

Online Appendix

Bidder and Target Size Effects in M&A Are Not Driven by Overconfidence or Agency Problems

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This appendix presents additional results to accompany the paper “Bidder and Target Size Effects in M&A Do Not Reflect Overconfidence or Agency Problems” The contents are:

Section A.1 presents additional figures mentioned in the paper.

Section A.2 presents additional tables mentioned in the paper.

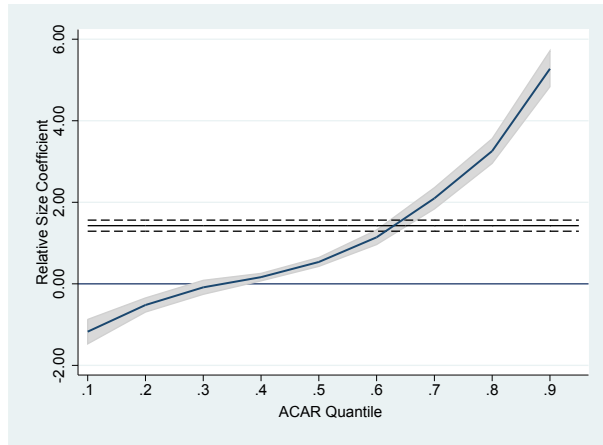
Section A.3 presents additional information on our M&A literature survey mentioned in the paper.

^{‡‡}Citation format: Schneider, Christoph, and Oliver Spalt, 2021, Internet Appendix to “Bidder and Target Size Effects in M&A Are Not Driven by Overconfidence or Agency Problems”

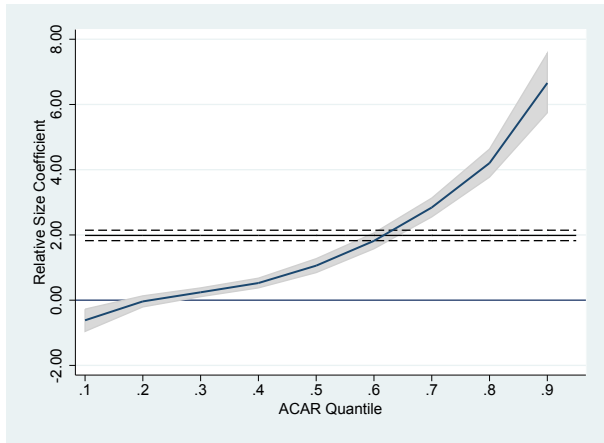
A.1 Additional Figures

Figure A-1: Relative Size Effect for Different Quantiles of ACAR

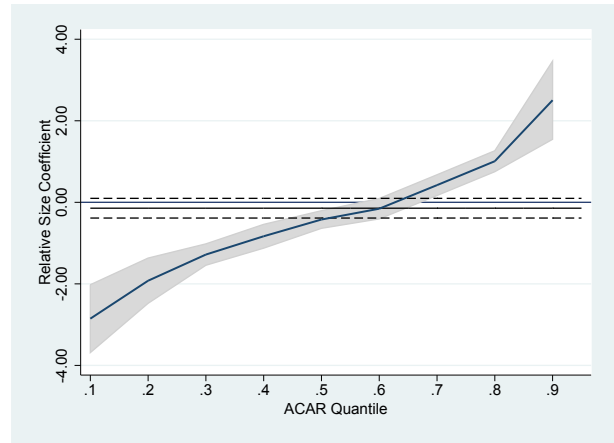
This figure shows the relative size coefficient ($= \text{Dealvalue} / \text{Bidder MCAP}$) from simultaneous-quantile regressions with three-day abnormal bidder announcement returns as dependent variable. The same set of control variables as in Table 4 is used but the bidder and target size variables are omitted. Because of some extreme outliers relative size is winsorized at the 1st and 99th percentile. The shaded area are the 95% confidence intervals. The black solid line represents the OLS coefficient estimate and the dashed lines its 95% confidence interval. Subfigure (a) reports results for the full sample, subfigure (b) for non-public targets, and subfigure (c) for public targets.



(a) Relative size effect for all targets



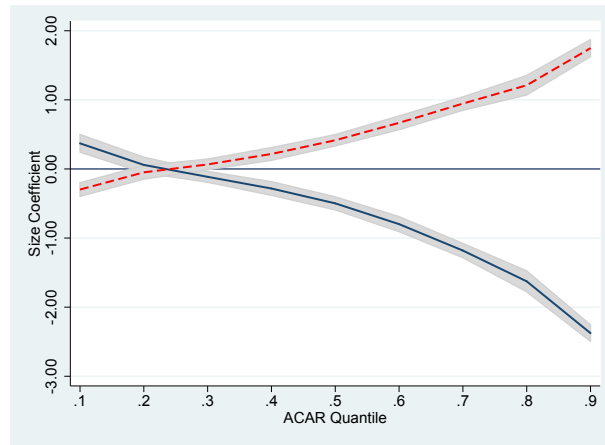
(b) Relative size effect for non-public targets



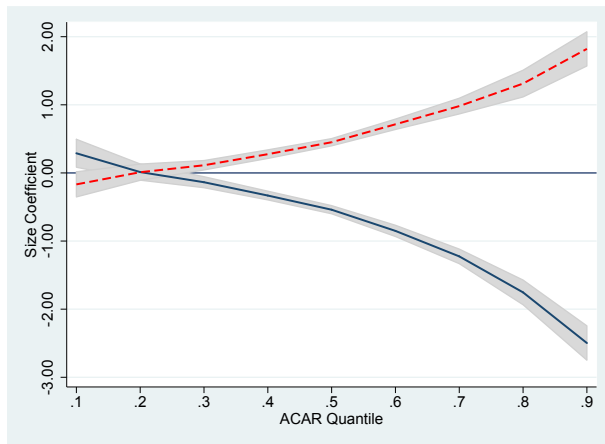
(c) Relative size effect for public targets

Figure A-2: Bidder and Target Size Effect for Different Quantiles of ACAR with European Data

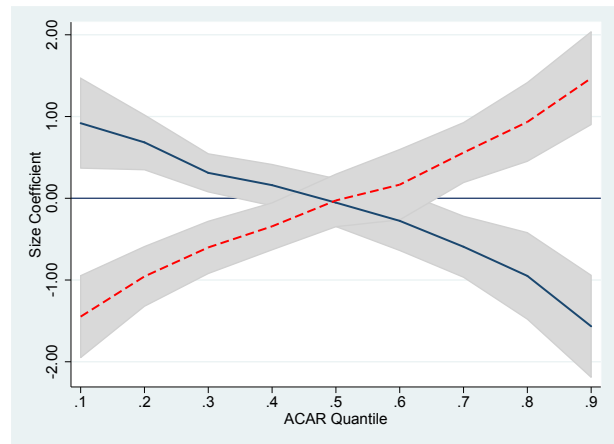
This figure shows the bidder and target size coefficients from simultaneous-quantile regressions with three-day abnormal bidder announcement returns as dependent variable for a European takeover sample. See Table A-8 for more details on the sample. The blue solid (red dashed) line represents bidder (target) size coefficient estimates. The shaded areas are the respective 95% confidence intervals. Subfigure (a) reports results for the full sample. Subfigure (b) reports results for non-public targets. Subfigure (c) reports results for public targets.



