

# Drivers and Performance Effect of Corporate Asset Sales around Acquisitions

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## Abstract

Corporate divestitures often accompany acquisitions, representing on average 33% of the acquisition value. Relying on a worldwide sample, we provide support for the efficient restructuring view of acquisition-related divestitures. About 60% of these divestitures occur following the acquisition completion, especially in large deals. We also document that acquirers divest more when they are diversified and acquisitive. On average, divestitures are associated with an increase of 1.85% in the value creation around focal acquisitions. Examining returns for divestitures, we find that those around acquisitions are not transactions with weak bargaining positions. Overall, asset sales are a tool to ease an acquisition and bolster the associated synergies.

*JEL classification:* G34

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## 1. Introduction

Acquisitions, and more generally the market for corporate control, constantly redraw the boundaries of the firms (Rhodes-Kropf and Robinson, 2008). From this perspective, major acquisitions can be viewed as opportunities to restructure the firm (Maksimovic, Phillips, and Prabhala, 2011), selling old assets while buying new ones with potentially long-lasting effects on the composition of the firm's asset portfolios. Real world cases of acquisition-related divestitures abound: for example, Royal Dutch Shell sold more than \$27 billion in assets since its \$54 billion acquisition of BG Group in 2015;<sup>1</sup> Anheuser-Busch InBev sold assets to ease the merger with SABMiller in 2015;<sup>2</sup> the Walt Disney Company has agreed to sell 21 Fox Regional Sports Networks for almost \$10 billion as part of its \$71.3 billion acquisition of Twenty-First Century Fox.<sup>3</sup>

In the above-mentioned examples, the common trait is the existence of a focal acquisition that is accompanied by corporate divestitures. These acquisition-driven divestitures are instrumental for the completion and the success of the focal transaction, and they are markedly different from the refocusing processes studied in the early literature. In fact, refocusing divestitures often happen several years after the assets were acquired to correct previous conglomerate and agency-driven mergers, resulting in a reduction of agency and coordination costs (see, e.g., Mitchell and Lehn, 1990; Kaplan and Weisbach, 1992; Comment and Jarrell, 1995; John and Ofek, 1995; Fluck and Lynch, 1999) and in an improvement of the allocation of resources (Maksimovic and Phillips, 2001, 2002).<sup>4</sup> Departing from prior literature that has emphasized their refocusing role, we investigate the role of asset sales as a tool to ease acquisitions and bolster the associated synergies. This paper examines, therefore, the determinants and the value effect of restructuring plans centered on a focal acquisition

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<sup>1</sup> [Young, Mark, "Shell has sold US\\$27 billion in assets since acquiring BG Group: Charts", JWNenergy 31 January, 2018.](#)

<sup>2</sup> [Bray, Chad, "Anheuser-Busch InBev to Sell Brands in Europe to Ease Beer Merger", The New York Times, 3 December 2015.](#)

<sup>3</sup> [Barnes, Brooks, "Disney Moves From Behemoth to Colossus With Closing of Fox Deal, The New York Times, 20 March 2019; Fontanella-Khan, James, Nicolau, Anna, and Pratt, Eric, "Sinclair nears deal to acquire Disney regional sport networks", Financial Times, 3 May 2019.](#)

<sup>4</sup> There is also a vast literature that has examined divestitures in isolation without associating them to acquisitions (see, e.g., Mulherin and Boone; 2000, Schlingeman, Stulz, and Walkling, 2002; and Bates, 2005).

that are accompanied by divestitures, henceforth labeled *M&A restructuring process*. We study the entire restructuring process, implemented through buy and sell activities, and assess the contribution of these acquisition-driven divestitures to the value created with the M&A restructuring process.

From a theoretical perspective, acquisition-driven divestitures may occur for various reasons. In a neoclassical model of profit maximizing (Maksimovic and Phillips, 2001; 2002), firms will either divest their least productive assets, improving the efficiency of their capital allocation, or sell the parts of the business that command a price above their replacement cost in the market. In both scenarios, divestitures aiming at facilitating the focal deal and helping the implementation of the acquisition-related synergies are value-enhancing decisions. Under these conditions, divestitures are expected to have a positive effect on the value creation of the M&A restructuring process. In fact, divestitures will accompany focal acquisitions only if they enhance firm value. Thus, divestitures are part of an efficiency-improving restructuring process that is centered around the focal acquisition. In addition, divestitures may facilitate the focal deal from a financial point of view and/or decrease the likelihood of a regulatory challenge. Recent papers emphasize indeed the importance of the financing role of corporate divestitures (Bongaerts and Schlingemann, 2017; Arnold, Hackbarth, and Puhan, 2018; Eckbo and Kisser, 2018; Edmans and Mann, 2019).<sup>5</sup> If these financially-motivated asset sales allow the acquirer to reduce the financing cost of the acquisition, then value creation will be further enhanced. Regulators can impose divestitures as a condition to approve the focal acquisition, and their interventions are known to be costly (see, e.g., Aktas, de Bodt, and Roll, 2004; Fidrmuc, Roosenboom, and Zhang, 2018).<sup>6</sup> If some divestitures are undertaken in anticipation of regulatory requests, firms may avoid the cost associated with selling under urgency. These efficiency arguments

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<sup>5</sup> Dissynergistic non-core assets may be sold either by firms with low financing needs (Edmans and Mann, 2019) or to relax credit constraints (Bongaerts and Schlingemann, 2017). Arnold, Hackbarth, and Puhan (2018) observe that financing-related asset sales are more pronounced for highly-leveraged firms and are more likely to happen in economic downturns. Finally, Eckbo and Kisser (2018) show that asset sales are an important funding source for firms that rarely issues debt and equity.

<sup>6</sup> Fidrmuc, Roosenboom, and Zhang (2018) estimate the cost of an adverse antitrust review outcome in the US. This cost is material and quantified in about 2.8% of the acquirer firm value. Aktas, de Bodt, and Roll (2004) find a negative abnormal reaction of -2.65% for firms subject to an in-depth investigation by the European Commission.

lead to our main prediction: *under the efficient restructuring hypothesis, divestitures ease deal completion and value extraction from the focal acquisition, and therefore enhance the value of the whole M&A restructuring process.*

The efficient restructuring view is, of course, not the only explanation for acquisition-related divestitures. Agency-based considerations can also be a possible driver of the decision to sell assets. In fact, divestitures can unwind inefficient investments previously made by the firm (Maksimovic and Phillips, 2001). However, the agency view struggles to explain the type of processes we investigate, where we can observe both acquisitions and divestitures in a short time span. For example, Fluck and Lynch (1999) proposes a theory that explains value-increasing conglomerate mergers as a technology to overcome agency problems between managers and shareholders and where divestitures follow an increase in profitability. However, this agency explanation assumes that the firm has time to improve its performance before selling the assets. It is also worth noting that financing motivations and unanticipated regulatory requests may lead to divestitures that are not efficient. In fact, the urgency for the seller to complete the sale in time to avoid delays in the acquisition program reduces the number of potential buyers and weakens its bargaining power, increasing the likelihood of a sale at a dislocated price (Shleifer and Vishny, 2011). In these cases, these divestitures have less potential to create value for the seller and we should observe, *ceteris paribus*, a null or even negative effect of these asset sales on the overall value creation of the M&A restructuring process.

The importance of these motivations can vary with the timing of the divestiture relative to the focal acquisition. Pre-acquisition divestitures are often associated to financing needs, mostly when the bidder is financially constrained. However, some companies may also decide to sell assets *ex ante* in anticipation of a costly antitrust review that could delay, or even derail, the deal completion of their *forthcoming* acquisitions. Firms can even start restructuring with asset sales. In the interim phase, acquirers may receive antitrust authorities' requests to divest some assets to be allowed to complete

the deal.<sup>7</sup> Financing considerations can lead acquirers to further divestitures when they have not managed to raise enough proceeds. Firms can also start to reorganize their assets as soon as the acquisition is announced, especially in friendly deals with limited risk of deal cancellation. Finally, divestitures in the immediate post-completion period are typically associated with a reorganization of the firm's assets to take full advantage of the deal synergies, but they can also arise because of integration problems, poor acquisition performance in the short-term, and financial constraints created by the acquisition.<sup>8</sup>

In this paper, we provide new evidence about the M&A restructuring process and the associated value effects by focusing on a global sample of relatively large acquisitions of more than \$50 million in value and representing at least 5% of the acquirer's market capitalization. These transactions, which we label focal acquisitions, have the potential to trigger a reorganization of the assets of the firm. We test our hypotheses using a sample of 7,045 focal acquisitions announced between 1996 to 2016. To measure the value of the whole M&A restructuring process, we ensure that there are no overlapping acquisitions that may impact the drivers and value creation of the focal deal. While this approach eliminates complex programs with multiple acquisitions in a short-time span, it has two important advantages. First, it allows us to easily link divestitures to focal acquisitions, removing all those cases with overlapping deals where it is difficult to associate divestitures to acquisitions. Second, it permits to identify the beginning and the end of the restructuring process, which allows us to determine the value creation associated with the overall process.

We find that about 13% of the acquisitions are associated with corporate divestitures taking place between one year before the announcement and one year after the deal becomes effective. We show that almost 1,500 divestitures are related to a focal acquisition, involving 911 deals. Like in the anecdotal evidence mentioned at the beginning of this introduction, the amount of assets divested is

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<sup>7</sup> Regulators can also impose to sell assets belonging to the target firm. However, in our sample, we find very few asset sales carried out by target firms around the focal acquisition period. Because of their very limited number, we have not included them in the main analysis.

<sup>8</sup> Since the acquisition has already been completed, there is no need for the firm to raise additional financing for the deal itself. However, the firm may need to reduce its leverage following the acquisition in order to relax its credit constraints.

substantial: divestitures represent on average about 33% of the acquisition value, suggesting that a significant number of acquirers reorganize their assets. Focal acquisitions have more divestitures in the pre-announcement period and in the year after the deal completion both by numbers and relative size. We uncover significant differences across the regions studied: divestitures are more common in Europe (about 20% of the acquisitions) but extremely rare in Asia (just 4%), with the US in between the two extremes. We observe systematic differences between acquirers that divest and acquirers that do not. Not surprisingly, divesting acquirers are on average larger, more diversified, more leveraged, and more profitable (ROA). Moreover, they have lower growth opportunities (Tobin's Q), hold less cash, pay more dividends, and invest more.

We start our empirical analysis by examining the decision to divest around a focal acquisition. Our results indicate that the willingness to reorganize the corporate assets is a key part of the divestment decision. In fact, variables that are correlated with the need for asset reorganization (such as, the degree of diversification, firm's size, being a serial acquirer, relative size of the deal) impact positively the likelihood of a divestiture and the amount sold.<sup>9</sup> Overall, we interpret these results as indicating that focal acquisitions are part of a larger reorganization of the company's assets. We also control for financing-related motivations corroborating their importance: high profitability and liquidity buffers (cash holdings) are negatively correlated with divestitures in the pre-announcement period when firms may need to raise additional funding. Stock deals are associated with less divestitures. However, this result is surprisingly driven by the divestitures in the post-completion period, when the need to raise the financing necessary to fund cash deals should be already terminated. Also, there is evidence of persistence in terms of divestment behaviors in the different phases of the acquisition process (i.e., firms that have divested in the pre-acquisition phase are more likely to divest also in the post-acquisition phase). This strengthens the view that corporate divestitures respond to the firm's need to redraw its boundary.

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<sup>9</sup> For example, consistent with the view that large deals can trigger restructuring needs, we find that relative size has significant effect on the decision to divest.

Having documented that divestitures are part of a restructuring process centered around the acquisition, we investigate the overall value effect using announcement abnormal returns. We use a three-step procedure: first, we measure the stock market reaction at the announcement of the focal acquisition; second, we compute the abnormal returns associated to the related divestment announcements; finally, we add the abnormal returns at the acquisition announcement to those computed for divestitures to obtain a measure of the value creation associated with the overall M&A restructuring process.<sup>10</sup>

The focal acquisitions in our sample create value for the acquirers, with an average abnormal return of 2.40% in the event window (-1, +1) centered around the acquisition announcement. Univariate analysis shows that the average abnormal return of acquirers with divestment activities is significantly lower than that of non-divesting acquirers (1.67% vs 2.51%).<sup>11</sup> However, when we account for the value creation of the whole M&A restructuring process, we find that this underperformance disappears. On average, the total value creation is 2.52% for focal acquisitions without divestitures and 2.89% when there are divestitures. Once we control for deal and firm characteristics known to affect abnormal returns around an acquisition announcement, we find evidence that divestitures enhance the value creation associated with the acquisition by 1.85%. Divestitures create value, especially those in the pre-announcement and in the post-completion periods.

