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# Analysis of Acquisition Decisions on the Enhancement of Inorganic Growth at PT Invest Co

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## Abstrak

Akuisisi perusahaan merupakan strategi umum untuk mempercepat pertumbuhan bisnis tanpa harus memulai dari nol. Dalam lanskap industri yang semakin kompetitif, pemilihan perusahaan yang tepat untuk diakuisisi merupakan keputusan kritis yang menentukan kesuksesan strategi tersebut. Studi ini bertujuan untuk membantu PT Invest Co dalam mengidentifikasi target akuisisi yang paling sesuai antara AUM-1 dan AUM-2. Analisis kuantitatif dan kualitatif dilakukan dengan mengevaluasi laporan keuangan, tren industri, dan wawancara dengan ahli. Hasil penelitian menunjukkan bahwa AUM-1 merupakan target akuisisi yang lebih cocok. Perusahaan ini memiliki pertumbuhan pendapatan tahunan sebesar 7,8%, rasio keuntungan sebesar 12,3%, dan kepatuhan hukum dan pajak yang lebih kuat dibandingkan AUM-2. Struktur akuisisi yang direkomendasikan adalah kepemilikan mayoritas sebesar 75%, yang memungkinkan PT Invest Co mengendalikan operasional dan mengoptimalkan manfaat pajak. Akuisisi ini diharapkan dapat meningkatkan efisiensi operasional, serta meningkatkan nilai perusahaan dan daya tarik bagi investor. Namun, tantangan integrasi seperti perbedaan budaya organisasi harus diantisipasi. Studi ini memberikan wawasan berharga untuk mendukung PT Invest Co dalam merumuskan rencana akuisisi yang lebih strategis dan berkelanjutan.

**Kata Kunci:** akuisisi korporasi; analisis keuangan; strategi bisnis; kepemilikan mayoritas; sinergi pasca-akuisisi.

## Abstract

Corporate acquisition is a common strategy to accelerate business growth without starting from scratch. In an increasingly competitive industrial landscape, selecting the right company to acquire is a critical decision that determines the strategy's success. This study aims to assist PT Invest Co in identifying the most suitable acquisition target between AUM-1 and AUM-2. Quantitative and qualitative analysis was conducted by evaluating financial reports, industry trends, and expert interviews. The findings indicate that AUM-1 is a more suitable target for acquisition. It has an annual revenue growth of 7.8%, a profitability ratio of 12.3%, and stronger legal and tax compliance than AUM-2. The recommended acquisition structure is a 75% majority ownership, enabling PT Invest Co to control operations and optimize tax benefits. This acquisition is expected to improve operational efficiency and enhance both company valuation and investor attractiveness. Nevertheless, integration challenges such as differences in organizational culture must be anticipated. This study provides valuable insights to support PT Invest Co in formulating a more strategic and sustainable acquisition plan.

**Keywords:** corporate acquisition; financial analysis; business strategy; majority ownership; post-acquisition synergy.

## 1. Introduction

In the increasingly competitive landscape of the global economy, companies are constantly pressured to sustain growth and remain competitive (Sui et al., 2016). Growth is thus considered one of the core strategic objectives in business operations. Generally, business growth can be achieved through two primary approaches: organic and inorganic (Sherman, 2011). Organic growth typically involves internal efforts such as production capacity expansion, product development, and market extension (Halim, 2011). In contrast, inorganic growth is commonly realized through external strategies, particularly mergers and acquisitions (M&As).

An acquisition refers to the process by which a company purchases or acquires controlling interest in another company to gain access to its ownership and operations (Aji, 2010). Compared to organic growth, acquisitions offer several strategic advantages including rapid market entry, access to economies of scale, and acquisition of proprietary technologies or specialized expertise (Sherman, 2011; Sui et al., 2016). These advantages enable firms to overcome growth constraints and accelerate their expansion within a manageable risk corridor.

Business combinations are classified into three types: mergers, consolidations, and acquisitions. In business terminology, acquisitions are synonymous with takeovers, which may involve purchasing either shares or assets of another company (Aji, 2010). M&A strategies have become increasingly prominent as mechanisms to achieve rapid growth and competitiveness in global markets (Sui et al., 2016). This is evident in the rising value of M&A transactions over the past decades.

Empirical data reveals that global M&A transactions surpassed \$45 trillion in 2008, experienced a brief decline due to the financial crisis, and rose again to over \$44 trillion by 2010. Nearly 50% of these transactions involved U.S.-based firms over the last decade (Sherman, 2011).

M&A activities are regarded by organizations as effective tools to enhance revenue streams, acquire experienced human capital, strengthen technological capabilities, and reduce time-to-market (Halim, 2011). They also help mitigate business failure risks and provide mature operational and administrative systems. However, despite their strategic potential, M&As do not always yield favorable outcomes due to post-acquisition challenges such as cultural clashes and integration conflicts (Mardianto et al., 2018).

Sherman (2011) further categorizes acquisitions into horizontal, vertical, and conglomerate types. A horizontal acquisition involves two companies operating in the same industry, aiming to increase market share or eliminate competition. Vertical acquisitions connect companies across different stages of the supply or production chain, while conglomerate acquisitions occur between unrelated companies, often for diversification purposes.

In this study, the acquisition strategy of PT Invest Co, an insurance company that has focused on providing insurance, life protection, and employee benefits products. The company operates within the life and health insurance sectors, without directly providing healthcare services. It aims to pursue inorganic growth through the majority-share acquisition of an investment management (MI) firm with strong financial performance and assets under management exceeding IDR 200 billion.

