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*Valuation Disagreement and Bid Failure:  
An Analysis of BBVA's Takeover Bid for Banco Sabadell*

*Mar Barril Tomas*

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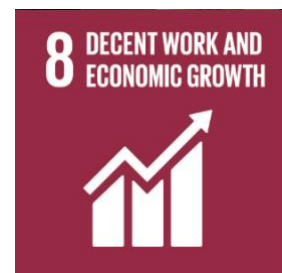
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# Valuation Disagreement and Bid Failure: An Analysis of BBVA's Takeover Bid for Banco Sabadell

Bachelor's Degree in Business Administration and Management



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Delivery date: 29.04.2026

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### Abstract

This study examines the failure of BBVA's hostile takeover bid for Banco Sabadell, launched in May 2024 and concluded in October 2025, through the theoretical lens of valuation disagreement. The central research question asks to what extent the bid's failure can be explained by the inadequacy of the offer price relative to Banco Sabadell's market-based valuation throughout the takeover period. Adopting a quantitative case-study design, the study reconstructs the implied value of the offer across three successive bid structures, tracks the evolution of the implied premium and absolute gap as continuous daily series, and translates the offer-implied value into standard banking valuation multiples, price-to-book value (P/BV) and price-to-tangible-book value (P/TBV), comparing these against Banco Sabadell's own market multiples and those of a peer group of listed Spanish banks.

The results show that the implied premium declined substantially over the course of the process, turning negative in the later stages as Banco Sabadell's standalone market valuation strengthened materially. The offer-implied banking multiples, whilst providing a positive uplift over Sabadell's depressed market multiples in 2024, fell below the target's own contemporaneous multiples by 2025 and remained consistently below the peer group average throughout. These findings are consistent with the valuation disagreement framework established by Bradley (1980), Jennings and Mazzeo (1993), and Salva and Zhang (2022), and support the conclusion that Banco Sabadell's sustained resistance constituted a rational response to an offer that progressively failed to reflect the bank's market-assessed value.

This study contributes to the literature on failed bank takeovers by providing a structured empirical illustration of the valuation disagreement hypothesis applied to a recent and fully documented case. The findings carry implications for SDG 8 (Decent Work and Economic Growth), insofar as the efficiency of the market for corporate control in banking, and the adequacy of pricing in bank takeovers, bears directly on the stability and competitiveness of financial systems as drivers of sustainable economic growth.

**Keywords:** mergers and acquisitions, takeover bid, valuation disagreement, bank valuation, price-to-book value, implied premium.

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### Acknowledgements

I would like to express my gratitude to my supervisor, Pablo Agnese, for his guidance and constructive feedback throughout the development of this project. His academic input has been invaluable in shaping the rigour and focus of this work.

I owe a special debt of gratitude to my parents, whose support has gone far beyond the personal. Their professional experience in the financial sector provided me with a unique sounding board throughout the research process, helping me frame the analytical approach, challenge my assumptions, and refine the focus of the study with the kind of honest and informed perspective that only they could offer. This work would not have taken the shape it did without their guidance.

Finally, I would like to thank my family more broadly for their unconditional encouragement and patience throughout this process. Their support has been a constant source of motivation.

#### **Use of Generative AI tools:**

Generative AI tools were used in the development of this project to support the writing and structuring process. All analytical work, data collection, empirical calculations, and final decisions regarding content and interpretation are the author's own.

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### 1. Introduction

#### 1.1. Origin and Motivation

Mergers and acquisitions constitute one of the most consequential and extensively studied phenomena in corporate finance. The reallocation of corporate control through takeover activity has been a central subject of academic inquiry since at least the 1960s, generating a substantial body of literature that spans valuation theory, market efficiency, governance, and the economics of information asymmetry. Within this broad field, the determinants of takeover success and failure have attracted particular attention, as they bear directly on the efficiency of the market for corporate control and on the distribution of value between bidders and targets. The banking sector occupies a distinctive position within this literature: the regulatory complexity, accounting opacity, and capital-intensity of financial institutions introduce valuation challenges that amplify the conditions under which bidder and target assessments of worth diverge, making bank takeovers a particularly rich setting for the study of valuation disagreement.

The present study is motivated by the takeover bid launched by BBVA for Banco Sabadell in May 2024, one of the most prominent and contested corporate transactions in recent European banking history. The bid, which remained open for approximately seventeen months before failing in October 2025, generated intense debate among investors, regulators, policymakers, and academics regarding the adequacy of the consideration offered and the rationality of Banco Sabadell's sustained resistance. Despite the prominence of the case and its potential to illuminate longstanding questions in the M&A literature, no systematic academic analysis of the valuation dynamics underlying the bid's failure had been conducted at the time of writing, a gap that this study seeks to address.

The choice of this topic also reflects a personal interest in the fields of investment banking and financial advisory, and specifically in the valuation and structuring dimensions of M&A transactions. The BBVA–Sabadell case presented an opportunity to apply the analytical tools of corporate finance to a real and recent transaction of significant economic and institutional relevance, bridging the gap between academic finance and professional practice in a sector to which the aspiration is to contribute.

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### 1.2. Aims and scope

The central research question of this study is:

**To what extent can the failure of BBVA's takeover bid for Banco Sabadell be explained by a fundamental disagreement over valuation, specifically, by the inadequacy of the offer price relative to Banco Sabadell's market-based valuation throughout the takeover period?**

This question addresses a gap in the existing literature on failed bank takeovers. Whilst the theoretical and empirical foundations of valuation disagreement as a driver of bid failure are well established the application of this framework to a specific, recent, and fully documented case in European banking remains unexplored. The BBVA–Sabadell transaction is particularly suitable for this purpose because it combines a dynamic, multi-stage offer structure with a pronounced and sustained resistance by the target, a significant sector-wide rerating over the course of the process, and a clearly documented outcome. All of which provide the analytical conditions necessary to test the valuation disagreement hypothesis in a rigorous and structured manner.

The study pursues three specific objectives. The first is to reconstruct the implied value of BBVA's offer throughout the takeover period and to track the evolution of the implied premium and absolute gap relative to Banco Sabadell's market price. The second is to translate the offer-implied value into the banking valuation metrics most relevant to the assessment of bank acquisitions and to compare these against Banco Sabadell's own market multiples and those of a selected peer group of listed Spanish banks. The third is to interpret these findings through the theoretical lens of valuation disagreement, assessing whether the evidence supports the conclusion that the bid's failure reflected a rational rejection by Banco Sabadell's board and shareholders rather than strategic entrenchment or governance considerations.

The academic contribution of this study is twofold. First, it provides a detailed empirical illustration of the valuation disagreement hypothesis in the context of European bank M&A, a setting in which this framework has received limited case-level attention despite its theoretical relevance. Second, it demonstrates the practical utility of combining time-series implied premium analysis with banking multiples benchmarking as a structured methodology for assessing offer adequacy in contested bank takeovers, an approach that may inform both future academic research and professional practice in financial advisory.

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### 1.3. Structure of the Document

The remainder of this study is organised as follows. Section 2 presents the literature review, which develops the theoretical and empirical foundations of the study across six thematic areas: the M&A conceptual framework, value creation and premiums, firm valuation in takeover processes with particular attention to the banking sector, misvaluation and underpricing, takeover premiums and valuation disagreement, and empirical evidence on failed bids. Section 3 provides the contextual background, covering the origins, chronology, and outcome of the BBVA–Sabadell takeover process. Section 4 sets out the methodology, including the research design, data collection approach, and the four-stage analytical framework applied in the study. Section 5 presents the results, organised around the two main analytical dimensions of implied premium evolution and banking multiples benchmarking. Section 6 discusses the findings in relation to the existing literature, interpreting the results through the theoretical lens of valuation disagreement. Section 7 presents the conclusions, including the main findings and implications, the limitations of the study, and directions for future research.

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### 2. Literature review

#### 2.1. Mergers and Acquisitions: Conceptual Framework

Mergers and acquisitions constitute one of the most studied phenomena in corporate finance, primarily because they serve as the principal mechanism through which control over productive assets is transferred between firms. The foundational insight of the literature is that takeover activity is driven by the existence of a market for corporate control, in which competing management teams contest the right to direct corporate resources (Manne, 1965). Within this framework, tender offers are understood as a means of reallocating ownership to higher-valuing acquirers, with the potential to generate efficiency gains for both parties (Bradley, 1980). The literature distinguishes between friendly and hostile bids, documenting that these differ not only in their negotiation dynamics but also in the information structures and strategic motives that underlie them (Morck, Shleifer, & Vishny, 1988). Acquisitions may be motivated by synergy creation, disciplinary objectives, or strategic repositioning, depending on the characteristics of the firms involved. Crucially, the success or failure of a takeover bid is not solely a function of strategic fit: it is also determined by whether the offer price adequately reflects the target's intrinsic value.

