

Feasibility Study of Acquisition Plan of PT Bank Tabungan Negara (Persero) Tbk by PT Bank Mandiri (Persero) Tbk

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Abstract: *This paper examined the feasibility of acquisition plan of PT Bank Tabungan Negara (Persero) Tbk's 40% shares by PT Bank Mandiri (Persero) assuming the acquisition conducted on March 31st, 2015. The sources of synergy were analyzed through news or press release that published in the period of January 2014 until the end of March 2015, which was accessed mainly through internet. As for the net cost, it was based on the acquisition plan scheme from news during the acquisition issue. The study revealed that there is positive net advantage of the acquisition plan using both cash and shares-exchanges acquisition. However, based on the decision tree that had been conducted, the cash acquisition is a more appropriate method to be used since it can generate higher net advantage for the acquirer. Furthermore, if the synergy can be realized, the synergy can positively affect the net income as well as EPS of Bank Mandiri post acquisition.*

Keywords: *acquisition, synergy, cash acquisition, shares-exchanges acquisition*

1. Introduction

PT Bank Tabungan Negara (Persero) Tbk, later called BTN, is a state-owned bank in Indonesia, which has specialization in housing financing especially for low- to middle-income communities. In earlier 2014, public was shocked by the issue of its acquisition by PT Bank Mandiri (Persero) Tbk, the largest bank by assets in Indonesia. Dahlan Iskan, Indonesia minister of state-owned enterprises, said that the acquisition would be beneficial not only for both parties, but for Indonesia as well. By implementing the acquisition, Bank Mandiri can increase its asset and capital to become Indonesia's representative of Qualified ASEAN Bank (QAB) in that it will compete with neighboring countries banks in the ASEAN Economic Community in 2020. As for BTN, it can increase its capacity to provide home loans since it has not been able to meet the shortage of about 1.5 million houses per year.

However, the acquisition process faced many obstacles along the way. One of the problems is that there is Bank Indonesia regulation that limits the portion of a new financial institution investor's shares for maximum 40%. Another problem arose from the rejection of some parties toward the acquisition plan, including BTN workers who demonstrated on April 20th, 2014 because they were terrified that acquisition could impede the role of BTN as home loan provider for low- to middle-income society. Due to these controversy, the government eventually issued circular on April 23rd 2014, for asking the postponement of the acquisition plan in President Susilo Bambang Yudhoyono government period. In response to the acquisition postponement, Budi Gunadi Sadikin, Director of Bank Mandiri, stated to still have interest to acquire BTN and said that the acquisition is still possible even if it did not happen in year 2014. Until the end of 2014, the final decision regarding the acquisition of BTN was still being considered and examined by the government.

Due to the fact that BTN's acquisition is still possible to be happened in the future, this research aimed to analyze the feasibility of the acquisition plan from the point of view of acquirer, whether it will be beneficial or not for Bank Mandiri to do such action.

2. Literature Review

Merger and Acquisition (M&A) is a critical expansion activity to shift control of a firm from one group of shareholders to another (Ross, Westerfield, & Jaffe, 2010). It is a fundamental strategy of corporate restructuring and control (Piesse, Lee, Lin, & Kuo, 2012) as well as growth strategy (as cited in Garzella & Fiorentino, 2014), which may enable company to maximize its profit by improving management efficiency.

In making acquisition analysis, companies usually consider acquisition of target companies as an investment project, and use capital budgeting techniques (J.Gittman & Zutter, 2012). One of capital budgeting techniques that commonly used for merger and acquisition is NPV (Net Present Value) approach. According to Gaughan (2007), the approach is based on projecting the future monetary benefits that the investment will create, and then discounting back to present value to determine the current value of future benefits. In the case of merger and acquisition, the future benefits of the investment is reflected in the form of synergy. As for the net cost, it reflects the premium paid for the acquisition. The NPV equation is illustrated as in the following formula:

$$NPV \text{ to acquiring firm} = \text{Synergy} - \text{Net Cost} \quad (1)$$

In assessing synergy value, there are some different methodologies applied by researchers. Damodaran (2012) found that the value of the synergy can be obtained by forecasting the future value of combined companies with synergy built-in first and convert it to present value, then subtract it with the present value of the target firm (with control premium) and present value of the bidding firm before the acquisition. On the other hand, Peirson, et al. (2006) found that the value of synergy can be obtained by simply assessing some future plans of the target company and combined company that can result to incremental inflows and outflows, then discounting these incremental cash flow at the discount rate that reflects the riskiness of the cash flows. In this research, researcher will refer to the methodology presented by Peirson, et al.

