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The Swissair Disaster
Announcement Effects of a Failed Acquisition Strategy

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Abstract

In this study we analyze the wealth effects of M&A transactions testing a sample of 52 acquisitions by the Swiss flag carrier Swissair between 1995 and 2001. During this period, Swissair followed an aggressive acquisition strategy that led the former leading European airline finally into bankruptcy. We therefore measure the stock price reactions around the announcement days when Swissair publicly declared its interest to acquire. Looking at the overall announcement effects, we find small positive abnormal returns for the event days that turn negative when the event windows become larger. This holds true for acquisitions of airlines, airline-related businesses as well as for unrelated businesses, and stands in clear contrast to the results of other studies that analyze M&A transactions in the US airline industry. Therefore, we conclude that the stock market did obviously realize the shortcomings of Swissair's acquisition strategy a lot earlier than its own management.

I. Introduction

In this study we present empirical evidence for the value creation of cross-border merger activities in Switzerland. We regard the Swiss market for corporate control to be unique for at least three reasons: First, the Swiss corporate governance system guarantees high investor protection with regards to international comparisons (Hofstetter, 2002). Stronger shareholder protection reduces the agency cost of managerial discretion over the use of internal funds. Moreover, Cocca and Volkart (2002) report in a seminal study on the Swiss financial markets that direct equity ownership in Switzerland is among the highest in the world. Therefore, we do not expect the valuation of M&A transactions to be distorted by large "corporate governance discounts".

Second, although limited in geographic and demographic scope, Switzerland is one of the major financial centers in the world, hosting two of the ten largest banks and financial institutions while managing about one third of the number of private assets globally held (Dimson et al. 2001). We expect the market participants in Switzerland to have gained profound knowledge in the field of corporate valuation.

Third, the Swiss economy traditionally displays a high degree of international exposure, especially towards the rest of Europe. As the deregulation and promotion of national markets towards a single European market is one of the key goals set up in the Lisbon summit as a precondition for the desired world leadership by the European Union, Switzerland, although it is likely to remain legally and economically separated in the near future, seeks to strengthen its political and economic relationship with the European Union. A number of trade barriers have been dismantled by the European Union as well as by many non-European members of the WTO. This has resulted in increasing cross-border M&A transactions, which display the highest share of overall merger activities among the European countries (Karkowski et al. 2001). This high international exposure of the Swiss economy seems promising to generate new insights into the field of value effects of cross-border mergers looking at a sample of Swiss cross-border mergers from the 1990s.

In the literature, the case of cross-border mergers has gained rising attention as the proportion of international M&A transactions to total merger activity has risen significantly during the last twenty years. The question raised by this phenomenon is whether cross-border M&A transactions have significantly different value effects. To a large extent, the international orientation of corporations is based on the belief that gains can accrue through scale and scope economies, cost reduction, increased market power and reduced earnings volatility (e.g. Seth et al., 2002). Whether or not cross-border M&A transactions actually meet the expected performance gains has been the focus of some previous studies.

While there is strong support for the hypothesis that target firms experience significantly higher wealth gains in comparison to pure domestic acquisitions when they are acquired by foreign bidders (Danbolt, 1999), the effects on bidder values that evolve from international acquisitions remain somewhat unclear. However, most empirical research available on cross-border mergers focuses on the US. Empirical evidence with regard to European M&A transactions enabling to test the US findings for a different institutional environment is still lacking. By testing the merger activities in the Swiss economy we present evidence from a European country´s perspective.

While there are a few studies about the leading European countries such as Germany, the UK or Italy, to the best of our knowledge, there is no recent empirical study that analyzes the Swiss M&A market. Looking at one of the most internationally-oriented European economies with highly-developed capital markets, there is good reason to expect Swiss firms to possess extraordinary experience in international capital markets. We hypothesize that Swiss corporations which buy or merge more intensively abroad than their European peers, might have developed a more profound expertise in pursuing international M&A transactions over time. The Swiss capital market participants might also evaluate the potential additional gains resulting from merger activities more competently than other countries. Summing up, this should result in more precise expectations about the value effects.

