

# The Information Value of M&A Press Releases

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## Abstract

How do managers comment on merger transactions? By analyzing initial public announcements of Mergers and Acquisitions (M&As) between 1995-2020 and extracting the linguistic sentiment from statements made by managers of acquirer and target firms, we provide new evidence on the informational value of M&A disclosures. We find that positive target sentiment results in positive returns for the target, while sentiment disagreement with the acquirer is associated with lower target returns. Further, the positive target sentiment increases the likelihood of a merger completion and tends to shorten the time to deal completion. We decompose acquirer sentiment into manipulative and fundamental components and demonstrate that acquirer CEOs with low confidence and large ownership holdings in the acquirer firm produce M&A statements that are more manipulative. This suggests that sentiment in M&A disclosures not only contains information on fundamentals and managerial attitudes but that it may be manipulated to protect the personal interest of managers.

## Introduction

### RQ

- Is the soft (qual) information in M&A press release valuable and why?

### Motivation

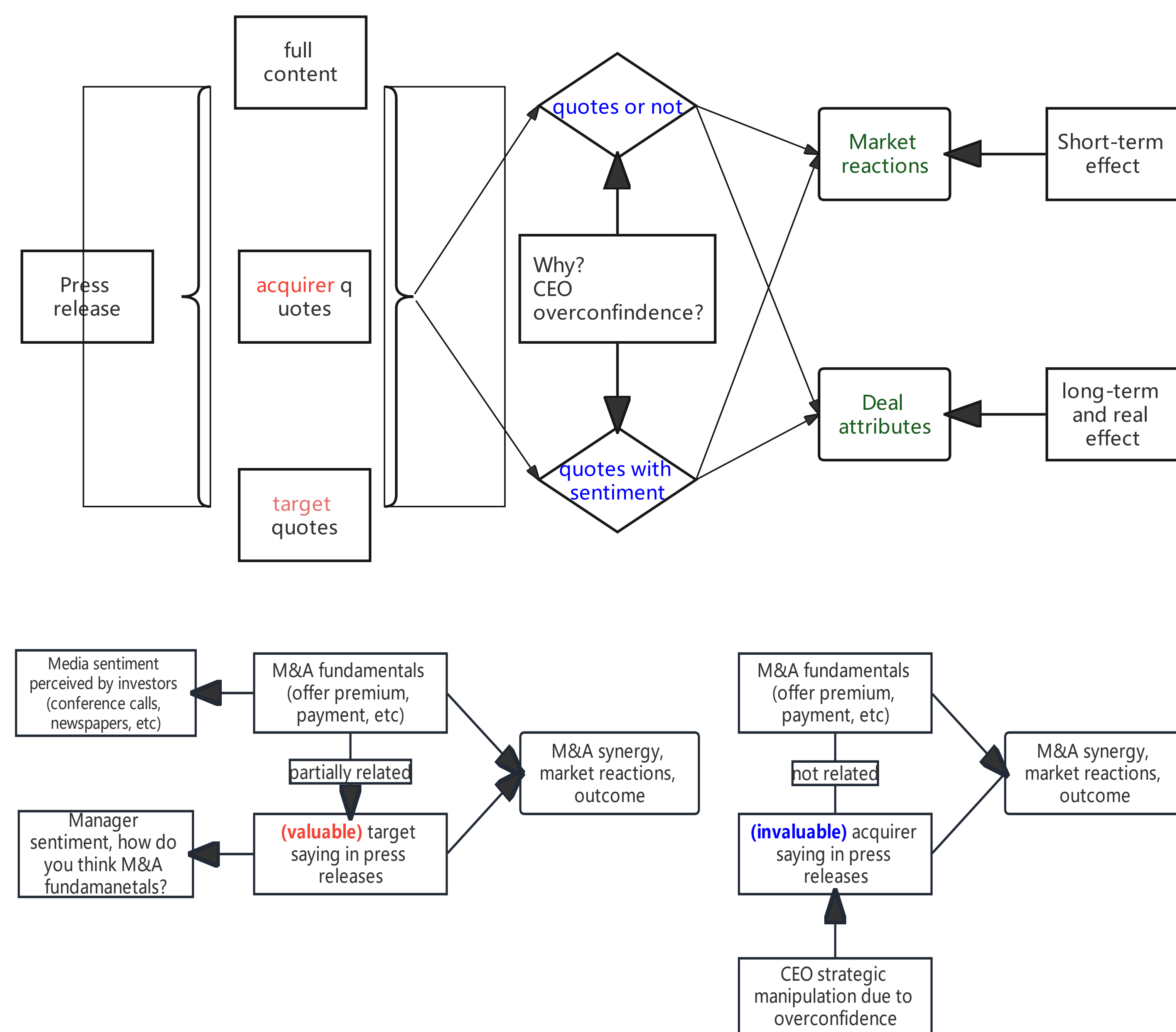
#### • Real World

- Do investors trust information in the official press release? E.g., manager quotes
- 'MNG said the team leading Gannett hasn't demonstrated that it is capable of effectively running the company.' WSJ: MNG acquired Gannett on 13-01-2019.

