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# M&A Effects on Target and Acquirer Returns Post Acquisition Announcement

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## ABSTRACT

In 2001, AOL acquired Time Warner in a massive $165 billion transaction. This deal was made to combine legacy media with brand new technology, but ultimately ended in failure, with major culture clashes, the dot-com bubble, and an inability to meet their promises to the public. These deals can help expand market share and drive valuation, but they are not without risks. The goal of my project is to identify how mergers and acquisitions announcements affect the stock prices of both acquirer and target companies. This study utilizes resources such as publicly available information on securities, 10-K/10-Q reports, and news articles to track the share price behavior of 25 different M&A transactions announced between 2015 and 2025 in which both the target and acquirer remained public for at least one year after the announcement. Acquirer and Target returns are analyzed on a daily basis, specifically highlighting the days immediately, 6 months, and 1 year after the deals were announced. The results indicate that while both acquirer and target returns were most volatile directly after the announcement, the acquirers proved to be more volatile, and that over the long term, the acquirers had greater cumulative returns. In short, the findings suggest that M&A announcements create short term uncertainty, but over time, acquirers tend to have a stronger performance. The findings from the project offer insight into whether short-term stock movements correspond with long-term value creation, which is valuable insight for investors, corporate managers, and policymakers.

## INTRODUCTION

Mergers and acquisitions (M&A) refer to the activities involving the transfer of ownership or consolidation of business organizations with a strategic purpose. A merger is when multiple companies come together to create a new corporate entity. They strategically merge to gain synergies from the move. Meanwhile, an acquisition is when one company takes over, or acquires, another company, and becomes the new owner through this purchase, securing new assets and technologies from these companies, while increasing its share in the market. These activities are done to help acquiring companies stay competitive, expand market reach, and improve efficiency. M&A has become a common tool for many businesses today in their journey for growth in the global market (Andrade et al. 1). While these transactions can help create value for all stakeholders, they also come with various potential downsides, whether it be financial, organizational, or market risks. The risks and rewards for both acquirer and target are often unevenly distributed, which causes investor reactions to often differ, making stock price behavior important in evaluating the outcomes of M&A transactions.

M&A has had waves of popularity throughout the past century, where each wave was influenced by technological breakthroughs, economic atmosphere, and laws and regulations. These waves are periods in which M&A activity quickly rises across many industries. During these waves, companies try to pursue deals to capitalize on the favorable conditions of the market. The earliest waves featured the consolidation of steel and oil industries to create monopolies (Naqvi 3). Later waves throughout the 20th century saw companies trying to expand into unrelated sectors, pursue leveraged buyouts, and adjust to global markets and fewer government regulations. In recent waves, massive technology, healthcare, and finance deals have been made, driven by new technologies and lower interest rates (Wann and Lamb 4). In 2024 alone, the M&A market value reached $3.4 trillion, underscoring its prominence (Henry and Oostend). These trends illustrate the fluctuating but evolving nature of M&A to meet the needs of the market (Matynova and Renneboog). Rather than focusing on the entire historical evolution of M&A, this study focuses on how modern transactions affect the market valuation and investor behavior.

The stock market may have complex and unpredictable reactions to M&A announcements based on investor sentiment. Understanding these reactions is essential for investors, corporate managers, and policymakers seeking to evaluate corporate strategy and decision-making. Particularly, comparing the acquirer and target stock prices help clarify where value risk and creation are concentrated. This study addresses: How do M&A announcements affect the stock prices of acquirers vs. targets in the past 10 years for deals in which both the target and acquirer remained public for at least a year after the announcement? Twenty-five significant M&A transactions from the past decade are analyzed by using historical stock price data from reputable financial databases, company filings, and news articles. The analysis will use three main time points to compare against the stock price the day before: immediately following the announcement, six months, and one year after the deal is announced. This allows both the long-term and short-term reactions from the market to be analyzed and will help create a better understanding of how the market views consolidation over time.

## LITERATURE REVIEW

### Target Firm Stock Price Reactions

Research has shown that during the announcement of a merger or acquisition, the reaction of the market on the stock price often differs between targets and acquirers, showing that changes occur due to market expectations of better cost efficiency, improvement in managerial performance, and better synergy (Dvir et al. 19). Usually, the target companies see a rise in their stock price, as investors factor in the extra benefits the acquirer has given to benefit from the control of the target firms (Adnan and Hossain 1). For example, a methodology found that the average announcement cumulative abnormal return (CAR) for publicly traded targets was about 19.13% on the day of the announcement (Clancey-Shang 6). These findings indicate that the standard expectations are that target firms benefit from the acquisition premiums at announcements, which his study will examine for deals in which targets remain publicly tradable for over a year.

