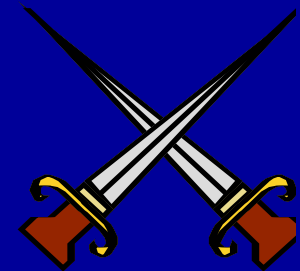


FIN 514
Hostility in Takeovers:
In the Eyes of the Beholder?

Journal of Finance, 55, December 2000, 2599-2640.



What Is Hostility?

- Some stakeholders are threatened by a potential takeover and resist
- Public disclosure of a breakdown in negotiations
 - puts pressure on target managers by letting shareholders know of terms
 - puts pressure on bidders by attracting other bidders
- Preemptive action in anticipation of target resistance

Measuring Hostility

- **Host(WSJ)** - WSJ Index or DJNR
- **Host(SDC)** - SDC
 - unsolicited offer resisted by target management
- **Host(Uns)** - an unnegotiated tender offer or a merger proposal with price
 - a "bear hug"
- **Host(Pre)** - In prior 12 months, an initial 13D is filed, or significant merger rumors about the target firm
 - suggesting an effort to put the firm in play
- **Host(Factor)** – first principal component/factor from the first three variables with complete data (scaled between 0 and 1)

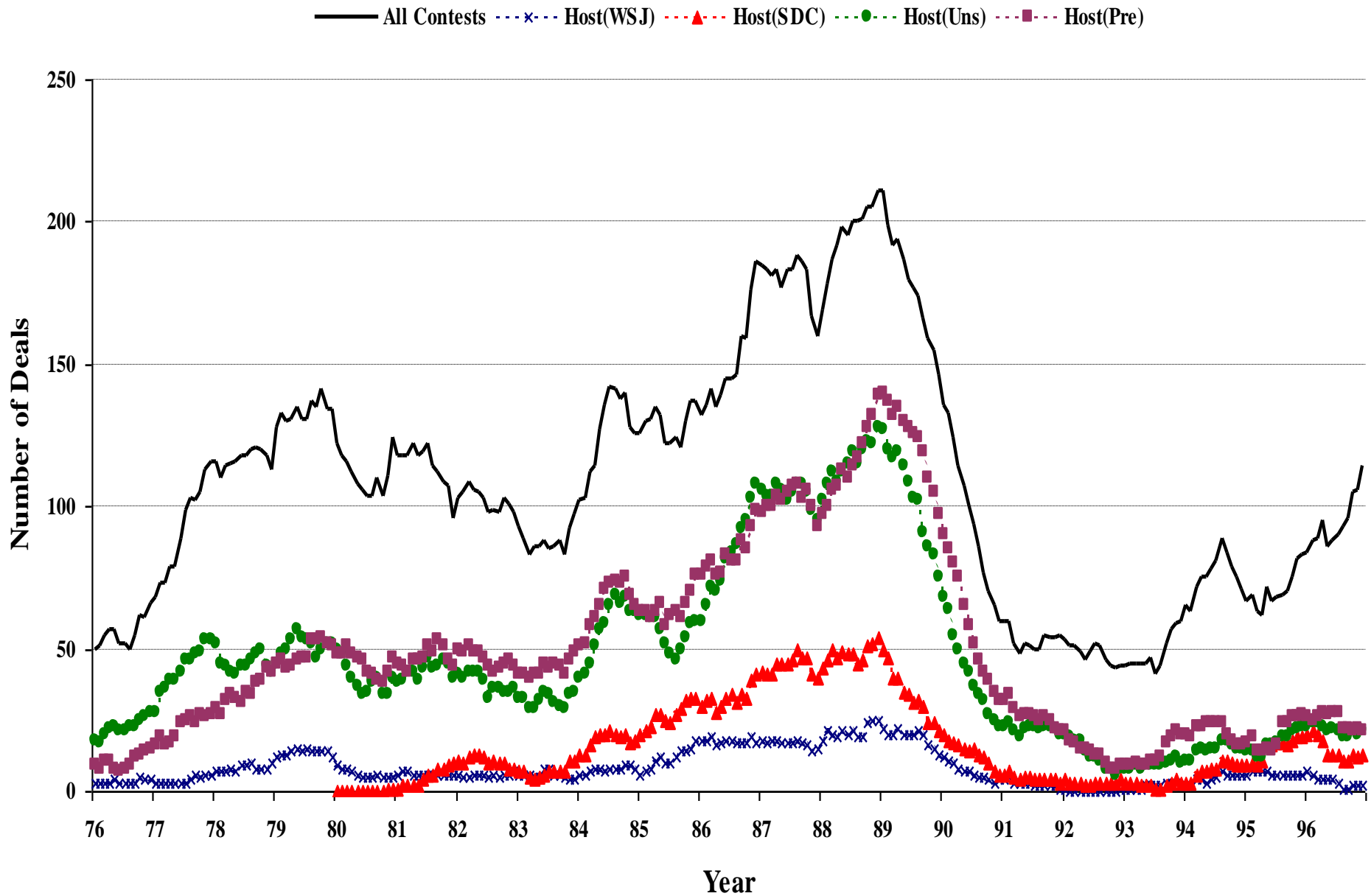


Figure 1a. Merger and tender offers for exchange-listed targets, and hostile offers, 1976-96 (cumulative totals for the past 12 months).