The paper proceeds as follows. Section 2 briefly illustrates the history of Swissair and the various M&A strategies it applied throughout the 1990s. Section 3 reviews the extensive research on mergers and acquisitions with a special focus on the wealth effects induced by cross-border transactions. In section 4 we describe our data sample as well as the applied methodology. Section 5 discusses and interprets the empirical findings of our analyses. Section 6 concludes and summarizes the results.

II. The History of Swissair and its Acquisition Strategies

Swissair, Schweizerische Luftverkehrs AG, was founded in March 1931 following the merger of Balair, Basler Luftverkehrs-Aktiengesellschaft, and the Ad Astra-Aero. The Swiss flag carrier soon became an airline with a global reach, serving European as well as intercontinental destinations with modern jetliners. With the Swiss state as a minor shareholder, Swissair belonged to the three biggest European airlines in 1963 embodying values as reliability, security, punctuality to name but a few. Earlier than its European competitors, the Swiss national

carrier built up a network of cooperations in the fields of maintenance, purchasing and reservation systems. Upon changing its name into SAirGroup Holding AG in 1997, Philippe Bruggisser was announced CEO of the new holding entity. Under his reign, Swissair developed an aggressive acquisition strategy in order to become the fourth-largest air carrier in Europe.

Based on the assumption of a severe consolidation of the European airline market as observed in the U.S. twenty years earlier, Swissair tried to compete against the other three airline systems that were led by British Airways, Deutsche Lufthansa and Air France by forming airline alliances covered by minor shareholdings in its partner airlines. In achieving a tight network on European and the Atlantic routes, Swissair tried to overcome the strategic drawbacks of the refusal of joining the European Economic Area by the Swiss population in late 1992. Moreover, the relatively small Swiss home market with only 7.2 million citizens, though with the highest per capita income in Europe, put Swissair under further pressure to act. Due to the poor performance in productivity and unit costs, the Swiss flag carrier felt the urgent need to alter its strategic position and create new traffic to feed its hub Zurich and its medium- and long-haul flights.

Besides these company-specific drivers of Swissair's strategy, the macroeconomic environment offered interesting possibilities for the Swiss national carrier to expand its scope. The deregulation in Europe kicked off in 1987 with the passing of three packages determining the liberalization process in the European airline market until 1993. Although finally liberalized, the likely loss of slots and airline concessions prevented the European airline M&A market from being fully efficient. Therefore, only participations of up to 49.9% were considered. The high competition for American destinations between European carriers as well as a trend of privatizations of major flag carriers offered Swissair an opportunity to overcome its strategic disadvantages.

Forced by the emergence of strategic alliances in Europe (Star Alliance around Deutsche Lufthansa, Oneworld around British Airways, Skyteam around Air France and Wings around KLM), Swissair thus established the Global Excellence Alliance with its partners Delta Air Lines and Singapore Airlines, the European Quality Alliances with Austrian Airlines, SAS and Finnair as well as the Atlantic Excellence Alliance with Austrian Airlines, Sabena and Delta Air Lines. Thus, the Swiss flag carrier established the tightest network of all European carriers with 49 alliances founded between 1989 and 1999. A milestone in the consolidation of the European airline market could have been a merger project named "Alcázar". After the failure of this planned merger between Swissair, KLM, SAS and Austrian Airlines, Swissair's management changed its strategic focus from formerly being cooperative to an aggressive acquisition style.

Besides an expansion in airline-related businesses in order to smoothen the economic cycles of the passenger business, Swissair developed with the so-called "Hunter" strategy in early 1998. Originally intended as investments ranging from 10% to 30% in flag carriers with more than 50% market share, the "Hunter" strategy that was initially developed by a well-regarded

consulting firm proposed acquisitions of the flag carriers in Belgium, Austria, Hungary, Finland, Ireland and expressly not in Germany, France, UK or Italy. After already having bought 69% of the Swiss competitor Crossair and 49% of Sabena, the Belgium carrier, Swissair performed ten airline acquisitions under the "Hunter" strategy with less than 50% in each individual shareholding. In 1998, Air Littoral, Air Europe, Volare Group and LTU were acquired. In the following year Swissair bought participations in AOM Minerve, LOT, South African Airways followed by the acquisitions of TAP and Air Liberté in the year 2000. All airline participations were combined in the so-called Qualiflyer or European Leisure Group with Swissair as the leading airline in these alliances.

