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Determinants of short-term value destruction for the acquiring firm: A French study

Abstract

These paper analyses bidder short-term returns of 86 takeovers bids that occur between 1997 and 2002 on the French market. Furthermore, the determinants of this performance are examined to improve understanding of the sources of value creation or destruction arising from M&A. The event study methodology is used to estimate bidder value creation. Two findings are shown in this study. First, we find strong evidence that the announcement of a takeover bid destructed of value for the bidder. Second, these results show that the relative size of the target and the announcement period transaction is associated with value destruction for the bidder.

Keywords: tender offer, event study, value destruction, explanatory factors.

1. INTRODUCTION

Most empirical studies have concluded, unanimously, that the announcement of an M&A operations creates value for shareholders of the target firm. However, various studies that have examined the effect of M&A on the wealth of shareholders of the acquiring firm have presented conflicting results. In this way, Bradley (1980), Asquith (1983), Hamza (2007), Masulis and al. 2007 and Ben Amar and al. (2010) reported gains for the bidder firms, and conversely, Dodd (1980), Firth (1980), Walter and al. (2007), Campa and Hernando (2008) and more recently Sbai (2010), show losses (see table 1).

The character mitigates these results met several explanations in the theoretical and empiric literature: economical synergy and financial, the replacement of the incompetent managers, the managers the hubris hypothesis, the free cash flow from operating and the managing ambition. Bradley and Sundaram (2004) note that it is only partial explanations and that some acquisitions are fully justified. Among the various determinants of this process, the characteristics of the offer and of the bidder company are factors that can explain the destruction of value.

In this study, we investigate bidder short-term abnormal returns of 86 takeovers that occur between 1997 and 2002 on the French market. It is important to note that the literature includes very few studies that examine the determinants of short-term value creation for the bidder, and focus specifically on takeovers in the French case[1]. We adopt a framework of multivariate analysis to study the relationship between the characteristics of the takeovers, the bidder and the destruction of value for the bidder firm. We study successively: the impact of the method of payment, the relative target size, the similarity of the active, the Tobin's q, the announcement period, the prior toehold of the bidder, the cross-border M&A, the hostile offer, the bidder's size, the free cash flow and the debt level around announcement date of acquisition the bidder firm.

The results of this study indicate that the shareholders of bidder firms generate returns negative around the announced date of tender offer. This destruction of value is negatively and significantly related to the relative size of the target and to the announcing period due to a upward cycle. In contrast, for other factors impact is not significant on the CARs bidder.

The paper is organized as follows: section 2 summarizes the literature review to the determinants of acquiring firm's returns. Section 3 describes the methodologies followed in this paper and section 4 presents the empirical results. Finally, section 5 concludes this study. Finally, section 5 discusses the implications and offers conclusions.

Table 1 - Results of events study in literature

Authors	Period	Sample	Results
Short-term destruction value for the bidder			
Langetieg (1978)	1950-69	149	NS
Lang and al. (1991)	1968-86	101	NS
Frank et al.(1991)	1975-84	399	S
Charlety-Lepers and Sassenou (1994)	1985-88	80	NS
Maquieira and al. (1998)	1963-96	55	S
Fuller and al.(2002)	1990-00	456	S
Bradley and Sundaram (2004)	1990-00	12476	NS
Masulis and al. (2005)	1990-03	3333	S
Walters and al. (2007)	1997-01	100	NS
Campa and Hernando (2008)	1998-02	244	S
Sbai (2010)	1998-03	48	S
Short- term creation value for the bidder			
Asquith and al. (1983)	1963-79	211	S
Dumontier and Humbert (1996)	1977-92	47	NS
Maquieira and al. (1998)	1963-96	47	S
Bessière (1999)	1991-97	41	S
Eckbo and Thorburn (2000)	1964-83	1846	NS
Pécherot (2000)	1977-93	80	NS

[1] Dumontier and Pecherot-Pettit (2002) and Hamza (2009).

Phèlizon (2001)	1991-97	49	S
Kohers and Kohers (2001)	1987-96	3268	S
Moeller and al. (2004)	1980-01	12023	S
Hamza (2007)	1997-05	58	S
Masulis and al. (2007)	1990-03	3333	S
Ben Amar and al. (2007)	1998-02	273	S

S: significant; NS nonsignificant

2. LITERARY REVIEW

We consider two categories of factors that are related to acquirer returns: bidder characteristics and deal characteristics.

