

# **Do Mergers and Acquisitions Create Shareholder Value, and What Factors Significantly Influence Their Impact on The Stock Price of Acquiring Companies?**

**Bachelor Project submitted for the degree of  
Bachelor of Science HES in International Business Management**

by

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By submitting this manuscript, the author declares that it constitutes their own original work. The author acknowledges full responsibility for the work's design; the acquisition, analysis, and interpretation of the data; as well as the formulation of conclusions within the work. Furthermore, the author asserts sole responsibility for the drafting of the manuscript and its thorough review for significant intellectual content. The author is accountable for all aspects of the work, including matters related to its accuracy and integrity.

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# Executive Summary

This bachelor's thesis investigates the impact of mergers and acquisitions (M&A) on shareholder value, with a specific focus on the effects these transactions have on the stock prices of acquiring companies within the financial sector. This inquiry addresses a critical question in financial management: "Do mergers and acquisitions create shareholder value, and what factors significantly influence their impact on the stock price of acquiring companies?"

The study employs a mixed-methods approach, combining extensive quantitative analysis of 292 M&A transactions (sourced from FactSet and analyzed with IBM SPSS Statistics) with qualitative insights gleaned from a survey of 39 M&A professionals and specialists across key global financial hubs. This robust methodology ensured a comprehensive exploration of the intricate dynamics of M&A.

Principal findings reveal that successful M&As generally lead to enhanced shareholder value, particularly when the acquiring firms focus on strategic alignment and integration. Key factors influencing stock prices include the method of payment—cash, stock, or a combination thereof—and the market sentiment at the time of the transaction. Strategic buyers were found to enhance value more effectively than financial buyers, emphasizing the importance of strategic fit over financial engineering. Moreover, the study underscores the significant role of post-merger integration in achieving desired financial outcomes, with effective integration directly correlating with stable or improved stock prices post-M&A. Based on these findings, the thesis offers several recommendations for companies contemplating M&A: Prioritize strategic fit and synergy potential over mere financial gains to maximize the long-term success of M&A transactions – Enhance due diligence processes to better predict integration challenges and market reactions – Develop comprehensive communication strategies to manage investor expectations and market perceptions throughout the M&A process.

In conclusion, while M&A can indeed create substantial shareholder value, the extent of this value is heavily influenced by strategic planning, execution, and market conditions. This study not only contributes to academic knowledge by confirming theories of strategic management in M&A but also provides practical frameworks for corporate executives aiming to leverage mergers and acquisitions for competitive advantage. This thesis invites further research into the evolving impact of global economic conditions on M&A success, particularly in the volatile financial sector.

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# 1. Introduction<sup>1</sup>

## 1.1 Background and significance of M&A

Mergers and acquisitions are pivotal events in the corporate world, fundamentally altering the business landscape. These transactions can lead to significant economies of scale, greater market share, and enhanced shareholder value, making them crucial for strategic business growth. M&A activities not only affect the companies involved but also have broad economic implications, influencing industry trends and competitive dynamics. The financial sector, in particular, sees a high volume of M&A due to its dynamic nature and the constant need for firms to adapt to rapidly changing regulatory and economic environments.

## 1.2 Research question and objectives of the study

This thesis seeks to answer the question, "Do mergers and acquisitions create shareholder value, and what factors significantly influence their impact on the stock price of acquiring companies?". The objectives are to identify the key factors that influence the success of M&A transactions, measure their impact on shareholder value, and evaluate the strategic outcomes of these activities within the financial sector.

## 1.3 Rationale for the study

The rationale behind this study stems from the ongoing debate about the actual value M&A brings to shareholders. Despite the strategic importance of M&A, empirical evidence on its benefits is mixed, with some studies indicating that not all mergers achieve their intended synergies. This study aims to shed light on the conditions under which M&A activities enhance shareholder value, specifically focusing on the financial sector, which is a critical area due to its complexity and the significant consequences of these transactions.

## 1.4 Scope and limitations

The study focuses exclusively on M&A transactions within the financial sector, which allows for an in-depth analysis of sector-specific dynamics but may limit the

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<sup>1</sup> Answer complemented by GPT-4, OpenAI. Prompt used: – "Following the provided titles and bullet points below, draft a comprehensive introduction and conclusion for my thesis, ensuring adherence to academic and professional standards and correct my current version." [accessed 10<sup>th</sup> May 2024]. See appendix.

generalizability of the findings to other industries. Another limitation is the reliance on available data from secondary sources like FactSet, which could contain inherent biases or inaccuracies when it comes to their comments regarding successes or failures of M&As. The survey component, although rigorous, involves a relatively small sample size of industry experts, which may not fully capture the diversity of perspectives in the global M&A landscape. Additionally, the rapid pace of regulatory and market changes in the financial sector can outdate even the most current analyses, posing a challenge to drawing long-term conclusions. The complexity of M&A transactions also means that isolating the impact of specific factors can be challenging, as multiple intertwined elements often influence outcomes.

### **1.5 Organizational structure of the report:**

This report is structured to provide a comprehensive exploration of M&A especially within the financial sector. The *Introduction* sets the stage by outlining the significance of M&A in the corporate world. The subsequent *Literature Review* delves into existing academic and industry insights, framing the research within the broader discourse on the impact of M&A on shareholder value and stock prices.

The *Methodology* section details the methods employed in the study, including data collection from paid platform FactSet, surveys with M&A professionals, and analytical techniques used to assess the impact of M&A. This is followed by two analytical chapters. Analysis of shareholder value and stock price influences discusses the quantitative and qualitative analyses that evaluate how M&A activities influence shareholder value and stock prices, detailing the specific factors that drive these impacts.

In-depth *Analysis and professional Surveys* present detailed analyses of collected data and insights from surveys with M&A professionals, integrating findings from both primary and secondary research to offer nuanced understanding of M&A dynamics. The *Presentation of Findings* consolidates all research findings, illustrating the contributing factors to M&A outcomes identified throughout the study.

Finally, the *Conclusion and Recommendations* provides a summary of key findings and their implications for both theory and practice. It offers recommendations for future research and practical applications in M&A strategy, highlighting potential avenues for further academic exploration and industry application. This structure ensures a clear presentation and discussion of each research aspect, facilitating an in-depth understanding of the complex dynamics of M&A and their effects on shareholder value and stock prices in the financial sector.

## 2. Literature review

### **2.1 Overview, historical trends, and theories influencing shareholder value in M&A research**

M&As are dynamic phenomena that have significantly shaped the corporate landscape. Understanding their evolution requires an exploration of historical trends. Seminal works such as Patrick A. Gaughan "Mergers, Acquisitions, and Corporate Restructuring" (2015) provide valuable insights into the historical trajectory of M&A practices. This foundational understanding serves as a springboard for delving into models and theories, with Rosenbaum and Pearl's "Mergers and Acquisitions: A Condensed Practitioner's Guide" (2018) offering comprehensive insights into the theoretical frameworks that underpin M&A research.

Here is a concise breakdown taken from the primary data mentioned above:

#### **Historical Trends:**

- Leveraged buyouts (LBOs): M&A surged with LBOs, emphasizing financial engineering and debt leverage for acquisitions. This marked a shift in strategic approaches, focusing on restructuring (Alain le Berre 4<sup>th</sup> year course in M&A) & (Patrick A. Gaughan, 2015, p. 305-344).
- Hostile takeovers: The 1990s saw an increase in aggressive acquisitions, exemplified by events like the AOL-Time Warner merger. Hostile takeovers became a notable trend, reflecting a strategic shift in M&A dynamics (Patrick A. Gaughan, 2015, p. 183-237).
- Globalization and cross-border M&A: Globalization led to a surge in cross-border M&A activities, emphasizing international expansion and the interconnectedness of global markets (Patrick A. Gaughan, 2015, p. 183-237).
- Technology and digital M&A: Technology-driven M&A dominated the 2010s, with established tech giants acquiring innovative startups. This trend showcased the strategic importance of technological advancements (Rosenbaum & Pearl, 2018, p. 244)
- Shareholder activism: Shareholder activism emerged as a trend, influencing corporate decision-making, including M&A. This added complexity to M&A dynamics, highlighting the evolving role of shareholders (Patrick A. Gaughan, 2015, p. 279-294)

#### **Models & Theories:**

- Agency theory (Jensen and Meckling, 1976): Addresses conflicts of interest between shareholders and managers, emphasizing the need for mechanisms aligning managerial and shareholder goals in M&A.

- Hubris hypothesis (Roll, 1986): Introduces behavioral elements, suggesting that executive overconfidence can influence decision-making in M&A, leading to suboptimal outcomes.
- Efficiency theory: Posits that M&A activities aim to enhance overall market efficiency by reallocating resources to more productive uses (K. Wadhwa, S.R. Syamala, 2015)
- Resource-based View (RBV): Focuses on acquiring firms with complementary resources to enhance the acquiring company's resource base and contribute to sustainable competitive advantage (R. E. Freeman, Dmytriiev, Phillips, 2021)

These historical trends and theoretical frameworks, discussed also in *Mergers and Acquisitions: Cases, Materials, and Problems [Connected Ebook] (Aspen Casebook) 5th Edition* (pages 150-175 and 200-225), provide a nuanced understanding of the multifaceted dynamics shaping M&As.

## **2.2 Conceptual framework for impact on acquiring companies' stock prices**

Developing a robust conceptual framework is imperative for comprehending the impact of M&A activities on acquiring companies' stock prices. Drawing practical insights from real-world examples, particularly highlighted in DePamphilis's "Mergers, Acquisitions, and Other Restructuring Activities" (2020), adds tangible depth to this understanding. Through the exploration of cases examining strategic alignment, synergies realization, and market reactions, a comprehensive framework emerges, providing practical insights into the dynamics influencing stock prices in M&A scenarios.

- **Strategic alignment:** In the acquisition of WhatsApp by Facebook, a clear strategic alignment was evident. Facebook aimed to fortify its position in the messaging space, aligning with its broader strategy of enhancing user engagement. This strategic fit had a discernible impact on Facebook's stock prices, reflecting the market's response to well-aligned M&A strategies (Investopedia, L. Deutsch, 2024).
- **Synergies realization:** The merger of Exxon and Mobil in the late 1990s exemplified the pursuit of synergies. Combining resources, technology, and distribution networks aimed at operational efficiency. Investors closely monitored the realization of these synergies, influencing the trajectory of the merged entity's stock prices. This example underscores the significance of tangible outcomes in M&A deals impacting shareholder value (Ideas, R. Kumar, 2019).
- **Market reactions:** The acquisition of Pixar by Disney served as a demonstration of market reactions. Disney's strategic move to acquire Pixar's creative talent influenced investor perceptions of future film successes. Analyzing market responses to such strategic decisions sheds light on how they can impact acquiring companies' stock prices. This example underscores the intricate relationship between market sentiments and M&A outcomes (NY Times, M. Holson, 2006).

Bridging the conceptual foundation with these practical illustrations, the examples highlight the nuanced interplay of strategic decisions and tangible outcomes in shaping acquiring companies' stock prices within the dynamic landscape of M&A activities.

### **2.3 Synthesis of the literature and possible gaps in existing research and knowledge**

Synthesizing existing literature on M&A paves the way for understanding historical trends and theoretical perspectives. Analyzing the evolution of M&A from LBOs to globalization, prompts questions about their relevance in contemporary M&A. How do these trends align with the current landscape?

The conceptual framework, exemplified by real-world cases and analysis (FactSet and IBM SPSS) as will be studied, addresses how M&A impacts stock prices. How transferable are these insights across diverse M&A scenarios? Examples like Facebook's acquisition of WhatsApp offer practical illustrations as seen so far. Do these instances capture the broader spectrum of M&A, or are there overlooked factors influencing stock prices?

Synthesizing the literature raises questions about unexplored dimensions. How does cultural integration, often a crucial aspect, fit into existing M&A frameworks? Considering emerging trends like ESG (Environmental, Social, Governance), are traditional models equipped to address evolving considerations in M&A?

These gaps guide primary data collection, aiming to refine theoretical frameworks and address practical challenges. How can a more holistic understanding of M&A dynamics contribute to shareholder value, aligning with the overarching thesis question?

## 3. Methods

### 3.1 Research design

This study adopted a mixed-methods approach, integrating quantitative data analysis with qualitative insights to comprehensively assess the impacts of M&A on shareholder value and stock prices. The design facilitated a deep exploration of both statistical trends and contextual insights, enhancing the robustness of the conclusions drawn.

### 3.2 Data collection methods

#### 3.2.1 Market data sources

Primary quantitative data were manually sourced from paid platform FactSet, focusing on 292 M&A transactions within the financial sector. This dataset provided detailed information on each transaction, including market capitalization, transaction details, and stock price fluctuations. More in detail: *Deal ID, Target FactSet Industry, Target Country, Acquirer, Target, Announcement Date, Completion Date, Transaction Status, Target Market Capitalization, Acquirer Market Capitalization, Insolvency status, Buyer Type (Financial or Strategic), Attitude (Friendly, Hostile, or Neutral), Percentage of Target Shares Sought and Owned, Base Equity Value, Method of Payment, Merger Structure, Cross-Border Involvement, Consideration breakdown (Cash, Stock, Debt), Post-Merger CEO information, Name of Combined Company, Post-Merger Ownership Percentage for Target and Acquirer, Price Per Share Change, Financial and Legal Advisors for both Target and Acquirer, Price Per Share, and Stock Prices before, at announcement, at completion, and 6 and 12 months after completion dates (Appendix 3).*

#### 3.2.2 Survey with M&A experts

The survey was conducted using Qualtrics to gather qualitative insights from M&A specialists. The questions derived from key findings and hypothesis concluded from the quantitative analysis. The survey was distributed via email, LinkedIn, and direct contact forms to professionals in Switzerland, London, Hong Kong, and Japan, ensuring a diverse and expert-driven perspective (Appendix 2).

#### 3.2.3 Secondary data sources

Additional data were gathered from a variety of reputable sources including Bloomberg, Yahoo Finance, and various online articles from major consulting and auditing firms (the Big Three and Big Four) and academic resources from HEG University and pertinent e-

books. These sources offered supplementary insights and contextual background necessary for a comprehensive analysis.

### **3.2.4 Content analysis**

The study involved rigorous content analysis of the gathered data, employing statistical techniques such as regressions, descriptive data, ANOVA, histograms, and correlation analyses. This allowed for an in-depth examination of the factors influencing the success of M&A transactions and their effects on stock prices.

## **3.3 Sampling strategy**

The selection of M&A transactions from FactSet complemented by Yahoo Finance within the financial sector, although seemingly specific, was strategically chosen due to several compelling reasons that align with the broader objectives of this study. First, the financial sector is highly representative of complex M&A dynamics due to its pivotal role in global economics and its sensitivity to regulatory changes and economic cycles. This makes it an ideal context for examining the intricate impacts of M&A on shareholder value and stock prices (ResearchGate, Soo Lee, 2020).

Furthermore, the financial sector is known for its high volume of M&A activities compared to other sectors, which provides a rich dataset for analysis. This sector's transactions often involve significant strategic realignments and regulatory scrutiny, offering a clear view of the strategic, operational, and compliance challenges and successes in M&A. Additionally, financial services firms are at the forefront of adopting innovative financial strategies and technologies, which can significantly influence the success factors of mergers and acquisitions, making it a pertinent area of study for emerging trends! (PWC, M. Huber, 2023) & (PWC, M. Huber, 2024).

