PATTERNS OF VALUE CREATION IN STRATEGIC ACQUISITIONS FOR GROWTH

Veronika Vinogradova

Faculty of Economic Sciences, School of Finance,
HSE University, Pokrovsky Blvd. 11, Office 632, 109028 Moscow, Russia

*E-mail: nika.vinogradova@daad-alumni.de

ABSTRACT

This paper extends the previous research on strategic transactions (M&A) and focuses on the analysis of the relationship between the pre-event performance of acquiring companies and value creation in strategic acquisitions for growth. It identifies the prerequisites of successful transactions and tests empirically how the key fundamental determinants of the acquiring companies influence investors' reaction around the announcement and acquirers' financial performance in the years after. The results of the analysis confirm that the intrinsic pre-event performance of the acquiring firm can significantly impact the outcome and profitability of strategic M&A.

Keywords: Corporate growth, M&A, Strategic financial decision making, Shareholder value, Value creation

INTRODUCTION

In both Corporate Finance and Strategic Management research, Mergers and Acquisitions (M&A) are associated with the main strategy for the external growth. In today's past-changing environment, many executives recognise that their companies cannot succeed without making acquisitions. The results of academic studies state that corporate acquisitions contribute to one third of average corporate growth rate (Baghai et al., 2009). Moreover, they enable a company to respond to perceived opportunities in the marketplace more quickly and bring

competitive edge in entering new markets (e.g., Danbolt & Maciver, 2012; Lee & Lieberman, 2010) or extending the existing product portfolio (e.g., Sheen, 2014). However, not all companies are able to react and seize the market opportunities with such agility. The performance of strategic transactions and value they create for acquiring companies remain rather disputable – the reported success rate of corporate M&A is only 30%. The leading empirical research shows that striving desperately for growth (Kim et al., 2011), executives focus mostly on the short-term perspective without thinking about whether chosen strategy creates value for their organisation.

Numerous empirical studies (e.g., Cefis et al., 2020; Adnan, 2018; Ishak et al., 2017; Dell'Acqua et al., 2018; Damijan et al., 2015; Mortal & Shill, 2015; Li-Yu et al., 2015; Brune et al., 2015) as well as newly developed dynamic theoretical models (de Andrés et al., 2017; Arikan & Stulz, 2016; Hackbarth & Morellac, 2008; Margsiri et al., 2008; Berk et al., 1999) have not found an explanation what factors determine the success of external growth, yet. In addition to that, they often deliver highly contradicting results as they apply different determinants in their analysis, which leads to an even stronger confusion rather than organised knowledge how to grow externally. The current paper aims to close this gap. It does not analyse a wide range of different variables, which are usually tested in empirical studies (e.g., Lois et al., 2021; King & Irayanti, 2019; Alhenawi & Stilwell, 2017; Martynova & Renneboog, 2011; Alexandris et al., 2012), nor it evaluates the strategic decision of growing externally versus internally (Margsiri et al., 2008). Based on the principles of valuation theory and the concept of profitable growth, it focuses on core determinants for those firms, for which the decision to grow creates the largest value (de Andrés et al., 2017; Mass, 2005) and investigates the impact of pre-event financial performance of acquiring companies on the transaction outcome. The choice of strategic growth transactions only allows to reduce the inconsistences in results addressed by Halpern (1983), and to minimise the agency problems (Fung et al., 2009; Jensen, 2005), supporting the assumption that managers act completely in interests of shareholders.

The primary motivation for this article is driven by the statement that the main focus of acquisition is not just to help company to grow fast, but to contribute valuably to its strategy. In financial terms this means the ability of a company to grow externally while creating value for its shareholders, which can be expressed either through an increase in share price or improved financial performance in the years following transaction. In other words, not any growth can be considered a value-creating growth. So, Ramezani et al. (2002) showed that despite a common assumption that growth in sales generally leads to a rise in earnings, an optimal point exists beyond which additional growth effects adversely profitability

and destroys shareholder value. For M&A case, Margsiri et al. (2008) analyse dynamically the trade-off between internal growth and acquisition and suggest that the value of growth options is constant up to a certain value of the asset to be reacquired, but declines above that value. De Andrés et al. (2017) differentiate, applying real option approach, between the "assets-in-place" and "growth options" diversification and analyse the impact of different strategies on firm market value. The authors conclude that diversification that increases future growth options is more value-enhancing. Holder and Zhao (2015) claim that previous studies on diversification did not take into consideration the impact of diversification on future growth potential of the firm. They find that the diversification discount may be the joint result of the increase in value in below-average performers exploring new growth opportunities through unrelated diversification, and the decrease in value in above-average performers exploiting their current growth opportunities through related diversification. The ability of a firm to choose the write strategy, depending on its current stage of development can be essential. In the recent years some researchers (e.g., Vinogradova, 2018; Alhenawi & Stilwell, 2017), drew attention to the importance of pre-event performance of acquiring companies for the M&A success. From the managerial perspective, this is best explained by Maksimovic and Philips (2007) who claim that acquirers vastly differ in their ability to utilise acquired assets. Those with strong pre-event performance are considered to be more competent and capable of utilising the declared synergies more efficiently. At the same time, the firm's pre-event performance expressed through the financial ratios, can be seen as a predictor of its future stock returns (e.g., Ou & Penman, 1989; Piotroski, 2000; Novy-Marx, 2013). In the field of M&A, this was tested by Alhewani and Stillweel (2017), who claim that the acquirers with lower debt ratios showed generally better results. Despite their innovative approaches, most of recent studies investigate only M&A transactions in general and do not address the issue of "strategic growth" acquisitions.

The study contributes to existing research from three main perspectives. First of all, based on the principles of value-based-management it assumes that M&A is an investment decision and is value-enhancing if it increases an overall shareholder value of the acquiring company. Taking into account the studies of relative importance of growth (Berk et al., 1999; Mass, 2005), this means that the long-term post-acquisition performance is a function of pre-acquisition conditions, including the acquirers' readiness for a strategic transaction, expressed through its financial performance. Compared to existing empirical studies, which are focused on the financial analysis of post-event performance, the study investigates the predictive power of the acquirers' pre-acquisition performance indicators. Second, to address the issue of distortion in the data samples because of different acquisition purposes and as a result, different acquisition strategies (Halpern, 1983), this

study focuses exclusively on the analysis of "strategic transactions for growth" and implies that they will have similar patterns in their strategic decision making and their expected performance. Third, the paper appreciates the statement that analysis of value created through a transaction must also include the long-term performance, because capital markets often underestimate the gains from synergy (Barraclough et al., 2013) and as a result, short-term market-based performance can be misleading. For these reasons, the study additionally analyses the long-term financial performance of acquiring companies in three years following the transaction and how it is influenced by the pre-event results.

LITERATURE REVIEW

One of the major challenges for researchers in the field of M&A remains the identification of financial determinants influencing the M&A performance. This must be mentioned for both post-event and pre-event determinants.

Over the last decades the ex-post financial studies using accounting-based measures have enjoyed increasing popularity. According to Thanos and Papadakis (2012), the number of studies using accounting-based measures in M&A research has more than doubled over the last decades. The proponents of this approach claim that short-term evaluation of market performance can be misleading because market tends to underestimate the synergy gains (Barraclough et al., 2013) and the true benefits of M&As materialise slowly over time as the value of the new entity gradually moves towards its new equilibrium (Hund et al., 2010). Ex-post financial studies focus on operating measures to evaluate results of acquisition performance and their impact on the value creation potential of the company. Most of them analyse the performance of the combined company one or three years following the acquisition, looking whether the claimed synergies were really achieved. However, although financial performance remains a central focus in management research (Hult et al*., 2008; Richard & Boyne, 2009), there is no agreement about which measure exactly is reliable enough to fully reflect the company's strength and to be used for analysis. In the age of popularity of industrial organisation economics, researchers mostly relied on the accounting-based profitability ratios, such as Return on Assets (ROA), Return on Equity (ROE) and Return on Sales (ROS). Also, nowadays there are a lot of studies that focus on the accounting measures (Heron & Lie, 2002; Gugler et al., 2003; Koetter, 2008). From the mid-1980s with the rise of shareholder activism and introduction of economic value-added concept, the financial and market-based performance measures won recognition. Many corporations started to adopt shareholder value maximisation as their stated objective and use it in executive compensation. Some researchers

in the M&A field tried to join this stream and applied EVA-concept for their analysis (e.g., Yook, 2004). At the same time, many scholars support the use of cash flow returns for assessing firm performance because "it represents the actual economic benefits generated by the assets" (Healy et al., 1992, p.139). In addition, using the cash flow performance has advantages compared with the accounting return on book assets because it excludes the effect of depreciation, goodwill, interest expense and taxes and is therefore unaffected by the method of accounting and method of financing. Many studies apply both accounting measures and cash flow measures (Sharma & Ho, 2002; Freund et al., 2007; Ismail et al., 2011). Others (e.g., Kukalis, 2013) use EBITDA, which is considered to be the closest approximation of cash using accounting information. An overview of recent studies evaluating the performance of acquiring and combined companies after acquisition and their performance measures used are summarised in Table 1.

