


Financial Performance Analysis of PT. Indosat, Tbk Before and After the Merger

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Article Info	ABSTRACT
Keywords: DuPont System, ROE, ROI, FLM.	PT. Indosat is a company that merged with PT. Hutchison 3 Indonesia in 2022. To compare the company's financial performance before and after the merger, this writing was carried out by utilizing financial reports for each of the 2 years before the merger (2020-2021) and after the merger (2022-2023), then the data was processed using the DuPont System method and analyzed. The results of the Dupont system analysis show that PT. Indosat has the ability to generate profits for owners from its own capital very well before the merger, especially during the transition period because ROE (0.05) in 2020 becomes 0.67 in 2021 before the merger, and tends to decrease from 0.17 in 2022 to 0.14 in 2023 after the merger. PT Indosat's financial performance before the merger was poor and increased to very good from 2020 to 2021, and after the merger the financial performance decreased quite a lot, but was still classified as good.
This is an open access article under the CC BY-NC license 	Corresponding Author: Dinatonia Joverly Matruty, Management Study Program Pattimura University Indonesia.Jl. Ir. M. Putuhena, Poka, Kec. Tlk. Ambon, Kota Ambon, Maluku Email: dinatonia_matruty@yahoo.com

INTRODUCTION

The development of communication was very rapid in the 20s. This era requires humans as individuals as well as every business entity to be able to adapt quickly so that they are not left behind and crushed by the speed of development of communication technology. Digitalization technology is a media that is currently needed because it is able to provide information quickly. The importance of providing information quickly provides opportunities for telecommunications service providers to prepare information channels needed by the public and the business world. Cellular telecommunications service providers continue to strive to meet the needs of their consumers by managing communication data using voice and communication using data, images and video which form multimedia communications. Seeing the current development of information technology and the rapid development of technology in the telecommunications sector as well as communication services in the mobile sector *evolutions* allows users to interact with each other. One of the leading companies engaged in telecommunications and information services in Indonesia is PT. Indosat Tbk. PT. Indosat Tbk is one of the public companies listed on the Indonesian Stock Exchange with the code "ISAT" and the New York Stock Exchange (NYSE) in the telecommunications sector which serves people throughout the archipelago, determined to provide the best telecommunications services and telecommunications networks in Indonesia. and meet telecommunications standards that are accepted internationally and are realized by relying on the capacity of all Indonesian citizens.

PT. Indosat Tbk provides communication services for mobile phone users with the IM3 brand for users or cell phones with a choice of prepaid and postpaid packages, as well as internet channels via fiber optic media with the Indosat HiFi label which users can use to communicate via fixed telephone voice or international direct dialing in addition to other services. multimedia and data communications.

PT. Indosat Tbk is not a monopoly company in the field of telecommunication services therefore competition is unavoidable. Business strategy transformation is carried out to balance and even excel from other telecommunications service providers by implementing the company's customer-oriented business and operational strategies. This transformation will make the company PT. Indosat Tbk becomes more *lean* (slender) and *agile* (agile) in adapting to competitors in the fast-paced telecommunications industry in Indonesia. Changes made by PT. Indosat Tbk aims to continue developing the best service providers in Indonesia. Collaboration with various technology companies is one way PT. Indosat Tbk to continue to improve itself because technology is developing rapidly. Meanwhile, the number of Indosat customers recorded by the end of 2022 reached 102.2 million customers (Source: www.ioh.co.id), this number places Indosat in second place as the best telecommunications service provider company in Indonesia after PT. Indonesian Telecommunication (Telkom) (source: www.market.bisnis.com).

Generally, the company's goal is to maximize profits in the long term by using resources effectively and efficiently, so as to increase added value for the company. This will appear when an analysis of the company's financial performance is carried out. Financial performance is a way of measuring a company's business capabilities from a financial perspective, which is based on financial reports. According to Harahap in Matruty (2011) financial reports are a means of information that summarizes all company activities. Thus, if the information is presented correctly, this information is very useful for everyone who needs it, especially management, for making decisions about the company. The types of financial report analysis vary according to the interests of the parties conducting the analysis. The analyzed financial reports are consumed by entrepreneurs, investors, banks, management, government and capital market players in the decision-making process.

