

Financial Performance Analysis of Continuous Mergers and Acquisitions

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Abstract: Since the 21st century, the operation mechanism of China's capital market has become more and more perfect, coupled with the rapid development of modern information technology, the competition among enterprises is increasingly intensified. A large number of small-market listed companies choose to expand to achieve economies of scale. This paper will take Jacques Technology as the research object and evaluate the performance of its continuous acquisition through the financial index method.

1. Introduction

According to American scholar Stigler, almost no large American company grows only by internal expansion, and the growth of large companies has been through merger and acquisition to some extent. In order to achieve the expansion goal, enterprises often choose to merge other enterprises, which is a relatively common way in today's economic market.

Jacques Technology was listed on the SME Board of Shenzhen Stock Exchange in 2010, with a market value of about 2.5 billion based on the issue price. Its main business is phosphorous flame retardants. The output of the company's products has been in the first place in the country, no matter from the perspective of industry size or market share, it is difficult to have considerable room for growth. After the listing, the company 12-14 years of deduction of non-mother net profit is also a continuous decline. After realizing this problem, the company decisively adopted the way of continuous merger and acquisition to open up the upward space. This paper analyzes the financial indicators before and after the continuous M&A of Jacques Technology, hoping to provide some guidance for the M&A activities of enterprises.

2. Related Concepts and Theoretical Basis

2.1 Definition of Continuous Mergers and Acquisitions

Most foreign scholars agree with the view of Kathleen Fuller, who defines the number of continuous mergers and acquisitions as more than 5 in a short period of time. Zhou Aixiang, a scholar in our country, and others agree with him. They believe that continuous mergers and acquisitions should be multiple M&A within a relatively short period of time. However, domestic and foreign scholars have not reached a unified standard, and the definition of continuous mergers and acquisitions is mainly based on the selected period of time and the number of acquisitions of the research object during this period. Therefore, based on the research results at home and abroad, this paper defines continuous M&A as the listed company's M&A conducted more than twice within 3 to 5 years.

2.2 Definition of Continuous Mergers and Acquisitions Performance

After the company realizes the continuous merger and acquisition strategy, it realizes the maximization of enterprise value through the operation of the acquired company's business activities, the allocation of personnel, the integration of multiple management systems and cultural concepts, which is called merger and acquisition performance. At present, the performance of

mergers and acquisitions of enterprises is mainly evaluated from four aspects: profitability, operating ability, debt paying ability and growth ability.

3. Analysis of Continuous Mergers and Acquisitions Behavior of Jacques Technology

3.1 Company Profile

Jiangsu Jacques Technology Co., Ltd. 's main business is research and development and production of electronic semiconductor materials, cryogenic composite materials and plastic auxiliary materials. The company maintains long-term and close cooperation with many famous universities and research institutes in China, and is committed to improving the company's R&D and innovation ability, expanding new application fields, driving the development of enterprises by scientific and technological research and development, and constantly providing customers with quality products and better services.

3.2 Jacques Technology Continuous Mergers and Acquisitions Process

In 2016, Jacques Technology announced two major decisions at the same time : (1) the actual controller transferred 6.44% of the shares of Jacques Technology to Hua Tailuilian Merger and Acquisitions Fund with 300 million yuan; (2) Acquire Huafei Electronics, a semiconductor packaging material enterprise, with 200 million yuan to enter the electronic materials industry, resulting in a premium of 126 million yuan in goodwill. Subsequently, with the help of the professional institution Hua Tailuilian Union M&A fund, Jacques technology carried out successive mergers and acquisitions in the field of electronic materials, and soon established electronic materials as the main business of the company. In July 2016, Jacques Technologies acquired a 96% stake in UP Chemical; In October 2017, Jacques Technology acquired 84.8% of Jiangsu Shanke with 1.144 billion yuan of shares; In April 2018, Jacques Technology acquired 90% of the equity of Kemet with 1.323 billion yuan of shares; In February 2020, Jacques Technology acquired part of the operating assets of LG Chem for 330 million yuan. In May 2020, Jacques Technologies acquired the remaining 10% of Comet.

