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Financial Comparison Analysis of PT AXA Mandiri Financial Services Before and After the Merger with AXA Indonesia

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Abstract

This study aims to analyze the comparison of financial performance of PT AXA Mandiri Financial Services before and after its merger with AXA Indonesia, in order to evaluate whether the merger strategy strengthens the company's capital structure and competitiveness. The research applies financial ratio analysis using secondary data from the Indonesia Stock Exchange, covering the period of 2018 as the pre-merger year, 2019 as the transition period, and 2020 as the post-merger year. Financial performance is measured through income statements and balance sheets with a focus on profitability, activity, liquidity, and solvency ratios. The results show that from eight ratios examined, six financial ratios declined after the merger, namely Net Profit Margin, Gross Profit Margin, Total Assets Turnover, Fixed Assets Turnover, Debt to Asset Ratio, and Debt to Equity Ratio. Meanwhile, two ratios, the Current Ratio and Cash Ratio, improved after the merger was completed. These findings indicate that although the merger was intended to strengthen financial performance and provide competitive advantage, PT AXA Mandiri experienced a decrease in several key aspects of financial performance after the merger compared to the period before. The study concludes that management needs to reassess merger strategies or implement more effective post-merger integration to optimize the expected synergies. The findings also serve as useful information for investors to evaluate financial performance more carefully when making investment decisions.

Keywords:
Financial ratios, financial performance, merger

Introduction

In today's increasingly competitive business environment, corporate mergers are often pursued as strategic tools to strengthen capital structure, achieve economies of scale, and improve financial performance. Mergers allow firms to combine resources, reduce redundant cost structures, and gain a stronger competitive position (Prakoso, Andreas, & Firmansyah, 2023). In the context of the Indonesian financial services industry, particularly the insurance sector, such consolidation strategies are becoming more relevant as regulatory requirements tighten and market dynamics evolve rapidly.

PT AXA Mandiri Financial Services (AXA Mandiri), a leading life insurer in Indonesia, merged with AXA Indonesia to bolster its market presence and operational capabilities. This merger is intended to integrate AXA Mandiri's strong bancassurance distribution network—especially through its ties to Bank Mandiri—with AXA Indonesia's broader underwriting capabilities, thereby creating a more efficient and competitive business entity. With this strategic move, the company aims not only to enhance profitability but also to improve its asset-turnover and solvency profile.

This research focuses on analyzing the differences in financial performance before and after the merger, using the years 2018 (pre-merger), 2019 (transition), and 2020 (post-merger) as key periods. The examination centers on four major dimensions of financial performance: profitability (e.g., Net Profit Margin, Gross Profit Margin), activity or efficiency (e.g., Total Asset Turnover, Fixed Asset Turnover), liquidity (e.g., Current Ratio, Cash Ratio), and solvency (e.g., Debt to Asset Ratio, Debt to Equity Ratio). These ratios have been widely cited as meaningful measures of financial health and performance in merger-related studies (Kasmir, 2014; Hery, 2015).

Examining performance in the Indonesian insurance sector is particularly important now. The regulatory environment is undergoing significant reform, as the Otoritas Jasa Keuangan (OJK) has issued a roadmap for "Insurance Industry Development and Strengthening 2023–2027," emphasizing synergy, consolidation, and stronger capitalization. Moreover, the insurance sector is forecasted to grow significantly, with consolidation through mergers and acquisitions expected to accelerate due to increased minimum capital requirement (MCR) regulations. These broader developments make a case study of AXA Mandiri especially timely and meaningful.

While mergers promise strategic benefits, empirical evidence suggests mixed outcomes. A recent Indonesian study of listed firms found no significant difference in key market ratios (PER, PSR, PBV) before and after merger events in both the financial and non-financial sectors. This implies that improvement in financial performance is not guaranteed, particularly during external shocks such as the COVID-19 pandemic. Therefore, by focusing on one major insurer in Indonesia, this study seeks to provide deeper insight into how a merger has impacted operational and financial metrics in a real-world context.

