

Internet Appendix for “Buyout Activity: The Impact of Aggregate Discount Rates”

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Table IAI Correlations

Table IAI contains correlation coefficients between explanatory variables. \hat{r}_{POLS} is the predicted market excess return using D/P , cay , and the three-month T-bill as factors. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). \hat{r}_{VAR} is the annual expected market excess return for the next three years based on a VAR. \hat{g} is annual expected S&P earnings growth for the next three years based on a VAR. r_f is the risk-free yield at a three-year horizon.

	\hat{r}_{POLS}	EBITDA Sprd.	HY Sprd.	GZ Sprd.	\hat{r}_{VAR}	\hat{g}_{VAR}	r_f
\hat{r}_{POLS}	1.00						
EBITDA Spread	-0.36	1.00					
HY Spread	0.55	-0.85	1.00				
GZ Spread	-0.32	-0.22	0.16	1.00			
\hat{r}_{VAR}	0.85	-0.25	0.52	-0.11	1.00		
\hat{g}_{VAR}	0.09	0.27	-0.09	0.09	0.47	1.00	
r_f	0.42	-0.40	0.53	-0.61	0.22	-0.28	1.00

Table IAI
Alternative Buyout Measures: Aggregate Risk Premium versus Credit Market Factors

Table IAI contains OLS estimates of quarterly buyout activity on estimates of the aggregate risk premium, credit spreads, and credit market factors from 1982Q3 to 2011Q4. In Panel A, columns (1) to (3), the dependent variable is the log enterprise value of activity, columns (4) to (6), the dependent variable is the log share of public assets taken private, and in columns (7) to (9), the dependent variable is the log share of enterprise value taken private. Panel B considers volume, asset, and enterprise value shares relative to a matched sample of firms. The matched sample is constructed by propensity score matching LBO firm-quarters to those of firms in the same Fama-French 12 industry and with the same characteristics at any point in time in the sample period. Characteristics include log assets, FCF/Assets, Capex/Sales, R&D/Sales, book leverage, turnover, and a dummy indicating dividend payors. \hat{r}_p is the predicted market excess return using D/P , cay , and the three-month T-bill as factors. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). Quarter dummies are included to account for seasonality. Standard errors in parentheses are calculated using Newey-West (four lags). * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Panel A									
	log(EV)			Share of Assets			Share of EV		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
\hat{r}_p	-0.17*** (0.042)		-0.18*** (0.056)	-0.087*** (0.025)		-0.13*** (0.023)	-0.069** (0.028)		-0.13*** (0.025)
EBITDA Spread		-0.13 (0.19)	0.022 (0.18)		-0.020 (0.096)	0.079 (0.092)		0.048 (0.10)	0.14 (0.11)
HY Spread		-0.32** (0.14)	0.00034 (0.16)		-0.095 (0.087)	0.13* (0.077)		-0.028 (0.093)	0.19** (0.091)
GZ Spread		0.013 (0.16)	-0.32** (0.14)		-0.094 (0.10)	-0.36*** (0.10)		-0.18* (0.11)	-0.44*** (0.10)
Observations	107	107	107	117	117	117	117	117	117
R^2	0.245	0.154	0.275	0.204	0.079	0.302	0.139	0.087	0.295
Panel B									
	Matched Share of Volume			Matched Share of Assets			Matched Share of EV		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
\hat{r}_p	-18.3*** (3.57)		-22.9*** (3.55)	-0.14*** (0.034)		-0.19*** (0.031)	-0.14*** (0.038)		-0.21*** (0.036)
EBITDA Spread		23.4* (13.5)	40.1*** (13.6)		-0.039 (0.15)	0.10 (0.13)		0.027 (0.15)	0.18 (0.14)
HY Spread		-5.24 (12.7)	33.2*** (12.8)		-0.18 (0.12)	0.14 (0.11)		-0.14 (0.13)	0.20* (0.12)
GZ Spread		33.7** (16.0)	-12.1 (13.4)		-0.035 (0.17)	-0.42*** (0.15)		-0.080 (0.17)	-0.49*** (0.15)
Observations	117	117	117	117	117	117	117	117	117
R^2	0.347	0.132	0.404	0.243	0.090	0.306	0.239	0.094	0.325