It becomes obvious that the implementation of the "Hunter" strategy was not in accordance with its original proposal. Except for the acquisition of the Polish flag carrier LOT, all other acquisitions performed by Swissair in the years 1998 to 2000 were not consistent with the "Hunter" strategy. Especially the acquisition of 49.9% of the German leisure carrier LTU for SFR1.bn was mentioned in an Ernst & Young special audit report as being the gravest violation of the original strategy. For all airline acquisitions, Swissair almost paid SFR6.0bn. The report further states that the goals of reducing Swissair's cost structure by enhancing its critical mass could have also been achieved without major shareholdings because the Swiss flag carrier controlled its participations to a high degree in scale and scope.

Instead of lowering the risk by diversification, Swissair in fact increased its risk exposure. Except for LOT and South African Airlines, all other airline participations incurred losses in the year of their acquisition and had no dominant position in their home market. Hence, a dilution of Swissair's former highly-regarded brand was only one among other setbacks of the failure of the idea of becoming a fourth power in the European airline market. The fact that nearly all acquisitions were financed with a high leverage, put/call-options were issued for further shares as well as guarantees and warranties to cover future losses were agreed upon, highlight above all the inability of Swissair's management. Besides the CEO Philippe Bruggisser and the lack of qualified management capacity, the airline-inexperienced board of directors as the highest control body is believed to be responsible for the Swissair disaster.

III. Literature Review

Corporate decisions such as acquisitions and divestitures play an important role in determining firm performance and shareholder wealth. To analyze whether corporations create value by M&A transactions, most studies choose the market value of the firms involved in the merger as a reliable measure and apply event study methodology. Taking all the divergences of empirical findings, two results have gained some robustness over time. First, returns to the target firm shareholders are on average significantly positive. In a seminal study, Schwert (1996) finds a significant positive abnormal return of 26.3%, when examining a sample of 1,814 transactions of US companies between 1975 and 1991, while Mulherin and Boone (2000) support these findings by reporting an abnormal return of 21.2%.

Second, the returns to the acquiring firms´ shareholders tend to be negative or close to zero. Andrade et al. (2001) examine about 4,300 US transactions from 1973 to 2001 with a three-day event window following the transaction announcement and report negative abnormal returns of –0.7%. These results have been underlined by more recent studies such as Hackbarth and Morellec (2008) who find negative and significant bidder cumulative abnormal returns (CAR) of -0.5% for 1,086 takeovers between 1985 and 2002 as well as Betton et al. (2007) with significant abnormal returns of -1.2% for 10,806 mergers from 1973 to 2002.
Since many of these studies focus on the US markets, there is a need for further evidence on the wealth effects for European acquirers that help to strengthen the robustness of the empirical studies published so far. In their investigation of the Swiss market for corporate control and particularly the announcement effects on acquirer firms, Lowinski, Schiereck, and Thomas (2004) find that bidder shareholders earn significant positive abnormal returns for a short time period around a merger announcement date. However, these positive CAR disappear when the observation period is extended. For the event window [-20;+20], they find a negative CAR of –0.29%. As a possible explanation Lowinski et al. (2004) identify that these abnormal returns for long event periods are mainly influenced by professional investors whereas private investors primarily account for stock price reactions around the announcement date.
In addition, Lowinski et al. (2004) find out that for observation periods of at least ten days prior to and after the merger announcement, national transactions outperform cross-border transactions, and this yields positive CAR. For shorter intervals, the relationship is reversed. On the announcement day they report, consistent with previous research, positive CAR of 0.69% for cross-border mergers and a negative CAR of –0.16% for national transactions. Besides a more theoretical study of Swiss mergers by Buehler et al. (2006), this is, to the best of our knowledge, the only comprehensive study of M&A activity in Switzerland conducted so far. There are some idiosyncratic motivations for an analysis of the Swiss capital markets.
While the lion's share of merger activity in the EU countries remains domestic, this finding does not hold for Switzerland. During the last decade, the share of international merger activities has increased dramatically. We observe a majority of Swiss successful bids taking place in an international environment. Within the international merger activities, firms from the European countries are the counterparties for Swiss cross-border transactions in most cases. In fact, Switzerland ranks second place (behind the US) as the most important buyer in the European Union (Karkowski et al. 2001). With the advent of Europe´s further legal, economic and political harmonization, Switzerland seems to be getting greatly involved in this process, although it remains clearly separated from the rest of the European Economic Community on the surface. Due to this development, we expect further clarification on the effects of stock return reactions following an international takeover announcement by examining a data sample that differs completely from most of the literature available.
We contribute to the recent research focus on cross-border mergers by analyzing the announcement effects on the acquirer side in cases where a Swiss firm acquires abroad. While

