



Financial Performance Analysis and Valuation Assessment of Pt Bumi Resources in Comparison with Pt. Adaro Energy Tbk. and Pt. Bukit Asam Tbk. For Period of 2017-3rd Quarter of 2022

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ABSTRACT: Indonesia is the third largest country in the world producing coal products. PT. Bumi Resource Tbk. (BUMI) is a coal industry company with the highest market capital, but its financial performance is not good when viewed from its net income in the 2017-3rd quarter of 2022. Financial ratio analysis is used to evaluate the company's financial performance. This analysis uses the provisions of the ministry No.KEP-100/MBU/2002 which is divided into 4 factors, namely profitability, liquidity, activity and solvency ratio. Economic Value Added (EVA) and FCFF valuation are the methods used in this research. For external analysis, researchers use PEST analysis.

The researcher found that BUMI's financial performance was categorized as an unhealthy company based on its financial ratio analysis with an average rating of B. Based on the EVA method, BUMI's financial performance was considered not good considering that its value was always negative. From the FCFF valuation, the Intrinsic Value of BUMI is IDR 250.29 when the current price is IDR 147. So, the BUMI company is concluded to be undervalued.

KEYWORDS: BUMI, EVA, FCFF, PEST, Intrinsic Value, Financial Performance, Financial Ratio Analysis, Valuation.

1. INTRODUCTION

Indonesia is considered to have the third-largest coal output in the world as of 2021; only China and India produce more coal than Indonesia. According to the statistics, Indonesia's mining sector is highly promising, particularly the coal sector. Additionally, the influence of the protracted conflict between Russia and Ukraine in the past had a significant impact on the mining industry globally, particularly coal. The demand for coal energy has skyrocketed across many nations, increasing coal prices globally. Global coal prices climbed by 41% per ton in March 2022. Given that Indonesia is one of the top exporters of coal worldwide, the rising price of coal is anticipated to be one of the factors supporting the country's economy. The amount of coal production in Indonesia also significantly influences national income yearly. The mining industry will contribute 8.98% of Indonesia's total national GDP in 2021, according to Statista Research Department. This industry is fifth in importance to the Indonesian economy in terms of GDP contribution, after manufacturing, agriculture, forestry, fishing, wholesale, retail commerce, auto and motorcycle maintenance, and construction. coal prices experienced a significant increase in 2021 (\$159.79/ton) after continuing to decline in the previous 4 years, even though the numbers were insignificant. Increases and decreases in coal prices greatly affect the company's profits. The most crucial strategy for generating profits in the face of fierce competition, luring in new investors, and managing the business to ensure its survival is to improve financial performance. Profit is a metric indicating the level of success a business has experienced over a specific period. Its value may be used to inform investment choices and assess business performance. The company can use the accumulation of profits for each period to reinvest into the company to increase production or expansion; this accumulated profit can also be distributed to shareholders as dividends. The prospect of coal companies from year to year is in good performance, which is indicated by the continued rise in share prices of coal companies, especially those included in the top 10 coal companies with the largest market capitalization in Indonesia. Almost all coal mining companies in the top 10 list of companies with the largest market capital have experienced a significant increase in share prices since 2017-2020, however BUMI experienced a very large decline in share price from 498 IDR/share in 2017 to 133 IDR/share in 3rd quarter of 2022. This indicates a decrease in market demand for BUMI shares in 2017-3rd quarter of 2022; a decrease in market demand for a share can be caused by the company's poor performance, so investors do not dare to invest their funds. BUMI continued to experience a significant decline in net income; the highest decrease in BUMI's net income occurred in 2020, which was 5181.66%. Indeed, all coal mining companies experienced a



decrease in net income in 2020 because of the Covid-19 pandemic. However, the decrease in net income at BUMI companies was recorded as a decrease in net income with the largest percentage compared to 9 other companies. From some of the things above, the researcher is interested in looking deeper into the financial performance of BUMI and analyzing the cause of that issues. The researcher assess the financial performance of BUMI to calculate financial ratios and conduct an EVA analysis to evaluate the performance of BUMI. The Decree of the Ministry of State-Owned Enterprises No. KEP-100 / MBU / 2002 concerning Financial Health Assessment of State-Owned Enterprises contains the formula used to analyze financial performance using these variables. Beside of that researcher also use FCFF valuation to assess the intrinsic value of BUMI.