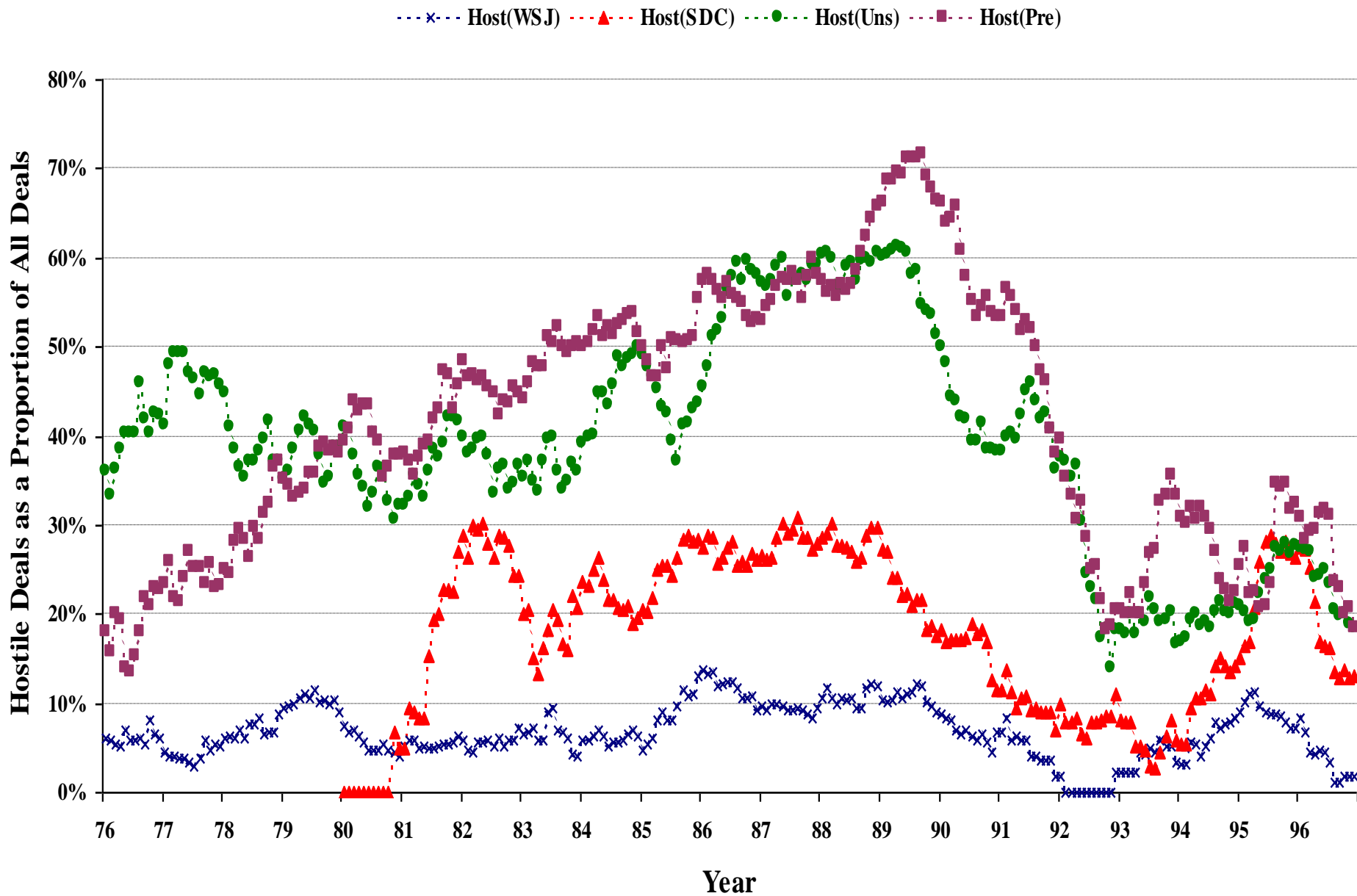


Figure 1b. Hostile offers for exchange-listed targets as a proportion of all offers, 1976-96 (cumulative totals for the past 12 months).

Hostility Peaked in 1989

- A slight comeback since mid-1993
- SDC data only starts in 1980
- DJNR also starts in 1980
- their coverage of rumors & 13D filings is much better than WSJ
- Figure 2 shows that the adjective "hostile" for noun "takeover" came into frequent use in early 1980s

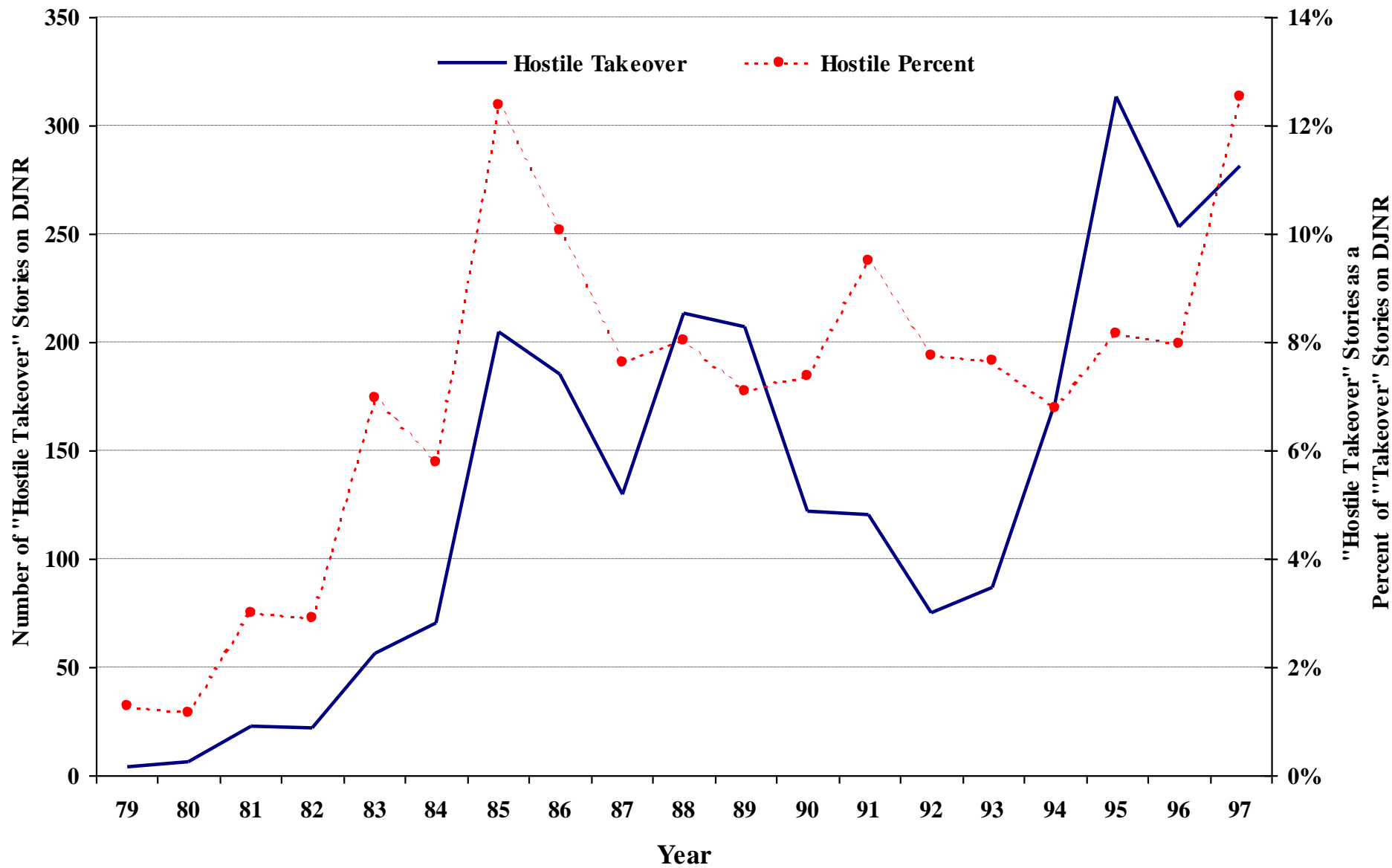


Figure 2. The number of Dow Jones News Retrieval stories containing the adjective "Hostile" modifying the noun "Takeover" in the period November 1979 - June 1997. Also, the proportion of "Takeover" stories containing "Hostile."

