Internationalization as value-driver in Venture Capital and Private Equity backed firms

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Abstract

We examine the role of venture capital (VC) and private equity (PE) investors in driving internationalization in their portfolio firms. We analyze a large global takeover sample, including 1400 Australian M&A transactions. We show that VCPE-backed targets are more likely to solicit and/or agree to overseas bids. For VCPE-backed targets, cross-border takeovers create more value than do domestic takeovers. However, there is no significant relation between acquire-side VCPE backing and cross-border deals. Our results suggest that VCPE-backing can create value by facilitating international sales of target companies.

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1 Introduction

We analyze internationalization as a source of value-creation in venture capital and private equity (VCPE) backed firms. Prior research in the U.S and Europe shows that VCPE funds are value-added investors (Gompers and Lerner, 1999, 2001; Lerner, 1999, 2002a, 2002b; Kortum and Lerner, 2000; Hege et al., 2003, Gompers et al, 2005). VCPE managers purport to create value in their investee firms through coaching and guidance, networking for strategic alliances, and attracting further capital (Bygrave and Timmons, 1992). Hellmann and Puri (2002) empirically confirm that VCPE can create value by professionalizing their investee companies and reducing the time required to bring products to market.

The empirical evidence suggests that VCPE funds improve the operating performance of portfolio companies (Lichtenberg and Siegel, 1990; Guo, Hotchkiss, and Song, 2011). A possible explanation is that VCPE funds create value by reducing over-investment and by reducing Jensen (1986) type agency conflicts by reducing excess free cash flow (Harford and Kolasinski, 2010). However, this may not be the only possible value-driver.

We propose that internationalization may be an additional value-driver in VCPE backed firms. VCPE-backing may increase internationalization because on average, VCPE firms benefit from international capital flows, and VCPE-firms argue that international connections and capital-raising-techniques are key attributes (see Hochberg, Ljungqvist, and Lu, 2007). This should increase returns by exposing purely domestic firms to additional profit sources, while imposing sufficient managerial constraints to avoid the agency conflicts documented in Moeller and Schlingemann (2005).

There has been some examination of the impact of internationalization at the fund level. Cumming and Walz (2010) indicate that internationalization can drive VCPE funds' returns. However, they do not per se examine the investments of VCPE backed firms. Similarly, Humphery-Jenner (2011) shows that international diversification increases VCPE funds returns, on average. However, the explanations focus on regulatory arbitrage, risk reduction, or possibly knowledge sharing amongst VCPE fund professionals. It remains unclear whether this internationalization only benefits VCPE funds or whether the funds use internationalization to benefit their portfolio companies.

Cross-border M&As are a key expression of internationalization (see Ferreira, Massa, and Matos, 2010; Sun, Peng, Ren, and Yan, 2010). Thus, cross-border M&As by and for VCPE backed companies provide one way to explore whether VCPE backing encourages internationalization. The volume of cross-border acquisitions has been growing worldwide, from 23 percent of the total merger volume in 1998 to 45 percent in 2007. Sun and Liang (2010) suggest that VCPE firms might promote complex modes of entry such as cross border M&As. VCPE-backers might encourage value-creating cross-border M&As for several reasons.[1] These include ameliorating the negative influence of cultural disparities on international M&As ((Daminelli, and Fracassi, 2010), reducing information asymmetries and frictions due to firm-level and country-level governance,[2] and using international connections to match synergistic buyers and sellers.

[1] See Section 2 for a full hypothesis development.

[2] The role of governance and disclosure in cross border M&As has been documented in Ellis, Moeller, Schlingemann and Stulz (2011), Bhagat, Malhotra and Zhu (2010), and Erel, Liao and Weisbach (2011).

We examine the impact of VCPE backing on cross border M&As, in terms of both the likelihood of a deal being cross border and value creation. We examine acquisitions that involve VCPE backing on the sell-side (target-side) or the buy-side (acquirer-side). We focus on acquisitions as firstly, unlisted VCPE companies do not have to report cash flows (and thus, data is unavailable, or at best self-reported and not subject to regulatory scrutiny). Secondly, takeover transactions provide an 'event' about which there is a news release. This helps to avoid the spurious correlation problem that arises when analyzing mere market values or returns.[3]

The results firstly show that that sell-side VCPE backing facilitates international deals. That is, VCPE-backed targets are more likely to receive an international bid than are other targets. This holds whether or not we require that the target/seller solicit the takeover (and thus, that the target/seller have direct input into the choice of acquirer and acquirer nation). Secondly, these VCPE-backed deals create more value if they are cross-border. That is, if the target has VCPE-backing, then it will receive higher returns if the takeover is cross-border than if it is domestic. In addition, we provide further evidence on the drivers of international acquisitions; in particular large and cash-rich firms are more likely to undertake cross-border deals, whereas high-CAPEX and high-debt firms are less likely to do cross-border deals. Overall, this highlights internationalization as one driver of value-creation in VCPE-backed firms.

[3] For the importance of this problem see: (Core, Guay, and Rusticus, 2006; Lehn, Patro, and Zhao, 2007; Masulis, Wang, and Xie, 2007) .

We make a significant contribution to the literature. First, to the best of our knowledge, this is the first paper to examine the role of VCPE backing in driving international M&As. Second, we show that VCPE firms can create value by facilitating cross-border acquisitions, especially by stimulating the international sale of a VCPE backed firm. This emphasizes an important additional way through which VCPE firms can create value in portfolio companies. Third, we show that country-level governance can influence VCPE activity. This provides further evidence of the mechanisms through which country-level governance influences international M&A activity. Fourth, we provide additional insights into the factors that drive international M&A, including an analysis of the importance of home-country governance and market conditions.

2 Hypothesis Development

This section outlines the two key hypotheses. The first hypothesis indicates that VCPE backing increases the likelihood that a firm undertakes international investment. The second hypothesis indicates that this internationalization creates value.

2.1 VCPE-Backing and Likelihood of Internationalization

VCPE activity and internationalization in general: We firstly predict that acquirers with VCPE backing are more likely to acquire cross-border targets than are acquirers without VCPE backing. Secondly, targets with VCPE backing are more likely to be acquired by an international bidder than are other targets.

The basis is twofold, First, VCPE funds often invest internationally (Mayer, Schoors, and Yafeh, 2005; Wright, Pruthi, and Lockett, 2005; Aizenman and Kendall, 2008; Cumming and Walz, 2010). Megginson (2004) finds that funding levels, investment patters, and returns in developed market VCPE activity have converged over time. Thus, international flows may permeate into portfolio companies and encourage (or facilitate) international investment.

Second, VCPE funds purport to use 'connections' to facilitate exits and financing (Hochberg, Ljungqvist, and Lu, 2007, 2010). An exit can involve selling a company (i.e. the target) to another company (i.e. the acquirer). Further, some of these connections are international (Gertler and Levitte, 2005; Sternberg, 2007). Thus, if VCPE funds do use their international connections, then they (a) may facilitate the international acquisition of a VCPE-backed target, or (b) source international investments (i.e. acquisition targets) for a VCPE-backed acquirer. This is analogous to the facilitation hypothesis used by Ferreira, Massa, and Matos (2010) who argue that foreign institutional investors build bridges between firms internationally and that their presence as shareholders of corporations facilitates cross-border M&A activity.

These factors should directly connect to takeovers. For bidders, the backing of an international-liked VCPE firm should provide international investment opportunities. Thus, VCPE-backed bidders should be more likely to make international acquisitions than other bidders. For targets, VCPE firms should be able to use their connections to find relevant international buyers. Thus, VCPE backed targets should be more likely to receive an international bid than other targets. Our first two hypotheses are :

Hypothesis 1: VCPE backed acquirers are more likely to acquire targets listed in another country than are non-VCPE backed acquirers.

Hypothesis 2: VCPE backed targets are more likely to receive a bid from an overseas acquirer than are non-VCPE backed targets.

VCPE-backing, internationalization, and country-governance: We predict that target (acquirer) VCPE backing should be most effective at encouraging internationalization if the target (acquirer) is from a strong-governance country. Strong country-governance encourages high levels of government expenditure in infrastructure and innovation (Jalilian, Kirkpatrick, and Parker, 2007) which encourages the development of VCPE markets (Cumming, 2007; Cumming and Johan, 2010a). In addition, a well developed legal framework and stock market help attract foreign VCPE capital (Aizenman and Kendall, 2008; Balcarcel, Hertzel and Lindsey, 2010; Schertler and Tykvova, 2011; Dai, Jo and Kassicieh, 2011). A VCPE manager should be the most effective at achieving the task of internationalization (following Hochberg, Ljungqvist, and Lu, 2007). Thus, hypothesis 3 is :

Hypothesis 3: Target (acquirer) VCPE backing is more likely to encourage internationalization if the target's (acquirer's) country has strong regulation and governance.

2.2 VCPE-Backing and the Value of Internationalization

The second set of hypotheses relate to creation of value through the internationalization of VCPE-backed targets and /or acquirers. Prior studies suggest that VCPE funds can increase fund-returns by diversifying internationally. Possible explanations include regulatory arbitrage, risk-reduction (through intra-fund diversification)) and knowledge sharing and resource collaboration.

Regulatory arbitrage: The regulatory arbitrage theory posits that VCPE funds structure investment portfolios in order to exploit different regulatory regimes. An example could be an international fund attempting to take advantage of government-subsidies and incentives, such as Australia's Innovation Investment Fund (IIF) scheme (see generally Cumming, 2007). Cumming and Walz, 2010 find that regulatory regimes influence the returns of VCPE funds and Cumming, Fleming, and Schwienbacher (2009) suggest that VCPE funds may re-locate entrepreneurial firms in order to take advantage of changes in legislation and regulation. This implies that the acquirer's regulatory environment should influence acquisition returns/ the market's reaction to the takeover announcement. Thus, hypothesis 4 is : .

> **Hypothesis 4**: Regulatory concerns drive VCPE-backed acquisitions; and thus, the acquirer's regulatory environment should influence acquisition returns.

Risk Reduction: Risk reduction may create value in VCPE funds through the process of portfolio diversification (Knill, 2009). However, in corporations (i.e. portfolio companies as opposed to VCPE funds), such risk-reduction should destroy value. Risk-reduction (through international diversification) both imposes additional administrative/managerial costs; and

reduces the pressure exerted on managers, which allows them to shirk and act on agency conflicts (see generally Doukas and Pantzalis, 2003; Fauver, Houston, and Naranjo, 2004). Prior studies show that cross-border takeovers destroy shareholder wealth (Moeller and Schlingemann, 2005). Thus, the risk-reduction hypothesis implies that the market should react negatively to VCPE-backed internationalization. Hypothesis 5 is :

> **Hypothesis 5**: Risk reduction explains VCPE-backed internationalization. Thus, the market should react negatively to VCPE-backed cross-border acquisition.

Synergies, Knowledge Sharing, and Collaboration: VCPE-funds may diversify internationally in order to facilitate knowledge sharing and synergies (Humphery-Jenner, 2011; Meuleman and Wright, 2011). This may increase fund-level returns (Bygrave, 1987, 1988; Humphery-Jenner, 2011). It may also encourage innovation and value-creation (Malmberg and Maskell, 2002; Bathelt, Malmberg, and Maskell, 2004; Chen, 2009). This implies that VCPE-backed internationalization might be synergistic which should induce a positive market response. Hypothesis 6 is :

> **Hypothesis 6**: Synergies motivate VCPE-backed internationalization; and thus, the market should react positively to VCPE backed cross-border deals.

3 Data and Methodology

3.1 Sample

The sample comprises all takeover transactions that are listed in SDC, occur between 1996 and 2008 and have the necessary variables. The full sample includes 17409 acquisition observations, with acquirers domiciled in 47 countries. We require that the deal is completed, the acquirer is listed, the deal is for 100% control, and that the acquirer owns less than 50% of the target before the takeover, and that the deal value is at least USD 1m (consistent with Masulis, Wang, and Xie, 2007). Deal-characteristics are from SDC. We obtain acquirer-level fundamental characteristics from Worldscope and country-level fundamental characteristics from the World Bank. We also obtain country-level governance characteristics from the World Bank, ICRG, La Porta et al (1997), and from Spamann (2010).

3.2 Methodology

We undertake two sets of analyses. The first set uses logistic regression to analyze the likelihood that an acquisition is cross-border as a function of whether there is sell-side, buy-side, or any-side VCPE involvement. The 'baseline' sample comprises all acquisitions. The model is in Equation (1). However, the 'baseline' sample implicitly assumes that the seller/target has control over the choice of acquirer. Thus, we also examine models that restrict the sample to comprise only takeovers that are 'solicited'. We define 'solicited' takeovers to be accepted or directly solicited divestitures that are not hostile. This allows us to examine whether the results hold in a sample where the target might have ex ante control over the acquirer's identity and location; and thus, where the target might best be able to

engage in international marketing. Equation (2) represents the model restricted to solicited deals.

$$I(\text{Cross-border}) = f(\text{VCPE Variable, Controls}) \tag{1}$$

$$I(\text{Cross-border}) = f(\text{VCPE Variable, Controls| Solicited Deal}) \tag{2}$$

I(Cross-border) is an indicator that equals one if the bidder and the target are domiciled in different nations. 'VCPE Variable' variously represents an indicator for buy-side, sell-side, or any-side VCPE involvement, and 'Controls' represents the set of control variables.

