# BIDDER MOTIVATION AND LONG-TERM PERFORMANCE OF UK MERGERS

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**Abstract**

Earlier studies reported that bidders significantly underperform in the long-term post-acquisition period, but a growing body of literature shows that bidders' long-term underperformance is not an obvious phenomenon. Many theories exist regarding the motivation towards initiation of a corporate takeover by acquisition bidding. This study has examined three major motivations of corporate acquisitions (hostile, hubris, and synergy) separately and measured the market performance of bidding firm over a long-horizon period. Bidders and targets are identified from a sample of completed UK takeovers between the period 1990 and 1998 that accurately reflect a specific merger motive. The findings show that the performance in the post-acquisition period depends on the main driving force behind the acquisition. The conclusions presented in this paper add new evidence to the post-acquisition dilemma by postulating that the underlying motives behind the takeover is related to the performance of the bidder over the long-horizon.

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## I. Introduction

Many studies have examined the long-term post-acquisition performance of acquirers. Such studies relate the acquisition returns to factors such as the method of payment, bid premium, size, market structure, agency problem and industry while also applying different methodologies. Yet in the area of corporate control, several theories explain the rationale behind mergers and acquisitions. According to Berkovitch and Narayanan (1993) the 'empirical evidence is unable to distinguish clearly among these motives probably due to the simultaneous existence of all in any sample of takeovers'. Even though the empirical research in studying the wealth effects of mergers and acquisitions is extensive, only few studies made efforts to examine the specific management motives and their impact on shareholder wealth (Berkovitch and Narayanan (1993); Mukerjee and Baker (2004) and Williams et. al. (2008). However, none of them examined the long run wealth effect related to specific bidder motive.

Our paper examines three specific takeover motives: synergy, hubris and hostile takeover and measures the long-run stock performance linked to each motive. In order to examine the motive related long run wealth effect, we assemble a set of sample UK bidder firms with characteristics associated with underlying theories related to each motive studied. Therefore, this study is one of the major works that examines the long-horizon bidder returns relating to primary motive behind the bid. In addition, we examine a general bidder sample that is not linked to these three motives, so it is likely to reflect the past studies that have analysed long-term bidder performance without bidder motives. Furthermore, the performance of the three motive-related samples is compared against the matching samples constructed by size and industry.

The findings do not conform to the evidence that bidder firms usually underperform in the post-acquisition period. It is found that only hubris bidders do underperform in the long run, posting 9.44 percent of value loss relative to the market, based on cumulative average abnormal return (CAAR). The synergy related bidders have significant wealth increase of upto 20 percent relative to the market, while the hostile bidders have neither value gain nor loss over the long

run period. It is also found that hubris bidders' do not lose value if their performance is compared with the industry level. The results of this paper provide evidence showing that the market identifies with the underlying motive of the takeover and reacts differently with regard to the condition of the bidding firm and the specifics of the takeover bid.

The rest of the paper is organized as follows: the literature review is presented in Section II. Data and Methodology are described in Section III. Results are presented in Section IV and Conclusions are drawn in Section V.

## II. Evidence surrounding long-run bidder performance

Earlier works documented underperformance of bidding firms in post-acquisition period. This may not be due to wealth-deterioration from the merger, but from the method used to identify abnormal returns (Franks, Harris and Titman,1991). Agrawal, Jaffe and Mandelker (1992), however, found that the results of Franks, Harris and Titman (1991) may be sensitive to the study-period (1975-1984), as a small insignificant return of 2.8% is found over this window, whereas the mean abnormal returns are significantly negative (-10.26%) over the other periods. Loughran and Vijh (1997) and Rau and Vermaelen (1998) have found similar long-horizon results for US firms involved in a merger. Lately, it is found that synergy-motivated acquisitions produce higher-quality earnings in post-acquisition period (Charles and Markelevich 2008), which may support the idea that post-acquisition underperformance is not necessarily due to wealth destruction effect. Hence, the long run abnormal return is subject to the methods used (Barber and Lyon, 1997 and Lyon, et. al. (1999)

