

When Financing Is Committed: Financial Flexibility and Corporate Takeovers*

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Abstract

When an acquisition opportunity arrives, an acquirer can draw on financing already committed or negotiate financing for the transaction. Using hand-collected data identifying the facility funding each of 1,385 cash and mixed-payment acquisitions, I show the two arrangements matter on different margins. Pre-committed financing predicts execution: deals close faster and are less likely to be withdrawn, but earn no announcement premium. Contemporaneously negotiated bank financing predicts valuation: bidder returns and combined gains are higher, offer premia lower. Post-completion performance does not differ. Financial flexibility has a timing dimension: when capacity was committed shapes the role it plays once opportunity arrives.

JEL classification: G21, G32, G34, G31

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1 Introduction

When an investment opportunity arrives, is it better to have financing already committed, or to negotiate financing once the investment is known? A large literature studies how firms preserve financial flexibility through cash holdings, unused debt capacity, and access to liquidity in anticipation of future investment opportunities (Opler, Pinkowitz, Stulz, and Williamson, 1999; Almeida, Campello, and Weisbach, 2004; Denis and McKeon, 2012). Far less is known about how firms convert that flexibility into funding when an opportunity actually arrives. An acquisition can be funded with capital committed before the target is identified and drawn on demand, or with financing arranged for the transaction, which requires capital providers to evaluate and commit to the specific investment. The choice trades immediate access against a credit decision made with the transaction in hand.

Acquisitions are a natural setting for this question. They are among the largest investments firms undertake, require a large and discrete commitment of funds at closing, and remain exposed to competing bidders and changing market conditions while pending. Credit lines make the timing of the financing commitment observable. An existing facility, provided its covenants permit acquisition activity, offers committed liquidity that can be drawn without accessing capital markets or negotiating a new contract. A new or amended facility, by contrast, requires lenders to evaluate the transaction and negotiate financing terms. In both cases the financing is bank credit. What differs is when the lender committed: before the target was identified, or with the transaction in hand.

Studying this question requires observing something standard datasets do not record: how a specific acquisition was funded. Prior studies infer funding sources from balance-sheet changes or newly originated loans, neither of which reveals whether a pre-existing commitment was used.¹ I

¹Schlingemann (2004) proxies for financing sources using changes in debt and equity around announcements, while Massoud, Song, and Tran (2024) use DealScan originations and stated loan purposes. Because DealScan records only newly originated syndicated loans and frequently classifies purposes as “general corporate purposes,” it cannot establish whether a specific acquisition was funded with that loan or with liquidity already in place. SDC reports source-of-funds indicators, but these are incomplete and do not distinguish revolving facilities from other bank borrowing.

therefore construct a transaction-level database of acquisition financing by hand-collecting funding information from SEC filings, press releases, and business news for 1,385 domestic cash and mixed-payment bids by U.S. public firms between 1994 and 2020. For each transaction I identify the sources of funding used and, for bank financing, the specific facility and whether it was committed before the target was identified.

Three descriptive facts emerge. First, credit lines are the dominant source of acquisition liquidity. They are used in 57% of transactions and, conditional on use, account for a median 83% of the cash consideration. Second, 38% of these facilities were in place before the transaction, while 62% were newly arranged or amended, indicating that both financing arrangements are common. Third, acquisition drawdowns are temporary. In transactions for which repayment can be observed, firms repay these borrowings within an average of 3.6 months, most often with proceeds from securities issuance, despite an average of 3.8 years of remaining contractual maturity on the facility. Credit lines used for acquisitions therefore function as transaction-execution instruments rather than as sources of long-term funding, allowing firms to separate the commitment of funds needed at closing from the financing decisions that follow.

The empirical analysis shows that the two financing arrangements matter on different margins.

Pre-committed financing predicts execution. Acquisitions funded from an existing facility or from internal cash close roughly 20% faster than those requiring contemporaneous financing, with amended facilities intermediate and newly originated loans and public debt slowest.² Acquirers with greater unused committed credit capacity before announcement are also less likely to withdraw announced bids: a one-standard-deviation increase is associated with a 2.2 percentage point reduction in withdrawal probability, roughly 29% of the unconditional rate. The relation strengthens with the transaction's cash requirement and is statistically indistinguishable from zero for all-stock acquisitions, which require no funding at closing. Cash holdings do not predict withdrawal in any specification. What matters is liquidity a bank has committed for a transaction

²The estimate is 48% in the full sample of completed acquisitions. Of 3,185 transactions, 536 are announced on their completion date; these are overwhelmingly private-target acquisitions disclosed at closing, for which duration reflects disclosure practice rather than execution time. Excluding them yields 20%, and the estimate is 13% among public targets. Section 4.2.1 reports the full set.

that needs it, rather than liquidity in general.

Pre-committed financing does not earn an announcement premium. Five-day bidder abnormal returns for acquisitions funded from existing facilities are statistically indistinguishable from zero, as are combined bidder–target gains and offer premia. The absence of an announcement effect does not mean committed liquidity is unimportant. A facility arranged a median of 1.4 years before announcement, before the target was identified, is not new information at announcement. Its value lies in execution rather than in what it conveys about the transaction.

Contemporaneously negotiated financing, by contrast, predicts announcement valuations. Acquisitions funded through new or amended credit facilities or newly originated term loans earn bidder announcement returns 1.4 to 1.6 percentage points higher than acquisitions financed from other sources, and 1.7 to 2.3 percentage points higher than those funded from pre-existing facilities. Combined bidder–target gains are also higher, while offer premia are 13 to 17% lower across three benchmark dates. If lender review strengthened the acquirer’s bargaining position, surplus would shift from target to acquirer while combined gains remained unchanged. Instead combined gains rise, indicating that the market expects the transaction to create more value, not merely that the acquirer captures more of it.

Post-completion outcomes, however, do not distinguish the two arrangements. Both pre-committed and contemporaneously negotiated bank financing are associated with higher industry-adjusted operating performance than other financing sources over the three fiscal years following completion, but the two are statistically indistinguishable from one another at every horizon, and neither predicts a higher likelihood of subsequent goodwill impairment. The contemporaneous credit decision is therefore associated with an announcement premium without being followed by measurably different realized outcomes, suggesting that the premium reflects the timing at which information about the transaction reaches the market rather than a persistent difference in transaction quality.

These results refine earlier evidence on bank involvement in acquisitions. Bharadwaj and Shivdasani (2003), using 115 cash tender offers between 1990 and 1996, document higher bidder returns

for bank-financed acquisitions and interpret this evidence as bank certification and monitoring.³ Our results show that the premium does not extend to bank financing generally. Acquisitions funded with pre-committed bank credit earn no premium on any valuation margin. Nor does the premium extend to external financing more broadly: acquisitions financed through public bond or equity issuance earn announcement returns indistinguishable from those financed from other sources. Instead, the premium is concentrated in transactions requiring a contemporaneous bank credit decision and increases with transaction size and complexity, but not with acquirer size or rating status. Taken together, the evidence isolates the premium to a transaction-specific bank credit decision rather than bank financing, borrower certification, or external financing per se.

Related literature. The paper contributes to four literatures.

First, the paper contributes to work on financial flexibility and corporate investment. Prior research emphasizes the *quantity* of flexibility firms maintain through cash and unused debt capacity (Opler, Pinkowitz, Stulz, and Williamson, 1999; Almeida, Campello, and Weisbach, 2004; Denis and McKeon, 2012). I introduce a *timing* dimension: whether capacity was committed before an investment opportunity arose or negotiated once the investment was identified. Pre-committed capacity is associated with faster and more certain execution, whereas contemporaneously negotiated financing is associated with higher announcement valuations. Observing this dimension requires linking financing capacity to the specific investment it ultimately funds, a link that standard financing data do not provide.

Second, it contributes to work on credit lines and corporate liquidity. Existing studies treat credit lines primarily as precautionary liquidity and as substitutes for cash (Thakor, 1982; Sufi, 2009; Lins, Servaes, and Tufano, 2010; Acharya, Almeida, and Campello, 2013), and more recent work shows that firms draw on them around major investment events without observing how individual transactions are funded (Chang, Chen, and Masulis, 2022). The evidence here shows that credit lines supply the majority of acquisition liquidity and are refinanced within months, which recasts them as instruments of execution rather than as sources of long-term funding.

³They examine whether the effect differs between existing and newly arranged bank loans and cannot reject equality, with 31 transactions financed by existing loans.

Third, it complements work on acquisition financing and payment choice (Harford, 1999; Schlingemann, 2004; Martynova and Renneboog, 2009; Vladimirov, 2015). By identifying the specific instrument funding each transaction, the data permit a distinction that broader financing measures cannot make: not what the acquirer used, but when the commitment was made.

Fourth, the paper speaks to theories of loan commitments and creditor governance. Commitments have been modeled both as insurance against future credit rationing and as a potential source of investment distortion, because financing is committed before its eventual use is known (Boot, Thakor, and Udell, 1987; Duan and Yoon, 1993; Thakor, 2005). A related literature shows how debt contracts shape corporate behavior through covenants, control rights, and monitoring once financing is in place (Roberts and Sufi, 2009; Nini, Smith, and Sufi, 2012; Becher, Griffin, and Nini, 2022). I study a different contracting margin: whether financing is committed before an investment opportunity arises or negotiated in response to a specific investment. Because I observe when lenders commit relative to the arrival of an investment opportunity, I can examine the execution benefits of commitment and whether they are accompanied by worse realized investment outcomes. I find no such difference in post-completion operating performance or goodwill impairment.

The remainder of the paper proceeds as follows. Section 2 develops the framework and predictions. Section 3 describes the sample construction, the institutional features of acquisition credit agreements, and the financing patterns in the data. Section 4 presents the results. Section 5 concludes.

2 Framework and Hypotheses

This section develops the paper’s predictions from the financing decision an acquirer faces when an acquisition opportunity arrives. Section 2.1 describes that decision. Section 2.2 states the trade-off governing it and explains why the two financing arrangements should affect different acquisition outcomes. Section 2.3 states the predictions and the alternatives they are designed to distinguish.

2.1 The Financing Decision at Deal Arrival

Consider an acquirer that has identified a target and must deliver cash at closing. The acquirer can draw on liquidity already committed or arrange financing in connection with the transaction. Internal cash requires no external action, while a pre-existing revolving facility can be drawn provided the acquisition satisfies the facility’s contractual restrictions, which I examine in Section 3.3. In both cases the financing capacity predates the acquisition: in my sample the median existing facility was originated 1.4 years before announcement, and 75% are general-purpose facilities. Alternatively, the acquirer can arrange financing contemporaneously by amending an existing facility, originating a new one, or issuing public securities. These alternatives require capital providers to act with the transaction in hand. Bank financing requires lenders to evaluate the transaction and negotiate commitments, pricing, maturity, and covenant terms, while public issuance requires coordination with underwriters and investors.

The two routes differ first in timing and funding certainty. Pre-committed liquidity can be used without negotiating new financing, whereas arranging financing consumes calendar time. Because acquisitions remain exposed to competing bidders, target value dissipation, and changing market conditions between announcement and closing (Fishman, 1989; Schwert, 2000), delay can be costly. Pre-committed capacity also reduces exposure to financing conditions at deal arrival, because access to funds has been contracted in advance.

The routes also differ in the information produced at the time of the transaction. Here the relevant distinction is not between pre-committed and contemporaneous financing, but between pre-committed financing and contemporaneous *bank* financing. Drawing on a pre-existing facility does not require a new credit decision about the acquisition. Arranging bank financing does. Lenders’ incentives differ from those of the acquirer’s management and transaction advisers: as fixed claimants, lenders bear downside exposure from overpayment and increased leverage without participating proportionally in the acquisition’s upside (Rajan, 1992). Banks can also acquire and evaluate information that is costly to verify publicly, including the projections and pro forma finan-

cial information that acquisition-related credit agreements frequently require borrowers to deliver (Fama, 1985). Section 3.3 documents that acquisition-related amendments involve transaction-specific lender decisions rather than routine refinancing.

Pre-commitment is not free. Capacity arranged in advance entails commitment fees on undrawn balances and contractual restrictions, and it forgoes financing terms that could be tailored to the specific acquisition once its characteristics are known. Contemporaneous negotiation fits financing to the transaction, at the cost of time, execution risk, and lender review.

2.2 The Trade-Off and Where Its Effects Should Appear

At deal arrival, the two routes offer different advantages. Pre-committed liquidity avoids the time and execution risk of arranging financing after a target has been identified, but its capacity and terms were set before the acquisition was known. Contemporaneous financing can provide additional capacity and terms fitted to the transaction, but requires capital providers to act once the opportunity has arrived. Acquirers should therefore sort between the routes according to their *financing needs*: committed capacity when it covers the cash required at closing, contemporaneous financing when it does not.

This distinction connects to a central trade-off in theories of loan commitments. Commitments protect borrowers against future financing frictions and allow credit to remain available when investment opportunities arise (Boot, Thakor, and Udell, 1987; Thakor, 2005). But committing before the eventual investment is known can also distort subsequent investment or credit allocation. Duan and Yoon (1993) show that loan commitments can induce overinvestment, and Thakor (2005) shows in the same framework that commitments can generate excessive credit supply in economic upturns. The empirical question is therefore whether the execution benefits of committed liquidity come at the cost of worse realized investments.

This trade-off yields predictions for three sets of outcomes. Predictions 1 and 2 concern execution. Because financing is already available when the opportunity arrives, acquisitions supported by pre-committed liquidity may close faster and face lower completion risk. Predictions 3 and 4

concern valuation. Contemporaneous bank financing requires a credit decision with the acquisition in hand; if that decision conveys information about the transaction, acquisitions subject to it should earn higher announcement gains and pay lower premia. Prediction 5 concerns realized outcomes, and asks whether the execution benefits of commitment are accompanied by worse post-completion performance.

The two arrangements therefore need not matter on the same margins. Pre-committed liquidity separates the financing decision from the investment decision: the bank commits before the acquisition is known, and drawing on that capacity requires no new transaction-specific credit decision. Contemporaneous bank financing joins the two in time, so any information conveyed by the credit decision can be reflected in announcement valuations and in the price paid for the target. Public bond and equity issuance also involve contemporaneous external financing but no comparable bank credit decision, so the valuation prediction should not extend to them.

The empirical analysis follows this structure. Section 4.1 examines financing choice, Section 4.2 execution outcomes, Section 4.3 valuation outcomes, and Section 4.8 realized post-completion outcomes.

2.3 Predictions

Execution. Financing arrangements differ in the actions required to make funds available at closing. Internal cash and existing credit facilities are available on demand, whereas amending a facility or arranging a new one requires negotiation with lenders, and public issuance requires further coordination with underwriters and investors. This ordering has a direct implication for how long acquisitions take to complete.

Prediction 1 (*Committed Liquidity and Execution Speed*). Deal duration is decreasing in the immediacy of committed liquidity.

The association may also run in the opposite direction, if transactions expected to take longer to close give acquirers more time to arrange financing. I examine this in Section 4.2.1.

Committed liquidity may also affect whether announced acquisitions close. Between announcement and closing, financing conditions may deteriorate or unexpected funding needs may arise. Unused revolving capacity covers these contingencies without requiring a new financing decision.

Prediction 2 (*Committed Liquidity and Completion Risk*). Greater unused committed credit capacity is associated with a lower likelihood that announced deals are withdrawn.

An alternative is that unused capacity proxies for borrower quality rather than for funding availability, since stronger firms may receive larger commitments and also complete acquisitions more often. Under that interpretation the association should not depend on whether the transaction requires cash at closing. I examine this in Section 4.2.2.

Valuation. Contemporaneous bank financing can convey information about the transaction, because lenders make the credit decision with the acquisition in hand. This predicts higher announcement returns relative to transactions funded with pre-committed liquidity.

Prediction 3 (*Lender Review and Deal Gains*). Bidder and combined bidder–target announcement returns are higher in acquisitions that require contemporaneous lender review, such as those financed with new or amended credit lines or newly originated term loans.

The opposite prediction follows if investors interpret the need for contemporaneous financing as evidence that the acquisition exceeds the acquirer’s available financing capacity. A further question is whether any contemporaneous external financing conveys information, which would make the relevant distinction internal versus external funding rather than pre-committed versus negotiated bank credit. Because I observe the instrument used to fund each transaction, I can separate the two. Public debt and equity issuance also require capital providers to act at the time of the acquisition, but do not involve evaluation of the transaction by an intermediary holding a continuing claim on the borrower. I examine this in Section 4.3.1.

Lender involvement may also be reflected in the price paid. Because a lender evaluates the transaction when deciding whether and on what terms to lend, the credit extended bounds the cash the acquirer can commit at closing.

Prediction 4 (*Lender Review and Offer Premia*). Acquisitions involving a contemporaneous bank credit decision are associated with lower offer premia than otherwise similar transactions financed from sources that involve no contemporaneous credit decision.

Realized Outcomes. The execution benefits of commitment may come at a cost. Financing committed before the use of funds is known cannot be conditioned on the investment eventually undertaken, which theories of loan commitments identify as a source of potential investment distortion (Duan and Yoon, 1993; Thakor, 2005). If commitment permits acquisitions that a contemporaneous credit decision would not have supported, that cost should be visible after completion.

Prediction 5 (*Commitment and Realized Outcomes*). Acquisitions funded from pre-committed capacity exhibit worse realized outcomes than acquisitions subject to a contemporaneous credit decision.

Realized outcomes are measured by post-completion operating performance and goodwill impairment. Neither theory maps directly onto three-year accounting outcomes, so the test speaks to the trade-off rather than to either model. I examine this in Section 4.8.

3 Data, Institutional Setting, and Variable Construction

This section describes the construction of the acquisition sample and the hand-collected financing data, develops the institutional distinction between pre-committed and contemporaneously negotiated credit facilities, documents the use of acquisition financing, and presents summary statistics for the main variables used in the analysis.

3.1 Sample Construction

Panel A of Table 1 outlines the sample construction. I begin with Refinitiv’s SDC Mergers & Acquisitions database and identify transactions classified as “merger” or “acquisition of majority

interest” announced between January 1, 1994, and December 31, 2020. The start date coincides with the SEC’s introduction of mandatory electronic filing through EDGAR, which makes systematic collection of acquisition financing disclosures feasible. The initial sample contains 22,643 takeover bids by U.S. public acquirers for U.S. public or private targets.

I apply the following screens. First, transactions must involve a change of control: the acquirer holds less than 50% of the target before the transaction and seeks at least 50% afterward. Second, bidders must be covered by both CRSP and Compustat. Third, I exclude financial firms (SIC 6000–6999) and regulated utilities (SIC 4900–4999), whose capital structures are shaped by regulation. Fourth, I retain only completed deals, since firms disclose actual sources of funds upon completion but generally do not report intended financing for withdrawn transactions.⁴ Finally, the transaction value must exceed \$1 million (2000 USD) and represent at least 1% of the bidder’s book assets.

After these restrictions the sample comprises 5,705 completed takeovers by 3,010 unique firms, of which 43% are all-cash offers, 26% mixed, and 31% all-stock.

3.2 Hand-Collected Acquisition Financing Data

Panel B of Table 1 summarizes the hand-collected financing data. Existing databases do not identify how individual acquisitions are financed. They infer financing from changes in firms’ capital structure or from newly originated loans, neither of which reveals whether a specific transaction was funded with liquidity already in place. SDC reports source-of-funds indicators, but these do not distinguish revolving facilities from other forms of bank borrowing, and are frequently absent. Among the 784 acquisitions I identify as credit-line financed, SDC records a credit line in 343; for 200 of the remaining 441 it reports no source of funds at all.⁵ Identifying the specific facility used,

⁴This restriction is relaxed in Section 4.2.2, where the analysis of deal withdrawal uses all announced bids together with a firm-level measure of committed credit capacity observable for completed and withdrawn transactions alike.

⁵SDC also flags a credit line in 95 transactions for which the filings disclose no credit-line financing. Of these, 69% were financed with term loans, compared with 26% elsewhere in the sample, and each has at least one financing source identified from filings. SDC’s own descriptions for these transactions read, for example, “Borrowings Line of Credit,” indicating a broad bank-debt classification rather than an error. The two classifications agree for 61%

and whether it was in place before the transaction, therefore requires the filings themselves.

I begin with a random sample of 1,900 all-cash and mixed acquisitions, approximately 50% of all cash bids over the sample period. For each transaction, I review more than 6,000 SEC filings, including Forms 8-K, 10-Q, and 10-K, to identify the specific credit facilities, loan agreements, securities, or internal funds used to finance the acquisition. I supplement these disclosures with company press releases and business news from Nexis Uni to verify financing arrangements and reconcile inconsistencies across sources.

Acquisition financing is classified into seven non-mutually exclusive categories: internally generated cash,⁶ revolving credit facilities, term loans, bond issuance, commercial paper, other debt (including bridge loans and seller financing), and equity issuance. For each transaction I record whether each source is used, whether it fully or partially finances the acquisition, and, when disclosed, the dollar amount provided by each source. For bank financing I additionally identify the specific credit facility used.

