Can Failure Signal Success? Evidence from Withdrawn M&A Deals

(Preliminary Version)

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Abstract: In a recent paper Jacobsen (2012) argues that the motive for withdrawing from acquisition deals can be used as an instrument to identify high quality CEOs. We employ a research design that allows us to examine whether CEOs that abandon acquisitions when the purchase price is no longer justifiable are in fact more focused on pursuing corporate investments that create superior value for shareholders. We find that CEOs that withdraw from potentially expensive deals make discernibly better acquisition decisions than the average CEO in their return to the market for corporate control, corroborating that the favourable market reaction around such withdrawals reflects a credible signal pointing to superior CEO quality in the M&A setting. We also show that this superior quality is not reflected in pre-withdrawal acquisition returns which implies that the positive information conveyed by price induced deal cancellations is novel and not previously available to the market. Overall, the results of this paper indicate that the acquisition withdrawal motive has important corporate investment and capital market implications for acquiring firms and their shareholders beyond the withdrawal announcement.

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Keywords: Withdrawn acquisition deals; Withdrawal rationale; Acquirer returns; CEO quality; Value creation.

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1. Introduction

The quality of acquisition decisions and hence their potential to create value for shareholders largely depends on the experience, skills and focus of top executives. Yet, the market's reaction to acquisition proposals often reflects firm, deal and market/cycle specific characteristics that can be largely independent of corporate decision makers' idiosyncrasies and qualities. In a recent study, Jacobsen (2012) shows that the withdrawal motive in abandoned acquisition deals can be used as an instrument to identify high quality CEOs. She conjectures that, disciplined CEOs are more likely to abandon transactions when the purchase price is no longer justifiable. In response, investors perceive deal cancellations in which the CEO demonstrates "managerial restraint" more favourably than other types of withdrawals because they signal that the deal-making approach is more aligned with shareholder interests of value maximization rather than driven by overconfidence or the pursuit of managerial private benefits. This positive CEO-specific information conveyed by price related deal cancellations is manifested in significant gains to acquiring firms around the withdrawal announcement. In view of the theoretical link between CEO quality and performance, we argue that if backing out from over-priced, potentially value destroying deals can provide new, credible signals pointing to CEOs of superior quality, this should have important corporate investment and capital market implications for acquiring firms and their shareholders beyond the withdrawal announcement.

Along these lines, anecdotal evidence suggests that CEOs tend to return to the market for corporate control shortly after a deal withdrawal to make a follow-up offer for an alternative target.[1] Thus, post-cancellation deals offer an appropriate setting to examine the validity of the signal conveyed by price related deal cancellations. We conjecture that CEOs that walk out on potentially expensive M&A offers would make better acquisition decisions in the future, particularly if they have been previously rewarded by the market for abandoning such deals. Based on this premise, this paper examines the association between the rationale for deal withdrawals and the quality of managerial investment decisions associated with corporate control transactions. While previous research focuses primarily on the causes, short-term valuation effects and long-term labour market outcomes of withdrawal announcements (Dodd, 1980, Asquith, 1983, Davidson, Dutia and Cheng, 1989 and Jacobsen, 2012), our

[1] See for example: i) "Nasdaq Drops Bid To Buy Rival NYSE", The New York Times, 17 May 2011; ii) "AT&T drops $39bn bid for T-Mobile USA", Financial Times, 20 December 2011; iii) "Prudential walks away from AIA deal", Financial Times, 2 June 2010; iv) "NYSE, Deutsche Börse Brace for Deal Rejection", Bloomberg, 1 February 2012. In this paper we report that in more than 60% of the cases CEOs make a follow-up offer within two years of abandoning another deal.

study offers new insights on the credibility of CEO-specific information conveyed by the withdrawal motive as well as its corporate investment and capital market implications beyond the deal cancelation.

We focus on a U.S. sample of 289 CEOs involved in 302 deal withdrawals between 1990 and 2010 that consummate at least one deal within two years of the withdrawal announcement. CEOs are partitioned based on information about the deal cancellation rationale which we collect from corporate press releases, analyst and media reports as well as SEC filings. The emphasis is on acquiring CEOs that demonstrate restraint by abandoning deals rather than raising their offer and are thus more focused on creating shareholder value through acquisition investments (*Value*-CEOs) as in Jacobsen (2012). Those forced to abandon deal proposals for reasons unrelated to the offer price (*Other*-CEOs) are assigned to a control group. Value-induced cancellations are associated with significantly better withdrawal returns (1.55%) than the control sample comprising of other cancellations (-2.17%). While this favourable market reaction may indicate that the market tends to reward CEOs that abandon potentially expensive deals, it can also be partly attributed to a reversal of the significant losses incurred initially around the deal announcement (-3.55%). If it reflects a credible signal pointing to CEOs that are more focused on value creation and make superior quality acquisition decisions, then the positive market expectations around the withdrawal should be confirmed when those CEOs return to the market for corporate control.

Along these lines, we show that the follow-up deal by *Value*-CEOs yields considerable announcement gains for acquiring shareholders (2.86%) and significantly outperforms the follow-up deal by *Other*-CEOs (-0.45%). This large return differential is similar when comparing acquisition returns of all deals consummated by *Value* and *Other*-CEOs within a 2-year post-withdrawal window.[2] The superior post-withdrawal acquisition performance of *Value*-CEOs (relative to *Other*-CEOs) remains robust after controlling for several known deal, firm and market determinants of acquisition returns. Moreover, post-withdrawal deals by *Value*-CEOs fare significantly better against a benchmark comprising of transactions within the corresponding acquirer Fama/French industry, target firm listing status and announcement year, indicating that CEOs that abandon expensive deals tend to subsequently make superior acquisition decisions than the average CEO.

Finally, we examine the association between returns of pre-withdrawal deals and the cancellation rationale in order to establish whether the latter can *de facto* convey new information about the CEO. In an efficient market, if a price-related deal withdrawal does not carry new information we should observe no significant difference in announcement returns

[2] On average, acquirers in our sample make 1.5 deals within this 2-year post-withdrawal period.

between pre- and post-withdrawal deals of *Value*-CEOs. Nonetheless, we find that the market is indifferent to the announcement of pre-withdrawal deals and neither *Value*- nor *Other*-CEOs achieve returns significantly different from zero. This is consistent with the view that the positive information conveyed by price-related withdrawals about a CEO is novel and not previously available or obvious to the average investor. Accordingly, acquisition announcement returns reflect CEO quality information along with deal expectations and the market upgrades its views about the CEO following a value cancellation, which shows up in post-withdrawal deal announcements. It is also possible that the market's appreciation of managerial discipline, manifested through instantly rewarding *Value*-CEOs for abandoning potentially overpriced deals, reinforces the top executive's incentive to seek and consummate (mostly) value-enhancing investment opportunities following price related deal cancellations.

Our study offers valuable contributions to existing research about the value of the deal withdrawal motive as a signal of managerial quality. First, we establish that the favorable CEO-specific information conveyed at the withdrawal announcement by price related deal cancellations is actually credible, as top executives that abandon over-priced deals make more value enhancing acquisitions later. Second, our research design allows us to directly evaluate whether the information conveyed by deal withdrawals is actually new to the market. We show that this information is not available to the average investor prior to the withdrawal. Consequently, our research demonstrates that deal cancellations offer access to novel CEO-specific information and allow investors to learn about managerial idiosyncrasies. Third, our findings indicate the favourable market response around price induced withdrawals may enhance managerial focus to identify and pursue value-increasing investments and hence may help understand the CEO learning process.