(a) Bidder and target size effect for all targets



(b) Bidder and target size effect for non-public targets



(c) Bidder and target size effect for public targets

A.2 Additional Tables

Table A-1: Sample Distribution

This table displays for three samples (all targets, only non-public targets, and only public targets) the annual number of deals and the annual average bidder announcement returns computed using the $[-1, +1]$ event window and a market model estimated over days $[-280, -31]$.

Year	All Targets		Non-Public Targets		Public Targets	
	ACAR	N	ACAR	N	ACAR	N
1981	-0.17	335	0.21	245	-1.18	90
1982	0.12	381	0.33	318	-0.93	63
1983	0.53	542	0.74	471	-0.86	71
1984	0.86	604	0.91	506	0.60	98
1985	-0.23	281	0.46	190	-1.66	91
1986	0.84	412	1.15	327	-0.33	85
1987	1.33	344	1.87	268	-0.58	76
1988	0.29	363	0.41	291	-0.19	72
1989	0.61	450	0.76	391	-0.36	59
1990	0.63	383	0.86	345	-1.50	38
1991	1.29	440	1.63	385	-1.07	55
1992	2.05	661	2.42	599	-1.56	62
1993	2.44	961	2.84	861	-1.09	100
1994	1.39	1,185	1.76	1,026	-0.99	159
1995	1.33	1,258	1.79	1,050	-0.97	208
1996	1.84	1,520	2.23	1,298	-0.40	222
1997	1.21	2,066	1.52	1,778	-0.76	288
1998	0.88	2,059	1.46	1,769	-2.64	290
1999	0.94	1,470	1.67	1,200	-2.30	270
2000	0.61	1,132	1.59	923	-3.75	209
2001	0.16	802	1.09	646	-3.69	156
2002	1.17	770	1.50	689	-1.56	81
2003	0.42	806	1.03	683	-2.94	123
2004	0.77	894	1.25	761	-1.96	133
2005	0.74	978	1.09	867	-2.05	111
2006	0.61	977	0.90	856	-1.42	121
2007	1.08	866	1.41	746	-0.98	120
2008	0.53	516	0.83	464	-2.19	52
2009	1.41	388	1.78	329	-0.61	59
2010	0.89	543	1.03	482	-0.25	61
2011	0.54	555	0.68	511	-1.04	44
2012	1.14	655	1.15	588	1.02	67
2013	1.65	611	1.66	546	1.56	65
2014	1.90	682	1.89	629	2.02	53
1981-2014	1.04	26,890	1.44	23,038	-1.39	3,852

Table A-2: Summary Statistics

This table displays additional descriptive statistics for the main variables used in our analysis in the full sample (Panel A), the sample of non-public target deals (Panel B), and the sample of public target deals (Panel C). All variables have previously been defined in Table 2.

Panel A: Sample Statistics – All

Variable	Mean	Median	Std	Min	P25	P75	Max	N
ACAR	1.04	0.30	8.53	-73.96	-2.23	3.34	365.31	26,890
Bidder MCAP	2,760.8	512.9	11,866.1	0.8	155.8	1,631.2	446,490.4	26,890
Dealvalue	406.4	51.9	2,948.9	1.0	17.3	182.7	226,489.6	26,890
Relative Size	0.345	0.105	2.660	0.010	0.041	0.282	380.278	26,890
Bidder BM Ratio	0.614	0.516	0.499	0.000	0.317	0.777	11.749	26,186
Bidder ROA	0.092	0.108	0.166	-3.506	0.031	0.168	1.776	24,439
Public Target	0.143	0.000	0.350	0.000	0.000	0.000	1.000	26,890
Cash	0.237	0.000	0.425	0.000	0.000	0.000	1.000	26,890
Stock	0.183	0.000	0.387	0.000	0.000	0.000	1.000	26,890
Tender	0.031	0.000	0.173	0.000	0.000	0.000	1.000	26,890
Hostile	0.002	0.000	0.041	0.000	0.000	0.000	1.000	26,890
Conglomerate	0.435	0.000	0.496	0.000	0.000	1.000	1.000	26,890
Competed	0.010	0.000	0.099	0.000	0.000	0.000	1.000	26,890
New Economy	0.154	0.000	0.361	0.000	0.000	0.000	1.000	26,868
log(Number of Deals)	4.222	4.369	1.262	0.000	3.466	5.124	6.568	26,890
R	4.65	1.70	189.84	-5,333.18	-21.24	31.09	5,588.52	26,319

Panel B: Sample Statistics – Non-Public

Variable	Mean	Median	Std	Min	P25	P75	Max	N
ACAR	1.44	0.48	8.64	-73.96	-1.88	3.62	365.31	23,038
Bidder MCAP	1,810.2	436.8	7,253.9	0.8	135.7	1,295.3	313,042.3	23,038
Dealvalue	169.3	40.0	922.9	1.0	14.6	123.6	96,300.0	23,038
Relative Size	0.314	0.093	2.847	0.010	0.038	0.237	380.278	23,038
Bidder BM Ratio	0.617	0.516	0.510	0.000	0.320	0.779	11.749	22,388
Bidder ROA	0.089	0.108	0.172	-3.506	0.031	0.167	1.776	20,717
Cash	0.236	0.000	0.425	0.000	0.000	0.000	1.000	23,038
Stock	0.150	0.000	0.357	0.000	0.000	0.000	1.000	23,038
Tender	0.005	0.000	0.072	0.000	0.000	0.000	1.000	23,038
Hostile	0.000	0.000	0.000	0.000	0.000	0.000	0.000	23,038
Conglomerate	0.450	0.000	0.498	0.000	0.000	1.000	1.000	23,038
Competed	0.003	0.000	0.057	0.000	0.000	0.000	1.000	23,038
New Economy	0.154	0.000	0.361	0.000	0.000	0.000	1.000	23,018
log(Number of Deals)	4.225	4.369	1.265	0.000	3.466	5.124	6.568	23,038
R	6.84	3.33	202.20	-5,333.18	-21.44	36.54	5,588.52	22,500

