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Effect of Acquisition on Operating Performance of Indigenous Oil & Gas Firms in Nigeria

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Abstract
Growth through acquisition has been a critical part of the success of many companies operating in the new economy like that of Nigeria. It is an indisputable fact that acquiring is much faster than building, speed-speed to market, speed to positioning and speed to becoming a viable company is absolutely essential in the new economy. This study evaluated the effect of acquisition on the operating performance of two oil & gas firms in Nigeria. Five research objectives, questions and hypotheses were formulated and analyzed. The study made use of secondary data. The secondary data was gotten from the financial statement of studied firms' and were used in testing the hypothesis. In testing the formulated hypotheses, variables such as Return on Equity, Return on Assets, Gross earnings, Asset Utilization, &Financial Leverage were compared before and after acquisition using Pair Sample T-Test Statistical Tool. All the results show that the preacquisition financial positions were better off than the post-era. The study identified some of the likely reasons that could account for post-era poor performance to include hostility in the Niger Delta region which has led to pipeline vandalism, drop in oil price etc. The study hereby recommend that Since the oil price cannot be predicted, both firms should diversify some of their operations in activities that are a bit stable, profitable and competitive. The government should ensure that the relative peace experienced so far is being maintained to avoid pipeline vandalism which has adverse effect on oil production.

Introduction

1.1 Background of the study

Acquisition has been seen as a strategic vehicle that drives growth and enhances operating performance of firms. Acquisition is an investment option/strategic choice which sometimes are made under uncertainty, and the basic principles of valuation will always apply. At the corporate level, Acquisition has been seen by most firms as the most favored non-organic strategy for achieving their growth objectives (Oduru and Agyei 2015). There are three legal procedures by which one firm can acquire another firm (Njoku, 2007), and these procedures are; through merger or consolidation, acquisition of share and acquisition of assets. Njoku (2007) went further to define acquisitions as absorption of one firm by another. The absorbing or acquiring firm will retain its name and identity, and it will acquire all the assets and liabilities of the acquired firm. Pandey (2005) defines an acquisition as an act of acquiring effective control by one company over assets or management of another company without any combination of companies. Thus, in acquisition two or more companies may remain separate legal entities but the control of companies resides in one place. Acquisition is also seen as a business combination in which ownership and management of independently operating enterprises are brought under the control of a single management and it could take any of three forms; mergers/consolidation, acquisition of stocks, and acquisition of assets (Amedu, 2002; Osamwonyi, 2002). This study focused on acquisition through assets and share, due to the area of involvement of studied firms (Seplat Plc, acquired some Assets from Chevron Nigeria Plc and BeleMaoil Ltd and Oando Plc both acquired Assets and Shares of ConcoPhilips Plc an IOC that has departed the oil & gas industry of Nigeria).

Nigerian oil and gas industry has recently registered itself in the global list of acquisitions, through the outright purchase of assets from interested parties as well as series of divestment by the International Oil Companies (IOCs) making the industry to take a new dimension in structure and in ownership. The *Petroleum Industry Bill (PIB)* awaiting presidential assent, which aims at indigenizing the industry and the

global slump in crude prices have thrown up winners and losers in Nigeria's oil and gas sector, as the industry goes into survival mode. For instance, a number of international oil companies (IOC), including Shell and Chevron, divested some of their assets to domestic players in the upstream (onshore i.e oil exploration) such as Seplat, Seven Energy, Tempo Energy, Lekoil, Oando plc etc.

Many indigenous oil & gas firms have bought into so-called 'marginal' fields; assets that were already producing, or had a history of production. These have been made available by departing IOCs, who almost universally are looking to move away from difficult onshore assets and towards the deep offshore deposits where they have a competitive advantage. MNC executives claim that they are being pushed away by the ongoing uncertainty over a long-delayed piece of legislation that is supposed to redefine the financial terms of the contract between the government and the industry (Kate, 2016). IOCs have lobbied hard against the Petroleum Industry Bill (PIB) which has been stuck in the wheels of Nigerian politics since 2008, as it proposes to increase the taxes and levies on the oil majors. In August 2013 the Oil Producers Trade Section, a lobby group of large oil companies, including Shell, ExxonMobil, Total, Chevron, and ENI, claimed that the cost of the bill would run to $185bn over the first 10 years, and that production would fall by 20% (Kate, 2016).

Indigenous companies have taken advantage of the vacuum left by the IOCs to buy up assets, often backed by financing from local banks. In 2010, the total value of deals in Nigeria's upstream (oil exploration) industry was $660m, according to data from IHS, Inc. In 2014, the upstream industry recorded nearly $7.5bn worth of deals, including the $2.6bn divestment of assets by ENI to a group of Nigerian companies, including the Talevaras Group and Tempo Energy. Although the sector was predominantly operated by MNC, the attractiveness of the Nigerian oil and gas industry and favorable government policies such as the enactment of the Nigerian Oil and Gas Industry Content Development Act 2010 have encouraged domestic players participation in exploration and production activities, thereby developing local technical and operational capacity in the oil and gas sector (Adeyemo, 2015). It is anticipated that the implementation of the Petroleum Industry Bill may result in more mergers between indigenous companies and foreign companies or the acquisition of shares by indigenous companies in foreign companies which already have joint ventures with the government due to the local content requirement, which is a key provision in the bill. This will not only provide incentives to encourage the indigenous oil industry, but also benefit Nigerians enormously in terms of employment.

The Oil & Gas industry is divided into two sectors: the upstream sector and the downstream sector. The upstream sector deals with the oil and gas exploration and production while the downstream sector deals with the activities after the production phase, refining, and marketing petroleum products. Even if there are different sectors in the industry, some companies are engaged in all phase of the business as well as transportation, petrochemical, and renewable fuels operations. This study focused on both the upstream and downstream because the studied firms like Seplat Plc engage only in the oil & gas exploration while Oando Plc is in both sectors (exploration & marketing).

Oil and gas industry has its own peculiarities different from other industries in that it has different performance measuring metrics. For an example in the financial sector, CAMELS (Capital adequacy, Assets Quality, Management, Earnings, Liquidity, and Sensitivity) as key performance indicators are usually used in evaluating financial institutions but in the oil & gas industry, rations like return on assets (ROA), the return on equity (ROE), *Gross earnings* (GE), Financial Leverage (FL) (with emphasis on Debt/Equity) ratio and Assets Utilization (AU) specifically Asset Turnover ratio are the most preferred used ratios in evaluating the operating financial performance (OFP) of oil & gas companies.

This study therefore adopted some of performance measuring metrics for oil and gas firms' in analyzing the operating performance (OP) of indigenous oil &gas firms in Nigeria for Seplat Plc and Oando Plc (Seplat acquired some oil blocks from Chevron Nigeria Plc an IOC, and BeleMaoil Ltd why Oando acquired ConcoPhilips an IOC completely) in pre-and post-acquisitions period under five dimensions, ie. Return on assets (ROA), Return on equity (ROE), *Gross earnings* (GE), Financial Leverage (FL) and Asset Utilization (AU).

