SUMMARY


Company has some alternative for funding source, either from internal or external of the company. Funding source alternative from internal of the company usually comes from retained earnings whereas one of the funding source alternatives from external of the company can comes from investment in shares or equity. Funding source in form of investment in shares generally performed by offering the company’s stock to public or better known as go public. According to Ritter & Welch (2002), company performs go public to increase the company’s capital and to create public market. With initial public offering, a company will change it status from private company to public company.

On February 2011, PT Garuda Indonesia Tbk performed initial public offering or IPO at Indonesia Stock Exchange with issuer code GIAA. The initial plan was to sold the stock with amount of 9.36 billion shares or 38.48 percent of company’s shares but became only 6.34 billion shares or 27.98 percent of company’s shares from the capital that was issued and fully paid. Until the end of stock subscription period on the first day of the IPO, amount of GIAA stock that was sold only 3.33 billion shares or 14.7 percent of company’s shares whereas the other 3.01 billion shares or 13.28 percent shares valued Rp 2.25 trillion unsold.

The stock sales target of GIAA that was not achieved caused by the stock price set by the government was too high. According to study that was conducted by Seesar (2012), the reasonable stock price of PT Garuda Indonesia, Tbk is Rp. 667 per shares, whereas the stock price of PT Garuda Indonesia, Tbk at IPO was Rp. 750 per shares, so that can be concluded that PT Garuda Indonesia, Tbk stock was overvalued. GIAA stock price was decreasing after the IPO and has not yet reaches its initial IPO price until June 2013. This stock price movement can be affected by financial performance as well as events that happen on PT Garuda Indonesia management like Citilink spin off and quasi reorganization. If see the company’s profitability on 2011 then it would show company loss. This loss could effects investor decision to buy GIAA stock. Furthermore, corporate action could cause increase and decrease of GIAA share return that indicate investor reaction on corporate action that was performed by PT Garuda Indonesia Tbk.

This research aims to study fundamental financial performance of PT Garuda Indonesia Tbk before and after IPO, analyze corporate action that can affect the stock performance and to analyze corporate action effect on shares return of PT Garuda Indonesia Tbk. Financial performance analysis of PT Garuda Indonesia Tbk can be conducted with account of financial ratios. These ratios accounted from financial report that was published by the company in particular period of time, which are two years before and after the IPO. On profitability ratio account, result obtained is that on four of the ratio were declining after the IPO, which are return on investment, return on equity, net profit margin, and return on assets. On activity ratio account, result obtained that assets turnover and fixed assets turnover was increasing after
the IPO. Increase in performance after the IPO also obtained on solvability ratio account that are debt equity ratio and times interest earned ratio. On cash flow ratio, which are cash flow adequacy, cash flow per share, cash flow to sales, and cash flow return on assets after the IPO had increasing but the reinvestment ratio showed decline. On ratio of company market size, showed decline of earning per share and price earning ratio while book value per share and price to book ratio value had increasing.

Test result obtained using paired simple t-test on four of financial ratios show that on return on equity and debt equity ratio there is no significant difference of financial performance between two years before and after the IPO. Result on cash flow adequacy and cash flow return on assets ratios show there is significant difference on financial performance two years before and after the IPO with significance rate each 5% and 10%.

Analysis result on stock performance before and after the spin off announcement event show no significant difference of shares return and risk level as well as before and after the announcement of quasi reorganization event also show no significant difference of shares return and risk level. Movement of abnormal return (AR) and cumulative average abnormal return (CAAR) on spin off event very fluctuating and tend to be negative. On t-10 until t-4, CAAR declined but CAAR was still positive. At t-3 and t-2, CAAR was negative, but became positive on t-1 until the end of event window. These movement show good investor response on spin off corporate action although it tend to decreasing before event date.

Movement of AR and CAAR on quasi reorganization event also very fluctuating and tend to be negative. On t-10 until t-2, CAAR increased but CAAR still negative. This indicate that announcement of quasi reorganization event was not telling any meaningful information content to the investor. Although by performing quasi reorganization, which allow the company to share dividend in coming time but the fact is that the company cannot share it dividend because the payment mechanism to old creditor first related with debt restructuring that is conducted by the company.

Generally can be concluded that in period of two years after IPO, PT Garuda Indonesia financial performance not shown an increase compared with performance two years before the IPO. This affect the stock performance of the company which causes the company stock haven’t fully interesting yet for the investor and the stock price still below the IPO price. Corporate actions of Spin Off and Quasi Reorganization can affect the company stock return which indicated by abnormal return before and after the corporate actions.

Key Word : Initial public offering, Financial performance, Stock performance, Corporate action, abnormal return