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ANALYSIS OF GLAMOROUS ACQUISITIONS IN THE TELECOMMUNICATIONS SECTOR: OVERVALUATION OR SUCCESS?

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Abstract

This article analyses the performance and value creation of the glamorous operations of mergers and acquisitions (M&A) in the telecommunications sector, trying to understand if the glamour company's M&A operations conduct to the stockholder wealth maximization, and the role of acquirer's characteristics and its behaviour as glamour firm. After calculating the abnormal returns of telecommunications M&A from 2000 to 2010 and evaluating the value creation/destruction of these operations, we conclude that glamour tends to be opposite to value creation in the long run. The glamour firms show significant value destruction in certain timeframes and worse performance than non-glamour firms. From our analysis, it is evident that certain acquirers' characteristics, such as size, are determinant in the glamour behavior. Related to this, the influence of the intangible assets (and particularly the intangible ratio) is a new contribution from this analysis.

Keywords: Mergers and Acquisitions, Glamorous Acquisitions, Strategy, Value creation, Telecommunications.

JEL classification: G34, L96

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1 Introduction

Since the late 1800s, mergers and acquisitions (M&A) has been a central element of most firms' corporate strategies (see, e.g., Schipper & Thompson, 1983; Andrade, Mitchell & Stafford, 2001; Haspeslagh, & Jemison, 1991), and a major strategic tool for multinational corporations' growth (Hitt, Harrison, & Ireland, 2001). However, the arguments and empirical evidence concerning the economic benefits accruing to the acquirers and their stock returns following acquisitions are mixed (Sharma & Ho, 2002; Megginson, Morgan & Nail, 2004; Powell & Stark 2005). A rich and extensive literature documents that various measures of company's relative value, such as book-to-market ratios, earnings-to-price ratios or cash-flow-to-price ratios, predict future stock returns (Rau and Vermaelen, 1998; Chan, Hamao, and Lakonishok, 1991; Kohers and Kohers, 2001, among others) developing the landmark seminal research of Fama and French (1992) contending that the combined impact of firm size, beta and book-to-market ratio better explain the cross sectional variation in share returns.

Glamour acquirers are those firms that are highly valued in the stock markets as a result of their prior stock market performance (Sudarsanam & Mahate, 2003). Their stocks receive premium ratings in the form of market value to book value ratio (reversively a low book-to-market ratio). In contrast, firms with high book-to-market ratio ratings are undervalued, but may have the potential for subsequent value gains. Fama and French (1992, 1996) argue that the book-to-market ratio is a risk proxy. Value stocks are regarded as more risky than glamour stocks and thus can be expected to out-perform glamour stocks. Some research highlights the tendency of "value" stocks to outperform "glamour" firms (Piotroski & So, 2012) as glamour portfolios consist of an excessive share of overvalued firms and value portfolios contain a disproportionate share of undervalued companies, but many investors are more likely to shift their investment toward 'good' or 'glamour' equity rather than basing their investment decisions on objective risk characteristics, especially for banks and mutual funds (Andriosopoulus, Yang & Li, 2015; Del Guercio, 1996). Some researchers recognize also (Sudarsanam & Mahate, 2003) that glamour stocks are high growth and value stocks are low growth firms, since their high market valuation may reflect the expected high growth or investment opportunities.

In fact, the literature includes a big amount of examples showing diverted behaviors of the glamour stocks: negative long-run returns following M&A announcements are found in most of the cases (Kohers & Kohers, 2001; Conn et al., 2005; Rau & Vermaelen, 1998) but Mitchell and Stafford (2000) report that both growth and value acquirers have abnormal performance that is insignificantly different from zero and from each other. Therefore, the returns and the source of these return differential remains a subject of considerable debate (Piotroski & So, 2012) as they provoke long-term consequences for the firm, not always creating value for the shareholders (Mitchell & Stafford, 2000; Navio-Marco et al, 2016).