This paper aims to identify the most appropriate acquisition target between AUM-1 and AUM-2, therefore PT Invest Co plans to undertake a thorough analysis encompassing due diligence, target valuation, and legal and tax assessments. The outcome of this decision will have a significant effect on the company's financial structure and its long-term strategic positioning within Indonesia's financial services sector.

## **2. Literature Review**

### *2.1 Merger and Acquisition*

Wiyono and Kusuma (2017) stated that a merger is a means by which one company absorbs another. When Companies A and B merge, only one legal entity either A or B will remain. In contrast, an acquisition refers to the transfer of ownership and managerial control from one company to another. The merger and acquisition (M&A) process is a series of activities that culminate in the transfer of ownership from the seller to the buyer. Some parties do not want to follow this M&A process in a structured manner because they think this process can eliminate opportunities that have or have not been anticipated previously.

Anticipated opportunities are opportunities identified through the business planning process, which includes understanding the company's external environment, assessing internal resources, reviewing various options, and formulating a clear business vision along with realistic strategies to achieve them. Meanwhile, unanticipated opportunities can emerge along with the availability of new information. Having a mature business plan will not hinder the pursuit of opportunities, but rather provide a framework for evaluating the M&A process quickly and substantively. Thus, the company can assess the extent to which these opportunities support the realization of the established business plan (DePamphilis, 2018).

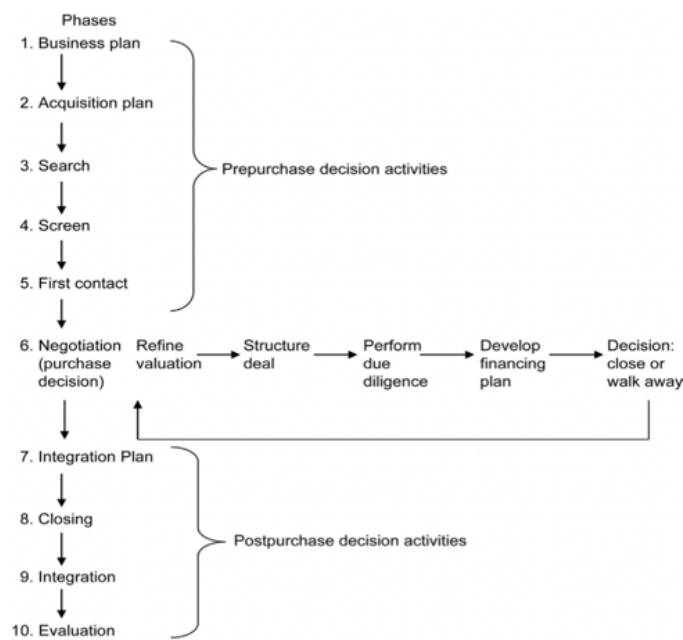


Figure 1. Flowchart for Acquisition Process

Figure 1 illustrates the sequential phases of a corporate acquisition process, categorized into two main stages: pre-purchase and post-purchase decision activities. The pre-purchase phase begins with the formulation of a business and acquisition plan, followed by the identification, screening, and initial engagement with potential target companies. Upon establishing first contact, the process advances to negotiation, which involves refining the valuation, structuring the deal, conducting due diligence, and developing a financing plan before making a final decision to proceed or withdraw. If the acquisition is approved, the post-purchase phase commences, including the preparation of an integration plan, formal closing of the transaction, implementation of the integration process, and a final evaluation to assess the success of the acquisition and derive insights for future transactions.

### 2.2 Due Diligence

According to Veld-Merkoulova (2022), the due diligence stage is at the initial stage, namely pre-closing. This stage is an important phase in preparing for an acquisition, where the acquiring company carries out various strategic actions, including crucial activities such as due diligence. This due diligence process involves a detailed assessment of the financial, operational, and legal conditions of the target company to identify risks and opportunities that may arise in the transaction (Chen & Wang, 2021).

### 2.3 Stock Valuation

Stock valuation plays a very important role in acquisition transactions. Because the purpose of this assessment is to determine a fair price and expected profit. By knowing the intrinsic value of the company, we can assess the health of the business, whether it is still operating well or needs improvement.

### 2.4 Scoring Analysis

Multi-Criteria Decision Making (MCDM) is an approach that combines various criteria to select the best alternative from some available options. In this context, scoring is used to assign a value to each alternative based on predetermined criteria (Schwert, 2023). In this context, the analysis is carried out on three main aspects, namely the Financial Aspect, Tax Aspect, and Legal Aspect. To facilitate scoring analysis, various tools and software can be used. Some of them are Excel, Expert Choice, and TOPSIS Solver.

The steps in scoring analysis using the MCDM method include several stages, namely:

- a) **Criteria Identification**  
The first stage in scoring analysis is to determine the criteria that will be used to assess the existing alternatives.
- b) **Weighting Criteria**  
After the criteria are determined, the next step is to assign a weight to each criterion based on its level of importance. For example, financial criteria are often considered the most important and can be given a weight of 40%, while taxation, law, and valuation each get a weight of 20%. This weighting is important to reflect the priorities in decision-making.
- c) **Assessment of Each Alternative**

Each alternative is assessed based on predetermined criteria. The value given is in the form of a score, usually in the range of 1 to 10. This score represents the performance of each alternative against each criterion.

d) Calculation of Weighted Scores

After a score is given to each criterion, the score is multiplied by the weight that has been set to produce a weighted score. This ensures that more important criteria have a greater influence on the final result.

e) Weighted Score Addition

The final step in the scoring analysis is to add up the weighted scores of each criterion to produce a total score for each alternative. The alternative with the highest total score is considered the best choice.

2.5 Acquisition Transaction Mechanism

The closing stage is the moment when the acquisition transaction is officially executed and closed. At this stage, the necessary legal documents, such as the acquisition agreement and stock transfer documents, are signed by both parties (Schwert, 2023). Administrative and financial processes, including payments and asset transfers, are carried out following the agreed terms.