**Acquirer Firm Stock Price Reactions**

On the contrary, acquiring companies' stock prices have more varied responses and are therefore harder to predict (Assefa et. al 7). Acquirers have actually been known to take in a small negative abnormal return at announcement. For example, a paper found that acquirers' average abnormal return was -0.97% on the announcement day (Jiang 10), while another study states that throughout history, targets earned an average of 30% above their industry average for the three years before the acquisition (Fidelity Active Investor). Additionally further studies suggest that acquiring firms in global markets such as India often experience varying abnormal returns, both positive and negative depending upon characteristics of the deal (Gupta and Banerjee 50). This difference between the acquirer and target stock reactions reflects the risks and benefits that differ as perceived by investors at the time of the deal. These stock price reactions are significant as they reflect the expectations of investors and provide insight into market efficiency and corporate strategy evaluation. This variation in acquirer performance motivates this study's focus of comparing the acquirer and target firms over identical time horizons.

**Short-Term Focus of Existing Literature**

Most literature focuses on short-term reactions by measuring the stock price movement on the announcement day or a few days after. An example of this includes a study covering 2010-2021, which found strong positive reactions for the target companies in the short-term time slot, but very small reactions for the acquirers. (Kellner). Few studies examine the short-term or long-term stock performance across a uniform timeframe for both acquirer and target firms as this paper does. The long post-announcement horizon matters because it reveals the behavior of target firms that are traded publicly for at least a year publicly for, revealing effects which many prior shorter-term studies have often missed. Some studies suggest that although the usual acquirer may gain value from a merger, the mean result can show a loss because some companies perform excessively poorly and bring the average down. This limitation is focused on in this study which evaluates the reactions upon short, medium, and long term horizons after the announcement for both firms. Studies find that longer term measures such as Economic Value Added (EVA) indicates positive post merger performance for the acquiring firms even if the short term CAR is insignificant, highlighting the large importance of examining varying time horizons (Gulati and Garg).

By comparing different time horizons, which are included in this study, such as immediately, 6 months after, and 1 year after, this study is able to address this gap in research and provide more insight into longer-term market reactions. Additionally, this study uses daily stock price data to provide a more precise measurement of market reactions than other studies relying on longer period returns, such as weekly or monthly. Using the daily data allows the study to capture short-term volatility as well as longer term patterns of recovery following the announcement of the transactions.

**Exceptions and Deal-Specific Factors**

Several factors influence the magnitude and how potential investors view an M&A deal. Deal type and structure, such as whether it is a partial acquisition or full takeover, payment type – cash or stock – or whether it is friendly or hostile, can affect investors' perceptions. Risk profile and previous performance also matter as firms with negative past returns are more likely to become part of a value-destructive acquisition (Cai and Shefrin 7). Information leaks, and institutional trading play a large role as many may trade on pre-announcement information, and often institutional investors adjust their holdings ahead of deals (Fich et. al 9). Acquirer companies also may share information strategically, therefore reducing the cost of buying another company, due to the market reacting to this information. These factors all help explain why the stock price for the acquirer company is usually harder to predict than the target company. Considering all these factors for the 25 recent deals analyzed in this paper, this study can better interpret variations in both the acquirer and target stock responses.

**Gaps in Existing Research and Contribution of This Study**

Although most broad patterns are clear – such as the target usually benefiting at announcement, while acquirers are more varied – many gaps still remain. Many studies focus on only one, either the acquirer or the target, but few focus on side-by-side comparisons over the same timeframes. The side-by-side comparison over identical timeframes is key in this study as it enables a clearer understanding of different market reactions. By analyzing the performance of both acquiring and target firms over short, medium, and long term horizons within the same 25 recent deal samples, the study provides new insight into how market expectation and returns evolve over time. While many prior studies have focused upon announcement day effects or long term outcomes in EVA, this study addresses the gap by analyzing both acquirer and target firms over the short, medium , and long term horizons. This approach adds to literature by showing not just whether the target and acquirer lost or gained value from the transaction, but how these patterns differed over consistent timeframes, which allows investors, managers and researchers to understand post M&A market dynamics better. Additionally, medium and long-term effects for both acquiring and target firms remain under-explored, especially in the recent deal waves, especially the time period of 2015 to 2025, spanning through many different industries under changing macroeconomic conditions, such as low interest rates and rapid growth of technology over this decade. By focusing on recent transactions and applying a consistent framework of analysis for both firms, this study directly addresses these gaps and adds insights.

In summary, literature usually indicates a non-symmetry between stock reactions to mergers and acquisition announcements between acquirer and target firms, with targets usually having positive abnormal returns, due to the premium paid to acquire them, and acquirers being more varied. For both, the most variability often occurs in the short-term reaction, but by looking at a longer timeframe, new studies help bridge gaps and see if short-term reactions truly fuel long-term growth for both parties. Additionally, by looking at 25 recent significant deals, this study is able to find updated insight into market reactions in modern waves of M&A across diverse industries.

