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FINANCIAL PERFORMANCE SEGMENTATION CHANGES ON PROPERTIES AND REAL ESTATE INDUSTRIES FOR ACQUISITION

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Keywords	Abstract
Acquisition; Acquired; Acquirer.	*Mergers and acquisitions of companies are generally understood as efforts to develop a company for the better, by combining strengths and/or compensating for weaknesses in one company with strengths in other companies. One of the processes that must be carried out is to find a public company that is feasible to be acquired, according to the problem formulation. How do you determine which prospective companies in the property and real estate industry are eligible for acquisition? Data from 34 issuers were analyzed based on several financial ratios, namely Sales, D/E Ratio, ROA, ROE and NPM and segmented changes in their financial performance into five clusters using the IBM SPSS version 26 application by carrying out K-Mean Cluster Classification, the results of the analysis show. Of the 14 issuers, there were 2 issuers whose sales performance and financial performance deteriorated, namely: LPKR (Lippo Karawaci Tbk) and SMRA (Sumarecon Agung Tbk). There are 12 Issuers that have experienced an increase in Sales Performance and Financial Performance. There is one issuer that has experienced an increase in Sales and Financial Performance of 1 point in a very good cluster position at this time that is eligible to be made an acquirer company, namely BSDE (Bumi Serpong Damai Tbk).*

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INTRODUCTION

Real estate growth in Indonesia over the last decade, from 2011 to 2023, has experienced significant developments. There are several factors that have contributed to this development, including from an economic perspective, Indonesia is experiencing stable economic growth (Shiralkar, Bongale, Kumar, & Bongale, 2023). This growth has driven increased purchasing power and demand for residential, commercial and other properties. From an urbanization standpoint, many villagers migrate to big cities in search of jobs and better life opportunities. This creates high demand for residential and commercial facilities in major cities (Soviatun & Heikal, 2023). In terms of infrastructure, the increase in infrastructure development in Indonesia, such as toll roads, transportation networks, airports and seaports, has opened up accessibility to areas that were previously difficult to reach. This affects the growth of real estate in areas connected with the new infrastructure. From a foreign investment perspective, Indonesia is an attractive destination for foreign investors in the real estate sector. In recent years, more open investment

regulations and economic stability have attracted foreign investors to develop real estate projects in Indonesia (Wilson, Harper, & Darling, 2013).

Demand for shopping centers, offices, hotels and other commercial properties continues to increase in line with the growth of business and tourism in Indonesia. Modern shopping centers, entertainment centers, and new office complexes have sprung up in various cities in Indonesia (Badagián, Kaiser, & Peña, 2014).

However, this growth has slowed down in the last 3 years, which was partly due to the Covid-19 pandemic which has massively impacted all sides of the economy including the property and real estate sector, as stated in the official statement of the Covid-19 national emergency released by the Indonesian government in March 2020. (Indonesia, 2023)
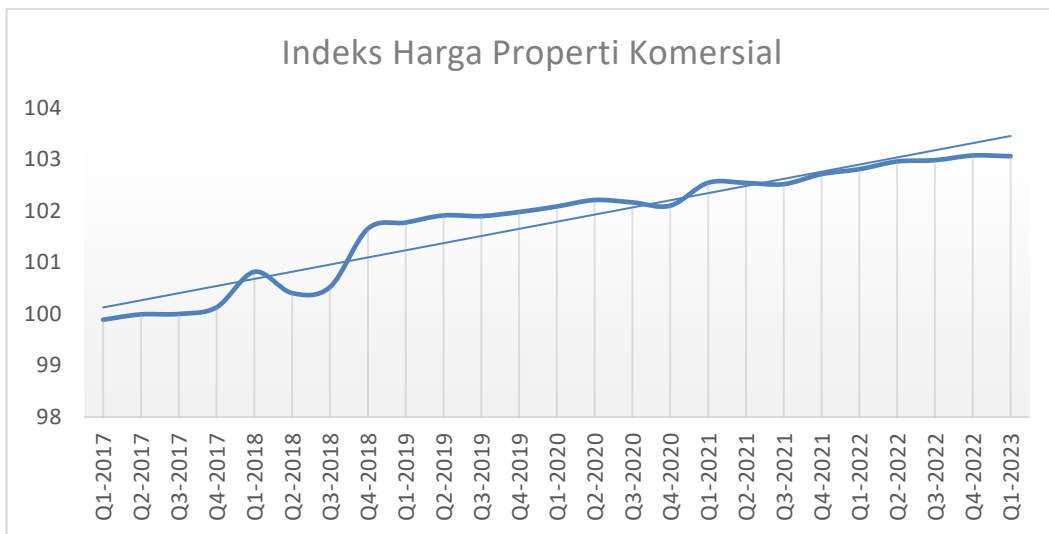