Panel C: Sample Statistics – Public

Variable	Mean	Median	Std	Min	P25	P75	Max	N
ACAR	-1.39	-1.05	7.39	-49.92	-4.51	1.79	104.02	3,852
Bidder MCAP	8,445.8	1,751.8	25,112.7	6.0	467.0	5,696.1	446,490.4	3,852
Target MCAP	1,223.0	210.2	5,170.9	2.8	74.5	699.2	117,241.0	3,718
Dealvalue	1,824.7	327.8	7,299.1	3.0	118.3	1,106.8	226,489.6	3,852
Relative Size	0.529	0.251	0.937	0.010	0.084	0.640	22.660	3,852
Bidder BM Ratio	0.593	0.509	0.428	0.000	0.310	0.767	5.916	3,798
Bidder ROA	0.106	0.108	0.128	-2.918	0.030	0.172	0.763	3,722
Cash	0.238	0.000	0.426	0.000	0.000	0.000	1.000	3,852
Stock	0.383	0.000	0.486	0.000	0.000	1.000	1.000	3,852
Tender	0.184	0.000	0.387	0.000	0.000	0.000	1.000	3,852
Hostile	0.011	0.000	0.105	0.000	0.000	0.000	1.000	3,852
Conglomerate	0.341	0.000	0.474	0.000	0.000	1.000	1.000	3,852
Competed	0.049	0.000	0.216	0.000	0.000	0.000	1.000	3,852
New Economy	0.157	0.000	0.364	0.000	0.000	0.000	1.000	3,850
log(Number of Deals)	4.207	4.369	1.242	0.000	3.434	5.075	6.568	3,852
R	-8.27	-3.96	85.48	-1,247.66	-20.74	8.45	867.35	3,819

Table A-3: Double-Sorts for Non-Public and Public Targets

This table displays average three-day abnormal bidder announcement returns across size quintiles for non-public (Panel A and B) and public (Panel C and D) target deals. In Panel A and C (B and D) deals are first sorted annually into quintiles according to deal value (bidder market capitalization). Then, within each deal value (bidder market capitalization) quintile, we sort deals into quintiles of bidder market capitalization (deal value). For each size quintile portfolio the average ACAR (in %) and the number of observations (in smaller font size) is reported. The second to last line in each panel reports the observation weighted average ACAR (in %) across all quintiles in a column. The last line reports the total number of observations in each column.

Panel A: Double-Sort Non-Public Targets – First by Target Size then by Bidder Size

Target Size Quintile	Bidder Size Quintile					
	1	2	3	4	5	5–1
1	3.36	1.46	0.91	0.35	0.05	–3.31
	953	936	936	922	917	
2	3.04	1.22	0.54	0.15	0.47	–2.57
	940	928	927	918	912	
3	3.15	1.62	0.99	0.40	0.09	–3.07
	928	916	912	921	891	
4	4.32	1.88	0.69	0.60	0.46	–3.86
	937	919	924	921	899	
5	5.37	2.11	1.61	0.77	0.18	–5.19
	930	917	918	921	895	
Weighted average	3.85	1.66	0.95	0.45	0.25	–3.60
	4,688	4,616	4,617	4,603	4,514	

Panel B: Double-Sort Non-Public Targets – First by Bidder Size then by Target Size

Bidder Size Quintile	Target Size Quintile					
	1	2	3	4	5	5–1
1	1.61	2.51	2.68	2.69	5.87	4.26
	947	925	929	920	911	
2	0.22	1.04	0.90	1.71	4.63	4.42
	940	925	918	924	902	
3	0.25	0.30	0.99	1.36	2.73	2.48
	949	909	927	915	899	
4	0.14	0.33	0.64	0.74	2.06	1.92
	938	923	919	927	903	
5	0.44	0.42	0.17	0.68	1.18	0.73
	939	916	914	916	903	
Weighted average	0.53	0.92	1.08	1.44	3.30	2.76
	4,713	4,598	4,607	4,602	4,518	

Panel C: Double-Sort Public Targets – First by Target Size then by Bidder Size

Target Size Quintile	Bidder Size Quintile					
	1	2	3	4	5	5–1
1	0.14	–0.60	–0.56	–0.47	–0.43	–0.57
	171	156	158	157	142	
2	–0.30	–1.19	–1.60	–0.27	–0.07	0.23
	168	154	159	151	139	
3	–2.26	–0.97	–1.36	–1.24	–1.17	1.10
	168	152	159	151	138	
4	–1.91	–2.99	–2.31	–1.16	–0.37	1.54
	168	156	156	156	135	
5	–3.49	–2.35	–3.03	–2.87	–1.64	1.85
	167	151	152	153	135	
Weighted average	–1.56	–1.62	–1.76	–1.20	–0.73	0.83
	842	769	784	768	689	

Panel D: Double-Sort Public Targets – First by Bidder Size then by Target Size

Bidder Size Quintile	Target Size Quintile					
	1	2	3	4	5	5–1
1	0.11	–0.38	–1.04	–1.67	–0.63	–0.75
	170	157	158	157	143	
2	–0.67	–1.55	–1.13	–1.58	–2.44	–1.77
	168	153	158	152	139	
3	–0.45	–0.76	–1.53	–3.17	–2.84	–2.39
	168	152	157	152	139	
4	–0.05	–1.23	–0.80	–2.37	–2.73	–2.69
	169	157	156	156	141	
5	–0.83	–0.67	–1.56	–2.95	–2.91	–2.08
	165	150	150	149	136	
Weighted average	–0.37	–0.92	–1.21	–2.34	–2.30	–1.93
	840	769	779	766	698	

Table A-4: Size and Bidder Announcement Returns: Regression Results for Serial Acquirers

This table presents results for OLS regressions of three-day abnormal bidder announcement returns on bidder size, target size, and control variables for the full sample, only non-public targets, and only public targets of serial acquirers (defined as in Fuller, Netter, and Stegemoeller (2002), at least five acquisitions within any three year period). All variables have previously been defined in Table 2. Bidder MCAP and Dealsize are in logs. The T-statistics are reported in small font size below the estimates. Standard errors are clustered by announcement month.

