INVESTMENT BANKS' REPUTATION, FINANCIAL CONSTRAINTS, AND M&A PERFORMANCE: EVIDENCE FROM ASEAN MARKETS

BY

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ABSTRACT

This study investigates the influence of reputable investment banks (Top-tier financial advisors) on acquiror value creation in mergers and acquisitions (M&A) within the ASEAN market, comparing their impact to lesser-known advisors. Utilizing a sample of 603 M&A deals from Singapore, Thailand, Malaysia, the Philippines, and Indonesia between 1995 and 2020, the research assesses both short-term and long-term performance outcomes. The event study methodology is employed to evaluate cumulative abnormal returns (CAR) and buy-and-hold abnormal returns (BHAR), with acquirors' financial conditions categorized as constrained, neutral, and unconstrained using the KZ index. The findings reveal that top-tier advisors do not improve short-term CAR for acquirors, with the underperformance observed compared to non-top-tier advisors. This underperformance, ranging from -2.59% to -2.98% below non-top-tier advisors, is attributed to higher advisory fees and negative market sentiment. The phenomenon persists across various event windows and financial constraint groups, with no significant deviations based on the financial status of acquirors. Long-term performance analysis shows a significant positive impact of top-tier advisors, with an average BHAR 14.74% higher than non-top-tier advisors. This underscores the role of

top-tier advisors in effective post-deal integration and synergy realization. The study contributes to the literature by providing insights into the differential impacts of top-tier and non-top-tier advisors on both short-term and long-term M&A performance in ASEAN markets.

Keywords: Investment banks reputation, Top tier financial advisors, Mergers and Acquisitions (M&A), Financial Constraints, KZ index, Event-study, Cumulative Abnormal Returns (CAR), Buy-and-hold Abnormal Returns (BHAR).

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LIST OF ABBREVIATIONS

Symbols/Abbreviations	Terms
BHAR	Buy-and-hold Abnormal Return
CAR	Cumulative Abnormal Return
CFE	Cash flow-to-equity ratio
IB	Investment Bank
KZ-Index	Kaplan and Zingales Index
M&A	Mergers and Acquisitions
MB	Market-to-book value ratio
MV	Market Value of equity
LEV	Leverage ratio
OLS	Ordinary Least Squares

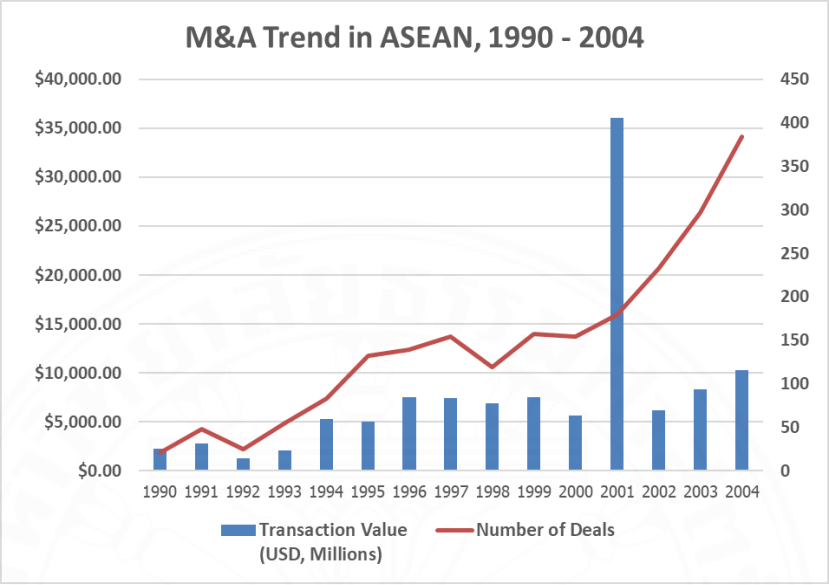
CHAPTER 1
INTRODUCTION

In the era characterized by constant change and intense global competition, businesses are compelled to expand their operations, capture more market share, and achieve strategic goals. In this dynamic environment, “Mergers and Acquisition” (M&A) have not only become an essential part of the corporate landscape but also a crucial tool for organizations aiming to strengthen their competitive positions and achieve sustainable growth (Chuang, 2016). Businesses turn to M&A activities due to the dynamic nature of the global business environment and the rising level of competition. However, the intricacies of M&A transaction, influenced by factors such as financial conditions, industry circumstances, and the involvement of financial intermediaries, highlight the challenges in achieving successful outcomes. Among these intermediaries, Investment Banks (“IB”) play a crucial role, serving as trusted financial advisors and essential architects of the deal-making process. Consequently, this research mainly focuses on the pivotal role of investment banks, recognizing them as the key players in M&A activities.

Top-tier investment banks, known for their extensive experience, deep industry knowledge, and broad networks, play a central role in M&A activities (Golubov et al., 2012). Beyond providing financial advice, these banks are sought-after collaborators, offering valuable insights and negotiation skills. Their involvement goes beyond the financial realm, positioning them as key players in steering M&A transactions toward success. Their expertise becomes a guiding light for acquirors navigating the complexities of the M&A process, potentially contributing to the success of M&A transactions (Lyu & Wang, 2020).

Figure 1.1

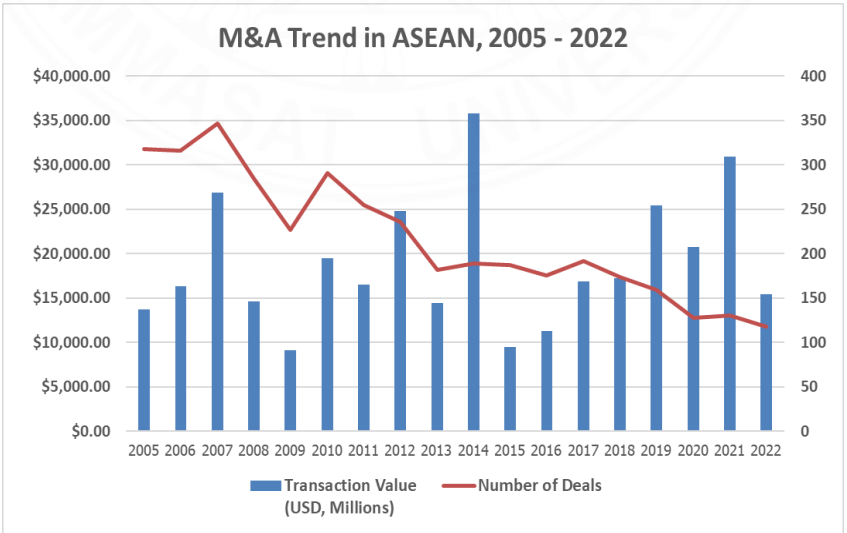
M&A Trend in ASEAN, 1990 – 2004



Source: Refinitiv Eikon.

Figure 1.2

M&A Trend in ASEAN, 2005 – 2022



Source: Refinitiv Eikon.

Examining the landscape of Southeast Asia, particularly in the ASEAN region, reveals a compelling narrative of Mergers and Acquisitions (M&A). Over the past three decades, the value of M&A transactions within ASEAN has exhibited a noteworthy ascent. As can be seen in Figure 1.1, there is an average deal value of approximately $18,800 million recorded between 2005 and 2022, representing a substantial increase from the average value of $7,600 million observed between 1990 and 2004 (Refinitiv Eikon). This trend denotes not merely a numerical surge but a heightened strategic significance of M&A activities within the ASEAN region.

In many ASEAN economies, companies are increasingly turning to M&A deals as a strategy to enhance their wealth and expand their business presence. Some companies secure substantial investments to acquire firms of similar or larger size, impacting the stock prices of both the acquiring and target companies. Consequently, the occurrence of abnormal returns following such M&A transactions is expected. While this phenomenon has been observed in numerous studies focusing on developed markets, there is a scarcity of research on emerging ASEAN countries, despite the growing number of M&A activities in the region. In contrast to developed countries like the US, where financial markets are tightly regulated and shareholder interests are rigorously safeguarded, the ASEAN region grapples with weaker law enforcement and a less robust legal framework. Additionally, differences in organizational structures, ownership patterns, cultural norms, and market behaviors between developed and emerging economies further compound the issue. These environmental disparities may significantly influence market responsiveness to M&A transactions (Snguanwongchai, 2018). Consequently, findings from M&A research conducted in developed countries may not be readily applicable to ASEAN markets, necessitating region-specific investigations.

The primary objective of this study is to investigate how top-tier investment banks influence the value creation potential of the acquirors, taking into account their varying financial conditions, which can be classified as “Constrained, Neutral, and Unconstrained”. Utilizing the KZ index to distinct the firm’s financial conditions (Kaplan & Zingales, 1997). We will evaluate M&A transaction performance by examining short-term outcomes through the abnormal returns around the event window and long-term outcomes using the “buy-and-hold abnormal returns” (BHARs),

representing post-event outcomes. A crucial aspect of this study is to investigate the differential impact on acquirors' performance when engaging with top-tier investment banks as compared to lesser-known ones. Furthermore, the study aims to explore whether the involvement of top-tier investment banks has an influence on both short-term and long-term performance outcomes for the acquirors. Therefore, the term investment banks and financial advisors will be used interchangeably in the study.

The findings of this paper are expected to make a valuable contribution to the existing literature in several ways. Firstly, unlike the majority of research on investment bank reputation and M&A performance, which predominantly focuses on developed markets like the US and the UK, this paper explores the impact of investment bank reputation in an emerging market context, specifically within ASEAN. It is important to consider these differences because Asian emerging markets exhibit distinct characteristics compared to developed countries. These differences include variations in legal systems, where developed markets often have robust systems protecting shareholder interests and consumer welfare, while emerging economies face challenges with weaker legal environments and enforcement (Ma et al., 2009). Moreover, cultural and governance disparities contribute to variations in organizational structures.