On the other hand, the telecommunications sector, one of the most active and dynamic sectors of the economy, experienced profound strategic changes that began at the end of the 20th century and continue now in the 21st century (Curwen & Whalley, 2014; Eliassen, Nfa & Sjoavaag, 2013; Li & Whalley, 2002) with an intensive activity in M&A. Despite the increasing interest in this sector, there is an observable shortage of statistical and econometric analyses of a sectoral nature in telecommunications M&A (Navio-Marco et al., 2016), and the researches of the strategic impact of glamour M&A in this sector are nonexistent. Specific M&A studies in this sector focus on short-term studies (Akdogu 2009; Rieck & Doan, 2009; Jope, Schiereck & Zeidler, 2010), specific studies by countries (Hsiang-His, Tser-Yieth & Lin-Yen, 2007; Nam et al., 2005; Akdogu, 2011; Van Aduard & Gouvêa, 2010) and specific cases of M&A (Schmid & Daniel, 2009; Sidak, 2002; Zimmerman, 2008). Many companies are behaving outstandingly in the markets and can be catalogued as glamorous, so it is worth analysing if this glamour conducts to performance and value creation.

Considering this situation, this paper reviews the performance of glamour acquirers in the telecommunication sector, evaluating their glamorous M&A strategy and delving into the determinants of success or failure of this strategy and the implications it has in the acquirer company. We examine the general question of whether low book-to market acquisitions have more favorable impacts on the performance of acquiring companies than do value acquisitions, the influence on these results of organizational behavioral patterns than can differentiate glamour acquirers from value ones and the implications that these organizational decisions can have on organizational resources, capabilities, and business results.

The present study comprises four sections. After the introduction, Section 2 reviews the concept and performance of glamour acquirers in accordance with the academic literature. Section 3 presents the empirical analysis of the glamorous telecom M&A between 2000 and 2010. Finally, Section 4 contains the conclusions of the paper and its implications for the telecom sectoral strategy, as well as its limitations and future avenues of research.

2. Literature review about Glamorous M&A Performance and Motivations

In their seminal work, Fama and French (1992) documented that two variables, market equity (ME) and the ratio of book equity to market equity (BE/ME) capture much of the cross-section of average stock returns. The book-to-market ratio subsumes the predictive power of other valuation ratios, and reflects compensation for financial distress risk. Consistent with this risk-based interpretation, Fama and French (1993; 1996) and Penman (1996) supported an inverse relation between book-to-market portfolios, future earnings, and future growth rates.

In the literature, glamour acquirers are a group of firms identified as likely underperformers in the years post-acquisition (Donnelly & Hajbaba, 2014; Rau and Vermaelen, 1998). The latter authors report that, glamour acquirers generate negative abnormal returns following an acquisition. However, value acquirers achieve positive abnormal returns over the same period. These results are supported by Sudarsanam and Mahate (2003) and Gregory and Matatko (2005). Lakonishok, Shleifer, and Vishny (1994) document that book-to-market ratios are positively related to future changes in earnings, changes in cash flows, and revenue growth, while LaPorta (1996) document that one-year-ahead earnings announcement period returns to glamour firms are negative.

Donnelly and Hajbaba (2014) argue that the underperformance of glamour or growth stocks may not be due to their acquisition strategy at all, pointing out that the extant literature provides a plethora of evidence that glamour or growth stocks perform poorly relative to value stocks regardless of whether they acquire other companies or not (Lakonishok et al. 1994; He and Shen 2010).

It is also interesting to observe the relationships of glamour stocks with the HML (High Minus Low book-to-market) factor, as it could be a result of undervaluation of “glamour” stocks, relative to “value” stocks, suggesting glamour stocks are overvalued compared to their fundamental value (Billet & Quian, 2008; Billet, Jiang & Rego, 2014; Bondt & Thaler, 1985). Overvaluation caused by investor overconfidence could result in a low loading on the HML factor, thereby making the point that both risk and misvaluation may drive HML loadings. Some scholars (Daniel, Hirshleifer & Subrahmanyam, 2005; Griffin and Lemmon, 2002) find support for the mispricing argument, that is, low book-to-market stocks (glamour stocks) are overpriced and high book-to-market stocks (value stocks) are underpriced.