3.2.1 Classifying Pre-Committed and Contemporaneously Negotiated Financing

The distinction between pre-committed and contemporaneously negotiated bank financing is the paper’s central classification, and it rests on the stated purpose of the financing arrangement rather than on its timing. A facility is classified as *contemporaneously negotiated* when the acquirer’s filings state that the facility was arranged or amended to fund a specific acquisition, and the disclosure can be matched to that transaction. A facility is classified as *pre-committed* when the acquirer draws on a facility already in place and no amendment, consent, or new agreement is tied to the acquisition in its filings.

Classification by stated purpose is necessary because private credit agreements are renegotiated frequently for reasons unrelated to acquisitions (Roberts and Sufi, 2009). A rule based on proximity in time would misclassify routine renegotiations as transaction-specific, and would ex-

of the 1,385 transactions in the sample, against a base rate of 57%.

⁶Including “cash on hand,” “corporate funds,” “working capital,” and “cash and marketable securities,” as described in firms’ disclosures.

clude acquisition-related amendments falling outside an arbitrary window. The disclosures are typically explicit. In the amendment accompanying its acquisition of PremiumWear, for example, New England Business Service reported that it had “amended its unsecured, revolving line of credit agreement to, among other things, increase the total borrowing commitments thereunder from \$165,000,000 to \$200,000,000, and permit the Company’s acquisition of all of the outstanding capital stock of PremiumWear, Inc.”⁷ The interval between the credit agreement and the acquisition announcement varies and is not used to classify transactions. Transactions with ambiguous, incomplete, or conflicting disclosures are excluded.

3.2.2 Final Sample and Selection

After excluding transactions with insufficient financing disclosure and stock-for-stock transactions misclassified in SDC as cash or mixed deals, the hand-collected sample contains 1,385 completed acquisitions, 73% of the initial random sample. I augment this with 1,804 all-stock acquisitions from SDC, yielding 3,189 acquisitions over 1994–2020, of which 33% are all-cash, 11% mixed, and 56% all-stock.

Unless otherwise noted, the baseline analysis includes all acquisitions and controls for payment method. The acquisition funding decision has two margins: whether to pay with cash or stock and, conditional on requiring cash, how that cash is financed. The paper’s question concerns the second margin. All-stock acquisitions therefore represent an alternative funding choice, and excluding them would condition the analysis on the endogenous decision to use cash consideration.⁸

Because financing disclosures are not uniformly available, I examine potential selection into the hand-collected sample. Internet Appendix Tables IA.1 and IA.2 show that disclosure is more common among larger, more liquid, and more highly levered firms, and less common for larger transactions, consistent with differences in reporting practice. Announcement returns and comple-

⁷Form 8-K filed June 9, 2000. The amendment names the transaction, was executed on the date of the merger agreement, and raised committed capacity by an amount close to the purchase price. Internet Appendix A1 reproduces this and other representative disclosures, including examples of draws on unamended existing facilities.

⁸Coefficients are similar in sign and magnitude throughout when the sample is restricted to cash and mixed bids, and statistical significance is retained for bidder announcement returns, takeover premia, and the matched-sample estimates.

tion durations do not differ significantly between transactions with and without identified financing sources, so inclusion in the sample is unlikely to be systematically related to acquisition outcomes.

3.3 Acquisition Covenants in Credit Agreements

When an acquirer arranges financing for a transaction, lenders review the acquisition and condition their agreement on it. Fossil, for example, amended its revolving credit agreement in connection with its acquisition of Skagen after obtaining lender consent and revising the facility’s borrowing commitments.⁹ Drawing on an existing facility involves no comparable step, provided the acquisition satisfies the terms of the agreement already in place.

Credit agreements make those terms observable. Restrictive covenants grant lenders contractual control rights over major corporate transactions (Becher, Griffin, and Nini, 2022). Using the Becher, Griffin, and Nini (2022) dataset of private credit agreements, I examine acquisition covenant provisions for the credit facilities used to finance acquisitions in my sample, covering both existing credit lines and newly arranged credit lines and term loans. Following that classification, acquisition covenants fall into three categories: no restriction, full restriction requiring lender approval, and partial restriction subject to financial or contractual conditions.

Table 3 reports the results. Panel A covers the 54 existing facilities for which the governing agreement can be identified. Sixty-three percent impose no restriction on acquisitions, and none prohibits them outright. The remaining 37% permit acquisitions subject to contractual conditions, typically a cap on aggregate consideration, a pro forma leverage test, or restrictions on target type. In every one of these 20 cases the acquisition satisfied the conditions the agreement imposed. This pattern is what the classification requires. An acquirer draws on a pre-existing facility when its agreement permits the transaction, either because no restriction applies or because the transaction falls within the permitted terms. No acquisition in the sample was funded by drawing on a facility

⁹See *Fossil Group*, Form 8-K, filed April 4, 2012, Exhibit 10.1 (Consent and First Amendment to Credit Agreement). This is consistent with standard U.S. acquisition-finance practice, under which financing arranged specifically for an acquisition commonly involves lender review of acquisition agreements, transaction-specific covenant modifications, and approval of financing commitments in connection with the acquisition. See, e.g., Cravath, Swaine & Moore LLP, *Acquisition Finance Guide* (2023); Morgan, Lewis & Bockius LLP, *Financing Issues in M&A Transactions* (2024).

that prohibited acquisitions, and none required a waiver of a condition it failed to meet. Drawing on committed capacity therefore involves no contemporaneous credit decision, not because lenders are absent from the arrangement, but because their decision predates the acquisition.

Panels B and C describe acquisitions financed through new or amended credit facilities. Panel C reports the covenant terms in force before the transaction, in the 84 cases where the prior agreement can be identified. Fifty-six percent permitted acquisitions subject to conditions and a further 4.8% prohibited them, so 51 of the 84 cases involved an agreement that restricted acquisition activity. Among the 47 partially restricted agreements, 42 involved acquisitions that did not satisfy the conditions imposed, leaving the acquirer unable to fund the transaction from the existing facility. Panel B reports the terms of the new or amended facility that funded the transaction: half impose no restriction on subsequent acquisitions, 42.5% permit them subject to conditions, and 7.5% prohibit them.

Two features of this comparison are worth noting. First, acquirers draw on committed capacity when the transaction falls within the terms already agreed, and return to their lenders when it does not. Among existing facilities with partial restrictions, every acquisition satisfied the conditions its agreement imposed. Among the prior agreements of acquirers who arranged new or amended financing, five of 47 did. The route an acquirer takes is closely related to terms set before the target was identified.

Second, the agreements written at the time of an acquisition themselves restrict future acquisition activity in half of cases. Lenders extending credit for a transaction simultaneously constrain the borrower’s subsequent investment, consistent with evidence that debt contracts shape corporate behavior through covenants and control rights (Nini, Smith, and Sufi, 2012; Becher, Griffin, and Nini, 2022). The ExamWorks amendment reproduced in Internet Appendix IA.1 illustrates this second feature: it permitted the acquisition being financed and specified thresholds above which subsequent acquisitions require delivery of a quality of earnings report on the target or pro forma projections to the lenders.

3.4 The Use of Acquisition Financing

Figure 1 reports the distribution of funding sources for the 1,385 completed all-cash and mixed bids. Because firms frequently combine sources, the categories are not mutually exclusive, and the figure separates transactions financed entirely from a given source from those financed partially. Credit lines are the most frequently used source, appearing in 57% of transactions and fully financing the cash consideration in 23%. Internal funds follow at 49%, then term loans (29%), bond issuance (12%), equity issuance (5%), other debt including bridge facilities (4%), and commercial paper (3%).

Figure 2 reports the share of cash consideration financed by each source, conditional on use. Credit lines stand out, financing a median 83% and a mean 70% of the cash consideration; in most transactions, the facility therefore funds most of the cash payment. Internal funds cover significantly less, with a median of 51% and a mean of 58%, consistent with a more supplementary role. Term loans and bonds fall between, with medians of 67% and 68%. Commercial paper resembles credit lines, with a median of 81%, but appears in only 46 transactions.

Figure 3 places these transactions in context by transaction value. All-stock acquisitions are the smallest, with a median value of \$50 million, followed by equity-financed acquisitions at \$85 million. Credit-line financed transactions have a median value of \$127 million, comparable to those funded with internal cash at \$138 million. Transactions financed with term loans, bonds, and commercial paper are substantially larger, with medians of \$270 million, \$397 million, and \$520 million respectively.

Figure 4 examines the credit facilities used in cash bids. Among the 784 transactions financed with credit lines, 37% draw on a pre-existing facility and the remaining 63% involve a facility amended or newly arranged for the transaction (Panel A). Panel B shows that more than 90% are revolving agreements with an average maturity of 4.3 years, indicating that acquisition financing is drawn from multi-year lending arrangements rather than short-term bridge credit.

3.5 Summary Statistics

Table 2 reports descriptive statistics for the key variables used in the analysis. Columns (1)–(2) present the full sample of 1,385 all-cash and mixed acquisitions. Columns (3)–(4) and (5)–(6) report summary statistics for acquisitions financed with and without credit lines, respectively. The final columns report tests of differences in means and medians. All continuous variables are winsorized at the 1st and 99th percentiles. Variable definitions are provided in Appendix A.

Panel A compares bidder characteristics across financing types. Relative to other cash bidders, firms using credit lines are smaller, with median total assets of \$544 million versus \$685 million, and hold substantially less cash (median cash-to-assets ratio of 5% versus 14%). They also exhibit higher profitability, greater asset tangibility, lower EBITDA volatility, and slightly higher leverage. These differences suggest that credit-line users rely less on internal liquidity while exhibiting characteristics commonly associated with access to bank financing.

Panel B reports deal characteristics. In the sample of cash and mixed bids, 46% of targets are private, 18% of transactions are tender offers, and 36% are horizontal acquisitions. Credit-line-financed acquisitions are smaller on average (median deal value of \$127 million versus \$143 million) and are more likely to involve private targets (49% versus 42%). These differences suggest that credit-line financing is more common in transactions requiring relatively modest financing and involving fewer disclosure requirements.

Finally, credit-line-financed acquisitions exhibit higher bidder announcement returns and shorter completion times. Average bidder five-day CARs are 2.5% compared with 1.3% for other cash-financed acquisitions, while the median completion time is 40 days versus 47 days. Both differences are statistically significant at the 1% level. These univariate differences motivate the multivariate analyses of financial flexibility and lender approval that follow.

4 Empirical Evidence

This section examines the empirical implications of the two financing arrangements. Section 4.1 documents their cross-sectional determinants. Section 4.2 examines whether pre-committed liquidity is associated with faster and more certain execution, and Section 4.3 examines the valuation and realized outcomes associated with contemporaneously negotiated bank financing.

4.1 The Choice Between Committed and Negotiated Financing

Section 2.2 implies that acquirers use existing facilities when they have sufficient committed capacity and arrange financing for the transaction when they do not. Table 4 documents which acquisitions are financed each way and tests whether insufficient committed capacity predicts the route.

Columns (1) through (3) use the full sample. Column (1) estimates the likelihood that an acquisition is financed with a credit line; Columns (2) and (3) distinguish existing facilities from new or amended ones. Column (4) restricts the sample to credit-line financed acquisitions and compares the two arrangements directly. All specifications include year and industry fixed effects, with standard errors clustered by acquirer and year.

Credit-line financing is more common among smaller acquirers with lower cash holdings. A one-standard-deviation decrease in the cash-to-assets ratio is associated with a 9 percentage point increase in the likelihood of using a credit line, consistent with committed bank capacity substituting for internal liquidity. Credit lines are also more common in acquisitions of private targets, in tender offers, where funds must be available when the offer expires, and during industry merger waves.

The two arrangements differ systematically. Existing facilities are used for acquisitions that are small relative to the acquirer and for private targets, while new or amended facilities are used for larger and horizontal acquisitions. Column (4) shows the contrast directly: among credit-line financed acquisitions, those large relative to the acquirer are 26 percentage points more likely to

involve a new or amended facility, and private-target acquisitions 18 percentage points less likely.

Columns (5) through (8) restrict the sample to acquirers holding a credit line before announcement and introduce a direct measure of whether the transaction exceeds available capacity. *Capacity Shortfall* equals one when undrawn committed capacity is less than the cash consideration, which compares capacity with the financing the transaction requires rather than with acquirer size. The restriction also holds constant the presence of pre-existing committed capacity, so the comparison is between acquirers who could have drawn on a facility and those who instead arranged new financing. Undrawn capacity is observed only for acquirers covered by Capital IQ, which reduces the sample to 1,134.

The evidence supports the prediction. A capacity shortfall reduces the likelihood of drawing on an existing facility by 16 percentage points and does not predict the use of a new or amended one. Column (8) gives the direct comparison: among acquirers holding a facility and financing with a credit line, a shortfall raises the probability that the facility was new or amended by 18 percentage points ($t = 2.98$). Acquirers return to their lenders when the transaction exceeds the capacity they hold. The financing route therefore depends substantially on capacity arranged before the target was identified.

4.2 Pre-Committed Liquidity and Execution

4.2.1 Deal Completion Duration

Prediction 1 implies that pre-committed liquidity is associated with faster completion. Financing already committed can be deployed at closing; financing arranged for the transaction requires negotiation with lenders or, for public issuance, underwriting and investor coordination. Because duration also reflects regulatory review, negotiation, and shareholder approval, whether financing arrangements are systematically related to execution speed is an empirical question.

To examine this prediction, I estimate regressions of deal duration, measured as the log of one plus the number of days between announcement and completion, on financing indicators, deal

characteristics, lagged firm characteristics, and fixed effects. Standard errors are clustered by acquirer and year.

Table 5 reports the results. Acquisitions financed with existing credit lines complete significantly faster. The coefficient is -0.708 ($t = 5.97$) with year and industry fixed effects, -0.546 under industry-by-year fixed effects, and -0.451 with acquirer fixed effects, so the relation is not driven by common industry shocks or by time-invariant firm characteristics, though the magnitude declines as the fixed effects become more demanding. Internal cash is associated with similarly shorter durations, and tests do not reject equality between the two coefficients.

Column (4) adds the remaining financing sources and tests the ordering in Prediction 1. New or amended credit lines are associated with no difference in duration relative to the omitted category, while term loans (0.315) and bond issuance (0.343) are associated with substantially longer completion times. Term loans and bond issuance are statistically indistinguishable ($p = 0.866$).

Seventeen percent of completed acquisitions are announced on the completion date. These are predominantly private-target transactions disclosed only at closing, for which measured duration reflects disclosure timing rather than execution time. Because such transactions are also more often financed from existing facilities, their inclusion inflates the estimates in Columns (1) through (4). Columns (5) through (7) reestimate Column (1) under alternative restrictions. Excluding transactions announced at completion reduces the coefficient on existing credit lines to -0.261 , or 23% shorter completion times. Excluding transactions completed within five days yields -0.204 , or 18%. Among public targets, for which a proxy statement and shareholder vote impose a minimum timetable regardless of financing, the coefficient is -0.401 , or 33%. The relation holds under each restriction; the unrestricted estimate of 51% is overstated by transactions for which duration does not measure execution time.

The control coefficients are consistent with prior evidence: private-target transactions complete more quickly, while larger transactions, those requiring shareholder approval, and those subject to antitrust review complete more slowly.

A remaining concern is that firms establish credit lines in anticipation of a specific acquisition, so that the relation reflects capacity arranged for the impending transaction rather than pre-committed liquidity generally. Internet Appendix Table IA.5 distinguishes facilities originated at least one year before announcement from those established more recently. Both are associated with shorter completion times, and tests do not reject equality between them in any specification (p -values between 0.37 and 0.95). This does not rule out endogenous financing decisions, but it indicates that the timing of facility origination is unlikely to be the primary driver of the relation.

Internet Appendix Table IA.6 replicates Table 5 on the subsample of cash and mixed-payment acquisitions, which require a cash component at closing. The estimates are similar in sign and magnitude.

4.2.2 Deal Withdrawal

Prediction 2 extends the argument from execution speed to completion. Between announcement and closing, financing conditions may deteriorate or unexpected funding needs may arise. An acquirer holding unused committed credit capacity can cover these contingencies without a new financing decision, and should therefore be less likely to abandon an announced transaction.

Testing this requires a sample that includes transactions that did not close. I therefore use all announced domestic acquisition bids by U.S. public nonfinancial firms recorded in SDC between 1994 and 2020, prior to the hand-collection of financing details. The sample comprises 6,190 transactions, of which 7.7% are withdrawn.¹⁰

Table 7 estimates linear probability models in which the dependent variable equals one if the announced acquisition is withdrawn. The variable of interest is *Unused Committed Credit Capacity*, measured as undrawn revolving credit commitments scaled by total assets at the fiscal year-end preceding announcement. Data on revolving commitments are from Capital IQ. All specifications include deal characteristics and lagged firm controls, with standard errors clustered by acquirer

¹⁰Financing sources are observed only for completed transactions, since an acquirer that withdraws files no completion document describing how the deal would have been funded. This section therefore uses unused committed credit capacity, which is measured before announcement and is observable for completed and withdrawn bids alike.

and year.

Column (1) reports the baseline specification with year and two-digit SIC industry fixed effects. Unused committed capacity is negatively related to withdrawal: the coefficient of -0.157 implies that a one-standard-deviation increase (0.178) is associated with a 2.8 percentage point lower probability of withdrawal, approximately 36% of the unconditional rate. The estimate is stable in Column (2), which includes industry-by-year fixed effects and therefore absorbs time-varying sector shocks and merger waves, and in Column (3), which includes year and acquirer fixed effects and identifies the relation from within-firm variation across transactions.

Capital IQ reports credit-line data for 3,087 of the 6,193 transactions. Observations without a record are excluded rather than assigned zero capacity, since noncoverage does not imply the absence of a facility. Coverage expands substantially over the sample period, rising from 10% in 1994 to over 85% after 2010, and missing observations occur throughout the acquirer-size distribution.¹¹ Columns (4) and (5) examine alternative treatments of uncovered observations. Assigning zero capacity to uncovered observations yields an estimate of -0.203 , while restricting the sample to acquisitions announced after 2001, when Capital IQ’s debt-structure coverage becomes comprehensive (Colla, Ippolito, and Li, 2013), yields -0.140 . Neither treatment overturns the result: the coefficient remains significant at the 1% level throughout.

An obvious concern is that unused committed capacity proxies for acquirer quality rather than for financing availability. Banks extend capacity to firms they assess favorably, and such firms may complete transactions at higher rates for reasons unrelated to liquidity. Robustness across fixed-effect specifications does not address this, since a quality proxy would survive those specifications as well. Panel B provides a more direct test. If committed capacity operates through the availability of funds, its effect should be present where the transaction requires cash at closing and absent where it does not. If it proxies for quality, the relation should not depend on the

¹¹Covered acquirers are larger than uncovered acquirers (median assets of \$605 million versus \$159 million), undertake smaller transactions relative to their size (median relative deal size of 14% versus 26%), and withdraw less often (5.6% versus 9.9%). These differences persist within the post-2001 period. The relation between unused credit capacity and withdrawal, however, is present throughout the size distribution of covered acquirers: the estimated marginal effects are -0.14 , -0.14 , and -0.27 across terciles of acquirer assets.

method of payment.

Panel B interacts capacity with the share of consideration paid in cash. The interaction is negative and significant (-0.001 , $t = 2.58$), so the relation strengthens as the transaction's cash requirement rises. Evaluated at the extremes of the cash share, the estimated relation is -0.07 for transactions paid entirely in stock and -0.18 for those paid entirely in cash.¹² This gradient is difficult to reconcile with committed capacity serving as a general quality proxy, which would imply a relation independent of the method of payment.

A second feature of the results is consistent with this interpretation. Acquirer cash holdings do not predict withdrawal in any specification. The relation therefore does not appear to reflect liquid resources in general: unused committed capacity, rather than balance-sheet cash, is associated with completion. Cash has competing uses and its balance at the measurement date need not reflect funds available at closing, whereas a revolving commitment provides contractual access to external financing arranged in advance.

Taken together, the evidence indicates that pre-committed liquidity is associated with a higher likelihood that announced transactions are completed, and that this relation operates through the availability of funds at closing rather than through what committed capacity reveals about the acquirer.

4.2.3 Repayment of Acquisition Drawdowns

Whether firms retain or replace acquisition-related credit-line borrowings after closing provides further evidence on the economic role of committed liquidity. If revolving facilities serve as long-term acquisition financing, acquisition-related borrowings should remain outstanding and be repaid over the facility's remaining contractual maturity. If instead their value lies in ensuring funding certainty during execution, firms may retire these borrowings soon after closing despite having no contractual obligation to do so.

¹²An equivalent specification interacting capacity with indicators for all-cash and mixed payment yields marginal effects of -0.19 , -0.09 , and -0.07 for all-cash, mixed, and all-stock transactions respectively. All-stock acquisitions frequently require some cash at closing, for instance to refinance target debt or settle equity awards, so the payment classification is not a perfect measure of the cash requirement.

