



**DOES FAMILY OWNERSHIP AFFECT M&A?
STUDY FROM LISTED COMPANIES IN THAI STOCK
EXCHANGE (SET) DURING YEAR 2000 - 2015**

BY

MISS MANEERAT TANCHAYA

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF SCIENCE
PROGRAM IN FINANCE (INTERNATIONAL PROGRAM)
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2016
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ENTITLED

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COMPANIES IN THAI STOCK EXCHANGE (SET)
DURING YEAR 2000 – 2015

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ABSTRACT

This paper examine whether family-firm M&A can outperform non-family firms' during announcement period and also find relationship of level of family, financial institution shareholding, industry and geographical diversification to acquiring firm's shareholder wealth. The sample cover from 2000 to 2015, across all industries and acquiring firms that listed in Stock Exchange of Thailand (SET), as a result, found that family-firm M&A generate higher abnormal return than non-family's, in addition, there is negative relationship of high level of family, financial institution shareholding and industry diversification to abnormal return, while positive relationship with geographical diversification.

Keywords: M&A, family firm, non-family firm, agency theory, diversification theory.

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CHAPTER 1

INTRODUCTION

Undoubtedly, Thai economy is driven by family business; most of listed firms in Stock Exchange of Thailand are family-owned firms, involving many industries such as commerce, trading, agriculture etc. Trace back to decades ago, Thai firms were originated from family, and Thai (Asian) culture played significant role in formation of most of Thai corporation, the reason behind is that family firms want to have dominant ownership in order to fully control and have voice in involving every decision, therefore, owner would try to form and maintain family dominant ownership structure and some external factors assist in this formation as well.

There are four types of firm classified by ultimate shareholder, which are state-owned enterprise, family owned firm, independent firm and foreign owned firm, but in this paper, we separate into two types, family-owned firms and non-family owned firms. Normally, Thai family firm prefer to have pyramidal or cross shareholding structure, which consequently result in limited voice of minority shareholder. Also external factor support dominant of family shareholding, and this is reason why family businesses occupy a significant portion in Thailand, as current Public Company Limited Act (1992) is preferable to family firm which can hold large portion of company total share, while before 1992, regulator announced policy of “*at least 50% of total issued share were to be distributed to a group of shareholding less than 0.6%*”, in order to loose family control, however, the Act led to sluggish of stock market, not many family firms wanted to enter into SET, eventually, it changed to be preferable to family firms in order to encourage and develop stock market.

In addition, large size of family firms can standstill for decade is due to collaboration with multinational companies and then absorb and learn their management and technology skill in order to improve and catch up with the rapid change of economic trend. And M&A is a one of tools for them to achieve this objective, especially some industry they consider M&A as their business growth model; for growth pursuing enterprise, M&A is always a trend and main strategy for them to put their group forward.

This paper would study the interactive of family ownership and M&A mechanism which is characteristic of family firms that have no obvious separation of ownership and management which consequently affect M&A decision making. Further, the widespread of family firms in almost every industry does matter to Thai economy so it worth to understand their relationship.



CHAPTER 2

REVIEW OF LITERATURE

Paul Andre, Walid Ben-Amar, Samir Saadi (2012) conduct research to demonstrate there is positive effect on value creation of M&A with involvement of family management comparing with a hired CEO, however this is true only when family shareholding is in low proportion, there is negative impact when family shareholding account for significant proportion. And they found that after acquisition, a family-controlled firm outperform a non-family firm both in short and long term period. In addition, agency theory suggests that ownership increased incentive for manager, which should lead to better firm performance.

However, Morck and Yeung (2003) revealed that owner-manager would act on behalf of controlling shareholders in the expense of minority shareholders due to separation of ownership and control, in addition, Kee-Hong Bae, Jun-Koo Kang, and Jin-Mo Kim (2002) found that controlling shareholders of Korean large enterprises increase its wealth by increasing the value of group and expropriation of minor shareholders through acquisition.

Duggal and Millar (1999) explained that there is incentive for institutional investors to monitor manager, however, another theory suggest that they do not effectively monitor due to their passive investment strategy and short-term vision.

Bertrand and Zitouna (2008) state that industry diversification motive would create less synergy than non-diversification of industry. While geographical diversification, so-called cross-border M&A can result in higher synergy explained by Paper of Ben-Amar and Andre (2006)

Nils Herger, Steve Mccorrison (2016) classified M&A into 3 majors types based on integrating the acquirer's organization structure, which are horizontal, vertical and conglomerate M&A. The main motive for horizontal M&A is to increase market share by eliminate competitors and build up "empire" to get high margin (Nadia Straton 2009). For vertical, main purpose is to reduce cost and get economics of scale. Growth and diversification are what conglomerate merger seeks for, and also target's distribution channel indicated by Tommy Staahl Garbielsen (2003).

Many corporations pursue M&A due to synergy effect, Varvara Nazarova (2015) analyze the acquirer M&A performance via abnormal return of event studies, in order to immediately notice the impact of deal announcement to company value.

Base on above literatures, thus, following hypothesis are applied:

- H1: Family acquirer can generate higher abnormal positive return than non-family firm during M&A announcement period
- H2.1: The high level of family ownership has negative effect to acquiring company's wealth during M&A announcement period.
- H2.2: Financial Institutional ownership has negative impact to acquiring company's wealth during M&A announcement period.
- H2.3: There is negative relationship between abnormal return and M&A transaction with diversification of industry, while positive relationship with diversification of geographic

CHAPTER 3

THEORETICAL FRAMEWORK

Of the numerous theories of M&A, in this paper, 3 of them are applied in this paper, which are:

3.1 Efficiency Theory

Efficiency can be classified into horizontal synergy and vertical synergy, both occurs when market value of new merged company is higher than sum of individual value of acquirer and target. Economic of scale and scope are used to measure horizontal synergy, and the transaction can save overlap cost, increase market share, enhance bargaining power, cross-sell to existing product to target company's client, which take over the same industry target to recognize synergy. On the contrary, vertical synergy are for acquirer and target in the same industry with different production stage (upstream or downstream), which can directly control supplier or distribution channel behavior with cost control and exclusivity privilege.

