

## Internet Appendix for “Determinants of Cross-Border Mergers and Acquisitions”\*

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**Table IA.1. Subsample analysis of the cross-sectional determinants of cross-border mergers and acquisitions.**

This table presents estimate of cross-sectional regressions of cross-border M&A country pairs in subsamples of developed and emerging country targets. The dependent variable is the total number of cross-border deals between 1990 and 2007 ( $X_{ij}$ ) in which the target is from country  $i$  and the acquirer is from country  $j$  (where  $i \neq j$ ) scaled by sum of the number of domestic deals in target country  $i$  ( $X_{ii}$ ) and the number of cross-border deals between country  $i$  and country  $j$  ( $X_{ij}$ ). Columns (1) and (3) examine subsample of developed country targets while Columns (2) and (4) examine emerging country targets. Refer to Table A1 for the definition of variables. Acquirer country fixed effects are included in all regressions. Heteroskedasticity-corrected t-statistics are in parentheses. The symbols \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5% and 10% levels.

	Developed Target	Emerging Targets	Developed Target	Emerging Targets
	(1)	(2)	(3)	(4)
(Disclosure Quality) $_{j-i}$	0.008*** (4.57)	0.025*** (4.47)	0.010*** (5.54)	0.028*** (3.28)
(Legal) $_{j-i}$	-0.028 (-0.36)	-0.273 (-1.07)	-0.259*** (-2.94)	-0.061 (-0.23)
Average (Currency R12) $_{j-i}$			0.063 (1.65)	0.002 (0.02)
Average (Market R12) $_{j-i}$			-0.250*** (-4.43)	0.053 (0.47)
Same Language			-0.005 (-0.57)	0.020 (0.89)
Same Religion			-0.004 (-1.18)	0.001 (0.09)
Geographic Proximity			0.002* (1.91)	0.013*** (4.81)
Max (Import, Export)	0.623*** (4.17)	0.705*** (7.61)	0.602*** (3.90)	0.415*** (4.54)
(log GDP per capita) $_{j-i}$	0.000 (0.12)	-0.007 (-1.27)	-0.007* (-1.95)	-0.021*** (-3.46)
(GDP Growth) $_{j-i}$	-0.002 (-1.35)	0.008 (1.63)	0.000 (0.41)	0.005 (0.80)
Constant	0.014*** (3.47)	0.039*** (3.29)	0.022*** (3.35)	0.135*** (5.16)
Observations	662	231	662	231
R-squared	0.669	0.746	0.699	0.800

**Table IA.2. Summary statistics on valuation differences between target and acquirer.**

This table reports average [median] valuation differences between the acquirer ( $j$ ) and the target ( $i$ ) at the country and firm level. R12, R24, R36 represent real stock returns over the past 12 months, 24 months, 36 months, respectively. MTB is the market-to-book ratio of equity. For market MTB, we follow Fama and French (1998) and sum the market value of all firms within a country and divide this sum by the sum of their book value. All stock returns (both market and firm-level returns) are in local currency. The definition of developed countries is based on World Bank high-income economies.

