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Hostile Takeovers

The Power of the Prey

Master thesis within Finance

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Abstract

Takeovers are used as a mean for companies to grow and gain entry to new markets. Hostile takeovers, apart from the friendly takeovers, is when an acquirer tries to takeover a corporation against the will of management, shareholders and board of directors of the target company. All listed companies run the risk of being a target for a hostile takeover, and today many companies are trying to involve actions protecting them from possible threats. Lacking protection can evolve into a costly defense program with actions with fictitious names such as White knight, Pac-man and Poison pills. The purpose with this thesis is to describe and analyze hostile takeovers and hostile takeover attempts in Sweden, and the defense tactics involved in the process.

In this thesis a deductive approach will be used, where theories are used as guidance when searching for explanations. On the basis of the defense tactics described in the theory empirical data has been gathered with the purpose of seeing if the expectations reflect reality, and conclusions about their efficiency. The thesis has used a quantitative research method where the focus is on what, where and when. The aim of the thesis is to classify targeted features and count them, with the intent to construct statistical models with an underlying purpose of explaining what is observed.

The most frequently used defense tactic used by the target company in a hostile takeover in the Swedish market is to attack the logic of the bid. Around 56 percent of the targets in a hostile takeover or a hostile takeover attempt have used this defense tactic to avoid a hostile takeover. The aim with an implemented defense tactic is to avoid a hostile bid or making it impossible for the hostile bidder to proceed with the bid and close the deal. The White knight and White squire defense tactic is the most successful defense tactic when it comes to not finalizing the hostile bid, in 90 percent of the cases the deal is not closed if the target chooses to use a White knight as a defense tactic. A secondary objective with a defense tactic is to force the hostile bidder to increase the bid and pay more for the target company. In the Swedish market, the use of Corporate restructuring as a defense tactic has made the hostile bidder to increase the bid in 67 percent of the cases and the use of Positive public information has forced the hostile bidder to increase the bid in more than half of the cases.

The question why these defense tactics are the most frequently used strategies, is explained by two variables. The first one is the cost and simplicity variable, where Attack the logic of the bid and Public information ends up. These defense tactics are cost efficient and can be seen as natural step for the target company when deciding not to approve of the offer made by the acquirer. The second variable is the proven efficiency, where the target knows if implementing this defense tactic the risk of being acquired by the hostile bidder is relatively low, a good example of this is the White knight defense.

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Sammanfattning

Förvärv av andra företag används som ett verktyg utav företag för att skapa tillväxt eller inträde till nya marknader. Fientliga förvärv tillskillnad från mottagliga och vänskapliga förvärv, är när en förvärvare försöker förvärva ett företag mot viljan av ledningen, aktieägare och styrelsen av målbolaget. Alla listade företag löper risken av att bli mål för ett fientligt förvärv, och idag försöker många företag att implementera åtgärder som skyddar dem ifrån potentiella hot. Att inte vara skyddad kan resultera i ett kostsamt försvarsprogram med åtgärder med fiktiva namn såsom White knight, Pac-man och Poison pills. Syftet med denna uppsats är beskriva och analysera fientliga förvärv och försök till fientliga förvärv i Sverige och i denna process involverade försvarsstrategier.

I denna uppsats har ett deduktivt tillvägagångssätt har använts, där teorier använts som vägledning i sökandet på förklaringar. Med beskrivningar av diverse försvarsstrategier i teoretiska ramverket, empirisk data har insamlats med syftet om förväntningar som återspeglar verkligheten samt slutsatser om deras effektivitet. I denna uppsats har kvantitativ undersökningsmetod använts, var fokuset ligger på vad, var och när. Författarnas målsättning är klassificera målbolagens särdrag och räkna dem med ett underliggande syfte att förklara vad som är observerat.

Den mest frekvent använda försvarsstrategin implementerad av ett målbolag på den svenska marknaden är kritik av logiken bakom budet. Runt 56 procent av målbolagen i ett fientligt förvärv eller i ett försök till fientligt förvärv använder sig av denna försvarsstrategi för att undvika att bli övertagna. Ändamålet med en implementerad försvarsstrategi är att undvika fientligt bud eller omöjliga göra för budgivaren att genomföra och slutgöra budet. ”White knight” och ”White squire” försvarsstrategierna är att se som dem mest vällyckade i ljuset av att bemästra och övervinna a fientligt bud. I 90 procent av fallen där målbolagen använder dem här strategierna, är uppgörelsen inte fullbordad och budet är avfärdat. Ett sekundärt syfte med en försvarsstrategi kan också vara att tvinga förvärvaren att höja budpremien och därför betala mer för målbolaget. På den svenska marknaden, användandet av omstrukturering av företaget som försvarsstrategi har forcerat upp budet i 67 procent fallen och användandet av positiv publik information har tvingat budgivaren att höja budet i mer än hälften av fallen.

För att svara på frågan varför dessa försvarsstrategier är de mest frekvent använda, kan förklaras av två variabler. Den första variabeln svarar på sambandet mellan kostnad och enkelheten, där kritik av logiken bakom budet och positiv publik information blir placerade. Försvarsstrategierna är kostnadseffektiva och kan anses som ett naturligt steg för målbolaget när dem bestämmer sig för att ogilla ett fientligt bud. Andra variabeln är den bevisade effektiviteten, var målbolaget vet om förverkligar och implementerar just denna försvarsstrategi, att risken är relativt låg, som till exempel ”White knight” strategin.

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1 Introduction

This first chapter introduces the reader to the problem behind the research purpose. In this background a short trouble shoot of the area of question is presented, followed by a problem discussion where the research questions are stated. In the last two sections useful definitions that will help the reader in its understanding and delimitations of the study are presented.

1.1 Background

When reading financial news papers today, the reader is often exposed to articles discussing the topic hostile takeovers. “How Microsoft Could Go Hostile” is a heading for an article in The New York times, 2008, and depicts Microsoft’s Bear hug letter designed to put an unwilling takeover notice to Yahoo, with the message that they are no longer safe. Another article, “Gant inquest for “white knight””, where the Swedish company, Gant is searching for a third part i.e. a White knight, to avoid a hostile takeover of the corporation by Maus Frères (Ibison, 2008).

“M&A, deals, buyouts, LPOs, MPOs, private equity, venture capital, corporate development and a myriad of other terms are used to describe large transactions that fundamentally change the nature or course, and control, of a company” (Frankel, 2005).

Takeovers are used as a mean for corporations to grow and gain entry to new markets, and the global business environment has witnessed countless numbers of merger and acquisition activities during the past decades (Zollo, 2003). Hostile, unlike friendly takeovers is when an acquirer tries to takeover a corporation against the will of management, shareholders and board of directors of the target company.

Historically, hostile takeovers originate from the USA and Great Britain but are an increasing method used all over Europe. During the 1980s hostile takeovers were considered a mechanism for enhancing the efficiency of the corporate systems respectively raising shareholder value. An unfriendly bid acted as an impediment for improvement for incumbent managers and aligning their interest with those of shareholders. Hostile bids had a propensity to provoke restructuring in target corporations, forcing on allocations of resources to more efficient uses elsewhere (Deakin & Slinger, 1997).

All listed companies run the risk of being a target for a hostile takeover, and today many companies are trying to involve themselves in action programs protecting them from possible threats. Not being protected can evolve into a costly defense program with actions with fictitious names such as White knight, Pac-man and Poison pills. Despite of various defense and attack tactics, it is hard to generalize which one to use since every takeover is company unique.

Hostile takeovers are seen as a mean for possible expansion or an acquisition for a company which possess the financial means. There are many attractive Swedish investments due to highly sophisticated products and technologies, skills, innovations, and first-rate infrastructure. Sweden offers a geographical entrance to Scandinavia, the Northern Europe/Baltic Sea region, and the European Union. In 2008 World Economic Forum (WEF) placed Sweden in fourth place out of 131 countries examined in its world ranking, both with regard to the global competitiveness of Sweden’s business community and the prospects for future growth (The global competitive report 2007-2008). A complex Swedish business culture where the owner structure often consists of family members and long-

term ownerships and takeovers both for national and international companies is often only possible if they are hostile.

1.2 Problem discussion

In the past years hostile takeovers have been a highly discussed topic in business media and the battle between the acquirer and the target company has been an ongoing story in the newspapers. Numerous defense tactics and strategies, each specific with individual characteristics has evolved during the last 20 years with strong influences from the US and the UK markets (Schoenberg, 2003). The usage of different defense tactics varies from country to country mainly due to different legal systems and regulations and it is very hard to find a strategy that is universal and can be useful for all companies. Previous studies conducted in this area mainly concern the US and the UK market, and due to difference in market structure and the legal system, conclusions from these studies cannot be applied on the Swedish market. According to Schoenberg and Thornton (2006), a target company in the US market is more likely to stop a hostile takeover if the company has a pre-bid defense, but in the UK market a company with a post-bid defense is more likely to defeat a hostile bid from another company. Therefore it is of interest to analyze the situation and the relationship between pre-bid and post-bid defense tactics used on the Swedish market.

- Which defense tactics and why are most frequently used by the target companies in the Swedish market?

The outcome of a hostile takeover is dependable on the actions taken by the board of the target company, and in some way even the actions taken in the bidding company. As mentioned before there are several different defense tactics available to implement by the target companies to prevent a hostile takeover. In general it can be argued that there are no perfect defense that always defeats a hostile bidder, but according to studies made in the UK, a white knight strategy is the most substantive and effective defense tactic. (Sudarsanam 1995; Jenkinson and Mayer 1994). It is of great importance to analyze what effect a chosen defense strategy has on the hostile bid.

- What effect did the chosen defense tactics have on the hostile bid?

A hostile bid can arise from various sorts of companies, such as private equity firms, public companies active in the same industry or foreign companies involved in an internationalization process. The bid premium also differ from takeover to takeover, and the size of the premium depends both on the attractiveness and the buyers willingness to pay. It is hard to estimate if one particular industry contains more possible targets than another or if one particular industry contains more buyers than another. The choice of target can depend on different factors, such as the targets owner structure, the market condition and value for the buyer. The different factors raise another interesting question:

- Are dominating industries to be associated with the hostile takeovers and/or the bid premium in hostile takeovers?

1.3 Purpose

The purpose with this thesis is to describe and analyze hostile takeovers and hostile takeover attempts in Sweden, and the defense tactics involved in the process.

1.4 Method

1.4.1 Research Approach

When conducting research there are often two research approaches being used, namely inductive and deductive. The inductive approach is fundamentally based on empirical evidence, and you go from observations to findings and end up with theory building (Ghauri & Grønhaug, 2005). The inductive approach is often used in relation with qualitative research, and is seen as flexible and allows for changes throughout the research process (Saunders, Lewis & Thornhill, 2003).

The second approach is called the deductive approach and is in most circumstances different from the inductive one. The deductive is equalized with logical reasoning, where the researcher builds his questioning or hypothesis from existing knowledge, usually from secondary data. The questions or hypothesis is then tested through empirical analysis if it can be confirmed or realized (Ghauri & Grønhaug, 2005). If the theory used deviates from what is necessary, modifications are entitled to be made. The deductive approach gives the researcher both useful outcomes and the possibility to explain the relationships between variables (Saunders, Lewis & Thornhill, 2003).

In this thesis a deductive approach will be used, where theories are used as guidance when searching for explanations. On the basis of the defense tactics described in the theoretical framework empirical data will be gathered with the purpose of seeing if the expectations reflect reality, and conclusions about their efficiency. The deductive approach is also most suitable with using quantitative data, which is the case in this thesis. An argument for not using the inductive approach is that the thesis is based on quantitative and not qualitative data, which is more often associated with the inductive approach. In other words, this thesis will use secondary data to come up with explanations, and not carry out any interviews or any other processes to collect primary data.

1.4.2 Theory Selection

To be able to analyze the compounded data a theory selection has to be done. In the theoretical framework theories concerning takeovers, hostile takeovers and both pre- and post-defense tactics against hostile takeovers is presented and discussed. Previous research in the area of interest is fairly limited in Sweden, and most research often conducted in the US and UK, which is important to take into consideration when searching for suitable theory. An intensive searching process at the Jönköping University Library and its internet databases, which is according to Bell (2005) considered to be a qualified method when searching both literature and academic articles. Takeovers in general, hostile takeovers and defense tactics acted as guidance and key terms in the search process.

As mentioned before there does not exist much theory in this research are concerning specifically Swedish hostile takeovers, and most information is apprehended from UK and US influenced studies. Since hostile takeovers are highly controlled by regulation from the country in which they are performed, it was important to keep in mind when revising collected theory that it is applicable on Swedish hostile takeovers in order to maintain validity. The theory collected from the UK and US markets will be analyzed together with the find-

ings from the Swedish market to give more accuracy to the analysis. The theoretical framework is an effective mechanism for summarizing accumulative facts. Through connecting the results of the information to incoherent entity makes it more accessible and therefore useable for researchers (Polit & Hungler, 1995). The theory covering takeovers and hostile takeovers are used with the intention of finding the underlying reason behind a takeover, and why they might make it hostile. In order to increase the reader's knowledge about takeovers, a general takeover process is described. An in-depth theory description of defense tactics often used in Swedish hostile takeovers is also presented, with the intent of giving the reader a clear and distinctive difference between them.