Figure 1 Commercial Property Price Index Growth 2017 – 2023
Source: Commercial Property Development (PPKOM)

Internal expansion is carried out by increasing production capacity or opening new business areas. External expansion can be in the form of merging companies or buying existing companies. One of the strategies that can be applied by companies so that companies can survive or even develop is by carrying out mergers and acquisitions (Forster, 2012). Acquisitions are often viewed as controversial decisions because of their complex implications. Many people suffer and benefit from acquisitions, but many companies choose acquisitions over internal growth as a strategy. Ofcourse the objectives of the business strategy must be in line with the objectives of the company's acquisition (DePamphilis, 2019)

Based on the problems described above, the problem can be formulated, How do you determine which candidate companies in the property and real estate industry are eligible for acquisition?

Based on the formulation of the problem above, the research conducted by the researcher has the following objectives:
1. To cluster the performance of issuers in the property and real estate sector.
2. Determine the best cluster in terms of change
3. Determine which issuers are eligible to become acquiring corporations
4. Determine which issuers are worth acquiring.

RESEARCH METHOD

In this study, the authors used the K-Means Cluster quantitative method. Quantitative research is a research method that collects data in the form of numbers and

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analyzes it using statistical techniques. This study aims to measure and explain phenomena objectively, as well as to test hypotheses or identify patterns and relationships between existing variables. Quantitative research examines the relationships between variables that are measured numerically and analyzed using various statistical and graphical techniques. (Saunders, Lewis, & Thornhill, 2019).

Quantitative data is a collection of information obtained from observations and presented in the form of numbers (Hamid, Sufi, Konadi, & Akmal, 2019). K-Means Cluster is a popular quantitative method used for data clustering and analysis. It is a partition-based clustering algorithm which aims to group similar data points into one group. The following is an overview of the K-Means Cluster method:

1. Issuer data collection in Properties and Real Estate was taken from the website www.idx.co.id with the most complete data for the December 2021 and December 2022 reporting periods of 14 Issuers. With a focus on Sales Performance and Performance of four financial ratios namely D/E Ratio, ROA, ROE and NPM.
2. Data Preparation Stage
3. Determination of the number of clusters, namely 5 clusters
4. The K-Means data analysis stage uses SPSS
5. Performance Analysis Stage

Financial ratios are indeed widely used as an analytical tool which is generally divided into two. The first is a comparative analysis that compares the two financial reports to see the differences in both nominal and percentage; The two common size analyzes require standardized financial report formats so that comparisons between financial statement items can be made (Prihadi, 2019).

In addition to comparing sales, an analysis of the debt-equity ratio is also carried out by comparing total equity with total outstanding debt, as a function of the main focus of the stock market on earnings, the company's market capitalization may be far less than the aggregate value of its assets. Consequently, New Economy companies may record ROE below the cost of equity capital for other similar companies. According to traditional financial theory, that meant the shares had to trade at a discount to the book value per share. Lastly, and perhaps most famously, mergers can actually increase profitability and shareholder wealth through economies of scale by comparing company profits (Fridson & Alvarez, 2022).

RESULT AND DISCUSSION

Acquisition comes from the word "acquisition" (Latin) and "acquisition" (English), the literal meaning of acquisition is to buy or get something/object to add to something already previously owned. Acquisition in business terminology is defined as acquisition of ownership or control of shares or assets one company by another company, and in good events the expropriated or expropriated company continues to exist as separate legal entity (Moin, 2003).

