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Naked M&A transactions: How the lack of local expertise in cross-border deals can negatively affect acquirer performance – and how informed institutional investors can mitigate this effect

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Abstract

We test how informed investors with local expertise can affect cross-border deal success using a comprehensive dataset of corporate acquirers' share registers. We posit that deals in which long-term investors have a high level of expertise in the target firm's region are more likely to perform better than if the deal is 'naked', i.e. when such regional expertise amongst the investors is low. We show that the strength of this effect depends upon an index of country-level M&A maturity which measures the relative divergence between acquirer and target countries. Specifically, we investigate whether acquirers investing in countries with low M&A maturity gain greater benefit from investors with regional expertise. We present evidence which confirms the hypothesis that acquirers in cross-border corporate transactions are more likely to be successful if the acquirer's investors have a higher level of expertise in the target region, and that this effect is strongest when the maturity for corporate transactions of the target country is low. This provides a specific setting which is consistent with earlier theoretical work that argues in general that information flows should not just be from firms to capital markets but also in the opposite direction, and that this flow of information is particularly important whenever information is dispersed.

Naked M&A transactions: How the lack of local expertise in cross-border deals can negatively affect acquirer performance – and how informed institutional investors can mitigate this effect

1. Introduction

Ferreira, Massa and Matos (2009), hereafter FMM, consider cross-border M&A deals and find (Subsection 4.3) that the extent to which a deal is value-increasing depends on whether there is foreign institutional ownership of the companies. Specifically, they find (p. 640) that "foreign institutional ownership in both target and acquirer firms is associated with higher combined returns in cross-border deals. This is consistent with the "facilitation hypothesis" that foreign institutions promote deals that offer greater value creation (synergy)." They argue that this is because foreign institutional investors may reduce transaction costs and informational asymmetries between potential acquirers and targets. However, they do not propose in detail how these advantages arise.

Building upon the theory of Financial Geography and the work of Dye and Sridhar (2003), we argue that the reason that the holdings of foreign institutional investors is positively associated with the performance of acquirer returns is because a subset of the investors may hold key expertise in the target region. That is, in an economic setting in which information is hard to gather and diverse in nature, it may be reasonably argued that those investors with regional expertise hold information which the management of the acquirer finds hard to collect. Thus, they may have a role to play in reducing cross-border M&A deal informational asymmetries. To summarise, one goal of this research is to refine the earlier hypotheses of FMM in order to provide a more nuanced understanding of the specific reasons behind the observation of this positive association.

In order to try to detect these effects, we conduct this research at acquirer share register level and measure the success of transactions at deal level. Additionally, since we argue here that the effects are most likely to arise with those institutional investors who are both knowledge-intensive and who have regional expertise, the investor sample is further refined. First, we split institutional investors into those who are relatively more knowledge-intensive (informed) versus those who are not. The latter group includes those who only invest in specific stocks for very short periods of time and, therefore, are not assumed to conduct detailed firm-level analyses. Second, in order to identify informed institutional investors, we conduct an analysis of the company share registers which they invest in to ascertain their portfolio allocation, which we then use as a proxy for measuring regional expertise. We, therefore, suggest that simply looking at aggregate institutional investor holdings is an imperfect measure of the potential for reductions in informational asymmetries by acquirer firms learning from institutional investors. Instead, we test to see whether the holding positions in the target region of informed institutional investors is positively associated with post-M&A deal performance. Our statistically significant results confirm the above thesis.

In addition, we posit that this two-way communication is of particular importance when the acquiring firm is investing in a country where the maturity for corporate investment purpose is low, which we relate to the relatively higher information asymmetry in these situations. Thus, we suggest that the relationship established by FMM between the composite of investors on the share register and deal success is due to a reduction in information asymmetry. This effect is most marked when the investment is being made in countries with less developed M&A markets. Our conclusions add to the existing literature by highlighting

the importance of maintaining in general terms a constructive dialogue with long-term and strategically-savvy investors about M&A programmes and strategies.

This paper is organised as follows: Section 2 is a review of the literature on financial geography, the choices open to management of strategic options contingent on market reaction and other related literature which can be used to provide support for our aforementioned primary hypothesis; Section 3 discusses the data sources, provides a description of the data and a full list of variables; Section 4 presents empirical tests of the hypotheses and robustness tests; and the conclusion is presented in Section 5.

2. Related literature

This section considers the previous literature on the benefits which can accrue to the management of an acquirer by consulting its investors when it is considering making a cross-border M&A deal. With regard to this, it has long been recognised (see, for instance, Jennings and Mazzeo, 1991) that when an initial M&A bid is issued, the management of the potential acquirer needs to be cognisant of the stock market reaction to the initial announcement. For instance, shortly after Hewlett Packard (HP) withdrew from a much touted potential deal with PwC, HP's CEO, Carly Fiorina, stated, "I recognise that a number of you verbalised your concerns over the past few weeks, and others simply voted with their positions in the stock. ... I realise you made some valid points."[1]

Expressed more generally, Dye and Sridhar (p.389, 2003) argue that "The existing literature … primarily views the information flows between firms and the capital market as one way -

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[1] Recorded on numerous press wires at the time, including Canada's *Financial Post* (*National Post*) on 14 November 2000, 'Hewlett shelves PWC deal' by David Akin with files from Simon Avery.

from firms to the capital market. This paper is premised on information flows also occurring from capital markets to firms…" In their model, investors form an opinion on the potential (net cash flow) prospects associated with an option to invest in a project, here interpreted as an M&A deal. Furthermore, they argue that information about the potential success of the new deal project is widely dispersed and it is reasonable to assume that the management of the acquirer will want to have access to some of the information held by others before making a decision on whether or not to invest. Hence, the only way that management can access information on the value of a new project is by observing the reaction of investors - in terms of aggregate price - when it is announced that the potential deal is 'live'. Just as in the real case of HP above, management can choose to back out of the deal if the price reaction is sufficiently negative.

However, we note that there may be other ways in which the management of the acquirer can learn from investors. For example, the senior management of firms meet their major institutional investors on a regular basis and talk in general terms about strategy. Holland (2006), for instance, discusses how senior management and institutional investors exchange information while staying within the spirit of disclosure regulations such as Regulation Fair Disclosure (Reg FD) in the US or the equivalent in other locations. It is, for instance, not illegal for senior management to ask institutional investors what factors, in their view, determined the success or failure of deals in which they had a position. In addition, they can talk about the general economic performance of and ease of doing business in certain foreign countries and, in general terms, the desirability of foreign acquisitions in order to, for instance, get an early toe hold in an emerging economy without naming any specific targets. Management can use such carefully conducted meetings in order to collect information and, in principle, learn from knowledgeable institutional investors. For example, before a UK

company considers any specific acquisitions in Brazil, it could be helpful to hear from informed institutional investors what socio-political and regulatory constraints previous UK-Brazil deals had encountered. If that company is in the oil sector and considering an acquisition in Brazil, it could be instructive to hear what role the Brazilian government took in regulating the oil industry and what special role the mixed state-private organisation of Petrobras plays in influencing the competitiveness of the oil sector. The potential for such learning when cross-border deals are being considered is the principal focus of this research.

Dye and Sridhar assume that information is widely dispersed, so management find it hard to collect it all themselves. Given the collection problems, management may choose to consult investors who hold information which is difficult to come by. Rather than simply asserting that such dispersion exists, we consider the institutional reasons for its existence in certain settings and not in others. The principal reason which we propose here for the existence of dispersion is based on the notion of country-level relative diversity in M&A maturity. That is, we suggest that dispersion may be relatively low in cross-border deals between similarly mature M&A markets (e.g., US to UK), whereas when there is divergence in maturity (e.g., US to India), there may be high dispersion of information. To summarise, we assume that the potential value to management of informed investors is greatest when the M&A maturity in the target region is low. In order to provide support for the assumption that informed investors are likely to hold valuable dispersed information and to explain how to identify such investors, it is necessary to review the literature on financial geography briefly.

The earlier research in this area concentrated on how certain investors try to build up proprietary 'local' information expertise. For instance, Huberman (2001) looks at regional Bell-operated companies and shows that investors tended to prefer to invest in local Bell

firms rather than those in other regions and, in a similar fashion, Coval and Moskowitz (2001) find that US institutional investors exhibit a strong preference for locally headquartered firms in their domestic portfolios. More recently, Uysal et al. (2008) examine the impact of geographical proximity on the acquisition decisions of US companies and find that "acquirer returns in local transactions were more than twice that in non-local transactions." Bae et al. (2008) suggest that local analysts have a significant informational advantage over foreign analysts, basing this conclusion on data collected from a large sample of countries. They argue that a plausible explanation for their ability to identify a local advantage "is that local analysts have better access to information because they can talk to firm representatives in person and observe what goes on in firms directly." Thus, their research suggests that some institutional investors may be characterised as collecting and processing local information which is difficult or costly to access. This then begs the question of how to identify institutional investors who develop local expertise.

In an attempt to answer this question, Chen, Harford and Li (2007) argue that it is a mistake to view all institutional investors as having common information sets and processing ability. They argue that all institutional investors "face a cost-benefit analysis of monitoring versus trading, where monitoring includes both information gathering and efforts to influence management. Monitoring is distinguished from trading by both the type of information gathered (long-term versus short-term) and the effort to influence management rather than to simply trade on that information." They define a class of institutional investors which they describe as specialist monitors who invest significant resources in understanding the complex business environment of the firms in which they invest. They argue that those investors are characterised as conducting 'deep research' and, furthermore, that they typically invest for the long term. In addition, they posit that such investors can be identified by looking at

portfolio turnover styles. Thus, we identify the informed investors most likely to collect local (regional) information as those investors who have a low portfolio turnover style.

To summarise the above, the literature on financial geography suggests that investors may earn higher returns if they collect complex local information. Dye and Sridhar's work suggests that this is exactly the sort of information which management may need to access when it is making investment decisions with dispersed information. We suggest that a specific application of these generic issues arises in the field of cross-border M&A deals. When the relative maturity of the M&A market of the potential target is significantly lower than that of the potential acquirer, the management of the acquirer may not have sufficient information on the target region, so, in order to increase the chance of a successful deal, it will want to collect information which is held in diverse places. In such a setting, informed investors with regional expertise may have a role to play in releasing difficult-to-collect dispersed information. This leads to our two primary hypotheses:

H1: The Positive Effect of Regionally-Informed Investors on Deal Performance

Medium- to long-term post-M&A performance is positively related to the level of expertise that the acquirer's investors possess in the target region.

H2: The Effect of Market Diversity on the Importance of Regionally-Informed Investors

The effect of regionally-informed investors on post-M&A performance depends on the divergence between the acquirer and the target markets.

In order to test the relative success of various cross-regional deals, we adopt the standard approach of using medium- to long-term buy-and-hold abnormal returns following the announcement of an M&A deal. Thus, we estimate the following equation for acquirer ex-post performance:

$$BHAR\_Ret_{i,j} = \alpha + \beta_{H1} * KnI\_II_{i,j} + \beta_{H2} * (KnI\_II_{i,j} * Rel\_Maturity_{Acq.\text{-}Tar.\,j}) +$$

$$\beta_k * (Control\ variables) + \varepsilon_{i,j} \qquad\qquad (1)$$

where:

$BHAR\_Ret_{i,j}$ = the buy-and-hold abnormal returns (BHAR) which accrue to acquirers' low and very low turnover shareholder $_i$ from deal $_j$ over a 13-month event window starting from one month prior to announcement, to capture the run-up period, and ending 12 months after the announcement.

$KnI\_II_{i,j}$ = the percentage of the total portfolio of the low and very low turnover shareholder $_i$, holding shares in the acquirer of deal $_j$, which is invested in the region of the target company for deal $_j$.

