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The Role of Public Relations Advisors in Acquisitions*

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July 2026

Abstract

Bidders that employ top-tier public relations (PR) advisors in acquisitions experience announcement returns 0.63% higher than other bidders. The effect is concentrated in acquisitions of non-public targets, where information is limited, with returns 1.11% higher. It is larger for smaller bidders and bidders with less analyst following. The relation persists in propensity-score-matched samples and IV specifications. Following these acquisitions, customer retention, supplier payment terms, and employee satisfaction improve. Top-PR-assisted deals receive greater media coverage with more positive sentiment. Our findings suggest that PR advisors can enhance deal quality by improving stakeholder communication, increasing the likelihood that merger benefits are realized.

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1. Introduction

Mergers and acquisitions (M&A) are some of the most transformative transactions that firms undertake. It is therefore not surprising that both the buyers and sellers rely on various advisors in the process. A large literature has focused on the role and importance of investment banks (e.g., Servaes and Zenner, 1996; Rau, 2000; Bao and Edmans, 2011; Golubov, Petmezas, and Travlos, 2012; Sibilkov and McConnell, 2014), while the role of law firms and auditors has also been studied (e.g., Krishnan and Masulis, 2013; Cai, Kim, Park, and White, 2016). One of the main insights of this literature is that the reputational capital of top-tier advisors matters for a variety of M&A outcomes, including the announcement returns earned by buyers and sellers.

In this paper, we study the role, the impact, and the reputational capital of another category of advisors used in a substantial number of transactions: public relations (PR) advisors. These are advisors that assist the firm's investor relations department in managing deal communications. Their role in the M&A process represents a fundamental departure from traditional advisory, in that they are unlikely to be directly involved in the negotiations and in setting the terms of the deal. Instead, PR advisors function as narrative intermediaries, bridging the information gap between the firm and its stakeholders. As such, their presence, reputation, and activities could influence the market's perception and the quality of the transaction, the associated stock price response, and other aspects of the deal such as the likelihood of deal completion. This is what we investigate in this paper.

PR advisors perform a variety of tasks, including: (1) setting the media strategy, including all communications, materials, and activities; (2) communication with investors in order to gauge their support for the transaction; (3) communication with analysts to discuss their questions and forecasts;[1] and (4) communication with other stakeholders, such as employees, customers, and suppliers. As argued by PRLab,[2] a PR agency specializing in the tech sector:

> *PR can play a pivotal role in the success of this process. Perhaps this is because it involves shaping positive public opinion, sharing positive news, and handling any negative comments or sentiments. In short, the full spectrum of marketing communications. Comms planning can benefit the whole process of M&A, from*

[1] Brennan and Tamarowski (2000) suggest that PR advisors efficiently integrate and frequently disclose information to financial analysts, decreasing their information gathering costs.
[2] https://prlab.co/blog/role-of-pr-in-mergers-and-acquisitions/ (last accessed: July 3, 2026).

start to finish, from acquiring or being acquired, creating a narrative to support changes, ensuring all stakeholders are informed, and supporting team integration.

Many of these tasks are undertaken during the regular course of business, but some are specific to M&A transactions. It is therefore not uncommon for firms to hire PR advisors specifically for M&A deals, even if they do not have a regular PR advisor or to employ a different PR advisor just for M&A related work.

Analyzing M&A transactions, it is also apparent that a small number of PR advisors account for a significant share of the aggregate transaction value of PR-advised deals. These top-tier PR advisors have built a reputation as experts in M&A public relations, which should go hand-in-hand with superior services for their clients, the acquiring firms. This is consistent with the theoretical framework of Chemmanur and Fulghieri (1994) who predict a positive relation between the reputation of intermediaries and the quality of the services they provide. Therefore, we also study the distinct role of top-PR advisors to investigate whether their reputational capital affects the takeover process.

Hiring PR advisors, and especially the top ones, could be positively or negatively related to bidder returns. One possibility is that (top) PR advisors are hired exactly when firms are contemplating transactions that they know will (or expect to) be poorly received by the market. We call this channel the *camouflage hypothesis*. The role of the advisor in this case is to manage the communications process such that shareholders and other stakeholders are more likely to support the transaction anyway. For example, PR advisors could point to other corporate objectives such as size, market share, employment, customer service, environmental and social performance, etc. In addition, they could argue that the market reaction is likely short-termist and that it will take time for long-run benefits to be reflected in a higher stock price. While many transactions do not require formal bidder shareholder approval, having a more positive tone associated with the deal could also placate shareholders who would otherwise be more vocal about their resistance to the deal. In fact, Liu and McConnell (2013) find that the media tone following the announcement of a sample of acquisitions with negative returns affects the decision of managers to proceed with such acquisitions. Holding the announcement return constant, they find that a more positive media tone increases the likelihood of deal completion. In the

same spirit, Cookson, Niessner, and Schiller (2025) find that positive social media sentiment reduces the likelihood that deals are withdrawn after their announcement. If PR firms are able to influence this media tone, then they could help firms complete deals even if they are poorly received by the market.

The alternative is a positive relation between the use of PR advisors and bidder returns, which can stem from three non-mutually exclusive channels: *signaling, effective communication, and spinning*. Under the *signaling hypothesis*, firms employ (top) PR advisors to signal higher deal quality to the market; the task of PR advisors is to provide all relevant information to shareholders and other stakeholders, such that the stock price response reflects the anticipated benefits of the deal. This could be particularly relevant for transactions where the target is not publicly traded or where the bidder is smaller and has less analyst following since there is a larger information gap among buyers, sellers, and investors in these types of deals. Importantly, under the signaling hypothesis, the involvement of PR advisors does not improve deal quality, but it does provide a positive signal about deal quality to the market.

Under the *effective communication hypothesis*, the presence of (top) PR advisors improves the quality of the deal because their ability to communicate effectively with various stakeholders makes it more likely that the proposed merger benefits can be realized. In other words, effective communication improves the likelihood that all parties involved in the acquisition see eye-to-eye, such that the tasks that need to be undertaken to achieve deal success are accomplished effectively. Without the right information, investors may not support the transaction, and stakeholders, such as employees, suppliers, and customers, may be concerned that the transaction will affect them adversely, which could reduce the likelihood that the proposed merger benefits can be achieved. Customers, for example, could be concerned that the acquisition will affect the quality of the match between themselves and the bidder and may decide to seek out alternative suppliers. As such, keeping customers on board is likely to go hand-in-hand with deal success. Given the paucity of information available on private targets (see e.g., Fuller, Netter, and Stegemoller, 2002), such communication could be more relevant for acquisitions of private companies. Bidders that are smaller or have less analyst following, resulting in a larger information gap with their stakeholders, may also benefit more from PR involvement.

Finally, under the *spinning hypothesis*, (top) PR advisors are able to manage the information provided in the M&A process in such a way that investors are misled and believe that a transaction is more

beneficial than it actually is, leading to higher short-term returns, compared to similar deals without PR advice. The extent to which this is possible could also depend on whether the target is public as the lack of information on non-public targets may make it easier to spin the news. In this case, however, we would expect a negative relation between longer-term post-merger returns and the use of PR advisors. Under the signaling and effective communication hypotheses, we would not. Note that the spinning hypothesis is also fundamentally different from the camouflage hypothesis. Under the spinning hypothesis, PR agencies can influence the market's perception of the deal, leading to an inflated announcement response. Under the camouflage hypothesis, PR agencies are unable to influence stock returns, but they change the media tone, which facilitates deal completion, even if returns are negative.

In our investigation, we employ a comprehensive sample of 10,603 domestic and cross-border acquisitions of public, private and subsidiary target firms conducted by US listed acquirers between 1998 and 2022. Based on the Mergermarket database, we identify 1,716 acquisitions for which PR advisors are employed. Using M&A transaction value league tables, we divide these acquisitions into 684 deals advised by top-tier and 1,032 acquisitions advised by non-top-tier advisors, respectively. We find that acquirers that hire top-tier PR advisors earn abnormal announcement returns that are 0.63% higher than acquirers that hire no advisors at all, while the use of non-top-tier advisors is unrelated to the share price response. When we further split the sample into acquisitions of public targets versus all other acquisitions, we find that the positive PR effect is concentrated among acquisitions of non-public targets. For these acquisitions, bidders employing top PR advisors experience 1.11% higher abnormal returns, while the top-PR effect for public acquirers is insignificant. This translates into a $47.6 million shareholder value enhancement for the average-sized bidder for a non-public target. We also find that this benefit is larger for smaller bidders and bidders with less analyst following, which indicates that the value of top-tier advisors is larger when there is less information available. Thus, top-tier PR advisors appear to be particularly beneficial when less information is available about the target and the bidder.

We conduct a large number of tests to ascertain the robustness of these findings. For instance, we show that our results hold for different announcement windows, when including financial firms and

utilities (which are removed from the main analyses), when changing the cutoff to determine which PR firms are in the top tier, when splitting non-public target firms into private and subsidiary firms, and when controlling for corporate governance or the reputation of the investment bank employed by the acquirer.

We also recognize that the decision to hire a (top) PR advisor is endogenous and use two approaches to address this. First, we use propensity score matching where each deal advised on by a top-tier PR firm is matched with one (or several) deals that do not use a top-tier firm or do not use a PR advisor at all, based on bidder and deal characteristics. Our findings persist. Second, we use two instrumental variables for the use of top-tier advisors: (i) the propensity of the bidder's investment banks to work with top-tier PR firms; (ii) the fraction of prior transactions for which the focal firm used at least one top-PR advisor. Our results continue to hold for the IV approach.

Overall, our evidence points to a positive relation between bidder returns and the hiring of top PR advisors in M&A transactions in which the target is not public. This rejects the camouflage hypothesis. To study the merits of the spinning hypothesis, we examine whether the positive stock price effect after the initial announcement window reverses in the long run, but find no evidence that this is the case. As such, we can also reject the spinning hypothesis. Finally, because the impact of top PR advisors on acquirer announcement returns does not decline when we control for top-PR-advisor selection in IV models, the effective communication hypothesis is more consistent with our findings than the signaling narrative. The latter narrative is mainly about firms with high quality deals selecting top-PR firms. Thus, this effect should attenuate when controlling for selection; our results show that it does not.

We provide further support for the effective communication hypothesis by showing that customer retention, supplier trade credit, and employee satisfaction are all more likely to improve in the post-acquisition period for non-public acquisitions that employ top-tier PR firms. These stakeholder-related gains are consistent with more effective communication easing post-acquisition integration and increasing the likelihood that merger benefits are realized.

We also explore whether transactions that use PR advice are more likely to be completed and find that this is indeed the case, even after controlling for the stock price effect around the announcement date. However, we find no difference between top-tier and non-top-tier PR advisors in these tests.

Finally, to shed more light on how PR firms affect the acquisition narrative, we investigate both the volume and sentiment of media coverage surrounding the acquisition announcement using data from RavenPack. We find more news coverage, with a more positive tone, when top-tier PR firms are hired for acquisitions of non-public targets, a result that persists after we control for the abnormal stock returns around the announcement.

Our paper makes several contributions. First, we add to the literature on the role of intermediaries in mergers and acquisitions beyond the traditional focus on the structuring and financing of deals. We identify a functionally distinct, yet strategically critical, category of advisors: public relations (PR) firms, who bridge the information gap between the acquirer's objectives and the market's perception. Prior work suggests that returns earned by acquirers do not depend on whether they employ investment banks or not (Servaes and Zenner, 1996). Evidence on the relation between the reputation of the investment bank and bidder returns is mixed; whereas earlier work found no relation or a negative relation in some circumstances (see, e.g., Rau, 2000), more recent evidence (Golubov, Petmezas, and Travlos, 2012) is consistent with a positive relation which depends on target status.[3] In line with Golubov, Petmezas, and Travlos (2012), we find that the reputation of the bidder's PR advisor has a positive impact on bidder returns (but we find that the benefit of this advisory role is only present in acquisitions of *non-public* targets). This finding is consistent with the predictions of the model of Chemmanur and Fulghieri (1994) on the link between the reputation of intermediaries and the quality of the services they provide, applied in the context of M&A.[4]

Second, our work is also related to the literature on the role of the media in corporate decision making. This role has been discussed by Zingales (2000) more broadly, and by several other authors in specific settings.[5] In an M&A context, as discussed previously, Liu and McConnell (2013) show that

[3] Golubov, Petmezas, and Travlos (2012) provide evidence of a reputational capital mechanism in M&A by showing that top-tier financial advisors deliver higher bidder returns than their non-top-tier counterparts in acquisitions of *public* targets only. They argue that such acquisitions, which are associated with greater visibility, garner higher reputational exposure and require a superior set of skills.

[4] Upton (2018) also examines the relation between the use of investor relation agencies and acquisition outcomes in the US domestic market, but she does not find a significant correlation with bidder returns. She studies a short period (2007 through 2011), however, and does not differentiate between acquisitions of private and public targets, nor does she distinguish top tier from other PR firms to investigate the impact of the reputational capital of PR firms.

[5] Dyck, Volchkova and Zingales (2008) discuss the influence of the media's impact on corporate governance. Gurun and Butler (2012) show that local media coverage/slant improves valuation. Dai, Parwada, and Zhang (2015) find that media

media slant can influence whether bidders proceed with transactions that are accompanied by negative announcement returns while Cookson, Niessner, and Schiller (2025) find that positive social media sentiment reduces the likelihood that deals are withdrawn after their announcement. We find that PR advisors, which are hired to manage media relations, have a positive impact on both bidder returns (for top advisors) and deal completion (for advisors in general) in non-public acquisitions.

Third, we contribute to the more recent literature on the influence that firms can exert on their own narrative in the press. Solomon (2012) documents that firms that hire investor relations advisors are more likely to spin the news, such that the media coverage of a firm's press releases is more substantial when the news being announced is positive, but less prominent when it is negative. This leads to inflated expectations and a small upward drift in stock prices, which reverses when hard information, i.e., earnings, is being announced.

