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Hostile takeovers

– A study on public takeover bids on the Swedish stock market –

This Master Thesis analyses the takeover bids placed on the Swedish stock market between 1995 and 2008, with a focus on hostile takeover bids. Our sample consists of 216 takeover bids, of which 172 are classified as friendly and 44 as hostile, i.e. they have initially been rejected by the target company board of directors. By using an event study with six different time intervals, we have analysed the economic impact for target shareholders that arise from the announcement of a takeover bid. We have looked at the Cumulative Abnormal Return (CAR) of each target company and across all our tests found higher average CAR for hostile bids than friendly bids, which is in line with previous foreign research, even though the difference is not statistically significant. Moreover, we have tested whether we could find any ability in the market to predict the future of a hostile bid - whether it will be raised or not, and whether it will be successful or not. Even though no such ability could be proved with statistical significance, we saw that as time passed by post the announcement of a takeover bid, the ability to predict whether it would eventually be successful improved. We also show that a successful outcome is closely linked to the existence of a raised bid. In addition to our quantitative research we provide the reader with a general overview of the public Swedish takeover bids and their characteristics.

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1. Introduction

1.1 Background and relevance

It is clear that the M&A market is an interesting area of research. Thousands of essays have tested different angles on the subject, all contributing in their own way to the corporate landscape we have today. In line with increased research is the underlying - increased M&A activity. During recent years the world markets have experienced yet another acquisition boom which however has slowed down dramatically due to the current financial crisis. Companies are always looking for opportunities to make strategic moves, consolidate and gain market shares, and it seems therefore likely that the M&A activity will pick up again when credit returns to the markets.

A strong M&A activity has recently also been the case in Sweden, which has seen both a growing number of Private Equity firms and to some extent a changing attitude towards the M&A business. Jan Olsson, Nordic Head of Investment Banking at Deutsche Bank, said as early as in 2007 that it is not as big of a defeat for the bidding company if a bid is rejected today, as it would have been for some years ago. Companies today are more willing to place a bid without having it approved by the target board, i.e. more willing to place a hostile bid (Cervenka & Fröberg, E24, 2007).

The distinction between hostile and friendly bids¹ has not been heard often in Swedish media and the logic reason should be that few hostile bids are made here, and consequently there has not been much for scholars to examine. Recently the subject has been more frequently debated, partly due to some more acknowledgeable situations – like the cross-border hostile bids on Scania by MAN, on Gant by Maus Frères, on OMX by Borse Dubai and domestic hostile bids like the one on Q-Med by its largest owner Bengt Ågerup together with EQT (made in

¹ Hostile bid = Initial bid for the target (which needs not be a bid from the eventual acquirer) was neither negotiated with its board prior to being made nor accepted by the board as made. Friendly bid = A bid that is not hostile. See definition in the appendices

November 2008). The percentage of public takeover bids that were hostile in Sweden from the start of 1995 until 2008 is actually 20 percent. This can be compared with the UK (where research on the subject is significantly more common than in Sweden) where for example during the period 1991-1997, 16 percent of all bids for public companies were hostile (Deakin, Hobbs, Nash & Slinger, 2002, p. 17).

1.2 Purpose

In this thesis we analyse public hostile takeover bids on the Swedish stock market. Since studies on the subject are close to non-existent in Sweden, focus has partly been of distinguishing and presenting the public hostile takeover bids that have been made on Swedish target companies since 1995.

Upon this we take the general quantitative approach of studying takeover bids by analysing the shareholder wealth they provide. First of all we compare the target shareholder cumulative abnormal return (CAR) in hostile and friendly takeover bids. Our hypothesis is that hostile takeover bids actually trigger higher CAR than friendly ones. Secondly we look at the hostile bids alone trying to establish whether the market is able to predict their future outcome – i.e. whether they will be raised or not and whether they will be successful or not. Finally we control for bid specific characteristics to see if they have any effect of the CAR in the bids. Among these characteristics are relatedness in bid (if the bidding company is from a related industry or not), payment method (cash versus non-cash bids), type of bidder (domestic versus foreign) and timing of bid (boom versus bust period).

1.3 Definition

A public takeover bid is by the common definition a tender offer² by one company (the bidder) to acquire another company's (the target) outstanding common stock, with the purpose to acquire the whole firm.

The definition of a hostile takeover attempt is that the initial bid for the target (which does not need to be a bid from the eventual acquirer) was neither negotiated with its board prior to being made nor accepted by the board as made. Targets that are not hostile are called friendly (Morck, Shleifer & Vishny, 1987, p. 3)

1.4 Disposition

We have now presented an introduction to the topic of this thesis and the continued structure is as follows: In section two we describe the theoretical framework and the hypothesis we have used in the thesis. In section three we describe our thesis methodology and present our test variables. In section four we present our data. In section five we present and analyse the results of our tests. Finally in section six we summarize the findings of our thesis as well as present limitations and further interesting areas of research related to our topic.

² A tender offer is a public invitation to target shareholders to sell their shares, generally at a price above the market price

2. Theoretical framework & hypotheses

In the following text we discuss the theoretical background of hostile takeover bids and takeover bids in general. Based on this we build our hypothesis which will be carefully specified below.

2.1 Wealth gain

First of all we want to analyse how the target shareholder wealth differs in hostile takeover bids and friendly takeover bids. There are, in our opinion, several reasons to why hostile bids should have a more negative return than friendly bids - however backed by previous research and theories we still base our hypothesis on the opposite effect. Here follows a short summary of the different arguments.

In a perfect economical world (in line with the Efficient Market Hypothesis³) where a stock price incorporates the full company outlook and the interests of the shareholders and its board are completely aligned, the only thing that would be worth looking at when evaluating bids is the price and the premium. The logic outcome would be that high bids are recommended (friendly) by the target board while low bids are not (hostile). The friendly bids would be accepted by the target shareholders and the hostile bids would be suspended.

However, history has shown that this outcome is far from reality. In an imperfect world the market is not perfectly informed and able to correctly and objectively judge all bids that are delivered. There will likely be information about the target company only attributable to its board and management and for this reason not fully incorporated in the stock price. Due to this a target company's board and shareholders may have different opinions about a premium presented in a bid.

³ See definition in the appendices

Further on it is likely that the interests of a company's board and shareholders are not completely aligned (an agency problem⁴ that is assumed to be more severe in companies with widespread ownership structure). While shareholders are assumed to care only about the bid premium, the boards have been willing to contest a worthwhile takeover bid in order to preserve their jobs (Armour & Skeel, 2006, p. 15). As a result, the conclusion that a bid will be rejected (i.e. hostile) because it is relatively low is hard to draw and consequently it becomes less clear how the market will judge a hostile bid. Upon this is the fact that a bid price will be benchmarked against a stock price at several points in history (often mentioned is the three month premium, the one month premium and the one day premium). These premiums can vary a lot, especially in volatile periods like nowadays, and it is not clear which of these that the target board will base its decision on. For example the friendly cash bid on Teleca by Symphony Technology in 2008 was at SEK 3.25 per share. This corresponded to a three month premium of -18 percent, a one month premium of +18 percent and a one day premium of +24 percent. The board recommended the offer, however stating that in the long run the company's value was higher than the bid value (Goldberg, D., IT24, 2008).

Naturally the bid premium still plays an important role in the market reaction towards a bid. One could argue that the target share price reaction is a result of the bid premium, the probability that an increased bid will emerge and the probability that the bid will be successful. For example when EQT (together with Bengt Ågerup) placed its SEK 39 bid on Q-Med the 3rd of November this year, the stock immediately traded up from around SEK 30 to SEK 37. Two weeks later it reached its peak at above SEK 38 before it started to fall (likely as a response to bad press, EQT's clear signal that the bid would not be raised and a consequently higher likelihood that the bid would not be successful). Two days before EQT withdrew its offer the stock traded at below SEK 34. When the withdrawn were announced on the 11th of December the stock immediately traded down below SEK 30.

Due to limitations we have chosen not to investigate bid premiums separately. Rather we - in line with previous research of the subject – look at the total target shareholder wealth effects arising

⁴ See definition in the appendices

from bids and compare the hostile ones to the friendly ones given their specific characteristics. Basically our objective is to establish whether the target shareholders are better off in any of the two cases.

Upon this, the bid price only answers for the immediate shareholder wealth effect, while going forward the return will likely be influenced by other factors - especially the emergence of an increased bid and the final outcome of the bid - whether it will be successful or not. In the Q-Med case for example, the one day bid premium was 24 percent while the target shareholder CAR in the (-1, 10) event window was 11 percent.

How the market will interpret the progress of a bid process will likely be colored by the press. A large number of the hostile takeover attempts listed in our study were followed by negative headlines (See for example the negative press that followed EQT's bid on Q-Med) – drawing a parallel to Sudarsanam & Mahate's (2006, p. 8) description of the general view on hostile tender bids:

“Hostile acquirers are depicted as ‘raiders’, ‘asset strippers’ or ‘plunderers’ that destroy well-established companies and devastate communities in their relentless pursuit for greed. On the other hand, friendly acquirers seem to get a friendly press!”

Bad press together with the underlying rejection from the target board may result in a decreased amount of shareholders selling into the bid, which would mean a decreased chance for the bid to become successful and consequently a decreased CAR. Judging from the outcome of our dataset, it is clear that hostile bids have a far higher risk of being suspended. While Goergen & Renneboog (2003, p. 21) state that a stock price, following a suspended bid, does not completely revert to its pre-bid price level, it is apparent that a target stock price falls when a bid fails. Therefore such a bid does not extract the potential abnormal gains arising from a takeover (See for example Triton's bid on Cision in April 2008 – at the end of January 2009 the target stock trades at below SEK 3 while the bid price was at SEK 20). For this reason, the increased risk of a suspended bid would likely affect the market reaction negatively.

However, for our first hypothesis we still chose to take the stand-point that have been suggested in previous research, i.e. that target shareholders in hostile takeover bids experience greater wealth gain than in friendly takeover bids (See for example Goergen & Renneboog, 2003 and Holl & Kyriazis, 1997). One argument is, in line with Goergen & Renneboog (2003, p. 21), that the market would expect a hostile bid to have a good chance of resulting in an upward revision of the bid price. According to the Efficient Market Hypothesis, the share price return should incorporate this potential extra gain and the market reaction should be more positive in the case of hostile compared to friendly bids. Upon this, a rejection by the board signals that the company is in fact worth more than the bid price which indeed is a positive signal.

Hypothesis one: Hostile target shareholders experience greater wealth gains than friendly target shareholders

2.2 Shareholder implication of hostile bids

Given “Hypothesis one” we find it interesting to look at the hostile bids alone, and in particular the two distinctive ways in which their characteristics differ from the friendly bids: (i) the hostile bids have a far higher chance of being raised, (ii) the hostile bids have a far higher risk of being unsuccessful. We have argued that the relatively high probability of an increased bid price would put upward pressure on target shareholder CAR. However, the risk that the bid fails and thereby erases most of the abnormal return created is severe. To see how these probabilities actually affect the shareholders during a bid process, we make a trivial attempt at determining the ability of the market to predict the outcome of the bids, i.e. whether they will in fact be raised or not and whether they will be successful or not. Such ability could be one explanation to why hostile bids have been valued above friendly bids in previous examinations.

In our opinion it should not be impossible for the market to predict whether a bid will be raised or not. First of all there will be several stock market analysts giving their opinion on the level of the bid, providing different types of valuation approaches. Secondly, certain companies will have developed patterns for their bids proceedings. For example it might be preferable to adapt a policy not to raise a bid and by that diminish uncertainty among shareholders and opportunistic

moves by Event Funds. When EQT placed its bid on Q-Med in 2008, the press sometimes sounded certain that an increased bid would appear, drawing parallels to the Private Equity firm's bids on Gambro in 2006 and on Securitas Direct in 2007 (Hedelius, DN, 2008).

An ability among the market actors to predict whether a bid will be successful or not is likely even more reasonable. After all the ultimate decision is the target shareholders' to take. During the bid process, large shareholders will likely comment on the bid level and, together with analysts' and the press' opinion of the bid, color the attitude of the free float. According to Dodd & Ruback (1978, p. 4), firms involved in corporate takeovers look at the probability of bid success. If they are able to conduct such a probability measure, so would also the shareholders.

We approach this test just by looking at our hostile takeover bid data sample - how large share that was raised and how large share that was successful. A high correlation between the two would speak in favor of target shareholder wealth created in hostile takeover situations.

To estimate the financial markets ability to predict the outcome of hostile bids we create two hypotheses that look at the CAR around announcement given the two types of outcome,

Hypothesis two: Increased hostile bids trigger higher returns than flat hostile bids

Hypothesis three: Successful hostile bids trigger higher returns than unsuccessful hostile bids

No.	Hypotheses
1	Hostile target shareholders experience greater wealth gains than friendly target shareholders
2	Increased hostile bids trigger higher returns than flat hostile bids
3	Successful hostile bids trigger higher returns than unsuccessful hostile bids

Table 1: Summary of hypothesis

3. Methodology

In order to evaluate our hypotheses we have performed a quantitative study of the Swedish takeover market during the years 1995 to 2008. In this section we outline the data collection process and our methodology while in section four we present our data

3.1 Sources and data gathering

3.1.1 Deal specific data

The deal specific data has been gathered from the Thomson Reuters database and controlled against the Merger Market database. The search was limited to the following criteria:

- Observations are from the time period 1995 - 2008
- Target firms are Swedish publicly listed companies (OMX, First North & NGM)
- Bids are characterized as Takeover bids: A tender bid by one company (the bidder) to acquire another (the target) company's outstanding common stock, with the purpose to acquire the whole firm

Our gross dataset included 239 public takeover bids. After adjusting the dataset for incorrect classifications of bids as well as removing the bids for which we could not find target market data in the DataStream database, we ended up with 216 takeover bids.

Database: Thomson Reuters Databsae

Acquisition announced between 1995 and 2008	239	239
Missing market data	-16	223
Mandatory bids with no intention of takeover	-4	219
Share repurchases	-3	216
Final Sample		216

Table 2: Final data set and excluded data points

All bids in this sample were closely studied using articles from Affärsdata. To separate between hostile and friendly⁵ bids we used the definition made by Morck, Shleifer & Vishny (1987, p. 3). Out of the 216 takeover bids, 172 were classified as friendly and 44 were classified as hostile.

3.1.2 Market data

The DataStream database has been used to extract time series for the target company share prices and the Affärsvärlden General Index (AFGX).