Hostility measures are correlated, but not perfectly

- Tables I and II show associations
 - among hostility measures
 - with deal characteristics
 - with performance statistics
 - with target stock price behavior
- Table III shows time series patterns of hostility

Table I
Summary Statistics for Takeover Characteristics and Measures of Hostility, 1975-96

	(1)	(2)	(3)	(4)		(5)		(6)		(7)	
	<u>Full Sample (N = 2,346)</u>			<u>Host(WSJ) vs. Full</u>		<u>Host(SDC) vs. Full</u>		<u>Host(Uns) vs. Full</u>		<u>Host(Pre) vs. Full</u>	
	Cases	Mean	Std Error	Diff	t-statistic	Diff	t-statistic	Diff	t-statistic	Diff	t-statistic
Panel A: Measures of Hostility											
Host(WSJ)	174	0.074	0.005			0.342	12.32	0.144	12.04	0.058	5.16
Host(SDC)	300	0.216	0.011	0.746	25.19			0.378	17.73	0.140	6.45
Host(Uns)	990	0.422	0.010	0.513	20.23	0.552	23.27			0.143	7.01
Host(Pre)	1,043	0.445	0.010	0.209	5.50	0.207	6.64	0.145	7.02		
Host(Factor)		0.246	0.005	0.706	69.26	0.376	20.34	0.389	50.64	0.267	28.88
Panel B: Deal Characteristics											
Pill	218	0.093	0.006	0.229	6.47	0.267	9.25	0.128	9.84	0.131	10.44
Auction	454	0.194	0.008	0.331	8.54	0.316	10.27	0.254	15.05	0.126	7.59
Success	1,751	0.746	0.009	-0.074	-2.01	-0.116	-3.86	-0.276	-15.14	-0.134	-7.35
Cash	1,363	0.581	0.010	0.179	5.18	0.208	7.07	0.241	12.23	0.035	1.69
Equity	556	0.237	0.009	-0.169	-7.48	-0.186	-8.52	-0.246	-15.47	-0.119	-6.97
Tender Offer	763	0.325	0.010	0.431	12.22	0.313	9.96	0.166	8.45	0.065	3.34
Public Bidder (First)	1,426	0.608	0.010	0.070	1.88	-0.088	-2.73	-0.251	-12.53	-0.116	-5.71
Public Bidder (Winner)	1,174	0.500	0.010	-0.031	-0.80	-0.117	-3.61	-0.291	-14.59	-0.133	-6.45

	(1)	(2)	(3)	(4)		(5)		(6)		(7)	
	<u>Full Sample (N = 2,346)</u>			<u>Host(WSJ) vs. Full</u>		<u>Host(SDC) vs. Full</u>		<u>Host(Uns) vs. Full</u>		<u>Host(Pre) vs. Full</u>	
	Cases	Mean	Std Error	Diff	t-statistic	Diff	t-statistic	Diff	t-statistic	Diff	t-statistic

Panel C: Target Performance Statistics

ROE	1,631	0.090	0.003	0.005	0.59	0.015	1.69	-0.024	-3.66	-0.009	-1.34
Sales Growth	1,630	0.078	0.005	-0.040	-2.75	-0.020	-1.42	-0.035	-3.49	-0.021	-2.08
Liquidity	1,468	0.247	0.006	-0.026	-1.32	-0.003	-0.21	0.004	0.39	-0.029	-2.60
D/E	1,622	0.999	0.102	-0.507	-4.09	-0.587	-2.87	-0.120	-0.56	0.107	0.52
M/B	1,612	1.670	0.093	-0.465	-3.72	-0.672	-3.95	-0.173	-0.83	-0.221	-1.22
P/E	1,336	13.674	0.326	-1.929	-2.55	-1.667	-1.89	-0.941	-1.43	0.210	0.32
Size	2,306	11.512	0.036	1.468	11.81	0.929	9.22	0.189	2.62	0.573	8.07

Panel D: Target Stock Price Behavior

Runup	2,296	0.124	0.005	-0.007	-0.52	0.015	1.09	-0.022	-2.17	0.047	4.56
Markup	2,296	0.096	0.007	0.122	5.40	0.051	2.36	0.023	1.63	-0.081	-6.02
Premium	2,296	0.220	0.009	0.115	4.46	0.067	2.53	0.000	0.01	-0.034	-1.89

Table II
Relations Among Different Measures of Hostility, 1975-96

Panel A: Correlation Coefficients Among Hostility Measures				
	Host(SDC)	Host(Uns)	Host(Pre)	Host(Factor)
Host(WSJ)	0.502	0.272	0.152	0.737
Host(SDC)		0.457	0.181	0.578
Host(Uns)			0.208	0.753
Host(Pre)				0.560

Panel B: Cross-Tabulations Among Separate Hostility Measures				
	Host(SDC)=1	Host(SDC)=0	Host(Uns)=1	Host(Uns)=0
Host(WSJ)=1	106	12	156	18
Host(WSJ)=0	194	1077	834	1338
	Host(Uns)=1	Host(Uns)=0	Host(Pre)=1	Host(Pre)=0
Host(SDC)=1	263	37	198	102
Host(SDC)=0	354	735	493	596
	Host(WSJ)=1	Host(WSJ)=0	Host(Uns)=1	Host(Uns)=0
Host(Pre)=1	111	932	523	520
Host(Pre)=0	63	1240	467	836

Table III
Frequency of Hostile Transactions by Year for Different Measures of Hostility, 1975-96

