

WHO WRITES THE NEWS? CORPORATE PRESS RELEASES DURING MERGER NEGOTIATIONS

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Abstract

Firms have an incentive to manage media coverage to influence the outcome of important corporate events. We investigate this hypothesis by studying corporate press releases during mergers. Using comprehensive data on media coverage and novel data on merger negotiations, we find that bidders in stock mergers originate substantially more news stories after the start of merger negotiations, but before the public announcement. This strategy generates a short-lived run-up in bidders' stock prices during the period when the stock exchange ratio is determined. The run-up and reversal in media coverage and stock returns cannot be explained by merger rumors, passive media coverage, or endogenous merger timing. Overall, we present the first evidence on active media management in M&A.

Recent research documents a significant relation between media coverage and stock returns (Tetlock, 2007; Fang and Peress, 2009; Liu, Sherman, and Zhang, 2009). Several studies show that even stale news, if widely publicized, can dramatically raise short-term returns (Huberman and Regev, 2001) and influence prices of large and widely-followed stocks in the S&P 500 (Tetlock, 2008). Though the importance of the financial press for firm valuation has been well documented, relatively little is known about how firms actively manage their news coverage. In particular, companies have strong incentives to attempt to influence their stock price by producing and actively disseminating news stories during important corporate events. This hypothesis, which we label *active media management*, is the focus of this paper.

Firms can actively disseminate information via several channels, such as conference calls, voluntary disclosures, and press releases. Among these channels, corporate press releases have the advantage of being fast, flexible in content, and widely followed by investors and journalists.¹ Moreover, Dyck and Zingales (2003) present evidence that journalists are prone to spin the news in the same way as the press release, making this channel particularly suitable for active media management.

In this paper, we study how firms manage their news coverage via press releases when they have strong incentives to achieve a temporary increase in valuation. To identify firms with such incentives, we focus on large acquisitions that use acquirer stock as payment. If an acquirer in a fixed exchange ratio stock merger can raise its stock price during the merger negotiations, it can offer fewer of its shares for each target share to achieve the same expected takeover price. In comparison, in floating exchange ratio or cash-financed mergers, acquirers do not have the same incentives, since the takeover price is fixed in dollars rather than shares. This difference in incentives offers a convenient laboratory to analyze whether and how firms strategically manage their media coverage. Further, the variation in the timing of merger negotiations, payment methods, and exchange ratio terms provides a clean setting for distinguishing the information management hypothesis from alternative views, such as passive media coverage and endogenous merger initiation following good news.

¹For example, PR Newswire, just one of the press release wires, distributes corporate news to the largest financial networks, such as Bloomberg and Reuters, hundreds of newspaper journalists, and the most popular financial portals, including Yahoo Finance, MSN Money, and MarketWatch.

Our empirical analysis relies on two unique datasets. First, we collect daily media coverage of acquirers from over 300 media sources in Factiva, including news publications, electronic wires, and press releases. To our knowledge, with over 1.2 million articles, this is one of the most comprehensive media datasets in financial research. A particular advantage of these data is that they allow us to distinguish firm-originated news from overall media coverage, while identifying the exact timing, source, and content of news. We combine these data with a novel hand-collected dataset on the details of merger negotiations reported in SEC filings, which provides us with the dates when the merger negotiations begin and when the exchange ratio is first discussed and finalized. These key dates — which are disclosed only after the official merger announcement — enable us to construct sensitive tests of the role of financial media during the crucial period when exchange ratios are determined in private.

Our first set of empirical results shows that bidders in fixed exchange ratio stock mergers dramatically increase the number of press releases *after* they privately begin merger negotiations and *before* the public announcement of the merger. The increase in press release issuance peaks during the period when the stock exchange ratio is likely established. In contrast, floating ratio acquirers, which also use stock as payment but do not have the same incentives for a short-term increase in valuation, show little difference in press release issuance. In difference-in-difference regressions controlling for firm fundamentals, we find that fixed ratio acquirers issue 12 *extra* press releases per month during their negotiation period, a 113 percent increase compared to baseline medians. In addition, during this time, overall media coverage of fixed ratio bidders rises by 60 percent.

The marked increase in media coverage has a significant and positive effect on stock returns, consistent with the evidence that higher visibility induces short-term demand for a stock (Da, Engelberg, and Gao, 2009; Cook, Kieschnick, and Ness, 2010). We find that a one standard deviation increase in press release issuance during merger negotiations is associated with an additional 4 percent increase in a bidder's market value over this period, controlling for other factors. Firms with large intangible assets and high analyst dispersion, for which additional news coverage is likely to have the strongest impact on returns (Kumar, 2009), show the largest

increase in producing news stories. After the merger announcement, press releases and stock prices revert to pre-merger levels.

Though the observed run-up and reversal in firm-originated media coverage and stock returns during merger negotiations is consistent with the hypothesis of active media management, other explanations are possible. The first possibility is that fixed exchange ratio stock acquisitions coincide with periods of strong operating performance, and that the media coverage during merger negotiations reflects positive news about the bidders' fundamentals. This hypothesis, which we call *passive media coverage*, would explain the increase in news and stock valuation during merger negotiations.

To distinguish this view from active media management, we look at return reversals following the abnormal increase in media coverage. The passive media coverage hypothesis predicts that the increase in acquirer's market equity prior to the merger announcement will persist if this increase was driven by fundamentals. In contrast, the active media management view posits that market equity is expected to correct to earlier levels if the stock run-up was induced by short-term, visibility-driven investor demand (Barber and Odean, 2008).

Consistent with active media management, we observe a drastic correction in the prices of fixed ratio bidders during the period following the merger announcement. This correction is so severe that these acquirers lose the vast majority (73%) of the negotiation-period abnormal run-up over the several months following the announcement, compared to a loss of only 8 percent for the control group of stock mergers using floating exchange ratios. This evidence suggests that the price increases associated with a dramatic spike in a firm's press releases during merger negotiations may not have been based on fundamental information. This interpretation is consistent with previous research that documents a similar stock price reaction to a rapid increase in a firm's visibility (Huberman and Regev, 2001; Meschke, 2004).

As an additional test of the passive media hypothesis, we offer evidence on the content of news. To evaluate the substance of press releases, we study the proportion of press releases featured in major newspapers. This methodology allows us to establish a simple and replicable measure of news importance without relying on subjective keyword searches or mechanic text analysis. If the abnormal media coverage is passive and merely reflects important fundamental

news, we would expect to see the same proportion of a firm’s press releases to be featured in newspapers before the merger talks begin as during the merger negotiations. In contrast, we find that the ratio of newspaper articles to news releases of fixed exchange ratio acquirers declines by 65 percent during the merger negotiations period, relative to non-fixed ratio acquirers. We interpret these results as suggestive evidence that the press releases generated during merger negotiations serve to increase a firm’s visibility rather than to disclose important fundamental news.

A second alternative hypothesis — *opportunistic acquisitions* — refers to the endogenous decision to initiate a takeover and the endogenous choice of payment (e.g. cash vs. stock and fixed vs. floating ratio deals). In particular, firms are more likely to engage in an acquisition and to pay in stock if the management believes that the stock is favorably priced relative to fundamentals (Shleifer and Vishny, 2003). This hypothesis would be consistent with a run-up in bidders’ stock price shortly before the acquisition and a subsequent correction in firm value. Furthermore, if the strong stock performance itself generates news, independent of fundamentals, this hypothesis would also explain the increase in media coverage at the time of merger negotiations.

Several pieces of evidence suggest that our results are unlikely to be explained by opportunistic acquisitions. To address the possibility that stock returns drive news coverage (reverse causality), we exclude all stories that are tagged by Factiva as recurring pricing and market data. As an additional filter for news related to abnormal stock performance, we eliminate all articles with fewer than 50 words and all stories that have the word “*stock*” in the title. Our results remain unchanged after imposing these filters. Ultimately, it is difficult to explain why firms pursuing opportunistic acquisitions without changes in fundamentals would accidentally increase their press release issuance exactly at the time of negotiations without a strategy of active media management.

We conduct other robustness tests to evaluate alternative explanations. We repeat all of our analysis after excluding articles likely to contain merger rumors and obtain the same results.²

²In particular, we exclude articles that mention any of the following words in the title: *rumor, in talks, merge, merger, merges, deal, deals, bid, bids, acquire, acquires, acquirer, acquisition, takeover, bought, buy, buys, sell, sells, sold, purchase, purchases, or tender.*

We also present evidence that our results are not driven by the endogenous choice of payment method between fixed and non-fixed exchange ratios.

The central contribution of this paper is to provide some of the first evidence on active news management in corporate finance. In particular, we are the first to investigate the use of financial media during corporate mergers and to identify an information management strategy that has a major influence on shareholder value. We are also among the first to study firms' news generation via press releases and to distinguish between firm-initiated news and passive media coverage. Specifically, our evidence is most consistent with the view that firms facing strong incentives for higher stock valuation use press releases as one of the channels to achieve a temporary increase in stock price during mergers.

The rest of the article is organized as follows. Section 1 provides a brief overview of related research. Section 2 discusses data and methods. Section 3 presents empirical results. Section 4 offers robustness checks and reviews alternative hypotheses. Section 5 concludes.

1. Related Literature

Our research contributes to the growing literature on the role of media in financial markets. Among earlier studies, Chan (2003) highlights the effect of media coverage on stock returns by showing that large price changes accompanied by news exhibit momentum, whereas price movements without media coverage do not. Fang and Peress (2009) view media coverage as a firm-level characteristic and argue that investors require lower returns for firms with high media coverage, resulting in higher valuation of high-visibility firms, consistent with the theoretical framework in Merton (1987). Liu, Sherman, and Zhang (2009) examine the role of media in IPOs and show that offerings with greater media coverage have higher initial returns and greater long-term value. We contribute to this literature by distinguishing between firm-originated news and external media coverage and by demonstrating how firms actively manage their information environment.

Our results also help to distinguish between two views on the role of the media in financial markets. The first view is that news dissemination reduces information asymmetry, resulting in quicker incorporation of new information and more efficient prices of financial assets (DellaVigna

and Pollet, 2009). The alternative view is that media coverage is subject to manipulation and can result in deviations of stock prices from their fundamentals (Huberman and Regev, 2001). Our paper provides evidence that the latter effect can dominate during important corporate events and that companies can strategically use this channel to affect their stock price.

Last, our paper is related to the literature on investor relations. Bushee and Miller (2007) study the role of investor relations firms in asset pricing and find that companies that hire investor relations firms experience an increase in media coverage, institutional ownership, and valuation. Solomon (2009) shows that investor relations firms spin corporate news in a favorable way, resulting in a temporary increase in stock returns, which reverses when hard information is released at earnings announcements. Our paper adds to this literature by highlighting the motives and channels of information management and demonstrating the effects of this strategy on the outcomes of major corporate events.

2. Data and Summary Statistics

2.1. Mergers

To construct our sample of mergers, we start with the largest 500 mergers of U.S. publicly traded firms in the SDC database, as measured by deal value, announced between January 1, 2000 and December 31, 2008. Acquirers must purchase at least 20 percent of outstanding shares and own more than 51 percent of the target firm shares following the merger. We begin our sample in 2000, since Factiva's news coverage in earlier years is scarcer and lacks intelligent indexing codes for many merging firms (discussed in more detail below). Our focus on larger deals is motivated by the substantial transfers of value in these transactions, which arguably provide stronger incentives for managing stock valuation during the merger. In addition, since stock payments are more common in larger mergers, our sample provides more variation in payment method than would a sample that included more small targets. We also obtain the type of consideration received in the merger, including the proportion of stock used, merger announcement and closing dates, and the total deal value from the SDC database.

