Essays in Corporate Finance and Corporate Governance: The Changing Environment for Mergers and Acquisitions

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Essays in Corporate Finance and Corporate Governance

The Effects of Corporate Governance Reforms in Japan on the Market for Corporate Control and M&A Activity

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Abstract

We analyze the effects of the introduction of new corporate governance regulations and regulatory reforms in Japan in 2004 on the market for corporate control and especially on mergers and acquisitions (M&A). First, we analyze M&A transactions in which bidder and target share the same financial advisor, a phenomenon most prominent in Japan during the period before and around the reforms. Surprisingly, we do not find significant evidence that capital market participants in Japan either expected or negatively valued potential conflicts of interest in these deals. However, there is some evidence that bidders paid lower premiums and advisors must have prearranged some of these transactions. We also observe a change towards a more capital-market-oriented corporate governance system in Japan with less dependence on bank debt, resulting in lower leverage, higher foreign shareholdings, and M&A activity after 2004. For bidder and target shareholders the magnitude of the valuation effects are now more similar to deals in the US and Europe. After regulatory reforms, several bidder, target and deal characteristics changed significantly. Overall, we provide some evidence for the period from 1990 to 2016 that after a challenging start due to the Japanese economic crisis and the Asian financial crisis, the corporate governance reforms in Japan in 2004 were effective by creating a more active market for corporate control as evidenced by higher M&A activity.

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1. INTRODUCTION

Historically, the financial and corporate governance systems in Japan were bank-dominated and quite distinct from the more capital-market-oriented systems in the US and the UK. One consequence of this structure is that the market for corporate control is usually less active. In Japan, this became evident through lower M&A activity (Milhaupt and West, 2003) and very few hostile takeover attempts (Puchniak and Nakahigashi, 2018). This changed at the end of the 1990s when new regulation such as increased transparency and better investor protection became effective and restrictions on foreign shareholdings were amended. Furthermore, financial market deregulation offered commercial banks' the opportunity to expand their activities into M&A advisory. As in most similar financial systems, the multiple roles of banks created severe conflicts of interest. For example, the main banks acting as lender and the predominant monitor in Japan had and still possess substantial information advantages and influence on management (Kojima et al., 2017; Miyajima et al., 2017). A unique example for such a conflict of interest are M&A deals in which a commercial (main) bank has outstanding loans to both parties (Van Schaik, 2008) and still advised both bidder and target at the same time. In those deals, the bank sometimes even prearranges the transaction for various reasons.

The introduction of the "Principles of Corporate Governance for Listed Companies" in 2004 was one element in the effort to reduce the conflicts of interest in the Japanese financial system and to position itself closer to a capital-market-oriented financial and corporate governance system. Following the recommendations of the Listed Company Corporate Governance Committee, the Tokyo Stock Exchange (TSE) introduced standards to *"provide a necessary common base for recognition, thereby enhancing corporate governance through the integration of voluntary activities by listed companies and demands by shareholders and investors"* (TSE, 2004). The main purpose of this development was to eliminate or at least considerably diminish the cross-shareholdings among listed companies, achieve more transparency

for investors and minority shareholders, and to attract a much broader and more international shareholder base.

The objective of our study is to investigate the effects that these regulatory reforms had on the quality of the financial and corporate governance system in Japan and in particular on the market for corporate control and in particular on M&A activity. We structure our analysis into two main parts. In the first part, we focus on the period before Japan implemented its corporate governance reforms and analyze specific deals in which the same investment bank simultaneously advised bidder and target firms, usually viewed by academics as a violation of any kind of good corporate governance. Such deals occurred mainly in the first period and hardly in the second period. Our research on this aspect contributes to the literature by extending the work of Mehrotra et al. (2011) who investigated M&As where bidder and target shared the same common main bank as advisor for the period 1992 to 2003 prior to the corporate governance reforms in 2004. For deals where bidder and target use the same financial advisor, the valuation effects do not differ significantly from M&A transactions with different advisors. It seems that some of these deals were prearranged transactions to deal quietly with the targets' financial difficulties and the banks' credit exposures. We add to the increasingly important topic of "common owner / advisor", for which limited empirical evidence exists. We also discuss the potential conflicts of interest that arise from common ownership or common advisory.

In the second part, we focus on the success of the corporate governance reforms in Japan by comparing several variables between the periods before and subsequent to the reforms. Our study also addresses implicitly the question of how long it takes until new political goals and regulatory changes are fully absorbed and reflected in the financial and corporate governance system as well as in the market for corporate control.

We analyze a sample of 628 Japanese mergers and acquisitions (M&A) that occurred between 1990 and 2016. We compare various aspects of M&A deals during the years before and after the implementation of new corporate governance regulations. We find insignificant bidder announcement returns for both periods, and significant positive target returns, but relatively higher returns in the second period, with similar magnitude as in western countries. We suggest that the market for corporate control advanced towards more capital-market-oriented corporate governance standards as the market reaction to M&A announcements now is similar in Japan. We also provide empirical evidence that several bidder, target, and deal characteristics changed subsequently to the corporate governance reforms around 2004. In fact, companies seem to have reduced their leverage, indicating weakening bank-ties during the period from 2005 to 2016.

We structure the rest of this study as follows. In the next section, we review the literature with respect to financial and corporate governance system in Japan, the changes in the ownership structure of Japanese firms as well as the role of investment banks in M&A transactions prior to and subsequent to the reform, resulting in our six main hypotheses. In section 3, we describe our sample and methodology. Section 4 contains our empirical analysis and the results when bidder and target share the same financial advisor. In section 5, we analyze and report the valuation effects of M&A transactions before and subsequent to the reforms in Japan. Finally, we examine the effects of corporate governance and regulatory reforms on bidder, target and deal characteristics. Section 6 concludes.

2. LITERATURE REVIEW

In this section, we review and discuss the Japanese financial and corporate governance system (2.1), the ownership structure and the market for corporate control in Japan (2.2) as well as the role of investment banks in domestic M&A transactions (2.3).

2.1 Financial and Corporate Governance System in Japan

Historically, the Japanese financial system was classified as an archetype of a bank-based system (Charkham, 1994; Jackson and Moerke, 2005) and to some extant similar to that in Germany. These systems were in contrast to the capital-market-based systems in the US and the UK. For decades, these two archetypes constituted the opposite extremes of the spectrum of financial market and corporate governance systems. Since the beginning of the new millennium, both extremes evolved closer to each other. The US abandoned Glass-Steagall (Banking Act of 1933), ending the separation of investment and commercial banking, which may have resulted subsequently in more risk taking (Neal and White, 2012). During the same period, Germany initiated a number of reforms.[1] As the US and German cases suggest, even well intended changes take some time to deliver the intended positive effects if they occur at all. Moreover, they are risky and associated with high adjustment costs and agency problems as the reaction and behavior of market participants are difficult to predict. Hence, it is interesting to analyze how well and how quickly the Japanese financial and corporate governance systems benefitted from these reforms.[2]

One critical aspect of the Japanese financial system was the high bank-dependency of companies and the different roles banks performed (Prowse, 1992). Important regulatory reforms intended to bring the financial system closer to a capital-market-based organization occurred in Japan in 1998 and 2004 (Hoshi and Yasuda, 2015; Kojima et al., 2017). Historically, banks had primarily financed the rebuilding of the industry after the World War II, and

[1] Germany introduced new capital market reforms and corporate governance regulation, intended to advance equity financing and reduce the banks' dominance. Consequently, German banks sold their equity stakes in industrial companies, limited their supervisory board seats, and abandoned the proxy voting for their mutual fund customers (Rapp and Strenger, 2015). This dramatically changed the structure of the German financial system and the financing behavior during the next decade (Bessler and Drobetz, 2015). Initially, this also resulted in a corporate governance vacuum that active hedge funds were eager to exploit (Bessler et al., 2015).

[2] Corporate governance indices indicate that Germany and Japan had similar starting points with a strong bank-orientation when they began adjusting their corporate governance systems (LaPorta et al., 2000; Aoyagi and Ganelli, 2017).

in the following decades, they were mainly supporting the interests of creditors (Morck et al., 2000). Because of this company-bank interdependency, banks implemented monitoring and control systems to prevent managers from making too risky investments (Aoki, 1994). Eventually, the bank would even rescue the financially distressed companies to ensure that creditors received their money back (Miwa and Ramseyer, 2002). There is some evidence that banks prearranged mergers at the end of the 1990s for similar reasons (Mehrotra et al., 2011). Consequently, stability and growth were the dominant objectives banks had for most companies in Japan rather than shareholder value maximization (Kester, 1992; Charkham, 1994; Ueda, 2015).

Japanese banks were not only debt holders but also equity holders in non-financial companies (Berglöf and Perotti, 1994; Morck et al., 2000; Brodeur, 2017). Even though banks could not hold more than five percent of the shares of a non-financial company, the close relationship resulted in insider control and insider-dominated boards with strong bank influence (Morck et al., 2000; Mehrotra et al., 2011; Kojima et al., 2017). In contrast, industrial companies were not restricted to the five percent hurdle, resulting in horizontal cross-holdings among industrial companies, deterring unwelcomed M&A attempts. Moreover, companies owning shares of their debtors and creditors formed large industrial groupings, called the *keiretsu* corporate networks, in which organizational lines became unclear (Kester, 1992). There were times in the late 1980s and early 1990s when these conglomerates comprised almost half of the top 200 Japanese companies (Weimer and Pape, 1999). The power of auditors and the monitoring by outside shareholders in the *keiretsu* was relatively weak. Often, the lead bank was the only monitor, which internalized the market for corporate control and served as the only disciplining mechanism for a company's management (Aoki, 1994; Berglöf and Perotti, 1994; Miyajima et al., 2017). Despite the increase in external monitoring and the higher presence of institutional investors, the main banks still play an important role in the corporate governance system in Japan (Kojima et al., 2017; Miyajima et al., 2017).

Another important aspect in the governance reform process was the internationalization of the investor base and the introduction of new guidelines. As in most countries, the financial institutions themselves face tight national and international regulation. In the 1990s, however, Japanese banks still enjoyed their dominant status at home, as foreign banks and financial institutions could not easily engage in the Japanese banking and securities markets. This affected the structure of the financial and corporate governance systems and is one explanation for the low M&A activity and the lack of hostile takeovers in Japan (Charkham, 1994; Mehrotra et al., 2011; Puchniak and Nakahigashi, 2018).

To satisfy the demands of foreign investors, the regulators reacted with a bundle of regulatory changes (e.g., Securities and Exchange Law, Law on Foreign Securities Firms, Investment Trust Law, J-SOX). Consequently, foreign investors were allowed to increase their stakes in Japanese companies by replacing banks. There was some strategic hesitation in this process during the late 1990s financial crisis (Karolyi, 2002; Yoshikawa et al., 2007). Another major effect resulted from the reform of the Japanese Commercial Code in April 2003, requiring firms to increase the number of outside auditors and to publish, among other things, detailed quarterly reports about parent as well as subsidiary entities (Nakamura, 2016). Nevertheless, the reforms allowed companies to choose between a statutory auditor and a committee system. This lead only to a partial and gradual adoption of Anglo-Saxon corporate governance practices (Ovsiannikov, 2017), creating to some extent an inconsistent corporate governance structure, at least from the perspective of by US standards (Yoshikawa et al., 2007; Nakamura, 2016).[3]

Besides the Japanese Commercial Code, the introduction of the "Principles of Corporate Governance for Listed Companies" by the Tokyo Stock Exchange in 2004 (Ovsiannikov,

[3] Thus, the organizational structure is only with respect to some aspects comparable to the German two-tier system as, for example, at least one auditor has to be appointed full-time.

2017) contributed to a new corporate governance system having some positive effects. These voluntary guidelines for listed companies aimed at reducing cross-shareholdings and at strengthening the rights of outside shareholders. Like the simultaneously published update on the "Principles of Corporate Governance" of the OECD, they included more rights and equitable treatment for shareholders together with more transparency to attract a broader and more international shareholder base. Bauer et al. (2008) find support for this idea as they observe a higher corporate performance for companies with better corporate governance, especially disclosure and shareholder rights. In our empirical analysis in section 5, we are interested in analyzing whether the introduction of the "Principles of Corporate Governance for Listed Companies" lowered the bank-dependency of Japanese firms as evidenced by lower debt ratios subsequent to the reform in 2004.

2.2 Ownership Structure and the Market for Corporate Control

One aim of the regulatory and legal reforms in Japan in 2004 was to advance the corporate governance system and the market for corporate control to international standards by improving the ownership and monitoring structures (Yoshikawa et al., 2007). This required reducing the equity cross-holdings between industrial companies and the holdings of banks in industrial companies and vice versa. Another prerequisite was to attract more foreign financial and corporate investors. The changes of the ownership structure of Japanese firms during the period from 1970 to 2016 are presented in *Figure 1*, revealing some success in achieving the stated objectives.

Figure 1 – Development of Share Ownership by Type of Investor

Since the beginning of the 1990s, we observe substantial changes in the ownership structure of Japanese firms. Foreign institutional investors' equity holdings at the Tokyo Stock Exchange increased considerably from 4.9% in 1970 to 30.1% in 2016, a development

that begun already at the mid-1990s (Karolyi, 2002; Prodeur, 2017). Additionally, private investors delegated some of their direct investments in Japanese companies (from 37.7% to 17.1%) to professionally managed diversified investment funds in trust banks (0.0% to 19.6%). Their fund managers act as institutional investors being in rivalry with each other by competing for performance. Most importantly, trust banks replaced (from 32.9% to 11.0%) the ownership and the long-term and patient approach of the city and regional banks as well as of insurance companies and investment banks (Schaede, 2008). The main bank system already had lost some importance due to the banking crisis in 1997, resulting in banks selling their cross-shareholdings (Mehrotra et al., 2011). Furthermore, the deregulation of the financial system caused by the "Japanese Big Bang" in 1998 (Gibson, 2000) motivated large companies to substitute bank debt with capital market debt. Nevertheless, the main bank continues to perform an important role in monitoring and disciplining management (Kuroki, 2003; Baxter, 2009; Miyajima et al., 2017). Overall, the holdings of financial institutions, foreigners, and corporations remain rather stable at about 55% in the period from 2004 to 2016. Analyzing the statistics for 2016 (TSE, 2017) suggests that networks are still in place as corporations continue to hold a substantial 22.1% in other corporations. Interestingly, the Bank of Japan advanced as an important shareholder recently as they became, for monetary policy reasons, the primary investor in ETFs in Japan increasing the quarterly ETF purchases from about 0.1 trillion in 2011 to more than 1.4 trillion Japanese Yen at the end of 2016 (Barbon and Gianinazzi, 2017).

Viewed from a corporate governance perspective, domestic and international institutional investors now own about 45% of Japanese equities, which should be sufficient for creating an effective market for corporate control. Moreover, hedge funds activism surfaced in Japan at the beginning of the new millennium, completing the full spectrum of active shareholders and possibly improving the market for corporate control in Japan further (Buchanan et al., 2012; Hamao and Matos, 2018). In addition, corporations (22.1%) and main banks

(11.0%) could also act as monitors, although for different reasons. However, these may be the weakest link in the market for corporate control due to the well-known inherent agency problems. Finally, private direct investors (17.1%), which classify as minority shareholders, exert less control but require good protection in an efficient corporate governance system (Franks et al., 2014). Given all these changes in ownership and incentive structures and monitoring capabilities, we expect that the outcome is a better-functioning market for corporate control in Japan.

Another reason for Japan actively supporting a more shareholder-oriented market for corporate control was to prevent losing additional market share to London and New York. These capital markets are attractive to international investors, as they not only provide the legal framework but also the institutional setup for outside ownership (Cetorelli and Peristiani, 2013; Franks et al., 2014). For this, policymakers reduced barriers of entry for foreign investors seeking acquisitions of Japanese firms (Ahmadjian and Robbins, 2005). In general, buying and selling shares became easier for domestic and foreign companies and institutional investors. As a result, Japan's financial markets turned more global at the end of the 1990s with a more active market for corporate control (Milhaupt and West, 2003). Already starting in 1997, revisions of the Commercial Code made it possible to swap stocks as a method of payment to complete a merger, offering companies a variety of options for reorganization through M&As (Schaede, 2008). Further, stock market regulatory changes liberalized international capital flows and facilitated friendly and hostile takeovers, leading to more M&A activity (Mehrotra et al., 2011) and more competition among Japanese companies in the market for corporate control (Nakamura, 2016). In our empirical analysis in section 5, we examine whether these corporate governance changes lead to a more active market for corporate control as well as to more hostile takeovers.

2.3 Role of Investment Banks as Common Financial Advisors

With less regulated and more competitive markets, fee income and consequently bank income declined simultaneously with weakening bank market share (Karolyi, 2002; Hoshi and Yasuda, 2015). Consequently, banks expanded their activities acting not only as underwriters but also becoming advisors in acquisitions, generating the necessary fee income to compensate for the lower income in their traditional lines of business (Schaede, 2008; Mehrotra et al., 2011). Maximizing their future income, banks had an incentive to manage their league table ranking. In the future, this strategy could require lowering fees but also attracting more clients. However, with more clients banks run the risk of providing lower quality of some services (Derrien and Dessaint, 2018). Still, banks in general and the main banks in particular maintained a competitive advantage by possessing more information about the company relative to "outside" institutions as they still have access to a pool of private information acquired through past transactions (Fama, 1980; Kutsuna et al., 2007; Kojima et al., 2017).

Table 1 lists the top domestic and foreign investment banks involved in M&As in Japan. According to the number of deals, Japanese domestic banks are dominating the M&A market. These banks often belong to a larger conglomerate and as a result offer advisory services in M&A transactions besides their typical lending business. Ranked by deal value, US investment banks are the leading advisors in M&A transactions during the 1998 to 2004 period. The investment banks Goldman Sachs & Co. and Bank of America/Merrill Lynch advise Japanese bidders with a total volume of over 300 billion USD (Panel A). The largest Japanese investment bank ranked by value is Nomura in third place with a volume of advised deals of nearly 100 billion USD. Ranked solely by the number of advised transactions, Nomura ranks first place with 87 deals in total during the period from 1998 to 2004. In the latter period, 2005 to 2016 (Panel B), Nomura is the top investment bank; it advises the highest number of deals and has the highest advised transaction volume with almost 170 billion USD. Compar-

ing the average deal values suggests that foreign banks are advisors in the larger deals whereas Japanese banks are more often involved in relatively smaller deals.

Table 1 – M&A League Tables of Transactions with Japanese Bidder

Banks acting as lenders naturally have the top priority of getting loans repaid. This could result in tremendous conflicts of interest between the bank as debt holder and the equity holders of the company (Hoshi et al., 1990). In M&A transactions, this conflict of interest may become even more severe as the bank has an incentive to transfer its loan risk from weak to strong debtors (Ivashina et al., 2009; Higgins, 2013). For a worldwide sample of 28,234 mergers (1992 to 2005), Ivashina et al. (2009) find that firms with relative high bank lending are more likely to become takeover targets. One possible explanation, among others, is that the bank offered private information to clients that are potential acquirers. Consequently, the disciplining role of banks and bank debt is likely to become even more controversial in the future as commercial banks are more and more involved in investment banking and merger activities (Ivashina et al., 2009). Whether the competition from foreign and especially US investment banks will mitigate these agency problems or even amplify them, is open for debate.

2.4 Hypothesis development

2.4.1 Investment Banks as Common Advisor in M&As

Based on the literature review and the discussion in the previous sections, we examine in section 4 all Japanese M&As in which investment banks acts as advisor to both the bidder and the target, or, in general, maintaining simultaneously business relations with bidder and target. There are only a small number of such transactions documented for other countries as they mainly occurred in Japan. Agrawal et al. (2013) analyze 98 such M&A transactions in the US between 1981 and 2005 and report that these deals take longer to complete and provide lower

premiums to target shareholders. They interpret their results as a confirmation of the conflict-of-interest hypothesis favoring the bidding party as the bidder usually is the surviving company. In contrast, Chen et al. (2017) find for firms headquartered in the US that common bank relations lead to higher merger gains as combined shareholder value increases. They argue that common bank relationships improve merger synergy by reducing information asymmetry, which results from collecting private target information and handing them over to the potential acquirer. In contrast, Mehrotra et al. (2011) find lower merger gains in Japan when merging firms share a common main bank. They explain their findings for a sample of 91 M&As between 1982 and 2003 with the banks' primary motivation to protect its own interests as lender not acting in the interest of bidders or targets.

From this discussion, two important questions emerge: 1) why do Japanese firms use the same advisor in M&A transactions, and 2) what are the benefits and costs when bidder and target share the same financial advisor? We argue that sharing the same financial advisor in general may not cause problems because of historically grown networks in Japan that are (were) present. Our notion is that we observe common advisors in Japan when the target is in financial trouble and the bank prearranges the acquisition as it does business with both companies. It is conceivable that the banks get only actively involved in this restructuring process when the bank is interested in minimizing its own losses from non-performing loans. In this case, and in contrast to Agrawal et al. (2013), it should not take more time to complete the deal, as there is no reason to hesitate in preventing bankruptcy. We also expect, in general, contrasting results compared to Agrawal (2013) as this study covers the US, the country with the highest corporate governance standards, whereas our study focuses on the period before the corporate governance reforms in Japan, which by academic standards was a weak corporate governance environment. Furthermore, the corporate governance changes were implemented on (outside) pressure of international investors and in order to attract a more interna-

tional shareholder base. We investigate these questions by testing the following four hypotheses:

H1a. Transactions with the same financial advisor should occur less often after the introduction of the "Principles of Corporate Governance for Listed Companies".

H1b. Sharing the same financial advisor should reduce the time to deal completion.

H1c. Due to the unique culture in Japan of stable and long-term relationships, sharing the same financial advisor may not disadvantage any of the M&A participants

H1d. A key determinant in the decision for sharing the same financial advisor is the investment bank itself as it prearranges M&A transactions between stronger bidders and weaker targets to deal with their own interests as creditor. Thus, we should observe the same financial advisor primarily in combination with distressed targets.

2.4.2 CG Reforms and Changes in the CG System

We now focus on the long-term effects of the reform efforts. A main objective for the introduction of new corporate governance rules was to lower the bank-dependency of industrial companies, advancing the financial system from a more bank-based system closer to a more capital-market-based system. With more pronounced equity-dependence, debt-holdings of industrial firms should decrease. In Section 5, we examine whether the CG reforms resulted in a better CG system by analyzing the potential changes in firms' bank-dependency. Following the arguments above, we derive the following hypothesis:

H2. The introduction of the "Principles of Corporate Governance for Listed Companies" lowered the firms' bank-dependency resulting in lower corporate bank debt (lower leverage) after 2005.

Moreover, we investigate whether the CG reforms led to a more active and effective market for corporate control. Less cross-shareholdings and a more international investor base as well as a more shareholder-oriented organization should lead to a more active market for corporate control. Further, liberalized international capital flows should facilitate friendly and hostile takeovers. This results in the following hypothesis:

H3. Changes in the corporate governance system resulted in a more active market for corporate control as well as a higher fraction of hostile takeovers in Japan.

3. DATA AND METHODOLOGY

3.1 Sample Description

Our sample analyzes M&A activities in Japan for the period between January 1990 and December 2016 (*Figure 2a*). In contrast to other countries, especially the US, we do observe only one single merger wave in our sample period (Betton, 2008; Mehrotra et al., 2011; Alexandridis et al., 2017). The data comes from the Thomson Eikon Dealscreener M&A database. Accounting data and returns are taken from Datastream and are winsorized at the upper and lower 1 percent level to reduce the impact of outliers. A complete list of variables is provided in the appendix (A.1). All bidders are located in Japan and there are no geographical restrictions for the target. Further, bidders and targets are publicly traded companies as they should be more important for international investors and we expect corporate governance reforms to be implemented sooner there. To highlight the phenomenon of both parties sharing the same financial advisor during the post crisis and pre-governance-reform period, we include private targets as well (*Figure 2b*). However, they are not included in the detailed analysis. Before the announcement, the bidder owns less than 50% of the target's shares and holds more than 50% of the shares after the M&A transaction, that is, the bidder is seeking control. The takeover has to be "completed". Transaction volume must be at least one million USD

and there should be no bidder contest. Self-mergers and buybacks we exclude. Financials (SIC 6000-6999) and utilities (SIC 4000-4999) are also omitted because both are highly regulated. The final sample consists of 628 completed M&As. In 73 deals public bidder and public target share the same financial advisor (11.6%). The sample including public and private targets contains 183 transactions, in which bidder and target share the same financial advisor (9.1%). The detailed sample distribution by year, target country, and target industry can be found in the appendix (A.2).

Figure 2a – M&A Sample distribution per Year – Public Companies

Figure 2b – M&A Sample distribution per Year – Public and Private Companies

3.2 Methodology

In well-functioning financial markets, share prices instantaneously and fully reflect all available information (Fama et al., 1969, 1991). To analyze the wealth effects associated with the M&A announcement, we calculate abnormal returns (AR) based on the market-adjusted returns model by subtracting the country's value-weighted total market index return r_m from the return of event firm i at day t:

$$(1) \qquad AR_{i,t} = r_{i,t} - r_{m,t} .$$

We sum the abnormal returns over days t-2 to t+2 where day t is the M&A announcement date (event day) to obtain the five day cumulative abnormal return (CAR) for each firm i, which we then equally weight across all events:

$$(2) \qquad CAR_{i,(-2,+2)} = \sum_{\tau=t-2}^{t+2} AR_{i,\tau} \text{ with } \qquad CAR_{(-2,+2)} = \frac{1}{N}\sum_{i=1}^{N} CAR_{i,(-2,+2)} .$$

We also sum CARs for a three-day event window (-1, +1) to check whether the results also hold for shorter event windows. Additionally, we calculate CARs for the 41-day event window (-20, +20) that can be found in the appendix. To test for statistical significance, we

employ a parametric t-test and a non-parametric Mann-Whitney U test when comparing the CARs of different bidder or target groups for both event windows. In a further step, we calculate the value-weighted combined CARs over the five-day event window according to Mulherin and Boone (2000) to test whether M&A transactions in Japan create overall shareholder wealth.

The long-term valuation effects for bidders and targets are analyzed with buy-and-hold abnormal returns (BHAR) for a period up to one year after the M&A announcement. To calculate abnormal returns for the longer period, we estimate BHAR (+1, +250):

$$(3) \qquad \mathrm{BHAR} = \frac{1}{N}\sum_{i=1}^{N}\left[\left(\prod_{t=1}^{T}(1+R_{i,t})\right) - \left(\prod_{t=1}^{T}(1+R_{m,t})\right)\right].$$

We conduct several ordinary least squares (OLS) regressions with and without bidder and target control variables for the time of deal completion as well as for the size of the premium paid by the bidding company. We use a difference-in-difference approach to examine the effect of the corporate governance reforms on transactions with bidders and targets who share the same advisor and who have different advisors before and after 2004. Further, we apply commonly used control variables for bidder, target, and deal characteristics. The variables success and hostile are omitted in the regression analyses as these variables do not vary in deals with the same advisor. To test if target companies are firms that are distressed and likely to default we apply Altman's Z"-Score (Altman, 1968; Altman et al., 2017). To test for multicollinearity we calculate the variance inflation factors for the independent variables. We find that the variance of our estimated regression coefficients is not severely increased due to collinearity. We additionally use two-stages least squares (2SLS) regressions in order to cope with endogeneity issues regarding the choice of mandating the same financial advisor. Furthermore, we estimate the likelihood of bidder and target choosing the same financial advisor in an M&A transaction with the following probit model:

(4) $Prob(Y = 1|\boldsymbol{x}) = \int_{-\infty}^{\boldsymbol{x'\beta}} \phi(t)dt = \Phi(\boldsymbol{x'\beta})$,

where function Φ(.) denotes the standard normal distribution function and Y is a binary variable that equals 1 for bidder and target having the same financial advisor in a single transaction, and zero otherwise. In all regressions, we use industry-fixed and year-fixed effects to control for unobserved characteristics and heteroscedasticity-consistent standard errors (White, 1980).

4. EMPIRICAL RESULTS: SHARING THE SAME FINANCIAL ADVISOR

In a first step, we analyze M&As where bidder and target share the same financial advisor or the same investment bank. Agrawal et al. (2013) already investigated the reasons and consequences of having the same financial advisor in M&A transactions for the US and documented the potential conflicts of interest arising from sharing the same investment bank. We base our cross-sectional regression analysis for M&As in Japan on some of their ideas and results. We begin our analysis by comparing bidder, target, and deal characteristics in section 4.1 and investigate in section 4.2 the determinants of the abnormal target returns (CARs). In section 4.3, we analyze the impact of having the same financial advisor on the time of deal completion and in section 4.4 whether common advisors influence the size of the deal premium. In the next section 4.5, we evaluate in a probit regression framework the likelihood that bidder and target select the same financial advisor. Finally, we perform some robustness checks in section 4.6.

4.1 Effects of same Financial Advisor on Bidder, Target, and Deal Characteristics

Bidder, target, and deal characteristics for the 1998 to 2004 period are presented in *Table 2*. We only focus on the period before the corporate governance reforms, as the phenomenon of sharing the same financial advisor is most prominent during this period with about 80% of our sample transactions. Deals with the same advisor have a higher relative size of 46% compared

to 20%. “Stock-only” is the dominant method of payment with 86% of the deals. Only 3% of the transactions with the same financial advisor are “cash-only” deals. Furthermore, bidders involved in these deals are smaller, have higher cash-holdings, with 1.4 a lower M/B ratio, and are younger compared to bidding companies in transactions where bidder and target do have different financial advisors. Target characteristics do not reveal significant differences with the exception that a higher fraction of target firms went public only recently when sharing the same financial advisor. This may be an indication for these transactions being delayed trade sales (Gill and Walz, 2016). Unexpectedly, we only observe an insignificant difference of companies being default candidates between the two groups. *Keiretsu* membership does not differ significantly with regard to having the same financial advisor. In general, we find substantial and significant differences in the univariate analysis in some deal characteristics in M&As with different and the same financial advisor. Interestingly, and to some surprise, only in a few M&A transactions bidder and target are members of the same horizontal *keiretsu* group. Therefore, M&As within the *keiretsu* groups are less important and do not dominate our overall results and our findings for M&As with the same financial advisor.

Table 2 – Univariate Comparison of Deal, Bidder and Target Characteristics 1998-2004

4.2 Effects of the same Financial Advisor on Announcement Returns

With respect to the valuation effects of M&A announcements (*Table 3*, Panel C), in transactions with the same financial advisor the abnormal returns for the bidder are only insignificantly larger with a mean (median) of 1.70% (1.50%). The target shareholders’ abnormal returns are positive in both cases, but insignificant, suggesting no difference between these two groups of M&As. Although it is possible that we observe some differences due to agency problems disadvantaging either bidder or target (Agrawal et al., 2013), we do not find, as argued above, empirical support for this notion in Japan. This suggests that this unique constellation also has a unique outcome in that the capital market reaction does not reflect these po-

tential conflicts. The same results hold for our analysis of the (not tabulated) shorter three-day event window (-1, +1) and the longer 41-day event window (Table A.3, Panel C). Again, the difference of abnormal returns between the two sub-groups is insignificant. In support of our expectations previously discussed, one explanation for the difference is that Agrawal et al. (2013) analyze the US, a country with a well-developed corporate governance system, whereas our study examines Japan for the period before the corporate governance reforms. Japan did not have a well-functioning corporate governance system during this period, and therefore it is not surprising that we observe contrasting results. Studying the period after the reforms is problematic, as we observe only a few deals that use a common advisor, suggesting that in a good corporate governance system there should only be a few or no such deals.

Table 3 – Bidder and Target Announcement Returns for the 5-day event window

Next, we conduct several OLS regressions on the cumulative abnormal returns (CARs) of the target company to determine the variables that explain the CARs and to test whether sharing the same financial advisor has any positive or negative impact on target shareholders' wealth. The results we present in *Table 4*.

Table 4 – OLS Regressions on CAR of the Target (-2, +2)

All six models reveal that the method of payment significantly affects the size of the announcement returns. If "cash only" is the method of payment, the announcement returns are roughly six percent higher than otherwise, which is in line with prior studies (Alexandridis et al., 2017). The coefficient for the time after the corporate governance reforms in 2004 is also positive and highly significant, indicating that after 2004 the CARs for target shareholders are higher. Interestingly, the coefficients for the same financial advisor are insignificant. In addition, the models containing the interaction term with the dummy variable for transactions that occurred after the introduction of the corporate governance principles (models I to IV) do not

exhibit significant coefficients. Thus, we find support for hypothesis **H1c** as our results are in contrast to the ones reported by Agrawal et al. (2013). The choice of sharing the same financial advisor does not disadvantage one of the two merging companies. Further, *keiretsu* membership does not have an effect on the size of the announcement returns, which confirms the findings of Mehrotra et al. (2011). Relative size seems to have a negative and highly significant impact only in the OLS regression models. In the two-stage least squares (2SLS) models (model V and VI), however, the coefficient for relative size suggests only low significance. The test results for the endogeneity test in the 2SLS models indicate that the OLS models should be preferred here. Further, we find some evidence for cross-border deals reducing target shareholder wealth as the coefficient is negative and significant in all six models. The coefficient for Altman's Z"-Score is only significant in the models where we do not control for other target characteristics, suggesting that the level of distress does not determine the size of the target's abnormal returns. Significant are the coefficients for leverage of the target. Even if the magnitude of the coefficients is very small, it may indicate that some targets had exhausted their debt capacity leading to a negative market reaction around the M&A announcement.

4.3 Effects of the Same Financial Advisor on the Time of Deal Completion

In *Table 5*, we present the different models for investigating the time it takes to complete the deal. Again, we conduct several OLS regressions with and without using bidder and target controls. Additionally, we use two-stage least squares (2SLS) regression models to identify the factors affecting the time of deal completion. For the 2SLS regressions, the dummy variable "*both parties have multiple advisors*" functions as an instrument. One possible explanation according to Agrawal et al. (2013) is that an additional adviser may be able to reduce concerns about an unfair outcome, for example, in price negotiations. Thus, we expect that the choice of using a common adviser positively relates to one or both parties' using multiple

advisers. In contrast, as mandating of multiple advisors in our data is not correlated with the respective dependent variable, it should be a sufficient instrumental variable. In all models, the main explanatory variable of interest is the dummy variable for having the same financial advisor.

We find that transactions with the same financial advisor do not take longer to complete as the sign of the coefficient in model I, II, III, and IV is negative, whereas the sign of the coefficient of the 2SLS models (V and VI) is positive. However, the large p-values of the endogeneity test in the 2SLS models indicate that the OLS models should also be preferred here. All coefficients are insignificant, which indicates that choosing the same financial advisor does not essentially influence the time to deal completion. However, the interaction term for using the same financial advisor and the period after the corporate governance reforms is positive and significant. With these results, we find support for hypothesis **H1b** that the transactions with the same financial advisor are closed faster as the majority of these transactions takes place before the reforms in 2004. Therefore, the results for Japan are in contrast to the ones reported in Agrawal et al. (2013) for the US, indicating that the environment and reasons for these M&A deals are reverse in both countries. As argued before, one possible explanation is the quality of the corporate governance systems, with Japan revealing the typical problems of a bank oriented system, requiring some major financial system and capital market reforms that eventually occurred after 2004.

Table 5 – OLS and 2SLS Regressions on time to deal completion

Moreover, deal value as well as the method of payment affect the time of deal completion. Larger deals take longer to complete, whereas cash deals require a shorter time span for completion. This is consistent with our expectations and existing literature, as larger deals should be more complex with more difficult issues to solve, and consequently requiring detailed solutions. The coefficient for relative size is positive and highly significant in model III

and IV. A higher relative size (e.g., a value nearer to one) indicates that bidder and target are of similar size and should have similar negotiation power, resulting in more lengthy negotiations. This also suggests that bidder and target are most likely not related in a parent-subsidiary constellation where the parent eventually acquired the subsidiary. Our findings for the method of payment are also in accordance with agency theory as the bidder alone bears the risk in a "cash-only" transaction. Thus, the target shareholders should be less inclined to vote against the transaction. Deals conducted in the same industry could take longer to complete due to competition (monopoly power or antitrust) issues. Interestingly, we only find support for this notion in the models that do not control for bidder and target characteristics. The full model IV does not show significant values for the same industry dummy. Finally, the coefficient for the Z"-Score is negative and significant indicating that transactions involving distressed targets are closed faster. This is a very important finding as it supports the notion that some of the deals were prearranged by banks to prevent the disaster of bankruptcy by finding a bidder that acquires the target before defaulting. Hence a shorter time-span for closing these deals is expected and necessary.

4.4 Effects of the Same Financial Advisor on Premium Size

In most countries, the constellation in which the same investment bank acts as advisor to both, bidder and target, is unconceivable as this violates good corporate governance standards (Agrawal et al., 2013). The reasoning is that the common advisor should favor the bidder, as the bidder is the surviving company. It also wants the deal completed as investment banks earn the fee only when the deal is closed. Consequently, the common advisor will recommend the bidder to bid low while encouraging the target to accept the bid (Agrawal et al., 2013). Therefore, the premium in a transaction where bidder and target share the same financial advisor should be lower than in deals with separate advisors. Because of these potential conflicts of interests, usually bidder and targets quickly sign the best available advisors to have them

on their side instead on the other side. However, it is also possible that this constellation is the most cost-efficient way of closing a deal, making all participants better off (Kojima et al., 2017). This might be the case, for example, if the advisor has sufficient private information on both bidder and target and both bidder and target have some trust in the advisor. This interpretation finds some support by the observation that the abnormal returns do not differ between the two groups in the univariate analysis (*Table 3*, Panel C), indicating that the target's shareholders get a fair deal and thus supporting **H1c** with the idea that the common advisor favors neither bidder nor target. As in the 2SLS models before, we use the dummy variable "*both parties have multiple advisors"* as an instrument. We find evidence that the premium is higher in transactions where the method of payment is "cash-only", as all six models reveal significant positive coefficients for the explanatory "cash-only" dummy (*Table 6*). Our results also indicate that the deal value in general has a positive effect on the size of the premium as we find in all six models that deals with a higher value also provide higher premiums. This is consistent with most of the M&A literature. Regarding the same financial advisor our results are mixed. The p-value of the endogeneity test in the full 2SLS model indicates that this model should be preferred here instead of the OLS models. Overall, having the same financial advisor seems to have, if anything, a weak influence on lowering the premium, as we only find support in the full 2SLS model where the coefficient for having the same financial advisor has a negative sign, which, however, is insignificant. Accordingly, we cannot support the findings of Agrawal et al. (2013) as in Japan neither party is better off when sharing the same financial advisor in a M&A transaction (supporting **H1c**), at least during the period before the governance reforms.

Table 6 – OLS and 2SLS Regressions on the size of the premium

Moreover, the results indicate that the bidding company is less likely to pay a higher premium if the target has a high leverage. This could be the case if the capital structure of the

newly merged company results in a downgrade of the debt of the newly merged firm and eventually ends up in financial distress (Betton et al., 2008; Aktas et al., 2017). The managers of the bidding company should value the target at a lower level and be less willing to pay a high premium.

4.5 Determinants of Bidder and Target sharing the same Financial Advisor

If the choice of having the same financial advisor should favor the bidder more than the target, the relevant question is which of the variables have any explanatory power to support this scenario. Our probit regression results (*Table 7*) suggest that several variables affect the choice of sharing the same financial advisor in M&A transactions: A transaction with a higher relative size (deal value divided by the size of the bidder) between bidder and target has a higher probability that the bidder and the target share the same financial advisor. This is also in line with the findings of Agrawal et al. (2013), but possibly for reasons that do not apply to Japan. Here, it seems more likely that bidder and target share the same financial advisor if the target is not highly valued by the market, as evidenced by having a low market-to-book ratio. This is usually the case when the target has financial difficulties and a financial advisor prearranged the acquisition. This most likely is the intended solution by all parties. Mehrotra et al. (2011) provide a similar explanation in their study covering the period 1982 to 2003 well before the corporate governance reforms. Finally, we primarily observe these transactions in an economic downturn, suggesting that these targets were in financial distress, and that these transactions mainly occurred for restructuring reasons. This interpretation is also supported by the negative coefficient for the Z"-Score in the model III and IV where we control for target characteristics. It seems more likely bidder and target sharing the same financial advisor if the target firm is distressed as indicated by a lower Z"-Score. Based on this interpretation, we find support of hypothesis **H1a** and **H1d**. However, the coefficient for the interaction term "After 2004 * Zscore" is not significant indicating that after the governance reforms a low Z"-

Score is no longer associated with a higher probability of bidder and target sharing the same financial advisor.

Table 7 – Probit Regressions on same financial advisor

One explanation for the phenomenon of bidders and targets sharing the same financial advisor is the Asian financial crisis in 1997 that even intensified the ongoing Japanese financial crisis. Banks and Japanese corporations were eagerly trying to stabilize the financial system because of net sales of foreign investors (Karolyi, 2002) as reflected in drastic price losses at the Japanese stock exchanges followed by a general economic downturn. A prearranged merger by domestic investment banks was one strategy to deal with possible bankruptcy problems. It is worth mentioning that transactions with bidder and target sharing the same financial advisor quickly declined in Japan after 2004. Firms, banks, and investors seemed to recognize potential conflicts of interest (Agrawal et al., 2013) after the reforms and lead to an institutional change (Van Schaik, 2008). With respect to private targets, our analysis reveals that these transactions continued for some time as we still observe several transactions with public bidders and private targets sharing the same financial advisor in 2005 and 2006. It is possible that lower attention and a lack of analyst coverage for private companies is one reason that transactions with the same financial advisor diminished more slowly. Another reason is that the financial difficulties of private companies continued longer or re-occurred, requiring some prearranged mergers for solving these problems. More recently, however, these kinds of deals have revived again between 2010 and 2013 for public targets and between 2013 and 2016 for private targets (*Figure 2a* and *2b*), which is an important observation, underscoring the need to better understanding the benefits and costs of using a common advisor in M&A transactions. Finally, we find some evidence that targets that went public only recently are more likely to share the same financial advisor in an M&A transaction indicating that these deals may be trade sales (Gill and Walz, 2016).

4.6 Multivariate Results Robustness Checks

As robustness check, we test the following alternative variable definitions in the regression analysis by using: (1) the percentage of cash payment instead of an all-cash dummy. (2) A toehold dummy in place of the percentage of target shares held prior to the announcement. (3) The natural logarithm of the market value of the target rather than the deal value. (4) Debt to equity instead of debt to total assets. (5) A three-day event window (-1, +1) for the OLS on the CARs of the target. (6) The combined CARs to detect differences between common financial advisor and different financial advisor. (7) The percentage of free float of shares instead of an ownership concentration dummy. (8) Instead of Altman's Z"-Score the cash flow to total debt ratio to detect default candidates according to Beaver (1966). Finally (9), we use the return on equity in place of return on assets. Additionally, we restrict the analyses to only domestic deals. As hypothesized, the results differ neither qualitatively nor significantly from our base results. As all of the results are robust to all of these alternative definitions supporting our initial findings, we do not report them here.

5. EMPIRICAL RESULTS: CONSEQUENCES OF CORPORATE GOVERNANCE REFORMS IN JAPAN

We now turn to analyzing the wealth effects for the two different periods before (1990 to 2004) and subsequent (2005 to 2016) to the introduction of new corporate governance regulations. We provide descriptive statistics of bidder, target and deal characteristics in sections 5.2 and 5.3. Finally, we discuss and interpret our findings from the comparison (5.4) and test whether the corporate governance reforms lead to changes in deal and target characteristics of Japanese firms by performing several multivariate analyses (5.5).

5.1 Announcement Returns before and after the Governance Reforms

In *Table 3*, we compare the five-day valuation effects (-2, +2) between the two periods before and after the reforms (Panel A). In line with prior research for M&As in Japan, we find insignificant small positive abnormal bidder returns. The mean (median) abnormal returns are 0.97% (0.67%) for the 1990 to 2004 period and 0.59% (0.37%) for the 2005 to 2016 period. These results are comparable to the ones reported in Kang et al. (2000), Higgins and Beckmann (2006), Inoue (2009), and Mehrotra et al. (2011). However, they are smaller than the findings of Alexandridis et al. (2010) who report significant abnormal bidder returns of 2.45%. Although the mean CARs for the bidder in the 2005 to 2016 period are 0.38 percentage points lower than in the 1990 to 2004 period, the difference is insignificant, suggesting a similar valuation behavior over time. For comparison, *Table A.4* in the appendix provides an overview of empirical results from previous studies of bidder and target announcement returns in Japan as well as in some other countries.

The charts in *Figure 3* clearly provide evidence that in the short run bidders in M&A transactions in Japan do not gain positive valuation effects neither in the first nor in the second period. One possible explanation is that all merger benefits are reflected in the premium paid to the target shareholders who capture the entire expected value creation (Alexandridis et al., 2010). This is consistent with most of the empirical evidence in the literature for well-functioning capital markets (Bessler and Schneck, 2015), although some recent evidence suggest positive valuation effects for bidders (Alexandridis et al., 2017).

Figure 3 – Cumulated Abnormal Return (CAR) for the 41-day event window

For the target, we find, as expected, significantly positive abnormal returns over the five-day event window for both periods. In the second period (2005 to 2016), the abnormal returns are relatively larger with a mean (median) of 9.19% (9.58%) compared to the 4.36%

(4.46%) in the first period (1990 to 2004). These results are similar to the findings of Hanamura et al. (2011) and Inoue (2009), but they are slightly higher than the CARs of 7.9% reported in Alexandridis et al. (2010) and much higher than the CARs reported by Mehrotra et al. (2011) who only find insignificant abnormal returns for the target. The return differences between the two periods are highly significant, indicating that the valuation effects for targets in Japan have increased subsequent to 2004, being now more in line with US and European results. The convergence to a higher premium level between the first and the second period is clearly visible in *Figure 3*. In a subgroup of our sample (Panel B), we focus only on transactions with different financial advisors. Again, we compare the two periods 1990 to 2004 and 2005 to 2016. Yet, we do not observe significantly different results compared to the full sample analysis, indicating that the capital market reactions are not the results of deals in which bidder and target share the same financial advisor. We also calculate the run-up effect of the announcement returns (-41, -2) for the two groups (not tabulated). The results show that the run-up effect for the announcement returns does not differ significantly between the two periods. The capital market does not seem to react differently before and after the corporate governance reforms regarding share price run-up in the period before an M&A announcement. Consequently, we do not pursue the run-up effect further.

Overall, the shareholders' wealth effect for bidders and targets during the first period (1990 to 2004) are similar to the ones in prior studies for M&As in Japan. These results do change for targets in the second period (2005 to 2016), after the implementation of new corporate governance rules and other regulatory changes, and are no longer compatible with the previous view based on much earlier time periods that takeovers in Japan create only rarely value for shareholders (Mehrotra et al., 2011). As we observe in the second period that more transactions are "cash only" deals, one possible interpretation for the higher CARs around an M&A announcement is the increase in cash as the preferred method of payment. However, it appears that, for various reasons, the financial and strategic investors in the market for corpo-

rate control in Japan act still less aggressive and less competitive than other countries such as the US or the UK. As a result, bidders in Japan do not offer an excessive premium (winner's curse) to gain control over the target. On an overall basis, though, M&A announcements create shareholder value in Japan. In *Figure 4* the combined CARs around Japanese M&A announcements are presented. Apart from the Asian financial crisis in the second half of the 1990s, the combined abnormal returns over the five-day event window are positive and significant for both periods. The same holds for the three-day event window (not illustrated). Thus, the results indicate that the corporate restructuring through M&A in Japan can be typified as an efficient response to economic shocks and not as an imperfect reaction to management entrenchment and hubris. The difference, however, between the two time periods is not significant.

Figure 4 – Combined Cumulated Abnormal Return (CAR) over the five-day event window

Interestingly, the long-term valuation effects (BHAR) of 8% for the target during the second period after 2004 (yellow line) occur fully and immediately at the time of the announcement (*Figure 5*), suggesting that the market is able to discount all expected synergies from the M&A immediately. For the first period (1990 to 2004), valuation effects for the targets are significantly different. There are only small positive valuation effects of about 2-3% at the announcement. These increase to about 9% after 6 months and decline back to 4% at the end of the first year. Consequently, we observe significant differences between the first and second period for both, after the announcement and at the end of the first year. The results for the second period are consistent with target valuation effects and premiums paid in capital-market-oriented countries (Bessler and Schneck, 2015), suggesting that the reforms moved Japan closer to such a system.

Figure 5 – BHAR for Bidder and Target the first Year post M&A announcement

With respect to bidders' long-term valuation effects for the pre- and post-reform periods during the first year after the announcement, we observe positive BHARs of about 3% during the first period and about 4% during the second period. However, the difference between the two periods is not significant (not reported).

5.2 Univariate Analysis of Bidder, Target and Deal Characteristics

To analyze the effects that the corporate governance reform and the generally observed increase in foreign ownership of Japanese listed firms have on M&A activities in Japan, we divide the full period (1990 to 2016) again into two sub-periods (1990 to 2004 and 2005 to 2016). If the reforms had some effects on M&A activity, we should observe some differences in takeover and firm characteristics.

In *Table 8*, we provide the descriptive statistics for all bidder, target, and deal characteristics. Remarkably, the percentage of M&A transactions with bidders and targets sharing the same financial advisor is significantly lower in the second period (supporting **H1a**). Between 1990 and 2004, bidder and target share the same financial advisor in about 26% of the M&A transactions, whereas only 4% of the deals have the same advisor in the latter period (2005 to 2016). For the sample including also private targets the percentage of transactions where bidder and target share the same financial advisor decreases from 18% to 5% in the second period (not tabulated). At the same time, we observe higher Z"-Scores in the period 2005 to 2016 suggesting targets less prone to bankruptcy. With respect to horizontal *keiretsu* membership, one of the two parties belongs to such an industrial grouping in about 35% of the deals during the first period (1990 to 2004). In contrast, during the second period (2005 to 2016), in only 26% of the M&A deals one party is a *keiretsu* member. For the full period, we observe lower proportions of *keiretsu* membership than reported by Weimer and Pape (1999), who find that almost half of all Japanese listed firms were a member in inter-corporate networks in 1991. Further, the deal values in Japan are higher in the second period (2005 to

2016) compared to the first period (1990 to 2004), which is not surprising as deal values around the world have steadily increased (Betton et al., 2008; Alexandridis et al., 2017). The one-week takeover premium paid by the bidder before 2005 is about 8% and lower than the 29% that we observe subsequently. Thus, premiums converge to M&A transactions in other countries, which are roughly about 30% (Alexandridis et al., 2010; Bessler and Schneck, 2015). Whether this should be viewed as an adjustment towards a capital-market-oriented system or whether this is more due to the fact that US investment banks are the advisor, or whether this is more due to international investors (directly or through mutual funds) demanding more international corporate governance standards, will be addressed in the regression analysis (5.5).

Table 8 – Univariate Comparison of Deal, Bidder and Target Characteristics

1990-2004 vs. 2005-2016 (Complete Sample)

In contrast, the relative size of bidder and target differs only insignificantly between both periods. Between 1990 and 2004, the relative size (deal value divided by the size of the bidder) is about 26%, whereas it decreased to 21% between 2005 and 2016. The percentage of target shares held by the bidder before the offer is higher with 28.5% in the first period (1990 to 2004) compared to 22.1% in the second period (2005 to 2016). In addition, the fraction of companies with a high ownership concentration decreases after 2004 – on bidder as well as on target side. This may reflect the change in ownership structures towards more diversified institutional investors. However, relative to ownership structures in other countries, holdings by insiders in form of banks and other corporations remain relatively high in Japan (Franks et al., 2014).

Moreover, takeovers in the first period (1990 to 2004) relative to the second period (2005 to 2016) take longer to complete (165 vs. 113 days). With respect to the method of payment, we also observe some substantial changes between both periods. Since 2005, 56%

of M&A transactions in Japan are "cash-only" deals. Between 1990 and 2004, "cash-only" was the method of payment in only 15% of the transactions. "Stock-only" as payment form declines from 68% to 39% for the periods before and after 2005, respectively. This result is similar to the development for the US where the fraction of "stock-only" bids was about 55% in the 1990s and dropped to about 33% at the beginning of the millennium as interest rates were low and cash was easily available (Betton et al., 2008). Alexandridis et al. (2017) also find that stocks decline as a method of payment for the US. Subsequent to the financial crisis, bidders paid in 56% of the deals with stock (1990 to 2009) compared to only 38% of the deals before (2010 to 2015). They explain the rise of cash deals with the changes in US monetary policy by the high availability of liquidity and low cost of debt (Alexandridis et al., 2017).

Hostile takeovers among listed companies, in contrast to private companies (Zhou and Guillén, 2018), still seem uncommon in Japan as we observe only three hostile bids during the complete sample period (1990 to 2016). One explanation is that cultural differences continue to be important (Yoshikawa et al., 2007; Ueda, 2015). However, this may also indicate that the market for corporate control in Japan is still different (Puchniak and Nakahigashi, 2018) and possibly less competitive than in capital-market-oriented systems where underperforming companies frequently have to fear shareholder activism and a hostile takeover in order to re-structure the company and to replace the existing underachieving management (Brodeur, 2017). Thus, an interesting question is how much Japan still deviates from other countries such as the US or the UK, but also from Germany, which to some extent was similar to Japan for many decades and also embarked on some substantial reforms at the beginning of the new millennium.[4]

[4] Traditionally, Germany is known for its special universal banking and financial systems (Bessler and Drobetz, 2015) and its specific corporate governance system (Kotz and Schmidt, 2016), which both are faced with a considerable reform agenda within Germany and the European Union (Aoyagi and Ganelli, 2014).

With respect to bidder characteristics, the leverage-ratios in the 1990 to 2004 period are higher with 29.5% relative to the 19.1% in the 2005 to 2016 period. This is significantly lower and may suggest a change from a higher to a lower bank-dependency. Bidders, on average, have a higher return on assets (ROA) between 2005 to 2016 compared to the 1990 and 2004 period as their profitability increases from 2.5% to 4.0%, which may also be explained by cultural and historical conditions (Kester, 1992). Furthermore, the cash holdings of bidders increased in the second period. This does not support our expectation at this point, as improvements in corporate governance should lead to a reduction of agency problems by lowering cash holdings (LaPorta et al., 2000; Kato et al., 2017). However, this is consistent with the general increase in firms' cash holdings around the world. Focusing now on targets, we observe that they also increased their cash holdings in the second period from 28.5% to 33.5%, an observation that supports previous studies (e.g., Aoyagi and Ganelli, 2017). After 2004 (before 2005) targets have a significantly higher market-to-book (M/B) ratio of 1.9 (1.3) with a median of 1.0 (0.8) and a higher median ROA of 2.1% (1.0%). The leverage-ratio decreases from 28.0% to 23.0% from the first to the second period.

5.3 Univariate Results Robustness Check

As a robustness check, we compare the two periods from 1990 to 2004 and 2005 to 2016. However, this time we only include transactions where bidders and targets engage different investment banks (*Table 9*). This is the usual case in most countries, except in Japan before 2004. Bidder, target, and deal characteristics of the sub-sample differ quite similar as in the entire sample (*Table 8*). Consequently, we do not expect that transactions where bidder and target share the same financial advisor are the deals that determine the observed differences.

Table 9 – Univariate Comparison of Deal, Bidder and Target Characteristics 1990-2004 vs. 2005-2016 (Only Announcements with Different Financial Advisor)

5.4 Interpretation of Univariate Results

Overall, the reform of the Japanese commercial code and the changes in corporate governance regulation seem to have affected the market for corporate control and the characteristics of M&A transactions. Comparing the two periods, firm and deal characteristics differ considerably. Legal changes and institutional transformation triggered these developments (Franks et al., 2014). Consistent with the findings of Kato et al. (2017), *Keiretsu* membership seems to have lost its importance and dominance over time, at least for M&A deals. Instead, more and more foreign investors own shares in Japanese listed firms at the Tokyo Stock Exchange. Additionally, the proportion of bank debt and thus the bank-dependency has decreased, at least when measured by the leverage-ratio, supporting our hypothesis (**H2**).

Despite all efforts, the improvements in corporate governance in Japan were low (Kaufmann et al., 2009; Ueda, 2015). After legal reforms and some corporate governance improvements, Japan's corporate governance quality is above the average of the OECD but still lower compared to most G-7 countries at the end of 2012 (Aoyagi and Ganelli, 2017). In line with these findings, Kato et al. (2017) observe declining cash holdings in the period from 1990 to 2000, which they attribute to corporate governance improvements. They also report an increase of cash holdings of Japanese firms since the beginning of the new century. Aoyagi and Ganelli (2017) also interpret the high cash holdings of Japanese companies as a sign of weak corporate governance and agency problems together with a lack of profitable investment opportunities. This conclusion is at least questionable, as cash holdings of most firms in many countries with high corporate governance standards such as the US have increased since the new millennium due to a change of products and technologies. The fact that we observe higher M&A activity in the second period (2005 to 2016) is an indication of a more active market for corporate control and, thus, supporting our hypothesis (**H3**). We still do not find many hostile takeovers in Japan, which may not support the notion of higher corporate governance

standards. However, this finding may reflect more the Japanese culture and may be along the same line as the prearranged mergers to prevent bankruptcy, than low corporate governance standards. We will get further insights in the following multivariate analysis.

5.5 Multivariate Analysis of the Effects of Corporate Governance Reforms

Table 10 presents several OLS and probit regressions on target and deal characteristics as the dependent variable. A main objective for the introduction of new corporate governance rules was to lower the bank-dependency of industrial firms, shifting the financial system from a bank-based system closer to a capital-market-based system. As hypothesized in **H2**, a more pronounced equity-dependence should lower debt-holdings of industrial firms. As expected and already indicated by the univariate results, leverage of the Japanese companies did decrease after the introduction of the corporate governance reforms. We conduct an OLS regression on the target's leverage to test whether it was affected by the corporate governance reforms. The target's leverage is significantly lower after 2004. On average, and all other things kept equal, the target firm has a 30 percentage point lower leverage after the introduction of the reforms. The companies seem to be less bank-dependent showing a lower leverage ratio which is in line with our hypothesis **H2**.

Table 10 – OLS and Probit Regressions on Target and Deal Characteristics

In a second step we perform an OLS regression on the cash holdings of the target company as we observe a world-wide increase in cash holdings of corporations. However, we do not find evidence for the cash holdings of Japanese firms being affected by the reforms in 2004. The sign of the coefficient for our variable of interest is positive but insignificant. Thus, there should be other explanatory variables that caused the increase of the cash holdings observed in the univariate results.

In a third step we analyze the ownership structure of the target firm and conduct a probit regression on the dummy variable for concentrated ownership already used in the regressions above. As expected, the coefficient for the governance reforms in 2004 has a negative sign indicating that ownership concentration is lower in the second period. However, the coefficient is not significant and thus, we do not find empirical evidence for the reforms leading to the intended changes in corporate ownership structures.

As already discussed above, *Table 4* presents several OLS regressions on the announcement returns of the target. From corporate governance perspective, models I to V reveal significant higher abnormal returns after the introduction of corporate governance reforms in Japan in 2004. The bidding companies seem to be willing to pay a relatively higher price for the target's shares in the period 2005 to 2016 compared to the period 1990 to 2004. Consequently, the target shareholders profit from higher valuation effects around the announcement in the latter period. At the same time, the abnormal returns around the M&A announcement for the shareholders of the bidding party seem to be lower after 2004 (*Table 3*), though, not with a significant difference. In *Table 10* we conduct an OLS regression on the combined CARs around the M&A announcement. We find no evidence for higher combined CARs after the introduction of the corporate governance reforms as the coefficient is positive but insignificant. Rather, we interpret the results as evidence for a shift from bidder to target shareholders, keeping the overall (combined) announcement returns stable.

Model V in *Table 10* presents an OLS regression on relative size between bidder and target as the dependant variable. After the introduction of the corporate governance reforms it seems that bidding companies are targeting more often relatively smaller firms. The coefficient for the governance reforms is negative and highly significant. This observation is in line with the findings by Alexandridis et al. (2017) who throughout 1990 to 2015 for the U.S. takeover market report a declining relative size between bidder and target. It may be ex-

plained by the fact that smaller companies generally apply less often anti-takeover provisions (Masulis et al., 2007) and relatively smaller companies having less negotiation power (Moeller et al., 2004). Smaller companies may be easier to integrate as additional complexity of takeovers of large targets makes it more difficult for buyers to realize the assumed economic benefits (Alexandridis et al., 2013).

Finally, we perform in Model VI a probit regression on One party in *keiretsu*, a dummy variable that takes the value of one if at least one party of the M&A is member in a *keiretsu* group. As expected and already indicated by the univariate results the coefficient for the introduction of the corporate governance reforms is negative. However, the coefficient is insignificant.

Overall, we find that some characteristics seem to be influenced by the introduction of the corporate governance reforms in 2004. However, as we only find evidence for the target's leverage and relative size that changed after the introduction of the corporate governance reforms, we note that addressed characteristics like the ownership structure were at best slightly affected by the reform efforts. Regarding M&A efficiency, we do not find evidence for higher combined abnormal returns around the announcement after 2004 suggesting only a shift from bidder to target company in absolute terms.

6. CONCLUSION

This study analyzes for Japan the effects of corporate governance and other regulatory reforms on the market for corporate control and M&A activity. One of the results is that the ownership structure of Japanese companies became less bank-dominated with more international and diversified shareholders. Moreover, M&A activity increased since the late 1990s, but hostile takeovers among public companies still occur seldom, which may be related to the Japanese culture. Nevertheless, several bidder, target, and deal characteristics are significantly different before and subsequent to the corporate governance reforms. Although cross-

shareholdings initially declined to a lower level, which is usually viewed as a positive corporate governance indicator, they stayed rather stable during the last decade. Although bank debt-dependence seems to have decreased, the main banks seem to continue to play an important monitoring role. While the combined shareholder wealth creation through M&A stayed rather stable, the wealth effects for target shareholders significantly increased in Japan since 2004 and the fraction of cash deals increased as well.

The deal value and the method of payment are the most relevant factors in explaining the time to deal completion and the size of the premium. Higher value deals require a higher premium and a longer time to complete. Cash deals close faster than stock deals. After the introduction of new corporate governance rules, relatively less bidders and targets share the same financial advisor. Interestingly, these deals do not take more time to complete, which is in contrast to the US (Agrawal et al., 2013), and bidders also do not pay a significant lower premium to target shareholders. A possible explanation for the observed differences in relative size and Z"-Scores of the target is that these transactions are more likely to have the same financial advisor as in this constellation the advisor is able to preserve the bankruptcy of a relatively large target. Deals where the target has growth opportunities indicated by a high M/B ratio are less likely to have the same financial advisor. This supports the observation that during the late 1990s banks may have prearranged M&A transactions between stronger bidders and weaker and financially troubled targets to protect their own interests as creditors.

Overall, the empirical evidence suggests some positive effects of the corporate governance reforms in Japan in that the market for corporate control became more active since 2004. Hence, the regulatory changes had some effects on the financial and corporate governance system in Japan and in particular on M&A activities. However, it may take some time until new political goals and regulatory changes are fully absorbed and reflected in the financial and corporate governance systems. Whether this relatively slow development is attributa-

ble to the economic problems in Japan during the last two decades requires further analysis. In total, we observe some progress in financial market and corporate governance structures towards a more capital-market-oriented regime but with still considerable differences remaining to the US and UK, which may also be due to Japanese history and culture.