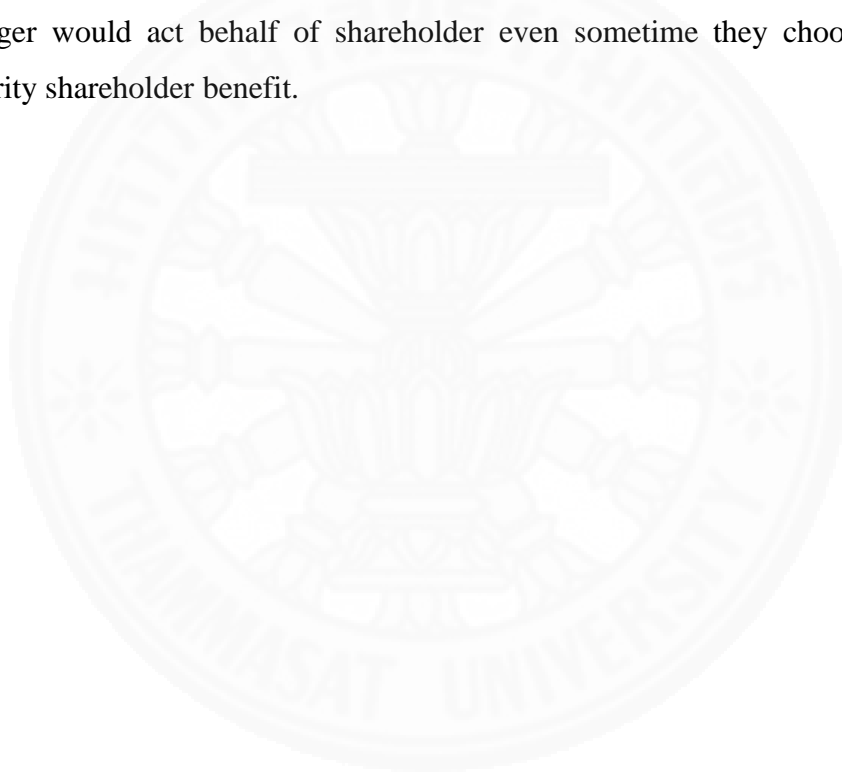
3.2 Diversification Theory

Diversification can be classified into industry diversification and geographical diversification (cross-border M&A), which is the main motive for conglomerate to do M&A activity. Diversification of business can reduce business risk, country risk and create sustainable income to the group, especially conglomerate enterprises in Thailand who prefer to diversify its business as argument states that “ *value of conglomerate will be greater than sum of value of individual firms as a result of lower business risk and higher debt capacity*”. On the other hand, diversification does not make attraction to investor as they can diversify their own risk in portfolio with lower cost, so if motive of M&A is to hedge against its business volatility, then it's pretty hard to convince investor, unless the transaction create other synergy, stated by Ian Giddy (2009).

3.3 Agency Theory

The theory indicates that there is agency conflict between controlling shareholders and minority shareholders for family firms, since owner–manager act on behalf of controlling family rather than minority shareholders due to separation between ownership and control, and there is high potential for major shareholder to collude with manager in taking advantage of minority shareholders and further privately share the benefit.

On the contrary, family ownership could minimize the possible problem that would arise from conflict of interest between shareholders and manager, at least owner-manager would act behalf of shareholder even sometime they choose to sacrifice minority shareholder benefit.



CHAPTER 4

RESEARCH METHODOLOGY

4.1 Data

M&A transaction information is mainly acquired from Thomson Reuter, SET Smart, annual report, BOL (Business Online) and meet below criteria:

- Timing for observation is from year 2000 to 2015
- Acquirers are companies that listed on Stock Exchange of Thailand (SET)
- Only completed deals are included
- M&A types include acquisition of majority asset, acquisition of asset, merger and exchange offer.
- Deal with only acquisition of at least 25% share of target company is included
- Deal size start from 4 Million USD
- For the company that has more than one transaction within 6 months period, the transaction with larger deal size is selected or if deal size is not much different then the first deal will be picked.

Table 4.1: Variable Description

Variable		Source	Description
Cumulative abnormal return (-1,+1)	CAR1	SET Smart	Return around announcement period
Cumulative abnormal return (-2,+2)	CAR2	SET Smart	Return around announcement period
Cumulative abnormal return (-3,+3)	CAR3	SET Smart	Return around announcement period
Natural logarithm of family ownership shareholding	LFMH	SET Smart/annual report/ BOL/Thomson/SET	Family ownership is determined by major ultimate shareholders, who have the same surname, if the major shareholder of the acquirer is company, then need to further seek ultimate shareholder (individual) of the company, and calculate based on family shareholding
Family ownership dummy	FN	SET Smart/annual report/ BOL/Thomson/SET	Family dummy is 1 if percentage of family shareholding exceed 10%, or 0 if not

Variable		Source	Description
Multiplication of LFMH and FN	FM		Interaction of family shareholding and family dummy
Financial institution shareholding	FIH	SET Smart	All financial institution shareholding, eg. Bank, securities, insurance, asset management
Financial institution dummy	FIN	SET Smart	Financial institution dummy is 1 if percentage of shareholding exceed 5%, or 0 if not
Public target	PT	Thomson	Public target dummy is 1 if target is listed firm, or 0 if not
Industry Diversification	DI	Thomson	Diversification mean acquiring different industry's target company, equal to 1 if target is in different industry, or 0 if not
Geographical diversification	DG	Thomson	Cross-border dummy is 1 if the target company is registered outside Thailand, or 0 if not
Natural logarithm of acquirer market capitalization	LV	SET Smart	Acquirer market value is as of 15 days before the announcement of the transaction
Acquirer market cap relative to deal size	RELSIZE	SET Smart/Thomson	Acquirer market value is as of 15 days before the announcement of the transaction, and deal value is gathered from Thomson is in USD, then convert to THB with exchange rate as of that time

4.2 Methodology

Event Study

To evaluate whether M&A actually create value to acquiring firms, event study is used to estimate short-term gain, which *“can reveal important information about how a security is likely to react to a given event, and can help predict how other securities are likely to react to different events.”* The advantage of this method is that the impact of the announcement of M&A would immediately reflect in the company stock price, which can be visible in short-term period, and this method is suitable for short-term rather than long-term due to many events would occur during long-term period, which cannot clearly justify and clarify the impact of such announcement to the share price. And this method finds the difference between the acquirer’s realized return

and expected return, which so-called “Abnormal Return”, causing by announcement of M&A. The followings are the steps to conduct event study of M&A announcement:

1. Construct model to find expected return without announcement of M&A. Estimation period is between – 180 days and - 7 days prior the deal announcement date.

$$ER_{it} = \hat{\alpha}_i + \hat{\beta}_i R_{mt}$$

2. Then find actual return of acquirer based on market model:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$$

* R_{it} =Return of acquirer’s stock at time t . R_{mt} = Return of market index at time t . α_i, β_i =Parameters to be estimated. ε_{it} = Error term.