3.2 Tests

Andrade, Mitchell & Stafford (2001, p. 7) argue that the most reliable way to examine the value creation or destruction of M&A activity is through the market reaction around the announcement. To properly do so we use a well-established event-window approach suggested by Brown & Warner (1985, p. 4).

3.2.1 Cumulative Abnormal Return (CAR)

By using an event study we want to analyse the economic impact that arise from a certain event, in this case the announcement of a takeover bid. In the thesis we have chosen to concentrate on target shareholder wealth effects and aim to measure these by applying the market adjusted return model based on the approach used by Brown & Warner (1985, p. 6-7). More specifically we will look at the Cumulative Abnormal Return (CAR) for each target company, using six different event windows. To calculate the Cumulative Abnormal Return we proceed as follows:

We first estimate the abnormal return, $\varepsilon_{i,t}$, with the following formula;

$$\varepsilon_{i,t} = r_{i,t} - r_{m,t}$$

⁵ See definition in appendices

Here, $r_{i,t}$ is the return for share i on day t and $r_{m,t}$ is the return of the index on day t. We have used the Affärsvärlden General Index (AFGX) for this estimation, an index that has existed during the whole estimation period.

Target CAR is calculated in the following way;

$$CAR(-t, t) = \sum_{j=-t}^t \varepsilon_j$$

Here (-t, t) is the event window, i.e. the number of days used for each calculation.

We chose to test our data using six different event windows with focus on the post-bid announcement period; three days (-1, 0, 1), five days (-1, 0, 3), seven days (-3, 0, 3), twelve days (-1, 0, 10), 31 days (0, 30) and 32 days (-1, 0, 30). In order to capture some effects of information leakage in the market before the bid announcement we include at least one day before announcement in all our event windows (except in the (0,30) window which is included precisely for the reason to single out the effect of this one day pre-announcement leakage).

The three day and the seven day event windows are the most commonly used event windows in studies on M&A activity (Andrade et al., 2001, p. 9) and are used to capture the announcement effect properly. Brown & Warner (1985, p. 6) suggest the usage of an eleven day event window; however we see two reasons for shorting this interval. First of all the capital markets have become more efficient, and consequently faster to react on new information since 1985 when Brown & Warner completed their study. Secondly the Swedish law on insider trading⁶ has recently been strengthened (was introduced in Sweden in 1990).

More specific and relevant for our topic is the period post the takeover bid announcement. Thus, as stated, we also include longer term event windows. These have a high risk of including noise

⁶ Currently ”Lag (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument”.

from events not relevant to our study, however are important to fully incorporate the comments by the target board and the market reaction on these in our tests.

In our model we chose to analyse the CAR of target company shareholders in several steps. First of all we will analyse and compare the CAR of hostile and friendly takeover bids. Thereafter we will look at the hostile takeover bids specifically and compare the target shareholder CAR in the successful and unsuccessful ones, as well as in the bids with increased versus not increased premiums. Further quantitative analyses needed for answering our hypothesis will be made using Ordinary Least Squares Regressions on these obtained CAR values.

3.2.2 Regression

Using Ordinary Least Squares Regressions enables us to look at each explanatory and controlling variable and how they affect the estimated CAR. It also allows us to check for the different variables' explanatory power of each other. First we present the studied variables, secondly the control variables.

3.2.3 Studied variables

3.2.3.1 Bid mode

The first of our studied variables is the Bid mode, i.e. whether the bid is hostile or friendly. As stated in the introduction, the definition of a hostile bid that the initial bid for the target was neither negotiated with its board prior to being made nor accepted by the board as made. Hostile bids have been proven to generate higher CAR for target shareholders than friendly bids around announcement in the US, UK and Europe. We believe this to be the case also in Sweden so we create a dummy for all the 216 bids included in our sample, taking the value of 1 if the bid is hostile and 0 if it is friendly.

3.2.3.2 Successfulness

Given that a bid is hostile, we want to test whether the market can predict if it will be successful or not. Since we believe this to be the case we expect successful hostile bids to have a higher target shareholder CAR than unsuccessful hostile bids.

Following the general idea of Goergen & Renneboog (2003, p.6) we categorize a bid as successful if Affärsdata reports acceptance of the bid by the target's shareholders and unsuccessful if the bidder abandons negotiations within a 6-month period subsequent to the announcement. We create a dummy, giving it the value of 1 if the bid is successful and 0 if it is unsuccessful. This dummy is also used to test whether hostile bids are more likely to be successful if the bid is increased.

3.2.3.3 Increased bid

We also test whether the market is able to predict an increased bid ex post the initial target board reaction. It is likely that the market finds it more probable that a hostile bid, compared to a friendly bid, will result in an increased bid price. However, we here want to test whether the market is able to predict which of the hostile bids that will be raised. To a certain extent, we believe this to be possible and expect a higher target shareholder CAR around announcement for the bids that are eventually raised. We create a dummy taking the value of 1 if the bid is increased and 0 if the bid is not increased at all. This dummy is also used to test whether hostile bids are more likely to be successful if the bid is increased.

3.2.4 Control variables

3.2.4.1 Relatedness

M&A research is often conducted around the variable of relatedness in bids and we believe that this is relevant also in our thesis. In line with a theory by Morck, Shleifer & Vishny (1987, p.

14), we want to control for potential differences in CAR between bids that are made out of synergistic reasons and bids made out of disciplinary reasons.

We categorize all bids as either related (made due to synergistic reasons) or unrelated (made due to disciplinary reasons). In the related category we include the bids that are either horizontal or vertical, and in the unrelated category we include conglomerate bids, bids from Private Equity firms and bids from Investment companies.

We expect to find that related bids will generate a higher target shareholder CAR than unrelated bids. The reason is partly that related acquisitions can extract synergies which allows them have higher bid premiums. Therefore we apply a dummy to all the 216 bids included in our sample, taking the value of 1 if the bid is related and 0 if it is unrelated.

3.2.4.2 Payment method

M&A literature has often demonstrated that all-cash bids trigger higher returns for target shareholders than stock bids and stock-cash combination bids (Goergen & Renneboog, 2003p. 5; Yook, 2000, p. 477; Franks & Harris, 1989, p.3; Huang & Walking 1989). According to Goergen & Renneboog (2003, p. 5) this is a result of the market's believe that an equity bid is a consequence of the bidding company management's believe that their share is overpriced. For this reason we want to control for the potential influence that payment method has on our results and therefore create a dummy, giving it the value of 1 if a bid is an all-cash bid and 0 if it is any other type of bid.

3.2.4.3 Boom or bust

It is reasonable that M&A activity is relatively strong in boom periods when margins are high and financing accessible. Goergen & Renneboog (2003, p. 2) report that the value of European M&A activity grew by more than 280 percent over the period 1996-1999. Shelton (2000, p. 375) reports that bidder gains fall during merger peaks since they are more aggressive in their bidding and moreover have a tendency to pay overprices. For target companies the result should be the

opposite, i.e. their returns should increase during boom periods. Due to this we find it interesting to control for the potential influence that a boom/bust variable can have of our results.

Goergen & Renneboog approach this type of analysis by simply separating the bids in their sample between the ones announced post to 1 January 1999 – when the market was relatively booming – and the ones announced before this date. We instead look at the six months leading up to a bid, since we believe the market performance in this period to be crucial for the planning of a takeover bid. We create a dummy taking the value of 1 if the cumulative return of Affärsvärlden's General Index has been positive during the last six months prior to each bid (boom), and 0 if the return has been negative (bust). We believe that this approach should better capture the bid decisions made by bidding companies, than the one used by Goergen & Renneboog.

3.2.4.4 Cross country bids

According to Hopkins (1999, p. 210) the global value of cross border acquisitions have risen steadily during recent years (from half a percentage of world GDP in the mid 1980s to more than two percent in 2000). Cross border acquisitions have become the leading strategy of internationalization for companies, reaching 60 percent of all foreign direct investments in 1999 (Hopkins 1999, p. 210).

The process of acquiring a foreign firm is much more complex than acquiring a domestic firm due to cultural differences etc (Shoenenberg & Thornton., 2000, p. 13). This could lead to parts of the potential synergy effects being deleted and consequently the bid premium lower. However it is reasonable that a bidding foreign firm needs the target board's support to manage a move into a new country and therefore place a higher bid. Upon this Conn, Cosh, Guest & Hughes (2003, p. 4) report that cross-border acquisitions could actually achieve higher diversification synergies than domestic acquisitions.

In view of this we want to control for the Cross Country variable in our model, and the fact that several of the recent hostile bids in our sample are made from foreign companies makes it even

more relevant to control for. We create a dummy taking the value of 1 if the bid is domestic and 0 if the bid is foreign.

4. Data

4.1 Descriptive statistics of our data set

To give the reader a good overview of our sample, as well as an improved understanding of the takeover market in Sweden during the years 1995 to 2008, our data is carefully presented in this section. We focus on the difference between hostile and friendly bids, presenting deal specific characteristics for 44 hostile bids and 172 friendly bids.

All hostile bids are presented in detail in Table 3 below, and all friendly bids are presented in Table 10-14 in the appendices.

Date Announced	Target	Industry	Acquirer	Industry similarity	Payment structure	Foreign bidder	Status	Bid value, MSEK	Increased bid	Categorisation	1=Boom 0=Bust
1995-04-10	Skåne Gripen AB	Furniture and fixtures	EKP Invest (Industri kapital)	Private Equity	Cash	Domestic	Withdrawn	2 500	No	Single bidder	1
1995-07-12	Aljo AB	Hospital equipment	Getinge Industrier AB	Vertical	Cash and Stock	Domestic	Completed	2 200	Yes	Single bidder	1
1995-09-12	Förvaltnings AB Hasselfors	Forestry services	AssiDomian AB	Vertical	Cash	Domestic	Completed	1 300	Yes	Single bidder	1
1996-04-01	Kanthal AB	Steel industry	Sandvik Invest AB (Sandvik AB)	Vertical	Cash	Domestic	Completed	1 400	No	Single bidder	1
1996-05-31	Sifo	Nonphysical research	Scribona AB	Conglomerate	Cash	Domestic	Completed	117	Yes	Single bidder	1
1996-10-04	Sifab Fastighets AB	Real estate	Tornet Fastighets AB	Vertical	Capital note	Domestic	Completed	491	Yes	Single bidder	1
1997-09-01	ICB Shipping	Shipping	Frontline AB	Horizontal	Stock	Domestic	Withdrawn	4 000	No	White squire	1
1998-06-12	Tryckinvest i Norden AB (1)	Printing	Carl Bennet AB	Horizontal	Cash	Domestic	Withdrawn	481	No	Single bidder	1
1998-09-09	Näckebo	Real estate	Drott AB	Horizontal	Cash	Domestic	Completed	3 000	No	Pac Man	0
1998-12-02	Uljeholmen	Candels manufacturer	Duni AB	Horizontal	Cash	Domestic	Withdrawn	370	No	White knight	0
1998-12-17	Kalmar Industries AB	Motor vehicles	Park Oy	Vertical	Cash	Finland	Completed	2 000	No	Single bidder	0
1999-02-01	BTL AB	Shipping	Stines AG	Conglomerate	Cash	Germany	Completed	5 000	No	Single bidder	0
1999-02-11	Dahl International AB	Hydronics	Dahl Intressenter AB (EQT & Ratos)	Private Equity	Cash	Domestic	Completed	2 700	Yes	White squire	1
1999-09-17	Martinsson Gruppen AB	Telephone apparatus	Atle AB	Investment Company	Cash	Domestic	Completed	282	Yes	Single bidder	1
2000-02-09	Fastighets AB Balder	Real estate	Drott AB	Horizontal	Cash	Domestic	Completed	2 585	Yes	Multiple bids	1
2000-08-22	Allgon AB	Telephone apparatus	LGP Telecom Holding	Conglomerate	Stock	Germany	Withdrawn	4 000	Yes	White knight	0
2000-11-27	Columna Fastigheter AB	Real estate	Celfabriken AB	Conglomerate	Stock	Domestic	Withdrawn	40	No	Single bidder	0
2001-04-06	Platzer Bygg AB	Industrial buildings	Tornet Fastighets AB	Vertical	Stock	Domestic	Withdrawn	690	No	Multiple bids	0
2001-05-17	Matteus AB	Security brokers	Aragon Fondkommission AB	Horizontal	Cash and Capital note	Domestic	Withdrawn	350	No	Multiple bids	0
2001-09-24	AB Angpanne-föreningen	Business consulting	Sveco AB	Horizontal	Cash or Stock	Domestic	Withdrawn	1 121	Yes	Single bidder	0
2001-10-26	Netwise AB	Prepackaged Software	Trio AB	Vertical	Stock	Domestic	Withdrawn	45	Yes	Single bidder	0
2002-01-29	Munkjö AB	Paper mills	Smurfit Holdings AB	Horizontal	Cash	Domestic	Completed	2 235	Yes	Single bidder	0
2002-08-29	JP Nordiska AB	Investment advice	Kaupthing Bank HF	Vertical	Stock	Iceland	Completed	728	No	Single bidder	0
2003-02-28	Mogul AB	Prepackaged Software	Adera AB	Horizontal	Stock	Domestic	Completed	20	No	Single bidder	0
2003-09-19	Binar Elektronik AB	Measuring devices	Binar Intressenter AB	Investment Company	Cash	Domestic	Completed	28	Yes	Single bidder	1
2003-11-21	Pandox Hotell-fastigheter AB	Hotels and motels	APES Holding AB	Conglomerate	Cash	Domestic	Completed	1 650	Yes	Single bidder	1
2005-05-13	Skandia AB	Life insurance	Old Mutual PLC	Vertical	Cash and Stock	South Africa	Completed	43 600	No	Single bidder	1
2006-09-01	Capio AB	Hospitals	Opica AB (Nordic Capital & Apax)	Private Equity	Cash	Domestic & U.K	Completed	15 600	Yes	Single bidder	1
2006-09-13	Scania AB	Motor vehicles	MAN AG	Horizontal	Cash	Germany	Withdrawn	88 000	Yes	Single bidder	1
2006-10-02	Cybercom AB	Computer facilities	JCE Group AB	Conglomerate	Cash	Domestic	Withdrawn	808	No	White squire	0
2006-10-02	Semcon AB	Computer facilities	JCE Group AB	Conglomerate	Cash	Domestic	Withdrawn	1 143	No	Single bidder	0
2007-08-09	OMX	Stock market exchange	Borse Dubai	Horizontal	Cash	Dubai	Completed	27 700	No	Multiple bids	1
2007-08-13	Index AB	Women's clothing	KappaNI AB	Horizontal	Cash	Domestic	Withdrawn	7 000	No	See case study	1
2007-09-25	Elverket i Vallentuna	Power plant	EON	Horizontal	Cash	Germany	Withdrawn	356	No	Single bidder	0
2007-11-13	Securitas Direct AB	Security systems	ESML Intressenter AB (EQT & Latour)	Private Equity	Cash	Domestic	Completed	10 100	Yes	Single bidder	0
2007-12-11	Gant Co AB	Clothing	Proctorator SA (Maus Freres SA)	Conglomerate	Cash	Switzerland	Completed	5 200	Yes	See case study	0
2008-03-20	Tieto Enator	It-consultant	Cidron Invest (Nordic Capital)	Private Equity	Cash	Domestic	Withdrawn	10 000	No	Single bidder	0
2008-03-27	Sigma	It-consultant	Askard	Conglomerate	Cash	Domestic	Withdrawn	650	Yes	Single bidder	0
2008-04-30	Cision AB	Management consulting	Cyril Acquisition AB (Triton Fund II)	Private Equity	Cash	U.K	Withdrawn	1 491	No	Single bidder	0
2008-05-16	Ballingstöv AB	Wood kitchen cabinets	Stena Adactum AB	Investment Company	Cash	Domestic	Completed	1 221	No	Single bidder	0
2008-10-15	Peab Industri AB	Residential construct.	Peab AB	Vertical	Stock	Domestic	Completed	4 345	No	Single bidder	0
2008-10-23	Enaco AB	Industrial buildings	Mannerheim Invest AB	Investment Company	Cash	Domestic	Withdrawn	40	No	Single bidder	0
2008-10-30	IGE Nordic AB	Gold ores	International Gold Exploration	Horizontal	Stock	Domestic	Completed	15	No	Single bidder	0
2008-11-03	Q-Med AB	Surgical supplies	Ivtytan AB (EQT and Lyftet Holding)	Private Equity	Cash	Domestic	Withdrawn	2 035	No	Single bidder	0

