Data Appendix Table: Description of Variables

Variable	Description	Source
Sales Revenues	ds104	Datastream
Log Real Sales	ds104 deflated by a 2-digit SIC output price series, in logs	Datastream; Office for National Statistics.
Employment	Log of ds219	Datastream, replaced with Extel data where appropriate.
Capital stock	Replacement cost estimate of the capital stock	Datastream (see Data Appendix)
Real Capital Stock	Capital stock deflated by investment price series, in logs	ONS
Investment level	Gross investment	Datastream (see Data Appendix)
Profits	Profits net of interest, taxes and depreciation, gross of dividends (ds182)	Datastream
Return-on-sales	Profits/ds104	
Return-on-capital	Profits/Capital stock	
Cash flow	Profits net of interest and taxes plus depreciation (ds182+ds136)	Datastream
Cash flow return-on-sales	Cash flow/Sales	
Dividend level	ds187	Datastream
Dividends-to-sales	ds187/ds104	
Leverage	Debt-Capital Ratio (ds321/Capital stock)	Datastream. Debt is at book value.
Tobin's Q	(ds321+HMV)/Capital stock	Datastream. HMV is market valuation of equity on the last day of the accounting year.
Income gearing	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/Capital stock)	Datastream.
Rumours	Annual count of number of articles reporting takeover speculation on the company in question; see Data Appendix.	*Financial Times* CD-ROM 1988-95.