Mergers and Acquisitions: A Study on the Performance of Non-Financial Companies in Malaysia.

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As all alphabets have the letter (A) for their first, so has the world the eternal God for its beginning.

Kural: 1

The learned find their home and town everywhere. Why not learn and learn till death

Kural: 397

Abstract

This study examines the performance of non-financial companies that were involved in merger and acquisition activities between 1990 and 1995. A sample of 60 non-financial companies has been selected which are then split into two main groups; low sales growth companies and high sales growth companies. The objectives of the study are; to examine those companies' performance over the period 1996-1998, to compare their performance with respect to pre-crisis and crisis periods and to assess shareholder value appreciation in comparison between the low sales growth companies and high sales growth companies during their post-acquisition period. Capital gains are used to measure the companies' performance which are calculated on a monthly basis over the two-year period. Besides this, profitability measures (ROE, EPS, dividends payout, gearing ratio, P/E ratio) are incorporated in the study to explain the shareholder value appreciation. For analysing purposes, a few statistical techniques are adopted mainly the t-test and multiple regression analysis. The results indicate that companies' performance with respect to various periods is significantly different but there are no differences in terms of performance between low sales growth companies and high sales growth companies with respect to pre-crisis and crisis periods. In terms of shareholder value appreciation, there are no differences between the two groups. Meanwhile, relationship between ROE and other profitability measures are widely discussed in the Chapter Four. It can be concluded that non-financial companies do not seem to have significantly benefited from M&A activities and on the other hand different sales growth rates of participating companies do not have significant influence when comparing their performance over the two-year period.

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