Finally, the expertise and viewpoints of survey participants from this sector are particularly valuable due to their firsthand experience with high-stakes, high-impact M&A deals. Their insights are crucial for understanding not just the economic outcomes of such transactions, but also the strategic rationales and integration processes that directly affect stock market responses and shareholder value creation.

By focusing on the example of the financial sector, this study leverages the sector's intrinsic characteristics and its central role in M&A to generate insights that are both deep and broadly applicable to the understanding of M&A impacts in a critical area of business operations.

### **3.4 Ethical considerations**

Ethical guidelines were meticulously followed throughout the research process. All survey respondents participated on a voluntary basis, and anonymity was guaranteed to protect their identities and sensitive information. The use of available data from FactSet and other secondary sources complied with all legal and ethical standards for research, ensuring the integrity of the data collection process.

This methodological framework underpins the study's findings, providing a structured and ethically sound basis for exploring the complex dynamics of M&A and their impact on corporate performance and stock market behavior.



## 4. How M&A create or destruct shareholder value

Given time constraints, the thesis cannot comprehensively cover all aspects of how M&A create shareholder value. Please keep in mind the focus on addressing the main and common aspects.

### **4.1 Value creation/destruction mechanisms and role of synergies**

Mergers and acquisitions are strategic initiatives aimed at creating shareholder value through various mechanisms. As seen before, one key avenue is the realization of synergies, where the combined entity achieves operational efficiencies and cost savings. For instance, when Dow Chemical and DuPont merged, they aimed for synergies in R&D and production, contributing to increased shareholder value through reduced costs and improved competitiveness (McKinsey & Company, J. Warner, 2021).

Another significant value creation mechanism in M&A is revenue enhancement, which can be achieved through expanded market access, product diversification, and cross-selling opportunities. For example, mergers often allow companies to gain access to new geographical markets or consumer segments that were previously out of reach, effectively increasing the revenue streams. A notable case is the acquisition of LinkedIn by Microsoft, which not only expanded Microsoft's business network services but also integrated LinkedIn's offerings with Microsoft's enterprise software, enhancing product offerings and reaching a broader customer base. These strategic integrations can significantly boost revenue growth, thus enhancing shareholder value through increased sales and market share (IMD, M.R. Wade, 2016).

Conversely, M&A can also lead to value destruction if not managed carefully. The cost of acquisition can be exorbitant, potentially outweighing the benefits if the price paid is not justified by the synergies and revenue potentials. Moreover, cultural clashes between merged entities can result in inefficiencies, employee dissatisfaction, and a loss of productivity, which in turn can erode value (CorpGov Law Harvard, N. Fernandes, 2020). A classic example involves the Daimler-Benz merger with Chrysler, where significant cultural differences and management styles led to operational disruptions and strategic misalignments, ultimately diminishing the anticipated value of the merger (The Guardian, Wearden, 2007).

## **4.2 Case studies of value creation and destruction**

According to a recent report by BCG on successful M&A strategies, a key theme emerges in value creation mechanisms; examples, such as CVS Health's acquisition of Aetna, highlight the positive impact of operational synergies, expanded service offerings, and improved customer engagement (Bloomberg, Z. Tracer, R. Langreth, 2017). Conversely, instances like AOL's acquisition of Time Warner, documented in reports by JP Morgan, underscore the pitfalls of inadequate strategic fit and cultural integration, leading to substantial value destruction (Rebellion Research, P. Romer, 2024). These cases underscore the importance of strategic alignment, operational synergy realization, and effective cultural integration in determining M&A success or failure.

Further illustrating the dual nature of M&A outcomes, the merger between Amazon and Whole Foods showcases a successful integration strategy that leveraged Amazon's technology and logistics expertise with Whole Foods' strong brand presence in the organic grocery sector. This integration allowed Amazon to rapidly expand its footprint in the grocery industry, improving operational efficiencies and customer reach. Studies from the Harvard Business Review highlight how Amazon's technology-driven approach to inventory and distribution significantly reduced Whole Foods' operational costs and improved its supply chain effectiveness (Harvard Business Review, M. Gelfand, S. Gordon, 2018).

On the other hand, the acquisition of Sprint by SoftBank presents a cautionary tale of value destruction when expected synergies fail to materialize. Initially projected as a strategic move to build a stronger competitor in the U.S. telecommunications market, the deal struggled due to massive debt loads and cultural clashes that hindered the expected strategic benefits. Forbes reports detailed how integration challenges, including technological incompatibilities and strategic misalignments, plagued the merger, leading to disappointing performance and a failure to achieve the competitive positioning that was anticipated (Forbes, Wayne Rash, 2020).

These contrasting cases underscore the critical importance of diligent synergy planning, cultural compatibility assessment, and adaptive strategic execution in M&A transactions. They highlight that while M&A can be a powerful tool for rapid growth and market expansion, its success is highly dependent on various factors including the execution strategies and integration processes that follow the closure of the deal.

## **5. Factors influencing M&A impact on stock prices**

Once again, due to scope and time limitations, the thesis cannot thoroughly and completely address all factors influencing M&A impact on stock prices. Keep in mind the emphasis is on the primary and common factors in this context.

### **5.1 Financial factors**

Financial dynamics, such as debt levels, earnings potential, and cost synergies, significantly shape M&A impact on stock prices. Goldman Sachs' analysis of the acquisition of Medtronic by Covidien underscores the significance of financial metrics. The deal enhanced Medtronic's financial health by diversifying its product portfolio and optimizing its tax structure, positively impacting stock prices (MedTronics, R. Clark, F. Vivanco, 2014).

Additionally, the acquisition of LinkedIn by Microsoft showcased financial foresight, where Microsoft leveraged LinkedIn's data and network to boost its software and cloud services, ultimately leading to a significant rise in its stock prices post-announcement (IMD, M.R. Wade, 2016). However, financial factors can also negatively impact stock prices if the acquisition leads to substantial debt without clear plans for revenue generation, as seen in the acquisition of Time Warner by AOL, where the high debt burden and failed synergies led to a significant drop in stock value. (Rebellion Research, P. Romer, 2024).

### **5.2 Strategic factors**

Strategic alignment is paramount in influencing stock prices post-M&A. JPMorgan's assessment of Disney's acquisition of 21st Century Fox emphasizes strategic fit. By acquiring Fox's entertainment assets, Disney expanded its content portfolio, directly influencing its stock performance by positioning itself as a major player in the streaming industry (Wharton, Diana Drake, 2017).

Moreover, strategic alignment involves more than just merging product lines; it also includes aligning corporate cultures and operational models. A positive example is the acquisition of Pixar by Disney, which not only expanded Disney's animation capabilities but also harmonized Pixar's creative culture with Disney's resources, driving up Disney's stock due to anticipated creative outputs and market expansion (Pixune, A. Oboodiat, 2024). On the flip side, the merger of Daimler and Chrysler serves as a cautionary tale

where poor cultural and operational alignment led to a problematic integration, eroding shareholder value over time (The Guardian, Wearden, 2007).

### **5.3 Market reaction to M&A announcements & Regulatory and economic environment**

Market responses to M&A announcements are critical indicators of shareholder sentiment, as exemplified in Bain's analysis of Amazon's acquisition of Whole Foods. The market positively responded to Amazon's strategic move into the grocery sector, resulting in an immediate increase in Amazon's stock value (Bain & Company, Darell K. Rigby, 2017).

Unsurprisingly, the *initial* market reaction especially significantly sways stock prices. A well-received acquisition like Google's purchase of YouTube saw Google's stock prices surge due to the market's positive outlook on the strategic benefits of the acquisition (Investopedia, Lucas Downey, 2021). Conversely, HP's acquisition of Autonomy was met with skepticism over the high purchase price and dubious synergy claims, leading to a decline in HP's stock price as market trust eroded (CIO, Peter Sayer, 2024).

The regulatory and economic landscape can also influence M&A outcomes. For example, regulatory approvals play a critical role; mergers that face regulatory hurdles or antitrust issues, like the attempted merger initially between T-Mobile and Sprint, can experience stock price volatility (GuruFocus, M. Moran 2020). Additionally, economic conditions such as recession or economic booms can affect how M&As are valued and perceived in the market (PWC, Colin Wittmer, J.D. Potter, 2019).

By examining a broader range of factors and including diverse case studies, this chapter provides us with a more nuanced view of how M&As can influence stock prices. These insights, drawn from recent data and analyses by leading financial institutions and business schools, underscore the complex interplay of financial, strategic, regulatory, and market dynamics in shaping the outcomes of M&A activities. Understanding these can help stakeholders better navigate the potential risks and rewards in M&A transactions.

## **6. IBM SPSS Statistics analyses**

### **6.1 Framework for the analysis and methodology**

In this thesis, a detailed and comprehensive framework was designed to investigate the impact of M&A on shareholder value creation and the stock situation of acquiring companies. The methodology involved using IBM SPSS Statistics, a paid platform, to conduct numerous distinct analyses, each tailored to explore different facets influencing the relationship between M&A activities, stocks changes, and shareholder value.

#### **6.1.1 Data collection**

Data were meticulously collected from subscribed platform FactSet, focusing on 292 M&A transactions within the finance sector. This dataset spans a diverse range of *Target FactSet Industries*, including major and regional banks, real estate investment trusts, Insurances (life, health, property, etc.), saving banks, investment brokers, etc. The selected transactions provided a representative cross-section of the industry, ensuring robust analysis. The dataset includes extensive details for each transaction, such as Deal ID, market capitalizations, transaction statuses, buyer types, and stock price changes at multiple points around the transaction announcement and completion. (All details are to be found in Appendix 3).

#### **6.1.2 Data preprocessing and ethical considerations**

Data integrity was paramount, with preprocessing steps including handling missing values thanks to Yahoo Finance and Bloomberg, identifying, and addressing outliers, and normalizing data to ensure comparability across different scales and measures. This meticulous approach was essential for the reliability of subsequent findings.

All data used in this analysis were sourced from privately and publicly available databases and through ethical means, ensuring compliance with data use policies and respect for privacy and proprietary information.

#### **6.1.3 Conclusion**

This methodological framework thus sets the foundation for rigorously examining the complex dynamics of M&A activities and their implications for shareholder value, directly aligning with the thesis's overarching research questions.

## **6.2 Explanation of the statistical analytical techniques**

In this study, a variety of statistical techniques were employed to examine the impact of M&A on shareholder value and the stock prices of acquiring companies. Each technique was chosen for its ability to elucidate different aspects of the data related to M&A activities. Below, we detail the primary statistical methods used and explain their relevance to the research questions at hand.<sup>2</sup>

### **6.2.1 Descriptive analysis**

Descriptive statistics provide a way to summarize the basic features of the data, offering simple summaries about the sample and the measures. Within this thesis, descriptive statistics were used to establish a baseline understanding of the variables involved in M&A transactions, such as market capitalization, stock prices before and after M&A announcements, and the distribution of industries involved in these transactions. Measures such as mean, median, standard deviation, and range helped to highlight central tendencies and variability, which are crucial for setting the stage for more complex analyses.

### **6.2.2 Correlation analysis**

Correlation analysis was conducted to assess the strength and direction of relationships between continuous variables within the dataset. Specifically, this analysis helped to explore how stock prices at different stages of the M&A process (announcement, completion, six months before & after, and twelve months after completion) are interrelated. Pearson's correlation coefficients were calculated to quantify these relationships, providing insights into how changes in the market perceptions at various points might be associated with one another (Scribbr, Shaun Turney, 2024).

### **6.2.3 Regression and scatter plot analysis**

Regression analysis was used to model the relationships between multiple independent variables and a dependent variable, providing insights into how various factors such as market capitalization, transaction status, and payment methods influence the stock prices of acquiring companies. This technique is vital for predicting the effects of these

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<sup>2</sup> Answer complemented by GPT-4, OpenAI. Prompt used: "Can you explain why the specific analysis used is crucial for my research and how it helps in answering my thesis question? I have already formulated some answers, but I need complementary information." [accessed 13<sup>th</sup> April 2024]. See appendix.

variables and for understanding the potential causal impacts of different aspects of M&A transactions on shareholder value.

#### **6.2.4 Analysis of Variance (ANOVA)**

ANOVA was applied to compare means between different groups within the dataset to determine if the group differences are statistically significant (Investopedia, Will Kenton, 2024). For instance, ANOVA helped to evaluate whether different types of payment methods (cash, stock, or a combination) have different impacts on the stock prices post-M&A. This analysis is crucial for identifying which factors might lead to significant variations in shareholder outcomes across different M&A scenarios.

#### **6.2.5 Turkey HSD and Histogram analysis**

The Tukey HSD (Honestly Significant Difference) test was employed to further analyze the data following ANOVA, specifically to compare the mean differences between groups with respect to acquirer market capitalization across different payment methods in M&A transactions (FasterCapital, 2024). This test is critical for pinpointing which payment methods statistically significantly affect the market capitalization outcomes of acquiring companies. Alongside, histogram analysis was used to visualize the distribution of stock prices at various stages of M&A (e.g., at announcement, completion, and months following completion). Histograms help in assessing the normality and skewness of stock price distributions, providing insights into the typical and outlier movements in stock prices following M&A transactions. These analyses are instrumental in understanding the dynamics of stock price fluctuations and the impact of different transaction characteristics on those prices.

### **6.3 Presentation of the analyses and their results**

In the analysis conducted, only the most pertinent information has been presented, encapsulating the key findings and insights derived from the dataset. Screenshots of crucial analyses have been included to provide visual representation and aid in the comprehension of the results. However, for a more in-depth exploration and detailed examination of the data, the original excel file is resourceful. This approach ensures that the essential aspects of the analysis are effectively communicated while allowing for further exploration and scrutiny of the dataset as needed.<sup>3</sup>

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<sup>3</sup> Answer generated and complemented by GPT-4, OpenAI. Prompt used: "Based on the following results from IBM SPSS and data collected from FactSet, help me correct and interpret my analysis results." [accessed 18<sup>th</sup> April 2024]. See appendix.

In the preparation of these analyses, I utilized advanced AI technologies, specifically ChatGPT-4, to aid in the interpretation of the results generated by each analytical method and technique employed. This approach allowed for a nuanced understanding and verification of the analytical outcomes, ensuring a higher level of accuracy and insight into the implications of each set of data. For detailed reference, "*Footnote 3*" applied to each section of the analysis contains the specific prompt used to generate responses from GPT-4, illustrating the interaction and the exact query that guided the AI's contributions to this research. This integration of AI has been instrumental in refining the interpretations and enhancing the overall quality of the analytical discussions throughout the thesis.

### **6.3.1 Descriptive analysis**

The data presents a comprehensive overview of mergers and acquisitions across various target countries. Remarkably, the United States emerges as the dominant player in this arena, with a staggering 61.1% of the total occurrences, totaling 162 mergers or acquisitions. Following closely behind is the United Kingdom, contributing 6.4% to the total with 17 transactions. Beyond these two leading countries, the distribution of mergers and acquisitions is notably diverse, with Japan standing out with 14 occurrences, representing 5.3% of the total. From Australia to South Korea, and from Brazil to Switzerland, each country registers a varying number of transactions, highlighting the global nature of M&As. While the United States and the United Kingdom exhibit significant activity, no single country monopolizes the landscape, underscoring the widespread nature of these transactions.