there is strong support for the hypothesis that target firms experience significantly higher wealth gains in comparison to pure domestic acquisitions when they are acquired by foreign bidders (Danbolt, 1999), the effects on the bidder returns that result from international mergers remain somewhat unclear. Eckbo and Thorburn (2000) study a sample of 1,846 acquisitions of Canadian corporations by domestic and US-based bidding firms. They detect positive abnormal returns for domestic bidders within the announcement period, but no abnormal returns for US-based acquirers.

Moeller and Schlingemann (2005) find that acquirers from a sample of 4,430 US bidder transactions experience announcement returns that are, on average, one percentage point lower for cross-border deals compared to domestic M&A. This negative cross-border effect is further verified by Mentz and Schiereck (2008) in a study of worldwide M&A transactions in the automotive supply industry. Other studies such as Kim and Mathur (2008) and Olibe et al. (2008) investigate further aspects of geographical diversification and find a correlation between cross-border M&A and both a decrease in enterprise values as well as higher systematic risk exposure of diversified companies.

A more comprehensive overview of cross-border M&A analyses is given by Shimizu et al. (2004). Collins et al. (2009) test a more theoretical model of cross-border M&A and show empirically that previous domestic M&A experience significantly increases the probability of firms conducting subsequent cross-border deals. However, very few studies examine international acquisitions of European corporations. Corhay and Rad (2000) find no significant share price reactions to the announcement of cross-border acquisitions that have been conducted by Dutch firms. Goergen and Renneboog (2004) find significant positive bidder announcement returns for a sample of European acquisitions, although domestic transactions also generate significantly higher abnormal returns upon their announcement than cross-border deals.

As the empirical research overall suggests, one would expect positive abnormal returns to targets as it is the case for pure domestic mergers. However, to date, the bidder gains that result from cross-border mergers remain puzzling and often insignificant, which motivates us to shed more light on this area. As for research on capital market reactions of airline M&A activity, only little empirical evidence can be found. Most studies in this field focus on the effects of the airline deregulation in the US after 1978 on consumer welfare, market power, airline fares and stock prices. Some studies such as Merkert and Morrell (2012) and Németh and Niemeier (2012) give comprehensive overviews of airline M&A activity, but rather focus on operational effects of these transactions. A small body of empirical research such as Knapp (1990) as well as Kyle et al. (1992) also analyzes the capital market reactions of airline stocks to the announcement of M&A transactions in the US. Most of these studies, however, are rather outdated by now and also suffer from very small sample sizes.

To the best of our knowledge, there has been no empirical evidence for value effects of European airline M&A transactions so far. Therefore, the following study of the capital market reactions to Swissair's acquisitions should meet both the vividness of the European M&A activity and the lack of empirical evidence on value effects within financial theory in Europe.

