Does Corporate Performance Improve after M&A?:
Empirical Evidence from ASEAN Economic Community

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June 2012

ABSTRACT

This paper examines the change in long-term operating performance of 24 corporate mergers and acquisitions completed between 2000 and 2005. Both acquiring and target firms are from six countries that are taking steps to become part of ASEAN Economic Community by 2015: Indonesia, Malaysia, Singapore, Thailand, Philippines, and Vietnam. Based on four operating performance measures related to matching firm: operating cash flow on asset, operating cash flow margin, asset turnover, and operating profit margin, the result from the panel data regression model and nonparametric Wilcoxon signed-rank test suggests that M&A transactions around this region has insignificantly positive effect on those industry-, size-, pre-event performance adjusted measures. In addition, the result indicates that different characteristics of the deals, such as relative size of the target firm (small, medium, or large), and industry relatedness (non-conglomerate and conglomerate), do not cause statistically significant impact on the post-M&A operating performance.

Keywords: Merger; Acquisition; AEC; Wilcoxon signed-rank test; Panel data regression model