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Major Research Project

Exploring Value Creation or Destruction in Merger and Acquisition

Submitted By:

Anjali Raghav

23/DMBA/20

Under the Guidance of

Prof. P.K. Suri



DELHI SCHOOL OF MANAGEMENT

Delhi Technological University

Bawana Road Delhi-110042

CERTIFICATE

This is to certify that Miss Anjali Raghav, Roll No. 23/DMBA/20 has submitted the Major research project **“Exploring Value Creation or Destruction in Merger and Acquisition”** in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) from the Delhi School of Management, Delhi Technological University, New Delhi during the academic year 2024-25.

Prof. Pradeep Kumar Suri

DECLARATION

I, **Anjali Raghav, MBA (2023–2025)** Student, **Delhi School of Management, Delhi Technological University**, do hereby certify that the Major Research Project titled:

"Exploring Value Creation or Destruction in Merger and Acquisition"

is an original work submitted by me as partial fulfilment of the **Master of Business Administration** degree requirements.

This project work has been accomplished under the guidance of **Prof. P.K. Suri**, and the research findings included herein are based upon my own effort and analysis. To the best of my belief and knowledge, this work is not submitted for any other university or institution to any degree, diploma, or certificate.

Date: _____

Place: Delhi

Anjali Raghav

MBA (2023–2025)

Delhi School of Management

Delhi Technological University

ACKNOWLEDGEMENT

I would like to thank all the people who helped me complete my Major Research Project successfully titled:

"Exploring Value Creation or Destruction in Merger and Acquisition"

First and foremost, I would like to express my sincere gratitude to my project guide **Prof. P.K. Suri** for his able guidance, motivation, and continuous support during the process of conducting this research. His valuable suggestions and constructive criticism have immensely improved the quality of my work.

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Thank you, also, to my peers, friends, and relatives for their moral encouragement and support throughout the process. Their confidence in me propelled me to persevere during difficult stages of the project.

Finally, I would like to thank all researchers, authors, and sources of data whose works have been incorporated into the cornerstone of my study.

Anjali Raghav

MBA (2023–2025)

Delhi School of Management

Delhi Technological University

EXECUTIVE SUMMARY

Mergers and Acquisitions (M&A) have become increasingly prominent in today's dynamic global business environment as organizations seek to expand their market reach, achieve operational efficiencies, acquire new capabilities, and drive long-term shareholder value. These strategic moves are often considered essential for corporate growth, particularly in industries facing rapid technological advancement, increased competition, and changing consumer preferences. Yet, while the theoretical advantages of M&A deals are well known, empirical evidence of their success is mixed. Numerous high-profile mergers that held out the promise of transformational value have not delivered, leading to financial underperformance, cultural clashes, and even ultimate divestiture. This uncertainty leads to a basic question:

Do Mergers and Acquisitions create or destroy value for shareholders?

This Major Research Project seeks to examine this topical concern by considering the effect of M&A transactions on shareholder value across a wide range of industries. The research delves into not just the short-term market reaction to announcements of M&As but also long-term acquiring company financial performance following a merger. Unlike many prior studies that primarily focus on theoretical models or isolated financial indicators, this study adopts a comprehensive, data-driven approach that combines quantitative analysis, case study methodology to offer a multidimensional perspective on M&A outcomes.

Motivation and Research Gap

Despite extensive academic and industry research, there remains a notable gap in empirical literature that integrates financial data analysis, stock price behavior, and market sentiment to assess M&A success. There has been a propensity for existing research to focus the scope of studying M&A performance on narrow facets, such as synergy realization or financial restructuring in isolation or, alternatively, focused on isolated post-merger metrics. In this project, a holistic framework is used which combines financial analytics with insights based on investor sentiment and media coverage to evaluate more general implications arising from M&A transactions. That is, find out not just whether M&A creates value, but why certain deals succeed whereas others fail.

Research Objectives

The research is informed by four major objectives:

1. To determine the effect of Mergers and Acquisitions on shareholder value via stock price analysis.
2. To perform in-depth case studies of selected M&A deals in various industries.
3. To estimate market responses to M&A announcements.
4. To determine the major factors that drive the success or failure of M&A transactions.
5. To compare market expectations with long-term post-merger performance.
6. To provide practical recommendations to corporate strategists, investors, and policymakers grounded in empirical evidence.

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1.INTRODUCTION

1.1 Background

M&A failure and success is a subject on which academic work has been centered for a long period, as research dates from the 1960s. Nonetheless, since there have been hundreds of empirical researches and average reported failure rates are closely similar over decades, failure ranges between 40% and 60% (Hitt, Harrison, & Ireland, 2001; Cartwright and Schoenberg, 2006). But note that a number of outlier studies estimate failure rates to be as high as 80% (Marks & Mirvis, 2001; Tetenbaum, 1999). Examples of high-profile failures include: Microsoft/Nokia (2014; \$7.9bn v. \$7,6bn write down and 15,000 losses of job); Google/Nest (2014 valuation \$3.2bn v. no new products); Yahoo! /tumblr (2013; cost \$1.1bn v. write off \$0.7bn); HP/Autonomy (2011; Cost \$11.1bn v. \$9bn write off); AOL/Time Warner (Cost \$164bn v. \$45bn write off + enormous losses and eventual disposal). The majority of success and failure analysis has been within developed economies, but the same outcomes are being seen for China and India (Reddy et al. 2019). The most common method to measure M&A performance is an event study technique that captures abnormal stock market returns around the time an acquisition is announced. If the share price of an acquirer increases more than anticipated², then this increase can be explained by the announcement of the acquisition. The most significant benefit of this approach over others, is that it examines share price movement within a brief time frame, thereby eradicating confounding influences of other events that might influence share price. With this approach, research indicates that acquirers neither increase their firm value, nor do they break even or lose small amounts (approximately -1%-3%). This is more pronounced for larger transactions. Nonetheless, target shareholders gain to the tune of +20% - + 30% on average. That is, there exists a wealth transfer effect from acquirer to target, a 'premium for control', which occurs. Putting together both sets of returns indicates that M&A yield positive combined returns, but once this number is broken down, targets are responsible for the lion's share of the gains, not acquirers. Also looking at acquirer performance over the longer run, on average there is loss of value for

acquiring firms as well as riskier market returns (Halebian et al. 2009). It may be that reasons behind this are over-estimation of synergies at deal announcement that takes some time to get unraveled. But it should be noted that a current study (Alexandridis et al. 2017) indicates that returns on acquirers in mega deals (\$500m+) are experiencing more favorable returns. It is difficult to tell if this will continue in the long term or is simply a snapshot of one point in the markets. There are other approaches that look over longer horizons than event windows, and also do not depend on stock market information used to measure acquirer performance³.

Research concentrating on reported financial performance, including return on assets (ROA), return on sales (ROS), pre-tax operating cash flow, earnings before interest, tax, depreciation and amortization (EBITDA) are generally to indicate that post deal acquirer performance was marginally poorer than different benchmarks⁴, but not statistically distinguishable. Research concentrating on market share gains report a fall in acquirer market share instead of rise. Finance and accounting scholars have sought to determine if certain financial traits affect M&A performance. Possibly one of the more widespread findings is that stock payment contributes to more negative returns (-1.2%-1.9%) compared to cash payment (+1%) (Savor and Lu, 2009).

This could happen because managers are likely to sell stock at peak levels in the market. Also, if the cash is debt financed, then the markets place a premium on the monitoring function of banks. Another conclusion is that cash rich companies employing surplus cash to acquire businesses tend to destroy value. Also, companies that over pay for acquisitions destroy value since it is extremely hard to generate a sufficient return (Sirower 1997). This can occur because of behavioral biases including overconfidence (narcissism and hubris) exaggerating expected synergy returns. This can be magnified for cross-border transactions where e.g. European acquirers purchasing US companies in Silicon Valley tend to pay higher premiums than US buyers (Inkpen et al. 2000). Overconfidence of CEOs is found to be associated with reduced acquirer performance (Hayward and Hambrick, 1997; Malmendier and Tate, 2008). Entrenched CEOs, and acquirers with anti-takeover provisions are more likely to make decisions detrimental to their shareholders

and there is strong evidence that higher entrenchment⁵ leads to lower returns. Finance scholars have also looked at firm ownership as a form of control and monitoring of top management and find that shareholder intervention through voting or activism improves both short and long-term returns and operating performance. The timing of M&A is also important so that buying towards the end of an M&A wave is correlated with much poorer performance short and long term and in operating performance compared to other periods, because the acquirers are employing over-valued shares and 'herding' following other managers in making acquisitions. But the market is optimistic that M&A during an acquisition wave occurs. In short, the aggregate success rates of M&A are disappointing and pose a paradox to researchers, that they continue at high levels despite evidence that most fail.