Year	(1)	(2)		(3)		(4)		(5)		(6)		(7)	
	Cases	<u>Full Sample</u>		<u>Host(WSJ) vs. Full Sample</u>		<u>Host(SDC) vs. Full Sample</u>		<u>Host(Uns) vs. Full Sample</u>		<u>Host(Pre) vs. Full Sample</u>			
		Mean	Std Error	Diff	t-statistic	Diff	t-statistic	Diff	t-statistic	Diff	t-statistic	Diff	t-statistic
1975	49	0.021	0.003	-0.010	-1.17			-0.010	-1.72	-0.022	-3.96		
1976	66	0.028	0.003	-0.006	-0.47			0.000	0.04	-0.025	-3.80		
1977	116	0.049	0.004	-0.016	-1.11	-0.001	-1.00	0.007	0.77	-0.042	-4.96		
1978	113	0.048	0.004	0.010	0.55	0.009	1.19	-0.010	-1.13	-0.014	-1.62		
1979	134	0.057	0.005	0.013	0.65	-0.001	-0.32	-0.008	-0.83	-0.015	-1.56		
1980	124	0.053	0.005	-0.026	-1.92	-0.014	-2.73	-0.022	-2.38	-0.014	-1.53		
1981	96	0.041	0.004	-0.007	-0.48	0.009	0.75	-0.001	-0.11	0.002	0.28		
1982	98	0.042	0.004	-0.002	-0.11	0.004	0.36	-0.009	-1.14	0.001	0.09		
1983	97	0.041	0.004	-0.020	-1.63	-0.002	-0.15	-0.010	-1.27	0.010	1.21		
1984	126	0.054	0.005	-0.008	-0.50	-0.008	-0.51	0.017	1.78	0.016	1.63		
1985	137	0.058	0.005	0.049	2.06	0.034	1.71	0.004	0.39	0.026	2.62		
1986	186	0.079	0.006	0.020	0.86	0.030	1.38	0.052	4.39	0.028	2.47		
1987	160	0.068	0.005	0.019	0.89	0.039	1.80	0.048	4.36	0.038	3.52		
1988	211	0.090	0.006	0.058	2.13	0.063	2.62	0.068	5.45	0.078	6.35		
1989	146	0.062	0.005	0.013	0.65	-0.020	-1.17	0.023	2.26	0.055	5.31		
1990	60	0.026	0.003	-0.003	-0.24	-0.021	-2.11	-0.004	-0.62	0.009	1.38		
1991	55	0.023	0.003	-0.019	-2.88	-0.027	-3.30	-0.006	-0.90	-0.006	-0.96		
1992	44	0.019	0.003	-0.014	-2.17	-0.016	-1.92	-0.018	-3.54	-0.018	-3.43		
1993	60	0.026	0.003	-0.015	-1.73	-0.035	-4.11	-0.027	-4.44	-0.012	-1.80		
1994	71	0.030	0.004	0.005	0.32	-0.020	-1.65	-0.026	-3.93	-0.027	-3.98		
1995	83	0.035	0.004	-0.001	-0.07	0.015	0.95	-0.021	-2.86	-0.017	-2.29		
1996	114	0.049	0.004	-0.040	-4.28	-0.037	-2.61	-0.047	-5.74	-0.051	-6.13		

Time Series Behavior of Deal Characteristics

- Fig. 3 shows
 - tender offers
 - success rates
 - NYSE/Amex bidders
 - poison pills
- Both absolute and relative to all offers