The post-closing stage is the phase after the acquisition transaction is officially closed and focuses on post-acquisition integration and adjustments. At this stage, the acquiring company and the target company work to integrate the operations, principles, and cultures of the companies (Cartwright & Cooper, 2021). This process includes implementing previously planned integration strategies, merging organizational structures, and aligning policies and procedures (DePamphilis, 2022).

The figure 2 presents a structured overview of the corporate acquisition process, divided into seven sequential steps involving specific activities, timelines, and stakeholders. The process begins with the acquirer company formulating its strategy for inorganic growth (Step 1), followed by target identification and execution of confidentiality agreements (Step 2), which depends on market availability. Step 3, spanning 30 to 60 days, covers critical preparatory work including due diligence, valuation, industry analysis, financing schemes, operating model design, and regulatory compliance, involving the acquirer, target company, advisors, and regulators. In Step 4 (7–30 days), final results are confirmed before entering Step 5 (7–30 days), where negotiations are held and the deal structure is finalized. Step 6 comprises the formal closing (1 day) and a 100-day post-merger integration phase managed by the acquirer. Finally, Step 7 marks the transition to normal operations under the new structure, with the acquiring company assuming full control. This end-to-end process ensures a comprehensive and disciplined approach to executing successful acquisitions.

| Step           | 1                                     | 2   |  | 3   |   | 4   |                                  | 5                | 6  | 7                 |
|----------------|---------------------------------------|---|--|---|---|---|----------------------------------|------------------|--|-------------------|
| Time (Days)    |                                       | Depend On Market Availability                           |  | 30-60   |   | 7 - 30                                    | 7-30                             | 1                | 100  |                   |
| Activities     | Company Strategy For Unorganic Growth | Searching Target  | Non Disclosure Agreement / Confidentiality Agreement | Due Diligence<br>Valuation<br>Industry Analysis (Structure, Conduct, Performance)<br>Financing Scheme | Design Target Operating Model<br>Governance, Regulatory Compliance and Deal Structure | Confirm Final Results                     | Negotiation & Finalize Structure | Closing Deal     | Post Merger Integration (Post Merger Office) | Business As Usual |
| Party Involved | Acquirer Company                      | Acquirer Company, Target Company and External (Advisor) |  | Acquirer Company, Target Company, Advisor, Regulator  |   | Acquirer Company, Target Company, Advisor |                                  | Acquirer Company | Acquirer Company                             |                   |

Figure 2. Stages of Merger and Acquisition

2.6 Acquisition Impact Analysis

Impact analysis evaluates the consequences of corporate decisions on company performance and stakeholder interests, while valuation determines the fair value of a company by reflecting its intrinsic financial characteristics and growth potential. Understanding a company's intrinsic value enables stakeholders to assess the effectiveness of strategic decisions in enhancing firm value. The integration of impact analysis and valuation thus supports the formulation of strategies that aim not only to increase shareholder wealth but also to account for the social and environmental implications of each decision.

3. Methods

This research is classified as comparative research and adopts a mixed-method approach. A mixed-method approach integrates both qualitative and quantitative research (such as perspectives, data collection, analysis, and inference techniques) to provide a more comprehensive and in-depth understanding. In this study, the quantitative approach is used to analyze financial data from the target companies and to assess the potential impact on PT Invest Co's financial performance. The qualitative approach involves interviews with senior management of the target company, while quantitative data will be used to evaluate financial performance. Qualitative data will be gathered through due diligence analysis, focusing on the legal, tax, and financial aspects of the target company.

### 3.1 Data Collection

This study employs a documentation-based data collection method. The data collected consists of relevant documents required for the due diligence process. Upon completion, the documentation collection process both quantitative and qualitative data analysis is carried out to evaluate the alignment of the business plans of the two target companies with the strategic objectives of PT Invest Co.

This study uses data collection techniques through the documentation method. The data collected are in the form of relevant documents required in the due diligence process. After the documentation collection process is complete, quantitative and qualitative data analysis is carried out to evaluate the alignment of the business plans of the two target companies with the strategic objectives of PT Invest Co.

## 4. Results and Discussion

### 4.1 Due Diligence and Analysis of AUM-1

As part of the acquisition process, a comprehensive due diligence review was conducted to assess the overall condition of the target company. This review covered key areas including financial, tax, and legal aspects to identify potential risks, liabilities, and necessary adjustments that may affect the valuation and structure of the transaction. The findings from this due diligence are summarized in the following sections, highlighting key observations and their implications on the deal.

### 4.2 Financial Aspect

Table 1. Financial Aspect

| No | Topic  | Key Findings  | Impact  |
|----|--|---|---|
| 1. | Impairment of receivables from Related Parties | Potential decrease in the value of interest-free receivables from shareholders with long-outstanding balances currently recorded at IDR3,050 billion to IDR2,596 billion. | Adjustment to reduce the balance of shareholders' receivables and recognition of impairment expense of Rp0.453 billion.                               |
| 2. | Employee Benefits Obligations                  | Potential adjustment to employee benefit liability balance of Rp. 0.184 billion, based on calculations by Independent Actuaries.  | Adjustments to increase the employee benefit liability balance to IDR 0.610 billion and recognition of employee benefit expense of IDR 0.184 billion. |
| 3. | Deferred Tax Assets                            | Potential adjustment to deferred tax asset balance arising from employee benefit liabilities to Rp0.028 billion.  | Adjustment to reduce deferred tax asset balance and reversal of deferred tax benefits to Rp0.028 (for each account).                                  |

