1st International Conference on Management, Business and Economy (ICoMBEc 2025)
Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

IMPACT OF THE ACQUISITION OF PT KALBE FARMA TBK ON PROFITABILITY AND COMPANY VALUE

Amanda Octoviani Miriauw[1*], Apriliyani Sapitri[2]

Pamulang University, Indonesia[1,2]
*amandamiriauw10@gmail.com

Abstract

This study aims to evaluate the impact of the acquisition on profitability and company value after the integration phase is completed. The study was conducted using a descriptive quantitative approach by analyzing the financial data of PT. Kalbe Farma Tbk two years before and two years after the acquisition. Several financial ratios such as liquidity (CR, QR), leverage (DER, DAR), and profitability (ROI, ROE) were used. The method used in this study is a non-causal comparative method because it serves to provide an analytical overview of the status relationship before and after the acquisition. The non-causal comparative method also provides information on the parameters and differences of several variables used in the research object through hypothesis testing. This study was conducted using quantitative descriptive analysis techniques and statistical tests (Paired Sample T-Test) to determine the financial efficiency of the company PT Kalbe Farma Tbk before and after the acquisition based on descriptive analysis methods that vary up or down. The average magnitude of the change ratio experienced by the PT before and after the acquisition. A comparison of pre- and post-acquisition results was conducted to observe changes in performance and assess the effectiveness of the expansion strategy. The research findings revealed that this acquisition had a positive impact on Kalbe Farma's financial performance. The increase in profitability ratios indicates that the collaboration between the two companies has succeeded in increasing efficiency and generating greater profits. Furthermore, the market response seen in the increase in company value indicates that investors view this move as a smart strategy that strengthens Kalbe Farma's position in the domestic pharmaceutical market. However, the initial integration phase still faced several challenges that slightly affected profit stability in the early post-acquisition period.

Keywords: Acquisition, Profitability, Company Value, Financial Performance

Introduction

Amid increasingly fierce business competition, acquisitions have emerged as a crucial strategy for companies to strengthen their market position and expand their operational reach. Acquisitions allow companies to combine resources, technological innovation, and distribution channels to boost efficiency and accelerate growth. This is expected to create beneficial synergies, ultimately impacting profits and increasing company value. In practice, acquisitions aim not only to expand business scale but also to strengthen long-term competitiveness through the combination of assets and expertise (Andrade, Mitchell, & Stafford, 2001).

PT Kalbe Farma Tbk, one of Indonesia's pharmaceutical giants, is known for actively pursuing strategic expansion to strengthen its position in the domestic healthcare sector. One significant step taken was the acquisition of PT Aventis Pharma Indonesia in 2022. Through this corporate action, Kalbe acquired majority control and marketing rights for certain pharmaceutical products in the local market. The core of this acquisition was to strengthen its prescription drug business line and expand its distribution network and product assortment in the country. This decision demonstrates Kalbe's commitment to achieving sustainable growth through collaboration and optimized operational integration. In terms of profitability, acquisitions are anticipated to have a positive impact on the company's ability to generate profits. Benchmarks such as Return on Assets (ROA), Return on Equity (ROE), and net profit margin are often used to assess the effectiveness of acquisition decisions. If post-acquisition integration is smooth, the company can reduce production costs, expand market share, and increase sales volume. However, in reality, the integration process is often faced with challenges such as differences in company culture, restructuring costs, and operational adjustments, which may suppress profits at the start (Rashid, 2017).

On the other hand, a company's value reflects investors' views on future growth prospects and management performance. In the stock market, successful acquisitions are usually reflected in rising share prices or improved valuation ratios. If the market perceives the acquisition as creating synergies and increasing profit potential, investors tend to respond positively. However, if concerns arise about financial burdens or integration risks, the company's value can be depressed. Therefore, assessing the impact of an acquisition is crucial not only in terms of operating profit, but also in how the market responds to the corporate strategy (Brigham & Houston, 2019).