2. LITERATURE REVIEW

2.1 Financial Performance

A corporation's financial performance over a specific time is used to gauge its general financial stability or health. Companies in the same industry might be compared based on their financial performance. Financial performance is another tool to evaluate how effectively a business manages its resources while producing sales or income (Investopedia.com, 2020). Financial performance analysis can be quantified using the company's financial data. Financial analysis is used to review and examine financial statements to evaluate the organization's financial performance, risk, and profitability.

2.2 Financial Ratio Analysis

Financial ratios are used to assess the health and performance of businesses. Financial ratio analysis can be used to assess a firm's performance over a specific time and to contrast the financial performance of one company with that of other businesses operating in the same industry (Investopedia.com, 2020). Financial ratio analysis is a quantitative approach to studying a company's financial statements. The information used typically comes from the company's income statement and balance sheet, which provide information on the company's liquidity, profitability, solvency, and activities. According to Ministerial Decree No. KEP-100 / MBU / 2002, the Ministry of State-owned Enterprises employed eight financial ratio components to assess the health of a company. These ratios were used in this study. The following are the eight financial ratios which are Return on Equity Ratio (ROE) and Return on Investment (ROI) as part of profitability ratio, Current ratio and Cash ratio as part of liquidity ratio, Collection period, Inventory turnover, and Total asset turnover as part of Activity ratio, and lastly Total equity to total asset ratio as part of solvency ratio.

2.3 The Decree of Ministry of State-Owned Enterprise (SOEs)

The Ministry of SOEs' decree No. KEP-100 / MBU / 2002 provides a thorough evaluation that already covers financial ratio components such as liquidity, profitability, solvency, and activity ratios; it is used to determine the firm's financial health level. The decree also has a scoring system that might make level determination or assessment easier to understand. The Ministry of SOEs' Order No. KEP-100 / MBU / 2002, classify health level into 3 level which are; Healthy level, Less healthy level, and Un-healthy level.

2.4 Economic Value Added

EVA is the ongoing revenue from the financial activity. Stern Stewart & Co., a financial management consulting firm from the United States, created the EVA concept (Biddle et al., 1997). The value-added economic analysis is a value that a company provides to its shareholders for a specific time frame (Brigham & Houston, 2006, p. 68). EVA can be used to improve operational performance, which will raise the company's stock price. Seoki & Woo (2009) assert that EVA can be a significant control device in financial planning and control. Finding the value added over a predetermined period will allow you to evaluate the rise in profit margin and the lucrative reuse of assets. EVA is also used to assist in developing company plans. Economic Value Added (EVA) is used to explain how businesses are doing and determine their actual economic profit. Many businesses utilize EVA to calculate the cost of debt and equity capital to create economic value for their shareholders (Grant, 2003, p. 3).

2.5 Company Valuation

According to Investopedia.com (2020), valuation is a process of determining the worth or fair value of a company or an asset; currently or projected. In general, valuation is divided into 2 categories, namely absolute valuation and model relative valuation. The details will explain below. The widely-used DCF approach is just one of many assessment methods. The practice of comparative trading analysis is a common one. This entails using businesses with a comparable Standard Industry Classification (SIC) and other



attributes, such as geographic focus, financing model, and client segments, to those of the target company. The use of Discounted Cash Flow (DCF) valuation is the most fundamental method for figuring out the company's intrinsic value. Based on the amount of money investors will receive from an investment activity, this method forecasts cash flow. According to Damodaran (2010), there are four factors that act as drivers when determining a company's value using this approach. The first is the ability to generate cash flows from current assets, followed by growth rate, time until the company achieves stable growth, and cost of capital. The use of Discounted Cash Flow (DCF) valuation is the most fundamental method for figuring out the company's intrinsic value. Based on the amount of money investors will receive from an investment activity, this method forecasts cash flow. According to Damodaran (2010), there are four factors that act as drivers when determining a company's value using this approach. The first is the ability to generate cash flows from current assets, followed by growth rate, time until the company achieves stable growth, and cost of capital. FCFE requires that all input be based on accounting figures that are computed prior to interest payments to debt holders. FCFE uses a figure, in contrast, from which interest payments have been subtracted. A company's corporate value will be generated using FCFE as the analysis's foundation, and an equity value will be generated using FCFE. Since the acquirer typically takes on all debt and equity obligations, FCFE is more pertinent than the equity approach. The terminal value is the NPV of all upcoming cash flows accruing during the period covered by the scenario analysis. Because it is very difficult to forecast an exact number that illustrates how a company will develop over a long period of time, terminal values are based on average growth expectations.