1.5 Definitions

Merger	A process when two companies join together into one entity. Both companies dissolve their assets and liabilities and fold them into a newly created entity, which refers to the creation of a new company (Weston, Mitchell, & Mulherin, 2004).
Acquisition	The process where one company takes over the controlling interest of another, through stock purchase or other means (Weston et al, 2004).
Friendly takeover	An acquisition of one firm by another where both companies agrees to the terms of the takeover (Schoenberg & Thornton, 2006).
Hostile takeover	An attempted takeover of another company which goes against the will of the target's management and board of directors. (Schoenberg & Thornton, 2006).
Target	The company of aim in a takeover attempt (DePamphilis, 2005).
Acquirer	The company that is purchasing or trying to takeover another company (DePamphilis, 2005).
Bid Premium	The additional amount an acquirer has to offer above the share price in order to succeed in a take-over offer (Schoenberg & Thornton, 2003).
Defense tactics	Various methods designed prevent an acquirer from succeeding in their hostile takeover attempt of another company (DePamphilis, 2005).
Pre-bid defense	Defense tactics used by companies as a preventing method in order to avoid a hostile takeover (Schoenberg & Thornton, 2006).
Post-bid defense	Defense tactics used by target companies after a hostile bid has been placed, in order to fight off the acquirer (Schoenberg & Thornton, 2006).

OMX Nordic Exchange

OMX Nordic Exchange serves as a central gateway to the Nordic and financial markets. Large Cap, Mid Cap and Small Cap are the lists on where the companies are listed on the OMX Nordic Exchange (omx-group.com, 2008).

1.6 Delimitations

In this thesis only Swedish target companies listed on either Large, Mid and Small Cap are measured. There exist hostile takeover attempts on other Swedish companies; however it is hard to find sufficient, valid and reliable information to include them in the study and therefore they are excluded. Further on, the time period considered in this thesis concerns the years 1997 to 2007. In the chosen timeframe there exists a sufficient amount of hostile takeovers. Due to a constantly changing business environment, hostile takeovers performed before 1997 are considered to be out of date and are therefore excluded.

Many defense tactics are highly restricted and govern by a country's legal system. The Swedish legal system has a variety of laws concerning companies and their activities, however if all of them would be included the purpose of this thesis would be changed. Therefore, only laws concerning takeovers in general are considered and applied.

2 Frame of Reference

The theoretical framework section introduces the reader to a more in-depth knowledge about takeovers in general and how they are performed and regulated in Sweden. A higher concentration on hostile takeovers will follow, with by both pre-bid and post-bid defense tactics presented.

2.1 Takeovers

2.1.1 Friendly vs. Hostile takeovers

Friendly and hostile takeovers are the two types of takeovers used today in the business world. In a friendly takeover the board and management of the targeted company are open to the idea of a possible takeover. In order to gain control the acquiring company is required to pay a premium on the current price of the stock. The size of the premium often reflects the interest and possible synergies resulting from combining the two firms. Unlike friendly, hostile takeovers occurs when the initial approach was unsolicited for, meaning that the target was not searching for a merger, the approach was contested by the target's management and more than half of the target's common stock was acquired. Through the usage of so called tender offer, the acquirer goes directly to the target's shareholders and offers to buy all the shares in the company. Friendly takeovers is often preferred to hostile from bidders point view, since they often result in a lower cost from the acquirers side. A hostile takeover process may open up for other interested parties to participate in the takeover, making the final price ending up at a higher level. From the targeted company's point of view a friendly takeover is preferable, since this would facilitate the post-takeover integration and for this reason most transaction tends to be friendly. (DePamphilis, 2005)

2.1.2 Steps in a Swedish takeover process

All takeovers made are individual concerning price, compensation and to what extent the offers are valid. However there are certain phases that can be distinguished for takeovers in general in Sweden. In the first phase, also known as the intelligence phase, the bidding company collects information about its target. Information is often collected with the help of a corporate finance consultant, who helps developing a prospect concerning time schedule, financing and compensation. This phase ends with a due diligence, which serves as review of all financial records plus anything else deemed material for a transaction. The second phase starts with a formulation of the offer which is made public. The publication is circumscribed with different rules for protecting shareholders and the stock market. The process continues with the third phase, which constitutes a period where the target considers the bid and possibly implementing defense tactics, which ones to put into practice is restricted by the Swedish legal system. The fourth phase is closely linked to the previous one, but is where the offer ought to be implemented. It is where decisions are made in both the acquiring and target company with the aspect of corporate laws in connection with Swedish takeover-regulation. The fifth and final phase causes the corporate acquisition. (Stattin, 2006)

2.1.3 Rules concerning public tender offer

A new law came into force in the first of July 2006 concerning public tender offers on the public stock exchange. According to that law, there are certain rules an acquirer needs to follow when making a public offer. The new law is subordinated the demands from an EU-directive.

According to lag (1992:543), “om börs- och clearings verksamhet”, a stock exchange is demanded to have rules concerning takeovers on listed companies. The rules should be followed by both acquirer and targets, and interpretation exceptions are determined by the Swedish Securities Council. The rules are applicable in the light with principals which helps to acts as guidance. The principals are as follows:

- All proprietors of securities in a target company should be treated equal.
- All proprietors of securities in a target company should be given sufficient amount of time and information in order to be able to consider a takeover offer. The board should give a viewpoint how the offer affects the future activities.
- The target board should pay attention to the interest of the company as a whole.
- The market where any of the target, acquirer or any other company involved in the offer is traded is not allowed to be affected in an artificial way, making the stock price move unnatural.
- A bidder is only allowed to announce an offer with a premium, if it is financial guaranteed.
- An offer concerning the securities in a target company is not allowed to obstruct the company in its activity reasonable. (omx-group.com, 2008)

At a higher economic growth rate there is an increase of foreign owners in Swedish companies, this brings along that a bidder needs to consider more than one country when making an offer. Is a due diligence performed of the target company, and new information is retrieved, an acquirer is prohibited to purchase any shares until the same information has reached the stock market and stock owners (lag (2005:377) “straff för marknadsmissbruk vid handel med finansiella instrument)) (omx-group.com, 2008).

When decided to make an offer, it is essential that the offer is made public instantly, and an offer is required to contain certain requirements such as who makes the offer, which financial instruments is concerned, price and premium and how the takeover is financed. If the acquirer decides to retract the offer, is also needs to be done in public as soon as possible. There is a timeframe for acceptance for a target company of minimum of three weeks and maximum ten weeks. However, the timeframe can be extended if the bidder has reserved the right to do so. It is also required by the acquirer to offer identical compensation to all proprietors of the shares. The boards and CEO might take actions with the aim to deteriorate the conditions concerning the offer and its implementation is limited by lag (2006:451) “om offentlig uppköps erbjudanden på aktiemarknaden”. The same law controls the “bid-obligation” where one has acquired more than three tens or more of the total number of shares in a company is required to offer itself to acquire the remaining shares. When the timeframe for acceptance has expired, the acquirer is demanded to announce the following information in public:

- How many shares in the target company encompass of acceptance in the offer and how large part of the equity and voting rights these shares represent.
- Whether predetermined accomplishment terms has been fulfilled.
- How many shares in the target company owned by the acquirer.

The previous mentioned points is regulated by lag (1991:980) “om handel med finansiella instrument”, in the light of EU directive no. 809/2004 (omx-group.com, 2008).

A transgression of the rules can result in a fine from 50000 SEK up to 100 million SEK for the acquirer, and for minor trespasses a reprimand can be issued (omx-group.com, 2008).

Due to changes in the law year 2000, a Swedish company can proceed with share repurchases in the own company. This has opened up for further use of defense tactic concerning hostile takeovers which were not possible before the change in the regulation. (Tiveus, 2000)

2.2 Mergers and Acquisitions

The term mergers & acquisitions (M&A) is often in a broad sense and may imply a larger numbers of different transactions such as purchases and sales of undertakings, alliances, change of legal form or initial public offerings (IPOs) (Picot, 2002). The definition of mergers is as being a new company arising from an incorporation of two companies and coalesce shareholders equity capital. The involved shareholders exchanges shares in the old company and receives equivalent the value in the new company (Hussey, 1999). An acquisition on the other hand is a corporate action where the acquirer buys most shares, if not all, of the target company shares with the goal of gaining control. An acquisition is often a part in a growth plan for a company who sees it more beneficial to take over an existing firm. An important reason behind M&A's is the created synergetic gains from operating together rather than on its own (Capron, 1999).

2.3 Bid Premium

For a hostile takeover to place, a bid has to be offered to the shareholders in the target company. The bid offered is usually higher than the market price of the target in order to receive a positive response from the shareholders and the board in the target company, this higher price is called a bid premium. The size of the bid premium depends upon the acquiring company's willingness to pay for the target. The average bid premium in a hostile takeover in The UK market is around 35 percent to 45 percent and means that the hostile bidder have on average offered the shareholders in the target company 35-45 percent more than the market value for the company. (Schoenberg, 2003)

Defense tactics can both be used to prevent a hostile takeover but also make the bidder increase the bid, in other words increase the bid premium. According to Jarrell (1985), the use of legal actions by the target company to prevent a hostile takeover can both provoke competing bids and increase the bid premium.

A study made in the UK between the years 1996 and 1999 concerning hostile takeovers and the bid premiums, shows a weak relationship between defense tactics and increases in the bid premium. Apart from using a White knight as a defense tactic, the target company's ability to increase the price offered by the hostile bidder using different defense tactics or strategies, is rather restricted. The study points out that an increase in bid premium is more driven by competitive bidders or the overall market condition. (Schoenberg, 2003)

2.4 Hostile Takeover

Some market actors argue that hostile takeovers are positive for the shareholders in the target company. A hostile takeover can replace an underachieving management team and bring in new blood to the company. The possibility or threat of being replaced can bring order in the company and force the management to increase shareholder value and perform more in line with shareholders interests. A hostile takeover can also be seen as a posi-

tive transaction in a macro-perspective, due to reallocation of productive assets away from declining sectors into higher-value uses. (Schoenberg & Thornton, 2006)

Due to the fact that shareholders have the freedom to accept a takeover bid without interference from the board, a hostile takeover is viewed as a well-functioning system of corporate governance. This fact has led to two alternative views of hostile takeover defense tactics. The “management entrenchment” perspective argues that defense tactics are only self-serving devices to protect the management and the board in a target company (Wilcox, 1988). Viewed in the light of this perspective, a hostile takeover defense operates against the best interest of the shareholders. Empirical studies in the US have as well indicated that defense tactics can have a negative impact on the share price. (Jarrell and Poulsen, 1987; Ryngaert, 1988).

The other view of hostile takeover also known as the “shareholder interest”, is an approach that focuses on the hostile takeover as an active market for corporate control and forces the management to act with the best interest of the shareholders (Bebchuk 1982). Management in a target employs defense tactics in order to raise the bid premium to maximize the price paid for the company and serves in that way in line with the interest of the shareholders. The defense also works as a window for new companies to bid on the target and increase the price of the company. This approach has also empirical evidence showing an increase in shareholder value and increase in bid premiums. (Schoenberg & Thornton, 2006)

2.5 Defense Tactics

Hostile takeovers reached new heights in the 1980s, and it was accompanied with an array of different sophisticated defense tactics. The preventive measures reduce the likelihood of a potential hostile takeover, whereas active is initiated first after a hostile bid has occurred (Gaughan, 1996). Many of the developed defense tactics is not applicable in all countries due to domestic legal systems.

Hostile takeover defense tactics can be divided into two main categories: pre-bid and post-bid defense. Pre-bid defense tactics are actions taken by the target before the hostile bid is placed with the purpose to work in a long term perspective. The short term tactics are grouped into the post-bid defenses and are strategies or actions taken by the target after a hostile bid is placed. The long term tactics is designed to make the target less attractive to unwelcomed bids to enable the company to focus on the core business instead of spending time worrying about a possible hostile takeover threat. In difference to the long term pre-bid defense, the short term post-bid tactics can be seen as a way of fighting back and defeat the hostile bidder. (Schoenberg & Thornton, 2006)

According to Schoenberg and Thornton (2006), a target company in the US market is more likely to avoid a hostile takeover if the company has an implemented pre-bid defense, but in the UK market a company with a post-bid defense is more likely to defeat a hostile offer from another company. In the sections below, both preventive and active defense tactics also known as pre-bid and post-bid defense tactics used by Swedish companies facing a hostile takeover is presented, see table 1. A remark is that the Share repurchase strategy, can both be a pre-bid and post-bid defense tactic, but it is only presented under post-bid strategies.