For the method of acquisition, there are two types of payment: cash and shares-exchanges acquisition. Cash acquisition method occurs when acquiring company pays the target company using cash either from its cash available in its liquid asset or from debt issue. As for shares-exchange method, it occurs when target shareholders receive shares of common stock, preferred stock, or debt of the acquirer in exchange of its shares in a particular exchange ratio. In this study, the author considered both of the types of payment in the analysis.

3. Data and Methodology

3.1 Data

The main data, which was collected and analyzed, were news or press release about the future plan of combined company or PT Bank Tabungan Negara (Persero) Tbk that published in the period of January 2014 until the end of March 2015, and the audited annual report of PT Bank Tabungan Negara (Persero) Tbk and PT Bank Mandiri (Persero) Tbk from year 2010 until 2014.

3.2 Research Methodology

The study centered on the analysis of the feasibility of the acquisition plan from the point of view of Bank Mandiri as the acquiring company by using NPV analysis approach. In this study, author only analyzed the 40% shares acquisition of BTN and assuming the acquisition activity occurred in the end of March 2015. The acquisition can be considered as feasible if only there is no negative net advantage of the acquisition or in other words there is negative NPV. According to Peirson, et al. (2006), the equation for cash and shares-exchanges acquisition of NPV calculation can be illustrated as in (2) and (3) respectively in which V_B denoted value of the target company, V_{AB} denoted value of the combined company, and b referred to the fraction of the combined company that would be owned by the former shareholders of the target company.

$$\begin{aligned} NPV \text{ of the cash acquisition} &= \text{synergy} - \text{net cost} \\ &= \text{synergy} - (\text{cash} - V_B) \end{aligned} \quad (2)$$

$$\begin{aligned} NPV \text{ of the shares-exchanges acquisition} &= \text{synergy} - \text{net cost} \\ &= \text{synergy} - (b \times V_{AB} - V_B) \end{aligned} \quad (3)$$

The sources of synergy were analyzed through news and press release that published in the period of January 2014 until the end of March 2015, which were mainly derived from internet. Then, author converted the economic implication of the synergy using some assumptions in which the synergistic benefits were measured from year 2015 to 2019. In order to obtain the value of synergy, author discounted the synergistic cash flow

using particular rate that reflected the riskiness of the cash flow. Generally, the discount rate can be defined as firm's cost of financing or a minimum rate of return that a project must earn to increase firm's value (J. Gittman & Zutter, 2012), or it is often referred to as an opportunity cost because corporate investment in the project takes away the stockholders opportunity to invest other a financial asset (Ross, Westerfield, & Jaffe, 2010). This definition considers the investor's forgone return or opportunity cost of making investment as investors' required return (Keown, Martin, Petty, & David F. Scott, 2004). Therefore, in this study, the discount rate used was cost of equity for shares exchange acquisition and the highest return of short-term investment that Bank Mandiri commonly made for the cash acquisition. As for the net cost of the acquisition, author referred to the acquisition plan scheme that derived from the news.

In this study, the author also estimated the appropriate acquisition method to conduct the acquisition by developing decision tree and comparing the NPV result of share-exchange and cash acquisition. The method of payment that can generate the highest NPV was considered as the more appropriate method to be used. Furthermore, the impact of the synergy to Bank Mandiri's post acquisition income statement were also analyzed by making the pro forma income statement of Bank Mandiri from year 2015 until year 2019 using simple method.

