REACQUISITIONS VS. "REGULAR" ACQUISITIONS AND DIVESTITURES: A COMPARISON OF INVESTOR RESPONSES

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Abstract

Studies on mergers and acquisitions (M&A), as well as on divestitures, suffer from heterogeneity within their research universe. This study sheds light on one specific type of transaction that, despite its relevance, has remained understudied: reacquisitions. Reacquisitions are a type of M&A in which previously divested company parts are reacquired by parent companies. Drawing on recent research on how investors assess M&A (e.g., Harrison & Schijven, 2016; Schijven & Hitt, 2012), as well as on the occurrence of reacquisitions (e.g., Gleason, Madura, & Pennathur, 2006), we focus on three empirical questions and show that most reacquisitions are likely to be associated with negative signals about potential synergy, as well as with information about problems or threats related to the reacquiring companies. Based on an event study of 71 reacquisitions and 71 divestitures followed by reacquisitions, and comparing them against "regular" M&A and divestitures, we find, inter alia, that investors assess reacquisitions significantly more negatively than regular M&A. Our findings support the view that investors' assessments are based on incomplete information and do not necessarily reflect actual performance.

Keywords: Reacquisition, Mergers and Acquisitions, Event Study, Information Asymmetry, Efficient Market Hypothesis

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1. INTRODUCTION

Given the popularity of mergers and acquisitions (M&A) as a way of expanding into new markets or consolidating existing markets[1], it is not surprising that academic research has attempted to understand the performance implications of these transactions and, more specifically, investors' reactions to the announcements of such transactions (for literature reviews, see Haleblian, Devers, McNamara, Carpenter, and Davison, 2009, Ben Letaifa, 2017). However, extant literature presents mixed results for the market reaction associated with M&A

[1] For recent statistical data see, e.g., https://imaa-institute.org/mergers-and-acquisitions-statistics/

transactions. For instance, while Seth, Song, and Pettit (2000) find slightly positive (but not significant) cumulative abnormal return (CAR) for acquirers, they attribute these findings to the mixed effects of "good" and "bad" mergers. Hence, the outcome of "regular" M&A may depend on the sample used; depending on the type of M&A, the acquirer returns may be positive or negative. Moreover, commonly applied variables, such as acquirer diversification, industry relatedness, payment method, and acquisition experience fail to predict M&A performance (King, Dalton, Daily, & Covin, 2004). As a natural counterpart of M&A research (Feldman & McGrath, 2016), studies on divestitures/business exits and their performance implications present equally mixed results, leading Lee and Madhavan (2010) to call for research on "additional moderators" and Cefis, Bettinelli, Coad, and Marsili (in press) for research that is interested in the "sources of heterogeneity". In this paper, we focus on one specific type of transaction that combines M&A and divestiture transactions, which seems to be of astonishing empirical relevance but remains under-researched: reacquisitions. We aim at investigating how reacquisitions are perceived by investors and how their reactions can be compared to those towards "regular" M&A and divestiture transactions.

Reacquisitions are a special case of M&A in which parent companies reacquire previously divested company parts, thus reversing a prior divestiture. For instance, Lenovo, one of the world's largest personal computer (PC) sellers, reacquired its mobile phone unit from Legend Holdings in November 2009, 18 months after its divestiture, for USD200 million (Moschieri & Mair, 2012). Other prominent examples include the reacquisition of the European and Latin American auto lending operations of Ally Financial by General Motors in 2012 (Ally Financial is the former financing arm of General Motors, Reuters, 2012), as well as the more than USD20 billion-worth acquisition of Visa Europe in 2015 by the former parent company, Visa, which had divested its European unit in 2007, one year before the company went public (Dietz & zu Knyphausen-Aufseß, 2017).

Research has shown that between 19% and 50% of sampled divestitures were eventually reacquired by (former) parent companies (Klein, Rosenfeld, & Beranek, 1991; Moschieri & Mair, 2012; Schipper & Smith, 1986). The reacquisition rates vary according to the shares initially divested and the types of firms involved. However, even if these studies overestimate the occurrence of reacquisitions by, for instance, a factor of 10, reacquisitions still represent an important phenomenon worthy of study due to the large number of M&A deals occurring worldwide every day. These transactions are, in other words, less "exotic," as Schilke and Jiang (2019, f.n. 3) assume.

Despite the prevalence of reacquisitions, these transactions are understudied (Moschieri & Mair, 2012). There are only a few quantitative research studies regarding the impact of reacquisitions on the firms involved and those are outdated. Studies on the market reaction to reacquisitions (see Gleason, Madura, and Pennathur, 2006, Klein et al., 1991, Slovin and Sushka, 1998) have focused on explaining why these transactions occur but have always relied on a single theory for the explanation. More recent qualitative research has shown that there is more than one explanation or motivation for reacquisition (Dietz & zu Knyphausen-Aufseß, 2017; Moschieri & Mair, 2012; Thomas, Ranganathan, & Desouza, 2005).

Additionally, to the best of our knowledge, not a single study on reacquisitions explicitly discusses the investors' expectations and potential differences between those expectations and the actual transaction performance. Recent research has shown the relevance of information asymmetries in M&A transactions, casting doubt on the assumption that the investors' reactions to the M&A announcements reflect actual performance (Harrison & Schijven, 2016; Schijven & Hitt, 2012; Song, Zeng, & Zhou, 2021). Prior analyses of reacquisitions that rely on this assumption may thus have misinterpreted their findings.

Based on signaling theory (Spence, 1973, 1974) and research on information asymmetries in M&A transactions (Aalbers, McCarthy, & Heimeriks, in press; Wu, Reuer, & Ragozzino, 2013) — and answering a call by Bergh, Ketchen, Orlandi, Heugens, and Boyd (2019a) to do more research in this direction, — we address the shortcomings of existing studies by assessing the market's reactions to reacquisitions, understanding the investors' assessment of these transactions, and investigating the extent and direction (more negative, more positive) in which reacquisitions differ from the baseline, that is, "regular" M&A and divestitures. To answer our empirical questions, we collected a global sample comprising the cases of 71 reacquisitions and 71 divestitures followed by reacquisitions, from the Thomson Reuters M&A database and conducted an event study to examine the reaction of parent companies' investors around the announcement dates. For comparison, we also constructed a control group of "regular" M&A that do not reflect reacquisitions, and a control group of "regular" divestitures not followed by reacquisitions. We found that the investors in our sample, on average, assessed reacquisitions negatively — significantly more so than the "regular" M&A.

