COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE BEFORE AND AFTER MERGER (CASE STUDY AT PT HOLCIM INDONESIA)

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ABSTRACT

This study aims to analyze differences in the company's financial performance before & after the merger of PT Holcim Indonesia Tbk. The company's financial performance is measured using financial ratios: liquidity ratios (current ratio & cash ratio), solvency ratios (debt ratio & debt equity ratio), activity ratios (total assets turn over & fixed assets turn over), profitability ratios (nett profit margin & gross profit margin), & market ratio (earnings per share & price earnings ratio). The quantitative method used in this study takes data from PT Holcim Indonesia Tbk's financial statements for the 2014-2017 period. The analysis technique uses SPSS software. The results of the calculation of financial performance before & after showed a decrease in post-merger performance on all liquidity ratios, activity ratios, profitability ratios, & market ratios, only the solvency ratio increased. Then do a paired sample t test which concludes that there is no significant difference from the average financial performance ratio before and after the merger. This is because the difference in the ratio before and after the merger is not much different.

Keywords : *financial performance, mergers, paired sample t test.*

I. PRELIMINARY

In the era of globalization and free competition, companies must compete tightly with each other. And the development of the times has a strong impact on the global economy. One of them is Indonesia, which is a developing country in the Asian region with a fairly high population growth. This has resulted in higher development in Indonesia in the property sector so that it can have an impact on the cement industry. The large population of Indonesia makes the market wide open and attractive, making it one of the factors driving the increase in capacity and expansion of a number of cement producers in Indonesia. Not only that, there are several reasons for the increasingly busy cement market in Indonesia. First, the government opened a massive promotion for infrastructure. Second, the increase in cement consumption per capita from year to year.

The tight competition in the cement industry in Indonesia has forced company management to continue to maintain and develop their businesses through various long-term and short-term corporate business strategies. One of the efforts to maintain the company is by merging business entities. Merger of business entities is the merger of one or more companies into one economic entity.

Changes after the merger will be reflected in the published financial performance of the company. The performance development of a company can be seen using the analysis of the

company's financial statements. To carry out an analysis of a company's financial statements, a measure is needed as a basis for interpretation. A measure of corporate financial analysis that is commonly used is the "ratio" to explain the relationship between financial data accounts (Wiyono and Kusuma, 2017: 338).

Merger of business entities can provide benefits for the company. With the merger of business entities, it is hoped that the company's performance will increase and be able to provide better profits than before the merger. One of the cement sector companies in Indonesia that is interested in merging is PT Holcim Indonesia.

PT Holcim Indonesia merged on 11 July 2015 by completing the purchase of 1.94 million (99.99%) shares of PT Lafarge Cement Indonesia owned by Financiere Lafarge SA for Rp 2.13 trillion. The share purchase transaction is carried out with the aim of developing and encouraging the company's business growth so that after the transaction is completed, it is expected that there will be an increase in the company's competitiveness and quality. In addition, it also provides efficiency in the purchasing power of capital goods for the purpose of increasing revenue and further strengthening the company's position in the cement industry.

At the time of conducting the merger, the company must take into account the performance of the companies to be merged. The calculation of company performance can be done by looking at financial ratios including profitability ratios, solvency ratios, liquidity ratios and activity ratios. This study aims to determine and calculate the financial performance of PT Holcim Indonesia Tbk before and after the merger and to analyze whether or not there is a difference in the average financial performance ratio of PT Holcim Indonesia Tbk before and after the merger.

From the descriptions of the problems that have been described by the author, the authors conclude the research title:
"COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE BEFORE AND AFTER MERGER (CASE STUDY AT PT HOLCIM INDONESIA)".

PREVIOUS RESEARCH

Several previous studies have found mixed results. Research conducted by Yunita Elshadai Sajow (2016) entitled Comparative Analysis of Financial Performance Before and After Merger at PT XL Axiata Tbk analyzes financial performance with the limits of profitability ratios (net profit margin and gross profit margin), activity ratio (total assets turn over and fixed assets turnover), liquidity ratio (current ratio and cash ratio), solvency ratio (debt ratio and debt equity ratio). It concluded that the financial performance of PT. XL Axiata Tbk before the merger was better and after the merger the financial performance got worse because of the many decreases in most of the financial ratios. Of the 8 types of financial ratio measuring instruments, there were 2 financial ratios where the financial performance improved, while the other 6 financial ratios had decreased.

