
# The Cross-Border Discount Revisited: Evidence from European and U.S. M&A Markets

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## Abstract

Cross-border M&As have been shown to generate lower announcement returns for acquiring firms than domestic transactions, a pattern known as the "cross-border discount". While Moeller & Schlingemann (2005) established this finding for U.S. acquirers, evidence for European buyers remains limited. The central question of this thesis is whether the cross-border discount still exists. To address this, the study analyses 1,708 completed acquisitions by listed European buyers between 2010 and 2024. A parallel sample of 6,236 U.S. acquisitions enables a direct cross-regional comparison. Announcement returns are estimated using a market-adjusted event study methodology. The results show a notable difference between the two regions. For European acquirers, the cross-border discount has largely disappeared: while a negative effect of -0.6% is observed over the full period, it becomes insignificant after controlling for firm and deal characteristics. In contrast, the U.S. discount not only persists but has intensified, reaching -0.7% in the most recent sub-period and remaining significant at the 1% level throughout. These findings suggest that the cross-border discount is not a universal feature of international M&A activity, but one that depends on the institutional context in which transactions occur.

**Title:** The Cross-Border Discount Revisited: Evidence from European and U.S. M&A Markets

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## Resumo

A literatura financeira documenta que as aquisições transfronteiriças geram retornos de anúncio inferiores aos das transações domésticas, um padrão conhecido como "desconto transfronteiriço". Embora Moeller e Schlingemann (2005) tenham estabelecido este resultado para os adquirentes americanos, a evidência para os compradores europeus é limitada. A presente tese visa averiguar se o desconto transfronteiriço persiste num contexto europeu contemporâneo, para o que são analisadas 1.708 aquisições concluídas por compradores europeus cotados entre 2010 e 2024. Uma amostra paralela de 6.236 aquisições americanas permite uma comparação direta entre regiões. Os retornos de anúncio são estimados através de uma metodologia de estudo de eventos ajustada ao mercado. Os resultados revelam uma divergência significativa entre as duas regiões. No que se refere aos adquirentes europeus, o desconto transfronteiriço desapareceu em grande medida: embora se observe um efeito negativo de -0,6% no período completo, este torna-se insignificante após se controlarem as características das empresas e das transações. Em contraste, o desconto americano não só persiste, como se intensificou, atingindo -0,7% no subperíodo mais recente, mantendo-se significativo ao nível de 1%. Estes resultados sugerem que o desconto transfronteiriço não é uma característica universal da atividade internacional de fusões e aquisições, mas antes uma que depende do contexto institucional em que as transações ocorrem.


**Título:** O Desconto Transfronteiriço: Uma Nova Análise - Evidências dos Mercados de Fusões e Aquisições na Europa e nos EUA


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**Palavras-chave:** Fusões e aquisições transfronteiriças, retornos de anúncio, desconto transfronteiriço, retornos anormais, estudo de eventos, regressão transversal, ambiente institucional, M&A europeu

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## List of Abbreviations

| Abbreviation | Description |
|---|---|
| AR | Abnormal Return |
| CAR | Cumulative Abnormal Return |
| EFW | Economic Freedom of the World |
| EU | European Union |
| IFRS | International Financial Reporting Standards |
| KAOPEN | Chinn-Ito Capital Account Openness Index |
| M&A | Mergers & Acquisition |
| OLS | Ordinary Least Squares |
| SIC | Standard Industrial Classification |
| U.S. | United States |
| UK | United Kingdom |
| WGI | Worldwide Governance Indicators |

# 1. Introduction

Cross-border mergers and acquisitions (M&A) have grown substantially in volume over the past three decades, driven by financial market integration, the removal of capital controls and the progressive harmonisation of corporate governance standards across jurisdictions. For acquiring firms, the decision to expand internationally rather than domestically exposes shareholders to a different risk profile. Prior empirical evidence consistently finds that cross-border acquirers tend to earn lower announcement returns than their domestic counterparts, a pattern that is known as the "cross-border discount".

Moeller & Schlingemann (2005) provide the most comprehensive evidence for this discount based on a large sample. They examined 4,430 acquisitions by United States (U.S.) companies between 1985 and 1995 and found that cross-border acquirers achieve returns that are about one percentage point lower than domestic acquirers at the time of announcement. They attribute this disparity to increased competition in the market for corporate control, excessive management overconfidence in cross-border contexts, the declining value of geographical diversification of companies and institutional frictions associated with acquiring companies in foreign legal and regulatory environments. Their framework has since become the standard reference point for empirical work on cross-border announcement returns. Later research has also primarily concentrated on U.S. buyers, with the European context receiving relatively less attention. The few studies that deal with European acquirers, such as Campa & Hernando (2004) for EU transactions in the late 1990s, cover periods prior to the subsequent significant regulatory changes and do not address whether the cross-border discount has persisted or disappeared in a more integrated European market.

Whether the discount documented by Moeller & Schlingemann (2005) is still relevant under today's conditions therefore remains an open question, which is particularly acute for European acquirers. Successive European Union (EU) directives have led to the harmonization of takeover regulations, International Financial Reporting Standards (IFRS) and shareholder rights in the member states (Regulation (EC) No 1606/2002 on the Application of International Accounting Standards 2002; Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids 2004; Directive 2007/36/EC of the European Parliament and of the Council on the Exercise of Certain Rights of Shareholders in Listed Companies 2007). If the institutional frictions that possibly generate the cross-border discount

have been reduced by this harmonisation, one would expect the discount to be smaller or absent in a post-2010 European sample. Similarly, the structural improvement in returns for acquirers documented by Alexandridis et al. (2017) for the period after 2009 suggests that the general environment for M&A has changed in a way that could affect pricing in cross-border transactions.

This thesis examines the cross-border and domestic acquisitions by listed European buyers in the period from 2010 to 2024, replicating the empirical framework of Moeller & Schlingemann (2005) in a contemporary European setting. The sample consists of 1,708 completed transactions from Refinitiv Eikon with company data from Compustat Global. Announcement returns are estimated using a market-adjusted event study over a three-day period around the announcement date. A parallel analysis of 6,236 U.S. acquisitions over the same period allows for a direct comparison between the regions.

The results indicate that the cross-border discount for European buyers has largely disappeared. While the univariate analysis for the entire period shows a negative cross-border effect of -0.6%, this effect is no longer statistically significant in the most recent sub-period and becomes insignificant in all specifications after taking transaction and company characteristics into account. The cross-border discount has not only continued but also increased for U.S. acquirers during that time, reaching -0.7% in the most recent sub-period and remaining significant at the 1% level. The difference between the two regions suggests that the institutional context is the decisive factor in determining whether cross-border acquisitions are accompanied by a valuation discount.

The rest of this thesis is structured as follows. Chapter 2 reviews the theoretical and empirical literature on bidder announcement returns and the cross-border discount, covering the main theories of M&A activity, the empirical evidence regarding deal and firm characteristics that influence returns and the impact of target country institutions. Chapter 3 describes the data sources, sample construction and event study methodology. Chapter 4 presents the empirical results for the European sample, including univariate analysis, cross-sectional regressions and country-level specifications. Chapter 5 compares these findings with the parallel U.S. analysis and discusses the divergence between the two regions. Chapter 6 discusses the limitations of the study and directions for further research. Chapter 7 sums up the main findings and reflects on their broader implications for the cross-border M&A literature.

# 2. Literature Review

This chapter reviews the theoretical and empirical literature on bidder announcement returns in M&As, proceeding from general foundations to the specific dynamics of cross-border transactions. Section 2.1 surveys the main theories explaining why acquisitions occur and why bidder returns are frequently low or negative. Section 2.2 examines the empirical evidence on announcement-period abnormal returns and the deal and firm characteristics that drive cross-sectional variation. Section 2.3 examines the evidence regarding the cross-border discount and the institutional factors that influence it. Section 2.4 positions the benchmark study of Moeller & Schlingemann (2005) within this literature and identifies the research gap this thesis addresses.

## 2.1. Theories of M&A Activity and Bidder Underperformance

For several decades, corporate finance research has focused on why acquisitions occur and why bidder returns are often low or negative. Jensen & Ruback (2002) view the market for corporate control as a way to discipline poorly managed companies and redirect assets to more productive uses. They document that target shareholders earn substantial announcement returns, while acquirer returns average close to zero. This has led later research to focus on why acquirers capture so little value from mergers.

Jensen (1986) provides an explanation using the free cash flow hypothesis. Managers of firms with abundant cash and limited investment opportunities face an incentive to expand the resources under their control rather than return capital to shareholders, even if doing so requires accepting negative Net Present Value projects. According to the hypothesis, bidder returns tend to decrease when acquiring companies have substantial free cash flow but face limited growth opportunities. In cross-border acquisitions, agency issues can intensify due to greater informational gaps and less oversight. Roll (1986) developed the hubris hypothesis as a behavioural explanation, arguing that managers systematically overestimate target value and their ability to realise synergies, implying that any premium paid above the pre-bid price reflects overpayment and should therefore result in negative bidder returns. Cross-border transactions are particularly exposed to hubris because limited information, cultural distance and unfamiliarity with foreign regulatory environments increase the scope for valuation errors.

## 2.2. Bidder Returns: Empirical Evidence

Consistent with these theoretical mechanisms, empirical studies document systematically weak announcement returns for acquiring firms. Andrade et al. (2001), analysing more than 4,000 U.S. mergers between 1973 and 1998, reported average three-day bidder Cumulative Abnormal Returns (CARs) of approximately -0.7%, a figure that declined further during the 1990s, with subsequent large-sample evidence confirming negative average bidder returns across time periods and institutional settings (Betton et al. 2008).

Deal characteristics account for a significant portion of the cross-sectional variation in bidder returns. Observable deal characteristics, particularly the method of payment, closely link to differences in bidder announcement returns. Travlos (1987) shows that stock-financed acquisitions generate significantly lower bidder returns than cash-financed transactions, a result typically attributed to adverse signalling because equity issuance may signal overvaluation of the acquirer's shares. Beyond the method of payment, bidder returns also vary systematically with the characteristics of the target firm. Fuller et al. (2002), examine a sample of frequent acquirers and control for unobservable bidder characteristics. They discover that acquisitions of public targets correlate with negative bidder CARs, while acquisitions of private targets and subsidiaries yield positive returns. The authors attribute this difference to liquidity discounts in private target prices and to monitoring incentives when sellers retain an equity stake in the combined firm. These results motivate the inclusion of payment method and target type as controls in the regression analysis of this study.

Firm size represents another key source of heterogeneity. Moeller et al. (2004) show that small acquirers earn average CARs of approximately 2.3%, whereas large acquirers earn returns close to zero, implying that value-weighted returns are substantially lower than equally weighted averages. Alexandridis et al. (2017) find that post-2009 acquisitions generate significantly higher acquirer returns than earlier waves, which they attribute to improved governance structures and more disciplined investment behaviour following the financial crisis. Such structural shifts suggest that the determinants of announcement-period CARs are sensitive to the broader economic and institutional environment, a consideration that motivates the temporal and geographic scope of the present study.

## 2.3. The Cross-Border Discount

From a theoretical perspective, cross-border acquisitions can generate value by broadening the firm's opportunity set and internalising foreign activities. Empirically, Doukas and Travlos (1988) document positive abnormal returns for U.S. firms entering genuinely new foreign markets. However, much of the subsequent empirical evidence points in the opposite direction.

Moeller & Schlingemann (2005) outline four mechanisms through which international acquisitions may destroy value. First, greater market integration intensifies competition in the market for corporate control, thereby reducing the bidder's share of synergistic gains. Second, lower barriers to international expansion could lead to managerial overconfidence and agency problems, while cultural and institutional differences increase the complexity of post-merger integration, making it more challenging for firms to realize synergies and achieve expected financial performance. Third, as investors gain access to inexpensive international portfolio diversification, the rationale for corporate geographic diversification weakens, since shareholders can achieve similar benefits independently. Finally, markets may discount firms that expand internationally for reasons like the industrial diversification discount. Denis et al. (2002) document that globally diversified firms trade at a valuation discount comparable in magnitude to the industrial diversification discount reported by Berger & Ofek (1995). Moeller & Schlingemann (2005) confirm their findings empirically, showing that acquirer returns are lowest when both global and industrial diversification increase simultaneously.

The institutional environment of the target country introduces a further dimension. La Porta et al. (1998) established that legal origin shapes the quality of investor protection across countries, with English common law systems providing the strongest shareholder rights and French civil law systems the weakest. This classification has become standard in the cross-border M&A literature because it captures systematic differences in corporate governance, ownership concentration and the ease with which acquiring firms can restructure targets after closing. Rossi & Volpin (2004) extend this framework to takeover markets directly, showing that M&A activity is significantly more prevalent in countries with stronger investor protection and that cross-border deals tend to flow from high-protection acquirer countries toward lower-protection targets.

A notable exception to the pattern whereby weaker institutional environments generate lower bidder returns is the United Kingdom (UK). Moeller & Schlingemann (2005) observe significantly lower bidder returns despite the UK ranking among the least economically

restrictive target countries in their sample. They attribute this to the exceptional competitiveness of the UK takeover market, illustrating that country-level institutional indices may fail to capture market-specific frictions that drive heterogeneity in bidder returns. This analysis considers these issues by including dummy variables for the most frequently targeted countries in the European sample. Evidence specific to European acquirers remains comparatively sparse. Campa & Hernando (2004) examine EU transactions from 1998 to 2000 and conclude that bidder CARs are approximately zero, with no statistically significant difference between intra-EU cross-border and domestic deals, although mergers in regulated industries generate systematically lower returns.

