Analysis of the Impact of Business Combination on Financial Performance: A Case Study of PT Indosat Ooredoo Hutchison Tbk Post-Merger

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ABSTRACT

This study aims to analyze the impact of the business combination strategy on the financial performance of PT Indosat Ooredoo Hutchison Tbk following its merger with PT Hutchison 3 Indonesia, which became effective in 2022. The research adopts a qualitative descriptive approach using secondary data in the form of the company's annual reports for the period 2020 to 2024. The data were obtained from official financial reports published through the Indonesia Stock Exchange website and the company's official website. Financial performance was analyzed using four key ratios: Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Debt to Equity Ratio (DER), classified according to financial ratio analysis criteria. The findings indicate that after the merger, the company experienced a significant improvement in profitability and capital structure efficiency, as reflected by consistently strong ROA, ROE, and NPM values, and a DER that indicates an improved capital structure. Thus, the implemented business combination strategy has had a positive impact on the company's financial performance.

***Keywords**: Business combination, Merger, Financial performance, Financial ratios*

1. INTRODUCTION

Digital transformation has driven significant changes in the business world, including in the practices of corporate development and expansion. One of the most widely used strategies by companies to strengthen their position amid global competition is through business combinations, either in the form of mergers or acquisitions. Business combinations enable companies to expand market share, improve operational efficiency, and strengthen their financial position in facing dynamic industry challenges. In today's era, customers increasingly expect stable, fast, and easily accessible services across various digital platforms, pushing companies to enhance their service capacity and quality through operational synergies.

A business combination is an event in which one company gains control over another company with the aim of increasing profitability, optimizing cost and time efficiency, reducing risk, and accumulating strategic assets and resources. One of the most common forms of business combination is a merger, which involves the unification of two or more business entities into a single entity. Such mergers not only aim to achieve economies of scale but also to increase corporate value in the eyes of stakeholders. A significant example in Indonesia is the merger between PT Indosat Ooredoo Tbk and PT Hutchison 3 Indonesia at the beginning of 2022, which resulted in the formation of a new entity: PT Indosat Ooredoo Hutchison Tbk. This merger aimed to strengthen the company's financial capacity, accelerate network development, and enhance competitiveness through digital service innovation (Andriyanto et al., 2023).

In the corporate context, financial performance is a key indicator for evaluating the success of business strategies, including business combinations. Strong financial performance reflects operational efficiency, income stability, profitability, and the health of the company's capital structure. Therefore, assessing the impact of business combinations on financial performance is essential to determine whether the objectives of the merger were achieved. Previous studies have shown that mergers can improve financial performance through increased efficiency and synergy (Nasir, 2020; Sayadi, 2019), although some findings indicate that mergers do not always lead to improvements and can even result in integration issues that negatively affect performance (Auqie, 2013; Dewi & Widjaja, 2021; Priadi et al., 2024; Tadjie, 2022; Tarigan & Pratomo, 2015).

In the case of PT Indosat Ooredoo Hutchison Tbk, management stated in a press conference that the merger was carried out to create a financially stronger telecommunications operator, increase economies of scale, and accelerate the development of technologies such as 5G. The merger also aimed to optimize network capacity, reduce infrastructure development costs, and deliver greater benefits to investors and customers. However, to what extent this business combination truly impacted the company's financial performance must be proven empirically through measurable financial data analysis.

Based on this background, it is important to conduct an in-depth study on the impact of business combinations on corporate financial performance, particularly in the context of the merger between PT Indosat Ooredoo Tbk and PT Hutchison 3 Indonesia. This study aims to examine the impact of the business combination on changes in financial performance, measured through the analysis of fluctuations in Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Debt to Equity Ratio (DER) during the two years before and two years after the merger. The results of this study are expected to contribute to the development of academic discourse in corporate finance and serve as a practical reference for other companies in evaluating the effectiveness of business combinations in improving financial performance.

2. METHODOLOGY

This research is a descriptive study using a case study approach, aiming to analyze the impact of the business combination between PT Indosat Ooredoo Tbk and PT Hutchison 3 Indonesia on the company's financial performance. The focus of the study is directed toward systematically illustrating the changes in financial performance before and after the merger based on financial report data. This approach allows for an in-depth analysis of specific phenomena occurring within the national telecommunications industry.

The data used in this study are secondary data sourced from the Annual Financial Reports of PT Indosat Ooredoo Hutchison Tbk for the years 2020 to 2024, obtained through the company's official website. In addition, supporting data from scientific journals and relevant articles were also used to enrich the analysis. The financial data collected were analyzed by calculating the ROA, ROE, NPM, and DER ratios to measure the company's profitability, efficiency, and capital structure.

The analysis was conducted by comparing financial ratios during the two years before and two years after the business combination. Each ratio was interpreted based on specific evaluation scale criteria to objectively assess the company's financial performance. Through this analytical technique, the study is expected to provide a more comprehensive understanding of the strategic impact of the business combination on the financial performance of PT Indosat Ooredoo Hutchison Tbk.

