

Online Appendix for
"Does the CAPM Drive Misvaluations in M&As?"

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A. Additional Figures

Figure A.1. Private vs. Public Targets – Replication Sample

In analogy to Figure 2 in Dessaint et al. (2021), this figure shows the OLS regression coefficients for all dummy variables ($1\{a < \text{Target asset beta} \leq b\}$) from Panel B of Table A.7 relative to the base case of $\text{Target asset beta} = 0.825$, the midpoint of the reference category ($1\{0.71 < \text{Target asset beta} \leq 0.94\}$) in the middle of the *Target asset beta* distribution, for private target bids (Panel A) and public target bids (Panel B), as reported in Columns (3) and (6) of Table A.7. The sample considers all bids in the replication sample, i.e., bids from listed U.S. firms between 1977 and 2015.

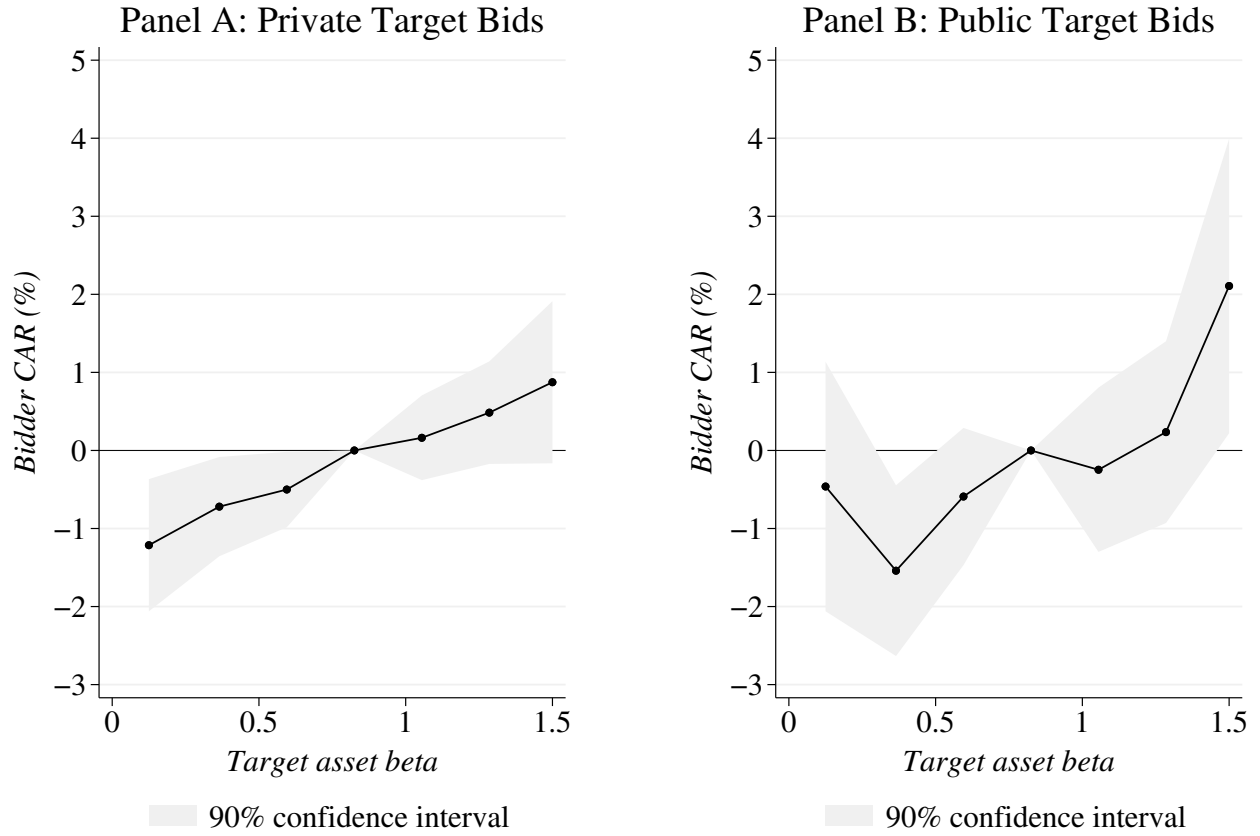
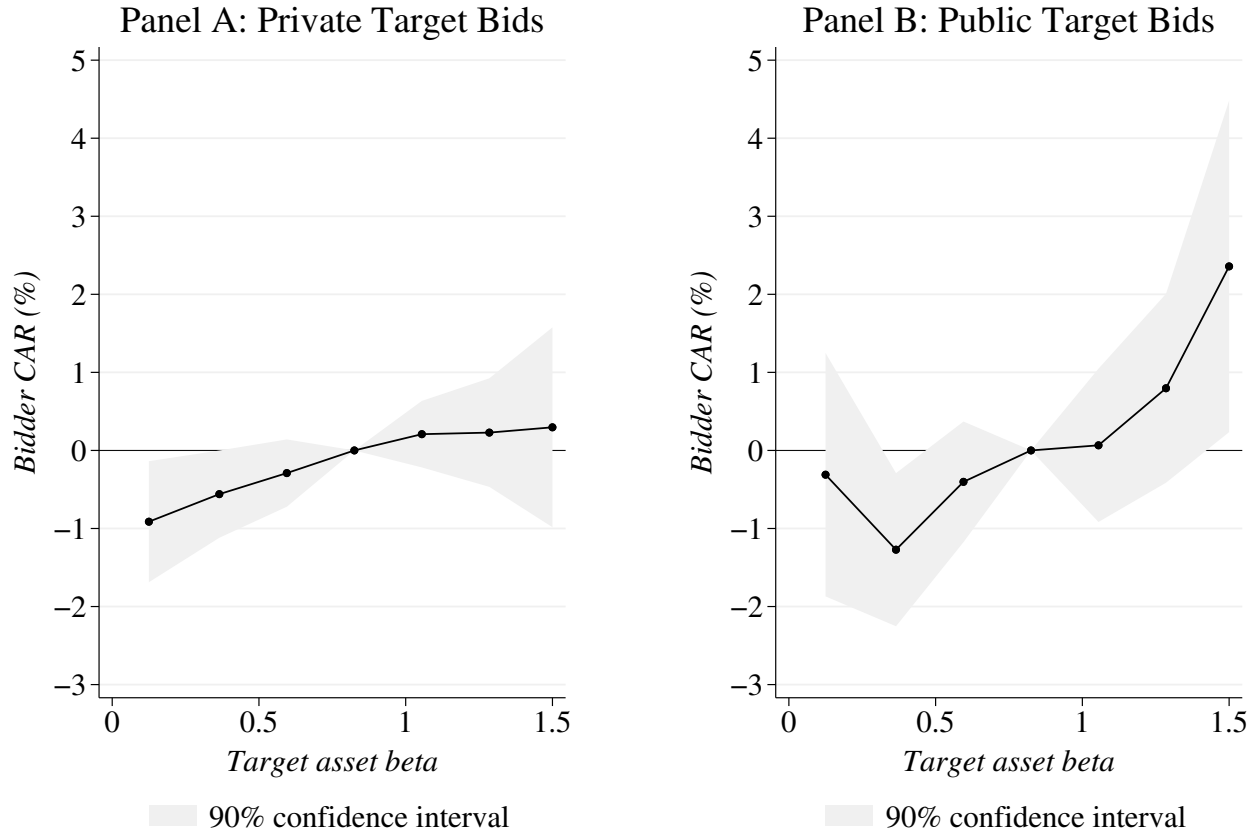


Figure A.2. Private vs. Public Targets – Extended Sample

In analogy to Figure 2 in Dessaint et al. (2021), this figure shows the OLS regression coefficients for all dummy variables ($1\{a < \text{Target asset beta} \leq b\}$) from Panel C of Table A.7 relative to the base case of $\text{Target asset beta} = 0.825$, the midpoint of the reference category ($1\{0.71 < \text{Target asset beta} \leq 0.94\}$) in the middle of the *Target asset beta* distribution, for private target bids (Panel A) and public target bids (Panel B), as reported in Columns (3) and (6) of Table A.7. The sample considers all bids in the extended sample, i.e., bids from listed U.S. firms between 1977 and 2020.