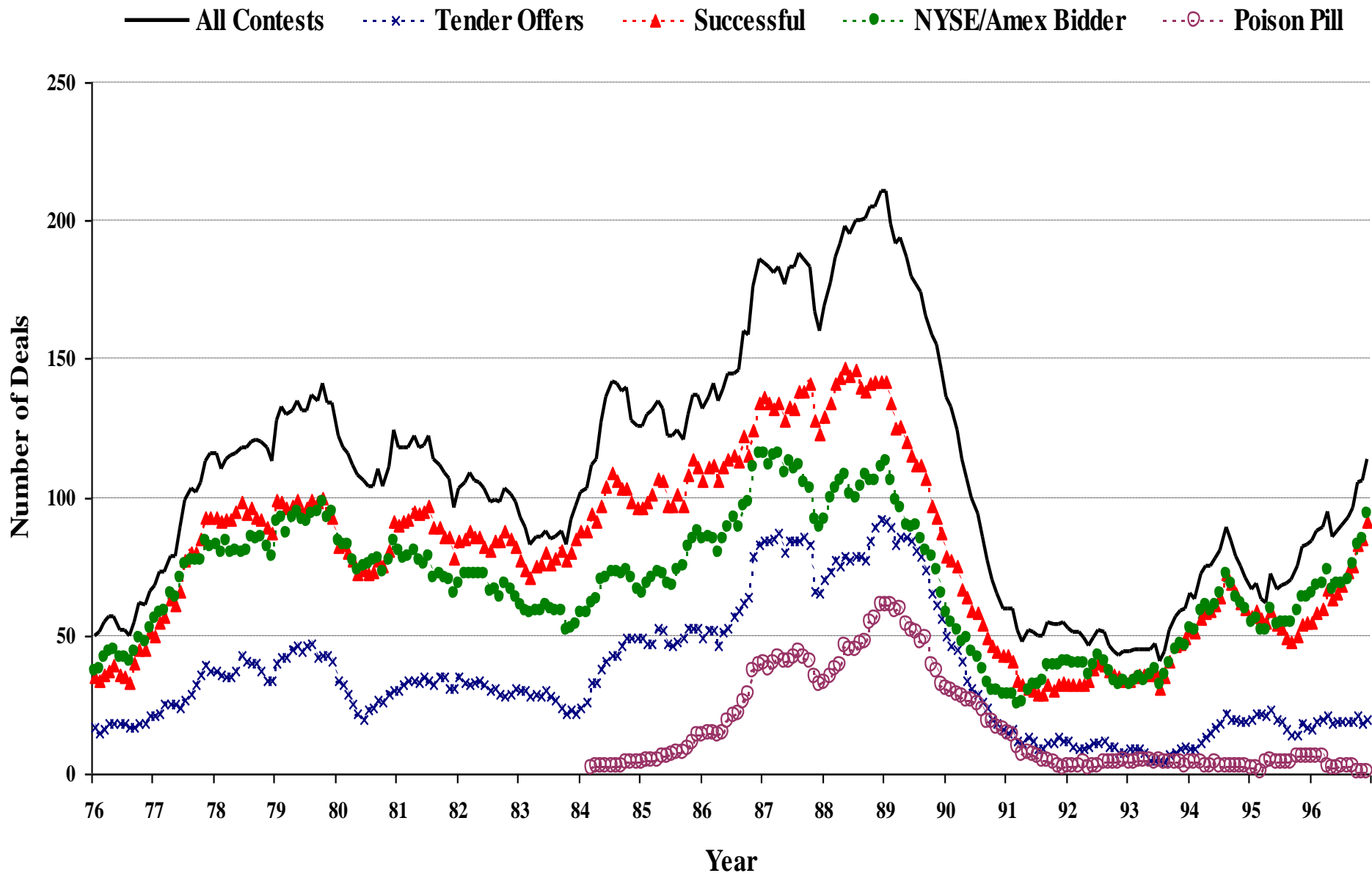


Figure 3a. Number of merger or tender offers that were (1) tender offers, (2) successful, (3) made by an exchange-listed public firm (NYSE or AMEX bidder), and (4) for target firms that had a poison pill as an antitakeover measure, by year for exchange-listed target firms in the period 1975-96.

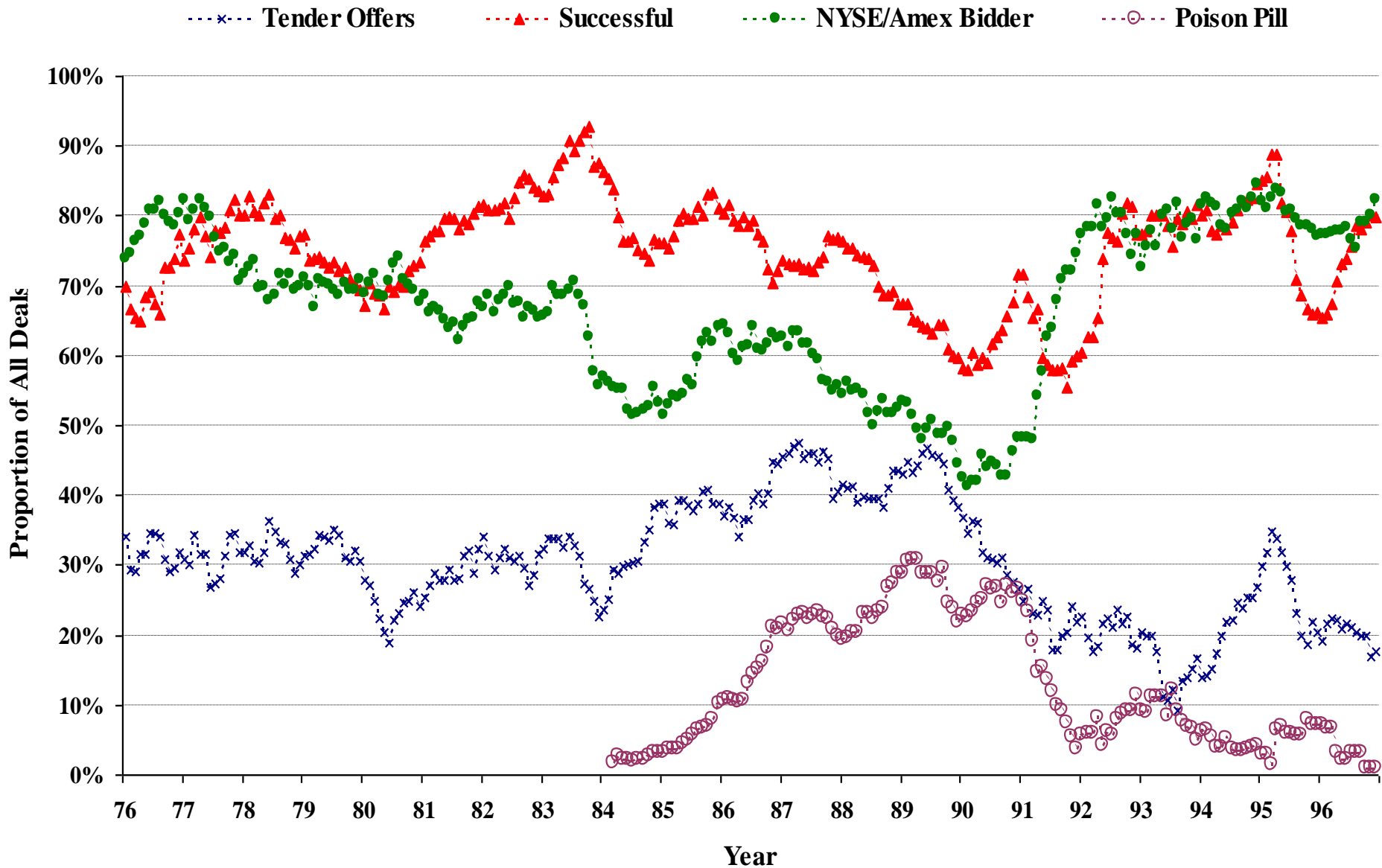


Figure 3b. Proportion of merger or tender offers that were (1) tender offers, (2) successful, (3) made by an exchange-listed public firm (NYSE or AMEX bidder), and (4) for target firms that had a poison pill as an antitakeover measure, by year for exchange-listed target firms in the period 1975-96.

Selection bias issues

- Table IV shows effects of requiring full Compustat data for performance
 - larger, more successful targets
- Table X shows effects of a NYSE/Amex bidder
 - more likely to use equity and to be successful
 - larger targets and premiums
 - hostility evidence is mixed

Table IV
Tests for Sample Selection Bias
Based on Availability of COMPUSTAT and CRSP Data