Pre-bid Defenses	Post-bid Defenses
Blowfish	Attack the logic of the bid
Poison Pills	Corporate Restructuring
Share Repurchase	Crown Jewel Defense
Shark Repellants	Greenmail
	Management Buyout
	Pac-Man
	Positive Publics Info
	Share Repurchase
	Scorched Earth
	White Knights, White Squire

Table 1 Pre- and Post-bid Summary

2.6 Pre bid Defenses

According to Clarke and Brennan (1990) the best pre-bid defense is a management that maximizes shareholder value. By maximizing the shareholder value the shareholders are satisfied and therefore the incentive for any change in control of the company is reduced. In addition to a strong corporate strategy to keep the shareholders pleased, a company can as a pre-bid defense tactic concentrate on the share structure to reduce the attractiveness of the company. One example is to build shareholdings to investors that support current management, i.e. via Employee Share Ownership Plans. To reduce the risk of a leverage buy out, the company can increase the gearing level via a debt financed share buyback program, which eliminated some of the attractiveness. Another important pre-bid defense is good long term public relations, for example communication of the full financial and social value of the company to build loyalty to the existing management and board. (Schoenberg & Thornton, 2006)

2.6.1 Blowfish

A defense tactic referred to the name Blowfish can be used from a company facing a hostile bid. It involves strategies of buying new assets with an underlying purpose of forcing the company to grow; this leads to that the value of the company increases at the same time as the liquid assets decreases. The reason behind this defense tactic is that the higher value will intimidate the acquiring companies with limited financial resources to place a bid. The reduced financial resources of the target company acts as a secondary effect, reducing the acquiring companies' incentives even more for a takeover. (Arnold, 2005)

2.6.2 Poison pill

The usage of Poison pills can be seen as a tactic best suited for an implementation before a hostile bid is placed on the company. The Poison pills represent a creation of securities carrying specific rights and are executed by a triggering event, such as a hostile takeover. The securities are often owned by the board or the management in a target company and allow them to fight back and ward off a hostile attempt. One example of Poison pills is converti-

ble securities in combination with options or warrants. To prevent being turned down by a friendly bidder, the Poison pills can be terminated by the holders and in that way make the company attractive to a friendly takeover. (Weston et al, 2004)

The most frequently used Poison pill is the implementation of *call-plans* in the target company. A call-plan is associated with an option to buy shares in the targeted company, often to a large discount, and is often designed so the holder will execute the option when a hostile takeover bid is placed. This results in that the hostile bidder is, after the execution of the call options, diluted and the control of the target company can remain among the board and the management. The above explanation is known as a *flip-in poison plan*, when call options are placed in the target company. A flip-over poison plan is when call options are placed in the acquiring company by the target company. The basic idea is to defend the target by acquiring a large block of shares in the hostile bidder through the call options. The options are exercised after the takeover is completed which result in a large ownership by the target company in the new established company. This will make the target company less attractive for a hostile takeover and can eliminate potential hostile bids. (Weston et al, 2004)

A *put-plan* is also a designed to eliminate potential hostile bids. Put-plans works similar as the call plan, but instead of giving the holder of the option the right to buy shares in the target or the hostile bidder, they will give the holder the right to sell shares in the bidding company or the target. The exercise price on these put option are often very high compared to the current stock price, and give the holder the right to sell their shares to the target company o eliminate the hostile bidder. The result is obvious, the hostile company has to pay a premium for the target to eliminate the put options or they will lose control over the target. The put-plans are not as common as call-plans, often due to legal restrictions in some countries. (Weston et al, 2004)

There are a number of different designs on Poison pills, for example the *exploding Poison pills*. Exploding Poison pills will “explode” when a hostile bidder places a bid on the target company, and can be explained as call options with rights to a very high dividend in the future. There are huge costs involved in these call options for the target company, but will only be forced on the company after a hostile takeover and will therefore be cost for the acquiring company. (Weston et al, 2004)

2.6.3 Shark repellent

The Shark repellent strategy is synonymous for pre-defense tactics made by the company in order to be less attractive to a future hostile takeover. The Shark repellents are build-in defense mechanisms that make the company more difficult to take over. Golden parachutes, dual-class stock and a staggered board are some of the tactics known as Shark repellents. The golden parachute is provision to the management if they are forced to leave the company or if the company is acquired. The provision will give the management team a large bonus in cash or stocks and will be very expensive for the hostile takeover, which result in a costly acquisition. (DePamphilis, 2005)

The staggered board will prevent a hostile takeover by preventing the entire board from being replaced at the same time. For example some of the members of the board can be elected every two years and/or some every fourth year. An acquirer does not want to wait four years to replace the board and a hostile takeover can be avoided. (DePamphilis, 2005)

The dual-class stock defense will authorize investors to buy stocks in the company without voting rights, and the board can control the company with stock with voting rights. (Grabianowski, 2005)

All these strategies refer to Shark repellents and can prevent a hostile takeover, but it can also harm the company during the time until a hostile takeover is placed. (Grabianowski, 2005)

2.7 Post bid Defenses

As described in section 3.5 above, post-bid defenses are measures executed after a hostile bid is placed. The defense tactics can be described as specific financial responses to the terms of the bid, lobbying and public relations activities, appeals to regulatory and political bodies and searching for potential friendly bidders. (Schoenberg & Thornton, 2006)

2.7.1 Attack the logic of the bid

Through attacking the logic of the bid, the board is trying to convince the shareholders that a fusion will have a negative effect. This is considered to be a simple and cost beneficial tactic when facing a hostile bid. Arguments used is often that the bid is too low and is not representative to the real value of the firm, that the two involved firms are operating in different industries and fusion will therefore have adverse effect for the future. The board can also try to discourage their shareholders' beliefs about the acquiring company through accusing them of being incompetent and only thinking about building up an empire. That action may backfire with the result in the shareholder thinks the board is only interested in keeping their positions. (Weston et al, 2004)

2.7.2 Corporate Restructuring and Reorganization

A corporate restructuring might be necessary and may involve taking a company private, dispose of attractive assets, implement an acquisition or as a final action liquidate the company. Taking the company private involves buying back the majority of the company's shares, and this process is seen as a win-win situation for both shareholders who receive a premium and the management regains control of the company. To keep in mind here is that the premium paid needs to represent a substantial to current market price, in order to avoid unnecessary lawsuits. Another way of making the company less attractive is to divest the most attractive assets (Crown jewel defense), and the cash proceeds can be used to finance other defenses such as special stockholder dividend. A so-called defensive acquisition is another defense that might be undertaken with the intent to lower excess cash balances and to weaken current borrowing ability. The last and final restructuring possibilities are company liquidation and pay off the creditors and pay a so-called liquidation premium to shareholders. However this action only makes sense if the liquidation premium is larger than the premium offered by a bidder. (DePamphilis, 2005)

2.7.3 White Knight & White Squire

The White knight defense strategy can be described as a buy invitation from the target company to another friendly company. During a hostile takeover the board in the target company decides to seek for a white knight to prevent being bought by the hostile bidder. The reason why the target is willing to be bought by another company can for example be that the White knight promises not to break up the target company and sell it piece by piece or that the board or the management is promised a position in the new combined company. The White knight has to out-bid the hostile takeover to take control of the tar-

get, and the target company has then prevented the hostile bidder from taking control of the target (Weston et al, 2004). According to Schoenberg's study (2006), White knights are the most substantive and effective takeover defense in the UK, and other strategies have weak and indecisive effect.

A modified version of the White knight defense tactic is the White squire. The White squire acts as an allied friend in the hostile takeover process, but instead of taking control of the whole company as in the White knight strategy the squire buys a large block of shares, called a corner, in the target company. The White squire uses the corner to vote against the hostile bid and can together with the board prevent the hostile takeover. The block of shares can be tailored with restrictions unable a sale of the shares to a third party. In return, the squire receives generous dividend and/or a discount on the corner or a seat on the target's board. (Weston et al, 2004)

The target company must carefully analyze the situation when deciding on using the White knight or the White squire strategy. The strategies can sometimes worsen the situation and in a worst case scenario the target company can, despite the use of a White knight, end up with losing control over the company. (DePamphilis, 2005)

The White knight can after given the control of the target, turn to the hostile bidder and sell the shares to the bidder and the target is then acquired by the unfriendly hostile bidder. In other words, the White knight poses as a friendly party to gain trust, but turns and joins the unfriendly party. This is known as the Lady Macbeth strategy, and can create tremendous damage to the target company (Barwise, 1996)

2.7.4 Crown jewel defense

When an acquirer decides to attempt a hostile takeover the company has analyzed the target and sees value in the target's assets or the operations. To fight back in a hostile takeover the target can then sell some of the most valuable assets, called crown jewels; to a third party to reduce the value of the company to force the hostile bidder to draw back the bid. The target can also sell the crown jewels to a White knight with a restriction to buy back the assets after the hostile bidder has drawn back the bid for a pre-agreed price, a so called sale and lease-back agreement is also possible. This strategy can however create some difficulties for the target company. If the assets are sold the company will end up with large amounts of cash and can become more attractive for a hostile takeover by other company. (Fällman, 1990)

2.7.5 Scorched earth

A strategy associated with the Crown jewel defense tactic is the Scorched earth strategy. Similar to the Crown jewel strategy, the primary objective is to make the target less attractive when a hostile takeover is in motion. The target sells all the valuable assets in an attempt to fight back a hostile bidder, but the strategy is not the best way of preventing a hostile takeover. If important and valuable assets are sold, shareholder value will decrease and if succeeded leave the shareholder with an almost worthless share in the target company. (Gilson & Bernard, 1995)

2.7.6 Share repurchase

Share repurchases has for a long time been used as a defense for takeovers. A high share value intimidates hostile bidders, and a reduction in the quantity of issued shares on the stock market can affect the stock value to increase (Gaughan, 1996). The takeover threat is

today not isolated only to the local market; the raider can appear from any place on the global market place. There are two ways for the target company to go about with share repurchasing. First they can offer the shareholders to buy back shares with an underlying goal to regain control of the company. Secondly, they can buy outstanding shares on the stock market. Share repurchase is not entirely used as a takeover defense. If the value of outstanding shares is low (in bear market), the corporate treasury usually buys back shares with the intention to rise the value. Also the other way around, if the demand is high (bull market), the quotations is high and the company's response is to issue more shares (Weston et al, 2004).

Share repurchase is often a sign that the company's management is optimistic about the future and believes that the current share price is undervalued. Reasons for conducting buy backs is raising earnings per share, increasing internal control of the company and obtaining stock for employee. (DePamphilis, 2005)

2.7.7 Greenmail

One version of share repurchase is called Greenmail, and it refers to a targeted repurchase of stock blocks from specified shareholders. The repurchase is done at a premium with an intention of ending a hostile takeover threat. A result of using Greenmail as a defense tactic is that the share value including premium might exceed market value and therefore it can have detrimental effects for regular shareholders. In connection with share repurchases a *standstill agreement* is often written, which connotes that the bought out stockholder agrees to not buy any new shares in the company for a certain agreed upon time (DePamphilis, 2005). A *standstill agreement* can also be signed without any repurchase has been made; instead the hostile shareholder agrees to not buy any more shares. Without an agreement like this, the repurchase will lose its effect and it would let the acquirer to initiate its takeover again. "Double dipping" is a phrase that connotes a negative effect with Greenmail, and it constitutes that once one hostile takeover is fought off it may attract new bidders when they see the possibility to gain a profit on the premium that is offered from the target company. One can conclude that this is a defense tactic that is most beneficial for the hostile takeover. (Gaughan, 1996)

2.7.8 Management buyout

A Management buyout (MBO) is an action where the operating management increases their owner position in the company, often with the help of external investors and finances the purchase through leverage buyouts (Frankel, 2005). MBOs can be referred to as a two edged sword. On one side it can be an effective defense tactic against hostile bidders, but on the other side it can trigger a reaction and attract new competitive bids. The reason behind conducting a MBO is often the result of incumbent management, and the effect will often result in a large debt for the company. So the next goal is to get the company back on track so the debts can be amortized according to plans (Weston et al, 2004). Along with the White knight, MBO's in UK are the substantive and effective takeover defense (Schoenberg & Thornton, 2006).

2.7.9 Pac-man defense

The Pac-man defense tactic is seen as an aggressive defensive tactic and the name comes from the famous videogame with the same name. Using this strategy, the target company fights fire with fire and starts buying shares in the company that has placed the hostile takeover bid. The strategy is in most cases a hard and complicated way to go and is best suited for targets that are larger than the hostile bidder. The Pac-man tactic is extremely

costly and can be devastating for both companies involved in the battle. To afford to buy the shares, both companies may make use of debt and the succeeding company will be tainted with a huge debt stake from both companies. One incentive to use this strategy is that the target company finds the idea of a combined organization attractive but wants to control the final outcome, and therefore tries to buy the hostile bidder. (DePamphilis, 2005)

2.7.10 Positive public information

The board announces positive public information with the intent to increase the stock price which will lead to a takeover that will be more costly. Through alternations in the balance sheet, where undervalued assets are revalued to market value, will create an reaction where the market value of the company will increase and therefore more costly to acquire (Cooke, 1988). A secondary effect with the increased stock price is that it will create incentives for shareholders to remain as owners (Weston et al, 2004).

3 Methodology

In this chapter, research methods and used to fulfill the purpose of this thesis are presented. The other sections are a more in depth description of how the data is collected, assembled and processed. The method section is rounded off with a discussion concerning the choices made in how to conduct the research.

3.1 Research Method: Quantitative/Qualitative

According to Ghauri & Grønhaug (2005) research methods refers to systematic, focused and orderly collection of data with the predetermined purpose to solve or answer research problem or questions. A qualitative method focuses on the how and why, and is most often derived from expression and words. The information gathered with qualitative is analyzed through the usage of conceptualization, often made simultaneously with the data collection process (Saunders, Lewis & Thornhill, 2003). The qualitative research approach is seen as a less rigid and more intrusive in terms of data collection unlike its adversary quantitative research, which is normally associated with rigid scientific methodology and analysis.

The most central part of quantitative research is the measurement process, where an elementary connection between experimental data and numerical expressions of quantitative associations (Saunders, Lewis & Thornhill, 2003). The aim of this thesis is to classify targeted features and count them, with the intent to construct statistical models with an underlying purpose of explaining what is observed. The thesis is also searching for a precise picture of the defense tactics used in the Swedish market in order to be able to decide there exists normality or abnormality.

3.2 Sample

According to Ghauri & Grønhaug (2005), a sample frame is a listing of units from which the actual sample will be drawn. As mentioned above to identify the usage and the impact on different defense tactics used during hostile takeovers a statistical analysis has been conducted with quantitative data. In order to get a sample representative the population a non-probability sampling method is used. By non-probability sample is meant a method where a sample is chosen through a non-random selection method, meaning that some units are more likely to be chosen than others (Ghauri & Grønhaug, 2005).

The entire population of hostile takeovers and hostile takeover attempts in Sweden involves companies listed on all different kind of lists, all from NGM to Large Cap. However it would be impossible both time and information wise to include all of them. In the light of so-called judgment sampling (Ghauri & Grønhaug, 2005), the sample of this thesis consists of 32 hostile takeovers, taken place on the Swedish stock exchange between the years of 1997 through 2007. The thesis looked at hostile takeovers or hostile takeover attempts performed on Large, Mid and Small Cap, OMX Stockholm. Originally, the sample size was equal to the whole population, but was reduced since there existed units that was indecisive and could not be accurately determined as either a hostile takeover or hostile takeover attempt.

