Analysis of Short Term Financial Performance: A Case Study of an Energy Service Provider

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Abstract
Objective – This study aims to analyze the short-term financial performance of an energy service company, and compared to companies in the oil and gas mining sub-sector. The results of this study indicate the profit and loss, asset management, and profitability of the company in the last 5 years.

Design/methodology – The method used is descriptive method and quantitative method. The period of analysis of financial statement data is 2013-2017. This study uses (1) trend analysis to see a comprehensive picture of the company (2) financial ratio analysis to see company performance (3) comparative analysis comparing company financial statements with similar industries (4) SWOT analysis to determine strengths, weaknesses, opportunities, and threats and strategies needed by the company.

Results – The Cost of Goods per Sales ratio tends to decrease, so sales decline. The company's EBIT trends are relatively smaller than the industry average. This reflects that the sampled company has not maximized the company's EBIT. The company has tried to maximize gross profit and with good asset management will have an impact on increasing profitability in the future.

Keywords: Corporate Governance, Ownership Structure, Financial Performance.

1. Introduction

Our case study involving an energy service company that provides a variety of leading solutions in the Oil and Gas Industry. It provides support services for the energy industry and provide a variety of services to meet the needs of its customers, both onshore and offshore. The company and its subsidiaries have around Rp 1.8 trillion in sales, employ around 3,155 people and operate in 12 branches/representative offices throughout Indonesia.

The company was established in 1984 based on Deed of Establishment No. 41 dated August 22, 1984. The company has experienced in the Oil and Gas industry sector in Indonesia for more than 30 years in providing technical support services for the oil and gas sector from upstream to downstream, and also with other related industries. The company debuted in the capital market in 2006, with a profit of Rp. 42,500,000,000, - from the Initial Public Offering (IPO). On July 12, 2006, the company first went public and was effectively listed on the Indonesia Stock Exchange with a total of 770 million shares with the its code.

As a holding of several subsidiaries engaged in the Oil and Gas industry in Indonesia, the company serves business fields such as Inspection & Certification, Technical Support Services, Agency & Trading, Marine & Construction, and Offshore Production Facilities.

The area of employee expertise continues to be expanded upstream and downstream in the oil and gas sector and other industries. With reliable human resource management, an extensive network from domestic to international, and has been active in the oil and gas business line in Indonesia, the Company will continue to grow in line with the development of oil and gas projects in the coming years.

In accordance with the identification of the problem, the research objectives are:
1) To find out the analysis of Profit and Loss of an energy service provider
2) To find out the analysis of Asset Management of an energy service provider

2. Literature Review

Financial performance

Financial performance is a picture of the company's financial condition in a certain period both regarding aspects of raising funds and channeling funds, which are usually measured by indicators of capital adequacy, liquidity, and profitability (Jumingan, 2009:53).

Asset Management

Management is the effective use and coordination of resources such as capital, buildings, materials, and human resources to realize goals in the most efficient manner. From an economic perspective, assets are anything that has economic value that can be owned either by individuals, companies, or the government that can be valued financially.

Short-term Debt

According to Ikatan Akuntan Indonesia (2018) an entity clarifies a liability as a short-term liability if:
1) The entity estimates that it will settle the liability within the normal operating cycle.
2) The entity has such liabilities for trading purposes.
3) The liabilities are due to be settled within twelve months after the reporting period.
4) The entity has the unconditional right to suspend the settlement of the liability for at least twelve months after the reporting period. Liability requirements that can result in the settlement of the liability by issuing an equity instrument, in accordance with the choice of the opposing party, do not have an impact on the classification of the liability.

An entity classifies a liability that is not included in the criteria above as a long-term liability.

Financial Ratios

Financial ratios are a company's financial analysis tool to assess the performance of a company based on the comparison of financial data contained in the financial statement post (balance sheet, income statement, cash flow statement).The ratio describes a relationship or balance between a certain amount with another amount.

Types of Financial Ratios

In general, financial ratios can be classified as follows:
1) Liquidity ratio
   This ratio is used to measure the company's ability to guarantee its current obligations, including:
   a) Cash Ratio: to measure the amount of cash available to pay off short-term obligations as indicated by the availability of cash funds or cash equivalents, for example checking accounts.
   b) Quick Ratio: the company's ability to pay short-term liabilities using current assets or without calculating inventory because inventory will take more time to cash than other assets. This quick asset consists of

receivables and marketable securities. So the bigger this ratio the better.

c) Current Ratio: the extent to which a company's current assets can be used to cover short-term liabilities or current debt.