Table IAI
Private-to-Private Buyout Activity: Aggregate Risk Premium versus Credit Market Factors

Table IAI contains coefficient estimates from regressing quarterly private-to-private buyout volume on estimates of the aggregate risk premium, credit spreads, and credit market factors from 1982Q4 to 2011Q4. \hat{r}_p is the predicted market excess return using D/P , ca_y , and the three-month T-bill as factors. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). Quarter dummies are included to account for seasonality. Standard errors in parentheses are calculated using Newey-West (four lags). * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

	Private-to-Private Volume								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
\hat{r}_p	-3.60*** (0.89)		-3.22*** (0.85)		-2.86*** (0.86)		-3.55*** (0.96)		-2.43** (1.06)
EBITDA Spread		6.60*** (2.43)	3.13* (1.90)					-1.20 (2.79)	0.57 (2.91)
HY Spread				-5.98*** (2.03)	-2.78* (1.64)			-7.26*** (2.58)	-3.20 (2.52)
GZ Spread						6.51* (3.57)	0.77 (3.29)	8.89*** (3.16)	4.05 (4.08)
Observations	117	117	117	117	117	117	117	117	117
R^2	0.391	0.151	0.420	0.257	0.430	0.053	0.392	0.353	0.444

Table IAIV
Explaining Buyout Activity: Alternative Risk Premium Measures

Table IAIV contains coefficient estimates from regressing quarterly buyout activity on estimates of the aggregate risk premium, credit spreads, and credit market factors from 1982Q4 to 2011Q4. The dependent variable in Panel A is the volume of activity (the number of deals scaled by the number of public firms in bps) and in Panel B is the value of activity (the log asset value of deals). Columns (1) and (2) use a rolling prediction of equity returns where D/P , cay , and the three-month T-bill are factors. Columns (3) and (4) use an estimate based solely on D/P and cay . Columns (5) and (6) use actual forward excess equity returns. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). Quarter dummies are included to account for seasonality. Standard errors in parentheses are calculated using Newey-West (four lags). * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Panel A: Volume						
	$\hat{r}P_{Rolling}$		$\hat{r}P_{D/P,cay}$		rP_{Actual}	
	(1)	(2)	(3)	(4)	(5)	(6)
$\hat{r}p$	-0.58** (0.24)	-0.76** (0.31)	-0.94*** (0.27)	-1.45*** (0.33)	-0.46*** (0.14)	-0.53*** (0.14)
EBITDA Spread		1.85* (1.07)		1.19 (1.07)		3.34** (1.42)
HY Spread		1.33 (0.94)		1.68* (0.90)		1.11 (1.02)
GZ Spread		-1.17 (1.40)		-2.63** (1.32)		1.82* (1.02)
Observations	117	117	117	117	113	113
R^2	0.164	0.191	0.237	0.280	0.166	0.256
Panel B: Value						
	$\hat{r}P_{Rolling}$		$\hat{r}P_{D/P,cay}$		rP_{Actual}	
	(1)	(2)	(3)	(4)	(5)	(6)
$\hat{r}p$	-0.091*** (0.034)	-0.087* (0.046)	-0.15*** (0.043)	-0.21*** (0.057)	-0.061*** (0.020)	-0.057*** (0.019)
EBITDA Spread		0.091 (0.14)		0.020 (0.14)		0.24 (0.19)
HY Spread		-0.030 (0.16)		0.069 (0.14)		-0.073 (0.13)
GZ Spread		-0.15 (0.26)		-0.43* (0.24)		0.19 (0.19)
Observations	117	117	117	117	113	113
R^2	0.153	0.179	0.232	0.266	0.113	0.197

