NBER WORKING PAPER SERIES

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Working Paper 32201
http://www.nber.org/papers/w32201

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
March 2024, Revised June 2025

We are grateful to Christopher Nason and the research team at Mergermarket Ltd. for providing us the acquisition plan data used in this paper. We are grateful for comments from participants at the 2024 European Finance Association Meeting, 2024 Financial Management Association Meeting, 8th Bayes Annual M&A Research Center Conference, 2024 Southern Finance Association Meeting, as well as comments from Nihat Aktas, Kelly Bergsma, Rebecca De Simone (discussant), François Derrien (discussant), Oleg Gredil (discussant), and seminar participants at Ohio University and McMaster University. The views expressed herein are those of the authors and do not necessarily reflect the views of the National Bureau of Economic Research.

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JEL No. G14, G24, G30, G34

ABSTRACT

For many firms, the acquisition process begins with the development of an acquisition plan that is communicated to investors. Using a novel dataset, we provide the first study of acquisition plans and offer new perspectives on the acquisition process. We find that acquisition plan announcements are informative and incrementally predict subsequent acquisition activity. These results are more pronounced for firms announcing commitment to acquisitions from an internal pipeline. Acquisition plans improve acquisition performance due to learning from market feedback and reduce acquisition-related uncertainty. Communication of acquisition plans does not increase takeover premiums but is less common in more competitive industries.

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1. Introduction

As discussed in Graham (2022), corporate planning 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 what corporations say to market participants about their corporate planning concerning 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 of 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 specific target firm.[2] However, as indicated by KPMG (2011), DePamphilis (2010) and Sherman (2018), firms often develop detailed acquisition plans to implement a corporate strategy of growth through acquisitions *before* they initiate an acquisition process with a specific target firm.

Notwithstanding the common use of acquisition planning, to the best of our knowledge, academic research has not examined the role and implications of acquisition planning for acquisition transactions. In this paper, we manually construct a novel sample of 13,137 firm announcements of acquisition plans by 3,536 unique US firms from 2003 to 2015 using data provided to us by *Mergermarket Ltd*. We call these firms acquisition-planning firms. We use this sample to examine the information content of acquisition plan announcements for capital markets, whether acquisition plans and their unique characteristics have implications for real corporate outcomes, why firms announce such acquisition plans, and whether acquisition-planning firms make better acquisitions.

We find that the number and percentage of acquisition-planning firms represents an economically important fraction of U.S. listed firms. For U.S. listed firms, every year (except 2003), at least 13% of these firms announce acquisition plans to capital markets and acquisition-planning firms represent 32.99% of the total market capitalization of these firms. Further, over

[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. See Aktas and Boone (2024) for an excellent summary of this literature.

23.57% of acquisition transactions follow the announcement of an acquisition plan and 22.75% of unique acquirers communicate acquisition plans before executing a transaction, suggesting that the announcement of acquisition plans is an intrinsic component of the U.S. acquisition deal-making process for many firms.

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 announced in a wide range of institutional settings (e.g., industry/product market conferences, analyst/investor/capital market days, interviews with media/financial press, and earnings calls). Second, acquisition plans have unique characteristics that vary greatly based on the forward-looking strategic information announced by acquisition-planning firms. More specifically, firms delineate target selection strategies (internal M&A pipeline versus opportunistic), level of commitment to acquisitions as a means of executing strategic corporate growth plans, as well as the size of potential targets they intend to pursue. 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 an unexpected 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 signed abnormal market reaction is insignificantly different from zero. Therefore, we conduct our analysis of the informativeness of acquisition plan announcements 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 absolute cumulative characteristics-adjusted abnormal stock return (stock turnover) is 1.05% (0.29%) 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 using 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 commitment to acquisitions as a means of executing a firm's corporate growth strategy also enhances the informativeness of acquisition plans. Likewise, acquisition plans involving the pursuit of larger potential targets elicit greater market reactions compared to other acquisition plans.

To study whether acquisition plans have information for real corporate outcomes, we next investigate the acquisition behavior of firms following 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 an acquisition plan, 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 acquisition behavior. To address this concern, we estimate regressions that explicitly control for a host of potential 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 and significantly more likely to engage in subsequent acquisition transactions relative to other firms. In economic terms, acquisition-planning firms are associated with an incrementally 128.32% higher propensity of executing subsequent acquisitions relative to other firms.

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 inclusion of firm fixed effects. We document that, for the *same* firm, acquisition likelihood is 106.98% 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 these concerns, 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 novel sample of *corporate divestiture* and *cross-border* acquisition plans announced by U.S. firms from *Mergermarket Ltd.*, we do not find that these corporate investment plans are related to the likelihood of engaging in subsequent domestic acquisitions.

We next turn our attention to exploring where the informativeness of acquisition plans for real corporate outcomes comes from. We expect acquisition plans to be even stronger predictors of future acquisition activity when planning firms use a target selection strategy that involves an internal M&A pipeline and they 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. We also find that firms announcing that they will focus on smaller (larger) potential targets have a greater (lower) propensity to execute subsequent acquisitions. These results are in line with the notion that smaller acquisitions are easier to undertake compared to larger acquisitions due to various reasons including, but not limited to, complexity, increased financial commitment, and regulatory constraints. Further emphasizing the credibility of acquisition plans for real corporate outcomes, the relative and nominal deal size of *actual* targets are indeed smaller (larger) for acquisition planning firms seeking smaller (larger) *potential* targets.

Next, we investigate why firms announce acquisition plans. We explore two potential benefits from the communication of 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 financial market feedback could be especially important in the context of acquisitions given that these are large and difficult to reverse investments 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, we find strong evidence for the investment allocation role of market feedback for corporate acquisitions. Specifically, acquisition plan announcements accompanied by a positive abnormal market reaction are associated with a greater propensity of engaging in subsequent acquisitions relative to acquisition plan announcements eliciting negative abnormal 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 in their corporate strategy. Firms that are opportunistically pursuing larger potential targets also display higher sensitivity to the abnormal market reaction to acquisition plan announcements. These results are also more pronounced when we consider only highly significant positive and negative abnormal market reactions (similar to Loh and Stulz, 2011) to acquisition plan announcements.

Second, we consider whether firms announce acquisition plans to also lower market uncertainty regarding subsequent acquisition activities. Such a motive would be consistent with Graham, Harvey and Rajgopal (2005)'s survey evidence from corporate executives that firms release forward-looking strategic information to lower market uncertainty. Past research shows that acquisition transaction announcements are accompanied by elevated levels of market uncertainty (e.g., Duchin and Schmidt, 2013). This is because when a firm announces an acquisition transaction, market participants evaluate two sets of new information: i) target firm, its potential synergies with the acquirer and deal structure, and ii) value implications of inorganic growth through acquisitions for the acquirer's standalone value (Fuller, Netter and Stegemoller, 2002; Jovanovic and Braguinsky, 2004; Moeller, Schlingemann, and Stulz, 2007). However, in the unique setting of subsequent acquisition transactions announced by acquisition planning firms, market reactions should mostly reflect the market's assessment of the target firm, its synergies with the acquirer and deal structure—value implications of inorganic growth on acquirors' standalone value is already incorporated into stock prices when the acquiror initially announces acquisition plans before an actual acquisition transaction is announced. Hence, we expect firms to announce acquisition plans prior to engaging in specific transactions to decrease market uncertainty surrounding acquisition transactions announcements. Consistently, we find that changes in short-term abnormal option implied volatilities and analyst forecast errors around acquisition

announcements of planning firms are indeed lower than those of other firms. Moreover, these associations are economically more important for firms that signal higher ex-ante acquisition likelihood through acquisition plans (i.e., target selection strategy involves internal M&A pipeline, firms are committed to acquisitions, and firms planning to pursue smaller targets).

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 announce acquisitions plans to primarily incorporate market feedback into their acquisition decision-making process and market participants collectively possess valuable and incremental information, then planning firms are expected to make better acquisitions. 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). Consistently, 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. These results are robust to the employment of alternative acquisition performance measures, including changes in operating performance and analyst consensus earnings forecasts, as well as subsequent divestitures in the target's industry, and survive the aforementioned array of robustness and falsification tests.

Our collective evidence on the informativeness and benefits of acquisition plan announcements raises the important question of why not every acquiror announces acquisition plans prior to engaging in acquisitions. An obvious concern for these firms could be that announcement of acquisition plans may increase takeover premiums they have to pay when making acquisitions. We find that this is not the case. Consistent with the 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 when doing so would potentially jeopardize their competitive positions by 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 competitive position. In line with these concerns, 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 have communicated 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. 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 (2000) and Gennaioli, Ma and Schleifer (2016) 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, 2024, 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; 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, and Renneboog and Vansteenkiste, 2019). Our paper is the first to demonstrate the implications of acquisition plans and their unique characteristics for acquisition behavior and value created from acquisition transactions.

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 incremental information (via aggregation of information) that management does not have (see Goldstein, 2023, for a recent review). Our evidence also complements the findings of Luo (2005) that market feedback plays an important role in a firm's decision to proceed with a proposed acquisition transaction 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 uncertainty also enhance our understanding of how forward-looking strategic information affects information transparency and market uncertainty (Graham, Harvey and Rajgopal, 2005; Duchin and Schmidt, 2013; Bond and Zeng, 2022).

2. Institutional setting, sample construction, and sample characteristics

To examine the role of acquisition plans in the acquisition process and acquisition outcomes, we manually construct a 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. *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 thousands of sources to create machine-readable acquisition plan announcements from unstructured forward-looking information. *Mergermarket Ltd.* further includes a textual description of acquisition plans that also discusses their unique characteristics.[3]

We manually construct a unique and comprehensive sample of acquisition plans from our reading of the full-text of acquisition plan information directly furnished by the research team at *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 explicitly communicates an acquisition plan. To further ascertain the quality of our data cleaning process, we manually check every acquisition plan and make the necessary corrections such as eliminating duplicate observations and assigning only one unique identifier for the same company. We further retrieve additional information on the announcement date of each

[3] There are a few other studies that use *Mergermarket Ltd.* Chemmanur, Ertugrul and Krishnan (2019) obtain 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. However, none of these studies employs information on acquisition plan announcements compiled by *Mergermarket Ltd.*

acquisition plan along with its unique 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 by management 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) in regulatory filings.[4] Second, the characteristics of acquisition plans vary greatly based on the strategic information furnished by management. For instance, managers may further delineate the details of their target selection strategy, level of commitment to future acquisitions to pursue their corporate growth strategy, as well as the size of potential targets they may pursue.[5] 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 announcements.[6]

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 may be important for understanding the information content of acquisition plans and their implications for subsequent corporate outcomes, we execute textual analyses and then manually classify each acquisition plan observation into different categories.

