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**Political contributions firm performance and  
M&A activity in the US**

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## **Abstract**

With the general conviction that political contributions ,and the political connections created by , can influence the M&A process outcome, the present study presents evidence of this influence on M&A deals made in the US. The study's findings show that political connected acquirers benefit from political contributions and the connects achieved through them. As the analysis show, politically connected acquirers pay a much higher takeover premium for the target firms than the non-political connected acquirers. The interpretation of this behavior is explained through Hubris Hypothesis and the political support behind it.

Keywords: political contribution; M&A process; takeover premium ; Hubris Hypothesis; acquirers; target firms

## Contents

<b>Thanks.....</b>	<b>1</b>
<b>Abstract.....</b>	<b>2</b>
<b>1. Introduction.....</b>	<b>5</b>
<b>2. Literature Review .....</b>	<b>7</b>
2.1 Mergers and Acquisitions .....	7
2.1.1 Definitions of M&As.....	7
2.1.2 Types of M&As .....	8
2.1.3 M&A process.....	14
2.1.4 History of M&As in the United States .....	15
2.1.5 Valuation of an M&A transaction .....	17
2.2 Political connections and firms .....	17
2.2.1 Political connections via board member’s political involvement.....	17
2.2.2 Political connections via contributions/lobbying .....	19
2.3 Political Contributions and M&As.....	21
<b>3. Research Framework.....</b>	<b>24</b>
3.1 Necessity and originality of research .....	24
3.3 Research methodology .....	25
3.3.1 Data sources and sample selection .....	25
3.3.2 Research Methodology .....	36
<b>4. Empirical Findings.....</b>	<b>39</b>
<b>5. Conclusions.....</b>	<b>43</b>
<b>6. Discussion.....</b>	<b>46</b>
6.1 Synopsis.....	46
6.2 Research restrictions.....	47
6.3 Research Contribution .....	48
6.4 Suggestions .....	48
<b>REFERENCES.....</b>	<b>50</b>
<b>APPENDIX.....</b>	<b>54</b>
M&A DEALS .....	54
CONTRIBUTIONS.....	64

## CHARTS

Firm activity industry.....	27
Aggregate deal size per industry.....	27
Contributors and Non-Contributors .....	36
M&A deals.....	36
Average Excess Performance, Contributors .....	40
Average Extreme Yields, Contributors.....	41
Average Excess Performance, Non – Contributors .....	42
Average Extreme Yields, Non - Contributors.....	42

## TABLES

Contributions Summary Statistics.....	28
Company Announcements,Non-Contributors.....	30
Company Announcements,Contributors.....	31
Cumulative Mean Extreme Performance, Contributors.....	42
Cumulative Mean Extreme Performance, Non - Contributors .....	42

## 1. Introduction

Political connected firms are spread around the globe (Faccio, 2006). It is a fact that many firms around the world attempt or already have political connections through various methods. Few means of achieving this is via political contributions, lobbying expenditures etc. This phenomenon intrigued numerous researchers and inspired a growing body of studies on the effect that political connections have on firms. However, small attention has been given to the impact of political connections in one of the most important corporate investment (Harford & Li (2007), mergers and acquisitions. A large body of research mainly focused on the impact political connection have on firm value. For instance, Faccio (2006) show that political connections can increase firm value (studies on the same subject came after, like Claessens et al., 2008; Cooper et al., 2010; Hill et al., 2013; Akey, 2015). Other studies evidence that political connection can be useful for managing political risk (Kim et al., 2016) and, a tool to lower the cost of banks (Houston et al., 2014).

In contrast, there is still limited evidence of the influence that political connections have on certain aspects of the takeover process and outcome. Brockman et al. (2013) evidenced that political connection affect the post-merger performance in M&A and the level of this influence depends on the institutional environment. Croci et al. (2017) show that target firms that did political contributions and are involved with lobbying are more difficult to be acquired and their takeover process is more time consuming. Holburn (2014) presented evidence of the influence of political contribution on the energy sector's merger and acquisition activities and Ferris et al.

(2016) investigated politically connected firms ( connections were made of politicians and regulators that were board members in these firms ) and the influence they had on takeovers.

To contribute to the existing knowledge this study will focus on the impact political contributions have on the mergers and acquisitions in the US. The present study will investigate the merger and acquisition deals of acquirers based in the US that have made political contributions and lobbying expenditures ,aiming to influence the M&A process. The findings of this investigation might give answer to the research of the study, if the political contributions affect M&As and specifically benefit the acquirers. There are several reasons that politicians might intervene and influence a takeover (such as donations or securing future ones) and numerous reasons an acquirer might sought for sought for political connections to influence the outcome of the deal (for example forcing target firms to be purchased even at higher cost in the pursue of network expansion or brand name expansion)

On sections 2 of this study a literature review is presented regarding mergers and acquisitions process , methods and history of activity in the US. Also, the reader will find sub sections with reviews on studies regarding the influence of political connections on firm value and takeover process. On section 3 research framework is presented , with detailed information of the data extraction the and the structure for the event study. Section 4 show the empirical findings of the study and after conclusions of the results follow on section 5. Section 6 consists of the discussion ,synopsis, research restrictions , research contribution and suggestions, concluding this thesis.



## 2. Literature Review

### 2.1 Mergers and Acquisitions

Mergers and Acquisitions (M&As) can be acknowledged to “occur everywhere,” in different types of industry sectors and different sized organizations, potentially involving many individuals and great amounts of money (Balle, 2008). When two or more companies merge into one legal entity, it is referred to as a merger strategy. As regards acquisitions, when two or more companies are merged, but the acquired (or otherwise called “target firm”) business does not merge with the acquirer but remains a subsidiary without losing its entity (Shim & Okamuro, 2011).

#### 2.1.1 Definitions of M&As

The mergers are investment decisions of the acquiring company. The inputs of a merger are derived from the increased inputs generated by the combination of previously independent companies or the overall management of the acquired companies. (Brealey et al., 2012). Acquisitions are in essence the purchase by one company of a large part of another's assets or securities, usually with a view to restructuring the acquired entity's operations. The acquisition may contain the whole or a significant proportion of the voting shares of the target or a part of the target company (Varun, 2007).

In general, firms can perform M&As with three different ways (Samuels et al., 1999):

- **Merger by absorption**: consolidation whereby firms merge, and the target firm's business entity ceases to exist, while the acquiring firm keeps both its entity and

- its name while simultaneously undertaking all of the target firm's obligations and assets.
  
- **Merger by consolidation:** it is the merge of companies, where a new firm entity is created with a new legal status and name, with the previous ones completely shut down.
  
- **Merger by acquisition-merger:** where the target firm is acquired for cash or shares. There are three sub-categories of this type:
  - i. Acquisition via purchase of the target firm's share capital (Acquisition of Stock).
  
  - ii. Acquisition via purchase of the target firm's assets (Acquisition of Assets).

### **2.1.2 Types of M&As**

Apart from the legal form of the transaction, there are also numerous other criteria for categorizing M&As. The most preferred criteria are them to belong into four main categories. Based on the correlation of the industry or the degree of integration, these categories are: Horizontal M&A, Vertical M&A, Concentric or Congeneric M&A and Conglomerate M&A (Lubatkin, 1983).

- **Horizontal M&A.** When one firm merges with one or more firms that have the same business line, produce/offer the same products or services and they can get

benefits from one another as an outcome of this collaboration (Wyatt & Kieso, 1969). Horizontal M&As are performed by these firms with the purpose of eliminating their in-between competition, aiming for better response on the market competition and better control over their products with as much as possible negotiation power (Eckbo, 1983). Usually horizontal M&As are of low risk (Kitching, 1967). "For example, in 1998, two petroleum companies, Exxon and Mobil, combined in a \$78.9 billion merger. If a horizontal merger causes the combined firm to experience an increase in market power that will have anticompetitive effects, the merger may be opposed on antitrust grounds. In recent years, however, the U.S. government has been somewhat liberal in allowing many horizontal mergers to go unopposed", Gaughan (2007) quoted.

- **Vertical M&A.** Relate to firms whose business activity is sequential parts of the production process functions, aiming of creating a single entity. Either forwards (forward vertical integration) or backwards (backward vertical integration). One common example for this M&A is when a firm buys its suppliers. By doing that the firm neutralizes a series of disadvantages that come from the division of labor. Also, the firm can become more competitive in their product's market through they cheaper cost of production they achieved (Brigham & Gapenski, 1994).

An example quoted by Gaughan (2007)," For example, in 1993, Merck, the world's largest drug company, acquired Medco Containment Services, Inc., the largest marketer of discount prescription medicines, for \$6 billion. The transaction enabled Merck to go from being the largest pharmaceutical company to also being the largest integrated producer and distributor of pharmaceuticals.

This transaction was not opposed by antitrust regulators even though the combination clearly resulted in a more powerful firm. Ironically, regulators cited increased competition and lower prices as the anticipated result. Merck, however, might have been better off if the deal had been held up by regulators. Following this acquisition, and other copycat deals by competitors, great concerns were raised about Merck's effect on consumer drug choice decisions. While Merck saw the deal as a way to place its drugs in the hands of patients ahead of competitors, there was a backlash about drug manufacturers using distributors to affect consumer drug treatment choices. When this problem emerged, there were few benefits of the deal and Merck was forced to part with the distributor. This was a good example of a bidder buying a company in a similar business, one which it thought it knew well, where it would have been better off staying with what it did best - making and marketing drugs."

- **Concentric or Congeneric M&A.** When firms belong to the same industry, but their products are different and not parts of the same production line. The purpose of those firms is to combine the individual processes, but with a higher degree of risk than the horizontal or vertical M&As (Lubatkin & Lane, 1996). An example of a congeneric merger is the merge of Citicorp and Travelers Group in 1998. The deal valued at \$70 billion, the new company was named Citigroup Inc. Both companies were in the financial services industry but they had different product lines. Citicorp offered consumers banking services and credit cards. Travelers, on the other hand, offered insurance and brokerage services (Schneider, 2013).

- **Conglomerate M&A.** When firms with activities that are not business related to each other merge. In essence it is a merge of firms with products and services that differ, with the purpose of achieving better management, better fund investment and higher profit probabilities (Lubatkin, 1983).

One example, as Gaughan mentioned in 2007, “would be Philip Morris, a tobacco company, which acquired General Foods in 1985 for \$5.6 billion, Kraft in 1988 for \$13.44 billion, and Nabisco in 2000 for \$18.9 billion. Interestingly, Philip Morris, now called Altria, has used the cash flows from its food and tobacco businesses to become less of a domestic tobacco company and more of a food business. This is because the U.S. tobacco industry has been declining at an average rate of 2% per year (in shipments), although the international tobacco business has not been experiencing such a decline. Another major example of a conglomerate is General Electric (GE). This company has done what many others have not been able to do successfully—manage a diverse portfolio of companies in a way that creates shareholder wealth. GE is a serial acquirer and a highly successful one at that. As we will discuss in Chapter 4, the track record of diversifying and conglomerate acquisitions is not good. We will explore why a few companies have been able to do this while many others have not.”.

These M&As can be distinguished further to two categories (Brealey et.al.,2012):

1. **Conglomerate market extension.** Where firms aim for market space extension.
2. **Conglomerate product extension.** Where firms aim to expand their product’s distribution or to diversify their production.

According to Pazarskis (2008), another distinction between M&As is set based on the desired goals that the buyer firm expects to achieve:

- **Investment M&A.** The purpose of the firm is to take advantage of existing financial opportunities to make a profit. Usually, the acquirer chooses to target companies in different sectors and sectors, where the company does not have the required know-how and therefore maintains the structure of the target company unaffected. Earnings can be gained out of dividends or through the resale of the acquired business at a higher price or both.
- **Refreshing or Complementary.** The purpose of the firm is to combine its business activities with that of the target firm. Taking advantage of the capabilities and benefits of the target firm while maintaining tangible assets (such as buildings, capital equipment) as well as intangible assets (such as patents, customers, reputation).
- **Acquisition through M&A for immediate liquidation.** In this case the acquirer buys the target firm and immediately after stops any business activity of it, only to sell after parts or the whole of its assets at once with price higher than the cost of buying the firm in the first place.