Financial reports are the financial impact of transactions and other events which are classified into several large groups (elements of financial statements) according to their economic characteristics (Harmono, 2014). The elements in question consist of three elements in the balance sheet which are intended to measure financial position, namely assets or wealth, liabilities or debt and equity, and two other elements in the profit and loss statement, which are intended to measure performance, namely income and costs (Wairisa, et al. 2020)

Various financial analysis techniques were created by financial experts to measure a company's financial performance. Investors and financial analysts are accustomed to using ROI (return on investment) and ROE (return on equity) to measure a company's financial performance. One of the financial analysis techniques used is the DuPont system which Harahap (2002) states that the DuPont system approach is almost the same as ordinary financial report analysis, but the approach is more integrative and uses the composition of financial reports as an element of analysis, namely outlining the relationship between financial report items and detailed (Irmawan, 2023) DuPont analysis is an integrated approach to financial ratios. The approach is the same as analyzing financial reports in general, but the use is more integrative and refers to the elements of financial reports as components of the analysis, where the relationship between financial report items is explained in more detail. DuPont analysis is an integrated approach to financial ratios. Harahap further said that the DuPont System is an analytical tool used to see the overall relationship between the profit margin generated and the amount of funds invested in assets.

Syamsuddin (2016) said that this DuPont System analysis is comprehensive, includes the efficient use of company assets and is also used to measure the level of profit generated from sales of a company's products. The DuPont system analysis includes several ratios to find out how effectively the company is turning over its capital. Harahap (2016) describes the DuPont System method which combines several ratios including the activity ratio, namely Total Asset Turnover (TATO) with the profitability ratio, namely Net Profit Margin (NPM) and shows how these two ratios determine Return On Investment (ROI). This means that the analysis is not solely on profit achievement but is also related

to the level of investment used and the return to produce that profit (Lubis, 2018). Apart from that, Syafrida Hani (2015) states that the DuPont System analysis method can be added to one more ratio, namely Return On Equity (ROE) as an element in performance assessment, where the ROE value is obtained from the result of multiplying ROI and Equity Multiplier. The elements that form Equity Multiplier are produced from balance sheet accounts in the liability and equity groups, where Equity Multiplier is used to measure how the company's ability to multiply its equity or capital. The DuPont System uses the ROE ratio itself to measure how the company's ability to increase its return on equity and measures how effective the company's management is in utilizing investment funds or capital in carrying out its operational activities to generate profits. The greater the ROE, the better the company's development in using its capital to generate profits. This is because ROE consists of several elements, namely assets or assets used, capital or equity, sales, and profit on sales obtained by the company. So that the trend in ROE can be assessed as to the development of the effectiveness of the company's business operations, whether it shows an increase or a decrease.

This condition will be assessed at PT. Indosat Tbk, which has financial data as shown in table 1.

Table 1. Financial Data (in millions of Rupiah)

Year	Assets	Liabilities	Equity	Income	Cost	Profit
2020	62,778,740	49,865,344	12,913,396	27,925,661	25,526,332	-630,160
2021	63,397,148	53,094,346	10,302,802	31,388,311	21,034,305	6,860,121
2022	113,880,230	82,265,242	31,614,988	46,752,319	36,161,514	5,370,203
2023	114,722,249	81,013,457	33,708,792	51,228,782	40,801,060	4,775,741

Total assets of PT. Indosat, Tbk (table 1) before the merger in 2020 to 2021 experienced an increase of only 10% and after the merger in 2022 there was a quite large increase in assets, namely 80%. In 2023, company assets will increase by only 10%. A significant increase in assets in 2022 amounting to Rp. 50.48 trillion due to a business merger between PT. Indosat, Tbk and PT. Hatchison 3 Indonesia in 2022.

On the other hand, the company's liabilities before the merger were IDR 49,865,344 in 2020, and increased by 6% in 2021 to IDR 53,094,346. The increase in company debt after the merger is quite large, namely 55% from 2021 to 2022. This is very possible because of the debt of the two merged companies. This debt then tends to stabilize in 2023 because the increase is only 2%. This condition also occurs in company equity, where in 2020 the company's equity was IDR 12,913,396, experiencing a decrease in 2021 by 20% to IDR 10,302,802. The merger had a positive impact on PT Indosat Tbk where in 2022 the company's equity increased by 207% to IDR 31,614,988 and in 2023 it increased again by 7%.