Looking at the performance of both firms' before acquisition which is being summarized below, it is believed that one of the firms' is more efficient and effective in some measurable indicators. Looking at the gross earnings of Seplat Plc, it shows that 40.1% cost was used in generating 59.9% of gross profit in 2012 while that of Oando's gross earnings ratio indicates cost per unit of production is too high leading to 1% gross profit (ie, 99% cost generates 1% gross profit). Also from the table, the asset utilization ratio (AU) specifically the Total Asset Turnover (TAT) indicates that both firms' are inefficient in using their assets in generating sufficient production and sales since the industry's acceptable ratio is 1.0 upwards. This inefficiency could be the major reason why both firms' adopted acquisition as a strategic option to improve and expand their operations. Another sensitive area is the ability of both firms' to settle their financial obligations as they fall due. The Financial Leverage (FL) ratio specifically the Debt/Equity shows the creditors' claim on the asset of an organization. 2012 for both firms' indicates a risky state of solvency since the ideal ratio should be below 50%. 2014 & 2013 Debt/Equity ratio for Seplat Plc (42% & 41%) is sound but still need to be on the decrease. For Oando Plc, 2013 debt profile is good but still need to go down while 2014 indicates that the firm is financed by external debt that is creditors have more claims on the company's assets than Equity Shareholders signifying unhealthy state. The need to improve a firms' long-term solvency could be another very reason why both firms engaged into acquisition. Finally, the Return on Assets (ROA) which is an indicator of the profitability of a company based on its total assets used to create income, thus giving an assessment of the management of a given firm and how they generate earnings. Judging the ROA of both firms' from the table below, it can be agreed that the management of both firms' is inefficient in generating income. This is because a high level of ROA means that the firm is capable of transforming assets into profits.

	SEPLAT PLC				**OANDO PLC**			
		2012	2013	2014		2012	2013	2014
1	GE	59.9%	62.2%	59.2%	GE	1%	1%	1%
2	ROA	0.12	0.42	0.11	ROA	1.0	0.08	0.21
3	ROE	59%	75%	18.9%	ROE	1.92	0.89	(1.14)
4	AU	0.69	0.67	0.31	AU	0.032	0.022	0.045
5	FL	1.36	0.42	0.41	FL	1.9	0.4	2.0

Source: Data gotten from the companies' financial statements and analyzed by the research, 2018**.**

Indeed, the ideal expectations for both firms' should be to grow and take advantage of marketing, manufacturing, operational, and financial synergism that are accruable through acquisition. However, many empirical studies have shown inconsistent results as regards to the effects of acquisition on operating performance (OP). The study of Christain and Mathias (2005) and Shukla and Gekara (2011) asserted that acquisition has a negative impact on customer satisfaction. Homburg and Burcerius (2005) evaluated the effect of acquisition on customer satisfaction. The result from their study showed an unfavorable impact. The authors believe that acquisition has resulted in management shifting profitability strategies to increased market power, thereby raising customer prices. Oberg and Anderson (2002) previously asserted that during merger or acquisition, management focuses on the transactions alone while disregarding the effects on its customers, a sick firm is taken over by a good performer that makes serious attempts to enhance the operating performance (OP), and it is possible to turn it around successfully (Sankar and Rao in Ramachandran & Thangavelu, 2012b). The acquiring firms performed better than the industry average in terms of profitability (Pawaskar 2001). The long-term operating performance (OP) following acquisition in Japanese firms was positive but insignificant, and there was a high correlation between pre-and post-merger performance (Kruse et al. 2003). The merged firms reacted positively to the merger announcement, and only a few financial variables influenced the share price of the merged firms (Vanitha and Selvam 2007). There was a significant shift (*change*) in the output (*shareholders' wealth*) due to the merger during the post-merger period, which supports a good, significant positive impact of merger or acquisition on the shareholders' wealth of manufacturing firms of the food industry in India (Azhagaiah & Sathishkumar 2012).

The average performance of both companies coupled with the ideal expectation of the firms' stakeholders' and the inconsistent results from empirical findings prompted the researchers to carried out this study with

the objective of analyzing the OP (operating performance) of the acquiring oil & gas firms specifically SEPLAT PLC after acquiring some assets (oil blocks) from Chevron Nigeria Plc and Belemaoil Ltd and OANDO PLC after acquiring ConcoPhilips PlC an IOC.

1.2: Statement of the problem

2015 has been seen as a relatively robust year for acquisition transactions in Nigeria's oil and gas industry. The majority of the transactions involved divestments by international oil companies (IOCs) of onshore oil and gas assets to indigenous companies, some of which are (Seplat, and Oando). The divestments, according to experts were triggered by a number of factors, like security concerns, fiscal policy issues and particularly, the uncertainty surrounding the passage of the Petroleum Industry Bill (PIB).

This exercise has made indigenous firms' "vibrate players" at the forefront of the onshore aspects of the upstream oil and gas industry (Guardian newspaper, 2017). Indeed, the domestic players such Seplat and Oando among others in the oil & gas sector have taken advantage of the new Petroleum Bill enacted recently by the Nigeria Legislators which is awaiting presidential assent, hence forcing International Oil Companies (IOCs) to divest some of their Plants in the *upstream sector*. But the first question which this research attempt to seek answers to is; will these indigenous firms be able to repay and service their debt profile based on the huge amount borrowed to acquire some of these assets looking at the fluctuations in the price of crude oil?

Secondly, when a firm is merged with another or is acquired by the profit-making firm, it benefits both the firms (Azhagaiah & Sathishkumar 2012, Pawaskar 2001, Vanitha & Selvam 2007); hence, it is the order of the day that all firms are interested in resorting to corporate restructuring in the name of merger or acquisition. However, the question that often arises is whether all the firms that merged/acquired end up with anincrease in operating performance (OP)? As some firms end up with a negative impact on operating performance (OP) (Pawaskar 2001; Coontz 2004, Mathias 2005, Shukla & Gekara 2011, Homburg and Burcerius 2005, Oberg and Anderson 2002, Shukla and Gekara 2011) after M&A, this study is an attempt to seek answers to the stated questions by analyzing the effect of Acquisition on OP by studying two selected acquiring indigenous oil & gas firms Seplat Plc and Oando plc in Nigeria which are listed in the Nigeria stock exchange.

1.3: Objective of the study

This study attempts to analyze the effect of Acquisition on operating performance (OP) of Seplat and Oando that adopted Acquisition strategy.

The specific objectives are to:

a. Investigate if there has been any significant effect of acquisition on gross earnings (GE) of acquiring oil and gas firms in Nigeria after acquisition.
b. Appraise the effect of acquisition on Return on Assets of acquiring oil & gas firms in Nigeria after acquisition.
c. Examine if there has been any significant effect of acquisition on Return on Equity of acquiring oil & gas firms in Nigeria after acquisition.
d. Ascertain the effect of acquisition on debt/equity of acquiring oil & gas firms in Nigeria after acquisition.
e. Evaluate the effect of acquisition on Total Assets Turnover of acquiring oil & gas firms' in Nigeria after acquisition.

1.4: Research Questions

The following research questions are raised:

a. Has there been any significant effect of acquisition on gross earnings (GE) of acquiring oil and gas firms in Nigeria after acquisition?

b. To what extent has acquisition improved Return on Assets of acquiring oil & gas firms in Nigeria?

c. To what significant extent has acquisition improved Return on Equity of acquiring oil & gas firms in Nigeria?

d. Is there any significant effect of acquisition on debt/equity of acquiring oil & gas firms in Nigeria after acquisition?

e. To what extent has acquisition improved the Total Assets Turnover of acquiring oil & gas firms in Nigeria?

1.5: Research Hypotheses

Ho_1: Acquisition has not significantly improved the gross earnings (GE) of acquiring oil & gas firms' in Nigeria after acquisition.

Ho_2: There is no significant effect of acquisition on ROA of acquiring oil & gas firms' in Nigeria after acquisition.

Ho_3: Acquisition has not significantly improved the on ROE of acquiring oil & gas firms' in Nigeria after acquisition.

Ho_4: There is no significant effect significant effect of acquisition on financial leverage of acquiring oil & gas firms in Nigeria after acquisition.

$H0_5$: Acquisition has not significantly improved the asset utilization of acquiring oil & gas firms in Nigeria.

