Bargaining region in a merger agreement: a diagrammatic approach

Enrico Moretto
University of Insubria, Varese, Italy
11.11.2019

Abstract

Despite mergers and acquisitions are a key topic in corporate finance, just a handful of models for the determination of the exchange ratio (that is the number of shares the acquiring company gives to shareholders of the acquired one in exchange for each stock they own) have been developed. On top of this, all approaches deal with a deterministic approach. The talk focuses on a stochastic extension of the model by Yagil (1987) and on a methodology, namely the diagrammatic approach by Kulpa (2001), capable of representing in an effective way the bargaining region, that is the set of exchange ratios considered feasible by stockholders of both companies.

This talk is based on a joint work with Alessandra Mainini (University of Insubria, Varese, Italy) and Nicolae Popovici (Babeș-Bolyai University of Cluj-Napoca, Romania).