In addition, we analyze the joint impact of country-governance and VCPE involvement. The prediction is that target (acquirer) VCPE-involvement is most effective at facilitating international deals if the target (acquirer) is from a strong governance country. Thus, Equation (3) and Equation (4) include the interaction of VCPE variable with the country-governance variable.

$$I(\text{Cross-border}) = f\begin{pmatrix} \text{VCPE Variable, Country Governance,} \\ \text{VCPE Variable} \times \text{Country Governance,} \\ \text{Controls| Solicited Deal} \end{pmatrix} \tag{3}$$

$$I(\text{Cross-border}) = f\begin{pmatrix} \text{VCPE Variable, Country Governance,} \\ \text{VCPE Variable} \times \text{Country Governance,} \\ \text{Controls} \end{pmatrix} \tag{4}$$

'Country Governance' is variously the Spamann (2010) ADRI, ICRG risk index, or World Bank governance index for the target or acquirer as appropriate,

The second set analyzes the acquirer's cumulative abnormal return (CAR) on the announcement of the bid as a function of whether the deal is a cross-border deal, conditional on the acquisition having buy-side, sell-side, or any-side VCPE involvement. We examine whether internationalization (i.e. a cross-border investment) is a key value-driver for VCPE backed deals. The expectation is a positive coefficient on the cross-border dummy.

$$\text{CAR} = f(I(\text{Cross-border}) \mid V\text{CPE Involvement}) \tag{2}$$

CAR is the acquirer's cumulative abnormal return from five days before to five days after the takeover announcement. We focus on the acquirer's CAR because it provides the finest analysis of whether a takeover will create value for the combined company. If the acquirer's CAR is positive, then the market predicts that the deal will create value for both the bidder and the target. If the CAR is negative, then it indicates a lack of synergies (i.e. aggregate value-destruction) or overpayment (i.e. a wealth transfer from bidder to target). Thus, given that (a) the goal is to examine aggregate wealth creation; and (b) many targets are unlisted; and thus, lack the market data necessary to compute target CARs, the acquirer's CAR provides the cleanest measure of whether the takeover creates value. We compute the abnormal returns by using an OLS estimation of the market model (as in Moeller, Schlingemann, and Stulz, 2004, 2005; Masulis, Wang, and Xie, 2007). We use the wide 11-day window because not all markets in the sample are entirely liquid; and thus, it is necessary to use a wide window to capture the full reaction to the takeover.[4]

[4] The results are largely robust to the measure of cumulative abnormal returns. They also hold using the market adjusted returns (as in Fuller, Netter, and Stegemoller, 2002), and when using smaller event windows over the windows (-3, +3), (-1, +1).

The models use year dummies, acquirer-nation dummies, and use standard errors clustered by four-digit SIC code (consistent with Petersen, 2009).[5] We examine samples that comprise all deals, and also examine sub-samples of deals that are by Non-US acquirers (in order to control for the potential dominance of US acquisitions in the sample).

3.3 Control Variables

The control variables are factors that prior studies have shown to influence takeover activity (and cross-border takeover activity in particular) and takeover returns. Note that we do not aim to match acquirer-target country pairs (as in Erel, Liao, and Weisbach, 2011). As we analyze acquirer returns, we focus on the acquirer's characteristics.

Acquirer Size (ln(Assets)): Prior studies show that large firms are more acquisitive (Moeller, Schlingemann, and Stulz, 2005), and earn lower takeover returns (Moeller, Schlingemann, and Stulz, 2004; Humphery-Jenner and Powell, 2011). Further, Moeller and Schlingemann (2005) indicate cross-border acquirers are larger than are domestic acquirers. We control for acquirer size using the natural log of the acquirer's assets as reported in the most recent annual report before the announcement date.

Relative deal size (Deal Value/Market Value): The size of the deal might influence the market's reaction to the takeover. Masulis, Wang, and Xie (2007) suggest that large targets are difficult to integrate into the acquirer, and this imposes greater acquisition costs and

[5] We note that Johnson, Moorman, and Sorescu (2009) highlight the importance of appropriate clustering. The results also hold in models that cluster by year, nation, three-digit SIC code or a combination thereof. Further, to control for the importance of business-group-affiliation (Masulis, Pham, and Zein, 2011), we also ensure that the results are robust to clustering by the acquirer's ultimate parent.

reduces acquisition synergies. Thus, we predict that returns will decrease with the size of the target relative to the acquirer. We control for deal size by c the deal value (from SDC) scaled by the acquirer's market value at the end of the immediately preceding financial year (from World Scope).

Operating Performance (EBITDA/Assets): Strong performing firms should have, or be able to raise, the large capital requirements necessary for a cross-border deal and should be more likely to make value-creating deals. Prior literature shows that strong operating performance tends to persist over time (see Healy, Palepu, and Ruback, 1992; Ghosh, 2001; Powell and Stark, 2003). Thus, we predict a positive relation between performance and (a) the likelihood of making a cross-border acquisition and (b) the market's reaction to the acquisition. We define operating performance as the firm's EBITDA scaled by its assets (both from World Scope and from the most recent prior financial report).

Leverage (Debt/Assets): Highly levered firms should make better investments (i.e. have higher announcement returns) but should be less likely to make cross-border deals. The higher returns should arise because leverage reduces Jensen (1986)/Harford (1999) type agency conflicts of free cash flows/cash holdings. This should force managers to make better investments. The lower likelihood of a cross-border deal may be due to debt covenants restricting foreign investments (see generally Chava and Roberts, 2008) and,the problem of foreign exchange exposure in the presence of fixed debt obligations (Dufey and Srinivasulu, 1983; Allayannis, Brown, and Klapper, 2003).. We measure leverage as the firm's book debt scaled by its book assets (from World Scope and from the most recent prior annual report).

Cash holdings (Cash/Assets): Large cash holdings might induce Harford (1999) type agency conflicts where the managers use a large cash stockpile in order to facilitate agency-motivated investments. This should both provide a currency for (potentially expensive) cross-border investments and reduce takeover returns due to the possibility of agency-motivated value destruction. Thus, Cash holdings are measured as the firm's cash holdings divided by its book assets (from World Scope and from the most recent prior annual report).

CAPEX intensity (CAPEX/Sales): CAPEX intensity should reduce the likelihood of a foreign investment by imposing greater 'required' cash flows.[6] CAPEX intensity is the firm's capital expenditure divided by its sales (from World Scope and from the latest prior annual report).

Diversifying Deal: The impact of industrial-diversification on returns is uncertain. Some studies show that diversifying takeovers destroy value (Denis, Denis, and Yost, 2002; Moeller and Schlingemann, 2005). However, other evidence suggests that any diversification 'discount' might not be robust to endogeneity concerns (Campa and Kedia, 2002; Villalonga, 2004), and that diversification may create value in some corporations such as VCPE funds (Humphery-Jenner, 2011). Thus, it is not clear that diversifying deals that are VCPE-backed will destroy value. We include an indicator that equals one if the bidder and target are in different SIC 4-digit industries.

Deal competition, type, and mood: Deal competition (whether there are multiple bidders), type (whether it is a tender offer), and mood (whether it is hostile) might influence returns.

[6] While CAPEX is technically not 'required' it can be necessary to ensure that the company continues as a going-concern (Gunn, 1974; Brigham, 1975).

Multiple bidders might induce a winner's curse thereby lowering returns (Varaiya and Ferris, 1987; Varaiya, 1988; Giliberto and Varaiya, 1989). Hostility might reduce takeover returns by undermining takeover integration and synergies. We include indicators, sourced from SDC, to reflect whether the takeover is friendly (unsolicited or hostile), is by way of a tender offer, or if there are multiple bidders.

Method of Payment and Target Listing Status: The method of payment might influence takeover returns. In particular, stock-financed acquisitions tend to convey weaker signals about the potential synergies in a deal and thus, have lower returns. Further, acquisitions of publicly listed targets should have more negative reactions than acquisitions of unlisted targets as an unlisted target can create a monitoring blockholder that can improve the acquirer's governance (Chang, 1998; Fuller, Netter, and Stegemoller, 2002; Harford, Humphery-Jenner, and Powell, 2010). We include indicators that the target is public or private (omitting the third category 'subsidiary'), and that the method of payment was stock only or cash only (omitting the third category of mixed payment).

Acquirer or Target Government Ownership: The involvement of the government in the target or the acquirer might influence the likelihood that a deal is cross-border and the returns from the takeover. Target-side government ownership should reduce cross-border likelihood as governments may wish to maintain local ownership in 'nationally important' assets. Bidder-side government ownership has an ambiguous impact on the likelihood of cross-border deals. It may reduce cross-border-likelihood as governments may act to restrict foreign (government) ownership in domestic companies (Bailey, Chung, and Kang, 1999; Crocker, 2008). Alternatively, it may increase cross-border likelihood consistent with prior

evidence that government-backed sovereign wealth funds engage in international investments (Reed, 2009).

The impact of government involvement on takeover returns is unclear. Prior evidence finds that the market reacts positively to the announcement of sovereign wealth fund (SWF) investments (Dewenter, Han, and Malatesta, 2010) and that SWFs target poorly performing targets in an attempt to improve their operating performance (Kotter and Lel, 2011). However, other evidence suggests that government involvement can encourage sub-optimal government favoured investments that destroy shareholder wealth.[7]

We include indicators that equal one if there is any government ownership in the bidder or target. We use indicators because we do not have exact ownership figures. We focus on government ownership (rather than SWF involvement) because few firms in the sample have SWF involvement.[8]

Acquirer Market Characteristics: The investment environment in the home market might influence the desirability of investing internationally and the returns from M&A (Erel, Liao, and Weisbach, 2011; Karolyi and Liao, 2011). Thus, we control for the home-country's Market Capitalization scaled by GDP, stock market turnover, FDI scaled by GDP, percentage unemployment, and trade imbalance.

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[7] See for example prior evidence that government-owned banks tend to charge lower interest rates and focus on government favoured lending practices (Sapienza, 2004; Dinc, 2005), or that politically connected CEOs harm firm performance even after the tenure of their connection finishes (Fan, Wong, and Zhang, 2007).

[8] Including SWF dummies, or deeming SWF involvement as government ownership does not change the key results.

Acquirer Country Governance: The governance in the acquirer's home market might influence the incentives to acquire a firm overseas, and the returns that an acquirer earns from any acquisitions. Prior evidence finds that regulation and governance increase financial market development and firm-level profitability[9] Thus, strong country-governance should increase takeover returns (Martynova and Renneboog, 2008; John, Freund, Nguyen, and Vasudevan, 2010; Ellis, Moeller, Schlingemann, and Stulz, 2011). This appears to be particularly important to VCPE funds (and portfolio companies by proxy) as prior evidence highlights the influence of regulation on the performance of VCPE funds.[10]

We capture three key dimensions of corruption and regulation: The Spamann (2010) anti-director rights index captures investor protection, the ICRG country risk index captures sovereign risk, and an equally weighted index of the World Bank corruption/regulation variables captures sovereign corruption and governmental (in)effectiveness.

Target Market Characteristics and Country Governance: Ellis, Moeller, Schlingemann, and Stulz (2011) and Karolyi and Liao (2011) suggest that the market and country governance characteristics of the target firm might influence acquisition returns. Thus, we include the above mentioned country-governance and market characteristics for the target company's country.

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[9] Myriad papers have documented the importance of regulation, see for example (La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 1997, 1998; Fisman and Svensson, 2007; Cumming and Johan, 2008; Spamann, 2010; Carpentier, Cumming, and Suret, 2011; Cumming, Fleming, Johan, and Takeuchi, 2011) .

[10] For evidence on the relation between regulation of various types and VCPE returns see: (Cumming and MacIntosh, 2006; Cumming, 2007; Cumming and Johan, 2007, 2009, 2010a, 2010b; Cumming and Walz, 2010; Cumming and Zambelli, 2010; Cumming, 2011).

4 Results and Discussion

4.1 Univariate results and Sample Description

Table 1 presents the summary statistics. We report statistics for the whole sample, and for sub-samples of deals with sell-side, buy-side, or any-side PE backing. We do not separately analyze a sample with both sell-side and buy-side backing because only 25 deals have both sell-side and buy-side backing. Cross border transactions make up 25.6% of the sample. VCPE backed transactions account for 4.6% of the M&A transactions of which 1.4% are VCPE- backed acquirers and 3.2% are VCPE-backed targets. However, 35.6% of cross border transactions are VCPE backed, 31.5% of VCPE- backed acquirers and 37.1% of VCPE-backed targets. In comparison, cross border deals account for 25.1 % of non VCPE – backed transactions. This suggests that acquisitions of both VCPE-backed targets and VCPE-backed acquirers are more likely to be cross-border and implies that VCPE-backing increases internationalization through facilitating international sales and purchases.