However, regardless of certain biases in abnormal return calculations, the earlier evidence largely leans towards under-performance by acquiring firms over a long-horizon period. The reasoning behind this evidence has been the focus on later studies. Loughran and Vijh (1997) suggest that acquirer paying by shares highlight to the market that these shares are overvalued and the market reacts accordingly. The authors report a lower average abnormal performance for bidders in equity bids as compared to cash-bids. Gregory (1997), Franks, Harris and Titman (1991), Franks, Harris and Mayer (1988) and Dodds and Quek (1985) report similar findings. It was found that agency problem also play role in post-acquisition underperformance. For example, Gondhalekar and Bhagwat (2003) found most managers of acquirers acted against the interest of shareholders after 1987 market crash when merger and acquisition activities were surged in US market. In a recent study, Scott et. al. (2009) found that market valuation has a significant influence on corporate acquisition decision of the firms where CEOs are on the board of directors and manager compensation package include no longer term incentive. These managers execute the merger and acquisition deal during the periods of high market valuation.

While researchers have been trying to find the causes of post-acquisition underperformance, a body of emerging literature shows that underperformance is not an obvious phenomenon. For example, Jakobsen and Voetmann (2003) found that abnormal returns calculated by buy and hold method results in upward bias estimate of long run performance, showing that Danish biddings firms do not underperform in the long run. Using stochastic dominance approach, Abhyankar and Keng-Hu (2005) found that UK acquiring firms do not underperform in the three years period after merger. Therefore, a shift in paradigm has been observed in merger and acquisition research with evidence of non-negative long run performance using different methods.

The review of major literature shows that factors such as the choice of methods, bidder characteristics, the market structure, agency problems, study period and the types of deals have been considered in examining the long-term performance of acquirers, However, there is no precise evidence on whether bidder motives also could play role in the behaviour of long run market performance. There are many motives behind the corporate acquisition decisions, but literature suggests three major motives of acquisition, e.g., Hostile, Hubris and Synergy.

### Hostile (Disciplinary Motive)

Theory indicates that poorly performing management with poor pre-bid performance will be subject to hostile approaches from more successful bidder firms. This occurs as disciplinary action taken by the investors. Takeovers are deemed disciplinary when the board of directors reject the deal proposed by the bidder and recommend to shareholders that the bid should not be accepted. The majority of research involved in examining disciplinary takeovers has identified targets with weak pre-bid performance while also examining managerial change within the target firm on completion of the acquisition. It is found that hostile takeovers increases in frequency with

the extent to which shareholder rights are protected and decreases with the degree to which workers' and banks' rights are protected (Schneper and Guillen, 2004). Nonetheless, managers of target firms often make efforts to deter hostile bids by taking various measures like share repurchase, amending firm constitution with anti-takeover provisions, paying extra dividend etc [Billett and Xue (2007), Masulis et. al. (2007) and Jo and Pan (2009)],

The evidence from US supports the disciplinary hypothesis where mediocre pre-bid performance is evident and removal of key management of the target occurs on completion of the deal (Martin and McConnell (1991), Agrawal and Walking (1994), and Denis and Denis (1995)). In Japanese market, no support is found for hostile bids with disciplinary motive in subsidiary reacquisition (Otsubo and Miyoshi, 2010). In the UK market, the evidence is however less conclusive. Franks and Mayer (1996) and Sinha (2004) find little evidence of poor target performance before the bid, which is in contrast to the findings of Kennedy and Limmack (1996). These UK studies do however report massive restructuring in target's top management to reduce managerial slack and inefficiency. Nevertheless, very little has been done to measure the long-term effects of hostile disciplinary bids on the bidder shareholders' wealth..

Our study measures the long-term post acquisition performance of the shareholders of bidders who have successfully completed a hostile takeover. A total of 31 hostile acquisitions are examined as identified by Acquisitions Monthly in the period 1990-1998. We hypothesise that the hostile bidder identifies an underperforming firm and removes the inefficient parts of the target, such as management and underperforming assets. From this, it is thought the performance of hostile bidders in the post-acquisition period will be beneficial to the shareholders.

