

# “Performance of Chinese Acquirers in the European Market”

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## Abstract

This study focuses on firms from the emerging market of China investing in the more developed market of Europe. The database consists of 52 merger deals between the five-year period of the first of January 2012 and January 1, 2017. The acquirers from this dataset are listed on the stock exchange markets of Shenzhen, Shanghai and Hong Kong. This study contributes to the previous literature on the topic of M&A and stock performance that found ambiguous results (Aybar and Ficici, 2009; Chen and Young, 2010). This paper uses the famous event study methodology with the mean-adjusted returns model or constant mean return model to calculate the normal and abnormal returns of the companies in question. A two-tailed t-test with two samples assuming unequal variances tests if the abnormal returns are significantly different. In the end the results of this quantitative analysis show that the merger announcement do not significantly affect the acquiring firms' stock returns.

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## 1. Introduction

The Chinese market is a market that received Foreign Direct Investment (FDI) reaching almost 25% of the total FDI flows (Chowdhury and Mavrotas, 2006), in 2015 receiving nearly 250 billion US dollar (Worldbank, 2017). The country is not only receiving foreign direct investment but is also investing in other countries, both in emerging and developed. The value of the M&A investments done from China reached 65.2 billion US dollars in 2012 (Wu et al, 2016). Data from the Worldbank (2017) shows that since the period of the financial crisis of 2008 to 2012 the net inflows of FDI in percentage of the GDP of China decreases each year. While the net outflows of FDI in percentage of the GDP show the opposite, it increases since 2011. This shows that there is a change of FDI flows in China. Although the FDI inflows still exceeds the amount of outflows, it shows a trend over the past years that can be reversed if it stays this way. This turn in events in the FDI flows for China could be an effect caused by the Chinese government, as it stimulates firms to expand by merging or acquiring firms overseas (Boateng et al, 2008).

China made huge steps in the past two decennia, coming from the position of a country for cheap labour to becoming one of the main important economies of the world in the upcoming years. Academics even believe that the country will surpass the economic status of Japan and the United States by 2032 and 2041 respectively (Wilson and Purushothaman, 2003). The change towards such a great economy seems to have already started with the FDI flows. It alters the position of China from a country receiving FDI to a country investing into other countries, expanding their firms or investing for expertise. The change in FDI further is visible in the increasing outward FDI flow into Europe over the past five years. The increase has been so significant that there is more FDI going from China towards Europe than from Europe into China (Financial Times, 2017).

Chinese firms are taking over more firms in the European market; these cross-border mergers are from an emerging (or fast developing country) towards more developed countries. The world becomes more integrated, the importance of cross-border mergers will grow and these mergers are likely to occur more often. Already one third of the mergers worldwide is between firms that have their headquarters in different countries (Erel et al, 2011). The difference between cross-border mergers and acquisitions (CBM&A) from developed countries to developing countries and CBM&A activity from developing to developed countries is that the developed countries invest with the goal of exploiting the resources abroad. While the cross-border M&As from third world to developed countries are mainly to search and explore the resources, they try to learn from the developed countries (Boateng et al, 2008). This second form of CBM&A is relevant for this paper, as it concerns about the same type of investments as the M&A investment from China to Europe. Emerging-market Multinationals (EMMs) are mainly from the Asian continent as nearly 80% of Aybar and Ficici's (2009) sample was from this part of the world. In their study, the investments done by these EMMs are taken into account, whether this was into

a developed or emerging market. The data shows that close to 40% of the acquisitions were done by the emerging-market multinationals into the developed market. This further highlights the importance of the Asian continent and the importance of acquisitions done from emerging to more economically developed parts of the world.

To find this out this study will focus on the merger deals done in the past 5 years. By looking at the effect of the cross-border acquisitions into firms of the European market on the stock prices of the Chinese firms. Doukas et al (1988) have done a study, by looking at the effect of international acquisitions on the stock prices of U.S. bidding firms. Their findings show that there is a significant positive effect of acquisition announcements on the stock prices of firms that internationally acquisition targets. The positive effect was especially evident on the merger deals involving targets in countries that the multinational was not operating beforehand. This is an example of the effects of international/cross-border acquisitions. Their paper is from a very different period and in the current era the Chinese firms can be seen at the position of the U.S. firms back then.

