Discerning Acquirer Value from M&A Transcripts*

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Abstract

We conduct the first large language model analysis of M&A conference call transcripts to study how M&As add value. Managers pitch virtually all deals as both cost cutting and revenue enhancing, with the most common value sources being reduced G&A, real estate, or supply chain costs and increased revenues via cross-selling or geographic expansion. More focus on cost-cutting (as opposed to revenue enhancement) strongly predicts both M&A announcement returns and multi-year net income growth for the combined entity. In sum, we unlock new information from how managers discuss M&As with investors, highlighting new sources of both short- and long-run value.

Keywords: Mergers and Acquisitions, M&A Synergy, M&A Value, Large Language Models (LLM), Natural Language Processing (NLP), Conference Calls

JEL classification: M41, G34, G14

1. Introduction

It is well established that mergers and acquisitions (M&As) add value on average (see e.g. Bradley et al., 1988), but there is less clarity on how that value is created and what types of value creation accrue to the acquirer to explain the M&A decision (Andrade et al., 2001). A challenge in addressing this question is that most potential sources of M&A value are qualitative, long-run, or involve outcomes that researchers cannot observe. Consider, for example, economies of scale or other operational synergies such as labor force reallocation or the cross-selling of products, market discipline derived from managerial improvements, or expectations of increased market power and diversification. This forces most of the literature to use very general value creation categories, specific types of mergers for which unique data are available, or indirect proxies for specific value creation channels.[1] Devos et al. (2009) offers perhaps the most direct study of the M&A value sources using analysts' cash flow forecasts instead of more traditional stock return-based measures, which they argue do not lend themselves to a natural decomposition into underlying components of the value gains.[2] Even this approach, however, is limited by the small sample of 264 large mergers with sufficient data, the limited ability to infer the full range of M&A value sources from projections on a few accounting line items, and the inability to identify how much of the M&A value accrues to acquirers.

We introduce a large language model (LLM)–based methodology to provide new broad-based evidence on the economic importance of previously unobservable and hard-to-quantify channels of M&A value creation. Specifically, we conduct the first LLM analysis of M&A conference calls, which managers use (almost exclusively on the day of M&A announcement) to convey information that they hope will improve the market's perception of value-relevant

[1] Examples of such studies include Houston et al. (2001) and Cornett et al. (2006) who exploit unique data availability in bank mergers, Tate and Yang (2024) and Dessaint et al. (2017) who respectively proxy for employee turnover costs with industry- and country-level frictions to infer the important role of employee restructuring in M&A value creation, and Bai et al. (2022) who use detailed establishment-level data to provide evidence that more structured management practices are a source of M&A value creation.

[2] The use of analysts' forecasts is also superior to using ex-post changes in operating performance, which yield mixed evidence on M&A value creation (Healy et al., 1992; Heron and Lie, 2002; Ghosh, 2001) and are difficult to interpret due to potential selection effects Harford (2005), or managerial forecasts as in Houston et al. (2001), which may be subject to reporting or content bias.

M&A transactions (see e.g. Kimbrough and Louis, 2011; Dasgupta et al., 2024). Unlike earlier generation topic model tools, which typically require ex-post manual labeling and subjective interpretation, LLMs facilitate a clearer connection between textual content and economic intuition by generating topic outputs in natural language with coherent labels and accompanying descriptions. We take advantage of this setting to study (1) the specific channels through which acquirers claim M&As to add value, (2) whether investors' response to the M&A depends on these purported value-creation channels, and (3) whether the M&A value sources discussed predict the long-term operating performance of the combined entity.

Using a sample of deals with conference calls specifically dedicated to discussing the transaction, we apply `LLAMA-3.1-8B` to systematically extract and standardize the value-creation channels that acquirers emphasize. We implement this approach through a three-step prompting process. We first ask the LLM to read each M&A transcript and outline all synergies achieved by the deal. Then, because we are interested in value creation, we ask the LLM to select the synergies that relate to cost reduction or revenue enhancement, based on which the LLM compiles no more than 20 higher-level cost reduction/revenue enhancement categories. Finally, we have the LLM read through all transcripts to generate an indicator as to whether any specific deal exhibits synergies that reflect each of these (up to 40) bins. For comparison, we also conduct a similar analysis of M&A-related 8-Ks and press releases, which offer a more condensed description of the transaction.

Our first contribution is to present novel evidence on how acquirers market the M&A value proposition to investors. This exercise leverages the fact that a key purpose of M&A conference calls is to increase the value of the acquiring firm, and thus the categories of M&A value discussed can reasonably be interpreted as the acquirer's view of how the M&A will be value enhancing for their shareholders. In total, we identify 23 distinct value enhancement categories, 15 of which are cost-cutting and 8 of which are revenue-enhancing. On average, the transcripts mention 2.7 cost-cutting dimensions and 1.9 revenue enhancement value sources, with over half of deals mentioning one of these value sources in the conference call headline. Aside

from some substitution between G&A-based and investment-based cost cutting, the correlation between the various channels of M&A value is generally low.[3] For instance, there is virtually no substitution or complementarity between cost-cutting and revenue-enhancing provisions. Rather, managers cast a wide net regarding M&A value as virtually every deal includes value creation via both cost reduction and revenue enhancement. something about how this relates to what we see in 8-Ks and press releases

A key aspect of this first broad contribution is that we provide the first evidence on the percentage of deals that managers argue will garner value from each value source, which in turn sheds light on new facets of the M&A value proposition. For example, typical regression analyses report the average savings via one or several fairly broad cost-cutting or revenue-enhancing dimensions. In contrast, we document the frequency with which more than 20 highly granular value sources are distributed across a large sample of acquisitions.

Reduced G&A expenses are the most common form of cost savings discussed on M&A conference calls, mentioned in over 85% of cases. Our LLM algorithm distinguishes G&A costs, reflecting lower administrative costs accrued through consolidation, outsourcing, or price efficiency, from supply chain (or procurement) cost reductions, which are separately mentioned on about 25% of calls. Relative to these SG&A cost reductions, reduced investment and financing costs play a much smaller role. Approximately 16.0% and 15.6% discuss savings via reduced R&D and capital investments, respectively, and only 10% of calls discuss savings on taxes or debt refinancing. Although our measures are more granular than those in existing literature, these initial findings validate our classification system as they are broadly consistent with existing literature suggesting that operational synergies are an important driver of M&A value (see e.g. Andrade et al., 2001; Devos et al., 2009).

We also provide new evidence on how managers envision SG&A cost reductions manifesting. Over 40% of calls mention reduced real estate spending, which reflects reduced occupancy costs

[3]The only exceptions to these low correlations are two separate pairs of IT and employee cost cutting measures. We show that our results are robust to treating these pairs as a single dimension in untabulated results.

via channels such as lease renegotiation, subletting, or alternative workplace arrangements, making it the most discussed cost reducer aside from general G&A cost reductions. Despite frequent practitioner mentions of the importance of real estate costs in the M&A process (Magnano et al., 2025; Lacher and Mack, 2025), our findings represent the first direct academic evidence on the topic to our knowledge. For instance, neither Andrade et al. (2001) nor Hitt et al. (2012) mention real estate costs in their surveys of the literature. Less frequently, managers discuss G&A cost reductions manifesting via lower IT (16.5%) and personnel spending, in terms of both employee overhead costs (14.0%) and employee headcount (7.2%). While not the first evidence that IT or personnel cost reductions contribute to M&A value (Tanriverdi and Uysal, 2011; Dessaint et al., 2017), we provide new insight on the relative importance of these various channels of M&A value across a large sample of M&As.

The three most common ways that managers envision M&As enhancing revenues are through cross-selling (79%), geographic expansion (50%), and the extension of product lines (30%). Price improvements, bundling of goods or services, and customer retention are each mentioned in less than 5% of M&A calls. The presence of cross-selling as a top revenue enhancer is consistent with practitioners' viewpoints (Chartier et al., 2020), yet existing literature provides little evidence on its prevalence.[4]

Our second contribution is to relate these newly identified dimensions of M&A value creation to announcement-period stock returns, allowing us to assess how investors' perceptions of deals vary with the value channels managers emphasize. Because the deal announcement and the conference call occur within the same event window, our estimates should not be interpreted as the causal effect of managers discussing a given topic. Instead, the return patterns largely reflect underlying deal characteristics that jointly shape both the market reaction and the content of managers' discussion. We find that more mentions of cost cutting positively predict acquirers' three-day M&A announcement returns, while more mentions of revenue enhancement

[4]Although an intuitive driver of M&A value, cross-selling is difficult to directly observe. For example, Houston et al. (2001) discuss the importance of cross-selling motives in bank mergers, but find little in the way of direct empirical measures or evidence.

negatively impact these returns. The magnitude of these effects is large, with each additional cost (revenue) category mentioned predicting 0.4% higher (0.6% lower) M&A period returns, relative to an average three-day return of about 1.4%. Aggregating this into a measure of how cost-focused a merger's value is leads to a highly significant predictor of M&A period returns. As expected, this predictability concentrates in M&As that are large relative to the acquirer's size. Among deals that are valued at over 45% of the acquirer's pre-deal market capitalization, a one standard deviation increase in a deal's cost focus, measured as the percentage of mentioned value categories that are cost-based, would raise the announcement period returns by approximately 1.6%. Importantly, these results are robust to controlling for a variety of factors, including deal size, industry similarity of acquirers and targets, 8-K or press release discussion, whether the call is on the same day as the M&A announcement, or the extent of discussion of hard versus soft information.

Reduced labor costs are the strongest predictor of an acquirer's positive market response to cost cutting measures. Acquirer returns rise by approximately 1.5% more surrounding the 7% of calls that mention employee headcount reduction, while acquirer returns surrounding the overlapping 14% of calls that mention reduced personnel overhead costs rise by another 0.9%. Thus, while personnel costs are not ubiquitous drivers of M&A value, acquirers do appear to disproportionately benefit from acquisitions when they are part of the value proposition. Acquirer returns also rise by about 1% with the mention of cost reductions related to debt refinancing or the supply chain, while other categories of cost savings, such as general reductions in G&A, real estate, or investment costs, generate little incremental market response. On the revenue side, cross-selling is both the most mentioned form of M&A-induced revenue enhancement and the form that garners acquirers the least favorable market response, with acquirers in the 78.7% of deals that mention cross-selling experience a relative 1.2% stock price decline. The fact that the most discussed topics do not necessarily predict the more positive abnormal returns reinforces that the market reaction we observe is predominantly due to deal characteristics, not caused by managers' choice of whether or not to talk about a given topic.

Lastly, we find that the emphasis on cost synergies during M&A conference calls is not merely rhetorical: cost-focused deals are followed by reliably lower post-merger costs and higher net income growth at both the one- and three-year horizons. Moreover, the M&A value sources that most strongly predict M&A announcement period returns also tend to most strongly predict changes in post-M&A operating performance. These findings suggest that investors' favorable reactions to cost-focused value propositions are, in large part, justified ex-post via tangible operating improvements.

Our study contributes to the literature on how M&As add value by providing new, large-sample evidence on the economic channels of M&A value creation by applying a state-of-the-art LLM to more than 2,100 U.S. M&A conference-call transcripts. Prior studies have sought to identify the underlying sources of M&A value, emphasizing operational synergies such as cost savings and efficiency improvements (Bradley et al., 1988; Devos et al., 2009; Houston et al., 2001; Cornett et al., 2006; Ghosh, 2001; Healy et al., 1992; Heron and Lie, 2002) and labor force restructuring (Dessaint et al., 2017; Chatt et al., 2021), as well as strategic benefits including market expansion and revenue growth (Francis et al., 2008; Arikan and Stulz, 2016), product market complementarities (Hoberg and Phillips, 2010; Fee and Thomas, 2004; Shahrur, 2005), and innovation synergies (Bena and Li, 2014). Our study expands this literature by using LLM methodology to overcome limitations related to the observability of data on these M&A value channels. By directly classifying the prevalence of managerial synergy narratives relating to 23 distinct value categories, we provide novel evidence on (1) the multi-faceted value proposition acquiring managers envision, (2) the importance of previously understudied channels of value creation such as real estate cost reduction and cross-selling, (3) the relative importance of established value creation channels such as reduced labor costs, and (4) the correlation structure between various sources of M&A value.

We also contribute new drivers of acquirer returns surrounding M&A announcements (Bradley et al., 1988; Andrade et al., 2001) by further linking this literature with studies employing text-based analyses in other contexts (see e.g. Hoberg and Phillips, 2010, 2016). Our findings

demonstrate the value added by this more granular text-based process as investors differentially price the types of synergies that managers emphasize, not just the overall tone or sentiment of the disclosure (Kimbrough and Louis, 2011; Hu et al., 2021; Dasgupta et al., 2024). The economic magnitude of a shift from revenue enhancing to cost-cutting M&A motives can have as large an effect on the market's response to the M&A as long-studied significant predictors such as the public status of the target (Fuller et al., 2002). Thus, our findings highlight how a more granular treatment of M&A conference call text can better capture the value-relevant information that investors respond to.

Finally, we contribute to the emerging literature on machine learning and text analysis in finance by showing that open-source LLMs can reliably extract semantically meaningful economic content from long, noisy corporate disclosures. Whereas prior text studies rely on dictionary methods (Loughran and McDonald, 2011; Hu et al., 2021) or topic models that require manual labeling (Dasgupta et al., 2024), our LLM framework delivers transparent, reproducible classifications that align closely with managerial intent and practitioner descriptions of M&A value.

2. Sample Construction

Our study leverages large language model (LLM) processing to extract new information on the sources of M&A value from M&A conference call transcripts. In this section, we explain how we construct and use LLMs to analyze a large sample of M&A conference call transcripts.

2.1. M&A Transcripts Sample

Our sample is comprised of 2011–2024 U.S. M&A transactions that we can merge between the SDC Platinum and Capital IQ's M&A call transcripts databases.[5] To construct our sample, we first restrict the SDC sample to public acquirers and merge it with the CRSP/Compustat merged (CCM) database.[6] We then merge this sample with Capital IQ using the GVKEY

[5]In 2011 Capital IQ begins to provide consistent coverage of M&A call transcripts.

[6]We sequentially merge SDC with CRSP/Compustat using (1) 6-digit CUSIP matches with link-date validation, (2) 6-digit CUSIP matches without link-date validation, and (3) firm name matches. At each stage, we

identifier and a filter requiring that the Capital IQ transcript's "most important date"—which typically corresponds to the time when the call was actually recorded and the transcript generated—falls within three days of the SDC announcement date. This results in a sample of 2,743 calls.

We further apply a series of sample restrictions to refine the matched dataset. We first exclude deals in which the acquirer's total assets are below $10 million or missing, removing 34 observations. We then drop transactions with missing deal values, eliminating 194 observations. Next, we remove transactions involving special purpose acquisition companies (SPACs)—identified through acquirer names containing terms such as "Acquisition," "Holdings," or "Merger," as well as specific SPAC names[7]—resulting in the deletion of 214 observations. We also exclude transactions in which the target is classified as a joint venture, removing 13 observations. Finally, we remove transactions in which the acquiring firm has missing accounting variables, eliminating 114 observations. After these sequential filters, the resulting dataset contains 2,174 Capital IQ transcript-SDC matched transactions for analysis.

In Table 1 we present evidence on the characteristics that contribute to observations in the SDC public acquirer database ending up in our final sample, which is merged with the Capital IQ transcripts database. We find that deal characteristics are far more predictive of sample inclusion than acquirer characteristics. Specifically, larger deals are much more likely to have transcripts, whereas cash-financed and public-target deals are less likely to do so, perhaps because such deals are more often combined with an earnings call and thus excluded from our sample. In contrast, most acquirer financial characteristics exhibit little predictive power.

TABLE 1 ABOUT HERE

search across the acquirer's primary, issue, and ultimate parent identifiers in SDC as well as the corresponding target identifiers.

[7]Specific SPAC names include Social Capital Hedosophia I, Social Capital Hedosophia II, Social Capital Hedosophia III, Social Capital Hedosophia IV, Social Capital Hedosophia V, and AEA-Bridges Impact Corp.

2.1.1. Descriptive Statistics: M&A Transcripts Sample

Table A1 reports the annual distribution of M&A deals in our final sample as well as their breakdown between public, private, and subsidiary targets. The 2,174 transactions in our sample are spread out with over 80 deals each year between 2011 and 2024, and a maximum of 212 deals in 2021. Public-target acquisitions account for 795 deals (37 percent) and have the largest average size at $4.76 billion, reflecting the substantial capital deployed in acquisitions of publicly listed firms. Private-target acquisitions comprise 672 deals (31 percent) with an average size of $733 million, while subsidiary acquisitions account for 707 deals (32 percent) with an average size of $1.60 billion.

Table 2 describes key characteristics of the M&A transactions and acquiring firms, while Table A2 breaks these statistics down by the public status of the target.

TABLE 2 ABOUT HERE

In Part (a), the average 3-day cumulative abnormal return (CAR) for acquirers is 1.4%, while the median is approximately 0.8%. Consistent with the literature, Table A2 shows that these positive returns are concentrated in roughly two-thirds of our sample, where the target firm is private. The average deal value is approximately $2.5 billion, with a median of $550 million. About 65% of deals occur within the same industry, based on two-digit SIC codes. In particular, same-industry M&A activity is concentrated in Depository Institutions (16.8%), Business Services (13.9%), Chemicals (12.0%), Oil and Gas (7.4%), and Electronic Equipment (6.2%). These sectors account for more than half of all intra-industry deals, implying that horizontal consolidation is especially prevalent in capital-intensive and technologically specialized industries. In Part (b), acquiring firms exhibit moderate profitability and leverage, with an average return on assets of 2.7% and leverage of 21.0%. The average market-to-book ratio is 2.0, and cash holdings represent about 16.6% of total assets. Revenue growth averages 14.8%, while net income growth is close to zero.

2.2. LLM Processing

We employ `LLAMA-3.1-8B` as our primary large language model (LLM) for text processing. Released by *Meta* on July 23, 2024, `LLAMA-3.1` is among the most powerful open-source LLMs available from Meta. There are three main reasons why we select `LLAMA-3.1-8B` over alternative models. First, its open-source nature enables us to implement robust version control, which is essential for ensuring reproducibility. In contrast, many closed-source models are frequently updated, improving performance but complicating result replication across different versions. Second, while there are numerous newly-released models, `LLAMA-3.1-8B` can be run locally on edge devices, such as servers or laptops, striking an optimal balance between performance and accessibility. Third, `LLAMA-3.1` (including the 8B variant) is distinguished by its exceptionally long token window of up to 128K tokens. Other existing open-source LLMs (e.g., Mistral 7B, Gemma 2-9B, or earlier `LLAMA 2` versions) typically offer token windows of only 4K–32K, which is insufficient for processing our documents.[8]

Our approach is very similar to other LLM applications in finance (Beckmann et al., 2024; Li et al., 2026). The task is a combination of information extraction, topic modeling, and classification, which are separate, crucial domains within natural language processing. Traditional techniques such as Latent Dirichlet Allocation (LDA) (Blei et al., 2003; Grootendorst, 2022) rely on human labeling post-document clustering. This reliance mainly originates from the inability of these algorithms to understand the nuanced semantic meaning of human languages. In contrast, LLMs present an innovative alternative. As demonstrated by Mu et al. (2024) with appropriate prompt engineering, LLMs can perform topic analysis with remarkable consistency and interpretability. Considering the vastness of our textual corpus and the intricacies of extracting the business contexts embedded within the texts, LLMs emerge as an ideal solution for

[8]We employ locally deployed, open-source large language models (LLMs) rather than commercial service providers. This design choice reflects data-usage, confidentiality, and licensing considerations associated with proprietary textual sources. All analyses are conducted within a secure local computing environment under our control. The proprietary textual data are used solely for inference purposes and are not transmitted, disclosed, stored by, or otherwise made accessible to third parties at any stage of the analysis. For example, the Capital IQ Terms of Use restrict the downloading, transmission, or distribution of proprietary content in ways that may infringe or otherwise contravene the rights of S&P Global or third parties (see https://www.spglobal.com/en/terms-of-use).

both information extraction and topic analysis tasks. The LLM-based approach also reduces the need for ex ante restrictions on the number or nature of categories. Our objective is to summarize the full range of motivations related to cost reduction and revenue enhancement discussed in the text, rather than to impose a small set of predefined categories. Prompt-based topic generation allows the model to flexibly identify and organize themes present in the data while avoiding narrowly specified taxonomies. In this sense, the approach combines the interpretability typically associated with supervised methods with the exploratory flexibility of unsupervised methods.