Research conducted by Nur Syilfia Apriliana (2015) entitled Comparison of Financial Performance Before and After Acquisition in Manufacturing Companies analyzes financial performance with the limits of the liquidity ratio (current ratio), profitability ratios (net profit margin, return on assets, return on equity), activity ratios (total assets turn over and fixed assets turn over), market ratios (price earning ratios and earnings per share), and solvency ratios (debt ratios and debt equity ratios). The conclusion in this study is that there are significant differences in the liquidity ratio, profitability, activity, and market ratios, while the solvency ratio has no significant difference.

Research conducted by Astri Raisatul Nikmah (2018) entitled Analysis of Financial Performance Differences at PT Holcim Indonesia Tbk analyzes financial performance with limits on the liquidity ratio (current ratio), leverage ratio (debt ratio), activity ratio (total assets turn over), profitability ratio (net profit margin), market ratio (price earning ratio) and with data analysis techniques using paired simple t-test. The conclusion in this study is that the ratio of liquidity, activity, profitability and market ratios has decreased, while the leverage ratio has increased. This indicates that the financial performance of PT Holcim Indonesia is in poor condition after the acquisition. Different test of paired sample t-test shows that there is no significant difference in financial performance before and after the acquisition.

III. DEFINITION OF MERGER & ACQUISITION

The Statement of Financial Accounting Standards (PSAK) No. 22 regarding mergers states that a merger is a process of business merger, by taking over one or more other companies. After a takeover occurs, the company that is taken over is dissolved or liquidated, so that its existence as a legal entity disappears, thus its business activities are continued by the company that took over. Meanwhile, an acquisition is a form of taking over the ownership of the company by the acquirer, which will result in the transfer of control over the company being taken over.

REASON OF MERGER

Some of the reasons for the company to merge include increasing sales and saving on operations, improving management and company growth, and company diversification, obtaining leverage benefits, and there are personal reasons as well.

MERGER BENEFITS

Some of Payamta's positive impacts in Randi (2012) are: The possibility of internal exchange of cash flow reserves between merger companies, so that the merged company can manage liquidity risk more flexibly. Obtaining an increase in company capital and an advantage in regulating costs due to increasing business scale. The efficiency of the company can be done further. Achieved market power advantage over competition. The implementation of mergers and acquisitions has various objectives, however, merger and acquisition activities can only be carried out if they comply with the prevailing laws and regulations in the capital market.

THE MERGER PROCESS

In conducting a merger, there is a process that must be followed, including the corporate strategy, at this early stage the management sets the company's strategic goals, and explains how the merger helps achieve these goals. Then looking for and selecting targets, there are three main criteria that must be considered, namely strategic suitability, financial aspects and organizational suitability, the culture of the target company. Then due diligence, which is studying the target company from all related aspects in order to minimize unexpected things after signing the agreement. Then valuation, to determine the business value or assets of the target company as material for negotiating prices and terms. There are 4 valuation methods, namely: discounted cash flow, public company comparison, transaction comparison, leveraged buy out. Then negotiations, buyers and sellers seek to agree on

certain prices, terms and conditions of the transaction. Negotiations based on information on the previous due diligent and valuation processes. In the negotiation, it is necessary to understand the parties that will be involved in the negotiation process so that it is hoped that the negotiation process will be effective. Then deal structuring & accounting. Deal structuring is choosing the best structure for the benefit of both parties, taking into account legal, tax and business aspects. As for accounting, there are 2 main things, namely purchase price allocation, in which the transaction value is recorded in the buyer's company balance. The second is the method of recording financial transactions that depend on the position of ownership and also the presence or absence of control over the company being purchased. Then post merger integration. Aims to unite companies that are purchased both organizationally, operationally, business, and others. Then the exit strategy, where the company owner will get out of the investment he made by transferring ownership to another company.

FINANCIAL STATEMENTS & FINANCIAL PERFORMANCE

The financial report is information that describes a company, where furthermore it will be information that describes the performance of a company (Irfan Fahmi, 2012: 22). From the financial statements, it is obtained a knowledge and information relating to the company relating to financial position, company performance, and changes in financial position. Meanwhile, the company's financial performance can be interpreted as an achievement that has been realized through the work that has been stated in the financial statements and can be used as a benchmark to determine the level of success of the company in a certain period. Financial performance can be found through financial statement analysis.

ANALYSIS OF FINANCIAL RATIOS

The ratios used in analyzing the financial performance of PT Holcim Indonesia Tbk before and after conducting the merger are as follows: Liquidity ratio is an indicator of a company's ability to pay or settle its financial obligations at maturity using available current assets (Hery, SE , M.si. 2015).