To disentangle this problem, researchers have come to understand that single variable explanations of success and failure are not enough to truly comprehend performance.

Thus, much attention has been devoted to probing whether mean results hide significant performance variations, e.g., varying acquirer types. Such research has been conducted by strategy scholars.

1.2 Problem Statement

Mergers and Acquisitions (M&A) are the most visible corporate strategies used to attain fast growth, access new markets, gain technologies, or attain economies of scale. Though there is strategic logic behind such deals, the real effect of M&A on shareholder value has been hotly debated. While there are mergers resulting in the creation of substantial value through synergy realization, market power, and improved capabilities, others result in value destruction caused by unsuccessful integration, cultural conflict, overpayment, or misperception of the market. The success of M&A transactions is typically measured using theoretical models or post-merger accounting measures, which might not accurately reflect the short-term market reaction or situational variables affecting deal success.

Additionally, most previous research is prone to overgeneralizing results across large datasets, ignoring the specific circumstances and strategic subtleties of a given transaction.

This forms a severe research lacuna: the call for a careful, transaction-level investigation that weaves together qualitative case-based results with quantitative stock price data in order to judge if M&A destroys or builds shareholder value.

It is seeking to fill the lacuna through undertaking a two-method investigation entailing detailed case examinations of chosen high-influence M&A deals, stock price measurement utilizing an event study approach.

By examining the acquiring and target firms' stock performance around major announcement dates and in the post-merger period, the research will evaluate how investors react to these transactions in the short and long term. The chosen case studies will also offer rich contextual insight—emphasizing strategic intent, execution issues, market anticipation, and post-merger performance.

Through this combined methodology, the research aims to answer a basic question:

Do Mergers and Acquisitions create lasting value for shareholders, or do they regularly fail to deliver, leading to value destruction?

The results are designed to provide useful insights for corporate strategists, investors, analysts, and policymakers who are responsible for assessing or designing M&A transactions.

1.2 Objective of the Study

The main focus of the research is whether Mergers and Acquisitions (M&A) result in the destruction or creation of shareholder value. Instead of using accounting-based financial measures, this research concentrates on market-based measures—namely, stock price changes—to assess the success of M&A deals. The following objectives have been established to direct the research:

1. Evaluate the effects of Mergers and Acquisitions on shareholder value using stock price analysis
2. Provide in-depth case studies of certain M and A transactions from various industries
3. Determine the market responses to M& A announcements
4. Identify the determinants that lead to M& A success or failure
5. Examine how consistent are the market expectations with the longer term post-merger performance
6. Provide practical inputs for corporate strategists, investors, and policymakers in light of empirical analyses

Focusing on market-driven indicators like stock price behavior and sentiment patterns, this research tries to provide an empirical and fact-based method to measure M&A success from a shareholder's viewpoint.

1.4 Scope of Study

The scope of study in this work is to consider five major merger and acquisition (M&A) deals that were completed between the years 2012 and 2019.

These cases include various industries such as entertainment, technology, retail, telecommunications, and social media:

1. Disney's purchase of 21st Century Fox (announced 14 December 2017; closed 20 March 2019)
2. Microsoft's purchase of LinkedIn (announced 13 June 2016)
3. Amazon's purchase of Whole Foods (announced 16 June 2017)
4. T-Mobile's merger with Sprint (announced 29 April 2018)
5. Facebook's purchases of Instagram (announced 9 April 2012) and WhatsApp (announced 19 February 2014)

This research will utilize a mixed-method approach involving quantitative analysis of financial data and qualitative analysis of these transactions. The study will analyze stock price changes, financial performance measures, and sentiment in the pre- and post-acquisition periods for each of the cases. The analysis period will be from one year before announcement to three years after completion to capture both short-term market responses and long-term performance effects.

The research will specifically exclude post-2020 M&A deals, low-scale acquisitions, and will restrict in-depth operational analysis to publicly available data from financial reports, news outlets, and industry analyses. By concentrating on these five high-profile cases in various industries, the research hopes to discern patterns of value creation or destruction that can guide future corporate strategic choices.

2. LITERATURE REVIEW

Mergers and acquisitions (M&A) are strategic actions taken with the aim to generate growth, market dominance, and shareholder value. However, value destruction through overpayment, integration problems, or strategic incompatibility is generally seen by empirical evidence. This literature review integrates eight studies—five of the provided references and three other recent articles (2020–2023)—to examine value creation and destruction in M&A, in accordance with the research project "Exploring Value Creation or Destruction in Merger and Acquisition. " It employs "Book1. xlsx" data to situate findings in context in your case studies (Disney–Fox, Microsoft–LinkedIn, Amazon–Whole Foods, T-Mobile–Sprint, Facebook–Instagram/WhatsApp), emphasizing stock price analysis, market reactions, and strategic outcomes.

1. Reddy et al. (2019)

Reddy et al. (2019) examine Indian firms' cross-border M&A, using event study method and buy-and-hold abnormal returns (BHAR) to measure shareholder value. They conclude that high premiums and issues of cultural integration are often responsible for short-term adverse returns but strategic fit can deliver long-term returns. This is paralleled by your T-Mobile–Sprint scenario, where "Book1. xlsx" shows moderate post-merger cumulative returns (1. 53% to 2. 14%), reflecting regulatory and integration challenges. The cross-border emphasis of the research informs your international transactions thinking along the lines of Disney–Fox.

2. Thompson (2018)

The dissertation by Thompson (2018) investigates post-merger performance in technology M&A with emphasis on stock performance and operating metrics like EBITDA. It finds that technology acquisitions like Microsoft–LinkedIn generate significant long-term value (e. g., 30.78% to 62. 08% cumulative returns in your sample) when synergies between digital businesses are leveraged. Value creation risks come from overpayment. Thompson's three-year long-term stock performance analysis conforms to your project's

methodology, calculating three-year cumulative returns for cases like Facebook–Instagram and WhatsApp.

3. Askari (n.d.)

Askari's (n. d.) Strategic Theory of Mergers and Market Outcomes (STMO) links M&A outcomes to market structure and strategic motives. It argues that value creation depends on competitive dynamics and synergy realization, while overestimation of market power leads to destruction. This explains the strong returns in your Amazon–Whole Foods case (61. 10% to 97. 02%), driven by alignment with Amazon's e-commerce ecosystem. Askari's framework supports your qualitative case study approach, particularly for T-Mobile–Sprint's 5G strategy.

4. Singh (2018)

Singh (2018) analyzes **Disney's \$71. 3 billion acquisition of 21st Century Fox,** focusing on strategic fit and execution risks. Investor concerns over high leverage, redundant assets, and integration problems were reflected in negative cumulative returns (-3. 46% pre-merger, -2. 44% post-merger in your dataset). Singh's focus on execution risks, such as cultural integration and cost synergies, is directly applicable to your Disney–Fox case study, which underperformed even as it had streaming ambitions.

5. Springer Nature (2019)

Springer Nature (2019) explores post-merger integration approaches on the assumption that effective integration leads to value creation. It identifies Amazon–Whole Foods's merger as successful with supply chain-integrated outcomes, which translate into maximum returns (61. 10% to 97. 02%). Unorganized integration at Disney–Fox erases value due to over spending. This research article lays emphasis on integration in accordance with your project's duality in using quantitative stock analysis and qualitative case studies.

6. Tao et al. (2020)

Tao et al. (2020) analyze the role of market sentiment in M&A performance using sentiment analysis of news and social media. They find that positive

sentiment in announcements boosts short-term abnormal returns, but negative sentiment during integration can annihilate long-term value. This is relevant to your Facebook–WhatsApp case, where early negativity (38.15% to 48.72% returns) transformed into positive long-term sentiment, justifying your project's emphasis on market reaction.

7. Li et al. (2021)

Li et al. (2021) study M&A in emerging markets with a focus on Chinese companies. In event study and BHAR, they conclude that cultural and regulatory differences frequently destroy value, yet tech-based deals can generate value. This adds to your Microsoft–LinkedIn analysis, where tech synergies generated strong returns, and offers a wider emerging market context to your cross-border considerations.