3. Then find the difference between actual and expected return, which is abnormal return.

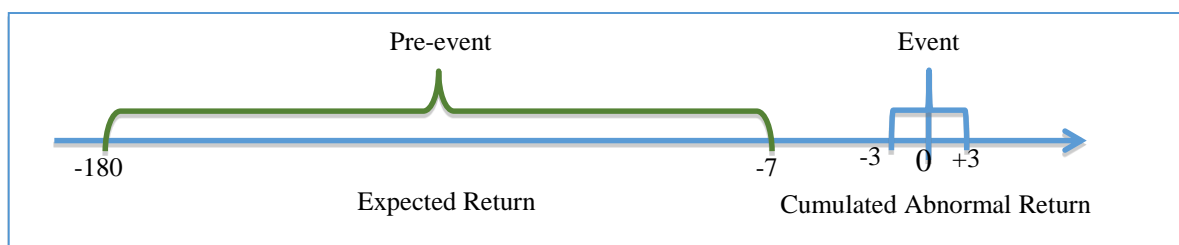
$$AR_{it} = R_{it} - ER_{it}$$

4. Find cumulative abnormal return, which is sum of abnormal return for a period of time. (* M=number of days before deal announcement, N=number of days after deal announcement.)

$$CAR_{i(-M,N)} = \sum_M^N AR_{it}$$

Note: CAR is cumulated over 3/5/7 days around the announcement date

Figure 4.1: Event Timeline



5. Testing whether there is cumulative abnormal return during announcement period by t-test (T-Test-Mean Standardized Excess Returns)

Ho: there is no cumulative abnormal return during announcement period

$$t = \frac{\overline{CAR}_{i,T}}{\left[\frac{\sigma(CAR_{i,T})}{\sqrt{N}}\right]}$$

$$\text{where } \overline{CAR}_{i,T} = \frac{1}{N} \sum_{n=1}^N CAR$$

6. Testing whether family shareholding, financial institution shareholding and other controlled variables have impact on M&A abnormal return by below model:

$$CAR_{i,t} = \alpha_0 + \beta_1 LFMH_{i,t} + \beta_2 FN_{i,t} + \beta_3 FIH_{i,t} + \beta_4 FIN_{i,t} + \beta_5 PT_{i,t} + \beta_6 DI_{i,t} \\ + \beta_7 DG_{i,t} + \beta_8 LV_{i,t} + \beta_9 RELSIZE_{i,t} + \varepsilon_{i,t}$$

4.3 Expected Result

4.3.1 Major Independent Variables

Natural logarithm of family ownership shareholding (“LFMH”)

The reason that use natural logarithm instead of shareholding percentage is due to non-normality problem, so logarithm is applied instead. According to Paul Andre, Walid Ben-Amar, Samir Saadi (2012), the result should be positive relationship when low shareholding while negative relationship for high shareholding.

Financial institution shareholding FIH (“FIH”)

Financial institutions have monitoring function by Maug (1998), however, financial institution shareholding does have negative impact due to its passive investment strategy and has less knowledge about the business proved by Serdar Çelik and Mats Isaksson (2013).

4.3.2 Controlled Variables

Family ownership dummy (“FN”)

According to Paul Andre, Walid Ben-Amar, Samir Saadi (2012), it should have positive relationship with abnormal return.

Financial institution dummy (“FIN”)

According to Paul Andre, Walid Ben-Amar, Samir Saadi (2012), it should have positive relationship with abnormal return.

Public target (“PT”)

PT is considered as relatable factor due to lack of liquidity of private firm, so normally acquirer would get lower wealth from acquisition of listed target due to several sources of exit. (Chang, 1998)

Industry Diversification (“DI”)

This factor should be negatively relatable as diversifying acquisition can does not make attraction while consider as significant cost to investor by Ian Giddy (2009).

Geographical Diversification (“DG”)

Paper of Ben-Amar and Andre in 2006 suggested that cross-border acquisition gain higher return than domestic for Canadian acquirer.

Natural logarithm of acquirer market capitalization (“LV”)

According to Moeller, Schlingemann, andStulz (2004), large size firm pay too much in M&A acquisition due to diversified of cost to many shareholder, comparing to small size firm.

Acquirer market cap relative to deal size (“RELSIZE”)

Asquith, Bruner, & Mullins (1983) states that large target tend to have high bargaining power, so acquirer normally pay too much for large deal.

Table 4.2: Show the expected result from above analysis:

Expected Result									
Variable	LFMH	FN	FIH	FIN	PT	DI	DG	LV	RELSIZE
Expected Result	-/+	+	-/+	-	-	-	+	-	-



CHAPTER 5

RESULT

5.1 Statistic Description

The sample cover period from 2000 to 2015, which include total 95 M&A transactions that have average deal value of THB 10 Billion, which consist of 52 family acquiring M&A transactions and 43 non-family acquiring M&A transactions.

Table 5.1: Statistic Description

Variable	Observation	Mean	Std. Dev.	Min	Max
CAR1	95	0.0353	0.0865	-0.2226	0.3423
CAR2	95	0.0517	0.1102	-0.1704	0.4086
CAR3	95	0.0611	0.1301	-0.2613	0.3946
LFMH	95	-9.3476	18.8512	-51.0000	-0.1692
FN	95	0.5474	0.5004	0.0000	1.0000
FIH	95	0.2148	0.2418	0.0000	0.9890
FIN	95	0.6211	0.4877	0.0000	1.0000
PT	95	0.2000	0.4021	0.0000	1.0000
DI	95	0.6421	0.4819	0.0000	1.0000
DG	95	0.1368	0.3555	0.0000	1.0000
LV	95	10.0885	0.7911	8.6521	11.7618
CAR1	52	0.0531	0.0965	-0.2226	0.3422
CAR2	52	0.0843	0.1148	-0.1334	0.4086
CAR3	52	0.0985	0.1174	-0.1148	0.3946
LFMH	52	-0.5753	0.2412	-0.9825	-0.1692
FN	52	1.0000	0.0000	1.0000	1.0000
FIH	52	0.1182	0.1135	0.0000	0.4035
FIN	52	0.5000	0.5049	0.0000	1.0000
PT	52	0.2115	0.4124	0.0000	1.0000
DI	52	0.5769	0.4989	0.0000	1.0000
DG	52	0.1346	0.3646	0.0000	1.0000
LV	52	9.8678	0.7468	8.6521	11.6066
RELSIZE	52	0.4486	0.7814	0.0007	4.6469
CAR1	43	0.0135	0.0672	-0.1156	0.1967
CAR2	43	0.0124	0.0911	-0.1704	0.1831
CAR3	43	0.0158	0.1316	-0.2613	0.3458
LFMH	43	-19.2168	23.9788	-51.0000	-1.0061
FN	43	0.0000	0.0000	0.0000	0.0000
FIH	43	0.3316	0.2995	0.0000	0.9890
FIN	43	0.7674	0.4275	0.0000	1.0000
PT	43	0.1860	0.3937	0.0000	1.0000
DI	43	0.7209	0.4539	0.0000	1.0000
DG	43	0.1395	0.3506	0.0000	1.0000
LV	43	10.3553	0.7683	8.8451	11.7618
RELSIZE	43	0.3970	0.6264	0.0019	3.5975

For the whole sample, the average CAR for 3 days, 5 days and 7 days are 3.5%, 5.1% and 6.1% respectively. The average natural logarithm family shareholding level is -9.34, while financial institution shareholding is 21.48% on average.