Among the factors influencing the glamorous M&A, Andriosopoulus, et al. (2015) find indications about the possible role of company size in glamour acquisitions suggesting that glamour acquirers are smaller in size, have lower leverage and higher cash ratios. In general, among the factors influencing the success of M&A, size is one of the include well-studied ones (Akhigbe & Madura, 1999; Georgopoulos, Argyros, & Boura, 2008; Kallunki, Pyykkö, & Laamanen, 2009; Benou, Gleason, & Madura, 2007; Ferris & Park, 2002),

Furthermore, as glamour is linked also with reputation and firm recognition, companies with high market-to-book ratios are subject to higher information asymmetries because a large proportion of their market value comes from intangible assets (Moeller, Schlingemann & Stulz, 2004). Currently, practitioners are increasingly examining the role of cultural and intangible factors (Hofstede, 1980; Kogut & Singh, 1988; Berry, 2006; Kallunki et al., 2009; Benou et al., 2007; Askoy, et al., 2008 for a literature review about intangibles). Srinivasan and Hanssens (2009) cite several studies that may be considered related to intangibles, indicating the positive relationship between stock returns and brand valuation, but they relate them to stock market

evolution rather than potential abnormal returns. Askoy et al. (2008) also review the literature on intangible assets, stating that there is a growing recognition that a significant proportion of a company's market value resides today in the intangible assets. Also Berry (2006) indicates that it has been found that the international investments of companies are only valued in the presence of intangible assets in technology. Other authors who have recently introduced this factor among their variables of analysis would be Kallunki et al. (2009) and Benou et al. (2007).

Regarding the analysis of motivations in the M&A field of research, there are three classic hypotheses that explain the behavior of these operations: synergy hypothesis that justify the operation by the interest of shareholders in value creation, considering that the sum of the combined value of the firms is higher than their values separately (Bradley, Desai, & Kim, 1988; DeLong, 2003; Hayward & Hambrick, 1997; Morck, Shleifer, & Vishny, 1990; Seth, Song, & Pettit, 2000; Shim, 2011); hubris hypothesis about how mergers are performed by an error in the valuation of target companies by the manager, due to managerial behavioral issues (Roll, 1986; Billet & Qian, 2008); and the agency theory suggesting that M&A activity is driven by the manager's incentive to achieve their firms' growth, so managers of the bidding firm are the ones deciding to carry out the acquisition and the amount to pay for it, rather than the shareholders (Jensen, 2005). Given these circumstances, the reason for acquisitions may not be shareholder value maximization, but managerial self-interests and their private benefits.

Specifically, in glamour acquisitions, the reasons generally given to justify these operations, and their potential underperformance relative to value stocks in the long run includes hubris and mispricing (Malmendier & Tate, 2008; Doukas and Petmezas, 2007). The positive expectation of future growth allows glamour acquirers to make value-decreasing acquisitions for which the market may not penalize them (Sudarsanam and Mahate, 2003; Andriosopoulos, et al., 2015). This is in line with the hypothesis that managerial hubris plays an important role in the decision-making process of glamour acquirer firms when managers may be overconfident about their ability to manage an M&A deal. As these firms shows low book-to-market ratios, they are more likely to be overvalued (Dong et al., 2006). Managers of glamour firms may know that their shares are trading at unsustainable levels and will try to convert shares into real assets. This is one of the reasons why glamour acquirers prefer to make share payments for acquiring firms (Rau and Vermaelen, 1998; Sudarsanam and Mahate, 2003).

From the literature above it is clear that glamour acquirers are generally regarded as being overpriced at the time of acquisition and consequently most likely to underperform in subsequent years. To understand the situation and influencing factors in the telecommunication sector are the main objectives of our research.

3. Methodology

We have compiled the information on mergers and acquisitions between operators (deals and participants' information), evaluating the abnormal returns of the different operations using a Calendar-time portfolio approach (CTAR), and proceeded to characterize the acquiring companies. In this section, we describe the data collection and the selection of the appropriate methods to determine if the operations create value (show positive abnormal returns), which factors influenced it and to understand their acquirers' behavior and performance.

Sample Data

To conduct this analysis, telecommunications M&A that occurred between 1995 and 2010 were counted as samples. As previously indicated, the post-liberalisation period is crucial in the history of the telecommunications sector, and the data are limited because the sector was relatively young. These samples were obtained from the Thomson Reuters One-Banker database, which provided a total of 10,459 announcements of telecommunications M&A¹.

In addition, data were collected from the University of Chicago CRSP database of monthly listings and stock market data (18,425 records of monthly listings). Financial information was obtained from S&P's COMPUSTAT database, which provided the most significant book values (3,878 annual records of fiscal data).