#### 2.2. Value creation and premiums in Mergers and Acquisitions

A central question in the M&A literature concerns whether acquisitions create value and, if so, for whom. The evidence consistently shows that target shareholders are the primary beneficiaries of takeover activity, whilst returns to acquiring firms are more modest and often negative (Andrade, Mitchell, & Stafford, 2001). Across a large sample of completed mergers between 1973 and 1998, Andrade et al. (2001) report a median takeover premium of 37,9% over the pre-announcement share price, reflecting the acquirer's willingness to pay for control rights and anticipated synergies. The ability of an acquisition to generate net value, however, depends critically on the nature of the bidder-target fit. Seth (1990) finds that related-industry acquisitions, in which operational complementarities are plausible, generate positive combined abnormal returns, whereas unrelated deals typically fail to add value. Subsequent work confirms that managers systematically overestimate anticipated synergies prior to closing, leading to post-merger performance that frequently falls short of projections (Hitt, King, & Krishnan, 2012). This systematic optimism is reflected in the observed negative correlation between premium size and acquirer post-deal performance, suggesting that excessive premiums erode the very value they are intended to capture (Hitt et al., 2012).

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The method of payment is a further determinant of value creation and its distribution. Andrade et al. (2001) document that all-cash offers generate average three-day target abnormal returns of approximately 20%, whilst stock-financed transactions yield returns closer to 13%. This differential is consistent with the theoretical framework developed by Shleifer and Vishny (2003), who argue that stock-based acquisitions are often driven by the acquirer's awareness of its own overvaluation relative to the target: by using overvalued equity as currency, the bidder effectively transfers part of the valuation risk to target shareholders. Under this model, the medium of payment is not merely a financing decision but a signal of the acquirer's assessment of relative valuations, a dimension that carries particular relevance when the consideration offered consists entirely or predominantly of shares. Together, these findings establish that value creation in M&A is neither automatic nor evenly distributed: it depends on the strategic rationale of the deal, the realism of synergy expectations, and the structure of the consideration offered.

### 2.3. Firm valuation in Takeovers Processes: The Case of Banking

Valuation plays a central role in any takeover process, as the offer price must be grounded in an assessment of the target's intrinsic worth. In standard corporate finance, this assessment draws on a combination of discounted cash flow models, transaction comparables, and trading multiples. However, the valuation of financial institutions requires a distinct methodological approach. Because banks operate with regulatory capital constraints, hold predominantly financial assets whose book values are relatively close to economic values, and cannot be meaningfully valued using earnings before interest and taxes, the standard multiples applied to non-financial firms are largely inappropriate (Damodaran, 2012). Instead, bank valuation relies primarily on equity-based metrics, most notably the price-to-book value ratio (P/BV) and the price-to-tangible-book value ratio (P/TBV), which relate the market price of a bank's equity to its accounting capital base.

The theoretical foundation for the use of P/BV in bank valuation derives from the dividend discount model under stable growth assumptions. As shown by Damodaran (2012), the justified P/BV ratio for a financial institution can be expressed as a function of its return on equity, cost of equity, and expected growth rate:  $P/BV = (ROE - g) / (r - g)$ . This relationship has a direct and intuitive implication: banks that earn returns on equity above their cost of equity should trade above book value, whilst those that fail to cover their cost of capital should trade below it. The P/TBV variant, which excludes goodwill and other intangible assets from the denominator, is particularly relevant in acquisition contexts, as it captures the value of the target's tangible capital base independently of any premiums paid in prior transactions.

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Empirical evidence from European bank M&A confirms that these accounting-based metrics are the primary determinants of the prices paid in takeover transactions. Hagendorff, Hernando, Nieto, and Wall (2012), analysing a sample of 255 European bank mergers between 1997 and 2007, find that acquirers pay significantly higher premiums for targets with stronger profitability, as measured by return on equity, and lower premiums for institutions with high return volatility and elevated equity ratios. These results are consistent with the theoretical framework: profitable, low-risk banks command higher P/BV-based valuations, and the premiums paid in acquisitions reflect the acquirer's expectation of sustaining or improving those fundamentals post-merger. Hagendorff et al. (2012) also document that regulatory environment affects target valuations, with stricter prudential regimes associated with lower premiums in domestic deals.

Together, these findings establish that the valuation of bank targets in takeover processes is anchored in accounting fundamentals rather than market sentiment alone, and that P/BV and P/TBV multiples serve as the natural benchmark against which the adequacy of any offer price must be assessed.

### **2.4. Misvaluation, Underpricing, and the Market for Corporate Control**

A distinct strand of the M&A literature argues that takeover activity is not solely driven by synergy creation or disciplinary motives, but also by systematic discrepancies between a firm's market price and its fundamental value. The theoretical foundation for this view was formalised by Shleifer and Vishny (2003), who develop a model in which acquisitions are driven by stock market misvaluations of the combining firms. In their framework, overvalued bidders use their inflated equity as acquisition currency to purchase relatively undervalued targets, with the medium of payment serving as a signal of the acquirer's assessment of relative valuations. This model generates a set of empirically testable predictions: stock-financed acquisitions are more likely when the bidder is overvalued relative to the target; cash-financed acquisitions signal bidder confidence in the target's standalone value; and targets that are acquired for cash tend to be more fundamentally underpriced than those acquired for stock.

The misvaluation hypothesis also has direct implications for the identification of takeover targets. Jovanovic and Rousseau (2002) develop a Q-theory of mergers in which high-Q firms acquire low-Q firms as a mechanism for reallocating capital towards more productive uses. Under this framework, firms trading below their fundamental value are more likely to attract acquisition attempts, since the gap between market price and intrinsic value represents an exploitable opportunity for a better-informed or more efficient acquirer.

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Empirical evidence supports this prediction: targets in contested bids tend to exhibit lower pre-bid market valuations relative to their accounting fundamentals than targets in uncontested transactions, consistent with the idea that underpricing creates the conditions for takeover activity.

The implications of misvaluation extend beyond the initiation of a bid. Salva and Zhang (2022) document that financial bidders, particularly private equity acquirers, achieve substantially larger target revaluations than strategic bidders, with average revaluations of approximately 65% for the smallest targets compared to 25% for strategic acquirers in the same size quartile. This differential persists even in all-cash transactions, indicating that the information conveyed by bidder identity matters independently of the payment method. The authors interpret this finding as evidence that financially sophisticated bidders are better positioned to identify and exploit underpriced targets, extracting value from the gap between market price and intrinsic worth that less specialised acquirers fail to recognise.

Taken together, these contributions establish that misvaluation is a structural feature of the market for corporate control rather than an occasional anomaly. When a target firm trades below its intrinsic value, it becomes vulnerable to acquisition attempts by bidders who perceive and can capture that gap. Conversely, when a target's management believes the market price understates fundamental value, it has a rational basis for resisting offers that fail to bridge the valuation gap.

### **2.5. Offer Price versus Intrinsic Value: Takeover premiums and Valuation disagreement**

The literature on takeover premiums documents that offer prices typically exceed pre-bid market values, reflecting the acquirer's willingness to pay for control rights and expected synergies. Andrade, Mitchell and Stafford (2001) provide a comprehensive empirical benchmark across 4,256 completed mergers between 1973 and 1998, reporting a median takeover premium of 37,9% over the pre-announcement share price, with premiums as high as 47,2% in the 1970s, declining to 34,5% in the 1990s (Andrade et al., 2001, Table 1).

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Table 1. Characteristics and Descriptive Statistics by Decade, 1973 – 1998.