In addition, another distinction that can be made is based on the implementation process and the behavior of the management groups of the participating firms (Morck et al., 1988):

- **Friendly M&As.** It is a merger of companies resulting from the agreement of the administrations of the parties involved, and in particular with the consent of the target company. The above agreement is made public to shareholders who are recommended to approve it in accordance with legal procedures. The purchase price is agreed by both parties.
- **Hostile M&As.** This is a merger category where the target company management rejects the offer, but the buyer still seeks to complete the transaction. The disagreement of the parties involved may concern the value of the share capital and the redemption price, the implementation of specific policies during and after the completion of S&E, as well as the evolution and personal opinion of senior executives on the course of their company. To deal with the above potential obstacles and to take over, the management of the buyer company either makes a public offer to the shareholders to persuade them to sell their stake, in silent gaining control of the Governing Council, of being acquired by the gradual occupation of the stock block trades. There could of course be a combination of two of the above methods in order to succeed the acquisition. Prerequisites for their use are that the target firm is a listed one and that there is a satisfying deal of dispersion in its share capital to make it difficult to own a majority stake capable of controlling management decisions.

### **2.1.3 M&A process**

According to Sudarsanam (2003) the process of an M&A could be divided into a five stages model which contributes to the simplification of the overall complexity around M&As. The first stage is the corporate strategy development. At this stage the firm must draw a strategic plan that will be compatible with its individual business units, so it can function as a whole. The second stage is organizing for acquisitions. At this stage the firm has to build an acquisition strategy. The firm must evaluate the capabilities of the target firm in making profit. The acquirer must determine if the target firm will provide any competitive advantages or increased return on capital costs. The third stage the deal structuring and negotiation. This stage involves a variety of processes, such as the selection of consultants who will in turn control the target company to obtain as much information as possible, while at the same time the acquirer and the company-target design acquisition and defense strategies respectively. A large part of the negotiations that take place at this stage is the definition of jobs for both senior executives and other employees in general. The fourth stage is post-acquisition integration. It is the stage where the firm goes through an audit for any weaknesses, problems or any deviations that weren't identified in the previous stages. Finally, the fifth stage is the post-acquisition audit and organizational learning. It's the final stage where the firm evaluates the outcome of the merge, identifies any deviations from the initial goals and obtains valuable information for its future M&A attempts.



#### **2.1.4 History of M&As in the United States**

There have been four major waves of M&A in the US. Each wave represents a period of high activity in M & As. After each wave there is a period of low activity. Each wave differs from the others in terms of M&A, payment methods and participant behavior (Tarasofsky & Corvari, 1991).

The first wave began in 1895, with businesses trying to get back on their feet and take over as much of the market as possible after the recession of 1883. The introduction of the Sherman Anti-Trust Act (1890) and the resurgence of the stock market provided fertile soil. The peak was between 1898 and 1902. The wave lasted until 1905. Several US companies sought to expand throughout the American market. Through horizontal M&A, many US companies achieved significant monopoly profits (McCann & Gilkey, 1988). About 1800 companies were acquired and about 71 monopoly-like companies were created out of the merges. the first wave of M&As led to a reshaping of the US industry (Sudarsanam, 2003).

The second wave began in 1922 and ended before the financial crisis of 1929 where the collapse of the US economy ended the M&A activity (McCann & Gilkey, 1988). It was an oligopoly wave that resulted in a rise in the share of manufacturing and mining held by the largest 200 corporations (FTC 1969). Because of this, the US federal legislation was led to rein in such merger activity, prohibiting mergers that greatly weakened competition. Serious enforcement of this legislation came after the 1929 crash (Green, 2016).

The third wave began in 1960, following the strong anti-monopoly policies from US federal legislation, the development of M&As by businesses with unrelated conglomerates started. The firms were aiming to diversify their products, gain the benefits of risk spreading and create synergies. It is observed at some occasions that the target company is bigger than the target company (Gaughan, 2007). Then end of the wave came in mid-70's and it coincides with the first oil crisis and the subsequent economic downturn (Golbe & White, 1987).

The fourth wave of takeovers and mergers began in 1984 and ended in 1989 (Green, 2016). As Green (2016) quotes "Hostile takeovers, junk bonds, and larger leveraged buyouts characterized the fourth wave of mergers". In the first phase of the wave, numerous acquisitions of "small" companies occurred, the target group was consisted of companies whose owner was approaching retirement and wishing to liquidate his investment and from companies resulting from a split from larger ones that wanted to sell their productive sectors because of the underwhelming performance (Baskin & Miranti, 1997). The second stage of this wave is known as the "mega-mergers» period, where much larger companies were the targets. These mergers at that time raised due to changes in the legal framework in various business sectors, with many experts arguing that they were mainly due to the US government loosening several restrictions provided by earlier S&E activities legislation (Shleifer & Vishny, 1991).

As Pazarskis mentioned in 2008 "There is no consensus on the end of this fourth US S&E wave. Many researchers believe that this wave lasted until the end of the millennium, while others say it is still going on."

### **2.1.5 Valuation of an M&A transaction**

There are various merger statistics on deal values. The method used by Mergerstat is the most common method relied on to value deals. Firm's value is defined as the base equity price plus the value of the acquired company's debt (both short and long term) and preferred stock minus its cash. The base equity price is the total price minus the value of the debt. The acquirer is set as the firm with the larger market capitalization or the firm that is issuing shares to exchange for the other firm's shares in a stock-for-stock transaction (Gaughan, 2007).

## **2.2 Political connections and firms**

Political contributions are a corporate political strategy that provides political connections with the associated firm (Crocì et al., 2017). In general, the debate, if political influence matters for business has been discussed extensively in the economics and political science literature over the years (Hill et al., 2013). Over the last decade, there have been many researches investigating the connection between policies and companies and its impact (Brockman et al., 2013). Ovtchinnikov & Pantaleoni (2012) state that political connections can be distinct, into connections from board members that are involved in politics and to connections that arise from political contributions/lobbying.

### **2.2.1 Political connections via board member's political involvement**

Regarding the first type, Faccio (2006) establishes that political connections can increase firm value. She looked around the world for corporate political connections,

trying to answer if political connections add to company value, among other. She collected data that included 20,202 publicly traded companies in 47 countries. As a politically connected firm she identified those which have one of their shareholders (with control of at least 10% of voting shares) or have one of their top officers (such as CEOs, presidents, vice-presidents) as members of parliament, ministers, or are closely related to a top politician or party. Through an event study performed around the announcements of large shareholders or officers entering politics she found a significant increase in corporate value. “These results complement the work of Fisman (2001), who concludes that in Indonesia a considerable percentage of well-connected firms’ value comes from political connections. In particular, he compares returns across firms with differing degrees of political exposure at the time of rumors of Indonesian President Suharto’s worsening health. Around that time, stock prices of firms closely connected with Suharto dropped more than the prices of less well-connected firms, and the stock price reactions were more severe when the news was more negative.”, Faccio (2006) quoted.

Another research was done by Goldman et al. (2009) where they sorted companies from S&P 500 to Republican Party connected and Democratic Party connected. This separation was done based on hand-collected data of the political background of all directors on the boards, specifically in the year 2000. Using a method of measuring the connections from this data they derived into two results. Firstly, a positive connection on return difference between the firms that had connections with the winning party (At these elections the winner party was the Republican) and the firms that supported the losing party. Secondly, a positive connection between the stock price and the announcement of the board nomination of a politically connected

individual in general with irrelevant the variable of where that individual belongs politically (Democrats or Republicans)

In 2012 Wu et al. investigated the effects of political connections in firm performance of state-owned enterprises (SOEs) and private owned ones in China. They collected data of listed companies from 1999 to 2007. The findings of their research were that private owned firms with politically connected managers outperformed firms without such connections. Moreover, politically connected firms were enjoying various benefits such as tax benefits. On the other hand, their research gave an opposite outcome for the state-owned enterprises were the ones with political connected managers underperformed those without such a manager. Also, the data shows that politically connected SOEs were dealing with more over-investment problems than those without connections.

### **2.2.2 Political connections via contributions/lobbying**

Regarding the second type of political connections, research on the field was done by Claessens et al. (2008), where they created indicators of political connections based on firm political contributions in Brazil between 1998 and 2002. Robust evidence shows that firms who contributed to (elected) federal deputies had higher stock returns around the announcement of the election results in comparison with firms that did not any contribution. Also, they recorded that the firms that contributed benefited an increased bank leverage during the next years after the elections in comparison with the firms that did not contribute. They suggested that because of the political connections they developed through contributions these firms gained a

preferential access to finance from banks even though they didn't have direct and solid evidence.

In 2010, Cooper et al. studied the interaction between corporate political contributions and stock returns. They developed a database with corporate political contributions from 1979 to 2004 in the US. They developed a measure to describe the corporate political contribution based on the number of candidates the firm supports. Their findings show a strong correlation between the contribution measure and the firm's abnormal returns in the future. They also noticed that the correlation was stronger for firms that were supporting many candidates that had their office in the same states as the firm's base. Lastly, they found a positive link between the number of candidates a firm supports and its future earnings.

Ovtchinnikov and Pantaleoni (2012) presented evidence about the effect of individual political contributions in firm performance. They collected data of all individual political contributions between 1991 and 2008 gathering in total 4.874.994 contributions to 8.302 politicians running for office from all Congressional Districts (CDs). The evidence show that individual political contributions were made based in the industry cluster they belonged. They contributed to politicians who have jurisdiction over the industry cluster the individual belonged, aiming for their wellbeing. It also noted a strong relation between political contributions and firm in bad economic environment. Firms financial distressed and in general poorly performing ones show that strong relation with contributions. "The results imply that individual political contributions are valuable to firms, especially during bad economic times", Ovtchinnikov & Pantaleoni (2012)

### 2.3 Political Contributions and M&As

A lot of research has studied the impact of political contributions on a company's value, but not much focus on the impact that political contributions have on mergers and acquisitions. As can be seen from the surveys I mentioned above, surveys that study the influence of political connections (via contributions ,via board member's political involvement etc.) emphasize on the value and the privileges that a company acquires through them in general and do not extend to cases like M&As ,which according to Harford & Li (2007) are one of the most crucial and determinant corporate investments.

Although this field is a relatively research void, there have been two studies on it.

Brockman et al. (2013) investigated the connections between political connections and merger and acquisition performance, specifically between the post-merger stock and operating performance of politically connected acquirers and the politically unconnected acquirers. They gathered detailed information of completed M&A deals between January 1993 and December 2004. Following Faccio (2006), they gathered data of politically connected public firms from 35 countries. The politically connected firms' definition is based on Faccio (2006) who defined political connected firms as the ones that satisfy one of the three conditions below:

- At least one of its, high in command, officers or one of its shareholders, that directly or indirectly has control of over 10% of company's voting shares, as a member in parliament.
- One of its officers or shareholders (as described on the above condition) or their relatives is a minister or a head of state.
- The firm is highly related to a top politician or party.

In their model Brockman et al. (2013), following prior studies (Chen et al., 2010; Faccio, 2006), also added the variable of Legal Weakness. They focused on the weakness of the legal system and the level of corruption in each country where a firm on their data set is based. The conclusion from their study is a strong relation between politically connections the post-M&A performance of the acquirers and a strong connection of that performance with the institutional environment the M&A takes place. They show that acquirers with political connections underperform relative to the acquirers with no connections. This outcome although refers to M&A's where the acquirers are based in a country with good institutions, where there are few legal weaknesses and the level of political corruption is low. Instead, when the firms are based on bad institutions the results show that the politically connected acquires overperformed their matched bidders with no connections. "Overall, our results show that the relation between politically connected firms and their post-M&A performance crucially depends on the institutional setting in which the acquisition takes place.", Brockman et al. (2013).

In 2017 Croci et al. studied the effect of corporate political strategies in M&As. For their empirical investigation they collected data of acquisitions between January 1992 and December 2011, successful and unsuccessful ones. The participating firms are a US listed firm or a foreign. They devised a corporate political strategy measure based political contributions to US campaign. Manually, they collected data of contributions and matched the associated firms with M&A's that these firms participated. The hypothesis of the study is that target firms with political connections complicate the takeover procedure and they imply that politically connected target



firms (through PAC contributions and lobbying activities) have low chance to be taken over.

Also, they argued that depending on the receipt (between politicians) the contributions and lobbying activities are connected with the overall time to completion of the deal positively. The evidence of their study show that Politicians find it difficult to raise campaign capital in the future as well as the ability to be re-elected when a backing company gets acquired. Given that politicians have an interest in preventing acquisitions of companies that support them, the research results show that firms that contribute to politicians are less likely to be acquired. It is found, according to the results, that target companies with political connections are able to negotiate a higher takeover premium than then non-connected target firms. According to the perception that such firms are valuable to politicians, they complicate the acquisition process. This gives a boost in the bargaining power of the target company and allows it to negotiate a higher takeover premium. On the contrary, this is not the case when acquirers have also developed political connections similar to the future objective.

