

## FINANCIAL PERFORMANCE ANALYSIS BEFORE AND AFTER THE INITIAL PUBLIC OFFERING (IPO)

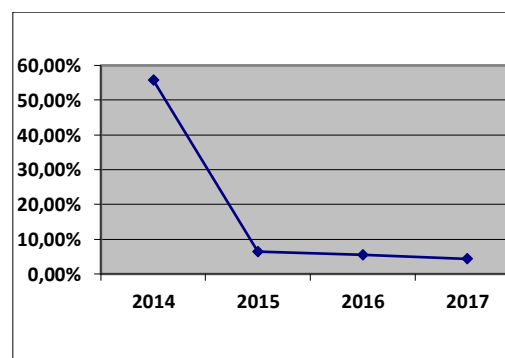
Linda Novita Dewi<sup>\*1</sup>, Dicky Jhoansyah<sup>2</sup>, Kokom Komariah<sup>3</sup>  
Universitas Muhammadiyah Sukabumi, Indonesia<sup>\*123</sup>  
[Lindanovitadewi11@gmail.com](mailto:Lindanovitadewi11@gmail.com)<sup>\*1</sup>, [dicky.jhoansyah@gmail.com](mailto:dicky.jhoansyah@gmail.com)<sup>2</sup>,  
[ko2mpuspa@ummi.ac.id](mailto:ko2mpuspa@ummi.ac.id)<sup>3</sup>

**Abstract:** During the 2014 presidential election, the performance of the property sector, real estate, and construction of national buildings reached 55.76%. However, in the following year, the performance of the property, real estate, and building construction sector declined and continued until 2018. Therefore many companies from this sector decided to take the floor on the Indonesian stock exchange. with this, it is hoped that the financial performance of this sector will improve. The purpose of this study was to determine whether there was an increase or not in the financial performance of the property, real estate, and building construction sector which was conducted in IPO 2017 on the Indonesia stock exchange. The research method used in this study is quantitative. The sampling technique used was purposive sampling technique with predetermined criteria. and obtained four companies selected as research samples. Data analysis techniques used in this study are horizontal analysis with liquidity ratios, activities, solvency, and profitability ratio. the results of this study are there is an increase in financial performance after the IPO with solvency ratios and there is a decrease in financial performance after IPO with liquidity ratios, activity ratios, and profitability ratios.  
**Keywords:** Financial Management, Financial Performance, Initial Public Offering, IPO, Financial Ratio

### INTRODUCTION

The Property, Real Estate, and Building Construction sector are one of the most important sectors in Indonesia. Because this sector can be a trigger for economic growth in other sectors. For example the cement, iron, sand, glass, light brick, instant mortar, wood, and various other vendors, there are approximately 170 sectors that can be influenced by the property, real estate, and building construction sectors (<https://properti.kompas.com/>, n.d.). In 2014, the performance of the property, real estate, and construction sector of the national building experienced rapid growth of 55.76% because at that time the property, real estate, and building construction sector was the leading infrastructure development during the general election period. However, the performance of the property, real estate, and building construction sector in the following year continued to decline and in 2017 the performance of the property,

real estate, and building construction sector stood at 4.31%. This can be seen in the graph below.

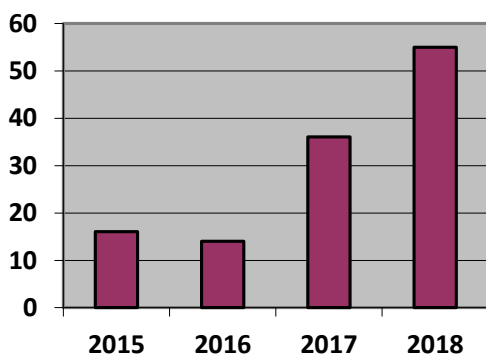


**Figure 1. Financial performance of the property, real estate, and national building construction sector in 2014-2017**

Source: <https://id.investing.com/>, n.d. (2020)

With this decline, many property, real estate, and building construction companies took up the floor on the Indonesia Stock Exchange. The

phenomenon of IPO from year to year is increasing. This phenomenon can be seen in the diagram below:



**Figure 2. The IPO phenomenon that occurred in 2015-2017**

Source: <https://www.idx.co.id/>, n.d. (2020)

From the diagram above it can be seen that in 2015 there were 16 companies doing IPOs, in 2016 there were 14 companies doing IPOs, then in 2017 there were 36 companies doing IPOs, and in 2018 companies doing IPOs as many as 55 companies. Of the 121 companies that conducted an IPO in 2015-2018, 25 companies came from the Property, real estate, and building construction sectors. The number of companies that conduct IPO shows that many companies want to improve their financial performance. Because a continuous decline in performance can cause companies to go bankrupt. But the economic situation when an IPO can be done or the environmental conditions of companies that conduct an IPO can also affect the company's financial performance after the IPO. This study aims to determine whether the financial performance of the Property Sector, Real Estate, and Construction of buildings has increased after the Initial Public Offering (IPO).