2.6 External Analysis

External analysis is the study of a company's environment with the goal of evaluating external factors that affect markets and industries that the company cannot directly control. This analysis aims to identify any potential profit increases for the company as well as any business threats that should be avoided. Companies develop their own knowledge base and capabilities by gathering information from rivals, customers, and other stakeholders to understand their external environment (Hitt, 10th edition). One method for examining external analysis is PEST analysis. PEST analysis talks about the external factors of company based on political, economic, social, and technology condition.

3. RESEARCH METHODOLOGY

This research is included in the type of descriptive research of data that has been analyzed through the financial tools that the author has explained in the previous chapter. The determination of sample selection in this study is to use a purposive sampling technique, where the data is adjusted to the criteria determined. The determined criteria are (1) Companies that are included in the coal mining industry; (2) Companies listed on the Indonesia Stock Exchange; and (3) Companies that have completed annual reports during the study period of the year 2017 to 2021. This research uses secondary data obtained from annual reports and audited financial reports of BUMI, ADRO, and PTBA, the author accessed from the Indonesia Stock Exchange website and each companies' official website. The literature review in this research is based on related books and journals and also the financial data accessed from the Yahoo Finance website. Economic data in calculating WACC, such as Beta acquired from Indonesian Securities Rating Company (Pefindo) website, risk free rate data from ten-year bonds issued by the Indonesian government, as well as risk premium data from implied market risk premium data of Indonesia. The author will do the company financial performance analysis using financial ratios analysis based on decree of Ministry No.KEP-100 / MBU / 2002, Economic Value Added (EVA), and DCF valuation for Internal Analysis and PEST for the External analysis. This study will compare 3 coal companies to look which company that has the best financial performance based on financial ratio analysis and EVA method.

4. RESULT AND DISCUSSION

4.1 Financial Ratio Analysis

The financial ratio analysis is divided into 4 categories, below are details of each category in the financial ratio analysis.

- **Health Assessment of Financial Ratio Analysis**

After all of element in financial ratio analysis have been calculated then based on decree of Ministry No. KEP-100 / MBU / 2002, the rating of health level of all element can be classified into:



Table 4.1 Health Assessment Classification

Healthy		Less Healthy		Unhealthy	
Score	Rating	Score	Rating	Score	Rating
>95	AAA	50 < TS ≤ 65	BBB	20 < TS ≤ 30	CCC
80 < TS ≤ 95	AA	40 < TS ≤ 50	BB	10 < TS ≤ 20	CC
65 < TS ≤ 80	A	30 < TS ≤ 40	B	TS ≤ 10	C

Source: Decree of Ministry No.KEP-100/MBU/2002

• Health Assessment of BUMI

Table 4. 2 Health Assessment of BUMI

INDICATORS	2017		2018		2019		2020		2021		Q3 – 2022	
	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score
ROE	(83.90 %)	0	(110.55 %)	0	(3.13 %)	0	(58.42 %)	0	(35.06 %)	0	(304 %)	0
ROI	1.28%	3	6.43%	5	2.20%	3	1.38%	3	6.95%	5	5.75%	5
Cash Ratio	4%	0	9%	1	6%	1	7%	1	8%	1	16%	3
Current Ratio	57%	0	40%	0	39%	0	31%	0	27%	0	37%	0
Collection Period (Days)	-	0	89 days	4.5	104 days	4	101 days	4	104 days	4	70 days	4.5
Inventory Turnover (Days)	-	0	16 days	5	9 days	5	12 days	5	11 days	5	6 days	5
Total Asset Turnover	-	0	44.95%	2.5	54.45 %	2.5	48.59%	2.5	42.90%	2.5	31.93 %	2
Tot. Equity to Tot. Assets	7.75%	4	12.89%	6	11.6%	6	3.87%	4	15.30%	6	24.05 %	7.25
Total Score		7		24		21.5		19.5		23.5		26.75
Total Weight		10.0 %		34.3 %		30.7 %		27.9 %		33.6 %		38.2 %
Healthy Level		C		B		B		CCC		B		B

