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The Valuation Effects of Financial Industry Mergers in China



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The Valuation Effects of Financial Industry Mergers in China

Abstract

This paper examines the valuation effects of a sample of 36 financial-industry mergers in 1999-2009 in Mainland China and Hong Kong. On average, bidders break even in cumulative abnormal returns over an 11-day, a 7-day and a 3-day event window. The results further indicate the gains of bidders in horizontal mergers are overall significantly larger than that of bidders in non-horizontal mergers over all event windows and the difference is statistically significant at the 10% level. We also examine other possible factors which affect the returns of bidders and find that mergers involving stocks are associated with more positive returns than pure-cash offers, and larger mergers are associated with more positive abnormal returns. However, as opposed to previous studies, my study shows that merging with a non-listed target results in a significantly more negative bidder's return.

Keywords: Mergers and acquisitions, Financial industry, Valuation effects

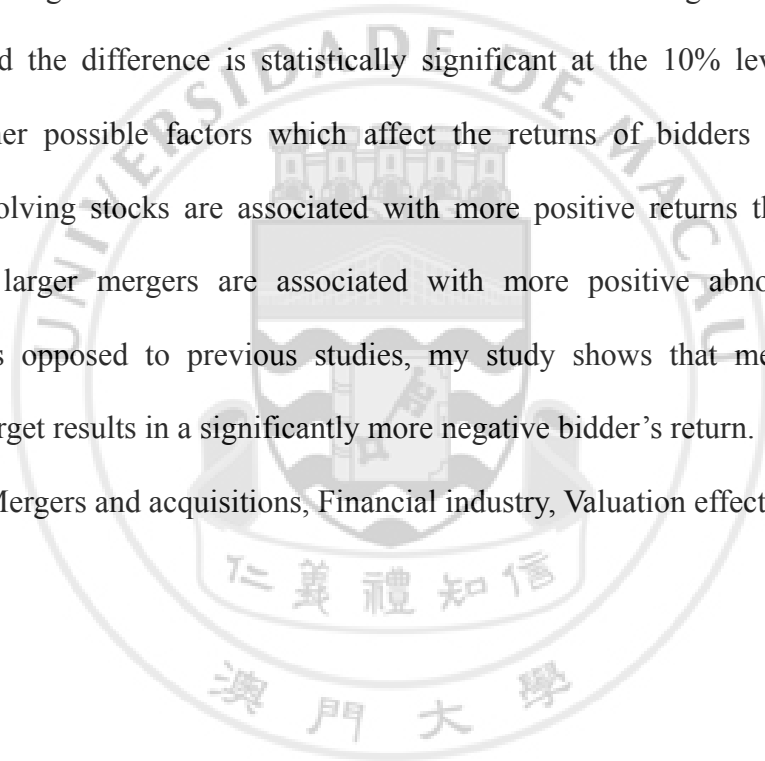


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