IV. Data and Methodology

Our study is based on acquisitions which were undertaken by Swissair having been announced under the chairmanship of Philippe Bruggisser between May 1995 and January 2001. During this period, Swissair followed an aggressive expansion and acquisition strategy. In order to identify the relevant transactions, we rely on the Thomson SDC International Mergers and Acquisitions database and Bloomberg. To verify the data and to resolve differences in the sources, additional press research has been performed. The SDC International Mergers and Acquisitions database is considered as the leading source. In a next step, we eliminate all transactions that do not meet the following criteria:

(1) The acquiring corporation was Swissair or one of its subsidiaries
(2) After the transaction, Swissair controlled at least 5 % of the target's voting rights
(3) The transaction volume exceeded US$1m
(4) The transaction was completed

In total, 52 transactions meet these criteria. Transaction data, information about the corporations involved and stock market-related data are retrieved from Bloomberg and the SDC International Mergers and Acquisitions database. In order to extract the peculiarities of cross-border transactions, we first briefly analyze the overall Swiss M&A activities during the 1990s with respect to different industries and time-specific subsamples.

Table 1 summarizes the statistical properties of the data sample. The arithmetic average of the transaction values of the deals included in the sample amounts to approximately US$185m. Due to some large transactions the median, at US$79.2m, is significantly lower.

Table 1: Statistical properties of the sample

Transaction value (in US$m)	
Arithmetic average	184.4
Median	79.2
Minimum	4.8
Maximum	1193.4
Percentage of shares acquired	
Arithmetic average	54.9%
Median	49.0%
Minimum	10.0%
Maximum	100.0%

Details about the acquired targets are presented in table 2. Airline-related businesses have the greatest share among the acquisition targets (67%). 15 out of the total sample of 52 acquisitions are airlines which account by far for the highest transactions volumes. The remainder is airline-unrelated, namely 2 acquisitions of duty-free-retailers which are neglected in the following analysis. We measure the relatedness of a transaction by applying the airline value chain concept first introduced by Diegruber (1991) and Seristö (1995) which refers to the customer's perspective rather than to the view of an airline. Taking this into account, we

identify 30 vertical, 15 horizontal and 7 lateral acquisitions. Not surprisingly, the 15 horizontal transactions are all made up of acquisitions of other airlines.

Table 2: Characteristics of the acquirers and targets in the sample

	No. of transactions	
Target industry		
Airline	15	29%
Airline-related	35	67%
Airline-unrelated	2	4%
Direction of Acquisition		
Horizontal	15	29%
Vertical	30	58%
Lateral	7	13%
Number of Bidders		
Multiple-Bidder	11	21%
Single-Bidder	41	79%
Strategy		
"Hunter"	10	19%
"Non-Hunter"	42	81%

Table 2 also shows that 79% of the acquisitions are single-bidder transactions and the remaining 21% are multiple-bidder transactions where Swissair competed mainly against other European airlines. As for a differentiation according to the underlying strategy, we subdivide the total sample in acquisitions carried out under the "Hunter" strategy and "Non-Hunter" acquisitions. 10 of the selected acquisitions were performed by Swissair under the "Hunter" strategy, whereas 42 transactions were not related to this approach.

We apply standard event study methodology to estimate the return expectations of the capital markets using daily stock trading data that we retrieve from Thomson Financial Datastream. By concentrating on acquiring firms we also include transactions with targets that were not exchange-listed. The analysis uses a market-adjusted return approach, because the business structure of Swissair and the leverage changes sustainably over time, allowing no reliable beta estimates for the announcement windows. The market model as suggested by Brown and Warner (1980) uses a linear regression of Swissair's stock returns and the returns of its corresponding market index in order to estimate expected company returns. As for the relevant market index we use the Swiss Performance Index (SPI) which comprises all top-tier and secondary shares of Swiss domestic companies.