All bids placed on a publicly traded company are reported by the stock market, with both information about the target and the acquiring company. In order to increase the certainty of the chosen representative sample with hostile bids, a careful analysis of each bid and the information available about the target's management and board's view of the bid has been performed. This process has worked as an underlying factor when identifying a possible hostile takeover. A further refinement process of the sample was carried out with certain

variables acting as guidance, such as if the hostile takeover succeeded or not, bid premium, industry for both the target and the hostile bidder and what defense tactics that have been used.

3.3 Data Collection

There are two types of different data normally used when conducting research. Primary data is new raw data that is collected with the intent of filling the purpose of the research at hand. The main advantage with primary data is that it is specifically gathered to the research in question, whereas a negative effect is that it can be argued to be a costly and time consuming process (Ghauri & Grønhaug, 2005).

The second type of data is secondary data, which is data that can be found in books, articles, online etc. The main difference between primary and secondary data is that secondary is collected for another research purpose (Saunders et al, 2003). In this thesis, all treated data will be secondary data since the used data is originally gathered for other purposes. It is of great importance that you as a researcher verify the reliability of the data being used. Since that the empirical data used throughout this thesis exclusively originates from either OMX's webpage or "Affärsdata" it can be considered to be reliable. One of the reasons behind choosing secondary data is that it saves a lot of time and minimizes costs, which allows the researcher to be able to broaden the research topic than otherwise possible. Another reason is that this thesis analyzes previous occurred happenings to fulfill the purpose of this thesis, and therefore secondary data is the most suitable.

3.4 Statistical research

After identifying all the hostile takeovers that have occurred in Sweden during the last ten years, the data was assembled and modeled in Excel in order to complete further analysis. To be able to answer the research questions and identify the different defense tactics that has been used during the time period. The model consists of different variables that explains the situation and will be used to analyze the defense tactics. The different variables that have been looked upon is; target and the hostile bidder, finalized deal or not, increased bid, defense tactics used, industry for both the target company and the acquiring company, foreign bid and finally the bid premium. The different variables are then analyzed with respect to each other in a matrix manner to give as much information as possible. One variable is set to be constant and then all the other variables are analyzed in the light of the constant variable. For example the defense tactic that a company has chosen in order to protect the company or defeat a hostile bid are compared to the outcome of the deal, and will then answer the question if the defense tactic is successful or not. The other variables are analyzed in the same way and this method reveals as much information as possible out of the data collected.

According to Saunders et al (2003) finding relevant data requires detective work which has two stages, establishing that the sort of data the report require is likely to be available and locating the data the report requires. The variables for this report are chosen based upon these two stages and have carefully been selected by looking at all public information communicated by both the target company and the hostile bidder. These variables give a composite view of the hostile takeovers and the defense tactics used and enables a fairly deep analysis when the different variables are analyzed in contrast to each other.

After collecting all the above mention information the data is analyzed in the light of average, median and the high and low values. The median has the ability to exclude the extreme

values in the sample and can therefore give a more accurate view of the situation in the market (Saunders et.al 2003). The mean or the average is the most frequently used for other statistical tests, so to be able to draw conclusions and analyze relationships, the average is a necessary element in this report. The variables that cannot be quantified are just calculated by the numbers of time they occur in the sample in a more in-depth analysis. All the Excel material that has been used for the analysis of the defense tactics in the Swedish market can be found in the appendix.

3.5 Validity & Reliability

When using secondary data there always exists a discussion about the reliability and the validity of the data collected. According to Dochartaigh (2002), secondary data that has been collected from large, well-known organizations are likely to be trustworthy. The data collected in this report is collected from public information and from large organizations such as the OMX Nordic Exchange and “Affärsdata” and is therefore believed to be very trustworthy and give the report validity and reliability. The theories used in this report are well-known and trustworthy theories retrieved from large databases and famous literature, which increases the reliability for the research. The thesis have tried to increase the validity and reliability through a usage of relative new references in order to cover the most recently made research in the area.

To ensure the validity and the reliability of the research in this report the authors of this thesis must ensure that the sample reflects the population and conclusions are founded on the basis of the sample are in line with reality. Normally as a rule of thumb, a minimum of 30 units per sample is required when conducting some sort of statistical analysis (The Economist, 1997). The sample in this report is above 30 so that both validity and reliability can be seen as more than sufficient. The focus during sample collection can be viewed as retrieving the most up to date sample as possible and as a result of that the sample is rather small. The authors believe however that with a more up to date sample, the research will provide a more accurate result than with a larger, older sample. Since the sample almost represents the entire population, it makes it possible to draw generalizations, which is important when analyzing and describing hostile takeovers performed in Sweden. Therefore the validity and reliability is further strengthened.

3.6 Critiques of Chosen Method

The downside with the deductive approach is that the researcher is only looking for empirical findings which support its expectations. Also using quantitative research has its limitations, and the sample size is one of them. Often a large sample is required in order for a study to become more legit, and the sample size is most often the reason behind failures for quantitative research. The sample size of 32 hostile takeovers is believed to be sufficient in order to implement a quantitative research. The downside by using a non-probability sample is to know if it represents the population well, and generally it is preferred to use probabilistic sampling since it tends to be more accurate (Saunders et al, 2003). However, it is believable that usage of non-probability sampling is the only feasible technique considering the circumstances when constructing a sample containing hostile takeovers in Sweden.

The researcher must be careful when using the easy accessible data, since most often it is gathered for a different purpose with different objectives (Ghauri & Grønhaug, 2005). The secondary data in collected for this thesis is general statistics obtained from OMX Nordics Exchange and “Affärsdata”; the chance of it being skewed is fairly small if not infinite.

Another critique is that most of the theory used is either US or UK influenced, and applied on Swedish takeovers. However, the theories are only different defense tactics and therefore it can be seen as applicable to also on Swedish hostile takeovers and takeover attempts.

Finally the statistical process in this research uses only excel which is more than sufficient. The usage of another statistical process program as SPSS may have given other results concerning correlation between the success and failure using different defense tactics.

4 Empirical findings

In this section the empirical finding will be disclosed. The data is collected from the Swedish market concerning hostile takeovers and will illustrate the usage of hostile takeover defense tactics. The data is presented through statistical measurements to give an overview of the defense tactics used.

4.1 Defense Tactics

Defense tactics are a common element in most hostile takeovers or hostile takeover attempts. The only way for a target to prevent a hostile takeover is to implement different strategies with the aim to fight back and defend the company. Several of the companies in the Swedish market have used two or more defense tactics in their struggle to avoid being bought. The choice of defense tactics can at first been seen as a random choice based on the characteristics for the company in question, the data shows that some defense tactics are more frequently used than others. Section 4.1.1 and 4.1.2 below illustrates the distribution of pre-bid respectively post-bid defense tactics used by the target companies in the Swedish market between 1997 and 2007. Fully extended data about what companies acquiring other companies and what defense strategies are used are presented in the appendix section.

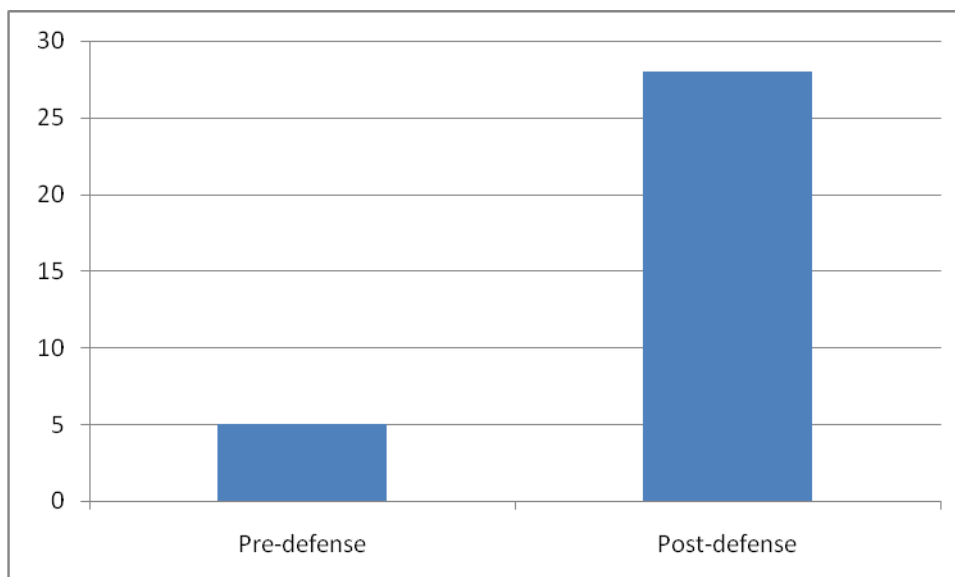


Figure 1 Pre- and Post-defense distribution

Companies can use two different ways in order to avoid a hostile takeover. The first is to use the pre-bid strategy, and the second one is to implement post bid defense tactics. Figure 1 above show that five companies are using the pre-bid approach, where they have implemented some sort of defense tactic in order to avoid being a target for hostile takeover. In the table in appendix 2 it shows that despite of using a pre-bid defense, some companies still become target for hostile takeovers and are forced to implement post bid defense tactics. Figure 1 also shows 28 units of the sample are using post bid defense tactics, as mentioned just some of them in combination with pre-bid. What figure 1 does not show is that in one hostile takeover process the target does not implement neither a pre- or post bid defense tactic. Instead the target chose to remain passive and ride out the wave.

4.2 Industry

All companies that are traded on the Swedish stock exchange are in reality targets for a hostile takeover independent of the industry the target is operating in. In the sample of 32 hostile takeovers and hostile takeover attempts taken place in the Swedish market shows some interesting findings about the industry for companies involved in hostile takeovers. The different industries are identified using the stock markets own classifications which make it easy to draw conclusions and identify in which industry the analyzed companies are operating in.

Sector	Company Specifics
Energy	Companies engaged in the exploration, production, marketing, refining and/or transportation of oil and gas, coal and other consumable fuels.
Materials	Companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, and metals, minerals and mining companies including producers of steel.
Industrials	Companies engaged in manufacturing and distribution of capital goods, including aerospace & defense, construction, engineering & building products, electrical equipment and industrial machinery. Commercial services and supplies include printing, employment, environmental and office services. Transportation services include airlines, couriers, marine, road and rail and transportation infrastructure.
Consumer Discretionary	The manufacturing segment includes automotive, household durable goods, textiles & apparel and leisure equipment. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services.
Consumer Staples	Companies engaged in manufacturing and distribution of food, beverages and tobacco, and producers of non-durable household goods and personal products. It also includes food & drug retailing companies as well as hypermarkets and consumer super centers.
Health Care	Two groups, The first includes companies that manufacture healthcare equipment and supplies or provide healthcare related services, such as distributors of healthcare products, providers of basic healthcare services, and owners and operators of healthcare facilities and organizations. The second group includes companies primarily involved in the research, development, production and marketing of pharmaceuticals and biotechnology products.
Financials	Companies involved in activities such as banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment and real estate including REITs.
Information Technology	Technology software & services, including companies that primarily develop software in fields as the internet, applications, systems, database management and/or home entertainment, and companies that provide information technology consulting and services, as well as data processing and outsourced services; technology hardware & equipment, including manufacturers and distributors of communications equipment.
Telecommunication Services	Companies that provide communications services primarily through a fixed-line, cellular, wireless, high bandwidth and/or fiber optic cable network.
Utilities	Companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.
Private Equity Firms	Companies involved the purchase of a majority or complete ownership stake of an operating company, which is either privately-held or listed on an exchange.(Bierman Jr., 2003)

Table 2 Industry Specifics (omx-group.com, 2008)

In table 2, the OMX industry sector are presented, where it is explained what different companies activities and area of expertise and what industry sector they are included in.

4.2.1 Industry data

The target companies in the sample have representatives from many different industries but some patterns can be seen. Most of the target companies are Industrial, Consumer Discretionary or Financial companies. In the sample 28 percent of the target companies from the industrial sector, 19 percent from consumer discretionary and 19 percent are companies from the financial sector. There are no companies from the energy sector, utilities or private equity companies and very low involvement of companies from the material and consumer staples sector. Figure 2 below illustrates the distribution of different industries for target companies in a hostile takeover.

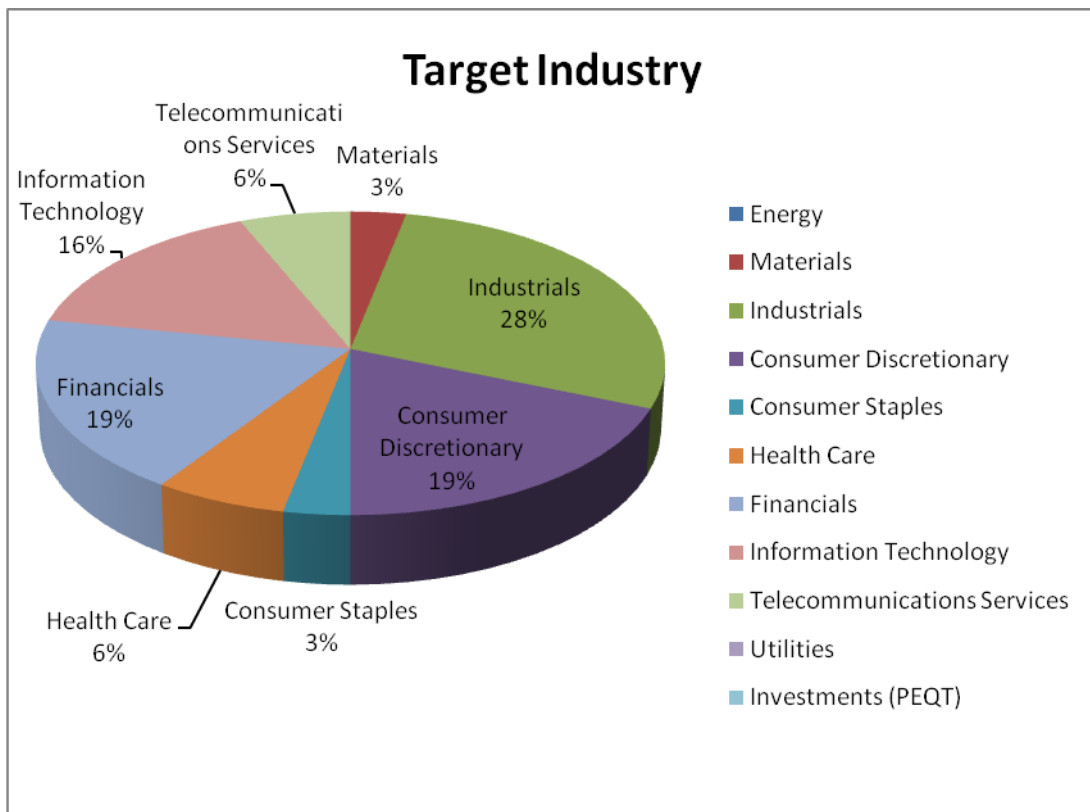


Figure 2 Target Industry

For the acquiring companies in the study the situation is different in some way. The Industrial sector is not that active as in the target side. The typical hostile acquirer is a private equity company or a traded investment companies, in this study the private equity companies represent 28 percent of all the hostile takeovers in the Swedish market during 1997-2007. In comparison with the target companies, where no private equity companies were found, gives a good view of what type of companies that are operation on the buy-side and on the target-side. Other sectors represented on the buy-side in a hostile takeover are financial and industrial companies, with 22 respectively 16 percent. The results from both the target and the acquiring side differ from each other, but some patterns can be found. As mentioned before, no companies from the utility and the energy sector can be found in the sample and the same result can be seen for the buy side in a hostile takeover. Figure 3 below describes the distribution of the buying company in hostile takeovers in the Swedish market between the years 1997 to 2007.