After that study, more research followed on the topic of the effects of mergers and acquisitions on the bidding firms' stock prices. Testing whether the investments show significant positive abnormal stock returns. However, the results of those studies brought up new questions as the results were ambiguous (Asquith et al (1983); Agrawal et al (1992); Doukas (1995)<sup>1</sup>; Cakici et al (1996); Boateng and Qian (2008); Aybar and Ficici (2009)). The academic literature could still benefit from new studies on merger activities from various parts of the world and various periods.

This paper could be an addition and extension to the existing literature of mergers and acquisitions as it is a research done in a very recent period of time and focusing on a new trend of Chinese firms investing more abroad, especially into Europe. With this research, it will become clear if these mergers and acquisitions done from China were relevant for the Chinese market. The main research question in this research is as follows: *'To what extent do the merger activities of the Chinese firms into Europe result in positive abnormal returns for the acquiring firms' shareholders?'* An answer to this research question will be formed through conducting quantitative research on the effects of the merger deals from the Chinese firms. In the end, this research will conclude what the new mergers and acquisition trend is bringing up for China.

The remainder of this paper will first start with a literature review. In this review, existing theories and researches will be discussed. It will give an idea on how the financial world sees mergers and acquisitions, reviewing the existing empirical evidence on this topic. In addition, it will provide a background on the stock price performances with earlier merger deals while motivating this study. The following chapter then discusses the methodology, model and data for this research; these three parts

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<sup>1</sup> Referred to by Boateng and Qian (2008)

form chapter 3. Chapter 4 will present the empirical evidence for this study of the effect of the merger deals on the stock prices of the acquiring firms. In the end, chapter 5 will discuss and conclude the findings of this paper.

## 2. Literature Review and Hypothesis

Mandelker (1974) states that there is controversy between the theories of mergers. At one end, there is the view that big firms use their power to exploit the imperfections in the capital market, making them even more powerful and acquiring a monopolistic state in their market. At the other end, the theories' views are on the management pursuing size maximization, even at the expense of the owner's wealth. They would even engage in a merger while the marginal cost of acquisition is higher than the marginal increase for the firm's value. From here on the literature kept on adding theories and finding empirical evidence on the effects of merger and acquisitions. Finding that mergers can provide a better market share for the company, with more market power and the benefits of economies of scale and scope (Ross, Westerfield and Jordan, 2009; Ma, Zhang, and Chowdhury, 2011). However, it could also bring disadvantages due to overestimation of the projected synergy, or the expansion of the firm could be hard to manage (Adnan and Hossain, 2016). Asquith et al (1983) imply that inconsistencies in the findings in earlier studies may appear due to methodological deficiencies. Suggesting that previous papers failed in controlling some factors as target size, success of merger bid and the time of the merger bid. They found evidence that mergers are positive net present value activities and in line with the value-maximizing behaviour of their management.

The literature emphasized the risk-reduction aspect of international diversification and started with studies in the comparison of firms operating in domestic firms and the multinationals. But that stage did not provide direct evidence regarding the effect of international corporate expansion on the shareholders wealth' (Doukas et al, 1988). Doukas et al (1988) started to study this and found that for multinationals there is a positive significant effect on the shareholders wealth'. However, only when the company merged with targets in countries they did not already operate in. The aspects of risk-reduction and diversification are part of value creation for the shareholders. Value creation is one broad type of determinant for CBM&A, since the early literature on the determinants of acquirer returns in these deals. Value creation was important in early studies focused on the wealth effects for the shareholders in domestic acquisitions in the USA (Bhagat, Malhotra, Zhu, 2011).

The acquirers in those value creation studies were largely from developed countries (Bhagat, Malhotra, Zhu, 2011) and MNCs seem to benefit most when investing in less developed countries (Doukas et al, 1988). While with this thesis we focus on an investment going from less developed to a more developed market. This is an addition to the existing studies on M&A deals as studies in emerging