2.1. THE PURCHASER'S CHARACTERS

Like many studies, especially on M&A (Moeller and al., 2004; Masulis and al., 2007) we selected the size of the firm, the Tobin's q, the free cash flow and the leverage.

2.1.1. Firm size

Moeller and al. (2004) find robust evidence that bidder size is negatively correlated with the acquirer's announcement-period CAR. They interpret this size effect as evidence supporting the managerial hubris hypothesis (Roll, 1986), since they find that on average larger acquirers pay higher premiums and make acquisitions that generate negative dollar synergies. An alternative explanation is that large firm size serves as a rather effective takeover defense, since it takes more resources to acquire a larger target. Thus, we should expect that managers of larger firms are more entrenched and more likely to make value reducing acquisitions. Masulis and al. (2007), confirm this result.

2.1.2. The Tobin's q

Prior studies find that an acquirer's Tobin's q has an ambiguous effect on CAR. Lang and al. (1991) and Servaes (1991) document a positive relation with the acquirer's Tobin's q, respectively, while Moeller and al. (2004) find a negative relation in a comprehensive sample of acquisitions.

2.1.3. The free cash flow

Jensen's (1986) free cash flow hypothesis argues that managers realize large personal gains from empire building and predicts that firm with abundant cash flows but few profitable investment opportunities are more likely to make value-destroying acquisitions than to return the excess cash flows to shareholders. Lang and al. (1991) test this hypothesis and report supportive evidence. Morck and al. (1990) identify several types of acquisitions (including diversifying acquisitions and acquisitions of high growth targets) that can yield substantial benefits to managers, while at the same time hurting shareholders. However, Harford (1999) shows that cash-rich firms are more likely to make value-decreasing acquisitions. Cash-rich bidders destroy seven cents in value for every excess dollar of cash reserves held. Cash-rich firms are more likely to make diversifying acquisitions and their targets are less likely to attract other bidders. In contrast, Masulis and al. (2007) find no significant relationship between these two variables.

2.1.4. The level debt

A high level of debt can lessen agency conflicts between managers and shareholders (Jensen, 1986). Specifically, high debt levels lessen the availability of free cash-flows that managers might otherwise use in ways profitable to them but not to shareholders in general. Although Maloney et al. (1993) and Masulis et al. (2007) documented a positive relationship between debt levels and the short-term performance of acquirers in the U.S., Moeller et al. (2004) , Cosh et al. (2006) and Ben Amar et al. (2010) did not.

2.2. THE CHARACTERISTICS OF THE TRANSACTION

Among the important characteristics that we have identified in empirical studies, we consider the method of payment, the industry relatedness, the relative size of the target, the cross-border acquisitions, the pre-bid toehold shareholding by bidding companies, the hostile attitude and the period of announcement.

2.2.1. The method of payment

Myers and Majluf (1984) argue that information asymmetry between the bidder's management and outside investors implies that the bidders prefer to pay using stock when they think that the market overvalues their shares and cash when the stock is undervalued. Martynova and Renneboog (2006) suggest that the method of payment is generally considered an important signal of the potential synergy value of the target. Several studies (Travlos, 1887; Walters and al, 2007; Al-Sharkas and Hassan, 2010; Ben Amar and al., 2010) documented a positive association between cash financing and the short-term financial performance of an acquiring firm. In contrast, Becher (2000) and Delong (2001) report that the method of payment does not affect overall merger gains. Likewise, In the French context, Dumontier and Pecherot-Pettit (2002) and Hamza (2009) find no significant relationship between these two variables.