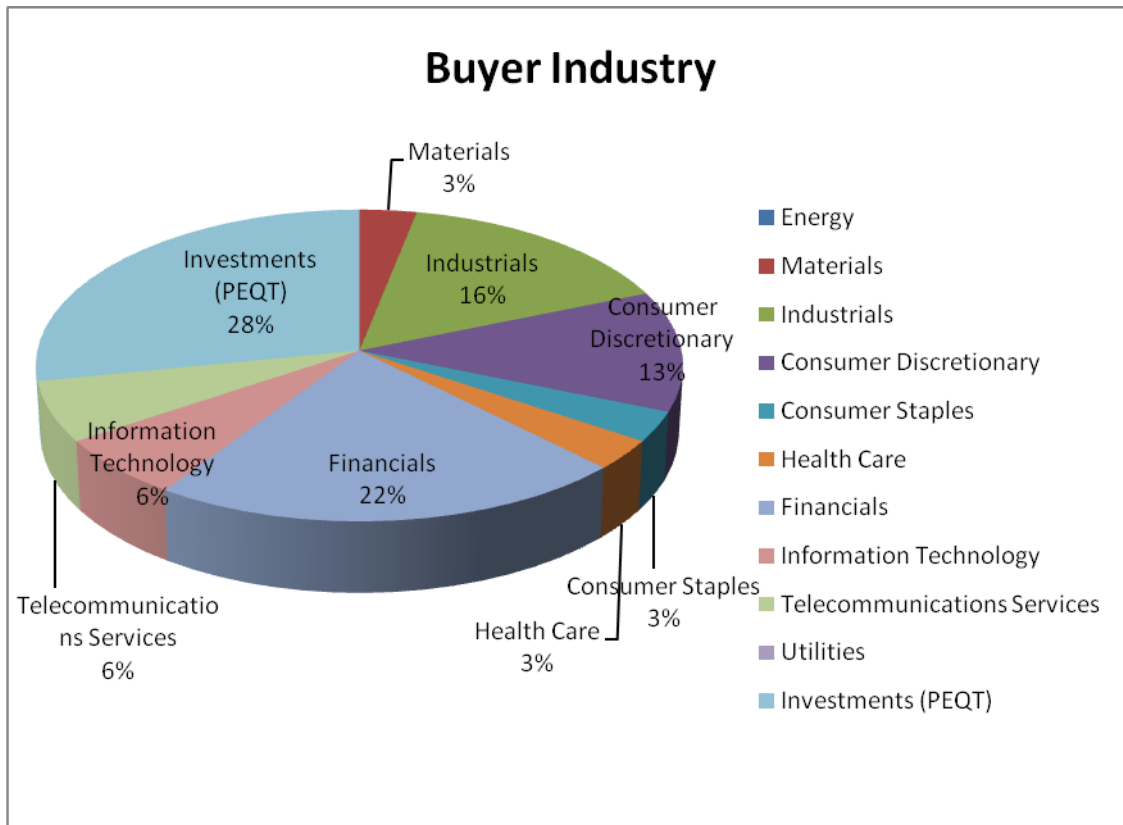


Figure 3 Buyer Industry

The Swedish stock market has for several years been seen as a favorable market for foreign investors to invest in, and a foreign hostile bid is not uncommon on the Swedish capital market. In the sample 9 out of 32 hostile takeovers are hostile bids from foreign companies, which represent almost 28 percent of all hostile takeovers during the last 10 years. A foreign bid is usually placed by a company in the same industry as the target company and the financial sector is the most active sector among these bids.

4.2.2 Pre-bid defense tactics

Defense tactic	No.	%
Blowfish	5	15,6
Poison Pills	0	0,0
Share Repurchase	0	0,0
Shark Repellants	0	0,0

Table 3 Numbers of Pre-bid defense tactics used

In the Pre-bid defense tactics in table 3 above, the distribution of used strategies is entirely dominated by the Blowfish strategy, which is implemented before a hostile takeover attempt takes place. The table shows usage of pre-bid defense tactics is in five units of the sample. These five constitutes 15,6 percent of total number of targets that has used the Blowfish as pre-bid defense tactic. Pre-bid defense strategies can be used in combination with other defense tactics to increase the possibility of a failed hostile takeover attempt. Successfulness of pre-bid defense tactic is when the target avoids all hostile bids. Shark repellants such as golden parachutes are used by Swedish company, but it is difficult to de-

termine if the purpose of implementing them is strictly as hostile takeover defense tactics. The same goes for Share repurchase, which is done by companies on a continuous basis.

4.2.3 Post-bid defense tactics

Defense tactic	No.	%
Attack the logic of the bid	18	56,3
Corporate Restructuring	3	9,4
Crown Jewel Defense	0	0,0
Greenmail	0	0,0
Legal measure	4	12,5
Management Buyout	0	0,0
Pac-Man	0	0,0
Positive Publics Info	9	28,1
Scorched Earth	0	0,0
Share Repurchase	0	0,0
White Knights, White Squire	10	31,3

Table 4 Numbers of Post-bid tactics used

The most frequently used post-bid defense tactic used by the target company in a hostile takeover attempt in the Swedish market is to attack the logic of the bid as presented in table 4 above. Around 56 percent of the targets in a hostile takeover or a hostile takeover attempt have used this post-bid defense tactic to avoid a hostile takeover. The data shows that this defense tactics is often used in combination with other defense strategies to strengthen the opposition to a takeover, which is presented further down.

The second most used post-bid defense tactic is the White knight or White squire strategy. Of all 32 hostile takeovers or hostile takeovers attempts, almost 31 percent have used a White knight or a White squire to fight off an unwelcomed hostile bid. The defense tactic implies that the target company is bought by a friendly buyer, which is considered to be a better option than the hostile bidder. The strategy is hard to combine with other defense tactics due to the fact that it is considered to be a final solution to the hostile takeover.

Other post-bid defense tactics that have been frequently used to prevent a hostile takeover or fighting off a hostile takeover attempt are Legal measures and Positive public information. Of the two above mentioned defense tactics, sending out positive public information about the future is the most frequently used with 28 percent of hostile takeovers. Sending out positive public information is an easy way of convincing the shareholder that the bid offered by the hostile bidder is not reflecting the true value of the target company, and is in most cases used together with an Attack of the logic of the bid from the board of directors.

Some of the common defense tactics used in other markets, such as the UK or the US markets, is not represented in this sample. Crown Jewel defense, Greenmail and Pac-man are some of the defense tactics that are not represented in the Swedish market.

4.2.4 Combination of Pre-bid and Post-bid

As mentioned in section 4.1, targets can use combinations of defense tactics. If using a pre-bid defense tactic which is not successful, other post-bid defense tactics will be implemented. Also a combination of post-bid defense tactics can be used in order to increase the

possibilities to fight of a hostile takeover. Table 5 below presents the different combinations of defense tactics used in the chosen sample. The table also shows the successfulness of the used combination.

Defense tactic	Deal
Attack the logic of the bid, Legal measure, White squire, Positive information	No
Attack the logic of the bid, White squire	No
Attack the logic of the bid, white squire, positive information	No
Blow fish, Attack the logic of the bid	No
Blow fish, positive information	Yes
Attack the logic of the bid, legal measure, positive information	Yes
Attack the logic of the bid, financial restructuring	No
Legal measure, Positive information, White squire	No
Attack the logic of the bid, Legal measure, Financial restructuring, Blow fish, Positive information	Yes
Attack the logic of the bid, Positive information(White knight)	No
Attack the logic of the bid, Positive information	Yes

Table 5 Combination of defense tactics

In eleven out of 32 units in the sample, the target has implemented more than one defense tactics in order to fight of a hostile acquirer. In nine out of the eleven scenarios, Attack the logic of the bid has been used in amalgamation of another strategy. And in eight of eleven cases the target companies have chosen to present Positive public information about the company.

In seven out of eleven cases where the target have implemented more than one defense tactics in order to increase their possibility to resist being acquirer, have the strategy succeeded. In other words, when companies have used more than one strategy only four companies have lost their battle and have been acquired.

4.2.5 Deal or no deal

The aim with an implemented defense tactic is to avoid a hostile bid or making it impossible for the hostile bidder to proceed with the bid and close the deal. A closed deal means that the target company is bought up by the hostile bidder and the hostile takeover is accomplished. One way of analyzing the successfulness of a chosen defense tactic is to look at if the hostile bidder could close the deal or not. If a deal is not finalized, the defense tactic can be viewed as a successful one and vice versa. Table 6 below exemplifies the distribution of closed deals depending on choice of defense tactic among Swedish target companies in a hostile takeover or hostile takeover attempt during a ten year period, 1997-2007. A more in-depth presentation of the deals is presented in appendix 1.

Defense tactic	<i>Deals</i>	Yes	No	Tot.	Yes (%)	No (%)
Attack the logic of the bid		9	9	18	50	50
Blowfish		3	2	5	60	40
Corporate Restructuring		1	2	3	33,33	66,67
Crown Jewel Defense		0	0	0	N/A	N/A
Greenmail		0	0	0	N/A	N/A
Legal measure		2	2	4	50	50
Management Buyout		0	0	0	N/A	N/A
Pac-Man		0	0	0	N/A	N/A
Poison Pills		0	0	0	N/A	N/A
Positive Publics Info		4	5	9	44,4	55,6
Scorched Earth		0	0	0	N/A	N/A
Share Repurchase		0	0	0	N/A	N/A
Shark Repellants		0	0	0	N/A	N/A
White Knights, White squire		1	9	10	10	90

Table 6 Distribution of closed deals

When interpreting the results described in table 6, the data clearly shows what defense tactics are more successful and which ones are less successful. The White knight and White squire defense tactic is the most successful defense tactic when it comes to not finalizing the hostile bid, in 90 percent of the cases the deal is not closed if the target chooses to use a White knight as a defense tactic. The second most successful defense tactic in the sample is Corporate restructuring or reconstruction, with almost 67 percent of not closing the deal. The other defense tactics represented in this sample are showing almost the same degree of ability to avoid a hostile takeover, with a 40-50 percent successfulness of not being bought by the hostile bidder. However, the usage of the Blowfish defense tactic showed that in 60 percent of the cases the hostile bidder succeeded in the attempt to buy the target company.

4.2.6 Increased Bid

Defense tactic	<i>Increased Bid</i>	%
Attack the logic of the bid	7	39
Blowfish	2	40
Corporate Restructuring	2	67
Crown Jewel Defense	0	0
Greenmail	0	0
Legal measure	2	50
Management Buyout	0	0
Pac-Man	0	0
Poison Pills	0	0
Positive Publics Info	5	56
Scorched Earth	0	0
Share Repurchase	0	0
Shark Repellants	0	0
White Knights, White squire	3	30

Table 7 Increased bid premiums

Defense tactics successfulness is not only determined by the ability to fight off a hostile bid. One vital factor when talking about defense tactics in hostile takeovers is that for a bid to be considered hostile the target company has to contradict the bid, usually meaning that the target company does not agree with the hostile bidder about the price for the target company. When using a defense tactic the aim could be to make the hostile bidder increase the bid and pay more for the target company.

In the Swedish market, as presented in table 7 above the use of Corporate restructuring as a defense tactic has made the hostile bidder to increase the bid in 67 percent of the cases and the use of positive public information has forced the hostile bidder to increase the bid in more than half of the cases. When looking at table 6 above it is safe to say that if a target company has used a defense tactic to avoid being bought by the hostile bidder, it is very likely that the hostile bidder has increased the bid and the situation has changed for the better in the case of the target company. The usage of White knights does only in 30 percent of cases force the bidder to increase the bid, whereas when using a White squire does in all cases result in a bid increase.

4.2.7 Industry and defense tactics

When scrutinizing the defense tactics and to see in what different industries which one is used, the data shows that some industries are overrepresented in using some defense tactics and on the contrary some industries does not prefer to use a defense tactic to fight back during a hostile takeover.

