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Do Mergers & Acquisitions Undertaken by Developed Countries Acquirers in Emerging Markets Generate More Returns Than Those With US Targets?

An Event Study

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Abstract

The purpose of this master thesis is to answer whether a Developed Country firm would generate higher returns to its shareholders by acquiring a company from the US or by acquiring an Emerging Market target.

It includes an extensive literature review that covers the main motives and theories behind M&As. Also, the cross border M&A theory and the rationale behind the internationalization and location decisions are discussed. Furthermore, an analysis of empirical studies in US Domestic M&A, cross border M&A and M&A in Emerging Markets is presented.

An event study methodology is used to test the thesis' hypothesis. A total of 517 M&A deals from 2010 to 2012 were analyzed and a sample of 195 deals was used. A mean adjusted returns model is to estimate normal returns and two significance tests are carried out to test the statistical significance of the results.

Our results showed non statistically significant negative cumulative abnormal returns of acquirer companies in the whole sample. Furthermore, the M&A deals with Emerging Markets Targets showed lower cumulative average abnormal returns (CAARs) for the acquiring firms in comparison to the M&A deals with US targets. Using an event window of 11 days, the estimated CAARs for the M&A deals with US targets is -0.98%, while the CAARs for the M&A deals with Emerging Market targets is -2.06%. In the largest event window (51 days) the CAARs for the former sample is estimated to be -3.57% while, for the latter sample, is estimated at -9.6%.

Dedication

To my mother, aunt and grandfather.

Arturo

Dedication

To mom, dad, yu and roomie.

Ismael

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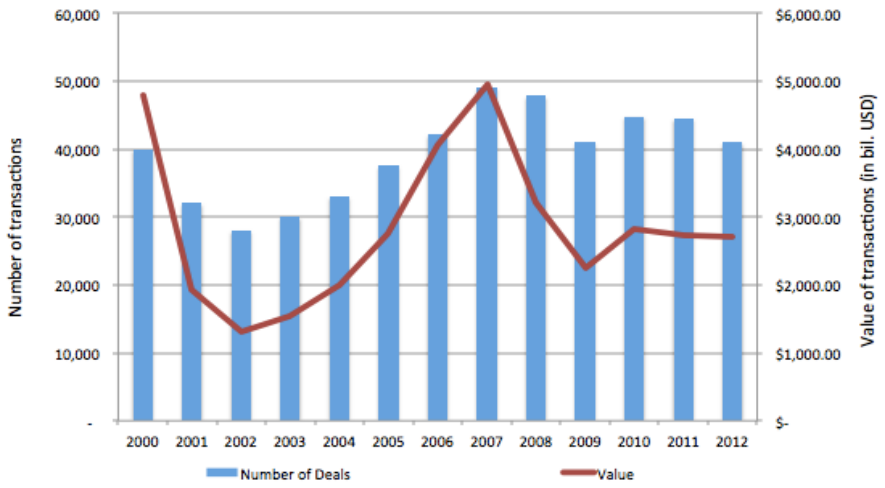
I Introduction

The occurrence and scale for global mergers and acquisitions (M&As) have meaningfully increased during the past twenty years (Figure 1 Behavior of mergers and acquisitions transactions from the past 12 years according to the Institute of Mergers, Acquisitions and Alliances 2013.Figure 1) in spite of continuous studies on their high failure rates. However the development in M&A interest, the quantity of capital involved, and the acceptance of M&As stand in contrast to their high degree of risk (Weber & Yedida, 2012). Mergers and acquisitions are of vital significance to all the participants in the merging organizations without caring if they are shareholders, employees, costumers or part of the society. (Mendoza, 2012). Consequently, the achievement of these mergers and acquisitions is vital and can be completed in several ways.

There are several studies that measure the reaction before and after an M&A, they describe the effects of the deal's announcement on the target and the acquirer. In most cases, market based studies show that the target company shareholders benefit while the acquirer shareholders' value is decreased (Akinbuli & Kelilume, 2013).

Figure 1 Behavior of mergers and acquisitions transactions from the past 12 years according to the Institute of Mergers, Acquisitions and Alliances 2013.



Linking two firms is a multifaceted and difficult operation because it includes every aspect of both corporations (Akinbuli & Kelilume, 2013). For example, managers must approve on how the merger will be funded and how will the power be reassigned and distributed. Also the businesses must discuss the layoffs, transfers, modifications in job titles and job obligations etc. In this background various investigators highpoint such as "liability of foreignness" and "double-layered acculturation" (Aybar & Ficici, 2009)

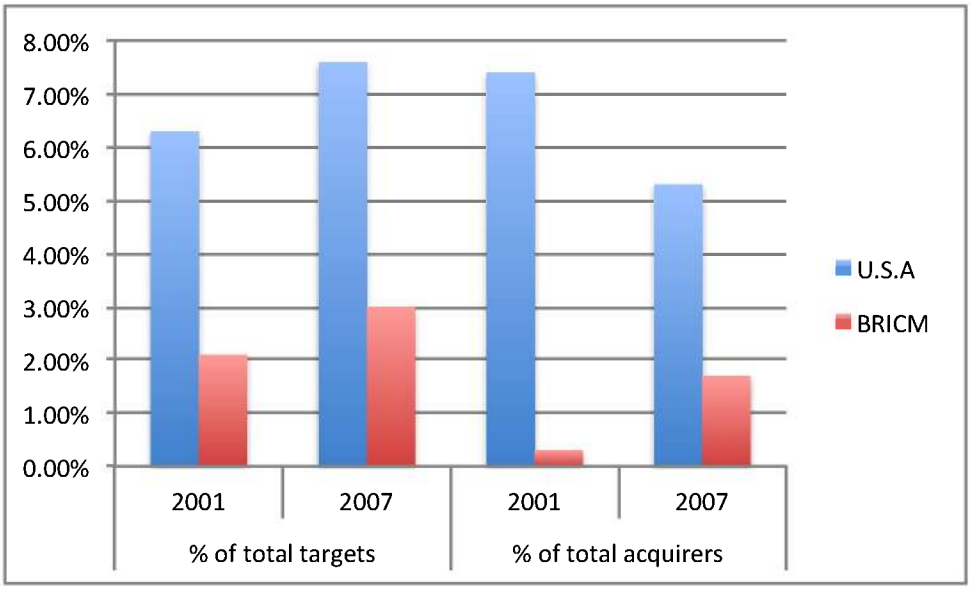
The U.S. is the biggest inbound and outbound endpoint for cross-border M&A, as measured by volume by Morgan and Chase company (2008). Furthermore, the volume of cross-border acquisitions has been growing worldwide, from 23% of total merger volume in 1998 to 45% in 2007 (Weisebach & Erel, 2012). Theoretically, cross-border mergers happen for the same causes as domestic ones: two organizations will unify when their combination upsurges value (or utility) from the insight of the obtaining company's directors. Cross-border acquisitions are a track of reorganizing industry and an open door to a new and sometimes unexploited foreign market. It should be expected that cross-border operations bring a higher performance, superior knowledge-based assets and competitive ownership advantages that allows them to compete in host countries (Bertranda & Zitounab, 2008).

M&As involving targets in developed and developing countries have now become a key constituent of foreign direct investment. In the past two decades, M&As among developed and developing countries were commenced almost solely by corporations in developed nations. While these transactions still have a higher global share, emerging markets have been on the race in recent years. Countries including Mexico, China, Russia, Malaysia, and South Africa are taking the dominance in companies in developed economies at surprising rates.

In 2011, of the 2,585 main acquisitions among developing and developed countries, 20 percent of them were started by firms in emerging economies. Acquirers from Brazil, Russia, India, China and Mexico (BRICM) countries became materially more important, accumulating from 0.3% to 1.7% of all cross border M&A. Though

BRICM firms have clearly become more assertive acquirers, they remain to be more apt to be targets (3.0% of total M&A) than acquirers (1.7% of all M&A). (Morgan and Chase Co., 2008)

Figure 2. Developing countries BRIC and USA comparison between 2001 and 2007. % of total targets and total acquirers that acted as buyers in cross-border M&A transaction. Source: Dealogic; A.T. Kearney Analysis, 2012



Note: Figures may not resolve due to rounding.

One of the reasons developed country companies undergo M&A in emerging economies is explained by the market entry hypothesis, which states that foreign acquirers target Emerging Market firms in order to gain strategic access to Emerging Markets. Hence, while domestic acquirers from Emerging Markets often take over mismanaged and poorly performing companies, acquirers from Developed Countries take over well established and good performing firms in emerging markets. (Zhu, Jog, & Otchere, 2011). Furthermore, the differences between developed and emerging markets, such as the culture, language and the political and legal systems make it

difficult for foreign companies to embark on Greenfield investments and they opt for an M&A alternative. (Zaheer, 1995).

However, Geographical, political, economical or cultural differences can raise the costs of merging two organizations. But also, deficient incorporation of worldwide markets within nations can lead to an acquisition in which a higher valued acquirer buys a fairly low-cost target following changes in exchange rates or stock market valuations in local currency (Erel, 2012).

However, regardless if the target company is located in an emerging economy or a developed country, what is most important for the investors is the value generated from their acquisition. One of the methods for measuring the achievement of the acquisition is by concentrating on the shareholder returns before and after the announcement date; as shareholders are the regulatory authority in the company and the proprietors of the firm. Thus, focusing on the shareholder value yields an efficient evaluation criterion (Tuch & O'Sullivan, 2007).

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II Literature Review

This segment commences by studying the theoretical and empirical lessons of the reasons for mergers and acquisitions and then debates the theoretical and empirical consequences of returns to stakeholders in Domestic, Cross-Border and Emerging Markets mergers and acquisitions.

Motives for M&A

There have been extensive studies that provide possible explanations as to why a company would decide to participate in an M&A. The most mentioned motive is to create value through synergy. However there are many other reasons such as incorporating new technologies, expanding to new markets or even management self-interest, among others. (Vazirani, 2012)

Berkovitch & Narayanan conclude that there are three major motives for M&A: The synergy motive, the agency motive and hubris. (Berkovitch & Narayanan, 1993). Am It, Livnat et al, (1989) affirm that, from the target's perspective, M&A's main reason is to reduce managerial inefficiencies that prevent free cash flows from being distributed to the firm's owners. (Am It, Livnat, & Paul, 1989). Ismail Ahmad (2011) proposes misvaluation as a motive for M&A. He concludes that overvalued acquirers seek to buy less overvalued targets and pay with stock hence benefiting their long-term shareholders. (Ahmad, 2011). Another motive for firms to acquire other companies is to reduce uncertainty by minimizing critical dependencies. These dependencies can be symbiotic, which derive from vertical relationships (i.e. suppliers) or competitive interdependence, when two firms depend on the same resources. (Pfeffer, 1972).