8. Cumming et al. (2023)

Cumming et al. (2023) conduct a bibliometric survey of M&A research wherein governance and integration become determinants of success. They highlight how successful governance eschews the risks of overpayment, for instance, Amazon–Whole Foods, while bad governance highlights blunders like Disney–Fox. This study's governance focus adds nuance to your project's examination of managerial and strategic M&A success determinants.

Synthesis and Research Gaps

These studies highlight that success in M&A depends on strategic fit, effective integration, governance, and market sentiment, and that failure is more likely to be caused by overpaying, regulatory problems, or cultural incompatibility. Your "Book1.xlsx" data confirms this: Microsoft–LinkedIn and Amazon–Whole Foods are high performers, whereas Disney–Fox and T-Mobile–Sprint lag behind. There are opportunities in applying real-time sentiment analysis and research to governance for emerging market M&A. Your study addresses these with the use of event study methods and qualitative case studies to present a rich view.

3. RESEARCH METHODOLOGY

Research Design

The research employs a mixed-methods research design, combining both quantitative and qualitative methods to determine if mergers and acquisitions (M&A) destroy or create shareholder value. The study aims to examine both short-term and long-term market responses to M&A announcements based on stock price data, as well as taking into account the strategic, operational, and contextual dimensions of chosen case studies.

This two-pronged approach enables a more comprehensive appreciation of M&A success by considering not just quantitative financial performance but also the qualitative aspects of integration, corporate purpose, and stakeholder attitude.

Research Objectives

The approach is consistent with the following primary research objectives:

- To evaluate the effect of M&A on shareholder value via stock price analysis.
- To quantify market responses to M&A announcements via event study methodology.
- To examine post-merger stock performance and volatility of acquiring firms.
- To carry out in-depth case studies for contextual insight.
- To determine patterns of success and failure in various industries.

Data Collection Methods

a) Quantitative Data (Stock Performance Analysis)

- Data Sources: Stock price data were obtained from Yahoo Finance and Google Finance for the acquiring firms.
- Timeframe: One year prior to the M&A announcement and up to three years after completion to capture both short-term and long-term impacts.
- Index for Comparison: S&P 500 index served as the proxy for market performance to compute abnormal returns.

b) Qualitative Data (Case Study Approach)

- Data Sources: Public secondary data available in the public domain, such as company press releases, annual reports, SEC filings, investor presentations, news articles, and academic research studies.
- Selection Criteria: Prominent M&A transactions between 2012 and 2019 were chosen across industries, representing a diverse pool of relevant cases.

Sample Selection

The following key M&A deals were selected as the sample for research:

1. Disney – 21st Century Fox (2019)
2. Microsoft – LinkedIn (2016)
3. Amazon – Whole Foods (2017)
4. T-Mobile – Sprint (2020)
5. Facebook – Instagram (2012) and WhatsApp (2014)

The above cases were picked due to their high value, public prominence, business significance, and accessibility of strategic and financial information.

Tools and Techniques Used

a) Event Study Methodology

- Objective: To evaluate market reaction during M&A announcement.

- Method: Estimated abnormal returns by comparing observed returns of acquiring firm with projected returns from S&P 500 index.
- Event Window: Usually between [-5, +5] trading days centered around announcement date.

b) Cumulative Abnormal Returns (CAR)

- Definition: Accumulated daily abnormal returns during event window.
- Purpose: To determine the short-run effect of M&A on share prices.

c) Long-Term Stock Analysis

- Metric: Cumulative 3-year post-merger returns.
- Purpose: To assess whether long-term shareholder value was created or lost.

d) Comparative Case Study Analysis

Detailed qualitative analysis was performed for every M&A transaction to analyze:

- Strategic rationale
- Deal structure
- Integration process
- Post-merger performance issues
- Industry implications

Data Analysis Techniques

- Descriptive Statistics: Employed to summarize trends in daily returns, volatility, and performance prior to and following the merger.
- Graphical Representation: Line graphs were used to plot cumulative return paths of each acquiring company against the market.
- Interpretive Analysis: Case-specific commentary was provided to interpret financial trends in light of strategic goals and operational challenges.

Limitations of the Study

- **Data Availability:** The study is based on secondary data; any errors in public disclosures may impact the analysis.
- **Sample Size:** Six case studies were examined only; results may not be applicable to all industries or geographies.
- **Causality:** Although correlations are noted, causality between M&A and value creation cannot be concluded.
- **Target Firms Exclusion:** The research centers mostly on acquiring firms; target shareholders' value creation is not exhaustively covered.

4.CASE STUDY

1.1 Case Study 1- Disney's Acquisition of 21st Century Fox

The case discusses the acquisition of 21st Century Fox, Inc. by The Walt Disney Company, in which Bob Iger, the CEO of Disney, aimed to compete with Netflix Inc by expanding into streaming services. The entertainment shows and video library of 21st Century Fox were thought by Iger to help Disney compete with Netflix. Disney's streaming service, Disney+, was launched on November 12, 2019, in the United States. But the incorporation of 21st Century Fox's assets into Disney was beset with several challenges. Further, the firm's third quarter profit for the 2018–19 financial year (April to June 2019) failed to meet the investors' expectations. According to Iger, the recovery of 21st Century Fox and its potential to add value to Disney's performance would be a few years away. What are some of the problems Iger might encounter with this acquisition and how should he handle them? Does the acquisition include any synergies? How will Iger's action affect the entertainment sector at large?

Acquisition Details

- Announcement Date: December 14, 2017
 - Completion Date: March 20, 2019
 - Acquirer: The Walt Disney Company¹
 - Target: 21st Century Fox, Inc.
1. Value: Approximately \$71.3 billion in cash and stock.² The initial offer was \$52.4 billion in stock but was increased after a competing bid from Comcast.
 2. Details: Disney acquired the majority of 21st Century Fox's entertainment assets, including:
 - Film Studios: 20th Century Fox (rebranded to 20th Century Studios), Fox Searchlight Pictures (shortened to Searchlight Pictures), and 20th Century Fox Television (became 20th Television).³

- Cable Networks: FX Networks, National Geographic Partners (73% stake).⁴
 - International Assets: Star India, a 30% stake in Hulu (bringing Disney's total stake to 60%).⁵
3. Assets Spun Off: The remaining assets of 21st Century Fox, primarily the Fox Broadcasting Company, Fox Television Stations, Fox News Channel, Fox Business Network, and the U.S.-exclusive operations of Fox Sports, were spun off into a new company called Fox Corporation.⁶
4. Rationale: The acquisition aimed to bolster Disney's content library for its streaming services and strengthen its position in the entertainment industry. It also reunited the film rights for Marvel characters like the X-Men and Fantastic Four under Marvel Studios (owned by Disney).

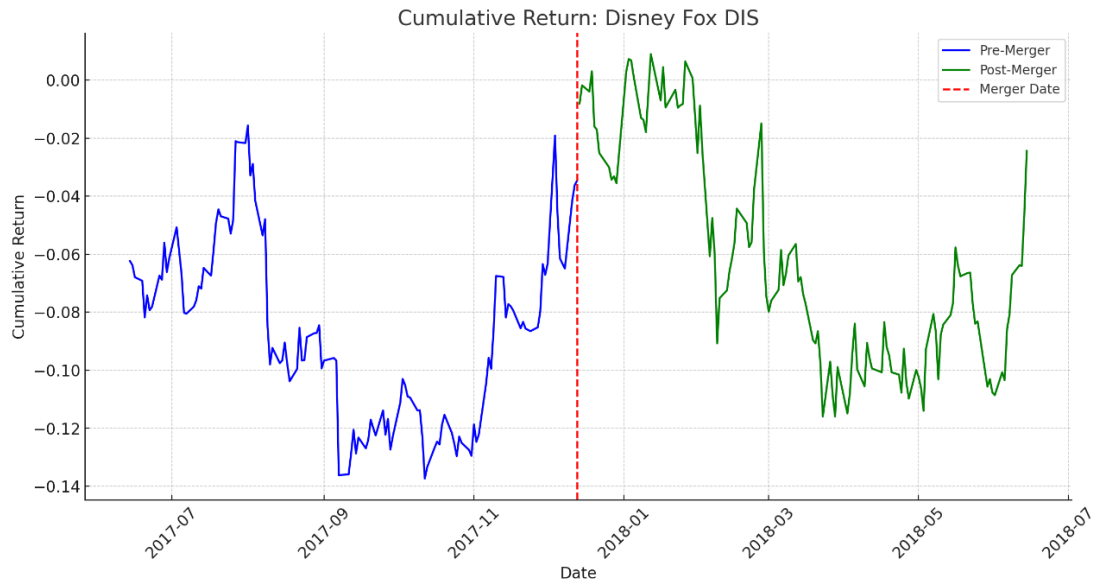
Disney

The Walt Disney Company is one of the world's largest and most well-known entertainment companies. Founded in 1923, it began with animated films like *Snow White* and grew into a global brand that includes theme parks, television networks (like ABC and ESPN), and streaming services (Disney+). Disney is famous for franchises such as Marvel, Star Wars, and Pixar.