To examine this, I construct a hand-collected sample of 200 randomly selected acquisitions financed with credit lines by tracking post-closing Forms 10-K and 10-Q. Repayment information is available for 95 transactions.¹³ These are economically significant transactions, with an average value of \$322 million and cash consideration of \$245 million. Credit lines finance about 70% of the cash consideration on average, so they constitute the primary source of funding at closing.

Table 6 reports how these borrowings are retired. The timing is the most striking feature. Although the underlying facilities have an average remaining contractual maturity of 3.8 years, firms repay at least half of the acquisition-related drawdown within an average of 3.6 months. The gap between contractual maturity and realized repayment indicates that retirement is not driven by the facility approaching expiration: firms retire these borrowings years before they are required to.

The timing of these repayments is particularly striking. Although the underlying credit facilities have an average remaining contractual maturity of 3.8 years (median 4.1 years), firms repay at least one-half of acquisition-related drawdowns within an average of only 3.6 months (median 2.2 months). The substantial gap between contractual maturity and realized repayment indicates that refinancing is unlikely to be driven by loan expiration. Instead, firms appear to retire acquisition-related revolving borrowings well before required, consistent with committed credit lines primarily providing funding certainty during transaction execution rather than permanent acquisition financing.

The sources of repayment indicate that this is refinancing rather than deleveraging. Public bond and note issuance accounts for 49% of repayments. Equity issuance, operating cash flow, and new debt each account for roughly one-sixth, while asset sales are rare. Overall, 82% of repayments draw on external financing, so firms are replacing the drawdown with permanent capital rather than repaying it from funds generated by the business.

¹³Illustrative disclosure excerpts are provided in Internet Appendix IA.2. Firms disclose the source and timing of repayment less consistently than the fact of the drawdown itself. Transactions with observable repayment information do not differ significantly from those without in transaction value, relative size, or the share of cash consideration financed by the credit line; acquirers that disclose are somewhat larger (mean assets \$2.1 billion against \$1.4 billion, $p = 0.10$).

Together these patterns indicate that credit lines used in acquisitions function as a bridge between the funding required at closing and the permanent financing arranged afterward. Acquisitions require committed funding on an uncertain closing date: before closing, timing and completion remain contingent on regulatory approval, contractual conditions, and other execution risk. Raising permanent debt or equity before that uncertainty resolves exposes the firm to issuance costs and to capital-structure adjustment if the transaction is delayed, repriced, or abandoned. A committed facility guarantees funds whenever closing occurs while deferring the permanent financing decision until execution risk has passed.¹⁴

4.3 Lender Approval and Acquisition Outcomes

4.3.1 Abnormal Announcement Returns

Prediction 3 states that acquisitions involving a contemporaneous bank credit decision earn higher announcement returns than otherwise similar transactions financed from capacity committed earlier. Table 8 tests Prediction 3 using announcement returns. All specifications include firm and deal controls and year and two-digit SIC industry fixed effects. Because advisor quality is associated with acquisition outcomes (Golubov, Petmezas, and Travlos, 2012), and acquirers arranging financing for a transaction may also engage higher-quality advisors, the specifications additionally control for top-tier advisors, constructed as described in Internet Appendix IA.3.

Columns (1) through (3) report bidder cumulative abnormal returns over the $[-2, +2]$ window. Columns (4) through (6) report combined returns, measured following Bradley, Desai, and Kim (1988) and Dessaint, Eckbo, and Golubov (2023) as the market-model CAR of a value-weighted bidder–target portfolio over the same window. Combined returns require a listed target, which reduces the sample to 1,036 transactions.

Acquisitions funded from existing credit lines earn no abnormal return: the coefficient on *Existing Credit Line* ranges from -0.009 to 0.000 and is insignificant throughout. By contrast,

¹⁴A drawn revolver also consumes committed capacity that would otherwise be available for subsequent opportunities, and drawn balances are subject to covenant restrictions. Both give firms reason to retire acquisition-related drawdowns promptly, independent of execution risk.

acquisitions financed through new or amended credit lines earn bidder returns 1.4–1.6 percentage points higher, significant at the 5% level in each specification. At the mean acquirer market capitalization, these estimates correspond to \$23–\$26 million in bidder shareholder value. Equality with the existing-line coefficient is rejected in every specification ($p \leq 0.050$).

Newly originated term loans show the same pattern. Bidder returns are 1.7 percentage points higher in Column (2) ($t = 2.46$), and equality with the coefficient on new or amended credit lines cannot be rejected ($p = 0.76$). The two instruments differ in form but share a credit decision made with the transaction in hand, and their returns are indistinguishable. The relevant distinction is therefore the timing of the credit decision rather than the instrument.

Column (3) adds public bond and stock issues. Neither is associated with a significant bidder return, and including them leaves the bank financing coefficients essentially unchanged.

Combined returns show the same ordering. Acquisitions financed through new or amended credit lines are associated with combined returns 1.5 to 2.0 percentage points higher, and those financed with new term loans with returns 3.6 to 3.7 percentage points higher, all significant at the 5% level or better; existing credit lines again show no effect. The term-loan estimate is roughly twice the credit-line estimate, but the difference is not statistically significant ($p = 0.10$ and $p = 0.12$). The contrast with existing lines is weaker on this smaller sample, significant at the 10% level in Column (4).

Higher combined returns indicate that the bidder’s gain is not offset by a loss to target shareholders: the market expects greater total gains from acquisitions involving a contemporaneous bank credit decision.¹⁵ How those gains are divided between the parties is examined in Section 4.4.

4.4 Takeover Premia

The higher combined announcement returns indicate that acquisitions involving a contemporaneous bank credit decision are associated with greater total gains, not merely a reallocation of a fixed surplus toward the acquirer. Transaction prices show how those gains are divided. Prediction 4

¹⁵The results hold when the sample is restricted to all-cash and mixed bids, for which the acquirer must fund at least part of the consideration (Internet Appendix Table IA.7).

implies that these acquisitions are associated with lower offer premia.

Table 9 examines the relation between financing arrangements and offer premia. The dependent variable is the offer price relative to the target’s share price four weeks, eight weeks, and five months before announcement. Columns (1)–(3) use the log of this ratio; Columns (4)–(5) use the eight-week measure in levels, before and after truncating the top and bottom one percent. The specification follows Table 8. Because offer premia require pre-announcement share prices, the sample is restricted to listed targets. Existing facilities are disproportionately used for private targets (Table 4), leaving 65 such transactions in the estimation sample.

Acquisitions involving a contemporaneous bank credit decision are associated with lower offer premia. The coefficient on *Lender Approval* ranges from -0.147 to -0.185 across the log specifications and is significant at the 1% level throughout. These estimates imply 14–17% lower offer prices relative to the target’s pre-announcement share price, including 16% at the eight-week horizon in Column (2).

Acquisitions drawing on committed capacity show no comparable discount. The coefficient on *Existing Credit Line* is positive in every column, significant at the 10% level in Column (2) and the 1% level in Column (5), and never negative. Equality of the two coefficients is rejected in all five columns ($p < 0.005$), although the comparison rests on a small number of existing-facility transactions.

The untruncated level estimate in Column (4) is more than twice the truncated estimate in Column (5), -0.381 compared with -0.171 , reflecting the right tail of the premium distribution. The logarithmic and truncated specifications therefore provide more stable estimates of magnitude, while the negative association with contemporaneous bank financing is robust across all five columns.

Taken together, the return and premium results show that acquisitions involving a contemporaneous credit decision combine greater total gains with lower prices paid for the target relative to its pre-announcement value. The pattern is consistent with the market expecting greater value creation, with more of those gains accruing to the acquirer. Section 4.7 examines alternative

explanations for this association.

4.5 When Is Lender Approval Most Informative?

If a contemporaneous credit decision matters because the lender evaluates the transaction, the association with announcement returns should be concentrated in acquisitions that are harder to assess in advance. Larger transactions, acquisitions of listed targets, and deals involving less tangible assets involve greater valuation uncertainty, leaving more scope for a lender’s assessment to matter. An alternative is that the association reflects discipline imposed on a management team with weak incentives, which would predict variation with acquirer rather than transaction characteristics.

Table 10 interacts *Lender Approval* with one transaction characteristic at a time, including the characteristic itself and the full control set from Table 8.

Columns (1) and (2) use an indicator for the top quartile of relative deal size. The interaction is 0.032 ($t = 3.37$) for bidder returns and 0.027 ($t = 1.75$) for combined returns. Including the main effect, contemporaneous financing is associated with bidder returns 4.1 percentage points higher in the top quartile, against 0.9 percentage points elsewhere.

Column (3) uses an indicator for listed targets, whose valuation is contestable and priced in public markets. The interaction is 0.019 ($t = 2.31$). It cannot be estimated for combined returns, which require a listed target.

Columns (4) and (5) use a complexity index summing five indicators: top-quartile relative size, listed target, horizontal acquisition, merger-wave period, and high-technology acquirer or target. The interaction is 0.010 for bidder returns ($t = 2.17$) and for combined returns ($t = 1.76$), while the main effect falls to 0.002 and 0.006 and is insignificant. At an index of zero — a small, private, non-horizontal deal outside a merger wave — the association is absent.

Acquirer characteristics show no such pattern: in Internet Appendix Table IA.8, interactions with a free-cash-flow measure of agency costs, the bank share of total debt, and indicators for unrated and smaller acquirers are all indistinguishable from zero. What the credit decision reflects

therefore appears tied to the transaction rather than to the borrower.

4.6 Robustness

Table 11 examines whether the association between a contemporaneous bank credit decision and announcement returns depends on how returns are measured, on pre-announcement price movements, or on unobserved differences across industries and acquirers.

Return measurement. Pre-announcement price movements could bias the comparison if information about the transaction reached the market earlier for some financing arrangements than for others. Column (1) adds the acquirer’s cumulative abnormal return over trading days -42 to -2 . The coefficient on *Lender Approval* is 0.016 ($t = 3.75$), unchanged from the baseline. Columns (2) through (4) replace the market model with the Carhart (1997) four-factor model and vary the window from $[-1, +1]$ to $[-3, +3]$; the coefficient ranges from 0.011 to 0.016 and is significant at the 5% level or better throughout.

Columns (5) and (6) extend the window to $[-2, +63]$ and $[-2, +128]$. The coefficient rises to 0.041 and 0.050 , both significant at the 5% level. Estimates over these horizons are noisier and depend more heavily on the benchmark model, but the association does not reverse in the months after the announcement, so the announcement return is not a temporary overreaction.

Unobserved heterogeneity. Acquirers choose their financing arrangement, and the choice may reflect industry conditions or persistent firm characteristics that are also related to returns. Column (7) replaces the separate year and industry fixed effects with industry-by-year fixed effects, comparing acquisitions within the same industry and year; the coefficient is 0.013 ($t = 2.35$). Columns (8) and (9) add acquirer fixed effects, so the coefficient is identified from acquirers whose financing arrangement varies across their own acquisitions. The sample falls to 1,926 transactions by repeat acquirers, and the coefficient is 0.015 ($t = 2.11$) and 0.014 ($t = 1.83$), significant at the 5% and 10% levels.

Internet Appendix IA.7 re-estimates the baseline specification on samples balanced on observable firm and deal characteristics, using propensity-score matching and entropy balancing. The coefficient on *Lender Approval* is 0.013 ($t = 2.13$) and 0.011 ($t = 2.00$), respectively.¹⁶

4.7 What the Announcement Premium Is Not

The preceding results show that acquisitions involving a contemporaneous bank credit decision are associated with higher announcement returns and lower offer premia. This section examines three alternative explanations.

Information about the borrower. The premium may reflect what a lender’s willingness to extend credit reveals about the acquirer rather than about the transaction. If so, it should be stronger where outside investors face greater informational frictions, since the lender’s assessment is then more informative relative to what the market already knows (Huang, Lu, and Srinivasan, 2022). I measure information frictions three ways: the share of bank debt in total debt, an indicator for unrated acquirers, and an indicator for acquirers below the sample median in total assets. Internet Appendix Table ?? reports the results. The interaction between lender approval and each proxy is statistically indistinguishable from zero, so there is no evidence that the premium is larger among acquirers for whom a lender’s assessment should be more informative to outside investors.

Information produced at facility origination. A second possibility is that the premium reflects information produced when the facility is originated rather than a credit decision made in connection with the acquisition. Because contemporaneously negotiated financing is typically arranged close to the transaction, the two are difficult to separate on timing alone.

Two results weigh against this. Internet Appendix Table ?? partitions facilities by the purpose recorded in DealScan: existing credit lines earn no premium whether classified as acquisition-

¹⁶Matching reduces the mean absolute standardized bias across covariates from 18.6% to 4.8% and the pseudo- R^2 of the propensity model from 0.126 to 0.007; a joint test of covariate differences in the matched sample does not reject ($p = 0.315$). Entropy balancing equates the covariate means exactly by construction.

purpose or general-purpose, while contemporaneously negotiated financing earns one in both groups. Internet Appendix Table IA.11 partitions contemporaneously negotiated facilities by whether they were originated before or after the announcement, and the estimates are similar across groups. The premium therefore does not depend on the facility being originated at the time of the acquisition, and cannot be attributed solely to the contemporaneous disclosure of newly arranged financing.

External financing more generally. Public debt and equity issuance also involve capital providers acting in connection with the acquisition, yet acquisitions financed that way earn announcement returns indistinguishable from those financed from other sources. The premium does not appear to be a general feature of contemporaneous external financing.

4.8 Post-Completion Outcomes

Prediction 5 asks whether the execution benefits of committed liquidity come at a cost. Financing committed before the use of funds is known cannot be conditioned on the investment eventually undertaken, which theories of loan commitments identify as a source of potential investment distortion. If commitment permits acquisitions that a contemporaneous credit decision would not have supported, that cost should appear after completion.

I examine the change in industry-adjusted return on assets over the three fiscal years following completion, and the incidence and magnitude of goodwill impairment over the same window. The sample comprises acquisitions with a complete three-year post-completion panel; the impairment analysis is restricted to acquisitions completed after 2002 with non-zero goodwill, since impairment testing was introduced by SFAS 142.

Table 12 reports the results. Acquisitions financed with bank credit are followed by higher industry-adjusted operating performance than those financed from other sources: 0.047 for existing credit lines ($t = 3.38$) and 0.033 for contemporaneous lender approval ($t = 2.21$). The two are not statistically distinguishable, with p -values between 0.24 and 0.47 across horizons, and neither

predicts subsequent goodwill impairment. Internet Appendix Table IA.13 reports the year-by-year estimates.

Column (2) adds indicators for public bond and equity issuance. The bank estimates are unchanged, and a further pattern emerges: bond-financed acquisitions are followed by *lower* operating performance (-0.042 , $t = 2.15$), significantly below both bank arrangements ($p = 0.010$ and $p = 0.003$) and in every year individually. Equity issuance shows no relation. Whatever distinguishes bank-financed acquisitions is not common to external financing generally.

Two conclusions follow. The evidence does not support Prediction 5: acquisitions funded from pre-committed capacity are not followed by worse realized outcomes, and the point estimates run the other way. More consequentially for Section 4.3, the announcement premium associated with contemporaneous bank financing is not accompanied by a difference in realized performance — the market prices the two arrangements differently at announcement, while the acquisitions do not differ on the outcomes observable afterward. Both conclusions rest on coarse measures, and the tests fail to reject equality between the two bank arrangements rather than establishing it.

4.8.1 Discussion and Interpretation

The evidence does not establish a causal effect of lender review on acquisition outcomes. Separating the candidate interpretations would require variation in whether an acquisition undergoes lender review that is unrelated to the transaction. Here, the financing route depends on covenant terms, transaction size relative to committed capacity, and the acquirer’s financing choice, each of which is related to the transaction itself.

The evidence nevertheless sharply narrows where the announcement premium appears. It does not attach to committed bank financing: acquisitions funded from pre-existing facilities earn no announcement premium on any valuation margin. Nor does it attach to contemporaneous external financing generally: public bond and equity issuance earn returns indistinguishable from other financing. And it is not accompanied by better realized outcomes: post-completion operating performance and goodwill impairment do not differ between the two arrangements.

Several interpretations remain consistent with the valuation results. A contemporaneous credit decision may convey information about the acquisition or select transactions that investors value more highly, while the amount of credit extended may constrain the price the acquirer can pay, shifting gains toward the acquirer. The tests above narrow the alternative explanations but do not separately identify these channels. The valuation differences are confined to transactions involving a bank credit decision made with the acquisition in hand.

5 Conclusion

Firms maintain borrowing capacity so they can act when investment opportunities arise. This paper asks whether it matters when that capacity was committed. Using hand-collected financing disclosures for 1,385 cash and mixed-payment acquisitions, I identify the facility funding each transaction and whether it was in place before the target was identified, a distinction standard financing data do not record.

The two arrangements matter on different margins. Pre-committed liquidity is associated with execution: acquisitions funded from an existing facility close more quickly, and acquirers with greater unused capacity are less likely to withdraw announced bids, with the relation strengthening as the transaction’s cash requirement rises. These acquisitions earn no announcement premium, which is what commitment timing predicts — a facility arranged before the target was identified conveys no new assessment when the transaction is announced.

Contemporaneously negotiated bank financing is associated with valuation: higher bidder and combined announcement returns, and lower offer premia. The premium does not extend to committed bank credit, nor to contemporaneous public debt or equity issuance, so it is specific to a credit decision made with the transaction in hand.

Post-completion outcomes do not distinguish the two. Both are associated with higher industry-adjusted operating performance than other financing sources, and neither predicts more subsequent goodwill impairment. The two arrangements therefore appear to deliver different benefits rather

than one dominating the other: acquirers who can draw on committed capacity forgo the announcement premium but retain the speed and funding certainty that committed financing provides.

The broader implication concerns how financial flexibility is measured. A large literature studies the quantity of capacity firms maintain. The evidence here indicates that the timing of the commitment matters as well: capacity arranged before an opportunity arises and financing negotiated once the investment is known are associated with different acquisition outcomes, and are indistinguishable in the data ordinarily used to study corporate liquidity.

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Figure 1: **Sources of Acquisition Financing**

This figure reports the distribution of financing sources for 1,385 completed all-cash and mixed-payment acquisitions between 1994 and 2020. Financing sources include credit lines, internal funds, term loans, bond issuances, commercial paper, equity issuances, and other debt. Fully financed indicates transactions in which the listed source provides all cash consideration, while Partially financed indicates transactions in which the listed source is used together with one or more other financing sources. Financing information is hand-collected from SEC filings (Forms 8-K, 10-K, and 10-Q) and supplemented with press releases and business news.

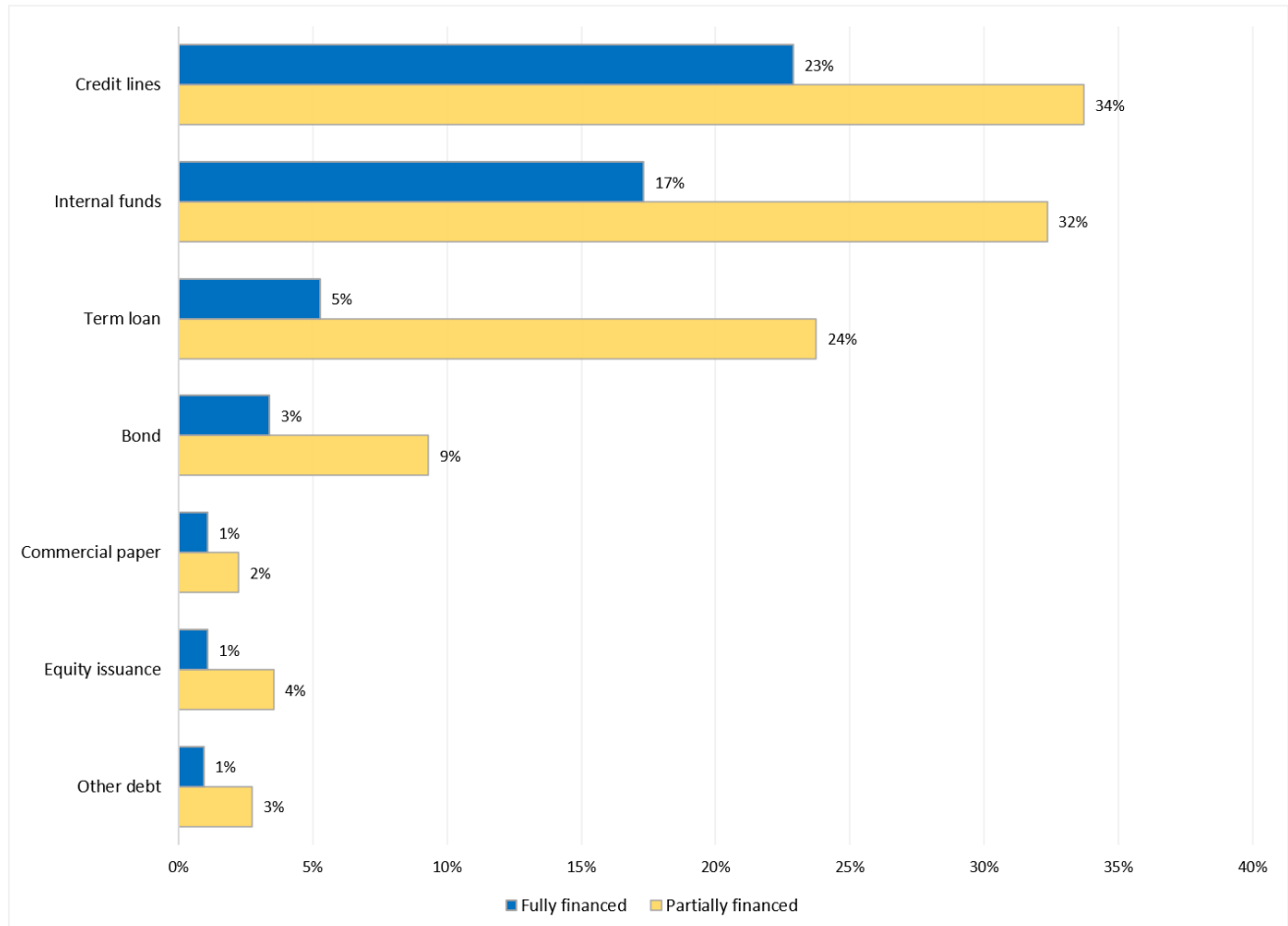


Figure 2: **Share of Cash Consideration Financed by Each Source**

This figure reports the median fraction of total cash consideration financed by each source, conditional on that source being used. For each transaction, financing amounts are scaled by the total cash consideration, and medians are computed across transactions using each source. Firms disclose whether a source was used more often than the amount it provided, so the parenthetical counts report transactions with a disclosed amount: 710 of the 784 transactions using credit lines, and a similar share for each other source. The sample consists of 1,385 completed all-cash and mixed bids; because acquirers frequently combine sources, the categories are not mutually exclusive.