The number of empirical studies which are concerned with pre-event performance of acquiring companies and its impact on M&A success is rather small. So, one of the earliest studies in this field was introduced by Campa and Kedia (2002) who outline the necessity to consider firm-specific characteristics in the analysis of diversification discount. Sudarsanam and Mahate (2003) differentiate between "glamour" and "value" acquirers based on the pre-event MTBV and P/E ratios and find out that value acquirers outperform the glamour acquirers in the three-year-period followed the acquisition announcement. Maksimovic and Philips (2007) who claim that acquirers vastly differ in their ability to utilise acquired assets. Acquirers that show strong pre-acquisition financial performance are supposed to be more competent and able to internalise synergies more quickly. As a result, their post-event performance will be stronger in early years. Alhenawi and Stilwell (2017) investigate a wide range of financial ratios in the years preceding the transaction and conclude that acquirers with low pre-event debt ratios achieve better performance in M&A transactions. Several studies from the field of financial economics strengthen the ability of firm's performance captured by financial ratio analysis to predict its future stock returns (e.g., Ou & Penman, 1989; Piotroski, 2000; Novy-Marx, 2013) and show that higher pre-acquisition liquidity has a positive effect on M&A success, because it facilitates the creation of internal capital markets (e.g., Stein, 1997; Shin & Stulz, 1998).

Table 1
Overview of recent accounting-based empirical studies

Author/s	Year	Sample period	Aim	Valuation model	Performance measure	Window for OP analysis	Benchmark model	Event study (Yes/No)	Outcomes
Guest et al.	2010	1985–1996	Development and testing of residual-income methodology for post-acquisition performance.	Accounting	ROE	$(-4, -1)$ vs. $(+1, +4)$	Pre-/post-merger profit returns vs. non-merging control firms (based of industry and size).	No	The impact of deal on fundamental value is slightly negative but statistically insignificant, the effect on profitability is significantly positive and the effect on share returns is significantly negative.
Baker et al.	2012	1993–2003	Examination of market reaction to M&A of well-performing acquirers.	Cash-flow	Adjusted CF/ Total Assets	$(-3, +3)$	The matching firm's adjusted post- and pre-acquisition difference in OP.	Yes	Long-term operating performance drops significantly for bidders with past superior operating performance.
Kukalis	2013	1980–2007	Examination of firm performance after completion of M&A.	Accounting, market-based	Industry-adjusted ROA, ROS; EBITDA/ NetSales	$(+2; +5)$	Comparison of industry adjusted post-merger performance between different groups .	No	Post-merger performance of small acquriers is higher than larger, acquiring public company, paying in cash and completing deal in recessionary times results in better performance.

Table 1 (*Continued*)

Author/s	Year	Sample period	Aim	Valuation model	Performance measure	Window for OP analysis	Benchmark model	Event study (Yes/No)	Outcomes
Daniliuc et al.	2014	1992–2005	Impact of post-acquisition integration management and focus on long-run performance.	Assets	Accounting Return on Assets	(0, +3)	Control firm by industry and total assets, not engaged in merger activity.	Yes	Asset management is a significant determinant of long-run post-acquisition performance.
Rao-Nicholson et al.	2016	2001–2012	Examination of post-acquisition OP.	Accounting	ROA; Profitability, Sales Margin	n.a.	Idustry size and pre-merger median performance.	No	Deterioration of post-M&A performance, measured by ROA.
Pazarkis et al.	2018	2004–2015	Examination of impact of mergers on the accounting performance.	Accounting	EBITDA Margin, EBIT Margin, ROA, ROE	(−1;+1)	Average performance in pre- and post-merger periods.	No	M&A had a negative impact on profitability.
Lois et al.	2021	1998–2002	Examination of firm performance after completion of M&A.	Accounting	Gross Margin, Net Profit before-/after Tax, ROA, ROE	(−4;0 vs. +1;+4)	Average performance in pre- and post-merger periods.	No	Firms do not experience any improvements in accounting performance following the M&A.

The large number of alternative performance determinant means that many researchers in the field of M&As puzzle which measure should be selected as an appropriate performance variable. Stahl and Voigt (2004), who have performed meta-analysis, claim that the inconsistent approach in selecting the appropriate performance measures for analysis may held back the research results and cause rather conflicting solutions. Based on the results of the literature review, it can be concluded that prolific research in M&A have not found the variables that explain the success of M&A yet. Therefore, the current paper starts with the theoretical perspective of value creation and identification of major financial determinants, which can affect the success of strategic acquisitions for growth.

THEORETICAL BACKGROUND AND RESEARCH FRAMEWORK

The valuation of the firm depends on its ability to grow. The "growth" companies enjoy higher multiples and higher market values, which makes many executives desperate to grow (Kim et al., 2011). Christensen at al. (2011) outline, however, the importance of recognising different M&A strategies. So, decision to boost current short-term company performance, acquire additional resources or sustain the existing market position or financial performance, should not be confused with the aim to grow the company. In the first case, the acquirer will search for a company with the resources needed, usually overpay and integrate the resources into own business, downsizing the target. In the second case, the acquirer will focus on securing future growth through complementing, extending or even transforming the own business model. An acquisition of a target for its resources will not bring an unexpected growth, while transformation of a business model can lead to the highest pay-offs. The M&A transaction that increase the growth potential of acquirers are usually more valued by market and earn higher returns (Mass, 2005). However, in order to achieve these positive results and sustainable, compounding effect of growth, the acquirer must convince the market that their future growth is reliable and is not associated with high risks (Fama & French, 2007; Novy-Marx, 2004).

The latest research in the field of corporate finance and market-based financial accounting (Novy-Marx, 2013; Penman & Zhu, 2014; Fama & French, 2015) outlines the importance of firm's fundamental characteristics instead of beta analysis to explain stock returns. Following the principles of value-based-management, a strategic move creates value if it increases the total value of a company for its shareholders. In case of M&A this means that an acquisition is value-creating when it increases the market value (MV) of the combined company, or mathematically expressed:

$$MV_{AB} > MV_A + MV_B \qquad (1)$$

Whether it happens, depends on the stage of the development of acquiring company (Mass, 2005) and the changes in its overall risk profile (de Andrés et al., 2017). If the diversification reduces risks that shareholders are able to diversify in their individual portfolios at lower costs than acquiring company, M&A will destroy value. However, diversification that, for example, provides firm with growth opportunities that are not easily achievable, will result in a diversification premium.

Following classical formula for description of market value of a firm, the market value can be described as a sum of market value of a firm as a cash cow and per share value of its growth opportunities or expressed through the classical valuation formula.

$$V_t^{firm} = \left[\frac{FCF_{t1}}{(1+r)} + \frac{FCF_{t2}}{(1+r)^2} + \cdots + \frac{FCF_{tn}}{(1+r)^n} \right] + \frac{FCF_{n\infty}}{r} \qquad (2)$$

The first part of the equation—ability of the firm to earn cash—depends on firm's investment activity and ability to earn return on those investments or expressed in terms of operating performance.

$$V_t^{firm} = IC_t + \sum_{i=1}^{\infty} \frac{E_t(NOPAT_{t+1})}{(1+r^{WACC})} \qquad (3)$$

where IC_t = Capital invested in the period t, $E(NOPAT)_{t+1}$ = expected net operating profit after tax in the next period (as estimated by analysts), r^{WACC} = required rate of return. This relationship is similar to the forecasted M/B ratio, showing the ability of the company to utilise its assets and earn positive shareholder returns.

Assuming that the expected NOPAT increases with additional invested capital, which is the reinvested retained earnings at a constant reinvested rate (IR), the expected operational profit can be presented as a function of growth in retained earnings in the analysed period and return on invested capital. Putting it into the Equation 3:

$$V_t^{firm} = IC_t + \sum_{i=1}^{\infty} \frac{NOPAT_t(1 - \frac{g}{ROIC_t})}{(1+r^{WACC})} \qquad (4)$$

which describes the value capture from the existing assets. Only conditioning on the existing ROIC it is possible to draw inferences about the future growth in earnings. In case if there is no future growth in the expected profits, the value equals to the market value of already invested capital. Assuming the constant NOPAT and reinvestment rate, which is a function of NOPAT in the existing

period, the increase in expected NOPAT can be understood as the sustainable growth rate. However, the ROIC declines with time, when new competitors enter the market and erode the firm's long-term profitability. This development explains why future growth opportunities often contribute to the largest part of the firm value.

The relationship described in formula (4) presents the value created from the existent assets, does not however take into consideration the value of future growth opportunities, which can be achieved for example, through additional new projects with positive NPV. Therefore, the valuation formula must be extended in line with the concept suggested by Ross et al. (2003) and proven by recent research (Berk et al., 1999) as follows:

$$V_t^{\text{firm}} = IC_t + \sum_{i=1}^{\infty} \frac{NOPAT_t(1 - \frac{g}{ROIC_t})}{(1 + r^{\text{WACC}})} + \frac{PV(GO)}{r} \tag{5}$$

where PV (GO) is present value of growth opportunities. Defining the term as a number of future projects (*n*) multiplied by the present value of cash earned from these projects, it can be re-written as follows:

$$V_t^{\text{firm}} = IC_t + \sum_{i=1}^{\infty} \frac{NOPAT_t(1 - \frac{g}{ROIC_t})}{(1 + r^{\text{WACC}})} + \frac{PV(NOPAT)_i * n}{r} \tag{6}$$

where *n* is number of new projects. In fact, the empirical analyses prove that investment in growth generates more shareholder value than cost-cutting. So, Mass (2005) confirms that an increase in profitability has a linear effect on value created, while an increase in growth shows a compounding effect and Anderson and Garcia-Feijóo (2006) prove empirically that market value increases following investment in projects with positive net present value and by more than the book value. The major point remains however, that such "growth strategies" should not destroy the existing profitability or the bottom line of the firm (Novy-Marx, 2013). This means that increasing the growth potential through a number of future positive investment projects without a negative impact on acquirers' profitability should result in the highest value created through the transaction. In other words, a firm's move for a strategic acquisition for growth is value-creating if it helps a strong performing company with financial discipline to enhance its growth, without a decrease in existing financial performance. If the market correctly evaluates the decision about the acquisition, then it should reward the firms with strong pre-acquisition performance and react negatively to the acquisition announcements of the poorly performing firms. Moreover, if correctly chosen, such strategy will help the acquiring company to sustain its financial performance in the years following the transaction and realise the highest net value of the acquisition. This

proposition enhances the existing M&A research and will be tested empirically in the future chapters.