Table 3: Hostile takeover bids on the Swedish Stock Exchange 1995- 2008 1) Not included in dataset, hence 43 hostile bids in regression analysis

4.1.1 Timing of bid

As M&A activity is cyclical, it is important to review the data over time. The figure below shows our complete sample, 216 takeover bids, distributed over the sample period 1995 – 2008 and classified by hostile and friendly takeover bids.

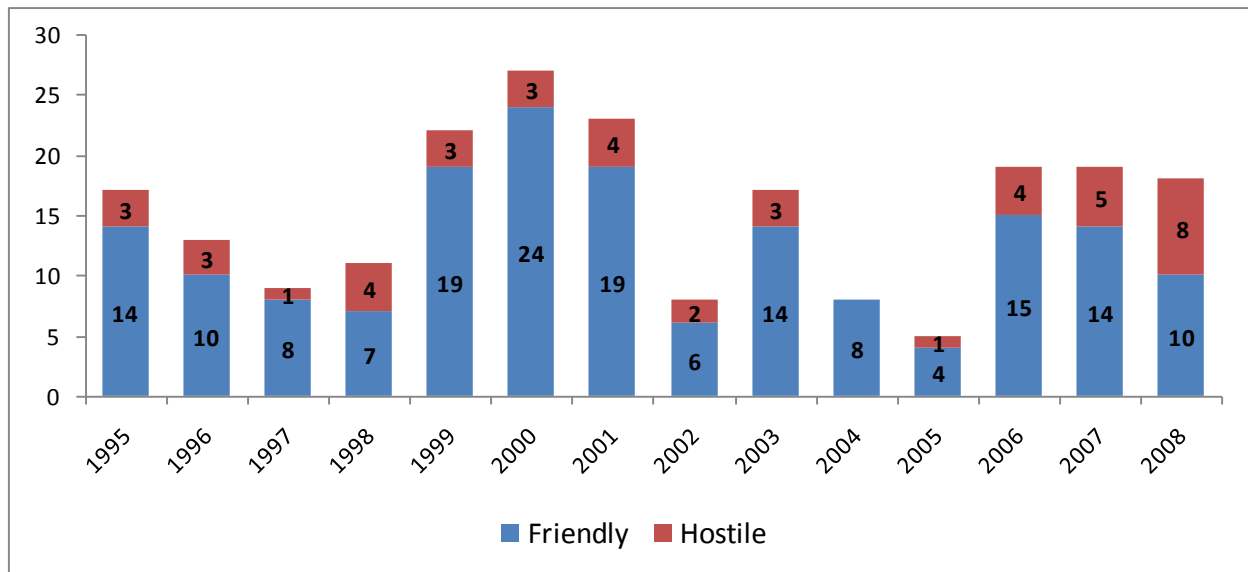


Figure 1: Hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008) – Yearly distribution

The number of takeover bids was highest in the years 1999, 2000 and 2001, a fact that might be due to the large amount of high-tech and internet related bids taking place, as well as the positive market conditions during this period. These years had an average of 24 takeover bids per year while the average for the whole sample period is 15. Worth noting is also that while the Swedish stock market was characterized by high turbulence during the second half of 2007 and 2008, the number of takeover bids remained high. A possible explanation might be the time needed to plan and prepare for a takeover bid, a process that could take several months and longer (including support from banks, informal negotiations with the target, etc). 2008 has the highest share of hostile takeover bids in the sample period (45 percent). A likely reason is that the low current valuation of companies allows for bid prices below what the target board of directors find appropriate in the long run.

When dividing the sample period into boom and bust periods, we find that 127 (59 percent) of the takeover bids were made during boom periods and 89 (41 percent) were made during bust periods. However, when looking at the hostile takeover bids alone we find a different pattern. Out of the 44 hostile bids, 26 (59 percent) were made during bust periods. A potential explanation, in line with previous arguments, is that the low prices in bust periods allow bidders to make attempts that the target boards do not seem fair in the long run.

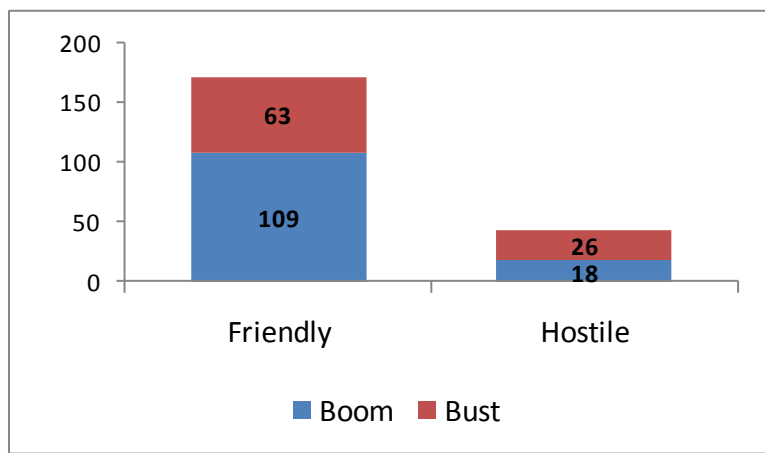


Figure 2: Hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided into boom and bust periods

When examining if cash bids are more or less common during bust periods we find no differentiating pattern. Cash-only bids are just modestly more common during boom period (70 percent versus 66 percent).

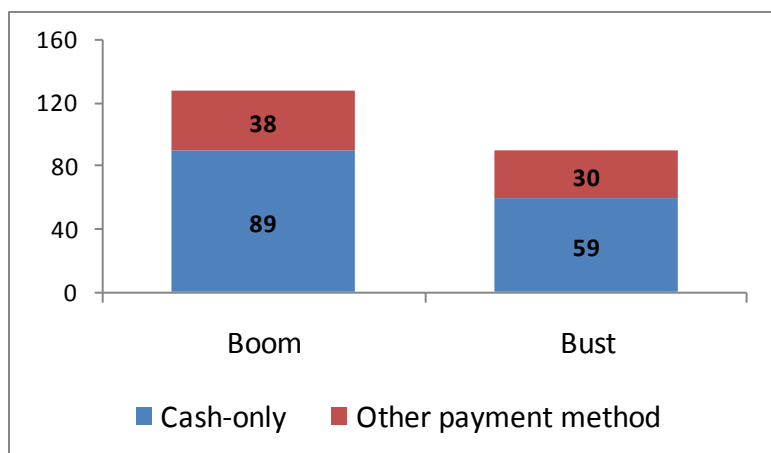


Figure 3: Hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008) during boom and bust periods, divided into cash-only bids and other payment methods

4.1.2 Payment method

The payment methods used in our data does not differ depending on whether the takeover bid is friendly or hostile - 69 percent of the friendly takeover bids and 68 percent of the hostile takeover bids were cash-only. Stock-only bids are the second most common payment type, around 20 percent for both hostile and friendly takeover bids, while combined bids (stock and shares) and “other” bids (for example capital notes and) are relatively uncommon.

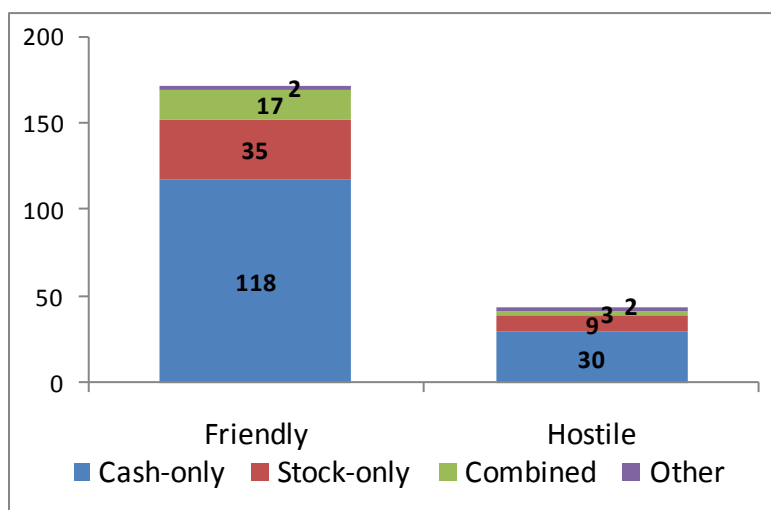


Figure 4: Hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided by method of payment

It is clear that cash bids have been the dominating payment method during the sample period. In recent years this trend is even stronger - 48 out of the 56 takeover bids 2006-2008 were made in cash. 1997 and 2001 show the lowest shares of cash bids both in the hostile and the friendly sample (33 percent of all takeover bids in 1997 and 36 percent of the takeover bids in 2001 were classified as cash bids). Figure 5 and 6 show the payment methods used over the years divided into hostile and friendly bids.

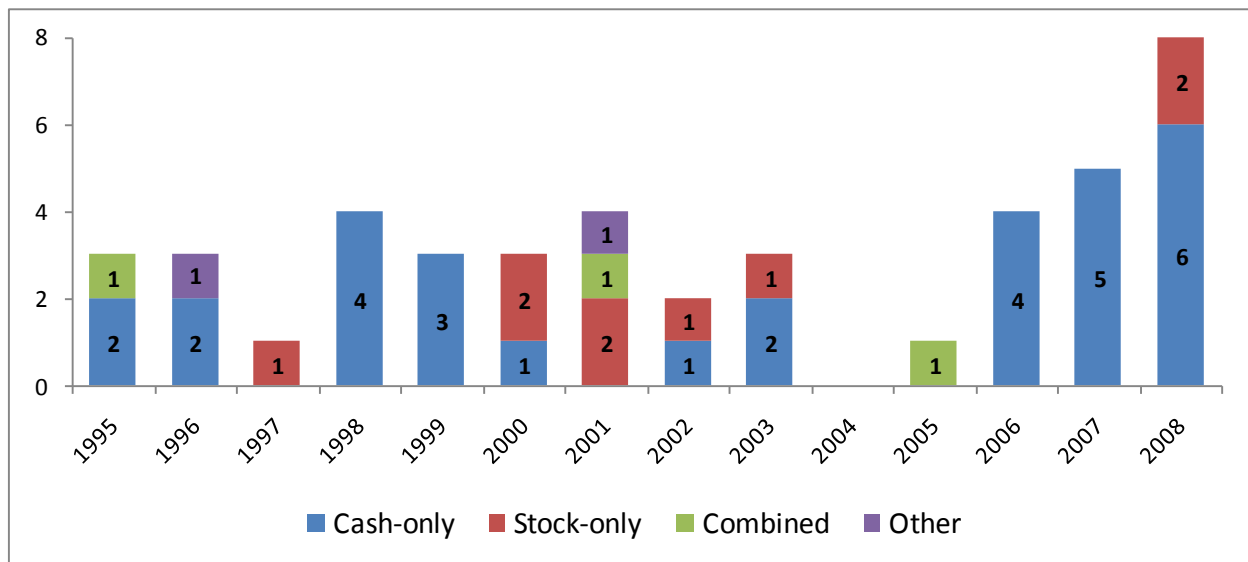


Figure 5: Hostile takeover bids on the Swedish Stock Exchange (1995-2008), divided by method of payment – Yearly distribution

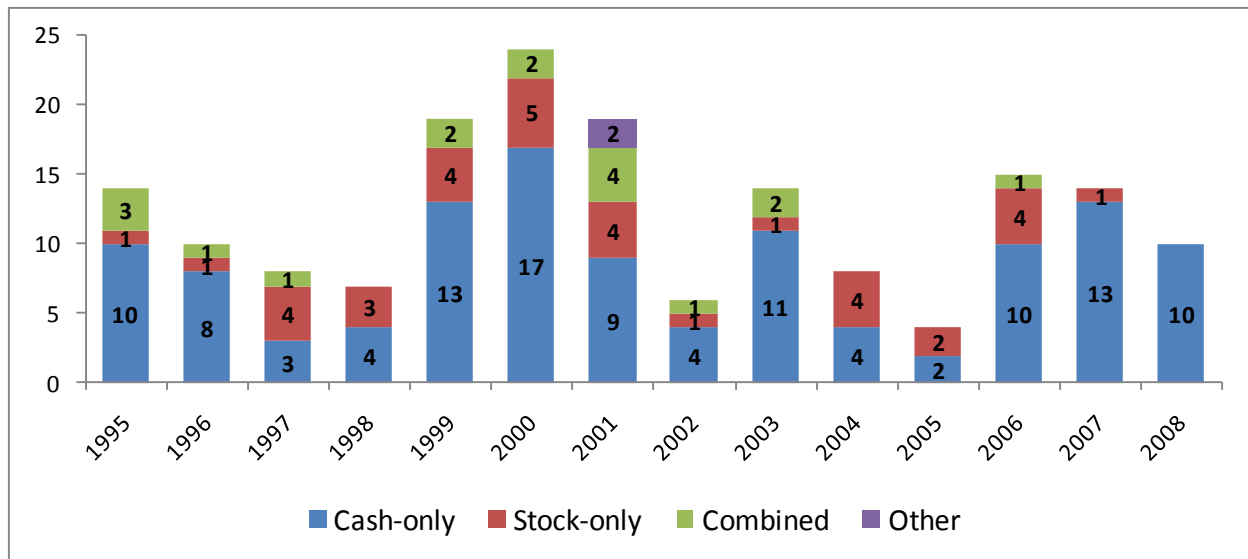


Figure 6: Friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided by method of payment – Yearly distribution

4.1.3 Cross country bids

Figure 7 demonstrates that a vast majority of the bidders in our sample are Swedish companies, and out of the foreign bidders about one third is from Western Europe, North America and Scandinavia. Only three takeover bids since 1995 are made by nationalities outside these regions. One from South Africa (Old Mutual's takeover bid on Skandia in 2005), one from Japan (Toyota Automatic Loom Work's takeover bid on BT Industries in 2000) and finally one from Dubai (Borse Dubai's takeover bid on OMX in 2007).

