Research on financial performance of Aiko solar backdoor listing

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Abstract: This paper uses the event study method to study the performance of Aiko solar before and after backdoor listing by taking the announcement date of backdoor listing as the event date. The results show that: on the event day, the excess return rate and cumulative abnormal return rate of Aiko solar surged to 5.1796% and 19.9009%, and the backdoor listing made the shareholders obtain additional income, and the shareholders' wealth increased significantly. However, we need to pay attention to the following: enterprises should choose the right way of listing; choose a reasonable shell company; improve the ability of sustainable development.

1. Introduction

Nowadays, the ecological environment pollution is increasing day by day, and renewable energy has received more and more attention from various countries. In this context, the photovoltaic industry has maintained rapid growth, and China's photovoltaic industry is in a leading position in the world. However, photovoltaic power generation industry is a capital intensive industry, and broadening financing channels has always been a problem faced by photovoltaic power generation enterprises. Due to the strict audit of IPO in China, Aiko solar chose backdoor listing. This paper uses the event study method to study the backdoor listing performance of Aiko solar.

Event study method can reasonably evaluate whether backdoor listing has a positive impact on the short-term benefits of the company. In China, many scholars also use the event study method to study the performance of backdoor listing. Lingjun Kong used the event study method to analyze the performance of Jingyuan Coal and Power M & A, and found that the abnormal rate of return increased significantly on the announcement day of M & A. Based on the event research method, Yiming Li studies the performance of Wuhan Zhongshang listed company of new retail backdoor, and the results show that the wealth benefit of shareholders is positive during the event period of backdoor listing.

2. Background of Aiko Solar's backdoor listing

Aiko solar is mainly engaged in the R & D, production and sales of solar cells, import and export of goods and technology, etc. it has the leading manufacturing technology and production supply capacity of perc batteries in the industry, and is one of the main suppliers of perc batteries in the world. Facing the requirements of energy conservation, emission reduction and environmental protection brought by green economy, enterprises attach great importance to the development of solar energy technology. In the future, they plan to expand the construction of R & D center and increase R & D investment, which undoubtedly increases the financing difficulties for enterprises. Therefore, enterprises expand the financing demand through backdoor listing.

3. Aiko Solar's backdoor listing process

Aiko Solar's backdoor target is Shanghai Xinmei. Shanghai Xinmei's main business is real estate development and operation. In recent years, the management of enterprises is poor, the net profit growth is slow, the profitability is greatly reduced, and the future development prospects are not clear, so now they are eager to get rid of the bad assets. On January 4, 2019, Shanghai Xinmei issued a suspension notice on major asset restructuring. On January 8, Shanghai Xinmei issued the "plan for

major asset replacement and issuance of shares to purchase assets and related party transactions" and the resumption announcement. After modification, the backdoor listing was approved by China Securities Regulatory Commission on September 11, 2019. On September 13, 2019, Aiko Solar's ownership transfer procedures and relevant industrial and commercial change registration procedures were completed, and backdoor listing was basically completed.

4. Empirical analysis

4.1. Determine the event date and period

In this paper, the event period is defined as 20 days before and after the announcement of backdoor listing. That is: the day when the company publishes the announcement of backdoor listing is the event day, set T=0, then the event period is recorded as T= (- 20, 20). In this paper, the announcement date of backdoor listing of sample enterprises is sorted out by wind information. When sorting out the data of sample companies, if the announcement date of backdoor listing is not the trading day, the event day will be postponed to the nearest trading day in order; if the event period meets weekend or suspension day, the corresponding date will be extended by time.

Shanghai Xinmei issued a major asset restructuring announcement on January 4, 2019, and began to suspend trading on that day. On January 8, 2018, it disclosed the trading plan of backdoor listing and resumed trading. Therefore, this paper selects January 4, 2018 as the event day of this case.

4.2. Calculation of income

Mean adjustment method, market model method and market adjustment method are the main methods used to calculate the rate of return in event study method. But the mean adjustment method is not suitable for backdoor listing, which makes the company's stock prices have a significant change. The market model method has a set of strict assumptions, but there are many problems in China's capital market and securities market, and the instability of short-term stock price will make this method not applicable. Therefore, both the mean adjustment method and the market model method have some doubts, so this paper chooses the market adjustment method to calculate. The specific indicators of this paper are: real rate of return, expected rate of return, excess rate of return, cumulative abnormal return.

4.3. T test

Table 1 CAR Single sample test

	Inspection value = 0					
	t	df	Sig.(bilateral)	Mean difference	95% confidence interval of difference	
					lower limit	upper limit
CAR	8.803	40	.000	11.7556878	9.056553	14.454822

From the t test results of CAR in Table 1, we can know that the significance of CAR is less than 0.05 and the T value is greater than 0, which indicates that the cumulative abnormal return rate has passed the test, and the backdoor listing event has an impact on the financial performance of M & A companies.