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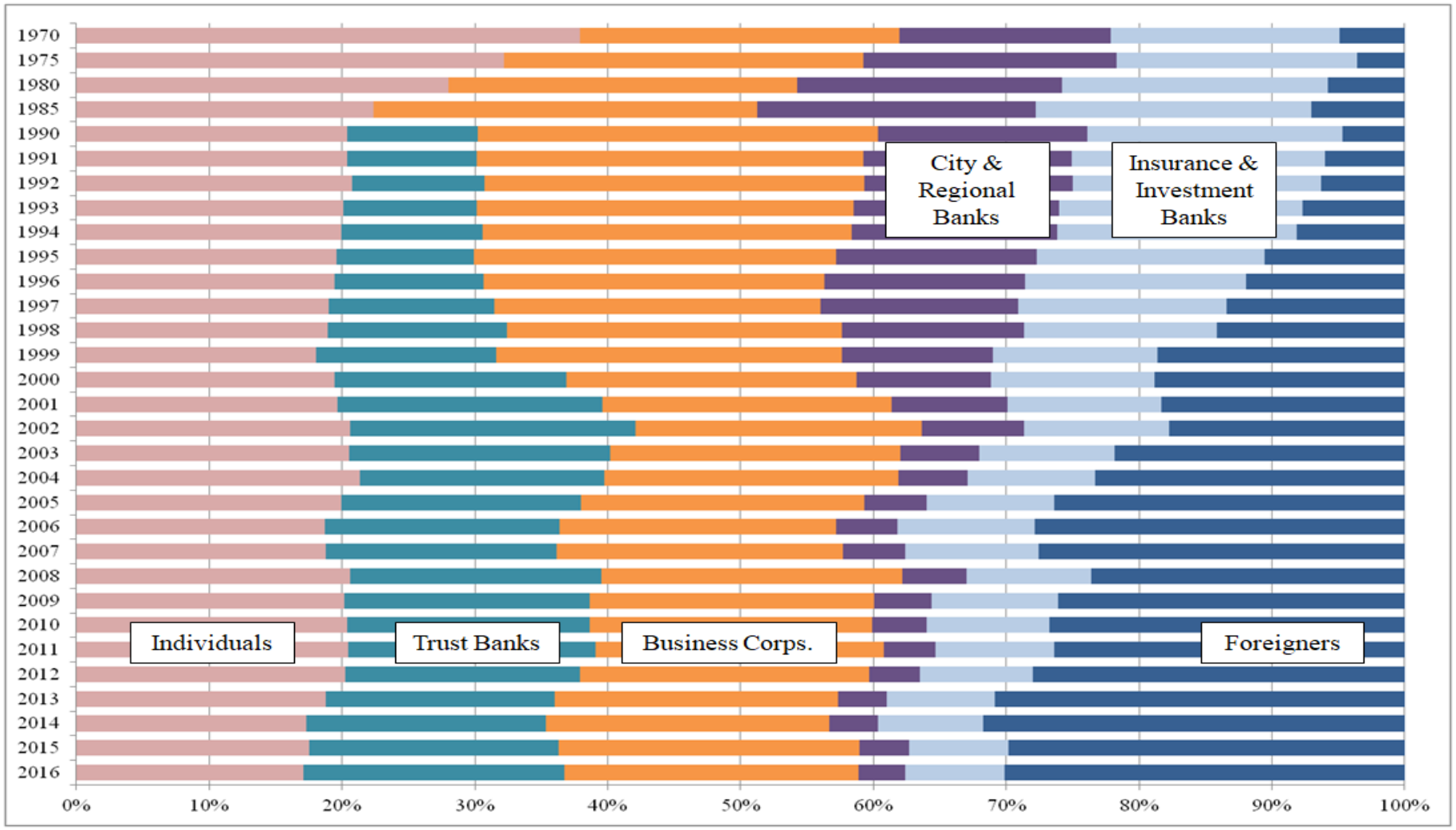
Tables and Figures

Figure 1: Development of Share Ownership by Type of Investor

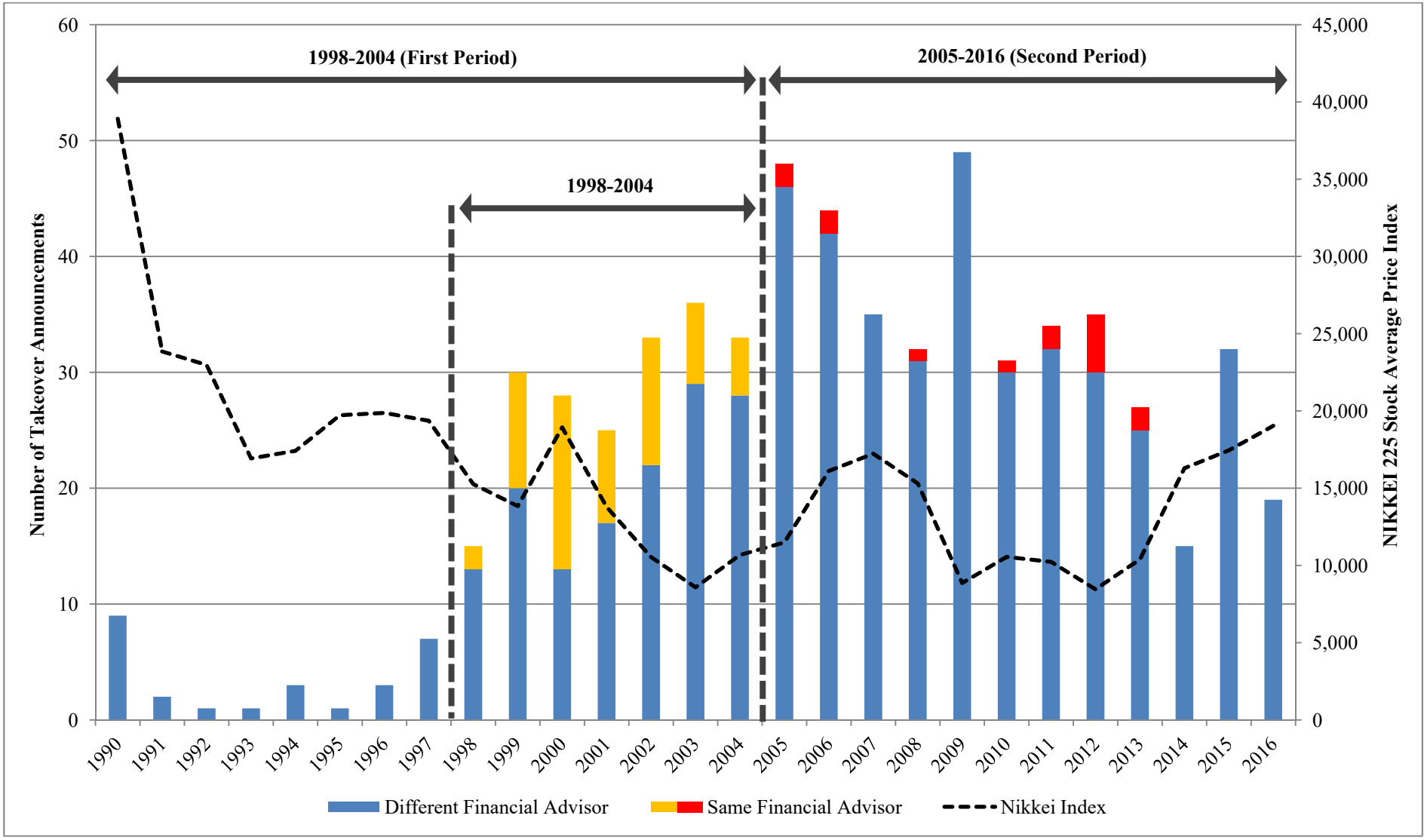
This figure presents the development of the ownership structure at the Tokyo Stock Exchange (TSE) in % of total market capitalization, as of March each year.



Source: Tokyo Stock Exchange (2017). Before 1990, one bar captures a period of five years. From 1990 on, every single year is depicted.

Figure 2a: M&A Sample distribution per Year – Public Companies

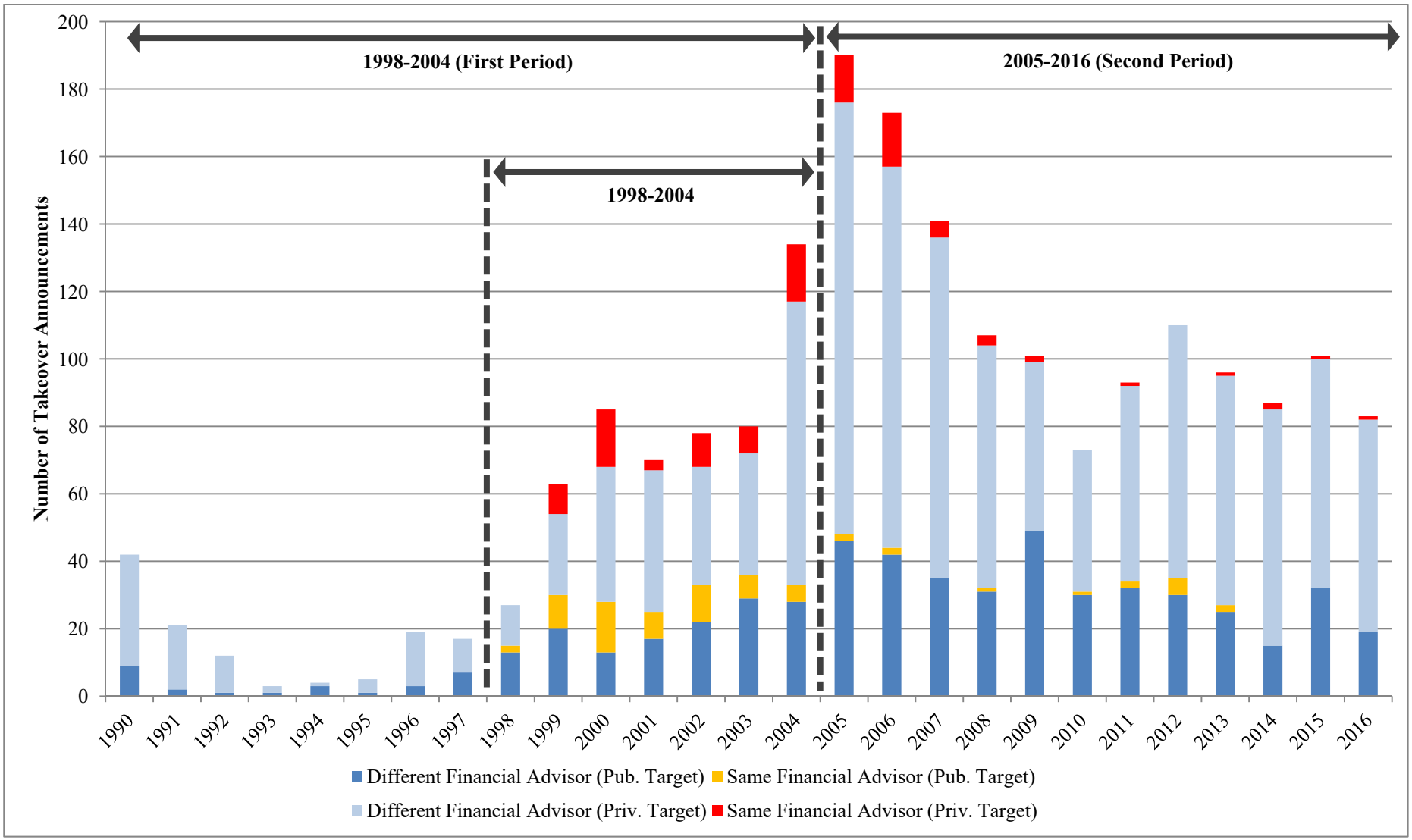
This figure presents the distribution of the total sample per year as well as the takeover announcements having the same financial advisor in Japan.



Source: Thomson Reuters Dealscreener.

Figure 2b: M&A Sample distribution per Year – Public and Private Companies

This figure presents the distribution of the total sample per year as well as the takeover announcements having the same financial advisor in Japan.



Source: Thomson Reuters Dealscreener.

Figure 3: Cumulated Abnormal Return (CAR) for the 41 day event window

This figure presents the CARs of M&A for the total sample for the periods 1990-2004 and 2005-2016 for bidders and targets in Japan.

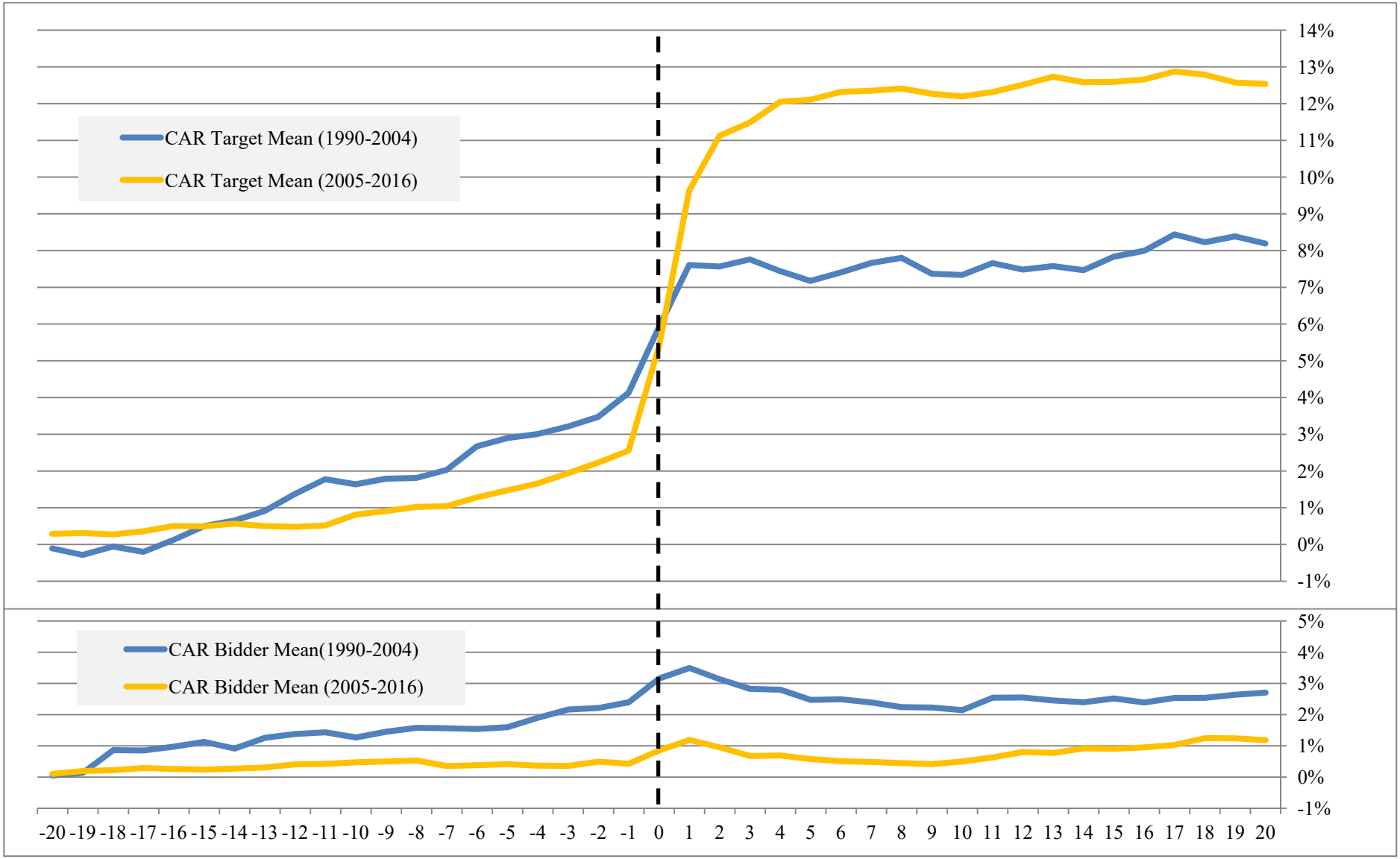


Figure 4: Combined Cumulated Abnormal Return (CAR) over the five-day event window

This figure presents the combined CARs for bidders and targets of M&A announcements for the total sample for the period 1990-2016 in Japan.

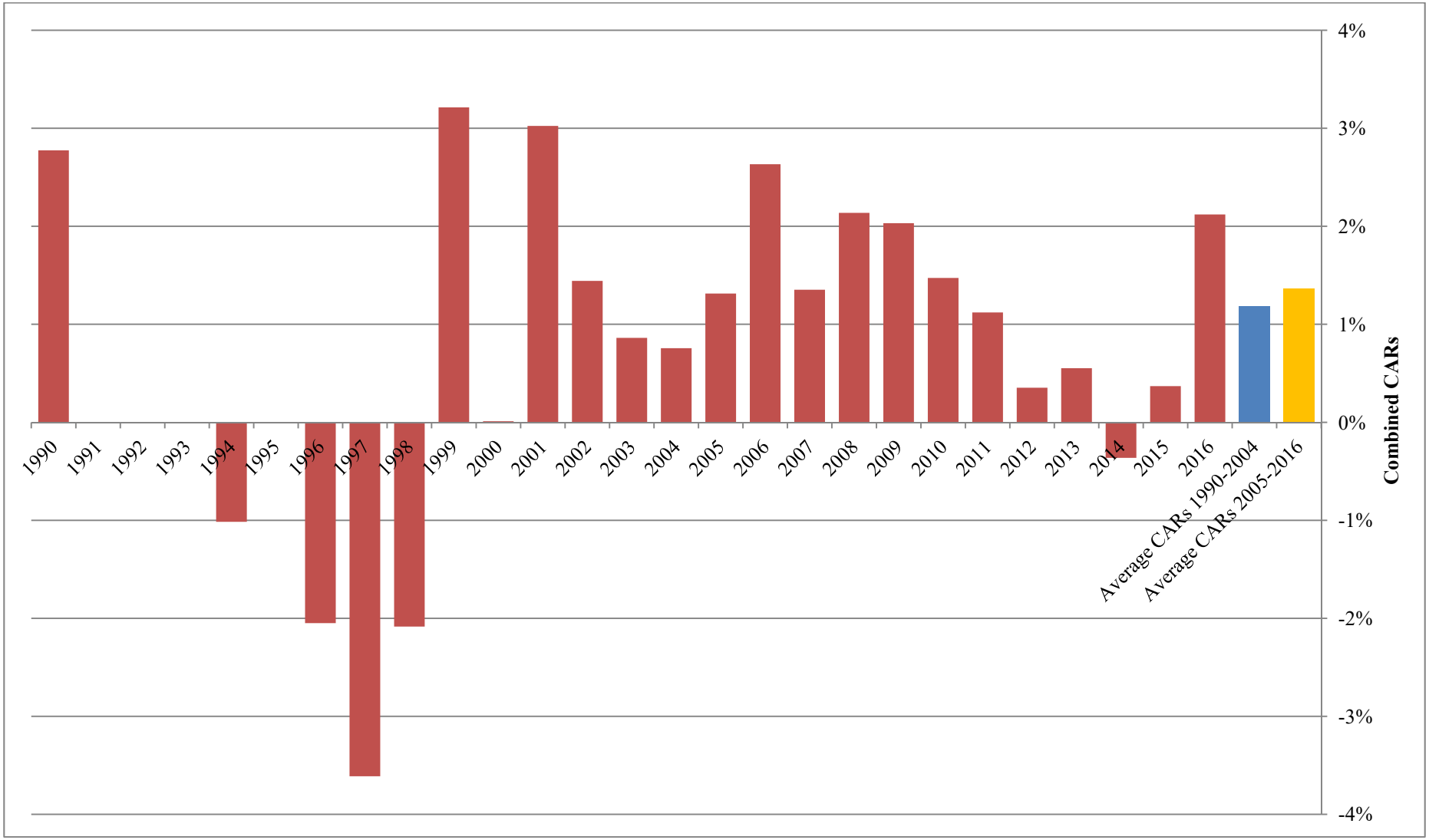


Figure 5: Buy-and-Hold Abnormal Return (BHAR) one year after the announcement

This figure presents the BHARs of M&A for the total sample for the periods 1990-2004 and 2005-2016 for bidders and targets in Japan.

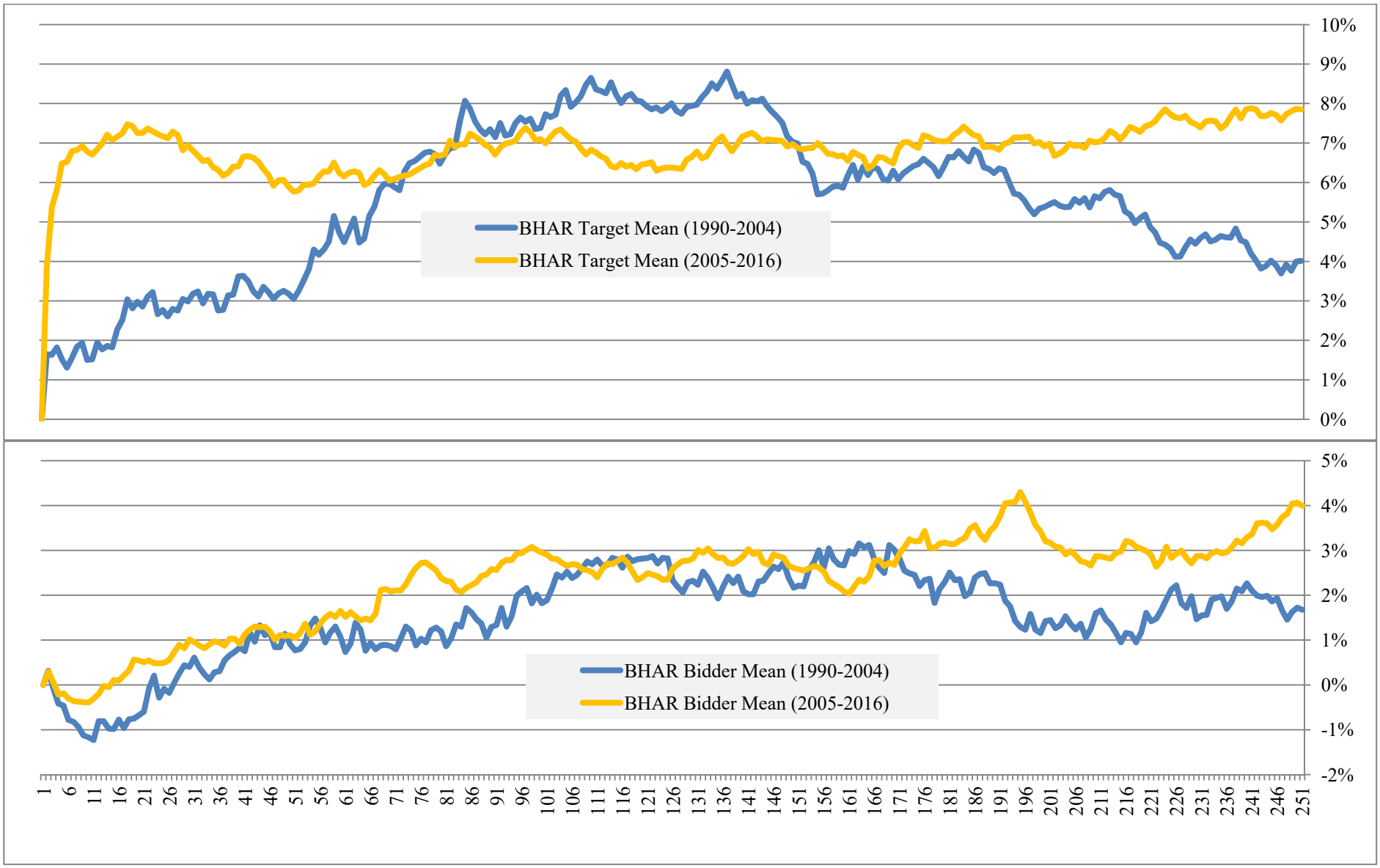


Table 1: M&A League Tables of Transactions with Japanese Bidder

Panel A: Investment Banks and Financial Advisors in Japanese M&As (1998-2004)						
		Deals	Market Share	Rank Value	Same Advisor Transactions	Average Deal Value
Rank	Name	N	%	in $ Mil.	N	in $ Mil.
1	Goldman Sachs & Co	14	69.20	199,648	0	14,261
2	BoA Merrill Lynch	12	43.50	125,450	0	10,454
3	**Nomura***	**87**	**34.20**	**98,662**	**21**	**1,134**
4	**Daiwa** Sec. Group Inc*	**32**	**29.80**	**85,972**	**8**	**2,687**
5	JP Morgan	9	28.10	81,064	0	9,007
6	Arthur Andersen	2	24.60	70,856	0	35,428
7	Morgan Stanley	9	13.60	39,296	0	4,366
8	**Mizuho** Fin. Group*	**29**	**11.40**	**32,995**	**10**	**1,138**
9	**Mitsubishi** UFJ Fin. Group*	**25**	**9.40**	**26,991**	**3**	**1,080**
10	Citi	5	3.30	9,383	0	1,877
11	**SMFG (Nikko Cordial)***	**34**	**2.10**	**5,952**	**19**	**175**
12	**Shin Nihon** Ernst&Young*	**9**	**1.30**	**3,650**	**1**	**406**
13	KPMG*	18	1.20	3,590	1	199
14	Deloitte	7	0.70	2,164	0	309
15	GCA Corp	4	0.60	1,703	0	426

Panel B: Investment Banks and Financial Advisors in Japanese M&As (2005-2016)						
		Deals	Market Share	Rank Value	Same Advisor Transactions	Average Deal Value
Rank	Name	N	%	in $ Mil.	N	in $ Mil.
1	**Nomura***	**189**	**44.30**	**169,457**	**3**	**897**
2	BoA Merrill Lynch	26	40.10	153,545	0	5,906
3	**Mizuho** Financial Group*	**114**	**37.70**	**144,214**	**9**	**1,265**
4	JP Morgan	22	36.80	140,708	0	6,396
5	Morgan Stanley	60	35.20	134,752	0	2,246
6	Goldman Sachs & Co	32	32.00	122,479	0	3,827
7	**Daiwa** Sec. Group Inc*	**135**	**26.40**	**100,988**	**1**	**748**
8	UBS	15	24.90	95,376	0	6,358
9	Lazard	11	21.20	81,260	0	7,387
10	**Mitsubishi** UFJ Fin. Group	**51**	**17.70**	**67,723**	**0**	**1,328**
11	Citi	28	15.60	59,826	0	2,137
12	**SMFG (Nikko Cordial)**	**101**	**15.10**	**57,615**	**0**	**570**
13	Deutsche Bank	10	14.10	54,127	0	5,413
14	The Raine Group LLC	2	13.70	52,391	0	26,195
15	Credit Suisse	9	8.10	31,148	0	3,461

This table presents the top 15 investment banks and financial advisors involved in takeovers with Japanese bidders in the period 1998-2004, the period common advisory seems to occur quite often, and the period 2005-2016, the period after various corporate governance changes. * denotes the investment bank which is involved in transactions where bidder and target share the same financial advisor. Nikko Cordial became a wholly owned direct subsidiary of Sumitomo Mitsui Financial Group (SMFG) in October 2016. Total market share sums up to more than 100% as bidder and target can have multiple financial advisors in one transaction.

Table 2: Univariate Comparison of Deal, Bidder and Target Characteristics 1998-2004

Deal, Bidder and Target Characteristics								
	Different Advisor			Same Advisor			Difference in	
Variable	**N**	**Mean**	**Median**	**N**	**Mean**	**Median**	**Mean**	**Median**
Deal Characteristics								
Deal value (ln)	142	3.83	3.75	58	4.08	3.91	0.25	0.17
Final premium (1 week)	133	5.71	5.30	58	11.58	12.09	5.87	6.79
Relative size	129	20.48	5.83	47	45.55	29.71	25.07***	23.88***
% held at announcement	73	27.89	30.84	22	29.19	32.45	1.30	1.62
Time to completion	142	151.96	140.00	58	173.36	137.00	21.40	-3.00
Zscore	142	5.72	5.82	58	5.21	5.09	-0.51	-0.73
Same fin. advisor Dum.	142	0.00	-	58	1.00	-	1.00	-
Success Dummy	142	1.00	-	58	1.00	-	0.00	-
Cross-border Dummy	142	0.08	-	58	0.00	-	-0.08*	-
Hostile deal Dummy	142	0.00	-	58	0.00	-	0.00	-
Cash-only deal Dummy	142	0.19	-	58	0.03	-	-0.16***	-
Stock-only deal Dummy	142	0.65	-	58	0.86	-	0.21***	-
Same industry Dummy	142	0.47	-	58	0.52	-	0.05	-
One party in *keiretsu*	142	0.33	-	58	0.26	-	-0.07	-
Same *keiretsu* group	142	0.03	-	58	0.05	-	0.02	-
Bidder Characteristics								
Size Bidder (ln)	129	6.73	6.81	47	5.95	5.81	-0.78***	-1.00
Cash holdings Bidder	128	13.31	11.20	48	17.03	13.60	3.72**	2.40**
M/B ratio Bidder	125	1.68	1.13	45	1.35	0.91	-0.34	-0.22**
Leverage Bidder	127	29.13	28.81	51	27.87	25.38	-1.26	-3.43
Return on assets Bidder	125	2.74	1.78	46	2.02	1.40	-0.72	-0.38
Bidder is IPO firm	142	0.06	-	58	0.16	-	0.10**	-
Concentrated ownership	142	0.35	-	58	0.53	-	0.18**	-
Target Characteristics								
Size Target (ln)	117	4.20	4.02	45	4.39	4.19	0.18	0.17
Cash holdings Target	101	15.43	10.43	33	17.16	13.04	1.73	2.61
M/B ratio Target	120	1.38	0.77	46	0.96	0.63	-0.42	-0.15
Leverage Target	126	27.29	25.26	50	28.17	29.93	0.88	4.67
Return on assets Target	125	0.57	1.00	47	**-0.58**	0.62	-1.15	-0.38
Target is IPO firm	142	0.08	-	58	0.19	-	0.11**	-
Concentrated ownership	142	0.58	-	58	0.59	-	0.01	-

This table presents univariate comparisons of all deal, bidder and target variables included in the regression models for the period 1998-2004, where most of the takeover announcements with a same advisor took place. The table compares the mean and median characteristics of deals with and without having the same advisor. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. The significance of the difference in the dummy variables is tested with a difference of proportion test (z-statistic). ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 3: Bidder and Target Announcement Returns for the 5-day event window

Cumulated Abnormal Returns (CARs) around the Takeover Announcement			
Panel A			
	1990-2004	2005-2016	Difference
Bidder			
Mean	0.97%	**0.59%***	-0.38%
Median	0.67%	0.37%	-0.29%
Std.dev.	7.36%	5.03%	
N	178	369	
Target			
Mean	**4.36%*****	**9.19%*****	**4.83%*****
Median	**4.46%*****	**9.58%*****	**5.12%*****
Std.dev.	10.73%	10.73%	
N	178	369	
Panel B			
	1990-2004 different advisor	2005-2016 different advisor	Difference
Bidder			
Mean	0.70%	**0.54%***	-0.16%
Median	0.49%	0.37%	-0.12%
Std.dev.	6.97%	4.97%	
N	130	356	
Target			
Mean	**3.91%*****	**9.11%*****	**5.19%*****
Median	**4.18%*****	**9.56%*****	**5.38%*****
Std.dev.	10.91%	10.67%	
N	130	356	
Panel C			
	1998-2004 different advisor	1998-2004 same advisor	Difference
Bidder			
Mean	0.85%	1.70%	0.86%
Median	0.56%	1.50%	0.94%
Std.dev.	6.93%	8.34%	
N	118	48	
Target			
Mean	**4.44%*****	**5.55%*****	1.11%
Median	**4.28%*****	**6.62%*****	2.34%
Std.dev.	11.04%	10.23%	
N	118	48	

This table presents the bidder announcement CAR (-2, +2) for bidders and targets. Cumulative abnormal returns are calculated based on market-adjusted returns using the country's Datastream value-weighted total market return index. Panel A is based on the full sample and compares the two periods 1990-2004 and 2005-2016. Panel B also compares 1990-2004 with 2005-2016 but only includes observations with different financial advisors. Panel C compares takeover announcements with different financial advisors with takeover attempts where bidder and target share the same financial advisor in the period 1998-2004 where the phenomenon is most present. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 4: OLS Regressions on *CAR of the Target (-2, +2)*

Model	I – OLS	II – OLS	III – OLS	IV – OLS	V – 2SLS	VI – 2SLS
Sample	M&A announcements in Japan					
Deal characteristics	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*
Bidder characteristics	*no*	*yes*	*no*	*yes*	*no*	*yes*
Target characteristics	*no*	*no*	*yes*	*yes*	*no*	*yes*
Dependent variable:	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**
CAR of the Target (-2, +2)	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**
Hypotheses						
Announcement after 2004	**0.1888*****	**0.1923*****	**0.1045*****	**0.1054*****	**0.1895*****	0.1070
	[2.7700]	[2.9550]	[3.7527]	[3.5023]	[3.0436]	[1.4178]
Same financial advisor	0.0200	0.0148	0.0169	0.0176	-0.0378	-0.0587
	[0.9888]	[0.7412]	[0.8495]	[0.8565]	[-0.5511]	[-0.8374]
After 2004 * Same financial advisor	0.0257	0.0047	0.0372	0.0042		
	[0.6243]	[0.1065]	[0.8791]	[0.0931]		
Deal controls						
Deal value (ln)	**0.0072****	**0.0080****	**0.0063***	**0.0074***	**0.0079****	**0.0086****
	[2.0692]	[2.0642]	[1.7511]	[1.8271]	[2.3768]	[2.2029]
Relative size	**-0.0452*****	**-0.0438*****	**-0.0419*****	**-0.0392*****	**-0.0353****	**-0.0311***
	[-3.5711]	[-3.4250]	[-3.1857]	[-2.9879]	[-2.0372]	[-1.8185]
Cross-border Dummy	**-0.0365****	**-0.0382****	**-0.0362****	**-0.0382****	**-0.0424*****	**-0.0457****
	[-2.4727]	[-2.4416]	[-2.1916]	[-2.1799]	[-2.5877]	[-2.4453]
Cash-only deal Dummy	**0.0550*****	**0.0573*****	**0.0569*****	**0.0587*****	**0.0540*****	**0.0573*****
	[4.7877]	[4.8384]	[4.6567]	[4.6379]	[4.9132]	[4.8538]
Same industry Dummy	-0.0129	-0.0063	-0.0113	-0.0060	-0.0133	-0.0058
	[-1.3506]	[-0.6366]	[-1.0950]	[-0.5606]	[-1.3732]	[-0.5513]
One party in *keiretsu*	-0.0072	-0.0058	-0.0086	-0.0090	-0.0054	-0.0053
	[-0.6787]	[-0.5142]	[-0.7496]	[-0.7527]	[-0.4834]	[-0.4250]
Zscore	**0.0041*****	**0.0041*****	-0.0002	-0.0001	**0.0040*****	-0.0002
	[2.7937]	[2.7327]	[-0.1103]	[-0.0459]	[2.9338]	[-0.1017]
Bidder controls						
Cash holdings Bidder		-0.0008		-0.0007		-0.0007
		[-1.6016]		[-1.4117]		[-1.3154]
M/B ratio Bidder		0.0011		0.0004		-0.0002
		[0.3703]		[0.1345]		[-0.0658]
Return on assets Bidder		0.0008		**0.0014****		**0.0015***
		[1.3816]		[2.1010]		[1.8235]
Leverage Bidder		-0.0001		0.0001		0.0000
		[-0.4482]		[0.2366]		[0.0423]
Bidder is IPO firm		**0.0376***		**0.0434***		**0.0584****
		[1.7976]		[1.7924]		[2.1076]
Concentrated ownership Bidder		0.0046		0.0014		0.0034
		[0.4039]		[0.1111]		[0.3042]
Target controls						
Cash holdings Target			0.0001	0.0001		0.0002
			[0.3012]	[0.2061]		[0.5358]
M/B ratio Target			-0.0019	-0.0020		-0.0024
			[-1.2116]	[-1.2475]		[-1.5385]
Return on assets Target			0.0004	0.0002		0.0001
			[0.9094]	[0.2820]		[0.2259]
Leverage Target			**-0.0008****	**-0.0009****		**-0.0008****
			[-2.4487]	[-2.3173]		[-2.3514]
Target is IPO firm			-0.0127	-0.0228		-0.0189
			[-0.5112]	[-0.8360]		[-0.8285]
Concentrated ownership Target			-0.0002	-0.0011		-0.0016
			[-0.0212]	[-0.0991]		[-0.1546]
Constant	-0.0934	-0.0950	0.0531	0.0471	-0.0964	0.0392
	[-1.3890]	[-1.4458]	[1.4775]	[1.2101]	[-1.6025]	[0.4947]
Endogeneity test					0.3463	0.4585
R^2	0.2128	0.2320	0.2577	0.2721	0.1877	0.2409
Adj. R^2	0.1461	0.1523	0.1771	0.1769	0.1207	0.1437
N	526	501	481	459	526	459

This table presents the results from several OLS regressions on the *cumulated abnormal returns (CAR) of the Target* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (bidder and target characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. Industry-fixed and year-fixed effects are included. For the 2SLS regressions, the dummy variable *Both parties have multiple financial advisors* is used as the instrument. The second stage of the 2SLS uses the same covariates as in the OLS regressions but instruments *same financial advisor*. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 5: OLS and 2SLS Regressions on *time to deal completion*

Model	I – OLS	II – OLS	III – OLS	IV – OLS	V – 2SLS	VI – 2SLS
Sample	M&A announcements in Japan					
Deal characteristics	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*
Bidder characteristics	*no*	*yes*	*no*	*yes*	*no*	*yes*
Target characteristics	*no*	*no*	*yes*	*yes*	*no*	*yes*
Dependent variable: ***time to deal completion (days)***	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Hypotheses						
Announcement after 2004	-17.6029	-4.6646	-29.5701	-27.9522	-16.9900	-34.5181
	[-0.3465]	[-0.0700]	[-1.5741]	[-1.3941]	[-0.4194]	[-0.5129]
Same financial advisor	-8.1937	-10.3931	-23.1011	**-26.6886***	80.3008	43.1020
	[-0.5613]	[-0.7147]	[-1.5886]	[-1.8471]	[1.6340]	[1.0041]
After 2004 * Same financial advisor	**45.0840***	32.4646	**57.7176****	**53.1124****		
	[1.7341]	[1.1626]	[2.3645]	[2.0037]		
Deal controls						
Deal value (ln)	**15.5644*****	**16.0211*****	**10.1790*****	**10.2057*****	**15.3076*****	**10.3297*****
	[4.9427]	[4.8799]	[3.2454]	[3.1252]	[6.3965]	[4.0469]
Final premium (1 week)	0.0520	0.0677	0.1428	0.1579	-0.0077	0.1072
	[0.4588]	[0.5931]	[1.3645]	[1.4621]	[-0.0746]	[1.0070]
Relative size	**17.2665***	14.5904	**51.0643*****	**46.9683*****	10.0217	**39.0497*****
	[1.7435]	[1.5601]	[4.6996]	[4.0822]	[1.1603]	[2.9936]
Cross-border Dummy	-0.0156	1.9705	12.3865	16.5657	7.6433	20.1363
	[-0.0013]	[0.1528]	[0.9075]	[1.1772]	[0.6046]	[1.6118]
Cash-only deal Dummy	**-97.8502*****	**-94.0813*****	**-94.7358*****	**-90.5334*****	**-95.0311*****	**-89.0638*****
	[-13.1543]	[-12.6217]	[-12.9426]	[-12.1632]	[-11.6420]	[-11.4404]
Same industry Dummy	**20.7063*****	**16.5407****	**14.9916***	11.6822	**20.1979*****	**12.9525***
	[2.8449]	[2.1841]	[1.9575]	[1.4516]	[2.9270]	[1.8667]
One party in *keiretsu*	9.8315	0.8275	10.1430	3.4942	7.6838	0.8019
	[1.2021]	[0.0937]	[1.2217]	[0.3929]	[0.9340]	[0.0974]
Zscore	**-2.0562****	**-2.1569****	**-3.2034*****	**-3.3803*****	**-1.7762***	**-3.0409****
	[-2.1278]	[-2.2360]	[-2.6341]	[-2.7161]	[-1.6950]	[-2.5573]
Bidder controls						
Cash holdings Bidder		**-0.5969***		-0.5172		**-0.5990***
		[-1.8493]		[-1.5366]		[-1.8135]
M/B ratio Bidder		**-3.1976****		**-2.2159***		-1.9330
		[-2.3430]		[-1.9400]		[-1.2012]
Return on assets Bidder		-0.0460		-0.3378		-0.2561
		[-0.0905]		[-0.5941]		[-0.4875]
Leverage Bidder		**-0.0515****		**-0.0424***		-0.0424
		[-2.3886]		[-1.8804]		[-1.6132]
Bidder is IPO firm		4.0632		-6.7097		-10.4964
		[0.3286]		[-0.5569]		[-0.5953]
Concentrated ownership Bidder		**14.5472****		**17.8414****		**16.2276****
		[2.0073]		[2.2967]		[2.1959]
Target controls						
Cash holdings Target			-0.3596	-0.1521		-0.2365
			[-1.6004]	[-0.7059]		[-0.8300]
M/B ratio Target			**-1.5993***	-1.4122		-1.1536
			[-1.7637]	[-1.5549]		[-1.0527]
Return on assets Target			0.2723	0.2881		0.2982
			[1.4980]	[1.4883]		[0.9697]
Leverage Target			**-0.0235***	-0.0211		**-0.0214***
			[-1.7479]	[-1.6220]		[-1.7252]
Target is IPO firm			-10.5349	-8.4745		-13.3075
			[-0.7851]	[-0.5887]		[-0.8670]
Concentrated ownership Target			-10.6809	-11.2652		-9.5806
			[-1.5131]	[-1.5635]		[-1.3850]
Constant	**113.4933****	**122.7349***	**163.8825*****	**176.8770*****	**110.3474*****	**182.8148*****
	[2.1683]	[1.7659]	[6.3957]	[6.2138]	[2.7577]	[2.6444]
Endogeneity test					0.1043	0.5732
R^2	0.5008	0.5105	0.5571	0.5636	0.4505	0.5350
Adj. R^2	0.4575	0.4584	0.5064	0.5035	0.4041	0.4723
N	527	500	469	447	527	447

This table presents the results from several OLS and instrumental variables two-stage least squares (2SLS) regressions on the *time to deal completion* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (bidder and target characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. Industry-fixed and year-fixed effects are included. For the 2SLS regressions, the dummy variable *Both parties have multiple financial advisors* is used as the instrument. The second stage of the 2SLS uses the same covariates as in the OLS regressions but instruments *same financial advisor*. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 6: OLS and 2SLS Regressions on the *size of the premium*

Model	I – OLS	II – OLS	III – OLS	IV – OLS	V – 2SLS	VI – 2SLS
Sample	M&A announcements in Japan					
Deal characteristics	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*
Bidder characteristics	*no*	*yes*	*no*	*yes*	*no*	*yes*
Target characteristics	*no*	*no*	*yes*	*yes*	*no*	*yes*
Dependent variable: ***size of the premium (1 week)***	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Hypotheses						
Announcement after 2004	**-35.2058*****	**-41.4629*****	**-33.0197*****	**-33.9825*****	**-35.7540***	-25.8786
	[-2.7096]	[-2.6298]	[-2.8800]	[-2.7760]	[-1.9246]	[-0.7411]
Same financial advisor	**11.4227***	**14.6969****	**12.1973****	**12.5777****	-10.0409	-32.8934
	[1.9110]	[2.3932]	[2.1642]	[2.1699]	[-0.4407]	[-1.4290]
After 2004 * Same financial advisor	-2.9945	-3.1619	5.2296	4.7092		
	[-0.2355]	[-0.2199]	[0.3838]	[0.3102]		
Deal controls						
Deal value (ln)	**3.4119*****	**3.3609*****	**3.0441*****	**3.3526*****	**3.5996*****	**3.9550*****
	[2.9107]	[2.7718]	[2.6996]	[2.7783]	[3.2688]	[2.9942]
Relative size	-3.9416	-4.6067	**-10.1869***	**-9.6819***	-1.9726	-2.9791
	[-0.9208]	[-1.1306]	[-1.8492]	[-1.6540]	[-0.4990]	[-0.4471]
Cross-border Dummy	3.6633	1.3803	-1.1786	-1.8198	1.4278	-6.5302
	[0.5831]	[0.2117]	[-0.1845]	[-0.2789]	[0.2460]	[-1.0063]
Cash-only deal Dummy	**10.4930*****	**9.8616****	**11.2414*****	**10.6918*****	**9.9255*****	**9.8299****
	[2.7901]	[2.4817]	[3.1437]	[2.8277]	[2.6848]	[2.4822]
Same industry Dummy	-1.9177	-0.9938	0.6220	1.7865	-1.7296	1.4922
	[-0.5889]	[-0.2890]	[0.1850]	[0.4977]	[-0.5454]	[0.4172]
One party in *keiretsu*	-2.6398	-1.2678	-2.1699	-1.9330	-2.0170	0.7228
	[-0.7279]	[-0.3343]	[-0.5793]	[-0.4916]	[-0.5340]	[0.1698]
Zscore	**2.0798*****	**2.1512*****	1.1062	1.1595	**2.0385*****	1.0849
	[4.2213]	[4.1747]	[1.5985]	[1.6243]	[4.3469]	[1.5226]
Bidder controls						
Cash holdings Bidder		0.0413		-0.0635		-0.0404
		[0.2462]		[-0.3949]		[-0.2316]
M/B ratio Bidder		0.2759		-0.2194		-0.4993
		[0.3966]		[-0.3531]		[-0.6013]
Return on assets Bidder		-0.2870		0.0924		0.0895
		[-1.2932]		[0.4485]		[0.3282]
Leverage Bidder		-0.0651		-0.0452		-0.0720
		[-0.5576]		[-0.3948]		[-0.6169]
Bidder is IPO firm		-3.0184		-1.6492		7.3168
		[-0.3601]		[-0.1621]		[0.7978]
Concentrated ownership Bidder		-3.9767		-2.1440		-1.2601
		[-1.1863]		[-0.6037]		[-0.3335]
Target controls						
Cash holdings Target			-0.2083	-0.1958		-0.1112
			[-1.5504]	[-1.3755]		[-0.7634]
M/B ratio Target			-0.5571	-0.5414		-0.7670
			[-1.0630]	[-1.0401]		[-1.3937]
Return on assets Target			-0.0880	-0.0950		-0.1226
			[-0.6682]	[-0.6677]		[-0.7717]
Leverage Target			**-0.3538*****	**-0.3455*****		**-0.3109*****
			[-3.3643]	[-3.1188]		[-2.7519]
Target is IPO firm			7.2628	10.4461		**13.6607***
			[0.7489]	[0.9426]		[1.7204]
Concentrated ownership Target			-1.3552	-0.9279		-1.3622
			[-0.4175]	[-0.2692]		[-0.3817]
Constant	7.4259	14.6380	**26.3277***	26.2349	7.8857	14.2437
	[0.5557]	[0.8392]	[1.7769]	[1.5824]	[0.4284]	[0.3838]
Endogeneity test					0.3621	0.0337
R^2	0.2789	0.2821	0.3505	0.3524	0.2569	0.2486
Adj. R^2	0.2179	0.2074	0.2780	0.2651	0.1958	0.1494
N	527	500	469	447	527	447

This table presents the results from several OLS and instrumental variables two-stage least squares (2SLS) regressions on the *size of the premium* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (bidder and target characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. Industry-fixed and year-fixed effects are included. For the 2SLS regressions, the dummy variable *Both parties have multiple financial advisors* is used as the instrument. The second stage of the 2SLS uses the same covariates as in the OLS regressions but instruments *same financial advisor*. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 7: Probit Regressions on *same financial advisor*

Model	I	II	III	IV
Sample	M&A announcements in Japan			
Deal characteristics	*yes*	*yes*	*yes*	*yes*
Bidder characteristics	*no*	*yes*	*no*	*yes*
Target characteristics	*no*	*no*	*yes*	*yes*
Dependent variable: ***Same financial advisor***	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Hypotheses				
Announcement after 2004	-0.6284	-0.8369	-0.5391	-0.9164
	[-0.9389]	[-1.2178]	[-0.6810]	[-1.1696]
Zscore	-0.0319	-0.0461	**-0.0751***	**-0.0938****
	[-0.8716]	[-1.1632]	[-1.8793]	[-2.0601]
After 2004 * Zscore	0.0018	0.0425	-0.0202	0.0210
	[0.0291]	[0.5778]	[-0.2797]	[0.2630]
Deal controls				
Deal value (ln)	-0.0304	0.0045	-0.0543	0.0102
	[-0.4175]	[0.0543]	[-0.6131]	[0.1034]
Final premium (1 week)	**0.0058****	**0.0062****	**0.0089****	**0.0073****
	[2.2670]	[2.3837]	[2.5277]	[2.0140]
Relative size	**1.0964*****	**0.9449*****	**1.2059*****	**0.8409****
	[4.0024]	[2.9825]	[4.0831]	[2.4903]
Cash-only deal Dummy	-0.3332	-0.2608	-0.4072	-0.3748
	[-1.1890]	[-0.8496]	[-1.1910]	[-1.0196]
Same industry Dummy	0.0139	-0.0531	0.0386	-0.0701
	[0.0644]	[-0.2384]	[0.1653]	[-0.2886]
One party in *keiretsu*	0.3520	0.1962	**0.5013***	0.3382
	[1.4211]	[0.7582]	[1.8433]	[1.2084]
Bidder controls				
Cash holdings Bidder		**0.0171***		0.0105
		[1.7294]		[0.9222]
M/B ratio Bidder		-0.0928		**-0.1651***
		[-1.0493]		[-1.8682]
Return on assets Bidder		-0.0254		-0.0196
		[-0.9101]		[-0.6756]
Leverage Bidder		0.0000		0.0000
		[0.0195]		[0.0460]
Bidder is IPO firm		**1.0518***		1.0103
		[1.8644]		[1.5271]
Concentrated ownership Bidder		-0.0065		0.2142
		[-0.0264]		[0.7583]
Target controls				
Cash holdings Target			**0.0201****	**0.0246****
			[2.3472]	[2.3861]
M/B ratio Target			**-0.1480***	**-0.2439****
			[-1.8098]	[-2.0054]
Return on assets Target			0.0035	-0.0044
			[0.1774]	[-0.2043]
Leverage Target			-0.0001	-0.0001
			[-0.1468]	[-0.3403]
Target is IPO firm			**0.8099***	**1.0665****
			[1.9181]	[2.0575]
Concentrated ownership Target			-0.2596	-0.2974
			[-1.1486]	[-1.2619]
Constant	**-1.0010***	-0.9062	**-1.1915***	-0.8646
	[-1.9288]	[-1.5869]	[-1.8332]	[-1.2244]
Pseudo R^2	0.2260	0.2565	0.2778	0.2937
Wald chi^2	68.44	68.29	77.53	78.34
N	275	260	248	236

This table presents the results from several probit regressions on having the *same financial advisor* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (bidder and target characteristics). Cross border deals are excluded as transactions with the same financial advisor only occur within Japan. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. Industry-fixed and year-fixed effects are included. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 8: Univariate Comparison of Deal, Bidder and Target Characteristics 1990-2004 vs. 2005-2016 (Complete Sample)

Deal, Bidder and Target Characteristics								
	1990-2004			2005-2016			Difference in	
Variable	**N**	**Mean**	**Median**	**N**	**Mean**	**Median**	**Mean**	**Median**
Deal Characteristics								
Deal value (ln)	227	4.02	3.82	401	4.39	4.22	0.37***	0.39**
Final premium (1 week)	209	8.20	6.84	379	27.99	21.13	19.80***	14.29***
Relative size	197	25.95	8.94	368	21.47	5.65	-4.48	-3.29
% held at announcement	102	28.48	30.89	190	22.06	22.26	-6.42***	-8.63*
Time to completion	227	164.99	139.00	401	112.80	82.00	-52.19***	-57.00***
Zscore	227	5.61	5.70	401	6.30	5.85	0.69**	0.15**
Same fin. advisor Dum.	227	0.26	-	401	0.04	-	-0.22***	-
Success Dummy	227	1.00	-	401	1.00	-	0.00	-
Cross-border Dummy	227	0.11	-	401	0.15	-	0.04	-
Hostile deal Dummy	227	0.00	-	401	0.01	-	0.01	-
Cash-only deal Dummy	227	0.15	-	401	0.56	-	0.41***	-
Stock-only deal Dummy	227	0.68	-	401	0.39	-	-0.29***	-
Same industry Dummy	227	0.49	-	401	0.44	-	-0.05	-
One party in *keiretsu*	227	0.35	-	401	0.26	-	-0.10**	-
Same *keiretsu* group	227	0.05	-	401	0.03	-	-0.02	-
Bidder Characteristics								
Size Bidder (ln)	197	6.68	6.78	368	7.21	7.24	0.54***	0.46*
Cash holdings Bidder	194	14.68	12.14	366	17.25	13.45	2.57**	1.31
M/B ratio Bidder	191	1.70	1.17	365	1.93	1.35	0.23	0.18*
Leverage Bidder	199	29.51	29.48	369	19.07	15.76	-10.45***	-13.72***
Return on assets Bidder	192	2.54	1.75	364	4.04	3.61	1.50**	1.86***
Bidder is IPO firm	227	0.08	-	401	0.07	-	-0.01	-
Concentrated ownership	227	0.48	-	401	0.46	-	-0.02	-
Target Characteristics								
Size Target (ln)	175	4.44	4.18	339	4.48	4.32	0.04	0.13
Cash holdings Target	136	15.86	11.50	334	19.07	15.29	3.22**	3.79***
M/B ratio Target	178	1.33	0.79	370	1.90	0.97	0.57**	0.18**
Leverage Target	189	28.04	27.35	382	22.99	20.54	-5.05***	-6.82**
Return on assets Target	185	0.61	1.02	380	0.31	2.09	-0.30	1.07***
Target is IPO firm	227	0.11	-	401	0.08	-	-0.03	-
Concentrated ownership	227	0.63	-	401	0.64	-	0.01	-

This table presents univariate comparisons of all deal, bidder and target variables included in the regression models. The table compares the mean and median characteristics of deals in the period 1990-2004 with deals of 2005-2016, after the introduction of corporate governance improvements. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. The significance of the difference in the dummy variables is tested with a difference of proportion test (z-statistic). ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 9: Univariate Comparison of Deal, Bidder and Target Characteristics 1990-2004 vs. 2005-2016 (Only Announcements with Different Financial Advisor)

Deal, Bidder and Target Characteristics								
	1990-2004 (Diff. Advisor)			2005-2016 (Diff. Advisor)			Difference in	
Variable	**N**	**Mean**	**Median**	**N**	**Mean**	**Median**	**Mean**	**Median**
Deal Characteristics								
Deal value (ln)	169	4.00	3.75	386	4.33	4.15	0.34**	0.40*
Final premium (1 week)	151	6.90	5.80	364	27.28	20.98	20.38***	15.18***
Relative size	150	19.81	5.80	356	20.07	5.39	0.26	-0.41
% held at announcement	80	28.28	30.89	185	22.61	23.65	-5.67**	-7.24
Time to completion	169	162.11	140.00	386	108.23	81.00	-53.88***	-59.00***
Zscore	169	5.75	5.72	386	6.29	5.87	0.54*	0.15
Same fin. advisor Dum.	169	0.00	-	386	0.00	-	0.00	-
Success Dummy	169	1.00	-	386	1.00	-	0.00	-
Cross-border Dummy	169	0.14	-	386	0.16	-	0.02	-
Hostile deal Dummy	169	0.00	-	386	0.01	-	0.01	-
Cash-only deal Dummy	169	0.19	-	386	0.57	-	0.38***	-
Stock-only deal Dummy	169	0.62	-	386	0.38	-	-0.25***	-
Same industry Dummy	169	0.48	-	386	0.42	-	-0.06	-
One party in *keiretsu*	169	0.38	-	386	0.25	-	-0.13***	-
Same *keiretsu* Group	169	0.05	-	386	0.03	-	-0.02	-
Bidder Characteristics								
Size Bidder (ln)	150	6.90	7.15	356	7.23	7.26	0.33*	0.11
Cash holdings Bidder	146	13.91	11.30	354	17.34	13.46	3.43***	2.16**
M/B ratio Bidder	146	1.81	1.22	353	1.95	1.35	0.14	0.13
Leverage Bidder	148	30.08	30.97	357	18.80	15.69	-11.28***	-15.28***
Return on assets Bidder	146	2.71	1.81	353	3.94	3.55	1.24*	1.74***
Bidder is IPO firm	169	0.06	-	386	0.07	-	0.01	-
Concentrated ownership	169	0.46	-	386	0.46	-	0.00	-
Target Characteristics								
Size Target (ln)	130	4.46	4.16	324	4.43	4.22	-0.04	0.06
Cash holdings Target	103	15.44	11.03	320	19.15	15.29	3.71**	4.26***
M/B ratio Target	132	1.46	0.82	356	1.93	0.96	0.47	0.14
Leverage Target	139	28.00	27.06	367	22.74	20.38	-5.26***	-6.68**
Return on assets Target	138	1.01	1.17	365	0.14	2.07	-0.87	0.91**
Target is IPO firm	169	0.08	-	386	0.09	-	0.01	-
Concentrated ownership	169	0.64	-	386	0.64	-	0.00	-

This table presents univariate comparisons of all deal, bidder and target variables included in the regression models. The table compares the mean and median characteristics of only deals having a different financial advisor in the period 1990-2004 with deals of 2005-2016, after the introduction of corporate governance improvements. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. The significance of the difference in the dummy variables is tested with a difference of proportion test (z-statistic). ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 10: OLS and Probit Regressions on Target and Deal Characteristics

Model	I – OLS	II – OLS	III – OLS	IV – OLS	V – OLS	VI – Probit
Sample	M&A announcements in Japan					
Dependent variable	*Leverage*	*Cash holdings*	*Concentrated ownership*	*Combined CARs*	*Relative size*	*keiretsu*
	Coeff. **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Hypotheses						
Announcement after 2004	**-33.1444*****	1.1414	-0.1392	0.0101	**-0.3773*****	-0.6545
	[-4.7225]	[0.1753]	[-0.3238]	[0.4263]	[-3.2146]	[-0.8726]
Same financial advisor	1.9121	0.5694	-0.3645	0.0104	0.1023	0.2376
	[0.4981]	[0.2115]	[-1.4611]	[0.7252]	[1.2106]	[0.6624]
After 2004 * Same financial advisor	0.8989	3.7543	**0.9211***	-0.0025	0.2110	0.7236
	[0.1429]	[0.8194]	[1.6791]	[-0.0860]	[1.2807]	[1.0573]
Deal Characteristics						
Relative size	-4.0424	2.6666	**-0.4157****	0.0074		**0.5702****
	[-1.4350]	[1.4953]	[-2.2317]	[0.6404]		[2.0402]
Same industry	2.6814	**-3.1796****	**-0.2510***	0.0080	**0.1227*****	-0.0660
	[1.2435]	[-2.3441]	[-1.7838]	[1.1210]	[3.7053]	[-0.3437]
Cash-only	0.9829	**3.9982****	0.0177	0.0020	**-0.1551*****	**0.5328****
	[0.4232]	[2.5558]	[0.1094]	[0.2387]	[-4.0398]	[2.4841]
One party in *keiretsu*	0.7945	-2.5392	0.1634	0.0014	**0.0841****	
	[0.3156]	[-1.5569]	[0.8985]	[0.1822]	[1.9811]	
Bidder Characteristics						
Size Bidder (ln)	**-2.0824*****	-0.1464	**-0.1216*****	-0.0027	**-0.0749*****	**0.4222*****
	[-3.3066]	[-0.2977]	[-2.6610]	[-1.1232]	[-6.7444]	[6.3376]
Leverage Bidder	**0.2970*****	0.0305	**0.0102****	0.0002	0.0011	0.0088
	[4.3837]	[0.8864]	[2.2189]	[0.7842]	[0.8611]	[1.4125]
Cash holdings Bidder	**-0.1992****	**0.3144*****	0.0092	**-0.0008****	**0.0062***	**-0.0342*****
	[-2.1925]	[3.8817]	[1.2771]	[-2.0048]	[1.9578]	[-3.1460]
M/B ratio Bidder	0.2270	0.5693	0.0168	-0.0007	0.0125	**-0.2974****
	[0.4881]	[1.0846]	[0.4355]	[-0.4623]	[0.9282]	[-2.3526]
Return on assets Bidder	**0.3642*****	-0.0205	0.0070	**0.0012****	-0.0077	0.0178
	[2.9298]	[-0.1997]	[0.7333]	[2.2838]	[-1.0794]	[0.5517]
Bidder is IPO Firm	-1.4224	-1.1817	0.3409	0.0345	0.1572	-0.1004
	[-0.2893]	[-0.3196]	[0.8284]	[1.5297]	[1.6234]	[-0.1385]
Concentrated ownership Bidder	-0.7279	-0.2614	**0.4956*****	-0.0001	0.0460	0.3470
	[-0.3270]	[-0.1662]	[3.1811]	[-0.0112]	[1.1647]	[1.6265]
Target Characteristics						
Leverage Target				**-0.0005****	-0.0006	0.0006
				[-2.0471]	[-0.7395]	[0.1268]
Cash holdings Target				0.0001	0.0012	**-0.0139***
				[0.3344]	[0.8130]	[-1.6653]
M/B ratio Target				-0.0007	0.0022	-0.0202
				[-0.7460]	[0.7144]	[-0.9168]
Return on assets Target				-0.0006	**0.0044***	0.0039
				[-1.2772]	[1.7039]	[0.3253]
Target is IPO Firm				-0.0050	**-0.1863****	0.0633
				[-0.1797]	[-2.5300]	[0.1471]
Concentrated ownership Target				-0.0012	**-0.0689****	**0.3434***
				[-0.1875]	[-2.4178]	[1.7987]
Constant	**66.2520*****	**13.7702***	**0.8924***	0.0464	**0.9225*****	**-3.5581*****
	[8.0091]	[1.9470]	[1.9453]	[1.2582]	[5.2491]	[-4.5829]
R^2	0.2030	0.3117		0.1381	0.3988	
Adjusted R^2	0.1110	0.2364		0.0040	0.3163	
Pseudo R^2			0.1299			0.3986
Wald chi^2			72.7177			148.5466
N	436	457	448	380	415	411

This table presents the results from several OLS and Probit regressions on different Target and Deal Characteristics as the dependent variable to detect developments after the corporate governance changes in 2004. The sample contains Japanese bidders in the period 1990 to 2016. Industry-fixed and year-fixed effects are included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.1: Variable definitions

Variable name	Source	Variable description
Same financial advisor	Thomson Eikon, own calculation	Dummy variable that takes the value of 1 if bidder and target share the same financial advisor or investment bank in a single transaction.
One party in *keiretsu*	Previous Papers, own research	Dummy variable that takes the value of 1 if at least one involved party (bidder or target) is member in a *keiretsu* group.
Same *keiretsu* group	Previous Papers, own research	Dummy variable that takes the value of 1 if bidder and target are members of the same *keiretsu* group.
Deal value	Thomson Eikon	Natural logarithm of transaction value.
Time to completion	Thomson Eikon, own calculation	Time in days from deal announcement to deal completion.
Success	Thomson Eikon	Dummy variable that takes the value of 1 if a takeover attempt is successful, zero otherwise. In the current sample only successful takeover attempts are analyzed.
Cash-only	Thomson Eikon	Cash only is a dummy variable equal to 1 if only cash is used as method of payment in the transaction.
Stock-only	Thomson Eikon	Stock only is a dummy variable equal to 1 if only shares are used as method of payment in the transaction.
Final premium	Thomson Eikon	Final premium is the ratio of final offer price per share to the target's stock price 1 week prior to the announcement minus 1.
Cross-border	Thomson Eikon	Dummy variable that takes the value of 1 if bidder and target are located in different countries, zero otherwise.
Same industry	Thomson Eikon	Same industry is a dummy variable equal to 1 if bidder and target share the same industry based on the 2-digit SIC code.
% held at announcement	Thomson Eikon	The bidder's ownership stake in the target before the public takeover announcement (Toehold).
Concentrated ownership	Thomson Eikon, own calculation	Dummy variable that takes the value of 1 if less than 75% of outstanding shares available are to ordinary investors, zero otherwise.
IPO firm	Thomson Eikon, own calculation	Dummy variable that takes the value of 1 if bidder/target went public no longer than 3 years ago, zero otherwise.
Hostile	Thomson Eikon	Hostile is a dummy variable that takes the value of 1 if the takeover bid is hostile or unsolicited as recorded in Thomson Eikon. In the current sample only non-hostile takeover attempts are analyzed.
Zscore	Datastream / Worldscope / own calculation	Altman's Z"-Score to account for the probability of default of the target firm.
Size bidder	Datastream / Worldscope	Size is the natural logarithm of market capitalization of the bidder.
M/B ratio	Datastream / Worldscope	M/B ratio is defined as the market value of common equity divided by the balance sheet value of common equity in the company.
Return on assets	Datastream / Worldscope	Profitability is net income scaled by total assets and is the firm's profitability.
Cash holdings	Datastream / Worldscope	Cash holdings is the ratio of cash and equivalents to total assets.
Leverage	Datastream / Worldscope	Leverage is defined as short term debt & long term debt divided by the value of total assets.
Relative size	Datastream / Worldscope, Thomson Eikon	Relative size is defined as transaction value divided by bidder market value prior to the announcement.
Both parties have multiple financial advisors	Thomson Eikon, own calculation	Dummy variable that takes the value of 1 if bidder and target both have multiple financial advisors.

This table includes all variable definitions, data sources and variable constructions we use in the paper. We use stock return and accounting data from Datastream and Worldscope, respectively. All accounting variables and returns are winsorized at the upper and lower 1 percent level.