This paper can also be linked to the growing literature that relates managerial traits to firm performance in M&A deals.[3] Roll (1986) suggests that deals by "hubris-infected" managers, who overestimate synergy gains and pay excessive control premia, are associated with negative acquirer share price adjustments around the deal announcement. Malmendier and Tate (2008) and Billett and Qian (2008) investigate managerial overconfidence and self-attribution biases, respectively, and find that overconfident CEOs carry out acquisitions of significantly lower quality, thereby destroying shareholder value. Our evidence implies that managerial restraint, a characteristic that is to a great extent diametrically opposed to managerial overconfidence or hubris, is an important determinant of value creation in M&A

[3] For evidence on managerial overconfidence see Malmendier and Tate (2008), for managerial hubris see Roll (1986) and Aktas, de Bodt and Roll (2009, 2011), for self-attribution bias see Billett and Qian (2008) and Doukas and Petmezas (2007), and for general managerial traits such as education and early-life experiences see Malmendier, Tate and Yan (2011).

deals. Moreover, Morck, Shleifer and Vishny (1990) conjecture that managers may pursue M&As for personal objectives rather than the maximization of shareholder value, as they undertake non-value-increasing, entrenching (diversifying) deals in order to reduce the risk on their human capital and improve their job security.[4] We show that *Value*-CEOs are unlikely to be driven by private, managerial benefits in their return to the market for corporate control. Our paper is also linked to the empirical literature on managerial learning and market feedback. Luo (2005) and Kau, Linck and Rubin (2008) report that managers extract information from the market reaction to deal announcements and listen to the market when deciding whether to close the deals. Hayward (2002) and Harding and Rovit (2004) argue that CEOs learn from deal experience and Aktas, de Bodt and Roll (2009) argue that acquiring firms improve their target firm selection and deal valuation abilities through managerial learning. Along these lines, the positive market feedback on value-induced withdrawals appears to influence the managerial decision-making process in follow-up transactions.

Finally, our study is associated with recent literature highlighting the impact of observable managerial attributes (educational credentials, media coverage, career progression (Falato, Li, and Milbourn, 2012) and lifetime work experience (Custodio, Ferreira and Matos, 2012)) as well as unobservable managerial (fixed) effects (innate ability, level of risk aversion, and personality (Graham, Li, and Qiu, 2012)) on the level of CEO compensation. As such, information from deal withdrawal motives, which can allow conclusions regarding previously unobservable CEO attributes such as managerial preference for private benefits and entrenchment, should have important implications for the design (size and structure) of the managerial compensation packages. Moreover, such knowledge should also allow the board of directors to better differentiate between CEO skill and luck (Garvey and Milbourn, 2006) when assessing and benchmarking firm and managerial performance.[5]

The remainder of this paper is organized as follows. Section 2 describes the data and a methodological setup as well as the sample statistics. Section 3 reports the main empirical results. Section 4 discusses possible explanations for the underperformance of *Other*-CEOs and section 5 provides concluding remarks.

[4] Jensen (1986) conjectures that empire-building CEOs jeopardize shareholder wealth by using their firms' free cash flow to finance (value-destroying) M&A deals rather than distributing it to their shareholders.

[5] Future investigations into the relation between managerial attributes, CEO compensation and contract design, and M&A activity may find managerial restraint to be an important factor and deal withdrawals to be the corporate event to extract such CEO-specific information.

2. Data and Methodology

2.1 Sample of Withdrawn and Completed Deals

The sample of acquisition announcements is from SDC and includes deals announced between 1990 and 2010. Acquirers are U.S. public firms listed in CRSP (Nasdaq, NYSE and AMEX) and targets are public or private firms. Spin-offs, recapitalizations, self-tenders, repurchases, minority stake purchases, acquisitions of remaining interest, exchange offers and privatizations are omitted. We also exclude deal announcements where the transaction value is less than $1 million and the target-to-bidder relative size is less than 1%. Moreover, bidders own less than 10% of the target firm prior to the acquisition proposal and seek to own more than 50 percent at deal completion. Given our focus on post-withdrawal deals, we concentrate on a sample of deal withdrawals that are followed by at least one completed deal by the same acquiring firm CEO within 2 years of the withdrawal announcement.[6] Our initial sample consists of 346 deal cancellations and 525 post-withdrawal transactions.[7] An additional 44 withdrawn deals are removed because no information on the deal itself or the reason for the withdrawal could be identified. This resulted in a final sample of 302 withdrawn and 469 completed post-withdrawal transactions by 289 different CEOs. In some tests, we also examine pre-withdrawal deals. Therefore, our sample also includes 229 completed transactions consummated by 126 (of the 289) CEOs within a 2-year window prior to deal withdrawals.

2.2 Classification of Deal Withdrawals and Sample Distribution

The sample of unsuccessful bids is partitioned into two groups based on the deal withdrawal rationale identified through corporate press releases, analyst reports and media publications accessible via LexisNexis, following Jacobsen (2012). Value-induced withdrawals (*Value*-withdrawals) are cancellations due to concerns or disputes over the transaction price. Withdrawals in which the acquiring CEO refuses to raise an offer previously rejected by the target as inadequate or in which the offer is outbid by a competing bidder are indicative of managerial restraint. Moreover, deals cancelled due to negative shocks in the target industry or changes in the involved firms' share prices that render the offer price too high or the exchange ratio too dilutive for bidding firm shareholders are also assigned to the sample of *Value*-withdrawals. CEOs that are involved in *Value*-withdrawals (*Value*-CEOs)

[6] Cases where the CEO is replaced within two years of the withdrawal announcement are omitted from our analysis.

[7] Employing a 3- or 5-year window increases our sample by 28 and 46 withdrawals respectively, yet our results remain similar.

demonstrate an understanding of the impediments to value creation; that an unjustifiable target valuation and offer premium may negate the promise to create significant shareholder value. Their unwillingness to overpay indicates they are more focused on creating value for their shareholders rather than minding their own private benefits and makes it less likely they are overconfident.

From the 302 withdrawn deals in our sample, 133 are classified as *Value*-withdrawals. *Value*-CEOs abandon 61 deals because they are outbid by another firm and 28 bids because they are unable to reach an agreement with target management on the deal valuation and the offer price. Changes in share prices that make stock-financed proposals excessively dilutive for acquiring shareholders prompt CEOs to withdraw 18 transactions, while another 14 deals fail because CEOs refrain from revising an offer after the target's management deemed the initial bid inadequate. The remaining 12 deals are cancelled due to negative developments in the target industry that result in an unjustifiable deal valuation.