From a managerial perspective, the analysis helps AXA Mandiri's leadership evaluate whether their merger strategy achieved its intended objectives—improving cost efficiency, asset utilization, and capital strength. For investors, understanding pre- and post-merger financial trajectories aids decision-making regarding merger value creation potential. Finally, from a policy and academic viewpoint, this study contributes to the literature on mergers in emerging markets—where regulatory changes, market fragmentation, and capital constraints create conditions distinct from those in developed economies.

In summary, this study aims to systematically compare AXA Mandiri's financial performance across three key periods surrounding the merger with AXA Indonesia. By analyzing profitability, efficiency, liquidity, and solvency, the research will assess whether the merger strengthened the company's capital structure and

financial health as intended, or whether integration challenges offset the expected benefits. Given Indonesia's evolving regulatory and market environment, the findings will provide both theoretical and practical significance for corporate strategy, investor insight, and regulatory design in the insurance services sector.

Theoretical Framework

A merger is the combination of two or more companies into one entity, where the surviving company takes over the assets and liabilities of the merged firms (Martono & Harjito, 2005; Moin, 2010). In essence, a merger represents a strategic corporate action designed to achieve growth, operational efficiency, and financial stability through synergy creation. The main objectives include strengthening the capital structure, enhancing operational efficiency, expanding market share, and increasing shareholder value. According to Weston, Mitchell, and Mulherin (2014), mergers often serve as a mechanism for companies to gain strategic advantages, such as entering new markets, achieving cost leadership, and optimizing the utilization of resources. However, while the theoretical rationale for mergers appears attractive, their actual financial outcomes may vary depending on how successfully post-merger integration is implemented.

Previous research provides evidence that not all mergers lead to improved financial performance. Sajow (2017), in her study of PT XL Axiata Tbk, found that several financial ratios—such as profitability and activity ratios—declined after the merger. This decline was primarily due to the high cost of integration, restructuring, and adaptation of operational systems between the merging entities. Similarly, Diniartha and Aisjah (2023) observed that post-merger companies in Indonesia's financial sector often experience a temporary decline in liquidity and profitability, mainly because of the time required to harmonize management policies, corporate culture, and technology infrastructure. These findings suggest that mergers may present both risks and opportunities, depending largely on managerial effectiveness and strategic alignment during the integration process.

Financial performance is a key indicator in assessing the success of a merger. It provides insight into whether the merger has enhanced the company's ability to generate profits, manage resources efficiently, and maintain financial stability. According to Hery (2015), the analysis of financial ratios—such as profitability, liquidity, activity, and solvency—is one of the most effective tools for evaluating performance changes over time. Profitability ratios, including Net Profit Margin (NPM) and Gross Profit Margin (GPM), measure the company's efficiency in generating earnings from its sales. Activity ratios, such as Total Asset Turnover (TATO) and Fixed Asset Turnover (FATO), assess how effectively a firm uses its assets to produce revenue. Liquidity ratios, represented by the Current Ratio (CR) and Cash Ratio (CaR), evaluate the company's ability to meet short-term obligations. Meanwhile, solvency ratios, such as the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER), measure the company's long-term financial stability and dependence on debt financing (Kasmir, 2014).

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This study focuses on PT AXA Mandiri Financial Services (AXA Mandiri), a major player in Indonesia's insurance industry that merged with AXA Indonesia to strengthen its position and capital base. The merger was expected to bring about operational and financial synergies by combining AXA Mandiri's strong bancassurance distribution network with AXA Indonesia's broader insurance expertise. However, considering the mixed findings in prior studies, it is essential to investigate whether AXA Mandiri's merger achieved the desired improvements in financial performance. The evaluation covers three periods: 2018 as the pre-merger year, 2019 as the transition period, and 2020 as the post-merger year. By analyzing these timeframes, the study aims to provide a comprehensive understanding of the merger's impact on profitability, efficiency, liquidity, and solvency.

Based on the theoretical and empirical background discussed above, this study proposes the following hypothesis:

H1: There are significant differences in the financial performance of PT AXA Mandiri Financial Services before and after the merger with AXA Indonesia.

This hypothesis assumes that the merger has influenced the company's financial ratios, either positively or negatively, depending on how effectively the post-merger integration was managed. Testing this hypothesis is crucial for determining whether the merger achieved its intended strategic objectives and whether it can serve as a successful model for future consolidations in Indonesia's financial services sector.