A recurring question in the literature is whether the cross-border discount is a stable phenomenon or one that varies with the degree of financial market integration. Moeller & Schlingemann (2005) themselves document that the discount intensified during the second half of their sample period, attributing this to increased competition in the market for corporate control and reduced benefits from corporate internationalisation relative to investors' own diversification possibilities. The frictions generating the cross-border discount should therefore weaken as markets become more integrated and information asymmetries decline. Successive EU Directives, including the Takeover Directive of 2004 (Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids 2004), have progressively harmonised takeover regulation, reducing barriers to cross-border transactions within Europe (Martynova and Renneboog 2008). The concurrent convergence of accounting standards under IFRS further reduces information asymmetries between countries, establishing an institutional basis for expecting that cross-border transaction costs have declined over time (DeFond et al. 2011). If this is the case, one would expect the cross-border discount to be smaller or absent in a post-2010 European sample relative to the levels documented by Moeller & Schlingemann (2005) for 1985-1995 U.S. transactions.

## 2.4. Positioning and Research Gap

Moeller & Schlingemann (2005) provide the direct empirical foundation for this thesis. Using a sample of 4,430 acquisitions by U.S. firms between 1985 and 1995, they document that cross-border acquirers earn announcement returns approximately one percentage point lower than domestic acquirers. They refer to this difference as the “cross-border effect”. This result holds across univariate analysis, matched sample comparisons and cross-sectional regressions

controlling for deal and firm characteristics. The effect intensifies in the second half of the sample period and is confirmed using operating performance as an out-of-sample validation.

Several developments motivate a reassessment of these findings. The initial sample ends in 1995, prior to major advances in financial integration and regulatory harmonization in the European Union, where directives later aligned shareholder rights, accounting standards and takeover regulations. Whether the frictions that Moeller & Schlingemann (2005) identify as sources of the cross-border discount have been meaningfully reduced in a more integrated environment is an empirical question that this thesis seeks to address. Equally, the structural improvement in acquirer returns documented by Alexandridis et al. (2017) for the post-2009 period has not been examined for European acquirers. Finally, the original study focuses exclusively on U.S. firms and it is not obvious that findings derived from that setting generalise to European capital markets, which differ in ownership structure, the role of banking financing and the intensity of takeover competition.

This thesis addresses these gaps by examining cross-border and domestic acquisitions by publicly listed European acquirers over the period 2010 to 2024. This study replicates the empirical framework of Moeller & Schlingemann (2005) in a contemporary European setting. This allows for a direct assessment of whether the cross-border discount persists and whether target country institutional characteristics explain cross-sectional variation in bidder gains. A parallel analysis of a U.S. sample over the same period enables a direct comparison across regions, providing evidence on whether the cross-border discount is a general feature of international M&A markets or one specific to the institutional and temporal context in which it was first documented.

# 3. Data

Section 3.1 describes the transaction data, sample construction and accounting variables. Section 3.2 sets out the event-study methodology and return calculations. Section 3.3 presents the sample description and key descriptive statistics.

## 3.1. Data and Sample Construction

The empirical analysis is based on a sample of M&As announced by publicly listed European acquirers between January 2010 and December 2024. The original transaction universe was obtained from Refinitiv Eikon and comprises completed transactions for which an

announcement and an effective date have been disclosed. To focus on economically significant acquisitions, only transactions with a minimum deal value of US$100 million and a post-transaction ownership stake of at least 51% are included. The time between the announcement and the effective date is restricted to a maximum of 1,000 calendar days. The sample is further limited to conventional forms of M&As, including asset acquisitions, majority or residual interest acquisitions and mergers. The geographical scope of acquiring countries is limited to European Union Member States, the UK and Switzerland.

Refinitiv collects transaction-related information, including transaction values, announcement and closing dates, transaction characteristics and the identifiers of acquirers and target countries. Accounting data is obtained from Compustat Global and merged with the transaction data using ISIN identifiers and financial year alignment. Firm-level accounting variables are constructed from Compustat Global for the fiscal year prior to the acquisition announcement. Several screening steps are applied to ensure comparability across observations. Duplicate transaction entries are removed and where an acquirer announces multiple transactions on consecutive dates, only the first one is retained to avoid overlapping event windows.

Transactions lacking essential accounting information, such as total assets or sales, are excluded. Additionally, any observations lacking adequate country-level information or containing incomplete identifiers necessary for integrating external data sources are excluded from the dataset. Firm-level accounting variables are reported in local currencies and are converted into U.S. dollars using annual average exchange rates obtained from Compustat Global. Observations for which no consistent exchange rate series are available are excluded. Observations with implausible values in firm-level variables measured in levels, such as total assets and sales, are excluded from the sample. To limit the influence of extreme values, ratio-based variables including leverage, profitability and relative deal size are winsorised at the 1st and 99th percentiles.

After applying all selection criteria and adjustment procedures, the final sample comprises 1,708 completed M&A transactions announced between 2010 and 2024.

A parallel sample of U.S. acquirers is constructed to serve as a benchmark for comparison. Applying the same selection criteria and data-cleaning procedures, including a minimum deal value of US$100 million, a post-transaction ownership stake of at least 51% and a maximum of 1,000 calendar days between announcement and effective date, the U.S. sample comprises

6,236 completed M&A transactions announced by publicly listed U.S. acquirers between January 2010 and December 2024. Transaction data is obtained from Refinitiv Eikon and firm-level accounting variables are sourced from Compustat North America.

## 3.2. Methodology

Abnormal stock price reactions around M&A announcements are estimated using a standard event-study methodology following the framework proposed by MacKinlay (1997). The methodology is based on the semi-strong form of the efficient market hypothesis (Fama, 1970), which states that security prices quickly incorporate all publicly available information. Under this assumption, new information such as M&A announcements are expected to be immediately reflected in stock prices. Consequently, abnormal returns observed around the announcement date can be interpreted as the market's assessment of the expected value effects of the transaction.

For each acquisition, abnormal returns are computed as the difference between the realised stock return of the acquiring firm and an expected return benchmark. Daily stock returns are calculated using adjusted closing prices. The abnormal return (AR) for firm $i$ on day $t$ is defined as:

$$ARi, t = Ri, t - E(Ri, t)$$

where $R_{i,t}$ denotes the observed return of firm $i$ on day $t$ and $\mathrm{E}(R_{i,t})$ represents the expected return.

For European buyers, the STOXX Europe 600 Index is used as the market benchmark, as it comprehensively represents the European stock market across multiple countries and sectors. For U.S. buyers, the value-weighted CRSP market index is used to ensure that expected returns are measured relative to the relevant domestic capital market. The market-adjusted model is preferred over an Ordinary Least Squares (OLS) market model with a pre-event estimation window for two reasons specific to this study's design. First, the sample covers publicly listed firms across more than twenty European countries with heterogeneous trading histories, liquidity profiles and listing durations. Estimating firm-specific parameters over a pre-event window would require continuous return data that is unavailable or unreliable for a meaningful subset of the sample, introducing a selection bias toward larger and more liquid firms. Second, the market-adjusted model has been shown to perform comparably to the OLS market model

in short-window event studies when the event window is narrow and the sample is large (Brown and Warner 1985). Given the three-day event window and a sample of over 1,700 transactions, the efficiency loss from omitting firm-specific parameters is expected to be small relative to the gain in sample coverage and cross-country comparability.

Formally, the expected return is given by:

$$E(R_{i,t}) = R_{m,t}$$

where $R_{m,t}$ denotes the return of the corresponding market index on day t.

The analysis focuses on short-term market reactions around the announcement date of the acquisition. The main event window is defined as the three-day window from one trading day before to one trading day after the announcement date, denoted as (-1, +1). This window captures potential information leakage prior to the announcement as well as short-term market reactions following the announcement.

CARs are computed by aggregating abnormal returns over the event window:

$$\mathrm{CAR_i}(\mathrm{t_1}, \mathrm{t_2}) = \sum_{\mathrm{t}=\mathrm{t_1}}^{\mathrm{t_2}} AR_{i,t}$$

where $t_1$ and $t_2$ denote the start and end of the event window, respectively. In addition to the baseline (-1, +1) window, results were verified using the (-2, +2) and (0, +1) event windows. Results for alternative event windows are reported in Appendix 2. The sign and statistical significance of the cross-border coefficient are consistent across all windows, confirming that the findings are not sensitive to the precise definition of the announcement period.

If both the acquiring firm and the target firm have their headquarters in different countries, the transaction is classified as a cross-border acquisition. Domestic acquisitions are defined as transactions in which both firms are in the same country. The main variable of interest is the difference in announcement-period abnormal returns between cross-border and domestic transactions.

To further investigate whether cross-border status systematically explains differences in announcement returns, cross-sectional regression models are estimated. These regressions make it possible to test whether cross-border acquisitions generate different abnormal returns

compared to domestic transactions, after controlling for company and transaction characteristics.

For the univariate analysis, average cumulative abnormal returns are computed separately for cross-border and domestic acquisitions. The cross-border effect is defined as the difference between the mean CARs of cross-border transactions and the mean CARs of domestic transactions:

$$\Delta CAR = \overline{CAR}_{CB} - \overline{CAR}_{DOM}$$

Statistical significance is assessed using cross-sectional t-tests of differences in mean cumulative abnormal returns.

Differences in market reactions between Europe and the United States are evaluated by comparing the size and statistical significance of announcement-period abnormal returns and cross-border effects across the two samples.

## 3.3. Sample Description

The final sample consists of 1,708 M&As carried out by publicly listed European acquirers between 2010 and 2024. Of these transactions, 1,264 deals (74 %) are classified as cross-border acquisitions, while 444 deals (26 %) are domestic transactions.

Panel A of Table 1 reports the distribution of acquirer countries. Acquisition activity is concentrated in major European economies, with firms from the UK accounting for the largest share of both cross-border and domestic deals, followed by France, Sweden, Switzerland and Germany.

Panel B presents the distribution of target countries. For cross-border transactions, the United States is the most frequent destination, representing around 40 percent of all cross-border deals. Other commonly targeted countries include Germany, the Netherlands, the UK and France, indicating that European bidders primarily acquire targets in large and developed markets. Domestic transactions are, by definition, located in the acquirer's home country.

Panel C shows the industry distribution of target firms. The sample exhibits strong industry diversity, with the largest shares of cross-border acquisitions coming from the Industrials,

Healthcare, High Technology and Materials sectors. Domestic deals display relatively higher activity in Energy and Power, and Real Estate.

Panel D reports the annual distribution of deal announcements. Deal activity is relatively stable over time, with a noticeable increase after 2020 and a peak in 2021. Cross-border and domestic acquisitions follow broadly similar time patterns throughout the sample period.

**Table 1 - Sample Description**

| | Cross-border (n=1264) | | Domestic (n=444) | | |
|---|---|---|---|---|---|
| | **n** | **%** | **n** | **%** | Total |
| *Panel A: Acquirer Nations Top 5* | | | | | |
| UK | 297 | 23.50% | 121 | 27.25% | 418 |
| France | 205 | 16.22% | 71 | 15.99% | 276 |
| Sweden | 133 | 10.52% | 30 | 6.76% | 163 |
| Switzerland | 121 | 9.57% | 13 | 2.93% | 134 |
| Germany | 120 | 9.49% | 33 | 7.43% | 153 |
| *Panel B: Target Nation Top 5* | | | | | |
| United States | 506 | 40.03% | - | 0.00% | 506 |
| Germany | 65 | 5.14% | 33 | 7.43% | 98 |
| Netherlands | 65 | 5.14% | 7 | 1.58% | 72 |
| UK | 65 | 5.14% | 121 | 27.25% | 186 |
| France | 58 | 4.59% | 71 | 15.99% | 129 |
| *Panel C: Target Industries Distribution* | | | | | |
| Consumer Products and Services | 102 | 8.07% | 30 | 6.76% | 132 |
| Consumer Staples | 97 | 7.67% | 19 | 4.28% | 116 |
| Energy and Power | 90 | 7.12% | 83 | 18.69% | 173 |
| Financials | 34 | 2.69% | 19 | 4.28% | 53 |
| Government and Agencies | 1 | 0.08% | - | 0.00% | 1 |
| Healthcare | 231 | 18.28% | 34 | 7.66% | 265 |
| High Technology | 192 | 15.19% | 40 | 9.01% | 232 |
| Industrials | 202 | 15.98% | 79 | 17.79% | 281 |
| Materials | 152 | 12.03% | 37 | 8.33% | 189 |
| Media and Entertainment | 57 | 4.51% | 37 | 8.33% | 94 |
| Real Estate | 13 | 1.03% | 16 | 3.60% | 29 |
| Retail | 55 | 4.35% | 32 | 7.21% | 87 |

| | | | | | |
|---|---|---|---|---|---|
| Telecommunications | 38 | 3.01% | 18 | 4.05% | 56 |
| *Panel D: Yearly Distribution* | | | | | |
| 2010 | 82 | 6.49% | 30 | 6.76% | 112 |
| 2011 | 83 | 6.57% | 32 | 7.21% | 115 |
| 2012 | 68 | 5.38% | 27 | 6.08% | 95 |
| 2013 | 59 | 4.67% | 21 | 4.73% | 80 |
| 2014 | 95 | 7.52% | 33 | 7.43% | 128 |
| 2015 | 86 | 6.80% | 37 | 8.33% | 123 |
| 2016 | 80 | 6.33% | 38 | 8.56% | 118 |
| 2017 | 86 | 6.80% | 30 | 6.76% | 116 |
| 2018 | 104 | 8.23% | 28 | 6.31% | 132 |
| 2019 | 74 | 5.85% | 25 | 5.63% | 99 |
| 2020 | 74 | 5.85% | 29 | 6.53% | 103 |
| 2021 | 127 | 10.05% | 35 | 7.88% | 162 |
| 2022 | 87 | 6.88% | 29 | 6.53% | 116 |
| 2023 | 81 | 6.41% | 22 | 4.95% | 103 |
| 2024 | 78 | 6.17% | 28 | 6.31% | 106 |

The table summarizes the composition of the final M&A sample used in the analysis. The sample consists of 1,708 M&As undertaken by publicly listed European acquirers over the period 2010-2024. Transactions are classified as cross-border or domestic based on the location of the target firm relative to the acquirer. Panel A reports the distribution of acquirer countries, Panel B presents the distribution of target countries, Panel C shows the industry distribution of target firms and Panel D reports the yearly distribution of deal announcements.