- Current Ratio, is the ratio used to measure the company's ability to meet its short-term obligations that are due soon by using the total current assets available (Hery, SE, M.si. 2015).

$$\text{Current Ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

- Cash Ratio, is the ratio used to measure how much cash or cash equivalents are available to pay short-term debt (Hery, SE, M.si. 2015).

$$\text{Cash Ratio} = \frac{\text{cash and marketable securities}}{\text{current liabilities}}$$

The Solvability Ratio, is a ratio used to measure the extent to which the company's assets are financed with debt (Hery, SE, M.si. 2015).

- Debt Ratio, is the ratio between total debt (total debt) and total assets (total assets) expressed as a percentage (Hery, SE, M.si. 2015).

$$\text{Debt Ratio} = \frac{\text{total debts}}{\text{total assets}}$$

- Debt Equity Ratio, is the ratio used to measure the proportion of debt to equity (Hery, SE, M.si. 2015).

$$\text{Debt Equity Ratio} = \frac{\text{total debts}}{\text{capital}}$$

The activity ratio is the ratio used to measure the effectiveness of the company in using its assets, including to measure the level of efficiency of the company in utilizing existing resources (Hery, SE, M.si., CRP., RSA 2015).

- Total Assets Turn Over, is the ratio used to measure the effectiveness of the total assets owned by the company in generating sales, or in other words to measure how much sales will be generated from each rupiah of funds embedded in total assets (Hery, SE, M.si. 2015).

$$\text{Total Assets Turn Over} = \frac{\text{net sales}}{\text{total assets}}$$

- Fixed Assets Turn Over, is the ratio used to measure the effectiveness of the fixed set owned by the company in generating sales, or in other words to measure how effectively the capacity of fixed assets contributes to creating sales (Hery, SE, M.si. 2015).

$$\text{Fixed Assets Turn Over} = \frac{\text{net sales}}{\text{total fixed assets}}$$

The profitability ratio is the ratio used to measure a company's ability to generate profits from its normal business activities (Hery, SE, M.si., CRP., RSA 2015).

- NPM (net profit margin), is the ratio used to measure the percentage of net income on net sales (Hery, SE, M.si. 2015).

$$\text{net profit margin} = \frac{\text{net profit}}{\text{net sales}}$$

- GPM (gross profit margin), is the ratio used to measure the percentage of gross profit on net sales (Hery, SE, M.si. 2015).

$$\text{gross profit margin} = \frac{\text{gross profit}}{\text{net sales}}$$

Market ratios are a set of ratios that link stock prices to profits, book value per share, and dividends.

- Earning Per Share (EPS), is the ratio used to measure the percentage of net income (EAT) to the number of shares.

$$\text{Earning Per Share} = \frac{\text{net profit (EAT)}}{\text{number of shares}}$$

- Price Earning Ratio (PER), is the ratio used to measure the percentage of market price per share to earnings per share.

$$\textit{Price Earning Ratio} = \frac{\textit{market price per share}}{\textit{earning per share}}$$

HYPOTHESIS

The hypothesis is a provisional assumption of the formulation of the research problem. It is said to be temporary, because the answers given are based on relevant theories not yet based on empirical facts obtained through data collection. Based on the background of the problem, problem formulation, and research objectives, the hypotheses in this study are:

H0 : There is no significant difference in the average ratio of the company's financial performance before and after the merger.
H1 : There is a significant difference in the average ratio of the company's financial performance before and after the merger.

III. RESEARCH METHODOLOGY

This type of research approach used in this research is a quantitative research method approach. Quantitative research is a systematic scientific study of parts and phenomena and their relationships. The purpose of this quantitative research is to develop and use mathematical models, theories and / or hypotheses related to natural phenomena.

The type of data used in this study is secondary data, namely data obtained from various existing sources or second-hand researchers. The data in this study used the annual financial statements of PT Holcim Indonesia Tbk before the merger, namely 2014 and 2015 and quarterly and annual financial reports after the merger, namely 2016 and 2017. Research data were obtained from the IDX website. The choice of location for this research is on the Indonesia Stock Exchange (IDX) through its official website www.idx.co.id, the reason for choosing this location is because all the financial report data can be trusted.

The population is a general area consisting of objects / subjects that have certain quantities and characteristics that are determined by researchers to study and then draw conclusions (Sora, 2015). The population in this study are all financial statements of the manufacturing sector companies listed on the IDX. While the sample is part of the number and characteristics possessed by the population, or a small part of the population members taken according to certain procedures so that they can represent the population (Sora, 2015). The sample in this study is the financial statements of PT Holcim Indonesia Tbk before the merger with PT Lafarge Cement Indonesia, namely the financial statements of 2014 and 2015, and after the merger, namely the financial statements of 2016 and 2017.

