

**WHO WRITES THE NEWS?
CORPORATE PRESS RELEASES DURING MERGER NEGOTIATIONS**

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Abstract

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

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Who Writes the News? Corporate Press Releases During Merger Negotiations

Abstract

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

Recent research finds that media coverage has a significant effect on stock trading and returns (Tetlock, 2007; Barber and Odean, 2008). Several studies show that even stale news, if widely publicized, can dramatically raise short-term returns (Huberman and Regev, 2001) and influence prices of large and widely-followed stocks in the S&P 500 (Tetlock, 2010). Moreover, Engelberg and Parsons (2010) show that media coverage has a causal impact on stock trading. Though this research documents that news coverage affects the valuation of firms, relatively little is known about the opposite: how firms actively manage their news coverage. In particular, companies have strong incentives to attempt to influence their stock price by producing and actively disseminating news stories during important corporate events. This hypothesis, which we label *active media management*, is the focus of this paper.

To identify firms with such incentives, we focus on large corporate acquisitions that use the acquirer's stock as payment. In fixed exchange ratio stock mergers, the target and acquirer negotiate a fixed number of acquirer shares as payment for target stock. In contrast, in floating exchange ratio stock mergers, the two firms negotiate a price per target share in dollars, and at the close of the merger, the acquirer issues as many new shares as are needed to match the price. The timing of when the exchange ratio is determined produces different incentives for fixed and floating ratio acquirers. In particular, if an acquirer in a fixed exchange ratio stock merger can raise its stock price during the merger negotiations, it can offer fewer of its shares for each target share to achieve the same expected takeover price. In comparison, if a floating exchange ratio acquirer can raise its price at the close of the merger when the floating exchange ratio is determined, it can issue fewer shares to achieve the negotiated price.

We exploit this difference in the timing of incentives to identify whether and how firms strategically manage their media coverage. We focus our attention on media coverage during the private negotiation period when a fixed exchange ratio acquirer has an incentive to actively manage its media to temporarily increase its stock price, but a floating exchange ratio acquirer does not. Compared to the period at the close of the merger, the negotiation period allows us to cleanly identify abnormal firm-originated news, since media coverage during this time is not contaminated by news related to the merger. In a sample of 507 stock acquisitions, we find strong evidence that

firms manage their media through press releases precisely when they would benefit the most from a temporary price increase.

Though the difference in the timing of incentives in stock mergers provides an ideal setting to identify active media management, endogeneity is still a concern. In particular, self selection and omitted variables that simultaneously affect media coverage and stock prices may confound our tests. For instance, over-valued firms have an incentive to used fixed exchange ratios to lock in favorable merger terms. If media outlets are more likely to report on highly-valued firms, we would observe more media coverage for fixed exchange ratio acquirers, unrelated to the merger. We address these issues in a number of ways. First, we compare valuation ratios of fixed and floating exchange ratio acquirers and find that they are economically and statistically indistinguishable. Second, we employ differences-in-differences regressions with deal-firm fixed effects. The fixed effects control for all time invariant aspects of both the firm (e.g., size, industry, historical media coverage), and of the merger itself (relative value, relatedness, etc.). This isolates changes in media coverage to within-firm time series variation over a relatively short horizon during the merger process. Finally, we include time-varying variables likely to affect media coverage such as lagged returns and share turnover. We then exploit the differences in the timing of incentives between fixed and floating exchange ratio acquirers to identify changes in media coverage.

Our empirical analysis relies on two unique datasets. First, we collect daily media coverage of acquirers from over 400 media sources in Factiva, including news publications, electronic wires, and press releases. To our knowledge, with over 600,000 articles, this is one of the most comprehensive media datasets in financial research. A particular advantage of these data is that they allow us to distinguish firm-originated press releases from overall media coverage. Though firms can disseminate information through many channels, corporate press releases have the advantage of being fast, flexible in content, and widely followed by investors and journalists (Dyck and Zingales, 2003). We combine these media data with a novel hand-collected dataset on the details of merger negotiations reported in SEC filings, which provides us with the dates when the merger negotiations begin and when the exchange ratio is first discussed and finalized. These key dates — which are disclosed only after the official merger announcement — enable us to construct precise tests of the role of financial media during the crucial period when exchange ratios are determined in private.

Our first set of empirical results shows that bidders in fixed exchange ratio stock mergers dramatically increase the number of press releases *after* they privately begin merger negotiations and *before* the public announcement of the merger. The increase in press release issuance peaks during the period when the stock exchange ratio is likely established. In contrast, floating exchange ratio acquirers show little difference in press release issuance during this time. In difference-in-difference regressions controlling for firm fundamentals, we find that fixed ratio acquirers issue 9 extra press releases during the average negotiation period, a 10 percent increase compared to baseline averages.

The marked increase in media coverage has a significant and positive effect on stock returns, consistent with the evidence that higher visibility induces short-term demand for a stock (Barber and Odean, 2008; Da, Engelberg, and Gao, 2009). We find that a one standard deviation increase in press release issuance during merger negotiations is associated with an additional 3.4 percent increase in a bidder's market value over this period, controlling for other factors.

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

To distinguish this view from active media management, we look at return reversals following the abnormal increase in media coverage. The passive media management hypothesis predicts that the increase in acquirer's market equity prior to the merger announcement will persist if this increase was driven by fundamentals. In contrast, the active media management view posits that market equity is expected to correct to earlier levels.

Consistent with active media management, we observe a drastic correction in the stock prices of fixed ratio bidders after the merger announcement. Over the three-day period around the merger announcement, an average fixed exchange ratio bidder loses approximately 4.1 percent in market value, compared to only 2.5 percent for floating ratio bidders, a significant difference. This downward trend continues over the following two months, with fixed ratio bidders losing nearly

40 percent of the negotiation-period abnormal stock price run-up. The run-up and reversal in the valuation of fixed ratio bidders around merger negotiations are consistent with strategic media management around these events and are difficult to explain by passive, coincidental arrival of news.

As an additional test of the active media hypothesis, we offer evidence on the tone of news articles issued during merger negotiations. Using the classification of positive and negative words from Loughran and McDonald (2011), we find that compared to floating exchange ratio bidders, fixed ratio bidders issue significantly fewer negative press releases during the period when the exchange ratio is established. In contrast, there is no change in the tone of newspaper articles, over which firms have much less control. We also find that newspapers are less likely to report press releases issued by fixed exchange ratio acquirers during merger negotiations, compared to floating ratio acquirers. This evidence suggests that the changes in the number and tone of the acquirer-originated press releases reflect active media management rather than the random arrival of good news.

A second alternative hypothesis, *opportunistic acquisitions*, refers to the endogenous decision to initiate a takeover and pay in stock when the acquirer's stock is favorably priced (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004). This hypothesis is consistent with a run-up in bidders' stock prices before an acquisition and a subsequent correction in firm value. Furthermore, if the strong stock performance itself generates news, this hypothesis would also explain the increase in media coverage at the time of merger negotiations.

Several pieces of evidence suggest that our results are unlikely to be explained by opportunistic acquisitions. To control for news triggered by stock returns, we exclude all stories tagged by Factiva as recurring pricing and market data. As an additional filter for news related to abnormal stock performance, we eliminate all articles with fewer than 50 words and all stories with the word "stock" in the title. Our results remain unchanged after imposing these filters. In addition, we also provide evidence that the increase in the volume of newswire articles reverses following the merger announcement. Ultimately, it is difficult to explain why firms pursuing opportunistic acquisitions without changes in fundamentals would accidentally increase their press release issuance exactly at the time of negotiations without a strategy of active media management.

Next, we investigate how investors respond to media management. Though there is an impressive body of evidence that shows that the limited attention of investors affects stock market behavior (Hirshleifer, 2001; Barberis and Thaler, 2003), we also provide evidence that investors may rationally respond to media management. Since mergers are rare events for a firm and because we focus on the time before the announcement of the merger, it is reasonable that investors cannot predict a future merger based on increased media coverage. Second, we show that the effects of media coverage on stock prices are diminished when investors can rationally identify active media management, namely for repeat acquirers and for media management by floating exchange ratio bidders at the close of the merger. We then explore whether target firms can identify media management. If so, targets may simply adjust their takeover demands to counteract a temporary increase in the acquirer's stock price. Alternatively, targets may not be able to correctly separate the effect of media management from the random arrival of new information. We find that the relative gains captured by the acquirer or the target is positively related to increased media coverage. Thus, our evidence suggests that active media management can be an effective strategy in mergers.

We also conduct other robustness tests to evaluate alternative explanations. First, we control for possible selection bias by limiting our analysis to fixed exchange ratio acquisitions. We find that firms for which additional news coverage is likely to have the strongest impact on returns (large R&D expenditures, high analyst forecast dispersion, and more retail investors (Kumar, 2009)), show the largest increase in firm-originated news stories. Second, we impose strict filters to exclude articles likely to contain merger rumors and obtain the same results.

The central contribution of this paper is to provide some of the first evidence on active media management by corporations. In contrast to most of the existing literature where media is assumed to be exogenous, our findings expose a relatively unexplored aspect of the strategic use of media by firms to further their own interests. We also contribute to the merger literature by providing new evidence on the well-known empirical fact that stock acquirers have lower announcement returns than cash acquirers. By differentiating between fixed and floating exchange ratio stock acquisitions, we show that the lower announcement returns of stock acquisitions are driven by fixed, not floating, exchange ratio deals.

The rest of the article is organized as follows. Section I provides a brief overview of how this paper relates to existing research. Section II discusses data and methods. Section III presents empirical results on whether firms actively manage media. Section IV provides empirical evidence on how investors and target firms respond to media management. Section V offers robustness checks and reviews alternative hypotheses. Section VI concludes.

I. Related Literature

This paper contributes to the growing literature on media in finance and economics. Earlier research shows that media outlets display political and economic biases (Groseclose and Milyo, 2005), and that these biases tend to be slanted towards the customers of the media outlet (Mullainathan and Shleifer, 2005; Gentzkow and Shapiro, 2006, 2010), the media firm's advertisers (Reuter and Zitzewitz, 2006; Gurun and Butler, 2010), or governments (Besley and Prat, 2006). More recent research shows that media coverage has a substantial effect on both political and economic outcomes, such as voting behavior (DellaVigna and Kaplan, 2007), stock trading (Engelberg and Parsons, 2010), CEO compensation (Core, Guay, and Larcker, 2008), and corporate governance (Dyck, Volchkova, and Zingales, 2008). These papers view the media as the active player, influencing outcomes through potentially biased editorial choices. In contrast, our paper views a firm as the active player, using media coverage to influence its own outcome.

