

Thesis Title

Decision Factors for Takeover in The Securities Exchange of
Thailand and Securities Price Effects of Takeover

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Abstract

Takeover is new in Thai Security market. Investors generally have insufficient knowledge about it. This study is hoped to provide useful information for both stock holders and policy makers. This study specifically aims at : 1) determining decision factors for takeover in the Securities Exchange of Thailand ; 2) finding out the characteristics of target companies for takeover ; 3) analyzing the impacts of takeover on synergy and securities prices.

The study was based on 10 companies which make up the total cases of takeover during 1991-1992; namely, Phuket Yacht Club Limited, Sunshine Public Co., Ltd, Filatex Co., Ltd, Thai Packaging & Printing Co., Ltd, Thai Metal Drum Manufacturing Public Co., Ltd, Thai Electronic Industry Public Co., Ltd, Associated

Palm Oil Co., Ltd, Thaisan Rubber Co., Ltd, White Group Limited and First Asia Securities Public Co., Ltd.

The information for this study includes the characteristics of the companies, quarterly financial data, and daily securities prices of single companies during 1991-1993.

In early 1991, 4 firms were taken over without formal acquisition proposal. The proposal later requested by the Securities Exchange of Thailand was to specify objectives and to inform status of the acquiring companies. However, the information was found inadequate.

Holding companies, backdoor listing, synergy, administration ability and staff acquired companies, and trade marks were hypothesized as the motivatives or decision factors for takeover. The findings show that the most significant factors is synergy of takeover as expected by 80% of the taking companies. The other factors in order of importance are backdoor listing (70%) holding companies (60%) administration ability and staff (20%) and trade marks (10%).

Four characteristics of the target companies were found common including (1) low listed capital and (2) market capital value less than 1,000 million baht and (3) the returns on assets and price-earning ratios of the target companies less than those of the industry average, i.e., 80% and 30% the target companies conform to this category of characteristics respectively.

The impact of takeover on synergy has been studied in terms of operating synergy, financial synergy, differential management efficiency synergy and market

power synergy. The finding revealed that synergy in general occurred after takeover for all cases. Specifically, financial synergy and differential management efficiency synergy were found in every case while operating synergy and market power synergy were recognized 50% and 30% of the total cases, respectively.

The impact of takeover on securities prices was apparent. The average prices of 9 cases increased substantially while that of the other one case decreased..

The study suggests that clear and precise detailed information and objectives of takeover are required for the acquisition proposal when announced to public. Thus, small securities investors can make better decision base on the accurate information especially on the purpose of takeover. For social benefit, the acquisition should be directed to gain synergy.