ACKNOWLEDGEMENT

The case study writer would like thank to following people, whom without he could not possibly finish the thesis. They are:

1. Prof. Dr. Gerardus Polla, M.App.Sc, as the Head of Binus University
2. Mr. Minaldi Loeis, M.Sc.,MM. as Dean of Programs of Binus Business School.
3. DR. Stephanus Remond Waworuntu, MBA. As Head of School of Finance and Accounting, Binus Business School.
4. Ir. Tedy Fardiansyah, M.M., FRM., for his guidance and supervise during the thesis’ molding process.
5. Ir. Yanthi Hutagaol, M.Acc., Ph.D., for her advises and critics during the thesis defense session.
6. Mr Haryanto T. Budiman, Executive Vice President Coordinator Change Management Office Bank MDR, the director in charge for Bank MDR’s inorganic growth
7. Mr Anton Herdianto, Vice President Change Management Office Bank MDR, as the project manager of TFS Finance’s acquisition process.
8. Mr Oky Prasetya, Vice President Consumer Loans Group Bank MDR, as the think tank of joint financing scheme between Bank MDR and TFS Finance
9. My Wife, Andi Zulfitriyani Sukarno and my son, Rashad Djati Sukarno, for their patience, understanding and support during my study at Binus Business School
10. My classmates, for their cooperation which help me finish the study on time.
ABSTRACT

Bank MDR as one of leading banks in Indonesia, in their chronicle to become Regional Champion Bank in 2010, aims to capture 20 to 30% of revenue share in each of their businesses. In Consumer Finance, the competition between banks in Indonesia is very tough. Yet, consumer segment loan has grown faster than any other segment. One crucial sub-segment in Consumer Finance Business is automotive loan, which currently dominated by Multifinance.

To increase the pace of becoming dominant in Automotive Loan, "inorganic initiatives" are required to supplement the organic efforts to grow the revenue shares of Bank MDR. In early 2009, Bank MDR engages in inorganic investment by acquiring a Multifinance company, Tunas Finance. This main purpose of this case study is to offer better approach to value an acquisition of a Multifinance, as to find out whether the acquisition done by Bank MDR is creating value both to the target firm as well as their shareholder.

Valuation of an acquisition is not fundamentally different from valuation of any firm, however, valuing a multifinance company poses particular challenges. Given that Bank MDR has announced that it would pay 290 billion rupiahs for 51% shares of Tunas Finance, this case study follows Excess Return Model Valuation (Damodaran, 2002) and results that acquirer shareholders still earn positive value from the acquisition.

Keyword: Acquisition, Valuation, Multifinance.
## TABLE OF CONTENTS

Front Page ..........................................................i
Statement of Purpose .............................................ii
Supervisor Approval ..............................................iii
ACKNOWLEDGEMENT.............................................iv
ABSTRACT ............................................................v
TABLE OF CONTENTS...........................................vi
LIST OF FIGURES..................................................ix

### CHAPTER 1 INTRODUCTION

1.1 Background...................................................1
1.2 Purpose and Benefit.........................................2
1.3 Scope.........................................................3
1.4 Organization of Thesis......................................3

### CHAPTER 2 LITERATURE REVIEW

2.1 Acquisitions....................................................5
2.2 Reasons for Acquisitions....................................6
   2.2.1 Profitability of Acquisitions..............................6
   2.2.2 Motivations for Acquiring...............................6
2.3 True Value of Acquisition...................................7
   2.3.1 Intrinsic Value...........................................7
   2.3.2 Market Value............................................8
   2.3.3 Acquisition Price.......................................8
   2.3.4 Synergy Value...........................................8
2.4 Calculating Synergy Value................................9
   2.4.1 Operating Synergy......................................10
   2.4.2 Financial Synergy.....................................11
2.5 Acquisition Valuation of Finance Company.............12
   2.5.1 Intrinsic Value Valuation..............................12
   2.5.2 Acceptable Acquisition Price.........................16
Exhibit 7: Tunas Finance Competitors’ Financial Data………………………. 57
Exhibit 8: Tunas Finance Status Quo Valuation…………………………… 58
Exhibit 9: Tunas Finance Control Valuation………………………………. 59
Exhibit 10: Bank MDR-Tunas Finance Financial Forecast………………… 60
Exhibit 11: Tunas Finance 2009-2011 Financial Summary………………… 61
Exhibit 12: Bank MDR-Tunas Finance Synergy Valuation………………… 62

BIBLIOGRAPHY .................................................................................. 63

CURICULLUM VITAE

CASE STUDY (FOR CLASS DISCUSSION)
LIST OF FIGURES

Figure 2.1: Value Sharing Among Shareholders of Acquiring and Target Company
................................................................................................................................. 7
Figure 3.1: Case Method Framework ................................................................. 23
Figure 4.1: Trend of New Car and Motorcycle Sales 2000-2008 ...................... 27
Figure 4.2: Trend of Used Car Sales 2003-2008 ........................................... 28
Figure 4.3: Payment Scheme in Automotive Purchases ................................... 27
Figure 4.4: Private and Government Consumption around General Election .... 32
Figure 4.5: Bank MDR’s Initiatives to Grow Revenue Share ............................ 33
Figure 4.6: Indonesia’s Loan Growth Nationwide ......................................... 34
Figure 4.7: Positioning of Consumer Finance Products ................................. 34
Figure 4.8: Portfolio of Bank MDR’s Automotive Loan .................................. 35
Figure 4.9: Breakdown of Competitors in Automotive Loan 2007 ................. 35
Figure 4.10: Strong Points of Multifinance against Bank in Automotive Loan ... 36
Figure 4.11: Growth of Multifinance’s Financing ......................................... 36
Figure 4.12: Growth of Multifinance’s Assets and Profitability........................ 37
Figure 4.13: InfoBank 2008 Multifinance Rating ........................................... 39
Figure 4.14: Value Shared by Acquirer and Target Shareholder in Bank MDR’s
Synergy Acquisition of Tunas Finance ......................................................... 39
BIBLIOGRAPHY