We carry out additional tests to examine whether divesting during an acquisition process is a suboptimal choice for the company. Comparing abnormal returns for divestitures embedded in an M&A restructuring process and the ones that are not, we do not observe significant differences after

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<sup>10</sup> Given acquisitions and divestitures are interrelated (and being part of the single restructuring process), it could be that these abnormal returns are affected by an anticipation effect (Cai, Song, and Walkling, 2011; Wang, 2018). In fact, the wealth created with divestitures taking place before acquisition can incorporate part of the wealth effect of the focal acquisition. Similarly, the reaction for divestitures happening after the acquisitions could be anticipated by the market at the time of the acquisition announcement. Since we are interested in the value creation associated with the overall M&A restructuring process, we sum the announcement abnormal returns of the acquisition and divestitures included in the process. This measure of total value creation mitigates the concerns relative to the anticipation effect.

<sup>11</sup> This different reaction does not imply that the market is able to fully anticipate which firms will divest assets. In fact, some divestitures happen before the acquisition announcement.

controlling for variables known to affect divestiture abnormal returns. This key result indicates that acquisition-driven asset sales are neither fire sales nor that the focal acquisition weakens the bargaining power of the seller in those transactions. Overall, the analysis of the value effects of acquisitions and related divestitures highlight the role of these focal acquisitions as the catalyst for value-creating restructuring processes. Our results are robust when we account for equity and debt issues around the focal acquisition, and when we exclude acquisition deals smaller than \$500 million, and focus only on substantial transactions.

This paper offers several contributions to the literature. First, we add to the limited evidence about the restructuring process that accompanies an acquisition (Maksimovic, Phillips, and Prabhala, 2011). We complement and extend the results of Maksimovic, Phillips, and Prabhala (2011) and Kaplan and Weisbach (1992), which examine acquisition-related divestitures, and Maksimovic and Phillips (2001), which investigate the overall market for firm assets. Maksimovic, Phillips, and Prabhala (2011) focus on how firms redraw their boundaries after acquisitions, finding that acquirers sell or close almost half of the plants they acquire within three years. Differently from them, we examine divestitures regarding all assets owned by the firms. Finally, we also add evidence about the restructuring taking place before the focal acquisition. Maksimovic and Phillips (2001) document an active market for corporate assets that generates efficiency gains and improve the allocation of resources. Our findings confirm this increase in allocative efficiency, supported by the larger abnormal returns for deals with divestitures, in the context of acquisitions.

Second, considering the entire M&A restructuring process instead of the focal acquisition in isolation allows a more precise assessment of the value effects and the associated changes in the firm's assets. While other papers have analyzed corporate divestitures in the acquisition context (see e.g., Mavis et al., 2018), they mostly focus on corporate divestitures as an alternative way to finance the subsequent acquisition. We show that there is more to the financing role of asset sales: divestitures around acquisitions not only facilitate deal completion but are also part of a larger and value-increasing reorganization plan. Third, related to the previous point, we also add to the literature on



corporate divestitures that has mostly examined acquisitions and divestitures in isolation (see for example Mulherin and Boone, 2000, Schlingeman, Stulz, and Walkling, 2002; Bates, 2005). Recent literature on divestitures has also focused on the choice between asset sales and external financing (Edmans and Mann, 2019; Arnold, Hackbarth, and Puhan, 2018; Eckbo and Kisser, 2018; Desai and Gupta, 2019).

Finally, we also contribute to literature by showing that firms tend to divest assets in response to different determinants in the different phases of the acquisition process. Our results extend the evidence on corporate restructuring to include countries other than the United States, on which the literature has mostly focused so far with only few exceptions (see, e.g., Finlay, Marshall, and McColgan, 2018). Our evidence suggests that there are common trends around the world, but we also highlight differences in terms of the frequency of acquisition-related divestitures.

The remainder of the paper is organized as follows. Section 2 describes our sample and the variables used. Section 3 presents the evidence regarding the determinants of corporate divestitures around acquisitions and examines the value effects of the focal acquisitions. Section 4 discusses additional analyses concerning divestitures, the method of payment in the focal acquisition; public acquisitions; US acquisitions; and further robustness checks. Section 5 concludes.

## **2. Sample Description and Variable Definitions**

### *2.1. Sample Description*

Acquisitions data are from Thomson One Banker M&A database and cover the deals announced between 1996 and 2016.<sup>12</sup> We consider only acquisitions announced by publicly listed companies with deal value of at least \$50 million in which the target is not owned by the government, a joint venture, or a mutual. Acquirer and target firms should operate in neither the financial industry (SIC code 6000-6999) nor in the utility sector (SIC code 4900-4999). For the acquisition to be included in

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<sup>12</sup> We stop at 2016 in terms of announcement year because we need to be sure that the acquisition deal was completed ex post, and we need one year after the completion to verify if there was a related divestiture or not.

the sample, the acquirer must own less than 20% before the deal and more than 90% after completion. Since we are interested in acquisitions that can trigger a reorganization of the portfolio of assets of the acquiring firm, we require that the deal value is at least 5% of its pre-deal market capitalization. To measure the value of the whole M&A restructuring process, we link divestitures to a particular acquisition controlling for other conflicting deal announcements. Therefore, we start by identifying all companies that made acquisitions during our sample period. Since we define the M&A restructuring period as the period starting one year before the announcement and ending one year after the deal completion, we need to make sure that we drop all acquisitions that overlap.<sup>13</sup> This implies that all M&A restructuring processes we study have at most one focal acquisition in the period examined. While this eliminates complex programs composed of a series of acquisitions in a short time, this approach provides two important advantages. First, it allows us to perform a clean analysis of the whole M&A restructuring process, facilitating the association between divestitures and focal acquisitions and ensuring that there are no other deals that may impact the drivers and value creation of our focal deal. Second, since we have only one focal acquisition in the process, we can determine the beginning and the end of the process. Finally, we apply some final filters. We retain only transactions for which: (i) the length of the period between deal announcement and completion, i.e. the interim period, is less than 3 years; (ii) the acquirer has financial data available in Thomson Reuters' Worldscope database and stock price data in Thomson Reuters' Datastream; (iii) the value of acquirer's assets at the end of the year before the acquisition is not negative. Our final sample comprises 7,045 focal acquisitions made by 5,484 different acquirers from 60 different countries.

For each of these focal acquisitions, we search for the divestitures carried out from one year before the announcement to one year after the completion. We choose this period to strengthen the association between acquisition and divestitures and reduce the risk that divestiture decisions are

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<sup>13</sup> For instance, if a specific company had three acquisitions, out of which the second was announced in the year after the first acquisition was completed, whereas the third took place three years after the second acquisition was completed, we drop the first two acquisition altogether from the sample, and only keep the third acquisition in the sample.

independent from the acquisition one. Maksimovic, Phillips, and Prabhala (2011) uses a longer horizon (3 years) for sales at plant level. However, they look at the decision to sell the assets bought with the acquisition. Since we want to examine the changes in the asset portfolio triggered by the acquisitions but not limited to the assets acquired with the transaction, a three-year period carries a high risk of including divestitures unrelated to the acquisition. Moreover, a longer horizon like the one used by Maksimovic, Phillips, and Prabhala (2011) could lead to the inclusion of divestitures that unwind the previous acquisition. These sales are not part of the initial M&A restructuring plan of the firm, and therefore should not be included. Because of this, we opt for a more conservative approach and limit the period to one year before the announcement and one year after the completion. Using Thomson One Banker M&A database,<sup>14</sup> we consider divestiture deals that are classified as acquisition of certain assets and acquisition of assets with a non-missing deal value.<sup>15</sup> Furthermore, we exclude divestiture deals whose technique is buyout, bankruptcy, takeover, liquidation, private, tender, unsolicited or failed. We consider only completed divestiture deals whose value of transaction is known and whose financial and price data are available in Worldscope. Overall, we identify 17,806 divestitures that satisfy these constraints, out of which 1,479 divestiture events are related to 911 focal acquisitions.<sup>16</sup> Thus, 12.93% of the focal acquisitions are accompanied by divestitures.<sup>17</sup>

Table 1 presents the breakdown of the focal acquisitions as well as the related divestitures by year. Panel A describes the world-wide acquisition deals in our final sample of 7,045 deals. The sample period from 1996 to 2016 covers three cycles. The number of transactions increases in the late 1990s, then declines in early 2000s, before picking up again in the period 2005-2009, and again towards the end of our sample period. The cyclicity of acquisition activity is also in line with the literature on merger waves (see, e.g., Harford, 2005; Maksimovic, Phillips, and Yang, 2013; Ahern

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<sup>14</sup> To download the data from Worldscope and match subsequently related divestitures to the corresponding acquisitions, we need a Datastream code for each identified divestiture. Based on variable Ultimate Parent Cusip code, we retrieve the Datastream code for part of the divestitures. For the remaining ones, we rely on Parent Sedol and Cusip codes to obtain the Datastream code.

<sup>15</sup> These are categories of the data item Form.

<sup>16</sup> The 911 focal acquisitions with divestitures were carried out by 846 unique acquirers.

<sup>17</sup> We use the full sample of divestitures, including non-acquisition related ones, in Section 4.

and Harford, 2014). The average acquisition value in the sample is \$930 million, with the median deal amounting close to \$187 million. The focal acquisitions in our sample are associated to 1,479 divestitures. The divestitures identified are sizeable deals, with an average value of about \$260 million (Table 1, Panel A). As expected, no single divestiture is larger than acquisition deal, and they follow a trend over the sample period like the one of acquisitions.

Panel B presents some additional summary statistics. Acquisitions in M&A restructuring processes are larger than isolated acquisitions, with an average value close to \$2,544 million compared to an average of \$690 million when there is no divestiture. Divestitures are, on average, not negligible and represent almost one-third of the acquisition value. This confirms the importance of accounting for these transactions in the M&A restructuring process. We find that more divestitures take place in the year prior to acquisition announcement and in the post-completion period. The number of divestitures in the interim period is smaller, indicating that companies rarely sell while closing the deal. However, the size of these divestitures is quite large in dollar value but not as a percentage of the deal value, supporting the view that they are associated with large acquisitions under a more intense regulatory scrutiny.

[Please insert Table 1 about here]

## 2.2. Variable Definitions

Following the extant literature on M&As and divestitures, we employ a large set of firm, industry, and deal characteristics to describe our sample as well as explanatory variables in our multivariate analyses (see, e.g., Morck, Shleifer, and Vishny, 1990; John and Ofek, 1995; Lang, Poulsen, and Stulz, 1995; Bates, 2005; Betton, Eckbo, and Thorburn, 2008).

At the firm level, we control for financial performance, debt capacity (or financial flexibility), and investment relying on the following variables: *ROA*, earnings before interest and depreciation, divided by total assets; *Leverage*, total debt divided by total assets; *Cash holding*, cash reserves divided by total assets; *Dividend dummy*, binary variable taking value one if the acquirer pays cash dividend; *R&D*, research and development expenses divided by total assets; *CAPEX*, capital

expenditures divided by total assets; *Tobin's Q*, sum of market value of equity and total debt, divided by total assets; *Diversified*, binary variable taking value one if the firm operates in more than one business segment; *Serial acquirer*, binary variable taking value one if the firm has had other acquisitions in the three years period before the announcement of the focal acquisitions. Finally, following Gaspar and Massa (2005) and Peress (2010), we use the excess price-cost margin as a proxy for firm's market power. It represents the ability of the firm to price above marginal cost and it is estimated as the difference between firm's operating profit margin and the average operating profit margin of the industry.<sup>18</sup>

Among the industry-level variables, we use the Herfindahl index and M&A liquidity. We estimate industry concentration with Herfindahl index as the sum of the squares of the market shares of all firms sharing the same three-digit SIC, in which market share is defined as sales of a firm to sum of sales with the industry (Fidrmuc, Roosenboom, and Zhang, 2018). Following Schlingemann, Stulz, and Walkling (2002), we compute the liquidity of the M&A market in the industry of the acquiring firm as the total deal value of acquisitions divided by the sum of total assets for each 2-digit SIC industry at country level.

Finally, we also control for deal characteristics that are known to affect announcement abnormal returns (see, e.g., Betton, Eckbo, and Thorburn, 2008, for a review). The considered deals characteristics are: *relative size*, the acquisition value divided by the market capitalization of the acquiring firm from the year prior to the deal announcement; *cross-industry*, a dummy variable identifying cross-industry transactions; *cross-border*, a dummy variable identifying cross-border transactions; *public target*, a dummy variable identifying transactions in which the target is a listed company; and *stock (cash)*, a dummy variable identifying fully stock (cash) paid transactions

[Please insert Table 2 about here]

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<sup>18</sup> Gaspar and Massa (2005) point out that negative values for the variable are mechanical result of positive correlation between size and profitability and the fact that value weights are used to calculate industry averages.

Table 2 presents the summary statistics for the considered firm-, industry-, and deal-level variables.<sup>19</sup> Variable definitions are in Appendix A. The first two columns present summary statistics on the sample of all acquisitions, and the remaining columns report on the subsamples of acquirers with and without divestitures, respectively. The summary statistics indicate that firms whose acquisitions are accompanied by divestitures are on average more profitable, larger, and more diversified. Divesting firms also hold more cash, invest more and pay more dividends, and they exhibit higher levels of leverage. Non-divesting acquirers have larger Tobin's Q, suggesting the existence of better growth opportunities for these firms relative to divesting acquirers. Regarding deal characteristics, full stock-payment is relatively more common in M&A deals not associated with divestitures. Acquirers appear to divest relatively more when the target firm is publicly listed, foreign, and the method of payment is fully in cash. Surprisingly, we find that relative size is larger in acquisitions without divestitures, probably due to the significantly smaller size of the acquirer in those transactions.