Our study contributes to M&A research in four ways. First, we describe and explore the population of M&A and divestiture transactions that may inherit heterogeneity and explain the mixed results of extant research. Second, we expand the limited research on reacquisitions, showing that the market reactions to these transactions can significantly differ from the reactions to "regular" M&A. Third, we contribute to the research on how investors, in general, assess divestitures and M&A transactions, supporting the recent findings on the importance of publicly observable "signals" (Aalbers et al., in press; Bergh et al., 2019a; Bergh, Peruffo, Chiu, Connelly, & Hitt, 2019b; Campbell, Sirmon, & Schivjen, 2016; Reuer, Tong, & Wu, 2012; Schijven & Hitt, 2012). Fourth, we expand the recent research stream on M&A programs and the interrelationships between transactions (Aktas, de Bodt, & Roll, 2009, 2011; Bennett & Feldman, 2017; Chatterjee, 2009; Kolev & Haleblian, 2018; Laamanen & Keil, 2008; Li, Liu, & Gregoriou, 2021; Schilke & Jiang, 2019; Trichterborn, zu Knyphausen-Aufseß, & Schweizer, 2016; Weber, zu Knyphausen-Aufseß, & Schweizer, 2018; Zollo & Winter, 2002) by analyzing both serial acquisitions and combinations of acquisitions and divestitures.

Based on theoretical considerations, we present the empirical questions that we believe are of particular interest in our research context in the next section. We report our research design (i.e., sample selection and explanatory and control variables) and the methodology used for our analysis in the third section and present our results in the fourth section. We discuss the results of our study in the fifth section. In the sixth section we conclude with limitations and prospects for future research.

2. TOWARDS AN UNDERSTANDING OF REACQUISITIONS — EMPIRICAL QUESTIONS

Similar to a study published by Bennett and Feldman (2017), our aim is not to test a specific theory. We use signaling theory and research on information asymmetries in M&A transactions simply as a starting point to develop an intuition on whether we can expect reacquisitions to find investor support, and how these investor reactions compare against those toward "regular" M&A transactions and divestitures.

2.1. Investor reactions to reacquisitions: Empirical question 1

Recent research has shown the relevance of information asymmetries between management and investors (i.e., the capital market) in M&A transactions. The capital market is often seen as a knowledgeable entity that assesses M&A transactions based on the actual performance implications, but various studies have shown that investors base their assessments of M&A transactions on the *incomplete* information available to them (Harrison & Schijven, 2016; Schijven & Hitt, 2012; Zhang & Wiersema, 2009). Building on signaling theory (Connelly, Certo, Ireland, & Reutzel, 2011; Spence, 1973, 1974). Schijven and Hitt (2012) argue that investors must rely on signals they can publicly observe since they are not directly involved in the day-to-day business activities. Contrary to previous research on market reactions to reacquisitions that implicitly rely on the efficient market hypothesis (Fama, 1970; Titan, 2015), we consider information asymmetries between management and investors in predicting how investors assess these transactions.

Considering these information asymmetries, the announcement of reacquisition should usually provide investors with two pieces of information beyond the fact that the reacquisition will take place: 1) the price that will most likely be paid for the target, and 2) the potential rationale behind the transaction (Aalbers et al., in press). When investors obtain the price of the target, they are expected to assess it in terms of the premium that will be paid and their expectations for potential synergies (Sirower, 1997). A high premium (Schijven & Hitt, 2012) or low expectations of potential synergies should negatively affect their assessment. We propose that a parent company's prior divestiture (including a loss of majority ownership) of a reacquired firm could negatively influence investors' assessments of potential synergies. As investors have no direct insight into firms, they must rely on signals from the firm's management and may interpret the prior divestiture as a signal that the parent company and the subsidiary lack potential synergies. Hence, the investors may be surprised by and skeptical about such reacquisition, as it is contrary to the divestiture in which the parent company clearly stepped away from its former subsidiary.

The reason or motivation for the transaction is the second piece of information investors should obtain from a reacquisition announcement. This information allows them to see the initial divestiture, as well as the reacquiring company's current situation in a new light. It is important to understand the motivation behind reacquisitions to evaluate how investors might assess this information. Table 1 reviews the potential motives for reacquisitions discussed in the literature and classifies the situations faced by reacquiring companies in each case.

Table 1. Potential motivations for reacquisition and classification of the reacquiring company's situation

Motivation for reacquisition	***Information obtained by investors***
I. Market valuation of subsidiary seen as too low from the parent company's perspective (Klein et al., 1991; Gleason et al., 2006).	*Problem* — undervaluation of a subsidiary not in the parent company's best interest
II. Elimination of costly minority interests (Schipper & Smith, 1986) or high costs of separately operating the subsidiary (Thomas et al., 2005).	*Problem* — high cost needs to be reduced
III. Realization of needed and beneficial restructuring activities between parent and subsidiary (Slovin & Sushka, 1998).	*Problem*—restructuring needed
IV. Change of the competitive landscape leads to awareness that the divestiture decision was a mistake (Moschieri & Mair, 2012).	*Problem* — previous decision was incorrect and needs to be reversed
V. Rescue of poorly performing (former) subsidiaries based on "moral responsibility" (Moschieri & Mair, 2012).	*Problem* — moral responsibility forces (former) parent to react
VI. Failure of a new partnership between subsidiary and investor (Dietz & zu Knyphausen-Aufseß, 2017).	*Problem* — expected synergies did not materialize
VII. Initial investor wants to divest (e.g., due to financial difficulties, Dietz and zu Knyphausen-Aufseß, 2017).	*Problem* — initial investor not interested in the subsidiary anymore
VIII. External requirements trigger sales (e.g., legal obligations, Dietz and zu Knyphausen-Aufseß, 2017).	*Problem*—business decisions depend on external factors
IX. Change in the parent company's strategy (Dietz & zu Knyphausen-Aufseß, 2017).	*Problem* — change in strategy implies that the initial strategy was suboptimal
X. Unavailability of resources of (former) subsidiary problematic for future parent operations (Moschieri & Mair, 2012).	*Threat* — subsidiary needs to be reacquired to secure future operations
XI. Threat of a takeover of a (former) subsidiary by the competitor (Moschieri & Mair, 2012).	*Threat* — potential takeover by competitor needs to be avoided
XII. Reacquisitions as an intermediate strategy between internal and external corporate venturing (Klarner, Treffers, & Picot, 2013; Markides & Charitou, 2004; Markides & Oyon, 2010; Michl, Gold, & Picot, 2012; Rohrbeck, Döhler, & Arnold, 2009).	*Opportunity — reacquisition* is part of a planned strategy

As Table 1 shows, many situations leading to reacquisitions as described in the literature, pose problems or threats to the reacquiring companies. In case these problems or threats are not anticipated and incorporated into market prices, they could negatively affect the investors' assessments of reacquisitions. For example, a signal indicating the change in the competitive landscape since the divestiture may lead to the impression that the original divestiture decision was a mistake, suggesting that the existing management team is less able to oversee the company's strategic needs than originally thought (situation IV in Table 1, following Moschieri and Mair, 2012). Alternatively, as described in situation VII in Table 1, it may become clear that the interim investor needs cash and is, therefore, willing to re-sell the acquired unit. This may indicate that the unit is not as valuable as originally considered, which in turn will lead the reacquiring company's investors to doubt the unit's inherent strategic value and thus to a negative sentiment (Dietz & zu Knyphausen-Aufseß, 2017). Both these examples would justify the expectation of a negative cumulative abnormal return around the announcement date.

