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How have M&As changed? Evidence from the sixth merger wave

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Keywords

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Notes

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Along these lines, McKinsey & Co. reported that during the latest M&A cycle (up to 2006), acquirers have been more disciplined about creating value for their shareholders (Dobbs, Goedhart, and Suonio 2007).

The unreported total deal value for 1992 was $160 billion.

A month is classified as merger-wave month if its detrended market P/E was above the average market P/E over the past 5 years.

We modify the five-industry classification from Kenneth French's website (Consumer, Manufacturing, HiTec, Healthcare, Other) by adding an additional category of ‘Financials’ (SIC codes 6000–6999), which was originally included within ‘Other’.

However, where appropriate, we also examine in unreported tests whether our results are similar for deals by private acquirers or where the target is unlisted and find consistent patterns in most of the cases.

Including clustered acquisitions, however, does not materially affect our results.

Market value of assets is the book value of total assets minus the book value of common equity plus the market value of common equity. Alternatively, Tobin's Q can proxy for growth opportunities (Lang, Stulz, and Walkling 1989; Malmendier and Tate 2008) and management effectiveness (Lang, Stulz, and Walkling 1989; Servaes 1991). Nonethe ... ad of Tobin's Q.

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Executive options data are manually collected from DEF 14A proxy statements in SEC filings.

For robustness, we also use the ratio of the offer price to the 30-day (−45, −15) volume-weighted average of the target's trading price as a premium measure, and our results remain very similar.

Although for brevity we do not report results based on this measure in all tables, they are always very similar to using the first measure.

Acquisition premium differentials are also statistically significant for all payment methods.

Alternatively, using a market-adjusted model where α =0 and β =1 does not materially affect our results.

The minimum estimation window is set to 30 days. Equally weighted benchmark returns or alternative estimation windows produce very similar results.

Fama and French group financials (SIC codes 6000–6999) in the 'Other' sector subset that also includes firms in the mining, construction, construction material, transportation, hotel, business service and entertainment sectors. We also partition targets based on 12 and 17 industries according to Fama and French but do not report the resu … iod–sector subsets … premiums during th … ut of 17 cases, re … ger wave periods … exclude high-tec …

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Premium is defined as the ratio of the offer price to the stock price of the target 4 weeks prior to the acquisition announcement. The results remain similar when using a premium measure based on target returns as in Schwert (2000).

We have also run the regressions using the alternative corporate control competition variables reported in Table 1 or a ‘liquidity index’ as in Schlingemann, Stulz, and Walkling (2002). The sign and the significance of these variables, however, remain similar to the variable BID.

The results remain similar when we use a 5-, 11-, or 21-day CAR window.

In unreported results, we have also compared (non-)large loss deals across different methods of payment and a 21-day event horizon, and the results remain similar.

Due to the fact that the 36-month holding period could be biased by events that are affected by the financial crisis, we also performed tests using 12-month event window and the results remain similar. In addition, we exclude acquirers that are involved in more than one acquisition during the event window (for both 36-month and 12-month holding periods) and rerun the tests. The direction and significance of the results remain similar.

We do not compute CTAR differences as these involve regressing monthly return differenc ween the periods

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