The quantitative method in this study uses comparative research, namely research that compares two or more symptoms. In this study, using document study data collection techniques. Document study is a type of data collection that examines various kinds of documents that are useful for material analysis. In this case the documents used are from secondary data, namely based on the company's annual financial statements.

This study uses quantitative data which in its analysis uses a comparative descriptive method, namely the analysis technique carried out by making comparisons between the same elements (financial statements) for several consecutive periods. In analyzing data before and after the merger follow the steps as follows:

1. Descriptive analysis, is an analysis that is used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations (Sugiyono, 2014: 206). Sugiarto (2017: 270) states that descriptive analysis is an analysis carried out by describing or describing data, this analysis is used to describe information about individual characteristics or units of analysis on the data of concern. Presentation of data can use tables, graphs, summarize, and explain related data for centralization and variation of data or forms of data distribution.

2. Normality test, this test is usually used to measure ordinal, interval, or ratio scale data. If the analysis uses a parametric method, then the requirements for normality must be met, namely the

data comes from a normal distribution. If the data are not normally distributed, or the number of samples is small and the type of data is nominal or ordinal, then the method used is non-parametric statistics. In this analysis, the Shapiro Wilk test will be used because the number of samples is <50.

3. Paired T test, is used as a comparative or difference test if the data scale of the two variables is quantitative (interval or ratio). Paired T Test is a parametric difference test on two paired data. In accordance with this definition, it can be explained that this test is intended for a different test or a comparative test. This means comparing whether there is a difference in MEAN or the paired mean of the two groups. This means that the data source comes from the same subject. The condition of this test is that the difference between the two data groups must be normally distributed. Then it is done first with the normality test.

DISCUSSION

In the liquidity ratio, it can be concluded that the financial performance of PT Holcim Indonesia Tbk is measured from the Current ratio and cash ratio before and when the merger was in good condition and increased, however after the merger the current ratio and cash ratio decreased in 2016 and improved in the following year in 2017. These results are relevant to research conducted by Yunita Elshadai Sajow (2016) entitled Comparative Analysis of Financial Performance Before and After Merger at PT XL Axiata Tbk, concluding that the financial performance before the merger was better and after the merger the financial performance was getting worse because there were many decreases. in most financial ratios. Then Astri Raisatul Nikmah's research (2018) concluded that the liquidity ratio, activity, profitability and market ratios have decreased, while the leverage ratio has increased. However, it is inversely proportional to research conducted by Nur Syilfia Apriliana (2015) which concluded that the liquidity ratio, profitability, activity, and market ratios have significant differences, while the solvency ratio has no significant difference. This means that research conducted by Nur Syilfia Apriliana (2015) shows that the company's financial performance improved after the merger.

Based on the solvency ratio, it can be concluded that the financial performance of PT Holcim Indonesia Tbk, measured from the debt ratio and the debt equity ratio, has decreased from 2014-2017 because the total debt continues to increase after the merger. These results are relevant to research conducted by Yunita Elshadai Sajow (2016) which concluded that the financial performance of PT. XL Axiata Tbk before the merger was better and after the merger the financial performance got worse because there was a decrease in most of the financial ratios. Then Astri Raisatul Nikmah's research (2018) concluded that the liquidity ratio, activity, profitability and market ratios have decreased, while the leverage ratio has increased. However, this result is inversely proportional to research conducted by Nur Syilfia Apriliana (2015) which concluded that the company's financial performance improved after the merger.

In the activity ratio, it can be concluded that the financial performance of PT Holcim Indonesia Tbk is measured by the total assets turnover and fixed assets turnover before and during the merger in good condition and not much different, however after the merger the value of fixed assets turn over decreased in 2016 and improved. in the following year in 2017. These results are relevant to research conducted by Yunita Elshadai Sajow (2016) which concluded that the financial performance of PT.

XL Axiata Tbk before the merger was better and after the merger the financial performance got worse. Then research conducted by Astri Raisatul Nikmah (2018) concluded that the liquidity, activity, profitability and market ratios have decreased, while the leverage ratio has increased. However, it is inversely different from research conducted by Nur Syilfia Apriliana (2015) which concluded that the company's financial performance improved after the merger.

