

## Legal Thresholds in Germany Take Over: The Role of Minimum Offer Price Regulation

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**Abstract :** The Germany takeover regulations mandate the minimum offer price to be set in accordance with section 31 (1) of the WpÜG. To safeguard this right of the shareholders, the WpÜG contains minimum price regulations that are based on the fundamental principle of equal treatment of shareholders. The minimum offer price is determined based on the maximum of either the highest price the bidder has offered other shareholders within the last six months (§ 4 WpÜG) or the three-month weighted average stock price (§ 5 Abs. 1 WpÜG) before the announcement of the offer. This study provides the first empirical evidence on differences between setting the minimum offer price based on the highest price paid to another shareholder within the last six months (“6MH offers”) as against the three-month weighted average stock price before the announcement of the offer (“VWAP offers”) in terms of their impact on acquisition outcome. Using a sample of 358 acquisitions announced between 2004 and 2023, the study finds that the market and legal minimum premium in 6MH offers are significantly lower than three-month weighted average stock price offers. The study also employed Propensity Score Matching and endogenous Linear regression model to address for endogeneity concerns. Consistent with the Ordinary Least Square estimation, the study finds that after controlling for self-selection bias, market and legal premiums in 6MH offers are significantly lower than VWAP offers.

**Keywords :** mergers and acquisition, offer premium, minimum price regulation, takeover regulation

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