Source: Author's Analysis



• Health Assessment of ADRO

Table 4. 3 Health Assessment of ADRO

INDICATORS	2017		2018		2019		2020		2021		Q3 – 2022	
	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score
ROE	13.74 %	18	11.33 %	16	11.04 %	16	4.10%	7	22.63 %	20	37.41 %	20
ROI	43.74 %	15	43.27 %	15	29.23 %	15	25.74 %	15	42.60 %	15	41.59 %	15
Cash Ratio	179%	5	125%	5	128%	5	117%	5	153%	5	189%	5
Current Ratio	243%	5	196%	5	171%	5	152%	5	212%	5	246%	5
Collection Period (Days)	36 days	5	38 days	5	32 days	5	31 days	5	41 days	5	47 days	5
Inventory Turnover (Days)	10 days	5	11 days	5	13 days	5	15 days	5	11 days	5	12	5
Total Asset Turnover	108.85 %	4.5	113.61 %	4.5	88.92 %	3.5	75.55 %	3.5	80.54 %	3.5	68.35 %	3
Tot. Equity to Tot. Assets	60.05 %	8	60.94 %	8	55.19 %	8.5	61.92 %	8	58.76 %	8.5	62.69 %	8
Total Score		65.5		63.5		63		53.5		67		66
Total Weight		93.57 %		90.71 %		90.00 %		76.42 %		95.71 %		94.28 %
Healthy Level		AA		AA		AA		A		AAA		AA

Source: Author's Analysis



• Health Assessment of PTBA

Table 4. 4 Health Assessment of PTBA

INDICATORS	2017		2018		2019		2020		2021		Q3 – 2022	
	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score
ROE	32.90 %	20	31.37 %	20	22.22 %	20	14.24 %	18	32.87 %	20	38.95 %	20
ROI	49.21 %	15	44.15 %	15	35.01 %	15	25.66 %	15	44.34 %	15	39.75 %	15
Cash Ratio	88%	5	134%	5	160%	5	139%	5	183%	5	149%	5
Current Ratio	246%	5	238%	5	249%	5	216%	5	243%	5	225%	5
Collection Period (Days)	100 days	4	48 days	5	42 days	5	33 days	5	39 days	5	50 days	5
Inventory Turnover (Days)	22 days	5	27 days	5	23 days	5	17 days	5	15 days	5	32 days	5
Total Asset Turnover	136.27 %	5	134.43 %	5	129.82 %	5	121.13 %	5	114.06 %	4.5	93.93 %	4
Tot. Equity to Tot. Assets	62.76 %	8	67.31 %	8	70.59 %	7.5	70.41 %	7.5	67.14 %	8	61.14 %	8
Total Score		67		68		67.5		65.5		67.5		67
Total Weight		95.7 %		97.1 %		96.42 %		93.57 %		96.42 %		95.7 %
Healthy Level		AAA		AAA		AAA		AA		AAA		AAA

Source: Author's Analysis



After seeing the analysis above, it can be concluded that the results of the financial ratio analysis based on Decree of Ministry No.KEP-100 / MBU / 2002 show that BUMI's financial performance in the 2017-3rd quarter of 2022 period is still in the not good category. This can be seen from the results of an assessment above, the financial performance of BUMI companies in table 4.3. Based on the table, it can be seen that BUMI's financial performance in 2017 was at the unhealthy level with a C predicate, this is very different when compared to ADRO and PTBA in the same year. ADRO and PTBA in 2017 received the Healthy Company predicate with the AA and AAA predicate. This difference in the healthiness of financial performance is caused by the ROE value of BUMI in 2017 which was at a bad rate (-83.90%) when compared to ADRO (13.74%) and PTBA (32.90%). This trend continued throughout 2017-2018, the ROE value from BUMI continued to get a negative value. The peak was in 2020 when BUMI's shareholder equity and net income were negative. This has a very big influence on BUMI's overall score of healthy assessment. If seen from the analysis of healthy assessment above, BUMI's financial performance every year is always below PTBA and ADRO. Even though in 2018 and 2019 BUMI's financial performance had improved, its overall value was still not satisfactory. In 2021 and 3rd quarter of 2022 BUMI's financial performance is improving again, even though the ROE value is still negative, this indicates good things for the development of the company's financial performance. Coupled with the rising price of coal issuers in 2021, it is hoped that it will help boost BUMI's financial performance.