Table IAV
Explaining Buyout Activity: Alternative Risk Premium Horizons

Table IAV contains coefficient estimates from regressing quarterly buyout activity on estimates of the aggregate risk premium, credit spreads, and credit market factors from 1982Q4 to 2011Q4. The dependent variable in columns (1), (2), (5), and (6) is the volume of activity (the number of deals scaled by the number of public firms in bps) and in the other columns is the value of activity (the log asset value of deals). $\hat{r}p$ is the predicted market excess return using D/P , cay , and the three-month T-bill as factors. The risk premium is estimated over a one-year horizon in columns (1) to (4) and a five-year horizon in columns (5) to (8). *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). Quarter dummies are included to account for seasonality. Standard errors in parentheses are calculated using Newey-West (four lags). * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

	One year				Five year			
	Volume		Value		Volume		Value	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\hat{r}p$	-0.80*** (0.18)	-1.02*** (0.17)	-0.14*** (0.027)	-0.16*** (0.028)	-1.17*** (0.31)	-1.82*** (0.33)	-0.20*** (0.048)	-0.27*** (0.057)
EBITDA Spread		2.82*** (1.09)		0.27** (0.13)		2.11** (1.06)		0.15 (0.13)
HY Spread		2.25** (0.95)		0.18 (0.12)		2.37** (0.94)		0.18 (0.14)
GZ Spread		-0.50 (0.88)		-0.16 (0.15)		-2.28** (1.08)		-0.40** (0.19)
Observations	117	117	117	117	117	117	117	117
R^2	0.303	0.356	0.326	0.350	0.266	0.326	0.272	0.308

Table IAVI
Explaining Buyout Activity: Additional Credit Market Factors

Table IAVI contains OLS estimates of quarterly buyout activity on estimates of the aggregate risk premium, credit spreads, and credit market factors from 1982Q3 to 2011Q4. The dependent variable in Panel A is the volume of activity (the number of deals scaled by the number of public firms in bps) and in Panel B is the value of activity (the log asset value of deals). \hat{r}_p is the predicted market excess return using D/P , cay , and the three-month T-bill as factors. *Corp. Spread* is difference between Moody's Seasoned AAA corporate bond yield and Moody's Seasoned BAA corporate bond yield. *Leverage (Mkt.)* is the aggregate book value of debt divided by aggregate market capitalization plus book debt. *Leverage (Book)* is the aggregate book value of debt divided by aggregate book assets. *Tighter Standards* is the net percentage of loan officers in the SLOS reporting tighter lending standards for C&I loans to medium and large businesses. Quarter dummies are included to account for seasonality. Standard errors in parentheses are calculated using Newey-West (four lags). * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Panel A: Volume of Activity										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
\hat{r}_p	-1.17*** (0.25)		-1.14*** (0.25)		-1.26*** (0.24)		-1.22*** (0.25)	-1.40*** (0.19)		-1.39*** (0.18)
Corp. Spread		0.87 (2.63)	0.98 (1.73)							
Leverage (Mkt.)				-0.058 (0.085)	0.093 (0.083)					
Leverage (Book)						0.16 (0.51)	-1.01** (0.47)			
Tighter Standards									-0.076 (0.065)	-0.041 (0.039)
Observations	117	117	117	117	117	117	117	86	86	86
R^2	0.317	0.019	0.319	0.023	0.328	0.020	0.379	0.588	0.056	0.595
Panel B: Value of Activity										
	Value of Activity									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
\hat{r}_p	-0.20*** (0.039)		-0.19*** (0.038)		-0.19*** (0.041)		-0.21*** (0.036)	-0.24*** (0.032)		-0.23*** (0.029)
Corp. Spread		0.010 (0.38)	0.030 (0.26)							
Leverage (Mkt.)				-0.027* (0.016)	-0.0038 (0.014)					
Leverage (Book)						0.032 (0.068)	-0.17*** (0.052)			
Tighter Standards									-0.020* (0.012)	-0.015** (0.0067)
Observations	117	117	117	117	117	117	117	86	86	86
R^2	0.330	0.021	0.330	0.059	0.331	0.024	0.390	0.503	0.083	0.532

