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Acquirers' and Targets' Stockholders Equally Share M&A Value: Evidence from Pairs of Firms in Australian Deals

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Abstract – How do the parties' stockholders share the dollar M&A synergies as perceived by the stock market reactions upon the deals' announcements? Consistent with a recent and mounting body of the literature, this paper reports robust statistical evidence that M&A dollar synergies are equally shared between acquirers' and targets' stockholders in a sample of domestic deals in Australia over the period 2013-2020. Strikingly, however, testing separately the parties' corresponding percent abnormal returns, preliminary results are consistent with the "received wisdom", i.e., the acquirers' percent abnormal returns are not statistically different from zero while the targets' percent abnormal returns are statistically positive. The reversal of conclusion emerges from the application of the share methodology that uses a much less demanding approach in terms of technical and data intensity requirements than acclaimed approaches that have recently challenged the received wisdom.

Keywords – Mergers, Acquisitions, Synergies, Australia

1 Introduction

Mergers and acquisitions (M&As) simultaneously affect the sum of the parties' stockholder values and the distribution of the values between them. On this point, the M&A literature (e.g. Betton *et al.* 2008) and corporate finance textbooks (e.g. Brealey, Myers, and Allen 2011, 813; Ross, Westerfield, and Jordan 2008, 835; Copeland, Weston, and Shastri 2005, 778) generally hold that, on average, targets' stockholders benefit in M&A deals, while acquirers' stockholders at best break even.[1] In other words, on average, whatever value is created by M&As, it is distributed entirely to targets' stockholders. This result is referred to as "*received wisdom*" henceforth.

The research question is "how do the parties' stockholders share the dollar M&A synergies as perceived by the stock market reactions upon the deals' announcements?" This paper provides evidence that mergers and acquisitions' *dollar* synergies are equally shared between acquirers' stock-

[1] Betton *et al.* (2008) summarize (p. 405): 'The average target cumulative average abnormal stock return (CAR) is positive and significant, both over the runup period and the announcement period. (...) Bidder announcement period CARs average close to zero for the overall sample (...).'

holders and targets' stockholders. Consequently, this paper, along with a recently mounting body of the evidence on the theme (reviewed in Section 2), calls for a re-examination of a long-standing benchmark in the M&A literature, possibly establishing a new paradigm.

The results are for domestic mergers and acquisition in Australia in the period 2013-2020 (Section 3). A standard event study methodology is applied to, first, estimate the *percent* abnormal returns accrued to acquirers' and targets' stockholders on the announcement days of the deals.

Next, testing the *percent* abnormal returns, some preliminary results are consistent with the *received wisdom*, that is, the acquirers' *percent* abnormal returns are not statistically different from zero while the targets' abnormal returns are statistically positive. Jointly these findings have been interpreted – inappropriately, as it will be argued – as no gains to acquirers and all gains to targets.

Strikingly, however, as the estimated *percent* abnormal returns are converted into *dollar* abnormal returns using the respective parties' market capitalizations, the evidence supports the view that, in fact, acquirers' and targets' stockholders equally share the *dollar* value created in M&As, the so-called synergies. This result (Section 4) is highly statistically significant, strongly rejects the *received wisdom* and is aligned with a recent body of the literature.

By estimating *dollar* synergy and its distribution, the proposed methodology (*share methodology*, henceforth) "normalizes" acquirers' *percent* abnormal returns and targets' *percent* abnormal returns with respect to their relative sizes (market capitalizations). By including the pair of parties in a deal, the *share methodology* directly and unequivocally addresses the distribution effect.

As compared to the approaches of acclaimed papers that have recently challenged the *received wisdom*, the *share methodology* is much less demanding in technical and data intensity terms. For instance, the striking reversal of the conclusions with respect to synergy distribution occurs using an event window that includes only the announcement day. The studies critical of the *received wisdom* typically use wider event windows and even pre-event windows to aggregate enough informational content to reach their results. This is because they use *percent* abnormal returns as do the works supportive of the received wisdom.

Hence, the *share methodology* offers the possibility of its broad application in other countries, where the financial markets are less developed, over different periods, and by researchers at different maturity stages (established professors, masters', and doctoral students alike).