Market-based Performance

Based on the logic presented above, in the first step, I investigate whether pre-event performance and growth rates are reflected in the market-based performance of acquirers associated with external growth strategy. There are only few studies that tried to analyse the link between pre-event performance and abnormal returns of acquirers. So, Sudarsanam and Mahate (2003) analyse the relationship between the pre-event financial performance of acquirers expressed in terms of P/E and P/B ratios. Their findings state that "value" acquirers outperform "glamour" acquirers in the three-year post-acquisition period and are more likely to pay with cash. They also report that the investors seem not to distinguish between the pre-event performance of acquirers around the announcement but quickly adjust their reaction in the post-acquisition period. Grant and Trahan (2009) who analysed the share returns of acquirers based on their pre-event economic value added (EVA) performance state that the high performers still destroyed value at a large scale around the day of announcement, although these results improved in the long-term event window. Proponents of behavioral theory in finance outline the role of fix attitudes of investors towards a specific company and its performance. So, Shleifer (2004) introduces the "extrapolation hypothesis" and claims that investors build their future expectations based on the previous performance of the company. Following the principles described above, I can assume that:

H1: The fast-growing companies earn better abnormal returns on their acquisition announcements than slow-growing companies.

H2: The companies with strong pre-event operating performance earn better returns in strategic growth acquisitions than those with the weak pre-event operating performance.

Post-event Financial Performance

The evaluation of short-term market-based abnormal returns may not fully present the true value created in the strategic acquisition for growth. One of possible explanation of this is that information included in the share price is not always sufficient and investors often underestimate potential synergies (Barraclough et al., 2013). Moreover, a newly formed company requires time to realise them (e.g., Hund et al., 2010). For this reason, I extend my analysis through an investigation of post-event financial performance of acquiring companies for three years

following the transaction. In the age of popularity of industrial organisation economics, researchers mostly relied on the accounting-based profitability ratios, such as ROA, ROE and ROS. Also, nowadays there are a lot of studies that focus on the accounting measures (e.g., Kotter, 2008). At the same time, some influential scholars outlined the importance of the use of cash flow returns for assessing firm performance because it reflects the actual economic benefits generated by the firm's assets (e.g., Healy et al., 1992). The large number of alternative performance measures means that many researchers in the field of M&As puzzle which measure should be selected as an appropriate performance variable.

The present study focuses on the effect of fundamental operating performance measures on the transaction outcome and relies on the principles of value-based management. Following this approach, following hypotheses can be developed:

H3: The overall performance of strategic acquirers does not deteriorate significantly after the transaction.

H4: Acquirers with high pre-event growth rates, focus on their operating performance and improve it.

H5: Companies with strong operating performance continue to outperform also after merger.

DATA SAMPLE AND METHODOLOGY

To test hypotheses, I built a unique data sample that includes 101 public companies, which completed at least one transaction during the fifth and sixth merger waves (from 2000 to 2010), using Thomson One SDC and Lexis/Nexis Databases. The 5th (global merger wave) and 6th (emerging markets wave) merger waves are known as "strategic growth" waves, and therefore, are the most appropriate choice for the analysis of "strategic acquisitions for growth". The performance of market indices and individual share prices was analysed using Thomson Reuters Datastream, the investigation of financial performance was performed on the data from Thomson Reuters One Banker Worldscope Database. All transactions included into data sample met following criteria:

1. The acquirer is a publicly traded company.
2. The transaction volume is higher than USD500 million.

3. The acquirer owns 100% of the target company after the completion of acquisition.

4. All acquisitions are friendly or neutral and were completed.

The acquisitions were completed with the intent of strategic growth according to Thomson Reuters SDC database, which is also verified by MergerStat databases.

The transactions in the data sample include both national and international acquisitions from all industries, except from real estate and financial services. The acquiring companies in the data sample originated from 13 countries. The largest part of acquirers (63%) are American companies, 16% come from the U.K. and Canada, 17% from Europe and 4% from Japan. The high representative number of American companies, which mostly diversified to English-speaking countries, can be explained by the availability of financial data in the databases. The European companies preferred to diversify to the U.S. and the U.K. Table 2 summarises the key statistics of final data sample.

Table 2
Descriptive statistics of data sample

Descriptive properties	All	Internationality		Industry	
		National	International	Same industry	Different industries
Number of transaction	101	72	29	87	14
in %	100	71.29	28.71	86.14	13.86
Total value (USD million)	625,379.46	502,723.90	122,655.55	542,377.08	83,002.37
in %	100	80.39	19.61	86.73	13.27
Mean value ($mn)	6,191.88	6,982.28	4,229.50	6,234.22	5,928.74
Median value ($mn)	2,294.52	2,173.64	2,294.52	2,495.68	1,731.46

The analysis of initial operating performance of acquiring companies before the transaction shows that in general, companies in the data sample outperformed their industries in all chosen financial ratios. Table 3 presents the results.

Table 3

Pre-event operating performance of acquiring companies

Ratios	EBITDA/SALES	FCF/SALES	CAPEX/SALES	SALES/ASSETS
N	101	101	101	101
Average	25.59%	19.31%	10.60%	0.93
Standard Deviation	16.52%	14.58%	17.78%	0.67
Minimum	1.44%	−9.04%	0.33%	0.16
Maximum	76.61%	65.83%	131.69%	4.2
vs. Industry	+6.55%	+4.26%	+11.87%	+6.03%

The event-study methodology was used to analyse the short-term market performance of acquiring companies around the transaction announcement. First, the pre-announcement shareholder returns of acquirers were estimated for the pre-event period, which started 180 days and ended 20 days before the transaction announcement. To calculate the expected market returns (R_{mt},), MSCI (Morgan Stanley Capital International) Index was used as the market return proxy for acquirers in the sample. This study takes into consideration the geographical distribution of the analysed firms and applies the appropriate national index. To adjust for possible cross-sectional dependence, event-clustering as well as a possible increase in the variance over the event period, abnormal returns were standardised and tested using the adjusted z-statistic suggested by Mikkelson and Partch (1986). Tests of statistical significance were calculated following Ismail and Davidson (2005). To perform a mean-difference test in the univariate analysis, *t*-statistics following Beitel et al. (2004) was calculated.

To analyse the pre- and post-event operating performance of acquiring companies, I built the ratios based on the fundamental data from Thomson Reuters DataStream and Worldscope. To control for impact of industry effects and to make the data comparable through the different industries, the financial ratios were adjusted following Kukalis (2013) and Healy et al. (1992). The variables used for the analysis present the performance of acquiring companies compared to their industry average. If analysed company outperforms its industry, it is considered to be a strong performer; if its values are below the industry, it is called a weak performer. Those participants, whose data was not available, are omitted. Therefore, the number of companies in the subsamples is shown explicitly. For operating performance, the three-year-average pre-event ratio of EBITDA/SALES is considered, while for growth, the SALES growth ratio is applied.

RESULTS AND DISCUSSION

Market-based Performance

Overall performance

The overall short-term performance of acquirers around the acquisition announcement is summarised in Table 4.

Table 4
CAR of acquiring companies around the day of announcement

Event window	ALL (N = 101)		National (N = 72)		International (N = 29)		Difference	
	CAR	Z-statistic (*p*-value)	CAR	Z-statistic (*p*-value)	CAR	Z-statistic (*p*-value)	(Nat-Int)	*t*-statistic (*p*-value)
Panel A: Around the announcement								
(−10;10)	−0.256***	−2.573 (0.011)	−0.244**	−2.071 (0.039)	−0.286	−1.538 (0.124)	0.040	0.175 (0.861)
(−5;5)	−0.312***	−3.132 (0.002)	−0.329***	−2.792 (0.005)	−0.268	−1.445 (0.148)	−0.061	−0.247 (0.805)
(−3;3)	−0.365***	−3.666 (0.000)	−0.395***	−3.353 (0.001)	−0.289	−1.557 (0.119)	−0.106	−0.409 (0.683)
(−1;1)	−0.515***	−5.179 (0.000)	−0.650***	−5.512 (0.000)	−0.182	−0.982 (0.326)	−0.468	−1.579 (0.118)
Panel B: On the day of announcement								
(0)	−0.757***	−7.610 (0.000)	−0.904***	−7.670 (0.000)	−0.393**	−2.117 (0.034)	−0.511*	−1.677 (0.097)
(0;1)	−0.515***	−6.111 (0.000)	−0.796***	−7.750 (0.000)	−0.143	−0.769 (0.442)	−0.653**	−2.050 (0.043)
Panel C: After the announcement								
(−1;3)	−0.406***	−4.081 (0.000)	−0.493***	−4.183 (0.000)	−0.190	1.025 (0.305)	−0.303	−0.303 (−1.121)
(−1;5)	−0.310***	−3.114 (0.002)	−0.388***	−3.289 (0.001)	−0.117	−0.629 (0.529)	−0.271	−0.271 (−1.047)
(−1;10)	−0.278***	−2.794 (0.005)	−0.275**	−2.350 (0.019)	−0.267	−1.544 (0.123)	−0.008	0.051 (0.959)

Notes: The table shows the cumulative abnormal returns (CAR) of acquiring companies participating in the strategic acquisitions for growth in the period form 2000 till 2010. The CAR are calculated based on market-based model and using MSRI Index to measure market returns.* significance 10% level, using two-tailed test; ** significance 5% level, using two-tailed test; *** significance 1% level, using two-tailed test.

