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ABSTRACT

Few studies have addressed the pre-take-over financial characteristics of multiple versus single acquirers and their targets. Therefore this study investigates whether multiple acquirers, with some experience in acquiring companies, might acquire firms with different (better) financial characteristics than single acquirers. Our results confirm this hypothesis in multiple ways. It seems that multiple acquirers look for complementary firms in terms of sales and growth. Multiple acquirers specifically want to acquire companies with a high sales generating ability in order to improve their own sales generating ability.

INTRODUCTION

Mergers and aquisitions are a very actively researched topic in finance. Especially, market performance issues of large firms have been subject to various academic studies.

Relatively few studies have addressed the operating performance of companies involved in take-overs, due in part to both lack of data availability and methodological problems. A further drawback of almost all studies of operating performance in mergers and acquisitions (both pre- and post acquisition), is that these studies are usually restricted to samples of very big companies with publicly traded securities (e.g. Healy et al., 1992, Higson and Elliott, 1994, Parrino and Harris, 1999). Exceptions are Ravenscraft and Scherer for the USA (1987 and 1989) and Cosh and Hughes (1994) for the UK.

Higson and Elliott (1994) state that acquirers that acquire several companies in a short time frame are an essential part of the private takeover market. Since few studies have investigated the differences between multiple and single acquirers, we try to fill this gap. Because of the investigated sample in this study we focus on rather small companies and we shall investigate the characteristics of multiple acquirers and compare these with those of single acquirers. We do not only study the profitability (like most studies do), but our analysis also includes liquidity, leverage, added value and failure risk. Furthermore we will study the target firms of the multiple acquirers separately and compare them with the single target companies. We expect that firms with some experience in acquiring other companies, might acquire companies with better financial characteristics than companies that only acquire one company.

The paper is organised as follows. Section 2 gives a brief literature review and states the research hypotheses of this study. Section 3 describes the methodology used in this paper. This includes the data collection, the accounting-based performance measures and the methodology. The empirical results are presented in section 4. The paper ends with the conclusions in section 5.

LITERATURE REVIEW AND RESEARCH HYPOTHESES

With regard to the pre-take-over performance of acquired companies, Pastena and Ruland (1986) point to the fact that a lot of acquired firms are financially distressed and that for these firms a merger or acquisition is often the only alternative to bankruptcy. Therefore one could expect that take-over targets are mainly companies that have performed badly or

had a weak financial position in the years prior to take-over. This hypothesis constitutes one of the main reasons why take-over target prediction models give great importance to measures of profitability and leverage. However, contrary to what is suggested, few evidence is found on the claim that take-over targets are mainly poor performing companies. For instance Higson and Elliott (1993) don't find a significant link between poor operating performance in terms of profitability and the likelihood of being a take-over target. Features that do matter, are size and a mismatch between growth and resources.

According to Higson and Elliott (1993) firm size is an important discriminator between acquired and non-acquired companies. However, the importance of size in determining acquisition likelihood can be attributed to the fact that it is mainly proxying the much lower propensity to be acquired of the very largest firms.

Another feature of take-over targets is presented by Palepu (1986). He finds that take-over targets are often characterised by a mismatch between growth and resources. Companies that experience an important growth (as measured by sales growth), but don't have enough resources to support this growth are often take-over targets. Alternatively, companies with a great availability of financial and other resources but with a lack of profitable investment opportunities to allocate these resources, are also attractive take-over targets.

Palepu (1986) measures the availability of financial resources with liquidity and solvency ratio's (net liquid assets to total assets and debt to equity). Liquidity however doesn't seem to have a strong explaining power and doesn't differ significantly between acquired and non-acquired companies. Solvency on the contrary seems to be an important feature to predict take-over targets. These findings are confirmed by empirical research of Clark and Ofek (1994). However, it is important to state that the leverage of the target company should not be too high, for this has a significant negative impact on the acquirer's financial structure after the acquisition (Theodossiou et al.,1996).

