

EVALUATION OF PT HM SAMPOERNA TBK'S FINANCIAL HEALTH THROUGH FINANCIAL RATIO ANALYSIS: IMPLICATIONS FOR INVESTORS (2022 – 2023)

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Abstract

This research aims to evaluate the financial health of PT HM Sampoerna Tbk through financial ratio analysis for the years 2022 and 2023, and its implications for investors. The methodology includes an analysis of liquidity ratios, asset management effectiveness, funding structure, and profitability. The analysis results indicate an increase in the current ratio from 1.69 in 2022 to 1.72 in 2023, reflecting improved liquidity. The debt ratio also decreased from 0.49 to 0.46, signaling a reduced reliance on debt and enhanced financial stability. Although the accounts receivable turnover and asset turnover ratios experienced slight declines, both remain efficient and in line with good industry standards. Meanwhile, the cash turnover ratio saw a significant increase from 10.53 to 38.80, indicating greater efficiency in cash management. In terms of profitability, the profit margin, ROA, and ROE increased to 6.95%, 14.58%, and 27.00%, respectively, reflecting the company's effectiveness in managing costs and assets. Overall, this analysis demonstrates improved financial performance, providing positive signals for investors and enhancing the long-term growth prospects of PT HM Sampoerna Tbk as an attractive investment option.

Keywords: Financial Health, Financial Ratio Analysis, Implications for Investors

1. Introduction

The financial health of a company is a key indicator used by investors in assessing the potential and risk of their investments. An in-depth understanding of the company's financial performance, especially in a competitive sector such as the cigarette industry, is needed to gain a strategic perspective on the company's potential and competitiveness. PT HM Sampoerna Tbk, as one of the main players in the cigarette industry in Indonesia, occupies a significant strategic position in the portfolio of many investors. Amid changing economic conditions and increasing market competition, an in-depth evaluation of the company's financial health is more important than ever, especially to identify its impact on investment decisions.

Financial ratio analysis is one of the commonly used methods in evaluating a company's financial health. According to Brigham and Ehrhardt (2019), this analysis helps in measuring aspects of liquidity, solvency, efficiency, and profitability, all of which have an important role in investment decision-making. In this study, several key ratios will be analyzed, including liquidity ratios, asset management effectiveness, funding structure, and profitability, to provide a comprehensive picture of PT HM Sampoerna Tbk's financial condition in 2022 and 2023.

The formulation of the problem in this study is focused on the main question: "How does the financial performance of PT HM Sampoerna Tbk affect investment decisions?" This question arises from the need to explore the relationship between a company's

financial performance, as measured through key financial ratios, and the decisions taken by investors, particularly in the face of current market uncertainty.

This study aims to evaluate the financial health of PT HM Sampoerna Tbk through financial ratio analysis that can provide important information for investors. The specific objectives of this study include: (1) Identifying trends in the company's financial health over the past two years; (2) Providing insights related to the efficiency of the Company's asset management and funding structure, and (3) Providing recommendations that can support investment decisions based on the results of the analysis.

With investors' increasing expectations for transparency and accountability of financial performance, this study aims to present relevant and timely information. As such, this study not only aims to provide an understanding of current financial health but also identifies the long-term growth potential of PT HM Sampoerna Tbk as an attractive investment option. The contribution of this research is expected to have a positive impact on stakeholders and strengthen the market as a whole.

2. Theoretical Background

2.1 Financial Health

PT HM Sampoerna Tbk is one of the leading companies in the tobacco industry in Indonesia, established in 1913. As part of Philip Morris International, the company manufactures various brands of cigarettes, including Sampoerna A, Dji Sam Soe, and U Mild. In a highly competitive and regulated industry, companies must maintain their financial health and operational sustainability. At PT HM Sampoerna Tbk, which is engaged in the competitive tobacco industry, financial health analysis through financial ratios serves as a tool to understand performance and potential risks. This analysis includes key ratios that highlight aspects of liquidity, solvency, efficiency, and profitability.