markets M&A activity are coming up since the end of the 2000s (Tao et al, 2017)<sup>2</sup>. The attention of the studies on the CBM&As concerning takeovers from developing to developed countries is smaller (Tao et al, 2017; Bhagat, Malhotra and Zhu, 2011). The firms considered can be viewed as emerging-market multinationals (EMMs). Aybar and Ficici (2009) found evidence in their paper for these investments done by EMMs. However, the main issue here is that their findings suggest that on average, the cross-border expansions done by these EMMs and their acquisition activity show no evidence for value creation. Their study show as result that for more than half of the firms the acquisition resulted in value destruction instead. In addition, their paper tries to identify the factors influencing the markets' reaction to these acquisitions. Concluding that target size, ownership structure of target and structure of the acquirer positively influence the bidder's value. While factors as high-tech acquirers and acquirers in search of targets in related industries negatively affect the bidder's value (Aybar and Ficici, 2009). This is understandable, as the company is not diversifying when taking over targets in related industries and are still affected by the same factors related to that industry. Diversification should lead to risk-reduction for the acquirer, which in turn should increase the bidder's value (Doukas et al, 1988). The results contradict the hypothesis of value creation due to cross-border investments. Meaning that these acquisitions still face significant challenges to fully profit from the merits of cross-border activity. However, in their paper, China was not included in the sample and the results on the market reaction for Chinese firms' M&A deals might be different due to the institutional environment of the country (Tao et al, 2017).

Some other papers did also find negative effects due to the mergers (e.g. (Chatterjee and Aw, 2004; Denis et al, 2002; Eckbo and Thorburn (2000))). Agrawal et al (1992) show a significant decrease in the stockholder value of about 10% over a five-year post-merger period with a research on mergers done by firms in the NYSE over a long period of 1955 to 1987. These results are retrieved after adjusting for the firm size effect and the beta risk and the authors struggle to explain these large negative returns. A possibility given might be due to the slow adjustment of the market to the merger event. Stating that there is an efficient-market anomaly, which is still not resolved (Agrawal et al, 1992). This is something to keep in mind as the thesis focuses on very recent mergers of the past 5 years, making it impossible to view the deals after a longer post-merger period.

The paper by Anderson et al (2015) further researches the aggressive position the Chinese firms take with their more strategic-asset-seeking acquisitions and whether these firms can actually take advantage of the high-skill level of knowledge from the acquisitions they make in the developed markets of the US, Europe and Japan. Tao et al (2017) further suggest that firms acquiring in host countries with low political risk show higher abnormal risk than the firms investing in high-level political risk countries do. This should indicate that Europe is a good investment area for the Chinese firms as Europe can be

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<sup>2</sup> Mentioning studies in the emerging market such as Aybar and Ficici (2009), Gubbi et al (2010), Chen and Young (2010), Bhagat et al (2011) Nicholson and Salaber (2013)

seen as a low-level political risk area. Giving another reason, besides the size maximization, risk-reduction and increase in shareholders wealth', for takeovers from the Chinese firms into the European market.

In addition, Francis et al (2008) also found evidence for the claim that the investments done in unrelated industries can partly explain higher positive returns. Because they expect an improvement in their operating performance after taking over the targets, they then are able to transfer their capital to other divisions that faced a higher financial constraint prior to the merger. Their finding is consistent with the hypothesis of capital market efficiency that the shareholders of the acquiring firms respond favorably as they expect an improvement in the operating performance with the takeovers of targets in segmented markets. This could address to the investments done by the various groups done into Europe. Next to the unrelated companies, it seemed that the tax-rate jurisdictions were also of importance on the size of the effect, as the bidder returns were higher for foreign acquisitions in low-tax-rate jurisdictions (Doukas, 1995). Europe has a low average of corporate tax rate compared to the other regions, being very similar to the Asian average corporate tax rate. This would suggest that the firms would perform well with their merger deals (KPMG, 2017).

Other more recent studies as Wu et al (2016) did also research on the acquisitions from China into other countries. With their data of 180 overseas M&A events in the period from 2002 to 2012, they found significant positive wealth effects and that the key factors for these positive effects are mainly due to the acquiring firms' Research & Development and M&A experience. Their paper concludes that the Chinese have advantages with the M&A activities, they can gain from their targets' valuable knowledge and natural resources. This makes them less prone to the latecomer disadvantages. The enlargement of their investments further help by improving their technological catch-up, the essential assets from the developed countries are very usable for them. This in turn would suggest that the advantages the mergers bring, would affect the performance of the acquiring firms. From this we can take note that the M&A deals targeted at Research & Development show positive wealth effects for the firms.

A previous study already started a discussion on the topic of mergers and acquisitions in China, the research used data from the early 2000s. The results show positive wealth effects for the acquiring firms (Boateng and Qian, 2008). As this is a pre-crisis assessment, it would be good to study a more recent period of M&A activity. This should inform us of differences between the period before the economic crisis and after the economic crisis. The factors leading towards the economic crisis are marked as excessive risk-taking, however, cross-border acquisitions escaped this list of factors for the crisis. It is unlikely that this financial action will come under strict regulation according to Bhagwat, Malhotra and Zhu (2011). With this thesis, we can truly see whether there is a difference between the



value creations for the acquirers in the two periods and whether it is right to keep cross-border acquisitions from strict regulations.

