The anatomy of acquirer returns

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August 15, 2019

Abstract
Largely constant average acquirer returns over the past four decades mask fundamental changes in the takeover market. Controlling for bidder composition, the common component of acquirer returns has increased by as much as five percentage points relative to the 1980s. Offsetting this increase, the average bidder-specific component has declined. The increase in the common component is pervasive and cannot be explained by learning, maturity, industry concentration, or improved corporate governance. However, better advisors may have contributed to this upward trend. Conceptually, the evidence is consistent with a general increase in merger synergies that have become less bidder-specific over time.

JEL classification: G14, G34

Keywords: Mergers and acquisitions, synergies, bidder gains, bidder-specificity, composition effects, investment banks

*Comments and suggestions by Eric de Bodt, Jean-Gabriel Cousin, Shawn Thomas (discussant), Karin Thorburn, and seminar participants at the Federal Reserve Bank of Chicago, Frankfurt School of Finance and Management, Norwegian School of Economics, University of Lausanne, WHU-Otto Beisheim School of Management, Midwest Finance Association 2019 Meetings, and 2019 UNC Junior Finance Roundtable are greatly appreciated.
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