According to Brigham & Ehrhardt (2019) A company's financial health can be evaluated through an analysis of financial ratios, including liquidity, solvency, and profitability ratios. Solid financial health is important to attract investors and maintain creditor trust. A company's financial health is a key indicator in investment decision-making. Investors need in-depth analysis to assess the stability and potential risks of a company in the long term.

Koller, Goedhart, & Wessels (2020) emphasize that good financial health includes a company's ability to generate positive cash flow and consistent profits. They also note that financially sound companies are better able to deal with market risks and uncertainties.

Meanwhile, Smith et al. (2021) show that financial health analysis, including the use of profitability and liquidity ratios, has a significant impact on assessing investment risk. They show that companies with good financial health tend to be more stable and attractive to investors.

2.2 Financial Ratio Analysis

Brigham & Ehrhardt (2019), Liquidity ratios, such as current ratios and quick ratios, are important for assessing a company's ability to meet short-term obligations. A high ratio signifies that the company has enough current assets to cover short-term liabilities, which in turn increases investor and creditor confidence.

Koller, Goedhart, & Wessels (2020), Liquidity Ratios not only reflect financial health, but also provide an indication of management efficiency in managing current assets.

Companies that have a good liquidity ratio tend to be better prepared to face market uncertainty.

Smith et al. (2021), In the journal "Financial Ratios and Investment Risk in Manufacturing Firms", Financial Ratios have a significant influence on assessing investment risk. They emphasized the importance of liquidity and solvency ratios in the context of the manufacturing industry, which can be applied to other sectors, including tobacco.

Financial Ratio Analysis is a method of evaluating a company's financial performance by comparing various numbers from financial statements. The main purpose of this analysis is to provide insight into the company's financial health, operational efficiency, and ability to meet both short-term and long-term obligations.

Some key aspects of financial ratio analysis:

1) Liquidity Ratio

There are two main instruments used in evaluating liquidity ratios, namely the current ratio and the quick ratio.

a) Current Ratio

Current Ratio measures the Company's ability to meet its short-term obligations using current assets.

$$\text{Current Ratio Formula} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The standard Current Ratio in the tobacco industry ranges from: 1 – 2, indicating that there is a healthy balance between lender assets and liabilities that can increase investor and creditor confidence.

b) Quick Ratio

Quick Ratio measures a company's ability to meet its short-term obligations without having to sell inventory.

$$\text{Quick Ratio Formula} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The standard Current Ratio in the tobacco industry ranges from: 1 – 2, indicating a balance that the company has healthy liquidity or has sufficient assets to meet its short-term obligations,

2) Solvency Ratio

According to Brigham & Ehrhardt (2019), Solvency Ratios, such as debt ratios and equity ratios, are used to assess a company's ability to meet its long-term obligations. This ratio provides an overview of the proportion of debt to total assets and equity, which is essential for understanding a company's capital structure. Solvency ratio measures a company's ability to meet long-term obligations. According to Smith et al. (2021) in the journal "Financial Ratios and Investment Risk in Manufacturing Firms", it shows that solvency ratios, such as debt to equity ratios, have a significant influence on assessing investment risk. They also emphasized the importance of this ratio in the context of the manufacturing industry, which is also relevant for other sectors. The solvency ratio used to measure a company's ability to meet its obligations is as follows:

a) Debt Ratio (Debit Ratio)

Debt Ratio (Debit Ratio), measures how much a company's debt is compared to its equity. This ratio provides an overview of the Company's financial risk

$$\text{Debt Ratio Formula (Debit Ratio)} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The standard debt ratio in the tobacco industry ranges from: 0.3 - 0.5, the debt ratio in this position shows that the company has a reasonable proportion of debt compared to its equity.

b) Time Interest Earned (TIE)

Time Interest Earned (TIE), measures the Company's ability to pay interest on its debt

$$\text{Time Interest Earned (TIE) Formula} = \frac{\text{Total Debt Profit before interest and tax (Ebit)}}{\text{Interest}}$$

The standard Time Interest Earned (TIE) in the tobacco industry ranges from 5 – 10 times per year. A high TIE indicates that the Company is profitable enough to pay the interest on its debt so that it is considered safe from the risk of bankruptcy.