4. Results and Discussions

4.1 Sources of Synergy

By the acquisition, Bank Mandiri as an acquiring company would potentially obtain synergy from several of sources, which were analyzed from news related to future plan of combined company or BTN. However, there were only two out of five activities that possibly generate synergistic benefits for Bank Mandiri as illustrated in the following table.

TABLE I: The Sources of Synergy

No.	Date	News	Economic Implication	Sources
1.	22 April 2014	After the acquisition, Bank Mandiri will not cut the jobs of BTN's employees.	-	http://www.republika.co.id/berita/ekonomi/bisnis/14/04/22/n4fq9e-pelajari-skema-akuisisi-btn-bank-mandiri-tak-ada-pemecatan
2.	2 May 2014	After the acquisition, BTN will still exist and operate independently.	-	http://www.infobanknews.com/2014/05/budi-g-sadikin-opportunity-btn-bisa-lebih-besar/
3.	2 May 2014	After the acquisition, Bank BTN can use Bank Mandiri's e-channel facilities (ATM, internet banking, mobile banking, EDC, etc.).	There will be additional fee-based income for Bank Mandiri from the fee charge of BTN' customer using its ATM. The projected additional cash flow is Rp891,177,836,133.26 in year 2016. As for the other four years, the incremental cash flow will follow 24% growth of Bank Mandiri's ATM.	http://www.infobanknews.com/2014/05/budi-g-sadikin-opportunity-btn-bisa-lebih-besar/
4.	2 May 2014	After the acquisition, Bank Mandiri will not ask dividend of Bank BTN's net profit.	-	http://www.infobanknews.com/2014/05/budi-g-sadikin-opportunity-btn-bisa-lebih-besar/
5.	2 May 2014	After the acquisition, Bank Mandiri will support Bank Tabungan Negara in terms of capital.	The program will potentially increase BTN's house credit outstanding of	http://www.infobanknews.com/2014/05/budi-g-sadikin-opportunity-btn-bisa-lebih-besar/
6.	6 February 2015	Bank BTN is ready to become the leader of one million houses program. However, there are some constraints to achieve the program. One of them is the source of fund.	Rp120,000,000,000,000 per annum, which will give additional cash flow after tax for BTN of Rp 3,600,000,000 per annum.	http://ekonomi.metrotvnews.com/read/2015/02/06/354952/btn-siap-jadi-leader-program-sejuta-rumah-jokowi

The total potential synergistic cash flow that Bank Mandiri management may obtain from the acquisition consists of the total incremental cash flow that obtained by Mandiri independently from Bank Mandiri ATM's

usage by BTN, and 40% of BTN's total potential synergistic cash flow from the one million houses program. Those total synergistic cash flow, which calculated after tax income of 25%, is illustrated in the table II.

TABLE II: Total Synergistic Cash Flow

No.	Potential Synergy for Bank Mandiri	March 2015	December 2015	December 2016
1	Synergistic cash flow for Bank Mandiri	-	-	Rp 891,177,836,133.26
2	40% synergistic cash flow for Bank BTN	-	Rp 1,440,000,000,000.00	Rp 1,440,000,000,000.00
	Total Synergistic Cash Flow (After Tax)	-	Rp 1,080,000,000,000.00	Rp 1,748,383,377,099.94
No.	Potential Synergy for Bank Mandiri	December 2017	December 2018	December 2019
1	Synergistic cash flow for Bank Mandiri	Rp 1,104,809,806,138.07	Rp 1,369,653,348,915.12	Rp 1,697,984,834,830.44
2	40% synergistic cash flow for Bank BTN	Rp 1,440,000,000,000.00	Rp 1,440,000,000,000.00	Rp 1,440,000,000,000.00
	Total Synergistic Cash Flow (After Tax)	Rp 1,908,607,354,603.55	Rp 2,107,240,011,686.34	Rp2,353,488,626,122.83