Secondly, in contrast to numerous studies concentrate on short-term performance, our contribution extends beyond this scope by conducting a comprehensive examination of the long-term landscape of M&A activities. This extended timeframe is essential because financial advisors not only play a crucial role in negotiating deals but also oversee post-deal integration. When top-tier advisors successfully identify and secure synergies, the process of transferring these synergies into improved performance through post-deal integration and demonstrating them to the market takes time (Guo et al., 2020). Addressing this research gap, our study explores the impact of top-tier advisors on acquiror performance, considering both short-term and long-term effects, thereby providing a more profound understanding of how M&A evolves and impacts in the ASEAN context.

Lastly, the insights gain from this study can assist these companies in making informed decisions and maximizing the potential benefits of their collaborations with investment banks. By considering the unique dynamics of the ASEAN market and the specific challenges and opportunities it presents, this research

can offer practical implications for companies seeking to navigate the M&A landscape with the support of investment bankers.

The research will follow a structured progression. Chapter 2 will provide an in-depth discussion of relevant theories and literatures. Chapter 3 will outline the methodologies and test designs employed in the study. The discussion of results will be the central focus of Chapter 4. Finally, Chapter 5 will draw conclusions based on the findings of the study.

CHAPTER 2
REVIEW OF LITERATURE

2.1 Definition of Mergers and Acquisitions

The meaning of mergers and acquisitions defines that “Mergers” are characterized by the willingly agreement between two organizations to collaborate, combining their available assets, liabilities, and corporate cultures in equally basis across various businesses and industries. On the other hand, “Acquisitions” involve one organization purchasing and assuming control of another organization's operations. The terms “Mergers” and “Acquisitions” are frequently used interchangeably because both involve one company gaining control over another (Vazirani, 2012). As a result, activities in this domain are often collectively referred to as “Mergers and Acquisitions” (M&A). In the context of an M&A deal, achieving controlling interest requires ownership of 50% of the voting shares plus one. This level of ownership grants a shareholder or a group of shareholders enough voting power to prevent opposition from other stakeholders (Ma et al., 2009).

2.2 Theoretical Framework

2.2.1 Signaling Theory

Signaling theory originated from the examination of information economics, particularly in scenarios where there is an information imbalance between buyers and sellers during market transactions (Spence, 1974). In such situations, sellers have knowledge about the quality of their goods or services, while buyers do not. Consequently, consumers seek signals to differentiate between sellers offering high-quality and low-quality goods or services, referred to as high- and low-quality sellers or firms.

2.2.1.1 Signals of Reputation and Pricing

In the context of investment banks, signaling theory suggests that reputation acts as a signal of quality and trustworthiness. Top-tier investment banks have a strong reputation signals expertise, credibility, and past success in facilitating M&A transactions. Acquirors may perceive investment bankers with a good reputation as more capable of handling complex deals, negotiating favorable terms, and ensuring successful outcomes. The reputation of investment bankers can influence acquirors' perceptions and decision-making during the M&A process (Chemmanur & Fulghieri, 1994). When the quality of a service is difficult to assess before a transaction, reputation and pricing can act as signals to convey information about the investment bank's quality. Golubov et al. (2012) find that a reputable investment bank can command a higher price as a signal of their high-quality services. This premium price not only compensates for their efforts in building a strong reputation but also serves as an incentive to maintain their quality standards in the long run. Based on this finding, we predict that top-tier advisors with higher reputations can enhance acquirors' M&A performance. The term “performance” is used to represent in both short-term and long-term abnormal returns.

2.2.1.2 Signals of Overpayment Advisory Fees Concerns

In contrast to positive signals such as reputation and pricing, there are also negative signals, such as concerns over the overpayment for top-tier advisors. This section raises a significant concern regarding the overpayment of advisory fees in mergers and acquisitions, particularly when acquirors are advised by top-tier financial advisors. According to studies by Hunter and Jagtiani (2003) and Walter et al. (2007), acquirors advised by top-tier financial advisors face higher advisory fees. This phenomenon has been observed to adversely affect the short-term performance of these acquirers' M&A transactions.

Although top-tier advisors charge higher fees, their significant market share does not guarantee improved M&A performance for acquirers, particularly in the short term (Hunter & Jagtiani, 2003; Ismail, 2010; Chuang, 2016; Xing, 2016; Guo et al., 2020). Walter et al. (2007) discovered that acquirers utilizing top-tier advisors do not experience significantly better M&A outcomes compared to those using non-top-tier advisors, despite the additional costs of higher advisory fees.

Furthermore, Xing (2016) highlights that the high advisory fees of top-tier advisors often lead to negative market sentiment. This negative perception among market participants can contribute to the short-term underperformance of acquirers. The expectation of superior advisory services and outcomes is not always met, causing disillusionment and poorer performance metrics for the acquirers shortly after the transaction. Xing (2016) also posits that while retaining top-tier advisors may initially lead to a negative market reaction, it can enhance the acquirer's performance in the long run. The synergies identified by these advisors require time to manifest as improved performance, which the markets will eventually recognize. This implies that although the immediate impact might be negative due to high fees and market sentiment, the long-term advantages of employing top-tier advisors could outweigh the initial costs if the predicted synergies are ultimately realized.

2.2.2 Misalignment of incentives

The Misalignment of Incentives in investment banks and M&A activity with acquirors primarily stems from the structure of advisory contracts, which reward investment banks for completing transactions rather than ensuring value creation for the acquirors. This creates a conflict of interest that differing objectives between the advisors and their clients can lead to decisions that do not necessarily align with the shareholders' best interests, potentially affecting the M&A performance negatively (Parvinen & Tikkanen, 2007; McConnell & Sibilkov, 2016). This section explores how retaining top-tier advisors might lead to such misalignments.

Top-tier investment banks, are often compensated based on deal completion, which may incentivize them to prioritize the closing of transactions over the quality or the strategic fit of the acquisition. This incentive structure can lead to a preference for pursuing deals even when they may not be in the best interest of the client in terms of value creation, such misalignments can manifest in the long-term performance when investors perceive that deals are more beneficial for advisors rather than for the acquirors.

2.2.3 Synergy Theory

Synergy theory postulates that the value generated by a combined entity post-merger or acquisition is greater than the sum of the independent parts (Kumar et al., 2019). This enhanced value is expected to materialize through various synergies, which include cost savings, increased revenues, financial leverage, and innovative capabilities (Bruner, 2009). Retaining top-tier advisors is hypothesized to significantly impact the realization of these synergies (Golubov et al., 2012), thus improving the long-term performance of M&A activities. Cost synergies are realized through the elimination of redundant processes, streamlining operations, and the consolidation of overlapping functions. Top-tier advisors play a critical role in identifying these potential savings and advising on the strategies for effectively implementing integration. For example, advisors can use their prior experience and industry benchmarks to predict achievable cost synergies accurately and avoid the common pitfall of overestimation. Revenue synergies arise when the newly merged entity can cross-sell products to new customer bases, expand into new markets, or improve product offerings. Advisors with a robust network and deep industry knowledge can identify cross-selling opportunities and advise on market entry strategies, which are crucial for realizing these synergies. Moreover, the reputation of top-tier advisors may also enhance customer and supplier confidence, which is vital for achieving projected revenue synergies. Financial synergies may include better access to capital markets, improved loan conditions, or tax benefits resulting from the reorganization. Advisors not only help in structuring the deal to leverage these benefits but also provide credibility that can influence perceptions among financial stakeholders and rating agencies. Similarly, technological and innovative synergies are crucial in rapidly evolving markets. Top-tier advisors assist in the due diligence process, ensuring that the integration of technological assets is well-planned and executed, which supports innovation and drives long-term growth (Fieldman & Hernandez, 2022).

2.2.4 Agency Theory and Free Cash Flow Hypothesis

Agency theory suggests that when a company's management makes decisions on behalf of the shareholders, conflicts of interest can arise (Jensen, 1986). In M&A transactions, managers might pursue deals that are in their best interest but not

necessarily in the best interest of shareholders. For instance, manager might choose to invest excess cash in projects that have a negative net present value but offer personal benefits, prioritizing their own interests rather than maximizing shareholder wealth efficiently. In the context of M&A, these self-interested decisions can lead to value-destroying acquisitions. Consequently, there is relationship between agency theory and the free cash flow. At the core of the Free Cash Flow Hypothesis, Jensen (1986) lies the notion that firms with substantial free cash flows are more inclined to engage in M&A activities, even in cases where the anticipated benefits are limited. In essence, the availability of surplus cash encourages managers to actively seek investment opportunities rather than pay out as a dividend, such investment frequently in the form of acquisitions. This allocation preference is rooted in the idea that managers may view M&A as a means of deploying excess cash for future growth or to wield influence within their respective industries. This framework suggests that cash-rich firms, which will be considered as financially unconstrained, are more likely to enter into low-benefit or even value-destroying mergers. Consequently, these mergers may yield lower total gains than alternative investment options. This can imply that "Unconstrained Acquirer experiences lower M&A announcement return than constrained." However, the participation of top-tier advisor is expected to mitigate the negative effect to the unconstrained acquirers (Guo et al., 2020).

2.3 Literature reviews and hypotheses development

2.3.1 Investment bank reputation and acquiror's M&A performance

The evidence on the quality of reputation that affect acquirors' performance is still contradictory. Golubov et al. (2012) study the US acquisitions from 1996 to 2009, and Lyu and Wang (2020) study on China acquisitions from 2012 to 2018. Both studies indicate that top-tier advisors enhance acquiror returns and improve deal-completion rates compared to non-top-tier advisors, and this effect is consistent in both the US and China markets. However, this positive impact is specific to public acquisitions. This distinction arises due to the greater reputational exposure and higher skill requirements associated with public acquisitions, which are better addressed by top-tier advisors.

Conversely, many sources in the literature support the idea that employing top-tier investment banks does not positively impact post-M&A performance, but effectively influences the deal-completion rate (Bower & Miller, 1990; Michel et al., 1991; Rau, 2000; Hunter & Jagtiani, 2003). Walter et al. (2008) offers a potential explanation for this result, suggesting that high-quality advisors are often linked with more challenging transactions that necessitate higher premiums and yield fewer benefits to bidding firms.