The U.S. sample consists of 6,236 M&As carried out by publicly listed U.S. acquirers between 2010 and 2024. Of these transactions, 1,107 deals (18%) are classified as cross-border acquisitions, while 5,129 deals (82%) are domestic transactions. This distribution reflects the comparatively large and liquid domestic capital market available to U.S. acquirers, which reduces the relative importance of cross-border activity. For cross-border transactions, the most frequently targeted countries are the UK, Canada and Germany, indicating that U.S. bidders primarily acquire targets in other developed markets. The industry composition is broadly similar to the European sample, with High Technology, Industrials and Healthcare representing the largest shares of cross-border deals. Deal activity follows a comparable time pattern, with a noticeable peak in 2021. Appendix 3 provides a detailed breakdown of the U.S. sample composition.

Table 2 presents descriptive statistics for key bidder- and deal-level characteristics for the full sample and separately for cross-border and domestic acquisitions. For each variable, the table reports mean values, standard deviations and the number of observations. In addition, differences between cross-border and domestic transactions are reported along with the corresponding statistical significance.

**Table 2 - Univariate Statistics**

| | Full Sample | Cross-Border Sample | Domestic Sample | Difference | p-Value |
|---|---|---|---|---|---|
| *Panel A: Bidder Characteristics* | | | | | |
| Assets (book) | 17331.66 | 18605.57 | 13699.70 | 4905.88** | 0.018 |
| | (35760.54) | (35690.46) | (35751.18) | -(60.72) | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Sales | 11509.83 | 12047.24 | 9977.66 | 2069.59 | 0.242 |
| | (28705.26) | (27555.88) | (31738.16) | -(4182.29) | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Market-to-book | 5.36 | 4.88 | 6.76 | -1.87 ** | 0.033 |
| | (7.21) | (6.89) | (7.89) | -(1.00) | 0.000 |
| | n = 1594 | n = 1188 | n = 406 | | |
| Leverage | 0.24 | 0.24 | 0.25 | -0.01 | 0.357 |
| | (0.16) | (0.14) | (0.19) | -(0.05) | 0.942 |
| | n = 1617 | n = 1202 | n = 415 | | |
| Profitability | 0.09 | 0.09 | 0.07 | 0.02 *** | 0.001 |
| | (0.08) | (0.07) | (0.11) | -(0.03) | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |
| *Panel B: Deal Characteristics* | | | | | |
| Relative size (%) | 0.87 | 0.79 | 1.09 | -1.09 | 0.504 |
| | (11.58) | (13.09) | (5.31) | (4.07) | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Tender offer (%) | 0.00 | 0.00 | 0.00 | 0.00 *** | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |

| | | | | | |
|---|---|---|---|---|---|
| Cash in payment (%) | 48.04 | 50.92 | 39.82 | 11.10 *** | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Private target (%) | 26.03 | 28.66 | 18.51 | 10.15 *** | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Subsidiary target (%) | 10.90 | 9.34 | 15.35 | -6.01 *** | 0.002 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Conglomerate (%) | 29.89 | 27.32 | 37.25 | -9.93 *** | 0.000 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Hostile (%) | 0.18 | 0.08 | 0.45 | -0.37 | 0.258 |
| | n = 1706 | n = 1263 | n = 443 | | |
| Competed (%) | 1.46 | 1.82 | 0.45 | 1.37 | 0.521 |
| | n = 1706 | n = 1263 | n = 443 | | |

Table 2 reports descriptive statistics for key bidder- and deal-level characteristics for the full sample and separately for cross-border and domestic acquisitions. The table shows the mean values and standard deviations (in parentheses) for each variable, as well as the number of observations for each one. Differences in means between cross-border and domestic transactions are reported along with the corresponding *t*-test *p*-values. Wilcoxon rank-sum tests are used to find differences in medians, and the p-values for each variable are shown in the second row. Continuous variables expressed as ratios, including leverage, profitability and relative deal size, are winsorised at the 1st and 99th percentiles. Observations with implausible values in firm-level variables measured in levels are excluded from the sample. The number of observations varies across variables due to missing accounting and market data, which can lead to potential biases in the analysis if not properly addressed. Assets (book) are total assets and Sales are net sales, both reported in USD millions. Market-to-book is the ratio of market value of equity to book value of equity. Leverage is total debt divided by total assets. Profitability is operating income divided by total assets. Relative size is the deal value divided by the acquirer's total assets. Conglomerate equals one if the acquirer and target operate in different macro-industry classifications.

Panel A reports bidder characteristics for cross-border and domestic acquisitions. Acquirers engaging in cross-border transactions are, on average, larger than domestic acquirers, as measured by total assets. Differences in sales are economically sizeable but not statistically significant. Cross-border bidders also show higher profitability, while debt ratios are largely comparable in both sub-samples. The price-to-book ratio is higher for domestic bidders than for cross-border buyers, which may be due to differences in the industry composition or growth opportunities of the two sub-samples.

Panel B presents deal characteristics for the two types of transactions. Cross-border acquisitions are smaller relative to bidder size than domestic transactions. They are significantly more likely to involve cash payment and private targets, whereas domestic acquisitions more frequently involve subsidiary targets and conglomerate transactions. The incidence of hostile and competed deals is low in both subsamples and does not differ significantly between cross-border and domestic acquisitions.

In contrast to the original study, changes in global and industrial diversification are not included in this table. Their construction requires segment-level data for the fiscal year following deal completion. Given that the sample extends through December 2024, post-completion data are not yet available for a substantial share of transactions, precluding consistent measurement across the full sample.

# 4. Empirical Results

This chapter presents the empirical results of the analysis. Section 4.1 reports univariate announcement returns for cross-border and domestic acquisitions, separately for the full sample and a matched sample, across three sub-periods. Section 4.2 presents the cross-sectional regression analysis, examining whether the cross-border effect persists after controlling for deal and firm characteristics. Section 4.3 describes the institutional and economic characteristics of target countries in the sample. Section 4.4 investigates whether bidder announcement returns in cross-border acquisitions vary systematically with target country characteristics.

## 4.1. Univariate Announcement Returns

As illustrated in Table 3, cumulative abnormal returns (CARs) are reported over the (-1, +1) event window surrounding acquisition announcements. These returns are calculated using a market-adjusted model, which is based on the STOXX Europe 600 index. The analysis compares market reactions to cross-border and domestic acquisitions over the period 2010-2024. Panel A presents results for the full sample, while Panel B reports results for a matched sample to improve comparability between deal types. For the matched sample, each cross-border acquisition is matched to a domestic acquisition based on three criteria: the same macro-industry classification, the same target public status and an announcement date within a one-year window. Among all domestic transactions satisfying these criteria, the deal with the closest market value of equity is selected as the match, resulting in a 1-to-1 nearest-neighbour matched sample.

To examine time variation in market reactions, the sample is divided into three sub-periods: 2010-2013, 2014-2019 and 2020-2024. The selection of these periods aims to ensure reasonably balanced sample sizes while capturing different economic environments. These include the post-financial-crisis period, a phase of relative economic stability and the period characterised by the emergence of the COVID-19 pandemic and increased geopolitical uncertainty.

**Table 3- Announcement Day average excess returns for cross-border and domestic acquisitions**

| Period | % Cumulative abnormal return (-1, +1) | | | *t-Statistic* |
|---|---|---|---|---|
| | Cross-border sample (1) | Domestic sample (2) | Cross-border effect (1) - (2) | |
| *Panel A: Full Sample* | | | | |
| 2010-2024 | 1.10 | 1.70 | -0.60 | *-1.747** |
| | *n = 1248* | *n = 434* | | |
| 2010-2013 (P1) | 0.70 | 1.60 | -0.90 | *-1.593* |
| | *n = 286* | *n = 108* | | |
| 2014-2019 (P2) | 1.40 | 2.30 | -0.90 | *-1.710** |
| | *n = 520* | *n = 187* | | |
| 2020-2024 (P3) | 0.90 | 1.00 | 0.10 | *0.115* |
| | *n =442* | *n = 139* | | |
| Difference (P1 - P2) | -0.70 | -0.70 | | |
| *t-Statistic* | *-1.929** | *-0.757* | | |
| Difference (P2 - P3) | 0.40 | 1.40 | | |
| *t-Statistic* | *1.128* | *1.449* | | |
| Difference (P1 - P3) | -0.30 | 0.70 | | |
| *t-Statistic* | *-0.725* | *0.683* | | |
| *Panel B: Matched Sample* | | | | |
| 2010-2024 | 1.10 | 1.60 | -0.50 | *-2.250*** |
| | *n = 1163* | *n = 1163* | | |
| 2010-2013 (P1) | 0.70 | 2.20 | -1.50 | *-3.620**** |
| | *n = 340* | *n = 340* | | |
| 2014-2019 (P2) | 1.40 | 1.90 | -0.50 | *-1.410* |

| | | | | |
|---|---|---|---|---|
| | *n = 477* | *n = 477* | | |
| 2020-2024 (P3) | 1.00 | 0.90 | 0.10 | *0.270* |
| | *n = 410* | *n = 410* | | |
| Difference (P1 - P2) | -0.70 | 0.30 | | |
| *t-Statistic* | *-1.980*** | *0.760* | | |
| Difference (P2 - P3) | 0.40 | 1.00 | | |
| *t-Statistic* | *1.130* | *2.590**** | | |
| Difference (P1 - P3) | -0.30 | 1.30 | | |
| *t-Statistic* | *-0.730* | *2.690**** | | |

Table 3 reports average CARs for cross-border and domestic acquisitions over the (-1, +1) event window surrounding the announcement date. Panel A presents results for the full sample, while Panel B reports results for a matched sample to improve comparability between cross-border and domestic transactions. The cross-border effect is defined as the difference between the mean CARs of cross-border and domestic deals. T-statistics are reported for tests of differences in means. Subperiod results are shown for 2010-2013, 2014-2019 and 2020-2024.

Panel A shows that domestic acquisitions generate higher announcement returns than cross-border deals over the full sample period. The mean CAR for domestic deals is 1.7%, compared to 1.1% for cross-border deals, resulting in a negative cross-border effect of -0.6%, which is statistically significant at the 10% level. Sub-period results indicate that the cross-border effect is concentrated in the earlier periods and largely disappears in the most recent years. This pattern indicates that the cross-border discount weakens over time.

Panel B repeats the analysis for a matched sample of comparable cross-border and domestic transactions, yielding consistent results. Cross-border acquisitions generate significantly lower announcement-day abnormal returns than domestic acquisitions. The cross-border effect is found to be statistically significant at the 5% level, with a cross-border effect of -0.5%. The negative effect is particularly pronounced in the early period, while it becomes smaller and statistically insignificant in later years. In the most recent period, no significant difference between cross-border and domestic acquisitions has been identified.

The analysis is restricted to acquisitions with sufficient return data around the announcement date, which reduces the effective sample size. Observations are excluded if daily stock return data are not available for the full event window. The division of the sample into sub-periods reduces statistical power in individual periods. Despite this, the results consistently indicate that

the difference between cross-border and domestic announcement returns is decreasing over time.

While the univariate analysis provides initial evidence on differences in market reactions between cross-border and domestic acquisitions, these results do not account for heterogeneity in firm- and deal-level characteristics. However, differences in bidder size, deal structure, payment method or target type may collectively influence announcement returns and complicate univariate comparisons. To address these concerns and to isolate the effect of cross-border acquisitions conditional on observable characteristics, the following section presents a cross-sectional regression analysis of bidder announcement returns.

## 4.2. Cross-Sectional Regression Analysis

Table 4 presents the results of cross-sectional regression analyses for bidder announcement returns measured over the (-1, +1) event window.