Another line of research on media in financial markets investigates the effect of media coverage on stock returns and volume. One view is that news dissemination reduces information asymmetry, resulting in quicker incorporation of new information, more efficient prices of financial assets, and higher values (DellaVigna and Pollet, 2009; Fang and Peress, 2009). An alternative view is that media coverage is subject to manipulation and can result in deviations of stock prices from their fundamentals (Huberman and Regev, 2001). Consistent with this alternative view, a number of papers find that media coverage produces short-term upward price pressure on stocks due to increased attention by investors (Chan, 2003; Vega, 2006; Barber and Odean, 2008; Gaa, 2010). Our paper provides evidence that the latter effect can dominate during important corporate events and that companies can strategically use this channel to affect their stock price.

Two other papers have looked at the role of media in corporate finance, both in the setting of IPOs. Cook, Kieschnick, and Ness (2006) investigate the relationship between marketing efforts, including media coverage, and the success of an IPO. They find that news coverage significantly affects IPO outcomes. Similarly, Liu, Sherman, and Zhang (2009) examine the role of media in IPOs and show that offerings with greater media coverage have higher initial returns and greater long-term value. We contribute to this literature by distinguishing between firm-originated news and external media coverage and by demonstrating how firms actively manage their information environment.

Last, our paper is related to the literature on investor relations. Bushee and Miller (2007) find that companies that hire investor relations firms experience an increase in media coverage, institutional ownership, and valuation. Solomon (2010) shows that investor relations firms spin corporate news in a favorable way, resulting in a temporary increase in stock returns. Our paper adds to this literature by highlighting the motives and channels of information management and demonstrating the effects of this strategy on the outcomes of major corporate events.

II. Data and Methods

A. Background of the Merger Data

To construct our sample of mergers, we start with the largest 1,000 completed mergers of U.S. publicly traded firms in the SDC database, as measured by deal value, announced between January 1, 2000 and December 31, 2008. Acquirers must purchase at least 20 percent of outstanding shares and own more than 51 percent of the target firm shares following the merger. We begin our sample in 2000, since Factiva's news coverage in earlier years is scarcer and lacks intelligent indexing codes for many merging firms (discussed in more detail below). We exclude withdrawn merger bids because we require a merger agreement document to identify key dates in the negotiation process. Our focus on larger deals is motivated by the substantial transfers of value in these transactions, which arguably provide stronger incentives for managing stock valuation during the merger. We also obtain the form of payment used in the merger from SDC and exclude deals paid only in cash. Therefore our sample will include only mergers in which some stock was used as payment.

For each deal in our sample, we retrieve information about the terms of the transaction and the key dates in the merger process from Securities and Exchange Commission filings.¹ This information typically appears in the section entitled “Background of the Merger” in the merger agreement, which provides a narrative history of the merger process, though terms of the transaction are often described in various other sections of the SEC filings. In particular, we collect the date when the merging firms first discussed the potential merger, the date when the exchange ratio is first discussed and the date when it is finalized, the type of the exchange ratio (fixed or floating) and the period over which the price is determined for the floating ratio. These key dates (which are made public only after the official merger announcement) enable us to construct sensitive tests of the active media management hypothesis that rely on daily data from news sources. Hand-collecting this data is also necessary to record whether a fixed or a floating exchange ratio is used since these data are not reported in standard databases, such as SDC. The “Background of the Merger” section for the merger of Akamai and INTERVU is provided as an example in Appendix A.

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

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

1. *Pre-Negotiation Period*: the 120 trading days that immediately precede the day that merger discussions begin.

¹We search through the following forms in order: DEFM14A, DEFA14A, DEFR14A, DEF14A, PREM14A, PRER14A, S-4/A, S-4, 424B3, 424B2, F-4, 497, 10-K, 8-K, N-148C/A, SC13E3, SC13E3/A, and SCTO-T/A.

2. *Negotiation Period*: the period that begins on the date of the first discussion of the merger by the two firms, until 16 days before the public announcement of the merger.
3. *Announcement Period*: the five days surrounding the first public announcement of the merger.
4. *Transaction Period*: the period that starts five days after the public announcement of the merger until two days before the merger closes.

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

Target firms may also attempt to manage their media during the merger process. All targets have the incentive to temporarily increase their stock price during negotiations, since this may increase the exchange ratio in a fixed ratio merger or the takeover price in a floating exchange ratio merger. Similarly, all targets have less incentive to manage their media coverage at the close of the merger, regardless of the form of payment. Therefore, we focus on acquirers since the timing of their incentives differ by form of payment, providing an ideal setting to isolate differential media coverage during negotiations. However, in later tests we use data on targets to investigate the role of media coverage on the relative gains between acquirers and targets.

B. Press Releases and Financial Media Data

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

To study a firm's media strategy around mergers, we collect daily data on the firm's press releases and news articles issued from the pre-negotiation period through the close of the merger. Our list of possible news sources includes all English-language media sources included in Factiva's category of major news and business publications plus newswire services. Major newspapers and business

publications include a large number of publications, such as *USA Today*, *The Wall Street Journal*, and *The New York Times*, among many others.

The data on newswire articles are particularly crucial for understanding whether firms actively manage media. These articles typically report firm press releases with no additional analysis. As discussed in the introduction, a firm's press releases may be particularly suitable for active management because this channel is less regulated than accounting statements, affording greater flexibility in content, and providing an opportunity to spin news in a desired way (Dyck and Zingales, 2003). Using newswire articles to measure firm-originated news has an advantage over simple counts of press releases as well, because newswires measure how widely circulated is the press release.

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

C. Summary Statistics

After imposing the media and merger data filters, we end up with 507 mergers, including 377 (74%) fixed exchange ratio deals and 130 (26%) floating exchange ratio deals. These percentages are comparable to the sample used to study merger arbitrage in Mitchell, Pulvino, and Stafford (2004). In a sample of 2,130 mergers from 1994 to 2000, they find that 78 percent of stock mergers used a fixed exchange ratio and 22 percent used floating. Our final sample of articles includes 617,445 articles over the entire merger process across 421 sources, including local, national, international, and foreign newspapers and newswires. The domestic newspaper with the most articles in the sample is *The Wall Street Journal*, with 16,471 articles, or 2.7 percent of the total number of articles in the sample. The next two newspapers with the most articles are *The New York Times*, and *The Washington Post*, with 6,450 articles (1.0 percent of total) and 3,631 articles (0.6 percent of total).

The most common newswire and most common media outlet of any kind, by a large margin, is *Reuters News*, with 139,789 articles, or 22.6 percent of the total sample of articles. *Dow Jones News Service* and *Business Wire* account for the next two most frequent newswire sources with 98,373 articles (15.9 percent) and 38,540 articles (6.2 percent). Measured by the number of articles, newswires are the predominant source of new information. The top 15 newswires account for more than 70 percent of total media articles. Our media sources also include foreign newspaper articles that are written in English. Not surprisingly, these media sources are in countries where English is the primary or a common language, such as the U.K., India, Australia, and Canada. The most frequently represented foreign newspaper is *Financial Times* of the U.K. with 8,045 articles, or 1.3 percent of total articles. A detailed listing of the top 15 sources by type of media outlet is provided in Appendix Table A.1.

Throughout our analysis we use three different measures of media coverage. First, we record all articles from any source in our sample. Second, since newswires and foreign newspapers likely have a different audience than domestic newspapers, we separately measure the number of articles in the top three most circulated domestic newspapers: *The Wall Street Journal*, *USA Today*, and *The New York Times*. These three papers have a total combined circulation in 2009 of 4,852,236 newspapers per day, not adjusting for overlapping readers. Though *USA Today* is the second most circulated newspaper, it is only the 12th most common domestic newspaper source for articles in our sample, with only 1,262 articles. However, given its wide circulation, it is an important media outlet for firms. Last, we record the number of articles in the top three newswires by number of articles in our sample: *Reuters News*, *Dow Jones News Service*, and *Business Wire*. As noted, we use this measure to capture firm-originated news, since the newswires typically provide little analysis.

Table I presents summary statistics of the merger and media data. An average (median) acquirer appears in 73.4 (11) media articles per month (20 trading days) during the pre-negotiation period. These figures represent normal media coverage unrelated to upcoming mergers. An average acquirer's press releases are covered in 30.8 articles in the top three newswires, and only 3.0 articles in the top three domestic newspapers, during an average pre-negotiation month. These cross-sectional distributions are right skewed with median newspaper articles much lower than mean

articles. The skewness is substantially reduced for the within-firm de-meaned article count distributions we investigate in our tests.² Finally, there is substantial cross-sectional variation in the distributions of news articles with the standard deviation exceeding the mean across the measures of media coverage.

The number of articles in the negotiation period is slightly larger than in the pre-negotiation period for each of the three categories of media sources. The average number of monthly articles from any source increases from 73 to 80 during the negotiation period. The average newswire articles increase from 31 to 34. However, the number of domestic newspaper articles increases less than newswire articles, from 3.0 to 3.2.

Restricting attention to the two days beginning on the day of the merger announcement, the average (median) acquirer has 43.3 (22) articles across all media sources in our sample, 22.6 (10) articles in the top three newswires, and 2.4 (0) articles in the top three domestic newspapers. This demonstrates that merger announcements are large news days, as expected, with two-day announcement period media coverage equal to about 60 percent of an average acquirer's monthly coverage in the pre-negotiation period. It also demonstrates that firms issue multiple press releases on the same day. On the announcement days, the median acquirer has 10 articles across just three newswires. It also demonstrates that coverage by one of the top three newspapers is relatively rare. Including the day following the date of the merger announcement, the median acquirer is not covered in the top three newspapers and the average acquirer is covered in just 2.4 articles.

At the bottom of Table I, we present summary statistics of the timing of the merger process. These dates are crucial for our study since we will compare the media coverage during each of the three periods. From the start of the merger talks until the day of the public announcement is 64.7 days on average and 44 days at the median. The average (median) time from the announcement to the completion of the merger is 64.5 (48) days. Since there are cases where the negotiation period is very short, we restrict our analysis to only mergers where there are at least 20 days in the negotiation period.