Government ownership accounts for a higher percentage of VCPE backed deals (1.1% compared to 0.7% for targets and 0.8% compared to 0.05% for acquirers). For VCPE- backed acquirers, 1.2% of targets have government ownership, whereas for VCPE- backed targets, 1.1% of acquirers have government ownership. The sample comprises fewer government-backed acquisitions than in Karolyi and Liao (2011) because we require acquisitions to be completed and to be for 100% control.

There are some significant differences in the characteristics between VCPE backed targets/acquirers and non-VCPE backed targets/acquirers. Important differences are in the

quality of governance in the home country, the method of payment, the friendliness of the deal and the characteristics of the acquirer (such as leverage, cash holdings, and CAPEX). These differences highlight the need for multivariate analysis.

The summary statistics by nation are in Table 2. The US accounts for 48.6% of the sample and thus our analysis considers sub-samples of deals that are by Non-US acquirers in order to control for the potential dominance of US acquisitions. The statistics indicate some differences in acquirer size, VCPE-backing, cross border deals and acquisition returns across country. The sample sizes are broadly consistent with those reported in prior literature.[11] Further, the positive average acquirer-CARs are consistent with, and similar in magnitude to, those in the prior literature.[12] Emerging markets tend to have a higher percentage of VCPE backed acquirers rather than targets, indicating the infancy of their VCPE markets and the ability of VCPE investors to grow portfolio firms through both domestic and cross border acquisitions. An interesting result is that average asset values exceed average market values in some countries, suggesting potential skewness in asset and market values. The differences in deal characteristics across nations, highlights the importance of including country-dummies in the multivariate analysis.

Figure 1 depicts the proportion of yearly deals that are cross-border. It indicates that cross-border activity has increased over time (consistent with Ferreira, Massa, and Matos, 2010). VCPE backing of cross border deals was marginal before 2002 but has increased between

[11] For the US, they are consistent with Moeller, Schlingeman, and Stulz (2004), for Australia they are consistent with Humphery-Jenner and Powell (2011). The sub-sample of cross-border acquisitions is also comparable to that in Renneboog and Martynova (2008) when we restrict the sample to acquisitions that occur before 2001 (although they also include acquisitions that occur between 1993 and 1996).

[12] Significant literature reports positive acquirer-CARs, see: (Moeller, Schlingemann, and Stulz, 2004; Masulis, Wang, and Xie, 2007; Harford, Humphery-Jenner, and Powell, 2010; Humphery-Jenner and Powell, 2011).

2002 and 2008. VCPE backing of targets (acquirers) peaked in 2005 (2006) in cross border deals. Figure 2 depicts the proportion of deals that are cross-border by whether the bidder or target is VCPE backed. It indicates that VCPE backed targets and acquirers are more likely to be involved in cross-border deals.

The summary statistics for the announcement returns by VCPE-backing and cross-border deals are in Table 3. Panel A contains the whole sample of both US and Non-US acquirers and Panel B focuses on deals by non-US acquirers. We make the following observations: First, the CARs for all deals (including cross border) are positive on average (see Row 1, Col 1), consistent with Ellis, Moeller, Schlingemann and Stulz (2011) and Bhagat, Malhotra and Zhu, 2010) However, in contrast to Ellis, Moeller, Schlingemann and Stulz (2011), cross-border deals have higher announcement returns than domestic deals.[13]

Second, focusing on sell-side backing: Sell-side PE backing reduces CARs on average (see Row 10, Col 1). However, if the deal has sell-side PE backing, then a cross-border deal will perform better than a domestic one (see Row 8, Col 4). This supports the hypothesis that for PE-backed targets, internationalization is a potential value-driver. We note that cross-border deals that lack sell-side backing also perform significantly better than do domestic deals (Row 9, Col 4). However (a) we are interested in the drivers of returns for PE-backed deals; and thus, we are more interested in comparing cross-border PE-backed deals with domestic PE-backed deals; and (b) cross-border PE-backed deals perform better than cross-border deals that are not PE-backed.

[13] The differences may be driven by sample size and event window as their sample is approximately double the size and they use a 5 day window to measure announcement returns.

Third, focusing on buy-side backing: Buy-side PE backing insignificantly increases CARs (Row 7, Col 1), and for deals with buy-side PE backing, cross-border deals earn insignificantly higher CARs than do domestic deals (Row 5, Col 4). This suggests that internationalization may be a weak value-driver for deals with buy-side PE backing.

The results in Panel B largely support the results in Panel A. The main difference is that conditional on PE-backing, cross-border deals perform insignificantly better than do domestic deals (Column 4, Rows 12, 15, and 18), and conditional on no PE-backing, cross-border deals perform significantly worse than do domestic deals (Column 4, Rows 13, 16, and 19).

In summary, the univariate results suggest that sell-side VCPE backing facilitates international sales. Further, for sell-side-VCPE backed deals, cross-border deals generate more value than do domestic deals. This implies that internationalization may be a value-driver in sell-side VCPE deals.

The univariate statistics imply that (a) sellside VCPE backing facilitates international sales; (b) buyside VCPE backing encourages international purchases, and (c) the international transactions that have sellside VCPE backing create value.

4.2 Multivariate Analysis

The multivariate results indicate that in general, sellside VCPE backing facilitates international takeovers; and given that there is sellside VCPE-backing, cross-border takeovers create value.

4.2.1 VCPE-backing and the likelihood of internationalization

The baseline logit cross-border prediction models are in Table 4. The results in Table 5 include the country-level characteristics for the target firm. Table 6 contains models that interact the governance variables with the VCPE backing variables. The results show that t any VCPE backing increases the likelihood that a deal is cross-border. However, this appears to concentrate in deals where there is sellside VCPE backing. This implies that VCPE firms help to market targets internationally. The results are not driven by US acquisitions as they hold for the whole sample and non US acquirers in Tables 5 and 6.

The logit models in Table 4 (Columns 7 -12) and Table 5 (Columns 7-12) restrict the analysis to deals that are solicited. These are deals that are divestitures and are not hostile. In these deals, the VCPE manager could foreseeably help the target to seek an acquirer. Thus, the VCPE manager could actively assist the choice between a domestic or an international acquirer. However, the coefficients on the target VCPE backing variables are positive and significant consistent with the full sample results.

The firm level control variables are in line with expectations. Larger firms (ln(Assets)) and firms with more cash holdings (Cash/Assets) are more likely to do cross-border deals, suggesting that they are more able to raise the necessary capital for a cross-border transaction. Conversely, firms with high leverage (Debt/Assets); and thus, high debt expenses or high capital requirements (CAPEX/Sales) are less likely to undertake cross-border deals, implying that they have greater difficulty either financing the deal or sustaining the additional cross-border risk.

In addition, the country-level variables are consistent with expectations, although they are sensitive to the precise model specification. High levels of FDI facilitate international transactions, which is consistent with the presence of international VCPE flows encouraging international investments (although this is not statistically significant in Table 4, and appears to concentrate in the Target's market in Table 5). High home-market turnover may encourage cross-border deals, indicating that additional market liquidity helps firms to raise capital (however, we note that the coefficient on the Acquirer's Home Market turnover is significant only in Table 4, not in Table 5, where we control for target country characteristics). Conversely, high stock-market capitalization discourages international deals (this is significant for the Acquirer's home market capitalization in Table 4 and Table 5, and for the Target's in Table 5). This may be due to firms in large markets having less need to seek targets overseas.

The governance results vary across the non US and solicited deal samples.[14] The results are in Table 6. In Panel A, stronger governance in the target-country appears to discourage cross-border deals as the coefficients on 'Target WB Index', 'Target ADRI' and 'Target ICRG' are negative and mostly significant. This implies that targets in well developed markets have less need to seek capital overseas. However, the coefficient on the interaction terms of sell-side PE backing and the target's governance index are positive and mostly significant. This implies that PE firms are most active at pursuing internationalization for targets in strong governance countries.

[14] Note that we cannot examine the difference in governance in the acquirer's country and the target's country. This is because the 'difference' in governance is endogeneous with the 'cross-border' indicator (i.e. the difference in governance is by definition zero for a domestic deal).

In Panel B, the relation between acquirer governance and cross-border deals appears to vary across models. For samples that include acquisitions by US-based acquirers, strong governance encourages cross-border deals However, for samples that exclude US-based acquirers, strong governance deters cross-border acquisitions. This implies that US acquirers are willing to undertake cross-border acquisitions than are their counter-parts in other developed (non-US) markets. The interaction of PE backing and acquirer governance does not significantly drive cross-border deals.

Although our results are generally consistent with Erel, Liao, and Weisbach (2011), they provide stronger support for the impact of governance on cross border deals. [15]

4.2.2 VCPE backing and the returns from internationalization

We next analyze whether VCPE backed internationalization generates value. It is important to emphasize the appropriate choice of sample. We analyze three sub-samples (1) takeovers with either target or acquirer VCPE backing; (2) takeovers with target VCPE backing; and, (3) takeovers with acquirer VCPE backing.

The multivariate regression results are in Table 7. The results in Table 8 also control for target country characteristics. The models are OLS regression models where the dependent variable is the acquirer's 11-day OLS-based CAR that accrues on announcement of the takeover.

[15] Erel, Liao, and Weisbach (2011) find that acquirers are usually but not always from developed countries tend to purchase firms in countries with lower accounting standards. They argue that this is consistent with governance arguments, as development and accounting standards are likely to be correlated with better corporate governance.

We find that I(Crossborder) is positive and significant in models restricted to sellside VCPE backing in both Tables 7 and 8.. This result holds when using year and/or nation dummies and when excluding US acquirers from the sample. This implies that cross-border deals that involve VCPE backed targets create significant value and that VCPE firms can create value by facilitating the international sale of firms.

The control variables are in line with expectations. The market reacts negatively to large acquirers' acquisitions across all models (consistent with Moeller, Schlingemann, and Stulz, 2004, 2005; Humphery-Jenner and Powell, 2011).

The impact of cash holdings (i.e. Cash/Assets) depends on whether the acquirer or target is VCPE backed. If the acquirer is VCPE-backed, then cash holdings increase acquirer-returns, implying that VCPE-backers impose discipline on managers and force them to use cash productively (supporting Harford and Kolasinski, 2010). However, if the target is VCPE-backed, then excess cash-holdings destroy corporate value (as in Harford, 1999).

Government ownership in VCPE backed acquirers reduces takeover returns. This suggests that government ownership can induce firms to make sub-optimal investments. This is in contrast to Karolyi and Liao (2011) who find that acquirer-based government ownership does not impact the returns of all cross border deals. . In contrast, government ownership in VCPE backed targets increases returns for non US acquirers.

4.3 Robustness tests and Additional Results

We run a number of alternative specifications to test the robustness of the results. First, the results are robust to the definition of CARs and hold over various event windows ranging from (-1,+1) to (-5,+5). Second, the logit results are robust to including the full set of (potentially endogeneous) 'control' variables that feature in the OLS regression models. In addition, all results are robust to the inclusion/exclusion of the United States from the sample. The results are also robust to clustering technique, particularly when clustering by 3-digit SIC code as recommended by Johnson, Moorman, and Sorescu (2009) and when clustering by business group. Finally, the results are robust to collinearity, holding in models that omit insignificant control variables (as per the parsimonious model approach in Demers and Joos, 2007).

In addition, we include VCPE backer characteristics to test the robustness of the announcement return results in Tables 9 and 10. We include proxies for fund size hand-matched from Thomson VentureXpert and Preqin. We include four variables in the analysis. We include the average of the natural log of the sponsor's capital under management from VentureXpert (i.e. if there are multiple funds we use the average capital under management). We compute the average IRR, multiple, and firm-size from Preqin data. Preqin lists the funds in which each VCPE firm invests. For each VCPE firm *i* and year *t* we measure the total capital raised, and average IRR and exit multiple, for all funds that firm *i* raises until year *t*. Then, we hand-match this firm/year data to the VCPE backers and deal years from the acquisition sample. However, these variables should be interpreted with caution. VentureXpert does not indicate the precise date for the size variable and it is not clear whether it pre-dates or post-dates the acquisition. Further, Preqin has limited coverage of non-US firms. Both data-sources significantly reduce the sample size. The results in Tables 9

and 10 confirm the earlier results that for VCPE backed deals, cross border deals earn higher returns than do domestic deals.

5 Conclusion

We propose that internationalization may be an additional value-driver in VCPE backed firms. VCPE-backing may increase internationalization as on average, VCPE firms benefit from international capital flows, and VCPE-firms argue that international connections and capital-raising-techniques are key attributes (see Hochberg, Ljungqvist, and Lu, 2007). This should increase returns by exposing purely domestic firms to additional profit sources, while imposing sufficient managerial constraints to avoid agency conflicts.

Cross-border M&As are a key expression of internationalization and we use cross-border M&As by and for VCPE backed companies as a means to explore the impact of VCPE investors on the internationalization of their portfolio firms. VCPE-backers might encourage value-creating cross-border M&As for several reasons including ameliorating the negative influence of cultural disparities on international M&As, reducing information asymmetries and frictions due to firm-level and country-level governance, and using international connections to match synergistic buyers and sellers.