## Hubris Management

Hubris is associated with overpayment and excess pride. It is argued that unnecessary optimism from bidder management in evaluating the deal, managerial overconfidence, CEO overconfidence and dominance in decisions and private gains lead to excessive premiums being paid [Roll (1986), Hietala et. al. (2003) and Rayna and Neal (2007)],. In addition, a hubris management conscious of potential competing bids ensures that the deal is accomplished irrespective of the cost. Therefore, hubris takeover eventually results in negative long run market performance for bidding firms during post-acquisition period. The long run underperformance of bidding frims, as discussed above, apparently supports the hubris motive. This has been further confirmed in Spain by findings of Matilde and Baixauli (2003) that acquisitions resulting in positive value gains are driven by synergy while those results in negative gains are driven by hubris. However, the new US evidence using NASDAQ sample seems to contradict with Spanish evidence, as Gondhalekar and Bhagwat (2003) found both synergy and hubris motives results in total positive gains.

Hubris is usually evident in a takeover deal when management believe that they are superior to the target's management and feel that this will be reflected in the post-acquisition performance of the company. In earlier studies by Lang, et. al. (1989) and Servaes (1991) examined the managerial and financial performance in bidders and targets firms and found that well-managed bidders benefit from large gains using tender offers. Holl and Kryazis (1997) showed that high-valued companies acquire lower-valued target companies with the aim of maximising corporate wealth. As expected a hubris management will likely be part of a large and successful firm with more free cash flow. Gregory (2005) found that acquirers with high free cash flow perform better than acquirers with low free cash flow.

Nevertheless, though some studies show positive gains for the bidder, the high premiums that arise from a hubris management will be detrimental to the overall value of the bid in the long run. This is possible because hubris management may overestimate the benefits from the acquisition and complete the deal with a very high premium. In effect, the excess premium will remove the potential gains from the takeover. Therefore, we hypothesize that long run returns to hubris bidders will be negative. Hubris bidders are identified by having high valuation ratios (book-to-market and price-to-earnings) that are greater than the bidder's respective industry average and also where the premiums paid to the target shareholders are substantially more than the 40% premium usually seen in the average acquisition (Jensen, 1993).

## Synergistic Takeovers

Jensen and Ruback (1983) and Healy, Palepy and Ruback (1991) note that where there are economies of scope and synergy, two firms combined will operate more effectively and are worth more together than when they are

separate. One of the objectives of this study is to examine takeovers that aim to produce benefits stemming from synergy and increased market share by acquiring a firm that operates in the same industry as the acquirer. Berkovitch and Narayanan (1993) find that 75% of their total sample of 330 successful tender offers has correlations that suggest that the synergy motive dominates and thus supports the reasoning that the most convincing intention behind an acquisition may be synergistic gains. Limmack and McGregor (1992), Seth (1990), Slusky and Caves (1991), Sudarsanam, Holl and Salami (1996), and Frank and Wamuziri (2004) studied takeovers that occur within the same industry and find synergy value effect for the combined firm in post acquisition period. This has been supported by later studies that found better operating performance for target firms in the US, Malaysia and India [Rahman and Limmack (2004), Kumar and Bansal (2008) and Fraser (2009)]. Areas such as related versus unrelated acquisitions, short-term returns, and evidence of operational synergies have already been studied.

This paper examines 37 takeovers where the main motive of the bidder is the pursuit of synergistic gains. Our study examines bidders that are large in size as it is expected that synergistic gains, if achieved, would be reflected more in large companies. Therefore, this study examines bidders that have a market capitalisation of above £500M with synergy being the motive for the bid. It is hypothesized that large bidders that pursue operational synergies will provide gains to its shareholders over the long-term period.