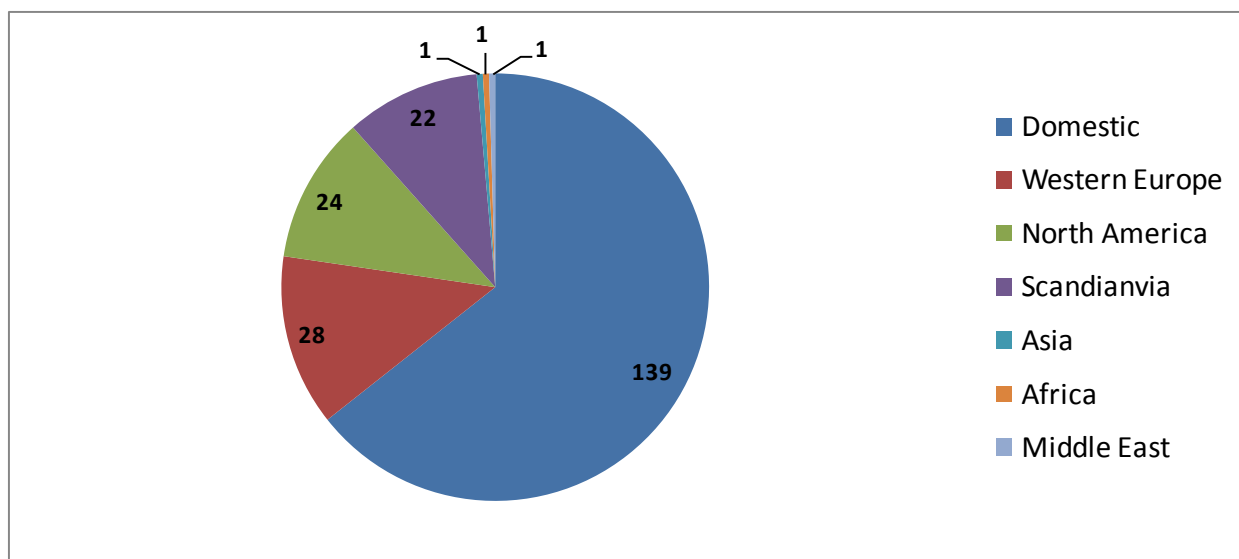


Figure 7: Hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided into geographic origin of bidding company

Table 4 below shows that while 24 percent of the domestic takeover bids were hostile, only 14 percent of the foreign takeover bids were of this kind. Noticeable is that out of the 21 takeover bids from US, none was hostile, and out of the eight takeover bids from U.K, only two were hostile. This is in line with the argument stated in section 3.2.4.4, that foreign bidders need the target board when they enter into a new country. Also Deakin, Hobbs, Nash & Slinger (2002) report that the share of hostile takeovers in cross border acquisitions tend to be relatively low.

Country	Friendly	Hostile	Total	Hostile %
Domestic	106	33	139	24%
US	21	0	21	0%
Finland	9	1	10	10%
U.K	8	2	10	20%
Norway	6	0	6	0%
Germany	3	4	7	57%
Denmark	4	0	4	0%
France	3	0	3	0%
Canada	3	0	3	0%
Switzerland	3	1	4	25%
Netherlands	2	0	2	0%
Iceland	1	1	2	50%
Japan	1	0	1	0%
Belgium	1	0	1	0%
Italy	1	0	1	0%
Dubai	0	1	1	100%
South Africa	0	1	1	100%
Total	172	44	216	20%

Table 4: Hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided by nationality of bidder

We stated in section 3.2.4.4 that the cross border takeover market has been growing steadily since the 1980's. Our data shows however no obvious sign of a steadily growing number of foreign bids compared to domestic ones. A reason might be that our sample does not include the 1980s and early 1990s.

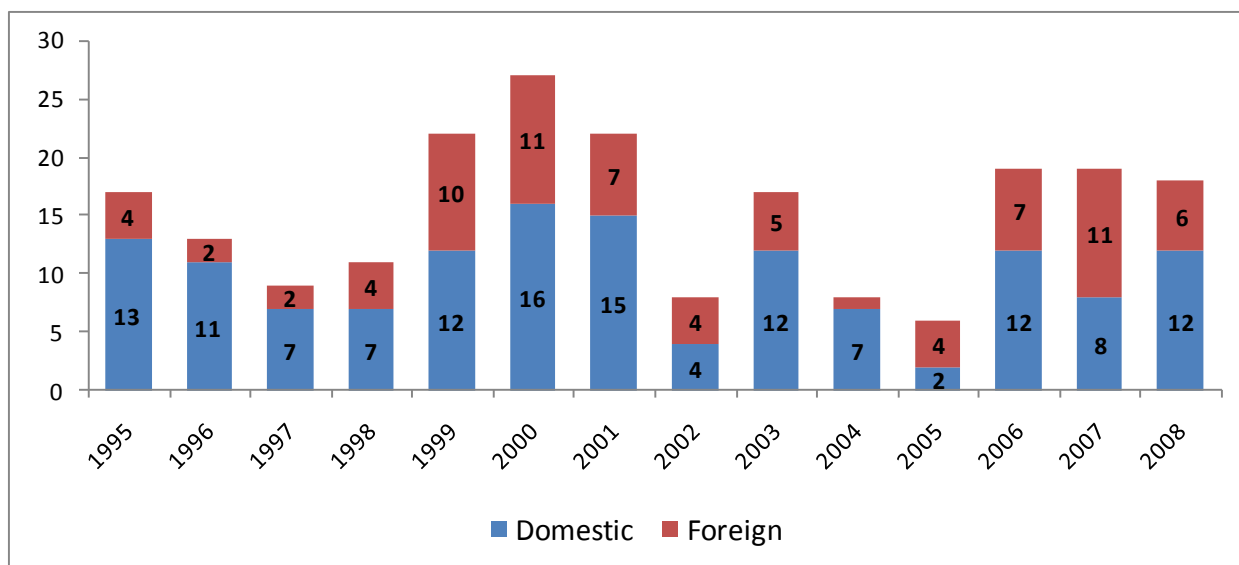


Figure 8: Takeover bids on the Swedish Stock Exchange (1995-2008), divided into domestic and foreign bidding company – Yearly distribution

4.1.4 Industry similarity

Figures 9 and 10 illustrate our takeover bid sample divided into five categories depending on industry similarity between bidder and target. In our tests we have simplified this into two categories – related and unrelated bids. With related we refer to the bids that are either horizontal or vertical, and with unrelated we refer to conglomerate bids. Bids from private equity firms and investment companies are categorized as unrelated bids.

In the data sample, including all friendly and hostile takeover bids, 133 (61 percent) were classified as related bids and 83 (39 percent) as unrelated – a split that also seem to be present in almost each separate year. The latest years (2006-2008) show the highest amount of Private Equity activity with four bids in 2008 alone, out of which three were hostile. Interesting to notice is the high number of conglomerate bids in 2000 (13 out of 27 bids).

Out of the 44 hostile takeover bids, 24 were from related companies and 20 were from unrelated companies (14 of the related takeover bids (58 percent) and eleven of the unrelated bids (55 percent) were successful). Out of the friendly takeover bids, 109 were related (out of which only

one percent was unsuccessful) and 63 were unrelated (out of which 11 percent were unsuccessful).

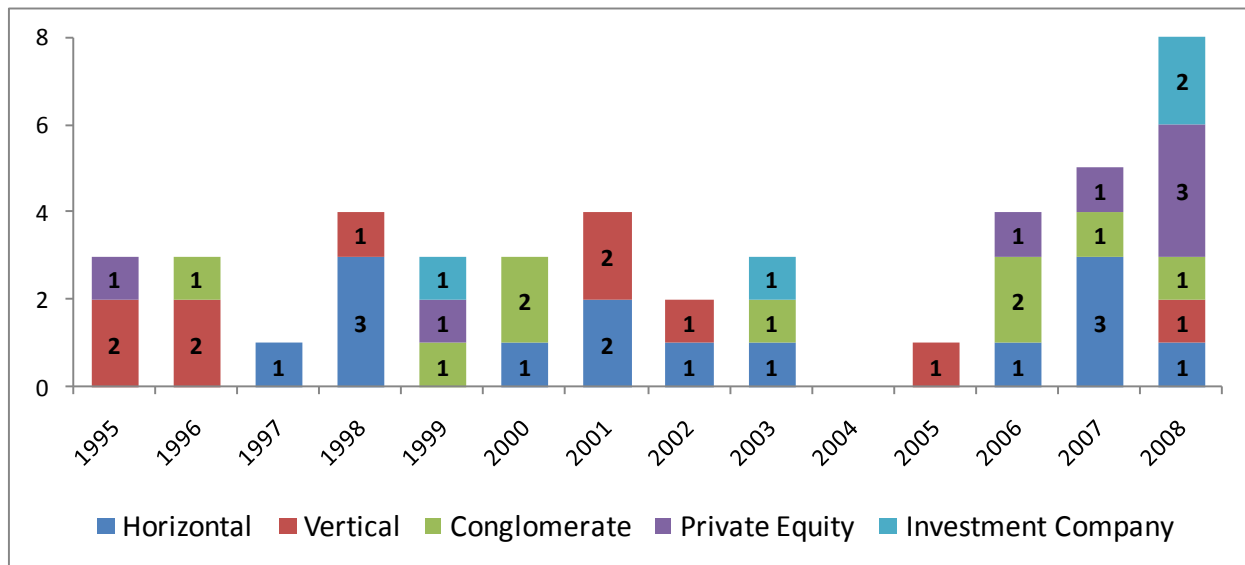


Figure 9: Hostile takeover bids on the Swedish Stock Exchange (1995-2008), divided by type of bidding company – Yearly distribution

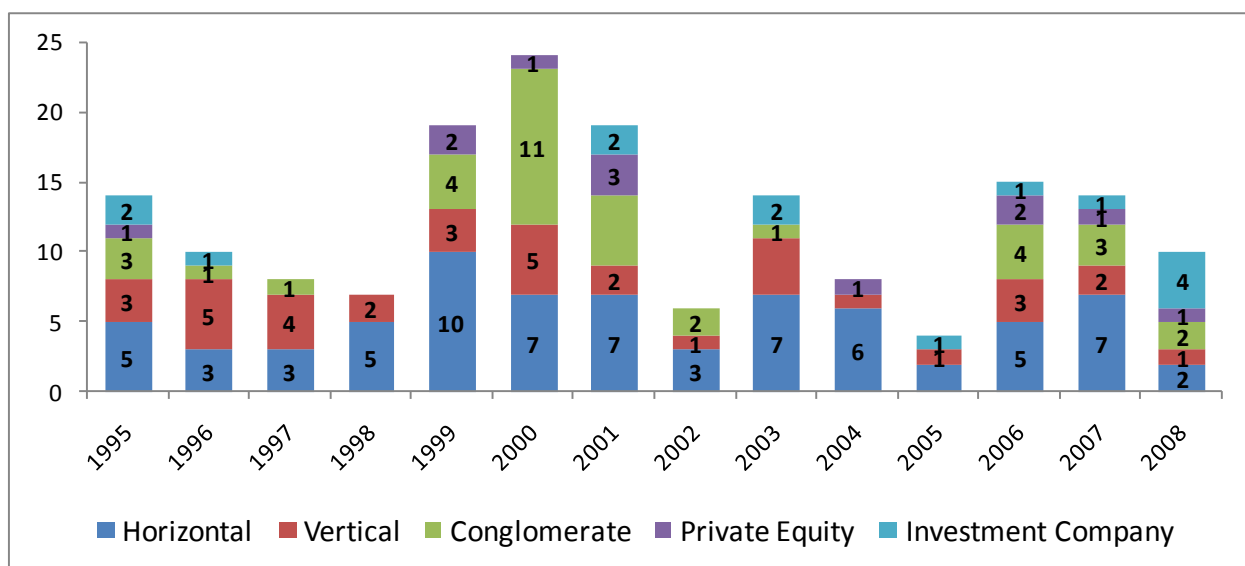


Figure 10: Friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided by type of bidding company – Yearly distribution

4.1.5 Successful versus unsuccessful

Almost all of the friendly takeover bids in our sample (95 percent) were successful in the end, i.e. the bidders managed to acquire the target companies. The result is considerably different for the hostile takeover bids where only 25 of 44 bids (59 percent) were successful and 19 (41 percent) unsuccessful. This trend is also observed in the sample used by Schoenenberg & Thornton (2006, p. 144) who analyse hostile takeover bids in the UK from May 1996 to May 1999. Their study shows that 52 percent of the contested bids ended up unsuccessful. Deakin, Hobbs, Nash & Slinger (2002, p. 17) report a slightly lower figure, 40 percent, for the period 1993-1996 in the U.K. The yearly distribution of successful and unsuccessful takeover bids in our sample, divided into hostile and friendly, is illustrated in the figures 11 and 12.