In contrast, situation XII defined in Table 1, that the reacquisition can be part of a corporate venturing strategy, would constitute an opportunity that investors might perceive positive. While research presents more arguments for a potentially negative sentiment from investors and broader corporate venturing strategies might already be communicated beforehand, we refrain from concluding on a clear hypothesis assuming negative investor reactions to reacquisitions and formulate the following first empirical question:

EQ1: How do investors assess reacquisitions (positive or negative)?

2.2. Reacquisitions versus regular M&A transactions: Empirical question 2

As indicated in the introduction, extant literature presents mixed results for the market reaction associated with "regular" *M&A transactions* — that is, M&A transactions that do not reflect reacquisitions (for reviews, see Haleblian et al., 2009, Leifer, 2017). Some scholars have found positive CAR around M&A announcement dates (Ahern, Daminelli, & Fracassi, 2015; Beitel, Schiereck, & Wahrenburg, 2004; Cakici, Hessel, & Tandon, 1996; Doukas, Holmen, & Travlos, 2002; Eckbo & Thorburn, 2000; Goergen & Renneboog, 2004; Maquieira, Megginson, & Nail, 1998; Markides & Ittner, 1994; Masulis, Wang, & Xie, 2007; Zaheer, Hernandez, & Banerjee, 2010), whereas others have found negative CAR for acquiring companies (Aybar & Ficici, 2009; Beitel et al., 2004; Danbolt & Maciver, 2012; DeLong, 2001; Doukas et al., 2002; Houston, James, & Ryngaert, 2001; Mulherin & Boone, 2000). On average, M&A transactions are considered to not benefit bidding firms (King et al., 2004). However, a few questions need to be answered, such as how do reacquisitions compare to these "regular" M&A transactions (and associated baseline CAR) and whether we have reasons to expect that reacquisitions perform better or worse than "regular" acquisitions.

Researchers have often tried to use actual performance improvement or deterioration to explain the increment or decrement in company value associated with M&A transactions, by applying concepts such as synergy theory (Ahuja & Novelli, 2017; Homberg, Rost, & Osterloh, 2009; Lüthge, 2020; Sirower, 1997) or post-merger integration frameworks (Graebner, Heimeriks, Huy, & Vaara, 2017; Haspeslagh & Jemison, 1991; Schweizer, 2005; Steigenberger, 2017). Regarding the former, it can be argued that the synergy expectations should be lower for reacquisitions than for "regular" acquisitions; otherwise, the preceding divestiture would not make any sense from the investors' perspective. Indeed, the contradictory behavior of first divesting and then reacquiring a company unit may explain the more negative investor sentiment for reacquisition compared to a "regular" acquisition. However, it might also be plausible to expect learnings from one deal to the other (Kolev & Haleblian, 2018; Schriber & Degischer, 2020) or fewer obstacles in dealing with specific themes in the pre-deal phase, such as deal initiation, target selection, bidding and negotiation, valuation and financing, announcement, and closure (Welch, Pavićević, Keil, & Laamanen, 2020), both of which have an impact on the investors' assessment of the deal in general. Similarly, post-merger integration might also be subject to ambiguous interpretation. On the one hand, reintegration could be expected to be relatively easy due to the common history of the two units. On the other hand, the divestiture may have been accompanied by frustration (Kroon, Cornelissen, & Vaara, 2015), especially on the side of the divested unit, leading to the expectation that the (re)integration might be even more difficult than a "regular" acquisition.

Hence, it seems difficult to predict how reacquisitions perform in comparison to "regular" acquisitions. We, therefore, take an agnostic position and formulate our second empirical question:

EQ2: How do investor assessments of reacquisitions differ from those of regular M&A (more positive or more negative)?

2.3. Divestitures followed by reacquisitions versus "regular" divestitures: Empirical question 3

Parallel to the question we discussed in the prior subsection, we also ask how divestitures followed by reacquisitions compare to "regular" *divestitures*. As a starting point, one can assume that the investors who anticipate the problems or threats with respect to reacquiring companies described above, also incorporate them into their company valuation before the reacquisition occurs; that is, investors with complete information should be able to anticipate the problems resulting from the initial divestiture at the time of the divestiture. However, it is well possible that this does not occur, as these issues are not obvious before reacquisition (see Table 1), and the investors must rely on incomplete information (Schijven & Hitt, 2012).

Investors, in general, have been shown to react positively to divestiture announcements (Bergh, 2017; Feldman & McGrath, 2016; Lee & Madhavan, 2010; Moschieri & Mair, 2008). One important argument for the value-increasing effect of divestitures is that these transactions increase company focus and reduce information asymmetries between managers and investors (Veld & Veld-Merkoulova, 2004).

As investors' reactions to "regular" divestitures have been shown to be positive and we expect investors to *not* necessarily anticipate potential problems or threats at the time of divestiture, we expect that the divestitures preceding reacquisitions also generate positive CAR around the announcement dates. However, whether this positive investor sentiment is higher or lower in comparison to the "regular" divestitures is again hard to predict; hence, we formulate our third empirical question:

EQ3: How do investor assessments of divestitures followed by reacquisitions differ from those of regular divestitures (more positive or more negative)?

3. RESEARCH DESIGN

3.1. Sample

We used the Thomson Reuters M&A database for our analysis. From all worldwide M&A deals between January 1, 1970, and the end of 2013[2], we first identified divestitures by defining them as deals (e.g., sell-offs, spin-offs, joint-ventures) in which the parent company loses the majority ownership. We then compared them to all the M&A deals within the same timeframe to identify reacquisitions, i.e., the M&A deals between entities that were previously involved in a divestiture. We focused on those transactions in which the parent companies lost majority ownership since these transactions included a significant change in ownership sufficient to trigger a noticeable investor reaction and could thus be considered *reacquisitions* and not just the *sale/purchase of minority interests*[3].

We identified 454 deal pairs in which targets, parents, and acquirers matched the description above, indicating potential reacquisitions. We eliminated 157 reacquisitions where majority ownership or complete control was not regained or where information on the acquired shares was not available. For 99 of the remaining 297 transactions, the deal synopses revealed that they were not actually reacquisitions. For some of the divestitures, the Thomson Reuters M&A database included the current parent company instead of the parent company at the time of the deal, leading to mismatches. Hence, all datasets were manually verified using the deal synopses. For 97 of the remaining 198 transactions, the return data for the companies involved was unavailable in the Thomson Reuters Datastream, leaving 101 reacquisitions. Finally, the firms that experienced confounding events were removed, resulting in 71 reacquisitions for our analysis[4]. Using the same process, 71 divestitures followed by reacquisitions were identified for analysis[5].

"Regular" M&A that did not reflect reacquisitions were collected as a control group. Datasets for this control group were selected from the remaining M&A deals that were not identified as reacquisitions. To obtain a representative sample, we randomly selected a number of deals (450) similar to the number of reacquisitions (449) we had initially identified before data cleansing. These transactions were verified with the deal synopses to manually control for confounding events. After conducting a data cleansing process similar to that used for reacquisitions, the final sample for analysis included 109 regular M&A transactions.