The managerialism theory sustains that managers perform M&A with the objective of maximizing their own utility, even if it is at the expense of the company's shareholders. (Seth, Song, & Pettit , 2000). The hubris hypothesis proposes that managers make mistakes in evaluating targets and possible synergies, but they go through the acquisitions assuming their valuations are correct. (Seth, Song, & Pettit , 2000). These motives result in value destruction for the acquiring firm when the merger is announced. (Ahmad, 2011)

Alternatively, Finkelstein, Cary & Sydney reject that creating greater value for acquiring shareholders, hubris and agency are the only valid motives for M&A. They argue that the reason that most M&A deals are considered as failures is because those motives fall short when explaining the real objectives behind M&A. They propose 4 motivation categories: exploitation (which includes the synergies), exploration, stasis and survival. They recognize reasons such as: assembling a long term industry position, exploring new potential markets, acquiring technologies and ideas for future growth, political favors, preventing competitors from presenting a threat in the future, size as defense against takeovers and preserving or maintaining customer and supplier relations, among others. (Finkelstein, Cary, & Sydney, 2007). Anslinger, et al. explain that companies can pursue a no synergistic strategy for M&A and still get profitable results. (Anslinger & Copeland, 1996).

Although these motives seem valid, there is not enough empirical evidence that supports that they are more relevant than the three most cited theories in the literature: synergies, hubris and agency. The synergy hypothesis, along with the empirical evidence that supports it, is further discussed below.

The Synergy Hypothesis

"Synergy is a word derived from the Greek word synergos, which means "working together" (Campbell and Goold, 1998). The Synergy Hypothesis states that acquisitions occur when the value of the combined firm is greater than the sum of the value of the individual companies. (Seth, Song, & Pettit , 2000) Hence, there is an economic gain as a result of the acquisition. This value creation comes from a variety of sources that can be divided in three categories: Financial, Economical or Operational and Strategic. (Finkelstein, Cary, & Sydney, 2007).

Financial Synergies are created as a result of any alteration to a firm's capital structure that come from acquiring or merging with another company (Lewellen, 1971). In a perfect capital market there are no bankruptcy costs, taxes, information asymmetry, or agency costs. Hence, the capital structure is irrelevant to the firm value. (Modigliani & Miller, 1958) However, in the presence of taxes and bankruptcy costs, capital structure is very important. Financial synergies benefit shareholders by reducing the firm's cost of capital (Trautwein, 1990). The sources of these synergies are: tax benefits, taking advantage of undervalued targets, exploiting unused debt capacity, target's excess cash, diversification and minimizing risk, among others. Lewellen (1971) stated that financial synergies are always positive. However, Leland (2007) argues that when firms have significantly different risks and default costs a merger would create negative financial synergies. (Leland, 2007)

Economical or Operational synergies represent the gains that come from merging the operations of two separate firms into one company. Economies of scale, economies of scope and increase market power are some of the most important sources of this type of synergy. Economies of scale can be exploited by spreading fixed operations costs over more products or units. This includes several functional areas of a company including production, R&D, administration and distribution. Also, an increase in output can also boost efficiency.

Economies of scope are realized when the operations costs of multiple products are reduced by having one company undertake the production and distribution functions of two separate firms. Economies of scale and scope increase shareholder value by reducing operative and administrative costs. Huyghebaert & Luypert (2013) found that acquirers often succeed in realizing cost based synergies during the first year of the acquisition. However the acquirers are much more effective in reducing "other operating costs" such as advertising expenditures and office supplies than "cost of goods sold". (Huyghebaert & Luypaert, 2013). However, according to Chatterjee (1986), out of the three kinds of synergy, the economic or operational is associated with the lowest value. (Chatterjee, 1986)

Strategic synergy sources include overcapacity reductions, vertical integration, product or market extension and acquiring knowledge, capabilities and resources. Overcapacity reductions imply closing down the least competitive target's facilities, letting go of their less effective managers and rationalizing administrative processes. The acquisition would result in a greater market share for the acquirer and most importantly, a more efficient and more profitable operation system (Bower, 2001). In his study, Bower (2001) concluded that from 1997 to 1999 around 37% of acquisitions were driven by the strategic objective of reducing overcapacity.

Vertical integration is often a motive for mergers and acquisitions, since it reduces inventory costs, accelerates the supply chain and improves market access. (Gold & Campbell, 1998). One of the most important strategic motives for M&A is to extend a firm's product line or its international reach (Bower, 2001). Some benefits of acquiring companies for this purpose include a stronger brand name, an expanded marketing and distribution capability and the exploitation of existing customer relationships. (Inkpen, Sundaram, & Rockwood, 2000).

Acquiring "know-how" is another important source of strategic synergies. When a company does not have the resources to develop or improve a product that will help it

stay competitive, a viable solution is to acquire a target that does. Some companies like Microsoft and Cisco have been continuously successful at substituting R&D with M&A. (Bower, 2001). Chatterjee (1986) found that between the financial, economical or operational and strategic sources of synergies mentioned above, the strategic synergy sources are associated with the highest value.

Synergy Hypothesis in Cross Border M&A

Cross Border M&A are also driven by efficiency increase intentions. The main categories of efficiency gains are usually: Production rationalization, Economies of scale and scope and Technological progress. Rationalization improvements might be above significant for cross-border operations. Merging partners are more tending to diverge in their borderline manufacturing costs when they are originally positioned in separate nations, because of country inequalities in relation of capital and employment endowment, jurisdictional and official environment, etc. Also, they may take advantage from savings in business expenditures and a superior marketplace entry abroad (Bertranda & Zitounab, 2008).

However, to obtain some efficiency gains, companies are in the need to disperse their manufacture activities geographically within countries while sacrificing some economies of scale. Indeed, the removal of repeated undividable tasks is very important, since firms look more alike. Also, M&A permit merging firms to obtain benefit of input purchasing economies (Shleifer & Summers, 1988). They came to the idea that the wages paid by firms are lower when they merge internationally, rather than nationally: instinctively, merging companies are capable to threat unions to change fabrication from domestic to foreign plants, building then domestic and extraterritorial unions contend on salaries (Salant & Switzer, 1983).

To some extent, technological implications wins stronger efficiency gains from cross-border M&A. Integration in partnership is more likely to disagree in positions of technological features when being situated in different technological atmosphere, snowballing assets and generating a higher one-way or two-way dissemination of know-how within the firm. The similar style of argument can be prolonged to decision-making and administrative knowledge since M&A distinguish a means of shifting the most effective practices of a company (Arnold & Smarzynska, 2005).

Nevertheless, organizational difficulties may stop merging firms from accomplishing efficiency increases. The obligatory organizational modifications are more challenging to implement for cross-border M&A since there is a higher gap in nations and/or business culture. Furthermore, the market for company regulator is characterized by a high asymmetry in information (Gioia and Thomsen, 2004). Conclusively, purchaser and target firms might not profit similarly from M&A gains if there is one-sided resource redistribution from target firms to purchasers, or the other way round. Firms gain a priori more with bilateral resource redeployments.

Motives for Cross Border M&A in Emerging Markets

According to Atsmon et al, by 2025 the annual consumption in emerging markets will be around $30 Trillion. Furthermore, Emerging Markets will contribute more than 70% of the global GDP growth from 2012 to 2025. These markets represent the biggest growth opportunity in the history of capitalism. (Atsmon, Child, Dobbs, & Narasimhan, 2012).

Zhu, et al. (2011) found that acquisitions in emerging markets undertaken by foreign acquirers are explained by the market entry hypotheses. This hypothesis suggests that cross border acquirers use acquisitions as a way to access emerging markets. (Zhu, Jog, & Otchere, 2011). The differences between developed and emerging markets, such as the culture, language and the political and legal systems make it difficult for foreign companies to embark on Greenfield investments (Zaheer, 1995). Hence, while domestic acquirers from emerging markets often take over mismanaged and poorly performing companies, acquirers from developed countries take over well established and good performing firms in emerging markets. (Zhu, Jog, & Otchere, 2011).

Ozkan (2011) analyzed the impact of domestic and foreign acquisitions on the acquirer's CEO compensation packages using a sample of UK companies from 1999 to 2005. He found that CEOs receive larger compensations following foreign acquisitions, hence, CEOs have strong incentives to perform foreign acquisitions. (Ozkan, 2012)

The synergy hypothesis explained above also applies in acquisitions performed in emerging markets. Chari, et al. found that emerging markets offer an important opportunity to generate higher returns to foreign firms. They propose that acquirers can improve the target's value by implementing their more developed institutional and corporate governance practices, including legal and accounting standards. Also, emerging markets lack strong contracting institutions which makes it hard to write

enforceable contracts. This represents an opportunity for developed market acquirers to overcome this weak institutional environment and increase the target's value. (Chari, Ouimet, & Tesar, 2010).

Cross Border M&A: Theory, proprietorship, location and internationalization.

Theory

The volume of cross-border acquisitions has been growing worldwide, from 23% of total merger volume in 1998 to 45% in 2007 (Weisebach & Erel, 2012). Theoretically, cross-border mergers happen for the same causes as domestic ones: two organizations will unify when their combination upsurges value (or utility) from the insight of the obtaining company's directors. Cross-border acquisitions are a track of reorganizing industry and an open door to a new and sometimes unexploited foreign market. It should be expected that cross-border operations bring a higher performance, superior knowledge-based assets and competitive ownership advantages that allows them to compete in host countries (Bertranda & Zitounab, 2008).

From another point of view, it is well known from the business corporation mindset, that M&A could produce unilateral anticompetitive results; and/or organized effects by smoothing complicity among challenging firms (Dunning, 1977). The studies introduced by Salant et al. (1983) highlight the boundaries of M&A strategies when they are simply driven by a greater market share. Some results of cross-border M&A could differ from those of domestic operations. Anti competition effects are possibly bigger for domestic M&A as there is additional direct competition between merging firms (Levy & Reitzes).

Geographic closeness eliminates some obstacles to trade such as transport costs or custom duties. It supports competition and thus, the motivations to merge for anti-competition reasons: all equal, two companies placed in the same nation compete more than two companies established on independent geographical markets. However, differing from local transactions, cross-border M&A could simplify collusive pricing behavior across markets by increasing multi-market contacts among firms (Bernheim & Whinston, 1990).

Proprietorship decision

The proprietorship decision conditions that the purchasing company should have some competitive advantages in its local market in a way that can be used and transmitted to foreign subsidiaries. These must be firm specific and not straightforwardly imitative by other companies so as to allow the business to generate value throughout the foreign production decision. Also, these proprietary or ownership advantages are generally costly to produce in the domestic market, while having low costs if transferred to overseas destinations (Ayoush, 2011).

Location decision

The location decision tells whether or not the company is interested in a extraterritorial setting that is superior to the location in the company's home-based location and best meet the placement of its proprietorship resources. If so, the company must be competent to gain usage of the characteristics of the foreign market that will permit it to exploit and make the most of its competitive advantages in that market (Ayoush, 2011).

Internationalization decision

Under the internalization decision, the company should take into consideration whether or not it can preserve its competitive attractiveness under the international acquirement or through complementary methods such as licensing or strategic growth (Friedman, 2002). They should be aware that most of the successful mergers and acquisitions have an excellent control on timing and the power to increase exponentially in a relatively small period of time.