**Table 4 - Cross-Sectional Regression Analysis**

| Model | (1) Baseline | (2) Year FE | (3) Year & industry FE | (4) + Free Cashflow |
|---|---|---|---|---|
| Cross Border | -0.003 | -0.003 | -0.003 | -0.003 |
| | (-0.003) | (-0.003) | (-0.004) | (-0.004) |
| Relative Size | 0.007** | 0.007** | 0.007** | 0.007** |
| | (-0.001) | (-0.003) | (-0.003) | (-0.003) |
| Conglomerate | 0.002 | 0.003 | 0.002 | 0.002 |
| | (-0.003) | (-0.003) | (-0.003) | (-0.003) |
| Hostile | -0.024 | -0.025 | -0.017 | -0.018 |
| | (-0.029) | (-0.022) | (-0.025) | (-0.025) |
| Competed | -0.008 | -0.011 | -0.007 | -0.007 |
| | (-0.010) | (-0.011) | (-0.013) | (-0.013) |
| Consideration | 0.001 | 0.000 | 0.000 | 0.000 |
| | (-0.003) | (-0.003) | (-0.003) | (-0.003) |
| Private Target | -0.001 | -0.001 | -0.004 | -0.003 |
| | (-0.003) | (-0.003) | (-0.003) | (-0.003) |

| | | | | |
|---|---|---|---|---|
| Private target × equity payment | 0.009 | 0.009 | 0.014 | 0.014 |
| | (-0.009) | (-0.013) | (-0.014) | (-0.014) |
| Public target × equity payment | -0.012* | -0.013* | -0.013* | -0.013* |
| | (-0.005) | (-0.007) | (-0.008) | (-0.008) |
| Total Assets | -0.001 | -0.001 | 0.000 | 0.000 |
| | (-0.001) | (-0.001) | (-0.001) | (-0.001) |
| Market-to-Book | 0.000 | 0.000 | 0.000 | 0.000 |
| | (0.000) | (0.000) | (0.000) | (0.000) |
| Free Cashflow | | | | -0.009 |
| | | | | (-0.029) |
| Constant | 0.020** | 0.024** | 0.035** | 0.036** |
| | (-0.008) | (-0.011) | (-0.015) | (-0.016) |
| Observations | 1574 | 1574 | 1473 | 1473 |
| Adjusted R2 | 0.061 | 0.067 | 0.077 | 0.076 |

Table 4 presents cross-sectional regression results for bidder announcement returns measured as CARs over the (-1, +1) event window. The primary variable of interest is a cross-border indicator equal to one if the acquisition is classified as cross-border and zero otherwise. All regressions include a set of bidder- and deal-level control variables, including relative deal size, payment method, target type and acquirer characteristics. Column (1) reports a baseline specification without fixed effects. Column (2) adds year fixed effects to control for time-specific macroeconomic conditions. Column (3) further includes industry fixed effects at the two-digit Standard Industrial Classification (SIC) level and column (4) augments the specification by controlling for acquirer free cash flow. Standard errors are reported in parentheses. Statistical significance is denoted by *, ** and *** at the 10%, 5% and 1% levels, respectively.

Across all specifications, the estimated coefficient on the cross-border indicator is negative but statistically insignificant. The results therefore do not provide statistically significant evidence that cross-border acquisitions in Europe generate different returns upon announcement by the bidder than domestic transactions. The size and insignificance of the cross-border coefficient remain stable when additional fixed effects and controls are introduced, suggesting that the result is not influenced by time- or industry-specific factors.

The relative deal size is consistently positive and statistically significant across all models, indicating that larger transactions relative to the size of the acquiring firm are associated with

stronger market reactions. Equity-financed acquisitions of publicly listed targets are associated with significantly lower announcement returns. Conversely, equity payments in acquisitions of private targets do not exhibit a statistically significant effect. This pattern is consistent with signalling and dilution arguments commonly discussed in the M&A literature (Travlos 1987; Fuller et al. 2002).

The inclusion of free cash flow in column (4) does not have a significant impact on the estimated coefficients of interest. The free cash flow proxy itself is statistically insignificant and the coefficient on the cross-border indicator remains unchanged. This finding indicates that variations in acquirer financial flexibility do not significantly influence the baseline results. It is common to find that several control variables, such as conglomerate status, hostility, deal completion and acquirer size, are not statistically significant in cross-sectional regressions of short-term announcement returns.

Overall, the results in Table 4 provide no evidence of a statistically significant cross-border effect in bidder announcement returns. The findings demonstrate stability across a range of increasingly restrictive model specifications and when controlling for acquirer free cash flow.

Table 5 extends the cross-sectional analysis by estimating the regression separately for the three sub-periods introduced in Table 3: 2010-2013, 2014-2019 and 2020-2024. This allows for an assessment of whether the absence of a cross-border effect is stable over time or driven by a specific period.

**Table 5 - Cross-Sectional Regression Analysis: Sub-period Results**

| Subperiods | (1)<br>2010-2013 | (2)<br>2014-2019 | (3)<br>2020-2024 |
|---|---|---|---|
| Cross Border | -0.004 | -0.004 | -0.002 |
| | (0.006) | (0.006) | (0.009) |
| Relative Size | 0.009*** | 0.007 | -0.003 |
| | (0.001) | (0.006) | (0.007) |
| Conglomerate | -0.001 | 0.000 | 0.000 |
| | (0.006) | (0.005) | (0.006) |

| | | | |
|---|---|---|---|
| Hostile | 0.000 | -0.015 | 0.000 |
| | (.) | (0.034) | (.) |
| Competed | 0.002 | -0.006 | -0.060 |
| | (0.006) | (0.011) | (0.047) |
| Consideration | 0.009* | -0.005 | -0.001 |
| | (0.005) | (0.004) | (0.005) |
| Private Target | -0.004 | -0.005 | -0.005 |
| | (0.005) | (0.005) | (0.005) |
| Private target × equity payment | -0.025 | 0.025 | 0.030 |
| | (0.023) | (0.022) | (0.025) |
| Public target × equity payment | -0.014 | -0.000 | -0.022 |
| | (0.012) | (0.011) | (0.018) |
| Total Assets | -0.001 | 0.000 | -0.003 |
| | (0.002) | (0.002) | (0.002) |
| Market-to-Book | 0.000 | -0.001 | 0.000 |
| | (0.000) | (0.000) | (0.000) |
| Constant | -0.024 | -0.008 | 0.071** |
| | (0.032) | (0.020) | (0.030) |
| Observations | 341 | 625 | 507 |
| Adj. R-squared | 0.253 | 0.072 | 0.050 |

Table 5 presents cross-sectional regression results for bidder announcement returns measured as CARs over the (-1, +1) event window, estimated separately for three sub-periods. The primary variable of interest is a cross-border indicator equal to one if the acquisition is classified as cross-border and zero otherwise. All regressions include year and industry fixed effects at the two-digit SIC level and a comprehensive set of bidder- and deal-level control variables. Standard errors are reported in

parentheses. Statistical significance is denoted by *, ** and *** at the 10%, 5% and 1% levels, respectively.

Across all three sub-periods, the coefficient on the cross-border indicator remains negative and statistically insignificant, confirming that the main result is not limited to a particular period. There is a notable decrease in the size of the cross-border coefficient over time, from -0.004 in the earliest period to -0.002 in the most recent period. This is in line with the idea that the increasing integration of capital markets has reduced cross-border friction and therefore also steadily decreased the friction linked with cross-border transactions. Taken together, the sub-period analysis confirms the findings of the full-sample regression and provides additional evidence that the absence of a systematic cross-border discount is a robust feature of the European M&A market over the period 2010-2024.

## 4.3. Target Country Characteristics

This section examines the institutional and economic environment of target countries in the sample. The selected variables follow the corporate finance and cross-border M&A literature (La Porta et al. (1998); Rossi & Volpin, (2004); Moeller & Schlingemann, (2005)), which emphasises the role of institutional quality and cross-country frictions in shaping cross-border investment outcomes. Appendix 1 reports descriptive statistics for target country characteristics.

Legal systems are included to capture differences in investor protection, legal enforcement and contracting environments across countries. According to the classification system proposed by La Porta et al. (1998), legal origins are divided into four distinct categories: English common law, French civil law, German civil law and Scandinavian civil law traditions. For countries not explicitly covered in the original study, legal origin is assigned based on dominant legal tradition and colonial legal heritage, consistent with standard practice in the literature.

The Economic Freedom of the World (EFW) index measures the degree of market orientation, regulatory efficiency and property rights protection (Gwartney et al. 2025). It serves as a broad proxy for the institutional environment faced by foreign acquirers, indicating how conducive the market conditions are for foreign investment and acquisition activities. The Chinn-Ito capital account openness index (KAOPEN) measures how much a nation permits cross-border capital flows and integrates into global financial markets, serving as a proxy for financial openness (Chinn and Ito 2006).

The World Bank's Worldwide Governance Indicators (WGI) are a further means of capturing institutional quality, with a particular focus on regulatory quality. This measure captures the ability of governments to design and implement policies that support private sector development and regulatory predictability (Kaufmann et al. 2010). The World Bank income classification is finally incorporated to provide a broad measure of countries' levels of economic development and to distinguish between advanced and emerging market targets (Metreau et al. 2024).

## 4.4. Country Characteristics and Bidder Gains

Table 6 examines whether bidder announcement returns in cross-border acquisitions vary systematically with the institutional and economic characteristics of the target country.

While earlier analyses focused on average differences between domestic and cross-border transactions, this table explores cross-sectional heterogeneity in bidder gains by incorporating country-level measures of economic freedom, legal systems, governance quality and income classification.

The dependent variable in all specifications is the CAR over the three-day event window (-1, +1) around the acquisition announcement. Abnormal returns are calculated using a market-adjusted model, as described in Section 3.2. All regressions are estimated by OLS with robust standard errors, including two-digit SIC industry fixed effects and year fixed effects. Transaction-level control variables are included throughout. The stepwise specification strategy closely follows the approach of Moeller and Schlingemann (2005).

**Table 6 - Cross-Sectional Analysis of country characteristics and bidder gains**

| | (1) CAR (-1,+1) | (2) CAR (-1,+1) | (3) CAR (-1,+1) | (4) CAR (-1,+1) | (5) CAR (-1,+1) | (6) CAR (-1,+1) |
|---|---|---|---|---|---|---|
| Cross-border | | | | | -0.006 | -0.007 |
| | | | | | (-0.005) | (-0.006) |
| Most Restrictive | 0.003 | -0.003 | 0.015 | 0.013 | 0.000 | 0.002 |
| | (-0.004) | (-0.008) | (-0.011) | (-0.011) | (-0.007) | (-0.008) |
| Mid Restrictive | 0.005 | -0.001 | 0.010 | 0.008 | -0.002 | -0.001 |
| | (-0.004) | (-0.009) | (-0.011) | (-0.011) | (-0.009) | (-0.010) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Least Restrictive | -0.004 | -0.010 | 0.000 | 0.000 | -0.008 | -0.005 |
| | (-0.011) | (-0.013) | (.) | (.) | (-0.014) | (-0.014) |
| Conglomerate | 0.003 | 0.003 | 0.003 | 0.003 | 0.002 | 0.002 |
| | (-0.003) | (-0.003) | (-0.003) | (-0.003) | (-0.003) | (-0.003) |
| Tender Offer | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | (.) | (.) | (.) | (.) | (.) | (.) |
| Hostile | 0.034** | 0.040** | 0.039** | 0.040** | -0.012 | -0.012 |
| | (-0.016) | (-0.017) | (-0.017) | (-0.017) | (-0.026) | (-0.026) |
| Relative Size | -0.001 | -0.001 | -0.001 | -0.001 | 0.007** | 0.007** |
| | (-0.002) | (-0.002) | (-0.002) | (-0.002) | (-0.003) | (-0.003) |
| Consideration | -0.002 | -0.002 | -0.002 | -0.002 | 0.004 | 0.005 |
| | (-0.003) | (-0.003) | (-0.003) | (-0.003) | (-0.003) | (-0.003) |
| Private Target | -0.001 | -0.001 | -0.002 | -0.002 | 0.002 | 0.002 |
| | (-0.003) | (-0.003) | (-0.003) | (-0.003) | (-0.003) | (-0.003) |
| Subsidiary Target | -0.001 | -0.002 | -0.001 | 0.001 | -0.009** | -0.009** |
| | (-0.004) | (-0.005) | (-0.005) | (-0.005) | (-0.004) | (-0.004) |
| Market-to-book | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Free Cashflow | 0.019 | 0.019 | 0.018 | 0.019 | -0.005 | -0.004 |
| | (-0.030) | (-0.030) | (-0.031) | (-0.031) | (-0.029) | (-0.029) |
| Total Assets | -0.002** | -0.002** | -0.002** | -0.002** | 0.000 | 0.000 |
| | (-0.001) | (-0.001) | (-0.001) | (-0.001) | (-0.001) | (-0.001) |
| Germany | | 0.001 | 0.014 | 0.011 | 0.006 | 0.014 |
| | | (-0.012) | (-0.013) | (-0.014) | (-0.011) | (-0.012) |
| Netherlands | | -0.001 | 0.012 | 0.011 | 0.002 | 0.006 |
| | | (-0.011) | (-0.012) | (-0.013) | (-0.009) | (-0.010) |
| UK | | -0.012 | 0.000 | 0.000 | -0.011 | -0.014 |
| | | (-0.013) | (-0.014) | (-0.014) | (-0.010) | (-0.010) |
| France | | -0.016 | 0.000 | -0.001 | -0.007 | -0.009 |
| | | (-0.010) | (-0.012) | (-0.013) | (-0.006) | (-0.007) |
| EFW | | | 0.006** | 0.003 | | |
| | | | (-0.003) | (-0.006) | | |
| WGI | | | | 0.000 | | |
| | | | | (0.000) | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| KAOPEN | | | | 0.002 | | |
| | | | | (-0.004) | | |
| | | | | | -0.005 | -0.006 |
| French | | | | | 0.001 | 0.002 |
| | | | | | (-0.007) | (-0.007) |
| German | | | | | 0.003 | 0.001 |
| | | | | | (-0.009) | (-0.009) |
| Scandinavian | | | | | 0.011 | 0.012 |
| | | | | | (-0.008) | (-0.009) |
| Shareholder Rights | | | | | -0.002** | -0.002 |
| | | | | | (-0.001) | (-0.002) |
| Low Income | | | | | | -0.007 |
| | | | | | | (-0.006) |
| Lower Middle Income | | | | | | -0.006 |
| | | | | | | (-0.005) |
| Upper Middle Income | | | | | | -0.008* |
| | | | | | | (-0.005) |
| Constant | 0.027* | 0.033* | -0.026 | -0.005 | 0.023 | 0.021 |
| | (-0.014) | (-0.017) | (-0.032) | (-0.049) | (-0.017) | (-0.017) |
| Observations | 1183 | 1183 | 1160 | 1155 | 1573 | 1562 |