Beyond the immediate implications of the results, these findings may have far reaching consequences such as, for example, on the discussion about the underlying motivation for M&As.

Section 5 concludes that several published papers that support the *received wisdom* may have done so due to the simple fact that they base their analyses about the distribution of synergies between M&A parties using *percent* abnormal returns. Since one cannot be sufficiently confident that the *percent* abnormal return approach allows for drawing correct inferences

about the synergy distribution, one should be skeptical of their findings barring repeating their tests using *dollar* abnormal returns as the fundamental element of their analysis.

2 Literature Review

There is mounting recent empirical evidence that is aligned with the findings reported herein that indicate that, on average, both acquirers' and targets' stockholders benefit from M&As. Indeed, Eckbo (2014) acknowledges that "econometric advances suggest that bidder takeover gains, traditionally estimated to be small (insignificantly different from zero after transaction costs), may be much greater when the estimation also accounts for how industry dynamics may alter bidder stand-alone values (absent a takeover)." It matters to note that even these more recent papers reviewed herein use as their basic ingredient percent abnormal returns (in contrast to dollar abnormal returns, as it will be explained).

Masulis et al. (2012) assess the economic benefits of M&A offers by using successful and failed takeover deals in their analysis of both bidders and targets. They compile a database of mergers and acquisitions drawn from four countries: Australia, Canada, the United Kingdom and the United States. They use a sample of 2,963 bidders and 4,606 targets and investigate the abnormal returns around: (i) the initial announcement of a merger or acquisition, and (ii) the announcement date of the bid outcome (success or failure). They claim that their approach corrects for both signaling and revelation biases that affect the standard methodology. By proceeding in this way, they demonstrate that bidders generally benefit from takeovers capturing on average 67% of the economic gains from the transaction in cash bids and 91% in stock bids.

Da Graca & Masson (2017)'s core methodological point is that a structural empirical approach for M&A event studies allow a more nuanced picture of the distribution of gains in M&As than that which is apparent from the standard reduced form approach. In a sample of 262 U.S. deals over the period 1990–2008, they find that acquirers get twice as much synergies as do targets by applying their structural approach, even though the reduced form approach applied to the same data yields results are consistent with most of the M&A literature (e.g. Betton et al. 2008).

Mateev (2017) investigates the differences in wealth effects between Continental Europe and the UK using a large sample of 2823 European takeover deals announced between 2002 and 2010. By examining the abnormal returns of the bidders (potential acquirers) exclusively, this study finds that European bidders earn positive abnormal returns both in cross-border and domestic acquisitions with the short-term wealth effects being larger in cross-border acquisitions.

Wang (2018) applies the simulated method of moments to U.S. M&A transaction data from 1980 to 2012 to study the effects of bid anticipation and information revelation biases in mergers. Controlling for these biases, the paper reports that M&As on average create significant value for both

acquirers and targets, with the acquirer, rather than the target, capturing the lion's share (about 63%) of the total gains.

Hu et al. (2020) study the wealth effects of mega-deals (defined as deals in which the transaction value is an inflation adjusted value of at least $500 million in 2016-dollar terms and exceeds 1 percent of the acquiring firm's market value of equity). Their sample includes completed and failed U.S. M&As between January 1980 and December 2016. They apply commonly used filters on the original dataset to arrive at a final sample of 3,544 M&A deals. Their results suggest that, among other findings, mega-deals carried out by acquirers with a higher level of experience generate an average abnormal announcement returns of successful mega-deals that translates into a stockholder value gain of $50.6 million.

The general message that has emerged in the last decade from the papers above is that it is worthwhile to re-examine the received wisdom with respect to the distribution of gains between the parties in M&A deals. Generally speaking, these recent papers seek to either use larger pre-event windows to absorb more informational or signalling content that might have been transmitted to the markets before the deals' announcements or apply more statistically powerful approaches to attain more precise estimates over the event windows, or both. As such, these studies are data intensive (typically use thousands of observations). This is a restrictive condition for generalizing their results to other less developed markets around the globe for sheer lack of data.

