JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL
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Corporate Takeovers in Sweden

The Effect on Bidder's Shareholder Return

Master's thesis within Financial Economics

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Abstract

The purpose of this master's thesis is to examine the effect a corporate takeover announcement has on share prices for acquiring companies. The test will only involve companies listed on the Stockholm Stock Exchange during the period 1996 to 2005. To test the effect an announcement has, abnormal return for a period before and after the takeover announcement was calculated. The findings from the testing showed that takeover announcements have a significantly impact on shareholder return. The majority of acquirers in the sample had negative average abnormal returns during the event period (100 days prior to the announcement and 100 day after).

Magisteruppsats inom Finansiell Ekonomi

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Sammanfattning

Syftet med den här magisteruppsatsen är att undersöka hur tillkännagivandet av företagsförvärv påverkar aktieavkastningen på ett uppköpande bolaget. Testet är begränsat till företag som enbart är listade på Stockholmsbörsen under perioden 1996 till 2005. För att testa onormal avkastning användes marknads modellen. Resultatet visade att tillkännagivandet av företagsförvärv har en signifikant effekt på avkastningen för aktien för det bolag som ska förvärva. Majoriteten av uppköpande bolag upplevde en negativ onormal avkastning under test perioden (100 dagar före tillkännagivandet och 100 dagar efter).

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1 Introduction

Takeovers are important events since the affect many people especially economically. In 1999, global mergers and acquisitions accounted for 2 percent of world-wide GDP (UNCTAD 2000). The financial performance of takeovers is one of the areas in industrial- and financial economics most actively investigated. A company can use a variety of different strategies for expansion and one strategy commonly used is a takeover. The takeover process usually goes through quickly since the gains that exist can disappear fast. This type of strategy is an attractive tactic for a company when they desire to enter a new market or industry since it not only saves time, but also reduces entry costs (Salter and Weinhold, 1979). Takeovers have, recent years, experienced much attention due to the fact that this type of strategy is much more common today than for 15 years ago. This phenomenon is not new, and the business world has experienced several periods of takeover activities. The most recent "wave" of takeovers during the 2000 century is an effect of new technology, deregulation and globalization.

This paper will concentrate on examine recent corporate takeovers in Sweden. Specifically, the impact a takeover announcement has on shareholder return of the acquirer. The question this thesis is set to answer is: How does the announcement of takeover affect shareholder wealth of the acquiring company?

1.1 Background

In Statens Offentliga Utredningar (1990:1) takeover activities in Sweden could be found. Takeovers have been a common tool when acquiring firms since the late 1900 century in Sweden. During the 1920's, large scale takeover activities began to emerge and most of the takeovers occurred in the workshop industry. It was during this period that larger and more established firms began to acquire smaller ones.

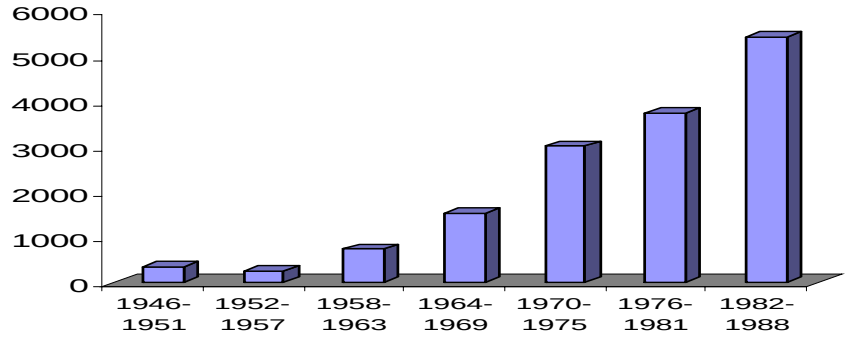
The first fully covered statistics on takeovers can be found from 1946. During the period 1946 to 1969[1] almost 3.000 mergers and acquisitions were finalized and nearly a quarter of a million employees were affected.

