Merger profitability as a function of the merged firm's efficiency probability. The merger is profitable between the roots of the equation

\[ \bar{\alpha}_i (1 - \bar{\alpha}_i) - (\lambda + \lambda_i) (1 - \lambda) (1 - \lambda) = 0. \]
The existence of profitable mergers as a function of $\alpha_i$ and $\alpha_j$.

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.

Figure 2