

Figure 1

Merger profitability as a function of the merged firm's efficiency probability. The merger is profitable between the roots of the equation $\tilde{\alpha}_i(1-\tilde{\alpha}_i) - (\alpha_i + \alpha_j)(1-\alpha_i)(1-\alpha_j) = 0$.

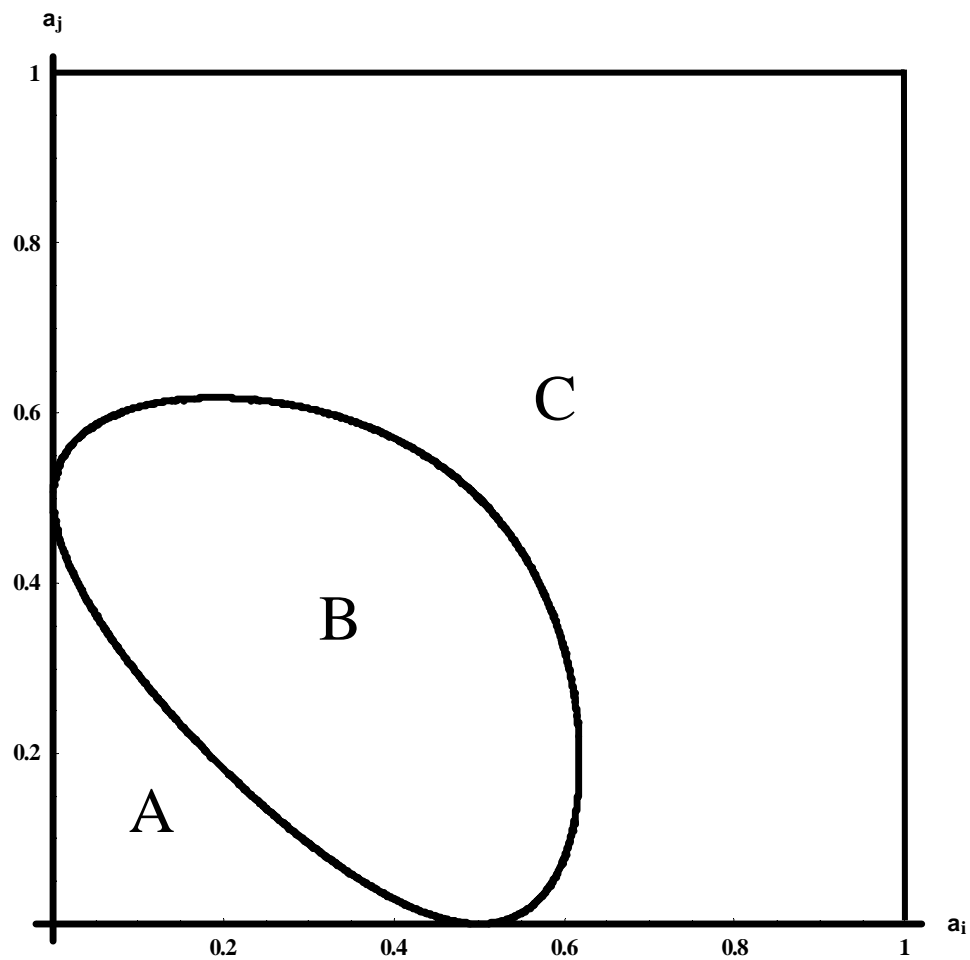


Figure 2

The existence of profitable mergers as a function of α_i and α_j .

Region A: There exist profitable mergers, each of which increases efficiency and decreases the expected price.

Region B: There do not exist any profitable mergers.

Region C: There exist profitable mergers, each of which decreases efficiency and increases the expected price.