Is there information in corporate acquisition plans?

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Abstract

For many firms, the acquisition process begins with the development of an acquisition plan that is communicated to investors. We construct a comprehensive sample of acquisition plans to provide novel perspectives on the acquisition process and find that acquisition plans are informative to investors and incrementally predict subsequent acquisition activity. These results are more pronounced for firms announcing their commitment to acquisitions from an internal pipeline. Acquisition plans improve acquisition performance due to learning from market feedback and alleviate acquisition-related investor uncertainties. Communication of acquisition plans does not increase takeover premiums but is less common in more competitive industries.

1. Introduction

As discussed in Graham (2022), the corporate planning process is the foundation of many corporate decisions. Nevertheless, academic research on the corporate planning process is scant, resulting in a significant gap between academic research and real-world finance. In this paper, we focus on the corporate planning process in the context of merger and acquisitions (M&As or acquisitions for simplicity) to better understand the nature of such planning and its implications for corporate decisions. Acquisitions are among the largest and most important events in the lifecycle of firms. They shape the boundaries firms and have implications for a wide range of stakeholders. Due to data availability, the vast body of academic research on acquisitions typically focuses on the acquisition process starting with the public announcement of an agreement between an acquirer and a target.[2] However, as indicated by KPMG (2011), DePamphilis (2010) and Sherman (2018), firms often develop acquisition plans to conduct acquisition search and screen potential candidate firms *before* they initiate an acquisition process with a specific target firm.[3]

Notwithstanding the importance of acquisition planning, to the best of our knowledge, academic research has not examined the role and implications of acquisition planning for the acquisition process. In this paper, we manually construct a novel and comprehensive sample of 13,137 firm announcements of acquisition plans announced by 3,536 unique US firms from *Mergermarket Ltd.* from 2003 to 2015. We call these firms acquisition-planning firms. We use this sample to examine the information content of acquisition plans for capital market participants, how acquisition plans potentially affect acquisition decisions, and whether acquisition plans create value for shareholders of planning firms.

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[2] Spurred by the recent availability of SEC filings detailing the "background" of takeovers, a relatively new literature focuses on the private takeover process that starts with deal initiation. The private takeover phase of acquisitions includes initiation of talks with potential targets followed by non-disclosure agreements, confidential information memorandums, preliminary meetings with potential target firms' management, site visits, and analyses of virtual data rooms, preliminary due diligence of a target firm, term sheet, formal due diligence process and definitive takeover agreement that provides a formal outline of deal terms and conditions. See Aktas and Boone (2022) for an excellent summary of this literature.

[3] Corporate executives participating in KPMG's annual M&A survey further emphasize the importance of acquisition planning for delivering more successful transactions (See KPMG's sixth annual Global M&A Survey titled "A new dawn: good deals in challenging times, 2011" at https://assets.kpmg.com/content/dam/kpmg/pdf/2011/06/a-new-dawn.pdf)

We find that the number and percentage of acquisition-planning firms represents an economically important fraction of U.S. listed firms. Every year (except 2003), at least 13% of U.S. firms announce acquisition plans to capital markets. Perhaps more importantly, over 33.21% of acquisition transactions follow the announcement of an acquisition plan and 33.51% of unique acquirers communicate acquisition plans before executing a transaction. There is no significant decline in the percentage of acquisition transactions preceded by acquisition plan announcements over time, suggesting that communication of such plans is indeed an important component of the U.S. acquisition deal-making process.

We next document institutional details of acquisition plans since little is known about such plans. First, acquisition plans are generally non-numeric and comprised of *soft* information communicated in a wide range of institutional settings (e.g., industry/product market conferences, analyst/investor days, and capital market day events), interviews and interactions of corporate executives with the financial press, and rarely in earnings conference calls. Second, acquisition plans have unique characteristics that vary greatly based on the forward-looking strategic information disseminated by acquisition-planning firms. More specifically, firms delineate their target selection strategies (internal M&A pipeline versus opportunistic) as well as their level of commitment to acquisitions as a means of executing strategic corporate growth plans. Third, firms announce acquisition plans mostly on days without other material firm-specific news disclosures and other forward-looking information, providing a unique opportunity to isolate the information content of acquisition plans for market participants.

There is no theoretical presumption that investors are expected to react positively or negatively to acquisition plan announcements. For instance, an acquisition-planning firm could signal that it has a strategic plan to acquire market share quickly to accommodate a positive shock to its productivity. If so, the acquisition plan announcement would be expected to generate a positive market reaction. Alternatively, a firm's acquisition plan announcement could convey that a firm has poor internal growth opportunities, resulting in a negative stock price reaction. In sum, acquisition plan announcements could be informative to investors even if, on average, the market's reaction is insignificantly different from zero. Therefore, we conduct our analysis of the informativeness of acquisition plans by focusing on measures of absolute

abnormal stock return and abnormal stock turnover. Our findings show economically and statistically significant abnormal market reactions. For instance, the average cumulative absolute abnormal stock return (stock turnover) is 3.35% (0.30%) over a three-day event window period surrounding acquisition plan announcements after we exclude acquisition plans announced contemporaneously with other firm-specific news disclosures.

To provide sharper insights into the nature of information contained in acquisition plans, we investigate whether our results display cross-sectional variation based on the unique characteristics of acquisition plans. Announcement of acquisition plans with a target selection strategy from an internal M&A pipeline are more informative compared to those with an opportunistic target selection strategy in which firms simply "keep an eye" on potential acquisition opportunities. Explicit firm commitment to acquisitions as a means of executing a firm's corporate growth strategy also enhances the perceived credibility of acquisition plans by market participants. Finally, we find that 41% of firms announce acquisition plans more than once in a calendar year. We document that a firm's first acquisition plan announcement in a calendar year is more informative than its subsequent plan announcements during the same year.

To gain a more complete understanding of acquisition plan informativeness, and more importantly, its implications for corporate outcomes, we next investigate the acquisition behavior of firms subsequent to acquisition plan announcements. When we partition the universe of U.S. firms based on acquisition plan announcements, we find that 27.35% of firms execute at least one acquisition transaction in the year following the announcement of acquisition plans, compared with only 10.64% for other firms. However, it is plausible that our results may be biased because of uncontrolled firm characteristics that may also predict subsequent acquisitions. To address this concern, we estimate regressions that explicitly control for a host of known determinants of a firm's acquisition propensity (including serial acquirers and past acquisition behavior). We continue to find strong evidence that acquisition-planning firms are incrementally more likely to engage in subsequent acquisition transactions relative to other firms. In economic terms, acquisition-planning firms are associated with an incrementally 93.84% higher propensity of making subsequent acquisitions.

In further analyses, we provide a series of empirical tests to rule out potential concerns on omitted firm characteristics affecting earlier results. First, we control for CEO- and board-specific attributes (Bertrand and Schoar, 2003; Yim, 2013; Huang, Jiang, Lie and Yang, 2014), employment of specialized staff for acquisitions, and proxies for higher agency costs of managerial discretion (Gokkaya, Liu and Stulz, 2023). Our results are similar. Second, we focus only on firms that announce at least one acquisition plan and then exploit within-firm variation through the addition of fixed effects. That is, we examine how acquisition behavior varies for the *same* firm between periods when it announces acquisition plans and periods when it does not. We illustrate that for the *same* firm, acquisition likelihood is 63.70% higher in the year following acquisition plan announcements than in other years. Third, we use a propensity score matching technique where we match acquisition-planning firms to similar firms with similar *ex-ante* acquisition propensities but that do not announce acquisition plans. Our results are robust. Lastly, we present an array of falsification tests to address any plausible concerns on unobserved firm characteristics (such as corporate investment planning functions or corporate growth opportunities) potentially biasing our estimates. With this concern, firms announcing management guidance on periodic capital expenditure spending should also have higher subsequent acquisition propensities. However, we do not find that this is the case. Perhaps more importantly, when we manually construct a comprehensive sample of *corporate divestiture* and *cross-border* acquisition plans announced by U.S. firms from *Mergermarket Ltd.*, we do not find that these corporate plans are related to the likelihood of engaging in subsequent domestic acquisitions. Similarly, acquisition plan announcements obtained from a falsified date do not predict the acquisition behavior of acquisition-planning firms. In additional analyses, we show that the number of acquisition plan announcements by the same firm in a given year is also incrementally informative about the number of acquisitions executed in the year following such announcements.

We next turn our attention to exploring where the informativeness of acquisition plans comes from. We expect acquisition plans to be a stronger predictor of future acquisition activity when planning firms' target selection strategy involves an internal M&A pipeline and planning firms explicitly communicate their commitment to future acquisitions to execute their growth strategy. This is because such firms have already

expended resources to build and maintain an acquisition pipeline and are committed to acquisitions to pursue their corporate growth strategy. Our findings are consistent with this view. For instance, acquisition-planning firms with an internal M&A pipeline (conveying commitment to future acquisitions) are 118.86% (128.78%) incrementally more likely to engaging in subsequent acquisitions, compared to 39.23% (51.66%) incrementally higher acquisition propensies for acquisition-planning firms that are merely on the look-out for potential acquisition opportunities (noncommitted to acquisitions).

We investigate next why firms announce acquisition plans. First, we expect firms to communicate acquisition plans to utilize information from capital markets' reaction to acquisition plan announcements, so that they can take the market's feedback into account when deciding whether to pursue acquisitions as well as about how to implement their acquisition plans. Learning from the financial market feedback could be especially important in the context of acquisitions given that these inorganic investments are significantly larger than other periodic investments, difficult-to-reverse with highly uncertain outcomes, and past research shows that many acquisitions destroy shareholder wealth (Moeller, Schlingemann and Stulz, 2005). Distinguishing acquisition plan announcements based on whether capital markets react positively or negatively to their announcements, we indeed find strong evidence for the investment allocation role of market feedback. Specifically, acquisition plan announcements accompanied by positive market reactions are associated with a greater propensity of engaging in subsequent acquisitions relative to acquisition plan announcements eliciting negative market reactions. We would also expect market feedback to be most important for firms that have more flexible acquisition plans. Consistently, we find that these results are most important for firms that are *not* committed to acquisitions to implement their corporate strategy and for firms that have expended resources to develop and maintain an internal M&A pipeline.

Second, we consider whether acquisition-planning firms also attempt to lower investor uncertainty regarding subsequent acquisition activities. Past research shows that acquisition announcements are accompanied by elevated levels of investor uncertainty (e.g., Duchin and Schmidt, 2013). When a firm announces an acquisition, market participants not only assess the target firm (i.e., potential synergies between acquirer and target, stand-alone value of target), but also re-assess the value of acquirer's

standalone business (Fuller, Netter and Stegemoller, 2002; Jovanovic and Braguinsky, 2004; Moeller, Schlingemann, and Stulz, 2007). In the unique setting of acquisition plan announcements, however, the market reaction to subsequently announced acquisitions should mostly reflect the market's assessment of the target firm selected by the acquirer since the market already knows the extent to which a firm will engage in acquisitions. If so, firms are expected to communicate acquisition plans to also reduce acquisition related investor uncertainties. Consistently, we find that changes in short-term abnormal option implied volatilities and analyst forecast errors around acquisition announcements of planning firms are lower than those of other firms. Moreover, these associations are economically more important for firms that signal higher ex-ante acquisition propensities through acquisition plans (i.e., target selection strategy involves internal M&A pipeline, firms are committed to acquisitions). In sum, our evidence supports Graham, Harvey and Rajgopal (2005)'s survey evidence from corporate executives that firms release forward-looking strategic information to lower investor uncertainties.

We next examine whether acquisition plans translate into greater value creation from subsequently announced acquisitions. There are at least two reasons to expect greater value creation from acquisitions of planning firms. First, if firms incorporate market feedback into the acquisition decision-making process and market participants collectively possess valuable and incremental information, then acquisitions of planning firms are expected to be superior. Second, communication of acquisition plans may reduce firms' search costs and may increase the chances of finding a better target firm (Chen, Hoberg, and Maksimovic, 2022). On the other hand, our earlier results illustrate that alleviating acquisition-related investor uncertainty (as opposed to learning from market feedback) also represents an important motivation for acquisition plan announcements. If so, it does not necessarily follow that acquisition plans will translate into greater shareholder value creation from subsequent acquisitions. We find that acquisitions of planning firms, on average, generate significantly greater abnormal market reactions after we control for a host of firm- and transaction-specific characteristics. Our further analyses document that these results are confined only to a subsample of acquisitions for which firms are most likely to learn from market feedback to their acquisition plan announcements (i.e., non-committed to acquisitions, opportunistic target selection strategy). These

results survive the aforementioned array of robustness and falsification tests and continue to hold for a comprehensive set of acquisition performance measures, including changes in operating performance and analyst consensus earnings forecasts, as well as subsequent divestitures in the target's industry.

Our collective evidence on the informativeness and benefits of acquisition plan announcement raises the important question of why not every acquiror announces acquisition plans prior to engaging in acquisitions. An obvious concern for firms could be that communication of acquisition plans may increase the premiums they have to pay when making acquisitions. We find that this is not the case. Consistent with theoretical predictions of Diamond (1985) and Fishman and Hagerty (1989), survey evidence of Graham, Harvey and Rajgopal (2005) illustrates that firms refrain from communicating strategic information to avoid jeopardizing their competitive positions and also revealing too much proprietary information to their competitors. These concerns are expected to be especially relevant in the context of acquisition plan announcements since firms often execute acquisitions to enhance their competitiveness. In line with this view, we find that firms operating in more competitive and less homogenous industries are less likely to announce acquisition plans. We also document that commitment costs of voluntary disclosures (through setting a disclosure precedent) also affect acquisition plan announcements. Specifically, firms or CEOs that communicate acquisition plans or forward-looking guidance on periodic capital expenditure spending in the past are more likely to announce acquisition plans in the future. Finally, U.S. firms seem to display herding behavior with acquisition plan announcements. For instance, a one-standard deviation increase in the percentage of industry peers communicating acquisition plans is associated with a 15.4% increase in a firm's decision to also communicate corporate plans of future acquisitions.

Our paper contributes to multiple segments of the literature. First, we add to the relatively scant but nascent literature on corporate planning and its implications for corporate outcomes (see, for instance, Lamont (2002) and Gennaioli, Ma and Schleifer (2015) for corporate investment plans obtained from government and CFO surveys; Jayaraman and Wu (2020) on periodic capital expenditure guidance). Hence, we bridge the gap between academic research and the practice of finance for acquisitions of U.S. firms. While doing so, we provide a novel and important perspective on the acquisition process by bringing light

to the existence and importance of acquisition planning that evolves prior to the initiation of an acquisition process with a specific target firm. As such, we contribute to an emerging literature that focuses on the takeover process evolving prior to the public announcement of an acquisition agreement (see Aktas and Boone (2022) for an excellent summary). Relatedly, our paper also fits into the broader literature in finance and economics that examines the implications of management practices on corporate behavior and outcomes (e.g., Bloom and Van Reenen, 2007, 2010; Bloom, Eifer, Mahajan, McKenzie, and Roberts, 2013). We add to this literature by illustrating the existence and relevance of management corporate planning practices for the largest corporate investments in the U.S. markets.

Second, our paper contributes to the vast body of literature focusing on the determinants of acquisition behavior and acquisition performance (for surveys of this literature, see Betton, Eckbo, and Thorburn, 2008; Renneboog and Vansteenkiste, 2019). Our paper is the first to demonstrate the implications of acquisition planning for acquisition behavior and value created from acquisitions. An important byproduct of our unique setting is that we can more directly distinguish the shareholder wealth implications of the market's re-assessment of acquiring firms' stand-alone business and of target firm selection at the time of acquisition announcements (Fuller, Netter and Stegemoller, 2002; Moeller, Schlingemann and Stulz, 2007).

Finally, our investigation into how firms utilize information from capital markets for their acquisition plans conveys a consistent message that market feedback plays an important role for investment and resource allocation decisions of acquisition-planning firms. In this respect, we complement the broad literature that suggests market participants collectively possess information (via aggregation of information) that is incremental to any individual or group of individuals employed at corporate firms (Rye, 1986; Boot ad Thakor, 1997; Subrahmanyam and Titman, 1999; Dye and Sridhar, 2002; Chen, Goldstein, and Jiang, 2007; Bakker and Whited, 2008). Our evidence also complements the findings of Luo (2005) that market feedback plays an important part in a firm's decision to proceed with a proposed acquisition even after an acquiror signs an agreement with a specific target firm. Moreover, our further analyses on the implications of acquisition plans for investor acquisition-related uncertainties also enhance our understanding of how forward-looking strategic information affects information transparency and investor

uncertainties (Graham, Harvey and Rajgopal, 2005; Duchin and Schmidt, 2013; Balakrishnan, Billings, Kelly and Ljungqvist, 2014; Bond and Zeng, 2022).

2. Institutional setting, sample construction, and sample characteristics

To examine the role of acquisition plans in the acquisition process, we manually construct a novel and comprehensive sample of acquisition plan announcements from a novel dataset furnished by *Mergermarket Ltd* (former subsidiary of the Financial Times) over 2003 and 2015. *Mergermarket Ltd.* is a widely recognized M&A database. Among other information, it gathers detailed information about acquisition plans announced by U.S. firms. *Mergermarket Ltd.* has over 175,000 subscribers and produces acquisition-related intelligence for institutional investors, private equity groups and corporations. According to its website*,* data manual, and our discussions with company representatives*, Mergermarket Ltd.* employs the largest team of dedicated M&A analysts and journalists who monitor and parse through over thousands of sources to create machine-readable acquisition plan announcements from unstructured forward-looking information disclosed by management. *Mergermarket Ltd.* further includes a textual description of acquisition plans along with unique acquisition plan characteristics.[4]

We manually construct a unique and comprehensive sample of acquisition plans from our reading of the full text of acquisition plan information furnished by *Mergermarket Ltd.* Specifically, we first obtain the name of the company announcing acquisition plans. We follow a very conservative approach and verify each observation to ensure that management communicates an acquisition plan concerning U.S. acquisitions.[5] During this verification process, we extract additional information on the announcement date

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[4] We are aware of only three other studies that have used *Mergermarket Ltd.* Chemmanur, Ertugrul and Krishnan (2019) obtains data on *individual* investment bankers working on M&As from *Mergermarket Ltd.* and find that the human capital of such bankers adds value to acquirers. Gao, Wang and Yu (2023) retrieve individual investment banker information from *Mergermarket Ltd* and investigate the implications of individual bankers' human capital mobility and the rise of boutique investment banks. Gao, Wang and Wu (2022) study the human capital portability of investment bankers. However, none of these studies employs information on acquisition plan announcements compiled by *Mergermarket Ltd.*

[5] To further ascertain the quality of our data cleaning process, we manually check every acquisition plan and make the necessary corrections. For instance, in some instances, *Mergermarket Ltd* uses a different name for the same company

of acquisition plans along with acquisition plan characteristics. Our sample period starts in 2003, which is the first year *Mergermarket Ltd.* data became largely available for acquisition plan announcements.