Table A.2: Sample Distribution

Panel A: M&A announcements per year					
	Japan				
Year	Different Advisor		Same Advisor		Total
	N	%	N	%	N
1990	9	100.00%	0	0.00%	9
1991	2	100.00%	0	0.00%	2
1992	1	100.00%	0	0.00%	1
1993	1	100.00%	0	0.00%	1
1994	3	100.00%	0	0.00%	3
1995	1	100.00%	0	0.00%	1
1996	3	100.00%	0	0.00%	3
1997	7	100.00%	0	0.00%	7
1998	13	86.67%	2	13.33%	15
1999	20	66.67%	10	33.33%	30
2000	13	46.43%	15	53.57%	28
2001	17	68.00%	8	32.00%	25
2002	22	66.67%	11	33.33%	33
2003	29	80.56%	7	19.44%	36
2004	28	84.85%	5	15.15%	33
2005	46	95.83%	2	4.17%	48
2006	42	95.45%	2	4.55%	44
2007	35	100.00%	0	0.00%	35
2008	31	96.88%	1	3.13%	32
2009	49	100.00%	0	0.00%	49
2010	30	96.77%	1	3.23%	31
2011	32	94.12%	2	5.88%	34
2012	30	85.71%	5	14.29%	35
2013	25	92.59%	2	7.41%	27
2014	15	100.00%	0	0.00%	15
2015	32	100.00%	0	0.00%	32
2016	19	100.00%	0	0.00%	19
Total	**555**	**88.38%**	**73**	**11.62%**	**628**

Panel B: M&A announcements per Target Country					
	Japan				
Target Country	Different Advisor		Same Advisor		Total
	N	%	N	%	N
Australia	7	100.00%	0	0.00%	7
Belgium	1	100.00%	0	0.00%	1
Canada	2	100.00%	0	0.00%	2
Cayman Islands	1	100.00%	0	0.00%	1
France	5	100.00%	0	0.00%	5
Germany	1	100.00%	0	0.00%	1
Hong Kong	3	100.00%	0	0.00%	3
India	1	100.00%	0	0.00%	1
Italy	1	100.00%	0	0.00%	1
Japan	**473**	**86.63%**	**73**	**13.37%**	**546**
Malaysia	3	100.00%	0	0.00%	3
Netherlands	2	100.00%	0	0.00%	2
Poland	1	100.00%	0	0.00%	1
Singapore	6	100.00%	0	0.00%	6
South Africa	2	100.00%	0	0.00%	2
South Korea	2	100.00%	0	0.00%	2
Sweden	2	100.00%	0	0.00%	2
Switzerland	1	100.00%	0	0.00%	1
Thailand	1	100.00%	0	0.00%	1
UK	13	100.00%	0	0.00%	13
United States	27	100.00%	0	0.00%	27
Total	**555**	**88.38%**	**73**	**11.62%**	**628**

Panel C: M&A announcements per Target Industry					
	Japan				
Target Industry	Different Advisor		Same Advisor		Total
	N	%	N	%	N
Business Serv.	74	92.50%	6	7.50%	80
Electronic Equ.	39	88.64%	5	11.36%	44
Chemicals	37	92.50%	3	7.50%	40
Ind. Machinery	38	92.68%	3	7.32%	41
Wholesale Trade	35	94.59%	2	5.41%	37
Misc. Wholesale	20	74.07%	7	25.93%	27
Food Prod.	22	88.00%	3	12.00%	25
Measur., Analyz.	20	95.24%	1	4.76%	21
Food Stores	17	85.00%	3	15.00%	20
Building Constr.	11	55.00%	9	45.00%	20
Metal Industry	14	82.35%	3	17.65%	17
Misc. Retail	18	100.00%	0	0.00%	18
Paper Products	12	92.31%	1	7.69%	13
Transport. Equ.	14	100.00%	0	0.00%	14
Stone,Clay,Glass	10	71.43%	4	28.57%	14
Eating, Drinking	12	85.71%	2	14.29%	14
Sp. Construction	12	100.00%	0	0.00%	12
Fab. Metal Prod.	10	83.33%	2	16.67%	12
Warehousing	12	100.00%	0	0.00%	12
Engin. Research	10	83.33%	2	16.67%	12
Textile Mill Pro.	11	100.00%	0	0.00%	11
Communications	9	100.00%	0	0.00%	9
Apparel, Acces.	8	88.89%	1	11.11%	9
Home Furniture	8	88.89%	1	11.11%	9
Motion Pictures	9	100.00%	0	0.00%	9
Other	73	82.95%	15	17.05%	88
Total	**555**	**88.38%**	**73**	**11.62%**	**628**

This table presents the distributional characteristics of our sample. Deals with the same advisor are takeover deals where bidder and target consult the same financial advisor or the same investment bank. Panel A reports the number of deals with the same advisor in each year between 1990 and 2016. Panel B differentiates the deal announcements by target country. All of these transactions occur within Japan and with Japanese financial advisors. None of the US investment banks is involved in such deals, as this would usually signal low corporate governance standards. Panel C presents the distribution of the sample by target industry based on the 2-digit SIC code (Standard Industrial Classification). Most transactions take place in “Business Services”, “Electronic Equipment”, and “Chemicals”. Transactions with the same financial advisor most frequently occur in “Building Construction”, “Wholesale”, and “Business Services”.

Table A.3: Bidder and Target Announcement Returns for the 41-day event window

Cumulated Abnormal Returns (CARs) around the Takeover Announcement			
Panel A			
	1990-2004	2005-2016	Difference
Bidder			
Mean	**2.71%****	1.18%	-1.53%
Median	**2.18%*****	1.00%	-1.18%
Std.dev.	14.99%	11.76%	
N	178	369	
Target			
Mean	**8.19%*****	**12.53%*****	**4.34%****
Median	**7.11%*****	**11.00%*****	**3.89%*****
Std.dev.	23.69%	19.55%	
N	178	369	
Panel B			
	1990-2004 different advisor	2005-2016 different advisor	Difference
Bidder			
Mean	**2.99%****	0.94%	-2.05%
Median	**1.70%****	0.86%	-0.84%
Std.dev.	15.34%	11.42%	
N	130	356	
Target			
Mean	**8.79%*****	**12.38%*****	**3.59%***
Median	**6.38%*****	**10.98%*****	**4.60%****
Std.dev.	23.23%	19.58%	
N	130	356	
Panel C			
	1998-2004 different advisor	1998-2004 same advisor	Difference
Bidder			
Mean	**3.04%***	1.95%	-1.09%
Median	**1.70%***	4.00%	2.30%
Std.dev.	15.84%	14.11%	
N	118	48	
Target			
Mean	**9.75%*****	**6.57%***	-3.18%
Median	**8.06%*****	8.52%	0.46%
Std.dev.	23.97%	25.08%	
N	118	48	

This table presents the bidder announcement CAR (-20, +20) for bidders and targets. Cumulative abnormal returns are calculated based on market-adjusted returns using the country's Datastream value-weighted total market return index. Panel A is based on the full sample and compares the two periods 1990-2004 and 2005-2016. Panel B also compares 1990-2004 with 2005-2016 but only includes observations with different financial advisors. Panel C compares takeover announcements with different financial advisors with takeover attempts where bidder and target share the same financial advisor in the period 1998-2004 where the phenomenon is most present. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.4: Overview Bidder and Target Announcement Returns

Cumulated Abnormal Returns (CARs) in Japan and around the World

Study	Years	Country/ Region	No of obs. (Bidder)	No of obs. (Target)	Event Window	CAR Bidder	CAR Target
Our research	**1990-2004**	**Japan**	**178**	**178**	**[-1,+1]**	**1.28%****	**4.12%*****
	1990-2004		**178**	**178**	**[-2,+2]**	**0.97%**	**4.36%*****
	1990-2004		**178**	**178**	**[-20,+20]**	**2.71%****	**8.19%*****
	1990-2004		**178**	**178**	**[-41,-2]**	**2.81%****	**4.29%*****
	2005-2016		**369**	**369**	**[-1,+1]**	**0.70%****	**7.29%*****
	2005-2016		**369**	**369**	**[-2,+2]**	**0.59%***	**9.19%*****
	2005-2016		**369**	**369**	**[-20,+20]**	**1.18%**	**12.53%*****
	2005-2016		**369**	**369**	**[-41,-2]**	**0.19%**	**2.05%*****
Kang (1993)	1975-1988	Japan	119	102	[-1,+1]	0.51%*	9.42%***
Pettway/Yamada (1986)	1977-1984	Japan	50	16	[-1,+1]	0.82%	0.07%
Kang et al. (2000)	1977-1993	Japan	154	-	[-1,+1]	0.9%*	-
Mehrotra et al. (2011)	1982-2003	Japan	91	91	[-2,+2]	-0.01%	-0.02
Higgins/Beckmann (2006)	1990-2000	Japan	85	-	[-1,+1]	1.70%	-
Alexandridis et al. (2010)	1990-2007	Japan	182	182	[-2,+2]	2.45%***	7.86%***
Van Schaik (2008)	1993-2003	Japan	136	-	[-1,0]	1.37%	-
Zrilic/Hoshino (2007)	1993-2005	Japan	62	-	[-1,+1]	1.19%**	-
Hanamura et al. (2011)	2000-2007	Japan	377	377	[-1,+1]	1.17%***	8.15%***
Inoue (2009)	2003-2007	Japan	379	382	[-1,+1]	1.16%**	8.18%**
Inoue (2013)	2003-2010	Japan	731	-	[-1,+1]	1.75%***	-
Betton et al. (2008)	1980-2005	US	15,987	9,298	[-1,+1]	14.61%	0.01%
Gerke et al. (1995)	1987-1992	Germany	105	19	[-1,+1]	-0.06	2.24%***
Alexandridis et al. (2010)	1990-2007	Europe (excl. UK)	212	212	[-2,+2]	1.65%***	9.51%***
	1990-2007	UK	354	354	[-2,+2]	-1.58%***	14.7%***
	1990-2007	US	3,171	3,171	[-2,+2]	-1.34%***	21.13%***
Martynova/Renneboog (2006)	1993-2001	Germany	358	358	[-1,+1]	0.73%*	4.44%***
	1993-2001	Europe	2,109	760	[-1,+1]	0.72%***	12.47%***

Essays in Corporate Finance and Corporate Governance

The Effects of Non-EU Takeover Bids on Targets in the EU

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Abstract

For a sample of 1,619 listed M&A targets in the European Union (EU), we analyze the valuation effects depending on the bidding company being from an EU or a Non-EU country. We provide robust empirical evidence that in the period 1990 to 2016 target's shareholders experience higher abnormal returns around the announcement for cross-border bids in general, but not explicitly higher for Non-EU bidder acquisitions. Moreover, we find that subsequent to the merger the valuation effects for the bidder do not differ significantly when comparing EU cross-border and Non-EU bidder transactions. However, both are underperforming EU domestic deals in the period up to one year after deal completion. There is some indication that, after the introduction of the single European currency, US bidders lead to higher announcement returns on the target side. In addition, European protectionist measures do not seem to have a negative influence on the outcome of deals with a Non-EU bidder as these do not have a higher failure rate. Moreover, throughout the sample period, the fraction of Non-EU bidders is increasing. The driving force for a Non-EU bidder targeting a company of the European Union seems to be high GDP growth in the home market and the target firm suffering from the global financial crisis. Non-EU bidders more often pay with cash only and are, on average, larger than EU bidders. Further, Non-EU bidders seem to choose targets with a low cultural difference to reduce the risk of failure. Overall, we do not find evidence for shareholders being disadvantaged by Non-EU bidders compared to EU cross-border deals.

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1. INTRODUCTION

Firms acquire companies located in the European Union (EU) to gain access to new markets and new customers, to purchase expertise and knowledge or new technologies, or to develop new business opportunities in general (Moeller and Schlingemann, 2005; Ceriello, 2017). With open markets and open borders, not only international trade and international cooperation are growing but also international and intercontinental mergers and acquisitions (M&A) occur more frequently. However, not every nation is uniquely benefitting from this development. Political instability, financial crises, and the politics of presidents in the US such as Donald Trump, or the Brexit decision in the UK, are fostering this perception. As a result, national protectionism is growing around the world, and the introduction of tax code changes and new takeover legislation and rules are a means to protect jobs and national champions (Schönberg, 2006; New York Times, 2019). This development should also have consequences on the M&A activity in the European Union and the legislation of the European Commission (EC).

While such protectionism historically is more a feature of Southern European markets, the phenomenon has been migrating north. The French reaction to GE's bid for Alstom in 2014 may be one example for the growing anxiety. Another example is the reaction of the government in Berlin and the subsequent intervention to several Chinese companies trying to acquire leading technology out of the *Mittelstand* (Financial Times, 2016). Especially in the media, takeover bids by Non-European Union bidders, like from the US or China, are often seen as a threat and not as an opportunity. In this paper, we discuss the economic consequences of M&A activity by Non-European bidders and analyze how expected or promised synergies are included in the share price. We focus on deal outcome as well as shareholder's wealth effects around M&A activity in the European Union and for European Union target firms. As the recent global financial crisis (GFC) is included in the sample period we also focus on how

involved firms responded to this exogenous shock with regard to M&A activity. It is likely that the GFC decreased the firms' cash flows as well as the availability of external financings and thus, affects M&A decisions of bidders and targets.

For a sample of 1,619 mergers and acquisitions that occurred between 1990 and 2016 with an EU target involved, we analyze the effects a bid of a Non-EU acquirer has compared to a pure European Union affair, domestically and across borders. We find that shareholders of bidding companies do not receive significant abnormal returns, no matter whether the bidder is from the European Union or not. In contrast, targets have significantly positive abnormal returns with significant higher abnormal returns for companies that are targeted by Non-EU bidders. However, when controlling for cross-border transactions within the European Union the differences in announcement returns for target shareholders are no longer significant. Additionally, we analyze the valuation effects up to one year after deal completion and find that the two groups do not differ significantly for bidder shareholders, both underperforming domestic deals. We contribute to the literature and the current discussion in interpreting these findings as bids by Non-EU companies not being more harmful for shareholders of EU target firms than EU cross-border transactions.

As M&A activity occurs in waves, a clustering of M&A activity within industries tied to various technological, economic, or regulatory shocks (Harford, 2005; Jansen, 2016; DePamphilis, 2018), we split our sample into subsamples which represent the three most recent M&A waves. The valuation results are also robust for the subsamples. We provide empirical evidence that several deal, bidder, and target characteristics for deals with a Non-EU bidder differ from that of European Union bidders. Within our sample period, the fraction of Non-European Union bidders increases from about 20% in the period 1990 to 2000 (5^{th} wave) to about 33% in the period 2009 to 2016 (7^{th} wave). Interestingly, the failure rate does not differ between the two groups. Thus, and at least for listed companies, protectionist measures

only seem to work in particular cases. In line with existing literature, our analysis reveals that cash payment has a significant positive influence on the size of the EU target's abnormal return around the announcement. Our results also suggest that Non-EU bidders more often pay with cash only and are more likely to be driven by high GDP growth in the home market and the target firm's country suffering the global financial crisis. The global financial crisis as exogenous shock is likely to decrease the firms' cash flows as well as the availability of external financings and thus, putting the target in distress. Finally, the target's Market-to-Book (M/B) ratio increases the likelihood, indicating that the bidding firm from a Non-EU country tries to acquire a company that is highly valued by the capital market and that is expected to have growth opportunities. In contrast, long-term interest rates in the home country do not seem to influence the choice of the bidding company.

We structure the rest of this paper as follows. In the next section, we review the literature with respect to protectionism and valuation issues in Europe, and in section 3, we describe our sample and methodology. In section 4, we discuss and analyze the valuation effects of M&As with EU targets acquired by EU and Non-EU bidders, respectively, as well as the differences in bidder, target and deal characteristics. Section 5 contains our cross-sectional analysis of the factors influencing the probability of deal completion and the targets' cumulated abnormal return (CAR) as well as the long-run performance of the bidding company which should be the surviving party in most cases. Further, we test which variables influence the probability of bringing Non-EU bidder and EU target together. Section 6 concludes.

2. LITERATURE REVIEW

In this section, we review and discuss the literature for cross-border transactions and the growing importance of protectionism in Europe (2.1.) as this development seems relevant

for the deal success of cross-border transactions. Further, we discuss the determinants for the shareholder wealth effects (2.2) to emphasize the economic consequences of M&A activity and the likelihood of a Non-EU bidder targeting a European Union target firm (2.3).

2.1 Protectionism and Deal Success in Cross-border M&As

In the aftermath of the global financial crisis, nationalism of host countries has been reviving as economic difficulties arose globally but also and not less pronounced within Europe (Serdar Dinc and Erel, 2013; Evenett, 2019). Nevertheless, even in the period before cross-border acquisitions were a sensitive topic, especially in Europe (Aktas et al., 2007). However, after the financial crisis the M&A market gradually recovered. Emerging markets and its companies are playing an increasingly important role in international mergers and acquisitions (Deng and Yang, 2015) but in the recent past, especially overseas M&As have suffered from foreign barriers. With politics interfering market powers, third countries suffer from discrimination and cross-border mergers and acquisitions have to be canceled not only due to cultural differences. Host countries and their governments start to worry about their scarce resources and knowledge drain with the growing expansion of cross-border acquisitions of corporations from third countries, especially from Asia. Chinese companies are more and more using cross-border M&As as a vehicle to source knowledge or strategic assets (Zheng et al., 2016). At the same time, Chinese government is restricting capital outflows of privately owned enterprises (Zhou et al., 2015; Chan, 2017). Consequently, the trust in the eventual superiority of market forces is not very distinct. Thus, administrative intervention of the target's government has become an important tool in preventing foreign corporations from competing with their own corporations by the means of acquisitions (Ceriello, 2017).

In Europe, there is the general principle of free capital movements and the right to set up companies throughout the member states of the European Union (EU). However, national governments are more and more encapsulating – not only from third countries but also from other European member states (Galloway, 2007; Jones and Davies, 2014). As big business is not very popular in some countries, national governments are preserving jobs instead of creating new ones and thus, sacrificing productivity and welfare gains (Schönberg, 2006; Serdar Dinc and Erel, 2013). The mood in many countries, for example in Germany or France, is sort of frightened and defensive. Several countries within the European Union are rediscovering their nationalism with all its (negative) consequences for international trade. In contrast, the latest OECD's Employment Outlook concludes that only a tiny fraction of job losses in Western Europe has its explanation in trade liberalization. The major reason is technological progress (OECD, 2017). Nevertheless, governments of European countries seem to be willing to accept substantial economic costs when it comes to protecting existing economic structures and jobs to attract media attention. Even if there were some short-term advantages of protectionism for a few individual companies or industries, their consequences are hardly beneficial for consumers and the national economy. What is missing in order to solve the problem of reciprocity is an international investment treaty that works against the increasing investment protectionism (Heinemann, 2012). Not surprisingly, since the beginning of 2018 one could observe Tit for Tat strategies around the globe as many countries felt to be treated unfairly in international trade and started to set up trade restrictions and additional tariffs on selected goods.

The EU Commission, which in contrast could intervene against restrictions to market access by national governments, seems only to be concerned with shifting from "national champions" to "European champions" (Schönberg, 2006; Fuest et al., 2019). Even the well-meant demand for building European champions by the German Economy Minister Peter Altmaier (New York Times, 2019) is eventually meant to strengthen the own economy. With

the introduction of the common currency in Europe in 2002, M&A activity within Europe and with European participation increased (European Commission, 2007) and with that the revision and orchestration of the European Union merger law (Ceriello, 2017). The EU Commission even has been accused to have used its merger-review power to prohibit or at least challenge high profile M&As during the last few decades and more pronounced in recent years (Economist, 2016). However, the statistics of the European Commission tell another story: since 1990 the Commission has prohibited 27 mergers within the European Union, on average one per year with no upward trend in the recent past (European Commission, 2019). Further, in their recent study Bradford et al. (2018) do not find evidence that the EU Commission has systematically used its power to intervene more frequently or more extensively in transactions where a foreign firm is acquiring an EU-based company in the period from 1990 to 2014 (Bradford et al., 2018). More likely, national governments within the EU challenge acquisitions of national targets and Non-European bidders (Aktas et al., 2011; Serdar Dinc and Erel, 2013; Ceriello, 2017) that are cancelled eventually. Consequently, in the present paper we test the following first hypotheses:

H1a: Due to national intervention it should be more likely that cross-border acquisitions of EU targets fail.

H1b: This effect should be more pronounced for firms being targeted by Non-EU bidders.

2.2 Determinants of Wealth effects of M&A Transactions

2.2.1 Announcement returns of bidder and target firms

Many studies have analyzed the wealth effects of M&A transactions for shareholders of bidders and targets. The majority of those studies report significant target share price increases around M&A announcements in the short run (Martynova and Renneboog, 2006;

Alexandridis et al., 2010, 2017; Mager and Meyer-Fackler, 2017). The argument is that the target's management and shareholders demand a substantial premium above the current share price in order to be willing to handover their shares. In contrast, the shareholders of the acquiring firm often experience insignificant abnormal announcement returns (Goergen and Renneboog, 2004; Martynova and Renneboog, 2011). Accordingly, most of the expected synergies go to the target's shareholders. Only recently, Alexandridis et al. (2017) report significant positive abnormal returns for US bidders for the period between 2010 and 2015. They explain this development with acquiring firms employing more efficient investment allocation strategies after the financial crisis (Alexandridis et al., 2017).

Regarding deal characteristics, the method of payment is one of the most important determinants of announcement returns. The relative fractions of cash and stock payments are not stable over time as some recent studies report a declining portion of stock-only payments and an increase in cash payments (Betton et al., 2008; Alexandridis et al., 2017), mostly due to low interest rates and an increase in liquidity. In the context of large cash holdings and free cash flow agency conflicts can arise as management has to decide whether to use the monies to pay dividends to its shareholders or to invest in value creating projects like an acquisition – which in turn also can be value destroying (Jensen, 1986). However, a cash-only payment is generally leading to higher abnormal target returns as the bidder is capturing alone the risk of overpayment (Rhodes-Kropf and Viswanathan, 2004; Betton et al., 2008; Alexandridis et al., 2013). In contrast, bidders are more likely to use a stock payment if their own shares are overvalued (Rhodes-Kropf and Viswanathan, 2004; Mager and Meyer-Fackler, 2017). In accordance with the market timing hypothesis bidding firms may exploit this situation of information asymmetry by issuing additional shares to complete more acquisitions with a stock payment (Celikyurt et al., 2010; Van Bekkum et al., 2011). Further, overvalued companies have an incentive to raise additional equity in order to increase cash holdings or to overinvest (Kim and Weisbach, 2008; Bessler et al., 2011). Therefore, stock as a method of payment

typically results in negative bidder announcement returns and relatively lower returns for the target (Martynova and Renneboog, 2011). Turning to corporate governance issues, Huang et al. (2016) find a greater use of stock payments in cross-border deals and argue that in that way the bidder is able to mitigate the target's country-level governance risk (Huang et al., 2016). Rossi and Volpin (2004) find that the probability of a cash-only bid decreases with the level of shareholder protection in the acquirer country. They argue that in cross-border deals acquirers on average have higher investor protection than their targets and thus, try to evade out of a weak governance regime via cross-border deals. Similar are the results from Starks and Wei (2013) who report that takeover premiums are decreasing in the quality of the foreign bidder's home country governance for deals completed with stock, suggesting that bidders have to compensate target shareholders for the resulting exposure to inferior corporate governance regimes.

A second important deal characteristic is size, measured absolutely or relatively between bidder and target firm. Alexandridis et al. (2013) report a robust negative relationship between offer premium and target size, indicating that bidders tend to pay more for small companies. In addition, they find that the overpayment potential is lower in acquisitions of large targets due to higher information availability of large corporations (Alexandridis et al., 2013). With respect to the shareholders of the bidder, the announcement returns are higher for small acquirers as hubris playing a more important role in M&A activity of large firms, independent of the financing decisions, and whether the target is publicly traded, or privately owned (Moeller et al., 2004).

Takeover announcements can be classified as friendly or as hostile. Hostile takeover bids are usually associated with a higher failure rate due to management resistance but often with higher target announcement returns as a higher premium has to be offered in order to convince the target's shareholders to hand over their shares (Franks and Mayer, 1996;

Schwert, 2000; Martynova and Renneboog, 2011). For bidder returns, the findings are mixed. Schwert (2000) even concludes that bidder announcement returns are unaffected by hostile offers. In contrast, Goergen and Renneboog (2004) find increased abnormal returns for both, bidders and targets for hostile bids in intra-European offers, whereas Martynova and Renneboog (2011) report negative valuation effects for bidders in a European sample if the deal is hostile.

Furthermore, there are differences between domestic and cross-border deals in that the latter have lower success rates and are more risky in terms of post-merger integration. Some of these issues are attributable to cultural differences (Datta and Puia, 1995; Björkman et al., 2007; He et al., 2008) and some assigned to regulatory restrictions (Rossi and Volpin, 2004; Aktas et al., 2007; Heinemann, 2012; Cho and Ahn, 2017). Consequently, target announcement returns increase if it is a cross-border deal, whereas bidder returns in international M&As are smaller as the bidder has to pay a higher transaction price and with it a higher premium as well as higher (cross-border) transaction costs (Moeller and Schlingemann, 2005). However, with respect to overall announcement returns in cross-border deals, several studies suggest that shareholders of the bidding company, on average, earn positive abnormal returns in cross-border deals (Eun et al., 1995; Moeller and Schlingemann 2005).

With respect to the interventions by the European Commission, Aktas et al. (2011) find that mergers submitted to the EC are, on average, pro-competitive. Hence, they reveal positive combined announcement returns for the overall deal and negative ones for industry rivals (Aktas et al., 2011). Further, bidders seem to choose their targets in a cross-border acquisition based on target size and country-level liquidity as well as transparency. Bae et al. (2013) report bidder companies generating higher returns if targets are located in lower-liquidity countries. For a sample of UK targets, Gregory and O'Donohoe (2014) find that acquirers incur losses, with cross-border acquirers over-performing domestic acquirers in gen-

eral. For a global sample of 54,811 cross-border deals Xu (2017) finds that abnormal returns for the bidder's shareholders are higher when target countries differ from acquirer countries in terms of culture, financial development, and legal system. Mateev (2017) analyzes short-term wealth effect of bidders in European acquisitions for the 2002 to 2010 period, and does not find significant differences in the announcement effects between domestic and cross-border deals. However, he reports positive announcement returns for European bidders in general. Following the arguments above, we derive the following second hypothesis:

H2a: Cross-border deals with EU targets should lead to higher announcement returns as target's shareholders should be less willing to give up their shares and thus, should require a higher premium.

H2b: This effect should be more distinctive if the takeover bid is from outside the EU.

2.2.2 Long-run performance of bidder firms

Another matter of interest for shareholders but also for the political economy is the long-run performance of mergers and acquisitions. Usually, integration problems exist and bidders and targets are revalued by the stock market. However, in most cases the bidding company will be the only surviving party while the target firm is assimilated.

Moeller et al. (2005) find that acquisition announcements in the 1990s are profitable in the aggregate in the long run for the shareholders of the bidding company until 1997. From 1998 through 2001 acquiring-firm shareholders experience significant losses so that M&A announcements are costly for acquiring-firm shareholders (Moeller et al., 2005). In contrast, Moeller et al. (2004) and Mager and Meyer-Fackler (2017) do not find significant abnormal returns in the long run for bidding companies. However, the majority of other studies report a generally negative long-run performance for bidding companies (Gregory, 1997; Gregory and

McCorritson, 2005; Antoniou et al., 2008; Malmendier et al., 2018), cross-border transactions often underperforming domestic ones (André et al., 2004; Conn et al., 2005; Moeller and Schlingemann, 2005).

The long-run performance may be affected by deal and firm characteristics. For example, several studies report that cash payments are associated with a superior long-run financial performance compared to stock deals (Moeller et al., 2004; Tuch and O'Sullivan, 2007) while other studies find glamour bidders (high Market-to-Book ratio) underperforming value bidders (low Market-to-Book ratio) (Rau and Vermaelen, 1998; Sudarsanam and Mahate, 2003) Hence, we test the following hypotheses:

H3a: Due to numerous differences (regulation, currency, culture etc.) the bidder's long-run performance of cross-border acquisitions should be worse than domestic takeovers.

H3b: This effect should be more pronounced if the bidder is not from the European Union.

H4: A cash payment should affect long-run performance of the bidding firm positively.

H5: A high Market-to-Book ratio should affect long-run performance of the bidding firm negatively.

2.3 Probability of a Non-EU bidder bidding for an EU target

There are several motives for a cross-border or cross-continental transaction discussed in the literature with some main ideas standing out. First, a bidding company tries to acquire new technology or new know-how from another company (Moeller and Schlingemann, 2005; Ceriello, 2017). Second, the target firm is in possession of either favorable market and financing conditions (Starks and Wei, 2013; Cornaggia and Li, 2019; Gan and Qiu, 2019), or has

better access to resources (Gaur et al., 2014; Deng and Yang, 2015). A third strand of literature is focusing on the conditions in the home country, more or less independent from the target's country characteristics. For a sample of UK bidders, Boateng et al. (2014) find that home country macroeconomic factors, like GDP, stock prices, money supply, inflation, interest rates, and effective exchange rate play an important role in explaining the trends of cross-border M&A activity. They conclude that economic prosperity at home, as reflected in the country's GDP, may lead firms to invest in international expansion, whereas high domestic interest rates reduce outward M&A activities by UK firms (Boateng et al., 2014). Deng and Yang (2015) analyze in their study foreign direct investments and M&A activity of emerging market companies and report that cross-border deals are increasingly used as a central option to obtain needed vital resources, for example, to minimize environmental dependency. They conclude that cross-border deals into developed countries by emerging markets firms are mostly initiated to obtain knowledge assets, while deals into developing countries are conducted to get natural resources (Deng and Yang, 2015). Similar arguments should hold for the motivation of a Non-EU bidder trying to acquire a European Union target.

Another reason for a (foreign) company taking over another company can be the fact that it is just a bargain. At times of liquidity shortage like the global financial crisis (GFC) a sufficiently strong company is taking advantage of forced sales from weaker competitors and is buying competitors at distressed prices (Ang and Mauck, 2011; Beltratti and Paladino, 2013). Krugman (2000) introduces the term of "Fire-Sale FDI", which describes the extent to which, during a financial crisis, companies from crisis countries are sold to companies from more developed economies at prices below their fundamental value. At the same time not all countries were similarly affected by the recent financial crisis (Laeven and Valencia, 2013; Yang, 2017). Foreign acquisitions at times of crises may therefore be more likely as acquirers would be able to achieve geographic diversification (Hughes et al., 1999) and activity diversification (Van Lelyveld and Knot, 2009) at low prices. For the US market, Vasconcellos and

Kish (1998) found that a depressed US stock market relative to foreign stock market encourages foreign acquisitions of US companies. We should observe a similar development regarding the European Union. Following these arguments, we analyze our sixth and final hypothesis:

H6a: The probability of an EU target being approached by a Non-EU bidder instead of a European Union one should be positively influenced by favorable market conditions in the home country of the bidding firm.

H6b: This effect should be stronger if the target country is affected by the GFC.

3. DATA AND METHODOLOGY

3.1 Sample Description

Our sample covers M&A activities in the European Union between January 1990 and December 2016. The data comes from the Thomson Eikon Dealscreener M&A database. At the time of the announcement all targets are a member of the European Union; there are no geographical restrictions for the bidder. Further, bidders and targets are publicly traded companies. Before the announcement, the bidder has less than 50% of the target's shares and has to hold more than 50% of the shares after the M&A transaction, that is, the bidder is seeking control over the target. Transaction volume must be at least one million USD and there should be no takeover contest at that time. Self-mergers and buybacks are excluded. Financials (SIC 6000-6999) and utilities (SIC 4000-4999) are excluded as well. Financial data comes from Thomson Datastream, GDP growth and interest rates from the OECD database, and cultural difference is taken from the Geert Hofstede website[1]. The final sample consists of 1,619 suc-

[1] A complete variable definition can be found in Table A.1 of the appendix.

cessful (83.9%) and cancelled (16.1%) M&As of which 952 deals (58.8%) are domestic ones, 284 (17.5%) cross-border transactions within the EU, and 383 (23.7%) deals are announced by Non-EU bidders.

Figure 1 shows the detailed sample distribution. Over the whole observation period the trend for M&A activity by a Non-EU bidder shows upward as the average for the 5th merger wave was 19.6%, for the 6th wave 25.8%, and for the current wave the average is 33.1% for transactions having a Non-EU bidder. Panel A of *Table 1* contains the detailed sample distribution by target country. Most of the 383 transactions with a Non-EU bidder occur in The United Kingdom, France, Sweden, Germany, The Republic of Ireland, and The Netherlands. Panel B reveals that the majority of Non-EU bidders engaged with EU targets comes from the US, Canada, Switzerland, Japan, Australia, and Norway, which belong to the largest Non-EU advanced economies. In contrast to media attention, China is not one of the leading nations bidding for public targets in the EU but is more engaged in private-private transactions (not reported). Panel C presents the distribution of our sample per target industry, which is based on the 2-digit SIC code (Standard Industrial Classification). Most transactions with a Non-EU bidder take place in "Business Services" (83), "Chemicals" (40), and "Electronic Equipment" (39). Exemplarily, *Figure 2* shows the involved countries in transactions with a German target firm.

Figure 1 – M&A Sample Distribution per Year

Table 1 – Sample Distribution

Figure 2 – Involved Countries in Transactions with a German Target

3.2 Methodology

To analyze the wealth effects associated with the M&A announcement, we calculate abnormal returns (AR) based on the market-adjusted returns model by subtracting the country's value-weighted total market index return r_m from the return of event firm i at day t:

(1) $$AR_{i,t} = r_{i,t} - r_{m,t} .$$

We sum the abnormal returns over days t-1 to t+1 where day t is the M&A announcement date (event day) to obtain the 3-day cumulative abnormal return (CAR) for each firm i, which we then weight equally across all events:

(2) $$CAR_{i,(-1,+1)} = \sum_{\tau=t-1}^{t+1} AR_{i,\tau} \text{ with } \quad CAR_{(-1,+1)} = \frac{1}{N}\sum_{i=1}^{N} CAR_{i,(-1,+1)} .$$

Additionally, we sum ARs for a 41-day event window (-20, +20) accordingly to check whether the results also hold for longer event windows. To test for statistical significance, we employ a parametric t-test and a non-parametric Mann-Whitney U test when comparing the CARs of different bidder or target groups.

The long-term valuation effects for bidders of successful (closed) deals are analyzed with buy-and-hold abnormal returns (BHAR) for a period up to one year after M&A deal completion. To calculate cumulative abnormal returns for the longer period (+1, +250), we estimate BHAR with:

(3) $$BHAR_i = \frac{1}{N}\sum_{i=1}^{N}\left[\left(\prod_{t=1}^{T}(1 + R_{i,t})\right) - \left(\prod_{t=1}^{T}(1 + R_{m,t})\right)\right] .$$

We conduct several ordinary least squares (OLS) regressions on the magnitude of the CARs of the target as well as the BHARs of the bidding company as the dependent variable Y_i and X_i being the set of deal and firm characteristics:

(4) $$Y_i = \beta_0 + X_i' \beta + \varepsilon_i .$$

Further, we estimate the likelihood of the bidder's success, i.e. the deal being closed, in an M&A transaction with the following probit model:

$$(5) \qquad Prob(Y = 1|\boldsymbol{x}) = \int_{-\infty}^{\boldsymbol{x'\beta}} \phi(t)dt = \Phi(\boldsymbol{x'\beta}) \,,$$

where function Φ(.) denotes the standard normal distribution function and Y is a binary variable that equals 1 if the transaction is completed successfully, and zero otherwise. In another set of probit regressions we test the likelihood of a bidder being from a Non-EU country using a dummy variable as the dependent variable that takes the value of 1 if the bidding party is located in a Non-EU country, and zero otherwise. In all regressions, we use commonly applied deal, bidder, and target control variables and heteroscedasticity-consistent standard errors (White, 1980) as well as industry- and year-fixed effects. Further, we control for whether the respective country was suffering the recent financial crisis at the announcement date. The classification is done according to Laeven and Valencia (2013). To address peculiarities of the financial crisis we not only include dummy variables indicating bidder and target, respectively, suffering from the GFC but also perform the calculations explicitly excluding the GFC to see whether the results remain stable. We also analyze the situation where bidders and targets from countries are involved that at the moment of announcement are experiencing the European sovereign debt crisis that almost directly followed the GFC. However, we do not calculate with these observations separately as only five bidders and four targets fall in this category. In addition, omitting these observations does not change the results either. Finally, several subsamples are built for which the calculations can be found in the appendix. To test for multicollinearity we calculate the variance inflation factors for the independent variables to make sure the variance of our estimated regression coefficients in all our presented models is not severely increased because of collinearity.

4. EMPIRICAL RESULTS

In this section, we present and discuss our empirical results. We start with the general analysis of the wealth effects for bidders and targets (4.1) and continue with descriptive statistics of deal, bidder, and target characteristics (4.2 and 4.3) to understand the differences between an M&A transaction with a Non-EU bidder and a transaction within the EU. Finally, we discuss and interpret our findings and present our conclusions on the effects of M&As of Non-EU bidders (4.4).

4.1 Announcement Returns

In a first step of our analysis, we investigate the valuation effects of merger and acquisition announcements for bidders and targets for the complete sample as well as the 5th, the 6th, and the 7th merger wave as subsamples. The allocation among the different waves we do according to existing literature (Harford, 2005; Jansen, 2016; DePamphilis, 2018). The 7th merger wave seems to be still ongoing – or just beginning – and thus cannot be interpreted as a complete wave. We start with a comparison of announcements done by EU domestic bidders (1), intra-EU cross-border deals (2), and Non-EU bidders (3) for the complete sample (*Table 2a,* Panel A) and analyze the 3-day valuation effects (-1, +1). In line with prior research for M&As in Europe, we do not find significant abnormal bidder returns around the event day. The mean (median) abnormal returns are -0.11% (-0.25%) for EU domestic deals and 0.43% (0.56%) for deals with Non-EU bidders. For cross-border deals within the EU we find abnormal returns of 0.00% (-0.06%). These results are comparable to the ones reported in Alexandridis et al. (2010), Martynova and Renneboog (2006), and Mager and Meyer-Fackler (2017) but not in line with the very recent findings by Alexandridis et al. (2017) who report positive abnormal returns for (domestic) US bidders. Accordingly, the M&A announcements

for all three groups have no significant short-term effect on shareholder wealth. One conclusion is that, at least in the very short run, M&A activity does not create value for the bidder irrespective of whether it is a transaction by a European Union or a Non-European Union bidder. For the longer 41-day window (-20, +20), we find for the group of the EU cross-border deals insignificant negative abnormal returns for bidders with a mean (median) of -1.39% (-1.02%) (*Table 2b,* Panel A). In contrast, for the group of Non-EU bidders, we observe positive but also insignificant abnormal returns with a mean (median) of 1.43% (1.29%). However, the difference in CARs between the two groups is insignificant for the full sample. The charts in *Figure 3* indicate visually that in the short run, bidders bidding for EU targets in M&A transactions do not increase shareholder value neither in the groups of EU nor in the group of Non-EU bidders.

Regarding valuation effects for targets, we find the expected significantly positive abnormal returns for all three groups. For the group of EU bidders taking over domestic (EU) targets (1) we find significant positive abnormal returns over the 3-day event window (-1, +1) for the complete sample with a mean (median) of 7.95% (8.06%) for the target's shareholders (*Table 2a,* Panel A). These results are comparable to the findings of Martynova and Renneboog (2006) and Alexandridis et al. (2010). However, the positive abnormal returns are even more pronounced for a Non-EU bidder approaching the EU target (3). We observe a significant mean (median) return of 10.83% (12.52%) for targets. The (for brevity not tabulated) differences of the targets' returns between the group of domestic and Non-EU bidders are highly significant, indicating that the valuation effects for EU targets are larger if the bidder does not come from the EU. However, the significance diminishes when excluding EU transactions that do not cross a national border (2). For the longer 41-day event window (-20, +20) we find for the group of EU domestic bidders (1) a significant mean return (median) for targets of 13.61% (14.04%). For the group of Non-EU bidders (3), we observe even higher positive abnormal returns for targets with a mean (median) return of 18.21% (16.21%). Similar to

the shorter event window (-1, +1), the return differences between EU domestic deals and Non-EU bidder deals are also significant for the longer event window (-20, +20). When, again, excluding EU transactions that do not cross a national border (2) the difference remains significant for the longer event window (*Table 2c,* Panel A). The higher premium paid by the Non-EU bidder to the target is clearly visible in *Figure 3*. Consequently, all benefits resulting from the merger are reflected in the premium paid to the target shareholders and therefore, the target seems to take the entire expected value creation.

Second, we analyze the subgroups of our sample, that is, the different and most recent merger waves. While the different merger waves differ in several characteristics (Shleifer and Vishny, 2003; Harford, 2005), we expect also to see different valuation effects. Interestingly, we do not find significant positive abnormal returns for bidding companies in the 5th and 6th wave, neither for EU domestic and cross-border nor for Non-EU bidders, but find low positive abnormal returns (significant at 10% level) for bidding firms in EU cross-border transactions (2) and in deals with a Non-EU bidder (3) in the 7th wave for the 3-day event window (*Table 2a,* Panel B, C, and D). However, the difference between the two groups is not significant.

For targets, we observe significant positive abnormal returns for all different merger waves. For the 3-day event window, we find a mean (median) of 8.62% (7.69%) for the group of EU domestic bidders, 6.98% (6.16%) for EU cross-border transactions, and 8.15% (7.66%) for Non-EU bid announcements for the 5th wave (*Table 2a*, Panel B). Similar in magnitude and similar significant results can be found for the 6th and 7th wave (*Table 2a*, Panel C and D). As before, target announcement returns are higher for bids done by a Non-EU bidder compared to EU cross-border transactions but the difference between the groups is not significant for any separate wave. The picture for the 41-day event window looks similar as the differences between EU cross-border and Non-EU bidder transactions are insignificant for the 5th,

the 6th, and the 7th wave, irrespective of the fact that the positive abnormal returns for most groups are highly significant with higher abnormal returns for targets of Non-EU bidders. Only in the 5th wave target shareholders do not receive significant abnormal returns in EU cross-border transactions which may be due to the small size of this group in the subsample (n=36). Generally, the circumstance that the wealth transfer from bidder to target is slightly larger if the bidder comes from a Non-EU country suggests that target shareholders expect higher synergies in that case.

If the target's shareholders expect a higher price being paid in a takeover bid from a Non-EU bidder in the short-run, it should be interesting to know whether differences surface with respect to the long-term valuation effects for bidders as they usually are the surviving party. We will do so by analyzing the buy-and-hold abnormal returns (BHAR) for one year (+1, +250) post M&A announcement (*Table 3*). In line with prior literature, the long-run performance of EU cross-border and Non-EU bidders is negative (André et al., 2004; Moeller et al., 2004; Malmendier et al., 2018). While the charts in *Figure 4* already visualized that the differences between cross-border deals within the EU and transactions with a Non-EU bidder should be small, the valuation effects calculated with the help of the BHAR framework do not reveal great differences between the two groups of bidders. In the first year after deal completion the graph for the bidder's (under)performance is almost synchronous. Interestingly, the group of domestic transactions within the EU reveals insignificant abnormal returns, confirming the results of Mager and Meyer-Fackler (2017) for the German market. In contrast, we observe significant negative abnormal returns for EU cross-border bidders with a mean (median) of -6.56% (-5.52%) for the complete sample. The group of the Non-EU bidders is doing slightly worse with highly significant abnormal returns with a mean (median) of -7.61% (-7.41%). Like before, the differences in the abnormal returns between the two groups are not significant. The subsamples show insignificant negative abnormal returns of similar magnitude in the 5th wave with a mean (median) of -8.82% (-5.86%) for announcements with an EU

cross-border bidder and -5.85% (-4.98%) for targets with a Non-EU bidder. The difference between the two groups is statistically insignificant. The differences between the two groups for the 6th and 7th wave are insignificant, too, probably due to the low sample size in the sub-samples. Notably, the 7th wave shows much more negative abnormal returns for the Non-EU bidders of -13.85% (-10.38%). We may gain additional insights by analyzing the differences in deal, bidder, and target characteristics between the two groups. We turn to this in the following section.

4.2 Univariate Analysis of Deal, Bidder, and Target Characteristics

We begin our analysis of deal, bidder, and target characteristics by comparing the two groups, the one where the bidder is acquiring within the EU without crossing a border and the other where the takeover bid comes from an EU bidder bidding cross-border. Subsequently, we compare the group of EU cross-border deals with deals with a Non-EU bidder. If it should make a difference economically, we should also observe differences in takeover characteristics.

EU domestic transactions compared to EU cross-border deals

In *Table 4a*, we present the descriptive statistics for all deal, bidder, and target characteristics. We observe higher deal values in takeover bids for EU cross-border targets. In addition, the mean (median) four-week takeover premium paid by the cross-border bidder is about 39.5% (34.1%) and higher but not significantly different from the premium paid domestically. Relative size, measured as deal value divided by the size of the bidder, is much lower if the bidder is crossing a border (43.0% vs. 71.8%). Presumably due to potential cultural and regulatory differences, the time to deal completion is larger in cross-border deals with an average of 119 days until closing. Consequently, and not very surprisingly, we observe a higher cul-

tural difference in cross-border deals. Hostility seems to be no great issue in the EU; management of European Union companies does not seem to evaluate cross-border bidders as threat. The share of hostile takeover bids is even a bit lower when crossing a border. Also the success rate is similar (84% vs. 88%) showing that cross-border deals within the EU do not fail more often as domestic ones which does not support our hypothesis **H1a**. Regarding the method of payment, we observe that EU cross-border bidders pay with cash-only much more often than domestic bidders (39% vs. 23%). One reason could be that the target's shareholders do not accept foreign shares and instead prefer cash as a method of payment. Further, EU cross-border bidders tend to acquire more often within the same industry and more often targets that went public only recently.

Table 4a – Univariate Comparison of Deal, Bidder and Target Characteristics (EU domestic vs. EU cross-border Bidder)

With respect to bidder characteristics, the size of the EU cross-border bidder is higher than that of the domestic bidder. In addition, cross-border bidders have a higher leverage and higher capital expenditures. Also the Market-to-Book (M/B) ratio is with 3.2 significantly higher than the 2.6 for the domestic bidder indicating that growth opportunities may be larger for bidding companies from abroad. Profitability and cash holdings do not differ between the two groups. GDP growth is higher in EU cross-border bidder countries with 0.7% on average compared to 0.6% for EU domestic bidder countries. The long-term interest rates in the country of the EU cross-border bidder are lower compared to the country of the domestic bidder (4.9% vs. 5.9%). Focusing on targets, we only find significant differences for the (higher) size of the target and the long-term interest rates. At a first glance, EU cross-border bidders seem to choose their target's location in order to be able to source more favorably funds as the country of the target of a cross-border bidder reveals lower long-term interest rates (5.0% vs. 5.9%).

EU cross-border deals compared to Non-EU transactions

In a second step, we now compare intra-EU cross-border deals to transactions with a Non-EU bidder trying to acquire an EU target (*Table 4b*). Deals in which the bidder comes from a Non-EU country reveal a significant higher deal value. Relative size with a mean (median) of 40.5% (11.4%) is significantly lower for the group of Non-EU bidders than the 43.0% (25.7%) for the group of EU cross-border bidders, that is, the difference in size between bidder and target is larger in deals with a Non-EU bidder. Interestingly, the cultural difference differs in the opposite direction as initially expected. Deals with a Non-EU bidder are characterized by a lower cultural difference than intra-European cross-border deals. Only 82% of the transactions with a Non-EU bidder are successful whereas 88% of the EU cross-border deals come to a successful closing which, up to that point, supports our **H1b**. Further, Non-EU bidders seem to bid more often for targets located in the same industry. Hostility, High Tech Target, and the method of payment do not differ significantly between the two groups.

Analyzing bidder characteristics, we find that the cash holdings with a mean (median) of 19.0% (12.8%) compared to 14.2% (9.1%) of the EU bidders are larger for Non-EU bidders. In addition, Non-EU bidders have lower capital expenditures and a slightly lower leverage. Turning to the target, we find that the target is larger if the bidder is from inside the EU. In contrast, the target approached by a Non-EU bidder has higher cash holdings. The other target characteristics do not differ significantly between the two groups.

Table 4b – Univariate Comparison of Deal, Bidder and Target Characteristics (EU cross-border vs. Non-EU Bidder)

4.4 Interpretation of Univariate Results

Overall, EU domestic deals differ from EU cross-border deals; which is in line with prior studies (e.g. Gregory and O'Donohoe, 2014; Huang et al., 2016). In contrast, the EU cross-border sample and the Non-EU bidder sample show several commonalities: deals crossing a border on average have a lower relative size; bidders more often pay with cash, and have a higher leverage. Not surprisingly, the size of cross-border bidders is consistently higher than the size of its domestic equivalent as international (intercontinental) companies tend to be larger in general (Moeller and Schlingemann, 2004). However, when controlling for cross-border transactions, the difference between EU cross-border and Non-EU bidder vanishes. Further, transactions crossing a border have a higher time to deal completion in common, even though they seem to be less often unsolicited or hostile and companies that went public only recently are more often targeted. Surprisingly, though, is the fact that transactions between EU target and Non-EU bidder do not fail significantly more often than EU domestic constellations (82% vs. 84%). Transactions among EU target and Non-EU bidder, in contrast, have a slightly higher failure rate (18% vs. 12%). Cultural and regulatory differences as well as protectionist measures do not seem to have a huge effect regarding merger success among listed companies targeted in the EU. Further, cash-only seems to be the predominant method of payment when crossing a border which is not surprising. Consequently, the bidder bears the risk for overpayment alone. Alexandridis et al. (2017) report a declining fraction of stock as a method of payment in the US as bidders paid in 56% of the deals with stock (1990 to 2009) and only in 38% of the cases subsequent to the financial crisis (2010 to 2015). They explain the rise of cash deals with the changes in US monetary policy, that is, by high availability of liquidity and low cost of debt (Alexandridis et al., 2017). This could also be the case here, as cross-border bidders seem to benefit from lower long-term interest rates in the home country as well as in the host country. One interpretation could be that the bidding company has access to more favorable financial resources. However, when only comparing to EU

cross-border deals Non-EU bidders use more or less the same method of payment and the difference between the long-term interest rates no longer is significant.

Regarding growth opportunities, bidders crossing a border are more often located in countries with a higher GDP growth compared to the EU domestic bidder's country. This may reflect the necessity of the cross-border bidder to get access to assets and capacity in order to realize growth opportunities in the home market. The same argument should hold for the Market-to-Book (M/B) ratio: bidders crossing a border have a higher M/B ratio than domestic deals and consequently, we do not observe significant differences between EU cross-border and Non-EU bidders when excluding domestic deals. Target characteristics in both comparisons show hardly differences as targets acquired by domestic bidders are similar to the targeted firms acquired by any cross-border bidder. We will get further insights analyzing the cross-sectional regression results in the following section.

5. NON-EUROPEAN BIDDERS BIDDING FOR EUORPEAN UNION TARGETS

The objective of the following cross-sectional analysis is fourfold. First, we conduct a series of probit regressions to test our first hypothesis (**H1**) about the success of the announced takeover (5.1). Second, we conduct a set of OLS regressions with the target's cumulated abnormal return (CAR) around the announcement date as the dependent variable (5.2) to test our second hypothesis (**H2**). Third, we test our third, fourth, and fifth hypothesis (**H3 to H5**) to detect variables that have an impact on the long-run performance of the bidding and in most cases surviving company (5.3). Finally, we test which variables influence the probability of bringing Non-EU bidder and European Union target together using "Non-EU Bidder" as dependent variable (5.4). Robustness checks are discussed in section 5.5.

5.1 Probit Regressions on Success (H1)

The results from the probit regression on the success likelihood are described in *Table 5*. The question is whether biddings by EU cross-border and Non-EU bidders are more often failing than domestic ones? In line with prior studies we find that success is more likely if the relative size is smaller, that is, the deal value (market value of target before bid) of the target is small compared to the size (market value of bidder before bid) of the bidding company. In all of our five models, the coefficient is negative and highly significant. This is in line with existing literature and can be explained with a relatively higher negotiation power of a larger bidder or a high cash offer (Moeller et al., 2004). Further, a hostile takeover announcement is more likely to be cancelled which is not surprising and also in line with existing literature as entrenched and resisting target management or a tough bargaining stance generally lead to lower success rates (Schwert, 2010). The coefficient for hostility of a takeover is highly significant in all models. Regarding our hypothesis, we find that M&A announcements coming from a Non-EU bidder do not more fail more often. This is quite astonishing as the media suggests that these transactions are frequently cancelled with the help of government intervention. At least with respect to public companies, this seems not to be the case which supports the results of Bradford et al. (2018) but does not support our hypothesis **H1b**. We also do not find evidence for the time after the introduction of a single European currency and with it a more powerful European Commission having a higher failure rate. As already indicated by the univariate results, we do find a cross-border transaction generally being less likely to be successful as the coefficient is significant in two out of five regression models. Thus, we can support our first hypothesis (**H1a**). With respect to other explanatory variables we find that the target's leverage has a negative impact on deal completion. This can be explained by the circumstance that the bidder normally conducts a due diligence during the buying process. If the leverage of the target firm has led to an unbearable debt burden, the bidder will withdraw its bid or at least will not be willing to pay a high premium for the highly leveraged tar-

get (Martynova and Renneboog, 2011). Further, a high M/B ratio of the target makes a closing of the deal less likely. As the Market-to-Book ratio can be interpreted as a proxy for over- or undervaluation of a certain company we conclude that success is less likely if the target firm is overvalued or at least relatively expensive. Finally, we find weak evidence that a higher GDP growth in the home market is fostering deal success. Economic prosperity, as reflected in the country's GDP, may not only lead firms to invest in international expansion (Boateng et al., 2014) but also make the bidding firm putting more money at stake to secure deal closing. All other variables, especially cultural difference, do not seem to have a major impact on success likelihood.

5.2 OLS regressions on the cumulated abnormal return (CAR) of the target (H2)

In *Table 6*, we present the different models concerning the cumulated abnormal return of the target (CAR) conducting several OLS regressions with and without using bidder and target controls. The main explanatory variable of interest is the dummy variable for a (EU) cross-border deal as well as the dummy variable for the bidder being of Non-EU origin. The cross-border variable has a significant positive effect on the announcement returns of the target in all models where we control for target characteristics. If we add the Non-EU bidder as moderation effect, we do observe low positive (but insignificant) coefficients. The capital market does not really seem to value EU cross-border deals and transactions with a Non-EU bidder differently over the 3-day event window. Thus, we find support for our second hypothesis (**H2a**) in that cross-border transactions generally show higher abnormal target returns around the announcement. However, this result being in line with existing literature (Eun et al., 1995; Moeller and Schlingemann, 2005) it does not support the idea that a Non-EU bid is providing a higher shareholder value in the short run on the target side (**H2b**). Shareholders of EU targets do not receive higher abnormal returns from Non-EU bidders compared to Euro-

pean Union ones. Besides that, we find that the size of the CARs positively relates with cash-only as method of payment which is also in line with existing literature discussed above. In contrast, the announcement returns are lower if the transaction will be done in the same industry which is in line with the findings of Martynova and Renneboog (2006) who find higher announcement returns for European targets in diversifying M&A deals. Interestingly, the target shareholders receive significant higher positive abnormal returns if it is located in the UK. A more competitive (and more expensive) market for corporate control seems to be the reason for bidders offering a higher premium (Alexandridis et al., 2010). Cultural difference does not seem to have a significant impact on the target's announcement returns. We find some evidence that larger bidders are able to pay a higher price resulting in higher CARs for the target's shareholders as the coefficient for the size of the bidding firm is low but positive and significant. Lastly, the return on assets of the target company has a positive impact on the announcement returns. However, the economic importance seems to be limited as the coefficients are rather small. All other tested bidder and target controls do not have any significant effect.

5.3 Determinants of the long-run performance of bidders and targets (H3-H5)

Regarding the long-run performance up to one year after deal completion the results of our regression analysis are mixed. For the long-run performance of the bidding company (*Table 7*), which will be the surviving entity in most cases, we find the coefficient for the Non-EU bidder being negative in three models but significant only in the first two models where we do not control for target characteristics. The cross-border coefficient is negative in all models but does not reveal any significance. Cultural differences do not seem to be the explanation for the observed negative long-run performance of these deals. Thus, Non-EU bidders seem to have characteristics apart from cultural differences that are not captured in the varia-

bles in the present study. Accordingly, and in line with the univariate results, we cannot support our third hypothesis (**H3a and H3b**). Regarding the other variables included in the model equation we find support for our fourth hypothesis (**H4**) in that a payment with cash has a positive impact on the long-run performance of the bidder as the coefficient is positive and significant. In contrast, we do not find support for our fifth hypothesis (**H5**) as we do not find significance for the Market-to-Book ratio coefficient. In addition, a high GDP growth at announcement in the home market seems to have a negative relation with the bidder's long-run performance. We conclude that at announcement date the market reaction presumably was too optimistic regarding the realization of growth and market participants are revaluating thereafter. Further, low long-term interest rates in the home country seem to influence the long-run performance of the bidding firm positively. Finally, we find that the bidder's long-run performance is better if the target (at announcement) is affected by the recent financial crisis whereas the bidder's long-run performance is worse if the bidding firm itself is undergoing the financial crisis. In that scenario the bidding firm should be able to buy competitors at distressed prices and benefitting in the period thereafter (Ang and Mauck, 2011; Beltratti and Paladino, 2013).

5.4 Likelihood of a Non-EU bidder bidding for an EU target (H6)

In *Table 8*, we present the different models on the likelihood of a Non-EU bidder bidding for an EU target and try to find the variables, which have explanatory power on the selection of an EU target by a Non-EU bidder. As expected, transactions with cash as the only method of payment are more likely to be conducted by a Non-EU bidder. Thus, the Non-EU bidder alone is bearing the risk of overpayment. However, the same holds for cross-border deals within the EU as in the last model (model VI), where we restrict the sample to cross-border deals, the coefficient is still positive but with lower significance. The coefficients for

GDP growth are highly significant indicating that a prospering home economy is persuading Non-EU bidders to target EU companies. This is in line with the results of Boateng et al. (2014) who argue that a positive relationship between GDP and outward M&A is indicating that the growth in the GDP in home country leads to higher outward acquisitions. However, the significant negative coefficient of the quadratic term indicates that the impact is weaker if GDP growth gets to higher levels. Regarding the recent global financial crisis, we find strong evidence for Non-EU bidders being more likely to target EU companies that are suffering from this exogenous shock. We also saw a peak in the percentage of Non-EU bidders around the most recent financial crisis. In our regression analysis, the coefficient for "Target Crisis" is positive and highly significant. This is supporting our hypothesis **H6b** and in line with results from Vasconcellos and Kish (1998) who found in their study that a depressed US stock market relative to foreign stock market encourages foreign acquisitions of US companies. It also supports Krugman's (2000) notion of "Fire-Sale FDI". The same seems to hold for the EU market. In contrast, it is less likely that Non-EU bidder and EU target come together if the bidder itself is undergoing financial crisis. Remarkably, favorable financing opportunities in the home country do not seem to be a pivotal factor as the coefficients for the long-term interest rates do not show any significance. Further, a Non-EU bidder is more likely if the target is a company that went public only recently as the coefficient "IPO Target" is positive and significant. This is in line with our fourth hypothesis (**H6a**) and seems comprehensible as IPO companies often show strong growth and possess sought-after ideas but can also be explained with the IPO being a delayed trade sale (Gill and Walz, 2016). Appropriately, bids from a Non-EU company are more likely to be hostile. In addition, the higher aggressiveness can be seen in the fact that Non-EU bidders on average pay a higher four week premium – even though it is not necessarily reflected in the announcement returns of the target (*Table 6*). Not surprisingly, a higher size of the bidding party seems to make it more likely that Non-EU company and EU target come together which is in line with the univariate results and the ex-

isting literature as international (intercontinental) companies tend to be larger in general (Moeller and Schlingemann, 2004). Relative size between bidder and target seems to have a significant positive impact on the likelihood for a Non-EU bidder only in model VI where we restrict the sample to cross-border transactions. One interpretation, regarding the complete sample, could be that an intercontinental company tries to acquire a much smaller company to avoid a larger (media and government) attention. However, this may only be the case when compared to domestic deals. When compared to EU cross-border deals, it seems that a Non-EU bidder is not targeting the smallest companies around but rather companies that are relatively larger and thus also already known abroad. Also the integration may be easier if the target already has at least some level of size and internationalization as very small companies may stick to local processes and language. The results for the cultural difference are twofold. While the coefficient is positive and significant in model I to V, the coefficient turns significantly negative in model VI when we control for cross-border transactions. Meanwhile, the negative sign is in line with the univariate results from above where we saw that bids with Non-EU bidders reveal a lower cultural difference than EU cross-border bids. In that way, Non-EU bidders seem to select their targets carefully to minimize the risk regarding deal success that arises from cultural differences.

With respect to target characteristics, the only tested variables that shows any significance are the target's M/B ratio and the target being a UK company. A Non-EU bidder seems to be more likely in combination with a target company having a high market valuation. One interpretation is that the Non-EU bidder is interested in firms that possibly are expensive but that have growth opportunities and a positive outlook. Further, it seems that companies in the UK seem to be attractive targets, a common language and a highly developed financial market with an active market for corporate control could be the reason for that. The choice of a Non-EU bidder may not be determined by the other given target characteristics and as we also do

not see any significance of the coefficient for return on assets of the target, these mergers do not necessarily seem to be rescue mergers.

5.5 Multivariate Results Robustness Checks

As robustness check, we test the following alternative variable definitions in the regression analysis. We use (1) the percentage of cash payment instead of an all-cash dummy; (2) the natural logarithm of market value of the target rather than the deal value; (3) debt to enterprise value instead of book leverage (debt to total assets); and (4) the return on equity in place of return on assets. These alternative control variables should not change the results substantially (Leamer, 1983). Our results are robust to all of these alternative definitions and support our findings. Further, we add model V in each regression where we restrict the sample to countries that reveal at least ten transactions over the sample period. As can be found in *Table 5* to *8*, the results remain qualitatively the same when moving from model IV to model V. All significant independent variables remain significant. We also run all regressions with contrasting EU targets only with each of the largest single bidder countries. In another robustness check we use wave-fixed effects instead of year-fixed effects to address potential structural changes. Additionally, we run all regressions for the different waves separately. Further, we conduct the first OLS regression (Target's CAR) on the longer event window (-20, +20) as well as on an event window including the price run-up (-41, +1) instead of the 3-day event window. Finally, we replace the home country's GDP growth with the difference in GDP growth between bidder and target country. The results qualitatively stay the same so we do not report them.

To address peculiarities of the most recent financial crisis we recalculate our regressions explicitly excluding the affected years (*Tables A.2-A.5*). Regarding the success likeli-

hood we see in *Table A.2* that, both, hostility and relative size have a negative impact on closing the deal as these two variables remain highly significant. All other results are qualitatively similar, apart from GDP growth which is no longer significant when excluding GFC years. The variable of interest, Non-EU bidder, remains insignificant.

In *Table A.3* we analyze target's cumulated abnormal returns a second time but this time also excluding the years of the financial crisis. Here, all significant variables remain significant, in that method of payment, being a UK target, and target's return on assets being associated higher CARs for the target's shareholders. Additionally, the coefficient for hostile takeovers now is positive and significant, resulting in higher returns for target's shareholders if the transaction is, at least in a first step, rejected by management. Returning to the bidder, we recalculate our regressions for the BHAR of the acquiring company (*Table A.4*). Qualitatively, the only change here is the fact that the Final Premium does not seem to affect the performance of the bidder one year post deal completion when excluding the crisis years. In both cases, CAR and BHAR, the variable ob interest, Non-EU bidder, remains insignificant.

Table A.5 presents the recalculations for the likelihood of the target company being approached by a Non-EU bidder. All significant variables that were discussed above stay significant in these probit regressions suggesting that these decisions were not affected by the GFC.

To address exposure to exchange rate risk we run separate regressions where we build subsamples only keeping transaction announcements with bidder and target not sharing the same currency. After abandoning the Bretton Woods system of fixed exchange rates in 1973 currencies have been highly unstable (Krugman, 1988) with the US dollar as a dominant international currency competing for its reserve-currency status with the euro after the introduction of the single European currency (Eichengreen, 2005). Thus, it is likely that transactions where bidder and target operate in different currencies behave differently compared to scenar-

ios where bidder and target share the same currency. Model I in *Tables A.6-A.9* in each case presents the results for the former analyses but this time transactions only where bidder's currency does not equal target's currency. The results for the success likelihood (Model I, *Table A.6*) change in that relative size now no longer is significant and instead other bidder and target characteristics seem to determine a successful transaction. It seems that with a different currency negotiation power is no longer a matter of proportions. Remarkably, after the introduction of the euro it is more likely that these transactions fail. A more powerful EU with a stricter surveillance upcoming with the introduction of the single European currency could be an explanation here. However, as the coefficient for the Non-EU bidder is not significant we interpret these finding in that these transactions fail within the EU. In addition, the coefficient "Same industry" being negative and significant indicates that these transactions are monopoly related and thus, attract the attention of the EC.

In contrast, the results economically do not change substantially. The above discussed variables associated with target's CARs (Model I, *Table A.7*) and bidder's BHARs (Model I, *Table A.8*) remain significant and of similar size. Thus, the involved shareholders do not seem to recognize exchange rate risk exposure.

Regarding the likelihood for a target in the EU being targeted by a Non-EU bidder we find in the subsample (Model I, *Table A.9*) that, when not sharing the same currency, bidder and target company are more likely of similar size. Further, these transactions are not necessarily vertical ones as the variable "Same industry" is negative and significant. It seems that Non-EU bidders target EU companies in order to diversify their operations. The coefficients for the variables for the target being a company that went public only recently as well as bidder (negative) and target (positive) suffering from the GFC remain significant as before.

To further test the robustness of our results we analyze several subsamples. Regarding our variable of interest, Non-EU bidder, the results for success likelihood do not change quali-

tatively (*Table A.6*). Also the coefficients for the variables relative size and hostility keep their significance. Interestingly, when excluding the UK as a bidder (Model II, *Table A.6*) success seems more likely if the target company is a recently listed firm. This we interpret as these European companies went public with the aim of being bought, i.e. being a delayed trade sale (Gill and Walz, 2016). The results do not change when also excluding the UK on the target side (not reported).