On the other hand, with respect to specifically Australian cases of M&As there is empirical evidence that is mostly aligned with the literature that holds that, on average, targets' stockholders benefit in M&A deals, while acquirers' stockholders at best break even, that is, the received wisdom. Some early studies document that targets receive a large abnormal return after the takeover announcement (for example in Australia with Dodd, 1976, Walter, 1984, Bishop et al. (1987) and Brown and da Silva Rosa (1998)). These results suggest that the gains received by target stockholders might be a wealth transfer from the bidder stockholders and not necessarily due to synergies.

More recently, Chan & Emanuel (2011) conduct a study of Australian acquisitions to investigate the relationship between characteristics of board governance of acquiring firms and acquirers' returns. They use a sample of 80 Australian acquisitions that occurred between 1999 and 2005. Among their descriptive statistics, they report an average cumulative abnormal return of – 2.4% for the acquirers' stockholders with 9 % standard deviation. With these statistics, one may not reject that hypothesis that acquirers at best break even in M&As, which is consistent with the received wisdom.

Shams et al (2022) use a sample of 2331 acquisitions conducted by 1643 unique firms during the period from 2001 to 2015 to investigate the effects of economic policy uncertainty on acquisition performance. In their descriptive statistics section, they report that their sample mean cumulative abnormal return earned by acquirers is positive at 2.2% with standard deviation of 7.9%.

Overall, published Australian studies over several decades seem consistent with the received wisdom.

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3 Data and Methodolody

The sample consists of domestic deals in Australia over the period 2013-2020. Eikon[2] is used to identify M&A deals where:

- Both parties are Australian
- Both parties have their stocks publicly traded in the Australian Securities Exchange
- Both parties' market capitalizations just prior to the deal announcement are available

These filters and these filters only are applied on the Eikon database. This means that there is no prior sampling bias or preference. The only goal of these filters is to collect the deals for which the indispensable statistics can be determined. Table 1 identifies the following deals:

Table 1: Pair of firms in domestic Australian M&A over the period 2013-2020

Deal	Acquirer's name	Target's name	Announcement date
1	PERPETUAL LIMITED	TRUST COMPANY LIMITED	05-07-13
2	PURE FOODS TASMANIA LTD	BLACKWOOD CORPORATION LIMITED	10-17-13
3	HERON RESOURCES LIMITED	TRIAUSMIN LIMITED	03-10-14
4	IOOF HOLDINGS LIMITED	SFG AUSTRALIA LIMITED	05-16-14
5	DRILLSEARCH ENERGY LIMITED	AMBASSADOR OIL & GAS LIMITED	05-28-14
6	BCI MINERALS LTD	IRON ORE HOLDINGS LIMITED	08-11-14
7	STEADFAST GROUP LTD	CALLIDEN GROUP LIMITED	08-27-14
8	AIC MINES LTD	BLACKTHORN RESOURCES PTY LTD	08-28-14
9	CHARTER HALL SOCIAL INFRASTRUCTURE REIT	FOLKESTONE SOCIAL INFRASTRUCTURE TRUST	11-13-14
10	VOCUS GROUP LTD	AMCOM TELECOMMUNICATIONS LIMITED	12-17-14
11	360 CAPITAL GROUP LTD	AUSTRALIAN INDUSTRIAL REIT	12-18-14
12	PROGRAMMED	SKILLED GROUP LIMITED	12-29-14

[2] Eikon is a set of software products provided by Refinitiv. It provides access to – among many other tools - market data, news and fundamental data.

