Assessment of the performance of mergers: Revisiting results after a prolonged period

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Content

- Different results

- Significance of indicator

- Time horizon effect

Introduction

- Positive or negative synergic effect?

- Approach to the assessment M&A effect

- Choise financial ratios

Data

- Mechanical engineering sector (CZ-NACE 25 and 28)

- 49 mergers involving 100 companies

- Time period of 9 years (three years before the merger, the year of the merger and five years after the merger)

Methodology

- Devision mergers into successful or unsuccessful ones

- Choise financial indicators

- Mann-Whitney U test

Results 1

Number of mergers	Number of years after merger	
	3	5
Successful	23	25
Unsuccessful	26	24

Period	Successful mergers				Unsuccessful mergers			
	-1	3	4	5	-1	3	4	5
D/S	0.0511	0.0288	0.0269	0.0282	0.0362	0.0343	0.0364	0.0389
LC/S	0.1159	0.1130	0.1093	0.1081	0.1115	0.1333	0.1329	0.1394
CF/A	0.1224	0.1252	0.1399	0.1299	0.1194	0.0948	0.0747	0.0881
ROA	0.0339	0.0972	0.1198	0.1079	0.0793	0.0535	0.0393	0.0513
LR	0.4114	0.5064	0.5128	0.4775	0.4699	0.4649	0.4406	0.4922
S/Inv	2.4857	2.7422	2.6567	2.8468	2.2353	2.5276	2.1454	2.3167

Results 2

	-3	-2	-1	0	1	2	3	4	5
PC/S	0.1650	0.1226	0.7634	0.1274	0.2401	0.4316	0.4316	0.0930	**0.0351**
MC/S	0.5029	0.2560	0.4665	0.1203	0.1867	0.2212	0.2519	**0.0269**	**0.0119**
S/A	0.3463	0.5668	0.9923	0.9768	0.2642	0.1966	0.1135	0.0510	**0.0148**
S/Inv	0.6622	0.8007	0.5733	0.4489	0.2104	0.3929	0.1932	0.0665	**0.0249**
AV/LC	0.0609	**0.0090**	**0.0405**	0.2176	0.7194	0.6343	0.0740	0.4037	0.0772
L/PC	0.4203	0.1535	0.6068	0.9923	0.3769	0.1274	0.4092	**0.0203**	**0.0010**
R/S	0.7487	0.3173	0.9304	0.4547	0.5029	0.2642	0.4785	0.1274	**0.0076**
D/S	0.3875	0.3769	0.8233	0.6482	0.4316	0.3875	0.0694	**0.0455**	0.0680
ROA	0.1008	**0.0085**	0.2176	0.2324	0.5280	0.2479	0.0857	**0.0085**	**0.0095**
ROE	0.1592	**0.0487**	0.4203	0.2176	0.8233	0.9458	0.0789	**0.0064**	**0.0126**
Cash/A	**0.0174**	0.1535	0.1480	0.1899	0.3080	0.5029	0.7783	0.8384	0.6906
CF/A	0.0558	**0.0203**	0.4316	0.3268	0.3875	0.2479	0.1535	**0.0148**	**0.0076**
CF/I	**0.0083**	**0.0225**	**0.0487**	0.2249	0.7487	0.4431	0.6906	0.1710	0.2899
CF/S	**0.0487**	**0.0039**	0.5154	0.2812	0.9923	0.7487	0.5029	0.4316	0.2324

Conclusions

- New classification successful or unsuccessful M&A

- Confirmation of previously identified indicators

- New identified indicator – Added value to labour cost ratio

Thank you for your attention

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