The results show that the bidders suffer negative abnormal returns, which are statistically significant in all event-windows. On the day of the announcement, they earn the strongest negative returns of –0.757%. This value improves slightly

in the shortest event window (–1;1) to the fall in share price of –0.515%. The number of acquirers who experience positive abnormal returns increases on the first day after the acquisition announcement to 43 from 38 the day before, even though this number remains still lower compared to those who experience negative performance (58). These results support the findings of the existing literature about the short-term market performance of bidding companies (Dell'Acqua et al., 2018; Kedia et al., 2011, Moeller et al., 2004).

Pre-event growth rates

The results of the analysis of the effect of pre-event growth rates of the acquirers on their abnormal returns confirm the first hypothesis and state that the pre-event growth rates indeed influence the market reaction. Table 5 presents the summary of the results.

It is striking that especially in the short-event window the abnormal returns of the companies with high pre-event growth rates are twice as better as the abnormal returns of the companies with low pre-event growth rates. On the day of the announcement the CARs are –0.498% and –1.027%, respectively. This difference in performance is statistically significant at the 10% level. The gap in performance is also observed in the event windows (–1;1) and (0;1) and remains stable in the longer event window after the acquisitions' announcement. So, in the event window (–1;10) the high-growth companies perform almost three times better than low-growth companies with –0.125% and –0.425%, respectively. These results extend the existing literature in M&A field (e.g., Sudarsanam & Mahate, 2003), but can probably relate to the perspective of behavioral finance, which outlines a strong focus of investors on growth and their attachment to the recent performance of the acquirers (Shleifer & Vishy, 2003), which they incorporate also in their expectations of future returns.

If we look into international and national sub-group (the results are provided in Table 6, we will find that pre-event growth rates are important for both national and international acquirers. Nevertheless, national acquirers experience statistically significant difference in their abnormal returns on the day of the announcement and 2-days-event window (0;1). The CAR of high-growth acquirers on the day of announcement are –0.611%, compared to CAR of –1.291% of low-growth acquirers. The mean-difference test is significant at 5% level. With the increasing length of event-window, the difference in the performance diminishes. The international acquirers show the similar trend, however, the difference between the abnormal returns of strong- and weak-performers do not show significant results. The CAR of high-growth acquirers in the event window (–1;1) are +0.124%, compared to –0.431% for low-growth acquirers.

Table 5
CAR of acquiring companies based on their pre-event growth rates

Event window	High growth (gA > gI) (N = 49)			Low growth (gA < gI) (N = 48)			Mean-difference test		
	CAR (%)	Z-statistic	(p-value)	CAR (%)	Z-statistic	(p-value)	Difference	t-statistic	(p-value)
Panel A: Around the announcement									
(−10;10)	−0.191	−1.336	(0.182)	−0.249*	−1.725	(0.085)	0.058	0.269	(0.789)
(−5;5)	−0.310**	−2.169	(0.030)	−0.277*	−1.918	(0.055)	−0.033	−0.147	(0.884)
(−3;3)	−0.350**	−2.449	(0.014)	−0.346**	−2.396	(0.017)	−0.004	−0.018	(0.987)
(−1;1)	−0.314**	−2.201	(0.028)	−0.669***	−4.633	(0.000)	0.355	1.301	(0.200)
Panel B: On the day of announcement									
(0)	−0.435***	−3.044	(0.002)	−1.027***	−7.113	(0.000)	0.592**	2.132	(0.039)
(0;1)	−0.335**	−2.343	(0.019)	−0.843***	−5.842	(0.000)	0.508*	1.741	(0.089)
Panel C: After the announcement									
(−1;3)	−0.286*	−2.005	(0.045)	−0.463***	−3.208	(0.001)	0.177	0.716	(0.327)
(−1;5)	−0.218	−1.529	(0.126)	−0.352**	−2.442	(0.015)	0.134	0.568	(0.572)
(−1;10)	−0.092	−0.647	(0.518)	−0.425***	−2.943	(0.003)	0.333	1.536	(0.132)

Notes: The table represents the relationship between pre-event growth rates of acquiring companies participating in strategic acquisitions for growth in the period from 2000 till 2010 and their cumulative abnormal returns (CAR) around the acquisition announcement. The CAR are calculated based on market-based model and using MSRI index to measure market returns. Financial ratios are calculated relatively to the industry performance, with „high" meaning the firm outperforms the industry and „low" the firm underperforms its industry. * significance at 10% level, using two-tailed test; ** significance at 5% level, using two-tailed test; *** significance at 1% level, using two-tailed test.

Table 6
CAR of acquiring companies based on their pre-event growth rates, national vs. international

Event window	High growth (gA > gI)			Low growth (gA < gI)			Mean-difference test		
	CAR (%)	Z-statistic	(p-value)	CAR (%)	Z-statistic	(p-value)	Difference	t-statistic	(p-value)
Panel A: All									
N	54			47					
(−1;1)	−0.314**	−2.201	(0.028)	−0.669***	−4.633	(0.000)	0.355	1.301	(0.200)
(0)	−0.435***	−3.044	(0.002)	−1.027***	−7.113	(0.000)	0.592**	2.132	(0.039)
(0;1)	−0.335**	−2.343	(0.019)	−0.843***	−5.842	(0.000)	0.508*	1.741	(0.089)
(−1;5)	−0.218	−1.529	(0.126)	−0.352**	−2.442	(0.015)	0.134	0.568	(0.572)
(−1;10)	−0.092	−0.647	(0.518)	−0.425***	−2.943	(0.003)	0.333	1.536	(0.132)
Panel B: National									
N	41			31					
(−1;1)	−0.512***	−3.279	(0.001)	−0.831***	−4.628	(0.000)	0.319	1.074	(0.287)
(0)	−0.611***	−3.915	(0.000)	−1.291***	−7.187	(0.000)	0.679**	2.121	(0.037)
(0;1)	−0.432***	−2.765	(0.006)	−1.276***	−7.107	(0.000)	0.845***	2.615	(0.011)
(−1;5)	−0.308**	−1.970	(0.049)	−0.493***	−2.747	(0.006)	0.186	0.688	(0.494)
(−1;10)	−0.116	−0.746	(0.456)	−0.484***	−2.693	(0.007)	0.367	1.427	(0.158)
Panel C: International									
N	13			16					
(−1;1)	0.124	0.446	(0.656)	−0.431*	−1.724	(0.084)	0.555	0.923	(0.364)
(0)	−0.114	−0.411	(0.681)	−0.620**	−2.479	(0.013)	0.506	0.928	(0.362)
(0;1)	−0.190	−0.684	(0.494)	−0.105	0.419	(0.675)	−0.082	−0.136	(0.983)
(−1;5)	−0.096	−0.346	(0.729)	−0.134	−0.536	(0.592)	0.038	0.077	(0.939)
(−1;10)	−0.226	−0.813	(0.416)	−0.336	−1.345	(0.179)	0.111	0.268	(0.791)

Notes: The table represents the relationship between pre-event growth rates of acquiring companies participating in strategic acquisitions for growth in the period from 2000 till 2010 and their cumulative abnormal returns (CAR) around the acquisition announcement. The CAR are calculated based on market-based model and using MSRI index to measure market returns. Financial ratios are calculated relatively to the industry performance, with „high" meaning the firm outperforms the industry and „low" the firm underperforms its industry. *, ** and *** significance at 10%, 5%, 1% level, respectively, using two-tailed test.

Pre-event operating performance

The impact of the pre-event performance of bidders on their abnormal market returns around the announcement date is summarised in Table 7.

The results indicate that indeed, there is a difference in the investors' reaction especially on the day of the announcement and in the short-term event windows. The cumulative abnormal returns on the date of the announcement are –0.676% and –0.911% for strong and weak performers respectively, with even more striking difference for the event window (–1;1). Here the strong performers have almost twice as better returns as the weak performers with –0.377% and –0.753%, respectively. However, these differences diminish in the longer event window and almost disappear in the event widow (–10;10). Here, both strongly and weakly performing acquirers earn similar abnormal returns with –0.218% and –0.288%, respectively. Despite no significance in the mean difference tests, it can be concluded that the pre-event performance of the acquiring company impacts the investors' reaction on the announcement and confirm that investors trail the pre-event performance of acquirers. The investors are more positive about the strategic moves of strong performers rather than weak performers. However, it is striking that the difference in the reaction is not extreme and diminishes with the prolonged event window in the days after the announcement, what suggests that additional information that become available makes the investors to adjust their first reaction on the transaction announcement and re-evaluate its impact on the company's strategy. This finding advances the current research and suggest new determinants which must be included into the future analysis.

A closer look into the performance of national and international groups, which is summarised in Table 8, reveals that the pre-event operating performance is an especially important determinant for international acquirers. The acquirers with strong pre-event performance earn positive abnormal returns in all analysed event-windows, while the results of acquirers with weak pre-event performance are strongly negative. The CAR on the day of the announcement are +0.113% and –1.110% for strong- and weak-performers, respectively. The mean-difference test shows significant results at 10% level. The statistically significant difference in performance remains also for event windows (0;1) and (–1;5). The results for national acquirers do not differ significantly. For the event window (–1;1) the values for strong- and weak-performers are almost similar with –0.630% and –0.690%, respectively. For larger event windows, the strong performers have even slightly worse values, which allows the conclusion that there are other determinants that have a stronger impact on the abnormal returns of national acquirers.