There are a lot of risks as well as opportunities complemented with cross-border M&As which may disturb their performance in contrast with domestic ones. Therefore, there are models and explanations why acquirers involved in cross-border M&As are projected to underachieve or over perform their local adversaries.

One of the obstacles that may damage the outcome of an M&A deal and cause foreign acquisitions to fail is mentioned by Finkelstein (2007) who shows a theory of bigger employee confrontation in cross-border transactions. In her point of view, the factor for the underperformance is that the workers respond baldy to changes. Therefore, since the managerial style as well as the modification of the career opportunities or reward structures is much more unlike between corporations from different nations than in corporations from the same nation, transnational acquirers are predictable to underperform their domestic rivals. (Finkelstein, Cary, & Sydney, 2007)

Another obstacle why underperformance is probable in international acquisitions in contrast with domestic acquisitions starts from the difficulty of Information Asymmetry. This asymmetry and deficiency of information in cross-border transactions may origin transnational acquirers to overestimate the aims and be more prone to overbid. So, once the acquisition, the transnational buyers may confront bigger obstacles in incorporating the target than domestic buyers (Gioia & Thomsen, 2004) which might produce underperformance.

Independent from the problems that can arise internally, we can also mention problems that are inherent from the cross border location itself. Some examples are:

- High cost of obtaining firms, often at a premium price.
- Legal and bookkeeping expense during the transition process
- The possible liabilities of the obtained firm
- The trouble in merging the philosophies, background and personnel of two different companies

Instead, there are other investigators who mention some motives why international buyers are expected to outperform their local competitors. For instance, Moeller and Schlingemann (2005) presented that purchase of overseas assets provided the buyer's firm with singular opportunities than those ascending from inland transactions, such as risk management, knowledge expansions and, occasionally, superior management strategies. Also, cross-border procurements give the chance for the businesses to contact different markets. This will deliver the collective firm with a growth in the economies of scale; since the combined production and increased sales will enable them to make cuts in the unit cost (Morck & Yeung, 2003). Consequently, cross-border purchases are predicted to prove greater in characteristic industrial businesses where scale is a key to triumph.

Sutton and Steigner also examine the impact of national culture on internalization benefits in cross- border M&As. This theory is based on the work of Hymer (1960, 1976), Buckley and Casson (1976, 1985), and Rugman (1989, 1991), among others. They claim that the value of internalizing intangible assets may grow if cultural differences create high transaction costs. Their results showed that greater cultural distance has a positive encouragement on the long run functioning of buyers with high intangibles, implying that internalization benefits from technological know-how are realized when cultural distance is greater between both companies. In order to obtain those conclusions, they made a sample that consisted of 460 U.S. bidder companies that acquire non- U.S. target firms between 1987 and 2004. Their examination of post-merger operating performance showed that buyers with big levels of intangible

assets in the form of scientific know-how meaningfully profit from internalization in countries with abundant cultural differences. High levels of intangibles only do not seem to lead to optimistic internalization remunerations, but the grouping of high levels of intangibles with high cultural distance is imperative in understanding internalization advantages (Steigner & Sutton, 2011).

Moreover, Bertrand and Zitoun (2005) proposed a theory that states that international acquirements permit buyers to transfer their technological and decision-making capabilities to the home of the new company, which will outcome in refining the new company's performance. This as an outcome predicts that international transactions will outperform domestic ones.

Review Empirical Studies

Time periods

Extensive empirical reports have been done to observe the issue of the returns to shareholders in M&As. These reports have been directed either for the short-term or the long-term. In the short-term studies, the time length under inspection involves weeks or months after the formalization of the merger and acquisition transaction, whereas in the long-term studies the academics prolong their inspection time length to involve several years after the announcement date.

Short term and long-term studies have each shown individually that there are advantages and disadvantages. Most of the studies include under their assumptions that the stock market is efficient, meaning that the behavior of the stock market after the notice of the M&A provides a reliable measurement of the merger expected value. At the same time, this provides the market efficient information. This will then push the market, in a short time frame, to recognize the pros and cons of the acquisition and translate it to a change on the share price at the moment of the merger (Sudarsanam S. , 2010).

Short period

Short period of time frame may not reflect the real impact of the merger. They suggest that in order to state a real opinion, the time length should be of several years after the announcement, in order to analyze the whole effect. Their main argument is that the investors need time to valuate if the decision was right, and not be clouded by the initial expectations. Valuate the implications of the merger and how the competitors react over it is essential to make a better examination (Tuch & O'Sullivan, 2007). In most cases, when the returns are examine over short time periods around the declaration day of the merger, most of the reports have shown important positive

capital earnings for the target company shareholders due to the premium paid for their shares.

Long period

Even though the long period can have the time to analyze what the short period don't it carries with it other bigger problems. As for example, the growth in possibilities for the existence of changes in other operational or financial actions for the buyer companies in the longer event windows, which can change the valuation of the merger, because it's almost impossible to isolate the takeover consequences from those produced by other changes. Nevertheless the long period decreases the reliability of the test outcomes and increases the bad model problem (Tuch & O'Sullivan, 2007).

In comparison with the short period, studies lead over long periods after the acquisition have shown mixed results dependent on the kind of procedure employed; but in most cases returns to acquirers shareholders are often significantly negative (Mueller and Yurtoglu, 2007).

Effects of mergers and acquisition

There are three common effects when it comes to a merger and acquisition:

- Financial performance
- Industry and aggregate concentration levels
- Social welfare

The financial performance of the firm would absolutely be disturbed by the business combination, as a consequence of interactions or interference that may either rise or

diminish the company's operating performance. Instead, the combination of two or more firms would decline the amount of companies in a particular industry; that as a result of the variations in financial performance and aggregate concentration levels. Merger and acquisition would also touch the social welfare of the communities. For instance, bringing more banks to a developing country would increase the number of people that would tend to place their money in different investing instruments.

Domestic Mergers and Acquisitions in the US

Goergen and Renneboog (2007) concluded that US studies showed an irrefutable conclusion were the target companies owners obtained statistical high wealth gains; while the results on the bidders wealth gain at the time of the acquisition showed zero, small gains or negative returns (Goergen & Renneboog, 2007). At the same time, Tuch and O'Sullivan (2007), analyzed a time period from 1950 to 2007 and demonstrated that the transactions with higher positive returns where US companies who conducted the takeover between 1950 and 1960, while from 1980 to 2005, the results displayed little or negative performance in most cases, in contrast with other nations being more positive.

Short time frame analyses, which are guided for the United States, exhibit that target companies owners realize important benefits. While, the outcome for the bidder companies owners show either no significant difference in the returns to acquirers, small positive or negative significant returns around the announcement of the bid (Tuch & O'Sullivan, 2007). In the long-term time frames most of the investigations worked by the Unites States bidders find negative significant or insignificant returns, particularly those directed for public targets.

Fuller et al. (2002) inspected the short time frame investor returns for a model of 540 US public acquirers who gained six , seven or more local targets inside a 3 year time frame between 1990 and 2000. They studied the five-day event phase nearby the declaration day operating the market-adjusted model. Their analysis measured public,

private and subsidiary target companies, relation size and the scheme of payment. The outcomes for each of the bids are statistically significant positive CARs of 1.70%. More exactly, the effects show that bidders who purchase private companies got gains with important positive returns of 2.07%, increase when the firm is a subsidiary of a public company with noteworthy progressive returns of 2.75%, while they fail when the bidder buys a public company experiencing important negative returns of -1%. Also, the outcomes illustrate that when the buyer uses stock as a compensation scheme or when the target is big relative to the buyer, the gain or loss for the buyer companies is superior in absolute value.

Moeller et al., (2004) studied a complete sample of 12,000 national acquirements completed by US public buyers among 1980 and 2001, having in mind the size effect. In the short time frame they employed the market model to compute the 3 day cumulative abnormal returns and in the long time frame the Fama-French 3 factor was employed over the 36 months stage. The outcomes demonstrate positive significant cumulative abnormal returns of 1.102% throughout the 3 days time frame period, although in the long term the fallouts display unimportant positive returns between 1.1% and 2.05%. Though, their outcomes display that the declaration of acquiring small firms is meaningfully superior than big companies with abnormal returns 2.24 % greater than that associated with acquisition announcements for big companies.

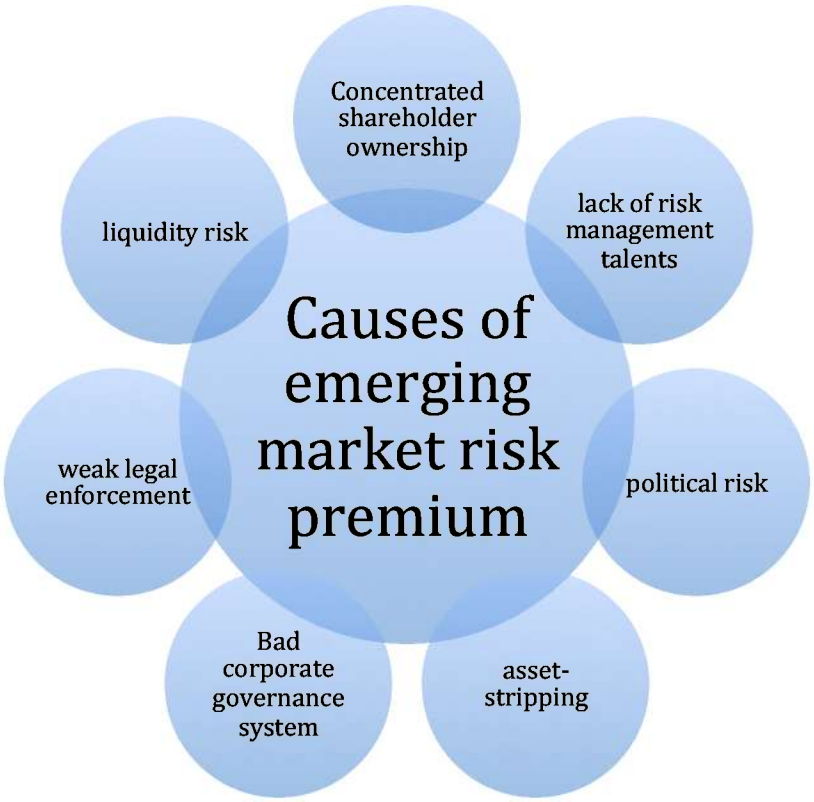
The consequences for the long-term post mergers performance of acquirers are diverse and not convincing because of the sensitivity of the owner capital performance over the long- term time frame to the benchmark model used for analyzing the long-term abnormal returns, which represents a complex methodological problem. Though, the common of the former reports demonstrate wealth losses for the buyers at the time of the bid declaration and also in between the post-acquisitions period (Sudarsanam S. , 2010).