Defense tactic Targets	Materials	Industrials	Consumer Dis.	Consumer Staples	Health Care	Financials	IT	Telecom
Attack the logic of the bid		7	2		1	3	3	1
Blowfish			2		2	1		
Corporate Restructuring					1	1	1	
Legal measure		1			1	1	1	
Positive Public Info		3	2	1	1	1	1	1
White Knights, White Squire		4	2			1	1	1
Passive	1							

Table 8 Defense tactics in the different industries

Table 8 above illustrates the distribution of defense tactics among the different industries, in the Swedish market between the years 1997-2007. The use of Attack the logic of the bid is most used in the industrial sector in this sample. However the Health care and Telecom sector is not as eager on using this type of defense tactic in a hostile takeover. The results from the statistical research also show that in the sample the usage of White knight or White squire is also highly favored in the industrial sector. Among the other industries the defense tactics are in some way even distributed and each industry has at least one representative from each defense tactic, except for the materials and the consumer staples as il-

lustrated in table 8 above. The investment also known as the Private equity sector is not represented in the table do to the fact that none of the target companies can qualify into this category and therefore no results are seen in this sector. Energy and Utilities are other industries excluded since there do not exist any hostile takeovers or hostile takeover attempts in these two industries.

4.3 Bid Premium

Through a careful interpretation of the data and result from the statistical research concerning the bid premiums, a clear distinction between bid premiums made by foreign and domestic acquires. In the table 9 below, the results are presented, where the bid premium for both foreign and domestic bid premium is displayed in two separate columns. Starting with the bid premium from foreign companies, on average when a foreign company is trying to acquire a Swedish company through a hostile takeover they place a bid premium of 25,83 percent. The bid premium is what the acquirer pays the seller in addition to the market price. The median of 25,5 percent for foreign bids is practically identical to the average. The highest bid premium placed by a foreign company was 44 percent additional to market price, and the lowest 9 percent.

When looking at the average bid premiums for domestic acquirers, it is 34,808 which are a little higher than foreign. In the domestic bid premium there is a large difference between the highest and lowest bid creating an offset in the median from the average. The highest bid premium placed by domestic firm is 175 percent additional to market price, and the lowest is 0 percent in other words equal to market price the company was traded for.

Bid Premium Foreign Bid	(%)	Bid Premium Domestic Bid	(%)
Average	25,83	Average	34,808
Median	25,5	Median	29
High	44	High	175
Low	9	Low	0

Table 9 Foreign and Domestic Bid Premiums

A compounded average and median assembled including both domestic and foreign bid premiums for all the hostile takeovers incorporated in the chosen sample. The median of 29 percent and average of 33,15 percent presented in table 10 below, is practically the same as the bid premium made by domestic firms. The average total bid premium is highly affected by the weight from domestic bid premiums that are larger than the weight from foreign. The highest and lowest bid premium of 175 and 0 percent is the same as for domestic bid premiums in the section above.

Bid Premium Total	(%)
Average	33,15
Median	29
High	175
Low	0

Table 10 Total Bid Premium

In order to be able to explain if there are any differences in bid premiums within different industries, the accumulated data received from the statistical research is presented. Starting out with industry target presented in table 11 below, there are three industries with N/A

numbers. This means that there was not any bid placed on a target company among the units in the chosen sample, active in any of these industries. Information Technology and Telecommunication Services are the two sectors with the highest bid premium placed on a target company, with 59,9 respectively 56,5 percent. Industrials with 30,1 and Financials with 29,9 are almost equal to the bid premium average described in previous section. Consumer Staples and Health Care, both with 9 percent are tied in the bottom with the lowest bid premiums among the industries. The highest bid premium of 175 percent was placed on a company in the Information Technology sector, and the lowest bid premium equal to 0 percent was placed on a company operating in industrials.

Industry Target	Average	Median	High	Low
Energy	N/A	N/A	N/A	N/A
Materials	20	20	20	20
Industrials	30,1	29	55	0
Consumer Discretionary	24,9	25,25	44	9,8
Consumer Staples	9	9	9	9
Health Care	9	9	15	3
Financials	29,9	30	41	14
Information Technology	59,9	40	175	18,9
Telecommunications Services	56,5	56,5	65	48
Utilities	N/A	N/A	N/A	N/A
Investments (PEQT)	N/A	N/A	N/A	N/A

Table 11 Industry Target

Table 12 below displays on average how high the bid premium is, placed by a hostile bidder and in what industry the bidding company is active in. Both the Energy and Utilities sector has no available figures; this means that there was not any company in these sectors placing a hostile bid during the investigation period. The Telecommunication sector is a clear leader with a 56,5 percent in where the companies place the highest average bid premiums. Consumer staples and Health Care are the two industries with average bid premiums of 9 and 15 percent, where the acquiring companies have placed the lowest bid premiums. For the rest of the industry sector, the bid premiums placed are on average between 20 to 30 percent. The highest bid placed 175 percent and the bidder was active in Information technology sector. The lowest bid was made by a private equity company, where they placed a bid premium equal to zero, meaning they bought shares at market price. Both Information Technology and Telecommunications Services are industry sectors where the highest bid premiums. The same sectors also have the highest lowest bid, meaning in these two sectors the lowest bid premiums are much larger compared to the other sectors.

Industry Buyer	Average	Median	High	Low
Energy	N/A	N/A	N/A	N/A
Materials	20	20	20	20
Industrials	25,4	29	33	9
Consumer Discretionary	24,7	22,5	44	9,8
Consumer Staples	9	9	9	9
Health Care	15	15	15	15
Financials	29,5	31	41	14
Information Technology	18,9	18,9	175	40
Telecommunications Services	56,5	56,5	65	48
Utilities	N/A	N/A	N/A	N/A
Investments (PEQT)	28,5	25	55	0

Table 12 Industry Buyer

5 Analysis

This section will analyze the empirical findings in the light of the theory presented in the theoretical framework. The in-depth analysis will provide the reader with information concerning the defense tactics used in hostile takeovers.

5.1 Pre-bid defense tactics

Pre-bid defense tactics are actions taken by the target before the hostile bid is placed with the purpose to in a long term perspective (Schoenberg, 2006). When discussing the pre-bid defense tactics used, the focus have been on four different tactics, namely Blowfish, Shark repellent, Poison pills and Share repurchase. The empirical findings showed that out the 32 units in the sample, only five companies used some sort of pre-bid defense tactics that could be realized. When further analyzing and dissecting the retrieved data, there is a clear pattern where Swedish companies chose to use the Blowfish strategy in order to prevent being a target for a hostile takeover.

The empirical finding showed that despite the usage of a Blowfish, the companies still have become targets for hostile takeovers. The strategy involves a process where the companies expands and forces the company to grow in order to make it less attractive and more expensive to acquire (Arnold, 2005). In three out the five cases where companies have used a Blowfish strategy, they have still lost and have been acquired. There can be numerous reasons behind why companies despite using the pre-bid defense still become a target. One reason is that the company chose a wrong way or direction when expanding the company, and instead of making the company less attractive the action had opposite effect and made it more attractive. Another reason concerns the size of the company, despite of the expansion of the corporate activities they can still be seen as a rather small company with a low valuation in the eyes of an acquirer and therefore still be a target. Since the pre-bid defense tactics are used with the purpose of making the company unattractive for takeovers, it can be argued that the actual wanted effect of the Blowfish is satisfying since it being the only pre-bid discovered in the research.

As was argued by Clarke and Brennan (1990) the best pre-bid defense is a management that maximizes shareholder value. Further on, analyses have been conducted on the other pre-bid defense tactics, started out with Poison pills. The Poison pills represent a creation of securities carrying specific rights and executed by a triggering event, such a hostile takeover (Weston et al, 2004). The statistics from the study shows no company in the chosen sample have used the defense tactic have been exposed neither to a hostile takeover nor less a hostile takeover attempt. However, this statistics does not reveal if the defense tactics in focus actually is used by any company in Sweden. It can be the scenario that Poison pill are the perfect pre-bid defense tactic for Swedish companies, and is used on a continuous basis. However, it would be literary impossible to establish reliable facts concerning the previous statement unless interviewing the rest of the listed companies in Sweden that is not included in our sample.

Shark repellents are build-in mechanisms such as golden parachutes, dual-class stock and staggered board also used to make a company less attractive for a hostile takeover (De-Pamphilis, 2005). There existed no statistical foundation supporting that the sample units have been using this defense tactics in order to avoid hostile takeovers. The same goes for the last pre-bid defense tactic, Share repurchase. Unlike the other pre-bid defense tactics, Share repurchase can be implemented also after a hostile takeover attempt has been initiated.

As mentioned before the usage of pre-bid defense tactics was fairly limited in the chosen sample and it can be due numerous reasons. It can be argued that is very difficult to measure if companies are using for example golden parachutes and share repurchases in order to avoid being targets for hostile takeovers. Or is it that companies are using the tools associated with pre-bid defense tactics for other reasons, perhaps to be able get an as well function organization as possible. It can be argued that it do exist pre-bid defense tactics in Sweden. However it can be believed that companies unintentionally are implementing tools and strategies that are successful in making the company less attractive for hostile takeovers. Schoenberg (2006) states the long term public relations, for example communication of the full financial and social value of the company to build loyalty to the existing management and board acts effective pre-bid defense, and many companies are involved in these processes on a daily basis.

Further analysis, shows that in the five cases where the Blowfish strategy has been implemented before a hostile takeover attempt, a supporting post-bid strategy is applied in two of the three cases. However in the case of a failed pre-bid defense, there exist no patterns sustaining whether implementing a supporting post-bid defense tactic increases the possibility fighting of a hostile bidder. The statistical research showed in one case using only the Blowfish approach was sufficient, whereas in another case where a Blowfish was combined with a post- bid defense tactic was deficient.

Most of the defense tactics described in the theoretical framework and found in the empirical findings can be used in combination with each other. Eleven out of the hostile takeovers in the Swedish market have used more than one defense tactic in the process and only four of the cases have failed in protecting the company from an acquisition. It can be argued that implementing more than one defense tactic can be a successful way of fighting off a hostile bid. It is also the case that the company can implement a pre-bid defense tactic to be prepared in case of a hostile takeover attempt and when a hostile bid is placed, the target company can then implement a post-bid defense tactics to increase the likelihood of not being acquired. The most cost effective and simple defense tactics such as Positive information and attacking the logic of the bid, are used in combination with more complex defense tactics to increase the defense

5.2 Post-Bid

The data from the Swedish hostile takeover market provides a strong base for analysis of the defense tactics used by target companies in a hostile takeover. The most commonly used defense tactic is to attack the logic of the bid. The board of directors in the target company sends out information to the shareholder with the message that the offer they are facing does not reflect the true value of the company and there are no gains with a potential acquisition. The fact that Attack the logic of the bid is the most used defense tactic in the Swedish market is not shocking. To make a hostile takeover happen the board of directors in the target company has to oppose the offer made by the bidding company and the shareholders, the public often demands an explanation why they do not approve the offer. According to the OMX (2008) takeover rules the board should give a viewpoint how the offer affects the future activities. The easiest way of doing that is to attack the logic of the bid and thereby that defense tactic commonly used. According to Weston et al (2004), the use of attacking the logic of the bid is considered to be the simplest and most cost beneficial defense tactic. This actuality gives more explanation on why this defense tactic is so commonly used among the targets in the Swedish market.

Attacking the logic of the bid can easily be combined with other defense tactics and the sample from the Swedish market illustrated confirmed this claim. Attacking the logic of the bid is often used initially by the target company when they first give the information that they oppose the offer made by the bidder and if additional defense tactics are needed the target will implement these further on in the process. As previously mentioned the use of attacking the logic of the bid is an uncomplicated and simple way of defending the company. The tactic or strategy does not interfere with other defense tactics or makes other defense tactics useless or impossible to implement.

The analysis of the effect of attacking the logic of the bid shows that this defense tactics can be argued successful in preventing a finalized deal. In half of the cases the target company has succeeded in not being acquired by the hostile bidder. This gives the defense tactic an advantage against other defense tactics, it is rather successful in preventing a deal to happen and primary it is cheap and simple for the target company to use.

The other way of analyzing if the defense tactic is efficient or not are to glance at the defense tactic's ability to increase the bid. Attacking the logic of the bid has in almost 40 percent of the cases in the Swedish market forced the hostile bidder to increase the bid to be able to close the deal. This is not the best defense tactic in the sample but 40 percent can be seen as rather good outcome. This fact illustrates that with very little effort from the target company's board of director, the shareholders can get a higher premium and therefore increase their wealth. This also illustrates that the hostile bidder places the offer knowing that it may be forced to increase the bid to close the deal, and can plan for it in advance.

Apart from Attack the logic of the bid, the White knight defense tactic is very frequently used among the target companies in the Swedish market. The defense tactic is used by almost 31 percent of the hostile takeovers or hostile takeover attempts in the Swedish market during the time period. This percentage is lower than the percentage for attacking the logic of the bid, but in difference to attacking the logic of the bid, the White knight tactic is not used in combination with other defense tactics.

According to the study in the UK market for hostile takeovers (Schoenberg, 2006), the best defense tactic focusing on not finalizing the deal is the White knight strategy. As stated above, this is in line with the hostile takeovers in the Swedish market. The White knight strategy can be seen as a final defense tactic and if implemented, there is little or no chance for the hostile bidder to succeed with the acquisition. In 90 percent of the hostile takeovers or attempts, the White knight was successful in making the target company free from the hostile bidder. As discussed before the White knight is a final solution to the problem and the figures from the sample were expected. It is very hard, some might even say impossible for a hostile bidder to defeat a White knight. The target company has before they implement the White knight ensured themselves that a majority of the shareholders will sell to the White knight and the hostile bidder cannot do anything to prevent the target to accept the offer.

The two most efficient defense tactics have already been analyzed above but there are other defense tactics that can be seen as successful in the light of fighting of a hostile bidder. Corporate restructuring and legal measure are defense tactics that has been able to prevent hostile takeovers in the Swedish market. They are successful due to the fact that they change the whole picture of the target and are not easy to cope with for a hostile bidder, apart from more modest defense tactics. For example, legal measures make the target company unreachable due to restrictions or regulations controlled by law and the hostile bidder

has to break the law in order to close the deal, which makes it impossible to finalize the hostile takeover. The regulations can be restrictions to prevent monopoly building to increase the competition in the market. The corporate restructuring process can imply changes in the business that at first interested the hostile bidder in the target. When these attributes are changed the target is no longer appealing to the hostile bidder and the offer will fall.