Rau (2000) finds no relationship between investment banks' reputation and M&A performance in the US markets from 1980 to 1994. In contrast, Ismail (2010) finds that employing top-tier investment banks result in a negative return for acquirors, while non-top-tier banks generates a positive return in the US market from 1985 to 2004. A recent study on Asia-Pacific market by Chuang (2016) reveals that acquirors achieve a higher return on their post-announcement when hiring non-top-tier investment banks, but it also taking more time to complete deals with non-top-tier advisors. However, when considering the impact of M&A transaction alone, Ma et al. (2009) discover a positive abnormal return for acquiror in M&A activities in Asian emerging markets from 2000 to 2005. Koo (2020) find that the positive contribution of target advisors significantly influenced the success and overall performance of Japanese acquisitions from 1995 to 2012. Bi and Wang (2018) study on Chinese acquirors from 2012 to 2014, the impact of financial advisor reputation on acquisition performance is explored. The research indicates that when top-tier financial advisors are involved, it positively influences the quality of acquisitions, leading to significantly higher abnormal returns for bidders in M&A transactions. The study also highlights that engaging top-tier financial advisors contributes to enhanced post-acquisition operating performance for M&A bidders and results in lower bid premiums paid to targets. Regarding the influence of investment banks' reputation on M&A performance in Asian markets, their findings suggest that M&A announcements are perceived as "favorable news" for investors in these markets, leading to positive abnormal returns.

2.3.2 Financial constraints and acquiror's M&A performance

Financial constraints refer to limitations that companies face in accessing external financing sources due to factors such as high debt levels, restricted cash flow, and limited dividend payout. These constraints can significantly impact their investment decisions and overall performance. Guo et al. (2020) extends the reputation-quality concept in previous studies by classifying acquirors into three groups [Constrained, Neutral, and Unconstrained] based on their financial conditions. They utilize the "KZ-index" introduced by Kaplan and Zingales (1997) for this purpose. The KZ-index serves as a measurement of reliance on external financing, with a higher KZ-index indicating greater financial constraints. However, it is important to note that the KZ-index was initially developed by the US researchers (Lamont et al., 2001) and has been used for evaluating US companies. Its applicability to the ASEAN market requires careful consideration. Some literatures incorporate the KZ-index into their research among Asian and other developing countries. For instance, Chen et al. (2009) examine the impact of financial constraints using the KZ-index on cross-border M&A in East Asian Economies during the period of 1998 to 2005. The results show that increased financing constraints reduce the occurrence of cross-border M&A relative to domestic M&A.

Additionally, a study by Zhang (2011) examines Thai financially constrained firms from 1994 to 2005 using key metrics including dividend policy, KZ-index, and net credit provider. The results indicate that 92% of unconstrained firms (low KZ-index) are also dividend payers, and 68% are net credit providers, indicating the consistency of the KZ-index with other measures of financial constraints. Connelly (2016) finds that during 2001 to 2010, Thai firms classified as financially unconstrained (low KZ-index) also exhibit high investment ratios, such as a higher capital expenditure to cash flow ratio. Tan and Emin (2022) employ the concept of financial constraint in manufacturing firms in eight emerging markets (according to MSCI Emerging Market Index), and the KZ-index consistently shows a positive cash flow sensitivity for financially constrained firms.

Guo et al. (2020) find that engaging in M&A transactions leads to negative buy-and-hold abnormal returns (BHAR) in the long run for the US acquisition in all levels of financial constrained groups. However, the negativity of BHAR for

financially constrained group is improved by 26.05% when engaging with top-tier advisors compared to the less-known ones. Moreover, the constrained group with top-tier advisors outperforms the unconstrained group by 17.12%. This study aligns with the hypothesis of free cash flow (Jensen, 1986), which suggests that “companies with excess cash reserves (unconstrained) are more likely to pursue value-decreasing takeover deals”. In addition, Smith and Kim (1994) demonstrate that high level of free cash flow for acquirors result in negative announcement abnormal returns, while limited financial flexibility (constrained) achieves significantly positive announcement abnormal returns.

Drawing from the theoretical framework and existing literature research, we formulate our study's hypotheses based on the established evidence regarding the influence of investment banks' reputation on M&A performance. The hypotheses are as follows:

Hypothesis 1a: Over the short-term, acquirors achieve higher M&A performance when advised by a better reputation investment bank or a top-tier advisor.

Given the challenge of evaluating service quality before a transaction, reputation and pricing act as signals to communicate information about the investment bank's quality (Golubov et al., 2012; Bi & Wang, 2018; Lyu and Wang, 2020). Top-tier advisors with superior reputations are expected to have the potential to improve the M&A performance of acquirors.

Hypothesis 1b: Over the short-term, acquirors achieve lower M&A performance when advised by a better reputation investment bank or a top-tier advisor.

Overpayment of advisory fees to top-tier advisors is a concern, in contrast to the signals of reputation and pricing (Walter et al., 2007). The substantially higher fees charged by top-tier advisors often lead to negative market sentiment. This negative perception among market participants can contribute to the short-term underperformance of acquirers. The anticipated superior advisory services and outcomes are not always realized, causing disappointment and poorer performance

metrics for acquirers shortly after the transaction (Xing, 2016). However, Xing (2016) also contends that while retaining top-tier advisors may cause a negative market reaction in the short term, it can enhance acquirer performance in the long run. If the synergies identified by these advisors are genuine, it will take time for these synergies to manifest as improved performance and eventually be recognized by the markets.

Hypothesis 2a: Over the long-term, acquirors achieve higher M&A performance when advised by a better reputation investment bank or a top-tier advisor.

According to Xing (2016) and Guo et al. (2020), retaining top-tier advisors not only aids in negotiating deals but also plays a pivotal role in effectively integrating post-deal operations. This aligns with synergy theory, which posits that the combination of resources and capabilities from the acquirer and target can create value that may take time to be fully recognized and appreciated in the market.

Hypothesis 2b: Over the long-term, acquirors achieve lower M&A performance when advised by a better reputation investment bank or a top-tier advisor.

There could be a misalignment of incentives between advisors and acquirers. Advisors might prioritize completing deals over creating genuine value to secure their advisory fees (Parvinen & Tikkanen, 2007). Since top-tier advisors often handle larger deals, where their compensation increases with the deal size, they might encourage acquirers to pay more than necessary to finalize the acquisition.

Hypothesis 3: A top-tier advisor is expected to mitigate negative impacts for unconstrained acquirers in M&A transactions.

According to the Free Cash Flow Hypothesis (Jensen, 1986), cash-rich firms, proxy as unconstrained acquirers, are more inclined to engage in low-benefit or value-destroying M&A. Consequently, these M&A activities may yield lower gains than alternative investment opportunities. Thus, unconstrained acquirer might experience lower M&A announcements returns compared to constrained acquirer.

However, the involvement of a top-tier advisor is anticipated to mitigate the negative impact on unconstrained acquirers (Guo et al., 2020).

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Data and Sample

This paper examines M&A announcements in selected ASEAN countries, namely Singapore, Thailand, Malaysia, the Philippines, and Indonesia, from January 1995 to June 2020. The selected timeframe aims to encompass various market conditions, including both boom and bust periods during M&A waves. This approach is essential as the abnormal returns experienced by acquirors, guided by financial advisors, may vary across different economic cycles (Ismail, 2010).

The choice of countries is based on data availability. Initially, we collect a sample of 6,180 deals from Refinitiv Eikon Datastream. To investigate the impact of top-tier investment banks on acquiror performance during M&A announcements, it is essential that acquirors disclose the identity of their financial advisor. This criterion narrows down the sample to 1,425 deals. We ensure control over deal characteristics by requiring the disclosure of transaction values and advisory fees. To address potential overlap, cases where an acquisition occurred within 3 years of a previously included acquisition by the same firm are excluded (Loughran & Vijh, 1997; Hassan et al., 2007; Dutta & Jog, 2009). Additionally, we eliminate deals with transaction values less than $1 million (Rau, 2000; Fuller et al., 2002; Ismail, 2010) and less than 1% of the acquiror's market value 4 weeks prior to announcement (Golubov et al., 2012; Kravet et al., 2018), as well as those in regulated industries such as the financial industry. Consequently, the final sample comprises 603 deals.

Additional necessary datasets use in this study include descriptions and records of M&A announcements, investment banks' league table, daily stock price, and total return index. These datasets are sourced from Refinitiv Eikon Datastream.

Furthermore, to enhance precision in controlling deal characteristics and a comprehensive analysis of long-term performance, we narrow down our focus to completed deals, resulting in 422 deals remaining, enabling the measurement of post-announcement period.

Table 3.1 Sample distribution by year and market

Year of Acquisition Announcement	Acquisition Number					
	Singapore	Thailand	Malaysia	Philippines	Indonesia	**Total**
1995	1	-	3	1	-	**5**
1996	-	-	7	-	-	**7**
1997	3	-	2	-	-	**5**
1998	-	-	3	-	-	**3**
1999	5	-	2	4	-	**11**
2000	6	-	9	1	-	**16**
2001	5	1	10	-	2	**18**
2002	3	-	27	1	-	**31**
2003	9	1	35	1	2	**48**
2004	8	5	28	1	1	**43**
2005	8	2	25	2	1	**38**
2006	18	-	16	-	-	**34**
2007	12	5	22	-	2	**41**
2008	11	1	23	1	-	**36**
2009	7	2	8	1	4	**22**
2010	4	5	15	-	3	**27**
2011	9	4	18	1	2	**34**
2012	11	-	15	1	2	**29**
2013	11	-	8	1	1	**21**
2014	6	1	18	-	1	**26**
2015	4	2	10	1	-	**17**
2016	6	4	14	-	1	**25**
2017	4	4	15	2	-	**25**
2018	4	4	13	-	-	**21**
2019	3	4	6	1	-	**14**
2020	1	1	3	-	1	**6**
Total	**159**	**46**	**355**	**20**	**23**	**603**

Table 3.1. The sample includes 603 M&A transactions during the period of 1995 to 2020. The sample in the ASEAN markets contains 5 countries, including Singapore, Thailand, Malaysia, Philippines, and Indonesia.