For each deal in our sample, we retrieve information about the terms of the transaction and the key dates in the merger process from Securities and Exchange Commission filings.³ This information typically appears in the section entitled “Background of the Merger” in the merger agreement, which provides a narrative history of the merger process, though terms of the transaction are often described in various other sections of the SEC filings. In particular, we collect the date when the merging firms first discussed the potential merger, the date when the exchange ratio is first discussed and the date when it is finalized, the type of the exchange ratio (fixed or floating) and the period over which the price is determined for the floating ratio. These key dates (which are made public only after the official merger announcement) enable us to construct sensitive tests of the information management hypothesis that rely on daily data from news sources. Hand-collecting this data is also necessary to record whether a fixed or a floating exchange ratio is used since these data are not reported in standard databases, such as SDC. The “Background of the Merger” section for the merger of Akamai and INTERVU is provided as an example in Appendix A.

Since the details on the identification of fixed or floating exchange ratios are critical for our tests, we eliminate deals for which we cannot reliably establish this information. After collecting the data we found that the date that merger negotiations began was much more populated and precise than the dates that pertain to the determination of the exchange ratio. In addition, for the dates that we could obtain about the exchange ratio, we found that though the use of a fixed exchange ratio was often decided relatively early, the exact date that the ratio was set was often close to the public announcement date (within 10 days or less). Due to both the lack of dates and the closeness to the announcement date, this information is an unreliable way to delineate time periods by when we would expect to see more active media management. Therefore, we focus our attention on the date that merger discussions begin.

Using these data on the timing of merger negotiations, we define the following time periods:

1. *Pre-Negotiation Period*: the days that start one year before the public merger announcement until the day before the start of merger discussions.

³We search through the following forms in order: DEFM14A, DEFA14A, DEFR14A, DEF14A, PREM14A, PRER14A, S-4/A, S-4, 424B3, 424B2, F-4, 497, 10-K, 8-K, N-148C/A, SC13E3, SC13E3/A, and SCTO-T/A.

2. *Negotiation Period*: the days that begin on the date of the first discussion of the merger by the two firms, until twenty-one days before the public announcement of the merger.
3. *Transaction Period*: the days that start two days after the public announcement of the merger until eleven days before the merger closes.

We restrict the negotiation period to end well before the public announcement to ensure that our media coverage does not contain information about the merger. However, all of our results remain if we change this requirement to include days up to ten or five days before the public announcement. In all cases, it is important to remember that these dates are *before* there has been any public acknowledgement of the merger and are only realized *ex post* by reading the SEC filings.

2.2. Press Releases and Financial Media

News coverage is collected from the Factiva database. To collect articles and press releases for each firm, we use the acquirer's Intelligent Indexing Code assigned by Factiva. In particular, if a news article discusses a firm in sufficient detail, Factiva matches this article to the firm's intelligent indexing code, enabling us to identify relevant articles and press releases based on their content rather than based on a simple keyword match.

To study a firm's communication strategy around mergers, we collect daily data on the firm's press releases and news articles issued from one year before the announcement of the merger to one year after the deal closure. Our list of possible news sources includes all English-language media sources included in Factiva's category of major news and business publications plus newswire services. The sources of articles from major newspapers and business publications include a large number of publications, including some of the most-widely circulated sources, such as *USA Today*, *The Wall Street Journal*, and *The New York Times*, among others.⁴

The data on newswire articles are particularly crucial for understanding whether firms actively manage media. These articles typically report firm press releases with no additional analysis. As discussed in the introduction, a firm's press releases may be particularly suitable

⁴Based on the individual circulation data from the Audit Bureau of Circulations and the aggregate U.S circulation data from the Newspaper Association of America.

for active management because this channel is less regulated than accounting statements, affording greater flexibility in content, and providing an opportunity to spin news in a desired way (Dyck and Zingales, 2003).

Finally, we eliminate deals for which the Factiva database provides an intelligent indexing code only for the combined firm rather than a separate code for the acquirer and the target. As another filter for article substance, we eliminate articles with fewer than 50 words and articles tagged by Factiva as recurring pricing and market data. A representative sample of news articles is presented in Appendix B for the Akamai-INTERVU merger.

2.3. Summary Statistics

After imposing the media and merger data filters, we end up with 198 mergers. Our final sample of articles includes 1,226,710 articles across 348 sources during the period from one year before the merger announcement until one year after the close of the merger (119,130 firm-days). Table 1 lists the 15 most frequent media outlets for the articles in our sample, divided into domestic newspapers and magazines, newswires, and foreign newspapers. The domestic newspaper with the most articles in the sample is *The Wall Street Journal*, with 31,525 articles, or 2.6 percent of the total number of articles in the sample. The next two newspapers with the most articles are *The New York Times*, and *The Washington Post*, with 14,795 articles (1.2 percent of total) and 7,895 articles (0.6 percent of total).

Next, Table 1 lists the 15 most represented newswires in our sample. The most common newswire and most common media outlet of any kind, by a large margin, is *Reuters News*, with 235,598 articles, or 19.2 percent of the total sample of articles. *Dow Jones News Service* and *Associated Press Newswires* account for the next two most frequent newswire sources with 141,592 articles (11.5 percent) and 98,525 articles (8.0 percent). Measured by the number of articles, newswires are the predominant source of new information. The top 15 newswires account for more than 70 percent of total media articles.

Table 1 also lists the frequency of foreign newspaper articles that are written in English. Not surprisingly, these media sources are in countries where English is the primary or a common language, such as the U.K., India, Australia, and Canada. The most frequently represented

foreign newspaper is *Financial Times* of the U.K. with 23,716 articles, or 1.9 percent of total articles. *The Globe and Mail* of Canada and *The Economic Times* of India are the next two most common sources, each with less than one percent of total articles in the sample.

We also present the most recent circulation of the newspapers in Table 1. Newswires do not report circulation numbers, so we do not have a measure of their readership. The newspapers with the largest circulation in our sample are in order: *The Wall Street Journal*, *USA Today*, and *The New York Times*. These three papers have a total combined circulation in 2009 of 4,852,236 newspapers per day, though of course there are likely overlaps for readers who subscribe to more than one of the three. Notice that though *USA Today* is the second most circulated newspaper, it is only the 11th most common source for articles in our sample, with only 3,429 articles.

Table 1 lists only 45 out of the 348 media sources used in this study. Even in these 45, there is a great diversity of sources, from national newspapers, to local ones, from worldwide newswires to foreign newspapers. In addition, our data are recorded daily which provides a very fine level of analysis which will enable us to identify media management in very precise time periods. To the best of our knowledge, this media sample is one of the most comprehensive and closest to the universe of all print media ever assembled for research in financial economics.

Throughout our analysis we use three different measures of media coverage. First, we record all articles from any source in our sample. Second, since newswires and foreign newspapers likely have a different audience than domestic newspapers, we separately measure the number of articles in the top three most circulated domestic newspapers: *The Wall Street Journal*, *USA Today*, and *The New York Times*. Last, we record the number of articles in the top three newswires by number of articles in our sample: *Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires*. Though the newswire outlets do not exclusively report firm-originated press releases, they typically provide little analysis and the large majority of the news will be originated by a firm, rather than by an investigative journalist at a large newspaper.

Table 2 presents summary statistics of the merger and media data. An average (median) acquirer appears in 166.5 (28) media articles per month (20 trading days) during the pre-negotiation period. These figures represent normal media coverage unrelated to upcoming

mergers. An average acquirer's press releases are covered in 62.9 articles in the top three newswires, and only 6.3 articles in the top three domestic newspapers, during an average pre-negotiation month. The distributions are right skewed with median newspaper articles of zero and median newswire articles of 12 during an average month. There is substantial cross-sectional variation in the distributions of news articles across firms with the standard deviation exceeding the mean across the measures of media coverage.

The number of articles in the negotiation period is larger than in the pre-negotiation period for each of the three categories of media sources. The median number of articles from any source increases from 28 to 47 during the negotiation period. The median newswire articles increases to 17 from 12. However, the number of domestic newspaper articles increases less than newswire articles, with the median newspaper articles unchanged at zero in the negotiation period. The average number of domestic news articles increases by 17 percent from the pre-negotiation to the negotiation period, compared to an increase of 31 percent for newswire articles. Since newswire articles are predominately originated by the firm, this first look at the data suggests that the increase in media coverage during the negotiation period is consistent with active management of media, rather than a passive realization of new information. Of course other factors contribute to media coverage and we explore this hypothesis in detail later in the paper.

Restricting attention to the day of the merger announcement, the average (median) acquirer has 48.5 (24) articles across all media sources in our sample, 30.0 (15) articles in the top three newswires, and 1.2 (0) articles in the top three domestic newspapers. This demonstrates that merger announcements are large news days, as expected, with announcement day media coverage equal to about 30 percent of an average acquirer's monthly coverage in the pre-negotiation period. It also demonstrates that firms issue multiple press releases on the same day. On the announcement day, the median acquirer has 15 articles across just three newswires. It also demonstrates that coverage by one of the top three newspapers is relatively rare. Including the day following the date of the merger announcement, the median acquirer is covered in only one article in the top three newspapers and the average acquirer is covered in 3.3 articles.

Next, Table 2 presents summary statistics about the timing of the merger process. These dates are crucial for our study since we will compare the management of media during each of

the three periods. The number of days between one year prior to the public announcement until the first date that firms discussed the merger is 189.3 trading days on average, and 205 days at the median. From the start of the merger talks until the day of the public announcement is 60.7 days on average and 45 days at the median. Finally, the average (median) time from the announcement to the completion of the merger is 100.7 (79) days. Since there are cases where the negotiation period is very short, in later tests we restrict our analysis to only mergers where there are at least 20 days in the negotiation period.

Acquirers in our sample range in size from moderate to large firms. The average (median) market equity of an acquirer at the announcement date is \$52.4 billion (\$14.9 billion). Most importantly for our purposes, the relative size of the merger, defined as the transaction value divided by the market equity of the acquirer at the announcement, is high: 44.2 percent on average and 21.4 percent at the median. Thus these are large relative size mergers with high stakes attached to the outcomes.

In unreported tabulations, we find that 34 of the 49 Fama-French Industry categories are represented in the sample, with Electronic equipment (8.6 percent), Pharmaceuticals (7.6 percent), and Computer Software (7.1 percent) accounting for the three most frequent acquirer industries. The industry distributions show that there does not appear to be a strong industry bias due to the data limitations from missing media and negotiation dates that restrict the overall size of our sample.

Finally, we report the form of payment for the merger sample. Of the 198 mergers in our sample, 106 (53.5%) use a fixed exchange ratio stock payment. There are 43 (21.7%) floating exchange rate stock mergers, and 49 (24.7%) all-cash mergers. These percentages are comparable to the sample used to study merger arbitrage in Mitchell, Pulvino, and Stafford (2004). In a sample of 2,130 mergers from 1994 to 2000, they report 51 percent fixed exchange ratio mergers and 35 percent cash mergers. Since both acquirers in mergers using all cash payments and acquirers in floating exchange ratio mergers do not have the same incentive to increase stock prices using media coverage in the negotiation period as do acquirers in fixed exchange ratio mergers, for later tests we group the cash and floating exchange rate mergers together in a subsample we call non-fixed exchange acquirers.