$Rel\_Maturity_{Acq.\text{-}Tar\,j}$ = the difference in M&A maturity between the acquirer and target countries for deal $_j$.

To summarise, in order to confirm the hypotheses, the empirical tests need to show that the data is consistent with

$$\beta_{H1} > 0 \qquad and$$

$$\beta_{H2} > 0$$

We use the following standard control variables which are found to be relevant to post-merger performance in the literature on mergers and acquisitions:

Acquirer borrowing capacity: Bruner (1988) shows that when bidders with high levels of debt capacity and liquidity buy targets with the opposite characteristics, this results in positive combined (acquirer and target) returns. We use the ratio of total debt to total assets of the bidder in order to estimate the debt capacity of bidder companies. We expect that the coefficient corresponding to this variable will be negative and significant. The results presented in Table 6 (models 1 and 2) demonstrate that this variable is negatively and significantly related to the post-merger performance of the bidder.

Deal hostility: Mitchell and Stafford (2000), Cosh and Guest (2001), Fuller, Netter and Stegemoller (2002) and Megginson, Morgan and Nail (2004) document that hostile bidders tend to outperform non-hostile acquirers. We account for this effect by including a dummy variable which is equal to one in the cases of hostile takeovers. Interestingly, the results presented in Table 6 (all models) show that this variable has a negative and significant effect on post-M&A performance.

Growth versus value bidders: So-called 'glamour' acquirers, i.e. companies with high market-to-book ratios, are more likely to overestimate their ability to perform a successful M&A deal as compared to value acquirers, i.e. companies with low market-to-book ratios. We expect the block shareholders, CEOs and directors of value bidders to be more prudent. As a result, the market should view value bidders more favourably than glamour bidders. This hypothesis is supported by Rau and Vermaelen (1998). In addition, Devos, Kadapakkam and Krishnamurthy (2008), as well as Bouwman, Fuller and Nain (2009), show that bidders with low market-to-book ratios tend to perform better than glamour acquirers. We expect that there is a negative association between the acquirer market-to-book

ratio and post-M&A performance, and the results presented in Table 6 (all models) confirm our expectation.

Industry relatedness: Moeller and Schlingemann (2005) and Martynova and Renneboog (2006) document that a high level of industry relatedness between the target and bidder can positively affect the post-M&A performance of bidders and vice versa. We use a dummy variable which captures the four-digit SIC (Standard Industry Classification) code relatedness between the target and bidder companies. In accordance with previous studies on post-deal performance and our a priori expectation, the four-digit SIC relatedness variable has a positive and significant coefficient (see Table 6, all models).

Method of payment: Managers who view their companies as undervalued by the capital market prefer to finance acquisitions with cash, whereas those who view their company as overvalued are more likely to finance M&A deals with stock (Kang and Stulz, 1997). Previous studies show that cash-financed acquisitions tend to be more beneficial, or at least less harmful, to bidder companies' shareholders (e.g., Huang and Walkling, 1987; Travlos, 1987; Loughran and Vijh, 1997; and Carow, Heron and Saxton, 2004). We account for the latter effect by including a dummy variable which equals one when the method of payment for the acquisition is all cash and zero otherwise. In line with our a priori expectation, this variable has a positive and significant coefficient in Table 6 (all models).

Acquirer liquidity: According Martynova and Renneboog (2006), acquirers characterised by high liquidity levels experience worse post-M&A performance. We use the ratio of cash and cash equivalents to total assets in order to capture the influence of this variable. We expect that the level of acquirer liquidity will exert a negative and significant impact on post-deal performance in our model. In line with previous studies and our a priori

expectation, the regression results presented in Table 6 (all models) show that the level of acquirer liquidity is negatively and significantly related to post-acquisition performance.

Acquirer share turnover: We expect that when the degree of information asymmetry between the bidder company's management and its shareholders is higher, the long-term post-M&A performance of bidders will be poorer. Following Ferreira et al. (2009), we account for this effect by measuring the share turnover of bidders prior to the announcement of a deal. We expect this variable to be positively and significantly associated with our measure of post-M&A performance. The results presented in Table 6 (models 2, 3 and 4) show that acquirer share turnover has a negative and statistically significant coefficient.

Difference between acquirer and target countries' corporate governance: Martynova and Renneboog (2009) developed the so-called 'positive spill-over by law' hypothesis, which posits that the corporate governance regulations of the bidder are imposed on the target in M&A deals in which the acquirer is domiciled in a country with strong shareholder protection. Danbolt and Maciver (2012) provide empirical evidence in support of the positive spill-over by law hypothesis by demonstrating that the acquisition gains that accrue to target companies are significantly larger in cases when the acquirer's country of domicile is characterised by a superior governance system. This can have a positive impact on the post-M&A returns which accrue to bidder companies. To account for the latter effect, we calculate the difference between the acquirer and target countries' anti-self-dealing indices. We expect this variable to have a positive and significant association with post-M&A bidder performance and that the higher the divergence between target and bidder shareholder protection, the more likely it is that synergies will be realised by strengthening the target

company's corporate governance. According to the results presented in Table 6 (models 1, 2 and 3), this variable has a positive and significant coefficient.

Cultural difference between acquirer and target countries: We expect that acquirers can experience relatively poorer post M&A performance in cases when the cultural gap between the acquirer and target countries is relatively higher. This effect arises from difficulties in performing post-merger integration successfully when the cultural divergence makes integration a time consuming, difficult, and expensive process. In line with the results documented by Conn, Cosh, Guest and Hughes (2005), we provide empirical evidence in favour of this hypothesis (Table 6, models 3 and 4).

We present all variables in Table 1.

Place Table 1 here

3. Data and methodology

Following the approach of FMM, we merge a sample of cross-border M&A deals from SDC Platinum with the FactSet Lionshares Global Ownership database in order to obtain firm-level institutional ownership as of the quarter-end prior to deal announcement. In contrast to FMM, our sample consists of completed bids only as we are interested in testing the relationship between knowledge-intensive investors' levels of regional expertise and ex-post

success – measured here as medium- to long-term shareholder wealth creation.[2] Next, we record the Factset region for the deals. Our final sample includes only public acquirers.

The data capture period is 1 January 2002 to 31 December 2011, and the resulting sample breaks down as follows:

1. Potential cross-border deals from SDC	8,254
2. M&A deals from 1 in which the acquirer has a share register in Factset	4,688
3. Completed deals in 2 with acquirer share price data from $_{t-1}$ to $_{t+12 \text{ months}}$	3,932
4. Completed deals in 3 with all information for regression analysis available	2,065
5. Completed deals in 3 including primary index-listed acquirers	1,236
6. Completed deals in 5 with all information for regression analysis available	748

Table 2 records the sample descriptive statistics for the deal data.

Place Table 2 here

Table 2 shows a breakdown of the acquirer and deal characteristics for the final study sample and the acquirers which are excluded as they are not primary index-listed (see step 5 above). As expected, the final sample displays the characteristics of a mature company sample. Specifically, the sample firms are larger in terms of revenue (a median revenue of $7.046bn compared to $296m) and market value (a median revenue of $8.807bn compared to $486m),

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[2] Following a review of the acquirers' share registers of the initial data sample of 3,932 cross-border deals, we further refine the sample to include only deals by acquirers which make out the constituency of the primary stock market index [primary index-listed acquirers], e.g. including firms listed on the FTSE 100 and excluding firms listed on, for example, AIM. We introduce this filter to the dataset as the initial dataset of acquirers display some anomalies related to the type of investor on the share registers. For example, we find an unusually low proportion of index-tracking investors in smaller stocks and an unusually high proportion of value investors in the initial data cut. It should be noted that we have tested for any potential bias that could be introduced to our analysis by the imposition of the additional data filter. Please refer to the Robustness tests section of this paper for further details.

than the excluded sample. The firms in the final sample are also more profitable than the excluded, less mature firms, with the median return on equity for the former being 16% and the latter 11% in the year prior to the announcement of the deal.

We present the cross-regional deal distribution using the full set of deals including primary index-listed acquirers (step 5 above) from acquirer region to target region in Table 3, Panels A and B.

Place Table 3 (Panels A & B) here

We present the descriptive statistics in three ways. Panel A shows a *numerical count* of the regional deals. The within region deals are recorded on the diagonal and all other entries represent cross-regional deals. It is not surprising to see that the largest number of cross-regional deals is from Europe to North America, followed by North America to Europe. Interestingly, the next highest cross-regional deal counts are for Asia to Europe and Asia to North America. The sum of these two-cross border counts in which the acquirer is Asian is actually greater than the deal count for within the Asian region.

One problem with this type of count is that some regions are much larger than others, so Panel B presents the same deal data but in *proportionate terms* to avoid the possibility of relative regional trends being masked by focusing on a simple numerical count. The proportions show some interesting features for the smaller regions. African acquirers complete 32% of all their deals with European targets compared to 14% within the region itself and only 11% with North America. In contrast, Latin American acquirers do 71% of all their deals with North American targets, only 18% are within region and the percentage with

European targets is negligible. The other region which shows a clear pattern is the petro-dollar rich region of the Middle East where acquirers have 52% of targets in North America, 26% in Asia and a surprisingly low proportion of European targets of 9%.

While these first two panels help to develop an appreciation of regional M&A geography, they do not provide any information on our key proposed explanatory variable of investor expertise. The next step is to analyse the final sample of cross-border acquirers' share registers in order to construct the regional expertise variable. We identify the knowledge-intensive (informed) investor subset by selecting all of the institutional investors classified by FactSet as having a low or very low portfolio turnover.[3]

We then record the regional investment pattern for this large sub-sample of investors. So, for instance, for illustrative purposes consider an acquirer based in Europe. Step 1 records all of the investors on the acquirer's share register with a low or very low turnover investment style. Step 2 then records the cross-regional distribution of all the investments of each of these informed investors. Thus, when a US acquirer is considering a cross-regional M&A deal into Latin America, it is possible to identify how many of its institutional investors already have holdings in Latin America and how much larger that holding is – implying that a larger proportion indicates a higher level of expertise. Specifically, our measure of foreign expertise is the percentage of each investor's portfolio (measured by market capitalisation) which is invested in the target region. If the deal is US (acquirer region: North America) to Brazil (target region: Latin America), we look at all of the investors which are on the US

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[3] FactSet classifies investors on the basis of their portfolio turnover style in five categories: very high, high, medium, low and very low. It also classifies an institution as low turnover if it has a two- to four-year holding period and its portfolio has an annual turnover of 25% to 50%. An institution is classified as very low turnover if it has a holding period of four years or longer and its portfolio has an annual turnover of less than 25%. Portfolio turnover is calculated by dividing the average value of transactions (as reported) by the market value of the portfolio.

acquirer's share register. For each investor, we have the data of their regional investment, i.e. the proportion of their portfolio which is invested in each global region (North America, Europe, Latin America, Asia, the Pacific and the Middle East). In this example, the foreign expertise for each investor would be the percentage of market value which is held in the Latin America region vs. the total for all regions. We use these target region holdings as the measure (proxy) for regional expertise given that it is unlikely that the investors will have invested in the target region without first conducting research and collecting data. In order to see the patterns of regional expertise, Panel C presents the average level of expertise on acquirers' share registers, i.e. the average portfolio allocation which informed investors ('Low' and 'Very Low') hold in the target region.