### **3. Multivariate Analysis**

In this section, we present the results of the multivariate analysis. First, we examine the determinants of corporate divestitures that are part of an M&A restructuring process. Then, we examine the value effects associated with the focal acquisition and the whole M&A restructuring process.

#### *3.1. Determinants of Corporate Divestitures around Acquisitions*

In this subsection, we examine the determinants of the decision to divest corporate assets in M&A restructuring processes. Since we want to explain divestitures that take place around focal acquisitions and not divestitures in general, the evidence we present in this section is, by construction, conditional on the occurrence of a focal acquisition.

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<sup>19</sup> All continuous variables are winsorized at the 1<sup>st</sup> and 99<sup>th</sup> percentile.

We begin the empirical analysis investigating the likelihood to dispose corporate assets around focal acquisitions. Panel A of Table 3 reports the results of logit models. The dependent variable takes value of 1 if the firm has made at least one divestiture during the entire M&A restructuring process (Column I), in pre-announcement phase (Column II), in the interim (Column III), and in the post-completion phase (Column IV), respectively. To account for the potential correlation between divestitures that take place over the different periods of the restructuring process, we include a binary variable that indicates if some divestitures have already occurred in previous phases. All models include country and industry fixed effects to control for time-invariant country and industry characteristics, and year fixed effects to control for aggregate fluctuations, such as common trends or aggregate shocks.<sup>20</sup> Standard errors are clustered at firm level in all models.

[Please insert Table 3 about here]

Concerning firm characteristics, we find in Panel A of Table 3 that the degree of diversification and firm size positively impact the probability of divestiture in Column I. Also, being a serial acquirer has a positive impact on the likelihood to divest. Differently from the univariate evidence, the relative size of the deal has a positive effect on the decision to divest. We provide two explanations for this. First, large deals have a larger potential to be associated to restructuring activities, like the sale of corporate assets. Second, large deals may attract more regulatory scrutiny, which in turn leads firm to divest more to satisfy expected or actual requests from regulators to complete the focal acquisition. Profitability, proxied by ROA, is significantly and negatively correlated with the likelihood to divest when we examine all divestitures (Column I) and in the pre-announcement period (Column II). Similarly, cash is negatively related to the likelihood to divest, but interestingly, the amount of cash holding matters only in the post-completion period, and not in the pre-announcement and interim periods. Collectively, the results indicate that willingness to reorganize the asset portfolio is one of the fundamental determinants of the decision to divest around

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<sup>20</sup> Industry fixed effects are based on the Fama and French 49-industry classification.

acquisitions. Also, these findings provide rather limited evidence for the financing role of divestitures in M&A restructuring process. In particular, the lack of a significant effects in the pre-announcement phase for the cash variable further supports the view that financing is not the sole reason for acquisition-related divestitures. In addition, the fact that stock deals lead to less divestitures only in the post-completion phase corroborates the view that firms divest to reorganize themselves.

Industry concentration (Herfindhal) negatively affects the likelihood of divestitures in the interim period, indicating that acquirers divest less when they operate in concentrated industries. The excess price margin has also a negative and significant coefficient in Column I. We explain these two results with the ability of firms operating in concentrated industries with market power to generate large cash-flows. Moreover, operating in a concentrated industry reduces the number of suitable buyers in these industries. We also control for the liquidity of the M&A market and public status of the target. The liquidity of the M&A market is an important determinant of corporate divestitures, especially during the interim period in which regulators may force acquirers to sell some of their assets. The positive relation with divestitures comes as no surprise, because as it is emphasized by Schlingemann, Stulz, and Walkling (2002), a more liquid M&A market allows companies to dispose of their assets more easily, facilitating in turn the whole restructuring process. In fact, in such a market environment companies are less likely to be forced to sell their assets at a discounted price. In Columns III and IV, we find evidence about the existence of a persistence in terms of divestment behaviors in the different phases of the acquisition process: firms that have divested in the pre-completion phase of the focal acquisition are more likely to also divest in the post-completion phase. This strengthens the view that corporate divestitures respond to the firm's need to redraw its boundary and provides additional evidence supporting the efficient reorganization hypothesis.

In Panel B of Table 3, we repeat the previous analysis using disinvestment intensity as the dependent variable to examine whether our findings regarding the likelihood of making a disinvestment also translate into the amount collected from the asset sale. Disinvestment intensity is measured by taking the sum of the dollar value of all the divestitures around the considered focal



M&A transaction divided by the focal acquisition value. We rely on tobit models to account for the censored nature of the dependent variable. We find that the coefficient estimates in the tobit models show the same pattern as in the logit models, generally with similar levels of statistical significance. The main difference between the results in Panels A and B is related to *Public Target*, which is no longer significant in Column I of Panel B, where all divestitures are considered. It remains significant in the post-completion period (Column IV), indicating that acquisitions of listed firms trigger a larger shake-up of the existing assets. Finally, there is also evidence that the method of payment of the acquisition affects divestiture decisions: the coefficient for stock-financed acquisition is negative and significant in Column I.

Overall, the results shown in Table 3 highlight the importance of the restructuring motivation to explain divestitures around acquisitions. While financing and regulatory motivations play a role, our findings suggest that these divestitures are part of a larger restructuring process around the focal acquisition. Next, we examine whether these asset reorganizations are value-enhancing for shareholders.

### *3.2. Value Creation and M&A Restructuring Process*

The second part of our multivariate analysis is devoted to assessing the efficiency of the restructuring process around the focal acquisition. After having documented that acquisition-related divestitures are part of a reorganization plan, we proceed to examine whether and how the presence of divestitures affects the overall value creation associated with the acquisition process. If companies are divesting assets around acquisitions with the goal to redraw the boundaries of the firm in a profit-maximizing way (Maksimovic and Phillips, 2001; 2002), they should do that in a way that increases their value. To test this intuition, we examine the abnormal returns associated with the M&A restructuring process.

We start by computing the abnormal returns at the announcement of the focal acquisition using the classical market model. As common in the M&A literature, the considered event windows are the interval (-1, +1) and (-2, +2) centered on the announcement day. Given the relation between

acquisitions and divestitures, which are part of the M&A restructuring process, these abnormal returns may be affected by an anticipation effect (see, e.g., Cai, Song, and Walking, 2011; Wang, 2018). In fact, the abnormal returns associated with the divestitures taking place before the acquisition can incorporate part of the value effect of the focal acquisition. Similarly, the abnormal returns of divestitures happening after the acquisitions could be anticipated by the market at the time of the acquisition announcement. Since we are interested in the overall value creation that occurs when companies divest around focal acquisitions, we sum the abnormal returns of the acquisition announcement and the ones of the divestiture announcement (variable *Total CAR*).<sup>21</sup> By including all the events in the M&A restructuring process, this measure of total value creation mitigates the concerns relative to the anticipation effect. To examine whether acquisitions with divestitures create more value compared to acquisitions without divestitures, we estimate OLS regressions and control for deal and firm characteristics that are known to affect announcement returns. We begin discussing the value effect at the acquisition announcements and, then, we present the results for the whole M&A restructuring process (i.e., focal acquisitions and the corresponding acquisition-related divestitures).

Table 4 presents the univariate results. We report the average and median abnormal returns associated with the announcement of the focal acquisition. We also condition these summary statistics on the existence of divestitures included in the M&A restructuring process. Focal acquisitions in our sample are on average value creating for acquiring firm shareholders, with an average 3-day abnormal return of 2.40%. We also observe that the value creation at acquisition announcement differs between divesting and non-divesting acquirers, being significantly lower for the former ones (1.67% vs 2.51%). This difference can be, at least partially, explained by the anticipation effect: if a divestiture precedes an acquisition, the market can already incorporate part of the value creation associated with the acquisition at the time of the divestiture. Failing to incorporate the value creation of the related

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<sup>21</sup> Similarly, Ghazizadeh, de Jong, and Schlingemann (2019) sum CARs around public announcements of pre-intended deals and definitive transaction agreement (deal announcements) to capture the total market reaction to an asset sale. Loderer and Martin (1990) also use the sum of bid announcement effects experienced by a firm in response to acquisitions during a given period.

divestitures may lead to a measurement error because of the anticipation effect. Thus, to estimate the value creation of the whole process for divesting acquirers, we also need to consider the value creation of all pertaining divestitures. We find that the value creation associated with divestitures is on average around 0.98%. When we add the abnormal returns of divestiture events to those of the acquisition announcement to compute the *Total CAR* measure, the underperformance for divesting acquirers disappears. Indeed, we observe a reversal: the total value creation of 2.89% for divesting acquirers is significantly higher than the total value creation of 2.56% for acquirers without divestitures.<sup>22</sup> These results are confirmed also for the 5-day event window (-2, +2). The univariate analysis shows that the considered M&A restructuring processes are on average value enhancing for shareholders, and therefore, efficiency-driven to a large extent.

[Please insert Table 4 about here]

We continue our analysis with a multivariate model of acquisition announcement returns. Table 5 presents the coefficient estimates of an OLS regression of acquirer CARs around the announcements of the focal M&A transaction. The first three columns report on 3-day CARs, and the last three columns on 5-day CARs. Across all specifications, we find that the value effects are lower for firms that are larger, that have higher valuation, and are acquiring other public companies. This is in line with Moeller, Schlingemann, and Stulz (2004) who find that abnormal returns at acquisition announcements for smaller firms exceeds those of larger firms. The negative coefficient for Tobin's Q supports the view that acquirers signal their overvaluation to the market (Dong et al., 2006). Firms more involved in R&D have lower abnormal returns. Both relative size and being diversified, affect positively the stock price reaction. Differently from Harford and Uysal (2014), we document a positive effect for the M&A liquidity in a worldwide context.

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<sup>22</sup> The sum of CAR acquisitions (1.67%) and CAR divestitures (0.98%) does not equal Total CAR (2.89%) because the variables are winsorized. Without winsorization, the values are: CAR Acquisitions 1.82%; CAR Divestitures 1.25%; Total CAR 3.07% (=1.82%+1.25%).

In Columns II and V, we augment the baseline specification with a dummy variable identifying whether divestitures are included or not in the M&A restructuring process. The divestiture dummy is insignificant in both models, contradicting the univariate evidence shown in Table 4. Thus, the difference in announcement CARs between divesting and non-divesting acquirers disappears when we control for factors known to affect acquisition CARs, which also mitigates the anticipation effect to some extent. In Columns III and IV, we replace the divestiture dummy variable with three dummies allowing to account for the timing of the divestiture in the M&A restructuring process. Out of the six coefficient estimates only the dummy variable *Divestiture Interim* is (weakly) significant with a positive coefficient.

[Please insert Table 5 about here]

Finally, we study the determinants of the value creation for the whole M&A restructuring process in Table 6. The dependent variable is *Total CAR*, the sum of the abnormal return for the acquisition and those of the eventual divestitures. Once we control for firm and deal characteristic that might affect the acquirer's abnormal returns around an acquisition announcement, we find that divestitures enhance the value creation with the acquisition. In particular, in Column II, we find that the coefficient for the divestiture dummy is positive and significant, indicating a substantial increase in the value created with the deal by about 1.85%. This value is similar (1.93%) for abnormal returns calculated over a 5-day event window (-2, +2). The positive coefficients of relative size and firm being diversified lend further support to our hypothesis that these deals are value enhancing restructuring programs. Relatively larger deals (compared to the acquiring firm size) may trigger firm's restructuring to improve efficiency and allowing the firm to better reposition itself within the industry. In Column III, we examine whether the timing of the divestitures matters for the overall value creation. Divestitures in pre-announcement and post-completion periods create value (1.7% and

1.2% respectively). We do not find similar results for divestitures that occur in the interim period, as these are the deals that are likely to be forced by regulators.<sup>23</sup>

[Please insert Table 6 about here]

The documented positive effect of these asset sales implies that they are not fire asset sales, nor do they indicate that acquisitions weaken the bargaining power of the firm. In fact, in these cases we would expect value destruction for the seller.<sup>24</sup> The comparison of the coefficients of the divestiture dummies in Tables 5 and 6 provides a further confirmation of measurement biases of the announcement CARs when assessing the overall value creation of the M&A restructuring processes. In fact, the announcement CARs are affected by two problems: 1) the anticipation effect when there is a divestiture in the pre-announcement phase; and 2) the inability to fully anticipate divestitures in the interim and post-completion phases. Regarding control variables, their coefficients are similar to those documented in Table 5.

Taken collectively, our results show that firms exploit the acquisition event to restructure its entire asset portfolio, and this restructuring process is efficiency-driven to a large extent.