Turning to economic consequences of a takeover bid we see in our set of subsamples that target shareholders receive higher CARs around the announcement in a cross-border transaction when excluding the UK. In contrast, in the other subsamples (UK only, US only, most active EU bidders, excluding most active EU bidders) this is not the case. It seems that UK acquirers are not highly appreciated abroad by EU targets. The coefficients for our main explanatory variable, Non-EU bidder, remains insignificant. However, there is some indication that, after the introduction of the single European currency, US bidders lead to higher announcement returns on the target side (Model III, *Table A.7*). A high aggressiveness and competitiveness from US bidders could lead to higher premiums as argued by Alexandridis et al. (2010).

With respect to the bidder's performance up to one year after the transaction our results indicate that high tech targets deliver a lower performance for the most active European bidders (France, Sweden, Germany, Netherlands). The reasoning here could be that at the time of the announcement capital market was too optimistic and its participants are revaluing the transaction in the succeeding period. In contrast, the results show higher BHARs after the introduction of the Euro for the most active European bidders. We argue that bidders from these countries make better investment decisions after the introduction of the single European currency, mainly due to more comparable financial data and less costs needed for hedging (Model V, *Table A.8*). When concentrating on bidder countries that are less represented in the

complete sample (Model VI, *Table A.8*) we find that GDP growth is negative and significant. For this special subsample we conclude, as above, that at announcement date the market reaction was too optimistic and market participants are revaluating thereafter. The same could hold for the variable IPO target in this subsample, which is negative and significant at the 5% level. Further, cultural differences lead to lower BHARs for the acquirer's shareholders in this subsample. However, the economic importance is limited as the coefficient is rather small.

Regarding the results for the likelihood of a European target being approached by a Non-EU bidder we see that most variables that in the original analysis were of importance stay so (*Table A.9*). That is especially true for the bidder's country GDP growth and bidder and target suffering from the GFC. In addition, when excluding the US (Model III, *Table A.9*) it is more likely the transaction being horizontal in that the bidder firm operates in the same industry as the target company. When excluding the most active European bidders (France, Sweden, Germany, Netherlands) it seems that these transactions were financed by internal funds, reflected in high cash holdings, and eventually paid cash only (Model V, *Table A.9*).

6. CONCLUSION

In this paper, we analyze M&A activity with listed targets in the European Union involved. For the period from 1990 to 2016, we provide evidence, while growing protectionism is around, that the fraction of Non-European Union takeover bids is increasing. The target's shareholders benefit from takeover bids by Non-EU bidders as well as intra-EU cross-border acquirers. Besides protectionist efforts of politics, the shareholders of the target appreciate takeover bids from Non-EU and EU cross-border bidders as they capture larger takeover gains compared to domestic transactions. Consequently, the failure rate of bids coming from Non-

EU bidders does not differ significantly from an EU bid. Thus, target's shareholders do not seem to worry about protectionism that much.

We find that EU targets have significantly higher short-term abnormal returns than their domestic counterparts if the bidder comes from abroad or even a third country. However, compared to intra-EU cross-border deals the differences are small. On average and consistent with prior studies, EU and Non-EU bidders do not show abnormal announcement returns. Regarding long-run abnormal returns, we do not find significant differences for the returns in the period up to one year after deal completion for the two groups on the (surviving) bidder side, however, we find that Non-EU bidders do not seem to benefit from an acquisition of an EU target in the long-run as they, just like EU cross-border bidders, underperform EU domestic acquisitions significantly.

In our regression analysis, we find that transactions with a Non-EU bidder do not fail more often. Hostility, a similar size of bidder and target, a high leverage as well as a high Market-to-Book ratio of the target seem to be responsible for failure. Regarding valuation effects, our results show that cash as method of payment has a significant positive influence on the size of the abnormal returns of the target. Further, cross-border deals in general deliver higher announcement returns for the shareholders of the target. Targets located in the UK even have much higher announcement returns indicating a more competitive market for corporate control. There is also some indication that, after the introduction of the single European currency, US bidders lead to higher announcement returns on the target side. With respect to the long-run performance of the bidding firm, a cash-only payment has a positive effect whereas the introduction of the monetary union seems to have no effect. Favorable financing opportunities at home surfacing in low long-term interest rates seem to be a pivotal factor with respect to the long-run performance of the acquirer. For the probability that an EU target becoming the target of a Non-EU bidder, we provide robust empirical evidence that it is more

likely if the target company is suffering the financial crisis and less likely if the bidder itself is affected by financial crisis. In addition, it is more likely that the bidder chooses an EU target if the target firm went public only recently. An explanation could be that IPO firms are the ones with attractive ideas or technology and higher growth (opportunities). Further, Non-EU bidders seem to choose targets with a low cultural difference to minimize the risk of failure. Overall, we do not find that shareholders are suffering more from bids from Non-EU acquirers than EU cross-border bids. This should be kept in mind when discussing legislation and protectionism issues in Europe.

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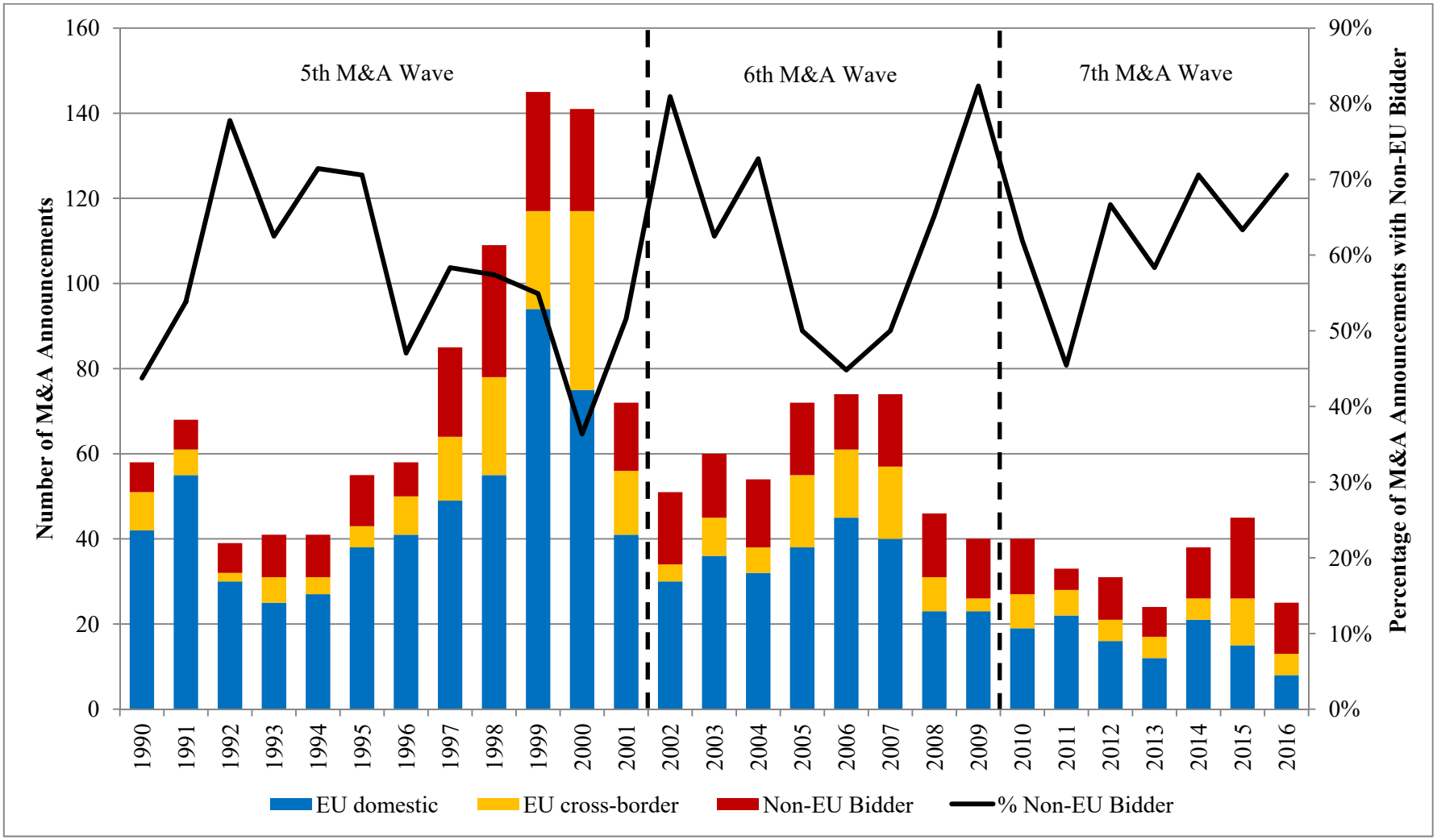
Tables and Figures

Figure 1: M&A Sample distribution per Year

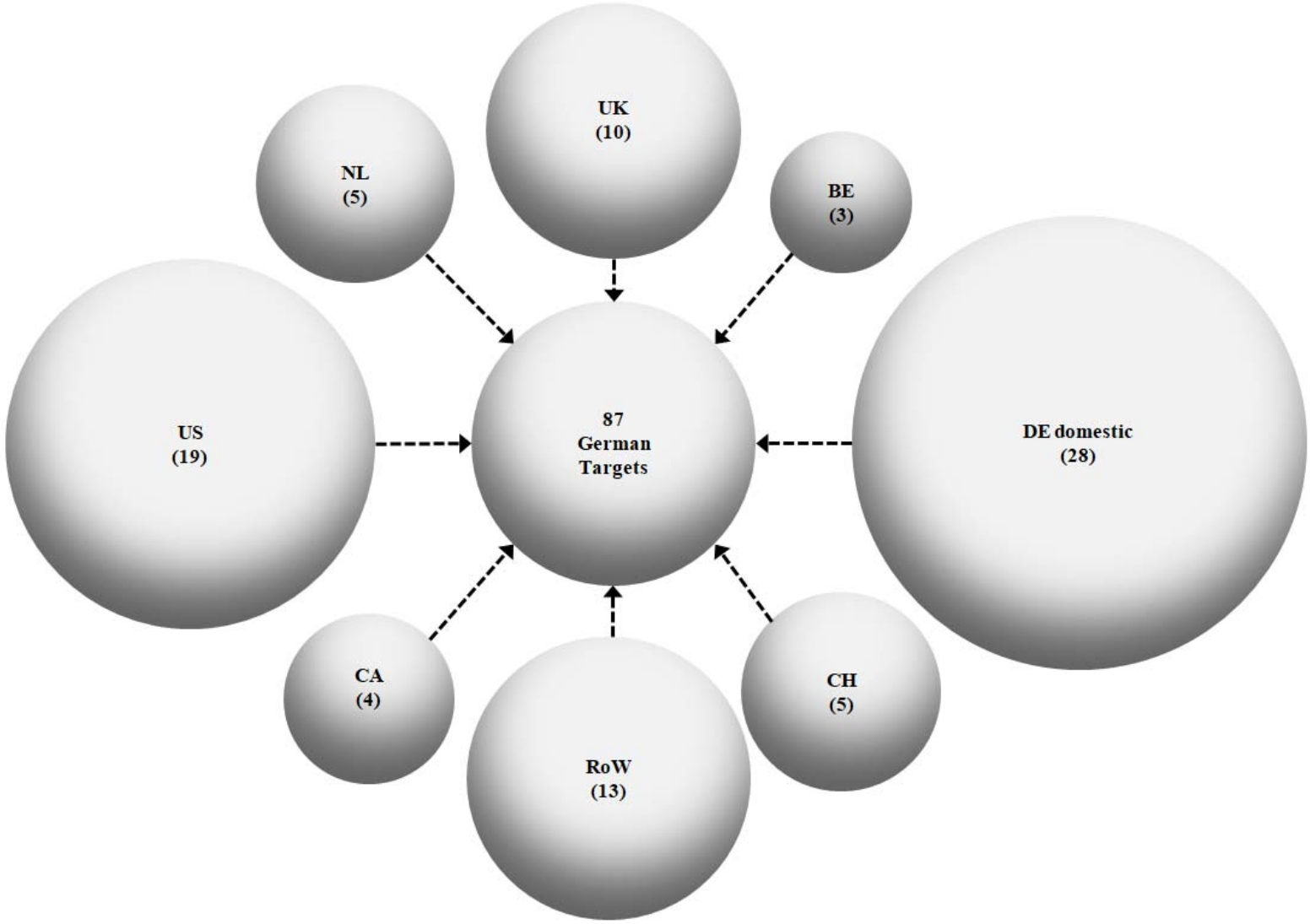
This figure presents the distribution of the total sample of M&A announcements for targets of the European Union (EU) per year.



Source: Thomson Reuters Dealscreener.

Figure 2: Involved Countries in Transactions with a German Target

This figure represents exemplarily the countries that are involved in transactions with a German target firm.



Source: Thomson Reuters Dealscreener, own illustration.

Figure 3: Cumulated Abnormal Return (CAR) for the 41-day event window

This figure presents the CARs around the event day for the total sample for the period 1990-2016 for European Union (EU) targets.

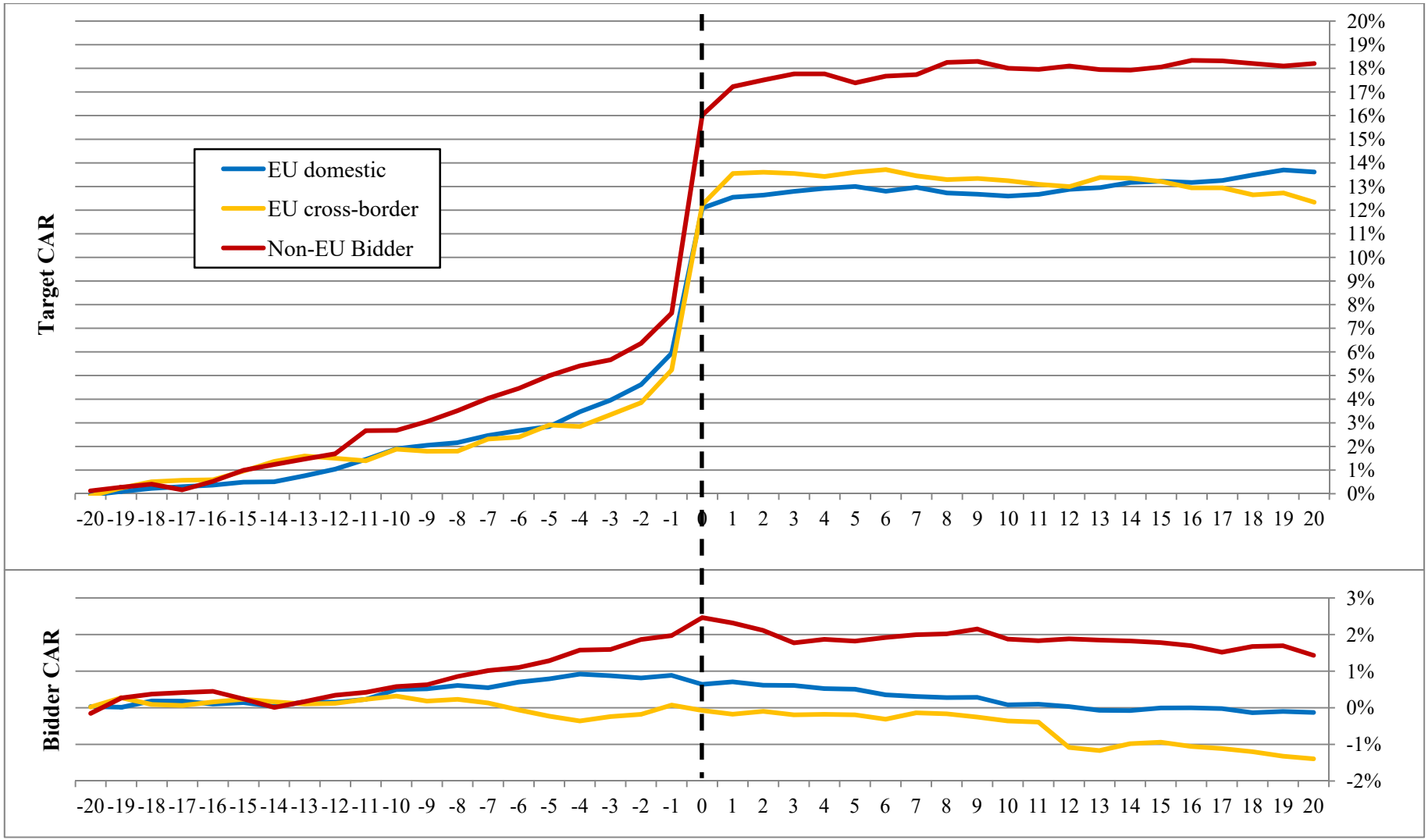


Figure 4: Buy-and-Hold Abnormal Return (BHAR) up to three years after M&A completion (+1, +250)

This figure presents the BHARs after deal completion for the period 1990-2016 for all kinds of bidders bidding for an EU target.

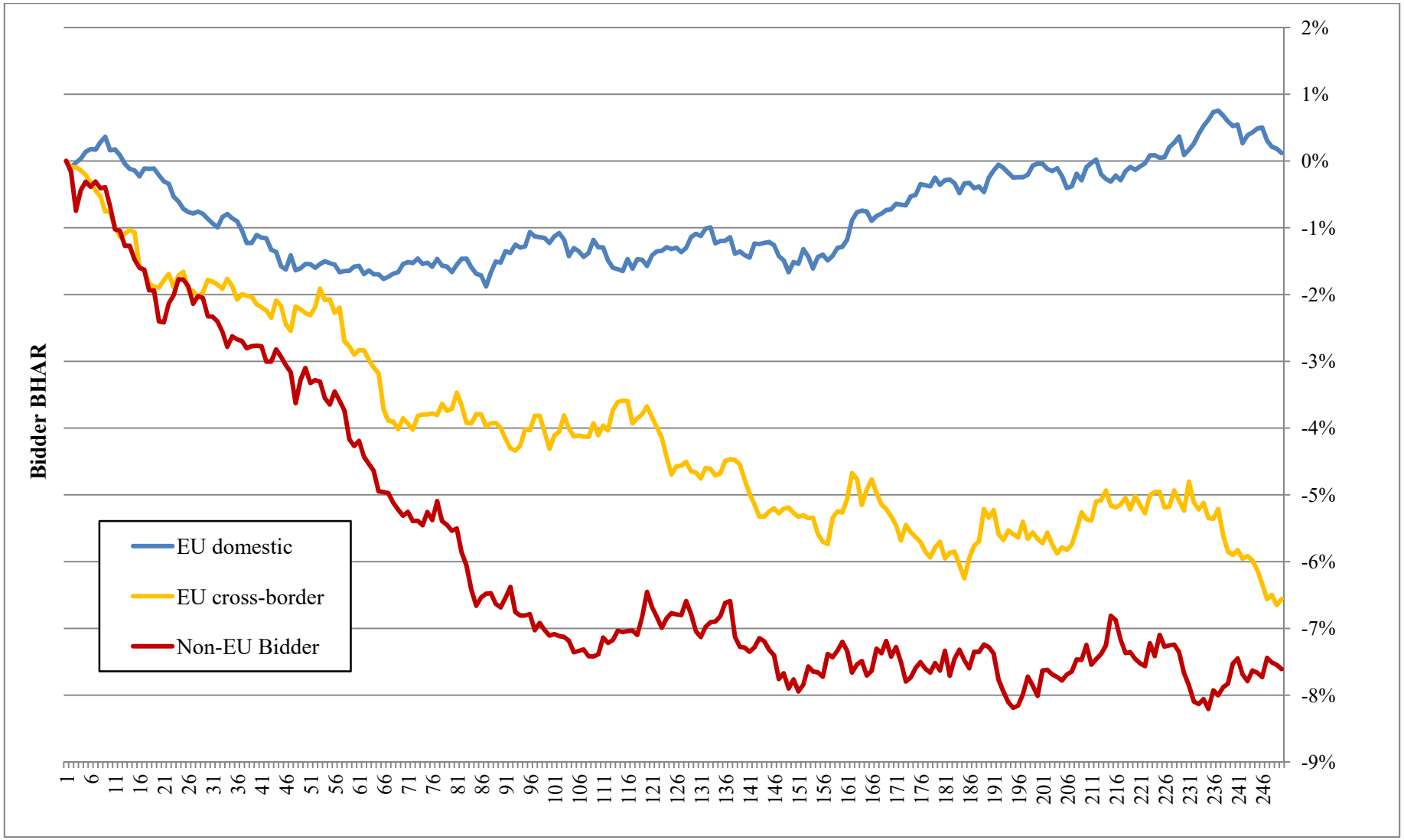


Table 1: Sample Distribution

Panel A: M&A announcements per Target Country							
	EU Targets						
Target Country	EU domestic		EU cross-border		Non-EU Bidder		Total
	N	%	N	%	N	%	N
UK	609	67%	87	10%	212	23%	908
France	103	57%	36	20%	42	23%	181
Sweden	65	51%	30	24%	32	25%	127
Germany	27	31%	28	32%	32	37%	87
Netherlands	27	40%	29	43%	11	16%	67
Italy	21	60%	5	14%	9	26%	35
Spain	21	70%	8	27%	1	3%	30
Finland	15	52%	8	28%	6	21%	29
Denmark	13	46%	7	25%	8	29%	28
Rep. of Ireland	9	36%	4	16%	12	48%	25
Belgium	3	13%	13	57%	7	30%	23
Poland	17	74%	4	17%	2	9%	23
Greece	15	79%	2	11%	2	11%	19
Austria	3	25%	7	58%	2	17%	12
Luxembourg	0	0%	5	83%	1	17%	6
Portugal	3	50%	3	50%	0	0%	6
Hungary	0	0%	2	67%	1	33%	3
Serbia	0	0%	2	67%	1	33%	3
Cyprus	0	0%	1	50%	1	50%	2
Croatia	1	50%	1	50%	0	0%	2
Czech Republic	0	0%	2	100%	0	0%	2
Lithuania	0	0%	0	0%	1	100%	1
Total	**952**	**59%**	**284**	**18%**	**383**	**24%**	**1,619**

Panel B: M&A announcements per Bidder Country							
	EU Targets						
Bidder Country	EU domestic		EU cross-border		Non-EU Bidder		Total
	N	%	N	%	N	%	N
USA	0	0%	0	0%	245	100%	245
Canada	0	0%	0	0%	35	100%	35
Switzerland	0	0%	0	0%	34	100%	34
Japan	0	0%	0	0%	26	100%	26
Australia	0	0%	0	0%	19	100%	19
Norway	0	0%	0	0%	9	100%	9
Gibraltar	0	0%	0	0%	4	100%	4
Hong Kong	0	0%	0	0%	4	100%	4
Russian Fed.	0	0%	0	0%	2	100%	2
China	0	0%	0	0%	1	100%	1
Isle of Man	0	0%	0	0%	1	100%	1
Jersey	0	0%	0	0%	1	100%	1
New Zealand	0	0%	0	0%	1	100%	1
Taiwan	0	0%	0	0%	1	100%	1
UK	609	91%	60	9%	0	0%	669
France	104	68%	48	32%	0	0%	152
Sweden	64	78%	18	22%	0	0%	82
Germany	27	42%	37	58%	0	0%	64
Netherlands	27	47%	31	53%	0	0%	58
Spain	21	60%	14	40%	0	0%	35
Italy	20	63%	12	38%	0	0%	32
Finland	15	52%	14	48%	0	0%	29
Rep. of Ireland	9	38%	15	63%	0	0%	24
Denmark	13	59%	9	41%	0	0%	22
Poland	18	95%	1	5%	0	0%	19
Greece	15	83%	3	17%	0	0%	18
Belgium	3	19%	13	81%	0	0%	16
Austria	3	30%	7	70%	0	0%	10
Portugal	3	75%	1	25%	0	0%	4
Croatia	1	100%	0	0%	0	0%	1
Estonia	0	0%	1	100%	0	0%	1
Total	**952**	**59%**	**284**	**18%**	**383**	**24%**	**1,619**

Panel C: M&A announcements per Target Industry							
	EU Targets						
Target Industry	EU domestic		EU cross-border		Non-EU Bidder		Total
	N	%	N	%	N	%	N
Business Services	161	54%	53	18%	83	28%	297
Chemicals & Allied Prod.	44	38%	33	28%	40	34%	117
Communications	48	62%	14	18%	15	19%	77
Electronic & Other Equip.	32	42%	6	8%	39	51%	77
Engineering, Account	47	65%	7	10%	18	25%	72
Indust. & Comm. Machinery	29	48%	9	15%	23	38%	61
Oil & Gas Extraction	37	61%	11	18%	13	21%	61
Food & Kindred Prod.	38	63%	15	25%	7	12%	60
Wholesale Trade-durables	27	54%	10	20%	13	26%	50
Printing, Publishing	30	65%	10	22%	6	13%	46
Measuring, Analyzing	21	47%	4	9%	20	44%	45
Transportation Equip.	24	56%	9	21%	10	23%	43
Stone, Clay, Glass	18	49%	13	35%	6	16%	37
Building Construction	32	89%	3	8%	1	3%	36
Primary Metal Indust.	18	50%	12	33%	6	17%	36
Fabricated Metal Prod.	25	74%	2	6%	7	21%	34
Eating & Drinking	31	100%	0	0%	0	0%	31
Textile Mill Products	18	67%	7	26%	2	7%	27
Metal Mining	7	27%	1	4%	18	69%	26
Rubber	17	71%	2	8%	5	21%	24
Wholesale Trade-non-durab.	18	75%	5	21%	1	4%	24
Paper & Allied Prod.	13	59%	7	32%	2	9%	22
Amusement & Recrea.	14	70%	1	5%	5	25%	20
Heavy Construction	17	85%	3	15%	0	0%	20
Food Stores	14	82%	2	12%	1	6%	17
Transportation Service	10	59%	5	29%	2	12%	17
Health Services	10	63%	2	13%	4	25%	16
Hotels, Rooming Housing	12	75%	3	19%	1	6%	16
Water Transportation	10	63%	3	19%	3	19%	16
Apparel	12	80%	2	13%	1	7%	15
Motion Pictures	8	53%	2	13%	5	33%	15
Construction Special	9	64%	1	7%	4	29%	14
Misc. Manufacturing	6	46%	2	15%	5	38%	13
Home Furniture	9	75%	2	17%	1	8%	12
Miscellaneous Retail	10	83%	1	8%	1	8%	12
Transportation By Air	5	45%	5	45%	1	9%	11
Furniture & Fixture	8	80%	2	20%	0	0%	10
Motor Freight Transp.	5	50%	2	20%	3	30%	10
Mining & Quarrying	4	44%	1	11%	4	44%	9
Other	54	74%	12	16%	7	10%	73
Total	**952**	**59%**	**284**	**18%**	**383**	**24%**	**1,619**

This table presents the distributional characteristics of our sample. Deals with EU Bidder are takeover deals where the bidder is member of the European Union, Non-EU if otherwise. Panel A reports the deal announcements by target country, Panel B by bidder country. Panel C presents the distribution of the sample by target industry based on the 2-digit SIC code.

Table 2a: Bidder and Target Announcement Returns for the 3-day event window

Cumulated Abnormal Returns (CARs) around the Takeover Announcement				
Panel A: Complete Sample				
	EU domestic (1)	EU cross-border (2)	Non-EU Bidder (3)	Difference (3)-(2)
Bidder				
Mean	-0.11%	0.00%	0.43%	0.43%
Median	-0.25%	-0.06%	0.56%	0.63%
Std.dev.	6.14%	6.52%	5.52%	
N	709	225	307	
Target				
Mean	**7.95%*****	**9.70%*****	**10.83%*****	1.14%
Median	**8.06%*****	**11.54%*****	**12.52%*****	0.98%
Std.dev.	10.38%	9.13%	10.50%	
N	447	147	226	
Panel B: 5th M&A Wave (1990-2000)				
Bidder				
Mean	-0.29%	-0.70%	0.33%	1.04%
Median	-0.47%	0.29%	-0.22%	-0.51%
Std.dev.	6.39%	7.71%	5.27%	
N	327	104	115	
Target				
Mean	**8.62%*****	**6.98%*****	**8.15%*****	1.17%
Median	**7.69%*****	**6.16%*****	**7.66%*****	1.50%
Std.dev.	10.56%	8.78%	10.81%	
N	108	38	45	
Panel C: 6th M&A Wave (2001-2009)				
Bidder				
Mean	-0.02%	0.12%	0.00%	-0.12%
Median	-0.07%	-0.39%	0.62%	1.01%
Std.dev.	5.96%	5.28%	5.79%	
N	252	77	109	
Target				
Mean	**6.79%*****	**11.05%*****	**10.98%*****	-0.07%
Median	**6.57%*****	**11.60%*****	**11.85%*****	0.26%
Std.dev.	10.34%	9.05%	10.65%	
N	212	67	95	
Panel D: 7th M&A Wave (2010-2016)				
Bidder				
Mean	0.20%	**1.46%***	**1.14%***	-0.33%
Median	-0.07%	1.33%	**1.54%****	0.21%
Std.dev.	5.86%	5.11%	5.49%	
N	130	44	83	
Target				
Mean	**9.34%*****	**10.00%*****	**12.08%*****	2.08%
Median	**11.73%*****	**12.73%*****	**13.92%*****	1.19%
Std.dev.	10.14%	9.26%	10.02%	
N	127	42	86	

This table presents the announcement CAR (-1, +1) for bidders and targets. Cumulative abnormal returns are calculated based on market-adjusted returns using the country's Datastream value-weighted total market return index. Panel A is based on the full sample, Panel B, C, D separately show the 5th, 6th, 7th M&A Wave. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 2b: Bidder and Target Announcement Returns for the 41-day event window

Cumulated Abnormal Returns (CARs) around the Takeover Announcement				
Panel A: Complete Sample				
	EU domestic (1)	EU cross-border (2)	Non-EU Bidder (3)	Difference (3)-(2)
Bidder				
Mean	-0.13%	-1.39%	1.43%	**2.83%***
Median	-0.07%	-1.02%	1.29%	2.31%
Std.dev.	14.72%	17.37%	16.96%	
N	701	220	305	
Target				
Mean	**13.61%*****	**12.33%*****	**18.21%*****	**5.87%*****
Median	**14.04%*****	**12.91%*****	**16.21%*****	**3.30%****
Std.dev.	21.33%	18.47%	22.55%	
N	442	142	224	
Panel B: 5th M&A Wave (1990-2000)				
Bidder				
Mean	0.85%	**-4.35%***	0.56%	**4.91%***
Median	0.18%	-1.88%	0.75%	2.63%
Std.dev.	14.76%	22.69%	20.53%	
N	324	102	115	
Target				
Mean	**14.24%*****	5.62%	**13.66%*****	8.04%
Median	**13.54%*****	**5.87%****	**10.58%*****	4.71%
Std.dev.	22.91%	23.45%	20.33%	
N	108	36	45	
Panel C: 6th M&A Wave (2001-2009)				
Bidder				
Mean	-0.69%	1.47%	2.44%	0.97%
Median	-0.22%	-1.81%	**1.88%***	3.69%
Std.dev.	14.79%	11.55%	15.53%	
N	248	74	107	
Target				
Mean	**13.80%*****	**15.99%*****	**21.03%*****	5.04%
Median	**15.26%*****	**15.21%*****	**18.98%*****	3.77%
Std.dev.	21.12%	16.82%	24.13%	
N	208	64	93	
Panel D: 7th M&A Wave (2010-2016)				
Bidder				
Mean	-1.51%	0.64%	1.34%	0.70%
Median	-0.45%	-0.73%	0.90%	1.62%
Std.dev.	14.42%	7.92%	12.88%	
N	129	44	83	
Target				
Mean	**12.78%*****	**12.52%*****	**17.53%*****	5.01%
Median	**11.51%*****	**12.60%*****	**15.26%*****	2.66%
Std.dev.	20.40%	14.45%	21.67%	
N	126	42	86	

This table presents the announcement CAR (-20, +20) for bidders and targets. Cumulative abnormal returns are calculated based on market-adjusted returns using the country's Datastream value-weighted total market return index. Panel A is based on the full sample, Panel B, C, D separately show the 5th, 6th, 7th M&A Wave. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 3: Bidder buy-and-hold abnormal returns (BHAR) (+1, +250) subsequent to the M&A completion date differentiated by EU domestic, EU cross-border, and Non-EU Bidder

Buy-and-Hold Abnormal Return (BHAR) one year after deal completion (+1, +250)				
Panel A: Complete Sample				
	EU domestic (1)	EU cross-border (2)	Non-EU Bidder (3)	Difference (3)-(2)
Bidder				
Mean	0.12%	**-6.56%****	**-7.61%****	-1.05%
Median	-2.21%	**-5.52%****	**-7.41%*****	-1.89%
Std.dev.	39.23%	35.39%	46.84%	
N	516	171	223	
Panel B: 5th M&A Wave (1990-2000)				
Bidder				
Mean	-0.98%	**-8.82%***	-5.85%	2.96%
Median	-3.23%	**-5.86%***	-4.98%	0.88%
Std.dev.	40.09%	41.87%	55.04%	
N	245	87	85	
Panel C: 6th M&A Wave (2001-2009)				
Bidder				
Mean	1.05%	-5.16%	-4.48%	0.69%
Median	-0.69%	**-5.91%****	**-5.54%***	0.37%
Std.dev.	38.56%	24.56%	45.72%	
N	183	56	76	
Panel D: 7th M&A Wave (2010-2016)				
Bidder				
Mean	1.26%	-2.34%	**-13.86%*****	-11.52%
Median	-1.56%	-5.17%	**-10.38%*****	-5.21%
Std.dev.	38.57%	32.12%	34.43%	
N	88	28	62	

This table presents the buy-and-hold abnormal returns BHAR (+1, +250) for bidders as the bidder is the surviving party in most cases. Abnormal returns are calculated based on market-adjusted returns using the country's Datastream value-weighted total market return index. Panel A is based on the full sample, Panel B, C, D separately show the 5th, 6th, 7th M&A Wave. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 4a: Univariate Comparison of Deal, Bidder and Target Characteristics (EU domestic vs. EU cross-border Bidder)

Deal, Bidder and Target Characteristics								
	EU domestic			EU cross-border			Difference in	
Variable	**N**	**Mean**	**Median**	**N**	**Mean**	**Median**	**Mean**	**Median**
Deal Characteristics								
Deal Value (ln)	952	4.59	4.44	284	5.76	5.68	**-1.17*****	**-1.24*****
Final Premium (4 week)	729	37.92	32.62	216	39.46	34.11	-1.54	-1.49
Relative Size	686	71.79	31.23	235	43.00	25.74	**28.79*****	**5.49*****
Time to completion	796	103.11	74.00	249	118.85	90.00	**-15.74****	**-16.00*****
Cultural Difference	952	0.00	0.00	284	550.20	541.50	**-550.20*****	**-541.50*****
Cross-Border Dummy	952	0.00	0.00	284	1.00	1.00	-1.00	-
Hostile Deal Dummy	952	0.12	0.00	284	0.07	0.00	**0.04****	-
Success Dummy	952	0.84	1.00	284	0.88	1.00	**-0.04***	-
Cash-only Deal Dummy	952	0.23	0.00	284	0.39	0.00	**-0.16*****	-
High Tech Target	952	0.09	0.00	284	0.12	0.00	-0.03	-
Same Industry Dummy	952	0.45	0.00	284	0.57	1.00	**-0.12*****	-
IPO Target	952	0.16	0.00	284	0.21	0.00	**-0.05****	-
Bidder Characteristics								
Size Bidder (ln)	686	12.89	12.80	235	14.66	14.89	**-1.77*****	**-2.09*****
Leverage (Debt/Assets)	697	19.12	15.94	249	23.39	22.66	**-4.27*****	**-6.72*****
M/B ratio	637	2.60	1.89	207	3.15	2.12	**-0.55****	**-0.23****
Return on Assets	672	4.88	6.24	246	4.88	6.37	0.00	-0.13
Cash holdings	697	14.80	9.66	249	14.15	9.07	0.65	0.59
Capex to Assets	684	5.30	3.86	244	6.03	4.88	**-0.73***	**-1.02*****
GDP Growth (Country)	952	0.58	0.60	284	0.67	0.70	**-0.10****	**-0.10****
Long-term Interest Rate	950	5.86	5.22	282	4.89	4.90	**0.97*****	**0.32*****
Target Characteristics								
Size Target (ln)	407	11.72	11.50	144	12.98	13.18	**-1.26*****	**-1.68*****
Leverage (Debt/Assets)	418	18.26	14.73	148	20.95	21.50	-2.69	**-6.77****
M/B ratio	396	2.73	1.79	126	2.75	2.31	-0.02	-0.52
Return on Assets	410	0.52	4.81	145	0.63	4.46	-0.11	0.35
Cash holdings	420	15.08	8.67	148	14.29	8.80	0.79	-0.13
Capex to Assets	403	5.27	3.30	143	4.92	4.09	0.35	-0.79
GDP Growth (Country)	952	0.58	0.60	282	0.67	0.70	**-0.09***	-0.10
Long-term Interest Rate	950	5.86	5.22	280	5.01	5.02	**0.85*****	**0.20*****

This table presents univariate comparisons of all deal, bidder and target variables included in the regression models. The table compares the mean and median characteristics of deals in the period 1990-2016 differentiated by EU domestic and EU cross-border. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. The significance of the difference in the dummy variables is tested with a difference of proportion test (z-statistic). ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 4b: Univariate Comparison of Deal, Bidder and Target Characteristics (EU cross-border vs. Non-EU Bidder)

Deal, Bidder and Target Characteristics								
	EU cross-border			Non-EU Bidder			Difference in	
Variable	**N**	**Mean**	**Median**	**N**	**Mean**	**Median**	**Mean**	**Median**
Deal Characteristics								
Deal Value (ln)	284	5.76	5.68	383	5.32	5.16	**0.45*****	**0.52*****
Final Premium (4 week)	216	39.46	34.11	286	47.52	39.99	**-8.06****	**-5.88***
Relative Size	235	43.00	25.74	287	40.45	11.37	2.55	**14.37*****
Time to completion	249	118.85	90.00	314	110.64	87.00	8.21	3.00
Cultural Difference	284	550.20	541.50	383	454.75	197.83	**95.44*****	**343.67*****
Cross-Border Dummy	284	1.00	1.00	383	1.00	1.00	0.00	-
Hostile Deal Dummy	284	0.07	0.00	383	0.11	0.00	-0.03	-
Success Dummy	284	0.88	1.00	383	0.82	1.00	**0.06****	-
Cash-only Deal Dummy	284	0.39	0.00	383	0.45	0.00	-0.05	-
High Tech Target	284	0.12	0.00	383	0.16	0.00	-0.04	-
Same Industry Dummy	284	0.57	1.00	383	0.48	0.00	**0.09****	-
IPO Target	284	0.21	0.00	383	0.25	0.00	-0.04	-
Bidder Characteristics								
Size Bidder (ln)	235	14.66	14.89	287	14.60	14.63	0.05	0.26
Leverage (Debt/Assets)	249	23.39	22.66	297	21.02	19.18	**2.36***	**3.48****
M/B ratio	207	3.15	2.12	273	3.36	2.45	-0.21	**-0.33***
Return on Assets	246	4.88	6.37	291	4.38	6.47	0.50	-0.10
Cash holdings	249	14.15	9.07	297	19.03	12.79	**-4.88*****	**-3.72****
Capex to Assets	244	6.03	4.88	293	5.17	3.85	**0.87***	**1.03*****
GDP Growth (Country)	284	0.67	0.70	377	0.74	0.80	-0.07	-0.10
Long-term Interest Rate	282	4.89	4.90	371	4.56	4.68	**0.33****	0.22
Target Characteristics								
Size Target (ln)	144	12.98	13.18	210	12.40	12.23	**0.58****	**0.95****
Leverage (Debt/Assets)	148	20.95	21.50	217	18.87	16.75	2.08	**4.75***
M/B ratio	126	2.75	2.31	201	3.03	2.20	-0.28	0.11
Return on Assets	145	0.63	4.46	211	-0.39	4.91	1.02	-0.45
Cash holdings	148	14.29	8.80	217	19.09	11.53	**-4.80****	**-2.73***
Capex to Assets	143	4.92	4.09	209	5.02	3.41	-0.10	0.68
GDP Growth (Country)	282	0.67	0.70	382	0.58	0.60	0.09	**0.10***
Long-term Interest Rate	280	5.01	5.02	381	4.94	4.82	0.07	0.20

This table presents univariate comparisons of all deal, bidder and target variables included in the regression models. The table compares the mean and median characteristics of deals in the period 1990-2016 differentiated by EU cross-border and Non-EU Bidder. Significance of the difference in mean and median is based on a two-sample t-test and a non-parametric Mann-Whitney U test. The significance of the difference in the dummy variables is tested with a difference of proportion test (z-statistic). ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 5: Probit Regressions on *Success* (H1)

Model	I	II	III	IV	V
Dependent variable: ***Success***	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Deal controls					
Cross-border	-0.0613	-0.0774	**-0.5156***	-0.4381	**-0.5571****
	[-0.3219]	[-0.3697]	[-1.9189]	[-1.5522]	[-1.9893]
Non-EU Bidder (x Cross-border)	-0.2327	-0.2276	-0.3509	-0.3426	-0.4064
	[-1.3241]	[-1.2157]	[-1.5066]	[-1.3555]	[-1.6058]
GDP Growth (Bidder Country)	**0.1530***	**0.1624***	**0.2660****	**0.2820****	**0.2707****
	[1.7805]	[1.7825]	[2.1743]	[2.1695]	[2.0302]
GDP Growth^2 (Bidder Country)	0.0355	0.0363	0.0152	0.0215	0.0294
	[0.9159]	[0.9327]	[0.2998]	[0.4031]	[0.5558]
Long-term Interest Rate	-0.1980	-0.1850	-0.3699	-0.3906	-0.4203
	[-1.1376]	[-1.0810]	[-1.3856]	[-1.4009]	[-1.4896]
Long-term Interest Rate^2	0.0039	-0.0001	0.0221	0.0239	0.0261
	[0.2299]	[-0.0092]	[0.7399]	[0.7643]	[0.8258]
High Tech Target	0.3401	0.2652	0.3812	0.3903	0.4150
	[1.5895]	[1.1452]	[1.3871]	[1.3570]	[1.4370]
IPO Target	0.1987	0.2084	**0.3810***	**0.4416***	**0.3874***
	[1.3116]	[1.3064]	[1.7052]	[1.8816]	[1.6525]
Euro	-0.7517	-0.6272	-0.3821	-0.0530	-0.0833
	[-0.7459]	[-0.6491]	[-0.5280]	[-0.0724]	[-0.1129]
Final Premium (4 week)	-0.0012	-0.0012	-0.0014	-0.0004	-0.0001
	[-0.9460]	[-0.8908]	[-0.7195]	[-0.1837]	[-0.0629]
Bidder Crisis	0.2896	0.3979	0.5973	0.6124	0.2213
	[0.8672]	[1.0984]	[1.4030]	[1.3493]	[0.5138]
Target Crisis	-0.5181	-0.5120	-0.3095	-0.2640	0.2265
	[-1.4319]	[-1.3124]	[-0.6792]	[-0.5567]	[0.5198]
Relative Size	**-0.0014*****	**-0.0027*****	**-0.0030*****	**-0.0048*****	**-0.0049*****
	[-2.6430]	**[-4.1765]**	**[-3.7406]**	**[-4.9445]**	**[-5.1094]**
Hostile	**-1.6107*****	**-1.6233*****	**-1.7531*****	**-1.6236*****	**-1.7041*****
	[-10.8317]	[-10.2109]	[-7.6466]	[-6.6198]	[-6.7322]
Cash only	-0.0643	-0.0951	-0.2289	-0.2827	**-0.3231***
	[-0.5365]	[-0.7452]	[-1.3264]	[-1.5175]	[-1.7310]
Same Industry	-0.0075	0.0159	0.1440	0.0987	0.0841
	[-0.0675]	[0.1369]	[0.9041]	[0.5890]	[0.4974]
Cultural Difference	0.0002	0.0003	0.0003	0.0003	0.0004
	[0.8600]	[1.0055]	[0.8676]	[0.8962]	[1.1701]
UK Target	0.0320	-0.0364	-0.1682	-0.1730	-0.1695
	[0.2697]	[-0.2825]	[-1.0398]	[-1.0088]	[-0.9777]
Bidder controls					
Size Bidder (ln)		**-0.0639***		-0.0460	-0.0572
		[-1.9231]		[-0.9361]	[-1.1631]
Leverage Bidder		-0.0004		-0.0001	0.0002
		[-0.7838]		[-0.0773]	[0.2358]
M/B ratio Bidder		0.0294		0.0142	0.0150
		[1.4958]		[0.5601]	[0.5871]
Return on Assets Bidder		-0.0009		-0.0030	-0.0024
		[-0.1860]		[-0.4184]	[-0.3276]
Cash holdings Bidder		-0.0011		0.0046	0.0049
		[-0.2568]		[0.7965]	[0.8508]
Capex Bidder		-0.0081		-0.0274	-0.0274
		[-0.6519]		[-0.1762]	[-1.3799]
Target controls					
Leverage Target			**-0.0117****	**-0.0104****	**-0.0111****
			[-2.4502]	[-2.0720]	[-2.2003]
M/B ratio Target			**-0.0303***	**-0.0361****	**-0.0381****
			[-1.8074]	[-1.9666]	[-2.0679]
Return on Assets			-0.0094	-0.0067	-0.0072
			[-1.5644]	[-1.0167]	[-1.0627]
Cash holdings Target			0.0009	0.0001	0.0008
			[0.1493]	[0.0170]	[0.1322]
Capex Target			-0.0056	0.0060	0.0089
			[-0.3682]	[0.3571]	[0.5348]
Constant	**2.4357****	**3.2082*****	**2.8496*****	**3.1626*****	**3.4547*****
	[2.4337]	[2.9380]	[3.0893]	[2.7420]	[2.9548]
N	946	849	491	449	448
Log-likelihood	-329.6470	-298.9506	-164.4957	-154.0602	-151.7399
Pseudo R^2	0.2333	0.2535	0.3259	0.3313	0.3407

This table presents the results from several Probit regressions on *Success* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (bidder and target characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement.

Table 6: OLS Regressions on *Target's Cumulated Abnormal Return (CAR) (H2)*

Model	I	II	III	IV	V
Dependent variable: *Target CAR (-1, +1)*	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]
Deal controls					
Cross-border	0.0194	0.0150	**0.0313****	**0.0288***	**0.0313****
	[1.4647]	[1.0598]	[2.1949]	[1.9550]	[2.0869]
Non-EU Bidder (x Cross-border)	0.0119	0.0098	0.0136	0.0093	0.0098
	[0.9101]	[0.6872]	[1.0196]	[0.6705]	[0.6999]
GDP Growth (Bidder Country)	0.0015	-0.0003	-0.0035	-0.0029	-0.0027
	[0.2472]	[-0.0481]	[-0.4609]	[-0.3509]	[-0.3303]
GDP Growth^2 (Bidder Country)	0.0004	-0.0002	0.0002	-0.0003	-0.0003
	[0.1940]	[-0.0647]	[0.0714]	[-0.1170]	[-0.1137]
Long-term Interest Rate	-0.0109	-0.0094	-0.0043	0.0044	0.0040
	[-1.2955]	[-1.0004]	[-0.4078]	[0.3384]	[0.3054]
Long-term Interest Rate^2	**0.0009***	0.0007	0.0007	-0.0007	-0.0007
	[1.7448]	[1.1128]	[0.6883]	[-0.5368]	[-0.5053]
Success	**-0.0269****	**-0.0249****	-0.0192	-0.0219	-0.0218
	[-2.4014]	[-2.0621]	[-1.5456]	[-1.6472]	[-1.5956]
High Tech Target	0.0141	0.0120	**0.0254***	0.0201	0.0215
	[1.0097]	[0.8924]	[1.7966]	[1.4158]	[1.5093]
IPO Target	-0.0117	**-0.0193****	0.0001	-0.0071	-0.0077
	[-1.2760]	[-1.9761]	[0.0095]	[-0.5876]	[-0.6288]
Euro	0.0544	0.0084	0.1021	-0.0241	-0.0249
	[0.9599]	[0.1493]	[1.5760]	[-0.2487]	[-0.2554]
Bidder Crisis	0.0116	0.0198	-0.0038	0.0075	0.0076
	[0.4803]	[0.8388]	[-0.1598]	[0.3201]	[0.2924]
Target Crisis	0.0119	-0.0028	0.0284	0.0075	0.0073
	[0.4885]	[-0.1201]	[1.2018]	[0.3242]	[0.2723]
Relative Size	**-0.0001***	0.0000	**-0.0001***	0.0000	0.0000
	[-1.8763]	[0.5109]	[-1.9192]	[-0.2991]	[-0.2974]
Hostile	0.0184	0.0075	**0.0288***	0.0214	0.0212
	[1.1916]	[0.4530]	[1.6877]	[1.1990]	[1.1417]
Cash only	**0.0200****	**0.0169***	**0.0237*****	**0.0204****	**0.0209****
	[2.4064]	[1.9435]	[2.6117]	[2.1398]	[2.2023]
Same Industry	**-0.0144***	-0.0114	**-0.0151***	-0.0118	-0.0111
	[-1.7173]	[-1.3346]	[-1.6588]	[-1.2523]	[-1.1604]
Cultural Difference	0.0000	0.0000	0.0000	0.0000	0.0000
	[-0.1593]	[-0.6171]	[-0.1216]	[-0.0727]	[-0.2458]
UK Target	**0.0252*****	**0.0275*****	**0.0246*****	**0.0275*****	**0.0269*****
	[3.0243]	[3.1970]	[2.7109]	[3.0093]	[2.9334]
Bidder controls					
Size Bidder (ln)		**0.0082*****		**0.0052***	**0.0052***
		[3.0513]		[1.6851]	[1.6660]
Leverage Bidder		0.0000		0.0001	0.0001
		[0.1231]		[0.2140]	[0.2735]
M/B ratio Bidder		0.0003		0.0005	0.0005
		[0.2231]		[0.3202]	[0.3471]
Return on Assets Bidder		0.0006		0.0009	0.0009
		[1.2320]		[1.5341]	[1.5196]
Cash holdings Bidder		0.0003		0.0004	0.0004
		[1.0549]		[1.0357]	[1.0300]
Capex Bidder		0.0011		0.0009	0.0009
		[0.8971]		[0.6607]	[0.6801]
Target controls					
Leverage Target			-0.0001	-0.0001	-0.0001
			[-0.2209]	[-0.3445]	[-0.3517]
M/B ratio Target			0.0017	0.0013	0.0013
			[1.5679]	[1.1854]	[1.1893]
Return on Assets			**0.0008*****	**0.0007****	**0.0007****
			[3.8313]	[2.3613]	[2.3611]
Cash holdings Target			0.0003	0.0002	0.0002
			[0.8691]	[0.5704]	[0.5124]
Capex Target			0.0005	-0.0002	-0.0002
			[0.6168]	[-0.1904]	[-0.2311]
Constant	0.0896	0.0012	0.0193	0.0513	0.0512
	[1.5899]	[0.0170]	[0.2854]	[0.4874]	[0.4825]
N	677	604	542	493	489
R^2	0.1209	0.1601	0.1931	0.2088	0.2089
Adj. R^2	0.0476	0.0707	0.0981	0.0947	0.0938

This table presents the results from several OLS regressions on the *Target's Cumulated Abnormal Returns (CAR)* within the 3-day event window as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement.

Table 7: OLS Regressions on *Bidder's Buy-and-Hold Abnormal Return (BHAR) (H3-H5)*

Model	I	II	III	IV	V
Dependent variable: *Bidder BHAR (+1, +250)*	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Deal controls					
Cross-border	-0.0522	-0.0619	0.0013	-0.0023	-0.0121
	[-1.0587]	[-1.1229]	[0.0197]	[-0.0306]	[-0.1557]
Non-EU Bidder (x Cross-border)	**-0.1341****	**-0.1408****	**-0.1151***	-0.1059	-0.1122
	[-2.3998]	[-2.2736]	[-1.7276]	[-1.4198]	[-1.4851]
Final Premium (4 week)	0.0006	0.0006	**0.0018*****	**0.0015****	**0.0015****
	[1.2648]	[1.3782]	[2.8758]	[2.2411]	[2.2689]
GDP Growth (Bidder Country)	-0.0337	-0.0381	**-0.0686***	**-0.0882****	**-0.0897****
	[-1.4850]	[-1.5514]	[-1.8029]	[-2.2983]	[-2.3265]
GDP Growth^2 (Bidder Country)	**-0.0142***	**-0.0160***	-0.0016	-0.0073	-0.0068
	[-1.8346]	[-1.9478]	[-0.1188]	[-0.4845]	[-0.4492]
Long-term Interest Rate	**-0.1237*****	**-0.1277*****	**-0.2812*****	**-0.2515*****	**-0.2556*****
	[-2.9471]	[-2.8934]	[-3.9461]	[-3.5042]	[-3.5492]
Long-term Interest Rate^2	**0.0102*****	**0.0108*****	**0.0342*****	**0.0308*****	**0.0313*****
	[2.7856]	[2.7494]	[3.5599]	[3.0194]	[3.0712]
High Tech Target	0.0019	0.0206	-0.0710	-0.0783	-0.0757
	[0.0280]	[0.2902]	[-0.8978]	[-0.8711]	[-0.8419]
IPO Target	-0.0044	-0.0018	-0.0351	-0.0446	-0.0482
	[-0.1030]	[-0.0375]	[-0.6469]	[-0.7565]	[-0.8108]
Euro	-0.2784	-0.3863	0.4347	0.2863	0.3088
	[-1.2114]	[-1.6113]	[0.9055]	[0.5254]	[0.5660]
Bidder Crisis	-0.1811	**-0.2011***	**-0.2048***	**-0.2480****	**-0.2820****
	[-1.5611]	[-1.7432]	[-1.6711]	[-1.9942]	[-2.0557]
Target Crisis	0.1545	0.1649	**0.2230***	**0.2608****	**0.2978****
	[1.4211]	[1.4909]	[1.8281]	[2.0519]	[2.0824]
Relative Size	-0.0002	-0.0003	0.0000	-0.0003	-0.0003
	[-1.0174]	[-1.0269]	[-0.0692]	[-0.6272]	[-0.6249]
Hostile	0.0409	0.0335	0.0288	0.0135	-0.0072
	[0.6304]	[0.4985]	[0.2608]	[0.1134]	[-0.0573]
Cash only	**0.1204*****	**0.1110*****	**0.0947***	**0.1111****	**0.1090****
	[3.1986]	[2.8063]	[1.9571]	[2.1489]	[2.1018]
Same Industry	0.0507	0.0393	0.0515	0.0382	0.0370
	[1.5494]	[1.1134]	[1.1496]	[0.8331]	[0.8051]
Cultural Difference	0.0000	0.0000	-0.0001	-0.0001	-0.0001
	[0.0382]	[-0.2898]	[-1.3872]	[-1.3867]	[-1.2705]
UK Target	0.0307	0.0326	0.0359	0.0383	0.0373
	[0.8858]	[0.8935]	[0.6951]	[0.7269]	[0.7073]
Bidder controls					
Size Bidder (ln)		-0.0012		0.0059	0.0052
		[-0.1179]		[0.3942]	[0.3477]
Leverage Bidder		0.0017		0.0019	0.0020
		[1.1314]		[1.0533]	[1.1143]
M/B ratio Bidder		-0.0035		-0.0029	-0.0025
		[-0.6435]		[-0.4244]	[-0.3602]
Return on Assets Bidder		**0.0033****		0.0025	0.0027
		[2.2046]		[1.2434]	[1.2897]
Cash holdings Bidder		0.0016		0.0028	0.0029
		[1.1231]		[1.1755]	[1.2197]
Capex Bidder		0.0037		0.0006	0.0007
		[1.0230]		[0.1030]	[0.1077]
Target controls					
Leverage Target			0.0002	-0.0008	-0.0009
			[0.1307]	[-0.4829]	[-0.5458]
M/B ratio Target			-0.0044	-0.0085	-0.009
			[-1.0025]	[-1.5409]	[-1.5871]
Return on Assets			0.0012	-0.0004	-0.0005
			[1.2431]	[-0.3028]	[-0.3506]
Cash holdings Target			0.0005	-0.0002	-0.0002
			[0.3683]	[-0.1504]	[-0.1306]
Capex Target			0.0033	0.0023	0.0025
			[0.8514]	[0.5223]	[0.5581]
Constant	0.2991	0.3550	-0.4117	-0.3948	-0.4012
	[1.2082]	[1.1389]	[-0.9298]	[-0.6655]	[-0.6771]
N	665	606	330	305	304
R^2	0.1230	0.1445	0.2083	0.2180	0.2191
Adj. R^2	0.0453	0.0503	0.0597	0.0336	0.0342

This table presents the results from several OLS regressions on the *Bidder's Buy-and-Hold Abnormal Returns (BHAR)* after deal completion as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement.

Table 8: Probit Regressions on *Non-European Bidder (H6)*

Model	I	II	III	IV	V	VI
Dependent variable: *Non-EU Bidder*	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]	**Coeff.** [t-stat.]
Deal controls						
GDP Growth (Bidder Country)	**0.3391*****	**0.3172****	**1.1121*****	**1.1300*****	**1.1489*****	**1.3740*****
	[2.6252]	[2.3040]	[2.9953]	[2.8404]	[2.9163]	[2.8740]
GDP Growth^2 (Bidder Country)	**-0.0960****	**-0.0860***	**-0.3061****	**-0.2992****	**-0.3042****	**-0.6994*****
	[-1.9816]	[-1.7559]	[-2.2747]	[-2.1294]	[-2.1789]	[-3.6495]
Long-term Interest Rate	0.0618	0.0457	-0.2432	-0.2924	-0.2966	-0.0306
	[0.3476]	[0.2465]	[-0.6808]	[-0.8539]	[-0.8723]	[-0.0776]
Long-term Interest Rate^2	**-0.0338***	-0.0292	0.0108	0.0273	0.0274	0.0081
	[-1.9080]	[-1.5530]	[0.2263]	[0.5895]	[0.6007]	[0.1772]
Success	**-0.2880***	-0.2421	-0.1547	-0.1195	-0.1093	0.4766
	[-1.7625]	[-1.4241]	[-0.6238]	[-0.4637]	[-0.4259]	[1.2927]
High Tech Target	0.2863	0.2967	0.1898	0.3769	0.3790	-0.5416
	[1.5976]	[1.4981]	[0.6905]	[1.2782]	[1.2929]	[-0.9430]
IPO Target	**0.3491*****	**0.3917*****	**0.3729***	**0.5992*****	**0.6063*****	**1.0889*****
	[2.6161]	[2.7156]	[1.8892]	[2.8367]	[2.8699]	[2.8392]
Euro	**-3.0286****	**-3.1111****	0.1501	1.0109	0.8768	**1.7963***
	[-2.5464]	[-2.5022]	[0.1891]	[1.2335]	[1.0742]	[1.7334]
Final Premium (4 week)	**0.0034*****	**0.0031****	**0.0058****	**0.0058****	**0.0056****	**0.0128****
	[2.5798]	[2.1318]	[2.5276]	[2.4135]	[2.3129]	[2.3623]
Bidder Crisis	**-3.6119*****	**-3.6882*****	**-7.6972*****	**-8.1354*****	**-8.0970*****	**-9.9768*****
	[-7.5876]	[-7.0605]	[-11.1554]	[-10.1542]	[-10.2171]	[-7.2982]
Target Crisis	**2.7742*****	**2.8177*****	**7.4153*****	**7.9134*****	**7.8615*****	**10.5420*****
	[5.3285]	[4.9924]	[9.3513]	[8.4476]	[8.4322]	[5.6229]
Relative Size	**-0.0011***	-0.0007	**-0.0016****	-0.0011	-0.0011	**0.0085****
	[-1.6763]	[-0.9138]	[-2.0244]	[-1.0144]	[-0.9653]	[2.1043]
Hostile	0.1156	0.0955	**0.5929****	**0.6104****	**0.6059****	**0.9867****
	[0.5877]	[0.4782]	[2.1512]	[2.0701]	[2.0599]	[2.0016]
Cash only	**0.3238*****	**0.3175****	**0.5545*****	**0.6427*****	**0.6486*****	0.5360
	[2.8144]	[2.5681]	[3.2576]	[3.4582]	[3.4819]	[1.6071]
Same Industry	0.1300	0.1558	0.0753	0.1496	0.1582	**-0.6702****
	[1.1940]	[1.3391]	[0.4773]	[0.8944]	[0.9477]	[-2.0483]
Cultural Difference	**0.0012*****	**0.0011*****	**0.0017*****	**0.0015*****	**0.0015*****	**-0.0014*****
	[7.5296]	[6.2317]	[6.5811]	[5.6083]	[5.6462]	[-3.3863]
UK Target	**0.5674*****	**0.5440*****	**0.5655*****	**0.5535*****	**0.5555*****	**0.7080****
	[4.8705]	[4.2377]	[3.2662]	[2.9235]	[2.9322]	[2.4242]
Bidder controls						
Size Bidder (ln)		**0.1155*****		**0.1283****	**0.1280****	**0.2052***
		[3.3556]		[2.4872]	[2.4867]	[1.8935]
Leverage Bidder		-0.0007		0.0068	0.0082	**-0.0245****
		[-0.1612]		[1.0820]	[1.2661]	[-2.1002]
M/B ratio Bidder		0.0111		0.0152	0.0126	0.0643
		[0.6840]		[0.6055]	[0.5040]	[1.3809]
Return on Assets Bidder		0.0033		-0.0037	-0.0033	0.0012
		[0.6089]		[-0.4487]	[-0.3963]	[0.1219]
Cash holdings Bidder		**0.0100*****		**0.0106***	**0.0109***	0.0177
		[2.5797]		[1.6464]	[1.6945]	[1.5613]
Capex Bidder		-0.0073		-0.0262	-0.0264	**-0.0521****
		[-0.4629]		[-1.2186]	[-1.2298]	[-2.0786]
Target controls						
Leverage Target			0.0011	-0.0004	-0.0008	0.0085
			[0.1902]	[-0.0703]	[-0.1335]	[0.8988]
M/B ratio Target			**0.0453****	**0.0470****	**0.0456****	**0.1596*****
			[2.5296]	[2.0990]	[2.0399]	[3.3523]
Return on Assets			0.0022	0.0077	0.0076	**0.0231****
			[0.5521]	[1.3615]	[1.3310]	[2.2583]
Cash holdings Target			**0.0098***	0.0043	0.0043	0.0173
			[1.9553]	[0.7650]	[0.7643]	[1.5653]
Capex Target			-0.0053	-0.0084	-0.0089	0.0007
			[-0.3110]	[-0.4156]	[-0.4441]	[0.0196]
Constant	1.8398	-0.1419	**-2.5496****	**-5.6542*****	**-5.5406*****	**-6.7783*****
	[1.5673]	[-0.1071]	[-2.5250]	[-4.4055]	[-4.3396]	[-3.1783]
N	954	856	464	423	419	186
Log-likelihood	-362.2388	-314.6787	-169.1532	-145.4356	-144.9697	-68.6831
Pseudo R^2	0.2952	0.3255	0.3854	0.4192	0.4180	0.4376

This table presents the results from several Probit regressions on *Non-EU Bidder* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. Some variables from the univariate statistics had to be left out because of data availability and the consequential sample size reduction. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement, Model VI further restricts the sample to cross-border transactions only.

Table A.1: Variable definitions

Variable name	Source	Variable description
Non-EU Bidder	Thomson Eikon / own calculation	Dummy variable that takes the value of 1 if the bidder is (at announcement date) not member of the European Union (EU), zero otherwise.
Deal Value	Thomson Eikon	Natural logarithm of transaction value.
Final premium	Thomson Eikon	Final premium is the ratio of final offer price per share to the target's stock price 4 weeks prior to the announcement minus 1.
Relative size	Datastream / Worldscope	Relative size is defined as transaction value divided by bidder market value prior to the announcement.
Time to completion	Thomson Eikon	Time to completion is defined as the difference (in days) between the announcement date of the M&A transaction and the date of closing.
Cross-border	Thomson Eikon	Dummy variable that takes the value of 1 if bidder and target are located in different countries, zero otherwise.
Hostile	Thomson Eikon	Hostile is a dummy variable that takes the value of 1 if the takeover bid is hostile or unsolicited as recorded in Thomson Eikon.
Success	Thomson Eikon	Dummy variable that takes the value of 1 if a takeover attempt is successful, zero otherwise.
Cash only	Thomson Eikon	Cash only is a dummy variable equal to 1 if only cash is used as method of payment in the transaction, zero otherwise.
IPO Target	Thomson Eikon / own calculation	IPO Target is a dummy variable equal to 1 if target company is no longer than three years publicly listed, zero otherwise.
Euro	own calculation	Transaction is announced after the introduction of the Euro currency.
UK Target	Thomson Eikon	Target is located in the UK.
High Tech Target	Thomson Eikon / own calculation	Target belongs to IT, Software, Life Science, Internet, Telecommunication, or Semi-conductor Industry.
Same industry	Thomson Eikon	Same industry is a dummy variable equal to 1 if bidder and target share the same industry based on the 2-digit SIC code.
Size	Datastream / Worldscope	Size is the natural logarithm of market capitalization of the firm.
Leverage ratio	Datastream / Worldscope	Leverage ratio is calculated as short term debt & long term debt divided by the value of total assets of the company.
M/B ratio	Datastream / Worldscope	M/B ratio is defined as the market value of common equity divided by the balance sheet value of common equity in the company.
Return on Assets	Datastream / Worldscope	Return on Assets is net income scaled by total assets and is the firm's profitability.
Cash holdings	Datastream / Worldscope	Cash holdings is the ratio of cash and equivalents to total assets.
Capex to Assets	Datastream / Worldscope	Capex to Assets is defined as total capital expenditures of the company divided by total assets.
Research to Assets	Datastream / Worldscope	Research to Assets is defined as total spending on research divided by total assets of the company.
Cultural Difference	Hofstede website	Calculated as the total of the squared difference of the six different Hofstede cultural dimensions (www.geerthofstede.nl).
GDP Growth	OECD	GDP Growth is the quarterly GDP growth rate in the country the firm is located in.
Bidder Crisis	IMF	Dummy variable that takes the value of 1 if bidder suffers financial crisis when M&A announcement is made, zero otherwise.
Target Crisis	IMF	Dummy variable that takes the value of 1 if target suffers financial crisis when M&A announcement is made, zero otherwise.
Long-term Interest Rate	OECD	Long-term Interest Rate is the yearly interest rate for government bonds maturing in about ten years.