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[4] 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 *I/B/E/S Guidance* database (Call, Hribar, Skinner and Volant, 2023).

[5] In some instances, management further delineate their acquisition strategy in acquisition plan announcements. 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).

[6] 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 during earnings conference calls (Jayaraman and Wu, 2020).

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)*.[7] 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 potential acquisition opportunities. Second, if an acquisition-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*).[8] Internet Appendix Table A provides examples of acquisition plan announcements as well as examples for each acquisition plan category.

To extract information on the size of potential targets, we use OpenAI's GPT-4o mini (GPT) as textual analyses focused on "size" yield highly inaccurate categorizations.[9] We ask GPT to read the full text of acquisition plans and categorize them into *Acquisition Plan-with target size* category if acquisition-plan firms explicitly discuss the size of potential targets. Remaining observations are deemed to provide no size information on potential targets, and hence, categorized as *Acquisition Plan-without target size*. Moreover, for firms providing target size information, we ask GPT to further categorize observations into acquisition planning firms pursuing smaller versus larger

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[7] To this end, we first parse the full text of all acquisition plans for words that indicate planning firms' intentions to execute an acquisition from an internal pipeline of acquisition targets, and then manually read and classify each observation. To identify such words, we follow a systematic approach and randomly select 250 acquisition plans, identify the ways firms discuss their internal M&A pipeline, and then compile an exhaustive list of keywords by examining every bigram word combination. This approach draws upon the methodologies used by Loughran and McDonald (2011) and Birru, Gokkaya, Liu, and Stulz (2022). Our keyword list for internal pipelines includes variants of internal "pipeline", "deal flow", "portfolio", and "acquisition set".

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

[9] This is because management at acquisition-planning firms discuss numerous aspects of their firms beyond size of potential targets, such as the size of industries, competitors, product lines, customers, suppliers/vendors, shareholders, and etc. As indicated by Jha, Qian, Weber and Yang (2024), GPT provides reliable and objective assessments by avoiding reliance on external information or personal opinion, consistently process conference calls and large volume of texts without comprehension challenges and human capacity limitations. Furthermore, GPT is particularly well-suited for analyzing conference call texts compared to other machine learning models (e.g., BERT) as it effectively maintains context and coherence in the interactive exchanges common during presentation sections, discussions and Q&As of conference events.

potential targets (*Acquisition Plan-with smaller/larger targets).* In Internet Appendix B, we provide further details on our use of GPT, prompts and detailed methodology to categorize observations and provide examples in Internet Appendix A.

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 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. 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 13.54% of the firms in the *CRSP/Compustat* universe announce acquisition plans and these firms represent 32.99% 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 first exceeds 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 Internet Appendix Table 1, we report that, according to *I/B/E/S Guidance* database, 18.90% of firms provide capital expenditure guidance on average per year, compared to 16.69% of firms announcing acquisition plans over 2003 and 2015. This suggests that acquisition plan information is almost as prevalent as capital expenditure investment guidance.

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] When we merge the acquisition

[10] Following prior literature, we eliminate corporate transactions categorized as minority stake purchases, acquisitions of remaining interest, spinoffs, recapitalizations, repurchases, exchange offers, privatizations, and divestitures. Our

sample with *CRSP/Compustat,* we are left with 12,777 unique acquisition transactions executed by 3,845 unique U.S. listed firms. As shown in Column 1 of Panel B of Table 1 and consistent with past work, we find that acquisition activity reaches its peak level in 2005-2006, drops sharply after the 2007-2008 global financial crisis, and then begins to recover in 2010. Importantly, we find that over 23.57% of transactions are executed by firms that communicate acquisition plans in year *t*-1 (Column 2 of Panel B), consistent with the view that acquisition plans are indeed an important part of the takeover process. Furthermore, we do *not* find a significant drop in the percentage of acquisitions preceded by acquisition plan announcements (or acquirers announcing such corporate plans) over time. For example, 22.19% of acquisitions are preceded by acquisition plan announcements in the first half of our sample period while 23.27% 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 material firm-specific news. defined similarly to past work (e.g., Loh and Stulz, 2011; Birru, Gokkaya, Liu and Stulz, 2022, 2024). Panel C of Table 1 shows that only 37% of acquisition plan announcements overlap with other firm-specific news including earnings announcement, earnings and other guidance (i.e., Capex, Sales, Dividends), issuance of stock/debt and days with clustered stock recommendations.

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 25% of these firms announce plans for acquisitions from 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 discuss their commitment to future acquisitions as a means of executing corporate growth plans. We also find that roughly 60% of acquisition planning firms discuss the size of potential targets they intend to pursue. Finally, in Panel D, we focus on the frequency of acquisition plans announced by firms in a fiscal year, and find that 43% of firms announce acquisition plans more than once in a given calendar year.

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acquisition sample selection criteria are as follows: 1) 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), 2) all M&As between January 1, 2004, to December 31, 2016, 3) deal status is "completed", and 4) 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.

In Panel E of Table 1, we present descriptive statistics on the institutional disclosure channels through which firms announce acquisition plans. Our results show that institutional conferences represent the most prevalent setting for the announcement of acquisition plans. That is, 51.85% of acquisition plans are announced at institutional events delineated earlier. We also find that 32.34% of acquisition plans are announced during senior management's interviews and interactions with journalists or media, and only 9.57% (4.32%) of acquisition plans are announced during earnings conference calls (regulatory filings).

We next examine what kind of firms announce acquisition plans. The Appendix provides a detailed description of the construction of firm-specific characteristics. We find that acquisition-planning firms are significantly larger. These firms also have greater institutional ownership and more analyst coverage, consistent with the view that institutional demand for forward-looking strategic information may be important for announcing 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 relative to other firms. Table 2 further 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. Compared to other firms, acquisition-planning firms have lower R&D expenditures and stock return volatilities and are associated with more acquisitions over the year prior to the announcement of their acquisition plans. Existing evidence shows that the propensity to engage in subsequent acquisitions may increase with the cash flow and abnormal performance of firms (Harford, 1999). Furthermore, acquisition propensity may increase with more past acquisitions and decrease with R&D expenditures and stock return volatilities (Huang, Jiang, Lie and Yang, 2014; Gantchev, Sevilir and Shivdasani, 2020).

3. Are Acquisition Plans Informative?

In this section, we examine whether acquisition plans contain value-relevant incremental information. To this end, in Sections 3.1 and 3.2, we focus on the abnormal market reactions to acquisition plan announcements and examine whether these reactions display cross-sectional variation based on unique acquisition plans characteristics. In Section 3.3, we investigate whether acquisition plans have implications for real corporate outcomes by examining whether these plans are incrementally informative for subsequent acquisition activities. In Section 3.4, we conduct a

battery of robustness, identification, and falsification tests. In Section 3.5, we examine whether acquisition plan characteristics have incremental information for subsequent acquisition activities.

3.1. Abnormal Market Reactions

As a starting point to investigating whether acquisition plan announcements are informative, we assess 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's expectations or beliefs about a firm's subsequent acquisitions (or acquisition likelihoods) have changed, and hence, acquisition plan announcements are deemed informative.

However, there are at least two reasons why acquisition plan announcements could be uninformative. First, as indicated earlier, acquisition plan information is qualitative and, therefore, may be perceived as "cheap talk" or noncredible.[11] Second, acquisition plans may not reveal information *incremental* to the market participants' existing information set if i) firms are simply rehashing public or existing/old information, or ii) market participants already anticipate subsequent acquisitions by firms announcing acquisition plans—note that Table 2 suggests that acquisition-planning firms possess characteristics that are also associated with higher ex-ante acquisition propensities relative to other firms. Therefore, whether the announcement of acquisition plans contains incremental information is an open empirical question. As discussed in the introduction, there is no theoretical reason as to why investors are expected to react positively or negatively to acquisition plan announcements. Internet Appendix Table 2 shows that the average signed abnormal stock market reaction to acquisition plan announcements is economically insignificant. 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 return to acquisition plan announcement for firm *j* (*Abnormal Absolute CARs*) as the difference between the absolute three-day (five-day) cumulative Daniel, Grinblatt, Titman, and Wermers (1997) (DGTW) characteristic-adjusted abnormal stock return (*Absolute CAR*) for acquisition-planning firm *j* and the average of the pre-event window

[11] It is 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.

Absolute CARs for the *same* acquisition-planning firm *j* for the sample of non-overlapping three-day (five-day) event windows obtained from the pre-event estimation window of [-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). We calculate *Abnormal Absolute CARs* over three-day event windows as follows (the calculation for the five-day event windows is similar):

$$Abnormal\ Absolute\ CAR_{-1,1} = Absolute\ CAR_{-1,1} - Pre-event\ window\ Average\ Absolute\ CAR_{-1,1} \quad (1)$$

where,

$$Absolute\ CAR_{-1,1} = \sum_{t=-1}^{1} Absolute(R_{it} - R_{it}^{DGTW}) \quad (2)$$

and,

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

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 pre-event estimation window for the same firm *j (Pre-event window Average Stock Turnover)*:

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

where,

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

and,

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

Column 1 of Panel A in Table 3 shows that the average abnormal absolute CAR is 1.41% (1.78%) 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 evaluate the statistical significance of abnormal absolute CARs. Irrespective of the tests, we find that abnormal absolute CARs are highly significant at the 1% level. In Column 2 of Panel A, we also find that the average *Abnormal Stock Turnover* is statistically significant around the announcement of acquisition plans. In economic terms, the three (five) day event-window surrounding acquisition plan announcements has a 0.64% (0.78%) greater abnormal stock turnover compared to that over the estimation window [-120, -30].