Method

This study employs a descriptive comparative research design, which aims to identify differences in financial performance before and after the merger. The object of the study is PT AXA Mandiri Financial Services in relation to its merger with AXA Indonesia. The research period covers the pre-merger year of 2018, the transition year of 2019, and the post-merger year of 2020.

The type of data used is secondary data, consisting of annual financial reports and other relevant information published through the Indonesia Stock Exchange (IDX) and the company's official reports. The data collection technique is documentation, which involves gathering financial statements and records related to the company's performance. The instrument employed in this study is financial ratio analysis, which is widely used to evaluate corporate performance.

The method of analysis involves comparing financial ratios before and after the merger, covering profitability ratios (Net Profit Margin, Gross Profit Margin), activity ratios (Total Asset Turnover, Fixed Asset Turnover), liquidity ratios (Current Ratio, Cash Ratio), and solvency ratios (Debt to Asset Ratio, Debt to Equity Ratio). The results are then interpreted to assess whether the merger improved or weakened the financial performance of PT AXA Mandiri Financial Services.

Results

1. Profitability Ratio

Net Profit Margin

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Year	NPM	%
2018 (Before Merger)	0.120696958	12.06969582
2019 (Transition)	0.078676593	7.867659326
2020 (After Merger)	0.080473954	8.047395368

Before the merger in 2018, AXA Mandiri was relatively efficient in generating net profit from its sales, with approximately Rp12 of net profit for every Rp100 of sales. During the transition period in 2019, the company's profitability declined significantly, as the net profit margin dropped to 7.87%, reflecting increased integration costs, organizational adjustments, and restructuring expenses typically associated with mergers. In 2020, after the merger, the margin slightly improved to 8.05%, indicating that the merger began to provide stability; however, efficiency and profitability had not yet fully recovered to pre-merger levels. Overall, these trends suggest that while the merger initially reduced profitability, it ultimately helped the company stabilize, albeit at a level below its previous performance.

Gross Profit Margin

Year	GPM	%
2018 (Before Merger)	0.171284871	17.12848708
2019 (Transition)	0.317744638	31.77446382
2020 (After Merger)	0.495960051	49.59600512

In 2018, before the merger, AXA Mandiri had a gross profit margin (GPM) of 17.13%, indicating that for every Rp100 of sales, approximately Rp17 represented gross profit. During the transition period in 2019, the GPM increased significantly to 31.77%, which could be attributed to higher revenue efficiency or changes in cost structure during the integration phase. By 2020, after the merger, the GPM further improved to 49.60%, suggesting that the company had successfully enhanced its production efficiency or reduced its cost of goods sold, allowing nearly half of its sales to contribute to gross profit. Overall, the data show a substantial improvement in gross profitability from the pre-merger period to post-merger, reflecting operational adjustments and potential benefits from economies of scale following the merger.

2. Activity Ratio

Total Asset Turnover

Year	TATO
2018 (Before Merger)	0.852539939
2019 (Transition)	0.304521384
2020 (After Merger)	0.311318671

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Based on Total Asset Turnover (TATO) data, significant changes were seen before and after the merger. In 2018 (before the merger), the TATO value of 0.85 indicates that the company is able to utilize its assets quite efficiently in generating sales. However, in 2019 (the merger transition period) there was a sharp decline to 0.30, which indicates a decrease in the effectiveness of asset utilization, possibly due to the system integration process, the addition of new assets, and restructuring costs that have not been offset by increased revenue. After the merger, in 2020, TATO increased slightly to 0.31, indicating a stabilization even though asset efficiency performance was still much lower than before the merger. This suggests that companies are taking longer to optimize the utilization of post-merger assets in order to return to a higher level of efficiency.