Table IAVII
Buyout Activity on Alternative Measures

Table IAVII contains coefficient estimates from regressing quarterly buyout activity on alternative estimates of growth and the risk premium from 1982Q4 to 2011Q4. The dependent variable is the volume of activity scaled by the number of public firms (in bps). In columns (1) and (2), $\hat{r}p$ is the expected market excess return based on a VAR using dividend growth rather than earnings growth; \hat{g} is expected S&P dividend growth based on a VAR. In columns (3) and (4), $\hat{r}p$ is the predicted market excess return using D/P , cay , and the three-month T-bill as factors; \hat{g} is the mean IBES estimate of S&P dividend growth for the next two years. In columns (5) and (6), $\hat{r}p$ is the predicted market excess return using D/P , cay , and the three-month T-bill as factors; \hat{g} is actual aggregate EBIT growth for the next year for firms in Compustat. (7)-(8), $\hat{r}p$ is the actual annual market return for the next three years. \hat{g} is actual aggregate EBIT growth for the next year for firms in Compustat. r_f is the risk-free yield at a three-year horizon. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). Quarter dummies are included to account for seasonality. Standard errors in parentheses are calculated using Newey-West (four lags). * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

	<i>VAR: Dividends</i>		$\hat{r}p_{OLS}, \hat{g}_{IBES}$		$\hat{r}p_{OLS}, g_{EBIT}$		rP_{Actual}, g_{EBIT}	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\hat{r}p$	-0.96*** (0.31)	-0.72* (0.40)	-1.42*** (0.22)	-1.29*** (0.28)	-1.34*** (0.22)	-1.30*** (0.30)	-0.52*** (0.15)	-0.50*** (0.15)
\hat{g}	0.34 (0.48)	0.29 (0.46)	0.15** (0.074)	0.16** (0.076)	0.22* (0.12)	0.30** (0.15)	0.32** (0.15)	0.38** (0.16)
r_f	0.24 (0.49)	2.31** (1.03)	1.04* (0.53)	1.93** (0.86)	0.88* (0.52)	1.56* (0.84)	-0.082 (0.51)	2.40*** (0.78)
EBITDA Spread		5.72*** (1.92)		2.88* (1.52)		3.13* (1.75)		7.36*** (1.66)
HY Spread		2.32* (1.25)		2.00* (1.10)		1.67 (1.02)		2.50** (1.14)
GZ Spread		-0.52 (1.28)		0.40 (0.86)		0.81 (0.89)		-0.38 (1.08)
Observations	117	117	116	116	113	113	113	113
R^2	0.200	0.302	0.374	0.413	0.388	0.435	0.248	0.409