Emerging Markets M&A

Cross-border mergers and acquisitions, including those in emerging countries, have now become a major component of foreign direct investment (Zhu & V, 2012). It is well known that the most divergent characteristic of emerging markets is higher instability of stock prices. It is also known in what is called as the "emerging market risk premium" (Barry et al. 1997; Claessens et al. 1995).

According to Zhu (2012), the explanation for this greater risk range is presented in Figure 3:

Figure 3. Main causes of emerging marker risk premium



Weak legal enforcement, bad corporate governance system, asset stripping and political risk are only sub divisions of a country's weak institutions. Because most of the developing countries where once a colony or part of an empire, and have recently obtain their independence, institutional implementation is far still from being efficient compared with developed countries.

Some of the causes mentioned before can be amended by foreign firms, making companies increase their value over other local firms. As for instance cross-border partial purchases can expand the transnational shareholder base of the buying company and reduce the concentrated local shareholder proprietorship in emerging country firms. The developing globally diverse investor base is less likely to experience concurrent, symmetric, and important economic shocks and therefore may be superior to manage risks (Pazarbasioglu & Goswami, 2007).

There are studies where cross-border acquisitions can be a successful technique to transfer corporate governance systems to target companies. Specifically, Bris and Cabolis (2008) debate that, by international law, the nationality of the target company modifies when 100 percent of it is obtained by a foreign company. The nationality change denotes that the target company must accept the legal and investor right fortification structure of the buying country.

For partial acquisitions, Bris and Cabolis (2008) also propose that the target companies may freely negotiate a reserved agreement with the acquiring company to implement superior bookkeeping standards, disclosure practices, and authority configurations of the acquiring company. Besides, the target companies have the incentive to increase their governance system because the clearer stockholder security and accounting standards in the acquirer's country results in a better merger premium and higher industry value (Bris & Cabolis, 2008)

In this context, Martynova and Renneboog (2008) show that the acquisition announcement returns are positively correlated with the governance transfer effect from the acquiring firms to the target firms (Martunova & Renneboog, 2008). However, this study predominately examine the governance transfer effect on firm evaluation and show that target firms' shareholders benefit from better corporate governance in the acquiring firms, but this study does not examine the impact of corporate governance transfer on target firms' risk.

Cross Border vs Domestic M&A

Some hypotheses suppose higher profits and returns in international transactions in relationship with local ones, while others demonstrate different conclusions, which are the outperformance of domestic acquirers over international acquirers. Nevertheless, confirmation till now on whether cross border deals have a relatively more positive, or negative, effect on bidder cumulative abnormal returns (CARs), in comparison to domestic acquisitions is still discussed, contingent on the country of the buyer and the time period covered in the previous studies (Ayoush, 2011).

Moeller and Schlingemann (2005) inspected the stock behavior for a sample of the United States acquirers associated in domestic and cross-border acquisitions between the years 1985 and 1995. They used the market-adjusted returns model for the (-1, +1) event window nearby the proclamation day. For the cross-border model the CARs were (0.307%) while for the local model the returns were 1.173%. Thus, they concluded US buyers in cross- border dealings had inferior returns than buyers in local transactions.

US M&As trend

The U.S. is the biggest inbound and outbound endpoint for cross-border M&A, as measured by volume by Morgan and Chase company (2008). The trends for U.S. inbound vs. outbound dealings are totally dissimilar. From 2001 to 2007, the share of U.S. inbound M&A as a percentage of total cross border M&A increased from 6.3% to 7.6%, whereas U.S. companies share of outbound cross-border M&A declined from 7.4% to 5.3%". (Morgan and Chase Co., 2008)

Acquirers from Brazil, Russia, India, China and Mexico (BRICM) countries became materially more important, accumulating from 0.3% to 1.7% of all cross border M&A (Table 1). Though BRICM firms have clearly become more assertive acquirers, they remain to be more apt to be targets (3.0% of total M&A) than acquirers (1.7% of all M&A). (Morgan and Chase Co., 2008)

Table 1. Compariosn between 2001 and 2007 M&A deals

Cross-Border M&A involving BRICM firms on the rise

	% of total targets		**% of total targets**	
	2001	2007	2001	2007
U.S.A	6.30%	7.60%	7.40%	5.30%
BRICM	2.10%	3.00%	0.30%	1.70%

Source: Dealogic as of Jan 7, 2008 & JP Morgan
Note: Figures represen a percentage of total cross-border M&A activity

III Development of hypothesis

The main question this study aims to answer is whether a developed country firm would generate higher returns to its shareholders by acquiring a company from the US or by acquiring an Emerging Market target.

On one hand, a developed country firm could face less difficulties when acquiring a company from a developed country and hence could realize higher profits. Cultural differences would be less accentuated, companies from developed countries are more transparent and the acquiring firms have more access to information. Emerging markets face higher political, social and legal risks which can ultimately hurt a company that is not used to handling these situations. Local Emerging Market competitors have a better understanding of the market and the systematic risks involved. If these factors, and or others, are relevant, we could expect that the returns generated from the announcement of a US firm acquisition are higher than those generated by the announcement of an Emerging Market company acquisition

On the other hand, the Emerging Markets represent the biggest growth opportunity in the history of capitalism (Atsmon, Child, Dobbs, & Narasimhan, 2012) these growth opportunities can be transformed in increased acquirer shareholder returns. Furthermore, developed country acquirers can improve an Emerging Market target's value by implementing their more developed institutional and corporate governance practices. Hence, if developed country acquirers can generate higher synergies when acquiring a target from an Emerging Market rather than a US target, we could expect the acquirer returns of developed companies to be higher when announcing the acquisition of an Emerging Market target in comparison to the returns generated by the announcement of the acquisition of a US target.

Hypothesis statement:

Developed Country acquirers generate higher returns to their shareholders when announcing the acquisition of a US firm target than when they announce the acquisition of an Emerging Target company.

IV Data sample

Sample Selection

This thesis examines a sample of developed world acquirer firms that underwent mergers and acquisitions with targets from developed countries and emerging markets, from 2010 to 2012.

The information about the companies involved in M&A was retrieved manually from ACG's official monthly magazine "Mergers & Acquisitions". In the "Deal Flow" section of the magazine contains information on the firms involved in the acquisition, the announcement date, the industry they belong to and the acquisition price. The daily stock prices for the acquirer companies were retrieved from Yahoo Finance Database (finance.yahoo.com, 2013).

In order to be included in the sample, the companies involved in the mergers and acquisitions must satisfy these conditions:

- Acquirers are public firms from developed countries.
- Acquirers have stock prices data for at least 250 days prior to the announcement date and 10 days after available on the Yahoo Finance Database.
- The targets must be from USA or Emerging Markets.

Sample description

We obtained the preliminary number of completed deals from the monthly magazine "Mergers and acquisitions" from 2010 to 2012, taking into consideration not all but 13 random months between that period. The total deals were 563, but only 195 of them have all the information needed for our study. All the information had to comply with the following criteria:

- Have information about the acquirer and buyer headquarters office.

- Know the industry's classification of the target company.
- The final price of the transaction

Given that, we could only used 195 observations (35% of all the data collected) employed in mergers and acquisitions. Appendix 1 provides a list of all the companies used in our sample and indicates if it was a merger between a developed country being the acquirer and a developing country being the target, USA being the acquirer and a developed country being the target or USA having a domestic deal.

A description of the sample employed in our study is shown in Table 2 which indicated the features of the sample and splits

Table 2. Descriptive sample used for the study

	Cross Border M&A Acquirer: Developed, Target: Developing		Cross Border M&A Acquirer: Developed, Target: USA		Domestic M&A USA		Total	
Year	Number	%	Number	%	Number	%	Number	%
2010	8	24%	6	17%	27	21%	41	21%
2011	14	41%	18	51%	65	50%	97	50%
2012	12	35%	11	31%	34	29%	57	29%
Total	34	100%	35	100%	126	100%	195	100%

Table 3 shows the target industry of our three study cases:

Table 3. Target industry classification of the study sample

Cross Border M&A Acquirer: Developed, Target: Developing	Number	%
Others	13	38%
Food and kindered products	6	18%
Commercial Banks, Bank Holding Companies	4	12%
Insurance	3	9%
Oil and gas; Petroleum refining	3	9%
Machinery	2	6%
Mining	2	6%
Investment & Commodity Firms, Dealers, Exchanges	1	3%
Total	34	100%

Cross Border M&A Acquirer: Developed, Target: USA	Number	%
Others	9	26%
Oil and gas; Petroleum refining	6	17%
Business Services	5	14%
Drugs	4	11%
Machinery	3	9%
Food and kindered products	2	6%
Investment & Commodity Firms, Dealers, Exchanges	2	6%
Measuring, Medical, Photo Equipment; Clocks	2	6%
Prepackaged Software	2	6%
Total	35	100%

Domestic M&A Acquirer: USA, Target: USA	Number	%
Others	40	32%
Oil and gas; Petroleum refining	14	11%
Business Services	11	9%
Electric, Gas, and Water Distribution	9	7%
Health Services	8	6%
Real Estate; Mortgage Bankers and Brokers	7	6%
Prepackaged Software	6	5%
Investment & Commodity Firms, Dealers, Exchanges	5	4%
Commercial Banks, Bank Holding Companies	4	3%
Food and kindered products	4	3%
Measuring, Medical, Photo Equipment; Clocks	4	3%
Metal and Metal Products	4	3%
Telecommunications	4	3%
Insurance	3	2%
Miscellaneous Retail Trade	3	2%
Total	126	100%
Study case total samples	195	

From Table 3, it can observed that developed countries that make an acquisition in developing markets tend to buy in their majority food and kindred products (18%), commercial banks (12 %), insurance companies (9%) and oil and gas companies (9%). Industries with two or less samples where all grouped in "others" category. Cross-border M&As when the acquirer was a developed country and the target was USA oil and gas (17%) was the most popular industry, followed by business services (17%) and drug industry (14%). Among the domestic USA M&As once again oil and gas occupies the first place (11%), business services (9%) and Utilities supply being electric, gas ad water distribution (9%) are among the most frequent deals.

They all have in common that oil and gas, including petroleum refining is one industry where all the countries try to buy the most when they make an M&A transaction. Developed countries make more transactions within the energy sector than with developing countries. This can be explained because the energy market is more liberalized is developed than in developing countries. According to the information, food industry still has a higher niche in emerging markets, and big companies are investing on them. Utilities services (electricity, gas and water distribution) is mostly trade in domestic M&As rather than cross-border transactions in the USA.

Consistent with other studies, targets that are private represents a greater number than public targets in the process of mergers and acquisitions. Shah, S (2013) mention that in general more than 70% of the total transactions involve privately held target companies.

V Methodology

Event Study Methodology

The event study methodology is used to examine short-term returns behavior around the acquisition announcement dates. Average abnormal returns (AARs) and cumulative average abnormal returns (CAARs) are calculated for different event windows around the announcement date.

