

ABSTRACT

This study aims to examine the influence of value-based metrics on market reaction surrounding merger and acquisition announcements. In this study, value-based metrics variables used were economic value-added, market value-added, and cash value-added. Market reaction as the dependent variable was proxied by cumulative abnormal return surrounding merger and acquisition corporate action announcement. Merger and acquisition date Information were collected from KPPU's (Komisi Pengawas Persaingan Usaha) Merger and Acquisition Announcement web page.

The final samples of this study are 44 acquirers and bidder companies listed on Indonesia Stock Exchange and announced mergers and acquisitions from 2013 to 2019. Data was collected using nonprobability sampling with purposive sampling technique. Analysis was conducted with multilinear regression analysis using IBM SPSS 26 software.

The analysis result shows that value-based metrics tested which was proxied by market value added and cash value added each of which has a positive significant effect on the market reaction with cumulative abnormal return as a proxy. Economic value added has a insignificant effect on the market reaction with cumulative abnormal return as a proxy. The R-Squared value shows that all the independent variables tested which are economic value added, market value added, cash value added, return on assets, and return on equity explained 31,7% of the variation of market reaction surrounding merger and acquisition announcement.

Keywords: value-based metrics, economic value added, market value added, cash value added, market reaction, merger and acquisition