Cross-border transactions, which account for 6.8% of the deals in our dataset, involve companies from different countries and introduce unique challenges and opportunities compared to domestic transactions (93.2%). These transactions are particularly significant due to their complexity involving regulatory compliance across different jurisdictions, potential issues with cultural integration, and fluctuations in currency exchange rates. Such complexities can significantly impact the integration process and shareholder value creation. Understanding these differences is crucial as they may affect the success rate and the strategic value derived from cross-border M&A, potentially offering higher rewards despite the increased risks.

The nature of the buyer plays a critical role in shaping the strategy and outcomes of M&A transactions. In our dataset, strategic buyers—companies looking to expand their operational capacities or market reach—make up 99.3% of transactions, highlighting a predominant trend towards seeking synergistic benefits. In contrast, financial buyers,



such as private equity firms, represent a smaller proportion and typically focus on financial optimizations and short-term gains. This distinction is vital as strategic buyers are generally more invested in the long-term success of the acquisition, potentially leading to greater enhancement in shareholder value through integration and efficiency improvements.

The attitude of the transaction, whether friendly, hostile, or neutral, influences the market's perception and, by extension, impacts shareholder value. Our analysis indicates that friendly transactions, which make up 81.6% of the sample, are associated with more positive outcomes in terms of shareholder response as they are often based on mutual benefits and smoother integration processes. Hostile transactions (6.8%) and neutral stances (11.6%) might lead to uncertainties or adversities in post-merger integration, affecting the “Price Per Share Change” (Appendix 3) and potentially leading to varied investor reactions. The predominance of friendly mergers suggests a strategic preference for cooperative engagements, which are likely viewed favorably by investors and can lead to more stable increases in shareholder value.

The Figure 1 offers a glimpse into the status of transactions within the mergers and acquisitions landscape, dividing them into two distinct categories: “Cancelled” and “Complete.” Impressively, the vast majority of transactions, comprising 83.4% of the total, fall under the “Complete” category. This indicates a robust level of activity where mergers and acquisitions have successfully navigated through the intricate processes to reach fruition. It reflects a significant degree of confidence and alignment among involved parties, underscoring their commitment to executing these deals according to the agreed-upon terms. However, the presence of the remaining 16.6% categorized as “Cancelled” sheds light on the complexities inherent in such endeavors.

**Figure 1 Transaction Status: Complete or Cancelled M&A**

Transaction Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cancelled	44	16.6	16.6	16.6
	Complete	221	83.4	83.4	100.0
	Total	265	100.0	100.0	

The Figure 2 provides insight into the methods of payment employed in mergers and acquisitions, delineating between cash, stock, a combination of both (Cash & Stock), and an unspecified method denoted by “-”.

Among the specified methods, stock emerges as the predominant mode of payment, representing the lion's share at 52.8% of the total transactions. This suggests a prevalent trend wherein acquiring companies opt to utilize their own stock as a means of financing acquisitions, potentially leveraging their equity to facilitate strategic expansions or consolidation efforts within their respective industries. Following stock, the combination of cash and stock, denoted as "Cash & Stock", constitutes a substantial portion of transactions, representing 28.3% of the total. This hybrid approach likely reflects a strategic balance between cash liquidity and equity participation, offering acquiring companies flexibility in structuring deals that mitigate financial risk while leveraging the potential synergies of combining cash and equity components.

Cash transactions, while representing a smaller proportion at 16.6%, remain a notable avenue for payment in mergers and acquisitions. These transactions indicate a straightforward exchange of cash for ownership stakes, highlighting the financial resources and liquidity available to acquiring companies seeking to pursue strategic growth opportunities through outright cash purchases. Moreover, the presence of transactions denoted by "-" suggests a small fraction, accounting for 2.3% of the total, where the method of payment is unspecified.

**Figure 2 Method of Payment: Cash, Stock, or Combination**

Method of Payment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	-	6	2.3	2.3	2.3
	Cash	44	16.6	16.6	18.9
	Cash & Stock	75	28.3	28.3	47.2
	Stock	140	52.8	52.8	100.0
	Total	265	100.0	100.0	

The Figure 3, analysis of changes in the price per share following mergers and acquisitions, reveals three distinct outcomes: "Decreased", "Increased", and "No Change" (Appendix 3). A significant majority of transactions, 92.8%, result in no change in the share price. This stability could indicate that the transactions were well-anticipated by the market or that they aligned closely with the inherent value perceived by investors, thereby not causing significant speculative fluctuations.

Conversely, 4.5% of transactions show an increase in the share price. This might reflect scenarios where the acquiring company had to raise their offer, possibly due to a competitive bidding environment or because the initial offer was deemed insufficient by

the target's board, necessitating an adjustment to secure the deal. Such increases might also signal investor optimism about the strategic merits of the acquisition, expecting that the long-term benefits and synergies will outweigh the costs of a higher offer.

In 2.6% of cases, the share price decreased, suggesting circumstances where the acquirer possibly re-evaluated the asset's worth or encountered unforeseen challenges that affected their valuation, leading to a lower bid. These adjustments might reflect a cautious approach by the acquiring firm to align the offer more closely with realistic integration prospects or revised market conditions.

Understanding these dynamics provides critical insights into the strategic behavior of acquiring firms and the market's response, which can have significant implications for investors and the broader financial landscape of the industries involved.

**Figure 3 Price/Share Change: Increased, Decreased, No Change**

Price/Share Change					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Decreased	7	2.6	2.6	2.6
	Increased	12	4.5	4.5	7.2
	No Change	246	92.8	92.8	100.0
	Total	265	100.0	100.0	

### 6.3.2 Strategic dominance in M&A: analysing top financial and legal advisors in the financial sector

In the landscape of M&A, particularly within the financial sector, certain financial and legal advisors repeatedly stand out due to their involvement in numerous deals. This analysis aims to identify the top three financial and legal advisors for both targets and acquirers in the dataset of 292 M&A transactions and explore the reasons behind their frequent selection. Intrigued by the recurrent appearance of these advisors, detailed research was conducted to uncover the factors that contribute to their prominence and effectiveness in facilitating M&A transactions. By examining their industry reputation, specialized expertise, and historical performance, this section sheds light on what sets these top advisors apart in the competitive field of M&A.

Top three per target / acquirer / financial / legal advisors:

<b>Target Financial Advisors</b>	<b>Acquirer Financial advisors</b>	<b>Target Legal advisors</b>	<b>Acquirer Legal Advisors</b>
1. Piper Sandler & Co.	1. Keefe, Bruyette & Woods, Inc.	1. Luse, Gorman, Pomerenk & Schick PC	1. Wachtell, Lipton, Rosen & Katz
2. Keefe, Bruyette & Woods, Inc. (KBW)	2. Piper Sandler & Co.	2. Sheppard, Mullin, Richter & Hampton LLP	2. Luse, Gorman, Pomerenk & Schick PC
3. Raymond James & Associates, Inc.	3. Raymond James & Associates, Inc.	3. Barack Ferrazzano Kirschbaum & Nagelberg LLP	3. Sullivan & Cromwell LLP

### 6.3.2.1 Financial Advisors

- **Piper Sandler** is a well-established investment bank with a strong focus on middle-market transactions, renowned for its expertise in financial services and healthcare. The firm's frequent appearance as an advisor in M&A transactions is attributed to its deep industry expertise and robust track record in successfully navigating complex deals, particularly in financial services, where it holds significant insights (Piper Sandler company profile, official website).
- **KBW** is an investment bank specializing in the financial services sector, well-regarded for its focus on banking, insurance, brokerage, and real estate industries. Its specialization in the financial sector makes KBW a go-to advisor for transactions within this industry, with a deep understanding of market dynamics and regulatory environments that ensure tailored and effective M&A strategies (KBW official website).
- **Raymond James** offers strong investment banking services and provides a comprehensive suite of financial services to its clients, including corporations, municipalities, and institutions. The firm's broad expertise across various industries and dedicated M&A advisory services make it a valuable player in supporting complex transactions, ensuring well-informed and strategic financial guidance (Raymond James financial reports 2023).

### 6.3.2.2 Legal Advisors

- **Wachtell Lipton**, known for handling some of the biggest deals in the corporate world with a high-stakes, high-impact approach, has a reputation for meticulous attention to detail and an aggressive defense of its clients' interests. This makes it a top choice for major corporations seeking to navigate the legal complexities of significant M&A deals (Wachtell, Lipton, Rosen & Katz official website).
- Specializing in providing legal services to financial institutions, **Luse Gorman** is highly specialized in regulatory and compliance issues critical in financial sector transactions. Their niche focus provides clients with specialized expertise crucial for navigating regulatory landscapes and achieving successful mergers or acquisitions (Luse Gorman official website).
- **Sullivan & Cromwell** boasts a global practice with significant expertise in handling large and complex transactions, including significant cross-border

deals. The firm's extensive experience, in both domestic and international legal frameworks, uniquely positions it to advise on large-scale, multifaceted M&A transactions, making it a preferred legal advisor for top-tier clients globally (Sullivan & Cromwell LLP official website).

- **Sheppard Mullin** is a full-service global law firm with a deep bench of expertise across corporate, transactional, and litigation fields. Known for its innovative approaches and comprehensive service in mergers and acquisitions, the firm provides tailored legal solutions that emphasize speed and efficiency, crucial for successful M&A outcomes (Sheppard Mullin official website).
- With a strong focus on the financial sector, **Barack Ferrazzano** has built a reputation for its streamlined structure that enables a more responsive and flexible client service. The firm's M&A group efficiently manages highly sophisticated deals, particularly in the banking sector, often navigating complex regulatory landscapes and crafting deals aligned with stringent financial regulations (Barack Ferrazzano official website).

All in all, the specialized expertise and strategic approaches of these advisors play pivotal roles in the success of M&A transactions. Firms like Piper Sandler, Keefe, Bruyette & Woods, and Raymond James bring deep financial acumen and industry-specific insights, which are essential for navigating complex market dynamics and structuring deals that enhance shareholder value. Similarly, legal advisors such as Wachtell, Lipton, Rosen & Katz, and Sheppard, Mullin, Richter & Hampton offer indispensable legal expertise and regulatory guidance, ensuring that transactions not only comply with legal frameworks but also align with strategic business goals. The frequent engagement of these advisors in high-profile transactions underscores their ability to facilitate successful mergers and acquisitions, thereby directly impacting the financial outcomes for shareholders and shaping the landscape of the financial services industry. This understanding supports the thesis that the choice of advisors can be very crucial in maximizing the success of M&A activities and, consequently, in enhancing shareholder value (LinkedIn, John E. Thompson, 2024).

### 6.3.3 Post-merger ownership dynamics

Understanding the "Post Merger Ownership %" for both target and acquirer is crucial for assessing how M&A influence shareholder value. For targets, this metric reveals the extent of control retained, affecting strategic decision-making and the preservation of cultural and managerial continuity. Conversely, for acquirers, a higher ownership percentage typically signifies stronger consolidation of control, which can drive synergy realization and strategic alignment across merged entities (Wall Street Prep, 2023).

**Figure 4 Correlation & Descriptive Statistics for Post Merger Ownership %**

Correlation Analysis		
	<i>Post Merger Ownership % - Target</i>	<i>Post Merger Ownership % - Acquirer</i>
Post Merger Ownership % - Target	1	
Post Merger Ownership % - Acquirer	-1	1
Descriptive Statistics		
	<i>Post Merger Ownership % - Target</i>	<i>Post Merger Ownership % - Acquirer</i>
Mean	18.00	82.00
Standard Error	1.17	1.17
Median	15.30	84.70
Mode	0.00	100.00
Standard Deviation	14.85	14.85
Sample Variance	220.39	220.39
Kurtosis	0.17	0.17
Skewness	0.87	-0.87
Range	62.00	62.00
Minimum	0.00	38.00
Maximum	62.00	100.00

**Correlation Analysis:** Correlation between Post Merger Ownership % - Target and Acquirer: (-1): This strong negative correlation indicates that as the percentage of ownership retained by the target's shareholders decreases, the percentage of ownership held by the acquirer's shareholders increases correspondingly. The more ownership the acquirer takes, the less is left for the target's shareholders, which can have profound implications on control and influence post-merger.

**Descriptive Statistics Analysis:** based on Figure 4.

#### Post Merger Ownership % - Target

- Mean (18%) and Median (15.3%): These values suggest that, on average, target company shareholders retain a relatively small portion of ownership post-merger. This implies that most M&A are structured in a way that significantly dilutes the target's shareholder control.
- Standard Deviation (14.85%) and Range (0 to 62%): Indicates variability in the extent to which target shareholders retain equity. Some retain a significant percentage (up to 62%), while others may retain none (0%), reflecting the diversity in merger agreements and negotiation outcomes.

The standard deviation of 14.85 in post-merger ownership percentages for targets highlights substantial variability, with ownership retention ranging from as low as 3.15% (18% mean - 14.85% standard deviation) to as high as 32.85% (18% mean + 14.85% standard deviation) around the mean of 18%. This considerable spread indicates that outcomes of mergers and acquisitions can vary widely for target shareholders, introducing that a higher standard deviation in post-merger ownership can indicate a higher level of volatility and unpredictability. Such variability is crucial for investors and analysts as it underscores the potential risks and impacts on shareholder control and

value post-merger, informing risk assessment and strategic decision-making in M&A scenarios.

- **Skewness (0.87):** This positive skew indicates that more of the data points are clustered at the lower end of ownership retention, with fewer transactions where the target retains more substantial control.

#### Post Merger Ownership % - Acquirer

- **Mean (82.00%) and Median (84.7%):** The acquirers, on average, gain a substantial majority of the ownership, which supports the typical goal of an acquirer to control and integrate the target company effectively.
- **Mode (100%):** The most frequently occurring value being 100% suggests that in many cases, acquirers end up with total control post-merger.
- **Skewness (-0.87):** The negative skew indicates a concentration of cases where acquirers gain high ownership percentages, with fewer cases at the lower end.

The redistribution of ownership and control through M&A can profoundly impact strategic decisions and operational integration, ultimately affecting the creation or erosion of shareholder value. This analysis provides empirical evidence that helps quantify the extent of these changes, offering insights into the governance shifts that accompany M&A activities. As a matter of fact, it confirms theoretical expectations about control redistribution following M&A, aiding in understanding the varying impacts on shareholder value based on merger structures and negotiation outcomes (Science Direct, M. Anton, J. Azar, 2022). These insights are vital for stakeholders assessing the effectiveness of M&A strategies from a corporate governance perspective.

By providing quantifiable measures of how ownership percentages are affected post-merger, this analysis enriches the discussion on the broader impacts of these corporate transactions, offering a comprehensive understanding of how M&A reconfigure corporate power, with significant implications for strategic direction and value creation.

#### **6.3.4 Correlation analysis of stock price movements during M&A phases**

The correlation analysis of stock prices at various stages of the M&A process in Figure 5 reveals significant and strong associations, underscoring the predictability and coherence of stock price movements related to M&A. The correlations are highly statistically significant ( $p < .001$ ), indicating that these relationships are unlikely to have occurred by chance.