Pre-take-over performance is also studied in post-take-over studies. However the findings of this research are inconclusive. On the one hand, some studies have shown acquired companies to be appreciably less profitable on average than their acquirers or control groups, whereas other studies report acquisition targets to be extraordinarily profitable in the pre-take-over period. These differences in performance levels seem to be correlated with the size of the companies under investigation (e.g. Ravenscraft and Scherer, 1987a, b and 1989; Healy, Palepu and Ruback, 1992; Higson and Elliot, 1994, Cosh and Hughes, 1994). Ravenscraft and Scherer (1987a) were the first to confine their merger and acquisition analysis to small, unquoted companies and they ask themselves how it is possible that their

pre-acquisition results '*differ so strikingly from those of other studies*'. They conclude by stating that '*our sample, unlike others, includes smaller and (often related to smallness) privately held companies*'. The smaller the size of the acquired companies, the greater their pre-take-over profitability seems to be. Stated differently, the smaller the acquisition, the more acquirers favored (within the large population of candidates) firms of superior profitability (Ravenscraft and Scherer, 1989).

In an earlier study (Camerlynck, Ooghe and De Langhe, 2001) we analyzed the pre-acquisition financial characteristics of privately held companies involved in take-overs. In this study we did not find that acquired firms were mainly financially distressed firms or that they were underperformers in the pre-acquisition period. The results provided evidence that target and acquiring companies have a complemantary financial profile in the pre-acquisition period. Both the acquirers and the target firms seem to experience a growth-resource imbalance. It appears that slack-poor, high growth firms with valuable investment opportunities acquire slack-rich, low growth targets. The acquirers try to solve their own growth-resource imbalance by acquiring companies with complementary financial characteristics.

In this study we compare multiple and single acquirers. It is important to notice that causes and objectives of an acquisition will differ between multiple and single acquirers. Where the acquisition of a single acquirer normally can be seen as an occasional event, multiple acquirers will probably act in pursuit of external growth. Therefore we can expect that they will put different requirements for their targets. An other important remark is that multiple acquirers because of their experience can be considered as experts. Our hypothesis is that multiple acquirers, because of their experience in acquiring other companies, are able to acquire companies with better financial characteristics in comparison with single acquirers.

DATA AND METHODOLOGY

Data

Our main data come from the CD-ROMs of the National Bank of Belgium and from the Belfirst CD-ROM for the years 1989-1994. It concerns published annual accounts of non-financial Belgian companies.

In Belgium companies are bound to deposit their annual accounts in a prescribed form dependent on their size. A distinction can be made between companies that have to prepare their annual accounts in a complete form and small companies that prepare their annual

accounts in an abbreviated form. The first group of companies has more than 100 employees or satisfies at least two of the following criteria: number of employees (yearly average) of at least 50; turnover (VAT excluded) of at least 200 million Belgian francs (= 4 957 870,49 Euro)and total assets of at least 100 million Belgian francs (= 2 478 935,25 Euro). Companies that do not meet these criteria, are allowed to prepare their annual accounts in an abbreviated form. These companies do not have to apply the full disclosure requirements and e.g. do not have to report sales-figures.

It should be clear that definitions of 'large' and 'small' are very relative (e.g. Cosh and Hughes, 1994). In other surveys small and medium sized companies are often defined as firms employing less than 500 workers. In Belgium the number of companies employing more than 500 workers is only about 300 in the 1990's, relative to a total number of more than 200.000 companies that deposit their annual accounts with the National Bank of Belgium. However, there are much more (between 13.000 and 14.000 in the 1990's) companies with complete form annual accounts. This means that the population of companies with complete form annual accounts, the so-called large companies in Belgian accounting terms, includes both 'large' and 'small' companies.

All companies with complete form annual accounts acquired in 1992, 1993 or 1994, were selected. Companies that are taken over, adopt the legal status of 'Absorption by another company'. It is important to notice that we do not study internal reorganisations within one company. The focus of this paper is restricted to inter company acquisitions. The acquiring companies were traced with the help of the National Bank of Belgium. The final population consists of 143 acquisitions: 143 companies acquired and 123 acquiring companies. The set of 123 acquiring companies comprises 109 'single' acquirers and 14 'multiple' acquirers that acquired 34 target companies. Table 1 shows the number of multiple and single acquirers and their targets.