From the late 1960's SPK[2] started to register takeovers and according to their statistics 12.000 takeovers where executed during a period of 18 years (1970-1988) in Sweden. After 1987, when Sweden among several other countries experienced a heavy stock market crash (due to a real estate bubble burst) the number of takeovers fell drastically. Most of the takeovers mentioned above consider small firms activities. Figure 1.1 illustrates all takeovers registered in Sweden from the 1946 to 1988:

[1] During 1965 to 1969 half of the 3000 takeovers occurred.

[2] Statens pris och kartellnämnd (SPK)

Figure 1.1 **Total Takeovers in Sweden, 1946-1988**



Source: *Statens Offentliga Utredningar 1990:1*

Two reasons why takeover activities became increasingly used during the late 2000 century is because many companies adapted the corporate form of stock company and that the Stockholm Stock Exchange was established.

1.2 Purpose

The purpose of this thesis is to examine the effects a corporate takeover announcement has on share prices for acquiring companies. All companies used in the test are listed on the Stockholm Stock Exchange.

1.3 Previous Research

Takeover announcements/rumors effects on share prices have been widely studied. By far the most numerous works on takeovers over the last century has been *event studies*, which claim, as in contrast to other studies which measures changes in performance over several years, to measure the effects of takeovers into a short period in future and superiority over the other studies in the sense that they do not rely on accounting data (Mueller, 2003). However, the evidence of how a takeover announcement affects share prices is mixed, with a small number of studies[3] showing improvements while the majority of studies showing no improvements[4] for the acquirer. This thesis, as well as the majority of the studies done for takeovers, examines the stock market's short-term reaction to a takeover announcement.

Mandelker (1974) found that the shareholders of the target companies earned a significant 12 percent return as a result of a takeover, while shareholders of the acquiring companies experienced almost no change in wealth. Mandelker observed four patterns in his studies: (1) the acquired companies shareholders experienced a large percentage increase in wealth from the time of the takeover announcement, (2) acquiring companies shareholders experienced small and often statistically insignificant changes in wealth from the time of the takeover, (3) they experienced statistically increases in wealth over prolonged periods prior to

[3] See Andrade, Mitchell and Stafford (2001) and Tichy (2002).

[4] Weston and Weaver (2001) state that many writers express the view that about 70 percent of all mergers fail in a sense that they fail to produce net beneficial outcomes.

the takeover and (4) they also experienced losses in wealth over lengthy periods following the announcements. Franks, Harris and Titman (1991) investigated share-price performance following corporate takeovers. They studied 399 U.S takeovers in the 1975-84 period and found that the poor performance after takeover are likely an effect of benchmark errors rather than miss pricing at the time of the takeover.

1.4 Disposition

The thesis is organized as follows:

Chapter 2 gives a broad definition of takeovers, and will also illustrate motives and theories which drive managers to engage in takeovers.

Chapter 3 explains the methodology and the research design for the analysis.

Chapter 4 consists of results and analysis.

Chapter 5 consists of conclusion drawn from the empirical study and suggestions for further studies.

2 Definition, Theory and Motives

Section 2.1 will define the takeover phenomenon. Takeovers may be driven by a variety of different incentives and section 2.2 will provide three categories which explain why a takeover may occur.

2.1 Definitions

The standard view of a takeover involves one firm acquiring control over the net assets of another through the purchase of voting equity shares. This is often due to the acquiring firm's management believes that they can do a superior job of managing the target firm's resources than the "old" management. Consequently, the acquirer is willing to offer a price above the current market value which is required as an inducement to target shareholders to sell. Moreover, the acquirer can afford this control premium because of its belief in the creation of additional value once it has control of the target's resources. The perceived increase in value is generally argued to arise from synergies between the companies such as economies of scale, cost reductions, enhanced efficiencies, more effective use of free cash flows and complimentary resources.

Expressions often used instead of takeovers are mergers[5] and tender offers (Weston, Siu and Johnson, 2001). A merger is a combination of two companies in which only one company survives, i.e. the merged company goes out of existence. In a merger, the acquiring company assumes the assets and liabilities of the merged company[6]. Tender offers usually mean that a company or person is making an offer directly to the shareholders to sell (tender) their shares at specific prices. Both mergers and tender offers can be friendly and hostile, however a merger needs approval from the Board while tender offers are directly to the shareholders, without approval of the board.