3. Empirical Results

3.1. Does Media Coverage Increase During Merger Negotiations?

The first question we investigate in our empirical analysis is whether the media coverage of fixed exchange ratio acquirers increases more during the negotiation period than does the media coverage of non-fixed exchange ratio acquirers. The active media management hypothesis predicts that acquirers in fixed exchange ratio mergers will have an incentive to try to increase their stock price through increased media coverage during the merger negotiations. In contrast, acquirers in cash mergers or floating exchange rate mergers would not have the same incentive. Thus we expect that acquirers in fixed exchange stock deals will exhibit significantly higher media coverage during the negotiation period than will non-fixed exchange acquirers.

It is likely that unobservable firm-specific characteristics may affect media coverage. To account for this, we could run fixed-effects analyses. However, we wish to compare both within-firm variation over time, as well as between-firm variation in fixed exchange ratio mergers versus floating exchange and cash mergers. To make these comparisons, but still account for firm-specific media coverage, we normalize all of our firm-level daily media measures by the firm's average daily number of articles in the pre-merger period from one year before the public announcement until one day before the day that the firms begin merger discussions. We define this measure as abnormal media coverage. This measure has the advantage that it is substantially less skewed than the raw media coverage measure. Since abnormal media coverage may take negative values and since it is not highly skewed, we do not make logarithmic transformation of its values, as is often done in prior research using unadjusted media counts.

Figure 1 presents the cumulative number of normalized daily media articles from the top three newswires for the subsamples of acquirers in fixed exchange deals versus floating and cash deals, in event time relative to the start of merger discussions (time 0). To be sure that none of these articles are related to the future merger announcement, we only include articles on days that are at least 21 trading days before the public announcement.

The figure reveals a striking pattern. Though both subsamples of acquirers have roughly equal newswire coverage at the start of the merger negotiations, the firms involved in fixed

exchange ratio mergers have a clear increase in the number of newswire articles, whereas the firms in non-fixed ratio mergers have a slight increase and then remain relatively constant. To be clear, these abnormal media articles reflect increased newswire articles well before the merger ever becomes public. The same figure using all media sources displays an identical pattern, though the pattern of domestic newspaper articles is less dramatic.

In Figure 2, we present a similar picture where we align abnormal newswire articles by days relative to the merger announcement, from 80 days to five days before the announcement day. The dotted vertical line at day -60 indicates the average starting date of merger negotiations. Starting about 50 trading days before the merger, fixed exchange ratio acquirers experience a sharp increase in abnormal newswire coverage that continues until the announcement day. In contrast, an average non-fixed exchange ratio acquirer experiences a much smaller increase in newswire coverage. Thus, aligning media coverage by the start of merger negotiations, or by the end of the negotiation period, we observe the same pattern of increased press releases covered in newswire articles for fixed exchange ratio acquirers.

Though the differences in media attention by merger payment method revealed in Figures 1 and 2 are indicative, they are not statistical tests. In Table 3, we present univariate difference-in-difference tests of media coverage in the pre-negotiation period versus the negotiation period and for fixed exchange versus non-fixed exchange mergers to provide more robustness to the results. As before, to be conservative, we restrict the negotiation period to end 21 trading days before the public merger announcement. In Panel A, we include all media articles normalized at the firm-level as described above.

Since we normalized using the pre-negotiation period media coverage, there is no significant difference between the media coverage of the two types of acquirers in the pre-negotiation period. In contrast, in the negotiation period, fixed exchange acquirers have significantly more media articles than do non-fixed exchange acquirers. In particular, the fixed exchange acquirers have an average of 5.5 abnormal daily media articles in the negotiation period, which is significantly larger than the pre-negotiation period, and significantly larger than the number of daily media articles for acquirers in non-fixed exchange ratio deals. This confirms statistically the clear difference in media coverage presented in Figures 1 and 2.

In Panels B and C of Table 3, we repeat the analysis using the number of media articles in the top three domestic newspapers and in the top three newswires. The results are identical. For domestic newspaper coverage, the difference between the pre-negotiation and negotiation period media coverage in fixed exchange ratio mergers is a significant 0.14 articles higher per day than the same difference for acquirers in non-fixed exchange mergers. For newswire articles, the difference-in-difference is 2.7 articles, also highly statistically significant.

The difference in media coverage by payment method is economically substantial. If we multiply the average daily difference in media coverage by twenty trading days to produce a monthly figure, we have an additional 83.2 articles from all sources, 2.7 additional articles from the top three domestic newspapers, and 54.1 additional articles from newswires, on average. Comparing these figures to media coverage in the pre-negotiation period as presented in Table 2, we find that the additional number of articles in the negotiation period for fixed exchange acquirers compared to non-fixed exchange acquirers represents an increase of 43 percent for domestic news coverage and up to 86 percent of newswire coverage, compared to baselines of media coverage for all firms.

Thus the daily difference during the negotiation period between the media coverage of acquirers in fixed exchange mergers versus non-fixed mergers is substantial. This large increase in media coverage is striking because it is during a short time window *before* the public merger announcement. It is also important to note that newswire articles increase substantially more than do newspaper articles.

We next run multivariate difference-in-difference tests that control for additional factors that may affect media coverage. The dependent variables are the normalized daily media articles categorized by source. Observations are over the pre-negotiation period and the negotiation period, again up to 21 days before the public merger announcement. Following Tetlock (2007), we include five days of lagged observations of the variables of media coverage, share turnover (share volume/shares outstanding), and the absolute value of the firm's stock returns, since large returns, either positive or negative may attract subsequent media attention. We also include the market equity of the acquirer one year before the announcement to capture any size effects on media coverage not accounted for in our media normalization. In addition, we

include year effects and acquirer Fama French 49 industry classification dummies to account for additional variation in media coverage unrelated to the use of fixed or non-fixed merger stock payments. Finally, we cluster our standard errors at the deal level to account for serial correlation in media coverage. Since the mergers do not occur in simultaneous calendar time, there is no benefit to clustering by time.

Table 4 presents the coefficient estimates from these regressions. In column (1), the dependent variable is the number of normalized media articles from all sources, in column (2) it is normalized daily media articles in the top three newspapers, and in column (3) the dependent variable is the normalized number of articles in the top three newswires. Looking first at the control variables, lagged media coverage is positively related to current media coverage, up to five days in the past. This likely reflects that news comes in waves, with many separate news stories about a firm clustered in time. Since the same pattern is found in the top three newspapers, this serial correlation is not likely attributed to slow diffusion of the same news across many media sources. Share turnover and absolute returns are also significantly related to media coverage, as expected.

Turning to our variables of interest, the direct effect of being in the negotiation period versus the pre-negotiation period and the direct effect of payment via a fixed exchange ratio versus non-fixed is not statistically significant in any of the three regressions. However, the difference-in-difference interaction terms are positive and significant in all three specifications, indicating that fixed exchange ratio acquirers have greater media coverage than non-fixed exchange ratio acquirers during the merger negotiation period.

The real significance of the difference-in-difference estimates is substantial. Converting the daily marginal effects into monthly effects by multiplying by 20 trading days, we find that fixed exchange ratio acquirers realize an additional 17 articles per month from all media sources and an additional 12 newswire press releases during the negotiation period, compared to non-fixed exchange ratio acquirers. This additional coverage represents an increase of 60 percent over baseline median of media coverage from all sources and a 113 percent increase compared to the baseline median newswire coverage.

The results presented in this section provide consistent results. Acquirers in fixed exchange mergers have significantly greater media coverage during the merger negotiation period than non-fixed exchange acquirers, controlling for lagged media coverage, share turnover, returns, firm size, year and industry effects. This is true for all media coverage from all media sources, only the top three newspapers, and only the top three newswires. In addition, we find that the increase in media coverage is larger for newswire articles than for newspaper articles.

The abnormal increase in newswire articles (which are mainly firm-originated news) following the beginning of merger negotiations is inconsistent with the opportunistic acquisitions hypothesis where acquirers respond to overvalued stock prices by using fixed exchange ratio stock payments. Instead, the data imply that firms are actively generating media coverage by issuing additional press releases. The analysis thus far, however, can not distinguish whether acquirers are attempting to pump their stock prices in order to better the terms of the merger, or if they are simply timing fixed exchange stock mergers to coincide with an increase in their stock price following the release of actual positive news, consistent with the passive media coverage hypothesis. We address this issue in more detail below, but first we test the relation between media coverage and stock prices.

3.2. Does Increased Media Coverage Affect Firm Value?

A positive relation between media coverage and market equity is implicitly assumed in the argument that fixed exchange ratio acquirers actively manage media coverage to increase the terms of trade. Is this assumption valid? Do firms increase their market value through increased media coverage? This is the question we address in this section of the paper.

To test the relation between media coverage and market value, we normalize the market equity of acquirers using the pre-negotiation period average as we did for media coverage. This helps to address the concern that the use of fixed or non-fixed exchange ratio payments are affected by firm size, but still allows us to compare both within a firm's time-series of market equity in the pre-negotiation and negotiation periods, as well as between firms based on the form of payment.

Table 5 presents time-series regressions of normalized market equity on current and lagged daily media coverage, a negotiation period dummy, and interactions between media coverage and the negotiation period dummy. Observations are from the pre-negotiation and negotiation periods, up to 21 trading days before the announcement. Year and industry effects are included and standard errors are again clustered by the deal to account for serial correlation.

First, market equity is significantly higher in the negotiation period compared to the period before the merger talks began. This is consistent with the run-up in an acquirer's stock price before a merger (Rhodes-Kropf, Robinson, and Viswanathan, 2005). Most importantly for the active management hypothesis, an acquirer's market equity is positively and significantly related to media coverage. The concurrent day's media coverage, as well as the first and third lags of media coverage from all sources increase market equity. The sum of current and lagged media coverage is also positive and significant, as reported at the end of Table 5.

Interestingly, the positive relation between media coverage and firm value is driven by press releases in newswires, rather than newspaper articles, which do not show an independent effect of each lag. The coefficient of the marginal effect of an additional abnormal article in the top three newspapers on the concurrent and past five days is an insignificant 0.325, compared to a significant 0.634 for the top three newswires. This implies for a one-standard deviation increase in newswire articles, the average firm gains about 4.1 percent of its market equity.

It is also interesting to note that the interaction between the negotiation period dummy and the media articles is insignificant in all cases. This means that media coverage does not have a stronger effect on firm value during the negotiation period than before the merger talks began. These results imply that a firm that wishes to increase its market equity simply produces more press releases, not different press releases.

The results presented in this section show that active management of media coverage can in fact increase market equity. For our setting, this provides additional evidence that acquirers that use stock to buy a target where the exchange ratio is fixed can increase their market equity during the negotiation period in order to attempt to lower the exchange ratio necessary to achieve a takeover price.

3.3. *The Timing of Media Coverage in the Long-Run*

Though the above results imply that a firm can artificially increase market equity values through active media management, it cannot be a long-run strategy. Eventually the market will adjust its expectations about the value of new information for a firm, or a firm will run out of relevant information and a reversal in the stock price will occur. In contrast, under the passive media coverage hypothesis, if a firm simply times fixed exchange takeovers to coincide with the release of relevant news that will boost its stock price, no reversal should be observed. To test these hypotheses, in this section we analyze whether fixed exchange ratio acquirers have a different pattern of stock price reversal following the merger announcement than do floating ratio acquirers.