	MAINTENANCE SERVICES LIMITED		
13	APA GROUP	ETHANE PIPELINE INCOME FUND	03-07-16
14	GROWTHPOINT PROPERTIES AUSTRALIA LTD	GPT METRO OFFICE FUND	04-05-16
15	EMERALD RESOURCES NL	RENAISSANCE MINERALS LIMITED	07-19-16
16	SUPERLOOP LTD	BIGAIR GROUP LTD	09-13-16
17	ECHO RESOURCES LTD	METALIKO RESOURCES LIMITED	09-29-16
18	IGO LTD	WINDWARD RESOURCES LTD	10-05-16
19	TABCORP HOLDINGS LIMITED	TATTS GROUP LIMITED	10-19-16
20	OZ MINERALS LIMITED	AVANCO RESOURCES LIMITED	03-27-18
21	NINE ENTERTAINMENT CO HOLDINGS LTD	FAIRFAX MEDIA LIMITED	07-26-18
22	CHARTER HALL GROUP	FOLKESTONE LIMITED	08-22-18
23	RAMELIUS RESOURCES LTD	EXPLAURUM LTD	09-10-18
24	EAGERS AUTOMOTIVE LTD	AUTOMOTIVE HOLDINGS GROUP LTD	04-05-19
25	NORTHERN STAR RESOURCES LTD	ECHO RESOURCES LTD	08-26-19
26	RAMELIUS RESOURCES LTD	SPECTRUM METALS LTD	02-10-20
27	PERSEUS MINING LTD	EXORE RESOURCES LTD	06-03-20
28	HUB24 LTD	XPLORE WEALTH LTD	10-28-20

Source: Eikon

Next, an event study methodology, as described in the classics Campbell & MacKinlay (1997) and Kothari & Warner (2007), is applied to estimate the firms' abnormal returns on the announcement dates. The event study methodology seeks to evaluate the impact of a specific event such as the announcement of a merger or an acquisition of firms. The idea is that when an event is likely to have an impact on the firm's performance, its announcement will lead investors to revise their expectations. The more important the information content of the event, the greater the price variation. Depending on whether the information is favorable or unfavorable, price variations or returns will be positive or negative.

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At the theoretical level, event studies are based on the concept of the efficiency of financial markets. The stock market price is supposed to react to the announcement of an event. This assumes that the stock market correctly reflects, on average, the available and public information, which corresponds to the semi-strong market efficiency hypothesis. In this context, over the event window, a *percent* abnormal return (AR %) is the difference between the observed *percent* return (R %) and the expected *percent* return but for the event under considerations (E[R %]), that is:

$$AR\ \% = R\ \% - E[R\ \%] \qquad [1]$$

The counterfactual model for the expected *percent* returns on the event date but for the deal's announcement (E[R %]) is given by the standard "market model":

$$E[R\ \%] = a + b\ MR\ \%, \text{ where} \qquad [2]$$

MR % is the *percent* market return (in the present study it is the daily *percent* return of the S&P/ASX 300, that is the index that measures the performance of the top 300 companies listed on the Australian Securities Exchange);

a and b are coefficients that can be estimated by regression analysis over as estimation window.

The estimation window of the market model comprises 250 trading days where the last day of the estimation window is the sixth trading day before the announcement date, so that there is a five-trading day gap between the estimation window and the event window, which here coincides with the announcement day. Once a and b are estimated, $\hat{a}$ and $\hat{b}$, respectively, the percent abnormal return on the announcement day is estimated combining [1] and [2] as:

$$AR\ \% = R\ \% - (\hat{a} + \hat{b}\ MR\ \%)$$

4 Results

The *percent* abnormal return (AR % column, in the table below) is, by definition, the difference between the party's actual *percent* return and the *percent* return it might have been observed but for the announcement, as estimated by the market model. By multiplying the *percent* abnormal return and the party's market capitalization on the prior trading day, one obtains the corresponding *dollar* abnormal return (AR $ column, the table below). For a given deal, the sum of the acquirer's AR $ and the target's AR $ gives the estimated *dollar* amount of synergies (column Synergy $ in the table below) expected by market participants from the deal upon its announcement.

Table 2: Firms' abnormal returns, market capitalization and deals' synergies (in 1,000 $)