To isolate the information content of acquisition plan announcements even more directly, in Panel B of Table 3, we repeat our event-day analyses after eliminating acquisition plan announcements for which there are contemporaneous material firm specific news announcements in the five days surrounding the announcement of an acquisition plan firm *j*. As expected, removing such observations lowers the economic magnitude of the market reaction to acquisition plan announcements. However, we continue to find that the market impact of acquisition plan announcements is economically important and statistically significant.

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

In this section, we explore whether the informativeness of acquisition plan announcements varies cross-sectionally based on the unique characteristics of acquisition plans discussed in Section 2. An added benefit of this analysis is that it can 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 acquisition plans overlapping with other material firm news (from Panel B of Table 3).

In Columns 1 through 3 of Panel A in Table 4, we first investigate whether the informativeness of acquisition plans varies based on the planning firm's target selection strategy. Our conjecture is that acquisition plans with a target selection strategy involving the development and 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 rationale is that the former set of acquisition-planning firms already expanded resources to identify and maintain an internal list of potential targets, and hence, may be perceived as more likely to execute subsequent acquisitions compared to planning firms that simply "keep an eye" on potential acquisition opportunities (i.e., opportunistic target selection strategy). Consistent with this view, our results show that the average market reaction to the announcement of acquisition plans with an internal M&A pipeline-based target selection strategy is significantly greater than to the announcement of those with an opportunistic target selection strategy.

As discussed earlier, firms also explicitly disclose the level of firm commitment to future acquisitions as a means of corporate growth strategy. 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 commitment to acquisitions enhances the perceived credibility of acquisition plan announcements, then such announcements should convey even greater incremental information. Consistently, in Columns 4 through 6 of Panel A, we find that commitment to future acquisitions indeed increases market reactions to acquisition plan announcements.

In Panel B, we evaluate the implications of communicating size information on potential target firms. In Columns 1 through 3 of Panel B, we distinguish acquisition-plan announcements based on the availability of such information and do not find that market reactions vary cross-sectionally based on potential target size information. However, when we further consider the size of potential targets relative to acquisition planning firms, we find the average immediate market reaction to the announcement of acquisition plans involving larger potential targets is significantly greater than the announcement of acquisition plans involving smaller targets (Columns 4 through 6 of Panel B). This is consistent with the view that larger acquisitions require greater financial commitment, have higher impact on acquiring firms' strategy and operations in the post-M&A phase, and

therefore, such acquisition plans are deemed more important by the capital markets compared to acquisition plans involving smaller targets.[12] In Internet Appendix Table 2, we find that average signed CARs to acquisition plan announcements involving internal M&A pipeline/opportunistic target selection strategy and M&A commitment/non-commitment are economically insignificant. However, acquisition plans involving larger potential targets generate negative and economically significant signed CARs, while those focusing on smaller targets are associated with positive (albeit economically insignificant) market reactions.

3.3. The Likelihood of Subsequent Acquisitions

In this section, we focus on the implications of acquisition plans for real corporate outcomes by investigating subsequent acquisition behavior of acquisition planning firms. 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*. Internet Appendix Table 4 shows that, 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.

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 estimate logistic regressions after explicitly controlling for a battery of firm characteristics (defined in the Appendix). 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

[12] In Internet Appendix Table 3, we focus on firms making more than one acquisition plan announcement in a calendar year and find that the immediate market reaction to the first announcement of acquisition plans in a year is higher compared to subsequent announcements made by the 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.

or industry-year paired fixed effects in our logistic regressions, and report heteroskedasticity-robust standard errors that are clustered at the firm level. Our logistic regression model is as follows (we omit the time and stock subscripts):

$$\begin{aligned} Logit(Acquisition = 1) = {} & \beta_1 Acquisition\ Plan + \beta_2 Log\ (Firm\ Size) + \beta_3 Book\ leverage + \beta_4 ROA + \\ & \beta_5 Cash\ Flow\ to\ Equity + \beta_6 High\ tech + \beta_7 Tobin's\ Q + \beta_8 Institutional\ Ownership + \beta_9 \#\ of \\ & Analysts + \beta_{10} \#\ of\ M\&As\ (past\ 10\ year) + \beta_{11} Sigma + \beta_{12} NWC + \beta_{13} Turnover + \beta_{14} \\ & R\&D/Total\ Assets + \beta_{15} Abnormal\ stock\ return + \beta_{16} Sales\ growth + Industry\ Fixed\ Effects + \\ & Year\ Fixed\ Effects + \varepsilon \end{aligned} \quad (7)$$

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 subsequent acquisitions is significantly greater for acquisition-planning firms. In economics terms, Model 1 (2) of Table 5 suggests that planning firms are *incrementally* 128.32% (128.69%) more likely to execute an acquisition than other firms after explicitly controlling for a host of firm characteristics. The sign of the coefficient estimates on other control variables is generally consistent with past studies. 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, 2025). In Model 3 of Table 5, we repeat our logistic regressions with the addition of these characteristics and continue to find robust results.[13]

3.4. Identification and Robustness

In this section, we provide a battery of empirical tests to mitigate the potential impact of additional firm characteristics (defined in the Appendix) on our earlier results. While doing so, we employ Model 3 of Panel A in Table 5. However, we do not report the coefficient estimates on the

[13] Internet Appendix Table 5 shows that our results hold if we include acquisition of minority interests (Model 1) and transactions with missing deal values in our acquisition sample (Model 2). To address the concerns of Greene (2004) about the consistency or bias of coefficient estimates obtained from logistic regression with high-dimensional fixed effects, we also re-estimate Eq (7) with a linear probability model and find that our results are robust to estimating regressions using linear models (Model 3) .

firm-specific control variables for brevity. Note that the use of additional independent variables changes the sample sizes across different econometric specifications.

First, we show that our results are robust to controlling for CEO and board of director characteristics that may affect firms' acquisition policy (Bertrand and Schoar, 2003; Yim, 2013; Huang, Jiang, Lie and Yang, 2014). When we include controls for *CEO Gender, CEO Age,* and *Board size*, the sample size falls by more than half because of data availability. However, Model 1 of Panel B continues to document that the parameter estimate on *Acquisition Plan* is positive and significant.

In our setting, agency costs of managerial discretion may potentially interact with a firm's acquisition plan, and therefore, bias the parameter estimates. For instance, empire-building CEOs might be more likely to disclose acquisition plans to hasten empire-building activities, potentially biasing our estimates. To rule out this possibility, we measure heightened agency conflicts with five proxies employed in Gokkaya, Liu and Stulz (2023) and find that our results hold (Model 2). In Model 3, we report that our results are also robust controlling 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.

Focusing on a sample of aggressive acquisition "programs" announced by 55 conglomerate firms during the 1950s and 1960s, Schipper and Thompson (1983) document that acquisition programs are associated with positive abnormal performance. A plausible concern is that acquisition plans are similar to acquisition programs. This is unlikely given that acquisition programs represent a distinct and *ongoing* corporate growth strategy where firms reveal their *strategic* initiatives to aggressively and systematically acquire a *series* of targets continuously (in some cases, over several years). For instance, Schipper and Thompson (1983) document that conglomerate firms with acquisition programs executed 23.69 transactions, on average, between 1961 and 1969. Moreover, acquisition programs do not contain detailed guidance on target selection/acquisition strategy, level of commitment to future acquisitions, and size of potential targets. Nevertheless, to address this concern more directly, we construct a sample of acquisition plans announced as part of acquisition programs and find that there are *only* 47 such cases. When we include a control for acquisition programs in addition to acquisition plans, our results remain unchanged (Model 4). Therefore, we conclude that acquisition plans and acquisition programs contain different information.

In Model 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 announcements 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 in year *t-1* (*Acquisition Plan (count)*). Model 6 finds that the number of acquisition plan announcements is incrementally informative about subsequent acquisition activity.

Another potential concern is that unobservable firm characteristics may bias our estimates. To address this concern, we first estimate our benchmark regression on a sample of firms that announce at least one acquisition plan in our sample period and add firm fixed effects.[14] In other words, we compare the acquisition propensity of the *same* firm based on the variation in its acquisition plan announcement behavior over time. Model 7 shows that firms are more likely to execute acquisitions in the year following an acquisition plan announcement compared to other years when they do not announce such a plan. Next, we use propensity score matching with replacement and compare the acquisition likelihood of plan announcing firms to that of firms with a similar *ex-ante* propensity of executing acquisitions but do *not* announce their acquisition plan.[15] Model 8 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.

We conduct several falsification tests to address any remaining concerns on unobservable firm-level heterogeneity, or spurious correlations biasing our results. With these tests, we employ firm-specific forward-looking information that is *alternative* to acquisition plan announcements but is still potentially informative with respect to future investment activities (excluding future acquisitions). We re-estimate our benchmark regression after replacing our binary covariate of interest (*Acquisition Plan*) with capital expenditure guidance (*Capex guidance*). Model 9 does not

[14] 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.

[15] 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.

find any significant association between capex guidance and future acquisition activity. Similar to acquisition plan announcements, firms also announce their strategic plans for future corporate divestitures at various institutional settings. We manually construct this sample from *Mergermarket Ltd* and then replace our key variable of interest with *Divestiture Plan* announcement by firm *j* at time *t-1*. We do not find that *Divestiture Plan* significantly predicts subsequent acquisition activity (Model 10). Similarly, in Model 11, we find that announcements of corporate plans for *cross-border* acquisitions of U.S. firms (*International Acquisition Plan*) from *Mergermarket Ltd.* are not associated with future acquisition activities in the U.S.

As a final step, in Models 4 through 6 of Internet Appendix Table 5, we re-estimate the benchmark regression after replacing the acquisition plan announcements with alternative forward-looking guidance announcements (i.e., Sales, Earnings and Dividend 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. We also show that if we use a falsified date for acquisition plans, namely assume they are announced two years before the actual announcement date (*Falsified Dates*), they do not predict acquisition activity (Model 7).

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 announcements are incrementally informative about real corporate outcomes and predicts subsequent acquisition activity. In this subsection, we explore whether this association varies cross-sectionally based on acquisition plan characteristics.

In Panel A of Table 6, we consider acquisition-planning firms' target selection strategy. As discussed earlier, acquisition-planning firms with an internal M&A pipeline already expanded significant resources to develop and maintain a list of potential targets. We expect these firms to display a greater incremental 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 acquisition plans are indeed significantly more informative regarding subsequent acquisition activity when target selection strategy involves an internal M&A pipeline relative to acquisition plans with opportunistic target selection strategy.