This table reports OLS regressions of CARs around takeover announcements on target-country characteristics and deal controls. Most Restrictive, Mid Restrictive and Least Restrictive are dummy variables based on terciles of the EFW index, assigned to cross-border target countries not represented by an explicit country dummy. The EFW measures the degree of market orientation and regulatory efficiency. WGI is the World Bank Worldwide Governance Indicator for regulatory quality. KAOPEN is the Chinn-Ito capital account openness index. Legal origin dummies indicate the legal tradition of the target country (English, French, German, Scandinavian), with English serving as the baseline. Shareholder rights represent a continuous measure of protection for minority investors. Income classification dummies are based on the World Bank income classification, with High Income serving as the baseline. Conglomerate equals one if the acquirer and target operate in different macro-industry classifications. Relative Size is deal value divided by acquirer total assets. Consideration equals one if the deal was cash-financed. Private Target and Subsidiary Target indicate the organizational form of the target firm. Log Total Assets is the natural logarithm of acquirer total assets. The dependent variable is the CAR over the (-1, +1) event window. Columns (1)-(4) are estimated on the subsample of cross-border acquisitions and analyse heterogeneity in bidder returns across target-country institutional restrictiveness and major target countries. Columns (5)-(6) use the full sample and include an explicit cross-border dummy. Target-country dummy variables are measured relative to the United States, which

serves as the omitted reference category. All specifications include transaction-level controls, two-digit SIC industry fixed effects and year fixed effects. Robust standard errors are reported in parentheses ($^{*}$ $p < 0.10$, $^{**}$ $p < 0.05$, $^{***}$ $p < 0.01$)

The initial specifications focus on institutional restrictiveness in target countries. Countries are classified into "least restrictive," "moderately restrictive," and "most restrictive" groups based on terciles of the EFW index (Gwartney et al. 2025). These indicators are defined for cross-border transactions and capture differences in regulatory and market environments faced by acquiring firms.

Subsequent specifications introduce dummy variables for the most frequent target countries in the sample, namely Germany, the Netherlands, the UK and France. The United States serves as the omitted reference category, such that all reported coefficients for target countries measure differences in bidder returns relative to acquisitions involving U.S. targets. This specification allows bidder gains to vary across major target countries, while smaller target countries are captured by the restrictiveness categories.

Further extensions add continuous country-level measures including the EFW index, WGI and KAOPEN. Later specifications incorporate legal origin dummies to account for differences in legal traditions and enforcement regimes, with countries following the English legal system serving as the baseline category. Shareholder rights are included as a continuous measure of minority investor protection. The final specification additionally controls for the income classification of the target country, with High Income countries serving as the baseline category.

In line with the reference paper, the cross-border dummy variable is only included in the final specification. This ensures that the estimated cross-border effect reflects residual differences after accounting for observable institutional, legal and economic characteristics at the country level.

The coefficients on the institutional restrictiveness categories are generally negative but do not reach conventional levels of statistical significance. This suggests that broad categorical measures of institutional restrictiveness alone are insufficient to explain variation in bidder announcement returns in cross-border acquisitions. The continuous EFW index is recorded positively and significantly in column (3) and suggests that takeovers in more market-oriented economies are associated with higher bidder returns. This effect disappears once the WGI and

KAOPEN indices are introduced in column (4), which is likely due to multicollinearity between the institutional measures. The result should therefore be interpreted with caution.

While broad restrictiveness categories do not exhibit statistically significant effects, more granular country-level characteristics reveal substantial heterogeneity in bidder returns across target countries. Acquisitions involving targets in the UK and France are associated with lower bidder returns relative to the U.S. baseline, although these effects do not reach conventional levels of statistical significance. This finding points to country-specific factors beyond broad institutional measures that influence market expectations.

Legal system variables and shareholder protection measures further explain cross-sectional variation in bidder gains. Stronger shareholder rights are negatively associated with bidder announcement returns. This pattern is consistent with two complementary interpretations. First, well-protected target shareholders may be better positioned to negotiate higher acquisition premiums, which reduces the share of surplus captured by the acquirer. Second, strong investor protection may constrain post-merger restructuring, making it harder to implement the operational changes that generate synergies. Both mechanisms would lead the market to discount acquisitions in highly protected target markets.

The income classification dummies yield inconsistent results across specifications, with small coefficients that are largely statistically insignificant. This suggests that the World Bank income grouping does not capture meaningful additional variation in bidder returns beyond what is already accounted for by the other institutional controls.

Once institutional and legal characteristics are accounted for, the cross-border dummy becomes negative and statistically significant at the 10% level in the final specification. This implies that the adverse market reaction to cross-border acquisitions is not driven by national borders per se, but by the institutional context in which cross-border transactions occur.

Overall, Table 6 provides evidence that bidder returns for cross-border takeovers vary with the institutional, legal and economic characteristics of the target country.

## 5. Discussion

This chapter interprets the empirical findings in the context of existing literature. Section 5.1 discusses the results for the European sample, addressing the evolution of the cross-border effect over time and the role of institutional factors. Section 5.2 compares these findings with

the parallel U.S. analysis, examining the divergence between the two regions and its implications for the cross-border discount literature.

## 5.1. Discussion of European sample

The univariate analysis documents a negative cross-border effect of -0.6 percentage points, statistically significant at the 10% level. However, this difference disappears once firm- and deal-characteristics are controlled for. In the regression specifications reported in Table 4, the cross-border coefficient remains negative but is not statistically significant. This suggests that the return gap between cross-border and domestic deals largely reflects observable differences in deal characteristics rather than a penalty associated with crossing a national border.

Overall, these findings indicate that the apparent cross-border discount in Europe is largely driven by differences in deal characteristics rather than by the international nature of the transaction itself. Once these factors are considered, there is no systematic evidence that European firms destroy value when acquiring targets abroad. Instead, the results suggest that cross-border acquisitions are priced by the market largely in line with domestic transactions.

Once the institutional characteristics of the target country in the subsequent country-level analysis are introduced, the cross-border indicator becomes marginally significant. This indicates that part of the cross-border effect may be related to differences in institutional environments rather than the fact that a transaction crosses national borders.

The sub-period results confirm this interpretation. The univariate analysis shows the cross-border effect turning statistically insignificant by the most recent period, while the regression coefficients decline steadily from -0.004 to -0.002, together pointing to a gradual decline of cross-border frictions over time. The timing aligns plausibly with the structural changes in the European regulatory environment discussed in Section 2.4, including the harmonisation of takeover regulation and the adoption of common accounting standards. Whether these regulatory developments directly led to this decline cannot be determined based on the available analysis, but the timing at least fits this interpretation.

The country-level analysis provides further insight. Aggregate restrictiveness measures based on the EFW index do not explain cross-sectional variation in bidder returns, which may reflect the relative institutional homogeneity of the European countries that dominate the sample. More detailed variables show that stronger shareholder rights are linked to lower announcement

returns. This suggests that well-protected minority shareholders are better positioned to extract higher premiums, limiting the value captured by the acquirer. Once the full set of institutional controls is included, the cross-border dummy turns marginally significant, pointing to residual border effects that observable country characteristics alone cannot account for.

A similar pattern is visible for UK targets, where returns are directionally lower relative to the U.S. baseline, which is consistent with Moeller & Schlingemann's (2005) observation that the competitiveness of the UK takeover market generates acquirer underperformance that institutional indices do not fully reflect.

Accordingly, the European data suggests a market in which the cross-border discount documented by Moeller and Schlingemann (2005) for U.S. buyers in the late 1980s and early 1990s has largely disappeared, as cross-border and domestic transactions are valued on largely similar terms in the present sample.

## 5.2. Comparison with U.S. Sample

To put the European results in context, the same empirical framework is applied to a sample of 6,236 acquisitions by U.S. acquirers over the period 2010-2024. The two samples differ substantially in their composition already at the descriptive level. While European acquirers classify 74% of their transactions as cross-border, the equivalent share for U.S. acquirers is only 18%. This structural difference alone suggests that cross-border acquisitions represent a much more routine activity for European firms, which may partly explain why markets price them similarly to domestic deals. U.S. acquirers also tend to be larger, engage more frequently in conglomerate transactions and acquire subsidiaries at a significantly higher rate than their European counterparts. The target country universe differs substantially as well. U.S. acquirers target firms across a much wider range of institutional environments, from highly developed markets such as the UK and Canada to emerging economies in Asia and Latin America, whereas European acquirers operate predominantly within a relatively homogeneous institutional space as reported in Appendices 1 and 7.

The univariate results in Appendix 5 show a negative cross-border effect in both samples over the full period, of broadly comparable size, at -0.6% for European acquirers and -0.5% for U.S. acquirers, both statistically significant. However, the sub-period dynamics diverge sharply. For European acquirers, the cross-border effect weakens over time and becomes statistically insignificant in the most recent period. For U.S. acquirers, the pattern runs in the opposite

direction. The effect is negligible in 2010-2013 but strengthens to -0.6% and -0.7% in the two later sub-periods, both significant at the 10% level. The two samples have moved in opposite directions over the sample period, with the European cross-border discount fading while the U.S. discount has grown more pronounced. Over the sample period, U.S. acquirers have increasingly targeted firms in less developed institutional environments. This shift towards higher-friction environments may have intensified the discount relative to the highly liquid domestic market. This interpretation is consistent with the diversity of target countries reported in Appendix 7, though it cannot be directly tested within the present framework.

The cross-sectional regression results in Appendix 6 reveal the sharpest contrast between the two samples. For U.S. acquirers, the corresponding coefficient is -0.005 and statistically significant at the 1% level in every specification. The result remains robust with the inclusion of year fixed effects, industry fixed effects and a free cash flow proxy. The contrast is particularly notable given that both analyses employ identical methodological frameworks over the same time period. Among the control variables, firm size is a strong negative predictor of announcement returns for U.S. acquirers but insignificant for European acquirers. The negative effect of equity payment for public targets is considerably stronger in the U.S. sample.

The U.S. target universe is substantially more diverse institutionally than the European equivalent, as shown in Appendix 1. The country-level analysis in Appendix 8 further underscores the differences between the two markets. For European acquirers, institutional restrictiveness measures based on the EFW index are consistently insignificant across all specifications. For U.S. acquirers, the restrictiveness categories are also insignificant in the baseline specifications but become strongly significant once legal origin and shareholder rights are controlled for, with coefficients ranging from -0.066 to -0.071. This pattern is consistent with the broader and more diverse target universe that U.S. acquirers face, where institutional heterogeneity in target countries carries more explanatory weight. Individual country dummies tell a similar story. European acquirers show no significant variation in returns across major target countries, while U.S. acquirers earn significantly lower returns when targeting firms in the UK, Canada, Germany and France once institutional controls are included.

One notable difference between the two samples concerns the role of shareholder rights in explaining cross-border returns. For U.S. acquirers, stronger shareholder protection in the target country is positively and significantly associated with announcement returns, consistent with the original findings of Moeller and Schlingemann (2005). For European acquirers, the

correlation between stronger shareholder rights and returns is negative. One potential explanation lies in the composition of the target country universe. U.S. acquirers operate across a much wider range of institutional environments, where weak shareholder protection often coincides with broader governance risks. In that context, stronger protection signals lower transaction risk and is rewarded accordingly. For European acquirers, the countries with the strongest shareholder protection are also the most competitive takeover markets, where target shareholders are better positioned to extract higher premiums, leaving less value for the acquirer. The protective function of shareholder rights thus operates differently across the two samples.

The cross-border dummy's behaviour in the full-sample specifications of Appendix 8 reveals one further contrast. For European acquirers, the cross-border coefficient becomes marginally significant once institutional characteristics are controlled for, suggesting residual border effects that observable country variables cannot fully capture. For U.S. acquirers, the cross-border dummy is completely insignificant in the equivalent specifications, suggesting that country characteristics account for the cross-border effect in the U.S. sample.

# 6. Limitations and Further Research

This chapter reflects on the constraints of the study and directions for future work. Section 6.1 discusses the main data and methodological limitations that affect the scope and interpretation of the results. Section 6.2 identifies directions for further research that would extend or complement the results of this thesis.

## 6.1. Limitations

Data availability for European firms represents a recurring constraint throughout the analysis. Compustat Global, while providing broad coverage of listed European companies, exhibits meaningful gaps for smaller firms and less liquid markets, particularly in Southern and Eastern Europe. Variables that are routinely available for U.S. firms, such as segment-level sales data required for the construction of diversification measures, are inconsistently reported for European firms and had to be excluded. This disadvantage restricts the comparability of the present study with the original framework of Moeller and Schlingemann (2005) in certain dimensions.