With all of this in mind, a study of the impact of the acquisition of KLBF on profits and company value is crucial. This analysis can provide deeper insight into the extent to which an expansion policy via acquisitions can generate added value for shareholders. Furthermore, the findings of this study are expected to provide practical contributions to other companies in the pharmaceutical industry when formulating sustainable growth strategies and focusing on improving long-term financial performance.

Theoretical Framework

An acquisition is an external growth strategy in which one company takes over ownership or control of another company with the aim of expanding its market, increasing capacity, and improving efficiency. Gaughan (2017) states that acquisitions can create added value if the integration effectively combines assets, workforce, and resources, resulting in profitable synergies. Meanwhile, Brigham and Houston (2019) emphasize that acquisitions are a strategic step to expand business scale, acquire new technology, and improve bargaining position in the market.

In the pharmaceutical industry, acquisitions are often undertaken to expand product portfolios and strengthen distribution channels. PT Kalbe Farma Tbk, for example, acquired PT Aventis Pharma Indonesia as a strategic move to strengthen its prescription drug business and expand its national distribution network. The success of an acquisition can be measured by the extent to which synergies between companies improve operational efficiency and generate sustainable profit growth.

Profitability reflects a company's ability to generate profits from its business activities. According to Kasmir (2020), profitability is one of the primary measures used to assess management's effectiveness in managing assets and capital. Financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) are used to illustrate the extent to which profits are generated from the use of a company's resources. In the context of an acquisition, profitability can indicate the success of the integration of two business entities. If the integration process goes well, the resulting synergies will reduce costs, increase revenue, and ultimately improve profitability ratios. Conversely, if the integration process is ineffective, increased costs and differences in organizational culture can degrade financial performance in the short term (Rashid, 2017). Therefore, profitability is often used as a primary indicator for assessing the effectiveness of an acquisition strategy.

Company value reflects investors' views of a company's performance and future prospects. Brigham and Houston (2019) state that company value is influenced not only by current profits but also by market expectations of long-term growth potential. One commonly used measure is Price to Book Value (PBV), which is the ratio of the stock's market price to the company's book value. If an acquisition is perceived as increasing profitability and strengthening market position, investors typically respond positively, reflected in rising stock prices. However, if an acquisition introduces new risks, such as high integration costs or management uncertainty, company value can decline (Ross et al., 2018). Therefore, the success of an acquisition is measured not only by the company's internal aspects, but also by market perception of its prospects and confidence in management.

Based on these theories, the relationship between the variables in this study can be explained as follows:

1. The Effect of Acquisitions on Profitability
   Strategically conducted acquisitions can improve efficiency and increase revenue, potentially increasing a company's profitability.
2. The Effect of Acquisitions on Company Value

When acquisition results show improved financial performance, investors will give a positive assessment, which will impact the company's value.

3. The Effect of Profitability on Company Value
   High profitability provides a positive signal to the market that a company has good financial prospects, thus attracting investor interest and increasing its share value.

Thus, it can be assumed that acquisitions directly affect company value and indirectly through increased profitability.

Method

This research uses a quantitative approach with a descriptive-comparative method. This approach was chosen because it aims to measure and compare the financial performance of PT Kalbe Farma Tbk before and after the acquisition of PT Aventis Pharma Indonesia. According to Sugiyono (2019), a quantitative approach is used to examine relationships between variables that can be measured numerically and analyzed using statistical methods. Meanwhile, a comparative design allows researchers to observe differences in conditions between two distinct time periods: the pre- and post-acquisition periods.

The population of this study is the annual financial reports of PT Kalbe Farma Tbk published on the Indonesia Stock Exchange (IDX). The study covers the two years before the takeover and the two years after, 2020-2024. This period was chosen to allow researchers to observe changes in financial performance on an ongoing basis and identify trends before and after the acquisition process.