For controlled variables as table 5.2, there are 59 firms that has financial institution shareholding exceed 5%, equivalent to 62% of total sample. In addition, number of public target deal are 19 (equivalent to 20%), and there are 61 number of transaction are diversified which acquire different industry. Also, 13 number of transaction are cross-border target, which equivalent to 14% of total sample.

Table 5.2: Dummy Variables

		Whole Sample		Family Firm Sample		Non-family Firm Sample	
		Number of firm	%	Number of firm	%	Number of firm	%
FN	Family	52	55%				
	Non-family	43	45%				
FIN	FI major holding	59	62%	26	50%	33	63%
	Non-FI major holding	36	38%	26	50%	19	37%
PT	Public Target	19	20%	11	21%	8	15%
	Non-public Target	76	80%	41	79%	44	85%
DI	Different Industry	61	64%	30	58%	31	72%
	Same Industry	34	36%	22	42%	12	28%
DG	Cross-border	13	14%	7	13%	15	29%
	Domestic	82	86%	45	87%	37	71%

Table 5.3: Current Situation of Sample

Current Situation	Number of firm	%	Number of firm (family)	%	Number of firm (Non-family)	%
Delist	9	9%	2	4%	7	16%
Name change	11	12%	5	10%	6	14%

Table 5.3 present current situation of firms, notice that of the whole sample, 9 firms has been delist from Stock Exchange of Thailand (SET), and 11 firms changed its name.

5.2 Abnormal Return between family and non-family

H1: Family acquirer can generate higher abnormal positive return than non-family firm during M&A announcement period.

Table 5.4: CAR and T-test

Whole Sample (95 sample size)					
	ACAR	STD	T-test	P-Value	% of positive CAR
[-3,+3]	0.061091	0.013349	4.5764	0.0000*	67.37%
[-2,+2]	0.051728	0.011311	4.5734	0.0000*	68.42%
[-1,+1]	0.035253	0.00887	3.9744	0.0001*	64.21%
Family (52 sample size)					
	ACAR	STD	T-test	P-Value	% of positive CAR
[-3,+3]	0.098537	0.016278	6.0535	0.0000*	80.77%
[-2,+2]	0.08429	0.015921	5.2944	0.0000*	82.69%
[-1,+1]	0.053162	0.013396	3.9685	0.0002*	76.92%
Non-Family (43 sample size)					
	ACAR	STD	T-test	P-Value	% of positive CAR
[-3,+3]	0.015806	0.02007	0.7875	0.4354	52.38%
[-2,+2]	0.01235	0.013889	0.8892	0.3790	52.38%
[-1,+1]	0.013597	0.010252	1.3262	0.1919	50.00%

Note: * statistically significance at 1% level.

From table 5.4, it shows that it exists positive and statistically significant abnormal return during M&A announcement period for the whole sample accumulated for 3 days, 5 days and 7 days respectively, with 67.37%, 68.42% and 64.21% of deal to have positive CAR.

Also, the same result apply to only family firm sample, it shows positive and statistically significant abnormal return during announcement period, which generate positive ACAR of 9.8%, 8.4% and 5.3% respectively, and when comparing to non-

family sample, average CAR of family firm exceed non-family firm sample that has only 1.5%, 1.2% and 1.3% ACAR, in conclude, the result prove the null hypothesis that family acquirer generate higher abnormal return than non-family acquirer.

5.3 Impact of family, financial institution shareholding, diversification to abnormal return

H2.1: The high level of family ownership has negative effect to acquiring company's wealth during M&A announcement period.

H2.2: The financial institutional ownership has negative impact to acquiring company's wealth during M&A announcement period.

H2.3: There is negative relationship between abnormal return and M&A transaction with diversification of industry, while positive relationship with diversification of geographic.

Table 5.5: Correlation matrix between accumulated abnormal return and independent variables

Correlation Matrix										
Variable	CAR3	LFMH	FN	FIH	FIN	PT	DI	DG	LV	RELSIZE
CAR3	1									
LFMH	0.1442	1								
FN	0.3182	0.5144	1							
FIH	-0.3556	-0.5875	-0.4418	1						
FIN	-0.3257	-0.2416	-0.2744	0.602	1					
PT	-0.1091	0.0157	0.0317	-0.1621	0.1193	1				
DI	-0.2441	-0.1637	-0.1495	0.1606	0.0052	-0.1208	1			
DG	0.0603	0.0157	-0.0071	0.0901	0.1216	0.0306	-0.3416	1		
LV	-0.5041	-0.4201	-0.3084	0.3626	0.3864	0.1247	-0.0272	0.2381	1	
RELSIZE	-0.0029	0.1696	0.0362	-0.0675	-0.0076	0.0748	-0.0095	0.0758	-0.3131	1

Table 5.5 presents the correlation matrix between dependent of CAR3 (-3, +3) and independent variables, indicate that cumulated abnormal return CAR3 is positively correlate with natural logarithm of family shareholding level, family firm dummy, geographical diversification of M&A transaction, while it negatively correlated with financial institution shareholding level, financial institution shareholding dummy, public target firm, industry diversification, natural logarithm of acquirer market value and lastly deal size relative to acquirer market value.

Model 1 is linear-log regression model to find relationship between acquirer abnormal return, level of family shareholding, level of financial institutional shareholding and other controlled variables that include dummy variables, while Model 2 use only dummy variables to measure abnormal return.

Table 5.6: OLS regression result between CAR3 and independent variables

Variable	Model1			Model2		
	Coefficient	t-stat	P-Value	Coefficient	t-stat	P-Value
LFMH	-0.0024	-3.2600	0.0020			
FN				0.0572	2.23	0.0280
FM	-0.0482	-1.37	0.173			
FIH	-0.1789	-2.5800	0.0120			
FIN				-0.0676	-2.56	0.0120
PT	-0.0310	-1.1600	0.2510	-0.0364	-1.18	0.2400
DI	-0.0521	-2.2100	0.0300	-0.0583	-2.12	0.0370
DG	0.0735	2.1900	0.0310	0.0084	0.22	0.8240
LV	-0.0957	-5.8500	0.0000			
RELSIZE	-0.0285	-1.8200	0.0730			
_cons	1.0755	6.1500	0.0000	0.1153	3.31	0.001
<i>R</i> ²	0.4629			0.2189		
F Statistic	9.2700			0.0004		

Model 1 shows result that level of family shareholding has negative and significant (0.002, P-value<0.05) relationship with cumulative abnormal return, even the result is partial different from Paul Andre', Walid Ben-Amar ,Samir Saadi (2012) who found positive and quadratic relationship when level of family shareholding is low, while negative during high level of shareholding. The table 5.6 also show that there is significance (0.012, p-value<0.05) and negative relationship between level of financial institution shareholding and abnormal return, which is consistent with Kohers and Kohers (2000).

Besides, the result also present the relationship with other controlled variables, industry diversification of transaction is also significant and contribute inverse impact to abnormal return, and cross border M&A is significant and has positive relationship to abnormal return while public target are not significant to abnormal return.

