

Do Acquiring Firms Achieve Their Mergers and Acquisitions Objectives? Evidence from Japan

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Motivation and Research Question

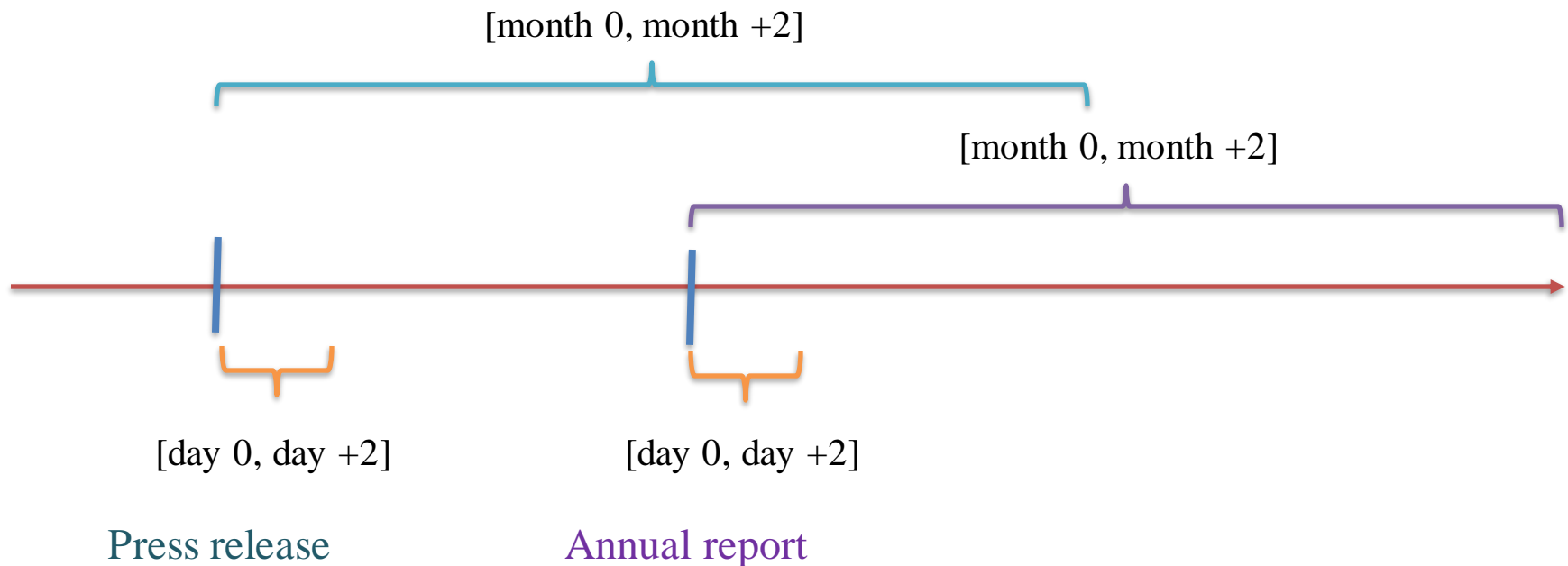
- The **IASB (2020)**, “Business Combinations—Disclosures, Goodwill and Impairment,” proposed that acquiring firms provide M&A information including:
 - *“The strategic rationale, objectives and related targets in the financial statements;”*
 - *“Whether the original objective is still expected to be met;”* and
 - *“The acquisition’s subsequent performance for as long as the information remains necessary for investors to assess whether the original objectives of an acquisition are being met.”*
- **Research Question:** this paper investigates the usefulness of the information on M&A objectives.

Hypothesis and Findings

- **H1:** When acquiring firms mention M&A objectives, their financial indicators show greater improvements, compared with firms that do not.
 - No strong evidence (univariate analyses).
- **H2:** When acquiring firms mention M&A objectives, they experience higher stock returns, compared with firms that do not.
 - Supportive evidence based on 2-month stock returns (univariate and multivariate analyses).
- Analyses based on a sample of 232 M&As conducted between Japanese listed firms from 2006 to 2016.

Comment 1 – Short-term Market Reaction

- To investigate the usefulness of M&A objective information, it could be helpful to analyze stock returns based on **short-term windows** around the announcement dates of press releases and annual reports.



Comment 2 – Whether the Objective Has Been Achieved

- It would be interesting to examine the **stock market responses** to the subsequent performance, conditional on **whether original M&A objectives have been met** (IASB 2020).
 - Identify the firms that meet or miss the targets.
 - It would be expected that the stock market will react positively (negatively) to the news that acquiring firms meet (miss) M&A objectives.
 - Run regressions to analyze stock returns around the subsequent annual report dates, controlling for other factors that can affect returns.

Comment 3 – Information Relevance

- Given that the description of M&A objective can be *boilerplate*, using textual analyses, we can further classify those descriptions into generic information and non-generic information.
- We may expect that **non-generic information** can provide more relevant information to investors, **leading to stronger market reactions**.

An interesting paper provides important policy implications.

Good luck!