The procedure used for regular M&A was also used to select regular divestitures as a control group, resulting in the identification of 103 transactions[6]. Since the regular divestiture control group included divestitures completed until 2013, this sample may also include divestitures that were reacquired by the parent companies in the future, but we could not exclude those data[7]. This effect should not bias our results significantly because of two reasons. First, we focused on divestitures with a loss of majority ownership. Hence, the reacquisition rates should be below those found in previous studies (19%–50%), as these studies focused on all divestitures (Moschieri & Mair, 2012) or those where majority ownership was retained (Klein et al., 1991; Schipper & Smith, 1986). Reacquisition should be more likely for divestitures where a high proportion of ownership was retained, as the parent company and the subsidiary continued to work closely together. Second, this issue is relevant only for the more recent divestitures in our sample. In sum, we analyzed four different deal groups in this study: reacquisitions (I), regular M&A (II), divestitures followed by reacquisitions, i.e., prior divestitures (III), and regular divestitures (IV).

Since the number of reacquisition was reduced due to the unavailability of return data and confounding events, we explicitly tested for potential sampling bias and searched for significant differences in any of the collected variables (region, cross-industry, cross-border, year, and deal value) for selected reacquisitions and eliminated reacquisitions. We found no significant differences in any of these variables, showing limited potential for sampling bias.

A subsample of the deals (reacquisitions and prior divestitures) used for the analysis is shown in the Appendix to provide some details about the types of transactions used for the analysis.

[2] Because of data availability, the study period ends on November 30, 2013.

[3] Note that control rights do not necessarily require majority ownership. Consequently, various international organizations, in line with corporate ownership literature (e.g., Demsetz, 1983; La Porta, Lopez-de-Silanes, & Shleifer, 1999), draw a distinction between foreign direct investments and portfolio investments using a threshold level of 10% (e.g., https://www.oecd.org/daf/inv/investmentstatisticsandanalysis/40193734.pdf). A divestiture could therefore also be defined as a transaction in which a parent company loses a 90% or, somewhat less radically, a 3/4th or 2/3rd majority ownership. We focused on the 50% threshold, due to inaccuracy in the Thomson Reuters Database's method of collecting data on these transactions whereby the seller's shares are not tracked (beyond transactions with a loss of majority ownership). Hence, whether a loss of 3/4 or 2/3 ownership has occurred during the divestiture can be determined only by backward calculation (shares owned by parent before reacquisition + shares acquired (by interim investor) during divestiture = shares owned by parent before divestiture). This approach is not entirely accurate, as ownership can change between divestiture and reacquisition due to events such as a capital increase. Alternative thresholds are used only for sensitivity analysis.

[4] Confounding events were identified using a two-step approach: 1) All transactions with other M&A deals within 10 trading days around the announcement date were excluded from the sample; 2) for the remaining transactions, all outliers were checked against Factiva Business News for potential confounding events (e.g., new CEO, bankruptcy, annual/quarterly reports).

[5] Please note that the 71 reacquisitions and 71 divestitures followed by reacquisition do not reflect 71 corresponding deal pairs. The final database consists of 90 deal pairs. From those deal pairs, 19 reacquisitions and 19 divestitures (also from different deal pairs) had to be eliminated as part of data cleansing.

[6] Because of data availability, the timeframe for regular M&A transactions and regular divestitures ends in June 2013.

[7] A Factiva search was performed between November 30, 2013, and December 31, 2017, for the names of the firms involved in the divestiture to find potential reports on reacquisitions. No corresponding reacquisitions were identified for the divestitures, but most of the initial divestiture transactions could be found when the search timeframe was adjusted to the time of the divestiture.

It contains pairs of divestitures and corresponding reacquisitions for transactions with announcement dates after the year 2000.

The final sample consisted of 180 M&A, 71 reacquisitions, and 109 regular M&A; and 174 divestitures, 71 divestitures followed by reacquisitions and 103 divestitures without reacquisition.

3.2. Control variables

Our statistical models include various control variables shown by researchers to have potential influence on market reactions to M&A transactions; the primary source for these data was Thomson Reuters. We included the control variable *region* (e.g., Bris, Brisley, & Cabolis, 2008), which grouped the domicile countries of the acquiring companies into four regions: North America, Europe, the Pacific, and the rest of the world. We further controlled for *cross-industry* (Gugler, Mueller, Yurtoglu, & Zulehner, 2003) and *cross-border* (e.g., Danbolt & Maciver, 2012) transactions. We compared the standard industrial classification (SIC) codes of acquiring companies to those of target companies. The dummy variable *cross-industry* equals 1 if the acquirer and the target SIC codes differ and 0 otherwise. Similar to our *cross-industry* dummy, the dummy variable *cross-border* equals 1 if the acquiring company and the target domicile countries differ and 0 otherwise. Where available, we also collected the *year* (e.g., Moeller, Schlingemann, & Stulz, 2005) and the *deal value* (e.g., Brauer & Wiersema, 2012) as reported in the Thomson Reuters M&A database for transactions.

Table 2 and Table 3 provide an overview of the sample descriptive statistics.

Table 2. Descriptive statistics: Reacquisition and regular M&A samples

	Reacquisitions				*Regular M&A*			
Variable	***N***	***Share***	***Mean***	***Std***	***N***	***Share***	***Mean***	***Std***
Regions	*71*				*109*			
North America	21	29.6%	-	-	54	49.6%	-	-
Europe	23	32.4%	-	-	28	25.7%	-	-
Pacific	16	22.5%	-	-	20	18.3%	-	-
Rest of the world	11	15.5%	-	-	7	6.4%	-	-
Deal specifics	*71*				*109*			
Cross-industry	10	66.2%	-	-	76	69.7%	-	-
Cross-border	47	14.1%	-	-	36	33.0%	-	-
Deal value [USD m]	49	-	128.62	259.66	59	-	196.09	643.13
New CEO	15	21.1%	-	-	-	-	-	-
Timeframe	*71*				*109*			
Until 1990	3	4.2%	-	-	5	4.6%	-	-
(1990, 1995]	10	14.1%	-	-	10	9.2%	-	-
(1995, 2000]	11	15.5%	-	-	23	21.1%	-	-
(2000, 2005]	13	18.3%	-	-	28	25.7%	-	-
(2005, 2010]	24	33.8%	-	-	34	31.2%	-	-
(2010, 2013]	10	14.1%	-	-	9	8.2%	-	-

Table 3. Descriptive statistics: Divestiture with reacquisition and regular divestiture samples

	Divestitures with reacquisitions				*Regular divestitures (without reacquisition)*			
Variable	***N***	***Share***	***Mean***	***Std***	***N***	***Share***	***Mean***	***Std***
Regions	*71*				*103*			
North America	20	28.2%	-	-	45	43.7%	-	-
Europe	25	35.2%	-	-	32	31.1%	-	-
Pacific	17	23.9%	-	-	16	15.5%	-	-
Rest of the world	9	12.7%	-	-	10	9.7%	-	-
Deal specifics	*71*				*103*			
Cross-industry	45	63.0%	-	-	72	70.0%	-	-
Cross-border	10	14.0%	-	-	18	17.0%	-	-
Deal value [USD m]	43	-	88.14	165.12	68	-	124.04	269.39
Timeframe	*71*				*103*			
Until 1990	17	23.9%	-	-	13	12.6%	-	-
(1990, 1995]	6	8.5%	-	-	13	12.6%	-	-
(1995, 2000]	10	14.1%	-	-	25	24.3%	-	-
(2000, 2005]	19	26.8%	-	-	21	20.4%	-	-
(2005, 2010]	18	25.3%	-	-	21	20.4%	-	-
(2010, 2013]	1	1.4%	-	-	10	9.7%	-	-