## **3. Research Framework**

### **3.1 Necessity and originality of research**

The study of the literature has shown that the influence of political contributions (and the rest aforementioned methods of achieving political connections) in a company is a frequent subject of research. But, as mentioned above, the majority of investigations study how political connections are related to easier access to debt financing, lighter taxation, stronger market power and loose regulatory oversight for the connected firm and moreover a positive relation between political connections and firm value. On the contrary, there is a significant research gap around the political contributions influence in mergers and acquisitions, with only a small pool of studies. The need to fill this research gap has therefore arisen.

Therefore, the originality of the present study is that it studies the influence of political contributions in the process of mergers and acquisitions of companies and not only on the advantages that corporations generally enjoy and the impact on their value, as mentioned earlier. The originality is also that the sample of the survey comes exclusively from companies belonging to S&P 500. An index that contains large-cap companies, achieving a wide market breadth. It is considered to be one of the best representations of the U.S. stock market. The results of the present study may complement existing knowledge of the impact of political contributions in mergers and acquisitions.

### **3.2 Purpose of the research and research question**

The purpose of the present research is to investigate the effect of political contributions on mergers and acquisitions. Specifically, it is considered whether political contributions offer any advantage to the acquirer of the M&A deal. In order to achieve this objective, the following research question is asked:

Do political contributions affect M&As, and specifically, the acquirer's side?

### **3.3 Research methodology**

#### **3.3.1 Data sources and sample selection**

Firstly, using the Thomson Financial SDC Mergers and Acquisitions Database as a source, a sample consisted of mergers and acquisitions announced between January 7, 2012 and December 26, 2018 was collected. Following Croci et al. (2017), both successful and unsuccessful deals of US publicly listed acquiring firms with a deal value above US\$ 1 million were included. The acquirers were listed US firms. Also, to be included in the acquisition sample, the acquirer had to seek to buy more than 50% of the target firm's equity. Afterwards, to serve the purpose of the research, Bloomberg database was used to acquire ticker codes of all firms that consist the S&P 500 stock market index. Then, manual matching between the ticker codes of the acquirers and the ticker codes of all 500 firms that consist of S&P 500 followed. It is found that 133 companies that belong in S&P500 participated as acquirers in 207, in total, mergers and acquisitions deals (with the aforementioned criteria)

between January 7,2012 and December 26,2018.All this data was compiled in a final dataset of M&A deals for this research.

Figure 1

### FIRM ACTIVITY INDUSTRY

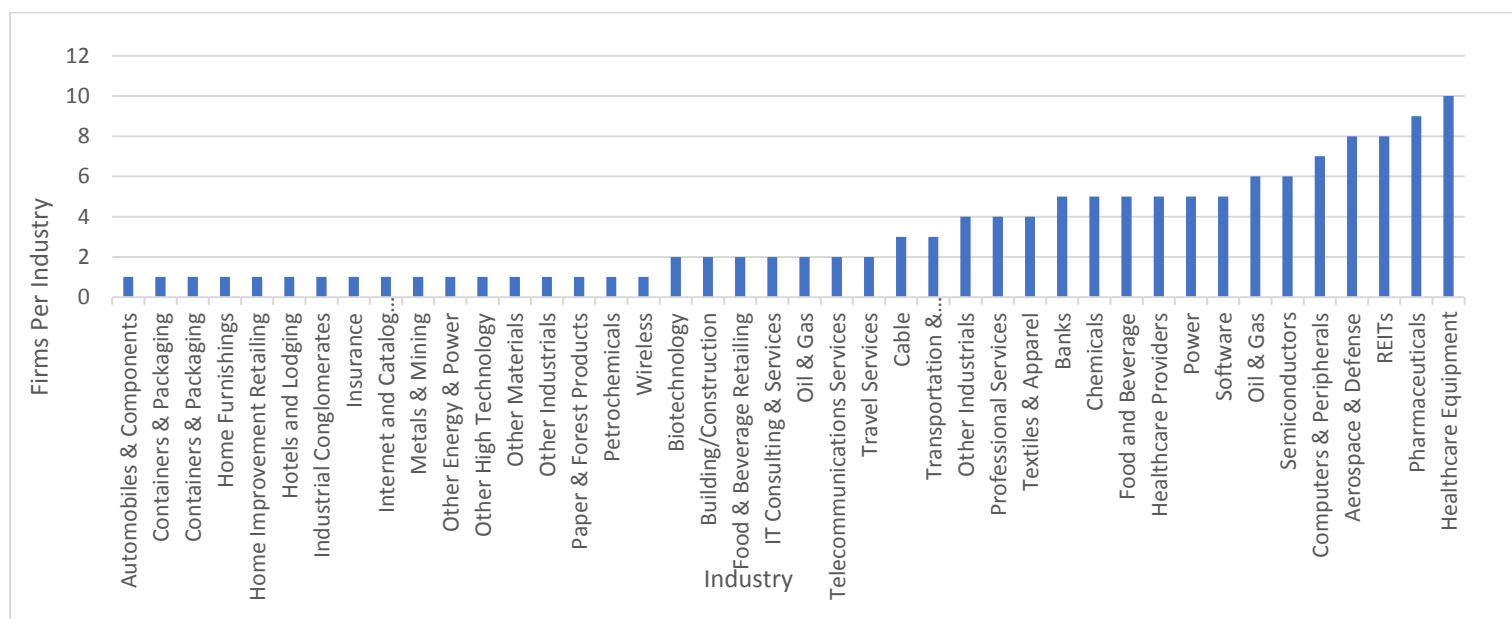


Figure 1 presents the industry that every acquirer in the sample is involved with.

According to Figure 1, in the sample most acquirers are involved with the Health Equipment industry and Pharmaceuticals industry, with Automobiles & Components industry among other being the industry with the fewest firms in the sample.

Figure 2

## AGGREGATE DEAL SIZE PER INDUSTRY

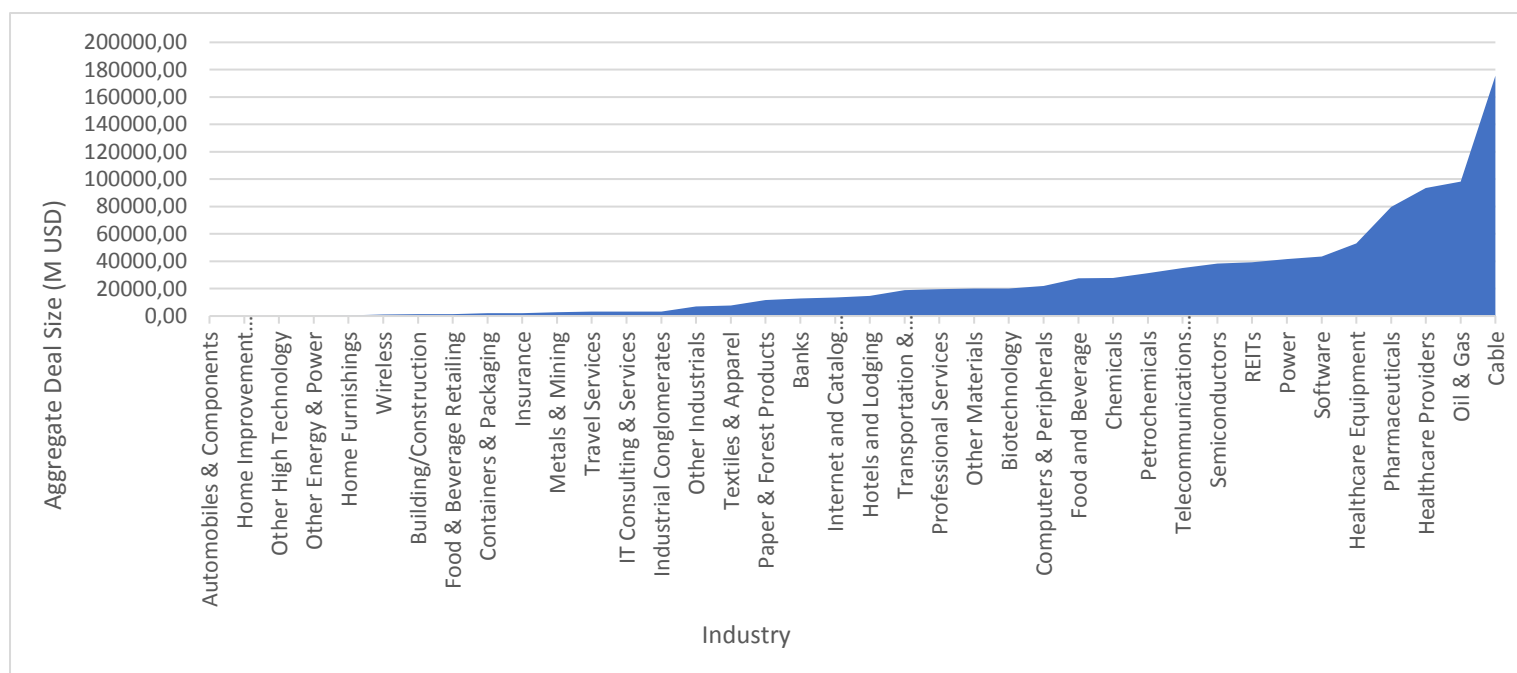


Figure 2 presents the aggregate deal size of every industry that acquirers are involved with. As the Figure 2 presents, Cable industry has one of the highest deals size (aggregate amount) in the sample with almost \$ 176.000.000.000 deal size in total. Next follows Oil & Gas industry with almost \$100.000.000.000 total deals size. Automobiles & Components industry totals the lowest amount, roughly \$ 47.000.000.

Data of political contributions to of organizations and corporate lobbying where extracted manually (one by one firm) from the OpenSecretes (<http://www.OpenSecrets.org>). Website of the Center for Responsive Politics (CRP) a non-profit, nonpartisan research group based in Washington, D.C., that tracks the contributions and lobbying activities on elections. It allows users to access information about contributions and lobbying of firms, individuals, industry, federal agencies and bills (Harvey, 2013). "It tracks the influence of money on US politics and how that money affects policy and citizens' lives." , Croci et al. (2017).

Using the aforementioned database, a sample of contributions and lobbying expenditures (if any) of the acquirers in the M&A dataset (133 firms) was constructed. All the data gathered refer to the election cycles of 2012,2014,2016 and 2018 (“Election Cycles” from now on).Out the 133 companies, 97 were found to have done contributions and lobbying to one or to both political parties in the US and the rest none. However, the sample needs further inspection. It is found that 4 acquirers started to contribute and spent money for lobbying way after the announcement date. Also, it’s found that these firms haven’t done any contributions or lobbying even before the announcement date. That means that these firms belong to the non-contributors group because during or at least before the M&A no contributions or lobbying expenditures were made. After this the sample consists of 93 firms that did contributions and lobbying (Contributors Group) and 40 that didn’t (Non-Contributors Group).

Table 1

## CONTRIBUTIONS SUMMARY STATISTICS

<b>Total contributions to Democrats:</b>	\$166.934.575
<b>Total contributions to Republicans:</b>	\$212.858.617
<b>Total Contributions:</b>	\$379.793.192
<b>Total Lobbying expenditures:</b>	\$1.238.557.218
<b>Average Contribution amount:</b>	\$3.331.519
<b>Average Lobbying expenses:</b>	\$10.864.537

Table 1 presents summary statistics of the contribution's dataset. Specifically, it shows the aggregate amount of contributions and lobbying in USD. For example, "Total contributions to Democrats" amount is the total sum of money, all the firms on the Contributors Group, spent in the Election Cycles. Same as "Total contributions to Democrats", the "Total contributions to Republicans" amount presents the total sum of money, all the firms on the Contributors Group, spent in the Election Cycles. "Total Contributions" is the sum of the above-mentioned amounts. "Total Lobbying Expenditures" is the aggregate amount of the lobbying expenditures of the Contributors Group in the Election Cycles. Using this data Average Contribution amount and Average lobbying expenses were calculated. Looking at the Average Contribution amount and Average lobbying expenses, a need of borderline emerged. That need is justified by inspecting the total amount of lobbying and contributions each firm spent in the Election Cycles.

Under this prism, firm total contribution amount under the borderline of \$200,000 turns the subject firm into a non-contributor (note that, in the sample, firms with total contributions below \$200,000 have also low lobbying expenditures while the reverse is not true). Finally, the sample consists of 207 mergers and acquisitions deals. From these deals 133 firms are identified as acquirers. All the acquirers belong to the S&P 500 stock market index.

