Data Appendix Table: Description of Variables

Variable	Symbol	Description	Source
Sales Revenues	Y	ds104	Datastream
Log Real Sales	y	ds104 deflated by a 2-digit SIC output price series, in logs	Datastream; Office for National Statistics.
Employment	l	Log of ds219	Datastream, replaced with Extel data where appropriate.
Capital stock	K	Replacement cost estimate of the capital stock	Datastream (see Data Appendix)
Real Capital Stock	k	K deflated by investment price series, in logs	ONS
Investment level	I	Gross investment	Datastream (see Data Appendix)
Investment rate	I_t/K_{t-1}		
Probability of firm i being taken over in year $t+1$, given information at year t	p_{it}	Predicted probability from takeover likelihood model	See text
Profits	π	Profits net of interest, taxes and depreciation, gross of dividends (ds182)	Datastream
Return-on-sales	π/Y		
Return-on-capital	π/K		
Cash flow	C	Profits net of interest and taxes plus depreciation (ds182+ds136)	Datastream
Cash flow return-on-sales	C/Y		
Dividend level	D	ds187	Datastream
Dividends-to-sales	D/Y		
Leverage	LEV	Debt-Capital Ratio (ds321/K)	Datastream. Debt is book value.
Tobin's Q	Q	(ds321+HMV)/K	Datastream. HMV is market valuation of equity on the last day of the accounting year.
Income gearing	FFP	Interest payments relative to earnings (ds153/(ds153+ds157+ds136))	Datastream
Age		Measured in years from listing on London Stock Exchange	London Share Price Database.
Liquidity		Total cash and equivalent deflated by the capital stock (ds375/K)	Datastream.
Rumours	Rum	Annual count of number of articles reporting takeover speculation on the company in question; see Data Appendix.	*Financial Times* CD-ROM 1988-95.
GDP		GDP volume index	OECD