2) Profitability Ratio

The analysis of profitability ratio include:

a) Gross Profit Margin: a percentage of gross profit compared to sales (Syamsuddin, 2009). Fraser & Ormiston (2008) state that the GPM ratio is a gross profit margin. Gross profit margin shows the relationship between sales and cost of goods sold.
b) Operating Profit Margin: is a ratio that describes the pure profit received for each rupiah from sales made (Syamsuddin, 2009). The OPM ratio, the percentage ratio used in the calculation comes from the company's main business activities (Prastowo & Julianty, 2008).
c) Net Profit Margin: is the ratio between net profit, which is sales after deducting all taxes, then compared to sales (Sangkala, 2013). The NPM ratio measures the rupiah profit generated by each one selling rupiah. This ratio gives a picture of earnings to shareholders as a percentage of sales (Siegel & K.Shim, 2005).

3) Activity Ratio

A ratio that measures how effective a company is in utilizing all the resources at its disposal. All of these activity ratios involve a comparison between the level of sales and investment in various types of assets.

a) Inventory Turn Over (INTO): to measure how effectively the inventory changes or sells in one period.
b) Account Receivable Turnover (ARTO): to measure how long the collection of accounts receivable in a period or how many times the embedded funds revolve.
c) Current Asset Turn Over (CATO): used to measure the turnover of all company assets and measure the number of sales obtained from those assets.
d) Total Asset Turn Over (TATO): shows the level of efficiency of the overall use of company assets in generating certain sales volumes (Sennahati, 2012).

3. Research Method

Trend Analysis

In this research, trend analysis is used to see the direction of the tendency of the studied variables based on the specified time series. Trend analysis is stated in the trend equation, and it is easy to see whether it has a positive or negative trend (decreases).

Financial Ratio Analysis

Financial ratio analysis uses the existing financial statement data as a basis for valuation. Although based on data and past conditions, financial ratio analysis is intended to assess financial risk is intended to assess the risk of opportunities in the future for the data. Measurements and relationships of one item with another item in financial statements that appear in financial ratios can provide meaningful conclusions in determining the level of the financial health of a company. But if just paying attention to a ratio tool is not enough, an analysis of the competition being faced by company management in a broader industry must be carried out and combined with qualitative analysis of business and manufacturing industries, qualitative analysis and industrial studies.

Comparative Analysis

Comparative Analysis is a financial statement analysis technique that is done by presenting financial reports horizontally and comparing them with one another, by showing financial information or other data both in rupiah or in units. This comparison technique can also show increases and decreases in rupiah or units and also in percentages or comparisons in the form of comparison figures or ratios.

SWOT Analysis

SWOT stands for strengths, weaknesses, opportunities, and threats. This SWOT is used to know the state of the organization more comprehensively.

4. Result and Discussion

SWOT Analysis

The results of the company's SWOT analysis are:

a) SO Strategy. Develop marketing quality with technological developments to increase revenue.
b) WO Strategy. Look for growth by adding new products and markets.
c) ST Strategy. Provide innovation to realize the role, function, and benefits of tourism by means of promotion, fish and modern technology.
d) WT Strategy. Improving the quality of tourism services and environmental sustainability.

Table 1. SWOT Analysis of PT Radiant Utama Interisnco, Tbk.

Intern / **Extern**	***Strenght***	***Weakness***
	• In 5 years have several contractual agreements with large companies • Total asset turnover is above the industry average	• Declining sales • Not able to reduce COGS and operating costs • Operating profit is still below average
Opportunity • A very large population makes a potential market share and investment prospect	SO Strategy • The company made a domestic contract by participating in several tenders • Strategic Business Unit (SBU), which respectively oversees the implementation of services and jobs that are categorized as similar or complementary between one another and covers cross-company covers the Company and Subsidiaries.	WO Strategy • With the investment prospect, the company must invest in a subsidiary to increase the company's operating profit
Threat • Uncertain global oil price prices • Industry sensitivity to currency rates	ST Strategy • More empowering domestic vendors than foreign vendors so there is no risk of foreign exchange differences	WT Strategy • With the erratic world oil prices resulting in declining sales each year, the company must increase cooperation with companies that already have work contracts