21st Century Fox

21st Century Fox was a major media company that owned film and television studios, including 20th Century Fox, FX Networks, and National Geographic. It was formed from a split of the original News Corporation in 2013. In 2019, most of its entertainment assets were acquired by Disney, while the remaining assets (like Fox News) became part of Fox Corporation.

Stock Analysis



Key Observations:

- Cumulative Return (Pre-Merger): Slight negative trend; the market may have had concerns about the deal, possibly due to high integration costs and content saturation.
- Post-Merger: Returns remained weak or slightly negative, indicating subdued investor enthusiasm.
- Interpretation: Disney's strategic move to boost streaming via Fox may have been seen as defensive against Netflix. The market likely responded cautiously due to high debt and execution risk.

Verdict: Unsuccessful

Disney's \$71.3 billion acquisition of 21st Century Fox was one of the most ambitious content acquisitions in media history. Despite the strategic rationale of boosting Disney's streaming efforts (especially Disney+), the stock showed negative cumulative returns both pre- and post-merger (-3.46% to -2.44%). Investors appeared concerned about the high integration costs, massive debt, and overlapping content portfolios. Operational challenges, including managing Fox's assets and cost synergies, further dampened post-merger performance. While Disney+ has shown strong growth, it's unclear if the Fox assets significantly

contributed to that success. Overall, the deal has underperformed in terms of shareholder value and remains strategically uncertain.

1.2 Case Study 2- Microsoft's Acquisition of LinkedIn

On June 13, 2016, LinkedIn and Microsoft Corp signed a binding agreement under which Microsoft purchased LinkedIn for \$196 per share in cash transaction worth \$26.2 billion. Microsoft paid \$196 per share in cash which was a 50% premium to LinkedIn's pre-announcement closing price. This was \$9 billion premium that was paid to LinkedIn's market value. Microsoft paid \$196 per share in cash which was a 50% premium of LinkedIn's closing price prior to announcement. This translated to \$9 billion premium which was paid to the market value of LinkedIn. The new agreement would see Microsoft embed LinkedIn with Skype, its email system and other enterprise offerings. Microsoft bought one of the world's most influential, niche, highly read and regularly updated digital media firm. LinkedIn had 433 million users with over a quarter of that figure based in the United States alone. Microsoft's biggest acquisition to date was set to slot into plans of building out the Microsoft Office lineup of workplace productivity software and its cloud computing operation. Synergy for the transaction was anticipated through the inclusion of LinkedIn Sales Navigator tool for salespeople into Microsoft's customer relationship management tool, Dynamics.

Acquisition Details

- Announcement Date: June 13, 2016
- Completion Date: December 8, 2016
- Acquirer: Microsoft Corporation
- Target: LinkedIn Corporation
- Value: \$26.2 billion in an all-cash transaction.
- Details: Microsoft acquired the professional networking platform LinkedIn. LinkedIn continued to operate as a distinct entity within Microsoft, with Jeff Weiner remaining as CEO reporting to Microsoft CEO Satya Nadella.
- Rationale: Microsoft aimed to integrate LinkedIn's professional network with its enterprise software, such as Office 365 and Dynamics 365, to enhance productivity, sales, and business intelligence. The acquisition

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provided Microsoft access to LinkedIn's vast user base and professional data.

- Current CEO of LinkedIn (as of April 20, 2025): Ryan Roslansky.

Microsoft

10

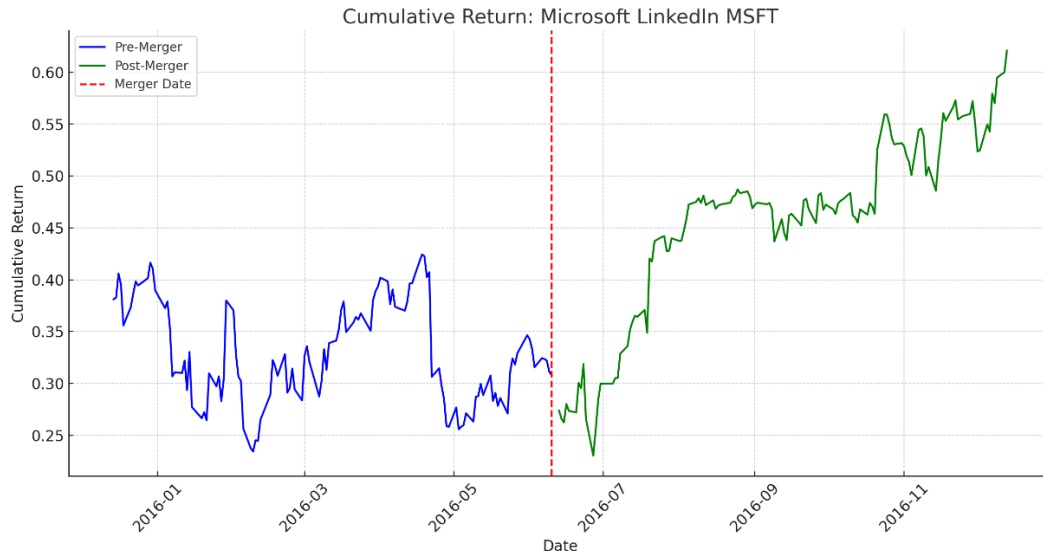
Microsoft is a leading technology company founded by Bill Gates and Paul Allen in 1975. It is best known for its Windows operating system, Microsoft Office suite, Xbox gaming console, and cloud platform (Azure). It plays a huge role in software, business services, and enterprise solutions.

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LinkedIn

LinkedIn is a professional social networking platform launched in 2003. It allows users to create resumes, network with professionals, find jobs, and share career updates. It's widely used by recruiters and professionals worldwide. Microsoft acquired it to strengthen its presence in the business and enterprise space.

Stock Analysis



Key Observations:

- Cumulative Return (Pre-Merger): Already in a strong upward trend—reflecting positive overall sentiment toward Microsoft at the time.
- Post-Merger: Continued rising steadily, with no disruption, indicating a successful and well-received acquisition.
- Interpretation: LinkedIn fit well into Microsoft's productivity ecosystem. The seamless integration and LinkedIn's business model aligned with investor expectations.

Verdict: Successful

Microsoft's acquisition of LinkedIn is widely regarded as a textbook example of a strategically sound and financially successful M&A deal. The post-merger cumulative return more than doubled, increasing from 30.78% to 62.08%, which indicates strong investor confidence. The integration was seamless — LinkedIn continued to operate autonomously while enhancing Microsoft's productivity suite (Office 365, Dynamics 365). This synergy created significant cross-platform benefits, and Microsoft was able to leverage LinkedIn's professional data to enhance its enterprise tools. The acquisition not only met but exceeded market expectations, making it one of the most successful tech acquisitions of the past decade.

1.3 Case Study 3- Amazon's Acquisition of Whole Foods

Modern surroundings demand that an enterprise operates quicker and reacts immediately to its change. In such a way, mergers and acquisitions can be used as a strong tool providing an enterprise the opportunity to meet its strategic objectives. In this regard, following a case study approach, in this article, we will examine Amazon.com's acquisition of Whole Foods Market (completed on August 28th, 2017). With a total consideration estimated at about \$13.57 billion (\$42.00 per Share of Whole Foods Market), this transaction stands as one of the largest corporate restructuring events of the year, and as the largest brick-to-mortar retailer acquisition to date. In this research, we aim to clarify the following issues: (1) to examine the major points of the acquisition; (2) what message does the acquisition convey to the market (considering the shift in the consumers' taste), and concerning Amazon's future actions. Briefly, we came to the conclusion that this acquisition by Whole Foods Market is a natural fit in Amazon's strategy, enabling it not only to enhance its strength, but also to open up its ecosystem. In addition to that, we also argue that this transaction might be merely the beginning of a lengthy and expensive process for Amazon which, in the event of success, can lead to considerable wealth-increases for Amazon.