4.2 The Value of Synergy, Cost, and Net Advantage of the Acquisition

After finding the potential incremental cash flow from the proposed acquisition, the author calculated the value of synergy by discounting the expected synergistic flows using a rate that reflected the riskiness of the flow, which was the cost of using certain sources of funding to finance the acquisition. Therefore, the discount rate used in cash payment was different with shares-exchange method. In cash payment acquisition, Bank Mandiri as an acquiring company would pay the stocks of BTN using cash, which was potentially from its excess liquidity since Bank Mandiri ever stated that it had excess liquidity, which would potentially use for another bank acquisition plan. According to Executive Director of Research and Education Center of Central Bank (PRES) Bank Indonesia (2015) in *finansial.bisnis.com*, banks in Indonesia mainly distributes its excess liquidity in Central Bank and interbank short-term instrument, and deposit facility. Similar to that statement, Paul Sutaryono (2011) in *infobanknews* stated that a bank might make acquisition of one or more other banks with cash that taken from its secondary reserve, such as placement, SBI, FASBI, and many others. Owing to the fact, the discount rate that was used in the cash payment was the highest interest rate of short-term instrument that Bank Mandiri commonly made in March 2015, which is from IDR Time Deposits of 9.43%. As for the discount rate in shares-exchange payment, it was calculated using CAPM in which the risk free rate (R_f) is 6.65% from SBI Rate on March 2015, and 9.51% risk premium from Damodaran's default spreads and risk premiums as of January 2015. Then, the value of beta coefficient was 1.55, which was calculated using monthly rate of returns data of Bank Mandiri's shares from April 1st, 2010 until March 31st, 2015 from *finance.yahoo.com*. Therefore, the discount rate basis for shares-exchange acquisition was 21.41%. In order to be more conservative, author added the inflation rate to the discount rate basis. For the most likely scenario, author used inflation rate on March 2015. As for optimistic and pessimistic scenario, the lowest and the highest inflation rate from April 2010 until March 2015 were used respectively. The summary of discount rate and value of synergy is given Table III and IV respectively.

TABLE III: Discount Rates for Synergy Calculation

Scenario	Discount Rate Basis	Inflation Rate	Discount Rates
Cash Payment-Pessimistic	9.43%	8.79%	18.22%
Cash Payment-Most Likely	9.43%	6.38%	15.81%
Cash Payment-Optimistic	9.43%	3.56%	12.99%
Shares-Exchanges Payment- Pessimistic	21.41%	8.79%	30.20%
Shares-Exchanges Payment- Most Likely	21.41%	6.38%	27.79%
Shares-Exchanges Payment- Optimistic	21.41%	3.56%	24.97%

Based on the news, Bank Mandiri had a plan to give premium of 1.87% of total market capitalization of BTN. By using BTN's share price and number of outstanding shares data on March 31, 2015, the net cost of the acquisition can be calculated using the equation (2). The net cost calculation is illustrated as in the following:

$$\begin{aligned} \text{Net Cost} &= 1.87\% \times \text{Rp}1,233.89 \times 10,568,000,000 \\ &= \text{Rp} 243,843,316,024.00 \end{aligned}$$

That net cost of the acquisition of Rp 243,843,316,024.00 can be translated into 0.102: 1 shares-exchanges ratio, meaning that Bank Mandiri should issue 431,466,697 new shares in order to be exchanged by 4,227,200,000 shares of BTN.

Refer to the equation (1), the NPV can be calculated by subtracting the net cost of the acquisition from synergy. The net advantage of acquisition would exist if the value of synergy is higher than the net cost of the acquisition and vice versa. As long as there is no negative net advantage of acquisition or NPV, the acquisition can be still considered as feasible for the acquirer.

TABLE IV: The Value of Synergy, Net Cost, and Net Advantage of the Acquisition

Scenarios	Synergy Value from Cash Payment (1)	Net Cost (2)	Net Advantage of the Acquisition (3) = (1) – (2)
Pessimistic	Rp 5,509,169,421,870.26	Rp 243,843,316,024.00	Rp 5,265,326,105,846.26
Most Likely	Rp 5,851,429,828,708.98	Rp 243,843,316,024.00	Rp 5,607,586,512,684.98
Optimistic	Rp 6,295,664,540,559.33	Rp 243,843,316,024.00	Rp 6,051,821,224,535.33
Scenarios	Synergy Value from Cash Payment (1)	Net Cost (2)	Net Advantage of the Acquisition (3) = (1) – (2)
Pessimistic	Rp 4,197,543,745,230.10	Rp 243,843,316,024.00	Rp 3,953,700,429,206.10
Most Likely	Rp 4,418,538,037,005.69	Rp 243,843,316,024.00	Rp 4,174,694,720,981.69
Optimistic	Rp 4,701,733,069,028.47	Rp 243,843,316,024.00	Rp 4,457,889,753,004.47