3.3 Consolidation after Continuous Mergers and Acquisitions

Since 2016, Jacques Technology has carried out a series of mergers and acquisitions, restructuring and industrial transformation and upgrading in the semiconductor materials business field, which cost a lot of money and made remarkable achievements due to the increasingly poor performance of the flame retardant project and the total shutdown caused by the policy impact. Since the transformation of the company, the product structure of Jacques Technology has changed a lot. At the same time, the company attaches great importance to the cultural adaptability of the management of the acquired enterprises. With the help of a perfect incentive mechanism and assessment mechanism, the management and the company are bundled together, which improves the enthusiasm and innovation of the acquired enterprises, and accurately completes the annual performance commitment. In general, there are two factors to the success of the successive acquisitions of Jacques Technology: the first is the gradual establishment of the strategy from flame retardant to electronic materials field transformation; The second is to implement this strategy through merger and acquisition, and received a good target, the integration effect is good.

4. Performance Evaluation of Continuous Mergers and Acquisitions

4.1 Profitability Analysis

This paper will evaluate the profitability of the company through operating profit margin and sales net profit rate. Operating profit margin reflects the size of the business capacity of the enterprise. The greater the operating profit value is, the stronger the business capacity of the enterprise is, the larger the profit space of the enterprise will be. On the contrary, it indicates that the business capacity is insufficient and the profit space is smaller. Jacques Technologies' operating

profit margin in 2020 was 25.3%, roughly in line with the industry average. At the same time, the net profit rate on sales was 20.4%, much higher than the average value of the industry, indicating that the continuous mergers and acquisitions behavior of Jacques Technology brought considerable profits and promoted the improvement of profitability.

4.2 Operation Capacity Analysis

Operating capacity analysis mainly analyzes the efficiency of asset management by examining the turnover of assets. Total assets turnover is a common index to evaluate the operating efficiency of all assets of an enterprise. Generally speaking, the greater the turnover of total assets of an enterprise, the faster the turnover speed of the enterprise and the better the asset quality of the enterprise. The total asset turnover ratio of Jacques Technology is 0.32, which is always lower than the industry average, indicating that its operating efficiency is lower than that of other peers. It is suggested that Jacques Technology accelerate the speed of asset turnover by dealing with excess assets in the process of continuous merger and acquisition.

4.3 Solvency Analysis

In this paper, the current ratio and asset-liability ratio are selected to evaluate the short-term solvency and long-term solvency of Jacques Technology respectively.

The first is liquidity ratios. The current ratio is equal to current assets divided by current liabilities. Jacques Technologies' liquidity ratio rose from 2.86 in 2016 to 2.52 in 2020. Although the range of change is not large, but the short-term solvency of the enterprise itself has weakened. At the same time, this ratio has been greater than 1 for five consecutive years, indicating that successive mergers and acquisitions have no obvious impact on the short-term solvency of enterprises. In addition, Jacques' liquidity ratio is slightly higher than the industry average of 2.3, indicating that Jacques has more liquid assets and even more inventory than companies in other industries.

The second is the debt-to-asset ratio. The company's debt-to-asset ratio has been below 30 percent since 2016. In 2020, the asset-liability ratio was 16.38%, far lower than the industry average. On the one hand, this indicates that the enterprise has a poor ability to use external funds; on the other hand, it reflects that the enterprise's assets have a high guarantee on the rights and interests of creditors, and the enterprise has a low debt risk and good long-term solvency.

4.4 Growth Ability Analysis

In this paper, four indicators are selected to measure the growth ability of Jacques Technology, as shown in the following table:

Table 1 Comparison Table Of Jacques Technology and Industry Growth Ability in 2020

	Jacques technology	The industry average
Main business revenue growth rate(%)	23.72	18.41
Growth rate of net profit(%)	77.09	24.26
Growth rate of net assets(%)	6.84	6.85
Growth rate of total assets(%)	17.41	10.89

According to the comparison between the average level of the industry and Jacques Technology in the table, the growth rate is basically higher than the average level of the industry, which can prove that Jacques Technology has strong growth ability and good development prospects in the future.

5. Conclusion

Based on the analysis of the four capabilities and the comparison with the overall level of the industry, the operating capacity of Jacques Technology is slightly insufficient, which will bring a certain degree of financial risk to the enterprise. In the future development, the company needs to carry on the effective disposal of assets, in order to speed up the turnover of assets, improve the use efficiency. Compared with the operating capacity, the company has certain advantages in

profitability, debt paying ability and growth ability. Therefore, Jacques Technology's financial performance is good, and its strategy of continuous acquisitions is feasible.

In this paper, the financial index method is used to analyze the performance of continuous mergers and acquisitions of Jacques Technology, and the conclusion is that its financial performance is good. It shows that the policy of continuous merger and acquisition of the company is effective and can bring positive effect to the company. Merger and acquisition activities have a significant positive effect on the profitability, debt repayment and growth ability of enterprises, and bring huge profit space to enterprises, so that enterprises have a better development prospect.

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