In the end, it seems that earlier studies tested the theory of the determinant of value creation for M&A deals extensively. With results varying between negative abnormal returns (Aybar and Ficici, 2009; Chen and Young, 2010) and positive effects on the bidding firms' value (Doukas et al, 1995; Cakici et al, 1996, Boateng and Qian, 2008). The literature suggests that for CBM&As the resources and technology diversification and entry into the foreign market (low-political risk eases this) are important motives for the acquirers. This thesis will further research whether the important determinant of value creation, holds for the investments made in the past five years by the Chinese listed companies. With those theories in mind, we expect that the firms gain from the M&A deals. As the companies invest in high-level skilled companies in Europe to gain knowledge from them and M&A deals targeted towards R&D show positive wealth effects. The low-political risk Europe has eases the expansion for Chinese firms into the market. Besides, by expanding in the European region, they diversify their portfolio making them less prone to economic shocks (Anderson et al, 2015; Doukas et al, 1988; Tao et al, 2017).

Based on the previous literature on mergers and acquisitions showing underlying motives and outcomes of empirical studies, mergers and acquisitions from Chinese firms are expected to positively affect the shareholders wealth' of those companies. However, the empirical findings of earlier studies start the discussion on whether the performance of these mergers provide positive or negative returns for the acquiring firms. This paper will join this discussion and add to this topic by looking at this phenomenon from a new perspective. This perspective is different due to recent time in combination with the origin of the firms in questions, namely; China. A less developed or emerging country investing in the developed region of the European market. A hypothesis can be formed from the previous literature, answering the research question of this paper; *'To what extent do the merger activities of the Chinese firms into Europe result in excess returns for the acquiring firms' shareholders?'* and the hypothesis that statistically will be tested is:

*Hypothesis: 'The merger activities of the Chinese acquiring firms into Europe result in abnormal returns for the shareholders.'*

## 3. Methodology, Model and Data

### 3.1 Methodology

For research done in the field of mergers and acquisitions, and more specifically, on the firms' return, one research method is commonly used. For conducting a research, focusing on the performance of the mergers and acquisitions the most common method is the Event Study. This method, mostly known due to Fama (1969), looks at the stock performance of the firms in question. The change in the stock price due to the effect of new information and/or the announcement is measured by this method, making it clear that there is a(n) (positive) effect on the target firm. By looking at the stock prices and their values before, at time of and post the announcement of acquisition it should give an indication on the performance of the merger/acquisition.

The key element of the event study method is the period and thus the event window measured. These windows should be short so it enhances the power of the analysis, showing direct effects in the stock value that arise from the announcement. If this window is too long it can capture a lot of errors which influence the stock price. However, the windows should be long enough to capture the effect that really shows that the stock price and the value of the acquired firm has improved due to the merger/acquisition (Du and Boateng, 2015). Thus, it is important to define the event for which the effects will be measured on the firms. In this research paper, the event is the announcement of the takeover by the Chinese firms. From there on the period of interest is often expanded surrounding the event. Both the period before and after the announcement are important to see whether there is a price effect. To make sure that the effect of the event on the announcement date is captured the event window will be expanded to the day after the event date. This will include effects on the stock price occurred after the exchange market closes. The power of the statistical analysis with the extra day taken is still good, besides, it is better than taking the risk of not getting the right event. (MacKinley, 1997). The period before the event date will be set at 5 days as with mergers the announcement can take some time and the new information is already embedded in the stock prices due to the anticipation of the event. Making the total of the event window 7 days: 5 days prior, event/announcement date, 1-day post [-5, +1].

The other window set is the estimation window. It will estimate and represent the stock prices of the firms in the situation without the event; the predicted returns. An estimation window of 250 days would be sufficient to estimate the predicted normal returns. This estimation window is set before the event window as the event could affect the calculation made for the predicted returns. This came down to 173 actual trading days used for each firm as the estimation window. Together the estimation and event window resulted in a 180-day event for the analysis.