2.2.1. Prompt Engineering

Following both academic and industry conventions, we classify the motivations behind M&A deals into two broad categories: cost reduction and revenue enhancement. For each category, we identify the major subtypes based on the content of the transcripts in our sample. Once we establish a structured framework for synergy classification, we assess whether a given deal exhibits evidence of a specific type of cost reduction or revenue enhancement.

Synthesizing comprehensive information and classifying inputs across all deals poses significant challenges for large language models (LLMs). No widely used open-source LLM can process extremely long input sequences if all transcripts are concatenated and analyzed jointly. At the same time, long-text comprehension remains a known limitation of current LLMs. To address this limitation, we decompose the overall task into three sequential subtasks: information extraction, topic analysis, and final classification. This structured methodology enhances the model's ability to process and evaluate complex, long-form textual data.

Initially, we input each transcript into the model to extract the motivations mentioned in the narratives. This serves as a standard preprocessing step to retain only the information relevant for subsequent analysis. In some settings, researchers can rely on keywords to isolate target sections—such as the Managerial Discussion and Analysis in 10-K filings or the Q&A sessions in earnings call transcripts. In more complex settings, classifiers are often employed to first categorize text segments before retrieving the desired portions. For example, Li et al.

(2026) divides texts into segments and applies a trained BERT classifier to retain the relevant ones. In our case, we employ large language models (LLMs) to identify and preserve pertinent information, thereby minimizing human intervention throughout the process.

Next, using the summarized motivations obtained in the first step, we classify each into either cost-reduction or revenue-enhancement categories. For cost-related (revenue-related) channels, we prompt the LLM to identify the associated cost categories or detailed channels—such as operational expenses or capital expenditures for cost-related motivations, and market expansion or pricing improvements for revenue-related motivations. By abstracting deal-specific motivations into broader categories, we establish the building blocks for constructing evaluation systems, where individual channels are consolidated into larger bundles.

Third, we instruct the LLM to consolidate all identified cost types and revenue-enhancement channels into a smaller set of high-level categories. To guide the level of aggregation, we explicitly specify a target range for the total number of categories and request clear definitions for each. This process is divided into two rounds. In the first round, the LLM generates candidate category systems; in the second round, it iteratively revises these systems over ten iterations. This iterative refinement helps mitigate randomness in text generation. As shown in Figure A1, the initial output includes 31 revenue categories and 22 cost categories. Repeated refinement reveals a pattern of convergence, both in the total number and in the content of categories. Ultimately, this process produces an output consisting of fifteen cost-reduction channels and eight revenue-enhancement channels.

In the last step, we re-evaluate each deal based on this small set of cost-related and revenue-related deal motivations. We apply the systems to the summarized motivations from the first step. To mitigate concerns related to hallucinations and output variability (Chen et al., 2025), we evaluate each deal twenty times.[9] In each iteration, we prompt the LLM to indicate whether the transcript references a specific cost reduction or revenue enhancement channel and record

[9]We select 20 independent inference runs as a balance between statistical stability and computational efficiency. Empirically, we observe that score distributions across runs converge quickly: beyond approximately 15–20 runs, additional inferences yield negligible changes in aggregate scores and materially identical rankings of motivations. Thus, 20 runs are sufficient to average out model-specific randomness.

a binary response of "yes" or "no." We then compute the proportion of "yes" responses. If the proportion exceeds 0.5, we classify the deal as having that synergy type; otherwise, we classify it as "no."

2.2.2. Additional Measures of M&A Value Sources

In addition to our primary measures of M&A value, which derive from mentions in conference call transcripts, we also construct two additional measures. First, we exploit the position of mention in the conference call to construct a headline-based measure. Second, we replicate our primary mention-based measures on the M&A's 8-K and press release to evaluate the incremental value of conference call discussions as a source for discerning M&A value. We briefly explain the construction of these measures below.

The primary measures discussed above capture whether given value categories are mentioned in the conference call transcript, but transcripts typically mention multiple deal motivations. To account for the relative importance of various mentioned categories of value, we construct a measure of the degree to which managers emphasize and prioritize a given value source during the call. We use position to capture whether a motivation appears early (head) or late (tail) in the transcript. Prior research (Loughran and McDonald, 2016) shows that different locations affect the attention received. In earnings calls and deal announcements, management may foreground the most central strategic rationales at the outset, while secondary or defensive explanations appear later. Position, therefore, reflects managerial prioritization beyond sheer repetition. We ask the LLM to output: 0 = not mentioned, 1 = mentioned in tail, 2 = mentioned in head. From this, we create a series of headline measures that indicate whether each specific value source is "mentioned in head."

In merger and acquisition (M&A) transactions, firms typically announce deals through multiple communication channels, including press releases, Form 8-K filings with the SEC (within four business days), and management conference calls held shortly after the announcement. But, our primary textual resource is the conference call transcript. To evaluate the incremental informational content of conference calls relative to other disclosure channels, we additionally

collect press releases and Form 8-K filings associated with the deal announcements. Form 8-K filings contain standardized, regulated disclosures and frequently incorporate supplementary materials, including press releases, merger agreements, and presentation slides. Accordingly, for each deal we collect the main body of the Form 8-K as well as all materials included in Exhibits 99.x, such as press releases, transaction agreements, and conference presentation slides. We then apply the same textual analysis procedure above—first summarizing the content and subsequently evaluating the types of synergies discussed—to compare the information conveyed across disclosure channels.

2.2.3. Assessing Hallucination and Look-Ahead Biases

Two primary concerns arise in the application of LLMs: hallucination and look-ahead bias. Hallucination refers to generated text that is unfaithful to, or ignores, the source material (Maynez et al., 2020). To address this issue, we evaluate each stage of our LLM application. First, we randomly select 100 transcripts and engage two trained research assistants to manually assess whether the LLM-generated summaries of deal motivations (1) contain false information (i.e., claim synergies not supported by the transcript) or (2) include material not mentioned in the transcript. If the assessments of the two assistants differ, a third research assistant reviews the case to make the final judgment. The manual review indicates that the LLM-generated summaries are of high quality, with a hallucination rate as low as 2.5%, meaning that fewer than three out of every hundred deal motivations were based on false information or on content absent from the source materials. Second, we perform an additional manual verification by instructing two trained research assistants to label them using our evaluation system. The results show a very high degree of consistency between the manual labels and the LLM-generated results. Furthermore, since we run each transcript through the evaluation process twenty times, this mitigates concerns about output noise, as averaging across repeated runs smooths out idiosyncratic variation present in any single execution.

Look-ahead bias refers to the use of future information that would not have been available at the time of prediction (Glasserman and Lin, 2023; Sarkar and Vafa, 2024; Lopez-Lira et al.,

2025). The training data for our primary LLM, `LLAMA-3.1-8B`, has a timestamp cutoff of March 2023, which overlaps with part of our sample period.[10] Our application, however, focuses on extracting the deal motivations explicitly stated in transcripts rather than making out-of-sample predictions, which reduces the relevance of look-ahead bias concerns (Gao et al., 2025; Li et al., 2026). Furthermore, our earlier examination of hallucination bias confirms that the LLM relies solely on information contained in the transcript text when summarizing deal motivations. The high consistency between the LLM outputs and the manual labels suggests that the model's results are based entirely on the provided transcripts, rather than on external knowledge from its training data. Taken together, these checks indicate that our findings are not materially affected by look-ahead bias.

3. Transcript-based Sources of M&A Value

The first goal of our study is to use our LLM analysis of M&A call transcripts to provide new evidence on the sources of M&A value. Since M&A conference calls are tailored toward improving investors' perception of the deal (Kimbrough and Louis, 2011; Dasgupta et al., 2024), the measures we generate most directly map to the acquirer's view of the dimensions along which the acquisition will benefit shareholders.

The descriptive statistics in this section alone make substantial contributions to the academic literature on the sources of M&A value. Our classification system provides large-scale evidence on many new, more granular sources of M&A value. More importantly, however, our framework provides the first evidence on the percentage of deals that managers argue will garner economically relevant value from each value source. This feature of our setting elucidates many new facets of the M&A value proposition. For example, we will offer the first evidence that the vast majority of M&As are pitched as both cost-cutting and revenue-enhancing, and in general, there is a relatively low correlation between the various M&A value sources.

Table 3 presents comprehensive summary statistics for the cost and revenue discussion

[10] For details, see https://github.com/meta-llama/llama-models/blob/main/models/llama3/MODEL_CARD.md

variables extracted from our LLM analysis of 2,174 M&A call transcripts detailed in Section 2.2. In total, our LLM algorithm identifies 23 distinct value enhancement categories, which we define in Appendix A. Panel A presents descriptive statistics on 15 of these that are cost-cutting measures, while Panel B summarizes the 8 dimensions along which managers claim acquisitions will enhance revenues.

TABLE 3 ABOUT HERE

Cost Discussion counts how many of the 15 cost dimensions are mentioned on each deal, while the *Cost Focus* measures represent scaled versions of this index that compare the frequency of cost-cutting mentions relative to revenue enhancement mentions. The average deal mentions 2.67 cost-cutting dimensions and is about twice as likely to mention cost-cutting compared to revenue enhancement (although this manifests almost exclusively through the larger number of cost-cutting categories). LLMs can be instructed to provide intermediate explanations that articulate the definitions of all dimensions. They provide a transparent and structured summary of the reasoning process underlying the outputs. This procedural transparency enhances the interpretability of the analysis and facilitates validation and robustness checks relative to topic models that rely solely on latent mathematical structures. For example, the LLM characterizes "Marketing Expense Optimization" as "reducing non-essential marketing expenses through digital transformation, content optimization, or media consolidation." Importantly, the specific channels cited—digital transformation, content optimization, and media consolidation—are inferred from deal-level contextual information rather than from ex ante dictionaries or predefined taxonomies. By contrast, conventional topic-modeling approaches, such as LDA or BERTopic, recover clusters of co-occurring terms but do not generate coherent semantic definitions or context-specific exemplars of expense categories. This illustrates the LLM's ability to synthesize unstructured textual information into economically interpretable concepts that align with transaction-level detail.

3.1. Cost-Cutting

G&A cost savings, defined by our LLM algorithm as lower administrative costs accrued through consolidation, outsourcing, or price efficiency, is perhaps the most general cost-cutting dimension and the most frequently mentioned at an 86% frequency. Notably, G&A cost savings are distinct from supply chain (or procurement) cost reductions (i.e., the "S" in SG&A), which are separately mentioned in about 25% of calls. This is not the first evidence hinting at G&A cost reduction as a source of M&A value, but not only does our classification system offer more precision in isolating G&A costs, it also provides the first evidence that virtually all managers view reduced G&A spending as an important value source. Indeed, no existing study to our knowledge seeks to estimate the fraction of M&A deals that generate economically relevant value from a given source. Rather, existing studies either focus more generally on average benefits accruing from a general cost savings dimension such as operating performance (without providing evidence on the fraction of mergers citing this value source) (Healy et al., 1992; Devos et al., 2009), or on specific settings such as bank mergers where non-interest expenses arguably approximate G&A spending (Houston et al., 2001; Cornett et al., 2006).

Relative to SG&A cost reductions, reduced investment and financing costs are mentioned less frequently. Approximately 16.0% and 15.6% discuss savings via reduced R&D and capital investments, respectively, and only about 11% of calls discuss savings on taxes or debt refinancing. Although our measures reach a level of granularity not seen in existing literature, these initial findings serve in part to validate our classification system. The LLM-algorithm independently decided that topics addressed by existing literature, such as operating cost, investment, and financial costs are key drivers of M&A value. Also in line with existing literature our statistics highlight the out-sized role of operating cost efficiencies as a source of M&A value (see e.g. Andrade et al., 2001; Devos et al., 2009).

Our LLM classification system also uncovers reduced real estate costs as a highly important source of M&A value. Over 41% of managers discuss real estate cost savings on the conference call, making it the second most discussed cost savings dimension after G&A costs. Given that

real estate costs often fall under G&A costs, this result reveals an important new mechanism through which managers hope to achieve G&A cost reduction in mergers. Although this idea is well discussed by practitioners (Magnano et al., 2025; Lacher and Mack, 2025), it has received virtually no attention in the academic literature. Not even well-known surveys on M&As and their value creation mention real estate cost savings (Andrade et al., 2001; Hitt et al., 2012).

Two other pairs of M&A cost savings dimensions worth mentioning are those related to technology costs and labor costs. Approximately 16.5% of managers mention reduced IT costs, with another 7.9% discussing technology infrastructure. On the personnel side, 14.0% mention employee overhead costs with 7.2% mentioning employee headcount. These statistics are relevant for two reasons. First, they continue to provide evidence on the relative frequency of deals that garner value from various sources. For instance, recent literature suggests that employee turnover adds value (see e.g. Dessaint et al., 2017; Chatt et al., 2021), but says little regarding the pervasiveness of this value source across a large sample of deals. Second, as we show in Figure 1 below, these two pairs of categories represent the only two pairs of M&A value channels with substantial positive correlations.[11]

In addition to mention-based measures, we report headline-level indicators that capture whether a synergy type is emphasized early in the call as a central deal motivation, based on the position dimension of our importance-scoring framework. Although many cost synergies are discussed broadly, only a small subset are elevated to headline status. For example, G&A cost savings are mentioned in 86.2% of deals but appear as a headline motive in only 5.1%, while real estate savings are discussed in 41.4% of calls but highlighted in just 2.9%. By contrast, supply chain optimization emerges as the most prominent headline cost category, appearing in 9.6% of deals despite being mentioned in only 25.5% of calls. Other cost dimensions, including R&D, capital expenditures, taxes, and debt refinancing, are rarely emphasized early. Overall, managers reference a wide range of cost synergies but selectively foreground only a narrow set as primary value drivers.

[11]In our later tests, we replicate all of our results by combining these categories into broader "Technology" and "Labor" cost savings categories to ensure we are not double-counting these phenomena.

3.2. Revenue Enhancement

Panel B of Table 3 shows that cross-selling of products is the most common channel of revenue enhancement by a wide margin, being mentioned in 78.7% of deals. Geographic expansion is next at a 50% frequency, while product line expansion is mentioned about 30% of the time. Price improvements, bundling of goods or services, and customer retention are each mentioned in less than 5% of M&A calls. At the same time, consistent with the cost-side evidence, the headline-level measures indicate that only a small subset of these revenue motives are emphasized as particularly important: cross-selling is highlighted as a headline motivation in 6.3% of deals and geographic expansion in 4.8%, while other revenue channels are almost never elevated to headline status. The presence of cross-selling as a top revenue enhancer is consistent with practitioners' viewpoints (Chartier et al., 2020), yet existing literature provides little evidence on its prevalence.[12] More generally, the high frequency of cross-selling savings and G&A cost savings paints an interesting picture whereby managers must try and sell their M&A via *both* lower costs and higher revenues.

3.3. Correlation between M&A Value Sources

The evidence provided thus far represents the first evidence on how widespread managers cast the M&A value proposition, rarely focusing exclusively on costs or revenues by themselves. We next turn to providing the first evidence on the correlation structure between the various sources of M&A value.

Figure 1 presents the correlation structure between the dimensions along which managers claim M&A value. The purported values arising from the various cost-cutting dimensions are largely uncorrelated with each other. The respective correlation coefficients are almost all below 0.3 in magnitude except for the aforementioned technology and labor cost bundles. The lone additional exception is a large negative correlation of -0.72 between savings via reduced

[12] Although an intuitive driver of M&A value, cross-selling is difficult to directly observe. For example, Houston et al. (2001) discuss the importance of cross-selling motives in bank mergers, but find little in the way of direct empirical measures or evidence.

G&A spending and reduced R&D expenditure. There is also a moderately negative coefficient between capital expenditure savings and G&A spending, indicating that M&As tend to be viewed as reducing costs either on the investment side or on the G&A side.

FIGURE 1 ABOUT HERE

Figure 1 suggests little additional substitution or complementarity between the various dimensions. None of the cross-correlations between cost-cutting and revenue-enhancing dimensions is above 0.2 in magnitude, and none of the revenue categories exhibit high correlations with each other. Moreover, Figures A2 through A5 in the Appendix show little evidence of specific types of deals or acquirers being linked to specific M&A value sources. An exception to this is that Figure A2 indicates that larger deals, relative to the acquirer's pre-deal market capitalization, are more likely to cut G&A costs and less likely to reduce investment costs, measured as either R&D or capital spending. More generally, however, neither deal characteristics such as similar industries between the acquirer and target or the percentage of cash used for the deal, nor acquirer characteristics, such as market-to-book or leverage, have significant predictive power on the purported source of M&A value. This highlights the uniqueness of each deal and offers one explanation on the varied evidence regarding the sources of M&A value.

Overall, the evidence in this section offers new evidence on several new ways that M&As add value. In some cases, such as our evidence on the importance of real estate cost savings, these M&A value sources have been well discussed by practitioners, but never mentioned in the academic literature. Our findings also add texture regarding the relative frequency with which acquirers' M&As foresee value creation accruing via other dimensions, such as reduced labor costs, which have been studied in the existing academic literature. On average, managers claim about four distinct sources of value from the M&A, and the value proposition almost always includes both a cost cutting and revenue enhancement element. Additionally, our analysis highlights the wide diversity in the way that M&As add value. Aside from some substitution in the likelihood of adding value via G&A and investment cost reductions, there is little systematic

relation between the various value sources.

4. Linking Purported M&A Value Sources to Acquirer Returns

Our second goal is to shed light on how investors' response to M&As depends on the manner in which managers claim that the acquisition will add value. In addition to ensuring that managers' conference call discussions or our LLM interpretation of them are not predominantly noise, this part of our analysis introduces a suite of LLM-based measures of the sources of M&A value into a long line of literature studying the determinants of acquirers' abnormal returns surrounding M&A announcements. Thus, we contribute to the literature by offering a far more granular view regarding how investors' perception of M&As depends on the sources of M&A value.

The manner in which various purported sources of M&A value relate to acquirers' returns surrounding the M&A announcement is an empirical question. If managers are being truthful in the value propositions that they market during the conference call, then we expect some coefficients to be positive and others negative (recognizing the value impact on the acquirer is net of what they pay for the target and investors' prevailing expectations). Importantly, virtually all conference calls occur in the M&A announcement window (see e.g. Kimbrough and Louis, 2011; Dasgupta et al., 2024), and thus simultaneously capture the M&A announcement and managers' discussion. For this reason, the results should not be interpreted as managers being able to affect value based on what they say, but rather as what they say proxying for their best pitch regarding how the M&A will add shareholder value.

We employ the following regression specification for this analysis:

$$\begin{aligned} CAR(-1,1)_i^{Acquirer} = \alpha + \beta_1\, Cost\ Discussion_i \\ + \beta_2\, Revenue\ Discussion_i\ (\text{or } \theta\, Cost\ Focus_i) + X_i'\gamma + \varepsilon_i. \end{aligned} \tag{1}$$

where $CAR(-1,1)_i^{Acquirer}$ is the acquirer's cumulative abnormal return from one trading day before to one day after the announcement. $Cost\ Discussion_i$ and $Revenue\ Discussion_i$ measure the number of unique cost-saving and revenue-growth synergy types articulated in the confer-

ence call transcript for the deal i. In some specifications, we aggregate these cost and revenue measures into the more aggregate *Cost Focus*$_i$ measure, while in others we break down the measures to separately illustrate the value implications of each specific source of M&A value.