1.6: Scope of the study
The scope of this study is of three dimensions specifically; content scope, geographical scope, and unit scope. The study was delimited in investigating the effects acquisition on operating performance in the oil & gas sector of Nigeria. The variables on acquisition studied were acquisition of assets and of shares. On the aspect of operating performance of oil and gas firms' performance indicators such as gross earnings, ROE, ROA, Financial Leverage, and Assets Utilization were studied. The study was delimited to only two oil and gas firms' in Nigeria (geographical scope) specifically Seplat Plc & Oando Plc. The study covered the period of three years before acquisition and three years after the acquisition that is from 2012 to 2014, and from 2015 to 2017 hence the period of the study is six years (unit scope).

1.7 Significance of the Study

This research work is expected to broaden the understanding of Acquisitions. It will help decision makers like managers, consultants, regulators to know possible effects of acquisitions on operating performance of firms'. The findings will help them to analyze the pros and cons of acquisitions critically before accepting any form of corporate restructuring. The researchers and the academicians will find this study useful for further discussion and research. The recommendations and findings of this study will help the management of Seplat Plc & Oando Plc in Nigeria to understand the effects of acquisitions on operating performance so as to enhance their growth and success in their businesses.

Review Of Related Literature
2.1: **Conceptual Review**
2.1.2. **Meaning and concept of Acquisition**
Organizations over the decades have adopted mergers or acquisitions as a grand strategy of responding to environmental changes which have significant impact on their operating performance (OP). There are three legal procedure by which one firm can acquire another firm (Njoku, 2007), and these procedures are; through merger or consolidation, acquisition of share and acquisition of assets. Katty (2005) defined merger as the coming together of two or more firms to become one big firm while acquisition is the takeover or purchase of a small firm by a big firm; which are both pursuing akin purposes. Merger also refers to an amalgamation or 'a combination of two or more companies in which one acquires the assets and liabilities of

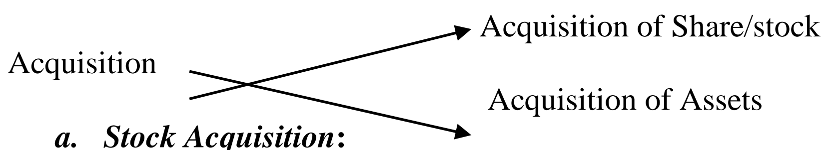
the other in exchange for cash' (Okafor, 2005). Acquisition, on the other hand is a business combination approach where the ownership and management of a distinct, independently operating entity is brought under the control (financial and operating policies) of a simple management and ownership. Consolidation is the same as a merger except entirely new company is created where both firms terminate (the companies are dissolved, and the assets and Liabilities are combined) their previous legal existence and become part of a new firm (Bigg and Perrins, in Omoye & Aniefor, 2016). An example is the 2006 consolidation that affected all the banks in Nigeria by reducing their number from 89 to 24 (CBN report, 2006)

Pandey (2005) defines acquisition as an act of acquiring effective control by one company over assets or management of another company without any combination of companies. Thus, in acquisition two or more companies may remain separate legal entities but the control of companies resides in one place. Acquisition could therefore be seen as a business combination in which ownership and management of independently operating enterprises are brought under the control of a single management and it could take any of three forms; mergers/consolidation, acquisition of stocks, and acquisition of assets (Amedu, 2002; Osamwonyi, 2002). The advantages of this form of acquisition (merger) are that it is the least costly to arrange; legally straightforward to package and understand, and it avoids the necessity of transferring title to individual asset of the acquired firm to the acquiring firm. The demerits are that merger must be approved by a vote of two-thirds majority of the shareholders of each firm. In acquisition, two or more companies may remain independent separate legal entities. According to Njoku (2007), acquisitions is a situation whereby one firm acquires the assets and liabilities of another firm, including the shares of the firm being acquired by exchanging for them on agreed ratio new shares in the acquiring firm. In acquisition, the management and ownership of target firm are brought under the control of the acquiring firm. In a merger arrangement, all the combining organizations except one ceases to exist and the surviving one retains its name. A similar arrangement took place in the banking sector of Nigeria between Ecobank and Oceanic bank on September 31, 2011. In merger, the board of director of both firms approved the combination and seeks the shareholders' approval.

An acquirer may be a company or persons targeting to hold substantial quantity of shares (*eg Seplat holds a 22.5% interest in OML 55 after its acquisition of Belema oil and the Nigerian National Petroleum Corporation holds the remaining 60 percent stake in OML 55)* or voting rights of the Target Company or gaining control over the target company *(e.g Intercontinental bank taken over by Access bank in 2011and Ecobank taken over Oceanic Bank (www. Oando Plc.com, Seplat.com, Ecobanknig.com, and Access Banknig.com*).

An acquisition may be affected by the following:

1. Agreement with the persons holding majority interest in the company management like members of the board or major shareholders commanding majority of voting power.
2. Purchase of shares in the open market.
3. Making takeover offer to the general body of shareholders.
4. Purchase of new shares by private agreement.
5. Acquisition of share capital of one company by either all or any one of the following form of considerations viz. means of cash, issuance of loan capital or issuance of share capital (Verma, 2010). There are basically two forms of acquisition Omoye & Aniefor (2016):



a. *Stock Acquisition*:

This involves the purchase of the controlling interest (51% and above) of the equity capital of another company in exchange for cash, shares, debentures or a combination of all these. Stock acquisition can be achieved through a private arrangement between the management of the companies, friendly acquisition and public offer between the management of one firm (predator) to the shareholders of another firm (prey) in some unfriendly transaction. The unfriendly acquisition can be very expensive. The then acquisition of controlling interest in Continental Trust Bank by Standard Trust Bank before the final merger with United Bank for Africa was an example of stock acquisition.

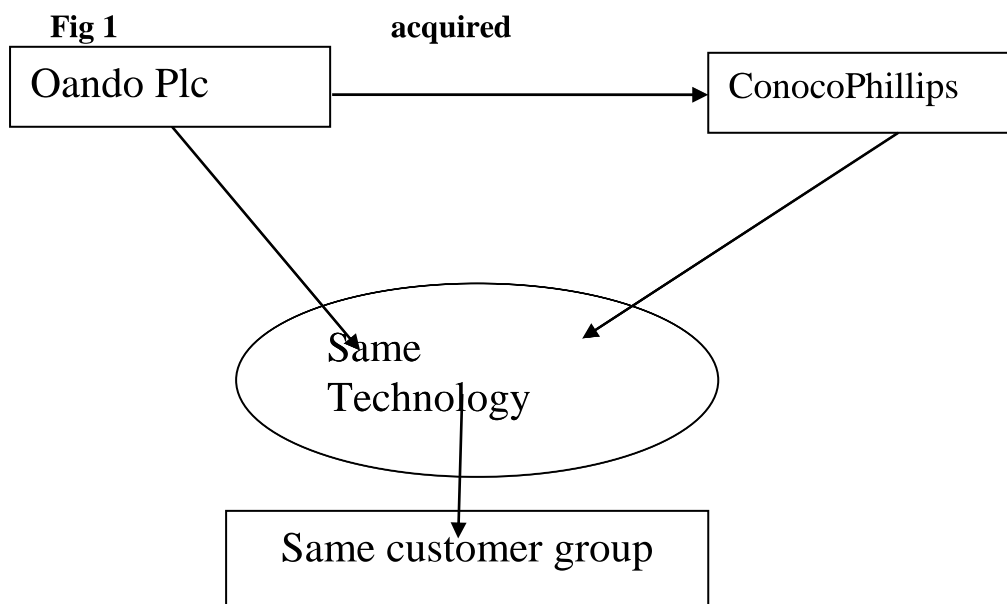
b. *Asset Acquisition*:

This involves a situation where one firm acquires the net assets of another company. Unlike the stock acquisition approach, asset acquisition involves transferring legal title of asset owned by the acquired company to the acquirer.
Mergers and acquisitions have been seen as a major grand strategy adopted by the firm in a bid to spread their tentacles, remain competitive and to break out of their geographical horizon. In his view, Nzotta (2002), sees acquisition as a process by which corporate entities not satisfied with internally generated growth, seek to combine the resources of independent corporate entities in the expectation that the synergy in their assets and other capabilities that may be unlocked by the combination will facilitate the creation of value for customers .
Therefore, acquisition is a strategic choice taken by corporate entities to achieve synergy they wouldn't have achieved if they were operating in a smaller scale. The synergies are: competitive advantage, increased market base, increased growth, profit, cost, and risk reduction, elimination of inefficient management and market power.