Musthafa (2017) Said that: "Financial management explains about several decisions that must be made, namely investment decisions, funding decisions, or decisions on meeting the

needs of funds, and dividend policy decisions".

Based on the background above, the objectives of this study are as follows; To know the current ratio before and after the IPO, To find out the cash ratio before and after the IPO, To find out the total assets turn over before and after the IPO, To find out the debt to equity ratio before and after the IPO, To find out the long-term debt to equity ratio before and after the IPO, To find out the return on assets before and after the IPO, To find out the return on equity before and after the IPO.

(Riyanto, 2013) define financial management as follows:

All activities related to the effort to obtain funds and use or allocate these funds are called corporate spending in the broadest sense (business finance) or financial management. While spending in the narrow sense is an activity that is only concerned with the effort to get funds, which is often also called passive spending or financing.

Based on the opinion of the experts, the writer concludes that financial management is an activity that is concerned with efforts to obtain funds and allocate funds and make decisions regarding investment, funding, meeting the needs of funds, and dividend policy.

Initial Public Offering (IPO) is the company's first public offering of shares with clear provisions (Widjaya & Risnamanitis, 2009). Initial public offering or going public means the company is ready to be publicly assessed and based on the procedures governed by the law and its implementing regulations.

According to Fahmi (2014) the benefits of going public are as follows; Able to increase company liquidity, allow diversifying, Giving influence on the value of the company, allowing the public to be able to assess the company more transparently.

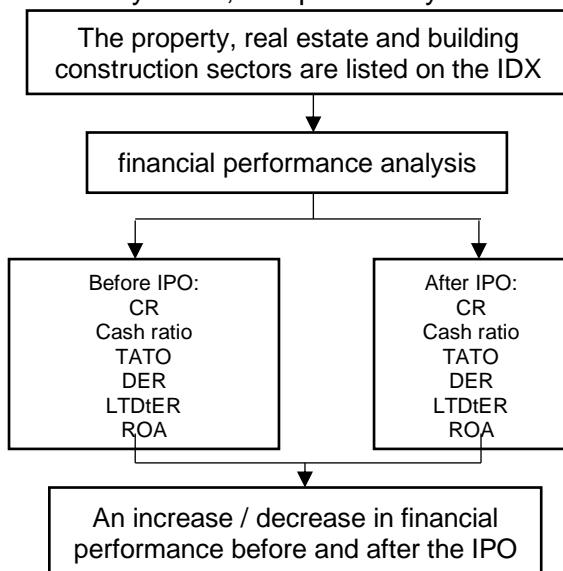
Financial performance is a picture of the company's financial condition that is analyzed with financial analysis tools so that it can find out the strengths and weaknesses of the company's financial condition and reflect the company's work performance in a certain period.

Financial ratios are analytical tools to explain certain relationships between one element and other elements in a financial statement (financial statement). A financial statement analysis of a company is used to determine the financial situation and development of the company, especially for management.

The results of the analysis can be used to see the company's weaknesses during the current period. Weaknesses in the company can be fixed immediately, while good results are maintained in the future.

Financial ratio analysis can be used as a tool for companies to predict financial statements and future results with historical figures (Munawir, 2015)

According to (Agus Harjito, 2009) there are four types of corporate financial ratios as follows; Liquidity ratio, Activity ratio, Financial leverage or solvency ratios, and profitability ratios.



**Figure 3. Framework for Thinking**  
 Source: Data that has been processed by the author (2020)

## METHODS

The object of this research is the financial statements 1 year before the IPO and 1 year after the IPO in the property, real estate, and building construction sectors that do the IPO in 2017.

This research method uses quantitative methods with a descriptive analysis approach

The sampling technique in this study is purposive sampling, based on the criteria of the authors of the existing population.