The *Other*-sample consists of deals withdrawn for reasons unrelated to the offer price, and the majority of these transactions fail due to the target firm management or other exogenous factors rather than the acquiring firm abandoning the deal. The control sample of *Other* withdrawals consists of 169 unsuccessful M&A bids. *Other*-CEOs are forced to cancel 30 of these bids because the target's management refuses to consider the offer or installs defensive mechanisms to deter the unsolicited bid. Moreover, 24 transactions fail because the constituent firms are unable to agree on management terms, and another 24 deals do not receive the necessary approval from antitrust regulators and/or other legal authorities (bankruptcy court, liquidators). In 22 cases the due diligence process results in lower-than-expected synergy valuations and/or reveals negative information about the quality of the target firm. 7 proposals are withdrawn as the target firm accepts an inferior (white knight) offer, and a further 6 transactions are abandoned because of negative shocks to the acquirer industry/business that make the deal unviable. As the majority of M&A deals are subject to shareholder approval, the *Other*-withdrawal sample also comprises 5 failures where shareholders voted to block the transaction. Finally, the remaining 51 withdrawals where there is no information on the rationale for the deal failure or where the firms' negotiations remain confidential are also assigned to the *Other*-withdrawals subset.[8]

Table 1 shows the distribution of the 302 deal withdrawals over time. On average, our sample includes 12 withdrawals per year. While there are significantly more withdrawals in first half of the sample than in the second, only 75 out of 201 withdrawals in the 90s are due

[8] Excluding those 51 withdrawals from the *Other*-sample does not change the direction of our results.

to issues/disputes about the offer price compared to 58 out of 101 between 2000 and 2010.

[Please Insert Table 1 About Here]

2.3 Sample Statistics

It is possible that the decision to withdraw from acquisition deals may be driven by certain CEO and/or corporate governance characteristics. Table 2 reports information on CEO age, tenure and duality as well as managerial and inside ownership, the degree of institutional monitoring and the size of the board of directors for acquirers managed by *Value* and *Other*-CEOs.[9] Differences in CEO age, tenure and ownership are trivial. Similarly, the degree of institutional monitoring (*INSTI*), the size of the corporate board as well as CEO duality (*DUALITY*) are similar in acquirers managed by *Value*-CEOs and those led by *Other*-CEOs. Insider ownership (INSIDE) is lower in acquirers managed by Other-CEOs. The difference in institutional ownership concentration (*INSTI-HHI*), measured by the Herfindahl Index based on institutional shareholdings (as in Gaspar, Massa and Matos, 2005), is insignificant. Overall, there are no significant differences in managerial and corporate governance characteristics of acquirers that withdraw from deals for price related reasons and those that withdraw for other reasons.

[Please Insert Table 2 About Here]

Table 3 reports firm and deal statistics for the sample of withdrawals as well as the pre- and post-withdrawal completed deals. Both the unsuccessful transactions (columns 1 and 2) and successful ones (columns 3 to 6) are classified into subsamples of *Value* and *Other* based on the deal withdrawal rationale. Column 7 reports statistics for a sample comprising all mergers and acquisitions by firms that have not been involved in any deal withdrawals throughout the sample period. This sample of control deals is later used to construct benchmark-adjusted announcement returns to acquiring firms.[10] The sample statistics in Table 2 reveals that the 133 (169) firms managed by *Value*-CEOs (*Other*-CEOs) return to the market for corporate control within 2 years of deal cancellations and undertake 200 (269) deals. So on average, acquirers make 1.5 deals within the 2-year post-withdrawal period.[11] With respect to deals undertaken within a 2-year period prior to the failed bid, 55 *Value*-CEOs (*Other*-CEOs) consummate 106 (71) pre-withdrawal deals.

[Please Insert Table 3 About Here]

[9] This information is collected from the acquiring firm's last proxy statement (DEF14A) prior to the deal withdrawal, as recorded on SECs EDGAR database.

[10] Control deals are subject to the same screening filters and thus, resemble the general sample with regard to the deal value, relative size, target firm listing status, etc.

[11] On average, it takes 260 (278) from the withdrawal announcement for *Value*- CEOs (*Other*-CEOs) to complete their first follow up deal.

Further, *Value*-withdrawals are on average associated with significantly larger acquirers (*ASIZE*) and targets (*TSIZE*) than *Other*-withdrawals, yet the differences in terms of target-to-acquirer relative size (*RELSIZ*) are insignificant.[12] Post-withdrawal deals tend to be smaller than withdrawn deals in terms of relative size. In general the size patters can be to an extent explained by the fact that the majority of withdrawn deals are public which tend to involve larger acquirers and targets. This is more pronounced in *Value*-withdrawals where public deals (*PUBLIC*) comprise 82.7%. Yet, about 60% of post-withdrawal acquisitions involve unlisted targets. In addition, withdrawals and completed deals by Value-CEOs tend to involve more cash (*CASH*) financing and a higher degree of diversification (*DIVERS*). In line with the definition of *Value*- and *Other*-CEOs, the number of unsolicited deals (*HOSTILE*) and multiple-bidder contests (*COMPETE*) withdrawn by *Value*-firms is considerably higher than those cancelled by *Other*-CEOs.

Table 2 also reports acquirer abnormal announcement returns (*ACAR3*) for a 3-day (-1,+1) event window around withdrawal and deal announcements.[13] The initial market reaction to deals later withdrawn due to price concerns is significantly negative (-3.55%). This suggests that as soon as these deals are announced investors are uncertain about their potential. This may be related to the markedly high offers made in this case, that result in pulling back the deals. The negative market response here is also consistent with the CEO listening hypothesis of Luo (2005) and Kau, Linck and Rubin (2008). On the other hand, the market responds favorably to the initial announcement of deals subsequently cancelled for other reasons (3.63%). In line with the reaction around the proposal announcement, *Value*-CEOs are rewarded for having the discipline to abandon overpriced deal proposals, manifested in positive abnormal returns (1.55%) around *Value*-withdrawal announcements (*WD3*). On the contrary, *Other*-withdrawals are associated with negative abnormal returns (-2.17%).

Regarding post-withdrawal deals, the average transaction completed by a *Value*-CEO in the 2-year period following a withdrawal is subject to positive and statistically significant abnormal returns (2.05%). On the other hand, post-withdrawal deals by *Other*-CEOs fail to create value (-0.54%). The fact that the typical post-withdrawal acquisition investment by a *Value*-CEO yields better returns for the firm's shareholders than that of an *Other*-CEO is consistent with the view that pulling back from a potentially value destroying deal

[12] Monetary values are reported in inflation-adjusted 2010 dollar values, based on the Consumer Price Index (CPI) provided in the data library on the website of Robert Shiller.

[13] Market model parameters are estimated over a 200-day (-205,-6) interval preceding the event window, using benchmark returns of the CRSP value-weighted market index. Alternative parameter estimation windows do not significantly affect the results.

demonstrates superior management quality. In the next sections we examine whether the positive expectations formed around the announcement of post-withdrawal deals by *Value*-CEOs are actually corroborated later or merely reflect temporary market overreaction. The table also reports acquirer returns to deals completed prior to withdrawal announcements. Pre-withdrawal deals typically yield statistically insignificant returns for both the *Value* and *Other* subsets. The positive differential between post- and pre-withdrawal deals by *Value*-CEOs reflects that the favorable information brought forward by Value-withdrawals is novel.