3.3. Methodology

Standard event study methodology (e.g., Brown & Warner, 1985; Corrado, 2011) was used to determine the investors' reactions to transaction announcements. Abnormal returns around the announcement dates of the events were calculated based on the market model. The market model parameters were calculated from 230 to 31 trading days before the announcement dates using daily company returns, as well as daily returns from the MSCI[8] World Index. Abnormal returns were calculated for several event windows around the announcement dates to guarantee the robustness of the analysis (+/-1 day, +/-3 days, +/-5 days, and +/-10 days) and to capture the information leakage effects before and adjustment times after the transactions. To ensure unbiased results, we excluded all deals

[8] Morgan Stanley Capital International.

with confounding events +/-10 trading days around the announcement date[9]. To test the significance of abnormal returns, we used the test statistics introduced by Boehmer, Musumeci, and Poulsen (1991). We applied two-sample Z-tests to compare the results of the reacquisition sample and the sample of regular M&A as well as the results of our sample of prior divestiture and regular divestitures. To avoid misinterpreting the results due to omitted variables, we also performed multiple regression analysis to examine the significance of the explanatory and control variables.

4. RESULTS

The CAR for our sample of reacquisitions is negative and statistically significant for all event windows except the +/-1 day event window ($p < 0.01$ for event window +/-10 and $p < 0.05$ for event windows +/-5 and +/-3), showing that investors negatively respond to reacquisition announcements.

Contrary to the case of reacquisitions, the CAR for acquiring companies in our sample of regular M&A is slightly positive but statistically insignificant ($p > 0.10$), consistent with the meta-analysis by King et al. (2004), who found insignificantly positive short-term abnormal returns for an event window of a few days after the announcement of M&A transactions. When comparing the reacquisition CAR with those of regular M&A using a two-sample Z-test, we find that reacquisition CAR is significantly lower than those of regular M&A ($p < 0.05$ for event window +/-10 and $p < 0.10$ for all other event windows). Table 4 presents the consolidated results.

Apparently, investors do not anticipate problems or threats at the time of divestiture. We find significantly positive CAR around the announcement dates of divestitures for all event windows except the +/-1 day event window, where CAR is positive but insignificant ($p < 0.01$ for event window +/-10 and $p < 0.10$ for event windows +/-5 and +/-3).

Using a two-sample Z-test, we find no significant difference in our comparison of abnormal returns for regular divestitures and those for divestitures preceding reacquisitions, showing that divestitures preceding reacquisitions generate CAR around announcement dates similar to that of regular divestitures. Consistent with the literature, we find that abnormal returns for regular divestitures are positive. Although the positive effect is significant only for prior divestitures and not for regular divestitures, no significant difference can be found between these deal groups. One potential explanation for the insignificantly positive returns for regular divestitures in our study is that our random sample selection from all divestitures within the Thomson Reuters M&A database may have led to a high level of sample variance[10].

Figure 1 shows the CAR for all the four deal groups for the event window +/-10 trading days around the announcement date. The figure clearly illustrates the increase/decrease in CAR during the event window. This shows that not all abnormal returns are directly realized on the announcement day, indicating information leakage prior to the event and adjustment time afterward.

If reacquisitions with a change in ownership from below 3/4 to above 3/4 as well as from below 2/3 to above 2/3 (instead of only from below 1/2 to above 1/2) are considered, the sample increases from 71 to 111 reacquisitions. Statistical significance increases slightly as well, but the overall results remain the same.

To extend the event study methodology commonly used for these kinds of analyses (see, for instance, Klein et al., 1991, Slovin and Sushka, 1998, or Gleason et al., 2006) with an analysis that also allows the use of control variables and to account for the endogeneity potentially associated with these control variables, we performed a multiple regression analysis for a sample consisting of all reacquisitions and all regular M&A (see Table 5). When control variables for cross-border M&A, cross-industry M&A, regions, and year of the announcement (Model I) are included, a significant relationship between cross-border M&A and CAR can be found only for the +/-1 day event window, indicating a lower CAR among the acquirers in cross-border deals. However, the dummy for reacquisitions was the only consistent predictor for all event windows in our analysis.

Because the Thomson Reuters M&A database does not provide deal values for all transactions (108 of the 180 datasets included information about deal value), to consider deal value (Model II), we needed to deal with the missing values. As our sample size was relatively small, we replaced the missing values with the mean of the available values. Our results show that the deal value does not lead to bias, since the dummy variable for reacquisitions is still the only significant predictor variable. In a simple regression between CAR and deal value, we find a significant relationship ($p < 0.10$) only for the event window +/-5 trading days around the announcement dates. For all other event windows, the p-value was above 0.68.

In sum, the regression analyses helped to ensure that the results of the two-sample Z-test (Table 4) are not due to the effects of the study's control variables. The insignificance of the F-statistic in the regression analyses indicates that the control variables have limited relevance for CAR but also shows the limitations of the sample size used.

[9] Four datasets had to be excluded from the analysis owing to the implausible values found in the Thomson Reuters Database: 1) and 2) involved returns on a single day of about 3,000,000% and 1,400%, respectively, while 3) and 4) included deal dates that could not be verified through Factiva Business News (announcement dates were checked with Factiva Business News).

[10] The variance in the CAR of regular divestitures is up to four times as high as that for prior divestitures, depending on the event window.

Table 4. CAR for reacquisitions, prior divestitures, and control groups (%)

Transaction types	*N*	*CAR [-10, 10]*	*CAR [-5, 5]*	*CAR [-3, 3]*	*CAR [-1, 1]*
Reacquisitions (I)	71	-3.71***	-1.98**	-1.39**	-0.47
Regular M&A (II)	109	2.42	1.91	1.82	1.58
Prior divestitures (III)	71	5.27***	3.15*	2.06*	1.85
Regular divestitures (IV)	103	2.38	2.57	1.80	0.86
Differences	***N***	***ΔCAR [-10, 10]***	***ΔCAR [-5, 5]***	***ΔCAR [-3, 3]***	***ΔCAR [-1, 1]***
II–I	71/109	6.13††	3.89†	3.21†	2.05†
III–IV	71/103	2.89	0.58	0.26	0.99

*Notes: * p < 0.10, ** p < 0.05, *** p < 0.01 with test statistic after Boehmer et al. (1991) (all two-tailed tests).*
† p < 0.10, †† p < 0.05, ††† p < 0.01 with two-sample Z-test (all two-tailed tests).