This table includes all variable definitions, data sources and variable constructions we use in the paper. We use stock return and accounting data from Datastream and Worldscope, respectively. All accounting variables and returns are winsorized at the upper and lower 1 percent level.

Table A.2: Probit Regressions on *Success* (H1) without GFC

Model	I	II	III	IV	V
Dependent variable: ***Success***	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Deal controls					
Cross-border	-0.0589	-0.0612	**-0.5513***	-0.4683	-0.4883
	[-0.2839]	[-0.2712]	[-1.8186]	[-1.4958]	[-1.5544]
Non-EU Bidder (x Cross-border)	-0.2558	-0.2537	-0.4014	-0.3812	-0.3809
	[-1.3903]	[-1.2933]	[-1.5918]	[-1.3968]	[-1.3960]
GDP Growth (Bidder Country)	-0.0018	0.0120	0.1072	0.0414	0.0326
	[-0.0108]	[0.0691]	[0.3416]	[0.1190]	[0.0937]
GDP Growth^2 (Bidder Country)	**0.1526***	**0.1542***	0.1907	0.2554	0.2585
	[1.8126]	[1.7325]	[0.9719]	[1.1333]	[1.1475]
Long-term Interest Rate	-0.2183	-0.1900	-0.2149	-0.2149	-0.2179
	[-1.1895]	[-1.0623]	[-0.7853]	[-0.7684]	[-0.7798]
Long-term Interest Rate^2	0.0054	0.0005	0.0005	-0.0004	-0.0001
	[0.3039]	[0.0297]	[0.0151]	[-0.0130]	[-0.0042]
High Tech Target	0.2892	0.2117	0.3465	0.3953	0.3963
	[1.3177]	[0.8769]	[1.1869]	[1.2477]	[1.2519]
IPO Target	0.1281	0.1329	0.2663	0.3117	0.2915
	[0.8145]	[0.8024]	[1.1281]	[1.2624]	[1.1821]
Euro	-0.7890	-0.5414	-0.4520	-0.0841	-0.0172
	[-0.7465]	[-0.5330]	[-0.6207]	[-0.1130]	[-0.0231]
Final Premium (4 week)	-0.0009	-0.0007	-0.0013	-0.0001	-0.0001
	[-0.6253]	[-0.5037]	[-0.6081]	[-0.0561]	[-0.0454]
Relative Size	**-0.0012****	**-0.0026*****	**-0.0028*****	**-0.0048*****	**-0.0049*****
	[-2.3794]	[-3.9144]	[-3.4930]	[-4.7206]	[-4.7529]
Hostile	**-1.5930*****	**-1.6219*****	**-1.7435*****	**-1.6106*****	**-1.6076*****
	[-10.1671]	[-9.5874]	[-6.9070]	[-5.8574]	[-5.8588]
Cash only	-0.0456	-0.0732	-0.1973	-0.2279	-0.2305
	[-0.3538]	[-0.5399]	[-1.0590]	[-1.1461]	[-1.1601]
Same Industry	-0.0764	-0.0665	0.0720	0.0252	0.0186
	[-0.6594]	[-0.5432]	[0.4181]	[0.1375]	[0.1018]
Cultural Difference	0.0003	0.0004	0.0005	**0.0006***	**0.0006***
	[1.1761]	[1.3400]	[1.4607]	[1.6820]	[1.6924]
UK Target	0.0915	0.0334	-0.0042	0.0063	0.0120
	[0.7343]	[0.2497]	[-0.0246]	[0.0348]	[0.0666]
Bidder controls					
Size Bidder (ln)		**-0.0718****		-0.0826	-0.0858
		[-2.0721]		[-1.5794]	[-1.6409]
Leverage Bidder		-0.0006		-0.0001	0.0001
		[-0.9826]		[-0.0963]	[0.0573]
M/B ratio Bidder		0.0242		0.0162	0.0172
		[1.1465]		[0.6022]	[0.6339]
Return on Assets Bidder		-0.0004		0.0000	-0.0002
		[-0.0899]		[0.0012]	[-0.0234]
Cash holdings Bidder		-0.0023		0.0054	0.0055
		[-0.5245]		[0.8470]	[0.8617]
Capex Bidder		-0.0050		-0.0211	-0.0201
		[-0.3666]		[-0.9410]	[-0.8924]
Target controls					
Leverage Target			-0.0074	-0.0055	-0.0057
			[-1.5007]	[-1.0347]	[-1.0710]
M/B ratio Target			-0.0272	**-0.0335***	**-0.0324***
			[-1.6366]	[-1.7458]	[-1.6797]
Return on Assets			-0.0077	-0.0046	-0.0046
			[-1.2304]	[-0.6545]	[-0.6552]
Cash holdings Target			0.0014	0.0007	0.0006
			[0.2331]	[0.1177]	[0.0947]
Capex Target			-0.0042	0.0034	0.0034
			[-0.2642]	[0.1940]	[0.1966]
Constant	**2.4619****	**3.2711*****	**2.6666*****	**3.3746*****	**3.3527*****
	[2.3440]	[2.8893]	[2.8570]	[2.8245]	**[2.8292]**
N	881	789	437	399	397
Log-likelihood	-299.4162	-270.1492	-143.7425	-133.2618	-132.9044
Pseudo R^2	0.2304	0.2518	0.3139	0.3240	0.3243

This table presents the results from several Probit regressions on *Success* as the dependent variable, excluding years with the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (bidder and target characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement.

Table A.3: OLS Regressions on *Target's Cumulated Abnormal Return (CAR)* (H2) without GFC

Model	I	II	III	IV	V
Dependent variable:	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**
Target CAR (-1, +1)	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**
Deal controls					
Cross-border	0.0209	0.0119	**0.0344****	**0.0258***	**0.0286***
	[1.5098]	[0.7986]	[2.3107]	[1.6568]	[1.8126]
Non-EU Bidder (x Cross-border)	0.0126	0.0077	0.0171	0.0083	0.0089
	[0.9527]	[0.5234]	[1.2868]	[0.5870]	[0.6281]
GDP Growth (Bidder Country)	-0.0094	-0.0119	-0.0103	-0.0062	-0.0059
	[-0.8239]	[-1.0102]	[-0.7168]	[-0.3982]	[-0.3767]
GDP Growth^2 (Bidder Country)	0.0031	0.0052	-0.0003	-0.0001	-0.0002
	[0.6323]	[1.1055]	[-0.0577]	[-0.0154]	[-0.0298]
Long-term Interest Rate	-0.0073	-0.0044	-0.0012	0.0069	0.0065
	[-0.7971]	[-0.4368]	[-0.1049]	[0.5220]	[0.4800]
Long-term Interest Rate^2	0.0006	0.0003	0.0005	-0.0008	-0.0008
	[1.0495]	[0.4213]	[0.4399]	[-0.6221]	[-0.5855]
Success	-0.0191	-0.0151	-0.0068	-0.0086	-0.0086
	[-1.6410]	[-1.2349]	[-0.5429]	[-0.6513]	[-0.6450]
High Tech Target	0.0151	0.0118	0.0239	0.0165	0.018
	[1.0169]	[0.8184]	[1.6191]	[1.0897]	[1.1847]
IPO Target	-0.0149	**-0.0227****	-0.0040	-0.0100	-0.0107
	[-1.5870]	[-2.2648]	[-0.3480]	[-0.8417]	[-0.9015]
Euro	0.0449	-0.0067	0.0763	-0.0314	-0.0322
	[0.7667]	[-0.1096]	[1.2209]	[-0.3083]	[-0.3155]
Relative Size	**-0.0001***	0.0000	**-0.0001***	0.0000	0.0000
	[-1.8319]	[0.5795]	[-1.8892]	[-0.2732]	[-0.2704]
Hostile	**0.0267***	0.0167	**0.0450*****	**0.0376****	**0.0373****
	[1.7777]	[1.0488]	[2.9088]	[2.3352]	[2.3160]
Cash only	**0.0208****	**0.0177***	**0.0269*****	**0.0222****	**0.0227****
	[2.3980]	[1.9462]	[2.8172]	[2.2276]	[2.2831]
Same Industry	-0.0114	-0.0079	-0.0138	-0.0099	-0.0091
	[-1.3013]	[-0.8898]	[-1.4708]	[-1.0191]	[-0.9272]
Cultural Difference	0.0000	0.0000	0.0000	0.0000	0.0000
	[-0.6565]	[-0.4589]	[-1.0066]	[-0.2604]	[-0.4438]
UK Target	**0.0246*****	**0.0273*****	**0.0227****	**0.0266*****	**0.0259*****
	[2.8700]	[3.0676]	[2.4582]	[2.7944]	[2.7167]
Bidder controls					
Size Bidder (ln)		**0.0083*****		**0.0056***	**0.0056***
		[2.9435]		[1.6933]	[1.6870]
Leverage Bidder		0.0002		0.0002	0.0003
		[0.6813]		[0.6340]	[0.7030]
M/B ratio Bidder		0.0003		0.0006	0.0007
		[0.1854]		[0.4058]	[0.4457]
Return on Assets Bidder		0.0005		0.0008	0.0008
		[1.0569]		[1.3929]	[1.3829]
Cash holdings Bidder		0.0004		0.0004	0.0004
		[1.0999]		[1.0402]	[1.0382]
Capex Bidder		0.0008		0.0003	0.0003
		[0.5973]		[0.2120]	[0.2400]
Target controls					
Leverage Target			-0.0002	-0.0003	-0.0003
			[-0.7930]	[-0.8852]	[-0.8994]
M/B ratio Target			**0.0018***	0.0014	0.0014
			[1.6566]	[1.2092]	[1.2140]
Return on Assets			**0.0008*****	**0.0006****	**0.0006****
			[3.6061]	[2.1921]	[2.1904]
Cash holdings Target			0.0002	0.0001	0.0001
			[0.6746]	[0.4211]	[0.3575]
Capex Target			0.0000	-0.0004	-0.0004
			[0.0485]	[-0.3674]	[-0.4070]
Constant	0.0922	0.0005	0.0382	0.0422	0.0427
	[1.5517]	[0.0061]	[0.5854]	[0.3758]	[0.3779]
N	607	540	485	441	438
R^2	0.1199	0.1627	0.2083	0.2214	0.2218
Adj. R^2	0.0442	0.0695	0.1110	0.1032	0.1027

This table presents the results from several OLS regressions on the *Target's Cumulated Abnormal Returns (CAR)* within the 3-day event window as the dependent variable, excluding years with the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement.

Table A.4: OLS Regressions on *Bidder's Buy-and-Hold Abnormal Return (BHAR)* (H3-H5) without GFC

Model	I	II	III	IV	V
Dependent variable:	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**
Bidder BHAR (+1, +250)	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**
Deal controls					
Cross-border	-0.0495	-0.0797	0.0198	-0.0028	-0.0145
	[-0.9682]	[-1.3993]	[0.2763]	[-0.0349]	[-0.1829]
Non-EU Bidder (x Cross-border)	**-0.1263****	**-0.1456****	-0.0843	-0.0866	-0.0855
	[-2.2427]	[-2.3277]	[-1.2501]	[-1.1518]	[-1.1358]
Final Premium (4 week)	0.0004	0.0005	**0.0016****	0.0013	0.0014
	[0.7516]	[0.9432]	[2.0671]	[1.4408]	[1.5599]
GDP Growth (Bidder Country)	**-0.0603***	**-0.0769****	-0.0877	**-0.1243***	**-0.1322***
	[-1.8502]	[-2.4694]	[-1.1514]	[-1.6884]	[-1.8250]
GDP Growth^2 (Bidder Country)	-0.0024	0.0049	0.0106	0.0187	0.0214
	[-0.1830]	[0.4133]	[0.3768]	[0.7012]	[0.8178]
Long-term Interest Rate	**-0.1317*****	**-0.1285*****	**-0.2999*****	**-0.2734*****	**-0.2751*****
	[-3.1501]	[-2.9284]	[-4.0466]	[-3.5578]	[-3.5912]
Long-term Interest Rate^2	**0.0106*****	**0.0113*****	**0.0374*****	**0.0361*****	**0.0361*****
	[2.9777]	[2.9372]	[3.3425]	[2.9841]	[3.0015]
High Tech Target	0.0216	0.0363	-0.0621	-0.0864	-0.0835
	[0.3166]	[0.4919]	[-0.7352]	[-0.8639]	[-0.8365]
IPO Target	-0.0240	-0.0114	-0.0748	-0.0660	-0.0727
	[-0.5306]	[-0.2240]	[-1.2669]	[-0.9715]	[-1.0677]
Euro	-0.3129	-0.3484	0.5686	0.5777	0.5420
	[-1.3278]	[-1.4391]	[0.9065]	[0.8295]	[0.7826]
Relative Size	-0.0002	-0.0003	0.0000	-0.0002	-0.0003
	[-1.1270]	[-1.0234]	[-0.0512]	[-0.5123]	[-0.5785]
Hostile	0.0388	0.0302	0.0262	0.0172	0.0120
	[0.5607]	[0.4200]	[0.2093]	[0.1276]	[0.0879]
Cash only	**0.1460*****	**0.1350*****	**0.1225****	**0.1323****	**0.1286****
	[3.7458]	[3.3004]	[2.3501]	[2.3977]	[2.3274]
Same Industry	0.0433	0.0400	0.0315	0.0294	0.0270
	[1.2868]	[1.1014]	[0.6572]	[0.6233]	[0.5722]
Cultural Difference	0.0000	0.0000	**-0.0001****	-0.0001	-0.0001
	[-0.3393]	[-0.2363]	[-2.0088]	[-1.5019]	[-1.5555]
UK Target	0.0453	0.0440	0.0438	0.0495	0.0481
	[1.2655]	[1.1663]	[0.8003]	[0.8777]	[0.8512]
Bidder controls					
Size Bidder (ln)		0.0012		0.0104	0.0104
		[0.1151]		[0.6812]	[0.6740]
Leverage Bidder		0.0015		0.0010	0.0005
		[0.9498]		[0.5399]	[0.2588]
M/B ratio Bidder		-0.0022		-0.0024	-0.0010
		[-0.4005]		[-0.3557]	[-0.1515]
Return on Assets Bidder		**0.0028***		0.0020	0.0019
		[1.8283]		[0.9139]	[0.8439]
Cash holdings Bidder		0.0014		0.0022	0.0021
		[0.8887]		[0.8494]	[0.7969]
Capex Bidder		0.0012		-0.0042	-0.0043
		[0.3282]		[-0.6823]	[-0.7048]
Target controls					
Leverage Target			0.0002	-0.0007	-0.0006
			[0.1414]	[-0.4277]	[-0.3485]
M/B ratio Target			-0.0053	**-0.0109***	**-0.0104***
			[-1.1442]	[-1.7783]	[-1.7036]
Return on Assets			0.0011	-0.0004	-0.0003
			[1.1560]	[-0.2763]	[-0.2507]
Cash holdings Target			0.0005	-0.0004	-0.0004
			[0.3121]	[-0.2467]	[-0.2848]
Capex Target			0.0051	0.0058	0.0060
			[1.1063]	[1.1422]	[1.1880]
Constant	0.3522	0.3059	-0.5304	-0.7050	-0.6612
	[1.3964]	[0.9666]	[-0.9282]	[-1.0076]	[-0.9484]
N	621	565	294	272	270
R^2	0.1312	0.1462	0.2215	0.2202	0.2164
Adj. R^2	0.0550	0.0521	0.0689	0.0261	0.0196

This table presents the results from several OLS regressions on the *Bidder's Buy-and-Hold Abnormal Returns (BHAR)* after deal completion as the dependent variable, excluding years with the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement.

Table A.5: Probit Regressions on *Non-European Bidder* (H6) without GFC

Model	I	II	III	IV	V	VI
Dependent variable:	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**
Non-EU Bidder	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**
Deal controls						
GDP Growth (Bidder Country)	**0.2978****	**0.2713***	**1.1166*****	**1.1195*****	**1.1412*****	**1.3068*****
	[2.2362]	[1.7513]	[2.8258]	[2.6700]	[2.7555]	[2.6647]
GDP Growth^2 (Bidder Country)	-0.0801	-0.0680	**-0.3085****	**-0.2924****	**-0.2987****	**-0.6591*****
	[-1.6158]	[-1.2062]	[-2.1571]	[-1.9960]	[-2.0577]	[-3.4768]
Long-term Interest Rate	0.1425	0.1245	-0.2166	-0.2667	-0.2717	-0.0428
	[0.8052]	[0.6759]	[-0.6255]	[-0.8144]	[-0.8347]	[-0.1085]
Long-term Interest Rate^2	**-0.0374****	**-0.0326***	0.0188	0.0332	0.0336	0.0079
	[-2.1065]	[-1.7375]	[0.4177]	[0.7807]	[0.7993]	[0.1773]
Success	-0.2703	-0.2304	-0.1467	-0.1069	-0.0981	0.4570
	[-1.6256]	[-1.3349]	[-0.5837]	[-0.4104]	[-0.3782]	[1.2524]
High Tech Target	**0.3268***	**0.3614***	0.2758	0.4829	**0.4843***	-0.4104
	[1.8445]	[1.8410]	[1.0060]	[1.6318]	[1.6457]	[-0.7299]
IPO Target	**0.3686*****	**0.4128*****	**0.4271****	**0.6939*****	**0.7005*****	**1.1857*****
	[2.7443]	[2.8415]	[2.1125]	[3.1127]	[3.1429]	[3.0658]
Euro	-2.6941**	-2.7486**	0.4267	1.2375	1.1115	1.6694
	[-2.2645]	[-2.2136]	[0.5397]	[1.5132]	[1.3658]	[1.5691]
Final Premium (4 week)	**0.0038*****	**0.0035****	**0.0062*****	**0.0063****	**0.0060****	**0.0126****
	[2.7659]	[2.2708]	[2.5809]	[2.4622]	[2.3578]	[2.2476]
Relative Size	**-0.0014***	-0.0012	**-0.0023****	**-0.0020***	-0.0020	0.0060
	[-1.8507]	[-1.4411]	[-2.5475]	[-1.6909]	[-1.6383]	[1.5844]
Hostile	0.0474	0.0251	**0.5368***	**0.5848***	**0.5787***	**0.9750****
	[0.2338]	[0.1222]	[1.9163]	[1.9318]	[1.9164]	[2.0637]
Cash only	**0.3496*****	**0.3419*****	**0.5621*****	**0.6434*****	**0.6502*****	0.4291
	[3.0238]	[2.7403]	[3.2265]	[3.3725]	[3.4043]	[1.3311]
Same Industry	0.0890	0.1208	0.0564	0.1386	0.1474	-0.4990
	[0.8113]	[1.0296]	[0.3490]	[0.7959]	[0.8479]	[-1.5699]
Cultural Difference	**0.0013*****	**0.0012*****	**0.0016*****	**0.0015*****	**0.0015*****	**-0.0013*****
	[7.6427]	[6.4293]	[6.3066]	[5.4517]	[5.4878]	[-3.2279]
UK Target	**0.5565*****	**0.5307*****	**0.5708*****	**0.5614*****	**0.5633*****	**0.8178*****
	[4.7837]	[4.1359]	[3.2816]	[2.9500]	[2.9574]	[2.8675]
Bidder controls						
Size Bidder (ln)		**0.1042*****		**0.1049****	**0.1050****	0.1652
		[3.0183]		[2.0718]	[2.0763]	[1.5402]
Leverage Bidder		-0.0012		0.0061	0.0074	**-0.0229****
		[-0.2918]		[0.9520]	[1.1272]	[-1.9753]
M/B ratio Bidder		0.0116		0.0200	0.0175	0.0583
		[0.6970]		[0.7701]	[0.6774]	[1.2641]
Return on Assets Bidder		0.0034		-0.0041	-0.0037	0.0001
		[0.6354]		[-0.4807]	[-0.4326]	[0.0102]
Cash holdings Bidder		**0.0094****		0.0090	0.0093	0.0126
		[2.4009]		[1.3615]	[1.4089]	[1.0949]
Capex Bidder		-0.0058		-0.0301	-0.0302	**-0.0555****
		[-0.3584]		[-1.3987]	[-1.4043]	[-2.1726]
Target controls						
Leverage Target			-0.0010	-0.0022	-0.0026	0.0064
			[-0.1758]	[-0.3516]	[-0.4223]	[0.6612]
M/B ratio Target			**0.0406****	**0.0418***	**0.0403***	**0.1451*****
			[2.3068]	[1.8299]	[1.7652]	[3.2543]
Return on Assets			0.0029	0.0088	0.0086	0.0260**
			[0.7315]	[1.5155]	[1.4843]	[2.4891]
Cash holdings Target			0.0077	0.0022	0.0021	0.0163
			[1.5087]	[0.3694]	[0.3640]	[1.4168]
Capex Target			-0.0003	-0.0033	-0.0037	0.0002
			[-0.0198]	[-0.1605]	[-0.1806]	[0.0071]
Constant	1.3791	-0.4471	**-2.8655*****	**-5.5720*****	**-5.4693*****	**-5.9868*****
	[1.1678]	[-0.3369]	[-2.8318]	[-4.3639]	[-4.3053]	[-2.8089]
N	889	796	412	375	373	164
Log-likelihood	-358.7318	-311.3770	-167.4388	-144.0214	-143.5866	-70.4727
Pseudo R^2	0.2391	0.2724	0.3025	0.3408	0.3409	0.3548

This table presents the results from several Probit regressions on *Non-EU Bidder* as the dependent variable, excluding years with the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. Some variables from the univariate statistics had to be left out because of data availability and the consequential sample size reduction. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. Due to collinearity issues the variable *UK Target* was omitted. Model V includes only countries which over the sample period participate at least ten times in an M&A announcement, Model VI further restricts the sample to cross-border transactions only.

Table A.6: Probit Regressions on *Success* (H1) – Subsamples

Model	I	II	III	IV	V
Dependent variable:	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**
Success	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**
Deal controls					
Cross-border		**-0.7972****	0.1919	**-0.5858***	-0.4693
		[-1.9613]	[0.0844]	[-1.7143]	[-1.2518]
Non-EU Bidder (x Cross-border)	0.8935	**-0.6884***		-0.0036	**-0.5511***
	[0.8630]	[-1.7535]		[-0.0089]	[-1.7288]
GDP Growth (Bidder Country)		**0.3187***	0.2730	**0.3167****	-0.0885
		[1.9069]	[0.3474]	[2.2385]	[-0.3657]
GDP Growth^2 (Bidder Country)		0.0000	0.8625	0.0078	**0.5176*****
		[-0.0006]	[1.6444]	[0.1396]	[2.9093]
Long-term Interest Rate		-0.3078	-4.7681	-0.3245	-0.2668
		[-0.8695]	[-1.5708]	[-0.9548]	[-0.7936]
Long-term Interest Rate^2		0.0056	0.5200	0.0176	0.0097
		[0.1390]	[1.3586]	[0.4676]	[0.2647]
High Tech Target	**3.4966*****	-0.2119		**0.8302****	0.6430
	[3.8107]	[-0.5185]		[2.5373]	[1.4518]
IPO Target	**3.6111*****	**0.9150*****	0.1317	0.2703	0.3930
	[3.3599]	[2.9355]	[0.2472]	[1.0155]	[1.1507]
Euro	**-4.2207*****	0.7432	**-4.2664***	-0.1258	-0.9168
	[-2.6074]	[0.7789]	[-1.7837]	[-0.1365]	[-1.1146]
Final Premium (4 week)	**-0.0209*****	-0.0023	0.0039	0.0017	0.0014
	[-2.9603]	[-0.7507]	[0.9638]	[0.7482]	[0.5073]
Bidder Crisis	-0.4377	**1.0725****		0.7871	0.0909
	[-0.4257]	[2.0987]		[1.3679]	[0.1652]
Target Crisis	**-4.5825*****	**-0.9101***		-0.4868	0.0762
	[-3.7484]	[-1.7776]		[-0.7953]	[0.1432]
Relative Size	0.0010	**-0.0078*****	**-0.0084*****	**-0.0055*****	**-0.0052*****
	[0.1867]	[-3.9707]	[-3.3555]	[-5.5964]	[-4.5450]
Hostile	**-9.2322*****	**-1.6438*****	**-2.0043*****	**-1.7444*****	**-1.7718*****
	[-5.3027]	[-5.5767]	[-3.6105]	[-6.2627]	[-5.1925]
Cash only	**1.4853*****	-0.4008	-0.4331	**-0.3468***	-0.3635
	[2.6549]	[-1.4858]	[-1.1283]	[-1.7618]	[-1.5805]
Same Industry	**-2.2312****	0.1965	0.1653	0.1695	-0.2263
	[-2.4175]	[0.8142]	[0.5493]	[0.9119]	[-1.0735]
Cultural Difference		0.0004	-0.0006	0.0006	**0.0010****
		[0.9301]	[-0.1869]	[1.3126]	[1.9822]
UK Target	0.6494	0.0222		**-0.3691***	-0.1298
	[0.9772]	[0.0697]		[-1.9264]	[-0.5140]
Bidder controls					
Size Bidder (ln)	-0.1619	-0.0800	-0.2352	**-0.1232****	-0.0643
	[-1.0384]	[-1.0998]	[-1.4118]	[-2.1582]	[-0.9588]
Leverage Bidder	**-0.0293*****	0.0011	-0.0009	0.0006	0.0003
	[-4.0003]	[1.0258]	[-0.3786]	[0.7087]	[0.3439]
M/B ratio Bidder	**0.7497*****	0.0242	0.0533	0.0353	-0.0167
	[3.2219]	[0.6009]	[1.0317]	[1.2397]	[-0.4719]
Return on Assets Bidder	**0.0657*****	-0.0037	0.0370	0.0018	-0.0062
	[3.3223]	[-0.4393]	[1.5559]	[0.1968]	[-0.6664]
Cash holdings Bidder	**-0.0816*****	0.0068	-0.0107	0.0086	-0.0058
	[-3.4882]	[0.7460]	[-0.7657]	[1.2142]	[-0.9430]
Capex Bidder	**-0.3149*****	**-0.0505***	-0.0697	-0.0230	-0.0197
	[-4.1432]	[-1.9405]	[-1.2084]	[-0.9849]	[-0.7122]
Target controls					
Leverage Target	**-0.1267*****	-0.0072	-0.0176	-0.0072	**-0.0196*****
	[-4.3322]	[-0.9923]	[-1.4640]	[-1.2371]	[-3.1973]
M/B ratio Target	**-0.3484*****	**-0.0622***	-0.0475	-0.0194	-0.0320
	[-4.4879]	[-1.9207]	[-1.2179]	[-0.8639]	[-1.4912]
Return on Assets	**-0.0626*****	**-0.0226***	0.0051	-0.0025	-0.0079
	[-2.7393]	[-1.9220]	[0.4029]	[-0.3428]	[-0.9185]
Cash holdings Target	**-0.1348*****	-0.0022	0.0200	0.0076	0.0012
	[-4.5762]	[-0.2170]	[1.3236]	[1.1400]	[0.1488]
Capex Target	0.0440	0.0434	0.0064	0.0013	0.0166
	[0.6227]	[1.4473]	[0.2125]	[0.0765]	[0.7955]
Constant	**23.5030*****	**2.8094***	**15.3566****	**3.4605****	**4.9108*****
	[4.5524]	[1.8320]	[2.0306]	[2.5634]	[3.3701]
N	154	274	126	376	320
Log-likelihood	-29.0178	-81.2184	-41.4462	-124.7791	-98.5620
Pseudo R^2	0.6818	0.4409	0.4280	0.3309	0.4137

This table presents the results from several Probit regressions on *Success* as the dependent variable. Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. In some models certain variable had to be omitted due to collinearity. Model I only includes transactions where bidder and target do not share the same currency. Model II excludes UK bidders. In contrast, model III includes only UK bidders. Model IV excludes US bidders. Model V excludes the most active EU bidder countries (France, Sweden, Germany, Netherlands).

Table A.7: OLS Regressions on *Target's Cumulated Abnormal Return (CAR)* (H2) – Subsamples

Model	I	II	III	IV	V	VI
Dependent variable:	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**
Target CAR (-1, +1)	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**
Deal controls						
Cross-border	**0.0288***	**0.0386****	-0.0165		0.0472	0.0340
	[1.9550]	[2.0236]	[-0.2355]		[0.9654]	[1.1491]
Non-EU Bidder (x Cross-border)	0.0093	0.0149				0.0274
	[0.6705]	[0.7921]				[0.7542]
GDP Growth (Bidder Country)	-0.0029	0.0040	-0.0334	0.0092	0.0087	**0.0412***
	[-0.3509]	[0.4447]	[-1.3063]	[0.1237]	[0.3184]	[1.7364]
GDP Growth^2 (Bidder Country)	-0.0003	-0.0013	0.0067	-0.0118	-0.0056	**-0.0181***
	[-0.1170]	[-0.3687]	[0.4033]	[-0.2635]	[-0.5756]	[-1.7026]
Long-term Interest Rate	0.0044	0.0226	**0.3181*****	**0.8220*****	**0.2123****	0.0288
	[0.3384]	[1.1425]	[2.6424]	[3.1380]	[2.1607]	[0.9549]
Long-term Interest Rate^2	-0.0007	-0.0031	**-0.0359****	**-0.0874*****	**-0.0243***	-0.0039
	[-0.5368]	[-1.2951]	[-2.3969]	[-3.1630]	[-1.7288]	[-1.1071]
Success	-0.0219	-0.0275	0.0078	0.0459	-0.0599*	-0.0538
	[-1.6472]	[-1.5754]	[0.3487]	[1.1140]	[-1.8028]	[-1.4371]
High Tech Target	0.0201	0.0102	0.0243	0.0438	-0.0026	-0.0277
	[1.4158]	[0.5193]	[0.8001]	[0.8202]	[-0.0628]	[-0.7064]
IPO Target	-0.0071	-0.0192	0.0008	0.0015	-0.0434	0.0204
	[-0.5876]	[-1.3792]	[0.0355]	[0.0458]	[-1.4131]	[0.7460]
Euro	-0.0241	-0.0223	**-2.0326***	**0.6772****	-0.3011	0.1340
	[-0.2487]	[-0.1680]	[-1.9164]	[2.6420]	[-0.4925]	[1.0742]
Bidder Crisis	0.0075	0.0205			0.0974	0.0129
	[0.3201]	[0.6458]			[0.6589]	[0.1992]
Target Crisis	0.0075	0.0153			0.0232	-0.0098
	[0.3242]	[0.4865]			[0.1606]	[-0.1862]
Relative Size	0.0000	**-0.0002***	0.0001	0.0006	**-0.0004***	**-0.0002***
	[-0.2991]	[-1.7708]	[1.5699]	[1.3608]	[-1.8310]	[-1.9305]
Hostile	0.0214	0.0114	**0.0737****	0.0529	-0.0021	-0.0370
	[1.1990]	[0.5676]	[2.2347]	[1.1735]	[-0.0510]	[-0.9325]
Cash only	**0.0204****	**0.0212***	0.0177	**0.0713****	0.0385	0.0108
	[2.1398]	[1.7361]	[0.9920]	[2.7328]	[1.3109]	[0.4768]
Same Industry	-0.0118	-0.0083	-0.0123	0.0193	0.0163	0.0034
	[-1.2523]	[-0.7074]	[-0.7308]	[0.6182]	[0.5850]	[0.1442]
Cultural Difference	0.0000	0.0000	0.0000	0.0000	-0.0001	0.0000
	[-0.0727]	[0.0281]	[0.2087]	[0.5183]	[-0.6862]	[0.7465]
UK Target	**0.0275*****	0.0197		0.0348	0.0553	**0.0620***
	[3.0093]	[1.2620]		[0.5890]	[1.2433]	[1.9546]
Bidder controls						
Size Bidder (ln)	**0.0052***	0.0029	**0.0159*****	0.0031	0.0014	0.0046
	[1.6851]	[0.8347]	[2.9499]	[0.3467]	[0.1769]	[0.6789]
Leverage Bidder	0.0001	0.0000	-0.0007	0.0010	-0.0016	0.0006
	[0.2140]	[-0.0601]	[-1.1760]	[0.9200]	[-1.3774]	[0.7268]
M/B ratio Bidder	0.0005	0.0023	**-0.0056****	0.0009	0.0004	0.0031
	[0.3202]	[0.9818]	[-2.0774]	[0.1784]	[0.0957]	[0.5680]
Return on Assets Bidder	0.0009	0.0006	0.0003	**0.0025***	-0.0009	0.0001
	[1.5341]	[1.2259]	[0.3781]	[1.8426]	[-0.6760]	[0.0655]
Cash holdings Bidder	0.0004	0.0006	-0.0001	**0.0021****	-0.0005	0.0007
	[1.0357]	[1.3859]	[-0.2600]	[2.5894]	[-0.4775]	[0.5838]
Capex Bidder	0.0009	-0.0001	**0.0066*****	-0.0015	0.0009	-0.0020
	[0.6607]	[-0.1027]	[2.6259]	[-0.3718]	[0.2866]	[-0.9246]
Target controls						
Leverage Target	-0.0001	0.0000	0.0005	-0.0006	0.0003	-0.0006
	[-0.3445]	[-0.0084]	[0.8063]	[-0.7501]	[0.4572]	[-0.7936]
M/B ratio Target	0.0013	0.0016	0.0004	**0.0054***	-0.0015	0.0017
	[1.1854]	[0.9950]	[0.2189]	[1.7766]	[-0.3384]	[0.4048]
Return on Assets	**0.0007****	0.0004	0.0007	**0.0027****	0.0011	-0.0007
	[2.3613]	[0.8871]	[1.6238]	[2.5337]	[1.2846]	[-0.9995]
Cash holdings Target	0.0002	0.0001	0.0003	0.0000	-0.0012	0.0005
	[0.5704]	[0.2010]	[0.5184]	[0.0236]	[-1.3989]	[0.5470]
Capex Target	-0.0002	0.0003	-0.0005	-0.0052	-0.0037	0.0019
	[-0.1904]	[0.2582]	[-0.3674]	[-1.3290]	[-1.2807]	[0.9108]
Constant	0.0513	0.0922	1.5028	**-2.1115*****	0.4876	-0.1655
	[0.4874]	[0.6619]	[1.5898]	[-3.3711]	[0.8249]	[-0.8959]
N	493	319	174	80	119	120
R^2	0.2088	0.2690	0.4577	0.8098	0.5049	0.5523
Adj. R^2	0.0947	0.0954	0.1982	0.4436	0.0423	0.1544

This table presents the results from several OLS regressions on the *Target's Cumulated Abnormal Returns (CAR)* within the 3-day event window as the dependent variable. Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. In some models certain variable had to be omitted due to collinearity. Model I only includes transactions where bidder and target do not share the same currency. Model II excludes UK bidders. In contrast, model III includes only UK bidders. Model IV includes only US bidders. Model V includes the most active EU bidder countries (France, Sweden, Germany, Netherlands) but excluding the UK whereas model VI excludes the US and the UK in addition to these countries.

Table A.8: OLS Regressions on *Bidder's Buy-and-Hold Abnormal Return (BHAR)* (H3-H5) – Subsamples

Model	I	II	III	IV	V	VI
Dependent variable:	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**	**Coeff.**
Bidder BHAR (+1, +250)	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**	**[t-stat.]**
Deal controls						
Cross-border		-0.0842	-0.0954		-0.2657	-0.0503
		[-0.9564]	[-0.1158]		[-0.9677]	[-0.2425]
Non-EU Bidder (x Cross-border)	-0.1688					-0.1837
	[-1.2546]					[-0.8274]
Final Premium (4 week)	**0.0030***	**0.0015***	0.0014	-0.0002	-0.0017	0.0032
	[1.7725]	[1.7072]	[1.3283]	[-0.0333]	[-1.0583]	[1.3503]
GDP Growth (Bidder Country)	-0.1301	-0.0690	-0.0295	-2.4019	-0.2232	**-0.6178*****
	[-0.7555]	[-1.2967]	[-0.1752]	[-1.9311]	[-1.6160]	[-2.8926]
GDP Growth^2 (Bidder Country)	-0.0059	-0.0195	0.0718	1.2550	0.0497	0.1419*
	[-0.0761]	[-0.8713]	[0.6520]	[1.6124]	[0.5401]	[1.8551]
Long-term Interest Rate	-0.1718	**-0.2763*****	-0.6231	5.7819	-0.3105	**-0.5249****
	[-1.3499]	[-2.6753]	[-0.7002]	[1.4559]	[-0.5025]	[-2.2471]
Long-term Interest Rate^2	0.0181	**0.0372****	0.0613	-0.7867	0.1145	**0.0717****
	[0.9813]	[2.5977]	[0.5929]	[-1.5895]	[1.2502]	[2.2697]
High Tech Target	-0.0758	-0.1380	-0.0449	-0.5657	**-0.3664****	-0.0629
	[-0.3852]	[-1.3109]	[-0.2132]	[-1.0522]	[-2.0709]	[-0.1995]
IPO Target	-0.0264	-0.0618	-0.0098	0.4159	0.1128	**-0.5944****
	[-0.1892]	[-0.8613]	[-0.0759]	[1.5004]	[0.7928]	[-2.5043]
Euro	-0.0122	0.7207	-0.9538	-0.1882	**8.4564****	-0.5427
	[-0.0406]	[0.9689]	[-0.8515]	[-0.0795]	[2.2438]	[-0.6957]
Bidder Crisis	-0.2205	-0.1217			-0.5535	-0.3788
	[-0.7971]	[-0.7174]			[-0.9165]	[-0.8371]
Target Crisis	**0.5161***	**0.2944***			0.7204	0.5386
	[1.7636]	[1.8934]			[1.1432]	[1.6926]
Relative Size	0.0002	0.0001	-0.0006	0.0165	-0.0004	-0.0009
	[0.0958]	[0.2184]	[-0.6203]	[2.0888]	[-0.6171]	[-0.4541]
Hostile	0.0710	0.0229	0.6044		0.2527	-0.4315
	[0.2483]	[0.1422]	[1.1849]		[0.8133]	[-1.0490]
Cash only	0.1649	**0.1228***	0.0944	0.2564	0.1554	0.1982
	[1.2789]	[1.8564]	[0.8063]	[0.7115]	[1.1539]	[1.2135]
Same Industry	-0.0316	0.0570	0.0791	0.4443	0.0850	-0.1982
	[-0.3506]	[0.9426]	[0.7716]	[0.9707]	[0.7223]	[-1.3727]
Cultural Difference		-0.0001	0.0000	0.0020	0.0004	**-0.0006*****
		[-0.8486]	[-0.0030]	[1.0772]	[0.6381]	[-3.1548]
UK Target	0.1171	0.0810		2.3795	0.1677	0.2132
	[1.1240]	[0.9895]		[1.9420]	[0.6066]	[0.8879]
Bidder controls						
Size Bidder (ln)	-0.0028	0.0082	-0.0160	0.4015	-0.0657	**0.1002****
	[-0.0763]	[0.4390]	[-0.5150]	[2.3731]	[-1.5920]	[2.6237]
Leverage Bidder	0.0011	0.0004	0.0014	-0.0132	-0.0051	-0.0070
	[0.2077]	[0.1756]	[0.3815]	[-0.7673]	[-1.0354]	[-1.0526]
M/B ratio Bidder	-0.0184	-0.0068	-0.0110	-0.1247	0.0000	0.0288
	[-1.3951]	[-0.5918]	[-0.7612]	[-1.6193]	[-0.0003]	[0.9216]
Return on Assets Bidder	0.0050	0.0038	0.0025	0.0210	0.0104	-0.0073
	[1.0444]	[1.3995]	[0.5357]	[0.8946]	[1.4127]	[-0.9358]
Cash holdings Bidder	0.0030	**0.0043***	-0.0001	0.0015	-0.0048	0.0093
	[0.5397]	[1.8784]	[-0.0219]	[0.1134]	[-1.0634]	[1.0432]
Capex Bidder	0.0089	0.0030	0.0021	-0.1663	-0.0270	-0.0042
	[0.8719]	[0.3834]	[0.1267]	[-2.2822]	[-1.1817]	[-0.2728]
Target controls						
Leverage Target	0.0011	0.0004	**-0.0061***	0.0203	0.0044	**-0.0127***
	[0.3347]	[0.2084]	[-1.6816]	[1.0560]	[1.2501]	[-1.9254]
M/B ratio Target	-0.0118	**-0.0189***	-0.0036	-0.0664	-0.0262	0.0012
	[-0.7258]	[-1.8406]	[-0.3493]	[-0.7456]	[-1.4998]	[0.0381]
Return on Assets	-0.0009	0.0008	0.0010	0.0251	0.0009	-0.0006
	[-0.2523]	[0.4162]	[0.3604]	[1.7755]	[0.2561]	[-0.1437]
Cash holdings Target	0.0050	0.0017	-0.0028	0.0447	-0.0032	-0.0006
	[1.4680]	[0.8235]	[-0.9436]	[2.1695]	[-0.9090]	[-0.1013]
Capex Target	-0.0033	0.0055	-0.0025	0.0017	-0.0029	**0.0306***
	[-0.3527]	[0.7735]	[-0.2511]	[0.0393]	[-0.2113]	[1.8504]
Constant	-0.0415	-0.9180	1.9075	-17.5108	**-6.8254***	-0.7071
	[-0.0546]	[-1.1979]	[0.8899]	[-1.8924]	[-1.8716]	[-0.6316]
N	115	206	99	49	81	76
R^2	0.5056	0.3058	0.4174	0.9894	0.7247	0.7468
Adj. R^2	0.0760	0.0384	-0.2148	0.4915	0.1189	0.0958

This table presents the results from several OLS regressions on the *Bidder's Buy-and-Hold Abnormal Returns (BHAR)* after deal completion as the dependent variable. Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. In some models certain variable had to be omitted due to collinearity. Model I only includes transactions where bidder and target do not share the same currency. Model II excludes UK bidders. In contrast, model III includes only UK bidders. Model IV includes only US bidders. Model V includes the most active EU bidder countries (France, Sweden, Germany, Netherlands) but excluding the UK whereas model VI excludes the US and the UK in addition to these countries.

Table A.9: Probit Regressions on *Non-European Bidder* (H6) – Subsamples

Model	I	II	III	IV	V
Dependent variable: ***Non-EU Bidder***	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**	**Coeff.** **[t-stat.]**
Deal controls					
GDP Growth (Bidder Country)	**2.0222***** [2.7448]	**1.4257***** [3.6316]	**1.0056**** [1.9956]	**1.3513**** [2.3624]	**0.7392*** [1.6675]
GDP Growth^2 (Bidder Country)	**-1.4793***** [-4.3307]	**-0.5382***** [-3.6082]	-0.0659 [-0.4081]	-0.2003 [-1.0286]	**-0.2718*** [-1.8983]
Long-term Interest Rate	0.1826 [0.4208]	0.1232 [0.3485]	**-1.8190**** [-2.2562]	**-1.4141*** [-1.8817]	-0.756 [-1.4791]
Long-term Interest Rate^2	-0.0357 [-0.6601]	-0.0232 [-0.5235]	0.1444 [1.2881]	0.1005 [0.9208]	0.0628 [0.9588]
High Tech Target	**-1.5860*** [-1.9054]	0.0363 [0.0914]	0.3984 [0.8593]	0.3282 [0.5236]	0.3976 [1.1120]
IPO Target	**1.3841**** [2.4718]	**0.6915**** [2.4773]	**0.7623**** [2.1800]	**1.2605***** [2.6284]	**0.7459***** [3.0155]
Euro	**2.4028**** [2.1155]	**1.7693*** [1.8976]	**-3.3064*** [-1.8842]	**-3.0221*** [-1.8093]	0.5216 [0.5901]
Final Premium (4 week)	**0.0148**** [2.2367]	**0.0098***** [3.0202]	**0.0089**** [2.2391]	**0.0204***** [3.1268]	**0.0051**** [2.0176]
Bidder Crisis	**-17.0101***** [-6.2298]	**-9.4843***** [-9.3583]	**-9.0498***** [-11.1726]	**-10.0245***** [-9.1901]	**-7.8543***** [-11.2836]
Target Crisis	**16.4411***** [5.6873]	**9.6790***** [8.3996]	**8.7587***** [8.1965]	**10.2390***** [7.5133]	**7.3038***** [9.5204]
Relative Size	**0.0262***** [3.3704]	0.0003 [0.2254]	-0.0024 [-1.4419]	-0.0042 [-1.5347]	-0.0013 [-0.9669]
Hostile	**2.2126**** [2.2108]	**0.6815**** [2.3611]	**1.3055***** [3.4856]	**1.6068***** [3.2667]	**0.7672**** [2.3692]
Cash only	**0.7584*** [1.6640]	0.3830 [1.5900]	**0.5397*** [1.9543]	**0.6281*** [1.6764]	**0.9122***** [4.1721]
Same Industry	**-1.1278***** [-2.7640]	0.0527 [0.2502]	**0.7743***** [2.8430]	**0.9993**** [2.4286]	0.2144 [1.0577]
Cultural Difference	**-0.0031***** [-4.5973]	**0.0009***** [2.9002]	**0.0018***** [4.3799]	**0.0017***** [2.8658]	**0.0018***** [4.2476]
UK Target	-0.5025 [-1.2088]	**1.5086***** [6.1300]	-0.3812 [-1.1470]	0.5992 [1.1621]	0.3831 [1.2778]
Bidder controls					
Size Bidder (ln)	**0.6500***** [3.3384]	0.0718 [1.0181]	-0.1054 [-1.2471]	-0.1726 [-1.5082]	**0.2046***** [3.3609]
Leverage Bidder	**-0.0698***** [-3.3501]	0.0028 [0.2980]	-0.0166 [-1.3623]	-0.0141 [-0.9220]	0.0069 [0.9211]
M/B ratio Bidder	-0.0077 [-0.1387]	**0.0893**** [2.2708]	-0.0047 [-0.1286]	0.0145 [0.2957]	-0.0135 [-0.4781]
Return on Assets Bidder	**0.0634***** [2.7440]	-0.0006 [-0.0620]	-0.016 [-1.5492]	-0.0176 [-1.5890]	-0.0132 [-1.5654]
Cash holdings Bidder	**0.0584***** [3.5571]	0.0084 [1.0460]	**-0.0443***** [-3.2310]	**-0.0501***** [-3.0905]	**0.0183**** [2.5282]
Capex Bidder	**-0.1094***** [-3.0551]	**-0.0653***** [-2.9085]	0.0223 [0.9336]	-0.0197 [-0.6438]	-0.0084 [-0.3196]
Target controls					
Leverage Target	**0.0257*** [1.6498]	0.0049 [0.6991]	0.0110 [1.2129]	**0.0211*** [1.7094]	-0.0035 [-0.4540]
M/B ratio Target	**0.2988***** [4.4223]	**0.0999***** [2.9405]	**0.2338***** [4.9649]	**0.3047***** [4.4001]	**0.0486**** [2.0346]
Return on Assets	**0.0702***** [3.8251]	**0.0156*** [1.8950]	0.0107 [1.1770]	**0.0288**** [2.1474]	0.0059 [1.0298]
Cash holdings Target	**0.0692***** [2.6367]	**0.0118*** [1.6741]	0.0036 [0.3394]	0.0087 [0.7218]	-0.0025 [-0.3759]
Capex Target	-0.0432 [-1.0864]	0.0079 [0.3069]	0.0015 [0.0460]	-0.0009 [-0.0256]	-0.0056 [-0.2577]
Constant	**-12.1177***** [-3.4542]	**-6.4180***** [-4.1286]	2.9518 [1.4577]	1.7646 [0.7664]	**-5.0783***** [-3.1364]
N	161	282	286	179	316
Log-likelihood	-37.6487	-98.3297	-49.8125	-40.8152	-106.7464
Pseudo R^2	0.6162	0.4871	0.5998	0.5956	0.4888

This table presents the results from several Probit regressions on *Non-EU Bidder* as the dependent variable. Industry- and year fixed effects included. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively. In some models certain variable had to be omitted due to collinearity. Model I only includes transactions where bidder and target do not share the same currency. Model II excludes UK bidders. Model III excludes US bidders. Model IV excludes UK and US bidders. Model V excludes the most active EU bidder countries (France, Sweden, Germany, Netherlands).

Essays in Corporate Finance and Corporate Governance

Merger & Acquisition Activity with German Companies involved

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Abstract

For a sample of 1,054 M&A transactions with at least one party headquartered in Germany, we analyze the impact of the introduction of labor market reforms, beginning in 2002 with *Job-AQTIV*, and its concurrent "undervaluation effect" for Germany stemming from low unit labor costs. Our analysis provides sufficient empirical evidence to conclude that foreign bidders, particularly located in the euro zone and the UK, are benefitting from this development as their shareholders receive higher abnormal returns around the M&A announcement after the introduction of the reforms. The effect is even stronger for companies active in import and export related industries. However, we observe that the introduction of the reforms makes it less likely for European bidders outside the European Monetary Union, especially Sweden, to acquire a German target. We interpret these findings in that German firms being less likely targeted by these countries as they may not perceive the euro undervalued and thus, benefit less from the introduction of the labor market reforms. With respect to outbound transactions, we find no evidence for the introduction of the reforms affecting the likelihood for a German company to go abroad. As we do not observe lower announcement returns after the introduction of the labor market reforms it seems that the German "undervaluation effect" did not negatively influence cross-border transactions with German bidders involved. Overall, we note that foreign companies bidding for German targets receive positive significant abnormal returns of about one percent after the introduction of the reforms in 2002. In contrast, German bidders do not receive significant abnormal returns around the M&A announcement in outbound transactions.

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1. INTRODUCTION

Regarding GDP, Germany is the largest economy in Europe and comes in fourth worldwide. Handing over the title "Exportweltmeister" to China only recently, the trade balance of Germany discloses the highest surplus in the world in 2018 which led other countries to demanding more investments from Germany (IMF, 2016; Görg and Marchal, 2019). One reason for the increasing current account surplus is the fact that German products were perceived relatively cheap as Germany experienced a real depreciation around the introduction of the single European currency compared to the remaining euro area (Regeling et al., 2010; El-Shagi et al., 2016) while labor market reforms that were moderating wages kept German companies competitive (Lin and Treichel, 2012; Dustmann et al., 2014). However, despite dynamic trade relations the market for corporate control has been less competitive but due to the fall of the "iron curtain" and the proceeds of European integration and the European Monetary Union (EMU), the European single market mainly has created new opportunities. Moreover, one of the main results of globalization is a greater role of eastern European and emerging markets in the global economy, especially in the area of foreign direct investment (Deng and Yang, 2015; Zheng et al., 2016; Tao et al., 2017; Langenstein et al., 2018). However, countries with historically high M&A activity, like the UK and the US, keep their dominant role (Alexandridis et al., 2010; Carroll et al., 2020).

Against the background of trade disputes and growing protectionism at present the current paper contrasts German outgoing takeover activity with M&A transactions where a German company is targeted by a foreign firm as well as German pure domestic transactions. Using a sample of 1,054 completed transactions announced by public bidders in the period from 1990 to 2016 we analyze the impact of the introduction of labor market reforms and the simultaneous undervaluation of the euro for Germany and German companies. In that way we shed light on the influence of certain labor market reforms on M&As with German

involvement. We find that foreign bidders seem to get more value for money as their shareholders receive higher abnormal returns around the M&A announcement after the introduction of the labor market reforms. These foreign bidders, particularly those located in the euro zone and the UK and especially within import and export related industries, seem to find favorable production market conditions in Germany with low unit labor costs. In contrast, German outbound transactions do not reveal an increase of announcement returns after the introduction of the reforms. Thus, regarding outbound transactions we do not observe an "undervaluation effect". As expected, the same holds for German domestic transactions. Overall we find that foreign bidders acquiring German companies earn significant positive abnormal returns around the M&A announcement of about one percent whereas the shareholders of German outbound bidders do not receive significant abnormal returns. Regarding long-run performance we find that post-merger integration and operative performance seem to be more important for inbound transactions than the applied variables in our models. In contrast, outbound transactions of German bidders perform worse in the year following the announcement after the introduction of the labor market reforms. The negative long-run performance seems to be driven by transactions within the euro zone and synergies being less likely to materialize probably due to higher unit labor costs outside the home market. With respect to the likelihood of being acquired from abroad we find several determinants that influence the likelihood of a German target being bought by a foreign company or a German bidder going abroad. However, the introduction of the job market reforms seems to make it less likely for German targets being acquired by a bidder from outside the EMU. We interpret these findings as being caused by growing protectionism that is discouraging rather than valuation effects.

We contribute to the literature in several ways. First, we extend the existing literature for M&A activity in Germany. Even though it is a large economy with several global market

leaders empirical evidence is scarce. Especially studies that include the time after the financial crisis are, up to now, hard to find. Although Mager and Meyer-Fackler (2017) analyze the German M&A market accurately, they stop their sample period in 2010, shortly after the outbreak of the financial crisis. Similar, Mateev and Andonov (2016, 2018) analyze intra-European acquisitions only until the year 2010. Second, we provide new evidence in contrasting German outbound M&A activity with German inbound transactions in connection with the German undervaluation of the euro that goes along with the introduction of labor market reforms which in turn increased the competitiveness of German companies. To our knowledge, the impact of M&A activity on labor market has been discussed thoroughly while the influence of labor market reforms on M&As with German involvement are not picked up so far. We shed light onto this topic by analyzing deal and bidder characteristics as well as announcement returns for the bidding companies. Third, we analyze whether the determinants for outbound transactions differ from inbound transactions with German involvement. This seems to be interesting and relevant as, especially in German media, acquisitions of German companies by foreign enterprises are denounced while the outbound shopping tour of German firms is nearly kept secret.

We structure the rest of this paper as follows. In the next section, we review the related literature, and in section 3, we describe our sample and methodology. In section 4, we discuss and analyze the valuation effects of M&As with German companies involved as well as the differences in deal and bidder characteristics. We also present our cross-sectional analysis of the factors influencing the bidders' cumulated abnormal return as well as the long-run performance. Further, we test which variables influence the probability of bringing German bidder and foreign target as well as foreign bidder and German target together. Section 5 concludes.

2. LITERATURE REVIEW

2.1 The introduction of the euro and German labor market reforms

The introduction of the euro in 2002 was a far-reaching transformation of the European Economic and Monetary Union (EMU). Introduced already in 1999 as virtual currency, suddenly segmented markets grew together as the euro replaced national currencies as a means of payment for all member countries. While several obstacles like national regulation or tax regimes remain, money markets, bond markets, equity markets, and banking got more and more integrated (Galati and Tsatsaronis, 2003; Engelen and Grote, 2009; Bley, 2009; Bley and Weber, 2017). Lower transaction costs and no longer needed currency hedging costs as foreign exchange rate risk exposures diminished together with an increase in competition should push down trade prices (Bartram and Karolyi, 2006; Baldwin et al., 2008). However, evidence that the single European currency promoted price convergence is at the most only modest (Holtemöller and Zeddies, 2013). Mion and Ponattu (2019) analyze economic benefits of the European single market and find a strong heterogeneity of gains among member countries. Their results, similar to the findings of Coudert et al. (2013) and Papanikos (2015), suggest that welfare gains are larger for countries in the geographic core of the EU but lower for peripheral countries. Lin and Treichel (2012) argue that the adoption of the euro has led to a convergence of interest rates among peripheral and core countries, creating higher spending in peripheral countries. The resulting real appreciation lowered competitiveness in peripheral countries while Germany maintained its competitiveness through restraining wages, leading to higher exports to peripheral countries. Analyses by the OECD and the International Monetary Fund (IMF) show that this German undervaluation, based on unit labor costs (ULC) which in turn is fostered by governmental intervention, is rather persistent over time (Figure 1, Panel A and B).

However, for Germany it started differently. In the 1990s and early 2000s Germany was struggling with the integration of the East German economy which led to an increase in unemployment as dismissed people from overstaffed state firms that were privatized after the German reunion flooded the labor market (Ebbinghaus and Eichhorst, 2006). The years following were characterized by rising unit labor costs, stagnant employment, and high unemployment rates (Spohr, 2019; Burda and Seele, 2020) leading Germany being perceived as "the sick man of Europe" (Economist, 1999; Dustmann et al., 2014). Interestingly, employment has returned to levels not seen since reunification by 2017 (Burda and Seele, 2020), and seems to be continuing as of today. Starting with the *Job-AQTIV* measures in 2002 and the subsequent *Hartz* reforms, trying to activate unemployed people, increased sanctioning and a more flexible labor market with higher part-time employment (Ebbinghaus and Eichhorst, 2006), with German-specific unions and works councils accepting low wages during the 2000s (Bofinger et al., 2014; Dustmann et al., 2014), Germany experienced a real depreciation compared to the remaining euro zone (Regeling et al., 2010). This German undervaluation of the euro (Figure 1, Panel A), based on low unit labor costs (Figure 1, Panel B), helped widening its current account surplus and enforcing corresponding deficits in the periphery (Lin and Treichel, 2012; El-Shagi et al., 2016; Tokarski, 2019). As a consequence of this restructuring, since the early 2000s, the euro has become undervalued for Germany while the euro, for the whole euro zone and especially for southern and peripheral countries, became overvalued (Jeong et al., 2010; Coudert et al., 2013; Papanikos, 2015). In that way, German export price competitiveness has been improved since around 2002 (Regeling et al., 2010; Bofinger et al., 2014; Duwicquet et al., 2015; Streeck, 2015; Baccaro and Tober, 2021). Data from the Deutsche Bundesbank also supports this view (Figure 1, Panel C). As a byproduct and with respect to the market for corporate control, German companies also should sell at lower prices compared to intra-European companies but also compared to bidders from third countries. In that sense, an acquisition of a German firm by a

foreign company could be seen as an export substitute (Blonigen, 2001) – an idea that finds also support in the seminal work of Froot and Stein (1991) on foreign direct investment flows that are influenced by real exchange rates under the existence of imperfect capital markets.

<Figure 1>

Empirically, Erel et al. (2012) observe cross-border mergers following changes in the relative valuation in two countries, regardless of whether they occur through currency or stock price movements. Their results suggest that firms in countries whose stock market has increased in value, whose currency has recently appreciated, and that have a relatively high market-to-book value tend to be purchasers, while firms from weaker-performing economies tend to be targets. Blonigen (2014) argues that the link between market for corporate control activity and currency valuation exists only with acquisitions where the drivers are firm-specific assets. He states that foreign acquirers primarily target these when the target country's currency is undervalued. He further reasons that these assets can generate returns in other currencies than the one used for the acquisition, which in turn leads to an advantage over domestic acquirers and an increase in inbound cross-border M&A activity. Boateng et al. (2014) also report a positive relationship between exchange rate and cross-border M&A activity. In addition, Ayton and Rao-Nicholson (2018) find that following the financial market integration and the elimination of exchange rate risk, intra-euro zone takeovers do not earn abnormal returns for acquirers. Yet, their findings may be due to the fact that they do not differentiate among European core and peripheral countries within the euro zone in their study. However, they report that subsequent to the euro debt crisis and the temporary misvaluation among European countries, acquisitions earn positive abnormal returns for non-euro zone companies acquiring euro zone targets. They conclude that these abnormal returns are driven by the depreciation of the euro.

Following the arguments above, we derive the following main hypotheses:

H1a: Foreign bidders acquiring German companies should earn higher cumulated abnormal returns around the announcement after the introduction of labor market reforms as bidders find favorable production market conditions in Germany and as a consequence German companies are relatively cheap.

H1b: In contrast, the effect for German companies going abroad should be in the opposite direction as these targets should be relatively expensive.

2.2 Announcement returns of bidder firms in Cross-Border and Domestic M&As

While M&A activity abroad may improve or at least affect operating performance as well as market conditions and competitiveness (Harris and Robinson, 2002; Weche Geluebcke, 2015; Otchere and Oldford, 2018) the focus of this section will be on valuation effects, reflected in the financial performance around and subsequent to the M&A announcement. Empirically, the majority of studies report significant target share price increases around M&A transaction announcements in the short run (Martynova and Renneboog, 2006; Betton et al., 2008; Alexandridis et al., 2010, 2017). The argument is that the target's management and shareholders demand a substantial premium above the current share price in order to be willing to handover their shares. In contrast, the shareholders of the acquiring firm often experience insignificant abnormal announcement returns as most of the expected synergies go to the target's shareholders (Goergen and Renneboog, 2004; Martynova and Renneboog, 2011). Only recently, Alexandridis et al. (2017) report significant positive abnormal returns for US bidders for the period between 2010 and 2015. They explain this development with acquiring firms employing more efficient investment allocation strategies and a better corporate governance leading to better transactions after the financial crisis (Alexandridis et al., 2017). In Germany, Mager and Meyer-Fackler (2017) find

abnormal returns in domestic acquisitions for bidders that are not significantly different from zero in most of their analyzed time windows in the period of 1981 to 2010 which is in line with earlier studies of the European and the US market (Andrade et al., 2001; Campa and Hernando, 2004).

For the European market studies find small positive but often insignificant announcement returns for bidding companies (Campa and Hernando, 2004; Martynova and Renneboog, 2006). However, Goergen and Renneboog (2004) report a statistically significant positive announcement effect of 0.7% for bidders in European transactions for the period of 1993 to 2000. Further, they find that abnormal returns for bidding companies are higher in cross-border acquisitions. If a UK firm is involved, the abnormal returns are even higher than those of bids only involving Continental European target and bidder (Goergen and Renneboog, 2004). Feito-Ruiz and Menéndez-Requejo (2011) find that shareholders of acquiring European listed firms place greater value on cross-border M&A announcements than on domestic ones over the 2002 to 2006 period with a more positive effect on acquiring firm shareholders' valuation for bidders from countries with a stronger legal and institutional environment (Feito-Ruiz and Menéndez-Requejo, 2011). Also Mateev (2017) finds that European bidders earn positive abnormal returns, both in cross-border and domestic acquisitions. However, the cross-border wealth effects for their sample are not significantly different between the UK and Continental Europe in the period between 2002 and 2010. In another study covering the same period, Mateev and Andonov (2016) find that domestic acquiring firms in Europe earn higher abnormal returns than cross-border bidders at the announcement date. The authors find larger short-term wealth effects of foreign firms bidding on Continental European targets than those of foreign firms acquiring companies in the UK/Ireland (Mateev and Andonov, 2016).

Gregory and O'Donohoe (2014) investigate the determinants of short-term wealth effects for public UK acquirers following the announcement over the period 1990 to 2005. Regardless of their nationality, overall UK acquirers incur losses, with domestic acquirers' underperforming cross-border acquirers. For US acquirers, Moeller and Schlingemann (2005) provide empirical evidence on how cross-border acquisitions differ from domestic transactions. They find that US companies who acquire cross-border targets experience significantly lower announcement returns relative to those that acquire domestic targets between 1985 and 1995. Dutta et al. (2013) focus on completed deals by Canadian acquirers between 1993 and 2002. Their results show a significant and positive effect for stock-financed deals in cross-border acquisitions. The authors interpret the role of stock payment as mitigating information asymmetry in cross-border deals and alleviating the risk arising from making acquisitions in a foreign market with lower corporate governance rating (Dutta et al., 2013).

Tao et al. (2017) find a positive stock market reaction around announcements of cross-border transactions of Chinese acquirers during the period from 2000 to 2012. The effect is higher in the mainland Chinese stock markets Shanghai and Shenzhen than that in the Hong Kong market and lower for state-owned enterprises (Tao et al., 2017). For German bidders acquiring US targets, Bassen et al. (2010) examine the value creation of 78 German acquisitions during the period 1990 to 2004. Their results confirm the previous findings that cross-border M&A transactions yield on average wealth gains for shareholders of acquiring companies. The main drivers for the positive capital market perception of German M&A activities in the US are acquisitions of private targets and equity-settled transactions (Bassen et al., 2010). Like domestic M&As, cross-border M&As cluster by industry and time (Xu, 2017). Regarding announcements of mega deals during the sixth merger wave between 2003 and 2007 in Continental Europe, Martinez-Blasco et al. (2018) find a short-term negative

abnormal return for the bidding firms as a consequence of the announcement, which can be mainly associated to the presence of companies whose legal origin is German and whose investors do not value the announcement a positive signal (Martinez-Blasco et al., 2018).