We examine a global sample of approximately 17400 M&A transactions (including 1400 Australian deals) to analyse the impact of VCPE backing on cross border M&As. We focus on the likelihood of a deal being cross border and value creation. We include deals with sell-side and buy-side VCPE backing. The results firstly show that that sell-side VCPE backing

facilitates international deals. Secondly, these VCPE-backed deals create more value if they are cross-border. In addition, we provide further evidence on the drivers of international acquisitions; in particular large and cash-rich firms are more likely to undertake cross-border deals, whereas high-CAPEX and high-debt firms are less likely to do cross-border deals. Overall, this indicates that VCPE backing facilitates international investment and this creates value.

Prior literature suggests that global diversification can increase VCPE-funds' returns. However, it remains unclear whether this translates into superior operating performance for VCPE funds' portfolio companies. Further, the value-drivers of VCPE-backed companies remain unclear in general. Thus, by illustrating that VCPE backing encourages internationalization and that this creates value, we provide new evidence on how VCPE funds create value in their portfolio companies. In addition, our results provide further evidence of the mechanisms through which country-level governance influences international M&A activity and provide additional insights into the factors that drive international M&A, including the importance of home-country governance and market conditions.

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Table 1: Summary Statistics

Table 1 contains summary statistics for the whole sample, and for sub-samples based on VCPE involvement on any side, the buyside, or the sellside. All figures are sample means.

Sample Column	Whole Sample [1]	Any VCPE Backing [2]	No VCPE Backing [3]	Differenc e [4] = [2] - [3]	Buyside VCPE Backing [5]	No Buyside VCPE Backing [6]	Difference [7] = [5] - [6]	Sellside VCPE Backing [8]	No Sellside VCPE Backing [9]	Difference [10] = [8] - [9]
Assets (2009 USDm)	2743557	4026651	2682078	1,344,573	2151440	2752219	-600,779	4919812	2671226	2,248,586***
Market Cap (2009 USDm)	5644	6608	5594	1,014.171	1576	5712	-4,135.590	8899	5529	3,369.522
I(Cross-border)	0.256	0.356	0.251	0.105***	0.315	0.255	0.060**	0.371	0.252	0.120***
I(Any VCPE)	0.046	1.000	0.000	1.000	1.000	0.032	0.968	1.000	0.014	0.986
I(Buyside VCPE)	0.014	0.315	0.000	0.315	1.000	0.000	1.000	0.045	0.013	0.031***
I(Sellside VCPE)	0.032	0.704	0.000	0.704	0.100	0.031	0.068***	1.000	0.000	1.000
I(Target Gov Ownership)	0.007	0.011	0.007	0.005	0.012	0.007	0.005	0.011	0.007	0.004
I(Acquirer Gov Ownership)	0.005	0.008	0.005	0.003	0.004	0.005	-0.001	0.011	0.005	0.006**
ADRI	3.065	3.176	3.060	0.116***	3.247	3.062	0.185***	3.164	3.062	0.103**
WB Governance Index	0.891	0.881	0.891	-0.010***	0.874	0.891	-0.017***	0.883	0.891	-0.008***
ICRG Index	0.815	0.805	0.815	-0.011***	0.806	0.815	-0.009***	0.803	0.815	-0.012***
Deal Value/Market Capitalization	0.339	0.286	0.342	-0.056	0.287	0.340	-0.053	0.285	0.341	-0.056
EBITDA/Assets	0.037	0.102	0.034	0.068	0.085	0.036	0.049	0.109	0.034	0.075
Debt/Assets	0.250	0.278	0.249	0.030***	0.285	0.249	0.036**	0.279	0.249	0.030***
Cash/Assets	0.146	0.139	0.146	-0.008	0.168	0.146	0.022**	0.125	0.147	-0.022***
CAPEX/Sales	0.066	0.055	0.067	-0.012***	0.069	0.066	0.003	0.050	0.067	-0.017***
I(Diversifying)	0.672	0.705	0.670	0.035**	0.689	0.671	0.018	0.713	0.670	0.042**
I(Multiple Bidders)	0.007	0.004	0.008	-0.004	0.004	0.008	-0.004	0.002	0.008	-0.006
I(Tender Offer)	0.044	0.031	0.045	-0.013*	0.036	0.044	-0.008	0.029	0.045	-0.016*
I(Friendly Deal)	0.985	0.937	0.987	-0.050***	0.980	0.985	-0.005	0.914	0.987	-0.073***
I(Cash Only)	0.260	0.324	0.257	0.067***	0.283	0.260	0.023	0.334	0.258	0.076***
I(Stock Only)	0.139	0.079	0.142	-0.063***	0.127	0.140	-0.012	0.059	0.142	-0.083***
I(Public Target)	0.127	0.101	0.128	-0.028	0.127	0.127	0.001	0.084	0.128	-0.044***
I(Unlsited Target)	0.532	0.309	0.543	-0.234***	0.534	0.532	0.002	0.205	0.543	-0.337***
Country Market Cap/GDP	0.013	0.013	0.013	-0.001***	0.013	0.013	-0.001*	0.013	0.013	-0.001***
Country Turnover	1.059	1.195	1.052	0.143***	1.175	1.057	0.117***	1.208	1.054	0.154***
Country FDI/GDP x 1000	0.276	0.265	0.276	-0.012	0.265	0.276	-0.011	0.263	0.276	-0.013
Country Unemployment	5.627	5.716	5.623	0.094	5.876	5.623	0.253**	5.659	5.626	0.033
Country Trade Imbalance	0.054	0.066	0.054	0.013***	0.053	0.055	-0.002	0.072	0.054	0.018***
Number of observations	17409	796	16613		251	17158		560	16849	

Table 2: Statistics by Acquirer Country

Table 2 contains sample means by Acquirer Country. The CAR is the 11-day OLS-based announcement cumulative abnormal return. Assets and Market Value figures are derived from Worldscope; they are the Worldscope USD figures inflated to 2009 dollars.

Acquirer Country	Country Code	Number	Proportion of Sample	Average CAR (%)	Assets (USD 2009m)	Market Value (USD 2009m)	I(Cross-border)	I(Any VCPE)	I(Buyside VCPE)	I(Sellside VCPE)
Argentina	ARG	8	0.05	3.32	4657	7556	0.375	0.000	0.000	0.000
Australia	AUS	1,408	8.09	4.18	663	706	0.222	0.023	0.005	0.018
Austria	AUT	30	0.17	0.97	3947	2522	0.767	0.067	0.000	0.067
Belgium	BEL	58	0.33	2.74	7474	3271	0.793	0.103	0.034	0.069
Brazil	BRA	69	0.4	1.02	3322	196136	0.188	0.116	0.087	0.043
Canada	CAN	1,221	7.01	2.90	2099	1649	0.423	0.048	0.025	0.022
Switzerland	CHE	84	0.48	2.30	11500	22359	0.869	0.060	0.012	0.048
Chile	CHL	13	0.07	4.71	2174	1611	0.154	0.000	0.000	0.000
Colombia	COL	3	0.02	-0.58	2570	998	0.667	0.000	0.000	0.000
Denmark	DNK	62	0.36	3.27	2262	1556	0.790	0.113	0.032	0.081
Egypt	EGY	2	0.01	10.04	451	444	0.000	0.000	0.000	0.000
Spain	ESP	88	0.51	2.19	9766	8484	0.500	0.125	0.057	0.068
Finland	FIN	118	0.68	2.16	3455	2279	0.737	0.110	0.008	0.085
France	FRA	271	1.56	2.38	10400	6430	0.686	0.148	0.089	0.081
Great Britain	GBR	3,210	18.44	2.24	1720	7464	0.342	0.034	0.004	0.031
Greece	GRC	13	0.07	2.21	2791	2670	0.538	0.154	0.000	0.154
Hong Kong	HKG	167	0.96	3.18	1515	1613	0.425	0.048	0.036	0.012
India	IND	37	0.21	0.80	616	2079	0.405	0.027	0.027	0.000
Ireland	IRL	140	0.8	1.22	1825	1682	0.793	0.021	0.000	0.021
Israel	ISR	65	0.37	1.91	2872	4583	0.908	0.031	0.000	0.031
Italy	ITA	94	0.54	1.72	6197	4166	0.606	0.074	0.021	0.053
Japan	JPN	604	3.47	2.49	2304	1650	0.108	0.081	0.030	0.055
Korea (South)	KOR	95	0.55	4.30	1483	1115	0.189	0.032	0.021	0.021
Mexico	MEX	28	0.16	0.21	9287	13596	0.750	0.036	0.036	0.000
Malaysia	MYS	189	1.09	2.22	424	300	0.164	0.005	0.005	0.000
Netherlands	NLD	125	0.72	1.86	9004	33139	0.776	0.080	0.024	0.064
Norway	NOR	132	0.76	3.56	4326	3885	0.598	0.068	0.008	0.061
New Zealand	NZL	68	0.39	1.90	436	405	0.500	0.088	0.000	0.088
Peru	PER	6	0.03	0.95	623	552	0.500	0.000	0.000	0.000
Philipines	PHL	34	0.2	1.03	1076	2621	0.294	0.000	0.000	0.000
Portugal	PRT	15	0.09	4.28	6118	3821	0.400	0.133	0.067	0.067
Singapore	SGP	136	0.78	2.50	593	374	0.478	0.015	0.000	0.015
Sweeden	SWE	247	1.42	3.34	2308	1681	0.603	0.121	0.040	0.089
Thailand	THA	26	0.15	2.97	234	173	0.231	0.000	0.000	0.000
Turkey	TUR	4	0.02	-9.32	295	197	0.250	0.250	0.000	0.250
United States	USA	8,461	48.6	1.03	3176	5573	0.124	0.043	0.014	0.030
South Africa	ZAF	78	0.45	5.01	1189	2096	0.551	0.013	0.000	0.013
	Total	17,409	100	1.90	2744	5644	0.256	0.046	0.014	0.032

Figure 1: Cross-border and VCPE backed deals by year

Figure 1 plots the proportion of all deals that are cross-border, have target-based VCPE backing or have acquirer-based VCPE backing.

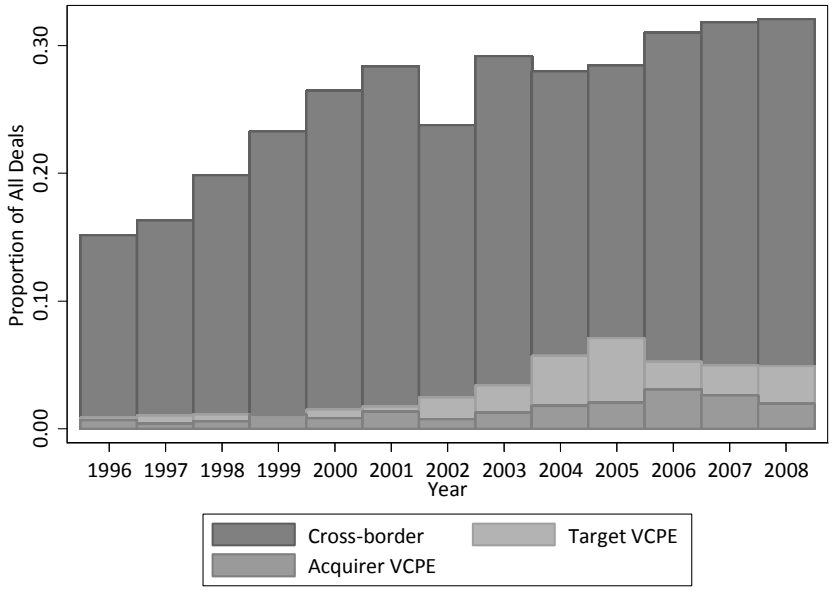

Figure 2: Cross-border deals by VCPE backing

Figure 2 depicts the proportion of deals that are cross-border by whether the target or the acquirer are VCPE backed.

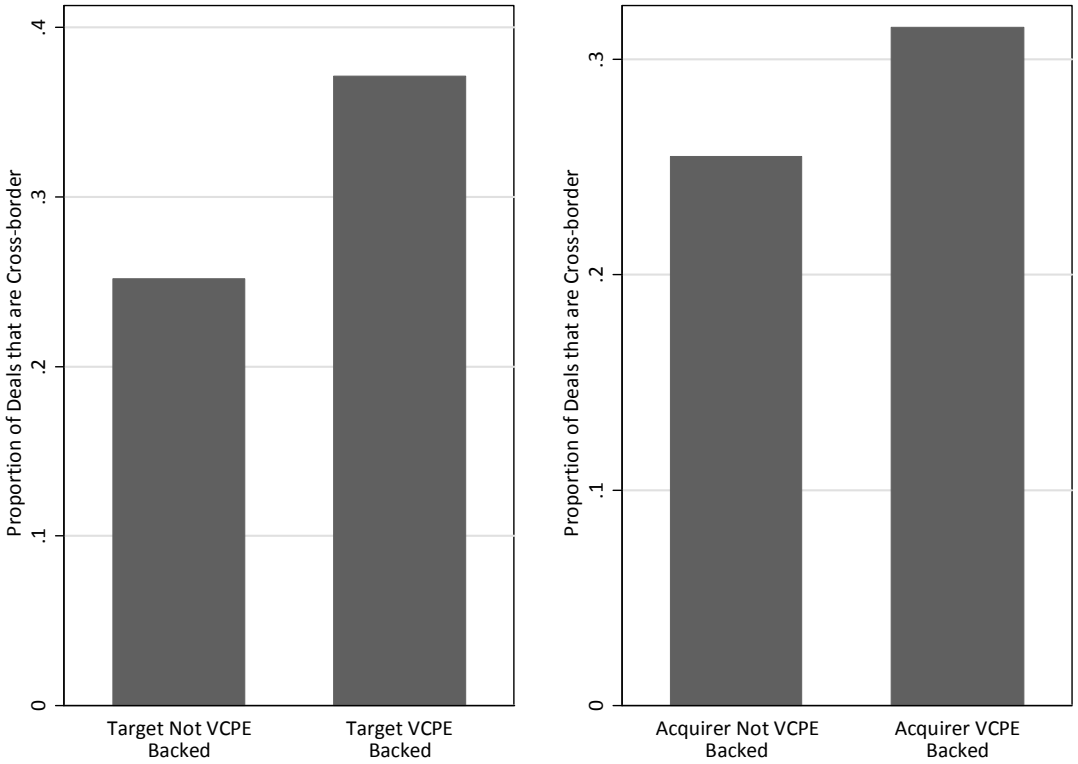

Table 3: CARs by VCPE backing and cross-border status

Table 3 contains the acquirer announcement CARs sorted by whether there is sellside and/or buyside VCPE backing and whether the takeover is cross-border or domestic. The CAR is the 11-day OLS-based cumulative abnormal return. All figures are sample means (or differences therein). Superscripts ***, **, and * denote significance at 1%, 5%, or 10% in ttests or difference in means tests as appropriate.