2.2.2. The industry relatedness

Several studies (Agrawal and al., 1992; Maquiera and al., 1998; Dumontier and Pecherot-Petitt, 2002) show that horizontal corporate acquisition implies more value creation (managers' expertise, economies of scale, market share) than the conglomerate acquisition. Agrawal et al. (1992) examined this hypothesis and found that the underperformance of acquirers is worse in conglomerate than in non conglomerate mergers. They suggest that the conglomerates may have access to lower-cost financing sources to improve the stability of profits. In addition, by building conglomerates, companies intend to reduce financial risks and the probability of the company going bankrupt, and to increase value by combining the debts of both companies. Nonetheless, diversifying a firm's strategy induces a number of disadvantages such as rent-seeking behavior by divisional managers, bargaining problems within the firm, or bureaucratic rigidity. Furthermore, there may be an outgrowth of the agency's problems between managers and shareholders. The M&A examined in this research framework corroborates this view (i.e., that non-conglomerate acquisitions can be value-enhancing events). It illustrates that most French M&A show actors' engagement in horizontal acquisition strategies. Eckbo (1992) and Datta and al. (1992) show more contrasted empirical results: diversifying takeover leads to a market-dominant position by reducing the intensity of competition on prices, thereby creating value.

2.2.3. The relative size of the target

Asquith and al. (1983) argued that if acquisitions create value for shareholders, such gains should be larger when the size of the acquired firm is large relative to the acquirer. Both Asquith and al. (1983) and Moeller and al. (2004, 2005) in the US report a significant positive correlation between bidder returns and the target size relative to bidder one. Kane (2000) confirms this, and argues that large deals generate high excess returns because the resulting institution may benefit from being "*too big to discipline adequately*". In contrast, Al-Sharks and Hassan (2010) show a significant negative relationship between abnormal returns of the acquirer and the relative size of the target and it suggests the market reacts more unfavorably when the relative size increases. In the French context, Hamza (2009) find no significant relationship between these two variables.

2.2.4. The cross-border M&A

Eun and al. (1996) noted that the cross-border acquisitions can generate value for shareholders of both firms, especially when managers of the acquiring firm are able to take advantage of imperfections in foreign markets. The empirical studies confirm that shareholders of the purchased enterprises get abnormal and positive return when they achieve cross border acquisitions. Eun and al. (1996) found that shareholders of foreign acquiring who carried out acquisitions in the U.S obtained significant abnormal return of approximately 2%. In Canada, Ben Amar and al. (2010) shows a positive correlation between bidder abnormal returns and cross-border acquisitions. In contract, Cokici and al. (1996), Seth and al. (2000), Eckbo and Thorburn (2000), Goergen and Renneboog (2004) suggest that the cross-border corporate acquisitions destroy shareholder value.

2.2.5. The pre-bid toehold shareholding by bidding companies

The results of empirical research in this are mixed. Indeed, Hull and al. (1991) obtained a non significant result for the Belgian market while Holl and Kiryazis (1997) show for them that the British target have a high participation screening is less efficient than others. In the French context, Husson (1988), Bessière (1999) confirm these results. In contract, Hamza (2007) find a positive and significant associated between the CAR and pre-bid toehold.

2.2.6. Hostile vs. friendly offers

M&A literature supports the notion that hostile takeovers have a larger impact on short-term wealth effects for the target shareholder than do friendly operations. Moreover, friendly corporate acquisitions allow a better value distribution (Schwert, 2000). According to Goergen and Renneboog (2004), Gregory (1997), Franks and Mayer (1996) and Servaes (1991), the bidder returns on the announcement day are significantly lower in hostile bids than in friendly M&As. In respect to the acquisition strategy, Fishman (1988) defends the preemptive takeover bidding to guarantee the success of the bid. In France, hostile acquisitions are rare, which is why we could not test, in our sample, the effect of this variable on value destruction for the bidder.

2.2.7. Transaction announcement period

In a recent study in Canada, Ben Amar and al. (2010) have analyzed the link between the period of transaction announcement and creation value of bidder about the announcement of acquisition on sampling of 273transactions of F&A realized in Canada between 1998 and 2002. These authors two periods: the upward cycle between January 1, 1988 and February 29, 2000 and the downward cycle between March 1 and December 31, 2002. The authors emphasize that the announcement of period of transaction doesn’t have a significant impact on the creation of value of acquiring firm.

3. SAMPLE AND METHODOLOGY

3.1. THE SAMPLE SELECTION

Our study deals with tender offer in France according to a normal and simplified procedure, intervened between January 1997 and December 2002. This period is characterized by variation in economic cycles (January 1997/ February 2000 and March 2000/ December 2002).