Another term that often is used when referring to merger and tender offers is takeover, which is the term that will be used in this thesis.

2.2 Why engage in a takeover?

Hypotheses about the determinants of takeovers can be categorized into three broad groups. One set postulates that the goal for the managers is to increase the wealth of the shareholders through some sort of *synergy*. Synergy, which is the most common motive behind takeovers, according to Bengtsson (1992), implies that commonalities or complementarities between the acquirer and the target enable the combined value of the firms to exceed their value as two independent entities. In other words:

NPV (Company A + Company B) > NPV (Company A) + NPV (Company B)

NPV = Net present value

[5] Note: A merger differs from a consolidation, which is a company combination where two or more companies form an entirely new company (Gaughan, 1996)

[6] Sometimes the terms *statutory merger* and *subsidiary merger* are used. The difference is that a subsidiary merger is a merger of two companies where the target company becomes a subsidiary of the parent company, while a statutory merger the merger where one company alone survives. However, this thesis will not regard these types of takeovers.

Other examples of synergy would be a horizontal[7] takeover, which increases the market power of the two firms, or a vertical[8] takeover that reduces transaction costs. With synergy, it is easy to assume that both companies share these gains, since each company's participation in the takeover is required for there to be any gains at all (Mueller, 2003).

The second group is the *market-for-corporate-control hypotheses/or poor target company management* (Walsh & Seward 1990, Berkovitch & Narayanan 1993) which implies that all of the gains from the takeover are tied to the target company. The basic idea is that inefficient, self-serving incumbent managers who fail to maximize shareholder value will be aquired by companies with managers that believe that they can extract value from the targets. Dodd and Ruback (1977) argues that a bidding for a target company takes place once the acquirer identifies that the target company is badly managed. The acquirers shareholder might experience no gain from the takeover if the bidding continues until the targets share price rises enough to reflect all gains the company would get by replacing the managers. Thus, it assumes that the target's shareholder receive positive gains from the takeover while the acquirer's shareholder gains average zero and are unrelated to the gains of the target (Mueller, 2003).

The third group of hypotheses assumes that there are no gains at all from a takeover[9]. When a takeover produces no gains, each SEK (Swedish crown) paid to the shareholders of the target means one SEK loss to the acquirer's shareholder. i.e. the gains to the target's shareholder and acquirer's shareholder should be inversely related. This means that no synergies could exist. Example of a hypothesis in this group is the *winner's-curse-hubris hypothesis* which is best explained by an example;

Suppose that several companies want to acquire another company. Each is willing to bid a price up to the value they thinks the shares are worth. The company that makes the highest bid acquires the target company. With rational expectations on the part of all bidders, the expected true value of the target should be at the mean of the distribution of all potential bids. The winning bidder has almost certainly bid too much and then fallen prey to the winner's curse. (Mueller, 2003)

Hubris is more than likely to enhance the "winner's curse" problem. According to Richard Roll (1986), the following should occur if the winner's-curse-hubris hypotheses theory can explain takeovers:

1. The stock price of the acquiring firm should fall after the market becomes aware of the takeover.
2. The stock price of the target firm should increase since the acquirer is not only going to pay a premium in excess of the value of the target.
3. The combined effect of the rising value of the target and the falling value of the acquirer should be negative.

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[7] A horizontal takeover occurs when a company acquires another company that produce similar or competing products.

[8] A takeover in which one company acquires another company that is in the same industry but at another stage in the production cycle. For example, the company being acquired serves as a supplier to the company doing the acquiring.

[9] Including in this group would be takeovers arising from speculative motives, out of managerial empire building and managerial hubris.