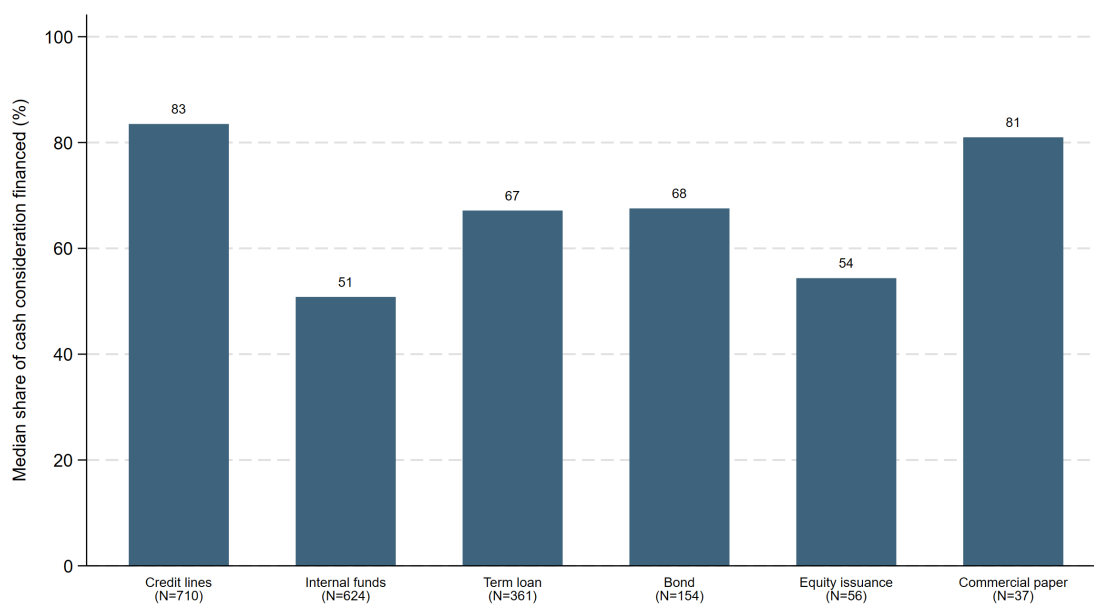


Figure 3: Median Transaction Value by Financing Source

This figure reports the median transaction value, in millions of dollars, by financing source. Sources are ordered by median transaction value. All-stock acquisitions, which require no cash at closing, are included for comparison. The number of transactions using each source is reported in parentheses. The sample consists of 3,189 takeover bids announced between 1994 and 2020.

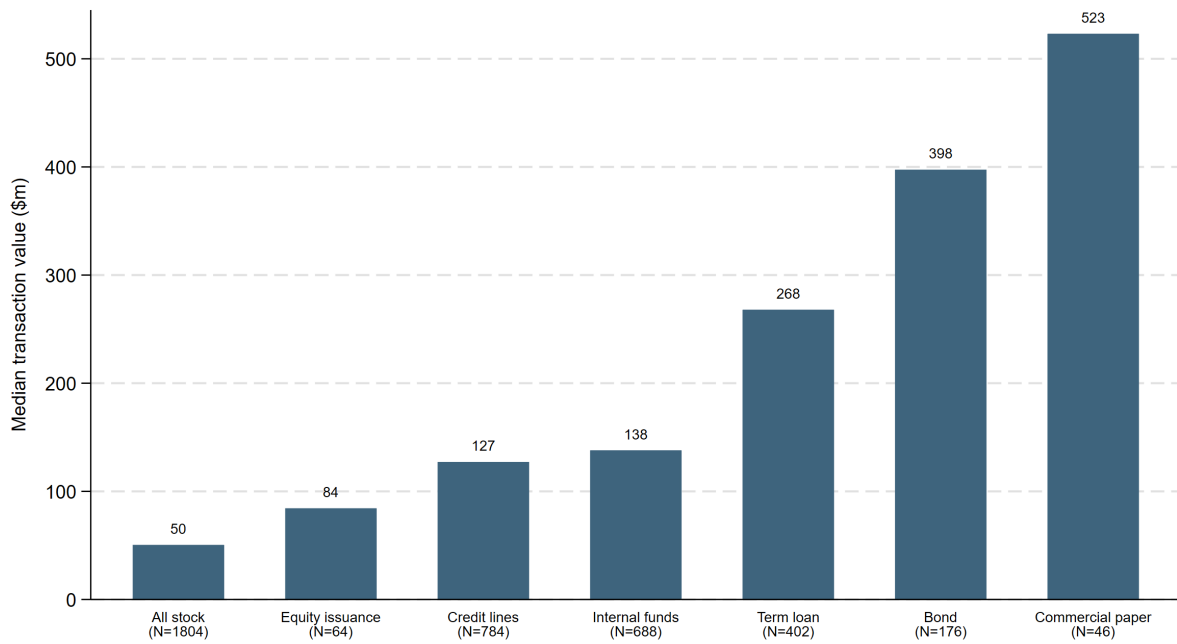


Figure 4: **Credit line financing in M&A: Loan characteristics**

The figure presents loan characteristics in 784 credit-line-financed acquisitions between 1994 and 2020. Panel A shows whether the bank loan is a new arrangement, an existing loan, or a current loan being renegotiated to facilitate the proposed acquisition (amended loan). Panel B exhibits the maturity of the loan contract.

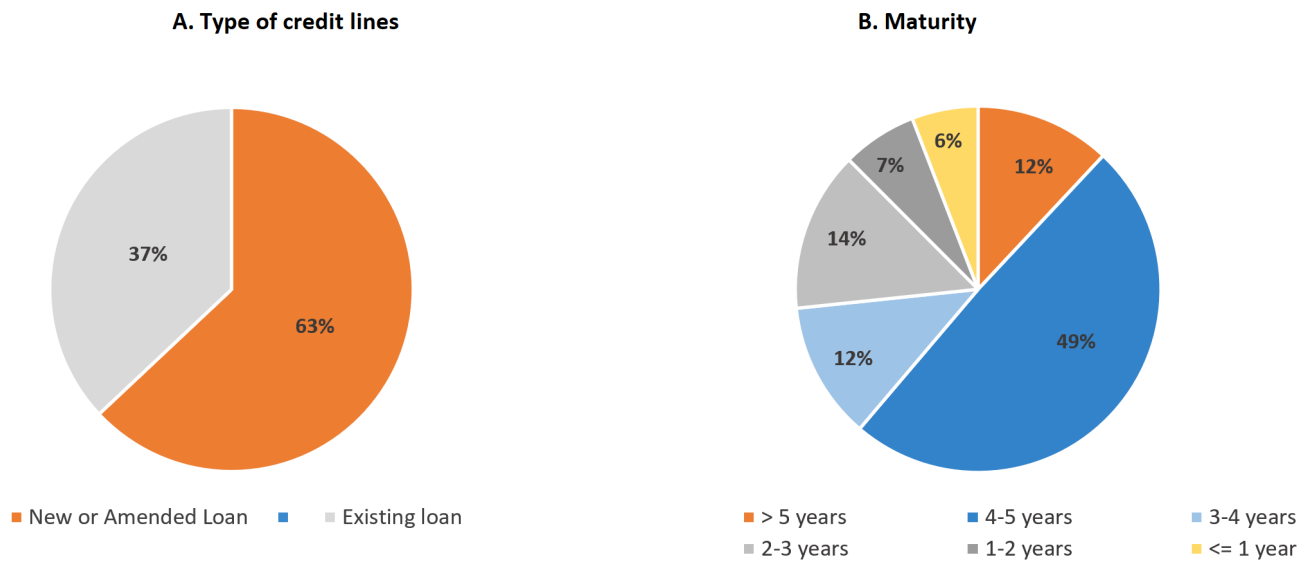


Table 1: **Sample Selection****Panel A: SDC Sample**

This panel reports the construction of the merger and acquisition sample. The initial sample includes transactions announced between 1994 and 2020 in Refinitiv's SDC M&A database involving U.S. public acquirers and U.S. targets. Control bids are transactions in which the acquirer owns less than 50% of the target before announcement and seeks at least 50% ownership upon completion. Sample Size reports the number of transactions remaining after each restriction.

Selection criterion	Source	Exclusions	Sample size
SDC mergers and acquisitions of majority interests, 1994–2020	SDC		59,479
U.S. targets and U.S. public acquirers	SDC	36,836	22,643
Control bids	SDC	61	22,582
Acquirers matched to CRSP and Compustat	SDC, WRDS	7,154	15,428
Exclude financial and utility acquirers	SDC, Compustat	4,524	10,904
Require nonmissing transaction value	SDC	2,748	8,156
Require completed transactions, transaction value above \$1 million and at least 1% of acquirer assets, and no duplicate announcements	SDC, Compustat	1,381	6,775
Require acquirer CIK and nonmissing key Compustat variables	WRDS	992	5,783
Require identifiable method of payment	SDC	78	5,705
Final pre-sample			5,705
<i>All-cash deals</i>			2,442
<i>Mixed deals</i>			1,459
<i>All-stock deals</i>			1,804

Panel B: Manual data selection for sources of funds in M&A

This panel describes the construction of the hand-collected financing sample. From the 3,900 cash and mixed transactions, I randomly select 1,900 transactions (approximately 50% of the sample) and identify deal-level financing sources from SEC filings (Forms 8-K, 10-K, and 10-Q), supplemented by press releases and business news.

Selection criterion	Source	Exclusions	Sample size
Cash and mixed offers	SDC		3,900
Randomly selected transactions for manual collection			1,900
Remove transactions without SEC filings	SEC filings	115	
Remove transactions without identifiable financing sources	SEC filings	368	
Exclude stock-for-stock transactions misclassified by SDC	SEC filings	32	
Cash-bid sample			1,385
All-stock sample			1,804
Final sample			3,189

Table 2: Sample summary statistics

This table reports summary statistics for 3,189 takeover bids for U.S. targets by U.S. nonfinancial public acquirers between 1994 and 2020. Firm characteristics are measured at the end of the fiscal year preceding the merger announcement and are winsorized at the 1st and 99th percentiles. Variable definitions are provided in Appendix A. Columns (1) and (2) report mean and median values for the full sample. Columns (3)–(6) compare credit-line-financed and non-credit-line-financed transactions within the subsample of all-cash and mixed bids. Differences in means and medians are tested using two-tailed tests. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

Variables	Cash and Mixed Deals (N = 1,385)			Credit Lines (N = 787)		Non-Credit Lines (N = 606)		Difference	
	N	Mean	Median	Mean	Median	Mean	Median	Mean	Median
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(4)-(6)	(5)-(7)
Panel A: Acquirer characteristics									
Total Assets (in \$million)	1,385	2,014	574	1,275	544	2,979	685	-1,703***	-150**
Cash Holding	1,385	0.140	0.075	0.088	0.049	0.207	0.142	-0.12***	-0.09***
Profitability	1,385	0.142	0.143	0.154	0.148	0.126	0.134	0.03***	0.02***
Market-to-Book	1,385	3.151	2.420	3.013	2.352	3.332	2.547	-0.32	-0.20
Tangibility	1,385	0.235	0.164	0.250	0.184	0.214	0.145	0.04***	0.04***
EBITDA Volatility	1,385	0.062	0.034	0.052	0.031	0.074	0.040	-0.02***	-0.01***
Book Leverage	1,385	0.226	0.203	0.237	0.219	0.211	0.175	0.03**	0.04***
Panel B: Deal characteristics									
Transaction Value (in \$million)	1385	420	133	322	127	547	143	-226***	-16*
Large Relative Size	1385	0.201	0.000	0.179	0.000	0.230	0.000	-0.05**	0.00**
Private Target	1385	0.460	0.000	0.494	0.000	0.416	0.000	0.08***	0.00***
Tender Offer	1385	0.182	0.000	0.166	0.000	0.203	0.000	-0.04*	0.00*
Industry Relatedness	1385	0.361	0.000	0.362	0.000	0.359	0.000	0.00	0.00
Hostile	1385	0.009	0.000	0.010	0.000	0.008	0.000	0.00	0.00
Top Tier Advisor	1385	0.228	0.000	0.193	0.000	0.275	0.000	-0.08***	0.00***
Competition from Private Buyers	1385	0.288	0.275	0.291	0.275	0.284	0.273	0.01	0.00
Under FTC/DOJ	1385	0.012	0.000	0.009	0.000	0.015	0.000	-0.01	0.00
Shareholder Voting	1385	0.092	0.000	0.084	0.000	0.103	0.000	0.00	0.00
Acq_CAR	1335	0.019	0.011	0.025	0.016	0.013	0.005	0.01**	0.01***
Stock Runup	1335	-0.006	-0.007	-0.006	-0.008	-0.005	-0.003	0.00	0.00
Premium_8W	430	1.736	1.449	1.699	1.449	1.770	1.450	-0.07	0.00
Premium_4W	432	1.738	1.406	1.692	1.400	1.782	1.406	-0.09	-0.01
Premium_5M	428	1.785	1.507	1.735	1.503	1.831	1.512	-0.10	-0.02
Deal Duration	1385	60	43	52	40	69	47	-17***	-7***

Table 3: Acquisition Restrictions in Credit Agreements

This table describes acquisition-related covenant restrictions in credit agreements matched to the covenant data of Becher, Griffin, and Nini (2022). We classify acquisition covenants following Becher, Griffin, and Nini (2022). *No Restriction* permits acquisitions without contractual limitations. *Full Restriction* requires lender approval for acquisitions. *Partial Restriction* permits acquisitions subject to specified contractual conditions, including limits on transaction size, compliance with financial covenants on a pro forma basis, additional financial tests, or restrictions on acquisitions outside the borrower's line of business. Panel A reports covenant restrictions in existing credit facilities available to the acquirer at the time of the acquisition. For partially restricted facilities, we additionally examine whether the acquisition satisfies the contractual conditions required under the existing agreement. Panel B reports restrictions on future acquisitions contained in credit agreements newly originated or amended in connection with the acquisition. Panel C reports the acquisition-covenant status in the acquirer's most recent prior credit agreement, when a prior agreement is available, allowing a comparison of covenant restrictions before the new or amended agreement.

Panel A. Existing Credit Facilities Used in Acquisition Financing

Restriction	Obs.	Percent
No restriction	34	63.0
Full restriction	0	0.0
Partial restriction	20	37.0
Of which: acquisition satisfied contractual conditions	20	100
Total	54	100.0

Panel B. Acquisition Restrictions in New or Amended Credit Agreements

Restriction	Obs.	Percent
No restriction	40	50.0
Full restriction	6	7.5
Partial restriction	34	42.5
Total	80	100.0

Panel C. Acquisition Restrictions in Prior Credit Agreements

Previous covenant status	Obs.	Percent
No restriction	33	39.3
Full restriction	4	4.8
Partial restriction	47	56.0
Of which: acquisition satisfied contractual conditions	5	10.6
Total	84	100.0

Table 4: **Cross-Sectional Determinants of Acquisition Financing**

This table reports linear probability models of acquisition financing arrangements. The sample consists of completed domestic acquisitions announced by U.S. public nonfinancial acquirers between 1994 and 2020. In Columns (1) and (5) the dependent variable equals one if the acquisition is financed with a credit line. In Columns (2) and (6) it equals one if the acquisition is financed by drawing on a facility in place before the transaction. In Columns (3) and (7) it equals one if the acquisition is financed through a new or amended facility. Columns (4) and (8) restrict the sample to credit-line financed acquisitions, with the dependent variable equal to one if the facility was new or amended rather than drawn from existing capacity. Columns (5) through (8) restrict the sample to acquirers for which undrawn committed capacity is observed before announcement. *Capacity Shortfall* equals one if undrawn committed capacity is less than the cash consideration. Variable definitions are provided in Appendix A. Absolute *t*-statistics are reported in parentheses. Standard errors are heteroskedasticity-robust and clustered by year and acquirer. All regressions include a constant (not reported). ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Full sample				Acquirers holding a credit line			
	(1) Credit line	(2) Existing	(3) New or amended	(4) New vs existing	(5) Credit line	(6) Existing	(7) New or amended	(8) New vs existing
Capacity Shortfall					-0.237*** (6.71)	-0.164*** (4.52)	-0.057 (1.31)	0.183*** (2.98)
Acquirer Size	-0.014** (2.42)	0.003 (1.09)	-0.017*** (4.47)	-0.052*** (3.98)	-0.053*** (4.46)	0.010 (1.20)	-0.062*** (7.14)	-0.055*** (4.11)
Cash Holdings	-0.424*** (5.74)	-0.177*** (4.65)	-0.260*** (6.01)	0.018 (0.10)	-0.758*** (5.96)	-0.269*** (2.83)	-0.534*** (4.78)	-0.171 (0.92)
Profitability	0.182*** (4.36)	0.016 (0.72)	0.167*** (4.94)	0.075 (0.44)	0.205 (1.27)	-0.052 (0.42)	0.256** (2.48)	0.154 (0.87)
Market-to-Book	-0.001 (1.65)	0.001 (1.18)	-0.002** (2.02)	-0.002 (0.53)	0.002 (0.53)	0.004 (1.45)	-0.000 (0.03)	-0.002 (0.46)
Tangibility	0.075 (1.38)	-0.001 (0.01)	0.069 (1.30)	0.121 (1.14)	0.012 (0.13)	-0.085 (1.00)	0.071 (0.76)	0.091 (0.80)
EBITDA Volatility	-0.051* (1.72)	-0.026 (1.50)	-0.026 (1.22)	0.092 (1.18)	-0.186 (1.50)	-0.106 (1.41)	-0.085 (0.84)	0.080 (1.11)
Book Leverage	0.017 (0.32)	0.072** (2.55)	-0.048 (0.97)	-0.136 (1.35)	-0.074 (1.05)	0.139* (1.97)	-0.207*** (2.61)	-0.201** (2.01)
Agency Cost	0.068* (1.75)	0.029 (1.67)	0.040 (1.65)	-0.084 (0.43)	0.312 (1.32)	0.198 (1.25)	0.135 (0.63)	-0.017 (0.09)
Large Relative Size	-0.022 (1.25)	-0.064*** (4.52)	0.041** (2.46)	0.258*** (5.91)	0.042 (1.00)	-0.108*** (3.36)	0.141*** (3.08)	0.170*** (3.38)
Private Target	0.066*** (4.71)	0.056*** (4.76)	0.006 (0.48)	-0.181*** (4.64)	0.037 (1.56)	0.100*** (3.65)	-0.075*** (3.03)	-0.151*** (3.98)
Tender Offer	0.270*** (5.01)	0.075*** (3.38)	0.190*** (4.77)	-0.040 (1.00)	0.024 (0.57)	-0.008 (0.23)	0.007 (0.14)	-0.005 (0.11)
Industry Relatedness	0.034** (2.50)	-0.009 (0.91)	0.045*** (3.20)	0.107** (2.60)	0.012 (0.41)	-0.062** (2.50)	0.078* (2.04)	0.097** (2.24)
Hostile	0.189* (1.78)	0.153 (1.19)	0.106 (1.16)	-0.008 (0.05)	0.085 (0.80)	0.140 (1.10)	0.024 (0.27)	-0.043 (0.24)
Industry Merger Wave	0.032*** (3.38)	0.005 (0.53)	0.027** (2.29)	0.004 (0.17)	0.007 (0.39)	-0.019 (0.96)	0.027 (1.00)	0.008 (0.33)
Private Bidder Share	0.288*** (2.71)	-0.007 (0.13)	0.294*** (3.09)	0.153 (1.39)	-0.011 (0.09)	-0.221** (2.29)	0.187 (1.33)	0.134 (0.94)
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	3,185	3,185	3,185	781	1,134	1,134	1,134	731
Adjusted R^2	0.267	0.140	0.148	0.151	0.169	0.157	0.080	0.168