Table 7
CAR of acquiring companies based on their pre-event operating performance

Event window	Strong performers (N = 68)			Weak performers (N = 33)			Mean-difference test		
	CAR (%)	Z-statistic	(p-value)	CAR (%)	Z-statistic	(p-value)	Difference	t-statistic	(p-value)
Panel A: Around the announcement									
(−10;10)	−0.218*	−1.770	(0.077)	−0.288*	−1.655	(0.098)	0.070	0.305	(0.761)
(−5;5)	−0.236*	−1.916	(0.055)	−0.456***	−2.618	(0.009)	0.220	0.924	(0.358)
(−3;3)	−0.333***	−2.709	(0.007)	−0.413**	−2.373	(0.018)	0.080	0.317	(0.752)
(−1;1)	−0.377***	−3.058	(0.002)	−0.753***	−4.325	(0.000)	0.376	1.296	(0.198)
Panel B: On the day of announcement									
(0)	−0.676***	−5.490	(0.000)	−0.911***	−5.234	(0.000)	0.235	0.793	(0.430)
(0;1)	−0.512***	−4.156	(0.000)	−0.784***	−4.502	(0.000)	0.272	0.872	(0.385)
Panel C: After the announcement									
(−1;3)	−0.327***	−2.654	(0.008)	−0.523***	−3.004	(0.003)	0.196	0.744	(0.459)
(−1;5)	−0.205*	−1.666	(0.096)	−0.490***	−2.814	(0.005)	0.285	1.133	(0.260)
(−1;10)	−0.277**	−2.245	(0.025)	−0.258	−1.485	(0.138)	−0.019	−0.077	(0.939)

Notes: The table represents the relationship between pre-event operating performance of acquiring companies participating in strategic acquisitions for growth in the period from 2000 till 2010 and their cumulative abnormal returns (CAR) around the acquisition announcement. The CAR are calculated based on market-based model and using MSRI index to measure market returns. Financial ratios (EBITDA/SALES) are calculated relatively to the industry performance, with „high" meaning the firm outperforms the industry and „low" the firm underperforms its industry. * significance at 10% level, using two-tailed test; ** significance at 5% level, using two-tailed test; *** significance at 1% level, using two-tailed test.

Table 8
CAR of acquiring companies based on their pre-event operating performance, national vs. international

Event window	Strong performers			Weak performers			Mean-difference test		
	CAR (%)	Z-statistic	(p-value)	CAR (%)	Z-statistic	(p-value)	Difference	t-statistic	(p-value)
Panel A: National									
N	51			21					
(−10;10)	−0.343**	−2.452	(0.014)	−0.003	−0.014	(0.989)	−0.340	−1.231	(0.222)
(−1;1)	−0.630***	−4.500	(0.000)	−0.696***	−3.192	(0.000)	0.066	0.204	(0.839)
(0)	−0.948***	−6.768	(0.000)	−0.797***	−3.654	(0.000)	−0.150	−0.423	(0.674)
(0;1)	−0.839***	−5.992	(0.000)	−0.690***	−3.161	(0.002)	−0.149	−0.417	(0.678)
(−1;5)	−0.412***	−2.943	(0.003)	−0.328	−1.503	(0.133)	−0.084	−0.284	(0.777)
(−1;10)	−0.405***	−2.893	(0.004)	0.042	0.194	(0.846)	−0.447	−1.588	(0.117)
Panel B: International									
N	17			12					
(−10;10)	0.068	0.280	(0.779)	−0.787***	−2.725	(0.006)	0.855	1.624	(0.116)
(−1;1)	0.290	1.195	(0.232)	−0.851***	−2.949	(0.003)	1.141	1.518	(0.140)
(0)	0.113	0.465	(0.642)	−1.110***	−3.844	(0.000)	1.223*	1.767	(0.089)
(0;1)	0.426*	1.755	(0.079)	−0.948***	−3.285	(0.001)	1.374*	1.764	(0.089)
(−1;5)	0.346	1.428	(0.153)	−0.773***	−2.678	(0.007)	1.119*	1.860	(0.074)
(−1;10)	0.065	0.258	(0.796)	−0.785***	−2.718	(0.007)	0.850	1.678	(0.105)

Notes: The table represents the relationship between pre-event operating performance of acquiring companies participating in strategic acquisitions for growth in the period from 2000 till 2010 and their cumulative abnormal returns (CAR) around the acquisition announcement. The CAR are calculated based on market-based model and using MSRI index to measure market returns. Financial ratios (EBITDA/SALES) are calculated relatively to the industry performance, with „high" meaning the firm outperforms the industry and „low" the firm underperforms its industry. * significance at 10% level, using two-tailed test; ** significance at 5% level, using two-tailed test; *** significance at 1% level, using two-tailed test.

Veronika Vinogradova

Post-event Financial Performance

To analyse the impact of pre-event performance on the sustainability of value created through transaction, I also investigate the long-term performance of the acquiring companies three years after the completion of transaction. The difference between pre-event and post-event performance is calculated based on average numbers over 3 years before and after the transaction. In addition to this, the results for each single years after the acquisitions are provided.

Overall performance

In general, the acquiring companies in data sample outperformed their industries before the acquisition in all analysed ratios and could continue this trend after the transaction as well. The detailed information about the performance of acquirers is presented in Table 9.

The results show that although on average the financial performance decreased after the transaction, it remained mostly positive. The largest decrease the acquiring firms experienced in the first year after the acquisition in all ratios analysed, over the following two years these values recovered even though did not reach the pre-event levels. The only ratio that showed negative development in the years following acquisition was SALES/ASSETS, which fell from 6.91% over the industry average to –1.03%. This means that the increase in sales during the first three years was not satisfactory. The value of CAPEX/SALES ratio remains higher in the year 1, with 1.92% over the industry average and decreases slightly till 1.63% in year 2, which can be explained with additional investments needed in the first years of the implementation process and stronger focus on operations in the following years.

To understand this trend better, I investigate the performance of acquirers involved in national and international transactions. The data for both sub-groups in summarised in the second part of the Table 9. It is obvious that the negative development of CAPEX/SALES and SALES/ASSETS ratios is driven by international acquirers. While national acquirers experienced positive values in terms of SALES/ASSETS before the acquisition, international acquirers were below the industry average with –2.13%. This ratio deteriorated even further in the years after the transaction, being 10.96% below the industry average. The performance in terms of CAPEX/SALES decreased as well from 4.14% in the years preceding the transaction to 2.10% in the years after the transaction. At the same time, national acquirers experienced the largest decline in their performance in the first year after the acquisition, when value of SALES/ASSETS dropped from 10.17% before the event to 1.80%, but then started to recover, reaching 4.35% in

148

the year 3. CAPEX/SALES values showed an insignificant decline but recovered to the pre-event values in year 3. The difference in the performance of national and international acquirers can be explained with the fact that international transactions experience more complex and resources-intensive implementation process and as a result, the need of additional capital in the first year after the transaction can be a good explanation for this trend. National acquirers in the sample, however, do not experience such difficulties, the development of their post-event CAPEX/SALES and SALES/ASSETS ratios are in line with other financial ratios. Overall, the received results provide new insights for the strategic deals, which advance the current research (e.g., Lois et al. 2021; King & Irayanti, 2019; Rao-Nicholson et al., 2016; Daniliuc et al., 2014; Heron & Lie, 2002; Gugler et al., 2003; Koetter, 2008) and proves that the future long-term performance of strategic acquirers is strongly affected by their pre-event financial results.

Table 9
Post-event finanical performance of acquiring companies

Ratios	Average performance		Mean-difference test			Post-event performance improvement		
	Pre-event	Post-event	Difference	*t*-statistics	(*p*-value)	Year +1	Year +2	Year +3
ALL (N = 101)								
EBITDA/SALES	4.76%	2.69%	–2.07%	–1.080	0.283	1.12%	3.80%	3.15%
FCF/SALES	6.06%	3.13%	–2.93%	–0.996	0.322	2.42%	3.91%	3.08%
CAPEX/SALES	3.79%	2.12%	–1.67%	–0.806	0.422	1.92%	1.63%	2.80%
SALES/ASSETS	6.91%	–1.03%	–7.94%	–1.176	0.242	–1.69%	–1.27%	–0.11%
GROWTH RATE	7.51%	9.39%	1.88%	0.523	0.602	2.68%	1.97%	0.98%
NATIONAL (N = 72)								
EBITDA/SALES	5.54%	2.60%	–2.94%	–1.207	0.229	1.34%	3.95%	2.53%
FCF/SALES	3.62%	3.10%	–0.52%	–0.266	0.791	2.51%	3.61%	3.18%
CAPEX/SALES	3.43%	1.99%	–1.44%	–0.565	0.573	1.03%	1.80%	3.34%
SALES/ASSETS	10.17%	3.24%	–6.93%	–0.788	0.432	1.80%	2.99%	4.35%
GROWTH RATE	9.28%	8.75%	–0.53%	–0.182	0.856	8.97%	8.27%	9.02%
INTERNATIONAL (N = 29)								
EBITDA/SALES	2.74%	2.94%	0.20%	0.067	0.947	0.56%	3.41%	4.84%
FCF/SALES	11.98%	3.29%	–8.69%	–0.936	0.353	2.18%	4.63%	3.05%
CAPEX/SALES	4.14%	2.10%	–2.04%	–0.558	0.579	4.00%	1.10%	1.21%
SALES/ASSETS	–2.13%	–10.96%	–8.83%	–1.476	0.145	–10.25%	–11.76%	–10.87%
GROWTH RATE	3.11%	11.07%	7.96%	0.784	0.436	13.21%	12.51%	7.49%

Notes: The table shows the change in performance ratios of acquiring companies before and after the completion of acquisition. The average pre-event performance is adjusted by industry and is calculated as an average over three years preceeding the transaction. The average post-event performance is an industry-adjusted average over three years following the transaction. Post-event performance improvements are industry-adjusted. *p*-value for the mean- difference test is calculated based on two-tailed test. * Significance at 10% level, using two-tailed test; ** Significance at 5% level, using two-tailed test; *** Significance at 1% level, using two-tailed test.

Pre-event growth rates

The analysis shows that growth rate was one of the most important determinants in the evaluation of transaction performance. The impact of growth rates on the post-event ratios of acquirers is presented in Table 10.