Table 6 presents tests of the reversal of market equity for fixed and floating exchange acquirers. We restrict attention to only stock mergers to account for any signaling that may occur in stock mergers compared to cash mergers. Each entry is the average normalized market equity for fixed and floating ratio acquirers in each of five time periods: 1) the pre-negotiation period, 2) the negotiation period (ending 21 days before the announcement), 3) the announcement period (the three days surrounding the merger announcement, 4) the transaction period (the second day after the announcement until 11 days before the close of the merger), and 5) the close period (the three days surrounding the close of the merger). Tests of the statistical significance of the differences between market equity for fixed and floating acquirers and for different time periods are presented.

First, consistent with the above analysis, fixed exchange ratio acquirers experience a significantly larger increase in abnormal market value between the pre-negotiation and negotiation periods than do floating rate acquirers. However, in the announcement period, there is a sharp decrease in firm value for both types of acquirers consistent with the negative announcement returns for stock acquisitions of public targets (Andrade, Mitchell, and Stafford, 2001; Fuller, Netter, and Stegemoller, 2002). However, the effect is much larger for fixed exchange acquirers (from \$22.9 billion to \$10.3 billion, a loss of 55 percent of the negotiation period run-up in abnormal market value) than floating rate acquirers (a loss of 35 percent of the abnormal run-up during the negotiation period).

Even more striking is the difference between market equity in the transaction period compared to the negotiation period. Fixed exchange rate acquirers lose 73 percent of the additional market equity from the negotiation period compared to only a loss of 8 percent for the floating exchange rate acquirers. Though, by the close of the merger the fixed exchange ratio acquirers have regained some of their loss, they still suffer a significant drop from the negotiation period, whereas floating rate acquirers do not.

These results indicate that fixed exchange ratio acquirers experience a strong, though not complete reversal of the increase in market value during the negotiation stage. In contrast, floating ratio acquirers do not experience any reversal in their stock prices, even though both types of acquirers are issuing new stock as a form of payment. This result is inconsistent with the passive media coverage hypothesis that fixed ratio stock acquirers are simply timing the merger to coincide with relevant news to boost its stock price and improve its terms of trade. Instead, the stock price reversal we document in this section is consistent with the hypothesis that acquirers artificially boost their stock price through active media management.

3.4. The Information Content of Press Releases

The reversal of the fixed exchange stock acquirers' market values suggests that the abnormal volume of press releases issued during the negotiation period has less meaningful information content about long-run firm prospects than normal press releases. Though the fact that the abnormal volume of press releases occurs in the short window before the public announcement of a major merger and after the merger negotiations begin is not likely coincidental, in this section we provide a more direct analysis of the information content provided during this period, compared to other periods.

Though newspapers derive much of their news coverage from press releases, they must select the news that would be of greatest importance to their readers. We posit that acquirers that are attempting to artificially inflate their stock price through media management will be forced to issue press releases that contain less important information for investors in the negotiation period compared to the pre-negotiation period. Since newspapers selectively choose the most important information, the correlation of newswire to newspaper articles will decrease if the

additional press releases are less informative. Instead, if firms are timing acquisitions to take advantage of positive new information, then the content of the newswire articles during the negotiation period should be at least as important, if not more important than the newswire articles published during the pre-negotiation period, and hence the change in the correlation between the number of newspaper and newswire articles should be non-negative. This approach to measuring the informativeness of the content of media is attractive because it does not rely on subjective keyword analysis, but rather uses the revealed preferences of profit-seeking newspapers to identify the importance of press releases to investors.

We test this hypothesis in Table 7 by regressing the normalized number of articles in newspapers on the normalized number of current and lagged newswire articles, using three different measures of newspaper articles. In column (1) the dependent variable is the number of normalized articles in the top three domestic newspapers. First note that there is a positive and significant main correlation between newspaper articles and newswire articles, as would be expected. Next, the interaction between the fixed exchange ratio dummy and the number of newswire articles is insignificant. This implies that the correlation between newspaper articles and newswire articles is not different on average for fixed versus non-fixed exchange ratio acquirers. However, the correlation between newspaper articles and newswire articles is significantly larger during the negotiation period compared to the pre-negotiation period, for both types of acquirers. This implies that on average, the newswire articles released during the negotiation period are no less relevant than the articles released during the pre-negotiation period.

However, the relevant variables for our tests are the interaction terms between fixed exchange ratio acquirers, the negotiation period dummy, and the number of newswire articles. The lagged variable is negative and significant. At the bottom of Table 7 we provide the sum of the current and lagged variables, plus its statistical significance. The overall six-day effect is a significant -0.091 . This represents an approximate two-thirds reduction in the correlation of newspaper and newswire articles for fixed exchange ratio acquirers in the negotiation period, compared to non-floating exchange ratio acquirers. In other words, the fixed exchange ratio acquirers are producing more press releases during the merger negotiations than before merger talks begin,

compared to floating ratio acquirers, but newspapers are providing less coverage of these press releases than normal, presumably because they contain less important information.

Firms that are producing press releases to influence their investors have the greatest incentive to influence coverage in business-oriented newspapers that are read by their investors. It is possible that large firms could directly influence newspaper coverage in these outlets. In columns (2) and (3) we repeat the analysis using the number of articles in *USA Today* and in *The Economic Times (India)*. These two widely circulated newspapers are less likely to be read by investors of U.S. stocks than are *The Wall Street Journal* or *The New York Times*, for example, and so are more likely to repeat actual news without direct influence from the firm, if such influence actually exists. The sum of the current and lagged correlations between newswire articles and articles in these two newspapers is negative and significant for fixed exchange ratio acquirers during the negotiation period, as in the first specification. These results provide additional assurance that the newswire articles are less important during the negotiation period.

These results provide consistent evidence that acquirers in fixed exchange ratio mergers actively manage media coverage in an attempt to better their terms of trade in the merger, rather than time mergers to coincide with periods of good news or to opportunistically take advantage of high stock prices. On average, our results show that fixed exchange ratio acquirers produce more firm-originated news than non-fixed ratio acquirers during the negotiation period and that this news is less important to investors than the news produced by floating ratio acquirers, as measured by the coverage of the newswire articles by the top three domestic newspapers and in newspapers that have relatively low readership by investors of U.S. stocks.

3.5. *The Determinants of Abnormal Media Coverage*

In this section we compare the characteristics of acquirers with high abnormal media coverage to those with low media coverage to further investigate whether firms actively manage media coverage during merger negotiations. Though all fixed exchange ratio acquirers have an incentive to artificially and temporarily boost their stock price during the negotiation period, some firms are more likely to use this method than others. In particular, firms that are difficult to value may be more likely to try to influence their stock price using the media. In addition,

firms with more retail investors, as opposed to institutional investors, may also be more likely to attempt to use media coverage to affect their stock prices.

To test this hypothesis we regress the amount of abnormal media coverage in the negotiation period on three proxies for the difficulty of firm valuation and one proxy for retail investors. First, we use a dummy variable for high dispersion in analysts' earnings forecasts. We calculate the coefficient of variation for the most recent analyst earnings forecasts before the announcement date of the merger using data from I/B/E/S. We then create a dummy variable equal to one for firms with above-median coefficients of variation in analysts' expectation. Second, we use a dummy variable for high-tech industries to proxy for the difficulty of valuation. For firms whose primary industry is in the Fama French 49 Industry Classifications of Computer Hardware (35), Computer Software (36), or Electronic Equipment (37), this dummy variable equals one, for all others it is zero. Our third proxy for the difficulty of valuation is R&D/Assets. To measure retail investors we record the percentage of institutional investors in the firm in the most recent reporting period before the merger announcements using 13f filings from Thomson Financial.

We restrict our attention to firm-day observations in the negotiation period using only fixed exchange ratio acquirers. This restriction highlights the cross-sectional difference in media coverage for the subsample of firms that all have the same incentive to increase their stock price, though with potentially different capabilities of using the media to do so. This analysis also addresses the concern that our results are driven by unidentified difference in the characteristics of fixed exchange ratio versus non-fixed ratio acquirers.

The regression results in Table 8 support the hypothesis that firms that are harder to value have greater media coverage during the negotiation period. Firms with above-median dispersion in analysts' forecasts and firms in high-tech industries have significantly greater abnormal media coverage. Institutional ownership is insignificant, as is R&D/Assets. These results also control for other factors likely to explain firm-day media coverage, including lagged media coverage, lagged returns, lagged turnover, firm size and year effects.

The results in this section are consistent with the notion that firms in fixed exchange ratio mergers wish to influence stock prices before acquisitions, but those firms where media is especially important for market prices, namely hard to value firms, experience the greatest effect. Since more information should make the firm easier to value, reverse causation (more media creates greater analyst forecast dispersion, for example) is unlikely to explain these results. Thus, these results are additional evidence that firms actively manage media before a merger.

4. Robustness and Alternative Hypotheses

4.1. Merger Rumors as a News Driver

One of the key insights of this paper is that we identify abnormal media coverage before the public announcement of the merger using ex post data to construct the time period when merger negotiations begin. This assumes that the media articles that occur before the public merger announcement do not contain rumors about the merger. Though the acquirer does not have any incentive to reveal its merger plans before the announcement, since it may attract additional bidders, and we are conservative by restricting attention to the period at least 21 days before the merger announcement, it may be possible that that the media coverage we identify is somehow related to the upcoming merger.

To address this concern, we re-run all of our analysis on the pre-negotiation and negotiation period media coverage using only articles that do not contain any of the following words in the article title: *rumor, in talks, merge, merger, merges, deal, deals, bid, bids, acquire, acquires, acquirer, acquisition, takeover, bought, buy, buys, sell, sells, sold, purchase, purchases, and tender*. None of the results are qualitatively changed when we make this restriction to the data.

4.2. Reverse Causality

It is possible the strong positive association between an increase in news coverage and stock returns results from the coverage of extreme stock returns of the bidder. Consistent with the opportunistic acquisition hypothesis, strong performance of the bidder's stock may attract the attention of news reporters or financial analysts, resulting in additional articles related to the acquirer's stock. This prediction matches the observed increase in media coverage and

market equity prior to the merger. We address this concern in several ways. First, we test the association between lagged news coverage and stock returns. Yet it is possible that in some cases these periods overlap, if a news story is reported with a delay in multiple sources. To capture this effect, we use multiple lag periods. Second, in all of our tests, we use media coverage that excludes stock pricing and market data, an option provided by Factiva. We also eliminate articles with fewer than 50 words, since they are the most likely to contain market content. Finally, to address the bidder's extreme stock performance leads analysts or news reporters to write an article about the bidder, we eliminate all press releases that contain the word "*stock*" in the headline. After imposing previous filters, the number of such articles is small (7.2 percent) in our sample and has no effect on our conclusions.

5. Conclusion

Combining novel hand-collected data on the timing of merger negotiations with a massive and comprehensive dataset of media coverage, this article studies one of the main channels of active corporate communication with investors — press releases — during some of the largest investments in the life of the firm. Our results highlight an interesting pattern in a firm's communication with investors when management has strong incentives for favorable valuation. In particular, fixed exchange ratio bidders dramatically increase the number of press releases disseminated to financial media following the private discussion of a stock merger, compared to non-fixed exchange ratio bidders. This effect is associated with short-lived increases in both media coverage and bidder valuation.

