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

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Acknowledgements

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Notes

Data are from Bob Shiller's web site (www.irrationalexuberance.com/index.htm).

Rhodes-Kropf, Robinson, and Viswanathan (2005) and Dong et al. (2006) found that acquirer

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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). Nonetheless, results are similar when we use the market-to-book ratio instead of Tobin's Q.

This could potentially imply less scope for value creation through M&As during the sixth merger wave.

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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 results as the number of observations is particularly low for several period–sector subsets and this impacts statistical significance. It appears, however, that premiums during the sixth merger wave are still lower for 11 out of 12 cases and 14 out of 17 cases, respectively. In addition, premium differentials between the two merger wave periods remain similar in terms of both direction and significance when we exclude high-tec

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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 differences on the four factors. However, there are no common months between the periods compared here.