Does the Market Reward Accretive Deals?
An Investigation of Acquirer Performance and Earnings per Share Accretion

Connor Lynagh

The Leonard N. Stern School of Business

Glucksman Institute for Research in Securities Markets

Faculty Advisor: Yakov Amihud

April 1, 2014

I. Introduction

When publicly-traded corporations engage in mergers & acquisitions (M&A), managers present the market with the rationale for the deal and why they expect it to create value for shareholders. Most ex-ante transaction analysis includes an analysis of potential earnings per share (EPS) accretion/dilution resulting from the proposed deal. Additionally, the deal-related press releases and analyst conference calls usually discuss the issue of earning per share accretion. EPS accretion can be defined as whether or not the acquirer's EPS will rise as a result of the deal. If the acquirer's earnings per share will rise, the deal is considered to be "accretive"; if they will fall, the deal is considered "dilutive."

Although EPS accretion is much-discussed, its importance is debatable. In theory, the market should adjust the P/E ratio of a firm such that managers could not create value simply by "bootstrapping" earnings.[1] As Andrade (1999) describes, "if the firm is valued based on the expected future cash flows to the providers of capital, then such "cosmetic" differences in reported earnings [due to accretion/dilution] are irrelevant. However, the view among practitioners is that reported earnings do matter, above and beyond cash flows." (Andrade, 1999). Given this theoretical understanding, we should not expect to see firms rewarded simply for doing accretive deals. This study seeks to determine whether or not EPS accretion is relevant information for predicting stock performance around M&A deal announcement.

[1] That is, buying companies with lower P/E ratios with stock to increase their firm's EPS.

II. Previous Literature

Though there is limited literature on this precise subject, two particularly relevant prior works address the issue of EPS accretion and resulting acquirer performance.

Andrade (1999) uses post-closing filings to calculate expected accretion and dilution over a 2-year post-deal period. The study assesses stock returns around the deal announcement and up to 3 years after the deal. Results in this study indicate that accretive deals do result in abnormal stock price performance for acquirers, both at the time of the deal announcement and over long-term. The effect is small but statistically significant and positively related to the level of EPS accretion.

Meanwhile, in Block (2002), the EPS accretion question is viewed in a different light. Here, the author questions whether or not managers are willing to overpay to get different accounting treatment.[2] Block calculates the EPS impact of mergers and assesses short-, medium-, and long-term stock returns based on how much EPS changes as a result of a given deal. Block's general theory is that "management is overly concerned about short-term accounting earnings and overpays in the process of attempting to maintain or enhance immediate post-merger EPS." (Block, 2002). In this study, the author finds that acquirers that engage in more accretive deals tend to underperform in the long-term, though in general results are muted across most time horizons.

Several other studies are used to inform potential control variables for model specifications. Key among these are Faccio et al. (2006), Datta et al. (1992), and Moeller et al. (2004). Factors previously found to be related to acquirer returns include transaction size relative

[2] This study was conducted in the period prior to purchase method being required for all acquisitions in US GAAP.

to the bidder's size, the size of the bidder and target, their respective Tobin's Qs, whether or not the bidder and target operate in the same industry, and several other deal characteristics (full list can be found in Table 1).

III. Data Selection

Data for this study was combined from a variety of sources. Thomson Reuters SDC Platinum was used to obtain merger and acquisition dates, values, acquirers and targets, and a variety of deal characteristics. Stock price, return and outstanding share data were pulled from the Chicago Booth Center for Research in Security Prices (CRSP) database. Standard & Poor's COMPUSTAT database was used for fundamental company data such as historical earnings, balance sheet items, and so on. Finally, the I/B/E/S earnings database was used for forward-looking earnings estimates.

III.A Sample Selection

To select a subset of mergers and acquisitions, SDC Platinum data was limited to domestic transactions for which stock was the only form of consideration.[3] These deals were further restricted to non-financial and publicly-traded acquirers and targets. Deal data is available from 1962 – 2014. Beyond these restrictions, the ability to match transaction data to CRSP, COMPUSTAT, and I/B/E/S data further limits sample size in varying amounts for different model specifications. Descriptions of specific variables can be found in Table 1.