- **Announcement and completion dates:** The Pearson correlation coefficient of .968 between stock prices at the announcement and at the completion date indicates a very strong positive correlation. This strong linkage suggests that initial market reactions to M&A announcements are closely aligned with the

outcomes at the deal's completion, reflecting market confidence in the anticipated benefits of the merger.

- **Post-completion stability:** Correlations between stock prices at the completion date and six months (.992) and twelve months (.992) post-completion are exceptionally high. This consistency implies that the positive market sentiment observed at the completion tends to persist, suggesting enduring investor confidence in the strategic value of the acquisition.
- **Long-term association:** The correlation of .978 between stock prices at the announcement date and twelve months after completion and the correlation of .987 between six- and twelve-months post-completion further confirm that the positive impacts of M&As might be sustained over a longer period. This enduring effect could be attributed to successful integration and realization of synergies forecasted during the announcement.
- **Pre- and post-announcement analysis:** The correlation of .987 between stock prices six months before and at the announcement date indicates that pre-announcement trends are strong predictors of immediate pre-merger valuations, possibly reflecting market speculations or insider assessments of the merger's potential.

**Figure 5 Correlation Analysis between Stocks at different time periods**

		Correlations			
		Stock at Announcement Date	Stock At Completion Date	Stock 6 months after completion date	stock 12 months afetr completion date
Stock At Completion Date	Pearson Correlation	.968**			
	Sig. (2-tailed)	<.001			
	N	259			
Stock 6 months after completion date	Pearson Correlation	.969**	.992**		
	Sig. (2-tailed)	<.001	<.001		
	N	265	259		
stock 12 months afetr completion date	Pearson Correlation	.978**	.992**	.987**	
	Sig. (2-tailed)	<.001	<.001	<.001	
	N	264	258	264	
Stock 6 mths before Announcement Date (USD)	Pearson Correlation	.987**	.953**	.952**	.966**
	Sig. (2-tailed)	<.001	<.001	<.001	<.001
	N	265	259	265	264

\*\* . Correlation is significant at the 0.01 level (2-tailed).

These correlations collectively indicate not only a high degree of predictability in stock price movements following M&A announcements but also significant market approval of the strategic decisions over time. Such findings highlight the critical role of timely and strategic M&A decisions in shaping investor perceptions and stock market performance. The persistently high correlations post-completion suggest that, in these cases, the market positively values the long-term impact of these mergers, reinforcing the



importance of strategic alignment and effective integration in realizing anticipated M&A benefits.

#### **6.3.4.1 Scatter plots between stock prices at different stages**

The scatter plots, hereunder in Figure 6, illustrate the relationships between stock prices at different stages around M&A events, with linear regression lines and  $R^2$  values to quantify the strength of these relationships. Here is an analysis based on the descriptions and results of the plots:

##### **a) Stock at Announcement Date by Stock 6 Months Before Announcement Date:**

- **Correlation:** The plot shows a strong positive correlation between the stock prices six months before the announcement and at the announcement date.
- **Regression equation:**  $y = 4.85 + 0.9x$ 
  - **X** represents stock prices six months before the M&A announcement and **Y** indicates stock prices at the announcement, the slope (0.9) shows that for every \$1 increase in stock price six months prior, the announcement price increases by 90 cents. This relationship is underlined by a high  $R^2$  value of 0.974, indicating that nearly 97.4% of the variability in announcement stock prices can be explained by prices six months earlier, demonstrating a strong predictive connection.
  - The intercept (4.85) theoretically represents the announcement stock price when the stock price six months prior is \$0. Although this scenario is impractical, the intercept helps in positioning the regression line to best fit the data. These regression analyses provide valuable insights into how previous stock performances strongly influence market reactions at the announcement, crucial for forecasting and strategic decision-making in the context of M&A.
- **$R^2$  Value:** 0.974, indicating that approximately 97.4% of the variability in stock prices at the official announcement can be explained by their values six months prior, including rumors of the M&A and press/media reports. This suggests a high level of predictability in stock prices leading up to the announcement.

##### **b) Stock at Completion Date by Stock at Announcement Date:**

- **Correlation:** There is a strong positive correlation between stock prices at the announcement and at the completion of the M&A.
- **Regression equation:**  $y = -1.41 + 1.07x$ . For every \$1 increase in the stock price at the announcement, the stock price at completion is expected to increase by \$1.07. This indicates a slightly amplifying effect from the announcement to the completion of the M&A, reflecting investor confidence or successful transaction execution.
- **$R^2$  Value:** 0.937, indicating that about 93.7% of the variation in stock prices at completion can be predicted by the prices at the announcement. This implies that the market reactions at the announcement are closely aligned with the ultimate realization of those values at the deal's completion.

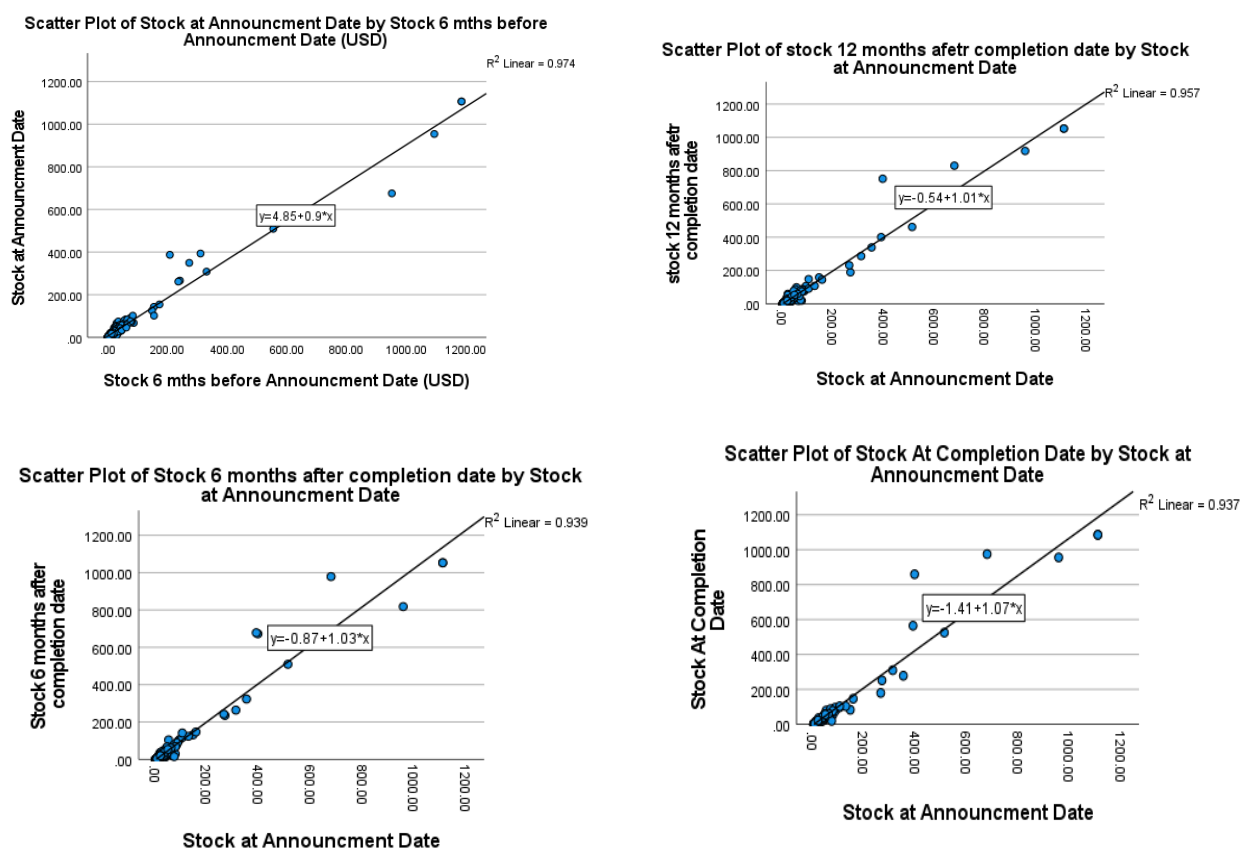
c) **Stock 6 Months After Completion Date by Stock at Announcement Date:**

- **Correlation:** The plot illustrates a very strong positive correlation between stock prices at the announcement and six months after the completion.
- **Regression equation:**  $y = -0.87 + 1.03x$ . The slope of 1.03 suggests that for every \$1 increase in the stock price at the announcement, the stock price six months after completion is expected to increase by \$1.03, indicating a continuation or slight enhancement of value perceived by the market following the merger.
- **R<sup>2</sup> Value:** 0.939, showing that roughly 93.9% of the changes in stock prices six months post-completion are predictable by the prices at the announcement. This could indicate sustained investor confidence or the realization of anticipated merger synergies.

d) **Stock 12 Months After Completion Date by Stock at Announcement Date:**

- **Correlation:** This shows a very strong positive correlation as well.
- **Regression equation:**  $y = -0.54 + 1.01x$ . For every \$1 increase in the stock price at the announcement, the stock price a year after completion is expected to increase by \$1.01. This close to one-to-one relationship indicates that the market's initial valuation of the merger tends to persist long-term, reflecting sustained investor confidence and successful realization of projected merger synergies.
- **R<sup>2</sup> Value:** 0.957, demonstrating that about 95.7% of the stock price variability one year after the completion can be explained by the prices at the announcement. This underscores the long-term impact of the initial market perceptions and the enduring effects of the merger.

**Figure 6 Scatter Plots Analysis for Stocks at different times**



These scatter plots collectively suggest that stock prices around M&A events are highly interconnected, with the initial market response at the announcement being a significant predictor of future stock price behavior through to one-year post-completion. The data illustrates that market reactions to M&A announcements are not only immediate but have long-lasting effects, reflecting the market's assessment of the strategic fit and potential value creation through these transactions. Such analysis is crucial for investors and corporate managers as it highlights the importance of the initial announcement and subsequent integration phases in shaping long-term shareholder value.

### 6.3.5 ANOVA analysis on the impact of acquirer market capitalization on transaction types

The ANOVA analysis explores how the size of an acquiring company's market capitalization influences the types of transactions they choose in M&A, such as paying with cash, stock, or a combination of both. The results show a clear pattern where different sizes of companies tend to prefer different types of payment methods. Specifically, the analysis found a significant difference, evidenced by an F-value of 4.195 and a p-value of 0.016 (falling below the typical alpha level of .05), suggesting that the

size of a company (its market capitalization) does affect its strategic decisions regarding how transactions are financed.

**Figure 7 ANOVA Analysis: impact of Acquirer Market Capitalization on strategic transaction choices**

ANOVA					
Acquirer Market Capitalization (MM)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.995E+10	2	9975805500	4.195	.016
Within Groups	6.088E+11	256	2378041665		
Total	6.287E+11	258			

Interpretation of the sources of variations (Statology, Zach Bobbitt, 2021), from Figure 7:

- **Between Groups** Sum of Squares (19,951,611,000): This large number indicates the extent of variation in transaction choices that can be explained by differences in company sizes. Essentially, it measures how much the choice of transaction type diverges from the average when considering all companies, grouped by their market size.

Since the "Between Groups" sum of squares is relatively high, it indicates significant differences in transaction choices among groups of companies with different market capitalizations. This means that companies of similar sizes tend to make similar strategic decisions about how to finance mergers and acquisitions, but these strategies differ markedly when compared across different size groups. This pattern underscores that the financial scale of a company strongly influences how it approaches M&A transactions, reflecting variations in strategic preferences that are directly tied to the company's market capitalization. This insight is crucial for understanding how financial capacity shapes corporate strategy in significant financial events like mergers or acquisitions.

- **Within Groups** Sum of Squares (608,778,666,135.686): This value is much larger and represents the variation in transaction choices within groups of similar-sized companies. It shows how much individual companies' choices vary from their group's average, suggesting that factors other than size also play a role in how transactions are structured.

The "Within Groups" sum of squares is considerably higher than the "Between Groups" sum of squares, indicating a greater level of variability in transaction choices within each group of similarly sized companies compared to the variability between these groups. This suggests that while market capitalization does influence strategic choices in M&A transactions, other factors such as company-specific strategies,

industry norms, regulatory environments, or competitive dynamics also play significant roles. These internal or industry-specific factors can cause companies of the same size to choose different approaches to financing transactions, leading to a high degree of variability within each size group. Understanding this internal diversity is essential as it highlights that strategic decisions in mergers and acquisitions are not solely determined by company size but are also affected by a complex mix of situational and contextual factors.

This ANOVA is important because it statistically validates the impact of market capitalization on the strategic transaction choices in M&A, thereby reinforcing the theory that financial stature shapes corporate decision-making. By quantifying how different sizes of companies systematically prefer certain types of financing in M&A, the analysis provides empirical support for tailoring financial strategies to the specific financial profile of acquiring companies, ensuring more informed, strategic planning and execution of mergers and acquisitions. This insight is crucial for stakeholders aiming to optimize financial outcomes and align transaction strategies with corporate objectives.

### 6.3.6 Turkey HSD analysis of acquirer market capitalization by payment method

The Tukey HSD post hoc analysis in Figure 8 provides insights into how the market capitalization of acquirers differs based on their chosen payment method during mergers and acquisitions. Key findings from this analysis include:

- **Cash vs. Stock Transactions:** There is a significant mean difference in market capitalization of \$23,019.36 (*thousands or MM*) (meaning that on average, companies that choose stock transactions are larger by this amount compared to those that opt for cash transactions, with this difference being statistically significant and unlikely to occur by chance), where transactions involving stock as a method of payment are associated with higher market capitalization compared to cash transactions. This difference is statistically significant ( $p = 0.018$ ), indicating that companies preferring stock transactions tend to be larger.
- **Cash vs. Cash & Stock Transactions:** Similarly, acquirers that utilize a combination of cash and stock have a market capitalization higher by an average of \$23,957.64 (*thousands or MM*) compared to those using cash only, with this result also being statistically significant ( $p = 0.028$ ). This suggests that firms capable of engaging in mixed payment methods may be more financially robust.
- **Stock vs. Cash & Stock Transactions:** There is a smaller, and statistically non-significant, mean difference of \$938.27 (*thousands or MM*) where firms using stock alone show slightly lower market capitalization compared to those combining cash and stock ( $p = 0.990$ ). This lack of significant difference suggests that the size distinction between these two groups is minimal.

**Figure 8 Multiple Comparisons – Methods of payment linked to Acquirer Market Capitalization**

**Multiple Comparisons**

Dependent Variable: Acquirer Market Capitalization (MM)

Tukey HSD

(I) Method of Payment	(J) Method of Payment	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Cash	Stock	23019.3582 <sup>*</sup>	8428.072933	.018	3150.784896	42887.93146
	Cash & Stock	23957.6377 <sup>*</sup>	9260.325246	.028	2127.089720	45788.18574
Stock	Cash	-23019.3582 <sup>*</sup>	8428.072933	.018	-42887.9315	-3150.78490
	Cash & Stock	938.2795502	6978.053746	.990	-15511.9782	17388.53732
Cash & Stock	Cash	-23957.6377 <sup>*</sup>	9260.325246	.028	-45788.1857	-2127.08972
	Stock	-938.279550	6978.053746	.990	-17388.5373	15511.97822

\*. The mean difference is significant at the 0.05 level.