4.2 Economic Value-Added Analysis (EVA)

The following are the results of descriptive statistical analysis of Economic Value-Added Assessment for the period 2017-3rd quarter of 2022 of BUMI with two other companies (ADRO and PTBA) as the company's benchmark.

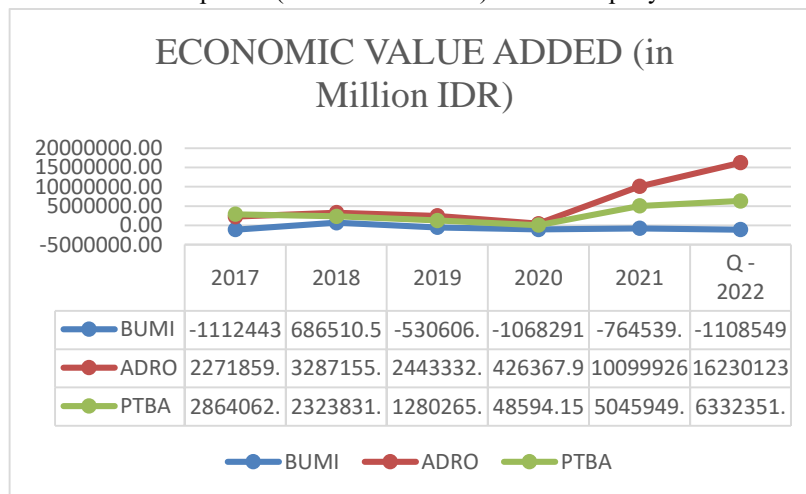


Figure 4. 21 EVA Analysis of BUMI, ADRO, and PTBA

Source: Author's Analysis

From figure 4.21. above, the EVA value of BUMI has experienced quite high fluctuations from 2017-3rd quarter of 2022. The EVA value of BUMI almost every year has a negative value, in 2017 the EVA value of BUMI has a value (IDR -1,112,443.68 million), this means that BUMI in 2017 suffered a loss from all capital costs incurred. A negative EVA value is certainly a bad indication for the company, because it illustrates that the company cannot generate profits from its operational activities. In contrast to ADRO and PTBA in 2017 these two companies were able to produce good EVA values. In 2018 the EVA value of BUMI has increased by generating value (IDR 686,510.50 million) this is the impact of the increase in NOPAT from BUMI in 2018 which is worth (IDR 1,670,635 million), but even so when compared to ADRO and PTBA the value of EVA from BUMI is still are in poor performance. In 2018 ADRO was able to generate EVA of (IDR 3,287,155.68 million) while PTBA produced EVA of (IDR 2,323,831.05 million). The decline in the EVA value from BUMI occurred again in 2019, the EVA value from BUMI in 2019 again received a negative value of (IDR -530,606.92 million). 2020 was a bad year for the economy of every company, this happened because all business lines were paralyzed by the impact of the co-19 pandemic. In 2020, BUMI's financial performance based on EVA analysis has worsened again. The EVA value of BUMI in 2020 fell again to (IDR -1,068,291.61 million). In 2021 the NOPAT value from BUMI



has increased significantly, the NOPAT from BUMI in 2021 has a value (IDR 803,020 million) but even though the NOPAT from BUMI is at its highest throughout 2017-2021, the EVA value from BUMI is still at a negative value, namely of (IDR -764,539.83 million). In 3rd quarter of 2022 the EVA of BUMI is still in negative percentages. EVA of BUMI in this period is (IDR -1,108,549 million). What happened to BUMI is very contrast with what was experienced by ADRO and PTBA which in 3rd quarter 2022 produce their highest EVA value.

4.3 Company Valuation

• **Relative Valuation**

Table 4.4 Relative Valuation

Relative Valuation (per 2022)	BUMI	ADRO	PTBA	AVERAGE
PER (Price Earning Ratio)	2.11	2.38	2.91	2.47
PBV (Price Book Value)	0.00	1.19	1.29	0.83
EV (Enterprise Value)/EBITDA	32.78	2.76	2.34	12.63
EV/Sales	3.03	0.78	0.65	1.49
ROA	4.43%	13.49%	26.28%	15%
ROE	-	24.02%	38.75%	31%