3.2 The Event Study

To analyze how markets respond to announcements of mergers and acquisitions (M&A). This study investigates market reactions to M&A announcements using the event study methodology. By computing the market model abnormal returns (Brown & Warner, 1985; Rau, 2000; Golubov et al., 2012; Chuang, 2016) to assess how the market responds to these events. Event studies rely on the assumption of market

rationality, where news is reflected in stock prices immediately. The initial step involves defining the event window, a timeframe surrounding the announcement. The optimal window length to capture the complete market reaction remains a subject of ongoing debate. Hillmer and Yu (1979) advocate for short windows closing within hours of the announcement, while Chang and Chen (1989) propose longer windows to account for the gradual absorption of news by the market. Krivin et al. (2003) emphasize the potential connection between window length and the observation period. In practice, the event window may encompass the announcement day itself, or additional days, weeks, or even months before and after (Ma et al., 2009). During this window, the returns of sample firms involved in the M&A are monitored to identify any abnormal movements. Including the day before the announcement captures price fluctuations due to potential leaks, and extending the window accounts for delayed reactions. It is common to include the day after the announcement to accommodate late announcements.

However, including too many days can decrease the accuracy of results due to the influence of unrelated market events (Mackinlay, 1997). To assess the sensitivity of our findings to window length, this study will report daily abnormal return starting from five days before (day -5) until five days after (day +5) the announcement. Additionally, cumulative abnormal returns (CAR) for various window combinations will be reported, such as CAR [-1,+1], CAR [-2,+2], and CAR [-5,+5] respectively.

In modeling the “normal return”, there are three common approaches are considered: the constant mean return model, the market model, and the CAPM model. While the CAPM model theoretically offers a robust framework, but it requires a risk-free return (a government bond rate) for estimation. The underdevelopment of government bond markets in many Asian economies prior to the 1997 Asian Financial Crisis makes obtaining reliable risk-free rates challenging. As an alternative, we employ the market model, which provides a practical and improved approach over the constant mean return model (Campbell et al., 1998). Thus, the market model is selected as our preferred method for estimating the normal return in this study.

3.2.1 Measure of short-term performance

To evaluate short-term performance, the event-study approach is utilized to analyze the impact of M&A announcements on stock prices. This methodology involves assessing abnormal returns (ARs) and cumulative abnormal returns (CARs) surrounding the event date (MacKinlay, 1997; Campbell et al., 1998). For this study, multiple event windows are employed, focusing on three different intervals, including CAR [-1,+1], CAR [-2, +2], and CAR [-5,+5] (see Figure 3.2), guided by existing literature on event window periods (e.g., Ma et al., 2009; Shah & Arora, 2014; Chuang, 2016; Guo et al., 2020). CARs are calculated by determining the cumulative difference between actual returns and expected returns. In this study, the "market model" serves as the expected return model, defined as follows:

$$\boldsymbol{E[R_{it}] = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}} \quad \textbf{(1)}$$

Where $E[R_{it}]$ is the expected daily return for firm *i* on date *t*

R_{mt} is the daily return of the total return market index

α_i is the intercept term

β_i is the beta coefficient representing the stock's sensitivity to market returns (systematic risk)

ε_{it} is the error term.

By estimating the intercept (α_i) and beta coefficient (β_i) of the market model during the estimation window, the abnormal returns (AR_{it}) can be computed by subtracting the expected returns ($E[R_{it}]$) from the actual returns (R_{it}). For this study, the estimation window spans 120 trading days preceding the event window (Ma et al., 2009; Sehgal et al., 2012; Jiang, 2019). We can calculate the abnormal returns (AR_{it}) by subtracting the expected returns ($E[R_{it}]$) from the actual returns (R_{it}).

$$\boldsymbol{AR_{it} = R_{it} - E[R_{it}]} \quad \textbf{(2)}$$

Additionally, the cumulative abnormal returns (CARs) are calculated over [-1,+1], [-2, +2], and [-5,+5] windows around announcements, which can be defined as follows:

$$\boldsymbol{CAR_{i,T1,T2} = \sum_{t=T1}^{T2} AR_{it}} \quad \textbf{(3)}$$

By focusing on the event window of CAR, we can isolate the effect of the M&A event on stock prices.

In order to determine whether the firm's short-term performance, as indicated by the CAR, is statistically significant from zero, the student's t-test is employed. Initially, the null hypothesis is established, positing that the sample mean of CAR ($\overline{CAR}$) is not statistically different from zero.

The null hypothesis can be defined as follows:

$$H_0: \overline{CAR} = 0$$
$$H_a: \overline{CAR} \neq 0$$

The t-statistic can be computed as follows:

$$t = \frac{\overline{CAR} \times \sqrt{n}}{\sigma(CAR)}$$

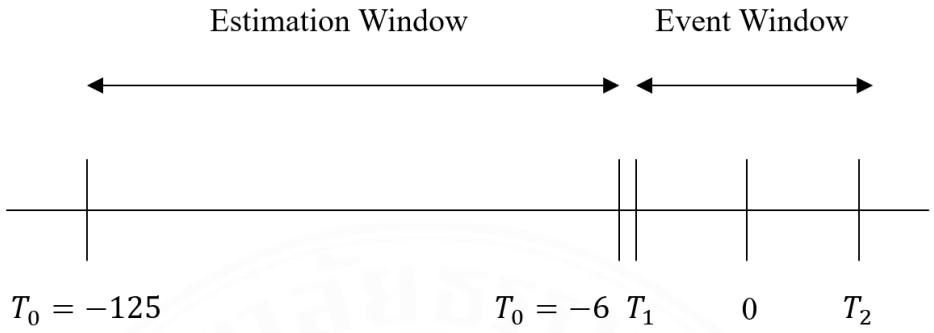
Where, $\overline{CAR}$ is the sample mean.

n is the number of observations.

$\sigma(CAR)$ is the sample standard deviation.

Figure 3.2

Timeline for event study



3.2.2 Measure of long-term performance

To measure the long-term performance, the buy-and-hold abnormal returns (BHARs) are utilized as a benchmark for evaluating the abnormal returns of acquirors during the month when the M&A deal is announced. The calculation of BHARs involves determining the difference between the monthly stock return for a firm and the monthly buy-and-hold return for the market return within the same month. For this study, the focus is on the long-term performance over a period of 3 years after the acquisition announcement (Mitchell & Stafford, 2000; Conn et al., 2004; Liu, 2016; Guo et al., 2020). The BHARs can be defined as follows:

$$\boldsymbol{BHAR_{i,T1,T2} = \prod_{t=T1}^{T2}(1 + R_{it}) - \prod_{t=T1}^{T2}(1 + R_{mt})} \qquad \textbf{(4)}$$

Where, R_{it} is the monthly return for firm *i* on month *t*

R_{mt} is the monthly return of the total return market index

However, there are some acquirors who acquire more than one target during any 3 years period which is called the overlapping cases and must be removed. For instance, if an acquisition took place within three years of a previously included acquisition by the same firm, the subsequent acquisition is excluded from the analysis (Loughran & Vijh, 1997; Hassan et al., 2007; Dutta & Jog, 2009).

To test whether the firm's long-term performance, BHARs are statistically different from zero, the student's t-test is employed. We establish the null hypothesis that the sample mean of BHAR ($\overline{BHAR}$) is not statistically different from zero.

The null hypothesis can be defined as follows:

$$H_0: \overline{BHAR} = 0$$
$$H_a: \overline{BHAR} \neq 0$$

The t-statistic can be computed as follows:

$$t = \frac{\overline{BHAR} \times \sqrt{n}}{\sigma(BHAR)}$$

Where, $\overline{BHAR}$ is the sample mean.
n is the number of observations.
$\sigma(BHAR)$ is the sample standard deviation.

3.3 Measure of investment bank's reputation

In the way to measure the top-tier investment banks, it is reasonable to hypothesize that stronger reputation among financial advisors in the market correlate with superior performance in M&A transactions. Consequently, this reputation serves as a measure for identifying high-reputation investment banks within the ASEAN countries. This is due to the possibility that a bad outcome from M&A transaction could harm their reputation and future prospects in the highly competitive M&A market.

To evaluate the reputation of each financial advisor, we utilize their market share in transaction value as a quantitative measure. This approach builds upon the literature studies (Golubov et al., 2012; Guo et al., 2020; Lyu & Wang, 2020) that employed "binary classification" techniques to differentiate top-tier advisors from others. Furthermore, in an effort to isolate the influence of top-tier investment bank

reputation, we incorporate country-specific advisor market share data for each ASEAN country. For this study, financial advisor with a market share ranking within the top-five cutoff point are classified as top-tier.

