DESCRIPTION

In this seminar, we discuss the results of recent large-scale empirical investigations into the economic effects of corporate takeovers. We focus exclusively on empirical studies in financial economics (as opposed to in the areas of strategy or organizational behavior). The research papers address questions such as: what drives aggregate takeover activity (merger waves); how large are stockholder gains from takeovers; what are likely sources of takeover gains; what are optimal bid strategies in a competitive environment; are targets in financial distress sold at “fire-sale” prices; to what extent do deal protection devices such as termination agreements and defensive tactics such as poison pills affect takeover premiums; does the presence of large institutional target shareholders affect deal outcomes; does the bidder’s choice of deal financing matter; how does takeovers affect CEOs; do cross-border takeovers cause convergence of corporate governance standards; and what are the expected profits from merger arbitrage strategies. The course develops the basic empirical methodologies required to understand the course readings. Intense student involvement in both the presentation and the class discussion of the scientific papers is required.

GRADING

- 60% of the grade:
  - Individual participation in discussions of the readings.
  - Two power point presentations of assigned class readings.
- 40% of the grade: Paper to be presented to class in the last week of the term

READINGS:

The following two volumes contain all the original scientific articles that are discussed in class (expected publication date is early March 2010):


## Corporate Takeovers: Modern Empirical Developments

**Spring 2010**  
B. Espen Eckbo

<table>
<thead>
<tr>
<th>WEEK#/SESSION #</th>
<th>DATE</th>
<th>TOPIC</th>
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<tbody>
<tr>
<td>WEEK 1 (NOTE: A SINGLE 3-HOUR MEET)</td>
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<tr>
<td>1,2</td>
<td>Fri</td>
<td>3/26 Introduction: Methodological issues</td>
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<td>WEEK 2</td>
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<tr>
<td>3</td>
<td>Mon</td>
<td>3/29 What drives aggregate takeover activity?</td>
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<td>4</td>
<td>Tue</td>
<td>3/30 Estimating Takeover Gains</td>
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<td>WEEK 3</td>
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<td>5</td>
<td>Mon</td>
<td>4/03 Where do merger gains come from?</td>
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<td>6</td>
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<td>4/06 Auctions and optimal bidding theory</td>
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<td>WEEK 4</td>
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<td>7</td>
<td>Mon</td>
<td>4/12 Toehold bidding, competition and winner’s curse</td>
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<td>8</td>
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<td>4/13 Does CEO overconfidence drive acquisitions?</td>
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<td>WEEK 5</td>
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<td>9</td>
<td>Mon</td>
<td>4/19 Bidding for distressed targets: Do fire-sales exist?</td>
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<td>10</td>
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<td>4/20 Do deal protection and defenses affect offer premiums?</td>
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<td>11</td>
<td>Mon</td>
<td>4/26 Shareholder voting: Are merger outcomes affected?</td>
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<td>12</td>
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<td>4/27 Does deal financing matter?</td>
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<td>WEEK 7</td>
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<td>13</td>
<td>Mon</td>
<td>5/03 Does a takeover affect CEO and director compensation?</td>
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<td>14</td>
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<td>5/04 Do cross-border mergers cause governance convergence?</td>
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<td>WEEK 8</td>
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<td>15</td>
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<td>5/10 Returns to merger arbitrage</td>
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<td>16</td>
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<td>5/11 Corporate restructuring activity other than takeovers</td>
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<td>WEEK 9</td>
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<tr>
<td>18</td>
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<td>5/18 Term project presentations</td>
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READINGS FOR CORPORATE TAKEOVERS: MODERN EMPIRICAL DEVELOPMENTS

Unless otherwise noted, the references below are all found in the two reprint volumes listed above. Some of the readings are recommended – details explained in class.

SESSION 1: Introduction

The following survey spans the entire course and students should start reading it for the first class:


SESSION 2: Methodological Issues


SESSION 3: What drives aggregate takeover activity?


SESSION 4: Estimating Takeover Gains


SESSION 5: Where do merger gains come from?


SESSION 6: Auctions and optimal bidding theory


SESSION 7: Toehold bidding, competition and winner’s curse


SESSION 8: Does CEO overconfidence drive acquisitions?


SESSION 9: Bidding for distressed targets: Do fire-sales exist?


**SESSION 10: Do deal protection and defenses affect offer premiums?**


**SESSION 11: Shareholder voting: Are merger outcomes affected?**


**SESSION 12: Does deal financing matter?**


SESSION 13: Does a takeover affect CEO and director compensation?


SESSION 14: Do cross-border mergers cause governance convergence?


SESSION 15: Returns to merger arbitrage


SESSION 16: Corporate restructuring activity other than takeovers


SESSIONS 17 and 18: Term paper presentations