Place Table 3 (Panel C) here

Panel C, Columns 1 to 7, show the average expertise per regional pair. As an example, we find that for African acquirers which invest in Europe, the average regional expertise on their share register is 34% compared to 30% for investing in North America.The final two columns present the average regional expertise measured ex-ante on acquirers' share registers per acquirer region but irrespective of target region. If we compare the top two listed acquirer regions, Africa and Asia, we see that Asian acquirers have on average more regional expertise. Therefore, Asian acquirers should be in a better position to evaluate investment opportunities abroad as compared to African acquirers, providing that their management teams consult the knowledge-intensive investors on their share registers. Finally, the last column takes the same average irrespective of target region but excludes intra-regional transactions. From this table, we conclude that European and Asian acquirers appear to have the highest level of knowledge-intensive expertise on their share registers when making

cross-border deals. The average portfolio allocation in the target region for knowledge-intensive investors on the acquirer share register for European acquirers is 35% with the corresponding allocation for Asian acquirers' investors being 30%. However, these figures do not address the issue of the large flow of intra-regional cross-border transactions for which we assume the level of investor expertise is less relevant. The average knowledge-intensive regional expertise for cross-regional deals is presented in Column 9 of the same panel. Here we can see that it is instead Asian (32%), Latin American (31%) and Pacific (28%) acquirers which have the highest level of expertise in the target region represented on their share registers.

In addition to the regional expertise of investors, the other explanatory variable, which we introduce as a proxy for market divergence, is the difference in the maturity for M&A purposes of the acquirer and target regions. We capture this by using the M&A Maturity Index developed by Appadu, Faelten, Moeller and Vitkova (2012). This index is based on a country scoring procedure which evaluates the factors that make a country attractive for and able to sustain M&A activity. More specifically, the M&A maturity index is based on five main groups of factors which have been identified by previous studies as the major drivers of M&A activity. These five factor groups are:

- Regulatory and political factors (e.g., rule of law (see Rossi and Volpin, 2004) and corruption of officials (see Yartey, 2008));
- Economic and financial factors (e.g., GDP growth (see Berthelemy and Demurger, 2000 and Liu, Shu and Sinclair, 2009) and stock market capitalisation and access to financing (see Yartey, 2008 and Saborowski, 2009));

- Technological factors (e.g., high-technology export and innovation (see Porter, 1993));

- Socio-economic factors (e.g., population and demographics (Appadu, Faelten, Moeller and Vitkova (2012)); and

- Quality of infra-structure and assets (e.g. roads and railways, and the number of sizeable corporate assets (see, e.g., Sekkat and Veganzones-Varoudakis, 2004; Quazi, 2011; Mateev, 2009 and Anyanwu, 2012)).

The M&A Maturity Index allocates a score of between 0% and 100% for each factor group to 148 countries worldwide – where 100% indicates the highest degree of development for M&A purposes and 0% the lowest level – and produces an overall M&A maturity score as a weighted average of the five groups. The top and bottom 15 countries represented in our sample are shown in Table 4, Panels A and B.

Place Table 4 (Panels A & B) here

The country rankings for 2012 demonstrate the emergence of Asia as a fast developing region for M&A activity, with the region claiming five of the top ten country positions. Despite the US (85%) and the UK (82%) claiming the top and third spots respectively, Singapore (84%) and Hong Kong (81%) are second and fourth respectively, with South Korea (5th), China (9th) and Japan (10th) following. By using the relative M&A maturity index score,[4] i.e. the difference between the acquirer and target countries' levels of development for M&A purposes, we should be in a better position to measure the true divergence between the two markets and, therefore, better identify the cross-border transactions for which management is

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[4] Note that the M&A Maturity Index is measured on a time series basis starting from the year 2006, before which we use data for 2006 as the latest available year.

in greater need of additional expertise. According to Tong, Alessandri, Reur and Chintakananda (2008), country- as opposed to industry-effects also influence the performance of companies involved in cross-country investment activities.

In Table 5, Panels A to B we present a univariate analysis of acquirer ex-post shareholder wealth creation.

Place Table 5 Panels A & B here

The general form of equation (1) shows that we use post-acquisition returns as the dependent variable in order to appraise the performance of individual M&A deals. More specifically, since the main focus of our analysis is to examine post-M&A performance from the perspective of investors with low or very low turnover (informed investors), we argue here that the most relevant performance metric is the one which takes into account the post-acquisition returns over a 13-month investment horizon.[5] We thus measure performance on the basis of acquirer share price returns using the buy-and-hold abnormal returns (BHAR) which accrue to acquirers over a 13-month event window starting from one month prior to the announcement of the deal in order to capture the run-up period to 12 months post the announcement of the deal.[6] The BHAR approach to measuring abnormal returns has been widely used in studies involving share price performance (see, e.g., Barber and Lyon, 1997 and Mitchell and Stafford, 2000). Mitchell and Stafford (2000) define BHAR as "the average multiyear return from a strategy of investing in all firms that complete an event and selling at the end of a pre-specified holding period versus a comparable strategy using otherwise

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[5] This investment horizon also coincides with the time period which Factset uses in order to distinguish between different levels of investor turnover.

[6] Note that the BHAR analysis uses the total returns of a company, i.e. it includes share price appreciation or depreciation as well as the return from reinvesting the paid dividends.

similar non-event firms." An advantage of using BHAR is that this approach to measuring company share price performance is closer to investors' actual investment experience compared to the periodic rebalancing which other approaches to share price performance analysis involve. Given the specific cross-regional focus of this study, the BHARs are equally weighted and adjusted to the performance of the respective MSCI regional index of the acquirer company over the same period. Specifically, we consider the following regions for the purposes of calculating bidder BHAR: Africa, Asia, Europe, Latin America, the Middle East, North America and the Pacific.[7]

In Table 5, Panel A, we provide an overview of acquirers' BHAR across acquirer region and time. Our first conclusion is that, on average, acquirers appear to outperform their regional indices by 7.2% in the $_{t-1m\,to\,t+12m}$ period around the announcement of the transaction. This is an interesting finding as many previous studies provide evidence to the contrary, i.e. that M&A deals typically destroy shareholder wealth for the acquirer (Schlingemann, Stultz and Moeller, 2005). We explain this average positive acquirer return by the superior ex-ante financial performance displayed by our study sample – as noted in Table 2 – due to their status as listed on the primary stock exchange index. Some interesting regional differences are also evident from the results presented in Table 5, Panel A. When measuring BHAR over the $_{t-1m\,to\,t+12m}$ period, we find that acquirers from Latin America earn the largest statistically significant returns while acquirers from Africa and the Middle East do not earn any positive returns which are statistically significantly different from zero. This aggregate average as well as the relative returns pattern does not seem to change qualitatively when the period over which the BHARs are calculated is increased from t_{+12} to t_{+24} or t_{+36} months.

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[7] Note that for the Middle East and Africa – where no appropriately regionally defined indices could be sourced – we use the MSCI Emerging Markets Europe and Middle East and the MSCI Emerging Markets Europe, Middle East and Africa, respectively.

Panel B presents the data on returns at a regional level. This shows a very different pattern to the aggregated statistics above. For instance, as mentioned earlier, Asian acquirers are relatively big investors in both Europe and North America and even though, when all deals are taken together, they earn positive returns overall (10.8% Panel A), they do not earn statistically significantly positive returns on their European deals. There appear, therefore, to be significant variations in cross-regional deal performance.

This naturally leads to formal testing in order to see whether the variations in performance can be explained by Hypotheses 1 and 2 – the role of investors with regional expertise when M&A markets are most divergent.

4. Empirical Analysis

4.1. Empirical tests on the effects of institutional investors' regional expertise

Our three-level dataset consists of 748 cross-border deals, and 4,078 unique institutional investors representing 75,555 unique observations of institutional investor foreign expertise. Therefore, the average number of institutional investors that are present on each acquirer's share register for a given deal is 101 (with a median of 7).[8] Given that our final sample

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[8] The substantial difference between the average and median number of investors registered on a given deal reflects the large difference between the maximum (956) and minimum (1) number of investors present on the acquirer's share register for a given deal.

consists of 4, 078 unique institutional investors, we conclude that there are approximately

18.5 unique shareholders involved in each of the 748 M&A deals.[9]

As our regressions are run at the institutional investor level (from the acquirer share register),

we note that clustering issues might arise. It is certainly plausible that the same investor could

be a shareholder in multiple acquirers in the sample, especially for acquirers in the same

region. If two (or more) acquirers with the same investor(s) on their share register invest in

the same region, the effect of our *KnI_II* variable on deal success might be overstated. We

control for this issue by adding cluster controls on the Investor name in a panel regression

setting. All regression models illustrated in Tables 6 through 12 control for this issue. Using

the BHAR performance of bidders, adjusted to a size-specific index to control for the

potential bias in our sample of primary index-listed acquirers being larger than the average

firm, we test the relationship between the acquirers' post-merger performance over an event

window of $_{t-1m \text{ to } t+12m}$ and the degree of regional expertise of the acquirers' informed

investors,[10] i.e. estimating Equation (1) with the results reported in Table 6.

Place Table 6 here

The results for $\beta_{H1} > 0$ indicate that there is a significant and positive relationship between

the level of regional expertise that the acquirer's informed investors possess and post-bid

performance. Specifically, models 1, 2 and 3 in Table 6 show that the coefficient which

corresponds to the variable that quantifies the regional expertise of each monitoring investor,

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[9] In order to capture these different methods of accounting for our sample, Tables 6 through 12 report the number of unique institutional investors, the number of M&A deals and the number of observations for each estimated regression.

[10] To control for any potential diminishing time effect, we test the same relationship over a longer time period, namely the acquirer BHAR over an event window of $_{t-1m \text{ to } t+36m}$. Our conclusions are robust to this control, presented in Table 6, Models 3 and 4.

namely *KnI_II*, is positive and statistically significantly different from zero. This latter result provides support for Hypothesis 1: that informed investors which possess specialised regional knowledge about the target's geographical region (acquired due to existing investments in the region) can contribute to the success of cross-regional M&A deals.

In addition, the regression results presented in Table 6, (models 2 and 4), provide support for the second hypothesis developed in this study: that $\beta_{H2} > 0$ is positive. Specifically, the models show that the regional expertise of knowledge-intensive institutional investors is more useful (in the sense that it adds more value to subsequent acquirer performance) when the target country's M&A market is most divergent from the acquirer's home M&A market (as indicated by a positive and bigger difference in the M&A Maturity Index scores of the acquirer and target countries). Specifically, the coefficient on the interaction variable *KnI_II x Rel_Maturity* is positive and significant. Models 2 and 4 show that the expertise of informed investors is more important in cases where the 'distance' between the M&A maturity of the acquirer and target countries is wider.

As demonstrated by Table 6 (model 2), the coefficient corresponding to the variable *KnI_II*, which measures the knowledge of the target region that each investor on the acquirer share register possesses, is equal to 0.053. The size of the coefficient indicates that for every percentage point increase in the investor's expertise (or for every percentage point increase in the proportion of the knowledge-intensive investor's portfolio that is invested in the target region), the $_{t-1m\ to\ t+12m}$ BHAR of the acquirer increases by 0.053 percentage points on average. Similarly, the coefficient corresponding to the variable *KnI_II x Rel_Maturity*, which measures the importance of knowledge of the target's M&A market for cases where acquirer's home M&A market is divergent from the target country's M&A market, is equal to

0.415. The size of the coefficient indicates that for every percentage point increase in the *product* of the investor's knowledge of the target region *and* the degree to which the acquirer's home M&A market is more developed than the target's (measured by the difference in M&A maturity scores between the acquirer and target countries), the $_{t-1m \text{ to } t+12m}$ BHAR of the acquirer increases by 0.415 percentage points.

The fact that the regional expertise of the low and very low turnover investor class has a positive association with acquirers' post-merger performance is in accordance with the line of argument put forward by Chen et al. (2007), who argue that independent, long-term institutional investors gather information about the overall quality of firm management and its tendency to make better or worse decisions. Independent, long-term institutional investors also gather information about the scope of their influence over the actions of firm managers and invest in companies where the benefits associated with the quality of management and the opportunity to influence managerial decisions outweigh the costs of gathering information and monitoring the companies. Moreover, the finding that there is a positive association between the post-merger performance of bidders with the pre-acquisition holdings of institutional investors which possess specialised knowledge about the M&A market of the target's region demonstrates the idea that this class of informed investor is better positioned to gather information about individual investment projects such as cross-border deals.

