

# Comparative analysis of food and beverage companies financial performance on the Indonesia stock exchange

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**ABSTRACT**

Performance measurement can be utilized to oversee the company's operations. Financial performance is conducted to assess the regulations that have been implemented in the company's financial activities. The objective of this research is to assess the financial performance of the Food and Beverage companies recorded on the IDX from 2018 to 2020 by utilizing profitability ratios as measurement tools. This research employs a descriptive research design along with comparative analysis methods, relying on secondary data. The author observes that the financial performance of the six Food and Beverage companies is below par (low) as they fail to reach the industry standard average thresholds of 30% for Return on Assets (ROA), 40% of Return on Equity (ROE), and 20% of Net Profit Margin (NPM). Only three out of six companies achieved the industry standard average of Gross Profit Margin (GPM) threshold (30%), namely PT Campina Ice Cream Industry Tbk, PT Nippon Indosari Corpindo Tbk, and PT Ultrajaya Milk Industry Tbk.

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**1. Introduction**

As the economy develops in Indonesia, the level of business competition is of course getting tougher so companies are required to have good performance in seeking profits, maintaining business continuity, maximizing company value, and improving the welfare of funders. To remain competitive with other companies, management must ensure the organization's performance, particularly its financial performance (Sarapi et al., 2022).

Currently, competition between companies in Indonesia is getting tighter. This competition requires companies to make more efforts in developing their businesses (Yudawisastra, et.al., 2018). In order to develop a business, a step is needed in developing the right strategy in order to continue to exist in this tight competition and be highly competitive by improving company performance. Choosing the right strategy will provide strength for the company in developing its business (Ali, 2020). Developments in the current business world require a company to make the best contribution to advance its company so that it does not fall easily and continues to be at the top, the company must do its best to build its company's performance (Mutholib, 2017).

According to Sutrisno (2021) The company's financial performance is an achievement achieved by the company in a certain period that reflects the level of the company. Companies must transition from a workforce-based business to a knowledge-based business in order to survive quickly. Once knowledge management has been implemented, the company's success will depend on the creation of capital based on knowledge and the transformation and capitalization of knowledge itself, turning it into a knowledge-based business (Utami and Ali, 2017). This brings an increase in attention to intellectual capital as a tool for determining the value of the company. In addition, intellectual capital also has a real and positive relationship

and role in both company strategy and operations to create competitive advantage, so that management needs to pay attention to and manage intellectual capital (Rachmawati, 2012).

According to Hutabarat (2020), financial performance is an evaluation conducted to determine how well a company has followed financial implementation guidelines accurately and effectively. Another definition of financial performance is an activity related to the measurement and assessment of every success in generating profits, which also aims to monitor the implementation of financial rules that have been implemented appropriately (Fahmi, 2018). In order to find out if the financial performance of the company is satisfactory, it is necessary to measure its financial performance.

Measuring financial performance is useful for understanding a company's financial status over a specific timeframe. Financial performance can be assessed through analytical methods such as financial ratios, which are commonly utilized to gauge a company's financial performance. However, the financial ratio analysis method still has limitations, namely ignoring capital costs so that it does not depict actual performance (Majdi, 2023).

Based on the phenomenon between 2018-2020 various companies in the Food and Beverage sector experienced fluctuations in profits. A notable increase in net profit occurred in those companies during the years 2018-2019. However, in the following year, there was an average decline in net profits across the sector. One of the key factors contributing to this phenomenon was the decreased purchasing power among consumers due to Covid-19, which led to a yearly drop in sales for the companies starting from 2020. However, some companies such as PT Indofood Sukses Makmur Tbk (INDF) reported an increase in net profit in 2020, reaching IDR 8.75 trillion (48.3%), while PT Ultrajaya Milk Industry Tbk (ULTJ) amounting to IDR 1.11 trillion (7.1%). Therefore, this research is important to analyze the financial performance of Food and Beverage companies listed on the IDX from 2018-2020 with financial ratios as the measurement tool.

Analyzing financial ratios carried out by a company allows for the assessment of its financial position over a specific period, including capital, assets, liabilities, income, and company profits. Additionally, this analysis can help identify the weaknesses that pose challenges and shortcomings for the company, as well as the strengths it has for the company's progress by knowing the steps to improve its financial position and the company's financial performance in the future (Yolanda Panjaitan, 2020).

The financial ratio analysis used in this research focused on profitability ratios. The profitability ratios serve as indicators of a company's effectiveness in making profits over a certain period. A company is considered to have strong profitability if it can achieve the profit targets set using the assets and capital it possesses (Kasmir, 2019). The profitability ratio is useful for knowing how a company benefits from its various business operations, as well as its ability to effectively capital and assets, measured through Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), and Net Profit Margin (NPM).