Our evidence does not support the spin story and is more consistent with PR advisors' communications being value relevant. However, while M&A announcements do not contain hard information, as such, they are important events that experience a lot of media attention. Spinning the news in such circumstances is likely a lot more difficult compared to what happens around general corporate news releases. On the other hand, there is evidence in Ahern and Sosyura (2014) that firms that employ shares to pay for an acquisition spin the news *before* the acquisition is announced, while negotiating the exchange ratio being offered. This spin results in an inflated stock price and allows firms to offer fewer shares in the transaction, thereby reducing the takeover prices by between 5% and 12%. Upon announcement, the market corrects for this price inflation. Our evidence does not speak directly to pre-announcement stock price spinning. However, our finding of a positive announcement effect associated with the involvement of top-tier PR firms in non-public deals, which does not reverse in the long run, suggests that a possible correction by investors for any perceived pre-announcement price inflation is not affected by the use of PR firms.[6] We do find that top PR firms affect both the quantity and tone of media coverage surrounding acquisition announcements of non-public firms.

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coverage of prior insider trades reduces insiders' future trading profits. Joe, Louis, and Robinson (2009) find that media exposure of board ineffectiveness leads companies to take corrective action.

[6] A related study is by Kimbrough and Louis (2011), who find that firms that organize conference calls around merger announcements are able to better convey favorable private information to the market, leading to higher announcement

2. Sample selection and summary statistics

2.1. Sample selection

We collect a sample of mergers and acquisitions announced between January 1, 1998, and December 31, 2022 from the LSEG SDC Platinum database; all transactions listed as a merger, acquisition of a majority interest, or acquisition of assets are included, irrespective of whether the deals are completed or withdrawn. We remove deals without transaction value, listing status of the target, or payment method information. We select bidders that are US public firms such that we can compute announcement returns and study their use of PR advisors. All target firms, irrespective of their domicile or listing status, are included. We remove acquisitions of bankrupt firms, going private transactions, leveraged buyouts, liquidations, repurchases, restructurings, reverse takeovers, self-tenders, and privatizations.

We impose a number of additional restrictions that are standard in the M&A literature. First, for acquisitions of entire companies, we are interested in transactions that represent a transfer of control. Therefore, we require that the bidding firm own less than 10% of the target shares six months before the announcement date and seek to acquire more than 50% of the shares after the transaction. Second, we require the deal value to be at least 1% of the acquirer's equity market value as of four weeks before the acquisition announcement. Third, we exclude deals with missing acquirer or target SIC codes. Fourth, we exclude acquisitions by and of financial firms and regulated utilities. Fifth, the bidder needs to have accounting and stock return data available on the Compustat and CRSP databases. Finally, to ensure that the returns are related to specific transactions and that there are no confounding announcements, we remove deals if multiple transactions are announced over the same 5-day event window or if the firm reports quarterly earnings during the same window. This screening process yields a sample of 11,623 observations.

This sample is then manually matched with PR advisor data from the Mergermarket database. Since Mergermarket only covers acquisitions with a deal value of at least $5 million, the final sample size is

returns.

further reduced to 10,603 acquisitions.[7] In 16% of these transactions (1,716 deals), bidders employ an external PR advisor.

2.2. PR advisor reputation

To determine the reputation of PR advisors, we create a league table based on all the transactions in the Mergermarket database that are included in our sample. Table 1 displays the list of the top 25 PR agencies according to the total value of the M&A transactions they advise on from 1998 to 2022. We classify the top seven PR advisors by the value of deals they were involved in as top-tier advisors, and all other PR advisors as non-top-tier (see Golubov, Petmezas, and Travlos (2012) who follow a similar approach in ranking financial advisors). The top seven firms are among the top firms of the league tables every single year in our sample; moreover, they are involved in 85% by value of the transactions where PR advisors are used.[8] In addition, each of them advised on transactions with a combined value of at least $150 billion.

The top 7 PR advisors are Joele Frank Wilkinson Brimmer Katcher, Brunswick Group LLP, Sard Verbinnen & Co, Kekst CNC (Publicis), H/Advisors Abernathy, FTI Consulting Group Ltd, and Finsbury Glover Hering.[9] We also track mergers among PR advisors themselves to correctly assign the reputation measure to each deal in the sample. If two PR agencies merge, the value of deals advised after their merger is recorded under the name of the surviving company.[10] Deals with multiple PR advisors are considered as being advised by a top-tier advisor if one of the advisors belongs to the top-7 group; this approach is standard in the investment banking literature (see, e.g., Rau, 2000; Golubov, Petmezas, and Travlos, 2012).

[7] The Mergermarket database has been used by Chemmanur, Ertugrul, and Krishnan (2019) to examine the role of individual investment bankers in M&A, and by Gokkaya, Liu, and Stulz (2024) to investigate the role of acquisition plans in the M&A process.

[8] We check the robustness of our results using alternative cutoffs, such as top-5, top-6, top-8, and top-9, and our results are very similar. These results are tabulated in Table 4 and discussed in detail when we describe our robustness tests.

[9] FTI Consulting Group Ltd is a PR advisor that also offers some investment banking services. As discussed subsequently, our results persist when we remove FTI-advised transactions from the sample.

[10] FGS Global (ranked 11th in Table 1) was formed in December 2021 through the merger of Finsbury Glover Hering and Sard Verbinnen & Co. Since these two firms are ranked as top-tier advisors prior to the merger, we also include FGS Global in our list of top advisors. Our results are not materially different if we exclude FGS Global from the list.

2.3. Summary statistics

Table 2 presents the descriptive statistics for the full sample, the top-tier PR sample, and the combined non-top-tier PR/no-PR subsamples, together with *p*-values of tests for differences in means and medians between these two subsamples. All variable definitions and data sources are listed in the Appendix. Bidder characteristics are reported in Panel A and deal characteristics in Panel B. There are several significant differences between the two subsamples. Bidders advised by top-tier PR firms have a mean (median) market value of $22,529 million ($4,352 million) which is substantially larger than that of other firms of $5,464 million ($811 million). Top-tier PR advisors are more likely to be hired by bidders with higher leverage, higher cash flow-to-asset ratios, and more analyst following. The bidders with top-tier PR advisors also have a lower stock price runup before the acquisition announcement (only significant for means) and lower idiosyncratic volatility (*sigma*).

Regarding deal characteristics, top-tier PR advisors are more likely to be hired in transactions with higher values, acquisitions of public targets, all-cash deals, deals with a larger relative size (which partly explains their rank), deals outside the bidder's industry (diversifying), hostile transactions, tender offers, and in deals with more competition. For example, the mean (median) value of transactions with top-tier PR advisors is $3,375 million ($715 million), which is much higher than for other transactions, which have a mean (median) value of $486 million ($65 million).

Cumulative abnormal returns (CARs) are computed over the five-day window centered around the announcement day, based on the market model, estimated over 200 trading days, starting 240 days before the merger announcement. They are winsorized at the 1st and 99th percentiles. We find no significant difference in mean and median 5-day CARs for the top-PR sample compared to other transactions. Firms that employ a top PR advisor earn mean (median) five-day CARs of 0.92% (0.37%), while the combined non-top-tier PR/in-house sample experiences mean (median) CARs of 1.14% (0.67%). The deal completion rates are also similar between the two groups.

While there is no significant difference in abnormal returns between the two sets of firms, they differ in a number of important bidder and deal characteristics that are likely related to returns as well, as evidenced in prior work. It is therefore important to compare the returns after controlling for these characteristics. This is what we do in the next section.

3. Analysis of abnormal returns

3.1. Bidder CARs

To start our investigation of the relation between the use of PR advisors–especially the top-tier ones–and abnormal returns, we estimate multivariate regression models of abnormal announcement period returns as a function of two measures of PR use and a series of control variables. The PR measures are: (a) a *top-tier PR* dummy, which we set equal to one if the bidding firm hires a top-7 PR advisor for the M&A deal, and zero otherwise, and (b) a *non-top-tier PR* dummy, which we set equal to one if the bidding firm hires a non-top-7 PR advisor for the M&A deal, and zero otherwise. The control variables are bidder- and deal-specific characteristics that the prior literature has found to affect bidder returns (see, e.g., Golubov, Petmezas, and Travlos, 2012; Meier and Servaes, 2019; Gokkaya, Liu, and Stulz, 2023). These are: ln(size), book-to-market, runup, sigma, leverage, cash flow-to-assets, relative size, and dummies to capture diversifying, hostile and domestic deals, and tender offers.[11] To fully capture the well-documented interactions of target listing status and the method of payment effect (see, e.g., Fuller, Netter, and Stegemoller, 2002) in the full-sample analysis, we also create four mutually exclusive categories: *public* × *all cash*, *public* × *includes stock*, *non-public* × *all cash*, *and non-public deals* × *includes stock* (the omitted category) (see also Masulis, Wang, and Xie, 2007). In addition, we include year and Fama-French 48 industry fixed effects to absorb time series variation in economic conditions that could affect bidder returns, and any time-invariant cross-industry heterogeneity in bidder returns.[12] The standard errors are clustered by bidder and adjusted for heteroscedasticity.

Table 3 presents the results. Model (1) shows that there is a positive effect of hiring PR advisors, which is limited to the subset of top advisors. The impact of non-top-tier PR use is insignificant, while hiring top-tier advisors improves abnormal returns by 0.63% relative to deals without PR involvement. The signs on the control variables are generally in line with the prior literature.

As discussed previously, the effect of advisor reputation could be more important in cases where there is less information available about the target firm. To assess whether this is indeed the case, we

[11] Because the top-tier PR classification is based on aggregate transaction value, top-tier PR use is correlated with deal size. It is therefore important to control for relative deal size, as well as bidder size, to separate the effect of advisor reputation from the effect of transaction size.

[12] There is insufficient within-firm variation in the use of (top)-PR advisors to estimate the model with firm fixed effects.

estimate separate regressions for acquisitions of public and non-public firms. Models (2) and (3) show that the positive top-tier PR effect is driven exclusively by deals where the target is not public. In such transactions, bidders with top-tier advisors earn excess returns that are 1.11% higher (significant at the 1% level) compared to bidders that do not hire external PR advisors. The effect of non-top-tier PR use is insignificant, and the difference between the top-tier and non-top-tier coefficients is significant, suggesting that the bidder-return effect is driven by advisor reputation rather than PR employment per se. This top-tier return translates into an increase in shareholder value of $47.6 million for the average-sized bidder for a non-public target. In acquisitions of public firms, there is no evidence that the hiring of top-tier or non-top-tier PR advisors affects bidder CARs. For the sample of non-public acquisitions, these findings are broadly consistent with all the hypotheses that predict a positive relation between bidder returns and top-tier advisor use: effective communication, signaling, and spinning; in subsequent sections, we will report on tests that allow us to distinguish further between these explanations. However, based on these findings alone, we can rule out the camouflage hypothesis, which predicts a negative relation.[13]

3.2. Robustness checks

To further validate the positive relation between the reputation of PR advisors and bidder CARs in non-public acquisitions, we conduct a battery of robustness checks. Our focus in these tests is on acquisitions of target firms that are not public since this is the subset of transactions for which we find a positive effect in our base case specifications. In the Online Appendix, Tables OA1 to OA5, we present our main tables for acquisitions of public targets and find no robust evidence of a positive bidder-CAR effect of top-tier PR advisors.

In Panel A of Table 4, we control for: (i) the impact of top-tier financial advisors (Golubov, Petmezas, and Travlos, 2012) in model (1); (ii) bidder competition (e.g., De, Fedenia, and Triantis, 1996) in model (2); and (iii) corporate governance (proxied by the percentage of shares held by blockholders as in Masulis, Wang, and Xie (2007)) in model (3). Our results persist: the coefficient on the *top-tier*

[13] While our evidence indicates that the camouflage hypothesis cannot explain the overall return patterns in our sample, we acknowledge that it could be relevant in a minority of the transactions.

PR variable remains positive and significant in all specifications and its magnitude is similar to the coefficient in the baseline tests. Consistent with Golubov, Petmezas, and Travlos (2012), hiring top financial advisors (FA) in *non-public deals* does not affect acquirer returns. Finally, in model (4) we augment the sample by including financial firms and utilities (which were excluded from the initial sample) and obtain similar results to the baseline tests.

In Panel B of Table 4, we first use different top-tier classifications to assess whether our results depend on the number of PR firms included in the top-tier category. Using various alternative cutoffs in models (1) through (4) yields results similar to the base case specification. In model (5) we ensure that our results are not driven by advisors that offer both investment banking and public relations services. We therefore exclude transactions that involve the following seven advisors from the sample: AdMedia Partners, Inc; Epoch Financial Group, Inc; FTI Consulting Group Ltd; Makinson Cowell Limited; Teneo; LaBarge Weinstein; MacKenzie Partners. Our results persist. Finally, in model (6) we re-construct the top-PR advisor variable annually by considering only the previous year's PR ranking to define the top-7 PR advisors rather than the entire sample period to avoid any look-ahead bias. Our results remain virtually unchanged in this specification as well.

In Panel C of Table 4, we conduct various tests to determine whether our findings are affected by the way in which we compute the bidder's CAR. In model (1), we use a three-day event window centered around the announcement day instead of a five-day window; in model (2), we use market-adjusted CARs (instead of market-model adjusted CARs); and in model (3), we use the equally-weighted CRSP market return as a benchmark to estimate the market model (instead of the value-weighted CRSP index). Our findings are robust.

In Panel D, we investigate the impact of top-tier PR advisors on different types of M&A deals. First, we partition the non-public deals into private deals (in model (1)) and subsidiary deals (in model (2)). Subsidiary deals are transactions where the target is a subsidiary of a listed or unlisted company. We find that the coefficient of top-tier PR advisors is positive and significant in both sets of transactions. In model (3), we limit the sample to US domestic acquisitions only and in model (4) to deals that end up being completed. In both cases, the impact of hiring a top-tier advisor remains positive and significant.

3.3. Heterogeneous effects: The role of information production

Hitherto, our results indicate that top-tier PR advice is particularly valuable when *target* firms are not public, as information production about acquisitions of such firms is likely more important. In this section, we focus on the role of information production about the *bidder* in explaining the relation between the use of top-tier PR advisors and bidder announcement returns. The availability of information about the bidder is likely also relevant for capital markets to properly assess the quality of the merger and the ability of the bidder to achieve the projected merger benefits, and for stakeholders to better understand how they will be affected by the merger.