Row	Sample	All (1)	Cross-border (2)	Domestic (3)	Cross-border - Domestic (4)
Panel A: All Deals					
(1)	All Deals	1.904***	2.165***	1.815***	0.350**
(2)	Any VCPE	1.730***	2.585***	1.258***	1.327**
(3)	No VCPE	1.913***	2.136***	1.838***	0.298**
(4)	Difference	-0.183	0.448	-0.580	
(5)	Buyside VCPE	1.933***	3.021***	1.433**	1.588
(6)	No Buyside VCPE	1.904***	2.149***	1.820***	0.329**
(7)	Difference	0.029	0.872	-0.387	
(8)	Sellside VCPE	1.477***	2.335***	0.969***	1.366**
(9)	No Sellside VCPE	1.919***	2.156***	1.838***	0.318**
(10)	Difference	-0.442	0.179	-0.869**	
Panel B: Deals by Non-US acquirers					
(11)	All Deals	2.726***	2.503***	2.863***	-0.360*
(12)	Any VCPE	2.537***	3.052***	1.998***	1.055
(13)	No VCPE	2.736***	2.465***	2.897***	-0.432**
(14)	Difference	-0.198	0.587	-0.900	
(15)	Buyside VCPE	2.574***	3.300***	2.035**	1.265
(16)	No Buyside VCPE	2.729***	2.489***	2.875***	-0.386**
(17)	Difference	-0.154	0.811	-0.840	
(18)	Sellside VCPE	2.257***	2.877***	1.521**	1.356
(19)	No Sellside VCPE	2.743***	2.484***	2.898***	-0.414**
(20)	Difference	-0.486	0.393	-1.377*	

Table 4: Logit Models Predicting Cross-Border Deals

Table 4 models the likelihood that a takeover is cross-border. The dependent variable is an indicator that equals one if the deal is cross-border (the bidder and target are in different countries).The models are logit models that include year dummies, nation dummies, and cluster standard errors by four-digit SIC code. Columns 1-4 examine all takeover deals; Columns 5-8 focus on deals by non-US acquirers; Columns 9-12 analyze deals that are solicited (i.e. divestitures that are not hostile); and, Columns 13-16 focus on solicited deals that involve non-US acquirers. Brackets contain p-values; superscripts ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Sample	All			Non-US Acquirer			Solicited			Solicited, Non-US Acquirer		
Technique	Logit, Year Dummies, Nation Dummies, SIC 4-digit clustering											
Dependent Variable	I(Cross-border)											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Any VCPE	0.253**			0.297**			0.276**			0.572***		
	[0.023]			[0.049]			[0.045]			[0.002]		
Target VCPE		0.253***			0.351***			0.317**			0.657***	
		[0.009]			[0.009]			[0.012]			[0.000]	
Acquirer VCPE			0.17			0.061			-0.022			0.066
			[0.537]			[0.872]			[0.961]			[0.903]
I(Target Gov Ownership)	-0.075	-0.072	-0.078	-0.286	-0.279	-0.294	-0.01	-0.002	-0.025	-0.16	-0.137	-0.195
	[0.759]	[0.767]	[0.749]	[0.306]	[0.315]	[0.289]	[0.966]	[0.994]	[0.915]	[0.572]	[0.622]	[0.485]
I(Acquirer Gov Ownership)	0.125	0.121	0.125	-0.043	-0.048	-0.044	0.288	0.282	0.295	0.231	0.216	0.248
	[0.703]	[0.712]	[0.701]	[0.908]	[0.895]	[0.905]	[0.522]	[0.531]	[0.507]	[0.630]	[0.653]	[0.597]
ADRI	0.960***	0.959***	0.961***	-1.294***	-1.303***	-1.301***	0.971***	0.971***	0.970***	-0.863	-0.861	-0.885
	[0.000]	[0.000]	[0.000]	[0.003]	[0.003]	[0.003]	[0.000]	[0.000]	[0.000]	[0.196]	[0.199]	[0.185]
WB Governance Index	-4.355**	-4.302**	-4.380**	-1.876	-1.809	-1.839	-2.469	-2.378	-2.422	-0.081	0.133	0.142
	[0.012]	[0.013]	[0.011]	[0.379]	[0.396]	[0.392]	[0.368]	[0.383]	[0.382]	[0.980]	[0.966]	[0.965]
ICRG Risk Index	-1.756	-1.761	-1.775	4.379**	4.362**	4.377**	1.584	1.615	1.514	7.370**	7.425**	7.152**
	[0.234]	[0.232]	[0.230]	[0.019]	[0.019]	[0.019]	[0.453]	[0.443]	[0.472]	[0.011]	[0.010]	[0.013]
ln(Assets)	0.237***	0.237***	0.240***	0.316***	0.315***	0.319***	0.268***	0.267***	0.271***	0.306***	0.303***	0.311***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
EBITDA/Assets	0.017	0.017	0.017	0.021	0.02	0.021	0.001	0.001	0.001	0.000	0.000	0.000
	[0.257]	[0.256]	[0.259]	[0.216]	[0.215]	[0.216]	[0.579]	[0.564]	[0.572]	[0.987]	[0.970]	[0.986]
Debt/Assets	-0.634***	-0.631***	-0.628***	-0.557**	-0.556**	-0.548**	-0.811***	-0.806***	-0.804***	-0.670**	-0.672**	-0.660*
	[0.005]	[0.005]	[0.006]	[0.027]	[0.027]	[0.029]	[0.006]	[0.006]	[0.007]	[0.049]	[0.047]	[0.052]
Cash/Assets	1.180***	1.184***	1.185***	1.552***	1.557***	1.565***	1.137***	1.145***	1.142***	1.049***	1.076***	1.081***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.008]	[0.006]	[0.005]
CAPEX/Sales	-1.809***	-1.807***	-1.826***	-2.023***	-2.017***	-2.038***	-2.044***	-2.029***	-2.083***	-2.184***	-2.148***	-2.244***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
I(Diversifying Deal)	-0.064	-0.063	-0.062	-0.16	-0.159	-0.156	-0.061	-0.06	-0.054	-0.194*	-0.191	-0.178
	[0.376]	[0.381]	[0.393]	[0.108]	[0.109]	[0.118]	[0.561]	[0.567]	[0.611]	[0.099]	[0.102]	[0.137]
Country Market Cap/GDP	29.735**	29.522**	29.237**	17.965	17.704	17.072	-5.456	-5.689	-6.711	-12.246	-13.448	-15.535
	[0.032]	[0.034]	[0.035]	[0.271]	[0.276]	[0.295]	[0.780]	[0.772]	[0.731]	[0.594]	[0.560]	[0.498]
Country Market Turnover	0.297***	0.297***	0.292***	0.510***	0.509***	0.506***	0.421***	0.424***	0.411***	0.779***	0.776***	0.752***
	[0.002]	[0.002]	[0.003]	[0.000]	[0.000]	[0.000]	[0.004]	[0.004]	[0.005]	[0.000]	[0.000]	[0.000]

Country FDI/GDP	78.704	77.852	79.241	105.974	105.533	107.707	120.614	118.2	121.146	103.237	99.612	108.102
	[0.435]	[0.438]	[0.433]	[0.321]	[0.322]	[0.315]	[0.431]	[0.438]	[0.431]	[0.535]	[0.547]	[0.521]
Country Unemployment (%)	0.101***	0.101***	0.102***	0.007	0.008	0.008	0.029	0.029	0.032	-0.038	-0.037	-0.034
	[0.003]	[0.003]	[0.003]	[0.867]	[0.859]	[0.865]	[0.580]	[0.580]	[0.548]	[0.586]	[0.599]	[0.622]
Country Trade Imbalance	1.522	1.532	1.543	-1.367	-1.337	-1.347	2.045	2.057	2.101	-0.51	-0.45	-0.434
	[0.271]	[0.266]	[0.265]	[0.455]	[0.463]	[0.463]	[0.275]	[0.271]	[0.260]	[0.854]	[0.871]	[0.873]
Constant	-3.522**	-3.551**	-3.491**	-2.411	-2.411	-2.426	-7.575***	-7.674***	-7.536***	-7.573	-7.783	-7.453
	[0.041]	[0.040]	[0.045]	[0.459]	[0.459]	[0.458]	[0.006]	[0.005]	[0.007]	[0.138]	[0.128]	[0.147]
Observations	17,406	17,406	17,406	8,945	8,945	8,945	5,647	5,647	5,647	3,045	3,045	3,045
Pseudo R-Squared	18.02%	18.01%	17.99%	16.52%	16.52%	16.46%	18.96%	18.97%	18.89%	18.08%	18.12%	17.75%