### 4.3 Taxation Aspect

Table 2. Taxation Aspect

| No | Topic  | Key Findings  | Impact  |
|----|--|---|---|
| 1. | Annual Corporate Income Tax Return (Fiscal Loss) | A fiscal loss of IDR 13.9 billion (for fiscal years 2019–2020) is not claimable under Government Regulation (PP) No. 23 of 2018. A total fiscal loss that can be carried forward is limited to IDR 3.9 billion. | Proposal: File corrected 2019–2020 tax returns (SPT) with a NIL loss position. Adjustment: Reversal of deferred tax income and recognition of deferred tax expense. |
| 2. | PPh 23 on Shareholder Loan Interest              | Potential PPh 23 liability arising from deemed interest on shareholder loans: IDR 6.5 billion (2020–2021) and IDR 3.1 billion (2023).   | Adjustments: Recognition of interest at arm's length & positive fiscal corrections.   |
| 3. | Income Tax Article 21                            | Potential underpayment of IDR 174.7 million (2019–2023) due to discrepancies between Annual and Periodic Tax Returns.   | Proposal: File corrected Periodic Tax Returns for Article 21. Adjustment: Improve the accuracy of Article 21 tax accruals and expense recognition.                  |

## 4.4 Legal Aspect

Table 3. Legal Aspect

| No | Topic  | Key Findings  | Impact   |
|----|--|---|--|
| 1. | Receivables Not Based on the Approval of the Board of Commissioners  | There was a loan to AUM-1 shareholders without the approval of the Board of Commissioners, which should be in accordance with the Articles of Association.  | Violates Article 12 paragraph (1) of the AUM-1 Articles of Association and can be considered a violation of the Board of Directors' fiduciary duty based on Article 92 paragraph (3) of the PT Law. If the receivables are not collected, the Board of Directors is required to take responsibility for the receivables.   |
| 2. | Deed of Granting of Mortgage Rights for Mortgage Guarantee and Mortgage Certificate in Shareholders' Receivables | Loans to shareholders are secured by land and building assets. However, until now there has been no Deed of Granting of Mortgage Rights (APHT) and Mortgage Rights Certificate required for registration of the rights.   | Without registration, the mortgage is considered to have never existed. As a further impact, AUM-1 cannot execute the guarantee if the borrower defaults.  |
| 3. | Implementation of Reporting Obligations by Investment Management Companies                                       | Several compliance documents have not been provided as evidence of the implementation of activities that are the obligation of the investment manager company:<br>(a) Annual Work Plan Report of the Compliance Function (for 2023);<br>(b) Business Plan Realization Report (last report in 2022);<br>(c) Annual Report on the Implementation of the Compliance Function (for 2023);<br>(d) Securities Subsidiary Ledger Report;<br>and (e) Periodic Financial Report; | In following with the provisions of POJK No. 24/2014, POJK 10/2018, and POJK 54/2020, non-compliance with the above obligations can potentially result in the imposition of administrative sanctions by the OJK, in the form of:<br>(1) written warning;<br>(2) fines, namely the obligation to pay a certain amount of money;<br>(3) restrictions on business activities;<br>(4) freezing of business activities;<br>(5) revocation of business licenses;<br>(6) cancellation of approvals; and cancellation of registration. |

## 4.5 Due Diligence and Analysis of AUM-2

## a) Financial Aspect

Table 4. Financial Aspect

| No | Topic                                    | Key Findings   | Impact  |
|----|--|--|---|
| 1. | Administrative Sanction                  | There is a potential liability and other payables totaling IDR 1.7 billion due to an administrative sanction imposed by the Financial Services Authority (OJK), as stated in Letter No. PENG-12/PM.1/2023 dated December 18, 2023. | Adjustment is required to reflect an increase in other payables and other expenses totaling IDR 1.7 billion.                      |
| 2. | Impairment of Securities Portfolio       | A potential impairment of IDR 4.9 billion has been identified due to the holding of shares in issuers that are currently suspended or delisted from Indonesia Stock Exchange.  | Adjustment is required to reduce the value of the securities portfolio and recognize other expenses amounting to IDR 4.9 billion. |
| 3. | Impairment of Management Fee Receivables | A potential impairment of IDR 3.2 billion in management fee receivables, which have remained uncollected for over three years from mutual fund products.   | Adjustment is required to reduce the balance of trade receivables and recognize other expenses totaling IDR 3.2 billion.          |

## b) Taxation Aspect

As of the date of this report, no tax documentation has been made available.

## c) Legal Aspect

Table 5. Legal Aspect

| No | Topic   | Key Findings  | Impact  |
|----|---|---|---|
| 1. | OJK Sanction                                    | AUM-2 received an IDR 1.7 billion fine and other obligations from OJK for violations in mutual fund products.         | Unpaid fines may disrupt operations. Immediate settlement is recommended.   |
| 2. | Administrative Sanctions on Management          | Sanctions imposed on AUM-2 executives for procedural and compliance violations.                                       | This may trigger increased regulatory scrutiny and operational restrictions.  |
| 3. | OJK Decree on Corporate Governance Restrictions | OJK restricts changes to the Board of Directors, Commissioners, and shareholders until all obligations are fulfilled. | Legal barrier to share acquisition by PT Invest Co until resolved.  |
| 4. | Fit and Proper Test Requirement                 | AUM-2 must re-conduct fit and proper tests for its Board and shareholders after completing mandated actions.          | Non-compliance may lead to criminal sanctions.  |
| 5. | Annual General Meeting (AGM)                    | No evidence of regular AGM implementation.  | May constitute a breach of fiduciary duty under Article 97(3) of Company Law.   |
| 6. | KBLI Classification in NIB                      | AUM-2's NIB lists KBLI 64999, inconsistent with investment management activities.                                     | Risk of licensing violations, which could affect valuation and corporate actions  |
| 7. | Notification of AoA Amendments                  | No proof of AoA amendment submission to OJK.  | Non-compliance with POJK No. 24/2014, 10/2018, and 54/2020 may lead to sanctions such as warnings, fines, business restrictions, or license revocation. |
| 8. | .IM Representative Association Membership       | Lapsed membership with no evidence of re-registration.  | Violation of POJK No. 31/2018 may result in sanctions, including fines and operational restrictions.  |
| 9. | Labor Reporting Compliance                      | No evidence of compliance with mandatory labor reporting.   | Violation of Law No. 7/1981 may result in up to 3 months imprisonment or a fine of IDR 1 million.   |