## 2. Research Method

The type of research is library research. Library research or literature studies are related to theoretical studies, other references, as well as the development of morals, culture, and norms in the context of the social situation under study (Sugiyono, 2018). Then, researchers use descriptive research, comparative analysis methods, and secondary data. Descriptive research carried out to assess the importance of various variables (Sugiyono, 2018). The comparative analysis method is a comparison of the profitability ratio with the mean standard in a company. The researchers utilized the financial statements of Food and Beverage companies from the Indonesia Stock Exchange (2018-2022) as secondary data.

Secondary data, such as financial statements, are selected to ensure their relevance and quality in the research of food and beverage companies because these data provide a clear picture of the company's financial condition. Financial statements include important information such as revenue, costs, profits, and assets that allow for accurate financial performance analysis. In addition, secondary data from financial statements has generally gone through a verification and audit process, ensuring its quality and reliability for decision making or further analysis.

According to Saryono (2018) Quantitative analysis is an analysis used for data in the form of numbers, which can be measured or calculated. The purpose of this analysis is to find out how much

influence a variable or thing has on another variable quantitatively. This analysis uses calculations through statistical mode.

### 3. Result and Discussion

#### Results

##### Return of Assets (ROA)

Return on Assets (ROA) is a ratio that assesses how much net profit is generated from each fund embedded in total assets. A greater return on assets indicates a higher net profit from the funds invested in total assets (Wijaya, 2019). The results of the calculation of ROA in Food and Beverage companies in 2018-2020 are as follows:

**Table 1.** Results of calculation of return on assets of food and beverage companies on the Indonesia stock exchange 2018-2020

Company Code	Ratio Return on Assets (ROA)				Information
	2018	2019	2020	Average	
CAMP	6,1%	7,2%	4%	5,8%	Low
DMND	7,5%	6,5%	3,6%	5,9%	Low
GOOD	10,1%	8,6%	3,7%	7,5%	Low
INDF	5,1%	6,1%	5,3%	5,5%	Low
ROTI	2,8%	8,4%	3,7%	5%	Low
ULTJ	12,6%	15,6%	12,6%	13,6%	Low

Source: data processed, 2023

Based on this data, the average percentage of ROA obtained by Food and Beverage companies is below standard or low. According to (Kasmir, 2017) the average standard ROA in the industry is 30%. In other words, a company that cannot generate profits that exceed their total assets, indicates that the management's performance is lacking.

##### Return of Equity (ROE)

Return on Equity (ROE) is a ratio used to measure a company's ability to earn profits based on certain share capital. Higher ratios indicate more favorable situations. This suggests that the owner's position within the company will be safer, and vice versa (Kasmir, 2019). The ROE table below shows that the average percentage obtained is below 40% or no company reaches the industry standard and the condition of these companies is in a low condition.

**Table 2.** Results of calculation of return on equity of food and beverage companies on the Indonesia stock exchange 2018-2020

Company Code	Ratio Return on Equity (ROE)				Information
	2018	2019	2020	Average	
CAMP	6,9%	8,2%	4,5%	6,5%	Low
DMND	9,6%	11,1%	4,4%	8,4%	Low
GOOD	17%	15,7%	8,4%	13,7%	Low
INDF	9,9%	10,8%	11%	10,6%	Low
ROTI	4,3%	7,6%	5,2%	5,7%	Low
ULTJ	14,6%	18,3%	23,2%	18,7%	Low

Source: data processed, 2023.

Kasmir (2019) state that the average standard ROE for the industry is 40%. The cause of the low ROE in these companies is that the profit generated is smaller than the core capital owned and the profit after tax which also decreases.

##### Net Profit Margin (NPM)

Net Profit Margin (NPM) is a tool for measuring profit by comparing net profit after interest and tax with sales. A high-profit margin can reflect a company's capacity to earn high profits at a specific sales volume. A low-profit margin suggests that sales are too low for a certain level of costs, costs excessively high for a certain level of sales, or a combination of both (Auliya & Alwi, 2022).

**Table 3.** Results of nett profit margin of food and beverage companies on the Indonesia stocks exchange 2018-2020

Company Code	Ratio Net Profit Margin (NPM)				
	2018	2019	2020	Average	Information
CAMP	6,4%	7,4%	4,6%	6,1%	Low
DMND	5,1%	5,3%	3,3%	4,6%	Low
GOOD	5,2%	5,1%	3,1%	4,5%	Low
INDF	6,7%	7,7%	10,7%	8,4%	Low
ROTI	4,5%	7%	5,2%	5,6%	Low
ULTJ	12,8%	16,5%	18,5%	15,9%	Low

Source: data processed, 2023.

The average percentage of NPM obtained is in the low category because it is below the standard. Harahap (2018) state that the average NPM standard is 20%. The low profit margin indicates that the sales percentage is too low in relation to a specific level of cost and vice versa.

### Gross Profit Margin (GPM)

Gross Profit Margin (GPM) is a ratio used as a measuring tool for the percentage of gross profit over net sales. A low gross profit margin ratio may indicate that a business is susceptible to fluctuations in prices, including both of the selling price and the costs of goods. This implies that this change will have a big impact on company profits (Majdi, 2023). GPM is a calculation or measurement of the percentage of gross profit on net sales.