Table 5: Prediction Models Including Target Country Variables

Table 5 models the likelihood that a takeover is cross-border, controlling for target country characteristics. The dependent variable is an indicator that equals one if the deal is cross-border (the bidder and target are in different countries).The models are logit models that include year dummies, nation dummies, and cluster standard errors by four-digit SIC code. Columns 1-4 examine all takeover deals; Columns 5-8 focus on deals by non-US acquirers; Columns 9-12 analyze deals that are solicited (i.e. divestitures that are not hostile); and, Columns 13-16 focus on solicited deals that involve non-US acquirers. Brackets contain p-values; superscripts ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Sample		Solicited			Solicited & Non-US Acquirer			Solicited			Solicited & Non-US Acquirer	
Technique		Logit, Year Dummies, SIC 4-digit Clustering						Logit, Year Dummies, Nation Dummies, SIC 4-digit Clustering				
Dependent Variable						I(Cross-border)						
I(Any VCPE)	0.225*			0.216			0.226			0.430*		
	[0.062]			[0.299]			[0.137]			[0.070]		
I(Sellside VCPE)		0.219**			0.310*			0.268**			0.491**	
		[0.038]			[0.066]			[0.049]			[0.022]	
I(Buyside VCPE)			0.135			-0.02			-0.138			0.213
			[0.649]			[0.971]			[0.797]			[0.751]
I(Target Gov Ownership)	-0.023	-0.022	-0.024	0.164	0.171	0.159	0.139	0.145	0.128	0.348	0.365	0.319
	[0.939]	[0.942]	[0.936]	[0.636]	[0.620]	[0.646]	[0.605]	[0.588]	[0.632]	[0.259]	[0.234]	[0.302]
I(Acquirer Gov Ownership)	0.346	0.344	0.349	-0.002	-0.007	-0.002	0.870*	0.867*	0.882*	0.627	0.614	0.635
	[0.418]	[0.422]	[0.414]	[0.997]	[0.989]	[0.998]	[0.079]	[0.081]	[0.073]	[0.308]	[0.319]	[0.296]
ADRI (Acquirer)	1.280***	1.279***	1.282***	-0.973*	-0.982*	-0.983*	1.236***	1.235***	1.238***	-0.741	-0.743	-0.774
	[0.000]	[0.000]	[0.000]	[0.082]	[0.079]	[0.080]	[0.000]	[0.000]	[0.000]	[0.402]	[0.403]	[0.380]
WB Governance Index (Acquirer)	-5.839**	-5.791**	-5.869**	-6.659*	-6.604*	-6.671*	-6.372*	-6.316*	-6.335*	-8.791*	-8.647*	-8.798*
	[0.013]	[0.014]	[0.012]	[0.087]	[0.091]	[0.087]	[0.067]	[0.069]	[0.069]	[0.070]	[0.075]	[0.069]
ICRG Risk Index (Acquirer)	6.284**	6.289**	6.287**	19.065***	19.083***	19.113***	12.497***	12.518***	12.523***	31.125***	31.194***	30.961***
	[0.016]	[0.016]	[0.016]	[0.000]	[0.000]	[0.000]	[0.001]	[0.001]	[0.001]	[0.000]	[0.000]	[0.000]
ADRI (Target)	-0.528***	-0.529***	-0.530***	-1.784***	-1.787***	-1.788***	-0.414***	-0.413***	-0.419***	-1.626***	-1.627***	-1.634***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.001]	[0.001]	[0.001]	[0.000]	[0.000]	[0.000]
WB Governance Index (Target)	1.466	1.448	1.481	5.514***	5.492***	5.532***	2.326	2.312	2.373	9.577***	9.583***	9.658***
	[0.211]	[0.217]	[0.203]	[0.002]	[0.003]	[0.002]	[0.171]	[0.173]	[0.159]	[0.000]	[0.000]	[0.000]
ICRG Risk Index (Target)	-11.522***	-11.533***	-11.545***	-24.203***	-24.228***	-24.268***	-15.467***	-15.447***	-15.531***	-33.917***	-33.935***	-33.941***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
ln(Assets)	0.236***	0.235***	0.238***	0.260***	0.259***	0.262***	0.271***	0.270***	0.272***	0.254***	0.253***	0.258***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
EBITDA/Assets	0.017	0.016	0.016	0	0	0	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	[0.294]	[0.293]	[0.295]	[0.943]	[0.956]	[0.944]	[0.790]	[0.802]	[0.799]	[0.659]	[0.687]	[0.673]
Debt/Assets	-0.685***	-0.683***	-0.679***	-0.865***	-0.868***	-0.858***	-0.881***	-0.878***	-0.874***	-0.810**	-0.813**	-0.814**
	[0.003]	[0.003]	[0.003]	[0.001]	[0.001]	[0.001]	[0.005]	[0.005]	[0.006]	[0.015]	[0.014]	[0.014]
Cash/Assets	1.118***	1.121***	1.122***	1.058***	1.060***	1.070***	1.088***	1.094***	1.096***	0.681	0.704	0.695
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.187]	[0.170]	[0.175]
CAPEX/Sales	-1.839***	-1.838***	-1.851***	-1.128**	-1.124**	-1.133**	-1.881***	-1.868***	-1.901***	-1.145**	-1.120**	-1.184**
	[0.000]	[0.000]	[0.000]	[0.018]	[0.019]	[0.019]	[0.000]	[0.000]	[0.000]	[0.037]	[0.043]	[0.029]
I(Diversifying Deal)	-0.073	-0.072	-0.071	-0.279***	-0.278***	-0.276***	-0.067	-0.066	-0.061	-0.243*	-0.239*	-0.235*
	[0.378]	[0.381]	[0.389]	[0.003]	[0.003]	[0.004]	[0.566]	[0.567]	[0.607]	[0.071]	[0.071]	[0.085]
Acquirer Country Market Cap/GDP	86.690***	86.562***	86.336***	55.130**	54.925**	54.543**	18.857	18.756	17.894	-9.547	-10.578	-11.14
	[0.000]	[0.000]	[0.000]	[0.044]	[0.046]	[0.047]	[0.463]	[0.467]	[0.487]	[0.787]	[0.766]	[0.752]
Acquirer Country Market Turnover	-0.129	-0.129	-0.134	-0.3	-0.297	-0.306	0.078	0.081	0.067	0.432	0.436	0.397

	[0.379]	[0.378]	[0.361]	[0.219]	[0.225]	[0.210]	[0.738]	[0.728]	[0.773]	[0.236]	[0.236]	[0.280]
Acquirer Country FDI/GDP	-152.592	-153.305	-153.172	90.433	90.389	91.358	8.459	6.097	9.252	397.055	396.979	401.537
	[0.225]	[0.222]	[0.224]	[0.615]	[0.615]	[0.611]	[0.967]	[0.977]	[0.964]	[0.131]	[0.130]	[0.128]
Acquirer Country Unemployment (%)	0.08	0.08	0.08	-0.021	-0.021	-0.021	0.025	0.025	0.027	-0.053	-0.052	-0.049
	[0.122]	[0.123]	[0.121]	[0.766]	[0.766]	[0.771]	[0.707]	[0.709]	[0.679]	[0.625]	[0.631]	[0.646]
Acquirer Country Trade Imbalance	5.621***	5.641***	5.645***	1.485	1.542	1.518	5.997**	6.003**	6.089**	2.217	2.313	2.242
	[0.003]	[0.003]	[0.003]	[0.591]	[0.576]	[0.588]	[0.027]	[0.027]	[0.025]	[0.578]	[0.560]	[0.574]
Target Country Market Cap/GDP	-95.489***	-95.451***	-95.671***	-44.848**	-44.587**	-45.046**	-60.924***	-60.848***	-61.145***	-16.345	-16.06	-16.951
	[0.000]	[0.000]	[0.000]	[0.036]	[0.037]	[0.035]	[0.009]	[0.009]	[0.008]	[0.535]	[0.541]	[0.520]
Target Country Market Turnover	0.661***	0.661***	0.663***	0.867***	0.865***	0.868***	0.756***	0.756***	0.762***	0.753***	0.751***	0.764***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.001]	[0.001]	[0.000]	[0.009]	[0.009]	[0.008]
Target Country FDI/GDP	848.809***	850.012***	850.446***	261.316	261.127	261.853	846.600***	847.982***	844.066**	108.642	105.584	103.891
	[0.000]	[0.000]	[0.000]	[0.323]	[0.323]	[0.322]	[0.010]	[0.010]	[0.010]	[0.751]	[0.756]	[0.762]
Target Country Unemployment (%)	0.097***	0.097***	0.097***	0.058	0.058	0.058	0.051	0.051	0.051	0.031	0.031	0.031
	[0.005]	[0.005]	[0.005]	[0.221]	[0.221]	[0.219]	[0.152]	[0.152]	[0.148]	[0.534]	[0.527]	[0.522]
Target Country Trade Imbalance	-6.017***	-6.033***	-6.029***	-3.365	-3.403	-3.396	-7.036***	-7.026***	-7.088***	-5.114*	-5.122*	-5.174*
	[0.000]	[0.000]	[0.000]	[0.147]	[0.143]	[0.148]	[0.001]	[0.001]	[0.001]	[0.064]	[0.062]	[0.061]
Constant	-0.722	-0.731	-0.696	10.040**	10.071**	10.098**	-2.959	-3.03	-2.979	5.04	4.882	5.335
	[0.740]	[0.737]	[0.750]	[0.032]	[0.031]	[0.031]	[0.369]	[0.357]	[0.367]	[0.477]	[0.492]	[0.452]
Observations	16,843	16,843	16,843	8,538	8,538	8,538	5,408	5,408	5,408	2,875	2,875	2,875
Pseudo R-Squared	21.50%	21.49%	21.47%	43.57%	43.58%	43.55%	22.63%	22.64%	22.59%	41.70%	41.72%	41.59%

Table 6: VCPE backing, governance, and cross-border deals

Table 6 contains logit results that examine the likelihood of a deal being cross-border as a function of buyside/sellside VCPE involvement and the country-level governance in the target/acquirer. The sample variously comprises, all deals (Columns 1-3); deals by Non-US acquirers (Columns 4-6); deals that are solicited (Columns 7-9); and solicited deals by Non-US acquirers (Columns 10-12). All models are logit models that include year dummies and nation dummies and cluster standard errors by four-digit SIC code. The dependent variable is an indicator that the deal is cross-border. The models include the control variables from Table 4, but we suppress them for brevity. Panel A examines sell-side VCPE backing and Panel B examines buy-side VCPE backing. Brackets contain p-values. Superscripts ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Sample	All			Non-US			Solicited			Solicited Non-US		
Technique	Logit, Year and Nation Dummies, SIC 4-digit Clustering											
Dependent Variable	I(Crossborder)											
Panel A: Target-VCPE Focus												
Sellside VCPE	-4.960**	-0.186	-6.133***	-1.499	0.215	-0.151	-5.147**	0.047	-4.452*	-0.314	2.267**	2.023
	[0.026]	[0.522]	[0.002]	[0.406]	[0.785]	[0.958]	[0.028]	[0.898]	[0.057]	[0.878]	[0.028]	[0.580]
Target WB Index	-4.964***			-5.514***			-3.920***			-3.717***		
	[0.000]			[0.000]			[0.000]			[0.000]		
Sellside VCPE x Target WB Index	5.953**			2.149			6.234**			1.164		
	[0.019]			[0.293]			[0.019]			[0.619]		
Target ADRI		-0.061			-1.766***			-0.002			-1.506***	
		[0.414]			[0.000]			[0.981]			[0.000]	
Sellside VCPE x Target ADRI		0.15			0.039			0.105			-0.436	
		[0.125]			[0.849]			[0.396]			[0.110]	
Target ICRG Index			-9.418***			-26.451***			-9.529***			-22.251***
			[0.000]			[0.000]			[0.000]			[0.000]
Sellside VCPE x Target ICRG Index			7.922***			0.648			5.859**			-1.631
			[0.002]			[0.856]			[0.047]			[0.718]
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-2.464	-3.258*	-2.14	-3.386	10.011**	-0.69	-6.998**	-6.968**	-5.737*	-7.896	4.092	-5.99
	[0.203]	[0.069]	[0.236]	[0.351]	[0.021]	[0.860]	[0.020]	[0.014]	[0.059]	[0.157]	[0.527]	[0.352]
Observations	17,316	17,184	17,008	8,868	8,764	8,658	5,608	5,552	5,477	3,013	2,967	2,927
Pseudo R-squared	19.48%	18.29%	19.19%	18.84%	38.41%	24.89%	20.21%	19.38%	20.52%	19.60%	35.59%	25.10%
Panel B: Acquirer-VCPE Focus												
Buyside VCPE	-0.085	0.673	0.171	0.815	-0.023	3.3	-4.08	-0.03	-3.598	-3.317	0.001	-2.377
	[0.962]	[0.250]	[0.964]	[0.632]	[0.988]	[0.538]	[0.271]	[0.977]	[0.642]	[0.352]	[1.000]	[0.831]
Acquirer WB Index	-4.932***			-1.177			-2.106			0.741		
	[0.003]			[0.588]			[0.431]			[0.817]		
Buyside VCPE x Acquirer WB Index	0.293			-0.874			4.626			3.844		
	[0.891]			[0.664]			[0.265]			[0.329]		
Acquirer ADRI		0.988***			-1.397***			0.975***			-1.219*	
		[0.000]			[0.001]			[0.000]			[0.050]	
Buyside VCPE x Acquirer ADRI		-0.15			0.018			0.001			0.014	
		[0.415]			[0.961]			[0.998]			[0.988]	

Acquirer ICRG Index			-2.697*			4.255**			0.943			7.082**
			[0.060]			[0.025]			[0.645]			[0.013]
Buyside VCPE x Acquirer ICRG Index			-0.012			-3.961			4.409			2.984
			[0.998]			[0.541]			[0.643]			[0.825]
Constant	-2.554*	-8.983***	-4.752***	-4.709**	-0.123	-9.089***	-4.595*	-8.440***	-7.294***	-5.733*	-0.224	-10.804***
	[0.087]	[0.000]	[0.000]	[0.014]	[0.948]	[0.000]	[0.068]	[0.000]	[0.000]	[0.052]	[0.933]	[0.000]
Observations	17,406	17,406	17,406	8,945	8,945	8,945	5,647	5,647	5,647	3,045	3,045	3,045
Pseudo R-squared	17.98%	17.93%	17.95%	16.40%	16.40%	16.45%	18.89%	18.86%	18.87%	17.63%	17.60%	17.74%