²Nonlinear transformations of variables in fixed effects models allow group means to effect estimates (McIntosh and Schlenker, 2006). For this reason and because skewness is reduced by de-meaning, we do not make logarithmic transformations of raw media counts.

D. Identification Strategy

The central premise of this paper is that firms actively manage their media coverage during key corporate events, namely, acquisitions. To identify the causal relationship between making a stock acquisition and increased media coverage, we must address selection bias and endogeneity. First, the act of acquiring is not randomly assigned to firms. Instead, there may be something characteristic about acquirers that leads them to increase their media coverage, but that is unrelated to the merger. For example, firms that are experiencing high growth may release more news and also make more mergers at the same time. In this case, an omitted firm-level characteristic, such as a high growth rate, may cause a spurious correlation between the timing of a merger and increased media coverage.

More generally, it is likely that both observable and unobservable firm-level characteristics are related to both media coverage and mergers. To address this, we use a firm-deal fixed effects differences-in-differences approach to control for any time invariant firm characteristics, as follows:

$$Media_{i,t} = \alpha + \eta Negotiation_{i,t} + \phi Negotiation_{i,t} \times Fixed_i + \gamma X_{i,t} + \delta_i + \varepsilon_{i,t}, \quad (1)$$

where $Media_{i,t}$ is the level of media coverage for firm i on day t , $Negotiation_{i,t}$ is a dummy variable that takes the value of one if the observation occurs after merger negotiations have begun and zero if it occurs before negotiations have begun, $Fixed_i$ is a dummy variable that equals one if the deal is structured using a fixed exchange ratio and zero for floating exchange ratios, $X_{i,t}$ is a set of time-varying factors, and δ_i is a firm-deal fixed effect. The firm-deal fixed effect captures any time invariant characteristic of the acquirer or the merger, including such observables as industry, firm size, historical media coverage, financial ratios, as well as any unobservable firm characteristics that do not change in the relatively short time of the merger process. In addition, this term captures any time invariant aspect of the merger, such as the size of the target, the relative size of the acquisition, and the form of payment, including whether the deal uses a fixed or floating exchange ratio. The coefficient on the interaction of $Negotiation$ and $Fixed$ captures the difference-in-difference of fixed versus floating from the period prior to negotiations to the negotiation period. Finally, we restrict our attention only to mergers that use stock to control for any differences between all-cash and stock mergers. Thus, this specification alleviates much of the concern that omitted firm or deal

characteristics may explain a firm's level of media coverage, and isolates the effect of a fixed or floating exchange ratio on differences in media coverage as merger negotiations proceed.

Second, one may be concerned that the choice of a fixed or floating exchange ratio is also not randomly assigned across acquirers. For this to confound our tests, it must be that there is an omitted variable that both causes a firm to choose a fixed or floating exchange ratio *and* also leads to greater media coverage for reasons unrelated to the merger itself. One potential variable is firm over-valuation. If the management of the acquirer knows that its firm is overvalued at the start of negotiations, it would have a preference for a fixed exchange ratio to lock in a favorable takeover price. In addition, if media outlets have a preference for articles about highly valued firms, we may see more media coverage during the merger negotiations caused by high valuations, rather than active media management.

In Table II, we compare the valuations of fixed and floating acquirers based on the standard valuation measures of market-to-book ratios and Tobin's Q at the start of merger negotiations. We find that the valuations of the two sets of firms are statistically and economically indistinguishable from each other. Since the two types of firms have nearly identical valuations before negotiations begin, any subsequent differences in media coverage during the negotiation period are unlikely to be driven by a spurious correlation between the media's preference for articles about highly valued firms and a highly valued firm's preference for a fixed versus floating exchange ratio.

In Table II, we compare the types of acquirers across a host of other characteristics as well that may help to explain the use of fixed or floating exchange ratios. While there is practically no prior research on the determinants of fixed versus floating exchange ratios, we expect that the volatility of the acquirer's stock price will be a key determinant of whether a fixed or floating exchange ratio is used. If an acquirer's stock price is historically volatile, the target may prefer a fixed exchange in order to set the ratio using prices current to the negotiations, rather than prices that will be realized months in the future, near the close of the merger. Likewise, if the acquirer's stock price is less volatile, the target may be comfortable using a floating exchange ratio based on unknown prices in the future. As before, the difference is expected to be related to the timing of when the exchange ratio is set, the firms' risk preferences, and perceptions about current and future prices.

The empirical results in Table II indicate that volatility helps to determine the choice of fixed or floating ratios: the stock return volatility of the acquirer is positively and statistically related to the likelihood of using a fixed exchange ratio. We also consider other factors that may explain the use of fixed versus floating ratios. Except for minor differences in R&D expenditures, the two groups of firms are statistically indistinguishable in terms of size, pre-negotiation media coverage, asset tangibility, industry composition, and measures associated with differences in opinion. In column 3 we present coefficient estimates from a logit regression on the choice of fixed versus floating exchange ratios, using the same set of explanatory variables and find that only the acquirer's stock volatility is significantly related to using a fixed exchange ratio.

Given that the choice of fixed or floating exchange ratios is driven primarily by the acquirer's historical stock price volatility, we do not expect our results to be affected by selection bias. We do not see any reason to believe that low volatility will cause an increase in media attention unrelated to the merger precisely during the merger negotiations. It should also be noted that the choice of fixed or floating ratios is a negotiated outcome and is not unilaterally chosen by the acquirer. Consistent with this, in untabulated results, we find that more than 30 percent of repeat acquirers in our sample employ both fixed and floating exchange ratio payments. Thus, we cannot identify any observable variable that both causes a firm to choose a fixed exchange ratio and also leads to greater media coverage for reasons unrelated to the merger itself.

Finally, to identify active media management from alternative hypotheses, we exploit the variation in firm-generated news and news appearing in public media. If the increase in news is explained by incentives to manage media coverage, we would expect a significantly greater increase in firm-generated news (over which the company has full control) and a smaller increase in news in other media.

III. Evidence on Active Media Management

The first question we investigate in our empirical analysis is whether the media coverage of fixed exchange ratio acquirers increases more during the negotiation period than does the media coverage of floating exchange ratio acquirers. The active media management hypothesis predicts that acquirers in fixed exchange ratio mergers will have an incentive to try to increase their stock

price through increased media coverage during the merger negotiations. In contrast, acquirers in floating exchange ratio mergers would not have the same incentive. Instead, they have an incentive to increase their stock price near the close of the merger when the exchange ratio is determined. Thus we expect that acquirers in fixed exchange stock deals will exhibit significantly higher media coverage during the negotiation period than will floating exchange acquirers.

Figure 1 presents the cumulative number of within-firm demeaned daily media articles from all media sources in our sample. Subfigure (a) presents the time series of average media counts for fixed versus floating ratio acquisitions in event time relative to the first public announcement of the merger. The figure reveals a striking pattern. Though both subsamples of acquirers have roughly equal media coverage at the start of the merger negotiations, the firms involved in fixed exchange ratio mergers have a clear increase in the number of media articles, whereas the firms in floating exchange ratio mergers have an overall decrease in media coverage. To be clear, these abnormal media articles reflect increased numbers of articles well before the merger ever becomes public. The dotted vertical line at day -65 indicates the average starting date of private merger negotiations. The same figure using all media sources displays a similar pattern, though the pattern of domestic newspaper articles is less dramatic.

In subfigure (b) of Figure 1, we present a similar picture where we align abnormal media articles by days relative to the close of the merger. During this period, the pattern is reversed, with a sharp increase in the number of media articles for floating exchange ratio acquirers and relatively constant media coverage of fixed exchange ratio acquirers. These figures highlight two important phenomena. First, the timing of increased media coverage is concentrated in a relatively short time span for fixed and floating exchange ratio bidders. Second, the timing of increased media coverage corresponds directly with the time when a firm has the most to gain from a temporary increase in its stock price: during the negotiations for fixed acquirers and near the close of the merger for floating ratio acquirers. As mentioned previously, we focus our analysis on media coverage of fixed exchange ratio acquirers during negotiations because it provides a cleaner test than investigating media coverage of floating exchange ratio acquirers at the close, since media coverage is potentially related to the merger. Nevertheless, the patterns of media coverage are consistent for both types of acquirers.

Though the differences in media attention by merger payment method revealed in Figure 1 are indicative, they are not statistical tests. In Table III, we present univariate differences-in-differences tests of media coverage in the pre-negotiation period versus the negotiation period and for fixed exchange versus floating exchange mergers to provide more robustness to the results. As before, to be conservative, we restrict the negotiation period to end 16 trading days before the public merger announcement.

In Panel A, we find that fixed ratio acquirers experience a significant increase in media coverage after the start of merger talks. In contrast, floating exchange ratio acquirers receive significantly less media coverage after the start of merger talks. The difference in the differences between fixed and floating is significant as well, consistent with the pattern revealed in Figure 1. On average, fixed ratio acquirers have an increase of 2.3 more articles per day compared to floating exchange acquirers.

In Panels B and C of Table III, we repeat the analysis using the number of media articles in the top three domestic newspapers and in the top three newswires. The results are identical. For domestic newspaper coverage, the difference between the pre-negotiation and negotiation period media coverage in fixed exchange ratio mergers is a significant 0.07 articles higher per day than the same difference for acquirers in floating exchange mergers. For newswire articles, the difference-in-difference is 1.1 articles, also highly statistically significant.

The difference in media coverage by payment method is economically substantial. If we multiply the average daily difference in media coverage by twenty trading days to produce a monthly figure, we have an additional 46.5 articles from all sources, 1.5 additional articles from the top three domestic newspapers, and 26.2 additional articles from newswires, on average. Comparing these figures to media coverage in the pre-negotiation period as presented in Table I, we find that the additional number of articles in the negotiation period for fixed exchange acquirers compared to floating exchange acquirers represents an increase of 50 percent for domestic news coverage and 85 percent of newswire coverage, compared to baseline averages.

We next run multivariate fixed effects difference-in-difference tests as in Equation 1. The dependent variables are the daily media articles categorized by source. Observations are over the pre-negotiation period and the negotiation period, again up to 16 days before the public merger

announcement. To capture daily time varying determinants of media coverage, following Tetlock (2007), we include five days of lagged observations of share turnover (share volume/shares outstanding) and the absolute value of the firm's stock returns, since large returns, either positive or negative may attract subsequent media attention. The fixed effects will capture any time-invariant determinants of media coverage. Finally, in these and all other tests, we adjust our standard errors to account for heteroskedasticity and autocorrelation in media coverage.