#### 4.6 Selection of Target Acquisition Companies

In determining the choice between the two Target Companies, namely AUM-1 and AUM-2 as previously described, a series of structured evaluations is required to identify the company that best aligns with the needs and criteria of PT Invest Co. This process is intended to support PT Invest Co's strategic investment plan to acquire a majority shares of the investment manager (MI) company. To achieve PT Investo Co's target, a scoring analysis method is used, an approach based on Multi-Criteria Decision Making (MCDM), to assign weights and evaluate key elements across the three aspects that have been subjected to due diligence.

Table 6. AUM-1 and AUM 2 Comparison Parameters

| Parameter                | AUM-1  | AUM-2                            | Preferability:   | Score:               |
|--------------------------|--|----------------------------------|--|----------------------|
| <b>FINANCIAL ASPECT:</b> |  |                                  |  |                      |
| <b>Revenue growth</b>    | CAGR (2019-2023): + 13%%   | CAGR (2019-2023): - 100%         | <ul style="list-style-type: none"> <li>In this case, AUM-1 demonstrates stronger growth compared to AUM-2, which tends to exhibit negative growth due to the presence of a suspended account.</li> </ul> | AUM-1: 1<br>AUM-2: 0 |
| <b>Profitability</b>     | EBITDA:<br>2019: - Rp8,2 billion<br>2020: - Rp3,5 billion<br>2021: - Rp1,4 billion<br>2022: - Rp1,2 billion<br>2023: + Rp0,3 billion | EBITD A:<br>2019: +Rp6,2 billion | <ul style="list-style-type: none"> <li>AUM-1 demonstrates stronger profitability growth and improved financial performance compared to AUM-2</li> </ul>  | AUM-1: 1<br>AUM-2: 0 |

| Parameter                      | AUM-1  | AUM-2  | Preferability:   | Score:                      |
|--------------------------------|--|--|--|-----------------------------|
|                                | Net Income:<br>2019: - Rp8,7 billion<br>2020: - Rp4,1 billion<br>2021: - Rp2,0 billion<br>2022: - Rp2,2 billion<br>2023: + Rp0,2 billion | 2020: -<br>Rp0,4<br>billion<br>2021: -<br>Rp1,6<br>billion<br>2022: -<br>Rp5,7<br>billion<br>2023: -<br>Rp2,0<br>billion<br><br>Net<br>Income:<br>2019: -<br>Rp 5,8<br>billion<br>2020: -<br>Rp1,0<br>billion<br>2021: -<br>Rp2,1<br>billion<br>2022: -<br>Rp6,1<br>billion<br>2023: -<br>Rp2,0<br>billion |  |                             |
| <b>Size</b>                    | Total Asset: Rp5,5 billion<br>Total Equity: Rp4,9 billion  | Total Asset: Rp12,7 billion<br>Total Equity: Rp10,8 billion  | AUM-2 has greater Total Assets and Total Equity than AUM-1   | AUM-1: 0<br>AUM-2: 1<br>: 1 |
| <b>Equity After Adjustment</b> | Rp5.0 billion  | Rp1,6 billion  | The equity position of AUM-1, after adjustments based on due diligence results is higher than AUM-2.   | AUM-1: 1<br>AUM-2: 0        |
| <b>Total AUM</b>               | Rp312 billion  | Rp277 billion  | Both companies have approximately the same amount of Assets Under Management (AUM), which remains significantly from the ideal threshold of IDR 3 trillion for Investment Management (MI) companies.     | AUM-1: 1<br>AUM-2: 0        |
| <b>Valuation Indication</b>    | Rp7,4 billion  | Rp0,958 billion  | The share's valuation of AUM-2 is lower compared to AUM-1.   | AUM-1: 0<br>AUM-2: 1        |
| <b>MKBD Currently</b>          | Rp5.0 billion  | Rp1.6 billion  | As of the December 2023 cut-off, the Net Adjusted Working Capital (MKBD) of AUM-1 is higher than AUM-2, which contributes to AUM-1's ability to manage a larger amount of assets under management (AUM). | AUM-1: 1<br>AUM-2: 0        |
| <b>LEGAL ASPECT:</b>           |  |  |  |                             |
| <b>Legal Case Summons from</b> | - None   | Received   | Since AUM-1 does not encounter comparable issues, it is perceived as a lower-risk an entity with minimal reputational  | AUM-1: 1<br>AUM-2: 0        |

| Parameter                                   | AUM-1  | AUM-2   | Preferability:  | Score:               |
|---|--|---|---|----------------------|
| customers                                   |  | summons from: Vivie Lestari. Lilim Cendana. Ai Sie. 7 customers. Marianne Sharif. Hidayat. PT Aria Abdigna and PT Arifindo Adiputra. Janiwart hi, Ika and PT Indoputra. | concerns.   |                      |
| Legal Cases – civil lawsuits from customers | Litigation – civil lawsuits from customers<br>None | Facing a lawsuit from: Edi (the judge ruled that the court was not competent to try). Herman (the judge ruled that the court was not competent to try)                  | AUM-1 does not encounter similar issues, which positions it as a lower-risk an entity with reduced reputational exposure. | AUM-1: 1<br>AUM-2: 0 |
| Complaints on the OJK APPK Portal           | None   | 7 customers (ongoing) Oei Hi Lin (ongoing) David Johanne  | AUM-1 does not encounter similar issues, which positions it as a lower-risk an entity with reduced reputational exposure. | AUM-1: 1<br>AUM-2: 0 |