2.1.3. **Types of acquisition**
There are four types of acquisition. They are: Horizontal M&A, Vertical M&A, Concentric, and Conglomerate acquisition, Agunna & Madu (2008).

1. **Horizontal M&A**

This is the type of M&A in which two or more companies that engage in the same business, uses the same technology and may serve the same customer group combined together. An example is Seplat v Chevron Nigeria and Onado Plc v ConocoPhillips and the acquisition of Schweppes by Nigerian Brewery Plc. Diagrammatic representation of Horizontal merger and acquisition.



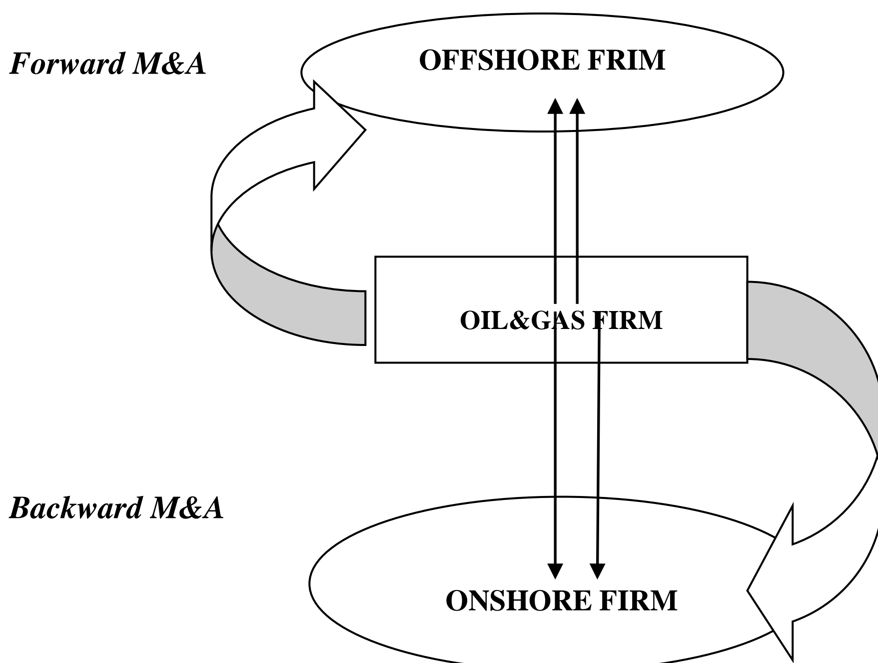
Source: From the researcher's Desk (2017)

From the above, Oando Plc and ConocoPhillips are in the same line of business (same oil and gas), they use the same technology in providing services to their esteemed customers and in all, and their target markets are related (individuals, corporate organizations, government etc.

2. **Vertical Acquisition**

Fig 2

Diagrammatic representation of vertical acquisition



Source: From the researcher's desk (2017)

This Acquisition arises in a situation when a company, who may not necessary, be in the same line of business, decides to acquire its suppliers of raw material or distributor of its final goods. Example: an oil & gas firm in the offshore sector may decide to merge or acquire with an onshore firm in the upstream sector. Such a move is BACKWARD MERGER OR ACQUISITION. Also, an oil firm in the upstream sector who wants to expand its product market may merge or acquire a firm in the downstream sector for the purpose of refining its crude oil and marketing of the final product. When a company makes such move, it is called FORWARD MERGER OR ACQUISITION. Before now, many banks where holding non-banking activities. In 2010, the CBN through its universal banking ordered banks to divest their non-banking activities or adopt a holding company structure in the event that they chose to retain their non-banking activities. The act led to acquisitions in 2013 &2014.

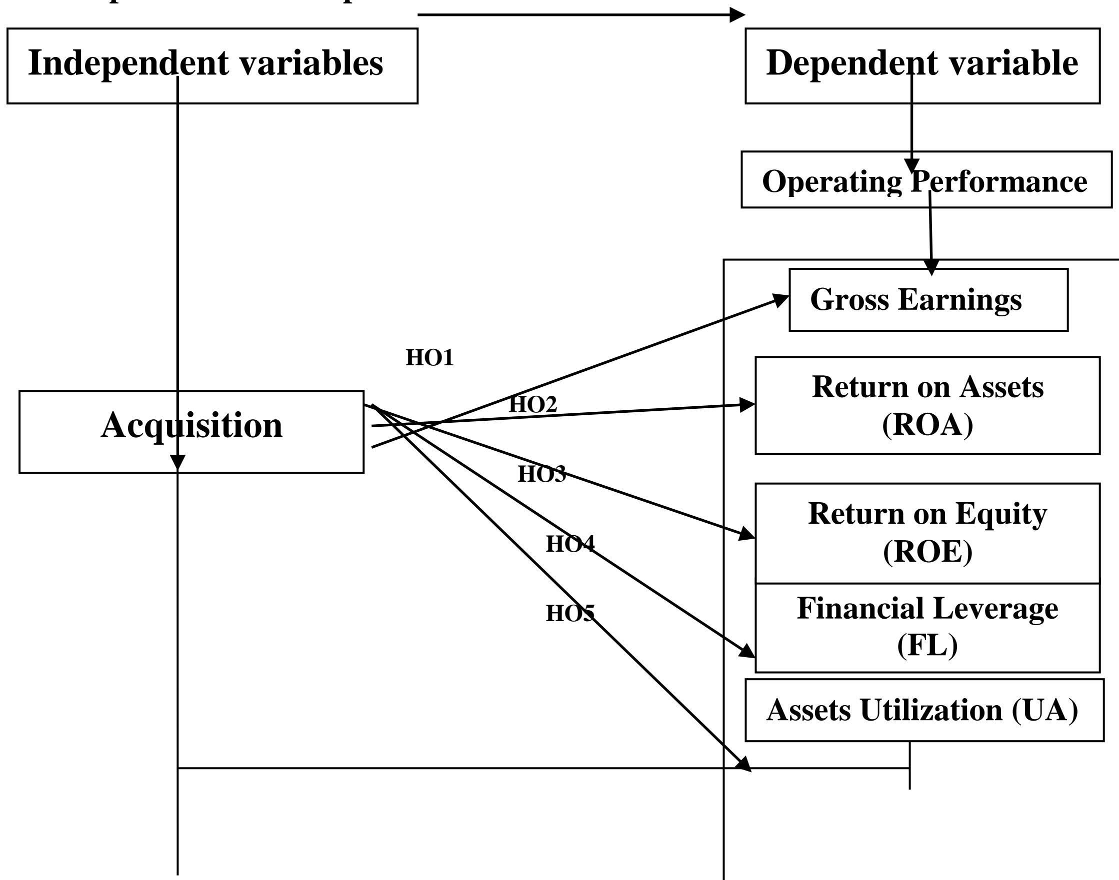
3. **Conglomerate Acquisition**:

This takes place when two or more companies are not related to each other either in customer functions groups or alternatives technologies combine to form an organization.

4. **Concentric Acquisition**:

When two or more organizations which are related to each other either in terms of customer functions, customers or alternative technologies, combine to form an organization, concentric merger or acquisition has taken place.