We examine several hypotheses that may account for the observed pattern, and find that our evidence is most consistent with an active media management view. In particular, we argue that firms aggressively use press releases as a mechanism to raise their stock value by creating their own news. Evidence of subsequent stock price reversals and lower correlation between firm-originated news and newspaper coverage contradicts the argument that the firm is timing the merger to coincide with the release of good news. The dramatic increase in firm-originated news after the start of merger negotiations contradicts an explanation based on firms taking

advantage of passively derived overvaluation. However, all of these empirical facts are consistent with active management of media to attempt to improve the terms of the merger.

One of the limitations of this article is a lack of detail on the content of press releases that firms issue during merger negotiations. Our evidence is suggestive that the focus of these press releases is on soft information rather than on operating or financial developments within the firm, possibly to reduce potential legal risks that could be posed by optimistic forecasts or merger rumors. The detailed content analysis and classification of firm's press releases is a subject of our ongoing research.

Last, the analysis in this article has centered on the communication strategies of bidders, since their large size affords them better access to financial media. An interesting question is to what extent, if any, a similar strategy is attempted by targets, and what implications this strategic interaction has on the division of gains in the merger. This is also an area of our ongoing analysis.

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Appendix A: Merger Background Example

S-4/A - Registration Statement
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In late August 1999, Edward Huguez, INTERVU's Chief Operating Officer, and Brian Kenner, INTERVU's Chief Technical Officer, met with Paul Sagan, Akamai's President and Chief Operating Officer, and Daniel M. Lewin, Akamai's Chief Technology Officer, in Cambridge, Massachusetts to discuss various industry-related issues affecting both companies. In addition, the parties discussed joint business initiatives, including outsourcing and reseller arrangements. Prior to the meeting, on August 27, 1999, the parties entered into a mutual confidentiality and non-disclosure agreement.

Representatives of the parties next met on December 8, 1999 at the Streaming Media West industry conference in San Jose, California. At a breakfast meeting attended by Mr. Huguez, Mr. Sagan, Timothy Weller, Akamai's Chief Financial Officer, and Howard Matthews, a management consultant engaged by INTERVU, the parties discussed various industry issues and technologies related to delivering audio and video content over the Internet. During the meeting, Mr. Sagan asked whether it made sense for the parties to consider proposals for a strategic transaction.

On December 21, 1999, George Conrades, Akamai's Chief Executive Officer, Mr. Sagan, and Mr. Weller met with Harry Gruber, INTERVU's Chief Executive Officer, Mr. Matthews and Alan Senter, a member of INTERVU's board of directors, in Boston to continue discussions regarding general industry issues and potential joint business initiatives, including a possible merger. From this date through the execution of the definitive merger agreement on February 6, 2000, Mr. Matthews discussed the progress of the Akamai discussions with INTERVU's non-employee directors on a regular basis.

On December 28, 1999, representatives of Prudential Securities, who were unaware of the discussions between INTERVU and Akamai, met with Mr. Gruber, Mr. Matthews and Kenneth L. Ruggiero, INTERVU's Chief Financial Officer, to make a presentation regarding possibilities for strategic transactions involving INTERVU.

On January 3, 2000, Mr. Huguez called Mr. Sagan to discuss aspects of INTERVU's business. On January 5, 2000, Mr. Matthews called Mr. Sagan to ask whether, in light of the parties' prior meetings and Mr. Huguez's discussions with Mr. Sagan, Akamai was prepared to make a merger proposal. Mr. Matthews asked Mr. Sagan to determine within the next few days whether Akamai would make a proposal.

On January 7, 2000, Mr. Sagan left a voice mail for Mr. Matthews indicating that Akamai would consider discussing a proposed merger with INTERVU. Mr. Matthews and Mr. Sagan next spoke by telephone on January 10, 2000, and confirmed each wished to move forward on discussions regarding a merger transaction. During the call, Mr. Matthews asked Mr. Sagan to make a proposal regarding the price Akamai would pay for INTERVU common stock.

On January 12, 2000, Mr. Sagan called Mr. Matthews to inform him that Akamai was considering an offer for INTERVU at a specified premium over its current valuation. Following the call, Mr. Matthews notified Prudential Securities of Akamai's proposal and asked Prudential Securities to perform financial diligence and prepare valuation information in connection with a possible combination of INTERVU and Akamai. From this date through the execution of the definitive merger agreement on February 6, 2000, Mr. Matthews and members of INTERVU's management discussed the possible business combination with Akamai with Prudential Securities on a regular basis.

On January 14, 2000, INTERVU held a special telephonic meeting of the INTERVU board of directors, during which Mr. Matthews described Akamai's interest in INTERVU to the INTERVU board. A representative of Latham & Watkins, counsel to INTERVU, advised the INTERVU board of its fiduciary duties in considering Akamai's merger proposal. The INTERVU board met again telephonically on January 16, 2000 to further consider an Akamai proposal. During this board meeting, representatives of Prudential Securities made a preliminary presentation regarding pricing of comparable transactions. The INTERVU board authorized and directed Mr. Matthews to continue to negotiate with Akamai.

On January 17, 2000, Mr. Matthews called Mr. Sagan to tell him that INTERVU would expect an offer at a premium significantly above the premium Mr. Sagan had indicated that Akamai was considering.

On January 17, 2000, Mr. Gruber and Mr. Matthews met with representatives of another company that had expressed an interest in a strategic transaction with INTERVU. At the meeting, the other company proposed a structure for a possible transaction but did not make a specific proposal.

Akamai held its regular monthly directors' meeting on January 18, 2000. At that meeting, Mr. Sagan informed the Akamai board of the discussions with INTERVU to date. The Akamai board authorized Mr. Sagan and Akamai's management to continue the discussions and negotiations in consultation with Akamai's legal and financial advisors, and to engage in a preliminary due diligence investigation.

On January 20-21, 2000, Mr. Sagan, Mr. Weller, F. Thomson Leighton, Akamai's Chief Scientist, Peter Danzig, Akamai's Vice President of Technology, representatives of Donaldson, Lufkin & Jenrette, or DLJ, Akamai's financial advisors, and Alston & Bird LLP, its outside counsel, met with Mr. Gruber, Mr. Matthews, Mr. Huguez, Mr. Ruggiero, Scott Crowder, INTERVU's Vice President of Operations, and Larry Behmer, INTERVU's Vice President of Engineering, at a hotel in San Diego to conduct due diligence on INTERVU.

Also on January 20, 2000 representatives of the company that Mr. Gruber and Mr. Matthews visited on January 17 elaborated on the company's proposal to acquire INTERVU and operate it and other assets in a controlled subsidiary. In such a transaction, INTERVU stockholders would receive in exchange for their shares of INTERVU common stock a combination of shares of the other company's common stock and a tracking stock linked to the results of operations of the controlled subsidiary. The other company proposed that 30% of the total consideration to be paid would consist of the other company's common stock. The other company also informed Mr. Gruber and Mr. Matthews that it was not inclined to pay a premium over the market price of INTERVU's common stock. Following this meeting, Mr. Gruber and Mr. Matthews discussed the other company's proposal informally with non-employee directors on INTERVU's board.

On January 23, 2000, the Akamai board held a special meeting by telephone conference call to discuss the results of the January 20-21, 2000 due diligence trip and the possibility of making an offer to acquire INTERVU at some multiple over the current INTERVU common stock price. After a lengthy discussion, the Akamai board authorized Mr. Sagan to make an offer to acquire INTERVU at a premium over its current trading price, subject to further due diligence and advice and consultation with Akamai's legal and financial advisors.

During the week of January 24, 2000, Mr. Gruber contacted three other companies to inquire of their interests in engaging in strategic transactions with INTERVU. None of these companies elected to make a proposal.

On January 25, 2000, Mr. Sagan and Mr. Matthews talked on the phone to discuss the status of negotiations, but neither of them made any substantive proposals during the call. Later that day, Mr. Matthews called the other company that had made a strategic proposal and indicated that INTERVU would not be interested in pursuing it unless the other company significantly improved the terms of its offer. Mr. Matthews also advised the other company that it should move quickly if it wanted to change its offer because the INTERVU board had authorized management to move forward on another proposal. The other company offered to increase the portion of the consideration to be paid in that company's stock from 30% to 40%, but reiterated that it was not inclined to offer a premium over the market price of INTERVU common stock. On January 26, the other company sent INTERVU a letter reiterating its position. Mr. Gruber continued informal discussions with the other company through February 3, 2000.

On January 25, 2000, Mr. Sagan and Robert O. Ball III, Akamai's Vice President and General Counsel, met with representatives of DLJ and Morgan Stanley Dean Witter, acting as financial advisors to Akamai. The discussions and analysis focused on making a fixed exchange ratio offer to INTERVU based on a percentage premium to the exchange ratio at which the INTERVU common stock and Akamai common stock had traded historically and were trading currently.

On January 26, 2000, Mr. Sagan called Mr. Matthews to inform him that Akamai was prepared to make an offer to acquire all outstanding stock of INTERVU. He outlined the basic structure for the transaction and suggested a possible exchange ratio.

The INTERVU board met on January 27, 2000 to consider Mr. Sagan's proposal. After discussions, the board instructed Mr. Matthews not to make a counter-proposal. Mr. Matthews then called Mr. Sagan to update him on the board's position.

On January 28, 2000, representatives of the parties met at the offices of Latham & Watkins in San Diego to continue negotiations and to conduct further financial and business due diligence. At this meeting, Mr. Sagan, Mr. Weller, Mr. Ball and representatives of DLJ and Morgan Stanley met with Mr. Matthews, Mr. Huguez, Mr. Ruggiero and Kevin Sagara, INTERVU's Vice President of Mergers and Acquisitions and General Counsel. The parties discussed Akamai's pricing analysis, but Akamai representatives told INTERVU that Akamai would not increase its proposed exchange ratio unless INTERVU made a counter-proposal. The parties also exchanged financial and business information and participated in a conference call concerning accounting treatment for the transaction.

On January 29, 2000, representatives of Prudential Securities contacted DLJ to further discuss Akamai's pricing analysis and its willingness to increase its proposed exchange ratio.

The INTERVU board and INTERVU's senior management met telephonically on January 30, 2000, with representatives of Prudential Securities and Latham & Watkins on the call. Mr. Matthews and a representative of Prudential Securities updated the INTERVU board on the status of negotiations. Following a discussion, the INTERVU board authorized Mr. Matthews to make a counter-proposal at a specified exchange ratio. The INTERVU board also authorized INTERVU's officers to formally engage Prudential Securities to provide strategic investment banking services. Later that day, Mr. Matthews called Mr. Sagan to make the counter-proposal.

The Akamai board met on January 31, 2000 to discuss INTERVU's counter-proposal. After the meeting, Mr. Sagan called Mr. Matthews and proposed a new exchange ratio above Akamai's prior proposal. Mr. Matthews reported Akamai's latest proposal to Mr. Gruber and Mr. Senter. Following these conversations, Mr. Matthews contacted Mr. Sagan to inform him that INTERVU was inclined to accept an exchange ratio lower than INTERVU previously had proposed but still higher than Akamai's latest proposal. INTERVU also entered into an engagement letter with Prudential Securities on January 31, 2000.

On February 1, 2000, representatives of Akamai and INTERVU, including financial and legal advisors for both companies, met at the offices of Latham & Watkins in San Diego to continue due diligence discussions and negotiations. Also on February 1, 2000, Alston & Bird LLP delivered an initial draft of the merger agreement to INTERVU.

