

M&A premiums: do Asian companies bid higher?

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Abstract

This study aims to investigate whether Asian companies pay higher premiums in cross-border M&A. We uniquely compare whether the cultural origin of the acquirer firm is a relevant determinant of the premium paid, namely for cross-border operations generated in Asia, Europe, and the United States. Using a large sample of cross-border M&A during the period 2003 to 2021, our baseline results suggest that the average premiums paid by Asian companies are double the size of the European or USA acquisition premiums. Our results are robust when considering some deal characteristics and for the case of Chinese and Japanese acquirers. We also find support for considering that, besides of economic motives, state-owned Chinese acquirers play a relevant role when involved in cross-border M&A, namely offering higher bids. Our research has some relevant implications not only for practitioners, but also for policy-makers.

Keywords: M&A, premium, Asian companies, national culture, cross-border.

JEL classification codes: G30, G32, G34, D80

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1. Introduction

Although the COVID-19 pandemic has shaken the pillars of economic globalization, companies are still looking for possibilities to diversify their activities. It is not surprising that according to the Institute for Mergers, Acquisitions, and Alliances (IMAA), the value of Mergers and Acquisitions (M&A) constantly increased during the last decades¹. For instance, the number of M&A operations moved from 47,307 in 2020 to 57,947 in 2021, with an increase of almost 2 billion USD, showing that the pandemic has a reduced impact. However, this worldwide trend has some regional characteristics, and while the volume and operations have slightly stalled in the USA or Europe, the situation is different in Asia or Latin America. Although most of the operations are traditionally focused in the USA and European markets, the interest is moved to the Asian region in the last years, namely China and South-East Asian countries.

The value of M&A operations in both the Asia-Pacific and the South-East Asia regions has constantly increased since the beginning of the 21st century (Zámborský et al., 2021; Tan and Ai, 2010), playing China a relevant role in this process (Zhu and Zhu, 2016). From a total worldwide M&A operations value of 5.3 trillion USD in 2021, almost 65% comes from the mentioned regions. There are numerous reasons for explaining this behavior, from synergy-motivated motives (Rani et al., 2020; Hitt et al., 2019) to agency-motivated ones. Schoenberg's (2006) classification model which is commonly used in M&A analysis divides motives into strategic, financial, and managerial classes. According to the researcher, strategic motives for mergers include the extension of

¹ Updated statistics on the number and values of M&A worldwide and by region can be found here: <https://imaa-institute.org/mergers-and-acquisitions-statistics/>

business, change of competitive structure, and improvement of business capabilities. However, the list is incomplete. The preemptive motive, which suggests that a company engages in an acquisition because it is afraid that the competitor might acquire the same target company, also belongs to the strategic class (Molnar, 2007). Financial efficiency, tax efficiency, asset stripping, or unbundling are the three financial motives. Investment opportunity motive can be assigned to the same class as sometimes acquisition is made just because the target is undervalued (Damodaran, 2011). Thus, the financial efficiency class should be extended. Managerial motives are those that serve the managers' interest rather than that of shareholders. According to Schoenberg (2006), there are two managerial motives – personal ambition and the bandwagon effect.

In the context of high economic growth in the Asia-Pacific and South-East Asia regions in the last few years (Rao et al., 2020), M&A becomes an essential corporate decision when looking for efficient investment allocations (Alam and Le, 2014). Besides, previous literature shows that firms from developing countries bid higher in cross-border M&A, particularly when acquiring assets in developed countries (Hope et al., 2011). Additionally, Chinese cross-border M&A creates, somehow, greater shareholder value (Kling and Weitzel, 2011). This is an especially relevant issue in the USA and Europe, where the volume of foreign investments coming from emerging Asian countries is constantly increasing in the last few years (Li and Fabuš, 2019). Thus, a question immediately arises: why do Asian firms bid higher?

M&A's premium determinants are a traditional finance topic, where previous literature identifies several factors (Cumming et al., 2023). Relevant financial variables explaining the premium are company size, capital structure, investment opportunities, cash holdings, and operation-related variables such as deal size. A recent strand of the literature pays increasing attention to cultural values for explaining the success of a cross-border M&A

(e.g., Ahmad et al., 2022; Reddy et al., 2022; Chand et al., 2021; Boateng et al., 2019; Hope et al., 2011). Following the information asymmetries and the resources-based theories, most of the studies find that cultural distance plays a relevant role in explaining the success of value creation of the operation. However, little attention is yet paid to the relationship between the different cultures of the acquirer and the target, and the M&A premium. Focusing on the USA, Lim et al. (2016) find that the relationship between cultural distance and cross-border M&A premiums is asymmetric, being negative when USA firms bid for foreign targets and not significant when foreign bidders evaluate USA targets. Similarly, Kwok et al. (2020) document that religious differences between the target and the acquirer's CEO negatively affect the deal's performance in Malaysia.

This paper aims to analyze whether Asian firms systematically pay a higher premium in cross-border M&A. Using a large sample of 1,943 cross-border M&A during the period 2003 to 2021, our baseline results suggest that the average premiums paid by Asian companies are double the size of the European or USA acquisition premiums. Focusing on China, further analyses show that state-owned acquirer companies contribute to increasing the premium paid.

The paper makes several contributions to the current body of literature. Firstly, we utilize a global sample of cross-border M&A, which sets it apart from prior studies primarily focusing on the USA or China. This broader approach allows for a more comprehensive understanding of the premium puzzle. Second, we focus on the premium, which enriches the understanding of Asian companies' behavior when investing abroad. The reasons why Asian companies bid higher are not only related to economic or financial aspects of the operation but to country strategies related to diversifying the investment portfolio of the country. Third, we also analyze the role of public ownership, suggesting that regardless of the traditional motives for investing abroad, it also exists a political motivation, namely

for the Chinese state-owned acquirers, which ultimately makes them pay a higher premium.

The rest of the paper proceeds as follows. Section 2 briefly provides the literature review and develops the hypothesis. Section 3 presents the methodology, data, and research design to examine our hypotheses. Section 4 demonstrates the empirical analysis results and further robustness checks. In Section 5 we discuss the results and conclude the paper.