	1973–1979	1980–1989	1990–1998	1973–1998
<i>N</i>	789	1,427	2,040	4,256
All Cash	38.3%	45.3%	27.4%	35.4%
All Stock	37.0%	32.9%	57.8%	45.6%
Any Stock	45.1%	45.6%	70.9%	57.6%
Hostile Bid at Any Point	8.4%	14.3%	4.0%	8.3%
Hostile Bid Successful	4.1%	7.1%	2.6%	4.4%
Bidders/Deal	1.1	1.2	1.0	1.1
Bids/Deal	1.6	1.6	1.2	1.4
Own Industry	29.9%	40.1%	47.8%	42.1%
Premium (Median)	47.2%	37.7%	34.5%	37.9%
Acquirer Leverage > Target Leverage	68.3%	61.6%	61.8%	62.9%
Acquirer <i>Q</i> > Target <i>Q</i>	68.4%	61.3%	68.3%	66.0%
Relative Size (Median)	10.0%	13.3%	11.2%	11.7%
Fraction of Acquirer Announcement Returns < -5%	14.9%	17.0%	19.4%	17.5%
Fraction of Acquirer Announcement Returns > 5%	9.6%	11.3%	10.7%	11.1%

Source: Andrade, G., Mitchell, M., & Stafford, E. (2001)

Importantly, the mode of payment shapes the perceived value of any given premium: all-cash offers generate average three-day target abnormal returns of approximately 20%, whilst stock-financed deals yield only 13% (Andrade et al., 2001, Table 4). This payment-method differential matters because the nominal level of a premium may overstate its effective value when the consideration consists predominantly of acquirer shares whose own valuation is uncertain.

Table 2. Announcement Period Abnormal Returns for Sub-Samples, 1973 – 1998.

	<i>Stock</i>	<i>No Stock</i>	<i>Large Targets</i>
<b>Combined</b>			
[-1, +1]	0.6%	3.6% <sup>a</sup>	3.0% <sup>a</sup>
[-20, Close]	-0.6%	5.3%	6.3%
<b>Target</b>			
[-1, +1]	13.0% <sup>a</sup>	20.1% <sup>a</sup>	13.5% <sup>a</sup>
[-20, Close]	20.8% <sup>a</sup>	27.8% <sup>a</sup>	21.6% <sup>a</sup>
<b>Acquirer</b>			
[-1, +1]	-1.5% <sup>a</sup>	0.4%	-1.5%
[-20, Close]	-6.3%	-0.2%	-3.2%
No. Obs.	2,194	1,494	511

*Note:* Statistical significance at the 5 percent level is denoted by <sup>a</sup>.

Source: Andrade, G., Mitchell, M., & Stafford, E. (2001)

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Beyond the headline premium, the critical question is whether the offer price clears the target's expected standalone intrinsic value. The empirical evidence on this point is unambiguous: premium adequacy is a statistically significant determinant of both management resistance and bid success. Jennings and Mazzeo (1993), analysing 647 takeover proposals between 1979 and 1987, document that target management resisted offers in approximately 31% of their sample overall, but that resistance was considerably more frequent, 35%, when the bid premium was at or below the sample median of 23%, compared to 27% for above-median premiums (Jennings & Mazzeo, 1993, Table 2). This inverse relationship between premium size and resistance probability, which holds across all regression specifications and subsamples examined by the authors, provides direct empirical support for the theoretical prediction that boards rationally oppose bids perceived as inadequate. Bradley (1980) formalises this logic: a bid may fail even when a premium is offered, if that premium does not compensate target shareholders for the expected standalone value of the firm.

Table 3. Frequencies of competition and resistance for a sample of 647 proposed acquisitions conditioned on offer type, exchange medium, exchange-listing status, and bid premium.

Sample	Sample size	No competition	Competition	No resistance	Resistance
All firms	647				
Cash	392	332 (85%)	60 (15%)	276 (70%)	116 (30%)
Securities	142	132 (93%)	10 (7%)	100 (70%)	42 (30%)
Mix	113	94 (83%)	19 (17%)	70 (62%)	43 (38%)
Merger	384				
Cash	187	165 (88%)	22 (12%)	135 (72%)	52 (28%)
Securities	132	125 (95%)	7 (5%)	94 (71%)	38 (29%)
Mix	65	60 (92%)	5 (8%)	40 (62%)	25 (38%)
Tender offer	263				
Cash	205	167 (81%)	38 (19%)	141 (69%)	64 (31%)
Securities	10	7 (70%)	3 (30%)	6 (60%)	4 (40%)
Mix	48	34 (71%)	14 (29%)	30 (63%)	18 (37%)
Exchange status					
Listed	472	394 (83%)	78 (17%)	307 (65%)	165 (35%)
Not listed	175	164 (94%)	11 (6%)	139 (79%)	36 (21%)
Bid premium					
>23%	322	287 (89%)	35 (11%)	236 (73%)	86 (27%)
≤23%	325	271 (83%)	54 (17%)	210 (65%)	115 (35%)
Prior ownership					
Yes	101	85 (84%)	16 (16%)	47 (47%)	54 (53%)
No	546	473 (87%)	73 (13%)	399 (73%)	147 (27%)

Source: Jennings, R. H., & Mazzeo, M. A. (1993).

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Critically, resistance driven by premium inadequacy does not harm target shareholders, on the contrary, it appears to benefit them. Jennings and Mazzeo (1993) report that average compounded target returns from announcement to outcome are substantially higher for resisted bids than for non-resisted ones, regardless of ultimate outcome: 36,8% versus 20,5% for successful bids, and 7,6% versus 3,5% for unsuccessful bids. This return differential suggests that managerial resistance functions as a credible signal of undervaluation rather than as pure entrenchment, a finding corroborated by Salva and Zhang (2022), who document persistent positive abnormal returns for target firms following failed bids, indicating that the market, ex post, validates the target's position that the offer underestimated intrinsic value.

Together, these findings establish that valuation disagreement is a central determinant of whether a takeover succeeds or fails. When the offer price falls below the target's perceived intrinsic value, rational rejection follows and subsequent market behaviour tends to vindicate that decision.

### **2.6. Takeover failure & valuation disagreement**

Empirical research on failed takeover bids consistently identifies price inadequacy and valuation disagreement as primary determinants of bid failure, rather than mere managerial entrenchment. The foundational insight, established by Bradley (1980), is that rejection is a rational outcome when the offer price does not exceed the target's expected standalone value, a threshold that bidders systematically underestimate in contested situations.

Whilst the relationship between premium inadequacy, resistance, and failure is established in Section 2.5, the micro-level mechanics of how resistance translates into failure warrant closer examination. Jennings and Mazzeo (1993) document that when a bid is resisted, the probability of consummation collapses: resisted initial offers were completed in only 22% of cases, compared to 88% for non-resisted offers. Furthermore, over two-thirds of resisted bids attracted no competing offer, meaning that in most cases resistance translated directly into bid failure rather than into a revised or competing bid. This evidence confirms that management resistance is not merely a bargaining tactic but a structurally effective mechanism for defeating inadequately priced offers.

Salva and Zhang (2022) extend this evidence to a more recent sample, documenting persistent positive abnormal returns for target firms following failed bids even in the absence of subsequent takeover attempts, confirming that it is valuation disagreement, not speculative anticipation of a future bid, that drives the post-failure price adjustment.

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In the specific context of banking, these dynamics are amplified. Valuation uncertainty is particularly pronounced in regulated industries where asset quality, risk-weighted capital requirements, and opaque loan portfolios complicate standard valuation approaches (Hagendorff et al., 2012). Differences in assumptions regarding credit risk, regulatory capital, and synergy realisation can produce substantial divergence between bidder and target valuations that goes well beyond what would be observed in less complex sectors. Consequently, failed takeover bids in banking are especially likely to reflect rational disagreement over intrinsic value.

Table 4. Average compounded raw returns to target firms from the announcement date through the outcome date for a sample of initial bids between June 1979 and December 1987.

	Not resisted	Resisted
Successful	.2051	.3680
Not successful	.0347	.0761

<sup>1</sup> The number reported in the table is

$$\frac{1}{N_j} \sum_{j=1}^{N_j} \left\{ \left[ \sum_{t=0}^{T_j} (1 + r_{i,t}) \right] - 1 \right\}$$

where  $N_i$  = number of firms in group  $i$ ,  $i = 1,2,3,4$   
 $T_j$  = number of trading days from announcement date through outcome date of proposal  $j$   
 $r_{i,t}$  = return on target  $j$  on day  $t$  relative to announcement date

Source: Jennings, R. H., & Mazzeo, M. A. (1993).