The information dispersed among the databases were homogenised to include all of the information related to the merger and the firms involved. Because this work is complex and the databases are indexed in different ways², the data were related manually.

We obtained results for a decade (2000–2010) and involves previous years' data for "training" portfolios comparison, which had to be constructed and renewed in a 3-year timeframe before and after analyzing the abnormal returns for each M&A, as required by the selected methodology to quantify the value creation.

¹ We refined this volume of M&A on the basis of the SIC code of the acquiring firm, considering the firm as an operator of the telecommunications sector (codes 4812, 4813, 4899); in addition, only concluded operations have been included. In this way, we obtained the specific data for each merger and acquisition. Of these data, 4,337 are M&A made "between operators."

² For instance, COMPUSTAT uses a company key and the ISIN and SEDOL codes. CRSP uses a permanent number assigned to identify each value (PERMNO), as well as the CUSIP code. Thomson Reuters uses the CUSIP code.

Method of analysis

A significant effort has been made in recent years to refine the study methods that emerged in the 1990s to assess abnormal returns evaluation in the long run. In the 1970s and 1980s, long-term studies became subordinate relative to short-term techniques (Malatesta, 1983; Mandelker, 1974), and only afterwards did researchers begin to develop specific methodologies adapted to specific timeframes (Agrawal & Jaffe, 2000). Franks, Harris & Titman (1991) used reference portfolios to benchmark returns and to measure abnormal ones. Fama and French (1993) and Barber and Lyon (1997) also pursued research in this direction. Currently, three fundamental methodologies are used to analyse returns:

1. Buy-and-hold abnormal returns (BHAR).
2. Cumulative abnormal returns (CAR).
3. Calendar-time portfolio approach (CTAR).

This study opted for the CTAR. This long-term return analysis methodology, used for the first time by Jaffe (1974) and Mandelker (1974), consists of constructing a portfolio in which each calendar month is composed of all of the firms that in the τ preceding months have experienced a specific event, where τ refers to the length of the event study period. The portfolio is modified every month to eliminate the firms that reach the end of the analysis period of τ months and to add firms that have undergone a merger or acquisition in the preceding month. For month t , the performance of the calendar-time portfolio is calculated as the mean of the return of the sample firms that have experienced the event in the twelve, eighteen, twenty-four or thirty-six preceding months, depending on the horizon under analysis.

As noted by Mitchell and Stafford (2000), when the objective is to reliably measure abnormal returns, it is imperative that the methodology allows for reliable statistical inferences. Using this approach, benchmark portfolios were established as a basis for comparison (full process is detailed in the appendix). Six portfolios each month were used. By eliminating the months in which we did not have the necessary data for this systematic approach, sufficient information for the decade 2001–2010 (i.e., 120 months) was found, which required the preparation of 720 benchmark portfolios. This example provides an idea of the considerable complexity of the processing and calculation.

Compared to the other analysed methodologies (e.g., BHARs and CARs), the CTAR offers a significant advantage. During the construction of the portfolio, the variance in each of the periods automatically incorporated the cross-sectional correlation of the individual returns of the sample firms. Although the use of large samples and the careful construction of benchmark portfolios can partially mitigate the negative effects of the BHAR methodology, according to Lyon et al. (1999) and Mitchell and Stafford (2000), this method cannot solve the serious problem of cross-sectional dependence.

Potential extraneous factors that might affect long-term results are methodologically avoided using the method of reference portfolio construction. Given the construction of the portfolio using the CTAR, the cross-sectional correlation of the sample firms' returns were automatically incorporated by the variance in each of the periods. Although statistically this approach could introduce heteroskedasticity, this challenge was also addressed and resolved.

In addition to the calculation of the abnormal returns for each the operation, we have used for the analysis acquirer's characteristics (size, capital, intangible assets, EBIT, experience, domestic/cross border), deal characteristics including temporal variables (date, time between acquisitions, M&A wave of the operation, number of acquisitions, first acquisition/non-first acquisition). Additionally, a dichotomist variable (glamour) has been constructed indicating low or high values of the book-to-market ratio.