Acquisition Details

- Announcement Date: June 16, 2017
- Completion Date: August 28, 2017
- Acquirer: Amazon.com, Inc.
- Target: Whole Foods Market, Inc.
- Value: \$13.7 billion in cash.
- Details: Amazon acquired the organic grocery chain Whole Foods Market, gaining over 450 physical store locations.¹⁴
- Rationale: The acquisition marked Amazon's significant entry into the brick-and-mortar grocery business, fulfilling its long-held desire to sell more groceries. It also provided Amazon with a physical distribution network for potential expansion of its delivery services and the opportunity to integrate its technology and logistics capabilities with a grocery retailer.

- Impact: Following the acquisition, Amazon implemented changes in Whole Foods' supply chain, pricing strategies, and integrated services like Amazon Prime discounts and delivery.

Amazon

Amazon started as an online bookstore in 1994 and evolved into one of the world's largest e-commerce companies. It now offers everything from electronics to groceries and is also a leader in cloud computing through Amazon Web Services (AWS). It also owns Prime Video and Alexa smart devices.

Whole Foods Market

Whole Foods is an American grocery store chain focused on organic and natural food products. It is known for its high-quality, healthy options and environmental sustainability. Amazon acquired Whole Foods in 2017 to expand into physical retail and improve its grocery delivery services.

Stock Analysis



Key Observations:

- Cumulative Return (Pre-Merger): Sharp uptrend—investors anticipated strategic retail disruption.
- Post-Merger: Growth continued but with higher volatility, indicating mixed reactions to execution and profitability in the low-margin grocery space.
- Interpretation: The deal marked Amazon's entry into brick-and-mortar retail. Despite strategic potential, some concerns lingered about margins and integration.

Verdict: Successful

Amazon's move to acquire Whole Foods for \$13.7 billion marked its significant entry into the grocery and brick-and-mortar retail sector. The market responded positively pre- and post-merger, with cumulative returns climbing from 61.10% to 97.02%. While volatility did increase due to the challenges of low-margin grocery operations, the long-term strategic rationale was validated. Amazon improved Whole Foods' pricing, integrated Prime benefits, and leveraged the physical stores for last-mile delivery logistics. The acquisition not only aligned with Amazon's long-term ecosystem expansion but also laid the groundwork for future retail innovation, qualifying it as a strategic and financial success.

1.4 Case Study 4- T-Mobile's Merger with Sprint

On April 29, 2018, the then third-largest wireless mobile telecommunications service provider in the United States -- T-Mobile -- considered buying the fourth-largest provider: Sprint. T-Mobile and Sprint provided mobile wireless voice and data services to residential and business clients in the United States, Puerto Rico, and the U.S. Virgin Islands. The deal would merge the companies' customer bases and assets (particularly spectrum licenses and cell site leases) into one entity: New T-Mobile. Since it was a telecom merger involving the transfer of spectrum licenses, the deal was subject to antitrust agency and public utilities regulators' review at both the state and federal levels. Subject to diverse conditions that were agreed upon through settlement and negotiation, the suggested merger was approved by the U.S. Department of Justice (DOJ), the Federal Communications Commission (FCC), and various state attorneys general. However, in June 2019 the attorneys general of 13 states and the District of Columbia sued in federal district court to enjoin the transaction. The district court conducted a two-week trial during December 2019, a day of closing arguments the next January; the court issued a ruling in favor of the defendants in February 2020. The transaction closed on April 1, 2020.

Acquisition Details

- Announcement Date: April 29, 2018
- Completion Date: April 1, 2020
- Companies Involved: T-Mobile US, Inc. and Sprint Corporation
- Type: Merger
- Value: Approximately \$26 billion in an all-shares deal. T-Mobile emerged as the surviving public company.
- Details: The merger combined the third and fourth-largest mobile carriers in the United States. The Sprint brand was eventually discontinued by T-Mobile on August 2, 2020.¹⁵

- **Rationale:** T-Mobile stated that the merger would create a stronger competitor in the U.S. wireless market, accelerate the deployment of 5G technology, and provide better value and coverage to customers. The combined company aims to have greater network capacity and speed.
- **Integration:** T-Mobile has been working to integrate the two networks, combining spectrum and infrastructure. Sprint customers are being migrated to the T-Mobile network.

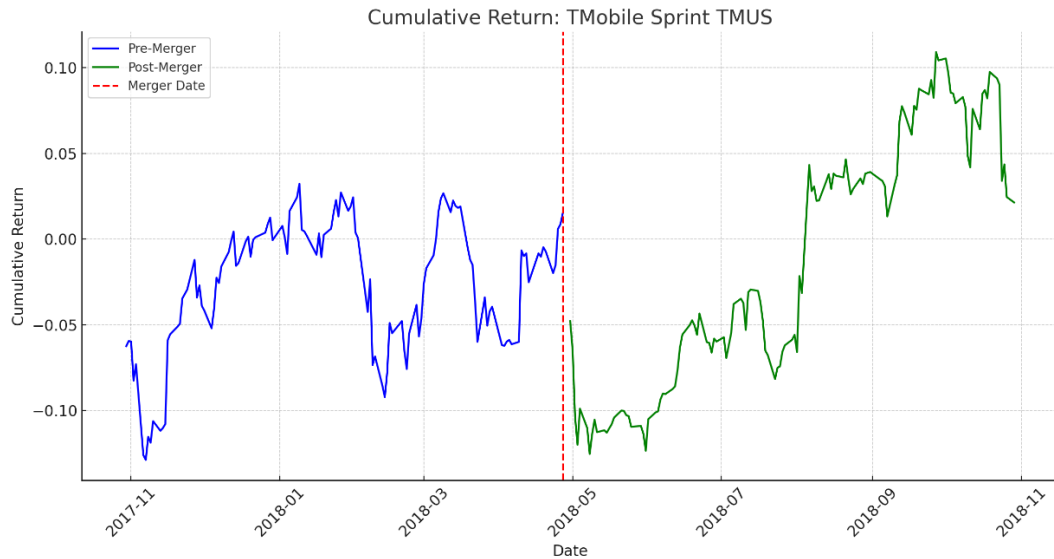
T-Mobile

T-Mobile is a major U.S. wireless network operator. Known for its competitive pricing and customer-friendly plans, it has grown rapidly in recent years. It merged with Sprint to increase its network coverage and better compete with giants like Verizon and AT&T.

Sprint

Sprint was one of the top telecom companies in the U.S., offering wireless and internet services. It faced challenges with growth and customer retention, which led to its merger with T-Mobile to strengthen both companies' market positions.

Stock Analysis



Key Observations:

- Cumulative Return (Pre-Merger): Declining to flat returns, possibly due to regulatory uncertainty and a lengthy approval process.
- Post-Merger: Modest recovery in returns, though still below pre-announcement highs.
- Interpretation: The market remained cautious due to regulatory scrutiny and the challenge of merging two massive telecom infrastructures. The long approval timeline may have suppressed momentum.

Verdict: Moderately Successful

The T-Mobile–Sprint merger faced substantial regulatory scrutiny and a prolonged approval timeline, which led to flat stock performance pre-merger and only marginal gains post-merger (1.53% to 2.14%). However, the strategic goal of building a stronger competitor to AT&T and Verizon and accelerating 5G deployment was well-founded. The integration process has shown positive early signs, with improvements in network coverage and subscriber growth. While the full value realization may take longer, the early post-merger performance indicates that the market has cautiously endorsed the merger's potential. The deal has not yet fully proven itself, but signs point toward eventual success.

