



CAPITAL COST ANALYSIS USING THE WEIGHTED AVERAGE COST OF CAPITAL (WACC) METHOD AT PT. KALBE FARMA TBK.

Yuliah¹, Leni Triana², Ina Khadijah³, Raden Irna Afriani⁴

^{1,2,3,4}Universitas Bina Bangsa, Indonesia

Email: yuliahnaghin@gmail.com¹

Abstract

The cost of capital is a real cost that must be incurred by the company in obtaining funds from various sources. The cost of capital in this research uses the Weighted Average Cost of Capital (WACC) method which is the overall cost of the cost of capital and debt. This research was conducted at PT Kalbe Farma Tbk company for the 2018-2021 period. The WACC conditions for Tbk companies are optimal, in 2018-2020 the average weighted cost of capital has always decreased, 15.8%, 15.3%, 14.76%, 14.68% and experienced a non-significant increase of 0.04%. A good WACC value is a value that provides the minimum rate of return required by investors in 2019-2020. This capital cost calculation can be used as a reference by company management to pay attention to the composition of debt and capital and can be taken into consideration by investors in investing their funds in the company.

Keywords: Capital, Weighted Average Cost of Capital (WACC)

INTRODUCTION

Companies that have good financial performance can be seen from the efficient use of capital costs. Capital costs are real costs incurred by companies to obtain funds from various sources and are also referred to as expenses that must be paid by companies when using capital for investment activities. The cost of capital is also an appropriate basis for evaluating the periodic performance of a division or even the entire company (Keown, et al. 2011). To obtain capital, companies pay various costs, such as dividend payments, interest payments and principal installment payments. From an investor's point of view, the cost of capital is the expected profit level or the required profit level (Dwi. 2015). The smaller the cost of capital will maximize profits and will affect the high value of the company so that it can attract investors in making decisions

The company's need for funds absolutely must be available, without funds, the company cannot carry out operational activities properly and smoothly. Efficient capital management can be seen from the optimal capital structure. Optimal capital structure can be interpreted as a capital structure that can minimize the weighted average cost of capital (WACC). The WACC is a weighted average of the costs of the components of debt, preferred stock and common equity (Brigham and Houston, 2018).

The appropriate cost of capital for all decisions is the weighted average cost of capital of all components of capital and not all capital is taken into account in determining the WACC, because it cannot

be overly controlled by management and is required as net working capital flows. Likewise, notes payable and interest-bearing short-term debt are included in the WACC calculation, if the debt is part of the company's fixed expenses, not temporary expenses (Hanafi, 2016). In general, long-term debt and equity are elements of the WACC. The cost of capital must be calculated on an after-tax basis (Isa, et al., (2017). The following table presents data regarding the capital structure of PT Kalbe Farma Tbk from 2018-2022:

Table 1. Own Capital, Loan Capital and Company Profits

Year	Owner's equity	Loan capital	Profit
2018	15.94.594.796.354	565.443.877.421	2.497.261.964.757
2019	16.705.582.476.031	982.035.580.702	2.537.601.523.645
2020	18.276.082.144.080	1.111.991.785.620	2.799.622.515.814
2021	21.265.877.793.123	866.101.273.717	3.232.007.683.281
2022	22.097.328.202.389	712.946.363.651	3.450.083.412.291

From the table above it can be seen that PT Kalbe Farma's external capital has increased every year except in 2022 which has decreased by around 1.7%, a high increase in loans occurred in 2020, when Covid 19 occurred which also caused high demand for drugs. accompanied by an increase in the price of raw materials and the cost of producing drugs also increased, so that additional external capital from loans increased by IDR 129,956,204,918 or around 13%, but loan capital decreased from 2020 to 2022. Meanwhile, if we look at the profit growth rate the company from 2020 and 2021 experienced a very high increase of around 10% and 15% compared to the growth that occurred in 2019 which only grew 1.6%, and in 2022 the company's profit growth decreased again by around 6.7% after covid 19 gradually experiencing a downward trend.

