

Jan-Peer Laabs

# **The Long-Term Success of Mergers and Acquisitions in the International Automotive Supply Industry**

With a foreword by Prof. Dr. Dirk Schiereck

GABLER EDITION WISSENSCHAFT

# Table of Contents

List of Figures.....XV

List of Tables.....XVII

List of Abbreviations ..... XIX

1 Introduction ..... 1

1.1 Problem Definition and Objectives ..... 1

1.2 Course of Analysis ..... 5

2 Research Foundations..... 9

2.1 The Automotive Supply Industry ..... 9

2.1.1 Definition and Scope ..... 9

2.1.2 Current Trends and Challenges ..... 10

2.2 Mergers and Acquisitions..... 15

2.3 Measuring Success of Mergers and Acquisitions..... 16

2.3.1 Time Horizons ..... 16

2.3.2 Research Approaches ..... 19

3 Study 1: Determinants of Capital Market Performance ..... 23

3.1 Introduction ..... 23

3.2 Literature Review and Hypotheses..... 25

3.2.1 Related Literature ..... 25

3.2.2 Hypotheses ..... 29

3.2.2.1 The Overall Effect ..... 29

3.2.2.2 The Impact of Transaction Characteristics..... 29

3.2.2.3 The Impact of Acquirer Characteristics..... 31

3.3 Data and Methodology ..... 33

3.3.1 Identifying Merging Companies..... 33

3.3.2 Portfolio of Matching Firms..... 35

3.3.3 Econometric Strategy ..... 36

3.3.3.1 Short-term Methodology ..... 36

3.3.3.2 Long-term Methodology..... 40

3.4 Empirical Results..... 43

3.4.1 The Overall Effect ..... 43

3.4.2 The Impact of Transaction Characteristics..... 47

3.4.2.1 Geographical Expansion..... 47

3.4.2.2	Product Diversification.....	52
3.4.2.3	Transaction Size .....	57
3.4.3	The Impact of Acquirer Characteristics.....	61
3.4.3.1	Product Groups .....	61
3.4.3.2	Acquisition Experience.....	67
3.5	Robustness Cheques and Cross-Sectional Regressions.....	72
3.5.1	Regression of Short-term CAARs .....	73
3.5.2	Regression of Long-term BHARs .....	83
3.6	Conclusion.....	90
4	Study 2: Does Operating Performance Meet Market Expectations?.....	93
4.1	Introduction .....	93
4.2	Literature Review and Hypotheses .....	95
4.2.1	Related Literature .....	95
4.2.2	Hypotheses .....	98
4.2.2.1	The Overall Effect .....	98
4.2.2.2	The Impact of Transaction and Acquirer Characteristics..	100
4.2.2.3	The Correlation of Accounting- and Event-Study Results	100
4.3	Data and Methodology .....	101
4.3.1	Identifying Merging Companies.....	101
4.3.2	Portfolio of Matching Firms .....	103
4.3.3	Econometric Strategy .....	105
4.4	Empirical Results.....	108
4.4.1	The Overall Effect .....	108
4.4.2	Determinants of Profitability .....	113
4.5	The Correlation of Accounting- and Event-Study Results .....	121
4.6	Conclusion .....	129
5	Study 3: How a Good Bidder Becomes a Good Target – The Case of Continental AG Acquiring Siemens VDO .....	133
5.1	Introduction .....	133
5.2	Literature Review and Industry Overview .....	135
5.2.1	Related Literature .....	135
5.2.2	Overview of the Automotive Supply Industry .....	139
5.3	Case Study Background .....	142
5.3.1	The Transaction Partners .....	142
5.3.1.1	Continental AG.....	142
5.3.1.2	Siemens VDO Automotive.....	146
5.3.2	Transaction Motives .....	149
5.3.3	The Acquisition Event.....	153

5.4 Acquisition Performance ..... 156

    5.4.1 The Capital Market Perspective ..... 156

    5.4.2 Performance Analysis..... 164

5.5 Discussion and Conclusion..... 170

6 Conclusion..... 173

Appendix ..... 181

References ..... 189