The sample was constituted from basic date of Thomson financial and annual report of AMF (Autorité des Marchés Financiers). We excluded the acquisition for which the historical quotations of the bidder were unavailable, these where the bidder was not a listed company, and those that offered non financial and securities data because of the bidder was recently established. The final sample is included 86 takeovers**.**

3.2. THE DESCRIPTION OF VARIABLES

The table 2 presents a description of dependent and independent variables of on model.

Table 2 - Variable definitions

Variable	Definitions
Bidder performance	
CAR	Cumulative abnormal return around announcement date of transaction
Bidder Characteristics	
Free cash flow	Free cash flow / total asset
Leverage	Long-term debt / total asset
Tobin's q	Market value of equity / book value of equity
Firm size	Log of book value of total asset
Deal Characteristics	
Cash	Dummy variable: 1 if cash offer, 0 otherwise
Related acquisitions	Dummy variable: 1 if related acquisition, 0 otherwise
Cross border	Dummy variable: 1 if the firm acquired was non-French, 0 otherwise
Relative size of target	Logarithm of the ratio of the market value of shareholder equity of the acquired firm and the market value of the shareholders equity of the acquirer
Announcement period	Dummy variable: 1 if the announcement was between January, 1997 and February 29, 2000, 0 otherwise
Theolid	Dummy variable: 1 if the precedent participation is superior to 50%, 0 otherwise

3.2.1. The dependent variable

We use the methodology of the study of event of Brown and Warner (1985) to assess the variation in wealth of acquirers' shareholders around announcement dates. Bacmann (2001), made reference to brown and Warner's study (1985), shows that the model of market, despite its simplicity, constitutes a norm for the assessment of returns around the announcement and that this methodology provides good results. The estimation period covered the two hundred day period between 190 and 11 days before the transaction announcement date. Firms which did not have at least 100 historical stock returns during the estimation period were excluded from the sample. Daily abnormal returns estimated for each of the days of the event windows were summed (across either the − 3 to + 3 day window or − 5 to + 5 window) to arrive at individual cumulative abnormal returns (CARs) values.

The abnormal returns (ARi,t) are the difference between the actual observed returns and those estimated using a market model:

$$AR,t = Ri,t - E(Ri,t)$$

$$AR,t = Ri,t - (\hat{\alpha} + \hat{\beta}Rmi,t)$$

ARi,t: abnormal return. Ri,t Real return. E (Ri,t): Expected or theoretical return in the situation of absence of event. $(\hat{\alpha}, \hat{\beta})$: Coefficients obtained by OLS over the pre-event period (-190,-11). Rm,t: Market return at time t during the event window.

The cumulative ARi,t for acquiring firm share: $CARi,t = \sum_{t=t1}^{t2} ARi,t$, with $t1 \leq t \leq t2$.

3.2.2. The independent variables

Method of payment (CASH). Thus we used a dichotomous variable coded as 1 when the acquisition was funded by cash and 0 when it was not.

Industry relatedness between of the acquirer and the target firm (Related). In any case, we used the Thomson Financial database to create a dichotomous variable coded as 1 when the firm had the same SIC code and 0 when they did not.

Cross border M&A (CROSSBORDER). In any case, a dichotomous variable was coded as 1 if the firm acquired was non-French and 0 if it was not.

The Tobin's q ratio (Q). This variable is me assured like Denis and al. (1994) in its reduced version[2], by the relation between market value and accounting value of net assets (Market to book ratio), at the end of the financial year preceding the transaction announcement.

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[2] Tobin's q is the ratio of the market value of a firm's assets (as measured by the market value of its outstanding stock and debt) to the replacement cost of the firm's assets. To overcome the difficulty of estimating the replacement cost of assets, the commonly accepted measure is the sum of book values of equity and debt. Perfect and Wiles (1994) conduct a comparison of five different Tobin's q sometimes assuming the market values of nerve elements in the calculation of the parameter, now on book values. Each assessment produces results different from others. These

Free cash flow (FCF). This variable is measured by the ratio of free cash flow on the total asset of the bidder firm at the end of the financial year preceding the transaction announcement.