## DATA

This study analyzes twenty-five M&A transactions announced between 2015 and 2025. These twenty-five transactions were selected to represent modern M&A activity on the large scale, as they span multiple industries, market conditions, and transaction structures which have been prevalent in the past ten years. To select the deals to be analyzed, they must have followed the following criteria for the experiment: both target and acquirer companies must have been traded publicly at the time of the announcement, the transaction must have been announced at a specific date, the target and acquirer companies must have been publicly traded for at least a year after the announcement, the deals must have a size of at least one billion USD, and there must be sufficient available information on the transactions.

For each of the twenty-five transactions, the stock prices of the acquirer and target companies were collected at four different time points: the day before the transaction was announced, the day of the announcement, 6 months after, and one year following the announcement. Daily prices were collected in order to examine trends as precisely as possible. Historical data for the transactions were sourced from Yahoo Finance due to its features, such as adjusted close prices, which adjust for stock splits and dividends. For cases where data was not available on Yahoo Finance, Investing.com was used, in which only raw closing price data was available. This limitation may have minor inconsistencies in the calculations. Additionally, SEC 10K and 10Q filings were reviewed to help contextualize market reactions. The announcement dates were found using official company filings to ensure accuracy, and all returns were identified to help portray a more accurate comparison of the stock price performances between the acquirer and target companies. Transactional details and announcement dates were verified through official filings found in the U.S. Securities and Exchange Commission EDGAR database to ensure accuracy.

Several limitations should be noted for this study. The sample size of 25 is relatively small compared to larger academic studies, which may limit how broadly the conclusions of this study can be applied. Next, the prerequisite that both companies must remain publicly traded for at least a year after the announcement may add survivorship bias, as firms that quickly delisted or were acquired soon after the announcement are excluded from the analysis. Additionally, due to the use of publicly available financial databases, there may be some small inconsistencies between different sources of data. Despite these limitations, the dataset is very transparent and replicable, which allows a consistent and structured comparison of stock performances following the M&A announcements.

## METHODS

To analyze the effect M&A announcements have on the stock prices of the acquirer and target companies, this study conducted an adjusted time series-based comparison with the historical stock prices of twenty-five M&A transactions from the past decade. The main time points allow for the identification of short-term, medium-term, and long-term trends in the stock price.

The stock's returns were calculated by calculating the percent change from the initial price before the announcement for each day after the announcement. First, the pre-announcement price was set as the baseline value. Then, daily percentage changes were found relative to the baseline value. Then comparisons were made between the acquirer and target returns for each interval. After, a line between the points was drawn to identify the trend.

Volatility was also measured using 10-day standard deviations of daily returns for both the acquirer and target companies. The 10-day interval was chosen in order to balance short-term market reactions while smoothening out certain day-to-day noise that could allow for distortion of the trend. This allowed assessment of short-term variability of the stock directly after the announcement and throughout the following year

To adjust for market performance, the CAPM formula was used in order to risk-adjust the performance of the acquiring companies. This adjustment separates the effect placed by the announcement away from broader market movements. A beta was calculated by finding the monthly return on adjusted close over 5 years for the acquirer and then regressing this data with the monthly return on adjusted close over 5 years for VOO, an index fund that tracks the S&P 500. Then, over the same 1-year interval used after the announcement price, the percentage change was found from the day right before the announcement. The Capital Asset Pricing Model (CAPM) is a model used for calculating asset risk and return given by the following equation, where Beta represents the expected return of market-risk-free rate of return:

**Expected Return = Risk Free Rate of Return * Beta**

After finding this daily return, the data was plugged into an adjusted CAPM formula to find the merger gain using the following equation:

**Merger Gain = Stock Return 1 Year Post Merger - Beta * Market Return 1 Year Post Merger**

After plugging in the values found and calculated, the total merger gain was found. However, only the acquirer was adjusted using the updated CAPM formula due to the fact that the study focuses on evaluating how the acquiring company's stock reacts relative to the overall risk in the market. The acquirer's returns can be influenced by general movements in the market, so adjusting allows the effect of the merger to be more clearly seen. The target's stock mainly reacts to the expectation of investors and the premium the acquirer pays in the transaction, rather than the risk and the market, so adjustment was not applied. Additionally, for many of these targets, there wasn't sufficient data in order to calculate the 5-year beta as well.

## RESULTS

Through the analysis of 25 significant M&A transactions over the time period between 2015 and 2025, a distinct pattern emerged in the stock price behavior of acquirer and target companies, in both the short

term and longer horizons. Table 1 summarizes the 25 deals analyzed, including acquirer target, announcement date, deal value, and payment type. The dataset spans a range of industries and sizes of deals, providing context for analysis of stock price behavior over multiple time horizons.