4.4. Abnormal Return (AR)

From Figure 1, we can see the specific value and clear change of AR. Three days before the event, Aiko Solar's excess return fluctuated around the critical value of 0. Three days before the event, the AAR value began to rise and continued to reach the maximum value of 5.382% until the second day after the announcement. This may indicate that some investors with inside information invest in advance, which leads to the early reaction of the market. However, the better the data shows that Aiko Solar's backdoor listing has been confirmed by the market to a great extent, and it also increases the wealth of shareholders. However, the excess return rate dropped precipitously on the third day and

reached the lowest value of -4.3286% on the fourth day. Since then, Aiko Solar has shown more drastic fluctuations than before the announcement day, and the fluctuation is still around the critical value of 0. This change also reflects that the market's attitude towards Aiko Solar's restructuring has become more rational, and investors have begun to wait and see and become more rational.

4.5. Cumulative Abnormal Return (CAR)

As can be seen from Figure 1, the cumulative excess return rate of Aiko solar was at a low level from 20 days before the event to 4 days before the event, but it increased from 3 days before the announcement of backdoor listing, rose sharply to 19.9009 on the day of announcement, and reached the peak on the second day after the event. In the next 18 days, the fluctuation showed a ladder like decline, but the overall trend was better than the level before the announcement of backdoor listing. This shows that after the market has fully and strongly reacted to the information of backdoor listing, the investors have re judged the expected return of the stock and adjusted their own investment behavior. The expected value may decline, but the whole market is still optimistic about Aiko solar.
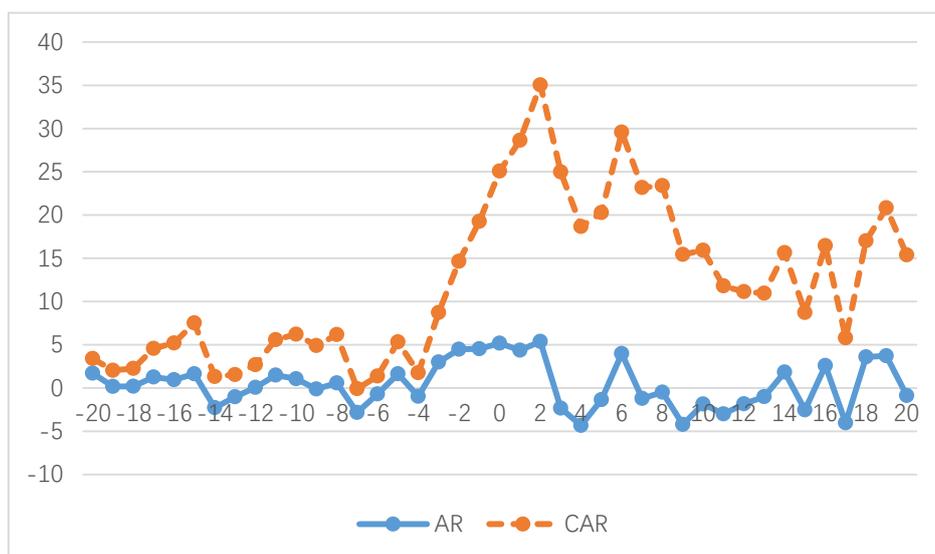

Figure 1 Trend of AR and CAR

5. Conclusion

Through the empirical analysis of Aiko solar, we can see that after the announcement of backdoor listing, the stock price rose sharply, and the shareholders increased the excess wealth, which had a significant positive effect on the short-term performance of the company, but also had some shortcomings. Therefore, based on this, this paper puts forward the following suggestions according to the research results of backdoor listing of listed companies

Enterprises can not blindly choose backdoor listing. Enterprises should choose which way to list from their own point of view, combined with the characteristics of ownership structure, operating performance and financial status of the enterprise itself and the target enterprise, supplemented by the consideration of national policies and market environment.

The backdoor party should pay attention to the following points when choosing the backdoor resources: first, select the enterprises with less net assets and smaller equity, so that the backdoor cost is relatively small. Second, choose high-quality shell companies, which will help enterprises establish a good image after backdoor. Third, enterprises should also consider the future development strategy and pay attention to whether backdoor is conducive to resource integration.

After the success of backdoor listing, enterprises should improve their resource integration ability, actively adapt to the changes of policies and markets, standardize the operation and management of the company, and improve the management level of the company. And enterprises should formulate

flexible business strategies to concentrate their advantages, so as to improve the sustainable development ability of enterprises.

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