Differences in acquisition premiums (PREM) in public deals based on the ratio of the offer price to the target share price one month prior to the acquisition announcement are statistically insignificant in most cases. Yet, target firm returns (*TCAR3*) are significantly greater in pre- and post-withdrawal deals than in withdrawn transactions. Moreover, both pre- and post- withdrawal deals by *Value*-CEOs are associated with greater share price appreciation for targets than those by *Other*-CEOs. Both these findings are are likely to reflect the market's assessment of the probability for deal completion. Finally, synergistic gains (*COMBI*), measured as the market value weighted average of acquirer and target returns corroborate that only acquisition investments consummated by *Value*-CEOs create value the shareholders of the combined firm.

3. Main Results

3.1 Pre- and Post-withdrawal Acquirer Gains

Our main sample statistics revealed significant differences in announcement returns of post withdrawal deals between *Value* and *Other*-CEOs as well as pre- and post-withdrawal deals of *Value*-CEOs. In this section we further investigate announcement return differentials for the two subsets of 133 and 169 CEOs. In Table 4 abnormal returns for post-withdrawal deals are reported for i) the CEOs immediate follow-up deal following the withdrawal (*FOLLOWUP)* and ii) all deals consummated by the CEO within the 2-year post withdrawal period (*ALL POST*).[14] For pre-withdrawal deals *ACAR*s are reported for i) the CEOs last deal prior to the withdrawal (*PREVIOUS*) and ii) all deals consummated by the CEO within the 2-year pre-withdrawal window (*ALL PRE*). An *ALLPOST* and *ALLPRE* return for a particular CEO is the average *ACAR* of all her post- and pre-withdrawal deals respectively. Figure 1 illustrates the methodological setup for the analysis of acquirer returns from pre- and post-withdrawal M&A deals.

[Please Insert Figure 1 About Here]

[14] 147 CEOs complete more than one acquisition in this 2-year period.

ACARs are measured using a 3-day (-1,+1) event window around the deal announcement.[15] To estimate *AdjACARs* each deal is matched with a group of comparable deals based on acquirer industry, target listing status and announcement year from a sample of 13,238 control deals described in Table 2. Benchmark-adjusted abnormal returns are calculated for each deal as the difference between acquirer abnormal returns and the median acquirer abnormal return of the corresponding control deals. This benchmarking approach allows us to examine whether post-withdrawal deals from *Value*-CEOs are actually superior than a much wider sample of similar deals which are not preceded or followed by any deal withdrawals.

Table 4, Panel A shows that *Value*-CEOs generate mean (median) returns of 2.86% (1.89%) over the 3-day event window around the announcement of their first follow-up deal, outperforming *Other*-CEOs by 3.31 (2.19) percentage points (significant at the 1% level). On the other hand, acquirer returns for follow-up deals by *Other*-CEOs are zero. Moreover, follow-up deals by *Value*-CEOs exhibit positive abnormal returns *(%winners*) in more than 60% of the cases relative to about 46% in the *Other*-CEO subset. The direction of the results based on *AdjACARs* is very similar. Post-withdrawal deals by *Value*-CEOs are perceived more favorably by the market than similar deals made by the average CEO. In fact, in their return to the market for corporate control *Value*-CEOs make acquisitions that outperform similar deals by 3 percentage points over a 3-day announcement window. On the other hand, post-cancellation deals by *Other*-CEOs result in similar or worse returns relative to comparable deals by the average CEO. Overall, when *Value*-CEOs return to the market for corporate control following a withdrawal and complete a deal this is more likely to be perceived favorably by the market. Thus, it appears that *Value*-withdrawals convey credible signals about superior CEO quality and focus on value creation. *ALLPOST* ACARs point out that the superior deal performance of *Value*-CEOs also holds for those CEOs that undertake multiple deals during the post-withdrawal window.

[Please Insert Table 4 About Here]

The evidence on acquirer returns in pre-withdrawal deals documented in Panel B shows that the market expects neither *Value*-CEOs nor *Other*-CEOs to deliver significant gains from these transactions. Abnormal returns of the last deal preceding the withdrawal (*PREVIOUS Deal*) and the average return from all pre-withdrawal deals by the same CEO (*ALLPRE Deals*) are statistically insignificant for both subsamples. Moreover, the market expects that only around 20% of pre-withdrawal deals by both *Value*- and *Other*-CEOs have the potential

[15] In unreported tests we also calculate returns based on a 23-day window (-2,+20) and find even stronger support to our hypotheses.

to create shareholder value. Most importantly, investors do not appear to distinguish between pre-withdrawal deals undertaken by top-executives later classified as *Value*- and *Other*-CEOs based on their subsequent withdrawals. Overall, pre-withdrawal returns confirm that *Value*-CEOs do not make superior deals prior to cancellations. Panel C reports return differentials between Panels A and B for a common sample where CEOs complete acquisitions both preceding and following the withdrawal. Results corroborate that *Value*-CEOs make significantly better deals in the post-withdrawal period than in the pre-withdrawal one. The mean differential for the 3-day window is 2.67 percentage points. Yet, it appears that for the common sample *Other*-CEOs make significantly worse deals in the post-withdrawal period than before the bid cancellation.

3.3 Regression Analysis

Table 3 reveals that there are discernible differences in firm and deal characteristics of acquisitions consummated by *Value*- and *Other*-CEOs subsequent to their withdrawals. As a result, the post-withdrawal return difference documented between the two CEO subsets in Table 4 may be influenced by those differences. This section further examines the robustness of the relation between the deal withdrawal rationale and the post-withdrawal acquisition investment quality of *Value*-CEOs by controlling for known deal-, firm- and market-related determinants of acquirer returns as well as industry and year fixed effects. Table 5 reports OLS regression estimates where the dependent variable is the 3-day (-1,+1) cumulative abnormal return to acquiring firm shareholders (*ACAR3*). In specifications (1) to (5) we include only post-withdrawal deals (Panel A), while in regressions (6) to (8) we include only pre-withdrawal deals (Panel B). For post-withdrawal deals, specifications (4) and (5) present results only for the sample of public and private deals respectively. The main explanatory variable is the binary variable *VALUE*, equal to one for deals undertaken by *Value*-CEOs and zero otherwise.

[Please Insert Table 5 About Here]

Previous research by Schwert (2000) and Bradley, Desai and Kim (1988) shows that takeover hostility and bidder competition negatively affect announcement returns to acquiring firm shareholders. Therefore, binary variables are included in order to control for takeover competition (*COMPETE*) and hostile/unsolicited offers (*HOSTILE*), but their coefficients are statistically insignificant.[16] The inter-industry indicator (*DIVERS*) accounts for the fact that

[16] Regression specification (5) does not report coefficient estimates for *HOSTILE*, as the sample of private target firms does not contain any unsolicited deals.

diversifying acquisitions are found to destroy shareholder value (Morck et al., 1990). Regarding the method of payment in M&A deals, Travlos (1987) reports that stock-swap offers for public targets result in more negative acquirer returns than cash payments. The coefficient of an all-equity indicator (*STOCK*) is negative and statistically significant in specifications (3) (4) and (5).