III.B Calculating Accretion

Accretion is calculated using the pre-merger earnings per share of the separate companies. By virtue of its design, this calculation does not include the potential positive impacts of items such as synergies and tax savings related to asset step-ups. However, it also

[3] All-stock deals were chosen to enable easier calculation of accretion/dilution

excludes negative impacts on earnings such as increased depreciation and amortization, transaction costs, and so on.

Two forms of accretion are considered: trailing twelve months (TTM) accretion, and forward accretion. TTM accretion is measured using historical earnings figures from COMPUSTAT, while forward accretion is measured using forward earnings estimates from I/B/E/S.[4] A deal is considered accretive if the combined company's earnings per share are greater than the acquirer's pre-deal earnings per share.

The first step in determining this accretion is estimating the number of new shares to be issued. As all transactions considered are stock-only transactions, the number of new shares issued is calculated as the transaction value divided by the acquirer's share price on the day prior to announcement. The combined company's EPS is calculated using a "weighted average" of the target and acquirer's shares, as given below[5]:

$$EPS_{Newco} = EPS_{tgt} * \frac{Pct\ of\ Tgt\ Acquired * Shares_{tgt}}{Newco\ Shares} + EPS_{acq} * \frac{Shares_{acq}}{Newco\ Shares}$$

Accretion/dilution is then measured as the new company's combined EPS minus the acquirer's prior EPS, scaled by the acquirer's stock price (in order to avoid distortions due to scale effects). Deals in which this scaled accretion figure is greater than 100% or less than 100% are excluded as outliers[6].

[4] FY1 earnings estimates

[5] This is simply a form of the equation: $EPS_{newco} = \frac{[Pct\ of\ Tgt\ Acquired * EPS_{tgt} * Shares_{tgt} + EPS_{acq} * Shares_{acq}]}{[Total\ Newco\ Shares]}$

[6] Generally, these result from the merger of companies with highly negative or otherwise abnormal EPS figures.

III.C Calculating Cumulative Abnormal Returns

Cumulative abnormal returns (CAR) are calculated for the three-day period surrounding the deal announcement date. "Normal" returns are calculated using a single-factor market model. The estimation window for estimating a given security's beta relative to a value-weighted market index is for the 180-day period starting 210 trading days prior to announcement, and ending 30 days prior to announcement. The cumulative abnormal returns are then calculated as the sum of return residuals relative to the expected returns for a given acquirer. This method is similar to that presented in Capron and Pistre (2002).

Table 1: Variable Descriptions

Variable Name	Code	Data Source	Calculation (if applicable)
3-Day Cumulative Abnormal Return (CAR)	thrd_excs	CRSP	Cumulative abnormal returns in the 3-day period surrounding the merger announcement. See text for full calculation description.
TTM Accretion	accr_lag	COMPUSTAT	Scaled accretion measure. See text for full calculation description.
Forward Accretion	accr_fwd	I/B/E/S	Scaled accretion measure. See text for full calculation description.
Size	[acq/tgt]_mkt_cap	CRSP	Market capitalization of respective companies.
Tobin's Q	[acq/tgt]_tob_q	COMPUSTAT	[(Book Value of Assets – Book Value of Equity) + Mkt. Cap] / [Book Value of Assets]
Growth Difference	growth_diff	I/B/E/S	Mean estimated EPS long-term growth. Calculated as acquirer estimate minus target estimate.
Relative Size	rel_size	CRSP	Transaction value divided by acquirer's market cap.
Premium	premium	SDC Platinum	Transaction value per share relative to target's share price one week prior to deal.
# of Bidders	bidders	SDC Platinum	Number of bidders.
Tender Offer Flag	tender_flag	SDC Platinum	Dummy variable. 1 if deal was structured as a tender offer.
Same Industry Flag	same_sic	SDC Platinum	Firms are considered to be in the same industry if acquirer and target have same 2-digit SIC code.
Hostile Flag	hostile_flag	SDC Platinum	Dummy variable. 1 if deal was hostile.
Collar Flag	collar	SDC Platinum	Dummy variable. 1 if deal was structured with a collar.