Analysis of Profit and Loss

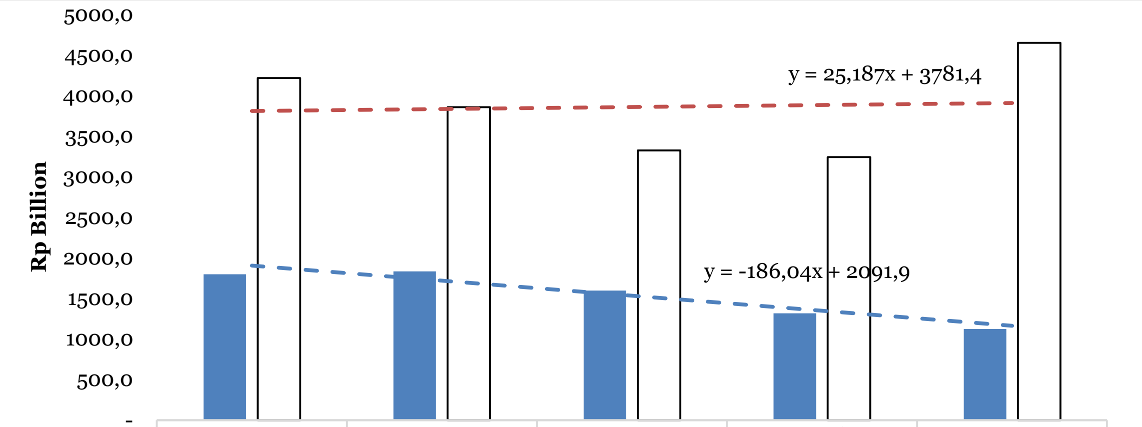
Analysis of the results of the calculation of profit and loss is as follows:

Short Term Financial Performance

a) Sales

The sales of the companyshowed a declining trend but in 2013 - 2014 experienced an increase and then decreased until 2017. The company's sales recorded an increase due to an increase in revenue recorded by inspection services and operational support services. This is due to obtaining contracts throughout the year. The increase in sales continued until 2014 in the contribution of the business segment providing inspection services in line with the increasing number and value of work from inspection services during 2014, agency services and offshore activities, this increase was contributed by river dredging work carried out by PT Supraco Lines, an entity children, which were only carried out in the second quarter of 2014, and other services including construction services and building management services.

The decline continued until 2016 due to the low acquisition value of contracts in the previous year and intense competition during the year which made the company very careful in calculating the value of bids that were included in the tender process especially in the oil and gas industry sector. This decline in sales occurred in all business segments of the company.



	2013	2014	2015	2016	2017
Sales	1796,548	1833,216	1598,265	1315,633	1125,128
Industry	4215,719	3855,834	3322,406	3242,677	4648,232

Figure 1. PT THE COMPANY Sales in 2013-2017.

Until 2017 the decline still occurred in sales. This is not only the impact of the low contracts won during the last 2-3 years, but also is caused by the low utilization of the contract value in the end. So it can be concluded that the decline in the company's sales was due to the deterioration of the oil and gas industry along with the decline in world oil prices, and also because of the decline in contracts that won the company so that it affected the sales. What needs to be done is for the company to improve its sales by winning the tender contract in the future.

b) Gross Profit Margin

The trend of GIS ratio owned by the company has increased inversely with the trend of the industry average ratio which shows a decrease. The company's gross profit in 2013 increased due to increased sales, cost efficiency, and a continuous focus on projects that have greater profits.

The increase in gross profit continued until 2014 in line with the increase in sales obtained by the company. Gross profit decreased in 2015, although the gross profit decreased, this ratio continues to increase this is one of the indicators of the success of the company in making efficiencies in managing the operational costs of projects being worked on.

This decline in gross profit continued until 2017 along with sales that also declined. This reduction reflects the intense competition in obtaining new contracts and can also be the impact of a reduction in the scope of work for ongoing contracts.