Table 1
Key Details of Analyzed M&A Transactions

| **Case #** | **Acquirer** | **Target** | **Announcement Date** | **Deal Value ($USD)** | **Payment Type** |
|---|---|---|---|---|---|
| 1 | AMD | XIlinx | October 27, 2020 | 35B | stock |
| 2 | NVIDIA | Mellanox | March 11, 2019 | 6.9B | cash |
| 3 | AT&T | Time Warner | October 22, 2016 | 85.4B | combination |
| 4 | T-Mobile | Sprint | April 29, 2018 | 26B | stock |
| 5 | Synopsys | Ansys | January 16, 2024 | 35B | combination |
| 6 | Microsoft | Activision Blizzard | January 18, 2022 | 68.7B | cash |
| 7 | Broadcom | VMware | May 26, 2022 | 61B | combination |
| 8 | S&P Global | IHS Markit | November 30, 2020 | 44B | stock |
| 9 | Google | Fitbit | November 1, 2019 | 2.1B | cash |
| 10 | Chevron | Hess Corporation | October 23, 2023 | 53B | stock |
| 11 | Rogers Communications | Shaw Communications | March 15, 2021 | 26B | combination |
| 12 | Disney | 21st Century Fox | December 14, 2017 | 71.3B | combination |
| 13 | Bayer | Monsanto | September 14, 2016 | 63B | cash |
| 14 | Analog Devices | Maxim Integrated | July 13, 2020 | 21B | stock |
| 15 | Praxair | Linde AG | December 20, 2016 | 65B | stock |
| 16 | United Technologies Corporation | Rockwell Collins | September 4, 2017 | 30B | combination |
| 17 | Capital One | Discover Financial Services | February 19, 2024 | 35.3B | stock |
| 18 | HDFC Bank | HDFC Ltd | April 4, 2022 | 40B | stock |
| 19 | Dow Chemical | Dupont | December 11, 2015 | 130B | stock |

| | | | | | |
|---|---|---|---|---|---|
| 20 | Groupe PSA | Fiat Chrysler Automobiles | December 18, 2019 | 50B | stock |
| 21 | ChemChina | Syngenta | February 3, 2016 | 43B | cash |
| 22 | E.ON SE | innogy SE | March 12, 2018 | 50B | asset swap |
| 23 | Essilor | Luxottica | January 16, 2017 | 49B | stock |
| 24 | Agrium | Potash Corporation of Saskatchewan | September 12, 2016 | 36B | stock |
| 25 | CenturyLink (LUMN) | Level 3 Communications | October 31, 2016 | 34B | combination |

Figure 1 below presents the average unadjusted return percentage for target and acquirer firms at three time points: The day immediately after the announcement, six months post-announcement, and one year post-announcement, compared to the day prior to the announcement.

To highlight the market response to M&A announcements, this section focuses upon the returns immediately after, six months after, and one year after the announcement compared to the day prior to the announcement.