Furthermore, there are differences between national and cross-border deals in that they have lower success rates and are more risky in terms of post-merger integration. Some of these issues are attributable to cultural differences (Datta and Puia, 1995; Björkman et al., 2007; He et al., 2008) and some assigned to regulatory restrictions (Rossi and Volpin, 2004; Aktas et al., 2007; Heinemann, 2012; Ceriello, 2017; Cho and Ahn, 2017). Consequently, target announcement returns increase if it is a cross-border deal as shareholders get a higher premium (Mateev and Andonov, 2018), whereas bidder returns in international M&As are often smaller due to a lower probability of realizing the expected synergies (Moeller and Schlingemann, 2005). In contrast, other studies suggest that the shareholders of the bidder, on average, earn small but positive abnormal returns in cross-border deals as some of the expected synergies are unavailable to firms involved only in domestic M&As (Eun et al., 1996; Martynova and Renneboog, 2011).

Overall, we expect to confirm the findings of the past for earlier periods regarding the announcement returns for the bidding company in our sample. Accordingly, we formulate the following hypotheses:

H2a: We expect transactions crossing a border revealing positive abnormal returns for the bidding party.

H2b: In contrast, German domestic transactions should result in no significant abnormal returns.

Influence of the Method of Payment on Announcement Returns

Several other factors are carved out so far that may influence the announcement returns of bidder and target. Regarding deal characteristics, the method of payment is one of the most important determinants. It includes stock-only payments, cash-only payments, and various combinations. In cash-only transactions the shareholders of the target leave the firm while they stay on board in transactions where they are compensated with shares of the merged entity. The relative fractions are not stable over time as some more recent studies report a declining portion of stock-only payments and an increase in cash payments (Betton et al., 2008; Alexandridis et al., 2017), mostly due to low interest rates and an increase in liquidity. However, it is generally accepted that a cash-only payment or at least a higher percentage of cash is leading to higher abnormal target returns as the bidder is capturing the risk of overpayment alone (Betton et al., 2008; Alexandridis et al., 2013). A bidder, in turn, generating large cash holdings is prone to agency conflicts as management has to decide whether to use free cash flow to pay dividends to its shareholders or to invest in value creating projects like an acquisition which are often perceived as value destroying by shareholders (Jensen, 1986). Further, bidders are more likely to use a stock payment if their own shares are overvalued – and in line with the market timing hypothesis and acquisition currency hypotheses bidding firms are likely to exploit this situation of information asymmetry by issuing additional shares to complete an acquisition with stock payment (Rhodes-Kropf and Viswanathan, 2004; Celikyurt et al., 2010; Van Bekkum et al., 2011; Fu et al., 2013). Therefore, stock as a method of payment typically results in negative bidder announcement returns and relatively lower returns for the target (Alexandridis et al., 2010; Martynova and Renneboog, 2011). In contrast, if risk sharing is an important issue the shareholders of the bidding company should receive positive abnormal returns around the M&A announcement if

the transaction is meant to be paid with stock (Huang et al., 2016; Barbopoulos et al., 2018). Accordingly, we formulate our next hypothesis:

H3: We expect that transactions crossing a border paid with cash lead to lower announcement returns on the bidder side as shareholders would have preferred a risk sharing strategy between bidder and the targeted company by paying with stock.

Size as a Determinant of Announcement Returns

Also an important deal characteristic is size, measured absolutely or relatively between bidder and target firm. Phillips and Zhdanov (2013) find that an active acquisition market positively affects small firms' incentives to innovate. Accordingly, acquiring innovation through merger is a substitute for in-house R&D as some large firms let small firms innovate and subsequently acquire promising innovators. Alexandridis et al. (2013) report a robust negative relationship between offer premium and target size, indicating that bidders tend to pay more for small companies, not less. In addition, they find that the overpayment potential is lower in acquisitions of large targets as more information is available for them and with it a correct valuation easier (Alexandridis et al., 2013). With respect to the shareholders of the bidder, the announcements returns are higher for small acquirers as larger companies are prone to hubris, so they overpay, independent of the financing decision, and whether the target is publicly traded or privately owned (Moeller et al., 2004). In contrast, Fich et al. (2018) analyze more than 10,000 completed M&A transactions in the US and conclude that the relative size of the target to the acquirer and not just the size of the acquirer is one of the key drivers of value creating transactions. Related to the size of the target is the question whether the target company is a public or a private firm. Past studies show that acquisitions of private firms trigger significantly higher abnormal returns for the shareholders of the bidding

company. One explanation is that shares of privately-held companies are by definition illiquid, which may create a price discount which in turn is benefitting the shareholders of the bidding company (Draper and Paudyal, 2006; Officer, 2007; Martynova and Renneboog, 2011; Fich et al., 2018). Hence, we test the following hypothesis:

H4: Larger bidding firms should capture lower announcement returns as they are more prone to hubris and overpayment.

M&A Activity of IPO Companies

There is an extant literature analyzing the motives and performance of IPO companies that documents how going public shapes the growth strategies of entrepreneurial firms. Generally, going public facilitates external growth through acquisitions and acts as a complement or substitute to capital expenditures (Jain and Kini, 2008; Celikyurt et al., 2010; Bessler et al., 2015a).

A positive consequence of being public is the opportunity to issue additional primary shares in an SEO and to get more easily access to debt markets. Accordingly, going public usually lessens the financial constraints typically faced by privately held companies and offers the prospect to finance internal and external growth (Celikyurt et al., 2010). Further, by going public, firms are able to obtain a very optimistic valuation and an acquisition currency that allows them to acquire targets effectively at a discount. Bessler et al. (2015b) report that M&As are frequently used as part of a firm's growth or exit strategy in combination with the IPO. They document a superior performance of acquirers which outperform a broad stock market index post-IPO. Celikyurt et al. (2010) report that IPO firms are more often acquirers than targets, and that they engage more frequently in M&As than their mature competitors,

particularly in rapidly evolving, high technology industries. Hence, we test the following hypothesis:

H5: IPO firms, inbound, outbound, and domestically, should capture higher announcement returns as external growth is valued by capital market participants.

2.3 Long-run performance of bidder firms

Another matter of interest is the long-run performance of mergers and acquisitions. Usually, integration problems exist and bidder and target are revalued by the stock market once the M&A announcement is made. In an early study covering announcements in the period from 1955 to 1987, Agrawal et al. (1992) find for the US market that stockholders of acquiring firms suffer a significant loss of about 10% over the five-year post-merger period, independent from firm size effects. Moeller et al. (2004) report an insignificant long-run (36-month) post-merger performance. Moeller et al. (2005) find over a period of 60 months that acquisition announcements in the 1990s are profitable in the aggregate for the shareholders of the bidding company until 1997. However, in the time of the new economy bubble from 1998 through 2001 acquiring-firm shareholders experience significant losses so that M&A announcements are costly for acquiring-firm shareholders (Moeller et al., 2005). A negative long-run performance can also be observed in contested mergers in the US in the period from 1985 to 2012 where the winning bidder is even underperforming the contest looser (Malmendier et al., 2018). Additionally, Loughran and Vijh (1997), Savor and Lu (2009), and Fu et al. (2013) report equity-financed deals earning significantly lower returns than cash-financed ones in the long run.

Similar are the results for the shareholders of UK companies. Gregory (1997) finds significant negative abnormal returns for the post-takeover performance of UK companies

undertaking large domestic acquisitions in the longer term of a 24-month post-event period. André et al. (2004) study the Canadian M&A market between 1980 and 2000 and find that Canadian bidders significantly underperform over a three-year post-event period. The main reasons seem to be the presence of glamour acquisitions and the payment with stock-only instead of cash. They also find, but do not explain, that cross-border deals perform poorly in the long-run (André et al., 2004). For the German M&A market and in contrast to studies of the US market, Mager and Meyer-Fackler (2017) do not find significant abnormal returns for acquirers over a 36-month period after the announcement was made, neither positive nor negative. With respect to bidder characteristics, Bessler and Schneck (2015) find that higher bidder profitability increases their long-run performance, suggesting that the overall financial performance stems from the bidders' superior operating pre-merger performance. Accordingly, we test the following:

H6a: We expect to find a negative long-run performance for the foreign bidding company.

H6b: We do not expect to find abnormal returns in the long run for the German bidding company, neither outbound nor domestically.

H6c: The long-run performance should be primarily determined by pre-merger profitability of the bidding company and thus, the long-run performance should be better for firms with higher return on assets.

2.4 Motivation to go Abroad

As the M&A market became more international, since the introduction of the euro in 2002 at the latest, there should be several distinctive motives for a cross-border or cross-continental transaction instead of conducting a domestic takeover. Two main ideas are standing out and discussed in the existing literature. First, a bidding company tries to acquire

new technology or new know-how from another company (Trautwein, 1990; Vermeulen and Barkema, 2001; Moeller and Schlingemann, 2005). In that way, a company can grow externally more efficiently instead of internally via conducting time-consuming own research and development (Phillips and Zhdanov, 2013; Bessler et al., 2015a). Bena and Li (2014) report that synergies obtained from combining innovation capabilities are important drivers of acquisitions and conclude that synergies obtained from combining innovation activities are an important acquisition impetus. Quickly accessing strategic assets enables the firm to keep the pace with its competitors or even exploiting monopoly-like structures by exclusively possessing know-how. Second, the target firm is in possession of either favorable market/financing conditions (Starks and Wei, 2013; Boateng et al., 2014; Cornaggia and Li, 2019), or has promising assets and better access to resources (Wang et al., 2012; Deng and Yang, 2015). Lower wages resulting in higher competitiveness could be attributed to the latter one. This being general motives for an M&A transaction, similar arguments should hold for the motivation of a cross-border deal. Di Giovanni (2005) reports that the size of financial markets has a strong positive effect on domestic firms investing abroad and highlights the importance of domestic financial conditions in stimulating international investment. Analyzing a sample of UK bidders, Boateng et al. (2014) conclude that economic prosperity at home, as reflected in the country's GDP, may lead firms to invest in international expansion. Rossi and Volpin (2004) find that acquirers in cross-border deals have higher investor protection than targets. They argue that firms opt out of a weak governance regime via cross-border deals indicating that the international market for corporate control helps generate convergence in corporate governance regimes across countries. Martynova and Renneboog (2008a) characterize this as the positive spillover by law hypothesis. Accordingly, if the acquirer has less demanding governance standards than the target, this would be a negative spillover and have a negative valuation impact on the acquirer. The authors also suggest the possibility of the acquirer voluntarily bootstrapping itself to the higher governance

standards of the target leading to a positive valuation effect for the acquirer (Martynova and Renneboog, 2008a). However, this may no longer be the case today as companies delisted abroad during and after the financial crisis as the expected benefits that were associated with the cross-listings with respect to the market values of the companies did not materialize (Croci and Del Giudice, 2014).

Chinese companies started in 2011 to invest aggressively in line with the government demanding "going out" or "go global" to become world leader in technology buying foreign know-how (Hiort and Hummitzsch, 2013; Fuest et al., 2019). Guo and Clougherty (2015) argue that Chinese acquirers seek to obtain strategic assets from foreign targets and utilize these assets to enhance home productivity. Accordingly, they find a home productivity increase for Chinese firms that stems from acquiring developed-nation targets. However, despite state owned companies being influenced and equipped with sufficient capital by Chinese government to realize the required technology transfer Fuest et al. (2019) do not find support for the widespread view that government support enables Chinese companies to outbid competing bidders in the global takeover market.

Following the arguments above we formulate our last hypothesis:

H7a: Transactions going abroad, both outbound and inbound Germany, should be the result of companies substituting R&D (low CAPEX in the past) and/or

H7b: Triggered by favorable market conditions (higher GDP growth).

3. DATA AND METHODOLOGY

In this section, we first explain how we construct our sample of 1,054 M&A transactions with German companies involved and describe the sample distribution. Subsequently, we present the methodology we use to analyze the short-term announcement

returns and the long-run performance. Lastly, we explain our methodology to obtain the determinants of the likelihood of a German bidder choosing to go abroad and a German firm being targeted by a foreign bidder instead of a domestic counterpart, respectively.

3.1 Sample Description

Our sample analyzes M&A transactions for the period between January 1990 and December 2016 with a German Bidder, a German Target, or both (Figure 2–4).

<Figure 2>

<Figure 3>

<Figure 4>

The data comes from the Thomson Eikon Dealscreener M&A database. Accounting data and returns are taken from Datastream and Worldscope and are winsorized at the upper and lower one percent level to reduce the impact of outliers. Bidders are publicly traded companies as they should be more international and thus more active on the international market for corporate control. Targets are public as well as private companies. We argue that new technology and know-how can not only be found in large listed corporations but also, or even especially, in privately held companies. These often smaller firms are R&D intensive and trying to sell out to large firms later as the prospect of becoming a target increases the incentives for small firms to innovate as it amplifies the potential gain from successful R&D (Phillips and Zhdanov, 2013; Bena and Li, 2014).

Before the announcement, the bidder owns less than 50% of the target's shares and holds more than 50% of the shares after the M&A transaction, that is, the bidder is seeking control. Deals can be classified as friendly or hostile. However, only seven transactions were

unsolicited by the target's management in the current sample. Transaction volume must be at least one million USD and there should be no bidder contest. Self-mergers and buybacks we exclude. Financials (SIC 6000-6999) and utilities (SIC 4000-4999) are also omitted because they are usually highly regulated. The takeover has to be "completed", that is, the signing is made. In the sample of 1,087 M&A announcements, 33 announcements were withdrawn. Accordingly, the final sample consists of 1,054 completed M&As where at least one party is a German company (Table 1). Table 2 shows that firms from the US and the UK are dominating German inbound as well outbound transactions, thus, we pay special attention to them later. Chinese public companies acquiring German targets are, against their representation in the media, negligible in numbers.

<Table 1>

<Table 2>

3.2 Methodology

To analyze the valuation effects associated with the M&A announcement, we calculate abnormal returns (AR) based on the market-adjusted returns model by subtracting the country's value-weighted total market index return r_m from the return of event firm i at day t:

$$(1) \qquad AR_{i,t} = r_{i,t} - r_{m,t} .$$

All available information should fully be reflected in the share price instantaneously (Fama et al., 1969, 1991). To grab this effect of new information we employ standard event methodology (Brown and Warner, 1985) and sum the abnormal returns over days t-1 to t+1 where day t is the M&A announcement date (event day) to obtain the three-day cumulative abnormal return (CAR) for each firm i, which we then equally weight across all events:

(2) $\mathrm{CAR}_{\mathrm{i},(-1,+1)} = \sum_{\tau=t-1}^{t+1} \mathrm{AR}_{\mathrm{i},\tau}$ with $\mathrm{CAR}_{(-1,+1)} = \frac{1}{\mathrm{N}} \sum_{\mathrm{i}=1}^{\mathrm{N}} \mathrm{CAR}_{\mathrm{i},(-1,+1)}$.

Additionally, we sum CARs for a 41-day event window (-20, +20) to check whether the results also hold for longer event windows. To test for statistical significance, we employ a parametric t-test and a non-parametric Mann-Whitney U test when comparing the CARs of different bidder or target groups for both event windows. The bidder's run-up (-41, -1) is also calculated but as it does not reveal any differences between inbound, outbound, and domestic transactions with German participation it is not further part of the analysis.

We conduct several ordinary least squares (OLS) regressions with commonly used deal and bidder control variables to find determinants of the size of the abnormal announcement returns. We do so by regressing the abnormal returns on deal and firm characteristics X_i:

(3) $\mathrm{CAR}_{\mathrm{i},(-1,+1)} = \beta_0 + X_i' \beta + \varepsilon_i$.

As we expect foreign bidders to get more value for money after the introduction of the labor market reforms due to the undervaluation of the euro for Germany and the resulting higher competitiveness of German companies the main variable of interest in our regression analysis is *Job* which is a dummy variable that takes the value of one for the period after the introduction of the job market reforms beginning in 2002 (*Job-AQTIV*), and zero otherwise. Additionally, it allows dividing the sample in more equal parts in terms of the number of years before and after the adoption of the reforms. Another variable of interest is the method of payment. We argue that cash payments are made to fully capture the benefits for the bidder resulting from new technology or new know-how without having to share the gains with the target's shareholders. In contrast, if risk sharing is important the shareholders of the bidding firm should prefer a payment in stock instead of cash. Thus, *Cash-only* is a dummy variable if the payment is completely done by cash, and zero otherwise. In an interaction term we

combine *Cash-only* with *Same Industry* which is a dummy variable that takes the value of one if the transaction takes place within the same industry (based on the 12 Fama-French industries), and zero otherwise. We do so in order to get a proxy for ownership concentration and for developing monopoly-like structures, respectively, as transactions within the same industry paid by cash-only should lead to a higher concentration on the supply side. Potential conflicts of interest and information asymmetries going along with the choice of the method of payment will also be discussed. Furthermore, to test for multicollinearity we calculate the variance inflation factors for the independent variables as this is a useful way to look for multicollinearity amongst the independent variables. We find that the variance of our estimated regression coefficients is not severely increased because of collinearity. Finally, we control for young (IPO) firms conducting M&A activity as Bessler et al. (2015b) report that firms that went public only recently perform differently in the long-run after M&A announcements. These firms may also develop differently for a certain period after going public due to venture capital financing, lock-up periods, low levels of bank debt and no public debt as well as no dividend payments and share repurchases (Bessler et al., 2016). Supplementary, Brau et al. (2012) report a significant underperformance of acquiring IPOs. We do so by including the dummy variable *IPO* in our regression models which takes the value of one if the bidding company is no longer than three years publicly listed, zero otherwise.

The long-term valuation effects for bidders and targets are analyzed with buy-and-hold abnormal returns (BHAR) for a period up to one year after the M&A announcement (+1, +250). To calculate abnormal returns for the longer period, we estimate BHAR according to Barber and Lyon (1997) using the same control variables already applied in the regression on the short-term announcement effects:

$$(4) \qquad \mathrm{BHAR}_{(+1,+250)} = \frac{1}{N}\sum_{i=1}^{N}\left[\left(\prod_{t=1}^{T}(1+R_{i,t})\right) - \left(\prod_{t=1}^{T}(1+R_{m,t})\right)\right].$$

We estimate the likelihood of a German bidder choosing to go abroad and a German firm being targeted by a foreign bidder instead of a domestic counterpart, respectively, in an M&A transaction with the following probit model:

$$(5) \qquad Prob(Y = 1|\boldsymbol{x}) = \int_{-\infty}^{\boldsymbol{x'\beta}} \phi(t)dt = \Phi(\boldsymbol{x'\beta}) \,,$$

where function Φ(.) denotes the standard normal distribution function and Y is a binary variable that equals 1 for bidders which opt for a foreign target, and zero otherwise. Our key variables of interest are the ones applied in the OLS regressions. To test our hypothesis **H7**, we pay special attention to the variables *GDP Growth* and *CAPEX* of the biding company. We take *GDP Growth* as proxy for the positive development of the home economy being the main motivation to go abroad and *CAPEX* as low capital expenditures in the recent past leading to foreign direct investments trying to catch up delayed investment behavior and thus substituting capital expenditures with M&A activity (Jain and Kini, 2008; Celikyurt et al., 2010). In all regressions, we use heteroscedasticity-consistent standard errors (White, 1980) and industry fixed effects (based on the 12 Fama-French industries) as well as year fixed effects. Further data manipulation is not conducted so that sample size within the regression analyses varies, depending on data availability of variables for the bidding firm. A detailed variable definition can be found in the appendix.

4. EMPIRICAL RESULTS

In this section, we present and discuss the univariate and multivariate results of our analysis. We begin with a brief discussion of the deal and bidder characteristics and the bidder's wealth effect around the M&A announcement with a German company involved. We then present our OLS regression results on the bidder's financial performance as well as the

results of our probit estimations on the likelihood for a German bidder going abroad and a German company being targeted from across a border, respectively.

4.1 Univariate Analysis of Deal and Bidder Characteristics

We start with the analysis of the univariate results. The descriptive statistics for all deal and bidder characteristics are presented in Table 3. First, we compare transactions of foreign companies bidding for German targets (inbound) with transactions of German bidders acquiring foreign targets (outbound). German transactions going out show a higher deal value. In addition, German companies buying abroad acquire more often public companies whereas foreign bidders seem to favorite German private firms. It seems that these deals differ in that German "Mittelstand" is being bought from abroad but German small and medium sized companies not buying on foreign territory. Further, these German bidders are also larger so that the difference in relative size between bidder and target is almost the same. Turnover made abroad is higher in outbound transactions as German companies going abroad reveal higher international sales in their last balance sheet. Regarding the included deals in our sample we do not find a single completed hostile inbound deal. Even though the spectacular acquisition of Mannesmann by Vodafone (UK) in 2000 was unsolicited in the beginning, the management of Mannesmann gave up resistance eventually and accepted the takeover bid (Höpner and Jackson, 2006).

<Table 3>

Second, we compare German domestic transactions with transactions where a German company is buying abroad (outbound). Transactions going abroad have a higher deal value than domestic deals and the bidding party is disproportionate larger so that the relative size is lower. As relative size is measured as deal value divided by the size of the bidder, it follows

that cross-border transactions initiated by German companies reveal relatively smaller targets than in domestic deals. German companies going abroad more often pay with cash only and targets abroad are more often public companies than in domestic transactions. Interestingly, German domestic bidders are provided with higher cash holdings than German companies buying abroad. Moreover, German companies are targeting companies significantly more hostile abroad. However, while hostile deals may perform differently (Franks and Mayer, 1996; Schwert, 2000; Martynova and Renneboog, 2011) in the complete sample there are only seven completed hostile takeovers, with six of them occurring in combination with a German bidder buying a foreign company, one being domestic. Finally, German companies buying a foreign target seem to be already present abroad as they have higher international sales in the recent past.

In a third step we compare German domestic with German inbound transactions. Similar to the comparison between domestic and outbound, the transactions crossing a border reveal larger bidding companies with higher international sales. Apart from that, inbound transactions have a lower relative size compared to domestic transactions. Inbound transactions are more often paid with cash and occur more often in the same industry. Domestically, transactions can be observed more often among two public firms. Further, bidders of inbound transactions have a higher leverage but lower cash holdings. One explanation could be that these larger firms targeting German companies have better access to debt and are further using cash to spurring their growth instead of accumulating it.

In a next step we compare transactions conducted before the introduction of the reforms with transactions done thereafter. As visualized in Figure 4 we find that German bidders acquirer more often abroad after the introduction. In addition, it seems that foreign listed companies buy less often German targets. This is somewhat counterintuitive as existing literature suggests an increase in cross-border transactions and also the undervaluation of the

German euro should have resulted in an opposite effect. We will get more insight in the regression analysis below. However, inbound as well as outbound transactions changed similar in characteristics after the introduction of the reforms (Table 4).

<Table 4>

As observed for the US in the recent past by Alexandridis et al. (2017), inbound and outbound transactions in the current sample have a higher deal value and are more often paid with cash. Bidding companies from 2002 on have lower capital expenditures combined with higher intangible assets, probably due to changing business models and less fixed assets dependency. Further, bidding firms have higher international sales as markets became more international, too. Remarkable difference between outbound and inbound transactions is the increase in profitability of German bidders and the decrease in the market-to-book value after the introduction of the reforms which we do not observe in inbound transactions. A lower market-to-book ratio could be interpreted as lower growth opportunities or at least lower growth expectations by capital market participants for these firms. Alternatively, a high market-to-book value can be interpreted as some sort of overvaluation by the capital market. This could be the case here as the time before the introduction of the reforms includes the period of the new economy bubble which evoked very euphoric price movements at the German stock exchange. We do not observe that development for foreign bidders acquiring German targets. In German domestic transactions we find likewise a decrease in capital expenditures and an increase in intangible assets after the introduction of the reforms which may be attributable to economic changes and technological developments. Like German outbound acquisitions, domestic transactions reveal a lower market-to-book value for the bidding company. The other analyzed variables, on average, do not change significantly in our sample after the introduction of the reforms.

Regarding valuation effects we do not observe changes in size with the introduction of the reforms. On average, outbound and inbound transactions with a German company involved reveal a positive but insignificant cumulative abnormal return of one percent in the three-day event window for the bidding company's shareholders. However, from 2002 on abnormal returns for foreign bidders bidding for a German target are statistically highly significant, supporting our hypothesis **H1a**, whereas for German bidders acquiring abroad they stay insignificant, which is not supporting our hypothesis **H1b**. With respect to significance, the same holds for the longer 41-day event window, the shareholders of foreign bidders receive significant positive abnormal returns after the introduction of the labor market reforms; shareholders of German outbound transactions do not. Thus, the findings for German inbound deals are in support of our hypothesis **H2a** and in line with the results of Alexandridis et al. (2017) who find positive abnormal returns for bidders for the US market of corporate control in the recent past. Our results for German acquiring firms are in line with the ones of Bassen et al. (2010) but in contrast to Martinez-Blasco et al. (2018) and not in line with our hypothesis (**H2a**) as we expected to find overall positive abnormal returns in German inbound as well as in outbound transactions. The long-run financial performance up to one year subsequent to the deal announcement shows significantly negative returns accruing to inbound and outbound acquirer shareholders before the introduction of the reforms which is in line with the vast majority of studies (e.g. Agrawal et al., 1992; Andrade et al., 2001; Martynova and Renneboog, 2008b). It seems that the initial expected synergies are overestimated, and the overestimation is only gradually corrected so that we observe a negative long-run performance. After the introduction of the labor market reforms we observe less negative abnormal returns in the long run for the shareholders of the bidding company. However, they are statistically significant only for the foreign acquirers of German targets. German outbound acquisitions do no longer reveal significant abnormal returns in the long run (significant -17% vs. insignificant -3%). Thus, these transactions must have changed

around the introduction of the labor market reforms. We will get more insight into it in the regression analysis.

German domestic transactions reveal a positive abnormal return for the shareholders of the bidding party of about one percent (insignificant) before and two percent (significant) after the introduction of the reforms and are in line with the findings of Martynova and Renneboog (2006) and Mager and Meyer-Fackler (2017). Thus, we find support for our hypothesis **H2b** only for the period before the introduction of the reforms. However, the difference between the returns for the two periods is not significant. Comparing the long-run financial performance of German domestic deals we observe a tremendous change as before 2002 the bidding company's shareholders receive highly significant abnormal returns of about -31% whereas after the introduction of the reforms only insignificant (negative) returns are accrued to these shareholders. Accordingly, only the findings for German domestic deals after the introduction of the reforms are in line with the results of Mager and Meyer-Fackler (2017) who find insignificant abnormal returns for German bidders. As the introduction of the reforms may not be the reason for the observed changes in German domestic transactions we expect to find other explanations in the regression analysis.

4.2 Multivariate Results

4.2.1 Determinants of Abnormal Returns around the Announcement

To identify the determinants of the announcement effects for the bidding company we construct a cross-sectional OLS regression model (Table 5). We use bidder announcement returns CAR (-1, +1) as dependent variable and deal and bidder characteristics as explanatory variables. As not every variable is available for every company we apply a reduced model in addition to the full regression model. We do so in each constellation, inbound, outbound, and

domestic, skipping the two variables market-to-book ratio and intangible assets as these two variables reduce the sample size substantially. These two variables can be interpreted as the bidder's growth opportunities.

<*Table 5*>

The results support our univariate findings in that foreign bidders acquiring German companies earn significant positive abnormal announcement returns after the introduction of the reforms. The coefficient for *Job* is about six percent and highly significant in the reduced model as well as in the full model. Confirming our hypothesis **H1a** it seems that foreign bidders get more value for money after the introduction of the reforms. We interpret these findings as German M&A targets being relatively cheap from a foreign perspective. High international sales also have a positive impact on the foreign bidder's announcement returns. This seems quite intuitive as an international operating company should benefit more from international acquisitions. However, the coefficient for the cash-only payment is negative and highly significant. Transactions paid in cash only reveal an about two percentage point lower abnormal return for the shareholders of the foreign bidding firm. In accordance with our hypothesis **H3**, it seems that capital market participants would have favored a risk sharing strategy between bidder and target shareholders in a cross-border transaction paid with stock instead of cash. An increased use of stock in riskier cross-border deals would be consistent with the optimal reaction of the acquirer to avoid overpayment already found by Huang et al. (2016) and in line with Alexandridis et al. (2013). Further, shareholders of larger foreign companies bidding for a German target receive significantly lower abnormal returns around the announcement date as size of the bidder is negative and significant. This result is consistent with our hypothesis **H4** and Moeller et al. (2004) who argue that large firms often offer larger premiums to target shareholders than small firms and thus, bidder's shareholders receive lower synergy gains. That larger companies are capturing smaller abnormal returns is

also in line with managerial hubris playing a more important role in M&A decisions of large firms. Interestingly, we do not find differences in the complete sample with respect to the public status of the company and thus cannot confirm the results of Draper and Paudyal (2006) or Martynova and Renneboog (2011) in the context of cross-border transactions.

<Table 6>

To get a deeper understanding of our results we construct two subsamples and contrast them with the original results (model I and II) for the full sample (Table 6). The first one includes only bidders from European countries that do not introduce the euro as their currency (model III and IV). Here, we do not observe significant higher announcement returns after the introduction of the reforms. In the second subsample we focus on the UK and the US (model V and VI) as these two countries represent more than half of the observations and, in contrast to most European countries, share the common law system. In that constellation we do observe a significant *Job* coefficient in our model and further find that these results are driven mainly by the UK (not tabulated). We interpret the results from these two subsamples as bidders from the UK and the EMU being the ones that benefit the most from the introduction of the single European currency and the concurrent undervaluation of the German euro based on low wages.

With respect to outgoing transactions, German bidders going abroad apparently do not suffer from the German undervaluation in the short run as the variable *Job* does not show any significance. They do not benefit, either. Thus, we do not find support for our hypothesis **H1b** in our regression analysis. We do find evidence for return on assets positively influencing announcement returns of German bidders acquiring abroad. It seems that the capital market only appreciates M&A announcements if the bidding company has sound financials and is not in trouble itself. As already observed in inbound transactions and in support of our hypothesis **H4**, we also do find a negative association with the announcement returns in outbound

transactions for the size of the bidding firm. If the German bidding firm is an only recently listed company capital market participants appraise this announcement of external growth positively as the short-term announcement effect is significantly higher in outbound transactions for IPO firms which is according to our hypothesis **H5** as well as with existing literature. All other variables do not show any significance in German outbound transactions so we do not find support for our hypothesis **H3** regarding the method of payment in German outbound transactions.

<Table 7>

We also construct two subsamples for the outbound transactions (Table 7). The first one, again, includes only bidders from European countries that do not introduce the euro as their currency (model III and IV). In the second subsample we focus on the UK and the US (model V and VI). In both subsamples we do not observe significant lower announcement returns after the introduction of the reforms and interpret these findings in that German bidders neither seem to suffer nor do they benefit from the German euro undervaluation after the introduction of the labor market reforms when acquiring abroad. Eventually, deals that would suffer from a German undervaluation of the euro may not take place at all as these negative net present value investments generally should not be realized.

As expected, bidders in German domestic transactions do not seem to benefit from the introduction of the labor market reforms. Nevertheless, bidder's shareholders benefit from the M&A announcement if the target is a high tech company. The highly significant coefficient for *High Tech Target* is about ten percent in the reduced and in the full model where we control for the bidder's growth opportunities. All other variables do not seem to have a significant impact on the abnormal returns around the announcement of German domestic M&A transactions so we cannot confirm the findings of the existing literature regarding

determinants of bidder's shareholders announcement effects according to our hypotheses **H4** and **H5** in German domestic transactions.

4.2.2 Determinants of Abnormal Returns in the long run

To detect determinants for the long-run performance of the bidding company up to one year after the announcement we apply the Buy-and-Hold framework (Table 8). We use the bidder announcement returns BHAR (+1, +250) as dependent variable and deal and bidder characteristics as explanatory variables. Again, we construct a reduced model in addition to the full regression model skipping the two variables market-to-book ratio and intangible assets as these two reduce the sample size substantially.

<Table 8>

Regarding the regression results for the inbound transactions between foreign bidder and German target we only find one significant variable in our model. The significant coefficient for the variable *IPO* indicates that if the bidding company is an only recently listed company the share price in the first year after the announcement is underperforming established firms, which is in line with the results for the US of Brau et al. (2012) who report that acquiring IPO firms underperform non-acquiring IPO firms. These results are also supported by the results of Bessler et al. (2015b) who report a negative performance of first-year acquiring IPO firms. Further, we do not find that the introduction of the reforms affected the long-run performance of the foreign bidding company.

<Table 9>

Again, we construct two subsamples (Table 9) to get a clearer picture of our results. The subsamples are constructed as above; the first including only bidders from European

countries that do not introduce the euro as their currency (model III and IV) and the second subsample focusing on the UK and the US (model V and VI). Only in model III and IV we find some evidence for inbound bidders benefitting from acquiring private targets instead of publicly listed companies in the long run. While we do not find similar results for the short-term announcement effects we here argue with the private target discount hypothesis (Officer, 2007; Masulis and Simsir, 2018) in that bidders from outside the EMU but member of the EU are rewarded for taking the risk of buying a company for which limited information is publicly available. In both subsamples we do not find differences regarding the *Job* variable. Thus, we do not find evidence for the introduction of the reforms affecting the long-run performance up to one year after an M&A announcement.

In contrast, German outbound transactions do seem to suffer from the introduction of the reforms. In this constellation, we find that the coefficient for the variable *Job* is negative at the five percent significance level in the reduced model as well as in the full model. It seems that German companies are not suffering from the German "undervaluation effect" in the short run but rather in the long run. In contrast, shareholders of a German company acquiring a firm abroad receive higher returns in the long run if the bidding party has higher returns on assets. A return on assets of one percentage point more should, all else equal, more than double the abnormal returns in the year subsequent to the announcement. Accordingly, as we no longer observe a negative long-run performance after the introduction of the reforms for outbound transactions we argue that the higher profitability of firms more than outweighs the negative effect resulting from the reforms and the concurrent euro undervaluation. In addition, we find evidence for the interaction term *Cash only*Same Industry* having a positive impact on the long-run performance. We argue that transactions paid with cash forcing existing shareholders of the target to leave the firm in combination with transactions in the same industry increase the bidder's market share in one specific industry and thus, generate

higher profits for the bidding company and its shareholders. Realizing scale and scope economies, it even could lead to monopoly-like structures. Further, paying cash leads to the bidding firm taking the risk alone but also the benefits of the acquired assets if the transaction turns out to be a profitable venture. The latter should be the case here and the results are consistent with the findings of Loughran and Vijh (1997), Savor and Lu (2009), and Fu et al. (2013) who report that cash-financed deals earn significantly higher returns than equity-financed ones in the long run. Finally, we find a significant (negative) coefficient for the squared *GDP growth* indicating that there is something like an optimal range of growth in the home economy that is stimulating the post-merger financial performance represented in an inverted U-shape.

<Table 10>

As already done in the inbound transactions, we construct two subsamples for the outbound transactions equivalent to those described above (Table 10). In contrast to the full model (model I and II), we do not find evidence for the variable *Job* negatively affecting the long-run performance of the German bidder in both subsamples (models III to VI). It seems that German companies do not generally suffer from the German undervaluation in the long run. As we argue that the higher profitability of firms more than outweighs the negative effect resulting from the reforms and the concurrent undervaluation in the full model we now interpret this negative long-run performance to be driven by less profitable bidders buying companies within the EMU and thus, suffering from higher unit labor costs in the acquired companies which also should lower the originally expected gains.

Analyzing the long-run announcement effects for German domestic transactions we find that the coefficient for *High Tech Target* of the bidding company is positive and significant. Together with the finding that this variable is positively associated with short-term announcement effects, we interpret this result in that a consolidation in the high tech industry

is perceived positively in German domestic M&As also in the longer run. Finally, we do not find that relative size between target and bidder has an impact on the long-run performance. This is in contrast to the findings of Moeller et al. (2004) who find that the market evaluates the transaction positively if the target is much smaller than the bidding company.

4.2.3 Determinants of Going Abroad

As discussed in the literature review, empirical evidence suggests that there are several factors that determine or at least influence the choice of going abroad in an M&A transaction. In this section we implement a probit model to analyze the effect of the introduction of the German labor market reforms on the likelihood for a German target being acquired by a foreign company (Table 11) and a German acquiring company buying a target abroad (Table 12), respectively. In the different models and subsamples we control for deal and bidder characteristics that also may explain firms acquiring abroad. Because deal and bidder characteristics are not available for the entire sample, we apply a reduced model in addition to each full model like already introduced in the OLS regressions.

<Table 11>

Regarding German inbound transactions (Table 11), the introduction of the reforms does not make it more likely for a German firm being targeted by a foreign bidder as we do not find significance for the *Job* coefficient in our models I and II for the complete sample. The undervaluation of the German euro caused by labor market reforms may result in relatively cheaper German targets but it may not change the investment behavior of foreign bidders. However, German targets are more likely to be targeted by foreign companies if they are operating in the same industry. Further, we observe a positive association between the likelihood of being targeted by a foreign firm and the target being a private company as the

coefficient *Public Target* is negative and highly significant, supporting our univariate results. This may be explained by the fact that private companies with less complex structures in general are easier to take over rather than by the private target discount hypothesis. We will pick this topic up again in the robustness checks section further down. We also find a positive relation between the transaction being settled in cash-only and the likelihood for a German company being bought by a foreign firm. We argue that a foreign company in that way, instead of a risk sharing approach through equity settlement, is seeking control over the acquired assets and the acquired know-how as the original shareholders of the target firm are paid off and leave the company. The coefficient for capital expenditures *CAPEX Bidder* is negative and highly significant supporting our hypothesis **H7a** and indicating that it is more likely for a German target company to be targeted if the bidding company did not invest in (fixed) assets in the recent past but is trying to catch up delayed investment with the help of foreign direct investments or, alternatively, substituting own R&D with external growth through M&A. Our results further provide evidence that, on average, it is more likely that a German firm is targeted by a foreign company if the bidding company has high international sales. This is quite intuitive as larger firms often are also the companies that are operating more internationally. We find weak evidence for our hypothesis **H7b** in that the coefficient of *GDP growth* for the foreign bidder shows significance at the ten percent level suggesting that the home economy is not a major driver for German inbound acquisitions.

In addition, we again construct two subsamples. In the first one (model III and IV) we only take bidders from European Union countries without the euro currency into account. These are peripheral countries from Europe. In the second subsample (model V and VI) we restrict foreign bidders being UK and US companies as these two countries represent more than half of the observations. While most of the results remain the same, we now find significance for the negative *Job* coefficient in the subsample of the European non-EMU

countries (model III and IV). This seems intuitive as we observed no (positive) significance regarding the *Job* variable with respect to announcement returns for that subsample above (Table 6, model III and IV). We interpret these findings in that those German firms less likely being targeted by these countries as they may not perceive the German euro undervalued and thus, benefit less from the reforms. Further, especially the years after the crisis have shown a strong home-bias on capital markets (Bley and Weber, 2017). Additionally, these M&A transactions may be limited due to regulatory restrictions and protectionist measures of national governments (Aktas et al., 2007; Ceriello, 2017).

<Table 12>

For German bidders (Table 12), our findings support the idea that companies seem to go abroad in order to expand market share apart from the home market. As already observed for the bidding firm in German inbound transactions, we find that it is more likely that a German bidder acquires abroad if the bidder itself is a large company with high international sales. The coefficient for the interaction term *Cash only*Same Industry* is also positive and significant (at the ten percent level). We interpret these findings as the bidder's possibility to expand market share on the spot abroad with the help of a foreign target company of the same industry. The findings are also supported by the univariate results as we saw German bidders bidding for foreign targets being larger and having higher international sales than their domestic counterpart. We find no sufficient evidence for the introduction of the reforms having an impact on the likelihood of a German bidder to go abroad as the coefficient *Job* is insignificant. We explain this result with the fact that the target firms are located in countries which kept their currency and thus, a potential undervaluation of the German euro within the EMU should not affect the buying behavior of German companies. Interestingly, growth potential indicated by a high market-to-book ratio and high intangible assets also does not seem to have a larger impact for German bidders going abroad as the coefficients for these

two variables do not have any significance in the complete sample. The same holds for the coefficient *GDP growth* suggesting that the home economy is not a driver for German bidders going abroad. Further, we find that it is less likely for a German bidder to buy abroad if the acquirer went public in the New Economy period in Germany. We argue that in that time a market consolidation took place domestically in the first place.

We also construct two subsamples for German bidders. The first subsample (model III and IV) excludes the counterparty having the euro currency that is, including only non-EMU countries, not only from the European Union but from all over the world. As before, the second subsample (model V and VI) is again the concentration on the UK and the US. While most of the results qualitatively stay the same, also the variable *Job* remains insignificant in these constellations. We expected this outcome and argue that these transactions were mainly conducted between German bidders and target companies from countries that do not perceive a drastic change in the real effective exchange rates.

4.3 Further Robustness Checks

An alternative explanation for the increase in the bidder's announcement returns beginning 2002 is the private target discount hypothesis (Officer, 2007; Masulis and Simsir, 2018). Besides the target's need for liquidity it is argued that due to less publicly available information and the accompanied higher uncertainty the bidder is less likely to overpay and more likely to receive a bargain and in that way resulting in higher announcement returns for the bidder. In fact, the proportion of private targets is higher in the second period, increasing from 82% to 86%. For that reason, the variable *Public Target* has been included in all regression analyses and for one inbound subsample for the BHAR returns (Table 9) we see a significant coefficient indicating that acquirers of private targets receive higher buy-and-hold abnormal returns in the course of one year after the acquisition in that specific constellation.

Because the variable *Public Target* is highly significant (and negative) in the inbound probit regressions, we separately run the regression again but this time only including private targets to isolate the effect of our variable of interest. The results (not tabulated) remain qualitatively the same in that our variable of interest remains highly significant for the subsample of Non-EMU bidders acquiring a German company. Having included year fixed effects to control for changes over time we thus argue that the private target discount hypothesis is not the driver behind our results. Instead, less favorable conditions surrounding real effective exchange rates and unit labor costs are likely to have explanatory power in accordance with our hypothesis (**H1a**).

As additional robustness check, we exclude the period of the last financial crisis (2008 and 2009) in our regression analysis as capital markets were quite unstable during these years and announcement returns of European acquisitions could have been affected by the financial crisis and the global recession (Nicholson and Salaber, 2014). The results can be found in the appendix (Tables A.2-A.7). However, in all models the results qualitatively stay the same so we do not discuss them once more. For similar reasons we further run all regressions without the period of the new economy bubble. In Germany, the "Neuer Markt" attracted many companies from the internet, biotechnology, and telecom industry listing on the stock exchange in Frankfurt between 1997 and 2002 with the first shares traded on March 10, 1997 (Bessler and Schneck, 2016). In this very special period many European countries opened "new market" segments in the late 1990s offering financing opportunities for small growth companies while having low listing requirements. However, after a very bullish market sentiment and excessive valuations with a peak in March 2000 share prices of "Neuer Markt" IPOs declined substantially. Due to market scandals and the failure of several obviously not yet market-ready companies the market was closed officially on June 3, 2003. Likewise, all other European "new markets" closed or merged with other market segments subsequent to

the new economy period (Gajewski and Gresse, 2006). We also saw a peak in the number of transactions with German involvement for that period (Figure 3). In the present (sub)sample, the abnormal returns for the bidder's shareholders around the announcement for inbound transactions remain qualitatively the same – only for Non-EMU bidders the coefficient *Public Target* now is significant indicating that theses bidders benefit from a private target discount (Table A.8). All other significant variables remain significant. Regarding outbound transactions, excluding the turbulent times of the new economy period leads to no longer significant ROA of the bidder and the bidder being a recently listed firm (Table A.9). It seems that market participants appreciated these transactions done by profitable companies or newly listed ones more during the new economy period. The results for our variable of interest remain qualitatively the same. Domestically, we do not observe different results compared to the complete sample and thus, these are not separately tabulated. Turning to the BHAR of the bidding firm we see for the inbound transactions (Table A.10) no qualitative changes except that for all models (I-VI) the variable *Int. Sales Bidder* is now significant. A possible interpretation for this result is that foreign bidders which are already operating internationally (with high international sales) overestimate the potential that could stem from acquiring a German target during the new economy period and thus, underperform firms acquiring outside the new economy period in the year following the transaction closing. For outbound transactions (Table A.11) we see that *High Tech Target* now is significantly negative for the whole subsample and we find some evidence that a German bidder with high capital expenditures underperforms in the year after completion. These findings can be interpreted in that these companies which are typically growth companies are not making wise investment decisions in acquiring a foreign firm during the new economy period. The results for German domestic transactions, again, stay qualitatively the same so they are not reported here. While some of the results for the bidder's CAR and BHAR change when excluding the new economy period, when looking at the probability for a German firm being targeted by a

foreign bidder the regression results remain qualitatively the same (Table A.12). That also holds for our variable of interest as well as for the control variables, thus, we do not interpret them once more. In outbound transactions (Table A.13) we find some evidence that a German firm bidding for a foreign company instead of the domestic counterpart is more likely if it is a transaction which is to be settled in cash only and within the same industry. We interpret these findings in that these transactions are more likely if the bidder has the outlook to a monopoly-like situation and thus, potentially more profit as market share within the industry will increase while buying the former shareholders out of the company. Our variable of interest, however, remains qualitatively the same.

To address potential exposure to real exchange rate risk we take a closer look at whether the involved parties are operating either in import and export related industries or whether they are mostly doing business domestically. This simple differentiation seems reasonable as the largest export industries are also the largest import industries and thus, export depending industries are also depending on import (Statistisches Bundesamt, 2021). Germany, for example, is the largest exporter as well as importer in the automotive industry in recent years, even though parts of this development are driven by import tariffs (Van Biesebroeck and Sturgeon, 2010; Frigant and Zumpe, 2017; Felbermayr and Steininger, 2019). Other highly export and import conducting industries are, for example, the manufacturing and the chemical industry. Accordingly, we construct subsamples for inbound and outbound transactions containing only transactions between firms that both operate in import and export related industries. Further, in the present sample there is no such transaction where only one party is operating in an import and export related industry while the other party is not.

The results of this analysis are different compared to the complete sample in that the coefficients for our variable of interest are higher and we now see it being also positive and

significant for model III and IV in the inbound transactions with a coefficient of over six percent (Table A.14). The shareholders of acquiring firms located in these countries of this subgroup, mainly the UK and Sweden, benefit from bidding for a German firm after the introduction of the German labor market reforms. We argue in accordance with Blonigen (2014) in that these acquired assets generate returns in other currencies than the one used for the acquisition, which in turn leads to an advantage over domestic acquirers for export and import related companies. In contrast, in model V and VI our variable of interest is no longer significant. Dividing this subgroup further (not tabulated), it turns out that the result is driven by US companies. Thus, US bidders do not seem to benefit from acquiring a German firm in the short run in this subsample. Referring to Figure 1 (Panel A) we argue that the US have, despite numerous other differences, comparable unit labor costs like Germany and thus, probably cannot realize synergies through these transactions. While the inbound transactions qualitatively change outbound transactions (Table A.15) do not and are thus, not further discussed here. Our variable of interest remains insignificant in all models for German firms bidding for a foreign company. For the buy-and-hold abnormal returns the results for inbound transactions do not change qualitatively, the significant coefficients remain significant, the insignificant ones insignificant (Table A.16). Interestingly, for outbound transactions our variable of interest is now no longer (negatively) significant (Table A.17). It seems that, when only looking at import and export related industries, German bidders do not underperform in the year following the acquisition of a foreign company and are, thus, not suffering from an "undervaluation effect". Regarding the two probit regressions we do not observe qualitatively changes for the inbound transactions (Table A.18). In contrast, for outbound transactions (Table A.19) our variable of interest now is negative and significant (model I-IV) indicating that German import and export related industry bidders rather stay at home from 2002 on. Dividing the third subgroup (UK & US, model V and VI) further, we see that German bidders also rather acquire at home than bidding for a US company (not tabulated). These results are

also supported by our univariate results and can be seen in Figure 4 in that German domestic acquisitions slightly increase after 2002.

Regarding the sample construction, we re-calculate our regressions with excluding the listed companies which are headquartered in Germany but not listed there. Some companies choose to be listed abroad and consequently have their primary listing in a country different from their original one. This could lead to the circumstance that the company is listed under a foreign currency as well. However, while this exclusion reduced the sample size slightly, the results remain qualitatively the same.

We include the bidder's run-up in the regression analysis of the announcement effects (-41, +1) to capture valuation effect that is due to insider trading or market rumor. In another robustness check we use country fixed effects instead of industry fixed effects. In addition, we re-calculate our regressions without the seven hostile takeover bids. Finally, we test the following alternative variable definitions in the regression analysis. We use (1) the percentage of cash payment instead of an all-cash dummy; (2) debt to enterprise value instead of book leverage (debt to total assets); and (4) the return on equity in place of return on assets. These alternative control variables should not change the results substantially (Leamer, 1983). Our results are robust to all of these alternative definitions and support our findings. In all cases the results qualitatively stay the same and all significant independent variables remain significant so we do not report them. A further subsample focusing on the target firm being an only recently listed company, and thus, being effectively a delayed trade sale (Gill and Walz, 2016), is not analyzed as there are not enough observations (n=17) in the present sample to perform useful regression analyses.

5. CONCLUSION

In this paper we analyzed the introduction of German labor market reforms in 2002 and the impact of the concurrent German euro undervaluation, stemming from low unit labor costs, on M&A transactions. We find that foreign companies bidding for German targets on average receive positive significant abnormal returns of about one percent after the introduction of the reforms in 2002. These foreign bidders buying German companies seem to benefit from the German "undervaluation effect" in that they capture higher abnormal returns around the announcement. In our analyzed subsamples we observe that especially bidders from countries of the European Monetary Union (EMU) and the UK as well as from import and export related industries are receiving higher announcement returns after the introduction of the reforms whereas European Union countries without being part of the EMU, e.g. Sweden, do not. In contrast, we do not find significant abnormal announcement returns over the whole period for German bidders buying abroad. Accordingly, we do not find evidence for the capital market valuation of German outbound transactions being affected by the introduction of German labor market reforms. We argue that M&As resulting in negative net present values simply may not be realized by German bidders.

With respect to inbound transactions we find that the introduction of the reforms seems to make it less likely for a German target being acquired by a bidder from outside the euro zone. This seems reasonable as we also found that bidders from countries like Sweden do not receive positive abnormal returns around the announcement. Interestingly, we find no evidence for the introduction of the reforms affecting the likelihood for a German company to go abroad. It seems that low unit labor costs and the German euro undervaluation neither hinders nor bolsters cross-border transactions of German bidders. What we do find, however, is that the preconditions of a foreign bidder buying a German target differ from the ones of a German company going abroad. German outbound transactions seem to be triggered by high

international sales of the bidding company in the past while German inbound acquisitions are associated with low capital expenditures of foreign companies that seem to substitute own R&D and capital expenditures with foreign direct investments.

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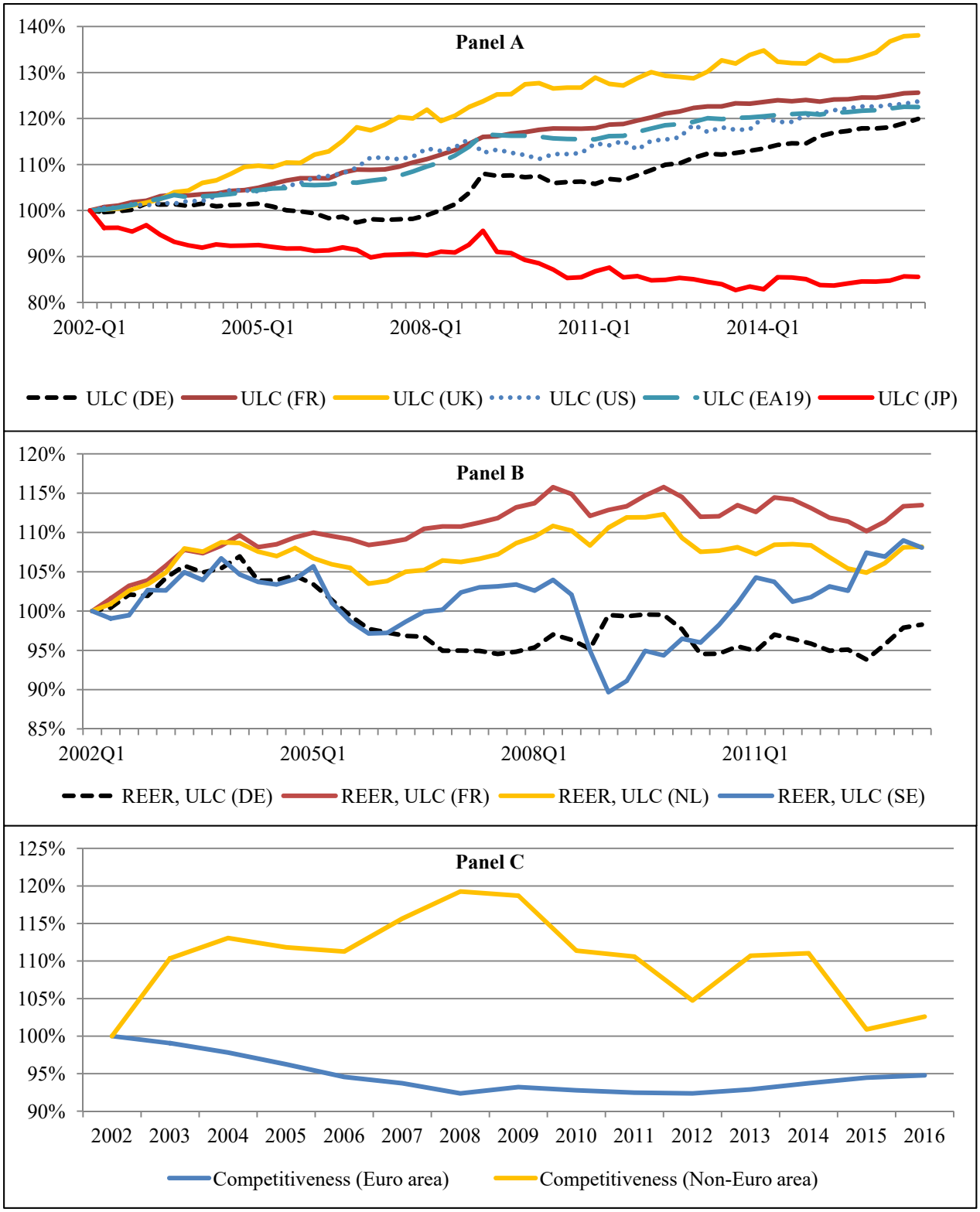
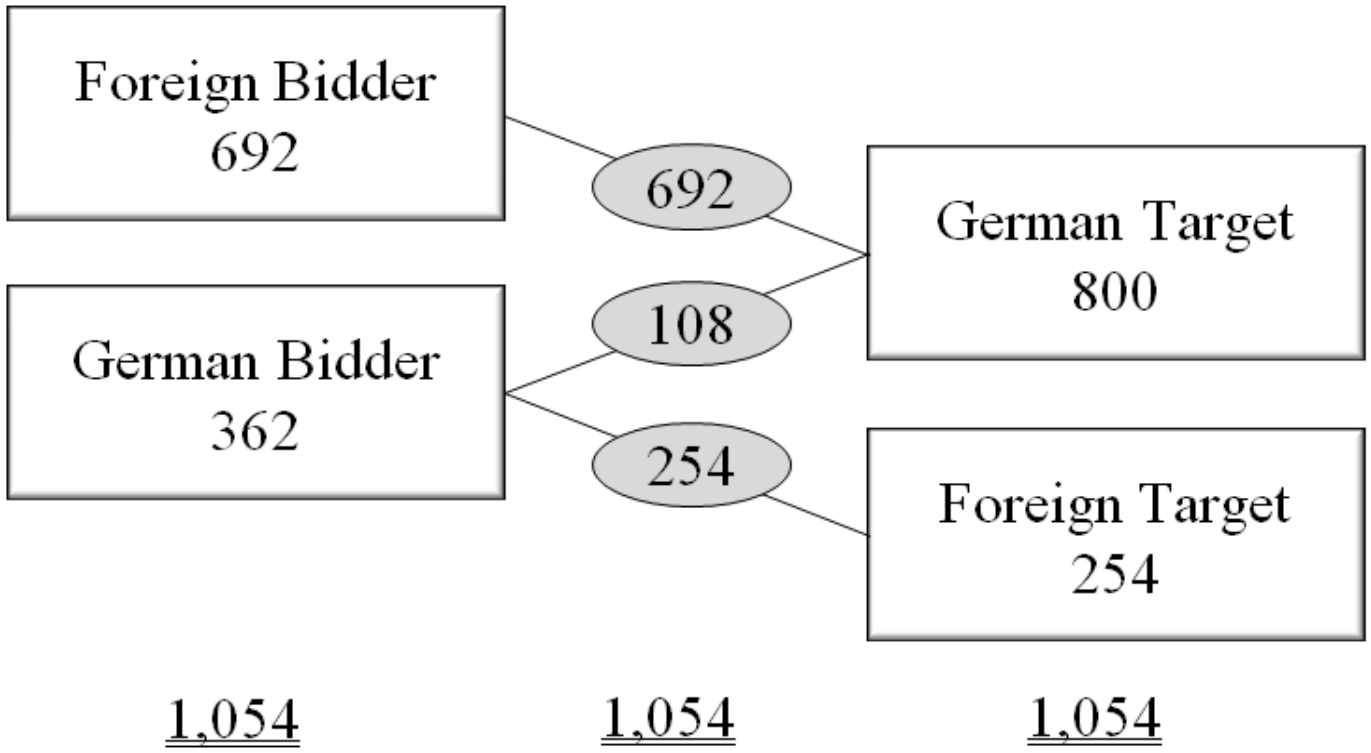
Figure 1: Unit Labor Costs, Real Effective Exchange Rates, and Competitiveness



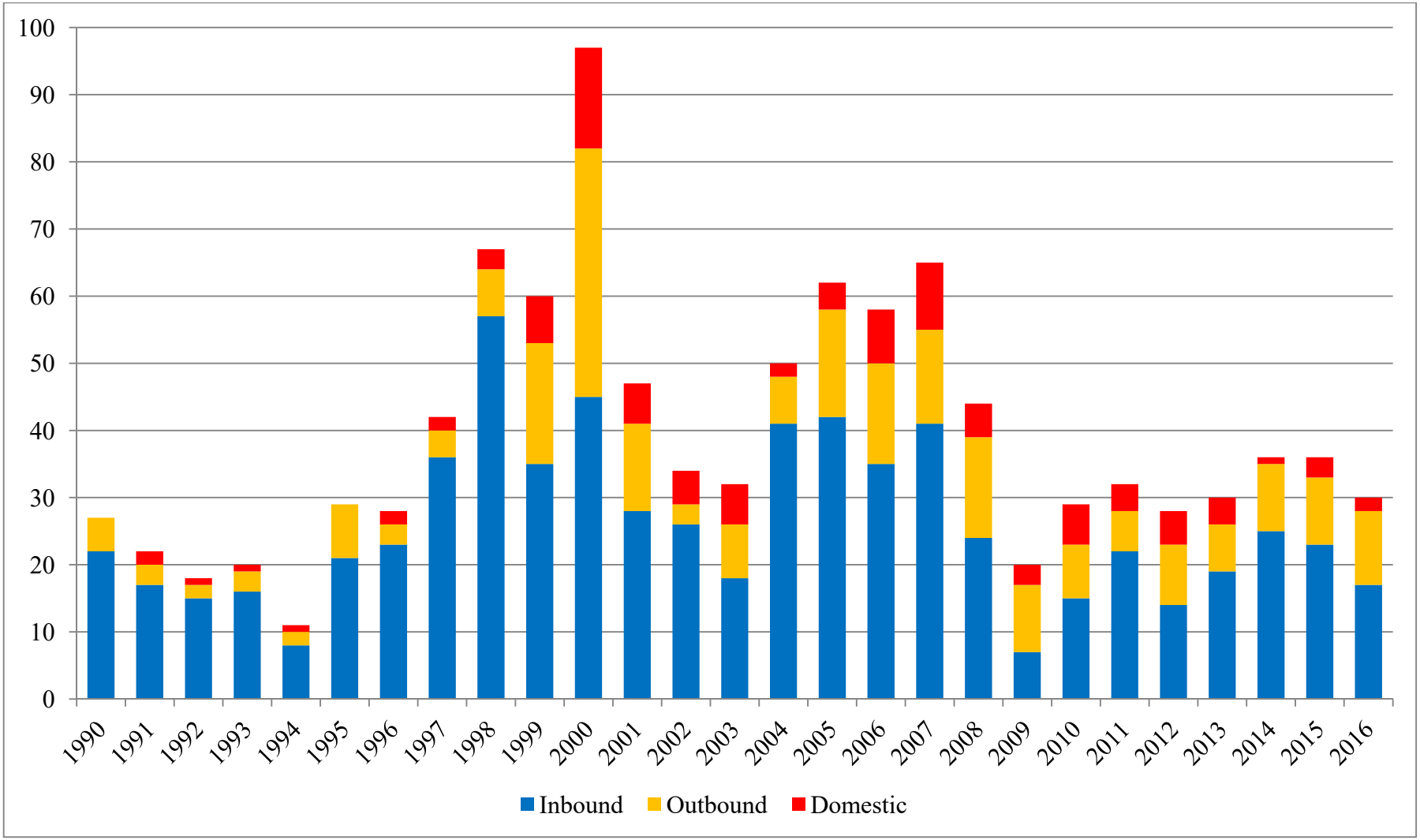
This figure presents the development of unit labor costs (ULC, Panel A), real effective exchange rates (REER, Panel B) based on ULC, and the general competitiveness (Panel C) of Germany against countries of the Euro area and the non-Euro area, respectively. Base date is January 2002. Data comes from the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), and Deutsche Bundesbank.

Figure 2: Sample Distribution



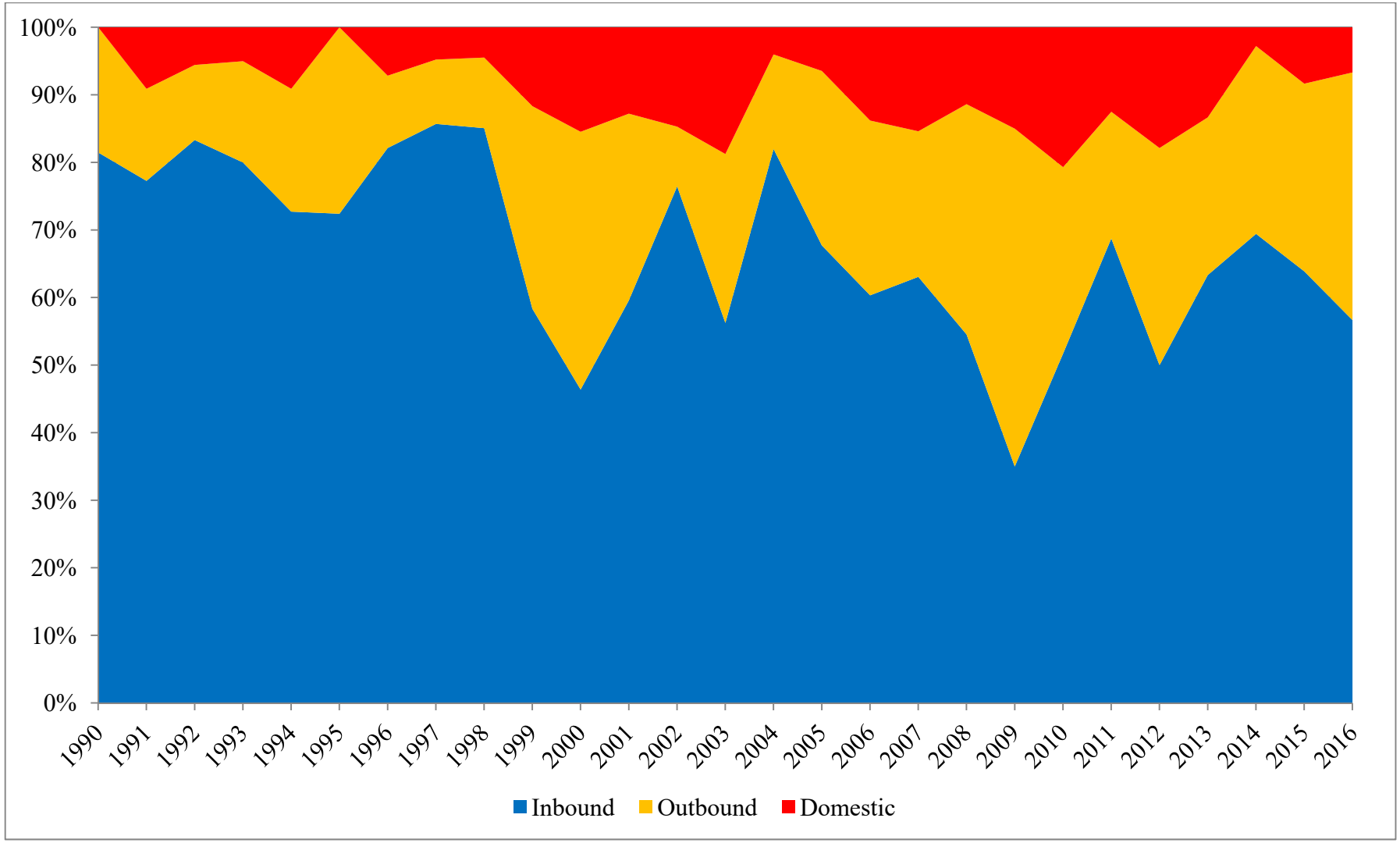
This figure presents the sample distribution showing the three possible combinations, inbound, outbound, and domestic transactions.

Figure 3: Sample Distribution over Time (absolute)



This figure presents the sample distribution (absolute) over time differentiated by inbound, outbound, and domestic transactions.