The criteria is important as well as it will explain the number of cases and/or observations (MacKinlay, 1997). The firms in this dataset will consist of Chinese firms listed on either the Shenzhen, Shanghai or Hong Kong Stock Exchange and with the announcement date of the mergers or acquisitions

on European firms in the period between 2012 and 2017. Furthermore, the mergers have to be completed or unconditional, meaning that the bid was accepted and the actual merger or acquisition went through. This is important as the research focuses on whether the actual mergers resulted in excess return for the acquiring company. Besides, these acquiring firms have bought ownership into the targeting firms of over 50 percent to take over control of the target company (To focus on mergers with majority ownership). To make sure no other events would affect the stock prices a period of only 1-day post the announcement or event date is used.

### 3.2 Model

The methodology of an event study works with the abnormal returns on the firms' stocks. The abnormal return is the actual observed return of the stocks in the event window subtracted by the normal return of the firm. Where the normal return is the expected or predicted return that the firm would have had without the event being there (Brown and Warner, 1980; MacKinley, 1997). The model given below estimates the actual observed returns to calculate the abnormal returns. These abnormal returns are then further used to retrieve the cumulative abnormal returns (CAR) and cumulative average abnormal returns (CAAR). After establishing all these, the last part is to statistically test the cumulative average abnormal return for significance. For this, the two-tailed t-test is used.

This method is better than using FDI data of the countries, as FDI includes more than just the mergers. With the data on FDI flows includes other investments as well, such as Greenfield investments or loans from parent countries to their subsidiaries (Erel et al, 2011). This way it would capture more effects than just solely the performance of the firms. Instead of the FDI data, the daily stock prices can measure the abnormal or excess returns for the acquiring firms, as it is expected that the announcement of the merger event will be reflected in a noticeable change the firm's (daily) stock price. It is a measurement used in many studies concerning the international business and management strategies (Tao et al, 2017).

The method applicable for calculating the normal returns is the Constant Mean Return Model (or mean-adjusted returns model), described as a simple model with giving similar results to the more comprehensive models such as the Market Model (or market-adjusted returns model) (Brown and Warner, 1980, 1985;). The constant mean return model assumes that over time the returns of the stocks are constant, while the market model uses the market return and assumes a linear relation between this and the stock return over time. The constant mean return model in the end gives similar results and requires less data to be used and thus will be used in this research as well (MacKinley, 1997). Besides, the acquiring firms in this paper are listed on three different stock exchange markets, so using the Market Adjusted Returns Model would make it unnecessary comprehensive and difficult. Thus, this paper uses the constant mean return model, which is set up as follows:

$$\bar{R}_i = \mu_i + \varepsilon_{it}$$

With:

$E(\varepsilon_{it}) = 0 \rightarrow$  Disturbance term in time period t for security i expected to be zero

$$var(\varepsilon_{it}) = \sigma_{\varepsilon_i}^2$$

$\mu_i$  Represents the arithmetic average of the stock return in the estimation window of 173 trading days prior to the event window. This  $\mu_i$  calculation is as follows:

$$\mu_i = \frac{1}{N} \sum_{i=T_0+1}^{T_1} R_{it}$$

With:

$\mu_i$  = arithmetic average of the stock returns

N = the number of sample securities in the estimation window (amount of daily return)

T = time

$R_{it}$  = return of the stock i on time T.

The excess or abnormal return defined as  $A_{it}$  (excess return of stock i at time t) is then:

$$A_{it} = R_{it} - \bar{R}_i$$

With  $R_{it}$  being the actual (observed) returns and  $\bar{R}_i$  as the normal (expected) returns.

### 3.3 Data

For the data, the database of Thomson One Reuters (2017) provided the list of Chinese firms that acquired European firms between 1<sup>st</sup> of January 2012 and the 1<sup>st</sup> of January 2017. The database came with 113 deals for this period, however not all deals included all the data needed to compute the analysis. However, the deals should have at least 30 days of daily stock data available and no missing data in the last 10 days of the entire period. The Thomson Reuters Eikon database (2017) came up with 52 deals with sufficient data for this analysis and 44 Chinese listed firms made these deals. This amount is understandable, because of the strict criteria of completed deals and the very recent period. Similar studies (Nicholson and Salaber (2013); Chen and Young (2010)) used amount close to this paper of 63 and 39 multinationals in their data sample, respectively. This shows that the data in this area is scarce.