Acquirer size and acquirer wealth relative to deal size are all statistically significant and have negative relationship, which indicate that large size acquirers are under perform when comparing to small size acquirers, also, the result proves that large deal size tend to have negative impact due to over payment and consider transaction is expensive which is at the cost of acquiring firm's shareholders, which consistent with previous research result.

Table 5.7: Research Result of Model 1

Variable	LFMH	FM	FIH	PT	DI	DG	LV	RELSIZE
Result	-	-	-	-	+	-	-	-
Significant	YES*	NO	YES*	NO	YES*	YES**	YES*	YES***

Note: * statistically significant at 1%,

** Statistically significant at 5%,

*** Statistically significant at 10%,

5.4 M&A Motive

Table 5.8: M&A motive to research result

Motive Combination	Number of firms	Avg CAR3	Relationship with CAR3
Efficiency			
Horizontal	50	5.06%	+
Vertical	32	7.00%	+
Diversification			
Industry	61	3.75%	-
Cross-border	13	8.07%	+
Agency	52	9.85%	+
Family firm with horizontal efficiency motive	22	10.48%	
Non-family firm with horizontal efficiency motive	12	4.89%	
Family firm with vertical efficiency motive	21	9.44%	
Non-family firm with vertical efficiency motive	11	2.33%	
Family firm with industry diversification motive	30	7.31%	
Non-family firm with industry diversification motive	31	0.30%	
Family firm with geographical diversification motive	7	13.97%	
Non-family firm with geographical diversification motive	6	1.19%	

Table 5.8 shows the interaction between motive of M&A and research result, out of 95 sample, 77 transactions has been completed due to pursue of efficiency either by horizontal or vertical, and the market give positive reaction toward these two motive of synergies, in addition, investor put more weight on vertical M&A than horizontal, as vertical M&A create wealth by saving cost from preventing double marginalization, stated by Jrisy Motis (2007).

The second motive is diversification, which takeover different industry target or cross-border M&A, however, investor perceive these two differently in term of risk, market give positive reaction to cross-border M&A transaction while negative toward different industry target, since investor think that they can better diversify their portfolio rather than bear the cost of the diversified M&A as explained by Lan Giddy, professor of New York University (2009).

The last motive is agency theory, market give positive reaction to family acquirer M&A, which is consistent with previous result, this motive is driven by family

firm management who seek for project on behalf of themselves as they are the major shareholders, so investors normally consider family agency as positive signal when the family shareholding is in low level.

5.5 Clinical Study

5.5.1 Horizontal Efficiency & Geographical Diversification Motive

Table 5.9: Deal Summary (Horizontal & Geographical)

Announcement Date	Deal Size (M USD)	Target Name	Acquirer Name	Target Nation	Form of the Transaction	Target Industry	Acquirer Industry	% acquired
05-Jul-10	1,906	Centennial Coal Co Ltd	Banpu PCL	Australia	Merger	Metals & Mining	Metals & Mining	80.11
27-Aug-10	469	Corus Group PLC-Steel Plant	Sahaviriya Steel Industries PCL	United Kingdom	Acquisition Of Assets	Metals & Mining	Metals & Mining	100

Banpu PCL had family shareholding of 4.15% which classified as non-family firm, registered in Thailand, operating in metal and mining industry, has announced to acquire the same industry Australia Company Centennial Coal Co Ltd in 05 July 2010, the transaction value was approximately 1,906 MUSD, totaling 80.1% of shareholding. As a result, the cumulative abnormal return [-3, +3] was -24.04%.

On the other hand, Sahaviriya Steel Industries PCL had family shareholding of 47.04% which classified as family firm, registered in Thailand, operating in metal and mining industry, has announced to acquired asset of Corus Group PLC-Steel Plant, a United Kingdom company who was in the same industry, which resulted in cumulative abnormal return [-3, +3] of 29.56%.

This is consistent with this paper research result that family firm acquirer generate higher abnormal return than non-family firm and in addition, the geographical diversification has positive impact to CAR3.

5.5.2 Vertical Efficiency Motive

Table 5.10: Deal Summary (Vertical)

Announcement Date	Deal Size (M USD)	Target Name	Acquirer Name	Target Nation	Form of the Transaction	Target Industry	Acquirer Industry	% acquired
25-Feb-11	5,727	PTT Aromatics & Refining PCL	PTT Chemical PCL	Thailand	Merger	Oil & Gas	Chemicals	100
07-Feb-12	795	Old World Industries I Ltd	Indorama Ventures PCL	United States	Merger	Chemicals	Chemicals	100

PTT Chemical PCL who was belong to chemical industry and was not a family firm, the company has acquired PTT Aromatics & Refining PCL whose major business was refinery of oil and gas, this was vertical merger that integrate between upstream and downstream, the transaction generated -14.71% of cumulative abnormal return [-3, +3].

While Indorama Ventures PCL who had family shareholding of 65.98% in the same industry as PTT Chemical PCL, has acquired Old World Industries I Ltd, a downstream product of acquirer, as a result, the transaction generated 14.08% cumulative abnormal return [-3, +3]. In short, the result consistent with this paper.

5.5.3 Industry Diversification Motive

Table 5.11: Deal Summary (Industry Diversification)

Announcement Date	Deal Size (M USD)	Target Name	Acquirer Name	Target Nation	Form of the Transaction	Target Industry	Acquirer Industry	% acquired
28-Jan-04	195	Industrial Finance Corp of Thailand	Thai Military Bank PCL	Thailand	Merger	Credit Institutions	Banks	100
23-Feb-10	127	Gamma Capital Fund	Kiatnakin Bank PCL	Thailand	Acquisition Of Majority Assets	Other Financials	Banks	94.57

Thai Military Bank PCL had family shareholding of 1.78%, who was considered as non-family firm, acquiring different industry company Industrial Finance Corp of Thailand, the total deal size was approximately 195 MUSD, as a result the cumulative abnormal return [-3, +3] was -7.2%.

On the contrary, Kiatnakin Bank PCL was considered as family firm due to family shareholding of 20.79%, to acquire different industry company Gamma Capital Fund with total transaction value of 127 MUSD, which result in positive cumulative abnormal return [-3, +3] of 0.52%. Overall, the transaction prove this paper result.