	(1)	Developing Target		Developed Target	
		(2)	(3)	(4)	(5)
	Total	Developing Acquirer	Developed Acquirer	Developing Acquirer	Developed Acquirer
Currency R12 <sub>j</sub> – Currency R12 <sub>i</sub>	1.12%*** [0.26%]***	4.57%*** [1.24%]	10.32%*** [6.18%]***	(5.96%)*** [(3.68%)]**	0.46%*** [0.11%]***
Currency R24 <sub>j</sub> – Currency R24 <sub>i</sub>	2.13%*** [0.47%]***	5.72%** [6.23%]**	21.76%*** [18.28%]***	(13.40%)*** [(8.69%)]**	0.79%*** [0.08%]
Currency R36 <sub>j</sub> – Currency R36 <sub>i</sub>	3.43%*** [0.91%]***	10.11%*** [16.79%]***	34.22%*** [31.37%]***	(23.32%)*** [(18.75%)]*	1.38%*** [0.14%]
Market R12 <sub>j</sub> – Market R12 <sub>i</sub>	0.30%*** [0.33%]***	1.44% [(0.40%)]	0.05% [(3.86%)]**	6.03%*** [8.68%]***	0.20%** [0.44%]***
Market R24 <sub>j</sub> – Market R24 <sub>i</sub>	0.92%*** [1.10%]***	1.57% [4.88%]	2.13%*** [(1.90%)]	11.09%*** [15.24%]***	0.64%*** [1.08%]***
Market R36 <sub>j</sub> – Market R36 <sub>i</sub>	2.12%*** [2.45%]***	1.44% [3.61%]	12.79%*** [17.06%]***	9.54%*** [18.42%]***	1.22%*** [2.03%]***
Firm R12 <sub>j</sub> – Firm R12 <sub>i</sub>	10.38%*** [6.01%]***	25.82%* [27.80%]**	6.59%** [0.25%]	22.36%** [16.88%]***	10.50%*** [5.98%]***
Firm R24 <sub>j</sub> – Firm R24 <sub>i</sub>	19.34%*** [12.15%]***	35.75% [49.51%]	11.96%** [1.70%]	41.81%** [46.96%]	19.61%*** [12.62%]***
Firm R36 <sub>j</sub> – Firm R36 <sub>i</sub>	23.36%*** [17.02%]***	115.8%* [116.2%]	20.37%*** [8.98%]*	63.13%*** [52.34%]***	23.02%*** [16.96%]***
Market MTB <sub>j</sub> – Market MTB <sub>i</sub>	9.93%*** [7.25%]***	20.58%*** [31.19%]***	64.74%*** [64.45%]***	(2.90%) [(5.31%)]**	5.59%*** [5.98%]***
Firm MTB <sub>j</sub> – Firm MTB <sub>i</sub>	28.95%*** [26.23%]***	76.90% [125.7%]**	47.03%** [32.60%]**	17.27% [(20.42%)]	27.50%*** [25.91%]***
N. of Observations	51488	311	3853	1056	46268

**Table IA.3.****Sub-sample analysis of the impact of currency valuation on cross-border mergers and acquisitions.**

This table presents estimates of panel regressions of cross-border M&A country pairs, focusing on various subsamples of currency valuation differentials. The dependent variable is the number of cross-border deals in year  $t$  ( $X_{ijt}$ ) in which the target is from country  $i$  and the acquirer is from country  $j$  (where  $i \neq j$ ) scaled by sum of the number of domestic deals in target country  $i$  ( $X_{iit}$ ) and the number of the cross-border deals involving target country  $i$  and acquirer  $j$  ( $X_{ijt}$ ). Refer to Table A1 for the definition of variables. Country-pair and year fixed effects are included in all regressions. Standard errors are corrected for clustering of observations at the country-pair level and associated t-statistics are in parentheses. The symbols \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5% and 10% levels.