Chang (1998) document that acquiring shareholders fare significantly better in acquisitions of privately-held firms than in deals involving publicly-listed targets. While the positive and significant coefficients of the binary variable *PRIVATE*, which takes the value of one for acquisitions of unlisted targets and zero otherwise, corroborate these findings in post-withdrawals transactions, the corresponding estimates in pre-withdrawal deals are statistically insignificant. Specifications (2) to (5) as well as (7) and (8) use the natural logarithm of the acquiring firm's market capitalization one month prior to the deal announcement (*ASIZE*) in order to control for the fact that small acquirers tend to outperform large ones (Moeller, Schlingemann and Stulz, 2004). Although there is consistent evidence for the negative impact of firm size on acquirer returns, only specifications (2) and (3) report statistically significant coefficient estimates for *ASIZE*.

Moreover, Asquith, Bruner and Mullins (1983) document a significantly positive relation between acquirer returns and the relative size of the target firm, while Faccio, McConnell and Stolin (2006) and Alexandridis, Petmezas and Travlos (2010) find that deals of greater relative size reduce acquirer returns. The coefficient estimates of *RELSIZE*, defined as the ratio of the transaction value to the market capitalization of the acquiring firm, suggest that the relative size of pre- and post-withdrawal deals primarily has a positive impact on acquirer returns. Only the analysis of post-withdrawal deals for public target firms in specification (4) shows some support for the findings of Faccio et al. (2006) and Alexandridis et al. (2010). *CEOEQUITY* controls for the percentage equity ownership held by the acquiring firm CEO (Lewellen, Loderer and Rosenfeld, 1985; Datta, Iskandar-Datta, and Raman, 2001).[17] However, there is no evidence that the superior performance of *Value*-CEOs documented thus far is associated with the level of inside/managerial ownership. Finally, industry and year fixed effects (*INDUSTRY FE* and *YEAR FE*) are included to account for biases from industry- and time-clustering of M&A activity (Mitchell and Mulherin, 1996).

[17] See also Maloney, McCormick and Mitchell (1993) and Harford, Mansi and Maxwell (2008) for the impact of inside/managerial ownership on acquirer announcement returns and firm profitability, respectively. Moreover, using the percentage ownership of all directors and executives of the acquiring firm excluding those that represent outside institutions, corporations and individuals to control for internal monitoring leaves the results unchanged. The same applies for the degree of institutional monitoring (*INSTI*) and the concentration of institutional ownership (*INSTI-HHI*)

Yet, the coefficient of *VALUE* is positive and statistically significant at the 1% level in all specifications for post-withdrawal deal returns.[18] *Value*-CEOs generally outperform *Other*-CEOs by 3.1 percentage points over the 3-day (-1,+1) event window around the follow-up deal announcement. This superior performance by *Valu*e-CEOs of approximately 3 percentage points remains robust and holds after controlling for several known deal, firm and market characteristics. In fact, the *VALUE*-dummy can independently explain more variation in acquirer returns in post-withdrawal deals than any other single variable included in the regression analysis. The follow-up deal performance of *Value*-CEOs is also independent of the target firm listing status, as *Value*-CEOs achieve greater announcement returns than *Other*-CEOs, both, in public deals (2.7 percentage points) as well as private follow-up transactions (3.8 percentage points). Yet, the cross-sectional analysis of pre-withdrawal deals (Panel B), confirms the previous univariate results that investors do not distinguish between the deals of *Value*-CEOs and *Other*-CEOs undertaken prior to their deal withdrawal, as the estimates of dummy variable *VALUE* are insignificant throughout specifications (6) to (8). Overall, regression results are in line with a significant (and robust) change in investor expectations following the withdrawal deal proposals for price related reasons.

4. The Underperformance of Post-Withdrawal Deals by *Other*-CEOs

One notable observation throughout our results is that the performance of post-withdrawal deals by *Other*-CEOs is particularly poor and in most cases significantly worse than their own deals in the pre-withdrawal period. This pattern is in sharp contrast with the clear improvement in deal-making performance of *Value*-CEOs following price-related deal cancellations. Since the market responds favorably to the initial announcement of deals later cancelled for reasons unrelated to the transaction price and then perceives their withdrawal negatively, the fact that *Other*-CEOs tend to be more susceptible to destroying value from follow-up M&As is not entirely surprising. Deals that end up being abandoned for *Other* reasons are subject to average abnormal returns of 3.63% around their initial announcement, while their cancellation results in significant losses of -2.17% (see Table 2). This may suggest that those deals did have a potential to create value in the first place and that investors felt worse-off when they are cancelled. In addition, more than half of *Other*-withdrawals may actually convey negative CEO- specific information to the market. For instance, more than 60% of those deals fail due to the target management refusing to consider the deal or

[18] Coefficient estimates of *VALUE* remain unchanged when using benchmark-adjusted acquirer returns (see paragraph 3.2) as the dependent variable in regression analyses, thus confirming that follow-up deals by *Value*-CEOs outperform *Other*-CEOs as well as comparable deals in the same industry and year.

accepting an inferior deal, disagreement regarding the management terms rejection of the deal from regulators or because negative information about the target or the synergies is revealed during the valuation process. Cancellations based on such motives may to a great extent reflect poor deal motivation, planning, initial target selection and valuation and/or negotiation skills. As a result, *Other*-cancellations could to some extent be linked to CEOs of inferior quality. There is therefore some scope to believe that at least a number of *Other*-cancellations are followed by deals of inferior quality for a good reason. Considering that *Other*-CEOs should be more susceptible to returning to the market for corporate control merely to complete a deal following their own prior failure reinforces this belief since the pressure the CEOs may feel to complete a deal can easily lead to a rushed decision that may end up destroying value for shareholders.

5. Conclusion

This paper examines whether withdrawn acquisition deals can be used as an instrument to identify high quality CEOs. Specifically, the study focuses on the methodology of Jacobsen (2012) to identify CEOs that pull out from acquisition deals when the transaction price becomes too expensive (*Value*-CEOs) and examines the long-term investment quality implications of these acquisition withdrawals. We first show that CEOs who abandon deals for price related reasons make better acquisition decisions in their return to the market for corporate control than the average CEO. This is in line with previous evidence that the acquisition withdrawal motive conveys information about CEO quality and focus on value creation. We also provide new evidence on whether this information is novel or available to the market prior to the withdrawal. Our results show that transactions consummated by *Value*-CEOs prior to price induced withdrawals are subject to inferior announcement returns relative to their post-withdrawal deals. This corroborates that acquisition announcement returns convey information about CEO quality and value creation focus as well as expectations about deals *per se*. In addition, it highlights the role that *Value*-withdrawals may have in further enhancing managerial focus on pursuing value creating investments. Collectively, our evidence indicates that the value withdrawal motive has important investment and capital market implications for acquiring firms and their shareholders beyond the withdrawal announcement.