Figure 1. CAR for event window [+/-10]

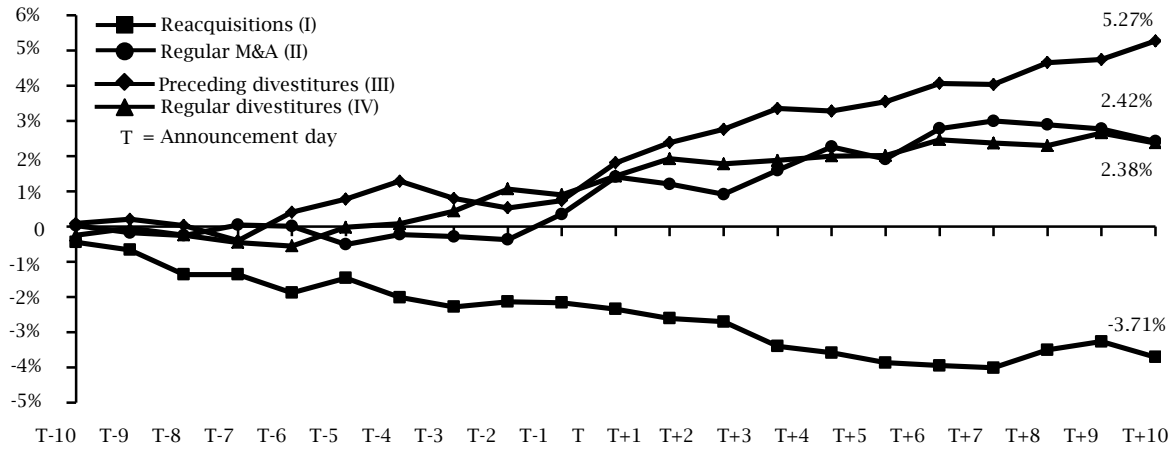

Table 5. Multiple regression: All reacquisitions and regular M&As

	CAR [-10,10]		*CAR [-5,5]*		*CAR [-3,3]*		*CAR [-1,1]*	
	Model I	***Model II***	***Model I***	***Model II***	***Model I***	***Model II***	***Model I***	***Model II***
Control variables								
Intercept	4.958	4.820	0.609	0.235	1.034	0.927	-2.115	-2.169
Cross-border	-0.039	-0.042	-0.104	-0.113	-0.117	-0.120	-0.129*	-0.131*
Cross-industry	-0.025	-0.023	-0.057	-0.050	-0.045	-0.043	-0.053	-0.051
North America[1]	0.055	0.059	-0.085	-0.072	-0.057	-0.053	-0.065	-0.061
Europe[1]	-0.062	-0.061	-0.077	-0.073	-0.057	-0.056	-0.089	-0.088
Pacific[1]	-0.042	-0.044	-0.066	-0.073	-0.048	-0.050	-0.049	-0.051
Year	-0.081	-0.079	-0.011	-0.003	-0.023	-0.020	0.079	0.081
Deal value		-0.033		-0.109		-0.036		-0.029
Explanatory variables								
Reacquisition	-0.142*	-0.143*	-0.153*	-0.158**	-0.145*	-0.147*	-0.154*	-0.155*
R-squared	0.045	0.046	0.030	0.042	0.030	0.031	0.045	0.046
Model-F	1.151	1.025	0.772	0.934	0.754	0.684	1.170	1.036
N	180	180	180	180	180	180	180	180

Notes: 1) Dummy region: "rest of the world" is the excluded variable.
Model I excludes the control variable "deal value" as deal value is not available for all deals.
Model II includes all control variables — missing values for deal value are replaced with mean; as a robustness test, regression was also run without missing value transactions: significance reduced with reduced sample size (N = 108 instead of N = 180), deal value has limited influence on CAR.
The table illustrates standardized coefficients.
** p < 0.10, ** p < 0.05, *** p < 0.01 (all two-tailed tests).*

As another robustness check, we calculated the significance of CAR with the test statistic following Brown and Warner (1985) and found only negligible differences with no implications for our results.

5. DISCUSSION

This study evaluated how the investors assess reacquisitions and how those assessments differ from those of regular M&A. Drawing on recent literature regarding how investors generally assess M&A transactions (e.g., Schijven & Hitt, 2012) and the occurrence of reacquisitions (e.g., Moschieri & Mair, 2012; Thomas et al., 2005), we found that reacquisitions are likely to be associated with negative signals about potential synergy, as well as new information about problems or threats related to reacquiring companies. Our results demonstrate three major findings: 1) investors assess reacquisitions negatively, 2) investor assessments of these transactions are more negative than those of regular M&A, and 3) at the time of divestiture, investors do not anticipate potential problems or threats to reacquiring companies resulting from the divestiture.

Through these findings and the explanations provided in our study, we contribute to M&A research in four major ways. First, we shed light on

a yet not well-understood type of M&A and divestiture transaction and, thus, a cause for the heterogeneity that may confound results in extant research on these topics. Second, we expand the limited research on reacquisitions by evaluating how investors assess these transactions. In a provoking article, Miller, Washburn, and Glick (2013) have shown that many studies in organizational and strategic management research fall short of specifying the theoretical relationships between their basic constructs and the measurement approaches, particularly regarding dependent variables, such as accounting-based financial returns or, as in our case, the reactions of stock market investors. Our research has its foundation in signaling theory (Connelly et al., 2011; Spence, 1973, 1974) and in studies on information asymmetries in M&A transactions (Aalbers et al., in press; Campbell et al., 2016; Harrison & Schivjen, 2016; Hitt & Schijven, 2012; Reuer et al., 2012; Song et al., 2021). While previous studies on reacquisitions have relied on single explanations for the occurrence of these transactions and have assumed that investors are perfectly knowledgeable (e.g., Gleason et al., 2006; Klein et al., 1991; Slovin & Sushka, 1998), we argue that there may be several motives for reacquisitions and that investors base their assessment of these transactions on partial rather than complete information. Additionally, we show that investors' assessments of these transactions can significantly differ from those of regular M&A, and that investors assess reacquisitions more negatively than regular M&A.

Previous studies have found both significantly positive market reactions (Gleason et al., 2006; Slovin & Sushka, 1998) and insignificant market reactions (Klein et al., 1991) to reacquisitions where majority ownership is *retained*. Differences from our findings are to be expected, as these reacquisitions are likely to be associated with negative signals and new negative information for investors that we identified for reacquisitions after a loss of majority ownership in prior divestitures.

Third, we expand research on how investors, in general, assess M&A transactions. We show that the investors' assessments of reacquisitions are based on publicly observable signals rather than on complete knowledge about the performance associated with these transactions, providing further criticism of the efficient market hypothesis (e.g., Cassidy, 2009). Thus, we add to the research that interprets short-term abnormal returns as a reflection of the "sentiment" of the overall market rather than of a transaction's actual performance (Zollo & Meier, 2008).