An event study measures the impact of a specific event, like a takeover announcement, on the value of a firm. The rationale behind this kind of studies lies in the supposition that, in efficient markets, the effects of an event are immediately reflected in security prices. In finance research, event studies are applied in a variety of firm specific events, like earnings announcements, M&A announcements, debt and equity issues and announcement of macroeconomic variables, among others. (Mackinlay, 1997)

An event study starts by defining the event of interest and identifying an event window, which is the period over which the security prices of the companies involved in the event will be studied. The event of interest for this study is the announcement of an M&A deal. The event window surrounds the announcement day, which is designated as day 0.

The Event Window

Mckinlay (1997) states that even if the event being studied is an announcement date, it is typical to set the event window length to be larger than one. This facilitates the use of abnormal returns in the analysis.

In this study, five event windows around the announcement date are used: (-1, +1), (-2, +2), (-5, +5), (-10, +10) and (-38, +10). The three day event window is suggested by Neelam et al. in their M&A event study (Neelam, Yadav, & P.K., 2013). According to them, it captures immediate market response to the M&A announcement. An 11 day window, (-5, +5) is used by Saens and Sandoval (2005) and Brown and Warner (1985). The latter authors also suggest the use of a longer 21 day event window, (-10, +10) which is supposed to capture any information leakages and late responses by the market. A 41 day window is suggested by Neelam, et al (2013) in their study of M&A in India (Neelam, Yadav, & P.K., 2013).

Abnormal Returns

To analyze the event's impact on shareholders returns it is necessary to differentiate between normal and abnormal returns. The abnormal return is defined as the ex post return of the firm over an event window minus the normal return of the company over the same event window. The normal return is the expected return without conditioning on the M&A taking place. (Mackinlay, 1997). The abnormal return ($AR_{i\tau}$) is defined by Equation 1

Equation 1

$$AR_{i\tau} = R_{i\tau} - E(R_{i\tau}|X_{\tau})$$

Where

$R_{i\tau}$= actual return for time period τ.

$E(R_{i\tau}|X_{\tau})$ = normal return for time period τ

Xτ = conditioning information for time period τ

Estimating Normal Returns

Abnormal returns can only be estimated when comparing actual returns against a benchmark. Hence, in order to estimate abnormal returns it is necessary to use a model to generate normal returns. There are two common methods to model these returns, the constant mean return model and the market model. (Mackinlay, 1997) In the former $X\tau$ is defined as a constant, while in the latter $X\tau$ is the market return.

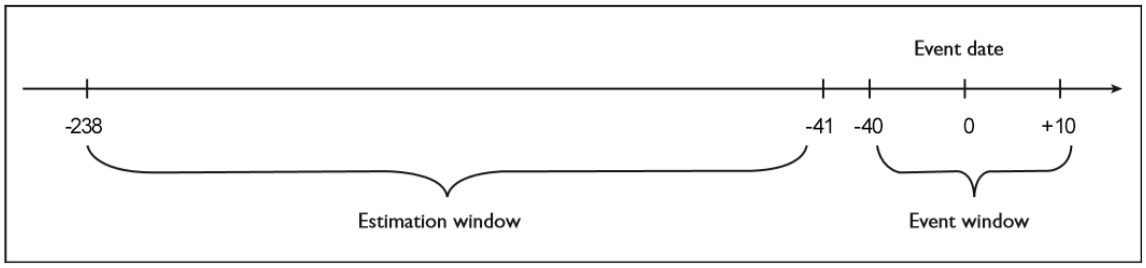
The Mean Adjusted Returns Model assumes that the expected return of a given security is constant trough time, and may differ across securities. This model is consistent with the capital asset pricing model (CAPM). They both share the assumption that a security has constant systematic risk and that the efficient frontier is stationary. The CAPM also predicts that a security's expected return is constant. (Brown & Warner, Measuring Security Price Performance, 1980). On the other hand, The Market Adjusted Returns Model assumes a stable linear relation between the market's return and a given security.

According to Brown and Warner (1980) the mean adjusted returns model performs well under a wide variety of conditions. The validity of this model is supported in several studies (Saens & Sandoval, 2005), (Brown & Warner, Measuring Security Price Performance, 1980), (Brown & Warner, 1985). The authors conclude that the mean adjusted returns model provides similar results to those of more complicated models which adjust for market wide factors or risk because the variance of abnormal returns is not significantly reduced by choosing a more complex model. The mean adjusted returns model is used in this study to estimate the normal returns of the companies in the sample.

The Mean Adjusted Return Model

In order to estimate normal returns it is necessary to define a period of time in which the company's returns are unconditional to the M&A announcement. This period of time is known as pre-event window or estimation period and in this study is defined as -240 days to -51 days before the announcement date. Similar estimation periods are used in other M&A event studies (Sudarsanam & Mahate, 2003) (Brown & Warner, 1985).

Figure 4. Event Window and Estimation Window.



The daily returns for every company in the sample are estimated for the pre event window period. The average of the resulting returns is calculated and denoted as "normal return" for each firm. The abnormal returns for each firm are then calculated by subtracting the actual daily returns less the normal return as shown in Equation 2.

Equation 2

$$E(R_{i\tau}|X_{\tau}) = \frac{\sum_{T=-51}^{T=-250} R_{iT}}{N}$$

Calculating Average Abnormal Returns

The Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAARS) are calculated for each of the five previously defined event windows using Equation 1and Equation 2, respectively.

After estimating abnormal returns for the 195 securities, it is necessary to obtain a representative single measure of abnormal returns for each day in the event window. Hence the average abnormal returns are estimated for the M&A with US targets and M&A with Emerging Markets targets separately and for the whole sample. AARs are calculated as follows:

Equation 3

$$AAR_t = \frac{1}{N}\sum_{i=1}^{N} AR_{it}$$

Where:

AAR_t = average abnormal return for day t

N = number of events in the sample

Calculating Cumulative Average Abnormal Returns

Brown and Warner (1985) assert that it is common to observe leakage of information regarding a relevant event, in this case the M&A. This could lead to an increase or decrease of acquirer shareholder returns due to the M&A even before its announcement. Furthermore, the market may take some time to fully incorporate the news in the acquirer's stock price after the announcement date. Hence, AARs are a poor indicator of the total impact of the information release. A better indicator would be the CAARs which are the sum of AARs over a defined event window. (Brown & Warner, 1985). Dissa and Perera also state "*CAARs captures the total firm specific*

stock movement for an entire period when the market might be responding to new information" (Dissa & Perera, 2010). CAARs are calculated as follows:

Equation 4

$$CAAR_T = \sum_{i=1}^{T} AAR_t$$

Where:

$CAAR_T$ = Cumulative average abnormal return returns to day 'T'.

T = Number of days in the event window.

AAR_t = average abnormal return for day t.

Significance testing

Significance tests are procedures used to verify the truth or falsity of a null hypothesis. In this study, the null hypothesis is that the abnormal returns at the announcement date and the CAARs around the announcement date are zero. Which would mean that the announcement of a M&A deal would have no effect on the acquirer returns. In order to test the hypothesis that the AARs and the CAARs at the announcement date are statistically different from zero, the following t-statistics are calculated: t-statistic simple parametric test and the Crude Dependence Adjusted Test (CDA). The null hypothesis is rejected when the values obtained from estimations are higher than the critical values.

T-Statistic Parametric Test

Significance of AARs and CAARs for the event period is tested using T-statistics. The T- Statistic for the null hypothesis that AAR=0 is estimated as follows:

Assume; $AR_{it} \sim (0, {\sigma^2}_i)$

Where

${\sigma^2}_i$ = Variance of abnormal returns in the event window.

$$\hat{\sigma}^2(AR_t) = \frac{1}{N-1}\sum_{i=1}^{N}(AR_{it} - AAR_t)^2$$

$$\hat{\sigma}^2(AAR_t) = \frac{1}{N}\sigma^2(AR_t)$$

$$\hat{\sigma}(AAR_t) = \sqrt{\frac{1}{N}\sigma^2(AR_t)}$$

$$T(AAR) = \frac{AAR}{\hat{\sigma}(AAR_t)}$$

Where

N= number of events in the sample

The T- Statistic for the null hypothesis that CAAR=0 is estimated as follows:

Assume; $CAAR_t \sim (0, {\sigma^2}_T)$

$$\hat{\sigma}(CAAR_t) = \sqrt{T\sigma^2(AAR_t)}$$

$$T(CAAR) = \frac{CAAR_t}{\sigma(CAAR_t)}$$

Where

T= number of days over which average abnormal returns are cumulated.

The Crude Dependence Adjusted Test

This parametric test was used by Brown and Warner (1985) in their securities return study to analyze the statistical significance of security returns. This tests compensates for potential dependence of returns across security events. To do so, Brown and Warner (1985) suggested that the standard deviation of average residuals should be estimated from the time series sample average abnormal returns from the estimation period. This test avoids the problem of cross – sectional correlation of security returns. The CDA test statistic for the null hypothesis that AAR=0 is estimated using Equation 7 the CDA test statistic for the null hypothesis that CAAR=0 is estimated using Equation 8.

Equation 5

$$\hat{\sigma}_{AAR}^2 = \frac{\sum_{k=-238}^{-41}(AAR_k - \overline{AAR})^2}{N-1}$$

Equation 6

$$\overline{AAR} = \frac{\sum_{k=-238}^{-41} AAR_k}{N}$$

Equation 7

$$CDA_t = \frac{AAR_t}{\hat{\sigma}_{AAR}}$$

Equation 8

$$CDA_t = \frac{CAAR_t}{(T_2 - T_1 + 1)\frac{1}{2}\hat{\sigma}_{AAR}}$$

VI Empirical results

The results of the tests conducted on the complete sample are presented, along with the tests performed for the US targets sample and the Emerging Markets targets sample. The increase or decrease in acquirer shareholder returns are measured by the CARs in five event windows surrounding the announcement date. Significance t-tests and CDA are carried out in order to test the statistical significance of the results.

Statistical Properties of Abnormal Returns

Table 4 shows some statistical properties of the estimated abnormal returns on the pre-event window data (-50 to -250 days before the announcement date). During this "clean" period, no abnormal performance is expected.

Table 4. Properties of daily performance measure for individual stocks. For each security, parameter estimates are based on the estimation window abnormal returns. For each parameter, the table reports the mean of 45,600 estimates

Mean	Standard Deviation	Skewness	Kurtosis	Studentized Range
0.00	0.02245	0.15	5.89	7.69

Table 4 shows that abnormal returns are highly non-normal. The departure from normality is comparable to the reported by Brown and Warner (1985). The mean studentized range of abnormal returns is 7.69 compared to a value of 6.85 of a normal population of size 200. The man value of kurtosis exceeds the value of the 0.99 fractile of the studentized range distribution under normality (Saens & Sandoval, 2005).

Short Term Returns Analysis

The short term cumulative average abnormal returns (CAARs) for five different event windows are shown in Table 5. These abnormal returns were estimated using the Mean Adjusted Returns Model for the whole sample of M&A, the M&A with US targets sample and the M&A with Emerging Markets Sample.