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### 3. Research Context

#### 3.1. Background and Strategic Rationale

The takeover bid launched by BBVA for Banco Sabadell in 2024 did not emerge in isolation. Its origins can be traced to November 2020, when the two institutions entered into preliminary merger discussions at a time when Banco Sabadell was operating under significant pressure and widespread uncertainty across the financial sector in the context of the Covid-19 pandemic. At that stage, Banco Sabadell was valued at approximately €2.500 million. The negotiations broke down within weeks, however, due to an irreconcilable disagreement over valuation, specifically, over the exchange ratio that BBVA was prepared to offer relative to Sabadell's internal assessment of its own worth. This earlier episode is significant because it establishes that the valuation tension which would later define the 2024 process was not a new development, but rather a recurring feature of the relationship between the two institutions.

By early 2024, the context had changed substantially. The recovery of the Spanish banking sector had driven a material rerating of bank equities, and BBVA's leadership initiated contact with Banco Sabadell with the intention of reviving the transaction. On 30 April 2024, a British media outlet reported on BBVA's interest, prompting BBVA to make its offer public after Sabadell's management declined to engage in negotiations. The unsolicited nature of the approach, and the timing of the announcement, on the eve of the Catalan regional elections, immediately politicised the transaction and set the tone for the contested process that followed.

#### 3.2. Chronology of the Offer and Key Milestones

The takeover process formally began on 9 May 2024, when BBVA launched a voluntary takeover bid for Banco Sabadell structured entirely in shares. Under the initial terms, BBVA offered one of its own shares for every 4,83 Banco Sabadell shares, implying a total valuation of approximately €12.000 million for the target. Because the consideration consisted exclusively of BBVA shares, the effective value of the offer was not fixed but varied continuously with BBVA's market price, a structural feature with significant implications for the evolution of the implied premium throughout the process. Banco Sabadell's board of directors rejected the offer, refusing to enter into negotiations and initiating what would become an extended and highly contested defensive campaign.

The transaction encountered a series of institutional and regulatory obstacles over the following months. The Comisión Nacional de Mercados de Valores (CNMV) opened an in-depth review of the operation (the first of its kind for a Spanish banking merger) and

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ultimately imposed remedies exceeding those applied to the CaixaBank-Bankia merger despite that transaction producing a larger combined entity. The Spanish Government, initially cautious in its response, subsequently intervened to veto the merger for a period of three years, extendable to five, on grounds of general interest. This veto materially constrained the synergy potential of the transaction and represented a significant escalation of the institutional opposition to the deal.

In parallel, Banco Sabadell pursued an active defensive strategy. The bank relocated its registered headquarters to Sabadell strengthening its identification with Catalonia and stimulating local business and political opposition to the bid. More consequentially, Banco Sabadell agreed to sell its British subsidiary TSB to Banco Santander for £2.650 billion (approximately €3.100 million), generating a substantial capital release that was channelled into a special dividend distribution. This transaction was approved at a shareholder meeting with a quorum of approximately 75% of the capital and received the support of 99,70% of votes officially submitted, a result widely interpreted as a strong signal of shareholder alignment with Sabadell's standalone strategy and resistance to the BBVA offer.

On 1 October 2024, BBVA revised the terms of its offer for the first time, introducing a cash component into the consideration. Under the revised terms, Sabadell shareholders would receive one BBVA share plus €0,29 in cash for every 5,019 Banco Sabadell shares. Whilst this revision altered the exchange economics of the transaction and reduced the exposure of target shareholders to fluctuations in BBVA's share price, the offer remained predominantly share-based and continued to leave its effective value partially dependent on BBVA's market performance.

On 5 September 2025, following further regulatory developments and continued pressure from Banco Sabadell's rising market valuation, BBVA presented its final revised offer. Under these terms, shareholders would receive one BBVA share plus €0,70 in cash for every 5,5483 Banco Sabadell shares. Banco Sabadell's board of directors rejected this final offer for the third time, stating publicly that even the improved terms continued to undervalue the institution by up to 26%.

### 3.3. Outcome and Market Context

The acceptance period for BBVA's final offer closed on 16 October 2025. The result confirmed the failure of the bid: shareholders representing only 25,33% of Banco Sabadell's capital accepted the offer, falling materially short of both the minimum threshold of 30% and the 50% target that BBVA had set as the condition for a successful transaction. Among those who accepted were the Mexican investor David Martínez, who held approximately 3,86% of Sabadell's capital, the fund Algebris Capital with 0,05%, and a portion of BlackRock's active funds representing 0,5% of the capital. On the other side, Zurich

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(Sabadell's strategic partner in insurance with a stake of approximately 5%) had publicly stated its intention not to tender, alongside the large majority of retail and institutional shareholders. Sabadell itself reported that clients holding shares in custody representing 30,8% of its capital had tendered only 2,8% of those shares, with the remaining 97,2% electing not to accept the offer.

The market reaction to the outcome was immediate and illustrative. BBVA's share price rose by approximately 7% on the day of the outcome announcement, reflecting relief among BBVA's own shareholders at the removal of the dilution risk associated with the approximately 18% capital increase that a successful offer would have required. By contrast, Banco Sabadell's market capitalisation at the time of the bid's failure stood at over €16.000 million, more than six times the approximately €2.500 million at which the bank had been valued during the 2020 negotiations, and materially above the implied valuation of BBVA's final offer.

Figure 1 presents the indexed share price evolution of BBVA and Banco Sabadell over the period from 1 January 2024 to 31 January 2026, with both series expressed in base-100 terms. The figure illustrates the divergent performance of the two stocks over the takeover period, with Banco Sabadell recording a substantially stronger cumulative return than BBVA, a dynamic that lies at the heart of the progressive erosion of the offer's implied premium documented in Section 5.

Figure 1. BBVA and Banco Sabadell share price evolution (Indexed, base 100 = 1 January 2024).



Source: Own elaboration based on official bank disclosures

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### 4. Methodology

#### 4.1. Research design

This study adopts a quantitative case-study research design focused on the takeover bid launched by BBVA for Banco Sabadell. A quantitative approach is appropriate because the central research objective is to assess the economic adequacy of the offer through observable market and accounting-based indicators, rather than through perceptions, narratives, or interview-based evidence. The analytical focus is on how the value embedded in the bid evolved over time and whether that valuation appeared consistent with standard banking benchmarks.

The case-study approach is justified by the nature of the research question. Rather than seeking broad statistical generalisation across a large sample of takeover bids, this study aims to generate an in-depth and analytically structured understanding of a single, highly specific corporate event. This methodological choice is consistent with the view that case studies are particularly appropriate when the research objective is to examine a complex, context-dependent phenomenon in depth rather than to test hypotheses across a large population (Yin, 2009). The BBVA–Sabadell transaction is especially suitable for this purpose because it combines a dynamic bid structure, a regulated industry context, and a protracted negotiation process that together produce a rich analytical setting.

The research design combines two complementary analytical dimensions. The first is a time-series reconstruction of the offer, which tracks the evolution of the bid's implied value throughout the takeover period. The second is a cross-sectional benchmarking exercise, which evaluates the offer against Banco Sabadell's own market valuation and against a selected peer group of listed Spanish banks. This combination allows the offer to be assessed both as a changing market proposal and as a banking valuation exercise, thereby addressing the research question from two mutually reinforcing perspectives.

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### 4.2. Quantitative Analysis

This study relies exclusively on secondary quantitative data, assembled as a purposive case-based dataset. This means that observations were selected intentionally on the basis of their direct relevance to the research objective, rather than through random sampling.

The dataset is composed of two linked components. The first is a time-series dataset constructed for the takeover case itself. This component consists of daily share prices for BBVA and Banco Sabadell over the period from 1 January 2024 to 31 January 2026, which covers the full duration of the takeover process from its initiation to its conclusion. These data were used to reconstruct the changing implied value of the offer at each stage of the process, in accordance with the bid terms present at each point in time. The second component is a cross-sectional dataset constructed for the peer-group benchmarking exercise. This includes accounting and market valuation data for Banco Sabadell, BBVA, Santander, and CaixaBank for the financial years 2024 and 2025. The variables collected for each institution are: share price, book value per share, tangible book value per share, price-to-book value, price-to-tangible-book value, return on equity, and return on tangible equity.

All data were obtained from official and publicly available sources, including annual reports, investor presentations, and financial disclosures published on the banks' corporate websites. The reliance on primary institutional disclosures, rather than on third-party financial databases, ensures consistency in the accounting standards applied across the peer group and minimises the risk of measurement error arising from data aggregation or restatement.