2.3 Asset Management Efficiency

According to Brigham & Ehrhardt (2019), Asset Management Efficiency can be measured through the asset turnover ratio. This ratio shows how effectively a company is using its assets to generate revenue. The higher this ratio, the more efficient the company will be in managing its assets. Meanwhile, Koller, Goedhart, & Wessels (2020) emphasized the importance of asset management efficiency in the context of company valuation. They state that companies that are efficient in using their assets tend to have higher profitability and lower risk, which in turn increases the company's value. According to Smith et al. (2021) in the journal "Financial Ratios and Investment Risk in Manufacturing Firms", it shows that Asset Management Efficiency has a significant effect on investment risk. They emphasized that companies that are able to manage their assets well tend to be more stable and have higher competitiveness. The Asset Management Efficiency Ratio, which is used as an important indicator in assessing the financial health of a company, is as follows:

1) Receivable Turn Over Ratio

Receivable Turn Over Ratio measures how efficiently the Company manages receivables in a certain period.

$$\text{Formula Receivable Turn Over Ratio} = \frac{\text{Sales}}{\text{Accounts Receivable}}$$

$$\text{Average Receivables Formula} = \frac{\text{Sales Receivable Period 1} + \text{Sales Receivable 2}}{2}$$

$$\text{Formula Rasio Perputaran Piutang} = \frac{365}{\text{Account Receivable}}$$

The standard Receivable Turn Over Ratio in the tobacco industry ranges from 6-12 times per year. A high Receivable Turn Over shows that the company is efficient in collecting receivables and has good cash flow.

2) Cash Turnover Ratio

Cash Turnover Ratio measure how efficiently the Company uses its cash to generate revenue. Cash Turnover Ratio = $\frac{\text{Sales}}{\text{Average Cash and Cash Equivalents}}$

Standards Cash Turnover Ratio in the tobacco industry range from 4 – 12 times per year, High Cash Turnover indicates that the Company is able to manage its cash efficiently to generate revenue.

3) Inventory Turnover Ratio

Inventory Turnover Ratio measures how efficiently a company manages its inventory, or how quickly inventory is sold and replaced over a certain period

$$\text{Inventory Turnover Ratio Formula} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Fixed Assets}}$$

The standard Inventory Turnover Ratio in the tobacco industry ranges from: 4-10 times per year. A high inventory turnover indicates that the Company is able to sell and

replace inventory efficiently. The high turnover of fixed assets shows that the Company is effectively using its fixed assets to generate income.

2.4 Profitability Ratio

According to Brigham and Ehrhardt (2019, p. 312), profitability ratios, such as net profit margin, return on assets (ROA), and return on equity (ROE), reflect management's effectiveness in maximizing profits from income earned. A high profitability ratio signals good growth potential and is attractive to investors (Garrison et al., 2018, p. 215).

Meanwhile, Koller, Goedhart, & Wessels (2020) emphasized that the Profitability Ratio provides important insights into a company's financial performance. They note that companies with high profitability ratios demonstrate good ability to manage costs and generate profits, which contributes to the company's value.

According to Smith et al. (2021) in the journal "Financial Ratios and Investment Risk in Manufacturing Firms", Profitability Ratios, especially ROE and net profit margin, have a significant influence on assessing investment risk. They emphasized that companies with good profitability ratios tend to be more attractive to investors and have higher competitiveness.