In Models 4 through 6 of Panel A in Table 6, we consider the acquisition-planning firms' level of commitment to future acquisitions. Acquisition planning firms explicitly conveying their commitment to acquisitions potentially reflect management's confidence in their inorganic growth strategy for future investments and such firms are expected to have a greater propensity of engaging in future acquisitions. Our results are consistent with this view.

In Panel B, we evaluate the implications of conveying size information on potential targets as a part of acquisition plans. In Models 1 through 3, we partition acquisition plans based on size of potential targets and find that acquisition plans conveying such information are more informative for subsequent acquisition behavior. However, in Models 4 through 6, we find that these results are driven by acquisition plans involving smaller potential targets. More specifically, firms focusing on smaller targets have a greater propensity to execute subsequent acquisitions compared to acquisition planning firms without size information as well as firms seeking larger potential targets that are least likely to complete acquisitions among acquisition planning firms. These results are consistent with the view that smaller-scale acquisitions are easier to execute and larger acquisitions are most difficult to undertake due to various reasons including, but not limited to, significant strategic impact, complexity, financial commitment, and regulatory constraints.

To better understand the credibility of acquisition plans, we also focus on the implications of size information on *potential* targets for the characteristics of *actual* targets pursued by acquisition planning firms. To this end, we create a sample of acquisitions executed over one year following acquisition plan announcements and focus on the relative deal size of these transactions. In Models 7 and 8 of Panel B, we estimate regressions with nominal deal size (Model 7) and relative deal size (Model 8) serving as our dependent variables where we control for the aforementioned firm characteristics (as in Model 3 of Panel A in Table 5). Our primary independent variables of interest are indicator variables that equal one if firm *j* announces an acquisition plan involving smaller/larger potential targets at year *t-1*, and zero otherwise. Acquisition plans without size information serve as the benchmark category. Our coefficient estimates suggest that acquisition plans are not simply cheap talk and contain credible information for real corporate outcomes—nominal deal and the relative deal size of *actual* targets are indeed smaller (larger) for firms seeking smaller (larger) *potential* targets.

4. Why do firms announce acquisition plans?

In this section, we examine two explanations as to why firms announce acquisitions plans in turn. The first explanation is that firms seek market feedback on corporate growth plans. The second explanation is that they aim to reduce uncertainty around announcements of actual acquisitions.

4.1. Learn from Market Feedback

There is a plethora of empirical work supporting the view that capital markets possess information that can be superior to any individual or group of individuals and affect resource and investment allocation decisions of firms (Goldstein, 2023; Chen, Goldstein and Jiang, 2007; Bakke and Whited, 2010). Luo (2005) also finds that market feedback influences completion of acquisitions even *after* the acquirer signs an agreement with a specific target firm. Given that acquisitions are large and costly to reverse investments and firms announce acquisition plans *before* signing a merger agreement with an actual target, we expect firms to announce acquisition plans to learn from financial market feedback regarding their corporate growth plans. If so, these firms are expected to adjust subsequent acquisition behavior in response to the market reaction generated by such announcements. On the other hand, acquisition-planning firms' information set may subsume that of the financial markets, and hence, learning from market feedback may not represent a valid reason for acquisition plan announcements. To test these competing hypotheses, 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 following the approach of 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*).[16] Consistent with learning from market feedback serving as a plausible reason for announcing acquisition plans, Model 1 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

[16] 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.*

subsequent acquisition behavior relative to acquisition plan announcements generating negative CARs. Small abnormal market reactions may not have information for management as they might just reflect noise. In contrast, significantly abnormal market reactions should be expected to be more informative as advanced by Loh and Stulz (2011) who call significant market reactions "influential" in the context of analyst announcements. In Model 5 of Table 7, we show that our results are stronger for influential market reactions defined to be significant at the 1% level, as expected.

In Models 2 through 4 of Table 7, we perform cross-sectional analyses based on acquisition plan characteristics. We expect that firms committed to selecting acquisition targets out of a developed internal M&A pipeline as well as firms seeking smaller acquisitions (with lower strategic impact and less financial commitment) would seem less likely to change their corporate actions based on market feedback to acquisition plan announcements. In support of this hypothesis, Table 7 shows 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 (Model 2), ii) are *not* committed to future acquisitions (Model 3). Our results further document that the marginal impact of CARs to acquisition plan announcements on subsequent acquisition behavior is economically more important for firms pursuing larger potential targets (Model 4). Once again, these results are stronger when we focus on influential CARs in Models 6 through 8. For instance, a negative influential CAR has a negative association with future acquisition activity for firms that have an opportunistic target selection strategy, for firms that are not committed to future acquisitions and for firms that have a plan involving large acquisitions.

4.2. Reduce Acquisition Announcement Uncertainty

When an acquisition transaction is announced, capital markets assess two sets of new information: 1) the stand-alone value of actual targets and potential synergies between the target and acquirer, 2) the implications of acquisitions for corporate growth strategy on the *stand-alone value* of the acquiring firms (e.g., Jovanovic and Braguinsky, 2004; Fuller, Netter and Stegemoller, 2002; Moeller, Schlingemann, and Stulz, 2007; Gokkaya, Liu and Stulz, 2023). As a result, acquisition announcements are typically accompanied by elevated levels of market uncertainty (e.g., Duchin and Schmidt, 2013).

However, in the unique setting of acquisition transactions announced by acquisition-planning firms, market participants are primarily assessing information about the target firm, its synergies with the acquirer, and the characteristics of the deal. That is, for acquisition-planning firms, value implication of inorganic growth strategy through acquisitions on the firm's stand-alone value is *already* incorporated into its stock price when it initially announces plans to grow inorganically (*before* an actual acquisition transaction is announced). Hence, we expect market uncertainty to be lower when an acquisition-planning firm announces an acquisition compared to acquisitions announced by other firms.

To empirically test this conjecture, we consider two measures of market 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 forecasts following acquisition announcements *(Abnormal Earnings Forecast Dispersion).* We calculate *Abnormal Option IV* as the average Option IV of 91-day at-the-money put and call option contracts over the [-2, +2] event-window around acquisition announcements (Duchin and Schmidt, 2013) minus the 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. As to dispersion of analyst forecasts, we 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 estimate regressions that examine the association between acquisition plans and *Abnormal Option IV*/*Abnormal Earnings Forecast Dispersion* surrounding acquisition transaction announcements. To this end, in addition to the aforementioned firm characteristics, we control for a host of transaction-specific characteristics and also include

industry-year paired fixed effects.[17] 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 incrementally lower *Abnormal Option IVs* and *Abnormal Earnings Forecast Dispersions*. In economic terms, Model 1 of Table 8 shows that average *Abnormal Option IVs* of acquisition announcements by acquisition-planning firms is 1.27% lower relative to *Abnormal Option IVs* on acquisition announcements by other firms. In Model 2, we also find that average abnormal earnings forecast dispersion is lower for acquisition announcements of acquisition-planning firms relative to that of other firms.

Finally, we investigate whether these results vary cross-sectionally based on acquisition plan characteristics. To the extent that communication of acquisition plans translates into lower market uncertainty surrounding subsequently announced transactions, such association is expected to be even more pronounced for planning firms that signal higher *ex-ante* acquisition propensities. Our results show 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, explicitly convey commitments to future acquisitions, express interest in pursuing smaller targets.

5. Acquisition Plans and Outcomes of Subsequent Acquisitions

In this section, we examine the implications of acquisition plans for the outcomes of subsequently announced acquisition transactions. There are at least two reasons to expect acquisitions of planning firms to create significantly greater shareholder value from their acquisitions. 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 firms announce acquisitions plans to primarily seek and incorporate such feedback into acquisition decisions, then acquisitions subsequently executed by acquisition-planning firms are expected to create greater shareholder value. Second, announcement of forward-looking strategic information (in our case, acquisition plans) may further reduce the planning firm's search

[17] We control for the following acquisition-specific characteristics: *Relative size*, *Private*, *Subsidiary*, *Hostile*, *Top-tier Advisor*, *No of Advisors*, *Payment-All cash*, *Payment-Includes stock*, and *Diversifying*. These characteristics are defined in the Appendix.

costs for potential targets and increase the likelihood of finding better target firms (Chen, Hoberg, and Maksimovic, 2022). However, if firms are mainly announcing their acquisition plans to lower acquisition-related market uncertainty as opposed to learning from market feedback, then acquisition plans are not expected to increase the value created from subsequently announced acquisitions.

With the above considerations, whether acquisition plan announcements are positively associated with the performance of subsequent acquisitions is an open empirical question. To make progress on answering this question, we first assess acquisition performance with cumulative DGTW characteristics-adjusted abnormal stock 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 related 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):

$$CAR\ (-2, +2) = \beta_1\ Acquisition\ Plan + \beta_2\ Log\ (Firm\ Size) + \beta_3\ Run\ up\ return + \beta_4\ Relative\ size + \beta_5\ Private + \beta_6\ Subsidiary + \beta_7\ Hostile + \beta_8\ Book\ leverage + \beta_9\ ROA + \beta_{10}\ Cash\ Flow\ to\ Equity + \beta_{11}\ High\ tech + \beta_{12}\ Tobin's\ Q + \beta_{13}\ Institutional\ Ownership + \beta_{14}\ \#\ of\ Analysts + \beta_{15}\ \#\ of\ M\&As\ (past\ 10\ years) + \beta_{16}\ IV + \beta_{17}\ Sales\ growth + \beta_{18}\ NWC + \beta_{19}\ Turnover + \beta_{20}\ R\&D/Total\ Assets + \beta_{21}\ Top\ tier\ Advisor + \beta_{22}\ No\ of\ Advisors + \beta_{23}\ Payment\text{-}All\ Cash + \beta_{24}\ Payment\text{-}Includes\ Stock + \beta_{25}\ Diversifying + \beta_{26}\ Serial\ Acquirer\ (past\ 10\ years) + \beta_{27}\ Serial\ Acquirer\ (past\ 5\ years) + \beta_{28}\ Acquirer\ (t\text{-}1) + Industry\text{-}Year\ Fixed\ Effects + \varepsilon \quad (8)$$

Model 1 of Panel A in Table 9 shows that acquisitions of planning firms have significantly higher CARs. For instance, average CAR of acquisitions by planning firms is significantly higher than the average CAR of other acquisitions by 0.56%. In Models 2 through 6, we focus on alternative measures of acquisition performance to ensure that our results are not sensitive to how

we assess acquisition performance.[18] In Models 2 through 4, we focus on changes in the industry-adjusted abnormal return on assets (*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 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 use revisions in average analyst consensus EPS forecasts around acquisition announcements (e.g., Chen, Harford, and Li, 2007). Across each of these cases, acquisitions of planning firms are associated with superior performance relative to other acquisitions. In Panels A through K of Internet Appendix Table 6, we repeat the battery of robustness and identification tests from Section 3.4. Our results continue to document that acquisition-planning firms continue to be associated with superior acquisition performance.