Figure 4: Sample Distribution over Time (percentage)



This figure presents the sample distribution (percentage) over time differentiated by inbound, outbound, and domestic transactions.

Table 1: Sample Distribution over Time

	Inbound		Outbound		Domestic		
Year	N	%	N	%	N	%	Total
1990	22	81%	5	19%	0	0%	27
1991	17	77%	3	14%	2	9%	22
1992	15	83%	2	11%	1	6%	18
1993	16	80%	3	15%	1	5%	20
1994	8	73%	2	18%	1	9%	11
1995	21	72%	8	28%	0	0%	29
1996	23	82%	3	11%	2	7%	28
1997	36	86%	4	10%	2	5%	42
1998	57	85%	7	10%	3	4%	67
1999	35	58%	18	30%	7	12%	60
2000	45	46%	37	38%	15	15%	97
2001	28	60%	13	28%	6	13%	47
2002	26	76%	3	9%	5	15%	34
2003	18	56%	8	25%	6	19%	32
2004	41	82%	7	14%	2	4%	50
2005	42	68%	16	26%	4	6%	62
2006	35	60%	15	26%	8	14%	58
2007	41	63%	14	22%	10	15%	65
2008	24	55%	15	34%	5	11%	44
2009	7	35%	10	50%	3	15%	20
2010	15	52%	8	28%	6	21%	29
2011	22	69%	6	19%	4	13%	32
2012	14	50%	9	32%	5	18%	28
2013	19	63%	7	23%	4	13%	30
2014	25	69%	10	28%	1	3%	36
2015	23	64%	10	28%	3	8%	36
2016	17	57%	11	37%	2	7%	30
Total	692	66%	254	24%	108	10%	1,054

This table presents the sample distribution over time differentiated by inbound, outbound, and domestic transactions.

Table 2: Sample Distribution across Countries

Inbound			Outbound		
Acquirer Nation	N	%	Target Nation	N	%
United States of America	234	34%	United States of America	89	35%
United Kingdom	194	28%	United Kingdom	42	17%
Sweden	27	4%	France	17	7%
Canada	25	4%	Netherlands	8	3%
France	20	3%	Switzerland	8	3%
Finland	19	3%	Austria	7	3%
Australia	18	3%	Norway	7	3%
Netherlands	18	3%	Italy	6	2%
Switzerland	16	2%	Belgium	5	2%
Japan	13	2%	Canada	5	2%
Republic of Ireland	13	2%	China	4	2%
Italy	11	2%	Czech Republic	4	2%
Norway	10	1%	Hong Kong	4	2%
Belgium	9	1%	Spain	4	2%
Denmark	7	1%	Sweden	4	2%
Israel	7	1%	Brazil	3	1%
Austria	6	1%	Denmark	3	1%
China	6	1%	India	3	1%
India	6	1%	Taiwan	3	1%
RoW	33	5%	RoW	28	11%
Total	692	100%	Total	254	100%

This table presents the sample distribution differentiated by the origin of the bidding company (inbound) and the target's country (outbound), respectively.

Table 3: Descriptive Statistics (Panel A)

	Inbound		Outbound		Domestic				
	(1)		(2)		(3)		(2)-(1)	(2)-(3)	(1)-(3)
	N	Mean	N	Mean	N	Mean	Diff.	Diff.	Diff.
Deal Value (ln)	692	3.02	254	4.10	108	3.13	**1.08*****	**0.97*****	-0.11
Relative Size	586	0.15	224	0.16	95	0.38	0.00	**-0.23*****	**-0.23*****
Hostile	692	0.00	254	0.02	108	0.01	**0.02*****	0.01	-0.01
Cash only	692	0.43	254	0.38	108	0.27	-0.05	**0.11****	**0.17*****
Same Industry	692	0.43	254	0.43	108	0.32	-0.01	**0.11***	**0.11****
High Tech Target	692	0.30	254	0.32	108	0.38	0.02	-0.06	**-0.08***
Public Target	692	0.08	254	0.34	108	0.21	**0.26*****	**0.13****	**-0.13*****
Market Cap. Bidder (ln)	586	13.24	224	14.34	95	12.52	**1.10*****	**1.82*****	**0.72*****
Leverage Bidder	611	0.19	243	0.17	105	0.15	-0.02	0.02	**0.04****
Return on Assets Bidder	583	0.04	240	0.02	100	0.03	-0.02	0.00	0.01
Cash Holdings Bidder	612	0.19	243	0.19	105	0.24	0.00	**-0.05****	**-0.05****
CAPEX Bidder	601	0.05	241	0.05	105	0.05	0.00	0.00	0.00
Int. Sales Bidder	525	0.48	196	0.56	71	0.39	**0.08*****	**0.17*****	**0.09****
MTBV Bidder	546	3.37	211	3.31	92	3.19	-0.06	0.11	0.18
Intang. Assets Bidder	583	0.19	241	0.21	102	0.19	0.02	0.02	0.00
Bidder Run-up (-41, -1)	631	**0.02****	246	**0.03*****	107	0.02	0.02	0.01	0.00
Bidder CAR (-41, +1)	631	**0.03*****	246	**0.04*****	107	0.03	0.01	0.01	0.00
Bidder CAR (-20, +20)	634	**0.01***	246	**0.02***	107	**0.05*****	0.01	-0.03	**-0.03***
Bidder CAR (-1, +1)	631	**0.01*****	246	**0.01***	107	**0.02****	0.00	-0.01	-0.01
Bid. BHAR (+1, +250)	631	**-0.07*****	246	**-0.09*****	107	**-0.08***	-0.02	-0.01	0.01

This table presents univariate comparisons of all deal and bidder variables. The table compares the mean characteristics of deals in the period 1990-2016 for the full sample differentiated by inbound, outbound, and domestic deals. Significance of the difference in mean is based on a two-sample t-test. The significance of the difference in the dummy variables is tested with a difference of proportion test (z-statistic). ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 4: Descriptive Statistics (Panel B)

	Inbound					Outbound					Domestic				
	Pre-*Job*		*Job*			Pre-*Job*		*Job*			Pre-*Job*		*Job*		
	N	Mean	N	Mean	Diff.	N	Mean	N	Mean	Diff.	N	Mean	N	Mean	Diff.
Deal Value (ln)	323	2.82	369	3.19	0.37***	105	3.82	149	4.29	0.47	40	3.25	68	3.05	-0.20
Relative Size	241	0.15	345	0.16	0.01	77	0.14	147	0.16	0.02	30	0.48	65	0.34	-0.14
Hostile	323	0.00	369	0.00	0.00	105	0.04	149	0.01	**-0.03***	40	0.00	68	0.01	0.01
Cash only	323	0.35	369	0.51	**0.16*****	105	0.25	149	0.48	**0.23*****	40	0.20	68	0.31	0.11
Same Industry	323	0.43	369	0.44	0.01	105	0.44	149	0.42	-0.02	40	0.33	68	0.32	0.00
High Tech Target	323	0.30	369	0.30	0.01	105	0.32	149	0.32	0.00	40	0.38	68	0.38	0.01
Public Target	323	0.11	369	0.06	**-0.05****	105	0.37	149	0.32	-0.06	40	0.25	68	0.19	-0.06
Market Cap. Bidder (ln)	241	13.10	345	13.33	0.22	77	14.46	147	14.27	-0.19	30	12.68	65	12.44	-0.24
Leverage Bidder	254	0.20	357	0.18	**-0.03***	95	0.18	148	0.16	-0.02	37	0.17	68	0.13	-0.04
Return on Assets Bidder	231	0.04	352	0.04	0.00	94	-0.01	146	0.05	**0.06*****	34	0.01	66	0.04	0.03
Cash Holdings Bidder	254	0.18	358	0.19	0.01	95	0.20	148	0.19	-0.01	37	0.26	68	0.22	-0.04
CAPEX Bidder	247	0.06	354	0.04	**-0.03*****	93	0.08	148	0.03	**-0.05*****	37	0.07	68	0.04	**-0.03*****
Int. Sales Bidder	209	0.41	316	0.52	**0.11*****	64	0.49	132	0.59	**0.11*****	19	0.33	52	0.40	0.07
MTBV Bidder	216	3.69	330	3.16	-0.53	73	5.38	138	2.21	**-3.17*****	27	5.39	65	2.28	**-3.11*****
Intangible Assets Bidder	232	0.10	351	0.25	**0.14*****	93	0.13	148	0.27	**0.14*****	35	0.13	67	0.22	**0.09****
Bidder Run-up (-41, -1)	276	0.02	355	**0.02*****	0.01	100	**0.04****	146	**0.03*****	-0.01	39	0.04	68	0.01	-0.03
Bidder CAR (-41, +1)	276	**0.02****	355	**0.03*****	0.01	100	**0.04****	146	**0.03*****	-0.01	39	0.04	68	0.02	-0.02
Bidder CAR (-20, +20)	277	0.00	357	**0.02*****	**0.03***	100	0.03	146	0.01	-0.01	39	0.01	68	**0.07*****	**0.06***
Bidder CAR (-1, +1)	276	**0.01***	355	**0.01*****	0.00	100	0.01	146	0.01	-0.01	39	0.01	68	**0.02*****	0.01
Bidder BHAR (+1, +250)	276	**-0.10*****	355	**-0.04****	**0.06****	100	**-0.17*****	146	-0.03	**0.14*****	39	**-0.31*****	68	0.05	**0.36*****

This table presents univariate comparisons of all deal and bidder variables. The table compares the mean characteristics of deals in the period 1990-2016 for the full sample differentiated by inbound, outbound, and domestic deals as well as the introduction of the labor market reforms (*Job*). Significance of the difference in mean is based on a two-sample t-test. The significance of the difference in the dummy variables is tested with a difference of proportion test (z-statistic). ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 5: OLS Regressions on Bidder's Cumulated Abnormal Return (CAR)

OLS Regression	Inbound		Outbound		Domestic	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**0.0642*****	**0.0570*****	0.0057	0.0082	-0.1623	-0.0829
	[3.6807]	[3.7771]	[0.1786]	[0.2249]	[-1.3233]	[-0.6325]
Relative Size	-0.0087	-0.0142	-0.0122	-0.0126	0.0111	0.0063
	[-0.7957]	[-1.3004]	[-0.5422]	[-0.5165]	[0.7207]	[0.3918]
Same Industry	-0.0100	-0.0064	-0.0063	-0.0081	-0.0274	-0.0226
	[-1.5140]	[-1.0058]	[-0.6147]	[-0.7991]	[-0.8175]	[-0.6332]
Cash only	**-0.0227*****	**-0.0229*****	0.0091	0.0041	-0.0006	0.0025
	[-3.7696]	[-3.7531]	[0.6982]	[0.3341]	[-0.0162]	[0.0605]
Cash only*Same Industry	-0.0101	-0.0088	-0.0050	-0.0092	**0.0598***	**0.0644***
	[-1.2612]	[-1.1047]	[-0.3866]	[-0.6489]	[1.7973]	[1.9352]
High Tech Target	-0.0070	-0.0051	0.0010	-0.0028	**0.0991*****	**0.0968*****
	[-0.8750]	[-0.6913]	[0.0687]	[-0.1736]	[4.0434]	[3.7635]
Public Target	0.0002	0.0007	-0.0100	-0.0104	**-0.0402***	-0.0270
	[0.0183]	[0.0826]	[-0.9101]	[-0.9213]	[-1.8387]	[-1.0828]
Market Cap. Bidder (ln)	**-0.0035****	**-0.0046*****	**-0.0086****	**-0.0072***	-0.0086	-0.0165
	[-2.0562]	[-2.6338]	[-2.3739]	[-1.9648]	[-0.7869]	[-1.2916]
Leverage Bidder	-0.0171	-0.0203	-0.0417	-0.0503	-0.0858	-0.1113
	[-0.9306]	[-1.1008]	[-0.8922]	[-0.9619]	[-0.9252]	[-1.1144]
Return on Assets Bidder	-0.0246	-0.0198	**0.1893****	**0.2018*****	0.1829	0.1275
	[-1.1469]	[-0.8962]	[2.3077]	[2.8064]	[1.3444]	[0.8454]
Cash Holdings Bidder	-0.0162	-0.0175	0.0284	0.0475	-0.0510	0.0054
	[-0.8881]	[-0.7822]	[0.7105]	[1.2179]	[-0.7093]	[0.0883]
CAPEX Bidder	0.0593	-0.0044	0.0983	0.1278	0.1280	0.3741
	[1.1705]	[-0.0830]	[0.8861]	[1.2167]	[0.4503]	[1.2621]
Int. Sales Bidder	**0.0171****	**0.0215****	**0.0432***	**0.0450***	0.0701	0.0779
	[2.0088]	[2.4401]	[1.6952]	[1.7649]	[1.4851]	[1.7181]
IPO	-0.0094	-0.0043	**0.0523*****	**0.0547*****	0.0033	0.0316
	[-0.9181]	[-0.3895]	[2.6316]	[2.8405]	[0.0764]	[0.4684]
New Economy Firm			-0.0151	**-0.0288***	0.0114	-0.0106
			[-1.0014]	[-1.8531]	[0.5496]	[-0.3765]
GDP Growth Bidder	-0.0030	-0.0013	-0.0004	0.0030	-0.0221	-0.0045
	[-0.4969]	[-0.2310]	[-0.0595]	[0.5093]	[-1.2862]	[-0.2287]
GDP Growth Bidder²	0.0001	-0.0019	-0.0026	-0.0019	-0.0057	-0.0046
	[0.0367]	[-0.6614]	[-1.2367]	[-0.9925]	[-1.2230]	[-0.9888]
MTBV Bidder		0.0010		**-0.0024***		-0.0066
		[1.2497]		[-1.7205]		[-1.6638]
Intangible Assets Bidder		-0.0260		0.0278		0.0189
		[-1.5271]		[0.7162]		[0.3092]
Constant	**0.0434***	**0.0691*****	**0.0997****	0.0697	0.1852	0.1885
	[1.6681]	[2.7312]	[2.0565]	[1.3368]	[1.0321]	[1.0267]
N	477	447	189	181	66	65
R-squared	0.1660	0.1897	0.2924	0.3349	0.8301	0.8506
Adj. R-squared	0.0660	0.0804	0.0361	0.0646	0.3863	0.3625
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 6: OLS Regressions on Bidder's CAR – Subsamples Inbound

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**0.0642*****	**0.0570*****	0.0231	0.0285	**0.0706****	**0.0615****
	[3.6807]	[3.7771]	[1.1011]	[1.2256]	[2.4489]	[2.4076]
Relative Size	-0.0087	-0.0142	**-0.0160***	-0.0144	-0.0106	**-0.0176***
	[-0.7957]	[-1.3004]	[-1.7366]	[-1.3193]	[-1.0862]	[-1.7893]
Same Industry	-0.0100	-0.0064	-0.0001	0.0002	-0.0147	-0.0095
	[-1.5140]	[-1.0058]	[-0.0093]	[0.0137]	[-1.6069]	[-1.0037]
Cash only	**-0.0227*****	**-0.0229*****	-0.0218	**-0.0231***	**-0.0160****	**-0.0165****
	[-3.7696]	[-3.7531]	[-1.6253]	[-1.7925]	[-2.0716]	[-2.0172]
Cash only*Same Industry	-0.0101	-0.0088	0.0063	0.0047	-0.0005	0.0005
	[-1.2612]	[-1.1047]	[0.4254]	[0.3311]	[-0.0504]	[0.0475]
High Tech Target	-0.0070	-0.0051	-0.0132	-0.0111	-0.0025	-0.0065
	[-0.8750]	[-0.6913]	[-0.7358]	[-0.6241]	[-0.2601]	[-0.6857]
Public Target	0.0002	0.0007	**-0.0327***	-0.0283	-0.0023	0.0011
	[0.0183]	[0.0826]	[-1.8914]	[-1.4519]	[-0.2226]	[0.1012]
Market Cap. Bidder (ln)	**-0.0035****	**-0.0046*****	-0.0044	-0.0032	-0.0033	**-0.0046****
	[-2.0562]	[-2.6338]	[-1.4759]	[-0.9092]	[-1.4569]	[-2.0336]
Leverage Bidder	-0.0171	-0.0203	**-0.0955****	**-0.0956****	-0.0087	-0.0100
	[-0.9306]	[-1.1008]	[-2.5545]	[-2.5820]	[-0.4022]	[-0.4680]
Return on Assets Bidder	-0.0246	-0.0198	0.0247	0.0281	-0.0360	-0.0312
	[-1.1469]	[-0.8962]	[0.5089]	[0.5472]	[-1.4123]	[-1.0977]
Cash Holdings Bidder	-0.0162	-0.0175	-0.0057	-0.0127	-0.0129	-0.0059
	[-0.8881]	[-0.7822]	[-0.1766]	[-0.3009]	[-0.5893]	[-0.1965]
CAPEX Bidder	0.0593	-0.0044	0.0848	0.0587	0.0386	-0.0150
	[1.1705]	[-0.0830]	[1.0797]	[0.6763]	[0.6392]	[-0.2237]
Int. Sales Bidder	**0.0171****	**0.0215****	**0.0486*****	**0.0503*****	0.0163	**0.0209***
	[2.0088]	[2.4401]	[2.8620]	[2.8325]	[1.4347]	[1.7873]
IPO	-0.0094	-0.0043	0.0032	0.0103	0.0047	0.0067
	[-0.9181]	[-0.3895]	[0.1410]	[0.3894]	[0.3567]	[0.4727]
GDP Growth Bidder	-0.0030	-0.0013	-0.0002	-0.0031	0.0055	0.0058
	[-0.4969]	[-0.2310]	[-0.0271]	[-0.3200]	[0.7133]	[0.7641]
GDP Growth Bidder²	0.0001	-0.0019	0.0019	0.0023	0.0004	0.0004
	[0.0367]	[-0.6614]	[0.3172]	[0.3773]	[0.0813]	[0.0699]
MTBV Bidder		0.0010		-0.0008		0.0006
		[1.2497]		[-0.5597]		[0.6818]
Intangible Assets Bidder		-0.0260		-0.0344		-0.0199
		[-1.5271]		[-0.7325]		[-0.8193]
Constant	**0.0434***	**0.0691*****	0.0498	0.0428	0.0408	**0.0690****
	[1.6681]	[2.7312]	[1.4460]	[1.1272]	[1.1977]	[2.0239]
N	477	447	170	167	315	292
R-squared	0.1660	0.1897	0.3741	0.3876	0.1696	0.2021
Adj. R-squared	0.0660	0.0804	0.1111	0.1082	0.0124	0.0285
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 7: OLS Regressions on Bidder's CAR – Subsamples Outbound

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	0.0057	0.0082	0.0021	0.0193	0.0232	0.0300
	[0.1786]	[0.2249]	[0.0604]	[0.4752]	[0.4823]	[0.5899]
Relative Size	-0.0122	-0.0126	0.0063	0.0105	0.0158	0.0135
	[-0.5422]	[-0.5165]	[0.2738]	[0.4178]	[0.5233]	[0.3657]
Same Industry	-0.0063	-0.0081	-0.0153	-0.0209	-0.0172	-0.0328
	[-0.6147]	[-0.7991]	[-1.0299]	[-1.3814]	[-0.7393]	[-1.3781]
Cash only	0.0091	0.0041	0.0087	0.0027	-0.0040	-0.0179
	[0.6982]	[0.3341]	[0.5678]	[0.1887]	[-0.1652]	[-0.8281]
Cash only*Same Industry	-0.0050	-0.0092	-0.0090	-0.0158	-0.0033	-0.0163
	[-0.3866]	[-0.6489]	[-0.5790]	[-0.9727]	[-0.1136]	[-0.5523]
High Tech Target	0.0010	-0.0028	0.0070	0.0029	0.0297	0.0146
	[0.0687]	[-0.1736]	[0.3451]	[0.1378]	[1.4463]	[0.5225]
Public Target	-0.0100	-0.0104	-0.0160	-0.0197	-0.0233	-0.0298
	[-0.9101]	[-0.9213]	[-1.2628]	[-1.5846]	[-1.0501]	[-1.4052]
Market Cap. Bidder (ln)	**-0.0086****	**-0.0072***	**-0.0085****	-0.0069	-0.0059	-0.0042
	[-2.3739]	[-1.9648]	[-2.0916]	[-1.5782]	[-0.7358]	[-0.4717]
Leverage Bidder	-0.0417	-0.0503	-0.0130	-0.0129	-0.0211	-0.0148
	[-0.8922]	[-0.9619]	[-0.2497]	[-0.2456]	[-0.2474]	[-0.1372]
Return on Assets Bidder	**0.1893****	**0.2018*****	**0.2059****	**0.2362*****	**0.2824***	**0.3676*****
	[2.3077]	[2.8064]	[2.2508]	[3.1083]	[1.7366]	[2.8870]
Cash Holdings Bidder	0.0284	0.0475	0.0601	0.0642	0.0573	0.1143
	[0.7105]	[1.2179]	[1.2728]	[1.3496]	[0.7692]	[1.3353]
CAPEX Bidder	0.0983	0.1278	0.0013	0.0148	-0.0172	-0.0985
	[0.8861]	[1.2167]	[0.0109]	[0.1265]	[-0.0788]	[-0.4270]
Int. Sales Bidder	**0.0432***	**0.0450***	0.0273	0.0163	0.0357	-0.0094
	[1.6952]	[1.7649]	[1.0326]	[0.6348]	[1.1124]	[-0.2358]
IPO	**0.0523*****	**0.0547*****	**0.0674*****	**0.0687*****	**0.0722****	**0.0595****
	[2.6316]	[2.8405]	[2.6381]	[3.0299]	[2.2945]	[2.1853]
New Economy Firm	-0.0151	**-0.0288***	-0.0155	**-0.0323***	-0.0197	-0.0546
	[-1.0014]	[-1.8531]	[-0.8721]	[-1.7578]	[-0.6069]	[-1.4171]
GDP Growth Bidder	-0.0004	0.0030	0.0004	0.0071	-0.0382	-0.0045
	[-0.0595]	[0.5093]	[0.0619]	[1.2093]	[-1.1508]	[-0.1102]
GDP Growth Bidder²	-0.0026	-0.0019	**-0.0040***	**-0.0033***	0.0151	0.0014
	[-1.2367]	[-0.9925]	[-1.8566]	[-1.7195]	[0.9566]	[0.0698]
MTBV Bidder		**-0.0024***		**-0.0031****		**-0.0059****
		[-1.7205]		[-2.5094]		[-2.2166]
Intangible Assets Bidder		0.0278		-0.0098		0.0089
		[0.7162]		[-0.2275]		[0.1014]
Constant	**0.0997****	0.0697	**0.1166***	0.0943	0.0567	0.0673
	[2.0565]	[1.3368]	[1.9070]	[1.2837]	[0.5169]	[0.5329]
N	189	181	152	144	99	93
R-squared	0.2924	0.3349	0.3679	0.4481	0.4359	0.5538
Adj. R-squared	0.0361	0.0646	0.0642	0.1422	0.0001	0.0453
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 8: OLS Regressions on Bidder's Buy-and-Hold Abnormal Return (BHAR)

OLS Regression	Inbound		Outbound		Domestic	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: BHAR (+1, +250)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.0277	-0.0680	**-0.4774****	**-0.5057****	-0.8319	-0.3717
	[-0.1703]	[-0.3843]	[-2.2563]	[-2.1156]	[-0.9956]	[-0.5063]
Relative Size	-0.0261	-0.0100	-0.0801	-0.0959	-0.1527	-0.2336
	[-0.6162]	[-0.2119]	[-0.6245]	[-0.7369]	[-1.2475]	[-1.4150]
Same Industry	-0.0369	-0.0558	0.0438	0.0242	0.0131	0.0811
	[-0.7185]	[-1.0524]	[0.6014]	[0.3058]	[0.0587]	[0.3670]
Cash only	-0.0671	-0.0735	0.0434	0.0298	0.1693	-0.0262
	[-1.4627]	[-1.5709]	[0.6334]	[0.4111]	[0.6935]	[-0.0975]
Cash only*Same Industry	0.0126	0.0016	**0.1442***	**0.1597***	0.0109	-0.0825
	[0.2421]	[0.0300]	[1.8860]	[1.8775]	[0.0447]	[-0.2649]
High Tech Target	0.0426	0.0656	0.1485	0.1675	-0.0120	-0.1536
	[0.8124]	[1.2074]	[1.0111]	[1.0201]	[-0.0318]	[-0.4741]
Public Target	-0.0205	-0.0158	-0.0610	-0.0558	0.0815	0.2263
	[-0.3442]	[-0.2699]	[-0.9099]	[-0.7866]	[0.3648]	[0.7238]
Market Cap. Bidder (ln)	-0.0001	-0.0019	-0.0019	-0.0072	-0.0689	-0.1216
	[-0.0087]	[-0.1729]	[-0.1035]	[-0.3457]	[-1.0094]	[-1.4625]
Leverage Bidder	0.0619	0.1501	0.4741	0.4109	0.6896	0.4101
	[0.3876]	[0.9060]	[1.6253]	[1.3617]	[0.7946]	[0.4221]
Return on Assets Bidder	0.1822	0.2459	**1.0742****	**1.0859****	0.5872	0.1430
	[1.0112]	[1.2751]	[2.4389]	[2.4330]	[0.7190]	[0.1731]
Cash Holdings Bidder	-0.1409	-0.1788	0.4768	0.4914	0.7801	1.4408
	[-1.0472]	[-1.1937]	[1.3594]	[1.2124]	[1.1925]	[1.6537]
CAPEX Bidder	0.0278	-0.1850	-0.0309	-0.2623	-1.7989	0.5328
	[0.0402]	[-0.2255]	[-0.0328]	[-0.2556]	[-0.8703]	[0.1919]
Int. Sales Bidder	0.0996	0.0814	0.0622	0.1241	**-0.7337***	-0.5976
	[1.5645]	[1.2694]	[0.4015]	[0.7586]	[-2.0073]	[-1.5450]
IPO	**-0.1229***	**-0.1797****	**-0.1396***	-0.0986	-0.1128	-0.1399
	[-1.8175]	[-2.5875]	[-1.6884]	[-1.0997]	[-0.2991]	[-0.3504]
New Economy Firm			-0.0177	-0.0090	-0.1876	-0.4288
			[-0.1805]	[-0.0827]	[-1.0442]	[-1.7134]
GDP Growth Bidder	-0.0601	-0.0448	-0.0622	-0.0574	-0.1929	-0.0670
	[-1.6451]	[-1.2348]	[-1.4290]	[-1.2283]	[-1.4165]	[-0.4828]
GDP Growth Bidder²	0.0294	0.0202	**-0.0441*****	**-0.0443*****	-0.0279	-0.0301
	[1.4668]	[0.9996]	[-2.8461]	[-2.6790]	[-0.5708]	[-0.7322]
MTBV Bidder		-0.0018		-0.0043		-0.0525
		[-0.3363]		[-0.5594]		[-1.4902]
Intangible Assets Bidder		-0.0800		0.1400		0.6589
		[-0.7142]		[0.7051]		[0.9922]
Constant	-0.0889	0.0282	0.3029	0.3550	1.7684	1.8678
	[-0.4187]	[0.1208]	[0.9594]	[1.0137]	[1.3224]	[1.6583]
N	477	447	189	181	66	65
R-squared	0.1173	0.1377	0.3610	0.3618	0.7998	0.8377
Adj. R-squared	0.0114	0.0214	0.1294	0.1025	0.2771	0.3077
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions on the Bidder's Buy-and-Hold Abnormal Returns (BHAR). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 9: OLS Regressions on Bidder's BHAR – Subsamples Inbound

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: BHAR (+1, +250)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.0277	-0.0680	0.1286	0.2308	-0.0037	0.0211
	[-0.1703]	[-0.3843]	[0.4782]	[0.8645]	[-0.0200]	[0.0935]
Relative Size	-0.0261	-0.0100	-0.0082	-0.0083	-0.0176	0.0062
	[-0.6162]	[-0.2119]	[-0.1225]	[-0.1129]	[-0.3562]	[0.1143]
Same Industry	-0.0369	-0.0558	0.1158	0.1246	-0.0002	-0.0340
	[-0.7185]	[-1.0524]	[1.3361]	[1.3976]	[-0.0023]	[-0.4665]
Cash only	-0.0671	-0.0735	-0.0032	-0.0115	-0.0404	-0.0594
	[-1.4627]	[-1.5709]	[-0.0395]	[-0.1430]	[-0.6541]	[-0.9560]
Cash only*Same Industry	0.0126	0.0016	0.1059	0.0960	0.0204	-0.0016
	[0.2421]	[0.0300]	[1.1807]	[0.9820]	[0.3095]	[-0.0242]
High Tech Target	0.0426	0.0656	-0.0018	-0.0102	0.0975	**0.1249***
	[0.8124]	[1.2074]	[-0.0181]	[-0.1020]	[1.4836]	[1.7791]
Public Target	-0.0205	-0.0158	**-0.3549****	**-0.3176****	0.0894	0.0688
	[-0.3442]	[-0.2699]	[-2.4639]	[-2.0800]	[0.8971]	[0.6936]
Market Cap. Bidder (ln)	-0.0001	-0.0019	0.0074	0.0062	0.0015	0.0010
	[-0.0087]	[-0.1729]	[0.3099]	[0.2360]	[0.1022]	[0.0621]
Leverage Bidder	0.0619	0.1501	0.0484	0.1212	0.1396	0.2480
	[0.3876]	[0.9060]	[0.1487]	[0.3747]	[0.7260]	[1.2039]
Return on Assets Bidder	0.1822	0.2459	**0.6983***	0.5897	0.2033	0.2873
	[1.0112]	[1.2751]	[1.8686]	[1.5854]	[0.9302]	[1.1642]
Cash Holdings Bidder	-0.1409	-0.1788	-0.0495	-0.2156	-0.1712	**-0.3617****
	[-1.0472]	[-1.1937]	[-0.2283]	[-0.8209]	[-1.0818]	[-1.9771]
CAPEX Bidder	0.0278	-0.1850	-0.4645	-0.5180	-0.2891	-0.5160
	[0.0402]	[-0.2255]	[-0.4411]	[-0.4708]	[-0.3222]	[-0.4787]
Int. Sales Bidder	0.0996	0.0814	-0.0018	0.0382	0.0582	0.0501
	[1.5645]	[1.2694]	[-0.0126]	[0.2580]	[0.6746]	[0.5918]
IPO	**-0.1229***	**-0.1797****	-0.1549	-0.2002	-0.0884	-0.1474
	[-1.8175]	[-2.5875]	[-1.1273]	[-1.6159]	[-0.9973]	[-1.6395]
GDP Growth Bidder	-0.0601	-0.0448	**-0.1088***	**-0.1228****	-0.0795	-0.0582
	[-1.6451]	[-1.2348]	[-1.8246]	[-1.9962]	[-1.4969]	[-1.1239]
GDP Growth Bidder²	0.0294	0.0202	-0.0208	-0.0340	-0.0136	-0.0176
	[1.4668]	[0.9996]	[-0.5544]	[-0.9577]	[-0.3730]	[-0.4834]
MTBV Bidder		-0.0018		0.0041		-0.0028
		[-0.3363]		[0.3946]		[-0.4474]
Intangible Assets Bidder		-0.0800		-0.2804		**-0.2919***
		[-0.7142]		[-1.0807]		[-1.7556]
Constant	-0.0889	0.0282	-0.2363	-0.1918	-0.2046	-0.0917
	[-0.4187]	[0.1208]	[-0.6256]	[-0.4999]	[-0.7941]	[-0.3023]
N	477	447	170	167	315	292
R-squared	0.1173	0.1377	0.3154	0.3457	0.1590	0.1965
Adj. R-squared	0.0114	0.0214	0.0278	0.0473	0.0001	0.0217
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 10: OLS Regressions on Bidder's BHAR – Subsamples Outbound

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: BHAR (+1, +250)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**-0.4774****	**-0.5057****	-0.2646	-0.1727	-0.1781	-0.0451
	[-2.2563]	[-2.1156]	[-1.3355]	[-0.8131]	[-0.6882]	[-0.1716]
Relative Size	-0.0801	-0.0959	-0.1334	-0.1225	0.0384	0.0437
	[-0.6245]	[-0.7369]	[-0.9699]	[-0.9032]	[0.2199]	[0.2499]
Same Industry	0.0438	0.0242	0.0369	0.0146	-0.0114	-0.0761
	[0.6014]	[0.3058]	[0.4486]	[0.1579]	[-0.0904]	[-0.5224]
Cash only	0.0434	0.0298	-0.0149	-0.0285	-0.0646	-0.1265
	[0.6334]	[0.4111]	[-0.2154]	[-0.3786]	[-0.7159]	[-1.2039]
Cash only*Same Industry	**0.1442***	**0.1597***	0.0380	0.0338	0.0970	0.0175
	[1.8860]	[1.8775]	[0.4305]	[0.3465]	[0.8516]	[0.1358]
High Tech Target	0.1485	0.1675	**0.3469****	**0.4517*****	**0.3612***	**0.6543****
	[1.0111]	[1.0201]	[2.4737]	[2.9896]	[1.6939]	[2.5984]
Public Target	-0.0610	-0.0558	-0.0423	-0.0606	-0.1472	-0.1665
	[-0.9099]	[-0.7866]	[-0.5892]	[-0.8282]	[-1.2240]	[-1.1577]
Market Cap. Bidder (ln)	-0.0019	-0.0072	0.0055	-0.0014	0.0418	0.0269
	[-0.1035]	[-0.3457]	[0.2768]	[-0.0608]	[1.1236]	[0.5978]
Leverage Bidder	0.4741	0.4109	0.1569	0.1864	-0.2037	-0.0908
	[1.6253]	[1.3617]	[0.5156]	[0.6026]	[-0.3913]	[-0.1672]
Return on Assets Bidder	**1.0742****	**1.0859****	**0.9273***	**0.9515***	**1.5323****	1.3021
	[2.4389]	[2.4330]	[1.9185]	[1.7963]	[2.2391]	[1.5995]
Cash Holdings Bidder	0.4768	0.4914	0.0382	-0.2060	0.0116	-0.5638
	[1.3594]	[1.2124]	[0.1326]	[-0.6656]	[0.0252]	[-1.1174]
CAPEX Bidder	-0.0309	-0.2623	1.3679	1.2776	1.0885	1.1549
	[-0.0328]	[-0.2556]	[1.3634]	[1.3097]	[0.5164]	[0.6720]
Int. Sales Bidder	0.0622	0.1241	0.1020	0.1179	0.0289	0.0962
	[0.4015]	[0.7586]	[0.5969]	[0.6808]	[0.1271]	[0.4400]
IPO	**-0.1396***	-0.0986	-0.1469	-0.0704	-0.0590	0.1248
	[-1.6884]	[-1.0997]	[-1.4851]	[-0.6457]	[-0.4161]	[0.9478]
New Economy Firm	-0.0177	-0.0090	0.1246	0.1893	0.2062	0.3448
	[-0.1805]	[-0.0827]	[1.1650]	[1.5720]	[1.1942]	[1.4655]
GDP Growth Bidder	-0.0622	-0.0574	0.0032	0.0171	-0.1460	-0.1102
	[-1.4290]	[-1.2283]	[0.0906]	[0.4697]	[-0.8200]	[-0.5593]
GDP Growth Bidder²	**-0.0441*****	**-0.0443*****	**-0.0198***	-0.0175	0.0812	0.0689
	[-2.8461]	[-2.6790]	[-1.7697]	[-1.4721]	[0.9593]	[0.7584]
MTBV Bidder		-0.0043		0.0029		0.0243
		[-0.5594]		[0.2688]		[1.1541]
Intangible Assets Bidder		0.1400		-0.2869		-0.4119
		[0.7051]		[-1.1956]		[-1.1334]
Constant	0.3029	0.3550	-0.0331	0.1073	-0.5151	-0.3061
	[0.9594]	[1.0137]	[-0.0991]	[0.2971]	[-0.8638]	[-0.4533]
N	189	181	152	144	99	93
R-squared	0.3610	0.3618	0.4507	0.4689	0.5272	0.6079
Adj. R-squared	0.1294	0.1025	0.1869	0.1745	0.0914	0.1612
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 11: Probit Regressions on *Cross-border* (German Target)

Probit Regression	German Target Total		Non-EMU Bidder (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.7433	-0.9759	**-2.6587****	**-3.0132*****	**-1.2460***	**-1.4654***
	[-1.2022]	[-1.4937]	[-2.4948]	[-2.7524]	[-1.6969]	[-1.8597]
Relative Size	-0.0617	-0.0697	0.3998	0.3714	0.0705	0.0388
	[-0.3410]	[-0.3759]	[1.5900]	[1.3497]	[0.3634]	[0.1942]
Same Industry	**0.7324*****	**0.7285*****	**1.1505*****	**1.4244*****	**0.7524*****	**0.7142*****
	[3.2524]	[3.1334]	[2.9906]	[3.2249]	[3.0376]	[2.7741]
Cash only	**0.5352*****	**0.6760*****	**1.3766*****	**1.6742*****	**0.7602*****	**0.8905*****
	[2.6635]	[3.2330]	[3.7924]	[4.3857]	[3.1553]	[3.5480]
Cash only*Same Industry	**1.0660*****	**1.1843*****	**2.9058*****	**3.2815*****	**1.1720*****	**1.2699*****
	[3.4470]	[3.7859]	[5.1868]	[5.4702]	[3.5272]	[3.8925]
High Tech Target	0.1206	0.1942	0.0053	-0.1621	0.0939	0.1468
	[0.5433]	[0.8374]	[0.0126]	[-0.3492]	[0.3629]	[0.5519]
Public Target	**-1.5850*****	**-1.5371*****	**-4.5803*****	**-4.6810*****	**-2.0634*****	**-1.9776*****
	[-5.7618]	[-5.4662]	[-5.4450]	[-5.6444]	[-5.8176]	[-5.3375]
Market Cap. Bidder (ln)	**0.1111****	**0.0967***	**-0.3185*****	**-0.4252*****	**0.1862*****	**0.1691*****
	[2.2501]	[1.8292]	[-2.6624]	[-3.4423]	[3.3447]	[2.8557]
Leverage Bidder	0.7679	0.9742	0.0864	1.0749	0.6610	0.9936
	[1.1854]	[1.3443]	[0.0612]	[0.6424]	[0.8994]	[1.2231]
Return on Assets Bidder	**0.8677***	**1.4004****	**4.4961*****	**5.5044*****	0.3540	0.9076
	[1.6583]	[2.3401]	[2.9261]	[3.5114]	[0.6357]	[1.3797]
Cash Holdings Bidder	-0.3841	**-1.1086***	-0.2590	0.2135	-0.4786	-1.0177
	[-0.7049]	[-1.7833]	[-0.2025]	[0.1526]	[-0.8620]	[-1.4301]
CAPEX Bidder	**-5.1490*****	**-7.3812*****	**-6.9787****	**-10.433*****	**-6.4211*****	**-8.2880*****
	[-2.6514]	[-3.3972]	[-2.5137]	[-3.1755]	[-3.0595]	[-3.4473]
Int. Sales Bidder	**0.5868***	**0.6746****	**2.7080*****	**2.7246*****	0.1157	0.1761
	[1.9445]	[2.1381]	[3.8705]	[3.8864]	[0.3060]	[0.4440]
IPO	-0.2167	-0.2737	-0.3046	-0.4882	-0.2789	-0.3563
	[-0.9377]	[-1.0837]	[-0.7650]	[-1.0042]	[-1.0694]	[-1.2171]
GDP Growth Bidder	**0.3149***	**0.3094***	0.1519	0.1907	0.3001	0.2959
	[1.8196]	[1.7077]	[0.6218]	[0.7164]	[1.5358]	[1.4927]
GDP Growth Bidder²	-0.1369	-0.1442	**-0.4196*****	**-0.5418*****	**-0.2533****	**-0.2575****
	[-1.5760]	[-1.6157]	[-3.0327]	[-3.3558]	[-2.4010]	[-2.5251]
MTBV Bidder		0.0356		0.0484		0.0356
		[1.4554]		[1.2190]		[1.5056]
Intangible Assets Bidder		-0.7253		0.9076		-0.4364
		[-1.3092]		[0.9004]		[-0.6328]
Constant	-0.4102	-0.0633	**4.2615*****	**5.3294*****	-1.0827	-0.7747
	[-0.5209]	[-0.0785]	[2.6377]	[3.1637]	[-1.2246]	[-0.8382]
N	516	475	216	207	358	329
Pseudo R-squared	0.2711	0.2860	0.5638	0.5876	0.3189	0.3319
Chi-squared	117.1701	119.9557	105.6669	115.9976	94.4764	95.3391
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German targets on *Cross-border* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table 12: Probit Regressions on *Cross-border* (German Bidder)

Probit Regression	German Bidder Total		Non-EMU Target		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.7279	-0.6647	0.0332	-0.0856	-0.1613	-0.5922
	[-0.8102]	[-0.7454]	[0.0265]	[-0.0751]	[-0.1187]	[-0.4751]
Relative Size	-0.5440	-0.4654	**-0.6511***	-0.6406	-0.2428	-0.4428
	[-1.5018]	[-1.2745]	[-1.6876]	[-1.4086]	[-0.5360]	[-0.7196]
Same Industry	0.2458	0.2634	0.2522	0.3679	0.4925	0.7303
	[0.8326]	[0.8876]	[0.7490]	[1.0743]	[1.0897]	[1.5627]
Cash only	0.0661	0.1541	-0.0031	0.0845	0.0889	0.1796
	[0.2077]	[0.4655]	[-0.0094]	[0.2474]	[0.2270]	[0.4329]
Cash only*Same Industry	**0.6495***	**0.6535***	**0.6595***	**0.8784****	0.6932	**0.9500****
	[1.7844]	[1.7546]	[1.6937]	[2.0270]	[1.6361]	[2.0867]
High Tech Target	0.4162	0.3334	0.4999	0.0277	0.3467	-0.4155
	[1.2987]	[1.0262]	[1.2304]	[0.0685]	[0.7670]	[-0.9062]
Public Target	-0.0506	-0.0739	0.0027	0.0222	0.0722	0.3063
	[-0.1926]	[-0.2707]	[0.0098]	[0.0722]	[0.1911]	[0.7055]
Market Cap. Bidder (ln)	**0.2217****	**0.2412****	**0.3069*****	**0.3730*****	**0.2834****	**0.3250****
	[2.4358]	[2.5352]	[3.0356]	[3.4567]	[1.9843]	[2.0589]
Leverage Bidder	-1.9823	-1.8028	**-2.0736***	**-2.3482***	**-3.0730****	**-3.2284****
	[-1.6386]	[-1.4872]	[-1.6492]	[-1.7274]	[-2.1160]	[-2.0126]
Return on Assets Bidder	0.3342	0.2983	-1.0313	-1.3092	1.1261	0.3279
	[0.2150]	[0.1895]	[-0.5932]	[-0.7272]	[0.5577]	[0.1545]
Cash Holdings Bidder	-0.9651	-0.3498	-0.5171	1.6358	-1.2901	1.5614
	[-1.0865]	[-0.3651]	[-0.5275]	[1.5139]	[-1.1690]	[1.1651]
CAPEX Bidder	-4.2435	-2.3378	-2.1141	1.5319	-3.0136	2.2638
	[-1.5171]	[-0.8156]	[-0.6547]	[0.4811]	[-0.6578]	[0.4788]
Int. Sales Bidder	**1.4492*****	**1.5523*****	**2.1507*****	**2.6523*****	**2.3076*****	**3.0965*****
	[2.8770]	[2.9861]	[3.8438]	[4.5489]	[3.5345]	[4.3569]
IPO	0.2276	0.3464	0.2256	0.2252	0.7209	0.7280
	[0.6514]	[1.0199]	[0.5087]	[0.5182]	[1.5377]	[1.5176]
New Economy Firm	**-0.6462****	**-0.6650****	**-0.6108***	**-0.7872***	-0.4901	-0.9223
	[-1.9865]	[-2.0196]	[-1.7157]	[-1.9251]	[-0.9398]	[-1.3828]
GDP Growth Bidder	-0.0009	0.0161	0.0263	0.0512	**0.6066***	**0.6946****
	[-0.0063]	[0.1076]	[0.1613]	[0.2993]	[1.7073]	[2.0308]
GDP Growth Bidder²	-0.0531	-0.0544	-0.0029	-0.0206	-0.2817	**-0.3581***
	[-1.0062]	[-1.0197]	[-0.0508]	[-0.3317]	[-1.5068]	[-1.8589]
MTBV Bidder		-0.0579		**-0.1178****		**-0.1140****
		[-1.4261]		[-2.3705]		[-2.1681]
Intangible Assets Bidder		0.0185		**1.9552****		**2.6209****
		[0.0244]		[2.2695]		[2.4040]
Constant	-1.9073	**-2.5210***	**-3.9326****	**-5.5770*****	**-3.7561***	**-5.1319****
	[-1.3097]	[-1.6759]	[-2.2219]	[-3.0843]	[-1.7007]	[-2.1648]
N	240	232	201	193	154	148
Pseudo R-squared	0.2925	0.3030	0.3512	0.3965	0.4060	0.4722
Chi-squared	76.6352	78.5918	86.3239	98.4216	80.8569	85.7342
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German bidders on *Cross-border* as the dependent variable. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.1: Variable definitions

Variable name	Source	Variable description
Job	Own calculation	Dummy variable that takes the value of 1 if the transaction is announced after the introduction of the labor market reforms at end of 2001 (Job-AQTIV), zero otherwise.
Cross-border	Thomson Eikon	Dummy variable that takes the value of 1 if bidder and target are located in different countries, zero otherwise.
Hostile	Thomson Eikon	Hostile is a dummy variable that takes the value of 1 if the takeover bid is hostile or unsolicited as recorded in Thomson Eikon.
Deal Value	Thomson Eikon	Natural logarithm of transaction value.
Relative size	Datastream / Worldscope, Thomson Eikon	Relative size is defined as transaction value divided by bidder market value prior to the announcement.
Same industry	Thomson Eikon	Same industry is a dummy variable equal to 1 if bidder and target share the same industry based on the 2-digit SIC code.
Cash only	Thomson Eikon	Cash only is a dummy variable equal to 1 if only cash is used as method of payment in the transaction.
High Tech Target	Thomson Eikon / own calculation	Target belongs to IT, software, life science, internet, telecommunication, or semiconductor industry.
Public Target	Thomson Eikon	Dummy variable that takes the value of 1 if the target is a publicly listed company, zero otherwise.
US	Thomson Eikon	Bidder or target is located in the US.
UK	Thomson Eikon	Bidder or target is located in the UK.
Market Cap.	Datastream / Worldscope	Market Capitalization is the natural logarithm of the market capitalization of the bidding firm.
Leverage	Datastream / Worldscope	Leverage is calculated as short- & long-term debt divided by the value of total assets of the company.
Return on Assets	Datastream / Worldscope	Return on Assets is net income scaled by total assets and is the firm's profitability.
Cash holdings	Datastream / Worldscope	Cash holdings is the ratio of cash and equivalents to total assets.
CAPEX	Datastream / Worldscope	CAPEX is defined as total capital expenditures of the company divided by total assets.
Int. Sales	Datastream / Worldscope	International sales of the firm scaled by total assets of the firm.
GDP Growth	OECD	GDP Growth is the quarterly GDP growth rate in the country the bidding firm is located in.
IPO	Worldscope / own calculation	IPO is a dummy variable equal to 1 if acquirer went public within 3 years before the announcement, zero otherwise.
New Economy Firm	Worldscope / own calculation	A dummy variable equal to 1 if acquirer went public in the New Economy period in Germany, zero otherwise.
MTBV	Datastream / Worldscope	Market-to-Book-Value is defined as the market value of common equity divided by the balance sheet value of common equity.
Intang. Assets	Datastream / Worldscope	Intangible Assets of the firm scaled by total assets of the firm.

This table includes all variable definitions, data sources and variable constructions we use in the paper. We use stock return and accounting data from Datastream and Worldscope, respectively. All accounting variables and returns are winsorized at the upper and lower 1 percent level.

Table A.2: OLS Regressions on Bidder's CAR – Subsamples Inbound excluding the GFC

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**0.0648*****	**0.0573*****	0.0226	0.0260	**0.0679****	**0.0602****
	[3.6871]	[3.8404]	[1.0268]	[1.0876]	[2.4112]	[2.5217]
Relative Size	-0.0112	**-0.0197***	**-0.0182****	**-0.0206***	-0.0112	**-0.0213****
	[-0.9470]	[-1.7756]	[-2.0203]	[-1.8547]	[-1.0341]	[-2.0966]
Same Industry	-0.0082	-0.0036	0.0015	0.0019	-0.0156	-0.0094
	[-1.1935]	[-0.5460]	[0.1070]	[0.1401]	[-1.6110]	[-0.9261]
Cash only	**-0.0211*****	**-0.0220*****	-0.0169	-0.0183	-0.0110	-0.0128
	[-3.3867]	[-3.4561]	[-1.1622]	[-1.2975]	[-1.4110]	[-1.5244]
Cash only*Same Industry	-0.0098	-0.0086	0.0101	0.0093	0.0020	0.0028
	[-1.1168]	[-0.9776]	[0.6519]	[0.6181]	[0.1763]	[0.2389]
High Tech Target	-0.0076	-0.0056	-0.0036	-0.0039	0.0011	-0.0032
	[-0.9481]	[-0.7756]	[-0.2040]	[-0.2222]	[0.1281]	[-0.3618]
Public Target	0.0012	0.0036	-0.0249	-0.0178	-0.0007	0.0054
	[0.1434]	[0.4035]	[-1.3357]	[-0.8292]	[-0.0669]	[0.4578]
Market Cap. Bidder (ln)	**-0.0035***	**-0.0049*****	-0.0048	-0.0047	-0.0035	**-0.0053****
	[-1.9001]	[-2.6961]	[-1.5337]	[-1.3247]	[-1.4939]	[-2.3369]
Leverage Bidder	-0.0114	-0.0155	**-0.0838****	**-0.0881****	0.0056	0.0040
	[-0.6151]	[-0.8329]	[-2.3749]	[-2.4372]	[0.2607]	[0.1914]
Return on Assets Bidder	-0.0213	-0.0118	0.0322	0.0354	-0.0284	-0.0186
	[-0.8802]	[-0.4826]	[0.6108]	[0.6388]	[-0.9452]	[-0.5575]
Cash Holdings Bidder	-0.0177	-0.0178	-0.0040	-0.0111	-0.0153	-0.0060
	[-0.9125]	[-0.7288]	[-0.1123]	[-0.2311]	[-0.6558]	[-0.1865]
CAPEX Bidder	0.0607	-0.0024	0.0742	0.0483	0.0251	-0.0256
	[1.1696]	[-0.0436]	[0.9179]	[0.5374]	[0.4052]	[-0.3816]
Int. Sales Bidder	**0.0203****	**0.0276*****	**0.0510*****	**0.0578*****	0.0192	**0.0257****
	[2.2428]	[2.9505]	[3.0300]	[3.2191]	[1.5370]	[1.9874]
IPO	-0.0065	-0.0013	0.0169	0.0247	0.0149	0.0167
	[-0.6373]	[-0.1179]	[0.7455]	[0.9167]	[1.2845]	[1.2768]
GDP Growth Bidder	-0.0106	-0.0067	0.0022	0.0005	-0.0021	-0.0052
	[-1.2097]	[-0.7747]	[0.0926]	[0.0192]	[-0.1220]	[-0.2918]
GDP Growth Bidder²	0.0048	0.0014	-0.0010	-0.0004	0.0066	0.0084
	[1.1020]	[0.3168]	[-0.0551]	[-0.0241]	[0.5135]	[0.6356]
MTBV Bidder		**0.0013***		0.0002		0.0009
		[1.6553]		[0.1597]		[1.0837]
Intangible Assets Bidder		-0.0268		-0.0352		-0.0207
		[-1.4053]		[-0.7317]		[-0.8021]
Constant	0.0433	**0.0704*****	0.0467	0.0498	0.0393	**0.0712****
	[1.5778]	[2.6509]	[1.2893]	[1.2776]	[1.1009]	[2.0303]
N	435	406	154	152	289	267
R-squared	0.1709	0.2008	0.3946	0.4107	0.1822	0.2174
Adj. R-squared	0.0678	0.0882	0.1179	0.119	0.0186	0.0363
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable, excluding the period of the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.3: OLS Regressions on Bidder's CAR – Subsamples Outbound excluding the GFC

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	0.0079	0.0050	0.0021	0.0129	-0.0004	0.0221
	[0.2570]	[0.1373]	[0.0612]	[0.3142]	[-0.0097]	[0.4045]
Relative Size	-0.0032	-0.0034	0.0219	0.0254	0.0293	0.0265
	[-0.1399]	[-0.1319]	[0.9258]	[0.9696]	[0.9176]	[0.7201]
Same Industry	-0.0101	-0.0141	-0.0223	**-0.0266***	**-0.0419***	**-0.0486***
	[-1.0367]	[-1.2947]	[-1.5746]	[-1.7353]	[-1.8001]	[-1.8515]
Cash only	0.0070	-0.0007	0.0066	-0.0013	0.0042	-0.0120
	[0.5087]	[-0.0537]	[0.4162]	[-0.0892]	[0.1590]	[-0.4717]
Cash only*Same Industry	-0.0054	-0.0104	-0.0118	-0.0205	-0.0004	-0.0140
	[-0.3770]	[-0.6632]	[-0.6802]	[-1.0879]	[-0.0131]	[-0.3826]
High Tech Target	0.0078	0.0072	0.0195	0.0194	0.0310	0.0282
	[0.5725]	[0.4598]	[1.1144]	[0.9813]	[1.4588]	[0.9862]
Public Target	-0.0148	-0.0128	-0.0210	-0.0242	-0.0380	**-0.0438***
	[-1.2147]	[-0.9882]	[-1.4706]	[-1.6349]	[-1.5715]	[-1.7294]
Market Cap. Bidder (ln)	**-0.0077****	**-0.0072***	-0.0066	-0.0060	-0.0032	-0.0020
	[-2.0411]	[-1.7388]	[-1.6134]	[-1.2197]	[-0.3750]	[-0.2016]
Leverage Bidder	-0.0310	-0.0495	-0.0153	-0.0190	0.0371	0.0355
	[-0.5549]	[-0.7253]	[-0.2570]	[-0.2712]	[0.3846]	[0.2795]
Return on Assets Bidder	**0.1721***	**0.1773****	**0.1816***	**0.2145****	0.2069	**0.3181***
	[1.8254]	[2.1929]	[1.6830]	[2.2741]	[1.2019]	[2.0275]
Cash Holdings Bidder	-0.0051	0.0180	0.0191	0.0303	0.0382	0.0703
	[-0.1132]	[0.4017]	[0.3576]	[0.5532]	[0.4522]	[0.7277]
CAPEX Bidder	0.0820	0.0925	0.0030	0.0101	-0.0257	-0.1045
	[0.6891]	[0.7845]	[0.0202]	[0.0686]	[-0.1123]	[-0.4054]
Int. Sales Bidder	0.0415	**0.0452***	0.0320	0.0194	0.0358	-0.0055
	[1.6410]	[1.7276]	[1.2588]	[0.7005]	[1.1250]	[-0.1307]
IPO	**0.0511****	**0.0531****	**0.0732*****	**0.0721*****	**0.0934*****	**0.0856****
	[2.4703]	[2.6112]	[2.7491]	[3.0365]	[2.7147]	[2.5802]
New Economy Firm	-0.0047	-0.0185	0.0047	-0.0153	-0.0059	-0.0398
	[-0.2970]	[-1.1285]	[0.2770]	[-0.7292]	[-0.1904]	[-0.9591]
GDP Growth Bidder	-0.0165	-0.0101	-0.0170	-0.0052	-0.0575	-0.0223
	[-1.4524]	[-0.9254]	[-1.2749]	[-0.3911]	[-1.6072]	[-0.5805]
GDP Growth Bidder²	0.0066	0.0052	0.0057	0.0028	0.0243	0.0106
	[1.2850]	[1.0788]	[0.8726]	[0.4328]	[1.4317]	[0.5853]
MTBV Bidder		-0.0020		**-0.0026***		-0.0044
		[-1.3138]		[-1.8814]		[-1.5062]
Intangible Assets Bidder		0.0473		0.0058		-0.0123
		[1.0033]		[0.1139]		[-0.1261]
Constant	**0.1022****	0.0814	0.0995	0.0939	0.0576	0.0578
	[2.0098]	[1.3592]	[1.6395]	[1.1381]	[0.5495]	[0.4295]
N	163	157	131	125	89	84
R-squared	0.2771	0.3087	0.3722	0.4251	0.4866	0.5748
Adj. R-squared	-0.0273	-0.0173	0.0168	0.0495	-0.0506	0.0197
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable, excluding the period of the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.4: OLS Regressions on Bidder's BHAR – Subsamples Inbound excluding the GFC

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: BHAR (+1, +250)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	0.0001	-0.0550	0.1733	0.2632	0.0396	0.0591
	[0.0004]	[-0.3041]	[0.6185]	[0.9575]	[0.2020]	[0.2532]
Relative Size	-0.0356	-0.0245	0.0009	-0.0108	-0.0226	-0.0018
	[-0.6989]	[-0.4433]	[0.0131]	[-0.1346]	[-0.4240]	[-0.0298]
Same Industry	-0.0539	-0.0764	0.0979	0.1037	-0.0142	-0.0535
	[-1.0064]	[-1.3776]	[0.9897]	[1.0176]	[-0.1917]	[-0.6905]
Cash only	-0.0729	**-0.0836***	-0.0070	-0.0152	-0.0354	-0.0600
	[-1.4920]	[-1.6711]	[-0.0793]	[-0.1692]	[-0.5309]	[-0.9029]
Cash only*Same Industry	0.0238	0.0093	0.0901	0.0910	0.0283	-0.0038
	[0.4299]	[0.1634]	[0.9216]	[0.8413]	[0.3978]	[-0.0526]
High Tech Target	0.0377	0.0644	-0.0116	-0.0417	0.0845	0.1204
	[0.6762]	[1.0966]	[-0.1049]	[-0.3734]	[1.2216]	[1.6273]
Public Target	-0.0271	-0.0199	**-0.3500****	**-0.3191***	0.0839	0.0736
	[-0.4461]	[-0.3321]	[-2.2965]	[-1.9693]	[0.8469]	[0.7389]
Market Cap. Bidder (ln)	-0.0023	-0.0071	0.0020	-0.0080	0.0005	-0.0041
	[-0.1980]	[-0.5978]	[0.0740]	[-0.2577]	[0.0332]	[-0.2437]
Leverage Bidder	0.0979	0.1881	0.0649	0.1425	0.1798	0.2862
	[0.5944]	[1.1016]	[0.1819]	[0.4021]	[0.9011]	[1.3369]
Return on Assets Bidder	0.2843	**0.3891***	0.7128	0.5841	0.2914	0.4324
	[1.4635]	[1.9138]	[1.6262]	[1.3385]	[1.1411]	[1.5203]
Cash Holdings Bidder	-0.1379	-0.1422	-0.0204	-0.1348	-0.1753	**-0.3347***
	[-0.9674]	[-0.8717]	[-0.0781]	[-0.4082]	[-1.0495]	[-1.7347]
CAPEX Bidder	0.1150	-0.0152	-0.3489	-0.2802	-0.2677	-0.3776
	[0.1594]	[-0.0179]	[-0.3308]	[-0.2572]	[-0.2810]	[-0.3347]
Int. Sales Bidder	0.0756	0.0615	0.0040	0.0624	0.0477	0.0427
	[1.1268]	[0.9124]	[0.0254]	[0.3823]	[0.5269]	[0.4729]
IPO	**-0.1218***	**-0.1925****	-0.1549	-0.2301	-0.0730	-0.1500
	[-1.6816]	[-2.5423]	[-0.9672]	[-1.6532]	[-0.7942]	[-1.5878]
GDP Growth Bidder	-0.0990	-0.0607	-0.1964	-0.2320	**-0.2596***	-0.1797
	[-1.6301]	[-0.9544]	[-1.2166]	[-1.4683]	[-1.7319]	[-1.0961]
GDP Growth Bidder²	0.0501	0.0286	0.0311	0.0357	0.1056	0.0631
	[1.5080]	[0.8199]	[0.2698]	[0.3149]	[0.9263]	[0.5089]
MTBV Bidder		0.0007		0.0087		-0.0011
		[0.1179]		[0.7054]		[-0.1646]
Intangible Assets Bidder		-0.0049		-0.1609		-0.2292
		[-0.0411]		[-0.5336]		[-1.2917]
Constant	-0.0838	0.0394	-0.1785	-0.0764	-0.2043	-0.0769
	[-0.3805]	[0.1640]	[-0.4570]	[-0.1937]	[-0.7727]	[-0.2484]
N	435	406	154	152	289	267
R-squared	0.1283	0.1513	0.3031	0.3384	0.1549	0.1890
Adj. R-squared	0.0199	0.0317	-0.0155	0.0109	-0.0141	0.0013
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR), excluding the period of the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.5: OLS Regressions on Bidder's BHAR – Subsamples Outbound excluding the GFC

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: BHAR (+1, +250)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.3446	**-0.4087***	-0.1576	-0.1100	-0.0620	0.0659
	[-1.5368]	[-1.6815]	[-0.7769]	[-0.5208]	[-0.2511]	[0.2894]
Relative Size	-0.0971	-0.1119	-0.1323	-0.1193	0.0284	0.0810
	[-0.6784]	[-0.7729]	[-0.9341]	[-0.8720]	[0.1527]	[0.4651]
Same Industry	0.0450	-0.0013	0.0408	0.0007	-0.0130	-0.1350
	[0.5440]	[-0.0129]	[0.4731]	[0.0075]	[-0.0958]	[-0.8051]
Cash only	0.0086	-0.0081	-0.0736	-0.0679	-0.1205	-0.1119
	[0.1136]	[-0.1026]	[-1.0202]	[-0.8376]	[-1.2634]	[-0.9502]
Cash only*Same Industry	0.1335	0.1447	0.0043	0.0042	0.0718	0.0289
	[1.4709]	[1.4333]	[0.0422]	[0.0357]	[0.5816]	[0.1906]
High Tech Target	0.1440	0.1686	**0.3644****	**0.4888*****	0.3724	**0.7255*****
	[0.9222]	[0.9858]	[2.3637]	[2.9961]	[1.6658]	[2.7701]
Public Target	-0.0161	-0.0035	0.0116	-0.0234	-0.1190	-0.2222
	[-0.1908]	[-0.0382]	[0.1348]	[-0.2713]	[-0.7745]	[-1.3070]
Market Cap. Bidder (ln)	-0.0033	-0.0117	0.0129	0.0036	0.0480	0.0456
	[-0.1412]	[-0.4316]	[0.5664]	[0.1356]	[1.2279]	[0.8742]
Leverage Bidder	0.4681	0.3449	0.1311	0.2370	-0.3196	0.0335
	[1.2952]	[0.9148]	[0.3508]	[0.5989]	[-0.5705]	[0.0545]
Return on Assets Bidder	**1.0067****	**0.9899***	0.4494	0.2671	1.2234	0.5669
	[2.0051]	[1.9241]	[0.7427]	[0.4224]	[1.5698]	[0.7236]
Cash Holdings Bidder	0.4165	0.4409	-0.1587	-0.4824	-0.1192	**-0.9395***
	[0.9642]	[0.8917]	[-0.4166]	[-1.2643]	[-0.2258]	[-1.7276]
CAPEX Bidder	-0.4052	-0.6757	1.1700	1.1704	1.7730	2.0078
	[-0.3960]	[-0.6024]	[0.9635]	[0.9734]	[0.7950]	[1.1662]
Int. Sales Bidder	0.0592	0.1421	0.1368	0.1940	0.0123	0.1250
	[0.3354]	[0.7223]	[0.6977]	[0.9814]	[0.0494]	[0.5518]
IPO	-0.1555	-0.1046	**-0.1976***	-0.0859	-0.1097	0.2129
	[-1.5431]	[-0.9468]	[-1.7569]	[-0.6765]	[-0.6679]	[1.3337]
New Economy Firm	-0.0318	-0.0271	0.1797	**0.3008****	0.2696	**0.5524****
	[-0.2618]	[-0.1930]	[1.3497]	[2.0249]	[1.3368]	[2.1940]
GDP Growth Bidder	**-0.1682***	**-0.1550***	-0.0754	-0.0692	-0.1106	-0.1457
	[-1.9121]	[-1.7414]	[-0.8063]	[-0.6620]	[-0.5586]	[-0.6998]
GDP Growth Bidder²	0.0264	0.0192	0.0337	0.0322	0.0878	0.1178
	[0.5812]	[0.4309]	[0.7183]	[0.6205]	[0.9408]	[1.2615]
MTBV Bidder		-0.0047		0.0064		0.0327
		[-0.6226]		[0.5668]		[1.5083]
Intangible Assets Bidder		0.2344		-0.3272		-0.6867
		[0.9530]		[-1.0872]		[-1.6393]
Constant	0.2448	0.3501	-0.2148	0.0094	-0.7155	-0.5930
	[0.6510]	[0.8084]	[-0.5679]	[0.0223]	[-1.0898]	[-0.7802]
N	163	157	131	125	89	84
R-squared	0.3547	0.3558	0.4465	0.4757	0.5404	0.6547
Adj. R-squared	0.0830	0.0520	0.1330	0.1332	0.0595	0.2039
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR), excluding the period of the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.6: Probit Regressions on *Cross-border* (German Target) excluding the GFC