We start by documenting the institutional details of acquisition plans. First, acquisition plan information is generally *non-numeric* (i.e., *qualitative*) and consists of unstructured *soft* information communicated i) during executive presentation events or discussions and Q&As with institutional investors, sell-side analysts, and other capital market participants at a wide array of investor and analyst meeting settings, including broker-hosted industry conferences, analyst/investor days, capital market day events, non-deal roadshows, product market conferences, and earnings conference calls, ii) in interviews and interactions with the financial press, and iii) regulatory filings.[6] Second, the characteristics of acquisition plans vary greatly based on the strategic information furnished by management. For instance, managers further delineate the details of their target selection strategy as well as level of commitment to future acquisitions to pursue corporate growth strategy.[7] Finally, management announces acquisition plans mostly on days without other material firm-specific news disclosures, providing a unique opportunity to isolate the information content of acquisition plan communications.[8]

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over time. We manually go through every observation and eliminate duplicate observations. Moreover, some acquisition plans may be disclosed at an institutional conference setting followed by a 8-K filing that simply reiterates the original acquisition plan announcements. We eliminate such duplicate observations by removing acquisition plans disclosed in 8-K filings immediately following conference presentations.

[6] Given the qualitative, multidimensional and dynamic nature of acquisition plans (e.g., disclosures during Q&A sessions), and the settings in which such plans are announced, it is perhaps not surprising that *I/B/E/S Guidance* does not contain information on acquisition plans. *I/B/E/S Guidance* does not appear to capture non-numeric information about corporate plans (Mayew, Pinto and Wu, 2023) and recent surveys among US executives suggest that most firms provide more forward-looking strategic information than what is captured in the machine readable *I/B/E/S Guidance* database (Call, Hribar, Skinner and Volant, 2023).

[7] In some instances, management further delineate their acquisition strategy in acquisition plan announcements. Analyzing the full-text of 250 randomly selected observations, we find that these acquisition strategies include (but not limited to): i) achieving operating synergies, ii) obtaining rights to develop products/services, iii) stabilizing/diversifying cash flows and earnings, iv) achieving production and distribution economies of scale through vertical integration, v) penetrating new geographic markets, vi) obtaining human capital or technologies faster, vii) exploiting a potential target's industry-specific scalability, vii) strengthening key business areas, and viii) consolidating to improve competitive behavior. We do not empirically examine specific acquisition strategies in our paper because of a lack of an objective way to classify these strategies (see, "The six types of successful acquisitions," May 2017, Mckinsey & Company).

[8] In sharp contrast, management guidance on periodic capital expenditures consists of quantitative forecasts (point or range) on the dollar amount of periodic capex spending and specifies neither the details of capex expenditure plans nor the intensity of firm commitment to such plans. Moreover, capital expenditure guidance is typically disclosed

As indicated earlier, managers explicitly discuss their target selection strategy and level of commitment to future acquisitions to execute their corporate growth plans when they announce acquisition plans. Given that these characteristics have not received much attention in the academic literature, and they may be important for understanding the information content of acquisition plans and their implications for corporate outcomes, we manually read the full text of acquisition plans extracted from the rich *Mergermarket Ltd*. database. We then classify the acquisition plans into different categories.

First, we obtain detailed information on the target selection strategy of acquisition-planning firms. If an acquisition plan explicitly reveals a firm's intent to execute acquisitions from its internal M&A pipeline, we classify such planning firms as maintaining an "internal M&A pipeline" acquisition strategy (*Acquisition Plan-internal M&A pipeline)*. Remaining acquisition-planning firms are deemed to follow an "opportunistic" target selection strategy (*Acquisition Plan-opportunistic),* where the firms are merely on the "look-out" for acquisition opportunities (i.e., pursue acquisitions only if an opportunity presents itself). Second, if a planning firm explicitly communicates its "commitment" to future acquisitions as a means of executing its corporate growth strategy, we classify the firm as "committed" to future acquisitions (*Acquisition Plan-committed*). Otherwise, acquisition-planning firms are categorized as "noncommitted" to acquisitions (*Acquisition Plan-noncommitted*). [9] Appendix Table A provides various examples of acquisition plan announcements as well as examples for each acquisition plan category.

Next, we merge this sample with *CRSP/Compustat* to retrieve financial accounting and stock price information. We exclude observations with missing company names, companies with missing CUSIPs, non-U.S. listed firms or firms for which the stock price is less than one dollar. This sample construction

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during earnings conference calls, and unsurprisingly overlaps with other material news announcements such as quarterly earnings announcements, earnings, sales, or dividend guidance, and other material corporate news (Jayaraman and Wu, 2020).

[9] *Acquisition Plan-committed* observations explicitly communicate guidance firms' commitment to future acquisitions using the following keywords: "committed" or "devoted" or "continue to" or "dedicated to" or "poised to".

procedure leaves us with a comprehensive sample of 13,137 unique acquisition plans announced by 3,536 unique U.S. public firms between 2003 and 2015.

Panel A of Table 1 shows yearly descriptive statistics for our sample. We separately report the number of unique acquisition plan announcements, the number of unique firms announcing acquisition plans, the percentage of U.S. firms announcing acquisition plans, and the percentage of the total market capitalization represented by acquisition-planning firms over 2003 and 2015. Two clear patterns emerge from Table 1. First, the number of acquisition-planning firms represents an economically important fraction of U.S. firms in the *CRSP/Compustat* universe. Every year except 2003, at least 13% of the firms in the *CRSP/Compustat* universe announce acquisition plans and these firms represent 31.87% of the total market capitalization of U.S. listed firms. Second, the number of acquisition plan announcements, the number of acquisition-planning firms, and the percentage of *CRSP/Compustat* firms providing acquisition plans follow an inverted u-shape. For instance, the percentage of acquisition-planning firms increases initially to reach more than 20% in 2006 and roughly stays at that level until 2010 with the exception of 2008 when it is 16.4%. After 2010, the percentage falls, but not monotonically. This may not be surprising as acquisition activity drops significantly after the global financial crisis (e.g., Gokkaya, Liu and Stulz, 2023). In the last five years of our sample period, there is a yearly average of 804 unique acquisition plans announced by 643 unique firms, representing 16.15% of the total number of firms and 26.21% of the total market capitalization in the entire universe of U.S. firms, on average.

For comparison, in Appendix Table 1, we report the percentage of firms announcing management guidance with respect to capital expenditure spending. We obtain capital expenditure guidance from the *I/B/E/S* guidance database and then match capital guidance firms to *CRSP/Compustat* using the *I/B/E/S* link file. Column 1 documents that 18.90% of firms provide capital expenditure investment guidance on average per year, compared to 16.69% of firms announcing acquisition plans over the same sample period. This suggests that even though acquisition plan information is not available from machine-readable academic databases, it is almost as prevalent as capital expenditure investment guidance. Acquisitions represent the largest corporate investments. Firms could announce acquisition plans as part of a corporate effort to inform

the capital markets about their future investments. If this were the case, they would announce acquisition plans contemporaneously with capital expenditure guidance. However, it seems that acquisition plans provide a different type of information compared to capital expenditure guidance. While capital expenditure guidance is a numeric guidance as to a level of *periodic* capital expenditure spending, a firm's acquisition plan specifies the type of acquisitions it will attempt to make and the intensity of its commitment to doing so to pursue its corporate growth strategy. This critical difference may help understand why acquisition plans are announced at different times and in different institutional settings compared to capital expenditure guidance. When we calculate the percentage of cases where firms announce capital expenditure guidance within the [-2,+2] event window of acquisition plan announcements, we find that only 3.65% of the acquisition plan announcements overlap with capex guidance announcements (Column 2 of Appendix Table 1). We also note that the percentage of firms with capital expenditure guidance also follows an inverted u-shape during our sample period, but the peak occurs in 2012 for capex guidance announcements in contrast to 2006 for acquisition plan announcements.

In Panel B of Table 1, we show the distribution of unique acquisition transactions obtained from *Thomson Reuters SDC Platinum* between 2004 to 2016.[10] Following prior literature, we then eliminate corporate transactions categorized as minority stake purchases, acquisitions of remaining interest, spinoffs, recapitalizations, repurchases, exchange offers, privatizations, and divestitures. Acquirer and target firms are both required to be U.S. companies and transactions are required to involve a change of control, where acquirers own the majority of the target firm after the transaction (but not before).[11, 12] When we merge the

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[10] We note that our M&A sample period starts in 2004 as acquisition plan information became largely available from *Mergermarket Ltd* starting in 2003 and we report the percentage of M&As that are preceded by acquisition plan announcements in year *t-1* relative to the announcement date of acquisition transactions.

[11] Our acquisition sample selection criteria are as follows: 1) All M&As between January 1, 2004, to December 31, 2016, 2) Deal Status: "Completed", and 3) The acquirer owns less than 50% of the target firm six months prior to the transaction announcement and controls more than 50% of the target firm after the transaction completion.

[12] In Panel B of Table 5, we further consider i) acquisitions of minority interest in which the acquirer firm purchases less than 50% of the target firm and controls also less than 50% of the target firm following the acquisition, and ii) acquisitions with missing transaction values.

acquisition sample with *CRSP/Compustat,* we are left with 12,777 unique acquisition transactions executed by 3,845 unique firms.

In Column 1 of Panel B of Table 1, we present the distribution of unique acquisition transactions over our sample period. Consistent with past work, we find that deal activity reaches its peak level in 2005-2006, drops sharply after the 2007-2008 global financial crisis, and then begins to recover in 2010. In Columns 2 and 4 of Panel B in Table 1, we show the percentage of acquisition transactions preceded by acquisition plan announcements and the percentage of unique acquirers announcing their acquisition plan in year t-1 relative to acquisition announcements. We find that over 33.21% of transactions are executed by firms that communicate acquisition plans in year t-1. These findings are consistent with the view that acquisition plans are indeed an important part of the takeover process. More importantly, we do *not* find a drop in the percentage of acquisitions preceded by acquisition plan announcements (or acquirers announcing such corporate plans) over time. For example, 31.81% of acquisitions are preceded by acquisition plan announcements in the first half of our sample period while 33.26% of acquisitions are preceded by such plan announcements in the second half of our sample period.

In Panel C of Table 1, we examine whether acquisition plans are announced with other potentially material firm-specific news during a five-day event window. To investigate this conjecture, we proceed similarly to past work (e.g., Loh and Stulz, 2010; Birru, Gokkaya, Liu and Stulz, 2022, 2023), and classify material firm-specific news as i) earnings announcements or any forward-looking management guidance announcements (Capex, EPS, Sales or DPS), ii) stock or debt issuance announcements, iii) days with clustered stock recommendations by sell-side analysts, iv) days for which the absolute value of the pre-event window daily returns is more than 1.96 x $\sqrt{2}$ standard deviations of the firm's prior idiosyncratic volatility of returns, and v) event days for which *Capital IQ Key Developments* database identifies a new material firm event (excluding acquisition plans). Panel C of Table 1 shows that only 32% of acquisition plan announcements overlap with firm-specific news.

In Panel D of Table 1, we tabulate statistics on the characteristics of acquisition plans. Focusing on the target selection strategy of planning firms, we find that roughly 75% of these firms announce their corporate

plans for acquisitions from their internal M&A pipeline, with the remaining firms actively looking for "opportunistic" acquisitions. As to the level of investment commitment, we find that 33% of acquisition-planning firms explicitly discuss their commitment to future acquisitions as a means of executing corporate growth plans. Finally, when we focus on the frequency of acquisition plans announced by firms in a fiscal year, we find that 41% of firms announce acquisition plans more than once in a given calendar year, while the remaining firms announce acquisition plans only once in a given year.

In Panel E of Table 1, we present descriptive statistics on the institutional disclosure channels through which firms disseminate acquisition plans to market participants. Our results show that institutional conferences that allow face-to-face interactions with institutional investors, sell-side analysts and other capital market participants represent the most prevalent setting for dissemination of acquisition plans. That is, 51.81% of acquisition plans are announced at institutional events such as broker-hosted industry conferences, analyst/investor days, capital market day events, non-deal roadshows, and product market conferences. Our additional analyses show that 32.34% of acquisition plans are announced during senior management's interviews and interactions with journalists, and only 9.57% (4.32%) of acquisition plans are announced during earnings conference calls (regulatory filings).

We next turn to the question of what kind of firms announce acquisition plans. Appendix B provides a detailed description of the construction of firm-specific characteristics. Table 2 shows that the mean firm size is $3.38 billion in our sample. When we distinguish between acquisition-planning firms and other firms, we find that acquisition-planning firms are significantly larger. In addition, acquisition-planning firms have greater institutional ownership and more sell-side analyst coverage during the quarter preceding acquisition plan announcements. These results are consistent with the view that institutional demand for forward-looking strategic information is important for management's decision to disclose acquisition plans (see Call, Hribar, Skinner and Volant, 2023 for survey evidence). We also find that acquisition-planning firms have higher cash flow-to-equity and net working capital at the fiscal year-end before acquisition plan announcements relative to other firms. Table 2 documents that acquisition-planning firms are generally associated with i) higher operating performance (ROA) and Tobin's Q and ii) higher abnormal stock price

performance over the [-252, -1] event window relative to the acquisition plan announcement date. Past studies find that the propensity to acquire increases with the cash flow and abnormal performance of firms (Harford, 1999). Compared to other firms, acquisition-planning firms have lower R&D expenditures and stock return volatilities over the year prior to the announcement of their acquisition plan. The mean (median) number of past acquisitions over a ten-year period is 2.97 (2) for acquisition-planning firms relative to 1.46 (0) for other firms. Existing evidence shows that the propensity to engage in subsequent acquisitions is higher for firms with lower R&D expenditures and stock return volatilities and higher for firms that execute more acquisitions in the past (Huang, Jiang, Lie and Yang, 2014; Gantchev, Sevilir and Shivdasani, 2020). The difference in mean (median) book leverage across acquisition planning and other firms is relatively small.

3. Are Acquisition Plans Informative?

In this section, we examine whether acquisition plans contain value-relevant incremental information for capital market participants. To this end, in Sections 3.1 and 3.2, we focus on the immediate abnormal market reactions to acquisition plan announcements and whether such reactions display cross-sectional variation based on the unique characteristics of acquisition plans. In Section 3.3, we investigate whether acquisition plans are incrementally informative for subsequent acquisition propensities. In Section 3.4, we address the potential impact of omitted or unobserved characteristics on our parameter estimates from Section 3.3 through a battery of robustness, identification, and falsification tests. Finally, in Section 3.5, we examine whether the association between acquisition plans and future acquisition likelihood varies based on the characteristics of acquisition plans.

3.1. Abnormal Market Reactions

As a starting point to investigating whether acquisition plan announcements are informative, we employ a univariate event-day approach and assess the immediate abnormal stock market reactions to acquisition plan announcements. We take the view that a significant abnormal market reaction to the announcement of

acquisition plans suggests that capital market participants' expectations or beliefs about a firm's subsequent acquisitions (or acquisition likelihoods) has changed, and hence, acquisition plan announcements are deemed informative.

There are at least two reasons why acquisition plan announcements could be uninformative to market participants. First, as indicated earlier, acquisition plan information is qualitative (and hence, less verifiable) and, therefore, may be perceived as "cheap talk" or noncredible.[13] Second, acquisition plans may not reveal information *incremental* to the market participants' existing information set if i) acquisition plan announcing firms are simply rehashing public or old information, or ii) market participants already anticipate subsequent acquisitions by firms announcing acquisition plans—note that our earlier results suggest that ex-ante acquisition likelihood of acquisition-planning firms is higher relative to other firms. Therefore, whether the announcement of acquisition plans contains incremental value-relevant information for capital market participants is an open empirical question.

There is no theoretical reason for why investors would necessarily respond positively to the announcement of acquisition plans. That is, these announcements could be perceived as either good news or bad news for investors. For instance, a firm announcing that it plans to make acquisitions as a means of executing corporate strategy could convey to the market that it has poor internal growth opportunities. In that case, the acquisition plan announcement is expected to be greeted with negative stock price reactions. However, another firm announcing its acquisition plan could experience a positive market reaction because it communicates a strategy to acquire market share quickly to potentially accommodate growth arising from a positive shock to its productivity. Finally, according to the "unraveling" hypothesis, in equilibrium, firms with the most "favorable" information provide new forward-looking strategic information (e.g., Koessler and Renault, 2012; Bond and Zeng, 2022). If investors agree with the firm that the information is favorable,

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[13] It is also important to note that forward-looking information on firms' strategic plans (including acquisition plan announcements) is protected by the "Safe Harbor" provision under which firm disclosures are subject to less litigation risk.

acquisition plan announcements are expected to be greeted with positive market reactions. On the contrary, if investors disagree with the firm or market participants already predict future acquisitions by acquisition-planning firms, then plan announcements are not expected to reveal any incremental information, resulting in insignificant market reactions. We confirm in Appendix Table 2 that the average signed market reactions are economically small.

Given that the acquisition plan announcements made by different firms can potentially have different *directional* effects, we focus on *absolute* stock returns and calculate the abnormal absolute cumulative abnormal stock returns to acquisition plan announcement for firm j (*Abnormal Absolute CARs*) as the difference between the absolute three-day (five-day) cumulative CRSP value-weighted market index abnormal return (*Absolute CAR*) for acquisition-planning firm j and the average of the pre-event window *Absolute CARs* for the *same* acquisition-planning firm j for the sample of non-overlapping three-day (five-day) event windows obtained from the estimation window (i.e., [-120, -30] days relative to the acquisition plan announcement (e.g., Cready and Hurtt, 2002; Green, Jame, Markov and Subasi, 2014; Kirk and Markov, 2016).[14] We calculate *Abnormal Absolute CARs* over three-day event windows as follows:[15]

$$Abnormal\ Absolute\ CAR_{-1,1} = Absolute\ CAR_{-1,1} -$$

$$Pre-event\ window\ Average\ Absolute\ CAR_{-1,1} \qquad (1)$$

where,

$$Absolute\ CAR_{-1,1} = \sum_{t=-1}^{1} Absolute(R_{it} - CRSP\ VWindex_t) \qquad (2)$$

and,

$$Pre-event\ window\ Absolute\ CAR_{-1,1}$$
$$= \frac{\sum_{k=1}^{30} Absolute\ CAR_{t-123+3\times k,\ t-123+3\times k+2}}{30} \qquad (3)$$

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[14] The estimation period includes non-overlapping three-day absolute CARs (e.g., [-30, -32]; [-33, -35]; [-36, -38]) for acquisition-planning firm j.
[15] The *Abnormal Absolute CAR* over the five-day event window is calculated similarly using the [-2, +2] event window.