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 to acquisition plan announcements, acquisitions of acquisition-planning firms perform better and such acquisitions are associated with lower market uncertainty surrounding their announcements. However, this empirical evidence raise an important question: why does not every firm announce its acquisition plan prior to pursuing acquisitions? It seems logical that acquirers may be concerned that disclosing acquisition plans may increase the cost of executing acquisitions transactions. In Section 6.1, we therefore investigate the impact of acquisition plans on acquisition premiums. In Section 6.2., we consider additional factors potentially affecting firms' decision to announce their acquisition plans.

[18] 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 acquisition announcements generate significantly lower CARs. 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 Panel A in Table 9 do not have this concern.

6.1. Do Acquisition-planning firms pay higher takeover premiums?

If market participants can predict which target firm may eventually be acquired by firms announcing their acquisition plans, then such firms may end up paying higher takeover premiums for their acquisition targets. However, acquisition plan announcements 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), and 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. Internet Appendix Table 7 finds insignificant CARs to eventually acquired target firms (the sample is limited to public firms) surrounding the announcement of an acquisition plan by the *eventual* acquirer. Therefore, market participants do not seem to be able to predict target firms eventually acquired by plan-announcing firms.

In Panel B of Table 9, we formally test the association between takeover premiums and acquisition plans in a regression setting using equation (8) from Section 5. Our dependent variable is the takeover premium measured as the difference between the price paid per share for the target and the target's stock price 42 or 63 trading days prior to acquisition announcements.[19] To address the concern that the target firm's stock price reaction to previously announced acquisition plans may affect the takeover premium, in Model 3 of Panel B, we consider 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.* 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.

[19] To ensure that abnormal stock returns prior to acquisition announcements do not overlap with takeover premium measures employed in Panel B of Table 9, 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 of Panel B, acquirer firm's abnormal stock return is measured over the [-205, -2] event window relative to the acquisition plan announcement date.

6.2. Potential determinants of the decision to disclose acquisition plans

In this section, we examine three main factors potentially related to a firm's decision to announce its acquisition plan. These factors and our conjectures are as follows:

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). 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 (Graham, Harvey and Rajgopal, 2005). Voluntary disclosure costs are especially important in the context of acquisition plan 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 to communicate acquisition plans. To proxy for the magnitude of such proprietary costs, we measure i) competition from peers using the Herfindahl-Hirschman index (*HHI index*) based on the text-based network industry classification (TNIC) from Hoberg and Philips (2010, 2016) (*Competitive Industry*), [20] 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, so that firms share fewer commonalities regarding their fundamentals (i.e., *Stock return* and *EPS synchronicity* are lower; e.g., Gokkaya, Liu, 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 Stein, 1990; Brown, Gordon and Wermers, 2006). Given that market

[20] 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*.

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 (% *of Peers announcing Acquisition Plan*). Note that the coefficient on this factor documents only a correlation rather than a causal effect.

3) *Disclosure precedent*. Commitment costs of increasing voluntary disclosures also affect a firm's disclosure decisions (Diamond and Verrecchia, 1991) and setting a disclosure precedent limits further voluntary disclosures (Graham, Harvey and Rajgopal, 2005). 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 expenditures 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). To be able to estimate the marginal effect of a CEO's disclosure behavior 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 10, we find that proprietary costs are indeed negatively associated with the announcement of acquisition plans. That is, firms operating in more competitive and less homogenous industries are less likely to announce their acquisition plans. We also find that firms display behavior consistent with herding regarding acquisition plan disclosures. 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 history 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.[21]

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 at least part of its corporate growth strategy through acquisitions before it initiates an acquisition process with a specific target firm. Before this paper, financial economists had not studied these plans.

Using a novel large sample of acquisition plans, we find that over 23.57% of acquisition transactions follow an acquisition plan announcement, suggesting that announcement of an acquisition plan is an important component of the acquisition process. We show that the average market reaction to acquisition plan announcements is economically and statistically significant, suggesting that acquisition plans provide incremental and significant information to capital markets. 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.

We find that acquisition plan announcements are informative about real corporate outcomes and predict future acquisition activities. These results are robust to a series of identification and robustness analyses, and more pronounced for firms conveying explicit commitment to acquisitions from an internal M&A pipeline and for firms planning to pursue smaller potential targets.

In further investigation, we examine why firms announce acquisition plans. We first ask whether firms learn from the market's feedback to plan announcements. Consistently, we find that acquisition plan announcements accompanied by positive stock market reactions are associated

[21] Note that % of *Peers announcing Acquisition Plan* is measured at the industry-year level, and hence, excluded from Model 2 of Table 10 that includes industry-year paired fixed effects.

with a greater acquisition propensity than announcements eliciting a negative market reaction. The results are stronger for more influential market reactions. Second, we consider whether firms lower acquisition-related market uncertainty through acquisition plan announcements. We find that short-term market uncertainty surrounding acquisition transaction announcements is lower for acquisition planning firms compared to other firms.

We next address the question of whether acquisition plans have significant 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. When we investigate why many firms do not announce acquisition plans, we find that firms that announce plans do not pay significantly higher takeover premiums when they make acquisitions. However, firms appear to be concerned about acquisition plans revealing proprietary information to competitors as firms in more competitive and less homogenous industries are less likely to announce acquisition plans. 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. 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 an internal M&A pipeline, it is classified 9as 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 corporate 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 (With/ Without No Size)	If a firm communicates the size of potential targets in its acquisition plan (as classified by GPT), an acquisition plan is classified as "with size" (*Acquisition Plan-with size*). Otherwise, acquisition plan is categorized as "without size" (*Acquisition Plan -without size*). Information is manually constructed from *Mergermarket Ltd.* using Open AI GPT-4o (GPT). Refer to Appendix B for GPT prompts and details on methodology.
Acquisition Plan (Smaller/ Larger Potential Target)	If a firm communicates the relative size of potential targets and indicates its intention to pursue smaller/larger targets (as classified by GPT), an acquisition plan is classified as "smaller/larger targets" (*Acquisition Plan-smaller/larger target*). Information is manually constructed from *Mergermarket Ltd.* using Open AI GPT-4o (GPT). Refer to Appendix B for GPT prompts and details on methodology.
Acquisition Plan-Positive/Negative CAR	If an acquisition plan announcement is 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 similar to Loh and Stulz, 2011), 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. listed 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 unique 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 the Appendix 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%	32.99%

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	8.62%	903	6.76%
2005	1368	22.37%	923	20.26%
2006	1319	24.26%	936	22.86%
2007	1195	26.19%	852	25.70%
2008	793	28.37%	624	28.21%
2009	613	23.33%	491	22.40%
2010	806	33.62%	566	31.27%
2011	815	29.82%	579	28.67%
2012	980	24.69%	665	25.26%
2013	875	19.54%	610	18.52%
2014	1079	23.26%	759	24.24%
2015	941	21.15%	671	21.16%
2016	751	21.17%	568	20.42%
Total/Average	12,777	23.57%	3845	22.75%

Panel C. Acquisition Plans and Contemporaneous Firm News

% Overlap with Capex guidance	3.65%
% Overlap with EPS guidance	6.60%
% Overlap with Sales guidance	6.04%
% Overlap with DPS guidance	0.16%
% 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 news	7.69%
% No overlap with any firm news and management guidance	62.69%

Panel D. Acquisition Plan Characteristics

Target Selection Strategy	
Internal M&A Pipeline	25.36%
Opportunistic	74.64%
Acquisition Commitment:	
Committed	33.55%
Noncommitted	66.45%
Target size info	
Without size	41.46%
Smaller Target	50.54%
Larger Target	10.78%
Announcement Frequency	
One	56.97%
More than one	43.03%

Panel E. Institutional Disclosure Settings for Acquisition Plans

Institutional Conferences	51.85%
Journalist or Media Interviews	32.34%
Earnings Conference Call	9.57%
Regulatory Filings	4.32%

Table 2-Descriptive Statistics

Table 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 the Appendix 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 absolute cumulative DGTW characteristics-adjusted abnormal stock 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 DGTW characteristics-adjusted abnormal stock returns surrounding the announcement of acquisition plans *(%Absolute CAR*) minus the average of *%Absolute CARs* on the sample of non-overlapping three-day/five-day return observations during the pre-event estimation window ([-30, -120] trading days relative to acquisition-planning 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 pre-event 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 the Appendix for a detailed description of variables.

Panel A. Full Sample

Interval	% Abnormal Absolute CARs (1)	% Abnormal Stock Turnover (2)
(-1,1)	1.406***	0.642***
	(<.001)	(<.001)
	[<.001]	[<.001]
(-2,2)	1.785***	0.776***
	(<.001)	(<.001)
	[<.001]	[<.001]

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

Interval	% Abnormal Absolute CARs (1)	% Abnormal Stock Turnover (2)
(-1,1)	1.046***	0.293***
	(<.001)	(<.001)
	[<.001]	[<.001]
(-2,2)	1.351***	0.375***
	(<.001)	(<.001)
	[<.001]	[<.001]

Table 4- Acquisition Plan Characteristics and Abnormal Market Reactions

This table presents absolute cumulative DGTW characteristics-adjusted abnormal stock 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 DGTW characteristics-adjusted abnormal stock returns surrounding the announcement of acquisition plans *(%Absolute CAR*) minus the average of *%Absolute CARs* on the sample of non-overlapping three-day/five-day return observations during the pre-event estimation window ([-30, -120] trading days relative to acquisition-planning 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 pre-event 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 the Appendix for a detailed description of variables.

