

S. Kaplan, M. Mitchell, K. Wruck,

"A Clinical Exploration of Value Creation and Destruction in Acquisitions: Organizational Design, Incentives, and Internal Capital Markets," in Kaplan, Ed., *Mergers + Acquisitions: UNW of Chicago Press / NBER, 2000.*

Table 4.2 Stock Price Response to Events Associated with Cooper Industries' Acquisition of Cameron Iron Works (millions of dollars)

Event Description (Date)	Days -1 through 1					Days -5 through 5					Total	
	Cooper Industries Common Stock		Cameron Iron Works Common Stock		Total Abnormal Dollars	Cooper Industries Common Stock		Cameron Iron Works Common Stock		Total Abnormal Dollars	Abnormal Dollars	Abnormal Dollars
	% Abnormal Return	Abnormal Dollars	% Abnormal Return	Abnormal Dollars		% Abnormal Return	Abnormal Dollars	% Abnormal Return	Abnormal Dollars			
Robinson Family Trust files a 13-D discussing the possibility of selling their shares (3/3/89)	15.97	85.0	85.0	85.0	85.0	15.29	77.8	77.8	77.8	77.8	77.8	77.8
Cameron holds special board meeting to consider alternatives, including selling the company (3/16/89)	13.25	81.0	81.0	81.0	81.0	8.39	49.4	49.4	49.4	49.4	49.4	49.4
Cameron's board authorizes financial advisors to explore alternatives (4/5/89)	4.94	34.2	34.2	34.2	34.2	9.03	60.1	60.1	60.1	60.1	60.1	60.1
Cameron and Cooper announce they have entered into negotiations (7/24/89)	-4.42	-148.1	2.19	15.1	-133.0	-0.31	-10.2	8.7	8.7	8.7	-1.5	-1.5
Cameron and Cooper sign a merger agreement (8/1/89)	8.04	260.9	-1.26	-28.1	232.8	10.92	356.1	-15.4	-15.4	-15.4	340.7	340.7
Total abnormal dollars	112.8	188.2	188.2	300.0	300.0	206.7	146.1	146.1	146.1	146.1	352.8	352.8

Note: Abnormal returns are computed based on market models estimates from days -200 through -21 prior to the first announcement for both Cooper Industries and Cameron Iron Works. Abnormal dollars for eleven-day windows are not additive because of window overlap.

**Table 4.7**                      **Traditional Operating Performance for Cameron Acquisition**

	EBITDA Assets	EBITDA Sales	EBITDA Value
<i>A. Nominal Operating Performance</i>			
Preacquisition <sup>a</sup>			
1984	0.112	0.124	0.127
1985	0.113	0.140	0.264
1986	0.129	0.136	0.151
1987	0.116	0.130	0.158
1988	0.124	0.134	0.154
1989	0.114	0.149	0.189
Postacquisition <sup>a</sup>			
1990	0.149	0.172	0.159
1991	0.151	0.176	0.185
1992	0.127	0.154	0.125
1993	0.141	0.161	0.147
1994	0.116	0.163	0.114
Average	0.137	0.165	0.146
<i>B. Industry-Adjusted Operating Performance<sup>b</sup></i>			
Preacquisition <sup>a</sup>			
1984	-0.023	0.013	-0.020
1985	-0.014	0.029	0.118
1986	-0.002	0.053	0.044
1987	-0.011	0.042	0.071
1988	-0.028	0.029	0.021
1989	-0.034	0.042	0.049
Postacquisition <sup>a</sup>			
1990	0.027	0.072	0.043
1991	0.032	0.087	0.073
1992	-0.013	0.055	-0.010
1993	-0.004	0.064	0.007
1994	-0.017	0.063	-0.041
Average	0.005	0.068	0.014

*Note:* Changes and industry-adjusted changes in operating income before depreciation (EBITDA) to sales, assets, and value for Cooper Industries' acquisition of Cameron Iron Works using publicly available data.

<sup>a</sup>Preacquisition performance is measured by combining the performance of Cooper and Cameron. Postacquisition performance is measured based on data from Cooper's financial statements.

<sup>b</sup>Industry-adjusted performance based on median performance of firms in Cooper's and Cameron's Compustat primary SIC codes.

Table 4.3 Informed Operating Performance for Cameron Acquisition

	EBITDA Assets	EBITDA Sales
<i>A. Normal Operating Performance</i>		
Preacquisition		
1984	0.025	0.041
1985	0.084	0.127
1986	0.081	0.112
1987	0.042	0.066
1988	0.034	0.051
1989	0.093	0.113
Postacquisition		
1990	0.089	0.091
1991	0.088	0.081
1992	0.103	0.080
1993	-0.011	-0.010
1994	-0.064	-0.071
Average	0.041	0.034
<i>B. Industry-Adjusted Operating Performance</i>		
Preacquisition		
1984	-0.074	-0.119
1985	-0.010	0.006
1986	0.142	0.237
1987	0.166	0.209
1988	-0.003	-0.025
1989	0.007	0.021
Postacquisition		
1990	0.008	-0.042
1991	-0.055	-0.020
1992	0.027	0.000
1993	-0.103	-0.129
1994	-0.180	-0.212
Average	-0.061	-0.081

*Note:* Changes and industry-adjusted changes in operating income before depreciation (EBITDA) to sales and assets for Cameron Iron Works and Cooper Oil Tools only, using information provided by Cooper Cameron. Industry-adjusted performance based on median performance of firms in Cameron's Compustat primary SIC code of 3533.