Those companies that had strong growth rates before the acquisition outperform the industry also after the transaction. Nevertheless, their relative post-event growth rates are twice lower than pre-event ones, with 21.62% and 10.22%, respectively, with the lowest value in the first year after the event (8.48%) and the highest in the third year (12.84%). Similar trend is observed also for other financial ratios.

Those acquirers that experienced week growth performance before the event improve their growth rates significantly and in the first post-event year outperform even the high-performing companies. So, while in the years preceding the transaction, the performance of acquirers was 11.52% below industry average, it reaches 8.27% above industry average in the post-event years, with even 12.48% in year +1. Nevertheless, this trend is rather short-term and the performance diminishes till post-event year 3, reaching 2.63%. EBITDA/SALES of these participants slightly increases from 3.46% to 3.84% after the transaction, which outlines the focus on operating profitability and ability of companies to reach those results. The highest value of 6.89% was experienced in year 2 after transaction. CAPEX/SALES increases as well from 0.91% to 2.05% after the acquisition, with constantly growing trends towards the post-event year 3, when it reaches 3.58%. The only ratio with a negative trend is SALES/ASSETS, which plummeted from relative 3.01% in the pre-event years to –10.50% in the post-event years and remains negative during all three years after the transaction announcement.

A closer look into the ratios of national and international acquirers shows no significant difference in the performance development of two sub-groups. The post-event financial performance of both national and international acquirers follows the same patterns, which are similar to the trend presented for the entire data sample. The growth rates of strong performers remain positive despite a slight decrease in the post-event period with improving trend toward the third year, while the growth rates of weak performers increase considerably in the first year after the transaction, but decrease towards the third year. Interesting fact here is that the weak performing companies pursuing international transactions have both ratios—EBITDA/SALES and growth rates—below the industry values. After the transaction the growth rates show steep increase in the first year, but the EBITDA/SALES ratio improves at a slower pace in the past event period towards the year 3.

Table 10

Post-event performance of acquiring companies based on the pre-event growth rates

Growth rate	Average performance		Mean-difference test			Post-event performance improvement		
	Pre-event	Post-event	Difference	*t*-statistics	(*p*-value)	Year +1	Year +2	Year +3
STRONG PERFORMER ALL (N = 58)								
EBITDA/SALES	5.68%	1.81%	−3.87%	−1.552	0.123	0.83%	1.51%	3.09%
FCF/SALES	3.94%	2.09%	−1.85%	−0.878	0.387	2.40%	1.62%	2.26%
CAPEX/SALES	5.66%	2.00%	−3.66%	−1.251	0.213	3.46%	2.52%	4.12%
SALES/ASSETS	9.33%	6.32%	−3.01%	−0.299	0.765	2.63%	1.38%	1.98%
GROWTH RATE	21.62%	10.22%	−11.40%***	−2.847	0.005	8.48%	9.32%	12.84%
WEAK PERFORMER ALL (N = 43)								
EBITDA/SALES	3.46%	3.84%	0.38%	0.124	0.902	1.51%	6.89%	3.22%
FCF/SALES	8.81%	4.58%	−4.23%*	−1.828	0.071	2.44%	6.99%	4.19%
CAPEX/SALES	0.91%	2.05%	1.14%	0.393	0.696	0.87%	1.89%	3.58%
SALES/ASSETS	3.01%	−10.50%	−13.51%	−1.615	0.110	−10.94%	−12.06%	−9.66%
GROWTH RATE	−11.52%	8.27%	19.79%***	14.383	0.000	12.48%	9.70%	2.63%

Notes: The table shows the change in performance ratios of acquiring companies before and after the completion of acquisition. The average pre-event performance is adjusted by industry and is calculated as an average over three years preceeding the transaction. The average post-event performance is an industry-adjusted average over three years following following the transaction. Post-event performance improvements are industry-adjusted. *p*-value for the mean-difference test is calculated based on two-tailed test. * Significance at 10% level, using two-tailed test; ** Significance at 5% level, using two-tailed test; *** Significance at 1% level, using two-tailed test

Pre-event operating performance

General post-event performance of acquirers according to their pre-event profitability (EBITDA/SALES) is shown in Table 11.

The high performers experienced a slight decrease in the value of their ratio, from 10.63% in the pre-event years to 6.16% in the years after, even though the results outperformed the industry and improved with time, reaching 7.09% in the year 3. Similar trend is experienced also for other ratios. SALES/ASSETS ratio is negative before transaction that is an obvious sign that these companies were focused on profitability not growth before the acquisition and decreases even further in the years following the transaction. The values are –8.94% and 16.94%, respectively, with the lowest value in the first post-event year of –18,18%. The numbers for low performers show that they focused on growth in the years preceding the acquisition, had additional cash resources and decided to spend them on acquisitions. The values for EBITDA/SALES and CAPEX/SALES were negative in the years preceding the transaction, with –4.62% and –1.59%, respectively. They remain negative also in the years following the transaction, reaching –1.59%

and –1.94%, respectively. The performance in terms of FCF/SALES decreases as well. While acquiring companies outperformed the industry in the pre-event years by 2.88%, after the completion of transaction their performance is 1.61% below the industry average, with the most significant drop in the first post-event year. Growth rate increases, however, considerably and reaches 10.58% in the post-event years, compared to 3.60% in the pre-event years.

If we look into two different sub-samples, the national high performer showed both strong growth and operating performance, even though they were less efficient that the industry average. In the years following the transaction, their operating performance remained above the industry average, despite being a bit lower than in the pre-event years, while growth rate increased further towards the third post-event year. The weak performer had low EBITDA/SALES, FCF/SALES and CAPEX/SALES ratios, but high growth rates and SALES/ASSETS ratios in the pre-event years. After the transaction the operating and financial performance of these acquirers remained below average in all years following the event, even though their growth rate increased in the first post-event year with positive but decreasing trend in the years after.

The performance of high performing international acquirers was similar to those of the national acquirers. High performers outperformed the industry average according to all ratios except from SALES/ASSETS before and after the transaction. Low performers outperformed the industry in terms of CAPEX/SALES and SALES/ASSETS, but underperformed in terms of EBITDA/SALES, FCF/SALES and GROWTH RATES. Even though they could improve significantly their growth rates after the completion the transaction, the operating and financial performance remained low.

Table 11
Post-event performance of acquiring companies based on the pre-event operating performance

EBITDA/ SALES	Average performance		Mean-difference test			Post-event performance improvement		
	Pre-event	Post-event	Difference	*t*-statistic	*p*-value	Year +1	Year +2	Year +3
STRONG PERFORMER ALL (N = 62)								
EBITDA/ SALES	10.63%	6.16%	–4.47%	–1.648	0.102	3.78%	7.63%	7.09%
FCF/SALES	7.99%	6.15%	–1.84%	–0.851	0.396	5.53%	6.90%	6.01%
CAPEX/SALES	6.92%	4.51%	–2.41%	–0.753	0.453	4.40%	3.81%	5.31%
SALES/ ASSETS	–8.94%	–16.94%	–8.00%	–1.352	0.179	–18.18%	–17.12%	–15.50%

(*Continued on next page*)

Table 11 (*Continued*)

EBITDA/ SALES	Average performance		Mean-difference test			Post-event performance improvement		
	Pre-event	Post-event	Difference	*t*-statistic	*p*-value	Year +1	Year +2	Year +3
GROWTH RATE	16.04%	8.78%	–7.26%	–1.845	0.067	8.04%	10.37%	7.92%
WEAK PERFORMER ALL (N = 39)								
EBITDA/ SALES	–4.62%	–2.88%	1.74%	1.813	0.074	–3.10%	–2.29%	–3.12%
FCF/SALES	2.88%	–1.61%	–4.49%	–0.654	0.515	–2.53%	–0.86%	–1.58%
CAPEX/SALES	–1.59%	–1.94%	–0.35%	–0.317	0.752	–2.12%	–1.93%	–1.54%
SALES/ ASSETS	31.40%	24.86%	–6.54%	–0.507	0.614	24.61%	23.99%	24.37%
GROWTH RATE	3.60%	10.58%	6.98%	0.986	0.327	15.27%	9.37%	7.10%

Notes: The table shows the change in performance ratios of acquiring companies before and after the completion of acquisition. The average pre-event performance is adjusted by industry and is calculated as an average over three years preceding the transaction. The average post-event performance is an industry-adjusted average over three years following the transaction. Post-event performance improvements are industry-adjusted. *p*-value for the mean-difference test is calculated based on two-tailed test. * Significance at 10% level, using two-tailed test; ** Significance at 5% level, using two-tailed test; *** Significance at 1% level, using two-tailed test.

CONCLUSION

The aim of the article was to investigate the impact of pre-event financial performance of acquiring companies on the value creation and their success in "strategic acquisitions for growth". While largest part of the existing studies examines the impact of different non-financial factors on the M&A performance and does not take into consideration the purpose of the deal and readiness of acquirers to grow externally, this paper pays a special attention to the pre-event performance of strategic acquirers bringing a new perspective into the analysis. To offer a systematic approach, I built a unique data sample of solely strategic acquisitions for growth completed during 5th and 6th merger waves, which are officially known as strategic waves, and analysed both the short-term capital market-based abnormal returns and the long-term financial post-event performance of acquiring companies.