#### **4. Additional Analyses and Robustness Checks**

In this section, we perform and discuss several additional analyses and robustness checks. We start with an analysis of divestitures, in which we examine whether divestitures around acquisitions are different from the remaining divestitures in terms of value effect. Then, we extend our investigation and examine determinants of divestiture decision as well as the overall value effects depending on the deal type (cash vs. stock acquisition), and country (US). Moreover, we account for the possible debt and equity issue, and examine the validity of our results when acquirers issue either debt or equity during the acquisition process. Finally, to verify whether our results are robust, we also

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<sup>23</sup> In addition, one may notice that the effect for the divestiture dummy (Column II) is bigger than in the three separate sub-period dummies (Column 3). Three dummies indicate deals that are not alternatives, because acquisition deal can have divestiture in pre-announcement period, but also in interim and/or post-completion period.

<sup>24</sup> We further investigate this statement with the divestiture level analysis in Table 7.

replicate the whole analysis by looking only at very large acquisitions with value above \$500 million. The independent variables in the tables that follow correspond to those used in the specifications of Table 3 and Table 5.

#### *4.1. Value Creation around Divestiture Announcements*

An important question to address is whether selling assets during the M&A restructuring process rather than in other times is an optimal choice for the firms involved. While the previous analysis has shown that divestitures increase the efficiency of the acquisition process, selling assets during the restructuring process could still be a suboptimal decision in comparison to a sale process organized in isolation. Thus, to confirm that divestitures are indeed part of an efficient value-maximizing strategy, we need to show that firms are, at least, not worse off by selling assets around focal acquisitions rather than as isolated transactions.

As a further step in our analysis, we investigate the abnormal returns around divestiture announcements that occurred over the sample period 1996-2016 to compare the wealth effect of divestitures included in an M&A restructuring process and the isolated divestitures. If the value creation were lower when the firm is also engaging in an acquisition, this could mean that the acquirer has weak bargaining power or that divestitures are fire asset sales necessary to complete the acquisition. Such finding would contrast with the efficient profit-maximizing view. On the contrary, if being part of an acquisition process did not affect (or even increased) its wealth creation, then this would be consistent with an efficient restructuring of the assets.

Panel A of Table 7 shows the univariate analysis for the event window (-1, +1).<sup>25</sup> Overall, in line with the literature (see e.g. Bates, 2005), we find that divestitures create value, with an average abnormal return of 1.60%. However, despite both types of divestitures are value enhancing for shareholders, the value creation associated with divestitures included in an M&A restructuring

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<sup>25</sup> In an unreported analysis, we find similar results for the event window (-2, 2).

program is statistically lower than that of divestitures implemented outside of such programs (1.02% vs. 1.64%). While the univariate results hint at a non-profit maximizing behavior for firms that divest within M&A restructuring process, the picture changes rather dramatically when we control for deal and firm characteristics in Panel B. In this multivariate analysis, we regress divestiture announcement CARs on a dummy variable identifying whether the divestiture is related to an acquisition (i.e., the variable is denoted *Acquisition Dummy*) and control variables known to impact market reactions at divestiture announcement. The acquisition dummy is statistically insignificant (see Column I in Panel B of Table 7). Moreover, the timing of the divestiture relative to the focal deal does not affect this average result, as none of the acquisition dummy variables are significant in Column II. In other words, if the value effect of a divestiture included in an M&A restructuring program is comparable to the value effect of a divestiture that is implemented in isolation. This implies that the acquisition does not weaken the bargaining power of the seller nor that these divestitures are fire asset sales, supporting the conclusions of Table 6. Therefore, these findings further support that the restructuring firms are taking actions that are consistent with a profit-maximizing view.

[Please insert Table 7 about here]

#### 4.2. *Cash and Stock Acquisitions*

The choice of the payment method in an M&A process and the associated value effect has attracted a lot of attention in prior literature (see, e.g., Travlos, 1987; Loughran and Vijh, 1997; Shleifer and Vishny, 2003; Faccio and Masulis, 2005; Rhodes-Kropf, Robinson, and Viswanathan, 2005). In Panel A of Table 8, we analyze the determinants of divestitures and their value creation in fully cash-financed acquisitions. Similarly, Panel B repeats the analysis for the case of fully stock-financed acquisitions. Cash (stock) acquisitions are defined as acquisitions in which the method of payment is 100% cash (stock). As expected, given the financial role of divestitures, we find that larger firms divest more throughout the whole process if the focal acquisition is a cash transaction. However, this effect is not limited to pre-announcement divestitures (Column II), but it continues also during the interim and post-completion phases (Column III and IV), in which the reorganization motivation

should prevail. Diversified firms are likely to divest more both in cash and stock deals. On the other hand, while the liquidity of the M&A market does not influence divestitures in cash acquisitions, it is an important determinant in stock deals. Likewise, we find that stock market valuation reduces divestitures in the pre-announcement period when acquisitions are paid for with stock (Maksimovic and Phillips, 2001; Jovanovic and Rousseau, 2001). Interestingly, the public listing status of the target firm has a different impact on the likelihood of an asset sales in the two types of acquisitions. In acquisitions paid for with cash, acquiring a publicly listed target weakly affect the decision to divest only in Column I, when all divestitures are included. On the other hand, acquirers that use stock as a method of payment divest more in the post-completion period when the target is listed (and less during the interim period). Overall, given the timing of the sales, these results are more in line with the hypothesis that firm is re-drawing its boundaries with these acquisition-related divestitures rather than with a pure financing story.

When it comes to the value creation, the divestiture dummy is not significant in explaining acquisition CARs, for both stock, and cash acquisitions (Columns V of Panels A and B). On the other hand, divestitures create value in the M&A restructuring process in cash deals, but not in stock deals (Columns VI of Panels A and B). This confirms previous results that acquisition announcement CARs do not fully incorporate the entire value effect of the restructuring process. In both deal types, size and the target public status are inversely related to the value creation.

[Please insert Table 8 about here]

#### *4.3. Equity and Debt Issues*

Debt and equity issues are external sources of financing a firm can use to fund its future investments (Hovakimian and Titman, 2006). As such, firm can decide to issue either debt or equity to finance an acquisition rather than or in addition to a divestiture. Moreover, if divestitures are primarily motivated by the need to raise the funds needed to finance the acquisition that firms are unable to secure with debt and equity issues, then we should observe a negative correlation between debt and equity issues and corporate divestitures. Thus, they may impact the likelihood of an asset sales and, consequently,



the overall value effect of the M&A restructuring process. Therefore, we repeat the analyses including variables that control for equity and debt issues. For each focal acquisition, we record equity and debt (both bond and loan) issues of the acquiring firms that have occurred in the period of interest, i.e. from one year before the acquisition announcement to one year following its completion. Results are shown in Table 9.

Panel A of Table 9 reports the descriptive statistics of these issues. We find that the firms that divest are also the ones that issue both equity and debt more frequently.<sup>26</sup> In the multivariate setting (Panel B), we find that the results of Tables 3, 5, and 6 are confirmed once we account for the debt and equity issues. Results in Columns I to IV are similar to those in Table 3: relative size, serial acquirer, diversified, M&A market liquidity are still positive and highly significant. Regarding the issues of equity and debt, we find that the debt issue weakly increases the likelihood of divesting. These results provide further support to the view that these divestitures are not simply an alternative to raise external capital to finance the acquisitions, but they serve the purpose of restructuring the firm's assets. In terms of value creation, we still find that divestitures are associated with higher Total CARs even after including the dummies for external capital issues. This result further corroborates the view that divestitures are part of a value-increasing restructuring process.

[Please insert Table 9 about here]

#### *4.4. US Acquirers*

We have employed a world-wide sample to examine divestiture decisions and their impact on the value created with acquisitions. In this section, we perform a similar analysis on the US acquirers to confirm our results. Table 10 reports the determinants of divestitures, and value creation. In the US sample, we find results that are remarkably close to those of our global sample. Degree of diversification, firm size, and being serial acquirer increase the likelihood of divestments in the

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<sup>26</sup> Some debt issues are not necessarily related to the acquisition, but they can also be related to the financing of firm's operations or roll-overs of previous debt. This can explain why debt issues can sometimes be larger than the deal value of the acquisition.

overall sample, suggesting that one of the main determinants of the decision to sell is reorganization. Firms are willing to divest more assets in the period following the acquisition. Also, firms are likely to divest more if they have sold assets also in the in the pre and interim periods. Again, we interpret this evidence as supporting our reorganization hypothesis. As expected, firms that have higher cash balances and ROA sell less. After controlling for financial, regulatory, firm and deal characteristic that might affect the returns around an acquisition announcement, differently from the global case, we find that divestitures enhance the value created at acquisition announcement (Column V). In fact, the divestiture dummy coefficient is statistically significant and equal to 1.05%. In Column VI, we document that divestitures contribute positively to the overall wealth creation and the magnitude is larger compared to the global sample (2.91% vs. 1.85% for divestitures in global sample).

[Please insert Table 10 about here]

#### *4.5. Large Acquisitions (above \$500 million)*

We have conducted our main analysis with a sample of acquisitions that have a deal value higher than \$50 million. As a final robustness check, we examine whether our results are robust to the increase in the size threshold used to filter out our M&A sample. We consider, therefore, only very large acquisition deals, whose value is larger than \$500 million. These deals are the most likely to require restructuring, hence we expect to see that the percentage of acquisition deals with related divestitures to increase. Also, by increasing the threshold, we further strengthen our identification strategy, that is the link between divestitures with related acquisitions. We find that 22.5% of worldwide acquisitions are accompanied by divestitures, which is a significant increase compared to the 13% in our main sample. Again, the findings reported in Table 11 are remarkably similar to those for the full sample, suggesting that our results are robust to altering the deal size threshold.

[Please insert Table 11 about here]

## **5. Conclusions**

Focusing on a global sample of relatively large acquisitions, we study the entire M&A restructuring process and examine all divestitures, including those of the original assets of the acquirer, taking place before and after the acquisition announcements. We argue that these divestitures associated to focal acquisition are not just used to raise financing, but that they are part of a profit-maximizing restructuring process to redraw boundaries of the firm as well.

In support of this efficient asset reorganization hypothesis, we find that acquirers divest more assets when they are larger, more diversified, acquisitive, and have lower market valuation. Furthermore, more than half of these sales takes place after the completion of the focal acquisition, the period that is less sensitive to financing and regulatory needs. We find limited evidence for the financing hypothesis. Examining the efficiency of the acquisition-driven asset reorganizations, we document that divestitures enhance the value creation associated with acquisitions.

We carry out additional tests to examine whether divesting during an acquisition process weakens the bargaining power of the seller. Comparing abnormal returns for divestitures within and without acquisition processes, we do not observe significant differences after controlling for variables known to affect divestiture CARs. This indicates that these divestitures are not fire sales nor forced asset sales, assuring that firms do not make sub-optimal decisions when they sell assets around acquisitions. Overall, we find evidence that the acquisition is a catalyst for value-creating restructuring processes and that large companies adopt a dynamic perspective to restructure their assets, with both the buy and sell side being important activities.

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## Appendix A. Variable Definitions

The appendix reports the definitions of all the variables used in the analysis.

<i>Variable</i>	<i>Definitions</i>
Acquisitions	Binary variable taking value 1 if the divestiture is related to a focal acquisition, zero otherwise (Source: Thomson One Banker).
Book Size	Binary variable taking value 1 if the divestiture is related to a focal acquisition and occurs between the announcement day and the completion date of the acquisition, zero otherwise (Source: Thomson One Banker).
Capex	Binary variable taking value 1 if the divestiture is related to a focal acquisition and occurs after the completion date of the acquisition, zero otherwise (Source: Thomson One Banker).
Cash	Binary variable taking value 1 if the divestiture is related to a focal acquisition and occurs between the announcement day and the pre-announcement date of the acquisition, zero otherwise (Source: Thomson One Banker).
Divestitures	Capital expenditures divided by total assets (Source: Worldscope)
Diversified firm	Cumulative abnormal returns in the event window (-X, X) centered around the acquisition (or divestment) announcement. CARs are computed using a market model with parameters estimated over the estimation period (-240, -41) with respect to the announcement day. We employ the local index (datatype LI) as market index (Source: Datastream).
Firm's Age	Binary variable taking value 1 if the target and the acquirer are from different countries, zero otherwise (Source: Thomson One Banker).
Focused firm	Binary variable taking value 1 if the target and the acquirer are from different industries, zero otherwise (Source: Thomson One Banker). Industries follows the Fama-French 49-industry classification.
Follower	Binary variable taking value 1 if the acquiring firm has more than one business segment, zero otherwise (Source: Worldscope).
Industry Shock	Binary variable taking value 1 if the acquirer has done at least one throughout whole acquisition period, zero otherwise (Source: Thomson One Banker).
Leader	Binary variable taking value 1 if the acquirer has done at least one divestiture in the period between the announcement and completion of the acquisition, zero otherwise (Source: Thomson One Banker).
Leverage	Binary variable taking value 1 if the acquirer has done at least one divestiture in the year following the completion of the acquisition, zero otherwise (Source: Thomson One Banker).
M&A Liquidity	
R&D	
ROA	
Stock Return	Excess stock return over the fiscal year, computed as the stock return over the fiscal year minus the return on a benchmark portfolio. The benchmark portfolios are 25 Fama-French value-weighted portfolios, constructed by independently sorting stocks on size and book-to-market characteristics (Source: CRSP).
Tobin's Q	
Total Assets	



**Table 1. Acquisition and Divestiture Activity**

The table presents the time series of focal acquisitions and the related divestitures in Panel A. Sample includes acquisitions during 1996-2016 period for which relative size of the deal is larger than 5 percent, ownership before the deal was less than 20% and more than 90% after the deal, there are no overlapping acquisition deals. Panel B reports summary statistics for acquisitions and divestitures (\$ millions and relative to the focal acquisition). Divestiture Value Pre/Interim/Post is the sum of all divestiture announced in the pre-announcement/interim/post acquisition period.