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Figure 1: Methodological Setup for Analysis of Acquirer Returns

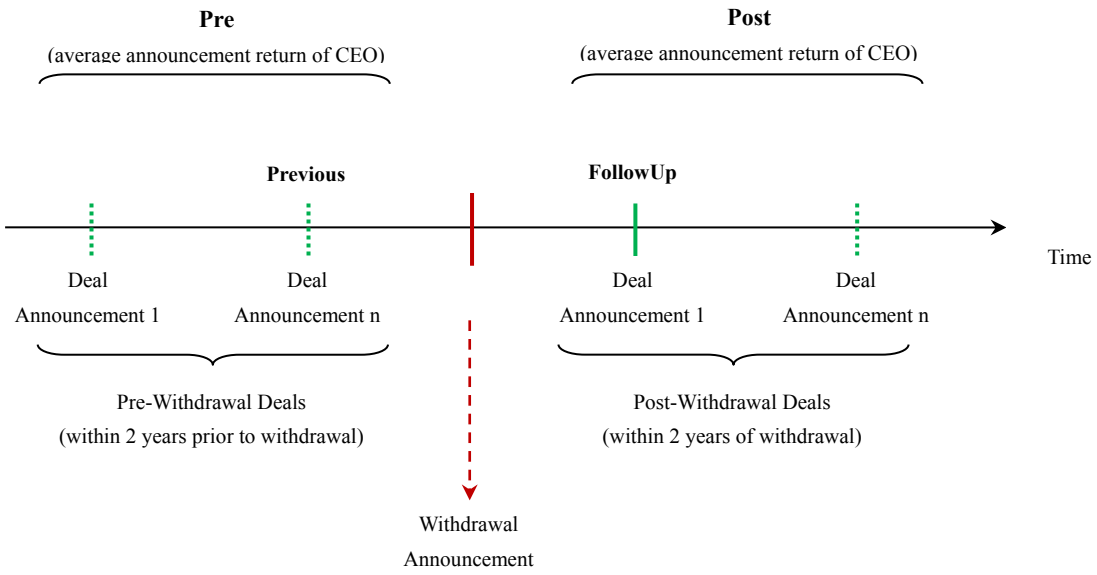

Table 1: Distribution of Deal Withdrawals

The sample includes withdrawn and completed M&A bids for public and private targets announced by U.S. public bidding firms whose Chief Executive Officer (CEO) has withdrawn an acquisition and subsequently undertaken at least one follow-up deal within two years of the deal withdrawal. Deal proposals are announced between 1990 and 2010. The transaction value is at least $1 million and reflects at least 1% of the bidding firm market capitalization one month prior to the deal announcement. Bidders own less than 10% of the target prior to the announcement and seek to own more than 50% upon deal completion. Bidding firms are listed on NYSE, AMEX or NASDAQ and have data available on CRSP and Compustat. The sample is split into subsamples of *Value*-induced Withdrawals and *Other* Withdrawals based on the rationale behind the deal cancellation.

Year	*Value*-Induced Withdrawals	*Other* Withdrawals	Total
1990	2	8	10
1991	5	10	15
1992	5	9	14
1993	2	13	15
1994	11	12	23
1995	9	16	25
1996	14	20	34
1997	15	19	34
1998	8	7	15
1999	4	12	16
2000	13	5	18
2001	3	7	10
2002	4	1	5
2003	3	4	7
2004	7	5	12
2005	6	4	10
2006	9	4	13
2007	3	4	7
2008	6	9	15
2009	3	0	3
2010	1	0	1
Total	133	169	**302**

Table 2: Corporate Governance Characteristics

The sample of withdrawn and completed M&A bids meets the screening criteria explained in Table 2 and is partitioned into subsamples of deals initiated by either *Value*- or *Other*-CEOs, based on the withdrawal motive. AGE is the age of the CEO at the deal withdrawal and TENURE is the number of years the manager has held the position of Chief Executive Officer (CEO) with the bidding firm. CEOEQUITY is the percentage equity ownership of the CEO and DUALITY the percentage of firms where the CEO also holds the position of Chairman of the Board of Directors. INSIDE is the percentage ownership of all directors and executives of the bidding firm excluding those representing outside institutions, corporations and individuals. INSTI is the percentage ownership of institutional investors, as reported with the U.S. Securities and Exchange Commission (>5%), and INSTI-HHI is the Herfindahl Index of the institutional shareholdings in the bidding firm. BOARD is the number of board members. Differences are based on two-sample t-tests for means and Wilcoxon-sign rank tests for medians. a, b, and c denote statistical significance at the 1%, 5% and 10% level, respectively.

	All (1)	Value (2)	Other (3)	Difference (2)-(3)
AGE	52	53	51	2.00
TENURE	5	4	5	-1.00
CEOEQUITY	7.01	5.78	8.18	-2.40
DUALITY	61.03	61.24	60.87	0.37
INSIDE	16.20	12.96	19.26	-6.30[a]
INSTI	15.84	16.74	14.99	1.75
INSTI-HHI	244.5	234.5	154.0	-19.49
BOARD	14	14	14	0.00

Table 3: Descriptive Statistics

The sample of withdrawn and completed M&A bids meets the screening criteria explained in Table 1. Acquisitions undertaken within the two years preceding the deal withdrawal are added to the sample (Pre-Withdrawal Deals). The sample is further partitioned into subsamples of deals initiated by either *Value*- or *Other*-CEOs, based on the rationale behind the deal withdrawal. The sample of Control Deals contains all M&As by firms never involved in any unsuccessful bids throughout the sample period. N deals is the sample size and TV is the deal value. ASIZE and TSIZE is the acquirer and target market capitalization one month prior to deal announcement. TV, ASIZE and TSIZE are in million 2010 dollars. RELSIZE is the ratio between TV and ASIZE. PUBLIC (PRIVATE) is the percentage of deals where the target firm is public (private). ALLCASH (ALLSTOCK) is the percentage of deals financed with 100% cash (stock). CASH (STOCK) is the percentage of cash (stock) in the offer. DIVERS (FOREIGN) is the percentage of deals where the acquirer and target have different 2-digit SIC codes (are registered in different countries). COMPETE is the percentage of transactions with multiple takeover bids and HOSTILE is the percentage of unsolicited deals. PERCSHARES is the percentage of shares sought for withdrawn deals and the percentage of shares acquired in completed deals. PREM is the ratio of the offer price to the target share price four weeks prior to the deal announcement for observations between zero and two. ACAR3 and ACAR23 is the acquirer cumulative abnormal return calculated over the 3-day (-1,+1) and 23-day (-2,+20) event window around the deal announcement. WD3 is the bidder 3-day (-1,+1) event return around the withdrawal announcement. TCAR3 is the target cumulative abnormal return from the 3-day (-1,+1) event window around the deal announcement and COMBI is the value-weighted average (by market capitalization) of ACAR3 and TCAR3. TimeToNext is the number of days between the withdrawal and the follow-up deal announcement. Differences are based on two-sample t-tests for means and Wilcoxon-sign rank tests for medians. a, b, and c denote statistical significance at the 1%, 5% and 10% level, respectively.