| Parameter                 | AUM-1 | AUM-2  | Preferability:   | Score:               |
|---------------------------|-------|--|--|----------------------|
|                           |       | s<br>Tjandra<br>(ongoing)  |  |                      |
| <b>Sanctions from OJK</b> | None  | Sanctions on AUM-2: A fine of Rp1.7M A sanction on the repurchase of RD Participation Units.<br><br>Remarks: OJK has given official sanctions to AUM-2 on December 18, 2023. The sanctions are in the form of a fine of Rp1.7M as well as the return of customer funds and the dissolution of mutual fund products: RD Sentra Ekuitas Berkembang RD Sentra Ekuitas | AUM-1 does not encounter similar issues, which positions it as a lower-risk entity with reduced reputational exposure. | AUM-1: 1<br>AUM-2: 0 |

| Parameter  | AUM-1  | AUM-2   | Preferability:   | Score:               |
|--|--|---|--|----------------------|
|  |  | Gemilang RD Sentra Ekuitas  |  |                      |
| <b>Compliance regarding investment manager representative membership in associations</b> | Deputy investment manager AUM-1 has joined the association.  | AUM-2 has not provided evidence that its investment manager representatives are registered as active members of the Investment Manager Representatives Association.               | AUM-1 does not encounter similar issues, which positions it as a lower-risk entity with reduced reputational exposure..  | AUM-1: 1<br>AUM-2: 0 |
| <b>Legal processes related to mutual fund products</b>                                   | None; however, there is a potential for administrative violations by AUM-1 related to its obligations as a mutual fund product manager.<br><br>Remarks:<br>There are no AUM-1 mutual fund products currently under confiscation by law enforcement authorities (e.g., police, prosecutors, or courts). | By contrast, two AUM-2 mutual fund products—RS Sentra Ekuitas Gemilang and RD Sentra Ekuitas—have been confiscated by the court following Supreme Court Decision No. 2937 K/Pid.S | AUM-1 has no legal issues involving its mutual fund products and law enforcement. Therefore, it is considered to present a lower regulatory and reputational risk in AUM-1 | AUM-1: 1<br>AUM-2: 0 |

| Parameter   | AUM-1  | AUM-2  | Preferability:  | Score:   |
|---|--|--|---|--|
|   |  | us/2021<br>, dated<br>August<br>24,<br>2021.   |   |  |
| <b>Conditions of managed mutual fund products</b> | <p>AUM-1 currently manages two active mutual fund products.</p> <p>Remarks:<br/>There are no seizure or dissolution orders related to mutual fund products managed by AUM-1.</p> | <p>AUM-2 manages three mutual fund products that remain active; however, all three have been ordered to be dissolved by the Financial Services Authority (OJK).</p> <p>Remarks:<br/>One of AUM-2's mutual fund products is currently in the process of dissolution, while two others are subject to seizure proceedings.</p> | AUM-1 does not face similar issues and is therefore considered to pose lower regulatory and reputational risk.  | <ul style="list-style-type: none"> <li>▪ AUM-1: 1</li> <li>▪ AUM-2: 0</li> </ul> |
| <b>Sanctions against the Board of Directors</b>   | No Directors of AUM-1 have been sanctioned.  | The President Director of AUM-2  | AUM-1 does not face similar issues and is therefore considered to carry lower regulatory and reputational risk. | <ul style="list-style-type: none"> <li>▪ AUM-1: 1</li> <li>▪ AUM-2: 0</li> </ul> |

| Parameter                                     | AUM-1  | AUM-2   | <i>Preferability:</i>   | <i>Score:</i>  |
|---|--|---|---|--|
|   |  | was sanctioned by the Financial Services Authority (OJK) with a fine of IDR 100 million.  |   |  |
| <b>Capacity to undertake corporate action</b> | There are no restrictions or prohibitions imposed on AUM-1 regarding the execution of corporate actions. | However, AUM-2 was instructed by the Financial Services Authority (OJK) to take specific measures as outlined in OJK Letter No. SR-65/2020. Until AUM-2 has fully met its obligations to customers, it is prohibited from undertaking corporate actions involving changes to its Board of Directors, Board of | AUM-1 does not have similar problems, causing AUM-1 to be considered lower risk and have lower reputational risk. | <ul style="list-style-type: none"> <li>▪ AUM-1: 1</li> <li>▪ AUM-2: 0</li> </ul> |

| Parameter  | AUM-1   | AUM-2  | Preferability:   | Score:   |
|--|---|--|--|--|
|  |   | Commissioners,<br>or<br>controlling<br>shareholders.<br><br>Remarks:<br>There is no<br>documentation<br>or<br>official<br>confirmation<br>from<br>OJK<br>indicating that<br>AUM-2<br>has<br>fulfilled<br>the<br>obligations<br>outlined<br>in<br>Letter<br>No. SR-<br>65/2020<br>. |  |  |
| <b>Ownership of the Sharia Supervisory Board</b> | Based on the Letter of the National Sharia Council of the Indonesian Ulama Council (DSN-MUI) No. U-626/DSN-MUI/VIII/2019 dated August 29, 2019, and the 2022 Governance Report of MI AUM-1, AUM-1 has established a Sharia Supervisory Board consisting of Dr. Muhammad Sofyan Jauhari, Lc, M.Ag, and Aini Masruroh, SEI, MM. | There is no available documentation indicating that AUM-2 has a Sharia Supervisory Board.  | Although AUM-1 currently does not manage any Sharia-based investment products, it retains the capability to do so due to the presence of its Sharia Supervisory Board. | <ul style="list-style-type: none"> <li>▪ AUM-1: 1</li> <li>▪ AUM-2: 0</li> </ul> |
| <b>TOTAL SCORE</b>                               |   |  |  | <b>AUM-1: 15</b><br><b>AUM-2: 2</b>  |