Having estimated the expected returns ($E(R_{jt})$) of Swissair's stock in the absence of an event such as an M&A transaction, we then calculate abnormal returns (AR_{jt}) by subtracting these expected returns from the actual returns (R_{jt}) observed in the event window:

$$AR_{jt} = R_{jt} - E(R_{jt}) \quad (1)$$

These abnormal returns are then cumulated in order to calculate so-called cumulative abnormal returns (CAR) for various event windows that are denominated by the expression

$[t_1; t_2]$ where $[t_1]$ is the starting day and $[t_2]$ is the ending day of the event window. CAR are calculated in our models using the following formula:

$$CAR_{j[t1;\ t2]} = \sum_{t_1}^{t_2} AR_j \quad (2)$$

Since we are analyzing only very short event windows immediately surrounding the event date $[t_0]$, we solely rely on CAR and do not apply buy-and-hold returns or other measures of abnormal stock price performance in accordance with the literature (MacKinlay, 1997). In order to examine the significance of the mean-standardized cumulative abnormal returns, we employ the procedure proposed by Dodd and Warner (1983). To ensure that this test statistic can be validly employed, we test the average abnormal returns in the estimation period for normality using Kolmogorov-Smirnov tests with a Monte Carlo simulation. Results prove that the return variable satisfies the assumption of a normal distribution at the 5% level.

V. Empirical results

The results provide evidence that Swissair as the acquiring company achieves significant positive abnormal returns only for a short time period around the announcement date, i.e. that the underlying transactions create value. Table 3 exhibits the cumulative abnormal returns for various time windows. For the [-1;0] and [0;+1] event windows, we find a non-significant positive CAR of 0.12% or –0.13% respectively. However, the positive CAR disappears when the observation period is extended. For the interval of [-3;+1] and [-1;+3] days, we find negative CAR of –0.83% and –0.44%, respectively.

Table 3: Cumulative abnormal returns (CAR) of Swissair for target industry[1]

Event window	CAR
[-3;+1]	-0.83%
[-1;0]	0.12%
[0;+1]	-0.13%
[-1;+3]	-0.44%

In comparison to former studies for the US-American and European markets for corporate control as well as for airline M&A transactions, our results are to a great extent consistent, i. e. our findings fit in the body of empirical evidence. Compared with airline-specific event studies, however, the results indicate that the abnormal returns in these studies are on average higher for the acquiring firm.

Our results are mixed regarding the value creation in the event window. To identify possible sources of the heterogeneous results, various subsamples are considered. To obtain an idea which acquisitions contributed the highest CAR, company- and transaction-specific characteristics were determined in order to derive four subgroups. As mentioned above, for nearly half of the transactions observed in our study, the target company belongs to airline-related

[1] ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels throughout all analyses.

industries. Since the abnormal returns on the announcement day are only slightly positive for airline-related transactions, it is interesting to see that for takeovers of airlines, Swissair's shareholders earn significant positive abnormal returns of 0.65% on the date of the announcement. These significantly positive returns are overcompensated in the aftermath. One day after the announcement date the abnormal returns for airline transactions turn out to be a negative, getting even more negative for a larger event window [-1;+3], as indicated in table 4. However, due to the small size of the sample, many results appear to be insignificant.

Table 4: Cumulative abnormal returns (CAR) of Swissair by target industry

	Airline Transactions	**Airline-related Transactions**
Event window	CAR	CAR
[-3;+1]	-0.64%	-0.61%
[-1;0]	0.09%	0.19%
[0;+1]	-0.01%	0.07%
[-1;+3]	-1.42%	-0.28%

A further distinction between the directions of the acquisitions derives a subsample that unveils that more than half of the transactions are vertical. Applying the framework of an airline value chain, we regard vertical and horizontal mergers separately. Not surprisingly, horizontal acquisitions (as defined as takeovers of other airlines) contribute a significant abnormal return to Swissair's shareholders of 0.65% on the announcement date. For an event window of 2 days [-1;0] as summarized in table 5, we measure a significant abnormal return of 0.32% for vertical transactions whereas in the same time period a gain of only 0.09% can be observed for horizontal takeovers. This result leads us to the conclusion that either shareholder evaluates takeovers of competitor airlines as negative in the aftermath or vertical acquisitions are being higher evaluated by the stock market after the announcement date.
Bühner (1990) illustrates that vertical transactions generate twice as much losses on the announcement date as horizontal acquisitions. In contrast, Lubatkin (1983) finds that shareholders of the acquiring company earn the highest abnormal returns in vertical M&A transactions which is roughly in line with our findings. However, we finally conclude that the capital market anticipated future expected economies of scale and scope as well as and density due to a higher valuation of horizontal acquisitions on the announcement date.