Table 3.2 Top-15 advisor ranking in Singapore, based on transaction value, during 1995-2020

Rank	**Singapore** Financial Advisor	Deal Value ($ Mil)	Market Share (%)	Number of deals
	Top-tier			
1	Morgan Stanley	25,208.11	16.24	9
2	UBS	16,311.81	10.51	16
3	Goldman Sachs & Co	16,241.40	10.46	10
4	JP Morgan	16,046.36	10.33	7
5	DBS Group Holdings	15,819.06	10.19	47
	Non-top-tier			
6	Rothschild & Co	12,109.67	7.80	9
7	CIMB Group Holdings Bhd	8,196.71	5.28	31
8	BofA Securities Inc	7,428.33	4.78	7
9	ING	7,388.53	4.76	2
10	ANZ Banking Group	6,482.30	4.17	14
11	RHB	4,158.53	2.68	11
12	Standard Chartered PLC	3,864.96	2.49	5
13	Citi	3,351.58	2.16	5
14	Deloitte	3,258.23	2.10	13
15	United Overseas Bank Ltd	3,043.22	1.96	14

Source: Refinitiv Eikon, M&A league table

Table 3.3 Top-15 advisor ranking in Thailand, based on transaction value, during 1995-2020

Rank	**Thailand** Financial Advisor	Deal Value ($ Mil)	Market Share (%)	Number of deals
	Top-tier			
1	Morgan Stanley	8,678.80	15.49	6
2	UBS	8,487.17	15.14	6
3	Kiatnakin Phatra Finl Grp	5,640.33	10.06	10
4	JP Morgan	4,447.29	7.94	4
5	Malayan Banking Bhd	3,988.09	7.12	3
	Non-top-tier			
6	Ernst & Young LLP	3,776.94	6.74	1
7	Deutsche Bank	3,637.72	6.49	4
8	Avantgarde Capital Co Ltd	2,454.56	4.38	5
9	CIMB Group Holdings Bhd	2,343.27	4.18	3
10	Asia Plus Securities PCL	2,311.94	4.13	7
11	HSBC Holdings PLC	1,492.77	2.66	3
12	Rothschild & Co	1,466.01	2.62	2
13	NatWest Markets	1,187.69	2.12	1
14	The Quant Group Co Ltd	1,187.69	2.12	1
15	Bualuang Securities PCL	884.98	1.58	2

Source: Refinitiv Eikon, M&A league table

Table 3.4 Top-15 advisor ranking in Malaysia, based on transaction value, during 1995-2020

Rank	**Malaysia** Financial Advisor	Deal Value ($ Mil)	Market Share (%)	Number of deals
	Top-tier			
1	CIMB Group Holdings Bhd	22,292.40	19.37	145
2	RHB	21,389.18	18.58	98
3	UBS	18,334.61	15.93	12
4	Barclays	16,671.46	14.48	3
5	Malayan Banking Bhd	15,351.11	13.34	110
	Non-top-tier			
6	Goldman Sachs & Co	9,737.77	8.46	5
7	JP Morgan	7,630.34	6.63	18
8	AMMB Holdings Bhd	5,904.56	5.13	121
9	Hong Leong Financial Group Bhd	4,831.03	4.20	54
10	Newfields Advisors Sdn Bhd	4,129.49	3.59	32
11	ING	3,545.17	3.08	5
12	Morgan Stanley	3,354.97	2.91	3
13	Citi	2,807.02	2.44	2
14	Evercore Partners	2,354.17	2.05	1
15	BofA Securities Inc	2,047.02	1.78	4

Source: Refinitiv Eikon, M&A league table

Table 3.5 Top-15 advisor ranking in Philippines, based on transaction value, during 1995-2020

Rank	**Philippines** Financial Advisor	Deal Value ($ Mil)	Market Share (%)	Number of deals
	Top-tier			
1	JP Morgan	4,097.13	16.04	12
2	ING	3,748.53	14.68	10
3	UBS	3,698.90	14.48	4
4	Macquarie Group	1,896.62	7.43	6
5	NatWest Markets	1,719.59	6.73	8
	Non-top-tier			
6	BDO Unibank Inc	1,567.15	6.14	3
7	Manabat Sanagustin & Co	1,567.15	6.14	3
8	Bank of Philippine Islands	1,218.76	4.77	1
9	Standard Chartered PLC	864.78	3.39	1
10	CIMB Group Holdings Bhd	621.35	2.43	1
11	Malayan Banking Bhd	615.83	2.41	2
12	Morgan Stanley	393.79	1.54	1
13	Citi	208.50	0.82	2
14	Nomura	141.06	0.55	1
15	Goldman Sachs & Co	95.81	0.38	1

Source: Refinitiv Eikon, M&A league table

Table 3.6 Top-15 advisor ranking in Indonesia, based on transaction value, during 1995-2020

Rank	**Indonesia** Financial Advisor	Deal Value ($ Mil)	Market Share (%)	Number of deals
	Top-tier			
1	UBS	4,445.58	14.82	15
2	Deutsche Bank	3,875.71	12.92	3
3	Somerley	3,001.92	10.01	3
4	Citi	2,230.54	7.43	5
5	JP Morgan	1,634.66	5.45	3
	Non-top-tier			
6	CIMB Group Holdings Bhd	1,291.73	4.31	3
7	Barclays	1,065.34	3.55	2
8	Deloitte	833.17	2.78	2
9	Danatama Makmur	808.73	2.70	2
10	PricewaterhouseCoopers	714.14	2.38	2
11	Danareksa(Persero) PT	679.15	2.26	3
12	DBS Group Holdings	539.32	1.80	1
13	Macquarie Group	497.56	1.66	1
14	Standard Chartered PLC	461.86	1.54	1
15	Rothschild & Co	415.83	1.39	2

Source: Refinitiv Eikon, M&A league table

The M&A league table for each ASEAN country during the period from January 1995 to June 2020 reflects a total market share exceeding 100%. This occurs because the allocation method grants full credit to every eligible advisor. In cases where multiple advisors participate in a single deal, each advisor is credited in the league table for that transaction.

3.4 Measure of financial constraints

To measure the financial constraints faced by individual firms, we adopt a well-established measurement known as the "KZ-index." This index, initially introduced by Kaplan and Zingales (1997), serves as a proxy for firms' reliance on external financing. It has been further developed by Lamont et al. (2001) who utilized the regression coefficients from the Kaplan and Zingales (1997) study to construct the index. The KZ-index incorporates five key accounting ratios including: 1). Cash flow to total PPE (CF/PPE) 2). Dividends to total PPE (DIVS/PPE) 3). Cash holding to total PPE (CASH/PPE) 4). Debt to total capital (TDEBT/TCAP) 5). Market to book ratio (Q ratio). By combining these ratios in a linear function, the index captures the extent of financial constraints experienced by firms. The underlying assumption is that firms with limited internal resources or restricted access to external financing are more likely to face financial constraints that can impact their investment decisions and overall performance, with a higher KZ-index indicating higher levels of financial constraints. The KZ Index is defined, as follows;

$$KZ_{it} = -1.0019\,\frac{CF_{i,t-1}}{PPE_{i,t-2}} - 39.3678\,\frac{DIVS_{i,t-1}}{PPE_{i,t-2}} - 1.3148\,\frac{CASH_{i,t-1}}{PPE_{i,t-2}} + 3.1392\,\frac{TDEBT_{i,t-1}}{TCAP_{i,t-1}} + 0.2826\,Q_{i,t-1} \quad (5)$$

Where, *i* for each firm and financial constraints being measured at year *t* at the announcement with the latest financial statements information in year *t-1*

Table 3.7 Description of KZ-index variables

Variable	Description	Measurement
CF	Cash flows	Net income (NI_{it}) + Depreciation and Amortization ($DEPR_{it}$) $CF_{it} = NI_{it} + DEPR_{it}$
PPE	Property, plant, and equipment (net)	-
$DIVS$	Cash dividends paid to shareholder	-
$CASH$	Cash and short-term investments	-
$TDEBT$	Total debts	-
CE	Common shareholder's equity	-
$TCAP$	Total capital	$Total\ debt + Total\ shareholder's\ equity$
TA	Total assets	-
$MKCAP$	Market capitalization	$Stock\ price \times No.of\ shares\ outstanding$
$DFRTAX$	Deferred tax	-
Q	Tobin's Q ratio	$Q_{it} = \frac{TA_{it} + MKCAP_{it} - CE_{it} - DFRTAX_{it}}{TA_{it}}$

The abbreviations used in the KZ-index align with the study conducted by Niyaso (2016), which serves as a reference for the utilization of these abbreviations.

3.5 Cross-sectional regression analysis

The variation in acquiror performance can be influenced by multiple factors. Conducting univariate tests may not account for the interactions between these variables, potentially leading to unreliable results. Hence, it is essential to perform multivariate regressions to obtain a more comprehensive understanding.

To investigate the relationship between acquiror performance (abnormal return) and top-tier investment banks, we utilize ordinary least squares (OLS) as our selected estimation method for conducting cross-sectional analysis. Since the acquirors' performance are obtained through the event study approach, it is crucial to incorporate cross-sectional analysis with event study. This allows us to investigate the relationship between acquirors' abnormal return and the influence of top-tier advisors precisely at a specific moment in time (i.e., the event date). By using this approach, we can comprehensively explore the impact of differential advisors on the acquirors' performance. The model can be defined as follows.

$$\boldsymbol{Perf_i = \alpha_0 + \beta_1 TopTier_i + \beta_2 Constrained_i + \beta_3 Unconstrained_i + \beta_4 Firm_i + \beta_5 Deal_i + \mathcal{F}_t + \mathcal{F}_{ind} + \varepsilon_i} \quad \textbf{(6)}$$

Table 3.8 Description of cross-sectional regression variables

Variable[1]	Description
$Perf$	Acquirors' performance including, CAR *or* $BHAR$.
$TopTier$	The key-explanatory variable of the study. A dummy variable that equals to 1 if acquiror employ top-tier advisors, and 0 for otherwise.
$Constrained$	Dummy variable that equals to 1 if acquiror is financially constrained, and 0 for otherwise.

[1] All variable definitions are provided in Appendix A.

Table 3.8 Description of cross-sectional regression variables (Cont.)

Variable[2]	**Description**
$Unconstrained$	Dummy variable that equals to 1 if acquiror has unconstrained financial conditions, and 0 for otherwise[3].
$Firm$	Control variable for firm's characteristics, including: - Natural log of Market value (Size) - Market-to-book ratio - Leverage ratio - Cash flows-to-equity ratio - Bidders do multiple M&A
$Deal$	Control variable for deal's characteristics, including: - Relative transaction value - Payment method (Cash/Stock) - Target public status - Deal attitude (Hostile/Friendly) - Diversifying deals - Domestic / Cross-border
$\mathcal{F}_t$	Control variable for time (year) fixed effects. (Year dummy)
$\mathcal{F}_{ind}$	Control variable for industry fixed effects. (Industry dummy)

[2] All variable definitions are provided in Appendix A.

[3] For financially constraint categorial variables, dummy variables for constrained and unconstrained acquirors are included. Neutral category will be used as the reference group.