When analyzing the defense tactics the main focus is on how the defense tactic can prevent a hostile takeover. However, there is another side of the defense tactics that are also important to analyze namely the ability for a defense tactic to increase the bid from the hostile takeover.

In the Swedish market the most efficient defense tactic to use if the target wants to increase the bid is to use Corporate restructuring or Positive public information. In the case of positive public information the target will normally send out information that will illustrate the true value of the company, in other word information that hopefully will increase the value of the company in the eyes of the stock market. The information could be a prediction about future earnings or growth and will make the offer from the hostile bidder look like a weak offer.

According to Schoenberg (2006), the management in a target employs defense tactics in order to raise the bid premium to maximize the price paid for the company and serves in that way in line with the interest of the shareholders. The use of positive public information supports this theory and gives a good view how it works in reality when it is implemented efficiently. In more general terms it is hard to analyze the effect of the use of defense tactics on an increased bid. The successful use of Positive public information to force the hostile bidder to increase the offer can be explained through simple logic. If the target company releases positive information about the company's future earnings or growth, the shareholders will hold on to their share to get benefits and wealth and not sell the shares to the hostile bidder. The board of directors' intention is to increase the expectations on the company's capabilities for example increase earnings or growth will force the shareholder to revalue their analysis of the company and hopefully realize that they will be better off without the offer from the hostile bidder.

One problem with Positive public information can be that it is released too late. The shareholders in the target company may have experienced a period of bad stock performance and have seen their investment decreased during this period. If a hostile bidder offers them to buy their shares for a reasonable premium they may feel that this is a good time for an exit and prepare to accept the offer independent of the board of directors' opinion about the fairness of the offer. If the board now releases the positive public information it is too late and instead of convincing the shareholder that the target should have a higher value the result will be the opposite. This is a case of trust from the shareholders and the question the shareholder are asking themselves is now why they did not release the positive information sooner and hopefully increased the stock price and the shareholder's wealth. This will then go against the theory by Schoenberg (2006) concerning using defense tactics so it serves in line with the interest of the shareholders.

The sample from the Swedish market shows that in almost half of the cases the bid increases when using a defense tactic and because all the hostile takeovers or attempts have used some sort of defense tactic, this is impossible to answer if defense tactic can increase the bid in general terms. During the data collection, only one unit was found that was not

using any defense tactic and therefore the analysis is of such complexity that it is hard to present a confident analysis in the field.

It is of interest to analyze how the White knight defense tactic affects the bid offered by the hostile bidder because of its success in defeating a hostile bid, as previously described. The sample illustrates that only 30 percent of the hostile takeovers that have used the White knight or the White squire as a defense tactic have forced the bidder to increase the offer and the bid premium. This information can be clarified by the fact that a White knight can be viewed as a final solution for the target and if implemented the hostile bidder has no chance of taking control of the target company even if they increase the bid. The target company has already decided to accept another offer when implementing the White knight as a defense tactic, and an increase in bid premium from the hostile takeover will not change the decision. In the case of the Swedish market the 30 percent counts for hostile takeovers made by the influence of a White squire instead of a regular White knight and therefore the situation has occurred when the implementation of a White knight or a White squire has succeeded in forcing the hostile bidder to increase the offer.

5.2.1 Missing Defense Tactics

The statistical research did not show any companies using either the Crown jewel defense or Scorched earth. Crown jewel is defense where the target sells some of the most valuable assets (Fällman, 1999), whereas Scorched earth makes the company less attractive through selling valuable assets (Gilson & Bernard, 1995). There can be numerous underlying reasons why these two strategies are not used by Swedish companies when being faced a hostile takeover. However, the most reasonable one is that selling of the most valuable assets to protect themselves puts the companies in a scarce position for the future. Without the most valuable assets that differentiates the company from other companies, and give them a competitive advantage and the way back to be a more dominating company can be long and costly. Using these two strategies, a parallel can be drawn back to the Second World War, where the USSR burnt down an enormous amount of tilled land with the intent of prohibiting the German troops to take advantage of them. The action backfired and resulted in starvation of millions of Soviet citizens, and the people had to live on scarce resources for a long time to come. A second reason why the tactics are not used is when selling of the assets, companies are left with large amounts of cash (Fällman, 1990), which can make the companies more attractive. According to Iag (1992:543), "om börs- och clearings verksamhet, it is important that the target board should pay attention to the interest of the company as a whole. Therefore a large negative effect on the share value when selling of the most valuable asset makes it hard to motivate a defense action such as Scorched earth or Crown jewel.

In UK and US, share repurchases have for a long time been used as a defense tactic for hostile takeovers. The increased share value works as an intimidation for hostile bidders (Gaughan, 1996). Share repurchases also work as an indicator for an optimistic future, in the eyes of the management (DePamphilis, 2005). Share repurchase was neither a post-bid defense tactic used by any Swedish company in the sample. Before the year 2000 it was prohibited by law to use Share repurchase in Sweden either as a hostile takeover defense tactic or for influencing the share price. Despite a change in the legal frame in 2000, which made it possible to use Share repurchase no companies in the sample have used it. It can be argued that share repurchases are used in Sweden; however they are not used with the intention of fighting off hostile bidders. They are used to control fluctuations in the share price. As mentioned in the analysis about pre-bid defenses, Share repurchase can also be used as a preventive defense. Therefore it can be tough to decide the purpose of a share repur-

chase unless the performing company spells it out. A more specific version of Share repurchase is Greenmail, which is a target repurchase of certain specified shareholders (DePamphilis, 2005). The Greenmail share repurchase also often includes a premium. According to lag (1992:543), "om börs- och clearings verksamhet", all proprietors of securities in a target company should be treated equal. The previous statement is needed to be followed both by the target and acquirer, therefore making a share repurchase with a premium directed to certain shareowners can be against the law in Sweden. It can also be argued that if making an offer to limited group of owners, the same offer should therefore be applicable for all the share owners.

As could be found in the empirical findings the use of Pac-man as a defense tactic could not be found in the Swedish market. According to DePamphilis (2005), the Pac-man defense tactic is extremely costly and can be devastating for both companies involved in the hostile takeover. If the target company uses the Pac-man defense tactic it is of great importance that the target is larger and has more financial capabilities than the hostile bidder. This theory can explain why the defense tactic is not represented in the Swedish market. Because of its financial need and complexity and the fact that the target in the majority of the hostile takeovers is smaller than the hostile bidder, the Pac-man defense tactic is not optimal.

According to Schoenberg & Thornton (2006), one of the most efficient defense tactics is the use of management buyout. However, the defense tactic could not be found during the analysis of the Swedish hostile takeover market. It is hard to analyze the lack of this defense tactic and the reasons behind it could be of country specific type. According the Weston et al (2004), the management buyout process will result in a large debt stake for the target company. The increase in debt could explain the reason behind why no management buyout where found in the Swedish market. The debt stake can force the target to heavy amortization that will harm the company and decrease the potential earnings.

5.3 Bid premium

In order to gain control the acquiring company is required to pay a premium of the current price of the stock. The size of the premium often reflects the interest and possible synergies resulting from combing the two firms (DePamphilis, 2005), and according to OMX (2008) takeover rules placed bid premium must be financially guaranteed to be considered valid.

According to Schoenberg (2003), the average bid premium on a target company in the UK market is 35-45 percent, which can be compared to the 33 percent average bid premium on the Swedish market. Both figures are very similar and it can be argued that the UK market is no different than the Swedish market when considering bid premiums in hostile takeovers. The case of rather similar average bid premiums can be explained by the similarity in financial market structure in both countries. For example, the Swedish financial market is strongly influenced by the UK market. And UK investors are operating both in UK and in the Swedish market looking for potential targets. The two markets are integrated with each other and the fact that bid premiums averages are almost the same supports the idea of an international capital market.

When analyzing the average bid premiums for only domestic bids, the picture is somewhat different. The fact that bid premiums for hostile takeovers are almost identical for the Swedish market and the UK market can be clarified by that many of the bids are placed by

foreign companies. However, the average bid premium for foreign bid has been lower than the average for the domestic bids. The averages for both domestic and foreign bids are as stated above similar to the UK market and the domestic bids are little higher. As can be seen, the foreign bids makes the total average more like the UK market and illustrates the open and free capital market.

According to Jarrell (1985), the use of legal actions by the target company to prevent a hostile takeover can both provoke competing bids and increase the bid premium. The fact that defense tactics both can be used for preventing being acquired by another company and in the case of an ongoing hostile takeover increase the bid premium opens an interesting door of analysis. In the case of the Swedish market for hostile takeovers, the use of Corporate restructuring has increased the bid premium in more than half of the cases and the use of Positive public information has resulted in almost the same portion of increase in bid premiums. Legal measure and Attack the logic of the bid have increased the bid premiums in nearly half the cases. This is in line with the theory from Jarrell (1985) and reveals the fact that a defense tactic can be used not only for defending a target company.

An analysis of this piece of information that defense tactics can increase the bid premium can be done from different point of views. A company whose goal is to acquire another company wants to pay as little as possible. A bid can be offered to the target company's shareholders with the awareness that it is somewhat small, but if the target company doesn't fight back or contradicts the bid the target company is acquired by the hostile company. It is possible that the acquiring company has planned for an increased bid but hope for no resistance from the targets board and in that case they will buy the company for a smaller amount than they planned for. This analysis can explain why a defense tactic in the Swedish market has the high ability to increase the bid premium for the target company. Knowing that, the target company can use defense tactics to increase the price paid for the company even if initially having no problems of being bought.

The study made in the UK market that shows a weak relationship between the use of defense tactics and increase in the bid premium (Schoenberg, 2003), are not in line with the conditions on the Swedish market. As discussed above the use of a defense tactic can in most cases force the acquiring company to increase the bid in the Swedish market.

According to Schoenberg (2003), the use of a White knight can in some cases increase the bid but according to this analysis of the Swedish conditions the White knight strategy has only increased the bid in 30 percent of the cases, and in these cases the more light version of the White knight has been used called the White squire defense tactic. This can be explained by if the target company uses a White knight or a White squire as a defense tactic, the acquiring company sees itself as defeated and has no incentive to increase their bid on the target company. However, the target company can still end up with a higher bid due to the fact that the White knight or White squire has to place a higher bid than acquiring company to control the majority of the shares.

One interesting observation that can be made when analyzing the bid premiums in hostile takeovers in the Swedish market is that there is a wide spread between the lowest and the highest bid premium. The highest bid premium in a hostile takeover or a hostile takeover attempt is as high as 175 percent over the market price and the lowest is equal to the market price, zero percent bid premium. According to Schoenberg (2003), is the increase or the size of the bid premium driven by the market condition. In the case of the Swedish market this is relatively good illustrated when analyzing the above mentioned spread between the highest and the lowest bid premium. The highest bid premium was offered to the share-

holders in the target company during an era of outstanding market condition and a good supply of capital, which is supported by looking in the appendix. The lowest bid premium was equal to zero percent, meaning that the acquirer believed that it was possible to buy the company using the current trading price. However, this strategy can be highly questioned and the hostile takeover attempt was a failure.

It is hard to analyze why the spread between the highest and the lowest bid premium is of this magnitude as for the Swedish market. The sample covers a ten year period and during this time the market condition has changed numerous of times. When market is good, there are a lot of potential targets for a hostile takeover and the supply of capital is good so that companies that want to acquire other companies can easily offer the shareholders a high bid premium. On the other hand, when the market is bad, supply of capital is restricted and the acquiring companies cannot offer enough money to convince the shareholders in the target company to accept the offer. However, when the market is bad, the stock prices are often low so a potential target can be acquired with a high bid premium but for a low price. This time factor can answer some of the questions why the Swedish market has a large spread between the highest and the lowest bid premium.

5.4 Industry

An analysis of the industry distribution of the target and the acquiring companies in a hostile takeover in the Swedish market can be viewed from different perspectives. The first and the most obvious is the question of the most frequently represented industry in a hostile takeover. Stated in the empirical finding the most common industry is from the Industrial sector followed by the Consumer discretionary and the Financial sector. The motive behind the hostile takeovers or hostile takeover attempts in the case of the same industry sector is foremost synergy factors because the acquirer in most cases operates in the same industry. Previous statement is supported by Capron (1999), who claims that an important reason behind M&A's is the created synergy gains from operating together. Capron also states that an acquisition is often part of a growth plan for a company who sees it more beneficial to take over an existing firm. In the case of the consumer discretionary companies in the sample the acquirer is in most cases a private equity firm with the motive to create value and improve the target.

During the time period it is easy to see that some companies in certain industries are more attractive to a hostile bidder than others during a specific time. For example there is a concentration of companies in the same industry being attacked at the same time period and the pattern can be seen over the whole time period of 10 years. This situation is very common in the financial market due to the fact that a consolidation of an industry often occurred during a specific time period, when the companies in the industry either are low valued or a large company is trying to increase their market share and further strengthen their existing position.

When analyzing the buy-side in the hostile takeovers taken place in the Swedish market during 1997-2007 a clear pattern can be seen. The typical acquirer in a hostile takeover is a private equity or investment firm. This observation is not surprising because the private equity companies' business concept are to buy other companies and the create value and in a later state sell the target for a profit. This can be done by regular acquisitions when the target friendly accept the offer, or by the more hostile one when the private equity company has to fight for the acquisition. Friendly takeovers is often preferred to hostile from bidders point view, since they often result in a lower cost from the acquirers side (DePamphilis, 2005). The fact that private equity companies acquires other companies as their

business makes them very familiar with the concept of hostile takeovers and have the knowledge and the money to handle the unwelcomed offer. This explains why so many private equity companies are represented in this sample and illustrates that the motive behind a hostile takeovers and acquisition does not always has to be synergies (Capron 1999).