B. Additional Summary Statistics

Table A.1. Summary Statistics – Public Targets

This table reports descriptive statistics for public target M&A bids. Panel A reports the values for the original sample of Dessaint et al. (2021) (Panel B of Table 1 in their paper). Panel B displays the summary statistics for the replication sample, while Panel C shows the descriptive statistics for the extended sample. Panel D reports the values for the European sample. The summary statistics include the number of observations, sample mean, standard deviation, minimum, 25% quantile, median, 75% quantile, and maximum. *Bidder CAR* is the bidder's cumulative abnormal return in the symmetric seven-day window around the bid announcement. *Target (Bidder) asset beta* is the target's (bidder's) average 3-digit SIC industry asset beta. *Beta spread* is the difference between the target's and bidder's average 3-digit SIC industry asset beta. *Deal value* is the deal value reported by SDC in million USD. *100% stock* is a dummy equal to 1 for offers where the payment mix consists solely of equity and 0 otherwise. *Avg. discount rate* is the midpoint between the maximum and minimum discount rate reported in M&A fairness opinions in SDC. All non-binary variables are winsorized at the 1st and 99th percentiles. All variables are described in Table 8 in the Appendix.

	N	Mean	St. Dev.	Min.	p25	Median	p75	Max.
Panel A: Original Sample								
<i>Bidder CAR (%)</i>	7,296	-0.6	7.7	-20.5	-4.6	-0.7	3.1	27.9
<i>Target asset beta</i>	7,879	0.82	0.36	0.17	0.53	0.82	1.11	1.55
<i>Bidder asset beta</i>	7,932	0.81	0.34	0.20	0.55	0.80	1.09	1.54
<i>Beta spread</i>	7,794	0.01	0.21	-0.74	0.00	0.00	0.00	0.76
<i>log(Deal value)</i>	8,095	5.59	1.49	3.29	4.38	5.33	6.55	9.08
<i>Deal value (in mio. USD)</i>	8,095	921	1,852	27	80	206	699	8,799
<i>Deal value (in mio. USD, CPI adj.)</i>	8,095	1,258	2,430	51	121	307	1,019	11,437
<i>100% stock</i>	8,091	0.33	0.47	0.00	0.00	0.00	1.00	1.00
<i>Avg. discount rate (%)</i>	1,064	13.1	3.9	7.0	10.5	12.3	14.5	30.0
Panel B: Replication Sample								
<i>Bidder CAR (%)</i>	7,561	-0.3	7.9	-21.8	-4.3	-0.4	3.5	29.6
<i>Target asset beta</i>	8,720	0.77	0.34	0.16	0.49	0.75	1.05	1.43
<i>Bidder asset beta</i>	8,794	0.76	0.33	0.18	0.50	0.74	1.03	1.43
<i>Beta spread</i>	8,642	0.01	0.20	-0.69	0.00	0.00	0.00	0.76
<i>log(Deal value)</i>	8,934	5.56	1.48	3.30	4.35	5.29	6.49	9.12
<i>Deal value (in mio. USD)</i>	8,934	898	1,853	27	78	199	661	9,100
<i>Deal value (in mio. USD, CPI adj.)</i>	8,934	1,238	2,467	51	117	293	977	12,073
<i>100% stock</i>	8,934	0.29	0.45	0.00	0.00	0.00	1.00	1.00
<i>Avg. discount rate (%)</i>	1,024	13.0	4.1	6.5	10.5	12.0	14.4	30.0
Panel C: Extended Sample								
<i>Bidder CAR (%)</i>	8,533	-0.4	8.0	-22.6	-4.4	-0.3	3.5	30.6
<i>Target asset beta</i>	9,525	0.76	0.32	0.16	0.50	0.75	1.03	1.40
<i>Bidder asset beta</i>	9,601	0.75	0.31	0.18	0.51	0.74	1.01	1.40
<i>Beta spread</i>	9,444	0.01	0.19	-0.67	0.00	0.00	0.00	0.75
<i>log(Deal value)</i>	9,744	5.64	1.52	3.31	4.41	5.38	6.64	9.26
<i>Deal value (in mio. USD)</i>	9,744	1,030	2,142	27	82	216	764	10,468
<i>Deal value (in mio. USD, CPI adj.)</i>	9,744	1,344	2,690	51	120	308	1,056	13,069
<i>100% stock</i>	9,744	0.29	0.45	0.00	0.00	0.00	1.00	1.00
<i>Avg. discount rate (%)</i>	1,282	12.5	3.9	6.1	10.0	12.0	14.0	30.0

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	N	Mean	St. Dev.	Min.	p25	Median	p75	Max.
Panel D: European Sample								
<i>Bidder CAR (%)</i>	2,987	0.1	6.5	-16.2	-3.3	0.0	3.2	24.5
<i>Target asset beta</i>	4,796	0.46	0.13	0.15	0.37	0.45	0.55	0.79
<i>Bidder asset beta</i>	4,710	0.46	0.13	0.17	0.37	0.45	0.55	0.78
<i>Beta spread</i>	4,461	0.00	0.11	-0.35	-0.01	0.00	0.02	0.37
<i>log(Deal value)</i>	5,514	5.68	1.50	3.43	4.45	5.41	6.63	9.23
<i>Deal value (in mio. USD)</i>	5,514	1,032	2,101	31	86	224	759	10,248
<i>Deal value (in mio. USD, CPI adj.)</i>	5,514	1,304	2,554	51	117	305	1,017	12,270
<i>100% stock</i>	5,514	0.16	0.36	0.00	0.00	0.00	0.00	1.00
<i>Avg. discount rate (%)</i>	137	12.8	5.1	6.3	10.0	12.0	14.0	40.0

Table A.2. Summary Statistics Depending on the M&A Type – Private Targets

This table reports descriptive statistics for private target M&A bids in the extended sample. Panel A reports the values for all horizontal bids in the subsample, while Panel B shows the summary statistics for all diversifying bids. The summary statistics include the number of observations, sample mean, standard deviation, minimum, 25% quantile, median, 75% quantile, and maximum. *Bidder CAR* is the bidder's cumulative abnormal return in the symmetric seven-day window around the bid announcement. *Target (Bidder) asset beta* is the target's (bidder's) average 3-digit SIC industry asset beta. *Beta spread* is the difference between the target's and bidder's average 3-digit SIC industry asset beta. *Deal value* is the deal value reported by SDC in million USD. *100% stock* is a dummy equal to 1 for offers where the payment mix consists solely of equity and 0 otherwise. *Avg. discount rate* is the midpoint between the maximum and minimum discount rate reported in M&A fairness opinions in SDC. All non-binary variables are winsorized at the 1st and 99th percentiles. All variables are described in Table 8 in the Appendix.