As our second measure, we use the abnormal stock turnover (*Abnormal Stock Turnover*) surrounding acquisition plan announcements. Abnormal stock turnover is defined as the three-day (five-day) cumulative stock trading volume divided by the number of shares outstanding at time *t (Stock Turnover)* of acquisition-planning firm *j* minus the average of pre-event window *Stock Turnover* from a sample of non-overlapping three-day (five-day) returns during the estimation window for the same firm *j* (*Pre-event window Average Stock Turnover*).[16] Our equations are as follows:

$$Abnormal\ Stock\ Turnover_{-1,1} = Stock\ Turnover_{-1,1} - $$

$$Pre-event\ window\ average\ Stock\ Turnover_{-1,1} \qquad (4)$$

where,

$$Stock\ Turnover_{-1,1} = \frac{\sum_{t=-1}^{1} Trading\ Volume_t}{Shares\ Outstanding_t} \qquad (5)$$

and,

$$Pre-event\ window\ Average\ Stock\ Turnover_{-1,1}$$

$$= \frac{\sum_{k=1}^{30} Stock\ Turnover_{t-123+3\times k,\ t-123+3\times k+2}}{30} \qquad (6)$$

Panel A of Table 3 presents the average *Abnormal Absolute CARs* and for the full sample of acquisition plan announcements. For the full sample, Column 1 of Panel A shows that the average abnormal absolute CAR is 3.48% (4.16%) over the three (five) day event window that includes the acquisition plan announcement day. We employ conventional *t*-tests as well as non-parametric tests (that only assume that distributions are continuous) to test the statistical significance of abnormal absolute CARs. Irrespective of

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[16] Holthausen and Verrecchia (1990) and Kim and Verrecchia (1991) demonstrate that abnormal trading volume is i) related to the differences among capital market participant in interpreting corporate news, and ii) a function of the absolute change in the level of precision possessed across traders. Some acquisition plan announcements may not significantly move the market's expectations regarding subsequent acquisition behavior and may not result in an economically important change in the equilibrium stock price. However, the new information from acquisition plan announcements is expected to be reflected in abnormal trading volume reactions (i.e., higher trading volume) if such announcements cause market participants to significantly revise their expectations with respect to future acquisition propensities of planning firms in a way that causes them to trade. We focus on abnormal stock turnover to correct for the number of shares outstanding and to provide a cleaner interpretation of results (Chae, 2005).

the tests, we find that abnormal absolute CARs are highly significant at 1% level. In Column 2 of Panel A of Table 3, we also find that the average *Abnormal Stock Turnover* are statistically significant around the announcement of acquisition plans. In economic terms, the three (five) day event-window surrounding acquisition plan announcements has a 0.651% (0.819%) greater abnormal stock turnover compared to that over the estimation window [-120, -30].

To isolate the information content of acquisition plan announcements more directly, in Panel B of Table 3, we repeat our short-term event-day analyses after eliminating acquisition plan announcements for which there are contemporaneous firm specific news announcements in the five days surrounding the announcement of an acquisition plan firm *j* (i.e., [-2, +2] event window). As expected, removing such observations lowers the economic magnitude of abnormal market reactions accrued to acquisition plan announcements. We continue to find that the immediate market impact of acquisition plan announcements is economically important and statistically significant. In sum, our evidence is consistent with the interpretation that acquisition plan announcements provide significant incremental information to capital market participants.

3.2. Where does the informativeness of acquisition plans come from?

In this section, we explore the cross-sectional variation in the informativeness of acquisition plan announcements. Specifically, we examine whether our earlier results display cross-sectional variation based on the unique characteristics of acquisition plans. An added benefit of this analysis is that it can shed light on the mechanisms through which acquisition plan announcements conveys incremental information and provide sharper insights into the nature of information contained in acquisition plan announcements. To this end, we focus on the acquisition plan announcement sample that eliminates overlapping other material firm news (from Panel B of Table 3) to better isolate the information content of acquisition plans.

In Panel A of Table 4, we first investigate whether the informativeness of acquisition plans varies based on the planning firm's target selection strategy (i.e., internal M&A pipeline vs. opportunistic). Our conjecture is that acquisition plans with a target selection strategy involving the development and

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maintenance of an active internal M&A pipeline (of potential targets) are expected to be more informative than acquisition plans with an opportunistic target selection strategy. The idea is that the former set of acquisition-planning firms are more likely to execute acquisitions compared to planning firms that simply "keep an eye" on acquisition opportunities and plan on executing acquisitions only if they can identify potential targets (i.e., opportunistic target selection strategy). In contrast, firms with internal M&A pipelines have a well-defined target selection strategy, have already expended resources to build and maintain an internal list of targets and continuously evaluate such targets through strategic fit scoring (e.g., Gokkaya, Liu and Stulz, 2023). Consistent with this view, Panel B of Table 4 shows that the average immediate market reaction to the announcement of acquisition plans with an internal M&A pipeline-based target selection strategy is significantly greater than the announcement of other acquisition plans.

As discussed earlier, firms also explicitly disclose the level of firm commitment to future acquisitions as a means of executing their corporate growth strategy. A natural question that arises is whether the information contained in acquisition plan announcements varies based on such firm commitment. Past work notes that credibility of disclosures is as important as the amount of new information released through forward-looking disclosures on corporate strategy (Sobel, 1985). If one takes the view that commitment to subsequent acquisitions enhances the perceived credibility of acquisition plan announcements (i.e., more credible signal for subsequent acquisition propensities), then such acquisition plan announcements should convey greater information to capital markets compared to other acquisition plan announcements. Consistent with this view, we find that commitment to future acquisitions indeed enhances the immediate abnormal stock price and stock turnover reaction to acquisition plan announcements.

Finally, we evaluate the implications of multiple announcements of acquisition plans within a year by the same firm. As shown in Panel D of Table 1, 41% of firms make multiple acquisition plan announcements in a calendar year. In Panel C of Table 4, we focus on firms making more than one acquisition plan announcement in a calendar year and then distinguish between their first and subsequent acquisition plan announcements during the same year. Our findings show that the immediate market reaction to the first announcement of acquisition plans in a year is higher compared to subsequent announcements made by the

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same firm during the same year. But we also find evidence that the average market reaction remains statistically significant after we exclude a firm's initial acquisition plan announcement. In our setting, subsequent acquisition plan announcements likely enrich capital market participants' understanding of firms' acquisition plans.

3.3. The Likelihood of Subsequent Acquisitions

In this section, we focus on the subsequent acquisition behavior of firms announcing acquisition plans to gain a more complete understanding of the information content of acquisition plans, and more importantly, the implications of such plans for corporate outcomes. We first address the question of whether firms are more likely to execute acquisitions subsequent to the announcement of acquisition plans. While this research question is interesting on its own, it also allows us to be more confident that acquisition plan informativeness is not sensitive to how we measure it.

As a starting point, we first perform univariate analyses and examine the percentage of firms that make at least one acquisition in year *t* following the announcement of acquisition plans in year *t-1*. Appendix Table 3 presents the results. On average, 13.20% of firms execute at least one acquisition in each sample year for the universe of *CRSP/Compustat* firms. When we partition the sample based on the acquisition plan announcements in year *t-1*, we find that 27.35% of planning firms make at least one acquisition following announcements of such plans, compared with only 10.64% for other firms. For thirteen out of thirteen years, the percentage of firms executing acquisitions is significantly higher for planning firms. Hence, at first blush, these univariate analyses suggest that the planning firms are more likely to engage in subsequent acquisitions and that acquisition plan announcement are indeed informative for corporate outcomes.

In light of the evidence in Table 2, it is, however, plausible that acquisition-planning firms may have higher acquisition propensities because of uncontrolled firm characteristics that may also be associated with higher subsequent acquisition propensities. To address this concern, we next conduct our analyses in a multivariate setting. We estimate logistic regressions after explicitly controlling for a battery of firm

characteristics that may also be related to a firm's subsequent acquisition likelihood. Once again, these characteristics are defined in Appendix B. Our dependent variable takes the value of one if firm j completes at least one acquisition in year t, and zero otherwise. Our primary independent variable of interest is an indicator that equals one if firm j announces an acquisition plan in year $t-1$ (*Acquisition Plan*), and zero otherwise. Past work shows that acquisitions may occur in waves and such waves are typically clustered within industries (Harford, 2005). Therefore, we include industry and year fixed effects or industry-year paired fixed effects in our logistic regressions, and report heteroskedasticity-robust standard errors clustered at the firm level. Our logistic regression model is as follows for the case where we use industry and year fixed effects (we omit the time and stock subscripts):

$Logit(Acquisition = 1) = \beta_1\,Acquisition\ Plan + \beta_2\,Log\ (Firm\ Size) + \beta_3\,Book\ leverage + \beta_4\,ROA + \beta_5\,Cash$
$\quad Flow\ to\ Equity + \beta_6\,High\ tech + \beta_7\,Tobin's\ Q + \beta_8\,Institutional\ Ownership + \beta_9\,No\ of\ Analysts + \beta_{10}$
$\quad No\ of\ Analysts + \beta_{11}\,Sigma + \beta_{12}\,NWC + \beta_{13}\,Turnover + \beta_{14}\,R\&D/Total\ Assets + \beta_{15}\,Abnormal\ stock$
$\quad return + \beta_{16}\,Sales\ growth + Industry\ Fixed\ Effects + Year\ Fixed\ Effects + \varepsilon$ (7)

Table 5 presents the results. Model 1 of Table 5 estimates equation (7) with industry and year fixed effects, and Models 2 and 3 include industry-year paired fixed effects. Regardless of the fixed effects employed, we find that the likelihood of engaging in acquisitions is significantly greater for acquisition-planning firms. In economics terms, Model 1 (2) of Table 5 suggests that planning firms are incrementally 93.84% (95.16%) more likely to execute an acquisition than other firms after explicitly controlling for a host of firm characteristics. To put the economic magnitudes in perspective, a one standard deviation increase in R&D (book leverage) is associated with 16.9% (13.0%) lower likelihood to engage in acquisitions and a one standard deviation increase in the cash-flow-to-equity ratio increases the acquisition propensity by 10.6%. The sign of the coefficient estimates on other control variables is generally consistent with past studies. For example, the likelihood of executing acquisitions increases with the size and stock performance of the bidder (Harford, 1999; Gantchev, Sevilir and Shivdasani, 2020). Acquisition likelihood

is likewise higher for firms that executed more acquisitions in the past and for firms with lower stock return volatilities (Huang, Jiang, Lie and Yang, 2014; Gantchev, Sevilir and Shivdasani, 2020). Past research also shows that "serial" acquirors and firms that conduct an acquisition in the prior year are associated with a greater acquisition likelihood in year *t* (Macias, Rau and Stouraitis, 2020). In Model 3 of Table 5, we repeat our logistic regressions with the addition of these characteristics to ensure that our coefficient estimates are not biased by systematic differences in acquisition-planning firms' historical acquisition behavior. In a similar spirit to Field and Kkrtchyan (2017), firm *j* is considered a serial acquirer if it made three or more acquisitions during the past five or ten year (*Serial Acquirer (past 5/10 years)*). Our results remain robust.

3.4. Identification and Robustness

Our results from Section 3.3 show that acquisition-planning firms exhibit a higher propensity of executing subsequent acquisitions. In this section, we provide a battery of empirical tests to mitigate the potential impact of firm characteristics not included in the regressions of Panel A in Table 5 (either because they are not observable or because doing so would have decreased sample size substantially) on the association between acquisition plans and subsequent acquisition propensities. While doing so, we employ Model 3 of Panel A in Table 5. However, we do not report the coefficient estimates on the firm-specific control variables for brevity.

First, we address the concern that our earlier results are biased by *Acquisition Plan* potentially serving as a proxy for omitted CEO- and board-specific characteristics. The existing literature shows that CEO and board of director characteristics have significant effects on their firms' acquisition policy (Bertrand and Schoar, 2003; Yim, 2013; Huang, Jiang, Lie and Yang, 2014). We obtain CEO- and board-specific characteristics from *Boardex Individual, Riskmetrics*, and *Execucomp*, and control for the following attributes: *CEO Gender, CEO Age,* and *Board size*. Unsurprisingly, the sample size falls by more than half because of data availability. Model 1 of Panel B in Table 5 re-estimates Model 3 of Panel A in Table 5 with the addition of these characteristics and continues to document that the parameter estimate on *Acquisition Plan* is positive and statistically significant.

Next, we add several proxies of heightened agency costs of managerial discretion. Past research shows that a possible motive for acquisitions is empire-building where management executes acquisitions to increase firm size as greater firm size is beneficial to management for reasons such as more prestige, increased resources under control, and consequently, higher compensation. In our setting, agency costs of managerial discretion may potentially interact with a firm's acquisition plan announcements, and therefore, bias the parameter estimates. To rule out this possibility, we measure heightened agency conflicts with four proxies employed in Gokkaya, Liu and Stulz (2023): i) CEO power and firms supervised by founder CEOs (*CEO Power*, *CEO Founder*), ii) concentration of Chairman and President titles in the hands of the CEO (*CEO-Chairman*), iii) firms with dual-class stock voting structure (*Dual-class*), and iv) firms without independent board of directors (*No Independent Board*). Once again, Model 2 shows that acquisition plan announcement significantly predicts subsequent acquisition activity.

In Model 3, we control for the employment of specialized M&A staff (*Specialized M&A Staff*) in light of the evidence in Gokkaya, Liu and Stulz (2023) that firms employing such staff are more likely to engage in acquisitions. Towards this end, we focus on a sample of firms covered by *Boardex of Management Diagnostic Limited Individual* to obtain information on the employment of specialized M&A staff and find that firms with such staff are indeed more likely to execute acquisitions (i.e., 24.53% higher likelihood). Nevertheless, acquisition plan announcement continues to incrementally predict the likelihood of engaging in future acquisitions. In Model 4 of Panel B in Table 5, we include price-to-earnings ratio and cash deviation (Harford, 1999), and dividend yield (Gantchev, Sevilir and Shivdasani, 2020). Our results remain unchanged. Next, we consider the possibility that the association between subsequent acquisition propensity and acquisition plan announcement may be non-linear. To address this, we include an additional independent covariate that captures the *number* of acquisition plan announcements made by a given firm at year *t-1*. Model 5 of Panel B in Table 5 finds that the number of plan announcements is *incrementally* informative about subsequent acquisition activity. For instance, one standard deviation increase in the number of acquisition plan announcements by a firm *j* at year *t-1* incrementally increases the same firm's acquisition propensity by 11.16% in year *t*.

Notwithstanding the battery of known determinants of a firm's acquisition likelihood included in our earlier econometric specifications, a potential remaining concern is that unobservable firm characteristics may continue to bias our estimates. To address this concern, we first estimate firm fixed effects regressions of acquisition propensity against *Acquisition Plan* and other firm-specific characteristics. If one takes the view that potentially non-random matching between firms and their acquisition plan announcement behavior is driven by time-invariant firm characteristics and such time-invariant firm characteristics bias our parameter estimates, then the addition of firm-fixed effects (to exploit within-firm variation) represents a plausible way to address concerns about this non-random matching. Towards this end, we focus on a subsample of firms that announce at least one acquisition plan in our sample period and then re-estimate Model 3 of Panel A in Table 5 with the addition of firm fixed effects, and hence, compare the acquisition propensity of the *same* firm based on its acquisition plan announcement behavior over time. Model 6 of Panel B shows that firms are more likely to pursue subsequent acquisitions in the year following acquisition plan announcements compared to other years when they do not announce such a plan. Economically, for the *same* firm, the acquisition propensity is 63.70% higher following acquisition plan announcement than in other years.

Next, we use the propensity score matching with replacement method (Xuan, 2009; Huang and Kisgen, 2013; Custódio and Metzger, 2013) and compare the acquisition likelihood of plan issuing firms to that of similar firms that have a similar *ex-ante* propensity of executing acquisitions but do *not* announce their acquisition plan. To implement propensity score matching, we first estimate a probit model regression on observable firm characteristics (introduced in equation (7)) for the universe of firms in CRSP/Compustat where the dependent variable equals one if a firm executes at least one acquisition in year t, and zero otherwise. We then obtain ex-ante acquisition likelihood of each firm from this probit regression and then propensity score match acquisition-planning firms (treatment) with other firms (matched) using ex-ante acquisition likelihoods as well as observable firm characteristics. To this end, we use the nearest-neighbor matching estimator with replacement method and define a close propensity score match as less than a 0.5% difference in propensity scores between treatment and non-treatment firms. We also allow non-planning

firms to be matched with more than one acquisition-planning firm (treatment) to help achieve superior covariate balance and preserve sample size. Model 7 of Panel B in Table 5 re-estimates Model 3 of Panel A on treatment and matched firms and find that our results remain relatively unchanged. For instance, acquisition-planning firms are 79.37% more likely to pursue subsequent acquisitions relative to propensity score matched firms with similar ex-ante acquisition likelihoods that do not provide their acquisition plan.

Finally, we present results from falsification tests to address any remaining concerns on unobservable firm-level heterogeneity, or spurious correlations biasing our results. The notion here is to employ firm-specific forward-looking information that is *alternative* to acquisition plan announcements but is still informative with respect to future investment activities (excluding future acquisitions). More specifically, if our main results are biased by unobservable firm characteristics such as superior corporate planning functions or growth opportunities or subsequent investment spending (in general), then capital expenditure guidance announcements should also positively predict future acquisitions. To implement this test, we re-estimate Model 3 of Panel A in Table 5 after replacing our binary covariate of interest (*Acquisition Plan*) with capital expenditure guidance (*Capex guidance*) announced by firm *j* at time *t-1*. Model 8 of Panel B in Table 5 does not find any significant association between capex guidance and future acquisition activity, providing further reassurance that our results are driven by acquisition plan announcements. Next, we construct a binary indicator for firms announcing corporate *"divestiture"* plans and replace our binary covariate of interest with *Divestiture Plan* announced by firm *j* at time *t*-1. Similar to the announcement of corporate plans for future acquisitions, firms also announce their strategic plans for future corporate divestitures at various institutional settings. As for the sample of acquisition plan issuances, we manually construct a comprehensive sample of divestiture plans from *Mergermarket Ltd.* When we replace our key variable of interest with *Divestiture Plan* announced by firm *j* at time *t-1* and re-estimate Model 3 of Panel A in Table 5, we do not find that *Divestiture Plan* significantly predicts subsequent acquisition activity (Model 9). Similarly, we manually construct information on announcements of corporate plans for *cross-border* acquisitions of U.S. firms (*International Acquisition Plan*) from *Mergermarket Ltd.* and then

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investigate whether such plans predict acquisition activity in the U.S. market. Model 10 of Panel B shows insignificant results.