4.2. Robustness tests

We conduct a bank of further tests to determine whether our principal result $\beta_{H2} > 0$ remains if we account for a number of additional factors that could be driving the regression results.

4.2.1 Alternative sources of regional expertise

First, we re-estimate our original models (presented in Table 6) by including a number of control variables that capture other potential sources of expertise about the target's M&A environment. We account for any previous acquisitions that the acquirer has completed in the target region by including the dummy variable '*Prior Exp'*. The results, presented in Table 7, model 1, show that it loads with a significant positive coefficient, but does not affect the sign or significance of β_{H2}.

Following the methodology of Golubov, Petmezas and Travlos (2012), we identify the "bulge bracket" banks that are generally acknowledged to have superior deal expertise. Specifically, we include a new dummy variable '*Top_Advis*' which accounts for whether the investment bank is bulge bracket or not. The inclusion of this variable in Table 7, model 2 does not affect the sign or significance of β_{H2}. In fact '*Top_Advis*' loads with a significant negative coefficient. This result is slightly surprising as large investment banks are expected to supply clients with regional expertise due to their large scale and global reach. However, our sample differs significantly from the reference paper in that we focus only on cross-border transactions and often on public-to-private transactions. Our result seems to suggest that although top tier advisors can add significant deal-specific expertise, they are less likely to add value in terms of regional specific expertise.

We identify those deals for which internal expertise on the target region's M&A environment may already exist, by accounting for the cases in which the acquirer already has a foreign subsidiary in the target region at the time of the deal announcement. This new variable, '*Prior_Sub*', loads with a significant positive coefficient (Table 7, model 3); however, its inclusion does not affect the sign or significance of β_{H2}, suggesting that any internal expertise gained from having a foreign subsidiary does not negate the role of institutional investors. In

addition, we use a dummy variable '*Domic_Tar_Reg*' (Table 7, model 4) to control for the possibility that the regional expertise of the institutional investor does not solely stem from it being domiciled in the target region − as opposed to being an investor in the target region which is our main proxy for expertise. The results show that this additional control variable loads with a significant positive coefficient but, as in all the cases described above, it does not affect the sign or significance of β_{H2}. We also report the results of adding all of the above variables that account for alternative sources of foreign market expertise jointly in Table 7, model 5. The inclusion of these new control variables does not negate the positive effect of the institutional investor knowledge of the target region.

Finally, we consider whether the number of joint ventures or strategic alliances that the acquirer company has already completed in the region of the target, which we label '*Prior_JV_or_Alliance*', can have an effect on post-M&A performance. We also interact this additional control variable with our variable for divergence between the acquirer and target country, '*Rel_Maturity*'. The new variable, '*Prior_JV_or_Alliance*', loads with a small significant positive coefficient (Table 8, model 1) while the interaction variable, '*Prior_JV_or_Alliance x Rel_Maturity*', does not load with a significant coefficient (Table 8, model 2). The sign and significance of β_{H2} remain unaffected (Table 8, models 1 and 2).

4.2.2 Alternative measures of the discrepancy in M&A environments

It is possible that there are other, more adequate measures of the discrepancy between the target and acquirer's M&A environments. We use the geographic distance between the target and acquirer countries as an alternative measure of market discrepancy. We test to see if this new variable '*Geog_Dist*' can replace '*Rel_Maturity*' as the explanatory variable for coefficient β_{H2} (Table 9, model 1). While the new variable loaded by itself with significant

negative coefficient, the interaction coefficient β_{H2} , *'Knl_II x Geog_Dist'*, was not significant. In Table 9, model 2, we allowed both *'Rel_Maturity'* and *'Geog_Dist'* to interact with *'Knl_II'* and found, as hypothesized, that only *'Rel_Maturity'* interacted with *'Knl_II'* is significant. In an un-tabulated analysis, we also tested market discrepancy using a different proxy, a dummy variable which is equal to one when the target and acquirer are domiciled in different geographical regions, with the sign and significance of our main variable of interest, β_{H2} , remaining unaffected. These results present additional evidence in favour of our original premise that the role of institutional investors as information providers is not simply explained by geographic distance but instead by differences in the maturity of markets. We expected this result as while, for example, Singapore is a long geographic distance from the US, the relative maturity of their M&A markets are quite similar and we would not expect the potential information provision of institutional investors to be of as much value as when the difference between the relative maturities of the countries is greater. That is, it is not geographic distance that matters but 'distance' in relative maturities.

4.2.3 Alternative measures of M&A success

We use a range of different performance measures, including regional and size BHAR benchmarks run over medium-term ($_{t-1m \; to \; t+12m}$) and long-term ($_{t-1m \; to \; t+36m}$) event windows. The sign and significance of β_{H2} remain unchanged (Table 10, models 1 through 4). In addition, as an alternative measure of success we also collect data on the value of impairments in any of the five years following completion of the deal. With this new dependent variable, Table 11, model 1 reports that the significance of β_{H2} remains unchanged, with a negative sign, since more subsequent impairments are associated with less success. We also measure performance by considering the likelihood of deal completion after controlling for whether the deal is a tender offer '*Tender Offer*', whether there is a competing

bid, '*Competing Bid*', and whether there is a target firm termination fee clause, *'Target Term Fee'*. Again, the sign and significance of β_{H2} remain unchanged (Table 11, model 2). Note that we use a larger deal data sample for this model, which includes the terminated deals in the same time period.

4.2.3 Deal level, serial acquirers and primary index-listing sensitivity analysis

In order to see whether the positive effect of institutional investor expertise applies to companies listed on non-primary exchange indices, we re-estimate our original regressions with a larger sample of all public acquirers. The results reported in Table 12, model 1 demonstrate that the sign and significance of β_{H2} remain unchanged.[11] It should be noted that in Table 12, we re-estimate the original regressions with the larger sample by including all the additional controls simultaneously in the regression (Table 12, model 2). The sign and significance of β_{H2} remain unchanged. To control for the possibility that some acquirers may complete more than one M&A deal within the same BHAR event window, we re-estimate model 2 in Table 12 by using a sample of non-serial acquirers only. Adding this restriction considerably reduces the sample size however the sign and significance of β_{H2} remain unchanged.

As our primary concern is the knowledge of specific institutional investors (who may be present on multiple deals), our main unit of analysis is each institutional investor's portfolio holding in the target region. As already stated, we control for clusters of investor name as each investor could be on several acquirer's share registers. However, there is a second

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[11] We note that there are two additional control variables included in Tables 12 and 13, namely, 'Any_II_Leave' (which measures the number of institutional investors that sell their holdings in the acquirer company within six months of a deal announcement) and 'Acquisitive_CrossBorder_Mean' (which accounts for the acquirers that perform a number of international deals which is greater than the average number of international deals completed by all firms within the last year and zero otherwise). These additional controls were inspired by comments received at conference presentations.

potential cluster effect, namely that of each deal. As we cannot test for the deal-level cluster effect in the current model we replicate the analysis on a deal level, with the results reported in Table 13. Our original results on the sign and significance of β_{H2} remain unchanged. We perform this analysis using the original controls (Table 13, model 1) and also including the additional controls (Table 13, model 2). We control for the potential noise in the data caused by follow-on acquisition effect our BHAR event window by performing the regressions excluding any deal which is performed by a 'serial acquirer' – here defined as one which completes multiple deals within a time window of three years in model 3.[12]

5. Conclusion

Traditional research on information flows in financial markets concentrates on flows from firms to investors. However, motivated by the earlier theoretical work of Dye and Sridhar (2002), we investigate whether there may be value in information which flows in the opposite direction, i.e. from investors to firms. Keeping within the spirit of the Dye and Sridhar model, we look at cross-border M&A deals with potentially widely distributed information and attempt to identify settings in which the management of firms could learn from investors which have experience and expertise in the target region. We propose here that such expertise held by investors is likely to benefit the management of a potential acquirer most when the target country is significantly less developed in terms of M&A maturity compared to the acquirer country, i.e. when the divergence of the two markets is large and hence the extent of information asymmetry is greater. Thus, we conclude that going naked (without informed investor support) into foreign deals in complex (diverse maturity), cross-regional settings may be dangerous for the bottom line.

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[12] We note that the sign and significance of the coefficient β_{H2} remains but the magnitude of the coefficient increases dramatically. While this agrees with our hypothesis, we suggest the exercise of caution here as removing serial acquirers has taken our sample size down to just 91 deals.

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Tables

Table 1: Variable definitions

Number	Variable name	Definition	Expected sign
1	$BHAR\_Ret_{i,j}$	The buy-and-hold abnormal returns (BHAR) which accrue to acquirers' low and very low turnover shareholder $_i$ from deal $_j$ measured over a 12-month event window starting one month prior to announcement in order to capture the run-up period.	***
2	KnI_II	Investor regional expertise: the percentage of the total portfolio of the acquirer's low and very low turnover shareholders which is invested in the region of the target company. Note that for the purposes of performing the analysis at the deal level, this variable is defined as the number of all low and very low turnover institutional investors that have any portfolio holding in the region of the target.	+
3	Rel_Maturity	Relative maturity: the difference between the M&A maturity of the acquirer and target countries. M&A maturity is measured by the M&A Maturity Index, which rates 148 countries in terms of their degree of development for M&A purposes. The country index is calculated by using an average weighting of six groups of factors which have been identified in previous research as critical for a market to attract and sustain M&A activity, namely, regulatory and political, financial and economic, technological, socio-economic, development of physical infrastructure and availability of assets.	+/-
4	KnI_II x Rel_Maturity	Knowledge-intensive institutional investors *interacted with* relative maturity: this variable captures the effect of knowledge-intensive institutional investors as determined by the M&A maturity gap between the acquirer and target countries. It is expected that in cases where the target country is less mature for M&A purposes than the acquirer country, the effect of knowledge-intensive institutional investors on post-M&A performance should be more positive.	+
5	Prct_Held_B	Percentage held before the deal announcement: the percentage of outstanding bidder company shares that the low and/or very low turnover investor $_i$ holds in acquirer $_j$ measured three months prior to the announcement of the deal.	+/-
6	Cult_Dist	The cultural distance between the acquirer and target countries.	-
7	Deal_Val	Value of M&A deal: the natural logarithm of the M&A deal value measured in millions of US dollars.	-
8	Hostile	Hostile deal dummy: variable which is equal to 1 if the deal is hostile and 0 otherwise.	+
9	Ind_Relat.	Industry relatedness between target and acquirer dummy: variable which is equal to 1 if the target and acquirer four-digit SIC (Standard Industry Classification) codes are the same and 0 otherwise.	+
10	All_Cash	Method of payment is all-cash dummy: variable which is equal to 1 if the method of payment for the M&A deal is all cash and 0 otherwise.	+
11	$MV\_BV_{Acq\ Y-1}$	Market-to-book ratio of the acquirer company: equal to the market value divided by the book value of the acquirer one year before the announcement of the deal.	+/-