Insert Table 1 About Here

Table 1 shows that most multiple acquirers have acquired only 2 companies. Even though one could argue that the difference between multiple and single acquirers is not that huge, our results will confirm that companies that have acquired two firms, or more, have a significant different financial profile and operating performance compared to companies that have only acquired one firm. The difference between a single and multiple acquirer is not about how many firms a company has acquired, but about the fact that a company has already done it before and therefore an acquisition can no longer be seen as an occasional event, but as a part of a policy towards external growth.

Accounting measures of performance

To evaluate the operating performance of the target and the acquiring companies, the different basic elements of the financial situation of a company are investigated: profitability, liquidity, financial structure or solvency and added value. We use four different profitability measures to evaluate the performance of acquiring and acquired companies, two liquidity measures, two solvency measures and two measures of added value. The 10 financial ratios, which are presented in table 2, provide a comprehensive view of a company's financial situation and were also selected because industry data are available to calculate an industry adjusted performance (cfr. infra).

Insert Table 2 About Here

The difference between the gross and the net return on the shareholders' equity lies in the non-cash expenses, which are either excluded (gross) or included (net) as expenses. The gross return on shareholders' equity is also called the cash flow return on shareholders' equity and is an important measure for privately held firms because of their cash flow orientation.

A non-classical measure of liquidity is the net cash ratio, which relates short-term investments to current assets. The financial independence ratio is the complement of the debt-to-total-assets ratio. The second solvency ratio used, is the cash flow coverage of debt. This ratio is an indicator of the debt repayment potential of a company because it relates the liabilities of debt to the cash flow that can be used to redeem these liabilities.

Some studies show a preference for cash flow measures and for 'fundamental' measures because the researchers are concerned about the reliability of accounting data (Higson and Elliott, 1993). We added the cash flow return of shareholders' equity as our fourth profitability measure and the cash flow coverage of debt as a second solvency ratio and we included two more 'fundamental' measures to our analysis: gross added value per employee and personnel expenses per employee (both in thousands of Belgian francs). Value added (= output – input) per employee is a good proxy for a company's labour productivity and therefore in Western European countries a good measure for its overall economic performance, especially in comparison with the personnel expenses per employee (Ooghe and Van Wymeersch, 2001).

Take-overs are often seen as a means of restructuring distressed firms. Therefore, we include the scores of a short-term and long-term multivariate logit model. These two models, that were estimated on a sample of Belgian annual accounts by Ooghe, Joos and De Vos, have proven to be reliable predictors of company failure (see: Ooghe, Joos and Bourdeaudhuij, 1995). The variables included in the models, are presented in Appendix 1.

Methodology

Industry data of 17 industry classes are used to calculate industry-adjusted performance of the acquirers and the acquired companies.

In this paper we study the industry-adjusted pre-acquisition performance of the multiple acquirers and their targets and compare it with the pre-acquisition performance of the single acquirers and their targets. In order to make sure that the differences found are not due to industry effects, all values presented in our study, are calculated relative to their industry medians (unless mentioned differently). This is achieved by first calculating the values of each variable for a sample company and then subtracting from each the median value of the same variable for the industry in which the sample company falls (both measured over the same years). The formula used to calculate industry-adjusted values is:

$$X_i - Q_{2\text{-industry y}}$$

with

X_i = firm value of firm i

$Q_{2\text{-industry y}}$ = median of industry y of firm i

RESULTS

The results of this study are presented in tables 3 and 4. Table 3 contains the size and growth characteristics of the multiple and single acquirers and of the companies acquired by them. In table 4 the medians of the industry-adjusted values for the ten ratios and two logit scores are presented.

Insert Table 3 About Here

Some remarkable findings are shown in table 3. Panel A of table 3 presents the results for the targets of the single and multiple acquirers; panel B focuses on the single and multiple acquirers.