In Models 11 through 13, we repeat the analogous logistic regressions after further replacing acquisition plan announcements with alternative forward-looking guidance announcements (i.e., SPS, EPS and DPS guidance). If our main results are biased by unobservable firm characteristics such as superior management forecasting ability, then we expect announcements of such operating performance metrics to also predict future acquisition activity. Our findings are inconsistent with this view as the coefficient estimates on these forward-looking guidance outputs are insignificant. In Model 14, we present the results from an additional falsification test, where we re-estimate Model 3 of Panel A in Table 5 with acquisition plan announcements from a *falsified* event window. In particular, we define *Acquisition Plan (falsified date)* as an acquisition plan announced two years prior to the actual announcement date of an acquisition plan by the same firm j. As expected, using a falsified-date acquisition plan results in an insignificant coefficient estimate on *Acquisition Plan*.

For our analyses in Section 3.3, we employ logistic regression models with the addition of industry-year paired fixed effects. However, Greene (2004) and Arellano and Hahn (2007) raise concerns about the consistency or bias of coefficient estimates obtained from logistic regression with high-dimensional fixed effects. Hence, in Model 14 of Panel B in Table 5, we re-estimate Model 3 of Panel A with a linear probability model and find that our results are robust to estimating regression using linear models.

Finally, we consider the association between the announcement of acquisition plans and alternative definitions of subsequent acquisition activity. The main sample of acquisitions employed in Section 3.3 is comprehensive relative to many past studies mainly due to inclusion of all types of targets (i.e., public, private and subsidiary) as well as inclusion of all acquisitions irrespective of deal size. Nonetheless, for completeness, in Model 16, we further consider acquisitions of minority interest in which the acquirer firm purchases and controls less than 50% of the target firm following the acquisition transaction. In Model 17, we focus on transactions with missing deal values. Re-examining the association between acquisition plan announcements and subsequent acquisitions using these two alternative sets of acquisition transactions, we

continue to find that acquisition plans significantly and incrementally predict future acquisition activity. Finally, in Model 18, we investigate the implications of acquisition plan announcements for future acquisition activity measured by the *number* of acquisitions executed by firm *j.* Towards this end, we re-estimate Model 3 of Panel A with OLS regressions where the number of acquisitions serves as our dependent variable. Our results show that acquisition-planning firms also execute more subsequent acquisitions relative to other firms.

3.5. Characteristics of acquisition plans and the likelihood of subsequent acquisitions

Our evidence from Sections 3.3 and 3.4 is consistent with the interpretation that acquisition plan announcement is incrementally informative about subsequent acquisition activity. In this subsection, we explore whether this association varies cross-sectionally based on the characteristics of acquisition plans. We expect the acquisition plan to be more predictive of subsequent acquisition activity if i) the acquisition-planning firms' target selection strategy entails the development and maintenance of an internal M&A pipeline, and ii) acquisition-planning firms explicitly communicate their commitment to future acquisitions to pursue corporate growth strategy.

In Panel A of Table 6, we consider the acquisition-planning firm's target selection strategy. As discussed earlier, acquisition plan firms with an internal M&A pipeline develop and maintain a list of potential targets. In contrast, other acquisition plan firms are simply on the look-out for opportunistic acquisitions and plan on executing acquisitions *only if* an opportunity presents itself. Hence, we expect acquisition plan firms with an active "internal M&A pipeline" target selection strategy to display a greater propensity of engaging in subsequent acquisitions. Model 1 dichotomizes acquisition plans based on the target selection strategy and re-estimates models 1 through 3 in Panel A of Table 5. Once again, for ease of presentation, we do not tabulate coefficient estimates on other controls. Our findings show that an acquisition plan has significantly higher predictive ability for subsequent acquisition activity when target selection strategy involves an internal M&A pipeline relative to acquisition plan firms opportunistically looking for targets.

In Panel B of Table 6, we further consider the acquisition-planning firms' level of commitment to future acquisitions. We expect the predictive ability of the acquisition plan for subsequent acquisition activity to be even greater for firms explicitly conveying their commitment to acquisitions for corporate growth plans as such commitment potentially reflects management's confidence in their inorganic growth strategy for future investments. Our results are consistent with this view. In economic terms, acquisition-planning firms explicitly revealing their commitment to future acquisitions for the corporate growth strategy are 128.78% more likely to engage in subsequent acquisitions, compared to 51.66% higher acquisition likelihood for the remaining acquisition-planning firms (F-value for the differences is 3.78).

4. Why do firms announce acquisition plans?

Our analyses so far suggest that announcements of acquisition plans generate significant market reactions and acquisition plans predict subsequent acquisition activity, consistent with the view that acquisition plans have important implications for corporate outcomes. For firms to announce their acquisition plan, they must benefit from doing so in excess of the potential costs that acquisition plan announcement entails including, but not limited to, proprietary costs pertaining to "giving away" company secrets, jeopardizing the firm's competitive position, setting a disclosure precedent, among others (Diamond, 1985; Diamond and Verrecchia, 1991; Graham, Harvey and Rajgopal, 2005).[17] In this section, we investigate two potential sources of gains from announcing acquisition plans, namely firms might announce such plans to i) learn from the market's reaction to acquisition plan announcements, and ii) reduce uncertainty surrounding subsequently announced acquisitions.

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[17]See Section 6 for more detailed discussions and analyses of potential costs of acquisition plan announcements.

4.1. Learn from Market Feedback

There is a plethora of empirical work supporting the view that capital markets aggregate investors' information and can possess information that is superior to any individual or group of individuals (Luo, 2005). There is also systematic evidence on the resource allocation role of financial market feedback. For instance, Rock (1986), Chen, Goldstein and Jiang (2007), Bakke and Whited (2008), among others, find that stock prices contain information and companies use information from stock prices in resource and investment allocation decisions.[18] More related to our setting, Luo (2005) shows that the market reaction to acquisition announcements influences a manager's decision on whether to proceed with the announced transactions even *after* the acquirer signs an agreement with a specific target firm. In this section, we investigate whether firms communicate their acquisition plan to learn from financial markets.

We expect that an important reason for management to announce their acquisition plans is to learn from investors' reaction to these plans. Learning from investors and the market could be especially important in the context of acquisitions for at least three reasons. First, acquisitions are large investments with highly uncertain outcomes, and past research shows that many acquisitions do not create shareholder wealth. Second, market participants (e.g., institutional investors and sell-side analysts) can have valuable insights about macroeconomic, industry, product market information pertaining to a firm's acquisitions plans because of being part of different information networks, economies of scale in gathering and producing new information as well as having access to information that the firm may not have (Kacperczyk, Sialm and Zheng, 2005; Kang, Luo and Na, 2018). Third, and perhaps more importantly, acquisitions are costly to reverse investments and firms announce their acquisition plans *before* agreeing to a merger agreement with a specific target firm. In sum, if firms announce acquisition plans to learn from the market feedback, we expect firms to adjust subsequent acquisition behavior in response to the market reaction generated by

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[18] Boot and Thakor (1997) and Subrahmanyam and Titman (1999) document that market feedback influences a firm's choice between issuing debt or equity.

such announcements. On the other hand, acquisition-planning firms' information set may subsume that of the financial markets, and hence, management may ignore the market feedback.

To test the hypothesis that firms learn from the market reaction to the announcement of acquisition plans, we calculate CARs to acquisition plan announcements (over the [-2, +2] event window) and partition acquisition plans based on whether plan announcements are greeted with positive or negative CARs (Jayaraman and Wu, 2020). We then re-estimate equation (7) after replacing *Acquisition Plan* with these two variables (i.e., *Acquisition Plan-Positive CAR*; *Acquisition Plan-Negative CAR*).[19] Consistent with the resource allocation role of market feedback, Panel A of Table 7 shows that firms indeed adjust subsequent acquisition behavior based on CARs to acquisition plan announcements. That is, acquisition plan announcements with positive CARs are associated with a greater propensity of subsequent acquisitions relative to acquisition plan announcements generating negative CARs. In Appendix Table 4, we further check the robustness of these results when market reactions are measured with influential CARs as in Loh and Stulz (2010). Our findings hold. Taken as a whole, our findings from Panel A of Table 7 also rule out a "disciplining" role announcing forward-looking information where we expect stronger effects for acquisition plan announcement with negative CARs compared to that with positive CARs (i.e., negative market reaction to acquisition plan announcements dissuades management from pursuing future acquisitions).

To further assess the role of market feedback, in Panel B of Table 7, we perform cross-sectional analyses based on acquisition plan characteristics. We would expect market feedback to be most important for firms that are *not* committed to a course of action. Put differently, firms committed to acquisitions out of a developed internal M&A pipeline would seem less likely to change their corporate actions based on market feedback to announcements of acquisition plans. In support of this hypothesis, Panel B of Table 7 shows

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[19] If a firm *j* announces more than one acquisition plan in year *t-1*, we use the average of CARs to acquisition plan announcements to partition acquisition plan announcements into *Acquisition Plan-positive CAR* and *Acquisition Plan-negative CAR*.

that the association between acquisition plan announcement CARs and subsequent acquisition propensity is mostly confined to acquisition-planning firms that i) are *not* associated with an active internal M&A pipeline, and ii) are *not* committed to future acquisitions.

4.2. Reduce Acquisition Uncertainty

Findings of surveys among corporate executives suggest that achieving higher information transparency and lowering uncertainty is among the most important motivations for announcing forward-looking information (Graham, Harvey and Rajgopal, 2005). Given that acquisition announcements are typically accompanied by elevated levels of uncertainty (e.g., Duchin and Schmidt, 2013), we expect communication of acquisition plans to lower investor uncertainty surrounding subsequent acquisition announcements. As noted by past work (e.g., Fuller, Netter and Stegemoller, 2002; Moeller, Schlingemann, and Stulz, 2007; Wang, 2018; Gokkaya, Liu and Stulz, 2023), capital market participants not only assess the stand-alone value of targets and potential synergies between the acquirer and target firms, but also re-assess the implications of corporate growth plans through acquisitions on the stand-alone value of acquiring firms' business. However, in the unique setting of acquisition plan announcements, market participants are less likely to re-assess the stand-alone value of acquirors when an individual transaction is subsequently announced—the value implication of acquisitions for an acquirer's stand-alone valuation is already incorporated into the stock prices *before* an individual transaction is announced (when a firm announces its acquisition plan). Hence, the market reaction to transactions of acquisition-planning firms is more likely to be in response to selected target firms rather than what the financial market learns from acquisition announcements about the acquiring firm's stand-alone valuation. In sum, we expect differences of opinion (and therefore, our measures of uncertainty) around subsequent acquisition announcements to be lower for planning firms relative to other firms.

To empirically test this conjecture, we consider two measures of uncertainty employed by previous work in the context of acquisitions: i) the acquiring firm's abnormal option implied volatility (*Abnormal Option IV*), and ii) abnormal dispersion in analyst forecast errors following acquisition announcements

(Abnormal Earnings Forecast Dispersion). Option IV is a forward-looking measure of the financial market's expectations about the future distribution of stock returns and is widely used to proxy for the level of market uncertainty (Moeller, Schlingemann, and Stulz, 2007; Duchin and Schmidt, 2013). We obtain information on the acquiring firm's *Option IVs* for 91-day at-the-money (ATM) options from the *Optionmetrics* database. We then calculate *Abnormal Option IV* as the average IV of ATM put and call option contracts over the [-2, +2] event-window around acquisition announcements (Duchin and Schmidt, 2013) minus average of the pre-event window average of *Option IV* for the *same* firm *j* on a sample of non-overlapping five-day event windows obtained from the estimation window as in Section 3.1. (i.e., [-120, -30] days relative to the acquisition plan announcement) As to dispersion of analyst forecast errors, we obtain all earnings forecasts made about the next quarterly earnings of the acquiring firms from *I/B/E/S* and then measure earnings forecast dispersion as the standard deviation of earnings forecasts across coverage analysts in the month following an acquisition announcement, normalized by the acquiring firm's book value of total assets (Moeller, Schlingemann, and Stulz, 2007; Duchin and Schmidt, 2013). *Abnormal Earnings Forecast Dispersion* is then defined as the difference between *Earnings Forecast Dispersion* and pre-event window average of one-month *Earnings Forecast Dispersion* for the *same* firm *j* obtained from the non-overlapping pre-acquisition announcement estimation window.

Next, in Panel A of Table 8, we perform multivariate regressions that examine the association between acquisition plans and *Abnormal Option IV* and *Abnormal Earnings Forecast Dispersion*. To this end, in addition to aforementioned firm characteristics, we control for a host of transaction-specific characteristics and also include industry-year paired fixed effects. Standard errors are heteroskedasticity-robust and clustered at the acquirer level. Our results document that the announcements of acquisition transactions by acquisition-planning firms display significantly lower *Abnormal Option IVs* and *Abnormal Earnings Forecast Dispersions* after explicitly controlling for an array of firm- and transaction-specific characteristics. In economic terms, Model 1 of Table 8 shows that average *Abnormal Option IVs* of acquisitions preceded by acquisition plan announcements is 1.27% lower relative to *Abnormal Option IVs* on acquisitions of other firms. In Model 2, we also find that average abnormal earnings forecast dispersion

is 0.034% lower for acquisition announcements preceded by acquisition plan announcements relative to other acquisitions. For comparison, the *pre-event window averages* of *Option IVs* and *Earnings Forecast Dispersion* are 39.52% and 0.18%, respectively. In sum, these results are consistent with the interpretation that, on average, uncertainty surrounding acquisition transaction announcements is lower for acquisition-planning firms relative to other firms.

Finally, in Panel B of Table 8, we investigate whether these results vary cross-sectionally based on acquisition plan characteristics. To the extent that communication of acquisition plans translates into lower uncertainty surrounding subsequently announced transactions, such association is expected to be even more pronounced for planning firms that signal higher *ex-ante* acquisition propensities. Panel B of Table 8 shows that this is indeed the case — *Abnormal Option IVs* and *Abnormal Earnings Forecast Dispersion* surrounding acquisition announcements is even lower for planning firms that have an internal M&A pipeline for target selection strategy and for planning firms that explicitly convey commitments to future acquisitions to execute corporate growth strategy.

5. Acquisition Plans and Outcomes of Subsequent Acquisitions

5.1. Acquisition Performance

So far, we have established that acquisition plans are informative for capital market participants and are incrementally informative about a firm's subsequent acquisition activities. We also document that learning from the market feedback and lowering acquisition-related investor uncertainties may explain why firms announce their acquisition plans. In this section, we examine the implications of acquisition plans for the outcomes of subsequently announced acquisition transactions.

We start by examining whether acquisition plans are positively associated with value created from subsequently announced acquisition transactions. An important and vast body of literature investigates the determinants of acquisition performance and finds that various acquirer- and transaction-specific characteristics affect acquisition performance. However, as discussed earlier, this literature generally

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focuses on the public takeover phase (that starts with announcement of a deal announcement with a specific target) and does not study the role of acquisition plans as a part of the acquisition-deal making process.

On the one hand, there are at least two reasons to expect acquisitions of planning firms to create significantly greater shareholder value. First, if the market participants collectively possess valuable information about the state of the economy, the industry, or the product markets that is relevant to acquisition plans (e.g., Luo, 2005) and acquisition-planning firms incorporate such feedback into acquisition decisions, then the performance of subsequent acquisitions executed by acquisition-planning firms is expected to be greater relative to other acquisitions. Second, announcement of forward-looking strategic information through acquisition plan issuance may further reduce the planning firm's search costs for potential targets and increases the likelihood of finding better target firms (Chen, Hoberg, and Maksimovic, 2022). On the other hand, our results from the earlier section suggest that reducing acquisition related investor uncertainty also represents a plausible reason as to why firms communicate acquisition plans. If firms are mainly announcing their acquisition plans to lower acquisition-related investor uncertainty as opposed to learn from market feedback, then acquisition plan issuance is not expected to increase the value created from subsequently announced acquisitions.

With the above considerations, whether acquisition plan issuance is positively associated with the performance of subsequent acquisitions is an open empirical question. To test this conjecture, we first assess acquisition performance with cumulative characteristics-adjusted abnormal returns (CARs) over the [-2, +2] event window surrounding acquisition announcement dates and estimate OLS regressions that explicitly control for a host of acquirer and transaction characteristics that are standard in the literature. Once again, we include industry-year paired fixed effects and report heteroskedasticity-robust standard errors clustered at the acquirer level. Our regression model is as follows (we omit the time and stock subscripts):

$CAR\ (-2,\ +2) =\beta_1\ Acquisition\ Plan + \beta_2\ Log\ (Firm\ Size) + \beta_3\ Run\ up\ return\ +\ \beta_4\ Relative\ size\ +\ \beta_5$

$Private\ +\ \beta_6\ Subsidiary\ +\ \beta_7\ Hostile\ +\ \beta_8\ Book\ leverage\ +\ \ \beta_9\ ROA\ +\ \beta_{10}\ Cash\ Flow\ to\ Equity\ +\ \beta_{11}$

$High\ tech\ +\ \beta_{12}\ Tobin's\ Q\ +\ \beta_{13}\ Institutional\ Ownership\ +\ \beta_{14}\ No\ of\ Analysts\ +\ \beta_{15}\ No\ of\ M\&As$

$(past\ 10\ years) +\ \beta_{16}\ IV\ +\ \ \beta_{17}\ Sales\ growth\ +\ \beta_{18}\ NWC\ +\ \beta_{19}\ Turnover\ +\ \beta_{20}\ R\&D/Total\ Assets\ +\ \beta_{21}$

$Top\ tier\ Advisor\ +\ \beta_{22}\ No\ of\ Advisors\ +\ \beta_{23}\ Payment\text{-}All\ Cash\ +\ \beta_{24}\ Payment\text{-}Includes\ Stock\ +\ \beta_{25}$

$Diversifying\ +\ \beta_{26}\ Serial\ Acquirer\ (past\ 10\ years)\ +\ \beta_{27}\ Serial\ Acquirer\ (past\ 5\ years) +\ \beta_{28}\ Acquirer$

$(t\text{-}1)\ +\ Industry\ \text{-}\ Year\ Fixed\ Effects\ +\ \varepsilon$ \hfill (8)

Model 1 of Panel A of Table 9 shows that acquisitions of planning firms have significantly higher CARs. For instance, Model 1 suggests that CARs of acquisitions by planning firms are significantly higher than those of other acquisitions by 0.66%. For the average acquirer in our sample, this parameter estimate translates into an abnormal dollar gain of $53.13 million in abnormal shareholder wealth. Other firm- and transaction-specific control variables are generally associated with signs that are consistent with past studies. In the remainder of Panel A in Table 9, we focus on alternative measures of acquisition performance to ensure that our results are not sensitive to how we assess acquisition performance.[20] In Models 2 through 4 of Table 9, we measure changes in post-acquisition abnormal operating performance. To do so, we use the industry-adjusted abnormal return on assets (*Industry-adjusted ROA*) and then focus on the changes in the industry-adjusted ROA for the acquirers from the pre-acquisition year (*t-1*) to one, two, and three years after the completion of an acquisition transaction (*t+1, t+2*, and *t+3*) following the literature (Chen, Harford, and Li, 2007; Custodio and Metzger, 2013). In Model 5, we obtain a complete list of divestitures

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[20] We recognize that our results from Model 1 of Panel A in Table 9 may be biased by an acquisition "anticipation" effect. Cai, Song and Walkling (2011) suggest that more anticipated acquirers generate significantly lower abnormal returns with their acquisition announcements. In our setting, financial market participants may anticipate future acquisitions of planning firms. Therefore, it is plausible that we may *underestimate* acquisition CARs. Alternative acquisition performance metrics employed in Models 2 through 6 of Table 9 do not have this concern.

from *Thomson Reuters SDC Platinum* and then consider whether an acquisition is subsequently divested (Kaplan and Weisbach, 1992). More specifically, we re-estimate equation (8) with a logistic regression model where our dependent variable equals one if the acquirer makes a divestiture (in the same two-digit SIC industry of the target firm) over three years following an acquisition's closing date, and zero otherwise. In Model 6, we retrieve annual analyst EPS forecasts from *I/B/E/S* and then measure revisions in average analyst consensus EPS forecasts around acquisition announcements (e.g., Chen, Harford, and Li, 2007). When we use the changes in industry-adjusted abnormal operating performance and the change in consensus analyst EPS forecasts as our dependent variable in equation (8). Across each of these cases, acquisitions of planning firms are associated with superior performance relative to other acquisitions.