Variable	(1)	(2)	(3)	Year	(4)	(5)	(6)
	Probit Sample (N=593) Mean	Incomplete Data Sample Mean	t-statistic for Difference		Probit Sample (N=593) Percent	Incomplete Data Sample Percent	t-statistic for Difference
Host(WSJ)	0.105	0.064	2.93	1975	0.000	0.028	-7.10
Host(SDC)	0.256	0.186	3.11	1976	0.000	0.038	-8.28
Host(Uns)	0.444	0.415	1.22	1977	0.000	0.066	-11.15
Host(Pre)	0.514	0.421	3.94	1978	0.020	0.057	-4.66
Host(Factor)	0.282	0.234	3.69	1979	0.005	0.075	-10.06
Pill	0.155	0.072	5.17	1980	0.019	0.065	-5.69
Auction	0.216	0.186	1.55	1981	0.034	0.044	-1.09
Success	0.739	0.749	-0.50	1982	0.025	0.047	-2.69
Cash	0.624	0.567	2.48	1983	0.049	0.039	1.01
Equity	0.233	0.239	-0.28	1984	0.094	0.039	4.23
Tender Offer	0.390	0.304	3.77	1985	0.099	0.044	4.15
Public Bidder	0.619	0.604	0.64	1986	0.115	0.068	3.29
ROE	0.123	0.072	8.70	1987	0.081	0.064	1.35
Sales Growth	0.105	0.063	4.17	1988	0.105	0.085	1.38
Liquidity	0.247	0.246	0.06	1989	0.074	0.058	1.32
D/E	0.561	1.252	-4.23	1990	0.037	0.022	1.81
M/B	1.706	1.648	0.37	1991	0.017	0.026	-1.36
P/E	16.243	11.622	7.17	1992	0.022	0.018	0.62
Size	12.297	11.240	13.57	1993	0.027	0.025	0.25
Runup	0.106	0.131	-2.32	1994	0.040	0.026	1.52
Markup	0.117	0.089	1.94	1995	0.059	0.027	3.03
Premium	0.223	0.220	0.16	1996	0.078	0.039	3.26

Table X
Tests for Sample Selection Bias Based on
Availability of CRSP Stock Returns for the Bidder Firm

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Variable	Sample with Bidder Returns (N=1,286) Mean	Sample without Bidder Returns Mean	t-statistic for Difference	Regression Sample vs. Full Sample (N=726) Diff	t-statistic	Regression Sample (no SDC) vs. Full Sample (N=1,253) Diff	t-statistic
Host(WSJ)	0.083	0.063	1.86	0.028	2.27	0.022	2.09
Host(SDC)	0.189	0.248	-2.64	-0.051	-2.32		
Host(Uns)	0.311	0.557	-12.29	-0.154	-7.27	-0.238	-11.92
Host(Pre)	0.403	0.495	-4.50	-0.008	-0.34	-0.089	-4.35
Host(Factor)	0.211	0.289	-7.46	-0.031	-2.64	-0.074	-7.07
Pill	0.075	0.115	-3.30	0.043	3.09	-0.040	-3.31
Auction	0.152	0.243	-5.49	-0.045	-2.64	-0.088	-5.36
Success	0.782	0.703	4.38	0.098	5.36	0.090	5.01
Cash	0.425	0.771	-18.33	-0.217	-9.92	-0.331	-17.34
Equity	0.366	0.080	18.09	0.215	10.59	0.276	17.12
Tender Offer	0.313	0.339	-1.35	0.026	1.22	-0.015	-0.75
<u>Target:</u>							
Runup	0.124	0.124	0.01	-0.030	-2.76	-0.001	-0.05
Markup	0.100	0.091	0.63	0.064	4.54	0.009	0.64
Premium	0.224	0.215	0.48	0.034	1.82	0.008	0.46
Size	11.674	11.316	4.98	0.970	12.99	0.338	4.71
<u>First Bidder</u>							
Runup	0.013			-0.008	-0.99	0.004	0.13
Markup	-0.023			-0.021	-1.61	0.052	1.35
Premium	-0.010			-0.030	-1.88	0.056	1.05
Size	16.855			0.302	4.85	0.184	1.23

What Predicts Hostility (Table V)?

- Larger target size => more hostile
 - likelihood of resistance?
 - demand for takeover insurance?
- lower M/B (q) => more hostile
 - MSV results
 - or, is it assets that are harder to value?
- secular variation
 - reflects takeover market technology

Table V
Hostility Prediction Models, 1975-96

Variable	<u>Host(WSJ)</u>			<u>Host(SDC)</u>			<u>Host(Uns)</u>			<u>Host(Pre)</u>			<u>Host(Factor)</u>	
	Coef	t-statistic	Marginal Effect	Coef	t-statistic	Marginal Effect	Coef	t-statistic	Marginal Effect	Coef	t-statistic	Marginal Effect	Coef	t-statistic
Constant	-4.692	-7.66	-0.638	-3.145	-4.57	-0.882	-0.153	-0.43	-0.056	-1.660	-4.57	-0.603	-0.092	-1.36
ROE	-2.413	-2.79	-0.328	-0.104	-0.12	-0.029	-1.192	-2.11	-0.439	-0.483	-0.90	-0.175	-0.321	-3.65
Sales Growth	-0.715	-1.83	-0.097	-0.187	-0.54	-0.052	-0.433	-1.89	-0.159	-0.268	-1.19	-0.097	-0.121	-3.29
Liquidity	0.386	1.02	0.052	0.236	0.66	0.066	-0.027	-0.12	-0.010	-0.262	-1.13	-0.095	0.003	0.07
D/E	-0.243	-1.55	-0.033	-0.082	-0.72	-0.023	0.018	0.32	0.007	0.117	2.24	0.042	0.007	0.93
M/B	-0.068	-0.82	-0.009	-0.226	-2.83	-0.063	-0.151	-3.01	-0.055	-0.055	-1.48	-0.020	-0.018	-2.59
P/E	-0.020	-2.21	-0.003	-0.006	-0.89	-0.002	-0.003	-0.66	-0.001	-0.003	-0.65	-0.001	-0.002	-2.64
Size	0.359	7.49	0.049	0.256	5.68	0.072	0.032	1.11	0.012	0.124	4.29	0.045	0.038	6.73
1980-84	-0.511	-2.85	-0.069	-0.508	-1.39	-0.142	-0.114	-1.05	-0.042	0.363	3.30	0.132	-0.018	-0.94
1985-89	-0.188	-1.11	-0.026	-0.016	-0.04	-0.004	0.402	3.59	0.148	0.687	6.07	0.250	0.088	4.14
1990-96	-0.675	-2.88	-0.092	-0.457	-1.24	-0.128	-0.356	-2.43	-0.131	-0.134	-0.93	-0.049	-0.096	-3.37
R ²		0.108			0.119			0.078			0.099			0.133
Log-likelihood		-275.6			-304.0			-704.5			-697.0			
Sample Size, N		1,096			593			1,096			1,096			1,096

Does Hostility Affect Success (Table VI)?