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	Acquirer			Target			Combined
Deal	MKTCAP	AR %	AR $	MKTCAP	AR %	AR $	Synergy $
1	1,719,646	-0.47	-8,082.34	282,719	5.73	16,199.80	8,117.46
2	36,955	-0.17	-62.82	15,382	0.59	90.75	27.93
3	32,150	-0.23	-73.95	15,335	0.93	142.62	68.67
4	2,127,184	2.31	49,137.95	675,769	16.49	111,434.31	160,572.26
5	318,956	-1.23	-3,923.16	39,066	15.05	5,879.43	1,956.27
6	188,494	-10.59	-19,961.51	112,822	32.74	36,937.92	16,976.41
7	3,465,315	13.72	475,441.22	106,541	29.98	31,940.99	507,382.21
8	19,112	9.47	1,809.91	34,500	11.32	3,905.40	5,715.31
9	1,083,765	-0.43	-4,660.19	91,039	11.48	10,451.28	5,791.09
10	3,129,259	-0.93	-29,102.11	692,638	0.25	1,731.60	-27,370.51
11	211,161	1.35	2,850.67	231,091	-0.82	-1,894.95	955.73
12	774,518	6.95	53,829.00	385,694	17.04	65,722.26	119,551.26
13	10,961,214	-1.22	-133,726.81	130,288	26.24	34,187.57	-99,539.24
14	2,416,986	0.44	10,634.74	323,904	4.27	13,830.70	24,465.44
15	411,599	-0.58	-2,387.27	38,488	-0.54	-207.84	-2,595.11
16	243,383	-0.09	-219.04	169,747	2.25	3,819.31	3,600.26
17	224,606	16.50	37,059.99	30,913	23.26	7,190.36	44,250.35
18	5,237,015	-4.66	-244,044.90	20,531	38.06	7,814.10	-236,230.80
19	9,865,650	3.14	309,781.41	7,000,556	14.52	1,016,480.73	1,326,262.14
20	7,417,658	0.14	10,384.72	405,390	63.06	255,638.93	266,023.66
21	4,894,479	-11.18	-547,202.75	1,517,654	7.59	115,189.94	-432,012.81
22	5,524,117	-1.33	-73,470.76	205,568	22.50	46,252.80	-27,217.96
23	1,031,497	-4.40	-45,385.87	80,531	45.55	36,681.87	-8,704.00
24	3,404,364	5.85	199,155.29	1,220,373	20.43	249,322.20	448,477.50
25	7,565,224	7.52	568,904.84	224,606	0.03	67.38	568,972.23
26	1,031,497	-5.09	-52,503.20	263,248	26.02	68,497.13	15,993.93
27	1,428,346	-14.30	-204,253.48	70,163	25.09	17,603.90	-186,649.58
28	1,399,335	-0.61	-8,535.94	62,483	-0.23	-143.71	-8,679.65

Source: Eikon and the author's own calculations of abnormal returns

4.1 Percent abnormal returns

From the data above, the average acquirer's abnormal return is 0.35% with standard error 1.27% and p-value 0.78. Hence, one cannot reject the null hypothesis that the acquirer's abnormal return is zero. On the other hand, the average target's abnormal return is 16.39% with standard error 3.00% and p-value 0.000008. Hence, one strongly rejects at the 1% signifi-

cance level the null hypothesis that the target's abnormal return is zero. These findings are consistent with the *received wisdom* in general and in particular with the Australian studies reviewed above.

This is an important point to notice as it indicates that there is nothing particularly deviant in the sample. In fact, as far as M&A's *percent* abnormal returns go, the sample behaves just like a typical published study on the topic.

However, as it will be argued, it does not follow from these *percent* abnormal return results the *received wisdom* that, on average, target's stockholders gain and acquirer's stockholders, at best, break even in M&As.

4.2 Dollar abnormal returns

First, the distribution among acquirers and targets of *dollar* synergies (AR $ columns in the Table above) is tested. A statistical test compares the acquirer's *dollar* abnormal returns and the target's *dollar* abnormal returns in pairs, that is, it considers the relationship that exists between the parties (acquirer and target) that participate in each transaction. This test is called "paired t-test." A paired t-test (also known as a dependent or correlated t-test) is a statistical test that compares the averages/means and standard deviations of two related groups to determine if there is a significant difference between the two groups. In the present analysis, a paired t-test is better suited than the common two-sample t-test, because the latter is used when the data of two samples are statistically independent, while the paired t-test is used when data is in the form of matched pairs, which is precisely the point under consideration here.

The paired t-test provides the first piece of evidence that synergies are, on average, evenly distributed among acquirers' and targets' stockholders as the t-stat is – 1.41 and the corresponding p-value is 0.17. This is not statistically different from zero not even at a 10 percent level. In other words, one cannot reject the hypothesis that on average the acquirer's *dollar* abnormal return is equal to the target's *dollar* abnormal return.