Here are some commonly used profitability indicators in financial analysis:

1) Profit Margin Ratio,

The Profit Margin Ratio measures the percentage of net profit that a Company earns from total sales. Formula Profit Margin = $\frac{\text{Net Profit}}{\text{Revenue}} \times 100$

The standard Profit Margin Ratio in the tobacco industry ranges from 5% to 15% per year. A high profit margin indicates that the Company is efficient, able to generate profits greater than its revenue

2) Return on Assets (ROA)

Return on Asset (ROA) Ratio, measures how efficiently a company uses assets to generate profits. Formula Aset (Return on Assets – ROA) = $\frac{\text{Net Profit}}{\text{Total Assets}} \times 100$

The standard Return on Assets (ROA) ratio in the tobacco industry ranges from 5% - 10% per year. A high ROA indicates that the Company is efficiently using its assets to generate profits.

3) Return on Equity (ROE)

Return on Equity (ROE) Ratio Measures the rate of return generated from shareholder equity in a company.

Return on Equity (ROE) Ratio Formula = $\frac{\text{Net Profit}}{\text{Total Equity}} \times 100$

The standard Return on Equity (ROE) ratio in the tobacco industry ranges from: 10% - 15% per year. A high ROE indicates that the Company is efficiently using its assets to generate profits.

2.5 Implications for Investors

According to Higgins (2012), monitoring a company's financial health is important for investors in identifying investment risks and opportunities.

According to Damodaran (2016), understanding financial performance helps investors in making strategic investment decisions by managing risk and maximizing potential profits.

Thus, the analysis of PT HM Sampoerna Tbk's financial ratios is very important for investors to assess investment risks and opportunities. Understanding a company's

financial performance helps investors make more strategic decisions and manage risk well in the context of a dynamic market.

3. Methods

3.1 Type of Research

This study adopts a quantitative approach with a descriptive study design. This approach was chosen because it allows the collection and analysis of numerical data related to the financial health of PT HM Sampoerna Tbk, so that it can provide a clear and measurable picture of the company's financial performance.

3.2 Research Subject and Object

The subject of this research is PT HM Sampoerna Tbk, which is one of the pioneers in the cigarette industry in Indonesia. The object of the study is the company's financial data, which includes information from annual reports and financial statements published for 2022 and 2023. This data is important to evaluate the financial health of a company holistically.

3.3 Research Time and Location

This study focuses on the financial data analysis period of PT HM Sampoerna Tbk from January 2022 to December 2023. Although the study was not conducted in a specific physical location, the data used was taken from official and trusted digital sources. The company's annual report and financial statements, which are the main sources for this analysis, are downloaded from the official website of PT HM Sampoerna Tbk as well as recognized financial information platforms. As such, the study uses publicly available data to provide an accurate picture of a company's financial health over a specified period.

3.4 Research Instruments

The main instrument in this study is the annual financial report of PT HM Sampoerna Tbk, which consists of a balance sheet, an income statement, and a cash flow statement. In addition, the analysis of financial ratios will be carried out using appropriate formulas to assess important aspects such as liquidity, solvency, efficiency, and profitability of the company.

3.5 How to Sampling

Sampling in this study was carried out using the purposive sampling technique. In this context, the sample consists of PT HM Sampoerna Tbk's annual financial statements for 2022 and 2023, which are taken from trusted digital sources. The selection of this report is based on its relevance and availability on the company's official website as well as recognized financial information platforms. The purposive sampling method ensures that the data used in the analysis is the most appropriate for evaluating the financial health of the company, so that the results of the research can provide in-depth and useful insights for investors.

3.6 Data Collection

Data collection in this study was carried out through the document analysis method, with an emphasis on the financial statements of PT HM Sampoerna Tbk which are accessed online. This process includes downloading annual reports, income statements, balance sheets, and cash flow statements from the company's official website, as well as

from other reliable sources. The data obtained includes essential information such as total assets, liabilities, revenue, and net profit, all of which are necessary to calculate financial ratios. With this systematic approach, research ensures that the information analyzed is accurate, current, and relevant, so that it can provide a comprehensive picture of the company's financial health. Through the collection of data based on authentic sources, this research aims to present valuable analysis for investors and other stakeholders.