Table 5: **Acquisition Financing and Deal Completion Duration**

This table reports regressions of deal completion duration on acquisition financing arrangements. The sample consists of completed domestic acquisitions announced by U.S. public nonfinancial acquirers between 1994 and 2020. The dependent variable is the natural logarithm of one plus the number of calendar days between the announcement and effective dates. *Existing Credit Line* equals one for acquisitions financed by drawing on a facility in place before the transaction; *Internal Cash Only* equals one for acquisitions financed entirely with internally generated funds. Column (1) includes year and two-digit SIC industry fixed effects, Column (2) industry-by-year fixed effects, and Column (3) year and acquirer fixed effects. Column (4) adds indicators for amended credit lines, newly originated term loans, and bond issuance. Columns (5) through (7) repeat the specification in Column (1) under alternative sample restrictions: Column (5) excludes transactions announced on their completion date, which account for 17% of completed cash acquisitions and are predominantly private-target transactions disclosed at closing; Column (6) excludes transactions completing within five days of announcement; and Column (7) restricts the sample to public targets. The private-target indicator is omitted in Column (7) because it is identically zero. Internet Appendix Table IA.5 replicates Columns (1) through (4) on cash and mixed-payment acquisitions. Firm controls include cash holdings, profitability, size, tangibility, cash flow volatility, market-to-book, book leverage, and agency cost. Deal controls include relative size, private target, tender offer, industry relatedness, hostile, antitrust review, shareholder voting, and payment method indicators. Variable definitions are provided in Appendix A. Absolute t -statistics are reported in parentheses. Standard errors are heteroskedasticity-robust and clustered by year and acquirer. All regressions include a constant (not reported). ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Baseline specifications				Sample restrictions		
	(1)	(2)	(3)	(4)	(5) Excl. zero duration	(6) Excl. ≤ 5 days	(7) Public targets
Existing Credit Line	-0.708*** (5.97)	-0.546*** (4.80)	-0.451*** (3.35)	-0.531*** (4.14)	-0.261*** (4.19)	-0.204*** (3.08)	-0.401** (2.28)
Internal Cash Only	-0.521*** (4.14)	-0.405*** (3.23)	-0.699*** (4.54)	-0.304** (2.22)	-0.140** (2.09)	-0.072 (1.28)	-0.190* (1.71)
New or Amended Credit Line				0.046 (0.49)			
Term Loan				0.315*** (3.03)			
Bond Issuance				0.343*** (2.98)			
Firm & Deal Controls	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	N	Y	Y	Y	Y	Y
Industry FE	Y	N	N	Y	Y	Y	Y
Industry $\times$ Year FE	N	Y	N	N	N	N	N
Acquirer FE	N	N	Y	N	N	N	N
Observations	3,015	2,712	1,890	3,015	2,519	2,480	1,496
Adjusted R^2	0.340	0.343	0.458	0.343	0.332	0.334	0.188
<i>p-values, tests of coefficient equality</i>							
Existing CL = Internal Cash	0.278	0.329	0.163	0.185	0.138	0.125	0.294
Existing CL = New/Amended CL				0.000			
New/Amended CL = Term Loan				0.074			
Term Loan = Bond				0.866			

Table 6: **Repayment of credit lines in M&A**

This table is based on a hand-collected sample of around 200 randomly selected acquisitions financed with credit lines. Post-closing repayment information is available for 95 transactions and is identified by reviewing subsequent Forms 10-K and 10-Q after the acquisition closes. Panel A reports transaction characteristics, the extent of credit-line financing, the remaining contractual maturity of the credit facility at closing, and the number of months required to repay at least half of the acquisition-related drawdown. Panel B reports the primary source used to refinance or repay the acquisition-related credit-line borrowings. Transaction value and cash consideration are measured in millions of U.S. dollars.

Panel A. Acquisition Financing

Variable	N	Mean	Median
Transaction value (\$ million)	95	322	127
Cash consideration (\$ million)	95	245	100
Credit line financing (% of cash consideration)	95	69%	83%
Remaining contractual maturity of credit line (years)	95	3.8	4.1
Months to repay at least 50% of credit-line drawdown	81	3.6	2.2

Panel B. Primary Repayment Source

Source	Frequency	Percent
Bonds / Notes	49	49%
Equity	16	16%
Operating cash flow	16	16%
Term loans / other debt	17	17%
Asset sales	2	2%

Table 7: **Unused Committed Credit Capacity and Deal Withdrawal**

This table reports linear probability models examining the relation between unused committed credit capacity and acquisition withdrawal. The sample consists of 6,190 domestic acquisition bids announced by U.S. public nonfinancial acquirers between 1994 and 2020. The dependent variable equals one if the announced acquisition is withdrawn and zero otherwise. *Unused Committed Credit Capacity* is undrawn revolving credit commitments scaled by total assets at the fiscal year-end preceding the announcement, obtained from Capital IQ. Capital IQ reports credit-line data for 3,097 transactions; Columns (1) through (3) and (5) exclude observations without a record, while Column (4) assigns them zero capacity. Column (5) restricts the sample to acquisitions announced after 2001, when Capital IQ's debt-structure coverage becomes comprehensive (Colla, Ippolito, and Li, 2013). Panel B interacts capacity with *Cash Share*, the fraction of consideration paid in cash, measured from zero to one; *Capacity* in the interaction row denotes *Unused Committed Credit Capacity*. Variable definitions are provided in Appendix A. Absolute *t*-statistics are reported in parentheses. Standard errors are heteroskedasticity-robust and clustered by year and acquirer. All regressions include a constant (not reported). ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
Panel A: Baseline and robustness					
Unused Committed Credit Capacity	-0.157*** (6.66)	-0.147*** (5.19)	-0.179*** (4.51)	-0.203*** (8.93)	-0.140*** (4.50)
Cash Holdings	0.013 (0.57)	0.036 (1.34)	-0.026 (0.45)	-0.018 (1.43)	-0.004 (0.14)
Firm & Deal Controls	Y	Y	Y	Y	Y
Year FE	Y	N	Y	Y	Y
Industry FE	Y	N	N	Y	Y
Industry $\times$ Year FE	N	Y	N	N	N
Acquirer FE	N	N	Y	N	N
Uncovered observations	Excluded	Excluded	Excluded	Zero-filled	Excluded
Sample period	1994–2020	1994–2020	1994–2020	1994–2020	2002–2020
Observations	3,087	2,765	2,009	6,165	2,143
Adjusted R^2	0.148	0.162	0.222	0.120	0.103
Panel B: Cash requirement of the transaction					
Unused Committed Credit Capacity	-0.072 (1.60)	-0.051 (1.00)	-0.118* (1.84)		
Cash Share	0.050*** (5.44)	0.076*** (4.25)	0.041* (1.95)		
Capacity $\times$ Cash Share	-0.108** (2.58)	-0.122* (2.04)	-0.075 (0.91)		
Controls	Y	Y	Y		
Year FE	Y	N	Y		
Industry FE	Y	N	N		
Industry $\times$ Year FE	N	Y	N		
Acquirer FE	N	N	Y		
Observations	3,087	2,765	2,009		
Adjusted R^2	0.150	0.166	0.222		

Table 8: **Financing Arrangement and Announcement Returns**

This table reports estimates of the relation between the acquirer's financing arrangement and announcement returns. The dependent variable is the bidder's cumulative abnormal return over the $[-2, +2]$ window in Columns (1) through (3), and the combined bidder-target cumulative abnormal return over the same window in Columns (4) through (6), computed from a value-weighted portfolio of bidder and target. Abnormal returns are estimated from the market model. The sample consists of acquisitions by U.S. nonfinancial public acquirers of U.S. targets announced between 1994 and 2020; combined returns require a listed target, so *Private Target* is omitted from Columns (4) through (6). *Existing Credit Line* equals one for acquisitions funded from a facility in place at announcement; *New or Amended Credit Line* equals one for acquisitions financed through a newly originated or amended revolving facility; *New Term Loan* equals one for acquisitions financed through a newly originated term loan. *Bond Issue* and *Stock Issue* indicate financing through public debt and equity issuance. The omitted category comprises acquisitions financed from sources not separately identified in the column. Wald p -values report tests of equality between the indicated coefficients. Variable definitions are in Appendix A. Absolute t -statistics based on standard errors clustered by year and acquirer are in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	Bidder CAR $[-2, +2]$			Combined CAR $[-2, +2]$		
	(1)	(2)	(3)	(4)	(5)	(6)
Existing Credit Line	-0.007 (0.93)	-0.003 (0.45)	-0.002 (0.19)	-0.009 (0.66)	-0.001 (0.10)	0.000 (0.02)
New or Amended Credit Line	0.016** (2.61)	0.014** (2.25)	0.015** (2.30)	0.020** (2.57)	0.015** (2.14)	0.016** (2.25)
New Term Loan		0.017** (2.46)	0.017** (2.49)		0.037*** (3.50)	0.036*** (3.38)
Bond Issue			0.011 (1.31)			0.007 (0.67)
Stock Issue			0.004 (0.28)			0.017 (0.67)
Large Relative Size	0.004 (0.77)	0.002 (0.43)	0.002 (0.31)	0.006 (0.72)	0.002 (0.21)	0.001 (0.15)
Private Target	0.025*** (4.37)	0.025*** (4.47)	0.025*** (4.50)			
Tender Offer	0.017** (2.57)	0.018** (2.71)	0.019*** (2.80)	0.005 (0.46)	0.010 (0.97)	0.011 (0.98)
Industry Relatedness	0.004 (0.73)	0.004 (0.73)	0.004 (0.76)	0.010 (1.24)	0.009 (1.12)	0.009 (1.14)
Hostile	-0.017 (0.99)	-0.020 (1.05)	-0.020 (1.04)	0.024 (0.93)	0.018 (0.65)	0.017 (0.61)
Top-Tier Advisor	0.004 (0.75)	0.003 (0.55)	0.002 (0.46)	0.011** (2.39)	0.010** (2.13)	0.009* (2.04)
All Cash	-0.006 (0.87)	-0.005 (0.71)	-0.004 (0.67)	-0.002 (0.14)	-0.002 (0.14)	-0.002 (0.15)
All Stock	-0.014* (1.85)	-0.009 (1.16)	-0.006 (0.76)	-0.035** (2.45)	-0.022 (1.56)	-0.020 (1.29)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,065	3,065	3,065	1,036	1,036	1,036
Adjusted R^2	0.042	0.043	0.043	0.092	0.102	0.101
<i>Wald tests, p-values</i>						
Existing = New or Amended CL	0.005	0.043	0.050	0.098	0.100	0.347
New or Amended CL = Term Loan		0.762	0.841		0.103	0.124

Table 9: **Financing Arrangement and Takeover Premia**

This table reports estimates of the relation between the acquirer's financing arrangement and the takeover premium. The dependent variable is the offer price relative to the target's share price four weeks before announcement in Column (1), eight weeks before in Columns (2), (4) and (5), and five months before in Column (3). Columns (1) through (3) use the natural logarithm of this ratio; Column (4) reports the level; Column (5) reports the level truncated at the 1st and 99th percentiles. The sample consists of acquisitions of listed U.S. targets by U.S. nonfinancial public acquirers announced between 1994 and 2020. *Existing Credit Line* equals one for acquisitions funded from a facility already in place at announcement; *Lender Approval* equals one for acquisitions financed through a new or amended credit facility or a newly originated term loan. The omitted category comprises acquisitions financed from other sources. *Wald p-value* reports the test that the two financing coefficients are equal. Firm and deal controls are as in Table 8, except *Private Target*, which does not vary in a sample of listed targets. Variable definitions are in Appendix A. Absolute *t*-statistics based on standard errors clustered by year and acquirer are in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	ln(Premium)			Premium	
	4 weeks	8 weeks	5 months	8 weeks	8 weeks (truncated)
	(1)	(2)	(3)	(4)	(5)
Existing Credit Line	0.072 (1.06)	0.131* (1.79)	0.035 (0.53)	0.215 (0.99)	0.359*** (3.04)
Lender Approval	-0.147*** (3.65)	-0.173*** (3.57)	-0.185*** (3.36)	-0.381*** (3.20)	-0.171*** (2.83)
Firm & Deal Controls	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y
Observations	870	866	851	866	832
Adjusted R^2	0.110	0.118	0.135	0.123	0.108
Wald p -value	0.001	<0.001	0.001	0.005	<0.001

Table 10: **Transaction Characteristics and the Announcement Return to Contemporaneous Bank Financing**

This table reports estimates of how the relation between contemporaneous bank financing and announcement returns varies with transaction characteristics. The dependent variable is the bidder's cumulative abnormal return over the $[-2, +2]$ window in Columns (1), (3) and (4), and the combined bidder-target cumulative abnormal return over the same window in Columns (2) and (5). *Lender Approval* equals one for acquisitions financed through a new or amended credit facility or a newly originated term loan. *Large Relative Size* equals one for acquisitions in the top quartile of deal value scaled by acquirer market value. *Listed Target* equals one for acquisitions of publicly traded targets; it cannot be interacted in the combined-return specifications, which require a listed target. *Complexity Index* is the sum of five indicators: top-quartile relative deal size, listed target, horizontal acquisition, merger-wave period, and high-technology acquirer or target. All specifications include the firm and deal controls of Table 8, year fixed effects, and two-digit SIC industry fixed effects. Corresponding interactions with acquirer characteristics are reported in Internet Appendix Table ???. Variable definitions are in Appendix A. Absolute t -statistics based on standard errors clustered by year and acquirer are in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	Relative Size		Listed Target		Complexity Index	
	Acquirer (1)	Combined (2)	Acquirer (3)	Combined (4)	Acquirer (5)	Combined (6)
Lender Approval	0.009* (2.04)	0.022** (2.20)	0.008* (1.72)	0.002 (0.03)	0.002 (0.25)	0.006 (0.37)
Lender Approval x Large Relative Size	0.032*** (3.37)	0.027* (1.75)				
Large Relative Size	-0.005 (0.89)	-0.001 (0.19)				
Lender Approval x Public Target			0.019** (2.31)	0.028 (0.40)		
Public Target			-0.061*** (6.74)	-0.029 (1.29)		
Lender Approval x Complexity Index					0.010** (2.17)	0.010* (1.76)
Complexity Index					-0.017*** (3.75)	-0.005 (0.64)
Firm & Deal Controls	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Observations	3,065	1047	3,065	1,047	3,065	1,047
Adjusted R^2	0.044	0.098	0.060	0.095	0.048	0.096

Table 11: **Lender Approval, Announcement Returns, and Deal Performance: Robustness Tests**

This table presents robustness analyses of the relation between lender approval and acquisition performance. *Lender Approval* equals one for acquisitions financed through new or amended credit lines or newly originated term loans, and zero otherwise. Column (1) reports market-model cumulative abnormal returns (CARs) over the [-2,+2] window. Columns (2)–(6) report Carhart (1997) four-factor model CARs over alternative event windows: [-2,+2], [-1,+1], [-3,+3], [-2,+63], and [-2,+128], respectively. Column (7) includes industry-year fixed effects, Column (8) includes acquirer fixed effects, and Column (9) includes both year and acquirer fixed effects. All specifications include the firm- and deal-level controls used in Table 8. Variable definitions are provided in Appendix A. The sample consists of 3,189 completed bids by U.S. nonfinancial public acquirers for U.S. targets during 1994–2020. A constant term is included but not reported. Absolute t-statistics are reported in parentheses, with standard errors are heteroskedasticity-robust and clustered at the year and acquirer level. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	MM CAR [-2,+2] (1)	C4F CAR [-2,+2] (2)	C4F CAR [-1,+1] (3)	C4F CAR [-3,+3] (4)	C4F CAR [-2,+63] (5)	C4F CAR [-2,+128] (6)	C4F CAR [-2,+2] (7)	C4F CAR [-2,+2] (8)	C4F CAR [-2,+2] (9)
Existing Credit Lines	-0.004 (0.59)	-0.003 (0.37)	-0.007 (1.17)	-0.003 (0.46)	0.004 (0.24)	0.018 (0.85)	0.005 (0.65)	0.011 (1.21)	0.014 (1.52)
Lender Approval	0.016*** (3.75)	0.016*** (3.58)	0.011*** (2.89)	0.014** (2.47)	0.041** (2.45)	0.050** (2.16)	0.013** (2.35)	0.015** (2.11)	0.014* (1.83)
Stock Runup	0.018* (1.76)	0.019 (1.61)	-0.006 (0.72)	0.047*** (4.04)	0.287*** (8.55)	0.553*** (11.83)	0.018 (1.43)	0.044*** (2.86)	0.043*** (2.82)
Firm & Deal Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y			Y
Industry FE	Y	Y	Y	Y	Y	Y			
Industry-Year FE							Y		
Acquirer FE								Y	Y
Observations	3,065	3,065	3,065	3,065	3,065	3,065	2,766	1,926	1,926
Adjusted R ²	0.043	0.048	0.055	0.057	0.071	0.126	0.038	0.118	0.116

Table 12: **Acquisition Financing and Post-Completion Outcomes**

This table reports regressions of post-completion outcomes on acquisition financing arrangements. The sample consists of completed domestic acquisitions announced by U.S. public nonfinancial acquirers between 1994 and 2020 for which a complete three-year post-completion panel is available. In Columns (1) and (2) the dependent variable is the average change in industry-adjusted return on assets over the three fiscal years following completion. In Column (3) it equals one if the acquirer records a goodwill impairment within three fiscal years of completion, and in Column (4) it is the cumulative impairment charge scaled by total assets; these columns are restricted to acquisitions completed after 2002. *Existing Credit Line* equals one for acquisitions financed by drawing on a facility in place before the transaction; *Lender Approval* equals one for acquisitions financed through a new or amended facility or a newly originated term loan. Column (2) adds indicators for public bond and equity issuance. The omitted category comprises acquisitions financed from other sources. Internet Appendix Table IA.12 reports the year-by-year estimates. Variable definitions are provided in Appendix A. Absolute t -statistics are reported in parentheses. Standard errors are heteroskedasticity-robust and clustered by year and acquirer. All regressions include a constant (not reported). ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Δ Industry-adjusted ROA		Goodwill impairment	
	Three-year average (1)	(2)	Incidence (3)	Amount (4)
Existing Credit Line	0.047*** (3.38)	0.041*** (3.17)	−0.004 (0.97)	0.004 (0.21)
Lender Approval	0.033** (2.21)	0.030** (2.01)	0.004 (1.13)	0.036 (0.94)
Bond Issuance		−0.042** (2.15)		
Equity Issuance		0.015 (0.45)		
Firm & Deal Controls	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	2,447	2,447	1,080	1,080
Adjusted R^2	0.630	0.630	0.076	0.056
<i>p-values, tests of coefficient equality</i>				
Existing CL = Lender Approval	0.243	0.332	0.280	0.365
Bond = Lender Approval		0.010***		
Bond = Existing CL		0.003***		

Appendix A: Variable Definitions

This table defines the variables used in the analysis, their data sources, and—where applicable—the corresponding Compustat data items (reported in parentheses). All Compustat variables are measured at the end of the fiscal year-end prior to the merger announcement, and all continuous variables are winsorized at the 1st and 99th percentiles.

Table A1: **Variable Definitions and Data Sources**

Variable name	Definition and data sources
Panel A: Bidder characteristics	
Acquirer Size	Natural logarithm of the book value of total assets in millions of 2000 dollars; Compustat $[\log(AT)]$.
Cash Holdings	Cash and short-term investments over total assets; Compustat $[CHE/AT]$.
Profitability	Operating income before depreciation over total assets; Compustat $[OIBDP/AT]$.
Tangibility	Net property, plant, and equipment over total assets; Compustat $[PPENT/AT]$.
Market-to-Book	Market value of common equity over book value of equity, where book equity is total assets less total liabilities, Compustat $[MVE/(AT-LT)]$.
EBITDA Volatility	Standard deviation of quarterly operating income before depreciation scaled by total assets over the preceding five years, requiring at least three years of non-missing data; Compustat $[SD(OIBDPQ/ATQ)]$.
Book Leverage	Total debt over total assets; Compustat $[(DLC+DLTT)/AT]$.
Unused Committed Credit Capacity	Undrawn revolving credit commitments scaled by total assets, measured at the fiscal year-end preceding the announcement; Capital IQ Capital Structure Summary, supplemented with hand-collected data from SEC filings.
Bank Debt Share	Drawn and undrawn revolving credit commitments plus term loans, divided by total debt; Capital IQ.
Unrated	Indicator equal to one if the acquirer has no S&P long-term issuer credit rating in the fiscal year preceding the announcement, and zero otherwise; Compustat $[SPLTICRM]$.