	N	Mean	St. Dev.	Min.	p25	Median	p75	Max.
Panel A: Horizontal Bids								
<i>Bidder CAR (%)</i>	7,282	2.2	8.8	-22.6	-2.4	1.2	5.8	30.6
<i>Target asset beta</i>	8,414	0.82	0.30	0.16	0.59	0.81	1.07	1.40
<i>Bidder asset beta</i>	8,414	0.82	0.30	0.18	0.59	0.81	1.07	1.40
<i>Beta spread</i>	8,414	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>log(Deal value)</i>	8,518	5.01	1.14	3.31	4.11	4.78	5.67	9.26
<i>Deal value (in mio. USD)</i>	8,518	371	943	27	61	119	290	10,468
<i>Deal value (in mio. USD, CPI adj.)</i>	8,518	454	1,109	51	83	154	364	13,069
<i>100% stock</i>	8,518	0.13	0.34	0.00	0.00	0.00	0.00	1.00
<i>Avg. discount rate (%)</i>	71	13.2	4.3	7.0	11.0	12.5	14.0	30.0
Panel B: Diversifying Bids								
<i>Bidder CAR (%)</i>	10,206	1.5	7.8	-22.6	-2.2	0.8	4.4	30.6
<i>Target asset beta</i>	11,647	0.78	0.31	0.16	0.56	0.78	1.02	1.40
<i>Bidder asset beta</i>	11,934	0.74	0.32	0.18	0.48	0.74	1.00	1.40
<i>Beta spread</i>	11,472	0.04	0.30	-0.67	-0.14	0.03	0.23	0.75
<i>log(Deal value)</i>	12,127	4.99	1.08	3.31	4.17	4.79	5.62	9.26
<i>Deal value (in mio. USD)</i>	12,127	325	763	27	64	120	275	10,468
<i>Deal value (in mio. USD, CPI adj.)</i>	12,127	395	900	51	85	155	346	13,069
<i>100% stock</i>	12,127	0.11	0.31	0.00	0.00	0.00	0.00	1.00
<i>Avg. discount rate (%)</i>	76	13.9	5.0	6.1	10.5	12.3	15.8	30.0

Table A.3. Summary Statistics – Comparison of European Horizontal and Diversifying Private Target Bids

This table displays the mean and the median for the main variables of interest for horizontal (Columns (1) and (2)) and diversifying (Columns (3) and (4)) private target bids from firms headquartered in the 18 European sample countries between 1977 and 2020. The last two columns display the difference in means between horizontal and diversifying bids and the corresponding *t*-value for each variable. As there are no observations for *Avg. discount rate* in the group of diversifying private target bids, no difference in means is given for the variable. *Bidder CAR* is the bidder's cumulative abnormal return in the symmetric seven-day window around the bid announcement. *Target (Bidder) asset beta* is the target's (bidder's) average 3-digit SIC industry asset beta. *Beta spread* is the difference between the target's and bidder's average 3-digit SIC industry asset beta. *Deal value* is the deal value reported by SDC in million USD. *100% stock* is a dummy equal to 1 for offers where the payment mix consists solely of equity and 0 otherwise. *Avg. discount rate* is the midpoint between the maximum and minimum discount rate reported in M&A fairness opinions in SDC. All non-binary variables are winsorized at the 1st and 99th percentiles. All variables are described in Table 8 in the Appendix. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Horizontal		Diversifying		Difference in Means	
	Mean	Median	Mean	Median	Difference	<i>t</i> -value
<i>Bidder CAR (%)</i>	1.9	1.3	1.3	0.7	0.6***	(4.54)
<i>Target asset beta</i>	0.45	0.44	0.42	0.41	0.03***	(11.88)
<i>Bidder asset beta</i>	0.45	0.44	0.44	0.43	0.01***	(5.25)
<i>Beta spread</i>	0.00	0.00	-0.02	-0.02	0.02***	(7.42)
<i>log(Deal value)</i>	5.15	4.90	4.99	4.77	0.16***	(7.74)
<i>Deal value (in mio. USD)</i>	430	134	325	118	105***	(6.38)
<i>Deal value (in mio. USD, CPI adj.)</i>	523	167	406	147	117***	(5.91)
<i>100% stock</i>	0.06	0.00	0.05	0.00	0.01*	(1.95)
<i>Avg. discount rate (%)</i>	14.5	14.5	-	-	-	-

C. Additional Regression Tables

Table A.4. Robustness of Beta Estimation – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). The sample includes private target bids from public firms headquartered in the U.S. between 1977 to 2020 (extended sample). In Columns (1) and (2), *Target asset beta* is calculated using the formula given by Hamada (1972): $\beta_{i,t}^A = [\beta_{i,t}^E + \beta_{i,t}^D \times (1 - \tau) \times \frac{D_{i,t}}{E_{i,t}}] / [1 + (1 - \tau) \times \frac{D_{i,t}}{E_{i,t}}]$, where $\beta_{i,t}^A$ is the firm's asset beta, $\beta_{i,t}^E$ is the firm's equity beta, $\beta_{i,t}^D$ is the firm's debt beta, τ is the nationwide statutory tax rate in the highest bracket, $D_{i,t}$ is the firm's total debt at the end of the last fiscal year, and $E_{i,t}$ is the market capitalization of firm i at the end of month t . In Columns (3) and (4) we use the formula given by Miles and Ezzell (1980): $\beta_{i,t}^A = [\beta_{i,t}^E + \beta_{i,t}^D \times (1 - \frac{\tau k_d}{1+k_d}) \times \frac{D_{i,t}}{E_{i,t}}] / [1 + (1 - \frac{\tau k_d}{1+k_d}) \times \frac{D_{i,t}}{E_{i,t}}]$, where all variables are defined as above and k_d is the firm's cost of debt capital at market rates prior to the tax effect, which we approximate in the following way: $k_d = r_f + \beta_{i,t}^D \times MRP$, where r_f is the monthly risk-free rate obtained from Kenneth French's data library¹, $\beta_{i,t}^D$ is set to 0.3, and MRP is the market risk premium set to 5%. In Columns (5) and (6), the formula given by Harris and Pringle (1985) is used for delevering: $\beta_{i,t}^A = [\beta_{i,t}^E + \beta_{i,t}^D \times \frac{D_{i,t}}{E_{i,t}}] / [1 + \frac{D_{i,t}}{E_{i,t}}]$, where all variables are defined as above. In Columns (1), (3), and (5), we assume $\beta_{i,t}^D = 0$ for all firms. In Columns (2), (4), and (6), we assume $\beta_{i,t}^D = 0.3$ for all firms (see e.g., Cornell and Green, 1991). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets, these variables are average values of the corresponding variables across all public firms in Compustat operating in the same 3-digit SIC industry. The t -statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

(Table on next page)

¹Kenneth French's data library: (https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html).

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
	Hamada		Miles-Ezzell		Harris-Pringle	
<i>Target asset beta</i>	1.66*** (3.00)	1.88*** (3.22)	1.65*** (2.87)	1.90*** (3.12)	1.64*** (2.87)	1.90*** (3.12)
<i>Beta spread</i>	-0.78 (-1.39)	-0.93 (-1.59)	-0.71 (-1.23)	-0.90 (-1.46)	-0.71 (-1.23)	-0.90 (-1.46)
<i>log(Deal value)</i>	0.59*** (7.32)	0.59*** (7.33)	0.59*** (7.32)	0.59*** (7.33)	0.59*** (7.32)	0.59*** (7.33)
<i>Equity</i>	0.45** (2.12)	0.45** (2.11)	0.45** (2.12)	0.45** (2.12)	0.45** (2.12)	0.45** (2.11)
<i>Cash</i>	0.11 (0.77)	0.11 (0.78)	0.11 (0.76)	0.11 (0.77)	0.11 (0.76)	0.11 (0.77)
<i>Toehold</i>	-0.00 (-0.66)	-0.00 (-0.65)	-0.00 (-0.66)	-0.00 (-0.66)	-0.00 (-0.66)	-0.00 (-0.66)
<i>Hostile</i>	0.70 (0.32)	0.69 (0.31)	0.70 (0.32)	0.69 (0.32)	0.70 (0.32)	0.69 (0.32)
<i>Same industry</i>	0.12 (0.69)	0.12 (0.69)	0.12 (0.71)	0.12 (0.70)	0.12 (0.71)	0.12 (0.70)
<i>Cross-border</i>	-0.26 (-1.12)	-0.26 (-1.12)	-0.26 (-1.12)	-0.26 (-1.12)	-0.26 (-1.12)	-0.26 (-1.12)
<i>Poison</i>	-0.86 (-1.29)	-0.86 (-1.29)	-0.86 (-1.28)	-0.86 (-1.28)	-0.86 (-1.28)	-0.86 (-1.28)
<i>Tender</i>	-0.36 (-0.25)	-0.36 (-0.25)	-0.36 (-0.25)	-0.36 (-0.25)	-0.36 (-0.25)	-0.36 (-0.25)
<i>Multiple bidders</i>	-0.13 (-0.18)	-0.14 (-0.18)	-0.14 (-0.18)	-0.14 (-0.18)	-0.14 (-0.18)	-0.14 (-0.18)
<i>Relative size</i>	-0.01 (-1.59)	-0.01 (-1.59)	-0.01 (-1.59)	-0.01 (-1.59)	-0.01 (-1.59)	-0.01 (-1.59)
<i>log(Bidder size)</i>	-0.81*** (-9.93)	-0.81*** (-9.93)	-0.81*** (-9.93)	-0.81*** (-9.93)	-0.81*** (-9.93)	-0.81*** (-9.93)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Target controls	Yes	Yes	Yes	Yes	Yes	Yes
Bidder controls	Yes	Yes	Yes	Yes	Yes	Yes
N	14,606	14,606	14,606	14,606	14,606	14,606
Adjusted R ² (%)	5.70	5.71	5.69	5.70	5.69	5.70