Table IAVIII
Deal Likelihood and Discount Rates – Full Table

Table IAVIII contains coefficient estimates from regressing quarterly deal indicator (*Deal*) on the risk premium, credit market factors, and firm fixed effects from 1982Q4 to 2011Q4. \hat{r}_{OLS} is the predicted market excess return using *D/P*, *cay*, and the three-month T-bill as factors. \hat{r}_{VAR} is the annual expected market excess return for the next three years based on a VAR. \hat{g}_{VAR} is annual expected S&P earnings growth for the next three years based on a VAR. r_f is the annual risk-free yield at a three-year horizon. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). Quarter dummies are included to account for seasonality. Standard errors in parentheses are two-way clustered by firm and quarter. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
\hat{r}_{OLS}	-2.39*** (0.28)		-2.29*** (0.28)		-2.15*** (0.29)		-2.27*** (0.29)		-1.59*** (0.35)		
\hat{r}_{VAR}										-0.61*** (0.11)	-0.57*** (0.13)
\hat{g}_{VAR}										0.11*** (0.031)	0.12*** (0.032)
r_f										-4.16*** (0.47)	-2.98*** (1.01)
EBITDA Spread		2.58** (1.00)	1.22 (0.97)					-1.11 (1.98)	0.36 (2.36)		-0.088 (2.26)
HY Spread				-2.90*** (0.75)	-1.13 (0.71)			-5.24*** (1.37)	-2.63 (1.72)		-0.90 (1.93)
GZ Spread						5.97*** (1.41)	4.47*** (0.97)	10.4*** (1.42)	7.83*** (1.35)		3.65 (2.41)
Firm FE	X	X	X	X	X	X	X	X	X	X	X
Observations	501,176	501,176	501,176	501,176	501,176	501,176	501,176	501,176	501,176	501,176	501,176
R^2	0.064	0.063	0.064	0.063	0.064	0.063	0.064	0.064	0.064	0.064	0.064

Table IAIX
Probit: Deal Likelihood and Discount Rates

Table IAIX contains Probit estimates of a quarterly deal indicator (*Deal*) on the risk premium, credit market factors, and cross-sectional controls from 1982Q4 to 2011Q4. \hat{r}_{OLS} is the predicted market excess return using *D/P*, *cay*, and the three-month T-bill as factors. \hat{r}_{VAR} is the annual expected market excess return for the next three years based on a VAR. \hat{g}_{VAR} is annual expected S&P earnings growth for the next three years based on a VAR. r_f is the annual risk-free yield at a three-year horizon. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). Quarter dummies are included to account for seasonality. Standard errors in parentheses are two-way clustered by firm and quarter. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
\hat{r}_{OLS}	-0.023*** (0.0030)		-0.023*** (0.0032)		-0.026*** (0.0035)		-0.023*** (0.0030)		-0.028*** (0.0037)		
\hat{r}_{VAR}										-0.0092*** (0.0014)	-0.0059*** (0.0016)
\hat{g}_{VAR}										0.0022*** (0.00039)	0.0018*** (0.00038)
r_f										0.014* (0.0075)	0.084*** (0.015)
EBITDA Spread		0.025** (0.010)	0.0038 (0.0088)					0.018 (0.019)	0.047** (0.019)		0.038* (0.020)
HY Spread				-0.018** (0.0076)	0.0093 (0.0066)			-0.014 (0.014)	0.039*** (0.015)		-0.046** (0.020)
GZ Spread						0.037*** (0.014)	0.010 (0.013)	0.057*** (0.015)	0.0049 (0.016)		0.20*** (0.034)
Firm Controls	X	X	X	X	X	X	X	X	X	X	X
Industry FE	X	X	X	X	X	X	X	X	X	X	X
Observations	455,972	455,972	455,972	455,972	455,972	455,972	455,972	455,972	455,972	455,972	455,972

Table IAX
Probit: Deal Likelihood, Discount Rates, and Risk Characteristics

Table IAX contains Probit estimates of a quarterly deal indicator (*Deal*) on firm risk characteristics, cross-sectional controls, and time fixed effects from 1982Q4 to 2011Q4. $\sigma(R)$ is the s.d. of the monthly stock price for the past two years. $\sigma(\frac{EBITDA}{Assets})$ is the s.d. of the firm's EBITDA/Assets ratio. β is the unlevered market beta of the firm based on lagged two years of monthly returns. $\sigma(\varepsilon)$ is the s.d. of the unlevered residuals from the market regression. Unlevered betas and residuals are trimmed at the top and bottom 5% to remove extreme outliers. Columns (1) to (3) contain time fixed effects, and columns (4) to (6) contain firm-level controls ($\log(Assets)$, $EBITDA/Assets$, $CapEx/Sales$, $R\&D/Sales$, $Net\ Debt/Assets$, $Turnover$, $Dividend\ Dummy$), industry fixed effects (Fama-French 12), and time fixed effects. Standard errors in parentheses are two-way clustered by firm and quarter. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