3.7 Data Analysis

The data that has been collected is analyzed using the financial ratio analysis method. Each ratio is calculated based on the relevant formula, and the results of the analysis are compared to industry standards to assess the company's performance. The data interpretation was carried out to draw conclusions about the financial health of PT HM Sampoerna Tbk, as well as its implications for investors in the future.

4. Results and Discussion

4.1 Liquidity Ratio

Table 1. Results of Liquidity Ratio Analysis of PT HM Sampoerna Tbk

Ratio Type	2022	2023	Manufacturing Industry Standards
Current Ratio	1.69	1.72	1 - 2
Quick Ratio	0.94	0.90	1 - 2

Source: Data processed (2024)

The calculation of the Current Ratio is carried out by dividing the total current assets by the total current debt. The current ratio of PT HM Sampoerna Tbk in 2022 is 1.69, meaning that for every unit of loans, the Company has 1.69 units of current assets to meet its short-term liabilities and for 2023, a result of 1.72 means that for every unit of loans, the Company has 1.72 units of assets to meet its short-term liabilities. The increase in PT HM Sampoerna Tbk's current ratio from 1.69 in 2022 to 1.72 in 2023 indicates an improvement in the company's ability to meet short-term obligations. With ratios that are within the industry-standard range, the company demonstrates healthy liquidity and good financial management. Investors are advised to consider the performance of this current ratio in the overall evaluation of the company and as a basis for more strategic investment decisions. Monitoring further developments in financial performance and market conditions will be crucial in determining the right investment decisions.

The calculation of the Quick Ratio is carried out by subtracting the total assets of the lender minus the inventory divided by the lender's debt. The results obtained in 2022 are 0.94 and in 2023 are 0.90. PT HM Sampoerna Tbk's quick ratio, which was stable at 0.94 during 2022 and 2023, shows the challenge in meeting short-term obligations without relying on inventory. With a position that is below industry standards, investors are advised to be more cautious and conduct a thorough analysis of the company's cash flow and liquidity management strategies. Monitoring further developments in financial performance and market conditions will be crucial in determining appropriate and strategic investment decisions.

4.2 Solvency Ratio

Table 2. Solvency Ratio Analysis Results of PT HM Sampoerna Tbk

Ratio Type	2022	2023	Manufacturing Industry Standards
Debt Ratio (Debit Ratio)	0.49	0.46	0.3 – 0.5
Time Interest Earned (TIE)	20.01	14.76	5 – 10 times

Source: Data processed (2024)

The Debt Ratio (Debit Ratio) is calculated by dividing Profit before interest and taxes (EBIT) by Interest. The Debt Ratio (Debit Ratio) of PT HM Sampoerna Tbk in 2022 is 0.49 and in 2023 is 0.46. The decrease in PT HM Sampoerna Tbk's debt ratio from 0.49 in 2022 to 0.46 in 2023 shows a positive step in the company's financial management. With debt ratios that are within the limits of industry standards, the company demonstrates a sound financial structure and lower risk. Investors are advised to consider the performance of these debt ratios in the overall evaluation of the company and as a basis for more strategic investment decisions. Monitoring further developments in financial performance and market conditions will be crucial in determining the right investment decisions.

The calculation of Time Interest Earned (TIE) is done by dividing the Total Debt by the Total Assets. PT HM Sampoerna Tbk's Time Interest Earned (TIE) result in 2022 is 20.01, showing that PT HM Sampoerna Tbk has enough operating profit to cover the interest expense 20 times. This indicates a very strong financial position and a good capacity to meet interest obligations without pressure. And in 2023 of 14.76, it means that operating profit can only cover interest expense by 14.76 times. The decline in PT HM Sampoerna Tbk's Time Interest Earned ratio from 20.01 in 2022 to 14.76 in 2023 indicates a decline in the company's ability to meet interest obligations, although it is still above industry standards. Investors are advised to pay attention to this trend and conduct an analysis of the factors that affect the company's operating profit. Monitoring further developments in financial performance and market conditions will be crucial in determining appropriate and strategic investment decisions.