Table IV presents the coefficient estimates from these regressions. In column (1), the dependent variable is the number of media articles from all sources, in column (2) it is daily media articles in the top three newspapers, and in column (3) the dependent variable is the number of articles in the top three newswires. First, the direct effect of being in the negotiation period versus the pre-negotiation period is not statistically significant in the first two specifications and is negative in the third. However, the difference-in-difference interaction terms are positive and significant when the dependent variable is either all media or newswires. This indicates that fixed exchange ratio acquirers have greater media coverage than floating exchange ratio acquirers during the merger negotiation period, after controlling for all firm and deal-level characteristics.

The real significance of the difference-in-difference estimates is substantial. Converting the daily marginal effects into monthly effects by multiplying by 20 trading days, we find that fixed exchange ratio acquirers realize an increase of more than 10 percent of the mean of newswire press releases during the negotiation period, compared to floating exchange ratio acquirers. There is no effect for newspapers. This is consistent with the active media management hypothesis, as firms can choose to issue more press releases which will affect newswire coverage.

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

The abnormal increase in newswire articles (which are mainly firm-originated news) following the beginning of merger negotiations is inconsistent with the opportunistic acquisitions hypothesis where acquirers respond to overvalued stock prices by using fixed exchange ratio stock payments.

Instead, these results imply that firms are actively generating media coverage by issuing additional press releases. Next, we test the relation between media coverage and stock prices.

A. Does Increased Media Coverage Affect Firm Value?

A positive relation between media coverage and market equity is implicitly assumed in the argument that fixed exchange ratio acquirers actively manage media coverage to increase the terms of trade. We address this implied relationship in this section of the paper.

Table V presents fixed effects differences-in-differences regressions of market equity on current and lagged daily media coverage, a negotiation period dummy, a payment method dummy, and interactions between these variables. First, market equity is significantly higher in the negotiation period compared to the period before the merger talks began. This is consistent with the run-up in an acquirer's stock price before a merger (Rhodes-Kropf, Robinson, and Viswanathan, 2005).

The variables most important for the active management hypothesis are the interactions of media and payment method and the triple interaction of media coverage, payment method, and the timing dummy. We find that media coverage has a smaller effect on market equity for fixed ratio acquirers than floating ratio acquirers over the entire time span, but that the marginal effect for fixed ratio acquirers is greater in the negotiation period than in the pre-negotiation period. In contrast, there is no marginal difference between the time periods for floating exchange ratio acquirers. This is consistent with the incentive to attempt to influence stock prices through media during a very specific time period.

The results presented in this section confirm a host of prior studies (Huberman and Regev, 2001; Tetlock, 2007, 2010) that show that active management of media coverage can in fact increase market equity. For our setting, this provides additional evidence that acquirers that use stock to buy a target where the exchange ratio is fixed can increase their market equity during the negotiation period in order to attempt to lower the exchange ratio necessary to achieve a takeover price.

B. Do Prices and Media Coverage Reverse Post-Announcement?

Though the above results imply that a firm can temporarily increase market equity values through active media management, it is unlikely to be an effective long-run strategy. Eventually the market will adjust its expectations about the value of new information for a firm, or a firm will run out of relevant information and a reversal in the stock price will occur. In contrast, under the passive media management hypothesis, if a firm simply times fixed exchange takeovers to coincide with the release of relevant news that will boost its stock price, no reversal should be observed. To test these hypotheses, in this section we analyze whether fixed exchange ratio acquirers have a different pattern of stock price and media coverage reversal following the merger announcement than do floating ratio acquirers.

Table VI presents tests of the reversal of market equity for fixed and floating exchange acquirers. Panel A presents univariate differences-in-differences tests of market equity from the negotiation period to the announcement and transaction periods. Each entry is the average normalized market equity for fixed and floating ratio acquirers in the negotiation period, the announcement period, and the transaction period. Abnormal market equity is the average daily market equity in each time period minus the average daily market equity value in the pre-negotiation period, per firm. Tests of the statistical significance of the differences between market equity for fixed and floating acquirers and for different time periods are presented.

First, column 1 shows that an average fixed ratio acquirer experiences a larger negotiation period run-up in market value during the negotiation period than does the average floating exchange acquirer (\$3.5 billion versus \$1.3 billion). In columns 2 and 3, we find that both fixed and floating exchange acquirers realize significant price reversals in the announcement period and the transaction period. In particular, though the price reversal is statistically identical in the announcement period, in the transaction period, fixed exchange acquirers realize a significantly larger decline (roughly a half a billion dollars) in market value than do floating exchange acquires.

Second, in untabulated results, we find that the cumulative abnormal stock return in the three-day merger announcement window is -2.5 percent for floating exchange ratio bidders and -4.1 percent for fixed exchange ratio bidders, a statistically significant difference. These results are consistent with the negative announcement returns for stock acquisitions of public targets (Andrade,

Mitchell, and Stafford, 2001; Fuller, Netter, and Stegemoller, 2002), but show that fixed ratio acquirers are driving the large negative returns, even though both types of acquirers are issuing new stock.

In Panel B, we take this analysis one step further and test for evidence of a reversal in stock returns and media coverage. We use the same fixed effects differences-in-differences approach again, though now the dependent variable is abnormal stock returns (daily raw returns minus the CRSP value weighted average) in the first two columns and newswire articles in the last two columns. Our base time period in these tests is the negotiation period.

First, not surprisingly, we find that returns are lower in the announcement period, compared to the negotiation period, for all acquirers. However, we find a significant and negative difference-in-difference between fixed and floating exchange ratio acquirers, with the fixed exchange ratio acquirers having a bigger decline in returns than floating ratio acquirers.³ In column two, we find the same effect when comparing the difference in returns of the negotiation period to the transaction period by payment method.

Next, in columns three and four of Panel B, we find that there are significantly more newswire articles in both the announcement period and the transaction period, compared to the negotiation period, as expected. We find no difference-in-difference for the announcement period, but we find a significant decline in newswire articles for fixed versus floating ratio acquirers, relative to the negotiation period. This provides validation of the pattern of media coverage in Figure 1 after controlling for firm-deal fixed effects.

These results indicate that following the announcement, fixed exchange ratio acquirers experience a strong reversal of the increase in market value and newswire coverage experienced during the negotiation stage. This result is inconsistent with the passive media management hypothesis that fixed ratio stock acquirers are simply timing the merger to coincide with relevant news to boost its stock price and improve its terms of trade. Instead, the stock price reversal we document in this section is consistent with the hypothesis that acquirers temporarily boost their stock price through active media management.

³The coefficient estimates from the regression results are for an average day in the 5 day announcement period. In cumulative abnormal terms, the coefficients are comparable to the cumulative abnormal announcement returns reported previously.

C. The Information Content of Press Releases

In this section we offer content analysis of the press releases issued by fixed ratio acquirers during merger negotiations. Our analysis focuses on two dimensions: (1) tone of the text, and (2) importance of news. To measure article tone, we use textual analysis based on the classification of positive and negative words in a financial setting. To evaluate the importance of news in the press releases, we study the correlation between press releases and newspaper articles, relying on the revealed preferences of journalists.

A number of recent studies have shown that the tone of media articles has a significant effect on stock prices, even after controlling for the information disclosed in the article (Tetlock, 2007, 2010; Demers and Vega, 2010; Solomon, 2010). In other words, the tone with which a particular piece of news is reported has a significant effect on the market reaction to this news. Therefore, if fixed ratio acquirers attempt to influence their stock prices during merger negotiations, they may do so not only by increasing the volume of news, but also by presenting their news in a more positive way or by withholding disclosure of negative news.

To measure the tone of news, we follow the classification of positive and negative words in financial texts developed in Loughran and McDonald (2011). One advantage of this classification is that it is developed for textual analysis in an economic setting, thus matching the type of disclosures analyzed in our tests. The lists of positive and negative words contain 353 and 2,337 words, respectively, and are downloaded from the web page of Bill McDonald. To illustrate, some examples of positive words in our sample include: achieve, attractive, beneficial, excellent, favorable, improve, outstanding, regain, strengthen, and surpass. Examples of negative words in press releases in our data include: adverse, breach, detrimental, erode, penalties, terminate, threaten, unexpected, and unsuccessful.

To develop a simple and replicable measure of article tone, we compute the fraction of positive and negative words in the article and classify an article as positive (negative) if it has an above-average fraction of positive (negative) words. To control for the variation in tone across news sources, we compute the ratio of positive and negative words separately for each media outlet.

We estimate the fixed effects differences-in-differences regression where the dependent variable is the number of positive or negative news stories about the acquirer. Table VII summarizes the results of media tone regressions. The evidence indicates that compared to floating ratio acquirers,

fixed ratio acquirers experience a significant decline in negative news stories following the start of merger talks, as shown by the negative and significant coefficient on the interaction term in column (1). Columns (3) and (5) indicate that the reduction in negative news stories is attributable to firm-originated news, not newspaper articles. The economic magnitude of the change in article tone is nontrivial. A fixed ratio acquirer with median characteristics experiences approximately a 10 percent reduction in the number of negative newswire articles during merger negotiations than during the pre-negotiation period. This evidence is consistent with acquirers' strategy of withholding negative news during merger negotiations or reporting this news in a more positive way, supporting the active media management hypothesis.

The change in the tone of media articles during the negotiation period is driven primarily by the reduction in negative news stories rather than an increase in positive news releases. The evidence in columns (2), (4), and (6) of Table VII shows no effect on positive news stories. One possible explanation for this result is asymmetry in investors' responses to positive and negative news documented in the literature. For example, Tetlock (2007) shows that negative news coverage has a significantly stronger absolute effect on stock prices. Under this interpretation, managing negative news is particularly important for managing stock prices during merger negotiations.

To complement the textual analysis of news, we study the extent to which firm-originated news during merger negotiations is reported by newspaper journalists. Though newspapers derive much of their news coverage from press releases, they must select the news that would be of greatest importance to their readers. We posit that acquirers that are attempting to influence their stock price through media management may be forced to issue press releases that contain less important information for investors in the negotiation period compared to the pre-negotiation period. Since newspapers selectively choose the most important information, the correlation of newswire to newspaper articles will decrease if the additional press releases are less informative. Instead, if firms are timing acquisitions to take advantage of positive new information, the content of the newswire articles during the negotiation period should be at least as important, if not more important than the newswire articles published during the pre-negotiation period. Therefore, under the alternative hypothesis, the change in the correlation between the number of newspaper and newswire articles should be non-negative.

