THE COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE BEFORE (2008-2010) AND AFTER (2012-2014) IPO

(Case Study: FIVE LISTED COMPANIES IN IDX)

ANALISIS KOMPARATIF KINERJA KEUANGAN SEBELUM (2008-2010) dan SESUDAH (2012-2014) IPO

(Studi Kasus: 5 (lima) PERUSAHAAN di BURSA EFEK INDONESIA/ BEI)

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Abstract: In IDX (Indonesian Stock Exchange) there are some stock listed. The listed company in IDX means that the company is published their prospectus and fund fact share to public, or it called Go Public Company. The purpose of the research is to analyze the significant financial performance before and after IPO. These are as variables on this research. The type of analysis used is dependent Normality Test and paired sample T-Test which enables the researcher to compare the financial performance before and after IPO. The finding there is significant difference between before and after IPO on five listed companies in IDX, it is calculated by T-Count and T-Table. The T-Count ROA is 3.116 is bigger than T-Table, T-Count ROE is 2.648 is bigger than T-Table, T-Count Profit Margin is 2.182 is bigger than T-Table, means that the different is significant between before and after IPO. The company better to maintain and to improve its financial performance due to management's decision to go public is the first step to give the company's financial progress.

Keywords: *comparative analysis, financial performance, listed companies*

Abstrak: *Di BEI (Bursa Efek Indonesia) memiliki saham-saham perusahaan yang tercatat dan diterbitkan prospektus dan tawaran kepada masyarakat, atau disebut Go Public Company. Tujuan penelitian ini adalah menganalisa signifikan kinerja keuangan sebelum dan sesudah IPO. Terdapat beberapa variable dipenelitian ini. Jenis analisis yang digunakan adalah uji normalitas dan sampel berpasangan T-Test yang memungkinkan peneliti untuk membandingkan kinerja keuangan sebelum dan sesudah IPO. Terdapat perbedaan yang signifikan antara sebelum dan sesudah IPO pada lima perusahaan yang terdaftar di BEI, dihitung dengan T-Hitung dan T-Tabel. T-Hitungan ROA adalah 3,116 lebih besar dari T-Tabel, T-Hitung ROE adalah 2,648 lebih besar dari T-Tabel, T-Hitung Profit Margin adalah 2,182 lebih besar dari T-Tabel. Semua variabel diterima di hipotesis, berarti memiliki perbedaan yang signifikan antara sebelum dan sesudah IPO. Perusahaan sebaiknya mempertahankan dan meningkatkan kinerja keuangan sesuai keputusan manajemen, untuk go public adalah langkah pertama untuk memberikan kemajuan keuangan perusahaan.*

Kata kunci: *analisis komperatif, kinerja keuangan, perusahaan tercatat*

INTRODUCTION

Research Background

Investment growth is also not encouraging the industrial sector. This is because the government does not have a good industrialization strategy. The main problem of the slow economic growth in Indonesia is a budget that has not been absorbed maximum. A result, development projects never implemented, and supporting industries also participated sluggish.

In 2008, there is a fact like a problem about Global Economy. The fact was about global crisis and is followed by company's trouble like a bankruptcy. These phenomenon were enough disturbing national economy. Therefore, it bring problem to nation financial stability. That was involved economy sector such as banking and also companies that is already going public. Both of giving big contribute to the national economy. Actually, it is the point of good governance. Phenomenon of financial difficulties among public companies listed in the Indonesian Stock Exchange (IDX) had been occured in line with the oil price shock in 2005 and sub-prime mortgage crisis in 2008.

When a company going public and or listed in IDX, the investors will be easy analyze the risk of the stock and being consideration in order to make a decision. The under pricing of initial public offerings has been the focus of a large theoretical and empirical literature. These cases implied the situation related to IPO or initial public offering. Business use IPOs to raise capital. The IPO may also serve as an exit strategy for a business's owners and investors. If market conditions are right for the particular business at the time of the IPO, the original investors in the private company can make fortunes because the new stock is worth much more than their original investments. However, making money by using an IPO as an exit strategy is certainly not guaranteed and has several drawbacks for business owners. IPO is relationship with some variables, they are Profit Margin, Return On Assets (ROA), and Return On Equity (ROE). These variables were affected by IPO of five listed companies in IDX.

Initial public offering (IPO) refers to the first sale of stocks by an unlisted company to the public. Once the company is listed on a stock exchange (i.e. the IPO stocks are traded publicly in an open market), a market price and liquidity for these stocks are created. Associated with the IPO process is the key issue of IPO price discovery. Information asymmetries and agency problems in the market distinguish the valuation of IPOs from that of common stocks. Going public marks an important watershed in the life of a young company. It provides access to public equity capital and so may lower the cost of funding company's operations and investments (Motley Fool, 2006). It also provides an avenue for trading the company's shares, enabling its existing shareholders to diversify their investments and to crystallize their capital gains from backing the company. This is an important consideration for investors and venture capitalists.