	(1)	(2)	(3)	(4)	(5)	(6)
$\sigma(R)$	-0.0064*** (0.0018)			-0.0065*** (0.0018)		
$\sigma(\frac{EBITDA}{Assets})$		-1.61*** (0.24)			-1.51*** (0.32)	
β			-0.079*** (0.022)			-0.073*** (0.023)
$\sigma(\varepsilon)$			-0.0084*** (0.0026)			-0.010*** (0.0031)
Time FE	X	X	X	X	X	X
Firm Controls				X	X	X
Industry FE				X	X	X
Observations	431,467	488,410	387,071	402,189	451,080	362,885

Table IAXI
Elasticity of Deal Activity to the Risk Premium – Full Cross-Section Comparisons

Table IAXI contains coefficient estimates estimating the differential sensitivity of portfolios formed based on characteristics to changes in the risk premium. Specifically, we regress deal activity scaled by its average on the average value of the characteristic in a portfolio, the interaction between this value and the risk premium, and time fixed effects from 1982Q4 to 2011Q4. $\hat{r}p$ is the predicted market excess return using D/P , cay , and the three-month T-bill as factors. In Panel A the portfolios are based on the following: β , the deciles of unlevered market beta of the firm; GIM , the governance index of the firm (Gompers, Ishii, and Metrick (2003)); $FCF/Assets$, the deciles of FCF/Assets; and HHI , the deciles of HHI of sales for public firms in the three-digit SIC code. In Panel B the portfolios are based on M&A and IPO activity in a Fama-French 48 industry. Activity is based on a three-year moving average. Volumes are scaled by the number of public firms in the industry; values are scaled by the value of public firms in the industry. Standard errors in parentheses are two-way clustered by portfolio and quarter. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Panel A: Performance Proxies				
	(1)	(2)	(3)	(4)
Characteristic (X):	β	GIM	EBITDA/Assets	Industry HHI
$(X)\hat{r}p$	-0.016*** (0.0058)	-0.013* (0.0075)	-0.059** (0.025)	-0.028 (0.044)
Time FE	X	X	X	X
Observations	1,170	1,218	1,170	1,170
R^2	0.003	0.007	0.003	0.000
Panel B: Illiquidity Proxies				
	(1)	(2)	(3)	(4)
Characteristic (X):	M&A Vol.	M&A Val.	IPO Vol.	IPO Val.
$(X)\hat{r}p$	1.87* (1.11)	1.16** (0.54)	-0.025 (0.95)	3.48 (5.34)
Time FE	X	X	X	X
Observations	4,914	4,914	4,914	4,914
R^2	0.002	0.001	0.000	0.000

Table IAXII
Elasticity of Deal Activity to the Risk Premium – High-Low Comparisons with
Credit Controls

