

## SUMMARY

DESI MARYANTI. Effects of Merger and Acquisition on Financial Performance of Estate Plantation and Agrochemical Listed Companies. Supervised by HERMANTO SIREGAR dan TRIAS ANDATI.

Estate sector is one of agricultural subsector which has strategic role in Indonesian economic development. It was reported give significant contribution for both Indonesian foreign exchange and GDP. Besides, estate sector, especially oil palm plantation, has a high potential growth in the future because the need of oil palm derivatives products will increase in line with world population's growth. The growth of estate sector will drive the other related sectors. One of them is agrochemical sector, because the expense of fertilizers and pesticides are dominant in plantation business. Therefore the growth of estate sector is important for agrochemical sector, and vice versa.

Dynamic business environment insist every company to take the right policy in order to win the competition. It can be reached by growth strategy, both internal and external growth. Some lectures stated that external growth strategy through merger and acquisition is more efficient than internal development or strategic alliance. It drive an increasing volume of merger and acquisitions in Indonesia, including estate plantation and agrochemical companies. Integration through merger and acquisition (M&A) in estate plantation and agrochemical listed companies was expected to be able to improve competitiveness of companies in dynamic business environment. Previous studies however reached no consensus about M&A impact on financial performance.

This research was conducted to compare M&A effects on financial performance between estate plantation listed companies and agrochemical listed companies. The t test, Mann-Whitney and Wilcoxon tests were used to assess and compare M&A effects on financial performances of the two groups of companies. This research revealed differences between M&A impact to financial performances of estate plantation and agrochemical listed companies. M&A in estate plantation listed companies decreased most financial ratio such as ROA, ROE, EVA and PBV, but only ROA, ROE and PBV were significant. Whereas M&A in agrochemical listed companies increased all financial ratio except EVA. So it can be concluded that agrochemical listed companies can reach both financial and operational synergy as expected.

The different M&A effects on financial performance between estate plantation and agrochemical listed companies are caused by the difference M&A strategy and characteristics of those companies. Estate plantation listed companies chose horizontal M&A by acquiring the other estate plantation companies. One of agrochemical listed companies chose horizontal M&A, while the other chose conglomerate M&A. Both companies also have different characteristic of industry. Estate plantation listed companies take a long time to produce and sell their products, while agrochemical listed companies take a short time. Because not every M&A action will have positif impacts on financial performance, the company has to make a good planning for choosing target company, valuation on

target company, valuation of potential future income, time and method of payment of M&A as part of M&A strategy.

**Key words :** agrochemical, estate plantation, financial performance, listed companies, merger and acquisition



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