

ABSTRACT

Since the merger & acquisition is one of the potential determinants of the shareholder's stock return, this research was designed to investigate whether the announcement of M & A affects acquiring & target firms' stock returns, which is measured by cumulative average abnormal returns (CAARs). Therefore, the research hypotheses are constructed to study the association between M & A and stock returns based on three variables, which are transaction value, merger type and type of payment.

This research uses the standard event study method to examine the abnormal returns resulting from M & A and the t-test to test significance of the constructed hypotheses. The data employed in this study were gathered on publicly traded companies, which announced M & As since 1997 to 2004, when the number of merged companies began to increase.

The analysis shows that Thai M&As created small negative cumulative average abnormal returns (CAARs) for acquirers on three event windows surrounding the announcement date. Targets, however, realized positive CAARs. Breaking down the transactions into different groups based on transaction value, type of payment and merger type, both acquiring and target firms' stocks react differently to the announcement. Therefore, the research concluded that these three independent variables have an effect on stock prices toward M & A announcement. The investors can capture the opportunity to get higher returns. The analysis is based on one

assumption which is that the Thai market is in semi-strong form. The result is the Thai market is not in semi-strong efficiency form. In consequence, the researcher suggests that in order to get a more accurate measurement of effect on stock returns toward M & A announcement, the test time period should be longer. The market regulators should monitor the abnormal or unusual stock price movement especially before information announcement; this is the way to identify insider trading. Market regulators should also improve the information disclosure to prevent insider trading.