The conversion of firm-level accounting data from local currencies into U.S. dollars introduces a further source of measurement error. Exchange rate fluctuations over the sample period affect the comparability of balance sheet variables across countries and over time and in some cases generate outliers that would otherwise not be present in the data.

The reliance on Compustat for accounting data also introduces a sample selection issue that is difficult to fully address. Firms for which accounting data are unavailable are excluded from the regression analyses and these exclusions are not randomly distributed. The final regression sample skews towards larger and better-documented firms, especially affecting smaller acquirers, firms targeting private companies and transactions involving less-covered markets. Whether such an outcome affects the conclusions is unclear, but it is a constraint worth acknowledging.

The analysis is also limited to short-term announcement returns, which capture the market's immediate valuation of the transaction but may not fully reflect long-term value creation. Assessing performance over a longer period would offer a fuller understanding of value creation in cross-border deals. However, since the sample extends through December 2024, post-completion data is not available for many recent transactions, making thorough long-term analysis impossible.

A further limitation concerns the interpretation of the cross-border coefficient. As the decision to acquire abroad is not random, the estimated effect reflects a conditional association rather than a causal impact, as unobservable differences between international and domestic acquirers cannot be fully ruled out. The regression specifications control for the main observable deal- and firm-characteristics, but the result does not fully resolve the underlying selection problem. The matched sample used in the univariate analysis is subject to a related limitation. Matching on industry classification, target public status and acquirer size leaves room for residual differences in other firm characteristics. The regression analysis in Section 4.2 addresses this more directly by controlling for a broader set of observables.

Finally, while the opposing signs of the shareholder rights coefficient across the two samples can be attributed to differences in target country composition and takeover market competitiveness, the mechanisms cannot be fully disentangled with the data available. Isolating the premium-extraction channel from the restructuring channel would require deal-level data

on acquisition premiums and post-merger operational changes, which are beyond the scope of this study.

## 6.2. Further Research

The shareholder rights finding is perhaps the most direct prompt for future work. The negative association between shareholder rights and bidder returns in Europe, in contrast to the positive association in the U.S. sample, points to a mechanism that country-level proxies alone cannot resolve. Future research could use more detailed firm-level data on competitiveness in the takeover market or the bargaining power of acquirers to understand what causes this difference.

A second question concerns the distinction between intra-EU and extra-EU cross-border acquisitions. The present sample includes transactions involving non-EU targets such as the UK and Switzerland but does not formally separate these from deals within the single market. Given that EU membership implies a qualitatively different institutional environment, testing whether the absence of a cross-border discount is specific to intra-EU deals or extends more broadly would be a natural next step.

As post-completion data become available for transactions announced in the latter part of the sample period, extending the analysis to operating performance following the methodology of Healy et al. (1992) would also be valuable. This would allow for an assessment of whether the absence of a cross-border discount in announcement returns reflects genuine value equivalence or whether differences emerge over longer horizons.

Finally, the sample period 2010-2024 encompasses significant macroeconomic disruptions including the European sovereign debt crisis, the COVID-19 pandemic and rising geopolitical tensions after 2022. Whether these episodes introduced structural breaks in the relationship between cross-border activity and bidder returns is a question the present analysis cannot answer with confidence and one that future work with longer post-disruption samples could meaningfully address.

# 7. Conclusion

The cross-border discount, the tendency for acquiring firms to earn lower announcement returns when crossing a national border, has been a consistent finding in the M&A literature since Moeller & Schlingemann (2005) documented it for U.S. acquirers in the 1985-1995 period.

Whether this discount persists in a more financially integrated world and whether it generalises beyond the U.S. context, are questions that the existing literature has not fully addressed.

This thesis examines these questions using a sample of 1,708 completed acquisitions by publicly listed European acquirers over the period 2010-2024. The univariate results show a negative cross-border effect of -0.6% over the full sample period, consistent with the original discount documented by Moeller & Schlingemann (2005). The sub-period analysis, however, shows that this effect has gotten much weaker over time and is no longer statistically significant in the most recent period, from 2020 to 2024. Once deal and firm characteristics are controlled for in the cross-sectional regressions, the cross-border coefficient is negative but insignificant across all specifications. The evidence therefore suggests that the cross-border discount among European acquirers has largely disappeared in the contemporary sample.

The country-level analysis indicates that aggregate measures of institutional restrictiveness do not explain cross-sectional variation in bidder returns, which likely reflects the relative homogeneity of European target markets. Stronger shareholder rights in the target country are negatively associated with bidder returns, consistent with the interpretation that well-protected target shareholders extract higher premiums in Europe's most competitive takeover markets.

The parallel U.S. sample points in the opposite direction. The cross-border coefficient remains negative and significant at the 1% level across all specifications and has grown stronger over the same period, with the discount increasing from -0.5% in 2010-2013 to -0.7% by 2020-2024. European acquirers operate within an institutionally homogeneous space shaped by regulatory harmonisation and common accounting standards, where the frictions historically associated with crossing a national border have diminished. U.S. acquirers face a much wider range of institutional environments, where cross-border transactions continue to carry risks that markets discount at announcement, such as varying regulatory frameworks, differing accounting standards, and potential political instability in the target countries.

Taken together, the results suggest that the cross-border discount is not a universal feature of international M&A activity but one that depends on the institutional context in which transactions occur. For European acquirers in an increasingly integrated market, the distinction between domestic and cross-border acquisitions has become largely immaterial to market participants, as they often perceive similar risks and opportunities in both types of transactions. These findings have implications that extend beyond the academic literature. For practitioners,

they suggest that European acquirers can approach cross-border transactions within the EU with the same valuation expectations as for domestic deals, provided that institutional environments remain stable. For regulators, the results provide indirect evidence that efforts to harmonise within the EU have reduced frictions in corporate control markets. Contrasting this with the experience in the US, where the discount has intensified, highlights that the benefits of institutional integration are not automatic but rather depend on the extent of regulatory convergence achieved.

## Literature


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# Appendices

## Appendix 1 - Country Characteristics European Sample

This table reports descriptive statistics for selected institutional and economic characteristics of target countries in the European sample. For each country, the table lists the legal origin classification following La Porta et al. (1998): the World Bank income classification, the Economic Freedom of the World index, shareholder rights, the Chinn-Ito capital account openness index and the World Bank Worldwide Governance Indicator for regulatory quality. The reported values illustrate the heterogeneity in institutional environments faced by European acquirers across the sample period 2010 to 2024.

| Target Nation | n | Legal system | Income Class | EFW Index | Share-holder Rights | Capital Account Openess (kaopen) | Regulatory Quality (WGI) |
|---|---|---|---|---|---|---|---|
| UK | 186 | English | High | 8.04 | 6.0 | 1.69 | 7.78 |
| France | 129 | French | High | 7.42 | 4.0 | 1.18 | 13.14 |
| Spain | 69 | French | Low | 7.52 | 6.0 | 1.09 | 12.19 |
| Sweden | 54 | Scandi-navian | Upper Middle | 7.71 | 5.0 | 1.70 | 6.95 |
| Brazil | 22 | French | Upper Middle | 5.80 | 4.0 | -1.30 | 16.19 |
| United States of America | 506 | English | High | 8.29 | 2.0 | 2.28 | 25.27 |
| Netherlands | 72 | French | Lower Middle | 7.82 | 5.0 | 2.11 | 5.89 |
| Germany | 98 | German | Upper Middle | 7.96 | 5.0 | 2.28 | 13.12 |
| Switzerland | 34 | German | High | 8.38 | 5.0 | 2.28 | 5.97 |
| Australia | 34 | English | High | 8.12 | 4.0 | 1.20 | 7.38 |
| Norway | 53 | Scandi-navian | High | 7.62 | 5.0 | 1.19 | 7.14 |
| Malaysia | 1 | English | Low | 6.91 | 5.0 | 0.55 | 8.77 |
| China | 12 | French | High | 5.79 | 5.0 | -1.36 | 13.78 |
| Cyprus | 3 | English | High | 7.28 | 6.0 | 0.00 | 5.91 |
| Italy | 89 | French | High | 7.19 | 5.0 | 0.98 | 21.35 |
| Poland | 25 | French | Lower Middle | 6.52 | 5.0 | -0.41 | 17.58 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Finland | 29 | Scandi-navian | Upper Middle | 7.82 | 5.0 | 1.59 | 5.76 |
| Argentina | 3 | French | High | 5.41 | 6.0 | -0.57 | 21.91 |
| Turkey | 4 | French | Lower Middle | 6.14 | 6.0 | -0.97 | 14.80 |
| Russia | 2 | NA | High | 5.35 | 5.0 | -0.15 | 16.70 |
| India | 12 | English | High | 6.03 | 6.0 | -1.25 | 19.35 |
| Egypt | 2 | French | Upper Middle | 5.23 | 6.0 | -0.49 | 10.94 |
| Canada | 40 | English | Lower Middle | 8.00 | 4.0 | 2.28 | 21.86 |
| Ireland | 16 | English | Upper Middle | 7.88 | 5.0 | 1.11 | 12.08 |
| Austria | 14 | German | High | 7.68 | 5.0 | 1.68 | 5.73 |
| Denmark | 15 | Scandi-navian | High | 7.85 | 5.0 | 1.42 | 5.79 |
| Chile | 10 | French | High | 7.47 | 6.0 | -0.26 | 12.24 |
| Belgium | 24 | French | Upper Middle | 7.61 | 4.0 | 1.67 | 5.61 |
| South Africa | 7 | English | Low | 6.57 | 5.0 | -1.26 | 27.11 |
| Japan | 6 | German | Upper Middle | 7.83 | 4.0 | 1.96 | 17.76 |
| Serbia | 1 | French | Lower Middle | 6.17 | 5.0 | 0.00 | 18.97 |
| Colombia | 4 | French | Upper Middle | 6.33 | 4.0 | -1.12 | 18.62 |
| Luxembourg | 6 | French | High | 7.94 | 4.0 | NA | 5.98 |
| Mexico | 7 | French | Upper Middle | 6.77 | 5.0 | 0.85 | 19.67 |
| Portugal | 9 | French | High | 7.33 | 3.0 | 0.83 | 6.57 |
| Taiwan | 1 | French | Low | 7.46 | 4.0 | NA | 6.51 |
| Jamaica | 2 | English | High | 7.01 | 5.0 | 0.09 | 5.38 |
| Slovakia | 2 | French | High | 7.31 | 5.0 | 0.32 | 10.69 |
| Congo | 3 | French | Low | 4.50 | 0.0 | -1.14 | 9.41 |
| Panama | 2 | French | Upper Middle | 7.37 | 6.0 | 2.28 | 6.32 |
| Morocco | 2 | French | Upper Middle | 6.05 | 6.0 | -1.36 | 15.73 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Singapore | 8 | English | Low | 8.54 | 5.0 | 1.83 | 7.25 |
| Kazakhstan | 1 | French | Lower Middle | 6.47 | 6.0 | -1.21 | 16.47 |
| Greece | 10 | French | High | 6.87 | 5.0 | 0.41 | 6.11 |
| Peru | 1 | French | Upper Middle | 6.87 | 6.0 | 0.79 | 15.55 |
| Bulgaria | 2 | French | High | 6.72 | 6.0 | 0.61 | 23.24 |
| Hong Kong | 4 | English | Lower Middle | 8.97 | 5.0 | 2.25 | 5.14 |
| South Korea | 5 | French | NA | NA | NA | NA | NA |
| Saudi Arabia | 1 | French | Lower Middle | 6.84 | 5.0 | 1.67 | 8.26 |
| Slovenia | 5 | French | High | 7.04 | 6.0 | 1.04 | 6.56 |
| Bahamas | 1 | English | Upper Middle | 7.00 | 5.0 | -1.45 | 9.65 |
| Czech Republic | 7 | French | High | 7.62 | 5.0 | 1.80 | 10.61 |
| Iceland | 2 | Scandi-navian | High | 7.29 | 5.0 | -0.30 | 6.97 |
| Croatia | 2 | French | Lower Middle | 6.65 | 6.0 | 0.72 | 6.74 |
| Bermuda | 1 | English | Lower Middle | NA | NA | NA | 0.87 |
| Gibraltar | 2 | English | Lower Middle | NA | NA | NA | NA |
| United Arab Emirates | 6 | French | Lower Middle | 6.90 | 4.0 | 2.28 | 11.30 |
| Malta | 3 | English | Low | 7.38 | 6.0 | 0.06 | 6.06 |
| Israel | 5 | English | High | 6.99 | 4.0 | 0.61 | 12.40 |
| Jersey | 3 | English | NA | NA | NA | NA | 0.88 |
| North Macedonia | 1 | French | Lower Middle | 6.83 | 5.0 | -0.28 | 19.44 |
| Romania | 6 | French | High | 6.80 | 5.0 | -0.07 | 20.93 |
| New Zealand | 2 | English | High | 8.28 | 5.0 | 1.48 | 7.39 |
| Bangladesh | 1 | English | High | 5.49 | NA | -1.44 | 15.40 |
| Costa Rica | 1 | French | Lower Middle | 7.26 | 2.0 | 0.36 | 11.65 |
| Trinidad and Tobago | 1 | English | Upper Middle | 6.75 | 5.0 | 0.85 | 6.25 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Hungary | 4 | French | High | 6.88 | 4.0 | 0.84 | 14.88 |
| Georgia | 1 | French | Low | 7.35 | 5.0 | 1.39 | 23.44 |
| Indonesia | 1 | French | Lower Middle | 6.34 | 5.0 | 1.06 | 17.91 |
| Thailand | 1 | French | Lower Middle | 6.64 | 5.0 | -0.39 | 9.05 |
| Mozambique | 1 | French | Lower Middle | 5.83 | 0.0 | -1.35 | 14.86 |
| Senegal | 1 | French | High | 5.88 | 4.0 | -0.78 | 17.30 |
| Kuwait | 1 | French | Upper Middle | 6.62 | 2.0 | 1.66 | 5.42 |
| British Virgin Islands | 1 | English | Upper Middle | NA | NA | NA | NA |
| Oman | 1 | French | High | 6.53 | 4.0 | 2.09 | 5.77 |
| Marshall Islands | 1 | English | High | NA | 0.0 | 1.07 | 12.78 |
| Vietnam | 1 | French | Lower Middle | 5.69 | 4.0 | -1.13 | 9.51 |
| Philippines | 1 | French | Upper Middle | 6.72 | 1.0 | -0.57 | 14.30 |
| Monaco | 1 | French | Upper Middle | NA | NA | NA | 11.87 |
| Guatemala | 1 | French | High | 7.14 | 3.0 | 1.08 | 12.57 |

