



## MARKET RATIO ANALYSIS TO ASSESS FINANCIAL CONDITION AT PT. HM SAMPOERNA, Tbk.

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### Abstract

*This research was conducted with the aim of knowing how the financial performance of a company with financial analysis. Company with financial analysis. PT H.M Sampoerna Tbk has an efficient and healthy financial performance so as to increase the company's profits and achievements. Efficient and healthy so that it can increase profits and company performance. Analysis that analysis conducted at PT H.M Sampoerna includes liquidity ratios, solvency ratios, profitability ratios and activity ratios. Activity ratio. The results of this study are based on liquidity ratios proxied by Current Ratio and Quick Ratio. Quick Ratio, the company's financial performance conditions are not good. Profitability ratios proxied by Net Profit Margin, Return on Assets, and Return on Equity the company's financial performance conditions are good. Solvency ratios proxied by Debt to Total Assets Ratio and Debt to Total Equity Ratio are in good condition. the company's financial performance is good.*

**Keywords:** *Financial Ratio, Financial Report, Financial*

### Introduction

PT Sampoerna Tbk is one of the leading cigarette manufacturers in Indonesia. Founded in 1913 by Liem Seeng Tee in Surabaya, the company has become one of the major players in the Indonesian tobacco industry. In 2005, Sampoerna was acquired by Philip Morris International (PMI), one of the largest cigarette companies in the world. This acquisition brought about significant changes in the company's operational and marketing strategies. Over the years, PT Sampoerna has faced various dynamics in the cigarette industry. Strict health-related regulations, changing consumer habits, and exchange rate fluctuations are some of the external factors that affect the company's performance. Nonetheless, Sampoerna continues to strive to maintain its position as a market leader with product innovation, aggressive marketing strategies, and adaptation to changes in the business environment.

On the economic front, Indonesia's economic growth and regional and global market conditions also have a significant impact on PT Sampoerna's financial performance. Volatility in raw material prices, currency fluctuations, and global political and economic conditions are important factors affecting the company's profitability and growth. In the context of the background, it is important to note that the cigarette industry also continues to face pressures in terms of health-related regulations, which may affect the company's marketing strategies, sales, and profitability. In the face of these dynamics, PT Sampoerna continues to strive to strengthen its market position and expand its product portfolio. The analysis of PT Sampoerna's financial performance is crucial in identifying the strengths, weaknesses, opportunities, and threats faced by the company amidst the dynamic changes in the business environment. By understanding its internal and external conditions in depth, it can provide strong insights for stakeholders for better and strategic decision making to improve financial performance and maintain the company's position in a competitive market.

PT Sampoerna's financial performance is a comprehensive picture of the dynamics of the cigarette industry, external challenges that include strict health-related regulations, exchange rate fluctuations, and changing consumer habits. In addition, the company also faces pressure from internal factors, such as changing business strategies, smart financial management in the face of market volatility, operational and production efficiency, human resource development, and internal policies that affect the company's growth. The combination of these factors creates a complex landscape that affects the financial performance of these companies. In an in-depth analysis, a thorough understanding of the various internal and external variables is key to identifying the strengths, weaknesses, opportunities and threats facing PT Sampoerna, and providing a foundation for strategic recommendations to improve its financial performance in the future

## Research Method

In this research, quantitative research is used by using a descriptive study. Descriptive study, which is research that forms and interprets existing data by providing a clear picture through data collection. Provide a clear picture through data collection. Existing data provides a clear picture through data collection, compilation, and analysis to gain insight into the topic. Insight into the topic. The research subjects of this discussion are cigarette companies listed on the Indonesia Stock Exchange, namely: PT. H.M SAMPOERNA Tbk, using ratio analysis as a basis for assessing financial performance using financial statements. Ratio analysis as a basis for assessing financial performance using financial statements.