	Withdrawn Deals			**Post-Withdrawal Deals**			**Pre-Withdrawal Deals**			**Control Deals**				
	Value	Other	Diff.	Value	Other	Diff.	Value	Other	Diff.		Diff.	Diff.	Diff.	Diff.
	(1)	(2)	(2)-(1)	(3)	(4)	(3)-(4)	(5)	(6)	(5)-(6)	(7)	(3)-(1)	(3)-(5)	(4)-(2)	(4)-(6)
N deals	133	169	-	200	269	-	106	123	-	13,238	-	-	-	-
TV														
mean	1,381.5	1,328.2	53.2	777.2	416.7	360.5^{c}	276.8	399.7	-122.9	432.7	-604.3^{b}	500.4^{c}	-911.5^{a}	17.0
median	285.5	83.8	201.7^{a}	114.8	62.2	52.6^{a}	73.8	42.0	31.8	35.1	-170.7^{a}	41.0^{b}	-21.5^{b}	20.2
ASIZE														
mean	4,862.4	2,616.9	2,245.5^{b}	5,913.6	2,552.5	3,361.1^{a}	3,458.8	2,608.0	850.8	2,864.5	1,051.2	2,454.8	-64.4	-55.5
median	1,240.7	370.1	870.6^{a}	1,629.4	437.8	1,191.6^{a}	1,055.0	528.1	526.9^{b}	395.2	388.6	574.4	67.7	-90.4
TSIZE														
mean	1,319.5	1,346.9	-27.4	1,242.5	675.5	567.0^{a}	485.0	792.2	-307.2	1,289.3	-77.0	757.5	-671.4^{b}	-116.8
median	364.8	235.2	129.6	263.7	193.4	70.3^{b}	235.8	97.5	138.3^{c}	167.0	-101.1	28.0	-41.8	95.9
RELSIZE														
mean	0.64	0.64	0.00	0.23	0.31	-0.08	0.15	0.19	-0.04	0.31	-0.41^{a}	0.08^{b}	-0.33^{a}	0.12^{c}
median	0.37	0.39	-0.02	0.09	0.11	-0.02	0.07	0.09	-0.01	0.10	-0.28^{a}	0.02^{b}	-0.28^{a}	0.02^{b}
PUBLIC	82.71	60.95	21.76^{a}	40.00	40.52	-0.52	30.19	34.96	-4.77	24.95	-42.71^{a}	9.81^{c}	-20.43^{a}	5.56

Table *(Continued)*

	Withdrawn Deals			Post-Withdrawal Deals			Pre-Withdrawal Deals			Control Deals				
	Value (1)	Other (2)	Diff. (2)-(1)	Value (3)	Other (4)	Diff. (3)-(4)	Value (5)	Other (6)	Diff. (5)-(6)	(7)	Diff. (3)-(1)	Diff. (3)-(5)	Diff. (4)-(2)	Diff. (4)-(6)
ALLCASH	33.83	25.44	8.39	34.00	24.91	9.09[b]	28.30	16.26	12.04[b]	26.80	0.17	5.70	-0.53	8.65[c]
ALLSTOCK	36.09	36.84	-0.75	24.50	35.32	-10.82[b]	28.30	34.96	-6.66	34.08	-11.59[b]	-3.80	-1.52	0.36
CASH	47.38	38.14	9.24	55.57	41.43	12.14[a]	49.34	38.85	10.49[c]	41.95	8.19	6.23	3.29	2.58
STOCK	48.87	52.22	-3.35	36.89	49.61	-12.72[a]	14.93	51.02	-9.10	46.63	-11.98[b]	-5.04	-2.61	-1.41
DIVERS	45.11	32.54	12.57[b]	44.00	37.92	6.08	47.17	26.02	21.15[a]	38.83	-1.11	-3.17	5.38	11.90[b]
FOREIGN	13.53	8.28	5.25	14.50	10.78	3.72	8.49	5.69	2.80	11.05	0.97	6.01	2.50	5.09[c]
COMPETE	40.60	10.65	29.95[a]	2.50	2.23	0.27	1.89	1.63	0.26	1.11	-38.10[a]	0.61	-8.42[a]	0.60
HOSTILE	36.09	22.49	13.61[a]	2.52	0.74	1.76	1.92	0.00	1.89	0.26	-33.59[a]	0.61	-21.75[a]	0.74
PERCSHARES	99.76	99.31	0.45	98.70	98.87	-0.17	99.88	99.33	0.56	99.07	-1.06	-1.18[c]	-0.44	-0.46
ACAR3														
mean	-3.55[a]	3.63[a]	-7.18[a]	2.05[a]	-0.54	2.59[a]	0.82	-0.06	0.89	1.19[a]	5.60[a]	1.23[c]	-4.17[a]	-0.48
median	-1.88[a]	0.98[a]	-2.86[a]	1.25[a]	-0.27	1.52[a]	0.58	-0.09	0.67	0.29[a]	3.31[a]	0.67[c]	-1.25[a]	-0.18
ACAR23														
mean	-3.03[a]	-0.20	-2.83[a]	5.08[a]	-4.35[a]	9.43[a]	0.38	0.48	-0.10	0.84	8.11[a]	4.70[a]	-4.15[a]	-4.83[a]
median	-2.45[a]	-0.37	-2.08[a]	2.13[a]	-1.90[a]	4.03[a]	0.87	0.31	0.56	0.42	4.53[a]	1.26[b]	-1.54[a]	-2.21[a]
WD3														
mean	1.55[b]	-2.17[a]	3.71[a]	-	-	-	-	-	-	-	-	-	-	-
median	1.51[a]	-1.24[a]	2.75[a]	-	-	-	-	-	-	-	-	-	-	-
TCAR3														
mean	17.96[a]	12.82[a]	5.14[c]	31.10[a]	18.28[a]	12.82[a]	29.09[a]	13.26[a]	15.83[b]	20.37[a]	13.14[a]	2.01	5.46[c]	5.02
median	15.53[a]	13.22[a]	2.31	21.67[a]	13.71[a]	7.96[a]	26.30[a]	12.67[a]	13.63[b]	16.75[a]	6.14[b]	-4.63	0.49	1.04
PREM														
mean	47.77	46.17	1.60	53.15	46.53	6.62	53.39	43.72	9.67	46.34	5.38	-0.24	0.36	2.81
median	39.78	44.23	-4.45	47.15	38.00	9.15	50.45	33.85	16.61[b]	38.22	7.37	-3.30	-6.23	4.16
COMBI														
mean	-0.03	2.76[a]	-2.78[b]	3.17[a]	0.90	2.27[b]	2.50[b]	0.83	1.67	1.39[a]	3.19[b]	0.67	-1.86[c]	0.07
median	0.83	2.19[a]	-1.36[b]	3.21[a]	0.58	2.63[a]	1.53[c]	0.21	1.32	0.87[a]	2.38[a]	1.69	-1.61[b]	0.37