Based on the simulation results using the MDCA method, AUM-1 obtained a higher score than AUM-2. The strength of AUM-1 is seen in several areas, including revenue growth, profitability, equity, Assets Under Management (AUM), minimal legal exposure, absence of sanctions, regulatory compliance, and the presence of the Sharia Supervisory Board. AUM-1 recorded a total score of 15, significantly higher than AUM-2. Therefore, based on the assessment of the two target companies, AUM-1 is recommended as the preferred acquisition target.

#### 4.7 Discussions

At this stage, the acquisition structure selection process begins with negotiations between PT Invest Co. and AUM-1's management to agree on three preliminary acquisition structure options. These options involve the purchase of newly issued shares in the selected target company, AUM-1, as recommended by PT Invest Co., and are as follows: (i) Option 1: Acquisition of up to 51% shareholding; (ii) Option 2: Acquisition of up to 67% shareholding; and (iii) Option 3: Acquisition of up to 75% shareholding. Among the three acquisition structure options, the most viable is the 75% shareholding option. A subsequent analysis is conducted on each of the proposed structures to provide a recommendation for PT Invest Co, considering a comprehensive assessment of the pros and cons. This evaluation compares the strengths and weaknesses of each option, in addition to considering the expected return on investment from the purchase of new shares. The following section presents a Pro-Cons Analysis for each acquisition structure option.

Table 7. Pro and Cons Ownership Structure

| Pro   | Cons  |
|---|---|
| <b>Option 1 – Ownership 51%</b>   |   |
| <ol style="list-style-type: none"> <li>1. PT Invest Co can convene General Shareholders' Meetings (GSM) on the first call independently, as it meets the minimum quorum requirement (50%).</li> <li>2. PT Invest Co holds a majority vote, enabling absolute decision-making in GSM even if all shareholders are present.</li> </ol>  | <ol style="list-style-type: none"> <li>1. GSM for amendments to the Articles of Association (first and second calls) cannot proceed with PT Invest Co alone, as the quorum is 2/3 and 3/5, respectively.</li> <li>2. GSM for major corporate actions (first and second calls) requires higher quorums (3/4 and 2/3), making it impossible to proceed unilaterally.</li> <li>3. PT Invest Co cannot unilaterally approve amendments or corporate actions if all shareholders are present, as it holds less than the required voting thresholds.</li> <li>4. Limited upside potential: Future valuation gains may be lower compared to Options 2 and 3. Increasing ownership to 75% later may incur higher costs than opting for a higher initial stake.</li> </ol> |
| <b>Option 2 – Ownership 67%</b>   |   |
| <ol style="list-style-type: none"> <li>1. PT Invest Co can independently convene and pass resolutions in General Shareholders' Meetings (GSM), including amendments to the Articles of Association, as it meets the required quorum thresholds (1/2 for general decisions and 2/3 for amendments). Even if all shareholders are present, PT Invest Co holds sufficient voting power to approve resolutions unilaterally.</li> <li>2. Limited valuation upside: Post-acquisition valuation growth may be lower than in Option 3. Increasing ownership to 75% in the future would likely be more costly than directly choosing Option 3.</li> </ol> | <ol style="list-style-type: none"> <li>1. GSM for corporate actions (first call) cannot be held with PT Invest Co alone, as the required quorum is 75% of the total voting shares.</li> </ol>   |
| <b>Option 2 – Ownership 75%</b>   |   |
| <ol style="list-style-type: none"> <li>1. All types of General Shareholders' Meetings (GSM)—including general resolutions, amendments to the Articles of Association, and corporate actions—can be conducted solely by PT Invest Co on the first call. In all cases, PT Invest Co can unilaterally pass resolutions, even if all shareholders are present. With 75% voting rights, PT Invest Co has full control over corporate decision-making.</li> <li>2. This structure offers the highest valuation upside, supported by potential value creation after the acquisition.</li> </ol>  | <ol style="list-style-type: none"> <li>1. Highest acquisition cost: PT Invest Co must invest more capital to obtain 75% ownership compared to other options.</li> </ol>   |

Table 8. IRR Comparison Across Different Ownership Structures

| Ownership | IRR    | Pros & Cons           | Results |
|-----------|--------|-----------------------|---------|
| 51%       | 12,60% | Pros (2) and Cons (4) | ×       |
| 67%       | 14,00% | Pros (2) and Cons (1) | ×       |
| 75%       | 16,59% | Pros (2) and Cons (1) | ✓       |

Based on the analysis of the three acquisition structure options that has shown in table 7 and table 8, Option 3 with a 75% ownership structure—presents greater benefits for PT Invest Co, including full control over corporate decisions, as all quorum thresholds for general resolutions, amendments, and corporate actions are met. Additionally, it provides value creation through potential upside post-acquisition. Therefore, a 75% ownership structure in AUM-1 is recommended.