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

	Internal M&A pipeline	Opportunistic	Difference
% Abnormal Absolute CARs (-1, +1)	2.414***	0.550***	1.864***
	(<.001)	(<.001)	(<.001)
	[<.001]	[0.004]	[<.001]
% Abnormal Absolute CARs (-2, +2)	3.003***	0.752***	2.250***
	(<.001)	(<.001)	(<.001)
	[<.001]	[<.001]	[<.001]
% Abnormal Stock Turnover (-1, +1)	0.669***	0.181***	0.489***
	(<.001)	(<.001)	(<.001)
	[<.001]	[<.001]	[<.001]
% Abnormal Stock Turnover (-2, +2)	0.816***	0.244***	0.572***
	(<.001)	(<.001)	(<.001)
	[<.001]	[0.022]	[<.001]

Acquisition Commitment: Committed vs Noncommitted

	Committed	Noncommitted	Difference
% Abnormal Absolute CARs (-1, +1)	1.727***	0.643***	1.084***
	(<.001)	(<.001)	(<.001)
	[<.001]	[<.001]	[<.001]
% Abnormal Absolute CARs (-2, +2)	2.152***	0.878***	1.275***
	(<.001)	(<.001)	(<.001)
	[<.001]	[<.001]	[<.001]
% Abnormal Stock Turnover (-1, +1)	0.528***	0.173***	0.355***
	(<.001)	(<.001)	(<.001)
	[<.001]	[<.001]	[0.030]
% Abnormal Stock Turnover (-2, +2)	0.633***	0.243***	0.390***
	(<.001)	(<.001)	(<.001)
	[<.001]	[0.004]	[0.043]

Panel B- Target Size information

	Without target size	With target size	Difference
% Abnormal Absolute CARs (-1, +1)	1.139***	0.993***	0.146
	(<.001)	(<.001)	(0.2697)
	[<.001]	[<.001]	[0.663]
% Abnormal Absolute CARs (-2, +2)	1.460***	1.290***	0.170
	(<.001)	(<.001)	(0.321)
	[<.001]	[<.001]	[0.725]
% Abnormal Stock Turnover (-1, +1)	0.296***	0.291***	0.005
	(<.001)	(<.001)	(0.930)
	[<.001]	[<.001]	[<.001]
% Abnormal Stock Turnover (-2, +2)	0.326***	0.403***	-0.078
	(<.001)	(<.001)	(0.310)
	[0.001]	[<.001]	[<.001]

Smaller vs Larger Target

	Smaller	Larger	Difference
% Abnormal Absolute CARs (-1, +1)	0.950***	1.419***	-0.469**
	(<.001)	(<.001)	(0.011)
	[<.001]	[<.001]	[0.002]
% Abnormal Absolute CARs (-2, +2)	1.248***	1.862***	-0.614***
	(<.001)	(<.001)	(0.008)
	[<.001]	[<.001]	[<.001]
% Abnormal Stock Turnover (-1, +1)	0.253***	0.516***	-0.263***
	(<.001)	(<.001)	(0.002)
	[<.001]	[<.001]	[<.001]
% Abnormal Stock Turnover (-2, +2)	0.356***	0.704***	-0.348***
	(<.001)	(<.001)	(0.002)
	[<.001]	[<.001]	[<.001]

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 the Appendix 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	82.56***	82.72***	77.91***
	(22.15)	(21.87)	(21.38)
Log (Firm Size)	2.77	2.72	2.32
	(1.39)	(1.33)	(1.21)
Book leverage	-25.29***	-24.92***	-26.66***
	(-2.98)	(-2.92)	(-3.24)
ROA	6.73	9.93	18.85
	(0.22)	(0.34)	(0.66)
Cash Flow to Equity	89.79***	85.73***	83.31***
	(2.79)	(2.74)	(2.70)
High tech	-44.60	-47.45	-41.49
	(-0.93)	(-0.95)	(-0.85)
Tobin's Q	-0.11	-0.21	0.13
	(-0.08)	(-0.15)	(0.09)
Institutional Ownership	0.95	0.61	-1.95
	(0.15)	(0.10)	(-0.33)
No of Analysts	1.31***	1.34***	1.27***
	(4.26)	(4.23)	(4.37)
No of M&As (past 10 years)	11.94***	12.02***	5.92***
	(16.85)	(16.69)	(7.17)
Sigma	-964.93***	-995.30***	-930.27***
	(-5.18)	(-5.22)	(-5.00)
NWC	0.00	0.00	0.00
	(-0.77)	(-0.86)	(-0.85)
Turnover	-288.61	-295.98	-316.74
	(-0.96)	(-0.98)	(-1.08)
R&D/Total Assets	-89.40***	-88.04***	-84.99***
	(-4.14)	(-4.08)	(-4.02)
Abnormal stock return	7.17**	7.16**	6.54**
	(2.40)	(2.28)	(2.21)
Sales growth	0.00	0.00	0.00
	(0.00)	(-0.12)	(-0.22)
Serial Acquirer (past 10 years)			22.68***
			(4.59)
Serial Acquirer (past 5 years)			28.42***
			(5.38)
Acquirer (t-1)			45.93***
			(11.02)
Industry Fixed Effects	Y	N	N
Year Fixed Effects	Y	N	N
Industry-Year Fixed Effects	N	Y	Y
R^2	8.17%	8.85%	9.49%
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	Model 10	Model 11
Acquisition Plan	64.79***	66.20***	77.29***	77.84***	77.90***	14.55**	72.75***				
	(12.59)	(11.69)	(19.78)	(21.35)	(21.35)	(2.22)	(16.08)				
Acquisition Plan (count)						45.06***					
						(11.36)					
Acquisition Plan (propensity match)								73.68***			
								(13.73)			
Falsification-Capex guidance									1.98		
									(0.50)		
Falsification-Divestiture Plan										7.05	
										(0.98)	
Falsification-International Acquisition Plan											-13.72
											(-1.29)
CEO Gender	12.46										
	(0.80)										
Board size	-1.58										
	(-1.17)										
CEO Age	-1.11***										
	(-3.00)										
CEO Power		9.22*									
		(1.73)									
CEO Founder		1.32									
		(0.14)									
Dual Class		-9.95									
		(-0.94)									
No Independent Board		-6.71									
		(-0.91)									
CEO Chairman		2.97									
		(0.52)									
Specialized M&A Staff			20.85***								
			(2.77)								
Acquisition Program				25.93							
				(0.62)							
Cash Deviation					5.33						
					(0.50)						
P/E ratio					0.00						
					(0.52)						
Dividend yield					140.40						
					(0.76)						
Firm-specific Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y
Firm Fixed Effects	N	N	N	N	N	N	Y	N	N	N	N
Year Fixed Effects	N	N	N	N	N	N	Y	N	N	N	N
R^2	11.86%	12.23%	10.43%	9.49%	9.52%	9.89%	8.52%	10.56%	8.40%	8.41%	8.41%
N	14,779	12,505	33,577	39,978	39,978	39,978	24,028	12,502	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. Models 7 and 8 of Panel B present OLS regression analyses of nominal and relative acquisition size on acquisition plan announcements and firm-specific characteristics over 2004 and 2016. *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 the Appendix 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 and Acquisition Commitment

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Acquisition Plan (Internal M&A pipeline)	111.03***	111.55***	105.86***			
	(21.92)	(21.57)	(21.21)			
Acquisition Plan (Opportunistic)	66.54***	66.53***	62.22***			
	(15.12)	(14.93)	(14.34)			
Acquisition Plan (Committed)				102.91***	103.01***	98.23***
				(20.25)	(19.98)	(19.62)
Acquisition Plan (Noncommitted)				67.32***	67.54***	62.66***
				(15.00)	(14.86)	(14.15)
Difference	44.49***	45.02***	43.64***	35.59***	35.47***	35.57***
F-Value	(58.62)	(54.93)	(53.72)	(35.51)	(32.77)	(33.86)
Firm-specific Controls	Y	Y	Y	Y	Y	Y
Industry Fixed Effects	Y	N	N	Y	N	N
Year Fixed Effects	Y	N	N	Y	N	N
Industry-Year Fixed Effects	N	Y	Y	N	Y	Y
R^2	8.30%	8.98%	9.61%	8.26%	8.93%	9.57%
N	39,978	39,978	39,978	39,978	39,978	39,978

Panel B: Target size information

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Acquisition Plan (Without size)	56.73***	56.73***	53.95***	55.34***	55.39***	52.61***		
	(9.49)	(9.37)	(9.12)	(9.28)	(9.16)	(8.90)		
Acquisition Plan (With Size)	94.19***	94.44***	88.72***					
	(22.35)	(22.03)	(21.34)					
Acquisition Plan (Smaller target)				89.85***	90.44***	85.67***	-1.77**	-110.00**
				(19.86)	(19.65)	(19.17)	(-2.42)	(-2.03)
Acquisition Plan (Larger target)				37.04***	36.47***	30.09***	3.95***	128.82
				(4.76)	(4.65)	(3.92)	(3.32)	(1.26)
Difference (With vs without size)	37.46***	37.71***	34.77***					
F-Value	(31.72)	(31.72)	(25.85)					
Difference (Smaller vs Larger)				52.81***	53.97***	55.58***	-5.72***	-238.83**
F-Value				(28.28)	(27.56)	(30.49)	(-28.28)	(-6.18)
Difference (Larger vs without size)				-18.30*	-18.92*	-22.52***		
F-Value				(-3.62)	(-3.63)	(-5.33)		
Difference (Smaller vs without size)				34.51***	35.05***	33.06***		
F-Value				(24.57)	(23.40)	(21.39)		
Firm-specific Controls	Y	Y	Y	Y	Y	Y	Y	Y
Industry Fixed Effects	Y	N	N	Y	N	N	N	N
Year Fixed Effects	Y	N	N	Y	N	N	N	N
Industry-Year Fixed Effects	N	Y	Y	N	Y	Y	Y	Y
R^2	8.25%	8.93%	9.55%	8.19%	8.87%	9.50%	10.28%	20.18%
N	39,978	39,978	39,978	39,978	39,978	39,978	9,649	9,649