In Panels B through J, we repeat the battery of robustness and identification tests from Section 3.4 to mitigate potential concerns on uncontrolled or unobservable acquirer characteristics biasing our estimates. Our results document that acquisition-planning firms continue to be associated with superior acquisition performance after controlling for omitted CEO- and board-specific characteristics and proxies of heightened agency costs of managerial discretion (Panel B), employment of specialized M&A staff (Panel C), firm-fixed effects for firms that announce at least one acquisition plan over the sample period (Panel D), and propensity score matching with replacement method (Panel E). When we repeat the falsification tests discussed in Section 3.4., we find insignificant results for falsifications based on capital expenditure guidance (Panel F), divestment plan issuance (Panel G), international acquisition plan issuance (Panel H), sales, earnings and dividend guidance (Panels I through K), and acquisition plan announcements obtained from a falsified date (Panel L). Our findings from Panels B through L of Table 9 also further alleviate the concern that acquisition-planning firms possess systematically more favorable information about future acquisitions or are simply better acquirers (because they invest in acquisition planning functions).

In Table 10, we investigate whether our results display cross-sectional variation based on the acquisition plan characteristics. If acquisition plan issuance is positively associated with the performance of subsequently announced acquisitions because firms learn from market feedback, then we do *not* expect to find evidence of superior acquisition performance for planning firms that maintain an active internal M&A

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pipeline and explicitly communicate their commitment to subsequent acquisitions—these firms do not appear to respond to market feedback for acquisition plan announcements. When we partition the acquisition plan sample based on these characteristics, we find evidence that is consistent with this conjecture.

5.2. Takeover Premiums

In this section, we examine whether acquisition plan issuance also affects takeover premiums paid on subsequently announced acquisitions. Schwert (1996) shows that takeover premiums are partially driven by the run-up in the target firm's stock price before acquisition announcements. If market participants predict which target firm may eventually be acquired by planning firms, then such firms may end up paying higher takeover premiums for their acquisition targets. However, acquisition plan issuance may not significantly affect takeover premiums for two reasons: i) acquisition targets are, in general, difficult to predict with any accuracy (Betton, Eckbo and Thorburn, 2008), ii) even if the market participants can predict takeover targets, acquirers may ignore the potential run-up in the target's stock price driven by the disclosed acquisition plans when deciding on takeover premiums (Ahern and Sosyura, 2015).

To test the implications of acquisition plan issuances on takeover premiums, we first investigate whether *eventually* acquired target firms are associated with an abnormal stock price reaction when the acquiring firm announces its acquisition plan. In other words, we examine whether the market can predict which target acquisition-planning firm may eventually acquire. We need stock price information on target firms to perform this analysis, and therefore, we use only publicly traded targets. Appendix Table 5 finds insignificant immediate market reactions to eventually acquired target firms surrounding the announcement of an acquisition plan by the *eventual* bidder. Therefore, market participants do not seem to be able to predict target firms eventually acquired by plan-issuing firms.

In Table 11, we formally test the association between takeover premiums and acquisition plan issuance in a multivariate setting using equation (8) from Section 5.1. Following existing work, our dependent variable is the takeover premium measured as the difference between the price paid per share for the target

(as obtained from *Thomson Reuters SDC Platinum*) and the target's stock price 42 and 63 trading days prior to acquisition announcements.[21] There is a concern that the target firm's stock price reaction to previously announced acquisition plans may affect takeover premiums for some firms. To address this concern, we include an additional measure of the takeover premium using the stock price of the target firm on the day prior to the acquisition plan announcement of the eventual *acquirer*. We then repeat our multivariate regressions with these three alternative takeover premium measures serving as our dependent variables. The coefficient on *Acquisition Plan* is insignificant for each of these takeover premium measures, suggesting that communication of acquisition plans does not significantly affect premiums paid in the takeover market.

6. Why does not every acquirer announce its acquisition plan?

Our evidence to this point documents that financial markets find acquisition plan announcements informative, firms learn from market feedback when they are not already committed to acquisitions from an internal pipeline, acquisition plans have predictive ability for future acquisitions, and firms lower uncertainty surrounding subsequent acquisitions by communicating their acquisition plans. However, this empirical evidence raises an important question: why does not every firm announce its acquisition plan prior to executing acquisitions? Answering this question is especially important in light of our earlier empirical evidence that acquisition plan issuance does not significantly increase takeover premiums. In this section, we examine three main factors potentially be related to firms' decision of announcing its acquisition plan. These factors and our conjectures are as follows:

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[21] To ensure that abnormal stock returns prior to acquisition announcements do not overlap with takeover premium measures employed in Table 11, we calculate the acquirer firm's abnormal stock returns over the [-205, -64] and [-205, -43] event window relative to the acquisition announcement date in Models 1 and 2, respectively. Similarly, in Model 3, acquirer firm's abnormal stock return is measured over the [-205, -2] event window relative to the acquisition plan announcement date.

1)   *Proprietary costs*. Past researchers argue that voluntary disclosure of firms' strategic plans may reveal too much information to their competitors and jeopardize their competitive position (e.g., Diamond, 1985; Verrecchia, 2001; Boone and White, 2015). Consistent with this work, Graham, Harvey and Rajgopal (2005) learn from a survey of corporate executives that a majority of corporate executives agrees or strongly agrees that protecting a firm's competitive position is a significant constraint on disclosing voluntary information to the financial markets. Voluntary disclosure costs are especially important in the context of acquisition plans announcements given that acquisitions are the most visible corporate investments to rival firms, and firms often make acquisitions to differentiate themselves from industry peers and enhance their competitive advantage. Hence, acquisition plan disclosures may impose significant proprietary costs if industry peers use the strategic information contained in acquisition plans to learn about (and respond to) acquisition-planning firms' course of strategic actions to stay more competitive (e.g., mimic strategy or introduce new products). In sum, we expect proprietary costs to be negatively correlated with a firm's decision of communicating acquisition plans. To proxy for the magnitude of such proprietary costs, we measure i) competition from peers using Herfindahl-Hirschman index (*HHI index*) based on the text-based network industry classification (TNIC) from Hoberg and Philips (2010, 2016) (*Competitive Industry*),[22] and ii) stock return and EPS synchronicities with a firm's corresponding industry (*Stock return synchronicity, EPS synchronicity*). Proprietary costs of communicating acquisition plans are expected to be higher when i) a firm operates in a more competitive industry, and ii) a firm's underlying industry is less homogenous where firms share less commonalities regarding their fundamentals (i.e., *Stock return* and *EPS synchronicity* are lower; e.g., Merkley, Michaely, and Pacelli, 2017; Gokkaya, Li, Pool ad Xie, 2023).

2)   *Herding*. Corporate executives are known to follow the disclosure decisions of executives at peer firms due to reputational risks arising from acting "differently" from the crowd (Scharfstein and

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[22] As in Hoberg and Philips (2016), competitive industries are defined as those in the lowest tercile using the past year's value of this *HHI index*.

Stein, 1990; Brown, Gordon and Wermers, 2006). Given that market participants find acquisition plan announcements informative, another plausible reason as to why firms communicate acquisition plans is that firms simply herd in their decision to communicate such plans. We measure this factor with the percentage of industry peers announcing strategic information through acquisition plan announcements (% *Peers announcing Acquisition Plan*).

3) *Disclosure precedent*. Commitment costs of increasing voluntary disclosures also affect a firm's disclosure decisions (Diamond and Verrecchia, 1991). For instance, more than two-thirds of executives participating in Graham, Harvey and Rajgopal (2005)'s survey indicate that setting a disclosure precedent limits further voluntary disclosures. Hence, in our context, we expect acquisition plan issuance behavior to be "sticky" in that firms that announced their acquisition plan in the past (*Acquisition Plan (past)*) are expected to display greater propensity of disclosing their acquisition plans in the future. We also consider whether a firm gave management guidance on periodic capital expenditure investments in the past since such firms may also be "committed" to disclosing investment plans regarding future acquisitions (*Capex guidance (past)*). Finally, we consider the disclosure precedent of a firm's *CEO* since managers may try to build their own "personal" disclosure reputations through voluntary disclosures (Bertrand and Schoar, 2003; Marshall and Skinner, 2022). Given that the effect of a CEO's disclosure behavior cannot be estimated separately from her firm-specific disclosure behavior, we require a CEO to work for at least two firms and measure her acquisition plan issuance behavior at her former employer(s) (*CEO Acquisition Plan (past)*).

In order to test whether these factors help explain why firms announce their acquisition plans, we control for a host of firm-specific characteristics (from Section 3.3) and require a firm to make at least one acquisition in the sample period. Once again, we include industry and year or industry-year paired fixed effects and cluster standard errors at the firm-level. In Table 12, we find that proprietary costs are indeed negatively associated with issuance of acquisition plans. That is, firms operating in more competitive and less homogenous industries are less likely to announce their acquisition plans. In economic terms, Model 1

of Table 12 shows that firms are 16.61% less likely to disclose acquisition plans if they operate in competitive industries and a one-standard deviation decrease in *Stock return synchronicity* and *EPS synchronicity* is associated with 7.13% and 7.88% lower likelihood of acquisition plan issuance, respectively. We also find that firms display herding behavior regarding acquisition plan disclosures. For instance, a one-standard deviation increase in % *Peers announcing Acquisition Plan* is associated with 15.4% increase in firm *i*'s decision to disclose its acquisition plan. Finally, the parameter estimates on *Acquisition Plan (past), CEO Acquisition Plan (past),* and *Capex guidance (past)* are all positive and statistically significant at conventional levels, suggesting that firm- and CEO-specific disclosure precedence has important implications for disclosure of acquisition plans. In Model 2, we add industry-year fixed effects to our econometric specifications and continue to find robust results.[23]

7. Conclusion

Corporate planning is the foundation of many corporate decisions, and yet, little attention has been paid to this important topic in academic research. In this paper, we study the role and implications of corporate planning in the context of acquisitions—the largest corporate investments in the lifecycle of firms. The acquisition-deal making process typically begins with the development of an acquisition plan where a firm decides to execute its corporate growth strategy through acquisitions. Firms develop acquisition plans to screen potential candidate firms and execute acquisition search before they initiate an acquisition process with a specific target firm. Nevertheless, the vast literature on corporate acquisitions generally focuses on the public phase of the acquisition process that starts with the public announcement of an agreement with a specific target firm and has not considered the implications of acquisition planning for the acquisition process. In this paper, we examine the information content of acquisition plan announcements for financial market participants, and whether acquisition plans affect acquisition decisions and outcomes.

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[23] Note that % of *Peers announcing Acquisition Plan* is measured at the industry-year level, and hence, excluded from Model 2 of Table 12 that includes industry-year paired fixed effects.

We find that over 33.21% of acquisition transactions follow an acquisition plan announcement, suggesting that announcement of an acquisition plan is an important component of the acquisition process. We document that acquisition plans are generally non-numeric and contain soft information disseminated mostly at a wide range of institutional conference settings and interactions with the financial press. Such plans are generally announced on days without other material firm-specific news disclosures and their characteristics vary greatly based on the strategic information furnished by management. For instance, firms communicate their target selection strategies as well as their level of commitment to acquisitions as a means of executing strategic corporate growth plans. We show that the average market reaction to acquisition plan announcements is economically and statistically significant, suggesting that announcement of such plans provide incremental and significant information to capital market participants. Acquisition plans with an internal M&A pipeline-based target selection strategy are more informative compared to those with an opportunistic target selection strategy. Likewise, firm commitment to acquisitions increases the perceived informativeness of acquisition plans by market participants.

When we explore the acquisition behavior of firms subsequent to acquisition plan announcements, we find that firms announcing such plans are indeed more likely to engage in future acquisition transactions relative to other firms. These results are robust to series of identification and robustness analyses, and more pronounced for firms conveying explicit commitment to acquisitions from an internal M&A pipeline. Therefore, our evidence supports the view that acquisition plan announcements are informative and have important implications for corporate outcomes.

In further investigation, we examine why firms announce acquisition plans. We first ask whether firms attempt to learn from the market's feedback when deciding whether to pursue acquisitions to implement their corporate growth strategy. Consistent with this view, we find that acquisition plan announcements accompanied by positive stock market reactions are associated with a greater propensity of engaging in subsequent acquisitions relative to acquisition plan announcements eliciting a negative market reaction. Second, we consider whether firms attempt to lower acquisition-related investor uncertainties through acquisition plan announcements. For firms announcing acquisition plans, the stock market's reaction to an

acquisition transaction with a specific target is more likely to reflect the market's assessment of the target firm as opposed to market's reassessment of the acquirer's standalone value. We find that abnormal change in dispersion of investor opinion is lower following the acquisition announcements of planning firms than those of other firms. These results are even more pronounced for firms that signal higher ex-ante acquisition propensities through announcement of acquisition plans from an internal M&A pipeline and for firms that are committed to making acquisitions.

After showing that, on average, acquisition plan announcements are informative to financial market participants and are incrementally informative about a firm's future acquisition activities, we address the question of whether acquisition plans have implications for the outcomes of subsequently announced acquisition transactions. Our findings show that acquisition transactions of acquisition-planning firms, on average, create incrementally greater value for shareholders and these findings are confined only to a subsample of acquisitions for which such firms are most likely to learn from market feedback to acquisition plan announcements. We do not find that market participants are able to predict target firms that are eventually acquired by acquisition-planning firms or that acquisition plan announcements significantly increase the premiums paid in the takeover market.

Our collective empirical evidence raises an important question: why does not every firm announce acquisition plans prior to executing acquisitions? Consistent with the notion that firms avoid revealing proprietary information to competitors, we find that acquisition plan announcements are less common for firms operating in more competitive and less homogenous industries. Commitment costs of disclosing forward-looking strategic information also explains acquisition plan announcements, so does industry peers' acquisition plan disclosures.

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Appendix A: Examples of Acquisition Plans

Date	Acquisition Plan Description	Target Selection Strategy	Commitment to Acquisitions	First Announcement
3/24/14	Dover Corp (NYSE: DOV), the Downers Grove, Illinois-based diversified manufacturing company, has an active pipeline of potential acquisitions and expects M&A activity, according to CEO Robert Livingston. During his prepared remarks at the BofA Merrill Lynch Global Industrials & EU Auto conference, Livingston noted that "Our acquisition pipeline is active," the CEO said. "I've never been this specific on acquisition guidance before", he added. He noted that while this would not occur in the next few quarters, the company had enough visibility on its M&A pipeline to believe it was possible in the longer term.	Internal M&A Pipeline	Noncommitted	No
1/25/08	Schering-Plough (NYSE: SGP), the Kenilworth, New Jersey-based drug company, is open to making buys. Chief Executive Fred Hassan said at an investor meeting at the company's headquarters that Schering-Plough is open to acquisitions as part of its effort to expand its biotech and animal-health-products divisions.	Opportunistic	Noncommitted	No
11/13/14	Timken (NYSE: TKR), the North Canton, Ohio-based manufacturer of bearings, transmissions, gearboxes and related products, will ramp up its acquisition activity and has ample financial capacity, according to management. At the Goldman Sachs Industrials Conference, CEO Richard Kyle was asked about the M&A funnel and if transactions were possible. "The pipeline today is probably more active than it has been," he replied. Kyle said the company's ability and confidence to acquire businesses, integrate them effectively, and create value was as high as it has been in recent times, adding that management liked the current portfolio and was not looking to make significant changes to it.	Internal M&A Pipeline	Committed	No
4/10/13	Solta Medical, Inc. (NASDAQ: SLTM), a Hayward, California-based medical device manufacturer, expects to be an opportunistic acquirer in a consolidating aesthetic market, according to Steve Fanning, CEO. Fanning said Solta could complete a deal this year. Fanning further said that Solta previously has guided it could pursue an acquisition to augment its existing brands in the aesthetic markets of body contouring, skin tightening, resurfacing/rejuvenation and acne treatment.	Opportunistic	Non-Committed	Yes

Appendix B. Variable descriptions

Variable	Definition
Acquisition Plan	Indicator variable equals one if firm *j* announces an acquisition plan in year *t-1*, and zero otherwise. Information is manually constructed from *Mergermarket Ltd.*
Acquisition Plan Characteristics	
Acquisition Plan (internal M&A pipeline/ opportunistic)	If an acquisition plan explicitly reveals a firm's intentions to execute acquisitions from internal M&A pipelines, it is classified as maintaining an "internal M&A pipeline" for target selection strategy (*Acquisition Plan-internal M&A pipeline)*. Remaining acquisition-planning firms are associated with an "opportunistic" target selection strategy (*Acquisition Plan-opportunistic)*. Information is manually constructed from *Mergermarket Ltd.*
Acquisition Plan (committed /noncommitted)	If a firm explicitly communicates its "commitment" to future acquisitions as a growth strategy, an acquisition plan is classified as "committed" to future acquisitions (*Acquisition Plan-committed*). Otherwise, acquisition plan is categorized as "noncommitted" (*Acquisition Plan -noncommitted*). Information is manually constructed from *Mergermarket Ltd.*
Acquisition Plan-Positive/Negative CAR	If an acquisition plan announcement was associated with positive/negative CAR , it is classified as *Acquisition Plan- Positive/Negative CAR,* zero otherwise. Information is manually constructed from *Mergermarket Ltd.*
Acquisition Plan-Influential Positive/Negative CAR	If the acquisition plan announcement is associated with influential positive/negative CARs (defined as in Loh and Stulz, 2010), it is classified as *Acquisition Plan-Influential Positive/Negative CAR,* zero otherwise. Information is manually constructed from *Mergermarket Ltd.*
Firm Characteristics	
Log (Firm Size)	Log-transformed market value of acquirer's equity four weeks prior to the acquisition announcement date obtained from SDC. Information market value of equity is obtained from *CRSP.*
Book Leverage	Total debt (current liabilities plus long-term debt) scaled by book value of total assets in the fiscal year preceding the acquisition announcement date obtained from *SDC*. Information is from *Compustat.*
ROA	Acquirer's net income divided by the book value of its total assets for the fiscal year preceding the acquisition announcement date obtained from *SDC*. Information is from *Compustat.*
Cash Flows-to-Equity	Income before extraordinary items plus depreciation minus dividends scaled by the book value of assets in the fiscal year before the acquisition announcement date obtained from *Thomson Reuters SDC Platinum*. Information is from *Compustat.*