Fourth, we expand a recent research stream on M&A programs and the interrelationships between transactions (e.g., Aktas et al., 2009, 2011; Chatterjee, 2009; Laamanen & Keil, 2008; Li et al., 2021; Trichterborn et al., 2016; Weber et al., 2018). We show that significant interrelationships exist not only between serial acquisitions but also between acquisitions and prior divestitures, focusing on cases *involving the same entity* (in contrast to Bennett and Feldman, 2017, Doan, Sahib, and van Witteloostuijn, 2018, Vidal and Mitchell, 2018). The reacquisitions we analyzed were assessed more negatively by investors, possibly due to existing interrelationships with prior divestitures, such as problems or threats resulting from the divestitures that become obvious at the time of reacquisition or increased uncertainty induced by behavior that may seem contradictory to investors. Thus, our results also help to answer Connelly et al.'s (2011) call for incorporating the dynamics of signal interpretation, that is, the impact of time into future research on signaling processes.

6. CONCLUSION

In sum, our study shows how the market (i.e., investors) assesses M&A transactions like reacquisitions based on the information available to them. It highlights the relevance of information asymmetries between managers and external investors in these transactions and thereby shows practitioners the importance of considering how their M&A activities influence investors and, indirectly, the market value of their company. Reacquisitions may be viewed negatively by investors, especially when there is a significant sign of the lack of existing synergies between parent and subsidiary, such as the divestiture of majority ownership, or when the reacquisition reveals existing problems. Hence, such transactions should be accompanied by the management's clear communication of their advantages. Managers should be well aware of the kinds of signals they are sending to investors in M&A transactions.

Our study has a few limitations. The main limitations result from data availability issues. Data about reacquisitions are much harder to collect than the data for analyses of regular divestitures or regular M&A. We conducted an extensive search of the Thomson Reuters M&A database to identify the deals used for our analyses. Matching pairs of targets and parent/acquiring companies were identified by applying a search algorithm. Our final database, consisting of 71 reacquisitions and 71 prior divestitures, was sufficient for our analysis, but a larger sample would have been preferable and could have strengthened our results. However, our study is the first to evaluate reacquisitions after a loss of majority ownership; no other study presents a more extensive sample of these transactions.

To increase our sample size, we could have considered performance indicators such as return on investment (ROI) in addition to market return data. However, we decided to focus on market return data to capture the market's evaluation of management decisions. Return data allowed us to apply the event study methodology and look at the particular timeframe around deal announcement dates. Changes in the company prices around announcement dates include market expectations about these deals and therefore incorporate the ex-ante assessments of such deals in the short timeframe around the announcement dates. Using performance indicators would provide us with information about long-term performance rather than investors' assessments of these transactions. Additionally, the occurrence of confounding events becomes more problematic with longer analysis periods.

Further research is needed to better understand the phenomenon of reacquisitions. First, and most generally, due to the limited theory being available on reacquisitions, our analysis was structured around empirical questions rather than hypotheses. Future research should work on building more theory on reacquisitions — a relevant

phenomenon in M&A research — so that further aspects/hypotheses can be analyzed and tested. Second, further inductive work would help in more exhaustively capturing the motivations behind reacquisitions, as well as the specifics of the reacquired firm's reintegration, which could also differ from an unrelated firm's integration, as research has shown the unavailability of a "one size fits all" solution to post-acquisition integration (Graebner et al., 2017; Schweizer, 2005). Third, while the underlying study took an external perspective on reacquisitions, taking an internal perspective on how the firms involved perceive these transactions should add to our understanding of these transactions. Qualitative research based on case studies could certainly be helpful here, given that such a research approach is also well established in the M&A literature (Teerikangas & Colman, 2020). Fourth, as indicated above, a better understanding of value creation and destruction in the case of reacquisitions could be obtained by analyzing a larger sample of these transactions by, for instance, including reacquisitions without a previous loss of majority ownership, as was done in Dietz (2015b). As this study shows, there are indeed indications that reacquisitions are not a homogeneous group of transactions and deserve differentiation. However, a detailed understanding of the implications of different percentage losses is still missing and requires further research. Finally, we need a better understanding regarding the impact of the time span between divestiture and reacquisition. Dietz and zu Knyphausen-Aufseß (2017) derived from their interviews that the benefits of reacquisition materialize relatively shortly after the divestiture. A longer time span should also discount any conclusions that investors deduce from prior divestitures and potential management mistakes around these activities. In a further study on how investors assess reacquisitions, Dietz (2015b) uses the time span between divestiture and reacquisition as a control variable; however, the result is insignificant. Future work is needed to investigate this aspect further.

In addition to pointing to further research in the area of reacquisitions, this study also highlights the relevance of interrelationships between transactions; for instance, an unsuccessful acquisition or divestiture could impact subsequent acquisitions and divestitures (Laamanen & Keil, 2008). Hence, other acquisitions or divestitures could strategically relate to each other. Future research should identify and analyze these transactions.

In summary, we believe that reacquisitions represent a hitherto underexposed but interesting and fruitful area within M&A and divestiture research, which can furthermore contribute to capital market-oriented research on the importance of information asymmetries. It is our hope that our study, which has benefited from much prior work, will now in turn lead to follow-up work.

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APPENDIX

Several tables are presented below with additional background data. The aim of these tables is to provide additional details on the types of transactions analyzed in this study as well as additional information that may be required to replicate the results of this study (e.g., Bergh, Sharp, Aguinis, & Li, 2017). For the event study performed in this study, the sample data required for replication of the analysis is available from the authors upon request.

Table A.1. Reacquisitions and prior divestitures used for analysis with announcement dates after 2000 (subsample)