Table A.5. Target Asset Beta and Bidder CARs Excluding Same industry – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window [-3;+3], to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. The sample period covers bids from U.S. firm between 1977 and 2020. Only bids for private targets are included. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets in the U.S., these variables are average values of the corresponding variables across all public firms in Compustat operating in the same 3-digit SIC industry. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR (%)</i>				
	(1)	(2)	(3)	(4)	(5)
<i>Target asset beta</i>	0.54 (1.54)	0.78** (2.47)	1.22*** (3.14)	0.99** (2.48)	1.66*** (2.99)
<i>Beta spread</i>					-0.78 (-1.39)
<i>log(Deal value)</i>		0.68*** (8.18)	0.68*** (8.14)	0.59*** (7.41)	0.60*** (7.35)
<i>Equity</i>		0.43** (2.16)	0.45** (2.25)	0.48** (2.21)	0.46** (2.14)
<i>Cash</i>		0.04 (0.31)	0.04 (0.33)	0.13 (0.94)	0.11 (0.76)
<i>Toehold</i>		-0.00 (-0.61)	-0.00 (-0.60)	-0.01 (-0.72)	-0.00 (-0.64)
<i>Hostile</i>		1.70 (0.75)	1.70 (0.75)	1.69 (0.76)	0.69 (0.32)
<i>Cross-border</i>		-0.23 (-1.02)	-0.24 (-1.04)	-0.22 (-0.96)	-0.26 (-1.12)
<i>Poison</i>		-0.87 (-1.46)	-0.87 (-1.46)	-0.84 (-1.26)	-0.84 (-1.26)
<i>Tender</i>		-0.35 (-0.24)	-0.34 (-0.23)	-0.27 (-0.19)	-0.39 (-0.27)
<i>Multiple bidders</i>		-0.83 (-1.03)	-0.82 (-1.03)	-0.12 (-0.16)	-0.13 (-0.17)
<i>Relative size</i>		-0.01 (-1.18)	-0.01 (-1.20)	-0.01 (-1.41)	-0.01 (-1.60)
<i>log(Bidder size)</i>		-0.87*** (-11.09)	-0.87*** (-10.96)	-0.81*** (-10.12)	-0.81*** (-10.18)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	16,511	15,340	15,340	14,690	14,606
Adjusted R ² (%)	3.22	5.99	5.99	5.75	5.70

Table A.6. Target Asset Beta and Bidder CARs – Public Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. Panel A (B) shows the results for U.S. bidders in the sample period 1977 to 2015 (2020). Panel C reports the coefficients for the sample of European bidders between 1977 and 2020. Only bids for public targets are included. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR (%)</i>				
	(1)	(2)	(3)	(4)	(5)
Panel A: Replication Sample					
<i>Target asset beta</i>	-0.30 (-0.51)	0.15 (0.26)	0.04 (0.06)	0.19 (0.28)	2.11* (1.82)
<i>Beta spread</i>					-2.48** (-2.04)
<i>log(Deal value)</i>		-0.59*** (-5.74)	-0.77*** (-6.40)	-0.79*** (-6.51)	-0.78*** (-6.51)
<i>Equity</i>		-1.41*** (-2.97)	-1.27** (-2.20)	-1.25** (-2.11)	-1.38** (-2.33)
<i>Cash</i>		0.88*** (3.49)	0.97*** (2.79)	0.88** (2.52)	0.94*** (2.76)
<i>Toehold</i>		0.01 (0.48)	0.01 (0.98)	0.01 (1.02)	0.01 (0.92)
<i>Hostile</i>		-1.78** (-2.57)	-2.03** (-2.36)	-1.88** (-2.10)	-1.97** (-2.27)
<i>Same industry</i>		0.87*** (3.92)	1.00*** (3.86)	1.06*** (4.31)	1.09*** (4.41)
<i>Cross-border</i>		-0.81* (-1.80)	-0.75 (-0.88)	-0.84 (-1.00)	-0.81 (-0.95)
<i>Poison</i>		-0.98*** (-3.39)	-1.18*** (-3.56)	-1.18*** (-3.40)	-1.13*** (-3.19)
<i>Tender</i>		1.09*** (3.13)	1.79*** (5.33)	1.80*** (5.20)	1.64*** (4.86)
<i>Multiple bidders</i>		-0.29 (-0.56)	-0.08 (-0.14)	-0.07 (-0.12)	-0.08 (-0.13)
<i>Relative size</i>		0.00 (0.05)	0.00 (0.92)	0.00 (0.51)	0.00 (0.66)
<i>log(Bidder size)</i>		0.10 (1.32)	0.24** (2.49)	0.23** (2.25)	0.24** (2.38)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	6,859	5,983	4,288	4,228	4,193
Adjusted R ² (%)	6.30	10.04	12.93	12.85	12.64

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>				
	(1)	(2)	(3)	(4)	(5)
Panel B: Extended Sample					
<i>Target asset beta</i>	-0.04 (-0.07)	0.38 (0.63)	0.19 (0.28)	0.45 (0.67)	2.00* (1.86)
<i>Beta spread</i>					-2.00* (-1.70)
<i>log(Deal value)</i>		-0.54*** (-4.98)	-0.73*** (-6.72)	-0.74*** (-6.92)	-0.73*** (-6.87)
<i>Equity</i>		-1.74*** (-3.73)	-1.78*** (-3.12)	-1.68*** (-2.84)	-1.79*** (-3.02)
<i>Cash</i>		0.83*** (3.17)	0.91*** (2.76)	0.82** (2.58)	0.86*** (2.76)
<i>Toehold</i>		0.00 (0.06)	0.01 (0.50)	0.01 (0.55)	0.01 (0.45)
<i>Hostile</i>		-1.96*** (-2.94)	-2.32*** (-2.78)	-2.21*** (-2.62)	-2.31*** (-2.86)
<i>Same industry</i>		0.88*** (4.15)	0.95*** (3.59)	0.96*** (3.81)	0.99*** (3.87)
<i>Cross-border</i>		-0.51 (-1.16)	-0.54 (-0.78)	-0.82 (-1.14)	-0.77 (-1.06)
<i>Poison</i>		-0.81*** (-2.60)	-1.00*** (-3.15)	-1.06*** (-3.30)	-1.02*** (-3.11)
<i>Tender</i>		1.00*** (2.96)	1.62*** (5.21)	1.60*** (4.95)	1.46*** (4.66)
<i>Multiple bidders</i>		-0.18 (-0.38)	-0.04 (-0.08)	0.00 (0.01)	-0.00 (-0.00)
<i>Relative size</i>		0.00 (0.21)	0.00 (0.80)	0.00 (0.12)	0.00 (0.19)
<i>log(Bidder size)</i>		0.13 (1.56)	0.21** (2.21)	0.17 (1.49)	0.17 (1.54)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	7,734	6,820	4,953	4,839	4,805
Adjusted R ² (%)	5.96	10.02	12.80	12.51	12.29