High Tech	Indicator variable is one if the acquirer operates in a high-tech industry as defined in Loughran and Ritter (2004), zero otherwise. Information is from *Compustat*.
Tobin's Q	Market value of the acquirer's assets divided by book value of its assets in the fiscal year preceding the acquisition announcement date obtained from *SDC*. The market value of assets is calculated as the sum of the book value of assets and market value of common stock minus the book value of common stock minus deferred taxes in the balances sheet. The data are from *CRSP* and *Compustat.*
Institutional Ownership	Total percentage institutional ownership of the acquirer in the quarter before the acquisition announcement date obtained from *Thomson Reuters SDC Platinum*. The data are from *WRDS*.
No of Analysts	Number of sell-side analysts covering firm j in year t-1. The data are from *IBES*.
No of M&As (past 10 years)	Number of acquisitions executed by the acquirer over the past ten years preceding the announcement date of an acquisition transaction. Information is from *Thomson Reuters SDC Platinum*.
Sigma	Standard deviation of the acquirer's CRSP value-weighted index adjusted buy-and-hold abnormal return (BHAR) over the [-205, -6] event window relative to the acquisition announcement date obtained from *Thomson Reuters SDC Platinum*. Stock price data is from *CRSP.*
NWC	Firm $j's$ Noncash working capital in the fiscal year before the acquisition announcement date obtained from *Thomson Reuters SDC Platinum*. The data are from *Compustat.*
Turnover	The average stock daily turnover (i.e., share volume scaled by shares outstanding) of past three-month (trading days −63 to −6) for firm j at time t. Information is from *CRSP.*
R&D/Total Assets	Firm $j's$ R&D expenses scaled by total assets in the fiscal year before the acquisition announcement date obtained from *Thomson Reuters SDC Platinum*. The data on R&D and total assets are from *Compustat.*
Abnormal stock return/ Run up return	CRSP value-weighted index adjusted buy-and-hold abnormal return (BHAR) of the acquirer firm's stock over the [-205, -6] event window relative to the acquisition announcement date obtained from *Thomson Reuters SDC Platinum*. Stock price data is from *CRSP.*
Sales growth	Firm $j's$ Sales annual growth in the fiscal year before the acquisition announcement date obtained from *Thomson Reuters SDC Platinum*. The data on sales growth are from *Compustat.*
Serial Acquirer (past 10/5 years)	Indicator equals one if firm j made three or more acquisitions during the past ten/five years, zero otherwise. Information is from *Thomson Reuters SDC Platinum.*

Acquirer (t-1)	Indicator variable equals one if firm *j* conducted an acquisition in the year prior to the acquisition announcement date obtained from *Thomson Reuters SDC Platinum,* and zero otherwise.
IV	The standard deviation of residuals from a daily time-series regression of past three-month (trading days −63 to −6) firm returns against market returns and Fama-French size and book-to-market factors for firm *j* at time *t*.
Specialized M&A Staff	Indicator variable equals 1 if firm *j* employs *Specialized M&A staff* in year *t*-1, zero otherwise. Information on *Specialized M&A staff* is obtained from *Boardex of Management Diagnostic Limited Individual*
Cash Deviation	Cash deviation is defined as the deviation of the firm's ratio of cash and short-term investments to total assets from the average value predicted for its industry (Harford, 1999). Information is from *Compustat..*
P/E Ratio	Stock price divided by earnings per share, averaged over years *t*-4 through *t*-1. Information is from *CRSP.*
Dividend Yield	Annual Dividends divided by current stock price, averaged over years *t*-4 through *t*-1. Information is from *CRSP.*
Dual-Class	Indicator variable is one if firm *j* has a dual-class voting structure in year *t*-1, zero otherwise. The information is from *Riskmetrics*.
Competitive Industry	Competition from peers using Herfindahl-Hirschman index (HHI) is based on the text-based network industry classification (TNIC) of Hoberg and Philips (2010, 2016). Competitive industry is an indicator variable that equals 1 HHI index is in the lowest tercile, zero otherwise. Information is obtained from https://hobergphillips.tuck.dartmouth.edu.
Stock (EPS) return synchronicity	Indicator variable is one if firm *j's* stock return (EPS) synchronicities with its corresponding industry is above the sample median, zero otherwise. Information is from *CRSP.*
% of Peers announcing Acquisition Plan	Percentage of industry peers announcing acquisition plan in year *t*-1. Information is manually constructed from *Mergermarket Ltd.*
Acquisition Plan (past)	Indicator variable is one if firm *j* announced acquisition plan in year *t*-1, zero otherwise. Information is manually constructed from *Mergermarket Ltd.*
CEO Acquisition Plan (past)	Indicator variable is one if firm *j's* CEO announced any acquisition plans at her former employer, zero otherwise. CEOs are required to work for at least another firm prior to joining firm *j*. Information is manually constructed from *Mergermarket Ltd.*
Capex Guidance (past)	Indicator variable is one if firm *j* announced capital expenditure guidance in year *t*-1, zero otherwise. Information is from *I/B/E/S* guidance.

CEO and Director Characteristics	
CEO Gender	Indicator variable equals one if current CEO of firm *j* is a male, and zero otherwise. The data are from *RiskMetrics*.
Board size	Number of directors on the board of firm *j*. The data are from *RiskMetrics*.
No Independent Board	Indicator variable equals one if less than 60% of the directors on firm *j*'s board is independent, and zero otherwise. The data are from *RiskMetrics*.
CEO Age	The age of the acquiring firm *j*'s CEO. The data are from *RiskMetrics*.
CEO Power	Indicator variable equals one if CEO of firm *j* receives 100% or more total compensation compared to the next highest-paid top executive in firm *j* at year *t*-1, zero otherwise.
CEO Founder	Indicator that equals one if the current CEO is also one of the founders of firm *j*, zero otherwise
CEO-Chairman	Indicator variable is one if the firm *j*'s CEO is both the chairman and the president or if she is the chairman and her firm has no president or Chief Operating Officer among the top executive team. The information is from *Execucomp*.
Acquisition Transaction Characteristics	
Relative Size	Value of an acquisition (as obtained from *SDC*) divided by the market value of acquirer's equity four weeks prior to the acquisition announcement date. Information is obtained from *CRSP*.
Private	Indicator variable is one for an acquisition of a private target, zero otherwise. Information is from *Thomson Reuters SDC Platinum*. .
Subsidiary	Indicator variable is one for an acquisition of a subsidiary target, zero otherwise. Information is from *Thomson Reuters SDC Platinum*.
Hostile	Indicator variable is one for hostile acquisitions, zero for unsolicited acquisitions. Information is from *Thomson Reuters SDC Platinum*.
Top tier Advisor	Indicator variable is one if the acquirer retained a top-tier investment bank for an acquisition, zero otherwise. To define top-tier banks, we calculate the total value of deals advised by each investment bank over 2000 and 2017 and then define an investment bank as top-tier if it ranks in the top 10 based on this measure. Information is from *Thomson Reuters SDC Platinum*.
No of Advisors	Number of investment banks retained for an acquisition by the acquirer. Information is from *Thomson Reuters SDC Platinum*.

Payment-All Cash	Indicator variable is one if the acquisition is paid for with all cash, zero otherwise. Information is from *Thomson Reuters SDC Platinum*.
Payment-Includes Stock	Indicator variable is one if the acquisition is paid for with some equity, zero otherwise. Information is from *Thomson Reuters SDC Platinum*.
Diversifying	Indicator variable is one if the acquirer and target do not belong to the same two-digit SIC code, zero otherwise. Information is from *Thomson Reuters SDC Platinum* and *Compustat*.

Table 1. Sample Distribution and Acquisition Plan Characteristics

Panel A reports summary statistics for the distribution of acquisition plans, the number and percentage of firms announcing acquisition plans, and percentage of acquisition-planning firms' market capitalization relative to universe of U.S. firms in *CRSP/Compustat*. Panel B shows the distribution of unique acquisition transactions over 2004-2016 as well as the percentage acquisition transactions preceded by an acquisition plan announcement in year *t*-1 relative to acquisition transaction dates, the number of unique acquirers and the percentage of unique acquirers announcing acquisition plans in year *t*-1 relative to acquisition transaction dates. Panel C reports the percentage of overlap between acquisition plan announcements, announcements of various types of management guidance, and other firm-specific material news (defined as occurring within the five-day event window of the acquisition plan announcement). Panel D reports characteristics of acquisition plans. Panel E presents descriptive statistics on the institutional disclosure channels through firms disseminate acquisition plans to capital market participants. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. Information on Capex, Sales, EPS, and DPS guidance are obtained from *I/B/E/S Guidance*. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat*. Refer to Appendix B for a detailed description of variables.

Panel A: Sample Distribution

Year	No of Acquisition Plans (1)	No of Acquisition Planning Firms (2)	% Firms with Acquisition Plans (3)	% Market Cap: Acquisition-planning firms (4)
2003	232	202	3.67%	15.71%
2004	970	722	13.63%	33.92%
2005	1282	962	18.45%	35.13%
2006	1513	1071	20.94%	40.94%
2007	1410	1034	20.41%	31.06%
2008	1012	778	16.40%	47.39%
2009	1409	968	21.67%	56.53%
2010	1285	900	21.07%	37.08%
2011	1024	808	19.77%	27.78%
2012	746	586	14.83%	28.82%
2013	830	678	17.38%	27.40%
2014	762	604	15.24%	20.05%
2015	662	539	13.54%	27.02%
Total/Average	13137	3536	16.69%	31.87%

Panel B: Acquisition Distribution

Year	No of Acquisitions (1)	%Acquisitions by Acquisition-planning firms (2)	No of Acquirers (3)	% Acquirers with Acquisition Plans (4)
2004	1242	21.34%	903	20.38%
2005	1368	29.75%	923	30.66%
2006	1319	34.50%	936	34.08%
2007	1195	36.32%	852	35.56%
2008	793	32.41%	624	32.53%
2009	613	36.54%	491	34.42%
2010	806	41.32%	566	38.52%
2011	815	32.88%	579	31.95%
2012	980	36.22%	665	40.00%
2013	875	35.66%	610	36.39%
2014	1079	35.40%	759	38.21%
2015	941	30.39%	671	32.64%
2016	751	29.03%	568	30.28%
Total/Average	12,777	33.21%	3845	33.51%

Panel C. Acquisition Plans and Contemporaneous Firm News

% Overlap with Capex guidance	3.65%
% Overlap with EPS guidance	6.64%
% Overlap with Sales guidance	6.18%
% Overlap with DPS guidance	0.18%
% Overlap with any guidance (Capex, EPS, Sales and DPS)	9.35%
% Overlap with Earnings Announcement	9.57%
% Overlap with Stock/Debt Issuance	10.38%
% Overlap with other firm-specific material news (Capital IQ, Clustered Stock recommendations, influential absolute stock returns)	5.94%
% No overlap with any firm-specific news and management guidance	67.69%

Panel D. Acquisition Plan Characteristics

Target Selection Strategy	
Internal M&A Pipeline	74.64%
Opportunistic	25.36%
Acquisition Commitment:	
Committed	33.55%
Noncommitted	66.45%
Announcement Frequency	
One	58.79%
More than one	41.21%

Panel E. Institutional Disclosure Setting for Acquisition Plan

Institutional Conferences	51.81%
Journalist or Media Interviews	32.34%
Earnings Conference Call	9.57%
Regulatory Filings	4.32%

Table 2-Descriptive Statistics

Panel A reports descriptive statistics on firm-specific characteristics for the full sample (Column 1), acquisition-planning firms (Column 2) and other firms (Column 3). Statistical tests for differences in means and equality of medians for each characteristic across acquisition planning and other firms are also presented (Column 4). Differences in means are based on a *t*-test. Differences in medians are based on Wilcoxon rank sum test. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.* Refer to Appendix B for a detailed description of variables.

	Full Sample (1)		Acquisition-planning firms (2)		Other Firms (3)		Differences (2)-(3)	
Variable	Mean	Median	Mean	Median	Mean	Median	p-value of Mean	p-value of Median
Size	3383.503	328.108	7244.497	857.528	2671.050	272.750	<.0001	<.0001
Abnormal stock returns	0.072	-0.032	0.111	0.009	0.065	-0.041	<.0001	<.0001
Book Leverage	0.214	0.142	0.203	0.163	0.216	0.138	<.0001	<.0001
ROA	0.089	0.072	0.108	0.103	0.086	0.065	<.0001	<.0001
Cash flow to Equity	0.031	0.034	0.056	0.059	0.027	0.028	<.0001	<.0001
High-Tech	0.001	0.000	0.001	0.000	0.001	0.000	0.249	0.320
Tobin's Q	2.085	1.519	2.092	1.651	2.084	1.491	0.695	<.0001
Institutional Ownership	0.407	0.369	0.538	0.638	0.384	0.317	<.0001	<.0001
No of Analysts	7.477	5.000	11.709	9.000	6.736	4.000	<.0001	<.0001
No of M&As (past 10 years)	1.686	1.000	2.975	2.000	1.460	0.000	<.0001	<.0001
Sigma	0.032	0.026	0.025	0.021	0.033	0.027	<.0001	<.0001
Sales Growth	0.774	0.021	0.270	0.063	0.863	0.012	0.036	<.0001
NWC	326.093	11.351	584.331	41.631	280.870	8.961	<.0001	<.0001
Turnover	0.006	0.004	0.006	0.005	0.005	0.003	<.0001	<.0001
R&D/Total Assets	0.043	0.000	0.032	0.000	0.045	0.000	<.0001	<.0001

Table 3. Acquisition Plan Announcements and Abnormal Market Reactions

This table presents abnormal absolute cumulate abnormal stock price returns (*Abnormal Absolute CARs*) and abnormal stock turnover (*Abnormal Stock Turnover*) to acquisition plan announcements over various event-windows between 2003 and 2015. *Abnormal Absolute CARs* are defined as the absolute market-adjusted stock returns surrounding the announcement of acquisition plans minus the average of Absolute CARs on the sample of non-overlapping three-day/five-day return observations during the estimation window ([-30, -120] trading days relative to acquisition planning for firm *j*). *Abnormal Stock Turnover* is defined as the cumulative stock trading volume divided by the number of shares outstanding for acquisition-planning firm *j* over the event window minus the average of abnormal stock turnover from a sample of non-overlapping three-day/ five-day return observations during the estimation window ([-30, -120] trading days relative to acquisition planning for firm *j*). Information on acquisition plans is manually constructed from *Mergermarket Ltd*. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from CRSP/Compustat. Statistical significance from *t*-tests (Wilcoxon rank sum test) are in parentheses (brackets). Refer to Appendix B for a detailed description of variables.

Panel A. Full Sample

Interval	% Abnormal Absolute CARs (1)	% Abnormal Stock Turnover (2)
(-1,1)	3.485***	0.651***
	(<.0001)	(<.0001)
	[<.0001]	[<.0001]
(-2,2)	4.161***	0.819***
	(<.0001)	(<.0001)
	[<.0001]	[<.0001]

Panel B. Exclude Acquisition Plans announced contemporaneously with other Firm-specific news

Interval	% Abnormal Absolute CARs (1)	% Abnormal Stock Turnover (2)
(-1,1)	3.021***	0.3001***
	(<.0001)	(<.0001)
	[<.0001]	[<.0001]
(-2,2)	3.734***	0.405***
	(<.0001)	(<.0001)
	[<.0001]	[<.0001]

Table 4- Acquisition Plan Characteristics and Abnormal Market Reactions

This table presents abnormal absolute cumulative abnormal stock returns (*Abnormal Absolute CARs*) and cumulative abnormal stock turnover (*Abnormal Stock Turnover*) to acquisition plan announcements over various event-windows between 2003 and 2015. *Abnormal Absolute CARs* are defined as the absolute market-adjusted stock returns surrounding the announcement of acquisition plans minus the average of Absolute CARs on sample of non-overlapping three-day/five-day return observations during the estimation window ([-30, -120] trading days relative to acquisition planning for firm *j*. *Abnormal Stock Turnover* is defined as the cumulative stock trading volume divided by the number of shares outstanding for acquisition planning stock *j* over the event window minus the average of abnormal stock turnover from a sample of non-overlapping one-day, three-day and five-day return observations during the estimation window ([-30, -120]). Information on acquisition plans is manually constructed from *Mergermarket Ltd*. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from CRSP/Compustat. Statistical significance from *t*-tests (Wilcoxon rank sum test) are in parentheses (brackets). Refer to Appendix B for a detailed description of variables.