Source: Author's Analysis

• **Absolute Valuation**

Table 4.5 Key Assumption for Valuating FCFF

Assumptions:			
Risk-free rate	7.46%	Indonesia 10-year Bond Yield, adjusted	
Equity Risk Premium	9.23%	Damodaran for Indonesia, adjusted	
B BUMI	1.038	Pefindo Data adjusted or regression	
ke	17%	CAPM	
ke (adjusted)	11.57%	Adjusted as ke based on CAPM seems to be too high	
Bond spread (rating)	A (Pefindo)	3.70%	
kd	11.16%		
After-tax kd	8.8179800%		
BV of Equity	Rp 9,213,481,000,000	D/E ratio	27% Equity
BV of Debt	Rp 24,819,471,000,000		73% Debt
WACC	9.56%		
Terminal growth rate	4.79%	GDP Growth Rate	

Source: Author's Analysis

Based on this assessment, the BUMI terminal's estimated value after ten years is (IDR65,801,104,864,168.60) The valuation summary appears below.



Table 4.6. The Summary of Valuation (In Million IDR) (1)

	0	1	2	3	4	5	6	7	8	9	10
	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Terminal Value											65801105
Total FCFF	18001242	81933261	3176112	3153253	3130559	3108028	3085659	3063452	3041404	3019514	2997783
PV of FCFF	18001242	74781156	2645816	2397478	2172449	1968542	1783773	1616347	1464635	1327164	1202595

Source: Author's Analysis

Table 4.7. The Summary of Valuation (2)

	Disc. FCF
Firm intrinsic value	Rp 117,756,828,300,234.00
Debt outstanding	Rp 24,819,471,000,000.00
Total Present Value	Rp 92,937,357,300,234.20

Source: Author's Analysis

Table 4.8. Estimated value/Share vs Current Market Price

	Disc.FCF	Relative
Shares outstanding	371,320,000,000	
Intrinsic value / share	Rp 250.29	Rp 122.68
Target Price	Rp 160.97	
Current Price (02 Feb 2023)	Rp 147.00	
Upside	9.50%	

Source: Author's Analysis

According to the results of these calculations, the current share value is IDR147,00 less than the intrinsic value of IDR250,29 (DCF), while the relative valuation yielded a value of IDR122,68. So based on the valuation the result is upside by 9.50% and the recommendation decision is **HOLD**.

Table 4.9. Sensitivity Analysis

SENSITIVITY ANALYSIS					
	TERMINAL GROWTH RATE				
WACC	4.29	4.54	4.79	5.04	5.29
10.56	224.5	226.66	229.02	231.58	234.39
10.06	233.18	235.86	238.78	242	245.56
9.56	243.33	246.69	250.29	254.51	259.11
9.06	255.4	259.69	264.48	269.87	275.97
8.56	270.06	275.67	282.03	289.3	297.67

Source: Author's Analysis

The table above shows a sensitivity analysis of the previously performed valuation calculations. The sensitivity analysis is carried out by assuming the WACC and Terminal Growth Value values are above, or below the valuation calculations. Sensitivity analysis is useful to make it easier for analysts to make decisions and understand uncertainties that can arise at any time. Sensitivity analysis is also useful for providing a higher level of credibility in a finding. This analysis adds credibility to the financial model by testing



the calculation results across a range of possibilities. The valuation is based on assumptions taken in limited available data and information. Moreover, there market is volatile and changes daily, thus further observation on the market is highly needed.