## Results and Discussion

### Market Ratio Interpretation

#### 1. Price-to-Earnings Ratio (P/E Ratio)

Price-to-Earnings Ratio (P/E Ratio) is a financial metric that gives an idea of the valuation of a stock by comparing the company's stock price to its earnings per share. The basic P/E Ratio formula is to divide a company's stock price by its earnings per share. The P/E Ratio is often considered a leading indicator of stock valuation as it provides a view of how expensive or cheap a company's stock price is relative to its earnings. A high P/E Ratio indicates that investors have to pay more for each profit earned, while a low P/E Ratio indicates the stock may be trading at a lower price relative to the profit generated.

However, the P/E Ratio cannot be viewed as the only measure to value a stock. There are several factors to consider when using the P/E Ratio, such as the company's business cycle, economic conditions, or future growth potential. For example, a new company with rapid growth may have a high P/E Ratio due to investors' expectations of future earnings. On the other hand, a company that is experiencing difficulties or operating in a stagnant industry may have a low P/E Ratio despite its affordable share price. In addition, a comparison of P/E Ratio between similar companies in the same industry or market index also provides insight into the relative valuation of a stock. A high or low P/E Ratio should be understood in the context of the company's overall performance, financial policies, and growth prospects.

While the P/E Ratio can provide an initial indication of a stock's valuation, it is important to incorporate other analyses to get a more comprehensive picture of a company's financial health and valuation. In addition, the P/E Ratio can also vary based on industry sector or prevailing market conditions. For example, technology or innovation sectors often have a higher P/E Ratio due to the expectation of huge growth in the future. Conversely, stable and established sectors may tend to have a lower P/E Ratio due to the prospect of future growth.

Using the P/E Ratio in investment analysis also requires an understanding of the business cycle. During economic downturns, companies may experience a decline in profits, which may artificially inflate the P/E Ratio. Conversely, in the midst of an economic expansion, a company's profits may increase, resulting in a lower P/E Ratio despite a rising share price. It should also be noted that the P/E Ratio does not capture information about a company's capital structure, potential risks, or other non-financial factors that may affect stock valuation. Therefore, the use of P/E Ratio should be supported by a comprehensive fundamental analysis involving a number of other metrics and factors to make more informed investment decisions. In a long-term investment context, the P/E Ratio can be a useful indicator, but investors need to use the information with caution and consider the broader context in order to make smart and sustainable investment decisions.

#### 2. Price-to-Book Ratio (P/B Ratio)

Price-to-Book Ratio (P/B Ratio) is a financial valuation metric used to evaluate a company's stock market price relative to its net asset value in its financial statements. The basic formula of the P/B Ratio is to divide the market price per share by the book value per share. Book value itself is calculated by subtracting the company's total assets from total liabilities and preferred dividends, then dividing the result by the number of shares outstanding. The P/B Ratio gives an idea of how expensive or cheap the stock price is compared to the value recorded in the financial statements. The P/B Ratio is considered a useful indicator in assessing stock valuations, especially for asset-based companies such as property or manufacturing companies. A ratio lower than 1 could mean that the market price of the company's shares is trading below



its book value, which could indicate a potential buying opportunity. However, a low P/B Ratio can also reflect problems or uncertainties in the company's performance, or even assets that are undetected or poorly realized in book value. On the other hand, a high P/B Ratio may indicate that the company's stock market price is trading above its book value. This could indicate investor optimism about the company's growth prospects, management quality, or assets owned by the company which may not be fully reflected in the book value. However, a high P/B Ratio can also indicate the possibility of overvaluation and potential risk in the event of a market price decline.

The P/B Ratio also requires a broader context for evaluation. For example, technology companies or companies with business models based on intangible assets may have a higher P/B Ratio due to the significant value of intangible assets, such as trademarks or intellectual property. Therefore, the use of P/B Ratio should be combined with other analyses and considered in the specific context of the company and the industry sector in which it operates. The P/B Ratio also has limitations in its use. Firstly, this metric does not take into account the true value of intangible assets such as trademarks, intellectual property, or future growth potential that is not reflected in the book value. Secondly, book value can vary over time, especially if there are significant changes in the value of the company's assets or liabilities. Thus, a high or low P/B Ratio should be analyzed along with other factors and cannot be the sole basis for investment decision making.