As shown in Table IV, there are positive net advantage of the acquisition from all the scenarios of both cash and share-exchanges payment. Therefore, the acquisition plan can be considered as feasible since the value of synergy is greater than the cost of the acquisition. However, if BTN know that the acquisition may generate such a big value for Bank Mandiri, it may possibly ask Mandiri for a higher acquisition premium. Owing to that fact, it is important for Bank Mandiri as the acquiring company to know the maximum price should be given to BTN. For an acquiring company, the acquisition will not generate negative value as long as the net cost of the acquisition equal or lower than the synergy. By having this scheme, author found out that the maximum price may be paid to BTN in most likely scenarios of cash payment is Rp 11,067,329,636,709.00 or Rp 2,618.12 per shares, which is implying net cost Rp5,851,429,828,708.98 or 112.18% premium over BTN's current shares price. As for the acquired firm, BTN, it will not obtain negative value as long as Bank Mandiri does not pay it under its value. Hence, the minimum price that should be obtained by the acquired firm is Rp5,215,899,808,000.00 or Rp 1,233.89, which is implying no additional premium paid by Mandiri. In brief, the possible price of the acquisition using cash payment in most likely scenario is within the range of Rp 1,233.89 until Rp 2,618.12 per shares.

In the shares-exchange acquisition, the maximum new shares that may be issued by Mandiri for the most likely scenario is 747,556,584 which is implying 0.183:1 exchange ratio and premium of Rp 4,418,538,037,005.69 (Rp 2,279.153 per shares) or 84.71% over BTN's current shares price. As for the minimum number of new shares that should be obtained by the acquired firm in exchange of its stock is 404,712,792, which is implying 0.097:1 exchange ratio and no additional premium. Therefore, it can be concluded that the possible share-exchange ratio of the acquisition for the most likely scenario is within the range of 0.097:1 until 0.183:1.

4.3 Appropriate Acquisition Method

From the previous calculation, it can be stated that the acquisition plan of BTN by Bank Mandiri is feasible either using cash or shares-exchange acquisition payment method. However, the synergy value generated in shares-exchange acquisition method will be always lower than the cash acquisition due to its higher discount rate. That condition occurs since there is different risk exposure between cash and shares-exchanges acquisition payment. The payment method using stocks will draw Mandiri to a higher required return as it has to deal with market required return and systematic risk, whereas the cash payment does not involve so. This condition makes

the net advantage from the cash acquisition will always higher than the one from share-exchange acquisition. However it should be noted that the condition occurs with two assumptions: there is the same net cost of the acquisition and the stocks of both companies have a fair value. Therefore, if those condition are met, the cash acquisition will be more beneficial for the company as it can generate higher value. The decision tree of acquisition method for the most likely scenario is given in the following Fig 1.

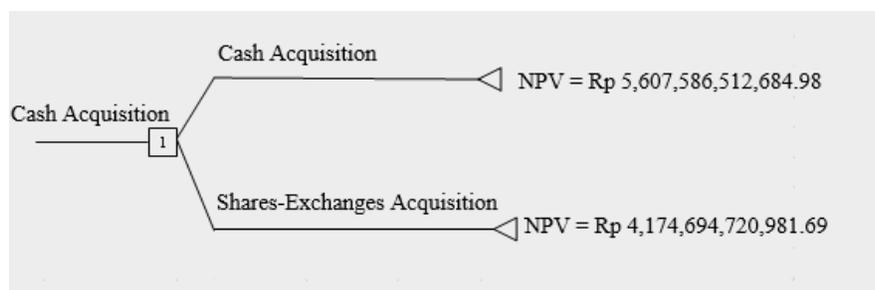


Fig. 1: The Decision Tree of Acquisition Method in Most Likely Scenario

However, in some scenarios, it is possible that the alternatives price offered in the cash acquisition may not reflects the same net cost of the shares-exchanges acquisition like in the previous calculation. The price offered in cash offer may or may not imply higher cost than the shares-exchange ratio, which eventually does not always make cash acquisition as a more beneficial method than the share-exchange method. In facing that condition, an acquirer should do further analysis and calculation, and develop a decision tree to determine which method can generate higher NPV.