Empirical results and discussion

After calculating the book-to-market ratio, the firm sample of the M&A used contains 162 samples, 69 were classified as "glamour" acquirers and the others 93 as non "glamour" firms. The sample size is comparable to or exceeds the size normally used in the studies of M&A.

The effect of "glamour" firms has been analyzed considering the CTAR variables (calendar portfolio abnormal returns) for 3, 6, 12, 24 and 36 months, in all cases considering equally weighted portfolios. In table1 we show the descriptive statistics of the variables: Glamour, Book-to-market ratio, Acquirer's Intangible ratio, and CTAR variables. A test of normality for these variables combining the standard asymmetry error, and the standard error of kurtosis reported in the statistics table 1, shows that we cannot reject the hypothesis that these variables are not normally distributed.

Table 1 – Descriptive Statistics

Glamour Firm		Book-To-Market Ratio	Calendar portfolio abnormal returns in 3 months	Calendar portfolio abnormal returns in 12 months	Calendar portfolio abnormal returns in 24 months	Calendar portfolio abnormal returns in 36 months
No	N	93	93	90	85	79
	Mean	33,2287	,02390	-,01802	-,09589	-,01454
	Median	17,5620	,00898	,00902	-,03645	-,12512
	Standard deviation	42,79598	,218031	,354588	,537343	1,178635
	Standard error of kurtosis	,495	,495	,503	,517	,535
	Standard Asymmetry Error	,250	,250	,254	,261	,271
Yes	N	69	69	67	66	62
	Mean	4,6659	-,02057	-,07177	-,10144	-,32595
	Median	4,8121	-,01696	-,06586	-,13033	-,54321
	Standard deviation	1,47666	,117438	,254597	,349683	1,001995
	Standard error of kurtosis	,570	,570	,578	,582	,599
	Standard Asymmetry Error	,289	,289	,293	,295	,304
Total	N	162	162	157	151	141
	Mean	21,0630	,00496	-,04095	-,09831	-,15147
	Median	8,1674	-,00079	-,02834	-,08125	-,37254
	Standard deviation	35,33002	,182964	,316018	,463344	1,111525
	Standard error of kurtosis	,379	,379	,385	,392	,406
	Standard Asymmetry Error	,191	,191	,194	,197	,204

In table 2, we can observe how, beginning with a situation of positive cumulative returns in the short run, they gradually decrease as the time horizon increases and become negative. As time passes and becomes more long term, we observe that the values continue to increase with negative sign, reaffirming our conclusion regarding long-term value destruction and demonstrating the different results that are obtained when short-term value creation versus long-term value creation is analyzed. The results are significant after 24 months (p-value < 0.05). This evolution is more evident in the case of glamour firms, destroying value for all the period with bigger values (in absolute terms) than the complete sample.

The value destruction is significative for glamour firm for different time frames: 12 months (p-value < 0.05), 24 months (p-value < 0.05) and 36 months (p-value < 0.05). Nevertheless, as we already anticipated, such long periods of time can introduce new factors that distort the analysis, and therefore we will pay special attention to the 12- and 24-month results.

Table 2 - Long-term performance of glamour acquiring firms

	CTAR	CTAR GLAMOUR FIRMS	CTAR NON GLAMOUR FIRMS
3 Months			
N	162	69	93
Mean	0,004962	-0,020566	0,023902
Std. Deviation	0,182964	0,117438	0,218031
t-statistic	0,345173	-1,454697	1,057208
p-value	0,730415	0,150354	0,293185
6 Months			
N	162	69	93
Mean	-0,009838	-0,034652	0,008572
Std. Deviation	0,237620	0,182186	0,271059
t-statistic	-0,526978	-1,579928	0,304970
p-value	0,598934	0,118764	0,761078
12 Months			
N	157	67	90
Mean	-0,040954	-0,071766	-0,018017
Std. Deviation	0,316018	0,254597	0,354588
t-statistic	-1,623820	-2,307299	-0,482024
p-value	0,106433	0,024183	0,630972
24 Months			
N	151	66	85
Mean	-0,098314	-0,101442	-0,095885
Std. Deviation	0,463344	0,349683	0,537343
t-statistic	-2,607351	-2,356753	-1,645165
p-value	0,010046	0,021459	0,103673
36 Months			
N	141	62	79
Mean	-0,151469	-0,325946	-0,014538
Std. Deviation	1,111525	1,001995	1,178635
t-statistic	-1,618136	-2,561390	-0,109635
p-value	0,107884	0,012914	0,91291

Null hypothesis: population mean = 0

The non-glamour firms begin with a situation of positive cumulative returns in the short run, and they also gradually decrease as the time horizon increases and become negative, but the effect is less evident than for glamour firms and the whole sample. Unfortunately, the results are not statistically significant.