Table 5. Cumulative Average Abnormal Returns Around the M&A Announcement Period. For each estimation, the returns of 195 securities over a period of -238 days to +10 days around the announcement date are used. The mean adjusted returns model is used to estimate normal returns, using an estimation period of 198 days from -41 to -238 days before the announcement date. Abnormal returns are used to compute cumulative average abnormal returns (CAARs) for five event windows around the announcement date (-1, +1), (-2, +2), (-5, +5), (-10, +10), (-40, +10). Results are shown for the whole sample, the M&A deals with US Targets and the M&A deals with Emerging Markets Targets.

Event Window	CAARs ALL M&A	CAARs M&A with US Targets	CAARs M&A with Emerging Market Targets
(-1, +1)	**-0.0041**	**-0.0045**	**-0.0025**
t-statistic	-0.2642	-0.2495	-0.0878
CDA	-0.0567	-0.1618	-0.0373
(-2, +2)	**-0.0057**	**-0.0056**	**-0.0063**
t-statistic	-0.2832	-0.2430	-0.1736
CDA	-0.0471	-0.1221	-0.0571
(-5, +5)	**-0.0115**	**-0.0098**	**-0.0206**
t-statistic	-0.3845	-0.2859	-0.3796
CDA	-0.0431	-0.0968	-0.0841
(-10, +10)	**-0.0279**	**-0.0218**	**-0.0591**
t-statistic	-0.6719	-0.4609	-0.7899
CDA	-0.0545	-0.1130	-0.1267
(-40, +10)	**-0.0455**	**-0.0357**	**-0.0960**
t-statistic	-0.7040	-0.4844	-0.8228
CDA	-0.0367	-0.0762	-0.0847

*** = Significant at the 1% level, ** = Significant at the 5% level, * = Significant at the 10% level.

The results shown in Table 5 are consistent across the three samples, they show negative acquirer CAARs for all event window and none of them is statistically significant. In the (-1, +1) event window, the acquisitions with US targets seem to generate lower CAARs than those with Emerging Market targets. However, for the remaining event windows, the M&A deals with US targets show higher CAARs in comparison with the M&A deals with Emerging Market targets. The difference between CAARs in the samples with US and Emerging Markets targets seems to increase as the event windows become larger. Also, CAARs seem to decrease with larger event windows in all the samples. The US Targets CAARs are -0.45% for the three day event window, they fall to -0.56% for the 5 day event window, and they end at -3.57% in the 51 day event window. The Emerging Markets Targets CAARs follow a similar, although more negative, path as CAARs go from -0.25% for the three day event window to -9.6% in the 51 day event window. Negative CAARs around M&A announcement dates and low statistical significance of AARs and CAARs are common in other studies. (Neelam, Yadav, & P.K., 2013)

The average abnormal returns for the 21 day event window around the announcement date are shown in Table 6. None of these results has shown statistical significance. Abnormal returns were -0.08% on the announcement date for the whole sample. For the M&A deals with US targets, the AAR on the announcement date is -0.06% and it is -0.014% for those deals with Emerging Markets Targets. As Brown and Warner (1985) stated, it is hard to draw conclusions and fully analyze the extent of the impact of an M&A acquisition by studying only AARs. These results are proof that the market takes time to fully incorporate the M&A announcement in the acquirer's stock value.

Table 6. Average Abnormal Returns to the Acquirer Shareholders. AARs are presented in a 21 day period around the announcement date. Abnormal returns were estimated using a Mean Adjusted Returns model with an estimation period of 198 days from -41 to -238 days before the announcement date. For each estimation, the returns of 195 securities over a period of -238 days to +10 days around the announcement date are used.

	Whole Sample			M&A with US Targets			M&A with Emerging Markets Targets		
Day	AAR	Tstat	CDA	AAR	Tstat	CDA	AAR	Tstat	CDA
10	-0.0028	-0.3084	-0.0573	-0.0013	-0.1306	-0.0734	-0.0102	-0.6264	-0.2302
9	-0.0045	-0.4963	-0.0923	-0.0045	-0.4405	-0.2474	-0.0042	-0.2571	-0.0945
8	0.0012	0.1296	0.0241	0.0018	0.1775	0.0997	-0.0022	-0.1370	-0.0504
7	-0.0018	-0.2041	-0.0380	-0.0007	-0.0641	-0.0360	-0.0080	-0.4878	-0.1792
6	-0.0012	-0.1374	-0.0255	-0.0005	-0.0494	-0.0278	-0.0050	-0.3077	-0.1131
5	-0.0019	-0.2056	-0.0382	-0.0018	-0.1699	-0.0954	-0.0024	-0.1475	-0.0542
4	0.0012	0.1324	0.0246	0.0016	0.1536	0.0863	-0.0008	-0.0490	-0.0180
3	-0.0001	-0.0071	-0.0013	0.0011	0.1057	0.0594	-0.0060	-0.3690	-0.1356
2	-0.0025	-0.2755	-0.0512	-0.0026	-0.2522	-0.1417	-0.0019	-0.1177	-0.0433
1	-0.0032	-0.3557	-0.0661	-0.0048	-0.4612	-0.2591	0.0048	0.2909	0.1069
0	**-0.0008**	**-0.0859**	**-0.0160**	**-0.0006**	**-0.0629**	**-0.0353**	**-0.0014**	**-0.0879**	**-0.0323**
-1	-0.0001	-0.0160	-0.0030	0.0010	0.0921	0.0517	-0.0058	-0.3552	-0.1305
-2	0.0009	0.0999	0.0186	0.0015	0.1408	0.0791	-0.0019	-0.1184	-0.0435
-3	-0.0014	-0.1520	-0.0283	-0.0012	-0.1133	-0.0637	-0.0024	-0.1492	-0.0548
-4	-0.0030	-0.3339	-0.0621	-0.0034	-0.3280	-0.1842	-0.0011	-0.0694	-0.0255
-5	-0.0007	-0.0758	-0.0141	-0.0005	-0.0528	-0.0296	-0.0014	-0.0866	-0.0318
-6	-0.0014	-0.1594	-0.0296	-0.0009	-0.0841	-0.0472	-0.0044	-0.2698	-0.0992
-7	0.0007	0.0820	0.0152	0.0003	0.0280	0.0157	0.0031	0.1886	0.0693
-8	-0.0015	-0.1692	-0.0315	-0.0020	-0.1972	-0.1108	0.0011	0.0659	0.0242
-9	-0.0025	-0.2723	-0.0506	-0.0025	-0.2393	-0.1344	-0.0024	-0.1487	-0.0546
-10	-0.0024	-0.2685	-0.0499	-0.0017	-0.1641	-0.0922	-0.0062	-0.3809	-0.1400

*** = Significant at the 1% level, ** = Significant at the 5% level, * = Significant at the 10% level.

Figure 5 shows the CAARs for the whole sample in the 21 day event window. It can be observed how CAARs constantly decrease over time in a 21 day period around the announcement date. According to these results, on average, M&A announcements destroy value for the acquirer shareholders.

Figure 5. Cumulative Average Abnormal Returns: All M&A. cumulative average abnormal returns for the complete sample from 10 days before the announcement date to 10 days after.

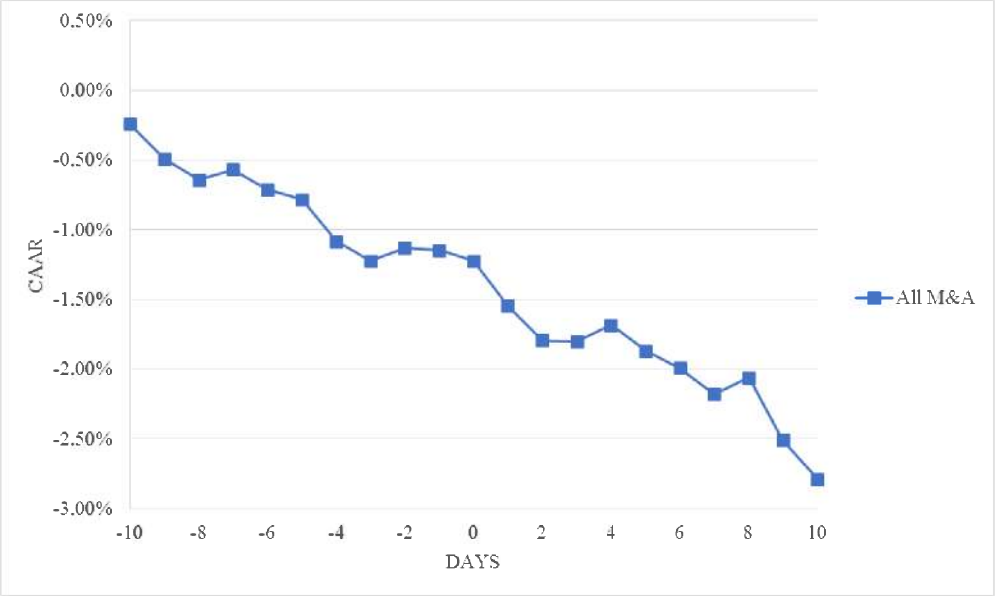
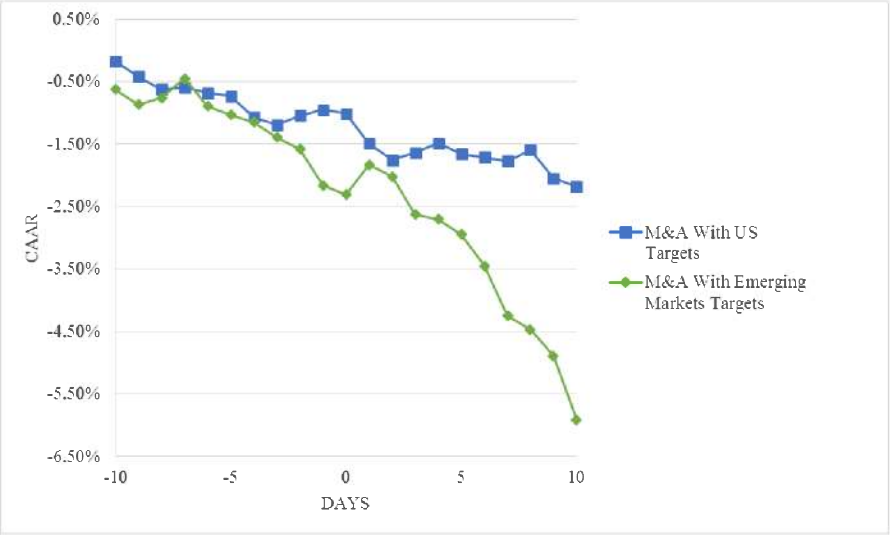


Figure 6 shows a clear comparison of the CAARs between the sample with US targets and the sample with Emerging Markets targets. While in both samples the returns for the acquirer shareholders decrease around the announcement date, this decrease is steeper for the sample with targets from Emerging Markets. Before the announcement date, both samples behave similarly, however, after the M&A deal is announced the returns of the deals with targets from Emerging Countries decrease by more than double than their counterpart. In the period of 21 days around the announcement date, the CAAR for the sample with Emerging Markets targets is -5.91% while the CAAR for the sample with US Targets is -2.18%.

