SUMMARY

ARLINDA. Impact of Business Expansion Policy on Financial Performance and Financial Distress of Indonesian Telecommunication Operator. Supervised by NOER AZAM ACHSANI and IMAM TEGUH SAPTONO.

Mergers and acquisitions is one of the company strategy to maintain and increase the financial performance, growth and diversification. Mergers and acquisitions in this study is a mergers and acquisitions made between the company in the same industry. Another goal of this merger or acquisition is to survive in a fierce business competition, for example, in the Indonesian telecommunications business that has experienced a market penetration over 100% and tends to saturation. Some samples of Indonesian telecommunication companies which has done the mergers and acquisitions or being acquired is Telkom Indonesia, Indosat, SmartFren and Bakrie Telecom.

This study is intended to analyze the impact of this M&A activity to financial performance using some of the financial ratio, company value added and fundamental stock value as the the proxy, DSC and Altman Z-Score as the proxy of financial distress and market share of these five biggest telecommunication operator in Indonesia.

The analysis using the paired T-Test shows there are significant differences for ROA and MVA on Bakrie Telecom, MVA and the Total Debt to Total Equity Ratio on SmartFren and some financial ratios, EVA, MVA, PER and PBV for Indosat and Telkom. The differences of these impacted variables are caused by the difference of post mergers and acquisitions duration for each observed company.

The results also show that DSC as a proxy is more appropriate to describe the financial distress for these five Indonesian companies in comparison to Altman Z-Score. This paper also shows no change in market share for these five companies after merger and acquisition.

Keywords**:** Acquisitions, financial distress, financial performance, mergers