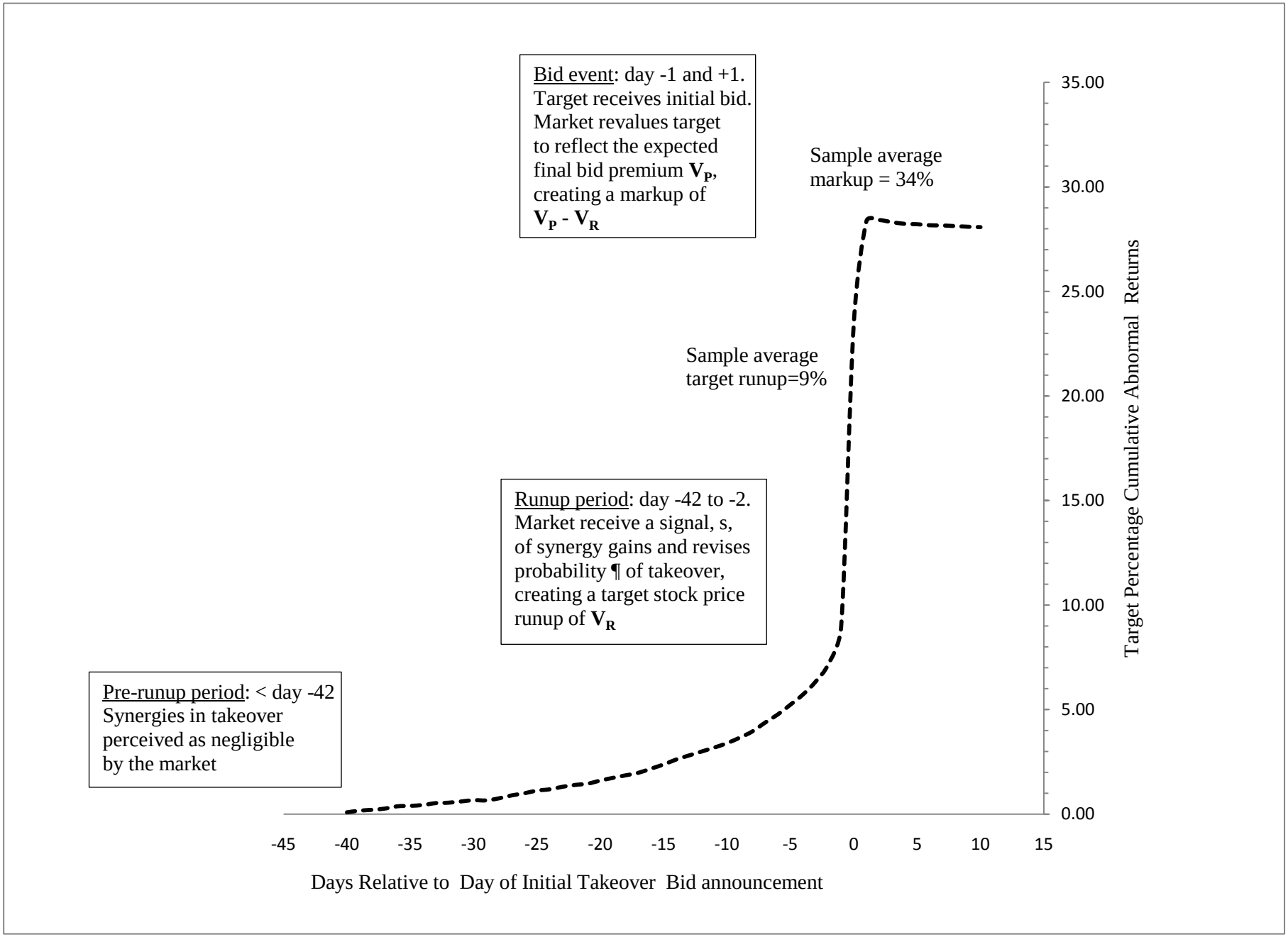
Bid event: day -1 and +1. Target receives initial bid. Market revalues target to reflect the expected final bid premium $V_P$, creating a markup of $V_P$ - $V_R$
Sample average markup = 34%
Sample average target runup=9%
Runup period: day -42 to -2. Market receive a signal, s, of synergy gains and revises probability ¶ of takeover, creating a target stock price runup of $V_R$
Pre-runup period: < day -42 Synergies in takeover perceived as negligible by the market
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
Target Percentage Cumulative Abnormal Returns
-45
-40
-35
-30
-25
-20
-15
-10
-5
0
5
10
15
Days Relative to Day of Initial Takeover Bid announcement