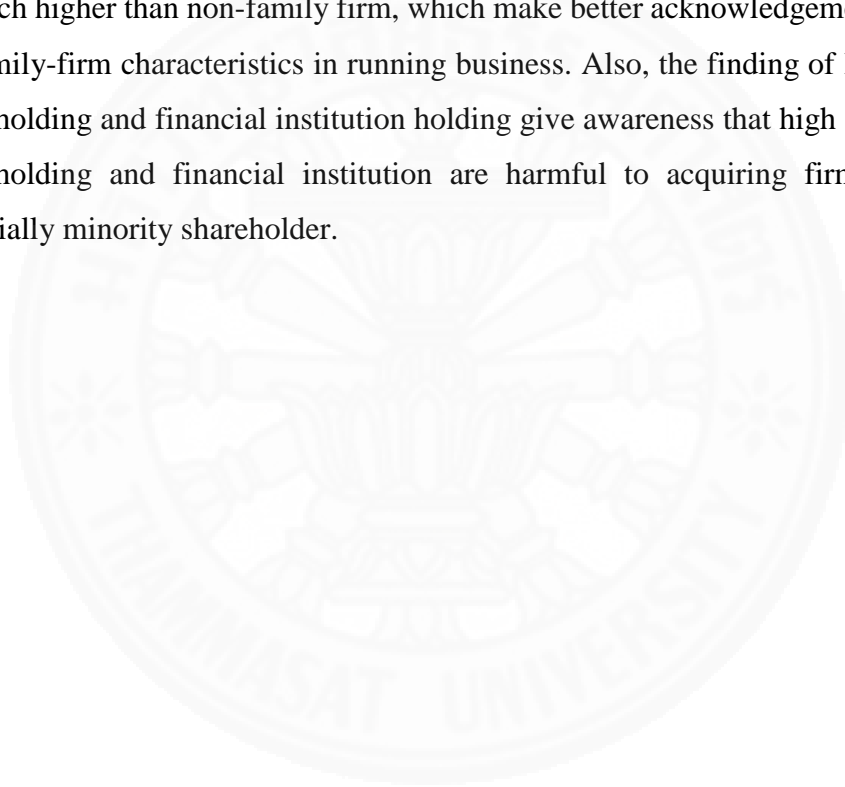


CHAPTER 6

CONCLUSION

This paper mainly to investigate family firm can generate higher cumulative abnormal return than non-family firm during M&A announcement period, in addition, to prove family shareholding, financial institution shareholding, industry & geographical diversification toward acquirer's shareholder wealth.

The result found that positive abnormal return for family-firm M&A transaction is much higher than non-family firm, which make better acknowledgement importance of family-firm characteristics in running business. Also, the finding of level of family shareholding and financial institution holding give awareness that high level of family shareholding and financial institution are harmful to acquiring firm shareholder, especially minority shareholder.



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APPENDICES

APPENDIX A

RESEARCH SUMMARY FOR METHODOLOGY

Table A.1 Research Summary for Methodology

Author	Research Topic	Return	Model
Hari P. Adhikari & Ninon K. Sutton (2016)	All in the family: The effect of family ownership on acquisition performance	Buy-and-hold abnormal returns (BHARs)	Fama French Three Factors Model
Paul Andre, Walid Ben-Amar & Samir Saadi (2014)	Family firms and high technology Mergers & Acquisitions	3 days cumulative abnormal return	Market Model
Houssam Bouzgarrou, Patrick Navatte, Houssam Bouzgarrou, Patrick Navatte (2013)	Ownership structure and acquirers performance: Family vs. non-family firms	3 days cumulative abnormal return	Market Model
Rekha Rao Nicholson, Julie Salaber (2013)	The motives and performance of cross-border acquirers from emerging economies: Comparison between Chinese and Indian firms	3 days cumulative abnormal return	Market Model

APPENDIX B

DATA SUMMARY

Note:

- (1) Efficiency include synergy from horizontal and vertical merger
Diversification include diversify of industry and cross-border
Agency indicate family shareholding exceed 10% which has possibility of agency motive.
- (2) FMH: summation of ultimate shareholding with the same surname (Source: SET Smart, annual report, IFA report)
- (3) FIH: summation of financial institution shareholding (Source: SET Smart)
- (4) CAR3: cumulative abnormal return for 7 days [-3,+3] (Source: SET Smart)
- (5) Other information except for above notice, are all acquired from Thomson Reuter

