

Ex-Post Evaluations of Merger Decisions Involving Event Studies

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Abstract

In this project we introduce an event study method used to assess ex-post evaluations of merger decisions. We analyze the steps to be implemented, illustrate the procedure with examples, and summarize the literature. In addition, we use stock price data that has been gathered for relevant firms in horizontal merger cases to implement the event studies and discuss the results. To this end, we collect data on the daily stock prices of each publicly-traded company from the Taiwan Economic Journal. To appropriately implement the event study, we employ a set of criteria for inclusion: data availability, whether or not the case can be categorized as a horizontal merger, the merger decision outcome, and the period of the data covered. We narrow down the analysis to seven cases for the event studies. From the estimation results we find that, if supplemented by the identities of the competitors of merging firms, and the timing of the intention to disclose the merger, the data from the TEJ allow us to evaluate the ex post market equilibrium change based on the event studies.

Keywords: Ex-Post Evaluations of Merger Decisions, Substantive Assessment, Event Study, Horizontal Merger, Taiwan Economic Journal (TEJ).

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