To conduct these tests, we repeat our base case regression but include two interaction terms to assess whether top-tier PR advice is particularly valuable when there is less information available about the bidder. We employ two metrics related to information production: i) the average *number of analysts* that follow the bidding firm over the period from 180 to 3 days prior to the acquisition announcement; and ii) the natural logarithm of the bidder's equity market value (*ln (size)*) four weeks prior to the acquisition announcement. Smaller firms and firms with less analyst coverage are likely to have less information available about them, potentially increasing the need for and benefit of (top)-PR advice.

We present the results in Table 5. In model (1), we interact both PR variables with the number of analysts and find a significant negative coefficient on the interaction term between top-tier PR use and number of analysts (*p*-value=0.06). For every analyst following the firm, the benefit in CARs of hiring top-tier PR advisors declines by 0.08%, consistent with the view that PR advice is less useful when there is more information being produced about the firm already. Only for firms with more than 24.4 analysts (0.0195 / 0.0008) does the PR effect turn negative, which applies to less than 3% of the acquisitions of non-public firms in our sample. The interaction term between non-top PR use and analyst following is insignificant. In model (2), we interact the PR variables with bidder size. Here too, we find a negative and significant coefficient on the top-tier interaction (*p*-value=0.06) indicating that top-tier PR advice is less valuable for larger bidders. This effect only turns negative for firms with a market capitalization above $50.03 billion;[14] only about 1% of all acquirers of non-public firms fall into

[14] The coefficient on the top-tier dummy in model (2) is 0.0422, and the coefficient on the interaction term is -0.0039. A firm with a market capitalization of $50.04 billion has ln(size) of 10.82 (size is in $millions), which, when multiplied

this category.

Overall, the evidence reported in Table 5 supports the notion that the value added by top PR advisors in non-public acquisitions is negatively related to the amount of information already being produced about the acquiring firm.

3.4. Selection bias and endogeneity

The baseline results in Table 3 document a strong association between PR-advisor choice and bidder returns. However, a natural concern is that advisor choice may be endogenous: bidders decide whether to hire a top-tier advisor and/or top-tier advisors may also decide which firms they want to work with. This decision may depend on a number of firm and deal characteristics that could also affect bidder returns. Indeed, as we show in Table 2, there are significant differences in bidder and deal-specific characteristics between transactions with top-tier PR advisors and those without top-tier advisors or without PR advisors at all. We partly address this concern in our base case models by controlling for these characteristics in our regression specifications. To further address this concern, we first use propensity score matching to make sure that the characteristics of the firms and deals that involve top-tier PR firms are similar to those that do not. However, such analysis only allows for causal inferences if there are no other confounding effects missing from the matching procedure. To further address that concern, we use an instrumental variables approach.

3.4.1. Propensity score matching (PSM)

We conduct propensity-score matching (PSM) to control for self-selection based on observable characteristics. Deals advised on by top-tier PR advisors (treated group) are matched to deals advised by non-top-tier PR advisors or conducted in-house (control group) based on a propensity score computed from bidder and deal-specific characteristics. As suggested by Rosenbaum and Rubin (1983, 1985) and Imbens and Wooldridge (2009), this approach helps balance observable characteristics across treated and control observations, thereby reducing bias due to selection on observables.

We present the results of the PSM analysis in Table 6. Panel A presents parameter estimates from

by -0.0039, equals -0.0422.

the probit model used to estimate propensity scores for firms in the treatment and control groups. The dependent variable is one if the deal belongs to the treatment group (firms that hire a top-tier PR firm for a given deal), and zero otherwise. The covariate matrix used for the matching is based on the following firm- and deal-specific characteristics: ln(size), book-to-market, runup, sigma, leverage, cash flow-to-assets, percentage of stock, relative size, diversification, and domestic. We use the predicted probabilities or propensity scores in model (1) to perform nearest neighbor matching obtaining 408 unique pairs of matched deals. We then perform several diagnostic tests to ensure that our PSM implementation removes sample selection biases (related to observable firm characteristics) thereby increasing the likelihood that the average treatment effects (ATEs) reflect the reputational capital of top-tier PR advisors. First, we re-estimate the probit model using the 408 matched pairs. Model (2) of Panel A presents the probit estimates. None of the explanatory variables are statistically significant at conventional levels while the Pseudo R^2 drops substantially to 2.4%.

Next, we examine the differences between the propensity scores of the treatment group and those of the matched control group. Panel B of Table 6 shows that the differences are trivial. For example, the maximum distance between the two matched deals' propensity scores is only 0.0356. Panel C of Table 6 reports univariate comparisons between the firm and deal characteristics of the treatment and control firms and their corresponding *t*-statistics. None of the differences are significant, implying that the characteristics of the treatment and control groups are similar. Overall, the diagnostic tests show that the PSM process appears to remove observable sample selection biases.

Model (1) of Panel D of Table 6 presents the results for the effect of PR advisor reputation on bidder CARs for the matched samples after performing the nearest-neighbor propensity score matching analysis described above. The effect of top-tier PR advisors remains positive and highly significant. In models (2) through (5) we employ alternative matching approaches: the three-nearest-neighbors (in model (2)), the five-nearest-neighbors (in model (3)), and Epanechnikov and Gaussian kernel-based matching estimators (in models (4) and (5)).[15] These models also show a significant positive relation

[15] When we use the three and five nearest neighbor matches, we allow the bidders in the control sample to be matched to multiple treated firms, which explains why the number of observations in models (2) and (3) of Panel D does not increase proportionally with the number of matches.

between hiring top-tier PR advisors and bidder CARs, while the magnitude of the top-tier coefficient is similar to the baseline results reported in Table 3.[16] These results alleviate concerns that our findings are driven by selection on observable firm and deal characteristics.

3.4.2. Instrumental variable regressions (IV)

To address the potential endogeneity of top-tier PR advisor choice, we employ an instrumental variables (IV) approach. This approach requires at least one instrumental variable that is correlated with hiring a top-tier PR advisor (relevance) but affects bidder CARs only through its effect on advisor choice (exclusion restriction). To this end, we propose two instruments for hiring a top-tier PR advisor.

The first (*bank-top-tier PR network*) exploits prior links between the bidder's investment banks and top-tier PR firms. Investment banks do not formally choose the PR advisor, but they are closely involved in the transaction process and may influence the bidder's choice through recommendations and prior working relationships. For each of the 25 largest investment banks in our sample by deal volume, we compute the fraction of its transactions during the prior ten years that used at least one top-tier PR advisor, after removing the bidder itself from this network calculation (we require a minimum of two years for transactions in the initial years of our sample). Deals not advised by one of the top 25 investment banks are assigned to a pooled non-top-25 bank category. The exclusion restriction is that, conditional on controls and fixed effects, an investment bank's historical tendency to work with top-tier PR firms affects announcement returns only through its effect on the bidder's current use of a top-tier PR advisor.

The second instrument, the *top-tier PR experience ratio*, is the fraction of the bidder's prior acquisitions during our sample period in which at least one top-tier PR advisor was used. This variable captures the latent propensity of a firm to employ top PR advisors. Firms that were more likely to hire top PR advisors in the past are expected to continue doing so in the future. It is of course possible that this propensity proxies for prior deal experience or overall skill of the bidder in making acquisitions. To

[16] In Panels A through C of Table 6, we only report diagnostic tests for the nearest-neighbor matching. We have performed the same diagnostic tests for the other matching approaches reported in models (2) through (5) of panel D to ensure that these PSM approaches also remove observable sample selection biases. The results of these diagnostics are not reported for the sake of brevity.

remove this direct effect, we control for these elements in our regression models. To measure experience, we count the number of past deals that the bidder conducted during our sample period (and take the natural logarithm). To measure bidder acquisition quality, we include the average CAR of all prior deals completed by the bidder during our sample period. Thus, the exclusion restriction is that after controlling for bidder experience and overall skill in making acquisitions, the propensity to hire top-tier PR firms has no influence on returns except through its continued hiring of top PR firms.[17] The other control variables are the same as in Table 3.[18]

Table 7 presents the results for the IV approach, applied to acquisitions where the target is not public. We present the first and second stages of three IV models. The first model uses the bidding firm's investment bank's tendency to work with top PR firms, the second uses the firm's historical tendency to employ top PR firms, and the third model combines both instruments. Models (1), (3), and (5) show the first stage, while models (2), (4), and (6) show the second stage.

In the first-stage models, we find that both the *Bank-top-tier PR network* and the *top-tier PR experience ratio* are strong positive predictors of hiring a top-tier PR advisor for a given M&A deal, with coefficients that are both significant at the 1% level.[19] In the second stage models, the instrumented top-tier PR advisor effect continues to be positive and significant, while the magnitude of the coefficient in the model that uses both instruments (model (6)) is 1.73%. The fact that the effect remains significant in the IV specifications suggests that, subject to the validity of the exclusion

[17] Firms often use the same external PR advisors for recurring communication needs, including investor relations, earnings announcements, media relations, reputation management, crisis communications, shareholder activism, ESG communications, restructurings, and executive transitions. Some firms may therefore already have (a) PR advisor(s) on retainer before an acquisition arises and may also rely on these advisors for M&A-related communications. The experience ratio captures this propensity.

[18] The two channels used as instruments are not mutually exclusive: while some bidders may rely on incumbent PR relationships, investment banks may still influence PR-advisor choice at the margin, particularly when the bidder lacks an M&A-specific communications advisor or when the transaction requires specialized deal communication expertise.

[19] The Kleibergen–Paap rk Wald F-statistics for the weak identification test are above the relevant Stock and Yogo (2002) critical values in all first-stage specifications (i.e., the Limited Information Maximum Likelihood size of nominal 10% Wald is 16.38 for the first two models and 19.93 for the third model), allowing us to reject the null of weak identification.

restriction, the estimated effect of top-tier PR advisors is unlikely to be driven by unobserved characteristics that directly affect bidder CARs.[20, 21]

The IV results help address the concern that firms with better deals simply select top-tier PR advisors. The fact that the positive top-tier PR effect remains after instrumenting for top-tier PR choice is difficult to reconcile with signaling as the main mechanism explaining our results. Under the signaling hypothesis, firms with higher-quality deals are more likely to hire top-tier PR firms to signal deal quality to the market. If this selection channel were the dominant explanation, the top-tier PR coefficient should attenuate after instrumenting for top-tier PR choice. Instead, the coefficient remains positive and significant in the IV specifications.[22]

3.5. Long-run abnormal returns of bidders in non-public deals

Two possible mechanisms explaining the positive relation between announcement returns and the use of top-tier PR firms remain: effective communication and spinning. To disentangle which mechanism better explains our findings, we examine the impact of top PR advisors on long-term bidder abnormal returns. If we find that the positive impact of top-tier PR advisors on bidder announcement returns reverses over longer windows, this is more consistent with the spinning argument. If we find that the positive effect does not reverse, then this is evidence more consistent with the effective communication argument.

We compute buy-and-hold abnormal returns (BHARs) over 1, 2, 3, and 6 months, and over 1, 2, and 3 years starting three days after the acquisition announcement following the methods proposed by Barber and Lyon (1997) and Lyon, Barber, and Tsai (1999). This approach compares the buy-and-hold return of each bidder to the return on a benchmark portfolio. To determine the constituents of the

[20] The IV results are robust to including the top-tier financial advisor indicator used in Panel A of Table 4 (use of a top-5 investment bank). This alleviates the concern that the bank-network instrument captures the use of a prestigious investment bank rather than the bank's historical relationship with top-tier PR advisors. The top-5 indicator variable itself is insignificant as a control in both stages of the IV.

[21] As an additional robustness check, the results also hold when we augment the instrument set with an indicator equal to one if the bidder's headquarters is within 100 km of the closest top-tier PR advisor's office location (not just the PR firm's headquarters). These results are reported in Table OA6 of the Online Appendix.

[22] The OLS estimates include both the treatment and selection effects, whereas the IV estimates include only the treatment effects. Therefore, given that the coefficients of the IV estimates are somewhat larger than the ones of the OLS estimates, the selection effect is negative, suggesting that signaling is unlikely to be the explanation for our results.

benchmark portfolio, all CRSP common stocks are divided into size decile portfolios based on the market capitalization of common stocks listed on the NYSE at the end of the previous June. Within each size decile, firms are further sorted into quintiles based on their book-to-market ratios computed before or at the end of December in the previous year.[23] Each bidder is assigned to a benchmark portfolio based on its size and book-to-market sorting. The focal firm itself is removed from the benchmark portfolio. When returns on firms in the reference portfolio are missing, the corresponding reference portfolio returns are used to replace the missing returns.

We present the results for long-run event windows in Table 8. We find no evidence that the positive announcement returns associated with the use of top-tier PR firms reverse for any of the seven event windows. This finding does not support the spinning hypothesis and is most consistent with the effective communication narrative.[24]

4. Stakeholder effects – further tests on effective communication

According to the effective communication hypothesis, the work of PR advisors is important to explain the transaction to the firm's stakeholders such that they are comfortable with the changes that are likely to happen and do not seek alternative relationships. To quote PR Lab:[25]

> "*Externally, M&A public relations focuses on presenting a cohesive and unified message to external stakeholders... This synergy in messaging is essential for maintaining trust, managing perceptions, and ensuring a smooth transition during the merger or acquisition process. By maintaining synergy in messaging across all external communications, M&A public relations helps to build confidence, minimize uncertainty, and foster positive perceptions among external stakeholders throughout the merger or acquisition process."*

In this section, we employ proxies for stakeholder satisfaction and investigate whether they are indeed related to the use of top PR advisors. This analysis is based on completed transactions only since stakeholder effects are likely less important when deals do not go through.[26]

For customers, we focus on retention. U.S. firms are normally required to report the names of

[23] This allows for the lag in the reporting of financial statements.
[24] For some windows, we find a negative long-run stock price effect for acquisitions completed with the help of non-top-tier PR advisors, but this effect is not robust across the various event windows.
[25] https://prlab.co/blog/role-of-pr-in-mergers-and-acquisitions/ (last accessed: July 3, 2026).
[26] Our findings persist if withdrawn deals are also included in the analyses.

customers that account for 10% of the firm's consolidated revenues. We obtain these data from the Capital IQ customer segment database, and determine whether large customers in the year before the acquisition announcement continue to be reported as large customers the year after. Of course, as the firm grows (partly due to the acquisition itself), customers may no longer be reported because they fail to meet the 10% threshold even if they are still a substantial customer. However, this effect should not depend on whether a (top) PR firm is hired or not. In addition, we will control for changes in firm size in our analyses, as well as for changes in valuation, leverage, and cash flows, and for announcement returns in some specifications. There are 3,349 completed non-public acquisitions, for which the acquirers report a total of 3,758 large customers before the acquisition. Two years later 1,941 large customers remain.