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### 4.3. Analytical Framework

The analysis is structured in four sequential stages, each of which addresses a distinct dimension of the research question. Together, they allow the adequacy of BBVA's offer to be assessed both in market terms and in banking valuation terms, and both at specific points in time and as a continuous dynamic process. The framework is primarily descriptive, comparative, and interpretive rather than econometric: its purpose is not to test causal hypotheses through statistical inference, but to evaluate the offer through structured quantitative comparison anchored in the valuation metrics standard to the banking industry.

#### 4.3.1. Reconstruction of the Bid's Implied Value

The first stage of the analysis addresses a fundamental feature of the BBVA–Sabadell transaction: because the consideration offered was not a fixed cash amount but included a share component throughout, the economic value of the bid was not constant. It varied continuously with BBVA's market price and changed discretely each time the offer terms were formally revised. Treating the offer as a single static proposal would therefore misrepresent its actual economic content at different stages of the process. To address this, the study reconstructs the implied offer value per Banco Sabadell share as a time-varying series, applying the version of the bid terms that was in force at each point in time.

Three distinct offer structures are identified, corresponding to the three stages of the takeover process. For the period from 9 May 2024 to 30 September 2024, corresponding to the initial all-share offer, the implied value was calculated as:

$$IV_t = \frac{P_{BBVA,t}}{4,83}$$

For the period from 1 October 2024 to 4 September 2025, following the first revision of the bid, the implied value was calculated as:

$$IV_t = \frac{P_{BBVA,t} + 0,29}{5,019}$$

From 5 September 2025 onwards, corresponding to the final revised offer, the implied value was estimated as:

$$IV_t = \frac{P_{BBVA,t} + 0,70}{5,5483}$$

where  $IV_t$  denotes the implied offer value per Banco Sabadell share at date  $t$ , and  $P(BBVA,t)$  is BBVA's closing share price on the same date.

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This stage-by-stage reconstruction is methodologically important for two reasons. First, it ensures that the implied value and implied premium are estimated on the basis of the consideration actually available to Banco Sabadell shareholders at each moment, rather than being distorted by retrospective application of later offer terms. Second, it makes it possible to disentangle the effect of formal bid revisions from the effect of market price movements on the effective value of the offer, a distinction that is particularly relevant given the share-based structure of the consideration. The relevance of payment structure to the perceived value of a takeover offer is well established in the empirical literature: all-cash offers consistently generate stronger target market reactions than share-based offers, reflecting the additional valuation uncertainty introduced when the consideration is itself subject to market fluctuation (Andrade et al., 2001; Shleifer & Vishny, 2003).

### 4.3.2. Implied Premium and Absolute Gap

Once the implied value series has been constructed, the second stage of the analysis derives two measures of the offer's attractiveness relative to Banco Sabadell's prevailing market price. The first is the implied premium, defined as:

$$Premium_t = \frac{IV_t - P_{SAB,t}}{P_{SAB,t}}$$

where  $P(SAB,t)$  represents Banco Sabadell's closing share price at date  $t$ . This measure expresses the extent to which the offer stands above or below the market price in relative terms, and is directly comparable to the takeover premium measures used in the empirical M&A literature. Andrade et al. (2001) report a median takeover premium of 37.9% across a large sample of completed mergers, providing a useful empirical benchmark against which the implied premium in this case can be assessed. Jennings and Mazzeo (1993) further establish that premium adequacy, specifically, whether the offer price clears the target's expected standalone value, is a statistically significant determinant of both management resistance and bid success, with below-median premiums associated with substantially higher resistance rates.

The second measure is the absolute gap, defined as:

$$Absolute\ Gap_t = IV_t - P_{SAB,t}$$

This captures the monetary distance, in euro terms, between the value offered by BBVA and Banco Sabadell's observed share price. Whilst the implied premium expresses this relationship in relative terms and is therefore more directly comparable across time periods and across transactions, the absolute gap provides a complementary perspective that is independent of the level of Banco Sabadell's share price and therefore less sensitive to the strong upward trend in that price observed over the sample period.

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Both measures are examined as continuous daily series and at selected key dates corresponding to the main milestones of the takeover process. This dual approach, combining a continuous time-series representation with point-in-time snapshots, allows the evolution of the offer's attractiveness to be assessed both visually and quantitatively, and makes it possible to identify precisely when the premium narrowed, when it turned negative, and how these transitions relate to the formal revisions of the bid terms.

### 4.3.3. Conversion into Banking Valuation Multiples

The third stage of the analysis translates the implied offer value into the valuation metrics most commonly used in the assessment of bank acquisitions. As established in the literature review, the valuation of financial institutions is anchored in book-value-based multiples rather than in the earnings- or cash-flow-based metrics applied to non-financial firms, because the regulatory capital framework makes equity book value a meaningful and binding measure of a bank's economic worth (Damodaran, 2012). The two primary metrics are the price-to-book value ratio (P/BV) and the price-to-tangible-book value ratio (P/TBV), the latter of which excludes goodwill and other intangible assets from the denominator and is particularly relevant in acquisition contexts where the tangible capital base constitutes the primary source of value (Damodaran, 2012).

To convert the implied offer value into these metrics, the following formulas are applied:

$$P/BV_{offer,t} = \frac{IV_t}{BVPS_t}$$

$$P/TBV_{offer,t} = \frac{IV_t}{TBVPS_t}$$

where  $BVPS_t$  is Banco Sabadell's book value per share and  $TBVPS_t$  is its tangible book value per share for the relevant reference period. This conversion is methodologically important because it allows the bid to be interpreted not merely as a premium over the prevailing market price, but as an implied valuation of the bank's capital base, the dimension that ultimately determines whether the offer is adequate from a fundamental banking valuation perspective. Hagedorff et al. (2012), in their analysis of 255 European bank mergers, confirm that the premiums paid in bank acquisitions are systematically related to target profitability and risk as captured by these same accounting-based metrics, lending empirical support to their use as the primary valuation benchmark in this context.

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### 4.3.4. Peer-group Benchmarking

The fourth and final stage places the offer-implied multiples within a broader sectoral context by comparing them against two benchmarks: Banco Sabadell's own contemporaneous market multiples, and those of a selected peer group of listed Spanish banks composed of BBVA, Santander, and CaixaBank. This comparative step is necessary because a bid that implies a valuation above Banco Sabadell's own depressed market price may nonetheless remain undemanding in sectoral terms.

The peer group was selected on the basis of sectoral and geographic comparability: all three institutions are major listed Spanish banks operating under the same regulatory framework and subject to the same macroeconomic conditions, making their valuation multiples a meaningful reference for assessing Banco Sabadell's relative position. The benchmarking exercise is conducted for two reference periods, 2024 and 2025, in order to capture the evolution of sectoral valuations over the course of the takeover process and to ensure that the offer-implied multiples are compared against contemporaneous rather than static benchmarks. This is particularly important given the substantial upward rerating of the Spanish banking sector that occurred over the sample period, which materially affected the valuation context in which the offer was being assessed.

The theoretical foundation for this benchmarking approach is provided by Damodaran (2012), who establishes that the justified P/BV ratio for a bank is a function of its return on equity, cost of equity, and expected growth rate, implying that differences in P/BV across institutions should, in principle, reflect differences in these fundamental drivers. Where the discount at which a bank trades relative to peers appears disproportionate to its profitability differential, this is consistent with the misvaluation hypothesis developed by Shleifer and Vishny (2003), under which market prices may deviate from fundamental values in ways that create exploitable opportunities for acquirers. The peer-group comparison therefore serves not only as a descriptive benchmarking tool, but also as a means of evaluating whether the valuation embedded in the offer was consistent with Banco Sabadell's fundamental position within the Spanish banking sector.

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### 5. Results

This chapter presents the main findings of the research organised around the two analytical dimensions established in the methodology. The first concerns the evolution of the implied offer value and the implied premium over the course of the takeover process, examined both as a continuous time series and at selected key dates. The second addresses the valuation of the offer in banking terms, through the conversion of the implied offer value into standard banking multiples and their comparison against Banco Sabadell's own market multiples and those of a selected peer group of listed Spanish banks.

