WHITE PAPER

Market Crashes and Merger Completions

February 24, 2020

A primary concern in mergers and acquisitions is the risk that the deal may be cancelled before completion. We document that this "interim risk" varies asymmetrically with the aggregate stock market: When the market falls sharply, cash deals are more than twice as likely to be cancelled. For stock deals and for cash deals with a definitive agreement in place there is no effect, consistent with costly renegotiation as a mechanism. Interim risk also alters the terms of merger deals that are announced and completed.