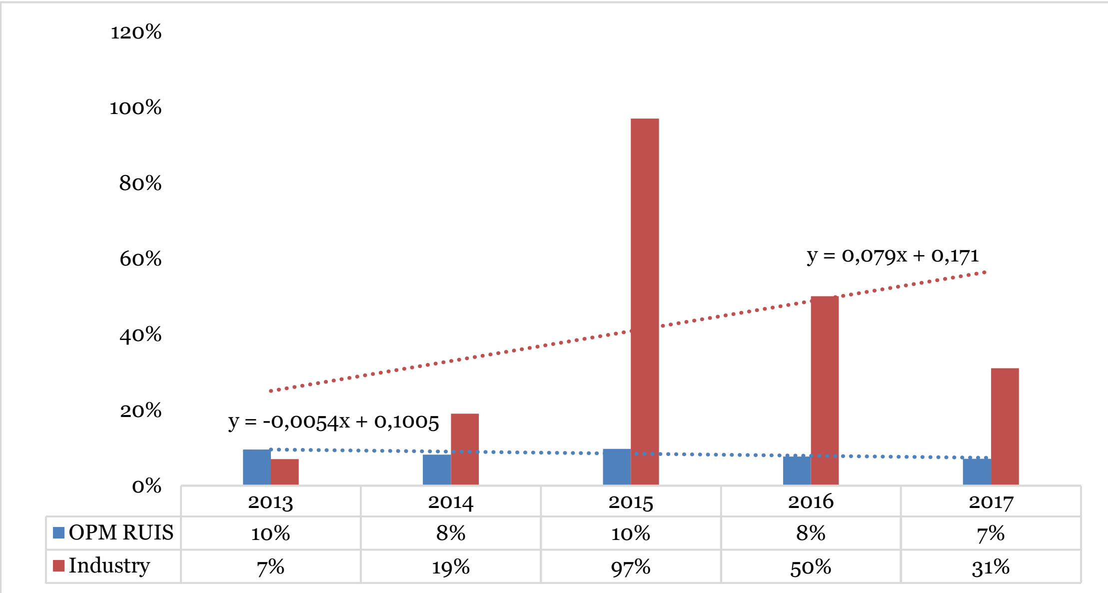
So that conclusions can be drawn, with the increase in this ratio and the ratio of companies above the industry average means the company's ability to generate gross profit through sales is good.

c) Operating Profit Margin

The OPM ratio has decreased while the industry average has increased. In 2013 the company recorded an increase from the previous year due to an increase in obtaining contracts obtained throughout 2013. This increase continued until 2014 as a contribution from the business segment providing inspection services, agency services and other activities that also experienced an increase. The decline in revenue occurred in 2015 occurred in all business segments of the company, related to the drop in world oil prices, this decline continued until 2016 and 2017 due to the low contract.

The company's EBIT in 2013 increased due to an increase in company sales. Then in the following year, the company's EBIT decreased due to increasing the company's operating expenses, this is a consequence of the company's strategy to invest in human resources as a strategy to deal with business competition. The increase occurred in 2015 as a result of efforts to improve operating expenses by the company, this reflects the company has taken anticipatory action in the face of uncertainty in the oil and gas industry. In 2016 and 2017 the decline occurred due to a decrease in the company's gross profit as a result of the decline in company sales.

Figure 2. PT THE COMPANY Year 2013-2017 Operating Profit Margin (OPM).



With the declining trend in this ratio, it can be stated that the company's ability to produce EBIT through sales is not so good, moreover, the company's ratio is still below the industry's average OPM ratio.

d) Net Profit Margin

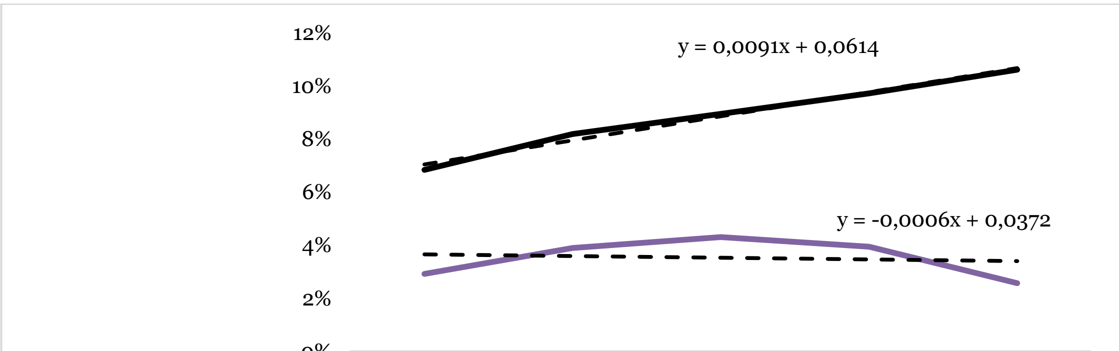
The trend of the company's NPM ratio has decreased, in contrast to the average industry trend which has increased in the last year after previously being below the ratio of the company with an NPM ratio of minus numbers. Net income has increased in the first two years in line with the increase in company sales. Furthermore, from 2015 to 2017 the decline in net profit occurred as a result of the decline in the company's overall operational performance. The company's sales also experienced a decline, especially in the last three years related to the decline in world oil prices which affected the company's sales. With the declining ratio, it can be concluded that the company has not been able to generate net profit from the sales it does.