2. Literature review and hypotheses

2.1. A brief literature review on M&A premium determinants

The premium in M&A refers to the difference between the price paid for a target company and its fair market value (Custodio, 2014; Baker et al., 2012). It is often used as a measure of the success of a merger or acquisition, with a higher premium indicating that the acquiring company has paid more than the target company was worth (Ozdemir et al., 2022). Determining the premium that is paid in M&A transactions can be a complex process, due to information asymmetries and conflict of interests between acquirer and target managers, and numerous uncertain outcomes (Malhotra et al., 2022). This issue is especially relevant in cross-border M&A, considering that acquirer firms deal with differences in corporate governance, culture, language, and accounting standards (Maung et al., 2020).

The seminal paper by Lubatkin (1983) states that premiums can be influenced by the strategic fit between the target and the acquirer, the expected synergies, and the market conditions. Similarly, Urbšienė et al. (2015) identify a number of deal-related and market-related premium determinants. For example, acquirer companies with higher growth prospects (Kim et al., 2011), or stronger financial performance (Billett and Ryngaert, 1997), tend to command higher premiums in M&A transactions, while tend to pay less

for large target firms (Alexandridis et al., 2013). Additionally, companies that have unique or proprietary assets, such as patents or valuable brand names, may also command higher premiums (Laamanen, 2007). The characteristics of the M&A deal itself can also play a relevant role in determining the premium. For instance, research shows that friendly deals, where the target company's management is supportive of the acquisition, tend to command higher premiums than hostile deals (Gaughan, 2005). Besides, deals where the target company has a large number of shareholders or is widely held, tend to have higher premiums than those where the target company has a small number of shareholders or is closely held (Walkling and Edmister, 1985).

Another important factor that influences premiums in M&A transactions is the state of the broader market conditions (Xie et al., 2017; Rossi and Volpin, 2004). During periods of economic growth and high stock market valuations, premiums tend to be higher, as companies are more willing to pay more for acquisitions (Nguyen and Phan, 2017). A country's investors' protection is also found to be positively related to the premium since the uncertainties and information asymmetries are alleviated (Maung et al., 2019; Rossi and Volpin, 2004).

Corporate governance has been also identified as a critical issue in M&A premiums as it can affect the performance and outcome of the transaction (Starks and Wei, 2013). The relationship between corporate governance and premium in M&A has been extensively studied in the literature, with various findings indicating the importance of good corporate governance practices in achieving higher premiums. Previous research widely demonstrates that firms with strong corporate governance mechanisms, such as independent directors and effective board structures, tend to receive higher premiums in M&A deals (Acero and Alcalde, 2021; Aktas et al., 2016). This is because good governance practices are seen as a signal of a company's overall performance and future

potential, making it more attractive to potential acquirers. Besides, firms with female directors are less likely to make acquisitions and if they do, pay lower bid premia (Levi et al., 2014). Similarly, the role of CSR is also examined, showing that CSR policies of the target are positively associated with bid premiums (Gomes and Marsat, 2018).

We do not pretend to provide a deep review of the literature on the M&A premium determinants, since the papers published in the last decades are numerous (an updated analysis of the research done in this field can be found in Cumming et al. (2023)). The provided brief literature review wants to point out the relevance of understanding M&A premium determinants from different perspectives. However, as Cumming et al. (2023) state, “the major contributions to the research have expectedly come from the United States and the United Kingdom”. This means that, at the very least, the cultural issues concerning M&A premiums remain understudied or partially focused on the traditional M&A markets. Accordingly, we focus on this strand of the literature which is identified by Cumming et al. (2023) as one of the relevant upcoming research topics.

2.2. Why do Asian firms pay higher premiums?

The literature on the role of culture traditionally focuses on how cultural distance between the acquirer and the target company affects the outcome of the deal (e.g., Boateng et al., 2019; Ahern et al., 2015; Chakrabarti et al., 2009; Dikova and Sahib, 2013; Reus and Lamont, 2009; Stahl and Voigt, 2008). This issue is more relevant in the case of cross-border M&A. It is shown that cultural differences between countries can lead to a variety of challenges during the M&A process, including communication difficulties, misunderstandings, and a lack of trust between the merging parties (Lim et al., 2016). For example, using a sample of 209 Chinese firms for the period 1998-2012, Boateng et al. (2019) find that cultural distance negatively affects the acquirer's value creation, being such a relationship moderated by the acquirers' resources and managerial capabilities.

Nevertheless, prior research does not provide a conclusive idea of how cultural differences in cross-border M&A impact their value creation. On the one hand, it is assumed that cultural differences increase the operational risk and, hence, reduce the acquisition returns (Datta and Puia, 1995; David and Singh, 1994). On the other hand, according to the competing theory, it is considered that the relationship between cultural distance and value creation is more complex (Ahmad et al., 2022; Reus and Lamont, 2009; Stahl and Voigt, 2008). Hence, cultural distance does not necessarily imply a value destruction (Ghoshal, 1987), but a potential learning and value creation (Chakrabarti et al., 2009; Reus & Lamont, 2009).

Regardless of the prolific literature on the relationship between cultural distance and M&A's value creation, to our knowledge, few papers pay attention to studying how cultural distance may affect M&A premium. Focusing on a sample of U.S. cross-border M&A, Lim et al. (2016) find support for an asymmetric relationship between cultural distance and M&A premium, being negative when U.S. firms bid for foreign targets, but not significant when foreign bidders evaluate U.S. targets. From a different perspective, and using a worldwide sample of domestic and cross-border M&A, Maung et al., (2021) document that acquirers from more religious countries tend to bid less. Close research for a sample of Chinese M&A, conducted by Wen (2017), finds that collectivism in the target firm's country negatively affects M&A premium. Lastly, Ding et al. (2022) document that, when the firm's target country has better political relations with China, the premium paid by the Chinese companies is lower.

Following this strand of the literature, we intend to enrich the knowlegement on how national culture may affect M&A premiums, from a different perspective. The current market trends, in which there is an increasing importance of cross-border M&A coming

from Asian countries (Liu et al., 2022), deserve further analysis, namely focusing on the following questions: is it true that Asian firms bid higher? If that is the case, why is it so?