The company's income (table 1) shows an increase from 2020 to 2021 of 12%, and the company was able to reduce expenses by 18% so that the loss the company previously experienced in 2020 was IDR. 630.16 billion, experienced a change to profit in 2021. Achievement of profit from losses that the company experienced before in 2020 was 90% in 2021 so that the company recorded a profit of IDR 6.86 trillion, this was due to net profits from sales and leasebacks towers which reached IDR 6.01 trillion, as well as profits obtained from the loss of control over subsidiaries which reached IDR 978.063 billion.

In contrast to the elements of the balance sheet which experienced an increase when a merger occurred, the elements in the income statement experienced the opposite, where income in 2022 experienced an increase of 49% but memory expenses increased much more, namely 72%, and this resulted in a decrease in the resulting profit. company after the merger by 20%. Profits will continue to decline in 2023 by 11% because the increase in company expenses (13%) is greater than the increase in company revenue which is only 10%. In 2022, the company's profit will be IDR 5.37 trillion,

this amount has decreased from the previous year. The profit obtained in 2022 itself is due to the loss of control of the subsidiary entity which reached IDR 3.49 trillion. The increase in operating expenses also increased by IDR 36.16 trillion. This increase in operating expenses included an increase in service provider expenses, depreciation and amortization expenses, and employee expenses.

PT Indosat claims to be the company with the most successful merger after merging with PT. Hutchison 3 Indonesia in 2022, but the company's profit condition decreased in the 2 years after the merger, namely 2022 and 2023 due to expenses that the company was unable to control. On the other hand, the increase in income is smaller than the company's expenses. This is the basis for this writing to determine the financial performance of PT. Indosat before and after the merger.

METHODS

Based on the company's financial condition described above, to find out the actual performance of PT Indosat, before and after the merger, it can be approached by analyzing the company's financial condition for 4 years. 2 years before the merger, namely 2020 and 2021 and 2 years after the merger (2022 and 2023). The data used is secondary data in the form of balance sheets and profit and loss reports published on the company website www.indopremier.com. Next, it was analyzed using DuPont System analysis.

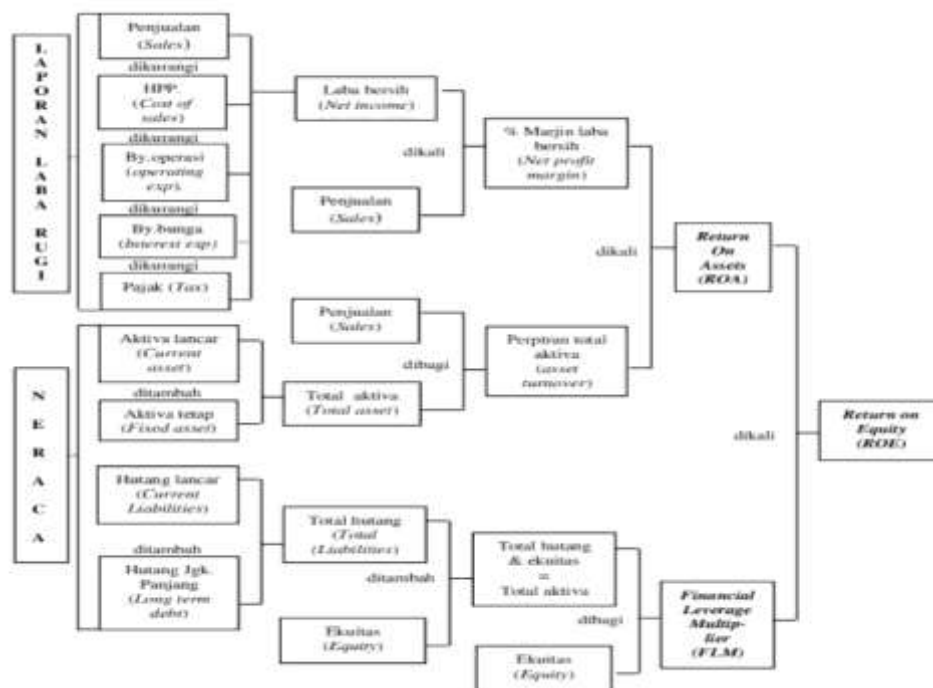


Figure 1. Du Pont Chart

The structured analysis of the Du Pont system that will be used in this paper can be seen in Figure 1, where the top part of the chart summarizes various activities in the profit and loss account and the bottom part summarizes various activities on the balance sheet. This system (figure 1) connects the chain (1) net profit margin (which measures profitability against sales) with total asset turnover (which identifies the company's efficiency in using its assets to generate sales). (2) In this chart, a modification of the Du Pont formula is applied which connects the return on total assets with the return on equity. Return on equity is calculated by multiplying the return on assets by the financial level multiplier (FLM).