Figure 1: Industry Groups the deals were coming from

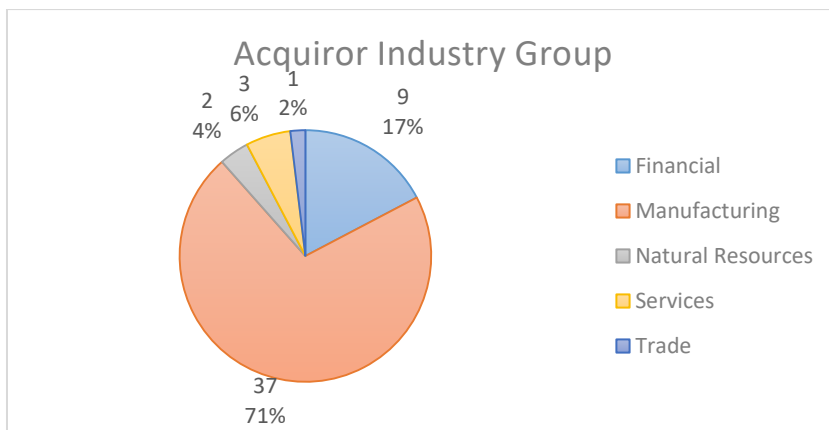


Figure 1 clearly points out that the major industry the deals in the dataset are from Chinese firms that operate in the Manufacturing industry. This is in line with the expectation for emerging markets, as this is still their main industry. As some firms made more than one merger deal or acquisition in this period the total of deals came down to 37 (or 71%) in the Manufacturing Industry. In the second place is the Financial Industry with 9 deals (or 17%). The other deals were in the industries of Natural Resources, Services and Trade. Appendix 1 provides more detail on the dataset of this research.

#### 4. Results and Analysis

Table 1 gives the overview of the cumulative average abnormal returns (CAAR) calculated over the period of the event window. The CAAR shows the average of all the 7-day CARs of the 52 firms in the dataset. First calculation is the expected returns for each firm, with the use of the mean-adjusted returns model this is the average of the firms return over the estimation period. From there on the abnormal returns are calculated by subtracting the actual returns with the expected returns. Then the next step is retrieving the cumulative abnormal returns over the event window and making it possible to calculate the average of the CARs of all firms, giving the CAAR. This shows if the returns, averaged over all firms, are positive or negative in the event window. We test these values to see whether they significantly differ from zero with the t-test. The table shows that from the CAARs only the last day of the event window, which is one day after the announcement day, has a positive value. This could indicate that there is an effect due to the announcement on the stock return of the Chinese firms.

Table 1: Event Window CAAR

Event Day	CAAR
-5	-0,1711
-4	-0,7078
-3	-0,6802
-2	-0,9688
-1	-0,8106
<b>0</b>	<b>-0,1293</b>
<b>1</b>	<b>1,3109</b>

The t-test is the following step, statistically comparing the mean values for the CAARs against the average abnormal returns. These average abnormal returns consist of the average of the abnormal returns of all firms taken over the 173 trading days prior to the event window. As explained, these are the average returns the firms have over the estimation window. This shows the returns of the firms without the event (or announcement). The t-test for this paper is the t-test for samples with unequal variances. The two populations measured are the seven daily observations around the announcement date (the event window) and the 173 days prior to this event window, which is the estimation window. The t-test tests for the mean of the CAAR values and unequal variances are due to the different variances in the population of both samples. The table below (Table 2) summarizes the statistics:

Table 2: Results T-test for abnormal returns

	CAAR	AAR
<b>Mean</b>	-0,3081	-0,0060
<b>Variance</b>	0,6099	0,1741
<b>Observations</b>	7	173
<b>T-statistic</b>	-1,0176	
<b>95% Two-tail T-test (p-value)</b>	0,3481	
<b>95% Two-tail T-test (t-value)</b>	2,4469	

Microsoft Excel is capable of doing the t-test for the average of the Cumulative Abnormal Returns (CAAR). The firms' abnormal returns have a mean of -0,3081 and the t-test provides a t-score of 2,4469 and a p-value of 0,3481. The variances for the samples are 0,6099 and 0,1741 respectively. To see whether the mean is statistically different from zero we look at the p-value of this test. This value is  $p=0,3481$  and thus larger than ( $>$ ) the critical value of 0.05 for the 95% confidence interval. Meaning that the mean of the abnormal returns is not statistically different from zero. We cannot reject the null-

hypothesis due to this high p-value of 0,3481. The results of this test thus implies that there is no statistical difference between mean of the abnormal returns in the event window and the estimation window. The announcement of a merger for the Chinese listed firms did not have a significant effect on their daily stock returns.

