

Il Dipartimento di Economia Organizza il Seminario

CREDIT DEFAULT SWAPS AND CORPORATE ACQUISITIONS

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Abstract:

This study examines the effects of credit default swaps (CDS) on acquisitions. We find that CDS firms are more likely to conduct acquisition investments. Economically, this translates into 5.1% higher acquisition probability for CDS versus non-CDS firms. Additionally, CDS acquiring firms experience higher announcement returns (having CDS leads to \$98.90 million shareholder value enhancement for a mean-sized acquirer) and lower probability of default, especially when they are subject to high credit risk. Our results are attributed to the empty creditor threat posed by CDS-protected creditors. Finally, due to higher debt capacity offered by CDS, acquirers are more likely to perform cash deals.

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La partecipazione è aperta a tutti gli interessati