ABSTRACT

Mergers and acquisitions (M&A) are one way of external expansion the company with the primary objective in order to survive in the midst of business competition is getting tight and fierce. This research aims to analyze the effect of M&A of public company performance before and after the implementation of M&A. Company performance was measured using financial ratios that includes OPM (Operating Profit Margin), ROE (Return on Equity), DER (Debt to Equity Ratio), WCT (Working Capital Turnover), EPS (Earning per Share), and abnormal return around M&A announcement date.

This research used 12 companies which done M&A in Indonesia Stock Exchange in the period of 2005-2007. Data analysis method that used to prove hypothesis 1 until 6 (calculation standard ratios) are data normality, difference test Wilcoxon Signed Ranks Test, and Manova test. While event study analysis using abnormal approach of return with market adjusted model was used to prove the 7th hypothesis.

The result of Manova test (simultaneous test to all financial ratios) proved that there are no significant differences. While partial test (Wilcoxon Signed Ranks Test) proved that there are no significant differences for financial ratios of OPM, ROE, DER, and EPS in the 3 years period before and after M&A. But there is a slight difference between 1 year before and 1 year after M&A where financial ratio Working Capital Turnover (WCT) proved that there is a significant difference. The result of company abnormal return test in the windows period before the announcement of M&A (h-5 up to h-1) was not different with abnormal return in the windows period after the announcement of M&A (h+1 up to h+5).

Keywords: Mergers and Acquisitions (M&A), Financial Ratios, Abnormal Return, Wilcoxon Signed Ranks Test, and Manova Test.