Based on the above phenomenon, it is necessary to analyze the calculation of the overall cost of capital at PT Kalbe Farma Tbk for the 2018-2022 period to see whether the size of the loan and the increase in profit growth as well as the amount of own capital will affect the increased cost of capital or vice versa.

METHOD

The data collection technique used in this study is a literature study by collecting information from various sources such as books and journals and documentation by collecting data from financial reports downloaded from www.idnfinansial.com and also www.idx.co.id. The financial data taken is in the form of total equity, total long-term liabilities, interest expenses and company profits of PT Kalbe Farma Tbk for the 2018-2022 period.

Data Analysis Techniques

Company data or information obtained by this research was analyzed using the Weighted Average Cost of Capital (WACC) method with the following formula: (Ernawati, 2020)

$$K_a = W_d K_d + W_e K_e$$

Where:

K_a : Weighted Average Cost of Capital (WACC)

W_d : the proportion of debt in the capital structure

K_d : cost of debt capital

W_e : the proportion of capital in the capital structure

K_e : own capital cost

RESULTS AND DISCUSSION

Capital Structure PT Kalbe Farma Tbk

Analysis of calculating the capital structure aims to find out how big the proportion is between company debt, company capital and to see changes in the amount of debt every year (Martini et al, 2018). A large amount of debt has risks that can endanger the continuity of the company. Because if the company cannot control the amount of the loan it will cause the company to go bankrupt. Therefore, analysis is needed so that the company's capital structure is optimal and can increase company value. The following is the calculation of the capital structure of PT Kalbe Farma, Tbk:

Table 2. Capital Structure of PT Kalbe Farma Tbk

Year	Total Debt	Total Capital	Capital Structure	Debt Proportion <i>W_d</i>	Capital Proportion <i>W_e</i>
2018	565.443.877.421	15.94.594.796.354	15.860.038.673.775	3,57%	96,43%
2019	982.035.580.702	16.705.582.476.031	17.687.618.056.733	5,55%	94,45%
2020	1.111.991.785.620	18.276.082.144.080	19.388.073.929.700	5,74%	94,26%
2021	866.101.273.717	21.265.877.793.123	22.131.979.066.840	3,91%	96,09%
2022	712.946.363.651	22.097.328.202.389	22.810.274.566.040	3,13%	96,87%

Source: Processed data, 2023

The composition of the capital structure of PT Kalbe Farma, Tbk experienced fluctuating conditions from 2018-2022. In 2018 the capital structure was IDR 15,860,038,673,775, an increase in 2019 of IDR 17,687,618,056,733, an increase of IDR 1,827,579,382,958 or equivalent to 11.52%. In 2020 the capital structure has decreased by IDR 1,700,455,872,967 or equivalent to 9.6%. In 2021 it experienced a very significant increase, namely IDR 2,743,905,137,140 or the equivalent of 14.15% and decreased again in 2022 amounting to IDR 678,295,499,200 or the equivalent of 3.06%.

For the proportion of debt, the Tbk company is experiencing unstable conditions, where in 2018 to 2020 it has increased by 1.98% and 0.19% and there has been a decrease in 2021 to 2022, namely around 1.83% and 0.78 %. As for the condition of the proportion of capital experiencing conditions inversely proportional to the proportion of debt where in 2018-2020 it has decreased while from 201 to 2022 it has increased.

If seen from table 2, the company uses more of its own capital compared to loans, this is done by the company to reduce financial risk. Most companies use their own capital and show that management reduces financial risks that will be faced in the future (Rahma, 2014). Changes that occur in the company's capital structure will be difficult to affect the stock price. However, a capital structure that can maximize share prices is a capital structure that can minimize WACC (Miske, et al. 2021).