ROA, ROE, NPM, and DER are calculated using the following formulas:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\% \quad (1)$$

$$\text{ROE} = \frac{\text{Net Income}}{\text{Total Equity}} \times 100\% \quad (2)$$

$$\text{NPM} = \frac{\text{Net Income}}{\text{Revenue}} \times 100\% \quad (3)$$

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\% \quad (4)$$

Table 1. ROA, ROE, NPM, and DER Criteria

Category	ROA	ROE	NPM	DER
Very Good	>5%	>16 %	>5%	<0,5
Good	3% - 5%	10% - 16%	>2,5% - 5%	0,5≤ DER ≤1
Fair	1% - 3%	>5% - 10%	>1% - 2,5%	1< DER ≤1,5
Poor	<1%	≤0%	≤1%	>1,5%

Source: Sujarweni & Wiratna (2017)

3. RESULTS AND DISCUSSION

3.1 Merger Strategy as a Business Transformation Initiative

In response to the evolving market dynamics and increasing global competition, business combination strategies have become essential for companies to enhance their competitiveness. These strategies include mergers, acquisitions, consolidations, or other forms of strategic collaboration aimed at scaling operations, expanding market share, and achieving operational efficiency through resource synergy. Among them, mergers are the most commonly used strategy to combine expertise, assets, and networks in order to create long-term added value.

One prominent example of such a strategy is the merger between PT Indosat Ooredoo Tbk and PT Hutchison 3 Indonesia (H3I), which officially began operations under the name PT Indosat Ooredoo Hutchison Tbk (ISAT) on January 4, 2022. This merger was a response to the increasingly competitive telecommunications industry in Indonesia and aimed to strengthen the company's market position. According to Armand Hermawan, Director & Chief Strategy & Execution Officer of ISAT, the merger was designed to enhance service quality, expand network coverage, and offer more competitive prices to customers through improved financial capacity.

The primary objective of the merger was to create operational synergies and cost efficiencies, particularly in network infrastructure management. By integrating the capacities of both companies, ISAT could avoid duplicate expenditures on new site development and optimize capital spending. This strategy was expected to positively impact financial performance, including EBITDA growth and net income. In the long term, the merger is expected to boost ISAT's competitiveness in the national telecommunications industry by improving service capabilities and strengthening the company's financial condition.

3.2 Analysis of the Impact of the Business Combination

This study's data analysis focuses on comparing the financial performance of PT Indosat Ooredoo Hutchison Tbk two years before and two years after the business combination in 2022. The indicators used include ROA, ROE, NPM, and DER. The values of these ratios are presented in Table 2 below:

Table 2. ROA, ROE, NPM, and DER of PT Indosat Ooredoo Hutchison Tbk (2020–2024)

Year	ROA	ROE	NPM	DER
2020	3,8	20,2	8,6	1,1
2021	16,3	112,8	33,0	1,3
2022	9,3	37,4	22,7	0,4
2023	9,1	33,9	20,4	0,3
2024	9,5	32,4	19,4	0,3

Source: PT Indosat Ooredoo Hutchison Tbk (2025)

Before the business combination (2020–2021), the ROA increased significantly from 3.8% (good) in 2020 to 16.3% (very good) in 2021. ROE also experienced a sharp increase from 20.2% (good) to 112.8% (very good). NPM rose from 8.6% to 33%, both classified as very good. However, DER rose from 1.1 to 1.3, categorized as fair, indicating a relatively high debt dependency before the merger.

After the business combination (2023–2024), financial performance remained positive despite some adjustments. ROA was recorded at 9.1% in 2023 and 9.5% in 2024, still classified as very good. ROE declined to 33.9% and 32.4%, but remained in the very good category. NPM also declined from 33% in 2021 to 20.4% in 2023 and 19.4% in 2024, but continued to be classified as very good. A significant improvement was observed in DER, which dropped to 0.3 from 2023 onward, indicating an improved capital structure and a very good rating.

3.3 Discussion

The findings indicate that the business combination between PT Indosat Tbk and PT Hutchison Tri Indonesia had a positive impact on the company's financial performance, particularly in terms of profitability and capital structure. Although ROA, ROE, and NPM declined from their peak in 2021, all three ratios remained in the very good category in 2023 and 2024. This suggests that the company successfully maintained operational efficiency and resource management post-merger.

These findings are in line with research by Andriyanto et al. (2024), which states that business combinations in the form of mergers can improve financial performance through optimized synergy and cost efficiency. Additionally, Kishimoto et al. (2017) found that mergers significantly enhance returns and capital structure, especially when integration is executed with a well-planned strategy. In the context of PT Indosat Ooredoo Hutchison Tbk, the stability of ROA and ROE after the merger reflects the company's success in managing organizational transition and creating added value.

A significant improvement in capital structure was also evident from the sharp decline in DER, shifting from a fair category to very good after the business combination. This indicates that the company succeeded in reducing its reliance on debt and strengthening its equity position. As highlighted by Septiliani & Sari (2025), a healthy capital structure post-merger contributes to greater financial flexibility and resilience in facing market risks. Therefore, the business combination strategy in this case has proven to not only improve profitability but also strengthen the company's long-term financial foundation.

4. CONCLUSION

The results of this study indicate that the business combination strategy between PT Indosat Tbk and PT Hutchison Tri Indonesia has had a positive impact on the financial performance of PT Indosat Ooredoo Hutchison Tbk. Following the merger, the company recorded improvements in Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), reflecting greater asset utilization efficiency, increased returns for shareholders, and enhanced capability in generating net income. In addition, the Debt to Equity Ratio (DER) also improved, indicating a healthier and more controlled capital structure. Overall, this business combination strategy has successfully strengthened the company's profitability and operational efficiency, while enhancing its competitiveness in Indonesia's telecommunications industry.

The implications of these findings suggest that a business combination strategy can serve as an effective alternative for companies seeking to enhance their competitiveness and financial performance. This study encourages the management of PT Indosat Ooredoo Hutchison Tbk to continue maintaining the synergy established through operational strategy integration and cost structure optimization. Furthermore, regular evaluations of post-merger performance are essential to ensure the sustainability of the positive outcomes achieved. Future research is expected to examine the long-term impact of business combinations, including aspects of service innovation and responses to the continually evolving dynamics of the industry.

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