Relative size of the acquired firm (RELATIVE SIZE). This variable is measured by the logarithm of the ratio of the asset total of the acquired firm and the asset total of the acquirer at the end of the financial year preceding that of the announcement of the acquisition.

The debt level (LEVERAGE). This variable is measured by the ratio of acquirer's long-term debt to their total assets at the end of the financial year preceding the transaction announcement.

Transaction announcement period (PERIOD). In our model, we test the effect of stock exchange cycles obtained by the shareholders of the acquiring firm around the announcement date of acquisition. Like the study of Ben Amar and al. (2010), we have created a dichotomous variable coded as 1 if the announcement was between January 1, 1997 and February 29, 2000 (a upward cycle) and 0 if it occurred between March 2000 and December 2002 (a downward cycle).

Size of acquiring firm (SIZE). Like Masulis and al. (2007) this variable is me assured by logarithm of value of assets accountable value.

Bidder toehold (TOEHOLD). We use a dichotomous variable that takes value 1 if the precedent participation is superior to 50% and otherwise.

4. RESULTS AND DISCUSSION

4.1. DESCRIPTIVE STATISTICS

Means and standard deviations for all study variables are presented in Table 3. The results show that takeovers destroy value for shareholders of acquiring firms in France. The cumulative abnormal returns (CARs) averages observed around the announcement date are negative and different from zero at the 5%. These results confirm those obtained by previous studies of French and Langhor Eckbo (1989), and Sanssenou Charlety-Lepers (1994), Mezz (1997) and Vandelanoite (2002), Sbai (2010), but generally different from those obtained by American studies document a positive abnormal return by the shareholders of the acquiring firm (Moeller et

results show, however, a strong correlation between various measures of Tobin's q deductions. Calculated by the ratio between the market value of equity and book value (Market to book ratio), this smaller version of Tobin's q may be regarded as an acceptable estimate of the presence or absence of good investment opportunities. In the French context, Poincelot (1999) finds no significant differences in the results that it is incorporated or not the value of debt in the calculation of Tobin's q.

al.2004; Masulis and al.2007). However, our results are consistent with those obtained from studies of M&A in the European context (Campa and Hernando, 2008) where shareholders of acquiring firms an average negative abnormal return around the announcement dates. As proposed by Berkovitch and Narayanan (1993), the observation of negative abnormal returns suggests that takeovers initiated by firms in our sample are motivated by the ambition of leaders. However, the returns obtained by shareholders may vary from one company to another depending on the characteristics of the acquiring company or by characteristics of the transaction.

Table 3 also presents statistics on characteristics of acquisition transactions. Half of these acquisitions occurred between 1999 and 2000, these acquisitions are mostly friendly nature (95%), and these acquisitions are characterized by a diversification in terms of industry sector and low near the involved parties. The acquiring firms use in 59% of the payment in cash as a mode of financing. These descriptive statistics also indicate that the operations of takeover target, on average, smaller companies. Indeed, the ratio (target / acquirer) of total assets at book value (37.62%).

Finally, acquiring firms that hold a participation exceeding 50% advance 34% of our sample as cross-border transactions make up 33% of all acquisition transactions. Finally, Table 3 presents statistics on characteristics of the acquirer. The carrying value of acquiring is 22 million $.

Table 4 shows the correlation among the study variables. This table shows that the highest correlation between the size of the acquirer and the relative size of the target (r= -0.586) between the size of the acquirer and the level of free cash flow (r=-0,399) and between the size of the acquirer and the announcement period (r=0,357). These results lead us to eliminate one of the four variables in the calculation of regression models to ensure stability of the estimated coefficients. We therefore proceed to the estimation of various models by removing the variable size of the acquirer.

Table 3 - Descriptive statistics

The sample consists of 86 completed French acquisitions by tender offer (listed in SCD and annual report AMF) between 1997 and 2002. Variable definitions are in the appendix.