4.3 Asset Management Efficiency Ratio

Table 3. Asset Management Efficiency Ratio (Activity Ratio)

Ratio Type	2022	2023	Manufacturing Industry Standards
Receivable Turn Over Ratio	35.36	33.11	6 – 12 times
Cash Turnover Ratio	10.53	38.80	4 - 12 times
Inventory Turnover Ratio	5.20	5.17	4 – 10 times
Fixed Asset Turnover Ratio	7.62	6.99	4 – 6 times

Source: Data processed (2024)

The calculation of the Receivable Turn Over Ratio is carried out by dividing sales by the average receivables obtained from the current year's balance plus the previous year's balance and then dividing by two. The results of PT HM Sampoerna Tbk's Receivable Turn Over Ratio in 2022 are 35.36, meaning a receivables turnover ratio of 35.36 times per year in 2022. Meanwhile, in 2023 it will be 33.11, meaning that the turnover of receivables will occur 33.11 times in 2023. PT HM Sampoerna Tbk's receivables turnover ratio, although it decreased from 35.36 in 2022 to 33.11 in 2023, shows excellent efficiency in receivables management. With ratios well above industry standards, the company demonstrates a strong ability to collect receivables and generate cash flow. However, the decline that occurred should be a concern for investors, who need to conduct a more in-depth analysis of the factors affecting the collection of receivables. Monitoring the development of financial performance and market conditions will be crucial in determining the right and strategic investment decisions.

The calculation of the Cash Turnover Ratio is carried out by dividing sales by the average cash or equivalent obtained by the current year's balance plus the previous year's balance then divided by two. The result of the Cash Turnover Ratio of PT HM Sampoerna Tbk in 2022 is 10.53, meaning that the cash turnover ratio occurred 10.53 times in 2022.

And in 2023 it will be 38.80, meaning that the cash ratio turnover will occur 38.80 times in 2023. The increase in PT HM Sampoerna Tbk's cash turnover ratio from 10.53 in 2022 to 38.80 in 2023 shows the company's excellent cash efficiency and ability to generate high revenue. With a position well above industry standards, the company displays strong performance and efficient financial management. This provides a positive signal for investors regarding the company's potential growth and financial stability. However, it is important to keep an eye on factors that can affect these ratios so that investors can make informed and strategic decisions.

The calculation of the Inventory Turnover Ratio is carried out by dividing the Cost of Goods Sold by the average inventory obtained by the current year's balance plus the previous year's balance then divided by two. The result of the Inventory Turnover Ratio of PT HM Sampoerna Tbk in 2022 is 5.20, meaning that the cash turnover ratio occurred 5.20 times in 2022 and in 2023 is 5.17, meaning that the cash turnover ratio occurred 5.17 times in 2023. PT HM Sampoerna Tbk's inventory turnover ratio, which was stable at 5.20 in 2022 and slightly decreased to 5.17 in 2023, indicates good and efficient inventory management. With a position that is within the industry-standard range, the company demonstrates a solid ability to manage inventory and generate cash flow. Despite the slight decline, investors are advised to consider the performance of this ratio as part of an overall analysis of the company's financial health and its future growth potential. Monitoring further developments in market performance and conditions will be crucial in making sound and strategic investment decisions.