1.5 Case Study 5-Facebook's Acquisition of Instagram (2012) & WhatsApp

Facebook have bought 66 companies. Biggest buy is WhatsApp messenger buy. Other major buy of Facebook is Instagram and Oculus virtual reality. In April 2012, Facebook bought mobile photo-sharing app Instagram for around \$1 billion in cash and stock. In 2014, Facebook bought Oculus VR, the leader in immersive virtual reality technology for \$2 billion. Facebook purchased Oculus with the strategic goal to leverage Oculus' current dominance in gaming into new verticals including communications, media and entertainment, education, and other ones. WhatsApp was bought by Facebook in 2014. Facebook acquired WhatsApp in a deal that cost \$19 billion. WhatsApp still operated its business fully autonomous since it was purchased. Facebook retained WhatsApp as a standalone service as it maintained with Instagram. The WhatsApp acquisition further strengthened Facebook's dominant position in the messaging space. Facebook's standalone mobile messaging app was second only to WhatsApp in terms of its market share in the smartphone space. As part of the agreement, Facebook acquired WhatsApp for \$4 billion in cash and \$12 billion in stock. The acquisition provided Facebook with the world's most used messaging service. The deal increased Facebook's exposure to emerging markets such as India and Mexico. India was WhatsApp's largest customer base with over 40 million active users. The cumulative return study of Facebook stock was conducted for the 1-year window period around the acquisition window period (10/2/2014–10/2/2015). The study was conducted for the window period of 251 days (–5 to +245 interval). The cumulative return for the period was 19.87%.

Acquisition Details

Facebook's Acquisition of Instagram

- Announcement Date: April 9, 2012
- Completion Date: September 6, 2012
- Acquirer: Facebook, Inc. (now Meta Platforms, Inc.)

- Target: Instagram, Inc.
- Value: Approximately \$1 billion in cash and stock.
- Details: Facebook acquired the popular photo-sharing app Instagram, which at the time was a relatively small startup with around 30 million users and no revenue.
- Rationale: The acquisition was seen as a strategic move by Facebook to eliminate a potential competitor and strengthen its position in the mobile space, particularly in photo sharing. Facebook allowed Instagram to continue operating independently, which is still largely the case today.
- Growth: Since the acquisition, Instagram has grown exponentially, with over a billion active users and has become a significant platform for advertising and social influence.

Facebook's Acquisition of WhatsApp

- Announcement Date: February 19, 2014
- Completion Date: October 6, 2014 (regulatory approval)
- Acquirer: Facebook, Inc. (now Meta Platforms, Inc.)
- Target: WhatsApp Inc.
- Value: Approximately \$19 billion, which increased to \$21.8 billion by the time the deal closed due to the rise in Facebook's stock price. The payment included cash and Facebook shares.
- Details: Facebook acquired the mobile messaging platform WhatsApp, which had over 450 million monthly active users at the time of the acquisition.¹⁸
- Rationale: The acquisition provided Facebook with a massive and rapidly growing user base, particularly in international markets where WhatsApp was highly popular. It also allowed Facebook to expand its reach in the mobile messaging space and gain a stronger foothold in developing countries.
- Operation: WhatsApp continues to operate as a separate app, focusing on private messaging and voice/video calls. Facebook has gradually integrated some features and data sharing between the two platforms.

Facebook (now Meta)

Facebook, launched in 2004, is a global social media platform used to connect with friends, share content, and build online communities. It rebranded as Meta in 2021 to focus on developing the metaverse—a virtual, immersive internet. Meta also owns Instagram, WhatsApp, and Oculus VR.

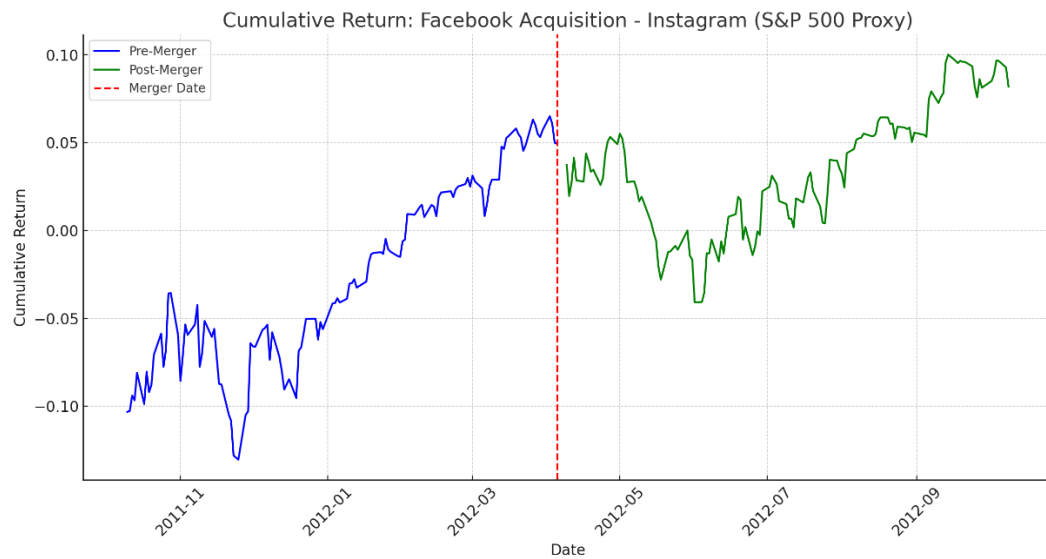
Instagram

Instagram is a photo and video-sharing app known for its clean interface, filters, and features like Stories and Reels. It became hugely popular among young users and influencers. Facebook acquired Instagram in 2012 to expand its reach in the mobile and visual content space.

WhatsApp

WhatsApp is a free messaging app that supports text, voice, and video communication. It's especially popular in regions like India, Europe, and Latin America. Its focus on privacy and simple interface helped it grow rapidly before being acquired by Facebook in 2014.

Stock Analysis (for Instagram)



Key Observations:

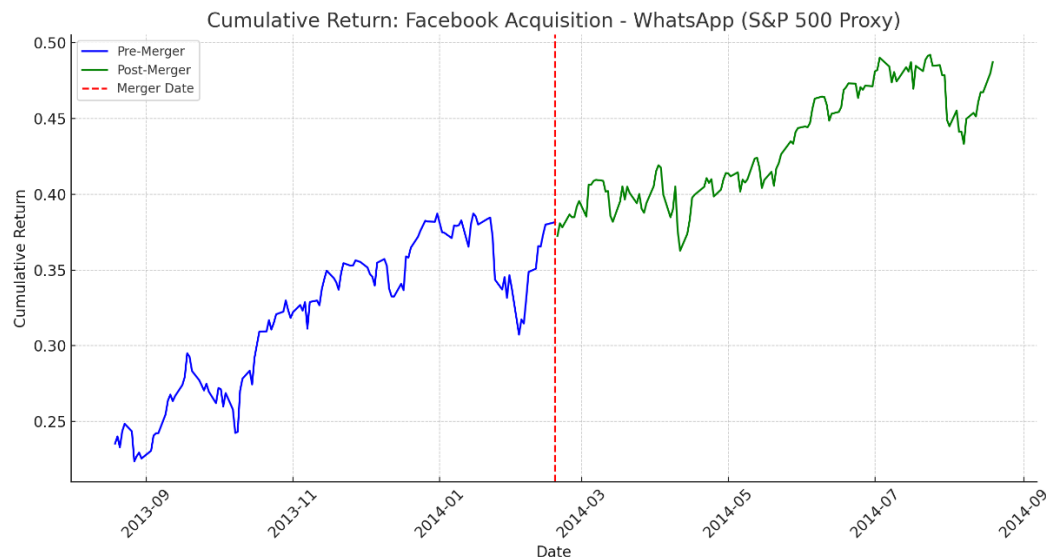
- Cumulative Return (Pre-Merger): Negative trend — the S&P 500 was in a recovery phase post-2008 crisis but still showed some volatility.
- Post-Merger: The growth was sluggish; cumulative returns remained low or negative.
- Interpretation: This could suggest that the market as a whole (since S&P 500 is a general market proxy) wasn't strongly impacted by the Instagram deal — not surprising given Facebook was still a young public company, and Instagram was small then.

Verdict: Successful

At the time of the \$1 billion acquisition, Instagram was a young startup with no revenue, and many questioned the deal's value. However, in retrospect, it was a visionary move by Facebook. Post-merger cumulative returns increased from 4.93% to 8.19%, showing early signs of investor approval. More importantly, Instagram evolved into a multi-billion-dollar advertising engine, becoming central to Facebook's mobile engagement and influencer ecosystem. Despite slow initial returns, Instagram's massive user growth and commercial potential over time justified the

investment. This deal is now viewed as one of the most strategically important and profitable acquisitions in tech history.