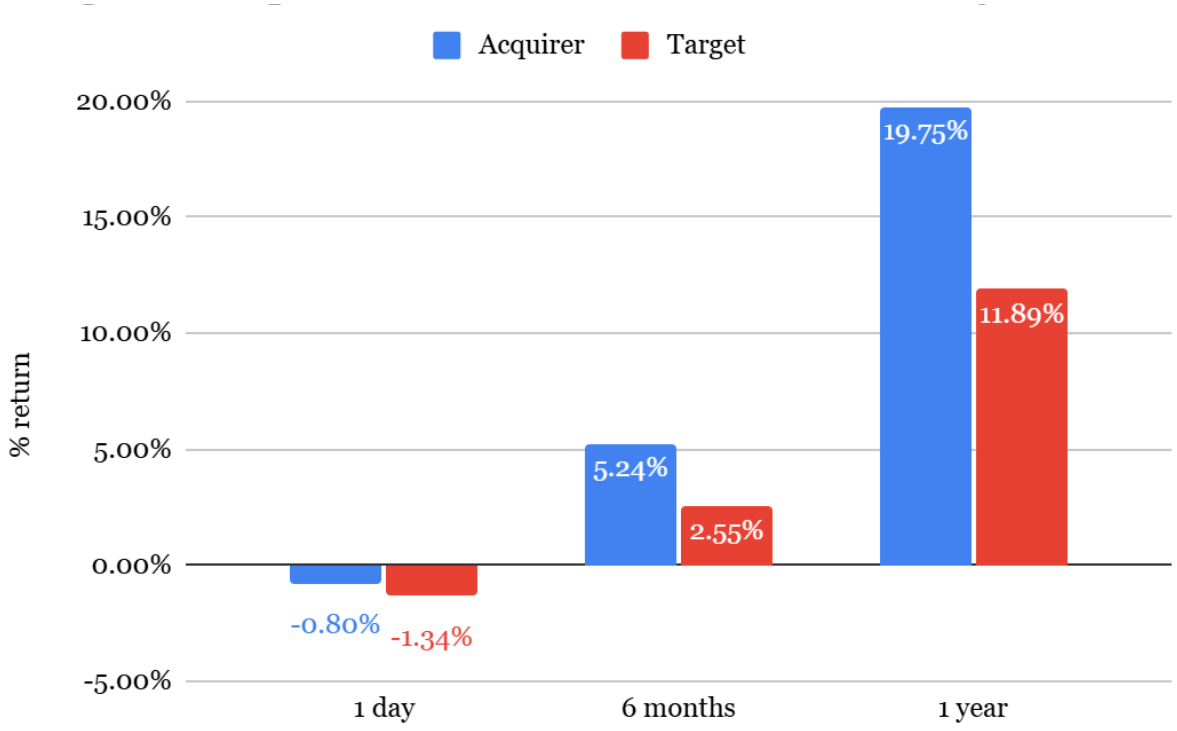


Fig. 1. Target vs Acquirer Return Post Acquisition Announcement

Contrary to much of prior literature, the data conveys that the average return for the target firms was slightly lower than that of the acquirer and, in many cases, declined immediately following the announcement. It is notable that all targets in this sample remained publicly traded for at least 12 months post-announcement, which may have contributed to the lower-than-expected immediate returns of the target relative to prior studies focusing on shorter time horizons. Specifically, on average, as indicated in Figure 1, the targets' average return was around -0.54 percent less on the day right after the announcement. By six months post announcement, while both acquirer and target firms recovered, the gap had increased, and by one year, the acquirers had significantly outperformed targets, with an average return of approximately 19.8% compared to the 11.8% return for targets. These results suggest that while targets typically benefit from M&A premiums in prior studies, the immediate market reaction in this study's dataset was subdued, which reflects the nuances in deal structure, risk within the transaction, and anticipation of the deal, as well as the extended post-announcement period in which targets remained publicly traded. Several factors likely contributed to the lower target returns than expected immediately following the announcement. First, many of the deals in the sample were stock-based acquisitions or involved minimal acquisition premiums relative to the trading price of the target prior to the announcement, which reduced the immediate upside for target shareholders. Next, market anticipation and possible leakage of information may have led to pre-announcement price appreciation before the announcement, which left less room for gains after the announcement. Additionally, when the announcement was made, any uncertainty existing regarding regulatory approvals, integration challenges, or the overall strategic fit of the acquisition may have led investors to sell off shares, resulting in an immediate temporary decline. Additionally, market sector-specific volatility and deal-specific risks may have shaped investor sentiment regarding the deal, in turn resulting in the observed negative short-term return. Uncertainty around the deal surrounding integration execution, regulatory approval, and financing structure can cause investors to temporarily reassess the risk around the deal, which ultimately would lead to increased pressure for selling and short term price volatility immediately after the announcement. Furthermore, the relatively small sample size of 25 transactions may amplify certain individual deal effects, causing deviation from the typical positive abnormal returns as reported in prior studies. Finally, the relatively long period over which these targets remained publicly tradable may have amplified the short-term deviations relative to prior studies, which focused only on immediate post-announcement windows.

To place short-term reactions in a longer term context, Figure 2 shows how stock prices evolve over the full year after the announcement. Figure 2 depicts the daily percentage change in the stock prices for both acquiring and target firms over the course of 254 trading days (approximately a year) following the announcement. The figure highlights the short-term and longer-term dynamics in unadjusted returns.