Table 5: Cumulative abnormal returns (CAR) of Swissair by direction of the acquisition

	Horizontal Transactions	**Vertical Transactions**	
Event window	CAR	CAR	
[-3;+1]	-0.64%	-0.54%	
[-1;0]	0.09%	0.32%	*
[0;+1]	-0.01%	-0.07%	
[-1;+3]	-1.42%	-0.25%	

In addition to the differentiation according to industry and direction of the acquisition, we also measure the reaction of the stock market on whether the takeover of Swissair has been carried out after a single- or multiple-bidder process, respectively. Following this classification, we derive 11 multiple-bidder and 41 single-bidder transactions. We consider a transaction to be a multiple-bidder deal if more than two bidders were involved in the acquisition process. For an observation period of one day, the announcement day, multiple-bidder transactions generate significant positive earnings of 1.26% whereas for a single-bidder takeover with Swissair as the only bidder this figure is more than one percent point lower.

Table 6: Cumulative abnormal returns (CAR) of Swissair by number of bidders

	Multiple-Bidder Transactions		**Single-Bidder Transactions**	
Event window	CAR		CAR	
[-3;+1]	-1.30%		-0.12%	
[-1;0]	0.00%		0.32%	**
[0;+1]	1.06%	*	-0.08%	
[-1;+3]	-0.49%		-0.28%	

Regarding the longer event window [0;+1] in a multiple-bidder process, Swissair's shareholders earn a significant positive abnormal return of 1.06% while for the event window [-1;0], a significant abnormal return of 0.32% for single-bidder takeovers can be observed (see table 6). Therefore, our finding unveils that a multiple-bidder process is higher valued by investors than single-bidder transactions because a multiple-bidder transaction is to be considered as the fight for unique resources and synergies by investors and thus a higher bidding price is believed to be appropriate.

To extend the power of our findings, we examine the M&A success of acquisitions carried out by the Swiss flag carrier under the so-called "Hunter" strategy. Our results for 10 acquisitions identified as "Hunter" takeovers and the remainder of 42 as "Non-Hunter" acquisitions provide at least weak evidence that, as for the announcement date, the latter earn lower abnormal returns than takeovers of the "Hunter" subsample. Consequently, this aspect deserves further analysis by examining the return of the Swissair stock in longer observation windows. While the average gains of "Hunter" acquisitions for the event window [0;+1] are positive with 0.20%, these earnings are more than overcompensated and turn out to be a negative and non-significant –1.63% in the event window [-1;+3] (see table 7).

Table 7: Cumulative abnormal returns (CAR) of Swissair by different M&A strategies

	"Hunter" Transactions	"Non-Hunter" Transactions
Event window	CAR	CAR
[-3;+1]	-1.17%	-0.42%
[-1;0]	-0.11%	0.15%
[0;+1]	0.20%	-0.03%
[-1;+3]	-1.63%	-0.36%

VI. Conclusion

We analyze the wealth effects of 52 M&A transactions carried out by Swiss flag carrier Swissair between 1995 and 2001, placing special emphasis on the peculiarities of these take-overs by testing several subsamples. The positive abnormal returns earned on the announcement day are diminished within the following 3 days and are not considered to be long-term. For the broader event windows we conclude that the stock market incorporates the true economic consequences in a relatively fast and efficient manner. Due to small sample sizes our findings show no significance. The results, nevertheless, indicate that horizontal M&A of other airlines in a multiple-bidder process under the "Hunter" strategy were more highly evaluated by the Swiss stock market than unrelated or single-bidder acquisitions. One possible explanation might be that investors anticipated synergistic gains of these transactions.

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