Table IAXII contains coefficient estimates estimating the differential sensitivity of portfolios formed based on characteristics to changes in the risk premium. Specifically, we regress deal activity scaled by its average on the average value of the characteristic in a portfolio, the interaction between this value and the risk premium, interactions between credit controls and the characteristic dummy, and time fixed effects from 1982Q4 to 2011Q4. $\hat{r}p$ is the predicted market excess return using D/P , cay , and the three-month T-bill as factors. In Panel A the portfolios are based on the following: β , the deciles of unlevered market beta of the firm; GIM , the governance index of the firm (Gompers, Ishii, and Metrick (2003)), $EBITDA/Assets$, the deciles of EBITDA/Assets; and HHI , the deciles of HHI of sales for public firms in the three-digit SIC code. In Panel B the portfolios are based on M&A and IPO activity in a Fama-French 48 industry. Activity is based on a three-year moving average. Volumes are scaled by the number of public firms in the industry; values are scaled by the value of public firms in the industry. The credit control interactions include: $EBITDA\ Spread$, $HY\ Spread$, and $GZ\ Spread$. Standard errors in parentheses are two-way clustered by portfolio and quarter. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Panel A: Performance Proxies				
	(1)	(2)	(3)	(4)
Characteristic (X):	β	GIM	EBITDA/Assets	Industry HHI
$(X)\hat{r}p$	-0.047*** (0.018)	-0.10*** (0.038)	-0.045*** (0.017)	-0.031 (0.020)
Time FE	X	X	X	X
Credit Interactions	X	X	X	X
Observations	234	174	234	234
R^2	0.036	0.169	0.146	0.063
Panel B: Illiquidity Proxies				
	(1)	(2)	(3)	(4)
Characteristic (X):	M&A Vol.	M&A Val.	IPO Vol.	IPO Val.
$(X)\hat{r}p$	0.051*** (0.016)	0.0095 (0.016)	0.056*** (0.016)	0.052*** (0.014)
Time FE	X	X	X	X
Credit Interactions	X	X	X	X
Observations	234	234	234	234
R^2	0.094	0.015	0.051	0.055

Table IAXIII
Elasticity of LBO/M&A Activity Ratio to the Risk Premium

Table IAXIII contains coefficient estimates from regressing the ratio of LBO and M&A activity on the risk premium. In Panel A, the dependent variable is the log of the ratio of LBO volume to M&A volume. In Panel B, the dependent variable is the log of the ratio of LBO assets to M&A assets. \hat{r}_{OLS} is the predicted market excess return using D/P , cay , and the three-month T-bill as factors. *EBITDA Spread* is the difference between the median public firm EBITDA/EV and the yield on a composite index of high-yield bonds. *HY Spread* is the yield on a composite index of high-yield bonds less the three-month T-bill. *GZ Spread* is the excess bond premium as measured by Gilchrist and Zakrajšek (2012). *GDP Growth* is the year-on-year growth rate of U.S. real GDP. *CE Fund Discount* is the discount on a closed-end fund. *Sentiment* is a measure of sentiment from Baker and Wurgler (2006). The sample ranges from 1982Q4 to 2011Q4. Each regression also includes quarter dummy variables to account for seasonality. Standard errors in parentheses are calculated over time using Newey-West (four lags). * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Panel A: Volume					
	LBO / M&A				
	(1)	(2)	(3)	(4)	(5)
\hat{r}_{OLS}	-0.032** (0.015)	-0.053*** (0.018)	-0.033** (0.014)	-0.038** (0.016)	-0.054*** (0.018)
EBITDA Spread		0.081 (0.081)			0.14** (0.070)
HY Spread		0.11 (0.071)			0.15** (0.061)
GZ Spread		-0.029 (0.078)			0.13 (0.082)
GDP Growth			7.23** (3.56)		13.9*** (3.96)
CE Fund Discount				0.018 (0.023)	0.010 (0.020)
Sentiment				0.097 (0.12)	-0.12 (0.097)
Observations	116	116	116	113	113
R^2	0.079	0.121	0.130	0.100	0.242
Panel B: Value					
	LBO / M&A				
	(1)	(2)	(3)	(4)	(5)
\hat{r}_{OLS}	-0.10*** (0.030)	-0.086*** (0.024)	-0.10*** (0.027)	-0.11*** (0.030)	-0.080*** (0.028)
EBITDA Spread		0.095 (0.11)			0.12 (0.099)
HY Spread		-0.020 (0.11)			-0.011 (0.10)
GZ Spread		-0.016 (0.12)			0.18 (0.15)
GDP Growth			12.7* (7.68)		16.7** (7.80)
CE Fund Discount				0.023 (0.029)	0.028 (0.032)
Sentiment				0.070 (0.21)	0.050 (0.21)
Observations	116	116	116	113	113
R^2	0.174	0.196	0.209	0.168	0.230

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