2.1.9: Operational Conceptual Framework



2 .2: **Theoretical Review**

This study used the Synergy theory, Agency theory and Efficiency theory in explaining the reasons why firms adopt Acquisitions as a strategic option.

2.2.1: **The Synergy Theory**

The synergy theory of merger or acquisition which was mentioned by Anosff in 1965, states that organizations embark on merger or acquisition in expectation of positive return for both the acquirer and the target. It then means that the main reason for merger or acquisition is synergy, where the two combined firms are expected to be greater than their individual entities, owing to reasons such as improvement in efficiency, financial and market power for the merged or acquired firms (Willamson in Oghurwu & Omoye 2016). It is assumed that the reason for merger or acquisition is value creation through synergy. It can be explained further in the following headings:

(i) Differential Managerial Efficiency

This is the most general theory of mergers or acquisitions that can be formulated. In everyday language, such a theory operates where the management of firm A is more efficient than the management of firm B and if after firm A acquires firm B, the efficiency of firm B is brought up to the level of efficiency in the acquiring firm. Differential efficiency would most likely be a factor in mergers or acquisitions between firms in related industries where the need for improvement could be more easily identified thus; it is more likely to be a basis for horizontal mergers or acquisitions.

(ii) Operating Synergy

This theory assumes that economies of scales exist in the industry and that prior to the merger; the firms are operating at levels of activity that fall short of achieving the potentials of economies of scale. It included the concept of complementary capabilities. Operating Synergy may be achieved in horizontal, vertical and even conglomerate mergers. For example, one firm might be strong in research and development (R&D) but weak

in marketing while another has a strong marketing department without the R&D capability. Merging or acquiring both firms will result in operating synergy.

(iii). Financial Synergy

This theory hypothesizes complementariness between merging or acquiring firms, not in management capabilities, but in the availability of investment opportunities and internal cash flows. A firm in a declining industry will produce large cash flows since there are few attractive investment opportunities. A growing industry has more investment opportunities than cash with which to finance them. These conditions will provide a basis for merging or acquiring. The merged firm will have a lower cost of capital due to the lower cost of internal funds as well as possible risk reduction, savings in floatation costs and improvements in capital allocation.

2.2.2: The Agency Theory of Merger or Acquisition

The Agency theory assumes that managers and shareholders have divergent interest because management and control of a company are separated. It therefore postulates that managers will not always try to maximize shareholders value but act in their self-interest and pursue private benefits. According to Mueller in Oghuvwu & Omoye (2016), empire building is a reason for conducting merger or acquisition. This is because a big company gives a manager more status and his salary will also increase. Hence, managers do not strive to maximize the shareholders' value of the company but pursue their own goals. Based on this theory, managers embark on merger or acquisition for their selfish interest and this will be investigated by this research work.

2.2.3: The Efficiency Theory

The efficiency theory of merger or acquisition states that merger or acquisition will only occur when they are expected to generate enough realizable synergies to make the deal beneficial to both parties. It is the symmetric expectations of gains which results in a friendly merger or acquisition being proposed and accepted. If the gain in value to the target firm is not positive, the target firm's owners would not sell or submit to the acquisition, and if the gains were negative, the bidder would not complete the deal. Hence, efficiency theory predicts value creation with positive returns to both the acquirer and the target.

2.3. Empirical Review

The relevance of this study is based on the following empirical studies:

In an empirical study of the effects of merger and acquisition on the performance of selected commercial banks in Nigeria by Onaolapo et al. (2014), the study led greater emphasis on gross earnings, profit after tax and deposit profile as financial efficiency parameters. In the study, seven Nigerian commercial banks were selected using convenience and judgmental sample selection methods. Data were collected from the published annual report and accounts of the selected banks and were subsequently analyzed applying regression analysis through statistical package for social sciences. The results showed that the post-merger and acquisition period was more financially improved than the pre-merger and acquisition period. Therefore, the study recommended that banks should be more proactive in driving for profit for enhanced financial performance to reap the benefit of mergers and acquisition bid in the Nigeria banking sector.

In another study of Mergers & Acquisitions and Financial Performance, Anderibum and Obute (2015) evaluated the outcomes of M&A on bank profitability in Nigeria. The study focused on the United Bank for Africa (UBA) Plc, spanning a period of 2000 - 2010. Using paired sample t-test, the study found a positive and significant relationship on the performance of commercial banks in Nigeria.

Omoye and Aniefor (2016) employed a longitudinal survey covering the period from 2007 to 2012 to assess the effect of M&A on organizations' profitability. Data for the study were analyzed using "McNemar" statistics. The findings from the study revealed that M&A has an influence on profitability ratios.

Njogo & Nwankwo (2016) studies the impact of mergers and acquisitions on the performance of deposit money banks in Nigeria. The research made use of secondary data, obtained from the bank's annual reports and statements of accounts covering a period of 2001-2010, Using nine (9) variables; Return on Assets, Return on Equity, Net Profit Margin, Asset Utilization, Equity Multiplier, Earnings per share, Debt-Equity

ratio, Debt Asset ratio & Leverage ratio, the study evaluated the performance of the banks before and after mergers and acquisitions using pair sample t-test. The results showed that there is a significant difference in the performances of Deposit Money Banks in the pre and post-merger periods using the ROA, ROE, and LR as a yardstick but show no significant impacts in the performances of Deposit Money Bank using other variables as a yardstick.

Olagunju and Obademi (2012), Onikoyi (2010) and Omah, Okolie and Durowju (2013) supported that banking organizations significantly improved their profit efficiency ranking after mergers and they agreed that mergers and acquisitions have helped Nigerian banks to wax stronger. Owolabi and Ogunlalu, (2013) argument and contrary view, was that it is not all the time that consolidation transforms into the good financial performance of the bank and it is not only capital that makes for a good performance of banks.

However, studies such as Ahmed and Ahmed (2014); Ashfaq, Usman, Hanif and Yousa (2014) argued that M&A have no effect on corporate performance. Ashfaq et al. (2014) investigated the effects of M&A on corporate performance, using descriptive statistics and paired sampled t-test. Their study revealed that performance declined following mergers and acquisitions. They further observed that organizations tend to loss strategic focus after the business combination.

Oberg (2014) pointed out that a major issue in post-mergers and acquisitions are the organizations' ability to establish continued customers' relationship and service quality. They pointed out that during M&A management focuses on the transactions alone while disregarding the effects on its customers

Johnson, Ernest and Samuel (2015) examined the impact of M&A on customer service quality of banks in Ghana. The study employed a descriptive and explanatory methodology, using analysis of variance and paired t-test for data analysis. The findings from their study revealed a positive impact of M&A on customer satisfaction through an improvement in organizations' service quality.

Shukla and Gekara (2011) asserted that M&A have a negative impact on customer satisfaction. The authors believe that M&A has resulted in management shifting profitability strategies to increased market power, thereby raising customer prices. Homburg and Burcerius (2005) evaluated the effect of M&A on customer satisfaction. The result from their study showed an unfavorable impact.

The study of Ahmed and Ahmed (2014) is also in conformity to the previous findings. They examined the impact of mergers on financial performance. The sample was drawn from selected manufacturing industries of Pakistan covering 2000-2009. Using paired sample t-test statistics, they found a negative relationship between mergers, acquisitions and firms' performance.

Pawaskar (2001) elucidated that the acquiring firms were at the lower end in terms of growth, tax, and liquidity of the industry, and the target firms performed better than that of the industry in terms of profitability.

Coontz (2004), in the study 'Economic Impact of Corporate Mergers and Acquisitions on Acquiring Firm Shareholder' stated that the companies failed to perform well after mergers and acquisitions in all parameters understudy; the performance was different from different industry; and the performance of a company depends on the type of industry in which mergers and acquisitions take place.