CHAPTER 4
EMPIRICAL RESULTS

4.1 Descriptive statistics

This section presents the descriptive statistics for the complete sample of M&A transactions. Table 4.1 will be organized as follows; Panel A describes the acquiror's M&A performance on both short-term and long-term including multiple event windows such as CAR[-1,+1], CAR[-2,+2], CAR[-5,+5], and BHAR36. Panel B describes acquiror's characteristics including, KZ-index, Market value, Market-to-book value ratio, leverage ratio, and the cash flow-to-equity ratio. Panel C describes about the deal characteristics including, transaction value, relative deal size, time to complete the deal, and advisory fees.

To mitigate the impact of outliers in our statistical analysis, we will utilize the winsorization approach. Winsorization is a widely-used method that imposes a restriction on the distance an extreme observation can deviate from the rest of the sample (Cowan & Sergeant, 2001). When data is winsorized, extreme outliers are adjusted to a specified percentile of the dataset. The resulting mean value, computed after this adjustment, is referred to as the winsorized mean. In this study, all quantitative variables will be winsorized at the 1st and 99th percentiles. This means that extreme values will be replaced by less extreme values, specifically, by the smallest value at the 1st percentile and the largest value at the 99th percentile of the dataset[4].

Table 4.1. The table provides an overview of summary statistics for the entire dataset. In total of 603 M&A deals, 19.90% are advised by top-tier advisor, and another 80.10% are advised by non-top-tier advisor.

Panel A represents the M&A performance of acquirors. Across the entire sample, short-term windows exhibit positive average CARs of 4.46%, 4.74%, and 4.38% for CAR[-1,+1], CAR[-2,+2], and CAR[-5,+5] respectively. However, in the long-term window represented by BHAR36, a negative return of -9.76% is observed.

[4] The results are robust at different level of winsorization such as 2% and 98% and 3% and 97%.

Deals advised by top-tier advisors yield lower returns than those advised by non-top-tier advisors in the short term, with CAR[-1,+1] and CAR[-2,+2] showing significant differences. Conversely, there is evidence indicating that top-tier advisors generate significantly higher returns in the long term for BHAR36.

Panel B focuses on the firm characteristics of the acquirors. Beginning with the KZ-index, the average KZ-index for the entire sample is -9.91, while for top-tier advisors, it is -10.54, and for non-top-tier advisors, it is -9.75. No significant differences are observed between the advisor groups. Furthermore, acquirors retaining top-tier advisors demonstrate significantly higher market values (MV) than those retaining non-top-tier advisors, with averages of $1,207.78 million and $385.48 million respectively. Additionally, they exhibit a higher cash flow-to-equity ratio (CFE) of 0.06 compared to -0.05 for non-top-tier advisors. However, there are no significant differences observed in the market-to-book value ratio (MB) and leverage ratio (LEV).

Panel C examines the deal characteristics. Top-tier advisors are predominantly involved in larger deals, with an average transaction value of $275.66 million compared to $98.19 million for non-top-tier advisors. Additionally, they require a higher absolute dollar amount of advisory fees, averaging $1.54 million compared to $0.66 million for non-top-tier advisors. However, in terms of advisory fee relative to the transaction value, top-tier advisors have a lower relative fee of 1.30% compared to 1.49% for non-top-tier advisors. Moreover, higher reputation advisors complete deals faster than non-top-tier advisors, with averages of 188.52 days and 213.71 days respectively, although this difference is not statistically significant.

Table 4.2 represents the correlation matrix of variable used in cross-sectional regression. The findings reveal a negative correlation between top-tier advisors and short-term M&A performance (CAR_1 and CAR_5), while a positive correlation is observed with long-term M&A performance (BHAR_36). Moreover, the correlation among most independent variables is relatively low, indicating minimal concern regarding multicollinearity issue.

Table 4.1 Descriptive statistics

The table represent summary statistics for M&A transaction in the full sample. Top-tier advisor and Non-Top-Tier advisor are the subsample. All variable are defined in details in APPENDIX A. All quantitative variable are winsorized at 1% and 99% levels. T-test and the Wilcoxon rank-sum test are used to test the difference in mean and median, respectively.

	All (A)			Top-Tier (T)			Non-Top-Tier (N)			Difference (T) - (N)	
	Mean	Standard Deviation	N	Mean	Median	N	Mean	Median	N	P-value Mean	P-value Median
Panel A: Acquiror short term and long term abnormal returns											
CAR (-1,+1)	4.46%	0.16	603	2.07%	0.31%	120	5.05%	0.86%	483	0.0604	0.0862
CAR (-2,+2)	4.70%	0.16	603	2.44%	0.74%	120	5.26%	1.09%	483	0.0920	0.2288
CAR (-5,+5)	4.38%	0.18	603	2.30%	0.26%	120	4.89%	0.98%	483	0.1682	0.1962
BHAR36	-9.76%	0.62	422	1.66%	-14.51%	95	-13.08%	-28.22%	327	0.0410	0.0102
Panel B: Acquiror firm characteristics											
KZ index	-9.91	41.29	603	-10.54	-1.03	120	-9.75	-0.87	483	0.8526	0.4298
Market Value (USD Mn)	545.14	1,513.28	603	1,207.78	211.53	120	385.48	43.19	483	0.0000	0.0000
Market-to-Book value ratio	1.90	2.92	603	1.78	1.14	120	1.93	1.03	483	0.6002	0.2591
Leverage ratio	0.38	0.56	603	0.38	0.29	120	0.38	0.28	483	0.9965	0.4893
Cash Flow to Equity ratio	-0.03	0.45	603	0.06	0.06	120	-0.05	0.05	483	0.0096	0.0092
Panel C: Deal characteristics											
Transaction Value (USD Mn)	133.51	348.93	603	275.66	50.17	120	98.19	17.58	483	0.0000	0.0000
Relative size	73.44%	0.95	603	56.54%	27.25%	120	77.64%	32.80%	483	0.0296	0.0390
Time to complete (Days)	208.04	174.35	431	188.52	150.00	97	213.71	154.5	334	0.2107	0.4293
Target Public	19.07%	0.39	603	26.67%	-	120	17.18%	-	483	-	-
Diversification	68.49%	0.46	603	62.50%	-	120	69.98%	-	483	-	-
Cross-border acquisition	24.54%	0.43	603	25.83%	-	120	24.22%	-	483	-	-
Domestic acquisition	75.46%	0.50	603	74.17%	-	120	75.78%	-	483	-	-
All cash deals (%)	50.91%	0.50	603	48.33%	-	120	51.55%	-	483	-	-
All stock deals (%)	27.03%	0.44	603	22.50%	-	120	28.16%	-	483	-	-
Mix stock an cash deals (%)	22.06%	0.41	603	29.17%	-	120	20.29%	-	483	-	-
Total advisory fees (USD Mn)	0.86	1.33	431	1.54	0.59	97	0.66	0.23	334	0.0000	0.0000
Relative advisory fees (%)	1.45%	0.01	431	1.30%	1.43%	97	1.49%	1.56%	334	0.0719	0.0337

Table 4.2 Correlation matrix

Correlation Matrix, a pairwise correlations of the variables. The abbreviations as follows: CAR – Cumulative abnormal return including CAR[-1,+1], CAR[-2,+2], and CAR[-5,+5]; BHAR_36 – Buy-and-hold abnormal return; TOP – Top-tier advisor; SIZE – Ln(Market value); KZ – KZ Index; MV – Market value: MB – Market-to-Book ratio; LEV – Leverage ratio; CFE – Cash flow-to-equity ratio; PUBLIC – Target is public company; DIV – Diversification deal; CASH – All cash deal; MULT – Acquiror do multiple M&A; RELSIZE – Relative deal size. All variable are defined in details in APPENDIX A. All quantitative variable are winsorized at 1% and 99% levels.

	CAR_1	CAR_2	CAR_5	BHAR_36	TOP	SIZE	KZ	MV	MB	LEV	CFE	PUBLIC	DIV	CASH	MULT	RELSIZE
CAR_1	1.00															
CAR_2	0.07	1.00														
CAR_5	0.72	0.06	1.00													
BHAR_36	0.05	0.02	0.08	1.00												
TOP	-0.09	0.02	-0.08	0.10	1.00											
SIZE	-0.22	-0.05	-0.08	0.02	0.31	1.00										
KZ	-0.07	-0.04	-0.07	0.02	-0.04	-0.07	1.00									
MV	-0.13	-0.04	-0.09	0.01	0.21	0.69	-0.02	1.00								
MB	-0.06	0.07	-0.05	-0.11	-0.01	0.22	-0.06	0.13	1.00							
LEV	-0.05	0.02	0.03	-0.04	-0.03	0.01	0.10	-0.01	0.21	1.00						
CFE	-0.14	-0.05	0.03	0.03	0.14	0.25	-0.13	0.08	0.01	-0.11	1.00					
PUBLIC	-0.02	0.02	0.00	0.07	0.10	0.34	0.00	0.12	0.07	0.05	0.05	1.00				
DIV	0.04	0.05	-0.01	-0.06	-0.08	-0.27	-0.04	-0.11	-0.08	-0.04	-0.00	-0.16	1.00			
CASH	-0.18	-0.05	-0.11	-0.05	-0.05	0.30	-0.04	0.17	0.03	-0.02	0.14	0.12	-0.10	1.00		
MULT	0.04	-0.04	0.05	0.01	0.06	0.08	0.06	0.05	-0.10	0.03	0.02	-0.08	-0.01	-0.04	1.00	
RELSIZE	0.34	0.09	0.29	-0.08	-0.03	-0.25	-0.04	-0.10	-0.05	-0.03	-0.08	-0.05	0.08	-0.25	0.02	1.00

4.2 Univariate Test

4.2.1 Short-term performance

This section presents the findings of the study on short-term performance in M&A announcements using cumulative abnormal return (CAR) calculated by the market model. The analysis focuses on examining market reactions to M&A announcements within different event windows.

Initially, a 120-day estimation window is employed to establish the expected returns of the sample firms before the M&A announcements. Subsequently, three distinct event windows are investigated to capture the market response following the announcements: CAR[-1,+1], CAR[-2,+2], and CAR[-5,+5] respectively. These event windows are selected to provide insights into the immediate and extended impact of M&A announcements on acquiring firms' stock prices (see Ma et al., 2009; Shah & Arora, 2014; Chuang, 2016; Guo et al., 2020).