*Panel A. Time Series*

Year	Acquisitions			Divestitures		
	Mean	Median	N. Obs	Mean	Median	N. Obs
1996	458.62	145.30	211	97.83	18.00	63
1997	445.09	140.00	259	74.69	26.55	82
1998	797.71	141.59	297	159.08	41.00	95
1999	1415.97	172.58	357	121.65	34.50	120
2000	1179.75	180.00	393	173.14	32.57	108
2001	859.19	154.31	256	274.70	30.31	81
2002	719.52	146.67	213	187.55	23.50	64
2003	453.77	142.59	246	79.43	35.52	44
2004	730.35	165.71	283	186.19	54.51	66
2005	972.23	190.00	331	167.74	24.93	96
2006	1028.08	193.50	388	271.27	50.00	79
2007	838.25	175.69	484	374.48	35.23	107
2008	967.53	181.59	286	155.42	50.00	48
2009	1207.47	209.01	232	161.34	42.86	40
2010	782.54	213.73	353	261.11	35.25	48
2011	853.63	222.71	361	229.94	70.80	61
2012	708.05	204.06	375	237.92	70.00	36
2013	709.41	212.42	302	105.23	51.00	27
2014	1126.89	213.85	473	1125.07	121.17	82
2015	1281.99	240.62	522	460.41	135.00	73
2016	1175.57	250.00	423	322.21	157.90	59
Total	930.67	186.89	7045	260.38	40.00	1479

*Panel B. Summary Statistics*

Variable	Mean	Median	N	Min	Max
Divestiture Dummy	12.93%	0.00%	7045	0.00%	100.00%
Acquisition Value (\$ mil)	930.67	186.89	7045	50.00	101475.80
Acquisition Value (\$ mil) – with divestiture	2544.68	388.74	911	50.00	101475.80
Acquisition Value (\$ mil) – no divestiture	690.96	174.15	6134	50.00	72671.00
Divestiture Value (\$ mil)	422.68	58.63	911	0.02	18133.80
Divestiture Value (\$ mil) – pre	392.21	39.50	418	0.03	18133.80
Divestiture Value (\$ mil) – interim	393.33	73.00	151	0.03	7426.40
Divestiture Value (\$ mil) – post	301.17	58.47	537	0.02	8130.00
Divestiture Value (% Acq.)	32.76%	12.92%	911	0.00%	136.70%
Divestiture Value (% Acq.) - pre	20.11%	8.69%	418	0.00%	59.55%
Divestiture Value (% Acq.) - interim	5.06%	7.97%	151	0.00%	7.97%
Divestiture Value (% Acq.) - post	23.70%	11.22%	537	0.02%	74.96%

**Table 2. Summary Statistics**

The table presents summary statistics for the sample of all focal acquisitions, and acquisitions with and without divestitures. Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. The sample period is from 1996-2016. The last two columns report the  $p$ -values of the difference in mean and median tests between the subsamples of acquisitions with and without divestitures. We denote with “n.a.” the cases in which the median test does not compute the chi-square test statistic because of the empirical distribution of the variable.

<i>Variables</i>	All Acquisitions			Acquisitions with Divestitures			Acquisitions without Divestitures			Difference $p$ -value	
	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>
<i><u>Firm Characteristics</u></i>											
ROA	10.73%	12.28%	6,805	12.67%	13.25%	884	10.44%	12.05%	5,921	0.00	0.00
Leverage	21.17%	18.51%	7,036	24.20%	22.86%	909	20.72%	17.74%	6,127	0.00	0.00
Cash Holding	18.50%	11.32%	7,035	13.18%	7.78%	909	19.29%	11.93%	6,126	0.00	0.00
Dividend dummy	57.42%	100.00%	6,884	67.74%	100.00%	902	55.87%	100.00%	5,982	0.00	n.a.
Total Assets (\$m)	2,921	612	7,041	7,247	1,726	910	2,279	550	6,131	0.00	0.00
Market Capitalization (\$m)	3,133	737	7,045	7,668	1,478	911	2,460	675	6,134	0.00	0.00
R&D	2.46%	0.00%	7,041	2.30%	0.21%	910	2.49%	0.00%	6,131	0.24	0.00
Capex	6.08%	3.99%	6,988	6.54%	4.55%	906	6.01%	3.86%	6,082	0.03	0.00
Tobin's Q	2.36	1.64	7,037	1.98	1.54	910	2.42	1.66	6,127	0.00	0.00
Diversified	66.22%	100.00%	7,045	79.47%	100.00%	911	64.25%	100.00%	6,134	0.00	n.a.
Serial Acquirer	32.38%	0.00%	7,045	54.45%	100.00%	911	29.10%	0.00%	6,134	0.00	0.00
Excess Price Margin	-0.10	0.00	6,495	-0.08	0.00	877	-0.11	0.00	5,618	0.09	0.51
<i><u>Industry Characteristics</u></i>											
Herfindhal	0.30	0.18	6,842	0.32	0.19	907	0.30	0.18	5,935	0.13	0.13
M&A Liquidity	0.07	0.02	6,841	0.08	0.03	906	0.07	0.02	5,935	0.09	0.01
<i><u>Deal Characteristics</u></i>											
Stock	19.74%	0.00%	7,045	15.04%	0.00%	911	20.44%	0.00%	6,134	0.00	0.00
Cash	29.18%	0.00%	7,045	32.49%	0.00%	911	28.69%	0.00%	6,134	0.02	0.02
Relative Size	0.94	0.30	7,045	0.74	0.27	911	0.98	0.31	6,134	0.00	0.03
Cross Border	30.73%	0.00%	7,045	35.02%	0.00%	911	30.09%	0.00%	6,134	0.00	0.00
Cross Industry	61.01%	100.00%	7,045	59.60%	100.00%	911	61.22%	100.00%	6,134	0.36	n.a.
Public target	25.75%	0.00%	7,045	37.54%	0.00%	911	24.00%	0.00%	6,134	0.00	0.00

**Table 3. Determinants of Divestitures**

The table presents the coefficient estimates of logit and tobit models for the likelihood of a divestitures (Panel A) and the volume of divestitures (Panel B). The dependent variables in Panel A are binary variables taking value 1 if there is at least one divestiture associated with the focal acquisitions in the relevant period (all, pre-announcement, interim, post completion), and 0 otherwise. The dependent variables in Panel B is the ratio between the sum of the divestitures deal values in the relevant period (all, pre-announcement, interim, post completion) and the acquisition value. Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

*Panel A. Likelihood of divesting*

Variable	All Periods (I)	Pre-Announcement (II)	Interim (III)	Post Completion (IV)
ROA	-0.7395* [0.4258]	-1.0483* [0.5909]	0.3396 [1.4636]	-0.6648 [0.4953]
Leverage	0.2397 [0.2672]	0.3128 [0.3741]	0.1614 [0.7122]	0.0093 [0.3213]
Cash Holding	-0.7879** [0.3739]	-0.1241 [0.5262]	-1.2943 [1.0374]	-1.0066** [0.4520]
Dividend Dummy	0.0588 [0.1069]	0.0818 [0.1473]	0.2848 [0.2742]	0.0084 [0.1342]
Size	0.4238*** [0.0370]	0.3952*** [0.0491]	0.7672*** [0.0963]	0.3503*** [0.0460]
Excess Price Margin	-0.1910** [0.0927]	-0.1428 [0.1223]	-0.2765 [0.3236]	-0.1722 [0.1145]
Herfindhal	-0.1034 [0.2145]	0.0596 [0.2890]	-1.1909** [0.5767]	0.0938 [0.2542]
R&D	0.0583 [1.2655]	-0.9306 [1.6067]	0.9866 [3.5529]	0.641 [1.6047]
Capex	1.1248 [0.7671]	0.5225 [1.1347]	2.3297 [2.0095]	1.4054 [0.9128]
Tobin's Q	-0.0187 [0.0329]	-0.0372 [0.0441]	-0.0129 [0.0809]	-0.003 [0.0441]
Diversified	0.5803*** [0.1073]	0.7094*** [0.1567]	0.0776 [0.2665]	0.3902*** [0.1322]
Serial Acquiror	0.2984*** [0.0979]	0.4319*** [0.1325]	0.0977 [0.2538]	0.1899 [0.1218]
M&A Liquidity	0.5330* [0.2908]	0.467 [0.3827]	1.5251** [0.6158]	0.1868 [0.3388]
Stock	-0.2204 [0.1453]	-0.1275 [0.2082]	0.0777 [0.3111]	-0.3656** [0.1833]
Relative Size	0.0846*** [0.0250]	0.048 [0.0398]	0.1781*** [0.0405]	0.0715** [0.0328]
Cross Border	0.016 [0.1055]	-0.0961 [0.1423]	-0.1444 [0.2271]	0.0951 [0.1308]
Cross Industry	-0.0032 [0.0931]	0.0826 [0.1277]	-0.0027 [0.2187]	-0.1023 [0.1143]
Public Target	0.3228*** [0.0956]	0.0661 [0.1328]	-0.1166 [0.2411]	0.4771*** [0.1180]
Divestiture Pre.			0.9899*** [0.2239]	0.6053*** [0.1569]
Divestiture Interim				0.9278*** [0.2106]
Country FE	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes
Time FE	yes	yes	yes	yes
Pseudo R <sup>2</sup>	0.1960	0.1755	0.2790	0.2005
Observations	5968	5686	4752	5790

*Panel B. Volume of divesting*

Variable	All Periods (I)	Pre-Announcement (II)	Interim (III)	Post Completion (IV)
ROA	-0.3078** [0.1501]	-0.2461** [0.1163]	0.0014 [0.0538]	-0.139 [0.1284]
Leverage	0.136 [0.0942]	0.0756 [0.0761]	0.0127 [0.0268]	0.0708 [0.0782]
Cash Holding	-0.2124* [0.1193]	-0.0086 [0.0983]	-0.0757* [0.0401]	-0.2051** [0.1043]
Dividend Dummy	0.0208 [0.0359]	-0.0001 [0.0289]	0.01 [0.0115]	0.0129 [0.0327]
Size	0.1197*** [0.0123]	0.0737*** [0.0100]	0.0326*** [0.0039]	0.0667*** [0.0106]
Excess Price Margin	-0.0615** [0.0305]	-0.033 [0.0260]	-0.0127 [0.0112]	-0.0383 [0.0255]
Herfindhal	-0.0421 [0.0708]	0.0234 [0.0556]	-0.0521** [0.0240]	0.0004 [0.0623]
R&D	0.1919 [0.4037]	-0.1338 [0.3044]	0.0319 [0.1419]	0.2082 [0.3685]
Capex	0.3564 [0.2554]	0.1377 [0.2111]	0.123 [0.0851]	0.2949 [0.2151]
Tobin's Q	-0.016 [0.0105]	-0.0098 [0.0084]	-0.0012 [0.0032]	-0.0054 [0.0097]
Diversified	0.2291*** [0.0359]	0.1539*** [0.0307]	0.0054 [0.0108]	0.1351*** [0.0305]
Serial Acquiror	0.1069*** [0.0338]	0.0838*** [0.0277]	0.0049 [0.0109]	0.0473 [0.0294]
M&A Liquidity	0.145 [0.1031]	0.0869 [0.0821]	0.0647** [0.0274]	0.0264 [0.0903]
Stock	-0.0767* [0.0451]	-0.0364 [0.0387]	0.0031 [0.0132]	-0.0738* [0.0405]
Relative Size	0.0157* [0.0081]	0.0055 [0.0073]	0.0075*** [0.0017]	0.0097 [0.0079]
Cross Border	0.0215 [0.0357]	-0.0175 [0.0291]	-0.0075 [0.0098]	0.0514* [0.0312]
Cross Industry	0.0072 [0.0308]	0.0111 [0.0248]	-0.0005 [0.0092]	-0.0129 [0.0268]
Public Target	0.0475 [0.0320]	-0.0102 [0.0272]	-0.0025 [0.0103]	0.0829*** [0.0282]
Divestiture Pre			0.0475*** [0.0100]	0.1475*** [0.0393]
Divestiture Interim				0.1865*** [0.0503]
Country FE	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes
Time FE	yes	yes	yes	yes
Pseudo R <sup>2</sup>	0.1801	0.2008	0.4768	0.1977
Observations	5968	5686	4752	5790

**Table 4. Wealth Effects of the M&A Restructuring Processes – Univariate Evidence**

The table presents summary statistics for the wealth effects of all focal acquisitions, and acquisitions with and without divestitures. Cumulative abnormal returns are computed for the event windows (-1, 1) and (-2, 2) using a market model, with parameters estimated over the estimation period (-240, -41) with respect to the announcement day. We employ the local index (datatype LI) as market index. In the second row, we report the announcement CAR associated with divestitures embedded in an M&A restructuring process. The third row reports on the Total CAR, which corresponds to the focal acquisition CAR plus the sum of the CARs around divestment announcements. Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. The last two columns report the *p*-values of the difference in mean and median tests between the subsamples of acquirers with and without divestitures. Note that the sum of CAR acquisitions (1.67%) and CAR divestitures (0.98%) does not equal Total CAR (2.89%) because the variables are winsorized. Without winsorization, the values are: CAR Acquisitions 1.82%; CAR Divestitures 1.25%; Total CAR 3.07% (=1.82%+1.25%).