#### 5.1. Implied Offer Value and Implied Premium

Table 5 reports the implied offer value per Banco Sabadell share, the implied premium, and the absolute gap at five key dates corresponding to the main stages of the takeover process. Figure 2 presents the continuous daily evolution of Banco Sabadell's market price alongside the implied value of the bid throughout the entire sample period. Figure 3 plots the implied premium as a daily series, and Figure 4 plots the absolute gap in euro terms over the same period.

Table 5. Market price versus implied offer value for Banco Sabadell at selected dates.

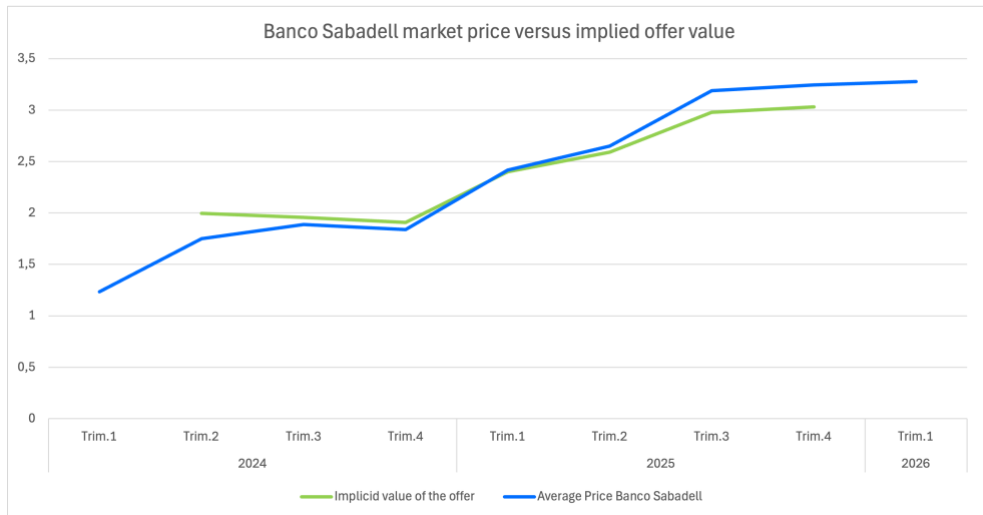
Market price versus implied offer value for Banco Sabadell at selected dates.					
Date:	Price BBVA	Price Sabadell	Implicit value	Premium (%)	Absolute gap
25/04/2024	10,505	1,638	2,175	32,78%	0,537
09/05/2024	9,600	1,857	1,988	7,03%	0,131
01/10/2024	9,300	1,785	1,911	7,04%	0,126
05/09/2025	15,605	3,219	2,939	-8,71%	-0,280
16/10/2025	15,715	3,229	2,959	-8,38%	-0,270

Source: Own elaboration based on official bank disclosures.

As shown in Table 5, the implied offer value at the pre-announcement reference date of 25 April 2024 stood at approximately €2,175 per share, compared with a Banco Sabadell market price of €1,638, yielding an implied premium of 32,78% and an absolute gap of €0,537 per share. On 9 May 2024, the date of the formal bid launch, the implied value had declined to €1,988, against a market price of €1,857, resulting in a substantially lower implied premium of 7,03% and an absolute gap of €0,131 per share. On 1 October 2024, following the first revision of the bid terms, the implied value stood at €1,911, with Banco Sabadell trading at €1,785, producing an implied premium of 7,04% and an absolute gap of €0,126. By 5 September 2025, the date of the final revised offer, Banco Sabadell's market price had risen to €3,219, whilst the implied value of the bid stood at €2,939, resulting in a negative implied premium of -8,71% and an absolute gap of -€0,280. A similar pattern is observed on 16 October 2025, with a negative implied premium of -8,38% and an absolute gap of -€0,270 per share.

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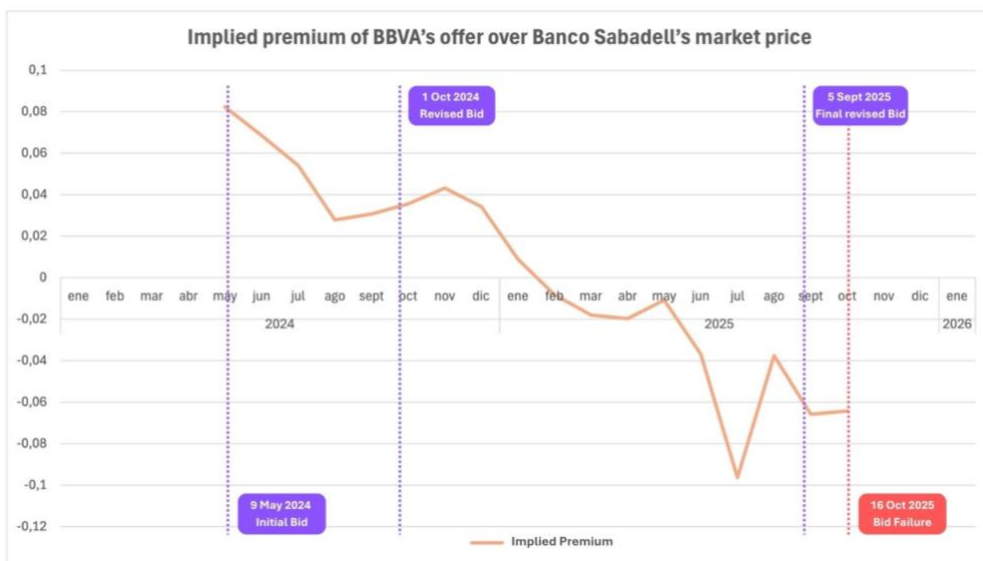
Figure 2. Banco Sabadell market price versus implied offer value.



Source: Own elaboration based on official bank disclosures.

Figure 2 shows that the implied value of the bid and Banco Sabadell's market price followed broadly parallel trajectories during the first phase of the takeover process, with the implied value remaining above the market price. From approximately mid-2025 onwards, the two series converge and subsequently cross, with Banco Sabadell's market price moving above the implied offer value for the remainder of the sample period.

Figure 3. Evolution of the implied premium over the takeover period.

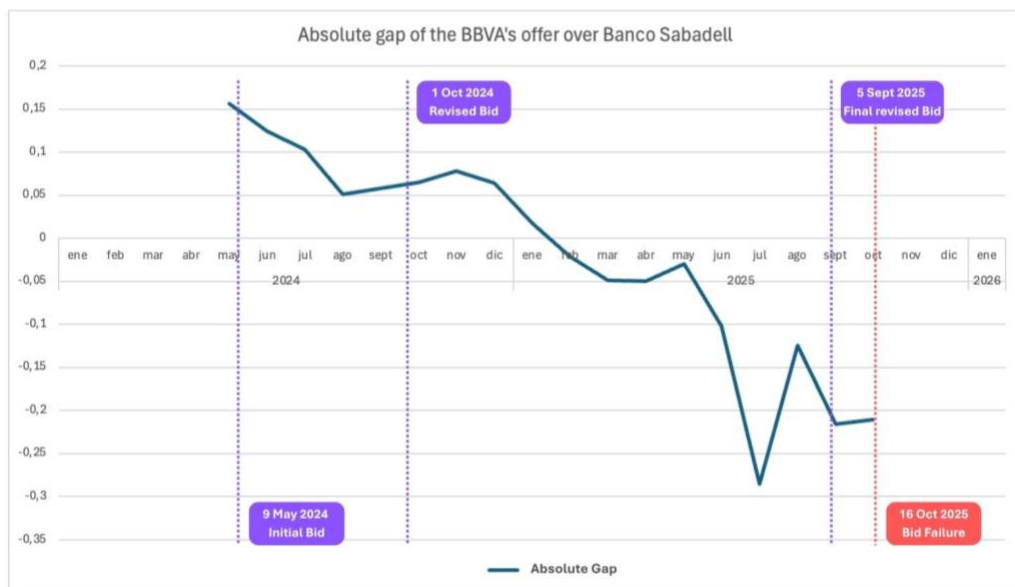


Source: Own elaboration based on official bank disclosures.

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Figure 3 shows that the implied premium was positive throughout most of 2024, although it fluctuated considerably and remained at comparatively modest levels following the formal launch of the bid. The premium narrowed progressively over the course of the process and turned negative in the later stages, remaining below zero for a sustained period prior to the conclusion of the takeover.

Figure 4. Evolution of the absolute gap over the takeover period.