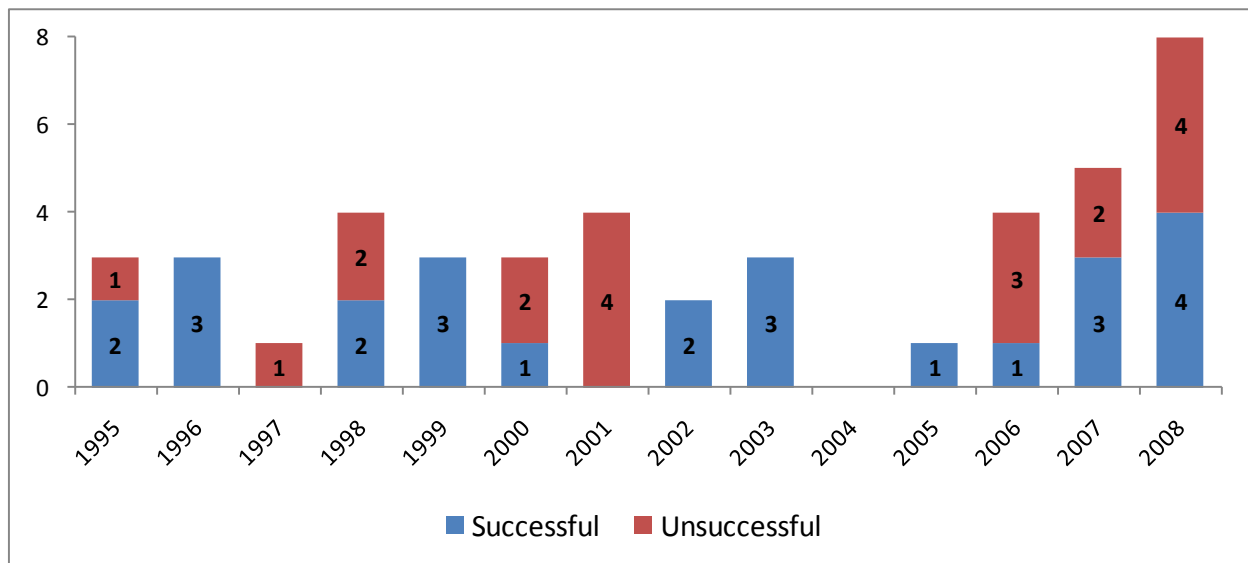


Figure 11: Hostile takeover bids on the Swedish Stock Exchange (1995-2008), divided into successful and unsuccessful bids – Yearly distribution

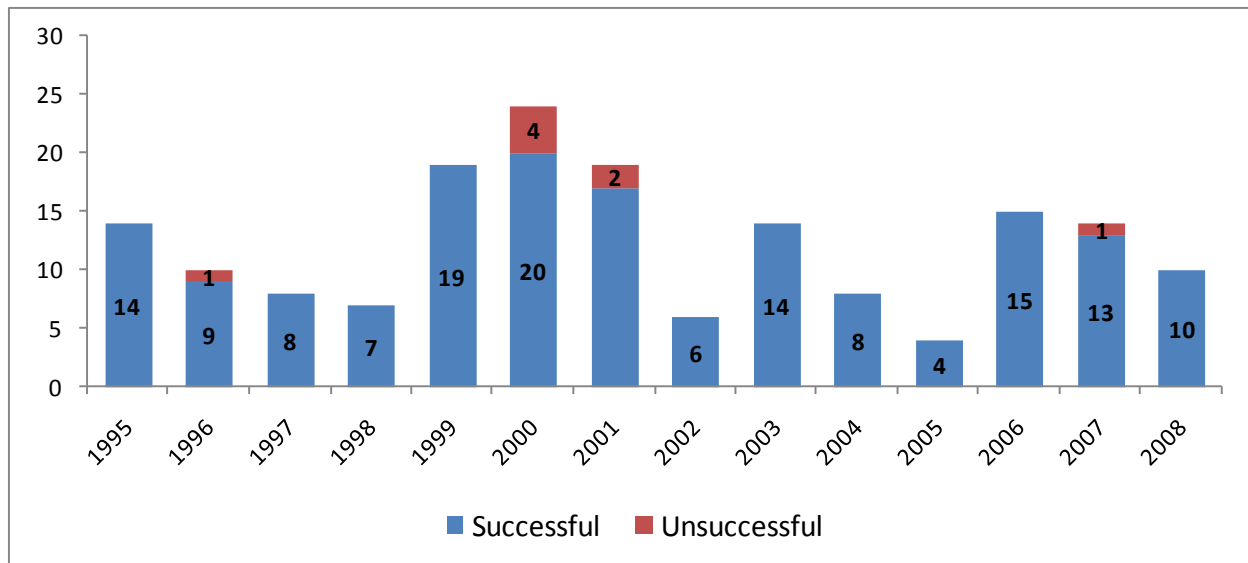


Figure 12: Friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided into successful and unsuccessful bids – Yearly distribution

4.1.6 Increased bid

The last parameter we look at is whether a takeover bid is followed by a second and increased bid. Figure 14 shows that it is much more common that a hostile takeover bid is followed by an increased bid. Out of the hostile takeover bids 41 percent were followed by an increased bid, while this was the case in only six percent of the friendly takeover bids.

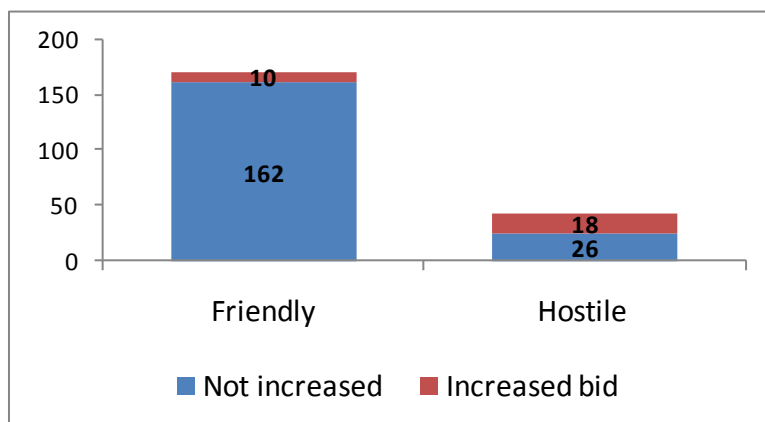


Figure 13: Hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided into increased and not increased bids

Finally, in figure 14 and 15, we present how many of the increased and not increased bids that were successful versus unsuccessful. It is obvious, judging from our data sample, that the hostile takeover bids have a higher chance of succeeding if the bids are raised. Out of 18 increased hostile takeover bids 72 percent were successful, and out of 26 hostile takeover bids that were not increased, only 42 percent were successful.

	Bid not increased	Bid increased
Unsuccessful	15	5
Successful	11	13

Figure 14: Hostile takeover bids on the Swedish Stock Exchange (1995-2008), divided by outcome characteristics

	Bid not increased	Bid increased
Unsuccessful	7	1
Successful	155	9

Figure 15: Friendly takeover bids on the Swedish Stock Exchange (1995-2008), divided by outcome characteristics

5. Empirical findings

As a first step in this section we aim to look at the Cumulative Abnormal Return for target shareholders in takeover bids. Empirical findings will follow our hypotheses, starting with testing whether there is a difference in the market reaction towards hostile and friendly bids, and following up with testing whether the market is able to predict the future outcome of hostile bids.

5.1 Hypothesis one – Hostile versus friendly bids

When looking at the Cumulative Abnormal Return (CAR) for target shareholders we find that it is higher for the hostile takeover bids in all our event windows. The difference between the hostile and friendly returns are however not statistically significant (see appendices); although such a result would have been hard to achieve given our fairly small data sample. The higher CAR for hostile bids is in line with our hypothesis and a potential argument for this outcome is that shareholders expect the share price to increase as an effect of management resistance towards the bid and a high probability of an increased bid price.

CAR

Time Interval	Hostile	Friendly
(-1,1)	21,93%	20,45%
(-1,3)	23,78%	20,27%
(-3,3)	23,79%	20,80%
(-1,10)	21,51%	18,15%
(0,30)	20,86%	15,13%
(-1,30)	22,30%	16,28%
N	43	172

Table 5: Average CAR for hostile and friendly takeover bids on the Swedish Stock Exchange (1995-2008)

In our short term event windows ((-1, 1), (-1, 3), (-3, 3)) that focus on the reactions from the actual bid announcement alone we find higher CAR in hostile takeover bids than friendly ones, although the difference is not statistically significant. The level of CAR is about the same in the (-1, 3) window and the (-3, 3) window, indicating that the effect of leakage is smaller beyond the one day before announcement. The outcome is interesting since it states that takeover bids with a relatively high cumulative abnormal shareholder return are more likely to become rejected by the target board, i.e. hostile, than takeover bids with a relatively low CAR. The result is in line with the one found by Goergen & Renneboog's (2003, p. 30), who investigates the wealth effects of large (intra) European takeover bids during the period 1993-2000, and Holl & Kyriazis (1997, p. 488) who look at takeover bids in the UK between the years 1979-1989. The latter couple argues that this result is possible since the market is not able to account for privileged information that may be in the possession of the target firm – i.e. in contrast to the Efficient Market Hypothesis.

During the 30 days post announcement, the hostile bids actually outperform the friendly ones by around 5 percent. This period is long enough to capture a major part of the discussions and

events that take place post the announcement and indeed the market seem to value hostility above friendship in the bids. It is somewhat surprising that the CAR for friendly bids show such a significant decline in the long-term event windows, especially since very few of these were unsuccessful. One explanation is that relatively more friendly takeover bids are made during boom periods and since CAR measures the stock return above the market return, a booming market will eventually eat up parts of the CAR if the stock price trades flat around the bid price.

Also the long-term results are in line with the ones found by Goergen & Renneboog's (2003, p. 30) and Holl & Kyriazis (1997, p. 488). The latter couple is actually able to demonstrate a statistically significant difference between the target shareholder return in hostile and friendly bids, finding that the abnormal return increased 17.2 percent if the bid was rejected instead of recommended. They argue that a rejection increases the shareholder wealth since the bargaining and negotiations that follow drive up the share price even if the bid turns out to be unsuccessful. Holl & Kyriazis (1997, p. 488).

Also Dodd & Ruback's (1987, p. 1) investigation of abnormal returns for bidder and target shareholders in 172 takeover bids in the US between the years 1958-1976, find strong abnormal returns for target firms in the announcement month (20.89 percent for successful takeover bids and 18.96 percent for unsuccessful ones). Although these results are similar to our Swedish ones, it is slightly problematic to compare them. While the European studies (as is the case with Goergen & Renneboog's (2003, p. 1) and Holl & Kyriazis' (1997, p. 483) studies) to a large extent investigates hostile takeovers based on Morck, Shleifer & Vishny's (1987, p. 3) definition of the phenomenon, US studies are somewhat different. In the US, takeovers are broadly divided into mergers and takeover bids (rather than friendly and hostile bids). Mergers are negotiated with target management and then approved by target shareholders and therefore tend to be friendly. A takeover bid is made directly to the target shareholders and often without the acceptance of target management. Therefore, even though a takeover bid in the U.S. by definition does not have to be hostile, many of them are (Sudarsanam & Mahate, 2006, p. 4). Still we find it interesting that the US results matches our Swedish given the considerably different institutional settings for takeovers to work within. First of all the takeover law that regulates to what extent hostile takeovers can be used and defended against deviates substantially

between Sweden and the US, giving managers in the US far more options to fight against a hostile bid (Armour & Skeel, 2006, p. 1). Secondly, Swedish public firms, on the contrary to US public firms, have high controlling mechanisms (concentrated ownership and dual-class shares programs).

In the end, due to a lack of statistical significant results, we are not able to state that our first hypothesis is correct. Having said this, we see a clear pattern in the results showing a higher target shareholder wealth creation in hostile than in friendly takeover bids.

5.2 Hypothesis two – Increased hostile bids versus flat hostile bids

By looking at our data sample we can easily establish that it is far more common for the hostile bids to be raised than the friendly ones. With hypothesis two we try to test whether the market is able to predict if a specific hostile takeover bid will be raised or not. We have argued that such ability is reasonable given the intensive monitoring of a takeover bid by the press and stock market analysts, and the typical bidding patterns observed in companies. If prediction of this kind is possible it would likely result in a higher target shareholder CAR around announcement for the cases where the bid was eventually raised.

The test shows however no clear difference in return between the two cases (see Table 6) and we are hence not able to confirm our hypotheses. We had expected to see that the CAR for increased hostile takeover bids would improve as time went by and the bid process was more transparent. The fact that this is not the case not only tells us that the probability of an increased bid seem hard to discount in the share price, but also that the actual effect of an increased bid seem rather insignificant to the target shareholder wealth.

CAR	<u>Hostile</u>	
	Increased bid	No change
Time Interval		
(-1,1)	21,08%	22,54%
(-1,3)	22,80%	24,48%
(-3,3)	22,87%	24,46%
(-1,10)	18,75%	23,49%
(0,30)	21,12%	20,68%
(-1,30)	21,92%	22,59%
N	18	25

Table 6: Average CAR for hostile takeover bids on the Swedish Stock Exchange (1995-2008), divided into increased and not increased bids

5.3 Hypothesis three - Successful hostile bids versus unsuccessful hostile bids

With hypothesis three we try to establish if the market is able to predict if a hostile takeover bid will be successful or not. We argued that this to a certain extent could be possible, especially since the target shareholders actually play a part in the final decision to whether the bid will be sufficiently accepted or not.

In contrast to the results under hypothesis two, these tests show a rather clear pattern with CAR in the successful bids being higher in each event window (See Table 7). Especially during the thirty days post announcement the successful bids outperforms the unsuccessful ones (28.4 percent versus 14.6 percent in the (-1, 30) window). This period is long enough to include a major part of the course of events prior to the final outcome of the bid and thus the ability to predict the outcome will likely improve. The results demonstrate that while it initially can be difficult to predict the final outcome of a bid, the ability improves with time. It also gives some evidence for our argument that the successful outcome (at least in a short-term interval) is the

preferable outcome, since it follows Goergen & Renneboogs (2002, p. 16) statement that the share price will drop as a consequence of a withdrawn bid. Goergen & Renneboog themselves do not find any clear pattern in their results when they run this test, which we believe is a combined consequence of their sample and their event windows. In their sample they include both hostile and friendly bids; a problematic approach due to the hostile bids' higher probability of failing together with their higher overall CAR. Moreover their study uses no event window that focuses only on the period after announcement which reasonably would have given a different outcome. Our results are more in line with the ones found by Dodd & Ruback (1978, p. 21) who find an abnormal target return of 20.89 percent for successful takeover bids and 18.96 percent for unsuccessful ones.

