

The post-acquisition performance of Chinese bidders in cross-border M&A deals: an empirical analysis of a new trend

Master thesis

in

Corporate Finance

at

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Submission: August 25th, 2011

MA-Note_____

Abstract

Cross-border M&A plays a pivotal role in the internationalization process of Chinese firms. This thesis empirically examines the wealth effects for Chinese acquirers in such transactions and analyzes the cross-sectional determinants in cumulative abnormal returns using a short-run event study model and multivariate regressions. Based on a sample of 117 outbound transactions conducted between January 2000 and February 2011, I find strong evidence that bidders, on average, gain abnormal returns of 1.4% to 2.0% over the three-day window $[-1,+1]$ and 0.9% to 1.3% on the announcement day itself. *Ceteris paribus*, the bidder abnormal returns increase significantly, (1) when the bidder has the experience of more than two cross-border deals, (2) the more culturally similar the target country to China, (3) the larger the transaction relative to the bidder's size, (4) the lower the pre-offer market-to-book ratio of the acquirer, and (5) the smaller the acquiring firm. The thesis extends the preliminary research by Boateng, Qian and Tianle (2008) and Chen and Lin (2009) on short-term wealth effects for Chinese acquirers in outbound M&A, initiates research on several determinants of M&A success in the Chinese cross-border context and tests the generalization of results from developed countries in an important emerging market.

Keywords: outbound M&A, value creation, bidder gains, China, internationalization, event study

JEL Code: G34