- Only the unnegotiated offer group
- Hos(Uns) matters, $t = -9.62$

Table VI
How Does Hostility Affect the Probability of Success?

Variable	Coefficient	t-statistic	Marginal Effect	Coefficient	t-statistic	Marginal Effect	Coefficient	t-statistic	Marginal Effect
Constant	1.676	2.28	0.449	0.818	2.03	0.232	0.249	0.65	0.073
ROE	-0.519	-0.64	-0.139	-0.622	-0.99	-0.176	-0.641	-1.03	-0.189
Sales Growth	-0.566	-1.69	-0.152	-0.425	-1.70	-0.120	-0.420	-1.71	-0.124
Liquidity	0.649	1.81	0.174	0.316	1.22	0.089	0.364	1.44	0.107
D/E	-0.151	-1.77	-0.041	-0.186	-3.23	-0.053	-0.201	-3.53	-0.059
M/B	0.099	1.68	0.026	0.118	2.40	0.033	0.136	2.71	0.040
P/E	-0.001	-0.25	0.000	-0.005	-1.25	-0.002	-0.006	-1.51	-0.002
Size	0.020	0.43	0.005	0.041	1.25	0.012	0.074	2.34	0.022
Host(WSJ)	-0.393	-1.85	-0.105	0.019	0.12	0.005			
Host(SDC)	0.362	2.12	0.097						
Host(Uns)	-1.260	-8.34	-0.338	-0.896	-9.62	-0.254			
Host(Pre)	-0.239	-1.85	-0.064	-0.464	-5.08	-0.132			
Host(Factor)							-1.536	-8.98	-0.452
1980-84	-0.555	-1.31	-0.149	0.252	2.01	0.071	0.182	1.49	0.053
1985-89	-0.522	-1.27	-0.140	0.066	0.52	0.019	-0.066	-0.55	-0.020
1990-96	-0.907	-2.13	-0.243	-0.171	-1.07	-0.048	-0.194	-1.24	-0.057
R ²		0.196			0.156			0.107	
Log-likelihood		-282.3			-551.0			-574.0	
Sample Size, N		593			1,096			1,096	

Is Hostility Related to Pre-bid Runup (Table VII)?

- unnegotiated offers [Host(Uns)] have lower runups
 - [-9.5%; $t = -4.40$]
- SDC [Host(SDC)] and Rumor [Host(Pre)] deals have higher runups
 - [6.5%; $t = 2.89$ and 8.1%; $t = 4.53$]

Table VII
Is the Pre-Bid Stock Price Runup Related to Hostility?

Variable	Coefficient	t-statistic	Coefficient	t-statistic	Coefficient	t-statistic
Constant	0.356	3.27	0.392	6.05	0.361	5.62
ROE	0.011	0.10	-0.100	-1.07	-0.093	-0.97
Sales Growth	-0.018	-0.39	-0.031	-0.83	-0.031	-0.79
Liquidity	-0.098	-2.06	-0.094	-2.55	-0.098	-2.65
D/E	0.023	2.31	0.003	0.30	0.005	0.54
M/B	-0.015	-2.88	-0.007	-1.04	-0.006	-0.96
P/E	-0.001	-1.62	-0.001	-1.89	-0.001	-1.91
Size	-0.011	-1.57	-0.009	-1.78	-0.006	-1.21
Host(WSJ)	-0.048	-1.82	-0.007	-0.40		
Host(SDC)	0.065	2.89				
Host(Uns)	-0.095	-4.40	-0.052	-3.75		
Host(Pre)	0.081	4.53	0.055	4.13		
Host(Factor)					-0.034	-1.53
1980-84	-0.032	-0.53	-0.079	-4.45	-0.070	-3.89
1985-89	-0.077	-1.31	-0.113	-6.00	-0.104	-5.54
1990-96	-0.120	-1.93	-0.160	-6.66	-0.158	-6.46
R ²		0.133		0.119		0.094
S(u)		0.201		0.208		0.211
Sample Size, N		579		1,095		1,095

Does Hostility Affect Premiums (Table VIII)?

- Unconditionally, unsolicited deals have lower premiums
 - but this probably just reflects the lower success rate, since premiums are measured for both successful and unsuccessful deals

Table VIII

Is the Takeover Premium Related to Hostility?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Variable	Coefficient	t-statistic	Coefficient	t-statistic	Coefficient	t-statistic	Coefficient	t-statistic	Coefficient	t-statistic	Coefficient	t-statistic
Constant	0.734	3.82	0.564	2.82	0.490	4.67	0.423	3.85	0.450	4.40	0.378	3.45
ROE	0.110	0.52	0.153	0.75	-0.032	-0.19	0.020	0.13	-0.036	-0.22	0.018	0.11
Sales Growth	-0.044	-0.44	-0.022	-0.22	-0.083	-1.10	-0.073	-1.00	-0.084	-1.12	-0.073	-1.01
Liquidity	-0.153	-1.69	-0.219	-2.52	-0.096	-1.46	-0.146	-2.29	-0.086	-1.31	-0.140	-2.19
D/E	-0.016	-0.46	-0.013	-0.40	-0.024	-1.16	-0.019	-1.01	-0.027	-1.32	-0.021	-1.12
M/B	-0.001	-0.07	-0.005	-0.35	-0.001	-0.07	-0.004	-0.34	0.000	0.03	-0.003	-0.25
P/E	-0.003	-2.00	-0.002	-1.75	-0.003	-2.29	-0.002	-1.86	-0.003	-2.38	-0.002	-1.94
Size	-0.033	-2.82	-0.028	-2.30	-0.012	-1.41	-0.013	-1.51	-0.010	-1.20	-0.011	-1.22
Host(WSJ)	-0.046	-0.87	-0.070	-1.42	0.090	2.41	0.011	0.30				
Host(SDC)	0.151	3.22	0.061	1.28								
Host(Uns)	-0.098	-2.48	-0.106	-2.72	-0.026	-1.03	-0.079	-3.03				
Host(Pre)	0.008	0.24	-0.013	-0.43	-0.052	-2.16	-0.056	-2.39				
Host(Factor)									-0.005	-0.13	-0.147	-3.21
1980-84	0.008	0.07	0.026	0.24	0.004	0.14	-0.007	-0.23	-0.007	-0.22	-0.014	-0.46
1985-89	-0.025	-0.24	-0.043	-0.40	-0.022	-0.68	-0.058	-1.79	-0.039	-1.23	-0.069	-2.13
1990-96	-0.018	-0.16	0.028	0.25	-0.037	-0.84	-0.019	-0.44	-0.039	-0.89	-0.019	-0.44
Pill			0.035	0.77			0.055	1.28			0.048	1.12
Auction			0.125	3.07			0.086	2.61			0.082	2.51
Cash			0.098	2.64			0.088	3.33			0.086	3.24
Tender Offer			0.151	4.62			0.141	5.84			0.148	6.09
R ²		0.048		0.133		0.029		0.097		0.021		0.091
S(u)		0.367		0.351		0.368		0.355		0.369		0.356
Sample Size, N		593		593		1,095		1,095		1,095		1,095

Does Hostility Affect the Likelihood of an Auction (Table IX)?