**Appendix 2 - Alternative Event Windows Table 4 European Sample**

This table reports cross-sectional regression results for bidder announcement returns estimated over the alternative event windows (-2, +2), (-1, +3) and (0, +5) as robustness checks for the baseline results presented in Table 4. The specification follows the most comprehensive model in Table 4, including year and industry fixed effects and the full set of deal and firm controls. The consistency of the cross-border coefficient across all three windows confirms that the main findings are not sensitive to the precise definition of the announcement period.

| | (1) | (2) | (3) |
|---|---|---|---|
| | CAR (-2, +2) | CAR (-1, +3) | CAR (0, +5) |
| Cross Border | -0.002 | -0.001 | -0.003 |
| | (0.004) | (0.004) | (0.005) |

| | | | |
|---|---|---|---|
| Relative Size | 0.012** | 0.009** | 0.012** |
| | (0.005) | (0.004) | (0.006) |
| Conglomerate | 0.004 | 0.004 | 0.001 |
| | (0.003) | (0.003) | (0.004) |
| Hostile | 0.011 | 0.001 | -0.015 |
| | (0.026) | (0.047) | (0.051) |
| Competed | -0.009 | -0.012 | -0.011 |
| | (0.013) | (0.013) | (0.011) |
| Consideration | 0.001 | -0.000 | -0.000 |
| | (0.003) | (0.003) | (0.003) |
| Private Target | -0.004 | -0.006* | -0.003 |
| | (0.003) | (0.003) | (0.003) |
| Private target × equity payment | 0.037* | 0.035* | 0.031 |
| | (0.020) | (0.020) | (0.022) |
| Public target × equity payment | -0.013 | -0.016* | -0.016* |
| | (0.009) | (0.009) | (0.010) |
| Total Assets | -0.001 | -0.001 | -0.001 |
| | (0.002) | (0.002) | (0.002) |
| Market-to-Book | 0.000 | -0.000 | 0.000 |
| | (0.000) | (0.000) | (0.000) |
| Free Cashflow | -0.022 | 0.007 | -0.009 |
| | (0.034) | (0.033) | (0.037) |
| Constant | 0.063*** | 0.067*** | 0.052** |
| | (0.018) | (0.018) | (0.021) |

| | | | |
|---|---|---|---|
| Observations | 1472 | 1472 | 1472 |
| Adj. R-squared | 0.122 | 0.087 | 0.094 |

**Appendix 3 - Sample Description U.S. Deals**

This table reports the composition of the U.S. acquirer sample, comprising 6,236 completed M&A transactions announced between 2010 and 2024. Panel A presents the distribution of target nations for cross-border transactions, Panel B shows the industry distribution of target firms and Panel C reports the yearly distribution of deal announcements. The table is the U.S. equivalent of Table 1 in the main analysis.

| | Cross-border (n=1107) | | Domestic (n=5129) | | |
|---|---|---|---|---|---|
| | **n** | **%** | **n** | **%** | Total |
| *Panel A: Target Nation Top 5* | | | | | |
| United States | - | 0.00% | 5129 | 100.00% | 5129 |
| UK | 226 | 20.42% | - | 0.00% | 226 |
| Canada | 172 | 15.54% | - | 0.00% | 172 |
| Germany | 95 | 8.58% | - | 0.00% | 95 |
| France | 64 | 5.78% | - | 0.00% | 64 |
| *Panel B: Target Industries Distribution* | | | | | |
| High Technology | 214 | 19.33% | 886 | 17.27% | 1100 |
| Financials | 84 | 7.59% | 672 | 13.10% | 756 |
| Healthcare | 141 | 12.74% | 669 | 13.04% | 810 |
| Energy and Power | 58 | 5.24% | 656 | 12.79% | 714 |
| Industrials | 168 | 15.18% | 507 | 9.88% | 675 |
| Real Estate | 80 | 7.23% | 420 | 8.19% | 500 |
| Media and Entertainment | 47 | 4.25% | 340 | 6.63% | 387 |
| Consumer Products and Services | 80 | 7.23% | 280 | 5.46% | 360 |
| Materials | 111 | 10.03% | 253 | 4.93% | 364 |
| Consumer Staples | 62 | 5.60% | 174 | 3.39% | 236 |
| Retail | 27 | 2.44% | 146 | 2.85% | 173 |
| Telecommunications | 35 | 3.16% | 121 | 2.36% | 156 |
| Government and Agencies | - | 0.00% | 5 | 0.10% | 5 |

| | | | | | |
|---|---|---|---|---|---|
| *Panel C: Yearly Distribution* | | | | | |
| 2010 | 74 | 6.68% | 288 | 5.62% | 362 |
| 2011 | 74 | 6.68% | 282 | 5.50% | 356 |
| 2012 | 76 | 6.87% | 335 | 6.53% | 411 |
| 2013 | 77 | 6.96% | 343 | 6.69% | 420 |
| 2014 | 98 | 8.85% | 434 | 8.46% | 532 |
| 2015 | 85 | 7.68% | 393 | 7.66% | 478 |
| 2016 | 79 | 7.14% | 348 | 6.78% | 427 |
| 2017 | 67 | 6.05% | 394 | 7.68% | 461 |
| 2018 | 78 | 7.05% | 406 | 7.92% | 484 |
| 2019 | 71 | 6.41% | 305 | 5.95% | 376 |
| 2020 | 40 | 3.61% | 269 | 5.24% | 309 |
| 2021 | 109 | 9.85% | 549 | 10.70% | 658 |
| 2022 | 70 | 6.32% | 287 | 5.60% | 357 |
| 2023 | 47 | 4.25% | 226 | 4.41% | 273 |
| 2024 | 62 | 5.60% | 270 | 5.26% | 332 |

**Appendix 4 - Univariate Statistics U.S. Sample**

This table reports descriptive statistics for key bidder- and deal-level characteristics of the U.S. sample, separately for cross-border and domestic acquisitions. Mean values, standard deviations, and the number of observations are reported for each variable, along with differences in the means and medians between the two subsamples. The table is the U.S. equivalent of Table 2 in the main analysis.

| | Full Sample | Cross-Border Sample | Domestic Sample | Difference | p-Value |
|---|---|---|---|---|---|
| *Panel A: Bidder Characteristics* | | | | | |
| Total Assets | 25507.21 | 40120.05 | 22353.30 | 17766.76 | 0.000 |
| | (121354.20) | (156200.03) | (112194.96) | (44005.08) | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Sales | 9990.17 | 12612.20 | 9424.25 | 3187.94 | 0.002 |

| | | | | | |
|---|---|---|---|---|---|
| | (31379.77) | (34543.88) | (30628.24) | 3915.65 | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Market-to-book | 4.19 | 4.66 | 4.08 | 0.58 | 0.005 |
| | (6.17) | (6.34) | (6.12) | 0.22 | 0.000*** |
| | n = 5958 | n = 1073 | n = 4885 | | |
| Leverage | 0.27 | 0.27 | 0.27 | (0.00) | 0.853 |
| | (0.21) | (0.19) | (0.22) | -0.03 | 0.206 |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Profitability | 0.02 | 0.04 | 0.02 | 0.02 | 0.654 |
| | (0.11) | (0.10) | (0.12) | -(0.02) | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| *Panel B: Deal Characteristics* | | | | | |
| Relative size (%) | 8.43 | 8.82 | 8.35 | 0.47 | 0.000*** |
| | (168.86) | (129.52) | (129.52) | -(22.22) | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Tender offer (%) | 2.90 | 3.43 | 2.79 | 0.64 | 0.247 |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Cash in payment (%) | 48.14 | 53.82 | 46.92 | 6.90 | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Private target (%) | 37.54 | 32.52 | 38.62 | -6.10 | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Subsidiary target (%) | 40.81 | 53.12 | 38.16 | 14.96 | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Conglomerate (%) | 64.79 | 71.82 | 63.27 | 8.55 | 0.000*** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Hostile (%) | 0.02 | 0.09 | 0.00 | 0.09 | 0.031** |
| | n = 6236 | n = 1107 | n = 5129 | | |
| Competed (%) | 0.91 | 1.45 | 0.80 | 0.65 | 0.041** |
| | n = 6236 | n = 1107 | n = 5129 | | |

**Appendix 5 - Announcement Day average excess returns for cross-border and domestic acquisitions U.S. Sample**

This table reports average cumulative abnormal returns for cross-border and domestic acquisitions in the U.S. sample over the (-1, +1) event window. Panel A presents results for the full unbalanced sample and Panel B for a matched sample, with sub-period results shown for 2010 to 2013, 2014 to 2019 and 2020 to 2024. The table is the U.S. equivalent of Table 3 in the main analysis.

| Period | % Cumulative abnormal return (-1, +1) | | | *t-Statistic* |
|---|---|---|---|---|
| | Cross-border sample (1) | Domestic sample (2) | Cross-border effect (1) - (2) | |
| *Panel A: Full Sample* | | | | |
| 2010-2024 | 0.50 | 1.00 | -0.50 | *-2.278*** |
| | *n = 992* | *n = 4588* | | |
| 2010-2013 (P1) | 1.00 | 1.10 | -0.1 | *-0.365* |
| | *n = 263* | *n = 1098* | | |
| 2014-2019 (P2) | 0.30 | 0.90 | -0.60 | *-1.670** |
| | *n = 428* | *n = 2061* | | |
| 2020-2024 (P3) | 0.30 | 1.00 | -0.70 | *-1.749** |
| | *n = 301* | *n = 1429* | | |
| Difference (P1 - P2) | 0.60 | 0.20 | | |
| *t-Statistic* | *1.625* | *0.843* | | |
| Difference (P2 - P3) | 0.10 | -0.10 | | |
| *t-Statistic* | *0.184* | *-0.443* | | |
| Difference (P1 - P3) | 0.70 | 0.10 | | |
| *t-Statistic* | *1.631* | *0.374* | | |
| *Panel B: Matched Sample* | | | | |
| 2010-2024 | 0.50 | 1.10 | -0.60 | *-2.848**** |
| | *n = 991* | *n = 991* | | |
| 2010-2013 (P1) | 1.00 | 1.60 | -0.70 | *-1.424* |

| | | | | |
|---|---|---|---|---|
| | *n = 263* | *n = 263* | | |
| 2014-2019 (P2) | 0.30 | 1.30 | -0.90 | *-2.904*** |
| | *n = 428* | *n = 428* | | |
| 2020-2024 (P3) | 0.30 | 0.40 | -0.20 | *-0.439* |
| | *n = 300* | *n = 300* | | |
| Difference (P1 - P2) | 0.60 | 0.30 | | |
| *t-Statistic* | *1.625* | *0.806* | | |
| Difference (P2 - P3) | 0.10 | 0.80 | | |
| *t-Statistic* | *0.194* | *1.967*** | | |
| Difference (P1 - P3) | 0.70 | 1.20 | | |
| *t-Statistic* | *1.637* | *2.502*** | | |

**Appendix 6 - Cross-Sectional Regression Analysis U.S. Sample**

This table presents cross-sectional regression results for bidder announcement returns in the U.S. sample, estimated over the (-1, +1) event window. The specifications follow the same structure as Table 4 in the main analysis, with successive additions of year fixed effects, industry fixed effects and a free cash flow proxy. In contrast to the European sample, the cross-border coefficient is negative and significant at the 1% level across all specifications.

| | (1) | (2) [1] | (3) [1, 2] | (4) [1, 2] |
|---|---|---|---|---|
| Cross Border | -0.005*** | -0.005*** | -0.005*** | -0.005*** |
| | (0.002) | (0.002) | (0.002) | (0.002) |
| Relative Size | 0.005*** | 0.005*** | 0.005*** | 0.005*** |
| | (0.002) | (0.002) | (0.002) | (0.002) |
| Conglomerate | 0.001 | 0.001 | 0.002 | 0.002 |
| | (0.002) | (0.002) | (0.002) | (0.002) |
| Hostile | -0.003 | -0.003 | -0.002 | -0.004 |

| | | | | |
|---|---|---|---|---|
| | (0.034) | (0.032) | (0.031) | (0.033) |
| Competed | -0.005 | -0.005 | -0.002 | -0.002 |
| | (0.009) | (0.009) | (0.009) | (0.009) |
| Consideration | 0.003 | 0.003 | 0.003 | 0.003 |
| | (0.005) | (0.005) | (0.005) | (0.005) |
| Private Target | -0.004 | -0.005* | -0.003 | -0.003 |
| | (0.003) | (0.003) | (0.003) | (0.003) |
| Private Target x equity payment | 0.008 | 0.008 | 0.008 | 0.007 |
| | (0.006) | (0.006) | (0.006) | (0.006) |
| Public target x equity payment | -0.033*** | -0.033*** | -0.031*** | -0.031*** |
| | (0.006) | (0.006) | (0.006) | (0.006) |
| Subsidiary | 0.002 | 0.002 | 0.004 | 0.003 |
| | (0.003) | (0.003) | (0.003) | (0.003) |
| Total Assets | -0.037*** | -0.035*** | -0.034*** | -0.033*** |
| | (0.005) | (0.005) | (0.006) | (0.005) |
| Market-to-Book | 0.000 | 0.000 | 0.000 | 0.000 |
| | (0.000) | (0.000) | (0.000) | (0.000) |
| Free Cashflow | | | | -0.016 |
| | | | | (0.016) |
| Constant | 0.087*** | 0.080*** | 0.070*** | 0.070*** |
| | (0.012) | (0.013) | (0.012) | (0.012) |
| Observations | 5358 | 5358 | 5355 | 5355 |
| Adj. R-squared | 0.057 | 0.059 | 0.076 | 0.076 |

Standard errors in parentheses

Robust standard errors in parentheses.