Continued on next page

Table A1 continued

Variable name	Definition and data sources
Small Acquirer	Indicator equal to one if the acquirer's total assets fall in the bottom quartile of the sample distribution within the announcement year, and zero otherwise; Compustat.
Agency Cost	Operating cash flow scaled by total assets when the acquirer's Tobin's Q is not in the top quartile of the sample distribution, and zero otherwise, following Li, Liu, and Wu (2018a); Compustat.
High Agency	Indicator equal to one if Agency Cost falls in the top quartile within the announcement year, and zero otherwise.
Panel B: Deal characteristics	
Deal Value	Total transaction value paid by the acquirer, excluding fees and expenses, in millions of dollars; SDC.
Large Relative Size	Indicator equal to one if the ratio of deal value to acquirer total assets, measured at the fiscal year-end preceding the announcement, falls in the top quartile within the announcement year, and zero otherwise; SDC, Compustat.
Private Target	Indicator equal to one if SDC classifies the target as a private firm, and zero otherwise; SDC.
Public Target	Indicator equal to one if SDC classifies the target as a publicly traded firm, and zero otherwise; SDC.
Tender Offer	Indicator equal to one if the transaction is structured as a tender offer, and zero otherwise; SDC.
Industry Relatedness	Indicator equal to one if the acquirer and target share the same SIC industry classification, and zero otherwise; SDC.
High-Technology	Indicator equal to one if the acquirer operates in a high-technology industry, defined as Fama–French 49 industries 12, 13, 34, 35, 36, or 37, or SIC codes 7374, 7376–7379, 7391, and 8730–8734; Compustat.
Hostile	Indicator equal to one if SDC classifies the transaction as hostile, and zero otherwise; SDC.
Competition from Private Buyers	Fraction of merger bids in the target's Fama–French 49 industry and announcement year in which the acquirer is a private firm; SDC.
Shareholder Voting	Indicator equal to one if the number of new shares to be issued, scaled by shares outstanding, exceeds 20%, and zero otherwise; SDC, CRSP.

Continued on next page

Table A1 continued

Variable name	Definition and data sources
Under FTC/DOJ	Indicator equal to one if the transaction is subject to antitrust review by the Federal Trade Commission or the Department of Justice, and zero otherwise; ?.
All Cash	Indicator equal to one if the consideration is entirely cash, and zero otherwise; SDC.
All Stock	Indicator equal to one if the consideration is entirely stock, and zero otherwise; SDC.
Transaction Complexity Index	Sum of five indicators: Large Relative Size, Public Target, Industry Relatedness, Industry Wave, and High-Technology. The index ranges from zero to five.
Top Tier Advisor	Indicator equal to one if at least one acquirer-side financial advisor belongs to the top 10 investment banks ranked by aggregate domestic M&A advisory deal value over 1994–2020, and zero otherwise; SDC.
Number of Advisors	is the number of acquirer-side financial advisors; SDC.
Withdrawal	Indicator equal to one if an announced transaction is subsequently withdrawn, and zero if completed; SDC.
Rival Bidder	Indicator equal to one if SDC records a competing bidder or more than one bidder for the target, and zero otherwise; SDC.
Log(Deal Duration)	Natural logarithm of one plus the number of calendar days between the announcement date and the effective date; SDC.
Panel C: Announcement returns and premia	
Acquirer CAR	Cumulative abnormal return to the acquirer over the five-day window centered on the announcement date. Abnormal returns are estimated using the market model over trading days (−252, −42) relative to announcement, requiring at least 60 non-missing return observations. The benchmark is the CRSP value-weighted index including dividends; CRSP.

Continued on next page

Table A1 continued

Variable name	Definition and data sources
Combined CAR	Cumulative abnormal return over the five-day announcement window to a value-weighted portfolio of the acquirer and target, with weights based on market capitalization 42 trading days before announcement. Abnormal returns are estimated using the market model; CRSP.
Acquirer Share of Gains	Ratio of the acquirer's abnormal dollar gain to the combined abnormal dollar gain of acquirer and target, where dollar gains are the five-day CAR multiplied by market capitalization 42 trading days before announcement; CRSP.
Stock Runup	Cumulative abnormal return over trading days -42 to -2 relative to announcement, estimated using the Fama–French–Carhart four-factor model; CRSP.
Premium (-20 days)	Ratio of the offer price per share to the target's closing share price 20 trading days before announcement; SDC, CRSP [Offer price / P_{-20}].
Premium (-42 days)	Ratio of the offer price per share to the target's closing share price 42 trading days before announcement; SDC, CRSP [Offer price / P_{-42}].
Premium (-105 days)	Ratio of the offer price per share to the target's closing share price 105 trading days before announcement, following Eaton, Liu, and Officer (2021); SDC, CRSP [Offer price / P_{-105}].
Panel D: Acquisition financing measures (hand-collected)	
Credit Line	Indicator equal to one if the transaction is financed at least partially with drawdowns on a revolving credit facility, and zero otherwise.
Existing Credit Line	Indicator equal to one if the drawdown is executed under a facility in place before the transaction, with no amendment, consent, or new agreement tied to the acquisition in the acquirer's filings, and zero otherwise.

Continued on next page

Table A1 continued

Variable name	Definition and data sources
Lender Approval	Indicator equal to one if the transaction is financed through a new or amended revolving credit facility or a newly originated term loan, where the acquirer's filings identify the facility as arranged or modified for the acquisition, and zero otherwise.
Old Existing CL	Indicator equal to one for Existing Credit Line transactions in which the facility was originated at least one year before the announcement, and zero otherwise.
Recent Existing CL	Indicator equal to one for Existing Credit Line transactions in which the facility was originated less than one year before the announcement, and zero otherwise.
Term Loan	Indicator equal to one if the transaction is financed with a term loan, and zero otherwise.
New Term Loan	Indicator equal to one if the transaction is financed with a term loan originated for the acquisition, and zero otherwise.
Bond	Indicator equal to one if the transaction is financed with a public bond or note issuance, and zero otherwise.
Equity Issuance	Indicator equal to one if the transaction is financed with a public equity issuance, and zero otherwise.
Commercial Paper	Indicator equal to one if the transaction is financed with commercial paper, and zero otherwise.
Bridge Loan	Indicator equal to one if the transaction is financed with a bridge facility, and zero otherwise.
Internal Cash Only	Indicator equal to one if the transaction is financed entirely with internal funds, and zero otherwise.
Loan Spread	All-in spread drawn on the acquisition-related credit facility, in basis points over LIBOR; DealScan.
Panel E: Industry characteristics	
Industry Wave	The number of acquisitions announced in the acquirer's Fama-French 49 industry and year, divided by the number of Compustat firms in that industry-year, standardized by the industry's time-series mean and standard deviation; SDC, Compustat.

When Financing Is Committed: Financial Flexibility and Corporate Takeovers

Internet Appendix

Trang Q. Vu

Virginia Tech

Sep 2026

Internet Appendix Tables

Table IA.1: Determinants of Financing-Source Disclosure

Table IA.2: Valuation Outcomes, Deal Execution, and Sample Inclusion

Table IA.3: Financial Advisors Ranked by Aggregate Transaction Value

Table IA.4: Sample Distribution of M&A Financing and Payment Methods

Table IA.5: Facility Origination Timing and Deal Completion Duration

Table IA.6: Deal Completion Duration, Cash and Mixed-Payment Acquisitions

Table IA.7: Financing Sources and Acquirer Announcement Returns, Alternative Specification

Table IA.8: Lender Approval, Bank Dependence, and Announcement Returns

Table IA.9: Timing of Loan Origination and Acquisition Announcement Returns

Table IA.10: Lender Approval and Acquisition Outcomes: Matched Samples

Table IA.11: Loan Pricing, Lender Approval, and Acquisition Outcomes

Table IA.12: Loan Purpose, Lender Approval, and Acquisition Outcomes

Table IA.13: Post-Completion Operating Performance, Year by Year

Internet Appendix

This Internet Appendix reports supplementary material, following the order of the main text. Section IA.1 reproduces representative financing disclosures from SEC filings and describes how each transaction is classified as pre-committed or contemporaneously negotiated. Section IA.2 reproduces disclosures documenting how acquisition-related credit-line borrowings are subsequently refinanced. Section IA.3 describes the construction of the top-tier advisor indicator and reports the advisory institutions underlying it (Table IA.3). Section IA.4 examines whether the availability of financing disclosures introduces sample-selection concerns (Tables IA.1 and IA.2), and reports the distribution of financing sources across payment methods (Table IA.4). Section IA.5 reports additional evidence on execution outcomes: whether the relation between existing credit lines and completion duration reflects facilities arranged in anticipation of an acquisition (Table IA.5), and the duration results on the subsample of all-cash and mixed-payment acquisitions (Table IA.6). Section IA.6 reports additional evidence on announcement returns: estimates on all-cash and mixed-payment bids (Table IA.7), estimates by acquirer characteristics (Table IA.8), and estimates by the timing of facility origination relative to the announcement (Table IA.9). Section IA.7 re-estimates the announcement-return and premium specifications on samples balanced on observable firm and deal characteristics, using propensity-score matching and entropy balancing (Table IA.10). Section IA.8 examines whether the relation between lender approval and acquisition outcomes reflects differences in loan pricing or in the stated purpose of the associated facility (Tables IA.11 and IA.12). Section IA.9 reports the year-by-year operating-performance estimates underlying the post-completion analysis (Table IA.13). All tables appear at the end of the appendix.

IA.1 Examples of Financing Disclosures in SEC Filings

Acquisition financing sources are identified through a manual review of SEC filings and related disclosure documents. The primary sources are Forms 8-K, 10-Q, and 10-K, which frequently disclose the financing arrangements used to fund an acquisition, including revolving credit facilities, term loans, public debt issues, equity offerings, bridge loans, and internal funds. These filings often identify the specific credit facility, loan agreement, or security used to finance a transaction, together with lender identities, borrowing amounts, maturities, and contractual terms.

Classification requires that the filing tie the financing to the specific transaction. Where a facility is described as arranged or amended for the acquisition, the transaction is classified as requiring contemporaneous lender approval; where an existing facility is drawn without modification, it is classified as pre-committed. Financing information is cross-checked across multiple filings for the same transaction and supplemented with deal-related press releases and business news. Transactions with ambiguous, incomplete, or conflicting disclosures are excluded.

The examples below illustrate each classification. Examples 1 through 4 involve contemporaneous amendments; Example 5 illustrates a draw on an unamended existing facility.

1. ICF International Inc.

Target: Macro International Inc.

Announcement and completion: March 30, 2009 – April 1, 2009

Relevant SEC filings:

- Form 8-K, filed April 6, 2009
- Form 10-Q, filed May 8, 2009

Form 8-K:

“Under the terms of the Purchase Agreement, ICF paid an aggregate purchase price of approximately \$155 million in exchange for all of the shares of common stock of Macro. The purchase price was financed primarily through ICF’s credit line . . .

On March 31, 2009, ICF International, Inc. modified their existing credit agreement by entering into a First Modification to the Second Amended and Restated Business Loan. The following primary changes were made pursuant to the First Modification: (i) the Agent and **Lenders consented to the Borrowers' acquisition of Macro.**"

Form 10-Q (Capital Resources, Financial Condition, and Liquidity):

"Credit Facility. On February 20, 2008, we signed the Credit Facility with a syndication of nine commercial banks to allow for borrowings of up to \$350.0 million for a period of five years . . .

On March 31, 2009, we **amended this Credit Facility to allow for the acquisition of Macro.** . . . As of March 31, 2009, we had \$226.0 million borrowed under our revolving line of credit and unused borrowing capacity of \$48.0 million on our Credit Facility."

Summary: The acquisition of Macro in April 2009 was financed primarily through borrowings under an existing revolving credit facility, which was modified on the day before completion. The modification records the lenders' consent to the transaction. The transaction is classified as requiring contemporaneous lender approval.

2. Goldleaf Financial Solutions Inc.

Target: Alogent Corporation **Announcement and completion:** January 17, 2008

Relevant SEC filings:

- Form 8-K, filed January 18, 2008
- Form 10-K, filed March 18, 2008

Form 8-K:

"On January 17, 2008, Goldleaf Financial Solutions, Inc. entered into an Agreement and Plan of Merger by and among the Company, GLF Sub, Inc. and Alogent Corporation.

Also on the Closing Date, the Company amended the Second Amended and Restated Credit Agreement dated November 30, 2006 . . . The parties to the amendment agreed to certain changes to the Credit Agreement, including the following: the Revolving Loan Commitment was increased by \$5 Million to \$45

Million; the limit on annual Capital Expenditures was increased from \$5 million to \$7 million; **consent was given for the Alogent acquisition.**”

Form 10-K (Management’s Discussion and Analysis):

“On January 17, 2008 we completed the acquisition of Alogent for an aggregate purchase price of \$42.6 million . . . We borrowed \$32.0 million against the revolving loan commitment to fund the Alogent acquisition.”

Summary: The acquisition was financed through borrowings under a revolving facility amended on the closing date. The amendment increased the revolving commitment by \$5 million and recorded lender consent to the transaction. The transaction is classified as requiring contemporaneous lender approval.

3. ExamWorks Group Inc.

Target: G&L Intermediate Holdings, Inc. (Gould & Lamb) **Announcement and completion:**
February 3, 2014

Relevant SEC filings:

- Form 8-K, filed February 4, 2014
- Form 10-K, filed March 6, 2014

Form 8-K:

“On February 3, 2014, ExamWorks Group, Inc. . . .acquired 100% of the issued and outstanding shares of capital stock of G&L Intermediate Holdings, Inc. for a purchase price of approximately \$75 million in cash plus a potential earnout payment. The Company **financed the purchase price for the Acquisition with proceeds from its senior revolving credit facility.**”

Form 10-K (Liquidity and Capital Resources):

“ On February 3, 2014, we entered into a sixth amendment to our Senior Secured Revolving Credit Facility (the “Sixth Amendment”). The Sixth Amendment (i) **allowed us to consummate the acquisition of Gould & Lamb**, and (ii) allows us to acquire a target (a) with negative trailing twelve month adjusted EBITDA (as defined in the Senior Secured Revolving Credit Facility) if the purchase price of

such acquisition is less than \$5.0 million, (b) with trailing twelve month adjusted EBITDA (as defined in the Senior Secured Revolving Credit Facility) of less than or equal to \$3,000,000 **without delivering to the lenders a quality of earnings report** regarding such target and (c) **without delivering pro forma projections to our lenders** if the purchase price of such acquisition is less than \$75.0 million, in each case, without prior lender consent. We financed the \$75.0 million purchase price for the Gould & Lamb acquisition in February 2014 with proceeds from the Senior Secured Revolving Credit Facility.

We financed the \$75.0 million purchase price for the Gould & Lamb acquisition with proceeds from the Senior Secured Revolving Credit Facility. As of December 31, 2013, we had \$45.0 million outstanding under the facility and \$217.5 million of undrawn commitments.”

Summary: The acquisition was financed through the Senior Secured Revolving Credit Facility following its sixth amendment. The amendment permitted the transaction and relaxed the covenant conditions governing future acquisitions. The transaction is classified as requiring contemporaneous lender approval. This example also illustrates the forward-looking covenant restrictions documented in Table 3. The amendment specifies thresholds below which subsequent acquisitions may proceed without prior lender consent, and above which the borrower must deliver a quality of earnings report on the target or pro forma projections to its lenders. Lender review of future acquisitions is therefore written into the agreement as a function of transaction size and target profitability.

4. Affiliated Computer Services Inc.

Target: BRC Holdings, Inc. **Announcement and completion:** October 16, 1998 – December 15, 1998

Relevant SEC filings:

- Form 10-K405, filed September 28, 1998
- Form 10-Q, filed May 17, 1999

Form 10-K405, September 28, 1998 (before the announcement):

“...the Restated Credit Agreement, dated as of June 20, 1996, providing for a \$160,000,000 revolving credit facility, which has subsequently been increased to \$200,000,000, due in July 2002.

During the first quarter of fiscal 1998, the Company expanded its unsecured revolving credit agreement (the “Credit Facility”) from \$125 million to \$200 million and amended the terms to extend through July 2002.

The Credit Facility contains covenants which require that the Company comply with certain negative, affirmative and financial covenants, . . . including limitations on acquisitions.”

Form 10-Q, May 17, 1999 (after completion):

“... the Company completed the purchase of BRC Holdings, Inc. (“BRC”) at a purchase price of \$19 per share . . .

Increase in financing activities was primarily due to **net borrowings on the Credit Facility of \$149.3 million to fund the acquisition of BRC** during the first nine months of fiscal 1999.

As of December 31, 1998, the Company had \$174.0 million in outstanding borrowings under the Credit Facility.”

Summary: The acquisition was funded with \$149.3 million drawn on a revolving credit facility already in place. The facility was originally established in June 1996 and last expanded in the first quarter of fiscal 1998, approximately thirteen months before the October 1998 announcement and unconnected to the transaction. No amendment, consent, or new credit agreement accompanied the acquisition, and the filings make no reference to lender approval of the transaction. The acquisition is therefore classified as financed with pre-committed liquidity.

This example also illustrates two features of the classification. First, the facility was subject to covenant limitations on acquisitions, yet the transaction proceeded without a waiver or amendment, indicating that the covenant permitted the acquisition on its existing terms. This is the regime described in Panel A of Table 3, in which most existing facilities used to fund acquisitions impose no binding restriction on the transaction. Second, the facility had itself been amended, but more than a year earlier and for reasons unrelated to any acquisition. Classification therefore rests on whether a filing ties the financing arrangement to the specific transaction, not on whether the credit agreement was modified at some point before it.

IA.2 Refinancing of Credit Lines in Acquisitions

This section documents how firms refinance credit lines used to fund acquisitions, focusing on the timing, method, and source of repayment after completion. To collect refinancing information, I review acquirers' Forms 10-Q and 10-K filed within two years of completion. These filings disclose subsequent debt and equity issuances, changes in outstanding credit-line balances, and the use of proceeds to repay acquisition-related borrowings, allowing the transition from credit-line drawdown to longer-term financing to be traced.

The following examples illustrate the refinancing patterns documented in Section ??.

1. Affiliated Computer Services Inc.

Target: CARA Corporation **Announcement and completion:** December 24, 1997 – January 5, 1998

Relevant SEC filings:

- Form 8-K, filed January 6, 1998
- Form 10-Q, filed May 14, 1998

Form 8-K:

“January 5, 1998 – Affiliated Computer Services, Inc. (NYSE: AFA) announced today that it has received regulatory approval and has completed the acquisition of CARA Corporation (CARA). The acquisition was **funded from ACS’s existing revolving credit facility.**”

Form 10-Q (Changes in Securities):

“On March 20, 1998 the Company sold \$230 million of 4% Convertible Subordinated Notes due March 15, 2005 ... The Company **used \$173.7 million of the proceeds from the sale of the Notes to repay the Credit Facility**; therefore, there were no outstanding borrowings under the Credit Facility as of March 31, 1998.”

Summary: The acquisition was financed from an existing revolving credit facility drawn without amendment. Within three months of completion, the firm issued convertible subordinated notes and repaid the outstanding credit-line balance in full.

2. International Speedway Corp.

Target: Penske Motorsports, Inc. **Announcement and completion:** May 10, 1999 – July 26, 1999

Relevant SEC filings:

- Form 10-Q, filed July 15, 1999
- Form 10-Q, filed October 15, 1999

Form 10-Q, July 15, 1999 (Future Liquidity):

“The total transaction value of the PMI equity is approximately \$692 million with a net value of approximately \$611 million. The Company has obtained a definitive commitment from First Union Capital Markets Corp. for a \$300 million, five-year revolving credit facility, which will be used in part, to finance the Mergers.”

Form 10-Q, October 15, 1999:

“On October 6, 1999, the Company sold \$225 million principal amount of Senior Notes due 2004 in a private placement. The Company used approximately \$176 million of the **net proceeds from the transaction to repay the outstanding borrowings under the Credit Facility.**”

Summary: The acquisition was financed through a revolving credit facility arranged for the transaction. Approximately two months after completion, the firm issued senior notes and used the proceeds to repay the acquisition-related drawdown.

3. The Stanley Works

Target: HSM Electronic Protection Services, Inc. **Announcement and completion:** December 14, 2006 – January 16, 2007

Relevant SEC filings:

- Form 10-Q, filed May 1, 2007

Form 10-Q:

“The Company completed the acquisition of HSM Electronic Protection Services, Inc. (“HSM”) in January 2007 for approximately \$545 million in cash. On January 8, 2007 the Company entered into a new \$500 million 364-day revolving bridge facility which was utilized to partially finance the \$545 million HSM acquisition on January 16, 2007.