## 5. Conclusion and Discussion

The purpose of this paper was examining the effect of the merger announcement of Chinese listed companies on their daily stock return. The merger deals chosen were specifically into the European Market over a five-year period between 2012 and 2017. Earlier literature on the topic of mergers and acquisitions on companies' stock performance found ambiguous results throughout the years. With studies earlier finding positive results on the stock performance of the bidding firms (Doukas et al, 1995; Cakici et al, 1996) and others with results contradicting this (Aybar and Ficici, 2009; Chen and Young, 2010).

This thesis contributes as it takes part of the discussion of the determinant of value creation for the acquiring firms. Previous studies mainly focused on developed countries and their performance with mergers in less developed countries, whereas here the focus lies on the acquiring firms coming from the emerging market of China (Bhagwat, Malhotra and Zhu, 2011). Some papers also looked upon this country as well, however, these studies focused on deals in the early 2000s, an earlier stage of mergers and acquisitions (Chen and Young, 2010). The expectation was that the Chinese listed firms profited from the merger deals into Europe and would be in accordance of the value creation theory for mergers and acquisitions. However, after conducting the statistical analysis via the event study method, the results unveiled no significant difference from the abnormal returns without the event.

An acknowledgement is that the event study method has multiple models. The selection of the model could affect the outcomes for the abnormal returns calculated. It could have an effect on the results of this research on the merger announcements and daily stock returns of the firms. Although, as explained in paragraph 3.2 the results of the mean-adjusted model should not differ (Brown and Warner 1980, 1985). The recent period chosen is a limitation for a long-term event study, the effects of the merger deals could in long-term be different, as the merger could pay off over time. Even though Agrawal et al (1992) found negative results for long post-merger period returns of five years after the announcement, it still is a relevant thought as their database was from NYSE listed companies in the 1980s. In addition, the dataset of this research was sufficient but still limited. The results might differ with a larger dataset of companies, perhaps through the expansion to targets in other developed countries (e.g. USA). Nonetheless, this thesis contributed to the existing literature, by testing the effect of the merger deals on the stock performance of the Chinese listed companies. The findings, descriptions and data analysis might be useful for further research in this field of economics.

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## 7. Appendix

### Appendix 1.

<i>Date Announced</i>	<i>Acquiror Name</i>	<i>Acquiror Industry Group</i>	<i>Target Nation</i>	<i>Target Name</i>
8-2-2012	Anhui Saunaking Co Ltd	Manufacturing	Germany	Saunalux GmbH Products & Co KG
14-3-2012	Dalian Sunlight Mach Co Ltd	Manufacturing	Germany	Drossbach-Part Bankruptcy Asts
22-5-2012	Suzhou Kingswood Printing Ink	Manufacturing	France	Brancher SAS
25-5-2012	Zhongsheng Group Holdings Ltd	Trade	Germany	Carlsson Autotechnik GmbH
31-8-2012	Weichai Power Co Ltd	Manufacturing	Germany	KION Group GmbH-Hydraulics
23-1-2013	Tianjin Motor Dies Co Ltd	Manufacturing	Germany	GIW Gesells-chaft fr-Assets
8-7-2013	Shang Gong Group Co Ltd	Manufacturing	Germany	KSL Keilmann
13-11-2013	Boer Power Holdings Ltd	Manufacturing	Spain	Grupo de Empresas Temper-Asset
1-12-2013	China Intl Marine Containers	Manufacturing	Sweden	Bassoe Technology AB
20-12-2013	Zoomlion Heavy Ind Sci & Tech	Manufacturing	Germany	m-tec mathis technik gmbh
28-1-2014	Goodbaby International Holding	Manufacturing	Germany	Columbus Holding GmbH
29-1-2014	Ind & Coml Bk of China Ltd	Financial	United Kingdom	Standard Bank PLC
29-4-2014	Ind & Coml Bk of China Ltd	Financial	Turkey	Tekstil Bankasi AS
29-4-2014	Ind & Coml Bk of China Ltd	Financial	Turkey	Tekstil Bankasi AS
14-5-2014	Jiangsu Phoenix Publishing	Services	Spain	PIL Spain-Asts
14-5-2014	Jiangsu Phoenix Publishing	Services	United Kingdom	PIL UK Ltd-Asts
28-5-2014	Shanghai Prime Mach Co Ltd	Manufacturing	Netherlands	Koninklijke Nedschroef Holding
25-7-2014	Masterwork Machinery Co Ltd	Manufacturing	Germany	Heidelberger-Packaging Assets
30-8-2014	Shunfeng Photovoltaic Intl Co	Manufacturing	Germany	SAG Solarstrom-Operating Bus
1-9-2014	TK Group (Holdings) Ltd	Manufacturing	Germany	Selig & Boettcher OHG
1-9-2014	TK Group (Holdings) Ltd	Manufacturing	Germany	S&B
10-11-2014	O-Net Communications(Group)Ltd	Manufacturing	France	3S Photonics SAS
21-1-2015	Xinjiang Bai Hua Cun Co Ltd	Manufacturing	France	Chateau De La Bastide SARL
23-1-2015	Ping An Insurance (Grp) Co	Financial	United Kingdom	RREF Invest GmbH-Tower Place