Probit Regression	German Target Total		Non-EMU Bidder (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.7821	-1.0052	**-3.1428*****	**-3.0845*****	**-1.5220***	**-1.6392****
	[-1.3026]	[-1.5581]	[-2.6519]	[-2.8032]	[-1.9403]	[-2.0190]
Relative Size	-0.0976	-0.1211	**0.4792***	0.3550	0.0396	-0.0151
	[-0.4985]	[-0.5893]	[1.9047]	[1.2394]	[0.2000]	[-0.0719]
Same Industry	**0.7389*****	**0.7366*****	**1.0789****	**1.3536****	**0.7717*****	**0.6867****
	[3.0654]	[2.9563]	[2.1763]	[2.1385]	[2.7007]	[2.3782]
Cash only	**0.4741****	**0.6460*****	**1.4808*****	**1.9539*****	**0.8616*****	**1.0254*****
	[2.2011]	[2.8888]	[3.1744]	[3.6217]	[2.9707]	[3.4786]
Cash only*Same Industry	**1.0081*****	**1.1114*****	**2.9641*****	**3.3000*****	**1.2008*****	**1.2696*****
	[2.9481]	[3.1295]	[4.6711]	[5.2015]	[3.0851]	[3.2323]
High Tech Target	-0.0053	0.0692	-0.0176	-0.0659	-0.0267	0.0447
	[-0.0223]	[0.2760]	[-0.0368]	[-0.1193]	[-0.0915]	[0.1469]
Public Target	**-1.3907*****	**-1.3206*****	**-4.8122*****	**-5.0536*****	**-1.8900*****	**-1.7441*****
	[-4.8347]	[-4.4985]	[-5.1896]	[-5.6268]	[-4.7241]	[-4.3408]
Market Cap. Bidder (ln)	0.0733	0.0389	**-0.2871****	**-0.5479*****	**0.1820*****	**0.1458****
	[1.3739]	[0.6877]	[-2.2072]	[-3.4975]	[2.8170]	[2.1688]
Leverage Bidder	0.5971	0.9359	-2.1773	-1.4873	0.2444	0.7955
	[0.9176]	[1.2687]	[-1.4226]	[-0.8664]	[0.3403]	[0.9651]
Return on Assets Bidder	**1.2774****	**2.1666*****	**4.5410*****	**6.8776*****	0.7720	**1.6860****
	[2.1622]	[3.3313]	[2.7787]	[3.5323]	[1.2883]	[2.2357]
Cash Holdings Bidder	-0.1621	-0.8919	-1.2087	-0.3193	-0.4277	-0.8410
	[-0.2749]	[-1.3296]	[-0.9287]	[-0.2079]	[-0.6856]	[-1.0673]
CAPEX Bidder	**-5.1459*****	**-7.8635*****	**-8.1060*****	**-11.4696*****	**-7.2110*****	**-9.1746*****
	[-2.6035]	[-3.4829]	[-2.7319]	[-3.2818]	[-3.2614]	[-3.5374]
Int. Sales Bidder	**0.5888***	**0.7447****	**2.6151*****	**2.7336*****	0.0167	0.0760
	[1.7813]	[2.1169]	[3.2373]	[3.1852]	[0.0418]	[0.1828]
IPO	-0.2980	-0.3352	-0.3238	-0.5489	-0.3630	-0.3712
	[-1.1930]	[-1.1917]	[-0.7313]	[-1.0592]	[-1.2620]	[-1.1629]
GDP Growth Bidder	**0.7252*****	**0.7268****	**2.0747****	**2.5760****	**2.0666*****	**2.0876*****
	[2.6019]	[2.4675]	[2.3895]	[2.3446]	[3.9153]	[3.8200]
GDP Growth Bidder²	**-0.3179****	**-0.3318****	**-1.4691*****	**-1.7935*****	**-1.1761*****	**-1.1782*****
	[-2.1923]	[-2.2488]	[-3.2732]	[-3.1665]	[-4.2847]	[-4.1977]
MTBV Bidder		0.0434		**0.0863***		**0.0413***
		[1.6420]		[1.8179]		[1.7341]
Intangible Assets Bidder		-0.8837		1.8983		-0.4922
		[-1.3903]		[1.6158]		[-0.6470]
Constant	0.1761	0.7647	**4.1695****	**6.2741*****	-0.8756	-0.4443
	[0.2106]	[0.8926]	[2.4323]	[3.5316]	[-0.8984]	[-0.4378]
N	461	423	190	182	322	294
Pseudo R-squared	0.2658	0.2889	0.6013	0.6341	0.3579	0.3759
Chi-squared	102.2018	103.9721	82.8295	111.4131	75.5591	78.5237
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German targets on *Cross-border* as the dependent variable, excluding the period of the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.7: Probit Regressions on *Cross-border* (German Bidder) excluding the GFC

Probit Regression	German Bidder Total		Non-EMU Target		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-1.3156	-1.2883	-0.6707	-0.8232	-0.4299	-0.4485
	[-1.3922]	[-1.3402]	[-0.5164]	[-0.6769]	[-0.3139]	[-0.3601]
Relative Size	-0.4780	-0.3769	-0.5455	-0.5601	0.0119	-0.1727
	[-1.0801]	[-0.8603]	[-1.1341]	[-0.9007]	[0.0259]	[-0.2367]
Same Industry	0.3965	0.4386	0.4905	0.6323	0.6832	**0.8756***
	[1.0988]	[1.2281]	[1.2364]	[1.6151]	[1.3495]	[1.6743]
Cash only	0.4551	0.5908	0.3676	0.4492	0.4457	0.5299
	[1.2697]	[1.5705]	[0.9709]	[1.1417]	[0.9906]	[1.1697]
Cash only*Same Industry	**1.0359****	**1.0559****	**1.0556****	**1.2095****	**1.4326*****	**1.6438*****
	[2.4983]	[2.4508]	[2.4014]	[2.4809]	[2.9382]	[3.2894]
High Tech Target	0.3362	0.3064	0.1811	-0.2026	-0.0191	-0.5160
	[0.9389]	[0.8269]	[0.4259]	[-0.4765]	[-0.0428]	[-1.1142]
Public Target	-0.2763	-0.3207	-0.1610	-0.1444	-0.1615	0.0761
	[-0.8761]	[-0.9981]	[-0.4855]	[-0.4062]	[-0.3560]	[0.1481]
Market Cap. Bidder (ln)	**0.2045***	**0.2341***	**0.3109****	**0.3850*****	**0.2775***	**0.2961***
	[1.7241]	[1.8697]	[2.4522]	[2.8645]	[1.6593]	[1.7158]
Leverage Bidder	**-3.7766*****	**-3.3803****	**-3.8993****	**-3.7225****	**-5.3086*****	**-5.3943*****
	[-2.6886]	[-2.3913]	[-2.4325]	[-2.2125]	[-2.9355]	[-2.8197]
Return on Assets Bidder	**3.0867***	2.8482	2.0490	1.6102	**4.4455****	3.4777
	[1.7853]	[1.6441]	[1.0829]	[0.8396]	[2.0314]	[1.5296]
Cash Holdings Bidder	**-1.7255***	-1.3821	-1.3830	0.5786	**-2.4350***	-0.1101
	[-1.6833]	[-1.2506]	[-1.1786]	[0.4639]	[-1.9083]	[-0.0741]
CAPEX Bidder	**-5.2679***	-4.1324	-4.1607	-0.7942	-5.0864	0.1686
	[-1.7525]	[-1.2691]	[-1.1296]	[-0.2090]	[-1.1023]	[0.0352]
Int. Sales Bidder	**1.4571*****	**1.5441*****	**1.8133*****	**2.2186*****	**1.7829*****	**2.5320*****
	[2.6468]	[2.7319]	[3.2085]	[3.8050]	[2.8218]	[3.6144]
IPO	0.1427	0.2335	0.0038	-0.0655	0.3946	0.5023
	[0.3770]	[0.6198]	[0.0075]	[-0.1315]	[0.7956]	[0.9612]
New Economy Firm	**-0.6645***	**-0.6510***	-0.5329	-0.6161	-0.2102	-0.4933
	[-1.8104]	[-1.7375]	[-1.2312]	[-1.3037]	[-0.3595]	[-0.7100]
GDP Growth Bidder	-0.4567	-0.4506	-0.5472	-0.5221	0.3658	0.7081
	[-1.3192]	[-1.2943]	[-1.5164]	[-1.4851]	[0.7062]	[1.1589]
GDP Growth Bidder²	0.1643	0.1619	0.2589	0.2357	-0.1486	-0.3411
	[0.8727]	[0.8536]	[1.2970]	[1.1883]	[-0.5199]	[-1.0409]
MTBV Bidder		-0.0324		-0.0816		**-0.1140***
		[-0.6783]		[-1.3310]		[-1.8809]
Intangible Assets Bidder		-0.4509		**1.6801***		**2.0813***
		[-0.5119]		[1.8505]		[1.7331]
Constant	-0.9224	-1.632	-2.7284	**-4.6084****	-2.5191	-3.9302
	[-0.5217]	[-0.8681]	[-1.3454]	[-2.2275]	[-1.0278]	[-1.5643]
N	204	198	170	164	134	129
Pseudo R-squared	0.3293	0.3379	0.3759	0.4117	0.4203	0.4743
Chi-squared	67.2481	72.4821	73.7065	80.3168	75.979	81.4670
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German bidders on *Cross-border* as the dependent variable, excluding the period of the Global Financial Crisis (GFC). Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.8: OLS Regressions on Bidder's CAR – Subsamples Inbound excluding Neuer Markt Period

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**0.0638*****	**0.0551*****	0.0177	0.0174	**0.0583****	**0.0478****
	[3.6956]	[3.5534]	[0.7918]	[0.7697]	[2.2124]	[2.1456]
Relative Size	0.0233	0.0183	**0.0667****	**0.0637***	0.0228	0.0151
	[1.3210]	[1.1892]	[2.0167]	[1.9165]	[1.1319]	[0.8206]
Same Industry	-0.0051	-0.0020	0.0214	0.0220	0.0013	0.0007
	[-0.7200]	[-0.2923]	[1.6580]	[1.6073]	[0.1198]	[0.0531]
Cash only	**-0.0254*****	**-0.0242*****	**-0.0227****	**-0.0228****	**-0.0175****	**-0.0204****
	[-3.8839]	[-3.6718]	[-2.0178]	[-1.9997]	[-1.9901]	[-2.2494]
Cash only*Same Industry	-0.0096	-0.0062	-0.0031	-0.0004	-0.0021	-0.0017
	[-1.1684]	[-0.7534]	[-0.2638]	[-0.0335]	[-0.1881]	[-0.1431]
High Tech Target	-0.0063	-0.0068	-0.0225	-0.0223	-0.0066	-0.0105
	[-0.7890]	[-0.8644]	[-1.2041]	[-1.2204]	[-0.5961]	[-0.9198]
Public Target	-0.0056	-0.0041	**-0.0432*****	**-0.0479****	-0.0103	-0.0073
	[-0.5760]	[-0.4344]	[-2.8255]	[-2.6341]	[-0.7657]	[-0.5267]
Market Cap. Bidder (ln)	-0.0032	**-0.0039****	-0.0031	-0.0030	-0.0013	-0.0031
	[-1.6021]	[-2.0266]	[-0.9100]	[-0.7339]	[-0.4231]	[-1.0246]
Leverage Bidder	-0.0123	-0.0130	-0.0632	-0.0544	-0.0042	0.0014
	[-0.5444]	[-0.5515]	[-1.5782]	[-1.3412]	[-0.1443]	[0.0440]
Return on Assets Bidder	-0.0195	-0.0203	**0.0949***	**0.1007***	-0.0216	-0.0175
	[-0.7384]	[-0.7234]	[1.7748]	[1.8441]	[-0.6741]	[-0.4781]
Cash Holdings Bidder	0.0032	-0.0058	-0.0335	-0.0089	0.0069	0.0131
	[0.1392]	[-0.2066]	[-0.9379]	[-0.2217]	[0.2386]	[0.3507]
CAPEX Bidder	0.0965	0.0324	0.0575	0.0792	0.0304	-0.0004
	[1.2201]	[0.3880]	[0.5526]	[0.6890]	[0.2958]	[-0.0034]
Int. Sales Bidder	**0.0171***	**0.0199****	**0.0379****	**0.0358***	0.0151	0.0193
	[1.7570]	[2.0239]	[2.1430]	[1.9653]	[1.2115]	[1.5213]
IPO	-0.0104	-0.0091	**-0.0435****	**-0.0473****	-0.0111	-0.0127
	[-0.7647]	[-0.6478]	[-2.2686]	[-2.3744]	[-0.6123]	[-0.6802]
GDP Growth Bidder	-0.0015	0.0005	-0.0076	-0.0093	-0.0010	0.0018
	[-0.2196]	[0.0785]	[-0.7405]	[-0.7863]	[-0.1165]	[0.2112]
GDP Growth Bidder²	0.0002	-0.0018	-0.0001	0.0012	-0.0018	-0.0014
	[0.0591]	[-0.6350]	[-0.0097]	[0.1772]	[-0.3014]	[-0.2483]
MTBV Bidder		0.0012		-0.0013		0.0012
		[1.2557]		[-0.8593]		[1.0112]
Intangible Assets Bidder		-0.0212		0.0194		-0.0030
		[-1.1935]		[0.4403]		[-0.1172]
Constant	0.0287	0.0483	0.0212	0.0099	0.0111	0.0407
	[0.9532]	[1.6296]	[0.4874]	[0.2054]	[0.2461]	[0.8707]
N	343	328	119	117	216	205
R-squared	0.1861	0.2180	0.5930	0.6020	0.1752	0.2053
Adj. R-squared	0.0596	0.0835	0.3422	0.3309	-0.0432	-0.0326
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable, excluding the period of the new economy. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.9: OLS Regressions on Bidder's CAR – Subsamples Outbound excluding Neuer Markt Period

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	0.0220	0.0278	0.0280	0.0414	0.0222	0.0072
	[0.6844]	[0.7482]	[0.7725]	[0.9668]	[0.4604]	[0.1300]
Relative Size	-0.0083	-0.0115	0.0197	0.0259	0.0199	0.0258
	[-0.3226]	[-0.3966]	[0.8257]	[1.0208]	[0.5969]	[0.6595]
Same Industry	-0.0012	-0.0044	0.0003	-0.0071	-0.0091	-0.0384
	[-0.0971]	[-0.3436]	[0.0205]	[-0.4516]	[-0.3375]	[-1.2460]
Cash only	0.0068	-0.0007	0.0112	0.0020	0.0002	-0.0254
	[0.4658]	[-0.0495]	[0.6521]	[0.1235]	[0.0068]	[-0.8923]
Cash only*Same Industry	-0.0059	-0.0131	-0.0013	-0.0113	-0.0014	-0.0292
	[-0.4056]	[-0.7837]	[-0.0792]	[-0.6701]	[-0.0449]	[-0.9611]
High Tech Target	0.0055	0.0104	0.0091	0.0120	0.0533	0.0355
	[0.2378]	[0.4826]	[0.2650]	[0.3858]	[1.3810]	[0.9175]
Public Target	-0.0007	0.0019	-0.0134	-0.0144	-0.0128	-0.0128
	[-0.0529]	[0.1477]	[-0.9659]	[-1.0498]	[-0.4773]	[-0.4600]
Market Cap. Bidder (ln)	-0.0035	-0.0013	-0.0044	-0.0021	-0.0050	-0.0070
	[-0.9212]	[-0.3483]	[-0.9984]	[-0.4689]	[-0.5758]	[-0.6306]
Leverage Bidder	-0.0545	-0.0439	-0.0518	-0.009	-0.0437	0.0211
	[-1.1035]	[-0.7383]	[-0.8630]	[-0.1341]	[-0.3629]	[0.1225]
Return on Assets Bidder	0.1474	**0.1669***	0.1542	**0.2255***	0.1839	0.3251
	[1.4539]	[1.7298]	[1.2637]	[1.9453]	[0.7502]	[1.4952]
Cash Holdings Bidder	0.0036	-0.0053	0.0235	0.0048	-0.0196	0.0113
	[0.0809]	[-0.1214]	[0.4601]	[0.1031]	[-0.2436]	[0.1464]
CAPEX Bidder	-0.0018	-0.0549	0.0211	-0.1719	-0.0482	0.0351
	[-0.0105]	[-0.3060]	[0.0986]	[-0.7258]	[-0.0732]	[0.0486]
Int. Sales Bidder	0.0392	0.0351	0.0343	0.0100	0.0381	-0.0466
	[1.5138]	[1.2758]	[1.1723]	[0.3138]	[0.7082]	[-0.6018]
IPO	0.0444	0.0550	0.0576	0.0715	0.0358	0.0199
	[1.1694]	[1.3256]	[1.4042]	[1.5279]	[0.7024]	[0.5657]
GDP Growth Bidder	**0.0097***	**0.0125****	**0.0111***	**0.0164*****	-0.0248	-0.0021
	[1.8263]	[2.2575]	[1.9456]	[3.0178]	[-0.6201]	[-0.0419]
GDP Growth Bidder²	-0.0006	-0.0006	-0.0010	-0.0023	0.0140	-0.0005
	[-0.3395]	[-0.2894]	[-0.4316]	[-0.8390]	[0.7080]	[-0.0203]
MTBV Bidder		-0.0004		-0.0016		-0.0060
		[-0.2056]		[-0.7576]		[-0.6021]
Intangible Assets Bidder		-0.0088		-0.0607		0.0015
		[-0.1706]		[-1.0618]		[0.0156]
Constant	0.0151	-0.0152	0.0261	0.0225	0.0562	0.1662
	[0.2678]	[-0.2483]	[0.3901]	[0.2914]	[0.3932]	[0.9142]
N	145	138	118	111	74	69
R-squared	0.2161	0.2577	0.2976	0.3763	0.2941	0.4361
Adj. R-squared	-0.1177	-0.1054	-0.1106	-0.0556	-0.5156	-0.4202
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable, excluding the period of the new economy. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.10: OLS Regressions on Bidder's BHAR – Subsamples Inbound excluding Neuer Markt Period

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: BHAR (+1, +250)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.1343	-0.1883	-0.0948	-0.0796	-0.1997	-0.2161
	[-0.9201]	[-1.2229]	[-0.4370]	[-0.3793]	[-1.1659]	[-1.0754]
Relative Size	0.0332	0.0289	0.0917	0.1002	0.0211	0.0372
	[0.3632]	[0.3152]	[0.4309]	[0.4624]	[0.2129]	[0.3620]
Same Industry	-0.0875	**-0.1104****	0.0259	0.0180	-0.0384	-0.0998
	[-1.5950]	[-1.9733]	[0.2613]	[0.1695]	[-0.5125]	[-1.3032]
Cash only	-0.0485	-0.0655	0.0749	0.0712	0.0390	0.0032
	[-0.9984]	[-1.3152]	[0.9031]	[0.8350]	[0.6623]	[0.0522]
Cash only*Same Industry	-0.0267	-0.0545	0.0913	0.0754	0.0254	-0.0310
	[-0.4759]	[-0.9398]	[0.8806]	[0.6819]	[0.3711]	[-0.4421]
High Tech Target	0.0735	0.0728	-0.0101	-0.0127	**0.1479****	**0.1528****
	[1.3392]	[1.3249]	[-0.0957]	[-0.1167]	[2.1391]	[2.1985]
Public Target	-0.0416	-0.0397	**-0.4287*****	**-0.3898****	0.0144	0.0047
	[-0.5725]	[-0.5354]	[-2.8068]	[-2.5814]	[0.1301]	[0.0420]
Market Cap. Bidder (ln)	0.0092	0.0004	0.0108	0.0126	0.0238	0.0138
	[0.7689]	[0.0353]	[0.4653]	[0.5039]	[1.5507]	[0.9120]
Leverage Bidder	-0.2352	-0.1817	-0.3947	-0.4424	-0.1919	-0.1075
	[-1.5192]	[-1.1431]	[-1.1805]	[-1.2177]	[-0.9475]	[-0.5091]
Return on Assets Bidder	0.0358	0.1213	0.4586	0.4102	0.0100	0.1249
	[0.1868]	[0.5992]	[1.3062]	[1.1295]	[0.0447]	[0.5420]
Cash Holdings Bidder	-0.1538	-0.1112	-0.1344	-0.2571	-0.2274	-0.2733
	[-1.0830]	[-0.6752]	[-0.6522]	[-1.0047]	[-1.4093]	[-1.3959]
CAPEX Bidder	-0.4356	-0.6153	-1.2277	-1.3883	-1.0985	**-1.2864***
	[-0.7880]	[-1.0524]	[-1.2230]	[-1.3010]	[-1.5548]	[-1.6983]
Int. Sales Bidder	**0.1948*****	**0.1734****	**0.2475***	**0.2754****	**0.2142****	**0.1996****
	[2.8166]	[2.4400]	[1.9326]	[2.0168]	[2.3830]	[2.1685]
IPO	-0.0838	-0.0980	-0.1546	-0.1256	0.0106	0.0004
	[-1.1678]	[-1.3478]	[-1.2844]	[-0.9116]	[0.1164]	[0.0046]
GDP Growth Bidder	-0.0432	-0.0336	-0.0850	-0.0862	-0.0423	-0.0283
	[-1.1799]	[-0.9198]	[-1.2018]	[-1.1284]	[-0.7729]	[-0.5029]
GDP Growth Bidder²	0.0250	0.0235	-0.0037	-0.0119	-0.0090	-0.0050
	[1.3012]	[1.1838]	[-0.1050]	[-0.3263]	[-0.2626]	[-0.1434]
MTBV Bidder		-0.0030		0.0046		-0.0043
		[-0.4826]		[0.3465]		[-0.5834]
Intangible Assets Bidder		0.1066		-0.1706		-0.0245
		[0.8741]		[-0.6043]		[-0.1352]
Constant	-0.0666	0.1261	-0.0750	-0.0208	-0.2899	-0.0445
	[-0.3172]	[0.5776]	[-0.2054]	[-0.0575]	[-1.1071]	[-0.1539]
N	343	328	119	117	216	205
R-squared	0.1536	0.1688	0.4361	0.4435	0.2657	0.2887
Adj. R-squared	0.0221	0.0258	0.0885	0.0644	0.0714	0.0758
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR), excluding the period of the new economy. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.11: OLS Regressions on Bidder's BHAR – Subsamples Outbound excluding Neuer Markt Period

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: BHAR (+1, +250)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**-0.4175****	**-0.4420****	-0.1989	-0.1717	-0.0873	0.0160
	[-2.1896]	[-2.0745]	[-1.0517]	[-0.8311]	[-0.3423]	[0.0503]
Relative Size	-0.0066	-0.0373	-0.0836	-0.0826	0.0243	0.0571
	[-0.0645]	[-0.3733]	[-0.7179]	[-0.7127]	[0.1637]	[0.3143]
Same Industry	0.0125	-0.0040	0.0011	-0.0090	-0.0055	0.0058
	[0.1543]	[-0.0469]	[0.0125]	[-0.0979]	[-0.0379]	[0.0293]
Cash only	0.0013	-0.0035	-0.0075	-0.0151	-0.0275	-0.0658
	[0.0187]	[-0.0486]	[-0.1171]	[-0.2233]	[-0.2438]	[-0.5031]
Cash only*Same Industry	0.0718	0.0900	0.0395	0.0671	0.1293	0.1149
	[0.8408]	[0.9529]	[0.4391]	[0.6535]	[1.0019]	[0.8001]
High Tech Target	**0.2514****	**0.2446***	**0.4725*****	**0.4756*****	**0.5302*****	**0.5543****
	[2.0935]	[1.8993]	[3.4954]	[3.2264]	[2.7479]	[2.4835]
Public Target	-0.0357	-0.0378	0.0136	-0.0145	0.0027	-0.0539
	[-0.5877]	[-0.6056]	[0.2004]	[-0.1960]	[0.0295]	[-0.4142]
Market Cap. Bidder (ln)	-0.0087	-0.0105	**-0.0355***	-0.0284	-0.0411	-0.0260
	[-0.4778]	[-0.4977]	[-1.8013]	[-1.2024]	[-1.2044]	[-0.5751]
Leverage Bidder	**0.5166****	**0.5312****	0.0022	0.1175	-0.0945	0.0135
	[1.9945]	[2.0530]	[0.0076]	[0.3774]	[-0.1581]	[0.0180]
Return on Assets Bidder	**1.7057*****	**1.8310*****	**1.5667*****	**1.6697*****	**2.2993*****	**2.2051****
	[5.3808]	[5.5325]	[3.8405]	[3.6881]	[3.5168]	[2.4117]
Cash Holdings Bidder	**0.4701***	**0.5461***	0.2923	0.3257	0.2694	0.2587
	[1.9414]	[1.9475]	[1.1166]	[1.1304]	[0.4966]	[0.4195]
CAPEX Bidder	**2.5971****	2.1286	**4.2527*****	**3.6440****	4.1034	3.6861
	[2.0599]	[1.5206]	[3.5036]	[2.6310]	[1.5564]	[1.3481]
Int. Sales Bidder	0.0300	0.1025	0.1242	0.1364	0.0163	-0.0105
	[0.2214]	[0.7259]	[0.7897]	[0.8070]	[0.0669]	[-0.0304]
IPO	-0.0226	0.0699	-0.0530	0.0667	0.0274	0.1645
	[-0.2294]	[0.7072]	[-0.5390]	[0.6176]	[0.1732]	[0.9477]
GDP Growth Bidder	-0.0572	-0.0426	-0.0057	0.0176	-0.1825	-0.0188
	[-1.5379]	[-1.0522]	[-0.1779]	[0.4988]	[-0.8996]	[-0.0729]
GDP Growth Bidder²	**-0.0460*****	**-0.0478*****	**-0.0249****	**-0.0278****	0.0749	0.0136
	[-3.7602]	[-3.8172]	[-2.0309]	[-2.0170]	[0.8656]	[0.1247]
MTBV Bidder		**-0.0176****		**-0.0166****		0.0184
		[-2.5211]		[-2.2253]		[0.4462]
Intangible Assets Bidder		0.0763		-0.1189		-0.1841
		[0.4101]		[-0.4948]		[-0.5034]
Constant	0.2104	0.2297	0.3358	0.2694	0.4330	0.0858
	[0.7204]	[0.6884]	[1.0325]	[0.6999]	[0.7928]	[0.1016]
N	145	138	118	111	74	69
R-squared	0.5042	0.5189	0.5961	0.6047	0.6743	0.6823
Adj. R-squared	0.2932	0.2836	0.3614	0.3310	0.3007	0.1999
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR), excluding the period of the new economy. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *New Economy Firm* had to be omitted due to collinearity reasons. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.12: Probit Regressions on *Cross-border* (German Target) excluding Neuer Markt Period

Probit Regression	German Target Total		Non-EMU Bidder (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.6199	-0.7040	**-2.6660****	**-2.5299****	**-1.4224***	**-1.3923***
	[-0.9640]	[-1.0009]	[-2.1699]	[-2.0582]	[-1.9194]	[-1.7645]
Relative Size	-0.2133	-0.1161	-0.7342	-0.7343	-0.0910	-0.0322
	[-0.6767]	[-0.3408]	[-1.6031]	[-1.5820]	[-0.2584]	[-0.0885]
Same Industry	**0.5837****	**0.6374****	**1.3044*****	**1.2941*****	**0.5025***	**0.5564***
	[2.2976]	[2.3341]	[2.9955]	[2.9848]	[1.7420]	[1.8529]
Cash only	**0.5101****	**0.6413*****	**1.4021*****	**1.3160*****	**0.7199*****	**0.8258*****
	[2.2589]	[2.7078]	[3.2909]	[3.1708]	[2.6084]	[2.9204]
Cash only*Same Industry	**1.1420*****	**1.3080*****	**3.5589*****	**3.5472*****	**1.3670*****	**1.4646*****
	[3.1290]	[3.4150]	[5.0213]	[5.0679]	[3.3742]	[3.7991]
High Tech Target	0.0674	0.1929	-0.2660	-0.2296	0.0562	0.1411
	[0.2808]	[0.7645]	[-0.5340]	[-0.4538]	[0.2022]	[0.5043]
Public Target	**-1.4352*****	**-1.5062*****	**-4.1413*****	**-4.1228*****	**-1.9787*****	**-1.9834*****
	[-4.2241]	[-4.4346]	[-4.7631]	[-4.6709]	[-4.4599]	[-4.5076]
Market Cap. Bidder (ln)	0.0982	0.0981	**-0.6686*****	**-0.6905*****	**0.1791****	**0.1816****
	[1.5530]	[1.5155]	[-3.8605]	[-4.0215]	[2.4083]	[2.2552]
Leverage Bidder	0.2676	0.1918	0.4077	0.3242	-0.0214	0.0432
	[0.3270]	[0.2251]	[0.1743]	[0.1396]	[-0.0202]	[0.0407]
Return on Assets Bidder	0.7870	**1.5270****	**5.9525*****	**6.0031*****	0.1216	0.9112
	[1.2999]	[1.9703]	[2.7616]	[2.9007]	[0.1890]	[0.9935]
Cash Holdings Bidder	-0.8221	**-1.8958****	-0.5786	-0.3876	-0.7761	**-1.7515***
	[-1.2510]	[-2.4288]	[-0.3050]	[-0.1919]	[-1.1147]	[-1.9372]
CAPEX Bidder	-4.5579	**-7.3047****	-10.1951	-9.1509	**-8.0376****	**-11.0074*****
	[-1.4663]	[-2.0452]	[-1.4326]	[-1.2895]	[-2.1707]	[-2.6386]
Int. Sales Bidder	**0.6102***	**0.6718****	**3.0576*****	**3.0802*****	0.3197	0.3743
	[1.8979]	[1.9925]	[3.1101]	[3.2093]	[0.7830]	[0.8712]
IPO	0.2783	0.1155	-0.0318	0.0451	0.3890	0.1160
	[0.8186]	[0.3331]	[-0.0539]	[0.0727]	[1.0064]	[0.2730]
GDP Growth Bidder	0.1147	0.0776	-0.1026	-0.1183	0.0278	-0.0042
	[0.6926]	[0.3998]	[-0.3770]	[-0.4081]	[0.1276]	[-0.0182]
GDP Growth Bidder²	**-0.1183***	-0.1323	**-0.4605*****	**-0.4362****	**-0.2971*****	**-0.3160*****
	[-1.6622]	[-1.5081]	[-2.5962]	[-2.4545]	[-3.0545]	[-3.0226]
MTBV Bidder		**0.0840****		-0.0102		**0.0731****
		[2.2918]		[-0.1677]		[2.1040]
Intangible Assets Bidder		-0.8874		0.1446		-0.8022
		[-1.5189]		[0.1145]		[-1.0245]
Constant	-0.0606	0.0245	**9.2065*****	**9.1118*****	-0.1799	-0.1823
	[-0.0690]	[0.0275]	[4.4741]	[4.6625]	[-0.1915]	[-0.1861]
N	353	336	146	141	233	222
Pseudo R-squared	0.2434	0.2690	0.5857	0.5800	0.3078	0.3227
Chi-squared	82.7451	90.7028	83.8990	89.0545	67.6574	76.6593
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German targets on *Cross-border* as the dependent variable, excluding the period of the new economy. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.13: Probit Regressions on *Cross-border* (German Bidder) excluding Neuer Markt Period

Probit Regression	German Bidder Total		Non-EMU Target		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	0.4447	0.4290	0.2942	-0.0365	0.8998	0.7582
	[0.4972]	[0.4638]	[0.2950]	[-0.0336]	[0.7332]	[0.5750]
Relative Size	-0.3087	-0.3409	-0.7295	**-1.2649***	-0.0566	-0.5118
	[-0.7958]	[-0.8445]	[-1.4425]	[-1.7501]	[-0.1162]	[-0.8859]
Same Industry	0.1273	0.1507	0.1837	0.2974	0.4081	0.6188
	[0.4004]	[0.4675]	[0.4978]	[0.8034]	[0.9094]	[1.2266]
Cash only	0.0992	0.2021	-0.0049	0.0972	0.2675	0.5036
	[0.2639]	[0.5206]	[-0.0122]	[0.2399]	[0.5620]	[1.0924]
Cash only*Same Industry	0.4797	0.5801	0.5415	0.7048	0.7752	**1.0092***
	[1.0941]	[1.3048]	[1.1884]	[1.4447]	[1.5444]	[1.9159]
High Tech Target	0.1897	0.2181	0.6070	0.3452	0.7574	0.3820
	[0.4608]	[0.5081]	[1.2012]	[0.6645]	[1.2515]	[0.5459]
Public Target	0.0440	-0.0373	0.0767	0.1902	-0.1428	0.0577
	[0.1469]	[-0.1165]	[0.2413]	[0.4974]	[-0.3382]	[0.1217]
Market Cap. Bidder (ln)	**0.2811*****	**0.2851*****	**0.4035*****	**0.4070*****	**0.4806*****	**0.4836*****
	[2.7996]	[2.7179]	[3.6709]	[3.5458]	[3.1086]	[2.8904]
Leverage Bidder	-1.0311	-0.7468	-1.1347	-1.0277	-2.8428	-2.4982
	[-0.7335]	[-0.5290]	[-0.7906]	[-0.6776]	[-1.5898]	[-1.3542]
Return on Assets Bidder	0.4639	0.4689	-0.8172	-1.3098	0.9314	0.0969
	[0.2668]	[0.2664]	[-0.4171]	[-0.6244]	[0.3694]	[0.0360]
Cash Holdings Bidder	-0.8514	-0.6708	-0.4297	0.6585	-0.6042	0.4135
	[-0.8659]	[-0.6104]	[-0.4066]	[0.5181]	[-0.4859]	[0.2771]
CAPEX Bidder	**-10.6640****	**-10.3041****	**-9.2971***	-6.7458	**-17.3807****	**-15.5347****
	[-2.1128]	[-1.9724]	[-1.6485]	[-1.1539]	[-2.5262]	[-2.3325]
Int. Sales Bidder	**1.2481****	**1.3959****	**2.3108*****	**2.9166*****	**2.8496*****	**3.8296*****
	[2.2488]	[2.4431]	[3.2322]	[3.8507]	[3.4141]	[3.9888]
IPO	0.0515	0.2628	0.4603	0.5752	0.8879	**1.4843****
	[0.1159]	[0.5165]	[0.8974]	[0.9961]	[1.5395]	[2.0565]
GDP Growth Bidder	-0.0133	-0.0174	0.0978	0.0860	0.6006	0.4991
	[-0.0748]	[-0.0976]	[0.5155]	[0.4449]	[1.5101]	[1.1939]
GDP Growth Bidder²	**-0.0981***	**-0.0979***	-0.0516	-0.0566	**-0.3341***	-0.3078
	[-1.6669]	[-1.6577]	[-0.8033]	[-0.8844]	[-1.6697]	[-1.4953]
MTBV Bidder		-0.0168		0.0005		0.0930
		[-0.2385]		[0.0049]		[0.9337]
Intangible Assets Bidder		-0.5182		1.6989		1.4004
		[-0.5532]		[1.5618]		[0.9201]
Constant	**-3.8133*****	**-3.8694****	**-5.8390*****	**-6.3948*****	**-7.7262*****	**-8.7761*****
	[-2.6022]	[-2.5536]	[-3.6662]	[-3.8455]	[-3.7869]	[-3.7945]
N	176	170	151	145	113	109
Pseudo R-squared	0.2852	0.2899	0.3620	0.3957	0.4287	0.4798
Chi-squared	66.7254	65.2127	77.1893	85.9428	75.9778	72.088
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German bidders on Cross-border as the dependent variable, excluding the period of the new economy. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *New Economy Firm* had to be omitted due to collinearity reasons. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.14: OLS Regressions on Bidder's CAR – Subsamples Inbound Import/Export Industries

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: CAR (-1, +1)	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**0.0829***** [3.3633]	**0.0691***** [2.8897]	**0.0644**** [2.4398]	**0.0697**** [2.4468]	**0.0616*** [1.9350]	0.0370 [1.2539]
Relative Size	0.0296 [1.6452]	0.0332 [1.4497]	0.0240 [0.5290]	0.0243 [0.5244]	**0.0542**** [2.0104]	**0.0763**** [1.9945]
Cash only	**-0.0135**** [-2.1283]	**-0.0141**** [-2.1576]	-0.0105 [-0.7482]	-0.0113 [-0.8018]	-0.0075 [-0.8945]	-0.0088 [-0.9884]
High Tech Target	-0.0040 [-0.4414]	-0.0021 [-0.2279]	-0.0171 [-0.8004]	-0.0173 [-0.7503]	-0.0072 [-0.6977]	-0.0099 [-0.9122]
Public Target	-0.0055 [-0.6188]	-0.0026 [-0.2917]	**-0.0288*** [-1.7119]	-0.0230 [-1.0363]	-0.0167 [-1.4033]	-0.0101 [-0.8474]
Market Cap. Bidder (ln)	-0.0008 [-0.4027]	-0.0010 [-0.5410]	-0.0010 [-0.1573]	-0.0008 [-0.1367]	0.0025 [0.8672]	0.0023 [0.7829]
Leverage Bidder	-0.0194 [-1.0226]	-0.0164 [-0.8192]	**-0.1007**** [-2.2706]	**-0.1058**** [-2.3283]	-0.0380 [-1.6464]	-0.0324 [-1.2949]
Return on Assets Bidder	0.0038 [0.1208]	0.0153 [0.4257]	0.0549 [0.8549]	0.0553 [0.8195]	0.0022 [0.0612]	0.0212 [0.4787]
Cash Holdings Bidder	-0.0027 [-0.1138]	-0.0067 [-0.2165]	0.0213 [0.5456]	0.0189 [0.3404]	0.0015 [0.0493]	0.0175 [0.4115]
CAPEX Bidder	**0.2213***** [3.1235]	**0.1486*** [1.7600]	0.2377 [1.5476]	0.2022 [1.0456]	**0.1654**** [2.1638]	0.1264 [1.3177]
Int. Sales Bidder	0.0122 [1.2352]	0.0118 [1.1305]	**0.0368*** [1.8630]	0.0446** [2.1529]	0.0130 [0.9565]	0.0149 [1.0542]
IPO	-0.0127 [-1.0119]	-0.0106 [-0.7991]	**-0.0629**** [-2.5138]	**-0.0614*** [-1.9755]	-0.0045 [-0.2639]	0.0000 [0.0010]
GDP Growth Bidder	-0.0070 [-0.8011]	-0.0076 [-0.8703]	-0.0126 [-1.2160]	-0.0157 [-1.3946]	-0.0014 [-0.1305]	-0.0007 [-0.0632]
GDP Growth Bidder²	-0.0003 [-0.0759]	-0.0005 [-0.1184]	0.0043 [0.6544]	0.0029 [0.4442]	0.0014 [0.1789]	0.0035 [0.4274]
MTBV Bidder		0.0002 [0.2323]		0.0006 [0.4100]		-0.0001 [-0.1344]
Intangible Assets Bidder		-0.0212 [-1.0493]		-0.0271 [-0.4927]		0.0007 [0.0262]
Constant	-0.0132 [-0.4236]	0.0107 [0.3174]	-0.0282 [-0.3461]	-0.0302 [-0.3663]	-0.0542 [-1.2781]	-0.0423 [-0.8899]
N	301	280	101	100	210	193
R-squared	0.1947	0.1987	0.4361	0.4501	0.2021	0.2293
Adj. R-squared	0.0636	0.0486	0.0443	0.0278	0.0014	0.0002
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable, focusing only on companies that operate in import and export related industries. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *Same Industry* has to be omitted here due to collinearity issues. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.15: OLS Regressions on Bidder's CAR – Subsamples Outbound Import/Export Industries

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable:	Coeff.	Coeff.	Coeff.	Coeff.	Coeff.	Coeff.
CAR (-1, +1)	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]
Job	0.0006	0.0125	0.0164	0.0272	-0.0146	0.0352
	[0.0119]	[0.2428]	[0.3276]	[0.4821]	[-0.1865]	[0.5307]
Relative Size	-0.0234	-0.0329	0.0166	0.0119	0.0050	0.0011
	[-0.7951]	[-1.1124]	[0.4934]	[0.3884]	[0.1125]	[0.0203]
Cash only	0.0236	0.0173	**0.0375***	0.0323	0.0552	0.0386
	[1.4662]	[1.0710]	[1.9901]	[1.6652]	[1.6627]	[1.1409]
High Tech Target	-0.0006	-0.0020	0.0067	0.0003	0.0248	0.0173
	[-0.0208]	[-0.0661]	[0.1937]	[0.0077]	[0.5688]	[0.2727]
Public Target	-0.0063	-0.0018	-0.0242	-0.0237	-0.0139	-0.0102
	[-0.4118]	[-0.1149]	[-1.4112]	[-1.3749]	[-0.3531]	[-0.2312]
Market Cap. Bidder (ln)	**-0.0096****	**-0.0089****	**-0.0084***	-0.0067	-0.0143	-0.0173
	[-2.3463]	[-2.1613]	[-1.8799]	[-1.3453]	[-1.3486]	[-1.1693]
Leverage Bidder	-0.0496	-0.0736	-0.0450	-0.0501	0.0569	0.0141
	[-0.8371]	[-1.0051]	[-0.7155]	[-0.6835]	[0.4315]	[0.0726]
Return on Assets Bidder	0.1612	**0.1844****	0.1306	**0.1719***	0.1360	0.2388
	[1.6154]	[1.9956]	[1.2306]	[1.7263]	[0.7072]	[1.3863]
Cash Holdings Bidder	0.0166	0.0248	0.0522	0.0603	0.0696	0.1283
	[0.3249]	[0.5449]	[0.8806]	[1.0939]	[0.7985]	[1.5594]
CAPEX Bidder	0.0319	0.0124	0.0217	-0.0541	0.1221	0.1530
	[0.2104]	[0.0864]	[0.1156]	[-0.2872]	[0.3425]	[0.4295]
Int. Sales Bidder	**0.0520***	**0.0528***	0.0243	0.0067	0.0090	-0.0136
	[1.9430]	[1.8137]	[0.7168]	[0.1548]	[0.1938]	[-0.1866]
IPO	0.0580	**0.0544***	**0.0825****	**0.0756****	**0.0868***	0.0547
	[1.6336]	[1.6869]	[2.2549]	[2.3236]	[1.7216]	[1.3587]
New Economy Firm	-0.0173	-0.0251	-0.0247	**-0.0328***	-0.0285	-0.0723
	[-1.2508]	[-1.6020]	[-1.4938]	[-1.7269]	[-0.7743]	[-1.7077]
GDP Growth Bidder	-0.0003	0.0054	0.0057	0.0130	-0.0082	0.0219
	[-0.0388]	[0.5851]	[0.6402]	[1.4059]	[-0.1851]	[0.4476]
GDP Growth Bidder²	-0.0040	-0.0027	-0.0033	-0.0027	-0.0059	-0.0081
	[-1.2896]	[-0.8271]	[-0.9759]	[-0.7212]	[-0.2482]	[-0.2892]
MTBV Bidder		-0.0023		**-0.0032****		**-0.0058***
		[-1.5948]		[-2.1269]		[-1.7325]
Intangible Assets Bidder		0.0298		-0.0011		0.0548
		[0.4955]		[-0.0164]		[0.5996]
Constant	0.0821	0.0645	0.0548	0.0504	0.1287	0.1523
	[1.3243]	[0.9174]	[0.8425]	[0.6474]	[0.9543]	[0.8928]
N	125	118	102	95	65	60
R-squared	0.3385	0.3780	0.4721	0.5261	0.5448	0.6714
Adj. R-squared	0.0118	0.0166	0.1259	0.1433	-0.1206	-0.0205
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Cumulated Abnormal Returns (CAR) within the 3-day event window as the dependent variable, focusing only on companies that operate in import and export related industries. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *Same Industry* has to be omitted here due to collinearity issues. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.16: OLS Regressions on Bidder's BHAR – Subsamples Inbound Import/Export Industries

OLS Regression	Inbound Total		Non-EMU Countries (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable:	Coeff.	Coeff.	Coeff.	Coeff.	Coeff.	Coeff.
BHAR (+1, +250)	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]
Job	-0.0050	-0.1792	0.1531	0.1283	-0.0168	-0.1313
	[-0.0255]	[-1.1775]	[0.5406]	[0.4250]	[-0.0674]	[-0.5146]
Relative Size	**-0.1986***	-0.1542	-0.1822	-0.1874	-0.2157	-0.1656
	[-1.9531]	[-1.1629]	[-0.7471]	[-0.7543]	[-1.5350]	[-0.7576]
Cash only	-0.0699	-0.0660	-0.0324	-0.0250	-0.0709	-0.0719
	[-1.5755]	[-1.4178]	[-0.3316]	[-0.2330]	[-1.2102]	[-1.1538]
High Tech Target	0.0996	**0.1334***	-0.0559	-0.0599	0.1292	**0.1625***
	[1.4793]	[1.8501]	[-0.3853]	[-0.4080]	[1.5001]	[1.7025]
Public Target	0.0145	0.0218	**-0.2702****	**-0.2912****	0.1063	0.0866
	[0.2212]	[0.3417]	[-2.0185]	[-2.1108]	[0.9389]	[0.8171]
Market Cap. Bidder (ln)	-0.0131	-0.0105	-0.0341	-0.0376	-0.0158	-0.0157
	[-0.8244]	[-0.6249]	[-0.7455]	[-0.7205]	[-0.6876]	[-0.6202]
Leverage Bidder	0.1821	0.3065	0.4698	0.5053	0.2586	0.3887
	[0.9010]	[1.4541]	[1.0948]	[1.1570]	[1.0820]	[1.4937]
Return on Assets Bidder	0.1043	0.2376	0.4567	0.4770	0.1821	0.3519
	[0.3744]	[0.7419]	[0.8118]	[0.7912]	[0.5836]	[0.9696]
Cash Holdings Bidder	-0.1602	-0.2234	-0.0323	0.0421	-0.2098	-0.3702
	[-1.0007]	[-1.2797]	[-0.1138]	[0.1092]	[-1.0487]	[-1.5433]
CAPEX Bidder	-0.5677	-1.0306	-0.2398	-0.0916	-0.9657	-1.2733
	[-0.7889]	[-1.2071]	[-0.1759]	[-0.0648]	[-1.0567]	[-1.0836]
Int. Sales Bidder	0.0834	0.0880	-0.0155	-0.0420	0.0330	0.0639
	[1.0726]	[1.1442]	[-0.0777]	[-0.2141]	[0.3054]	[0.6116]
IPO	**-0.1815****	**-0.2507*****	-0.3042	-0.3029	-0.1237	-0.2077
	[-1.9931]	[-2.7172]	[-1.5649]	[-1.3254]	[-0.9606]	[-1.5183]
GDP Growth Bidder	-0.0380	-0.0280	**-0.1580****	**-0.1562****	**-0.1226***	-0.0974
	[-0.9085]	[-0.6413]	[-2.1202]	[-2.0212]	[-1.7999]	[-1.3488]
GDP Growth Bidder²	0.0053	-0.0032	-0.0257	-0.0217	-0.0564	-0.0536
	[0.2635]	[-0.1496]	[-0.5267]	[-0.4390]	[-1.5754]	[-1.3497]
MTBV Bidder		-0.0043		-0.0048		-0.0044
		[-0.5114]		[-0.2927]		[-0.4727]
Intangible Assets Bidder		-0.1146		0.1147		-0.2195
		[-0.8525]		[0.3553]		[-1.1021]
Constant	0.1677	0.3195	0.3958	0.4238	0.3607	0.4950
	[0.5996]	[1.2764]	[0.7478]	[0.7705]	[1.0419]	[1.4410]
N	301	280	101	100	210	193
R-squared	0.1305	0.1820	0.3297	0.3329	0.1868	0.2500
Adj. R-squared	-0.0111	0.0288	-0.1362	-0.1793	-0.0177	0.0270
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks inbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR), focusing only on companies that operate in import and export related industries. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *Same Industry* has to be omitted here due to collinearity issues. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.17: OLS Regressions on Bidder's BHAR – Subsamples Outbound Import/Export Industries

OLS Regression	Outbound Total		Non-EMU Countries		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable:	Coeff.	Coeff.	Coeff.	Coeff.	Coeff.	Coeff.
BHAR (+1, +250)	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]	[t-stat.]
Job	-0.2167	-0.2132	-0.1024	-0.0673	-0.0551	-0.4493
	[-0.7662]	[-0.6834]	[-0.3722]	[-0.2243]	[-0.1228]	[-0.9976]
Relative Size	0.0640	0.0481	-0.0747	-0.0575	0.2867	0.1968
	[0.3972]	[0.2841]	[-0.4139]	[-0.3020]	[1.5790]	[0.7807]
Cash only	0.1098	0.1223	0.0916	0.1160	0.2074	0.2637
	[1.6108]	[1.5687]	[1.2134]	[1.2501]	[1.3844]	[1.1049]
High Tech Target	0.2940	0.3011	**0.4327****	**0.4777****	**0.6045****	**0.8286****
	[1.2862]	[1.2292]	[2.1104]	[2.0830]	[2.2424]	[2.3602]
Public Target	-0.0693	-0.0648	0.0299	-0.0006	-0.0564	0.0087
	[-0.7575]	[-0.6504]	[0.3506]	[-0.0061]	[-0.3495]	[0.0410]
Market Cap. Bidder (ln)	-0.0071	-0.0165	-0.0312	-0.0369	-0.0570	-0.0958
	[-0.3299]	[-0.6933]	[-1.4723]	[-1.4912]	[-1.0895]	[-1.5767]
Leverage Bidder	0.3457	0.3105	0.1981	0.2659	-0.2756	0.7968
	[1.0035]	[0.9093]	[0.5551]	[0.7236]	[-0.3892]	[1.3454]
Return on Assets Bidder	**1.2038****	**1.1584****	**1.2691****	**1.1530***	**3.1160*****	**2.7090****
	[2.6176]	[2.3000]	[2.4548]	[1.9369]	[3.1240]	[2.3215]
Cash Holdings Bidder	0.1967	0.2243	-0.0348	-0.1802	-0.0683	-0.6238
	[0.6535]	[0.5782]	[-0.1105]	[-0.4750]	[-0.1217]	[-1.1062]
CAPEX Bidder	2.1457	2.1756	**3.1817****	**3.0989***	1.1721	1.0628
	[1.3401]	[1.2725]	[2.2083]	[1.9282]	[0.4951]	[0.6409]
Int. Sales Bidder	0.0442	0.1185	-0.0155	0.0286	0.0139	-0.0926
	[0.2329]	[0.5855]	[-0.0752]	[0.1291]	[0.0557]	[-0.3064]
IPO	-0.0932	-0.0663	-0.0520	-0.0046	0.0709	0.3415
	[-0.7281]	[-0.4694]	[-0.3930]	[-0.0292]	[0.3380]	[1.3962]
New Economy Firm	0.0100	0.0126	**0.1957***	**0.2284***	0.2456	**0.4580****
	[0.0960]	[0.1120]	[1.8753]	[1.8913]	[1.5147]	[2.2144]
GDP Growth Bidder	0.0102	0.0139	0.0299	0.0323	-0.2424	-0.1756
	[0.1561]	[0.2090]	[0.4149]	[0.4371]	[-0.9946]	[-0.4648]
GDP Growth Bidder²	-0.0164	-0.0141	-0.0137	-0.0110	0.1348	-0.0408
	[-0.7733]	[-0.6177]	[-0.6522]	[-0.4715]	[0.9813]	[-0.2511]
MTBV Bidder		0.0001		0.0047		**0.0607*****
		[0.0073]		[0.3016]		[3.7171]
Intangible Assets Bidder		0.1452		-0.1659		**-0.7670****
		[0.5097]		[-0.5146]		[-2.5046]
Constant	-0.0279	-0.0224	0.1021	0.1765	0.4098	1.2075
	[-0.0766]	[-0.0564]	[0.2842]	[0.4459]	[0.5816]	[1.4640]
N	125	118	102	95	65	60
R-squared	0.4704	0.4670	0.5618	0.5596	0.6769	0.7748
Adj. R-squared	0.2089	0.1572	0.2745	0.2039	0.2048	0.3008
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several OLS regressions (robustness checks outbound) on the Bidder's Buy-and-Hold Abnormal Returns (BHAR), focusing only on companies that operate in import and export related industries. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *Same Industry* has to be omitted here due to collinearity issues. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.18: Probit Regressions on *Cross-border* (German Target) Import/Export Industries

Probit Regression	German Target Total		Non-EMU Bidder (EU)		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	-0.5174	-1.0877	**-1.4596*** **	**-1.2612*** **	-0.9522	-1.2333
	[-0.8365]	[-1.5247]	[-3.4839]	[-2.6576]	[-1.3945]	[-1.5692]
Relative Size	-0.1784	-0.0924	**-0.7181***	-0.7077	-0.4278	-0.3289
	[-0.3877]	[-0.1803]	[-1.7691]	[-1.5731]	[-0.9321]	[-0.6414]
Cash only	**0.4979****	**0.6341*** **	**1.2573*** **	**1.2573*** **	**0.9595*** **	**1.0449*** **
	[2.2353]	[2.7156]	[3.5004]	[3.2483]	[3.2268]	[3.3625]
High Tech Target	**0.6666***	**0.8498****	**1.3133***	**1.2052***	0.6252	0.7157
	[1.7330]	[2.0928]	[1.8395]	[1.6584]	[1.3271]	[1.5379]
Public Target	**-1.3588*** **	**-1.2765*** **	**-2.0722*** **	**-2.1772*** **	**-2.4054*** **	**-2.2621*** **
	[-3.5994]	[-3.1587]	[-4.0872]	[-3.4793]	[-4.8476]	[-3.8659]
Market Cap. Bidder (ln)	0.0973	0.0730	**-0.5068*** **	**-0.5643*** **	0.1238	0.1314
	[1.2646]	[0.8645]	[-3.2507]	[-3.2222]	[1.2977]	[1.1851]
Leverage Bidder	-0.2206	-0.3278	**-2.7701****	**-2.8857****	-1.6629	-1.5257
	[-0.2750]	[-0.3565]	[-2.2902]	[-2.1655]	[-1.6389]	[-1.3724]
Return on Assets Bidder	0.6312	1.2339	1.0425	1.3224	-0.4407	-0.1228
	[0.6919]	[1.1572]	[0.7590]	[0.9091]	[-0.4161]	[-0.0959]
Cash Holdings Bidder	-0.4894	**-1.5140***	-1.0117	-1.4448	-0.6139	-0.8033
	[-0.7657]	[-1.8295]	[-0.8975]	[-1.0604]	[-0.8735]	[-0.7645]
CAPEX Bidder	-4.6015	-6.9822	-1.2936	-3.3701	-5.2690	-6.1990
	[-1.3057]	[-1.6012]	[-0.4580]	[-0.8953]	[-1.1889]	[-1.2168]
Int. Sales Bidder	0.5068	0.6013	**2.2549*** **	**2.1748*** **	0.0095	0.0835
	[1.2790]	[1.4235]	[3.3245]	[3.2133]	[0.0194]	[0.1658]
IPO	0.4047	0.4643	-0.0541	-0.0528	0.3369	0.2244
	[0.8090]	[0.8056]	[-0.0783]	[-0.0600]	[0.6214]	[0.3930]
GDP Growth Bidder	**0.3925****	**0.4449****	-0.0127	0.0711	**1.2265***	**1.2088***
	[2.3103]	[2.3075]	[-0.0561]	[0.2836]	[1.8421]	[1.7359]
GDP Growth Bidder²	**-0.1435***	**-0.1576***	**-0.2767****	**-0.3337*** **	**-0.8173*** **	**-0.7647****
	[-1.8991]	[-1.7169]	[-2.2513]	[-2.6402]	[-2.5918]	[-2.3910]
MTBV Bidder		0.0181		0.0850		-0.0194
		[0.2899]		[1.3772]		[-0.3142]
Intangible Assets Bidder		-1.1396		-0.0366		-0.3011
		[-1.5371]		[-0.0311]		[-0.2809]
Constant	-0.5677	0.4565	**7.5450*** **	**8.1095*** **	-0.5422	-0.4236
	[-0.4458]	[0.3243]	[3.5510]	[3.4360]	[-0.3638]	[-0.2365]
N	259	237	144	136	179	166
Pseudo R-squared	0.2400	0.2616	0.4915	0.5036	0.3934	0.3930
Chi-squared	72.9253	77.4894	65.9092	54.4548	545.5708	522.4713
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German targets on *Cross-border* as the dependent variable, focusing only on companies that operate in import and export related industries. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *Same Industry* has to be omitted here due to collinearity issues. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table A.19: Probit Regressions on *Cross-border* (German Bidder) Import/Export Industries

Probit Regression	German Bidder Total		Non-EMU Target		UK & US	
Model	I	II	III	IV	V	VI
Specification	Reduced	Full	Reduced	Full	Reduced	Full
Dependent Variable: Cross-border	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]	Coeff. [t-stat.]
Job	**-1.5400***	**-2.5084****	**-1.9568***	**-3.1305****	-0.6797	-0.7828
	[-1.7169]	[-2.1525]	[-1.7687]	[-2.4974]	[-1.1627]	[-1.2814]
Relative Size	-0.4063	-0.1116	-0.5971	-0.1469	0.1179	0.2640
	[-0.8360]	[-0.2114]	[-1.0516]	[-0.2270]	[0.2716]	[0.5763]
Cash only	**1.3849*****	**2.2835*****	**1.2622*****	**2.0991*****	**0.8578****	**0.9833*****
	[3.0144]	[3.7079]	[2.7126]	[3.3736]	[2.3703]	[2.6251]
High Tech Target	**1.6490****	**2.4241*****	**1.4754***	**1.8183***	**1.0867***	0.9033
	[2.2503]	[2.8710]	[1.6992]	[1.9035]	[1.8815]	[1.4089]
Public Target	-0.2182	-0.6256	-0.0834	-0.3982	-0.4897	-0.2777
	[-0.5563]	[-1.2620]	[-0.1952]	[-0.7679]	[-1.1442]	[-0.5986]
Market Cap. Bidder (ln)	0.0600	0.1260	0.2198	**0.3703****	0.2039	0.1703
	[0.4597]	[0.8439]	[1.5162]	[2.2201]	[1.2855]	[1.0517]
Leverage Bidder	**-9.6691*****	**-9.6487*****	**-9.9348*****	**-11.1620*****	**-5.2212*****	**-4.5693*****
	[-3.9765]	[-3.4891]	[-3.6838]	[-3.4462]	[-3.0323]	[-2.6599]
Return on Assets Bidder	0.0298	0.6019	-1.3422	-0.8297	1.2015	0.9932
	[0.0126]	[0.2338]	[-0.5305]	[-0.3131]	[0.5053]	[0.3914]
Cash Holdings Bidder	-2.5306	-3.0449	-2.0940	0.2902	-1.5985	-1.1415
	[-1.4654]	[-1.5302]	[-1.1008]	[0.1452]	[-1.2812]	[-0.7064]
CAPEX Bidder	**-15.5378****	**-22.1749*****	**-14.5327***	**-19.6754****	-5.5649	-4.1560
	[-2.1186]	[-2.7395]	[-1.8059]	[-2.0042]	[-1.0001]	[-0.6176]
Int. Sales Bidder	**3.1207*****	**3.1016*****	**3.9710*****	**4.4184*****	**2.2966*****	**2.5982*****
	[3.5260]	[3.1465]	[3.5476]	[3.2473]	[2.8654]	[2.8419]
IPO	0.7559	1.6797	0.2481	1.5707	**1.2930****	**1.4649****
	[0.9546]	[1.6261]	[0.3012]	[1.5868]	[2.3304]	[2.5421]
New Economy Firm	-0.8536	-0.3314	**-1.2553****	-1.0811	-0.3743	0.0027
	[-1.5456]	[-0.5287]	[-1.9815]	[-1.5762]	[-0.8160]	[0.0052]
GDP Growth Bidder	0.4301	0.3783	0.4538	**0.5956***	-0.1027	-0.1336
	[1.2504]	[1.0334]	[1.3814]	[1.7954]	[-0.3917]	[-0.5431]
GDP Growth Bidder²	**-0.4567****	**-0.5121****	**-0.3422***	**-0.4127****	-0.1971	-0.1597
	[-2.3270]	[-2.4885]	[-1.9308]	[-2.2448]	[-1.4713]	[-1.3273]
MTBV Bidder		-0.1432		**-0.3052***		0.0180
		[-0.9368]		[-1.7471]		[0.2054]
Intangible Assets Bidder		**-3.0403****		0.5604		0.6709
		[-2.0939]		[0.3401]		[0.5159]
Constant	2.2688	3.3416	-0.2468	-1.6142	-1.4530	-1.9994
	[1.2539]	[1.5222]	[-0.1131]	[-0.6829]	[-0.7426]	[-1.0020]
N	129	123	110	104	102	96
Pseudo R-squared	0.4138	0.4468	0.4703	0.4992	0.3611	0.3864
Chi-squared	44.4524	54.0272	45.9489	64.0450	48.8975	51.775
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table presents the results from several Probit regressions for German bidders on Cross-border as the dependent variable, focusing only on companies that operate in import and export related industries. Each model has a different setup with respect to the deal characteristics and the set of control variables (deal and bidder characteristics). The variable *Same Industry* has to be omitted here due to collinearity issues. t-values based on heteroskedasticity-consistent standard errors are reported below coefficients. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Essays in Corporate Finance and Corporate Governance

Eidesstattliche Erklärung

Ich erkläre hiermit, dass ich die vorgelegten und nachfolgend aufgelisteten Aufsätze selbständig und nur mit Hilfen angefertigt habe, die im jeweiligen Aufsatz angegeben oder zusätzlich in der nachfolgenden Liste aufgeführt sind. In der Zusammenarbeit mit dem angeführten Koautor war ich mindestens anteilig beteiligt. Bei den von mir durchgeführten und in den Aufsätzen erwähnten Untersuchungen habe ich die Grundsätze guter wissenschaftlicher Praxis, wie sie in der Satzung der Justus-Liebig-Universität Giessen zur Sicherung guter wissenschaftlicher Praxis niedergelegt sind, eingehalten.

Giessen, den 12. Dezember 2021

Gerrit Henrich

A. Übersicht der eingereichten Aufsätze

B. Präsentationen auf akademischen Konferenzen

1. Wolfgang Bessler und Gerrit Henrich: The Effects of Corporate Governance Reforms on Mergers and Acquisitions in Japan, Multinational Finance Society (MFS), Budapest/Ungarn, 24.-27. Juni 2018.

2. Wolfgang Bessler und Gerrit Henrich: The Effects of Corporate Governance Reforms on Mergers and Acquisitions in Japan, European Financial Management Association (EFMA), Mailand/Italien, 27.-30. Juni 2018.

3. Wolfgang Bessler und Gerrit Henrich: The Effects of Corporate Governance Reforms on Mergers and Acquisitions in Japan, Global Finance Conference (GFC), Paris/Frankreich, 3.-5. Juli 2018.

4. Wolfgang Bessler und Gerrit Henrich: The Effects of Non-European Takeover Bids on Targets in Europe, Eurasian Business and Economics Society (EBES), Prag/Tschechische Republik, 24.-26. Oktober 2018. **Best Paper Award**.

5. Wolfgang Bessler und Gerrit Henrich: The Effects of Corporate Governance Reforms on Mergers and Acquisitions in Japan, New Zealand Finance Meeting (NZFM), Queenstown/Neuseeland, 17.-19. Dezember 2018.

6. Wolfgang Bessler und Gerrit Henrich: The Effects of Corporate Governance Reforms in Japan on the Market for Corporate Control and Merger & Acquisition Activity, Midwest Finance Association (MFA), Chicago/USA, 7.-9. März 2019.

C. Vorträge bei Doktorandenseminaren

1. Wolfgang Bessler und Gerrit Henrich: Success and Failure of Takeover Bids, Universitätsübergreifendes Doktorandenseminar (HVB-Seminar), Eltville am Rhein, 13.-14. November 2015.

2. Wolfgang Bessler und Gerrit Henrich: Success and Failure of Takeover Bids, Universitätsübergreifendes Doktorandenseminar der Universitäten Giessen und Marburg, Marburg, 12. Juli 2017.

3. Wolfgang Bessler und Gerrit Henrich: Common Advisory in Takeover Bids, Universitätsübergreifendes Doktorandenseminar (HVB-Seminar), Eltville am Rhein, 17.-18. November 2017.

4. Wolfgang Bessler und Gerrit Henrich: The Effects of Corporate Governance Reforms on Mergers and Acquisitions in Japan, Brownbag Seminar Fachbereich Wirtschaftswissenschaften, Justus-Liebig-Universität Giessen, Giessen, 19. Juni 2018.

5. Wolfgang Bessler und Gerrit Henrich: The Effects of Non-European Takeover Bids on Targets in Europe, Mitarbeiterseminar Fachbereich Wirtschaftswissenschaften, Justus-Liebig-Universität Giessen, Rauischholzhausen, 3.-4. August 2018.

6. Wolfgang Bessler und Gerrit Henrich: The Effects of Non-European Takeover Bids on Targets in Europe, Universitätsübergreifendes Doktorandenseminar der Universitäten Giessen und Marburg, Marburg, 15.-16. August 2018.

7. Wolfgang Bessler und Gerrit Henrich: The Effects of Non-EU Takeover Bids on Targets in the EU, Universitätsübergreifendes Doktorandenseminar (HVB-Seminar), Eltville am Rhein, 15.-16. November 2019.