From our analysis, it is evident that certain acquirers' characteristics are determinant of the glamour company's success. Some of these effects can be observed in the matrix of correlations (table 3).

Table 3 – Correlations Matrix

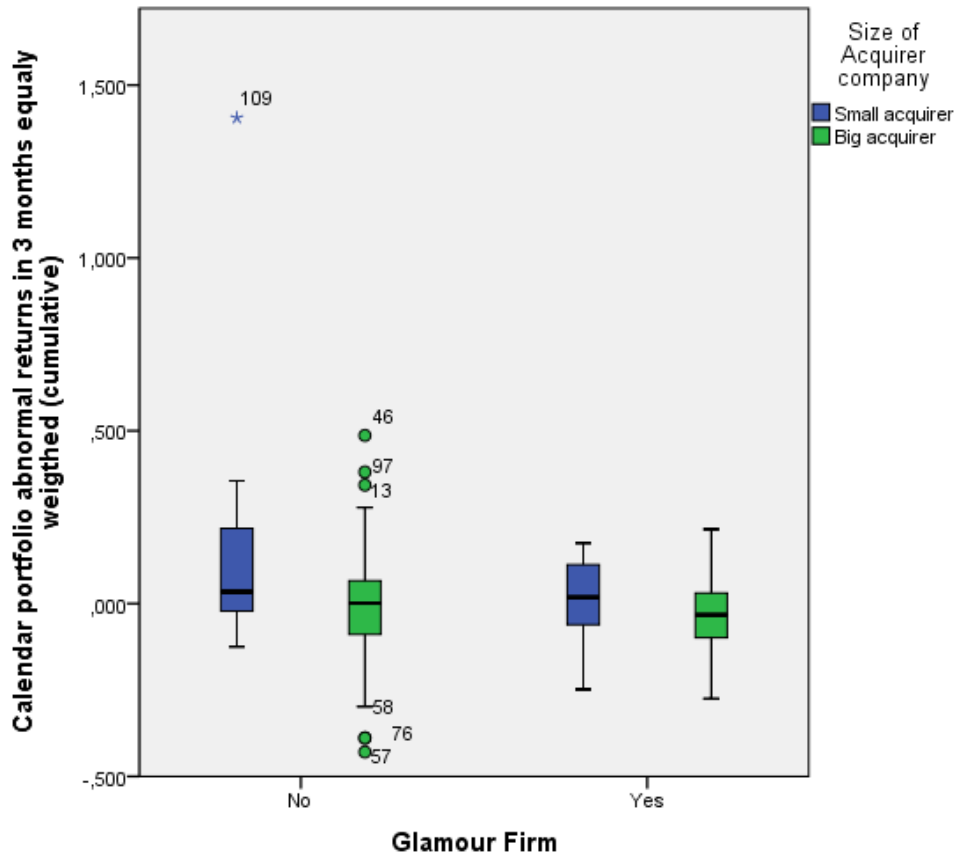
		Acquirer's Capital	Acquirer's EBIT	Days between acquisitions of same acquirer	Book-To-Market Ratio	Number of previous acquisitions	Acquirer's Intangible	Acquirer's Intangible ratio comparing with total assets	Year of the Acquisition	Calendar portfolio abnormal returns in 3 months equally weighed (cumulative)	Calendar portfolio abnormal returns in 12 months equally weighed (cumulative)	Calendar portfolio abnormal returns in 24 months equally weighed (cumulative)
Acquirer's Capital	Pearson Correlation	1	,731**	-,142	,017	,029	,224**	-,154	,166*	,164*	,361**	,427**
	Sig. (2-tailed)		,000	,072	,826	,718	,004	,051	,035	,038	,000	,000
	N	162	162	162	162	162	162	162	162	162	157	151
Acquirer's EBIT	Pearson Correlation	,731**	1	-,052	-,048	,233**	,251**	-,226**	,335**	,129	,301**	,321**
	Sig. (2-tailed)	,000		,512	,541	,003	,001	,004	,000	,102	,000	,000
	N	162	162	162	162	162	162	162	162	162	157	151
Days between acquisitions of same acquirer	Pearson Correlation	-,142	-,052	1	-,047	-,064	-,250**	-,164*	,262**	,411**	,234**	,009
	Sig. (2-tailed)	,072	,512		,555	,422	,001	,037	,001	,000	,003	,912
	N	162	162	162	162	162	162	162	162	162	157	151
Book-To-Market Ratio	Pearson Correlation	,017	-,048	-,047	1	-,161*	,000	,075	-,113	-,108	-,034	-,201*
	Sig. (2-tailed)	,826	,541	,555		,041	,997	,346	,151	,170	,671	,013
	N	162	162	162	162	162	162	162	162	162	157	151
Number of previous acquisitions	Pearson Correlation	,029	,233**	-,064	-,161*	1	,580**	,482**	,552**	-,120	-,062	,003