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>				
	(1)	(2)	(3)	(4)	(5)
Panel C: European Sample					
<i>Target asset beta</i>	-1.88 (-0.96)	-1.78 (-0.97)	-5.94 (-1.63)	-6.25 (-1.53)	-9.43 (-1.55)
<i>Beta spread</i>					3.13 (0.56)
<i>log(Deal value)</i>		-0.16 (-0.92)	-0.10 (-0.36)	-0.18 (-0.58)	-0.19 (-0.65)
<i>Equity</i>		-1.63** (-2.40)	-1.21 (-1.45)	-1.32 (-1.39)	-1.26 (-1.40)
<i>Cash</i>		-0.33 (-1.00)	-0.13 (-0.21)	-0.57 (-0.79)	-0.65 (-0.91)
<i>Toehold</i>		0.01 (0.75)	0.02 (1.37)	0.02 (1.64)	0.02 (1.61)
<i>Hostile</i>		-1.68* (-1.80)	-2.09 (-0.96)	-2.39 (-0.95)	-2.56 (-1.04)
<i>Same industry</i>		0.25 (0.56)	1.33 (1.20)	1.71* (1.70)	1.95* (1.96)
<i>Cross-border</i>		-0.07 (-0.16)	-0.56 (-0.65)	-0.33 (-0.31)	-0.26 (-0.24)
<i>Poison</i>		2.30 (1.59)	3.03 (0.80)	0.92 (0.25)	0.98 (0.26)
<i>Tender</i>		-0.22 (-0.68)	-0.62 (-1.21)	-1.25* (-1.90)	-1.23* (-1.93)
<i>Multiple bidders</i>		-0.05 (-0.08)	-1.57 (-1.27)	-2.02 (-1.58)	-1.77 (-1.19)
<i>Relative size</i>		0.01 (0.74)	0.76 (0.71)	1.80 (1.32)	1.73 (1.30)
<i>log(Bidder size)</i>		-0.50*** (-4.01)	-0.79* (-1.95)	-0.77 (-1.54)	-0.81* (-1.71)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	2,144	2,051	607	497	487
Adjusted R ² (%)	10.23	11.50	24.53	25.72	28.17

Table A.7. Private vs. Public vs. All Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3; +3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). *Public target* is a dummy variable equal to 1 for public targets and 0 otherwise. $\mathbb{1}\{\text{Target asset beta} < p25\}$ ($> p75$) is a dummy variable equal to 1 if *Target asset beta* is in the bottom (top) quartile of the respective sample distribution and 0 otherwise. $\mathbb{1}\{a < \text{Target asset beta} \leq b\}$ is a dummy variable equal to 1 if *Target asset beta* is larger than a but smaller or equal to b . Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. Panel A presents the original results from Dessaint et al. (2021) (Table 5 in their paper). Panel B shows the replicated results for the same sample period from 1977 to 2015, while the sample period is extended to 2020 in Panel C. Panel D reports the results for bids from European firms between 1977 and 2020. *Deal controls* is a vector of deal characteristics: *log(Deal value)*, *Equity*, *Cash*, *Toehold*, *Hostile*, *Same industry*, *Cross-border*, *Poison*, *Tender*, *Multiple bidders*, *Relative size*, and *log(Bidder size)*. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. *Interacted* indicates that all independent variables and fixed effects are interacted with *Public target*, allowing their coefficients to depend on the value of the dummy variable. The t -statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Original Sample	Private targets		Public targets		All targets			
<i>Target asset beta</i>	2.55*** (5.06)			0.40 (0.32)			1.57*** (3.34)	2.55*** (5.00)
<i>Target asset beta</i> $\times$ <i>Public target</i>								-2.15* (-1.75)
<i>Public target</i>							-2.84*** (-12.20)	
$\mathbb{1}\{\text{Target asset beta} < p25\}$		-0.59** (-2.09)			-1.20** (-2.36)			
$\mathbb{1}\{\text{Target asset beta} > p75\}$		0.88*** (3.27)			-0.04 (-0.07)			
$\mathbb{1}\{-\infty < \text{Target asset beta} \leq 0.25\}$			-2.25*** (-4.19)			-1.75* (-1.88)		
$\mathbb{1}\{0.25 < \text{Target asset beta} \leq 0.48\}$			-1.16*** (-3.27)			-1.74*** (-2.69)		
$\mathbb{1}\{0.48 < \text{Target asset beta} \leq 0.71\}$			-0.50* (-1.88)			-0.52 (-0.94)		
$\mathbb{1}\{0.94 < \text{Target asset beta} \leq 1.17\}$			0.54* (1.91)			-0.72 (-1.32)		
$\mathbb{1}\{1.17 < \text{Target asset beta} \leq 1.40\}$			1.22*** (3.53)			0.00 (0.00)		
$\mathbb{1}\{1.40 < \text{Target asset beta} < \infty\}$			1.29*** (3.04)			-1.10 (-0.89)		
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Beta spread & Deal controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Target controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bidder controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interacted	No	No	No	No	No	No	No	Yes
N	12,109	12,109	12,109	3,894	3,894	3,894	16,547	16,003

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel B: Replication Sample	Private targets		Public targets			All targets		
<i>Target asset beta</i>	1.85***			2.11*			1.52***	1.85***
	(3.18)			(1.82)			(2.99)	(3.14)
<i>Target asset beta</i> × <i>Public target</i>								0.26
								(0.22)
<i>Public target</i>							-2.57***	
							(-14.14)	
$\mathbb{1}\{\textit{Target asset beta} < p25\}$		-0.23			-1.06*			
		(-0.90)			(-1.78)			
$\mathbb{1}\{\textit{Target asset beta} > p75\}$		0.29			-0.19			
		(0.93)			(-0.32)			
$\mathbb{1}\{-\infty < \textit{Target asset beta} \leq 0.25\}$			-1.21**			-0.46		
			(-2.37)			(-0.48)		
$\mathbb{1}\{0.25 < \textit{Target asset beta} \leq 0.48\}$			-0.72*			-1.54**		
			(-1.87)			(-2.33)		
$\mathbb{1}\{0.48 < \textit{Target asset beta} \leq 0.71\}$			-0.50*			-0.59		
			(-1.71)			(-1.11)		
$\mathbb{1}\{0.94 < \textit{Target asset beta} \leq 1.17\}$			0.16			-0.25		
			(0.49)			(-0.39)		
$\mathbb{1}\{1.17 < \textit{Target asset beta} \leq 1.40\}$			0.48			0.23		
			(1.22)			(0.33)		
$\mathbb{1}\{1.40 < \textit{Target asset beta} < \infty\}$			0.87			2.11*		
			(1.39)			(1.84)		
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Beta spread & Deal controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Target controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bidder controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interacted	No	No	No	No	No	No	No	Yes
N	12,220	12,220	12,220	4,193	4,193	4,193	17,011	16,413
Adjusted R ² (%)	6.17	6.10	6.12	12.64	12.63	12.63	6.65	9.15

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel C: Extended Sample	Private targets		Public targets			All targets		
<i>Target asset beta</i>	1.66*** (3.00)			2.00* (1.86)			1.29*** (2.64)	1.66*** (2.96)
<i>Target asset beta</i> × <i>Public target</i>								0.34 (0.31)
<i>Public target</i>							-2.66*** (-13.95)	
$\mathbb{1}\{\textit{Target asset beta} < p25\}$		0.01 (0.03)			-0.69 (-1.29)			
$\mathbb{1}\{\textit{Target asset beta} > p75\}$		0.40* (1.71)			-0.58 (-1.26)			
$\mathbb{1}\{-\infty < \textit{Target asset beta} \leq 0.25\}$			-0.91* (-1.94)			-0.31 (-0.33)		
$\mathbb{1}\{0.25 < \textit{Target asset beta} \leq 0.48\}$			-0.56* (-1.65)			-1.27** (-2.14)		
$\mathbb{1}\{0.48 < \textit{Target asset beta} \leq 0.71\}$			-0.29 (-1.11)			-0.40 (-0.86)		
$\mathbb{1}\{0.94 < \textit{Target asset beta} \leq 1.17\}$			0.21 (0.81)			0.07 (0.11)		
$\mathbb{1}\{1.17 < \textit{Target asset beta} \leq 1.40\}$			0.23 (0.54)			0.80 (1.09)		
$\mathbb{1}\{1.40 < \textit{Target asset beta} < \infty\}$			0.30 (0.38)			2.36* (1.83)		
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Beta spread</i> & Deal controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Target controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bidder controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interacted	No	No	No	No	No	No	No	Yes
N	14,606	14,606	14,606	4,805	4,805	4,805	20,095	19,411
Adjusted R ² (%)	5.70	5.65	5.63	12.29	12.28	12.27	6.51	8.64