In addition to the inclusion of year and industry fixed effects, we include a control vector X_i that includes deal characteristics such as *Ln(Deal Value)*, *Ln(Rel Deal)* (logarithm of the ratio of deal size to acquirer market capitalization), and indicators for the target and acquirer being in the same industry, as well as a variety of acquirer characteristics (see Appendix A for detailed variable definitions). Standard errors are clustered at the one-digit SIC industry level.

Table 4 presents regression results linking the number of cost- and revenue-related value sources discussed during M&A conference calls to the acquirer firms' cumulative abnormal returns (CARs) around the announcement date. The coefficients on *Cost Discussion* are positive and statistically significant across all of the first three columns, implying that each additional cost-related synergy type discussed in the transcript is associated with an approximate 0.4% increase in value. By contrast, the coefficient on *Revenue Discussion* is negative and statistically significant with a slightly larger magnitude of about 0.6%. Both of these estimates are large relative to the 1.4% three-day returns for the average acquirer.

In column (4), we aggregate the cost and revenue discussions into a single variable that reflects the relative benefits purported to accrue from cost savings, relative to revenue enhancement. We use the measure *Cost Focus*, which quantifies the share of cost-related synergy types among all synergy motivations mentioned in the transcript. *Cost Focus* is an extremely strong positive predictor of announcement period returns. The t-statistic is well over 3 and the economic magnitude is substantial. For example, the estimates suggest that moving from a pure revenue enhancing deal to a pure cost cutting deal would raise returns by about 4%, which is roughly 50% larger than the well-known positive relation between targeting a private versus public target (Fuller et al., 2002; Capron and Shen, 2007). In sum, Table 4 provides perhaps the first evidence on the first-order role that the source of M&A value plays in driving investors' response to M&A announcements.

TABLE 4 ABOUT HERE

4.1. Robustness and Interpretation

We next conduct several tests to solidify our preferred interpretation of the estimates in Table 4 as evidence on the types of M&A value sources that add value to the acquirer. We begin in Figure 2 by examining how the return effect of *Cost Focus* varies with the relative size of the M&A deal. Since stock returns are measured for the acquirer, we expect the value impact of M&A value sources to be primarily driven by deals that are large (i.e., economically relevant to the acquirer). To test this, Figure 2 plots the estimated coefficient on *Cost Focus* from separate regressions analogous to those in column (4) of Table 4, except each regression uses a subsample of deals above the relative size threshold denoted on the x-axis.

Figure 2 illustrates a clear monotonic pattern in which the positive return effect of *Cost Focus* strengthens as deal size increases relative to the acquirer's market capitalization. Among deals that are valued at over 45% of the acquirer's pre-deal market capitalization, a one standard deviation increase in a deal's cost focus, measured as the percentage of mentioned value categories that are cost-based, would raise the announcement period returns by approximately 1.6%. Put differently, a hypothetical purely cost-focused deal would raise acquirer value by over 9% relative to a hypothetical purely revenue enhancing deal.

FIGURE 2 ABOUT HERE

To further address concerns regarding alternative interpretations, we incorporate a series of additional robustness checks in Table 5. One concern is that managers might strategically time or tailor their discussion of synergies after observing the market reaction to the initial announcement. Column (1) addresses this timing concern by focusing on specifications in which announcement-day calls serve as the baseline. In this specification, *Cost Focus* remains strongly positive and statistically significant, indicating that our main results are not driven by delayed

calls in which managers could potentially adjust their messaging in response to realized price movements. Furthermore, column (2) explicitly accounts for timing by interacting *Cost Focus* with the *Diffday* indicator, which equals one when the conference call occurs on a different calendar day from the deal announcement. The interaction term is negative and statistically significant, implying that the positive relation between cost-focused discussion and announcement returns is attenuated for calls held on a different day, and is therefore concentrated in announcement-day calls.

In column (3), we jointly control for both cost-focused language disclosed in the associated Form 8-K filing and the overall information content of the conference call. This specification addresses the concern that our results may simply reflect information already conveyed through mandatory written disclosures—such as standardized deal descriptions, press releases, or contractual exhibits—rather than value-relevant communication in the call itself. Specifically, we construct $Cost\ Focus_{8K}$ by applying the same LLM-based topic classification to the Form 8-K text. We focus on transactions for which the Form 8-K is filed on the announcement date, ensuring that the cumulative abnormal returns in our main regressions capture the market reaction to both press releases and regulatory filings. We find that although the indicators constructed from Form 8-K filings and conference call transcripts are positively correlated, the estimated coefficients of transcript measures retain the same signs and similar magnitudes, indicating that our results are primarily driven by the incremental information conveyed in conference call transcripts rather than by information already disclosed in regulatory filings.

We also consider the possibility that cost-cutting discussion is correlated with "hard information," which could mechanically generate more positive market reactions. To test this possibility, we compute the proportion of topics classified as "hard information" in Dasgupta et al. (2024) and include it as an additional control.[13] While controlling for $Cost\ Focus_{8K}$ and *Hard Topic*, our results remain robust: the coefficient on *Cost Focus* remains positive, economically large, and statistically significant. These findings highlight the value of the information

[13]See Appendix C for details on constructing topic weights using seed words from Dasgupta et al. (2024).

content contained in M&A conference calls. This information cannot be inferred from the more terse 8-K or press release communication and is not simply mapped into returns via the extent of hard versus soft information discussed. In column (4), we report analogous results using *Cost Focus%*, which quantifies the share of cost-related synergy types among all synergy motivations mentioned in the transcript and further adjusts for the number of available cost and revenue categories. The coefficient remains positive and statistically significant, showing that our main result is robust to this alternative normalization.

TABLE 5 ABOUT HERE

Lastly, we examine whether the positive announcement return effects associated with cost-focused synergy discussion reverse over longer horizons. We report the results in Table A3 using extended event windows. Specifically, we consider cumulative abnormal returns over $[-3, +3]$, $[-5, +5]$, and $[-3, +105]$ trading days around the announcement. Across all horizons, the coefficients on *Cost Focus* and *Cost Focus%* remain positive and statistically significant, with magnitudes that are comparable to those observed in the baseline three-day window. These findings indicate that the market response to cost-focused M&A value propositions does not subsequently reverse, but instead persists over medium- and longer-run windows. Together with the timing and disclosure robustness tests in Table 5, the results in Table A3 suggest that cost-focused synergy discussion reflects value creation rather than transitory mispricing at the time of the announcement.

In unreported analyses, we replicate our procedure using alternative open-source large language models, including DeepSeek-R1 and GPT-OSS, to infer deal motivations and construct the corresponding variables. The resulting estimates are quantitatively similar to those obtained with our baseline model.

4.2. What Specific Value Sources Predict Acquirer Returns?

We next examine whether specific avenues of M&A value creation drive the aggregate relations that we observe between cost-cutting or revenue enhancing provisions and investors' response to the M&A announcement. Figure 3 plots the estimated coefficients on individual cost categories from separate regressions identical to those in columns (3) and (4) of Table 4, except that we replace the general costs or revenue category measures with a single specific cost-based value channel.

FIGURE 3 ABOUT HERE

Reduced labor costs are the strongest predictor of an acquirer's positive market response to cost-cutting measures. Acquirer returns rise by approximately 1.5% more surrounding the 7% of calls that mention employee headcount reduction, while the overlapping 14% of calls that mention reduced personnel overhead costs rise by another 0.9%. Thus, while personnel costs are not ubiquitous drivers of M&A value, acquirers do appear to disproportionately benefit from acquisitions when reduced labor costs are part of the value proposition.

The other cost-cutting dimensions that garner the most positive market reactions relate to debt refinancing, the supply chain, and technology infrastructure. Mention of any of these categories predicts a 1% more favorable announcement period market response. Other categories of cost savings, many of which relate to core business operations, such as general reductions in G&A, real estate, or investment costs, generate little incremental market response.

Figure 4 presents a similar breakdown of the market response to each purported avenue of revenue enhancement to shed light on what drives the overall negative relation between revenue enhancement and investors' response to the M&A announcement. Five of the six revenue enhancement categories plotted generate a negative market reaction, with three of the five estimates being statistically significant. Mention of cross-selling as a source of revenue enhancement generates the most negative market reaction. This result is especially interesting because cross-selling is mentioned as a source of revenue enhancement in 79% of deals.

FIGURE 4 ABOUT HERE

To complement the category-by-category patterns in Figure 3 and Figure 4, we report a multivariate "horse-race" specification in which we include the individual synergy-category variables in Table 6. We mitigate multicollinearity by not including pairs of highly correlated cost items simultaneously, following the correlation patterns discussed in Figure 1. Specifically, we retain employee headcount reductions (*EmpHeadcount*) while excluding the closely related personnel-overhead category (*PersonnelOverhead*), and we retain technology infrastructure consolidation (*TechInfra*) while excluding the closely related IT-cost category (*ITCosts*).

Columns (1)–(3) report specifications based on transcript-level mentions of synergy categories, while column (4) uses headline-level emphasis that captures which synergies are foregrounded early in the conference call. On the cost side, *EmpHeadcount* exhibits a positive and statistically significant association with announcement returns in both the mention-based and headline-based specifications, indicating that labor-related cost synergies are value-relevant whether they are broadly discussed or explicitly emphasized. By contrast, *SupplyChain* is significant only in the mention-based specifications, while *DebtRefinance* becomes significantly positive only when it is highlighted as a headline motivation, consistent with investors responding more strongly to selectively emphasized cost narratives. On the revenue side, *CrossSell* remains negative and statistically significant in the mention-based specifications and is marginally significant when emphasized at the headline level. Additional negative effects are concentrated in *GeoExpand* in the mention-based specifications and in *Bundling* when revenue synergies are emphasized as headline motivations, whereas the remaining revenue categories are not reliably significant once included jointly.

TABLE 6 ABOUT HERE

5. M&A Value Source and Post-Merger Operating Performance

We next examine how the value sources discussed on M&A conference calls relate to the long-term operating performance of the combined entity. Thus, our analyses trace out the link from *what managers say*, to *how investors respond*, and ultimately to *what actually happens*. We have already shown, for example, that managers discuss a wide range of cost-cutting and revenue enhancing value propositions and that markets respond more favorably to the cost-cutting dimensions. But we have yet to address why this may be the case. The analyses in this section will help distinguish a story whereby the differential response to cost versus revenue initiatives is due to the market correctly anticipating that cost initiatives will have larger operating effects, from one in which the initiatives are equally likely to have an operating performance impact, but investors value cost cutting more than revenue enhancement.

We test the relation between the M&A value sources discussed in the conference call and long-run operating performance using the following specification, which is identical to the specification used in Table 4, including the presence of year and industry fixed effects.

$$Growth_{i,t+\tau} = \alpha + \beta_1 \, Cost \; Focus_i + X_i'\gamma + \varepsilon_i, \tag{2}$$

where $Growth_{i,t+\tau}$ denotes firm i's net income growth, revenue growth or cost growth (with costs defined as revenue minus net income) over horizons $\tau = 1, 3$ years after deal completion.We scale all cash flow measures by the combined entity's total assets prior to the M&A announcement.[14] Thus, we restrict the sample to combined entities with target and acquirer net income and revenue data prior to the deal's announcement and with the same information for the combined entity three years after the M&A announcement. This restriction substantially reduces our sample size to 738 observations, but as we show in Table A4 we continue to find similar patterns whereby cost-cutting (revenue enhancing) sources of M&A value positively (negatively) predict

[14]Specifically, we construct the baseline by aggregating the acquirer's and target's assets and all cash flow measures one quarter prior to the announcement. For the acquiring firm, we rely on Compustat, while for the target firm we use SDC's accounting data at the pre-M&A announcement period to include non-public companies. If those data are missing, we substitute the data in Compustat one quarter prior to the announcement. We then compare these baseline measures with the acquirer's outcomes for each of the first five years following the deal announcement, scaling all measures by the combined acquirer–target total assets at the baseline.

the acquirer's M&A announcement returns.

Table 7 presents the results of our analysis linking synergy discussions to subsequent operating outcomes. In columns (1)–(2) we find that a greater emphasis on cost synergies is positively associated with net income growth at both the one- and three-year horizons. This provides one explanation for the market's positive reaction to these cost-related announcements that we document in Table 4.

TABLE 7 ABOUT HERE

In columns (3)–(6), we decompose net income into revenues and costs, and find that these deals exhibit significant declines in costs in columns (5)–(6), while revenue growth shows no significant results in columns (3)–(4). These findings suggest that cost synergies materialize more reliably in post-merger operating performance.[15] Once again, this evidence provides a rationale for the market's stronger reaction to cost-related announcements: rather than simply reflecting a preference for cost-cutting, investor responses are largely consistent with realized operating outcomes.

Figure A6 further examines how the long-run operating impact of *Cost Focus* varies with deal size. Since post-merger net income growth is more economically relevant for deals that represent a larger fraction of the acquirer's pre-deal market capitalization, we re-estimate the specification in column (2) of Table 7 for subsamples restricted by relative deal size thresholds. Specifically, for each cutoff shown on the x-axis, we plot the coefficient on *Cost Focus* from regressions of three-year net income growth on synergy discussions and the same set of controls.

Figure A6 shows that the positive effect of cost-focused discussions on net income growth persists across subsamples and becomes particularly pronounced in larger deals. Among acquisitions valued at more than 45% of the acquirer's pre-deal market capitalization, a one standard deviation increase in *Cost Focus* raises three-year net income growth by roughly 1.3% of assets.

[15] In unreported results, we replicate Table 7, replacing the single *Cost Focus* index with separate *Cost Discussion* and *Revenue Discussion* measures. In a similar vein, we do not find that revenue mentions affect revenue growth.

In other words, the same monotonic pattern observed in market reactions in Figure 2 extends to realized operating performance: the larger the deal, the more reliably cost synergies materialize.

We next push the link between our M&A period returns and post-M&A operating performance a step further to see if the same value sources that drive the M&A period returns in Figure 3 and Figure 4 are also primary contributors to changes in post-M&A performance. To this end, Figure 5 replicates Figure 3 and Figure 4 in that it decomposes the *Cost Focus* measure to test the effect of specific value sources on post-M&A operating performance. Specifically, the figures plot coefficients from separate three-year net income growth regressions that follow the specification in column (2) of Table 7, replacing the composite measure with one cost category at a time while keeping the full control set and fixed effects.

FIGURE 5 ABOUT HERE

Figure 5 includes the ten value sources that exhibit a significant (or near significant) relation with acquirer M&A announcement returns in Figure 3 and Figure 4. Five of these ten significantly (or near significantly) predict changes in post-M&A operating performance in the same direction. Debt refinancing is the strongest positive predictor of post-M&A performance, while cross-selling is the most negative predictor. Geographic expansion, product line expansion, and marketing costs also corroborate the pattern whereby the predictors of acquirer returns also similarly predict post-M&A operating performance. The other five significant predictors of acquirer returns do not significantly predict post-M&A operating performance.

Figure A7 conducts a similar analysis for the sources of M&A value that do not significantly predict acquirer returns in Figure 3 and Figure 4. Here we find no predictive relation with post-M&A operating performance, except in the case of real estate expenses, which exhibits a negative relation. Overall, the evidence in Figure 5 and Figure A7 corroborates the takeaway from Table 4 and Table 7 regarding the connection between how M&A value sources predict acquirer returns and how those same sources predict the evolution of operating performance.

6. Conclusion

This study uses a large language model to provide the first systematic evidence on how the value propositions discussed by acquirers during M&A conference calls predict both market reactions and long-term operating outcomes. By employing LLMs to classify a broad range of synergy narratives across thousands of M&A calls, we document the economic impact of specific value creation channels—many of which have previously been unobservable at scale.

Importantly, the types of value creation emphasized by managers are strongly linked to market reactions at the time of the deal. Investors reward announcements that are more cost-focused, with labor-related cost reductions, debt refinancing, and supply chain savings each associated with significantly higher acquirer returns. Conversely, announcements emphasizing revenue enhancement—especially cross-selling—tend to receive more muted or even negative responses. Furthermore, we show that the market's differential response is largely justified ex post: deals that are more cost-focused are reliably followed by greater reductions in post-merger costs and higher net income growth over both one- and three-year horizons. Overall, our study underscores the importance of looking beyond headline deal multiples and generic synergy claims to understand what truly drives value in M&A, and demonstrates the value of AI-based textual analysis for uncovering economically meaningful content in corporate disclosures.

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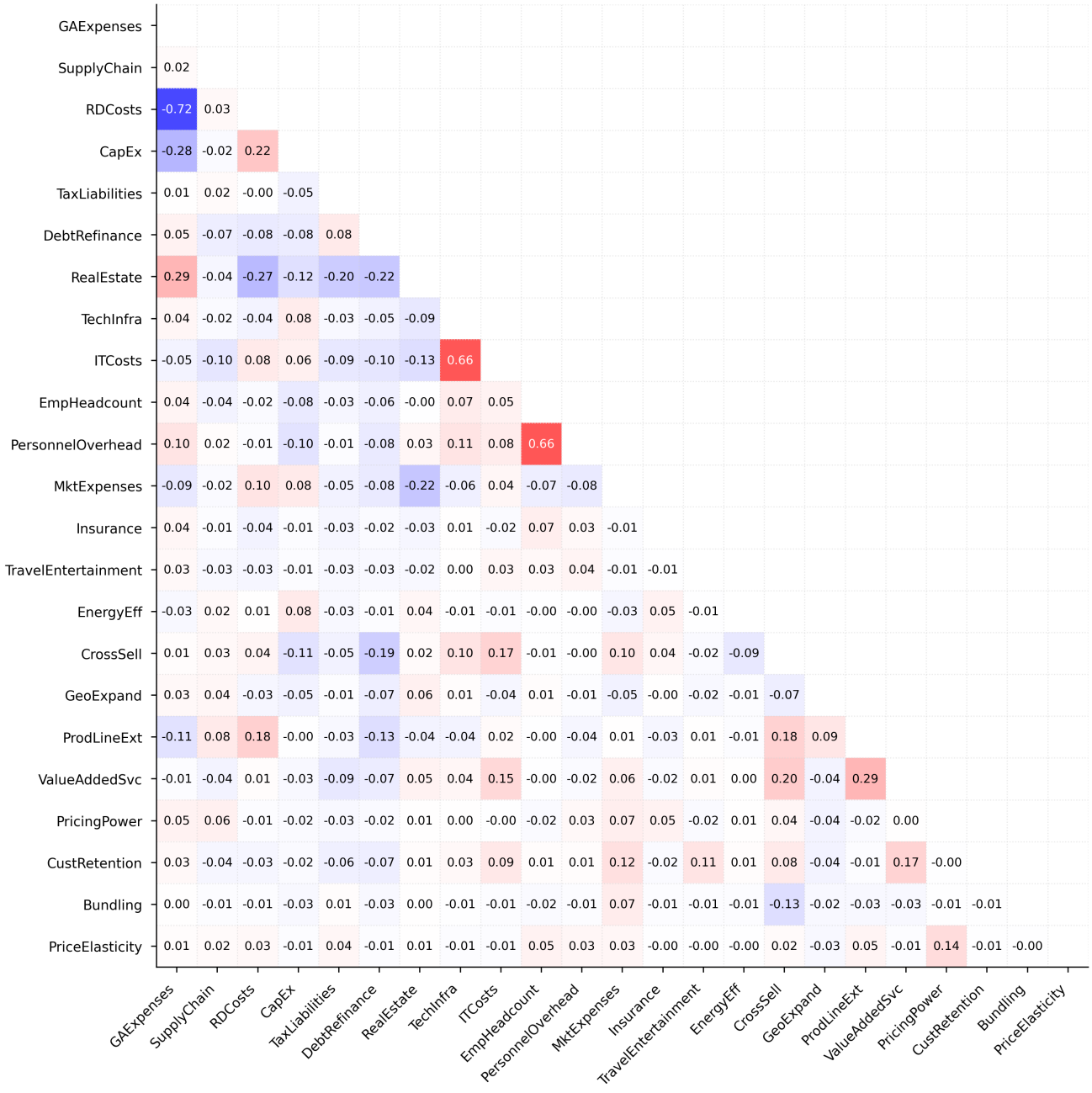


Figure 1 Correlation Across M&A Synergy Types

This figure displays the Pearson correlation coefficients for the cost and revenue synergy variables used in the analysis. The cost synergy types include: General and Administrative (G&A) Expenses (*GAExpenses*), Supply Chain Cost Optimization (*SupplyChain*), Research and Development (R&D) Costs (*RDCosts*), Capital Expenditure Optimization (*CapEx*), Tax Liabilities Optimization (*TaxLiabilities*), Debt Refinancing and Restructuring (*DebtRefinance*), Occupancy and Real Estate Expense Reductions (*RealEstate*), Technology Infrastructure Consolidation (*TechInfra*), Information Technology (IT) Cost Reductions (*ITCosts*), Employee Headcount Reductions (*EmpHeadcount*), Personnel Overhead Savings (*PersonnelOverhead*), Marketing Expense Optimization (*MktExpenses*), Insurance Costs (*Insurance*), Travel and Entertainment Reductions (*TravelEntertainment*), and Energy Efficiency Initiatives (*EnergyEff*). The revenue enhancement categories include: Cross-Selling (*CrossSell*), Geographic Expansion (*GeoExpand*), Product Line Extension (*ProdLineExt*), Value-Added Services (*ValueAddedSvc*), Improved Pricing Power (*PricingPower*), Customer Retention (*CustRetention*), Bundling (*Bundling*), and Price Elasticity (*PriceElasticity*).