4.4 External Analysis with PEST

Table 4. 1 PEST Analysis of BUMI

Political	
Issues	Business Impact
Tax policy - There is a potential change in tax policy from the state and regional governments who are considering a special coal taxation policy to reduce the carbon footprint of the energy sector	The application of taxes on coal products has an impact on increasing coal prices for product consumers. This can trigger a reduction in the volume of product orders from before the policy.
Business regulations - currently the Indonesian government is planning changes to regulations regarding how coal companies can contribute to the local market, while in the international market the price of listed coal companies is increasing.	This policy will have an impact on reducing the number of exports made by coal companies. Because coal companies must prioritize domestic needs first, the result is that the profits received by the company are not maximized because the price of coal in the domestic market is lower
Other stakeholders such as community organizations, protest & pressure groups, activist movements play a critical role in policy making in Indonesia. So, the company must be able to work well with these parties so that it can provide good results for the community and the company.	Companies must pay more attention to the impact of business operations on the surrounding environment, implement an environmentally friendly business operating system and maintain good relations with the community in the area of operation.
The recent heated conflict between Russia and Ukraine has had an impact on the demand for coal in the international market so that special policies are needed in each country based on the specific requirements of the coal industry.	The demand for listed coal companies has increased due to reduced international coal supply, for this reason companies must be able to meet demand as much as possible and maximize company sales.
Economic	
Issues	Business Impact
Economic Cycle - The performance of coal companies in Indonesia is closely correlated with the performance of the Indonesian economy. Recent economic growth has prompted companies to be ready to serve the global market	Indonesia's continued strengthening economic performance will boost company performance in its operational activities, maximize production levels and meet national and international markets.
Price of Coal Issuers - The price of coal issuers in recent years has been increasing, companies must be able to maximize this to generate profits	The increase in coal prices is a huge potential for companies to reap maximum profits by maximizing production capacity and meeting market needs.
Inflation Rate - there is an issue of recession in 2023 causing companies to be prepared for all possibilities.	A recession is a very big risk for companies because a recession results in decreased purchasing power which causes the company's income to fall and it will have impact to the company's cash flow.
Exchange rates – currently the rupiah exchange rate against the USD is still quite large, therefore trading in the international market must be able to be utilized properly.	Coal companies benefit when the selling value of the USD is high against the rupiah because the company sells most of its products to the international market.
Social	
Issue	Business Impact
Social media – the use of media is very important in influencing Indonesian public opinion in order to maintain the company's image. Companies should also be able to take advantage of this to better market and position their products.	All company stakeholders must maintain the good name of the company to maintain a good reputation. Company management must also be able to use the media to enhance the company's image in order to attract new customers.



Community norms and hierarchies – knowledge of market characteristics must be understood by companies to build better relationships in the context of buying and selling (business) products	With the large number of countries that are consumers of coal companies, companies must know the various characteristics of consumers in order to provide the best service in order to build good relationships.
Customer Satisfaction – companies must be able to provide a good customer experience to maximize customer satisfaction.	Companies must be able to maintain good relationships with their customers to maintain long-term and sustainable transactions.
Technological	
Issue	Business Impact
Technological innovation provides great information access not only to corporate partners but also to other players in the wider industry.	Companies must be able to provide information that is as complete as possible to provide details on the condition of the company and products as data that can be compared by potential customers in choosing the product to choose.
Technology-based innovation must be implemented by the company to provide good insight into the products it offers and show the company's advantages compared to competitors.	Digitalization is needed for every company to make it easier for potential customers to access company information. This information provider platform must be made easy to understand and show the company's advantages.

Source: Author's Analysis

4.5 Business Solution

From the analysis above, the researcher found that BUMI's financial performance based on Financial Ratio Analysis according to Decree of Ministry No. KEP-100 / MBU / 2002 was classified as having poor financial performance. In 2017 BUMI was classified as having a financial performance with the unhealthy company title, in 2018 it was less healthy, in 2019 and 2020 it again received the unhealthy title, and in 2021 it received the less healthy title. From this statement the researchers concluded that based on financial ratio analysis, BUMI's financial performance was still not good. Apart from that, from EVA analysis, BUMI companies also show poor financial performance, because during the 2017-3rd quarter of 2022 period BUMI has a negative EVA value. And from the relative valuation analysis researcher found that the value of BUMI is still below their competitor in this case ADRO and PTBA. To winning the competitiveness of the market BUMI must improve their ROE percentage and optimize their operational activity. From absolute valuation, BUMI's current share price (IDR 147) is still below their intrinsic value so BUMI still potential to grow their share value. Below is a proposed solution that researchers propose for management of the company to apply to solve their business issues.

- **Pressing Company Capital by Vertical Integration in Supply Chain**

The company's capital emphasis is carried out to reduce the amount of the company's burden in order to maximize the profits that can be obtained by the company. BUMI needs to make cost efficiencies in its sales process. This can be done by implementing an efficiency strategy in the process of distributing the right product. The emphasis on capital for BUMI can be done through reducing the cost of basic prices or operational costs. Reducing these costs can be done by screening company goods, reducing maintenance costs and prioritizing equipment and equipment that must be replaced. Improving the ratio of billing periods by paying attention to the details of the management system such as timeliness in making agreements with related parties is also one way to reduce unnecessary costs.