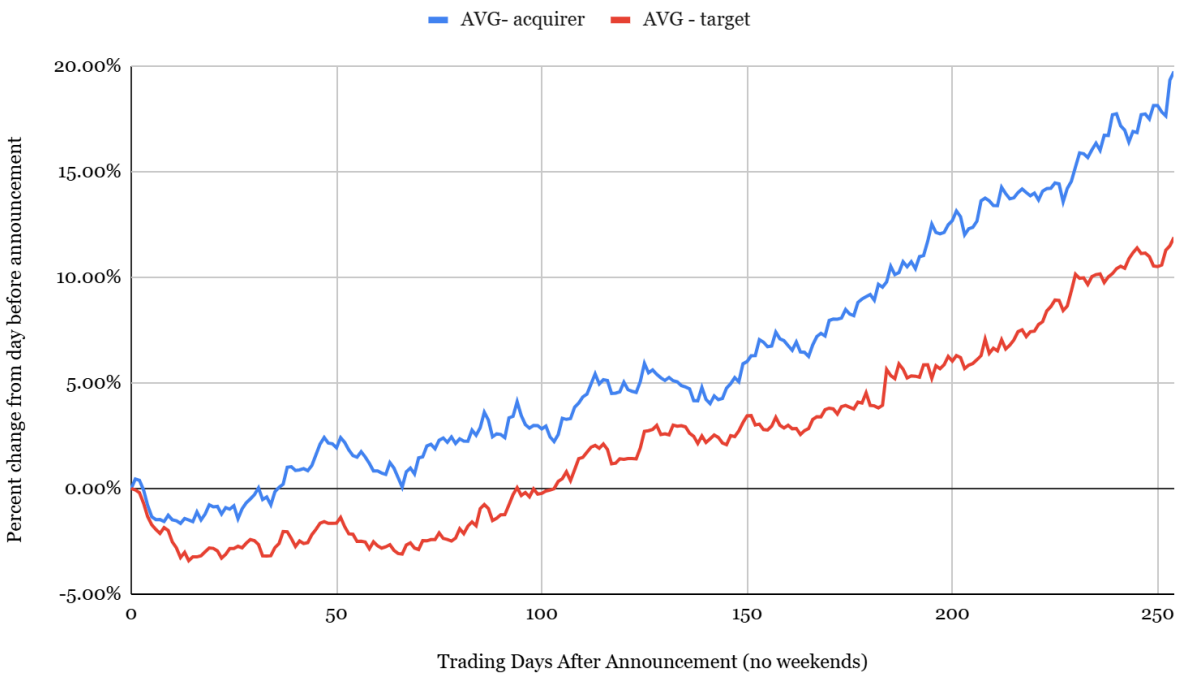


Fig. 2. Acquirer vs Target Non Adjusted Price Return

Initially, the targets exhibited a brief decline in price, whereas the acquirers stayed rather stable, but still declined, consistent with the observations from Figure 1. Over time, both acquirer and target firms trended upwards, with acquirers consistently outperforming the target firms from the day after announcement and onwards. The cumulative pattern illustrates that although targets may experience immediate fluctuations in stock price, the acquirers appear to maintain steady gains in the medium and long terms. This pattern also reflects the effect of the extended post-announcement time period for targets, which allows short-term volatility and market uncertainty to be smoothed over time. The trajectory also conveys the importance of examining multiple time horizons to capture both short-term market reactions and longer-term value creation.

To determine whether the observed returns reflected the deal-specific performance rather than the general movement of the market, Figure 3 evaluates the returns using a risk-adjusted framework. The role of market risk in shaping the returns for the acquirer firms was further evaluated using the Capital Asset Pricing Model (CAPM), with the results presented in Figure 3.