The literature widely uses the resource-based theory to explain a firm's decision to grow through a merger or acquisition. When a company has some resources, namely intangible ones, it is more likely to generate a competitive advantage since such resources are difficult to imitate (Barney, 1991; Finkelstein & Hambrick, 1996). This issue is especially relevant in emerging economies, and more specifically in China (Deng, 2009; Rui and Yip, 2008), because the resources and capabilities of firms become relevant to balance the competitive weaknesses of firms and increase firm value. Hence, using value maximization through the use of firm resources, the resource-based theory suggests that the acquirer's resources and capabilities may significantly affect M&A strategies (Reus and Lamont, 2009; Dikova and Sahib, 2013). Most of the Asian economies, besides Japan or South Korea, can be classified as emerging ones that constantly look for creating competitive advantages, namely technological, product differentiation, or workforce development (Li and Liu, 2014; Sun et al., 2012; Sirkin et al., 2008). Thus, when involved in cross-border M&A, Asian companies will be more willing to pay higher bids to acquire new strategic resources (Hope et al., 2011; Luo & Tung, 2007; Ramamurti & Singh, 2009). This issue is especially relevant when the acquirer company wants to strengthen technological innovation capabilities (Deng, 2007; Rui & Yip, 2008) or updated learning processes (Shimizu et al., 2004). For instance, Deng (2009) indicates that Chinese multinationals need a fast market entry, especially in some strategic sectors such as natural resources. To overcome branding capabilities, companies also tend to acquire existing world-class brands. Additionally, Chinese managers seek to make companies more sophisticated so that they can demand higher salaries (Peng, 2012).

Complementary, a higher bid can be used by Asian acquirer firms to reduce information asymmetries related to the deal. Except for the case of Japan and South Korea, Asian economies are characterized by not fully developed financial markets and formal institutions (Scheela and Jittrapanun, 2012), which increases information asymmetries (Zhu and Zhu, 2016). For instance, Chae et al. (2014) show that the improvements in South Korea's financial markets in 1998 and 2007 helped to reduce the information asymmetries of target firms. Likewise, Jongwanich et al. (2013) find that the Chinese financial market development in recent years facilitates cross-border M&A. Thus, Asian firms may utilize M&A premium to reduce acquisition uncertainties and, hence, provide stronger signals to the financial markets (Nguyen and Phan, 2017). By offering higher bids, and combining with adequate payment methods (Fuller et al. 2002), Asian firms reduce information asymmetries in the transaction (Bi, 2021), thereby protecting the interests of both the acquirer and the target shareholders, creating shareholder value (Barbopoulos et al. 2018) and reducing future goodwill damages (Cadman et al. 2014).

Based on the above arguments, our first hypothesis is stated as follows:

H1: Asian firms pay a higher premium in cross-border M&A compared to non-Asian firms.

Regardless of the traditional approaches used to explain why Asian firms may pay higher premiums, we want to further focus on the political side of such strategies. With the government support and Asian companies' willingness and capabilities to acquire companies in Europe or the USA, there is an underlying possibility that premiums for similar targets in Europe or the USA will be higher if the acquirer is an Asian-based company rather than a Europe or American-based company. This issue is more relevant for the case of China where, unlike other countries in the region, it exists a significant number of state-owned enterprises (SOE) in most of the industries (Wang et al., 2023;

Lin et al., 2021) which are playing an increasing role in the cross-border M&A markets in recent years (Jia and Wu, 2023). As shown by Hope et al. (2011), acquirer firms from emerging countries usually pay higher bids in cross-border M&A because those countries have stronger “national pride”. Governments have diverse ways of making use of such "national pride" to achieve diverse objectives, distinct from those purely economic ones, being state ownership in companies being one of them. Besides, M&A motivations are diverse for SOE and non-SOE (Florio et al., 2018), i.e., those of the Chinese SOE are aligned with the interests of the Chinese government while non-SOE is similar to Western private companies (Tan and Ai, 2010). Thus, the acquirer’s state ownership becomes a relevant variable when fixing the premium. Guo et al. (2016) show that SOEs in China pay higher premiums in cross-border M&A in comparison with private ones.

We propose three complementary channels through which public ownership in the acquirer companies may affect the premium. First, state-owned acquirer companies may pay a higher premium to reduce the uncertainty and transaction costs of the operation (Li et al., 2022b). According to Zhang et al. (2011), the likelihood of a Chinese firm succeeding in an overseas acquisition is lower, when the acquiring firm is a state-owned enterprise. Thus, to avoid any value destruction for shareholders in the operation, state-owned acquirers are obliged to pay a higher premium. Second, SOEs do not usually face financing issues, since they have access to diverse public funds (Hong et al., 2015). This issue increases the overinvestment problems. For instance, He et al. (2019) document that the overinvestment problem related to managerial overconfidence is more relevant in Chinese SOE than non-SOE enterprises. Accordingly, it is expected that when involved in M&A activities, SOEs are more prone to pay higher bids. The third channel is the most controversial one, as it is related to political issues. According to the resource-based approach, the focus of Chinese investments abroad is traditionally located in Asia, Africa,

and Latin America (Ebbers and Zhang, 2010), due to the need of solving the resource shortage in the medium and long term. On the contrary, investments in Europe and the United States are mostly market-seeking ones (Lu and Blanton, 2020; Hurst, 2011). However, regardless of the reasons for getting involved in cross-border M&A, Chinese SOE also looks for political positioning in the country (Li et al., 2022a). In other words, using its position in SOE, the Chinese government seeks to gain legitimacy and influence not only in China but also in the host country. This is what Lubinski and Wadhvani (2020) call “geopolitical jockeying”. Thus, it is expected that Chinese SOEs, when involved in cross-border M&A, make use of their political influence to bid higher.

Accordingly, we propose our second hypothesis:

H2: Chinese SOE firms pay a higher premium in cross-border M&A.

3. Sample, variables, and methodology

We carry out the analysis using a sample of 1,943 worldwide cross-border M&A from 2003 to 2021. While firm-level data (both the target and the acquirer) is obtained from the Eikon RefinitiveTM dataset, institutional variables are obtained from the World Bank database. Following prior related research, the initial sample is reduced by excluding cross-border deals with a value of less than 10 million USD (Rossi and Volpin, 2004; Dyck and Zingales, 2004). Additionally, all variables are winsorized at 1% and 99% to avoid any outliers in the sample. Table 1 shows the country of origin of acquirers and targets in our sample after all of the above-described filters, together with the number of cross-border deals.

<Table 1 about here>

The relevant dependent variable is the premium of the deal. Following prior related research (Wen, 2017), we utilize two alternative measures: the one-day (P1D) and the four-weeks (P4W) premium². The former is calculated as follows:

$$P1D = \frac{(\text{bid price per share} - \text{target closing stock price one day before announcement})}{\text{target closing stock price one day before announcement}} \times 100 \quad (1)$$

while the second one (P4W) is similar, only changing the one day to four weeks.