On March 20, 2007, the Company completed two security offerings ... The \$488.1 million net cash proceeds of these offerings ... were **used to pay down the short-term bridge facility** and commercial paper borrowings.”

Summary: The acquisition was financed through a 364-day revolving bridge facility arranged eight days before completion, and refinanced approximately two months later through convertible debt, equity units, and unsecured notes. The example illustrates the bridge structure directly: the acquisition facility is arranged with a contractual maturity shorter than one year and is repaid from capital market proceeds.

4. XTO Energy Inc.

Target: Antero Resources Corporation **Announcement and completion:** January 11, 2005 – April 1, 2005

Relevant SEC filings:

- Form 8-K, filed January 13, 2005
- Form 8-K, filed April 4, 2005
- Form 10-Q, filed May 5, 2005

Form 8-K:

“On April 1, 2005, the Company entered into an amended and restated \$1.5 billion five-year senior revolving credit agreement with J.P. Morgan Chase Bank, N.A. ... As of April 1, 2005, the Company had drawn down \$840 million under the facility, primarily in connection with the acquisition of Antero Resources Corporation.”

Form 10-Q (Acquisitions):

“The cash portion of the acquisition was funded with borrowings under the revolving credit facility. On April 6, 2005, we issued \$400 million of senior notes, and the **net proceeds were used to reduce borrowings under our bank revolving credit facility.**”

Summary: The acquisition was financed through drawdowns under a revolving credit agreement amended and restated on the completion date. Five days later the firm issued senior notes and applied the proceeds to reduce the credit-line balance. Because the agreement was amended and restated in its entirety, the facility is classified as newly arranged; see Section 3 for the classification of amended-and-restated agreements.

IA.3 Construction of the Top-Tier Advisor Indicator

Advisor reputation is associated with acquirer announcement returns (Golubov, Petmezas, and Travlos, 2012), so the valuation specifications control for advisor reputation. Because published league tables differ in coverage, currency, and the treatment of institutional mergers over the nearly three decades spanned by the sample, I construct the ranking directly from the transaction data.

For each acquisition, SDC reports the financial advisors retained by the acquirer. I aggregate advisory activity across the full sample period at the level of the advisory institution, summing the value of transactions on which each institution advised the acquirer. Institution names are consolidated into families so that predecessor and successor entities are treated as a single advisor: for example, Jefferies and Co Inc and Jefferies LLC are recorded separately in SDC but reflect the same advisory business.¹ Advisors are then ranked by aggregate transaction value advised.

Table IA.1 reports the thirty largest advisory institutions by aggregate transaction value advised. *Top Tier Advisor* equals one if at least one acquirer-side advisor is among the ten largest institutions and zero otherwise.

¹Consolidation is necessary because the sample spans a period of substantial consolidation in investment banking. Without it, an institution that changed name or was acquired during the sample period would appear twice, each time with a share of its aggregate activity.

IA.4 Sample Composition and Selection

This section examines whether the availability of acquisition-level financing disclosures introduces sample-selection concerns. Because financing information is obtained through manual review of SEC filings, financing sources cannot be identified for every transaction. I therefore assess whether inclusion in the hand-collected sample is systematically related to firm characteristics, deal characteristics, or acquisition outcomes.

Table IA.2 examines the determinants of financing-source disclosure among the 1,750 completed cash and mixed-payment acquisitions in the initial random sample. Disclosure is less likely for larger acquirers and those holding more cash, and more likely for transactions large relative to the acquirer. The pattern is consistent with reporting practice: a firm makes a disclosure when the financing is material to it, so a transaction small relative to a large acquirer is less often described in detail. Disclosure does not vary significantly with target status, tender-offer structure, or industry relatedness.

Table IA.3 compares valuation and execution outcomes between transactions with identified financing sources and those for which financing cannot be classified, examining bidder announcement returns, pre-announcement runups, combined gains, takeover premia, and deal duration. The coefficient on the inclusion indicator is small and insignificant across specifications. Disclosure availability is therefore related to observable firm and transaction characteristics but not to the outcomes examined in the paper.

The results indicate no economically or statistically meaningful differences between included and excluded transactions. Across specifications controlling for firm and deal characteristics and incorporating year and industry fixed effects, the coefficient on the inclusion indicator remains small and insignificant. These findings suggest that while financing-source availability is related to certain observable firm and transaction characteristics, it is not systematically related to the valuation or execution outcomes central to the analysis. Accordingly, disclosure-based sample selection is unlikely to explain the paper’s main results.

Table IA.4 reports the annual distribution of transactions by payment method and financing source. All-stock acquisitions account for most of the sample before 2001 and almost none after 2010, while the use of credit lines and term loans rises over the same period, so the composition of the sample shifts toward transactions in which financing arrangements are observable.

IA.5 Additional Evidence on Execution Outcomes

This subsection reports supporting evidence for the duration results in Section 4.2.1.

Table IA.5 partitions existing credit lines by the timing of facility origination. If shorter completion times reflected something about recently negotiated facilities rather than committed capacity as such, the estimated effect should be concentrated among facilities originated close to the announcement. It is not. Facilities originated more than one year before announcement and facilities originated within the prior year are both associated with shorter completion times, and the hypothesis that the two coefficients are equal cannot be rejected in any specification (p -values from 0.37 to 0.95).

Table IA.6 re-estimates the specifications of Table 5 on the sample of all-cash and mixed bids, for which the financing classification is most reliably measured. The coefficients on existing credit lines and on internal cash are similar in sign and magnitude to the full-sample estimates. The one difference arises in the acquirer fixed-effects specification, where transactions funded from internal cash complete more quickly than those drawing on existing credit lines ($p = 0.045$); in the remaining specifications the two are not distinguishable. Firm and deal controls are as defined in Table 5; the variable definitions are in Appendix A.

IA.6 Additional Evidence on Announcement Returns

This subsection reports the announcement-return specifications discussed in Sections 4.3 and 4.7.

Table IA.7 re-estimates the announcement-return specifications on all-cash and mixed-payment bids, for which the acquirer must fund at least part of the consideration and the financing arrangement is therefore consequential. Acquisitions involving a contemporaneous credit decision earn bidder returns 1.0 to 1.2 percentage points higher and combined returns 2.0 to 2.2 percentage points higher, significant at the 5% level in every column; existing credit lines show no effect. The bidder-return estimates are somewhat smaller than in the full sample and the combined-return estimates somewhat larger. Public bond and stock issues are not associated with significant returns in either specification.

Table IA.8 interacts *Lender Approval* with four acquirer characteristics: the free-cash-flow measure of agency costs of Li, Liu, and Wu (2018b); bank credit relative to total debt, where bank credit comprises drawn and undrawn credit lines and term loans from Capital IQ and total debt is from Compustat; an

indicator for acquirers without a public credit rating; and an indicator for acquirers below the within-year median of total assets. The two continuous measures are demeaned, so the coefficient on *Lender Approval* is evaluated at the sample mean. Each characteristic enters a separate specification together with its main effect.

None of the interactions is distinguishable from zero. The interaction is -0.017 ($t = 0.28$) for agency costs, 0.003 ($t = 0.49$) for unrated acquirers, and 0.004 ($t = 0.55$) for small acquirers, while the coefficient on *Lender Approval* remains between 0.014 and 0.018 and significant in each of these three specifications. The bank-credit specification is estimated on the 549 transactions with Capital IQ coverage and positive Compustat debt; its interaction is 0.008 ($t = 0.33$), but *Lender Approval* itself is also insignificant in this subsample (0.004 , $t = 0.39$), so Column (2) is uninformative about variation in the association rather than evidence against it.

Table IA.9 partitions contemporaneously negotiated facilities according to whether the facility was originated before or after the acquisition announcement, using origination dates from DealScan matched to announcement dates from SDC. Of the 673 acquisitions involving a contemporaneous credit decision, 313 use facilities originated before the announcement and 360 facilities originated after it.

The two groups are nearly indistinguishable on every outcome. Bidder returns are 1.5 percentage points higher for facilities originated before the announcement ($t = 2.62$) and 1.7 percentage points higher for those originated after it ($t = 3.40$); combined returns are 2.9 and 3.0 percentage points higher ($t = 2.30$ and 2.90). Offer premia are lower by similar amounts in both groups: -0.147 and -0.148 in logs relative to the price 20 days before announcement, and -0.168 and -0.177 relative to the price 42 days before. Equality of the before and after coefficients cannot be rejected in any column ($p = 0.797$ to 0.976). The association with announcement returns and premia is therefore present when the credit decision predates the announcement, and cannot be attributed solely to the contemporaneous disclosure of a newly originated facility.

IA.7 Matched-Sample Estimates

Acquisitions financed through contemporaneously negotiated bank credit differ from other acquisitions on observable characteristics, as Section 4.1 documents. This section reports estimates from two matching

procedures that construct a comparison group balanced on those characteristics.

Propensity-score matching

I estimate the probability of contemporaneous lender approval using a probit model on acquirer size, cash holdings, profitability, tangibility, cash flow volatility, market-to-book, book leverage, relative deal size, private-target status, tender-offer structure, and industry relatedness, together with year and industry fixed effects. The sample is restricted to all-cash and mixed-payment acquisitions, since all-stock transactions require no cash at closing and cannot be treated. Each acquisition requiring lender approval is matched to the nearest untreated acquisition by estimated propensity score, with replacement and a caliper of 0.01, imposing common support.

Panel A of Table IA.10 reports balance diagnostics. All 638 treated acquisitions satisfy the caliper and common-support conditions, drawing on 291 distinct control transactions. Matching reduces the mean standardised bias across covariates from 18.6% to 4.8% and the median from 12.8% to 2.5%. The joint test of covariate balance is rejected before matching ($p < 0.001$) and not after ($p = 0.315$), and the pseudo R^2 of the treatment model falls from 0.126 to 0.007.

Entropy balancing

Propensity-score matching discards untreated observations outside the caliper and reuses others, which concentrates the comparison group: 638 treated acquisitions are matched to 291 distinct controls. As an alternative I apply entropy balancing, which assigns weights to untreated observations so that the weighted control distribution matches the treated distribution on specified moments, retaining every observation. I balance on the first moment of each covariate used in the propensity model.

The procedure achieves near-exact balance by construction. Weighted control means match treated means to four decimal places on every covariate: acquirer size is 6.032 in both groups, cash holdings 0.112, relative deal size 0.318, and private-target incidence 0.424, against unweighted control means of 6.497, 0.166, 0.091, and 0.494 respectively.²

²The weights are concentrated: the median weight among untreated observations is 0.52, the 95th percentile is 3.09, and the maximum is 14.9. The effective control sample, computed as the squared sum of weights over the sum of squared weights, is approximately 200 of 712 untreated observations. Exact balance on first moments is therefore achieved by weighting a minority of the control sample heavily.

Estimates

Panel B of Table IA.10 reports estimates of the relation between contemporaneous lender approval and acquisition outcomes on each matched sample. Acquirer announcement returns are 1.3 percentage points higher on the propensity-score matched sample ($t = 2.13$) and 1.1 percentage points higher under entropy balancing ($t = 2.00$), both within the range reported in Table 8. Offer premia are lower in both, at -0.455 ($t = 2.24$) and -0.336 ($t = 2.62$), comparable to the estimate in Table 9. Combined announcement gains are higher in both but statistically significant only on the propensity-score sample, where the estimate is 1.9 percentage points ($t = 1.75$) against 1.2 percentage points under entropy balancing ($t = 1.32$); the combined-gains and premium specifications require a publicly traded target and are estimated on fewer than 450 transactions.

Both procedures compare acquisitions requiring contemporaneous lender approval to observationally similar acquisitions financed from other sources, including pre-existing facilities. The estimates therefore correspond to the coefficient on lender approval in Table 8 rather than to the difference between the two bank arrangements.

IA.8 Loan Pricing and Loan Purpose

This subsection reports two specifications that use the terms recorded in DealScan for facilities matched to the transactions in the sample.

Table IA.11 adds the all-in drawn spread on the matched facility to the offer-premium specification. The spread measures the price at which the lender was willing to extend credit and therefore controls directly for the cost of the financing arranged in connection with the transaction. The sample is restricted to transactions with a facility matched in DealScan and reported pricing, leaving 379 to 383 observations.

The coefficient on *Loan Spread* is zero to three decimal places and insignificant at every horizon. *Lender Approval* ranges from -0.142 to -0.192 and is significant at the 1% level throughout, within 0.01 of the corresponding full-sample estimates in Table 9 despite using fewer than half the observations. The premium discount is therefore not explained by the price of the associated loan.

Table IA.12 partitions facilities by the primary purpose recorded in DealScan, distinguishing facilities designated for acquisitions from those designated for general corporate purposes. Existing credit lines

show no positive announcement return in either group: the coefficient is -0.025 ($t = 1.68$) for acquisition-purpose lines and zero for general-purpose lines. Contemporaneously negotiated financing is associated with higher bidder and combined returns and with lower offer premia in both groups, with coefficients of similar size across purposes. The stated purpose of the facility therefore does not account for the difference between the two arrangements. As in Table 9, existing general-purpose lines are associated with a somewhat higher eight-week premium (0.142 , $t = 1.73$).

IA.9 Post-Completion Operating Performance

Table IA.13 reports the post-completion operating performance results year by year rather than as the three-year average used in Table 12. The dependent variables are the change in industry-adjusted return on assets from the fiscal year before completion to each of the first three fiscal years after completion, where the industry benchmark is the median firm in the acquirer’s Fama–French 49 industry.

Both bank arrangements are associated with higher post-completion operating performance than other financing sources in each of the three years, and the two are not distinguishable from one another in any year. Acquisitions financed with public bond issues underperform both bank-financed groups. The year-by-year estimates therefore show that the averages in Table 12 are not driven by a single post-completion year.

Table IA.1: Financial Advisors Ranked by Aggregate Transaction Value

This table reports the thirty financial advisory institutions with the largest aggregate value of acquirer-side advisory work over the sample period. Aggregate value is the sum of transaction values across acquisitions on which the institution advised the acquirer, in millions of dollars. Deals advised is the corresponding number of transactions. Institution names are consolidated into families so that predecessor and successor entities are treated as a single advisor. *Top Tier Advisor* equals one if at least one acquirer-side advisor is among the ten institutions listed above the line.

Rank	Advisory institution	Aggregate value (\$m)	Deals advised
1	Bank of America	299,718	863
2	Credit Suisse	289,658	891
3	J.P. Morgan	281,976	815
4	Goldman Sachs	235,474	598
5	Morgan Stanley	226,409	602
6	Citigroup	224,940	650
7	Barclays	212,920	576
8	UBS	99,080	266
9	Deutsche Bank	92,078	251
10	Wells Fargo	63,355	200
11	Lazard	54,377	203
12	Keefe, Bruyette & Woods	50,685	373
13	RBC Capital Markets	50,191	179
14	Evercore Partners	43,506	134
15	Jefferies & Co.	36,242	146
16	Jefferies LLC	34,516	79
17	Sandler O'Neill Partners	30,782	308
18	Moelis & Co.	25,413	70
19	Houlihan Lokey	24,971	164
20	Stephens Inc.	24,824	119
21	Raymond James & Associates	21,287	156
22	Centerview Partners	18,327	41
23	Greenhill & Co.	17,484	49
24	Robert W. Baird & Co.	17,370	94
25	Stifel Nicolaus & Co.	17,208	112
26	Blackstone Group	15,743	76
27	CIBC World Markets	15,537	76
28	Piper Jaffray	14,599	76
29	BMO Capital Markets	13,983	44
30	Tudor, Pickering & Co.	13,547	32

Table IA.2: Determinants of Financing-Source Disclosure

This table reports regressions examining the determinants of acquisition-level financing-source disclosure for completed cash and mixed-payment acquisitions. The sample consists of 1,750 acquisitions by U.S. nonfinancial public acquirers of U.S. targets during 1994–2020, including transactions with financing sources identified through SEC filings and transactions for which financing-source information is unavailable. The dependent variable equals one if the sources of funds used to finance the acquisition are identified through manual review of SEC filings and related disclosures, and zero otherwise. Column (1) reports estimates from a logit model, and Column (2) reports estimates from a linear probability model. Both specifications include the same firm- and deal-level controls, as well as year and SIC 2-digit industry fixed effects. Variable definitions are provided in Appendix A. z-statistics (Column (1)) and t-statistics (Column (2)) based on heteroskedasticity-robust standard errors clustered at the acquirer level are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Logit	Linear Probability Model
	(1)	(2)
Acquirer Size	-0.264*** (4.28)	-0.039*** (4.67)
Cash Holdings	-1.568*** (3.11)	-0.220** (2.40)
Profitability	0.918 (1.26)	0.133 (1.47)
Tangibility	1.358** (2.36)	0.170** (2.49)
EBITDA Volatility	0.090** (2.22)	0.008 (1.36)
Market-to-Book	-0.011 (1.22)	-0.002* (1.91)
Book Leverage	-0.739 (1.51)	-0.082 (1.32)
Large Relative Size	1.152*** (4.96)	0.121*** (5.67)
Private Target	-0.034 (0.21)	-0.005 (0.23)
Tender Offer	0.066 (0.32)	0.011 (0.28)
Industry Relatedness	0.156 (1.01)	0.020 (0.99)
Hostile	1.830 (1.51)	0.239*** (5.17)
Cash Consideration	0.007** (2.53)	0.001** (2.26)
Year Fixed Effects	Y	Y
Industry Fixed Effects	Y	Y
Observations	1,587	1,667
Pseudo R^2	0.127	
Adjusted R^2		0.088

Table IA.3: Valuation Outcomes, Deal Execution, and Sample Inclusion

This table examines whether valuation outcomes and deal execution differ between acquisitions with and without identified financing sources. The sample consists of 1,750 completed cash and mixed-payment acquisitions by U.S. nonfinancial public acquirers of U.S. targets announced between 1994 and 2020, comprising acquisitions with financing sources identified through SEC filings and acquisitions for which financing-source information is unavailable. The dependent variables are bidder cumulative abnormal returns over the $[-1, +1]$ and $[-2, +2]$ windows, the bidder stock-price runup over $[-42, -2]$, combined bidder-target cumulative abnormal returns over $[-2, +2]$, the offer premium relative to the target's share price 42 trading days before announcement, and the logarithm of one plus deal duration in days. The variable of interest is an indicator equal to one if financing sources are identified through manual review of SEC filings and related disclosures, and zero otherwise. All regressions include year and two-digit SIC industry fixed effects. Variable definitions are provided in Appendix A. Absolute t -statistics based on standard errors clustered by year and acquirer are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Deal Duration	Acquirer CAR	Stock Runup	Takeover Premium	Combined CAR
	(1)	(2)	(3)	(4)	(5)
Financing Disclosed (0/1)	0.094 (0.79)	0.005 (1.00)	-0.012 (1.06)	0.101 (0.62)	0.012 (1.31)
Acquirer Size	0.232*** (6.95)	-0.004** (2.38)	-0.003 (0.57)	0.018 (0.62)	-0.009*** (3.17)
Cash Holdings	-0.254 (1.00)	-0.039** (2.11)	0.002 (0.09)	1.463** (2.72)	-0.006 (0.25)
Profitability	-0.905** (2.44)	-0.068** (2.21)	0.031 (0.61)	2.889* (1.93)	0.011 (0.31)
Tangibility	0.104 (0.30)	0.008 (0.51)	0.022 (0.61)	0.942** (2.50)	0.056* (1.77)
EBITDA Volatility	-0.050*** (4.67)	0.002*** (3.07)	0.000 (0.14)	-0.571 (0.76)	-0.013 (0.45)
Market-to-Book	0.008** (2.35)	-0.001*** (4.24)	-0.001*** (3.67)	0.002 (0.60)	-0.001*** (4.65)
Book Leverage	-0.056 (0.33)	-0.019 (1.43)	0.029 (0.85)	-0.134 (0.59)	-0.012 (0.58)
Agency Cost	0.228 (0.65)	0.020 (0.62)	0.025 (0.42)	-1.090 (1.53)	0.017 (0.41)
Large Relative Size	0.877*** (9.48)	0.016*** (3.20)	-0.004 (0.28)	-0.272 (1.54)	0.021** (2.24)
Private Target	-0.937*** (10.23)	0.004 (0.92)	-0.007 (0.76)	-3.390*** (10.28)	-0.007 (0.61)
Tender Offer	0.112 (1.11)	0.003 (0.49)	-0.008 (0.62)	-0.027 (0.16)	0.008 (0.98)
Industry Relatedness	0.182* (1.89)	0.013** (2.62)	0.006 (0.92)	0.031 (0.20)	0.011* (1.85)
Hostile	0.252 (0.63)	-0.020 (1.62)	0.014 (0.49)	-0.994*** (3.05)	0.011 (0.80)
Top tier Advisor	0.416*** (5.20)	0.004 (0.94)	-0.006 (0.67)	-0.221 (1.67)	0.013** (2.55)
Cash Consideration	-0.003 (1.60)	0.000 (0.17)	0.000 (0.14)	-0.002 (1.12)	-0.000 (0.86)
Year Fixed Effects	Y	Y	Y	Y	Y
Industry Fixed Effects	Y	Y	Y	Y	Y
Observations	1,667	1,607	1,607	532	540
Adjusted R^2	0.318	0.055	0.011	0.194	0.148

Table IA.4: Sample Distribution of M&A Financing and Payment Methods

This table reports the annual distribution of merger bids by payment method and financing source. Columns (1) through (4) cover all 3,189 completed bids by U.S. nonfinancial public acquirers for U.S. targets announced between 1994 and 2020, of which 1,046 are all-cash, 339 mixed-payment, and 1,804 all-stock acquisitions. Columns (5) through (8) report the number of transactions financed by each source among the 1,385 all-cash and mixed-payment acquisitions for which financing sources are hand-collected; all-stock acquisitions require no cash at closing and are excluded. Financing-source counts are not mutually exclusive, since a transaction may draw on more than one instrument.