From February 1, 2000 through February 6, 2000, Akamai and INTERVU, together with their respective legal, financial and accounting advisors, conducted due diligence reviews and negotiated the terms of the definitive merger agreement and the other agreements related to the merger, including the following:

- termination rights under the merger agreement;
- the conditions upon which any breakup fee would be payable;
- the existence and terms and conditions of a stock option agreement;
- accounting treatment of the merger; and
- the representations, warranties and covenants to be made.

Concurrently with these due diligence discussions and negotiations, Prudential Securities contacted various companies which Prudential Securities and INTERVU thought might have an interest in a business combination with INTERVU, including the other company that had made a strategic proposal. None of the companies contacted by Prudential Securities expressed an interest in making a proposal to acquire INTERVU.

On Friday, February 4, 2000, accountants for both companies advised the parties that it was not likely that the transaction would qualify to be accounted for as a pooling-of-interests. Akamai consulted

its financial advisors about, among other things, the feasibility of proceeding with the acquisition if it meant accounting for the transaction as a purchase. The Akamai board held a telephonic meeting in the afternoon to discuss the accounting treatment issues and other open items and, following an extensive discussion, authorized Mr. Sagan to convey Akamai's willingness to proceed with the transaction as a purchase and to continue negotiations. Following the Akamai board meeting, Mr. Sagan further discussed the proposed transaction with Mr. Mathews.

On February 6, 2000, the INTERVU board met with senior management and INTERVU's legal and financial advisors at a special telephonic meeting to discuss the status of final negotiations with Akamai and the directors' comments on the draft of the merger agreement. Representatives of Latham & Watkins summarized the terms of the merger agreement and the related agreements and responded to questions from members of the INTERVU board about the terms of those agreements. In addition, Prudential Securities presented its final analysis of various information to serve as the basis for evaluating the exchange ratio and orally informed the INTERVU board of its opinion, subsequently confirmed in writing, that the exchange ratio for INTERVU's common stock was fair to the holders of INTERVU's common stock from a financial point of view. Prudential Securities also responded to questions raised by members of the INTERVU board regarding its analysis and opinion. Following this presentation, the board engaged in a full discussion of the terms of the proposed merger and the analysis and opinion of Prudential Securities. The INTERVU board concluded that the merger agreement was fair to INTERVU's stockholders and that the proposed merger was in the best interests of INTERVU and its stockholders.

Accordingly, the INTERVU board unanimously approved the merger and the merger agreement and related documents and authorized management to proceed with the execution of the merger documents.

On February 6, 2000, the Akamai board held a special telephonic meeting with senior management and Akamai's legal and financial advisors to discuss the status of final negotiations with INTERVU. Mr. Ball summarized the terms of the merger agreement and related agreements and he and representatives of Alston & Bird responded to questions from the members of the Akamai board about the terms of the agreements. In addition, representatives of Morgan Stanley and DLJ presented their final analyses of various information to serve as the basis for evaluating the exchange ratio and orally informed the Akamai board of their respective opinions that the exchange ratio was fair from a financial point of view to the holders of common stock of Akamai. Representatives of Morgan Stanley and DLJ also responded to questions raised by members of the Akamai board regarding its opinion and analysis. Following this presentation, the Akamai board engaged in a full discussion of the terms of the proposed merger and the analysis and opinion of Morgan Stanley and DLJ. The Akamai board concluded that the merger agreement was fair to the holders of Akamai common stock and that the proposed merger was in the best interests of Akamai and its stockholders.

Accordingly, the Akamai board unanimously approved the merger and the merger agreement and related documents and authorized the management of Akamai to proceed with execution of the merger documents.

During the evening of February 6, 2000, Akamai and INTERVU entered into the merger agreement and the stock option agreement and some of the stockholders of INTERVU entered into voting agreements with Akamai.

The merger was jointly announced by Akamai and INTERVU on the morning of February 7, 2000.

Appendix B: Example of News Articles and Press Releases During Merger Negotiations

This appendix presents a non-exhaustive sample of media articles for the takeover of INTERVU by Akamai Technologies, announced on February 7th, 2000.

Media Source	Date	Words	Article Title
The Washington Post	19991202	479	DATA BASICS; Tech IPOs Are Top First-Day Gainers
Business Wire	19991206	92	ON24 Audio Investor Alert: Akamai Partners Up for Broadband in Sweden
Dow Jones News Service	19991206	948	IPO Outlook: No New Momentum Seen For Biotech IPOs
Financial Times	19991206	210	B2 announces internet alliance.
Dow Jones News Service	19991208	135	Ticketmaster, Akami, Alteon In Pacts To Enhance Tech
National Post	19991210	314	Whiz kids turned into rich kids: Summer-job millionaires
Financial Times	19991210	485	PEOPLE - Conrades at Akamai helm - PEOPLE ON THE MOVE.
Dow Jones News Service	19991213	59	Akamai Tech To Provide FreeFlow Svc For ShopNow.com
Barron's	19991213	1396	In Search Of \$50 Bills Priced at \$15
Business Wire	19991214	461	VIS Corporation Gets 'Akamaized';
Reuters News	19991214	282	Internet firms aim to make Web more local.
Dow Jones News Service	19991214	701	SMARTMONEY.COM: Are Internet Stocks Undervalued?
Dow Jones News Service	19991214	125	Internet Forum Proposes Plan To Create Open Protocol
The Times	19991215	163	Net pain - City Diary.
Business Wire	19991216	1294	Akamai Unveils EdgeAdvantage: A New Platform for Internet Application Delivery
Reuters News	19991216	253	Akamai rolls out extension of basic service.
Reuters News	19991217	484	Nasdaq holds record ground, off early highs.
Dow Jones News Service	19991217	117	CMGI, Akamai Tech Expand Cooperative Efforts
Dow Jones News Service	19991220	548	PRESS RELEASE: SmarterKids.com Using Akamai FreeFlow Product
Dow Jones Business News	19991221	251	Akamai, Road Runner In Broadband Internet Alliance
Business Wire	19991230	587	Sorenson Vision Announces Live, Wireless Webcast from MACWORLD Expo
Dow Jones News Service	20000104	111	Bamboo.com, Akamai Tech In Visual Content Pact
Dow Jones News Service	20000105	1261	PRESS RELEASE:Akamai Tech Customer Base Grows To Over 200
Reuters News	20000106	394	Pedigreed startup enters e-security market.
Fortune	20000110	844	Keeping Yahoo Simple—and Fast
The New York Times	20000117	204	Akamai to Open California Office
The Wall Street Journal	20000119	66	Technology Brief – AKAMAI TECHNOLOGIES INC.:
The New York Times	20000119	91	AKAMAI PLANS TO BUY CLOSELY HELD SOFTWARE COMPANY
Dow Jones News Service	20000119	886	PRESS RELEASE:Akamai Tech Software To Enhance iVillage Site
Fortune	20000124	351	Battle of the Business Plans a new march madness
Reuters News	20000127	409	Akamai strikes pact with IBM, reports loss.
Dow Jones Business News	20000127	208	Akamai Technologies 4th Quarter Oper Loss 40 Cents/Share Vs Loss 80 Cents
Business Wire	20000131	781	FOXSports.com 'Akamaizes' site for Super Bowl XXXIV Coverage
PR Newswire	20000201	232	The American Stock Exchange Plans Trading in Options on Akamai Technologies, Inc.
PR Newswire	20000203	639	Advertising.com Teams with Akamai to Advance Intelligent Advertising Distribution
Business Wire	20000207	1149	Akamai to Acquire INTERVU to Form Largest Internet Streaming Media
Business Wire	20000207	184	ADVISORY/Teleconference Alert: Akamai Acquires INTERVU to Form
Reuters News	20000207	852	Nasdaq strikes high on small-cap, biotech strength.
Reuters News	20000207	471	FOCUS - Akamai to buy InterVu for \$2.8 billion.
Reuters News	20000207	172	BEFORE THE BELL - InterVu rises.
Dow Jones News Service	20000207	223	Akamai Tech To Buy Intervu In \$2.8 Billion Deal - AKAM ITVU
Dow Jones Business News	20000207	360	Akamai To Buy Internet Streaming Firm Intervu For \$2.8 Billion
Federal Filings Newswires	20000208	421	Akamai Tech/Intervu -2: Deal Must Be Completed By Aug 31
The Globe and Mail	20000208	464	Akamai and Intervu join forces
The New York Times	20000208	114	INTERVU TO BE BOUGHT BY AKAMAI, WEB SOFTWARE MAKER
Dow Jones News Service	20000208	260	Akamai Tech's Intervu Acquisition Has \$100 Million Breakup Fee
Financial Times	20000208	458	COMPANIES & MARKETS - Technology race sparks series of start-up mergers.
Financial Times	20000208	145	COMPANIES & FINANCE - THE AMERICAS - Akamai to acquire InterVU

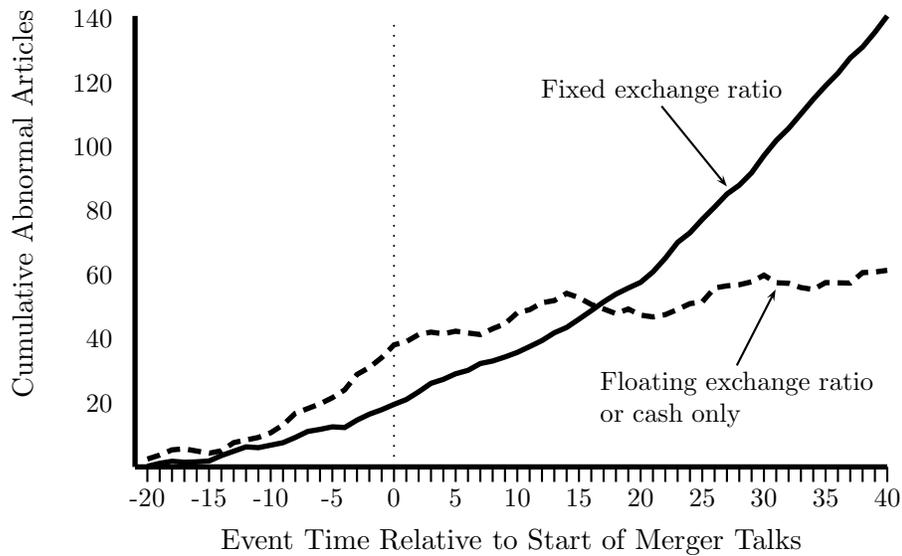


FIGURE 1

Abnormal Acquirer Press Releases Following Start of Merger Negotiations

This figure presents the average acquirer's cumulative number of abnormal articles from the top three newswire sources (*Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires*) in daily event time relative to the first date of merger talks (day 0 indicated by the dotted vertical line). Abnormal articles are calculated as a firm's daily number of articles minus the average number of daily articles over the time period 250 days before the merger announcement until one day before the first date of the merger talks. 'Fixed exchange ratio' includes mergers using acquirer stock as a form of payment where the number of shares to be issued for each target share is fixed and independent of the acquirer's stock price. 'Floating exchange ratio or cash payments' includes mergers where the exchange ratio of stock payments floats in order to achieve a particular price per target share, or where only cash is used as a form of payment. Data is from 198 acquirers during 2000-2008.