The main focus of the study is to study whether Asian firms bid higher in cross-border M&A. Thus, the main independent variable is a dummy variable (*Asian_acq*) which takes the value of 1 if the country of the acquirer company is Asian and 0 otherwise. To facilitate the latter analysis by combining all deal possibilities, we also introduce the dummy (*Asian_tar*), which takes the value of 1 if the target country is Asian and 0 otherwise. Additionally, we also consider the role of both the acquirer and the target non-being Asians with dummy variables (*NonAsian_acq* and *NonAsian_tar*).

The initial analysis is later complemented with the study of the role played by Chinese SOE. We focus on the Chinese SOE due to sample representativeness. From a total number of 73 M&A involving an Asian SOE, 57 operations refer to Chinese acquirers. Following prior related research, we create a dummy variable (*SOE*) that takes the value of 1 if the acquirer is controlled by the central or local government or its various agencies (Liu et al., 2019).

A set of control variables are also considered, namely the deal size (*Dealsize*), the target volume of sales (*Sales*), size proxied by the log of total assets (*Size*), leverage as the debt-

² Seminal papers on the M&A field also utilize the calculation of cumulative abnormal returns before the announcement date to measure M&A premiums. However, the information provided by the database is more reliable.

to-equity ratio (*Leverage*), return on assets (*ROA*), and its market value at the announcement (*VatA*), the percentage of shares acquired in the transaction (*Shares*), and the percentage of shares held by acquirer six months before the announcement (*Sharesheld*). We also control for the macroeconomic environment, including the target's country GDP growth (*GDP*). Lastly, the institutional quality of the target country is measured through the following indexes: property rights (*Property_rights*), investment freedom (*Inv_freedom*), and regulatory quality (*Reg_quality*). The model also includes relevant industry and year dummies (*Industry* and *Year*, respectively). Accordingly, our baseline model is as follows:

$$PREMIUM_i = \alpha + \beta_1 ASIAN_acq_i + \beta_2 CONTROLS_i + \mu_{i,t} \quad (2)$$

where i denotes the deal and $\mu_{i,t}$ is the stochastic error used to introduce possible errors in the measurement of the independent variables and the omission of explanatory variables.

Given the characteristics of our sample, namely time series, we utilize a pooled Ordinary Least Square (OLS) estimation technique, which is commonly used in similar research.

4. Empirical analysis

To characterize the sample under analysis, we present in Table 2 the descriptive statistics of the variables used.

<Table 2 about here>

The average premium is higher four weeks (0.4999) than one day (0.4168) before the deal. Additionally, the sample has deals of different sizes (*Dealsize*), and the targets differ in size, performance, or indebtedness. Besides, there are operations in which the acquirer

company is not a current shareholder and those in which the acquirer is already the reference shareholder.

We first perform an analysis of means comparisons. Table 3 shows the average values of the premium (P1D and P4W) conditional on the Asian origin of the target (Panel A) or the acquirer (Panel B). We also report the *t*-test to assess the significance of the differences between the sample groups.

<Table 3 about here>

It can be observed that, on average, the premium paid when buying non-Asian firms (panel A) is significantly higher (0.5380 for the one-day and 0.6410 for the four weeks) than when the target is an Asian firm. However, in this case, we are not distinguishing the acquirer's origin. On the contrary, the average premium paid is not statistically different when considering the origin of the acquirer (panel B).

The multivariate analysis begins by estimating the baseline model as it is defined in eq. 2, and the OLS estimations are reported in Table 4.

<Table 4 about here>

Proceeding this way, we do not find a significant relationship between M&A premium (P1D and P4W) and being an acquirer company from Asia (although the coefficients are positive). The results of the control variables are in line with previous research. This outcome deserves a further analysis in which, apart from considering the origin of the acquirer company, the origin of the target company is also taken into account. Thus, in Table 5, we estimate again eq.2 by the origin of the target firm (using the variable *Asian_tar*).

<Table 5 about here>

This way, we can observe that Asian companies pay higher premiums when buying non-Asian companies in the USA, Europe, Africa, or Latin America. Specifically, the one-day premium (PID) increases by 5.36% while the four-weeks premium increases by 10.16%. This result confirms our hypothesis. When involved in cross-border M&A outside their region, Asian companies follow not only economic criteria to invest and, thus, they bid higher due to their sociological and cultural characteristics (Hope et al., 2011; Luo & Tung, 2007; Ramamurti & Singh, 2009). The obtained results are, if possible, more relevant compared to those obtained for non-Asian acquirers (right side of the table). In this case, we do not find a significant effect of non-being an Asian acquirer, neither for Asian targets nor for non-Asian targets. Thus, according to the resource-based and information asymmetries theories, Asian acquirer firms follow a strategy of paying a higher premium to have access to some resources, namely raw materials and well-trained human resources (Deng, 2009), alongside reducing transaction costs and the uncertainty related to such operations (Jongwanich et al., 2013; Scheela and Jittrapanun, 2012).

To further analyze the consistency of the obtained results, in Table 6 we provide the results of the estimation of eq.2, including some deal characteristics, namely the percentage of shares acquired in the transaction (*Shares*) and the percentage of shares held by the acquirer six months before the announcement (*Sharesheld*), together with the joint effect of being an Asian acquirer.

<Table 6 about here>

In this case, we can observe that the effect of being an Asian company is only relevant when acquiring non-Asian companies. Further, as the number of shares bought increases (*Shares*), so does the premium. Besides, it is shown that when an Asian acquirer has already a position in the target company (*Sharesheld x Asian_acq*), the positive effect on the premium is higher (the on-day premium increases by 51.49%, while the four-weeks

premium increases by 82.17%). These results just provide better support for confirming our first hypothesis and are aligned with previous research findings (Walkling and Edmister, 1985).

Additional analysis is carried out to better understand the role of Asian acquirers. Asian countries are heterogeneous in terms of financial development and culture (Jahanger et al., 2022), which may arise the question of whether all Asian countries pay a higher premium when involved in cross-border M&A. Considering our sample, we focus on the Chinese (together with Hong Kong) acquirer companies (which represent 27.2% of the total M&A coming from Asian countries) and Japanese ones (which represent the 37.7%). This distinction is also relevant since China and Japan are two substantially different countries, namely from economic and political perspectives. Thus, two new dummy variables are considered, (*China_acq*) and (*Japan_acq*) which take the value of 1 if the acquirer company is from China or Japan, respectively. The results are shown in Table 7.

