> Thursday, November 18th, 2021
13:30 - 15:00

FINANCE

IÉSEG
SCHOOL OF MANAGEMENT

EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

'EXPECTED STOCK RETURNS AND CORPORATE ACQUISITIONS'

AZIZJON ALIMOV – IÉSEG SCHOOL OF MANAGEMENT

ABSTRACT

We examine how firm-level expected return measures (ERM) are considered in firms' acquisition decisions. In theory, when expected returns rise acquisition activity should fall. We find that stock price- and stock option-implied ERMs are strongly negatively related to acquisition activity, as theory predicts. In contrast, factor model-based ERMs such as the CAPM show a negative relation with acquisition activity. When implied ERM are high acquirers appear to pursue the most value-enhancing deals and pay lower premiums. We also document that the impact of the implied cost of capital measures are particularly prevalent among firms with greater institutional ownership. These findings suggest that managers accurately update changes in expected returns when making important investment decisions despite the failure of standard factor-based models in this regard.

LEM
LILLE ECONOMICS MANAGEMENT

cnrs

UNIVERSITÉ CATHOLIQUE DE LILLE 1875