## III. DATA AND METHODOLOGY

### Data

The samples relating to specific motives behind takeover bids are from the period 1990 to 1998. This period is not affected by the credit boom of the first decade of new millennium, which has contributed to global financial crisis that started in 2007. Moreover, finding from this period helps us to compare new results with the studies reviewed, as majority of them studied the period contemporary to ours. Daily share price data were obtained from FT Prices, Sequencer and Extel. News searches to find the first announcement date of the bid and the information content of the bid were done by using McCarthy CD-Rom and Acquisitions Monthly.

This paper examines the long-term performance of a relatively large sample of acquiring firms, measured using abnormal returns. Secondly, the overall sample of acquirers is separated into the main underlying management motive behind the deal. Using pre-bid accounting data of the acquirer and acquired firm, we apply specific screening processes to identify the main motives behind the bid. As a result, the long-term performance of hostile, synergistic and hubris bidders are measured to determine whether differences exist amongst these samples and the impact each one has on the long-term wealth of shareholders.

### *Hostile Bidders:*

A sample of successful hostile takeovers by UK public firms are obtained where the target company's board rejected the initial bid and in turn recommended to their shareholders not to accept the bidders offer. This information is obtained from Acquisitions Monthly. The paper analyses 31 hostile bidding firms.

### *Hubris Bidders:*

We use valuation ratios and bid premium sizes as the measures to identify the sample of hubris bidders. Specific measures are applied to examine the evidence of hubris within bidding companies that were successful companies before the acquisition, and the effect the resulting hubris has on the shareholders. This paper attributes a hubris management to a firm that has operated very successfully in the past, and pays a large premium in an acquisition. Two ratios are used to identify companies that were successful before the bid; the market-to-book and price-to-earnings ratios are compared to that of other companies within the same industry. We examine companies with high ratios as compared to industry peers to indicate that the management is competent and successful. Thereafter a sub-set is formed, where high bid premiums are used as a proxy to identify a hubris management. The screening process identifies 15 hubris bidders.

### *Synergistic Bidders:*

Following Flanagan (1996), synergistic takeovers are identified when the bidder and target firms share the same three- or four-digit SIC code. Our study examines bidders that have a market capitalisation exceeding £500M as it is felt larger bidders will pursue larger targets in order to gain more from operational synergies. Subject to the above criteria, we find 37 bidders successfully acquired firms within their industry in the period 1990 to 1998.

Thereafter, a general sample of 48 friendly bidders, that are not associated with these motives, is also examined. We also form a matching portfolio that controls for industry, size and year. Each firm is assigned a control firm that is within the same industry (matched by 2-digit SIC code), and of a similar size in terms of turnover in the year of the takeover announcement. Once we identify a firm to match each bidder in our samples the next step is to treat each control firm as though it completed an acquisition at the same point in time as the bidder it is matched to. This process is carried out for each bidder. However, due to data constraints we could only identify 59 matching firms (19 firms matched to hostile bidders, 25 firms matched to related bidders, and 15 firms matched to hubris bidders). This method allows us to compare how these firms perform against a range of similar sized firms, matched by industry over an identical time-period.

## Methodology

When measuring abnormal returns Brown and Warner (1985) indicate that the sensitivity of returns is low with respect to the specific methodology used. However, this is not the case when measuring security returns over a long-horizon. Fama (1998) emphasizes that returns are sensitive to the model used to calculate the returns; the method of aggregating the returns; and also the test chosen to determine whether the impact of the event is significant. Many studies have used the market-model to calculate abnormal returns and suppose the returns are explained by a single factor – that of the market. However, other studies have noted that returns are better explained by other factors. Fama and French (1992) explain returns by two other factors, that of firm-size and book-to-market values. Whereas Gregory (1997) and Higson and Elliot (1998) use a 10 size-portfolio to measure long-run performance. A recent merger and acquisition study by Laabs and Schiereck (2010) applied Fama and French (1993) three-factor model to estimate wealth effect in short and long run. We find that these results are largely consistent with the prior studies using other models, particularly one factor model.

In this study, to assess the performance of the samples of bidder firms, we applied standard event study methodology (Dodd, 1980). Daily stock returns are defined as:

$$R_{it} = \left(P_{it} - P_{it-1}\right) / P_{it-1}$$

(Pi.t is the closing price on stock i at time t.)