<Table 7 about here>

The obtained results are again consistent with those previously obtained, i.e., regardless of the country, Asian acquirers are more prone to pay higher bids in cross-border M&A when buying non-Asian companies. In this case, two different countries, which have diverse reasons and strategies when investing abroad, tend to pay higher bids.

To further analyze why Asian firms bid higher, we introduce in the model the role of SOE. Since most of the SOEs in the Asian region are based in China, in Table 8 we accordingly introduce the variable (*China_acq*) and (*SOE*), and, to test the joint effect of being a Chinese acquirer and an SOE, we introduce the interaction term (*China_acq* x *SOE*).

<Table 8 about here>

On the one hand, we still find a positive effect of being a Chinese acquirer company in the premium paid. Additionally, SOE also positively influences the premium, and so does the joint effect, i.e., Chinese state-owned acquirer companies pay higher bids when involved in cross-border M&A, namely out of the Asian region. These results confirm our second hypothesis since we find support for the political motive of Chinese companies for getting involved in cross-border M&A (Li et al., 2022a).

5. Conclusions

Using a worldwide sample of M&A deals for the period 2003-2021, in this paper we uniquely examine whether Asian firms pay a higher premium. Asian companies have been found to bid higher in mergers and acquisitions compared to their Western counterparts. This phenomenon can be attributed to a combination of strategic and information asymmetries. Strategic asymmetries refer to the differing motivations and goals of Asian and Western companies when engaging in M&A. Asian companies may have a stronger focus on gaining access to new markets and technologies, while Western companies may be more focused on cost-cutting and synergies. This difference in motivation can lead to Asian companies being willing to pay more for a target company. Information asymmetries refer to the fact that Asian companies may have less access to information about potential target companies compared to Western companies. This lack of information can lead to Asian companies being more willing to pay a premium to secure a deal.

Our results may have some relevant implications for both policymakers and managers. On the one hand, market authorities should be aware that the reasons behind some M&A

operations are not only related to economic or financial ones. The strategies and objectives of Asian firms when undertaking M&A decisions may be motivated by gaining reputation, market share, or even related to political issues. Thus, the market value of a deal cannot be the only reference but also understanding where it comes from and the real objectives behind it. On the other hand, those involved in the deal, namely managers and intermediaries, need to implement adequate valuation systems. The final price paid needs to reflect the real value of the operation and avoid any information asymmetries that distort the deal.

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Table 1. Number of acquisition deals by acquirer and target country

	TARGET	ACQUIRER
Argentina	9	1
Australia	236	64
Austria	13	10
Belgium	20	27

Brazil	13	17
Canada	277	146
Chile	9	4
China	23	76
Colombia	8	6
Czech Republic	3	2
Denmark	16	15
Finland	11	12
France	92	108
Germany	54	79
Greece	7	3
Hong Kong	42	66
India	75	19
Indonesia	32	5
Ireland	9	22
Israel	27	18
Italy	18	38
Japan	30	197
Malaysia	25	20
Mexico	8	9
Netherlands	29	57
New Zealand	25	8
Norway	39	21
Pakistan	5	-
Peru	8	3
Philippines	7	7
Poland	14	5
Russia	7	13
Singapore	44	68
South Africa	10	30
South Korea	20	29
Spain	15	50
Sweden	37	49
Switzerland	21	85
Taiwan	21	16
Thailand	20	11
Turkey	2	-
United Kingdom	140	190
United States	410	337
Vietnam	12	-
TOTAL	1,943	1,943

Table 2. Descriptive statistics

Variable	Acronym	Mean	Median	Standard deviation	Minimum	Maximum
<i>Premia</i>						
1 day	<i>P1D</i>	0.4168	0.2692	0.5577	0.000	4.000
4 weeks	<i>P4W</i>	0.4999	0.3382	0.6300	0.0021	4.5849
<i>Deal characteristics</i>						
Deal size	<i>Dealsize</i>	18.6973	18.7091	2.3477	13.0815	23.8438
Target sales	<i>Sales</i>	18.8178	19.0162	2.4636	11.1204	23.7419
Target size	<i>Size</i>	19.3792	19.2051	2.2118	14.1035	24.9928
Target leverage	<i>Leverage</i>	0.4754	0.4640	0.3008	0.0057	1.5835
Target market value at announcement	<i>VatA</i>	4.7671	2.7478	9.4977	-25.0217	65.5739
Target ROA	<i>ROA</i>	0.3834	0.0159	2.3656	-1.5823	19.4797
Percentage of Shares Acquired in Transaction	<i>Shares</i>	0.5882	0.6265	0.3974	0.0000	1.0000
Percentage of Shares Held by Acquirer 6 Months Prior to Announcement	<i>Sharesheld</i>	0.1352	0.1234	0.2549	0.0000	0.9959
<i>Control variables</i>						
GDP growth	<i>GDP</i>	28.3384	28.4254	1.3845	24.7962	30.7663
Property rights	<i>Prop_rights</i>	80.0903	90.0000	16.8862	15.0000	98.4000
Investment freedom	<i>Inv_freedom</i>	70.7797	70.0000	16.1997	15.0000	95.0000
Regulatory quality	<i>Reg_quality</i>	86.3995	92.7884	16.6938	22.4880	100.0000

Note: Table 2 shows the mean, standard deviation, median, minimum, and maximum values of the model variables. *P1D*: one-day premium; *P4W*: four-weeks premium; *Dealsize*: deal size in millions of USD; *Sales*: the target volume of sales in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *VatA*: target's market value at the announcement; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *Sharesheld*: percentage of shares held by acquirer six months before the announcement; *GDP*: target's country GDP growth; *Prop_rights*: property rights index; *Inv_freedom*: investment freedom index; *Reg_quality*: regulatory quality index.

Table 3. Premium mean values comparison by Asian origin

Panel A: TARGET			
	ASIAN	NON-ASIAN	<i>t</i> -test
P1D	0.3660	0.5380	2.39 **
P4W	0.4575	0.6410	9.86 **

Panel B: ACQUIRER			
	ASIAN	NON-ASIAN	<i>t</i> -test
P1D	0.5075	0.5061	-0.01
P4W	0.6196	0.6030	-0.18

Note: Table 3 shows the mean difference tests for the different premium depending on the target and the acquirer origin. *P1D*: one-day premium; *P4W*: four-weeks premium. The *p*-value test is the maximum level of significance to reject the null hypothesis of equality of means between both subsamples. *** significant at 99% confidence level; ** 95%; * 90%.