Table 2

## COMPANY ANNOUNCEMENTS, NON- CONTRIBUTORS

ALBEMARLE 15/7/2014
AMETEK 11/4/2014
AMETEK 17/4/2017
CIMAREX EN. 19/11/2018
DENTSPLY SIRONA 16/5/2018
DIAMONDBACK ENERGY 14/8/2018
DIGITAL REALTY TST. 9/6/2017
DOMINION ENERGY 1/2/2016
DOMINION ENERGY 19/9/2018
DOMINION ENERGY 3/1/2018
DR horton 5/6/2017
ESSEX PROPERTY TST. 9/12/2013
FORTINET 27/5/2015
FORTUNE BNS.HM.& SCTY.30/3/2015
Frotive Corp 6/9/2017
HEWLETT PACKARD ENTER. 11/8/2016
HEWLETT PACKARD ENTER. 7/3/2017
HOLOGIC 14/2/2017
HOLOGIC 30/4/2012
INTERNATIONAL BUS.MCHS. 27/8/2012
INTERNATIONAL BUS.MCHS. 28/10/2018
INTERNATIONAL BUS.MCHS.6/8/2015
IQVIA HOLDINGS 3/5/2016
KEYSIGHT TECHNOLOGIES 30/1/2017
LABORATORY CORP.OF AM. HDG. 27/7/2016
LABORATORY CORP.OF AM. HDG. 3/11/2014
LABORATORY CORP.OF AM. HDG. 4/6/2012
LABORATORY CORP.OF AM. HDG.25/9/2014
MARTIN MRTA.MATS. 28/1/2014
MAXIM INTEGRATED PRDS. 15/8/2013
MICROCHIP TECH. 10/2/2014
MICROCHIP TECH. 13/1/2016
MICROCHIP TECH. 7/5/2015
MICROCHIP TECH.1/3/2018
MICROCHIP TECH.2/5/2012
MID-AMER.APT COMMUNITIES 15/8/2016
MID-AMER.APT COMMUNITIES 3/6/2013
MOSAIC 9/12/2013
NATIONAL OILWELL VARCO 9/8/2012
NEWELL BRANDS (XSC) 14/12/2015
PACKAGING CORP.OF AM. 16/9/2013
PEOPLES UNITED FINANCIAL 19/6/2018
PEOPLES UNITED FINANCIAL 27/11/2018
PEOPLES UNITED FINANCIAL 27/6/2016
Priceline Group inc 13/6/2014
Priceline Group inc 8/11/2012



PROLOGIS REIT 29/4/2018
PVH 31/10/2012
QORVO 24/2/2014
REALTY INCOME 6/9/2012
SCHLUMBERGER 26/8/2015
STRYKER 11/9/2018
STRYKER 25/9/2013
STRYKER 30/8/2018
STRYKER 31/12/2013
STRYKER 7/12/2017
TAPESTRY 8/5/2017
TELEFLEX 2/12/2016
UNITED RENTALS 14/8/2017
WELLTOWER 22/8/2012
WESTERN DIGITAL 21/10/2015
ZOETIS A 16/5/2018

Table 3

## COMPANY ANNOUNCEMENTS, CONTRIBUTORS

3M1/10/2012
Abbot1/2/2016
Abbot28/4/2016
ABBVIE4/3/2015
ADOBE (NAS) 10/11/2016
ALASKA AIR GROUP 4/4/2016
ALEXION PHARMS. 6/5/2015
ALLERGAN 13/2/2017
ALLERGAN 14/9/2016
ALLERGAN 17/11/2014
ALLERGAN 20/9/2016
ALLERGAN 22/1/2013
ALLERGAN 6/10/2014
ALLERGAN18/2/2014
ALLIANCE DATA SYSTEMS 11/9/2014
AMAZON.COM 16/6/2017
AMERICAN AIRLINES GROUP 31/8/2012
AMGEN 30/6/2013
ANALOG DEVICES 26/7/2016
ANALOG DEVICES 9/6/2014
APPLE 27/7/2012

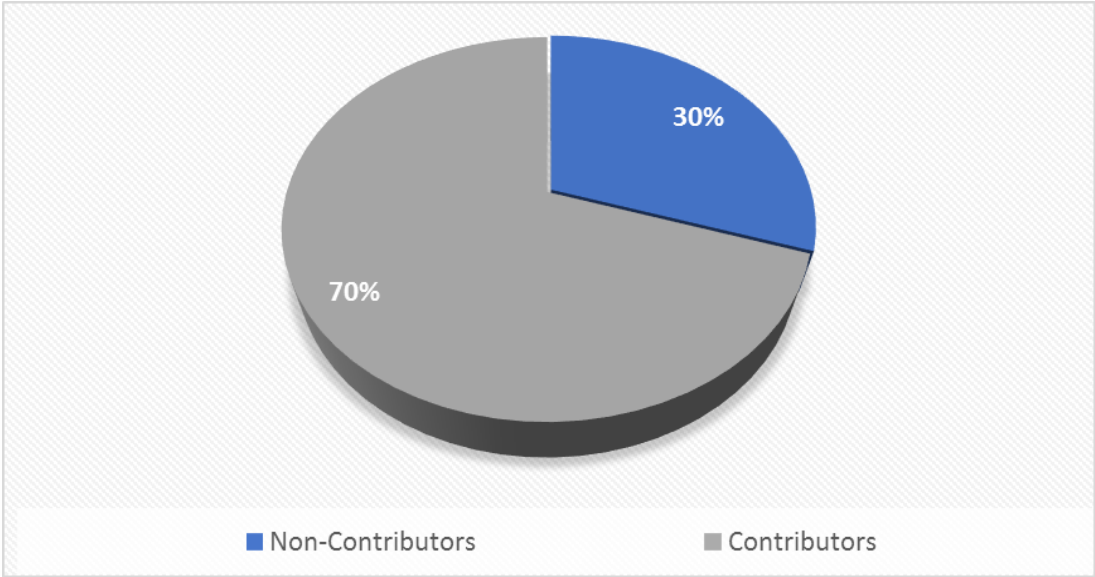
AT&T 12/7/2013
AT&T 18/5/2014
AT&T 2/8/2012
AT&T 22/10/2016
BECTON DICKINSON 23/4/2017
BECTON DICKINSON 5/10/2014
BOEING 1/5/2018
BOSTON SCIENTIFIC 27/9/2016
BRISTOL MYERS SQUIBB 29/6/2012
BRISTOL MYERS SQUIBB 7/1/2012
BROADCOM 11/7/2018
BROADCOM 2/11/2016
CAMPBELL SOUP 18/12/2017
CENTENE 2/7/2015
CENTERPOINT EN. 23/4/2018
CENTURYLINK 31/10/2016
CHARTER COMMS.CL.A 26/5/2015
CIGNA 8/3/2018
CINTAS 16/8/2016
CISCO SYSTEMS 23/10/2017
CISCO SYSTEMS 23/7/2013
CONAGRA BRANDS 27/11/2012
CONAGRA BRANDS 27/6/2018
CONCHO RESOURCES 28/3/2018
CORNING 7/4/2016
CVS HEALTH 21/5/2015
CVS HEALTH 3/12/2017
DANAHER 10/4/2012
DANAHER 13/5/2015
DANAHER 17/9/2012
Danaher Corp 6/9/16
DISCOVERY SERIES A 31/7/2017
DOLLAR TREE 28/7/2014
DUKE ENERGY 26/10/2015
EASTMAN CHEMICAL 27/1/2012
Eastman Chemical Co 11/9/14
ELI LILLY 10/5/2018
ELI LILLY 18/1/2017
EQUIFAX 16/6/2017
EXPEDIA GROUP 12/2/2015
EXPEDIA GROUP 4/11/2015
FIFTH THIRD BANCORP 21/5/2018
GARTNER 'A' 5/1/2017
GENERAL DYNAMICS 9/2/2018
GENERAL ELECTRIC 8/4/2013
GENERAL MILLS 23/2/2018

GENERAL MILLS 8/9/2014
GILEAD SCIENCES 28/8/2017
GLOBAL PAYMENTS 15/12/2015
HANESBRANDS 24/7/2013
Harris Corp 6/2/15
HARTFORD FINL.SVS.GP. 22/8/2018
HERSHEY 18/12/2017
HOME DEPOT 7/8/2012
HONEYWELL INTL. 9/12/2012
HP 2/3/2015
HUMANA 5/11/2012
HUNTINGTON BCSH. 10/10/2013
HUNTINGTON BCSH. 26/1/2016
INTEL 1/6/2015
KEYCORP 30/10/2015
KINDER MORGAN 10/8/2014
Kinder Morgan Inc 10/8/14
KROGER 11/11/2015
KROGER 2/7/2014
KROGER 9/7/2013
L3HARRIS TECHNOLOGIES 14/10/2018
LENNAR 'A' 22/9/2016
LENNAR 'A' 30/10/2017
LKQ 9/7/2015
LYONDELLBASELL INDS.CL.A 15/2/2018
M&T BANK 27/8/2012
MARATHON PETROLEUM 30/4/2018
MARRIOTT INTL.'A' 16/11/2015
MCKESSON 25/10/2012
MERCK & COMPANY 8/12/2014
MERCK & COMPANY 9/6/2014
MICROSOFT 13/6/2016
NORTHROP GRUMMAN 18/9/2017
ONEOK 1/2/2017
ORACLE 2/5/2016
ORACLE 20/12/2012
ORACLE 20/12/2013
ORACLE 23/6/2014
ORACLE 28/4/2016
ORACLE 28/7/2016
ORACLE 4/2/2013
ORACLE 9/2/2012
PARKER-HANNIFIN 1/12/2016
PFIZER 16/5/2016
PFIZER 22/5/2013
PFIZER 22/8/2016

PFIZER 5/2/2015
PVH 31/10/2012
REGENCY CENTERS 14/11/2016
SALESFORCE.COM 1/6/2016
SALESFORCE.COM 20/3/2018
SALESFORCE.COM 4/6/2013
SEAGATE TECH. 18/8/2015
SHERWIN-WILLIAMS 20/3/2016
SOUTHERN 24/2/2016
SOUTHERN 24/8/2015
STARBUCKS 14/11/2012
TEXTRON 24/1/2017
THERMO FISHER SCIENTIFIC 15/4/2013
THERMO FISHER SCIENTIFIC 27/5/2016
THERMO FISHER SCIENTIFIC 8/1/2016
TRANSDIGM GROUP 10/10/2018
TRANSDIGM GROUP 19/11/2015
TYSON FOODS 'A' 25/4/2017
TYSON FOODS 'A' 29/5/2014
UNION PACIFIC 21/11/2013
UNITED TECHNOLOGIES 4/9/2017
UNITEDHEALTH GROUP 30/3/2015
VENTAS 2/6/2014
VERIZON COMMUNICATIONS 1/6/2012
VERIZON COMMUNICATIONS 12/5/2015
VERIZON COMMUNICATIONS 25/4/2017
WALT DISNEY 14/12/2017
WEC ENERGY GROUP 23/6/2014
WellPoint Inc 9/7/2012
WEYERHAEUSER 8/11/2015
ZIMMER BIOMET HDG. 7/6/2016

Figure 3

CONTRIBUTORS AND NON-CONTRIBUTORS



As figure 3 presents, from the 133 acquirers, 70% of them (93 companies in total) are identified to have done political contributions and lobbying (forming the Contributors Group) and the rest 30% (40 companies in total) none (the Non- Contributors Group).

Figure 4

M&A DEALS

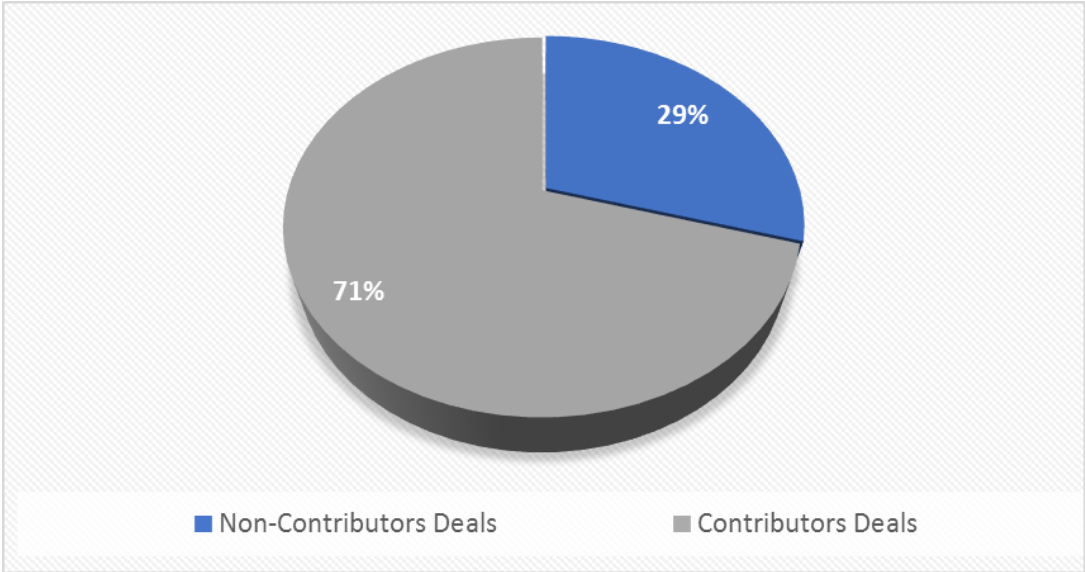


Figure 4 shows that 71% of the deals in the sample (146 M&A deals in total) come from acquirers that belong to the Contributors Group and 29% of them (61 M&A deals in total) come from acquirers that belong in the Non-Contributor Group.