<i>Variables</i>	All Acquisitions			Acquisitions with Divestitures			Acquisitions without Divestitures			Difference <i>p</i> -value	
	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>
Event Window (-1, 1)											
CAR Acquisitions	2.40%	1.10%	7045	1.67%	0.71%	911	2.51%	1.16%	6134	0.01	0.01
CAR Divestitures				0.98%	0.42%	911					
Total CAR	2.56%	1.22%	7045	2.89%	1.67%	911	2.52%	1.16%	6134	0.00	0.00
Event Window (-2, 2)											
CAR Acquisitions	2.75%	1.39%	7045	1.82%	0.95%	911	2.88%	1.47%	6134	0.00	0.03
CAR Divestitures				1.49%	0.69%	911					
Total CAR	2.94%	1.54%	7045	3.29%	1.97%	911	2.89%	1.47%	6134	0.362	0.135

**Table 5. Wealth Effects around Acquisition Announcements**

The table presents the coefficient estimates of OLS where the dependent variable is the cumulative abnormal return (CAR) around the acquisition announcements. Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

Variable	CAR (-1, 1)			CAR (-2, 2)		
	(I)	(II)	(III)	(IV)	(V)	(VI)
ROA	0.0028 [0.0136]	0.0031 [0.0136]	0.0032 [0.0136]	0.0164 [0.0158]	0.0167 [0.0158]	0.0167 [0.0159]
Leverage	0.0208*** [0.0080]	0.0208*** [0.0080]	0.0209*** [0.0080]	0.0204** [0.0094]	0.0204** [0.0094]	0.0205** [0.0094]
Cash Holding	0.0022 [0.0105]	0.0025 [0.0104]	0.0023 [0.0104]	0.0067 [0.0122]	0.0069 [0.0122]	0.0067 [0.0122]
Dividend Dummy	-0.0015 [0.0030]	-0.0015 [0.0030]	-0.0016 [0.0030]	0.0014 [0.0034]	0.0013 [0.0034]	0.0013 [0.0034]
Size	-0.0086*** [0.0011]	-0.0089*** [0.0011]	-0.0090*** [0.0011]	-0.0088*** [0.0012]	-0.0090*** [0.0012]	-0.0090*** [0.0013]
Excess Price Margin	0.0034 [0.0037]	0.0035 [0.0037]	0.0035 [0.0037]	0.0045 [0.0045]	0.0045 [0.0045]	0.0045 [0.0045]
Herfindhal	0.0053 [0.0058]	0.0053 [0.0058]	0.0055 [0.0058]	0.0112* [0.0068]	0.0112* [0.0068]	0.0113* [0.0068]
R&D	-0.0837** [0.0402]	-0.0837** [0.0402]	-0.0840** [0.0402]	-0.0772 [0.0472]	-0.0772 [0.0472]	-0.0773 [0.0472]
Capex	-0.0098 [0.0233]	-0.0101 [0.0234]	-0.0097 [0.0234]	-0.0159 [0.0283]	-0.0162 [0.0283]	-0.0158 [0.0283]
Tobin's Q	-0.0023*** [0.0009]	-0.0023*** [0.0009]	-0.0023*** [0.0009]	-0.0025** [0.0011]	-0.0025** [0.0011]	-0.0025** [0.0011]
Diversified	0.0079*** [0.0029]	0.0076*** [0.0029]	0.0077*** [0.0029]	0.0092*** [0.0033]	0.0090*** [0.0033]	0.0090*** [0.0033]
Serial Acquiror	0.0050* [0.0027]	0.0047* [0.0027]	0.0047* [0.0027]	0.0048 [0.0031]	0.0046 [0.0030]	0.0046 [0.0031]
M&A Liquidity	0.0258** [0.0102]	0.0255** [0.0101]	0.0253** [0.0101]	0.0264** [0.0119]	0.0262** [0.0118]	0.0261** [0.0118]
Stock	0.0028 [0.0041]	0.0029 [0.0041]	0.0028 [0.0041]	0.0057 [0.0048]	0.0057 [0.0048]	0.0056 [0.0048]
Relative Size	0.0042*** [0.0011]	0.0041*** [0.0011]	0.0041*** [0.0011]	0.0048*** [0.0014]	0.0047*** [0.0014]	0.0047*** [0.0014]
Cross Border	0.0042 [0.0029]	0.0042 [0.0029]	0.0043 [0.0029]	0.0022 [0.0033]	0.0022 [0.0033]	0.0023 [0.0033]
Cross Industry	-0.0011 [0.0025]	-0.0011 [0.0025]	-0.0012 [0.0025]	0.0019 [0.0028]	0.0019 [0.0028]	0.0018 [0.0028]
Public Target	-0.0280*** [0.0030]	-0.0282*** [0.0030]	-0.0280*** [0.0030]	-0.0332*** [0.0033]	-0.0334*** [0.0033]	-0.0332*** [0.0033]
Divestiture		0.0054 [0.0033]			0.0044 [0.0037]	
Divestiture Pre			0.0069 [0.0046]			0.0058 [0.0051]
Divestiture Interim			0.0122* [0.0068]			0.008 [0.0079]
Divestiture Post			-0.0017 [0.0039]			-0.0015 [0.0042]
Country FE	yes	yes	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes	yes	yes
Time FE	yes	yes	yes	yes	yes	yes
Adjusted R <sup>2</sup>	0.0850	0.0852	0.0852	0.0809	0.0810	0.0808
Observations	6192	6192	6192	6192	6192	6192

**Table 6. Total Wealth Effects**

The table presents the coefficient estimates of OLS where the dependent variable is the total CAR associated with the M&A restructuring process (i.e., acquisition CAR plus divestiture CARs). Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

Variable	CAR (-1, 1)				CAR (-2, 2)	
	(I)	(II)	(III)	(IV)	(V)	(VI)
ROA	0.0089 [0.0144]	0.0102 [0.0144]	0.0097 [0.0143]	0.0219 [0.0169]	0.0233 [0.0169]	0.0227 [0.0167]
Leverage	0.0210** [0.0083]	0.0209** [0.0083]	0.0212** [0.0083]	0.0247** [0.0098]	0.0247** [0.0098]	0.0249** [0.0098]
Cash Holding	0.001 [0.0109]	0.0019 [0.0109]	0.0017 [0.0109]	0.0044 [0.0127]	0.0054 [0.0127]	0.0052 [0.0127]
Dividend Dummy	-0.0025 [0.0031]	-0.0028 [0.0031]	-0.0029 [0.0031]	0.0000 [0.0036]	-0.0003 [0.0036]	-0.0004 [0.0036]
Size	-0.0081*** [0.0011]	-0.0090*** [0.0011]	-0.0089*** [0.0011]	-0.0083*** [0.0013]	-0.0092*** [0.0013]	-0.0091*** [0.0013]
Excess Price Margin	0.0017 [0.0039]	0.002 [0.0038]	0.002 [0.0038]	0.0034 [0.0047]	0.0036 [0.0047]	0.0036 [0.0047]
Herfindhal	0.0071 [0.0060]	0.0072 [0.0060]	0.0073 [0.0060]	0.0143** [0.0071]	0.0144** [0.0071]	0.0144** [0.0071]
R&D	-0.0694* [0.0417]	-0.0696* [0.0416]	-0.0706* [0.0416]	-0.059 [0.0491]	-0.0592 [0.0490]	-0.0601 [0.0490]
Capex	0.0003 [0.0244]	-0.0007 [0.0244]	0.0002 [0.0244]	-0.0001 [0.0298]	-0.0011 [0.0298]	-0.0002 [0.0298]
Tobin's Q	-0.0024** [0.0009]	-0.0024** [0.0009]	-0.0024** [0.0009]	-0.0026** [0.0012]	-0.0026** [0.0012]	-0.0026** [0.0012]
Diversified	0.0096*** [0.0030]	0.0085*** [0.0030]	0.0086*** [0.0030]	0.0118*** [0.0034]	0.0107*** [0.0034]	0.0107*** [0.0034]
Serial Acquiror	0.0041 [0.0028]	0.0033 [0.0028]	0.0031 [0.0028]	0.0035 [0.0032]	0.0027 [0.0032]	0.0025 [0.0032]
M&A Liquidity	0.0300*** [0.0111]	0.0291*** [0.0110]	0.0291*** [0.0110]	0.0309** [0.0131]	0.0300** [0.0129]	0.0301** [0.0129]
Stock	0.0018 [0.0043]	0.0022 [0.0043]	0.0021 [0.0043]	0.0039 [0.0050]	0.0042 [0.0050]	0.0042 [0.0050]
Relative Size	0.0044*** [0.0012]	0.0042*** [0.0012]	0.0042*** [0.0012]	0.0055*** [0.0015]	0.0053*** [0.0015]	0.0054*** [0.0015]
Cross Border	0.0042 [0.0030]	0.0041 [0.0030]	0.0042 [0.0030]	0.0028 [0.0035]	0.0028 [0.0035]	0.0028 [0.0035]
Cross Industry	-0.0019 [0.0026]	-0.002 [0.0026]	-0.0021 [0.0026]	0.001 [0.0029]	0.0009 [0.0029]	0.0009 [0.0029]
Public Target	-0.0284*** [0.0031]	-0.0291*** [0.0031]	-0.0290*** [0.0031]	-0.0329*** [0.0035]	-0.0337*** [0.0035]	-0.0336*** [0.0035]
Divestiture		0.0185*** [0.0041]			0.0193*** [0.0046]	
Divestiture Pre			0.0169*** [0.0060]			0.0175*** [0.0066]
Divestiture Interim			0.0099 [0.0088]			0.0052 [0.0099]
Divestiture Post			0.0119** [0.0051]			0.0142** [0.0058]
Country FE	yes	yes	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes	yes	yes
Time FE	yes	yes	yes	yes	yes	yes
Adjusted R <sup>2</sup>	0.0766	0.0801	0.1378	0.0762	0.0791	0.1339
Observations	6192	6192	6192	6192	6192	6192

**Table 7. Wealth Creation around Divestitures**

The table presents summary statistics for the wealth effects of all divestitures, those related to the acquisitions and those not. Panel A reports univariate analysis. Cumulative abnormal returns are computed for the event windows (-1, 1) using a market model. The last two columns report the *p*-values of the difference in mean and median tests between the subsamples of divestitures included in an M&A restructuring process and those not related to an M&A restructuring process. Panel B presents the coefficient estimates of OLS regression where the dependent variable is the cumulative abnormal return (CAR) computed for the event window (-1, +1) around the divestiture announcements. Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

*Panel A. Summary Statistics for CAR (-1, 1) around divestiture announcements*

	<i>Mean</i>	<i>Median</i>	<i>N</i>					
All	1.59%	0.36%	17,422					
	Divestitures within an M&A Restructuring Processes			Divestitures not related to a M&A Restructuring Processes			Tests	
<i>Period</i>	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>
All	1.02%	0.26%	1,536	1.64%	0.37%	15,886	0.00	0.32
Pre-Announcement	1.25%	0.38%	567					
Interim	0.61%	0.28%	204					
Post Completion	0.96%	0.19%	765					



*Panel B. Multivariate Evidence*

Variable	CAR (-1, 1)	
	(I)	(II)
Acquisition Dummy	0.0009 [0.0020]	
Acquisition Pre		0.0022 [0.0030]
Acquisition Interim		0.0021 [0.0042]
Acquisition Post		-0.0004 [0.0026]
ROA	-0.0098 [0.0068]	-0.0098 [0.0068]
Leverage	0.0055 [0.0055]	0.0055 [0.0055]
Cash Holding	-0.0044 [0.0093]	-0.0044 [0.0093]
Dividend Dummy	-0.0029 [0.0022]	-0.0029 [0.0022]
Size	-0.0036*** [0.0005]	-0.0036*** [0.0005]
Excess Price Margin	0.0004 [0.0005]	0.0004 [0.0005]
Herfindhal	0.0097*** [0.0037]	0.0097*** [0.0037]
R&D	0.0185 [0.0281]	0.0186 [0.0281]
Capex	-0.0154 [0.0151]	-0.0155 [0.0151]
Tobin's Q	-0.0044*** [0.0010]	-0.0044*** [0.0010]
Diversified	-0.0011 [0.0024]	-0.0012 [0.0024]
M&A Liquidity	-3.0778 [8.3711]	-3.0116 [8.3699]
Country FE	yes	yes
Industry FE	yes	yes
Time FE	yes	yes
Adjusted R <sup>2</sup>	0.0488	0.0487
Observations	12784	12784