One of the objectives of carrying out an acquisition is to get non-organic performance growth that is faster than creating a business unit from scratch, the first step towards acquiring an acquisition is to search for target companies that have good prospects but are having difficulties in their operations by looking at several aspects, including, Sales, and the results of financial ratio analysis, namely: DER, ROA, ROE and NPM. Research conducted to determine the effect of financial performance on financial distress concluded simultaneously liquidity, leverage, profitability, activity, cash flow, company size effect on financial distress. (Syuhada, Muda, & Rujiman, 2020).

Other research conducted by highlighting the Net Profit Margin and ROE will change before and after mergers and acquisitions by using the quantitative method used in this study retrieve data from public companies that have merged and acquisitions on the Indonesia Stock Exchange (IDX) (Ni'mah & Samryn, 2015).

A study using a sample that is representative of the population (called representative) will provide results that have the ability to be generalized or applied in general to the population. Representative sample criteria depends on two interrelated aspects, namely accuracy and thoroughness of the sample (Retnawati, 2017). In the real estate and property industry, the following are issuers listed on the stock exchange that can be sampled and meet the requirements for comparison between 2021 and 2021 as research material.

Table 1 List of Issuer Samples

Case Number	Code	Stock Name
1	ADCP	Adhi Commuter Properti Tbk
2	BEST	Bekasi Fajar Industrial Estate Tbk
3	BSDE	Bumi Serpong Damai Tbk
4	DUTI	Duta Pertiwi Tbk
5	GMTD	Gowa Makassar Tourism Development Tbk
6	IPAC	Era Graharealty Tbk
7	LPCK	Lippo Cikarang Tbk
8	LPKR	Lippo Karawaci Tbk
9	NZIA	Nusantara Almazia Tbk
10	PPRO	PP Properti Tbk
11	PURI	Puri Global Sukses Tbk
12	RBMS	Ristia Bintang Mahkotasejati Tbk
13	SMDM	Suryamas Dutamakmur Tbk
14	SMRA	Summarecon Agung Tbk

Source: www.idx.co.id processed

Based on the data we obtained and processed using SPSS with the K-Means Cluster method, the Final Output is shown in the following table, showing that the Final Cluster is divided into 5 clusters. With the ratios analyzed, namely, sales, D/E Ratio, ROA, ROE and NPM came from 14 listed issuers on the Indonesia Stock Exchange as presented in table 2.

Table 2 Number of Cases for Year 2021 and 2022

Dec-21		
Cluster	1	1,000
	2	2,000
	3	1,000
	4	1,000
	5	9,000
Valid		14,000
Missing		0,000

Dec-22		
Cluster	1	3,000
	2	8,000
	3	1,000
	4	1,000
	5	1,000
Valid		14,000
Missing		0,000

Source: www.idx.co.id processed (Indonesian Stock Exchange 2023).

As presented in table 3, in the Properties and Real Estate Industrial Sector by comparing Sales Performance, and 4 Financial Ratio D/E Ratio; ROA; ROE and NPM as presented in table 3.

1. For 2021 the five clusters are: 1→ Very Good; 2 → Bad; 3→Good; 4 →Fair and 5 → Very Bad.
2. For 2022 the five clusters are: 1→ Fair; 2→ Bad; 3→ Very Good; 4 →Good and 5 → Very Bad.

Table 3 Final Cluster 2021 and 2022

Final Cluster Centers 2021					
	Cluster				
	1	2	3	4	5
	Very Good	Bad	Good	Fair	Very Bad
Sales, b.IDR	5.567,91	2.011,26	7.654,80	16.138,53	287,82
D/E Ratio, x	1,32	0,42	0,71	1,32	0,97
ROA, %	1,00%	-19,50%	1,00%	-14,00%	0,22%
ROE, %	3,00%	-27,50%	2,00%	-32,00%	0,00%
NPM, %	7,00%	-92,50%	11,00%	-44,00%	-16,67%