The market return, (Rmt), is calculated by the return on the FTSE All-Share Index. Each bidder's abnormal return is calculated over each day of the post-acquisition period as:

$$AR_{it} = R_{it} - R_{mt}$$

The abnormal returns of the n bidder in each bidder group are collected to determine the average abnormal return for each day.

$$AAR_t = \sum_{i=1}^{n} AR_{it} \Big/ n$$

The final step is to calculate the cumulative average abnormal return over the long-horizon study period. The returns are examined for a period of 18 months before the first announcement through to 3-years post-bid. This period is similar to other studies examining the long-term performance of bidder firms.

$$CAAR = \sum_{-days}^{+days} AARt$$

Buy-and-hold abnormal returns are calculated as follows

$$\prod_{t=1}^{days} (1 + AR_{it}) - 1$$

To test the null hypothesis that the mean cumulative or buy-and-hold abnormal returns are equal to zero for a sample of n firms we employ the following two parametric test statistics as described in Barber and Lyon (1997):

$$TCAR = CARit / (\sigma(CARit)/n1/2)$$
$$TBHAR = BHARit / (\sigma(BHARit)/n1/2)$$

Where CARit and BHARit are the sample averages and σ(CARit) and σ(BHARit) are the cross sectional sample standard deviations of abnormal returns for the sample of n firms

## IV. RESULTS AND DISCUSSION

Table 1 details the CAAR performance of the bidder samples from a period of 18 months before the takeover initiation through to a period of three years after the first successful bid announcement. Table 1 also shows how the specific samples perform against firms matched by size, industry and year. Table 2 displays the BHAR over the same period.

### Hostile Bidders

The pre-bid performance is measured in the 18 months prior to the first public announcement of the hostile bid. Thereafter, the three years after the completion of the acquisition is examined. As seen in Table 1, the CAARt-18months-t-1month does not show much deviation from the market, the pre-bid BHAR shows a positive gain of 2.99% in this period, but is not statistically significant. The hostile bidder performance is relatively strong over the post-acquisition period of 3-years (CAAR of 1.95%), as compared to the benchmark (FTSE-All-Share Index). The BHAR is higher in this instance, showing that hostile bidder shareholders would gain 4.76% in the 3 years after the first takeover bid is announced. These results are not similar to Agrawal et al (1992) who found that acquiring firms in mergers earn significantly negative cumulative abnormal of 13.58% over the three years after the merger. Furthermore, Rau and Vermaelen (1998) reported bidders underperform by 15.23% compared to an equally weighted control portfolio. However, these authors look at general acquisitions and do not separate by motive. Nonetheless, our results provide a general support to Abhyankar and Keng-Hu (2005), who found that UK, in general, acquiring firms do not underperform in the three years period after merger. From our study, it is known that Hostile bidder also do not necessarily underperform. Also shown in Tables 1 and 2 is the performance of hostile bidders to that of their respective industry index and this once again shows that these bidders perform better over the study-period (CAAR of 1.59% and BHAR of 2.09%).

When studying long-term returns it is important to control for both size and industry. We also control for the year of the bid initiation and so match firms to respective bidders who were in the same industry and of similar size just before the takeover approach. As seen from Table 1, hostile bidders seem to underperform their peers in the pre-bid period (-5.11%). This result is worth noting, as bidders are typically firms that have performed consistently well. Underperformance may be attributed to the lack of investment opportunities the company has and a takeover is one method of rejuvenating performance. However, in the post-acquisition period, these bidders increase their performance and the CAAR at the end of the study period is significantly positive at 7.22%. We suggest that the reasoning behind these findings is that the hostile bidders have continued in the same vein as they approached the bid – in a ruthless manner. The hostile bidders have taken control of the target and have the momentum to continue making the decisions they feel are profitable for the organisation as a whole. This may differ from friendly takeovers where bidder management tries to incorporate the target in perhaps more amicable ways.