The acquired firm is often paid a premium, meaning that there should be gains under each type of takeover theory. However, for the acquirers it is different. According to synergy, total value can be increased sufficiently to provide gains to the acquirers. With winner's-curse-hubris hypothesis, total value is not increased, meaning no gains for the acquirer. With market-for-corporate-control hypothesis, total value is decreased meaning that the gains to the targets imply severe loses in value for acquirers. Table 2.1 summarizes the three categories and the gains:

Table 2.1 Pattern of Gains and Losses Related to Takeover Theories

Motive	Total Gains	Gains to Target	Gains to Acquirer
I. Synergy	+	+	+
II. Market-for-corporate-control hypothesis	-[10]	+	-
III.Winner's-curse-hubris hypothesis	0	+	-

Source: Berkovitch and Narayanan, 1993

2.3 Do takeovers serve managers or shareholders of the acquiring firm?

Takeovers may provide managers a great opportunity for expressing their non-value-maximizing preferences. As mentioned earlier in this thesis, the takeover process is one of the most important vehicles by which managers enter new lines of business.

Managers often feel that they have something to add to the company they buy, e.g. access to new markets, access to capital, or simply their own talents. The CEO, as well as the managers strives for value maximization. An example of this is when the CEO or manager wants to start moving into faster growing industries than the one they operates in now. Many takeovers seem to be governed by this desire to move into business with long term growth potential even when they have no special expertise in running such business and when the value-maximizing strategy is to distribute free cash flows to shareholders (Shleifer & Vishny, 1988). When managers choose takeover targets they are guided by a number of objectives other than value maximization. This often leads them to overpay relative to what the takeover is worth to the shareholders. The gains a manager could expect from a takeover is more than likely to exceed the gains for the shareholders, e.g. managers pay for increasing the size of the firm, the opportunity to diversify and for making themselves less replaceable[11]. These ideas differ from Roll (1986) suggests, in which managers infected by hubris try to maximize value, but overestimate the value of what they buy. These ideas are more in line with the fact that managers pay for the gains they care about while the shareholder do not. Shareholders of the target company gain while the acquiring company's shareholders lose, since the benefits the company pays for, goes to managers (Shleifer & Vishny, 1988).

[10] - represents a minus symbol

[11] Of course, the profitability of the firm may increase even if the value-maximization is not their main motivation.

This idea, that shareholders of the target companies experience gains in return, while acquirer's shareholder should experience negative return as a result of a takeover is tested in chapter 4.

2.4 The Efficient Market Theory

Fama (1970) defines an efficient market as one in which a share price fully incorporates all available information on that security and that share prices provide accurate signals for optimal resource allocation. There are three forms of efficient market hypothesis:

- The weak form of the efficient market hypothesis, states that stock prices are assumed to reflect any information that may be contained in the past history of the stock price.
- The semistrong form of the efficient market hypothesis, states that all publicly available information is presumed to be reflected in stock prices.
- The strong form of the efficient market hypothesis takes the market efficiency to the ultimate extreme. It states that all information is reflected in stock prices.

  (Haugen 2001)

If the weak form is valid, there is no need to do any technical analysis since these becomes ineffective. If the semistrong form is in effect, no form of analysis will help one to attain superior returns as long as the analysis is based on publicly available information. When assuming strong efficient market movements of share prices around the time of the announcement date a test could be done to the shareholder return for acquiring companies (Haugen 2001).

If the strong efficient market form not can be achieved it means that there is asymmetric information on the market.

3 Methodology and Research Design

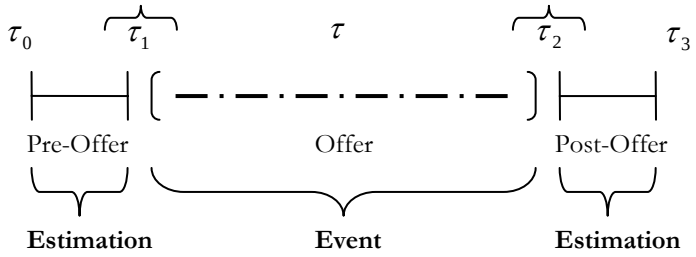
This part of the thesis contains the method for the analysis, the statistical frameworks and the procedure of the investigation.