No.	Target	Parent (divestiture)/acquirer (reacquisition)	Involved nations		Prior divestitures		Reacquisitions	
			Parent/acquirer	Target	Announcement date	Deal value [USD m]	Announcement date	Deal value [USD m]
1	Riva Gold Corp	Wildcat Silver Corp	CAN	CAN	05.06.10	8.90	03.04.13	6.77
2	ANTs Data	ANTs Software Inc	USA	USA	05.21.08	3.50	02.06.13	n/a
3	Flatiron Crossing	Macerich	USA	USA	09.03.09	116.00	11.05.12	323.00
4	ORIX Credit Corp	ORIX Corp	JPN	JAP	05.07.09	302.34	04.26.12	395.59
5	Dongbu Power Corp	Dongbu Corp	KOR	KOR	11.30.11	3.51	03.23.12	13.22
6	Waterbury Lake Uranium LP	Fission Energy Corp	CAN	CAN	01.31.08	14.02	04.19.11	6.28
7	Ferrostaal	MAN	DEU	GER	10.07.08	951.35	03.21.11	466.11
8	mTouche Tech Philippines Inc	mTouche Technology Bhd	MYS	PHL	12.03.08	n/a	06.18.10	n/a
9	Jadeford International Ltd	Lion Forest Industries Bhd	MYS	VGB	12.22.09	0.04	06.17.10	0.04
10	Centrale del Latte di Vicenza	Centrale del Latte di Torino	ITA	ITA	04.03.01	n/a	06.08.10	n/a
11	Cyntergy Services Ltd	Clarity Commerce Solutions PLC	GBR	GBR	05.02.08	1.97	06.01.10	0.22
12	Nihon Pharmaceutical Ind	Nippon Chemiphar Co Ltd	JPN	JPN	11.11.05	15.25	12.08.09	18.11
13	Bernas Logistics Sdn Bhd	Padiberas Nasional Bhd	MYS	MYS	03.19.04	5.53	12.02.09	3.49
14	Goldease Investments Ltd	Hong Fok Corp Ltd	SGP	SGP	05.25.07	91.48	11.16.09	7.34
15	Bipiemme Vita SpA	Banca Popolare di Milano Scarl	ITA	ITA	11.29.05	9.67	07.17.09	157.47
16	Hunan Lixinyuan RE Dvlp Co Ltd	Jiugui Liquor Co Ltd	CHN	CHN	10.24.07	0.68	06.30.09	0.33
17	Stanford Bank Venezuela	Banco Nacional de Credito CA	VEN	VEN	02.19.09	n/a	04.13.09	112.03
18	Sotheby's Holdings Inc Headquarter	Sotheby's Holdings Inc	USA	USA	12.18.02	175.00	02.06.09	370.00
19	E-max	SFCG Co Ltd	JPN	JPN	02.06.04	23.45	08.26.08	53.18
20	DBS HDM Capital Sdn Bhd	Hwang-DBSBhd	MYS	MYS	03.30.05	n/a	05.30.08	0.04
21	Gold Mines of Coolgardie	Focus Minerals Ltd	AUS	AUS	03.12.07	6.25	01.30.08	30.40
22	Daiwa Seiko	U-Shin Ltd	JPN	JPN	02.20.02	n/a	06.16.06	3.47
23	A2 Australia Pty Ltd	A2 Corp Ltd	NZL	AUS	12.24.04	0.85	04.06.06	0.35
24	Marufuku Co Ltd	Yamano Holding Corp	JPN	JPN	03.24.04	7.81	03.31.06	2.55
25	Accord Customer Care Solutions (Aust) Pty Ltd	Accord Customer Care Solutions	SGP	AUS	12.16.04	8.04	12.13.05	n/a
26	Austrian Power Vertrieb GmbH	Verbund AG	AUT	AUT	04.29.04	9.99	08.24.05	n/a
27	GlobeGround GmbH	Lufthansa Coml Hldg GmbH	DEU	DEU	05.30.01	315.87	07.17.04	n/a
28	WestfalenBank AG	Bayerische Hypo- und Vereinsbank	DEU	DEU	02.15.02	n/a	05.24.04	138.01
29	Quiamare La Ceiba Oil Block	Repsol YPF SA	ESP	VEN	12.10.02	n/a	07.01.03	0.20

Notes: Only the deal pairs where neither the divestiture nor the following reacquisition had to be eliminated as part of data cleansing are shown. Note that divestiture and the corresponding reacquisition do not necessarily reflect transfer of the same number of shares. Hence, differences in deal value do not necessarily reflect changes in target valuation. The full sample is available from the authors upon request.

Table A.2. Descriptive statistics and Pearson correlation coefficients

Variable	*Mean*	*S.D.*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*
1. CAR [-10, 10]	0.000	0.193												
2. CAR [-5, 5]	0.004	0.157	0.798***											
3. CAR [-3, 3]	0.006	0.136	0.716***	0.894***										
4. CAR [-1, 1]	0.008	0.087	0.403***	0.370***	0.434***									
5. Reacq.	0.394	0.490	-0.156**	-0.122*	-0.116*	-0.115*								
6. Cross-border	0.256	0.437	-0.01	-0.074	-0.087	-0.113*	-0.212***							
7. Cross-industry	0.683	0.466	-0.018	-0.05	-0.04	-0.047	-0.037	0.043						
8. North America	0.417	0.494	0.138**	0.022	0.03	0.042	-0.198***	-0.056	-0.03					
9. Europe	0.283	0.452	-0.076	-0.029	-0.03	-0.078	0.073	0.140**	-0.102*	-0.531***				
10. Pacific	0.200	0.401	-0.067	-0.012	-0.012	0.017	0.051	-0.07	0.072	-0.423***	-0.314***			
11. Rest of the world	0.100	0.301	-0.023	0.024	0.011	0.025	0.148**	-0.025	0.107*	-0.282***	-0.210***	-0.167**		
12. Year	2002.994	6.380	-0.082	-0.005	-0.016	0.093	0.069	-0.114*	-0.025	-0.008	-0.185***	0.175***	0.059	
13. Deal value [USD m]	165.480	505.557	-0.018	-0.168**	-0.041	-0.009	-0.067	-0.095	0.07	0.179**	-0.062	-0.124*	-0.03	0.081

*Notes: * p < 0.10, ** p < 0.05, *** p < 0.01.*
N = 180 (variables 1 to 12), 108 (variable 13).

Table A.3. CAR for prior divestitures and regular divestitures (%)

Divestiture types	***CAR [-10, 10]***	***CAR [-5, 5]***	***CAR [-3, 3]***	***CAR [-1, 1]***
Prior divestitures (III)	5.27***	3.15*	2.06*	1.85
Regular divestitures (IV)	2.38	2.57	1.80	0.86
	VAR [-10, 10]	***VAR [-5, 5]***	***VAR [-3, 3]***	***VAR [-1, 1]***
Prior divestitures (III)	1.51	1.00	0.82	0.57
Regular divestitures (IV)	6.04	2.07	1.99	0.59
Differences	***ΔCAR [-10, 10]***	***ΔCAR [-5, 5]***	***ΔCAR [-3, 3]***	***ΔCAR [-1, 1]***
III–IV	2.89	0.58	0.26	0.99
	p [-10, 10]	***p [-5, 5]***	***p [-3, 3]***	***p [-1, 1]***
III–IV	30.60	75.57	88.04	39.42

Notes: N (III) = 71; N (IV) = 103.
** p < 0.10, ** p < 0.05, *** p < 0.01 with test statistic after Boehmer et al. (1991) (all two-tailed tests).*
† p < 0.10, †† p < 0.05, ††† p < 0.01 with two-sample Z-test (all two-tailed tests).

Table A.4. CAR for reacquisitions and regular M&A (%)

M&A types	***CAR [-10, 10]***	***CAR [-5, 5]***	***CAR [-3, 3]***	***CAR [-1, 1]***
Reacquisitions (I)	-3.71***	-1.98**	-1.39**	-0.47
Regular M&A (II)	2.42	1.91	1.82	1.58
	VAR [-10, 10]	***VAR [-5, 5]***	***VAR [-3, 3]***	***VAR [-1, 1]***
Reacquisitions (I)	1.51	1.00	0.82	0.57
Regular M&A (II)	6.04	2.07	1.99	0.59
Differences	***ΔCAR [-10, 10]***	***ΔCAR [-5, 5]***	***ΔCAR [-3, 3]***	***ΔCAR [-1, 1]***
II–I	6.13††	3.89†	3.21†	2.05†
	p [-10, 10]	***p [-5, 5]***	***p [-3, 3]***	***p [-1, 1]***
II–I	1.64	6.48	7.11	7.20

Notes: N (I) = 71; N (II) = 109.
** p < 0.10, ** p < 0.05, *** p < 0.01 with test statistic after Boehmer et al. (1991) (all two-tailed tests).*
† p < 0.10, †† p < 0.05, ††† p < 0.01 with two-sample Z-test (all two-tailed tests).