We test this hypothesis by regressing the number of articles in newspapers on the number of current and lagged newswire articles, controlling for firm-deal fixed effects, using three different measures of newspaper articles. We find that there is a positive and significant correlation between newspaper articles and newswire articles, as would be expected, and that this correlation is not significantly different for fixed and floating ratio bidders in the pre-negotiation period. However, during the merger negotiation period, the correlation between firm-originated news and newspaper articles drops by 9.1 percentage points, or approximately by two thirds for fixed-ratio acquirers. This implies that the fixed exchange ratio acquirers are producing more press releases during the merger negotiations than before merger talks begin, but newspapers are providing less coverage of these press releases than normal, presumably because they contain less important information.

Overall, the results in this section suggest that acquirers in fixed exchange ratio mergers actively manage media coverage not only by increasing the number of press releases, but also by managing the tone of reported news. In contrast, newspapers are less likely to report this news and show no change in the tone of their articles. Taken together, this evidence indicates that the changes in the amount and tone of firm-originated news reflect active media management by acquirers, rather than the coincidence of merger negotiations with periods of good news.

IV. The Response to Media Management

The results in the prior sections provide strong evidence that firms actively manage their media coverage during merger negotiations, which is associated with a significant runup and reversal in stock prices. The incentives for acquirers to manage their media are clear. It is less clear, however, why investors respond to active media management. Second, how do target firms respond to active media management? In this section of the paper, we investigate possible explanations of investor and target reactions to media management.

A. Investors' Response to Media

There is a long literature that provides strong evidence that investors exhibit behavioral biases that lead to over and underreactions (see for example, Odean (1999) and Barber and Odean (2000)). The additional attention of retail investors to a stock caused by increased media coverage may drive

the stock price up temporarily (Tetlock, 2010). Once the merger announcement is made, prices reverse as investors revise their expectations. Much of the existing research on media and finance is consistent with this idea (Huberman and Regev, 2001; Tetlock, 2007; Barber and Odean, 2008).

However, in the case of active media management during merger negotiations, there are good reasons to believe that the pattern of price runup and reversal may also be consistent with rational investors reacting to new information. Since mergers are relatively rare events for any given firm, and since the information about the upcoming merger is kept private during merger negotiations, it may be difficult for investors to distinguish media management from regular variation in the quantity and tone of fundamental news about the firm. This distinction can be made only after the announcement of the merger, when the terms of payment for fixed-ratio bidders have already been locked in. It is also reasonable to suggest that firms have latitude over the timing of the release of fundamental news. Just as in the case of earnings management, acquirers may choose to time their releases of good and neutral news during merger negotiations, and delay the release of negative news until after the merger terms have been established.

We investigate these explanations empirically. First, we examine the market reaction to news issuance by repeat acquirers. Since an increase in firm-originated news by a repeat bidder is more likely to represent media management, we expect that, all else equal, investors will respond less to news releases by firms with greater acquisition experience. At the same time, repeat acquirers are likely to have greater capabilities for media management, since they have more experience and since acquisitions play a greater role in their corporate strategy. Therefore, we anticipate a higher increase in press release issuance by these bidders during merger negotiations.

To test the predictions about repeat acquirers, we re-run our prior tests, but include acquisition experience as an explanatory variable. In untabulated results, we find a positive relationship between acquisition experience and the difference-in-difference between the pre-negotiation period and the negotiation period for fixed relative to floating acquirers. Thus, acquisition experience magnifies the effect of timing on media coverage. However, we find that newswire coverage of repeat acquirers has a significantly smaller effect on market prices. This evidence is consistent with the view that investors rationally discount news issued by repeat acquirers.

We also find suggestive evidence that investors rationally respond to media coverage of floating ratio acquirers. Since the period when the number of shares to be issued by floating ratio acquirers occurs after the announcement of the merger, we expect that the news issued during this period will be discounted by the market. As shown previously, floating ratio bidders significantly increase the issuance of press releases before the close of the merger (the period when the floating exchange ratio is set). However, untabulated results show that this news generates a significantly weaker market reaction, compared to news issued by fixed ratio bidders before the deal is publicly announced. Though tests of media coverage in the transaction period are not as clean as tests prior to the announcement of the merger, these results provide additional evidence that investors' response to media management does not require the assumption of investor irrationality.

B. Media and Merger Gains

Though there is a clear incentive for firms to actively manage their media coverage during merger negotiations, and we have shown strong evidence in support of this hypothesis, we would like to know if this strategy is effective. Though it is a dominant strategy for acquirers to manage their media, targets may adjust their demands accordingly, negating any of the benefit of media management. Alternatively, even if a target is aware of an acquirer's media strategy, it may not be able to correctly judge what its long-run stock price should be. In this case, media management may benefit the acquirer. Thus, it is an empirical question whether increased media coverage is associated with greater merger gains.

We have shown that large stock price reversals for fixed exchange ratio bidders are consistent with active media management. Thus negative announcement returns to the acquirer could indicate that the acquirer negotiated a favorable exchange ratio, a counter-intuitive result. However, if acquirers have successfully negotiated a low exchange ratio, we would also expect low target announcement returns as the market revises the target value based on the expected offer price. This implies that to measure the effect of media management on the outcome of the merger, we must compare the acquirer's and the target's gain or loss, within the same merger.

To measure acquirer and target gains within a merger, we use the relative gains measure proposed in Ahern (2011). This is calculated as the dollar abnormal announcement return of the target minus

the dollar abnormal announcement return of the acquirer, divided by the pre-merger sum of the acquirer and target market values. The dollar abnormal announcement return is the percentage abnormal stock return multiplied by market value. This measure captures the difference in dollar values realized at the announcement, under the assumption that the announcement return is the best predictor of the merger gains. Using dollar values accounts for the large difference in the sizes of acquirers and targets in a typical merger. In addition, using the difference in dollar returns allows for negative returns. We expect that cross-sectionally, those acquirers that have negotiated better terms will receive more gains relative to the target, compared to acquirers with worse terms.

As mentioned, we do not focus our attention on targets in this paper because targets' incentives do not change over time as do the acquirers, however, we would like to measure the target's media management strategy, since it likely affects the target's gain relative to the acquirer. Therefore, for all targets in the 507 mergers in our sample that have Factiva intelligent indexing codes, we collect the same media data as we collected for acquirers. Factiva tickers are primarily assigned for larger firms, which limits our sample size to 101 targets after accounting for all data filters. We also collect data on other variables known to affect the relative merger gains, including market to book (Rhodes-Kropf and Robinson, 2008), relative value, size, and industry relatedness (Ahern, 2011).

As expected, the targets in our sample tend to be smaller than their acquirers, with the average target market equity equal to about \$5.1 billion, compared to about \$28 billion for acquirers. Likewise, targets have substantially less media coverage than acquirers. In the pre-negotiation period, the median number of articles from all media sources about a target is roughly 26 percent of the median number of articles about an acquirer. The median number of target newswire articles is about 46 percent of the number of acquirer newswire articles. The difference in articles from all media sources and newswires indicates that the larger acquirers normally issue moderately more press releases, but that newspapers and other media sources are much more likely to cover the larger firms compared to the smaller targets. Targets and acquirers are more similar along other dimensions. In particular, the average (median) market-to-book of an acquirer is 3.46 (2.23), compared to 3.06 (2.29) for targets. In addition, more than two thirds of targets are in the same Fama French 49 industry classification as their acquirer.

Our variables of interest are the number of media articles of the acquirer and the target in the negotiation period. Since we can not control for firm-deal effects in this setting, we normalize the media counts using the firms' pre-negotiation averages. Table IX presents coefficient estimates from OLS cross-sectional regressions, where the dependent variable is the target's dollar gain relative to the acquirer's gain.

We find that targets that have greater media coverage during the negotiation period capture a greater share of the gains of the merger, whether measuring media coverage with newswire or newspaper articles. In addition, greater newswire coverage, but not newspaper coverage, of the acquirer, significantly reduces the share of gains captured by the target. These effects are economically meaningful. A one standard deviation increase in the acquirer's newswire coverage leads to an additional acquirer gain of 0.07 dollars per every dollar in pre-merger combined market equity. This compares to an average normalized acquirer gain relative to target gain of -0.04 .

Though it is possible that increased media attention on a target may increase the likelihood of a bidding war, this idea would also predict a positive relationship between the acquirer's newswire coverage and the target's gain. However, we find a negative relationship, consistent with the idea that fixed exchange ratio acquirers have an incentive to manage their media during the negotiations to bargain for a lower exchange ratio. This implies that target management does not simply change its demands to counteract acquirer media management, perhaps because they can not distinguish active media management as a negotiation strategy of acquirers from the random arrival of news.

V. Robustness and Alternative Hypotheses

A. *The Determinants of Abnormal Media Coverage*

In this section, we investigate the effect of media on merger negotiations using only the within-group variation among fixed exchange ratio bidders. By only looking at fixed exchange ratio bidders, this provides a robustness check on any selection bias in our prior results that may be caused by the choice of fixed versus floating exchange ratios. Though all fixed exchange ratio acquirers have an incentive to influence their stock price during the negotiation period, firms that are hard to value are more likely to use this method than others. In addition, firms with more retail investors,

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

To test these hypotheses, we regress the amount of abnormal media coverage in the negotiation period on three proxies for the difficulty of firm valuation and one proxy for retail investors. First, we use a dummy variable for high dispersion in analysts' earnings forecasts. We calculate the coefficient of variation for the most recent analyst earnings forecasts before the announcement date of the merger using data from I/B/E/S. We then create a dummy variable equal to one for firms with above-median coefficients of variation in analysts' expectation. Second, we use a dummy variable for high-tech industries to proxy for the difficulty of valuation. For firms whose primary industry is in the Fama French 49 Industry Classifications of Computer Hardware (35), Computer Software (36), or Electronic Equipment (37), this dummy variable equals one, for all others it is zero. Our third proxy for the difficulty of valuation is R&D/Assets. To measure retail investors we record the percentage of institutional investors in the firm in the most recent reporting period before the merger announcements using 13f filings from Thomson Financial. Since we can not use firm-deal fixed effects in these tests, we normalize media coverage by the average daily media coverage in the pre-negotiation period.