Source: Own elaboration based on official bank disclosures.

Figure 4 confirms the pattern observed in Figure 3. The absolute gap, expressed in euro terms per Banco Sabadell share, was positive in the earlier phases of the process, indicating that the implied offer value exceeded the market price in monetary terms. In the later stages, the gap turned negative, reflecting that the market price of Banco Sabadell had moved above the value implied by the bid. The magnitude of the negative gap in the final period is consistent with the negative implied premia reported in Table 5.

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### 5.2. Banking Valuation Multiples and Peer Benchmarking

Table 6 and Table 7 report the main valuation and profitability indicators for Banco Sabadell and the peer group, composed of BBVA, Santander, and CaixaBank, for the financial years 2024 and 2025, respectively. Table 8 reports the offer-implied P/BV and P/TBV multiples at the five selected key dates and compares them with Banco Sabadell's own contemporaneous market multiples.

Table 6. Banking comparables, 2024.

Banking comparables, 2024					
	Average price	P/BV	P/TBV	ROE	ROTE
Banco Sabadell	1,877	0,654	0,780	12,4	14,9
BBVA	9,450	0,977	1,023	18,9	19,7
Santander	4,465	0,686	0,850	13,0	16,3
CaixaBank	5,326	1,038	1,210	15,4	18,1

Source: Own elaboration based on annual reports of the respective institutions.

As shown in Table 6, Banco Sabadell recorded the lowest valuation multiples within the peer group in 2024, with a P/BV of 0,65x and a P/TBV of 0,78x. BBVA traded at 0,98x P/BV and 1,02x P/TBV, Santander at 0,69x and 0,85x, and CaixaBank at 1,04x and 1,21x. In profitability terms, Banco Sabadell reported a ROE of 12,4% and a ROTE of 14,9%, below the levels recorded by the other three institutions in the same year.

Table 7. Banking comparables, 2025.

Banking comparables, 2025					
	Average price	P/BV	P/TBV	ROE	ROTE
Banco Sabadell	3,365	1,15	1,40	11,9	14,3
BBVA	20,050	1,97	2,07	18,4	19,3
Santander	10,070	1,41	1,75	13,9	17,1
CaixaBank	10,445	1,90	2,23	14,9	17,5

Source: Own elaboration based on annual reports of the respective institutions.

Table 7 shows that valuation levels across the peer group increased materially in 2025. Banco Sabadell's market multiples rose to 1,15x P/BV and 1,40x P/TBV, but remained below those of all three peer institutions. BBVA traded at 1,97x P/BV and 2,07x P/TBV, Santander at 1,41x and 1,75x, and CaixaBank at 1,90x and 2,23x. Banco Sabadell's profitability in 2025 stood at a ROE of 11,87% and a ROTE of 14,29%, again below the peer group.

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Table 8. Implied valuation of the offer versus Banco Sabadell market valuation at selected dates.

Implied valuation of the offer vs Banco Sabadell market valuation at selected dates						
Date:	Implicit value	Premium (%)	P/BV Sabadell	P/BV implied offer	P/TBV Sabadell	P/TBV implied offer
25/04/2024	2,175	32,78%	0,65	0,821	0,78	0,989
09/05/2024	1,988	7,03%	0,65	0,750	0,78	0,903
01/10/2024	1,911	7,04%	0,65	0,721	0,78	0,869
05/09/2025	2,939	-8,71%	1,15	1,024	1,40	1,230
16/10/2025	2,959	-8,38%	1,15	1,090	1,40	1,309

Source: Own elaboration based on annual reports of the respective institutions.

Table 8 shows that in 2024, the offer implied valuation multiples above Banco Sabadell's own market multiples. On 25 April 2024, the implied offer value translated into a P/BV of approximately 0,82x and a P/TBV of 0,99x, compared with Banco Sabadell's market multiples of 0,65x and 0,78x respectively. On 9 May 2024 and 1 October 2024, the offer continued to imply higher multiples than those observed in the market, although the differential had narrowed. By contrast, on 5 September 2025 and 17 October 2025, the offer implied P/BV multiples of approximately 1,02x–1,09x and P/TBV multiples of 1,23x–1,31x, both below Banco Sabadell's contemporaneous market multiples of 1,15x P/BV and 1,40x P/TBV.

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### 6. Discussion

#### 6.1. The Evolution of the Implied Premium: Market Dynamics and Bid Adequacy

The results presented in Section 5 show that the implied premium incorporated in BBVA's offer for Banco Sabadell was positive at the outset of the process but declined substantially over time, turning negative in the later stages of the takeover. This pattern is directly relevant to the theoretical framework established in the literature review and warrants careful interpretation.

The initial implied premium of 32,78% observed at the pre-announcement reference date is broadly consistent with the empirical benchmarks documented by Andrade, Mitchell, and Stafford (2001), who report a median takeover premium of 37,9% across a large sample of completed mergers between 1973 and 1998. However, by the date of the formal bid launch on 9 May 2024, the implied premium had already declined sharply to 7,03%, well below the median documented in the literature and, critically, below the sample median of 23% identified by Jennings and Mazzeo (1993) as the threshold below which management resistance becomes significantly more frequent. As established by Jennings and Mazzeo (1993), bids offering below-median premiums were resisted in 35% of cases, compared with 27% for above-median offers, and resisted bids were consummated in only 22% of cases. The implied premium observed at the time of the formal launch therefore placed the offer in a range empirically associated with elevated resistance and a substantially reduced probability of success.

The subsequent evolution of the offer reinforces this interpretation. The revision of the bid terms on 1 October 2024 did not materially improve the implied premium, which remained at approximately 6,96%. This suggests that the first revision of the offer failed to address the fundamental valuation gap that had emerged between the bid and Banco Sabadell's market price. By the time of the final revised offer in September 2025, the implied premium had turned negative, indicating that the market was assigning Banco Sabadell a standalone value in excess of the consideration offered by BBVA.

A further dimension of this result concerns the structure of the consideration. As established by Shleifer and Vishny (2003), stock-based acquisitions introduce additional valuation uncertainty for target shareholders, since the effective value of the offer depends on the acquirer's own market price. Andrade et al. (2001) document that all-cash offers generate average target abnormal returns approximately seven percentage points higher than stock-financed transactions, reflecting the premium that target shareholders demand to bear this uncertainty. In the present case, the predominantly share-based structure of the offer meant that the nominal premium was systematically undermined by fluctuations in BBVA's share price, contributing to the progressive erosion of the effective consideration received by

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Banco Sabadell shareholders. This dynamic is captured directly by the absolute gap series reported in Figure 4, which shows that the monetary distance between the offer and Banco Sabadell's market price narrowed continuously and ultimately reversed sign in the later stages of the process.

### 6.2. Banking Multiples: Intrinsic Value and Sectoral Benchmarking

The banking multiples analysis adds a further and more fundamental dimension to the assessment of the offer's adequacy. As established in the literature review, the valuation of financial institutions is anchored in book-value-based metrics rather than in market-price comparisons alone, because regulatory capital requirements make equity book value a meaningful and binding measure of a bank's economic worth (Damodaran, 2012). The evidence presented in Tables 6, 7 and 8 allows the offer to be assessed not only in relation to Banco Sabadell's prevailing market price, but also in relation to the accounting fundamentals that underpin its intrinsic value.

The peer-group comparison reported in Tables 6 and 7 reveals that Banco Sabadell traded at a consistent discount relative to its main Spanish banking peers throughout the takeover period. In 2024, Banco Sabadell's P/BV of 0,65x and P/TBV of 0,78x were the lowest in the peer group, standing below BBVA, Santander, and CaixaBank on both measures. In 2025, although Banco Sabadell's multiples had risen to 1,15x P/BV and 1,40x P/TBV in line with the broader sector rerating, the bank continued to trade below all three peer institutions. Under this framework, some discount relative to peers is expected given that Banco Sabadell's ROE and ROTE were below those of BBVA, Santander, and CaixaBank in both years. However, the gap in valuation multiples appears wider than the gap in profitability alone would justify, particularly in 2025, when Banco Sabadell's ROTE of 14,29% remained within a broadly comparable range to its peers whilst its P/TBV of 1,40x continued to lag substantially behind BBVA's 2,07x and CaixaBank's 2,23x. This pattern is consistent with the misvaluation hypothesis advanced by Shleifer and Vishny (2003), under which market prices may deviate from fundamental values in ways that create exploitable opportunities for acquirers, and, conversely, that a target trading at a discount disproportionate to its profitability differential may have rational grounds to resist an offer that does not bridge that gap.