In other scenarios, Bank Mandiri is possibly faced a condition in which it has to choose between paying the acquisition whether using cash or share-exchange payment that reflects the same net advantage of the acquisition or NPV. In such condition, it seems that both of the payment method is indifferent. However, an acquirer can look carefully on the fair value of both companies' stocks as consideration. It will prefer to conduct the acquisition with share-exchange if its stock is overvalued because it can issues less shares than it should be. On the other hand, the acquiring company will prefer to use cash when its shares are undervalued. In contrast if the acquired company's stocks is undervalued, it is better for company to use stock-offer method and use cash offer method if the acquired company stocks is overvalued.

4.4 Impact of the Synergy

By developing pro forma income statement of Bank Mandiri using simple method, the positive impact of the synergy to Bank Mandiri's future net income can be presented in the following table.

TABLE V: Net Income Changes from Synergy

No.	Account	Pro Forma Income of Bank Mandiri After Acquisition without Synergy	Pro Forma Income of Bank Mandiri After Acquisition with Synergy	Changes in Net Income from Synergy	Percentage Changes with or without Synergy
1.	Net Income in 2015	Rp 25,014,053,851,982.80	Rp 26,094,053,851,982.80	Rp 1,080,000,000,000.00	4.32%
2.	Net Income in 2016	Rp 29,653,928,680,272.60	Rp 31,402,312,057,372.50	Rp 1,748,383,377,099.95	5.90%
3.	Net Income in 2017	Rp 35,155,815,511,378.20	Rp 37,064,422,865,981.80	Rp 1,908,607,354,603.55	5.43%
4.	Net Income in 2018	Rp 41,680,045,259,027.20	Rp 43,787,285,270,713.50	Rp 2,107,240,011,686.34	5.06%
5.	Net Income in 2019	Rp 49,416,794,477,845.40	Rp 51,770,283,103,968.20	Rp 2,353,488,626,122.82	4.76%

Based on Table V, it can be seen that the synergy can possibly increase the post-acquisition net income of Bank Mandiri without synergy for about 5.09% on the average. The synergy will also affect Bank Mandiri EPS after the acquisition, which is presented in Table V and VI for cash and shares-exchanges acquisition

respectively. The cash acquisition will use 23,333,333,333 as the number of shares. As for shares-exchange acquisition, the total number of shares used is 23,764,800,030.34, which consists of additional 431,466,697 new shares to be issued for BTN.

TABLE VI: Changes in EPS of Cash Acquisition

Category	EPS 2015	EPS 2016	EPS 2017	EPS 2018	EPS 2019
EPS of no acquisition	Rp 1,050.34	Rp 1,246.28	Rp 1,478.77	Rp 1,754.64	Rp 2,081.97
EPS without Synergy	Rp 1,072.03	Rp 1,270.88	Rp 1,506.68	Rp 1,786.29	Rp 2,117.86
EPS with Synergy	Rp 1,118.32	Rp 1,345.81	Rp 1,588.48	Rp 1,876.60	Rp 2,218.73
Change in EPS with and without synergy	Rp 46.29	Rp 74.93	Rp 81.80	Rp 90.31	Rp 100.86
Percentage changes with and without synergy	4.3%	5.9%	5.4%	5.1%	4.8%