The regression results in Table VIII support the hypothesis that firms that are harder to value have greater media coverage during the negotiation period. Firms with above-median dispersion in analysts' forecasts, firms in high-tech industries, and firms with greater R&D expenditures have significantly greater abnormal media coverage. Institutional ownership is significantly negative, consistent with the idea that retail investors are more likely to respond to information in the media than are institutional investors.

We also interact the explanatory variables with the negotiation period dummy. We find that the same effects we listed above are heightened during the negotiation period, compared to the pre-negotiation period. For example, firms in high tech industries have 0.21 more newswire articles per day than non hi-tech industry in the pre-negotiation period, but 1.3 more articles per day in the negotiation time period.

The results in this section are consistent with the notion that firms in fixed exchange ratio mergers wish to influence stock prices before acquisitions, but those firms where media is especially

important for market prices, namely hard to value firms, experience the greatest effect. Since more information should make the firm easier to value, reverse causation (more media creates greater analyst forecast dispersion, for example) is unlikely to explain these results. Thus, these results are additional evidence that firms actively manage media before a merger, controlling for sample selection bias.

B. Merger Rumors as a News Driver

One of the key insights of this paper is that we identify abnormal media coverage before the public announcement of the merger using ex post data to construct the time period when merger negotiations begin. This assumes that the media articles that occur before the public merger announcement do not contain rumors about the merger. Though the acquirer does not have any incentive to reveal its merger plans before the announcement, since it may attract additional bidders, and we are conservative by restricting attention to the period at least 16 days before the merger announcement, it may be possible that that the media coverage we identify is somehow related to the upcoming merger.

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

C. Reverse Causality

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

We address this concern in several ways. First, in our main tests, we explicitly control for lagged stock returns and turnover to account for a delay in reporting. Second, in all of our tests, we use media coverage that excludes stock pricing and market data, an option provided by Factiva. We also eliminate articles with fewer than 50 words, since they are the most likely to contain market content. Finally, to address the possibility that the bidder's extreme stock performance leads analysts or news reporters to write an article about the bidder, we eliminate all press releases that contain the word "*stock*" in the headline. After imposing previous filters, the number of such articles is small (7.1 percent) in our sample and has no effect on our conclusions.

VI. Conclusion

Combining novel hand-collected data on the timing of merger negotiations with a comprehensive dataset of media coverage, this article studies one of the main channels of active corporate communication with investors — press releases — during some of the largest investments in the life of the firm. Our results highlight an interesting pattern in a firm's communication with investors when management has strong incentives for favorable valuation. In particular, fixed exchange ratio bidders dramatically increase the number of press releases disseminated to financial media during the private negotiation of a stock merger, compared to floating exchange ratio bidders, who do not have an incentive to manage their media during the merger negotiation. This effect is associated with short-lived increases in both media coverage and bidder valuation.

We examine several hypotheses that may account for the observed pattern and find that our evidence is most consistent with an active media management view. In particular, we argue that firms issue press releases as a mechanism to raise their stock value temporarily by generating more media coverage. While the volume of news stories increases, the number of articles with a negative tone decreases during merger negotiations. Evidence of subsequent stock price reversals and lower correlation between firm-originated news and newspaper coverage contradicts the argument that the firm is timing the merger to coincide with the release of good news. The dramatic increase in firm-originated news after the start of merger negotiations contradicts an explanation based on firms taking advantage of passively derived over-valuation. However, all of these empirical facts are consistent with active management of media to attempt to improve the terms of the merger.

We also investigate how investors and target firms respond to an acquirer's media management strategy. We show that the efficacy of media management does not necessarily presume investor irrationality. In particular, investors respond less to acquirer originated news when it is more likely that the firm is pursuing a strategy of active media management, namely for repeat acquirers and during the close of the merger. We also find that active media management has an affect on the gains of the target relative to the acquirer, consistent with its purpose. A greater increase in media coverage during merger negotiations increases a firm's share of the merger gains.

The results of this paper suggest a new role for media in financial markets. In contrast to the view that the information contained in media reports increases the efficiency of a market, we show that the press can be strategically used by firms to advance their own interests. The strategic use of media by firms is likely to affect many corporate actions beyond mergers, such as executive compensation, stock issues and repurchases, proxy contests, and product market competition.

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Appendix A: Merger Background Example

S-4/A - Registration Statement

Filed by: Akamai Technologies Inc.

Date: 3/21/2000

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On Friday, February 4, 2000, accountants for both companies advised the parties that it was not likely that the transaction would qualify to be accounted for as a pooling-of-interests. Akamai consulted its financial advisors about, among other things, the feasibility of proceeding with the acquisition if it meant accounting for the transaction as a purchase. The Akamai board held a telephonic meeting in the afternoon to discuss the accounting treatment issues and other open items and, following an extensive discussion, authorized Mr. Sagan to convey Akamai's willingness to proceed with the transaction as a purchase and to continue

negotiations. Following the Akamai board meeting, Mr. Sagan further discussed the proposed transaction with Mr. Mathews.

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

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

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

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

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

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

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

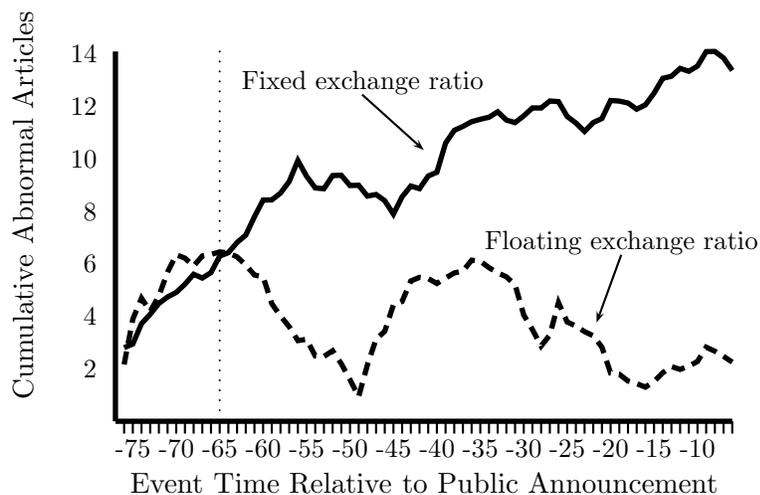
This appendix presents a non-exhaustive sample of media articles for the takeover of INTERVU by Akamai Technologies, announced on February 7th, 2000.

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

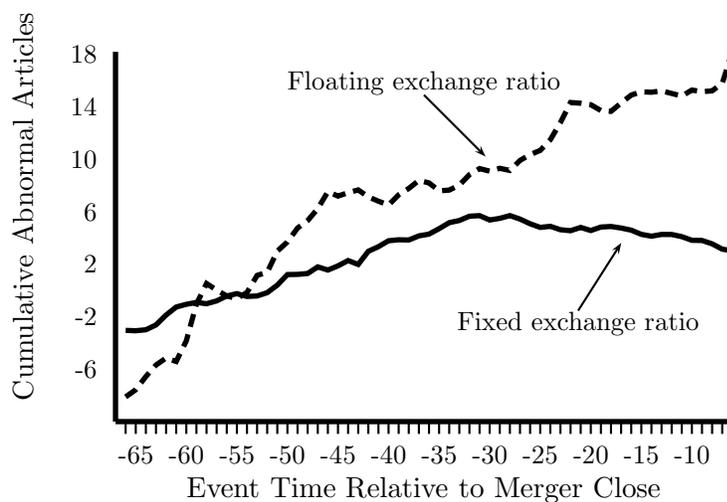
Table A.1
Most Frequent Media Sources by Type

This table presents the fifteen most frequent media sources in our sample by type: domestic newspapers, newswires, and foreign newspapers written in English. Data is from 617,445 articles over 421 sources reported in the Factiva database, excluding articles with fewer than 50 words and articles tagged by Factiva as recurring pricing and market data. Articles must also include a Factiva intelligent indexing code for one of the 507 acquirers in our merger sample from 2000 to 2008. Circulation data are from the Audit Bureau of Circulation.

Rank	Media Source	Sample Articles	Percent of Total	Circulation
<i>Domestic Newspapers</i>				
1	The Wall Street Journal	16,471	2.67	2,024,269
2	The New York Times	6,450	1.04	927,851
3	The Washington Post	3,631	0.59	582,844
4	St. Louis Post-Dispatch	3,228	0.52	213,472
5	Chicago Sun-Times	3,189	0.52	275,641
6	Barron's	2,387	0.39	303,034
7	Seattle Post-Intelligencer	2,183	0.35	263,588
8	Pittsburgh Post-Gazette	2,179	0.35	184,232
9	The Boston Globe	1,762	0.29	264,105
10	The San Francisco Chronicle	1,697	0.27	251,782
11	New York Daily News	1,524	0.25	544,167
12	USA Today	1,262	0.20	1,900,116
13	Times-Picayune	1,083	0.18	159,655
14	Denver Post	1,050	0.17	340,949
15	BusinessWeek	745	0.12	917,568
	Sum of Top 15	48,841	7.91	9,153,273
<i>Newswires</i>				
1	Reuters News	139,789	22.64	
2	Dow Jones News Service	98,373	15.93	
3	Business Wire	38,540	6.24	
4	Associated Press Newswires	31,830	5.16	
5	PR Newswire	25,707	4.16	
6	Federal Filings Newswires	23,110	3.74	
7	Dow Jones Business News	22,193	3.59	
8	Dow Jones International News	20,032	3.24	
9	PR Newswire (U.S.)	19,219	3.11	
10	M2 Presswire	16,142	2.61	
11	Professional Investor Report	9,528	1.54	
12	Regulatory News Service	7,657	1.24	
13	Dow Jones Chinese Financial Wire	5,309	0.86	
14	Dow Jones Corporate Filings Alert	4,414	0.71	
15	Capital Markets Report	4,079	0.66	
	Sum of Top 15	461,843	74.80	
<i>Foreign English-Language Newspapers</i>				
1	Financial Times (U.K.)	8,045	1.30	426,676
2	National Post (Canada)	6,066	0.98	150,884
3	The Wall Street Journal Europe	5,738	0.93	74,946
4	The Globe and Mail (Canada)	5,077	0.82	301,820
5	The Asian Wall Street Journal	3,771	0.61	82,186
6	The Australian	2,115	0.34	138,765
7	The Times (U.K.)	1,999	0.32	617,483
8	South China Morning Post	1,958	0.32	104,000
9	The Guardian (U.K.)	1,812	0.29	358,844
10	The Economic Times (India)	1,726	0.28	620,000
11	The Toronto Star	1,338	0.22	314,173
12	Business Times Singapore	1,023	0.17	35,700
13	Irish Times	969	0.16	106,926
14	International Herald Tribune	945	0.15	242,073
15	The New Straits Times (Malaysia)	838	0.14	241,000
	Sum of Top 15	42,582	6.90	3,815,476
	Total Articles from All Sources	617,445		



(a) The Negotiation Period



(b) The Transaction Period

Figure 1**Abnormal Acquirer Media Coverage During the Merger**

This figure presents the average acquirer's cumulative number of abnormal articles from all media sources in daily event time relative to the public announcement of the merger in subfigure (a) and relative to the completion of the merger in subfigure (b). The dotted line in (a) represents the average starting date of merger talks. Abnormal articles are calculated as a firm's daily number of articles minus the average number of daily articles over the 100 trading days starting 200 days before the merger announcement (a), or the period 100 days to 5 days before the merger close (b). 'Fixed exchange ratio' includes mergers using acquirer stock as a form of payment where the number of shares to be issued for each target share is fixed and independent of the acquirer's stock price. 'Floating exchange ratio' includes mergers where the exchange ratio of stock payments floats in order to achieve a particular price per target share. Data is from 507 acquisitions during 2000-2008.