### **3.3.2 Research Methodology**

Researchers are often called upon to measure the influence of a financial event on the value of firms. It is a daunting and complicated task, but it is possible to easily build a measure using an event study. An event study is a method of an empirical analysis that attempts to measure the valuation effects of a corporate event, in this case a M&A announcement, by investigating the response of the stock price around the announcement date (Dyckman et al., 1984). The utility of such a study is based on the fact that, given the rationality of the market, the impact of an event will be directly reflected in the market prices. Thus, a measure of the economic impact of the event can be constructed using the stock prices observed over a relatively short period of time. On the other hand, directly measuring productivity can take months or even years of observation.

Event analysis has many applications. In accounting and financial research, the impact studies of an event have been applied to a variety of companies and a wide range of financial events. Some of these cases include mergers, acquisitions, profit announcements, new debt issuance and also the announcement of macroeconomic variables such as the trade deficit.

During the years of use and improvements of this analysis a large number of modifications have been made. These modifications relate to complications arising from violations of the statistical assumptions used in the original work and involve design adaptations to create more specific assumptions. Useful articles dealing with the practical significance of complications and adaptations are the work of Stephen Brown and Jerold Warner published in 1980 and 1985. The 1980 article examines the application of themes to data obtained per month while the 1985 article deals with daily data issues (Brown & Warner, 1980; Brown & Warner, 1985)

In this study, to investigate the impact of political contributions on the mergers and acquisitions of the sample , and thus to discover if there are any benefits for the acquirers, an event analysis methodology was chosen as described by Brown & Warner (1980, 1985) to examine market reaction by analyzing over-performances according to a market-adjusted model.

The first step of this option was to calculate for each stock on  $j$  and day  $t$ , the excess return,  $ER_{jt}$ , as presented by the following formula:

$$ER_{jt} = R_{jt} - R_{mt}$$

where  $R_{jt}$  is the stock price  $j$  on day  $t$  and  $R_{mt}$  is the New York Stock Exchange (S&P 500 COMPOSITE - PRICE INDEX) stock price on day  $t$ . Through the analysis

of the "market-adjusted" model, it is observed that the stock market performance estimates the normal theoretical performance of each stock. The aforementioned stock market index was used as the market exchange spokesperson. Still extra performance was calculated for each day in the event window. This methodology was applied to stock returns over a total of 140 days. More specifically, it was calculated from -120 to +20 in relation to the day of the acquisition announcement which is day 0. The estimation period was the period 120 days before the announcement up to 10 days before the announcement while the period from day t-10 to day t + 10 (includes day 0) is called an 'event period'.

Regarding the calculation of abnormalities in the sample during each of the 21 days that constitute the period of the event. The formula used for this case was the following:

$$\bar{AR}_t = \frac{\sum_{j=1}^N ER_{jt}}{N}$$

where  $\bar{AR}_t$  the sample mean overperformance for day t and n is the number of shares / announcements in the sample. On the issue that the announcements of the companies were not announced at the same time it was chosen to match the stock returns based on the day of announcement of each company. The stratified mean was calculated on the basis of this correlation.

Finally, the third and most decisive step in the research was the calculation of the cumulative average excess return (CAR) for the N shares / announcements over the period [t1, t2].



$$CAR_{(t_1, t_2)} = \sum_{t=t_1}^{t_2} \bar{AR}_t$$

The statistical hypothesis considered in this case is as follows: "The average cumulative excess yield is zero". The following statistical function was used to test this hypothesis:

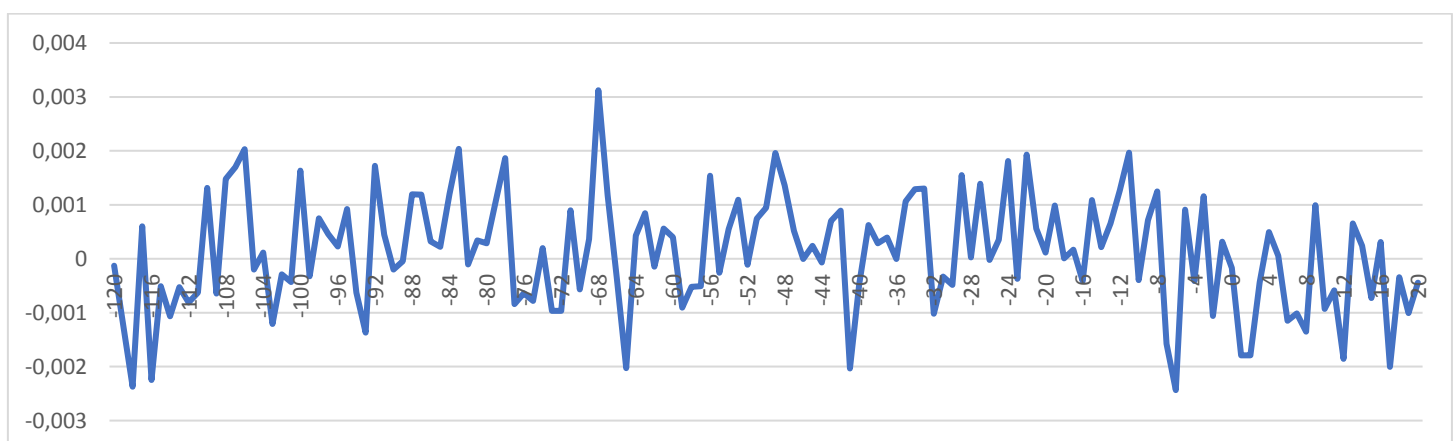
$$t = \frac{CAR_t}{\hat{\sigma}_t / (T_2 - T_1 + 1)^{1/2}}$$

In the interpretation of the above statistical function this is interpreted as follows: if the absolute value of t is greater than the critical value then the null hypothesis is rejected. This means that abnormal returns are statistically significantly different from zero. Finally, in the present study the above statistical function was applied for the following time intervals: (-10,1), (-5,1), (1, 5) and (1, 10). The critical values for these intervals are 2.23 (number of days, n = 10) and 2.57 (number of days, n = 5).

## 4. Empirical Findings

Graph 1

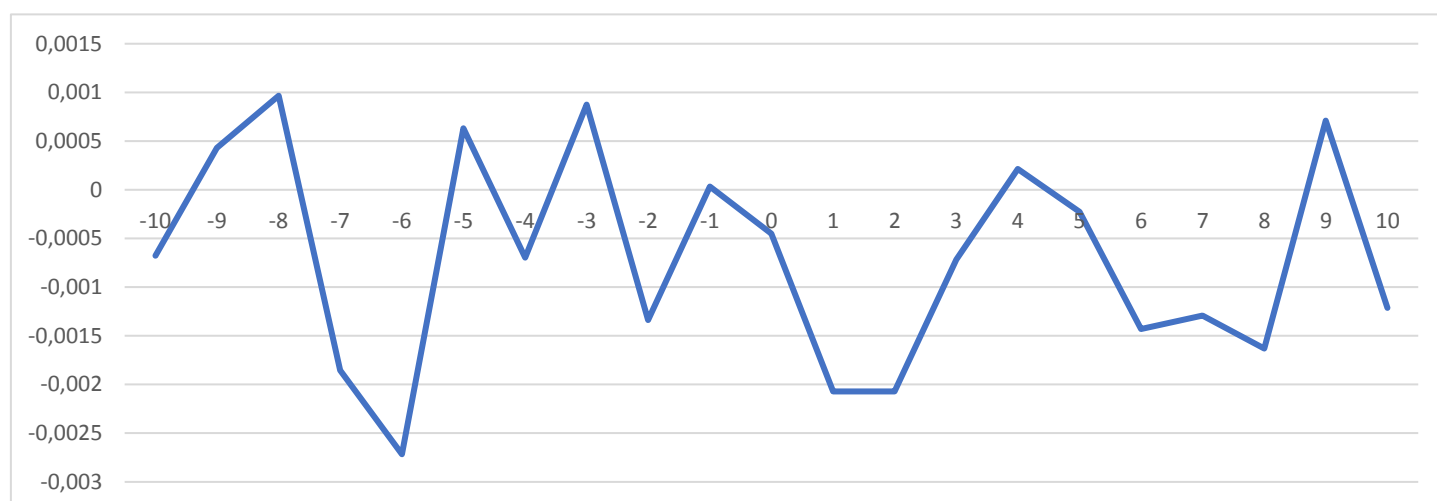
### AVERAGE EXCESS PERFORMANCE, CONTRIBUTORS



Graph 1 shows the average excess yields for the period 120 days before the announcement day up to 20 days after the announcement. It is observed that there is a sharp decline in stock performance at the time of the announcement of companies and after the announcement the stock performance is relatively normal.

Graph 2

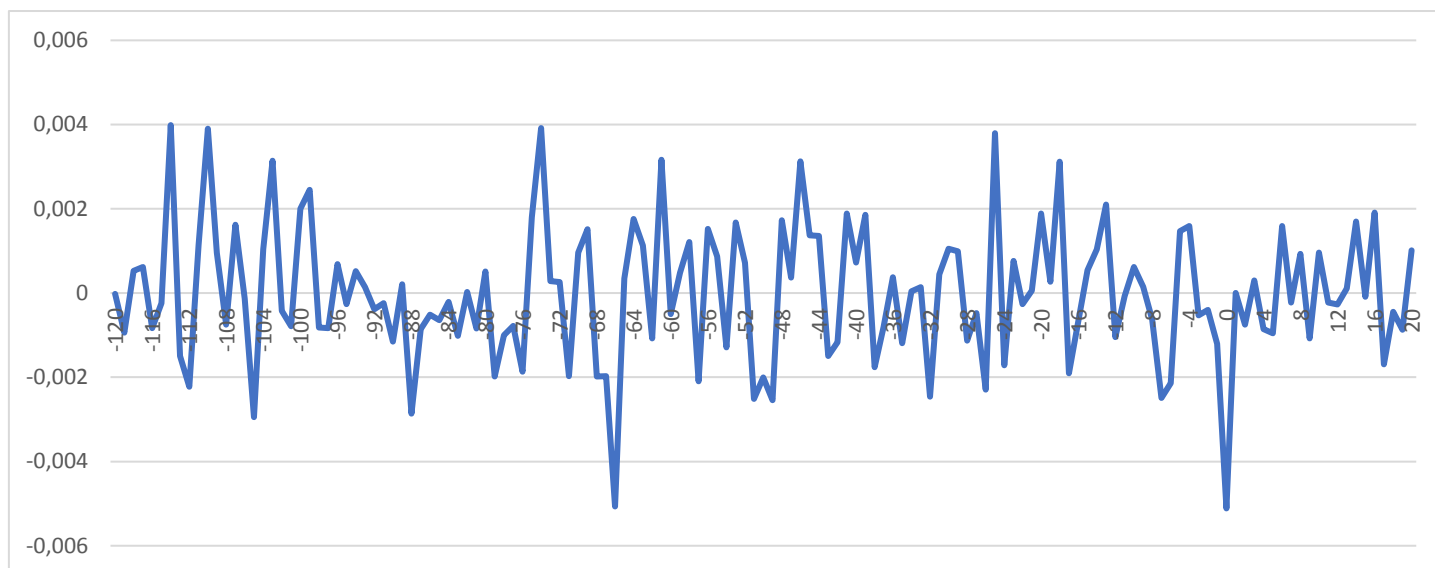
## AVERAGE EXTREME YIELDS, CONTRIBUTORS



Graph 2 shows the evolution of the average extreme return on shares. It is noted that two days after the announcement the stock returns are strongly negative. In addition, after the announcement, the stock returns appear to converge to a situation similar to the one before the announcement.