Martynova, Oosting and Renneboog (2006), in the paper 'The Long-Term Operating Performance of European Mergers and Acquisitions' analyzed the extent of European companies improved their profitability following the completion of takeover transactions of 155 European M&As completed during 1997–2001 and found that the profitability of the combined firm decreased significantly following the takeover. Means of payment, geographical scope, and industry relatedness did not have significant explanatory power on profitability. Companies with excessive cash holdings are negatively related to performance while acquisitions of relatively larger targets result in better profitability of the combined firm subsequent to the takeover.

2.4 Gap in the Literature

A lot of research has been done abroad and in Nigeria on various issues concerning mergers or acquisitions. A few studies which have been done in Nigeria centered more on the financial sector specifically the banking sector. This study aims to fill that vacuum efficiently. For instance, the researcher could not find

much literature on acquisition in the oil & gas sector of Nigeria. Last but not least, the researcher could not find any literature on the petroleum bill of 2017 that has reshaped the oil & gas sector leading to divestment, and acquisitions. Therefore, this study aims to fill these voids, by highlighting those lacunas through the use of T-test, in investigating the effect of acquisition on the operating performance of oil & gas firms' in Nigeria.

Research Methodology

3.1 Research Design

The study used the survey research design with an emphasis on longitudinal historical data. The choice of this design is to enable the researchers, study what has happened to both firms' performance over the period of 2012-2017. The relevance of the survey research method in this study, could be found in the words of Isaac and Michael "to answer questions that have been raised, to solve problems that have been posed or observed, to assess needs and set goals, to determine whether or not specific objectives have been met, to establish baselines against which future comparisons can be made, to analyze trends across time, and generally, to describe what exists, in what amount, and in what context." (Isaac & Michael, 2014).

3.2 Sample Size Determination

Purposive multi-stage sampling technique was used to determine the sample size. The different stages followed are shown in table 2.

Table 2: **Sampling Procedure**

Stage
Stage 1: Total of 7 firms under the oil & gas and service industries had gone into the acquisition deal during the financial year 2014–2015.
Stage 2: the whole 7 firms have completed acquisition deal during the financial year 2014–2015 and their financial information could be accessed.
Stage 3: Out of 7 firms, 5 firms fall under the oil & gas sector and remaining 2 firms fall under the service sector, hence 5 firms of oil & gas sector only are taken into account for further stages.
Stage 4: Out of 5 firms, full-fledged data are available only for 2 firms of oil & gas sector.
Stage 5: Hence, the final sample comprises 2 acquiring oil & gas firms (Seplat Plc & Oando Plc) in Nigeria.

The sample size is, therefore, made up of the two firms Seplat, Plc and Oando, Plc

3.3 Sources of Data

The study used secondary sources of data, which were collected from the audited financial statement of both firms' from the period of 2012-2017.

3.4 Validity of Instrument

Validity is the extent to which a measuring instrument measures what it tends to measure. The researchers made sure that the items selected from the financial statement were the once that relates to the variables under consideration.

3.5 Reliability of Instrument

Reliability, as explained by Ayanwu (2016), is the ability of a particular measuring instrument to yield similar results when applied to the same situation at different times. The audited financial statement of both firms' is reliable and can give similar results when used at different times. The reliability is based on the fact that the published financial statement of any company must follow the standard established by the law.

3.8 Method of Data Analysis

Simple percentage method was used in presenting and analyzing the financial figures of both firms' and the Sample T-Test was used in testing the hypotheses.

3.9 Decision Rule

a. Accept H_0 and reject H_1 if P-value >0.05
b. Accept H_1 and reject H_0 if P-value <0.05

4. Presentation, Analysis, Interpretation of Data And Discussions

4.1.1: Effect of Acquisition on Gross Earnings (GE)

GE is the difference between revenue and the COGS (cost of goods sold). It is a profitability ratio that measures the percentage of the gross profit margin in relation to sales. It also measures the efficiency with which the firm produces each unit of its products by discounting all operating expenses. It must be on the increase always (See Appendix II).

Table 1: Effect of Acquisition on Gross earning (GE)

	Pre-acquisition Performance			Post-acquisition Performance	
Year	**Seplat Plc**	**Oando Plc**	**Year**	**Seplat Plc**	**Oando Plc**
2012	**59.9%**	**1%**	**2015**	**45.6%**	**1%**
2013	**62.2%**	**1%**	**2016**	**30.6%**	**1%**
2014	**59.2%**	**1%**	**2017**	**46.9%**	**1%**

Source: Source: Researcher's Compilation from the audited financial statement of both firm 2012-2014 & 2015-2017.

From the table above, Seplat Plc was able to use 40.1%, 37.8%, and 40.8% cost to generate 59.9%, 62.2% and 59.2% gross profit in the pre-acquisition era. While Oando Plc used 99% of the cost in generating 1% gross profit. Comparing the performance of both eras, it is incontestable and incontrovertible to conclude that the pre-acquisition era was better off that the post-acquisition performance era.

HYPOTHESES ONE

Acquisition has not significantly improved the gross earnings (GE) of acquiring oil & gas firms' in Nigeria after acquisition.

Table 2

Variable	Gross Earnings ratio (GE) Mean	Std. Deviation	T-value	DF	Sig (2tailed)
Pre-acquisition	**30.67**	**32.513**	**1.888**	**5**	**0.118**
Post-acquisition	**21.17**	**22.807**			

Notes Compiled and edited from the financial statements of SEPLAT PLC & ONADO PLC. Analyzed with SPSS Package, Version 16. Significant at 5% level.

The computed T-Test proves that acquisition has not improved the operating performance (OP) of both firms in terms of excess sales proceeds over the cost of goods sold. The mean of gross earnings ratio (GE) in the pre-acquisition period is greater than the mean of the post-acquisition era and it is statistically not significant at 5% because **the P-value of 0.118>0.005).** Hence we conclude that acquisition has no effect on the gross earnings of acquiring oil & gas firms. The above means that the cost of goods sold to selling price has not gone down in the post era acquisition.

4.1.2: Effect of Acquisition on Return on Assets (ROA)

Return on Assets (ROA) is an indicator of the profitability of a company based on its total assets used to create income. Thus giving an assessment of the management of a given firm and how they generate earnings. It is a measure of efficiency. A high level of ROA means that the firm is capable of transforming assets into profits (See Appendix II).

Table 3: Effect of Acquisition on Return on Assets (ROA)

	Pre-acquisition Performance			Post-acquisition Performance	
Year	**Seplat Plc**	**Oando Plc**	**Year**	**Seplat Plc**	**Oando Plc**
2012	**0.12 (12%)**	**0.01 (1%)**	**2015**	**0.02 (2%)**	**-0.19 (-19%)**
2013	**0.42 (42%)**	**0.08 (8%)**	**2016**	**-0.06 (-6%)**	**-0.10 (-10%)**

2014	0.11 (11%)	0.21 (21%)	2017	0.10 (10%)	-0.03 (-3%)

Source: Researcher's Compilation from the audited financial statement of both firm 2012-2014 & 2015-2017.

From the table, one can say that the low returns on the investments motivated both firms to embark on acquisition. But it is unfortunate that the post era performance of both firms is catastrophic in a sense that the returns of on assets of both firms are insignificant when compared with amount invested by respective firms. Oando Plc for an example is having negative returns all through while Seplat Plc returns are both negative and insignificant.

Hypotheses Two

There is no significant effect of acquisition on ROA of acquiring oil & gas firms' in Nigeria after acquisition.

