Appendix Table A.2
Variable definitions

State of incorporation and state of location for firms	Obtained from Cohen (2012), who collected information back to 1990 from the SEC disclosure CDs and Compustat back-tapes, and from SEC Analytics, which contains historical information back to 1994 from firms SEC filings. In cases where the two sources disagree, we use firms' historical 10Ks and *Moody's Manuals* to determine which is correct. For observations prior to 1990, we use the earliest incorporation and location information available for each firm, and when location information is missing entirely, such as for firms that stopped filling prior to 1990, we use locations reported in the legacy version of Compustat.
Stock volatility	Calculated from CRSP using the square root of the sum of squared daily returns over the year. To adjust for differences in the number of trading days, the raw sum is multiplied by 252 and divided by the number of trading days.
Performance-related exit	Indicator for firm exit because of a liquidation, bankruptcy, or performance-related reason, as identified using CRSP delisting codes 400-500, 550, 552, 560, 561, 572, 574, 580, and 584.
Operating asset volatility	*Stock volatility* × (E/(V − C)), where E/(V − C) is calculated from Compustat using (csho × prcc_f) / (lt + (csho × prcc_f) − ch).
Cash flow volatility	Calculated from Compustat using the annual standard deviation of firms' quarterly ratio of cash flow to assets.
Ln(Cash)	Calculated from Compustat using ln(ch).
Number of acquisitions	Calculated using SDC's Mergers and Acquisitions Database after excluding acquisitions meeting any of the following criteria: (1) the ratio of the deal size to market value of the acquirer's assets is less than 1%; (2) the acquiring firm controlled more than 50% of the target prior to the announcement date or less than 100% after the acquisition was completed; (3) the ultimate parent of the acquirer and the target are the same; (4) either the acquirer or the target is a financial firm; or (5) the deal was not completed within 1,000 days of the announcement date.
Any acquisition indicator	Indicator equal to one if the firm undertakes an acquisition. Calculated using SDC's Mergers and Acquisitions Database using the same filters applied when calculating the number of acquisitions.
Deal value / (Value of acquirer assets in t-1)	Deal value is calculated using SDC's Mergers and Acquisitions Database using the same filters applied when calculating the number of acquisitions. Market value of assets are calculated using Compustat, where market value of assets = csho × prcc_c + dltt + dlc.
Number of diversifying acquisitions	Number of acquisitions a firm undertakes for which its primary SIC industry does not coincide with any SIC code of the target firm. Calculated using SDC's Mergers and Acquisitions Database using the same filters applied when calculating the number of acquisitions.
Correlation of stock returns	Calculated from CRSP using the correlation of monthly stock returns between the acquirer and target firms in the five years prior to the acquisition.

Altman's *z*-score	Calculated from Compustat using (3.3 × oiadp + 0.999 × sale + 1.4 × re + 1.2 × wcap) / at + (0.6 × csho × prcc_f) / lt.
Correlation of operating asset returns	Calculated using the correlation of monthly operating asset returns between the acquirer and target firms in the five years prior to the acquisition, where operating asset returns equal r_f + [prc*(shrout/1000) / (lt + prc × (shrout/1000) − ch)]*(ret − r_f), r_f is the market yield on 1-year constant-maturity U.S. Treasury securities from the Federal Reserve Board, prc, ret, and shrout are from CRSP, and lt and ch are for the most recent quarter-end from Compustat.
Correlation of cash flow to assets	Calculated from Compustat using the correlation of quarterly ratios of cash flow to assets between the acquirer and target firms in the five years prior to the acquisition.
Ln(Assets)	Calculated from Compustat using ln(at).
3-year asset CAGR	Calculated from Compustat using $((at_t / at_{t-3})^{1/3} − 1) × 100$.
Payouts / Assets	Dividends plus repurchases scaled by assets, calculated from Compustat using (dvc + prstkc) / at.
Percent equity	Percentage of consideration paid in stock (from SDC's Mergers and Acquisition Database).
Acquirer announcement CAR [-1,1] (%)	Acquirer's market model cumulative abnormal stock returns over a three-day window [−1, +1] around a deal's announcement using CRSP equally weighted index returns and parameters estimated over the [−300, −46] day interval (see MacKinlay, 1997).
Return on assets	Calculated from Compustat using ni/at.
Cash flow / Assets	Calculated from Compustat using $(oiadp_t - accruals_t) / at_{t-1}$, where $accruals_t = (act_t − act_{t-1}) − (che_t − che_{t-1}) − (lct_t − lct_{t-1}) + (dlc_t − dlc_{t-1}) − dp_t$.
Debt / Assets	Calculated from Compustat using (dltt + dlc)/at.
Inside ownership	Total ownership share of the CEO, as constructed by Yermack (1995), which covers firms listed by Forbes magazine as among the 500 largest U.S. public corporations in each of the years 1984-1991. When this information is missing, we use the total reported shares held by a firm's senior management as a fraction of the firm's total shares outstanding at the end of the year, as recorded by TFN Insider Filing Data and constructed by Panousi and Papanikolaou (2012). When classifying firms, we calculate the median value separately for each data source.
CEO age	Obtained from the Disclosure database, provided by James S. Linck.

* All financial ratios are winsorized at 1% tails