Panel A- Target Selection Strategy-Internal M&A pipeline vs Opportunistic

	Internal M&A pipeline	Opportunistic	Difference
% Absolute CARs (-1, +1)	4.119***	2.692***	1.427***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]
% Absolute CARs (-2, +2)	4.952***	3.378***	1.574***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]
% Abnormal Stock Turnover (-1, +1)	0.618***	0.207***	0.411***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[0.0005]	[0.0005]
% Abnormal Stock Turnover (-2, +2)	0.800***	0.288***	0.512***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]

Panel B- Acquisition Commitment: Committed vs Noncommitted

	Committed	Noncommitted	Difference
% Absolute CARs (-1, +1)	3.573***	2.659***	0.914***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]
% Absolute CARs (-2, +2)	4.225***	3.406***	0.819***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]
% Abnormal Stock Turnover (-1, +1)	0.5001***	0.105***	0.489***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]
% Abnormal Stock Turnover (-2, +2)	0.631***	0.165***	0.466***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[0.0007]

Panel C- Frequency: First vs Subsequent Announcements

	First	Subsequent	Difference
% Absolute CARs (-1, +1)	3.350***	2.556***	0.794***
	(<.0001)	(0.0067)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]
% Absolute CARs (-2, +2)	4.100***	3.233***	0.867***
	(<.0001)	(<.0001)	(<.0001)
	[<.0001]	[<.0001]	[<.0001]
% Abnormal Stock Turnover (-1, +1)	0.435***	0.209***	0.226***
	(<.0001)	(<.0001)	(<.0001)
	[0.0002]	[<.0001]	[0.0402]
% Abnormal Stock Turnover (-2, +2)	0.581***	0.309***	0.272***
	(<.0001)	(<.0001)	(0.0001)
	[<.0001]	[<.0001]	[0.0340]

Table 5- Acquisition Plans and The Likelihood of Subsequent Acquisitions

This table presents logistic regression analyses of acquisition likelihood on acquisition plan announcements and firm-specific characteristics from 2004 to 2016. Our dependent variable takes the value of one if firm *j* announces and completes at least one acquisition in year *t*, and zero otherwise. *Acquisition Plan* is an indicator variable that equals one if firm *j* announces at an acquisition plan in year *t-1*, and zero otherwise. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.* Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

Panel A. Main Regressions

	Model 1	Model 2	Model 3
Acquisition Plan	66.190***	66.870***	63.780***
	(17.938)	(17.880)	(17.522)
Log (Firm Size)	2.880	2.870	2.430
	(1.447)	(1.414)	(1.272)
Book leverage	-23.790***	-23.250***	-24.970***
	(-2.802)	(-2.716)	(-3.041)
ROA	1.560	4.640	14.270
	(0.051)	(0.152)	(0.487)
Cash Flow to Equity	91.600***	88.270***	85.120***
	(2.741)	(2.698)	(2.660)
High tech	-43.450	-43.530	-37.990
	(-0.911)	(-0.893)	(-0.799)
Tobin's Q	-0.083	-0.209	0.110
	(-0.060)	(-0.148)	(0.080)
Institutional Ownership	1.450	1.100	-1.660
	(0.232)	(0.174)	(-0.285)
No of Analysts	1.320***	1.350***	1.270***
	(4.314)	(4.299)	(4.425)
No of M&As (past 10 years)	12.320***	12.390***	6.040***
	(17.500)	(17.304)	(7.420)
Sigma	-943.000***	-967.760***	-901.890***
	(-5.086)	(-5.099)	(-4.885)
NWC	-0.001	-0.001	-0.001
	(-0.996)	(-1.078)	(-1.080)
Turnover	-243.860	-262.770	-284.750
	(-0.802)	(-0.854)	(-0.959)
R&D/Total Assets	-92.530***	-90.790***	-87.490***
	(-4.270)	(-4.186)	(-4.129)
Abnormal stock return	6.540**	6.510**	5.960**
	(2.378)	(2.245)	(2.216)
Sales growth	0.000	-0.001	-0.002
	(0.019)	(-0.060)	(-0.179)
Serial Acquirer (past 10 years)			22.930***
			(4.689)
Serial Acquirer (past 5 years)			29.430***
			(5.584)
Acquirer (t-1)			48.920***
			(11.788)
Industry Fixed Effects	Y	N	N
Year Fixed Effects	Y	N	N
Industry-Year Fixed Effects	N	Y	Y
R^2	7.73%	8.43%	9.14%
N	39,978	39,978	39,978

Panel B. Robustness and Identification

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Acquisition Plan	47.350***	43.360***	62.140***	63.880***	38.070***	49.290***			
	(9.248)	(7.827)	(16.098)	(17.549)	(5.408)	(11.139)			
Acquisition Plan (count)					19.210***				
					(4.213)				
Acquisition Plan (propensity match)							58.430***		
							(11.151)		
Falsification-Capex guidance								1.980	
								(0.501)	
Falsification-Divestiture Plan									7.050
									(0.985)
CEO Gender	12.420								
	(0.814)								
Board size	-1.850								
	(-1.381)								
CEO Age	-1.110***								
	(-3.025)								
CEO Power		8.690*							
		(1.652)							
CEO Founder		1.560							
		(0.158)							
Dual Class		3.890							
		(0.209)							
No Independent Board		-8.200							
		(-1.134)							
CEO Chairman		2.590							
		(0.463)							
Specialized M&A Staff			21.940***						
			(2.925)						
Cash Deviation				10.090					
				(0.951)					
P/E ratio				0.000					
				(0.423)					
Dividend yield				176.000					
				(1.104)					
Firm-specific Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y	Y	Y	Y
Firm Fixed Effects	N	N	N	N	N	Y	N	N	N
R^2	11.41%	11.65%	10.06%	9.18%	8.43%	7.76%	9.77%	8.40%	8.41%
N	14,779	12,505	33,577	39,978	39,978	24,028	13,044	39,978	39,978

Panel B. Robustness and Identification

	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18
Acquisition Plan						9.457***	29.150***	58.970***	13.490***
						(16.442)	(2.672)	(11.495)	(15.40)
Falsification-International Acquisition Plan	-13.720								
	(-1.290)								
Falsification-Sales guidance		-0.345							
		(-0.088)							
Falsification-Earnings guidance			-1.690						
			(-0.398)						
Falsification-Dividend guidance				-10.040					
				(-0.804)					
Acquisition Plan- Falsified Dates					1.030				
					(0.194)				
Firm-specific Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	N	Y	Y	Y	Y	Y	Y	Y	Y
R^2	8.41%	8.40%	8.40%	8.40%	8.40%	9.75%	2.06%	9.52%	13.24%
N	39,978	39,978	39,978	39,978	39,978	39,978	39,978	39,978	39,978

Table 6- Acquisition Plan Characteristics and The Likelihood of Subsequent Acquisitions

This table presents logistic regression analyses of acquisition likelihood on acquisition plan announcements and firm-specific characteristics over 2004 and 2016. Our dependent variable takes the value of one if firm *j* announces and completes at least one acquisition in year *t*, and zero otherwise. *Acquisition Plan* is an indicator variable that equals one if firm *j* announces an acquisition plan in year *t-1*, and zero otherwise. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat*. Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

Panel A. Target Selection Strategy

	Model 1	Model 2	Model 3
Acquisition Plan (Internal M&A pipeline)	80.340***	81.140***	78.330***
	(13.663)	(13.637)	(13.012)
Acquisition Plan (Opportunistic)	35.050***	34.920***	33.100***
	(4.762)	(4.687)	(4.559)
Difference	45.290***	46.220***	45.230***
F-Value	(4.310)	(3.801)	(4.247)
Firm-specific Controls	Y	Y	Y
Industry Fixed Effects	Y	N	N
Year Fixed Effects	Y	N	N
Industry-Year Fixed Effects	N	Y	Y
R^2	7.60%	8.30%	9.03%
N	39,978	39,978	39,978

Panel B. Acquisition Commitment

	Model 1	Model 2	Model 3
Acquisition Plan (Committed)	82.760***	83.110***	79.640***
	(13.348)	(13.276)	(13.056)
Acquisition Plan (Noncommitted)	41.650***	41.810***	38.610***
	(4.537)	(4.520)	(4.252)
Difference	41.110***	41.300***	41.030***
F-Value	(3.913)	(3.801)	(3.768)
Firm-specific Controls	Y	Y	Y
Industry Fixed Effects	Y	N	N
Year Fixed Effects	Y	N	N
Industry-Year Fixed Effects	N	Y	Y
R^2	7.39%	8.08%	8.84%
N	39,978	39,978	39,978

Table 7- Market reactions to Acquisition Plan Announcements and Likelihood of Subsequent Acquisitions

This table presents logistic regression analyses of acquisition likelihood on acquisition plan announcements and firm-specific characteristics over 2004 and 2016. Our dependent variable takes the value of one if firm *j* announces and completes at least one acquisition in year *t*, and zero otherwise. *Acquisition Plan-Positive (Negative) CAR* is an indicator variable that equals one if firm *j* announces an acquisition plan in year *t-1* and acquisition plan announcement is greeted with positive (negative) CARs, and zero otherwise. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.* Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

Panel A. Main results

	Model 1	Model 2	Model 3
Acquisition Plan-Positive CAR	88.610***	89.390***	86.230***
	(19.056)	(17.527)	(17.075)
Acquisition Plan-Negative CAR	44.120***	44.720***	41.570***
	(9.097)	(8.438)	(7.979)
Difference (Positive CAR-Negative CAR)	44.490***	44.670***	44.660***
F-Value	(48.59)	(47.77)	(46.83)
Industry Fixed Effects	Y	N	N
Year Fixed Effects	Y	N	N
Industry-Year Fixed Effects	N	Y	Y
R^2	7.83%	8.53%	9.25%
N	39,978	39,978	39,978

Panel B. Acquisition Plan Characteristics and Acquisition Likelihood

	Model 1	Model 2
Acquisition Plan (Internal M&A pipeline)- Positive CAR	78.861***	
	(9.030)	
Acquisition Plan (Internal M&A pipeline)- Negative CAR	82.730***	
	(9.110)	
Acquisition Plan (Opportunistic)- Positive CAR	62.160***	
	(11.160)	
Acquisition Plan (Opportunistic)- Negative CAR	15.020**	
	(2.350)	
Acquisition Plan (Committed)-Positive CAR		73.440***
		(9.290)
Acquisition Plan (Committed)- Negative CAR		85.170***
		(9.910)
Acquisition Plan (Noncommitted)-Positive CAR		62.230***
		(5.091)
Acquisition Plan (Noncommitted)- Negative CAR		13.021
		(0.811)
Difference (1)-(2)	-3.869	-11.730
F-Value	(-0.101)	(-1.110)
Difference (3)-(4)	47.140***	49.209***
F-Value	(36.650)	(6.140)
Firm-specific Controls	Y	Y
Industry-Year Fixed Effects	Y	Y
R^2	9.23%	8.88%
N	39,978	39,978

Table 8- Acquisition Plans and Market Uncertainty around Subsequent Acquisition announcements

This table presents ordinary least squares (OLS) regression analyses of alternative measures of market uncertainty around M&A announcements on acquisition plans and firm-specific characteristics over 2004 and 2016. Our dependent variables are i) *Abnormal Option Implied Volatility (IV)* is *Option IV* over the (-2, +2) event window surrounding acquisition announcements minus average of the pre-event window average of *Option IV* for the same stock j on a sample of non-overlapping five-day event windows obtained from the estimation window, ii) *Abnormal Earnings Forecast Dispersion (FD)* defined as the standard deviation of earnings forecasts across analysts over one month following an acquisition announcement (normalized by acquiring firm's book value of total assets) minus average of non-overlapping one-month *FD* during the estimation window ([-1, -4] months relative to acquisition plan announcements for stock *j*. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. Option IVs are retrieved from *Optionmetrics* and analyst earnings forecasts are obtained from *I/B/E/S*. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.* Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

Panel A: Main Results

	Abnormal Option Implied Volatility (1)	Abnormal Earnings Forecast Dispersion (2)
Acquisition Plan	-1.270***	-0.034***
	(-3.860)	(-3.760)
Industry-Year Fixed Effects	Y	Y
tR^2	15.87%	20.08%
N	7,387	4,807

Panel B: Acquisition Plan Characteristics and Market Uncertainty

	Abnormal Option Implied Volatility (1)	Abnormal Earnings Forecast Dispersion (2)	Abnormal Option Implied Volatility (3)	Abnormal Earnings Forecast Dispersion (4)
Acquisition Plan (Internal M&A pipeline)	-1.892***	-0.058***		
	(-3.640)	(-4.690)		
Acquisition Plan (Opportunistic)	-0.974***	-0.024**		
	(-2.670)	(-2.540)		
Acquisition Plan (Committed)			-1.995***	-0.051***
			(-4.580)	(-4.470)
Acquisition Plan (Noncommitted)			-0.641	-0.024**
			(-1.640)	(-2.280)
Difference	-0.917***	-0.034***	-1.354***	-0.026***
F-Value	(4.048)	(4.537)	(3.996)	(4.123)
Firm-specific Controls	Y	Y	Y	Y
Deal-specific Controls	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y
R^2	15.91%	20.17%	15.95%	20.15%
N	7,387	4,807	7,387	4,807

Table 9: Acquisition Plans and Performance of Subsequent Acquisitions

This table presents ordinary least squares (OLS) regression and logistic regression analyses of alternative measures of acquisition performance on acquisition plans, acquirer- and deal-specific characteristics across Columns 1 to 6. In Column 1, the dependent variable is market model-adjusted CARs over the [-2, +2] event window surrounding the M&A announcement date, where the parameters of the market model are estimated using the CRSP value-weighted index over [-240, -41] days relative to the M&A announcement date. In Columns 2, 3, and 4, the dependent variable is the change in industry-adjusted ROA for the acquiring firms from the pre-acquisition year to one, two, and three years following the deal completion. In Column 5, we estimate a logistic regression where the dependent variable is a binary indicator that equals one if the acquirer makes a divestiture in the same two-digit SIC industry as the target within three years following an acquisition's effective closing date, zero otherwise. In Column 6, the dependent variable is the change in analyst consensus EPS forecasts between six months preceding the M&A announcement date and six months following the closing date. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat*. Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

Panel A: Main Results

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Acquisition Plan	0.664***	1.476***	1.451***	1.340*	-61.530***	4.241**
	(4.360)	(3.708)	(3.755)	(1.913)	(-4.439)	(2.135)
Ln (Acquirer Size)	-0.377***	1.476***	1.052***	1.004**	1.750	-2.365
	(-3.844)	(4.191)	(3.949)	(2.270)	(0.323)	(-1.246)
Run up return	-0.980***	1.215***	1.186	1.509	10.540	6.077*
	(-3.754)	(4.457)	(1.474)	(1.164)	(1.013)	(1.667)
Relative size	4.440***	1.612	1.119	3.485**	1.640	-1.818
	(4.742)	(1.418)	(1.014)	(2.265)	(0.124)	(-0.272)
Private	1.967***	0.821	0.445	1.298	-204.880***	-2.118
	(5.932)	(0.486)	(0.561)	(1.628)	(-10.168)	(-0.444)
Subsidiary	2.267***	0.392	0.211	0.545	532.370***	-3.186
	(7.815)	(0.707)	(0.268)	(0.663)	(30.094)	(-0.662)
Hostile	-1.527	0.643	-4.885**	0.775	-1509.870***	18.703
	(-0.642)	(1.181)	(-2.077)	(0.199)	(-19.867)	(1.185)
Book leverage	1.197	-4.515*	7.200**	11.087**	22.780	5.471
	(1.287)	(-1.721)	(2.297)	(2.573)	(0.752)	(0.537)

ROA	1.181	4.218	14.494	20.328	-58.290	14.863
	(0.644)	(1.444)	(1.535)	(1.322)	(-0.915)	(1.110)
Cash Flow to Equity	-0.969	14.711*	-38.254***	-41.024***	-1.450	-4.728
	(-0.570)	(1.693)	(-2.695)	(-2.897)	(-0.030)	(-0.439)
High tech	-0.277	-38.278***	-0.243	-0.736	-45.640***	-8.999**
	(-1.096)	(-3.764)	(-0.332)	(-1.001)	(-2.696)	(-2.301)
Tobin's Q	-0.043	-0.032	0.578	0.322	-3.410	-0.395
	(-0.445)	(-0.048)	(1.056)	(0.503)	(-0.699)	(-0.377)
Institutional Ownership	0.282	0.519	0.265	1.032	2.340	-5.402
	(0.949)	(1.112)	(0.374)	(1.071)	(0.129)	(-0.662)
No of Analysts	0.041***	0.333	-0.092***	-0.078**	0.358	0.468
	(3.734)	(0.549)	(-3.185)	(-2.130)	(0.464)	(1.403)
No of M&As (past 10 years)	0.012**	-0.076**	-0.011	0.001	1.300	0.075
	(2.195)	(-2.538)	(-0.573)	(0.032)	(1.529)	(0.628)
IV	35.250*	-0.002	-5.447	44.475	-283.330	-174.728
	(1.844)	(-0.104)	(-0.096)	(0.523)	(-0.400)	(-0.776)
Sales growth	-0.001	-70.006	0.001	0.000	0.065***	0.016
	(-1.215)	(-1.143)	(0.781)	(-0.347)	(4.610)	(1.206)
NWC	0.000**	-0.002	0.000	0.000	-0.006**	0.000
	(2.143)	(-1.145)	(-1.024)	(-0.273)	(-2.222)	(0.733)
Turnover	-5.071	0.000**	-9.956	-29.074	-19.130	374.090
	(-0.222)	(-2.020)	(-0.193)	(-0.489)	(-0.024)	(1.053)
R&D/Total Assets	-1.320	-136.916*	15.581	29.788**	137.770	-31.913
	(-0.479)	(-1.660)	(1.502)	(2.556)	(0.980)	(-1.035)
Top tier Advisor	0.425	-1.064	-0.521	-0.671	35.740**	-0.952
	(1.256)	(-0.109)	(-0.939)	(-0.930)	(2.206)	(-0.195)
No of Advisors	-0.102	-1.319**	-0.354	-0.375	-30.130***	-0.014
	(-0.466)	(-2.304)	(-0.940)	(-0.937)	(-3.139)	(-0.006)
Payment-All Cash	0.086	-0.542	-0.038	0.301	7.600	0.433
	(0.416)	(-1.526)	(-0.108)	(0.496)	(0.557)	(0.117)
Payment-Includes Stock	-0.506	0.271	-2.786***	-3.718***	-92.530***	-5.808
	(-1.358)	(0.786)	(-3.410)	(-3.679)	(-5.263)	(-1.191)
Diversifying	-0.066	-1.392	-0.587	-0.301	1.420	-6.244*
	(-0.313)	(-1.493)	(-1.161)	(-0.456)	(0.122)	(-1.800)
Serial Acquirer (past 10 years)	0.062	-0.816*	1.770**	2.817**	-1.800	6.524
	(0.191)	(-1.854)	(2.428)	(2.315)	(-0.054)	(0.588)
Serial Acquirer (past 5 years)	0.403	1.860**	-0.887	-1.157	-32.010	-7.755
	(1.349)	(2.447)	(-1.325)	(-1.132)	(-0.968)	(-0.940)
Acquirer (t-1)	-0.541	-2.020**	0.243	-1.158	-42.690**	-4.721
	(-1.730)	(-2.586)	(-1.325)	(0.280)	(-2.342)	(-0.890)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.29%	15.72%	15.01%	11.80%	62.38%	12.62%
N	11.971	10,463	9,805	8,901	11,966	8,513

Panel B: With the addition of CEO characteristics and agency proxies

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Acquisition Plan	0.608**	0.959***	0.892**	0.711**	-79.530***	3.513*
	(1.979)	(2.976)	(2.456)	(2.036)	(-2.720)	(1.743)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R²	25.25%	42.38%	45.33%	49.59%	64.40%	10.81%
N	3,696	3,313	3,127	2,920	3,696	3,504

Panel C: With the addition of specialized M&A staff

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Acquisition Plan	0.607***	1.243***	1.068***	1.688***	-70.540***	4.215**
	(3.538)	(4.446)	(3.101)	(4.105)	(-4.613)	(2.028)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R²	20.62%	25.69%	22.22%	21.97%	62.95%	13.72%
N	10,221	8,970	8,391	7,627	10,219	8,037