Table 2: Summary Regression Results

	All Years		Pre-2000		Post-2000	
	(1)	(2)	(3)	(4)	(5)	(6)
accr_lag	0.00766		0.347**		-0.0111	
	(0.23)		(2.72)		(-0.23)	
accr_fwd		-0.167		0.237		-0.977**
		(-1.01)		(1.16)		(-3.37)
rel_size	-0.0279***	-0.0365***	-0.0930***	-0.0440***	-0.0318**	-0.0131
	(-4.49)	(-4.58)	(-5.86)	(-4.47)	(-2.72)	(-1.02)
premium	-0.0293**	-0.0160	0.00314	0.00627	-0.0703***	-0.0966***
	(-3.09)	(-1.51)	(0.20)	(0.44)	(-3.95)	(-3.91)
collar	0.0239*	0.0273**	0.00175	0.0137	0.0346	0.0262
	(2.43)	(2.66)	(0.16)	(1.40)	(1.48)	(0.94)
growth_diff			0.0305	0.0164		0.0647
			(1.02)	(0.57)		(1.07)
_cons	-0.0150**	-0.0179**	0.00234	-0.0122	-0.0210	-0.0242
	(-2.64)	(-2.88)	(0.28)	(-1.75)	(-1.86)	(-1.74)
N	721	464	251	285	236	131
R-sq	0.052	0.066	0.141	0.081	0.109	0.150
adj. R-sq	0.047	0.057	0.124	0.064	0.093	0.116
F	9.796	8.047	8.052	4.910	7.045	4.422

t statistics in parentheses
="* p<0.05 ** p<0.01 *** p<0.001"

V. Results Analysis

Summary regression results can be found in Table 2 (detailed results can be found in Appendix 2). In the summary table above, results are presented for the best fit models in each measurement period and for each accretion variable. The coefficient estimates can be interpreted as the respective increase/decrease in an acquirer's CAR around the deal announcement date due to a one-unit increase in a given explanatory variable. So, for example, in model (6) in Table 2, a one percent increase in accretion is found to decrease acquirer's CAR by 0.97%, holding all other factors constant. Likewise, a one percent increase in premium paid would be expected to decrease acquirer CAR by 0.097%. It is worth mentioning that due to the accretion variable being scaled by the acquirer's stock price, most deals do not see accretion or dilution of more than one percent. For example, the average accretion in the sample was approximately 0.5% on a TTM basis.

Generally, most models have low descriptive power, and have R^2 metrics in the mid-single digits. Consistent with previous studies, the premium paid and relative size are statistically significant predictors of return in most model specifications, but most other control variables are not independently statistically significant in most specifications. The impacts of premium paid and relative size on CAR have straightforward interpretations: firms that pay a higher premium over the target's current market value or purchase targets that are a greater percentage of their overall size tend to perform worse than other acquirers.

In some periods, the difference in acquirer and target expected growth is not independently statistically significant, but adds additional descriptive power to the models. This variable accounts for the "bootstrapping" hypothesis: that high-growth firms (and thus firms with

higher P/E ratios) may seek to buy low-growth firms (with low P/E ratios) and hope to be rewarded with higher market values despite no value creation taking place.

In most model specifications, deal accretion or dilution is not a statistically significant predictor of acquirer returns in the three-day announcement window. In the all-year sample (Appendix 2.1), lagged accretion is generally found to have a positive, insignificant impact on acquirer CAR, while forward accretion is found to have a negative, insignificant impact on acquirer CAR. Results are more interesting in the dispersed sample periods.