Graph 3

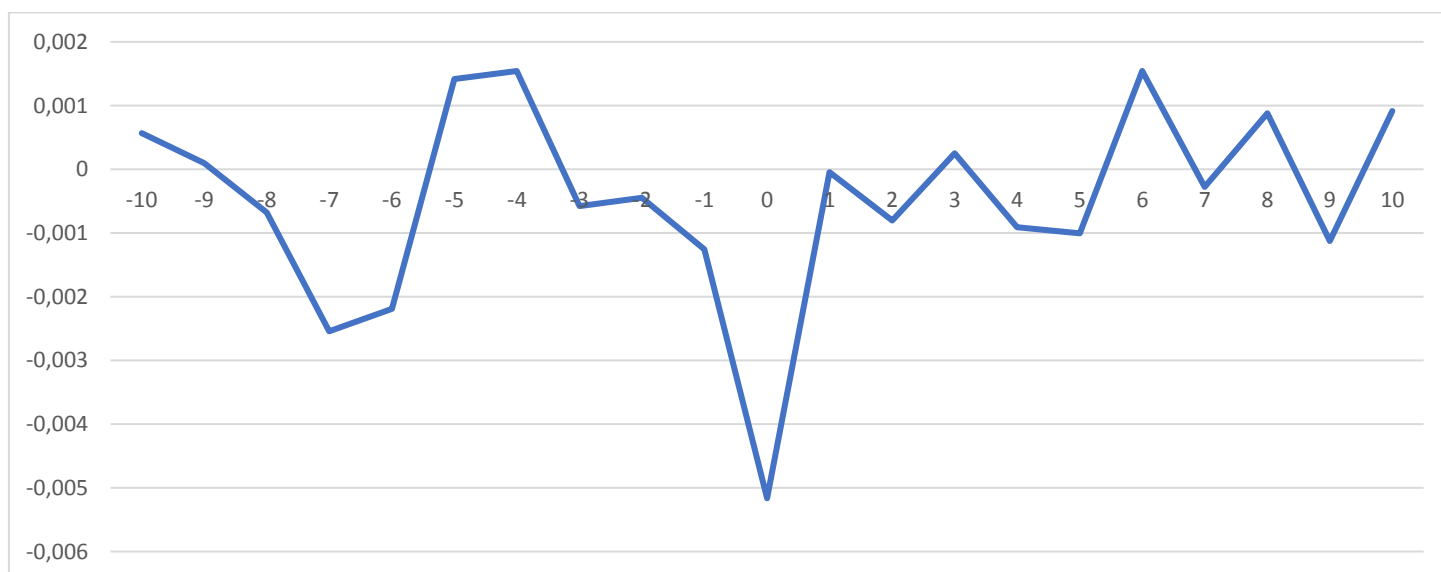
## AVERAGE EXCESS PERFORMANCE, NON - CONTRIBUTORS



Graph 3 shows the average excess yields for the period 120 days before the announcement day up to 20 days after the announcement. It is noted that there is a sharp decline in stock performance at the time of corporate announcement.

Graph 4

## AVERAGE EXTREME YIELDS, NON - CONTRIBUTORS



Graph 4 shows the evolution of the average extreme return on shares. It is noted that on the day of announcement the stock returns are negative. In addition, after the announcement, the stock returns appear to converge to a situation similar to the one before the announcement.

Table 4

## CUMULATIVE MEAN EXTREME PERFORMANCE, CONTRIBUTORS

	CAR	t.CAR
CAR(10,1)	-0,009723	-32,44188938
CAR(5,1)	-0,004869	-11,48683672
CAR(-1,-5)	-0,000493	-1,197559518
CAR(-1,-10)	-0,004344	-11,03147814

Table 4 shows that the absolute values of -32.44 & -11.03 are 2.23 higher. This means that the null assumption that the cumulative return on shares 10 days before and 10 days after is not zero. That is, the stock returns 10 days before and 10 days after the announcement of the companies is negative, -0.4% 10 days before and -, 9% 10 days after the event. In addition, the absolute value of -11.48 is observed to be greater than the value of 2.57 which means that the null assumption that the cumulative return on the shares 5 days later is not zero. That is, the stock's return 5 days after the announcement of the companies is negative, -0.4%.

Table 5

## CUMULATIVE MEAN EXTREME PERFORMANCE, NON - CONTRIBUTORS

	CAR	t.CAR
CAR(10,1)	-0,000579	-1,9614
CAR(5,1)	-0,002511	-9,89395
CAR(-1,-5)	0,000676	1,195313
CAR(-1,-10)	-0,004075	-9,40622

Table 5 shows that the absolute value of -9.40 is greater. This means that the null hypothesis that the cumulative return on shares 10 days ago is not zero. That is, the stock's performance 10 days before the corporate announcement is negative, -0.4% 10 days ago. In addition, it is observed that the absolute value of -9.89 is higher than the value of 2.57 which means that the null assumption that the cumulative return on the shares 5 days later is not zero. That is, the stock's performance 5 days after the announcement of the companies is -0.2%.

## **5. Conclusions**

From the analysis it was found for the contributors that there was a sharp decline in stock performance at the time of the corporate announcement and after the announcement the stock performance was relatively normal. Still, the average extreme return on stocks was observed two days after the announcement that the stock performance was strongly negative. In addition, after the announcement, the performance of the shares was observed to converge to a situation similar to the one before the announcement.

In addition, it was found that the stock performance 10 days before and 10 days after the announcement of the companies is negative, -0.4% 10 days before and -, 9% 10 days after the event. Moreover, the stock showed negative return of -0.4% 5 days after the announcement of the companies.

For non - contributors, similar results were found with the only difference in negative return 10 days after the announcement for contributors. More specifically, there was a

sharp decline in stock performance at the time of the announcement of the companies. Even for the average extreme return on stocks it was observed that on the day of announcement the stock was negative. In addition, after the announcement, the performance of the shares converged to a situation similar to that which existed before the announcement. Additionally, the stock was found to be negative 10 days before the announcement, -0.4% 10 days ago. Finally, the performance of the shares 5 days after the companies' patent announcement was negative, 0.2%.

Contributors and non-contributors display the same behavioral behavior of their shares prior to the announcement of their acquisition [zero return 5 days ago (-0.04% yield statistically insignificant and - 0.06%) and negative 10 days ago]. But after the announcements of the acquisitions, the behavior of the shares changed between the two groups. Five days later both groups had a negative performance. The difference is that the contributors' group (-0.4%) had almost twice as many losses as the non-contributors' group (-0.2%). In addition, the contributors group had a negative performance 10 days after the announcement day (-0.9%) while the non-contributors had a zero performance as the yield of -0.05% was statistically insignificant.

The interpretation of the difference in losses between the two groups after the announcements of the acquisitions will give the answer to the research question of this study. After the announcement of the acquisitions both groups show a negative stock behavior, with losses. This is the outcome of Goodwill. Goodwill is a name that accountants give to a takeover where the purchase price of the target firm is higher than the fair value of all of its identifiable assets (Higson ,1998).It is and intangible asset on the acquirer's balance sheet under the long term assets account. Examples that represent Goodwill are the brand name, network and customer base of the target firm.

However, as the results show the Contributors Group paid much higher price for the target firms than the Non-Contributors Group. This can be explained through Hubris Hypothesis. Hubris Hypothesis has been proposed by Roll (1986). According to Roll (1986) hubris, pride, and other motives than economic gains have an influence in the takeover procedure. With this hypothesis Roll tries to explain the premium that is paid for acquiring a firm that the market has already fairly valued. Roll (1986) implies that firms with pride and ulterior motives believe that the value of the subject target firm is higher than the value the market has set (Gaughan, 2007). A point of dispute in this hypothesis is an underlying conviction that the market is efficient and can provide the best valuation for the target firm. However, Roll presents a number of research studies to fortify his theory. One of them is the research study of Seth et al. (2000). According to their research findings, in a sample of 100 cross-border deals between 1981 and 1993, hubris played a significant role in these deals.

The present study finding may show also another example of the Hubris Hypothesis, which is strongly connected with the characteristics of the Contributors Group. Political connections formed by corporate political contributions and lobbying expenditures support the acquirer's pride, arrogance and pursue of ulterior motives (such as fame, networking, underlying monopoly pursuit) in the acquisitions deals as retribution for their donations and to secure future ones. Thus, the conclusion of this study and the answer of the research question is that political contributions have influence on the mergers and acquisitions activity and more specifically, they do provide benefits to the acquirers' side.

## 6. Discussion

### 6.1 Synopsis

The present study investigates in general the effect of political contributions in merger and acquisitions activity in the US. Specifically, the study investigates the possible benefits from corporate political contributions (and consequently, political connections) the acquirers might have against the target firms in M&A. For the purpose of this study a sample of 207 M&A deals was compiled. The M&A were announced between January 7,2012 and December 26,2018 and are consisted of acquirers that belong to the S&P 500 stock market index. In the sample 133 unique acquirers have been identified. Using OpenSecrtes (<http://www.OpenSecrets.org>) Website of the Center for Responsive Politics (CRP) it is found that 90 firms (acquirers) have done political contributions between the aforementioned time period and 40 none. With this sample two groups were formed, the Contributors Group (made of M&A deals of the sample with acquirers who did political contributions) and the Non-Contributors group (consisted of M&A deals of the sample with acquirers who didn't have made any political contributions).

Using these groups event analysis methodology was chosen as described by Brown & Warner (1980, 1985) to investigate the influence political contributions might have on the M&A. The empirical study results show that Contributors and Non-Contributors display the same behavioral behavior of their shares prior to the announcement of their acquisition. However, after the announcements of the acquisitions, the behavior of the shares changed between the two groups. After the



announcements both groups show negative performance, but the Contributors group show even sharper losses, almost twice as many as the Non – Contributors group.

That indicates that both groups purchased the targeted firms in higher price than the sum of the fair value of all identifiable assets purchased in the acquisition (Goodwill) but the acquirers in the Contributors group seem to purchase in with a much more above the fair value price than the Non – Contributors group acquirers. This outcome can be explained by the Hubris Hypothesis, a hypothesis proposed by Roll (1986) regarding the acquirer's takeover motives. This hypothesis proposes that the premium paid by the acquirers reflects pride, arrogance and different motives than just acquiring the target firm for economic gains. In this study's case, the acquirers that belong to the Contributors Group are behaving according to the Hubris Hypothesis because of the political connections that they achieved through corporate political contributions and lobbying expenditures. This explanation gives an answer to the research of this study. Political contributions do affect M&As, and specifically, the acquirer's side.

The findings of the present study agree with the findings of the aforementioned studies in Section 2 on the hypothesis that political connections influence the M&A activity. However, there are differences between the present study and the referred ones regarding the sample, the tested groups and the measure of political connections, that cannot let any further comparison to be made.

## **6.2 Research restrictions**

Upon completion of the present research and drawing conclusions, it was found that the research is subject to some limitations arising from the sample size, the characteristics of the sample and chronology. The findings of the study, despite their

interest, cannot be generalized. This first results from the sample size. The sample is consisted a firm that represent a high percentage of the equity market, but it is a relatively small sample of the total population of firms that are based in the US. Also, the sample is consisted of firms that only belong on S&P 500 stock market index. Finally, the deals in the sample and the contributions took place between January 7,2012 and December 26,2018 while M&A deals are made for decades. However, this point is debatable because there had to be a correlation between the M&A deals and the contributions timeline, and the contributions database provided chronologically restricted information.

### **6.3 Research Contribution**

The present research and its results contribute to science as they complement existing knowledge on the subject, a subject which relatively is a research void. Specifically, the effect of political contribution in the M&A activity has a been a field of research very few times, in contrast with the effect of political contributions have in firm value. In addition, the differences in the findings of the present study with those of other studies are a useful addition to existing knowledge about the object being studied. It is possible to compare it with previous and future studies in order to draw conclusions that could be useful. In this way, in the long run, the findings of the present study could be of help in the attempt to map this field.

### **6.4 Suggestions**

Research on a bigger scale on the subject is suggested considering that the few studies that exist mainly focus on politically connected acquired companies than the acquirers. Also, another suggestion for research is a study for investigating M&A deals where both acquirers and target firms are politically connected via

contributions, lobbying or with politicians as board members. The findings of stock behavior for both sides would be valuable for the existing knowledge.