Targets of multiple acquirers are about the same size as targets of single acquirers when using total assets as the size measure. Using sales as the relevant size measure, we find that 'multiple targets' have higher sales levels than the targets of single acquirers. The median growth of total assets and of sales show similar results. The median growth of total assets of the 'multiple targets' is negative (-10.70%) and substantially lower than the median assets growth of the 'single targets' (7.83%). The median growth of sales however is stronger for the 'multiple targets' (10.14%) than for the 'single targets' (8.88%). Another point to note is that the percentage of companies having positive sales growth, is substantially higher for 'multiple targets' than for 'single targets' All these results seem to suggest that the sales generating ability of the companies acquired by multiple acquirers, is bigger than for firms acquired by single acquirers. We also calculated the sales to total assets ratio for both groups and found higher sales to total assets ratios for the 'multiple targets' than for the 'single targets'.

The same size descriptive variables were calculated for the multiple and single acquirers in panel B of table 3. As expected, we find the multiple acquirers to be substantially bigger in total assets, sales and number of employees, than the single acquirers. Remarkable however is our finding that multiple acquirers on the one hand display a higher asset growth than their single counterparts (median of 27.86% versus 10.39%) but on the other hand a lower sales growth (median of –3.66% versus 14.72%). This is exactly the opposite of the situation of the acquired firms, where the 'multiple targets' show lower asset growth but

higher sales growth than the 'single targets'. It seems that multiple acquirers, who experience a negative (or a small positive) sales growth, specifically want to acquire companies with a high sales generating ability in order to improve their own sales generating ability.

The results for the sales to total assets ratio confirm this hypothesis as both the median and the average of the 'multiple acquirers' decrease as the acquisition event approaches. For the single acquirers this ratio is smaller and quite stable over the three pre-acquisition years.

The results of the comparison of multiple and single acquirers and their targets versus the industry median in terms of profitability, liquidity, solvency, added value and failure risk are shown in table 4.

Insert Table 4 About Here

The multiple acquirers have about the same industry-adjusted profitability as their single counterparts. Only in year(-3) the multiple acquirers have a significantly higher industry-adjusted net return on total assets. Turning to the profitability of the targets of the multiple acquirers, we find them having higher medians of industry-adjusted profitability values than the targets of single acquirers. The differences however are only significant for the net return on total assets in year(-3) and year(-2). It seems that multiple acquirers acquire somewhat more profitable companies.

In terms of liquidity we find no substantial differences between multiple and single acquirers. We do find however that the targets of multiple acquirers have a somewhat better liquidity position, especially when using net cash ratio as principal measure. Targets of both single and multiple acquirers report negative industry-adjusted values for the net cash ratio. The net cash ratio of the 'single targets' is more negative than the value for the 'multiple targets' and the difference between both is significant in year(-3) and year(-2).

We don't find significant differences in solvency between single and multiple acquirers and their targets. Based on the sign of the medians however, it is clear that the targets of the multiple acquirers are levered more than the targets of the single acquirers. The 'multiple targets' exhibit below industry median financial independency ratio, whereas the 'single targets' display positive medians of industry-adjusted financial independence. An opposite conclusion can be drawn for the cash flow coverage of debt of the multiple and

single acquirers. The single acquirers have negative industry-adjusted medians for the cash flow coverage of debt and the multiple acquirers have positive values over the three-year pre-acquisition period.

The measures of added value do not differ significantly between single and multiple acquirers and between their targets. We do find however increasing gross added value per employee for the targets of single acquirers versus decreasing gross added value amongst the targets of multiple acquirers. Also, the personnel expenses per employee appear to be systematically lower for the targets of multiple acquirers, though only significant at the 10% level in year(-1).

Finally, the findings for the two measures of failure risk show more clear patterns and significant differences. The logit scores for the short term and the long term show the targets of the multiple acquirers to be less riskier than the targets of single acquirers. It appears that multiple acquirers favor companies with lower failure risk, as measured by the two logit scores. These differences are statistically significant for the short term logit score in year(-2) (at the 5%-level) and year(-1) (at the 1%-level) and for the long term logit score in year(-2) (at the 10%-level). The differences between single and multiple acquirers are less pronounced. We find lower long term failure risk for the multiple acquirers than for the single acquirers, though not significant.