### Hubris Bidders

As expected from our detailed screening process, we would expect hubris bidders to have performed well in the pre-bid period. This can be seen from Tables 1 and 2 where the CAAR and BHAR for these bidders are 9.30% and 7.33% respectively for the pre-bid period of 18 months before the bid approach. These firms also slightly outperform their industry indices over the same time frame. Similarly, the hubris bidders outperform their matching counterparts considerably; CAARt-18months-t-1month is above 25%. However, this is not the case in the 3-year post-bid period. Hubris bidder shareholders lose by large amounts in this period, cumulative abnormal returns decline by nearly 17% from the announcement date and the post-bid BHAR is shown at -20.32%. These declines in performance are due to the bidder management suffering from hubris, paying an excessive premium for the target, and not being able to

create sufficient value from the deal to validate the takeover price. The post-period subjects the shareholders to losses and the large gain enjoyed before the bid is now lost with the CAAR being –6.67% at the end of the study period when compared to the matching sample.

### Synergistic Bidders

Tables 1 and 2 also present the performance of bidders involved in related takeovers. In the three years after the completion of the acquisition, bidding firms experience significant positive abnormal returns (CAAR of 16.11% and BHAR of 26.94%). Once again, this is in contrast to the studies of Agrawal et al. (1992) and Rau and Vermaelen (1998), but apparently consistent with Abhyankar and Keng-Hu (2005).

Agrawal et al. (1992) also looked at conglomerate (non-related) and non-conglomerate (related) deals. The authors report strong negative performance over the five-year post-acquisition period. Surprisingly, they find that non-conglomerate merger performance is worse than the conglomerate sample. In addition, their study considered the possibility that non-conglomerate mergers were then concentrated in industries that also underperformed in post-acquisition period studied. Abhyankar and Keng-Hu (2005) found that UK acquiring firms though, in general, do not underperform in the long run, but those bidders who pay excess premium may underperform in post-acquistion period.

Our paper also examines how the bidders in related takeovers have performed compared to the industry. We find that the bidders in related takeovers outperform its industry index by approximately 14% (CAAR) and 28% (BHAR) over the study-period. However, it must be noted that when comparing the related bidder to its industry performance it is assumed that the profile of the bidder is the same as that of the industry as a whole. However, usually the bidder is larger than the average company of the industry is, and therefore may affect our results. Overall, the findings are in contrast to that of Agrawal et al. (1992) but somewhat consistent with the findings of Walker and Hsu (2007), who found that related acquisitions by industry leaders are the most successful in terms of increasing the acquiring firm shareholder wealth.

To take into consideration that our sample of related bidders may be of various sizes and our results may be distorted, we matched similar sized firms in the same industry at the same point in time as the bid announcement, therefore ensuring no time-bias is prevalent. Once again as shown in Table 1 we find that our related bidder sample outperforms the matched sample by a substantial amount in the post-acquisition period (CAAR 26.90%). This study considers large related bidders and one possible explanation for the significant gains found is that large companies by acquiring sizeable competitors increase their market power, and this is perceived favourably by the market.

### General Sample

It was also important to test the performance of bidders that did not show any of the main motives we tried to screen for. The control sample (biddergeneral) returns are analysed to compare it to the returns of the different bidder samples this study examines. It is expected that the returns would be similar to that found in the previous studies of Agrawal et al (1992), Rau and Vermaelen (1998) and other studies where bidder shareholders significantly lose in the post-acquisition period. Tables 1 and 2 support this view and we find that the biddergeneral sample loses by around 15% over the study period.

## V. CONCLUSION

Majority of earlier evidence shown that the wealth of bidder shareholders significantly diminishes in the period after a takeover. This evidence raises the question as to why firms are drawn into the market for corporate control. The issue of acquisition wealth effect has become more puzzling when growing evidence report that underperformance is not an obvious phenomenon. This paper re-examines this important dilemma, with emphasis placed on distinguishing between the main underlying forces of the takeover. According to theoretical considerations, we devise specific screening processes to study three major merger motivations.