- All measures of hostility [except Host(WSJ)] have a higher probability of leading to an auction
 - could be targets seeking a "white knight"
 - or, targets seeking a better deal (for shareholders)

Table IX
Is Hostility Related to the Probability of an Auction?

Variable	(1) Coefficient	(2) t-statistic	(3) Marginal Effect	(4) Coefficient	(5) t-statistic	(6) Marginal Effect	(7) Coefficient	(8) t-statistic	(9) Marginal Effect
Constant	-0.938	-1.27	-0.236	-1.770	-3.92	-0.423	-1.401	-3.24	-0.337
ROE	-0.106	-0.13	-0.027	-0.613	-0.96	-0.146	-0.657	-1.04	-0.158
Sales Growth	-0.267	-0.72	-0.067	0.017	0.06	0.004	0.024	0.08	0.006
Liquidity	0.190	0.51	0.048	0.272	0.97	0.065	0.256	0.92	0.062
D/E	0.004	0.04	0.001	0.024	0.40	0.006	0.029	0.49	0.007
M/B	0.049	0.94	0.012	0.042	0.97	0.010	0.035	0.81	0.008
P/E	0.002	0.31	0.000	-0.004	-0.85	-0.001	-0.004	-0.81	-0.001
Size	-0.054	-1.09	-0.013	0.027	0.76	0.006	0.004	0.12	0.001
Host(WSJ)	0.109	0.53	0.028	0.567	3.83	0.136			
Host(SDC)	0.618	3.86	0.155						
Host(Uns)	0.505	3.41	0.127	0.763	7.60	0.182			
Host(Pre)	0.392	2.95	0.099	0.278	2.83	0.066			
Host(Factor)							1.700	9.44	0.409
Runup	0.248	0.82	0.062	0.011	0.05	0.003	-0.056	-0.26	-0.014
1980-84	0.045	0.12	0.011	0.021	0.16	0.005	0.022	0.17	0.005
1985-89	-0.059	-0.16	-0.015	-0.074	-0.54	-0.018	-0.045	-0.34	-0.011
1990-96	-0.130	-0.33	-0.033	-0.128	-0.70	-0.030	-0.144	-0.79	-0.035
R ²		0.119			0.107			0.098	
Log-likelihood		-268.8			-472.3			-477.6	
Sample Size, N		593			1,095			1,095	

How Does Hostility Affect the Bidder's Stock Price (Table XI)?

- Host(Pre) might have a negative effect
 - (-4.7% ; $t = -2.12$)
 - other measures show no effect
- Other factors:
 - larger bidders are good for bidder stock
 - larger premium to target is good for the bidder
 - auctions are bad for the winning bidder

Table XI**How Does Hostility Affect the Bidder's Stock Price?**

Variable	(1) Coefficient	(2) t-statistic	(3) Coefficient	(4) t-statistic	(5) Coefficient	(6) t-statistic	(7) Coefficient	(8) t-statistic	(9) Coefficient	(10) t-statistic	(11) Coefficient	(12) t-statistic
Constant	-0.804	-2.69	-0.756	-2.48	-0.296	-1.84	-0.257	-1.65	-0.289	-1.86	-0.247	-1.65
Host(WSJ)	0.048	1.08	0.058	1.29	-0.023	-0.74	-0.020	-0.62				
Host(SDC)	-0.025	-0.67	-0.042	-1.16								
Host(Uns)	-0.002	-0.06	0.008	0.26	-0.015	-0.74	-0.007	-0.33				
Host(Pre)	-0.047	-2.12	-0.051	-2.29	-0.039	-2.30	-0.038	-2.23				
Host(Factor)									-0.073	-2.17	-0.063	-1.69
Target size	-0.002	-0.25	-0.005	-0.71	0.001	0.25	0.000	-0.02	0.001	0.21	0.000	-0.06
Bidder size	0.042	2.40	0.041	2.34	0.018	1.90	0.016	1.76	0.017	1.92	0.015	1.76
Target runup	0.114	1.68	0.104	1.52	0.106	2.35	0.093	2.04	0.096	2.09	0.082	1.76
Target markup	0.104	2.64	0.092	1.96	0.113	4.02	0.102	3.28	0.121	4.39	0.109	3.62
1980-84	0.109	2.30	0.111	3.15	-0.028	-1.27	-0.031	-1.37	-0.033	-1.48	-0.035	-1.59
1985-89	0.083	1.83	-0.065	-1.99	-0.030	-1.38	-0.047	-2.10	-0.036	-1.66	-0.054	-2.36
1990-96	0.056	1.12	-0.010	-0.43	-0.077	-2.70	-0.078	-2.71	-0.079	-2.75	-0.080	-2.76
Pill			0.033	1.25			0.079	2.44			0.076	2.39
Auction			0.026	0.69			-0.084	-3.28			-0.082	-3.18
Cash			0.114	2.46			0.003	0.16			0.006	0.29
Tender offer			0.067	1.49			0.041	2.02			0.043	2.11
Successful			0.057	1.15			0.020	0.79			0.019	0.73
R ²	0.051		0.073		0.042		0.060		0.040		0.057	
S(u)	0.279		0.277		0.277		0.275		0.277		0.275	
Sample Size, N	726		726		1,253		1,253		1,253		1,253	

Conclusions

- Some of the evidence is consistent with agency cost/ entrenchment story
- Most of the evidence is also consistent with bargaining strategy story
 - hostility, as perceived by the public/academics, is likely to be observationally equivalent to "hard bargaining"
 - since it looks like target shareholders are not hurt in terms of the premiums they expect, this explanation seems like it captures the average experience