Figure 6. Cumulative Average Abnormal Returns for M&A with US Targets and M&A with Emerging Markets Targets. CAARs are calculated in a 21 day event window around the announcement day.



It is also important to analyze a broader event window in order to assess the impact of the announcement date in the acquirer returns. Figure 7 shows the CAARs from the day -39 to the day +10. The CAARs for the M&A with US targets appear to be stable up to 16 days before the announcement date, while the CAARs for M&As with Emerging Market targets start decreasing since day -39 or before. A clear negative reaction from the markets is shown when a Developed Country firm announces the acquisition of an Emerging Market Target in comparison with the acquisition of a US Target.

Figure 7. Cumulative Average Abnormal Returns for M&A with US Targets and M&A with Emerging Markets Targets. CAARs are calculated in a 51 day event window around the announcement day.

VII Summary and conclusions

The objective of this thesis was to examine the returns to shareholders of developed country acquirers when they acquire US targets and Emerging Market targets. A sample of 195 M&A deals between 2010 and 2012 was used. The model included mergers and acquisitions of both US and Emerging Market targets for the purpose of relationship among the reactions of the share prices of buying companies to the announcements of each type of merger and acquisition. The investigation is directed by emphasizing cumulative abnormal returns to acquirer's shareholders around the acquisitions announcement dates. A mean adjusted returns model is used to estimate the normal returns and two different test statistics are carried out to test the statistical significance of the results.

The sample used in this thesis is different from other reports because it includes recent data (2010 to 2012). Due to today's global rapid changes, up to date information is needed. This sample additionally acknowledges M&A deals with Emerging Markets Targets and US Targets to be straightforwardly compared with each other, and allows the reader to extend conclusions on the influences of the buying announcement on the returns to owners of Developed Countries acquirer firms.

In conclusion, all results show non-statistically significant negative CAARs for the whole sample. The average abnormal return on the day of the announcement is -0.078% for the whole sample, -0.06% for M&A with US targets and -0.14% for M&A with emerging market targets, which is insignificant in both financial and statistical terms. The M&A deals with Emerging Markets Targets showed lower cumulative average abnormal returns for the acquiring organizations involved in the acquisition. Using an event window of 11 days, the estimated CAARs for the M&A deals with US targets is -0.98%, while the CAARs for the M&A deals with Emerging Market targets is -2.06%. In the largest event window (51 days) the CAARs for the former sample is estimated to be -3.57% while, for the latter sample, is estimated at -9.6%. The initial hypothesis that stated that Developed Country acquirers generate

higher returns to their shareholders when announcing the acquisition of a US firm target than when they announce the acquisition of an Emerging Target company, is therefore accepted

Our outcomes indicate that the equity markets respond negatively to the acquisition of Emerging Market targets by Developed Countries acquirers. Additionally, cumulative abnormal returns surrounding the announcement date, regardless of whether the target is from the US or from an Emering Market, also indicate that merger announcements, on average, are perceived by stockholders as value destructive. These results are consistent with diverse studies. Aybar and Ficci (2009) mention in their study that when a company makes a cross-border transaction deal it should expect negative post-event returns for the stock acquirers. This could be explained by the Hubris and Agency Issues hypotheses.

The explanation as to why M&A deals involving Developed Countries acquirers and Emerging Market targets generate lower returns than those with US targets poses an important empirical question. Current literature explains that Emerging Markets face higher political, social and legal risks which can ultimately hurt a company that is not used to handling these situations. (Zhu & V, 2012) Furthermore, local Emerging Market competitors have a better understanding of the market and the systematic risks involved. Also there is more information asymmetry in Emerging Markets and the cultural differences between Emerging Markets and Developed countries are more accentuated than those between developed countries. (Zaheer, 1995).

Appendix 1

Company list for our study

The information about the companies involved in M&A was retrieved manually from ACG's official monthly magazine "Mergers & Acquisitions". In the "Deal Flow" section of the magazine contains information on the firms involved in the acquisition, the announcement date, the industry they belong to and the acquisition price.

Acquirer	Country	Target	Country	Date
Heineken	Netherlands	FEMSA Cerveza SA de CV	Mexico	11-ene-10
Norsk Hydro	Norway	Companhia de Alumina do Para	Brazil	02-may-10
UAL Corp.	USA	Continental Airlines Inc.	USA	03-may-10
Interactive Data Corp. SPV	USA	Interactive Data Corp.	USA	04-may-10
ABB Ltd	SWITZERLAND	Ventyx Inc.	USA	05-may-10
CGI Group Inc.	CANADA	Stanley Inc.	USA	07-may-10
BG Group PLC	UK	EXCO Resources Inc. - Producing &	USA	10-may-10
Regency Energy Partners LP	USA	Midcontinent Express Pipeline	USA	11-may-10
Universal Health Services Inc.	USA	Psychiatric Solutions Inc.	USA	17-may-10
Symantec Corp.	USA	VeriSign Inc. - Identity Business	USA	19-may-10
Johnson Controls Inc.	USA	Visteon - Interiors, Electn Bus	China	21-may-10
Harris Corp.	USA	CapRock Communications Corp.	USA	21-may-10
GS Capital Partners LP	USA	Michael Foods Inc.	USA	21-may-10
Gentiva Health Services Inc.	USA	Odyssey HealthCare Inc.	USA	24-may-10
Equity One Inc.	USA	Capital & Counties USA Inc.	USA	24-may-10
IBM	USA	Sterling Commerce Inc.	USA	24-may-10
UIL Holdings Corp.	USA	Southern Connecticut Gas	USA	25-may-10
Abbott Laboratories	USA	Piramal Healthcare Ltd	India	26-may-10
Royal Dutch Shell PLC	NETHERLANDS	East Resources Inc.	USA	28-may-10
Nippon Telegraph & Telephone Corp	Japan	Dimension Data Holdings PLC	South Africa	15-jul-10
Vedanta Resources PLC	UK	Cairn India Ltd	India	15-ago-10
Sanofi-Aventis SA	France	BMPSunstone	China	28-oct-10
M&T Bank Corp,Buffalo,New York	USA	Wilmington Trust Corp,DE	USA	01-nov-10
McKesson Corp	USA	US Oncology Inc	USA	01-nov-10
Banco Bilbao Vizcaya Argentaria SA	Spain	Turkiye Garanti Bankasi AS	Turkey	02-nov-10
Amsterdam Acquisition Sub Corp	USA	Art Technology Group Inc	USA	02-nov-10
Eli Lilly & Co	USA	Avid Radiopharmaceuticals Inc	USA	08-nov-10
Amazon.com Inc	USA	Quidsi Inc	USA	08-nov-10
DG Acquisition Corp	USA	Griffin Industries Inc	USA	09-nov-10
Chevron Corp	USA	Atlas Energy Inc	USA	09-nov-10
The Williams Cos Inc	USA	Bakken Oil Property, ND	USA	15-nov-10
Caterpillar Inc	USA	Bucyrus International Inc	USA	15-nov-10
EMC Corp	USA	Isilon Systems Inc	USA	15-nov-10
Allegheny Technologies Inc	USA	Ladish Co Inc	USA	17-nov-10
Cardinal Health Inc	USA	Kinray Inc	USA	18-nov-10
Energy XXI(Bermuda)Ltd	USA	Exxon Mobil Corp - Certain assets	USA	21-nov-10
Medtronic Inc	USA	Ardian Inc	USA	22-nov-10
Humana Inc	USA	Concentra Inc	USA	22-nov-10
Del Monte Foods Co SPV	USA	Del Monte Foods Co	USA	25-nov-10
Rank Group Ltd	UK	UCI International Inc	USA	29-nov-10
ABB Ltd	SWITZERLAND	Baldor Electric Co	USA	30-nov-10
DSW Inc	USA	Retail Ventures Inc	USA	1-Feb-11
Kindred Healthcare Inc	USA	RehabCare Group Inc	USA	2-Feb-11
Corero PLC	UK	Top Layer Security Inc	USA	4-Feb-11
CSR PLC	UK	Zoran Corp	USA	4-Feb-11
Banco Santander SA	Spain	Bank Zachodni WBK SA	Poland	07-feb-11
Enterprise Products Partners	USA	Duncan Energy Partners LP	USA	7-Feb-11
Danaher Corp	USA	Beckman Coulter Inc	USA	7-Feb-11
Deutsche Boerse AG	Germany	NYSE Euronext Inc	USA	9-Feb-11
DaVita Inc	USA	DSI Renal Inc	USA	16-Feb-11
BP Plc	UK	Reliance Industries Limited	India	21-feb-11
Diaego PLC	UK	Mey Icki Sanayi ve Ticaret AS	Turkey	21-feb-11
Host Hotels & Resorts Inc	USA	Manchester Grand Hyatt	USA	21-Feb-11
DISH Network Corp	USA	DBSD North America Inc	USA	22-Feb-11
Gilead Sciences Inc	USA	Calistoga Pharmaceuticals Inc	USA	23-Feb-11
Quest Diagnostics Inc	USA	Athena Diagnostics Inc	USA	28-Feb-11
Norsk Hydro ASA	Norway	Vale SA-Aluminum Operations	Brazil	01-mar-11
BRE Retail Holdings Inc	USA	Centro Properties Group-US	USA	01-mar-11
Total SA	France	OAO "Novatek"	Russia	02-mar-11

