

**Pre-Acquisition Profile of Privately Held Companies
Involved in Takeovers: an Empirical Study**

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ABSTRACT:

This study addresses the pre-acquisition financial characteristics of privately held acquiring and acquired companies involved in 143 Belgian takeovers between 1992 and 1994. Specifically, the research examines the profitability, liquidity, financial structure, added value and failure risk using statistical analysis of industry-adjusted variables. Our findings show that acquisition is not an alternative to bankruptcy since acquired companies do not report high failure risk, but exhibit higher than industry liquidity and solvency. The acquirers achieve a higher growth rate in total assets and sales than the acquired firms but experience a negative industry-adjusted liquidity and are highly levered, suggesting evidence for a growth-resource mismatch or a financial fit between acquirers and their targets.

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