Dep. var.:	ACAR $[-1, +1]$					
	All Targets		Non-Public Targets		Public Targets	
	(1)	(2)	(3)	(4)	(5)	(6)
Bidder MCAP	-0.264	-0.485	-0.353	-0.872	0.243	1.061
	-2.99	-3.54	-3.59	-5.87	1.18	4.86
Dealvalue		0.339		0.779		-1.481
		2.70		5.98		-5.78
Public Target	-2.753	-3.167				
	-8.36	-9.98				
Bidder ROA	-1.597	-1.476	-1.032	-0.744	-3.053	-3.407
	-0.35	-0.32	-0.21	-0.15	-0.45	-0.52
Bidder BM Ratio	0.024	-0.062	-0.168	-0.367	2.084	2.461
	0.07	-0.18	-0.41	-0.93	1.67	2.08
Cash	-0.091	-0.027	-0.257	-0.166	1.049	-0.170
	-0.37	-0.12	-0.95	-0.64	1.38	-0.23
Stock	-0.324	-0.377	0.018	-0.090	-0.802	-0.806
	-1.07	-1.24	0.05	-0.25	-1.14	-1.18
Tender	1.617	1.680	3.168	3.061	-0.169	-0.119
	2.07	2.13	1.74	1.64	-0.21	-0.15
Hostile	1.144	0.793			3.738	4.161
	0.33	0.22			1.01	1.23
Conglomerate	0.255	0.274	0.295	0.324	-0.150	-0.578
	0.94	1.01	0.97	1.07	-0.20	-0.79
Competed	4.081	4.009	8.137	8.600	1.083	1.769
	2.73	2.61	3.93	3.91	0.69	1.21
New Economy	-0.250	-0.244	-0.332	-0.317	0.778	0.877
	-0.45	-0.44	-0.56	-0.53	0.41	0.48
log(Number of Deals)	-0.012	0.012	0.063	0.139	0.234	0.333
	-0.07	0.07	0.36	0.77	0.52	0.77
Adjusted R^2	0.053	0.055	0.040	0.051	0.075	0.135
Number of observations	5,715	5,715	4,827	4,827	888	888
Industry and year FE	Yes	Yes	Yes	Yes	Yes	Yes
Mean dep. var.:	0.774	0.774	1.263	1.263	-1.883	-1.883

Table A-5: Size and Bidder Announcement Returns: Regression Results with CEO Overconfidence Proxy

This table presents results for OLS regressions of three-day abnormal bidder announcement returns on bidder size, target size, CEO overconfidence, and control variables for the full sample, only non-public targets, and only public targets. *Longholder Thomson* is the variable *Longholder Thomson fill* from Malmendier, Ulrike, and Geoffrey Tate. 2015. “Behavioral CEOs: The Role of Managerial Overconfidence.” *Journal of Economic Perspectives*, 29 (4): 37-60. We merged the data available at <https://www.aeaweb.org/articles?id=10.1257/jep.29.4.37> with our data set for the overlapping sample period from 1997 to 2012. We replaced all missing values of *Longholder Thomson* with zero to prevent a large change in the number of observations in our regressions. We defined *Longholder Missing* to equal one if *Longholder Thomson fill* was missing and zero otherwise. All other variables have previously been defined in Table 2. Bidder MCAP and Dealsize are in logs. The T-statistics are reported in small font size below the estimates. Standard errors are clustered by announcement month.

Dep. var.:	ACAR [-1, +1]					
	All Targets		Non-Public Targets		Public Targets	
	(1)	(2)	(3)	(4)	(5)	(6)
Bidder MCAP	-0.387 -5.74	-0.897 -6.30	-0.470 -6.17	-1.227 -7.59	-0.065 -0.51	0.533 3.05
Dealvalue		0.790 4.96		1.162 6.43		-0.953 -4.62
Longholder Thomson	0.371 1.93	0.377 1.96	0.290 1.39	0.275 1.30	0.213 0.45	0.208 0.44
Longholder Missing	0.206 0.93	0.273 1.25	0.082 0.37	0.152 0.68	0.283 0.45	0.309 0.50
Public Target	-2.970 -11.15	-3.976 -12.77				
Bidder ROA	0.209 0.15	0.172 0.13	0.203 0.14	0.190 0.13	6.551 2.30	6.605 2.37
Bidder BM Ratio	0.600 1.88	0.365 1.12	0.600 1.79	0.243 0.70	0.807 1.15	1.034 1.45
Cash	0.139 0.90	0.312 2.11	-0.100 -0.61	0.069 0.44	2.559 6.46	1.810 4.11
Stock	-0.166 -0.54	-0.286 -0.93	0.526 1.38	0.348 0.92	-0.652 -1.67	-0.705 -1.78
Tender	1.826 4.28	1.964 4.51	-2.466 -1.50	-2.729 -1.55	1.330 2.47	1.193 2.21
Hostile	-1.053 -0.58	-1.990 -1.03			-1.776 -0.87	-0.711 -0.37
Conglomerate	0.062 0.27	0.125 0.53	0.033 0.13	0.109 0.41	-0.076 -0.16	-0.242 -0.53
Competed	-0.141 -0.18	-0.615 -0.76	1.253 1.06	0.458 0.38	-0.922 -0.92	-0.465 -0.48
New Economy	-0.641 -1.87	-0.571 -1.63	-0.571 -1.51	-0.471 -1.22	-1.021 -0.96	-1.072 -1.03
log(Number of Deals)	-0.451 -1.68	-0.440 -1.64	-0.318 -1.09	-0.264 -0.90	-1.300 -1.78	-1.098 -1.50
Adjusted R^2	0.026	0.035	0.007	0.026	0.090	0.106
Number of observations	13,573	13,573	11,485	11,485	2,088	2,088
Industry and year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A-6: Size and Bidder Announcement Returns: Regression Results with Time to Completion

This table presents results for OLS regressions of three-day abnormal bidder announcement returns on bidder size, target size, time to completion, and control variables for the full sample, only non-public targets, and only public targets. Time to completion is defined as the number of days between deal announcement and completion (according to SDC). All other variables have previously been defined in Table 2. Bidder MCAP and Dealsize are in logs. The T-statistics are reported in small font size below the estimates. Standard errors are clustered by announcement month.

Dep. var.:	ACAR $[-1, +1]$					
	All Targets		Non-Public Targets		Public Targets	
	(1)	(2)	(3)	(4)	(5)	(6)
Bidder MCAP	-0.485	-0.939	-0.539	-1.194	-0.161	0.318
	-11.86	-11.30	-11.73	-12.86	-2.00	2.63
Dealvalue		0.726		1.047		-0.790
		7.45		9.54		-5.66
Public Target	-2.636	-3.438				
	-11.63	-14.08				
Time to Completion	0.004	0.002	0.004	0.002	0.003	0.004
	5.75	3.90	5.67	3.21	1.99	2.71
Bidder ROA	0.107	0.065	0.305	0.265	1.425	1.416
	0.12	0.07	0.31	0.27	0.61	0.62
Bidder BM Ratio	0.384	0.180	0.436	0.136	0.458	0.643
	2.08	0.97	2.28	0.71	1.01	1.40
Cash	0.198	0.339	-0.035	0.094	1.889	1.340
	1.67	2.98	-0.28	0.78	6.05	4.20
Stock	-0.076	-0.103	0.363	0.343	-0.845	-0.862
	-0.38	-0.52	1.55	1.48	-2.95	-3.01
Tender	1.760	1.782	1.440	1.415	0.893	1.021
	4.26	4.13	1.05	0.94	2.24	2.55
Hostile	0.282	-0.565			0.006	0.959
	0.38	-0.73			0.01	1.15
Conglomerate	-0.086	-0.030	-0.110	-0.050	-0.388	-0.523
	-0.56	-0.19	-0.63	-0.28	-1.24	-1.69
Competed	0.580	0.343	3.925	3.856	-0.949	-0.589
	0.57	0.31	1.65	1.45	-1.54	-0.99
New Economy	-0.608	-0.550	-0.550	-0.475	-0.989	-1.041
	-2.29	-2.06	-1.90	-1.64	-1.35	-1.43
log(Number of Deals)	-0.361	-0.322	-0.218	-0.136	-1.056	-0.958
	-2.71	-2.39	-1.53	-0.94	-3.13	-2.84
Adjusted R^2	0.036	0.044	0.022	0.039	0.078	0.091
Number of observations	23,758	23,758	20,141	20,141	3,617	3,617
Industry and year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A-7: Size and Bidder Announcement Returns: Regression Results with Analyst Coverage

