

**Mergers and Acquisitions:
A Study on the Performance of Non-Financial
Companies in Malaysia.**

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*As all alphabets have the letter (A) for their first, so has
the world the eternal God for its beginning.*

Kural: 1

*The learned find their home and town everywhere.
Why not learn and learn till death*

Kural: 397

Abstract

This study examines the performance of non-financial companies that were involved in merger and acquisition activities between 1990 and 1995. A sample of 60 non-financial companies has been selected which are then split into two main groups; low sales growth companies and high sales growth companies. The objectives of the study are; to examine those companies' performance over the period 1996-1998, to compare their performance with respect to pre-crisis and crisis periods and to assess shareholder value appreciation in comparison between the low sales growth companies and high sales growth companies during their post-acquisition period. Capital gains are used to measure the companies' performance which are calculated on a monthly basis over the two-year period. Besides this, profitability measures (ROE, EPS, dividends payout, gearing ratio, P/E ratio) are incorporated in the study to explain the shareholder value appreciation. For analysing purposes, a few statistical techniques are adopted mainly the t-test and multiple regression analysis. The results indicate that companies' performance with respect to various periods is significantly different but there are no differences in terms of performance between low sales growth companies and high sales growth companies with respect to pre-crisis and crisis periods. In terms of shareholder value appreciation, there are no differences between the two groups. Meanwhile, relationship between ROE and other profitability measures are widely discussed in the Chapter Four. It can be concluded that non-financial companies do not seem to have significantly benefited from M&A activities and on the other hand different sales growth rates of participating companies do not have significant influence when comparing their performance over the two-year period.

List of Tables

Page

Table 1: Mean of capital gains of the non-financial companies.....	31
Table 2: Mean of capital gains of the low sales growth companies.....	33
Table 3: Mean of capital gains of the high sales growth companies.....	35
Table 4: Mean of capital gains of low sales growth companies and high sales growth companies.....	37
Table 5: Mean of profitability measures of low sales growth and high sales growth companies.....	39
Table 6: The linear model for the non-financial companies.....	41
Table 7: The linear model for the low sales growth companies.....	43
Table 8: The linear model for the high sales growth companies.....	45
Table 9: Significantly correlated independent variables under Stepwise Method.....	47
Table 10: Significantly correlated independent variables under the Stepwise Method without the P/E ratio.....	49
Table 11: Significantly correlated independent variables under the Stepwise Method without the EPS.....	51

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Table of Contents

Page

Abstract

List of Tables

Acknowledgements

CHAPTER ONE

INTRODUCTION	1
1.1 The Merger and Acquisition Wave	1
1.2 Definitions	2
1.3 Mergers and Acquisitions in Malaysia	3
1.4 Objectives of the Study	5
1.5 Significance of the Study	5
1.6 Scope of the Study	6
1.7 Limitations of the Study	6
1.8 Organisation of the Study	7

CHAPTER TWO

LITERATURE REVIEW.....	8
2.1 Performance and Shareholder Value Appreciation	8
2.2 Economic Gains and Merger Strategies	10
2.3 Related Issues of Mergers and Acquisitions	11
2.3.1 Rationale for mergers	12
2.3.2 Motives for mergers	13
2.3.3 Types of mergers	14
2.3.4 Estimating economic gains	15

CHAPTER THREE

RESEARCH METHODOLOGY	19
3.1 Introduction	19
3.2 Research Hypotheses	19
3.2.1 Hypothesis I	19
3.2.2 Hypothesis II	20
3.2.3 Hypothesis III	21
3.2.4 Hypothesis IV	21
3.2.5 Hypothesis V	21
3.3 Selections of Measure	21
3.4 Sampling Design	25
3.5 Data Collection Procedure	25
3.6 Data Analysis Techniques	26
3.6.1 T-test	26
3.6.2 Paired samples testing	27
3.6.3 Multiple regression analysis	27

CHAPTER FOUR

RESEARCH RESULTS	30
4.1 Performance of Non-Financial Companies	30
4.2 Shareholder Value Appreciation	38
4.3 Relationship Between ROE and other Profitability Measures	40
4.3.1 Enter method	40
4.3.2 Stepwise method	46

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS52

5.1 Summary and Conclusions52

5.2 Suggestions for Additional Research.....55

5.3 Implications..... 56

BIBLIOGRAPHY

APPENDICES