The data used is secondary data, consisting of financial reports, company performance summaries, and official publications from PT Kalbe Farma Tbk. Data sources were obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id), company annual reports, and press releases from Kalbe Farma. The use of secondary data is based on the opinion of Indriantoro and Supomo (2018), who stated that secondary data is relevant for quantitative research because it has a high level of reliability and is easy to verify.

According to Sugiyono (2019), a research variable is anything that has varying values and can be measured either numerically or in attribute form. In the context of this research, the variables used are relevant financial performance indicators to assess the company's condition post-acquisition. These variables include liquidity ratios, leverage, and profitability, each of which has specific measurement indicators as follows:

1. Liquidity ratios describe a company's ability to meet its short-term obligations using its current assets. This ratio indicates the company's readiness to repay its short-term debts to creditors on time. Two indicators used in this study are the Current Ratio (CR) and the Quick Ratio (QR).

a) The Current Ratio (CR) is used to assess the extent to which current assets are able to cover a company's current liabilities. This ratio reflects the margin of safety for short-term creditors.

$$= \frac{Current\ Asset}{Current\ Liabillities}\ x\ 100\%$$

b) The Quick Ratio (QR) measures a company's ability to pay short-term obligations without relying on inventory. This ratio is more conservative than the CR because it only considers the most liquid assets, such as cash and receivables.

$$\text{QR} = \frac{Current\ Asset - Inventory}{Current\ Liabillities}\ x\ 100\%$$

2. The leverage ratio is used to indicate the extent to which a company's assets are financed by debt and equity. This ratio helps assess the level of financial risk a company faces in meeting its long-term obligations. Two measures used are the Debt to Equity Ratio (DER) and the Debt to Asset Ratio (DAR).

a) The Debt to Equity Ratio (DER) shows the ratio of total debt to total equity. The higher the DER, the greater the company's dependence on external funding.

$$\text{DER} = \frac{Total\ Debt}{Total\ Equity}\ x\ 100\%$$

b) The Debt-to-Asset Ratio (DAR) indicates the extent to which a company's assets are financed by liabilities. A high DAR indicates that a large portion of assets is financed by debt, which can increase the company's financial risk.

$$\text{DAR} = \frac{Total\ Debt}{Total\ Asset}\ x\ 100\%$$

3. Profitability ratios are used to assess a company's ability to generate profits from its business activities. These ratios are an important measure of management's effectiveness in utilizing assets and equity to generate profits. The two main ratios used are Return on Investment (ROI) and Return on Equity (ROE).

a) Return on Investment (ROI) describes a company's ability to generate net profit from the total assets used for operations.

$$\text{ROI} = \frac{Earning\ after\ tax}{Total\ Asset}\ x\ 100\%$$

b) Return on Equity (ROE) indicates the extent to which a company is able to generate returns *for* shareholders on their invested capital. This ratio is a key indicator of profitability from an investor's perspective.

$$\text{ROE} = \frac{Earning\ after\ tax}{Sales}\ x\ 100\%$$

Results

1. liquidity ratio

Current Ratio Calculation for 2020-2024

Year	Current Asset	Current Liabilities	Current ratio
2020	13.075.331.880.715	3.176.726.211.674	411,59%
2021	15.712.209.507.638	3.534.656.089.431	444,51%
2022 (akuisisi)	16.710.229.570.163	4.431.038.459.634	377,11%
2023	15.917.724.100.860	3.243.168.544.925	490,80%
2024	17.187.668.427.724	4.185.749.488.069	410,62%

Quick Ratio Calculation for 2020-2024

Year	Current Asset Inventory	Current Liabilities	Quick ratio
2020	9.475.585.949.473	3.176.726.211.674	298,28%
2021	10.624.909.860.102	3.534.656.089.431	300,59%
2022 (akuisisi)	9.682.871.115.073	4.431.038.459.634	218,52%
2023	9.125.744.307.849	3.243.168.544.925	281,38%
2024	10.686.037.224.512	4.185.749.488.069	255,29%