The calculation of the Fixed Asset Turnover Ratio is carried out by dividing the Cost of Goods Sold by the average fixed assets obtained by the current year's balance plus the previous year's balance then divided by two. The result of PT HM Sampoerna Tbk's Fixed Asset Turnover Ratio in 2022 is 7.62, meaning that the fixed asset turnover ratio will occur 7.62 times in 2022 and 6.99 times in 2023, meaning that the fixed asset turnover will occur 6.99 times in 2023. PT HM Sampoerna Tbk's fixed asset turnover ratio, which decreased from 7.62 in 2022 to 6.99 in 2023, shows that although the company is still efficient in using fixed assets, there is a decline that needs to be noted. With ratios that remain above industry standards, the company shows a solid performance in leveraging fixed assets to generate revenue. Investors are advised to conduct an in-depth analysis of the factors that affect the decline in this ratio and consider the overall performance of the company in investment decision-making. Monitoring further developments in performance and market conditions will be crucial in assessing the company's future prospects.

4.4 Profitability Ratio

Table 4. Asset Management Efficiency Ratio (Activity Ratio)

Ratio Type	2022	2023	Manufacturing Industry Standards
Profit Margin	5.72%	6.95%	5% – 15 %
Return On Asset (ROA)	11.54%	14.58%	5% – 10 %
Return On Equity (ROE)	22.57%	27.00%	10% - 15 %

Source: Data processed (2024)

The calculation of Profit Margin is done by dividing net profit by sales multiplied by 100. The Profit Margin of PT HM Sampoerna Tbk in 2022 is 5.72% and in 2023 is 6.95%. The increase in PT HM Sampoerna Tbk's profit margin from 5.72% in 2022 to 6.95% in 2023 shows an improvement in operational efficiency and cost management. With profit margins that are above industry standards, the company shows strong competitiveness.

Investors are advised to consider this factor in evaluating the company's performance and future investment potential. Monitoring further developments in profitability performance and market conditions will help investors in making more informed investment decisions.

The Return On Asset (ROA) calculation is carried out by dividing net profit by Total Assets. Return On Asset (ROA) results multiplied by 100. PT HM Sampoerna Tbk's Profit Margin in 2022 is 11.54% and in 2023 is 14.58%. The increase in ROA PT HM Sampoerna Tbk from 11.54% in 2022 to 14.58% in 2023 shows the increasing efficiency in the use of assets to generate profits. With ROA far above industry standards, the company shows strong performance and high competitiveness. Investors are advised to consider the performance of this ROA in the overall evaluation of the company and as a basis for more strategic investment decisions. Monitoring the development of financial performance and future market conditions will be crucial in determining the right investment decisions.

The Return On Equity (ROE) calculation is carried out by dividing net profit by Share Capital. The return on equity (ROE) result is multiplied by 100. The Return On Equity (ROE) OF PT HM Sampoerna Tbk in 2022 is 22.57% and in 2023 is 27.00%. The increase in ROE PT HM Sampoerna Tbk from 22.57% in 2022 to 27.00% in 2023 shows the increasing efficiency in using equity to generate profits. With ROE well above industry standards, the company shows very strong performance and high competitiveness. Investors are advised to consider this ROE performance in the overall evaluation of the company and as a basis for more strategic investment decisions. Monitoring the development of financial performance and future market conditions will be crucial in determining the right investment decisions.

5. Conclusion

This study evaluates the financial health of PT HM Sampoerna Tbk through an analysis of financial ratios for 2022 and 2023. The results showed a significant improvement in liquidity, with the current ratio increasing from 1.69 to 1.72, as well as decreasing the debt ratio from 0.49 to 0.46, reflecting better debt management. Efficiency ratios, such as cash turnover that jumped from 10.53 to 38.80, indicate highly efficient cash management.

In terms of profitability, the increase in profit margin, ROA, and ROE reflects the company's effectiveness in managing costs and assets, reaching 6.95%, 14.58%, and 27.00%, respectively. This finding provides a positive signal for investors, reinforcing PT HM Sampoerna Tbk's long-term growth prospects as an attractive investment option.

Overall, this analysis of financial ratios is an important guide for investors in making strategic decisions. It is recommended that investors continue to monitor the development of financial performance and market conditions to optimize investment decisions and minimize risks. This research is expected to contribute to a better understanding of the financial health of companies in the context of a dynamic market.

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