The offer-implied multiples reported in Table 8 show that in 2024, BBVA's bid translated into P/BV and P/TBV ratios above Banco Sabadell's own market multiples, indicating that the offer provided a positive uplift in accounting-based valuation terms. On 25 April 2024, the implied P/TBV of 0,99x represented a meaningful premium over Banco Sabadell's market P/TBV of 0,78x. However, even at this stage, the offer-implied multiples remained well below the peer group average and, in particular, below the valuation at which BBVA and CaixaBank were themselves trading. This suggests that whilst the initial offer improved

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on Banco Sabadell's depressed standalone market valuation, it did not place the target at a valuation level consistent with the broader sectoral benchmark; a finding directly supported by Hagendorff et al. (2012), who document that premiums paid in European bank acquisitions are systematically related to target profitability and risk, and that bidders value profitable, high-growth, low-risk institutions at commensurately higher multiples.

By 2025, the position had reversed materially. The offer-implied P/BV of 1,02x–1,09x and P/TBV of 1,23x–1,31x both fell below Banco Sabadell's own contemporaneous market multiples of 1,15x and 1,40x respectively. This is a particularly significant result: it indicates that by the later stages of the takeover process, the market was assigning Banco Sabadell a higher standalone valuation than that embedded in BBVA's revised offer, not only in price terms but also in the accounting-based metrics most relevant to bank valuation. The offer had, in effect, ceased to represent an improvement on Banco Sabadell's intrinsic value as assessed by the market.

### 6.3. Valuation Disagreement as the Central Explanation for Bid Failure

Taken together, the implied premium analysis and the banking multiples analysis converge on a common conclusion: the failure of BBVA's takeover bid for Banco Sabadell is consistent with the theoretical and empirical framework of valuation disagreement developed in the literature review, rather than with explanations based on strategic entrenchment or governance failure.

The foundational insight of Bradley (1980) that a bid may fail even when a premium is offered, if that premium does not compensate target shareholders for the expected standalone value of the firm, is directly borne out by the evidence. The offer initially incorporated a meaningful premium over Banco Sabadell's market price and implied accounting-based multiples above the target's own market valuation. However, as Banco Sabadell's standalone market value strengthened over the course of the takeover period, the offer progressively failed to keep pace. The transition from a positive to a negative implied premium, mirrored by the reversal of the offer-implied multiples relative to Banco Sabadell's market multiples, is precisely the dynamic that the literature identifies as the mechanism through which rational rejection occurs.

The empirical patterns documented by Jennings and Mazzeo (1993) are particularly applicable in this context. Their finding that resisted bids generate substantially higher compounded returns for target shareholders is consistent with the interpretation that Banco Sabadell's board acted as a credible signal to the market that the offered price underestimated the bank's intrinsic value. Salva and Zhang (2022) further corroborate this interpretation, documenting persistent positive abnormal returns for target firms following failed bids even in the absence of subsequent takeover attempts, confirming that it is

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valuation disagreement, not speculative anticipation of a future offer, that drives post-failure price adjustment.

Finally, the banking context amplifies these dynamics in ways that are consistent with the literature. As noted by Hagendorff et al. (2012), the valuation of banks is particularly sensitive to assumptions regarding profitability, risk, and regulatory capital, variables whose evolution over the course of a prolonged takeover process can materially alter the relationship between offer price and intrinsic value. The sector-wide rerating of Spanish banking stocks observed between 2024 and 2025, which drove Banco Sabadell's market multiples substantially above the levels implied by BBVA's offer, is a concrete illustration of this dynamic. In a sector where valuation uncertainty is structurally elevated, the risk that a share-based offer will be overtaken by the target's rising standalone value is correspondingly greater, and the evidence presented in this study suggests that this is precisely what occurred in the BBVA–Sabadell case.

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### 7. Conclusions

#### 7.1. Final Remarks and Implications

This study set out to examine whether the failure of BBVA's takeover bid for Banco Sabadell can be explained by a fundamental disagreement over valuation, specifically, by the inadequacy of the offer price relative to Sabadell's intrinsic value as assessed through market-based and accounting-based metrics. The evidence presented across the methodology, results, and discussion sections supports this central argument.

The reconstruction of the bid's implied value over time demonstrates that the offer, whilst incorporating a meaningful premium at the pre-announcement reference date, had already declined to a comparatively modest level by the time of the formal launch on 9 May 2024. The implied premium of 7,03% recorded on that date fell well below the empirical benchmarks documented in the literature and, crucially, below the threshold at which management resistance becomes statistically more frequent. Over the course of the takeover period, the offer failed to keep pace with Banco Sabadell's rising standalone market valuation, and by the later stages of the process the implied premium had turned negative, meaning that the market assigned Banco Sabadell a higher value on a standalone basis than that embedded in BBVA's revised offer.

The banking multiples analysis reinforces this conclusion from a more fundamental perspective. In 2024, the offer implied P/BV and P/TBV ratios above Banco Sabadell's own depressed market multiples, indicating that the bid provided a positive uplift in accounting-based valuation terms. However, even at that stage, the offer-implied multiples remained well below the peer group average, suggesting that the bid did not place Banco Sabadell at a valuation level consistent with the broader sectoral benchmark. By 2025, following the substantial rerating of Spanish banking stocks, the offer-implied multiples fell below Banco Sabadell's own market multiples, confirming that the bid had ceased to represent an improvement on the target's intrinsic value as assessed by the market.

Taken together, these findings are consistent with the theoretical and empirical framework of valuation disagreement developed in the literature review. The failure of the bid reflects a rational rejection by Banco Sabadell's board and shareholders, acting on the assessment that the offer price did not adequately compensate for the bank's standalone value, a conclusion subsequently validated by the market. This pattern is directly consistent with the findings of Jennings and Mazzeo (1993) and Salva and Zhang (2022), who document that managerial resistance to inadequately priced offers functions as a credible signal of undervaluation, and that post-failure market behaviour tends to vindicate the target's position.

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The findings carry implications both for practitioners and for the academic literature. For practitioners the case illustrates the particular risks associated with share-based consideration structures in protracted takeover processes. When the offer currency is itself subject to market fluctuation, the effective value of the bid is exposed to a dynamic that the bidder cannot fully control, and a premium that appears adequate at announcement may erode materially over the course of a prolonged negotiation. In banking specifically, where standalone valuations are sensitive to profitability trends and sector-wide rerating cycles, this risk is structurally elevated. For the academic literature, the case provides a detailed empirical illustration of the valuation disagreement hypothesis in the context of European bank M&A, a setting in which, as documented by Hagendorff et al. (2012), regulatory complexity and accounting opacity amplify the conditions under which bidder and target valuations diverge.

### 7.2. Limitations and Future Research

This study is subject to several limitations that should be acknowledged. First, the analysis is based on a single case study, which limits the generalisability of the findings. Whilst the case-study design is appropriate for the research objective, generating an in-depth understanding of a specific and complex corporate event, the conclusions cannot be extrapolated to the broader population of bank takeover bids without further empirical validation. Future research could extend the analytical framework developed here to a larger sample of contested bank takeovers in the European Union, testing whether the relationship between offer-implied multiples and bid outcomes documented in this study holds systematically across transactions.

Second, the study relies exclusively on publicly available market and accounting data. Whilst this ensures transparency and replicability, it means that the analysis cannot capture private information about Banco Sabadell's intrinsic value that may have been available to its board and management at the time of the bid, information that, as established by the literature on information asymmetry in takeovers, is likely to have played a role in shaping the board's resistance to the offer. Future research incorporating analyst valuations, fairness opinions, or other private valuation estimates could provide a more complete assessment of the gap between the offer price and the target's perceived intrinsic value.

Third, the study does not formally account for the role of political and regulatory intervention in the outcome of the bid. As documented in the contextual background, the Spanish Government's veto of the merger and the CNMV's in-depth review introduced obstacles that went beyond pure valuation considerations and may have independently influenced both the behaviour of Sabadell's shareholders and the evolution of the offer terms. Disentangling the contribution of valuation disagreement from that of regulatory and political factors is inherently difficult in a single-case setting, and represents a fruitful avenue for future research.

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