# Article information:

Valuation waves and merger activity: The empirical evidence - ScienceDirect  
<https://www.sciencedirect.com/science/article/abs/pii/S0304405X05000760?via%3Dihub>

# Article summary:

1. This paper tests the effect of misvaluation on merger activity by decomposing the market-to-book ratio into three components.

2. The results provide strong support for theories that suggest misvaluation drives mergers, as much of the behavior of M/B is driven by firm-specific deviations from short-run industry pricing.

3. Misvaluation affects who buys whom, as well as method of payment, and combines with neoclassical explanations to explain aggregate merger activity.

# Article rating:

May be slightly imbalanced: The article presents the information in a generally reliable way, but there are minor points of consideration that could be explored further or claims that are not fully backed by appropriate evidence. Some perspectives may also be omitted, and you are encouraged to use the research topics section to explore the topic further.

# Article analysis:

The article provides a comprehensive overview of recent theories suggesting that valuation errors affect merger activity and presents empirical evidence to support these theories. The authors use a decomposition approach to break down the market-to-book ratio (M/B) into three components in order to test their hypotheses. They find strong evidence that misvaluation does indeed drive merger activity, as much of the behavior of M/B is driven by firm-specific deviations from short-run industry pricing.

The article is generally reliable and trustworthy, as it provides a thorough analysis of the topic and presents evidence to back up its claims. However, there are some potential biases in the article that should be noted. For example, the authors focus primarily on stock-financed deals when discussing merger activity, which may lead to an incomplete picture of all types of mergers and acquisitions. Additionally, while they discuss neoclassical explanations for merger activity, they do not explore counterarguments or alternative perspectives in depth. Finally, while they present evidence for their claims, they do not provide any data or sources for further exploration or verification purposes.

In conclusion, this article provides a comprehensive overview of recent theories suggesting that valuation errors affect merger activity and presents empirical evidence to support these theories. While it is generally reliable and trustworthy overall, there are some potential biases that should be noted when evaluating its trustworthiness and reliability.

# Topics for further research:

* Mergers and acquisitions alternative perspectives
* Neoclassical explanations for merger activity
* Market-to-book ratio decomposition
* Firm-specific pricing deviations
* Stock-financed deals
* Valuation errors and merger activity

# Report location:

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