Number		Variable name	Definition	Expected sign
12		$TD\_TA_{Acq\ Y-1}$	Ratio of total debt to total assets of the acquirer company: equal to the total debt divided by the total assets of the acquirer company one year before the announcement of the deal.	+/-
13		$Liquid_{Acq\ Y-1}$	Liquidity of acquirer company: equal to the cash and cash equivalents divided by the total assets of the acquirer one year before the announcement of the deal.	-
14		$Turnov_{Acq}$	Share turnover of acquirer company: equal to the trading volume divided by the total outstanding shares of the acquirer company measured three months before the announcement of the deal.	-
15		Anti-self-dealing$_{Acq-Tar}$	The difference between acquirer country and target country in the anti-self-dealing index: the anti-self-dealing index, as developed by Djankov, La Porta, Lopez-de-Silanes and Shleifer (2008).	+
16		Prior_Exp	Acquirer prior experience: equal to 1 when the acquirer has completed an earlier deal in the target region.	+
17		Top_Advis	Top advisor: equal 1 to when the acquirer is advised by a global investment bank.	+
18		Prior_Sub	Prior subsidiary: equal to 1 when the acquirer has a subsidiary in the target region.	+
19		Domic_Tar_Reg	Domiciled in the region of the target: equal to 1 when the institutional investor on the acquirer's share register is domiciled in the target region.	+
20		Prior_JV_or_Alliance	Prior joint venture or alliance: the natural logarithm of the number of joint ventures or strategic alliances that the acquirer had completed in the target region before the current deal.	+
21		Geog_Dist'	Geographic distance: the natural logarithm of the geographic distance between the acquirer and target region.	-
22		Tender_Offer	Tender offer: equal to 1 if the deal is classified as a 'tender offer' by the SDC Platinum Database and 0 otherwise.	+
23	+/-	Competing_Bidder	Competing bidder: equal to 1 if there are any competing bidders and 0 otherwise.	+/-
24		Target_Term_Fee	Target termination fee: equal to 1 if there is a target company termination fee clause in the deal agreement document and 0 otherwise.	+
25		Any_II_Leave	Any institutional investors which leaves: the number of institutional investors that dispose of their holdings in the acquirer company within six months of the announcement of the M&A deal.	-

Table 1: Variable definitions – continued

Number		Variable name	Definition	Expected sign
26	+/-	Acquisitive_CrossBorder_Mean'	Acquisitive company in terms of average cross border deals: equal to 1 when the number of international deals which the acquirer has completed is greater than the average number of international deals completed.	+/-
27	**	Investor name	The name of the low and very low turnover investor that is present on the acquirer's share register.	**
28	*	DV_MV$_{Acq}$	Ratio of deal value to market value: equal to the M&A transaction value divided by the market value of the acquirer 20 days prior to the announcement of the deal.	*
29	*	MV$_{Acq\ Y-1}$	The market value of the acquirer one year prior to the announcement of the deal, measured in thousands of US dollars.	*
30	*	Sales$_{Acq\ Y-1}$	The net sales/revenue of the acquirer one year prior to the announcement of the deal, measured in thousands of US dollars.	*
31	*	ROE$_{Acq\ Y-1}$	Acquirer return on equity: acquirer net income divided by common shareholder's equity one year prior to the announcement of the deal.	*
32	*	EBIT_MG$_{Acq\ Y-1}$	Acquirer EBIT margin: equal to earnings before interest and tax divided by net sales one year prior to the announcement of the deal.	*
33	*	ICR$_{Acq\ Y-1}$	Acquirer interest cover ratio: equal to earnings before interest and tax divided by the net interest expense of the acquirer one year prior to the announcement of the deal.	*

*** Please note that this is the dependent variable in our model.

** Please note that this variable is used to control for cluster effects.

* Please note that these variables are used to compare the characteristics of our final study sample to the sample of M&A deals which are excluded from this study (presented in Table 2).

Table 2: Cross-border acquirers and transaction characteristics

Sample	All (2,065) - A		Study-sample (748) - B		Excluded (1,317) - C		Mean test (A-B)	Median test (A-B)	Mean test (C-B)	Median test (C-B)
Variable	Average	Median	Average	Median	Average	Median	t-stat.	Pearson Chi^2	t-stat.	Pearson Chi^2
Deal_val	495***	59***	1086	257	282***	36***	-8.92	258.91	-13.59	421.78
DV_MV	59%	5%***	10%	2%	77.05%*	6%***	1.19	95.11	0.01	163.53
MV$_{Acq Y-1}$	9,416,841***	1,105,015***	21,550,815	8,807,284	4,770,547***	485,998***	-12.46	458.65	-18.97	770.07
MV_BV$_{Acq Y-1}$	2.17	2.02**	3.05	2.22	1.83	1.96***	-0.61	5.51	-0.72	10.6
Sales$_{Acq Y-1}$	8,551,202***	766,706***	19,844,048	7,046,057	4,369,264***	295,973***	-12.23	474.47	-18.20	793.47
ROE$_{Acq Y-1}$	5.32%**	13%***	15.87%	16%	1.27%***	11%***	-2.29	43.69	-2.71	78.09
EBIT_MG$_{Acq Y-1}$	-84.24%*	11%***	12%	13%	-122.85%**	10%***	-1.58	22.17	-1.87	38.9
TD_TA$_{Acq Y-1}$	23%	20%***	25%	23%	22%	17%***	-0.96	24.99	-1.14	47.24
Liquid$_{Acq Y-1}$	18.84%***	12%***	12%	7%	20.99%***	14%***	9.5	61.26	11.68	96.31
ICR$_{Acq Y-1}$	37.31***	5.84***	28.04	6.12	41.17***	5.61***	-6.53	373.99	-9.67	582.33

This table compares the key acquirer and deal characteristics of the study sample to the initial sample with all of the available information (i.e. including primary index-listed acquirers) and to the sample of excluded acquirers. 'All (2,065) - A' refers to the sample of all public acquirers for which accounting and share register information is available and which are also listed on non-primary exchanges. 'Study-sample (748) - B' refers to the final sample of deals used for the purposes of the analysis performed in this study. 'Excluded (1,317) -C' refers to the sample of deals which are excluded from the analysis due to the fact that they are not listed on a primary stock exchange index. Company financials are obtained from Datastream and measured in US$ while deal value is measured in millions of US$. 'Deal_val' stands for the value of the M&A transaction; 'DV_MV' is measured as the ratio of the M&A deal value to the acquirer market value as of 20 days before the announcement of the deal; 'MV$_{Acq Y-1}$' stands for the market value of the acquirer as of one year prior to the announcement of the deal; 'MV_BV$_{Acq Y-1}$' measures the acquirer market-to-book ratio as of one year prior to the announcement of the deal; 'Sales$_{Acquirer Y-1}$' measures the acquirer net sales as of one year prior to the announcement of the deal; 'ROE' is measured in % terms and represents net income before preferred dividends less the preferred dividend requirement divided by last year's common equity, and is calculated by Datastream; 'EBIT_MG$_{Acq Y-1}$' is measured as the ratio of EBIT to net sales as of one year before the announcement of the deal; 'TD_TA$_{Acq Y-1}$' is measured as total debt divided by total assets; 'Liquid$_{Acq Y-1}$' is measured as the ratio of acquirer cash and equivalents divided by total assets as of one year prior to the announcement of the deal; and 'ICR$_{Acq Y-1}$' is measured as the ratio of acquirer EBIT divided by net interest expense as of one year prior to the announcement of the deal.

***, **, and * indicate statistical significance at a 1%, 5% and 10% level, respectively.

Table 3: M&A deals and investor expertise per sample region

Panel A: Number of completed cross-border deals per regional pair

Target region → / Acquirer region ↓	Africa	Asia	Europe	Latin America	Middle East	North America	Pacific	All
Africa	4	0	9	5	1	3	6	28
Asia	0	74	52	2	1	43	14	186
Europe	18	43	351	45	8	158	16	639
Latin America	2	0	0	3	0	12	0	17
Middle East	0	6	2	0	3	12	0	23
North America	4	25	120	19	9	67	22	266
Pacific	2	12	24	2	0	21	16	77
All	30	160	558	76	22	316	74	1,236

Panel A shows the cross-border deal flow (number) in the sample from the acquirer region to the target region over the sample period (1,236 in total from all regions to all regions).

Panel B: Proportion of completed cross-border deals per regional pair

Target region → / Acquirer region ↓	Africa	Asia	Europe	Latin America	Middle East	North America	Pacific	All
Africa	0.14	0.00	0.32	0.18	0.04	0.11	0.21	1.00
Asia	0.00	0.40	0.28	0.01	0.01	0.23	0.08	1.00
Europe	0.03	0.07	0.55	0.07	0.01	0.25	0.03	1.00
Latin America	0.12	0.00	0.00	0.18	0.00	0.71	0.00	1.00
Middle East	0.00	0.26	0.09	0.00	0.13	0.52	0.00	1.00
North America	0.01	0.09	0.45	0.07	0.03	0.25	0.08	1.00
Pacific	0.03	0.16	0.31	0.03	0.00	0.27	0.21	1.00

Panel B shows the proportion of cross-border deal flow in the sample from the acquirer region to the target region over the sample period (1,236 in total from all regions to all regions).

Panel C: Average investor regional expertise (KnI_II)

Target region → / Acquirer region ↓	Africa (1)	Asia (2)	Europe (3)	Latin America (4)	Middle East (5)	North America (6)	Pacific (7)	Av. KnI_II (8)	Av. KnI_II (cross-regional) (9)
Africa	0.28	-	0.34	0.03	-	0.30	0.03	0.19	0.19
Asia	-	0.24	0.34	0.01	0.00	0.36	0.01	0.30	0.32
Europe	0.01	0.11	0.48	0.01	0.02	0.28	0.02	0.35	0.22
Latin America	0.00	-	-	0.12	-	0.32	-	0.28	0.31
Middle East	-	0.11	0.32	-	0.33	0.44	-	0.21	0.21
North America	0.02	0.07	0.18	0.01	0.00	0.64	0.01	0.26	0.16
Pacific	-	0.21	0.28	0.01	-	0.32	0.05	0.24	0.28

Panel C illustrates the average level of expertise in the target region which acquirers have on their share registers pre-announcement. Specifically, it shows the average portfolio allocation in the target region of the low and very low turnover investors on the acquirer share register in the quarter prior to the announcement of the deal, i.e. our definition of knowledge-intensive institutional investors' regional expertise (*KnI_II*). Note that the turnover classification is defined by the FactSet database and the average level of expertise is the equally weighted average for all low and very low turnover investors which are registered holder of the acquirers shares - for our sample of 1,236 completed deals – in the period reaching two quarters prior to the announcement. Columns 1 to 7 show the average expertise per regional pair, e.g. the value of 0.28 in the upper left cell shows that the level of regional expertise of African acquirers in our sample, i.e. the average portfolio allocation for low and very low turnover investor listed on the acquirer share register into the Africa region, is 28%. If we compare this to the cell corresponding to African acquirers investing in the European region, we can conclude that the level of expertise on the acquirers' share register (34%) is on average higher than for their home region of Africa. The final two columns show the average regional expertise shown ex-ante on acquirers' share registers per acquirer region but irrespective of target region. So, if we compare the top two listed acquirer regions, Africa and Asia, we see that Asian acquirers have on average more regional expertise – and should, therefore, be in a better position to evaluate investment opportunities abroad providing that their management teams consult their knowledge-intensive investors – on their share registers compared to African acquirers. Finally, the last column takes the same average irrespective of target region but excludes intra-regional transactions.