[1]Year FE included in Models 2-4.

[2]Industry FE included in Models 3-4.

[*] $p < 0.10$, [**] $p < 0.05$, [***] $p < 0.01$

## Appendix 7 - Country Characteristics U.S. Sample

This table reports descriptive statistics for institutional and economic characteristics of target countries in the U.S. sample. The variables and sources are identical to those reported in Appendix 1 for the European sample, allowing for a direct comparison of the institutional diversity faced by U.S. versus European acquirers.

| Target Nation | n | Legal system | Income Class | EFW Index | Shareholder Rights | Capital Account Openess (kaopen) | Regulatory Quality (WGI) |
|---|---|---|---|---|---|---|---|
| UK | 226 | English | High | 8.04 | 6.0 | 1.69 | 7.78 |
| Canada | 172 | English | Lower Middle | 8.00 | 4.0 | 2.28 | 21.86 |
| Germany | 95 | German | Upper Middle | 7.96 | 5.0 | 2.28 | 13.12 |
| France | 64 | French | High | 7.42 | 4.0 | 1.18 | 13.14 |
| Australia | 57 | English | High | 8.12 | 4.0 | 1.20 | 7.38 |
| Israel | 43 | English | High | 6.99 | 4.0 | 0.61 | 12.40 |
| Spain | 35 | French | Low | 7.52 | 6.0 | 1.09 | 12.19 |
| Switzerland | 34 | German | High | 8.38 | 5.0 | 2.28 | 5.97 |
| Netherlands | 34 | French | Lower Middle | 7.82 | 5.0 | 2.11 | 5.89 |
| Italy | 32 | French | High | 7.19 | 5.0 | 0.98 | 21.35 |
| Sweden | 25 | Scandi-navian | Upper Middle | 7.71 | 5.0 | 1.70 | 6.95 |
| Brazil | 24 | French | Upper Middle | 5.80 | 4.0 | -1.30 | 16.19 |
| Mexico | 21 | French | Upper Middle | 6.77 | 5.0 | 0.85 | 19.67 |
| Denmark | 19 | Scandi-navian | High | 7.85 | 5.0 | 1.42 | 5.79 |
| Norway | 17 | Scandi-navian | High | 7.62 | 5.0 | 1.19 | 7.14 |
| India | 16 | English | High | 6.03 | 6.0 | -1.25 | 19.35 |
| China (Mainland) | 15 | French | High | 5.79 | 5.0 | -1.36 | 13.78 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Japan | 15 | German | Upper Middle | 7.83 | 4.0 | 1.96 | 17.76 |
| Belgium | 15 | French | Upper Middle | 7.61 | 4.0 | 1.67 | 5.61 |
| Ireland | 15 | English | Upper Middle | 7.88 | 5.0 | 1.11 | 12.08 |
| Luxembourg | 11 | French | High | 7.94 | 4.0 | | 5.98 |
| Singapore | 11 | English | Low | 8.54 | 5.0 | 1.83 | 7.25 |
| Finland | 10 | Scandi-navian | Upper Middle | 7.82 | 5.0 | 1.59 | 5.76 |
| Chile | 8 | French | High | 7.47 | 6.0 | -0.26 | 12.24 |
| New Zealand | 7 | English | High | 8.28 | 5.0 | 1.48 | 7.39 |
| Austria | 7 | German | High | 7.68 | 5.0 | 1.68 | 5.73 |
| Bermuda | 6 | English | Lower Middle | NA | NA | NA | 0.87 |
| Turkey | 6 | French | Lower Middle | 6.14 | 6.0 | -0.97 | 14.80 |
| South Korea | 6 | French | Low | 7.27 | | -0.03 | 13.61 |
| South Africa | 5 | English | Low | 6.57 | 5.0 | -1.26 | 27.11 |
| Hong Kong | 5 | English | Lower Middle | 8.97 | 5.0 | 2.25 | 5.14 |
| Malta | 4 | English | Low | 7.38 | 6.0 | 0.06 | 6.06 |
| Poland | 4 | French | Lower Middle | 6.52 | 5.0 | -0.41 | 17.58 |
| Colombia | 3 | French | Upper Middle | 6.33 | 4.0 | -1.12 | 18.62 |
| Taiwan | 3 | French | Low | 7.46 | 4.0 | | 6.51 |
| Jersey | 3 | English | | | | | 0.88 |
| Greece | 3 | French | High | 6.87 | 5.0 | 0.41 | 6.11 |
| Egypt | 2 | French | Upper Middle | 5.23 | 6.0 | -0.49 | 10.94 |
| U.S. Virgin Islands | 2 | English | Lower Middle | NA | NA | NA | 0.81 |
| Bahamas | 2 | English | Upper Middle | 7.00 | 5.0 | -1.45 | 9.65 |
| Czech Republic | 2 | French | High | 7.62 | 5.0 | 1.80 | 10.61 |
| Bulgaria | 2 | French | High | 6.72 | 6.0 | 0.61 | 23.24 |
| Nigeria | 2 | English | Low | 5.52 | 4.0 | -1.09 | 17.95 |
| Indonesia | 2 | French | Lower Middle | 6.34 | 5.0 | 1.06 | 17.91 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Peru | 1 | French | Upper Middle | 6.87 | 6.0 | 0.79 | 15.55 |
| Iceland | 1 | Scandi-navian | High | 7.29 | 5.0 | -0.30 | 6.97 |
| Russia | 1 | NA | High | 5.35 | 5.0 | -0.15 | 16.70 |
| Vietnam | 1 | French | Lower Middle | 5.69 | 4.0 | -1.13 | 9.51 |
| United Arab Emirates | 1 | French | Lower Middle | 6.90 | 4.0 | 2.28 | 11.30 |
| Argentina | 1 | French | High | 5.41 | 6.0 | -0.57 | 21.91 |
| Paraguay | 1 | French | Lower Middle | 6.66 | 0.0 | -0.37 | 6.20 |
| Philippines | 1 | French | Upper Middle | 6.72 | 1.0 | -0.57 | 14.30 |
| Cyprus | 1 | English | High | 7.28 | 6.0 | 0.00 | 5.91 |
| Thailand | 1 | French | Lower Middle | 6.64 | 5.0 | -0.39 | 9.05 |
| Jordan | 1 | French | High | 6.88 | 2.0 | 0.67 | 13.77 |
| Liechtenstein | 1 | German | Upper Middle | NA | 0.0 | NA | 12.92 |
| Serbia | 1 | French | Lower Middle | 6.17 | 5.0 | 0.00 | 18.97 |
| Slovenia | 1 | French | High | 7.04 | 6.0 | 1.04 | 6.56 |
| Puerto Rico | 1 | English | High | | 1.0 | | 10.55 |
| Portugal | 1 | French | High | 7.33 | 3.0 | 0.83 | 6.57 |
| Madagascar | 1 | French | High | 5.56 | 0.0 | -0.91 | 11.90 |

**Appendix 8 - Country Characteristics Cross-Sectional Regression Analysis U.S. Sample**

This table presents OLS regressions of bidder announcement returns on target country characteristics for the U.S. sample, following the same stepwise specification strategy as Table 6 in the main analysis. In contrast to the European sample where institutional restrictiveness measures remain insignificant throughout, they become strongly significant for U.S. acquirers once legal origin and shareholder rights are controlled for.

| | (1) CAR (-1,+1) | (2) CAR (-1,+1) | (3) CAR (-1,+1) | (4) CAR (-1,+1) | (5) CAR (-1,+1) | (6) CAR (-1,+1) |
|---|---|---|---|---|---|---|
| Most restrictive | -0.007 | 0.016 | -0.002 | -0.010 | -0.066*** | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | 0.071*** |
| | (0.005) | (0.016) | (0.012) | (0.014) | (0.019) | (0.021) |
| Mid restrictive | 0.004 | 0.027* | 0.007 | 0.005 | -0.056*** | -0.060*** |
| | (0.004) | (0.016) | (0.007) | (0.008) | (0.020) | (0.021) |
| Least restrictive | -0.001 | 0.022 | 0.000 | | -0.054*** | -0.058*** |
| | (0.005) | (0.016) | (.) | | (0.020) | (0.021) |
| conglomerate | 0.006* | 0.006* | 0.006* | 0.006* | 0.005 | 0.006* |
| | (0.003) | (0.003) | (0.003) | (0.003) | (0.003) | (0.003) |
| hostile | 0.039*** | 0.037*** | 0.039*** | 0.036*** | 0.034*** | 0.033*** |
| | (0.009) | (0.009) | (0.009) | (0.009) | (0.009) | (0.009) |
| Relative Size | 0.006** | 0.006** | 0.006** | 0.007*** | 0.006** | 0.006** |
| | (0.002) | (0.002) | (0.002) | (0.002) | (0.002) | (0.002) |
| Consideration | -0.015* | -0.015* | -0.015 | -0.014 | -0.016* | -0.016* |
| | (0.009) | (0.009) | (0.009) | (0.009) | (0.009) | (0.009) |
| Private Target | 0.009 | 0.008 | 0.007 | 0.006 | 0.005 | 0.005 |
| | (0.005) | (0.005) | (0.006) | (0.006) | (0.005) | (0.006) |
| Subsidiary Target | 0.012** | 0.011** | 0.009* | 0.009* | 0.007 | 0.007 |
| | (0.005) | (0.005) | (0.005) | (0.006) | (0.005) | (0.005) |
| Market-to-Book | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Free Cashflow | 0.038 | 0.037 | 0.033 | 0.043 | 0.034 | 0.034 |
| | (0.031) | (0.032) | (0.032) | (0.031) | (0.031) | (0.031) |
| Total Assets | 0.002 | 0.002 | 0.003 | 0.004 | 0.002 | 0.002 |
| | (0.011) | (0.011) | (0.011) | (0.011) | (0.011) | (0.011) |
| UK | | 0.023 | 0.001 | 0.001 | -0.067*** | -0.074*** |
| | | (0.016) | (0.006) | (0.007) | (0.022) | (0.025) |
| Canada | | 0.024 | 0.002 | -0.010 | -0.048** | -0.051** |
| | | (0.016) | (0.006) | (0.012) | (0.019) | (0.021) |
| Germany | | 0.023 | 0.001 | -0.004 | -0.056*** | -0.062*** |
| | | (0.017) | (0.007) | (0.010) | (0.021) | (0.023) |
| France | | 0.027 | 0.007 | 0.002 | -0.052*** | -0.056*** |
| | | (0.017) | (0.010) | (0.011) | (0.019) | (0.021) |

| | | | | | | |
|---|---|---|---|---|---|---|
| EFW | | | 0.002 | 0.003 | | |
| | | | (0.007) | (0.011) | | |
| WGI | | | | 0.001 | | |
| | | | | (0.001) | | |
| Capital openness (kaopen) | | | | -0.000 | | |
| | | | | (0.005) | | |
| Cross Border | | | | | 0.000 | 0.000 |
| | | | | | (.) | (.) |
| English | | | | | 0.000 | 0.000 |
| | | | | | (.) | (.) |
| French | | | | | 0.008 | 0.007 |
| | | | | | (0.007) | (0.007) |
| German | | | | | -0.002 | -0.004 |
| | | | | | (0.010) | (0.010) |
| Scandi-navian | | | | | -0.005 | -0.008 |
| | | | | | (0.008) | (0.009) |
| Shareholder rights | | | | | 0.009*** | 0.011*** |
| | | | | | (0.003) | (0.003) |
| High | | | | | | 0.000 |
| | | | | | | (.) |
| Low | | | | | | -0.007 |
| | | | | | | (0.008) |
| Lower Middle | | | | | | -0.001 |
| | | | | | | (0.009) |
| Upper Middle | | | | | | 0.003 |
| | | | | | | (0.006) |
| Constant | -0.036 | -0.060* | -0.058 | -0.070 | -0.024 | -0.025 |
| | (0.034) | (0.036) | (0.069) | (0.096) | (0.035) | (0.036) |
| Observations | 949 | 949 | 940 | 928 | 937 | 937 |

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$