Model (1) of Table 9 contains the result of a linear probability model (LPM), where the dependent variable is equal to one if the large customer is retained and zero otherwise. The likelihood of a large customer being retained post-acquisition is 11.8 percentage points higher when a top-tier PR firm is hired. Not surprisingly, increases in size are negatively related to customer retention, likely because there is a mechanical effect. Cash flows have a positive effect on retention, while leverage has a negative effect. Controlling for the announcement effect in model (2) does not alter the result. [27]

It is possible, of course, that customers are no longer reported because they were acquired or went bankrupt. In models (3) and (4), we repeat models (1) and (2) but only include customers whose names still occur in the customer segment dataset as being important for other suppliers, implying that they still exist. The top-tier effect in this subsample increases to over 14 percentage points.

For supplier satisfaction, we use an indirect measure, namely outstanding payables from COMPUSTAT, based on the argument that suppliers that are satisfied with the relationship may be more willing to extend trade credit. We scale accounts payable by cost of goods sold and estimate a LPM where the dependent variable is one if this ratio is higher the year after the acquisition announcement compared to the year before. The results are reported in models (5) and (6) of Table 9. These models include the same controls as the customer retention models, with model (6) also

[27] Our findings persist if we employ a 15% or 20% cutoff to identify large customers.

controlling for announcement returns. Both models indicate that bidders that hire top-tier PR firms are almost 10 percentage points more likely to receive more trade credit than other acquiring firms.

Finally, for employee satisfaction, we employ satisfaction ratings from Glassdoor, which has collected these data since 2008.[28] Glassdoor employer reviews contain employees' ratings on a scale of one to five, as well as ratings in categories such as work/life balance, culture and values, career opportunities, and compensation and benefits; these ratings are collected throughout the year and averaged. For this analysis, we use the average employee satisfaction score for the firm provided by Glassdoor ratings and compare employee satisfaction during the acquisition year with satisfaction two years later. We then estimate a LPM where the dependent variable equals one if employee satisfaction has increased after the acquisition and zero otherwise, including the same control variables as in the prior models of Table 9. Models (7) and (8) indicate that improvements in employee satisfaction are almost 19 percentage points more likely when a top-tier PR firm is involved in the acquisition.

Overall, these results on stakeholder effects further strengthen the support for effective communication as the main mechanism explaining the relation between the use of top PR advisors and bidder announcement returns; firms that employ top-tier advisors are more likely to retain their important customers, to receive more trade credit from suppliers, and have increased employee satisfaction.

5. Deal completion

So far, we have provided evidence that the use of top-tier PR advisors enhances bidder shareholder wealth, improves customer retention and employee satisfaction and leads suppliers to extend payment terms in non-public acquisitions. In this section we consider whether reputable PR advisors also facilitate deal completion – one of the most critical issues in M&A and a precondition to realizing any potential synergies.

To assess whether PR advisors affect deal completion, we estimate probit regressions where the dependent variable *Completion* is a binary variable that equals one if the deal is completed, and zero

[28] The Glassdoor dataset starts in 2008, and we have ratings until 2017; Glassdoor is not currently making any additional data available for academic research. Therefore, the analysis of employee satisfaction is limited to the period from 2008 and 2017 for firms covered by Glassdoor.

otherwise. The explanatory variables are the same as in our abnormal return regressions, but in some specifications, we also add the announcement abnormal return itself as a control variable. As such, we can investigate whether (top) PR advice is related to deal completion, after controlling for its effect on announcement returns. In Table 10, we present the estimates for the full sample in model (1), for public deals in model (2), and for non-public deals in model (3). Models (4) through (6) are the same as models (1) through (3), except that we also control for the announcement effect. As in the abnormal return models presented in Table 3, the effect of PR advisors is concentrated in acquisitions of non-public targets. However, unlike for the abnormal return models, we find that the relation between the use of PR advisors and deal completion in non-public deals is due to PR advice in general and is not further enhanced when top-tier advisors are hired.

These findings also partly speak to the reason why PR advisors may be hired, even if it does not always enhance the announcement returns, and even if these advisors are not among the top firms in the industry. Firms that start a takeover attempt have every intention of closing the transaction and integrating the company or assets they just purchased. In fact, the board of a company would not normally give its blessing to negotiations and/or offers without having a sense that there is a high likelihood of success. Moreover, the press and other stakeholders will often view the inability to close a deal as a sign of poor management (e.g., Bradley, Desai, and Kim, 1983). Thus, if the hiring of a PR advisor makes deal closing more likely, firms may feel that their hiring is justified, irrespective of their impact on deal returns.

6. Media coverage and tone

If PR firms improve communications with shareholders and other stakeholders, we would expect this to translate in both the level of media coverage and the overall tone of the coverage. This is what we investigate in this section. We note that this analysis does not allow us to distinguish between the various hypotheses we proposed—the tests we conducted previously were designed to do that. This test simply provides auxiliary evidence that (top) PR firms can indeed exert influence on both the quantity and tone of the news–part of the core of the communication role of (top) PR advisors in mergers and acquisitions.

We use textual analytics from RavenPack, a data provider that applies natural-language-processing algorithms to a large corpus of global news to identify firm-level events and quantify their tone and relevance. For each merger and acquisition announcement, we construct the total number of news items, the number of unique news items (excluding syndicated repetitions), and average sentiment (composite sentiment score), allowing us to measure the intensity, breadth, and tone of media coverage surrounding M&A events. RavenPack assigns a relevance score to each story, ranging from 0 to 100 to reflect how prominently a particular company is to each story. We select all news stories related to M&A with a relevance score of 90 and above.[29] For the level of news coverage we count all stories and all unique stories over the 5-day window surrounding the announcement date. For the sentiment score, we compute the average sentiment measure across the 5 days.

We estimate regression models of media coverage and tone as a function of (top-tier) PR use and the same control variables and fixed effects employed in our baseline model reported in Table 3. The results for non-public acquisitions are displayed in Table 11. Panel A analyzes the level of coverage and Panel B the tone. Model (1) of Panel A focuses on all news items and illustrates that the use of top-tier PR firms yields 31 additional stories, compared to only 2.7 stories when non-top-tier PR firms are used. The top-tier effect is also important economically: the average number of news stories across all acquisitions is 16.45, with a standard deviation of 56.3; thus, employing a top-tier PR firm almost triples the news count. Note that we control for both the size of the acquirer and the relative size of the acquisition; our results are therefore not a reflection of the fact that larger deals, which are more significant for the acquirer, or larger acquirers, which are more likely to be followed by the media, garner more media attention. Model (2) focuses on unique news stories; these are distinct stories related to the merger after removing duplicates of the same story covered by many news outlets. Again, we find a significant PR effect that is much more substantial for top-PR firms, where we find 1.79 additional news stories, compared to non-top-PR firms. The average number of unique news stories across the sample is 1.7, with a standard deviation of 3.7, suggesting that this effect is also economically large.

In models (3) and (4) of Panel A of Table 11, we repeat models (1) and (2) but additionally control

[29] RavenPack suggests that the sentiment score is only relevant when a company's relevance score is at least 90.

for the stock price effect surrounding the merger announcement. We find a positive relation between returns and the number of news stories that is significant for unique news stories. However, the magnitude of the (top-)PR effect remains virtually unchanged.

Panel B of Table 11 examines average sentiment for all news stories (model (1)) and unique news stories (model (2)). In both models we find that sentiment improves significantly with PR advice, especially when it comes from top PR firms. The sentiment measure associated with top-PR advice is 0.0242 higher for all news stories and 0.0279 higher for unique news stories; this is substantial relative to the average sentiment score for the entire sample, which is 0.13 for all stories and 0.07 for unique news stories. In models (3) and (4) we illustrate that, not surprisingly, the sentiment score is positively related to the stock price response, but the magnitude of the PR result is unaffected.

In sum, this section illustrates that firms get more, and more favorable, news coverage when they employ top-PR firms in non-public acquisitions. This evidence attests to the important communication role played by these organizations.

7. Discussion

7.1 Why are (top-tier) PR agencies more likely to be hired for public acquisitions?

Although we find that the market rewards acquirers that use the services of top-tier PR advisors in non-public deals only (as reflected by their higher announcement returns), our descriptive statistics reported in Table 2 indicate that top-tier PR advisors are more likely to be hired in public deals. Why does this happen if it is not rewarded by the market? There are at least three explanations for this finding.

First, firms that engage top-PR firms for public acquisitions are also substantially larger than firms that employ top-PR for non-public deals. In many instances, larger firms already have a PR firm on retainer; using these firms in an upcoming transaction is only natural in this case, even if there is no direct economic benefit.

Second, we do not find evidence that hiring PR advisors in public deals is harmful. As such, as is the case with the hiring of top-tier investment banks, bidders might prefer to use the services of top-tier PR advisors for the relatively more "important" public deals, which attract more attention.

The above discussion focuses on the demand side for top-tier PR advisors. A third reason why we may find more top-tier PR advisors in public deals may come from the supply side. Holding everything else constant, PR advisors may have a preference to work on public rather than non-public deals. This will attract greater public visibility and enhance their own prominence when it comes to attracting future business and increasing their market share. Moreover, the fees received in public deals are likely larger than in non-public deals, which should incentivize them to prefer work on these types of transactions. Unfortunately, the lack of data on which PR agencies were approached by bidders and which agencies indicated that they were unable to complete the work prevents us from investigating this conjecture.

7.2. How much do (top) PR advisors get paid?

The cost of the PR advisors is likely another factor that bidders consider when deciding whether to hire them. Unfortunately, we can only provide indirect information on the costs, as our dataset does not include information on PR advisory fees.

The *Perfect Information M&A Insight Market Analysis Report* for 2021 by Mergermarket (Maftah, 2022), which is based solely on the UK M&A market, shows that the average PR advisory fee paid by bidders was 0.04% and 0.02% of the deal values in 2021 and 2020, respectively. As also shown in the same report, this is substantially lower than the fees charged by the financial and corporate broking advisor (0.97%), the legal advisor (0.81%), and the accounting advisor (0.17%), and also lower than the fees charged to arrange financing (1.34%).[30] For US PR advisors that help with investor relations in general (i.e., not just in M&A), Solomon (2012) reports average client spend of $0.474 million per year, computed as total PR revenues divided by total clients (although this distribution is likely highly skewed).

If the fee of 0.04% applies to our sample, then *top-tier* PR advisors receive, on average, $1.35 million per transaction. Given that acquirers with top-tier PR advisors earn $47.6 million additional

[30] Wright (2013) and Agrawal (2021) present the PR fee structure, including fixed fees, retainer fees with hourly or daily charges, minimum fees with hourly charges, PR project fees, and the "pay-for-performance" fees when achieving a goal. These fees vary and mainly depend on the conditions of the bidder and the acquisition (White, 2002). The basic monthly retainer fee would be £5,000-£10,000 for a London-based boutique PR firm and typically in excess of £25,000 for a large international PR agency at the highest level. Kelly (2019) shows that the regular PR fees of the highest-paid executives and junior staff were $350 and $120 per hour in 2019, with specialists such as mergers and acquisition experts earning more.

shareholder value for non-public acquisitions, then, even if top-tier advisors charge premium fees for their services relative to non-top-tier advisors,[31] PR advisors do not capture the entire surplus they create.

We offer three potential explanations for why top-tier PR advisors do not reap all the benefits through higher advisory fees. First, if top-tier PR advisors leave no benefit for the bidding firm, there would be no direct incentive for the latter to engage a top-tier advisor. In fact, one of Chemmanur and Fulghieri's (1994) implications is that the net proceeds to the client from hiring a reputable advisor need to be higher. In the M&A context, the bidder's CAR represents the net effect, as investors should already discount the advisory fee upon the announcement.

Second, given that league tables are particularly important for advisors to secure future business (see Rau, 2000, and Bao and Edmans, 2011 for investment banking results), advisors have an incentive to compete for market share and are therefore constrained in the extent to which they can raise prices.

Third, related to the above, if the market for PR advisory services is very competitive, then their prices will be competed down to marginal costs, and the surplus will go to the client.

Overall, the improvement in bidder returns in non-public deals due to the involvement of the top-tier PR advisors appears much greater than the total PR advisor cost even if there is a substantial gap between the fees of top-tier and non-top-tier PR advisors, which is likely due to the competitive nature of the PR advisory industry.

8. Conclusion

We study the role of an important information intermediary in the M&A process which has received little attention in prior work: PR advisors. We provide evidence that employing top-tier PR advisors is associated with higher bidder returns in non-public acquisitions but not in public deals. Using top-tier PR agencies in the acquisitions of non-public target firms leads to a $48 million shareholder value enhancement for the average-sized acquirer of a non-public target. We attribute the differential impact of advisor reputation on abnormal returns gained by bidders across different types of deals to the

[31] White (2002) suggests that clients would loosen their fee budget if the PR firm could offer a high-quality service, suggesting that, like financial advisors, PR advisors also obey the "premium price-premium quality" mechanism (Chemmanur and Fulghieri, 1994).

importance of reputational capital in acquisitions where outside information is limited, such as acquisitions of non-public firms. Consistent with the model of Chemmanur and Fulghieri (1994) that links intermediary reputation to superior services, our results indicate that reputable PR advisors provide better services which are reflected in higher bidder announcement returns.

Since there is no reversal in abnormal returns in the long run and since our results do not attenuate when we control for self-selection, these findings are most consistent with the effective communication hypothesis, which suggests that the information provided by the PR agencies to the stakeholders during the M&A process positively contributes to bidder returns. Consistent with this argument, announcement abnormal return results are more pronounced for smaller bidders and bidders with less analyst following, cases where information production is particularly relevant. We also find increases in customer retention, employee satisfaction, and supplier payment terms after top PR firms are hired, which provides evidence on the mechanisms through which effective communication improves value.