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel D: European Sample	Private targets		Public targets			All targets		
<i>Target asset beta</i>	2.64			-9.43			0.14	2.64
	(1.18)			(-1.55)			(0.07)	(1.17)
<i>Target asset beta</i> × <i>Public target</i>								-12.07*
								(-1.96)
<i>Public target</i>							-1.48***	
							(-3.83)	
$1\{\textit{Target asset beta} < p25\}$		0.15			0.06			
		(0.42)			(0.07)			
$1\{\textit{Target asset beta} > p75\}$		0.44			-0.63			
		(1.23)			(-0.52)			
$1\{-\infty < \textit{Target asset beta} \leq 0.25\}$			-1.31			9.70**		
			(-0.89)			(2.16)		
$1\{0.25 < \textit{Target asset beta} \leq 0.48\}$			-1.26			7.04*		
			(-0.91)			(1.68)		
$1\{0.48 < \textit{Target asset beta} \leq 0.71\}$			-0.68			6.45		
			(-0.54)			(1.45)		
$1\{0.94 < \textit{Target asset beta} \leq 1.17\}$			-			-		
$1\{1.17 < \textit{Target asset beta} \leq 1.40\}$			-			-		
$1\{1.40 < \textit{Target asset beta} < \infty\}$			-			-		
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Beta spread</i> & Deal controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Target controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bidder controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interacted	No	No	No	No	No	No	No	Yes
N	3,925	3,925	3,925	487	487	487	4,720	4,412
Adjusted R ² (%)	14.38	14.34	14.35	28.17	27.48	28.89	13.43	16.07

Table A.8. Target Asset Beta and Bidder CARs with Average *Target controls* – Public Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. Panels A, B, and C show results for the replication, the extended, and the European sample, respectively. Only bids for public targets are included. *Deal controls* is a vector of deal characteristics: $\log(\text{Deal value})$, *Equity*, *Cash*, *Toehold*, *Hostile*, *Same industry*, *Cross-border*, *Poison*, *Tender*, *Multiple bidders*, *Relative size*, and $\log(\text{Bidder size})$. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For targets in the U.S. (in our European sample), these variables are average values of the corresponding variables across all public firms in Compustat (Datastream within the 18 European sample countries) operating in the same 3-digit SIC industry. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
Panel A: Replication Sample					
<i>Target asset beta</i>	-0.30 (-0.51)	0.15 (0.26)	-0.07 (-0.09)	-0.01 (-0.01)	1.20 (1.07)
<i>Beta spread</i>					-1.51 (-1.41)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	6,859	5,983	5,982	5,815	5,767
Adjusted R ² (%)	6.30	10.04	10.25	10.29	9.88
Panel B: Extended Sample					
<i>Target asset beta</i>	-0.04 (-0.07)	0.38 (0.63)	0.16 (0.19)	0.29 (0.35)	1.62 (1.43)
<i>Beta spread</i>					-1.74* (-1.74)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	7,734	6,820	6,819	6,578	6,530
Adjusted R ² (%)	5.96	10.02	10.27	10.21	9.86

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>				
	(1)	(2)	(3)	(4)	(5)
Panel C: European Sample					
<i>Target asset beta</i>	-1.88	-1.78	-2.47	1.05	2.75
	(-0.96)	(-0.97)	(-1.26)	(0.36)	(0.67)
<i>Beta spread</i>					-2.17
					(-0.66)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	2,144	2,051	2,022	1,303	1,284
Adjusted R ² (%)	10.23	11.50	11.80	13.52	13.96

Table A.9. Impact of the Fifth Merger Wave – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. The sample period covers bids from U.S. firms between 1977 and 2020, excluding bids between 1992 and 2001. Only bids for private targets are included. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets in the U.S., these variables are average values of the corresponding variables across all public firms in Compustat operating in the same 3-digit SIC industry. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
<i>Target asset beta</i>	0.20 (0.57)	0.34 (0.98)	0.72* (1.76)	0.56 (1.38)	0.99* (1.77)
<i>Beta spread</i>					-0.43 (-0.80)
<i>log(Deal value)</i>		0.60*** (6.52)	0.60*** (6.56)	0.57*** (6.12)	0.57*** (6.05)
<i>Equity</i>		0.84*** (2.70)	0.86*** (2.79)	0.97*** (3.29)	0.96*** (3.24)
<i>Cash</i>		-0.03 (-0.16)	-0.02 (-0.14)	0.10 (0.56)	0.06 (0.31)
<i>Toehold</i>		-0.00 (-0.07)	-0.00 (-0.08)	0.00 (0.05)	0.00 (0.05)
<i>Hostile</i>		1.46 (0.63)	1.50 (0.65)	1.39 (0.61)	0.01 (0.00)
<i>Same industry</i>		0.33* (1.84)	0.35* (1.94)	0.30* (1.72)	0.30* (1.68)
<i>Cross-border</i>		-0.15 (-0.62)	-0.16 (-0.63)	-0.10 (-0.44)	-0.15 (-0.63)
<i>Poison</i>		-0.88 (-1.00)	-0.90 (-1.01)	-1.22 (-1.20)	-1.10 (-1.09)
<i>Tender</i>		-0.84 (-0.73)	-0.85 (-0.74)	-0.85 (-0.75)	-0.92 (-0.81)
<i>Multiple bidders</i>		0.48 (0.35)	0.46 (0.34)	0.68 (0.51)	0.68 (0.51)
<i>Relative size</i>		-0.00 (-0.05)	-0.00 (-0.08)	-0.00 (-0.09)	-0.00 (-0.34)
<i>log(Bidder size)</i>		-0.77*** (-8.41)	-0.76*** (-8.35)	-0.72*** (-7.82)	-0.71*** (-7.86)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	10,667	10,057	10,057	9,722	9,654
Adjusted R ² (%)	5.04	8.09	8.08	7.68	7.59

Table A.10. Merger Waves – Public Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. Panel A presents results for bids during any year of a merger wave defined as in Gaughan (2017). Panel B shows the results for bids outside of merger wave years between 1977 and 2020. Panel C, D, and E displays the results for bids during the fourth, fifth, and sixth merger waves, respectively. Panel F includes all bids between 1977 and 2020 excluding bids occurring during the fourth and fifth merger waves. Only bids for public targets are included. *Deal controls* is a vector of deal characteristics: *log(Deal value)*, *Equity*, *Cash*, *Toehold*, *Hostile*, *Same industry*, *Cross-border*, *Poison*, *Tender*, *Multiple bidders*, *Relative size*, and *log(Bidder size)*. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
Panel A: Merger-Wave-Years Sample					
<i>Target asset beta</i>	-0.36 (-0.50)	0.08 (0.11)	-0.38 (-0.43)	-0.10 (-0.12)	1.76 (1.34)
<i>Beta spread</i>					-2.26* (-1.68)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	5,412	4,663	3,474	3,386	3,357
Adjusted R ² (%)	6.51	10.55	13.63	13.13	12.76
Panel B: Non-Merger-Wave-Years Sample					
<i>Target asset beta</i>	0.82 (0.85)	1.08 (1.12)	1.88 (1.45)	2.14 (1.63)	2.97 (1.32)
<i>Beta spread</i>					-1.45 (-0.60)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	2,322	2,157	1,479	1,453	1,448
Adjusted R ² (%)	5.02	10.03	11.85	12.41	12.41