Year	Number of M&A (1)	Number of All-Cash Acquisitions (2)	Number of Mixed-Offer Acquisitions (3)	Number of All-Stock Acquisitions (4)	Number of Acquisitions Financed by Credit Lines (5)	Number of Acquisitions Financed by Internal Fund (6)	Number of Acquisitions Financed by Term Loans (7)	Number of Acquisitions Financed by Bonds (8)
1994	158	17	6	135	13	8	4	1
1995	262	47	16	199	38	25	16	10
1996	272	44	15	213	46	21	8	6
1997	277	60	22	195	53	27	27	12
1998	299	58	17	224	54	19	19	9
1999	306	60	19	227	46	26	21	12
2000	254	30	9	215	19	19	8	3
2001	125	32	13	80	28	19	13	5
2002	93	32	15	46	18	34	9	7
2003	111	42	22	47	30	35	13	7
2004	95	52	13	30	37	32	17	7
2005	101	53	24	24	37	43	23	6
2006	95	57	14	24	48	44	19	7
2007	96	59	16	21	42	40	22	4
2008	67	34	14	19	27	26	14	3
2009	53	20	8	25	12	20	4	7
2010	49	30	7	12	14	26	6	9
2011	62	46	11	5	25	30	17	11
2012	73	53	15	5	34	39	20	15
2013	48	28	9	11	22	18	19	6
2014	54	32	12	10	25	20	18	9
2015	73	52	15	6	39	37	30	5
2016	48	34	9	5	24	28	19	2
2017	35	23	6	6	15	18	10	6
2018	36	23	7	6	21	14	13	3
2019	26	15	4	7	13	10	10	2
2020	21	13	1	7	4	10	3	2
Total	3,189	1,046	339	1,804	784	688	402	176

Table IA.5: Facility Origination Timing and Deal Completion Duration

This table examines whether the relation between existing credit lines and completion duration reflects capacity arranged in anticipation of a specific acquisition. The sample consists of completed domestic acquisitions announced by U.S. public nonfinancial acquirers between 1994 and 2020. The dependent variable is the natural logarithm of one plus the number of calendar days between the announcement and effective dates. *Originated ≥ 1 Year Prior* equals one for acquisitions financed by drawing on a facility originated at least one year before the announcement; *Recently Originated* equals one for acquisitions financed by drawing on a facility originated within one year of the announcement. Columns (1) through (3) use the full sample; Columns (4) through (6) restrict the sample to all-cash and mixed-payment acquisitions. Firm and deal controls are as in Table 5. Variable definitions are provided in Appendix A. Absolute *t*-statistics are reported in parentheses. Standard errors are clustered by year and acquirer. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Full sample			Cash and mixed bids		
	(1)	(2)	(3)	(4)	(5)	(6)
Existing Credit Line, Originated ≥ 1 Year Prior	-0.583*** (4.25)	-0.406*** (3.49)	-0.329* (1.81)	-0.574*** (4.39)	-0.419*** (3.28)	-0.347* (1.81)
Existing Credit Line, Recently Originated	-0.575*** (4.82)	-0.567*** (4.05)	-0.441*** (3.04)	-0.592*** (5.21)	-0.531*** (4.76)	-0.466*** (3.12)
Firm & Deal Controls	Y	Y	Y	Y	Y	Y
Year FE	Y	N	Y	Y	N	Y
Industry FE	Y	N	N	Y	N	N
Industry $\times$ Year FE	N	Y	N	N	Y	N
Acquirer FE	N	N	Y	N	N	Y
Observations	3,078	2,772	1,953	1,326	1,038	890
Adjusted R^2	0.335	0.341	0.443	0.341	0.362	0.450
<i>p</i> -value, test of equality	0.952	0.366	0.605	0.893	0.499	0.589

Table IA.6: Deal Completion Duration: Cash and Mixed-Payment Acquisitions

This table replicates Table 5 on the subsample of completed all-cash and mixed-payment acquisitions, which require a cash component at closing. The dependent variable is the natural logarithm of one plus the number of calendar days between the announcement and effective dates. *Existing Credit Line* equals one for acquisitions financed by drawing on a facility in place before the transaction; *Internal Cash Only* equals one for acquisitions financed entirely with internally generated funds. Column (1) includes year and two-digit SIC industry fixed effects, Column (2) industry-by-year fixed effects, and Column (3) year and acquirer fixed effects. Column (4) adds indicators for amended credit lines, newly originated term loans, and bond issuance. Columns (5) through (7) repeat the specification in Column (1) under alternative sample restrictions: Column (5) excludes transactions announced on their completion date, Column (6) excludes transactions completing within five days of announcement, and Column (7) restricts the sample to public targets. The all-stock indicator is omitted throughout because it is identically zero in this subsample, and the private-target indicator is omitted in Column (7) for the same reason. Firm controls include cash holdings, profitability, size, tangibility, cash flow volatility, market-to-book, book leverage, and agency cost. Deal controls include relative size, private target, tender offer, industry relatedness, hostile, antitrust review, shareholder voting, and payment method indicators. Variable definitions are provided in Appendix A. Absolute t -statistics are reported in parentheses. Standard errors are heteroskedasticity-robust and clustered by year and acquirer. All regressions include a constant (not reported). ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Baseline specifications				Sample restrictions		
	(1)	(2)	(3)	(4)	(5) Excl. zero duration	(6) Excl. ≤ 5 days	(7) Public targets
Existing Credit Line	-0.730*** (6.60)	-0.573*** (5.30)	-0.490*** (3.21)	-0.555*** (4.32)	-0.242*** (4.02)	-0.182*** (2.82)	-0.347* (1.92)
Internal Cash Only	-0.639*** (4.49)	-0.671*** (5.21)	-0.915*** (5.11)	-0.419*** (2.95)	-0.203*** (2.62)	-0.119 (1.64)	-0.196 (1.63)
Amended Credit Line				0.069 (0.70)			
Term Loan				0.356*** (3.75)			
Bond Issuance				0.317*** (2.77)			
Firm & Deal Controls	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	N	Y	Y	Y	Y	Y
Industry FE	Y	N	N	Y	Y	Y	Y
Industry $\times$ Year FE	N	Y	N	N	N	N	N
Acquirer FE	N	N	Y	N	N	N	N
Observations	1,262	974	831	1,262	1,038	1,016	684
Adjusted R^2	0.359	0.386	0.490	0.365	0.262	0.264	0.171
p -value, Existing CL = Internal Cash	0.611	0.484	0.045	0.456	0.688	0.520	0.462

Table IA.7: Financing Arrangement and Announcement Returns: All-Cash and Mixed Bids

This table re-estimates the specifications of Table 8 on all-cash and mixed-payment bids. The dependent variable is the bidder's cumulative abnormal return over the $[-2, +2]$ window in Columns (1) and (2), and the combined bidder-target cumulative abnormal return over the same window in Columns (3) and (4). *Existing Credit Line* equals one for acquisitions funded from a facility in place at announcement; *Lender Approval* equals one for acquisitions financed through a new or amended credit facility or a newly originated term loan. *Bond Issue* and *Stock Issue* indicate financing through public debt and equity issuance. Combined returns require a listed target. Firm and deal controls are as defined in Table 8, and all specifications include year and two-digit SIC industry fixed effects. Variable definitions are provided in Appendix A. Absolute t -statistics based on standard errors clustered by year and acquirer are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Bidder CAR $[-2, +2]$		Combined CAR $[-2, +2]$	
	(1)	(2)	(3)	(4)
Existing Credit Line	0.002 (0.32)	0.004 (0.51)	0.004 (0.22)	0.008 (0.60)
Lender Approval	0.010** (2.09)	0.012** (2.21)	0.020** (2.09)	0.022** (2.04)
Bond Issue		0.007 (0.79)		0.020 (1.64)
Stock Issue		0.006 (0.39)		0.009 (0.40)
Firm & Deal Controls	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	1,332	1,332	430	430
Adjusted R^2	0.030	0.030	0.119	0.121

Table IA.8: Acquirer Characteristics and the Announcement Return to Contemporaneous Bank Financing

This table reports estimates of how the relation between contemporaneous bank financing and bidder announcement returns varies with acquirer characteristics. The dependent variable is the bidder's cumulative abnormal return over the $[-2, +2]$ window, estimated from the market model. *Lender Approval* equals one for acquisitions financed through a new or amended credit facility or a newly originated term loan. *Agency Costs* is the free-cash-flow measure of Li, Liu, and Wu (2018b). *Bank Credit / Debt* is drawn and undrawn credit lines plus term loans from Capital IQ, divided by long-term debt plus debt in current liabilities from Compustat, measured in the fiscal year before announcement and winsorized at the 99th percentile; it is available only for acquirers covered by Capital IQ with positive debt. Both continuous measures are demeaned. *Unrated* equals one for acquirers without an S&P long-term issuer rating. *Small Acquirer* equals one for acquirers below the median of total assets in the announcement year. Firm and deal controls are as defined in Table 8; *Agency Costs* is excluded from the controls in Column (1), where it is the interacted variable. All specifications include year and two-digit SIC industry fixed effects. Variable definitions are provided in Appendix A. Absolute t -statistics based on standard errors clustered by year and acquirer are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Agency costs (1)	Bank credit / debt (2)	Unrated (3)	Small acquirer (4)
Lender Approval	0.018*** (3.37)	0.004 (0.39)	0.014** (2.36)	0.016*** (3.25)
Lender Approval $\times$ Characteristic	-0.017 (0.28)	0.008 (0.33)	0.003 (0.49)	0.004 (0.55)
Characteristic	-0.034 (1.10)	-0.005 (0.27)	0.004 (0.71)	0.004 (0.48)
Firm & Deal Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	3,065	549	3,019	3,065
Adjusted R^2	0.041	0.068	0.042	0.041

Table IA.9: Timing of Facility Origination and Acquisition Outcomes

This table reports estimates of the relation between the acquirer’s financing arrangement and acquisition outcomes, with contemporaneously negotiated facilities partitioned by origination date. The dependent variable is the bidder’s cumulative abnormal return over the $[-2, +2]$ window in Column (1), the combined bidder–target cumulative abnormal return over the same window in Column (2), and the natural logarithm of the offer price relative to the target’s share price 20 and 42 trading days before the announcement in Columns (3) and (4). *Existing Credit Line* equals one for acquisitions funded from a facility in place at announcement. *Lender Approval—Before* and *Lender Approval—After* equal one for acquisitions financed through a new or amended credit facility or a newly originated term loan whose DealScan origination date falls before or on/after the SDC announcement date, respectively. Columns (2) through (4) require a listed target. Firm and deal controls are as defined in Table 8, and all specifications include year and two-digit SIC industry fixed effects. *Wald p-value* reports the test that the two *Lender Approval* coefficients are equal. Variable definitions are provided in Appendix A. Absolute *t*-statistics based on standard errors clustered by year and acquirer are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Bidder	Combined	ln(Premium), target price at	
	CAR	CAR	day −20	day −42
	(1)	(2)	(3)	(4)
Existing Credit Line	−0.004 (0.61)	−0.001 (0.08)	0.067 (0.99)	0.125 (1.68)
Lender Approval—Before	0.015** (2.62)	0.029** (2.30)	−0.147*** (2.92)	−0.168*** (3.40)
Lender Approval—After	0.017*** (3.40)	0.030*** (2.90)	−0.148*** (3.21)	−0.177*** (2.99)
Firm & Deal Controls	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	3,065	1,047	870	866
Adjusted R^2	0.041	0.094	0.110	0.119
Wald p -value (Before = After)	0.797	0.889	0.976	0.873

Table IA.10: Lender Approval and Acquisition Outcomes: Matched Samples

This table reports covariate balance and estimates of the relation between contemporaneous lender approval and acquisition outcomes on matched samples. The sample consists of completed all-cash and mixed-payment acquisitions by U.S. nonfinancial public acquirers announced between 1994 and 2020. *Lender Approval* equals one for acquisitions financed through a new or amended credit facility or a newly originated term loan; the comparison group comprises acquisitions financed from other sources, including pre-existing facilities. Propensity scores are estimated by probit on the covariates listed below together with year and industry fixed effects; matching is nearest-neighbour with replacement, a caliper of 0.01, and common support. Entropy balancing weights untreated observations to match the treated distribution on the first moment of each covariate. Panel A reports treated and control means before and after balancing, together with summary diagnostics for the propensity-score procedure. Panel B, reported in the continuation of this table, presents the corresponding outcome regressions. Variable definitions are provided in Appendix A.

Panel A: Covariate balance			
	Treated	Control mean	
	mean	Unweighted	Entropy weighted
Acquirer Size	6.032	6.497	6.032
Cash Holdings	0.112	0.166	0.112
Profitability	0.153	0.132	0.153
Tangibility	0.247	0.223	0.247
Cash Flow Volatility	0.063	0.061	0.063
Market-to-Book	3.020	3.275	3.021
Book Leverage	0.231	0.221	0.231
Large Relative Size	0.318	0.091	0.318
Private Target	0.424	0.494	0.424
Tender Offer	0.162	0.201	0.162
Industry Relatedness	0.392	0.332	0.392
<i>Propensity-score matching diagnostics</i>			
		Unmatched	Matched
Mean absolute bias (%)		18.6	4.8
Median absolute bias (%)		12.8	2.5
Pseudo R^2		0.126	0.007
Joint test, p -value		0.000	0.315
Treated observations		638	638
Distinct controls used			291

Table IA.10: Lender Approval and Acquisition Outcomes: Matched Samples (continued)

Panel B reports outcome regressions estimated on the matched and entropy-balanced samples described in Panel A. Column (1) uses the propensity-score matched sample with matching weights; column (2) uses the full sample of untreated observations with entropy balancing weights. All specifications include the firm and deal controls listed in Panel A, year fixed effects, and two-digit SIC industry fixed effects. Absolute t -statistics based on standard errors clustered by year and acquirer are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel B: Outcome regressions		
	Propensity-score matched (1)	Entropy balanced (2)
<i>Acquirer CAR</i> $[-2, +2]$		
Lender Approval	0.013** (2.13)	0.011** (2.00)
Observations	900	1,335
Adjusted R^2	0.078	0.157
<i>Combined CAR</i> $[-2, +2]$		
Lender Approval	0.019* (1.75)	0.012 (1.32)
Observations	297	440
Adjusted R^2	0.344	0.423
<i>Offer premium</i> (-42 days)		
Lender Approval	-0.220** (3.12)	-0.172*** (3.80)
Observations	287	430
Adjusted R^2	0.211	0.369
Firm & Deal Controls	Y	Y
Year FE	Y	Y
Industry FE	Y	Y

Table IA.11: Loan Pricing, Lender Approval, and Takeover Premia

This table examines whether the relation between contemporaneous bank financing and takeover premia reflects differences in the pricing of the associated loan. The dependent variable is the natural logarithm of the takeover premium, measured as the offer price relative to the target's share price 20 trading days before the announcement in Column (1), 42 trading days before in Column (2), and 105 trading days before in Column (3). The sample consists of completed acquisitions of U.S. listed targets by U.S. nonfinancial public acquirers announced between 1994 and 2020 for which both the takeover premium and DealScan all-in drawn spread data are available. *Loan Spread* is the all-in drawn spread, in basis points, over the benchmark rate on the facility matched to the transaction. *Existing Credit Line* equals one for acquisitions funded from a facility in place at announcement; *Lender Approval* equals one for acquisitions financed through a new or amended credit facility or a newly originated term loan. Firm and deal controls are as defined in Table 8, and all specifications include year and two-digit SIC industry fixed effects. Variable definitions are provided in Appendix A. Absolute *t*-statistics based on standard errors clustered by year and acquirer are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	ln(Premium), target share price at		
	day −20 (1)	day −42 (2)	day −105 (3)
Existing Credit Line	0.036 (0.46)	0.075 (0.90)	−0.023 (0.29)
Lender Approval	−0.142*** (3.17)	−0.184*** (3.80)	−0.192*** (3.31)
Loan Spread	−0.000 (0.59)	−0.000 (0.25)	−0.000 (0.77)
Firm & Deal Controls	Y	Y	Y
Year Fixed Effects	Y	Y	Y
Industry Fixed Effects	Y	Y	Y
Observations	383	381	379
Adjusted R^2	0.181	0.180	0.141

Table IA.12: Facility Purpose, Announcement Returns, and Takeover Premia

This table reports estimates of the relation between the acquirer's financing arrangement and acquisition outcomes, with facilities partitioned by the primary purpose recorded in DealScan. The dependent variable is the bidder's cumulative abnormal return over the $[-2, +2]$ window in Column (1), the combined bidder-target cumulative abnormal return over the same window in Column (2), and the natural logarithm of the offer price relative to the target's share price 20 and 42 trading days before the announcement in Columns (3) and (4). *Existing CL* equals one for acquisitions funded from a credit facility in place at announcement; *Lender Approval* equals one for acquisitions financed through a new or amended credit facility or a newly originated term loan. Each is split according to whether the facility's primary purpose in DealScan is an acquisition (*Acq. Purpose*) or general corporate purposes (*Gen. Purpose*). Columns (2) through (4) require a listed target. Firm and deal controls are as defined in Table 8, and all specifications include year and two-digit SIC industry fixed effects. Variable definitions are provided in Appendix A. Absolute t -statistics based on standard errors clustered by year and acquirer are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Bidder	Combined	ln(Premium), target price at	
	CAR (1)	CAR (2)	day -20 (3)	day -42 (4)
Existing CL, Acq. Purpose	-0.025 (1.68)	-0.048 (1.13)	-0.010 (0.16)	0.001 (0.01)
Existing CL, Gen. Purpose	-0.000 (0.01)	0.002 (0.18)	0.075 (1.00)	0.142* (1.73)
Lender Approval, Acq. Purpose	0.016*** (3.00)	0.023** (2.49)	-0.161*** (3.87)	-0.175*** (3.13)
Lender Approval, Gen. Purpose	0.014** (2.34)	0.042*** (3.33)	-0.124** (2.65)	-0.175*** (4.44)
Firm & Deal Controls	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	3,065	1,047	870	866
Adjusted R^2	0.042	0.096	0.110	0.119

Table IA.13: Post-Completion Operating Performance, Year by Year

This table reports the annual estimates underlying Columns (1) and (2) of Table 12. The dependent variable is the change in industry-adjusted return on assets in each of the first three fiscal years following completion. Columns (1) through (3) include indicators for the two bank financing arrangements; Columns (4) through (6) add indicators for public bond and equity issuance. The omitted category comprises acquisitions financed from other sources. Variable definitions are provided in Appendix A. Absolute t -statistics are reported in parentheses. Standard errors are clustered by year and acquirer. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Change in industry-adjusted ROA					
	(1) [−1, +1]	(2) [−1, +2]	(3) [−1, +3]	(4) [−1, +1]	(5) [−1, +2]	(6) [−1, +3]
Existing Credit Line	0.045*** (2.85)	0.043*** (2.86)	0.052*** (3.63)	0.038** (2.48)	0.038*** (2.72)	0.048*** (3.65)
Lender Approval	0.030* (1.79)	0.028 (1.64)	0.041*** (2.65)	0.026 (1.54)	0.025 (1.45)	0.039*** (2.59)
Bond Issuance				−0.041** (2.19)	−0.042* (1.85)	−0.044* (1.82)
Equity Issuance				−0.008 (0.22)	0.017 (0.44)	0.038 (1.02)
Firm & Deal Controls	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Observations	2,447	2,447	2,447	2,447	2,447	2,447
Adjusted R^2	0.674	0.554	0.332	0.674	0.554	0.332
<i>p-values, tests of coefficient equality</i>						
Existing CL = Lender Approval	0.264	0.208	0.366	0.357	0.284	0.470
Bond = Lender Approval				0.015**	0.042**	0.014**
Bond = Existing CL				0.005***	0.014**	0.004***