In this option, PT Invest Co will acquire ownership 75% ownership in AUM-1 through a single transaction stage, focusing exclusively on the purchase of newly issued shares. The acquisition does not involve the purchase of existing shares held by current shareholders. The steps involved are as follows: (i) 1. Amendment to the Articles of Association: AUM-1 will amend its Articles of Association to accommodate the issuance of new series B shares, with a nominal value aligned with AUM-1's valuation of IDR 294,200 per share; (ii) Capital Increase and Subscription of New Shares by PT Invest Co will subscribe to 18,750 newly issued Series B shares, representing a total investment of IDR 5.52 billion. The proceeds will be injected directly into AUM-1's capital as additional equity; and (iii) Post-Transaction Ownership Following the issuance, PT Invest Co will hold 75% of the total outstanding shares of AUM-1.

The investment feasibility analysis of the 75% share acquisition indicates an Internal Rate of Return (IRR) of 16.59%, which exceeds PT Invest Co's minimum investment threshold. This threshold is defined as the Cost of Equity (CoE), ranging from 12.95% to 13.26%, plus a 3% risk premium during the analysis period. Since the IRR is higher than the CoE plus the premium, the investment is considered financially viable. The expected return is sufficient to compensate for the associated investment risk, supporting the feasibility of acquiring a 75% stake in AUM-1 through new share issuance.

The acquisition has a positive impact on AUM-1, particularly in terms of revenue from investment management activities, which is projected to show consistent growth following the transaction. In 2023, revenue is estimated at IDR 5.26 billion and is projected to increase to IDR 19.20 billion by 2028—an almost fourfold increase over five years. This growth reflects the benefits of business integration with PT Invest Co, which enables AUM-1 to broaden its customer base, manage a larger investment portfolio, and achieve greater economies of scale.

Overall, the acquisition of AUM-1 contributes positively to PT Invest Co's consolidated earnings. Although AUM-1's profit contribution is relatively small, it still adds value to the group's financial performance. AUM-1 accounted for approximately 0.23% of total consolidated revenue, while its profit after tax contributed around IDR 691 million to consolidated net income. Despite the limited financial scale, the acquisition supports revenue diversification and strengthens PT Invest Co's strategic positioning in the investment management sector.

The due diligence on AUM-1, which covered financial, tax, legal, and operational aspects, requires systematic follow-up by PT Invest Co to mitigate potential risks and maximize post-acquisition synergies. To ensure the effectiveness of integration, the following actions are proposed:

1. Identifying priority areas for integration (e.g., finance, operations, HR, IT, and organizational culture).
2. Establishing and integrating task force and timeline.
3. Defining coordination mechanisms between PT Invest Co and AUM-1.
4. Managing legal risks (e.g., disputes, licensing, and problematic exposures).
5. Addressing tax compliance issues (e.g., filling corrections and mitigating exposures).
6. Allocating financial reserves for contingent liabilities.
7. Reconciling AUM-1's financial statements based on due diligence findings.
8. Adjusting PT Invest Co's consolidated financial statements post-acquisition transaction.
9. Aligning decision-making structures following the stakeholder agreement.
10. Identifying potential synergies (e.g., cross-selling or market expansion).
11. Developing internal and external communication strategies to support integration.
12. Conducting regular monitoring, evaluation, and adjustments for the company's performance.
13. Implementing change management programs (e.g., training, coaching, and support).
14. Performing a post-acquisition internal audit to ensure compliance and effectiveness.

## 5. Conclusion

Based on the results of the data processing and analysis conducted in this study, the following conclusions can be drawn:

1. Selection of Target Company – Based on the evaluation of financial, tax, and legal aspects, AUM-1 is identified as the more suitable company for acquisition. This conclusion is supported by its financial stability, regulatory compliance, absence of litigation, capacity to undertake corporate actions, and favorable tax position.
2. Optimal Acquisition Structure – Among the acquisition scenarios assessed, a 75% majority ownership structure is considered the most optimal for PT Invest Co. This structure enables full control over the target company while maximizing tax efficiency and ensuring compliance with legal and governance requirements.
3. Based on the evaluation of financial, tax, and legal aspects, it was found that AUM-1 is the more suitable company for acquisition. Factors supporting this decision include financial stability, compliance with regulations, including the absence of litigation, and the capacity to undertake corporate actions, as well as tax compliance and risks.
4. Optimal Acquisition Structure – From the evaluated acquisition scenarios, the most optimal structure for PT Invest Co is a majority ownership of 75%. This structure allows PT Invest Co to have full control over the target company while optimizing tax benefits and legal compliance.
5. Post-Acquisition Impact – The selected acquisition structure is projected to deliver positive outcomes for PT Invest Co in several key areas: (i) business synergies, including expanded market reach and resource integration; (ii) operational efficiency, through optimized asset utilization, improved cost structure, and enhanced financial ratios; and (iii) increased corporate valuation, which may facilitate access to new sources of funding and improve attractiveness to investors.

### 5.1 Limitation

While the research was carefully designed to address the study's primary objectives, several limitations must be acknowledged. The first limitation concerns the study's scope, which focuses exclusively on a single case PT Invest Co. Consequently, the findings may not be fully generalizable to other companies or industries that operate under different organizational structures, pursue alternative acquisition strategies, or face distinct market environments.

The second limitation pertains to the nature of the data employed. This study is based on qualitative insights and a comparative analysis of financial performance indicators before and after the acquisition. However, the lack of access to detailed internal financial records and post-acquisition strategic documentation may limit the depth of financial interpretation and potentially overlook certain long-term effects.

Lastly, the analysis is constrained by the timeframe of observation. The study covers only a limited post-acquisition period, which may not be sufficient to capture the full extent of the acquisition's impact on the company's growth and performance. Acquisitions often require longer time horizons to demonstrate measurable outcomes.

Despite these limitations, the research offers a valuable foundation for future investigations into acquisition-driven growth strategies and underscores opportunities for expanding the scope, depth, and methodological rigor of subsequent studies.

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