We conclude that hiring PR advisors, especially the top ones, may be a cost-effective way to aid bidders in conveying valuable deal-specific information to stakeholders in settings where information availability is limited. Our findings also raise the question why more bidders do not employ top-tier PR advisors in acquisitions of non-public targets. One possibility is that the benefits of communication advice are difficult to assess ex ante. Unlike legal or financial advice, whose roles in due diligence, valuation, and negotiation are well established, the value of PR advice may be less visible because it operates through investor understanding, media framing, and stakeholder confidence. Bidders may also view acquisitions of non-public firms as less visible and therefore less in need of external communication support, even though our evidence suggests that these are precisely the transactions in which information gaps are most important. In addition, the best PR advisors may have limited capacity, may focus on larger or more visible transactions, or may be brought in only when managers already recognize communication as a central integration issue. These frictions may help explain why the use of top-tier PR advisors is not more widespread despite the apparent benefits in non-public acquisitions.

Our findings also have broader implications for how firms manage major corporate transactions. They suggest that communication advisors are not merely peripheral service providers, but can play an economically meaningful role when acquisitions are informationally complex and stakeholder support

is important for realizing merger benefits. More generally, the results highlight that reputational capital matters not only for traditional M&A intermediaries such as investment banks and law firms, but also for advisors whose primary function is to shape and coordinate communication with investors and other stakeholders.

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Appendix: Variable Definitions

PR Advisor Reputation

Top-tier PR: An indicator variable set equal to 1 for deals advised by one of the top 7 public relations advisors, and zero otherwise. The top-tier PR advisors ranking is based on the total M&A transaction value during the sample period (1998 to 2022) and includes Joele Frank Wilkinson Brimmer Katcher, Brunswick Group LLP, Sard Verbinnen & Co, Kekst CNC (Publicis), H/Advisors Abernathy, FTI Consulting Group Ltd, and Finsbury Glover Hering. The league table is constructed using data from the Mergermarket database.

Non-top-tier PR: An indicator variable set equal to 1 for deals advised by a non-top-7 public relations advisor, and zero otherwise. The variable is from the Mergermarket database.

Dependent Variables

Bidder CAR (-2, +2): Cumulative abnormal return of the bidder in the 5-day event window (-2, +2) around the announcement date (day 0). Abnormal returns are calculated using the market model with the parameters estimated over the 200-day period starting 240 days prior to the announcement day. The CRSP value-weighted index is employed as the market index.

BHAR: Buy-and-hold abnormal returns (BHARs) computed over 1, 2, 3, and 6 months, and over 1, 2, and 3 years starting three days after the acquisition. This approach compares the buy-and-hold return of each bidder *i* to the return on a benchmark portfolio. To determine the constituents of the benchmark portfolio, all CRSP common stocks are divided into size decile portfolios based on the market capitalization of common stocks listed on the NYSE at the end of the previous June. Within each size decile, firms are further sorted into quintiles on the basis of their book-to-market ratios computed before or at the end of December in the previous year. Each bidder is assigned to a benchmark portfolio based on its size and book-to-market sorting. The focal firm itself is removed from the benchmark portfolio.

Customer retention: An indicator variable set equal to 1 if an acquirer's major customer (accounting for at least 10% of sales) in year *t-1* remains a major customer in year *t+1,* and zero otherwise, with year *t* being the year of the acquisition. The data are from the Capital IQ customer segment database.

Supplier credit: An indicator variable set equal to 1 if the ratio of the acquirer's accounts payable to cost of goods sold in year *t+1* is higher than in year *t-1*, and zero otherwise, with year *t* being the year of the acquisition. The data are from Compustat.

Employee satisfaction: An indicator variable set equal to 1 if the acquirer's employee satisfaction measured in year *t+2* is higher than in year *t*, and zero otherwise, with year *t* being the year of the acquisition. Employee satisfaction ratings are obtained from Glassdoor and are averages of ratings collected throughout the year.

Completed: An indicator variable set equal to 1 for completed deals, and zero otherwise. The variable is from the LSEG SDC Platinum M&A database.

Firm Characteristics

Size: Bidder's equity market value four weeks prior to the deal announcement in US$ millions from CRSP.

Ln(size): The natural log of bidder's size. **ΔLn(Size):** the difference between Ln(size) the year after the acquisition and Ln(size) the year before.

Book-to-market: Book value of equity at the end of the fiscal year prior to the acquisition announcement divided by the market value of equity four weeks prior to the acquisition announcement. The book value of equity is from Compustat, the market value of equity is from CRSP. **ΔBook-to-market**: the difference between the book-to-market ratio computed using financial data at the end of the year after the acquisition minus the ratio the year before.

Run-up: Market-adjusted buy-and-hold abnormal return of the bidder from CRSP. The return is calculated over the period from 205 to 6 days before the announcement date, and the value-weighted CRSP index return is used as the market return.

Sigma: Standard deviation of the bidder's market-adjusted daily return from CRSP over the period from 205 to 6 days before the announcement date.

Leverage: Bidder's total financial debt (long-term debt plus debt in current liabilities) divided by the book value of total assets at the end of the fiscal year prior to the deal announcement from Compustat. **ΔLeverage**: the difference between the leverage ratio the year after the acquisition and the ratio the year before.

Cash flow-to-assets: Income before extraordinary items plus depreciation minus dividends on common and preferred stock divided by the total assets at the end of the fiscal year prior to the deal announcement from Compustat. **ΔCash flow-to-assets**: the difference between cash-flow-to-assets the year after the acquisition and the same ratio the year before.

Number of analysts: The average number of analysts on the IBES database following the bidder over the period from 180 to 3 days prior to the acquisition announcement. Set equal to zero for bidders not covered by the IBES database.

Blockholder: The combined equity ownership of all blockholders whose individual ownership exceeds 5%. The variable is constructed using data from the LSEG SDC Platinum M&A database.

Stock return: Market-adjusted stock return in the year before the acquisition from CRSP. The value-weighted CRSP index is used as the market.

Annual volatility: Standard deviation of the firm's market-adjusted daily return in the year before the acquisition from CRSP. The value-weighted CRSP index is used as the market.

Deal Characteristics

Deal value: Transaction value in US$ millions from the LSEG SDC Platinum M&A database.

Relative size: The ratio of the deal value and bidder's equity market value four weeks prior to the deal announcement from the LSEG SDC Platinum M&A database and CRSP, respectively.

Public: An indicator variable set equal to 1 for an acquisition of a publicly listed firm, and 0 otherwise, based on the LSEG SDC Platinum M&A database.

Non-public: An indicator variable set equal to 1 for the acquisition of a target that is not publicly traded, and 0 otherwise, based on the LSEG SDC Platinum M&A database.

Private: An indicator variable set equal to 1 if the target is not publicly traded, and 0 otherwise, based on the LSEG SDC Platinum M&A database.
Subsidiary: An indicator variable set equal to 1 for the acquisition of a subsidiary of a firm, and 0 otherwise, based on the LSEG SDC Platinum M&A database.
All cash: An indicator variable set equal to 1 for an acquisition where the form of payment is 100% cash, and 0 otherwise, based on the LSEG SDC Platinum M&A database.
Includes stock: An indicator variable set equal to 1 for an acquisition where the form of payment includes some stock, and 0 otherwise, based on the LSEG SDC Platinum M&A database.
Percent stock: The fraction of the purchase price paid in stock from the LSEG SDC Platinum M&A database.
Diversification: An indicator variable set equal to 1 for cross-industry deals, and 0 otherwise. Industries are defined at the two-digit SIC code level. The variable is created from the LSEG SDC Platinum M&A database.
Hostile: An indicator variable set equal to 1 for a hostile or unsolicited deal, and 0 otherwise. The variable is from the LSEG SDC Platinum M&A database.
Tender offer: An indicator variable set equal to 1 for tender offers, and 0 otherwise. The variable is from the LSEG SDC Platinum M&A database.
Top-tier FA: An indicator variable set equal to 1 for deals advised by one of the top 5 financial advisors, and zero otherwise. The top-tier financial advisors are ranked by the total M&A transaction value for the deals announced from 1998 to 2022. The top 5 financial advisors are Goldman Sachs & Co, JP Morgan, Merrill Lynch (now Bank of America Merrill Lynch), Morgan Stanley, and Citi & Salomon Smith Barney. The financial advisor league table is drawn from the Mergermarket database.
Domestic: An indicator variable set equal to 1 for US domestic deals, and 0 otherwise. The variable is from the LSEG SDC Platinum M&A database.
Competition: An indicator variable set equal to 1 if there are multiple bidders, and 0 otherwise. The variable is based on the LSEG SDC Platinum M&A database.
Ln (#past deals): The natural logarithm of the number of past M&A deals of the bidder in our sample. The variable is based on the LSEG SDC Platinum M&A database.
Average past deal return: The average 5-day CAR of the bidder in their previous M&A transactions in our sample. The CRSP value-weighted index is employed as the market index to calculate CARs.

Instrumental Variables

Bank top-PR network: The fraction of deals completed in the previous 10 years by the bidding firm's investment bank (using a minimum of two years for transactions at the start of our sample period) that employ top-tier PR firms, excluding deals done by the bidder itself. The variable is constructed using data from the Mergermarket database.
Top-tier PR experience ratio: The fraction of previous deals in our sample made by a bidding firm that were advised on by a top-tier PR advisor. The variable is constructed using data from the Mergermarket database.

Media Coverage and Sentiment

All News: The count of all the merger-related news items for a given company over the 5-day period starting two days before the acquisition announcement obtained from RavenPack. Only news items with a relevance score of 90 and above are taken into account.

Unique News: The count of all the unique merger-related news items for a given company over the 5-day period starting two days before the acquisition announcement obtained from RavenPack. Only news items with a relevance score of 90 and above are taken into account.

Media Sentiment: A proprietary, event-based sentiment measure derived from natural-language processing of news text by RavenPack.

Table 1
Top 25 public relations (PR) advisors ranked by M&A transaction value

This table shows the top 25 PR advisors ranked according to the value of the M&A transactions they advised on in our sample, conducted by US bidders during the period January 1, 1998 – December 31, 2022 drawn from the Mergermarket database. Transaction value is in US$ million. Credit is allocated fully to both bidder and target firm advisors and to each eligible advisor in the case of multiple advisors for a single transaction. Acquisitions of bankrupt firms, going private transactions, leveraged buyouts, liquidations, repurchases, restructurings, reverse takeovers, self-tenders, and privatizations are excluded.

Rank	PR Advisors	Transaction Value (in US$ Million)
	Top Tier	
1	Joele Frank Wilkinson Brimmer Katcher	1,350,613
2	Brunswick Group LLP	983,269
3	Sard Verbinnen & Co	958,893
4	Kekst CNC (Publicis)	486,487
5	H/Advisors Abernathy	315,671
6	FTI Consulting Group Ltd	222,905
7	Finsbury Glover Hering	194,122
	Non-top-tier (Top 8 to top 25)	
8	Gladstone Place Partners, LLC	141,519
9	Edelman	120,683
10	Citigate Dewe Rogerson	111,270
11	FGS Global	97,552
12	Weber Shandwick, Inc.	81,086
13	Sloane & Company	76,080
14	ICR, LLC	74,250
15	Tulchan Communications LLP	43,691
16	Brainerd Communicators, Inc.	31,186
17	Kreab	22,537
18	Blueshirt Group	21,984
19	Teneo	21,291
20	JCIR	16,519
21	Stern Investor Relations	14,234
22	MacKenzie Partners, Inc.	12,805
23	Sam Brown Inc.	12,599
24	Prosek Partners	12,111
25	Waggener Edstrom Worldwide, Inc.	11,785

Table 2
Sample Descriptive Statistics

This table shows descriptive statistics for our sample of US listed bidders acquiring both US and non-US public and non-public target firms between January 1, 1998 and December 31, 2022 drawn from the LSEG SDC Platinum M&A database. Panels A and B present the mean, median, and the number of observations (N) for the bidder and deal characteristics, respectively, for the whole sample, the top-tier PR, and the combined non-top-tier PR or no PR subsamples, respectively. The top-tier PR group includes deals advised on by the Top 7 PR agencies defined in Table 1, and the non-(top-tier) PR group contains statistics for the other deals. Statistical tests for differences in means and medians for each characteristic for top-tier versus non-top-tier and in-house categories are also presented. All variable definitions and data sources are presented in the Appendix.

