

# Why Does Size Matter So Much For Bidder Announcement Returns?

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## Abstract

Bidder and target size are major determinants of bidder announcement returns in corporate acquisitions. The leading explanations in the literature attribute this to size proxying for underlying value drivers. A simple but powerful test rejects size-as-proxy explanations: correlations between size and bidder announcement returns change sign across economically significant subsets of the takeover universe. A scaling framework in which size magnifies a given per-dollar value gain parsimoniously explains these sign-changes and yields additional testable predictions we confirm in the data. Our results advocate a fundamental shift in thinking about the role of size in takeovers.

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