In the pre-2000 sample period (Appendix 2.2), accretion is found to be positively related to acquirer CAR using both measures of accretion. The TTM accretion variable (Appendix 2.2.A) is found to have a significant positive impact on CAR in models (3) and (5), which seek to control for deal and acquirer characteristics. In model (3), the nature of the deal and acquirer/target Tobin's Qs are controlled for, though these variables are found to be insignificant. In model (5), the difference between acquirer and target growth expectations is included in the model, as discussed above. In this model, accretion is actually found to have a positive and statistically significant impact on acquirer returns. When using the forward accretion measures (Appendix 2.2.B), accretion is positively related to CAR, but never found to be statistically significant.

These results in the pre-2000 period align with the results found in Andrade (1999), that there is some positive performance impact to accretive deals. Andrade (1999), reports that, "In short, even after controlling for acquisition premium and the negative impact of stock financing, there is evidence consistent with the view that accretive acquisitions lead to higher

announcement excess returns." This result is strange and does not seem consistent with the theory that the market "sees through" the impact of pure EPS changes.

However, this result not only disappears, but reverses in the post-2000 period (Appendix 2.3). In the TTM accretion measure (Appendix 2.3.A), accretion is found to be negatively related to acquirer CAR, though it is never found to be statistically significant. Meanwhile, forward accretion (Appendix 2.3.B) is substantially negatively related to acquirer returns, and is statistically significant in all model specifications, save for the "naïve" model.

The negative coefficient on accretion is somewhat in line with Block (2002), though Block finds these results over a three-year period, while the results in this study are simply for the three-day announcement window. This effect may be explained with similar reasoning to Block's results: the more accretive deals may represent examples of "EPS myopia," in which the acquirer's management is willing to overpay in order to structure the deal to guarantee accretion, similar to anecdotal evidence discussed in Andrade (1999).

VI. Conclusion

Although some managers, bankers, and equity analysts pay substantial attention to the accretion and dilution outcome of a deal, the results of this study question the validity of such analysis. This study does not quantify the impact of synergies or transactions costs, but it does address the issue of whether or not pure "cosmetic" EPS growth can increase a firm's value, which it clearly does not in the post-2000 period. The fact that accretive deals do seem to have a positive impact prior to 2000 is puzzling, though these results are obviously not robust across time. It seems that at best, the modern market seems indifferent to earnings accretion, and at worst, views accretion as a sign that management was willing to overpay due to "EPS myopia."

Appendix 1
Descriptive Statistics

Variable Name	Variable	Obs	Mean	Std. Dev.	Min	Max
3-Day CAR	thrd_excs	996	-0.0298	0.0905	-0.5257	0.3318
TTM Accretion	accr_lag	816	0.0050	0.1004	-0.7866	0.8091
Fwd Accretion	accr_fwd	526	-0.0030	0.0237	-0.2722	0.0904
Transaction Value ($mm)	trans_val	996	1499.6	7849.0	5	164746.9
Acq. Mkt. Cap	acq_mkt_cap	996	10052.5	34507.3	1.5188	476232.2
Tgt. Mkt. Cap	tgt_mkt_cap	946	1337.1	6278.7	3.9375	106213.3
Premium	premium	845	0.3394	0.4634	-0.9521	7.2609
# of Bidders	bidders	996	1.0201	0.1403	1	2
Relative Size	rel_size	996	0.4044	0.6243	0.0006	8.78354
Acq. Tobin's Q	acq_tob_q	944	3.0141	3.6402	0.4931	49.32512
Tgt. Tobin's Q	tgt_tob_q	623	2.6702	2.6915	0.3842	34.46681
Same Industry Dummy	same_sic	996	0.6315	0.4826	0	1
Hostile Dummy	hostile_flag	996	0.0070	0.0836	0	1
Collar Dummy	collar	996	0.1416	0.3488	0	1
Tender Dummy	tender_flag	996	0.0331	0.1791	0.0000	1
Acq. P/E Ratio	acq_PE	510	36.7967	23.1689	0.4573	99.56896
Tgt. P/E Ratio	tgt_PE	499	27.3598	18.6183	0.272284	100
Acq. LTG Est.	acq_meanes~G	585	0.2248	0.1319	-0.008	1.875
Tgt. LTG Est.	tgt_meanes~G	740	0.2458	0.1502	-0.0031	1