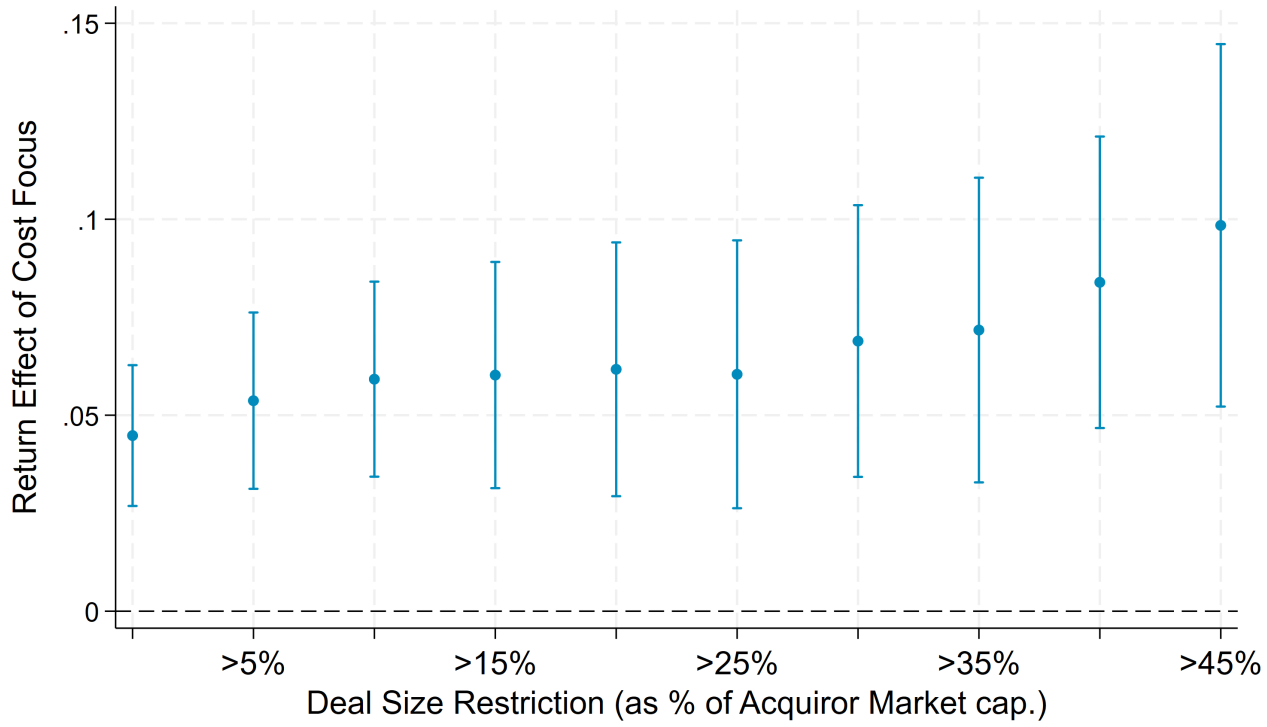


Figure 2 Cost Focus and Acquirers' Gain by Relative Deal Size

This figure plots the market reactions of acquirers to the relative weights on cost reduction synergies discussed in M&A conference calls by the relative deal size. LLM analysis of call transcripts identifies and summarizes key cost reduction and revenue growth opportunities. For each deal, we first calculate the presence of these synergies using *Cost Discussion* (number of unique cost types mentioned) and *Revenue Discussion* (number of unique revenue enhancement types mentioned). Then we calculate the relative weighting of cost reduction synergies with *Cost Focus* (the proportion of cost motivations, calculated as *Cost Discussion* divided by the sum of *Cost Discussion* and *Revenue Discussion*). The regression specification is:

$$CAR(-1,1)_i^{Acquirer} = \alpha + \beta_1 \, Cost\ Focus_i + X_i'\gamma + \varepsilon_i,$$

where $CAR(-1,1)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return from one trading day before to one trading day after the announcement date. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. We run regressions on subsamples of deals whose relative sizes exceed specified thresholds (e.g., >5%, >15%, ..., >45%, as shown on the x-axis). For each threshold, we plot the coefficient on *Cost Focus*, β_1, on the y-axis. The 90% confidence intervals for β_1, calculated using standard errors clustered at the industry level, are depicted by blue vertical bars.

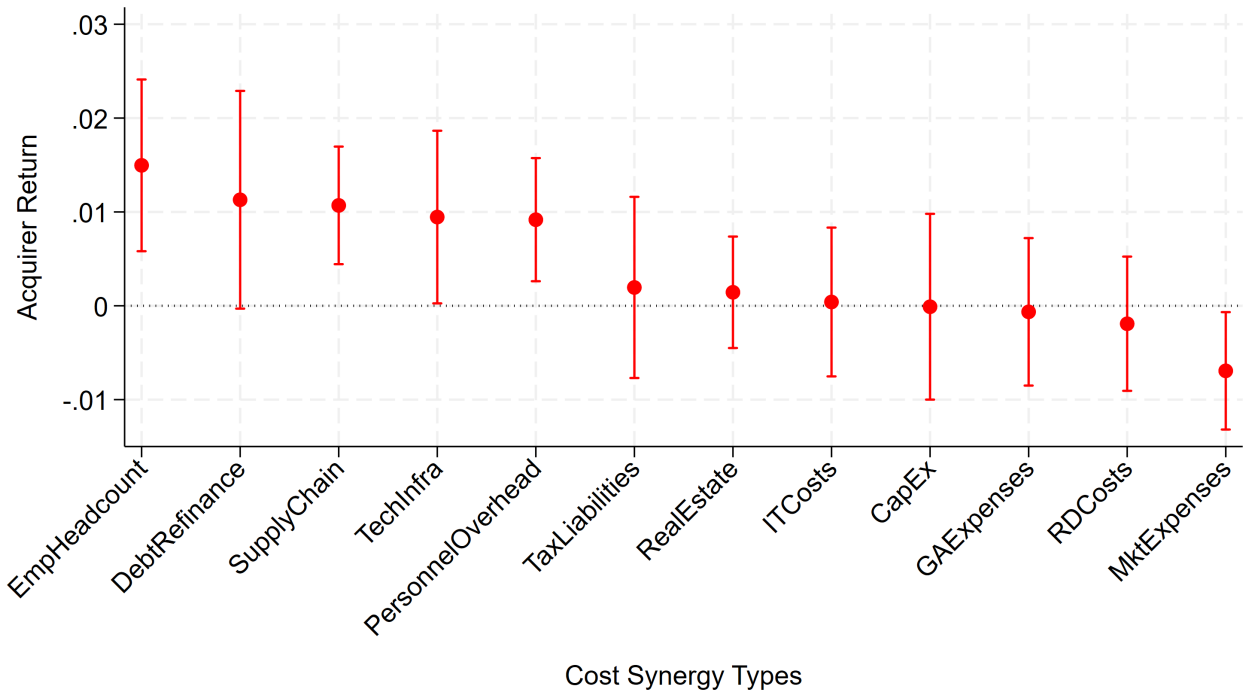


Figure 3 Acquirers' Gain by Cost Synergy Types

This figure plots the market reactions of acquirers to different types of cost reduction synergies discussed in M&A conference calls. LLM analysis of call transcripts identifies and summarizes key cost reduction opportunities. The regression specification is:

$$CAR(-1,1)_i^{Acquirer} = \alpha + \beta_k Cost\ Synergy\ Type_i^k + X_i'\gamma + \varepsilon_i,$$

where $CAR(-1,1)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return from one trading day before to one trading day after the announcement date. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. *Cost Synergy Type*$_i^k$ is an indicator variable that equals one if cost synergy type k is mentioned in the transcript for deal i and zero otherwise. The cost synergy types include: General and Administrative (G&A) Expenses (*GAExpenses*), Supply Chain Cost Optimization (*SupplyChain*), Research and Development (R&D) Costs (*RDCosts*), Capital Expenditure Optimization (*CapEx*), Tax Liabilities Optimization (*TaxLiabilities*), Debt Refinancing and Restructuring (*DebtRefinance*), Occupancy and Real Estate Expense Reductions (*RealEstate*), Technology Infrastructure Consolidation (*TechInfra*), Information Technology (IT) Cost Reductions (*ITCosts*), Employee Headcount Reductions (*EmpHeadcount*), Personnel Overhead Savings (*PersonnelOverhead*), Marketing Expense Optimization (*MktExpenses*), Insurance Costs (*Insurance*), Travel and Entertainment Reductions (*TravelEntertainment*), and Energy Efficiency Initiatives (*EnergyEff*). Synergy types with averages below 1% are dropped from the figure. Red circles with solid bars represent the coefficients for acquirers and the corresponding 90% confidence intervals, calculated using standard errors clustered at the industry level, and are aligned with the ticks on the left-hand-side y-axis.

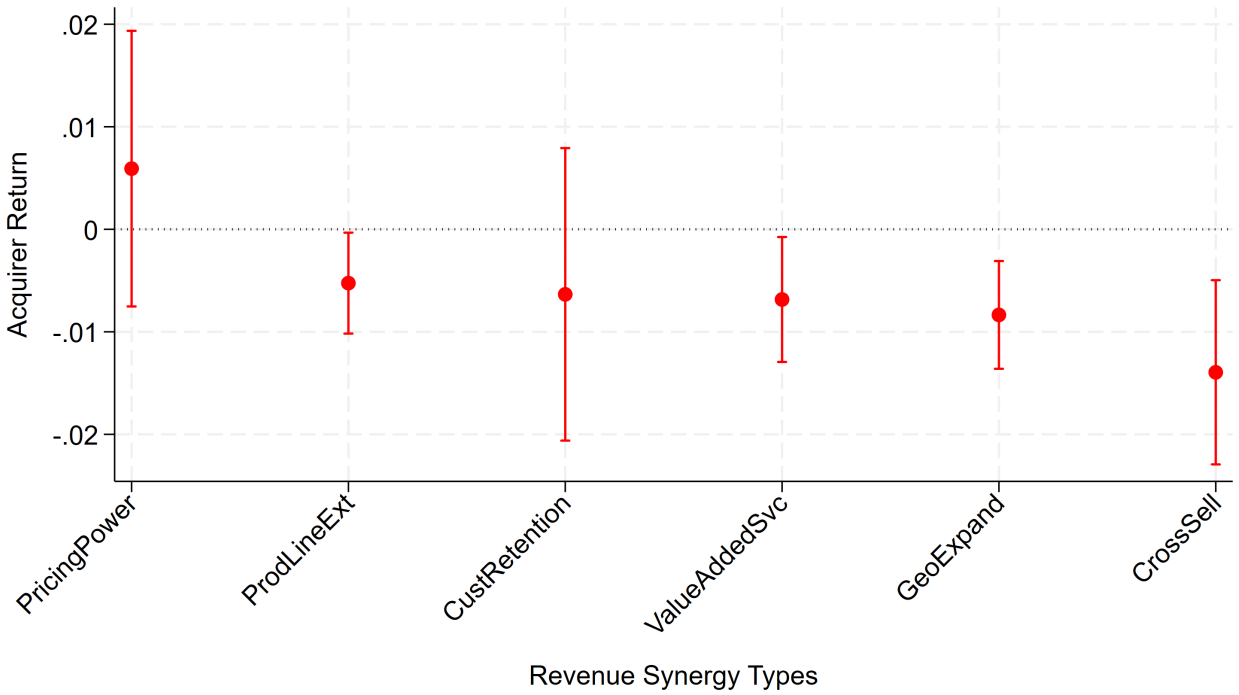


Figure 4 Acquirers' Gain by Revenue Synergy Types

This figure plots the market reactions of acquirers to different types of revenue enhancement channels discussed in M&A conference calls. LLM analysis of call transcripts identifies and summarizes key revenue growth opportunities. The regression specification is:

$$CAR(-1,1)_i^{Acquirer} = \alpha + \beta_k Rev\ Synergy\ Type_i^k + X_i'\gamma + \varepsilon_i,$$

where $CAR(-1,1)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return from one trading day before to one trading day after the announcement date. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. *Rev Synergy Type*$_i^k$ is an indicator variable that equals one if revenue enhancement channel k is mentioned in the transcript for deal i and zero otherwise. The revenue enhancement categories include: Cross-Selling (*CrossSell*), Geographic Expansion (*GeoExpand*), Product Line Extension (*ProdLineExt*), Value-Added Services (*ValueAddedSvc*), Improved Pricing Power (*PricingPower*), and Customer Retention (*CustRetention*). Synergy types with averages below 1% are dropped from the figure. Red circles with solid bars represent the coefficients for acquirers and the corresponding 90% confidence intervals, calculated using standard errors clustered at the industry level, and are aligned with the ticks on the left-hand-side y-axis.

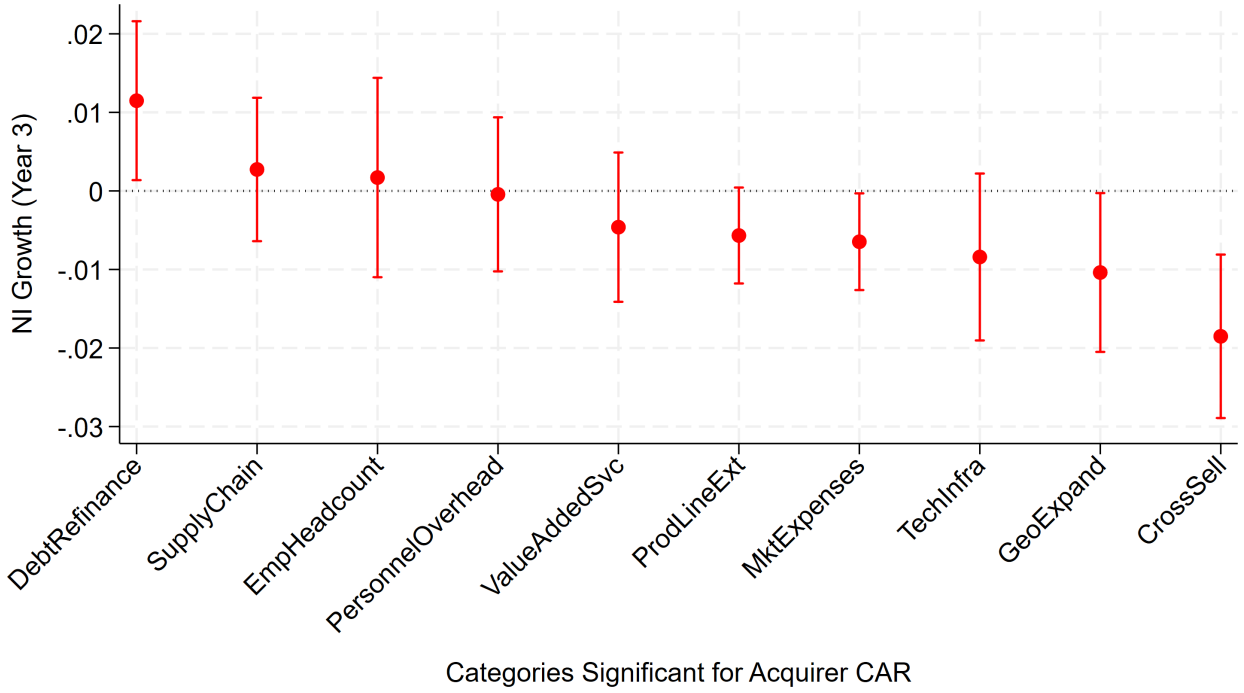


Figure 5 Synergy Type and Future Net Income Growth

This figure plots the third-year net income growth of acquirers to the sources of M&A value that significantly predict acquirer returns in Figure 3 and Figure 4. LLM analysis of call transcripts identifies and summarizes key cost reduction and revenue growth opportunities. The regression specification is:

$$Growth_{i,t+3} = \alpha + \beta_k\big(Cost\ Synergy\ Type_i^k \text{ or } Rev\ Synergy\ Type_i^k\big) + X_i'\gamma + \varepsilon_i,$$

where $Growth_{i,t+3}$ denotes firm i's growth in net income over the third year after deal completion. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. $Cost\ Synergy\ Type_i^k$ and $Rev\ Synergy\ Type_i^k$ are indicator variables equal to one if cost synergy type k or revenue channel k is mentioned in the transcript for deal i. The cost synergy types include: Debt Refinancing and Restructuring (*DebtRefinance*), Supply Chain Cost Optimization (*SupplyChain*), Employee Headcount Reductions (*EmpHeadcount*), Personnel Overhead Savings (*PersonnelOverhead*), Technology Infrastructure Consolidation (*TechInfra*), and Marketing Expense Optimization (*MktExpenses*). The revenue categories include: Value-Added Services (*ValueAddedSvc*), Product Line Extension (*ProdLineExt*), Geographic Expansion (*GeoExpand*), and Cross-Selling (*CrossSell*). Red circles with solid bars represent the coefficients for net income growth and the corresponding 90% confidence intervals, calculated using standard errors clustered at the industry level, and are aligned with the ticks on the left-hand-side y-axis.