Variable	Average	Median	Standard deviation	Maximum	Minimum	
Bidder performance						
CAR (-3,3)	-0,022***	-0,015	0,153	0,470	-0,479	
CAR(-5,5)	-0,029***	-0,005	0,224	0,775	-0,0651	

Bidder characteristics						
Free cash flow	7,32%	7,17%	6,03	28,66%	-13,83%	
Leverage	15%	13%	0,105	72,3%	0%	
Tobin's q	0,47%	0,19%	2,06	18,69%	0,003%	
Firm size	22,85%	6,18%	56,91	30,10	1,05	
Deal Characteristics						
Cash (dummy)	59%	100%	0,495	100%	0%	
Related (dummy)	37%	0%	0,488	100%	0%	
Cross-border (dummy)	33%	0%	0,473	100%	0%	
Relative size	37,62%	15,23%	70,00	525%	0,0009%	
Hostile (dummy)	5%	0%	0,213	100%	0%	
Period (dummy)	52%	100%	0,504	100%	0%	
Theolid (dummy)	34%	0%	0,479	100%	0%	
Deal value ($million)	1 859,507	259,015	6 647,56	53 339,6	0,117	
Distribution per year	1997	1998	1999	2000	2001	2002
	6	13	20	23	14	9

4.2. MULTIPLE REGRESSION ANALYSIS

Table 5 shows multiple regression results involving the relationship of deal characteristics and bidder characteristics to the abnormal returns obtained by shareholders of the acquirer. The variance inflation factors associated with the models are below 3 reflecting the lack of multicollinearity problems in the models (cf. Tenenhaus, 2006).

Model 1, which did not included the variables of deal characteristics, predicted 1,6% of the variance in cumulative abnormal returns whereas the comparable figures for models 2 and 3, which included the variables of deal characteristics, were 11,5% and 12,6% respectively. Our discussion will focus on model 3.

The results presented in table 5 show that relative size of the target is negative and significant explanatory factor of the CAARs. This result is similar to those of Al Sharks and Hassan (2010), Bradley and Sundaram (2004) and Moeller and al. (2005). These authors suggesting that the market favours acquisitions of low relative size. In contrast, our results are not similar with those obtained from studies of M&A in the European context (Goergen and Renneboog, 2004), or the creation of value is not correlated with the relative size of the target.

Regarding the announcement period, the results show a significant negative relationship between announcement period abnormal returns and obtained the announcement date. This result suggests that the market reacts is unfavorably to the acquisitions made during upward cycle that is to say between January 1997 and February 2000. In contrast, Ben Amar et al. (2010), we note that of transaction announcement period is not determinant factor of creation value.

The effect of bidder toehold is not associated with short-term value destruction. This result is similar to those of Moeller and al. (2004) and Nguyen (2005). In contrast, this result is contradiction with conclusion of Hamza (2007). This author finds that toehold has significant and positive impact on the CAR's of French bidder.

Contrary to US and UK research, we note that method of payment is not a determinant factor of destruction value. Our result is in line with Duomntier and Pechérot-Petitt (2002) and Hamza (2009) we report, in French context, that bidder returns do not appear to be related to the method of payment.

We notice that market reaction is not different in regards to domestic and cross-border takeover announcement. This result is similar to those of Hamza (2009), in the French context. However, this result is contradictory to Cakici and al. (1996), Seth and al. (2000), Eckbo and Thorburn (2000), and Goergen and Renneboog (2004). These authors suggest that the cross-border corporate acquisitions destroy shareholder value.

The industrial proximity has no significant effect on the RAC. This result consistent with studies of Eckbo (1986) Eckbo and Thorburn (2000) and with Datta and al. (1992). In contrast, this result is inconsistent with the results of walker (2000), Delong (2001), Ueng and wells (2001), Dumontier and Pecherot-Petitt (2002), and Martynova and Renneboog (2006). These authors found that the similarity between the activities of corporate bidder and target has a positive impact on the CARs.

The Tobin's q does not factor in explaining the abnormal return of acquirers at the announcement of takeovers. This result is consistent with the results of Moeller and al (2004) Masilus and al. (2007). However, these results contradictory by Lang and al. (1989) and Doukas (1995), who report that acquirers with high Tobin's Q ratio have significantly higher returns than acquirers with low Tobin's Q ratio. Finally, the debt effect on the RAC is not significant. These results also not confirm the impact of leverage of acquiring firm on their returns at tender offer announcements. This is consistent with the results of Lang and al. (1991), but inconsistent with the results of Maloney and al. (1993).