TABLE VII: Changes in EPS of Shares-Exchange Acquisition

Category	EPS 2015	EPS 2016	EPS 2017	EPS 2018	EPS 2019
EPS of no acquisition	Rp 1,050.34	Rp 1,246.28	Rp 1,478.77	Rp 1,754.64	Rp 2,081.97
EPS without synergy	Rp 1,052.57	Rp 1,247.81	Rp 1,479.32	Rp 1,753.86	Rp 2,079.41
EPS with synergy	Rp 1,098.01	Rp 1,321.38	Rp 1,559.64	Rp 1,842.53	Rp 2,178.44
Change in EPS with and without synergy	Rp 45.45	Rp 73.57	Rp 80.31	Rp 88.67	Rp 99.03
Percentage Changes with and without synergy	4.3%	5.9%	5.4%	5.1%	4.8%

Based on Table VI and VII, it can be clearly seen that EPS after the acquisition are higher than the EPS without acquisition. In addition, the synergy can increase the earning per share of Bank Mandiri either using cash acquisition or shares-exchanges acquisition for about 5.1% percent on the average from the EPS post acquisition without synergy. As for the EPS of shares-exchanges acquisition, they are always 1.82% lower than the cash method since there is additional number of new shares to be issued by Bank Mandiri.

5. Conclusions and Recommendation

5.1 Conclusions

Based on the research that has been conducted, author concluded that there is synergy created from the acquisition plan of PT Bank Tabungan Negara by PT Bank Mandri, which is mainly from Bank Mandiri's e-channel usage by BTN and also one million houses program from year 2015 until 2019. The value of synergy generated by cash method is higher than the shares-exchanges acquisition because there is different risk exposure between cash and shares-exchanges acquisition payment. Based on the analysis, author obtained the net advantage of the cash and shares-exchanges acquisition of Rp 5,607,586,512,684.98 and Rp 4,174,694,720,981.69 respectively for the most likely scenario. In addition to help acquirer for making decision, author also calculated the possible price range of the acquisition in most likely scenario. For the cash payment, the possible price is within the range of Rp 1,233.89 until Rp 2,618.12 per shares. As for the shares-exchanges acquisition, the possible price is within the range of 0.097:1 until 0.183:1.

Refer to the value of net advantage of the acquisition, the cash payment value is higher than the shares-exchanges acquisition. Hence, the cash acquisition is more appropriate by assuming two conditions: there is the same net cost of the acquisition and the stocks of both companies have a fair value. However, in some scenarios, it is possible that the alternatives price offered in the cash acquisition may not reflects the same net cost of the shares-exchanges acquisition like in the previous calculation. The price offered in cash offer may or may not imply higher cost than the shares-exchange ratio, which eventually does not always make cash acquisition as a more beneficial method than the share-exchange method.

Furthermore, the synergy will positively affect the net income and EPS of Bank Mandiri after the acquisition. The synergy can possibly increase the post-acquisition net income of Bank Mandiri without synergy

for about 5.09% on the average. In addition, it can also increase the earning per share of Bank Mandiri either using cash acquisition or shares-exchanges acquisition for about 5.1% percent on the average from the EPS post acquisition without synergy.

5.2 Recommendations

Based on conclusion, there are several recommendation the author has made:

- One of the crucial factor that will affect the net advantage of the acquisition is the cost of the acquisition. Therefore, the acquirer should pick the right timing, which is when the target's shares price is low in order to unfold more benefits for the company. In addition, the premium paid for the target is also have to be considered thoroughly. Acquirer should not pay the premium above the synergy value in order not to have negative value from the acquisition.
- If an acquirer is planning to pay the acquisition using shares-exchanges acquisition, it must do a deep analysis on the fair value of its stocks as well as the target company's in order to avoid any miscalculation of the true net advantage of the acquisition.
- Estimating the synergy of the acquisition is a difficult task, but also a very crucial to factor that may affect the successfulness of the acquisition activity. Therefore, an acquirer should pay attention in recruiting consultant or analyst who will conduct the feasibility study of the acquisition because the true value of the acquisition plan depends on how accurate and careful they measure the synergistic effects of the acquisition.

As for further research, the author suggest to also consider other aspect of the acquisition plan, such as management system of the bank, company culture, human capital, and business performance as a whole.

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