Table 4: Acquirer Returns around Post- and Pre-Withdrawal M&A Deals

The sample of completed M&A deals meets the criteria described in Table 2. Results are partitioned by withdrawal/CEO type (*Value* or *Other*) based on the deal withdrawal rationale. Panel A reports results from post-withdrawal deals, and Panel B for pre-withdrawal deals. Panel C reports return differences between post- and pre-withdrawal deals. FOLLOW-UP (PREVIOUS) is the first (last) acquisition following (prior to) the deal withdrawal. ALL POST (ALL PRE) refers to all deals initiated by the bidding firm's CEO during the 2-year event horizon following (preceding) the withdrawn bid. ACAR3 is the acquirer cumulative abnormal return calculated over a 3-day (-1,+1) windos around the deal announcement. AdjACAR3 is the benchmark-adjusted gains to acquiring shareholders calculated as the acquiring firm's excess announcement return over the median announcement return of all mergers and acquisitions within the same Fama/French industry, target firm listing status and corresponding announcement year. %Winners is the percentage of deals with announcement returns greater than zero. Differences are based on two-sample t-tests for means and Wilcoxon-sign rank tests for medians and are calculated based on common samples. a, b, and c denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel A: Post-Withdrawal Deals			All (1)	Value (2)	Other (3)	Difference (2)-(3)
	FOLLOW-UP Deal					
(1)	ACAR3	*mean*	1.01[b]	2.86[a]	-0.45	3.31[a]
		median	0.27[b]	1.89[a]	-0.30	2.19[a]
		%winners	52.65%	60.15%	46.75%	13.40%
(2)	AdjACAR3	*mean*	0.91[c]	2.96[a]	-0.70	3.66[a]
		median	0.20[b]	2.01[a]	-0.72	2.72[a]
		%winners	51.32%	63.16%	42.01%	21.15%
	ALL POST Deals					
(3)	ACAR3	*mean*	0.96[b]	2.46[a]	-0.21	2.67[a]
		median	0.06	1.16[a]	-0.41	1.58[a]
		%winners	50.66%	56.39%	46.15%	10.24%
(4)	AdjACAR3	*mean*	1.07[b]	3.00[a]	-0.45	3.45[a]
		median	0.35[b]	2.03[a]	-0.57	2.60[a]
		%winners	51.99%	63.16%	43.20%	19.96%
	n		302	133	169	-
Panel B: Pre-Withdrawal Deals			All (1)	Value (2)	Other (3)	Difference (2)-(3)
	PREVIOUS Deal					
(5)	ACAR3	*mean*	0.01	0.04	-0.01	0.05
		median	0.58	0.84	0.31	0.53
		%winners	23.51%	24.06%	23.08%	0.98%
(6)	AdjACAR3	*mean*	-0.09	-0.11	-0.07	-0.04
		median	0.44	0.12	0.44	-0.32
		%winners	22.52%	23.08%	21.80%	1.27%
	ALL PRE Deals					
(7)	ACAR3	*mean*	0.12	-0.12	0.29	-0.41
		median	-0.44	-0.01	-0.46	0.45
		%winners	18.54%	19.55%	17.75%	1.80%
(8)	AdjACAR3	*mean*	0.05	-0.08	0.16	-0.41
		median	-0.33	-0.24	-0.54	0.45
		%winners	18.54%	18.05%	18.93%	-0.89%
	n		126	55	71	-
Panel C: Return Differences			All (1)	Value (2)	Other (3)	
(1)-(5)		*mean*	0.44	3.01[a]	-1.55[c]	-
		median	0.26	1.44[a]	-0.85[c]	-
(2)-(6)		*mean*	0.51	3.29[a]	-1.67	-
		median	-0.36	2.04[a]	-1.34[c]	-
(3)-(7)		*mean*	0.21	2.67[b]	-1.70[b]	-
		median	-0.34	1.18[b]	-1.78[b]	-
(4)-(8)		*mean*	0.55	3.26[a]	-1.57[b]	-
		median	0.19	2.70[a]	-1.03[b]	-
n			126	55	71	-

Table 5: Regression Analysis – Acquirer Returns in Pre- and Post-Withdrawal Deals

The table reports OLS regression estimates of acquirer returns on the binary variable VALUE and other deal, firm and market characteristics. The sample of completed M&A bids meets the screening criteria explained in Table 1. Acquisitions undertaken within two years preceding the deal withdrawal are added to the sample (Pre-Withdrawal Deals). Acquirer shareholder gains (ACAR3) are calculated as the acquiring firm's cumulative abnormal return calculated over the 3-day (-1,+1) event window around the deal announcement. Specifications (1) to (5) in Panel A account for post-withdrawal deals and specifications (6) to (8) report estimates for pre-withdrawal deals (Panel B). The regression models (4) and (5) focus on subsamples of post-withdrawal deals for public and private target firms, respectively. VALUE is an indicator variable that is equal to one for deals undertaken by *Value*-CEOs, following the sample classification based on the rationale behind the deal withdrawal. COMPETE, HOSTILE, DIVERS and STOCK are binary variables equal to one for acquisitions with multiple bidders, with unsolicited bids, for transactions where the acquirer and target operate in different industry sectors (2-digit SIC code), and for deals financed 100% in stock, respectively. PRIVATE takes the value of one for acquisitions of private targets and zero for public deals. ASIZE is the natural logarithm of the acquirer market capitalization one month prior to the acquisition announcement, and RELSIZE is the ratio of the transaction value and the acquirer market value one month before the deal announcement. CEOEQUITY is the equity ownership of the acquiring CEO prior to the deal announcement. Regressions (3), (4), (5) and (8) control for industry (INDUSTRY FE) and year fixed effects (YEAR FE), the coefficients of which are not reported. p-values are reported in brackets; a, b, and c denote statistical significance at the 1%, 5% and 10% level, respectively.

	Panel A: Post-Withdrawal Deals					**Panel B: Pre-Withdrawal Deals**		
	All	All	All	Public	Private	All	All	All
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Intercept	-0.005	0.005	0.007	0.014	0.032	-0.001	0.007	-0.093
	(0.257)	*(0757)*	*(0.874)*	*(0.712)*	*(0.595)*	*(0.908)*	*(0.747)*	*(0.209)*
VALUE	**0.031**[a]	**0.030**[a]	**0.034**[a]	**0.027**[a]	**0.038**[a]	0.009	0.007	0.006
	(0.001)	***(0.000)***	***(0.001)***	***(0.008)***	***(0.002)***	*(0.271)*	*(0.374)*	*(0.520)*
COMPETE		-0.001	-0.011	*-0.024*	0.030		0.005	0.034
		(0.992)	*(0.753)*	*(0.311)*	*(0.745)*		*(0.877)*	*(0.350)*
HOSTILE		0.010	-0.017	*-0.017*			0.008	-0.001
		(0.738)	*(0.690)*	*(0.522)*			*(0.854)*	*(0.995)*
DIVERS		0.008	0.014	*0.008*	0.016		0.022[b]	0.016
		(0.268)	*(0.192)*	*(0.562)*	*(0.229)*		*(0.014)*	*(0.247)*
STOCK		-0.010[c]	-0.022[c]	-0.010[c]	-0.002		0.008	0.005
		(0.100)	*(0.068)*	*(0.093)*	*(0.872)*		*(0.380)*	*(0.657)*
PRIVATE		0.022[a]	0.028[b]				0.006	0.005
		(0.007)	*(0.010)*				*(0.571)*	*(0.683)*
ASIZE		-0.005[b]	-0.005[b]	-0.002	-0.004		-0.004	-0.002
		(0.012)	*(0.092)*	*(0.609)*	*(0.303)*		*(0.129)*	*(0.576)*
RELSIZE		0.027[a]	0.031[a]	-0.021[c]	0.043[a]		0.019	0.010
		(0.000)	*(0.001)*	*(0.092)*	*(0.008)*		*(0.294)*	*(0.630)*
CEOEQUITY			0.001					
			(0.471)					
INDUSTRY FE	NO	NO	YES	YES	YES	NO	NO	YES
YEAR FE	NO	NO	YES	YES	YES	NO	NO	YES
N	469	469	347	189	280	229	229	229
R-Square	3.60%	13.92%	28.19%	35.97%	30.56%	0.53%	6.21%	29.86%