RESULTS AND DISCUSSION

Generally, companies carry out mergers with the aim of increasing company growth due to the combination of greater quality resources, both financial, technological and human resources. PT. Indosat Ooredoo Hutchison Tbk is a merger company between PT. Indosat Tbk with PT. Hutchison 3 Indonesia with the commercial aim of creating a digital telecommunications and internet company that is bigger and stronger and able to provide added value for owners in addition to providing the best quality service for customers. Ensuring the actual financial performance of this merged company can be seen from financial analysis using DuPont System Analysis. This analysis then differentiates the financial condition of PT. Indosat, Tbk 2 years before the merger, namely 2020-2021 and 2 years after the merger, namely 2022-2023, as shown in Figure 2.

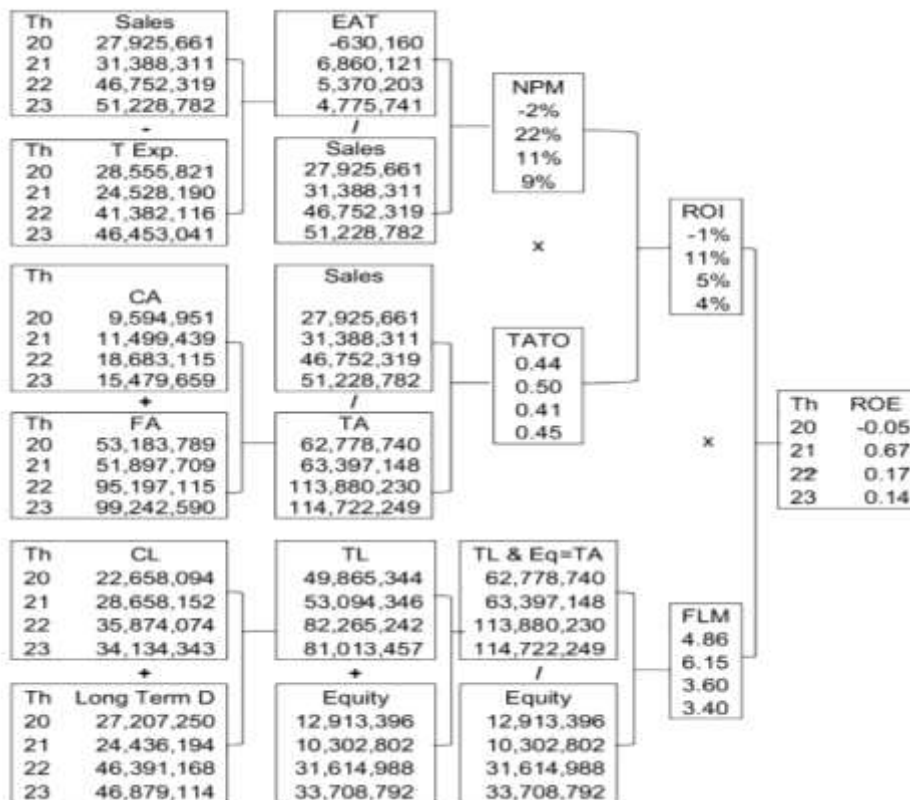


Figure 2. Du Pont System Before and After the Merger

The ROE (figure 2) generated by the company is a reward to shareholders when the company has not yet merged, namely in 2020 the company achieved an ROE of only (5%) and in 2021 it rose to 67%, meaning that every Rp. 100 of capital itself does not provide a profit in 2020 because the loss suffered was IDR 5 and in 2021 it generated quite a large profit, namely IDR 67, which is available for ordinary and preferred share holders. There is no standard ROE standard set for private companies, so as a comparison, the BUMN standard is used with the operational considerations of BUMN being almost the same as private companies. The ROE standard that will be weighted for infrastructure BUMN is -1% to 15%. Based on this standard, it can be said that the company is unable to produce added value for company owners in 2020 because (5%) is less than (1%) or below the lower limit of the specified standard so that when weighted the value will be 0 or below zero, so The company's financial performance is classified as not good. In 2021, the company's ability to generate added value for company owners (ROE) is quite large, even exceeding the standards set for BUMN, which are 15% and 20%, namely 67%. This condition shows that the company's financial performance, which was