Panel A: Bidder characteristics											
	Full sample (1)			Top-tier PR (2)			No PR or non-top-tier PR (3)			Difference (2)-(3)	
										p-value	*p*-value
	Mean	Median	N	Mean	Median	N	Mean	Median	N	Mean	Median
Size	6,564.375	893.452	10,603	22,529.030	4,351.754	684	5,463.476	810.835	9,919	0.000	0.000
Book-to-market	0.465	0.347	10,603	0.464	0.344	684	0.465	0.347	9,919	0.982	0.814
Run-up	0.144	0.012	10,603	0.061	0.010	684	0.150	0.012	9,919	0.006	0.637
Sigma	0.030	0.024	10,603	0.019	0.017	684	0.030	0.025	9,919	0.000	0.000
Leverage	0.234	0.204	10,603	0.266	0.246	684	0.232	0.200	9,919	0.000	0.000
Cash flow-to-assets	0.030	0.074	10,603	0.068	0.076	684	0.027	0.074	9,919	0.000	0.235
Number of analysts	8.190	6.000	10,603	13.193	12.000	684	7.845	5.833	9,919	0.000	0.000
Panel B: Deal characteristics											
Deal value	672.432	74.000	10,603	3,375.317	715.000	684	486.045	65.029	9,919	0.000	0.000
Public	0.160	-	10,603	0.404	-	684	0.143	-	9,919	0.000	-
Private	0.496	-	10,603	0.287	-	684	0.510	-	9,919	0.000	-
Subsidiary	0.344	-	10,603	0.310	-	684	0.347	-	9,919	0.051	-
All cash	0.335	-	10,603	0.450	-	684	0.327	-	9,919	0.000	-
Percent stock	0.167	0.000	10,603	0.158	0.000	684	0.167	0.000	9,919	0.501	0.298
Relative size	0.250	0.082	10,603	0.416	0.149	684	0.238	0.080	9,919	0.000	0.000
Diversification	0.387	-	10,603	0.431	-	684	0.384	-	9,919	0.015	-
Hostile	0.012	-	10,603	0.026	-	684	0.011	-	9,919	0.001	-
Tender offer	0.039	-	10,603	0.102	-	684	0.034	-	9,919	0.000	-
Domestic	0.815	-	10,603	0.814	-	684	0.815	-	9,919	0.949	-
Competition	0.017	-	10,603	0.063	-	684	0.014	-	9,919	0.000	-
CAR (-2, +2)	1.126%	0.645%	10,603	0.916%	0.370%	684	1.140%	0.666%	9,919	0.494	0.207
Completed	0.912	-	10,603	0.912	-	684	0.911	-	9,919	0.943	-

Table 3
Cross-sectional regressions of bidder CARs

This table presents cross-sectional OLS regressions of bidder CARs on PR advisor reputation and other firm and deal characteristics. All variables are defined in the Appendix. All regressions include year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	All	Public	Non-public
	(1)	(2)	(3)
Top-tier PR	0.0063**	-0.0061	0.0111***
	(0.04)	(0.30)	(0.00)
Non-top-tier PR	-0.0014	0.0043	-0.0021
	(0.60)	(0.58)	(0.47)
Ln (size)	-0.0048***	-0.0027**	-0.0056***
	(0.00)	(0.05)	(0.00)
Book-to-market	-0.0016	0.0044	-0.0020
	(0.24)	(0.14)	(0.19)
Run-up	-0.0090***	-0.0089**	-0.0090***
	(0.00)	(0.03)	(0.00)
Sigma	0.1095	0.2516	0.0728
	(0.31)	(0.22)	(0.54)
Leverage	0.0089*	0.0369***	0.0057
	(0.06)	(0.00)	(0.28)
Cash flow-to-assets	0.0022	0.0250**	-0.0014
	(0.70)	(0.04)	(0.82)
Public × All cash	-0.0018		
	(0.58)		
Public × Includes stock	-0.0413***		
	(0.00)		
Non-public × All cash	0.0019		
	(0.26)		
Percent stock		-0.0362***	0.0016
		(0.00)	(0.73)
Relative size	0.0065***	-0.0030	0.0066***
	(0.00)	(0.54)	(0.00)
Diversification	-0.0029*	-0.0024	-0.0031*
	(0.09)	(0.58)	(0.08)
Hostile	-0.0022	-0.0035	0.0287***
	(0.73)	(0.63)	(0.00)
Tender offer	0.0035	0.0069	-0.0606
	(0.39)	(0.14)	(0.50)
Domestic	0.0051***	0.0013	0.0057***
	(0.01)	(0.79)	(0.01)
Constant	0.0201	0.0175	0.0247
	(0.18)	(0.31)	(0.11)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.05)	(0.25)	(0.00)
Year and industry FE	Yes	Yes	Yes
N	10,603	1,695	8,908
Adjusted R^2	0.055	0.096	0.038

Table 4
Robustness tests for bidder CARs in non-public acquisitions

This table presents robustness tests on the relation between PR advisor reputation and bidder CARs. Panel A controls for top-tier financial advisor use (model (1)), bidder competition (model (2)), and corporate governance (model (3)). Model (4) presents the results when we include financials and utilities. Panel B shows the results using alternative top-tier PR classifications. Panel C presents the results using alternative CAR measures as the dependent variable. Panel D shows the results for private deals (model (1)), subsidiary deals (model (2)), domestic deals (model (3)), and completed deals (model (4)). All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3. All regressions include year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

Panel A: Additional control variables and inclusion of financials and utilities

	Top-tier financial advisor	Bidder competition	Corporate governance	Including financials & utilities
	(1)	(2)	(3)	(4)
Top-tier PR	0.0102***	0.0111***	0.0111***	0.0111***
	(0.01)	(0.00)	(0.00)	(0.00)
Non-top-tier PR	-0.0023	-0.0022	-0.0022	-0.0001
	(0.44)	(0.46)	(0.46)	(0.98)
Top-tier FA	0.0049			
	(0.15)			
Competition		0.0070		
		(0.83)		
Blockholder			-0.0044	
			(0.37)	
Constant	0.0258*	0.0247	0.0258*	0.0184
	(0.10)	(0.11)	(0.09)	(0.22)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.01)	(0.00)	(0.00)	(0.01)
Control variables	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes
N	8,908	8,908	8,908	10,082
Adjusted R^2	0.038	0.038	0.038	0.038

Table 4 (continued)

Panel B: Alternative top-tier PR classifications

	Top-5 PR advisor	Top-6 PR advisor	Top-8 PR advisor	Top-9 PR advisor	Without investment banking services	Prior year PR ranking
	(1)	(2)	(3)	(4)	(5)	(6)
Top-5 PR	0.0108**					
	(0.01)					
Top-6 PR		0.0110***				
		(0.00)				
Top-8 PR			0.0110***			
			(0.00)			
Top-9 PR				0.0108***		
				(0.00)		
Top-tier PR					0.0110***	
					(0.01)	
Prior year top-tier PR						0.0102***
						(0.01)
Non-top-tier PR	-0.0010	-0.0020	-0.0021	-0.0024	-0.0022	-0.0031
	(0.71)	(0.50)	(0.47)	(0.42)	(0.46)	(0.30)
Constant	0.0242	0.0246	0.0247	0.0249	0.0247	0.0527***
	(0.12)	(0.11)	(0.11)	(0.11)	(0.11)	(0.00)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.02)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	8,908	8,908	8,908	8,908	8,839	8,145
Adjusted R^2	0.038	0.038	0.038	0.038	0.038	0.040

Panel C: Alternative CARs

	Market model CAR (-1, +1)	Market-adjusted CAR (-2, +2)	Market model CAR (-2, +2) equally weighted CRSP index
	(1)	(2)	(3)
Top-tier PR	0.0100***	0.0115***	0.0113***
	(0.00)	(0.00)	(0.00)
Non-top-tier PR	-0.0026	-0.0024	-0.0027
	(0.30)	(0.42)	(0.35)
Constant	0.0331**	0.0234	0.0300**
	(0.01)	(0.18)	(0.04)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.00)	(0.00)	(0.00)
Control variables	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes
N	8,908	8,908	8,908
Adjusted R^2	0.036	0.032	0.037

Table 4 (continued)

Panel D: Different deal types

	Private	Subsidiary	Domestic	Completed
	(1)	(2)	(3)	(4)
Top-tier PR	0.0108**	0.0094*	0.0101**	0.0095**
	(0.04)	(0.06)	(0.02)	(0.01)
Non-top-tier PR	-0.0001	-0.0027	-0.0043	-0.0025
	(0.99)	(0.61)	(0.20)	(0.40)
Constant	0.0339**	-0.0060	0.0217	0.0189
	(0.03)	(0.80)	(0.22)	(0.21)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.07)	(0.09)	(0.00)	(0.01)
Control variables	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes
N	5,258	3,650	7,256	8,244
Adjusted R^2	0.041	0.051	0.043	0.041

Table 5
Bidder asymmetric information and CARs in non-public acquisitions

This table presents cross-sectional regressions of the relation between PR advisor reputation and bidder CARs conditional on two proxies for information availability about the bidder: i) analyst following, and ii) size. All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3 and year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	Interaction with number of analysts	Interaction with size
	(1)	(2)
Top-tier PR	0.0195***	0.0422**
	(0.00)	(0.02)
Non-top-tier PR	-0.0008	-0.0064
	(0.86)	(0.61)
Number of analysts	0.0003	
	(0.10)	
Top-tier PR × Number of analysts	-0.0008*	
	(0.06)	
Non-top-tier PR × Number of analysts	-0.0002	
	(0.67)	
Ln (size)	-0.0065***	-0.0054***
	(0.00)	(0.00)
Top-tier PR × Ln (Size)		-0.0039*
		(0.06)
Non-top-tier PR × Ln (Size)		0.0007
		(0.70)
Constant	0.0285*	0.0240
	(0.07)	(0.12)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.01)	(0.02)
Control variables	Yes	Yes
Year and industry FE	Yes	Yes
N	8,908	8,908
Adjusted R^2	0.038	0.038

Table 6
Propensity score matching (PSM) analysis in non-public acquisitions

This table presents propensity score matching (PSM) analysis of the relation between PR advisor reputation and bidder CARs. The treatment group includes deals where bidding firms use top-tier PR advisors and the control group includes the remaining deals. Panel A presents the probit model used to estimate propensity scores for firms in the treatment and control groups using one-to-one nearest neighbor propensity score matching (PSM) without replacement. The dependent variable is 1 if the firm belongs to the treatment group, and zero otherwise. The covariate matrix used for the matching is based on the following firm- and deal-specific characteristics: ln(size), book-to-market, run-up, sigma, leverage, cash flow-to-assets, percent stock, relative size, diversification, and domestic. Panel B reports the distribution of estimated propensity scores for the treated firms, control firms, and the difference in estimated post-match propensity scores. Panel C reports univariate comparisons between the treated and control firms and deal characteristics and their corresponding *t*-statistics. Panel D presents results for the relation between PR advisor reputation and bidder CARs for the matched sample after performing a propensity score matching analysis using the nearest-neighbor (model (1)), three-nearest-neighbors (model (2)), five-nearest-neighbors (model (3)), and Epanechnikov and Gaussian kernel-based (models (4) and (5)) matching estimators. Panels A and D include year and industry fixed effects, whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies. All regressions in Panel D include the control variables used in model (3) of Table 3. All variables are defined in the Appendix. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations.

Panel A: Pre-match propensity score regressions and post-match diagnostic regressions

	Dummy = 1 if in treatment group; 0 if in control group	
	Pre-match probit	Post-match probit
	(1)	(2)
Ln (size)	0.2144***	-0.0513
	(0.00)	(0.22)
Book-to-market	0.0614	0.0309
	(0.14)	(0.40)
Run-Up	-0.0520	0.0163
	(0.35)	(0.89)
Sigma	-0.5856	-4.1897
	(0.84)	(0.54)
Leverage	0.1273	0.2149
	(0.44)	(0.49)
Cash flow-to-assets	0.2177	0.4750
	(0.43)	(0.21)
Percent stock	0.0826	0.3708
	(0.57)	(0.19)
Relative size	0.0659***	0.0042
	(0.01)	(0.85)
Diversification	0.1672***	-0.0334
	(0.00)	(0.74)
Domestic	0.0646	-0.0225
	(0.34)	(0.85)
Constant	-4.2463***	0.2840
	(0.00)	(0.77)
Year and industry FE	Yes	Yes
N	7,541	816
Pseudo R^2	0.146	0.024

Table 6 (continued)

Panel B: Estimated propensity score distributions

Propensity Score	N	Min	P5	P50	Mean	SD	P95	Max
Treatment	408	0.0008	0.0220	0.1039	0.1249	0.0984	0.3060	0.9722
Control	408	0.0008	0.0221	0.1039	0.1254	0.0994	0.3058	0.9366
Difference		0.0000	0.0000	0.0000	-0.0005	-0.0010	0.0002	0.0356

Panel C: Comparison of means across matched samples

Variable	Treatment	Control	Difference	t-statistic	p>|t|
Ln (size)	8.095	8.206	-0.111	-0.890	0.373
Book-to-market	0.514	0.421	0.094	0.990	0.323
Run-up	0.073	0.078	-0.005	-0.170	0.865
Sigma	0.020	0.020	0.000	-0.330	0.739
Leverage	0.264	0.254	0.010	0.750	0.454
Cash flow-to-assets	0.066	0.059	0.007	0.660	0.507
Percent stock	0.061	0.052	0.009	0.740	0.457
Relative size	0.393	0.265	0.128	0.650	0.514
Diversification	0.498	0.507	-0.010	-0.280	0.780
Domestic	0.794	0.792	0.002	0.090	0.931

Panel D: Regressions based on matched samples

	Nearest neighbor	Three nearest neighbors	Five nearest neighbors	Epanechnikov kernel	Gaussian kernel
	(1)	(2)	(3)	(4)	(5)
Top-tier PR	0.0098**	0.0132***	0.0088**	0.0110***	0.0118***
	(0.02)	(0.00)	(0.01)	(0.00)	(0.00)
Constant	0.0685**	0.0699***	0.0774***	0.0568***	0.0570***
	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)
Control variables	Yes	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes	Yes
N	816	1,379	1,858	7,541	7,541
Adjusted R^2	0.114	0.121	0.131	0.142	0.133

Table 7
Instrumental variable (IV) regressions in non-public acquisitions

This table presents instrumental variable (IV) regressions for the impact of PR advisor reputation on bidder CARs in acquisitions of non-public targets. The first model uses the Bank top-tier PR network instrument, the second uses the Top-tier PR experience ratio instrument, and the third uses both instruments. For each model, the first-stage dependent variable is Top-tier PR and the second-stage dependent variable is bidder CAR (-2, +2). All variables are defined in the Appendix. All regressions include year and industry fixed effects, whose coefficients are suppressed. The p-values reported in parentheses are based on standard errors adjusted for heteroskedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations.