Table 1 Predicting M&A Call Occurrence: Linear and Logistic Regression

This table presents regression results analyzing the determinants of whether an M&A deal includes a conference call. The sample consists of all deals from the SDC database announced between 2011 and 2024. The regression specification is:

$$\mathbb{I}(\text{Transcript})_i = \alpha + \beta_1 X_i + \beta_2 Z_i + \varepsilon_i.$$

where $\mathbb{I}(\text{Transcript})_i$ is an indicator variable, which equals one if a conference call transcript exists for an M&A deal and zero otherwise. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. Columns (1) and (2) use a linear probability model, while columns (3) and (4) use a logistic model. t-statistics, based on standard errors clustered at the acquirer level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Linear		Logit	
	(1)	(2)	(3)	(4)
Ln(Deal Value)	0.034***	0.037***	0.493***	0.514***
	(22.15)	(21.88)	(24.61)	(23.43)
Ln(Rel Deal)	0.043***	0.043***	0.556***	0.586***
	(21.60)	(21.29)	(21.34)	(21.63)
Same Industry	0.026***	-0.003	0.196***	-0.039
	(4.10)	(-0.52)	(2.75)	(-0.54)
% Cash	-0.051***	-0.057***	-0.527***	-0.557***
	(-6.04)	(-7.14)	(-6.86)	(-7.34)
Public Target	-0.081***	-0.089***	-1.208***	-1.277***
	(-9.80)	(-10.87)	(-14.68)	(-15.56)
Acq. MtB		-0.000	0.022	-0.004
		(-0.20)	(1.08)	(-0.17)
Acq. ROA		0.005	0.110	0.131
		(0.67)	(1.27)	(0.97)
Acq. Leverage		-0.081***	-1.928***	-1.181***
		(-6.74)	(-10.23)	(-6.13)
Acq. Cash		0.049**	0.773***	0.444*
		(2.44)	(3.56)	(1.87)
Lagged Acq. Rev. Growth		-0.000	-0.005	0.001
		(-0.14)	(-0.76)	(0.27)
Lagged Acq. NI Growth		0.000	-0.030	-0.042
		(0.04)	(-0.30)	(-0.35)
Year FE	N	Y	N	Y
Industry FE	N	Y	N	Y
R^2	0.138	0.170		
Pseudo R^2			0.242	0.279
Observations	19,055	19,055	19,055	19,055

Table 2 Deal and Acquirer Summary Statistics

This table reports summary statistics for 2,174 M&A deals and acquirer firm characteristics in the sample. Part (a) presents deal characteristics, and Part (b) reports acquirer firm characteristics. $CAR(-1,1)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from one trading day before to one trading day after the deal announcement. $CAR(-3,3)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from three trading days before to three trading days after the deal announcement. $CAR(-5,5)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from five trading days before to five trading days after the deal announcement. $CAR(-3,105)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from three trading days before to 105 trading days after the deal announcement. Deal Value ($mil) is the deal value in millions of dollars, and Rel Deal is the ratio of the deal value to the acquirer's market capitalization. *Same Industry* is an indicator equal to one if the acquirer and target operate in the same industry. *% Cash* is the fraction of deal value paid in cash. *Public Target* equals one if the target firm is publicly listed. Complete is an indicator variable denoting whether the deal was successfully completed. *Hard Topic* is the proportion of call content classified as hard information. *Acq. MtB* is acquirer market-to-book ratio, defined as market capitalization divided by book assets. *Acq. ROA* is acquirer return on assets, calculated as net income divided by total assets. *Acq. Leverage* is acquirer leverage, calculated as total debt divided by total assets. *Acq. Cash* is acquirer cash holdings, calculated as cash and cash equivalents divided by total assets. *Acq. Rev Growth* is acquirer revenue growth, defined as the change in the acquirer's revenue from the quarter prior to the M&A announcement to the first year following the deal, scaled by the combined acquirer–target total assets at that baseline. *Acq. NI Growth* is acquirer net income growth, defined as the change in the acquirer's net income from the quarter prior to the M&A announcement to the first year following the deal, scaled by the combined acquirer–target total assets at that baseline. All continuous variables are winsorized at the 1% level.

	Mean	SD	P25	P50	P75
(a) Deal Characteristics					
$CAR(-1,1)^{Acquirer}$	0.014	0.086	-0.026	0.008	0.049
$CAR(-3,3)^{Acquirer}$	0.015	0.101	-0.033	0.009	0.057
$CAR(-5,5)^{Acquirer}$	0.019	0.170	-0.042	0.010	0.062
$CAR(-3,105)^{Acquirer}$	-0.025	0.224	-0.131	-0.007	0.097
Deal Value ($mil)	2489	6173	180	550	1897
Rel Deal	0.412	0.621	0.086	0.207	0.476
Same Industry	0.650	0.477	0.000	1.000	1.000
% Cash	0.521	0.436	0.000	0.569	1.000
Public Target	0.366	0.482	0.000	0.000	1.000
Complete	0.923	0.266	1.000	1.000	1.000
Hard Topic	0.389	0.111	0.312	0.386	0.467
(b) Firm Characteristics					
Acq. MtB	2.025	1.366	1.140	1.605	2.315
Acq. ROA	0.027	0.148	0.009	0.040	0.083
Acq. Leverage	0.210	0.187	0.036	0.184	0.323
Acq. Cash	0.166	0.192	0.030	0.086	0.228
Acq. Rev Growth	0.148	0.391	-0.014	0.078	0.212
Acq. NI Growth	0.003	0.039	-0.003	0.001	0.008

Table 3 How Managers Describe M&A Value: An LLM Perspective

This table reports summary statistics for the cost and revenue discussion measures extracted from 2,174 M&A call transcripts. *Mention* in columns (1)–(2) captures any discussion in the transcript, whereas *Headline* in column (3) captures emphasis in the call's opening summary. Panel A reports the distribution of cost discussion variables, while Panel B reports the distribution of revenue discussion variables. *Cost Discussion* is the number of unique cost-saving synergy types articulated in the conference call transcript for the deal. *Cost Focus* is the share of cost discussions out of the total cost and revenue synergy discussions in the conference call transcript. *Cost Focus%* is the proportion of cost-related synergies discussed, scaled by the number of available cost and revenue synergy categories. The cost synergy types include: General and Administrative (G&A) Expenses (*GAExpenses*), Supply Chain Cost Optimization (*SupplyChain*), Research and Development (R&D) Costs (*RDCosts*), Capital Expenditure Optimization (*CapEx*), Tax Liabilities Optimization (*TaxLiabilities*), Debt Refinancing and Restructuring (*DebtRefinance*), Occupancy and Real Estate Expense Reductions (*RealEstate*), Technology Infrastructure Consolidation (*TechInfra*), Information Technology (IT) Cost Reductions (*ITCosts*), Employee Headcount Reductions (*EmpHeadcount*), Personnel Overhead Savings (*PersonnelOverhead*), Marketing Expense Optimization (*MktExpenses*), Insurance Costs (*Insurance*), Travel and Entertainment Reductions (*TravelEntertainment*), and Energy Efficiency Initiatives (*EnergyEff*). *Revenue Discussion* is the number of unique revenue-growth synergy types articulated in the conference call transcript for the deal. *Revenue Focus* is the share of revenue discussions out of the total cost and revenue synergy discussions in the conference call transcript. *Revenue Focus%* is the proportion of revenue-related synergies discussed, scaled by the number of available cost and revenue synergy categories. The revenue enhancement categories include: Cross-Selling (*CrossSell*), Geographic Expansion (*GeoExpand*), Product Line Extension (*ProdLineExt*), Value-Added Services (*ValueAddedSvc*), Improved Pricing Power (*PricingPower*), Customer Retention (*CustRetention*), Bundling (*Bundling*), and Price Elasticity (*PriceElasticity*).

Panel A: Cost-Cutting Categories

	(1) Mention Mean	(2) Mention SD	(3) Headline Mean
Cost Discussion	2.671	1.079	
Cost Focus	0.601	0.183	
Cost Focus%	0.470	0.208	
GAExpenses	0.862		0.051
SupplyChain	0.255		0.096
RDCosts	0.160		0.030
CapEx	0.156		0.028
TaxLiabilities	0.105		0.033
DebtRefinance	0.108		0.031
RealEstate	0.414		0.029
TechInfra	0.079		0.025
ITCosts	0.165		0.012
EmpHeadcount	0.072		0.019
PersonnelOverhead	0.140		0.033
MktExpenses	0.132		0.024
Insurance	0.009		0.003
TravelEntertainment	0.006		0.000
EnergyEff	0.007		0.002

Panel B: Revenue Enhancement Categories			
	(1) Mention Mean	(2) Mention SD	(3) Headline Mean
Revenue Discussion	1.878	1.057	
Revenue Focus	0.399	0.183	
Revenue Focus%	0.283	0.111	
CrossSell	0.787		0.063
GeoExpand	0.500		0.048
ProdLineExt	0.302		0.006
ValueAddedSvc	0.186		0.004
PricingPower	0.045		0.004
CustRetention	0.044		0.001
Bundling	0.014		0.004
PriceElasticity	0.001		0.000

Table 4 Acquirers' Gain from Cost-Focused Synergies

This table reports regression results examining how cost reduction and revenue enhancement synergies discussed in M&A conference calls affect the acquirer firm's market reactions around announcement dates. For each deal, we assess the presence of these synergies using three variables: *Cost Discussion* (number of unique cost types mentioned), *Revenue Discussion* (number of unique revenue enhancement types mentioned), and *Cost Focus* (the proportion of cost motivations, calculated as *Cost Discussion* divided by the sum of *Cost Discussion* and *Revenue Discussion*). The regression specification is:

$$CAR(-1,1)_i^{Acquirer} = \alpha + \beta_1 \textit{ Cost Discussion}_i + \beta_2 \textit{ Revenue Discussion}_i \text{ (or } \theta \textit{ Cost Focus}_i) + X_i'\gamma + \varepsilon_i.$$

where $CAR(-1,1)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return from one trading day before to one trading day after the announcement date. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. *t*-statistics, based on standard errors clustered at the industry level, are reported in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
Cost Discussion	0.005***	0.004**	0.004***	
	(3.21)	(2.58)	(2.66)	
Revenue Discussion	-0.005**	-0.006***	-0.006***	
	(-2.47)	(-4.03)	(-4.00)	
Cost Focus				0.045***
				(4.17)
Ln(Deal Value)	-0.006***	-0.006***	-0.006***	-0.006***
	(-5.44)	(-5.06)	(-4.54)	(-4.53)
Ln(Rel Deal)	0.010***	0.010***	0.010***	0.010***
	(4.50)	(4.93)	(5.01)	(5.06)
Same Industry	0.002	0.004	0.004	0.004
	(0.61)	(0.98)	(1.00)	(0.93)
% Cash	0.016***	0.009	0.008	0.008
	(3.00)	(1.34)	(1.18)	(1.22)
Public Target	-0.032***	-0.028***	-0.028***	-0.028***
	(-8.81)	(-10.40)	(-10.08)	(-10.07)
Acq. MtB			-0.001	-0.001
			(-0.74)	(-0.68)
Acq. ROA			0.018	0.018
			(0.76)	(0.79)
Acq. Leverage			0.030**	0.030**
			(2.20)	(2.25)
Acq. Cash			0.019*	0.018*
			(1.77)	(1.68)
Lagged Acq. Rev. Growth			0.002	0.002
			(0.27)	(0.26)
Lagged Acq. NI Growth			-0.101	-0.097
			(-1.24)	(-1.20)
Year FE	N	Y	Y	Y
Tar. /Acq. Ind. FEs	N	Y	Y	Y
R^2	0.067	0.129	0.134	0.134
Observations	2,174	2,174	2,174	2,174

Table 5 The Importance of Same-Day Conference Call Disclosure

This table reports regression results examining how cost-focused synergy discussion in M&A conference calls affects acquirer firms' stock market reactions around deal announcement dates. The regression specification is:

$$\begin{aligned} CAR(-1,1)_i^{Acquirer} = \alpha + \beta_1\, Cost\ Focus_i + \beta_2\, Diffday_i + \beta_3\, (Cost\ Focus_i \times Diffday_i) \\ + \beta_4\, Cost\ Focus_{8K,i} + \beta_5\, Hard\ Topic_i + X_i'\gamma + \varepsilon_i \end{aligned}$$

where $CAR(-1,1)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return from one trading day before to one trading day after the announcement date. *Cost Focus* is the share of cost-related synergy discussions out of total cost and revenue synergy discussions in the conference call transcript, and *Cost Focus%* is the share of cost-related synergy categories discussed, scaled by the total number of available cost and revenue synergy categories. *Diffday* is an indicator variable that equals one if the M&A conference call is held on a day different from the deal announcement date and zero otherwise. *Cost Focus*$_{8K}$ is the share of cost-related synergy discussion relative to total synergy discussion in the acquirer's Form 8-K disclosure associated with the M&A announcement. *Hard Topic* is the proportion of transcript content classified as "hard information," which consists of verifiable and ex-post comparable topics such as financial projections, operations, financing, and contracts, following Dasgupta et al. (2024). Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. t-statistics, based on standard errors clustered at the industry level, are reported in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
Cost Focus	0.057***	0.053***	0.050***	
	(4.94)	(4.82)	(3.79)	
Cost Focus%				0.039***
				(3.78)
Diffday		0.019		
		(1.65)		
Cost Focus × Diffday		-0.034*		
		(-1.92)		
$Cost\ Focus_{8K}$			-0.009	
			(-0.72)	
Hard Topic			0.078***	
			(3.87)	
Ln(Deal Value)	-0.005***	-0.006***	-0.006***	-0.006***
	(-4.15)	(-4.85)	(-3.90)	(-4.48)
Ln(Rel Deal)	0.010***	0.010***	0.010***	0.010***
	(4.09)	(4.99)	(3.82)	(5.08)
Same Industry	0.006	0.004	0.004	0.004
	(1.16)	(0.93)	(0.89)	(0.90)
% Cash	0.007	0.008	0.009	0.008
	(0.82)	(1.26)	(1.12)	(1.24)
Public Target	-0.031***	-0.028***	-0.026***	-0.028***
	(-7.92)	(-9.97)	(-6.29)	(-10.12)
Acq. MtB	-0.000	-0.001	-0.001	-0.001
	(-0.04)	(-0.65)	(-0.35)	(-0.66)
Acq. ROA	0.015	0.018	0.032	0.018
	(0.61)	(0.79)	(1.28)	(0.78)
Acq. Leverage	0.033**	0.030**	0.026	0.030**
	(2.13)	(2.27)	(1.65)	(2.29)
Acq. Cash	0.028	0.018	0.019	0.018*
	(1.61)	(1.67)	(1.30)	(1.67)
Lagged Acq. Rev. Growth	0.004	0.002	0.005	0.002
	(0.61)	(0.29)	(0.82)	(0.28)
Lagged Acq. NI Growth	-0.105	-0.095	-0.091	-0.096
	(-1.15)	(-1.19)	(-1.08)	(-1.20)
Year FE	Y	Y	Y	Y
Tar./Acq. Ind. FEs	Y	Y	Y	Y
R^2	0.137	0.135	0.150	0.134
Observations	1,642	2,174	1,806	2,174

Table 6 Synergy Type and Acquirer Value

This table reports regression results examining how individual synergy types identified from M&A conference calls relate to the acquirer firm's market reactions around announcement dates. Columns (1)–(3) report estimates from specifications using mention-based measures of synergy categories (*Mention*), while column (4) reports estimates based on headline-level measures (*Headline*). The regression specification is:

$$CAR(-1,1)_i^{Acquirer} = \alpha + \sum_k \beta_k \, Synergy\ Type_i^k + X_i'\gamma + \varepsilon_i.$$

where $CAR(-1,1)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return from one trading day before to one trading day after the announcement date. $Synergy\ Type_i^k$ denotes the indicator for synergy type k for deal i, constructed based on *Mention* in columns (1)–(3) and *Headline* in column (4). The synergy categories include cost synergies such as Employee Headcount Reductions (*EmpHeadcount*), Debt Refinancing and Restructuring (*DebtRefinance*), Supply Chain Cost Optimization (*SupplyChain*), Technology Infrastructure Consolidation (*TechInfra*), Tax Liabilities Optimization (*TaxLiabilities*), Occupancy and Real Estate Expense Reductions (*RealEstate*), Capital Expenditure Optimization (*CapEx*), General and Administrative (G&A) Expenses (*GAExpenses*), Research and Development (R&D) Costs (*RDCosts*), and Marketing Expense Optimization (*MktExpenses*), as well as revenue synergies such as Cross-Selling (*CrossSell*), Geographic Expansion (*GeoExpand*), Value-Added Services (*ValueAddedSvc*), Customer Retention (*CustRetention*), Product Line Extension (*ProdLineExt*), and Improved Pricing Power (*PricingPower*). Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. t-statistics, based on standard errors clustered at the industry level, are reported in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	Mention			Headline
	(1)	(2)	(3)	(4)
EmpHeadcount	0.016***		0.016***	0.029***
	(3.00)		(2.94)	(3.55)
DebtRefinance	0.015*		0.013	0.026**
	(1.95)		(1.58)	(2.49)
SupplyChain	0.012***		0.012***	-0.008
	(3.04)		(3.15)	(-1.51)
TechInfra	0.010		0.011*	0.013
	(1.65)		(1.82)	(0.87)
TaxLiabilities	0.003		0.002	0.008
	(0.44)		(0.27)	(0.84)
RealEstate	0.005		0.006	0.003
	(1.09)		(1.11)	(0.61)
CapEx	0.002		0.001	0.004
	(0.38)		(0.18)	(0.56)
GAExpenses	-0.006		-0.006	0.002
	(-0.53)		(-0.51)	(0.17)
RDCosts	-0.004		-0.004	0.020
	(-0.36)		(-0.36)	(1.05)
MktExpenses	-0.003		-0.003	-0.007
	(-0.96)		(-0.78)	(-0.71)
CrossSell		-0.014***	-0.014***	-0.010*
		(-2.68)	(-2.71)	(-1.71)
GeoExpand		-0.009***	-0.009***	0.004
		(-2.95)	(-3.05)	(0.40)
ValueAddedSvc		-0.005	-0.004	0.033
		(-1.28)	(-1.25)	(1.13)
CustRetention		-0.004	-0.003	-0.012
		(-0.46)	(-0.33)	(-1.39)
ProdLineExt		-0.002	-0.002	0.001
		(-0.66)	(-0.55)	(0.04)
PricingPower		0.006	0.006	0.010
		(0.70)	(0.74)	(0.55)
Control	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Tar. /Acq. Ind. FEs	Y	Y	Y	Y
R^2	0.134	0.134	0.141	0.136
Observations	2,174	2,174	2,174	2,174

Table 7 Cost-Focused Synergies and Future Operational Performance

This table reports regression results examining whether cost reduction and revenue enhancement synergies discussed in M&A conference calls predict firm performance in the years following deal completion. *Cost Focus* is the share of cost discussions out of the total cost and revenue synergy discussions in the conference call transcript. The regression specification is:

$$Growth_{i,t+\tau} = \alpha + \beta_1 Cost\ Focus_i + X_i'\gamma + \varepsilon_i,$$

where $Growth_{i,t+\tau}$ denotes firm i's growth in net income, revenue, and cost over different year horizons after deal completion. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. t-statistics, based on standard errors clustered at the industry level, are reported in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	NI Growth		*Rev. Growth*		*Cost Growth*	
	1-year	3-year	1-year	3-year	1-year	3-year
	(1)	(2)	(3)	(4)	(5)	(6)
Cost Focus	0.038**	0.041**	-0.004	-0.000	-0.085*	-0.105**
	(2.49)	(2.08)	(-0.12)	(-0.00)	(-1.96)	(-2.22)
Ln(Deal Value)	-0.004***	-0.004***	0.013***	0.010**	0.016***	0.013**
	(-3.52)	(-2.93)	(3.14)	(2.42)	(3.10)	(2.33)
Ln(Rel Deal)	-0.004**	-0.003	-0.063***	-0.054***	-0.064***	-0.052***
	(-2.16)	(-1.31)	(-6.59)	(-5.60)	(-6.12)	(-3.63)
Same Industry	0.008	0.011**	0.026	0.018	0.012	0.004
	(1.60)	(2.38)	(1.54)	(1.22)	(0.65)	(0.22)
% Cash	-0.013***	0.001	0.025	0.026	-0.032	-0.037
	(-2.77)	(0.18)	(1.05)	(1.11)	(-0.36)	(-0.41)
Public Target	0.006	0.012***	-0.040	-0.038	0.014	0.002
	(1.45)	(2.93)	(-1.45)	(-1.50)	(0.18)	(0.02)
Acq. MtB	0.002	0.007***	-0.009	0.010	-0.022	-0.012
	(0.58)	(3.31)	(-1.34)	(1.24)	(-1.44)	(-0.51)
Acq. ROA	-0.069*	-0.104***	-0.127*	-0.065	-0.088	-0.001
	(-1.75)	(-2.68)	(-1.80)	(-1.29)	(-0.80)	(-0.00)
Acq. Leverage	0.005	0.011	-0.004	0.020	-0.090	-0.049
	(0.26)	(0.72)	(-0.06)	(0.41)	(-0.71)	(-0.41)
Acq. Cash	0.021	0.011	0.051	0.063*	-0.040	0.059
	(0.84)	(0.66)	(0.91)	(1.71)	(-0.36)	(0.43)
Lagged Acq. Rev. Growth	-0.009	-0.013*	-0.019	0.009	-0.007	0.050**
	(-1.16)	(-1.73)	(-1.07)	(0.77)	(-0.30)	(2.10)
Lagged Acq. NI Growth	-0.156	-0.183*	-0.258	-0.406***	-0.220	-0.765
	(-1.56)	(-1.93)	(-1.55)	(-2.85)	(-0.55)	(-1.12)
Year FE	Y	Y	Y	Y	Y	Y
Tar. /Acq. Ind. FEs	Y	Y	Y	Y	Y	Y
R^2	0.237	0.242	0.458	0.402	0.119	0.112
Observations	738	738	738	738	738	738