Appendix 2.1.A
Regression Results: All Years

Model	(1) thrd_excs	(2) thrd_excs	(3) thrd_excs	(4) thrd_excs	(5) thrd_excs
accr_lag	-0.00501 (-0.15)	0.00552 (0.16)	0.000294 (0.01)	0.00766 (0.23)	0.0247 (0.31)
rel_size		-0.0273*** (-4.34)	-0.0191** (-2.71)	-0.0279*** (-4.49)	-0.0360*** (-3.75)
premium		-0.0289** (-3.03)	-0.0274* (-2.49)	-0.0293** (-3.09)	-0.0319* (-2.33)
bidders		0.00262 (0.11)	0.0260 (0.83)		
tender_flag		-0.00704 (-0.36)	-0.00238 (-0.08)		
same_sic		-0.0103 (-1.37)	-0.00922 (-0.99)		
hostile_flag		-0.0187 (-0.47)	-0.0262 (-0.58)		
collar		0.0230* (2.33)	0.0115 (0.95)	0.0239* (2.43)	0.0198 (1.77)
acq_tob_q			-0.00210 (-1.37)		
tgt_tob_q			-0.000606 (-0.32)		
growth_diff					0.0292 (0.98)
_cons	-0.0301*** (-9.14)	-0.0106 (-0.42)	-0.0243 (-0.73)	-0.0150** (-2.64)	-0.0142 (-1.92)
N	816	721	474	721	380
R-sq	0.000	0.055	0.044	0.052	0.059
adj. R-sq	-0.001	0.044	0.024	0.047	0.046
F	0.0233	5.173	2.144	9.796	4.695

t statistics in parentheses
="* p<0.05 ** p<0.01 *** p<0.001"

Appendix 2.1.B
Regression Results: All Years

Model	(1) thrd_excs	(2) thrd_excs	(3) thrd_excs	(4) thrd_excs	(5) thrd_excs
accr_fwd	-0.178 (-1.13)	-0.185 (-1.10)	-0.358 (-1.75)	-0.167 (-1.01)	-0.184 (-1.09)
rel_size		-0.0358*** (-4.45)	-0.0181* (-2.15)	-0.0365*** (-4.58)	-0.0301*** (-3.82)
premium		-0.0157 (-1.48)	-0.0322* (-2.20)	-0.0160 (-1.51)	-0.0299* (-2.33)
bidders		0.00812 (0.33)	0.0577 (1.77)		
tender_flag		-0.0000739 (-0.00)	0.00278 (0.11)		
same_sic		-0.00897 (-1.06)	-0.00858 (-0.82)		
hostile_flag		-0.00589 (-0.16)	-0.0265 (-0.71)		
collar		0.0265* (2.57)	0.0177 (1.40)	0.0273** (2.66)	0.0247* (2.42)
acq_tob_q			-0.000156 (-0.09)		
tgt_tob_q			0.000957 (0.38)		
growth_diff					0.0310 (1.09)
_cons	-0.0287*** (-7.66)	-0.0205 (-0.79)	-0.0686 (-1.94)	-0.0179** (-2.88)	-0.0164* (-2.46)
N	526	464	290	464	416
R-sq	0.002	0.068	0.059	0.066	0.060
adj. R-sq	0.001	0.052	0.026	0.057	0.049
F	1.287	4.153	1.757	8.047	5.251

t statistics in parentheses
="* p<0.05 ** p<0.01 *** p<0.001"