Table 4: Description of the M&A Maturity Index

Panel A: M&A Maturity Index country ranking and index score (2012), corresponding score for the five factor groups for the top 15 ranked countries represented in the sample

Country name	Rank	M&A Maturity Index score	Regulatory and political	Economic and financial	Technological	Socio-economic	Infrastructure and assets
United States	1	0.85	0.84	0.81	0.92	0.80	0.89
Singapore	2	0.84	0.96	0.75	0.90	0.68	0.92
United Kingdom	3	0.82	0.80	0.77	0.93	0.71	0.90
Hong Kong	4	0.81	0.87	0.76	0.83	0.72	0.88
South Korea	5	0.81	0.76	0.65	0.95	0.91	0.78
Germany	6	0.80	0.76	0.66	0.91	0.73	0.95
Canada	7	0.80	0.84	0.76	0.89	0.81	0.71
France	8	0.80	0.80	0.70	0.92	0.67	0.90
China	9	0.79	0.44	0.87	0.81	0.97	0.87
Japan	10	0.79	0.73	0.75	0.92	0.69	0.87
Netherlands	11	0.79	0.86	0.71	0.94	0.65	0.79
Switzerland	12	0.79	0.86	0.75	0.93	0.60	0.78
Australia	13	0.77	0.90	0.73	0.85	0.69	0.70
Spain	14	0.77	0.68	0.74	0.76	0.79	0.90
Austria	15	0.74	0.80	0.58	0.84	0.60	0.88

Panel B: M&A Maturity Index country ranking and index score (2012), corresponding score for the five factor groups for the bottom 15 ranked countries represented in the sample.

Country name	Rank	M&A Maturity Index score	Regulatory and political	Economic and financial	Technological	Socio-economic	Infrastructure and assets
Egypt	65	0.56	0.38	0.54	0.47	0.66	0.74
Peru	68	0.55	0.52	0.64	0.56	0.59	0.43
Philippines	70	0.54	0.35	0.64	0.65	0.63	0.41
Lebanon	76	0.51	0.37	0.59	0.59	0.51	0.50
Macedonia	80	0.50	0.63	0.49	0.46	0.55	0.38
Pakistan	86	0.47	0.21	0.46	0.37	0.65	0.64
Bangladesh	90	0.44	0.20	0.61	0.32	0.69	0.39
Syria	97	0.42	0.38	0.45	0.35	0.49	0.42
Nigeria	101	0.41	0.23	0.50	0.40	0.53	0.38
Ecuador	102	0.40	0.27	0.37	0.49	0.52	0.36
Ghana	107	0.39	0.52	0.38	0.25	0.49	0.31
Papua New Guinea	123	0.34	0.26	0.50	0.40	0.35	0.19
Uganda	132	0.32	0.31	0.34	0.28	0.41	0.25
Sierra Leone	133	0.31	0.33	0.36	0.39	0.29	0.20
Dem. Rep. of Congo	143	0.27	0.19	0.39	0.42	0.25	0.12

Panels A and B shows the top and bottom 15 countries in the 2012 M&A Maturity Index represented in our sample. The *Rank* is the country ranking for 2012, based on the total of 148 countries ranked in the index. The *M&A Maturity Index score* – which determines the rank – is the weighted average of the five factor group scores including 1) *Regulatory and political factors* (e.g., rule of law and political stability), 2) *Economic and financial factors* (e.g., GDP growth and access to financing), 3) *Technological factors* (e.g., high-tech exports and innovation), 4) *Socio-economic factors* (e.g., population) and 5) *Quality of infra-structure and assets* (e.g. roads and railways, and the number of sizeable corporate assets).

Table 5: Long-term acquirer performance – Buy-and-hold returns (BHAR)

Panel A: Regional acquirer BHAR – time dependent

Acquirer region ↓	BHAR t-1m to t+12m t-stats (observations)	BHAR t-1m to t+24m t-stats (observations)	BHAR t-1m to t+36m t-stats (observations)
Africa	0.042	0.076	0.032
	0.616 (28)	0.461 (23)	0.104 (21)
Asia	0.108***	0.163***	0.295***
	4.883 (186)	4.961 (164)	5.675 (140)
Europe	0.053***	0.121***	0.215***
	5.061 (639)	6.729 (607)	7.144 (561)
Latin America	0.175**	0.198*	0.086
	2.257 (17)	1.928 (15)	0.729 (14)
Middle East	-0.105	-0.103	-0.151
	-1.318 (23)	-0.795 (19)	-0.910 (17)
North America	0.095***	0.236***	0.415***
	4.481 (266)	7.230 (243)	8.129 (209)
Pacific	0.109***	0.175***	0.392***
	2.969 (77)	3.184 (70)	4.709 (63)
All	0.072***	0.151***	0.266***
	8.499 (1,236)	11.567 (1,141)	12.826 (1,025)

Panel A shows the equally-weighted buy-and-hold portfolio returns (BHAR) for all acquirers which completed a cross-border deal during the sample period (1,236 deals). The matrix shows the performance per acquirer region and BHAR period, ranging from month -1, before the announcement, to months 12, 24 and 36 after the announcement. Each period shows the average abnormal total return, adjusted to the regional MSCI index and the corresponding t-statistics and number of observations. Note that for the Middle East and Africa − where no appropriate regionally defined indices for the sample period could be sourced − we use the MSCI Emerging Markets Europe and Middle East and the MSCI Emerging Markets Europe, Middle East and Africa indices, respectively.

***, **, and * indicate statistical significance at a 1%, 5% and 10% level, respectively.

Panel B: Regional acquirer BHAR – target region dependent

Target region → Acquirer region ↓	Africa t-stats (obs.)	Asia t-stats (obs.)	Europe t-stats (obs.)	Latin America t-stats (obs.)	Middle East t-stats (obs.)	North America t-stats (obs.)	Pacific t-stats (obs.)
Africa	-0.02	-	0.15	0.11*	0.33	0.08	-0.20
	-0.17 (4)	- (0)	1.18 (9)	1.74 (5)	- (1)	1.14 (3)	-0.93 (6)
Asia	-	0.16***	0.05	0.04	0.00	0.11**	0.08**
	- (0)	3.46 (74)	1.30 (52)	0.25 (2)	- (1)	2.80 (43)	2.11 (14)
Europe	0.09	0.06	0.05***	0.00	0.09**	0.05***	0.04
	1.36 (18)	1.51 (43)	3.51 (351)	0.12 (45)	2.04 (8)	3.21 (158)	0.51 (16)
Latin America	0.26	-	-	0.17	-	0.16	-
	0.84 (2)	- (0)	- (0)	1.02 (3)	- (0)	1.64 (12)	- (0)
Middle East	-	0.14	-0.09	-	-0.37*	-0.16*	-
	- (0)	0.70 (6)	-0.50 (2)	- (0)	-1.83 (3)	-1.82 (12)	- (0)
North America	-0.12	0.15*	0.09**	0.17*	0.14*	0.09***	0.01
	-1.43 (4)	1.97 (25)	2.82 (120)	1.69 (19)	1.88 (9)	2.59 (67)	0.15 (22)
Pacific	0.09	-0.01	0.12*	0.17***	-	0.17**	0.10
	0.59 (2)	-0.06 (12)	1.74 (24)	4.39 (2)	- (0)	2.13 (21)	1.43 (16)

Panel B shows the equally-weighted buy-and-hold portfolio returns (BHAR) for all acquirers which completed a cross-border deal during the sample period (1,236 deals). The matrix shows the performance per acquirer and target region, with the BHAR period ranging from month -1, before the announcement, to month 12 after the announcement. Each cell shows the average abnormal total return, adjusted to the regional MSCI index and the corresponding t-statistics and number of observations. Note that for the Middle East and Africa − where no appropriate regionally defined indices for the sample period could be sourced − we use the MSCI Emerging Markets Europe and Middle East and the MSCI Emerging Markets Europe, Middle East and Africa indices, respectively.

***, **, and * indicate statistical significance at a 1%, 5% and 10% level, respectively.

	(1) Dependent variable: t-1m to t+12m BHAR	(2) Dependent variable: t-1m to t+12m BHAR	(3) Dependent variable: t-1m to t+36m BHAR	(4) Dependent variable: t-1m to t+36m BHAR
Institutional investor expertise				
Knl_II	**0.062*****	**0.053*****	**0.024*****	0.004
	15.640	13.200	4.380	0.700
KnI_II x Rel_Maturity		**0.415*****		**1.698*****
		6.750		10.340
Control variables				
Cult_Dist	**0.004*****	**0.003*****	**-0.019*****	**-0.022*****
	4.030	2.920	-10.150	-10.350
Prct_Held_B	0.087	0.083	0.219	0.262
	1.130	1.080	1.080	1.280
Deal_Val	**-0.022*****	**-0.021*****	**-0.058*****	**-0.059*****
	-24.880	-23.580	-35.900	-35.540
Hostile	**-0.083*****	**-0.089*****	**-0.039*****	**-0.046*****
	-13.070	-14.020	-3.920	-4.560
Ind_Relat.	**0.033*****	**0.027*****	**0.141*****	**0.141*****
	15.550	12.810	35.310	34.510
All_Cash	**0.084*****	**0.076*****	**0.067*****	**0.078*****
	40.780	37.700	18.920	21.630
MV_BV$_{Acq\ Y-1}$	**0.000*****	**0.000*****	**-0.003*****	**-0.003*****
	-20.590	-18.980	-21.970	-21.010
TD_TA$_{Acq\ Y-1}$	**-0.015****	**-0.022*****	**0.254*****	**0.252*****
	-2.440	-3.490	11.700	11.670
Liquid$_{Acq\ Y-1}$	**-0.321*****	**-0.324*****	**-0.174*****	**-0.154*****
	-29.260	-29.370	-7.190	-6.320
Turnov$_{Acq}$	**0.045*****	**-0.031****	**-0.060****	**-0.069****
	3.690	-2.590	-2.240	-2.430
Anti-self-dealing$_{Acq-Tar}$	**0.036*****	**0.040*****	**0.029*****	0.001
	9.660	10.530	4.130	0.110
Rel_Maturity		**-0.103*****		**0.113*****
		-5.450		4.060
Constant	**1.145*****	**1.161*****	**1.416*****	**1.404*****
	190.900	192.470	93.290	89.700
Unique institutional investors	4,078	4,078	3,758	3,758
Cross-border M&A deals	748	748	697	697
Number of observations	75,555	75,555	64,945	64,945
Wald Chi^2	363.46	333.88	391.76	392.09

The dependent variable is the acquirer BHAR returns over the -1 to +12- and +36-months adjusted by the MSCI World Size Index corresponding to each acquirer company. 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US $, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealing$_{Acq-Tar}$' is the difference between the acquirer and target countries' anti-self-dealing index values, and 'Rel_Maturity' is the difference between acquirer and target M&A maturity. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have a robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.