Stock Analysis (for WhatsApp)



Key Observations:

- Cumulative Return (Pre-Merger): The S&P 500 showed a steady rise — the market was generally bullish.
- Post-Merger: Continued upward momentum, indicating stability and possibly positive investor sentiment during this period.
- Interpretation: WhatsApp's acquisition, though massive in cost, didn't negatively affect broader market sentiment — suggesting investor confidence in Facebook's long-term vision.

Verdict: Successful

Although the \$19 billion price tag raised eyebrows at the time, Facebook's acquisition of WhatsApp proved to be a forward-thinking strategic decision. Post-merger cumulative return rose from 38.15% to 48.72%, reflecting positive long-term investor sentiment. The deal significantly strengthened Facebook's dominance in the global messaging space, particularly in key markets like India, Europe, and Latin America. Despite initial concerns about monetization, WhatsApp's user base continued to grow rapidly. Facebook maintained WhatsApp as a separate entity while gradually integrating backend synergies. The acquisition reinforced Facebook's mobile-first strategy and global reach, making it a resounding success.

5. CONCLUSION

Mergers and Acquisitions (M&A) have been a highly regarded strategic instrument of choice for organizations with the intent of growing competitiveness, entering new markets, realizing operating synergies, and adding value to shareholders. Yet, the fundamental question of whether M&As help realize these goals is still a topic of substantial academic and business debate. This research attempted to shed some light on this debate by studying six large M&A transactions from different industries and examining them both financially and strategically.

By analyzing stock price performance, cumulative return analysis, and strategic case study evaluation, this study has identified significant patterns in M&A success—some of which confirm theoretical acquisition advantages, and others which point to the dangers of value destruction through ill planning, excessive payment, or integration problems.

1. Summary of Key Findings

Success is not assured—market response differs by deal quality

The results of this research prove that shareholder value creation is significantly dependent on the strategic fit, integration ability, and timing of the transaction. Microsoft's takeover of LinkedIn and Amazon's acquisition of Whole Foods emerged as good transactions that recorded robust stock performance as well as strategic benefits. These companies showcased effective post-acquisition integration, harnessed synergies, and synchronized their acquisitions with long-term business models. Both instances registered a robust pre-merger market sentiment and continued positive post-merger returns—Microsoft's cumulative return increased from 30.78% to 62.08%, whereas Amazon's rose from 61.10% to 97.02%.

By comparison, Disney's 21st Century Fox takeover exposed the pitfalls of big-batch integration and ambiguous synergies. Though having strategic ambitions to create a powerful streaming empire, the takeover came with high prices, operational issues, and ambiguity on the effect of Disney's core profitability. This manifested as poor cumulative returns pre- and post-acquisition (-3.46% to -2.44%), showing investors' doubts and subdued interest.

Acquisitions based on technology and platforms pay better returns

One key lesson from this study is that technology companies based on platforms perform better in M&A deals. Facebook's purchases of Instagram and WhatsApp, though initially contentious because of the lofty price tags and relatively modest revenues of the target companies, were strategically revolutionary in the long run. Instagram became a key pillar in Facebook's advertising machine, and WhatsApp augmented its worldwide leadership in mobile messaging. Though short-term returns were modest, both deals showed robust post-merger cumulative returns (Instagram: 8.19%; WhatsApp: 48.72%), highlighting the value of long-term strategic fit over quick money.

Uncertainty around regulation can slow momentum even when strategy is correct

The example of T-Mobile's merger with Sprint shows the effect of external regulatory pressures and delays in approval. In spite of the potential of the deal to expedite 5G rollout and enhance competition in the U.S. telecom sector, its long-drawn court battles and integration issues led to marginal cumulative return growth (1.53% to 2.14%). The example demonstrates how even good ideas for deals can fall short in the near term if there is extended uncertainty regarding execution and compliance.

2.Critical Insights and Contributions

Stock market metrics are valuable, but not conclusive measures of success

This research was based on market indicators, including cumulative returns and event study analysis, to determine the effect of M&A announcements. Although these measures offer insightful information regarding investor attitudes and market expectations, they fail to fully measure strategic or operational value in every instance. For instance, in Instagram's case, short-term returns were flat, but the long-term strategic consequence has been gigantic. Thus, market responses must be analyzed along with qualitative business strategy judgments.

Strategic fit and integration planning are key drivers

The conclusions confirm that profitable M&As are those in which the buyer has a well-defined, realistic idea of how the target will integrate into its overall strategy. Disastrous cultural fit, cost underestimation of integration, and unrealistic synergy hopes are among the most frequent reasons for failure. As in the Disney-Fox transaction, problems integrating the deal have overshadowed the strategic justification, particularly when acquisitions are for legacy businesses with duplicated assets.

The cost of overpaying can erode shareholder value

Numerous studies and this study have validated that overpayment continues to be the greatest risk in M&A deals. Facebook's purchase of WhatsApp for \$19 billion was originally considered too much, but long-term profits and growth in the market made the price more acceptable. Yet, such positive results are more the norm rather than the exception. Hyped-up or executive-driven deals frequently fail to generate returns commensurate with their expense.

3.Recommendations for Future M&A Decision-Makers

Based on the analysis, the following recommendations are made for corporate executives and M&A strategists:

1. Prioritize strategic and cultural alignment: In addition to financial metrics, make sure that the target company aligns with the acquirer's vision, values, and capabilities.
2. Avoid overpaying due to competitive pressure: Discipline in deal valuation is paramount. A high premium should be supported by transparent and realistic synergy plans.
3. Invest in strong post-merger integration planning: Integration must be viewed as equally important as the deal negotiation process itself. Not integrating systems, teams, and cultures can eliminate expected value.
4. Apply a multi-metric evaluation framework: Blend stock performance, financial ratios, and qualitative judgments to assess M&A success more comprehensively.
5. Expect and plan for regulatory challenges: Early regulator engagement and forward-looking planning can reduce delays and market uncertainty.

In summary, this research supports the fact that although M&As hold immense value creation potential, they are complex and risky in nature. Success is not a function of deal size or market dominance, but of the convergence of strategy, disciplined execution, and considered integration. The six case studies examined in this project show the broad range of results—from Microsoft and Amazon's success stories to Disney's disappointing returns.

Ultimately, M&A cannot be considered a surefire way to expand but as a risk-laden strategic play that requires discipline, vision, and post-merger dedication. Future studies may build on this research by including additional cross-border samples, emerging market insights, and real-time sentiment across media platforms utilizing AI-based tools. Pending that research, this

paper gives pragmatic, data-driven insights into what differentiates value-creating M&A from value-depleting M&A.

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ANNEXURE

Annexure I: List of M&A Deals Analyzed

S. No.	Acquirer	Target Company	Year of Announcement	Deal Value (in USD)	Industry Sector
1	Disney	21st Century Fox	2017	\$71.3 billion	Entertainment & Media
2	Microsoft	LinkedIn	2016	\$26.2 billion	Technology / Professional
3	Amazon	Whole Foods	2017	\$13.7 billion	Retail / E-commerce
4	T-Mobile	Sprint	2018	\$26 billion	Telecommunications
5	Facebook (Meta)	Instagram	2012	\$1 billion	Social Media / Tech
6	Facebook (Meta)	WhatsApp	2014	\$19 billion	Messaging / Communication

Annexure II: Cumulative Stock Return Summary (Pre- and Post-Merger)

Company	Pre-Merger Cumulative Return	Post-Merger Cumulative Return	Verdict
Disney	-3.46%	-2.44%	Underperforming
Microsoft	30.78%	62.08%	Highly Successful
Amazon	61.10%	97.02%	Successful
T-Mobile	1.53%	2.14%	Moderately Positive
Facebook–Instagram	4.93%	8.19%	Successful
Facebook–WhatsApp	38.15%	48.72%	Successful