2.Rasio Leverage

DER

Leverage Calculation for 2020-2024

Year	Total Debt	Total Equity	DER
2020	4.288.218.173.294	18.276.082.144.080	23,46%
2021	4.400.757.363.148	21.265.877.793.123	20,67%
2022 (akuisisi)	5.143.984.823.285	22.097.328.202.389	23,27%
2023	3.937.546.172.108	23.120.022.010.215	17,03%
2024	4.839.294.087.709	24.590.433.810.486	19,67%

DAR

Leverage Calculation in 2020-2024

Year	Total Debt	Total asset	DAR
2020	4.288.218.173.294	22.564.300.317.374	19%
2021	4.400.757.363.148	25.666.635.156.271	17,14%

2022 (akuisisi)	5.143.984.823.285	27.241.313.025.674	18,88%
2023	3.937.546.172.108	27.057.568.182.323	14,55%
2024	4.839.294.087.709	29.429.727.898.195	16,44%

3.Rasio Profitabilitas

ROI

Profitability Ratio Calculation for 2020-2024

Year	Earning after tax	Total asset	ROI
2020	2.799.622.515.814	22.564.300.317.374	12,40%
2021	3.232.007.683.281	25.666.635.156.271	12,59%
2022 (akuisisi)	3.450.083.412.291	27.241.313.025.674	12,66%
2023	2.778.404.819.501	27.057.568.182.323	10,26%
2024	3.246.569.754.197	29.429.727.898.195	11,03%

ROE

Profitability Ratio Calculation for 2020-2024

Year	Earning After Tax	Sales	Roe
2020	2.799.622.515.814	23.112.654.991.224	12,11%
2021	3.232.007.683.281	26.261.194.512.313	12,30%
2022 (akuisisi)	3.450.083.412.291	28.933.502.646.719	11,92%
2023	2.778.404.819.501	30.449.134.077.618	9,12%
2024	3.246.569.754.197	32.627.776.108.026	9,95%

Discussion

1. Liquidity Ratio (CR and QR)

The calculation results indicate that PT Kalbe Farma Tbk's liquidity level was very healthy throughout the study period. The company's Current Ratio (CR) reached 444.51% in 2021, then decreased to 377.11% in 2022, during the acquisition of PT Aventis Pharma Indonesia. This decrease indicates that in the initial integration phase, there was an increase in current liabilities that was not offset by a commensurate increase in current assets. This situation is common because acquisitions typically require additional cash and incur significant short-term expenses.

Entering the following year, when the integration process began to progress smoothly, the CR increased significantly, reaching 490.80% in 2023. This increase indicates that the company's ability to meet its short-term obligations has significantly improved. In 2024, the CR value decreased slightly to 410.62%, but remained well above the pharmaceutical industry average of 200–300%. This indicates that Kalbe Farma remains financially highly liquid and has a strong ability to cover its short-term obligations.

Meanwhile, the Quick Ratio (QR) exhibited a similar movement pattern. In 2021, the QR was recorded at 300.59%, then declined sharply to 218.52% in 2022, just as the acquisition took place. This decline indicates that some non-cash current assets, such as inventory, were used to support the company's expansion activities. However, after the acquisition process stabilized, the QR value recovered to 281.38% in 2023, although it declined slightly to 255.29% in 2024.

Overall, the analysis shows that PT Kalbe Farma Tbk remained able to maintain high levels of liquidity throughout the study period. Despite fluctuations due to the impact of the acquisition, the company demonstrated efficient cash and current asset management and strong financial resilience in the face of changes in its business structure post-integration.

2. Leverage Ratio (DER and DAR)

The analysis shows that PT Kalbe Farma Tbk's leverage ratio exhibited a fluctuating but manageable pattern throughout the 2020–2024 period. In 2020, the Debt to Equity Ratio (DER) was recorded at 23.46%, then decreased to 20.67% in 2021. This decrease indicates an increase in equity compared to debt, indicating a stronger company funding structure.