Appendix A: Variable Definitions

Variable	Definition
Deal Characteristic	
$CAR(-1,1)^{Acquirer}$	Acquirer cumulative abnormal return (CAR) over the [–1, +1] window around the M&A deal announcement date.
$CAR(-3,3)^{Acquirer}$	Acquirer cumulative abnormal return (CAR) over the [–3, +3] window around the M&A deal announcement date.
$CAR(-5,5)^{Acquirer}$	Acquirer cumulative abnormal return (CAR) over the [–5, +5] window around the M&A deal announcement date.
$CAR(-3,105)^{Acquirer}$	Acquirer cumulative abnormal return (CAR) over the [–3, +105] window around the M&A deal announcement date.
$\mathbb{I}$*(Transcript)*	An indicator variable that equals one if a conference call transcript exists for an M&A deal and zero otherwise.
Ln(Deal Value)	The natural logarithm of a deal's value.
Ln(Rel Deal)	The natural logarithm of the ratio of the deal value to the acquirer's market capitalization.
Same Industry	An indicator variable that equals one if the acquirer and target share the same two-digit SIC code and zero otherwise.
% Cash	The percentage of deal consideration paid in cash.
Public Target	An indicator variable that equals one if the target is a publicly listed firm and zero otherwise.
Complete	An indicator variable that equals one if the deal was eventually complete and zero otherwise.
Hard Topic	The proportion of transcript content classified as "hard information," which consists of verifiable and ex-post comparable topics such as financial projections, operations, financing, and contracts, following Dasgupta et al. (2024).
Diffday	An indicator variable that equals one if the M&A conference call is held on a day different from the deal announcement date and zero otherwise.
Firm Characteristic	
Acq. MtB	Acquirer market cap over the total book value of assets.

Variable	Definition
Acq. ROA	Acquirer return on assets, calculated by dividing a firm's net income by its total assets.
Acq. Leverage	Acquirer total debt divided by its total assets.
Acq. Cash	Acquirer cash and cash equivalents scaled by total assets.
Acq. Rev Growth	Acquirer revenue growth, defined as the change in the acquirer's revenue from the quarter prior to the M&A announcement to each of the first five years following the deal, scaled by the combined acquirer–target total assets at that baseline.
Acq. NI Growth	Acquirer net income growth, defined as the change in the acquirer's net income from the quarter prior to the M&A announcement to each of the first five years following the deal, scaled by the combined acquirer–target total assets at that baseline.
Acq. Cost Growth	Acquirer cost growth, defined as the change in the acquirer's cost (revenue minus net income) from the quarter prior to the M&A announcement to each of the first five years following the deal, scaled by the combined acquirer–target total assets at that baseline.
Cost-cutting Categories	
Cost Discussion	The number of unique cost-saving synergy types articulated in the conference call transcript for the deal.
Cost Focus	The share of cost discussions out of the total cost and revenue synergy discussions in the conference call transcript.
Cost Focus%	The proportion of cost-related synergies discussed, scaled by the number of available cost and revenue synergy categories.
Cost Focus$_{8K}$	The share of cost-related synergy discussion relative to total synergy discussion in the acquirer's Form 8-K disclosure associated with the M&A announcement.
GAExpenses	General and Administrative (G&A) Expenses, lowering administrative costs via consolidation, outsourcing, or process efficiency improvements.
SupplyChain	Supply Chain Cost Optimization, reducing procurement costs through vendor consolidation, price negotiations, or alternative sourcing.
RDCosts	Research and Development (R&D) Costs, reducing product development expenses through project consolidation, outsourcing, or shared technology.

Variable	Definition
CapEx	Capital Expenditure Optimization, lowering capital expenditures through equipment upgrades, leasing, or asset optimization.
TaxLiabilities	Tax Liabilities Optimization, reducing tax liabilities through optimization of tax credits, deductions, or compliance improvements.
DebtRefinance	Debt Refinancing and Restructuring, lowering interest payments on loans and debt obligations through refinancing, restructuring, or alternative financing options.
RealEstate	Occupancy and Real Estate Expense Reductions, reducing occupancy costs through lease renegotiation, subletting, or alternative workspace arrangements.
TechInfra	Technology Infrastructure Consolidation, eliminating redundant technology infrastructure costs through cloud computing, virtualization, or equipment upgrades.
ITCosts	Information Technology Cost Reductions, reducing IT expenses through outsourcing, cloud computing, or software licensing optimization.
EmpHeadcount	Employee Headcount Reductions, eliminating non-essential employee positions through layoffs, salary reductions, or automation.
PersonnelOverhead	Personnel Overhead Savings, reducing personnel costs by eliminating non-essential roles via outsourcing or process optimization.
MktExpenses	Marketing Expense Optimization, reducing non-essential marketing expenses through digital transformation, content optimization, or media consolidation.
Insurance	Insurance Premium Savings, lowering insurance costs through risk management, policy optimization, or alternative insurance arrangements.
TravelEntertainment	Travel and Entertainment Expense Reductions, eliminating non-essential business travel expenses through virtual meetings, remote work, or entertainment expense reductions.
EnergyEff	Energy Efficiency Improvements, reducing energy consumption expenses through efficiency improvements, renewable energy adoption, or supplier changes.
Revenue Enhancement Categories	
Revenue Discussion	The number of unique revenue-growth synergy types articulated in the conference call transcript for the deal.

Variable	Definition
Revenue Focus	The share of revenue discussions out of the total cost and revenue synergy discussions in the conference call transcript.
Revenue Focus%	The proportion of revenue-related synergies discussed, scaled by the number of available cost and revenue synergy categories.
CrossSell	Cross-Selling, selling existing products to the acquired company's customers.
GeoExpand	Geographic Expansion, entering new markets using existing distribution channels, expanding into adjacent geographies, or leveraging digital platforms for global reach.
ProdLineExt	Product Line Extension, introducing new variations of existing products to expand offerings and revenue streams through innovation and R&D.
ValueAddedSvc	Value-Added Services, offering additional services that enhance customer experience, increase loyalty, and drive recurring revenue streams.
PricingPower	Improved Pricing Power, increasing pricing power through improved market position, strategic partnerships, and data-driven price optimization.
CustRetention	Customer Retention, reducing customer churn and increasing revenue from existing customers through targeted engagement and loyalty programs.
Bundling	Bundling, offering multiple products or services together at a discounted price.
PriceElasticity	Price Elasticity, increasing prices for customers who are less sensitive to price changes, such as business or high-value clients.

Appendix B: Prompts

M&A Cost Reduction Classification Prompt

You are a mergers and acquisitions specialist at a top investment bank.
You will be given a short summary from an M&A call.
Your task: - For each of the 15 cost types below, determine if a cost reduction is explicitly stated or can be clearly inferred from the summary. - Use ONLY "yes" or "no" as the value. - If there is any doubt or no clear evidence, answer "no". - Do NOT include any explanation, commentary, or formatting other than the JSON.
COST TYPES:

```
{COST CHANNEL TYPES}
```

Strict Output Requirement: Return the results as a **valid JSON object** with exactly the following keys (no extra spaces, no trailing commas), each with a value of "yes" or "no":
Example output format (strict JSON):

```
{Example of Output in JSON}
```

Now classify the following M&A synergy summary:

M&A Revenue Evaluation Prompt

You are a mergers and acquisitions specialist at a top investment bank.
You will be given a short summary from an M&A call.
Your task: - For each of the 8 revenue enhancement channels below, determine if a revenue enhancement channel is explicitly stated or can be clearly inferred from the summary. - Use ONLY "yes" or "no" as the value. - If there is any doubt or no clear evidence, answer "no". - Do NOT include any explanation, commentary, or formatting other than the JSON.
REVENUE ENHANCEMENT CHANNELS:

```
{Revenue Channel Types}
```

Strict Output Requirement: Return the results as a **valid JSON object** with exactly the following keys (no extra spaces, no trailing commas), each with a value of "yes" or "no":
EXAMPLE OUTPUT FORMAT (strict JSON):

```
{{
Example of Output in JSON
}}
```

Now classify the following M&A synergy summary:

Appendix C: Construction of Soft/Hard Information

We follow Dasgupta et al. (2024) to conduct topic classification and calculate the proportion of "soft information" ("hard information") in conference calls. We report the topic proportion in Table C1. The average proportions of tokens assigned to soft topics and hard topics are 48.44% and 41.28%, respectively—levels comparable to those reported in Dasgupta et al. (2024) (51.3% and 41.1%, respectively).

Table C1 **Soft/Hard Topics Weights**

This table reports the seed words and summary statistics of the weights for each topic. Following Dasgupta et al. (2024), we estimate all twenty topics but retain only the economically interesting ones. The weight for each topic is computed as the number of tokens in sentences assigned to that topic divided by the total number of tokens in sentences belonging to all economically interesting topics.

Topic Label	Seed Words	Mean	Std.
	Hard Topics		
Financial Projection Outcomes	approximately, pro, million, forma, earnings	0.10	0.05
Financial Projection Assumptions	margin, accretion, higher, gross, lower	0.04	0.03
Growth	quarter, year, half, growth, digit	0.06	0.03
Deal Financing	debt, loan, financing, bank, balance	0.07	0.06
Global Location	Europe, China, country, European, Asia	0.01	0.02
Production & Operation	manufacturing, west, capacity, plant, factory	0.09	0.08
Contract	fee, arrangement, break, breakup, contract	0.04	0.03
	Soft Topics		
Business Complementarity	leading, unparalleled, leadership, business, complementary	0.15	0.06
Technology	digital, content, cable, video, mobile	0.02	0.04
Customer	business, market, product, customer, opportunity	0.29	0.12
Team, Labor, and Culture	team, impressed, layoff, cultural, recruit	0.02	0.02
	Special Topics		
Ownership & Control	stake, minority, scheme, course, offer	0.07	0.05
Deal Process	diligence, bid, process, vote, "discussion"	0.03	0.02

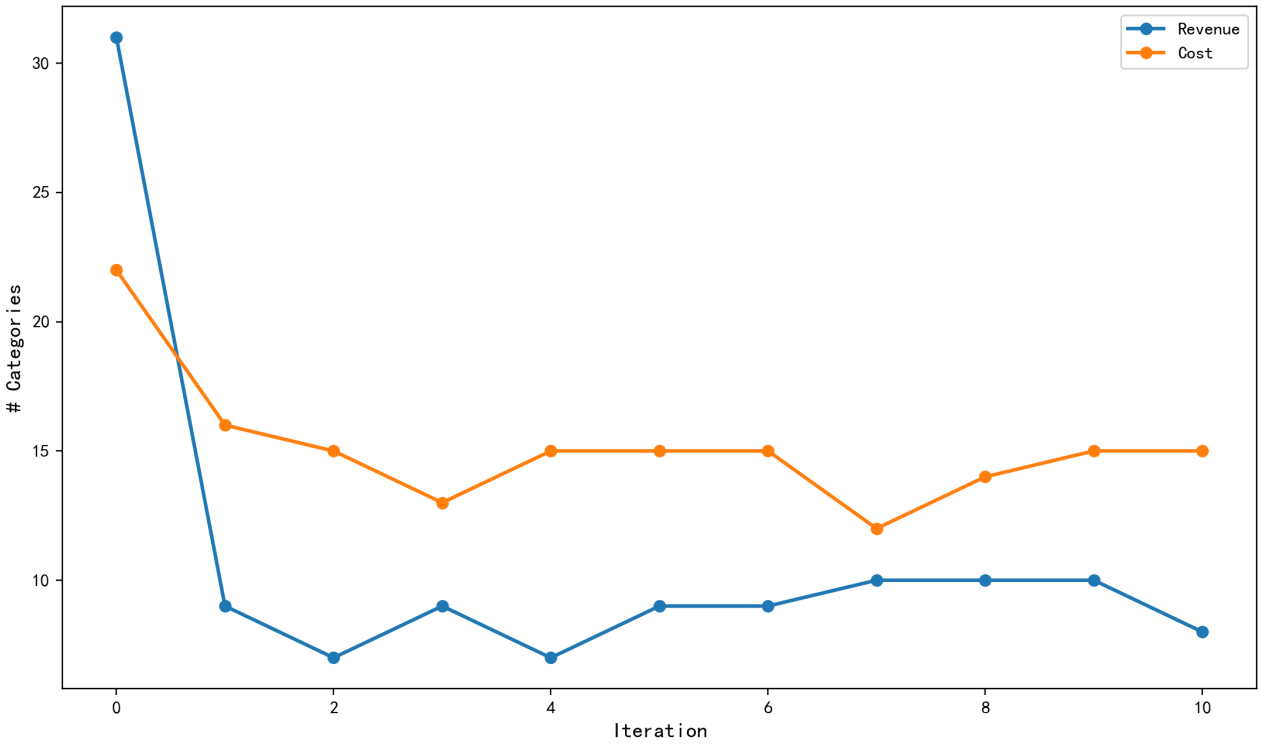
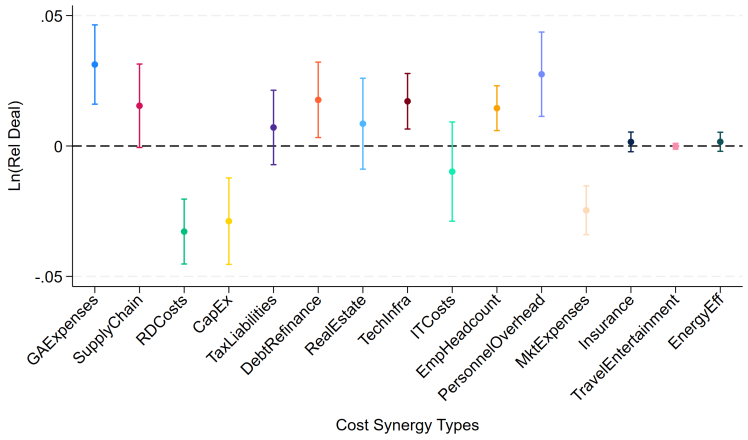
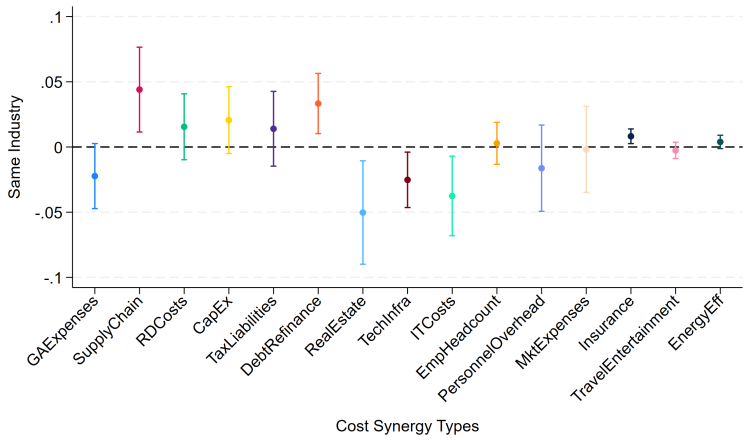


Figure A1 Refinement of Evaluation System

This figure depicts the total number of cost and revenue-related categories in the evaluation system throughout the refinement process. The x-axis indicates the n-th iteration, while the y-axis represents the total number of categories output by the large language model (LLM). For $n = 0$, the categories correspond to the initial output generated using Prompt 3.1 in Appendix B. For $n > 0$, each set of categories is based on the results produced by Prompt 3.2 in Appendix B.



(a) *Relative Deal Size*



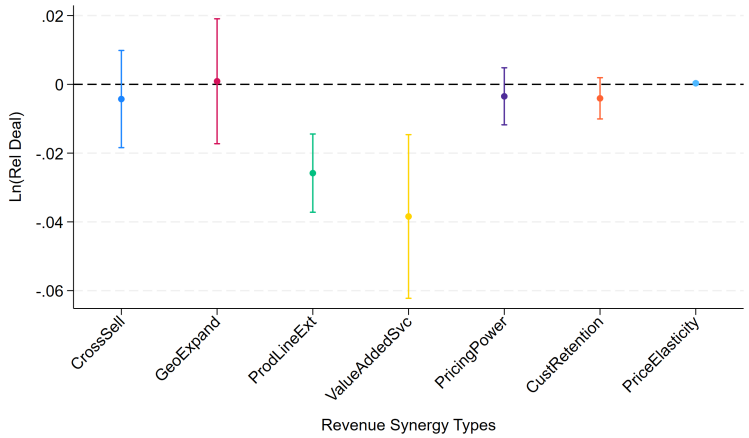
(b) *Same Industry*

Figure A2 Estimated Coefficients of Control Variables for Cost Synergy Types

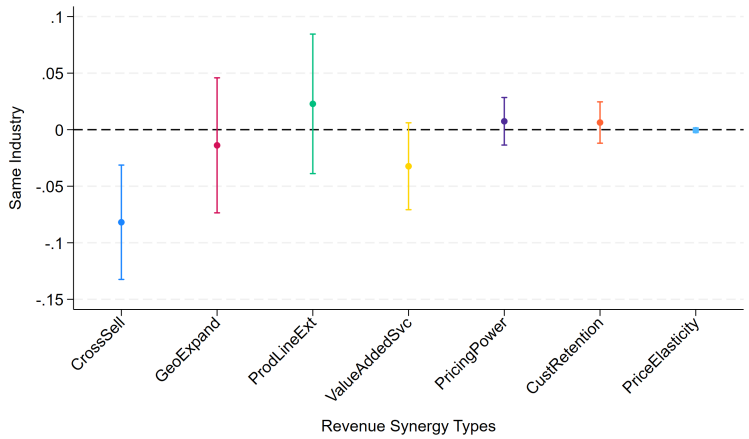
This figure plots the estimated coefficients of the control variables from regressions where each cost synergy type indicator is the dependent variable. Panel (a) reports the coefficients on *Ln(Rel Deal)*, and Panel (b) reports the coefficients on *Same Industry*. The regression specification is:

$$Cost\ Synergy\ Type_i^k = \alpha + X_i'\gamma + \varepsilon_i,$$

where $Cost\ Synergy\ Type_i^k$ is an indicator variable that equals one if cost synergy type k is mentioned in the transcript for deal i and zero otherwise. The cost synergy types include: General and Administrative (G&A) Expenses (*GAExpenses*), Supply Chain Cost Optimization (*SupplyChain*), Research and Development (R&D) Costs (*RDCosts*), Capital Expenditure Optimization (*CapEx*), Tax Liabilities Optimization (*TaxLiabilities*), Debt Refinancing and Restructuring (*DebtRefinance*), Occupancy and Real Estate Expense Reductions (*RealEstate*), Technology Infrastructure Consolidation (*TechInfra*), Information Technology (IT) Cost Reductions (*ITCosts*), Employee Headcount Reductions (*EmpHeadcount*), Personnel Overhead Savings (*PersonnelOverhead*), Marketing Expense Optimization (*MktExpenses*), Insurance Costs (*Insurance*), Travel and Entertainment Reductions (*TravelEntertainment*), and Energy Efficiency Initiatives (*EnergyEff*), all of which are plotted on the x-axis. Categories with averages below 1% are dropped from the figure. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. Each point represents the estimated coefficient of a cost synergy type for the given control variable, and vertical bars denote the 90% confidence intervals computed with standard errors clustered at the industry level. The y-axes are separately scaled for each control variable.