Acquirer	Country	Target	Country	Date
Western Digital Ireland Ltd	USA	Viviti Technologies Ltd	USA	07-mar-11
El Paso Pipeline Partners LP	USA	Southern Natural Gas Co	USA	07-mar-11
Terumo Corp	JAPAN	CaridianBCT Inc	USA	07-mar-11
AIG	USA	Maiden Lane II-RMBS	USA	10-mar-11
Kirby Corp	USA	K-Sea Transp Partners LP	USA	13-mar-11
BP PLC	UK	Companhia Nacional De Acucar e Alco	Brazil	14-mar-11
Berkshire Hathaway Inc	USA	Lubrizol Corp	USA	14-mar-11
Valeant Pharm Intl Inc	CANADA	Cephalon Inc	USA	19-mar-11
AT&T Inc	USA	T-Mobile USA Inc	USA	20-mar-11
Charles Schwab Corp	USA	optionsXpress Holdings Inc	USA	21-mar-11
CreXus Investment Corp	USA	Barclays Capital RE Inc-Coml R	USA	21-mar-11
Vanguard Natural Resources LLC	USA	Encore Energy Partners LP	USA	25-mar-11
Walter Investment Management	USA	Green Tree Servicing LLC	USA	28-mar-11
Gibraltar Acquisition Corp	USA	GSI Commerce Inc	USA	28-mar-11
Vodafone Group PLC	UK	Hutchison Essar Ltd	India	31-mar-11
Arch Coal Inc	USA	International Coal Group Inc	USA	02-may-11
PPR SA	France	Volcom Inc	USA	02-may-11
Teva Pharmaceutical Industries	Israel	Cephalon Inc	USA	02-may-11
ConAgra Foods Inc	USA	Ralcorp Holdings Inc	USA	04-may-11
Kinder Morgan Energy Partners	USA	KinderHawk Field Services LLC	USA	05-may-11
Hertz Global Holdings Inc	USA	Dollar Thrifty Automotive Grp	USA	09-may-11
Apollo Global Management LLC	USA	CKx Inc	USA	10-may-11
Joy Global Inc	USA	LeTourneau Technologies Inc	USA	16-may-11
Publicis Groupe SA	FRANCE	Rosetta Marketing Group LLC	USA	17-may-11
Shire PLC	UK	Advanced Biohealing Inc	USA	17-may-11
Allstate Corp	USA	Esurance Insurance Services	USA	18-may-11
Liberty Media Corp	USA	Barnes & Noble Inc	USA	19-may-11
Morgan Stanley Real Estate	USA	King of Prussia Mall	USA	24-may-11
Cedar Acquisition Sub Inc	USA	Central Vermont Public Service	USA	30-may-11
Energy Transfer Partners LP	USA	Citrus Corp	USA	05-jul-11
National Oilwell Varco Inc	USA	Ameron International Corp	USA	05-jul-11
Precision Castparts Corp	USA	Primus International Inc	USA	10-jul-11
Nestle SA	Switzerland	Hsu Fu Chi International Ltd	China	11-jul-11
Lonza Group Ltd	SWIZTERLAND	Arch Chemicals Inc	USA	11-jul-11
Validus Holdings Ltd	USA	Transatlantic Holdings Inc	USA	12-jul-11
Hyatt Corp	USA	LodgeWorks-Asset & Hotel	USA	14-jul-11
BHP Billiton Ltd	AUSTRALIA	Petrohawk Energy Corp	USA	14-jul-11
Icahn Enterprises LP	USA	The Clorox Co	USA	15-jul-11
Canadian Imperial Bk Commerce	CANADA	American Century Investements	USA	15-jul-11
Ecolab Inc	USA	Nalco Holding Co	USA	20-jul-11
Ensign United States Drilling	USA	Rowan Drilling Co LLC	USA	20-jul-11
Randstad Holding NV	NETHERLANDS	SFN Group Inc	USA	20-jul-11
Express Scripts Inc	USA	Medco Health Solutions Inc	USA	21-jul-11
IHS Inc	USA	Seismic Micro-Technology Inc	USA	26-jul-11
ACI Worldwide Inc	USA	S1 Corp	USA	26-jul-11
First Niagara Bk NA,NY	USA	HSBC Bk USA NA-Ret Br(195)	China	31-jul-11
Windstream Corp	USA	PAETEC Holding Corp	USA	01-ago-11
Carlsberg	Denmark	Chongqing Brewery	China	02-ago-11
Fresenius Medical Care AG & Co	GERMANY	Liberty Dialysis LLC	USA	02-ago-11
Web.com Group Inc	USA	Network Solutions Inc	USA	03-ago-11
Capital One Financial Corp	USA	HSBC Hldg PLC-US Cc Bus	China	10-ago-11
Google Inc	USA	Motorola Mobility Holdings Inc	USA	15-ago-11
Time Warner Cable Inc	USA	Insight Communications Co Inc	USA	15-ago-11
General Dynamics Corp	USA	Vangent Holding Corp	USA	16-ago-11
Noble Energy Inc	USA	CNX Gas Corp-Marcellus	USA	18-ago-11
Berkshire Hathaway Inc	USA	Bank of America Corp	USA	25-ago-11
Senior Housing Properties Tr	USA	Vi Living-senior living(9)	USA	01-sep-11
Toshiba Corp	JAPAN	Westinghouse Electric Co LLC	USA	05-sep-11
Hess Corp	USA	CONSOL Energy Inc-Utica Shale	USA	07-sep-11
PerkinElmer Inc	USA	Caliper Life Sciences Inc	USA	08-sep-11
Hess Corp	USA	Marquette Exploration LLC	USA	08-sep-11
QR Energy LP	USA	Quantum Resources-Oil,Gas Ppty	USA	12-sep-11
United Technologies Corp	USA	Goodrich Corp	USA	21-sep-11
Reed Elsevier PLC	UK	Accuity Inc	USA	26-sep-11
Toyo Seikan Kaisha Ltd	JAPAN	Stolle Machinery Co LLC	USA	29-sep-11
AGCO Corp	USA	The GSI Group LLC	USA	03-oct-11
Superior Energy Services Inc	USA	Complete Production Svcs Inc	USA	10-oct-11
Sonoco Products Co	USA	Tegrant Corp	USA	10-oct-11
NeuStar Inc	USA	TARGUS Information Corp	USA	11-oct-11

Acquirer	Country	Target	Country	Date
Kinder Morgan Inc	USA	El Paso Corp	USA	16-Oct-11
AmeriGas Partners LP	USA	Heritage	USA	17-oct-11
Statoil ASA	NORWAY	Brigham Exploration Co	USA	17-oct-11
SABMiller PLC	UK	Anadolu Efes	Turkey	19-oct-11
Blackstone Real Estate VII	USA	Duke Realty-Office Ppty(82)	USA	20-oct-11
Citrine Magnolia Corp	USA	HealthSpring Inc	USA	24-oct-11
Plains All American Pipeline	USA	SemGroup Corp	USA	24-oct-11
CubeSmart LP	USA	Storage Deluxe-Storage(22)	USA	24-oct-11
Mitsubishi Corp	Japan	Anglo American Sur SA	Chile	10-nov-11
The Coca-Cola Company	USA	Aujan Industries Co LLC	Saudi Arabia	14-dic-11
Carlsberg	Denmark	Baltika	Russia	20-feb-12
AmerisourceBergen Corp	USA	World Courier Group Inc	USA	06-mar-12
Boston Scientific Corp	USA	Cameron Health Inc	USA	08-mar-12
Simon Property Grp Inc	USA	The Mills LP-Assets(26)	USA	08-mar-12
Asahi Kasei Corp	Japan	ZOLL Medical Corp	USA	12-mar-12
Williams Partners LP	USA	Caiman Eastern Midstream LLC	USA	19-mar-12
Amazon.com Inc	USA	Kiva Systems Inc	USA	19-mar-12
Diaego PLC	UK	Sichuan Swellfun Co Ltd	China	20-mar-12
On Assignment Inc	USA	Apex Systems Inc	USA	20-mar-12
Molson Coors Brewing Co	USA	Starbev Management Services	Czech Republic	03-abr-12
Costco Wholesale Corporation	USA	Costco de Mexico SA de CV	Mexico	14-jun-12
Anheuser-Busch InBev	Belgium	Grupo Modelo SAB de CV	Mexico	29-jun-12
Stanley Black & Decker	USA	Infastech Co LTD	China	23-jul-12
3M Co	USA	Ceradyne Inc	USA	01-oct-12
Ocwen Financial Corp	USA	Homeward Residential Hldg Inc	USA	03-oct-12
Mitsubishi UFJ Lease & Finance	Japan	JSA International Holdings LP	USA	04-oct-12
Amazon.com Inc	USA	Vulcan Inc-Office Building(11)	USA	05-oct-12
UnitedHealth Group Inc	USA	JPLSPE Empreendimentos e Participa	Brazil	08-oct-12
Innospec Inc	USA	TPC Group Inc	USA	08-oct-12
Marathon Petroleum Corp	USA	BP PLC-Refinery,Texas City,TX	USA	08-oct-12
Spectrum Brands Holdings Inc	USA	Stanley Black Decker-Hardware	USA	09-oct-12
Ecolab Inc	USA	Champion Technologies Inc	USA	12-oct-12
Medtronic Inc	USA	Lifetech scientific corp	China	15-oct-12
SoftBank Corp	Japan	Sprint Nextel Corp	USA	15-oct-12
HCP Inc	USA	Senior Housing Communities	USA	16-oct-12
Pearson PLC	UK	Embanet-Compass Knowledge Grp	USA	16-oct-12
ASML Holding NV	Netherland	Cymer Inc	USA	17-oct-12
ACE Limit	Switzerland	ABA Seguros	Mexico	18-oct-12
Pfizer Inc	USA	NextWave Pharmaceuticals Inc	USA	22-oct-12
Halcon Resources Corp	USA	Petro-Hunt-Oil & Gas Assets	USA	22-oct-12
Toyota Industries Corp	Japan	Cascade Corp	USA	22-oct-12
Experian PLC	UK	SERASA SA	Brazil	23-oct-12
McKesson Corp	USA	PSS World Medical Inc	USA	25-oct-12
American Campus Comm Inc	USA	Kayne-Student Housing	USA	25-oct-12
Riverbed Technology Inc	USA	OPNET Technologies Inc	USA	29-oct-12
Clean Harbors Inc	USA	Safety-Kleen Inc	USA	29-oct-12
Walt Disney Co	USA	Lucasfilm Ltd	USA	30-oct-12
PVH Corp	USA	Warnaco Group Inc	USA	31-oct-12
Targa Resources Partners LP	USA	Saddle Butte Pipeline LLC-	USA	01-nov-12
Reckitt Benckiser Group PLC	UK	Schiff Nutrition Intl Inc	USA	01-nov-12
Berkshire Hathaway Inc	USA	Oriental Trading Co Inc	USA	02-nov-12
Humana Inc	USA	Metro Health Networks Inc	USA	05-nov-12
Stifel Financial Corp	USA	KBW Inc	USA	05-nov-12
Harbinger Group Inc	USA	Exco Resources-Conventional	USA	05-nov-12
Legacy Reserves Operating LP	USA	Concho Resources-Oil & Gas	USA	07-nov-12
Cisco Systems Inc	USA	Meraki Inc	USA	08-nov-12
Koninklijke DSM NV	Netherland	Fortitech Inc	USA	08-nov-12
Diaego PLC	UK	United Spirits LTD	India	09-nov-12
Apollo Global Management LLC	USA	McGraw-Hill Education LLC	USA	09-nov-12
The Sherwin Williams Company	USA	Consorcio Comex SA de CV	Mexico	12-nov-12
Crescent Point Energy Corp	Canada	Ute Energy Upstream Hldgs LLC	USA	12-nov-12
Starbucks Corp	USA	Teavana Holdings Inc	USA	14-nov-12
Apax Partners Worldwide LLP	UK	Cole Haan Holdings Inc	USA	16-nov-12
Precision Castparts Corp	USA	Titanium Metals Corp	USA	26-nov-12
Priceline.com Inc	USA	KAYAK Software Corp	USA	26-nov-12
Leucadia National Corp	USA	Jefferies Group Inc	USA	27-nov-12
Smith & Nephew PLC	UK	Healthpoint Ltd	USA	28-nov-12

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