

The anatomy of acquirer returns*

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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

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