**Table 4.** Results of gross profit margin calculation of food and beverage companies on the Indonesia stock exchange 2018-2020

Company Code	Ratio Gross Profit Margin (GPM)				
	2018	2019	2020	Average	Information
CAMP	60,4%	58,5%	54%	57,6%	Low
DMND	21%	20,9%	21,5%	21,1%	Low
GOOD	31,7%	29,9%	27,7%	29,8%	Low
INDF	27,5%	29,6%	32,7%	29,9%	Low
ROTI	53,9%	55,4%	56,1%	55,1%	Low
ULTJ	35,7%	37,6%	37,3%	36,9%	Low

Source: data processed, 2023.

In the above calculation, it is known that only three companies have an average percentage that does not reach 30%, including PT. Diamond Food Indonesia Tbk, PT Garuda Food Indonesia Tbk, and PT Indofood Sukses Makmur Tbk. While the rest have an average above 30%. According to Hery (2016) low GPM is a sign that a company has a high risk of changes in selling prices and cost of goods in the future, which will affect company profits. Therefore, the three companies that have not reached the average industry standard can be interpreted as not operating the company well so that their sales are not maximized and cause changes that affect profits.

## Discussion

### Return on Assets (ROA)

The results of calculations using the Return on Assets ratio show that the average percentage of Return on assets for the six Food and Beverage companies obtained is below 30%. So the condition of food and beverage sector companies is in low condition because they are below standard. This means that the company is unable to generate profits greater than its total assets. This is due to the unequal increase in total assets each year. This also shows that the performance of company management in managing assets to generate profits is not going well (Chandra & Veronica, 2018).

### Return on Equity (ROE)

The results of calculations using the Return on Equity ratio show that the average percentage obtained by the six companies is below 40% (Anwar, 2019). In this case, not a single company has reached industry standards, which means the company's condition is in low condition. This is because the net profit generated by the company is smaller than the core capital owned by the company, and it is also due to a decrease in profit after tax compared to the core capital owned by the company (Astuti et al., 2022).

### Net Profit Margin (NPM)

The results of calculations using the Net Profit Margin ratio show that the average percentage obtained by the six Food and Beverage companies did not reach 20%. So the company's condition is in low

condition because it is below standard (Sumardi & Suharyono, 2020). This shows that management's effectiveness in generating profits has not been productive and the company's performance is in less than optimal condition.

#### **Gross Profit Margin (GPM)**

The results of calculations using the Gross Profit Margin ratio show that there are three out of six companies whose average percentage does not reach 30%, namely, PT Diamond Food Indonesia Tbk, PT Garuda Food Indonesia Tbk, PT Indofood Sukses Makmur Tbk. So the company's condition is in low condition because it is below standard. Meanwhile, three other companies, namely, PT Campina Ice Cream Industry Tbk, PT Nippon Indosari Corpindo Tbk, PT Ultrajaya Milk Industry Tbk, have an average of above 30%. So the condition of the company is in above average condition because it is above standard. According to Hery (2018), a low Gross Profit Margin ratio can be a sign that a company is vulnerable to price changes, both selling price and cost price. This means that three companies that have not reached the average industry standard, namely, PT Campina Ice Cream Industry Tbk, PT Nippon Indosari Corpindo Tbk, PT Ultrajaya Milk Industry Tbk, have not maximized the company's operations well so that sales that have not been maximized will lead to changes that can affect corporate profits.

#### **4. Conclusion**

Based on the research above, six Food and Beverage companies listed on the Indonesian Stock Exchange in 2018-2020 had low or less optimal financial performance caused by their percentage ratio was below the average of industry standard. It is based on the calculation of the Return on Assets ratio, where the industry standard average of 30%, the Return on Equity is 40%, the Net Profit Margin is 20%. Meanwhile in the Gross Profit Margin ratio which has an average industry standard of 30% was found that three out of six companies were in better financial condition (above average) namely, PT Campina Ice Cream Industry Tbk, PT Nippon Indosari Corpindo Tbk, and PT Ultrajaya Milk Industry Tbk, have averages above industry standards.

Underperforming food and beverage companies can improve Return on Assets (ROA) by optimizing asset usage, reducing operating costs, and increasing sales through promotions of signature menus. To improve Net Profit Margin (NPM), companies can adjust their pricing structure, add high-profit menus, reduce raw material waste, and utilize technology such as POS systems. Digital marketing strategies and improving customer service can also expand market reach and increase competitiveness. Competitor analysis can help identify opportunities to improve overall performance.

To improve future research, authors are suggested to investigate other analysis methods, such as conducting longitudinal studies. This analysis method would allow authors to evaluate and track the dynamic changes and advances experienced by organizations over a lengthy period, providing deeper insights into their long-term evolution and performance.

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