Table I
Summary Statistics of Media Coverage and Merger Negotiations

This table presents summary statistics for 617,445 media articles from 421 sources reported in the Factiva database about acquirers in 507 mergers over 2000 to 2008 by different periods in the merger process. The pre-negotiation period is the period from 120 trading days before the merger talks begin until the day before merger talks begin. The negotiation period is the period from when merger talks begin until 15 days before the merger announcement. The transaction period is the period five days after the announcement date until two days before the merger closes. Merger announcement and closing dates are from SDC, the day merger talks begin is hand-collected from SEC filings. Day figures are in trading days. Monthly figures are aggregates of 20 trading days by firm-day observations. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Business Wire* are the top 3 newswire sources.

	Mean	Std. Dev.	Percentile			Obs.
			25th	50th	75th	
<i>Monthly Media Coverage in Pre-Negotiation Period</i>						
Number of all articles per firm-month	73.42	195.97	0	11	60	60,840
Number of top 3 domestic news articles per firm-month	3.01	11.98	0	0	1	60,840
Number of top 3 news wire articles per firm-month	30.76	99.25	0	1	20	60,840
<i>Monthly Media Coverage in Negotiation Period</i>						
Number of all articles per firm-month	79.61	249.84	0	6	40	27,489
Number of top 3 domestic news articles per firm-month	3.17	14.14	0	0	1	27,489
Number of top 3 news wire articles per firm-month	33.63	125.97	0	1	19	27,489
<i>Media Coverage During the 2-Day Announcement Period</i>						
Number of all articles	43.27	64.87	10	22	52	1,014
Number of top 3 domestic news stories	2.35	4.36	0	0	4	1,014
Number of top 3 press releases	22.62	39.98	2	10	28	1,014
<i>Timing of the Merger Process</i>						
Days in Negotiation Period	64.68	63.93	17	44	92	507
Days in Transaction Period	64.46	57.96	24	48	86	507

Table II
Firm Characteristics by Form of Merger Payment

Columns (1) and (2) present averages of acquirer characteristics for 377 fixed exchange ratio acquisitions and 130 floating-exchange ratio acquisitions. Column (3) presents coefficients from a logistic regression where the dependent variable equals 1 if the merger is a fixed exchange ratio merger and 0 if a floating exchange ratio. Stock return volatility is calculated over the pre-negotiation period. Market equity is the value of market equity (in \$ billions) of the acquirer one year before the announcement. Tobin's Q is (Total assets - common equity + market equity)/Total assets. Market to book is calculated as in Fama and French (1992). Intangibles/Assets is (Total Assets - Net PPE - Current Assets)/Total Assets. Raw media count is the number of daily media articles from all sources in the pre-negotiation period. Analyst dispersion is the coefficient of variation on analysts' earnings forecasts for the acquirer in the most recent forecasting period before the merger announcement. High-tech industries include Fama French 49 Industries Computers (35), Software (36), and Electronics (37). ROA is Operating income before depreciation/Total assets. Same industry is a dummy equal to one if the acquirer and target are in the same Fama French 49 industry code. Relative size is the merger transaction size divided by the acquirer's market equity. Statistical significance is reported as p -values from t -tests of equality of means in parentheses in column (2). p -values of significance tests are reported in column (3) for the logistic regression. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels.

	Fixed Exchange Ratio	Floating Exchange Ratio	Logit Regression Pr(Fixed)
	(1)	(2)	(3)
Stock return volatility	3.086	2.454*** (0.000)	0.448** (0.013)
Market equity	23.992	32.548 (0.210)	0.009 (0.253)
Analyst dispersion	0.055	0.041 (0.339)	2.374 (0.198)
Institutional ownership	0.158	0.157 (0.928)	1.437 (0.421)
Intangibles/Assets	0.145	0.155 (0.652)	1.441 (0.199)
R&D/Assets	0.033	0.025* (0.086)	2.756 (0.656)
Hi-Tech Industry	0.328	0.282 (0.354)	-0.811 (0.228)
Tobin's Q	2.346	2.321 (0.906)	0.165 (0.457)
Market-to-book	4.682	4.531 (0.799)	-0.058 (0.533)
ROA	0.123	0.140 (0.193)	0.209 (0.938)
Raw media counts	3.401	4.255 (0.355)	-0.062 (0.149)
Same industry	0.732	0.701 (0.522)	-0.389 (0.356)
Relative size	0.507	0.564 (0.646)	-0.082 (0.807)
Constant			-0.718* (0.460)
Observations	377	130	143
Pseudo R^2			0.082

Table III**Univariate Differences-In-Differences Tests of Media Coverage**

This table presents univariate t -tests of media counts by media source, type of merger payment, and timing of merger negotiations for a sample of 507 mergers over 2000 to 2008. The pre-negotiation period is the period from 120 trading days before the start of merger talks until the day before merger talks begin. The negotiation period is the period from when merger talks begin until 15 days before the merger announcement. Fixed exchange ratio refers to mergers that use a fixed number of acquirer shares as payment, floating have floating exchange ratios. Merger announcement and closing dates are from SDC, the day merger talks begin and type of payment are hand-collected from SEC filings, and media data is from Factiva. Observations are at the firm-day level. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Business Wire* are the top 3 newswire sources. Statistical significance is indicated by ***, **, and *, for the 0.01, 0.05, and 0.10 levels.

	Pre-Negotiation	Negotiation	Difference	p -value
Panel A: All daily media articles				
Fixed	3.453	4.409	0.955***	(< 0.001)
Floating	4.303	2.931	-1.371***	(< 0.001)
Difference	-0.849***	1.477***	2.327***	
p -value	(< 0.001)	(< 0.001)	(< 0.001)	
Panel B: Top three domestic newspaper articles daily				
Fixed	0.148	0.177	0.029***	(< 0.001)
Floating	0.157	0.113	-0.044***	(< 0.001)
Difference	-0.010	0.064***	0.074***	
p -value	(0.117)	(< 0.001)	(< 0.001)	
Panel C: Top three newswire articles daily				
Fixed	1.441	1.900	0.459***	(< 0.001)
Floating	1.818	1.146	-0.673***	(< 0.001)
Difference	-0.377***	0.754***	1.131***	
p -value	(< 0.001)	(< 0.001)	(< 0.001)	

Table IV**Multivariate Differences-In-Differences Tests of Media Coverage**

This table presents coefficient estimates from firm-deal fixed effects regressions of media coverage. The dependent variable is media articles. Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table I. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Business Wire* are the top 3 newswire sources. Fixed exchange ratio dummy equals one if the merger is completed using a fixed exchange ratio, and zero if using a floating exchange ratio. ‘Sum of turnover_{*t-1, ..., t-5*}’ is the sum of the coefficients of turnover from each day $t - 1$ to $t - 5$. Turnover is daily volume divided by shares outstanding. ‘Sum of |return_{*t-1, ..., t-5*} |’ is computed analogously, where | returns_{*t*} | are absolute values of daily returns. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are robust to heteroskedasticity and autocorrelation.

	All Media (1)	Domestic Newspapers (2)	Newswires (3)
Negotiation period dummy	-0.144 (0.190)	-0.012 (0.114)	-0.129* (0.066)
Negotiation period \times fixed ratio	0.277** (0.044)	-0.001 (0.933)	0.161* (0.062)
Sum of turnover _{<i>t-1, ..., t-5</i>}	26.685*** (< 0.001)	1.235*** (< 0.001)	14.748*** (< 0.001)
Sum of return _{<i>t-1, ..., t-5</i>}	17.739*** (< 0.001)	1.100*** (< 0.001)	10.638*** (< 0.001)
Firm-Deal fixed effects	Yes	Yes	Yes
F -test	15.170	13.240	11.360
p -value	(< 0.001)	(< 0.001)	(< 0.001)
Observations	85,808	85,808	85,808

Table V
The Effect of Media Coverage on Market Equity

This table presents coefficient estimates from fixed effects regressions of market equity. ‘Media source’ refers to one of the three categories of media sources as listed in the heading of the table. Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table I. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Business Wire* are the top 3 newswire sources. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are robust to heteroskedasticity and autocorrelation.