These analyses highlight that the type of payment method chosen by acquirers in M&A transactions can reflect their overall financial size and possibly their strategic flexibility, significantly correlating with the acquirer's market capitalization and indicating that larger companies tend to favor stock or mixed payment methods over cash-only transactions. The significant differences underscore variations in financial capacity and strategic approach across different firms. This understanding is crucial for stakeholders evaluating the financial strength and market position of companies engaged in mergers and acquisitions.

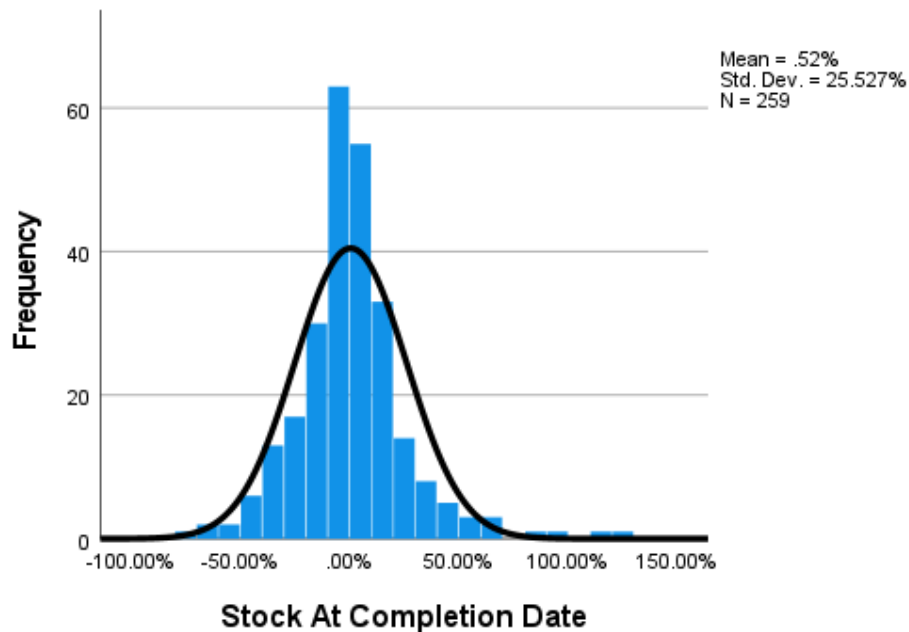
### 6.3.7 Analysis of stock price distribution at various M&A stage

The histogram (Figure 9) for **Stock at Completion Date** illustrates a predominantly normal distribution of stock price changes, centered around a small positive mean change of 0.52%. This symmetry and the central clustering suggest that most stock prices moderately increase or remain stable as M&A transactions are finalized. The standard deviation of 25.27% indicates that while the majority of stock changes are near the mean, there is a significant spread, with some stocks experiencing larger fluctuations, both positive and negative.

This distribution is indicative of a generally favorable market response to the completion of M&A deals, where investors might react positively to the resolution of uncertainties associated with the M&A process. However, the spread also reflects that not all completions are received equally—some may lead to substantial increases in stock value due to successful deal anticipation, while others may experience declines if the market adjusts its expectations based on the finalized deal terms or integration outlooks. This

pattern is essential for understanding the risk profile and investor sentiment surrounding the culmination of M&A activities.

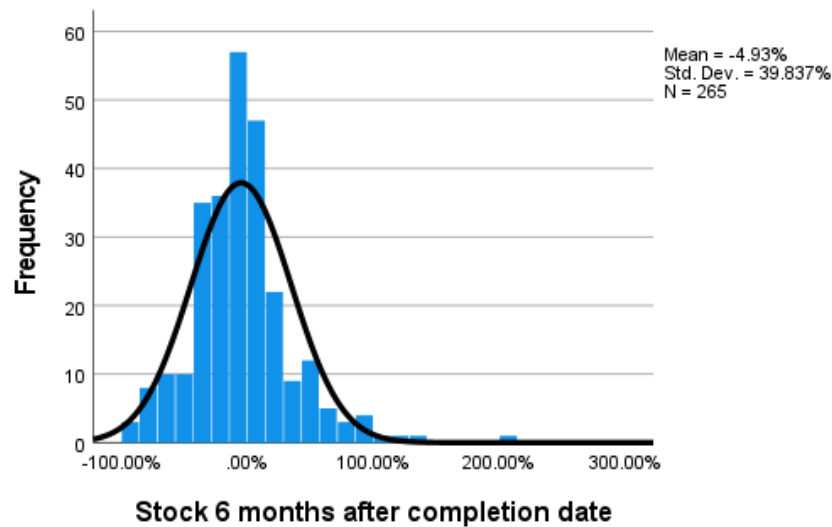
**Figure 9 Histogram for Stock at Completion Date - Normal Distribution**



The histogram (Figure 10) for **Stock 6 Months After Completion Date** shows a right-skewed distribution with a mean decrease of -4.93%, indicating that, on average, stock prices slightly decline half a year after M&A transactions are completed. The significant standard deviation of 39.83% highlights extensive variability in stock performance, demonstrating that while many stocks decrease slightly in value, there are also stocks experiencing substantial gains or losses.

This skewness and high variability suggest that the market may still be adjusting to the real impacts of the merger or acquisition, including the integration process and the actual realization of anticipated synergies. The presence of outliers, particularly on the positive side, indicates that some M&A may lead to significant increases in stock prices, possibly due to successful integration strategies or other positive market developments related to the merger. This pattern underscores the complexity and uncertainty that can characterize stock performance in the months following the completion of M&A activities.

**Figure 10 Histogram for Stock 6 months After Completion Date - Right-Skewed Distribution**

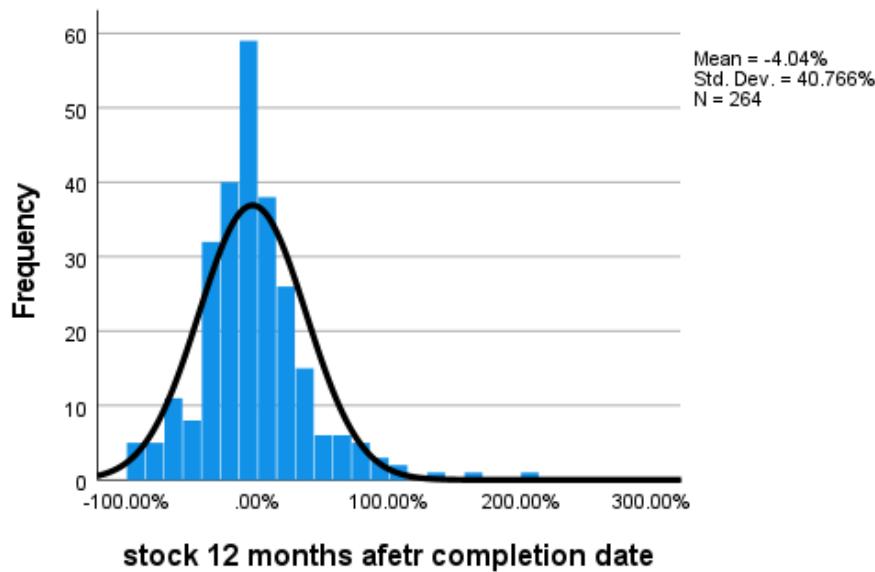


The histogram (Figure 11) for **Stock 12 Months After Completion Date** illustrates a right-skewed distribution with a mean decrease of -4.04% and a substantial standard deviation of 40.76%. This skew towards the right suggests that while the average change in stock prices is a slight decline one year after M&A completions, there is considerable variability with some stocks experiencing significant gains.

This pattern reflects ongoing market adjustments and the longer-term impacts of M&A. The broad spread in stock price changes, evidenced by the large standard deviation, points to differing outcomes in the success of integration efforts and the realization of synergies projected during the merger planning phase. The presence of substantial gains in some cases could indicate successful integration and synergy realization exceeding initial expectations, whereas the general trend of slight decline might suggest challenges or unmet expectations in others. This distribution underscores the complex and often unpredictable nature of long-term stock performance following M&A, highlighting the critical need for effective post-merger integration and strategic alignment.



**Figure 11 Histogram for Stock 12 months After Completion Date - Right-Skewed Distribution**



#### **6.4 Limitations of the analysis<sup>4</sup>**

This section acknowledges the constraints and limitations inherent in the interpretations of the data from the 292 M&A transactions analysed in this thesis, which took place between 2019 and early 2024. While the study provides valuable insights into the impact of M&As on stock prices at various stages—completion, six months after, and twelve months after—several external factors could influence these findings, which are beyond the scope of this bachelor's thesis.

Firstly, **market volatility** influenced by external economic factors such as interest rate changes, inflation rates, and fiscal policies could significantly impact stock prices independently of the M&A activities. These economic shifts can alter investor sentiment and market dynamics unpredictably during the periods analyzed (Harvard Law Corporate Governance, E. Herlihy, Wachtell, 2022).

Secondly, **geopolitical events** such as trade wars, regulatory changes, or political instability in the regions where the companies operate could also skew the stock price data. For instance, unexpected geopolitical tensions could lead to market downturns or

<sup>4</sup> Answer complemented by GPT-4, OpenAI. Prompt used: "Given my readings and common knowledge from Bloomberg articles, help integrate additional limitations to my stock analysis framework." [accessed 1<sup>st</sup> May 2024]. See appendix.

upturns, affecting the apparent outcomes of M&A transactions (Herbert Smith Freehills, 2024).

Additionally, **sector-specific trends** such as technological disruptions or shifts in consumer preferences could play a critical role in influencing the stock performance of companies involved in M&A. These industry dynamics are often rapid and unpredictable, potentially confounding the effects attributed solely to M&A activities (Morrison Foerster, 2024).

Another important consideration is the **fiscal reporting periods** of the companies involved, which can affect financial reporting and stock evaluations. The timing of these fiscal periods might not align uniformly across all transactions analysed, introducing discrepancies in the data regarding the true impact of the M&A on stock prices (EY, Marc Vogelsang, 2023).

The recognition of these limitations suggests that while the findings of this thesis are indicative, they are not exhaustive of all possible influences on stock price movements post-M&A. These elements propose areas for further research, potentially in a more extensive Master's thesis, where a broader scope could allow for a deeper exploration of these external influences and a more detailed understanding of their interplay with M&A outcomes.

The **COVID-19 pandemic** also introduced significant challenges and limitations to M&As fundamentally altering market dynamics and investor sentiments. During this period, global economic uncertainty led to heightened volatility in financial markets, directly impacting the valuation and performance of companies involved in M&A. This uncertainty made it difficult to accurately assess the long-term value of potential acquisitions, as traditional valuation models struggled to account for the pandemic's unpredictable impact on revenue streams and operational capacities (Science Direct, H. Tian, J. Wang, 2024) & (Deloitte, Paul de Blasi).

Furthermore, logistical challenges due to travel restrictions and social distancing measures complicated the **due diligence processes**, which are crucial for successful M&A transactions. These restrictions often led to delays or re-evaluations of potential deals, as parties involved found it challenging to conduct thorough on-site assessments and face-to-face negotiations (Forbes, Richard Harroch, 2019).

Additionally, the **strategic priorities** of many companies shifted rapidly during the pandemic, with a greater focus on liquidity and maintaining core operations rather than pursuing expansion through acquisitions. This shift resulted in a slowdown in M&A

activities, particularly in the first half of 2020, as companies reassessed their financial positions and long-term strategies in light of the global health crisis (McKinsey & Company, Margaret Loeb, 2022).

Incorporating the effects of the COVID-19 pandemic into the analysis of M&A impacts during this period is crucial, as it represents an external factor with a profound influence on market behaviors and transaction outcomes. This consideration highlights the need for adaptive strategies and flexible financial planning in managing M&A activities during periods of global disruption.

This acknowledgment of the limitations underscores the complexity of assessing the true impact of M&A transactions on shareholder value and stock prices, reinforcing the need for cautious interpretation of the results presented.

## **7. Surveys with M&A specialists<sup>5</sup>**

### **7.1 Rationale for and selection of questions**

To gain qualitative insights that complement the quantitative findings from earlier chapters, surveys with M&A specialists were conducted. The surveys aimed to explore perspectives on the factors influencing M&A success and shareholder value creation. The survey was designed based on the key findings and conclusions derived from prior analyses. A set of 20 questions was developed to cover various aspects of M&A transactions, such as transaction outcomes, strategic planning, payment methods, and market sentiment.

As for the design and distribution, the survey was conducted using the Qualtrics platform, ensuring a reliable and structured collection of responses. The survey targeted a diverse group of professionals involved in M&As, including managing partners, advisors, M&A lawyers, and specialists from consulting firms. The outreach extended to major financial hubs like Geneva, Zurich, London, Hong Kong, and Tokyo to ensure a broad spectrum of insights. A total of 39 respondents participated, providing a mix of insights from those primarily involved in the financial sector as well as other sectors.

### **7.2 Survey questions and structure**

The survey attached in Appendix 2, consisted of questions ranging from general involvement in the M&A sector to specific experiences with various transaction types and strategic decisions. Questions addressed the number of M&A transactions participants were involved in, their views on the impact of strategic vs. financial buyers, and the effectiveness of different payment methods on shareholder value. The structure allowed for a comprehensive understanding of how different factors are perceived to influence the success and strategic outcomes of M&A transactions.

### **7.3 Analysis of survey responses**

The survey responses provided insightful numerical data on various aspects of M&A transactions, shedding light on the opinions and experiences of M&A specialists.

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<sup>5</sup> Answer complemented by GPT-4, OpenAI. Prompt used: "Based on our key findings, help me formulate 20 to 30 hypotheses and draft corresponding survey questions. Propose 30 questions and ensure they are all different and cover various subjects." [accessed 7<sup>th</sup> May 2024]. See appendix.

Hereunder is a detailed breakdown of the most important points based on the provided data. Additional information can be found in Appendix 2.

Overall, 58.97% of respondents have been directly involved in the M&A financial sector, while 38.46% have mostly worked in other sectors, indicating a well-rounded experience base. A majority, 56.41%, reported participating in between 0 to 5 M&A transactions, 28.21% between 5 and 10 in the financial sector and the rest more than 10.

- **Impact of successful completion of M&A:** 69.23% of the respondents believe that successful M&A transactions significantly contribute to shareholder value compared to cancelled transactions, highlighting a general consensus on the importance of seeing transactions through to completion.
- **Effectiveness of buyer types:** A substantial majority (92.31%) consider strategic buyers more effective than financial buyers in enhancing shareholder value through M&A strategies.
- **Preferred payment method:** 64.10% of respondents indicated that a combination of cash and stock is perceived to have the most positive impact on the market perception and subsequent shareholder value of acquiring companies. Their second choice was just stock, scoring 35.90%.
- **Long-term impact of correlations in stock price movements:** 74.36% agree that correlations in stock price movements across different time points indicate enduring impacts on shareholder value creation post-M&A.
- **Role of market sentiment (Q8):** 87.18% of respondents believe that market sentiment plays a significant role in determining the success or failure of M&A transactions in creating shareholder value.
- **Criticality of strategic planning:** 38.46% view strategic planning and integration as very critical to realizing synergies and maximizing long-term shareholder value post-M&A.
- **Strategic vehicle for value creation:** All respondents (100%) agreed that M&A can serve as a strategic vehicle for long-term value creation when aligned with the company's strategic objectives.
- **Due diligence impact (Q11):** 64.10% of respondents believe that thorough due diligence—covering all potential risks, hidden liabilities, and compatibility issues—significantly mitigates risks and enhances shareholder value in M&A transactions.
- **Factors influencing investor sentiment:** 76.92% of respondents noted that all listed factors (alignment with long-term growth objectives, the potential for synergies and operational efficiencies) influence investor sentiment and market perception regarding the strategic rationale behind M&A transactions.
- **Impact of transaction final status:** Survey question 13 showed varied responses, with 38.46% seeing cancelled transactions as having a comparable impact on shareholder value, and 35.90% saying it varies depending on other factors.
- **M&A process phase impacting value:** 64.10% of respondents believe the post-merger integration phase most significantly affects long-term shareholder value.