	(Currency R12) <sub>j-i</sub> >25%	(Currency R12) <sub>j-i</sub> >50%	(Currency R12) <sub>j-i</sub> >75%	(Currency R12) <sub>j-i</sub> > 90%	(Currency R12) <sub>j-i</sub> > 95%
(Market R12) <sub>j-i</sub>	0.013*** (3.30)	0.015*** (2.95)	0.021** (2.22)	-0.006 (-0.29)	-0.089 (-1.57)
(Currency R12) <sub>j-i</sub>	0.030*** (3.12)	0.033*** (2.95)	0.052*** (2.68)	0.231*** (3.13)	0.593** (2.28)
Max (Import, Export)	0.229** (2.31)	0.236* (1.79)	0.298 (1.12)	0.587 (0.55)	0.864 (0.32)
(log GDP per capita) <sub>j-i</sub>	0.051*** (3.44)	0.044** (2.07)	0.007 (0.19)	-0.228* (-1.83)	-0.736* (-1.90)
(GDP Growth) <sub>j-i</sub>	-0.008 (-0.21)	0.018 (0.41)	-0.030 (-0.44)	-0.185 (-1.18)	-0.535* (-1.70)
(Quality of Institution) <sub>j-i</sub>	-0.001 (-1.23)	-0.001 (-0.79)	0.000 (0.05)	0.007 (0.79)	0.026* (1.79)
(Investment Profile) <sub>j-i</sub>	-0.000 (-0.10)	-0.001 (-1.01)	-0.003 (-1.50)	0.005 (1.26)	0.029** (2.28)
Constant	0.078*** (6.44)	0.099*** (5.13)	0.146** (1.99)	0.259* (1.95)	0.422** (2.22)
Observations	11,007	7,140	3,213	1,039	394
R-squared	0.509	0.519	0.511	0.689	0.787

**Table IA.4. Deal-level analysis: Targets vs. acquirers.**

This table presents marginal effects for a logit model. The dependent variable equals one for the target firms and zero for the acquiring firms. The sample includes deals in which both target and acquirer are public. Columns (1) through (4) examine domestic mergers while columns (5) to (10) examine cross-border mergers. We decompose firm returns into industry returns in local currency and firm residual stock returns for domestic mergers. For cross-border mergers, we first decompose firm-level stock returns in U.S. dollars into three components in columns (7) and (8): market returns in local currency (Market R12), currency returns (Currency R12), and firm residual stock returns in local currency (Firm USR12-Market R12-Currency R12). We further decompose the firm-level stock returns in U.S. dollars in columns (9) and (10): industry returns in local currency (Industry R12), currency returns (Currency R12), and firm residual stock returns in local currency (Firm USR12-Industry R12-Currency R12). Refer to Table A1 for the definition of variables. Country and year fixed effects are included in all regressions. Standard errors are corrected for country-level clustering and associated t-statistics are in parentheses. The symbols \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5% and 10% levels.

	Domestic Deals				Cross-border Deals					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Firm USR12	0.049*** (7.04)	0.055*** (8.98)			0.061** (2.16)	0.061* (1.87)				
Market R12							0.115 (1.02)	0.120 (1.05)		
Firm USR12-Market R12-Currency R12							0.058** (2.39)	0.062** (2.25)		
Industry R12			0.013 (0.61)	0.004 (0.16)					0.097** (2.22)	0.099** (2.05)
Firm USR12-Industry R12-Currency R12			0.053*** (3.84)	0.073*** (4.48)					0.051 (1.41)	0.078* (1.86)
Currency R12							-0.004 (-0.02)	-0.309 (-1.11)	-0.230 (-0.48)	-0.679 (-1.53)
Log Firm Size	0.122*** (8.98)	0.136*** (9.71)	0.133*** (8.13)	0.147*** (9.38)	0.132*** (9.84)	0.140*** (9.41)	0.132*** (10.06)	0.140*** (9.78)	0.152*** (8.71)	0.165*** (8.37)
Long-term Debt/Asset		0.027 (0.16)		0.055 (0.33)		0.180 (0.76)		0.181 (0.77)		0.187 (0.51)
Cash/Asset		0.225* (1.77)		0.292** (2.00)		0.319 (1.52)		0.317 (1.51)		0.493** (2.18)
Sales growth (2-year)		0.004 (1.11)		0.003 (0.79)		0.019 (1.47)		0.020 (1.49)		0.026 (1.24)
Return on Equity		0.126** (2.22)		0.126* (1.71)		0.334*** (4.13)		0.334*** (4.19)		0.411*** (2.68)
N. of Observations	3625	3262	2718	2460	1304	1178	1302	1176	928	845
R-squared	0.145	0.171	0.161	0.187	0.271	0.319	0.271	0.321	0.288	0.341