This table reruns the regression from Table 4, Panel A, specifications (4) and (6), with controls for analyst coverage. $\#Analysts$ ($Bidder$) ($\#Analysts$ ($Target$)) is the number of analyst firms following the bidder (target) company in the year before the takeover announcement (according to I/B/E/S). All other variables have previously been defined in Table 2. Bidder MCAP and Dealsize are in logs. The T-statistics are reported in small font size below the estimates. Standard errors are clustered by announcement month.

Dep. var.:	ACAR $[-1, +1]$					
	#Analysts		log(#Analysts)		#Analysts	
	Non-Public	Public	Non-Public	Public	missings set to zero Non-Public	Public
	(1)	(2)	(3)	(4)	(5)	(6)
Bidder MCAP	-0.903	0.939	-0.932	1.009	-1.213	0.246
	-8.02	3.84	-8.42	3.93	-12.82	2.00
Dealvalue	0.773	-1.185	0.771	-1.248	1.079	-0.670
	7.31	-4.19	7.29	-4.49	9.74	-4.94
#Analysts (Bidder)	0.005	-0.013	0.115	-0.322	0.010	0.015
	0.31	-0.42	1.10	-0.79	0.92	0.87
#Analysts (Target)		0.025		0.308	-1.180	-0.046
		0.49		0.92	-2.89	-1.37
Bidder ROA	-0.510	5.027	-0.518	5.030	0.224	1.365
	-0.47	1.14	-0.48	1.14	0.23	0.60
Bidder BM Ratio	0.002	1.695	-0.001	1.757	0.132	0.616
	0.01	2.90	0.00	3.02	0.69	1.38
Cash	-0.072	0.698	-0.073	0.699	0.093	1.285
	-0.39	1.09	-0.40	1.10	0.78	4.07
Stock	-0.146	-0.906	-0.147	-0.922	0.391	-0.860
	-0.55	-1.60	-0.55	-1.63	1.68	-3.02
Tender	3.761	1.662	3.746	1.632	1.467	0.863
	1.95	2.36	1.95	2.32	1.02	2.26
Hostile		2.000		2.026		1.057
		1.57		1.61		1.28
Conglomerate	-0.316	-0.721	-0.316	-0.750	-0.065	-0.566
	-1.56	-1.22	-1.56	-1.27	-0.37	-1.86
Competed	4.685	-0.733	4.692	-0.703	3.947	-0.492
	2.55	-0.83	2.56	-0.81	1.48	-0.83
New Economy	-0.383	-1.621	-0.395	-1.633	-0.494	-1.032
	-0.87	-1.28	-0.90	-1.29	-1.70	-1.43
log(Number of Deals)	-0.263	-0.510	-0.264	-0.486	-0.151	-0.862
	-0.95	-0.82	-0.95	-0.78	-1.04	-2.59
Adjusted R^2	0.028	0.119	0.028	0.120	0.039	0.088
Number of observations	8,752	1,219	8,752	1,219	20,231	3,685
Industry and year FE	Yes	Yes	Yes	Yes	Yes	Yes
Mean dep. var.:	1.317	-2.438	1.317	-2.438	1.535	-1.395

Table A-8: Size and Bidder Announcement Returns: Regression Results with European Data

This table presents results for OLS regressions of three-day abnormal bidder announcement returns on bidder size, target size, and control variables for the full sample, only non-public targets, and only public targets of European M&A transactions. The initial sample consists of all mergers and acquisitions in the Thomson Reuters SDC database, performed by bidder firms from current EU countries as well as Iceland, Lichtenstein, Norway, and Switzerland announced between January 1, 1980 and December 31, 2017. We use the exact same sample selection criteria as for our main US sample. All deals where the target firm is domiciled outside the aforementioned countries are excluded. Stock market and accounting data is obtained from Datastream. All variables have previously been defined in Table 2. Bidder MCAP and Dealsize are in logs. The T-statistics are reported in small font size below the estimates. Standard errors are clustered by announcement month.

Dep. var.:	ACAR $[-1, +1]$					
	All Targets		Non-Public Targets		Public Targets	
	(1)	(2)	(3)	(4)	(5)	(6)
Bidder MCAP	-0.527 -8.13	-1.032 -9.66	-0.565 -7.94	-1.120 -9.58	-0.198 -1.46	-0.224 -1.14
Dealvalue		0.784 8.30		0.879 8.63		0.035 0.16
Public Target	-1.392 -3.35	-2.144 -4.67				
Bidder ROA	-0.036 -3.68	-0.044 -4.85	-0.037 -4.05	-0.045 -5.24	-1.640 -1.36	-1.626 -1.36
Bidder BM Ratio	0.123 0.57	0.062 0.28	-0.225 -1.00	-0.280 -1.19	1.144 1.92	1.140 1.90
Cash	0.203 1.50	0.361 2.69	0.092 0.67	0.245 1.82	1.042 2.17	1.056 2.19
Stock	1.372 3.30	0.979 2.44	1.810 3.13	1.381 2.47	0.961 1.59	0.944 1.56
Tender	0.056 0.13	-0.132 -0.30	1.484 1.28	0.999 0.88	-0.778 -1.56	-0.783 -1.57
Hostile	-0.459 -0.48	-1.164 -1.15			-0.656 -0.59	-0.685 -0.61
Conglomerate	0.009 0.05	0.058 0.36	0.002 0.01	0.064 0.38	0.169 0.33	0.172 0.33
Competed	0.311 0.56	-0.044 -0.08	0.495 0.58	0.114 0.13	-0.176 -0.22	-0.190 -0.24
New Economy	-0.625 -1.69	-0.668 -1.80	-0.582 -1.56	-0.643 -1.72	-1.198 -0.98	-1.194 -0.98
log(Number of Deals)	-0.138 -1.07	-0.094 -0.74	-0.131 -1.00	-0.072 -0.56	-0.223 -0.58	-0.223 -0.58
Adjusted R^2	0.042	0.060	0.042	0.064	0.042	0.041
Number of observations	9,518	9,518	8,511	8,511	1,007	1,007
Industry and year FE	Yes	Yes	Yes	Yes	Yes	Yes
Mean dep. var.:	1.397	1.397	1.552	1.552	0.083	0.083

A.3 M&A Literature Survey

We identify relevant M&A papers by scanning title, abstract, and key words for the following words: merger, M&A, target, acquirer, acquiror, acquisition, takeover, and tender. We only include papers whose central focus is on M&A transactions. Table A-9 summarizes the papers we include in our survey (we provide the full list of papers in Table A-11). Out of 238 papers in total, 84% are mainly empirical. 51% of these empirical papers (102 papers) feature an analysis of bidder announcement returns, and 44% (88 papers) present a regression with short-term bidder announcement returns as a dependent variable. The latter regression, which is about understanding bidder announcement returns, is the focus of our article. The table shows that 94% of papers include at least one size measure as an explanatory variable in this regression.