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 in Models 1 through 4, and with positive (negative) CARs at the 1% level in Models 5 through 8. 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 the Appendix 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	Model 4	Model 5	Model 6	Model 7	Model 8
Acquisition Plan-Positive CAR	88.36***				129.83***			
	(19.70)				(12.77)			
Acquisition Plan-Negative CAR	54.43***				-4.32			
	(10.73)				(-0.20)			
Acquisition Plan (Internal M&A pipeline)- Positive CAR		104.15***				138.34***		
		(15.22)				(10.36)		
Acquisition Plan (Internal M&A pipeline)- Negative CAR		97.63***				17.91		
		(14.03)				(0.69)		
Acquisition Plan (Opportunistic)- Positive CAR		79.36***				121.34***		
		(14.55)				(7.91)		
Acquisition Plan (Opportunistic)- Negative CAR		23.47***				-43.89		
		(3.51)				(-1.10)		
Acquisition Plan (Committed)-Positive CAR			97.93***				129.55***	
			(15.19)				(9.19)	
Acquisition Plan (Committed)- Negative CAR			84.63***				27.61	
			(12.14)				(1.05)	
Acquisition Plan (Noncommitted)-Positive CAR			81.29***				130.10***	
			(14.49)				(8.88)	
Acquisition Plan (Noncommitted)- Negative CAR			26.43***				-61.74*	
			(3.93)				(-1.71)	
Acquisition Plan (Smaller target)-Positive CAR				91.26***				126.46***
				(15.59)				(8.38)
Acquisition Plan (Smaller target)- Negative CAR				68.42***				54.41**
				(10.55)				(2.13)
Acquisition Plan (Larger target)-Positive CAR				67.93***				79.00***
				(6.11)				(3.38)
Acquisition Plan (Larger target)- Negative CAR				-5.63				-97.36**
				(-0.47)				(-2.36)
Acquisition Plan (Without target size)-Positive CAR				62.16***				134.12***
				(8.24)				(7.94)
Acquisition Plan (without target size Info)- Negative CAR				31.77***				-55.79
				(3.41)				(-0.97)
Difference (1)-(2)	33.93***	6.52	13.30	22.84***	134.15***	120.43***	101.94***	72.05**
F-Value	(30.50)	(0.45)	(2.18)	(7.55)	(30.85)	(15.64)	(10.92)	(5.62)
Difference (3)-(4)		55.89***	54.86***	73.56***		165.23***	191.84***	176.36***
F-Value		(46.28)	(43.08)	(17.50)		(14.32)	(22.96)	(12.31)
Firm-specific Controls	Y	Y	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y	Y	Y
R^2	9.35%	9.51%	9.45%	9.40%	8.70%	8.70%	8.71%	7.95%
N	39,978	39,978	39,978	39,978	39,978	39,978	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 the Appendix 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 and Acquisition Commitment

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Acquisition Plan	-1.27***	-0.03***				
	(-3.86)	(-3.76)				
Acquisition Plan (Internal M&A pipeline)			-1.89***	-0.06***		
			(-3.64)	(-4.69)		
Acquisition Plan (Opportunistic)			-0.97***	-0.02**		
			(-2.67)	(-2.54)		
Acquisition Plan (Committed)					-2.00***	-0.05***
					(-4.58)	(-4.47)
Acquisition Plan (Noncommitted)					-0.64***	-0.02**
					(-1.64)	(-2.28)
Difference			-0.92**	-0.03***	-1.35***	-0.03***
F-Value			(16.39)	(20.58)	(15.97)	(17.00)
Firm-specific Controls	Y	Y	Y	Y	Y	Y
Deal-specific Controls	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	15.87%	20.08%	15.91%	20.17%	15.95%	20.15%
N	7,387	4,807	7,387	4,807	7,387	4,807

Panel B: Target size information

	Model 1	Model 2	Model 3	Model 4
Acquisition Plan (Without target size)	-0.69***	-0.02***	-0.65***	-0.02***
	(-1.43)	(-1.80)	(-1.35)	(-1.78)
Acquisition Plan (With target size)	-1.70***	-0.04***		
	(-4.79)	(-4.18)		
Acquisition Plan (Smaller target)			-1.99***	-0.05***
			(-5.11)	(-4.54)
Acquisition Plan (Larger target)			0.39***	-0.00***
			(0.82)	(-0.35)
Difference (2-1)	-1.01**	-0.02**		
F-Value	(-3.97)	(-4.04)		
Difference (3-4)			-2.38***	-0.04**
F-Value			(-10.91)	(-5.31)
Firm-specific Controls	Y	Y	Y	Y
Deal-specific Controls	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y
R^2	15.92%	20.14%	15.94%	20.18%
N	7,387	4,807	7,387	4,807

Table 9: Acquisition Plans and Performance and Takeover Premiums of Subsequent Acquisitions

This table presents ordinary least squares (OLS) regression and logistic regression analyses of alternative measures of acquisition performance and takeover premium on acquisition plans, acquirer- and deal-specific characteristics. For Panel A, the dependent variable is cumulative DGTW characteristics-adjusted abnormal stock returns over the [-2, +2] event window surrounding the M&A announcement date (Column 1). In Columns 2, 3, and 4 of Panel A, 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 of Panel A, 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 of Panel A, 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. In Columns 1 and 2 of Panel B, 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 of Panel B, 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 the Appendix 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: Acquisition Performance

	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	0.56***	1.81***	1.34***	1.42**	-58.53***	5.73***
	(3.39)	(5.58)	(3.53)	(1.98)	(-4.29)	(2.76)
Firm-specific Controls	Y	Y	Y	Y	Y	Y
Deal-specific Controls	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	14.00%	17.96%	21.20%	13.28%	62.49%	12.49%
N	8,145	9,867	9,241	8,404	11,241	8,051

Panel B: Takeover Premiums

	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	-18.64	-4.67	-4.27
	(-1.57)	(-0.51)	(-0.64)
Firm-specific Controls	Y	Y	Y
Deal-specific Controls	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y
R^2	26.73%	26.77%	32.83%
N	1,243	1,243	1,243

Table 10. Why doesn't every acquirer give Acquisition Plans?

This table presents logistic regression analyses of acquisition plan announcement 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 the Appendix 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	-15.37***	-18.19***
	(-2.95)	(-3.34)
Stock return synchronicity	4.15**	4.56**
	(2.06)	(2.14)
EPS synchronicity	3.74***	3.74***
	(4.08)	(4.00)
% of Peers announcing Acquisition Plan	194.43***	
	(4.04)	
Acquisition Plan (past)	156.59***	158.98***
	(29.27)	(29.21)
CEO Acquisition Plan (past)	64.59**	61.93**
	(2.33)	(2.23)
Capex Guidance (past)	9.97**	9.62**
	(2.25)	(2.13)
Log (Firm Size)	1.90	1.77
	(0.73)	(0.66)
Book leverage	-19.20*	-17.31*
	(-1.88)	(-1.67)
ROA	-10.20	-9.80
	(-0.32)	(-0.30)
Cash Flow to Equity	92.16***	92.11***
	(3.18)	(3.14)
High tech	39.06	35.46
	(0.77)	(0.64)
Tobin's Q	2.41	2.44
	(1.32)	(1.30)
Institutional Ownership	0.02	0.39
	(0.00)	(0.05)
No of Analysts	1.38***	1.40***
	(3.87)	(3.78)
No of M&As (past 10 years)	3.88***	3.93***
	(5.83)	(5.83)
Sigma	-1479.38***	-1532.23***
	(-6.53)	(-6.57)
NWC	0.00	0.00
	(0.29)	(0.10)
Turnover	-1338.80***	-1353.59***
	(-3.23)	(-3.20)
R&D/Total Assets	-81.99**	-76.94**
	(-2.48)	(-2.35)
Abnormal stock return	17.14***	17.35***
	(6.27)	(6.43)
Sales growth	-0.04	-0.01
	(-0.28)	(-0.06)
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

Internet Appendix for "Is there information in corporate acquisition plans?"

Sinan Gokkaya, Xi Liu, and René M. Stulz

June 2025

Internet Appendix A. Examples of Acquisition Plans

Date	Acquisition Plan Description	Target Selection Strategy	Commitment to Acquisitions	Target Size Information	Smaller/Larger Target
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	N/A
11/25/08	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	N/A
08/07/07	Beasley Broadcast Group (NASDAQ: BBGI), the listed Florida-based radio broadcast company, has announced that it remains committed to pursuing acquisitions. "With programming and on-air changes in place in various clusters, we remain focused on our long-term goal of outperforming the markets in which we operate, building our portfolio through select strategic acquisitions and supporting shareholder value," said George G Beasley, chairman and CEO.	Opportunistic	Committed	No	N/A
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	No	N/A
2/18/10	ConAgra Foods (NYSE: CAG), the Omaha, Nebraska-based company, continues to favor smaller acquisitions over larger M&A opportunities, according to CEO Gary Rodkin. During the Consumer Analyst Group of New York Conference earlier this week, Rodkin said the company is "interested in bolt-on acquisitions." According to a conference call transcript of the meeting, he said ConAgra wants deals "that drive growth in categories that aligned with our core competencies, help us leverage our existing infrastructure and enhance our efforts to optimize our portfolio."	Opportunistic	Non-Committed	Yes	Smaller Target

Internet Appendix B. Open AI GPT-4o mini Prompts for Acquisition plan size category

This table presents the prompt provided to Open AI GPT-4o (GPT) mini to extract information from the full text of acquisition plans and categorize them into *Acquisition Plan-with/without target size* category. We manually read and verify every acquisition plan categorized by GPT based on potential target size information. If GPT generates an answer "no information is provided," we manually check and classify the observation. In untabulated analyses, we address potential "look-head" bias in GPT by re-running the prompt after masking the identity of words that could reveal acquisition-planning firms' identities through removal of firm, personnel and product names as well as announcement dates using spaCy as in Jha, Qian, Weber and Yang (2024)and repeat our analyses. Look-ahead bias refers to the potential concern that GPT may use public information other than the contents of acquisition plan text, as GPT is trained with public datasets up until September 2021 and our sample ends in 2015. Robustness checks using the anonymized sample yield similar results. Categorization overlaps between non-anonymized and anonymized samples exceeds 95%. Below is GPT prompt to categorize *Acquisition Plan-with/without target size* category:

> "The following text is an excerpt from a firm's acquisition plan. You are an M&A expert assigned to analyze a firm's acquisition plans, focusing on discussions regarding "future" M&A plans/activities. Target identities are "unknown" at the time of acquisition plan announcements. Your objective is to classify acquisition-plan firms into the following two categories based on whether management discusses the size of potential target firms.
>
> ***[Full text of acquisition plans]***

We obtain information on the relative size of potential targets pursued by acquisition-planning firms, we provide the following prompt to GPT. Once again, we manually review and confirm every acquisition plan observation categorized by GPT as *Acquisition Plan-with smaller/larger targets* based on the relative size information of potential targets. If GPT generates an answer "no information is provided," we manually check and classify the observation. Robustness checks using the anonymized sample yield similar results.