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## APPENDIX

### M&A DEALS

<b>Acquirer Name</b>	<b>Announcement Date</b>	<b>Deal Size (M USD)</b>	<b>Target Name</b>
Bristol-Myers Squibb Co	7/1/2012	2.471,57	Inhibitex Inc
Eastman Chemical Co	27/1/2012	4.628,80	Solutia Inc
Oracle Corp	9/2/2012	1.792,90	Taleo Corp
Danaher Corp	10/4/2012	607,46	X-Rite Inc
Hologic Inc	30/4/2012	3.853,67	Gen-Probe Inc
Microchip Technology Inc	2/5/2012	723,53	Standard Microsystems Corp
Verizon Communications Inc	1/6/2012	694,62	Hughes Telematics Inc
Laboratory Corp of America Holdings	4/6/2012	235,15	MEDTOX Scientific Inc
Bristol-Myers Squibb Co	29/6/2012	6.861,76	Amylin Pharmaceuticals Inc
WellPoint Inc	9/7/2012	4.851,61	Amerigroup Corp
Apple Inc	27/7/2012	370,80	AuthenTec Inc
AT&T Inc	2/8/2012	1.156,88	NextWave Wireless Inc
Home Depot Inc	7/8/2012	82,88	US Home Systems Inc
National Oilwell Varco Inc	9/8/2012	2.434,68	Robbins & Myers Inc
Health Care REIT Inc	22/8/2012	1.312,03	Sunrise Senior Living Inc
M&T Bank Corp	27/8/2012	3.810,83	Hudson City Bancorp Inc



International Business Machines Corp	27/8/2012	1.286,43	Kenexa Corp
Realty Income Corp	6/9/2012	2.104,48	American Realty Capital Trust Inc
Danaher Corp	17/9/2012	339,67	IRIS International Inc
3M Co	1/10/2012	662,90	Ceradyne Inc
McKesson Corp	25/10/2012	1.796,57	PSS World Medical Inc
PVH Corp	31/10/2012	2.739,73	Warnaco Group Inc
Humana Inc	5/11/2012	776,29	Metropolitan Health Networks Inc
The Priceline Group Inc	8/11/2012	1.627,20	KAYAK Software Corp
Starbucks Corp	14/11/2012	636,27	Teavana Holdings Inc
ConAgra Foods Inc	27/11/2012	6.715,59	Ralcorp Holdings Inc
Honeywell International Inc	9/12/2012	601,37	Intermec Inc
Oracle Corp	20/12/2012	881,52	Eloqua Inc
Allergan Inc	22/1/2013	829,81	MAP Pharmaceuticals Inc
Oracle Corp	4/2/2013	1.661,93	Acme Packet Inc
General Electric Co	8/4/2013	3.324,15	Lufkin Industries Inc
Thermo Fisher Scientific Inc	15/4/2013	14.997,83	Life Technologies Corp
Pfizer Inc	22/5/2013	11.659,33	Pfizer Inc
Mid-America Apartment Communities Inc	3/6/2013	3.919,37	Colonial Properties Trust Inc
Salesforce.com Inc	4/6/2013	2.545,46	ExactTarget Inc
Amgen Inc	30/6/2013	9.122,75	Onyx Pharmaceuticals Inc

Kroger Co	9/7/2013	2.448,68	Harris Teeter Supermarkets Inc
AT&T Inc	12/7/2013	4.064,22	Leap Wireless International Inc
Cisco Systems Inc	23/7/2013	2.395,42	Sourcefire Inc
Hanesbrands Inc	24/7/2013	556,15	Maidenform Brands Inc
Maxim Integrated Products Inc	15/8/2013	447,73	Volterra Semiconductor Corp
Packaging Corp of America	16/9/2013	1.983,52	Boise Inc
Stryker Corp	25/9/2013	1.423,95	MAKO Surgical Corp
Huntington Bancshares Inc, Columbus, Ohio	10/10/2013	94,37	Camco Financial Corp
Union Pacific Corp	21/11/2013	9.514,20	Union Pacific Corp
Essex Property Trust Inc	9/12/2013	6.374,02	BRE Properties Inc
The Mosaic Co	9/12/2013	2.026,01	The Mosaic Co
Oracle Corp	20/12/2013	1.492,32	Responsys Inc
Stryker Corp	31/12/2013	109,15	Patient Safety Technologies Inc
Martin Marietta Materials Inc	28/1/2014	2.683,41	Texas Industries Inc
Microchip Technology Inc	10/2/2014	237,73	Supertex Inc
Actavis PLC	18/2/2014	23.615,63	Forest Laboratories Inc
RF Micro Devices Inc	24/2/2014	1.625,62	TriQuint Semiconductor Inc
AMETEK Inc	11/4/2014	275,76	Zygo Corp
AT&T Inc	18/5/2014	67.186,29	DirecTV Inc
Tyson Foods Inc	29/5/2014	8.279,85	Hillshire Brands Co

Ventas Inc	2/6/2014	2.307,76	American Realty Capital Healthcare Trust Inc
Analog Devices Inc	9/6/2014	1.956,02	Hittite Microwave Corp
Merck & Co Inc	9/6/2014	3.704,75	Idenix Pharmaceuticals Inc
The Priceline Group Inc	13/6/2014	2.437,87	OpenTable Inc
Oracle Corp	23/6/2014	4.669,32	MICROS Systems Inc
Wisconsin Energy Corp	23/6/2014	9.119,56	Integrus Energy Group Inc
Kroger Co	2/7/2014	249,35	Vitacost.com Inc
Albemarle Corp	15/7/2014	6.923,52	Rockwood Holdings Inc
Dollar Tree Inc	28/7/2014	9.089,51	Family Dollar Stores Inc
Kinder Morgan Inc	10/8/2014	58.551,10	Kinder Morgan Energy Partners LP
Kinder Morgan Inc	10/8/2014	10.251,33	Kinder Morgan Management LLC
Kinder Morgan Inc	10/8/2014	10.021,50	El Paso Pipeline Partners LP
General Mills Inc	8/9/2014	814,40	Annies Inc
Alliance Data Systems Corp	11/9/2014	2.268,18	Conversant Inc
Eastman Chemical Co	11/9/2014	2.707,94	Taminco Corp
Laboratory Corp of America Holdings	25/9/2014	54,78	LipoScience Inc
Becton Dickinson & Co	5/10/2014	11.983,11	CareFusion Corp
Actavis PLC	6/10/2014	829,35	Durata Therapeutics Inc
Laboratory Corp of America Holdings	3/11/2014	5.715,02	Covance Inc

Actavis PLC	17/11/2014	66.404,40	Allergan Inc
Merck & Co Inc	8/12/2014	8.404,06	Cubist Pharmaceuticals Inc
Pfizer Inc	5/2/2015	16.770,84	Hospira Inc
Harris Corp	6/2/2015	4.723,67	Exelis Inc
Expedia Inc	12/2/2015	1.589,22	Orbitz Worldwide Inc
Hewlett Packard Co	2/3/2015	2.681,92	Aruba Networks Inc
AbbVie Inc	4/3/2015	19.916,98	Pharmacyclics Inc
UnitedHealth Group Inc	30/3/2015	13.242,20	Catamaran Corp
Fortune Brands Home & Security Inc	30/3/2015	528,86	Norcraft Cos Inc
Alexion Pharmaceuticals Inc	6/5/2015	7.683,70	Synageva Biopharma Corp
Microchip Technology Inc	7/5/2015	742,97	Micrel Inc
Verizon Communications Inc	12/5/2015	4.056,15	AOL Inc
Danaher Corp	13/5/2015	13.779,78	Pall Corp
CVS Health Corp	21/5/2015	12.555,34	Omnicare Inc
Charter Communications Inc	26/5/2015	78.376,58	Time Warner Cable Inc
Fortinet Inc	27/5/2015	29,81	Meru Networks Inc
Intel Corp	1/6/2015	15.331,14	Altera Corp
Centene Corp	2/7/2015	6.149,62	Health Net Inc
LKQ Corp	9/7/2015	47,13	Coast Distribution System Inc
International Business Machines Corp	6/8/2015	974,48	Merge Healthcare Inc
Seagate Technology Plc	18/8/2015	575,57	Dot Hill Systems Corp
Southern Co	24/8/2015	11.797,36	AGL Resources Inc

Schlumberger Ltd	26/8/2015	13.879,35	Cameron International Corp
DENTSPLY International Inc	15/9/2015	5.484,10	Sirona Dental Systems Inc
Western Digital Corp	21/10/2015	14.346,00	SanDisk Corp
Duke Energy Corp	26/10/2015	6.577,55	Piedmont Natural Gas Co Inc
KeyCorp,Cleveland,Ohio	30/10/2015	4.044,00	First Niagara Financial Group Inc
Expedia Inc	4/11/2015	3.203,56	HomeAway Inc
Weyerhaeuser Co	8/11/2015	11.621,40	Plum Creek Timber Co Inc
Kroger Co	11/11/2015	791,58	Roundy's Inc
Marriott International Inc	16/11/2015	14.815,47	Starwood Hotels & Resorts Worldwide Inc
TransDigm Group Inc	19/11/2015	182,07	Breeze-Eastern Corp
Newell Rubbermaid Inc	14/12/2015	20.043,64	Jarden Corp
Global Payments Inc	15/12/2015	4.213,86	Heartland Payment Systems Inc
Thermo Fisher Scientific Inc	8/1/2016	1.137,12	Affymetrix Inc
Microchip Technology Inc	13/1/2016	3.278,82	Atmel Corp
Huntington Bancshares Inc, Columbus,Ohio	26/1/2016	3.337,79	FirstMerit Corp
Abbott Laboratories	1/2/2016	8.134,17	Alere Inc
Dominion Resources Inc	1/2/2016	6.068,27	Questar Corp
Southern Co	24/2/2016	422,11	PowerSecure International Inc
Sherwin-Williams Co	20/3/2016	11.202,35	Valspar Corp
Alaska Air Group Inc	4/4/2016	4.020,99	Virgin America Inc

Corning Inc	7/4/2016	270,96	Alliance Fiber Optic Products Inc
Abbott Laboratories	28/4/2016	30.466,34	St Jude Medical Inc
Oracle Corp	28/4/2016	619,60	Textura Corp
Oracle Corp	2/5/2016	512,75	Opower Inc
Quintiles Transnational Holdings Inc	3/5/2016	13.017,48	IMS Health Holdings Inc
Pfizer Inc	16/5/2016	5.469,09	Anacor Pharmaceuticals Inc
Thermo Fisher Scientific Inc	27/5/2016	4.075,93	FEI Co
Salesforce.com Inc	1/6/2016	2.793,52	Demandware Inc
Zimmer Biomet Holdings Inc	7/6/2016	1.009,64	LDR Holding Corp
Microsoft Corp	13/6/2016	24.617,47	LinkedIn Corp
People's United Financial Inc	27/6/2016	397,98	Suffolk Bancorp
Analog Devices Inc	26/7/2016	12.927,31	Linear Technology Corp
Laboratory Corp of America Holdings	27/7/2016	352,66	Sequenom Inc
Oracle Corp	28/7/2016	8.768,66	NetSuite Inc
Hewlett Packard Enterprise Co	11/8/2016	269,38	Silicon Graphics International Corp
Mid-America Apartment Communities Inc	15/8/2016	4.858,33	Post Properties Inc
Cintas Corp	16/8/2016	2.167,03	G&K Services Inc
Pfizer Inc	22/8/2016	13.789,63	Medivation Inc
Danaher Corp	6/9/2016	3.917,62	Cepheid Inc

Allergan Plc	14/9/2016	552,27	Vitae Pharmaceuticals Inc
Allergan Plc	20/9/2016	1.499,06	Tobira Therapeutics Inc
Lennar Corp	22/9/2016	811,58	WCI Communities Inc
Boston Scientific Corp	27/9/2016	188,90	EndoChoice Holdings Inc
AT&T Inc	22/10/2016	101.499,46	Time Warner Inc
CenturyLink Inc	31/10/2016	34.441,25	Level 3 Communications Inc
Broadcom Ltd	2/11/2016	5.857,46	Brocade Communications Systems Inc
Adobe Systems Inc	10/11/2016	542,16	TubeMogul Inc
Regency Centers Corp	14/11/2016	5.755,00	Equity One Inc
Parker Hannifin Corp	1/12/2016	4.244,90	CLARCOR Inc
Teleflex Inc	2/12/2016	970,09	Vascular Solutions Inc
Gartner Inc	5/1/2017	3.232,05	CEB Inc
Eli Lilly & Co	18/1/2017	848,74	CoLucid Pharmaceuticals Inc
Textron Inc	24/1/2017	309,98	Arctic Cat Inc
Keysight Technologies Inc	30/1/2017	1.511,84	IXIA
ONEOK Inc	1/2/2017	17.118,06	ONEOK Partners LP
Allergan Plc	13/2/2017	2.340,64	ZELTIQ Aesthetics Inc
Hologic Inc	14/2/2017	1.460,68	Cynosure Inc
Hewlett Packard Enterprise Co	7/3/2017	1.004,92	Nimble Storage Inc
AMETEK Inc	17/4/2017	177,57	MOCON Inc
Becton Dickinson & Co	23/4/2017	24.226,78	CR Bard Inc

