

Research on the performance of Chinese listed companies after overseas mergers and acquisitions

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Abstract

In this paper, overseas m&a listed companies were selected as research samples, and the factors affecting their performance after overseas m&a were analyzed by means of regression analysis. The results show that the asset-liability ratio has a significant negative effect on corporate performance. The growth rate of operating revenue and the size of the company have significant positive effects on the performance of the company.

Keywords

Chinese listed companies, Overseas m&a, M&a performance, Influencing factors.

1. Introduction

Overseas mergers and acquisitions of enterprises is a way to improve their international influence. It not only enables foreign enterprises to know about domestic enterprises, but also helps domestic products and services to be exported to foreign countries and increases the mutual cooperation between domestic enterprises and foreign enterprises. On the one hand, overseas mergers and acquisitions can rapidly expand the scale of their own companies, enhance their own strength, and utilize the core resources and technologies of the merged or acquired enterprises, as well as the cheap resources or labor force of the host countries to reduce operating costs and obtain excess profits. On the other hand, overseas mergers and acquisitions can also improve their own international visibility and influence, improve customer satisfaction and loyalty, so that some people who are not familiar with the products and services of the enterprise can quickly understand the products and services of the enterprise, which is of great significance to the development and growth of the enterprise. Generally speaking, domestic mergers and acquisitions are mainly to expand the scale, expand the capital strength, improve market share, gain more competitive advantages, so as to win more economic benefits. But the overseas mergers and acquisitions are different. Overseas mergers and acquisitions can greatly improve the visibility of domestic listed companies in the world and the competitive advantages of enterprises, so as to eventually obtain more enterprise value. However, many enterprises have seen performance decline after overseas mergers and acquisitions, and the situation is not very optimistic. It may be due to the fierce competition in the international environment, may also be in a foreign country not to adapt, may also be due to the decline of the enterprise's own resources and ability. It may even be due to the lack of integration between the domestic enterprises and the foreign enterprises or the difficulty of integration. These reasons may cause the decline of the performance of overseas listed companies. The decline in performance may cause financial crisis or more serious bankruptcy of overseas listed companies, which is extremely detrimental to the sustainable development of overseas listed companies. Therefore, the study of the factors affecting the performance of listed companies after overseas mergers and acquisitions plays a crucial role in the sustainable development of listed companies.

2. Sample Selection and Data Source

Due to different standards, there is no uniform standard for overseas listed companies to select samples. Therefore, this paper selects the samples according to the total assets of listed companies. Listed companies acquired and acquired overseas from 2013 to 2017 were selected. The main data came from the WIND database, and some parts were obtained by hand.

3. Theoretical Analysis and Research Hypothesis

According to the theories related to company merger and acquisition and literature review, the following research hypotheses can be obtained:

H1: There is a negative causal relationship between the asset-liability ratio and the operational performance of overseas m&a listed companies.

H2: The growth rate of operating revenue has a positive negative impact on the performance of listed companies after overseas mergers and acquisitions and the growth rate of operating revenue.

H3: The shareholding ratio of the top ten shareholders has a significant positive impact on the performance of listed companies after overseas mergers and acquisitions.

H4: The company size has a significant positive impact on the performance of listed companies after overseas mergers and acquisitions.

4. Empirical Analysis

4.1. Variable Design

According to the relevant literature and the actual situation, this paper selects the return on equity as the dependent variable, and takes the asset-liability ratio, the growth rate of operating income, the shareholding ratio of the top ten shareholders and the size of the company as the independent variables.

Table 1. Index definition

The variable name	Formula of calculation
Return on equity	Net profit/net assets
Asset-liability ratio	Total liabilities/total assets
Revenue growth rate	Revenue growth/total revenue of the previous year
Shareholding ratio of the top 10 shareholders	Shares held by the top 10 shareholders/total share capital
The company size	Total assets

4.2. Correlation Analysis

EXCEL is used to analyze the correlation between dependent variables and independent variables, see the following table for details.