Time Interval	CAR	
	Hostile	
	Successful	Unsuccessful
(-1,1)	23,82%	19,52%
(-1,3)	25,54%	21,54%
(-3,3)	24,51%	22,88%
(-1,10)	26,43%	15,30%
(0,30)	26,84%	13,33%
(-1,30)	28,39%	14,63%
N	25	18

Table 7: Average CAR for hostile takeover bids on the Swedish Stock Exchange (1995-2008), divided into successful and unsuccessful bids

It is reasonable to assume that the characteristics of each hostile takeover bid, i.e. whether it is raised or not and whether it is successful or not, is correlated with each other. In other words it seems fair to state that the raised bids should have a higher probability of succeeding. However when comparing the CARs in Table 6 and 7 (and focusing on the 31 and 32 day event windows) it does not seem clear that the market judge the outcome of a bid on whether it is raised (or have

a high probability of being raised). One explanation could naturally be that this outcome is more problematic to foresee than whether the bid will be successful or not. However, it does not seem unreasonable that it is the actual act of raising a bid that determines its outcome and not the actual level of revision - a fact that would help explaining the relatively flat CAR for increased hostile bids in the long term event windows. For example in the bids on Gambro and Securitas Direct by EQT, only a 4.3 percent and a 5.8 percent increase in the bid prices were needed to please the heaviest criticsers (Hedelius, DN, 2008). Indeed, looking only at our hostile sample, the presence of a raised bid is highly correlated with its ultimate success, statistically significant at the 10 percent level (See figure 14 and 15 in the descriptive data section).

Successful vs. Increased Bid given Hostile

	Coef	t-stat	p-value
α	0.440	4.51	0.000
β	0.282	1.87	0.069
R^2	0.0786		

Table 8: Correlation between increased hostile takeover bids and successful hostile takeover bids on the Swedish Stock Exchange (1995-2008)

5.4 Regression with control variables

To analyse if the control variables affect our results, we do a full regression including all variables for each event window. We find that the explanatory power given by R^2 is only around 10 percent in each event window analysis. This low outcome is not unexpected since we use dummy variables as explanatory and controlling variables. The results are found below in Table 8 and they indicate that three of the parameters have a notable impact on the outcome of CAR.

First of all the method of payment variable shows a statistical significant impact at the five percent level or below in each event window. A cash-only bid increases CAR by 7 – 15 percent compared to all other types of bids, holding all other variables constant. Since the shares of hostile and friendly takeover bids that are cash-only (68.6 percent versus 68.2 percent) are

similar, this variable alone should not be able to explain the difference in CAR between hostile and friendly bids. A likely reason for the market to value cash-only bids higher than other bids is that they stand for a given value. Naturally the market should question whether a bid including equity is a result of the bidder management's belief that their shares are overpriced, and consequently value these bids lower. Such a case would likely be more common in a boom period when stock prices are high which lead us to our next significant variable, whether the bid is placed in a boom or a bust period.

The boom period variable show a negative impact on CAR by around 10 percent holding all other variables constant, stating that CAR is higher in bust periods. The logic reason should be that the stock market is undervalued during bust periods, hence leaving room for higher premiums and higher abnormal return around bid announcements (The result however differs from the one found by Goergen & Renneboog (2003, p. 17) who show higher target shareholder CAR in the boom period). Given that relatively more hostile bids than friendly bids in our sample are made in bust periods (59 percent of hostile bids and 39 percent of friendly bids), this result could help explain our CAR-results. An argument for this impact of the boom period variable is that the overall low valuation of the stock market in bust periods leaves room for (and perhaps requires) relatively high premiums in the bids. Even so, the target board might consider a bid as an opportunistic move to take advantage of their company's low valuation and reject the offer.

The third and last variable to have a statistical significant influence on CAR is whether a takeover bid is successful or not. We see that successful bids have a positive correlation with CAR in all our event windows. Naturally, and as argued above, the influence is even clearer when looking at the 30 days post announcement. This period is long enough to include a major part of the course of events post the bid announcement and in some cases the final outcome may already have been established.

The Country variable does not seem to have any large or statistically significant effect on the outcome of CAR in any event window, neither does the Relatedness variable. Concerning the Country variable the lack of influence is somewhat in line with our previous argument that while

cross country bids can bring extra diversifying synergies; some of these are deleted due to different corporate cultures, laws, etc. It is somewhat more surprising that the Relatedness variable does not have a higher influence on CAR. We argued that related acquisitions should be able to extract larger synergies which would partly be reflected in the bid price. However, it is possible that Investment companies and Private Equity firms are able to place equally high bids due to high debt gearing.

Full Regression on Cumulative Abnormal Return with Control Variables

Event Window (-1,1)	R ²	Coef.	t	P>t	Event Window (-1,3)	R ²	Coef.	t	P>t
	0.1019					0.1152			
Hostile		0.0149	0.38	0.705	Hostile		0.0373	0.90	0.369
Cash		0.0677	2.46	0.015	Cash		0.0760	2.62	0.009
Related		0.0264	0.97	0.333	Related		0.0416	1.45	0.148
Domestic		0.0063	0.24	0.807	Domestic		0.0033	0.12	0.904
Successful		0.0891	2.05	0.042	Successful		0.0934	2.04	0.043
Boom		-0.0944	-3.65	0.000	Boom		-0.1060	-3.88	0.000
Increased Bid		0.0431	1.03	0.305	Increased Bid		0.0401	0.91	0.366
_cons		0.1094	2.17	0.031	_cons		0.0975	1.83	0.068
Event Window (-3,3)	R ²	Coef.	t	P>t	Event Window (-1,10)	R ²	Coef.	t	P>t
	0.0957					0.1214			
Hostile		0.0236	0.55	0.583	Hostile		0.0602	1.27	0.205
Cash		0.0761	2.54	0.012	Cash		0.0843	2.54	0.012
Related		0.0392	1.32	0.189	Related		0.0295	0.89	0.372
Domestic		0.0093	0.33	0.744	Domestic		0.0121	0.39	0.699
Successful		0.0705	1.48	0.139	Successful		0.1572	3.00	0.003
Boom		-0.1026	-3.63	0.000	Boom		-0.1129	-3.61	0.000
Increased Bid		0.0379	0.83	0.409	Increased Bid		0.0322	0.64	0.525
_cons		0.1205	2.19	0.030	_cons		0.0167	0.27	0.785
Event Window (0,30)	R ²	Coef.	t	P>t	Event Window (-1,30)	R ²	Coef.	t	P>t
	0.0986					0.1095			
Hostile		0.0914	1.38	0.168	Hostile		0.1009	1.56	0.119
Cash		0.1220	2.64	0.009	Cash		0.1033	2.29	0.023
Related		0.0411	0.90	0.369	Related		0.0373	0.84	0.404
Domestic		0.0222	0.51	0.611	Domestic		0.0265	0.62	0.534
Successful		0.2004	2.74	0.007	Successful		0.2242	3.14	0.002
Boom		-0.1046	-2.40	0.017	Boom		-0.1250	-2.94	0.004
Increased Bid		0.0642	0.91	0.363	Increased Bid		0.0558	0.81	0.419
_cons		-0.1009	-1.19	0.235	_cons		-0.0863	-1.04	0.299

Table 9: Outcome of Ordinary Least Squares Regressions on CAR, using control variables

6. Concluding remarks

6.1 Conclusion

With this thesis we intend to give the reader an introductory overview of the hostile takeover bid phenomenon on the Swedish market. Previous Swedish research on the subject has to a large extent been qualitative and often in the context of the debated takeover law (see for example “Defense Tactics in Hostile Bids” by Wijkander, J. 2006). Our thesis gives a comprehensive overview of the takeover bids that have taken place in Sweden during the years 1995 to 2008, and upon this makes an approach at understanding the important differences between hostile takeover bids and its friendly counterpart. By using an event study approach, we have also analysed the economic impact for target shareholders that arise from the announcement of a hostile takeover bid.

First of all, we have compared the Cumulative Abnormal Return (CAR) for target shareholders in hostile and friendly Swedish takeover bids 1995-2008. Our results follow the pattern found in foreign research, namely that hostile takeover bids give rise to higher CAR among target shareholders than friendly takeover bids. Although we have not been able to prove this with statistical significance, we believe that just not being able to prove the opposite is interesting enough. If the Efficient Market Hypothesis holds (i.e. the share prices always incorporate and reflect all relevant information of the companies) and the interests of shareholders and the company boards are align, it is likely that high bids would be recommended (friendly) and low bids rejected (hostile). Since this is not the case in our results, it is possible that either there is relevant information of the companies not accessible to shareholders, or there are (in line with a theory by Armour & Skeel, 2006, discussed in section 2) deviating interests between shareholders and its board of directors. However, our results also demonstrate that the difference in target shareholder CAR between hostile and friendly takeover bids becomes higher as time goes by and the market has time to properly digest the target boards’ comments. According to Goergen & Renneboog (2003, p. 16) as well as Holl & Kyriazis (1997, p. 486), such a pattern

could be a result of the markets belief that a board rejection will trigger bargaining and in the end an increased bid.

Secondly, we tested whether we could find any sign of ability in the market to predict the future outcome of a hostile bid – both whether the bid will be raised or not, and whether it will be successful or not. We tested this by dividing our hostile sample by these categories (increased and not increased bids, as well as successful and unsuccessful bids) and compared their separate target shareholder CAR around announcement. We found that while there was no statistically significant proof for prediction ability, the successful bids generated higher CAR than the unsuccessful ones in all our event windows. Especially when we took a longer perspective it seemed clear that the market's ability to foresee whether a bid would succeed or not improved. This pattern was not as clear in the case of foreseeing increases in bid price levels which we believe could be due to that this decision belongs to the bidding firms alone and not the target shareholders. We finally prove that the two characteristics are significantly linked to each other saying that hostile bids have a far higher probability of succeeding if the bid is raised.

In the end, judging from our dataset and results, we find it likely that the hostile phenomenon within takeover bids will be more well-known for the Swedish public in the years to come. Not only have the Nordic Private Equity companies, who especially in 2008 proved themselves relatively willing to make hostile takeover attempts, grown stronger in recent years. We are also faced with a recession which has shown no sign of slowing down lately. In such a scenario there will likely be companies available at cheap prices, shareholders willing to sell at these prices and boards taking measures to prevent such an outcome.

We hope that this essay provides you with some understanding of hostile takeover bids, its presence on the Swedish market and how they affect target shareholder wealth.

6.2 Limitations in research and critical evaluation

There are certain limitations in our study that may affect the final outcome. Here we present the aspects that we believe are the most important.

To begin with our sample of 44 hostile takeover bids is in the lower end of recommended sample sizes. However, we have seen that the sample size do not vary a lot from the ones used by other authors investigating this subject (See for example Goergen & Renneboog (2001, p. 2)) and according to Brown & Warner (1985, p. 148) even a sample of a smaller size does not radically change the measurement of test statistics within the given sample.

Another certain limitation is the fact that we are using a limited number of variables as studied variables and control variables. For our specific topic it would have been interesting to also control for bid premium, firm size, ownership structure or dual-class shares. Especially bid premium, due to its influence on target shareholder CAR, and ownership structure, due to the relatively concentrated ownership structure in Swedish companies, would have been relevant variables to include. In the end we however had to concentrate on a number of variables and chose to use those that were most common in previous research of this kind.

Finally we are aware that the data has been processed and classified by ourselves, and with that arises the probability of personal mistakes. For example we have for all takeover bids read articles and news to classify the bids as hostile or friendly, successful or unsuccessful, related or unrelated, etc., and in a sample of above 200 bids and several variables for each, we cannot be 100 percent certain that every data point is correct. However, any small fault in classification should have a minor influence on the results.

6.3 Further research

During the progress of our thesis a number of interesting areas for potential further research have appeared.

First of all, due to the difference in takeover law and ownership structure, a comparison between US, English and Swedish hostile takeover situations would have been interesting.

Secondly, it would be interesting to examine the long-term target shareholder wealth post a takeover bid as well as the bidder shareholder wealth effects.

Thirdly, we would have liked to include the actual bid premiums in our tests. A potential subject for a Thesis could be to compare and analyse the difference between bid premiums and target shareholder return in hostile versus friendly takeover bids.

Finally it would be interesting to analyse the timing variable more carefully and maybe use interview studies as a complement. Does for example private equity firms prefer to make hostile acquisition attempts in bust markets when shareholders are low on cash and more open for exits?

These are only a few of many possible approaches to the phenomenon of hostile takeover bids. In the end we look forward to see what the future tells us about hostile bids in the Swedish market.