- **Market volatility influence:** Survey revealed that 56.41% think low market volatility enhances the success of M&A transactions in terms of shareholder value creation.
- **Cross-border vs. domestic transactions:** 69.23% of respondents assessed that domestic transactions are more effective at creating shareholder value compared to cross-border transactions.
- **Role of industry-specific trends:** From survey question 17, 64.10% see industry-specific trends playing a moderate role in the success of M&A transactions within their sector.
- **Geopolitical impact:** 38.46% of respondents believe the geopolitical context of the target company's country positively impacts the outcome of cross-border M&A transactions, while 35.90% feel it negatively impacts.
- **Announcement timing impact:** 43.59% of respondents noted a significantly positive influence on market reaction when the announcement timing is aligned with favourable market conditions.
- **Criticality of acquirer's financial health:** Survey question 20 found that 46.15% of respondents consider the financial health of the acquiring company as somewhat critical to ensuring the long-term success of the M&A transaction.

#### **7.4 Qualitative insights and contributions**

Responses indicated a consensus on several points, aligning closely with the earlier quantitative analysis:

- A significant majority of specialists believe that strategic buyers tend to enhance shareholder value more effectively compared to financial buyers.
- The combination of cash and stock is viewed as the most beneficial payment method in terms of positive market perception and shareholder value.
- Effective strategic planning and integration are considered very critical for realizing synergies and maximizing long-term shareholder value post-M&A.

The survey answers provided qualitative validations for the quantitative findings, with a strong emphasis on the criticality of strategic planning and the choice of payment method. Additionally, the insights underscored the importance of market sentiment and the strategic alignment of M&A activities with long-term corporate goals. The feedback from M&A specialists highlighted the nuanced views on how different factors, including market volatility and the geopolitical context, can significantly affect the outcomes of M&A transactions.

## 8. Findings and discussions

This chapter synthesizes the comprehensive findings from both empirical data analysis and expert surveys conducted on M&A so far. It discusses the pivotal factors influencing shareholder value and stock prices and extends the dialogue to the implications for M&A practices, incorporating contemporary insights and aligning with Environmental, Social, and Governance (ESG) considerations.

### **8.1 Synthesis of research findings<sup>6</sup>**

The analysis of M&A activities has revealed several key insights. Firstly, while most transactions are domestic, a significant portion also involves cross-border complexities, demonstrating the challenges and strategic considerations of regulatory and cultural integration. The predominance of completed over cancelled transactions underscores the resilience and successful execution of M&A strategies despite potential challenges. In fact, as seen in following Deloitte articles, in markets, most transactions are completed successfully, highlighting robust execution capabilities across firms, even in turbulent times (Deloitte, L. Fennessey, J. Langan, 2024) & (Deloitte, M. O'Reilly, S. Klink, 2024). Moving on, market capitalization significantly influences payment methods, with larger firms often preferring stock or mixed methods to align with their financial strategies and market conditions.

Secondly, although the majority of transactions do not result in immediate price shifts—suggesting market anticipation or alignment with intrinsic value—some do lead to price adjustments due to strategic reasons such as competitive bidding or revaluations. The analyses also emphasize the critical role of strategic integration in stabilizing stock prices post-M&A, with data showing a normalization in stock prices at completion, followed by slight declines over time, reflecting the ongoing adjustments and integration efforts (M&A Community, 2022). Moreover, the enduring impact of initial market reactions is evident from the strong correlations observed between stock prices at various stages of the M&A process, highlighting the predictability and sustained effects of these initial perceptions on long-term shareholder value.

The survey revealed strong support for the effective completion of M&A transactions as essential to enhancing shareholder value, with 69.23% of participants affirming this view,

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<sup>6</sup> Answer complemented by GPT-4, OpenAI. Prompt used: – "Provide me with additional and/or complementary synthesis to the research findings in connection with the bachelor research question based on collected data and survey results." [accessed 8<sup>th</sup> May 2024]. See appendix.

reflecting a consensus that aligns with recent studies indicating successful M&A's positive impact on financial outcomes (EY, Amiya Setu, 2023). Similarly, strategic buyers are seen as more effective than financial buyers, a finding that echoes the strategic advantages of alignment with long-term business goals (McKinsey & Company, James Newman, 2024). Moreover, the preference for mixed payment methods (cash and stock) by 64.10% of respondents is supported by market trends favoring flexible and balanced financial strategies to optimize shareholder returns (Wall Street Oasis, A. Shergill, 2023).

## **8.2 Discussion of key factors influencing shareholders value and stock prices**

Strategic planning and integration are highlighted as very critical by 38.46% of M&A experts, underscoring the necessity of meticulous post-merger integration to realize synergies and enhance long-term value. This emphasis on post-merger integration is increasingly relevant, given its potential to drive substantial value creation through synergies and operational efficiencies, as discussed in earlier chapters. Market sentiment, strongly emphasized by 87.18% of respondents, plays a crucial role in the success or failure of M&A transactions, a sentiment mirrored by current market analyses which suggest that investor confidence can significantly sway M&A outcomes. Finally, a majority finds low market volatility favorable for M&A success, suggesting that stable market conditions facilitate better outcomes for shareholder value creation and stocks stability.

Additionally, Deloitte's analysis highlights the evolution of financial services, suggesting that successful integration strategies not only enhance operational efficiencies but also cultivate a positive corporate culture, fostering long-term sustainability and growth (Deloitte, M. O'Reilly, S. Klink, 2024).

## **8.3 Implication for M&A practices<sup>7</sup>**

Comprehensive due diligence, deemed crucial by 64.10% of respondents, is essential for mitigating risks and enhancing value, advising firms to thoroughly evaluate potential deals. The timing of announcements relative to market conditions can significantly affect initial market reactions; thus, strategic timing should be a key consideration in M&A

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<sup>7</sup> Answer complemented by GPT-4, OpenAI. Prompt used: – "Based on the collected information and relevant articles, help me connect M&A practices to ESG strategies and show how I can incorporate these insights into my research." [accessed 8<sup>th</sup> May 2024]. See appendix.



planning. The geopolitical context, seen by many as impactful, must be considered, particularly in cross-border M&As to navigate potential risks and opportunities effectively.

Incorporating ESG considerations into M&A strategies is becoming indispensable as companies not only aim to bolster financial metrics but also enhance their ESG standings by acquiring capabilities in sustainability and green technologies. A notable example is BP's acquisition of Chargemaster, a UK-based electric vehicle charging company. This strategic move is part of BP's broader efforts to expand its operations in the low-carbon and renewable energy sectors, directly aligning with its ESG goals. Such acquisitions are well-received by markets and have led to notable improvements in the acquiring companies' ESG scores, underscoring the growing importance of sustainable practices in corporate expansions (ESG Dive, Lamar Johnson, 2024).

The integration of ESG into M&A decision-making is transforming traditional paradigms. Companies are increasingly recognizing that long-term value creation through M&A extends, as mentioned before, beyond financial metrics to include environmental impact, social contributions, and governance improvements. Mergers are now frequently assessed based on their potential to contribute to sustainability goals, which not only appeals to a broader stakeholder base but also aligns with global regulatory trends and investor preferences for responsible business practices (Capital Mind, A. Kuschmann, 2023).

## 9. Conclusion<sup>8</sup>

### 9.1 Summary of the study

This study extensively investigated the intricacies of M&A focusing on various dimensions, such as strategic planning, financial impacts, and investor perceptions that influence shareholder value and stock price volatility. Through comprehensive quantitative data analysis and qualitative surveys of M&A specialists, significant insights were gleaned regarding the dynamics that drive successful M&A outcomes.

### 9.2 Answering the research question (and contribution to academic knowledge)

The thesis question "Do mergers and acquisitions create shareholder value, and what factors significantly influence their impact on the stock price of acquiring companies?" is addressed comprehensively throughout this study. Based on quantitative data analysis, key findings, and survey responses, the answer to the first part leans towards 'yes, *however*' albeit with nuanced considerations. Analysis revealed that strategic buyers, when compared to financial buyers, tend to enhance shareholder value more effectively, primarily through synergies and strategic alignment with long-term business objectives. Additionally, the successful completion of M&A transactions, as preferred overwhelmingly by survey respondents (69.23% affirming), significantly contributes to shareholder value. This aligns with academic theories, mentioned in previous chapters, suggesting that thorough integration and strategic congruence are critical in realizing the potential value from M&A. The study contributes to academic knowledge by empirically affirming the role of strategic planning and due diligence in enhancing the outcomes of M&A transactions, offering a nuanced understanding of the conditions under which M&A creates value.

As for the second part of the question, the research identifies several critical factors that impact the stock price of acquiring companies during M&A activities, grounded again in the findings from data analysis and survey feedback.

The choice of payment method—cash, stock, or a combination—has been shown to influence stock prices significantly. The study's ANOVA and Tukey HSD analysis reveal

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<sup>8</sup> Answer complemented by GPT-4, OpenAI. Prompt used: – "Following the provided titles and bullet points below, draft a comprehensive introduction and conclusion for my thesis, ensuring adherence to academic and professional standards and correct my current version." [accessed 10<sup>th</sup> May 2024]. See appendix.

that companies with larger market capitalizations tend to prefer stock or mixed payment methods, which are associated with less immediate financial strain and can signal confidence to the market, potentially stabilizing or increasing the stock price post-announcement.

As highlighted by the survey results, market sentiment plays a significant role in determining the success of M&A transactions in creating shareholder value. Positive investor perception, which can be enhanced by strategic communication and alignment with investor expectations, often leads to favorable stock price movements. This is backed by 87.18% of survey respondents who believe in the critical influence of market sentiment.

Moreover, the extent to which the acquired company complements the acquiring firm in terms of resources, capabilities, and market position can profoundly affect the stock price. Synergies that promise enhanced efficiency, broader market reach, and improved financial performance are particularly valued. The positive correlation between stock prices at different M&A stages, as found in the study, supports this, indicating that well-perceived strategic fits are likely to lead to sustained stock price improvements.

Finally, effective integration is crucial for realizing the expected benefits of M&A. Poor integration can lead to significant disruptions and fail to deliver the anticipated value, negatively impacting the stock price. Conversely, smooth integration that leads to rapid synergy realization can bolster stock prices, as shown in the histograms of stock prices over six- and twelve-months post-completion, reflecting gradual market stabilization and integration outcomes.

### **9.3 Conclusion and implications**

This study concludes that M&A can indeed create shareholder value, particularly when strategically aligned with the long-term objectives of the acquiring company. The findings reveal a complex interplay of both tangible and intangible factors that influence the stock price of acquiring companies.

Tangible and objective factors include elements such as the choice between cash, stock, or a combination impacting stock prices in measurable ways. As seen, companies with larger market capitalizations often prefer stock or mixed payment methods, reducing immediate cash outflows and potentially signaling financial robustness to the market. This can be directly observed and quantified, as shown by the ANOVA and Tukey HSD analyses, which link these choices to changes in stock price. Additionally, the extent to which the acquired entity complements the acquiring firm in resources and market

positioning offers tangible benefits. These synergies, whether they involve cost reductions, expanded market reach, or technology gains, can often be forecasted and quantified, contributing to stock price evaluations post-announcement.

In terms of intangible and subjective factors, market sentiment and investor perception are as important. Although not directly measurable like financial metrics, market sentiment profoundly influences stock prices. The survey highlighted that 87.18% of participants recognize its significant role. This factor encompasses expectations, speculations, and investor confidence, which can sway stock prices independent of the company's actual financial performance. Finally, when it comes to post-mergers, the effectiveness of integrating an acquired company involves both tangible operational metrics and intangible cultural integration aspects. While some integration benefits can be measured (such as cost savings and performance improvements), the cultural alignment and employee morale impacts are more subjective and challenging to quantify directly, yet they crucially affect the long-term success of the merger.

The study advises firms to consider both *objective* financial analyses and *subjective* assessments of strategic fit and market sentiment when planning M&As. Companies should manage not only the tangible assets and financials involved in a deal but also the intangible expectations of their stakeholders. By prioritizing strategic alignment and thorough integration planning, firms can better position themselves to realize the full potential of an acquisition, enhancing shareholder value in both the short and long term.

#### **9.4 Enhanced recommendations and implementation plan**

To maximize the potential for creating shareholder value and achieving successful integrations, as seen multiple times before, it is crucial to prioritize strategic fit and synergy potential in M&A activities. Companies should conduct a strategic review to identify core business objectives and areas where M&A can add strategic value. This involves developing a set of criteria for target selection based on strategic alignment and synergy potential and performing initial due diligence to assess these aspects. This strategic review and criteria development should be completed within three months (Alain le Berre 4<sup>th</sup> year course in M&A), with ongoing screening and preliminary assessments reviewed every six months. The Corporate Strategy Team and M&A Department will be responsible for these tasks. Measurable outcomes include the number of potential targets identified and screened, the percentage of targets meeting strategic criteria, and initial synergy estimates for shortlisted targets.

Strengthening due diligence processes is essential to better predict integration challenges and market reactions. Companies should establish cross-functional due diligence teams, including experts in finance, legal, operations, and HR, and develop comprehensive checklists covering financial, operational, legal, cultural, and market aspects. Engaging external advisors for specialized areas, such as legal compliance and cultural integration, when not available internally, will enhance the thoroughness of the due diligence. Team formation and checklist development should be completed within two months ideally, with due diligence activities taking approximately two to three months per transaction (i.e., each merger or acquisition deal). The Head of M&A and functional leads will be responsible for overseeing these processes. Measurable outcomes include the number of due diligence issues identified and resolved, the quality and comprehensiveness of due diligence reports, and post-integration performance metrics such as synergy realization rates.

Implementing robust communication strategies is vital to managing investor expectations and market perceptions throughout the M&A process. This includes regular internal updates to employees about the progress and objectives of the M&A, transparent external communication with investors, media, and other stakeholders, and preparing a crisis management plan to address potential negative reactions and unforeseen issues. The communication plan should be developed within one month, with ongoing communication activities maintained throughout the M&A process. The Corporate Communications Team and Investor Relations Department will be responsible for these activities. Measurable outcomes include employee engagement scores during and after integration, investor sentiment and stock price stability, and the tone and volume of media coverage.

By incorporating these detailed implementation steps, companies can ensure that their M&A activities are strategically aligned, thoroughly vetted, and transparently communicated.