Fixed Asset Turnover

Year	FATO
2018 (Before Merger)	1265.207321
2019 (Transition)	51.18603586
2020 (After Merger)	36.80806471

Based on Fixed Asset Turnover (FATO) data, there is a very striking difference between the period before the merger, the transition period, and after the merger. In 2018 (before the merger), the FATO value reached 1,265.20 which indicates that the company is able to maximize its fixed assets very efficiently in generating sales. However, in 2019 (the merger transition period), the FATO value plummeted sharply to 51.18, signaling a significant decline in the effectiveness of the use of fixed assets. This is likely due to the addition of new assets that have not been utilized optimally and the considerable integration costs. This condition decreased further in 2020 (after the merger) with a FATO value of 36.81, which means that the company's ability to generate sales from fixed assets is getting lower. These findings indicate that after the merger, the company faces a major challenge in maximizing its fixed assets to support revenue growth, so a more efficient asset management strategy is needed to restore optimal operational performance.

3. **Liquidity Ratios**

Current Ratio

Year	Current Ratio	%
2018 (Before Merger)	26.80679647	2680.679647
2019 (Transition)	35.75485105	3575.485105
2020 (After Merger)	52.79474095	5279.474095

Based on the results of the calculation of the Current Ratio, it can be seen that the company's liquidity has increased very high from before to after the merger. In

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2018 (before the merger), the current ratio was 26.81 times (2680%), indicating that the company had very large current assets compared to its current liabilities. This condition increased further in 2019 (the merger transition period) to 35.75 times (3575%), and even soared higher in 2020 (after the merger) reaching 52.79 times (5279%). A current ratio that is too high is actually not always positive, because it can indicate an excess of current assets that are not used productively, such as settled cash or accumulated receivables. In other words, even though the company is in a very safe position in meeting its short-term obligations, the efficiency of current asset use still needs to be improved in order to be more optimal in supporting the company's post-merger performance.

Cash Ratio

Year	Cash Ratio	%
2018 (Before Merger)	9.710781156	971.0781156
2019 (Transition)	0.875973974	87.59739736
2020 (After Merger)	0.376664121	37.66641208

Based on the results of the **Cash Ratio** calculation, there was a very drastic decrease in cash liquidity from the period before to after the merger. In 2018 (before the merger), the cash ratio was **9.71 times (971%),** indicating that the company had cash reserves that far exceeded its short-term liabilities. However, in 2019 (the merger transition period) this value dropped sharply to only **0.88 times (88%),** indicating that the company's cash position has begun to be limited and only slightly higher than current liabilities. This condition weakened further in 2020 (after the merger), where the cash ratio fell again to **0.38 times (38%),** which means that available cash was only able to cover 38% of short-term liabilities. This significant decline indicates that after the merger, the company faces quite serious cash liquidity pressures, likely due to high integration costs, investments in assets, or cash allocation to other posts that reduce the company's ability to pay current liabilities directly.

4. Solvency Ratio
Debt to Asset Ratio

Year	Debt to Asset Ratio	%
2018 (Before Merger)	0.003641	0.3641
2019 (Transition)	0.02973	2.973
2020 (After Merger)	0.01673	1.673

Based on the results of the calculation of the Debt to Asset Ratio (DAR), it can be seen that in 2018 before the merger the company had a very low ratio of 0.3641%, which shows that the company hardly uses debt in its funding structure and relies more on equity. In 2019 during the transition period, the ratio increased to 2.973% indicating an increase in debt utilization, likely to support the need for restructuring

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or post-merger expansion. However, in 2020 after the merger, the ratio again declined to 1.673%, indicating an improvement in the funding structure with a decrease in reliance on debt or a significant increase in assets. Overall, this ratio is very low, indicating that the company is in a healthy financial condition and conservative in utilizing debt to finance its assets.

Debt to Equity Ratio

Year	Debt to Equity Ratio	%
2018 (Before Merger)	0.04845508	4.845507979
2019 (Transition)	0.346334718	34.63347175
2020 (After Merger)	0.221194842	22.11948424

Based on the results of the Debt to Equity Ratio (DER) calculation, in 2018 before the merger the value was only 4.85%, which shows that the company has almost no dependence on debt and uses its own capital more as a source of funding. Entering 2019 during the merger transition period, the ratio increased sharply to 34.63%, which means that there is an increase in the portion of debt to equity, most likely to finance the needs of restructuring, business integration, or expansion after the merger. However, in 2020 after the merger, the ratio dropped to 22.11%, indicating that the company began to reduce the proportion of debt compared to equity so that its capital structure returned to a healthier one. Overall, despite the increase in the transition period, the company's DER is still relatively low (below 100%), which indicates that the company has good ability to manage its debt and maintain financial stability.