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7.3 Databases

Affärsdata

Merger Market

Thomson Financial: DataStream

Thomson Reuters sdc platintum database

8. Appendices

8.1 Friendly takeover bids - Tables

Date Announced	Target	Industry	Acquiror	Industry similarity	Payment structure	Foreign bidder	Status	Increased bid	1=Boom 0=Bust
1995-02-27	Proventus AB	Investors	Well Invest	Vertical	Cash	France	Completed	Yes	1
1995-04-03	KapN (Atle AB)	Investors	Atle Fövaltnings AB	Horizontal	Cash	Domestic	Completed	No	1
1995-04-03	Partnerinvesteringar Göteborg	Investors	Atle Fövaltnings AB	Horizontal	Cash	Domestic	Completed	No	1
1995-04-03	Produra Venture Capital (Atle AB)	Investors	Atle Fövaltnings AB	Horizontal	Cash	Domestic	Completed	No	1
1995-04-03	Swegon AB (Trelleborg AB)	Fabricated metal products	Investment AB Latour	Investment company	Cash	Domestic	Completed	Yes	1
1995-05-23	Owell Svenska	Computer software stores	WM-data AB	Vertical	Cash and Stock	Domestic	Completed	No	1
1995-05-30	Brukens Nordic	Steel works	EQT Industri AB	Private Equity	Cash	Domestic	Completed	No	1
1995-05-31	Abu Garcia AB (Proventus AB)	Sporting and recreational	Berkeley Inc	Conglomerate	Cash	US	Completed	No	1
1995-06-06	LIC Care	Healthcare	Getinge Industrier	Vertical	Cash	Domestic	Completed	No	1
1995-06-09	Hilab AB (Exab i Burlöv AB)	Investors	Exab i Burlöv AB	Conglomerate	Cash and Stock	Domestic	Completed	No	1
1995-06-26	Fristads	Work and protection cloths	Kansas Erhvervsbelaedning	Horizontal	Cash	Denmark	Completed	No	1
1995-08-07	Frigoscandia AB	Refrigerated warehousing	ASG AB	Conglomerate	Cash and Stock	Domestic	Completed	No	1
1995-08-21	Pharmacia AB	Pharmaceutical preparations	Upjohn Co	Horizontal	Stock	US	Completed	No	1
1995-11-20	Karolin Invest AB	Turbines	Atle AB	Investment company	Cash	Domestic	Completed	No	1
1996-01-02	Gambro AB	Orthopedic supplies	Incentive AB	Horizontal	Cash	Domestic	Completed	No	1
1996-03-11	Synectics Medical AB	Surgical instruments	Medtronic Inc	Horizontal	Cash	US	Completed	No	1
1996-03-13	United Tankers	Ship building and repairing	Broström AB	Vertical	Cash	Domestic	Completed	No	1
1996-06-10	Skåne Gripen AB	Furniture and fixtures	Skanska AB	Vertical	Cash	Domestic	Completed	No	1
1996-08-26	Svepart AB	Motor vehicle parts	Hexagon AB	Vertical	Cash and Stock	Domestic	Completed	No	1
1996-09-12	Trustor AB	Steel works	ON-Invest AB	Vertical	Cash	Domestic	Withdrawn	No	1
1996-09-16	Hemstaden	Operators of apartments	Anders Diös AB	Horizontal	Stock	Domestic	Completed	No	1
1996-10-07	Forsheda AB	Adhesives and sealants	TI Group PLC	Conglomerate	Cash	U.K	Completed	No	1
1996-10-29	Orrefors Kosta Boda AB	Glass products	Orrefors Kosta Boda Holding AB (Proventus m.m.)	Investment Company	Cash	Domestic	Completed	No	1
1996-11-04	Terra Mining AB (Norsk Hydro)	Gold ores	WRI Holding AB (William)	Vertical	Cash	Domestic	Completed	No	1
1997-01-07	Cyncrona (MPE Microtech)	Shipping	OEM International AB	Conglomerate	Stock	Domestic	Completed	No	1
1997-03-03	VerCap (Grimaldi Industri AB)	Engineering services	Grimaldi Industri AB	Horizontal	Cash	Domestic	Completed	No	1
1997-08-06	Hufvudstaden International	Land subdividers	Diligentia AB	Vertical	Stock	Domestic	Completed	No	1
1997-08-08	Gotic	Land subdividers	Vasakronan AB	Horizontal	Cash	Domestic	Completed	No	1
1997-09-16	Klövern Fövaltnings AB	Land subdividers	Wihlborgs Fastigheter AB	Vertical	Stock	Domestic	Completed	Yes	1
1997-10-02	Trygg-Hansa Försäkring AB	Life insurance	Skandinaviska Enskilda Banken	Vertical	Cash or Stock	Domestic	Completed	No	1
1997-12-09	Linjebuss AB	Intercity and rural bus	CGEA Transport SA	Vertical	Cash	France	Completed	No	1
1997-12-19	Forcenergy AB	Petroleum and natural gas	Forcenergy Inc	Horizontal	Stock	US	Completed	No	0
1998-03-31	Tidnings Marieberg AB	Newspapers publishing	Bonnier AB	Horizontal	Cash	Domestic	Completed	No	1
1998-04-14	Storheden Fastighets AB	Real estate	Wihlborgs Fastigheter AB	Horizontal	Stock	Domestic	Completed	No	1
1998-07-09	Tryckinvest i Norden AB	Books publishing	Quebecor Printing Inc	Horizontal	Stock	Canada	Completed	No	1
1998-09-21	Benima Ferator Engineering	Engineering services	Sigma AB	Vertical	Cash	Domestic	Completed	No	0
1998-11-30	PLM AB	Metal work	Rexam PLC	Horizontal	Cash	U.K	Completed	No	0
1998-12-09	Astra AB	Pharmaceutical	ZENECA Group PLC	Horizontal	Stock	U.K	Completed	No	0
1998-12-14	Caran AB	Engineering services	WM-data AB	Vertical	Cash	Domestic	Completed	No	0

Table 10: Friendly takeover bids in Sweden 1995- 1998

Date Announced	Target	Industry	Acquirer	Industry similarity	Payment structure	Foreign bidder	Status	Increased bid	1=Boom 0=Bust
1999-01-07	Spectra-Physics AB	Optical instruments	Thermo Instrument Systems Inc	Horizontal	Cash	US	Completed	No	0
1999-01-19	JP Bank AB	Banks	Mattseus AB	Vertical	Stock	Domestic	Completed	No	0
1999-03-01	Prifast AB	Real estate	Fastighets AB Balder	Horizontal	Cash	Domestic	Completed	No	1
1999-03-03	Enator AB	Offices	Tieto Corp Oyj	Conglomerate	Stock	Finland	Completed	No	1
1999-03-08	Astiscus AB	Land subdividers	IVG Holding AG	Horizontal	Cash	Germany	Completed	No	1
1999-03-23	Scandinavian PC Systems	Prepackaged Software	PC-Systemer	Vertical	Cash and Stock	Norway	Completed	No	1
1999-04-09	Liljeholmens Stearinfabriks AB	Manufacturing Industries	Candle Corp Worldwide	Horizontal	Cash	Domestic	Completed	No	1
1999-04-26	ASG AB	Freight and cargo	Danzas Holding AG	Horizontal	Cash	Switzerland	Completed	No	1
1999-04-29	BPA AB	Housing construction	Procuritas Partners KB	Private Equity	Cash	Domestic	Completed	No	1
1999-05-12	Sendit AB	Prepackaged Software	Microsoft Corp	Horizontal	Cash	US	Completed	No	1
1999-05-25	Sorb Industri AB	Tires and inner tubes	Carl Bennet AB	Conglomerate	Cash	Domestic	Completed	No	1
1999-07-27	Scancem AB	Concrete products	Heidelberger Zement AG	Horizontal	Cash	Germany	Completed	No	1
1999-08-10	Eldon AB	Transportation equipment	Eldon Thule Intressenter AB (EQT)	Private Equity	Cash	Domestic	Completed	No	1
1999-08-16	AGA AB	Industrial gases	Linde AG	Conglomerate	Cash	Germany	Completed	No	1
1999-10-05	Handsmakaren	Retail stores	Wedins Skor & Accessoarier AB	Vertical	Stock	Domestic	Completed	No	1
1999-11-16	Celsius AB	Navigation equipment	Saab AB	Horizontal	Cash	Domestic	Completed	No	1
1999-11-19	Monark Stiga AB	Motorcycles and bicycles	Stiga Intressenter	Conglomerate	Cash	Domestic	Completed	No	1
1999-12-16	Maldeta AB	Computer programming	Sigma AB	Horizontal	Stock	Domestic	Completed	No	1
1999-12-22	Althin Medical AB	Surgical instruments	Baxter International Inc	Horizontal	Cash and Stock	US	Completed	No	1
2000-02-02	Piren AB	Operators of buildings	Rodamco Continental Europe NV	Vertical	Cash	Netherlands	Completed	No	1
2000-02-08	Cell Network AB	Business consulting	Mandator AB	Vertical	Stock	Domestic	Completed	No	1
2000-02-14	Kjessler & Mannerstrale AB	Engineering services	Traction AB	Conglomerate	Cash	Domestic	Withdrawn	No	1
2000-02-17	Evidentia AB	Lessors of real property	Claesson & Anderzen	Horizontal	Cash	Domestic	Completed	No	1
2000-03-18	Naturkompaniet AB	Retail stores	Friluftsbolaget	Vertical	Cash and Stock	Domestic	Completed	No	1
2000-03-20	Diligentia AB	Real estate	Skandia Life Insurance Co Ltd	Conglomerate	Cash	Domestic	Completed	No	1
2000-04-04	BT Industries AB	Hoists and cranes systems	Toyoda Automatic Loom Works	Private Equity	Cash	Japan	Completed	No	1
2000-04-10	Perstorp AB	Industrial chemicals	Industri Kapital AB	Conglomerate	Cash	Domestic	Completed	No	1
2000-05-08	Folkebolagen AB	Metals service	Lindab AB	Vertical	Cash	Domestic	Completed	No	1
2000-05-12	Zeteco AB	General industrial machinery	Partek Oyj	Conglomerate	Cash	Finland	Completed	No	1
2000-05-15	Entra Data AB	Prepackaged Software	TietoEnator Oyj	Horizontal	Stock	Finland	Completed	No	1
2000-06-15	Lifco AB (Getinge Industrier)	Medical equipment	Carl Bennet AB	Conglomerate	Cash	Domestic	Completed	No	1
2000-06-21	Svedala Industri AB	Steel	Metso Oyj	Conglomerate	Cash	Finland	Completed	No	1
2000-08-17	Iro AB	Special industry machinery	Michel Van De Wiele NV	Horizontal	Cash	Belgium	Completed	No	0
2000-08-21	Norrporten	Operators of buildings	NS Holding AB	Vertical	Cash	Domestic	Completed	No	0
2000-09-11	Resco AB	Computer related services	FI System	Conglomerate	Stock	US	Withdrawn	No	0
2000-09-13	Arete AB	Computer related services	TurnIT AB	Horizontal	Stock	Domestic	Completed	No	0
2000-09-21	Bulten AB	Woodworking machinery	Finnveden Fasteners AB	Conglomerate	Cash	Domestic	Completed	No	0
2000-09-27	Anders Dios AB	Real estate	AP Fastigheter AB	Horizontal	Cash	Finland	Completed	No	0
2000-09-28	Avesta Sheffield AB	Steel works	Outokumpu Steel Oyj	Horizontal	Stock	Finland	Completed	No	0
2000-09-28	Allgon AB	Telephone apparatus	Remec Inc	Conglomerate	Cash and Stock	US	Withdrawn	No	0
2000-10-06	FB Industri Holding AB	Loan brokers	Bergman & Beving AB	Conglomerate	Cash	Domestic	Completed	No	0
2000-10-31	Stena Line AB (Stena AB)	Shipping	Stena AB	Conglomerate	Cash	Domestic	Completed	No	0
2000-12-01	Intra International AB	Electric equipment	Intra USA	Horizontal	Cash	US	Completed	No	0

Table 11: Friendly takeover bids on the Swedish Stock Exchange 1999- 2000

Date Announced	Target	Industry	Acquirer	Industry similarity	Payment structure	Foreign bidder	Status	Increased bid	1=Boom 0=Bust
2001-01-10	Artema Medical AB	Electromedical apparatus	Cardiac Science Inc	Horizontal	Stock	US	Completed	No	0
2001-01-25	Sydskraft AB	Electric services	E.ON Scandinavia AB	Horizontal	Cash	Domestic	Completed	No	0
2001-01-26	Segerström & Svensson AB	Metal stampings	Sanmina Corp	Conglomerate	Stock	US	Completed	Yes	0
2001-02-19	Atle AB	Investors, nec	Woodrose Invest AB (Ratos & 3i)	Private Equity	Cash	Domestic & U.K	Completed	No	0
2001-02-26	Svenska Brand Försäkring AB	Life Insurances	Länsförsäkringar AB	Horizontal	Cash	Domestic	Completed	No	0
2001-03-22	Perstorp AB	Industrial chemicals	Sydsvenska Kemi AB (Industri Kapital)	Private Equity	Cash	Domestic	Completed	No	0
2001-04-23	Scandic Hotels AB	Hotels and motels	Hilton Group PLC	Horizontal	Cash and Stock	U.K	Completed	No	0
2001-04-23	Eniro AB	Prepackaged Software	Seat Pagine Gialle SpA	Conglomerate	Stock	Italy	Withdrawn	No	0
2001-04-30	Spendrups Bryggeri AB	Malt beverages	Investor (Spendrup Family)	Investment Company	Cash and Bond	Domestic	Completed	No	0
2001-05-14	Lindab AB	Sheet metal work	Lindab Intressenter (Investment group)	Investment Company	Cash	Domestic	Completed	Yes	0
2001-05-16	Matteus AB	Security brokers	Traction AB	Private Equity	Cash or Bond	Domestic	Withdrawn	Yes	0
2001-05-25	Jobline International AB	Information retrieval	TMP Worldwide Inc	Horizontal	Cash	US	Completed	No	0
2001-05-31	Platzer Bygg AB	Industrial buildings	Ernst&gruppen AB	Conglomerate	Cash	Domestic	Completed	No	0
2001-05-31	Frluftsbolaget	Family clothing stores	Fjällräven	Vertical	Cash and Stock	Domestic	Completed	No	0
2001-06-21	Lundin Oil AB	Petroleum and natural gas	Talisman Energy Inc	Horizontal	Cash	Canada	Completed	No	0
2001-09-03	Vision Park Entertainment AB	Toys	KF Media AB	Conglomerate	Cash	Domestic	Completed	No	0
2001-10-10	AssiDomän AB	Plastics and paper bags	Sveaskog Forvaltnings AB	Vertical	Cash and Stock	Domestic	Completed	No	0
2001-12-10	AU-System AB	Computer services	Teleca AB	Horizontal	Stock	Domestic	Completed	No	0
2001-12-17	Kipling Holding AB	Telephone communications	Dimension AB	Conglomerate	Cash and Stock	Domestic	Completed	No	0
2002-02-18	Intelligent Micro Systems Data	Computers and software	Martinsson Informationssystem	Vertical	Cash	Domestic	Completed	No	1
2002-04-23	Realia AB	Land subdividers	Columna Fastigheter AB	Horizontal	Stock	Domestic	Completed	No	1
2002-05-24	Esselte AB	Manufacturing industries	JW Childs Equity Partners II	Conglomerate	Cash	US	Completed	No	0
2002-07-02	Åhus Glass AB	Ice cream and desserts	Ingman Foods Oyj	Horizontal	Cash	Finland	Completed	No	0
2002-07-05	Pronyx AB	Computer services	Teleca AB	Horizontal	Cash or Stock	Domestic	Completed	No	0
2002-08-01	Sapa AB	Aluminum	Elkem Sweden AB (Elkem ASA)	Conglomerate	Cash	Norway	Completed	No	0
2003-01-21	Allgon AB	Telephone apparatus	LGP Telecom	Vertical	Stock	Domestic	Completed	No	1
2003-02-13	Diffhamb AB	Laboratory instruments	Raisio Yhtymä Oyj	Conglomerate	Cash	Finland	Completed	No	0
2003-03-12	Realia AB	Land subdividers	Welkins Intressenter (Investment group)	Investment Company	Cash	Domestic	Completed	No	0
2003-03-20	Mandamus AB	Real estate	LRF Fastigheter AB	Vertical	Cash	Domestic	Completed	No	1
2003-03-25	Svenska Orient Linien	Shipping	Svenska Orient Linien	Horizontal	Cash	Domestic	Completed	No	1
2003-04-07	Biora AB	Pharmaceutical	Straumann Holding AG	Vertical	Cash	Switzerland	Completed	No	1
2003-06-13	Fastighets AB Celitica	Operators of buildings	LjungbergGruppen AB	Horizontal	Cash	Domestic	Completed	No	1
2003-06-26	Perbio Science AB	Surgical instruments	Fisher Scientific Intl Inc	Horizontal	Cash	US	Completed	No	1
2003-08-14	Gräninge AB	Electric services	Sydskraft AB	Horizontal	Cash	Domestic	Completed	No	1
2003-10-20	Tornet Fastighets AB	Real estate	LRT Acquisition AB	Horizontal	Cash	Domestic	Completed	No	1
2003-11-24	Dimension AB	Computer programming	ProAct IT Group AB	Horizontal	Cash	Domestic	Completed	No	1
2003-12-01	LGP Alligon Holding AB	Radiotelephone	Powerwave Technologies Inc	Horizontal	Cash and Stock	Domestic	Completed	No	1
2003-12-16	Utfors AB	Telephone communications	Telenor ASA	Vertical	Cash and Stock	US	Completed	No	1
2003-12-17	Karolin Machine Tool AB	Machine tools	Nordstjärnan AB	Horizontal	Cash	Norway	Completed	No	1
				Investment Company	Cash	Domestic	Completed	No	1