Based on this sample of papers we conclude that viewing size as a proxy variable for some underlying value driver is pervasive in the literature. By contrast, we have not found a single paper among the papers we survey which would interpret size as a scaling variable but not a proxy variable. For example, a keyword search for “scaling,” followed by manual search among the flagged papers does not reveal any relevant hits. It is of course possible that such a paper exists in our sample and we overlooked it. However, even if there was a paper like that in the sample, the conclusion we draw from our literature review is clear: interpreting size as proxy is by far the predominant approach in the recent M&A literature. We present specific examples in Table A-10.

Table A-9: Scan of the M&A Literature

This table summarizes our scan of all M&A papers published from 2000 to 2017 in the *Journal of Finance* (53 papers), the *Journal of Financial Economics* (118), *Management Science* (25), and the *Review of Financial Studies* (42). We identify M&A papers by scanning title and abstract for the following words: merger, M&A, target, acquirer, acquiror, acquisition, takeover, and tender. We only include papers that contain some analysis relating to M&A transactions.

	#papers	% of A	% of B	% of C
All M&A papers [A]	238	100%		
Mostly theory paper	32	13%		
Organizations and business strategy paper	7	3%		
Mostly empirical paper [B]	199	84%	100%	
... with any return regression	125	53%	63%	
... with ACAR regression (all windows)	102	43%	51%	
... with ACAR regression (only short windows) [C]	88	37%	44%	100%
<i>Size controls:</i>				
Bidder size	64			73%
Target size	26			30%
Relative size	62			70%
Only bidder size	9			10%
Only target size	4			5%
Only relative size	8			9%
Bidder and target size	8			9%
Bidder and relative size	40			45%
Target and relative size	7			8%
Bidder, target, and relative size	7			8%
No size controls	5			6%
Additional interactions with size variables	12			14%
<i>Sample:</i>				
Only US acquirer and targets	75			85%
Only private targets	1			1%
Only public targets	36			41%
Public and private targets	51			58%
<i>Sample statistics:</i>	<i>Mean</i>	<i>Median</i>	<i>Min</i>	<i>Max</i>
Number of observations	7,759	2,612	64	311,894
Sample start year	1988	1990	1957	2002
Sample end year	2005	2005	1994	2014

Table A-10: Examples of Size as Proxy Explanations

This table lists examples of size-as-proxy explanations found in the M&A literature. The papers we list are merely examples. The papers we list are at a minimum mentioning and taking seriously the size as proxy explanation in the fourth column; the papers are not necessarily finding empirical evidence supporting this explanation. The basis for this table is a survey of all M&A papers published from 2000 to 2017 in the *Journal of Finance* (JF), the *Journal of Financial Economics* (JFE), *Management Science* (MS), and the *Review of Financial Studies* (RFS). We selectively add relevant papers from other journals. In the last two columns, y denotes bidder announcement returns, x denotes the respective size variable, and z denotes the underlying value driver which x proxies for. $\rho(\cdot)$ denotes the correlation coefficient.

Paper	Year	Journal	Size is a proxy for...	Assumed $\rho(x, z)$	Predicted $\rho(y, x)$
<i>Bidder size as proxy:</i>					
Moeller, Schlingemann, and Stulz	2004	JFE	Bidder size is a proxy for managerial hubris	+	—
Moeller, Schlingemann, and Stulz	2004	JFE	Bidder size is a proxy for managerial empire building	+	—
Moeller, Schlingemann, and Stulz	2004	JFE	Bidder size is a proxy for agency problems of free cash flow	+	—
Moeller, Schlingemann, and Stulz	2004	JFE	Bidder size is a proxy for overvaluation	+	—
Moeller, Schlingemann, and Stulz	2004	JFE	Bidder size is a proxy for firm age	+	—
Moeller, Schlingemann, and Stulz	2004	JFE	Bidder size is a proxy for growth opportunities	—	—
Masulis, Wang, and Xie	2007	JF	Bidder size is a proxy for managerial takeover protection	+	—
Netter, Stegemoller, and Wintoki	2011	RFS	Bidder size is a proxy for managerial “machismo”	+	—
<i>Target size as proxy:</i>					
Netter, Stegemoller, and Wintoki	2011	RFS	Target size is a proxy for managerial “machismo”	+	—
Vijh and Yang	2013	JFE	Target size is a proxy for certification of “takeover quality”	—	—
Vijh and Yang	2013	JFE	Target size is a proxy for managerial skill	—	—
Alexandridis, Fuller, Terhaar, and Travlos	2013	JCF	Target size is a proxy for deal complexity	+	—
<i>Relative size as proxy:</i>					
Fuller, Netter, and Stegemoller	2002	JF	Relative size is a proxy for bargaining power of target firm	+	—
Fuller, Netter, and Stegemoller	2002	JF	Relative size is a proxy for deal complexity	+	—
Fuller, Netter, and Stegemoller	2002	JF	Relative size is a proxy for additional monitoring benefits	+	+
Beneish, Jansen, Lewis, and Stuart	2008	JFE	Relative size is a proxy for political influence	+	+