Final Cluster Centers 2022					
	Cluster				
	1	2	3	4	5
	Fair	Bad	Very Good	Good	Very Bad
Sales, b.IDR	1.996,50	284,51	10.235,48	5.719,40	14.808,57
D/E Ratio, x	1,54	0,69	0,71	1,42	1,61
ROA, %	2,67%	1,88%	4,00%	2,00%	-5,00%
ROE, %	4,00%	2,63%	6,00%	5,00%	-14,00%
NPM, %	16,67%	5,50%	24,00%	11,00%	-18,00%

Source: https://www.idx.co.id/ processed

From the results of the analysis of the final clusters for 2021 and 2022 as presented in table 4, there are 12 issuers that have experienced an increase in sales performance and an increase in four financial ratios (D/E Ratio, ROA, ROE and NPM) although they are still in the bad and sufficient category and one issuer whose performance increase is in the very good category, namely the issuer with the BSDE code (Bumi Serpong Damai Tbk) and two issuers experiencing a decline in performance from very good to good, namely SMRA (Sumarecon Agung Tbk) and LPKR (Lippo Karawaci Tbk) which experienced a decline in performance from the moderate category to very bad.

This acquisition can be used for economics of scope, referring to the cost advantage a company can achieve by producing and offering a variety of products or services in its operations. By diversifying its product or service offerings, a company can leverage common resources, technology, distribution channels, or marketing efforts, resulting in cost savings. Economies of scope arise when the joint production or marketing of different products or services reduces overall costs compared to producing or marketing them separately. Examples of scope economies include cross-selling, shared infrastructure, shared research and development, and shared distribution channels.

Currently the main business of BSDE (PT Bumi Serpong Damai Tbk) is Housing; Shophouse; Industrial area; Commercial Area; Apartment; Shopping center; Offices and

Hotels, while LPKR (PT Lippo Karawaci Tbk) also owns a superblock, hotel, hospital, restaurant and cemetery.

Table 4 Performance Changes

Case Number	Code	Stock Name	2021		2022		Position	
			Cluster	Categori	Cluster	Categori		
1	ADCP	Adhi Commuter Properti Tbk	5	Very Bad	2	Bad	⬆	1
2	BEST	Bekasi Fajar Industrial Estate Tbk	5	Very Bad	2	Bad	⬆	1
3	BSDE	Bumi Serpong Damai Tbk	3	Good	3	Very Good	⬆	1
4	DUTI	Duta Pertiwi Tbk	2	Bad	1	Fair	⬆	1
5	GMTD	Gowa Makassar Tourism Development Tbk	5	Very Bad	2	Bad	⬆	1
6	IPAC	Era Graharealty Tbk	5	Very Bad	2	Bad	⬆	1
7	LPCK	Lippo Cikarang Tbk	2	Bad	1	Fair	⬆	1
8	LPKR	Lippo Karawaci Tbk	4	Fair	5	Very Bad	⬇	-2
9	NZIA	Nusantara Almazia Tbk	5	Very Bad	2	Bad	⬆	1
10	PPRO	PP Properti Tbk	5	Very Bad	1	Fair	⬆	2
11	PURI	Puri Global Sukses Tbk	5	Very Bad	2	Bad	⬆	1
12	RBMS	Ristia Bintang Mahkotasejati Tbk	5	Very Bad	2	Bad	⬆	1
13	SMDM	Suryamas Dutamakmur Tbk	5	Very Bad	2	Bad	⬆	1
14	SMRA	Summarecon Agung Tbk	1	Very Good	4	Good	⬇	-1

Source: https://www.idx.co.id/ processed

CONCLUSION

There are 2 issuers whose Sales Performance and Financial Performance are deteriorating, namely: LPKR (Lippo Karawaci Tbk) and SMRA (Sumarecon Agung Tbk) but from a very bad cluster position it is LPKR (Lippo Karawaci Tbk) which can be used as an acquired company.

There are 12 Issuers that have experienced an increase in Sales Performance and Financial Performance.

There is one issuer that has experienced an increase in Sales and Financial Performance of 1 point in a very good cluster position at this time that is eligible to become an acquirer company, namely BSDE (Bumi Serpong Damai Tbk)

Further data analysis is needed to carry out a valuation of LPKR (Lippo Karawaci Tbk) as explained in detail in the discussion section, so that the synergy with the acquirer BSDE (Bumi Serpong Damai Tbk) is maximized.

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