The data used in this study (collected from Stockholm Stock Exchange) consist of 30 acquiring companies during the period 1996 to 2005 in Sweden. The study is a so called event study, which measure the impact of a specific event on firm value. The event's economic impact can be measured using asset prices observed over a short period. The market model is the most widely used way when measuring the effect an event has (Campbell, Lo and Mackinlay, 1997).

3.1 Method of Calculating Estimated Returns

The event study in this thesis has seven steps as suggested in Campbell, Lo and MacKinlay (1997):

1. **Event definition** – the event of interest are corporate takeovers in Sweden and the *event window* will be 100 days prior to the announcement and 100 days after the announcement.



Source: Campbell, Lo and MacKinlay, 1997

Defining $\tau = 0$ as the event date (the announcement date), τ_1 to τ_2 is the event window, τ_0 to τ_1 is the estimation window, and τ_2 to τ_3 is the post-event window.

2. **Selection criteria** – the criteria involve restrictions imposed by data availability on the Stockholm Stock Exchange and companies used in the testing are listed on the O-list, A-list and the OCT-list. Companies selected are presented in the appendix.

3. **Normal and abnormal return** – to evaluate the events impact it is required to measure the abnormal return. The abnormal return is the actual *ex post* return of the stock over the event window minus the expected return of the company over the event window. The normal return is defined as the return that would be expected if the event did not take place. The expected and abnormal return will be calculated with help of the market model. The residual, r_{it}, which represent the abnormal return is calculated through:

$$r_{it} = R_{it} - \hat{R}_{it} \tag{3.1}$$

R_{it} = Actual return for firm *i* on day *t*.

$\hat{R}_{it}$ = Expected return for firm *i* on day *t*.

The efficient capital market assumption implies that the expected value of r_{it} in any period *t* is zero.

4. **Estimation procedure** – the period prior to the event window is the *estimation window*, which in this thesis is 200 days. The estimation window is used to calculate the estimated parameters α_i and β_i [12].

5. **Testing procedure** – The parameters, α_i and β_i, for the normal return model are estimated and the abnormal returns can be calculated and tested for.

6. **Empirical results** – the presentation of the empirical results will follow the econometric design presented in this chapter.

7. **Interpretation and conclusions** – an interpretation of the empirical result on how the event studied affects acquiring companies' shareholder wealth.

3.1.1 The Market Model

The market model is used in this thesis since it removes the portion of the return that is related to variation in the market's return, leading to reduced variance of the abnormal return. This can lead to increased ability to detect effects of the event (Weston, Siu and Johnson, 2001).

The market model is estimated by running a regression for the days in the estimation window. The expected return (R_{it}) is derived from the market model presented by Campbell, Lo and MacKinlay (1997):
For any stock *i* we have

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \qquad (3.2)$$

$$E[\varepsilon_{it}] = 0 \qquad Var[\varepsilon_{it}] = \sigma^2_{\varepsilon i},$$

where R_{it} and R_{mt} are the period–*t* returns on security *i* and the return on a market index[13] for day *t*. ε_{it} is a statistical error term, α_i measures the mean return over the period not explained by the market, β_i measures the sensitivity of firm *i* to the market and $\sigma^2_{\varepsilon i}$ are the parameters of the market model.

Equation (*3.2*) will produce estimates of α_i and β_i, called $\hat{\alpha}_i$ and $\hat{\beta}_i$. These estimates will then be used when calculating an expected return ($\hat{R}_{it}$) for each day in the event period for each firm. The expected return represents the return that would be predicted if no takeover announcement occurred. With a defined event window (announcement date +100 days, -

[12] See equation 3.2

[13] The market index used is Stockholmsbörsens all-share price index, SAX

100 days) and with a defined regression, the next step is to put up a formula for the expected return:

$$\widehat{R}_{it} = \widehat{\alpha}_i + \widehat{\beta}_i R_{mt} \qquad (3.3)$$

When using the market model we take into account the risk of the firm with respect to the market. The calculations must involve a period not included in the event window. Therefore 200 trading days prior to the takeover is used and regress them against the market index. After computing the abnormal returns for all shares in the sample the average abnormal return[14] should be calculated during the test period.

$$AAR_t = \frac{\sum_i r_{it}}{N} \qquad (3.4)$$

Where;

$N =$ Number of firms,

$AAR_t =$ Average abnormal return.