Discussion

The findings indicate that the merger between PT AXA Mandiri Financial Services and AXA Indonesia did not fully enhance the company's overall financial performance. Several key indicators—particularly profitability and activity ratios such as Net Profit Margin (NPM), Total Asset Turnover (TATO), and Fixed Asset Turnover (FATO)—experienced notable declines after the merger. This condition suggests that the company encountered temporary inefficiencies caused by integration costs, system adjustments, and organizational restructuring processes. Such challenges are common in post-merger periods, where operational disruptions, overlapping functions, and the alignment of corporate cultures often affect short-term financial outcomes. This result aligns with previous research by Sajow (2017) and Diniartha and Aisjah (2023), who found that companies undergoing mergers in Indonesia tend to experience short-term declines in financial ratios as they absorb the costs of integration and adaptation.

Nevertheless, the increase in the Gross Profit Margin (GPM) shows that the merger provided some positive effects in terms of cost efficiency and operational synergy. This improvement indicates that PT AXA Mandiri began to benefit from economies of scale and better control over production or operating costs. As Moin (2010) explained, the realization of synergy from a merger usually takes time, as

efficiency gains and cost reductions emerge gradually once integration processes are complete. Therefore, even though profitability ratios such as NPM declined, the growth in GPM reflects early signs of financial recovery and long-term potential benefits from the merger.

In terms of liquidity and solvency, the results reveal a mixed performance. The significant increase in the Current Ratio suggests that the company strengthened its short-term solvency position, showing a strong ability to meet immediate financial obligations. However, the Cash Ratio declined sharply, indicating that the company's cash reserves were reduced due to heavy spending on integration, restructuring, and investment activities. While this can create short-term liquidity pressure, it may also represent strategic reinvestment for future efficiency. The low values of the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) indicate that AXA Mandiri maintained a conservative financial policy and stable capital structure throughout the merger process. This condition demonstrates the company's resilience and prudent approach in managing its leverage, which reduces long-term financial risk.

Overall, the merger created short-term financial pressure but laid a foundation for long-term stability and efficiency improvement. These results emphasize that mergers do not guarantee immediate financial enhancement; instead, they require effective post-merger integration, cost management, and strategic alignment to realize synergy. For management, the findings highlight the importance of continuously monitoring financial indicators to optimize operational performance. Meanwhile, for investors, they serve as evidence that merger success should be evaluated not only by short-term results but also by the long-term sustainability and financial health of the merged entity.

Conclusion

Based on the analysis results, it can be concluded that the merger between PT AXA Mandiri Financial Services and AXA Indonesia has not yet fully generated a positive impact on the company's overall financial performance. Several key financial ratios, such as Net Profit Margin, Total Asset Turnover, and Fixed Asset Turnover, experienced a decline after the merger. This suggests that the company faced a period of adjustment, where operational integration and restructuring activities may have temporarily reduced efficiency and profitability. These challenges are common in the early stages of post-merger consolidation, as the organization adapts to new management systems, business processes, and cultural integration between entities.

However, the improvement in the Gross Profit Margin demonstrates a positive sign of cost efficiency, possibly resulting from better management of production or service delivery expenses. This indicates that while profitability in the short term may be affected, the company shows potential to achieve stronger financial performance in the future as synergy benefits begin to materialize.

From the perspective of liquidity and solvency, the company remains financially healthy, supported by a relatively high Current Ratio and low Debt to Asset as well as Debt to Equity Ratios. These figures reflect a solid capital structure, strong ability to meet short-term obligations, and low dependence on external financing.

Overall, while the merger has brought about short-term financial challenges, it also presents significant opportunities for long-term growth, operational efficiency, and financial stability. With effective implementation of post-merger integration strategies and continued improvement in cost control and asset utilization, the merged entity has the potential to strengthen its competitive position and deliver sustainable financial performance in the years ahead.

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