(a) *Relative Deal Size*



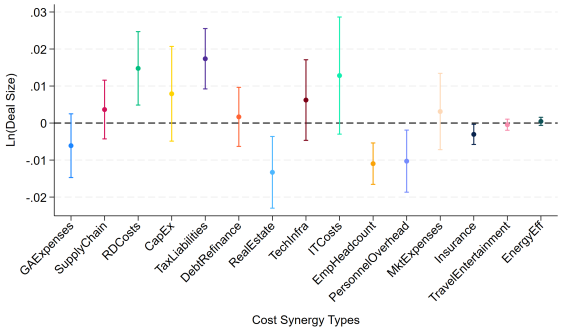
(b) *Same Industry*

Figure A3 Estimated Coefficients of Control Variables for Revenue Synergy Types

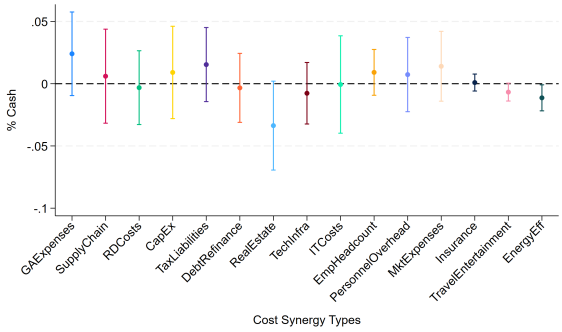
This figure plots the estimated coefficients of the control variables from regressions where each revenue synergy type indicator is the dependent variable. Panel (a) reports the coefficients on *Ln(Rel Deal)*, and Panel (b) reports the coefficients on *Same Industry*. The regression specification is:

$$Rev\ Synergy\ Type_i^k = \alpha + X_i'\gamma + \varepsilon_i,$$

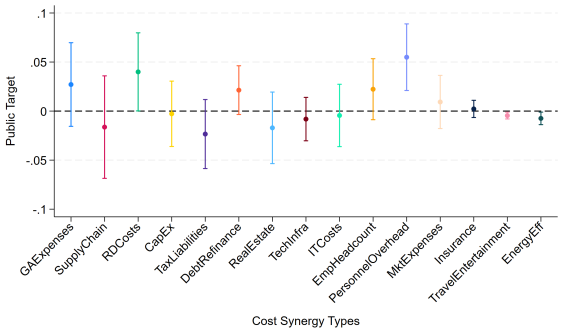
where $Rev\ Synergy\ Type_i^k$ is an indicator variable that equals one if revenue enhancement channel k is mentioned in the transcript for deal i and zero otherwise. The revenue enhancement categories include: Cross-Selling (*CrossSell*), Geographic Expansion (*GeoExpand*), Product Line Extension (*ProdLineExt*), Value-Added Services (*ValueAddedSvc*), Improved Pricing Power (*PricingPower*), Customer Retention (*CustRetention*), Bundling (*Bundling*), and Price Elasticity (*PriceElasticity*), all of which are plotted on the x-axis. Categories with averages below 1% are dropped from the figure. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. Each point represents the estimated coefficient of a revenue synergy type for the given control variable, and vertical bars denote the 90% confidence intervals computed with standard errors clustered at the industry level. The y-axes are separately scaled for each control variable.



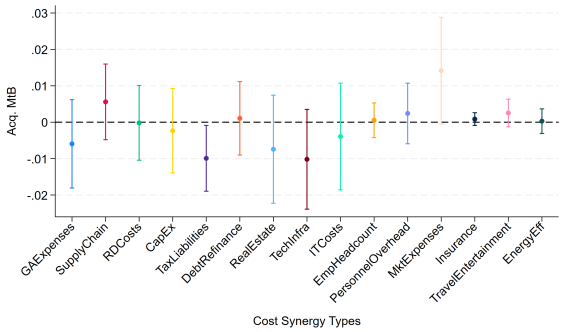
(a) *Ln(Deal Value)*



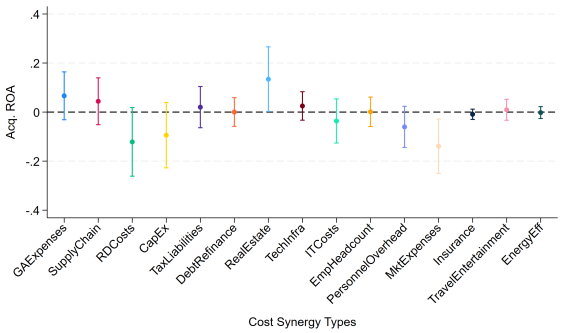
(b) *% Cash*



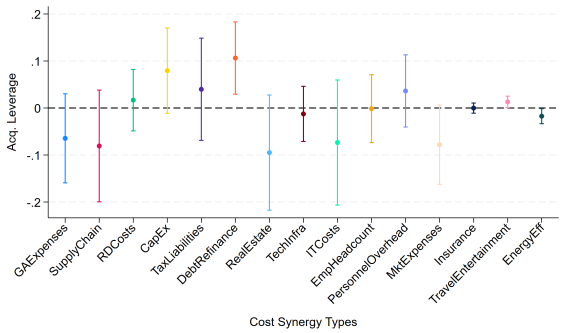
(c) *Public Target*



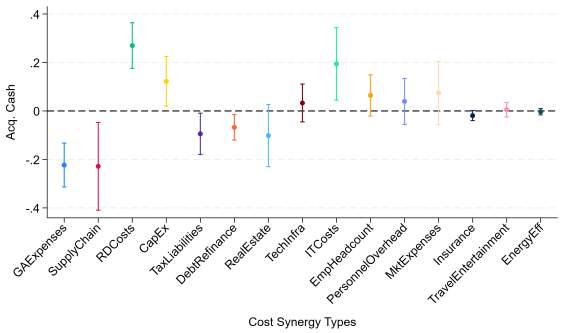
(d) *Acq. MtB*



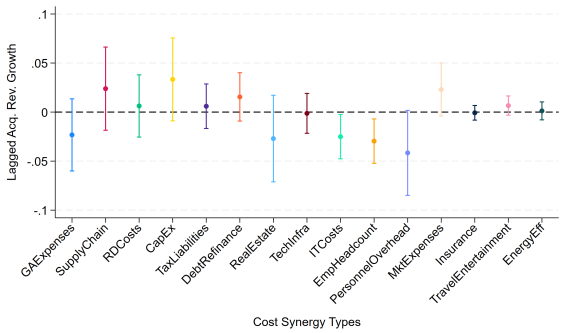
(e) *Acq. ROA*



(f) *Acq. Leverage*

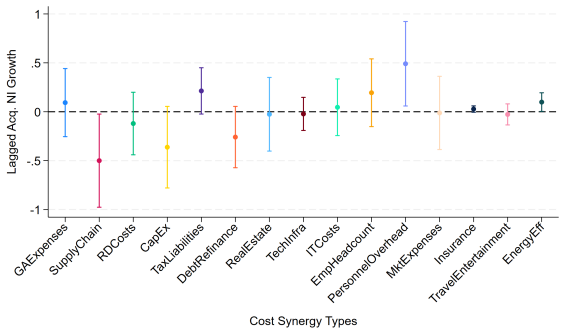


(g) *Acq. Cash*



(h) *Lagged Acq. Rev. Growth*

Panels (a)–(h). See Figure A4 for the full caption.



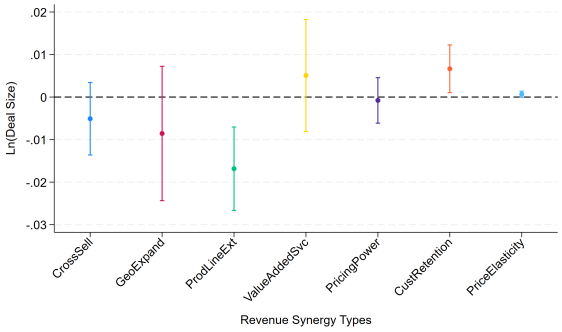
(i) *Lagged Acq. NI Growth*

Figure A4 Estimated Coefficients of Control Variables for Cost Synergy Types

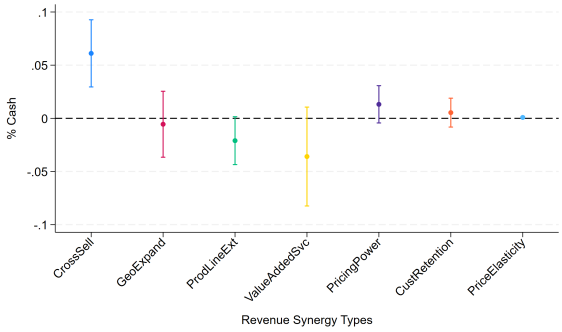
This figure plots the estimated coefficients of the control variables from regressions where each cost synergy type indicator is the dependent variable. Panels (a)–(i) report coefficients for *Ln(Deal Value)*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*. The regression specification is:

$$Cost\ Synergy\ Type_i^k = \alpha + X_i'\gamma + \varepsilon_i,$$

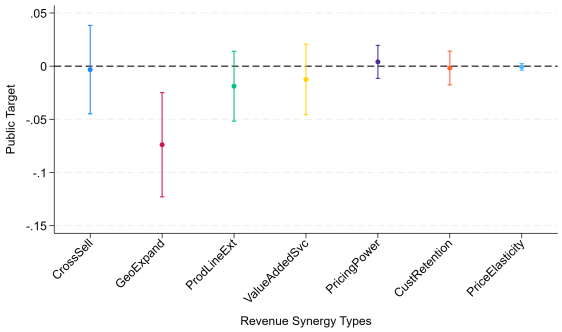
where $Cost\ Synergy\ Type_i^k$ is an indicator variable that equals one if cost synergy type k is mentioned in the transcript for deal i and zero otherwise. The cost synergy types include: General and Administrative (G&A) Expenses (*GAExpenses*), Supply Chain Cost Optimization (*SupplyChain*), Research and Development (R&D) Costs (*RDCosts*), Capital Expenditure Optimization (*CapEx*), Tax Liabilities Optimization (*TaxLiabilities*), Debt Refinancing and Restructuring (*DebtRefinance*), Occupancy and Real Estate Expense Reductions (*RealEstate*), Technology Infrastructure Consolidation (*TechInfra*), Information Technology (IT) Cost Reductions (*ITCosts*), Employee Headcount Reductions (*EmpHeadcount*), Personnel Overhead Savings (*PersonnelOverhead*), Marketing Expense Optimization (*MktExpenses*), Insurance Costs (*Insurance*), Travel and Entertainment Reductions (*TravelEntertainment*), and Energy Efficiency Initiatives (*EnergyEff*), all of which are plotted on the x-axis. Categories with averages below 1% are dropped. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. Each point represents the estimated coefficient of a cost synergy type for the given control variable, and vertical bars denote the 90% confidence intervals computed with standard errors clustered at the industry level. The y-axes are separately scaled for each control variable.



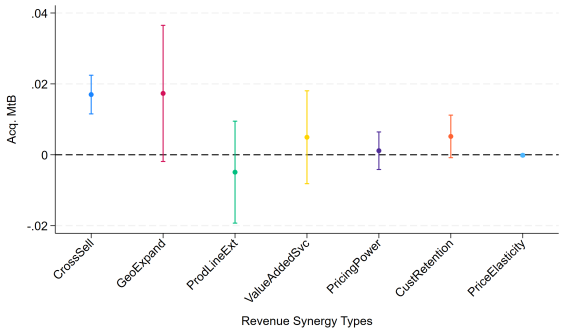
(a) *Ln(Deal Value)*



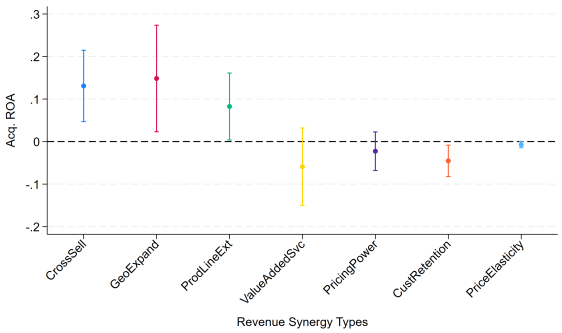
(b) *% Cash*



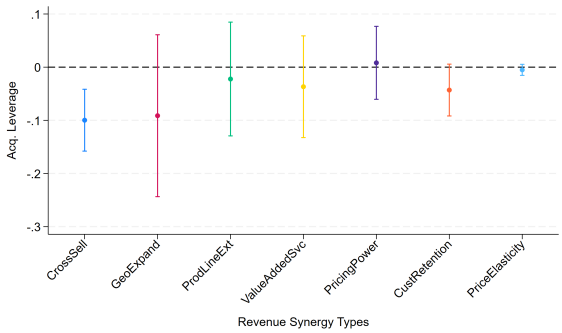
(c) *Public Target*



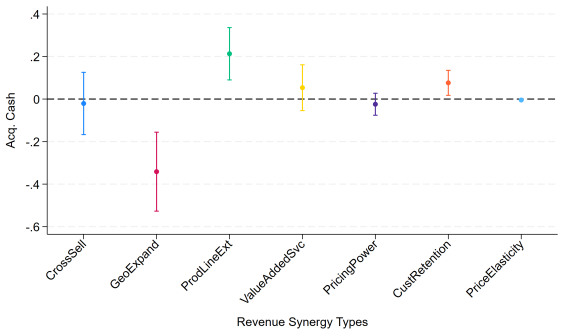
(d) *Acq. MtB*



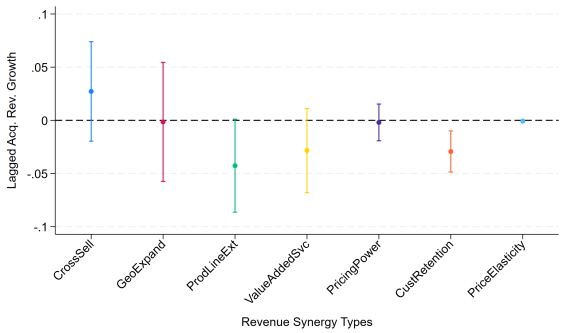
(e) *Acq. ROA*



(f) *Acq. Leverage*

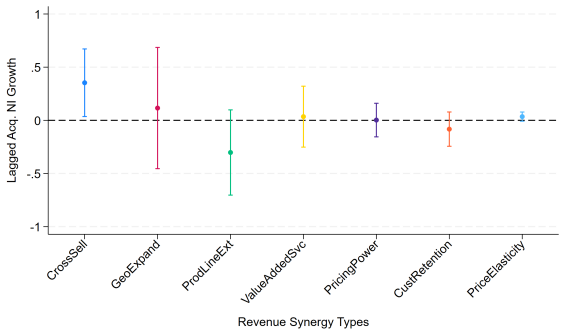


(g) *Acq. Cash*



(h) *Lagged Acq. Rev. Growth*

Panels (a)–(h). See Figure A5 for the full caption.



(i) *Lagged Acq. NI Growth*

Figure A5 Estimated Coefficients of Control Variables for Revenue Synergy Types

This figure plots the estimated coefficients of the control variables from regressions where each revenue synergy type indicator is the dependent variable. Panels (a)–(i) report coefficients for *Ln(Deal Value)*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*. The regression specification is:

$$Rev\ Synergy\ Type_i^k = \alpha + X_i'\gamma + \varepsilon_i,$$

where $Rev\ Synergy\ Type_i^k$ is an indicator variable that equals one if revenue enhancement channel k is mentioned in the transcript for deal i and zero otherwise. The revenue enhancement categories include: Cross-Selling (*CrossSell*), Geographic Expansion (*GeoExpand*), Product Line Extension (*ProdLineExt*), Value-Added Services (*ValueAddedSvc*), Improved Pricing Power (*PricingPower*), Customer Retention (*CustRetention*), Bundling (*Bundling*), and Price Elasticity (*PriceElasticity*), all of which are plotted on the x-axis. Categories with averages below 1% are dropped from the figure. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. Each point represents the estimated coefficient of a revenue synergy type for the given control variable, and vertical bars denote the 90% confidence intervals computed with standard errors clustered at the industry level. The y-axes are separately scaled for each control variable.

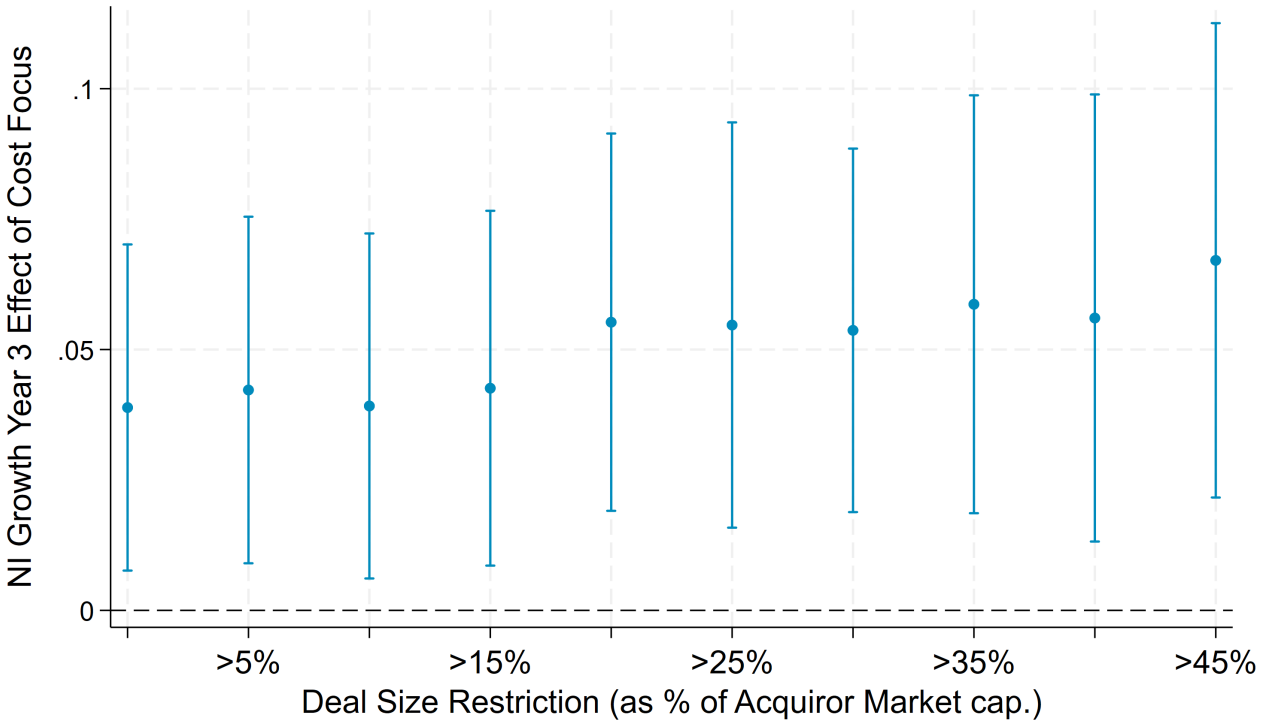


Figure A6 Cost Focus and Acquirers' Net Income Growth by Relative Deal Size

This figure plots the third-year net income growth of acquirers against the relative weights on cost reduction synergies discussed in M&A conference calls by the relative deal size. LLM analysis of call transcripts identifies and summarizes key cost reduction and revenue growth opportunities. For each deal, we first calculate the presence of these synergies using *Cost Discussion* (number of unique cost types mentioned) and *Revenue Discussion* (number of unique revenue enhancement types mentioned). Then we calculate the relative weighting of cost reduction synergies with *Cost Focus* (the proportion of cost motivations, calculated as *Cost Discussion* divided by the sum of *Cost Discussion* and *Revenue Discussion*). The regression specification is:

$$Growth_{i,t+3} = \alpha + \beta_1 Cost\ Focus_i + X_i'\gamma + \varepsilon_i,$$

where $Growth_{i,t+3}$ denotes firm i's growth in net income over the third year after deal completion. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. We run regressions on subsamples of deals whose relative sizes exceed specified thresholds (e.g., >5%, >15%, ..., >45%, as shown on the x-axis). For each threshold, we plot the coefficient on *Cost Focus*, β_1, on the y-axis. The 90% confidence intervals for β_1, calculated using standard errors clustered at the industry level, are depicted by blue vertical bars.