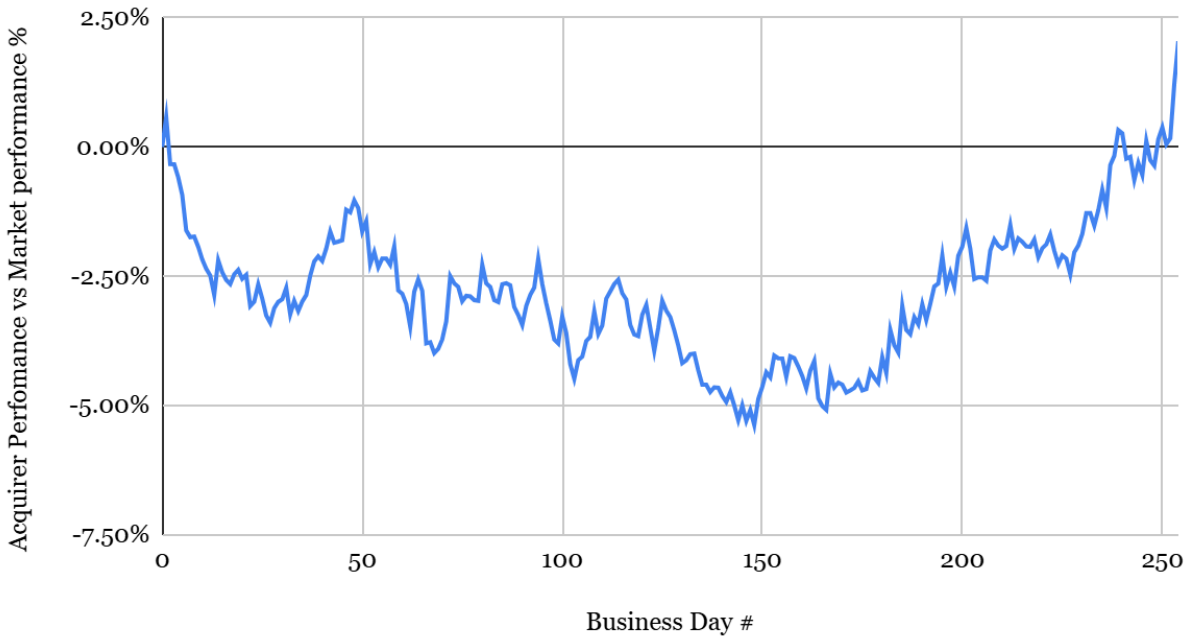


Fig. 3. Acquirer Risk Adjusted Price Return

The risk-adjusted returns indicate that after accounting for the overall market movement, acquirers typically underperformed relative to expected performance, even dipping to approximately 5% below the market-adjusted baseline within their first 150 days. This early underperformance reflects the investors initial price in additional risk that is associated with the execution of the deal and integration following the announcement of the transaction. However, from around day 150 onwards, the acquirers' risk-adjusted returns steadily improved and even reached a positive mark towards the end of the year. The CAPM adjusted analysis confirms previous results, that while acquirers are exposed to market risk, the underlying impact of the transaction of the merger or acquisition on the performance of the stock becomes more pronounced over longer horizons. This adjustment also clarifies that shorter-term deviations in acquirer performance can be attributed to general market movements rather than transaction-specific factors only.

In Figure 4, the volatility is assessed in order to observe how uncertainty evolves for both sides of the deal following the announcement. Volatility trends, as measured by the 10-day rolling standard deviation of daily returns, are presented in Figure 4 below.

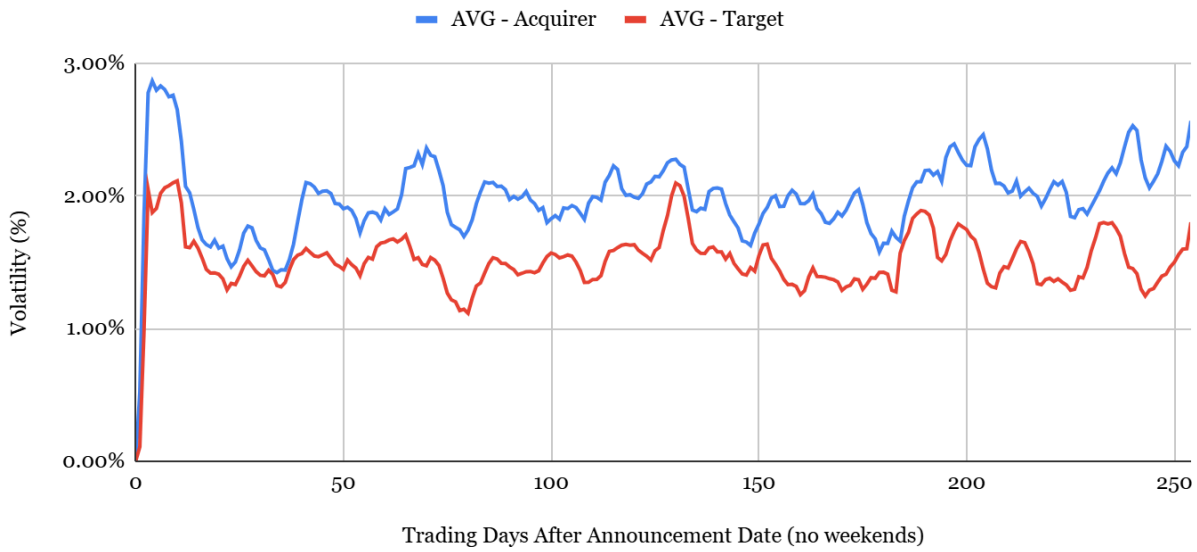


Fig. 4. Acquirer vs Target 10 Day Standard Deviation

Both acquirers and targets have heightened volatility immediately following the announcement, with the acquirer having a slightly higher peak in the first few trading days. This aligns with prior literature indicating that acquirers may face more complex uncertainties such as financing considerations, integration risk, and regulatory scrutiny. All these uncertainties can amplify the short-term stock fluctuations. After the initial surge, the volatility for both acquiring and target firms stabilized, with acquirers showing a moderately higher volatility through the year. The elevated early volatility highlights the sensitivity of stock prices to investor sentiment and news regarding the deal in the period immediately after the announcement. Furthermore, the smoothing effect of the stock price over longer periods of time, as indicated in the graph, suggests that the initial market reactions tend to normalize as more information becomes available, thus leading to uncertainty being resolved.

Across all these figures, several patterns remain consistent throughout. First, the divergence in immediate reactions between the acquiring and target firms emphasizes the differing risk and perception of value creation that appears in M&A transactions. While traditional studies often report positive and abnormal returns for targets at announcement, the observed short-term declines in this study highlight that modern deals may involve more complex structures of financing, heightened investor concern, and pre-announcement price adjustments. The longer-term horizon being used in this study further differentiates this study's dataset, providing a longer perspective on recovery than most prior studies. Second, the cumulative and risk-adjusted analyses underscore that acquirers ultimately achieve more significant gains over the medium and longer horizon, which ultimately suggests that strategic synergies and integration benefits may take longer to form. Third, volatility metrics confirm that the initial post-announcement period represents the peak of uncertainty, as both acquiring and target firms' stock prices stabilize over time.

