consumer due to the improvement of the awareness and the increase of toll length which connected more strategic location and toll tariff adjustment which occasionally happened once every two years. The low profit on early operational is in line with the findings in this research which the new operated toll road may not contribute significantly at the earning at the moment and exert some pressure to the profit itself due the cost tend to be hard to be minimalized at the moment, but it is expected after several years the new operated branch will give a significant contribution to the profit of the company in the future. From the operational point of view, the company is required to operate efficiently to maximize the profit, one of the strategies that already implemented was changing most of the toll gate transaction into electronic in late 2017. This strategy significantly reduces two company cost they are labor cost and collection fee cost, meanwhile it gives an additional advantage in the transaction point of view which is the reduced transaction time which reduces the traffic in the toll gate and finally increases the revenue of the company

V. CONCLUSION AND FURTHER RESEARCH

Infrastructure acceleration directly affecting corporate decision making and corporate financial performance when carry out their operation. During the infrastructure acceleration, Jasa Marga's profitability mostly decreased because the corporate cost increases because of the development of the new road but the revenue of the new toll road still not contribute significantly. Profit margin along the year is reduced due to the need of corporations to allocate some funds for the development of the new toll road even though corporate have already made some cut in operational costs like the utilization of an e-card transaction base. Investment management analysis shows the reduction of corporate net profit during infrastructure acceleration reduces the investor return. Funding Management analysis shows Jasa Marga's liquidity decreased significantly due to the rise of short term liability in the form of the liability to contractor and Solvability shows Jasa Marga funding dominated by bank liability and obligation. Cash flow analysis shows corporate revenue mostly coming from toll operation and other businesses and most of the time is always increasing throughout the year. But the final corporate free cash flow tends to decrease due to the development cost of the new toll road.

Suggestion for investor, company which planning a rapid growth will fit investor for long term investment due to nature itself, when a company decides to grow rapidly it will focus most of their fund to develop what they're needed to grow, so the investor may take a while to get the required return. Suggestion for company, a well-planned blueprint scheme need to be made if the company decide to execute aggressive growth to their company. Rapid growth means big returns potential which contains a big risk too. In an early year during infrastructure acceleration Jasa Marga experience profit decline due to the high cost; it reminds us the company not only needs a good plan but it needs to set priorities on which location will be prioritized first due to their potential contribution to give profit faster. Suggestion for researcher and further research material, further research about optimization of financial report analysis is needed due to the sophisticated and lengthy step to do the financial analysis so it can be simplified but still give abundant quality information like the existing method so it can be beneficial for management knowledge, especially in finance.

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