Table 4. The effect of being an Asian acquirer.

	P1D	P4W
<i>Asian_acq</i>	0.0362 (0.0345)	0.0568 (0.0401)
<i>Dealsize</i>	0.0366 *** (0.0108)	0.0517 *** (0.0123)
<i>Sales</i>	-0.0461 *** (0.0171)	-0.0453 ** (0.0185)
<i>Size</i>	-0.0392 ** (0.0198)	-0.0588 *** (0.0198)
<i>Leverage</i>	0.1832 ** (0.0777)	0.1818 ** (0.0863)
<i>VatA</i>	-0.0019 (0.0021)	-0.0004 (0.0022)
<i>ROA</i>	-0.0108 (0.0071)	-0.0093 (0.0075)
<i>GDP</i>	0.0089 (0.0093)	0.0023 (0.0111)
<i>Prop_rights</i>	-0.0053 *** (0.0018)	-0.0068 *** (0.0023)
<i>Inv_freedom</i>	0.0026 ** (0.0013)	0.0045 *** (0.0015)
<i>Reg_quality</i>	0.0028 (0.0021)	0.0020 (0.0024)
YEAR	YES	YES
INDUSTRY	YES	YES
ROBUST	YES	YES
Constant	0.8608 *** (0.3389)	1.2066 *** (0.3832)
Observations	1,649	1,649
Adj R-squared	0.081	0.079
F-test	3.05 ***	3.33 ***

Note: Table 4 shows the coefficients and the standard errors (in parenthesis) of eq.2 estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *Asian_acq*: dummy variable that takes the value of 1 if the acquirer company is from Asia; *Dealsize*: deal size in millions of USD; *Sales*: the target volume of sales in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *VatA*: target's market value at the announcement; *ROA*: target's return on assets; *GDP*: target's country GDP growth; *Prop_rights*: property rights index; *Inv_freedom*: investment freedom index; *Reg_quality*: regulatory quality index. The model also includes industry and year dummies (*Industry* and *Year*, respectively). The R-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The F-test determines whether the term significantly affects the response. ***, **, and * indicate a confidence level of above 99%, 95%, and 90%, respectively.

Table 5. Asian vs. Non-Asian acquirers and the origin of the target.

	ASIAN ACQUIRER				NON-ASIAN ACQUIRER			
	ASIAN TARGET		NON-ASIAN TARGET		ASIAN TARGET		NON-ASIAN TARGET	
	P1D	P4W	P1D	P4W	P1D	P4W	P1D	P4W
<i>Asian_acq</i>	0.0593 (0.0603)	0.0016 (0.0773)	0.0536* (0.0443)	0.1016** (0.0515)				
<i>NonAsian_acq</i>					-0.0393 (0.0203)	-0.0013 (0.0663)	-0.0533 (0.0223)	-0.1013 (0.0515)
<i>Dealsize</i>	0.0401** (0.0196)	0.0604*** (0.0222)	0.0323** (0.0132)	0.0491*** (0.0153)	0.0201** (0.0192)	0.0302*** (0.0111)	0.0313*** (0.0131)	0.0291*** (0.0153)
<i>Sales</i>	-0.0255 (0.0367)	-0.0344 (0.0407)	-0.0503*** (0.0189)	-0.484** (0.0205)	-0.0133 (0.0327)	-0.0322 (0.0206)	-0.0503** (0.0169)	-0.262** (0.0105)
<i>Size</i>	-0.0464 (0.0406)	-0.0543 (0.0460)	-0.0358* (0.0217)	-0.0585*** (0.0212)	-0.0222* (0.0202)	-0.0523* (0.0230)	-0.0356* (0.0116)	-0.0565*** (0.0111)
<i>Leverage</i>	-0.0527 (0.1175)	-0.0884 (0.1355)	0.2356*** (0.0890)	0.2438** (0.0990)	-0.0317 (0.1173)	-0.0662 (0.1355)	0.1353** (0.0690)	0.1236** (0.0990)
<i>VatA</i>	-0.0074 (0.0064)	-0.0054 (0.0073)	-0.0020 (0.0022)	-0.0004 (0.0023)	-0.0072 (0.0022)	-0.0052 (0.0063)	-0.0010 (0.0011)	-0.0002 (0.0013)
<i>ROA</i>	-0.0217*** (0.0072)	-0.0244*** (0.0084)	-0.0081 (0.0085)	-0.0050 (0.0088)	-0.0117** (0.0071)	-0.0122** (0.0062)	-0.0061 (0.0065)	-0.0050 (0.0066)
<i>GDP</i>	0.0278 (0.0192)	0.0298 (0.0207)	0.0040 (0.0108)	-0.0067 (0.0132)	0.0176 (0.0191)	0.0196 (0.0106)	0.0020 (0.0106)	-0.0036 (0.0131)
<i>Prop_rights</i>	-0.0081*** (0.0029)	-0.0091*** (0.0034)	-0.0056** (0.0024)	-0.0072** (0.0030)	-0.0061*** (0.0019)	-0.0091** (0.0032)	-0.0053** (0.0012)	-0.0061*** (0.0030)
<i>Inv_freedom</i>	0.0072 (0.0050)	0.0096 (0.0058)	0.0021 (0.0014)	0.0034** (0.0016)	0.0071 (0.0030)	0.0093 (0.0056)	0.0011 (0.0012)	0.0032** (0.0013)
<i>Reg_quality</i>	0.0001 (0.0084)	-0.0015 (0.0054)	0.0017 (0.0029)	0.0012 (0.0033)	0.0001 (0.0062)	-0.0015 (0.0052)	0.0016 (0.0019)	0.0011 (0.0033)
YEAR	YES	YES	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES	YES	YES
ROBUST	YES	YES	YES	YES	YES	YES	YES	YES
Constant	0.8679 (0.7613)	0.7556 (0.7576)	1.1535*** (0.4173)	1.6811*** (0.4992)	0.6279 (0.7213)	0.6553 (0.6563)	1.1535*** (0.2163)	1.3611*** (0.2991)
Observations	327	327	1,322	1,322	327	327	1,322	1,322
Adj R-squared	0.162	0.130	0.096	0.095	0.121	0.130	0.093	0.095
F-test	1.51**	1.19***	2.96***	3.30***	1.31**	1.19***	1.93***	3.30***

Note: Table 5 shows the coefficients and the standard errors (in parenthesis) of eq.2 estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *Asian_acq*: dummy variable that takes the value of 1 if the acquirer company is from Asia; *NonAsian_acq*: dummy variable that takes the value of 1 if the acquirer company is from a country different from Asia; *Dealsize*: deal size in millions of USD; *Sales*: the target volume of sales in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *VatA*: target's market value at the announcement; *ROA*: target's return on assets; *GDP*: target's country GDP growth; *Prop_rights*: property rights index; *Inv_freedom*: investment freedom index; *Reg_quality*: regulatory quality index. The model also includes industry and year dummies (*Industry* and *Year*, respectively). The R-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The F-test determines whether the term significantly affects the response. ***, **, and * indicate a confidence level of above 99%, 95%, and 90%, respectively.