Research Objective

Regarding the problem which have been formulated and identified that are mentioned in previous section, the research objective is:

1. To analyze the significant difference between ROAs before and after IPO.
2. To analyze the significant difference between ROEs before and after IPO.
3. To analyze the significant difference between Profit Margins before and after IPO.

THEORETICAL REVIEW

Theories

Financial Management

Gallagher and Andrew, Jr. (2003:5) defined that financial management is essentially a combination of accounting and economics". It manages the finance of a business firm: analyzes forecast and plans a firm's finance; assesses risk, evaluates and select investments, decides where and when to find money sources, and how much money to rise, and determine how much money to return to investors in the business.

Financial Statement

Statement of Financial Position: also referred to as a balance sheet, reports on a company's asset, liabilities, and ownership equity at a given point in time; Statement of Comprehensive Income: also referred to as Profit and Loss statement, reports on a company's income, expenses, and profits over a period of time (Arthur J. Keown: 2005).

Investment

Jones (2004) defined that Investment is commitment to invest some money to the one or more assets in some period for the future. In the financial sense investments include the purchase of bonds, stocks or real estate property. Investment is the purchase of an asset or item with the hope that it will generate income or appreciate in the future and be sold at the higher price. It generally does not include deposits with a bank or similar institution. The term investment is usually used when referring to a long-term outlook.

Stock

Brown and Relly (2009) is the means through which buyers and sellers are brought together to aid in the transfer of goods and/or services". From the definition above can be concluded that a stock market or financial market is a market that do not need a physical location, and is not necessarily own the goods or services involved, it is only necessary that the buyers and seller can communicate regarding the relevant aspects of the transaction.

IPOs (Initial Public Offering)

This initial performance is commonly indicated as IPO "underpricing", the shares of companies that go public are offered to investors at prices considerably below the prices at which they subsequently trade on the stock market (Jenkinson and Ljungqvist, 2001). The most common procedure for going public is completing an IPO of shares to the public, which means a company completing an IPO will have to apply to list its shares on a stock exchange. The regulators in their surveillance of companies seeking public listing may need to consider requiring issuers to have a more transparent disclosure of pre-listing financial data (Wong, 2012).

Return on Assets (ROA)

According to Hanafi and Halim (2003: 27), Return on Assets (ROA) is the company's financial ratios related to the profitability of the company ability to produce profits or earnings on the income level, assets and certain share capital. Return on asset is an indicator of how profitable a company is before leverage, and is compared with companies in the same industry. Return on asset is a common figure used for comparing performance of financial institutions, because the majority of their asset will have a carrying value that is close to their actual market value. Return on asset is not useful for comparisons between industries because of factors of scale and peculiar capital requirements.

Return on Equity (ROE)

The higher the value the higher the ROE level of profit generated due to additional working capital can be used to finance the company's operations that could ultimately result in profit, (Suwarno: 2004). ROE doesn't specify how much cash will be returned to the shareholders, since that depends on the company's decision about dividend payments and on how much the stock price appreciates. However, it's a good indication of whether the company is even capable of generating a return that is worth whatever risk the investment may entail (Berman, Knight and Case, 2013). ROE is usually calculated by dividing net profit by average shareholders' equity.

Profit Margin

Profit margin is a measure of the percentage of each dollar of sales that results in net income (Weydgant, 2005:779). Though this ratio, the company can know about their sales condition in each period with percentage, and will be the prediction of the profitability that they have. Keown (2005:78) stated the net profit margin is measured by the net income of a firm as a percent of sales.

Previous Research

Fei Jiang and Lawrence A. Leger (2008) in their article The Impact on IPO Performance of Reforming IPO Allocation Regulations: An Event Study of Shanghai Stock Exchange A-Shares, many policy changes have been made since the late 90s in order to regulate and promote the development of the Chinese primary stock market. Djerbi Chiraz and Jarboui Anis (2013) in their article, Earnings Management and Performance of French IPO Companies in this paper, we examine the impact of discretionary current accruals on the performance of French IPO companies.

Research Hypothesis

H_1: There is a significant difference between ROA before IPO and ROA after IPO.
H_2: There is a significant difference between ROE before IPO and ROE after IPO.
H_3: There is a significant difference between Profit Margin before IPO and Profit Margin after IPO.

RESEARCH METHOD

Type of Research

The purpose of this research is to analyze company performance before and after IPO.

Place and Time of Research

The research is conducted In Manado between September - October 2015.

Conceptual Framework

The figures below show the significant between organizational culture and team work on financial performance in conceptual framework.

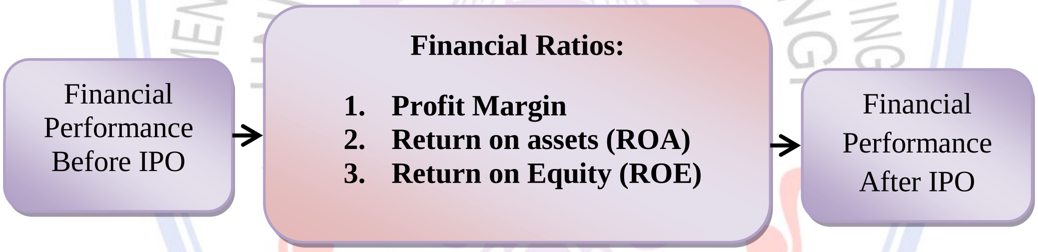

Figure 1. Research Procedure
Source: Data Processed (2015)

Population and Sample

Population in this research is the annual report four until five year the company IPO, which had annual report from year 2008 until 2014 on its official website. The sample of this research will be financial report from year 2010 (before or pre event), and 2012 (after or post event). Those data are taken from the official website.