Media Source	Dependent Variable: Market Equity _{<i>t</i>}		
	All Media (1)	Domestic Newspapers (2)	Newswires (3)
Negotiation period dummy	1.471*** (0.000)	1.457*** (0.000)	1.350*** (0.000)
Negotiation period × fixed ratio	0.067 (0.783)	0.666*** (0.003)	0.274 (0.230)
Media _{<i>t</i>,...,<i>t</i>-5}	0.030 (0.592)	0.967 (0.172)	0.043 (0.666)
Media _{<i>t</i>,...,<i>t</i>-5} × negotiation period	-0.117 (0.107)	-2.915** (0.033)	-0.201 (0.182)
Media _{<i>t</i>,...,<i>t</i>-5} × fixed exchange dummy	-0.223** (0.049)	-5.411*** (0.001)	-0.528*** (0.005)
Media _{<i>t</i>,...,<i>t</i>-5} × negotiation period × fixed	0.623*** (0.000)	10.883*** (0.000)	1.355*** (0.000)
Firm-Deal fixed effects	Yes	Yes	Yes
F -Test	21.410	18.630	19.370
p -value	(< 0.001)	(< 0.001)	(< 0.001)
Observations	85,928	85,928	85,928

Table VI

Reversals from the Negotiation Period to Announcement and Transaction Periods

Panel A presents univariate t -tests of abnormal market equity during the negotiation, announcement, and transaction periods for a sample of 507 mergers over 2000 to 2008. Abnormal market equity is daily market equity minus the average daily market equity in the pre-negotiation period from 120 days before the start of merger talks until the talks begin. The negotiation period is the period from when merger talks begin until 15 days before the merger announcement. The announcement period is the five days surrounding the merger announcement. The transaction period includes days from six days after the announcement until 2 days before the close of the merger. Panel B presents fixed effects regression coefficients where the dependent variable is either abnormal returns or the number of newswire articles. Abnormal returns are the daily firm returns minus the value-weighted CRSP index. Period dummies equal 0 for observation in the negotiation period (base case). Statistical significance is reported as p -values in parentheses. Standard errors are robust to heteroskedasticity and autocorrelation. Statistical significance indicated by ***, **, and *, for the 0.01, 0.05, and 0.10 levels.

Panel A: Univariate Tests of Reversal in Abnormal Market Equity					
	Time Period			Differences	
	Negotiation	Announcement	Transaction	(2)-(1)	(3)-(1)
	(1)	(2)	(3)		
Fixed	3.530	2.925	2.190	-0.605 (0.122)	-1.341*** (0.000)
Floating	1.288	1.103	0.395	-0.185 (0.555)	-0.893*** (0.001)
Difference	2.242*** (0.000)	1.823** (0.011)	1.795*** (0.000)	-0.420 (0.480)	-0.448* (0.076)
Panel B: Fixed Effects Tests of Reversal in Abnormal Returns and Newswire Articles					
	Abnormal Returns		Newswire Articles		
Announcement period dummy	-0.004** (0.011)		3.611*** (0.000)		
Announcement period \times fixed ratio	-0.005** (0.011)		0.709 (0.216)		
Transaction period dummy		0.000 (0.870)		0.343*** (0.000)	
Transaction period \times fixed ratio		-0.001* (0.091)		-0.182* (0.077)	
Firm-deal fixed effects	Yes	Yes	Yes	Yes	
F -test	32.380	3.520	95.810	12.070	
p -value	(< 0.001)	(0.0297)	(< 0.001)	(< 0.001)	
Observations	29,752	76,204	30,089	76,762	

Table VII
The Fraction of Positive and Negative Articles

This table presents coefficient estimates from firm-deal fixed effect regressions of the number of positive or negative articles by media source. An articles is positive (negative) if it has more than the average fraction of positive (negative) words calculated separately for each type of media outlet. Positive and negative words are categorized based on the classification of words in a financial text developed in Loughran and McDonald (2010). Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table I. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the top 3 domestic newspaper sources. *Reuters News*, *Dow Jones News Service*, and *Business Wire* are the top 3 newswire sources. Fixed exchange ratio dummy equals one if the merger is completed using a fixed exchange ratio, and zero if using a floating exchange ratio. ‘Sum of turnover $_{t-1,\dots,t-5}$ ’ is the sum of the coefficients of turnover from each day $t-1$ to $t-5$. Turnover is daily volume divided by shares outstanding. ‘Sum of $|\text{return}_{t-1,\dots,t-5}|$ ’ is computed analogously, where $|\text{return}_t|$ are absolute values of daily returns. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are robust to heteroskedasticity and autocorrelation.

	All Media		Domestic Newspapers		Newswires	
	Negative	Positive	Negative	Positive	Negative	Positive
	(1)	(2)	(3)	(4)	(5)	(6)
Negotiation period dummy	0.016 (0.163)	0.015 (0.115)	0.016 (0.545)	-0.010 (0.690)	0.000 (0.997)	0.004 (0.717)
Negotiaton period \times fixed ratio	-0.036*** (0.007)	0.010 (0.399)	-0.044 (0.158)	0.017 (0.545)	-0.037** (0.037)	0.014 (0.295)
Sum of turnover $_{t-1,\dots,t-5}$	1.038*** (< 0.001)	-0.505** (0.026)	2.252*** (0.008)	0.014 (0.985)	0.641 (0.124)	0.110 (0.740)
Sum of $ \text{return}_{t-1,\dots,t-5} $	0.978*** (< 0.001)	0.609*** (0.001)	2.350*** (< 0.001)	1.553*** (0.003)	1.101*** (< 0.001)	-0.167 (0.515)
Firm-Deal fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
F -test	8.250	3.500	7.620	4.240	4.130	1.2000
p -value	(< 0.001)	(< 0.001)	(< 0.001)	(< 0.001)	(< 0.001)	(0.278)
Observations	40,753	40,753	7,671	7,671	24,865	24,865

Table VIII
Characteristics of Firms with More Active Media Management

This table presents coefficient estimates from OLS regressions of media coverage of acquirers from the top three domestic newspapers or top three newswires. Observations are firm-days in the pre-negotiation and negotiation periods, defined in Table I for 377 fixed exchange ratio acquisitions only. High analyst dispersion is a dummy variable equal to 1 if the coefficient of variation of analysts' earnings forecasts for the acquirer in the most recent forecasting period before the merger announcement is above the median for the sample firms. High-tech industries (for acquirer) include Fama French 49 Industries Computers (35), Software (36), and Electronics (37). Institutional ownership is the fraction of shares owned by institutions in the most recent reporting date before the merger announcement from Thomson. R&D/Assets is from Compustat. Turnover is daily volume divided by shares outstanding from t to $t - 5$. $| \text{Returns} |$ are absolute values of returns from t to $t - 5$. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are corrected for heteroskedasticity and autocorrelation.

	Domestic Newspapers		Newswires	
	(1)	(2)	(3)	(4)
High analyst dispersion	0.012 (0.159)	0.009 (0.249)	0.299*** (0.000)	0.091 (0.150)
High-tech industry	0.019 (0.299)	0.013 (0.349)	0.626*** (0.000)	0.211* (0.073)
R&D/Assets	0.020*** (0.001)	0.021*** (0.002)	0.175*** (0.000)	0.141*** (0.005)
Institutional ownership	-0.018** (0.011)	-0.014** (0.040)	-0.302*** (0.000)	-0.124*** (0.008)
Negotiation period dummy	0.010 (0.292)	0.011 (0.174)	0.247*** (0.007)	-0.067 (0.274)
Negotiation \times analyst dispersion		0.012 (0.645)		0.682*** (0.002)
Negotiation \times hi-tech		0.021 (0.632)		1.292*** (0.002)
Negotiation \times R&D/Assets		-0.008 (0.439)		-0.034 (0.689)
Negotiation \times institutional ownership		-0.015 (0.511)		-0.564*** (0.005)
Sum of turnover $_{t-1, \dots, t-5}$	-0.356 (0.371)	-0.337 (0.379)	-9.090*** (0.006)	-8.274*** (0.010)
Sum of $ \text{return}_{t-1, \dots, t-5} $	-0.067 (0.803)	-0.060 (0.826)	-3.486* (0.061)	-2.945 (0.113)
Book assets	0.000 (0.665)	0.000 (0.683)	0.000 (0.750)	0.000 (0.947)
Constant	0.005 (0.403)	0.005 (0.436)	0.089** (0.033)	0.178*** (0.000)
F -test	4.030	3.650	4.800	5.470
p -value	(< 0.001)	(< 0.001)	(< 0.001)	(< 0.001)
Observations	34,574	34,574	34,574	34,574

Table IX
Media Coverage and the Division of Merger Gains

This table presents coefficient estimates from cross-sectional OLS regressions of media coverage of acquirers and targets from the top three domestic newspapers or top three newswires. The dependent variable is the difference of the dollar announcement return of the target and the dollar announcement return of the acquirer, divided by the aggregate market equity of the two firms two days prior to the announcement. Dollar abnormal returns are market equity multiplied by the difference of the observed and equally-weighted CRSP index return on the 3 days around the announcement. ‘Relative value’ is the takeover price divided by the market value of the acquirer two days before the announcement. ‘Same industry’ is a dummy equal to one if both firms are in the same Fama French 49 industry code. Percent cash is the fraction of the takeover price paid in cash. Statistical significance is reported as p -values in parentheses, noted by ***, **, and *, for the 0.01, 0.05, and 0.10 levels. Standard errors are clustered by acquiring firm.

	Dependent Variable = Target Gain Relative to Acquirer			
	Media = Newswires		Media = Domestic Newspapers	
	(1)	(2)	(3)	(4)
Acquirer media	-0.008*	-0.017***	0.038	-0.088
	(0.066)	(0.004)	(0.510)	(0.522)
Target media	0.068*	0.158***	0.463***	0.468**
	(0.071)	(0.001)	(0.005)	(0.017)
Acquirer media \times target media	-0.018	-0.069*	0.355	-0.603
	(0.585)	(0.053)	(0.572)	(0.637)
Fixed dummy		0.021		0.016
		(0.170)		(0.284)
Fixed \times acquirer media		0.006		0.141
		(0.516)		(0.368)
Fixed \times target media		-0.144***		-0.163
		(0.007)		(0.480)
Fixed \times acquirer \times target media		0.097**		0.969
		(0.020)		(0.491)
Acquirer M/B	0.000	0.001	0.000	0.001
	(0.881)	(0.660)	(0.959)	(0.721)
Target M/B	-0.003	-0.003	-0.003	-0.003
	(0.328)	(0.287)	(0.409)	(0.345)
Relative value	0.001	0.000	-0.002	-0.002
	(0.898)	(0.964)	(0.779)	(0.801)
Acquirer assets	-0.403	-0.560*	-0.913***	-0.807***
	(0.141)	(0.063)	(0.002)	(0.003)
Target assets	0.000	0.000	0.000	0.000
	(0.961)	(0.642)	(0.320)	(0.457)
Same industry	-0.006	-0.003	-0.011	-0.009
	(0.682)	(0.834)	(0.451)	(0.539)
Percent cash	-0.051**	-0.039*	-0.047**	-0.037*
	(0.011)	(0.056)	(0.017)	(0.060)
Constant	0.093***	0.072***	0.096***	0.081***
	(0.000)	(0.004)	(0.000)	(0.001)
Adjusted R^2	0.073	0.126	0.117	0.133
Observations	101	101	101	101