**Table 8. Determinants of Divestitures in Cash and Stock Acquisitions**

The table presents the coefficient estimates of logit and OLS models following either a cash acquisition (Panel A) or a stock acquisition (Panel B). The dependent variables are respectively: a binary variable taking value 1 if there is at least one divestiture over the whole acquisition period (Column I); a binary variable taking value 1 if there is at least one divestiture in the pre/interim/post-announcement period (Columns II and IV); CAR around the acquisition announcement (OLS, Column V); total CAR for the acquisition process (Column VI). Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

*Panel A. Cash Acquisitions*

Variable	Full (I)	Pre (II)	Interim (III)	Post (IV)	Acq. CAR (V)	Total CAR (VI)
ROA	-0.1714 [0.8239]	-1.5185 [1.0360]	4.2577 [3.0673]	1.0212 [1.1377]	0.0386* [0.0226]	0.0483** [0.0228]
Leverage	0.361 [0.5283]	-0.5499 [0.7649]	1.6901 [1.4439]	0.9895 [0.6621]	0.0197 [0.0121]	0.0194 [0.0124]
Cash Holding	-0.7294 [0.6830]	0.7048 [0.8594]	-3.7746 [2.7673]	-1.1024 [0.8833]	0.0039 [0.0144]	0.0038 [0.0152]
Dividend Dummy	0.2268 [0.1996]	0.5372* [0.2939]	-0.2817 [0.6046]	0.2023 [0.2732]	-0.0135*** [0.0045]	-0.0131*** [0.0047]
Size	0.4488*** [0.0646]	0.4859*** [0.0889]	0.7063*** [0.2162]	0.4238*** [0.0837]	-0.0086*** [0.0016]	-0.0096*** [0.0016]
Excess Price Margin	-0.0275 [0.3268]	0.4673 [0.3558]	-1.5452** [0.7379]	-0.6297 [0.4332]	-0.0065 [0.0123]	-0.0083 [0.0126]
Herfindhal	-0.5063 [0.4278]	0.1729 [0.5586]	-1.0175 [1.6629]	-0.8640* [0.4947]	0.0065 [0.0069]	0.0098 [0.0072]
R&D	1.2143 [2.6376]	1.2286 [3.7772]	8.6077 [8.8140]	2.3059 [3.5850]	-0.0646 [0.0653]	-0.0458 [0.0694]
Capex	-0.5804 [2.1302]	-5.5545* [3.2795]	9.245 [5.9316]	1.2561 [2.3247]	-0.0181 [0.0423]	-0.0261 [0.0449]
Tobin's Q	0.0178 [0.0929]	0.0662 [0.0901]	0.0829 [0.2089]	-0.0355 [0.1784]	-0.0027* [0.0016]	-0.0017 [0.0019]
Diversified	0.6062*** [0.2172]	0.3075 [0.2818]	1.7353* [0.9240]	0.4278 [0.2883]	0.0029 [0.0046]	0.0032 [0.0047]
Serial Acquiror	0.2706 [0.1783]	0.27 [0.2532]	0.5832 [0.5405]	0.3403 [0.2308]	0.0028 [0.0040]	0.0014 [0.0042]
M&A Liquidity	-0.0326 [0.6513]	-0.3217 [0.7573]	-0.9175 [2.3148]	0.4388 [0.7430]	-0.0021 [0.0198]	0.0031 [0.0216]
Relative Size	0.1145** [0.0527]	0.1259 [0.1072]	0.1318 [0.0965]	0.0502 [0.0605]	0.0009 [0.0025]	-0.0006 [0.0028]
Cross Border	0.1816 [0.1878]	0.039 [0.2337]	-0.8215 [0.5144]	0.2967 [0.2462]	0.0026 [0.0040]	0.0001 [0.0042]
Cross Industry	-0.0949 [0.1709]	0.261 [0.2460]	-0.2139 [0.5288]	-0.3113 [0.2187]	-0.0015 [0.0038]	0.0000 [0.0040]
Public Target	0.3026* [0.1677]	0.2996 [0.2211]	-0.2809 [0.4887]	0.268 [0.2189]	-0.0117*** [0.0040]	-0.0118*** [0.0042]
Divestiture					0.0024 [0.0044]	0.0109** [0.0055]
Divestiture Pre.			2.2243*** [0.5019]	0.6581** [0.2965]		
Divestiture Interim				1.0295** [0.4509]		
Country FE	yes	yes	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes	yes	yes
Time FE	yes	yes	yes	yes	yes	yes
Pseudo R <sup>2</sup>	0.2153	0.2183	0.2487	0.2488	0.0647	0.0645
Observations	1751	1632	669	1587	1884	1884

*Panel B. Stock Acquisitions*

Variable	Full (I)	Pre (II)	Interim (III)	Post (IV)	Acq. CAR (V)	Total CAR (VI)
ROA	1.5654 [1.1632]	6.0338** [2.4176]	3.6391 [2.6332]	0.1369 [1.2384]	-0.0302 [0.0288]	-0.0223 [0.0301]
Leverage	0.7502 [0.7315]	2.2291* [1.2972]	-0.9785 [4.7619]	-0.2464 [0.9599]	0.0208 [0.0220]	0.0107 [0.0224]
Cash Holding	-1.1022 [0.9642]	-2.0374 [2.3560]	-5.2555 [4.5023]	-0.4914 [1.1185]	-0.037 [0.0254]	-0.0361 [0.0262]
Dividend Dummy	0.2991 [0.3598]	-0.0116 [0.6583]	3.1372** [1.3653]	0.176 [0.4668]	0.0187** [0.0084]	0.0151* [0.0088]
Size	0.1677 [0.1064]	0.3643* [0.2017]	0.7525* [0.4425]	0.1097 [0.1372]	-0.0095*** [0.0028]	-0.0088*** [0.0031]
Excess Price Margin	-0.4384** [0.1901]	-0.6501** [0.3178]	-2.4096*** [0.8326]	-0.1484 [0.2515]	0.0009 [0.0056]	-0.0003 [0.0059]
Herfindhal	0.3452 [0.7851]	-0.9169 [1.0925]	7.4088*** [2.3529]	0.8932 [1.0597]	0.0148 [0.0148]	0.0202 [0.0153]
R&D	1.1842 [2.6159]	3.994 [5.7330]	-10.619 [14.3199]	0.409 [2.9325]	-0.0821 [0.0801]	-0.0677 [0.0813]
Capex	1.8885 [1.6801]	-0.6035 [3.7437]	3.9172 [6.8810]	3.1028* [1.7981]	-0.027 [0.0567]	-0.0033 [0.0611]
Tobin's Q	-0.0807 [0.0551]	-0.2461** [0.1146]	0.2095 [0.1591]	-0.0254 [0.0621]	-0.0030* [0.0016]	-0.0030* [0.0017]
Diversified	0.5478* [0.2970]	1.4782** [0.6520]	1.9984 [1.6698]	-0.1386 [0.3784]	0.0141* [0.0082]	0.0159* [0.0086]
Serial Acquiror	0.6290* [0.3314]	0.8558 [0.5786]	-0.7287 [1.5234]	0.3312 [0.4255]	0.0089 [0.0089]	0.0097 [0.0094]
M&A Liquidity	1.5467** [0.6473]	2.4439** [0.9710]	2.8086 [2.7959]	0.9156 [0.9636]	0.0568** [0.0236]	0.0598** [0.0248]
Relative Size	0.057 [0.0562]	0.0976 [0.0723]	0.0109 [0.1289]	0.1162 [0.0731]	0.0016 [0.0017]	0.0022 [0.0017]
Cross Border	0.17 [0.3603]	-0.5185 [0.5569]	-2.0142 [1.2992]	0.0343 [0.4872]	0.0025 [0.0105]	0.0025 [0.0108]
Cross Industry	0.0035 [0.2690]	0.1006 [0.5268]	-2.3708 [1.5351]	-0.0418 [0.3669]	-0.0045 [0.0073]	-0.0059 [0.0074]
Public Target	0.9895*** [0.3698]	0.1251 [0.6741]	-3.2999*** [1.1423]	2.2955*** [0.7210]	-0.0623*** [0.0080]	-0.0633*** [0.0082]
Divestiture					-0.0015 [0.0104]	0.0054 [0.0135]
Divestiture Pre.			4.2704*** [1.2565]	1.3553** [0.6484]		
Divestiture Interim				0.8681 [0.7020]		
Country FE	yes	yes	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes	yes	yes
Time FE	yes	yes	yes	yes	yes	yes
Pseudo R <sup>2</sup>	0.2863	0.4018	0.555	0.3125	0.1574	0.1445
Observations	805	616	265	711	1077	1077

**Table 9. Determinants of Divestitures and Debt and Equity Issues**

The table presents summary statistics and regression results for determinants of divestitures and wealth creation when we control for debt and equity issues. Panel A reports summary statistics for equity and debt issues around focal acquisitions (include issues that have occurred within the acquisition period of interest, from one year prior to the announcement, to one year after completion of the focal acquisition). Debt issue is constructed by summing the loan and bond issues. Equity and debt proceeds are in US\$ millions. Panel B reports coefficient estimates of logit and OLS when we consider equity and debt issues that took place during the acquisition process. The dependent variables are respectively: a binary variable taking value 1 if there is at least one divestiture over the whole acquisition period (Column I); a binary variable taking value 1 if there is at least one divestiture in the pre/interim/post-announcement period (Columns II and IV); CAR around the acquisition announcement (OLS, Column V); total CAR for the acquisition process (Column VI). Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

*Panel A. Univariate Evidence*

<i>Variables</i>	All Acquisitions			Acquisitions with Divestitures			Acquisitions without Divestitures			Tests	
	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>	<i>N</i>	<i>Mean</i>	<i>Media</i>	<i>N</i>	<i>Mean</i>	<i>Median</i>
Equity Issues Dummy	31.72%	0.00%	7045	26.02%	0.00%	911	32.57%	0.00%	6134	0.0000	0.0000
Debt Issues Dummy	48.52%	0.00%	7045	63.23%	100.00%	911	46.33%	0.00%	6134	0.0000	0.0000
Bond Issues Dummy	23.96%	0.00%	7045	36.77%	0.00%	911	22.06%	0.00%	6134	0.0000	0.0000
Loan Issues Dummy	40.72%	0.00%	7045	55.65%	100.00%	911	38.51%	0.00%	6134	0.0000	0.0000
Equity Proceeds (US\$m)	312.65	122.35	2235	508.09	178.02	237	289.46	115.51	1998	0.0004	0.0000
Debt Proceeds (US\$m)	1,969.45	500.00	3418	4,124.31	952.68	576	1,532.71	452.95	2842	0.0000	0.0000
Bond Proceeds (US\$m)	1,290.80	435.61	1688	2,276.25	756.90	335	1,046.80	396.55	1353	0.0000	0.0000
Loan Proceeds (US\$m)	1,586.86	465.99	2869	3,181.58	787.08	507	1,244.56	410.00	2362	0.0000	0.0000
Equity Issues Pre	217.64	90.01	1116	307.11	110.70	101	208.73	87.28	1015	0.3226	0.0210
Equity Issues Interim	328.65	114.56	574	500.95	192.70	74	303.15	109.30	500	0.0533	0.0470
Equity Issues Post	244.72	101.24	1092	443.47	138.38	118	220.64	96.27	974	0.0108	0.8150
Debt Issues Pre	1,088.61	350.00	1855	2,090.88	650.00	347	857.98	300.00	1508	0.0000	0.0000
Debt Issues Interim	1,713.26	500.00	1553	3,405.68	1005.03	283	1,336.12	425.00	1270	0.0000	0.0000
Debt Issues Post	1,062.41	400.00	1931	1,875.02	661.65	366	872.37	379.20	1565	0.0000	0.0000