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>				
	(1)	(2)	(3)	(4)	(5)
Panel C: Fourth Merger Wave (1984–1989)					
<i>Target asset beta</i>	-0.89 (-0.75)	0.52 (0.35)	0.38 (0.20)	0.58 (0.29)	-1.21 (-0.36)
<i>Beta spread</i>					3.44 (1.16)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	1,181	883	651	626	608
Adjusted R ² (%)	2.36	5.77	6.58	6.47	11.11
Panel D: Fifth Merger Wave (1992–2001)					
<i>Target asset beta</i>	-0.26 (-0.29)	-0.03 (-0.03)	-0.50 (-0.48)	-0.20 (-0.18)	2.95* (1.80)
<i>Beta spread</i>					-3.95** (-2.49)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	3,370	2,955	2,243	2,187	2,176
Adjusted R ² (%)	7.51	12.00	15.56	15.12	14.04
Panel E: Sixth Merger Wave (2004–2007)					
<i>Target asset beta</i>	-0.10 (-0.04)	0.11 (0.06)	-0.12 (-0.08)	-0.19 (-0.11)	0.51 (0.19)
<i>Beta spread</i>					-1.01 (-0.29)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	861	825	580	573	573
Adjusted R ² (%)	6.58	13.70	17.04	16.97	16.80
Panel F: Extended Sample Excluding the Fourth and Fifth Merger Waves					
<i>Target asset beta</i>	0.53 (0.61)	0.78 (0.83)	1.14 (1.18)	1.20 (1.19)	2.03 (1.11)
<i>Beta spread</i>					-1.40 (-0.68)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	3,183	2,982	2,059	2,026	2,021
Adjusted R ² (%)	5.69	10.83	13.14	13.56	13.60

Table A.11. Merger Waves in Europe – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. Only bids from European public firms for private targets are considered. Panel A presents results for bids during any year of a merger wave defined as in Gaughan (2017). Panel B shows the results for bids outside of merger wave years between 1977 and 2020. *Deal controls* is a vector of deal characteristics: *log(Deal value)*, *Equity*, *Cash*, *Toehold*, *Hostile*, *Same industry*, *Cross-border*, *Poison*, *Tender*, *Multiple bidders*, *Relative size*, and *log(Bidder size)*. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets in our European sample, these variables are average values of the corresponding variables across all public firms in Datastream within the 18 European sample countries operating in the same 3-digit SIC industry. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
Panel A: Merger-Wave-Years Sample					
<i>Target asset beta</i>	2.85** (2.46)	2.31** (2.01)	2.31* (1.87)	2.82 (1.50)	6.50* (1.86)
<i>Beta spread</i>					-4.59 (-1.56)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	3,181	2,999	2,981	1,638	1,607
Adjusted R ² (%)	3.58	7.18	7.14	8.99	9.48
Panel B: Non-Merger-Wave-Years Sample					
<i>Target asset beta</i>	0.61 (0.49)	0.38 (0.32)	0.88 (0.62)	0.06 (0.03)	-0.71 (-0.28)
<i>Beta spread</i>					0.51 (0.27)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	3,438	3,408	3,360	2,361	2,318
Adjusted R ² (%)	10.00	15.72	15.65	17.53	17.20

Table A.12. European Merger Waves – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. Only bids from European public firms for private targets are considered. Panel A presents results for bids during any year of a merger wave defined as in Vancea (2013). Panel B shows the results for bids outside of merger wave years between 1977 and 2020. *Deal controls* is a vector of deal characteristics: *log(Deal value)*, *Equity*, *Cash*, *Toehold*, *Hostile*, *Same industry*, *Cross-border*, *Poison*, *Tender*, *Multiple bidders*, *Relative size*, and *log(Bidder size)*. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets in our European sample, these variables are average values of the corresponding variables across all public firms in Datastream within the 18 European sample countries operating in the same 3-digit SIC industry. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
Panel A: European Merger-Wave-Years Sample					
<i>Target asset beta</i>	3.20** (2.54)	2.84** (2.25)	2.84** (2.09)	3.12* (1.78)	7.89** (2.48)
<i>Beta spread</i>					-5.84** (-2.06)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	2,831	2,685	2,675	1,552	1,523
Adjusted R ² (%)	3.47	8.22	8.49	8.42	9.24
Panel B: European Non-Merger-Wave-Years Sample					
<i>Target asset beta</i>	0.48 (0.41)	-0.12 (-0.11)	0.29 (0.23)	-0.30 (-0.17)	-1.47 (-0.57)
<i>Beta spread</i>					1.02 (0.51)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	3,788	3,722	3,666	2,447	2,402
Adjusted R ² (%)	9.59	14.39	14.32	17.70	17.35

Table A.13. Industry Split – Public Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. The sample period covers bids from 1977 to 2020. Panel A presents results for bids toward public targets operating in the same 3-digit SIC industry as the bidder. Panel B shows the results for bids for public targets operating in a different 3-digit SIC industry than the bidder. *Beta spread* is omitted in Panel A as the variable always equals zero for horizontal bids, given the computation of *Target asset beta* and *Bidder asset beta*. *Same industry* is omitted in both panels as its value does not vary within each subsample. Thus, *Deal controls* is a vector of the following deal characteristics: *log(Deal value)*, *Equity*, *Cash*, *Toehold*, *Hostile*, *Cross-border*, *Poison*, *Tender*, *Multiple bidders*, *Relative size*, and *log(Bidder size)*. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
Panel A: Horizontal Public Target Bids					
<i>Target asset beta</i>	1.39 (0.94)	3.47** (2.15)	2.96* (1.69)	3.10* (1.82)	3.10* (1.82)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	4,085	3,599	2,565	2,523	2,523
Adjusted R ² (%)	9.72	13.80	16.25	15.98	15.98
Panel B: Diversifying Public Target Bids					
<i>Target asset beta</i>	-0.18 (-0.25)	-0.12 (-0.18)	-0.64 (-0.68)	-0.35 (-0.35)	1.63 (0.94)
<i>Beta spread</i>					-2.13 (-1.25)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	3,059	2,631	1,828	1,763	1,733
Adjusted R ² (%)	6.56	8.96	11.51	12.96	12.40

Table A.14. Industry Split (Long Version) – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. The sample covers bids from listed firms in the U.S. between 1977 and 2020. Panel A presents results for bids toward private targets operating in the same 3-digit SIC industry as the bidder. Panel B shows the results for bids for private targets operating in a different 3-digit SIC industry than the bidder. *Beta spread* is omitted in Panel A as the variable always equals zero for horizontal bids, given the computation of *Target asset beta* and *Bidder asset beta*. *Same industry* is omitted in both panels as its value does not vary within each subsample. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets in the U.S., these variables are average values of the corresponding variables across all public firms in Compustat operating in the same 3-digit SIC industry. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
Panel A: Horizontal Private Target Bids					
<i>Target asset beta</i>	1.99* (1.81)	2.66** (2.43)	3.12** (2.49)	3.04*** (2.62)	3.04*** (2.62)
<i>log(Deal value)</i>		0.95*** (8.51)	0.95*** (8.52)	0.84*** (7.09)	0.84*** (7.09)
<i>Equity</i>		0.44 (1.33)	0.44 (1.33)	0.37 (0.87)	0.37 (0.87)
<i>Cash</i>		0.07 (0.29)	0.06 (0.25)	0.22 (0.93)	0.22 (0.93)
<i>Toehold</i>		-0.01 (-0.81)	-0.01 (-0.85)	-0.01 (-1.06)	-0.01 (-1.06)
<i>Hostile</i>		8.75 (1.56)	8.64 (1.54)	9.48* (1.69)	9.48* (1.69)
<i>Cross-border</i>		-0.54 (-1.45)	-0.54 (-1.47)	-0.49 (-1.33)	-0.49 (-1.33)
<i>Poison</i>		-1.00 (-1.07)	-1.01 (-1.07)	-1.43 (-1.20)	-1.43 (-1.20)
<i>Tender</i>		-4.09* (-1.74)	-4.07* (-1.72)	-3.70 (-1.54)	-3.70 (-1.54)
<i>Multiple bidders</i>		-1.77 (-0.92)	-1.72 (-0.88)	-1.04 (-0.57)	-1.04 (-0.57)
<i>Relative size</i>		0.09 (0.70)	0.10 (0.71)	0.08 (0.61)	0.08 (0.61)
<i>log(Bidder size)</i>		-0.83*** (-6.13)	-0.83*** (-6.15)	-0.76*** (-5.59)	-0.76*** (-5.59)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	6,618	6,099	6,099	5,815	5,815
Adjusted R ² (%)	1.54	3.95	3.88	3.80	3.80

(Continued)

Does the CAPM Drive Misvaluations in M&As?