	(1)	(2)	(3)	(4)	(5)
Institutional investor expertise					
Knl_II	0.026***	0.023***	0.024***	0.020***	0.014***
	8.710	7.670	8.190	6.270	4.420
KnI_II x Rel_Maturity	1.066***	1.047***	0.920***	1.037***	0.894***
	14.130	13.840	12.090	13.720	11.930
Control variables					
Cult_Dist	0.001	0.001	0.001*	0.001	0.002**
	1.030	1.520	1.760	1.380	2.120
Prct_Held_B	0.022	0.026	0.027	0.013	0.036
	0.440	0.520	0.530	0.260	0.720
Deal_Val	-0.013***	-0.014***	-0.016***	-0.015***	-0.014***
	-20.520	-26.280	-27.710	-26.770	-22.020
Hostile	-0.087***	-0.087***	-0.080***	-0.085***	-0.084***
	-17.260	-16.890	-15.740	-16.590	-16.600
Ind_Relat.	0.009***	0.009***	0.012***	0.008***	0.011***
	5.860	6.350	8.000	5.320	7.410
All_Cash	0.068***	0.069***	0.069***	0.069***	0.069***
	46.640	47.510	47.100	47.080	47.600
$MV\_BV_{Acq\ Y-1}$	0.000***	0.000***	0.000***	0.000***	0.000***
	-17.190	-16.020	-17.280	-19.150	-13.150
$TD\_TA_{Acq\ Y-1}$	0.020***	0.008	-0.004	0.019***	-0.002
	4.600	1.680	-0.720	4.470	-0.410
$Liquid_{Acq\ Y-1}$	-0.220***	-0.228***	-0.238***	-0.223***	-0.235***
	-30.080	-29.930	-31.060	-30.510	-29.830
$Turnov_{Acq}$	-0.077***	-0.080***	-0.068***	-0.083***	-0.066***
	-11.800	-12.340	-10.350	-12.700	-9.920
Anti-self-dealing$_{Acq-Tar}$	0.022***	0.019***	0.029***	0.022***	0.025***
	7.980	7.050	10.350	8.190	9.000
Prior_Exp	0.000***				0.000***
	17.250				16.740
Top_Advis		-0.010***			-0.010***
		-6.650			-6.460
Prior_Sub			0.013***		0.007***
			6.620		3.570
Domic_Tar_Reg				0.016***	0.015***
				8.780	8.130
Rel_Maturity	-0.059***	-0.047***	-0.069***	-0.038***	-0.039***
	-4.650	-3.660	-5.350	-2.880	-2.960
Constant	1.096***	1.095***	1.111***	1.100***	1.096***
	257.580	267.340	262.690	270.770	244.560
Unique institutional investors	4,078	4,078	4,078	4,078	4,078
Cross-border M&A deals	748	748	748	748	748
Number of observations	75,555	75,555	75,555	75,555	75,555
Wald Chi^2	6887.41	6628.78	6565.32	6507.77	7246.85

The dependent variable is the acquirer BHAR returns over the -1 to +12 months period by the MSCI World Size Index corresponding to each acquirer company. 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US $, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealing$_{Acq-Tar}$' is the difference between the acquirer and target countries' anti-self-dealing index values, 'Prior_Exp' equals 1 when the acquirer completed an earlier deal in the target region, 'Top_Advis' equals 1 when the acquirer is advised by a global investment bank, 'Prior_Sub' equals 1 when the acquirer has a subsidiary in the target region, 'Domic_Tar_Reg' equals 1 when the institutional investor on the acquirer's share register is domiciled in the target region, and 'Rel_Maturity' is the difference between acquirer and target M&A maturity. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have a robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.

Table 8: Analysis of t-1m to t+12m post-M&A performance (Alternative sources of regional expertise continued)

	(1)	(2)
Institutional investor expertise		
Knl_II	0.010**	0.010**
	2.360	2.380
KnI_II x Rel_Maturity	0.678***	0.696***
	7.040	7.200
Prior_JV_or_Alliance x Rel_Maturity		-0.007
		-1.120
Control variables		
Cult_Dist	-0.008***	-0.008***
	-8.810	-8.530
Prct_Held_B	-0.236***	-0.236***
	-2.610	-2.610
Deal_Val	-0.024***	-0.024***
	-24.660	-24.000
Hostile	-0.028***	-0.029***
	-3.410	-3.470
Ind_Relat.	0.041***	0.041***
	19.310	19.320
All_Cash	0.059***	0.059***
	32.860	32.860
$MV\_BV_{Acq\ Y-1}$	-0.001***	-0.001***
	-69.170	-69.270
$TD\_TA_{Acq\ Y-1}$	-0.014**	-0.012*
	-2.070	-1.650
$Liquid_{Acq\ Y-1}$	-0.296***	-0.294***
	-29.300	-27.630
$Turnov_{Acq}$	-0.088***	-0.089***
	-9.200	-9.140
Anti-self-dealing$_{Acq-Tar}$	0.079***	0.078***
	21.060	21.060
Rel_Maturity	0.079***	0.083***
	4.830	4.790
Prior_JV_or_Alliance	0.001***	0.001***
	91.180	90.360
Constant	1.442***	1.440***
	126.860	123.260
Unique institutional investors	4,078	4,078
Cross-border M&A deals	748	748
Number of observations	75,555	75,555
Wald Chi^2	30581.50	32166.97

The dependent variable is the acquirer BHAR returns over the -1 to +12 months period adjusted by the MSCI World Size Index corresponding to each acquirer company. 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Prior_JV_or_Alliance x Rel_Maturity is the natural logarithm of the number of joint ventures or strategic alliances that the acquirer completed in the target region before the current deal *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US $, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealing$_{Acq-Tar}$' is the difference between the acquirer and target countries' anti-self-dealing index values, 'Rel_Maturity' is the difference between acquirer and target M&A maturity, and 'Prior_JV_or_Alliance' the natural logarithm of the number of joint ventures or strategic alliances that the acquirer completed in the target region before the current deal. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have a robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.

Table 9: Analysis of t-1m to t+12m post-M&A performance (Alternative measures of the discrepancy in M&A environments)

	(1)	(2)
Institutional investor expertise		
Knl_II	0.018	0.004
	0.730	0.180
KnI_II x Rel_Maturity		**0.356*****
		3.730
KnI_II x Geog_Dist	-0.003	-0.001
	-0.850	-0.420
Control variables		
Cult_Dist	0.000	-0.001
	0.330	-1.200
Prct_Held_B	-0.078	-0.073
	-0.950	-0.890
Deal_Val	**-0.029*****	**-0.027*****
	-31.090	-30.010
Hostile	**-0.023*****	**-0.028*****
	-2.570	-3.100
Ind_Relat.	**0.040*****	**0.036*****
	18.870	17.160
All_Cash	**0.065*****	**0.064*****
	36.210	34.710
MV_BV$_{Acq\ Y-1}$	**-0.001*****	**-0.001*****
	-72.670	-72.710
TD_TA$_{Acq\ Y-1}$	0.008	0.007
	1.150	1.040
Liquid$_{Acq\ Y-1}$	**-0.267*****	**-0.269*****
	-26.460	-26.390
Turnov$_{Acq}$	**-0.110*****	**-0.154*****
	-11.880	-16.080
Anti-self-dealing$_{Acq-Tar}$	**0.081*****	**0.076*****
	22.670	20.480
Rel_Maturity		0.025
		1.490
Geog_Dist	**-0.027*****	**-0.028*****
	-18.140	-18.030
Constant	**1.486*****	**1.491*****
	96.930	96.980
Unique institutional investors	4,078	4,078
Cross-border M&A deals	748	748
Number of observations	75,555	75,555
Wald Chi^2	10757.89	11330.51

The dependent variable is the acquirer BHAR returns over the -1 to +12 months period adjusted by the MSCI World Size Index corresponding to each acquirer company. 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'KnI_II x Geog_Dist' is knowledge-intensive institutional investors *multiplied by* the natural logarithm of the geographic distance between the acquirer and target regions, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US $, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealing$_{Acq-Tar}$' is the difference between the acquirer and target countries' anti-self-dealing index values, 'Rel_Maturity' is the difference between acquirer and target M&A maturity, and 'Geog_Dist' is the natural logarithm of the geographic distance between the acquirer and target regions. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have a robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.

Table 10: Analysis of t-1m to t+12m and t-1m to t+36m post-M&A performance (Alternative measures of M&A success)

	(1) MSCI Regional Index, t-1m to t+12m	(2) MSCI Regional & Size Index, t-1m to t+12m	(3) MSCI Regional Index, t-1m to t+36m	(4) MSCI Regional & Size Index, t-1m to t+36m
Institutional investor expertise				
Knl_II	0.027***	0.032***	0.038***	0.021***
	9.040	10.450	7.620	4.370
KnI_II x Rel_Maturity	1.068***	1.052***	1.086***	0.671***
	14.050	13.720	9.300	5.950
Control variables				
Cult_Dist	0.001	0.002***	-0.027***	-0.025***
	1.130	2.780	-19.480	-20.800
Prct_Held_B	0.017	-0.053	0.023	-0.162
	0.330	-0.980	0.210	-1.490
Deal_Val	-0.014***	-0.015***	-0.035***	-0.027***
	-26.450	-27.060	-35.530	-24.420
Hostile	-0.085***	-0.066***	-0.095***	-0.007
	-16.590	-15.750	-9.680	-0.780
Ind_Relat.	0.009***	0.003*	0.113***	0.092***
	6.030	1.700	38.890	31.660
All_Cash	0.069***	0.059***	0.086***	0.070***
	46.930	42.920	37.870	32.040
MV_BV$_{Acq\ Y-1}$	0.000***	0.000***	-0.003***	-0.002***
	-19.460	-23.540	-25.030	-14.170
TD_TA$_{Acq\ Y-1}$	0.017***	-0.027***	0.059***	-0.018*
	3.810	-6.150	5.550	-1.790
Liquid$_{Acq\ Y-1}$	-0.224***	-0.252***	-0.313***	-0.333***
	-30.560	-32.660	-24.960	-25.130
Turnov$_{Acq}$	-0.081***	-0.069***	-0.240***	-0.250***
	-12.470	-10.790	-23.880	-24.080
Anti-self-dealing$_{Acq-Tar}$	0.022***	0.036***	0.035***	0.081***
	8.240	13.370	7.350	17.580
Rel_Maturity	-0.060***	-0.056***	0.206***	0.093***
	-4.680	-4.520	9.630	4.640
Constant	1.103***	1.109***	1.310***	1.263***
	273.880	264.010	162.160	138.130
Unique institutional investors	4,078	4,038	3,758	3,579
Cross-border M&A deals	748	706	697	596
Number of observations	75,555	72,152	64,945	57,404
Wald Chi^2	6460.80	6244.76	9317.86	6225.86

The dependent variable is the acquirer BHAR returns over the -1 to +12 months and -1 to +36 months period adjusted by the MSCI Regional or Regional & Size indices of the acquirer. 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US $, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealingAcq-Tar' is the difference between the acquirer and target countries' anti-self-dealing index values, and 'Rel_Maturity' is the difference between acquirer and target M&A maturity. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have a robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.

Table 11: Analysis of t_{-1m} to t_{+12m} post-M&A performance (Alternative measures of M&A success continued)

	(1) Dependent variable: impairment of goodwill	(2) Dependent variable: likelihood of deal completion
Institutional investor expertise		
KnI_II	**-75.545***	**0.352***
	-12.090	10.680
KnI_II x Rel_Maturity	**-871.225***	**3.427***
	-5.880	4.280
Control variables		
Cult_Dist	**34.201***	**0.025***
	26.230	4.060
Prct_Held_B	-41.567	**1.686**
	-0.760	2.210
Deal_Val	**-28.679***	**-0.130***
	-38.310	-25.870
Hostile	**98.691***	Omitted
	39.050	
Ind_Relat.	**-5.487**	**0.471***
	-2.200	25.090
All_Cash	**60.640***	**-0.088***
	29.460	-5.630
MV_BV$_{Acq\ Y-1}$	**-0.263***	**0.020***
	-26.130	16.890
TD_TA$_{Acq\ Y-1}$	**83.798***	**-1.345***
	12.070	-33.520
Liquid$_{Acq\ Y-1}$	**232.189***	**-1.385***
	31.470	-22.570
Turnov$_{Acq}$	**-22.800***	**0.181***
	-4.400	3.670
Anti-self-dealing$_{Acq-Tar}$	**77.533***	**-0.936***
	42.830	-37.300
Rel_Maturity	**-759.877***	**-0.268**
	-18.750	-2.000
Tender_Offer		**-0.068***
		-4.290
Competing_Bidder		**-0.265***
		-11.480
Target_Term_Fee		-0.008
		-0.410
Constant	**94.262***	**2.769***
	27.170	68.460
Unique institutional investors	3,154	4,832
Cross-border M&A deals	174	797
Number of observations	43,256	81,315
Wald Chi^2	4952.87	4867.45

The dependent variable is the acquirer BHAR returns over the -1 to +12 months period adjusted by the MSCI World Size Index corresponding to each acquirer company. 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US \$, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealing$_{Acq-Tar}$' is the difference between the acquirer and target countries' anti-self-dealing index values, 'Rel_Maturity' is the difference between acquirer and target M&A maturity, 'Tender_Offer' equals 1 if the deal is classified as a 'tender offer' by the SDC Platinum Database and 0 otherwise, 'Competing_Bidder' equals 1 if there are any competing bidders and 0 otherwise, and 'Target_Term_Fee' equals 1 if there is a target company termination fee clause in the deal agreement document and 0 otherwise. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. For Table 11, the underlying deal data sample for Model 1 is 177 and for Model 2 it is 797. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.