5. CONCLUSION

This study examines the determinants of destruction of value in the short-term of acquiring, based on a sample of 86 takeovers conducted in French between 1997 and 2002. The empirical results show the one hand, a destruction of the short-term value for the acquiring around the announcement, and on the other hand, a significant explanatory nature of the relative size of the target and the announcement period of transactions with a negative causality in relation to cumulative abnormal return (CAR). Meanwhile, the method of payment, the Tobin's q ratio, the debt level, the free-cash flows, prior participation of the bidder, the similarity of sectors as well as the cross-border character de not seem to have a significant explanatory character.

Our results on the French market are in contradiction with the previous studies, usually conducted in the US or the UK. Concerning the effect tender offer on the Wealth shareholders of the acquiring firm, we not confirm gains associated with these operations control operations. With regard to the determinants of bidder return, the results are contraction. On the one hand, we observe that the abnormal return of acquiring is negatively influenced by the relative size of the target and by the period of announcement related to the upward cycle. On the other hand, unlike to the USA and the UK, we not find an association between the mode of payment, the debt, or their shareholdings in targets prior to the bid, the hostile attitude, the Tobin's q, the free cash flow and the short-term financial performance of an acquiring firm.

This study includes a limited relative to the size of the sample instigator firm with regard to the works affected within this context. Further, of the remaining work possible. Thus, without claiming completeness, it will be useful to examine the relationship between board of directors, ownership structure and the abnormal return of acquiring firm around the announcement date in the French context.

Table 5 - Multivariate regressions

Table 2 presents a series of models intended to test our various hypotheses employing − 3 to + 3 day cumulative abnormal returns as our dependent variable. (Although we do not report the results for − 5 to + 5 day CARs, the results were qualitatively the same as those employing − 3 to + 3 day CARs.).

	Model 1		Model 2		Model 3	
Variable	Coefficient	t-stat	Coefficient	t-stat	Coefficient	t-stat
Bidder characteristics						
FCF	0,158	0,471			0,033	0,233
LEVERAGE	0,020	0,175			0,075	0,520

TOBIN'S Q	-0,404	-0,544			-0,044	-0,319
Deal characteristics						
CASH			0,008	0,196	0,046	0,293
RELATED			0,001	0,019	0,011	0,076
CROSSBORDER			0,021	0,042	0,056	0,340
RELATIVE SIZE			**-0,048**	**-1,929****	**-0,308**	**-1,917****
PERIOD			**-0,062**	**-1,71***	**-0,277**	**-1,799***
TOEHOLD			-0,038	-0,983	-0,149	-0,963
CONSTANT	-0,109	-0,799	-0,027	-0,689	-0,046	-0,838
R^2	1,60%		11,55%		12,6%	
Max VIF	1,929		1,885		1,929	
Min Tolérance	0,518		0,530		0,530	

Signification : + p < 0.1 * p < 0.05 ** p < 0,01 *** p < 0,001

Table 4 - Pearson Correlation Matrix

The sample consists of 86 takeovers bids that occur between 1997 and 2002 on the French market. Variable definitions are in the appendix.

	THEOLID	FOCUS	CROSSBORDER	PERIOD	CASH	SIZE	LEVERAGE	TOBIN'S Q	RELATIVE SIZE	FCF
THEOLID	1	-0,09	**-0,30***	-0,154	-0,004	**0,27***	0,06	0,17	**-0,31***	-0,06
RELATED		1	0,15	-0,09	**-0,28***	-0,004	0,003	-0,12	0,08	-0,13
CROSSBORDER			1	**0,34****	**0,38****	0,16	0,03	-0,103	-0,17	-0,05
PERIOD				1	0,15	**0,36****	-0,13	-0,13	**-0,30***	-0,16
CASH					1	0,13	-0,11	0,10	-0,21	0,02
SIZE						1	-0,22	0,004	**-0,59****	**-0,4****
LEVERAGE							1	-0,12	**0,25***	**0,29***
TOBIN'S Q								1	0,07	-0,17
RELATIVE SIZE									1	0,17
FCF										1

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