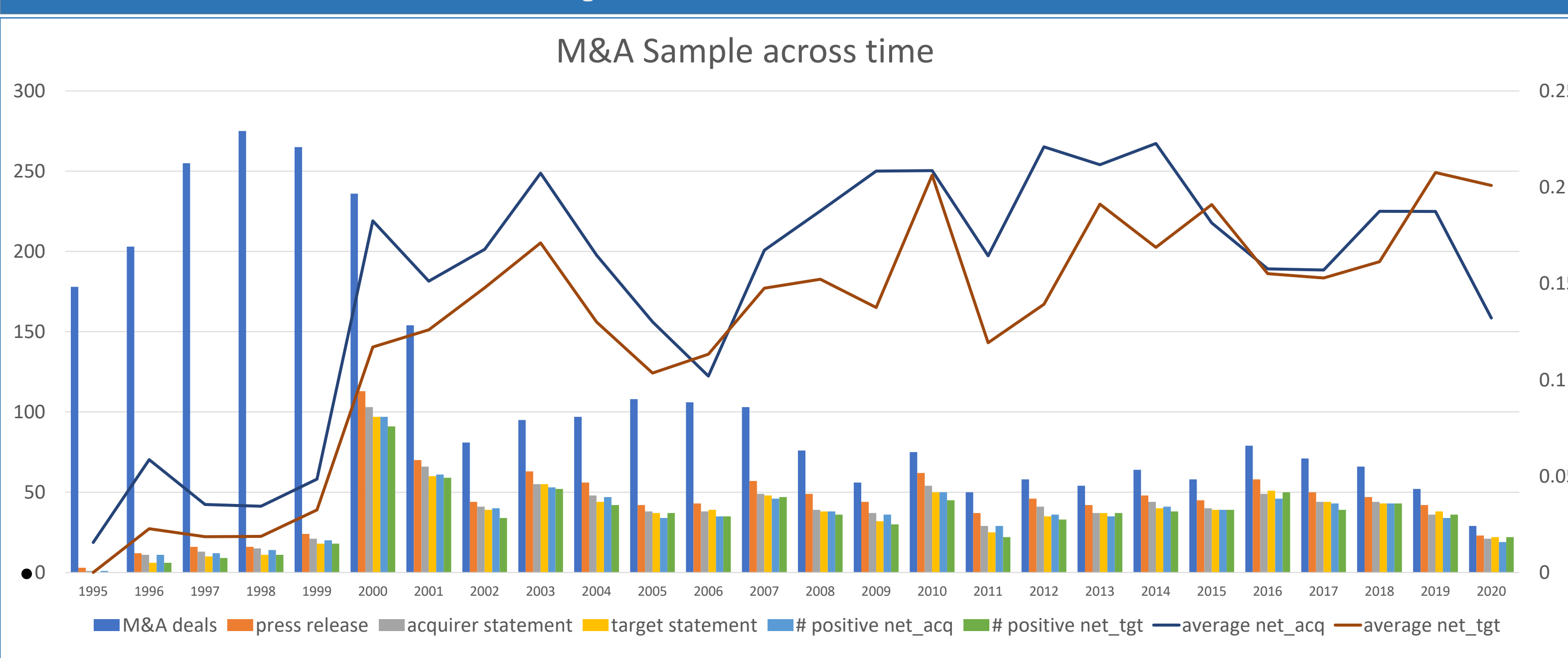
#### • Current Research

- Only using quantitative (hard) info in M&A announcement, not the qualitative.

## Hypothesis Development



## Sample and Variables



## Results

	Acquirer CAR [-1, 1] FF					Target CAR [-1, 1] FF				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
net_press	-0.000 (0.004)					0.041*** (0.011)				
net_acq		0.006 (0.008)		0.006 (0.008)			0.068* (0.038)		0.055 (0.038)	
net_tgt			0.005 (0.008)	0.004 (0.008)				0.144*** (0.037)	0.137*** (0.038)	
dis_net					0.002 (0.005)					-0.018 (0.031)
Control	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
FE	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I
Obs.	909	909	909	909	909	904	904	904	904	904
Adj. R <sup>2</sup>	0.166	0.166	0.166	0.151	0.166	0.148	0.144	0.149	0.149	0.142

	Deal success (Completed or withdrawn)					Days to deal completion				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
net_press	-0.066 (0.157)					-0.045*** (0.015)				
net_acq		0.391 (0.323)			0.189 (0.296)			-0.068 (0.052)	-0.055 (0.052)	
net_tgt			1.771*** (0.536)	1.719*** (0.502)				-0.185** (0.071)	-0.179** (0.071)	
dis_net					-0.324 (0.262)					0.040 (0.041)
Obs.	913	913	913	913	913	782	782	782	782	782
Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
FE	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I	Y, I
Pseudo/Adj. R <sup>2</sup>	0.252	0.253	0.265	0.253	0.235	0.371	0.368	0.372	0.371	0.368

Dependent variable	dummy_a net_acq manp_acq funda_acq dummy_tgt net_tgt					
	(1)	(2)	(3)	(4)	(5)	(6)
Acq_ceo_overconfidenc	0.751 (0.472)	-0.053* (0.030)	-0.061*** (0.024)	-0.016* (0.009)		
Tgt_ceo_overconfidence					-0.001 (0.005)	-0.065 (0.041)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year and Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	433	422	416	416	360	203
Adj. R <sup>2</sup>	0.466	0.276	0.077	0.807	0.887	0.132

$$net_{ar_{i,t}} = \alpha + \beta * X_{i,t} + \epsilon_{i,t}$$

fundamental

manipulated

## Summary of key findings

- Collectively, the results support novel evidence on the information value, especially from target and disagreement with acquirer, of M&A announcements on market reactions and deal attributes.
- Acquirer managers quote is non-informative and manipulates (more) sentiment due to manager underconfidence for protecting self interest of (more) shares, but not target.
- Target managers disclose the true information and sentiment is honest and mirror of the deal.
- Further evidence on CEO overconfidence and strategic behaviors, and broaden information asymmetry.

## References

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