> "The following text is an excerpt is a firm's acquisition plan. You are an M&A expert assigned to analyze a firm's acquisition plans, focusing on discussions regarding "future" M&A plans/activities. Target identities are "unknown" at the time of acquisition plan announcements. Your objective is to classify acquisition-plan firms into the following two categories based on the relative size of potential targets these firms are planning to pursue. 1) Smaller targets: Firms that clearly express plans to pursue smaller-scale acquisitions. For example, management may stress modest financial Scale, relatively modest revenue/profit contribution or underscore smaller size relative to the overall firm. 2) Larger targets: Firms that clearly express plans to pursue larger scale/transformational acquisitions. For example, management may indicate higher financial commitment, significant strategic impact, major revenue contribution, or underscore larger relative size."
>
> ***[Full text of acquisition plans]***

Internet 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%

Internet Appendix Table 2. Acquisition Plan Announcements and Signed Abnormal Market Reactions

This table presents signed cumulative DGTW characteristics-adjusted abnormal stock returns (Abnormal CARs) to the announcement of acquisition plans between 2003 and 2015. *Abnormal CARs* are defined as the DGTW characteristics-adjusted abnormal stock returns surrounding the announcement of acquisition plans (CARs) minus the average of CARs on sample of non-overlapping three-day/five-day return observations during the pre-event 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 the Appendix for a detailed description of variables.

Panel A. Full Sample

Interval	Full Sample
% CAR(-1,1)	0.157***
	(0.002)
	[0.108]
% CAR(-2,2)	0.217***
	(0.000)
	[0.034]

Panel B. Acquisition Plan Characteristics

	Internal pipeline	Opportunistic
% CAR(-1,1)	0.237**	0.123**
	(0.037)	(0.017)
	[0.216]	[0.264]
% CAR(-2,2)	0.318**	0.175***
	(0.013)	(0.004)
	[0.177]	[0.094]

	Committed	Non-committed
% CAR(-1,1)	0.248***	0.103*
	(0.008)	(0.069)
	[0.085]	[0.484]
% CAR(-2,2)	0.343***	0.143**
	(0.001)	(0.032)
	[0.071]	[0.191]

	Undetermined	With Size Info
% CAR(-1,1)	0.230***	0.107*
	(0.004)	(0.088)
	[0.147]	[0.378]
% CAR(-2,2)	0.334***	0.137*
	(0.000)	(0.058)
	[0.058]	[0.232]

	Large M&A	Small M&A
% CAR(-1,1)	-1.072***	0.220***
	(<.0001)	(0.001)
	[<.0001]	[0.060]
% CAR(-2,2)	-1.116***	0.253***
	(<.0001)	(0.001)
	[<.0001]	[0.040]

Internet Appendix Table 3. Acquisition Plan Announcements and Abnormal Market Reactions

This table presents absolute cumulative DGTW characteristics-adjusted abnormal stock 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 DGTW characteristics-adjusted abnormal stock returns surrounding the announcement of acquisition plans *(%Absolute CAR*) minus the average of *%Absolute CARs* on the sample of non-overlapping three-day/five-day return observations during the pre-event estimation window ([-30, -120] trading days relative to acquisition-planning 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 pre-event 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 the Appendix for a detailed description of variables.

	First	Subsequent	Difference
% Abnormal Absolute CARs (-1, +1)	1.392***	0.199***	1.193***
	(<.0001)	(0.005)	(<.0001)
	[<.0001]	[0.040]	[<.0001]
% Abnormal Absolute CARs (-2, +2)	1.773***	0.318***	1.456***
	(<.0001)	(0.000)	(<.0001)
	[<.0001]	[0.443]	[<.0001]
% Abnormal Stock Turnover (-1, +1)	0.404***	0.129***	0.275***
	(<.0001)	(<.0001)	(<.0001)
	[0.000]	[0.272]	[0.000]
% Abnormal Stock Turnover (-2, +2)	0.497***	0.195***	0.301***
	(<.0001)	(<.0001)	(0.000)
	[<.0001]	[0.552]	[0.012]

Internet Appendix Table 4. 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	Acquisition-planning firms	% Other Firms
	(1)	(2)	(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%

Internet Appendix Table 5- Acquisition Plans and The Likelihood of Subsequent Acquisitions: Robustness

This table presents regression analyses of acquisition likelihood on acquisition plan announcements and firm-specific characteristics from 2004 to 2016. *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 starget 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 the Appendix 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	Model 4	Model 5	Model 6	Model 7
Acquisition Plan	22.19**	40.57***	11.70***				
	(2.00)	(7.73)	(20.04)				
Falsification-Sales guidance				-0.35			
				(-0.09)			
Falsification-Earnings guidance					-1.69		
					(-0.40)		
Falsification-Dividend guidance						-10.04	
						(-0.80)	
Acquisition Plan- Falsified Dates							3.07
							(0.58)
Firm-specific Controls	Y	Y	Y	Y	Y	Y	Y
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y	Y
R^2	2.05%	9.26%	10.90%	8.40%	8.40%	8.40%	8.40%
N	39,978	39,978	39,978	39,978	39,978	39,978	39,978

Internet Appendix Table 6. Acquisition Plans and Performance of Subsequent Acquisitions: Robustness and Identification

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 cumulative DGTW characteristics-adjusted abnormal stock returns. 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 the Appendix 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: 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	0.59***	0.95***	0.95***	0.72**	-78.75***	3.56*
	(3.04)	(2.89)	(2.89)	(1.99)	(-2.73)	(1.72)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	25.86%	43.34%	46.26%	49.49%	64.65%	10.79%
N	3,156	3,208	3,028	2,829	3,551	3,363

Panel B: 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	0.61***	1.34***	0.98***	1.91***	-66.72***	5.42**
	(3.43)	(4.78)	(2.93)	(4.90)	(-4.44)	(2.58)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	14.70%	25.37%	22.24%	22.48%	63.10%	13.53%
N	6,996	8,463	7,914	7,197	9,608	7,608

Panel C**:** 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	0.64**	1.06***	0.67	0.92**	-72.05***	7.90
	(2.34)	(2.91)	(1.48)	(2.27)	(-3.80)	(1.60)
Year Fixed Effects	Y	Y	Y	Y	Y	Y
Firm Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	50.77%	62.96%	73.55%	89.69%	81.00%	34.11%
N	8,145	9,867	9,241	8,404	7,029	8,051

Panel D: 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	0.63**	2.18***	1.57***	2.35***	-41.27**	9.19***
	(2.21)	(4.72)	(2.85)	(2.77)	(-2.01)	(3.18)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	22.10%	32.19%	28.22%	15.79%	63.41%	25.86%
N	3,527	4,171	3,873	3,410	4,694	3,296

Panel E: 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	-0.05	0.12	0.60	-0.19	4.00	3.64
	(-0.21)	(0.29)	(1.40)	(-0.32)	(0.31)	(1.01)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	13.91%	17.77%	21.10%	13.22%	62.41%	12.47%
N	8,145	9,867	9,241	8,404	11,241	8,051

Panel F: 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	0.68	0.53	0.50	0.19	-5.86	13.55
	(1.18)	(0.97)	(0.86)	(0.25)	(-0.18)	(1.08)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	13.93%	17.77%	21.09%	13.22%	62.41%	12.50%
N	8,145	9,867	9,241	8,404	11,241	8,051

Panel G: 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	0.13	-0.46	0.34	0.98	-69.47	-1.07
	(0.31)	(-0.57)	(0.47)	(1.14)	(-1.45)	(-0.33)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	13.91%	17.77%	21.09%	13.22%	62.42%	12.45%
N	8,145	9,867	9,241	8,404	11,241	8,051

Panel H: 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	0.07	0.39	-0.25	-0.12	-20.68	6.25
	(0.28)	(0.85)	(-0.50)	(-0.16)	(-1.49)	(1.08)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	13.91%	17.77%	21.09%	13.22%	62.42%	12.48%
N	8,145	9,867	9,241	8,404	11,241	8,051

Panel I: 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	0.08	0.22	0.50	0.62	-12.28	-1.01
	(0.38)	(0.55)	(1.13)	(1.03)	(-0.93)	(-0.22)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	13.91%	17.77%	21.10%	13.23%	62.42%	12.46%
N	8,145	9,867	9,241	8,404	11,241	8,051

Panel J: 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	0.21	-0.24	-0.02	-0.63	-17.63	-0.74
	(0.60)	(-0.61)	(-0.05)	(-1.04)	(-0.60)	(-0.10)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	13.91%	17.77%	21.09%	13.22%	62.41%	12.45%
N	8,145	9,867	9,241	8,404	11,241	8,051

Panel K: 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	-0.41	0.01	-0.39	0.43	12.69	-6.59
	(-0.92)	(0.01)	(-0.68)	(0.62)	(0.51)	(-1.34)
Industry-Year Fixed Effects	Y	Y	Y	Y	Y	Y
R^2	13.92%	17.77%	21.09%	13.22%	62.41%	12.46%
N	8,145	9,867	9,241	8,404	11,241	8,051

Internet Appendix Table 7. Cumulative Abnormal Returns to Eventually acquired Target Firms around Acquisition Plan Announcements

This table presents cumulative DGTW characteristics-adjusted abnormal returns (% CARs) to publicly traded target firms eventually 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 the Appendix for a detailed description of variables.

Interval	% CAR
(-1, +1)	-0.16
	(-1.10)
(-2, +2)	-0.09
	(-0.51)
(-1, +10)	0.20
	(0.60)
(-1, +20)	0.65
	(1.38)
(-2, +10)	0.15
	(0.44)
(-2, +20)	0.59
	(1.25)