Table 7: Takeover returns for VCPE backed takeovers

Table 7 contains OLS regression results that analyze the market's reaction to a takeover announcement. The dependent variable is the 11-day cumulative abnormal return that accrues to the acquirer on the announcement of the takeover bid. The sample only comprises takeovers that have VCPE backing; Columns 1 and 4 examine VCPE backing on either the buy or the sell side; Columns 2 and 5 require VCPE backing on the sell side; Columns 3 and 6 require VCPE backing on the buyside. Columns 4-6 also require that the acquirer be domiciled outside of the United States. The key variable of interest is the cross-border indicator, I(Crossborder). The models include year and nation dummies and cluster standard errors by four-digit SIC code. Brackets contain p-values. Superscripts ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Sample		All			Non-US Acquirer	
Sub-sample	Any VCPE Backed	Sell-Side VCPE Backed	Buy-Side VCPE Backed	Any VCPE Backed	Sell-Side VCPE Backed	Buy-Side VCPE Backed
Technique		OLS, Year Dummies, Nation Dummies, SIC 4-digit clustering				
Dependent Variable		CAR (-5,+5); Based on OLS estimation of market model over days -210 to -11				
I(Crossborder)	0.980*	1.416**	1.843	1.320*	2.116**	2.187
	[0.074]	[0.022]	[0.136]	[0.078]	[0.016]	[0.230]
I(Target Gov Ownership)	0.672	1.568		-0.141	5.217**	
	[0.621]	[0.361]		[0.954]	[0.010]	
I(Acquirer Gov Ownership)	-1.017		-11.584**	-0.993		-17.768***
	[0.627]		[0.024]	[0.663]		[0.007]
ADRI	-2.908	-3.46	-10.249***	4.186	3.389	-10.264*
	[0.413]	[0.355]	[0.006]	[0.475]	[0.670]	[0.081]
WB Governance Index	-19.032	-52.706	-41.794	-11.51	-63.999	28.117
	[0.536]	[0.200]	[0.480]	[0.767]	[0.225]	[0.788]
ICRG Risk Index	-11.968	12.499	-85.557**	12.181	46.214	-200.960*
	[0.567]	[0.589]	[0.040]	[0.704]	[0.215]	[0.072]
ln(Assets)	-0.665***	-0.746***	-0.423	-0.716**	-0.691**	-0.934**
	[0.001]	[0.001]	[0.228]	[0.011]	[0.049]	[0.015]
Deal Value/Market Capitalization	0.186	0.007	1.235	0.123	-0.009	1.323
	[0.554]	[0.978]	[0.218]	[0.694]	[0.975]	[0.146]
EBITDA/Assets	-3.919	1.909	-1.121	-6.937	-6.675	11.298
	[0.213]	[0.559]	[0.801]	[0.114]	[0.143]	[0.456]
Debt/Assets	0.567	1.828	0.679	0.502	-0.345	8.348
	[0.707]	[0.279]	[0.738]	[0.880]	[0.915]	[0.145]
Cash/Assets	-2.304	-7.132***	7.416**	-3.018	-11.663**	15.494**
	[0.309]	[0.005]	[0.024]	[0.456]	[0.023]	[0.018]
CAPEX/Sales	-3.82	-4.388	-0.781	-5.17	0.057	-4.633
	[0.307]	[0.237]	[0.915]	[0.394]	[0.994]	[0.610]
I(Diversifying Deal)	0.552	-0.07	1.866	1.219	-0.556	4.292
	[0.351]	[0.925]	[0.253]	[0.184]	[0.629]	[0.117]
I(Multiple Bidders)	4.627	-6.427**	15.796***	-3.061	-6.255	
	[0.475]	[0.038]	[0.000]	[0.508]	[0.201]	

I(Tender Offer)	3.066*	2.621	7.230**	-0.523	2.706	3.454
	[0.084]	[0.236]	[0.023]	[0.824]	[0.381]	[0.606]
I(Friendly)	-0.457	0.174	7.957**	-0.312	0.911	9.226
	[0.698]	[0.891]	[0.027]	[0.830]	[0.558]	[0.115]
I(Cash Only)	-0.266	-0.645	1.239	-1.001	-1.635*	1.152
	[0.577]	[0.226]	[0.282]	[0.161]	[0.069]	[0.507]
I(Stock Only)	-0.348	-0.511	0.758	1.1	0.372	2.261
	[0.810]	[0.803]	[0.672]	[0.676]	[0.914]	[0.598]
I(Public Target)	-2.461**	-1.19	-2.573	-0.178	-1.459	3.654
	[0.043]	[0.296]	[0.298]	[0.934]	[0.465]	[0.192]
I(Private Target)	-1.261**	-0.305	-1.764	-1.619	-0.626	-1.756
	[0.046]	[0.667]	[0.195]	[0.112]	[0.647]	[0.320]
Country Market Cap/GDP	275.24	5.304	413.569	177.779	71.957	-286.639
	[0.337]	[0.988]	[0.571]	[0.636]	[0.863]	[0.828]
Country Market Turnover	-0.837	-2.034	-0.819	0.811	0.069	-1.63
	[0.596]	[0.231]	[0.829]	[0.768]	[0.981]	[0.859]
Country FDI/GDP	-219.005	-1,061.07	1,737.50	-471.127	-10.746	2,173.77
	[0.859]	[0.486]	[0.611]	[0.746]	[0.995]	[0.649]
Country Unemployment (%)	-0.523	-0.677	0.49	-1.432*	-1.622*	-0.32
	[0.319]	[0.256]	[0.699]	[0.051]	[0.083]	[0.843]
Country Trade Imbalance	-0.883	-2.56	-80.623***	-30.918	-27.89	-49.918
	[0.964]	[0.921]	[0.004]	[0.355]	[0.508]	[0.474]
Constant	46.088	63.423	107.088***	18.9	33.743	152.477
	[0.195]	[0.104]	[0.010]	[0.648]	[0.557]	[0.195]
Observations	796	560	251	430	304	136
R-squared	12.80%	19.00%	30.20%	17.10%	25.50%	40.10%

Table 8: Takeover Returns with Target Country Characteristics

Table 8 contains OLS regression results that analyze the market's reaction to a takeover announcement that control for target country characteristics. The dependent variable is the 11-day cumulative abnormal return that accrues to the acquirer on the announcement of the takeover bid. The sample only comprises takeovers that have VCPE backing; Columns 1 and 4 examine VCPE backing on either the buy or the sell side; Columns 2 and 5 require VCPE backing on the sell side; Columns 3 and 6 require VCPE backing on the buyside. Columns 4-6 also require that the acquirer be domiciled outside of the United States. The key variable of interest is the cross-border indicator, I(Crossborder). The models include year and nation dummies and cluster standard errors by four-digit SIC code. Brackets contain p-values. Superscripts ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Sample	All			Non-US Acquirer			All			Non-US Acquirer		
Technique	OLS, Year Dummies, Nation Dummies, SIC 4-digit clustering											
Dependent Variable	CAR											
	Without Target Country Variables						With Target Country Variables					
I(Crossborder)	0.980*	1.416**	1.843	1.320*	2.116**	2.187	0.818	1.430**	1.028	1.315	1.913*	4.659**
	[0.074]	[0.022]	[0.136]	[0.078]	[0.016]	[0.230]	[0.158]	[0.031]	[0.456]	[0.123]	[0.093]	[0.039]
I(Target Gov Ownership)	0.672	1.568		-0.141	5.217**		2.054	1.812		2.004	5.794***	
	[0.621]	[0.361]		[0.954]	[0.010]		[0.114]	[0.327]		[0.370]	[0.006]	
I(Acquirer Gov Ownership)	-1.017		-11.584**	-0.993		-17.768***	-1.106		-13.177**	-1.05		-23.659***
	[0.627]		[0.024]	[0.663]		[0.007]	[0.598]		[0.012]	[0.677]		[0.003]
ADRI (Acquirer)	-2.908	-3.46	-10.249***	4.186	3.389	-10.264*	-0.65	-4.547	-11.869***	2.738	1.757	1.851
	[0.413]	[0.355]	[0.006]	[0.475]	[0.670]	[0.081]	[0.898]	[0.292]	[0.005]	[0.660]	[0.838]	[0.829]
WB Governance Index (Acquirer)	-19.032	-52.706	-41.794	-11.51	-63.999	28.117	-37.838	-60.729	-84.67	-48.452	-90.563*	-49.562
	[0.536]	[0.200]	[0.480]	[0.767]	[0.225]	[0.788]	[0.223]	[0.148]	[0.134]	[0.235]	[0.088]	[0.548]
ICRG Risk Index (Acquirer)	-11.968	12.499	-85.557**	12.181	46.214	-200.960*	16.947	34.564	-82.931	43.281	79.872*	-296.525**
	[0.567]	[0.589]	[0.040]	[0.704]	[0.215]	[0.072]	[0.513]	[0.271]	[0.145]	[0.269]	[0.079]	[0.015]
ADRI (Target)							0.267	0.149	0.049	0.417	0.48	-0.572
							[0.636]	[0.788]	[0.974]	[0.561]	[0.485]	[0.798]

WB Governance Index (Target)							12.646	15.417	-0.984	24.234**	22.771	35.627**
							[0.186]	[0.255]	[0.945]	[0.018]	[0.168]	[0.049]
ICRG Risk Index (Target)							-40.942**	-29.389	-31.847	-46.187*	-32.652	-123.811**
							[0.021]	[0.323]	[0.357]	[0.070]	[0.414]	[0.043]
ln(Assets)	-0.665***	-0.746***	-0.423	-0.716**	-0.691**	-0.934**	-0.703***	-0.771***	-0.537	-0.772**	-0.729*	-0.974*
	[0.001]	[0.001]	[0.228]	[0.011]	[0.049]	[0.015]	[0.001]	[0.002]	[0.150]	[0.016]	[0.074]	[0.052]
Deal Value/Market Capitalization	0.186	0.007	1.235	0.123	-0.009	1.323	0.133	-0.067	1.216	0.077	-0.062	1.870**
	[0.554]	[0.978]	[0.218]	[0.694]	[0.975]	[0.146]	[0.631]	[0.792]	[0.203]	[0.753]	[0.809]	[0.037]
EBITDA/Assets	-3.919	1.909	-1.121	-6.937	-6.675	11.298	-4.082	1.269	-0.52	-6.223	-6.997	18.709
	[0.213]	[0.559]	[0.801]	[0.114]	[0.143]	[0.456]	[0.211]	[0.687]	[0.905]	[0.167]	[0.121]	[0.153]
Debt/Assets	0.567	1.828	0.679	0.502	-0.345	8.348	-0.057	1.167	0.902	-0.325	-0.409	4.743
	[0.707]	[0.279]	[0.738]	[0.880]	[0.915]	[0.145]	[0.972]	[0.513]	[0.706]	[0.924]	[0.902]	[0.425]
Cash/Assets	-2.304	-7.132***	7.416**	-3.018	-11.663**	15.494**	-2.785	-8.358***	7.212**	-3.454	-12.167**	13.405**
	[0.309]	[0.005]	[0.024]	[0.456]	[0.023]	[0.018]	[0.214]	[0.001]	[0.029]	[0.407]	[0.024]	[0.040]
CAPEX/Sales	-3.82	-4.388	-0.781	-5.17	0.057	-4.633	-3.327	-3.3	-0.379	-5.02	1.979	-10.457
	[0.307]	[0.237]	[0.915]	[0.394]	[0.994]	[0.610]	[0.387]	[0.345]	[0.957]	[0.421]	[0.803]	[0.310]
I(Diversifying Deal)	0.552	-0.07	1.866	1.219	-0.556	4.292	0.421	-0.26	1.843	1.122	-0.664	2.861
	[0.351]	[0.925]	[0.253]	[0.184]	[0.629]	[0.117]	[0.501]	[0.740]	[0.259]	[0.262]	[0.605]	[0.212]
I(Multiple Bidders)	4.627	-6.427**	15.796***	-3.061	-6.255		4.116	-6.784**	15.415***	-3.665	-5.769	
	[0.475]	[0.038]	[0.000]	[0.508]	[0.201]		[0.535]	[0.035]	[0.000]	[0.457]	[0.303]	
I(Tender Offer)	3.066*	2.621	7.230**	-0.523	2.706	3.454	3.504*	3.058	7.861**	0.136	2.719	13.119**
	[0.084]	[0.236]	[0.023]	[0.824]	[0.381]	[0.606]	[0.060]	[0.178]	[0.019]	[0.957]	[0.424]	[0.027]
I(Friendly)	-0.457	0.174	7.957**	-0.312	0.911	9.226	-0.157	0.344	9.842**	-0.37	0.352	10.355
	[0.698]	[0.891]	[0.027]	[0.830]	[0.558]	[0.115]	[0.889]	[0.763]	[0.015]	[0.808]	[0.822]	[0.146]
I(Cash Only)	-0.266	-0.645	1.239	-1.001	-1.635*	1.152	-0.246	-0.43	1.298	-1.131	-1.650*	1.116
	[0.577]	[0.226]	[0.282]	[0.161]	[0.069]	[0.507]	[0.626]	[0.472]	[0.314]	[0.140]	[0.099]	[0.615]
I(Stock Only)	-0.348	-0.511	0.758	1.1	0.372	2.261	-0.632	-0.112	0.147	0.397	0.79	-2.263
	[0.810]	[0.803]	[0.672]	[0.676]	[0.914]	[0.598]	[0.652]	[0.956]	[0.928]	[0.885]	[0.821]	[0.416]