Table 12: Friendly takeover bids on the Swedish Stock Exchange 2001- 2003

Date Announced	Target	Industry	Acquiror	Industry similarity	Payment structure	Foreign bidder	Status	Increased bid	1=Boom 0=Bust
2004-05-06	RKS AB	Computer services	Sigma AB	Horizontal	Stock	Domestic	Completed	No	1
2004-06-29	Drott Bostads AB	Dwelling operators	Stena Fastigheter AB	Vertical	Cash	Domestic	Completed	No	1
2004-07-19	Fabege AB	Real estate	Wihborgs Fastigheter AB	Horizontal	Stock	Domestic	Completed	No	0
2004-08-24	Frango AB	Prepackaged Software	Cognos AB	Horizontal	Cash	Domestic	Completed	Yes	0
2004-09-14	Song Networks Holding AB	Telephone communications	TDC A/S	Horizontal	Cash	Denmark	Completed	Yes	1
2004-11-01	Alinax AB	Motor vehicles	Scania AB	Horizontal	Stock	Domestic	Completed	No	1
2004-11-15	Finnveden AB	Engineering services	Cidron Invest AB (Nordic Capital)	Private Equity	Cash	Domestic	Completed	No	1
2004-12-22	TumIT AB	Prepackaged Software	Nocom AB	Horizontal	Stock	Domestic	Completed	No	1
2005-04-13	Focal Point AB	Prepackaged Software	Telelogic AB	Horizontal	Stock	Domestic	Completed	No	1
2005-05-12	Riddarhyttan Resources AB	Gold ores	Agnico-Eagle Mines Ltd	Horizontal	Stock	Canada	Completed	No	1
2005-05-26	Karlshamns AB	Edible fats and oils	BNS Industrier AB (Melker Schörling)	Investment Company	Cash	Domestic	Completed	No	1
2005-11-22	OptiMail AB	Courier services	Posten Norge AS	Vertical	Cash	Norway	Completed	No	1
2006-01-09	Resco AB	Computer services	AlandoFrontec AB	Horizontal	Stock	Domestic	Completed	No	1
2006-02-03	Tornet Fastighets AB	Real estate	Fabege AB	Vertical	Stock	Domestic	Completed	No	1
2006-02-08	Glocainet AB	Telephone communications	Telenor ASA	Horizontal	Cash	Norway	Completed	No	1
2006-02-08	Trio AB	Telephone communications	Teligent AB	Conglomerate	Stock	Domestic	Completed	No	1
2006-03-14	Strålfors AB	Computer services	Posten AB	Conglomerate	Cash	Domestic	Completed	No	1
2006-04-03	Gambro AB	Kidney dialysis centers	Indap AB (EQT & Investor)	Private Equity	Cash	Domestic	Completed	Yes	1
2006-05-09	JC AB	Women's clothing stores	RNB Retail & Brands AB	Vertical	Stock	Domestic	Completed	No	1
2006-06-05	Netwise AB	Prepackaged Software	Telefonaktiebolaget LM	Conglomerate	Cash	Domestic	Completed	No	1
2006-06-20	Biacore International AB	Laboratory instruments	GE Healthcare Ltd	Horizontal	Cash	U.K	Completed	No	1
2006-06-30	Medicover Holding AB	Hospital service plans	Celox SA	Investment Company	Cash	Domestic	Completed	No	1
2006-07-24	Senea AB	Computer programming	Kamstrup A/S	Conglomerate	Cash	Denmark	Completed	No	1
2006-08-21	WM-data AB	Prepackaged Software	LogicaCMG PLC	Horizontal	Cash	U.K	Completed	No	1
2006-09-11	Närkes Elektriska AB	Electrical work	Segulah Alfa AB	Private Equity	Cash	Domestic	Completed	No	1
2006-11-08	Custos	Pumps etc.	SPX Corporation	Horizontal	Cash	US	Completed	No	1
2006-11-20	Protect Data AB	Computer facilities	CPST Sweden Holdings (Checkpoint)	Vertical	Cash	Domestic	Completed	No	1
2007-01-15	Pergo AB	Bricks	Pfleiderer Sweden AB	Conglomerate	Cash	Domestic	Completed	No	1
2007-01-15	TradeDoubler AB	Online marketing services	Goldcup AB (AOL)	Conglomerate	Cash	US	Withdrawn	No	1
2007-02-20	Sardus AB	Prepared meat products	Atria Group PLC	Horizontal	Cash	Finland	Completed	No	1
2007-04-26	Invik & Co AB	Investment advice	Milestone ehf	Horizontal	Cash	Iceland	Completed	No	1
2007-06-11	Telelogic AB	Prepackaged Software	IBM Corp	Horizontal	Cash	US	Completed	No	1
2007-06-14	EL & Industrimontage Svenska	Electrical work	E&J Intressenter AB (Rolf Tannergard)	Horizontal	Cash	Domestic	Completed	No	1
2007-08-20	SalusAnsvar AB	Life insurance	DnB NOR Bank ASA	Vertical	Cash	Norway	Completed	No	0
2007-08-27	Nefab AB	Packing and crating	NPNC Intressenter AB (Nordic Capital)	Private Equity	Cash	Domestic	Completed	No	0
2007-09-24	ACSC AB	Manufacturing industries	XPonCard Group AB	Horizontal	Stock	Domestic	Completed	No	0
2007-10-01	Index AB	Women's clothing stores	Stockmann Oyj	Vertical	Cash	Finland	Completed	No	0
2007-10-08	Mandator AB	Computer facilities	Fujitsu Services Ltd	Horizontal	Cash	U.K	Completed	No	0
2007-10-22	Ark Travel AB	Travel agencies	Carlson Wagonlit Travel	Horizontal	Cash	Netherlands	Completed	No	0
2007-10-29	Karolin Machine Tool AB	Machine tools	Nordsjerman Ventures	Investment Company	Cash	Domestic	Completed	No	0
2007-12-14	Gymgrossisten Nordic AB	Information retrieval	CDON AB	Conglomerate	Cash	Domestic	Completed	No	0

Table 13: Friendly takeover bids on the Swedish Stock Exchange 2004- 2007

Date Announced	Target	Industry	Acquirer	Industry similarity	Payment structure	Foreign bidder	Status	Increased bid	1=Boom 0=Bust
2008-01-14	Human Care	Healthcare	GGC Healthcare	Investment Company	Cash	US	Completed	No	0
2008-02-01	Boss Media	Digital distribution	GEMED AB	Investment Company	Cash	Domestic	Completed	Yes	0
2008-02-19	XPonCard Group AB	Commercial printing	Oberthur Technologies SA	Vertical	Cash	France	Completed	No	0
2008-05-26	Kontakt East Holding AB	Information services	Vosvik AB (Kinnevik & Vostok Nafta)	Investment Company	Cash	Domestic	Completed	No	0
2008-05-26	Zodiak Television AB	Theatrical producers	Goldcup D3924 AB	Conglomerate	Cash	Domestic	Completed	No	0
2008-07-22	Gunnebo Industrier AB	Iron and steel forgings	Segulah-Stellata Holding AB	Private Equity	Cash	Domestic	Completed	No	0
2008-08-27	Broström AB	Deep sea for transportation	Maersk Product Tankers AB	Horizontal	Cash	Denmark	Completed	No	0
2008-09-23	Six AB	Information retrieval	Telekurs Holding AG	Conglomerate	Cash	Switzerland	Completed	No	0
2008-09-30	Arena Personal AB	Employment agencies	SMTW Personal Holding AB	Horizontal	Cash	Domestic	Completed	No	0
2008-10-31	Teleca AB	Computer services	CayTel LP (Symphony Technol. Group)	Investment Company	Cash	US	Completed	No	0

Table 14: Friendly takeover bids on the Swedish Stock Exchange 2008

8.2 Regressions on CAR - Investigated variables

Regressions on CAR

Event Window (-1,1)				Event Window (-1,3)				Event Window (-3,3)			
Variable: Hostile				Variable: Hostile				Variable: Hostile			
	Coef	t-stat	p-value		Coef	t-stat	p-value		Coef	t-stat	p-value
α	20.45%	14.47	0.000	α	20.27%	13.53	0.000	α	20.80%	13.54	0.000
β	1.48%	0.47	0.640	β	3.51%	1.05	0.296	β	2.99%	0.87	0.385
R ²	0.001			R ²	0.0051			R ²	0.0035		
Variable: Increased bid given Hostile				Variable: Increased bid given Hostile				Variable: Increased bid given Hostile			
	Coef	t-stat	p-value		Coef	t-stat	p-value		Coef	t-stat	p-value
α	22.54%	7.62	0.000	α	24.48%	6.63	0.000	α	24.46%	6.56	0.000
β	-1.46%	-0.32	0.751	β	-1.68%	-0.29	0.770	β	-1.59%	-0.28	0.785
R ²	0.0025			R ²	0.0021			R ²	0.0018		
Variable: Successful given Hostile				Variable: Successful given Hostile				Variable: Successful given Hostile			
	Coef	t-stat	p-value		Coef	t-stat	p-value		Coef	t-stat	p-value
α	19.52%	5.81	0.000	α	21.54%	5.12	0.000	α	22.88%	5.35	0.000
β	4.30%	0.96	0.344	β	4.00%	0.71	0.481	β	1.63%	0.29	0.777
R ²	0.0219			R ²	0.0122			R ²	0.0020		
Event Window (-1,10)				Event Window (0,30)				Event Window (-1,30)			
Variable: Hostile				Variable: Hostile				Variable: Hostile			
	Coef	t-stat	p-value		Coef	t-stat	p-value		Coef	t-stat	p-value
α	18.15%	10.51	0.000	α	15.13%	6.40	0.000	α	16.28%	7.01	0.000
β	3.36%	0.87	0.383	β	5.73%	1.08	0.279	β	6.02%	1.16	0.248
R ²	0.0036			R ²	0.0055			R ²	0.0063		
Variable: Increased bid given Hostile				Variable: Increased bid given Hostile				Variable: Increased bid given Hostile			
	Coef	t-stat	p-value		Coef	t-stat	p-value		Coef	t-stat	p-value
α	23.49%	4.89	0.000	α	20.68%	3.26	0.000	α	22.59%	3.60	0.945
β	-4.74%	-0.64	0.526	β	0.44%	0.04	0.965	β	-0.67%	-0.07	0.001
R ²	0.0099			R ²	0.0000			R ²	0.0001		
Variable: Successful given Hostile				Variable: Successful given Hostile				Variable: Successful given Hostile			
	Coef	t-stat	p-value		Coef	t-stat	p-value		Coef	t-stat	p-value
α	15.30%	2.84	0.007	α	13.33%	1.87	0.068	α	14.63%	2.09	0.043
β	11.13%	1.55	0.130	β	13.51%	1.42	0.163	β	13.76%	1.47	0.150
R ²	0.0550			R ²	0.0469			R ²	0.0498		

Table 15: Ordinary Least Squares Regressions on CAR, using our investigated variables and different event windows

8.3 Definitions

Agency problem

When the best interests of the principal (target firm shareholders) and agent (target firm managers) are in conflict due to asymmetric information (Walking & Long, 1984, p. 54)

Efficient Market Hypothesis

The efficient markets hypothesis (EMH) maintains that market prices fully reflect all available information (Lo, A., W., 2007)

Hostile bid

An acquisition attempt will be called hostile if the initial bid for the target (which does not need to be a bid from the eventual acquirer) was neither negotiated with its board prior to being made nor accepted by the board as made (Mork, Shleifer & Vishny 1987, p.3)

Friendly bid

Targets that are not hostile are called friendly (Mork, Shleifer & Vishny 1987, p.3)

Multiple bids

Two or more bidding companies are competing to acquire the target company

Pac Man

Takeover defense strategy in which the target company strike back against the acquirer's takeover bid by launching its own takeover bid for the bidding firm (Critchley, Financial Post, 2009)

Single bidder

Only one bidding company

Takeover bid

A tender offer by one company (the bidder) to acquire another company's (the target) outstanding common stock, with the purpose to acquire the whole firm. See also definition of a friendly and hostile takeover

Tender offer

A tender bid is a cash or stock bid by one company (the bidder) for a block of another (the target) company's outstanding common stock (Dodd, P. & Ruback, R., 1978, p. 1-2)

White knight

A counter-bid by another acquirer to block the hostile takeover bid, viewed as "friendly" by the target management (Schoenenberg & Thornton, 2006 p.145)

White Squire

A counter-bid by another acquirer to block the hostile takeover bid by purchasing a strategic stake to frustrate the hostile bid without making a full takeover bid (Schoenenberg & Thornton, 2006 p.145)