5-2-2015	Zhuzhou CSR Times Electric Co	Manufacturing	United Kingdom	Soil Machine Dynamics Ltd
28-4-2015	Lingyun Industrial Corp Ltd	Manufacturing	Germany	Waldaschaff Automotive GmbH
16-5-2015	Fujian Snowman Co Ltd	Manufacturing	Sweden	Svenska Rotor Maskiner AB
9-6-2015	Beijing SDL Technology Co Ltd	Manufacturing	United Kingdom	Kore Technology Ltd
20-8-2015	Shanghai Kehua Bio-Engineering	Manufacturing	Italy	Altergon Italia-Diagno Bus Ass
20-8-2015	Shanghai Kehua Bio-Engineering	Manufacturing	Italy	Technogenetics Srl
28-8-2015	Yantai Changyu Pioneer Wine	Manufacturing	Spain	Dicot Partners SL
31-8-2015	Yantai Changyu Pioneer Wine	Manufacturing	Spain	Hacienda y Vinedos Marques
24-10-2015	Zhejiang RIFA Precision Mach	Manufacturing	Italy	Colgar International Srl
3-11-2015	NetDragon Websoft Inc	Manufacturing	United Kingdom	Promethean World PLC
12-11-2015	Jiangsu Hengli Highpressure	Manufacturing	Germany	HAWE InLine Hydraulik GmbH
19-11-2015	China Construction Bank Corp	Financial	Germany	Pirenus Svcs GmbH-Bldg(2)
26-11-2015	Yantai Changyu Pioneer Wine	Manufacturing	France	Chateau Mirefleurs SCA
25-2-2016	SDIC Power Holdings Co Ltd	Natural Resources	United Kingdom	Repsol Nuevas Energias UK Ltd
22-3-2016	Youzu Interactive Co Ltd	Manufacturing	Germany	Bigpoint GmbH
18-4-2016	Hebei Iron & Steel Co Ltd	Manufacturing	Serbia	Smederevo dp
16-5-2016	Ind & Coml Bk of China Ltd	Financial	United Kingdom	Barclays PLC-Precious Metals
19-5-2016	Hangzhou Hikvision Digital	Manufacturing	United Kingdom	Pyronix Ltd
23-5-2016	Zhejiang Chimin Pharm Co Ltd	Manufacturing	Spain	Linear Chemicals SL
21-7-2016	Fosun International Ltd	Financial	United Kingdom	Wolverhampton Wanderers FC
4-8-2016	ORG Packaging Co Ltd	Manufacturing	France	AJA Football SA
10-8-2016	Jiangxi Special Electric Motor	Manufacturing	Austria	Energietechnik GmbH
11-8-2016	Beijing Shiji Info Tech Co Ltd	Services	Germany	hetras Deutschland GmbH
18-8-2016	Zhejiang Transfar Co Ltd	Manufacturing	Netherlands	Tanatex Chemicals BV
25-8-2016	New Century REIT	Financial	Netherlands	Eden Eindhoven Hotel
31-8-2016	Tianjin Keyvia Electric Co Ltd	Manufacturing	Germany	Rail Power Sys,Balfour,RPS
7-9-2016	China Vanke Co Ltd	Financial	United Kingdom	Ryder Court,London
13-9-2016	China Hanking Holdings Ltd	Natural Resources	Italy	Maxim Integrated-Italian Branc