The results of this paper provide strong evidence showing that the market identifies with the underlying motive of the takeover and reacts differently with regard to the condition of the bidding firm and the specifics of the takeover bid. Disciplinary takeovers, in the form of hostile approaches, do not lose over the post-acquisition period. We hypothesize that the reason behind this is that hostile bidder ensures it gleans the best value from the target in a ruthless manner and also the takeover serves in displacing inefficient management. However, the excess premium that is usually a requisite to win control of the target, will moderate shareholder gains in this period. We also examine perhaps the most convincing

theory regarding mergers and acquisitions, that of increasing the efficiency and profitability of the firm through synergy. The market reaction was as expected, significantly positive over the long-term where the deal would result in greater market share, power and a larger customer base. This study also provides strong support that a hubris management, identified as being successful in the period before the instigation of the bid, is damaging to shareholder wealth. The losses found in the long-term study-period are due to management's overconfidence in creating value from the takeover, ensuing in an excess premium, thus transferring the value of the deal away from their own shareholders to those of the target.

By investigating specific acquisition motivations we provide evidence against the earlier view that bidders usually underperform in post-acquisition period, while documenting that acquisition motives play role in long run wealth effect. This evidence justifies the emerging view that bidders do not necessarily underperform in post-acquisition period. We find that the market reacts according to the underlying motive of the takeover and this is reflected in differing performance levels over the period studied. The results of this study have valuable implications for the stockholders of bidding firms. It is shown that hostile takeovers do not diminish the wealth of the bidder shareholders when approaching a target firm. The results of the hubris takeover show that shareholders need to be wary of their management, especially when the company has shown success in the past and the management participates in the market for corporate control. Acquisitions in the same industry are seen as a positive step towards improving performance. Overall, the results of this study provide distinctive insights into the market for corporate control, how these bidders perform over the long-term and the implications this has for the shareholders.

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| **Table 1.** | **CAAR Performance of Bidder Samples** | | |
|---|---|---|---|
| | *Against Market* | | |
| | Pre (-18 months) | Post (36 months) | Overall Period |
| Hostile | 0.0086 | 0.0195 | 0.0281 |
| Hubris | 0.093 ** | -0.1874 ** | -0.0944 |
| Related | 0.0416 | 0.1611 ** | 0.2027 ** |
| General | 0.0346 | -0.19 * | -0.1554 |
| | *Against Industry* | | |
| | Pre (-18 months) | Post (36 months) | Overall Period |
| Hostile | 0.0358 | -0.0199 | 0.0159 |
| Hubris | 0.0564 | 0.0048 | 0.0612 |
| Related | 0.0001 | 0.1415 * | 0.1416 * |
| | *Against Matched Firms* | | |
| | Pre (-18 months) | Post (36 months) | Overall Period |
| Hostile | -0.0511 | 0.1233 | 0.0722 |
| Hubris | 0.2507 ** | -0.3174 ** | -0.0667 |
| Related | 0.0095 | 0.2595 ** | 0.269 ** |

***, ** and * denote statistical significance at the 1%, 5% and 10% levels

| **Table 2.** | **BHAR Performance of Bidder Samples** | | |
|---|---|---|---|
| | *Against Market* | | |
| | Pre (-18 months) | Post (36 months) | Overall Period |
| Hostile | 0.0299 | 0.0476 | 0.0436 |
| Hubris | 0.0733 | -0.2032 ** | -0.1461 ** |
| Related | 0.0699 | 0.2694 ** | 0.4236 ** |
| | *Against Industry* | | |
| | Pre (-18 months) | Post (36 months) | Overall Period |
| Hostile | 0.0714 | 0.0013 | 0.0209 |
| Hubris | 0.0426 | -0.0092 | 0.0271 |
| Related | 0.0054 | 0.2135 * | 0.2862 |

***, ** and * denote statistical significance at the 1%, 5% and 10% levels

**Figure 1.** CAAR Performance by Bidder Motive (Against FTSE Allshare Index)