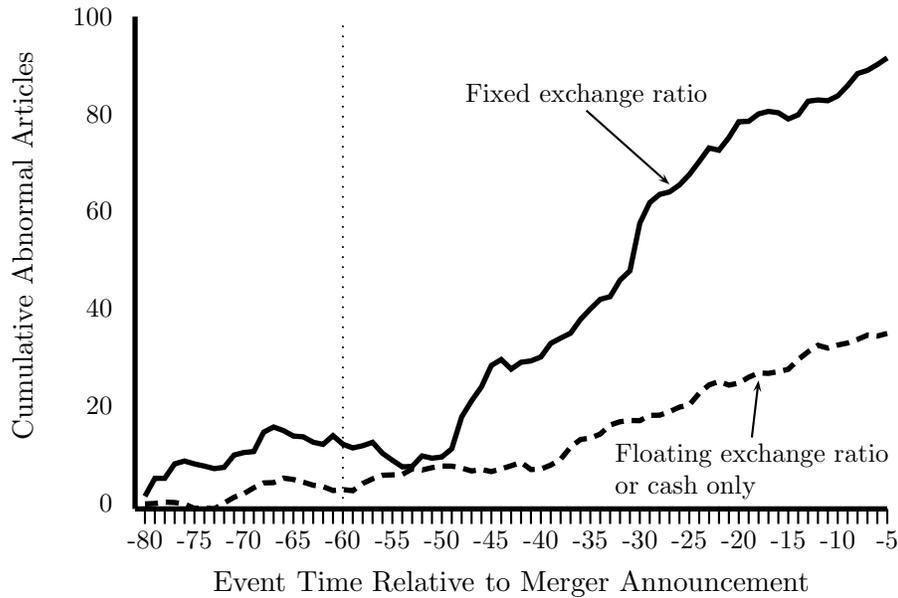


FIGURE 2

Abnormal Acquirer Press Releases Before Merger Announcement

This figure presents the average acquirer's cumulative number of abnormal articles from the top 3 newswires (*Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires*) in daily event time relative to the public announcement date of the merger. Abnormal articles are calculated as a firm's daily number of articles minus the average number of daily articles over the time period 250 days before the merger announcement until one day before the first date of the merger talks. 'Fixed exchange ratio' includes mergers using acquirer stock as a form of payment where the number of shares to be issued for each target share is fixed and independent of the acquirer's stock price. 'Floating exchange ratio or cash payments' includes mergers where the exchange ratio of stock payments floats in order to achieve a particular price per target share, or where only cash is used as a form of payment. The vertical dotted line at -60 corresponds to the average starting date of merger negotiations. Data is from 198 acquirers during 2000-2008.

TABLE 1

Most Frequent Media Sources by Type

This table presents the fifteen most frequent media sources in our sample by type: domestic newspapers, newswires, and foreign newspapers written in English. Data is from 1,226,710 articles over 348 sources reported in the Factiva database, excluding articles with fewer than 50 words and articles tagged by Factiva as recurring pricing and market data. Articles must also include a Factiva intelligent indexing code for one of the 198 acquirers in our merger sample from 2000 to 2008. Circulation data are from the Audit Bureau of Circulation.

Rank	Media Source	Sample Articles	Percent of Total	Circulation
<i>Domestic Newspapers</i>				
1	The Wall Street Journal	31,525	2.57	2,024,269
2	The New York Times	14,795	1.21	927,851
3	The Washington Post	7,895	0.64	582,844
4	The San Francisco Chronicle	5,418	0.44	251,782
5	St. Louis Post-Dispatch	4,727	0.39	213,472
6	Barron's	4,690	0.38	303,034
7	The Boston Globe	4,324	0.35	264,105
8	Chicago Sun-Times	4,237	0.35	275,641
9	Seattle Post-Intelligencer	3,745	0.31	263,588
10	BusinessWeek	3,513	0.29	917,568
11	USA Today	3,429	0.28	1,900,116
12	Pittsburgh Post-Gazette	3,082	0.25	184,232
13	The Atlanta Journal-Constitution	2,506	0.20	211,420
14	New York Daily News	2,097	0.17	544,167
15	Denver Post	1,817	0.15	340,949
	Sum of Top 15	97,800	7.97	9,205,038
<i>Newsires</i>				
1	Reuters News	235,598	19.21	
2	Dow Jones News Service	141,592	11.54	
3	Associated Press Newswires	98,525	8.03	
4	Business Wire	82,694	6.74	
5	PR Newswire (U.S.)	65,665	5.35	
6	Dow Jones International News	41,946	3.42	
7	Regulatory News Service	40,150	3.27	
8	M2 Presswire	35,023	2.86	
9	PR Newswire	27,092	2.21	
10	Dow Jones Business News	26,618	2.17	
11	Dow Jones Chinese Financial Wire	19,628	1.60	
12	Market Wire	18,200	1.48	
13	ENP Newswire	14,696	1.20	
14	Dow Jones Corporate Filings Alert	9,852	0.80	
15	Moody's Investors Service Press Release	8,953	0.73	
	Sum of Top 15	866,232	70.61	
<i>Foreign English-Language Newspapers</i>				
1	Financial Times (U.K.)	23,716	1.93	426,676
2	The Globe and Mail (Canada)	10,814	0.88	301,820
3	The Economic Times (India)	6,562	0.53	620,000
4	The Guardian (U.K.)	6,358	0.52	358,844
5	The Times (U.K.)	6,093	0.50	617,483
6	The Australian (Australia)	6,005	0.49	138,765
7	National Post (Canada)	5,927	0.48	150,884
8	South China Morning Post (Hong Kong)	4,062	0.33	104,000
9	International Herald Tribune (World-wide)	3,680	0.30	242,073
10	Business Line (The Hindu) (India)	3,465	0.28	163,000
11	The Daily Telegraph (U.K.)	3,030	0.25	890,086
12	Business Times Singapore (Singapore)	2,930	0.24	35,700
13	Irish Times (Ireland)	2,470	0.20	106,926
14	Nikkei Report (Japan)	2,443	0.20	23,736
15	The Wall Street Journal Europe	2,007	0.16	74,946
	Sum of Top 15	89,562	7.30	4,254,939
	Total Articles from All Sources	1,226,710		

TABLE 2

Summary Statistics of Media Coverage and Merger Negotiations

This table presents summary statistics for 1,226,710 media articles from 348 sources reported in the Factiva database about acquirers in 198 mergers over 2000 to 2008 by different periods in the merger process. The pre-negotiation period is the period from 250 trading days before the merger announcement until the day before merger talks begin. The negotiation period is the period from when merger talks begin until 21 days before the merger announcement. The transaction period is the period two days after the announcement date until eleven days before the merger closes. Merger announcement and closing dates are from SDC, the day merger talks begin is hand-collected from SEC filings. Day figures are in trading days. Monthly figures are aggregates of 20 trading days by firm-day observations. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires* are the top 3 newswire sources.

	Mean	Std. Dev.	Percentile					Obs.
			5th	25th	50th	75th	95th	
<i>Monthly Media Coverage in Pre-Negotiation Period</i>								
Number of all articles	166.49	359.82	0	4	28	138	840	1,787
Number of top 3 domestic newspaper articles	6.28	15.91	0	0	0	4	36	1,787
Number of top 3 newswire articles	62.92	132.76	0	1	12	63	299	1,787
<i>Monthly Media Coverage in Negotiation Period</i>								
Number of all articles	228.24	428.81	0	10	47	189	1168	411
Number of top 3 domestic newspaper articles	7.37	16.42	0	0	0	6	46	411
Number of top 3 newswire articles	82.66	165.07	0	4	17	78	418	411
<i>Media Coverage on the Announcement Day</i>								
Number of all articles	48.47	78.38	0	9	24	51	176	198
Number of top 3 domestic newspaper articles	1.16	3.35	0	0	0	1	8	198
Number of top 3 newswire articles	30.04	49.16	0	6	15	33	120	198
<i>Timing of the Merger Process</i>								
Days in Pre-Negotiation Period	189.34	50.59	67	169	205	222	244	198
Days in Negotiation Period	60.66	50.59	6	28	45	81	183	198
Days in Transaction Period	100.67	67.38	35	56	79	119	230	198
<i>Acquirer Size</i>								
Acquirer market equity (\$ billions)	52.39	77.84	1.57	4.07	14.87	71.68	210.87	198
Relative size of deal (percent)	44.25	58.84	0.72	4.78	21.42	63.27	138.80	198

TABLE 3

Univariate Difference-In-Difference Tests of Media Coverage

This table presents univariate t -tests of normalized media counts by media source, type of merger payment and timing of merger negotiations for a sample of 198 mergers over 2000 to 2008. Normalized media counts are the number of daily media articles minus the average number of media articles in the pre-negotiation period per firm and media source. The pre-negotiation period is the period from 250 trading days before the merger announcement until the day before merger talks begin. The negotiation period is the period from when merger talks begin until 21 days before the merger announcement. ‘Fixed exchange ratio’ refers to mergers that use a fixed number of acquirer shares as payment. Not fixed includes floating exchange ratio mergers and all cash mergers. Merger announcement and closing dates are from SDC, the day merger talks begin and type of payment is hand-collected from SEC filings, and media data is from Factiva. Observations are at the firm-day level. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires* are the top 3 newswire sources. Statistical significance is indicated by ***, **, and *, for the 0.01, 0.05, and 0.10 levels.

	All	Pre-Negotiation	Negotiation	Difference	p -value
Panel A: All media articles normalized					
All	0.749	-0.028	1.345	1.372***	(0.000)
Fixed exchange ratio	1.177	-0.026	5.470	5.496***	(0.000)
Not fixed	0.754	-0.038	1.297	1.335***	(0.000)
Difference	0.423***	0.012	4.173***	4.160***	
p -value	(0.003)	(0.941)	(0.000)	(0.000)	
Panel B: Top three domestic newspaper articles normalized					
All	-0.005	-0.001	-0.008	-0.006	(0.494)
Fixed exchange ratio	0.021	-0.001	0.101	0.102***	(0.000)
Not fixed	-0.023	-0.002	-0.037	-0.035*	(0.059)
Difference	0.044***	0.001	0.138***	0.137***	
p -value	(0.000)	(0.920)	(0.000)	(0.000)	
Panel C: Top three newswire articles normalized					
All	0.293	-0.016	0.530	0.546***	(0.000)
Fixed exchange ratio	0.653	-0.017	3.038	3.055***	(0.000)
Not fixed	0.187	-0.020	0.329	0.349***	(0.001)
Difference	0.465***	0.003	2.709***	2.706***	
p -value	(0.000)	(0.970)	(0.000)	(0.000)	

TABLE 4

Multivariate Difference-In-Difference Tests of Media Coverage

This table presents coefficient estimates from ols regressions of media coverage. The dependent variable is abnormal media articles, normalized by the average number of media articles in the pre-negotiation period per firm and media source. Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table 2. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires* are the top 3 newswire sources. Fixed exchange ratio dummy equals one if the merger is completed using a fixed exchange ratio, and zero otherwise. Media refers to the same media source as the dependent variable. Turnover is daily volume divided by shares outstanding. | Returns | are absolute values of daily returns. Market equity is the value of market equity of the acquirer one year before the announcement. Industry effects are dummy variables for Fama-French 49 Industry classifications of the acquirer. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are clustered within the time-series of media per deal.