Data Collection Method

Secondary data is the data gathered through such existing sources. They are data that already exist and do not have to be collected by the researcher. In this research there will be no primary data. The requirement of this research is only a financial report of company.

Operational Definition and Measurement of Research Variables

1. Profit margin is the ratio between the net operating income or net income as compared to net sales effort or net sales and is expressed in percentage (%) can be formulated as follows: (Operating Income / Net Sales) x 100%.
2. ROA is an indicator of how profitable a company is relative to its total assets.
3. return on equity (ROE) is the ratio between the amount of income available for owners of their own capital on the one hand by the amount of own capital that generates the profit on the other hand.

Data Analysis Method

Normality

Normality test aims to test whether the regression model, a disturbance or residual variables having a normal distribution.

Paired Sample T-Test

A t-test is any statistical hypothesis test in which the test statistic follows a Student's distribution, if the null hypothesis is supported.

RESULT AND DISCUSSION

Result

Normality Test

Table 1. One-Sample Kolmogorov-Smirnov Test

		VAR00001 (ROA Before)	VAR00002 (ROA After)	VAR00003 (ROE Before)	VAR00004 (ROE After)	VAR00005 (Profit Margin Before)	VAR00006 (Profit Margin After)
N		15	15	15	15	15	15
Normal Parameters[a,b]	Mean	6.6687	1.1467	3.0387	1.3067	5.2533	1.8333
	Std. Deviation	6.79912	1.55695	2.45756	1.05320	6.09364	1.82117
Most Extreme Differences	Absolute	.189	.304	.208	.281	.177	.215
	Positive	.189	.304	.208	.281	.177	.215
	Negative	-.115	-.251	-.148	-.170	-.128	-.171
Kolmogorov-Smirnov Z		.734	1.177	.805	1.089	.687	.833
Asymp. Sig. (2-tailed)		.655	.125	.536	.186	.732	.491

a. Test distribution is Normal.
b. Calculated from data.
Source: Data processed, 2015.

Table above shows the Kolmogorov-Smirnov Test of Normality. Variable test of "VAR00001 – VAR00006" based on the sequence from the left are ROA before and after IPO, ROE before and after IPO, Profit Margin before and after IPO. Based on the table above, the value of asymp. Sig. (2-tailed) shows the VAR00001 – VAR00006 are above 0.05, means that all the data variable examine in this research have a normal distribution.

Table 2 Paired Samples Test Table

		Paired Differences		
		Mean	**t**	**Sig. (2-tailed)**
Pair 1	VAR00001 - VAR00002	5.52200	3.116	.008
Pair 2	VAR00003 - VAR00004	1.73200	2.648	.019
Pair 3	VAR00005 - VAR00006	3.42000	2.182	.047

Source :Data processed, 2015

The value is positive means that the group 1 or group before IPO is better than group 2 or after IPO with the mean different is 5.52200. The t_{count} is 3.116 is bigger than t_{table} and the Sig. (2-tailed) shows the value is .008 below than 0.05, means that the different is significant. So, $H1_a$ is accepted. The value of 1.73200 in the Mean Colum is the mean different between before and after IPO. The value is positive means that the group 1 or group before IPO is better than group 2 or after IPO with the mean different is 1.73200. The t_{count} is 2.648 is bigger than t_{table} and the Sig. (2-tailed) shows the value is .019 below than 0.05, means that the different is significant. So, $H2_a$ is accepted. The value is positive means that the group 1 or group before IPO is better than group 2 or after IPO with the mean different is 3.42000. The t_{count} is 2.182 is bigger than t_{table} and the Sig. (2-tailed) shows the value is .047 below than 0.05, means that the different is significant. So, $H3_a$ is accepted.

Discussion

The company financial performance measure by the profitability ratio of ROA, ROE and Profit Margin are different significantly between before IPO and after IPO. Most of the company have decreasing or increasing right after IPO. Companies that not ready for going public mostly have decreasing in their financial performance but not only because they not ready but some time to gain more market share, they need to sacrifice several financial ratios. This will resulting company severing loss in the short time period but will gain more on the long term.

CONCLUSION AND RECOMMENDATION

Conclusion

There are three constructive findings in this research, which are listed as follow:

1. There is a significant difference between ROA before and after IPO
2. There is a significant difference between ROE before and after IPO
3. There is a significant difference between Profit Margin before and after IPO

Recommendation

Therefore, recommendation given are: Companies must be able to maintain and continue to improve its financial performance due to management's decision to go public is the first step to give the company's financial progress

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