previously not good, has become very good in 2021. This indicates operational efficiency, where the net profit margin percentage which was previously -2% in 2020 has increased to 22% in 2021. Increase in net profit margin (NPM) is due to efficiency in the cost component which is quite large, in addition to increasing sales. This change may occur because the company has entered the merger phase in September 2021.

Ratio Total asset turnover is a ratio used to measure how many sales will be generated from each rupiah of funds embedded in total assets. This ratio itself is a ratio to measure how effective a company is in using its funding sources and managing all its assets to be able to encourage productivity and boost profitability (Hery, 2017). TATTOO Ratio measuring the efficiency of asset use in 2020 as much as 0.44 times and in 2021 as much as 0.50 times if converted to the number of days, then the turnover time for assets used to generate revenue takes an average of 2 to 2.2 years.

Financial Leverage Multiplier (FLM) is a ratio that contributes to producing high or low ROE, because ROE is obtained from multiplying ROI and FLM (financial level multiplier) (Sundjaja and Barlian, 2003). FLM measures the effect of debt on ROE. If FLM is large or high then the effect on ROE is also large or vice versa. The calculation results (figure 2) show that the FLM values for 2020 and 2021 are 4.86 and 6.15 respectively. This shows the influence of debt which is used to increase returns to large shareholders, but in 2020 it was unable to increase returns to shareholders because ROE in 2020 was minus only in 2021 FLM was quite influential in increasing ROE.

The company's ROE after the merger, namely in 2022 and 2023, is 17% and 14%. This means that the company's ability to generate added value for company owners has decreased quite significantly compared to 2021. However, the company's performance is relatively good when compared to BUMN standards because the company is able to generate added value for shareholders or has the ability of its own capital to generate profits for shareholders. because IDR 100 of capital alone can provide added value of IDR 17 and IDR 14 for 2022 and 2023. This must get the attention of company management, so that it does not continue to decline in the years after 2023. At the start of the merger the company should be able to generate ROE which is bigger, but considering that the company is merging for reasons other companies have limitations regarding finances, human resources, technology and even the company's inability to pay off debt. The ROE generated during the full merger in 2022 will decrease because it is only 0.17 and will decrease again in 2023 to 0.14. This is because the debt ratio which is aimed at providing benefits with greater returns to shareholders actually decreases or is small. The company's FLM is only 3.60 and 3.40 in 2022 and 2023, because the debt the company has after the merger increases quite large, both short-term debt and long-term debt, while the increase in equity is relatively small compared to the increase in debt. Using too much debt intended to increase ROE will create disproportionate risks. It is common for a company to utilize debt and equity together to fund operations. But the use must be proportional, considering that too much debt poses a risk for the company.

If ROE is higher, the amount of net profit generated from each rupiah of invested funds will be higher (Kasmir 2016; Waskito and Faizah, 2021). The analysis results show that ROE before the merger has changed from not good to very good and ROE after the merger is classified as good but in a declining condition. Thus, PT Indosat's financial performance before the merger has increased to very good from 2020 to 2021, and after the merger the financial performance has decreased quite a lot, but is still classified as good, however the financial performance is still much better in 2021.

CONCLUSION

Mergers are a good step to strengthen a company's position in the business world, but they can also have negative impacts, if not managed well. PT. Indosat has quite large corporate debt after the merger. The company's ability to generate profits for shareholders is reflected in the ROE value which has increased from (0.05) to 0.67 and after the merger the ROE actually fell to 0.17 in 2022 and fell

again in 2023 to 0.14. Based on the achieved ROE value, PT. Indosat had very good financial performance during the transition period because ROE (0.05) increased to 0.67 before the merger, and after the merger the company's financial performance tended to decline. Due to declining company performance, it is recommended that companies can manage debt to spend on targeted assets, and debt utilization must be maximized to increase maximum returns to company owners. Utilization of assets to increase sales must be maximized while maintaining cost efficiency.

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