	Sig. (2-tailed)	,718	,003	,422	,041		,000	,000	,000	,127	,439	,971
	N	162	162	162	162	162	162	162	162	162	157	151
Acquirer's Intangible	Pearson Correlation	,224**	,251**	-,250**	,000	,580**	1	,810**	,099	-,299**	-,273**	-,193*
	Sig. (2-tailed)	,004	,001	,001	,997	,000		,000	,212	,000	,001	,018
	N	162	162	162	162	162	162	162	162	162	157	151
Acquirer's Intangible ratio comparing with total assets	Pearson Correlation	-,154	-,226**	-,164*	,075	,482**	,810**	1	,043	-,377**	-,379**	-,330**
	Sig. (2-tailed)	,051	,004	,037	,346	,000	,000		,591	,000	,000	,000
	N	162	162	162	162	162	162	162	162	162	157	151
Year of the Acquisition	Pearson Correlation	,166*	,335**	,262**	-,113	,552**	,099	,043	1	,105	,195*	,203*
	Sig. (2-tailed)	,035	,000	,001	,151	,000	,212	,591		,183	,014	,013
	N	162	162	162	162	162	162	162	162	162	157	151
Calendar portfolio abnormal returns in 3 months equally weighed (cumulative)	Pearson Correlation	,164*	,129	,411**	-,108	-,120	-,299**	-,377**	,105	1	,631**	,362**
	Sig. (2-tailed)	,038	,102	,000	,170	,127	,000	,000	,183		,000	,000
	N	162	162	162	162	162	162	162	162	162	157	151
Calendar portfolio abnormal returns in 12 months equally weighed (cumulative)	Pearson Correlation	,361**	,301**	,234**	-,034	-,062	-,273**	-,379**	,195*	,631**	1	,728**
	Sig. (2-tailed)	,000	,000	,003	,671	,439	,001	,000	,014	,000		,000
	N	157	157	157	157	157	157	157	157	157	157	151
Calendar portfolio abnormal returns in 24 months equally weighed (cumulative)	Pearson Correlation	,427**	,321**	,009	-,201*	,003	-,193*	-,330**	,203*	,362**	,728**	1
	Sig. (2-tailed)	,000	,000	,912	,013	,971	,018	,000	,013	,000	,000	
	N	151	151	151	151	151	151	151	151	151	151	151