A P/B Ratio comparison between similar companies in the same industry or market index also gives a better idea of the relative valuation of a stock. In addition, a low P/B Ratio does not necessarily signify a good investment opportunity, nor does a high P/B Ratio necessarily indicate an expensive stock. External factors such as economic conditions, business cycles, and company policies should also be carefully considered. For long-term investors, the P/B Ratio can provide insight into a company's stock valuation, especially in highly asset-based industries. However, like all financial metrics, the P/B Ratio should be used as part of a broader analysis that includes fundamental factors, risk management, and company growth projections. Integrating the P/B Ratio with a holistic analysis can help investors make more informed and intelligent investment decisions.

### 3. Dividend Yield

Dividend Yield is a financial metric that measures the ratio between the dividend paid by a company per share and the share price per share. Dividend Yield gives an idea of the income earned from an investment in the form of dividends relative to the company's share price. The basic formula of Dividend Yield is to divide the dividend per share by the share price per share, then the result is multiplied by 100 to get a percentage. This metric is used by investors to evaluate the potential dividend income that can be earned from investing in a company's stock. On the other hand, a company experiencing rapid growth may have a low Dividend Yield as it prefers to allocate profits back into the company for further growth.

Dividend Yield can also vary across different industry sectors or under different market conditions. For example, established or stable industry sectors such as utilities or real estate tend to have a higher Dividend Yield, while technology or growth sectors may have a lower Dividend Yield as they are more focused on growth and innovation. In long-term investments, Dividend Yield can be one of the important consideration factors for investors who seek regular income from stock investments. While a company may have a high

Dividend Yield today, if the company's profits decline in the future, dividends could also be affected. Therefore, it is important to examine the company's dividend payout history and policies regarding dividends which can give an idea of the sustainability of the dividend. In addition, companies can change their dividend policy, either increasing or decreasing dividends, which can have a direct impact on the Dividend Yield. This can be challenging for investors who rely on stable dividend income. Dividend Yield also needs to be considered in the context of inflation and interest rates.

### 4. Market Capitalization

Market Capitalization, often abbreviated as "Market Cap," is one of the key metrics in assessing the size of a company in the stock market. It describes the total market value of all the company's outstanding shares. To calculate Market Cap, we can multiply the number of shares outstanding by the current share price. Large cap refers to large companies with a large Market Cap, while mid cap and small cap refer to

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companies with smaller market capitalization. Large caps tend to be more established with stable operations, while mid caps and small caps may have more room for growth but also carry higher risks. Market Cap also gives an idea of the liquidity of a company's shares in the market. This metric does not take into account factors such as a company's debt, financial performance, or future growth potential. For example, two companies with the same Market Cap may have different financial structures, which can affect the true risk and value of the company. When investing funds, Market Cap can be an important factor.

### **Conclusion**

From all the material that has been discussed, it can be concluded that financial analysis has a crucial role in understanding the performance of a company. Financial ratios such as Price-to-Earnings Ratio (P/E Ratio), Price-to-Book Ratio (P/B Ratio), Dividend Yield, and Market Capitalization are important instruments in assessing an entity's valuation, liquidity, and relative performance in the market. In addition, benchmarking performance against peer industries and analyzing historical trends also provide deep insights into a company's position in the market and its future potential. However, it is important to remember that each method of analysis has advantages and limitations. They should be used as part of a comprehensive overall analysis, taking into account external factors, market conditions, and changing future trends. Financial analysis is a powerful tool to support decision-making, but it is not a guarantee of absolute success. Using them wisely and having a deep understanding of the data used is key to making the right investment or business strategy decisions. By combining various analytical methods, contextual understanding, and future projections, we can make more informed and intelligent decisions.

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