Table 4.3 Acquiror's short-term performance (CAR -1,+1)

	All (A)	Constrained (C)	Neutral (N)	Unconstrained (U)	Difference (C) - (U)
Panel A: All					
Mean	4.46%***	4.55%***	3.98%***	4.83%***	-0.28%
	(0.0000)	(0.0002)	(0.0002)	(0.0000)	(0.8600)
Median	0.75%***	0.61%***	0.48%***	0.87%***	-0.26%
	(0.0000)	(0.0009)	(0.0024)	(0.0000)	(0.4618)
N	603	199	199	205	404
Panel B: Top-Tier					
Mean	2.07%*	1.23%	2.11%	2.62%	-1.39%
	(0.0553)	(0.4960)	(0.2471)	(0.1710)	(0.6079)
Median	0.31%***	0.00%	0.31%	0.49%	4.27%
	(0.0000)	(0.7457)	(0.2447)	(0.2707)	(0.6292)
N	120	29	50	41	70
Panel C: Non Top-Tier					
Mean	5.04%***	5.11%***	4.61%***	5.38%***	0.27%
	(0.0000)	(0.0003)	(0.0000)	(0.0004)	(0.8846)
Median	0.86%***	0.89%***	0.48%**	0.92%***	0.07%
	(0.0000)	(0.0006)	(0.0045)	(0.0000)	(0.4979)
N	483	170	149	164	334
Panel D: Difference (Panel B - Panel C)					
Mean	-2.98%*	-3.88%	2.49%	2.76%	
	(0.0604)	(0.2589)	(0.3047)	(0.2819)	
Median	-0.55%*	-0.89%	-0.17%	-0.43%	
	(0.0862)	(0.2561)	(0.5333)	(0.2547)	

Note: Statistical significance at the 1%, 5% and 10% levels is denoted as ***, ** and *, P-value in parenthesis

Table 4.3 illustrates the short-term performance of M&A transaction facilitated by investment banks. Acquirors are categorized into three groups based on the KZ index[5]. CAR[-1,+1] is winsorized at 1% and 99%[6]. A T-test is employed to determine the significance of the means and the differences between means. The Wilcoxon signed-rank test and Wilcoxon rank-sum test are utilized to assess the significance of the medians and the differences between medians, respectively. P-values are indicated in parentheses, with significance levels denoted by ***, **, and * for 1%, 5%, and 10%, respectively.

Panel A represents all deal advised by investment banks, revealing an average return of 4.46% (p=0.0000) for 3 days surrounding the M&A announcement period (CAR[-1,+1]). This aligns with previous studies in Asia-Pacific markets (Ma et al., 2009; Chuang, 2016), indicating that M&A announcements generally yield positive stock returns. However, no significant differences are observed between Constrained and Unconstrained acquirors.

Panel B focuses on deals advised by top-tier advisors, demonstrating a positive return of 2.07% (p=0.0553), less than the full sample average. No significant differences are found among financially constrained acquirors.

Panel C shows that deals advised by non-top-tier advisors yield a positive return of 5.04% (p=0.0000), surpassing the full sample average. The result shows that unconstrained acquiror outperforms constrained acquiror. However, no statistically significant differences are observed across any financial advisor sub-samples.

Panel D compares the M&A performance of top-tier advisors and non-top-tier advisors, indicating that top-tier advisors underperform non-top-tier advisors in the short-term event window by 2.98% (p=0.0604) on average and 0.55% (p=0.0862) in terms of median. No significant differences are observed within the financial constraint groups. These findings align with previous literature (Hunter & Jagtiani, 2003; Ismail, 2010; Chuang, 2016; Xing, 2016; Guo et al., 2020), suggesting

[5] The top (bottom) 33rd percentile classifies as Constrained (Unconstrained), while the middle group is labeled as Neutral

[6] The results are consistent with other winsorize levels at 2%-98% and 3%-97%

that the retention of top-tier advisors may not lead to short-term outperformance. Possible explanations include the higher financial advisor's advisory fees being charged, which can negatively impact market sentiment and ultimately result in poorer acquiror performance in the short term (Walter et al., 2008; Chuang, 2016; Xing, 2016). Additionally, non-top-tier advisors may specialize in advising smaller firms and deals, where they can provide tailored assistance in structuring more favorable deals (Chuang, 2016). Furthermore, target's public status might be another possible explanation, public targets yield negative bidder returns, contrasting with positive returns for private targets (Fuller et al., 2002; Moeller et al., 2003). Which top-tier advisor relatively advise larger deal and public target, while non-top-tier often advise private. Unlisted targets often offer liquidity discounts, benefiting acquirors. Investment banks help mitigate overpayment risks and enhance bargaining power for bidders (Ghosh & Petrova, 2019).

Table 4.4 Acquiror's short-term performance (CAR -2,+2)

	All (A)	Constrained (C)	Neutral (N)	Unconstrained (U)	Difference (C) - (U)
Panel A: All					
Mean	4.70%***	5.21%***	4.11%***	4.77%***	0.44%
	(0.0000)	(0.0001)	(0.0002)	(0.0000)	(0.7932)
Median	1.03%***	0.94%***	1.18%***	1.09%***	-0.15%
	(0.0000)	(0.0012)	(0.0026)	(0.0001)	(0.9287)
N	603	199	199	205	404
Panel B: Top-Tier					
Mean	2.44%**	0.54%	2.27%	3.99%*	-3.45%
	(0.0400)	(0.7756)	(0.2409)	(0.0733)	(0.2564)
Median	0.74%	0.35%	0.62%	1.34%	-0.99%
	(0.1011)	(0.4889)	(0.4810)	(0.1820)	(0.5916)
N	120	29	50	41	70
Panel C: Non Top-Tier					
Mean	5.26%***	6.01%***	4.72%***	4.96%***	1.05%
	(0.0000)	(0.0001)	(0.0003)	(0.0001)	(0.5910)
Median	1.09%***	0.97%***	1.25%***	1.07%***	-0.09%
	(0.0000)	(0.0013)	(0.0023)	(0.0002)	(0.9494)
N	483	170	149	164	334
Panel D: Difference (Panel B - Panel C)					
Mean	-2.82%*	-5.48%	-2.45%	-0.97%	
	(0.0920)	(0.1386)	(0.3231)	(0.7213)	
Median	-0.35%	-0.62%	-0.63%	0.28%	
	(0.2288)	(0.4044)	(0.3497)	(0.8230)	

Note: Statistical significance at the 1%, 5% and 10% levels is denoted as ***, ** and *, P-value in parenthesis

Table 4.4. Panel A presents data on all deals advised by financial adviors, showing an average return of 4.70% (p=0.0000) over the 5-day period surrounding the M&A announcement (CAR[-2,+2]). These findings align with those of CAR[-1,+1], indicating that M&A announcements typically result in positive stock returns (Ma et al., 2009; Chuang, 2016). Once more, no significant differences are detected between Constrained and Unconstrained acquirors.

Panel B, top-tier advisors generate positive average abnormal return for 2.44% (p=0.0400) and 0.74% (p=0.1011) for median. In Panel C, non-top-tier advisors also yield positive CARS, averaging at 5.26% (p=0.0000) and 1.09% (p=0.0000) for the median. Hence, for the CAR[-2,+2] event window, top-tier advisors also appear to underperform non-top-tier advisor. Again, no significant differences are observed within the financial constraint groups.

Table 4.5 Acquiror's short-term performance (CAR -5,+5)

	All (A)	Constrained (C)	Neutral (N)	Unconstrained (U)	Difference (C) - (U)
Panel A: All					
Mean	4.38%***	4.34%***	3.75%***	5.02%***	-0.69%
	(0.0000)	(0.0068)	(0.0008)	(0.0000)	(0.7263)
Median	0.87%***	0.58%*	1.18%***	0.77%***	-0.19%
	(0.0000)	(0.0617)	(0.0077)	(0.0004)	(0.4305)
N	603	199	199	205	404
Panel B: Top-Tier					
Mean	2.30%	-0.74%	1.76%	5.11%**	-5.85%
	(0.1110)	(0.8207)	(0.3884)	(0.0456)	(0.1498)
Median	0.26%	-1.65%	0.02%	1.42%*	-3.07%
	(0.3248)	(0.5095)	(0.5431)	(0.0946)	(0.1155)
N	120	29	50	41	70
Panel C: Non Top-Tier					
Mean	4.89%***	5.20%***	4.42%***	5.00%***	0.20%
	(0.0000)	(0.0037)	(0.0010)	(0.0002)	(0.9281)
Median	0.98%***	1.02%**	0.86%***	1.02%***	0.01%
	(0.0000)	(0.0247)	(0.0070)	(0.0017)	(0.8494)
N	483	170	149	164	334
Panel D: Difference (Panel B - Panel C)					
Mean	-2.59%	-5.95%	-2.66%	0.11%	
	(0.1682)	(0.1866)	(0.2981)	(0.9706)	
Median	-0.73%	-2.67%	-0.84%	0.41%	
	(0.1962)	(0.1410)	(0.3706)	(0.8633)	

Note: Statistical significance at the 1%, 5% and 10% levels is denoted as ***, ** and *, P-value in parenthesis

Table 4.5 provides insights into the performance of M&A deals over an extended event window. In Panel A, all deals advised by investment banks exhibit an average return of 4.38% (p=0.0000) over the 11-day period surrounding the M&A announcement (CAR[-5,+5]). These results align with those of CAR[-1,+1] and CAR[-2,+2], indicating that M&A announcements consistently lead to positive stock returns (Ma et al., 2009; Chuang, 2016). Moreover, no significant differences are discerned between Constrained and Unconstrained acquirors.

Panel B, top-tier advisors exhibit positive average abnormal returns of 2.30% (p=0.1110) and a median return of 0.26% (p=0.3248). Meanwhile, Panel C reveals that non-top-tier advisors also achieve positive abnormal returns, averaging 4.89% (p=0.0000) and 0.98% (p=0.0000) for the median. Thus, for the CAR[-5,+5] event window, top-tier advisors continue to underperform non-top-tier advisors, similar to the other event windows. However, no significant difference is observed between top-tier and non-top-tier advisors for the CAR[-5,+5]. Furthermore, no significant differences are noted within the financial constraint groups.