	All Media (1)	Domestic Newspapers (2)	Newswires (3)
Negotiation period dummy	0.488 (0.145)	-0.019 (0.574)	0.261 (0.160)
Fixed exchange ratio dummy	0.415 (0.183)	-0.007 (0.710)	0.289 (0.172)
Negotiation period \times fixed ratio	0.836* (0.072)	0.067** (0.035)	0.679** (0.030)
Media _{$t-1$}	0.438*** (0.000)	0.197*** (0.000)	0.400*** (0.000)
Media _{$t-2$}	0.018* (0.079)	0.129*** (0.000)	0.043*** (0.003)
Media _{$t-3$}	0.075*** (0.000)	0.072** (0.024)	0.086*** (0.000)
Media _{$t-4$}	0.068*** (0.000)	0.092*** (0.000)	0.059*** (0.000)
Media _{$t-5$}	0.163*** (0.000)	0.128*** (0.000)	0.106*** (0.000)
Turnover _{$t-1$}	27.864*** (0.007)	6.167*** (0.004)	5.684 (0.247)
Turnover _{$t-2$}	-19.703*** (0.005)	-3.450*** (0.002)	-5.790 (0.204)
Turnover _{$t-3$}	8.329* (0.084)	-0.218 (0.768)	-0.813 (0.810)
Turnover _{$t-4$}	8.449* (0.096)	-1.098 (0.101)	7.433* (0.057)

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Table 4 - *Continued*

	All Media (1)	Domestic Newspapers (2)	Newswires (3)
Turnover _{<i>t</i>-5}	-28.434*** (0.000)	-1.406*** (0.007)	-6.048** (0.024)
Return _{<i>t</i>-1}	11.262** (0.012)	2.390*** (0.000)	3.948 (0.125)
Return _{<i>t</i>-2}	-6.492** (0.017)	-0.730*** (0.002)	-1.024 (0.538)
Return _{<i>t</i>-3}	0.139 (0.971)	-0.261 (0.237)	-1.531 (0.537)
Return _{<i>t</i>-4}	-5.767** (0.036)	-0.628* (0.053)	-2.708 (0.146)
Return _{<i>t</i>-5}	-6.194 (0.131)	0.143 (0.611)	-2.405 (0.335)
Market equity	0.013* (0.065)	0.000 (0.319)	0.009* (0.058)
Constant	-1.937 (0.100)	-0.094 (0.114)	-1.382* (0.096)
Industry Effects	Yes	Yes	Yes
Year Effects	Yes	Yes	Yes
Adj. <i>R</i> ²	0.423	0.178	0.341
Observations	57,257	57,257	57,257

TABLE 5

The Effect of Media Coverage on Market Equity

This table presents coefficient estimates from ols regressions of normalized market equity, defined as a firm's daily market equity minus the average market equity in the pre-negotiation period. Media normalized refers to one of the three categories of media sources as listed in the heading of the table, where media articles are normalized by the average number of media articles in the pre-negotiation period per firm and media source. Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table 2. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires* are the top 3 newswire sources. Industry effects are dummy variables for Fama-French 49 Industry classifications of the acquirer. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are clustered within the time-series of media per deal.

Media Source	Dependent Variable: Market Equity _{<i>t</i>}		
	All Media (1)	Domestic Newspapers (2)	Newswires (3)
Negotiation period dummy	23.757*** (0.000)	24.964*** (0.000)	23.832*** (0.000)
Media normalized _{<i>t</i>}	0.059* (0.068)	0.061 (0.449)	0.136* (0.054)
Media normalized _{<i>t</i>-1}	0.044* (0.094)	0.072 (0.293)	0.098 (0.101)
Media normalized _{<i>t</i>-2}	0.038 (0.124)	0.053 (0.324)	0.089 (0.110)
Media normalized _{<i>t</i>-3}	0.042* (0.098)	0.056 (0.342)	0.097* (0.090)
Media normalized _{<i>t</i>-4}	0.037 (0.104)	0.054 (0.454)	0.091* (0.080)
Media normalized _{<i>t</i>-5}	0.049 (0.126)	0.031 (0.721)	0.121* (0.099)
Media _{<i>t</i>} × negotiation period	0.124 (0.335)	0.378 (0.578)	0.275 (0.310)
Media _{<i>t</i>-1} × negotiation period	0.071 (0.397)	0.307 (0.617)	0.175 (0.333)
Media _{<i>t</i>-2} × negotiation period	0.070 (0.383)	0.258 (0.625)	0.154 (0.370)
Media _{<i>t</i>-3} × negotiation period	0.067 (0.407)	0.252 (0.632)	0.153 (0.370)

continued on next page

Table 5 - *Continued*

Media Source	Dependent Variable: Market Equity _t		
	All Media (1)	Domestic Newspapers (2)	Newswires (3)
Media _{t-4} × negotiation period	0.063 (0.419)	0.283 (0.622)	0.160 (0.340)
Media _{t-5} × negotiation period	0.116 (0.320)	0.335 (0.590)	0.275 (0.271)
Constant	-17.729*** (0.000)	-18.871*** (0.000)	-17.852*** (0.000)
Industry Effects	Yes	Yes	Yes
Year Effects	Yes	Yes	Yes
Adj. R ²	0.300	0.270	0.309
Observations	84,531	84,531	84,531
Sum of media <i>t</i> to <i>t</i> - 5	0.269* (0.097)	0.325 (0.420)	0.634* (0.085)
Sum of media × negotiation <i>t</i> to <i>t</i> - 5	0.580 (0.371)	1.813 (0.608)	1.192 (0.324)

TABLE 6

Reversal of Market Equity Value

This table presents univariate t -tests of abnormal market equity by the timing of the merger process and by the form of payment. Normalized market equity is a firm's daily market equity minus the firm's average market equity in the pre-negotiation period. The pre-negotiation and negotiation periods are defined in Table 2. The announcement period is the three days surrounding the announcement date. The transaction period is the period two days after the announcement date until eleven days before the merger closes. The close period is the three days surrounding the date the merger closes. There are 106 fixed exchange ratio mergers and 43 floating exchange ratio mergers in the sample, over the period 2000-2008. Statistical significance is indicated by ***, **, and *, for the 0.01, 0.05, and 0.10 levels.

	Fixed	Floating	Difference
(1) Pre-negotiation period	0.019	0.000	0.019 (0.901)
(2) Negotiation period	22.982	11.274	11.708*** (0.000)
(3) Announcement period	10.336	7.308	3.028 (0.204)
(4) Transaction period	6.120	10.421	-4.300*** (0.000)
(5) Close period	13.120	10.439	2.681 (0.497)
<i>Differences of rows</i>			
(2) - (1)	22.963*** (0.000)	11.274*** (0.000)	11.689*** (0.000)
(3) - (1)	10.317*** (0.000)	7.308*** (0.000)	3.009 (0.206)
(3) - (2)	-12.646*** (0.000)	-3.966** (0.014)	-8.681*** (0.001)
(4) - (1)	6.101*** (0.000)	10.421*** (0.000)	-4.319*** (0.000)
(4) - (2)	-16.862*** (0.000)	-0.853 (0.113)	-16.008*** (0.000)
(4) - (3)	-4.215** (0.021)	3.112* (0.056)	-7.328*** (0.003)
(5) - (1)	13.101*** (0.000)	10.439*** (0.002)	2.662 (0.499)
(5) - (2)	-9.863*** (0.000)	-0.835 (0.798)	-9.027** (0.027)
(5) - (3)	2.784 (0.334)	3.130 (0.385)	-0.347 (0.940)
(5) - (4)	6.999*** (0.002)	0.018 (0.996)	6.981* (0.078)

TABLE 7

The Information Content of Press Releases During Merger Negotiations

This table presents coefficient estimates from ols regressions of media coverage. The dependent variables are abnormal media articles, normalized by the average number of media articles in the pre-negotiation period per firm and media source. Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table 2. Sums refer to sum of ols coefficients for each lag. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the sources in column (1). *Reuters News*, *Dow Jones News Service*, and *Associated Press Newswires* are the newswire sources. Fixed exchange ratio dummy equals one if the merger is completed using a fixed exchange ratio, and zero otherwise. Turnover is daily volume divided by shares outstanding from t to $t-5$. $|\text{Returns}|$ are absolute values of returns from t to $t-5$. Market equity is the value of market equity of the acquirer one year before the announcement. Industry effects are dummy variables for Fama-French 49 Industry classifications of the acquirer. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are clustered within the time-series of media per deal.

	Domestic Newspapers (1)	USA <i>Today</i> (2)	<i>The Economic Times (India)</i> (3)
Negotiation period dummy	-0.122 (0.149)	-0.011 (0.376)	0.007 (0.190)
Fixed exchange ratio dummy	-0.015 (0.606)	-0.005 (0.249)	0.003 (0.295)
Fixed exchange \times Negotiation period	0.131 (0.119)	0.005 (0.668)	-0.006 (0.269)
Sum of Newswire articles normalized t to $t-5$	0.053*** (0.004)	0.005** (0.027)	-0.001 (0.353)
Sum of Fixed \times Newswire articles t to $t-5$	-0.013 (0.569)	0.000 (0.918)	0.001 (0.353)
Sum of Negotiation \times Newswire articles t to $t-5$	0.080* (0.083)	0.016** (0.028)	0.003 (0.124)
Sum of Fixed \times Negotiation \times Newsire t to $t-5$	-0.091* (0.062)	-0.019** (0.018)	-0.004* (0.065)
Market equity	0.000 (0.873)	0.000 (0.203)	0.000 (0.104)
Constant	-0.134* (0.090)	-0.006 (0.568)	-0.005 (0.152)
$ \text{Returns} $	Yes	Yes	Yes
Turnover	Yes	Yes	Yes
Industry Effects	Yes	Yes	Yes
Year Effects	Yes	Yes	Yes
Adj. R^2	0.261	0.121	0.002
Observations	57,257	57,257	57,257

TABLE 8

Determinants of Pre-Merger Abnormal Media Coverage

This table presents coefficient estimates from ols regressions of media coverage of acquirers from all media sources. Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table 2 for 106 fixed exchange ratio acquisitions. The explanatory variable media refers to articles from all media sources and the sum is of the coefficients of each lag. High analyst dispersion is a dummy variable equal to 1 if the coefficient of variation of analysts' earnings forecasts for the acquirer in the most recent forecasting period before the merger announcement is above the median for our sample firms. High-tech industries (for acquirer) include Fama French 49 Industries Computers (35), Software (36), and Electronics (37). Institutional ownership is the fraction of shares owned by institutions in the most recent reporting date before the merger announcement from Thomson. R&D/Assets is from Compustat. Turnover is daily volume divided by shares outstanding from t to $t - 5$. |Returns| are absolute values of returns from t to $t - 5$. Market equity is the value of market equity of the acquirer one year before the announcement. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are clustered within the time-series of media per deal.

	Dependent Variable: All Media Articles Normalized				
	(1)	(2)	(3)	(4)	(5)
High analyst dispersion	0.909** (0.037)				0.639* (0.051)
High-tech industry		1.265 (0.129)			1.799* (0.050)
Institutional ownership			0.782 (0.200)		0.820 (0.299)
R&D/Assets				0.806 (0.874)	-3.253 (0.489)
Sum of Media $t - 1$ to $t - 5$	0.750*** (0.000)	0.751*** (0.000)	0.832*** (0.000)	0.754*** (0.000)	0.824*** (0.000)
Market equity	0.041*** (0.001)	0.039*** (0.002)	0.020** (0.013)	0.040*** (0.002)	0.018** (0.044)
Constant	-0.715 (0.423)	0.195 (0.748)	0.516 (0.331)	0.220 (0.735)	-0.140 (0.856)
Returns	Yes	Yes	Yes	Yes	Yes
Turnover	Yes	Yes	Yes	Yes	Yes
Year Effects	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.782	0.782	0.634	0.782	0.635
Observations	5,977	5,977	4,402	5,977	4,402