When AAR_t is set, the Cumulative average abnormal return is calculated. The formula for *CAAR* is:

$$CAAR_t = \sum_{t=-100}^{100} AAR_t \qquad (3.5)$$

This represents the total effect of the takeover over the specified time interval. *CAR* and *AR* need to be tested for their statistical significance using a t-test. The formula for using a t-test in an event study is different from the commonly used t-test. Prior to conducting t-test, the aggregate of pre-event standard deviation of abnormal returns across all shares should be computed. The aggregate of pre-event standard deviation for all shares consist of the standard deviation of abnormal return for each share (Brown and Warner[15], 1984). The sample standard deviation of daily abnormal return during the pre-event period (from -200 to announcement date) is:

$$\sigma_{i,pre} = \sqrt{\frac{\sum_{-300}^{-100}\left(AAR_{it} - AAR_{pre}\right)^2}{n-1}} \qquad (3.6)$$

Where;

$\sigma_{i,pre} =$ Standard deviation of abnormal returns of share *i* estimated from pre-event measurement period,

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[14] Calculating the average abnormal return is done since share returns are ”noisy” and this noise tends to cancel out when using an average value.

[15] The t-test formulas are borrowed from Brown and Warner (1984), but slightly modified.

AAR_{pre} = Average of abnormal returns of share *i* estimated from pre-event measurement period,

n = Number of days in pre-measurement period.

The standard deviation of abnormal return for each share, as formulated above, can be aggregated by squaring it, summing these values across all shares, dividing it by the number of days, and taking the square root of the value:

$$\sigma_{N,pre} = \sqrt{\frac{\sum_{i=1}^{N} \sigma_{i,pre}^2}{N}} \qquad (3.7)$$

Where;

$\sigma_{N,pre}$ = Aggregate of pre-event standard deviation of abnormal returns across all shares,

N = Number of days in the event period.

3.1.2 Test of Significance

Since the standard deviation might only be a result of coincidence a test is required to determine the significance. A significance test in the shape of hypothesis tests is used. Statistical hypothesis testing implies that with the help of a random sample, one can judge the hypothesis about the total sample. A null hypothesis (H_0) and an alternative one (H_1) is used. The null hypothesis will either be rejected or accepted. The tests significance is based upon a level of 95 percent. The hypotheses tested are:

$$H_0: AAR_t < 0$$

$$H_1: AAR_t > 0$$

The test is used to see if, on average, any abnormal return exists when a takeover announcement is released. If average abnormal return is less than zero, the announcement does not increase the wealth but decrease it for the shareholders. Conversely, if the average abnormal return is greater than zero, the announcement increases the wealth for shareholders. The test statistic is therefore expressed as:

$$AAR_t t - stat = \frac{AAR_t}{\sigma_{N.pre}} \qquad (3.8)$$

For cumulative average residual, the t-test formula is:

$$CAAR_t t - stat = \frac{CAAR_t}{\left(\sigma_{N,pre}\sqrt{N_t}\right)} \qquad (3.9)$$

Where;

N_t = the absolute value of event day, t, plus 1 (e.g. for event day -60, the absolute value is 60 and N_t =61)

4 Empirical Results and Analysis

The purpose of this thesis is to examine the reaction a takeover announcement has on the wealth of the shareholders for the acquiring company. The event window was 200 days, i.e. 100 days prior to the announcement and 100 days after the announcement. The test conducted was used to see whether the return to common share on companies is greater or less than predicted by general market relationships between return and risk.

The average abnormal return for acquiring companies during the first four weeks before the announcement rose with 2.4 percent (see Table B in appendix), which is what Mandelker (1974) described as statistically increases in wealth over prolonged periods prior to the takeover. The positive trend during the first 20 days is illustrated in Figure 4.1 where the average abnormal return rose about 3 percent.

