

Internet Appendix

Figure 1A: Evolution of Policy Uncertainty Effects on Firm Acquisitiveness

We run 24 separate M&A probit regressions, corresponding to lags 1 through 24 of policy uncertainty, and plot the coefficients of policy uncertainty.

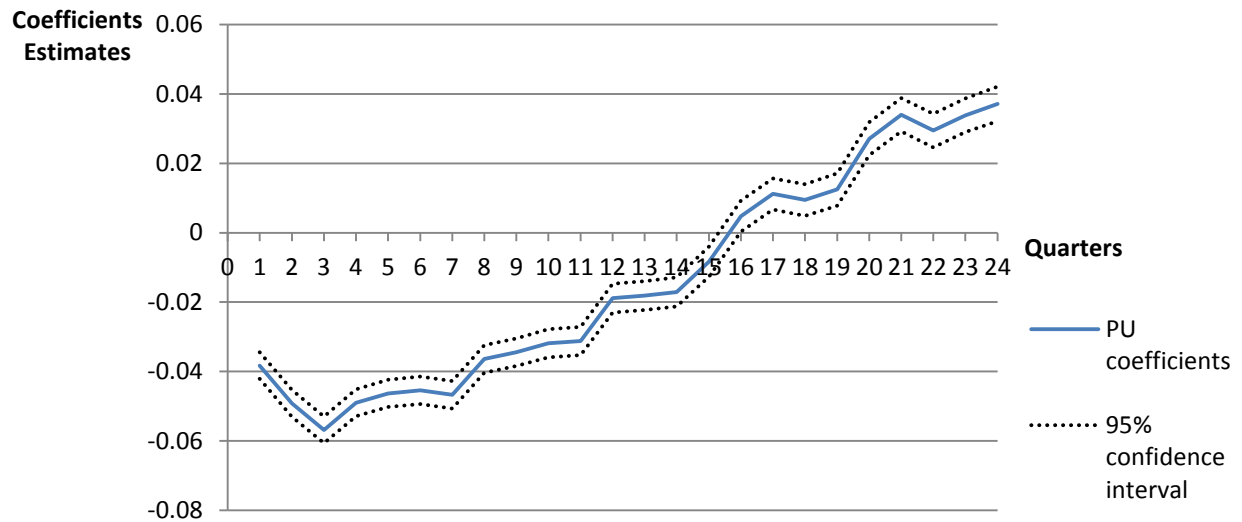


Table A1: BBD Index Components and Firm Acquisitiveness

Table A1 reports the M&A probit regression results. The dependent variable is *M&A dummy* that takes a value of 1 if a firm makes at least one M&A announcement in a given year, and 0 otherwise. *PU* is the natural logarithm of the weighted average of the BBD (2016) policy uncertainty index over the 3-month period at the end of the preceding fiscal year. *PU-news*, *PU-fiscal and monetary*, and *PU-tax code* are the three components of the BBD index that measure the news-based uncertainty, monetary policy uncertainty, and tax code expiration uncertainty, respectively. Other variables are defined in the Appendix. Z-statistics based on heteroscedasticity-robust standard errors clustered by years are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Variable	1	2	3
PU-news	-0.164*** (3.03)		
PU-fiscal and monetary		-0.101** (2.09)	
PU-tax code			-0.016 (0.84)
Other control variables	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes
Number of observations	88,768	88,768	88,768
Pseudo R^2	0.07	0.07	0.07

Table A2: Policy Uncertainty Components and Acquirer and Target CARs

Table A2 reports the results of the acquirer and target CAR cross-sectional regressions in Panels A and B, respectively. The dependent variable is the 3-day CARs centered on the M&A announcement day. *PU-news*, *PU-fiscal and monetary*, and *PU-tax code* are the three components of the BBD (2016) index that measure the news-based uncertainty, monetary policy uncertainty and tax code expiration uncertainty, respectively. Other variables are defined in the Appendix. *t*-statistics based on heteroscedasticity-robust standard errors clustered by years are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

<i>Panel A. Acquirer CARs</i>			
Variable	1	2	3
PU-news	0.013*** (3.14)		
PU-fiscal and monetary		0.007** (2.02)	
PU-tax code			0.002** (2.35)
IMR	-0.002 (0.23)	0.003 (0.38)	0.001 (0.06)
Other control variables	Yes	Yes	Yes
Number of observations	6,376	6,376	6,376
Adjusted R^2	0.03	0.03	0.03
<i>Panel B. Target CARs</i>			
Variable	1	2	3
PU-news	-0.015* (1.83)		
PU-fiscal and monetary		-0.039*** (2.89)	
PU-tax code			-0.009*** (2.58)
Other control variables	Yes	Yes	Yes
Number of observations	1,578	1,578	1,578
Adjusted R^2	0.25	0.27	0.27

Table A3: Policy Uncertainty, Financial Constraints, and Firm Acquisitiveness

Table A3 reports the M&A probit regression results for subgroups of acquirers sorted on the S&P long-term credit ratings. The dependent variable is *M&A dummy* that takes value of 1 if a firm makes at least one M&A announcement in a given year, and 0 otherwise. *PU* is the natural logarithm of the weighted average of the BBD (2016) index over the 3-month period at the end of the preceding fiscal year. Financially unconstrained (constrained) subgroup includes firms with (without) S&P long-term credit ratings. Other variables are defined in the Appendix. Z-statistics based on heteroscedasticity-robust standard errors clustered by years are reported in parentheses below the coefficient estimates. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Variable	Financially Constrained Subgroup 1	Financially Unconstrained Subgroup 2
PU	-0.275*** (11.60)	0.132*** (3.66)
Other control variables	Yes	Yes
Industry fixed effects	Yes	Yes
Number of observations	65,130	23,638
Pseudo R^2	0.06	0.06
Test of difference in coefficients of <i>PU</i> of the two subgroups:		
χ^2	95.34	
p-value	0.00	

Table A4: Policy Uncertainty, Financial Constraints, and Acquirer CARs

Table A4 reports the results of the acquirer CAR cross-sectional regressions. The dependent variable is the acquirer 3-day CARs centered on the M&A announcement day. *PU* is the natural logarithm of the weighted-average of the BBD (2016) policy uncertainty index over the 3-month period at the end of the fiscal year preceding the M&A announcement. Financially unconstrained (constrained) subgroup includes firms with (without) S&P long-term credit ratings. Other variables are defined in the Appendix. *t*-statistics based on heteroscedasticity-robust standard errors clustered by years are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Financially Constrained Subgroup	Financially Unconstrained Subgroup
Variable	1	2
PU	0.020*** (2.99)	0.008* (1.91)
IMR	-0.011 (0.82)	0.002 (0.19)
Other control variables	Yes	Yes
Number of observations	4,096	2,280
Adjusted R^2	0.04	0.03
Test of difference in coefficients of <i>PU</i> of the two subgroups:		
χ^2	1.93	
p-value	0.16	