Appendix 2.2.A
Regression Results: Pre-2000

Model	(1) thrd_excs	(2) thrd_excs	(3) thrd_excs	(4) thrd_excs	(5) thrd_excs
accr_lag	0.0829 (1.74)	0.0873 (1.75)	0.116* (2.19)	0.0894 (1.80)	0.347** (2.72)
rel_size		-0.0186** (-2.65)	-0.0149 (-1.83)	-0.0192** (-2.75)	-0.0930*** (-5.86)
premium		0.000765 (0.07)	0.00706 (0.57)	0.000326 (0.03)	0.00314 (0.20)
bidders		0.0180 (0.70)	0.00775 (0.26)		
tender_flag		0.0132 (0.39)	0.00763 (0.18)		
same_sic		-0.0112 (-1.39)	-0.0131 (-1.29)		
hostile_flag		-0.0393 (-0.99)	-0.0324 (-0.69)		
collar		0.0152 (1.52)	0.00449 (0.36)	0.0168 (1.69)	0.00175 (0.16)
acq_tob_q			-0.000973 (-0.62)		
tgt_tob_q			-0.00122 (-0.58)		
growth_diff					0.0305 (1.02)
_cons	-0.0194*** (-5.71)	-0.0271 (-1.02)	-0.00781 (-0.24)	-0.0162** (-2.63)	0.00234 (0.28)
N	571	485	317	485	251
R-sq	0.005	0.037	0.041	0.030	0.141
adj. R-sq	0.004	0.021	0.010	0.022	0.124
F	3.038	2.269	1.311	3.737	8.052

t statistics in parentheses
="* p<0.05 ** p<0.01 *** p<0.001"

Appendix 2.2.B
Regression Results: Pre-2000

Model	(1) thrd_excs	(2) thrd_excs	(3) thrd_excs	(4) thrd_excs	(5) thrd_excs
accr_fwd	0.0171 (0.09)	0.248 (1.18)	0.631 (1.53)	0.223 (1.08)	0.237 (1.16)
rel_size		-0.0431*** (-4.30)	-0.0259* (-2.33)	-0.0441*** (-4.42)	-0.0440*** (-4.47)
premium		0.00663 (0.50)	0.00796 (0.47)	0.00735 (0.56)	0.00627 (0.44)
bidders		0.0355 (1.38)	0.0474 (1.46)		
tender_flag		0.0268 (0.90)	0.0448 (1.16)		
same_sic		-0.00798 (-0.92)	-0.00761 (-0.68)		
hostile_flag		-0.0318 (-0.88)	-0.0523 (-1.34)		
collar		0.0184 (1.85)	0.00870 (0.67)	0.0191 (1.94)	0.0137 (1.40)
acq_tob_q			0.0000953 (0.06)		
tgt_tob_q			0.000701 (0.29)		
growth_diff					0.0164 (0.57)
_cons	-0.0192*** (-5.09)	-0.0438 (-1.61)	-0.0574 (-1.62)	-0.0125 (-1.86)	-0.0122 (-1.75)
N	373	317	196	317	285
R-sq	0.000	0.087	0.065	0.077	0.081
adj. R-sq	-0.003	0.064	0.014	0.066	0.064
F	0.00783	3.684	1.285	6.547	4.910

t statistics in parentheses
="* p<0.05 ** p<0.01 *** p<0.001"

Appendix 2.3.A
Regression Results: Post-2000

Model	(1) thrd_excs	(2) thrd_excs	(3) thrd_excs	(4) thrd_excs	(5) thrd_excs
accr_lag	-0.0351 (-0.70)	-0.0109 (-0.22)	-0.0587 (-1.02)	-0.0111 (-0.23)	-0.105 (-0.93)
rel_size		-0.0300* (-2.48)	-0.0181 (-1.41)	-0.0318** (-2.72)	-0.0128 (-0.95)
premium		-0.0683*** (-3.76)	-0.0726*** (-3.49)	-0.0703*** (-3.95)	-0.0692** (-2.85)
bidders		-0.0268 (-0.53)	0.0771 (0.66)		
tender_flag		0.00338 (0.12)	0.00223 (0.05)		
same_sic		-0.00755 (-0.48)	-0.0000783 (-0.00)		
hostile_flag		-0.0426 (-0.37)	-0.0394 (-0.33)		
collar		0.0372 (1.55)	0.0200 (0.70)	0.0346 (1.48)	0.0300 (1.02)
acq_tob_q			-0.00411 (-1.15)		
tgt_tob_q			0.000343 (0.09)		
growth_diff					0.0334 (0.53)
_cons	-0.0546*** (-7.41)	0.00961 (0.18)	-0.0803 (-0.66)	-0.0210 (-1.86)	-0.0292* (-2.01)
N	245	236	157	236	129
R-sq	0.002	0.111	0.125	0.109	0.080
adj. R-sq	-0.002	0.080	0.065	0.093	0.042
F	0.492	3.542	2.087	7.045	2.133