The most important finding of the study, is that the pre-event operating performance of acquiring companies and their pre-event growth rates, indeed, influence strongly the value created through strategic acquisitions for growth. A striking result from the market-based analysis is that acquirers with higher pre-

event growth rates experienced significantly higher abnormal returns around the announcement than acquirers with lower pre-event growth rates. These results are especially important and statistically significant for national acquirers. The difference in the market reaction for acquirers with different financial performance does not show statistically significant power for the entire data sample, but is significant for international bidders in the short and mid-term event windows, which implies that international acquirers were more focused on the enhancement of growth potential and chose the strong performing targets to accelerate it. These findings extend and advance the current M&A research that focuses on the analysis of market-based performance (e.g., Cefis et al., 2020; Adnan, 2018; Ishak et al., 2017; Dell'Acqua et al., 2018; Damijan et al., 2015; Mortal & Shill, 2015; Li-Yu et al., 2015; Brune et al., 2015, Martynova & Renneboog, 2011; Alexandris et al., 2012).

The most important result of the long-term analysis is that pre-event financial performance of acquirers does not deteriorate/improve significantly. Those companies that outperformed their industries before the acquisition perform well also after the transaction – all their ratios remain above the industry average, which contradicts some academic studies, highlighting the overall deterioration of acquirers' performance (e.g., Rao-Nicholson et al., 2016; Boateng et al., 2019; Pazarskis et al., 2006; Huang et al., 2016). Those companies that experienced week performance before the transaction continue to underperform after the event. In terms of growth rates, an obvious result is that international acquirers could improve their performance more that national acquirers. The strong-performing international acquirers showed also better results in terms of post-event financial performance compared to national acquirers. Moreover, they could quickly realise the full potential of the M&A and increase their growth rates significantly in the first and second years after the transaction, without deteriorating their operating performance. Contrary to the international acquirers, companies participating in national transactions could not improve their growth rates and operating performance significantly, even though the M&A did not lead to the significant decrease in their performance. These results advance the findings of the existing studies (Lois et al. 2021; King & Irayanti, 2019; Rao-Nicholson et al., 2016; Daniliuc et al., 2014; Heron & Lie, 2002; Gugler et al., 2003; Koetter, 2008) and only partially confirm the works of Hund et al. (2010) and Barraclough et al. (2013).

The results of current study have important implications for both academic communities involved in the research of M&A as well as for top management performing M&A for growth and striving to achieve the highest value for firm's shareholders. They allow the conclusion that M&A do not help companies to

improve their financial performance, but rather enhance their ability to grow profitably, especially in case of international diversification. Moreover, the strong financial discipline before the transaction helps the acquiring company grow further, creating value for its shareholders. This finding means that value creation process in M&A follows the principles of value-based management presented in this paper. They prove that the value creation in strategic acquisitions for growth can be at least partially anticipated and executives should consider their pre-event financial performance while planning their next strategic move.

In addition, the study does not only contribute to the current academic discussion about the ability of financial performance to predict future abnormal returns and the ways for achieving profitable growth, but it also brings a new perspective into the classical M&A research. Further empirical works could provide additional insights into different industries and analyse transactions of other merger waves.

ACKNOWLEDGEMENTS

REFERENCES

Adnan, A. T. M. (2018). Home vs. cross-border takeovers: Is there any difference in investor perception? *European Financial and Accounting Journal*, *13*(2), 59–84. https://doi.org/10.18267/j.efaj.210

Alexandris, G., Mavrovitis, Ch. F., & Travlos, N. (2012). How have M&As changed? Evidence from the sixth merger wave. *The European Journal of Finance*, *18*(8), 663–688. https://doi.org/10.1080/1351847X.2011.628401

Alhenawi, Y. & Stilwell, M. (2017). Value creation and probability of success in mergers and acquisition transactions. *Review of Quantitative Finance and Accounting*, *49*(4), 1041–1085. https://doi.org/10.1007/s11156-017-0616-2

Anderson, C. W., & Garcia-Feijóo, L. (2006). Empirical evidence on capital investment, growth options, and security returns. *The Journal of Finance*, *61*(1), 171–194. https://doi.org/10.1111/j.1540-6261.2006.00833.x

Arikan, A. M., & Stulz, M. R. (2016). Corporate acquisitions, diversification, and the firm's life cycle. *The Journal of Finance*, *71*(1), 139–194. https://doi.org/10.1111/jofi.12362

Baghai, M., Smit, S., & Vigueri, P. (2009). Is your growth strategy flying blind? *Harvard Business Review*, *87*(5), 86–96.

Baker, M., Pan, X., & Wurgler, J. (2012).The effect of reference point prices on mergers and acquisitions. *Journal of Financial Economics*, *106*(1), 49–71. https://doi.org/10.1016/j.jfineco.2012.04.010

Barraclough, K. Robinson, D. T., Smith, T., & Whaley, R. E. (2013). Using option prices to infer overpayments and synergies in M&A transactions. *Review of Financial Studies*, *26*(3), 695–722. https://doi.org/10.1093/rfs/hhs119

Beitel. P, Schiereck, D., & Wahrenburg, M. (2004). Explaining M&A success in European banks. *European Financial Management*, *10*(1), 109–139. https://doi.org/10.1111/j.1468-036X.2004.00242.x

Berk, J. B., Green, R. C., & Naik, V. (1999). Optimal investment, growth options, and security returns. *Journal of Finance*, *54*(5), 1553–1607. https://doi.org/10.1111/0022-1082.00161

Boateng, A., Du, M., Bi, X., & Lodorfos, G. (2019). Cultural distance and value creation of cross-border M&A: The moderating role of acquirer characteristics. *International Review of Financial Analysis*, *63*, 285–295. https://doi.org/10.1016/j.ibusrev.2010.11.003

Brune, C., Lee, K., & Miller, S. (2015). The effect of bank capital constraints on post-acquisition performance. *Journal of Economics and Finance*, *39*(1), 75–99. https://doi.org/10.1007/s12197-012-9239-6

Campa, J. M., & Kedia, S. (2002). Explaining the diversification discount. *The Journal of Finance*, *57*(4), 1731–1762. https://doi.org/10.1111/1540-6261.00476

Cefis, E., Marsili, O., & Rigamonti, D. (2020). In and out of balance: Industry relatedness, learning capabilities and post-acquisition innovative performance. *Journal of Management Studies*, *57*(2), 210–245. https://doi.org/10.1111/joms.12441

Christensen, C. M., Alton, R., Rising, C., & Waldeck, A. (2011). The new M&A playbook. *Harvard Business Review*, *89*(3), 48–57.

Damijan, J., Kostevc, C., & Rojec, M. (2015). Growing lemons or cherries? Pre- and post-acquisition performance of foreign-acquired firms in new EU member states. *World Economy*, *38*(4), 751–772. https://doi.org/10.1111/twec.12176

Danbolt, J., & Maciver, G. (2012). Cross-border versus domestic acquisitions and the impact on shareholder wealth. *Journal of Business Finance and Accounting*, *39*(7–8), 1028–1067. https://doi.org/10.1111/j.1468-5957.2012.02294.x

Daniliuc, S., Bilson, C., & Shailer, G. (2014). The interaction of post-acquisition integration and acquisition focus in relation to long-run performance. *International Review of Finance*, *14*(4), 587–612. https://doi.org/10.1111/irfi.12040

de Andrés, P., de la Fuente, G., & Velasco, P. (2017). Does it really matter how the firm diversifies? Assets-in-place diversification versus growth option diversification. *Journal of Corporate Finance*, *43*, 316–339. https://doi.org/10.1016/j.jcorpfin.2017.01.011

Dell'Acqua, A., Etro, A., Piva, M., & Teti, E. (2018). Investor protection and value creation in cross-border M&As by emerging economies. *Journal of International Financial Management & Accounting*, *29*(1), 83–100. https://doi.org/10.1111/jifm.12069

Fama, E. F., & French, K. R. (2007). The anatomy of value and growth stock returns. *Financial Analysts Journal*, *63*(6), 44–54. https://doi.org/10.2469/faj.v63.n6.4926

Fama, E. F., & French, K. R. (2015). A five-factor asset pricing model. *Journal of Financial Economics*, *116*(1), 1–22. https://doi.org/10.1016/j.jfineco.2014.10.010

Freund, S., Trahan, E. A., & Vasudevan, G. K. (2007). Effects of global and industrial diversification on firm value and operating performance. *Financial Management*, *36*(4), 143–161.

Fung, S., Jo, H., & Tsai, T.S. (2009). Agency problems in stock market-driven acquisitions. *Review of Accounting and Finance*, *8*, 388–430. https://doi.org/10.1108/14757700911006958

Grant, J. L., & Trahan. E. A. (2009). Active investing in strategic acquirers using an EVA style analysis. *Journal of Alternative Investments*, *11*(4), 7–23. https://doi.org/10.3905/JAI.2009.11.4.007

Guest, D. E., Isaksson, K., & De Witte, H. (2010). *Employment contracts, psychological contracts, and employee well-being: An international study*. Oxford University Press.