	Bank top-tier-PR network instrument		Top-tier PR experience instrument		Both instruments	
	First stage	Second stage	First stage	Second stage	First stage	Second stage
	(1)	(2)	(3)	(4)	(5)	(6)
Bank top-tier-PR network	0.5335***				0.4361***	
	(0.00)				(0.00)	
Top-tier PR experience ratio			0.4611***		0.4383***	
			(0.00)		(0.00)	
Instrumented top-tier PR		0.0421**		0.0219**		0.0173*
		(0.03)		(0.04)		(0.09)
Ln(# past deals)			0.0021	-0.0002	0.0063	-0.0002
			(0.69)	(0.87)	(0.23)	(0.84)
Average past deal return			0.0086	-0.0014	0.0114	-0.0007
			(0.82)	(0.94)	(0.77)	(0.97)
Ln (size)	0.0156***	-0.0063***	0.0191***	-0.0042***	0.0108***	-0.0041***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Book-to-market	0.0067	-0.0022	0.0051	-0.0032*	0.0039	-0.0032*
	(0.14)	(0.16)	(0.20)	(0.07)	(0.35)	(0.07)
Run-up	-0.0017	-0.0096***	-0.0054*	-0.0143***	-0.0048*	-0.0143***
	(0.33)	(0.00)	(0.06)	(0.00)	(0.08)	(0.00)
Sigma	0.1215	0.1685	-0.0958	0.2325*	-0.0240	0.2301*
	(0.31)	(0.12)	(0.59)	(0.08)	(0.88)	(0.08)
Leverage	0.0082	0.0109**	-0.0002	0.0116**	-0.0053	0.0116**
	(0.56)	(0.05)	(0.99)	(0.04)	(0.72)	(0.04)
Cash flow-to-assets	0.0004	0.0061	-0.0093	-0.0028	-0.0050	-0.0029
	(0.97)	(0.35)	(0.52)	(0.75)	(0.72)	(0.73)
Percent stock	-0.0055	-0.0042	-0.0004	-0.0084	-0.0042	-0.0085
	(0.55)	(0.44)	(0.98)	(0.20)	(0.70)	(0.20)
Relative size	0.0093*	0.0054***	0.0522***	0.0181***	0.0319***	0.0184***
	(0.07)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Diversification	0.0162***	-0.0029	0.0173**	-0.0031	0.0174***	-0.0030
	(0.01)	(0.13)	(0.01)	(0.12)	(0.01)	(0.14)
Hostile	-0.0509*	0.0309***	-0.0399**	0.0247***	-0.0494**	0.0243***
	(0.09)	(0.00)	(0.04)	(0.00)	(0.05)	(0.00)
Tender offer	0.0150	-0.1977***	0.0319	-0.1804***	0.0096	-0.1804***
	(0.48)	(0.00)	(0.14)	(0.00)	(0.66)	(0.00)
Domestic	0.0058	0.0050**	0.0067	0.0038*	0.0062	0.0039*
	(0.41)	(0.02)	(0.40)	(0.08)	(0.44)	(0.07)
Constant	-0.1525***	0.0442***	-0.1651***	0.0513*	-0.0941***	0.0503*
	(0.00)	(0.00)	(0.00)	(0.06)	(0.00)	(0.06)
Kleibergen-Paap rk Wald F-test	94.887		120.435		89.873	
LIML size of nominal 10% Wald	16.38		16.38		19.93	
Year and industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	7,560	7,560	5,376	5,376	5,369	5,369
R^2		0.0457		0.0598		0.0616

Table 8
Long-run bidder abnormal returns in non-public acquisitions

This table presents cross-sectional OLS regression analyses of the impact of PR advisor reputation on long-term bidder buy-and-hold abnormal returns (BHARs). All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3. All regressions include year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	1-month BHAR	2-month BHAR	3-month BHAR	6-month BHAR	1-year BHAR	2-year BHAR	3-year BHAR
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Top-tier PR	-0.0067	-0.0035	0.0049	-0.0108	0.0011	0.0155	0.0440
	(0.19)	(0.63)	(0.56)	(0.45)	(0.96)	(0.63)	(0.34)
Non-top-tier PR	-0.0005	-0.0003	-0.0029	-0.0244*	-0.0540***	-0.0577*	-0.0448
	(0.93)	(0.97)	(0.75)	(0.09)	(0.01)	(0.08)	(0.36)
Constant	-0.0097	0.0019	0.0202	-0.1199	-0.3514**	-0.8182**	-0.4721*
	(0.57)	(0.95)	(0.73)	(0.12)	(0.04)	(0.02)	(0.06)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.42)	(0.75)	(0.51)	(0.46)	(0.04)	(0.09)	(0.16)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	7,927	7,914	7,901	7,847	7,616	7,010	6,252
Adjusted R^2	0.0035	0.0068	0.0042	0.0002	0.0089	0.0304	0.0302

Table 9
Stakeholder effects in non-public acquisitions

This table presents regression estimates of linear probability models (LPM) of the effect of PR advisor reputation on three stakeholder outcomes following completed acquisitions of non-public targets. The dependent variable in models (1) through (4) is an indicator variable equal to 1 if an acquirer's major customer (accounting for at least 10% of sales) prior to the acquisition remains a major customer after the acquisition. Models (3) and (4) are estimated for customers whose names still occur in the customer segment dataset after the acquisition as being important for other suppliers, implying that they still exist. The dependent variable in models (5) and (6) is an indicator variable equal to 1 if the acquirer's accounts payable-to-cost of goods sold (COGS) ratio after the acquisition is higher than before the acquisition. The dependent variable in models (7) and (8) is an indicator variable equal to 1 if the acquirer's Glassdoor employee satisfaction rating improves around the acquisition year. All variables are defined in the Appendix. Δ refers to the change in the control variables between year *t+1* and year *t-1* with year *t* being the year of the acquisition. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the firm level. The symbols ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	Customer retention				Supplier credit		Employee satisfaction	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Top-tier PR	0.1179***	0.1176***	0.1451***	0.1443***	0.1071***	0.1069***	0.1791***	0.1784***
	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Non-top-tier PR	0.0465*	0.0465*	0.0468	0.0465	-0.0060	-0.0060	-0.0071	-0.0067
	(0.10)	(0.10)	(0.13)	(0.13)	(0.75)	(0.75)	(0.90)	(0.89)
CAR (-2, +2)		0.0282		0.0717		0.0188		0.1382
		(0.79)		(0.53)		(0.79)		(0.67)
ΔLn(size)	-0.0525***	-0.0531***	-0.0502***	-0.0516***	0.0326***	0.0324***	-0.0223	-0.0257
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.74)	(0.71)
ΔLeverage	-0.2566***	-0.2567***	-0.2817***	-0.2819***	-0.0756**	-0.0759***	-0.1047	-0.1014
	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)	(0.04)	(0.57)	(0.58)
ΔCash flow-to-assets	0.1104***	0.1100***	0.1075***	0.1063***	0.0386***	0.0385***	0.2754	0.2755
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.19)	(0.19)
ΔBook-to-market	0.0000	0.0000	0.0000	0.0000	-0.0000***	-0.0000***	-0.0154	-0.0154
	(0.96)	(0.96)	(0.91)	(0.90)	(0.00)	(0.00)	(0.80)	(0.79)
Constant	0.6028***	0.6024***	0.5877***	0.5868***	0.4943***	0.4941***	0.5560***	0.5551***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.15)	(0.15)	(0.06)	(0.06)	(0.00)	(0.00)	(0.02)	(0.02)
N	3,338	3,338	2,961	2,961	7,860	7,860	791	791
Adjusted R^2	0.018	0.018	0.020	0.020	0.000	0.000	0.013	0.013

Table 10
Deal completion

This table presents probit regression estimates for the relation between PR advisor reputation and the likelihood of deal completion. All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3, and year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	All	Public	Non-public	All	Public	Non-public
	(1)	(2)	(3)	(4)	(5)	(6)
Top-tier PR	0.1204	-0.0709	0.2337**	0.1179	-0.0666	0.2284*
	(0.15)	(0.60)	(0.05)	(0.16)	(0.62)	(0.05)
Non-top-tier PR	0.1739**	0.2939	0.1609**	0.1739**	0.2895	0.1615**
	(0.02)	(0.13)	(0.04)	(0.02)	(0.13)	(0.04)
CAR (-2, +2)				0.3688	0.5275	0.3132
				(0.11)	(0.35)	(0.22)
Constant	1.8425***	-0.3169	1.9145***	1.8315***	-0.3143	1.9032***
	(0.00)	(0.47)	(0.00)	(0.00)	(0.48)	(0.00)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.62)	(0.10)	(0.60)	(0.60)	(0.11)	(0.63)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	10,581	1,656	8,862	10,581	1,656	8,862
Pseudo R^2	0.142	0.325	0.086	0.142	0.325	0.087

Table 11
The impact of top-tier PR advisors on media coverage and sentiment in non-public acquisitions

This table presents OLS regression estimates of the impact of PR advisor reputation on media coverage and sentiment over the 5-day period surrounding the acquisition announcement using textual analytics from RavenPack. Panel A presents the results for media coverage and Panel B for average media sentiment (composite sentiment score), which measure the intensity, breadth, and tone of media coverage surrounding M&A events. In Panel A, for each announcement, we construct the total number of news items in models (1) and (3), the number of unique news items (excluding syndicated repetitions) in models (2) and (4). All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3, and year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	Panel A: Media Coverage			
	All News (1)	Unique News (2)	All News (3)	Unique News (4)
Top-tier PR	31.0467***	1.7950***	30.9499***	1.7732***
	(0.00)	(0.00)	(0.00)	(0.00)
Non-top-tier PR	2.7207**	0.2636*	2.7525**	0.2708*
	(0.03)	(0.06)	(0.03)	(0.05)
CAR (-2, +2)			7.9325	1.7889***
			(0.20)	(0.00)
Constant	-79.1699***	-3.0990***	-79.4380***	-3.1595***
	(0.00)	(0.00)	(0.00)	(0.00)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.00)	(0.01)	(0.00)	(0.02)
Control variables	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes
N	6,799	6,799	6,799	6,799
Adjusted R^2	0.133	0.090	0.133	0.091

	Panel B: Media Sentiment			
	All News (1)	Unique News (2)	All News (3)	Unique News (4)
Top-tier PR	0.0242***	0.0279***	0.0238***	0.0275***
	(0.00)	(0.00)	(0.00)	(0.00)
Non-top-tier PR	0.0068**	0.0049	0.0070**	0.0050
	(0.02)	(0.15)	(0.02)	(0.14)
CAR (-2, +2)			0.0331***	0.0305**
			(0.00)	(0.01)
Constant	-0.0027	0.0202	-0.0038	0.0191
	(0.85)	(0.25)	(0.79)	(0.27)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.00)	(0.00)	(0.00)	(0.00)
Control variables	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes
N	6,799	6,799	6,799	6,799
Adjusted R^2	0.154	0.082	0.155	0.083

The Role of Public Relations Advisors in Acquisitions

Online Appendix

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Table OA1
Robustness tests for bidder CARs in public acquisitions

This table presents robustness tests on the relation between PR advisor reputation and bidder CARs in public acquisitions. Panel A controls for top-tier financial advisor use (model (1)), bidder competition (model (2)), and corporate governance (model (3)). Model (4) presents the results when we include financials and utilities. Panel B shows the results using alternative top-tier PR classifications. Panel C presents the results using alternative CARs as the dependent variable. Panel D shows the results for domestic deals (model (1)) and completed deals (in model (2)). All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3. All regressions include year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

Panel A: Additional control variables and inclusion of financials and utilities

	Top-tier financial advisor	Bidder competition	Corporate governance	Including financials & utilities
	(1)	(2)	(3)	(4)
Top-tier PR	-0.0050	-0.0058	-0.0062	-0.0047
	(0.40)	(0.32)	(0.28)	(0.37)
Non-top-tier PR	0.0047	0.0045	0.0042	0.0050
	(0.54)	(0.56)	(0.58)	(0.48)
Top-tier FA	-0.0033			
	(0.47)			
Competition		-0.0045		
		(0.51)		
Blockholder			-0.0074	
			(0.60)	
Constant	0.0148	0.0180	0.0208	0.0195
	(0.40)	(0.29)	(0.26)	(0.18)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.29)	(0.25)	(0.25)	(0.24)
Control variables	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes
N	1,695	1,695	1,695	2,219
Adjusted R^2	0.138	0.138	0.138	0.124

Table OA1 (continued)

Panel B: Alternative top-tier PR classifications

	Top-5 PR advisor	Top-6 PR advisor	Top-8 PR advisor	Top-9 PR advisor	Without investment banking services	Prior year PR ranking
	(1)	(2)	(3)	(4)	(5)	(6)
Top-5 PR	-0.0080					
	(0.18)					
Top-6 PR		-0.0062				
		(0.30)				
Top-8 PR			-0.0053			
			(0.36)			
Top-9 PR				-0.0052		
				(0.36)		
Top-tier PR					-0.0078	
					(0.19)	
Prior year top-tier PR						-0.0061
						(0.29)
Non-top-tier PR	0.0063	-0.0062	0.0030	0.0032	0.0048	0.0080
	(0.39)	(0.30)	(0.69)	(0.68)	(0.54)	(0.30)
Constant	0.0160	0.0175	0.0181	0.0180	0.0138	0.0129
	(0.35)	(0.30)	(0.29)	(0.29)	(0.42)	(0.51)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.10)	(0.25)	(0.35)	(0.35)	(0.17)	(0.16)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	1,695	1,695	1,695	1,695	1,681	1,537
Adjusted R^2	0.096	0.095	0.095	0.095	0.095	0.096

Panel C: Alternative CARs

	Market model	Market-adjusted	Market model
	CAR (-1, +1)	CAR (-2, +2)	CAR (-2, +2) equally weighted CRSP index
Top-tier PR	-0.0019	-0.0060	-0.0053
	(0.72)	(0.30)	(0.37)
Non-top-tier PR	-0.0024	0.0058	0.0053
	(0.72)	(0.47)	(0.48)
Constant	0.0026	0.0230	0.0246
	(0.86)	(0.19)	(0.15)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.95)	(0.20)	(0.23)
Control variables	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes
N	1,695	1,695	1,695
Adjusted R^2	0.123	0.0768	0.0986

Table OA1 (continued)

Panel D: Different deal types		
	Domestic	Completed
	(1)	(2)
Top-tier PR	-0.0089	-0.0022
	(0.17)	(0.73)
Non-top-tier PR	0.0033	0.0053
	(0.74)	(0.53)
Constant	0.0114	0.0232
	(0.54)	(0.21)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.28)	(0.45)
Control variables	Yes	Yes
Year and industry FE	Yes	Yes
N	1,388	1,421
Adjusted R^2	0.090	0.108