In summary, the financial characteristics of the multiple targets can be described as a high sales generating ability and an above average pre-acquisition profitability. Their liquidity is somewhat better, but their solvency is lower. Multiple targets have lower personnel expense per employee than the single targets and display less failure risk.

The differences between multiple and single acquirers are less pronounced. In the three years prior to acquisition, acquirers of multiple targets show higher cash flow coverage of debt and lower long term failure risk, which makes it more easy for them to finance acquisitions.

CONCLUSION

Although mergers and acquisitions have been subject to a lot of research in finance, relatively few studies have addressed the operating performance of companies involved in take-overs. Therefore we are convinced it was interesting to study the performance differences of multiple versus single acquirers and their targets. Our study focuses on non-financial Belgian companies with complete form annual accounts that were acquired in 1992, 1993 or 1994.

It is reasonable to expect that there exist some differences in the profile of companies that have some experience in acquiring other companies (multiple acquirers) and their targets, compared to companies that have only acquired one firm (single acquirers).

Investigating the size and growth characteristics confirms this hypothesis. The targets of multiple acquirers seem to have a larger sales generating ability than the targets of single acquirers. This is the exact opposite of the situation of the acquiring firms where multiple acquirers are characterised by lower sales growth compared to the single acquirers. So it seems that multiple acquirers, who experience a negative (or a small positive) sales growth seek to acquire companies with a high sales generating ability in order to improve their own sales generating ability.

Looking at the operating performance of multiple and single acquirers and their targets versus the industry median shows us there does not exist a significant difference between the two types of acquirers. The targets however seem to have different financial characteristics. More specifically multiple targets, in contrast to the single targets, have an above average pre-acquisition profitability and are less riskier.

These results might be explained by the different objectives between both types of acquirers. Where a single acquirer might be induced by a surviving policy and where the single acquisition can be seen as an occasional happening, an acquisition of a multiple acquirer will often fit in a general policy of external growth. Therefore multiple acquirers consider the sales generating ability to be an important requirement in the search of an appropriate target.

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TABLE 1:

Single and multiple take-overs: number of acquiring and acquired companies.

	Number of companies acquired	Number of acquiring companies
Single take-overs	109	109
Multiple take-overs	34	14
2 companies acquired	22	11
3 companies acquired	3	1
4 companies acquired	4	1
5 companies acquired	5	1
Total	143	123

TABLE 2:

Overview of the performance measures used (Ooghe and Balcaen, 2002)

Variable	Description	Definition
NSM	Net sales margin before taxes	Net operating income / Sales
NRTA	Net return on total assets before taxes	Earnings before interest and taxes / Total assets
NRSE	Net return on shareholders' equity after taxes	Profit after taxes / Shareholders' equity
CFRSE	Cash flow return on shareholders' equity after taxes	Cash flow after taxes / Shareholders' equity
FIR	Financial independence ratio	Shareholders' equity/ Total liabilities and equity
CFCD	Cash flow coverage of debt	Cash flow after taxes/ Total liabilities
CR	Current ratio	Current assets / Short term-liabilities
NCR	Net cash ratio	Cash and short term investments / Current assets
GAVE	Gross added value per employee	Gross added value / Number of employees
PEE	Personnel expenses per employee	Personnel expenses / Number of employees

APPENDIX 1

Multivariate logit failure prediction model: Ooghe, Joos and De Vos (see Ooghe, Joos and de Bourdeaudhuij, 1995)

	Variables	Sign
	One year prior to failure	
	Intercept	-
X1	Direction of the financial leverage = net return on total assets before taxes – average interest rate of debt (1 if > 0, 0 if <0)	-
X2	(Accumulated profits or losses + Retained earnings) / (Equity + Liabilities less accrued charges and deferred income)	-
X3	Cash & Short term investments / Total assets	-
X4	Overdue taxes and social security changes (1 if >0, 0 else)	+
X5	(Inventories + Accounts receivable – Accounts payable – Taxes, remuneration and social security debts – Advances received on contracts in progress) / Total assets	-
X6	Net return on operating assets before taxes	-
X7	Short-term financial debt /Short-term debt	+
X8	Debts guaranteed / Total debt	-
	Three years prior to failure	
	Intercept	-
X1	(Accumulated profits or losses + Retained earnings) / (Equity + Liabilities less accrued charges and deferred income)	-
X2	Publication lag of the annual accounts	+
X3	Overdue taxes and social security charges (1 if >0, 0 else)	+
X4	(Earnings before interest, taxes, depreciation and amortization (EBITDA) – Capital investments) / Total assets	-
X5	Relationships with affiliated enterprises = (Amounts receivable from them + Commitments guaranteed on their behalf + Other financial commitments in their favour) / Total assets	-
X6	Total debt / (Equity + Liabilities less accrued charges and deferred income)	+