Table B.1 Data Summary

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
31-May-01	26	100	Undisclosed Hypermarket- Related Businesses-(5) Chiang Mai	Big C Supercenter PCL	Y		Y	-26%	12%	6%
16-Jul-01	388	70	Shin Digital Co(Shin Corp)	Advanced Info Service PCL	Y			-26%	7%	41%
29-Jan-02	31	100	Siam Pacific Electric Wire and Cable Co	Charoong Thai Wire & Cable PCL		Y		-1%	2%	12%
23-Apr-02	27	100	BT Securities Co Ltd	BankThai PCL	Y	Y		-8%	0%	97%
08-May-02	19	52	Siam Paper Co Ltd	Industrial Finance Corp of Thailand {IFCT}		Y		0%	0%	69%
19-Aug-02	16	100	Richee Holding Alliance Co Ltd	Sansiri PCL	Y	Y		9%	4%	38%
16-Sep-02	5	83	Curtain Property Co Ltd	Asian Property Development	Y	Y	Y	-5%	28%	34%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
28-Apr-03	131	100	Ascom Energy System	Delta Electronics (Thailand) PCL	Y	Y		-4%	3%	69%
19-May-03	50	100	Parish Structural Products (Thailand) Ltd	AAPICO Hitech PCL	Y		Y	21%	26%	16%
26-May-03	9	42	United Palm Oil Industry PCL	Lam Soon (Thailand) PCL	Y		Y	33%	24%	13%
07-Oct-03	99	100	Asset Plus Securities PCL	ABN AMRO Asia Securities PCL	Y			11%	7%	14%
28-Jan-04	195	100	Industrial Finance Corp of Thailand {IFCT}	Thai Military Bank PCL	Y	Y		-7%	2%	1%
10-Mar-04	4	51	Thai Pride Cement Co Ltd	Italian-Thai Development PCL	Y	Y	Y	3%	26%	13%
02-Apr-04	8	74	Universal Food PCL	Lam Soon (Thailand) PCL	Y		Y	7%	25%	8%
16-Apr-04	8	63	Bualuang Securities Co Ltd	Bangkok Bank PCL		Y		-5%	1%	53%
09-Jun-04	54	100	EGV Entertainment PCL	Major Cineplex Group PCL	Y	Y	Y	2%	60%	13%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
28-Jun-04	7	51	Bangkok Phuket Hospital Co Ltd	Bangkok Dusit Medical Services PCL	Y		Y	-2%	17%	10%
14-Jul-04	11	80	Chachoengsao Casting Work Co Ltd	Kulthorn Kirby PCL	Y	Y	Y	9%	36%	7%
18-Aug-04	25	100	World(Thailand)Gas Co Ltd	Picnic Gas & Engineering	Y	Y	Y	18%	39%	2%
08-Sep-04	33	100	Asset Plus Securities Co Ltd	Kasikorn bank	Y	Y		-6%	1%	28%
15-Oct-04	75	100	Magnecomp International Ltd-Data Storage Component Division	KR Precision PCL	Y			10%	1%	62%
07-Feb-05	4	100	APEX Securities Co Ltd	Adkinson Securities PLC	Y		Y	19%	14%	6%
25-Feb-05	7	50	Zurich National Life Assurance Co Ltd	National Finance PCL	Y	Y		3%	0%	99%
21-Mar-05	28	100	Inter Steel Industries Co Ltd	Samchai Steel Industries PCL	Y		Y	16%	32%	0%
30-Mar-05	25	75	SIL Industrial Land Co Ltd	Hemaraj Land & Development PCL	Y		Y	17%	13%	4%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
28-Apr-05	91	50	Thai Tap Water Supply Co Ltd	CH Karnchang PCL	Y	Y		11%	6%	14%
16-May-05	4	60	Royal Excellency Co Ltd	Land & Houses PCL	Y		Y	14%	22%	27%
01-Jul-05	877	100	National Petrochemical PCL	Thai Olefins PCL	Y			20%	0%	4%
13-Sep-05	11	51	Taksin Hotel Holding Co Ltd	Raimon Land PCL	Y	Y	Y	-2%	10%	40%
20-Oct-05	7	100	Nava Leasing PCL-Hire Purchase & Leasing Customers Portfolio	Thanachart Bank PCL	Y	Y		-1%	0%	99%
16-Dec-05	16	86	Ayudhya Securities PCL	Bank of Ayudhya PCL	Y	Y		-2%	1%	23%
23-Dec-05	7	100	STC Feed Co Ltd	Asian Seafoods Coldstorage PCL	Y	Y	Y	24%	61%	0%
01-Jun-06	5	70	Burapa Steel Industries Co Ltd	Thai Heat Exchange PCL	Y	Y	Y	17%	12%	15%
08-Sep-06	11	50	TSEC Securities Co Ltd	Krung Thai Bank PCL	Y	Y		1%	0%	77%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
19-Oct-06	27	57	KPN Automotive PCL Ltd	AAPICO Hitech PCL	Y		Y	2%	26%	14%
22-Mar-07	5	50	JR Deal Co Ltd	DE Capital PCL	Y		Y	18%	12%	3%
19-Apr-07	281	100	ConocoPhillips Co-Fuel Retail Business	PTT PCL	Y			-22%	0%	81%
20-Jul-07	2,710	100	Rayong Refinery PCL	Aromatics(Thailand)PCL	Y	Y		8%	1%	15%
23-Aug-07	486	100	GE Capital Auto Lease PCL	Bank of Ayudhya PCL	Y	Y		17%	0%	62%
06-Dec-07	330	100	Eastman Chemical Co-European PTA and PET Resin assets	Indorama Polymers PCL (56)		Y		5%	1%	7%
29-Dec-08	19	100	Thai National Product Co Ltd	Rich Asia Steel PCL	Y			35%	6%	11%
22-Jan-09	171	100	Minor Corp PCL	Minor International PCL		Y	Y	-11%	40%	24%
26-Feb-09	203	41	Muangthai Fortis Holding Co Ltd	Kasikornbank PCL	Y	Y		-24%	1%	40%
17-Mar-09	8	100	Princeton Park Suites Co Ltd	Vibhavadi Medical Center PCL		Y	Y	16%	25%	6%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
24-Apr-09	6	100	ACL Securities Co Ltd	Syrus Securities PCL	Y		Y	39%	21%	7%
09-Jul-09	404	100	General Electric Capital International Holding Corp- Assets	Bank of Ayudhya PCL	Y	Y		7%	0%	55%
25-Sep-09	11	100	Solvay Biochemicals (Thailand) Co Ltd	Vinythai PCL	Y			14%	10%	1%
29-Oct-09	57	79	Belle Development Co Ltd	Media of Medias PCL	Y	Y		1%	7%	1%
23-Feb-10	127	95	Gamma Capital Fund	Kiatnakin Bank PCL	Y	Y	Y	1%	21%	30%
26-Feb-10	12	100	Super Gas Co Ltd	Siamgas & Petrochemicals PCL	Y		Y	12%	67%	0%
15-Mar-10	12	100	BT Insurance Co Ltd	Ayudhya Insurance PCL	Y	Y	Y	8%	14%	32%
23-Mar-10	758	100	Siam Rail Transport & Infrastructure Co Ltd	Tanayong PCL		Y	Y	-11%	31%	36%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
30-Apr-10	7	100	T Leasing Co Ltd	MBK PCL	Y	Y		-1%	2%	37%
05-Jul-10	1,906	80	Centennial Coal Co Ltd	Banpu PCL	Y	Y		-24%	4%	34%
16-Jul-10	11	100	Shell Gas (LPG) Singapore Pte Ltd	Siamgas & Petrochemicals PCL	Y	Y	Y	13%	61%	10%
27-Jul-10	884	100	MWBrands SAS	Thai Union Frozen Products PCL	Y	Y	Y	11%	26%	30%
27-Aug-10	469	100	Corus Group PLC-Steel Plant	Sahaviriya Steel Industries PCL	Y	Y	Y	30%	47%	25%
15-Nov-10	1,189	100	Carrefour SA-Business Operations	Big C Supercenter PCL	Y			-10%	9%	5%
15-Nov-10	4	100	United Foods PCL-Factory	AJ Plast PCL	Y	Y	Y	25%	59%	3%
22-Nov-10	127	100	Landmark Development Group Co Ltd	Country Group Development PCL		Y	Y	3%	21%	0%
13-Dec-10	215	26	Quezon Power (Philippines) Ltd Co	Electricity Generating PCL {EGCO}	Y	Y		11%	0%	15%