However, in 2022, during the acquisition of PT Aventis Pharma Indonesia, the DER rose again to 23.27%. This increase reflects additional external funding sources to support the company's acquisition and business integration processes. After the acquisition process stabilized, the ratio decreased again to 17.03% in 2023 and 19.67% in 2024. This trend demonstrates Kalbe Farma's success in controlling its debt composition and further strengthening the proportion of equity as its primary funding source. In other words, company management is able to balance financial risk with capital growth effectively.

Meanwhile, the Debt-to-Asset Ratio (DAR) also showed relatively stable movement with a downward trend. In 2020, the DAR was recorded at 19%, then dropped to 17.14% in 2021. Following the acquisition in 2022, this ratio increased slightly to 18.88%, indicating additional long-term liabilities to support corporate activities. However, in 2023, this ratio fell again to 14.55% before rising slightly to 16.44% in 2024.

The consistently low DAR indicates that Kalbe Farma's assets are primarily financed by equity, rather than debt. This reflects a healthy capital structure and manageable financial risk. Despite the temporary increase during the acquisition, the company maintained a conservative leverage level, indicating that management has a prudent funding strategy focused on long-term sustainability.

Overall, these results demonstrate that PT Kalbe Farma Tbk has successfully maintained financial stability post-acquisition. Efficient debt management and the ability to maintain a low leverage ratio demonstrate that the acquisition decision did not burden the company's capital structure but instead supported a balance between growth and financial prudence

3. Profitability Ratios (ROI and ROE)

Analysis of profitability ratios provides a clear picture of how the acquisition impacted PT Kalbe Farma Tbk's ability to generate profits. Overall, profitability performance showed stable results with some reasonable fluctuations during the post-acquisition integration period.

Return on Investment (ROI) showed a gradual upward trend from 12.40% in 2020 to 12.66% in 2022, the period during which the acquisition of PT Aventis Pharma Indonesia took place. This increase indicates that the company's asset utilization remains efficient and that the acquisition did not significantly impact overall asset performance. However, ROI decreased to 10.26% in 2023, which can be understood as a temporary impact of the business integration process and post-acquisition restructuring. After these adjustments, ROI rose again to 11.03% in 2024, indicating that the synergy between the two business entities is beginning to yield positive results and the company's operational efficiency is improving.

Meanwhile, Return on Equity (ROE) exhibits a slightly different pattern than ROI. The ROE tends to decline from 12.30% in 2021 to 11.92% in 2022, then further declines to 9.12% in 2023, before rising slightly to 9.95% in 2024. This decline does not indicate a weakening of the company's profitability, but rather is due to the substantial growth in equity resulting from business expansion and the accumulation of retained earnings. In other words, despite the increase in net income, the faster capital growth makes the return on equity ratio appear proportionally lower.

Overall, Kalbe Farma's profitability ratios reflect the long-term positive impact of the acquisition. Fluctuations during the initial integration are normal due to operational and financial adjustments. However, after the integration process was optimal, the company was able to maintain stable profit performance while demonstrating increased efficiency in asset and capital utilization. This demonstrates that Kalbe Farma's acquisition strategy has successfully supported sustainable growth and trengthened its financial foundation in the national pharmaceutical industry.

Conclusion

This study concludes that the acquisition of PT Aventis Pharma Indonesia had a positive impact on the financial performance of PT Kalbe Farma Tbk. The company's liquidity remained generally strong, despite a decline during the acquisition period due to increased short-term liabilities. After the integration process was optimal, liquidity levels increased again, indicating effective management of current assets. The company's capital structure was also in a secure position with a low leverage ratio, reflecting a prudent funding policy and controlled financial risks. In terms of profitability, the ROI and ROE ratios showed an increasing pattern after the business synergy between Kalbe Farma and Aventis Pharma began to generate efficiency and profit growth. Overall, the results of this study demonstrate that the acquisition successfully strengthened financial performance, increased operational effectiveness, and supported Kalbe Farma's sustainable growth in the national pharmaceutical industry.

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