Table 2. Correlations

		Y	X1	X2	X3	X4
Y	Pearson Correlation	1	-.071	.005	.196*	.256**
	Sig. (2-tailed)		.442	.953	.033	.005
X1	Pearson Correlation	-.071	1	-.030	.322**	.294**
	Sig. (2-tailed)	.442		.742	.000	.001
X2	Pearson Correlation	.005	-.030	1	.051	.016
	Sig. (2-tailed)	.953	.742		.581	.864
X3	Pearson Correlation	.196*	.322**	.051	1	.160
	Sig. (2-tailed)	.033	.000	.581		.081
X4	Pearson Correlation	.256**	.294**	.016	.160	1
	Sig. (2-tailed)	.005	.001	.864	.081	

Correlation analysis shows that Y has a high correlation with X1,X3 and X4, and a low correlation with X2. Therefore, it can be also concluded that there is a high county magistrate between the dependent variables and independent variables.

4.3. Analysis of Regression Results

SPSS16.0 was used to carry out regression analysis on the performance of listed companies after overseas m&a and its influencing factors, and the following results were obtained.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.348 ^a	.121	.091	19.83999

The value of R is 0.348, indicating that the model fitting level is general.

Table 4. ANOVA

	Model	Sum of Squares	Mean Square	F	Sig.
1	Regression	6200.981	1550.245	3.938	.005 ^a
	Residual	44873.283	393.625		
	Total	51074.264			

The R value is 0.005, and the T value is 3.938. The null hypothesis is rejected, indicating that at least one coefficient of the regression model is not 0.

Table 5. Table of regression coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.296	8.530		.386	.700
Asset-liability ratio(X1)	-.251	.108	-.228	-2.331	.022
Revenue growth rate(X2)	-.005	.024	-.018	-.200	.842
Shareholding ratio of the top 10 shareholders(X3)	.301	.124	.226	2.432	.017
The company size(X4)	.049	.017	.274	2.921	.004

As can be seen from table 6, only the influence coefficient of the growth rate of operating income on corporate performance fails the statistical test. There is a negative causal relationship between the asset-liability ratio and the operational performance of overseas m&a listed companies; The growth rate of operating revenue and the size of the company have significant positive effects on the performance of the company.

5. Conclusions and Discussions

Due to the asset-liability ratio corporate performance has a significant negative impact; The growth rate of operating revenue and the size of the company have significant positive effects on the performance of the company. Therefore, it is necessary to moderately reduce the asset-liability ratio, and moderately expand the scale of the company, which are conducive to the improvement of corporate performance and the healthy and sustainable development of overseas mergers and acquisitions of Chinese listed companies. As the debt ratio is moderately reduced, the financial leverage of the enterprise will become normal, so the possibility of financial crisis will be reduced, all the operation of the enterprise will be normal, which is bound to improve the performance of the enterprise. In addition, the asset-liability ratio has been reduced, which proves that the internal financing of enterprises has a significant effect. Although the development of an enterprise needs financing and debt financing, according to the theory of orderly financing, internal financing should be the first priority in enterprise financing, followed by debt financing. Therefore, to some extent, reducing the asset-liability ratio can promote the development of internal financing, which is also powerful for the development of the whole enterprise; A moderate increase in the growth of an enterprise is very beneficial to the development potential of the enterprise. The development potential and the prospect of an enterprise are even more important than the current profit level. It can bring long-term value and sustainable development to the enterprise; Enterprise scale is very important to enterprise performance. Although small enterprises may do well, their total profit is definitely not comparable with that of large enterprises. When the enterprise scale is large, it will bring economies of scale, can implement the cost leadership strategy, so as to obtain the competitive advantage in the fierce competition. For an enterprise, the improvement of the enterprise performance is certainly not limited to the above factors, including national policy, macroeconomic, monetary policy, international economic situation and so on. They will affect enterprises to a certain extent, but because of these factors, their data is not easy to obtain, so when doing statistical empirical analysis, there is no choice, which is actually a shortage. I hope

that in the future research, if conditions permit, more factors can be used to study the enterprise performance.

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