## **9.5 Recommendations for future research**

Future research should explore the implications of emerging technologies on M&A success and how digital transformation influences the strategic value of mergers. Furthermore, technological advancements are reshaping M&A tactics. The integration of artificial intelligence (AI) into M&A processes offers potential for more accurate due diligence, predictive analytics for investment outcomes, and personalized stakeholder communication strategies. This technological shift is expected to increase the precision

of valuations and enhance strategic decision-making processes, fundamentally changing the landscape of financial transactions (Scott Dylan, 2024) & (IMAA, 2023).

Further studies could also examine the impact of geopolitical factors in more depth, particularly how global economic shifts influence M&A outcomes across different industries. Additionally, more extensive research into the role of ESG factors in M&A could provide deeper insights into how these considerations are reshaping corporate strategies in the global market.

Moreover, while this thesis focuses on the financial sector, expanding the analysis to other sectors could offer broader insights into the universal applicability of these findings. Different industries may exhibit unique M&A dynamics due to their specific regulatory, economic, and competitive environments, enriching the understanding of M&A impacts across the business spectrum.

Another area for future research could involve the exploration of the long-term effects of M&A on corporate innovation (abilities to develop new products, services or processes that can possibly lead to significant advancements in its market position and operational efficiency) and employee well-being; especially due to changes in corporate culture, job security concerns, restructuring, and the stress associated with integration processes. Understanding how mergers and acquisitions influence these aspects could provide deeper insights into the holistic impacts of M&A beyond financial metrics.

This study has paved the way for a deeper understanding of the multifaceted nature of M&A transactions and their strategic importance in corporate growth and investor wealth maximization. The implications drawn from this research serve as a pivotal reference point for corporate executives, investors, and policymakers aiming to optimize M&A strategies in an increasingly complex global market landscape.

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## Use of Artificial Intelligence-assisted tools

In the context of this work, the author declares having used Artificial Intelligence-assisted tools for the following purposes:

- Improvements of form (spelling, syntax, reformulation, report structure)

Mention of AI tools used: ChatGPT-4, Grammarly and Linguix,

- Substantive reflections (calibration and contribution to analysis, recommendations)

Mention of AI tools used: ChatGPT-4, Integrated AI from FactSet and IBM SPSS Statistics,

- Data collection and interpretation  
All the statistical calculations were performed using Excel, IBM SPSS Statistics, and FactSet.

Mention of AIs used: Integrated AI tools from FactSet and IBM SPSS combined and GPT-4 for assisted interpretation.

## Appendix 1 - Chatbot conversations used in this research

<b><i>Footnote 2, Chapter 6, details of chatbot used</i></b>
<b>Prompt:</b>  Chapter 6 – <b>6.2</b> – "Can you explain why the specific analysis used is crucial for my research and how it helps in answering my thesis question? I have already formulated some answers, but I need complementary information."
<b>ChatGPT</b>  It provided a detailed explanation of how the chosen analysis method (e.g., regression, ANOVA) directly addresses the components of the thesis question. It included how the method helps in identifying relationships between variables, understanding patterns, and predicting outcomes relevant to M&A impacts on shareholder value.

<b><i>Footnote 3, Chapter 6, details of chatbot used</i></b>
<b>Prompt:</b>  Chapter 6 – <b>6.3</b> – "Based on the following results from IBM SPSS and data collected from FactSet, help me correct and interpret my analysis results."
<b>ChatGPT</b>  It guided me through interpreting SPSS output, suggesting adjustments based on statistical best practices, and ensuring that the interpretations are aligned with the data and research objectives. Additionally, it provided insights on integrating these findings with broader M&A theories and prior research for a cohesive analysis.

<b><i>Footnote 4, Chapter 6, details of chatbot used</i></b>
<b>Prompt:</b>  Chapter 6 – "Given my readings and common knowledge from Bloomberg articles, help integrate additional limitations to my stock analysis framework."
<b>ChatGPT</b>  ChatGPT-4 helped identify external market factors and broader economic conditions not accounted for in the primary analysis that could influence M&A outcomes, such as market volatility, regulatory changes, or economic downturns that might affect the generalizability of the results.

***Footnote 5, Chapter 7, details of chatbot used*****Prompt:**

Chapter 7 – "Based on our key findings, help me formulate 20 to 30 hypotheses and draft corresponding survey questions. Propose 30 questions and ensure they are all different and cover various subjects."

**ChatGPT**

It assisted in developing hypotheses that are directly derived from the previous findings, ensuring they are testable and relevant to the broader M&A context and to the research question. Each hypothesis is accompanied by a question that could be included in a survey to gather empirical data to test these hypotheses.

***Footnote 6, Chapter 8, details of chatbot used*****Prompt:**

Chapter 8 – 8.1 – "Provide me with additional and/or complementary synthesis to the research findings in connection with the bachelor research question based on collected data and survey results."

**ChatGPT**

It provided a synthesis that ties all the quantitative and qualitative findings back to the central thesis question, demonstrating how the data supports or refutes the initial assumptions about M&A impacts on shareholder value.

***Footnote 7, Chapter 8, details of chatbot used*****Prompt:**

Chapter 8 – 8.3 – "Based on the collected information and relevant articles, help me connect M&A practices to ESG strategies and show how I can incorporate these insights into my research."

**ChatGPT**

It included a brief analysis of how ESG factors can be integrated into M&A strategies to enhance shareholder value, drawing on current trends and best practices in the field. It referenced recent scholarly articles and industry reports to provide a robust framework for these connections.

***Footnote 1&8, Chapter 1 & 9, details of chatbot used***

**Prompt:**

Chapter 1 & 9 – "Following the provided titles and bullet points below, draft a comprehensive introduction and conclusion for my thesis, ensuring adherence to academic and professional standards and correct my current version."

**ChatGPT**

It crafted these sections to provide a clear and concise overview of the research in the introduction and summarize the key findings, implications, and future research directions in the conclusion. Each section is tailored to meet academic standards, with a focus on clarity, coherence, and relevance to the research objectives.

By addressing these key and main prompts specifically, I have ensured that each key section of the thesis is robust, well-founded, and aligns perfectly with the research goals and academic standards.

## Appendix 2 – Survey questions with M&A specialists

The survey was designed based on the key findings and conclusions derived from prior analyses. A set of 20 questions was developed to cover various aspects of M&A transactions. The survey targeted a diverse group of professionals involved in M&As, including managing partners, advisors, M&A lawyers, and specialists from consulting firms. The outreach extended to major financial hubs like Geneva, Zurich, London, Hong Kong, and Japan to ensure a broad spectrum of insights. A total of 39 respondents participated, providing a mix of insights from those primarily involved in the financial sector as well as other sectors.

### Survey Questions

Numbers	Questions
	<p>Dear Participant,</p> <p>Welcome to my online survey!</p> <p>I am currently conducting a research study as part of my Bachelor's thesis at the School of Business Administration (HEG, Geneva Switzerland) that seeks to explore the nuanced impacts of M&amp;A on shareholder value. The aim of this study is to understand various factors influencing the stock price of acquiring companies post-M&amp;A. My thesis question is <b>“Do mergers and acquisitions create shareholder value, and what factors significantly influence their impact on the stock price of acquiring companies?”</b>.</p> <p>Your expertise and experience in the M&amp;A sector are invaluable to this research. As such, I would be extremely grateful if you could spare a few moments to participate in this survey. The questionnaire consists of 20 focused questions regarding M&amp;A activities, particularly within the financial sector, and their implications on corporate strategies and shareholder returns.</p> <p>Your responses and personal details will remain confidential and will be anonymously used solely for academic purposes. As mentioned, the findings will be analysed and presented in academic setting, ensuring no individual participant can be identified. Your insights will greatly contribute to a deeper understanding of this complex field, potentially influencing future M&amp;A frameworks and strategies.</p> <p>By participating in this online survey, you consent to the terms and conditions outlined in this disclaimer. Your participation is entirely voluntary, and you may choose to stop or exit the survey at any time.</p> <p>Thank you in advance for your valuable input and for contributing to academic research that aims to shed light on critical aspects of mergers and acquisitions.</p> <p>Sincerely,</p>
Q01	<p>1. <i>Have you been involved in the M&amp;A financial sector?</i></p> <p>a) Yes</p> <p>b) No</p> <p>c) <i>Mostly in other sectors</i></p>
Q02	<p>2. <i>Approximately how many M&amp;A transactions have you participated in within the financial sector?</i></p> <p>a) 0-5</p> <p>b) 5-10</p>



	c) 10-15 d) More than 15
Q03	3. Does the successful completion of M&A transactions significantly contribute to shareholder value creation compared to cancelled transactions? a) Yes b) No
Q04	4. Does the prevalence of strategic buyers versus financial buyers impact the effectiveness of M&A strategies in enhancing shareholder value? a) Yes, strategic buyers are more effective b) Yes, financial buyers are more effective c) No significant difference
Q05	5. Which payment method (cash, stock, or combination) is perceived to have the most positive impact on the market perception and subsequent shareholder value of acquiring companies? a) Cash b) Stock c) Combination of cash and stock d) No significant difference
Q06	6. Do correlations in stock price movements across different time points indicate enduring impacts on shareholder value creation post-M&A? a) Yes b) No
Q07	7. To what extent does the market capitalization of acquiring companies and the percentage of consideration paid in stock affect market perception and shareholder value? a) High market capitalization and higher percentage of stock consideration positively impact shareholder value b) High market capitalization and higher percentage of cash consideration positively impact shareholder value c) Low market capitalization and higher percentage of stock consideration positively impact shareholder value d) No significant impact
Q08	8. Does market sentiment play a significant role in determining the success or failure of M&A transactions in creating shareholder value? a) Yes b) No
Q09	9. How critical is effective strategic planning and integration in realizing synergies and maximizing long-term shareholder value post-M&A? a) Very critical b) Moderately critical c) Not critical
Q10	10. Can M&A serve as a strategic vehicle for long-term value creation when aligned with the company's strategic objectives? a) Yes b) No

Q11	<p>11. How does thorough due diligence mitigate risks and enhance shareholder value in M&amp;A transactions?</p> <ul style="list-style-type: none"> <li>a) By identifying and addressing potential risks early in the process</li> <li>b) By uncovering hidden liabilities and compatibility issues</li> <li>c) By facilitating better negotiation strategies</li> <li>d) All of the above</li> </ul>
Q12	<p>12. What factors influence investor sentiment and market perception regarding the strategic rationale behind M&amp;A transactions?</p> <ul style="list-style-type: none"> <li>a) The potential for synergies and operational efficiencies</li> <li>b) The alignment with long-term growth objectives</li> <li>c) The market reputation and track record of the acquiring company</li> <li>d) All of the above</li> </ul>
Q13	<p>13. Based on your experience, how does the final status of M&amp;A transactions (completed vs. cancelled) correlate with shareholder value creation?</p> <ul style="list-style-type: none"> <li>a) Completed transactions consistently create more shareholder value</li> <li>b) Cancelled transactions have a comparable impact on shareholder value</li> <li>c) It varies depending on other factors</li> <li>d) Unsure</li> </ul>
Q14	<p>14. Which phase of the M&amp;A process do you believe most significantly affects long-term shareholder value?</p> <ul style="list-style-type: none"> <li>a) Announcement</li> <li>b) Completion</li> <li>c) Post-merger integration</li> <li>d) All stages are equally important</li> </ul>
Q15	<p>15. In your view, how does market volatility influence the success of M&amp;A transactions in terms of shareholder value creation?</p> <ul style="list-style-type: none"> <li>a) High market volatility enhances the success of M&amp;A transactions</li> <li>b) Low market volatility enhances the success of M&amp;A transactions</li> <li>c) Market volatility has no significant impact on M&amp;A success</li> <li>d) Unsure</li> </ul>
Q16	<p>16. How do you assess the impact of cross-border versus domestic M&amp;A transactions on shareholder value?</p> <ul style="list-style-type: none"> <li>a) Cross-border transactions are more effective at creating shareholder value</li> <li>b) Domestic transactions are more effective at creating shareholder value</li> <li>c) Both types of transactions have similar impacts on shareholder value</li> <li>d) Unsure</li> </ul>
Q17	<p>17. What role do industry-specific trends play in the success of M&amp;A transactions within your sector?</p> <ul style="list-style-type: none"> <li>a) A significant role</li> <li>b) A moderate role</li> <li>c) A minor role</li> <li>d) No role</li> </ul>

Q18	<p>18. How does the geopolitical context of the target company's country impact the outcome of cross-border M&amp;A transactions?</p> <ul style="list-style-type: none"> <li>a) Positively impacts</li> <li>b) Negatively impacts</li> <li>c) No impact</li> <li>d) It varies</li> </ul>
Q19	<p>19. Reflecting on previous M&amp;A transactions, how has the announcement timing relative to market conditions influenced the initial market reaction?</p> <ul style="list-style-type: none"> <li>a) Significantly positive influence when timed with favorable market conditions</li> <li>b) Significantly negative influence when poorly timed</li> <li>c) No clear influence</li> <li>d) It varies depending on other factors</li> </ul>
Q20	<p>20. In your experience, how critical is the financial health of the acquiring company in ensuring the long-term success of the M&amp;A transaction?</p> <ul style="list-style-type: none"> <li>a) Extremely critical</li> <li>b) Somewhat critical</li> <li>c) Slightly critical</li> <li>d) Not critical</li> </ul>
	<p>I value your expertise and would appreciate any further insights you might have regarding M&amp;A. If there are aspects you believe I haven't covered, or if you have suggestions for improving this survey, please share your thoughts below. Your feedback is crucial for enriching my research and understanding of the M&amp;A landscape.</p> <p>Please enter your comments here:</p>
	<p>We thank you for your time spent taking this survey.</p> <p>Your response has been recorded.</p>