This remarkable finding diverges markedly from the *received wisdom*. Consequently, it provokes further investigation. Figure 1 below summarizes the data above by showing the plot of the acquirers' and targets' *dollar* abnormal returns on the vertical axis and the deals' combined synergies on the horizontal axis.

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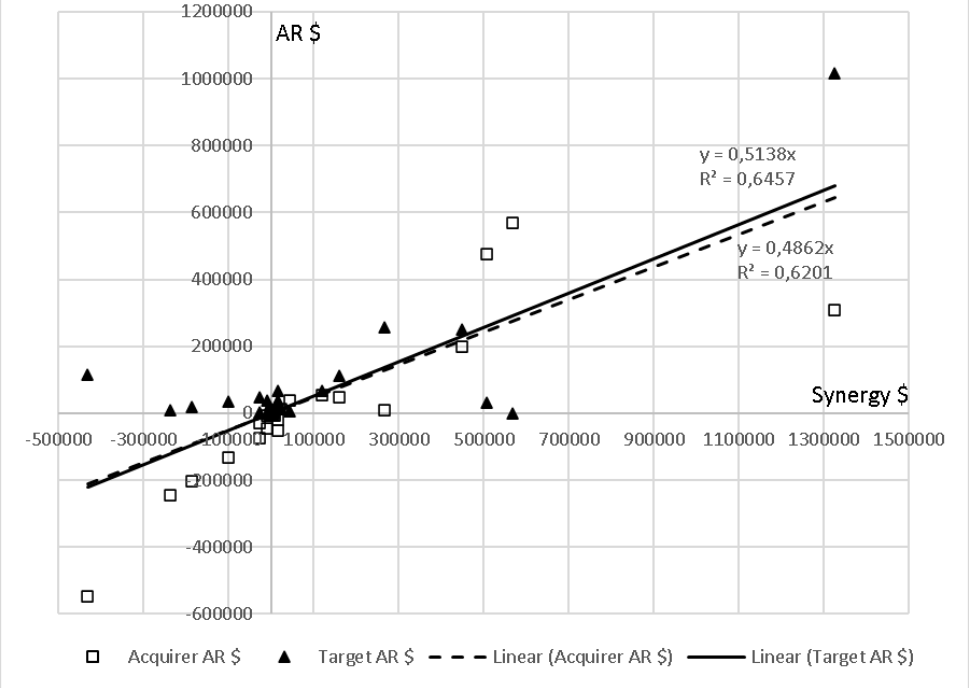
Figure 1: *Dollar* abnormal returns vs. *dollar* synergies



In Figure 1 one sees the adjusted straight lines that go through the data points and the origin. The slopes of these straight lines correspond to the sharing of synergies among acquirers (48,62% of synergies) and targets (51,38% of synergies). The results of the regression analyses performed on the data are in Table 3 below.

Table 3: Regressions results

Equation	*Parameter*	*Param. estimate*	*Std. Error*	*t Stat*	*P-value*
Acquirer AR $ = α x Synergy $	α	0.4862	0.0732	6.6389	4E-07
Target AR $ = τ x Synergy $	τ	0.5137	0.0732	7.0149	2E-07

The results in Table 3 provide robust evidence that:

1. the parameter estimate α, that is the average acquirer's share of the synergy, is positive and strongly statistically different from zero, i.e., the acquirers neither lose nor just break even from M&A transactions; actually, they do gain some synergies;
2. the parameter estimates τ, that is the average target's share of the synergy, is positive and strongly statistically less than one, i.e., the targets gain a share of the synergies but not all of them;

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3. the statistics are such that the hypothesis that α and τ are equal is far from being rejected, i.e., one cannot reject the hypothesis that acquirers and targets equally share the synergies of M&A transactions; and
4. one cannot reject the hypothesis that α = 0.5 and τ = 0.5.