**Table 1. Samples of companies in the property, real estate, and building construction sector conducting IPO 2017**

| Code | Company Name                    | IPO's Date |
|------|---------------------------------|------------|
| FORZ | PT. Forza Land Indonesia Tbk.   | 28/04/2017 |
| CSIS | PT. Cahayasakti Investindo Tbk. | 10/05/2017 |
| TOPS | PT. Totalindo Eka Persada Tbk.  | 16/06/2017 |
| ARMY | PT. Armidian Karyatama Tbk.     | 21/06/2017 |

Source: (<https://www.idx.co.id/>, n.d.), Data that has been processed by the author (2020)

Data collection techniques in this study using secondary data, namely, literature study, and documentation.

Data analysis techniques in this study are horizontal analysis with Liquidity ratio (using current ratio and cash ratio models), activity ratio (using total assets turnover model), Solvency ratio (using debt to equity ratio and long-term debt to equity ratio models), and Profitability ratios (using the return on asset and return on equity model).

## RESULTS AND DISCUSSION

The results of the calculation of the current ratio (CR) before and after the IPO.

**Table 2. CR calculation results before and after the IPO of each company**

| Company code | Before IPO | After IPO | Increase/ Decreased |
|--------------|------------|-----------|---------------------|
| FORZ         | 56,78%     | 1209,50%  | 1152,72%            |
| CSIS         | 149,77%    | 47,13%    | (102,64)%           |
| TOPS         | 120%       | 145,89%   | 25,89%              |
| ARMY         | 158,09%    | 297,07%   | 138,98%             |

Source: Data that has been processed by the author (2020)

Based on the above table, it can be seen that the financial performance of PT. Forza land Indonesia as measured using the current ratio (CR) has increased by 1152.72%. However, PT. Cahaya Sakti Investindo Sukses Tbk. Has decreased as much as 102.64%. The financial performance of PT. Totalindo Eka Persada experienced an increase in the financial performance of 25.89% and then PT. Armidian Karyatama Tbk. Also an increase of 138.98%. An increase in the current ratio means the value of current assets is greater than short-term debt. So companies are increasingly able to pay their current liabilities.

The results of the cash ratio calculation before and after the IPO is:

**Table 3. The results of the calculation of cash ratio before and after the IPO of each company**

| Company code | Before IPO | After IPO | Increased/ Decreased |
|--------------|------------|-----------|----------------------|
| FORZ         | 1,00%      | 0,57%     | (0,43%)              |
| CSIS         | 11,68%     | 2,18%     | (9,5%)               |
| TOPS         | 24,38%     | 10,17%    | (14,31%)             |
| ARMY         | 55,80%     | 65,37%    | (9,57%)              |

Source: Data that has been processed by the author (2020)

Based on the table above it can be seen that the financial performance of the property, real estate and building construction sectors measured using cash ratio has decreased. The financial performance of PT. Forza land Indonesia Tbk has decreased by 0.43%, PT. Cahaya Sakti Investindo Tbk has decreased by 9.5%, then PT. Totalindo Eka Persada has decreased by 14.31%,

then PT. Armidian Karyatama has decreased by 9.57%. The greater the value of the cash ratio, the better because it means the company has the availability of money to pay debts.

The results of the calculation of total assets turnover before and after the IPO.

**Table 4. The results of the calculation of total assets turn over (TATO) before and after the IPO of each company**

| Company code | Before IPO  | After IPO   | Increased/ decreased |
|--------------|-------------|-------------|----------------------|
| FORZ         | 0,252 times | 0,095 times | (0,157) times        |
| CSIS         | 0,331 times | 0,120 times | (0,211) times        |
| TOPS         | 1,12 times  | 0,431 times | (0,689) times        |
| ARMY         | 0 times     | 0,126 times | 0,126 times          |

Source: Data that has been processed by the author (2020)

Based on the table above, the financial performance of PT. Indonesia's Forza land as measured using total assets turnover (TATO) decreased by 0.157 times. The financial performance of PT. Cahaya Sakti Investindo Tbk has decreased 0.211 times, PT. Totalindo Eka Persada has decreased 0.689 times, but PT. Karyatama Armidian has increased 0.126 times. An increase in total asset turnover can be an indication that the company is increasingly effective and efficient in using assets to increase sales/company revenue.

The results of the calculation of debt to equity ratio (DER) before and after the IPO.