Table OA2
Bidder asymmetric information and CARs in public acquisitions

This table presents cross-sectional regressions of the relation between PR advisor reputation and bidder CARs in public acquisitions conditional on two proxies for information availability about the bidder: i) analyst following, and ii) size. All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3 and year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	Interaction with number of analysts	Interaction with size
	(1)	(2)
Top-tier PR	0.0052	-0.0038
	(0.68)	(0.91)
Non-top-tier PR	0.0277*	0.0419
	(0.06)	(0.28)
Number of analysts	0.0005	
	(0.20)	
Top-tier PR × Number of analysts	-0.0008	
	(0.19)	
Non-top-tier PR × Number of analysts	-0.0022**	
	(0.02)	
Ln (size)	-0.0038*	-0.0024
	(0.08)	(0.10)
Top-tier PR × Ln (Size)		-0.0003
		(0.93)
Non-top-tier PR × Ln (Size)		-0.0049
		(0.28)
Constant	0.0204	0.0153
	(0.30)	(0.38)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.22)	(0.34)
Control variables	Yes	Yes
Year and industry FE	Yes	Yes
N	1,695	1,695
Adjusted R^2	0.097	0.095

Table OA3
Propensity score matching (PSM) analysis in public acquisitions

This table presents propensity score matching (PSM) analysis of the relation between PR advisor reputation and bidder CARs in public acquisitions. The treatment group includes deals where bidding firms use top-tier PR advisors and the control group includes the remaining deals. Panel A presents the probit model used to estimate propensity scores for firms in the treatment and control groups using one-to-one nearest neighbor propensity score matching (PSM) without replacement. The dependent variable is 1 if the firm belongs to the treatment group, and zero otherwise. The covariate matrix used for the matching is based on the following firm- and deal-specific characteristics: ln(size), book-to-market, run-up, sigma, leverage, cash flow-to-assets, percent stock, relative size, diversification, hostile, tender offer, and domestic. Panel B reports the distribution of estimated propensity scores for the treated firms, control firms, and the difference in estimated post-match propensity scores. Panel C reports univariate comparisons between the treated and control firms and deal characteristics and their corresponding *t*-statistics. Panel D presents results for the relation between PR advisor reputation and bidder CARs for the matched sample after performing a propensity score matching analysis using the nearest-neighbor (model (1)), three-nearest-neighbors (model (2)), five-nearest-neighbors (model (3)), and Epanechnikov and Gaussian kernel-based (models (4) and (5)) matching estimators. Panels A and D include year and industry fixed effects, whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies. All regressions in Panel D include the control variables used in model (3) of Table 3. All variables are defined in the Appendix. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations.

Table OA3 (continued)

Panel A: Pre-match propensity score regressions and post-match diagnostic regressions		
	Dummy = 1 if in treatment group; 0 if in control group	
	Pre-match probit	Post-match probit
	(1)	(2)
Ln (size)	0.1981***	-0.0188
	(0.00)	(0.69)
Book-to-market	-0.0064	-0.0786
	(0.91)	(0.22)
Run-Up	-0.2138*	-0.1582
	(0.05)	(0.39)
Sigma	-1.1154	5.2717
	(0.77)	(0.53)
Leverage	0.0040	0.3416
	(0.99)	(0.32)
Cash flow-to-assets	0.2613	-0.0518
	(0.38)	(0.93)
Percent stock	0.5032***	-0.0094
	(0.00)	(0.96)
Relative size	0.1893***	-0.0320
	(0.01)	(0.70)
Diversification	-0.0531	-0.0798
	(0.60)	(0.53)
Hostile	-0.2450	-0.1657
	(0.19)	(0.47)
Tender offer	0.2299**	-0.0145
	(0.03)	(0.92)
Domestic	0.2070*	-0.0729
	(0.10)	(0.67)
Constant	-2.1255***	0.2436
	(0.00)	(0.85)
Year and industry FE	Yes	Yes
N	1,372	552
Pseudo R^2	0.214	0.025

Table OA3 (continued)

Panel B: Estimated propensity score distributions

Propensity Score	N	Min	P5	P50	Mean	SD	P95	Max
Treatment	276	0.0005	0.0870	0.3475	0.3623	0.1724	0.6580	0.7695
Control	276	0.0005	0.0869	0.3517	0.3513	0.1585	0.6149	0.8167
Difference		0.0000	0.0001	-0.0042	0.0111	0.0140	0.0431	-0.0472

Panel C: Comparison of means across matched samples

Variable	Treatment	Control	Difference	t-statistic	p>|t|
Ln (size)	9.044	9.154	-0.110	-0.670	0.501
Book-to-market	0.391	0.426	-0.035	-0.460	0.645
Run-up	0.044	0.063	-0.019	-0.690	0.491
Sigma	0.019	0.018	0.001	0.880	0.379
Leverage	0.269	0.244	0.026	1.400	0.162
Cash flow-to-assets	0.072	0.074	-0.003	-0.260	0.796
Percent stock	0.302	0.281	0.021	0.630	0.527
Relative size	0.450	0.439	0.011	0.140	0.888
Diversification	0.333	0.380	-0.047	-1.150	0.249
Hostile	0.065	0.087	-0.022	-0.960	0.336
Tender offer	0.254	0.264	-0.011	-0.290	0.771
Domestic	0.844	0.859	-0.015	-0.480	0.633

Panel D: Regressions based on matched samples

	Nearest neighbor	Three nearest neighbors	Five nearest neighbors	Epanechnikov kernel	Gaussian kernel
	(1)	(2)	(3)	(4)	(5)
Top-tier PR	-0.0086	-0.0091	-0.0081	-0.0105*	-0.0099*
	(0.16)	(0.13)	(0.17)	(0.06)	(0.07)
Constant	0.0005	-0.0025	0.0113	0.0204	0.0190
	(0.99)	(0.95)	(0.78)	(0.53)	(0.55)
Control variables	Yes	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes	Yes
N	552	669	777	1,372	1,372
Adjusted R^2	0.089	0.127	0.123	0.167	0.153

Table OA4
Instrumental variable (IV) regressions in public acquisitions

This table presents instrumental variable (IV) regressions for the impact of PR advisor reputation on bidder CARs in acquisitions of public targets. The first model uses the Bank top-tier PR network instrument, the second uses the Top-tier PR experience ratio instrument, and the third uses both instruments. For each model, the first-stage dependent variable is Top-tier PR and the second-stage dependent variable is bidder CAR (-2, +2). All variables are defined in the Appendix. All regressions include year and industry fixed effects, whose coefficients are suppressed. The p-values reported in parentheses are based on standard errors adjusted for heteroskedasticity and clustered by bidder and industry. ***, ** and * indicate statistical significance at the 1.5%, 5.5%, and 10.5% levels, respectively. N denotes the number of observations.

	Bank top-tier-PR network instrument		Top-tier PR experience instrument		Both instruments	
	First stage	Second stage	First stage	Second stage	First stage	Second stage
	(1)	(2)	(3)	(4)	(5)	(6)
Bank top-tier-PR network	0.9679***				0.8191***	
	(0.00)				(0.00)	
Top-tier PR experience ratio			0.3556***		0.3457***	
			(0.00)		(0.00)	
Instrumented top-tier PR		0.0096		0.0081		0.0078
		(0.46)		(0.74)		(0.54)
Ln(# past deals)			-0.0147	0.0018	-0.0082	0.0017
			(0.46)	(0.63)	(0.66)	(0.62)
Average past deal return			0.0264	0.0425	-0.0058	0.0398
			(0.86)	(0.22)	(0.97)	(0.27)
Ln (size)	0.0288***	-0.0041***	0.0280***	-0.0036**	0.0155*	-0.0035**
	(0.00)	(0.00)	(0.00)	(0.05)	(0.10)	(0.04)
Book-to-market	-0.0074	0.0054***	-0.0066	0.0040	-0.0151	0.0039
	(0.61)	(0.01)	(0.67)	(0.23)	(0.32)	(0.23)
Run-up	-0.0188***	-0.0071**	-0.0067	-0.0061	-0.0069	-0.0057
	(0.01)	(0.05)	(0.61)	(0.29)	(0.59)	(0.34)
Sigma	0.4243	0.0475	-1.5350	0.0961	-0.9784	0.1163
	(0.57)	(0.80)	(0.13)	(0.67)	(0.30)	(0.63)
Leverage	-0.0144	0.0297***	-0.0045	0.0159*	-0.0294	0.0156*
	(0.80)	(0.00)	(0.95)	(0.07)	(0.71)	(0.08)
Cash flow-to-assets	0.0614	0.0313***	-0.0317	0.0366**	0.0252	0.0372**
	(0.16)	(0.00)	(0.62)	(0.04)	(0.72)	(0.03)
Percent stock	0.0927***	-0.0421***	0.0769**	-0.0455***	0.0881***	-0.0452***
	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)
Relative size	0.0233	-0.0026	0.0452*	-0.0000	0.0231	0.0001
	(0.24)	(0.58)	(0.08)	(1.00)	(0.34)	(0.99)
Diversification	-0.0021	-0.0043	-0.0002	-0.0043	0.0083	-0.0041
	(0.93)	(0.18)	(0.99)	(0.29)	(0.72)	(0.32)
Hostile	0.0187	0.0058	-0.0884***	0.0096	-0.0122	0.0094*
	(0.44)	(0.30)	(0.01)	(0.12)	(0.68)	(0.07)
Tender offer	0.0404*	0.0021	0.0472	0.0039	0.0454*	0.0043
	(0.07)	(0.60)	(0.12)	(0.32)	(0.07)	(0.21)
Domestic	0.0416**	0.0033	0.0533	0.0048	0.0442	0.0043
	(0.04)	(0.47)	(0.15)	(0.39)	(0.16)	(0.43)
Constant	-0.3761***	0.0173	-0.3802***	0.0170	-0.2052**	0.0177
	(0.00)	(0.39)	(0.00)	(0.52)	(0.05)	(0.48)
Kleibergen-Paap rk Wald F-test	66.275		34.752		43.588	
LIML size of nominal 10% Wald	16.38		16.38		19.93	
Year and industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	1,388	1,388	1,014	1,014	1,013	1,013
R^2		0.1429		0.1567		0.1547

Table OA5
Long-run bidder abnormal returns in public acquisitions

This table presents cross-sectional OLS regression analyses of the impact of PR advisor reputation on long-term bidder buy-and-hold abnormal returns (BHARs) in public acquisitions. All variables are defined in the Appendix. All regressions include the control variables used in model (3) of Table 3. All regressions include year and industry fixed effects whose coefficients are suppressed and are based on calendar year dummies and Fama-French 48 industry dummies, respectively. The *p*-values reported in parentheses are based on standard errors adjusted for heteroscedasticity and clustered at the bidder level. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations. We also report the *p*-value of the difference between top-tier and non-top-tier PR advisors.

	1-month BHAR (1)	2-month BHAR (2)	3-month BHAR (3)	6-month BHAR (4)	1-year BHAR (5)	2-year BHAR (6)	3-year BHAR (7)
Top-tier PR	-0.0084	-0.0193*	-0.0254*	0.0009	0.0111	0.0157	0.0968
	(0.29)	(0.08)	(0.06)	(0.96)	(0.72)	(0.75)	(0.11)
Non-top-tier PR	0.0006	-0.0222	-0.0180	0.0059	-0.0502	-0.0509	0.0192
	(0.95)	(0.15)	(0.43)	(0.87)	(0.26)	(0.37)	(0.79)
Constant	-0.2564***	-0.2193***	-0.2736***	-0.2406**	-0.2798	-0.1082	-0.1620
	(0.00)	(0.00)	(0.00)	(0.01)	(0.14)	(0.67)	(0.52)
Difference Top-tier vs Non-top-tier PR (p-value)	(0.45)	(0.87)	(0.77)	(0.89)	(0.20)	(0.31)	(0.37)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year and industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	1,591	1,589	1,589	1,578	1,539	1,454	1,338
Adjusted R^2	0.000	-0.010	-0.011	-0.006	0.000	0.034	0.062

Table OA6
Instrumental variable (IV) regressions in non-public acquisitions – added distance instrument

This table presents instrumental variable (IV) regressions for the impact of PR advisor reputation on bidder CARs in acquisitions of non-public targets. The first-stage dependent variable is *Top-tier PR* and the second-stage dependent variable is bidder CAR (-2, +2). The excluded instruments are the *Bank top-tier PR network*, the *Top-tier PR experience ratio*, and an indicator for bidder headquarters within 100 km of a top-tier PR advisor's office. All regressions include year and industry fixed effects, whose coefficients are suppressed. The *p*-values in parentheses are based on standard errors adjusted for heteroskedasticity and clustered at the bidder and industry levels. ***, ** and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N denotes the number of observations.

	First stage (1)	Second stage (2)
Bank top-tier-PR network	0.4361***	
	(0.00)	
Top-tier PR experience ratio	0.4377***	
	(0.00)	
Top-tier PR office within 100 km	0.0134**	
	(0.03)	
Instrumented top-tier PR		0.0172*
		(0.09)
Ln(# past deals)	0.0065	-0.0002
	(0.26)	(0.83)
Average past deal return	0.0102	-0.0007
	(0.75)	(0.97)
Ln (size)	0.0106***	-0.0040***
	(0.00)	(0.00)
Book-to-market	0.0039	-0.0032**
	(0.32)	(0.03)
Run-up	-0.0044**	-0.0143***
	(0.05)	(0.00)
Sigma	-0.0204	0.2300**
	(0.89)	(0.03)
Leverage	-0.0056	0.0116**
	(0.69)	(0.04)
Cash flow-to-assets	-0.0053	-0.0030
	(0.77)	(0.68)
Percent stock	-0.0032	-0.0085
	(0.75)	(0.29)
Relative size	0.0318***	0.0184***
	(0.00)	(0.00)
Diversification	0.0172**	-0.0030
	(0.02)	(0.11)
Hostile	-0.0484**	0.0243***
	(0.04)	(0.00)
Tender offer	0.0095	-0.1803***
	(0.60)	(0.00)
Domestic	0.0063	0.0039
	(0.38)	(0.12)
Constant	-0.1025***	0.0502***
	(0.00)	(0.00)
Kleibergen-Paap rk Wald F-test	53.785	
LIML size of nominal 10% Wald	22.30	
Year and industry FE	Yes	Yes
N	5,369	5,369
R^2		0.0616

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