e) Cost of Revenue to Sales

HPP divided by sales of The companyin 2013-2014 showed an upward trend, but in 2014 showed a decrease because this was due to the company's cost of goods sold increasing on average each year while the company's sales experienced a decline due to unstable oil prices world. Resulting in a declining ratio, although the ratio is declining the ratio of the company is still above the industry average trend which means the company has not been able to suppress the cost of goods sold, so the value charged to sales is also large which causes the sales generated to decline.

f) Operating Costs Against Sales

The trend in operating costs divided by the company sales increased and was above the industry average. This is because operating expenses increased by 0.04%. In 2013 operating expenses increased due to an increase in salary expenses, vehicle expenses, recruitment, and training. Then in previous years operating expenses decreased until 2017. While sales from 2015 to 2017 decreased due to the low contracts obtained by the company. So it can be concluded that with the increase in operating costs resulting in sales of its value decreases, which means the company has not been able to minimize its operating expenses.



	2013	2014	2015	2016	2017
BO/Penjualan	7%	8%	9%	10%	11%
BO/Rata Rata penjualan	3%	4%	4%	4%	3%

Figure 3. The ratio of Operating Costs per Sales of PT THE COMPANY 2013-2017.

g) Operating Costs Against EBIT

The ratio of operating costs to the comapny's EBIT experiences a positive trend and is similar to the average industry trend of the company. But the ratio of companies is still above the company of its kind. With an increase in operating costs that resulted in obtaining EBIT obtained by the company decreased. The increase in operating costs is one of the company's strategies in dealing with business competition. So it can be concluded that with this high ratio means the company has not been able to reduce costs incurred, resulting in low EBIT.

h) EBIT

EBIT of the companyshows a declining trend. In 2013 it recorded an increase in line with the increase in the company's operational activities.

The decrease in EBIT occurred in 2014, this decline was due to an increase in the company's operating expenses. This is a consequence of the company's strategy to invest in human resources in 2014, both in quantity and quality with short-term objectives to face the increasingly high level of business competition and long-term goals to prepare for the company's business development in the future, especially as an extension oil and gas industry.

This increase occurred in 2015 is the result of the company's hard work in maintaining and efficiency of operating expenses during 2015. This is also a reflection that the company has taken anticipatory steps in dealing with uncertainties in the oil and gas industry both during 2015 and for prepare challenges for the following years.

In the following year, the company's EBIT decreased due to the decrease in the company's gross profit. The decline occurred until 2017 due to a decrease in company sales.

It can be concluded that the company's performance in producing EBIT is not optimal because it is below the industry average, the increase in the cost of goods sold and operating costs is one of the causes of the decline in EBIT.

Analysis of Asset Management

Asset management analysis to see whether the company has maximized the use of its assets to support operational activities.

a) Current Ratio and Quick Ratio

Based on the chart above, the company's CR ratio shows a downward trend. This decrease was caused in 2013, the company's current assets increased because cash and cash equivalents rose and in line with improving operational activities, but in 2015 the current assets decreased due to a decrease in receivables that were in line with the decline in revenue, the same thing also happened in 2016 along with improved receivables turnover, and in 2017 again showed a decrease this is due to cash and cash equivalents and receivables rose, increased receivables due to construction services that have longer turnover with other services.

Current debt in 2013 increased due to increased short-term bank debt. And in 2014-2017 current debt showed a decrease due to a decrease in bank debt and the repayment of loans, bank loans, and securities, there was no increase in the capital due to declining income and low capital expenditure.

This can be concluded by decreasing the trend of CR ratio, it means that the company has not been able to cover its short-term liabilities using its current assets, as well as the declining trend of the company's QR means that the company has not been able to cover its short-term debt using current assets outside of inventory.

b) Inventory Turnover

INTO Trends of the company has increased and is above the industry average, every year the company's INTO has increased by 9%.

The company's investment in 2013 experienced an increase due to an increase in spare parts, films, and other investments which included equipment related to security, safety, and diesel fuel equipment.

The increase in spare parts and work safety equipment continued into 2014. The decline in investment occurred from 2015 to 2017 in line with the decline in company sales caused by low world oil prices.