Gugler, K., Mueller, D. C., Yurtoglu, B. B., & Zulehner, C. (2003). The effects of mergers: an international comparison. *International Journal of Industrial Organization*, *21*(5), 625–654. https://doi.org/10.1016/S0167-7187(02)00107-8

Hackbarth D., & Morellec, E. (2008). Stock returns in mergers and acquisitions. *The Journal of Finance*, *63*(3), 1213–1252. https://doi.org/10.1111/j.1540-6261.2008.01356.x

Halpern, P. (1983). Corporate acquisitions: a theory of special cases? A review of event studies applied to acquisitions. *Journal of Finance*, *38*(2), 297–317. https://doi.org/10.1111/j.1540-6261.1983.tb02235.x

Healy, P. M., Palipu, K. U., & Ruback, R. S. (1992). Does corporate performance improve after mergers? *Journal of Financial Economics*, *31*(2), 135–175. https://doi.org/10.1016/0304-405X(92)90002-F

Heron, R., & Lie, E. (2002). Operating performance and the method of payment in takeovers. *Journal of Financial and Quantitative Analysis*, *37*(1), 137–155. https://doi.org/10.2307/3594998

Holder, M. E., & Zhao, A. (2015). Value exploration and materialization in diversification strategies. *Review of Quantitative Financial Accounting*, *4*, 175–213. https://doi.org/10.1007/s11156-014-0434-8

Huang, P., Officer, M. S., & Powell, R. (2016). Method of payment and risk mitigation in cross-border mergers and acquisitions. *Journal of Corporate Finance*, *40*, 216–234. https://doi.org/10.1016/j.jcorpfin.2016.08.006

Hult, T. G. M., Ketchen Jr, D. J., Griffith, D. A., Chabowski, B. R., Hamman, M. K., Dykes, B. J., Pollite, W. A., & Cavusgil, S. T. (2008). An assessment of the measurement of performance in international business research. *Journal of International Business Studies*, *39*, 1064–1080. https://doi.org/10.1057/palgrave.jibs.8400398

Hund, J., Monk, D., & Tice, S. (2010). Uncertainty about average profitability and the diversification discount. *Journal of Financial Economics*, *96*(3), 463–484. https://doi.org/10.1016/j.jfineco.2010.02.006

Ishak, N., Mohd, K. N. T., & Shahar, H. K. (2017). Characteristics and short-term stock price performance of Malaysian acquirers. *International Journal of Business and Technopreneurship*, *7*(3), 227–236.

Ismail A., & Davidson, I. (2005). Further analysis of mergers and shareholder wealth effects in European banking. *Applied Financial Economics*, *15*(1), 13–30. https://doi.org/10.1080/0960310042000282300

Ismail, T. H., Abdou, A. A., & Annis, R. M. (2011). Review of literature linking corporate performance to mergers and acquisitions. *The Review of Financial and Accounting Studies*, *1*(1), 89–104.

Jensen, M. (2005). Agency costs of overvalued equity. *Financial Management*, *34*(1), 5–19. https://doi.org/10.1111/j.1755-053X.2005.tb00090.x

Kedia, S., Abraham, S. R., & Pons, V. (2011). Do vertical mergers create value? *Financial Management*, *40*(4), 845–877. https://doi.org/10.1111/j.1755-053X.2011.01164.x

Kim, J., Haleblian, J., & Finkelstein, S. (2011). When firms are desperate to grow via acquisition: The effect of growth patterns and acquisition experience on acquisition premiums. *Administrative Science Quarterly*, *56*(1), 26–60. https://doi.org/10.2189/asqu.2011.56.1.026

King, E., & Irayanti, L. (2019). How merger and acquisition affect firm performance and its quality. *Journal of Accounting, Finance and Auditing Studies*, *5*(3), 42–53. https://doi.org/10.32602/jafas.2019.30

Koetter, M. (2008). Assessment of bank merger success in Germany. *German Economic Review*, *9*(2), 232–264. https://doi.org/10.1111/j.1468-0475.2008.00432.x

Kukalis, S. (2013). Market-based versus accounting-based performance: A new investigation in post-merger situation. *The International Journal of Finance*, *4*(3), 7383–7405.

Lee, G. K., & Lieberman, M. B. (2010). Acquisitions vs. internal development as modes of market entry. *Strategic Management Journal*, *31*(2), 140–158. https://doi.org/10.1002/smj.804

Li-Yu, C., Jung-Ho, L., & Carl, R. C. (2015). Multiple directorships and the performance of mergers and acquisitions. *North American Journal of Economics and Finance*, *33*, 178–198. https://doi.org/10.1016/j.najef.2015.04.004

Lois, P., Pazarskis, M., Drogalas, G., & Karagiorgos, A. (2021). On mergers and acquisitions in Greece: Before and after the onslaught of the economic crisis. *The Journal of Developing Areas*, *55*(2), 353–364. https://doi.org/10.1353/jda.2021.0049

Maksimovic, V., & Philips, G. (2007). Conglomerate firms and internal capital markets, In E. Eckbo (Eds.), *Handbook of corporate finance* (Vol. 1, pp. 423–479). North Holland, Amsterdam: Elsevier.

Margsiri, W., Mello, A. S., & Ruckes, M. E. (2008). A dynamic analysis of growth via acquisitions. *Review of Finance*, *12*(4), 635–671. https://doi.org/10.1093/rof/rfn015

Martynova, M., & Renneboog, L. (2011). The performance of the European market for corporate control: Evidence from the fifth takeover wave. *European Financial Management*, *17*(2), 208–259. https://doi.org/10.1111/j.1468-036X.2009.00497.x

Mass, N. J. (2005). The relative value of growth. *Harvard Business Review*, *83*(4), 102–112.

Mikkelson, W. H., & Partch, M. M. (1986). Valuation effects of security offerings and the issuance process. *Journal of Financial Economics*, *1*(1/2), 31–60. https://doi.org/10.1016/0304-405X(86)90049-8

Moeller, W. H., Schlingemann, S. P., & Stulz, R. M. (2004). Firm size and the gains from acquisitions. *Journal of Financial Economics*, *73*(2), 201–228. https://doi.org/10.1016/j.jfineco.2003.07.002

Mortal, S. A., & Shill, M. J. (2015). Post-acquisitions returns of stock deals: evidence of the pervasiveness of the asset growth effect. *Journal of Financial and Quantitative Analysis*, *50*(3), 477–507. https://doi.org/10.1017/S0022109015000150

Novy-Marx, R. (2004). *An equilibrium model of investment under uncertainty*, Working paper, University of Chicago. https://doi.org/10.2139/ssrn.327125

Novy-Marx, R. (2013). The other side of value: the gross profitability premium. *Journal of Financial Economics*, *108*(1), 1–28. https://doi.org/10.1016/j.jfineco.2013.01.003

Ou, J. A., & Penman, S. H. (1989). Financial statement analysis and the predication of stock returns. *Journal of Accounting and Economics*, *11*(4), 295–329. https://doi.org/10.1016/0165-4101(89)90017-7

Pazarkis, M., Dogalas, G., & Koutoupis, A. (2018). Mergers and accounting performance: Some evidence from Greece during economic crisis. *Journal of Accounting and Management Information System*, *17*(1), 31–45. https://doi.org/10.24818/jamis.2018.01002

Penman, S. H., & Zhu, J. L. (2014). Accounting anomalies, risk and return. *The Accounting Review*, *89*(5), 1835–1866. https://doi.org/10.2308/accr-50799

Piotroski, J. D. (2000). Value investing: The use of historical financial statement information to separate winners and losers. *Journal of Accounting Research*, *38*, 1–41. https://doi.org/10.2307/2672906

Ramezani, C. A., Soenen, L., & Jung, A. (2002). Growth, corporate profitability and value creation. *Financial Analysts Journal*, *58*(6), 56–67. https://doi.org/10.2139/ssrn.304880

Rao-Nicholson, R., Salaber, J., & Cao, T. H. (2016). Long-term performance of mergers and acquisitions in ASEAN countries. *Research in International Business and Finance*, *36*, 373–387. https://doi.org/10.1016/j.ribaf.2015.09.024

Richard, W. M., & Boyne, G. A. (2009). Introduction: Determinants of performance in public organizations. *Public Administration*, *87*(3), 433–439. https://doi.org/10.1111/j.1467-9299.2009.01774.x

Ross, S. A., Westerfield, R. W., & Jaffe, J. F. (2003). *Corporate finance* (6th ed.). New York: The McGraw Hill/Irwin.

Sharma, D. S., & Ho, J. (2002). The impact of acquisitions on operating performance: Some Australian evidence. *Journal of Business Finance and Accounting*, *29*(1/2), 155–196. https://doi.org/10.1111/1468-5957.00428

Sheen, A. (2014). The real product market impact on mergers. *Journal of Finance*, *69*(6), 2651–2688. https://doi.org/10.1111/jofi.12200

Shin, H.-H., & Stulz, R. (1998). Are internal capital markets efficient? *The Quarterly Journal of Economics*, *113*(2), 531–552. https://doi.org/10.1162/003355398555676

Shleifer, A. (2004). *Inefficient markets. An introduction to behavioral finance*. Oxford University Press.

Shleifer, A., & Vishny, R. W. (2003). Stock market driven acquisitions. *Journal of Financial Economics*, *70*(3), 295–311. https://doi.org/10.1016/S0304-405X(03)00211-3

Stahl, G. K., & Voigt, A. (2004). Meta-analyses of the performance implications of cultural differences in mergers and acquisitions. *Academy of Management Proceedings*, *2004*(1), 11–15. https://doi.org/10.5465/ambpp.2004.13863275

Stein, J. C. (1997). Internal capital markets and the competition for corporate resources. *Journal of Finance*, *52*(1), 111–133. https://doi.org/10.1111/j.1540-6261.1997.tb03810.x

Sudarsanam, S., & Mahate, A. A. (2003). Glamour acquirers, method of payment and post-acquisition performance: The UK evidence. *Journal of Business Finance and Accounting*, *30*(1–2), 299–341. https://doi.org/10.1111/1468-5957.00494

Thanos, I. C., & Papadakis, V. (2012). Unbundling acquisition performance: How do they perform and how can this be measured? In D. Faulkner, S. Teerikangas, & R. J. Joseph (Eds.), *Handbook of mergers and acquisitions*. Oxford University Press. https://doi.org/10.1093/acprof:oso/9780199601462.003.0005

Vinogradova, V. (2018). Value creation through external growth strategy: the architecture of successful performance. *Review of Quantitative Finance and Accounting*, *51*, 847–882. https:/doi.org/ 10.1007/s11156-017-0690-5

Yook, K. C. (2004). The measurement of post-acquisition performance using EVA. *Quarterly Journal of Business and Economics*, *43*(4), 67–87.