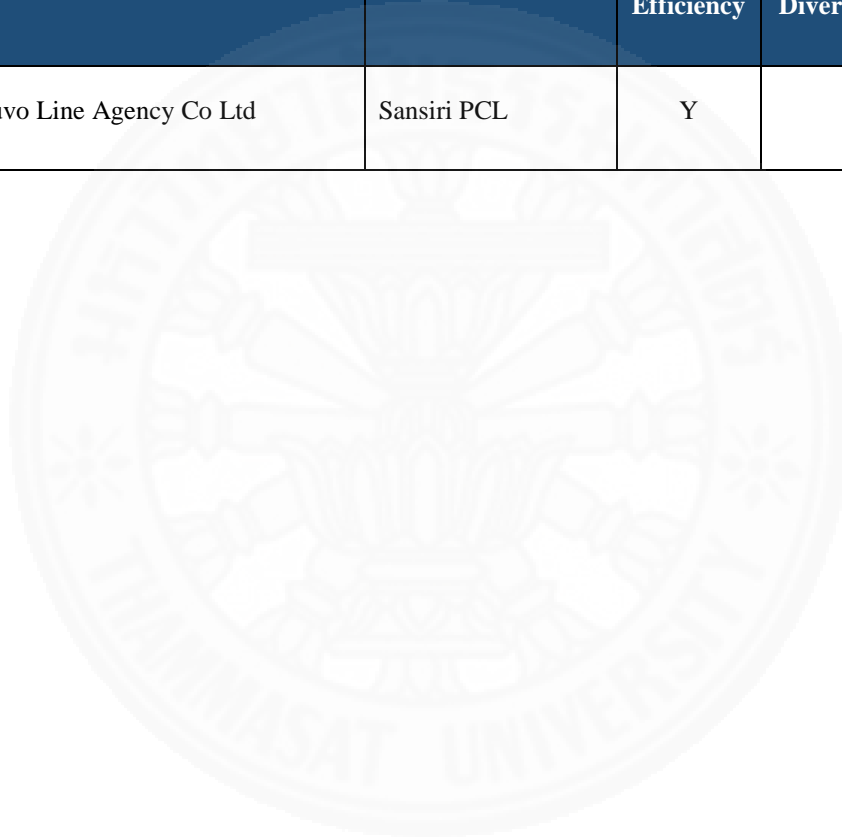
Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
14-Dec-10	317	100	Health Network PCL	Bangkok Dusit Medical Services PCL	Y	Y	Y	17%	17%	15%
24-Dec-10	27	77	Siam Ferro Industry Co Ltd	Rich Asia Steel PCL	Y		Y	22%	11%	1%
26-Jan-11	36	73	Navanakorn Electric Co Ltd	Toyo Thai Corp PCL	Y	Y		-18%	3%	17%
22-Feb-11	10	100	Northern Star Software Co Ltd	MFEC PCL		Y	Y	14%	11%	1%
25-Feb-11	5,727	100	PTT Aromatics & Refining PCL	PTT Chemical PCL	Y	Y		-15%	0%	6%
07-Mar-11	33	50	Chiang Mai Ram Medical Business PCL	Vibhavadi Medical Center PCL	Y	Y	Y	10%	25%	0%
31-Mar-11	216	56	Transfield Services Infrastructure Fund	Ratchaburi Electricity Generating Holding PCL		Y		9%	0%	23%
25-May-11	29	93	United Securities PCL	UOB-Kay Hian Securities (Thailand) PCL	Y			23%	2%	11%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
06-Jun-11	17	100	Thai National Power Co Ltd	Glow Energy PCL	Y	Y		4%	0%	15%
25-Nov-11	42	100	ABP Cafe (Thailand) Co Ltd	Sub Sri Thai PCL	Y	Y	Y	11%	49%	0%
25-Nov-11	2,174	74	C.P. Pokphand Co Ltd	Charoen Pokphand Foods PCL	Y	Y	Y	8%	38%	13%
09-Dec-11	229	100	Phatra Capital PCL	Kiatnakin Bank PCL	Y		Y	-5%	11%	27%
07-Feb-12	795	100	Old World Industries I Ltd,Old World Transportation Inc	Indorama Ventures PCL	Y	Y	Y	14%	66%	7%
10-Sep-12	121	49	Golden Land Property Development PCL	Univentures PCL	Y		Y	-2%	56%	11%
19-Sep-12	8	97	Chemtronics Technology (Thailand) Co Ltd	KCE Electronics PCL	Y	Y	Y	5%	31%	0%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
29-Nov-12	65	100	TICON Logistics Park Co Ltd-Warehouse (12)	TPARK Logistics Property Fund	Y	Y		-1%	1%	7%
08-Feb-13	16	100	IBUS Asset Management Asia BV-Life Heritage Resort	Minor International PCL	Y	Y	Y	8%	28%	27%
12-Mar-13	5	35	Medicpharma Co Ltd	Bangkok Dusit Medical Services PCL	Y	Y	Y	-2%	16%	16%
23-Apr-13	4,045	64	Siam Makro PCL	CP ALL PCL	Y		Y	-8%	21%	20
09-May-13	7	100	PCC Autoclave Concrete Co Ltd-Assets	Diamond Building Products PCL	Y		Y	10%	24%	16%
26-Jun-13	4	100	Piyachat Co Ltd	TWZ Corp PCL		Y	Y	39%	19%	0%
18-Sep-13	1,550	100	Bank of Tokyo-Mitsubishi UFJ Ltd-Bangkok,Thailand	Bank of Ayudhya PCL	Y			-1%	0%	52%
01-Nov-13	15	100	Suntech Metals Co Ltd	General Engineering	Y	Y		19%	5%	0%
13-Feb-14	13	100	Greenovation Power Co Ltd	Gunkul Engineering PCL	Y		Y	3%	60%	0%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
25-Feb-14	125	50	Krungthai AXA Life Insurance PCL	Krung Thai Bank PCL	Y	Y		12%	0%	73%
13-Jun-14	99	100	Hilton Hua Hin Resort & Spa	Saha-Union PCL{SUC}		Y		3%	6%	10%
18-Jun-14	47	100	Tanabun Co Ltd	Group Lease PCL	Y	Y		17%	6%	4%
22-Jul-14	58	100	Greyhound Co Ltd	Sub Sri Thai PCL		Y	Y	-7%	42%	0%
27-Aug-14	126	100	Phuket International Hospital Co Ltd	Bangkok Dusit Medical Services PCL	Y		Y	4%	23%	15%
17-Nov-14	1,236	93	Hemaraj Land & Development PCL	WHA Corp PCL	Y	Y	Y	2%	68%	10%
28-Nov-14	75	100	Outrigger Phi Phi Island Resort	Singha Estate PCL	Y	Y	Y	1%	34%	0%
04-Feb-15	37	33	Natural Energy Development Co Ltd	Electricity Generating PCL {EGCO}	Y	Y		-2%	0%	13%
13-Jun-15	38	76	Alstons Upholstery Ltd	Thailand Carpet Manufacturing PCL	Y	Y	Y	19%	27%	0%

Announcement Date	Deal Size (M USD)	% acquired	Target Name	Acquirer Name	M&A motive			CAR3	FMH	FIH
					Efficiency	Diversification	Agency			
07-Oct-15	21	50	Nuvo Line Agency Co Ltd	Sansiri PCL	Y			-3%	3%	31%



BIOGRAPHY

Name	Miss Maneerat Tanchaya
Date of Birth	July 17, 1991
Educational Attainment	2011: Bachelor's Degree in Business Administration, majoring in Finance and Banking, minoring in investment
Work Position	Investment Analyst, Private Equity Fund. IDI Infrastructure Inc.
Work Experiences	<p>March 2017-Present: Investment Analyst, Private Equity Fund. IDI Infrastructure Inc.</p> <p>July 2016-Feb 2017: Assistant Manager (AM), Investment Banking Department. KGI Securities (Thailand) PCL.</p> <p>January 2015-July 2016: Corporate Relationship Manager (RM), Corporate Business Department. Bank of China (Thai) Public Company Limited.</p> <p>July 2014-December 2014: Market Risk Officer, Market and Liquidity Risk Department, Treasury Risk Control. Standard Chartered Bank (Thai) Public Company Limited.</p>