Table A-11: List of Papers from Top 4 Finance Journals used in Literature Review

Authors	Title	Journal	Year
William Schwert	Hostility in Takeovers: In the Eyes of the Beholder?	JF	2000
Sudip Datta, Mai Iskandar-Datta, Kartik Raman	Executive Compensation and Corporate Acquisition Decisions	JF	2001
Vojislav Maksimovic, Gordon Phillips	The Market for Corporate Assets: Who Engages in Mergers and Asset Sales and Are There Efficiency Gains?	JF	2001
Kathleen Fuller, Jeffry Netter, Mike Stegelmoller	What Do Returns to Acquiring Firms Tell Us? Evidence from Firms That Make Many Acquisitions	JF	2002
Kee-Hong Bae, Jun-Koo Kang, Jin-Mo Kim	Tunneling or Value Added? Evidence from Mergers by Korean Business Groups	JF	2002
Walter Novaes	Managerial Turnover and Leverage under a Takeover Threat	JF	2002
Benjamin C. Ayers, Craig E. Lefanowicz, John R. Robinson	Shareholder Taxes in Acquisition Premiums: The Effect of Capital Gains Taxation	JF	2003
Ajay Subramanian	Option Pricing on Stocks in Mergers and Acquisitions	JF	2004
Mark Mitchell, Todd Pulvino, Erik Stafford	Price Pressure around Mergers	JF	2004
Matthew Rhodes-Kropf, S. Viswanathan	Market Valuation and Merger Waves	JF	2004
Matthew T. Billett, Tao-Hsien Dolly King, David C. Mauer	Bondholder Wealth Effects in Mergers and Acquisitions: New Evidence from the 1980s and 1990s	JF	2004
Micah S. Officer	Collars and Renegotiation in Mergers and Acquisitions	JF	2004
Omesh Kini, William Kracaw, Shehzad Mian	The Nature of Discipline by Corporate Takeovers	JF	2004
Yakov Amihud, Marcel Kahan, Rangarajan K. Sundaram	The Foundations of Freezeout Laws in Takeovers	JF	2004
Mara Faccio, Ronald W. Masulis	The Choice of Payment Method in European Mergers and Acquisitions	JF	2005
Moeller, Schlingemann, Stulz	Wealth Destruction on a Massive Scale? A Study of Acquiring-Firm Returns in the Recent Merger Wave	JF	2005
Yuanzhi Luo	Do Insiders Learn from Outsiders? Evidence from Mergers and Acquisitions	JF	2005
Dong, Hirshleifer, Richardson, Teoh	Does Investor Misvaluation Drive the Takeover Market?	JF	2006
Audra Boone, Harold Mulherin	How Are Firms Sold?	JF	2007
Bart Lambrecht, Stewart Myers	A Theory of Takeovers and Disinvestment	JF	2007
Hayne Leland	Financial Synergies and the Optimal Scope of the Firm: Implications for Mergers, Spinoffs, and Structured Finance	JF	2007
Jarrad Harford, Kai Li	Decoupling CEO Wealth and Firm Performance: The Case of Acquiring CEOs	JF	2007
Jie Cai, Anand M. Vijh	Effects of Stock and Option Holdings of Target and Acquirer CEOs	JF	2007
Ronald W. Masulis, Cong Wang, Fei Xie	Corporate Governance and Acquirer Returns	JF	2007
Dirk Hackbarth, Erwan Morellec	Stock Returns in Mergers and Acquisitions	JF	2008
Jun-Koo Kang, Jin-Mo Kim	The Geography of Block Acquisitions	JF	2008
Liu Yang	The real determinants of asset sales	JF	2008
Matthew Rhodes-Kropf, David Robinson	The Market for Mergers and the Boundaries of the Firm	JF	2008
Vojislav Maksimovic, Gordon Phillips	The Industry Life Cycle, Acquisitions and Investment: Does Firm Organization Matter?	JF	2008

Authors	Title	Journal	Year
Gary Gorton, Matthias Kahl, Richard Rosen	Eat or Be Eaten: A Theory of Mergers and Firm Size	JF	2009
Harry Huizinga, Johannes Voget	International Taxation and the Direction and Volume of Cross-Border M&As	JF	2009
Pavel Savor, Qi Lu	Do Stock Mergers Create Value for Acquirers?	JF	2009
Ronald W. Masulis, Cong Wang, Fei Xie	Agency Problems at Dual-Class Companies	JF	2009
Andres Almazan, Adolfo de Motta, Sheridan Titman, Vahap Uysal	Financial Structure, Acquisition Opportunities, and Firm Locations	JF	2010
Alex Edmans, Itay Goldstein, Wei Jiang	The Real Effects of Financial Markets: The Impact of Prices on Takeovers	JF	2012
Andrey Golubov, Dimitris Petmezas, Nickolaos G. Travlos	When It Pays to Pay Your Investment Banker: New Evidence on the Role of Financial Advisors in M&As	JF	2012
Isil Erel, Rose Liao, Michael Weisbach	Determinants of Cross-Border Mergers and Acquisitions	JF	2012
Julian Atanassov	Do Hostile Takeovers Stifle Innovation? Evidence from Antitakeover Legislation and Corporate Patenting	JF	2013
Matthew Spiegel, Heather Tookes	Dynamic Competition, Valuation, and Merger Activity	JF	2013
Serdar Dinc, Isil Erel	Economic Nationalism in Mergers and Acquisitions	JF	2013
Vojislav Maksimovic, Gordon Phillips, Liu Yang	Private and Public Merger Waves	JF	2013
Albert Sheen	The Real Product Market Impact of Mergers	JF	2014
Alexander S. Gorbenko, Andrey Malenko	Strategic and Financial Bidders in Takeover Auctions	JF	2014
Claudia Custodio	Mergers and Acquisitions Accounting and the Diversification Discount	JF	2014
Jan Bena, Kai Li	Corporate Innovations and Mergers and Acquisitions	JF	2014
Kenneth Ahern, Denis Sosyura	Who Writes the News? Corporate Press Releases during Merger Negotiations	JF	2014
Kenneth Ahern, Jarrad Harford	The Importance of Industry Links in Merger Waves	JF	2014
Mike Burkart, Denis Gromb, Holger M. Mueller, Fausto Panunzi	Legal Investor Protection and Takeovers	JF	2014
Sandra Betton, Espen Eckbo, Rex Thompson, Karin Thorburn	Merger Negotiations with Stock Market Feedback	JF	2014
Andrew Karolyi, Alvaro Taboada	Regulatory Arbitrage and Cross-Border Bank Acquisitions	JF	2015
Dirk Jenter, Katharina Lewellen	CEO Preferences and Acquisitions	JF	2015
Isil Erel, Yeejin Jang, Michael Weisbach	Do Acquisitions Relieve Target Firms' Financial Constraints?	JF	2015
Asli Arian, Rene M. Stulz	Corporate Acquisitions, Diversification, and the Firm's Life Cycle	JF	2016
David J. Denis, Timothy A. Kruse	Managerial discipline and corporate restructuring following performance declines	JFE	2000
Moon H. Song, Ralph A. Walkling	Abnormal returns to rivals of acquisition targets: A test of the 'acquisition probability hypothesis'	JFE	2000
P. Raghavendra Rau	Investment bank market share, contingent fee payments, and the performance of acquiring firms	JFE	2000
Stuart L. Gillan, John W. Kensinger, John D. Martin	Value creation and corporate diversification: the case of Sears, Roebuck & Co.	JFE	2000
Gayle L. DeLong	Stockholder gains from focusing versus diversifying bank mergers	JFE	2001