Tyson Foods Inc	25/4/2017	4.130,56	AdvancePierre Foods Holdings Inc
Verizon Communications Inc	25/4/2017	2.307,50	Straight Path Communications Inc
Coach Inc	8/5/2017	2.326,25	Kate Spade & Co
DR Horton Inc	5/6/2017	558,26	Forestar Group Inc
Digital Realty Trust Inc	9/6/2017	7.282,54	DuPont Fabros Technology Inc
Amazon.com Inc	16/6/2017	13.598,40	Whole Foods Market Inc
Equifax Inc	16/6/2017	62,74	ID Watchdog Inc
Discovery Communications Inc	31/7/2017	14.174,66	Scripps Networks Interactive Inc
United Rentals Inc	14/8/2017	606,60	Neff Corp
Gilead Sciences Inc	28/8/2017	11.074,43	Kite Pharma Inc
United Technologies Corp	4/9/2017	32.240,95	Rockwell Collins Inc
Fortive Corp	6/9/2017	727,77	Landauer Inc
Northrop Grumman Corp	18/9/2017	9.183,76	Orbital ATK Inc
Cisco Systems Inc	23/10/2017	1.611,12	BroadSoft Inc
Lennar Corp	30/10/2017	9.584,65	CalAtlantic Group Inc
CVS Health Corp	3/12/2017	67.822,82	Aetna Inc
Stryker Corp	7/12/2017	660,57	Entellus Medical Inc
Walt Disney Co	14/12/2017	83.022,03	21st Century Fox Inc
Campbell Soup Co	18/12/2017	6.060,33	Snyder's-Lance Inc
Hershey Co	18/12/2017	1.503,10	Amplify Snack Brands Inc
Dominion Energy Inc	3/1/2018	14.219,67	SCANA Corp



General Dynamics Corp	9/2/2018	9.707,86	CSRA Inc
LyondellBasell Industries NV	15/2/2018	3.007,28	A Schulman Inc
General Mills Inc	23/2/2018	8.038,58	Blue Buffalo Pet Products Inc
Microchip Technology Inc	1/3/2018	9.851,03	Microsemi Corp
Cigna Corp	8/3/2018	68.523,88	Express Scripts Holding Co
Salesforce.com Inc	20/3/2018	6.539,92	MuleSoft Inc
Concho Resources Inc	28/3/2018	9.481,30	RSP Permian Inc
CenterPoint Energy Inc	23/4/2018	8.089,11	Vectren Corp
Welltower Inc	25/4/2018	3.389,73	Quality Care Properties Inc
Prologis Inc	29/4/2018	8.062,47	DCT Industrial Trust Inc
Marathon Petroleum Corp	30/4/2018	31.337,27	Andeavor Corp
Boeing Co	1/5/2018	4.083,43	Klx Inc
Eli Lilly & Co	10/5/2018	1.457,50	Armo Biosciences Inc
Zoetis Inc	16/5/2018	1.827,74	Abaxis Inc
Fifth Third Bancorp	21/5/2018	4.599,69	MB Financial Inc
People's United Financial Inc	19/6/2018	543,21	First Connecticut Bancorp Inc
Conagra Brands Inc	27/6/2018	10.824,14	Pinnacle Foods Inc
Broadcom Inc	11/7/2018	18.259,21	CA Inc
Diamondback Energy Inc	14/8/2018	9.100,14	Energen Corp
The Hartford Financial Services Group Inc	22/8/2018	2.083,67	The Navigators Group Inc
Stryker Corp	30/8/2018	1.301,24	K2M Group Holdings Inc
Stryker Corp	11/9/2018	189,95	Invuity Inc

Dominion Energy Inc	19/9/2018	5.454,86	Dominion Energy Midstream Partners LP
TransDigm Group Inc	10/10/2018	3.907,90	Esterline Technologies Corp
Harris Corp	14/10/2018	19.095,87	L3 Technologies Inc
International Business Machines Corp	28/10/2018	32.303,29	Red Hat Inc
Cimarex Energy Co	19/11/2018	1.519,64	Resolute Energy Corp
People's United Financial Inc	27/11/2018	326,25	BSB Bancorp Inc, Belmont, MA

### CONTRIBUTIONS

<b>NAME</b>	<b>TOTAL CONTRIBUTIONS</b>	<b>TOTAL LOBBYING</b>
<b>3M</b>	\$1.897.169	\$18.557.018
<b>ABBOTT LABORATORIES</b>	\$5.764.193	\$14.430.000
<b>ABBVIE</b>	\$3.244.441	\$18.230.000
<b>ADOBE (NAS)</b>	\$1.092.827	\$4.040.000
<b>ALASKA AIR GROUP</b>	\$624.115	\$4.000.000
<b>ALBEMARLE</b>	\$143.457	\$70.000
<b>ALEXION PHARMS.</b>	\$1.042.276	\$4.740.501
<b>ALLERGAN</b>	\$1.122.910	\$10.470.000
<b>ALLIANCE DATA SYSTEMS</b>	\$521.737	\$625.000

<b>AMAZON.COM</b>	\$6,075.698	\$33,194.000
<b>AMERICAN AIRLINES GROUP</b>	\$6,344.031	\$28,794.000
<b>AMGEN</b>	\$8,130.843	\$38,690.000
<b>ANALOG DEVICES</b>	\$865.235	\$0
<b>APPLE</b>	\$4,842.053	\$17,430.000
<b>AT&amp;T</b>	\$28,396.766	\$66,559.000
<b>BECTON DICKINSON</b>	\$841.426	\$3,840.000
<b>BOEING</b>	\$14,966.915	\$64,580.000
<b>BOSTON SCIENTIFIC</b>	\$2,323.664	\$6,550.489
<b>BRISTOL MYERS SQUIBB</b>	\$1,749.826	\$12,735.000
<b>BROADCOM</b>	\$635.192	\$1,300.000
<b>CAMPBELL SOUP</b>	\$289.490	\$590.000
<b>CENTENE</b>	\$3,198.134	\$6,880.000
<b>CENTERPOINT EN.</b>	\$698.006	\$3,234.825
<b>CENTURYLINK</b>	\$3,912.311	\$12,040.000
<b>CHARTER COMMS.CL.A</b>	\$4,423.524	\$21,270.000
<b>CIGNA</b>	\$3,406.700	\$18,020.000
<b>CIMAREX EN.</b>	\$161.556	\$0
<b>CINTAS</b>	\$3,167.072	\$755.000
<b>CISCO SYSTEMS</b>	\$7,929.631	\$9,040.000
<b>CONAGRA BRANDS</b>	\$565.325	\$2,655.231
<b>CONCHO RESOURCES</b>	\$499.002	\$630.000
<b>CORNING</b>	\$2,667.876	\$3,390.000
<b>CVS HEALTH</b>	\$2,691.345	\$37,358.887

<b>DANAHER</b>	\$441.397	\$640.000
<b>DISCOVERY SERIES A</b>	\$967.388	\$1.000.000
<b>DOLLAR TREE</b>	\$233.049	\$90.000
<b>DUKE ENERGY</b>	\$4.562.610	\$25.235.592
<b>EASTMAN CHEMICAL</b>	\$1.635.496	\$8.492.500
<b>ELI LILLY</b>	\$5.126.239	\$33.722.000
<b>EQUIFAX</b>	\$608.047	\$3.760.000
<b>EXPEDIA GROUP</b>	\$323.720	\$4.395.892
<b>FIFTH THIRD BANCORP</b>	\$1.854.632	\$3.880.000
<b>FORTINET</b>	\$107.674	\$0
<b>GARTNER 'A'</b>	\$225.504	\$120.000
<b>GENERAL DYNAMICS</b>	\$9.762.233	\$44.440.403
<b>GENERAL ELECTRIC</b>	\$15.608.409	\$47.605.000
<b>GENERAL MILLS</b>	\$1.665.936	\$6.220.000
<b>GILEAD SCIENCES</b>	\$1.020.264	\$10.950.000
<b>GLOBAL PAYMENTS</b>	\$220.929	\$0
<b>HANESBRANDS</b>	\$635.192	\$1.300.000
<b>HARTFORD FINL.SVS.GP.</b>	\$1.941.629	\$7.230.000
<b>HERSHEY</b>	\$212.848	\$4.136.000
<b>HEWLETT PACKARD ENTER.</b>	\$1.490.546	\$8.975.000
<b>HOLOGIC</b>	\$168.383	\$960.000
<b>HOME DEPOT</b>	\$13.306.132	\$5.797.500
<b>HONEYWELL INTL.</b>	\$22.502.463	\$23.680.000
<b>HP</b>	\$165.852	\$3.690.000

<b>HUMANA</b>	\$4,282.899	\$6,708.634
<b>HUNTINGTON BCSH.</b>	\$2,287.782	\$1,655.257
<b>INTEL</b>	\$6,566.121	\$17,816.862
<b>IQVIA HOLDINGS</b>	\$152.808	\$670.000
<b>KEYCORP</b>	\$1,822.631	\$2,155.250
<b>KINDER MORGAN</b>	\$958.738	\$415.000
<b>KROGER</b>	\$1,310.777	\$1,650.000
<b>L3HARRIS TECHNOLOGIES</b>	\$5,899.827	\$15,473.774
<b>LENNAR 'A'</b>	\$336.696	\$780.000
<b>LKQ</b>	\$223.117	\$375.000
<b>LYONDELLBASELL INDS.CL.A</b>	\$646.999	\$8,060.000
<b>M&amp;T BANK</b>	\$760.277	\$545.000
<b>MARATHON PETROLEUM</b>	\$7,012.357	\$13,404.995
<b>MARRIOTT INTL.'A'</b>	\$1,783.740	\$3,190.000
<b>MARTIN MRTA.MATS.</b>	\$28.525	\$0
<b>MCKESSON</b>	\$6,793.720	\$7,020.477
<b>MERCK &amp; COMPANY</b>	\$6,143.207	\$27,720.000
<b>MICROCHIP TECH.</b>	\$154.570	\$154.000
<b>MICROSOFT</b>	\$20,719.067	\$34,716.000
<b>MOSAIC</b>	\$159.750	\$1,945.000
<b>NATIONAL OILWELL VARCO</b>	\$73.235	\$620.000
<b>NEWELL BRANDS (XSC)</b>	\$47.171	\$285.000
<b>NORTHROP GRUMMAN</b>	\$16,580.202	\$54,196.960
<b>ONEOK</b>	\$439.015	\$80.000

<b>ORACLE</b>	\$5.796.561	\$29.975.000
<b>PACKAGING CORP.OF AM.</b>	\$55.968	\$130.000
<b>PARKER-HANNIFIN</b>	\$334.419	\$1.510.000
<b>PEOPLES UNITED FINANCIAL</b>	\$98.012	\$0
<b>PFIZER</b>	\$10.022.160	\$41.273.000
<b>PROLOGIS REIT</b>	\$96.580	\$0
<b>PVH</b>	\$130.577	\$260.000
<b>REGENCY CENTERS</b>	\$203.035	\$260.000
<b>SALESFORCE.COM</b>	\$2.402.163	\$4.210.000
<b>SCHLUMBERGER</b>	\$186.489	\$0
<b>SEAGATE TECH.</b>	\$1.292.367	\$0
<b>SHERWIN-WILLIAMS</b>	\$907.821	\$50.000
<b>SOUTHERN</b>	\$5.713.167	\$53.970.000
<b>STARBUCKS</b>	\$532.575	\$2.820.000
<b>STRYKER</b>	\$141.764	\$665.000
<b>TELEFLEX</b>	\$56.886	\$172.561
<b>TEXTRON</b>	\$2.698.370	\$16.280.000
<b>THERMO FISHER SCIENTIFIC</b>	\$1.753.668	\$2.929.600
<b>TRANSDIGM GROUP</b>	\$406.347	\$0
<b>TYSON FOODS 'A'</b>	\$1.360.250	\$5.300.708
<b>UNION PACIFIC</b>	\$9.789.735	\$17.455.007
<b>UNITED RENTALS</b>	\$19.250	\$760.000
<b>UNITED TECHNOLOGIES</b>	\$7.061.379	\$49.587.750
<b>UNITEDHEALTH GROUP</b>	\$9.530.346	\$14.560.000

<b>VENTAS</b>	\$354.045	\$400.000
<b>VERIZON COMMUNICATIONS</b>	\$13.072.737	\$54.062.066
<b>WALT DISNEY</b>	\$8.186.437	\$15.120.000
<b>WEC ENERGY GROUP</b>	\$486.451	\$3.930.000
<b>WELLTOWER</b>	\$14.014	\$0
<b>WESTERN DIGITAL</b>	\$97.870	\$360.000
<b>WEYERHAEUSER</b>	\$2.309.346	\$8.411.500
<b>ZIMMER BIOMET HDG.</b>	\$324.790	\$2.258.979
<b>ZOETIS A</b>	\$153.064	\$1.190.000