# Survey Answers

	A	B	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
1	Distribution	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20
3	anonymous	1	2	1	1	2	2	1	1	2	1	4	4	1	3	2	4	2	2	1	2
4	anonymous	1	2	1	1	3	1	2	1	2	1	2	2	3	3	2	3	2	2	1	2
5	anonymous	3	1	1	3	3	2	1	1	1	1	4	4	3	4	2	1	2	4	2	1
6	email	1	1	1	1	3	2	2	2	1	1	4	4	1	3	3	3	1	1	3	2
7	anonymous	3	1	2	1	3	1	4	1	1	1	4	1	3	3	2	3	2	1	1	2
8	anonymous	1	2	2	2	2	2	3	1	1	1	4	4	3	3	2	3	1	3	3	3
9	anonymous	1	4	1	1	2	1	1	1	1	1	4	4	2	4	1	3	1	1	1	1
10	anonymous	1	2	1	1	2	1	1	1	2	1	4	4	1	4	1	1	1	4	1	2
11	email	1	3	1	1	2	1	1	1	2	1	2	4	1	4	1	1	1	1	1	1
12	email	1	2	1	1	3	1	3	1	2	1	4	4	2	4	2	2	2	4	2	2
13	email	1	2	1	1	3	1	1	1	1	1	4	4	3	1	2	3	1	4	1	1
14	anonymous	1	2	1	1	2	1	1	1	1	1	1	4	1	4	1	1	1	1	1	1
15	anonymous	1	2	1	1	2	1	1	1	1	1	1	4	1	4	1	1	1	1	1	1
16	anonymous	1	1	1	1	3	1	1	1	2	1	1	2	3	2	2	2	1	4	1	1
17	anonymous	3	1	1	1	3	1	1	1	1	1	4	4	3	4	1	2	2	1	1	1
18	anonymous	2	1	1	1	2	1	4	1	1	1	2	4	1	4	2	2	1	1	1	1
19	anonymous	3	1	1	1	3	2	4	1	2	1	4	4	1	3	1	2	1	1	1	1
20	anonymous	3	1	1	1	3	2	1	1	2	1	1	4	3	3	1	2	2	2	2	2
21	anonymous	3	1	1	1	3	1	1	1	1	1	1	4	4	3	4	2	2	1	2	1
22	LinkedIn	3	1	1	1	3	1	3	1	1	1	4	4	3	3	3	2	2	1	2	1
23	LinkedIn	3	1	1	1	3	1	1	1	2	1	4	4	3	3	3	2	2	4	2	3
24	LinkedIn	1	2	1	1	3	1	1	2	1	1	1	1	2	3	2	2	2	2	4	1
25	LinkedIn	1	3	1	1	3	1	1	1	2	1	2	2	2	3	2	2	2	2	2	2
26	LinkedIn	1	4	1	1	3	1	1	1	2	1	2	2	2	3	2	2	1	1	1	1
27	LinkedIn	3	1	1	1	2	1	3	1	2	1	4	4	3	4	2	2	2	2	2	2
28	LinkedIn	1	2	1	1	2	1	1	1	2	1	4	4	3	3	2	2	2	2	2	2
29	LinkedIn	1	1	1	1	3	1	1	1	2	1	4	4	2	3	2	2	2	4	2	2
30	LinkedIn	3	1	2	1	3	1	1	1	2	1	4	4	2	3	2	2	2	2	4	2
31	LinkedIn	1	2	2	1	2	2	1	2	2	1	4	4	3	3	1	2	2	2	2	1
32	anonymous	3	1	2	1	3	1	3	2	2	1	4	4	2	3	2	2	3	4	2	2
33	anonymous	1	1	2	1	3	1	1	1	2	1	4	4	2	3	1	2	2	2	2	2
34	anonymous	1	1	1	1	3	1	3	2	2	1	1	2	2	3	1	2	2	2	2	3
35	anonymous	3	1	1	1	2	2	3	1	2	1	2	2	2	3	1	2	2	4	4	2
36	anonymous	3	1	2	1	2	2	1	1	2	1	4	4	2	3	1	2	2	2	4	2
37	anonymous	3	1	2	1	2	1	1	1	2	1	4	4	2	3	2	2	2	2	2	1
38	anonymous	1	3	2	1	3	2	4	1	1	1	4	4	1	4	2	2	1	1	1	1
39	email	1	1	2	1	3	1	1	1	1	1	4	4	3	3	2	2	2	1	2	2
40	email	3	1	2	2	3	1	2	1	2	1	4	4	2	2	2	2	2	2	2	3
41	email	1	4	2	1	3	1	3	1	2	1	2	2	2	3	2	2	2	1	3	2

## Multi line text

Great survey. Very insightful and curious to discover the responses !!  
Best of luck for your research.

Important to have both a good people fit as well as a business fit. Aligned cultures etc.  
Involved in 9 M&A mainly in life sciences industry segment ...from 1M to 2,1BN \$ on sell and on buy side

Well done.  
Excellent survey. I encourage you to consider working in M&A since your questions are very sensitive and accurate. Very good job !  
Great job with the questions.

## Appendix 3 – Excel File Screenshots & Headers Meanings

In this section, you will find selected examples from the Excel file used to analyze the data for this study. Included is a list of columns for the 292 M&A transactions in the financial sector, which were meticulously compiled and combined from FactSet data sources. Additionally, the table below provides screenshots from the Excel file in form of a sample of rows, along with definitions of some columns that may not be straightforward.

These definitions are based on those provided by FactSet itself, ensuring accuracy and relevance to our analysis.

Please note that FactSet is a trusted platform known for its robust financial data services, which is not freely accessible; a subscription was required to obtain the necessary data. Some data points required verification and minor corrections through cross-referencing with Yahoo Finance, demonstrating the thoroughness of the data validation process implemented in this research. The analysis with IBM SPSS, which required another subscription, required a column to be normalized for accuracy. We chose “Stocks at Announcement date” highlighted in pink hereunder.

These efforts were crucial for maintaining the integrity and reliability of the analysis presented in this thesis.

1	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
2	Real ID	Target FactSet Industry	Target Country	Acquirer	Target	Announcement Date	Completion Date	Transaction Status	Target Market Capitalization	Acquirer Market Capitalization	Debt/Equity	Debt/Equity	Debt/Equity	Debt/Equity	Debt/Equity	Debt/Equity	Debt/Equity
3	3095642MM	Real Estate Investment Trusts	United States	Cousins Properties, Inc.	TIER REIT, Inc.	25-Mar-2019	14-Jun-2019	Complete	1,371.84	4,153.40	No	No	No	No	No	No	No
4	3095688MM	Regional Banks	United States	ChoiceOne Financial Services, Inc.	County Bank Corp.	12-May-2019	01-Oct-2019	Complete	80.96	89.29	No	No	No	No	No	No	No
5	3097574MM	Real Estate Investment Trusts	Singapore	ONE Commercial Real Estate Investment Trust	ONE Commercial Real Estate Investment Trust	08-Apr-2019	04-Sep-2019	Complete	992.28	1,097.89	No	No	No	No	No	No	No
6	3099796MM	Regional Banks	United States	First-Citizens Bankshares	Entegra Financial Corp	24-Apr-2019	31-Dec-2019	Complete	163.61	5,148.30	No	No	No	No	No	No	No
7	3100497MM	Investment Managers	United States	HealthEquity, Inc.	WageWorks, Inc.	30-Apr-2019	30-Aug-2019	Complete	1,716.07	4,554.19	No	No	No	No	No	No	No
8	3101158MM	Real Estate Investment Trusts	United States	Park Hotels & Resorts, Inc.	Chesapeake Lodging	08-May-2019	18-Sep-2019	Complete	1,781.05	6,646.76	No	No	No	No	No	No	No
9	3102196MM	Real Estate Investment Trusts	Japan	Star Asia Investment Corp.; Lion Partners Godo Kaisha	Sakura Sogo REIT Inv	10-May-2019	01-Aug-2020	Complete	262.60	533.59	No	No	No	No	No	No	No
10	3102301MM	Regional Banks	United States	Blue Ridge Bankshares, Inc. (Virginia)	Virginia Community F	14-May-2019	15-Dec-2019	Complete	0.00	89.85	No	No	No	No	No	No	No
11	3102697MM	Regional Banks	United States	Heritage Bank of Commerce (San Jose, California)	Presidio Bank	16-May-2019	11-Oct-2019	Complete	159.26	522.05	No	No	No	No	No	No	No
12	Financial Buyer	Strategic Buyer	Attitude	% of Target Shares Sought	% of Target Shares Owned	Base Equity Value (\$MM)	Method of Payment	Merger of Equals	Reverse Merger	Cross Border							
13	No	Yes	Friendly	100.00	0.00	1,634.66	Stock	No	No	No							
14	No	Yes	Friendly	100.00	0.00	89.02	Stock	Yes	No	No							
15	No	Yes	Friendly	100.00	0.00	1,011.17	Cash & Stock	No	No	No							
16	No	Yes	Friendly	100.00	1.56	205.81	Cash	No	No	No							
17	No	Yes	Friendly	100.00	0.00	2,073.06	Cash	No	No	No							
18	No	Yes	Friendly	100.00	0.00	1,926.97	Cash & Stock	No	No	No							
19	No	Yes	Hostile	100.00	0.00	584.82	Stock	No	No	No							
20	No	Yes	Friendly	100.00	0.00	43.89	Cash & Stock	No	No	No							
21	No	Yes	Friendly	100.00	0.00	188.42	Stock	No	No	No							
22	Cash (%)	Consideration	Stock (%)	Consideration	Debt (%)	Consideration	Post Merger - CEO	Name of Combined Company	Post Merger Ownership %	Post Merger Ownership %	Price/Share	Price/Share	Price/Share	Price/Share	Price/Share	Price/Share	Price/Share
23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB	BC
38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
83	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
84	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Columns	Titles	Meaning
G	Acquirer	<p>The name of the Acquirer.</p> <p>There are two sides to an M&amp;A transaction - the party being acquired (also known as the target or seller) and the party or parties making the acquisition (also known as acquirer or buyer). Transactions may involve other participants in addition to the Acquirer. Buyside participants include the acquirer and, where applicable, an acquirer's parent and additional bidders (e.g., private equity firms, financial buyers).</p> <p>For example, in 2004 Clayton Homes Inc., a subsidiary of Berkshire Hathaway Inc., acquired Oakwood Homes Inc. In this transaction, Clayton Homes Inc. is the Acquirer. Both Clayton Homes Inc. and Berkshire Hathaway Inc. are buyside participants (acquirer and acquirer parent, respectively).</p> <p>The Acquirer is the company making the acquisition. There can be multiple acquirers per transaction. In situations where different acquirers are making multiple/competing bids for the same target, separate transactions representing each acquirer/target/bid combination will be created. Note: All <i>Acquirer</i> data is as of the announcement date.</p>
I	Announcement Date	The date the transaction was first publicly disclosed by either the target or the acquirer. In a deal that starts out as a rumour, the announcement date will be the date on which talks of the transaction first appeared in a major financial or trade publication. Once confirmed and the transaction is no longer a rumour, the announcement date will be updated to reflect the date upon which one of the parties involved in the deal disclosed the formal offer or a definitive agreement.
J	Completion Date	The date the parties involved in the transaction disclosed that it has become effective.
O	Target Market Capitalization (MM)	<p>The total value of the target company's outstanding common stock, <b>in millions of dollars</b>, based on the target's closing stock price one day prior to the announcement of the transaction.</p> <p>U.S. Only marked items are limited in coverage to public-public deals within the United States from 2005.</p>
P	Acquirer Market Capitalization (MM)	The total value of the acquirer's outstanding common stock, in millions of dollars, based on the acquirer's closing stock price one day prior to the announcement of the transaction. This data item will not be populated for those transactions where the acquirer in the deal is an Investment Group, a Management Led group or where the acquirer is a privately-owned company.
Q	Insolvency	Yes/No indicator set to Yes if the transaction resulted from the target's insolvency or bankruptcy.
R	Financial Buyer	Yes/No indicator set to Yes if the acquirer is making the acquisition for investment purposes and not for strategic business purposes. Financial buyers frequently include private equity firms, buyout funds or any other finance-related company whose principal line of business is not directly related to that of the target company. Financial buyers are

		generally concerned about their return on investment, the strength of the management team and the size of the market. They prefer to maintain current management and provide the tools and assistance for growth. They frequently make acquisitions with the intent of exiting at some point in the future when they can maximize their return on investment.
S	Strategic Buyer	<p>Yes/No indicator set to Yes if the acquirer operates in the same business or industry as the target company. Unlike financial buyers, strategic buyers are often looking to find synergies with the target company. A strategic buyer will generally want to acquire the target and hold on to it, whereas a financial buyer will generally want to make an acquisition and exit their investment in the target company within a relatively short time frame.</p> <p>Strategic acquisitions can be horizontal (e.g., acquiring companies in same market sector to expand product/service offerings, etc.) or vertical (e.g., acquiring suppliers or other members of the distribution channel to improve efficiency and reduce costs, etc.).</p>
U	Attitude	The way the target's board of directors viewed the acquirer's proposal to enter into the transaction - Friendly, Hostile, Neutral.
V	% of Target Shares Sought	The percentage of the target company's stock sought by the acquirer at the time the transaction was publicly announced.
X	Base Equity Value (MM)	The total value of cash and all other forms of payment made to the Target – commonly cash and/or stock, though the calculation can include other methods of payment (e.g., notes, convertible debt, preferred stock, etc.) if disclosed and calculable. In transactions where multiple forms of payment are being made (e.g., cash and stock), the individual consideration components are calculated separately and then summed to arrive at the total Base Equity Value (e.g., cash component + stock component). This value considers the terms of the transaction at announcement.
Z	Merger of Equals	<p>Yes/No indicator set to Yes if the transaction involves the combination of two companies of relatively equal size whereby the combined company newly formed through the merger will be almost equally owned by the target and acquirer shareholders.</p> <p>The M&amp;A research team will consider any transaction as a Merger of Equals (MOE) provided that the official press releases or filings describe the transaction as an MOE. These transactions are often between fairly large and well-known corporations, and they commonly involve relatively equal board representation of the combined company as well as a power sharing arrangement among chief executives and top management (e.g., AOL/Time Warner, Sprint/Nextel, UAL/Continental, etc.). Mergers of equals (MOEs) are a means for companies to combine without designating a specific "acquirer", preserving pride and reputation for both parties from a public relations standpoint. They are generally characterized by a low or even no premium - strategic transactions yield.</p>
AB	Cross Border	Yes/No indicator set to Yes if the acquirer or acquirer's ultimate parent (if applicable) is located in a different country than the target company.
AC	Cash (%) -	Consideration is the form of payment (e.g., stock, cash, debt,

	Consideration	etc.) used in an acquisition ("acquisition currency"). This figure represents the portion paid as cash expressed as a percentage of base equity value at announcement.
AF	Post Merger - CEO	Indicates whether the CEO in the new company will be filled by managers from the target or acquiring company. This will not be populated for Going Private transactions as they are not applicable since the acquirer in a going private transaction is not publicly traded.  Acquirer: Indicates the CEO of the combined company is from the acquirer.
AH	Post Merger Ownership % - Target	Post Merger Ownership % - Target: The pro forma percentage of ownership to be held by target shareholders in the newly merged company. This data item is designed to reflect the expected ownership of the newly merged company at the time the transaction was announced. This data item will not be populated for Going Private transactions as they are not applicable since the acquirer in a going private transaction is not publicly traded.
AJ	Price/Share	The current price offered for each share of target stock (including all forms of consideration). In a transaction in which the acquirer has increased or decrease the price they are offering on a per share basis from their original offer price, this item will always reflect the most current price per share being offered.
AK	Price/Share Change	Indicates a change in the price per share since the original offer was made — Increased, decreased.  Increased: indicates that the acquirer has raised their offer and the current price per share being offered by the acquirer is higher than the original price per share offered. Generally, an acquirer will increase the offer price if their original offer was rejected by the target board or if they are trying to match a competing offer made by another bidder that may be superior to their original offer.  Decreased: indicates that the acquirer has lowered their offer and the current price per share being offered by the acquirer is lower than the original price per share offered.
AL	Target Financial Advisor	The name(s) of the advisors representing the target/sellers in the transaction engaged to provide financial advice and/or a fairness opinion, as indicated in the domestic filing, press release, or as otherwise provided by the target/sellers' representatives (e.g., Merrill Lynch & Co., Inc.).
AN	Target Legal Advisor	The name(s) of the legal advisors representing the target/sellers in the transaction, as indicated in the domestic filing, press release, or as otherwise provided by the target/sellers' representatives (e.g., Shaw Pittman LLP).
AQ	Price/Share	The current price offered for each share of target stock (including all forms of consideration). In a transaction in which the acquirer has increased or decreased the price they are offering on a per share basis from their original offer price, this item will always reflect the most current price per share being offered.