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

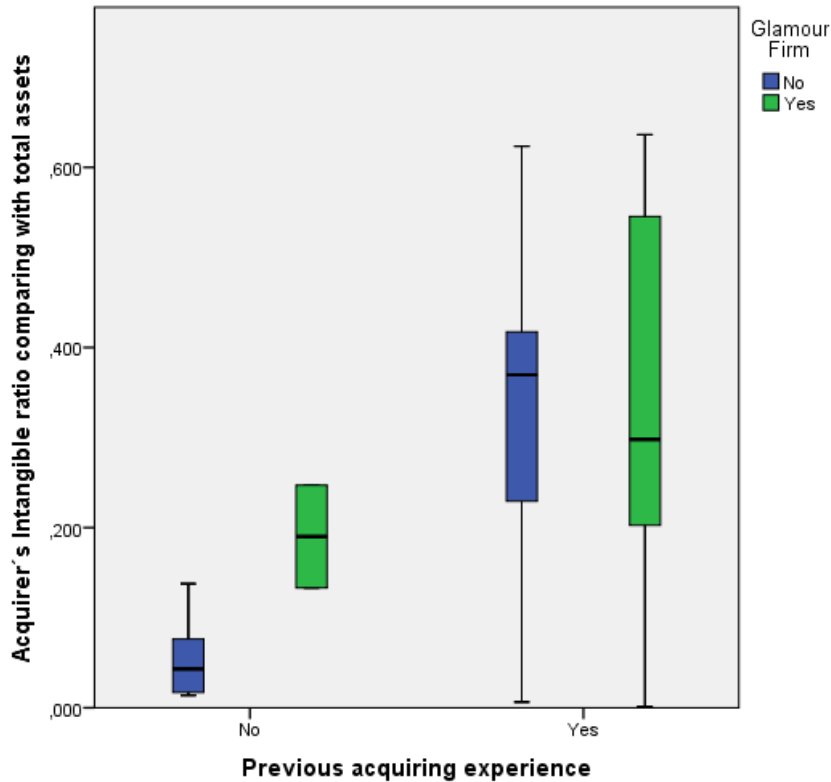
The capital of the acquirer is a characteristic related to the value creation or destruction of the acquirer. This is aligned with the traditional studies (Akhigbe & Madura, 1999; Kallunki, Pyykkö, & Laamanen, 2009) studying the role of size in becoming a glamorous acquirer but introducing capital as a specific independent variable. Unfortunately, the role of the book-to-market ratio is not so evident, Boxplots Figure 1.

Figure 1 – (CTAR) 3 Months Performance for Glamour Firms by Size of Acquirer company



In addition, the acquirer's intangible ratio (comparing intangible assets with the total assets) and the intangible assets, are significant for the value creation/destruction for certain timeframes. Considering that a large proportion of their market value comes from intangible assets, this result is relevant and it could be more important for the analysis than the glamour condition itself. In fact, for first acquisitions the intangible ratio can distinguish glamour and value firms (as shown boxplots in figure 2). In successive M&A (acquirer with experience) the relation remains unclear, but on average the glamour firm shows lower intangible ratio than the non-glamour ones.

Figure 2 – Intangible ratio for Glamour Firms & Previous acquiring experience



4. Conclusions

In this study, we have examined the M&As performance in the telecommunications sector and the role of the glamour in these types of operations. We applied a robust method (CTAR) to understand the glamour firms' behaviour versus that of value companies and to study the factors influencing the success of this operations. Our contribution to this area of research is primarily threefold: first, we further contribute to the development of M&A research, in a specific area, glamour M&As by identifying factors and patterns with relevant implications in the M&As performance. Second, this paper combats the shortage of research of a quantitative sectoral nature on telecommunications M&As, when leading international companies like Vodafone, Cable and Wireless, France Telecom or Telecom Italia are very active in this kind of operations. In third place, this research approaches the analysis on a long-term basis, by using a longer-term performance indicator (CTAR) rather than the short-term abnormal stock returns commonly used in the literature and heavily criticised, and providing clearer insights on long-term performance.

In summary, we observe that in all the cases, there is evidence of the progressive “negativization” of the M&A performance results. In other words, as we move towards long-term time horizons, we evolve towards value destruction by mergers and acquisitions in telecommunications.

We have proceeded to conduct our analysis also by selecting subsamples (glamour versus non-glamour). Also in all the cases, with the different time horizons, the value destruction is more evident in glamour firm than in non-glamour companies, and the value destruction is significant for glamour firm in certain periods of analysis. We conclude that glamour tends to be opposite to value creation in the long run.

From our analysis, it is evident that certain acquirers’ characteristics, such as size, are determinant in the glamour behavior. Related to this, the influence of the intangible assets (and particularly the intangible ratio) is a new contribution that is worth studying as a new avenue of research.

Currently, one new area of research is the study of M&A underperformance, in terms of the cumulative dysfunctional impact that the event itself has, its associated uncertainty and consequences, and the subsequent process of integration of individual organizational members (King, Dalton, Daily and Covin 2004). In this context, the results of this study, are timely and relevant, and contribute to fill this research gap.

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