The high INTO ratio indicates that there is no over investment so the company does not spend too much money to buy investments and does not waste resources by storing unsold investments. This means that the company has been effective in managing inventory because, with this high ratio, it means that inventory turns are changed or replaced in one period more frequently.

c) Accounts Receivable Turnover

ARTO Trends the company has increased and is above the industry average, although in the last three years it has decreased but is still above the industry average.

The company's average receivables have declined 11% annually. In 2013, accounts receivable decreased due to the payment of relations, namely PT Guna Mandiri Paripurna and PT Radiant Nusa Investasi. The decline in receivables continued until

2016 due to the successful collection of receivables, the payment of receivables with quite significant amounts including Vico Indonesia, B U T Petrochina Internasional Jabung, Ltd., and PT Chevron Pacific Indonesia. In 2017, the increase in receivables occurred because PT Medco E&P Malaca was given credit by the company.

With the high ARTO ratio, it means the company can be said to be good and fast in doing billing. This means that the collection of corporate receivables occurs more in one period than the industry average.

d) Current Asset Turnover

The CATO trend of The companyhas experienced an increase and is above the industry average, inversely proportional to the industry average trend that is below and experiencing a decline.

In 2013, current assets increased due to an increase in cash and cash equivalents, which was in line with the improvement in the company's operational activities throughout 2013. The increase in current assets was in line with the increase in sales of the company due to the acquisition of work contracts this year.

Current assets of the company in 2014 and 2015 decreased, this was caused by a decrease in trade receivables, this reflects an increase in performance in the collection of corporate receivables during 2014 compared to 2013

So it can be concluded that the company's performance in using current assets to generate sales is already good as seen from the rising trend in this ratio.

e) Total Asset Turnover

The TATO trend of The companyfrom 2013 to 2017 shows a declining trend, as well as an average downward trend in the industry. But the trend ratio of companies is still above the industry average. Total assets increased in 2013 due to the increase in current assets in line with the improvement in operational activities throughout 2013, as well as non-current assets which also increased, this increase was due to an increase in funds in bank accounts that were restricted in use. The company's sales also increased this year due to the acquisition of contracts.

TATO The company in 2014 rose from the previous year due to increased sales of the company due to the increase in the number and value of jobs. But total assets show the opposite, this year the total assets decreased due to the decline in the company's current assets. Current assets decreased due to a decrease in trade receivables, this decrease shows an increase in performance in the collection of corporate receivables during 2014 compared to the previous year. While the company's non-current assets have increased due to investments made by the company in the form of additional ships to support offshore activities through PT Supraco Lines, a subsidiary

In 2015, total assets and sales both declined. Total assets decreased due to a decrease in current assets, namely a decrease in trade receivables, in line with sales which also declined. This year the ratio decreased in 2016 due to decreased sales due to low acquisition of contracts and also total assets due to a decrease in receivables, while non-current assets increased due to increased investment. The decline in TATO occurred until 2017, this was due to a decrease in sales and also a decrease in the total assets caused by the low capital expenditure this year. So it can be stated that the company has not been able to maximize the total assets it has to generate sales.

f) Accounts Payable Turnover

The company's APTO trend is above the industry average and shows an increase. In 2013, the company's debt increased, due to the increase in bank debt used to meet the needs of working capital and capital expenditure. Furthermore, from 2014 total debt decreased due to the company paying off its debts to related parties, namely PT Karya Duta Konsulindo, and to PT Bank Ekonomi Rahardja. From 2015 to 2017 total debt continues to decline in line with declining capital needs and declining sales of companies related to falling world oil prices. In 2016 the decline in total debt was caused by a decrease in short-term debt because the company paid its debts to Citibank N.A., Jakarta. The APTO ratio of companies experiences an average increase of 3% every year. With this high ratio, it means that the company can pay off its debts quickly.

5. Conclusion

An analysis of company performance shows a downward trend in sales ratios while the HPP/Sales ratio shows an upward trend. This shows that the company has not been used to minimize the cost of goods sold, and the trend of BO/Sales shows that the company's operating costs are greater than the industry average. This shows that the company has not minimized the company's operating costs. And a smaller company EBIT trend means that companies are not used to maximizing corporate EBIT. The company has been able to maximize gross profit and EAT to produce the company.

Asset management of PT Radiant Utama Interinsco, Tbk. below the industry average so it can be stated that the profitability of the company is still relatively low and has not been able to exceed the industry average.

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