WACC at PT Kalbe Farma, Tb

The calculation of the weighted average cost (WACC) of Pt Kalbe Farma Tbk is presented in the following table:

Table 3. WACC Pt Kalbe Farma Tbk for the 2018-2022 period

Year	Cost of Debt K_d	Own Capital Costs K_e	Debt Proportion W_d	Capital Proportion W_e	Weighted Average Cost of Capital (WACC)
2018	5,26%	16,33%	3,57%	96,43%	15,8%
2019	4,12%	15,99%	5,55%	94,45%	15,3%
2020	8,06%	15,32%	5,74%	94,26%	14,76%
2021	6,63%	15,20%	3,91%	96,09%	14,68%
2022	7,72%	15,61%	3,13%	96,87%	14,72%

Source: Processed data, 2023

PT Kalbe Farma Tbk's WACC has decreased from 2018-2021 and has increased again by around 0.04% in 2022. In this company it can be seen that the proportion of own capital is more dominant than the proportion of debt, meaning that the company's operational activities are financed more by capital than by loan. Based on the WACC standard, PT Kalbe Farma Tbk's weighted average cost of capital is optimal, because the weighted average cost each year has decreased. This condition is not in line with research conducted by Miske, et al, 2020 where the cost of capital for Pt Mayora Indah has increased every year where the proportion of PT Mayora's debt is higher than the proportion of capital.

CONCLUSION

In the capital structure of PT Kalbe Farma Tbk, it comes more from capital than from debt. The proportion of capital in 2018 to 2020 has decreased and has increased in 2021 to 2022. Meanwhile, the

proportion of debt from 2018-2022 has fluctuated where there has been an increase in 2019 and 2020, and in 2021-2022 it has decreased. Kalbe Farma's company's weighted average capital cost is optimal because the cost of capital has decreased every year, while the increase will occur in 2022 and even then only 0.04%.

The proportion of debt that is less than capital and the condition of capital costs that are getting smaller in the past 4 years, this will be taken into consideration by investors in investing their funds in the company.

REFERENCES

- Brigham, E. F. dan J. F. Houston. (2018). *Dasar-Dasar Manajemen Keuangan*. Edisi 14. Salemba Empat. Jakarta
- Ernawati, D. A., Harini, I. M., Signa, N., & Gumilas, A. (2020). Faktor Faktor yang Mempengaruhi Tingkat Kepatuhan Diet pada Pasien Diabetes Melitus Tipe 2 di Kecamatan Sumbang Banyumas. *Jurnal of Bionursing*, 2(1), 63-67
- Hanafi, (2016). *Manajemen Keuangan*. Edisi Pertama. BPFE-Yogyakarta. Yogyakarta
- Isa, Muhammad Aminu, dkk. (2017). Corporate Social Responsibility Disclosure and The Financial Performance Of Listed Consumer Goods Companies In Nigeria. *International Journal Of Research in Management Economics and Commerce*, Vol. 7, No. 9
- Keown, A. J., Martin, J. D., Petty, J. W., & Scoot, D. F. J. (2011). *Manajemen Keuangan : Prinsip dan Penerapan Jilid 2*. Edisi 10. Jakarta: Indeks.
- Martini, S. & Amanda, D. (2018). The Relationship between Demographical Characteristic and Central Obesity with Hypertension. *Jurnal Berkala Epidemiologi*, 6(1), 43. <https://doi.org/10.20473/jbe.v6i12018.43-50>
- Miske H. Hamidah, Siti S. Wulandari, (2021) Pengembangan Instrumen Penilaian Berbasis Hots Menggunakan Aplikasi “Quizizz” Efisiensi : *Kajian Ilmu Administrasi*. Vol. 18 No. 1, pp.105-124
- Rahmah, A, dkk. (2014). Pengaruh Pupuk Organik Cair Berbahan Dasar Limbah Sawi Putih (*Brassica chinensis* L.) Terhadap Pertumbuhan Tanaman Jagung Manis (*Zea mays* L. var. *Saccharata*). *Buletin Anatomi dan Fisiologi*. Vol. 22, No. 1
- Prastowo, Dwi. (2015). *Analisis Laporan Keuangan*. Yogyakarta: UPP STIM.