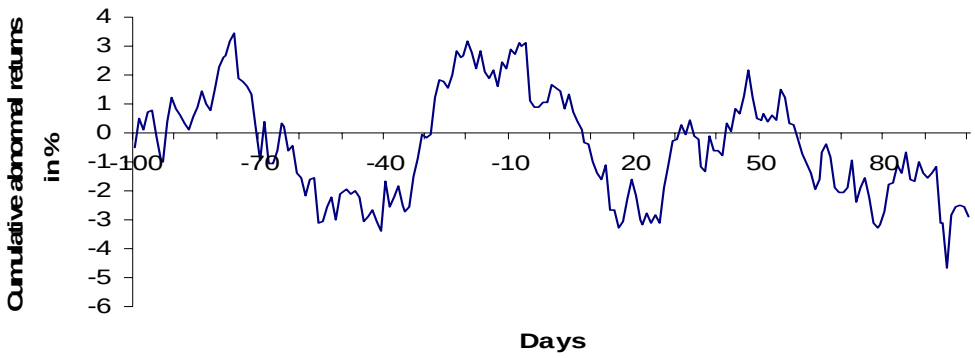
On the announcement day there was a positive return on average, but 72 % of acquirers suffered declines in share prices. These results indicate that the majority of acquirers experienced negative returns as a result of the takeover announcement. The positive average return on the event date can be explained by a few of the companies in the sample experienced extremely strong positive return making the positive average abnormal returns around this period somewhat misleading.

During the two first weeks after the announcement around 65 percent of the acquirers had negative returns, which also is what Mandelker (1974) found. He argued that acquiring company's shareholder experienced losses in wealth over lengthy periods following the announcement.

At week 13 and 14 the CAAR was fairly similar to the CAAR at week 1 to 2, which indicates that the share price adjustments made at that time were almost "correct". This could be a sign of that the price performance of the acquiring company after the announcement is consistent with there being an efficient market.

From the first week in the period tested (week -14) to the week before the announcement (week -1) the average company experienced a increase by 0.34 percent, while from the announcement week (week 0) to the end of the period tested (week 14) showed a decline in the shareholder return by -3.17 percent.

Figure 4.1 **Pattern of CAAR for Acquiring Companies**



Note: Cumulative average abnormal return for acquiring companies constructed from data reported by Stockholmsbörsen.

Figure 4.1 also shows that the acquirers experienced a total negative cumulative abnormal return, which means that the acquirer was better off before the announcement than after it. This means that the null hypothesis cannot be rejected.

The results in this thesis shows that the acquirers' experienced negative average abnormal returns as an effect of a takeover announcement, are supported by two of the hypothesis mentioned earlier, namely the market-for-corporate-control hypothesis and the winner's-curse-hubris hypothesis. Both these hypothesis states that a takeover should bring negative gains for the acquiring company, which is illustrated in Figure 4.1.

5 Conclusion and Further Research

How does the announcement of takeover affect shareholder wealth of the acquiring company? This was the question the thesis was set to answer.

The market model was used to test a sample of 30 takeovers between companies listed on the O-list, A-list and the OTC-list on the Stockholm Stock Exchange between 1996 and 2005. Using this type of accounting approach, it was found that takeovers have a significantly impact on shareholder return. The majority of acquirers experienced a negative impact, i.e. had negative average abnormal returns after the announcement date. These findings are consistent with the majority of earlier studies and also with the market-for-corporate-control hypothesis as well as the winner's-curse-hubris hypothesis. Both these hypothesis assumed that the acquirer should experience a decline in shareholder wealth.

For further research it would be interesting to expand the time period used to see the long run effects of a takeover. It would also be interesting to examine if there are any differences in shareholder return for companies that engage in a takeover that are listed on different stock exchanges.

