

Table IV

Abnormal Returns by Measures of Financial Constraints and Purpose of Transaction

This table shows cumulative abnormal returns aggregated over the window [-10,3] for the sub-samples of each measure of financial constraints. Measures of financial constraints are equal to those presented in Section 3. Mean [median] target abnormal returns of each measure are reported for the sample of financially constrained (column 1) and unconstrained investors (column 2). Column (3) presents the t-stat [Z-stat.] for differences in means [medians] of Columns (1) and (2). Panel A shows the cumulative abnormal returns for the complete sample of targets whereas Panel B presents the cumulative abnormal returns for targets based on the purpose of transaction. The purposes are equal to those presented in Section 3. See Appendix A for Measure and Appendix B for Purpose definitions. All data are winsorized at the 1% and 99% levels.

| | Complete Sample | Whited-Wu Index | | | Dividend Payout Ratio | | | HP-Index | | | S&P Long-Term Credit Rating | | |
|---------------------------------|-----------------|------------------|--------------------|---|-----------------------|--------------------|---|------------------|--------------------|---|-----------------------------|--------------------|---|
| | | Investor Constr. | Investor Unconstr. | t-Stat [Z-stat] for Diff. Bet. Column (1) and (2) | Investor Constr. | Investor Unconstr. | t-Stat [Z-stat] for Diff. Bet. Column (1) and (2) | Investor Constr. | Investor Unconstr. | t-Stat [Z-stat] for Diff. Bet. Column (1) and (2) | Investor Constr. | Investor Unconstr. | t-Stat [Z-stat] for Diff. Bet. Column (1) and (2) |
| | | (1) | (2) | (3) | (1) | (2) | (3) | (1) | (2) | (3) | (1) | (2) | (3) |
| Panel A: Complete Sample | | | | | | | | | | | | | |
| | 13.36%*** | 6.01%*** | 16.81%*** | 3.6856*** | 9.79%*** | 15.76%*** | 2.3935** | 9.18%*** | 16.20%*** | 2.0678** | 11.74%*** | 14.80%*** | 1.3357 |
| | [7.95]*** | [2.85%] | [10.88%]*** | [3.980]*** | [6.26%]*** | [8.86%]*** | [1.791]* | [6.69%]** | [10.12]*** | [1.804]* | [7.65%]*** | [8.69%]*** | [0.835] |
| | N=561 | N=126 | N=307 | | N=184 | N=310 | | N=78 | N=355 | | N=265 | N=296 | |
| Panel B: Purpose of Transaction | | | | | | | | | | | | | |
| Engaging into Takeover | 21.45%*** | 14.48%*** | 25.96%*** | 2.6896*** | 17.03%*** | 25.85%*** | 2.4404** | 18.22%*** | 25.85%*** | 1.6634* | 18.26%*** | 24.75%*** | 2.0704** |
| | [19.31]*** | [9.56%]** | [22.27%]*** | [3.080]*** | [15.67%]*** | [24.16%]*** | [2.242]** | [21.08%]*** | [22.27%]*** | [1.290]*** | [16.37%]*** | [22.22%]*** | [1.719]* |
| | N=271 | N=53 | N=143 | | N=84 | N=153 | | N=43 | N=163 | | N=138 | N=133 | |
| Strategic Investments | 7.92%** | 1.14% | 10.20%** | 1-0278 | 9.44%* | 3.58% | -0.8641 | 11.17% | 8.38%** | -0.1841 | 2.42% | 9.69%** | 0.9 |
| | [1.13] | [-0.61%] | [1.23%] | [0.434] | [14.16%] | [-0.88%] | [-2.078]** | [21.09%] | [10.96%] | [-0.667] | [5.68%] | [1.09%] | [0.101] |
| | N=74 | N=16 | N=46 | | N=15 | N=53 | | N=3 | N=58 | | N=18 | N=56 | |
| Other Purposes | 1.01% | -0.49% | 8.31%*** | 2.1685** | 2.65% | 7.12% | 1.2405 | -3.22% | 7.86%*** | 2.5283*** | 5.03%* | 5.12% | 0.00267 |
| | [-0.09%] | [-2.9%] | [3.17%]* | [2.705]*** | [1.02%] | [1.43%] | [0.871] | [-2.92%] | [5.47%]*** | [3.070]*** | [1.33%] | [1.81%] | [0.506] |
| | N=117 | N=57 | N=118 | | N=85 | N=104 | | N=34 | N=62 | | N=109 | N=107 | |

| | | | | | | | | | |
|------------|------------|-----------|-------------|-----------|-----------|-------------|-----------|--------|--------------|
| | 9.87%*** | 10.79%* | 10.05%*** | -0.1372 | 6.57%** | 11.13%*** | 1.0896 | 9.10% | 8.03%*** |
| Investment | 7.31%]*** | [6.67%] | [7.64%]** | [0.424] | [2.49%] | [6.67%]** | [0.976] | 10.97% | [6.67%]*** |
| | N=99 | N=21 | N=55 | | N=44 | N=44 | | N=5 | N=76 |

| | | | | |
|--|-----------|----------|---------|------|
| | 13.62%*** | 6.75%*** | -1.5323 | 7.09 |
|--|-----------|----------|---------|------|

| | | | | |
|------------|------------|-------------|------------|---|
| Investment | 9.81%]*** | [6.41%]** | [-1.321] | □ |
| | N=45 | N=54 | | |

| Z-Score | | |
|------------------------------------|------------------------------------|-------------------------------|
| Distressed (1) | Not Distressed (2) | Test for Difference (3) |
| 10.62%*** [6.73%]*** N=107 | 13.94%*** [9.02%]*** N=410 | 1.1603 [1.339] |
| 24.15%*** [25.57%]*** N=40 | [20.33% 19.66%] N=211 | -0.9332 -1.154 |
| 9.93% [10.03%] N=10 | 8.07%* [9.56%] N=58 | -0.1753 [-0.883] |
| 1.24% [-0.98%] N=57 | 6.79%*** [2.50%]* N=141 | 1.4039 2.034** |