I(Public Target)	-2.461**	-1.19	-2.573	-0.178	-1.459	3.654	-2.366*	-1.182	-2.582	0.098	-1.807	2.71
	[0.043]	[0.296]	[0.298]	[0.934]	[0.465]	[0.192]	[0.057]	[0.299]	[0.329]	[0.965]	[0.425]	[0.400]
I(Private Target)	-1.261**	-0.305	-1.764	-1.619	-0.626	-1.756	-1.349**	-0.472	-1.853	-1.548	-0.963	-2.231
	[0.046]	[0.667]	[0.195]	[0.112]	[0.647]	[0.320]	[0.037]	[0.527]	[0.178]	[0.142]	[0.500]	[0.218]
Acquirer Country Market Cap/GDP	275.24	5.304	413.569	177.779	71.957	-286.639	125.204	-71.252	318.735	109.479	-6.915	-92.688
	[0.337]	[0.988]	[0.571]	[0.636]	[0.863]	[0.828]	[0.650]	[0.839]	[0.658]	[0.762]	[0.987]	[0.930]
Acquirer Country Market Turnover	-0.837	-2.034	-0.819	0.811	0.069	-1.63	-0.198	-1.2	-2.982	1.978	1.799	-1.195
	[0.596]	[0.231]	[0.829]	[0.768]	[0.981]	[0.859]	[0.904]	[0.541]	[0.458]	[0.471]	[0.572]	[0.867]
Acquirer Country FDI/GDP	-219.005	-1,061.07	1,737.50	-471.127	-10.746	2,173.77	-2,099.65	-2,480.17	-7,492.131**	-2,036.86	-1,490.92	-19,395.297**
	[0.859]	[0.486]	[0.611]	[0.746]	[0.995]	[0.649]	[0.122]	[0.164]	[0.022]	[0.244]	[0.458]	[0.017]
Acquirer Country Unemployment (%)	-0.523	-0.677	0.49	-1.432*	-1.622*	-0.32	-0.465	-0.683	0.762	-1.291	-1.716*	-0.093
	[0.319]	[0.256]	[0.699]	[0.051]	[0.083]	[0.843]	[0.425]	[0.298]	[0.639]	[0.100]	[0.082]	[0.943]
Acquirer Country Trade Imbalance	-0.883	-2.56	-80.623***	-30.918	-27.89	-49.918	-0.347	-2.076	-97.984***	-21.585	-25.974	-24.448
	[0.964]	[0.921]	[0.004]	[0.355]	[0.508]	[0.474]	[0.987]	[0.945]	[0.003]	[0.540]	[0.599]	[0.742]
Target Country Market Cap/GDP							-18.094	-57.798	-30.256	-158.821	-254.431	-679.628**
							[0.908]	[0.685]	[0.931]	[0.316]	[0.215]	[0.034]
Target Country Market Turnover							-0.821	-1.033	-0.651	-1.621	-1.922	-3.158
							[0.377]	[0.358]	[0.781]	[0.209]	[0.237]	[0.333]
Target Country FDI/GDP							1,985.000*	1,431.23	8,505.628***	1,735.51	1,671.06	21,116.205***
							[0.058]	[0.327]	[0.000]	[0.189]	[0.238]	[0.003]
Target Country Unemployment (%)							-0.134	-0.316	0.105	-0.022	-0.373	-0.055
							[0.643]	[0.323]	[0.879]	[0.949]	[0.389]	[0.954]
Target Country Trade Imbalance							1.481	4.969	2.629	5.531	11.343	-7.392
							[0.877]	[0.683]	[0.880]	[0.660]	[0.503]	[0.790]
Constant	46.088	63.423	107.088***	18.9	33.743	152.477	55.933***	72.367*	156.332***	34.66	58.663	318.236***
	[0.195]	[0.104]	[0.010]	[0.648]	[0.557]	[0.195]	[0.009]	[0.055]	[0.000]	[0.242]	[0.338]	[0.001]
Observations	796	560	251	430	304	136	760	529	244	407	284	132
R-squared	12.80%	19.00%	30.20%	17.10%	25.50%	40.10%	13.60%	20.30%	35.70%	18.50%	27.50%	54.60%

Table 9: Controlling for Financial Sponsor Size

Table 9 contains OLS regression results that analyze the market's reaction to a takeover announcement and control for financial sponsor size. Columns derives VCPE backer data from VentureXpert. Columns 2-4 derive VCPE backer data from Preqin. The key variable of interest is the cross-border indicator, I(Crossborder). The models include year and nation dummies and cluster standard errors by four-digit SIC code. Brackets contain p-values. Superscripts ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

VCPE Data Source	VentureXpert	Preqin	Preqin	Preqin
Subsample	Any VCPE Backing	Any VCPE Backing	Any VCPE Backing	Any VCPE Backing
Technique	OLS, Year Dummies, Nation Dummies, SIC 4-digit clustering			
Dependent Variable	CAR			
I(Crossborder)	1.559**	1.466*	1.580*	1.537*
	[0.022]	[0.093]	[0.054]	[0.059]
Ave VCPE ln(Size) VentureXpert	0.148			
	[0.352]			
Ave VCPE ln(Size) Preqin		-0.057**		
		[0.048]		
Ave VCPE IRR			-0.550	
			[0.145]	
Ave VCPE Multiple				-0.181
				[0.302]
I(Target Gov Ownership)	4.781***	3.049	3.165	3.212
	[0.010]	[0.167]	[0.193]	[0.154]
I(Acquirer Gov Ownership)	-3.02	0.408	0.475	0.588
	[0.284]	[0.865]	[0.847]	[0.805]
ADRI	1.705	-3.747	6.631***	5.654**
	[0.543]	[0.602]	[0.003]	[0.011]
WB Governance Index	-49.448	59.598	32.481	27.097
	[0.292]	[0.254]	[0.519]	[0.591]
ICRG Risk Index	-44.287	-10.435	-17.215	-12.276
	[0.111]	[0.766]	[0.599]	[0.708]
ln(Assets)	-0.564**	-0.754***	-0.750***	-0.742***
	[0.015]	[0.005]	[0.004]	[0.004]
Deal Value/Market Capitalization	0.089	0.472	0.465	0.421
	[0.747]	[0.690]	[0.680]	[0.717]
EBITDA/Assets	-4.751*	-3.991	-4.101	-4.211
	[0.060]	[0.216]	[0.187]	[0.179]
Debt/Assets	1.229	1.237	1.187	1.282
	[0.358]	[0.363]	[0.344]	[0.302]
Cash/Assets	-2.785	-2.158	-2.751	-2.849
	[0.268]	[0.490]	[0.370]	[0.352]
CAPEX/Sales	-6.558*	-5.997*	-7.344**	-7.137**
	[0.084]	[0.063]	[0.028]	[0.035]
I(Diversifying Deal)	-0.509	-0.324	-0.399	-0.334
	[0.460]	[0.675]	[0.603]	[0.668]
I(Multiple Bidders)	16.961***	16.995***	17.396***	17.692***
	[0.000]	[0.000]	[0.000]	[0.000]
I(Tender Offer)	4.326*	3.426	3.322	3.213
	[0.087]	[0.210]	[0.213]	[0.218]
I(Friendly)	0.103	0.208	0.343	0.342
	[0.954]	[0.897]	[0.832]	[0.832]
I(Cash Only)	-0.273	0.223	0.109	0.014
	[0.669]	[0.772]	[0.887]	[0.985]
I(Stock Only)	-1.225	-0.764	-1.128	-1.004
	[0.336]	[0.656]	[0.490]	[0.544]
I(Public Target)	-1.662	-2.943*	-2.315*	-2.276*
	[0.339]	[0.051]	[0.080]	[0.074]
I(Private Target)	-0.684	-0.837	-0.575	-0.554
	[0.401]	[0.329]	[0.487]	[0.508]

Country Market Cap/GDP	692.694	382.036	346.543	319.712
	[0.177]	[0.472]	[0.515]	[0.541]
Country Market Turnover	0.358	-2.824	-2.368	-2.563
	[0.872]	[0.273]	[0.374]	[0.333]
Country FDI/GDP	-889.037	-3,042.94	-2,939.23	-2,820.18
	[0.717]	[0.176]	[0.183]	[0.203]
Country Unemployment (%)	-0.611	-0.634	-0.69	-0.611
	[0.383]	[0.469]	[0.427]	[0.481]
Country Trade Imbalance	-39.894*	9.826	-4.729	-8.003
	[0.076]	[0.684]	[0.848]	[0.745]
Constant	76.538**	7.204	5.638	6.926
	[0.033]	[0.783]	[0.859]	[0.823]
Observations	464	388	401	401
R-squared	19.20%	23.40%	27.00%	26.60%

Table 10: Controlling for VCPE backer variables and target country variables

Table 10 contains OLS regression results that analyze the market's reaction to a takeover announcement and control for target country characteristics, financial sponsor characteristics and for financial sponsor size. Columns derives VCPE backer data from VentureXpert. Columns 2-4 derive VCPE backer data from Preqin. The key variable of interest is the cross-border indicator, I(Crossborder). The models include year and nation dummies and cluster standard errors by four-digit SIC code. Brackets contain p-values. Superscripts ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Sample	All	All	All	All
VCPE Data Source	VentureXpert	Preqin	Preqin	Preqin
Subsample	Any VCPE Backing			
Technique	OLS, Year Dummies, Nation Dummies, SIC 4-digit clustering			
Dependent Variable	CAR			
I(Crossborder)	1.494*	1.595	1.571	1.669*
	[0.050]	[0.104]	[0.148]	[0.090]
Ave VCPE ln(Size) VentureXpert	0.21			
	[0.260]			
Ave VCPE ln(Size) Preqin		-0.135		
		[0.440]		
Ave VCPE IRR			-0.032	
			[0.308]	
Ave VCPE Multiple				-0.502
				[0.189]
I(Target Gov Ownership)	5.628***	3.584	3.496	3.47
	[0.002]	[0.113]	[0.114]	[0.152]
I(Acquirer Gov Ownership)	-3.585	0.823	0.829	0.78
	[0.209]	[0.745]	[0.753]	[0.762]
ADRI (Acquirer)	-0.044	6.896***	-4.715	7.872***
	[0.981]	[0.007]	[0.505]	[0.002]
WB Governance Index (Acquirer)	-48.288	32.588	67.99	36.622
	[0.318]	[0.507]	[0.188]	[0.457]
ICRG Risk Index (Acquirer)	-21.721	9.671	11.079	6.087
	[0.549]	[0.814]	[0.799]	[0.884]
ADRI (Target)	-0.014	0.446	0.56	0.365
	[0.981]	[0.556]	[0.455]	[0.631]
WB Governance Index (Target)	13.335	3.539	4.383	4.451
	[0.115]	[0.711]	[0.666]	[0.637]
ICRG Risk Index (Target)	-46.191**	-32.61	-35.39	-33.691
	[0.034]	[0.207]	[0.193]	[0.192]
ln(Assets)	-0.651***	-0.837***	-0.847***	-0.839***
	[0.008]	[0.001]	[0.002]	[0.001]
Deal Value/Market Capitalization	0.082	0.193	0.223	0.232
	[0.765]	[0.865]	[0.848]	[0.834]
EBITDA/Assets	-4.34	-3.922	-3.519	-3.848
	[0.110]	[0.255]	[0.316]	[0.257]
Debt/Assets	1.098	1.081	1.328	1.07
	[0.547]	[0.467]	[0.384]	[0.459]
Cash/Assets	-3.558	-4.360*	-3.483	-4.313*
	[0.152]	[0.090]	[0.171]	[0.089]
CAPEX/Sales	-5.891	-5.918*	-4.724*	-6.092**
	[0.124]	[0.053]	[0.079]	[0.044]
I(Diversifying Deal)	-0.706	-0.862	-0.724	-0.931
	[0.346]	[0.304]	[0.381]	[0.263]
I(Multiple Bidders)	16.818***	18.369***	17.721***	18.118***
	[0.000]	[0.000]	[0.000]	[0.000]
I(Tender Offer)	4.999*	3.322	3.555	3.464
	[0.058]	[0.209]	[0.194]	[0.200]
I(Friendly)	0.785	0.772	0.582	0.748
	[0.595]	[0.610]	[0.705]	[0.619]
I(Cash Only)	-0.049	0.23	0.363	0.313
	[0.944]	[0.780]	[0.655]	[0.705]
I(Stock Only)	-1.176	-0.886	-0.689	-1.021
	[0.391]	[0.601]	[0.698]	[0.543]
I(Private Target)	-1.768	-2.474*	-3.026*	-2.509*
	[0.354]	[0.065]	[0.053]	[0.067]
I(Unlisted Target)	-0.696	-0.668	-0.894	-0.659
	[0.395]	[0.435]	[0.311]	[0.439]

Acquirer Country Market Cap/GDP	573.673	307.067	340.266	323.339
	[0.292]	[0.574]	[0.529]	[0.558]
Acquirer Country Market Turnover	1.668	-1.936	-1.932	-1.741
	[0.474]	[0.507]	[0.500]	[0.550]
Acquirer Country FDI/GDP	-562.402	-5,188.654**	-5,540.553**	-5,202.064**
	[0.842]	[0.019]	[0.017]	[0.020]
Acquirer Country Unemployment (%)	-0.592	-0.655	-0.56	-0.763
	[0.400]	[0.505]	[0.572]	[0.439]
Acquirer Country Trade Imbalance	-39.290*	-1.67	12.77	1.998
	[0.083]	[0.947]	[0.598]	[0.936]
Target Country Market Cap/GDP	175.503	-42.982	11.157	-23.164
	[0.512]	[0.833]	[0.958]	[0.909]
Target Country Market Turnover	-1.14	0.198	-0.63	0.125
	[0.343]	[0.906]	[0.735]	[0.941]
Target Country FDI/GDP	624.391	2,410.026*	2,260.163*	2,286.001*
	[0.617]	[0.059]	[0.061]	[0.069]
Target Country Unemployment (%)	0.035	-0.537	-0.619*	-0.531
	[0.924]	[0.116]	[0.095]	[0.121]
Target Country Trade Imbalance	-0.732	1.058	3.059	0.34
	[0.952]	[0.937]	[0.819]	[0.980]
Constant	90.682*	9.514	15.012	10.095
	[0.058]	[0.780]	[0.632]	[0.770]
Observations	443	383	370	383
R-squared	20.30%	28.00%	24.40%	28.40%

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