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Appendix

Table A **Acquiring companies and acquired companies**

Acquirer	List Category	Announcement Date	Company acquired
Sigma AB	O-list	2004-05-06	RKS AB
Tele2 AB	O-list	2004-09-29	Song Networks Holding AB
Scania AB	O-list	2004-11-19	Ainax AB
Nocom AB	O-list	2004-12-22	TurnIT AB
Vodafone Group PIC	O-list	2003-02-05	Europolitan Vodafone AB
LjungbergGruppen AB	O-list	2003-06-13	Celtica, Fastighetsab
Ratos AB	O-list	2003-10-20	Tornet, Fastighets AB
ProAct IT Group AB	O-list	2003-11-24	Dimension AB
Nobel Biocare Holding	A-list	2002-05-27	Nobel Biocare AB
Teleca AB	O-list	2002-07-05	Pronyx AB
Vision Park Entertainment	O-list	2001-02-12	Independent Media Group Sweden
Sveaskog	A-list	2001-10-10	AssiDomän AB
Eniro AB	O-list	2001-11-20	Scandinavia Online AB
Teleca AB	O-list	2001-12-10	AU-System AB
Dimension AB	O-list	2001-12-17	Kipling Holding AB
Mandator AB	O-list	2000-02-08	Cell Network
Scandic Hotels AB	O-list	2000-04-12	Provobis
Lindab AB	OTC-list	2000-05-08	Folkebolagen
TietoEnator AB	O-list	2000-05-15	Entra Data AB
Jacobson & Widmark AB	A-list	2000-06-16	Kjessler & Mannerstråle
TurnIT	O-list	2000-09-13	Arete AB
Finnveden AB	O-list	2000-09-21	Bulten AB
Bergman & Beving AB	O-list	2000-10-06	FB Industri Holding AB
Matteus AB	A-list	1999-01-19	JP Bank
Balder AB	A-list	1999-03-01	PriFast
SAAB AB	A-list	1999-11-16	Celsius AB
Framtidsfabriken AB	O-list	1999-12-13	Guide
NCC AB	A-list	1997-02-17	SIAB
Trelleborg AB	A-list	1997-08-05	Skoogs
Sands Petroleum AB	O-list	1997-09-01	IPC

Source: www.om.se

Table B **Residuals Analysis of Acquiring Companies**

Week	Average abnormal returns, AAR	Percentage of positive average abnormal returns, AAR	Cumulative average abnormal returns, CAAR	Percentage of companies with positive CAAR
-14	0,156569	60	0,086735	57
-13	-0,02814	29	0,358091	50
-12	0,027965	42	1,206453	50
-11	0,162103	43	2,46226	43
-10	-0,42672	85	-0,25886	43
-9	-0,045	18	-0,80797	50
-8	-0,16923	57	-2,45272	43
-7	0,083555	57	-2,21022	40
-6	0,042874	71	-2,63865	37
-5	0,02616	41	-1,72995	40
-4	0,470686	57	1,166655	47
-3	0,143205	71	2,733028	50
-2	-0,0531	55	2,190203	57
-1	-0,18595	43	2,122646	50
0	0,045856	28	1,269198	43
1	-0,26346	28	-0,27153	40
2	-0,41195	13	-2,38216	43
3	0,068796	14	-2,67106	45
4	0,368678	57	-0,90644	43
5	-0,15722	57	-0,43747	40
6	0,307337	43	0,24515	43
7	-0,02346	57	0,846586	40
8	-0,05854	43	0,404972	37
9	-0,13442	28	-1,12725	40
10	-0,03984	28	-1,8825	39
11	-0,31403	43	-2,53942	35
12	0,219678	43	-1,30147	37
13	-0,20871	71	-2,34528	40
14	0,03152	57	-1,90487	43

Note: the week numbers relate to number of weeks before or after the announcement; weeks before has a minus sign. Period 0 relates to the event date, i.e. the announcement date. T-value for average abnormal return is 2.17, which indicates significance on a 95 percent level. T-value for cumulative average abnormal return is 6.12, which indicates a 95 percent significant level. This means that the null hypothesis, H_0, cannot be rejected since it stated that average abnormal return is negative.