Panel D: With firm fixed effects

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Acquisition Plan	0.873***	1.137***	0.930**	0.955**	-71.745***	9.233**
	(4.191)	(3.121)	(1.967)	(2.254)	(-3.735)	(1.967)
Year Fixed Effects	Y	Y	Y	Y	Y	Y
Firm Fixed Effects	Y	Y	Y	Y	Y	Y
R²	66.19%	68.83%	72.28%	88.83%	80.89%	34.41%
N	11,971	10,463	9,805	8,901	11,966	8,513

Panel E: Propensity score matching

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Acquisition Plan	0.863***	1.495***	1.961***	2.086***	-62.570***	7.082*
	(4.800)	(3.631)	(4.022)	(3.582)	(-3.341)	(1.680)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.24%	22.44%	29.74%	30.75%	61.47%	20.63%
N	7,121	6,274	5,873	5,141	7,118	5,009

Panel F: Falsification Test: Capex guidance

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Capex Guidance	-0.197	0.043	0.412	-0.308	8.150	3.017
	(-0.775)	(0.096)	(0.832)	(-0.477)	(0.647)	(0.862)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.21%	15.60%	14.90%	11.75%	62.29%	12.61%
N	11,971	10,463	9,805	8,901	11,966	8,513

Panel G: Falsification Test: Divestment plan

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Divestiture Plan	0.368	0.513	0.569	0.495	0.586	11.010
	(1.213)	(1.082)	(1.038)	(0.706)	(0.018)	(0.968)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.20%	15.60%	14.90%	11.75%	62.38%	12.63%
N	11,971	10,463	9,805	8,901	9,767	8,513

Panel H: Falsification Test: International Acquisition plan

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
International Acquisition Plan	0.410	0.013	0.690	1.028	-64.530	-2.501
	(0.989)	(0.019)	(0.965)	(1.347)	(-1.432)	(-0.754)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.20%	15.60%	14.90%	11.75%	62.39%	12.60%
N	11,971	10,463	9,805	8,901	9,767	8,513

Panel I: Falsification Test-Sales guidance

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Sales Guidance	-0.203	0.182	-0.462	-0.133	-19.080	5.748
	(-0.824)	(0.367)	(-0.798)	(-0.163)	(-1.371)	(1.018)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.21%	15.60%	14.90%	11.75%	62.30%	12.63%
N	11,971	10,463	9,805	8,901	11,966	8,513

Panel J: Falsification Test-EPS guidance

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
EPS Guidance	-0.274	0.114	0.394	0.516	-10.660	-0.710
	(-1.279)	(0.270)	(0.782)	(0.801)	(-0.822)	(-0.165)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.21%	15.60%	14.90%	11.76%	62.30%	12.60%
N	11,971	10,463	9,805	8,901	11,966	8,513

Panel K: Falsification Test-Dividend guidance

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Dividend Guidance	-0.097	-0.165	0.147	-0.486	-5.880	0.609
	(-0.183)	(-0.374)	(0.251)	(-0.790)	(-0.205)	(0.086)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	11.50%	15.60%	14.89%	11.75%	62.29%	12.60%
N	11,971	10,463	9,805	8,901	11,966	8,513

Panel L: Falsification Test-Falsified Acquisition Plan Date

	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)
Acquisition Plan-alsified date	-0.076	0.322	-0.282	0.340	-31.520	-5.136
	(-0.249)	(0.349)	(-0.480)	(0.504)	(-1.379)	(-1.046)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	17.20%	15.60%	14.89%	11.75%	62.30%	12.61%
N	11,971	10,463	9,805	8,901	11,966	8,513

Table 10. Acquisition Plan Characteristics and Performance of Subsequent Acquisitions

This table presents ordinary least squares (OLS) regression and logistic regression analyses of alternative measures of M&A performance on acquisition plans, acquirer- and deal-specific characteristics across Columns 1 to 12. In Column 1 and 2, the dependent variable is market model-adjusted CARs over the [-2, +2] event window surrounding the M&A announcement date, where the parameters of the market model are estimated using the CRSP value-weighted index over [-240, -41] days relative to the M&A announcement date. In Columns 3, to 8, the dependent variable is the change in industry-adjusted ROA for the acquiring firms from the pre-acquisition year to one, two, and three years following the deal completion. In Column 9 and 10, we estimate a logistic regression where the dependent variable is a binary indicator that equals one if the acquirer makes a divestiture in the same two-digit SIC industry as the target within three years following an acquisition's effective closing date, zero otherwise. In Column 11 and 12, the dependent variable is the change in analyst consensus EPS forecasts between six months preceding the M&A announcement date and six months following the closing date. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat*. Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

	CAR [-2, +2]	CAR [-2, +2]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +1]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +2]	Change in Industry Adjusted ROA [-1, +3]	Change in Industry Adjusted ROA [-1, +3]	Divestment	Divestment	Change in Analyst Consensus EPS forecast	Change in Analyst Consensus EPS forecast
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Acquisition Plan (Internal M&A pipeline)	0.286		0.394		0.507		0.128		-29.000		0.132	
	(1.285)		(0.625)		(0.937)		(0.107)		(-1.615)		(0.046)	
Acquisition Plan (Opportunistic)	0.989***		2.043***		1.743***		1.989***		-79.350***		6.790***	
	(5.785)		(5.399)		(4.215)		(3.325)		(-4.257)		(3.179)	
Acquisition Plan (Committed)		0.124		0.281		0.788		0.330		8.940		1.366
		(0.670)		(0.501)		(1.348)		(0.307)		(0.518)		(0.584)
Acquisition Plan (Noncommitted)		1.116***		2.430***		1.977***		2.345***		-120.040***		6.605***
		(5.957)		(7.245)		(5.400)		(4.453)		(-6.146)		(2.812)
Difference	0.703***	0.992***	1.601**	2.149***	0.978*	1.190**	1.700*	2.016**	-50.350*	-111.100***	6.583**	5.144**
F-Value	(3.351)	(4.520)	(2.239)	(3.815)	(1.908)	(2.142)	(1.814)	(2.133)	(1.908)	(4.350)	(2.449)	(2.057)
Firm-specific Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Deal-specific Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
R^2	17.35%	17.35%	15.77%	15.77%	15.02%	15.02%	11.84%	11.84%	62.39%	62.39%	12.64%	12.64%
N	11.971	11.971	10,463	10,463	9,805	9,805	8,901	8,901	11,966	11,966	8,513	8,513

Table 11. Acquisition Plans and Takeover Premiums

This table presents ordinary least squares (OLS) regression analyses of acquisition plans and premiums paid on target firms. In Column 1 and 2, the dependent variable equals the takeover premium calculated as the difference between the price paid per share and target firm's stock price 63 (42) trading days prior to M&A announcement date. In Column 3, the dependent variable equals the takeover premium calculated as the difference between the price paid per share and target firm's stock price 1 trading day prior to acquisition plan announcement date. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.* Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

	Takeover Premium (Target's Price at day -63)	Takeover Premium (Target's Price at day -42)	Takeover Premium (Target's Price at day -1 relative to Acquisition Plan Announcement)
	(1)	(2)	(3)
Acquisition Plan	-17.676	-4.087	-3.448
	(-1.508)	(-0.453)	(-0.515)
Ln (Acquirer Size)	6.932	5.557	5.492**
	(1.364)	(1.314)	(1.986)
Run up return	19.314*	15.749	12.583*
	(1.681)	(1.646)	(1.849)
Relative size	10.830	4.523	2.872
	(0.855)	(0.388)	(0.514)
Private	-20.778	-26.271	-17.995
	(-0.602)	(-0.962)	(-0.683)
Subsidiary	-64.233	-43.392	-28.900
	(-0.747)	(-0.631)	(-0.462)
Hostile	-25.705	-31.584**	-31.951**
	(-1.347)	(-2.271)	(-1.983)
Book leverage	29.019	12.971	3.539
	(1.137)	(0.653)	(0.259)
ROA	51.351	45.769	-2.443
	(1.081)	(0.977)	(-0.082)
Cash Flow to Equity	14.624	18.660	23.230
	(0.506)	(0.724)	(0.977)
High tech	31.376*	28.545**	3.912
	(1.890)	(1.988)	(0.574)
Tobin's Q	0.997	0.261	-1.678
	(0.229)	(0.070)	(-0.749)
Institutional Ownership	15.092	11.763	4.982
	(0.921)	(0.858)	(0.608)
No of Analysts	-0.223	-0.218	-0.214
	(-0.462)	(-0.564)	(-0.829)
No of M&As (past 10 years)	0.621	0.310	1.016**
	(0.644)	(0.353)	(2.415)
Sigma	326.278	512.887	300.722
	(0.592)	(1.121)	(0.606)
Sales growth	-1.138	-2.479	2.597
	(-0.150)	(-0.389)	(0.646)
NWC	-0.001	0.000	0.000
	(-0.709)	(-0.229)	(0.423)

Turnover	-596.435	-592.086	39.936
	(-0.691)	(-0.816)	(0.087)
R&D/ Total Assets	44.233	39.323	40.343
	(0.495)	(0.506)	(0.660)
Top tier Advisor	-1.225	5.120	7.478
	(-0.086)	(0.511)	(1.086)
No of Advisors	1.869	2.876	-1.637
	(0.319)	(0.523)	(-0.535)
Payment-All Cash	-25.800	-36.226	1.672
	(-1.055)	(-1.546)	(0.116)
Payment-Includes Stock	-28.350	-44.470*	2.127
	(-1.176)	(-1.955)	(0.158)
Diversifying	2.051	3.515	-5.244
	(0.154)	(0.300)	(-0.851)
Serial Acquirer (past 10 years)	12.231	18.458	6.673
	(0.791)	(1.409)	(0.920)
Serial Acquirer (past 5 years)	-4.089	-23.997**	-0.759
	(-0.359)	(-2.218)	(-0.107)
Acquirer (t-1)	-12.402	7.334	-6.389
	(-1.241)	(0.758)	(-0.909)
Industry-Year Fixed Effects	Y	Y	Y
R^2	26.86%	26.72%	33.09%
N	1,261	1,263	1,261

Table 12. Why doesn't every acquirer give Acquisition Plans?

This table presents logistic regression analyses of acquisition plan issuance likelihood on firm- and industry-specific characteristics over 2003 and 2015. Our dependent variable takes the value of one if firm *j* announces acquisition plans in year *t*, and zero otherwise. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. We require firms to execute at least one M&A during the sample period and exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat*. Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

	(1)	(2)
Competitive Industry	-15.370***	-18.190***
	(-2.944)	(-3.338)
Stock return synchronicity	4.150**	4.560**
	(2.054)	(2.141)
EPS synchronicity	3.740***	3.740***
	(4.079)	(3.996)
% of Peers announcing Acquisition Plan	194.430***	
	(4.040)	
Acquisition Plan (past)	156.590***	158.980***
	(29.269)	(29.224)
CEO Acquisition Plan (past)	64.590**	61.930**
	(2.333)	(2.228)
Capex Guidance (past)	9.970**	9.620**
	(2.251)	(2.124)
Log (Firm Size)	1.900	1.770
	(0.734)	(0.658)
Book leverage	-19.200*	-17.310*
	(-1.875)	(-1.666)
ROA	-10.200	-9.800
	(-0.316)	(-0.296)
Cash Flow to Equity	92.160***	92.110***
	(3.182)	(3.139)
High tech	39.060	35.460
	(0.770)	(0.642)
Tobin's Q	2.410	2.440
	(1.317)	(1.305)
Institutional Ownership	0.020	0.389
	(0.002)	(0.047)
No of Analysts	1.380***	1.400***
	(3.876)	(3.784)
No of M&As (past 10 years)	3.880***	3.930***
	(5.826)	(5.831)
Sigma	-1479.380***	-1532.230***
	(-6.532)	(-6.573)
NWC	0.000	0.000
	(0.285)	(0.095)
Turnover	-1338.800***	-1353.590***
	(-3.229)	(-3.204)
R&D/Total Assets	-81.990**	-76.940**
	(-2.482)	(-2.350)
Abnormal stock return	17.140***	17.350***
	(6.255)	(6.426)
Sales growth	-0.042	-0.007
	(-0.278)	(-0.065)
Industry Fixed Effects	Y	N
Year Fixed Effects	Y	N
Industry-Year Fixed Effects	N	Y
R^2	12.81%	13.89%
N	23,293	23,293

Appendix Table 1. Sample Distribution of Capital Expenditure Guidance

This Table reports percentage of firms providing management guidance on capital expenditures (capex guidance) as well as the percentage of overlap between acquisition plan and capex guidance announcements over 2003 and 2015 (defined as occurring within the five-day event window of the acquisition plan announcement). Information on acquisition plans is manually constructed from *Mergermarket Ltd*. Information on Capex guidance is obtained from *I/B/E/S Guidance*. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.*

Year	% Firms with Capex Guidance (1)	% Overlap between Acquisition Plans and Capex Guidance (2)
2003	2.31%	0.00%
2004	8.68%	0.72%
2005	12.68%	1.17%
2006	16.58%	1.52%
2007	18.06%	1.06%
2008	23.10%	2.37%
2009	24.76%	5.82%
2010	25.23%	6.77%
2011	26.42%	5.76%
2012	26.75%	5.76%
2013	25.69%	6.02%
2014	24.19%	5.38%
2015	21.85%	5.14%
Average	18.90%	3.65%

Appendix Table 2. Acquisition Plan Announcements and Cumulative Abnormal Returns

This table presents cumulate abnormal stock price returns (CARs) to the announcement of acquisition plans between 2003 and 2015. *CARs* are defined as the market-adjusted stock returns surrounding the announcement of acquisition plans minus the average of CARs on sample of non-overlapping three-day/five-day return observations during the estimation window ([-30, -120] trading days relative to acquisition-planning firm *j*). Information on acquisition plans is manually constructed from *Mergermarket Ltd*. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from CRSP/Compustat. Statistical significance from *t*-tests (Wilcoxon rank sum test) are in parentheses (brackets). Refer to Appendix B for a detailed description of variables.

Panel A. Full Sample

Interval	% CARs
(-1,1)	0.001
	(0.8928)
	[<.0001]
(-2,2)	0.142**
	(0.0180)
	[0.1106]

Panel B. Exclude Acquisition Plans announced contemporaneously with Firm-specific news

Interval	% CARs
(-1,1)	0.161***
	(0.0044)
	[0.1031]
(-2,2)	0.254***
	(0.0003)
	[0.0039]

Appendix Table 3. Acquisition Plans and The Likelihood of Subsequent Acquisitions- Univariate Analyses

This table presents the univariate analyses for the association between acquisition plan announcements in year t-1 and planning firms' acquisition propensity in year t. Specifically, we report the percentage of firms that make at least one acquisition in each sample year based on the announcement of acquisition plans in year t-1. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.*

Year	Full Sample (1)	Acquisition-planning firms (2)	% Other Firms (3)
2004	15.53%	33.88%	12.88%
2005	15.54%	30.80%	12.41%
2006	16.04%	29.19%	13.00%
2007	14.97%	30.34%	11.55%
2008	11.95%	24.09%	9.82%
2009	9.73%	19.77%	7.30%
2010	10.97%	21.02%	8.62%
2011	11.53%	24.32%	8.80%
2012	13.57%	27.03%	11.52%
2013	11.91%	25.86%	9.38%
2014	15.20%	32.97%	12.33%
2015	13.23%	30.71%	10.86%
2016	11.46%	25.50%	9.88%
Average	13.20%	27.35%	10.64%

Appendix Table 4- Influential Market reactions to Acquisition Plan Announcements and The Likelihood of Subsequent Acquisitions

This table presents logistic regression analyses of acquisition likelihood on acquisition plan and firm-specific characteristics over 2004 and 2016. Our dependent variable takes the value of one if firm *j* announces and completes at least one acquisition in year *t*, and zero otherwise. *Acquisition Plan-Positive (Negative) CAR* is an indicator variable that equals one if firm *j* announces acquisition plans in year *t-1* and acquisition plan announcement is greeted with influential positive (negative) CARs (defined as in Loh and Stulz, 2010), and zero otherwise. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. The M&A sample is drawn from the *Thomson One Platinum Securities Data Company* (SDC) M&A database and includes a sample of US public, private, and subsidiary acquisitions announced over the period January 1, 2004, to December 31, 2015. We require M&As to be completed, the bidder to own less than 50% of the target six months prior to M&A announcement and control more than 50% of the target following the transaction. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from *CRSP/Compustat.* Refer to Appendix B for a detailed description of variables. *T*-statistics are in parentheses and standard errors are clustered at the firm level. Industry and year fixed effects are included. *, **, and *** indicate statistical significance at 10%, 5%, and 1%, respectively.

	Model 1	Model 2	Model 3
Acquisition Plan-Influential Positive CAR	126.310***		
	(10.105)		
Acquisition Plan -Influential Negative CAR	31.060*		
	(1.817)		
Acquisition Plan (Internal M&A pipeline)- Influential Positive CAR		131.380***	
		(7.063)	
Acquisition Plan (Internal M&A pipeline)- Influential Negative CAR		130.700***	
		(4.923)	
Acquisition Plan (Opportunistic)- Influential Positive CAR		79.600***	
		(3.927)	
Acquisition Plan (Opportunistic)- Influential Negative CAR		9.000	
		(0.364)	
Acquisition Plan (Committed)- Influential Positive CAR			130.720***
			(4.995)
Acquisition Plan (Committed)- Influential Negative CAR			130.240***
			(3.229)
Acquisition Plan (Noncommitted)- Influential Positive CAR			94.190***
			(6.116)
Acquisition Plan (Noncommitted)- Influential Negative CAR			-20.980
			(-0.904)
Difference (1)-(2)	95.250	-0.680	-0.480
	(<.0001)	(0.001)	(0.001)
Difference (3)-(4)		70.600**	115.170***
		(4.912)	(17.239)
Firm-specific Controls	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y
R²	8.65%	8.62%	8.59%
N	39,978	39,978	39,978

Appendix Table 5. Cumulative Abnormal Returns to Eventually acquired Targets around Acquisition Plan Announcements.

This table presents cumulative abnormal stock price returns (%CARs) to publicly traded target firms acquired by acquisition-planning firms over [-1,+1], [-2,+2] , [-1,+10], [-1,+20], [-2,+10], and [-2,+20] event window surrounding the announcement of an acquisition plan. Information on acquisition plans is manually constructed from *Mergermarket Ltd*. We exclude observations with missing company names, companies with missing CUSIPs, non-US listed firms or firms for which the stock price is less than one dollar. Stock price and financial accounting data are from CRSP/Compustat. Statistical significance from *t*-tests is in parentheses. Refer to Appendix B for a detailed description of variables.

Interval	% CAR
(-1, +1)	-0.008
	(-0.006)
(-2, +2)	0.027
	(0.018)
(-1, +10)	0.042
	(0.017)
(-1, +20)	0.065
	(0.020)
(-2, +10)	0.068
	(0.027)
(-2, +20)	0.090
	(0.027)