Table 4:

Variable	Return on Assets ratio (ROA)				
	Mean	**Std. Deviation**	**T-value**	**DF**	**Sig (2tailed)**
Pre-acquisition	**7.73**	**20.802**	**1.341**	**5**	**0.834**
Post-acquisition	**-4.33**	**9.973**			

Notes Compiled and edited from the financial statements of SEPLAT PLC & ONADO PLC. Analyzed with SPSS Package, Version 16. Significant at 5% level.

ROA shows the managerial capability in using the firm's assets in generating enough earnings. The ability to transform assets into profits from the above results shows efficiency on the side of management. The pre-acquisition mean (7.73) is far better than the post-acquisition mean of -4.33%. On the side of significance, the **P-value of 0.834>0.005** so it indicates that acquisition has not improved the return on investments in terms assets (ROA).

4.1.3: Effect of Acquisition on Return on Equity (ROE)

ROE measures the return on the shareholder's investments in a firm.

Table 5: Effect of Acquisition on Return on Equity (ROE)

	Pre-acquisition Performance			Post-acquisition Performance	
Year	**Seplat Plc**	**Oando Plc**	**Year**	**Seplat Plc**	**Oando Plc**
2012	**59%**	**1.92%**	**2015**	**4.3%**	**-1.22%**
2013	**75%**	**0.89%**	**2016**	**-12%**	**-1.8%**
2014	**18.9%**	**-1.14%**	**2017**	**17.6%**	**-1.01%**

Source: Source: Source: Researcher's Compilation from the audited financial statement of both firm 2012-2014 & 2015-2017.

Ideally, the joy of every shareholder should be to make N2 or more from any N1 invested. Again, for the shareholders to must have approved the acquisition deal is on the expectations that they will make more returns owing to the fact there will be a synergistic effect. Contrary to their expectations, the post-acquisition performance of both firms is heartbreaking (See Appendix II).

Hypotheses Three

Acquisition has not significantly improved the on ROE of acquiring oil & gas firms' in Nigeria after acquisition.

Table 6

Variable	Return on Equity ratio (ROE) Mean	Std. Deviation	T-value	DF	Sig (2tailed)
Pre-acquisition	**25.25**	**33.317**	**1.610**	**5**	**0.168**
Post-acquisition	**1.02**	**9.709**			

Notes Compiled and edited from the financial statements of SEPLAT PLC & ONADO PLC. Analyzed with SPSS Package, Version 16. Significant at 5% level.

From the above table, we can still observe that Equity holders earned more in the pre than the post-acquisition era. The earnings per share of shareholders, reduced drastically in the post era of acquisition and is not statistically significant since ***the p-value 0.168>0.05,*** hence we conclude that acquisition has not improved the operating performance (OP) in the area of ROE.

4.1.4: Effect of Acquisition on Financial Leverage (FL)

Debt/Equity ratio is a financial leverage ratio that measures the ability of a firm to meet long-term obligations as they fall due. Poor effective utilization of debt in the capital structure of a company will definitely result in financial distress. Hence the financial strength of a firm is assessed by looking at its debt ratio. The debt to equity ratio shows the percentage of company financing that comes from creditors and investors. A higher debt to equity ratio indicates that more creditor financing is used than investor financing (shareholders). A debt to equity ratio of 1 would mean that investors and creditors have an equal stake in the business assets. A lower debt to equity ratio usually implies a more financially stable business. Companies with a higher debt to equity ratio are considered more risky to creditors and investors than companies with a lower ratio. From the industry standard, a ratio of 1:1/1:2 is considered ideal Njoku, 2007) (See Appendix II).

Table 7: Effect of Acquisition on Financial Leverage (FL)

	Pre-acquisition Performance			**Post-acquisition Performance**	
Year	**Seplat Plc**	**Oando Plc**	**Year**	**Seplat Plc**	**Oando Plc**
2012	**1.36%**	**1.9%**	**2015**	**61%**	**1.9%**
2013	**42%**	**0.4%**	**2016**	**51%**	**8.9%**
2014	**41%**	**2.0%**	**2017**	**37%**	**14.2%**

Source: Source: Researcher's Compilation from the audited financial statement of both firm 2012-2014 & 2015-2017.

From the table, the long-term solvency of both firm is not stable. For Seplat Plc, 2012 debt profile was risky because the external claim on the company was higher than equity contribution, while 2013 (42% of debt financed by 58% equity) and 2014 (41% of debt financed by 59% of equity) was stable. But looking at the post-era (2015 & 2016), the firm's activities were more financed by debt (that is the capital structure). Based on the figures, one can say that Seplat borrowed heavily to finance it acquisition deal which resulted in an unhealthy situation affecting the profitability of the firm negatively since repayment of these borrowings and payment of the interest element will be made out of the profit of the company. 2017 sees more good for Seplat because its debt profile has reduced drastically by 14% when compared with the 2015 figure. So, 2017 debt/equity ratio for Seplat Plc is stable.

For Oando Plc, the firm is highly geared and thus is in a risky and unstable state both the pre-acquisition (expect 2013) and in the post-acquisition era. It means that external claims are higher than shareholders' contribution.

Hypotheses Four

There is no significant effect of acquisition on financial leverage of acquiring oil & gas firms in Nigeria after acquisition.

Table 8

Variable	Debt/Equity ratio (FL) Mean	Std. Deviation	T-value	DF	Sig (2tailed)
Pre-acquisition	**108.17**	**76.734**	**-1.466**	**5**	**0.202**
Post-acquisition	**441.50**	**580.131**			

Notes Compiled and edited from the financial statements of SEPLAT PLC & ONADO PLC. Analyzed with SPSS Package, Version 16. Significant at 5% level.

Looking at the financial leverage of the firm specifically the *debt/equity ratio*, it can be observed that **creditors** are having more stakes in the companies especially in the post-era acquisition (441.50%) than the pre-acquisition era (108.17%). It equally shows that the firm is *highly geared* based on the fact that borrowed money is high in relation to the net worth of the firm. The debt/equity ratio should be at a decrease from time to time so as to prevent external creditors from having more stakes in the company. So we conclude that acquisition has not reduced the financial risk of both firms since the **p-value 0.202>0.05.**

4.1.5: Effect of Acquisition on Assets Utilization (AU)

The Assets Utilization (AU) ratio with emphases on the Total assets turnover is an activity ratio that measures how efficiently a firm manages its assets. It measures management efficiency in managing the assets of the business, both fixed and current assets in generating sales. This ratio should be on increase from time to time so as to confirm efficiency in the utilization of all the assets. A ratio of 1:7 or 1:6 (0.50 upwards) is considered ideal (Njoku, 2007) (See Appendix II).

Table 9: Effect of Acquisition on Assets Utilization (AU)

	Pre-acquisition Performance			Post-acquisition Performance	
Year	**Seplat Plc**	**Oando Plc**	**Year**	**Seplat Plc**	**Oando Plc**
2012	**0.69 times**	**0.032 times**	**2015**	**0.19 times**	**0.029 times**
2013	**0.6 times**	**0.022 times**	**2016**	**0.07 times**	**0.013 times**
2014	**0.31 times**	**0.045 times**	**2017**	**0.17 times**	**0.025 times**

Source: Source: Researcher's Compilation from the audited financial statement of both firm 2012-2014 & 2015-2017.

Judging from the table, the evidence shows that even though the pre-acquisition era performance of both firms was below the industry average, the post-acquisition era is nothing to write home about.

Hypotheses Five

Acquisition has not significantly improved the Assets Utilization of acquiring oil & gas firms in Nigeria.

Table 10

Variable	Total Asset Turnover (TAT) Mean	Std. Deviation	T-value	DF	Sig (2tailed)
Pre-acquisition	**29.33**	**31.866**	**1.903**	**5**	**0.115**
Post-acquisition	**8.33**	**7.763**			

Notes Compiled and edited from the financial statements of SEPLAT PLC & OANDO PLC. Analyzed with SPSS Package, Version 16. Significant at 5% level.