On the profitability ratio, it can be concluded that the financial performance of PT Holcim Indonesia Tbk, measured by its net profit margin and gross profit margin, has decreased after the merger until it lost. These results are relevant to research conducted by Yunita Elshadai Sajow (2016) which concluded that the financial performance of PT. XL Axiata Tbk before the merger was better and after the merger the financial performance got worse. Then research conducted by Astri Raisatul Nikmah (2018) concluded that the liquidity, activity, profitability and market ratios have decreased, while the leverage ratio has increased. However, it is inversely different from research conducted by Nur Syilfia Apriliana (2015) which concluded that the company's financial performance improved after the merger.

In the market ratio, it can be concluded that the calculation of earning per share and price earning ratio has decreased, meaning that the amount of money generated from each share is getting smaller and decreasing which will be detrimental to shareholders. These results are relevant to research conducted by Yunita Elshadai Sajow (2016) which concluded that the financial performance of PT. XL Axiata Tbk before the merger was better and after the merger the financial performance got worse. Then research conducted by Astri Raisatul Nikmah (2018) concluded that the liquidity, activity, profitability and market ratios have decreased, while the leverage ratio has increased. However, it is inversely different from research conducted by Nur Syilfia Apriliana (2015) which concluded that the company's financial performance improved after the merger.

In the paired sample t test analysis, it is concluded that the average financial performance of PT Holcim Indonesia Tbk has no significant difference because the decrease in the overall calculation of the ratio is not much different or slightly decreased. These results are in line with research conducted by Payamta and Setiawan (2004) which concluded that the results of the study showed no significant differences in performance for the periods before and after mergers and acquisitions both from stock returns and financial ratios. Then Helga and Salamun (2006) tested the liquidity ratio, profitability ratio, solvency ratio, using the paired sample t-test, which showed that the results of merger and acquisition activities carried out by companies had no significant effect on merger and acquisition announcements. However, it is inversely proportional to the results of research conducted by Yulianto (2008) which results in a significant positive difference in financial ratios after mergers and acquisitions. And research conducted by Shinta (2008) states that there are differences in financial performance at PT. Ades Water Indonesia, Tbk. (ADES) & PT. Medco Energi Internasional, Tbk (MEDC) before and after doing mergers and acquisitions.

IV. CONCLUSIONS AND SUGGESTIONS

Based on the results of the analysis and calculation of financial ratios regarding the comparative analysis of financial performance before and after the merger at PT Holcim Indonesia Tbk, it can be concluded as follows: In the liquidity ratio, it is concluded that financial performance is measured by the current ratio and cash ratio before and when the merger is in good condition. and increased, but after the merger the value of the current ratio and cash ratio decreased in 2016 and

improved in the following year in 2017. In the solvency ratio, it can be concluded that financial performance is measured from the debt ratio and the debt equity ratio has decreased from 2014-2017 due to total debt. which continued to grow in size after the merger. In the activity ratio, it is concluded that the financial performance measured by the total assets turnover and fixed assets turnover before and during the merger is in good condition and not much different, but after merger, the value of fixed assets turnover decreased in 2016 and improved in the following year. 2017. In the profitability ratio, it can be concluded that financial performance, measured by the net profit margin and gross profit margin, has decreased after the merger until it loses. In the market ratio, it can be concluded that the calculation of earning per share and price earning ratio has decreased, meaning that the amount of money generated from each share is getting smaller and decreasing which will be detrimental to shareholders. In the paired sample t test analysis, it is concluded that the average financial performance of PT Holcim Indonesia Tbk has no significant difference because the decrease in the overall calculation of the ratio is not much different or slightly decreased.

Based on the analysis of the liquidity ratio (current ratio and cash ratio), the average financial performance two years after the merger has decreased. To increase the value of the liquidity raso, one must increase the current assets and the value of cash and cash equivalents. Based on the analysis of the solvency ratio (debt ratio and debt to equity ratio), the average financial performance two years after the merger has increased, which means that the debt ratio has increased. To reduce the value of the solvency ratio, it is necessary to reduce the total debt. Based on the analysis of the ratio of activities (total assets turn over and fixed assets turn over), the average financial performance two years after the merger has decreased. To increase the value of the activity ratio, it must increase the total sales. Based on the analysis of profitability ratios (net profit margin and gross profit margin), the average financial performance two years after the merger has decreased. To increase the value of the profitability ratio, you must increase the total profit or profit. Based on market ratio analysis (earnings per share and price earning ratio), the average financial performance two years after the merger has decreased. To increase the market ratio value, you must increase the total profit or profit to get a better dividend value for shareholders.

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