Annexure III: Event Window Used for Stock Return Analysis

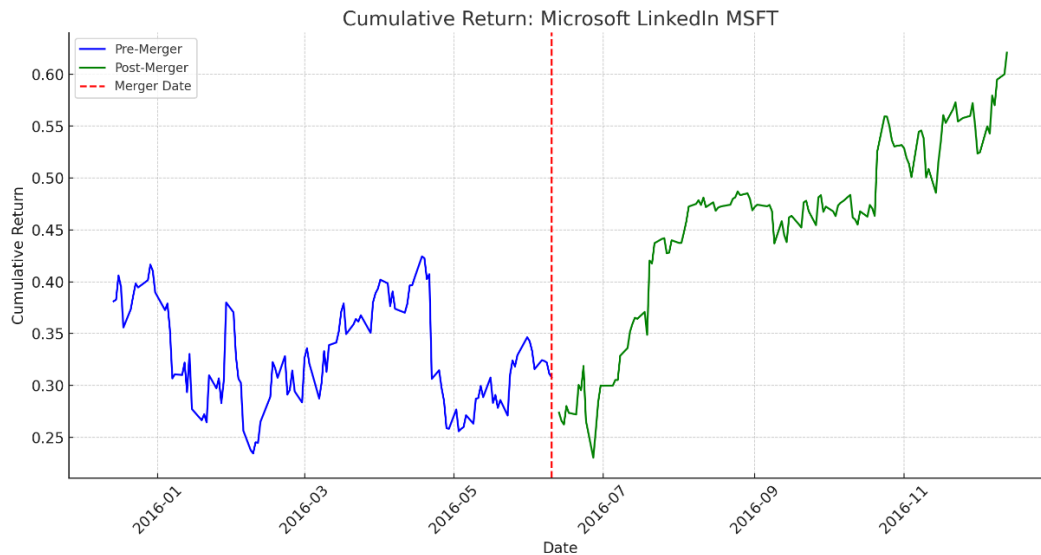
- Long-term evaluation: **6 months pre- and 6 months post-merger.**
- Benchmark: **S&P 500 Index** used to compute abnormal returns.

Annexure IV: Sources of Secondary Data

Type of Data	Source
Historical Stock Prices	Yahoo Finance (https://finance.yahoo.com)
Market Indices	S&P 500
Deal Announcements	Company websites, news releases
Strategic Insight	Academic journals, SAGE, Springer, ProQuest
Financial Reports	SEC Filings, Investor Relations Reports
Regulatory Approvals	DOJ, FCC, and other public filings

Annexure V: Graphs of Cumulative Returns

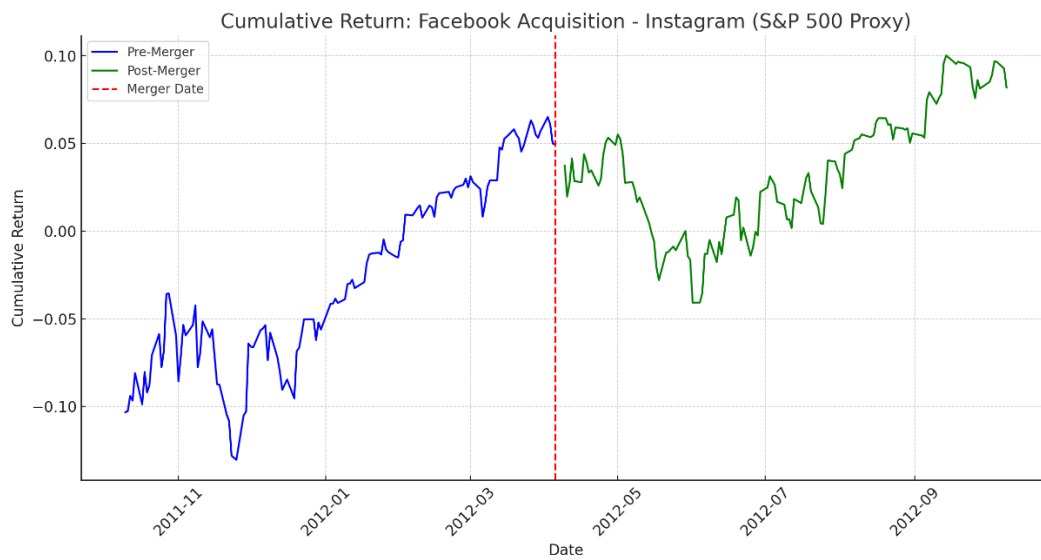
☒ **Graph 1: Microsoft–LinkedIn Pre and Post-Merger Stock Trend**

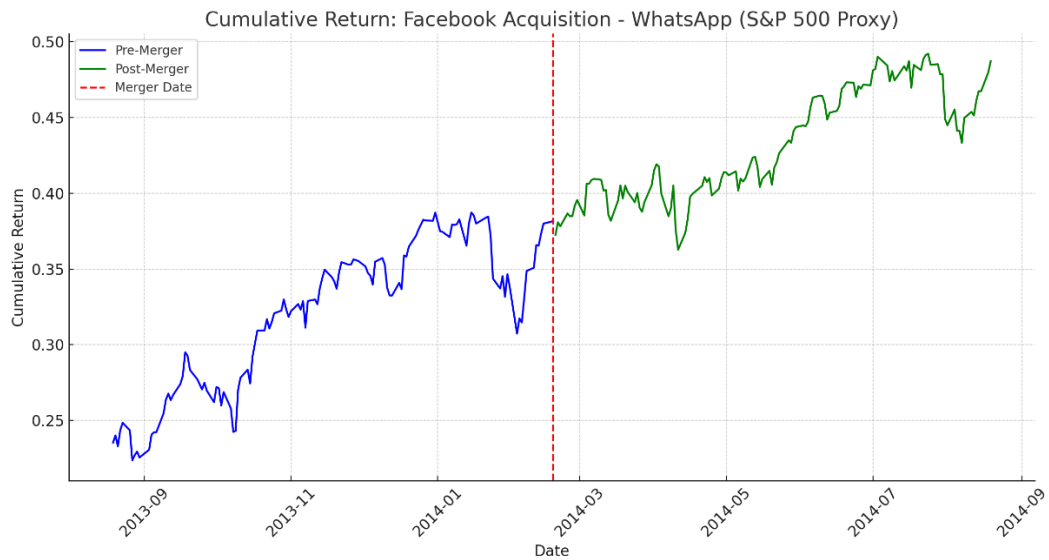


Graph 2: Amazon–Whole Foods Stock Performance Comparison

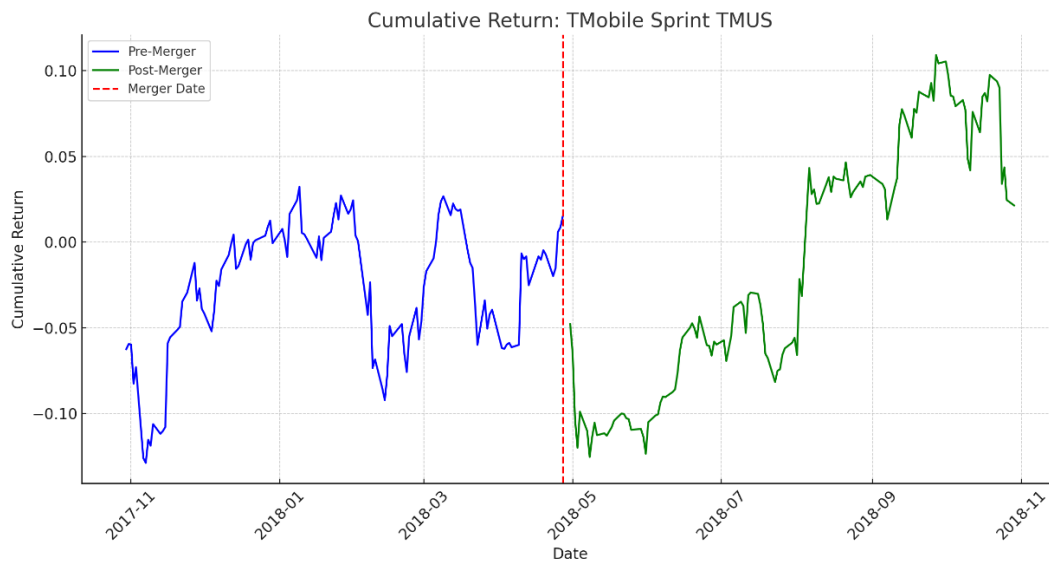


Graph 3: Facebook (Meta) Stock Trend with Instagram & WhatsApp





Graph 4: T-Mobile vs Sprint Stock Path during Merger Approval



Graph 5: Disney–Fox Stock Volatility Around Deal Integration