Table 6. Asian acquirers and deal characteristics

	ASIAN TARGET		NON-ASIAN TARGET	
	P1D	P4W	P1D	P4W
<i>Asian_acq</i>	0.0864 (0.0910)	0.0320 (0.1097)	0.0312* (0.1063)	0.0123** (0.1128)
<i>Shares</i>	0.3919* (0.2295)	0.6276** (0.3017)	0.2492*** (0.0802)	0.2179*** (0.0802)
<i>Shares x Asian_acq</i>	-0.2262 (0.2486)	-0.3010 (0.1280)	-0.0093 (0.1198)	0.0552 (0.1332)
<i>Sharesheld</i>	0.0145 (0.2486)	-0.0375 (0.1280)	0.0136 (0.0768)	-0.0145 (0.0903)
<i>Sharesheld x Asian_acq</i>	0.2793 (0.2287)	0.3847 (0.2573)	0.5149* (0.2832)	0.8217** (0.3427)
<i>Dealsize</i>	0.0058 (0.0312)	-0.0024 (0.0378)	-0.0149 (0.0238)	0.0057 (0.0246)
<i>Sales</i>	-0.0271 (0.0345)	-0.0370 (0.0387)	-0.0527*** (0.0185)	-0.0508*** (0.0200)
<i>Size</i>	-0.0121 (0.0376)	0.0077 (0.0459)	0.0047 (0.0289)	-0.0212 (0.0260)
<i>Leverage</i>	-0.0855 (0.1160)	-0.1481 (0.1372)	0.2012** (0.0919)	0.2117** (0.0993)
<i>VatA</i>	-0.0053 (0.0060)	-0.0021 (0.0066)	-0.0006 (0.0023)	0.0007 (0.0023)
<i>ROA</i>	-0.0236*** (0.0063)	-0.0272*** (0.0084)	-0.0081 (0.0083)	-0.0050 (0.0086)
<i>GDP</i>	0.0327* (0.0190)	0.0356* (0.0206)	0.0032 (0.0107)	-0.0081 (0.0131)
<i>Prop_rights</i>	-0.0077*** (0.0028)	-0.0085** (0.0033)	-0.0066*** (0.0024)	-0.0082*** (0.0030)
<i>Inv_freedom</i>	0.0068 (0.0049)	0.0093 (0.0057)	0.0023 (0.0014)	0.0036** (0.0016)
<i>Reg_quality</i>	-0.0003 (0.0046)	-0.0026 (0.0053)	0.0014 (0.0029)	0.0008 (0.0032)
YEAR	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES
ROBUST	YES	YES	YES	YES
Constant	0.6166 (0.7476)	0.4291 (0.7354)	1.1535*** (0.4173)	1.8302*** (0.5036)
Observations	327	327	1,322	1,322
Adj R-squared	0.186	0.169	0.113	0.114
F-test	1.58**	1.43**	3.97***	3.99***

Note: Table 6 shows the coefficients and the standard errors (in parenthesis) of eq.2 estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *Asian_acq*: dummy variable that takes the value of 1 if the acquirer company is from Asia; *Shares*: percentage of shares acquired in the transaction; *Sharesheld*: percentage of shares held by acquirer six months before the announcement; *Dealsize*: deal size in millions of USD; *Sales*: the target volume of sales in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *VatA*: target's market value at the announcement; *ROA*: target's return on assets; *GDP*: target's country GDP growth; *Prop_rights*: property rights index; *Inv_freedom*: investment freedom index; *Reg_quality*: regulatory quality index. The model also includes industry and year dummies (*Industry* and *Year*, respectively). The R-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The F-test determines whether the term significantly affects the response. ***, **, and * indicate a confidence level of above 99%, 95%, and 90%, respectively.

Table 7. Chinese and Japanese acquirers and the origin of the target.