- **Manage Debt Well**

Judging from the historical data in BUMI's annual report, BUMI has a very high debt level. To manage this debt so that it is good for the company, BUMI must make a mature plan before applying for debt. This can be done by planning the posts that will most need to use the loan funds. Next, the amount of debt must be adjusted according to needs. To do this, the company needs to make detailed financing budgets and must also adjust to the company's ability to pay off the debt. In addition, the company must also be able to measure the risk of the proposed loan. BUMI must also avoid paying its debts using other debts. This needs to be avoided because it will actually continue to add to the company's burden. BUMI can also get funds to cover their debts by issuing new shares if necessary, or BUMI can increase the portion of equity and reduce the portion of debt in invested capital to improve its financial



performance, especially to create added value. To do this, BUMI can carry out strategies such as additional issuance of shares to attract investors to increase BUMI's funds to pay off its debts. Large corporate debt must be settled in advance through several alternative funding schemes such as private placement, rights issue or others.

- **Keep up and Increasing the Good Performance of EVA**

Maintaining and improving EVA performance is very important for BUMI to attract new investors. BUMI's business, which is a company that produces coal for domestic and international markets, must be able to see the trend of increasing coal prices in the international market, BUMI must be able to see this opportunity to increase the company's profits as much as possible. BUMI must be able to implement an advertising process through various media to reach a wider market. For this reason, BUMI must be able to market its products to the international market. Besides that, seeing the impact of the conflict between Russia and Ukraine, and the closure of coal distribution to and from Russia, the demand for coal in the world is increasing. For this reason, companies must be able to capture high demand in order to distribute their products more widely. Long-term contracts with international or domestic markets can be a solution for declining profits due to decreased demand. In addition, this can also increase customer loyalty if the cooperative relationship goes well.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

- Based on an analysis of the financial ratios for the 2017-2021 period, guided by the decree of the Ministry No. KEP-100 / MBU / 2002, the financial performance of BUMI recorded an unfavorable performance. In 2017 BUMI's financial performance achieved the unhealthy level with the lowest predicate, namely C predicate. Furthermore, in 2018 BUMI's financial performance showed an increase to a less healthy level with a B predicate, in 2019 BUMI is still in less healthy classification with B predicate and after that in 2020 BUMI experienced a decline in financial performance by obtaining unhealthy company levels. with CCC predicate. In 2021, BUMI's financial performance has managed to improve to a less healthy level with a B predicate. Finally, on 3rd quarter of 2022 BUMI succeed to increase their performance again with the weigh level 38.2%, its highest percentage from 2017. Overall, the author considers that BUMI's financial performance based on financial ratio analysis is not good when compared to the ADRO and PTBA benchmarks.
- Based on Economic Value-Added analysis from BUMI companies in the 2017-3rd quarter of 2022 period. The company's financial performance based on EVA analysis shows unfavorable results. This can be seen from the results of the EVA analysis from 2017-3rd quarter of 2022 from BUMI which always produces a negative value except in 2018, this means that in almost every period BUMI cannot make a profit from the capital it has invested.
- Based on Valuation analysis, using discounted cash flow of FCFE method, the terminal value of BUMI after ten years is IDR65,801,104 Billion. In addition, the intrinsic value of BUMI's share is IDR250,29. Meanwhile, shares are traded on the IDR market currently is IDR147,00 (2 February 2023). BUMI's current share price is less than its intrinsic value.

5.2 Recommendation

In this chapter the researcher will provide recommendations to two parties. The first is for the BUMI company itself to improve its financial performance and the second is for further research.

5.2.1 Recommendation for Management of BUMI

- Increase the level of sales in order to generate higher profits than previous periods. This can be done by optimizing the role of the media to reach a wider market and also reading the potential of the international market.
- Expense efficiency - BUMI needs load efficiency to reduce costs that must be incurred each year.
- Manage debt - debt management performance is also an important thing for BUMI to do, this is due to the recent high level of BUMI's debt but the income earned is not commensurate with the debt.

5.2.2 Recommendation for Investor

When a company's share is undervalued, so based on the valuation result the recommendation for investor's investment decision is to buy or hold the shares based on that because the market price is lower than its intrinsic value. BUMI performance is also show the significant increasing in the last 3 years. Despite uncertain market conditions, increasing tax regulation, and increased supply, BUMI is still potentially grow because of the price of coal is still high on the international market.



5.2.3 Recommendation for Future Research

For further research, the researcher suggests expanding the analysis using valuations to measure the investment value of the company and analyze the stock potential of this company.

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