Judging the firm's ability to use its acquired assets in driving up production and sales, it can be observed that the mean of the pre-AU (29.33%) is greater than the mean of the post-AU (8.33%) era. The position shows

that the firm was more efficient in generating sufficient production and sales in the pre-acquisition era than the post-acquisition period. Also the p-value of **0.115 > 0.05** hence, we conclude that acquisition has not significantly improved the operating performance (OP) specifically in the area of asset utilization (AU) because the firm was more efficient in the utilization of all the assets in the pre-acquisition than in the post-acquisition era.

4.3 Discussion of Findings

a. Gross Earnings (GE)

Looking at the first research question: has there been any significant effect of acquisition on gross earnings (GE) of acquiring oil and gas firms in Nigeria after acquisition? The answer to the above question is 'NO' because the gross earnings of both firms were better off before acquisition with the total gross earnings of 184.3% while total gross earnings after acquisition stood at 126.1% meaning cost of goods sold is at the high side. The research hypotheses **Ho_1:** Acquisition has not significantly improved the gross earnings (GE) of acquiring oil & gas firms' in Nigeria after acquisition was accepted since the P-value of 0.118>0.005. The acceptance of the **H_{01}** implies that the cost per unit of production has not gone done despite the acquisition deal. Ideally, one of the motives for acquisition or merger is to attain *Operational Synergism.* This is because a combination of two or more firms may result in cost reduction due to operating economies.

The environmental factors that could have led to the low gross earnings of both firms could be attributed to the vandalization of oil pipelines and the global fall in oil price. The above finding is in agreement with the study of Ahmed and Ahmed (2014) that examined the impact of mergers and acquisition on financial performance. Their study found a negative relationship between mergers, acquisitions and firms' performance.

b. Return on Asset (ROA)

From the financial statement analyzed we can say that (based on the second research question: to what extent has acquisition improved Return on Assets of acquiring oil & gas firms in Nigeria?) Acquisition has not improved ROA of both firms. This is because the managerial ability to turn assets into profit did not improve significantly in the post era. The pre-acquisition total for ROA stood at 46.8% while the post-era is -26%.

The research hypotheses **Ho_2:** There is no significant effect of acquisition on ROA of acquiring oil & gas firms' in Nigeria after acquisition was also accepted because of the P-value of 0.238>0.005. The acceptance of the **$H0_2$** implies that both firms are yet to benefit from the manufacturing synergism accruable from the combination of the core competencies of the Acquiring Company and Target Company in different areas of manufacturing, technology, design and development, procurement etc. The internal environmental factor that could be responsible for this poor performance might be incompetent, ineffective and unskilled management teams. The finding is supported by the study of Coontz (2004), who studied the 'Economic Impact of Corporate Mergers and Acquisitions on ROA & ROE' stated that the companies failed to perform well after mergers and acquisitions in the above parameters.

c. Return on Equity (ROE)

Answering the third research question (To what significant extent has acquisition improved Return on Equity of acquiring oil & gas firms in Nigeria?), the result shows that the shareholders' returns were better off in the pre-acquisition than the post-era. The figures for ROE in the pre & post eras stood at 154.55% and 5.87% respectively. By implication, acquisition has not improved ROE of acquiring firms after acquisition. On side of research hypotheses Ho_3: Acquisition has not significantly improved the on ROE of acquiring oil & gas firms' in Nigeria after acquisition, it was accepted due to the fact that the P-value of 0.168>0.005. The result implies that the shareholder's investments have not yielded any significant improvement since after the acquisition deal. Factors such as unstable oil price in the global market, vandalization of oil pipelines, insecurity, the high cost of capital, and inadequate local capacity can be attributed to this. The finding is supported by the study Ashfaq et al. (2014) that investigated the effects of M&A on corporate performance. Their study revealed that performance declined following mergers and acquisitions. They further observed that organizations tend to loose strategic focus after business combination.

d. Financial Leverage (FL)

Looking at the research question: Is there any significant effect of acquisition on Financial Leverage of acquiring oil & gas firms in Nigeria after acquisition? From the statistical calculated, the motive behind the acquisition deal in reducing the debt profile of both firm have been not met. The post-acquisition mean (174%) is higher than the pre-acquisition mean of 88.66%. So we can say that acquisition has no positive effect on the acquiring firms after acquisition. The fourth hypotheses states that Ho_4: There is no significant effect of acquisition on financial leverage of acquiring oil & gas firms in Nigeria after acquisition was accepted being that the P-value of 0.202>0.005. The acceptance of the $H0_4$ implies that acquisition has not reduced the debt profile of both firms. The high exchange rate and high rate of interest could be attributed to the above challenges. With this, the probability of insolvency has not been reduced due to financial instability. The above result is in agreement with the finding of Pawaskar (2001) who elucidated that the acquiring firms were at the negative end in terms of growth, debt, tax, and liquidity of the industry, and the target firms performed better than that of the industry in terms of profitability.

e. **Assets Utilization (AU)**

The last research question states that: To what extent has acquisition improved the Asset Utilization of acquiring (AU) oil & gas firms in Nigeria? From the calculated figures, the ability to use acquired assets in improving production or sales has not been met. The pre-era mean (177%) is higher than the post-acquisition mean (50%). So we conclude that acquisition has not significantly improved the asset utilization ability of acquiring firms. Judging from the hypotheses angel, $H0_{5:}$ Acquisition has not significantly improved the asset utilization of acquiring oil & gas firms in Nigeria since our P-value of 0.155>0.005. The $H0_5$ acceptance implies that acquisition has improved the assets utilization ability of both firms since acquired assets have not been used in driving up production in an effective and efficient manner. The likely reason to above deficiency might be inadequate local capacity.

5 Conclusions and Recommendations

Our findings didn't deviate from previous empirical findings that have concluded that merger or acquisition has a negative effect on the performance of firms. Our results suggest strongly that acquisition has not improved the operating performance (OP) of both firms' in the post-era acquisition in the area of gross earnings (GE), financial leverage (FL), return on equity (ROE), return on assets (ROA) and asset utilization (AU). Among some of the likely reasons that could account for this include hostility in the Niger Delta region which has led to pipeline vandalism, drop in oil price, loss of experienced top (middle and lower) executives through voluntary redundancy schemes, lack of proper roadmap scheme to ensure the effective implementation of the merger or acquisition strategy, inability to cash in fully on the synergies that the acquisition brings and improper handling of post-merger boardroom conflicts. Consequently, it is imperative for managers of merged or acquired firms to make conscious efforts to reap the benefits of acquisition because these benefits do not just occur.

Based on the inference, the following suggestions/prescriptions are put forth, which may help management of both firms' and policymakers to improve the OP of acquiring oil & gas firms' in the post-acquisition period.

a) Based on the decrease in factor 'gross earnings' (**GE**), management of both firms' should concentrate in controlling cost (purchase of raw material, and all other costs associated with production) so as to increase the returns of the owners' fund (equity holders).
b) The factor assets utilization (**AU**) did not improve in the post-acquisition era. Therefore, the acquiring oil & gas firms should either find a way of increasing their sales/production or dispose of some of the assets, especially those ones that create some bottlenecks in the production cycle.
c) The factor **FL** shows that both firms' are highly leveraged. Its implication is that the firms' creditors can push both firms into bankruptcy if their obligations are not fully met. Since the oil price cannot be predicted, both firms should diversify some of their operations in activities that are a bit stable, profitable and competitive.
d) The government should ensure that the relative peace experienced so far is being maintained to avoid pipeline vandalism which has an adverse effect on oil production. The government should also enforce law(s) to ensure that firms' financial statement reflect their true positions.

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