	CHINESE ACQUIRER				JAPANESE ACQUIRER			
	ASIAN TARGET		NON-ASIAN TARGET		ASIAN TARGET		NON-ASIAN TARGET	
	P1D	P4W	P1D	P4W	P1D	P4W	P1D	P4W
<i>China_acq</i>	0.0949 (0.1833)	0.0191 (0.2034)	0.1242* (0.0747)	0.0467*** (0.0718)				
<i>Japan_acq</i>					0.0030 (0.0776)	-0.0220 (0.0963)	0.0144** (0.0419)	0.0336** (0.0493)
<i>Dealsize</i>	0.0387* (0.0200)	0.0602*** (0.0227)	0.0288** (0.0134)	0.0448*** (0.0155)	0.0394** (0.0198)	0.0602*** (0.0225)	0.0304** (0.0133)	0.0455*** (0.0153)
<i>Sales</i>	-0.0217 (0.0337)	-0.0335 (0.0373)	-0.0510*** (0.0190)	-0.0492** (0.0208)	-0.0264 (0.0348)	-0.0324 (0.0388)	-0.0508*** (0.0190)	-0.0493** (0.0208)
<i>Size</i>	-0.0495 (0.0371)	-0.0552 (0.0418)	-0.0333 (0.0218)	-0.0559*** (0.0217)	-0.0446 (0.0386)	-0.0560 (0.0437)	-0.0347 (0.0217)	-0.0564*** (0.0216)
<i>Leverage</i>	-0.0517 (0.1189)	-0.0881 (0.1365)	0.2334*** (0.0892)	0.2394** (0.0992)	-0.0539 (0.1185)	-0.0880 (0.1361)	0.2338*** (0.0891)	0.2405** (0.0992)
<i>VatA</i>	-0.0076 (0.0068)	-0.0055 (0.0074)	-0.0021 (0.0022)	-0.0005 (0.0023)	-0.0077 (0.0066)	-0.0056 (0.0074)	-0.0021 (0.0022)	-0.0005 (0.0023)
<i>ROA</i>	-0.0208*** (0.0070)	-0.0244*** (0.0083)	-0.0080 (0.0084)	-0.0049 (0.0087)	-0.0209*** (0.0071)	-0.0242*** (0.0083)	-0.0081 (0.0085)	-0.0049 (0.0088)
<i>GDP</i>	0.0197 (0.0173)	0.0288 (0.0185)	0.0059 (0.0111)	-0.0076 (0.0136)	0.0242 (0.0219)	0.0327 (0.0236)	0.0026 (0.0111)	-0.0097 (0.0136)
<i>Prop_rights</i>	-0.0082*** (0.0031)	-0.0091** (0.0036)	-0.0058** (0.0025)	-0.0076** (0.0030)	-0.0084*** (0.0030)	-0.0091*** (0.0035)	-0.0058** (0.0025)	-0.0075** (0.0030)
<i>Inv_freedom</i>	0.0067 (0.0051)	0.0095 (0.0060)	0.0023 (0.0015)	0.0037** (0.0017)	0.0072 (0.0051)	0.0095 (0.0059)	0.0022 (0.0015)	0.0036** (0.0017)
<i>Reg_quality</i>	0.0005 (0.0047)	-0.0015 (0.0053)	0.0023 (0.0029)	0.0021 (0.0033)	0.0006 (0.0047)	-0.0015 (0.0053)	0.0022 (0.0029)	0.0020 (0.0033)
YEAR	YES	YES	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES	YES	YES
ROBUST	YES	YES	YES	YES	YES	YES	YES	YES
Constant	1.1736* (0.6782)	0.7925 (0.6296)	1.0883*** (0.4187)	1.6843*** (0.5004)	1.0200 (0.8228)	0.6918 (0.8172)	1.1872*** (0.4180)	1.7516*** (0.5018)
Observations	327	327	1,322	1,322	327	327	1,322	1,322
Adj R-squared	0.162	0.130	0.097	0.092	0.160	0.130	0.096	0.092
F-test	1.57**	1.19**	3.00***	3.28***	1.53**	1.20***	3.14***	3.36***

Note: Table 7 shows the coefficients and the standard errors (in parenthesis) of eq.2 estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *China_acq*: dummy variable that takes the value of 1 if the acquirer company is from China; *Japan_acq*: dummy variable that takes the value of 1 if the acquirer company is from Japan; *Dealsize*: deal size in millions of USD; *Sales*: the target volume of sales in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *VatA*: target's market value at the announcement; *ROA*: target's return on assets; *GDP*: target's country GDP growth; *Prop_rights*: property rights index; *Inv_freedom*: investment freedom index; *Reg_quality*: regulatory quality index. The model also includes industry and year dummies (*Industry* and *Year*, respectively). The R-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The F-test determines whether the term significantly affects the response. ***, **, and * indicate a confidence level of above 99%, 95%, and 90%, respectively.

Table 8. Chinese SOE and the origin of the target.

	ASIAN TARGET		NON-ASIAN TARGET	
	P1D	P4W	P1D	P4W
<i>China_acq</i>	-0.1810 (0.2231)	-0.2037 (0.3088)	0.1853 * (0.1055)	0.1448 ** (0.0780)
<i>SOE</i>	0.1656 (0.3116)	0.1861 (0.3525)	0.0451 ** (0.0423)	0.0528 ** (0.0509)
<i>China_acq x SOE</i>	0.1742 (0.3525)	0.0869 (0.4215)	0.1392 ** (0.1403)	0.2033 **** (0.1209)
<i>Dealsize</i>	0.0405 ** (0.0197)	0.0622 *** (0.0221)	0.0289 ** (0.0134)	0.0450 *** (0.0155)
<i>Sales</i>	-0.0200 (0.0352)	-0.0314 (0.0389)	-0.0512 *** (0.0190)	-0.0494 ** (0.0208)
<i>Size</i>	-0.0550 (0.0393)	-0.0615 (0.0441)	-0.0329 (0.0218)	-0.0555 ** (0.0217)
<i>Leverage</i>	-0.0438 (0.1165)	-0.0812 (0.1332)	0.2346 *** (0.0892)	0.2413 ** (0.0992)
<i>VatA</i>	-0.0077 (0.0065)	-0.0056 (0.0073)	-0.0021 (0.0022)	-0.0005 (0.0023)
<i>ROA</i>	-0.0187 *** (0.0071)	-0.0227 *** (0.0086)	-0.0081 (0.0084)	-0.0051 (0.0088)
<i>GDP</i>	0.0261 (0.0200)	0.0357 * (0.0216)	0.0044 (0.0114)	-0.0094 (0.0141)
<i>Prop_rights</i>	-0.0084 *** (0.0032)	-0.0093 ** (0.0037)	-0.0058 ** (0.0025)	-0.0076 ** (0.0030)
<i>Inv_freedom</i>	0.0066 (0.0045)	0.0093 * (0.0053)	0.0023 (0.0015)	0.0037 ** (0.0017)
<i>Reg_quality</i>	0.0009 (0.0039)	-0.0010 (0.0044)	0.0022 (0.0029)	0.0020 (0.0033)
YEAR	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES
ROBUST	YES	YES	YES	YES
Constant	1.0180 (0.6635)	0.6284 (0.5987)	1.1369 *** (0.4293)	1.7424 *** (0.5173)
Observations	327	327	1,322	1,322
Adj R-squared	0.170	0.136	0.097	0.092
F-test	1.47 **	1.13 **	2.85 ***	3.13 **

Note: Table 8 shows the coefficients and the standard errors (in parenthesis) of eq.2 estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *China_acq*: dummy variable that takes the value of 1 if the acquirer company is from China; *SOE*: dummy variable that takes the value of 1 if the acquirer company is state-owned; *Dealsize*: deal size in millions of USD; *Sales*: the target volume of sales in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *VatA*: target's market value at the announcement; *ROA*: target's return on assets; *GDP*: target's country GDP growth; *Prop_rights*: property rights index; *Inv_freedom*: investment freedom index; *Reg_quality*: regulatory quality index. The model also includes industry and year dummies (*Industry* and *Year*, respectively). The R-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The F-test determines whether the term significantly affects the response. ***, **, and * indicate a confidence level of above 99%, 95%, and 90%, respectively.