TABLE 3:

Size and growth characteristics of multiple and single acquirers and their targets

Panel A	**Targets of the multiple acquirers**			**Targets of the single acquirers**		
Acquired firms	Year (-3)	Year (-2)	Year (-1)	Year (-3)	Year (-2)	Year (-1)
Total assets						
#observaties	31	33	32	97	107	109
#missing values	3	1	2	12	2	0
#zero's	0	0	0	0	0	0
Median level (000 BEF)	115.049	126.045	140.367	116.800	142.671	147.754
Average level (000 BEF)	320.062	377.784	367.264	315.386	327.979	365.513
Median growth (%)		-10,70%			7,83%	
Average growth (%)		30.32%			52,06%	
Positive growth (%)		42%			60%	
Negative growth (%)		58%			40%	
Sales						
#observations	33	33	33	107	107	109
#missing values	1	1	1	2	2	0
#zero's	0	0	0	14	4	4
Median level (000 BEF)	223.035	248.519	262.878	83.594	110.554	115.358
Average level (000 BEF)	662.845	704.543	702.111	396.633	405.646	415.329
Median growth (%)		10,14%			8,88%	
Average growth (%)		67,51%			109,93%	
Positive growth (%)		77%			58%	
Negative growth (%)		23%			42%	
Sales/total assets						
Median (x)	1.67	1.65	1.4	1,25	1,07	1,02
Average (x)	4.96	4.59	3.22	1.45	1.37	1.35
Number of employees						
#observations	33	33	33	107	107	109
#missing values	1	1	1	2	2	0
#zero's	4	4	4	21	14	18
Median level (000 BEF)	25	24	25	9	13	12
Average level (000 BEF)	31	34	36	40	41	39

Panel B	**Multiple acquirers**			**Single acquirers**		
Acquired firms	Year (-3)	Year (-2)	Year (-1)	Year (-3)	Year (-2)	Year (-1)
Total assets						
#observaties	14	14	14	98	104	107
#missing values	0	0	0	11	5	2
#zero's	0	0	0	0	0	0
Median level (000 BEF)	578.374	613.707	770.320	302.539	390.682	370.897
Average level (000 BEF)	3.500.965	4.228.349	4.703.201	1.558.652	2.090.930	2.118.444
Median growth (%)		27,86%			10,39%	
Average growth (%)		167,28%			48,72%	
Positive growth (%)		73%			68%	
Negative growth (%)		27%			32%	
Sales						
#observations	14	14	14	98	104	107
#missing values	0	0	0	11	5	2
#zero's	1	0	0	9	9	5
Median level (000 BEF)	1.198.554	1.111.053	453.680	244.689	343.117	319.335
Average level (000 BEF)	3.772.887	3.497.101	3.428.022	1.056.291	1.653.090	1.672.271
Median growth (%)		-3.66%			14,72%	
Average growth (%)		-14.07%			89,22%	
Positive growth (%)		50%			69%	
Negative growth (%)		50%			31%	
Sales/total assets						
Median (x)	2,02	1,85	1,26	1,02	1,07	1,02
Average (x)	2,90	2,44	1,73	1.38	1.63	1,32
Number of employees						
#observations	14	14	14	98	104	107
#missing values	0	0	0	11	5	2
#zero's	1	1	1	14	16	14
Median level (000 BEF)	65	45	49	25	28	31
Average level (000 BEF)	397	342	335	104	228	215

TABLE 4:

Financial characteristics of multiple and single acquirers and their targets[1] [2]