	Dependent Variable: <i>Bidder CAR (%)</i>				
	(1)	(2)	(3)	(4)	(5)
Panel B: Diversifying Private Target Bids					
<i>Target asset beta</i>	0.48 (1.16)	0.40 (1.02)	0.59 (1.19)	0.25 (0.51)	0.58 (0.82)
<i>Beta spread</i>					-0.26 (-0.42)
<i>log(Deal value)</i>		0.48*** (4.24)	0.48*** (4.22)	0.39*** (3.39)	0.38*** (3.29)
<i>Equity</i>		0.52* (1.69)	0.52* (1.69)	0.64** (2.06)	0.61* (1.95)
<i>Cash</i>		0.04 (0.18)	0.04 (0.18)	0.12 (0.58)	0.07 (0.31)
<i>Toehold</i>		-0.01 (-0.72)	-0.01 (-0.71)	-0.00 (-0.63)	-0.01 (-0.77)
<i>Hostile</i>		2.91 (1.34)	2.90 (1.33)	2.71 (1.23)	1.15 (0.52)
<i>Cross-border</i>		0.08 (0.29)	0.08 (0.27)	0.07 (0.22)	0.01 (0.02)
<i>Poison</i>		-1.72 (-1.41)	-1.71 (-1.40)	-1.55 (-1.15)	-1.56 (-1.14)
<i>Tender</i>		-0.00 (-0.00)	0.01 (0.00)	0.16 (0.11)	0.28 (0.20)
<i>Multiple bidders</i>		-0.64 (-0.50)	-0.63 (-0.50)	0.18 (0.14)	0.04 (0.03)
<i>Relative size</i>		-0.01 (-0.73)	-0.01 (-0.73)	-0.01 (-0.99)	-0.01 (-1.27)
<i>log(Bidder size)</i>		-0.86*** (-8.55)	-0.86*** (-8.43)	-0.80*** (-7.42)	-0.79*** (-7.38)
Bidder SDC industry × Year FE	Yes	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	9,185	8,545	8,545	8,180	8,092
Adjusted R ² (%)	5.91	8.61	8.56	8.34	8.22

Table A.15. Industry Interaction in Europe – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. The sample covers bids from European firms between 1977 and 2020. Only bids for private targets are included. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets in our European sample, these variables are average values of the corresponding variables across all public firms in Datastream within the 18 European sample countries operating in the same 3-digit SIC industry. (*Interacted*) indicates that all independent variables and fixed effects are interacted with *Diversifying*, allowing their coefficients to depend on the value of the dummy variable. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
<i>Target asset beta</i>	4.77** (1.99)	3.51 (1.30)	3.87 (1.31)	4.97 (1.02)	4.97 (1.02)
<i>Target asset beta</i> × <i>Diversifying</i>	-3.39 (-1.32)	-2.51 (-0.89)	-2.56 (-0.84)	-4.35 (-0.87)	-3.39 (-0.62)
<i>Beta spread</i>					-1.44 (-0.77)
<i>log(Deal value)</i>		0.61** (2.56)	0.65*** (2.91)	0.78*** (3.26)	0.78*** (3.26)
<i>Equity</i>		1.04 (0.94)	1.06 (0.95)	1.04 (0.66)	1.04 (0.66)
<i>Cash</i>		0.03 (0.09)	0.05 (0.17)	-0.36 (-0.65)	-0.36 (-0.65)
<i>Toehold</i>		0.00 (0.40)	0.00 (0.34)	0.01 (1.12)	0.01 (1.12)
<i>Hostile</i>		3.07 (0.56)	2.94 (0.54)	8.77*** (3.83)	8.77*** (3.83)
<i>Cross-border</i>		0.51 (1.01)	0.52 (1.01)	0.22 (0.24)	0.22 (0.24)
<i>Poison</i>		1.06 (0.59)	1.14 (0.62)	5.42** (2.01)	5.08* (1.85)
<i>Tender</i>		-0.22 (-0.22)	-0.22 (-0.21)	2.14 (1.53)	2.14 (1.53)
<i>Multiple bidders</i>		-6.41** (-2.33)	-6.43** (-2.33)	-7.74** (-2.23)	-7.74** (-2.23)
<i>Relative size</i>		-0.06 (-0.82)	-0.06 (-0.75)	0.00 (0.03)	0.00 (0.03)
<i>log(Bidder size)</i>		-0.69*** (-4.24)	-0.70*** (-4.35)	-0.79*** (-2.83)	-0.79*** (-2.83)
Bidder SDC industry × Year FE (interacted)	Yes	Yes	Yes	Yes	Yes
Deal controls (interacted)	No	Yes	Yes	Yes	Yes
Target controls (interacted)	No	No	Yes	Yes	Yes
Bidder controls (interacted)	No	No	No	Yes	Yes
N	6,117	5,916	5,849	3,601	3,525
Adjusted R ² (%)	8.48	13.47	13.44	18.41	18.69

Table A.16. Industry Split in Europe – Private Targets

This table presents results for OLS regressions regarding the sensitivity of a bidder's announcement return (*Bidder CAR*), measured as market-adjusted abnormal returns cumulated over a symmetric seven-day event window $[-3;+3]$, to its target's average 3-digit SIC industry asset beta (*Target asset beta*). Further independent variables are defined in Table 8 in the Appendix. A constant term is included but not reported. The sample covers bids from European firms between 1977 and 2020. Panel A presents results for bids toward private targets operating in the same 3-digit SIC industry as the bidder. Panel B shows the results for bids for private targets operating in a different 3-digit SIC industry than the bidder. *Beta spread* is omitted in Panel A as the variable always equals zero for horizontal bids, given the computation of *Target asset beta* and *Bidder asset beta*. *Same industry* is omitted in both panels as its value does not vary within each subsample. *Deal controls* is a vector of deal characteristics: *log(Deal value)*, *Equity*, *Cash*, *Toehold*, *Hostile*, *Same industry*, *Cross-border*, *Poison*, *Tender*, *Multiple bidders*, *Relative size*, and *log(Bidder size)*. *Target (Bidder) controls* is a vector of target (bidder) characteristics: *Market-to-book*, *ROA*, *Cash flow to assets*, *Debt to assets*, and *Cash to assets*. For private targets in our European sample, these variables are average values of the corresponding variables across all public firms in Datastream within the 18 European sample countries operating in the same 3-digit SIC industry. The *t*-statistics in parentheses and small font size are based on standard errors clustered by the target's 3-digit SIC industry. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Dependent Variable: <i>Bidder CAR</i> (%)				
	(1)	(2)	(3)	(4)	(5)
Panel A: Horizontal Private Target Bids					
<i>Target asset beta</i>	4.77* (1.94)	3.51 (1.26)	3.87 (1.28)	4.97 (0.99)	4.97 (0.99)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	2,060	1,994	1,963	1,254	1,254
Adjusted R ² (%)	7.52	11.53	11.52	12.95	12.95
Panel B: Diversifying Private Target Bids					
<i>Target asset beta</i>	1.39 (1.39)	1.00 (1.08)	1.30 (1.28)	0.62 (0.43)	1.58 (0.67)
<i>Beta spread</i>					-1.44 (-0.78)
Bidder SDC industry $\times$ Year FE	Yes	Yes	Yes	Yes	Yes
Deal controls	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes
Bidder controls	No	No	No	Yes	Yes
N	4,057	3,922	3,886	2,347	2,271
Adjusted R ² (%)	7.77	13.40	13.36	20.46	20.99