Industry sectors that are not represented in the sample are the energy and the Utility sector, both in the acquiring side and the target side. It hard to analyze the underlying factors why there are no companies form these sectors, but when looking at the hostile takeover in the light of an regular acquisition some factors can be found. The Energy sector is a capital demanding sector and the price of the companies in the sector is fairly high, so an acquirer with financial capacity is needed to close the deal. The fact that the energy sector is controlled by government and environmental regulations makes it even harder to find suitable targets for a company planning on an acquisition or a hostile takeover.

6 Conclusion

In the conclusion chapter, a summarization of the conclusions from the study in relation to the purpose is presented. A general view of the report will be made to give the reader a concise and parsimonious account of the conclusion based on the study.

The purpose of this thesis was to describe and analyze hostile takeovers and hostile takeover attempts in Sweden, and the defense tactics involved in the process. And the research questions have acted as guidance when collecting, processing and analyzing the data.

- Which defense tactics and why are most frequently used by the target companies in the Swedish market?

It can be concluded that among the hostile takeover defense tactics in Sweden, some are more used than others. Attack the logic of the bid, White knight and Positive public information are the most frequently used defense tactics used by target companies used in preventive purpose. The question why these defense tactics are the most frequently used strategies, can be explained by two variables. The first one is the cost and simplicity variable, where Attack the logic of the bid and Positive public information ends up. The defense tactics are cost efficient and can be seen as natural step for the target company when deciding not to approve of the offer made by the acquirer. The second variable is the proven efficiency. The target knows if implementing this defense tactic, the risk of being acquired by the hostile bidder is relatively low. The White knight strategy reflects these attributes, and therefore the number of targets using the prominent strategy is large in the Swedish market. Defense tactics are associated with a lot of legal and regulatory contradictions. Hence, some defense tactics cannot or are too complicated to implement for Swedish companies and these fact concludes why certain defense tactics are not represented in the sample.

When it comes to pre- and post-bid defense tactics it can be argued that companies in Sweden preferably use one strategy over the other based on the usage frequency. The post-bid defense tactics are far more applied than the pre-bid, only 5 out of 32 targets have used pre-bid in their defense strategy. However, it can be argued that the frequency and effectiveness of pre-bid defenses, due to the fact that this thesis only considers companies facing a hostile takeover. Hence, it can be the case that pre-bid defense tactics the most effective and frequently used among Swedish companies. A successful pre-bid defense results in no hostile bid.

- What effect did the chosen defense tactics have on the hostile bid?

To answer the question what effect chosen defense tactics have on the hostile takeover, two parameters are disclosed. The first one concerns the ability to fight of a hostile takeover, the second one relates to the chosen strategy capability to increase the bid premium. The White knight (White squire) is the most effective defense tactic in the case of not finalizing the acquisition due to its consistency. The effectiveness of the other defense tactics is approximately 50 percent, whereas the White knight represents 90 percent successfulness. A defense tactics capability is the other vital factor. Through Corporate restructuring, Legal measures and Positive public information, the target can in more than 50 percent of the cases increase the bid offered. These defense tactics represent simplicity, effectiveness and solidity.

- Are dominating industries to be associated with the hostile takeovers and/or the bid premium in hostile takeovers?

During the analysis of the different industries respectively bid premiums conclusions associated with hostile takeovers can be drawn. The target side in the Swedish market is over-represented by companies in the industrial, consumer discretionary and financial sectors. On the other side of the story, the buyers are mostly represented by private equity and investment sector. It can be concluded that hostile takeovers has the same underlying motive as regular mergers and acquisitions. Further on, it can be concluded depending on the time period chosen the underlying motive can differ. The bid premium analysis with focus on industry sectors illustrates an even distribution among the sectors involved in the analysis. The size of the bid premium depends on other factors than industry sector, instead the general capital market and buyers' financial ability influences the size of the bid premium.

To summarize this thesis, companies can use various defense tactics to protect themselves or increasing the bid. But in the end, no strategy is bulletproof and it all comes down to the financial muscles, persistence and willingness of the acquirer.

6.1 Further research

During the work with this thesis the authors have realized that hostile takeover is a broad and complex subject to analyze. The subject can be analyzed from many different angles and point of views. It is of interest to take the buyer perspective in a hostile takeover and analyse what actions the buyer will take to defeat a defense tactic implemented by the target. Is the only response to a defense tactic a larger premium? To really capture the use of pre-defense tactics it could be of interest to make a case study of Swedish companies not currently involved in a hostile takeover and analyze what actions the company takes in order to prepare for a future hostile takeover. Finally, due to legal and regulatory changes it could be interesting to construct new and unproven defense tactics for targets in a hostile takeover. This will then be tested theoretically on potential hostile takeovers.

6.2 Reflections

When reading business newspapers numerous of articles discusses the topics concerning hostile takeovers. These articles have acted as inspiration and motivators in the process of writing this thesis. Hostile takeovers is regular element in the business world, and when Maus Frères posted a hostile bid on the Swedish company Gant an curiosity opened and an willingness to examine the topic further. Since the most of the previous research concerns mostly the US and UK, an interest was to take a more in-depth Swedish perspective. An increasing usage frequency of hostile takeovers will lead to that in the future more research will be conducted in the area. Also changes in the legal regulations will allow for the creation of new defense tactics that were earlier was prohibited. During the work, a reflection has been made where it seems to be more and more acceptable in the business society with performing hostile takeovers. It is believable that it will continue to be more acceptable alternative to regular takeovers, acquisitions and mergers.

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Appendix 1 Hostile Takeovers 1997-2007

År	Target	Acquiring company	Deal	Increased Bid	Defense tactic
1997	ICB Shipping	Frontline	No	Yes	Attack the logic of the bid, legal measure, white squire, positive information
1998	Liljeholmen	Duni	No	No	White knight
	Näckebrö	Drott AB	No	Yes	Financial restructuring
1999	BTL	Stines	Yes	No	Attack the logic of the bid
	Dahl	EQT och Ratoss	Yes	Yes	White Squire
	Martinson	Atle	Yes	Yes	Attack the logic of the bid
2000	Allgon AB	LGP Telecom Holding AB	No	No	Attack the logic of the bid, white squire
	Balder	Drott AB	Yes	Yes	Blow fish
	Scanla	Volvo	No	No	Attack the logic of the bid, white squire, positive information
2001	Entra	Tieto Enator	Yes	No	Attack the logic of the bid
	Eniro AB	Seat Pagine Gialle S.p.A	No	No	Blow fish, Attack the logic of the bid
	Mattaus AB	Aragon FK AB	No	Yes	Attack the logic of the bid
	Platzer Fastigheter AB	Fastighets AB Torne	No	No	White knight
	Ångpanneföreningen AB	Sweco AB	No	Yes	Attack the logic of the bid
	Lindab AB	Lindab Intressenter	Yes	Yes	Attack the logic of the bid
	Netwise AB	Trio AB	No	Yes	Positive information
2002	Mediteam	Meda	No	No	Blow fish
	Munksjö	Smurfit Holding	Yes	Yes	Passive
	JIP Norriska	Kaupthing	Yes	No	Attack the logic of the bid
2003	Mogul	Adera	Yes	No	Passive
2004	Pandox AB	APES Holding AB	Yes	Yes	Blow fish, positive information
2005	Skandia	Old Mutual	Yes	No	Attack the logic of the bid, legal measure, positive information
	Cloetta Fazer AB	Oy Karl Fazer AB	Yes	No	Positive information
2006	Semcon	JCE	No	No	Attack the logic of the bid, financial restructuring
	Cybercom	JCE	No	No	Legal measure, positive information, white squire
	Capio	Opica	Yes	Yes	Attack the logic of the bid, legal measure, financial restructuring, blow fish, positive information
	Scanla AB	MAN AG	No	No	Attack the logic of the bid, Positive information (White knight)
2007	Academedi AB	Bure Equity AB	No	No	Attack the logic of the bid
	KMT AB	Nordstjerran AB	Yes	No	Attack the logic of the bid
	Lindex AB	Kappahl Holding AB	No	No	White knight
	Securitas Direct AB	ESML Intressenter AB	Yes	Yes	White knight? (Pennant Capital Management)
	Gant Company AB	Procastor S.A.	Yes	Yes	Attack the logic of the bid, Positive information

Appendix 2 Industry Specifics 1997-2007

År	Target	Acquiring company	Pre-defense	Post-defense	Industry Target	Industry Buyer	Forgein bid
1997	ICB Shipping	Frontline		1	Industrials	Industrials	
1998	Liljeholmen	Duni		1	Consumer Discretionary	Consumer Discretionary	
	Näckebro	Drott AB		1	Financials	Financials	
1999	BTL	Stines		1	Industrials	Industrials	x
	Dahl	EQT och Ratos		1	Industrials	Investments (PEQT)	
	Martinsson	Atle		1	Information Technology	Investments (PEQT)	
2000	Allgon AB	LGP Telecom Holding AB		1	Telecommunications Services	Telecommunications Services	
	Balder	Drott AB	1		Financials	Financials	
	Scania	Volvo		1	Industrials	Industrials	
	Entra	Tieto Enator		1	Information Technology	Information Technology	
2001	Eniro AB	Seat Pagine Gialle S.p.A	1	1	Consumer Discretionary	Consumer Discretionary	x
	Mattaus AB	Aragon FK AB		1	Financials	Financials	
	Platzer Fastigheter AB	Fastighets AB Tornet		1	Financials	Financials	
	Ångpanneföreningen AB	Sweco AB		1	Industrials	Industrials	
	Lindab AB	Lindab Intressenter		1	Industrials	Investments (PEQT)	
	Netwise AB	Trio AB		1	Telecommunications Services	Telecommunications Services	
	Mediteam	Meda	1		Health Care	Health Care	
2002	Munksjö	Smurfit Holding			Materials	Materials	x
	JP Nordiska	Kaupthing		1	Financials	Financials	x
2003	Mogul	Adera			Information Technology	Information Technology	
2004	Pandox AB	APES Holding AB		1	Consumer Discretionary	Financials	x
2005	Skandia	Old Mutual	1	1	Financials	Financials	x
	Cloetta Fazzer AB	Oy Karl Fazzer AB		1	Consumer Staples	Consumer Staples	x
2006	Semcon	JCE		1	Information Technology	Investments (PEQT)	
	Cybercom	JCE		1	Information Technology	Investments (PEQT)	
	Capio	Opica	1	1	Health Care	Investments (PEQT)	
	Scania AB	MAN AG		1	Industrials	Industrials	x
2007	Acadamedia AB	Bure Equity AB		1	Industrials	Investments (PEQT)	
	KMT AB	Nordstjernan AB		1	Industrials	Investments (PEQT)	
	Lindex AB	KappAhl Holding AB		1	Consumer Discretionary	Consumer Discretionary	
	Securitas Direct AB	ESML Intressenter AB		1	Consumer Discretionary	Investments (PEQT)	
	Gant Company AB	Procaator S.A.		1	Consumer Discretionary	Consumer Discretionary	x

Appendix 3 Bid Premiums 1997-2007

Bid Premium Total (%)		Bid Premium 2004 (%)		Bid Premium 2000 (%)	
Average	33,15	Average	25,5	Average	37,75
Median	29	Median	25,5	Median	37
High	175	High	25,5	High	48
Low	0	Low	25,5	Low	29
Bid Premium 2007 (%)		Bid Premium 2003 (%)		Bid Premium 1999 (%)	
Average	22,4	Average	175	Average	40,67
Median	25	Median	175	Median	42
High	42	High	175	High	47
Low	0	Low	175	Low	33
Bid Premium 2006 (%)		Bid Premium 2002 (%)		Bid Premium 1998 (%)	
Average	13,6	Average	30,5	Average	11,9
Median	13,95	Median	30,5	Median	11,9
High	23,5	High	41	High	14
Low	3	Low	20	Low	9,8
Bid Premium 2005 (%)		Bid Premium 2001 (%)		Bid Premium 1997 (%)	
Average	15	Average	39,86	Average	27
Median	15	Median	40	Median	27
High	21	High	65	High	27
Low	9	Low	15	Low	27

Appendix 4 Size of the Bid Premiums 1997-2007

År	Target	Acquiring company	Bid premium (%)
1997	ICB Shipping	Frontline	27
1998	Liljeholmen	Duni	9,8
	Näckebo	Drott AB	14
1999	BTL	Stinnes	33
	Dahl	EQT och Ratos	47
	Martinson	Atle	42
2000	Allgon AB	LGP Telecom Holding AB	48
	Balder	Drott AB	34
	Scania	Volvo	29
	Entra	Tieto Enator	40
2001	Eniro AB	Seat Pagine Gialle S.p.A	44
	Matteus AB	Aragon FK AB	40
	Platzer Fastigheter AB	Fastighets AB Tornet	31
	Ångpanneföreningen AB	Sweco AB	29
	Lindab AB	Lindab Intressenter	55
	Netwise AB	Trio AB	65
	Mediteam	Meda	15
2002	Munksjö	Smurfit Holding	20
	JP Nordiska	Kaupthing	41
2003	Mogul	Adera	175
2004	Pandox AB	APES Holding AB	25,5
2005	Skandia	Old Mutual	21
	Cloetta Fazer AB	Oy Karl Fazer AB	9
2006	Semcon	JCE	18,9
	Cybercom	JCE	23,5
	Capio	Opica	3
	Scania AB	MAN AG	9
2007	Academedia AB	Bure Equity AB	0
	KMT AB	Nordstjernan AB	42
	Lindex AB	KappaHl Holding AB	15
	Securitas Direct AB	ESML Intressenter AB	25
	Gant Company AB	Procastor S.A.	30