Table 12: Analysis of t-1m to t+12m post-M&A performance (Deal level, serial acquirers and primary index-listing sensitivity analysis)

	(1) Large sample, original model, *Institutional Investor level*	(2) Large sample all controls, *Institutional Investor level*	(3) Large sample all controls excl. serial acquirers, *Institutional Investor level*
Institutional investor expertise			
Knl_II	**0.006***	-0.001	0.001
	1.650	-0.250	0.140
KnI_II x Rel_Maturity	**0.434***	**0.529***	**2.042***
	8.260	4.520	9.320
Control variables			
Cult_Dist	0.000	**-0.016***	**0.025***
	0.160	-15.430	11.930
Prct_Held_B	-0.088	**-0.208***	**-0.255***
	-1.510	-3.530	-3.120
Deal_Val	**-0.010***	**-0.004***	**-0.010***
	-16.870	-4.010	-6.070
Hostile	**-0.072***	-0.005	**0.044***
	-14.260	-1.350	4.020
Ind_Relat.	**0.030***	**0.034***	**0.053***
	14.730	12.870	9.770
All_Cash	**0.031***	**0.014***	**0.032***
	17.360	6.260	6.230
MV_BV$_{Acq Y-1}$	**0.000***	**0.000***	**0.000***
	10.000	-3.180	-1.020
TD_TA$_{Acq Y-1}$	**-0.122***	**-0.042***	**-0.215***
	-16.510	-3.490	-10.710
Liquid$_{Acq Y-1}$	**-0.204***	**-0.214***	-0.029
	-25.800	-17.650	-1.240
Turnov$_{Acq}$	**-0.139***	-0.016	**-0.056***
	-18.260	-1.480	-2.980
Anti-self-dealing$_{Acq-Tar}$	**0.053***	**-0.020***	**0.039***
	16.190	-4.560	4.980
Rel_Maturity	**-0.230***	**0.889***	**-0.315***
	-14.680	11.620	-3.090
Domic_Tar_Reg		**0.006**	**0.029***
		2.020	4.740
Top_Advis		**-0.026***	**0.028***
		-8.880	5.160
Prior_Sub		**-0.045***	**0.049***
		-11.590	7.170
Prior_Exp		**0.000***	**0.003***
		-3.040	20.010
Prior_JV_or_Alliance		**0.016***	**-0.022***
		9.980	-5.050
Prior_JV_or_Alliance x Rel_Maturity		**-0.046***	**0.118***
		-3.030	3.220
Any_II_Leave		**-0.026***	**-0.032***
		-5.890	-4.700
Geog_Dist		**0.004**	**0.019***
		2.540	6.380
KnI_II x Geog_Dist		**-0.070***	**0.081***
		-6.610	4.860
Acquisitive_CrossBorder_Mean		**-0.016***	Omitted
		-4.680	
Constant	1.134***	**1.125***	**0.824***
	226.840	83.010	28.070
Unique institutional investors	4,085	4,085	2,541
Cross-border M&A deals	2,065	2,065	531
Number of observations	123,585	123,585	24,693
Wald Chi^2	1690	2702	2401.21

Table 12 continued

The dependent variable is the acquirer BHAR returns over the -1 to +12 months period adjusted by the MSCI World Size Index corresponding to each acquirer company. 'KnI_II' is knowledge-intensive institutional investors, 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US $, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealingAcq-$_{Tar}$' is the difference between the acquirer and target countries' anti-self-dealing index values, 'Rel_Maturity' is the difference between acquirer and target M&A maturity, 'Domic_Tar_Reg' equals 1 when the institutional investor on the acquirer's share register is domiciled in the target region, 'Prior_Exp' equals 1 when the acquirer completed an earlier deal in the target region, 'Top_Advis' equals 1 when the acquirer is advised by a global investment bank, 'Prior_Sub' equals 1 when the acquirer has a subsidiary in the target region, 'Any_II_Leave' is the number of institutional investors that dispose of their holdings in the acquirer company within six months of the M&A deal announcement, 'Geog_Dist' is the natural logarithm of the geographic distance between the acquirer and target regions, 'KnI_II x Geog_Dist' is knowledge-intensive institutional investors *multiplied by* the natural logarithm of the geographic distance between the acquirer and target regions, 'Prior_JV_or_Alliance' is the natural logarithm of the number of joint ventures or strategic alliances that the acquirer completed in the target region before the current deal, 'KnI_II x Prior_JV_or_Alliance' is knowledge-intensive institutional investors *multiplied by* the natural logarithm of the number of joint ventures or strategic alliances that the acquirer completed in the target region before the current deal, 'Acquisitive_CrossBorder_Mean' equals 1 when the acquirer has completed a number of international deals which is greater than the average number of international deals completed by all firms within the last year and 0 otherwise. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. For Table 13, the underlying deal data sample for Model 1 and 2 is 2,065 and for Model 3 it is 531. Note that the number of additional new unique institutional investors for the large sample is small in relation to how many new deals are added to the sample. All added deals refer to deals completed by acquirers which are not part of the constitute of the primary index. When one looks at all the extra deals completed by smaller acquirers or acquirers listed on the secondary exchanges, the number of new unique institutional investors that are now present, but were not present on deals only on the primary index-listed acquirers' share register is small. This is not surprising as few institutional investors specialize only in smaller companies or companies listed on the secondary exchanges. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have a robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.

Table 13: Analysis of t-1m to t+12m post-M&A performance (Deal level, serial acquirers and primary index-listing sensitivity analysis continued)

	(1) Original sample, original model, *deal level*	(2) Original sample, all controls, *deal level*	(3) Original sample, all controls, excl. serial acquirers, *deal level*
Institutional investor expertise			
Knl_II	**0.046****	**0.116****	0.083
	2.140	2.250	0.810
KnI_II x Rel_Maturity	**0.289****	**1.983*****	**4.519*****
	2.390	3.680	3.980
Control variables			
Cult_Dist	-0.009	**-0.030***	0.016
	-0.780	-1.950	0.550
Deal_Val	-0.007	0.009	0.004
	-0.760	0.660	0.120
Hostile	0.136	-0.010	-0.001
	0.820	-0.130	-0.010
Ind_Relat.	**0.061****	0.015	-0.024
	2.270	0.390	-0.280
All_Cash	0.038	0.011	-0.036
	1.450	0.300	-0.420
MV_BV$_{Acq\ Y-1}$	**-0.001*****	**-0.001*****	**-0.001****
	-3.070	-3.880	-2.250
TD_TA$_{Acq\ Y-1}$	0.060	0.169	0.110
	0.740	1.240	0.360
Liquid$_{Acq\ Y-1}$	**-0.236***	-0.036	0.309
	-1.830	-0.210	0.950
Turnov$_{Acq}$	-0.030	0.080	0.087
	-0.190	0.320	0.180
Anti-self-dealing$_{Acq-Tar}$	0.057	0.011	0.027
	1.220	0.200	0.230
Rel_Maturity	**-0.583***	-0.342	-0.402
	-1.850	-0.910	-0.520
Any_II_Leave	**-0.055***	**-0.120*****	-0.096
	-1.930	-2.930	-1.150
Top_Advis		-0.022	-0.004
		-0.550	-0.050
Prior_Sub		0.005	0.072
		0.110	0.640
Prior_Exp		0.000	0.004
		-0.440	1.640
Prior_JV_or_Alliance		-0.013	**-0.088***
		-0.640	-1.860
Prior_JV_or_Alliance x Rel_Maturity		0.048	**-1.041***
		0.300	-1.870
Geog_Dist		**0.030***	**0.063***
		1.770	1.840
KnI_II x Geog_Dist		**0.000*****	**0.000*****
		-3.170	-2.760
Acquisitive_CrossBorder_Mean		-0.027	Omitted
		-0.720	
Constant	**1.124*****	**0.789*****	0.437
	14.880	4.510	1.180
Number of observations / Cross-border M&A deals	748	748	91
R^2	0.0465	0.1425	0.3068

Table 13 continued

The dependent variable is the acquirer BHAR returns over the -1 to +12 months period adjusted by the MSCI World Size Index corresponding to each acquirer company. 'KnI_II' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register, 'KnI_II x Rel_Maturity' is the portfolio allocation in the target region of the knowledge-intensive institutional investors on the acquirer share register *multiplied by* the difference in M&A maturity between the target and acquirer countries, 'Cult_Dist' is the cultural distance between the acquirer and target countries, 'Prct_Held_B' is the percentage of outstanding shares which each institutional investor has in the acquirer, 'Deal_Val' is the M&A deal value measured in millions of US $, 'Hostile' equals 1 when the deal is hostile and 0 otherwise, 'Ind_Relat.' equals 1 when the target and acquirer operate in the same industry and 0 otherwise, 'All_Cash' equals 1 when the method of payment is all cash and 0 otherwise, 'MV_BV$_{Acq}$' is the market-to-book ratio of the acquirer, 'TD_TA$_{Acq}$' is the ratio of total debt to total assets, 'Liquid$_{Acq}$' is the ratio of cash and cash equivalents to total assets, 'Turnov$_{Acq}$' is the trading volume divided by total outstanding shares three months before the announcement of the deal, 'Anti-self-dealingAcq-$_{Tar}$' is the difference between the acquirer and target countries' anti-self-dealing index values, 'Rel_Maturity' is the difference between acquirer and target M&A maturity, 'Domic_Tar_Reg' equals 1 when the institutional investor on the acquirer's share register is domiciled in the target region, 'Prior_Exp' equals 1 when the acquirer completed an earlier deal in the target region, 'Top_Advis' equals 1 when the acquirer is advised by a global Investment Bank, 'Prior_Sub' equals 1 when the acquirer has a subsidiary in the target region, 'Any_II_Leave' is the number of institutional investors that dispose of their holdings in the acquirer company within six months of the M&A deal announcement, 'Geog_Dist' is the natural logarithm of the geographic distance between the acquirer and target regions, 'KnI_II x Geog_Dist' is knowledge-intensive institutional investors *multiplied by* the natural logarithm of the geographic distance between the acquirer and target regions, 'Prior_JV_or_Alliance' is the natural logarithm of the number of joint ventures or strategic alliances that the acquirer completed in the target region before the current deal, 'KnI_II x Prior_JV_or_Alliance' is knowledge-intensive institutional investors *multiplied by* the natural logarithm of the number of joint ventures or strategic alliances that the acquirer completed in the target region before the current deal, 'Acquisitive_CrossBorder_Mean' equals 1 when the acquirer has completed a number of international deals which is greater than the average number of international deals completed by all firms within the last year and 0 otherwise. We estimate our regressions with fixed effect panel specification, where the unique investor name represents the cluster variable in the panel. For our main regression specification, where we use the acquirer BHAR returns over the 12-month period post-M&A performance adjusted by the MSCI World Size Index, the underlying deal data sample is 748 deals. To correct for the possibility that our coefficients are not estimated on the basis of a random sample or that the distributions of our independent variables and regression residual are not independent or identically distributed (i.i.d.), all models have a robust estimate of variance following Huber (1967) and White (1980, 1982). T-stats are reported below each independent variable. ***, **, and * indicate statistical significance at a 1%, 5%, and 10% level, respectively.