**Table 5. The results of the calculation of debt to equity ratio (DER) before and after the IPO of each company**

| Company code | Before IPO | After IPO | Increase/ Decreased |
|--------------|------------|-----------|---------------------|
| FORZ         | 72,78 %    | 93,33%    | 20,55%              |
| CSIS         | 91,81 %    | 59,86%    | (31,95%)            |
| TOPS         | 338,60 %   | 146,47%   | (192,13%)           |
| ARMY         | 116,99%    | 26,88%    | (90,11%)            |

Source: Data that has been processed by the author (2020)

Based on the calculation of debt to equity ratio (DER) to measure financial performance before and after the IPO above it can be seen that PT. Forza land Indonesia Tbk has increased by 20.55%, PT. Cahaya Sakti Investindo successfully fell by 31.95%, PT. Totalindo Eka Persada decreased by 192.13%, and PT. Armidian Karyatama Tbk has decreased by 90.11%. The higher the debt to equity ratio, the higher the company bears financial risk. Conversely, if the debt to equity ratio after the IPO is smaller then it indicates that the company's debt is reduced on the company's capital.

The results of the calculation of the long-term debt to equity ratio (LTDtER) before and after the IPO.

**Table 6. The results of the calculation of the long-term debt to equity ratio (LTDtER) before and after the IPO of each company**

| Company code | Before IPO | After IPO | Increased/Decreased |
|--------------|------------|-----------|---------------------|
| FORZ         | 0,063%     | 83,50%    | 83,437%             |
| CSIS         | 1,43%      | 1,04%     | (0,39%)             |
| TOPS         | 51,79%     | 19,42%    | (32,37%)            |
| ARMY         | 6,78%      | 13,27%    | 6,49%               |

Source: Data that has been processed by the author (2020)

Based on the above calculations it can be seen that the financial performance of PT. Forza land Indonesia Tbk as measured using the long-term debt to equity ratio (LTDtER) increased by 83.437%, PT. Cahayasakti Investindo has been successful at reducing a decrease of 0.39%, PT. Totalindo Eka Persada Tbk decreased by 32.37%, and PT. Armidian Karya Utama Tbk has increased by 6.49%. The small long-term debt to equity ratio after the IPO indicates that the company's long-term debt decreases on its capital so that the financial risk borne by the company is smaller

The results of the calculation of return on assets (ROA) before and after the IPO.

**Table 7. The results of the calculation of return on assets (ROA) before and after the IPO of each company**

| Company code | Before IPO | After IPO | Increased/Decreased |
|--------------|------------|-----------|---------------------|
| FORZ         | 3%         | 1,05%     | (1,95%)             |
| CSIS         | 3,30%      | -9,96%    | (6,66%)             |
| TOPS         | 7,23%      | 0,90%     | (6,33%)             |
| ARMY         | -1,03%     | 3,73%     | 4,76%               |

Source: Data that has been processed by the author (2020)

Based on the calculation of return on assets (ROA) before and after the IPO of the property, real estate, and building construction sectors above, it can be seen that PT. Forza land Indonesia has decreased by 1.95%, PT. Cahaya Sakti Investindo has experienced 6.66%, PT. Totalindo Eka Persada decreased by 6.33%. However, for PT. Armidian Karyatama Tbk has increased by 4.76%. The decrease in return on assets (ROA) occurs because the company's profit has decreased compared to the company's total assets. While an increase in return on assets can indicate that companies are increasingly able to generate profits by using assets owned.

The results of the calculation of return on equity (ROE) before and after the IPO.

**Table 8. The results of the calculation of return on equity (ROE) before and after the IPO in each company**

| Company Code | Before IPO | After IPO | Increased/Decreased |
|--------------|------------|-----------|---------------------|
| FORZ         | 5,16%      | 2,04%     | (3,12 %)            |
| CSIS         | 6,33%      | -15,92%   | (9,59%)             |
| TOPS         | 31,71%     | 2,24%     | (29,47%)            |
| ARMY         | -2,25%     | 4,74%     | 6,99%               |

Source: Data that has been processed by the author (2020)

Based on the calculation of return on equity (ROE) above, it can be seen that PT. Forza land Indonesia has decreased by 3.12%, PT. Cahaya Sakti Investindo Tbk decreased 9.59% decrease, PT. Totalindo Eka Persada Tbk decreased 29.47%, and at PT.

Armidian Karyatama has increased by 6.99%. A decrease in return on equity is an indication of a decline in the company's ability to generate profits related to share capital. Conversely, the higher the value of return on equity is an indication that the company is increasingly able to produce profits which will impact the distribution of dividends for shareholders.

### CONCLUSION

If measured using the liquidity ratio, the financial performance of the property, real estate, and building construction sector decreases after the initial public offering/ If measured using the activity ratio, financial performance after the initial public offering decreases, if measured using the solvency ratio, there is an increase in financial performance after the initial public offering. And if measured using the profitability ratio, the financial performance of the property, real estate, and building construction sector decreased after the initial public offering

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