Panel A	**Targets of the multiple acquirers**			**Targets of the single acquirers**		
Acquired firms	Year (-3)	Year (-2)	Year (-1)	Year (-3)	Year (-2)	Year (-1)
Number of Companies		34			109	
Profitability						
Net Return on Sales (%)	-0.78%	0.29%	-0.54%	-1.01%	-0.89%	-0.58%
Net Return on Total Assets (%)	4.63%**	5.40%*	2.36%	-0.05%**	0.59%*	1.55%
Net Return on Shareholders'equity (%)	6.24%	5.17%	1.33%	0.59%	2.63%	4.74%
Cash Flow Retutrn on Shareholders' Equity (%)	-5.77%	-9.11%	9.57%	-6.88%	-3.40%	-0.45%
Liquidity						
Current Ratio (X)	0.05**	0.00	-0.08	-0.27**	0.10	0.08
Net Cash ratio	-1.82%**	-2.51%*	1.40%	-8.15%**	-6.56%*	4.83%
Solvency						
Financial Ratio (%)	-11.99%	-12.62%	-17.16%	5.87%	2.53%	5.90%
Cash Flow Coverage of Debt (%)	-1.78%	3.62%	0.87%	-1.39%	2.00%	6.30%
Added value						
Gross Added Value per Employee (ooo BEF)	196.38	196.71	60	158.85	248.08	304.58
Personnel Expenses per Employee (oooBEF)	188.27	236.49	91.79*	284.60	413.12	392.33*
Failure Risk						
Short Term Logit Score	-0.1079	-0.0988**	0.1090***	-0.0839	-0.0408**	0.0025**
Long Term Logit Score	-0.2034	-0.1807*	0.1929	-0.1972	-0.1472*	0.1454
Panel B	**Multiple acquirers**			**Single acquirers**		
Acquiring firms	Year (-3)	Year (-2)	Year (-1)	Year (-3)	Year (-2)	Year (-1)
Number of Companies		14			109	
Profitability						
Net Return on Sales (%)	-1.46%*	0.69%	0.84%	-0.41%*	-0.57%	0.30%
Net Return on Total Assets (%)	9.45%	-0.52%	1.72%	-0.13%	0.14%	1.65%
Net Return on Shareholders'equity (%)	4.92%	-0.73%	1.24%	3.13%	1.63%	3.71%
Cash Flow Retutrn on Shareholders' Equity (%)	-2.57%	4.29%	1.36%	-2.38%	2.94%	3.65%
Liquidity						
Current Ratio (X)	-0.21	-0.11	-0.11	-0.05	-0.16	-0.08
Net Cash ratio	-20.54%	5.14%**	-13.81%	-5.97%	-11.73%**	-10.16%
Solvency						
Financial Ratio (%)	-5.02%	3.93%	-1.91%	-4.22%	-5.94%	-1.91%
Cash Flow Coverage of Debt (%)	4.89%	1.87%	2.47%	-2.11%	-0.93%	-0.18%
Added value						
Gross Added Value per Employee (ooo BEF)	330.51	1181.94	331.59	383.51	311.96	520.18
Personnel Expenses per Employee (oooBEF)	136.42	562.15	35.16	241.15	307.58	333.92
Failure Risk						
Short Term Logit Score	-0.0324	0.1051	0.0974	-0.0161	0.0345	0.0214
Long Term Logit Score	-0.2113	-0.1308	-0.1397	-0.1536	-0.0885	-0.1027

Notes:

[1]All values in the table are medians of industry-adjusted values, i.e. differences between company values and industry values. The industry-adjusted values were calculated by subtracting from the values of the company the median of the industry in which that sample company falls. Both the company and industry were measured over the same time.

A positive value indicates that more than half of the sample companies have values higher than their industry.

A negative value indicates that more than half of the sample companies have values lower than their industry.

[2] Significance of the difference between single and multiple targets and single and multiple acquirers is tested using the Mann-Whitney test for two independent samples.

* Indicates that the multiple firm (acquirer or target) value is significantly different from multiple and the single firm (acquirer or target) at the 10% significance.

** 5% significance level

***1% significance level