These results highlight the importance of using multiple analytical approaches to evaluate the performance of M&A transactions. The unadjusted returns help provide insight into the movement of absolute stock price movements, while the CAPM-adjusted measures isolate the transaction-specific performance relative to market risk. Likewise, examining rolling volatility using 10-day standard deviations offers a way into looking at how short-term variability complements the longer-term return of the stock. Taken together, these methods present an understandable view of the dynamics that surround M&A announcements, ultimately revealing that initial reactions may diverge from the longer-term performance of the stock and that the acquirer and target stocks both respond differently depending upon the time horizon, structure of the deal, and conditions of the market. Overall, the analysis indicates that targets in this dataset did not consistently experience the immediate positive returns, which is usually noted in prior studies, likely due to the mixed sort of deal structure, pre-announcement price adjustments, and transaction-specific uncertainties. Acquirers, on the other hand, showed gradual, sustained gains, with early volatility peaking for both firms, which ultimately highlights the importance of time horizon and deal-specific factors in M&A stock performance.

## CONCLUSION

This study examined the reactions of the market upon the stock price of both acquiring and target firms in 25 significant M&A transactions between 2015 and 2025, analyzing short-term, medium-term term and one-year post-announcement performance. Across the figures, a strong pattern emerged: targets in the dataset did not experience the strong positive gain directly after the announcements as widely noted in traditional studies. Instead, the average target return declined on the day after the announcement and only gradually recovered over the following months. This could be due to the features of the deals, such as payment structure, modest premiums, pre-announcement run-up of price, and extended periods of them being publicly traded. These characteristics likely outweighed the “announcement premium” that appears in many earlier studies focused on shorter time reactions. Acquirers, in contrast, on average had stable, persistent gains over longer horizons. While risk-adjusted calculations prove that they did underperform for months after the deal, they were still able to recover and eventually outperform the expected market benchmarks towards the end of the year. This trajectory indicates that value from the deal is gained for acquirers gradually, and as more time goes by, the synergies become clearer and integration progresses.

Volatility patterns further support the above conclusions as both acquirer and target stocks experienced heightened volatility right after the announcement, with acquirers having a larger spike due to the greater risks they face in the transaction. Over time, the volatility stabilized, showing the market’s gradual assimilation of information and letting go of previous uncertainties. Together, the trend, risk-adjusted, and volatility analyses indicate that M&A reactions are highly time-dependent and influenced by deal structure, conditions of the market, and pre-announcement expectations.

Overall, these results suggest that M&A can’t be fully understood through short window announcement effects alone. The long-term perspective in this study reveals that in deals in which both target and acquirer remained tradable publicly for at least a year after announcement, while they did not benefit immediately after the announcement, the target firms appreciated over time, and the acquirers generated

gains after the initial hesitation of the market. These findings suggest that both investors and researchers may benefit from extended event-study windows, a larger emphasis on deal structure, and a closer look into post-announcement risk resolution when evaluating the true value creation of modern M&A transactions.

## LIMITATIONS AND FUTURE RESEARCH

This study offers insight into M&A stock price behavior in which both sides remain tradable for at least a year, but it still has limitations. First, a sample of twenty-five restricts generalization, however, this could be even more accurate by looking at more deals across various market cycles to test whether these patterns persist.

Second, for the target firms, the adjusted stock price wasn't used, and rather the raw closing price was used due to the adjusted stock not being available. Future studies could rely on databases that have this information or restrict samples to firms with only fully adjusted price data to improve the accuracy of the returns.

Third, while this study uses unadjusted and CAPM adjusted returns, the results could be enhanced with other asset pricing models to further isolate the effects based on the transaction only. Future research could use models such as Fama-French and Carhart, and traditional event study windows.

Fourth, the study also does not separate deals by payment method, industry, or transaction type. Future analysis could separate deals by these characteristics to better understand how specific features affect the market reactions.

Fifth, the targets used in this study were tradable for a year post announcement, which omits rapid, cash-financed takeovers with larger premiums. Future research could compare these deal types directly to analyze how speed and payment structure affect announcement returns.

Finally, the focus of this study was on market based outcomes only. Future research could add more operational and fundamental metrics, such as revenue synergies, integration cost estimates, or changes in return on invested capital, to help connect the stock price behavior to the real economic value creation. Merging market and accounting data would allow for a more holistic view of how and why M&A transactions succeed in the end. Combining market and accounting data in future studies would give a better picture of how M&A deals create value over time.

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