A point worth emphasizing here is that these reported statistical tests are based on t-distributions, which have heavier tails for lower degrees of freedom (sample size minus one, in the present case) as compared to the normal distribution. So, the rejection of the null hypothesis with underlying a t-distribution is more difficult to attain than with a normal distribution. Putting it differently, any concerns about the sample size are adequately addressed in these tests from a technical perspective.

Considering *dollar* abnormal returns of both parties in M&A deals, one arrives at a markedly different view of the distribution of M&A synergies between acquirers and targets than the *received wisdom* prescribes. By examining pairs of parties in M&A deals, the distribution of synergies question is directly addressed. This point can only be indirectly - if at all - addressed in studies where such parity is not present in the data.

The gist of this analysis is that the data expressed in terms of *percent* abnormal returns may lead to a conclusion aligned with the *received wisdom* while the same data expressed in terms of *dollar* abnormal returns lead to a conclusion consistent with recent and emerging literature that challenges the *received wisdom*. This analysis also provides a hint as to how to reconcile these orthogonal perspectives. Specifically, the findings herein indicate that the study of the distribution of gains between acquirers and targets is inadequately addressed if one uses unpaired *percent* abnormal returns.

Beyond their direct implications, these findings may have far reaching consequences such as, for example, on the discussion about the underlying motivation for M&As. The hubris hypothesis posits that M&As occur when acquirers' management is overly optimistic in their valuation and expectations in extracting synergies and thus over bid for their targets (Roll, 1986). Generally, the hubris hypothesis predicts that the target's stock price should increase while the acquirer's stock price should fall because of the positive valuation error, indicating a wealth transfer. The *received wisdom* supports the hubris hypothesis. Naturally, the findings presented herein - along with a recent body of the empirical literature - call for a re-examination of the hubris hypothesis in the context of the motivations for M&As.

5 Conclusion

The results of the dollar abnormal return analysis suggest an interpretation that is not apparent in the approach supportive of the received wisdom that still dominates the literature and point to a new paradigm in the M&A literature. More specifically, the results of the proposed share methodology suggest that acquirers profit just as much from M&As as targets do, that is, the dollar gains for the acquiring firm are, on average, statistically equal to the dollar gains for the target firm.

In a sample of domestic M&As in Australia over the period 2013-2020, although target stockholders gain more than acquirers in percent terms, acquirers gain just as much as targets in dollar terms.

Two distinctive features of this paper deserve special attention: 1) the percent abnormal return results are consistent with the received wisdom – including published papers that examine Australian M&As, and 2) the dollar abnormal results are aligned with a recent body of literature that calls for a re-examination of the received wisdom.

Point 1) above can be interpreted as a validation of the data as it shows that the collection of cases in the sample behave like typical Australian M&As, which gives credence to the analysis. Beyond that, the reversal of conclusions apparent herein is, in fact, impressive evidence of the potential of the share methodology. The paper reports compelling evidence against the received wisdom using the very same data that gives support to the received wisdom when applying the faulty approach based on percent abnormal returns.

Point 2) then demonstrate that studies using the typical percent abnormal return approach supportive of the received wisdom may in fact be simply finding that their approach was inadequate to make appropriate inferences about the underlying true distribution of M&A synergies. The received wisdom should, at least, be questioned until previous studies have been rerun using the share methodology (based on dollar abnormal returns), which is less demanding in both technical and data intensity terms as compared to the recent approaches that have rejected the received wisdom.

A crucial advantage of the share methodology is that it is technically much less demanding and much less data intensive as compared to the acclaimed approaches that have recently challenged the received wisdom. Consequently, the following “road map” is proposed when investigating the distribution of synergies between the parties’ stockholders in M&A deals. First, apply the share methodology. The received wisdom will likely be rejected at this stage, as it has been seen here. If, however, the received wisdom persists, then apply the more data and technically intensive procedures proposed by these recently acclaimed approaches.

Moreover, a re-examination of the received wisdom may have far-reaching consequences as, for instance, it may shift the balance of motives for M&As away from the hubris hypothesis. Further investigation illuminating how targets’ and acquirers’ stockholders share M&A synergies applying the share methodology on M&As in other countries and over different periods could support the generalization of the conclusions and contribute to improve the understanding of the motives behind M&A decisions in Australia and elsewhere.

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