t statistics in parentheses
="* p<0.05 ** p<0.01 *** p<0.001"

Appendix 2.3.B
Regression Results: Post-2000

Model	(1) thrd_excs	(2) thrd_excs	(3) thrd_excs	(4) thrd_excs	(5) thrd_excs
accr_fwd	-0.466 (-1.70)	-0.742* (-2.57)	-0.842** (-2.99)	-0.728* (-2.57)	-0.977** (-3.37)
rel_size		-0.0192 (-1.38)	-0.00674 (-0.49)	-0.0224 (-1.67)	-0.0131 (-1.02)
premium		-0.0391* (-2.12)	-0.0803** (-2.91)	-0.0409* (-2.25)	-0.0966*** (-3.91)
bidders		-0.0483 (-0.90)	0.0916 (0.88)		
tender_flag		0.0131 (0.41)	-0.000243 (-0.01)		
same_sic		-0.0137 (-0.72)	-0.00623 (-0.27)		
hostile_flag		-0.0453 (-0.40)	-0.0247 (-0.23)		
collar		0.0362 (1.22)	0.0259 (0.79)	0.0310 (1.10)	0.0262 (0.94)
acq_tob_q			-0.00239 (-0.46)		
tgt_tob_q			0.00330 (0.39)		
growth_diff					0.0647 (1.07)
_cons	-0.0527*** (-6.00)	0.0189 (0.33)	-0.113 (-1.02)	-0.0365** (-2.84)	-0.0242 (-1.74)
N	153	147	94	147	131
R-sq	0.019	0.097	0.170	0.087	0.150
adj. R-sq	0.012	0.044	0.070	0.062	0.116
F	2.880	1.843	1.699	3.399	4.422

t statistics in parentheses
="* p<0.05 ** p<0.01 *** p<0.001"

Works Cited

Andrade, Gregor. “Do appearances matter? The impact of EPS accretion and dilution on stock prices.” *ProQuest Dissertations and Theses;* 1999; ProQuest Dissertations & Theses Full Text. Accessed 11/23/2013.

Block, Stanley. “The EPS Myopia Hypothesis and Post-Merger Market Performance of Acquiring Firms.” *The Journal of Investing* (Spring 2002), pp. 7-15. Accessed 11/23/2013.

Capron, Laurence and Nathalie Pistre. “When Do Acquirers Earn Excess Returns?” *Strategic Management Journal*, Vol. 23, No. 9 (Sep. 2002), pp. 781-794. Accessed 11/4/2013.

Datta, Deepak K., George E. Pinches and V.K. Narayanan. “Factors Influencing Wealth Creation from Mergers and Acquisitions: A Meta-Analysis.” *Strategic Management Journal*, Vol. 13, No. 1 (Jan., 1992), pp. 67-84. <http://www.jstor.org/stable/2486611> Accessed 2/7/2014.

Faccio, Mara, John J. McConnell and David Stolin. “Returns to Acquirers of Listed and Unlisted Targets.” *Journal of Financial and Quantitative Analysis*, Vol. 41, No. 1 (March 2006), pp. 197-220. Accessed 2/7/2014

Moeller, Sara B., Frederik P. Schlingemann and Rene M. Stulz. “Firm size and the gains from acquisitions.” *Journal of Financial Economics*, Vol. 73 (2004), pp. 201-228. Accessed 2/7/2014.