*Panel B. Multivariate Evidence*

Variable	Full (I)	Pre (II)	Interim (III)	Post (IV)	Acq. CAR (V)	Total CAR (VI)
ROA	-0.4389 [0.4200]	-0.8563 [0.5707]	0.5631 [1.4311]	-0.2859 [0.5046]	-0.0009 [0.0133]	0.0061 [0.0140]
Leverage	0.1734 [0.2553]	0.3248 [0.3559]	0.2459 [0.6884]	-0.1481 [0.3109]	0.0222*** [0.0079]	0.0227*** [0.0082]
Cash Holding	-1.0847*** [0.3711]	-0.5114 [0.5132]	-1.3202 [1.0931]	-1.2942*** [0.4590]	0.0069 [0.0104]	0.0062 [0.0108]
Dividend Dummy	0.0837 [0.1000]	0.1195 [0.1377]	0.2831 [0.2633]	0.0339 [0.1297]	0.0000 [0.0028]	-0.0012 [0.0029]
Size	0.3282*** [0.0352]	0.3108*** [0.0479]	0.6749*** [0.0902]	0.2608*** [0.0444]	-0.0085*** [0.0011]	-0.0086*** [0.0011]
Excess Price Margin	-0.2509*** [0.0895]	-0.2012* [0.1167]	-0.2999 [0.3346]	-0.2120* [0.1119]	0.0041 [0.0036]	0.0026 [0.0038]
Herfindhal	-0.0802 [0.1660]	-0.0117 [0.2305]	-0.5176 [0.3681]	0.1955 [0.1938]	0.004 [0.0044]	0.0047 [0.0046]
R&D	1.0157 [1.2234]	-0.1347 [1.5685]	1.732 [3.5877]	1.6026 [1.5616]	-0.0909** [0.0394]	-0.0753* [0.0408]
Capex	0.8023 [0.7533]	0.2166 [1.1103]	2.2294 [1.8896]	1.1168 [0.8895]	-0.0088 [0.0231]	-0.0003 [0.0241]
Tobin's Q	-0.008 [0.0300]	-0.0155 [0.0382]	0.0245 [0.0708]	-0.0009 [0.0414]	-0.0022** [0.0009]	-0.0022** [0.0009]
Diversified	0.5094*** [0.1045]	0.6493*** [0.1528]	0.1583 [0.2725]	0.3222** [0.1295]	0.0084*** [0.0028]	0.0093*** [0.0029]
Serial Acquiror	0.5427*** [0.0924]	0.6623*** [0.1255]	0.231 [0.2236]	0.4070*** [0.1152]	0.0029 [0.0026]	0.0017 [0.0028]
M&A Liquidity	0.5038* [0.2720]	0.5661 [0.3575]	1.3861** [0.6194]	0.1655 [0.3231]	0.0229** [0.0101]	0.0261** [0.0109]
Stock	-0.4226*** [0.1339]	-0.3613* [0.1916]	0.0612 [0.2996]	-0.4964*** [0.1670]	0.0078* [0.0040]	0.0070* [0.0042]
Relative Size	0.0677*** [0.0248]	0.0355 [0.0405]	0.1650*** [0.0423]	0.0499 [0.0339]	0.0042*** [0.0011]	0.0043*** [0.0012]
Cross Border	-0.0221 [0.0997]	-0.1375 [0.1315]	-0.0396 [0.2203]	0.1091 [0.1253]	0.0031 [0.0027]	0.0027 [0.0028]
Cross Industry	0.0086 [0.0902]	0.0872 [0.1223]	0.0723 [0.2202]	-0.0981 [0.1123]	-0.0003 [0.0024]	-0.0011 [0.0025]
Public Target	0.3810*** [0.0924]	0.1414 [0.1277]	-0.0574 [0.2250]	0.5340*** [0.1159]	-0.0305*** [0.0029]	-0.0315*** [0.0031]
Equity Issue	-0.0153 [0.0961]	-0.1627 [0.1341]	-0.079 [0.2335]	0.1915 [0.1174]	0.0013 [0.0027]	0.0006 [0.0029]
Debt Issue	0.1762* [0.0913]	0.0635 [0.1230]	0.3084 [0.2436]	0.1970* [0.1162]	0.0037 [0.0025]	0.0033 [0.0026]
Divestiture					0.0038 [0.0033]	0.0169*** [0.0041]
Divestiture Pre.			1.1359*** [0.2188]	0.7981*** [0.1549]		
Divestiture Interim				1.0302*** [0.2171]		
Country FE	yes	yes	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes	yes	yes
Time FE	yes	yes	yes	yes	yes	yes
Pseudo R <sup>2</sup>	0.162	0.1512	0.2621	0.1711	0.0821	0.0771
Observations	6192	6099	5203	6147	6192	6192

**Table 10. Determinants of Divestitures and Wealth Effects for US acquisitions**

The table presents the coefficient estimates for the likelihood and wealth effects of a divestitures around the acquisition of US companies. The dependent variables are respectively: a binary variable taking value 1 if there is at least one divestiture over the whole acquisition period (Column I); a binary variable taking value 1 if there is at least one divestiture in the pre/interim/post-announcement period (Columns II and IV); CAR around the acquisition announcement (OLS, Column V); total CAR for the acquisition process (Column VI). Variable definitions are in Appendix A. All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

Variable	Full (I)	Pre (II)	Interim (III)	Post (IV)	Acq. CAR (V)	Total CAR (VI)
ROA	-0.3467 [0.6131]	-1.5533** [0.7924]	2.02 [1.5291]	0.3289 [0.7555]	0.0069 [0.0190]	0.0152 [0.0206]
Leverage	0.4312 [0.3568]	0.5548 [0.4941]	-1.3458 [0.9822]	0.475 [0.4409]	0.0216** [0.0110]	0.0239** [0.0113]
Cash Holding	-1.3839** [0.5505]	-0.2702 [0.7402]	-2.7331* [1.5625]	-1.8181*** [0.6756]	-0.0101 [0.0152]	-0.0132 [0.0159]
Dividend Dummy	0.051 [0.1392]	0.1085 [0.1869]	-0.1663 [0.3774]	0.0842 [0.1788]	-0.0051 [0.0040]	-0.0074* [0.0042]
Size	0.4064*** [0.0546]	0.4360*** [0.0709]	0.8189*** [0.1550]	0.3014*** [0.0685]	-0.0081*** [0.0017]	-0.0085*** [0.0017]
Excess Price Margin	-0.4051*** [0.1398]	-0.1383 [0.1514]	-0.6954* [0.4072]	-0.4521*** [0.1565]	0.0014 [0.0058]	-0.0017 [0.0061]
Herfindhal	0.2145 [0.4205]	-0.4921 [0.6631]	0.1373 [1.0225]	0.6394 [0.4979]	0.0194 [0.0137]	0.0198 [0.0142]
R&D	-1.3181 [1.6361]	-1.6337 [2.1397]	0.8592 [5.0034]	-0.1945 [1.9736]	-0.1117** [0.0523]	-0.0824 [0.0542]
Capex	1.4233 [1.1244]	-0.9019 [1.5708]	3.8536 [2.8396]	3.0670** [1.3410]	0.0041 [0.0342]	0.0243 [0.0350]
Tobin's Q	-0.0398 [0.0465]	-0.0199 [0.0727]	-0.2131 [0.1372]	-0.0067 [0.0500]	-0.0015 [0.0012]	-0.0017 [0.0013]
Diversified	0.5865*** [0.1460]	0.5736*** [0.2042]	0.5888 [0.4227]	0.4775*** [0.1837]	0.0080* [0.0042]	0.0075* [0.0043]
Serial Acquiror	0.3121** [0.1403]	0.3873** [0.1869]	0.0932 [0.3909]	0.1237 [0.1821]	0.0016 [0.0042]	0.0012 [0.0043]
M&A Liquidity	0.3049 [0.4781]	0.6211 [0.7379]	1.263 [1.3557]	-0.1577 [0.5484]	0.0331* [0.0189]	0.0425** [0.0204]
Stock	-0.0466 [0.2194]	-0.0492 [0.3069]	0.0874 [0.5087]	-0.1273 [0.2666]	-0.0163** [0.0075]	-0.0196** [0.0077]
Relative Size	0.0141 [0.0546]	-0.1935 [0.1318]	0.4383*** [0.0960]	0.0015 [0.0744]	0.0054*** [0.0019]	0.0054*** [0.0020]
Cross Border	0.0119 [0.1751]	-0.1352 [0.2272]	-0.114 [0.4230]	0.0681 [0.2130]	0.0015 [0.0047]	0.0018 [0.0049]
Cross Industry	-0.2081 [0.1378]	0.0624 [0.1824]	-0.3103 [0.3133]	-0.2950* [0.1753]	-0.0036 [0.0039]	-0.0061 [0.0041]
Public Target	0.2470* [0.1336]	0.0432 [0.1809]	0.0266 [0.3443]	0.3953** [0.1720]	-0.0297*** [0.0047]	-0.0290*** [0.0049]
Divestiture					0.0105** [0.0052]	0.0291*** [0.0061]
Divestiture Pre.			1.0767*** [0.3217]	0.5889** [0.2322]		
Divestiture Interim				0.8717*** [0.2871]		
Country FE	yes	yes	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes	yes	yes
Time FE	yes	yes	yes	yes	yes	yes
Pseudo R <sup>2</sup>	0.1844	0.1901	0.2899	0.18	0.0807	0.083
Observations	2708	2626	1450	2648	2716	2716

**Table 11. Determinants of Divestitures and Wealth effects for Acquisitions above \$500 million**

The table presents the coefficient estimates for the likelihood, and wealth effects of a divestitures around the acquisitions deal value is above \$500 million. The dependent variables are respectively: a binary variable taking value 1 if there is at least one divestiture over the whole acquisition period (Column I); a binary variable taking value 1 if there is at least one divestiture in the pre/interim/post-announcement period (Columns II and IV); CAR around the acquisition announcement (OLS, Column V); total CAR for the acquisition process (Column VI). All variables are winsorized at 1% on both tails. Standard errors are clustered at firm level and reported within brackets. The symbols \*\*\*, \*\*, and \* indicate significance at the 1, 5, and 10 percent levels, respectively.

Variable	Full (I)	Pre (II)	Interim (III)	Post (IV)	Acq. CAR (V)	Total CAR (VI)
ROA	-0.245 [1.0239]	-0.7467 [1.3966]	-1.227 [1.7300]	0.62 [1.2806]	-0.0251 [0.0282]	0.0006 [0.0300]
Leverage	-0.0424 [0.4875]	0.2254 [0.6805]	-0.624 [0.9483]	-0.092 [0.5847]	0.0336** [0.0147]	0.0352** [0.0151]
Cash Holding	-1.0964 [0.7234]	-1.2276 [1.0618]	-1.2352 [1.2123]	-0.9482 [0.8712]	0.0244 [0.0208]	0.0208 [0.0217]
Dividend Dummy	0.3056 [0.1915]	0.5407* [0.2800]	0.6045 [0.4233]	0.0858 [0.2283]	-0.0066 [0.0061]	-0.0084 [0.0064]
Size	0.4557*** [0.0721]	0.5174*** [0.0947]	0.6246*** [0.1249]	0.3563*** [0.0905]	-0.0044** [0.0019]	-0.0046** [0.0020]
Excess Price Margin	-0.2182 [0.5043]	-1.6850** [0.7302]	0.64 [0.7570]	0.8601 [0.6704]	0.0245 [0.0156]	0.0073 [0.0170]
Herfindhal	0.184 [0.2892]	0.3716 [0.3989]	-0.5087 [0.4503]	0.4582 [0.3229]	-0.0004 [0.0082]	0.0006 [0.0085]
R&D	-0.4091 [3.2772]	1.1877 [4.1489]	4.7633 [5.1713]	-1.3005 [4.0313]	-0.2412** [0.1023]	-0.2036* [0.1051]
Capex	1.8375 [1.5717]	2.6324 [2.3235]	0.3956 [2.7864]	1.6815 [1.6263]	-0.0521 [0.0421]	-0.0461 [0.0445]
Tobin's Q	-0.0563 [0.0710]	-0.0886 [0.0838]	0.0694 [0.0897]	-0.0435 [0.0989]	-0.0013 [0.0019]	-0.0022 [0.0020]
Diversified	0.1387 [0.1926]	0.4542 [0.2851]	0.2279 [0.3382]	-0.0784 [0.2361]	0.0036 [0.0054]	0.004 [0.0057]
Serial Acquiror	0.4933*** [0.1663]	0.6383*** [0.2390]	0.1579 [0.3082]	0.3788* [0.1983]	-0.0045 [0.0047]	-0.0064 [0.0050]
M&A Liquidity	0.6766 [0.4585]	-0.018 [0.6303]	1.7961** [0.7740]	0.5608 [0.4605]	0.0436*** [0.0160]	0.0479*** [0.0176]
Stock	-0.2497 [0.2108]	-0.0367 [0.2948]	0.299 [0.3434]	-0.6977** [0.2734]	0.0047 [0.0064]	0.003 [0.0067]
Relative Size	0.0124 [0.0643]	-0.0349 [0.1000]	0.1518* [0.0871]	-0.0576 [0.0784]	0.0045* [0.0023]	0.0043* [0.0024]
Cross Border	-0.4537*** [0.1749]	-0.5741** [0.2238]	-0.0488 [0.2678]	-0.3566* [0.2098]	0.0001 [0.0051]	-0.0008 [0.0053]
Cross Industry	-0.0276 [0.1465]	0.0461 [0.2017]	0.0343 [0.2491]	-0.0568 [0.1768]	0.0001 [0.0044]	-0.0029 [0.0047]
Public Target	0.2745** [0.1391]	0.0876 [0.1956]	-0.3217 [0.2680]	0.4785*** [0.1698]	-0.0271*** [0.0045]	-0.0272*** [0.0048]
Divestiture					0.0048 [0.0047]	0.0132** [0.0055]
Divestiture Pre.			1.1445*** [0.2697]	0.7593*** [0.2317]		
Divestiture Interim				1.0039*** [0.2717]		
Country FE	yes	yes	yes	yes	yes	yes
Industry FE	yes	yes	yes	yes	yes	yes
Time FE	yes	yes	yes	yes	yes	yes
Pseudo R <sup>2</sup>	0.2027	0.2271	0.2389	0.2272	0.1184	0.1065
Observations	1641	1552	1409	1627	1656	1656