Authors	Title	Journal	Year
Joel F. Houston, Christopher M. James, Michael D. Ryngaert	Where do merger gains come from? Bank mergers from the perspective of insiders and outsiders	JFE	2001
Richard T. Bliss, Richard J. Rosen	CEO compensation and bank mergers	JFE	2001
Timothy R. Burch	Locking out rival bidders: The use of lockup options in corporate mergers	JFE	2001
Andrei Shleifer, Robert W. Vishny	Stock market driven acquisitions	JFE	2002
Malcolm Baker, Serkan Savasoglu	Limited arbitrage in mergers and acquisitions	JFE	2002
Anu Bharadwaj, Anil Shivdasani	Valuation effects of bank financing in acqui- sitions	JFE	2003
Jarrad Harford	Takeover bids and target directors' incentives: the impact of a bid on directors' wealth and board seats	JFE	2003
Micah S. Officer	Termination fees in mergers and acquisitions	JFE	2003
Thomas W. Bates, Michael L. Lemmon	Breaking up is hard to do? An analysis of ter- mination fee provisions and merger outcomes	JFE	2003
Bart M. Lambrecht	The timing and terms of mergers motivated by economies of scale	JFE	2004
C. Edward Fee, Shawn Thomas	Sources of gains in horizontal mergers: evi- dence from customer, supplier, and rival firms	JFE	2004
Henock Louis	Earnings management and the market perfor- mance of acquiring firms	JFE	2004
Maria Fabiana Penas, Haluk Unal	Gains in bank mergers: Evidence from the bond markets	JFE	2004
Sara B. Moeller, Frederik P. Schlingemann, Rene M. Stulz	Firm size and the gains from acquisitions	JFE	2004
Stefano Rossi, Paolo F. Volpin	Cross-country determinants of mergers and ac- quisitions	JFE	2004
Thomas J. Chemmanur, An Yan	A theory of corporate spin-offs	JFE	2004
Yaniv Grinstein, Paul Hribar	CEO compensation and incentives: Evidence from M&A bonuses	JFE	2004
Eitan Goldman, Jun Qian	Optimal toeholds in takeover contests	JFE	2005
Erwan Morellec, Alexei Zhdanov	The dynamics of mergers and acquisitions	JFE	2005
Husayn Shahrur	Industry structure and horizontal takeovers: Analysis of wealth effects on rivals, suppliers, and corporate customers	JFE	2005
Jarrad Harford	What drives merger waves?	JFE	2005
Jim Hsieh, Ralph A. Walkling	Determinants and implications of arbitrage holdings in acquisitions	JFE	2005
Jose-Miguel Gaspar, Massimo Massa, Pedro Matos	Shareholder investment horizons and the mar- ket for corporate control	JFE	2005
Matthew Rhodes-Kropf, David T. Robinson, S. Viswanathan	Valuation waves and merger activity: The em- pirical evidence	JFE	2005
Sanjai Bhagat, Ming Dong, David Hirshleifer, Robert Noah	Do tender offers create value? New methods and evidence	JFE	2005
Thomas Moeller	Let's make a deal! How shareholder control impacts merger payoffs	JFE	2005
Joshua D. Rauh	Own company stock in defined contribution pension plans: A takeover defense?	JFE	2006
Matthew J. Higgins, Daniel Rodriguez	The outsourcing of R&D through acquisitions in the pharmaceutical industry	JFE	2006
Mukarram Attari, Suman Banerjee, Thomas H. Noe	Crushed by a rational stampede: Strategic share dumping and shareholder insurrections	JFE	2006
Thomas Hellmann	IPOs, acquisitions, and the use of convertible securities in venture capital	JFE	2006
Thomas W. Bates, Michael L. Lemmon, James S. Linck	Shareholder wealth effects and bid negotiation in freeze-out deals: Are minority shareholders left out in the cold?	JFE	2006

Authors	Title	Journal	Year
Ajay Khorana, Peter Tufano, Lei Wedge	Board structure, mergers, and shareholder wealth: A study of the mutual fund industry	JFE	2007
Malcolm Baker, Joshua Coval, Jeremy C. Stein	Corporate financing decisions when investors take the path of least resistance	JFE	2007
Micah S. Officer	The price of corporate liquidity: Acquisition discounts for unlisted targets	JFE	2007
Xia Chen, Jarrad Harford, Kai Li	Monitoring: Which institutions matter?	JFE	2007
A. Burak Guner, Ulrike Malmendier, Geoffrey Tate	Financial expertise of directors	JFE	2008
Audra L. Boone, J. Harold Mulherin	Do auctions induce a winner's curse? New evidence from the corporate takeover market	JFE	2008
Erwan Morellec, Alexei Zhdanov	Financing and takeovers	JFE	2008
Gregor Matvos, Michael Ostrovsky	Cross-ownership, returns, and voting in mergers	JFE	2008
Leonce L. Barger, Frederik P. Schlingemann, Rene M. Stulz, Chad J. Zutter	Why do private acquirers pay so little compared to public acquirers?	JFE	2008
Messod D. Beneish, Ivo Ph. Jansen, Melissa F. Lewis, Nathan V. Stuart	Diversification to mitigate expropriation in the tobacco industry	JFE	2008
Missaka Warusawitharana	Corporate asset purchases and sales: Theory and evidence	JFE	2008
Thomas W. Bates, David A. Becher, Michael L. Lemmon	Board classification and managerial entrenchment: Evidence from the market for corporate control	JFE	2008
Ulrike Malmendier, Geoffrey Tate	Who makes acquisitions? CEO overconfidence and the market's reaction	JFE	2008
Darren J. Kisgen, Jun "QJ" Qian, Weihong Song	Are fairness opinions fair? The case of mergers and acquisitions	JFE	2009
John W. Cooney, Thomas Moeller, Mike Stegemoller	The underpricing of private targets	JFE	2009
Massimo Massa, Lei Zhang	Cosmetic mergers: The effect of style investing on the market for corporate control	JFE	2009
Nihat Aktas, Eric de Bodt, Richard Roll	Negotiations under the threat of an auction	JFE	2009
Robin Greenwood, Michael Schor	Investor activism and takeovers	JFE	2009
Sandra Betton, B. Espen Eckbo, Karin S. Thorburn	Merger negotiations and the toehold puzzle	JFE	2009
David Benson, Rosemarie H. Ziedonis	Corporate venture capital and the returns to acquiring portfolio companies	JFE	2010
Ugur Celikyurt, Merih Sevilir, Anil Shivdasani	Going public to acquire? The acquisition motive in IPOs	JFE	2010
Chen Lin, Micah S. Officer, Hong Zou	Directors' and officers' liability insurance and acquisition outcomes	JFE	2011
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