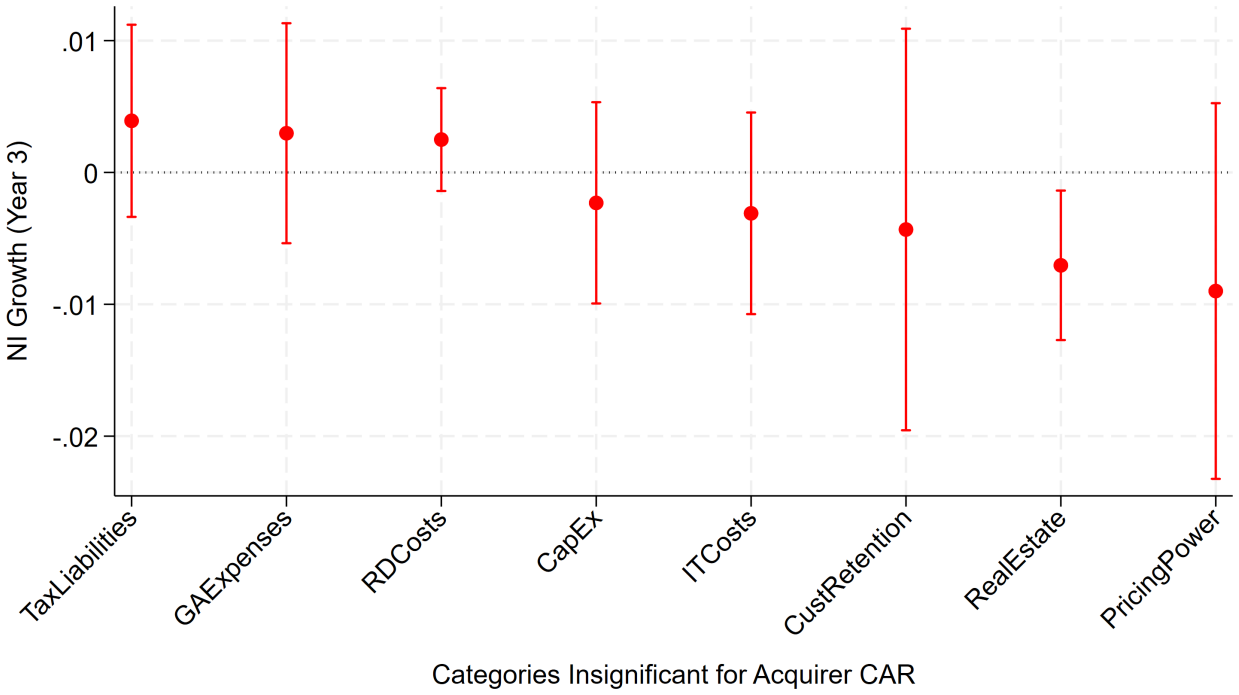


Figure A7 Insignificant Synergy Type and Future Net Income Growth

This figure plots the third-year net income growth of acquirers to the sources of M&A value that do not significantly predict acquirer returns in Figure 3 and Figure 4. LLM analysis of call transcripts identifies and summarizes key cost reduction and revenue growth opportunities. The regression specification is:

$$Growth_{i,t+3} = \alpha + \beta_k\big(Cost\ Category_i^k \text{ or } Rev\ Category_i^k\big) + X_i'\gamma + \varepsilon_i,$$

where $Growth_{i,t+3}$ denotes firm i's growth in net income over the third year after deal completion. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. *Cost Synergy Type*$_i^k$ and *Rev Synergy Type*$_i^k$ are indicator variables equal to one if cost synergy type k or revenue channel k is mentioned in the transcript for deal i. The cost synergy types include: General and Administrative (G&A) Expenses (*GAExpenses*), Research and Development (R&D) Costs (*RDCosts*), Capital Expenditure Optimization (*CapEx*), Tax Liabilities Optimization (*TaxLiabilities*), Occupancy and Real Estate Expense Reductions (*RealEstate*), Information Technology (IT) Cost Reductions (*ITCosts*). The revenue enhancement categories include: Customer Retention (*CustRetention*), Improved Pricing Power (*PricingPower*), all of which are plotted on the x-axis. Red circles with solid bars represent the coefficients for net income growth and the corresponding 90% confidence intervals, calculated using standard errors clustered at the industry level, and are aligned with the ticks on the left-hand-side y-axis.

Table A1 Sample Distribution

This table presents the total number and average deal size of M&A deals, categorized by year and target type (public, private, subsidiary). The sample covers deals announced between 2011 and 2024 and is restricted to deals for which M&A conference call transcripts are available in the Capital IQ transcript database. We focus on deals in which the acquirer is a U.S. public firm. We exclude deals if (1) the acquirer has total assets of $10 million or less, (2) the deal value is missing in SDC, (3) the acquirer is a SPAC, (4) the target firm is a joint venture, or (5) the acquiring firm has missing accounting variables.

Year	All Deals		Public Target		Private Target		Subsidiaries	
	(Obs.)	($mil)	(Obs.)	($mil)	(Obs.)	($mil)	(Obs.)	($mil)
2011	120	1,832	39	2,873	39	647	42	1,966
2012	154	1,081	50	1,561	53	612	51	1,097
2013	162	1,230	52	2,282	48	633	62	811
2014	205	2,877	73	6,504	67	597	65	1,154
2015	204	3,362	77	6,672	54	1,020	73	1,603
2016	177	2,072	72	3,661	41	794	64	1,103
2017	208	1,727	71	3,615	65	454	72	1,015
2018	192	2,689	80	4,843	53	984	59	1,301
2019	145	4,530	66	7,765	44	575	35	3,400
2020	126	2,496	43	4,027	48	918	35	2,781
2021	212	1,923	61	3,373	88	667	63	2,273
2022	93	2,864	39	5,444	28	413	26	1,634
2023	93	4,274	45	7,188	19	583	29	2,169
2024	83	3,187	27	5,740	25	1,776	31	2,101
Total	**2,174**	**2,489**	**795**	**4,764**	**672**	**733**	**707**	**1,600**

Table A2 Summary Statistics by Target Type

This table reports summary statistics of M&A deals, categorized by target type (private and subsidiary). Panel A presents summary statistics for 795 deals with public targets, Panel B presents 672 deals with private targets, and Panel C presents 707 deals with subsidiary targets. Within each panel, part (a) reports deal characteristics, and part (b) reports acquirer firm characteristics. $CAR(-1,1)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from one trading day before to one trading day after the deal announcement. $CAR(-3,3)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from three trading days before to three trading days after the deal announcement. $CAR(-5,5)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from five trading days before to five trading days after the deal announcement. $CAR(-3,105)^{Acquirer}$ denotes the acquirer's cumulative abnormal return (CAR) over the event window from three trading days before to 105 trading days after the deal announcement. Deal Value ($mil) is the deal value in millions of dollars, and Rel Deal is the ratio of the deal value to the acquirer's market capitalization. *Same Industry* is an indicator equal to one if the acquirer and target operate in the same industry. *% Cash* is the fraction of deal value paid in cash. Complete is an indicator variable denoting whether the deal was successfully completed. *Acq. MtB* is acquirer market-to-book ratio, defined as market capitalization divided by book assets. *Acq. ROA* is acquirer return on assets, calculated as net income divided by total assets. *Acq. Leverage* is acquirer leverage, calculated as total debt divided by total assets. *Acq. Cash* is acquirer cash holdings, calculated as cash and cash equivalents divided by total assets. *Acq. Rev Growth* is acquirer revenue growth, defined as the change in the acquirer's revenue from the quarter prior to the M&A announcement to the first year following the deal, scaled by the combined acquirer–target total assets at that baseline. *Acq. NI Growth* is acquirer net income growth, defined as the change in the acquirer's net income from the quarter prior to the M&A announcement to the first year following the deal, scaled by the combined acquirer–target total assets at that baseline. All continuous variables are winsorized at the 1% level.

Panel A: Deals with Public Target					
	Mean	SD	P25	P50	P75
(a) Deal Characteristics					
$CAR(-1,1)^{Acquirer}$	-0.007	0.082	-0.051	-0.007	0.031
$CAR(-3,3)^{Acquirer}$	-0.007	0.091	-0.056	-0.004	0.040
$CAR(-5,5)^{Acquirer}$	-0.009	0.102	-0.062	-0.006	0.041
$CAR(-3,105)^{Acquirer}$	-0.023	0.200	-0.118	-0.010	0.078
Deal Value ($mil)	4764	8992	341	1249	4426
Rel Deal	0.518	0.655	0.126	0.330	0.674
Same Industry	0.772	0.420	1.000	1.000	1.000
% Cash	0.452	0.429	0.000	0.360	1.000
Complete	0.899	0.301	1.000	1.000	1.000
(b) Firm Characteristics					
Acq. MtB	1.818	1.191	1.057	1.451	2.019
Acq. ROA	0.036	0.123	0.010	0.035	0.082
Acq. Leverage	0.216	0.190	0.037	0.188	0.331
Acq. Cash	0.132	0.164	0.025	0.066	0.172
Acq. Rev Growth	0.141	0.392	-0.020	0.068	0.191
Acq. NI Growth	0.003	0.033	-0.002	0.001	0.007

Panel B: Deals with Private Target					
	Mean	SD	P25	P50	P75
(a) Deal Characteristics					
$CAR(-1,1)^{Acquirer}$	0.022	0.084	-0.017	0.015	0.051
$CAR(-3,3)^{Acquirer}$	0.022	0.102	-0.027	0.014	0.065
$CAR(-5,5)^{Acquirer}$	0.031	0.234	-0.035	0.018	0.065
$CAR(-3,105)^{Acquirer}$	-0.032	0.243	-0.155	-0.007	0.113
Deal Value ($mil)	733	1937	91	250	630
Rel Deal	0.283	0.521	0.061	0.142	0.282
Same Industry	0.586	0.493	0.000	1.000	1.000
% Cash	0.509	0.424	0.000	0.551	1.000
Complete	0.935	0.248	1.000	1.000	1.000
(b) Firm Characteristics					
Acq. MtB	2.411	1.728	1.225	1.808	2.765
Acq. ROA	0.008	0.185	0.002	0.040	0.085
Acq. Leverage	0.169	0.180	0.013	0.118	0.268
Acq. Cash	0.229	0.231	0.046	0.133	0.361
Acq. Rev Growth	0.174	0.400	0.001	0.103	0.259
Acq. NI Growth	0.003	0.045	-0.003	0.002	0.010

Panel C: Deals with Subsidiary Target					
	Mean	SD	P25	P50	P75
(a) Deal Characteristics					
$CAR(-1,1)^{Acquirer}$	0.031	0.087	-0.013	0.018	0.064
$CAR(-3,3)^{Acquirer}$	0.034	0.106	-0.016	0.021	0.079
$CAR(-5,5)^{Acquirer}$	0.039	0.156	-0.022	0.023	0.075
$CAR(-3,105)^{Acquirer}$	-0.022	0.231	-0.129	-0.001	0.098
Deal Value ($mil)	1600	3637	210	600	1650
Rel Deal	0.415	0.647	0.087	0.199	0.429
Same Industry	0.574	0.495	0.000	1.000	1.000
% Cash	0.609	0.439	0.000	0.870	1.000
Complete	0.939	0.239	1.000	1.000	1.000
(b) Firm Characteristics					
Acq. MtB	1.893	1.052	1.219	1.609	2.263
Acq. ROA	0.035	0.131	0.010	0.045	0.083
Acq. Leverage	0.244	0.183	0.100	0.233	0.350
Acq. Cash	0.144	0.165	0.031	0.082	0.195
Acq. Rev Growth	0.131	0.381	-0.019	0.073	0.193
Acq. NI Growth	0.002	0.040	-0.004	0.001	0.007

Table A3 Acquirers' Gains from Cost-Focused Synergies: Extended Windows

This table reports regression results examining how the relative emphasis on cost-reduction synergies discussed in M&A conference calls relates to acquirer firms' cumulative abnormal returns (CARs) around the announcement. The dependent variable is the acquirer cumulative abnormal return, measured over alternative event windows. Columns (1)–(2) use $CAR(-3,3)_i^{Acquirer}$, columns (3)–(4) use $CAR(-5,5)_i^{Acquirer}$, and columns (5)–(6) use $CAR(-3,105)_i^{Acquirer}$. The regression specification is:

$$CAR(\tau_1,\tau_2)_i^{Acquirer} = \alpha + \beta_1\, Cost\ Focus_i\ (\text{or } \beta_2\, Cost\ Focus\%_i) + X_i'\gamma + \varepsilon_i,$$

where $CAR(\tau_1,\tau_2)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return over the event window (τ_1,τ_2) relative to the announcement date. *Cost Focus* measures the relative emphasis on cost-reduction synergies in conference call discussions, defined as the proportion of cost-related synergies relative to the total number of cost and revenue synergies discussed. *Cost Focus%* captures the share of cost-related synergies scaled by the number of available cost and revenue synergy categories. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. *t*-statistics, based on standard errors clustered at the industry level, are reported in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	$CAR(-3,3)^{Acquirer}$		$CAR(-5,5)^{Acquirer}$		$CAR(-3,105)^{Acquirer}$	
	(1)	(2)	(3)	(4)	(5)	(6)
Cost Focus	0.043***		0.087***		0.064**	
	(3.53)		(3.09)		(2.31)	
Cost Focus%		0.038***		0.080***		0.061**
		(3.09)		(2.93)		(2.34)
Ln(Deal Value)	-0.006***	-0.006***	-0.010***	-0.010***	0.004	0.004*
	(-3.35)	(-3.32)	(-3.22)	(-3.22)	(1.66)	(1.68)
Ln(Rel Deal)	0.011***	0.011***	0.011*	0.011*	-0.021***	-0.021***
	(3.92)	(3.93)	(1.91)	(1.91)	(-5.93)	(-5.93)
Same Industry	0.003	0.003	0.007	0.007	0.022*	0.022*
	(0.63)	(0.60)	(1.10)	(1.06)	(1.82)	(1.80)
Public Target	-0.029***	-0.029***	-0.036***	-0.036***	0.001	0.000
	(-7.91)	(-7.89)	(-7.62)	(-7.69)	(0.06)	(0.04)
Acq. MtB	-0.001	-0.001	-0.007	-0.007	-0.012**	-0.012*
	(-0.86)	(-0.84)	(-1.37)	(-1.36)	(-2.01)	(-1.99)
Acq. ROA	0.007	0.007	-0.020	-0.020	0.035	0.035
	(0.21)	(0.20)	(-0.26)	(-0.26)	(0.69)	(0.69)
Acq. Leverage	0.028	0.028	0.034	0.035	0.030	0.030
	(1.62)	(1.65)	(1.48)	(1.51)	(0.78)	(0.78)
Acq. Cash	0.019	0.019	0.072**	0.072**	0.023	0.022
	(1.22)	(1.21)	(2.29)	(2.29)	(0.65)	(0.64)
Lagged Acq. Rev. Growth	0.002	0.002	-0.004	-0.004	-0.032**	-0.032**
	(0.25)	(0.26)	(-0.45)	(-0.44)	(-2.18)	(-2.17)
Lagged Acq. NI Growth	-0.052	-0.052	0.029	0.030	-0.176	-0.174
	(-0.52)	(-0.52)	(0.14)	(0.15)	(-1.06)	(-1.04)
Year FE	Y	Y	Y	Y	Y	Y
Tar./Acq. Ind. FEs	Y	Y	Y	Y	Y	Y
R^2	0.116	0.116	0.084	0.085	0.086	0.086
Observations	2,174	2,174	2,174	2,174	2,174	2,174

Table A4 Acquirers' Gain from Cost-Focused Synergies: Post-merger Performance Sample

This table reports regression results examining how cost reduction and revenue enhancement synergies discussed in M&A conference calls affect the acquirer firm's market reactions around announcement dates, using the subsample with post-merger performance data. For each deal, we assess the presence of these synergies using three variables: *Cost Discussion* (number of unique cost types mentioned), *Revenue Discussion* (number of unique revenue enhancement types mentioned), and *Cost Focus* (the proportion of cost motivations, calculated as *Cost Discussion* divided by the sum of *Cost Discussion* and *Revenue Discussion*). The regression specification is:

$$CAR(-1,1)_i^{Acquirer} = \alpha + \beta_1\, Cost\ Discussion_i + \beta_2\, Revenue\ Discussion_i\ (\text{or } \theta\, Cost\ Focus_i) + X_i'\gamma + \varepsilon_i.$$

where $CAR(-1,1)_i^{Acquirer}$ denotes the acquirer firm's cumulative abnormal return from one trading day before to one trading day after the announcement date. Control variables in X_i are *Ln(Deal Value)*, *Ln(Rel Deal)*, *Same Industry*, *% Cash*, *Public Target*, *Acq. MtB*, *Acq. ROA*, *Acq. Leverage*, *Acq. Cash*, *Lagged Acq. Rev. Growth*, and *Lagged Acq. NI Growth*, which are defined in Appendix A. t-statistics, based on standard errors clustered at the industry level, are reported in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
Cost Discussion	0.005**	0.004*	0.004	
	(2.35)	(1.72)	(1.56)	
Revenue Discussion	-0.005	-0.005	-0.004	
	(-1.66)	(-1.19)	(-1.11)	
Cost Focus				0.035**
				(2.30)
Ln(Deal Value)	-0.005***	-0.004**	-0.004*	-0.004*
	(-3.34)	(-2.28)	(-1.82)	(-1.83)
Ln(Rel Deal)	0.011***	0.009**	0.007*	0.007*
	(3.08)	(2.21)	(1.95)	(1.94)
Same Industry	-0.005	-0.005	-0.006	-0.005
	(-0.84)	(-0.77)	(-0.87)	(-0.84)
% Cash	0.032***	0.013	0.012	0.012
	(4.17)	(1.25)	(1.10)	(1.07)
Public Target	-0.018**	-0.012	-0.013	-0.013
	(-2.09)	(-1.32)	(-1.40)	(-1.42)
Acq. MtB			-0.005	-0.005
			(-1.06)	(-1.06)
Acq. ROA			-0.019	-0.019
			(-0.37)	(-0.36)
Acq. Leverage			0.066***	0.065***
			(3.56)	(3.56)
Acq. Cash			0.041	0.041
			(1.50)	(1.49)
Lagged Acq. Rev. Growth			0.011	0.011
			(0.92)	(0.93)
Lagged Acq. NI Growth			-0.042	-0.042
			(-0.31)	(-0.31)
Year FE	N	Y	Y	Y
Tar. /Acq. Ind. FEs	N	Y	Y	Y
R^2	0.056	0.183	0.200	0.201
Observations	738	738	738	738