Figure 4.1

Average Cumulative Abnormal Return (CAR [-5,+5])

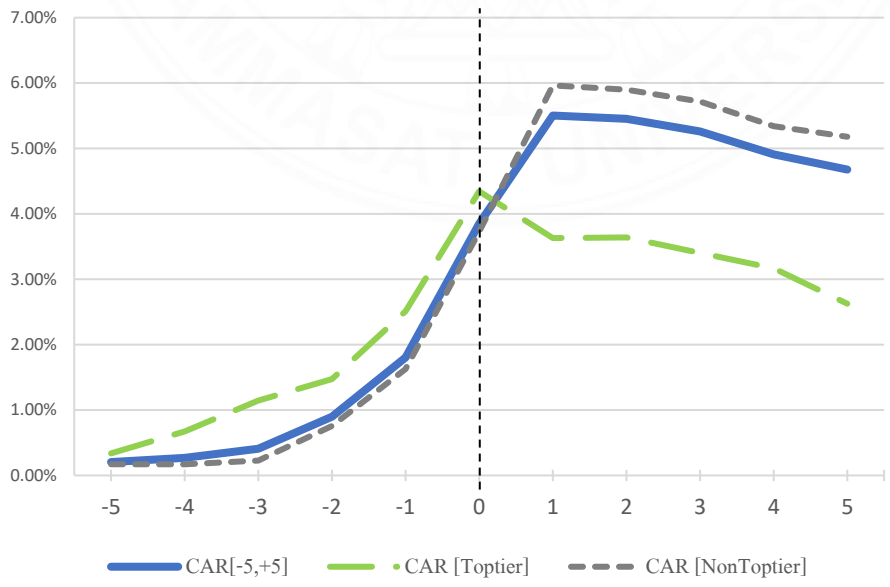


Figure 4.1 represents the CAR[-5,+5], for three different categories of investment bank involvement: all banks, top-tier investment banks (CAR [TopTier]), and non-top-tier investment banks (CAR [NonTopTier]). M&A announcements generally lead to positive cumulative abnormal returns, deals advised by top-tier financial advisors tend to show a higher initial peak at day 0, but gradually underperform in post-announcement compared to those advised by non-top-tier banks.

Additionally, a noticeable increase in CAR before day 0 (the announcement day) can be indicative of "information leakage". In the figure, the CAR lines for all categories start to rise significantly from around day -3, suggesting that some investors might have received advance information about the upcoming M&A.

In conclusion, the examination of short-term performance surrounding M&A announcements, as measured by CAR[-1,+1], CAR[-2,+2], and CAR[-5,+5], demonstrates consistent positive CARs across all event windows, consistent with prior research on Asia-Pacific and Asian Emerging markets (Ma et al., 2009; Chuang, 2016). Despite variations in the length of the event windows, the results indicate favorable market reactions to M&A announcements. Additionally, no significant differences are observed between Constrained and Unconstrained acquirors, suggesting that financial constraints do not significantly impact short-term performance. However, top-tier advisors consistently underperform non-top-tier advisors across all event windows, except CAR[-5,+5], which aligns with existing literature (Hunter & Jagtiani, 2003; Ismail, 2010; Chuang, 2016; Xing, 2016; Guo et al., 2020).

4.2.2 Short-term performance by country

This section delves into the short-term performance of M&A transactions across selected countries in the ASEAN region, namely Malaysia, Singapore, Thailand, Philippines, and Indonesia. By focusing on these countries, we aim to provide a comparative analysis of how top-tier advisor impact M&A performance in different market environments.

Table 4.6 Acquiror's short-term performance by country (CAR -1,+1)

	All	Malaysia	Singapore	Thailand	Philippines	Indonesia
Panel A: All						
Mean	4.46%***	2.57%***	9.92%***	0.31%	2.33%	6.01%
	(0.0000)	(0.0000)	(0.0000)	(0.7521)	(0.3585)	(0.1264)
Median	0.75%***	0.70%***	1.17%***	0.12%	0.06%	1.43%*
	(0.0000)	(0.0000)	(0.0000)	(0.5298)	(0.7794)	(0.0534)
N	603	355	159	46	20	23
Panel B: Top-Tier						
Mean	2.07%*	0.83%	2.37%	1.04%	5.09%	9.13%*
	(0.0553)	(0.5486)	(0.2737)	(0.6649)	(0.3246)	(0.0844)
Median	0.31%***	0.07%	0.96%	-1.60%	0.31%	7.11%
	(0.0000)	(0.7918)	(0.2322)	(1.0000)	(0.3863)	(0.1097)
N	120	74	20	7	10	9
Panel C: Non Top-Tier						
Mean	5.04%***	3.02%***	11.00%***	0.18%	-0.43%	4.01%
	(0.0000)	(0.0000)	(0.0000)	(0.8685)	(0.4782)	(0.4807)
Median	0.86%***	0.87%***	1.17%***	0.13%	-0.03%	1.11%
	(0.0000)	(0.0000)	(0.0000)	(0.4595)	(0.6098)	(0.4143)
N	483	281	139	39	10	14
Panel D: Difference (Panel B - Panel C)						
Mean	-2.98%*	-2.20%	-8.64%***	0.86%	5.52%	5.11%
	(0.0604)	(0.1413)	(0.0042)	(0.7591)	(0.2901)	(0.4863)
Median	-0.55%*	-0.81%*	-0.22%	-1.73%	0.34%	6.01%
	(0.0862)	(0.0598)	(0.3392)	(0.7251)	(0.3643)	(0.2568)

Note: CAR[-1,+1] is winsorized at 1% and 99%. Statistical significance at the 1%, 5% and 10% levels is denoted as ***, ** and *, P-value in parenthesis

Table 4.6 presents short-term M&A performance in CAR[-1,+1] window, aiming to examine the market's response in each country independently. Panel A, for the entire sample, Singapore records the highest average CAR of 9.92% (p=0.0000), followed by Malaysia with 2.57% (p=0.0000), while other countries show insignificant results.

Panel B reveals that in Indonesia, deals advised by top-tier advisors display the highest average CAR at 9.13% (p=0.0844), whereas other countries exhibit insignificant results.

Panel C illustrates that Singapore and Malaysia have the highest average CARs when advised by non-top-tier advisors, at 11.00% (p=0.0000) and 3.02% (p=0.0000) respectively, with other countries showing insignificant results.

Panel D compares the differential impact of top-tier advisors, indicating that Singapore and Malaysia experience value destruction, while other countries demonstrate insignificant value creation.

In summary, Table 4.6 reveals short-term M&A performance across ASEAN countries. Singapore and Malaysia exhibit significant positive CARs, both with top-tier and non-top-tier advisors, suggesting value creation. However, Singapore and Malaysia show evidence of value destruction when comparing top-tier and non-top-tier advisors. Conversely, other countries demonstrate insignificant CARs, indicating no significant value creation or destruction. These findings underscore the impact of advisor selection on short-term M&A outcomes, with Singapore and Malaysia experiencing divergent effects compared to other ASEAN nations. Such insights highlight the importance of considering country-specific factors when assessing the impact of advisor choice on short-term M&A performance

4.2.3 Long-term performance

This section presents the findings and discussion on the long-term performance of mergers and acquisitions (M&A) using the buy-and-hold abnormal return (BHAR) metric over a 36-month event window, calculated using the total return index for acquiror's nation. BHAR36 offers insights into the sustained impact of M&A activities on shareholder wealth beyond the immediate announcement period, making the examination of long-term performance essential for understanding the lasting effects of M&A transactions on acquiror firms and their stakeholders. By analyzing BHAR over an extended period, this study aims to provide a comprehensive assessment of M&A outcomes and shed light on the efficacy of such strategic initiatives in generating value over the long run. Xing (2016) posits that "if the synergy identified by top-tier advisors does exist, it will take time to transfer potential synergies into improved performance, eventually being perceived by markets." While financial advisors offer a range of services beyond the transaction closure, including post-deal integration. Post-deal integration involves ensuring that the merged entities function

seamlessly together, maximizing synergies, and achieving strategic objectives outlined during the M&A process (Marks et al., 2012).

The long-term outperformance of acquirers advised by top-tier advisors suggests their superior skills. Guo et al. (2020) propose that retaining top-tier advisors enhances long-term M&A performance, highlighting the multifaceted role of financial advisors. These advisors not only negotiate deals but also assist in integrating post-deal operations. This indicates that realizing identified synergies may require time to manifest as improved performance and be recognized by the market.

Table 4.7 Acquiror long-term performance (BHAR 36)

	All (A)	Constrained (C)	Neutral (N)	Unconstrained (U)	Difference (C) - (U)
Panel A: All					
Mean	-9.76%***	-12.88%**	-12.03%***	-4.78%	-8.10%
	(0.0013)	(0.0281)	(0.0038)	(0.4034)	(0.3220)
Median	-24.13%***	-34.43%***	-16.89%***	-17.6%***	-16.83%
	(0.0000)	(0.0001)	(0.0001)	(0.0014)	(0.1921)
N	422	129	146	147	276
Panel B: Top-Tier					
Mean	1.66%	5.95%	-9.80%	13.15%	-7.21%
	(0.8068)	(0.7584)	(0.1214)	(0.3234)	(0.7488)
Median	-14.51%**	-24.89%	-4.94%	-14.51%	-10.38%
	(0.0442)	(0.2891)	(0.1449)	(0.3764)	(0.1155)
N	95	21	41	33	54
Panel C: Non Top-Tier					
Mean	-13.08%***	-16.54%***	-12.90%**	-9.97%	-6.57%
	(0.0001)	(0.0055)	(0.0140)	(0.1135)	(0.4446)
Median	-28.22%***	-35.55%***	-20.71%***	-24.13%***	-11.42%
	(0.0000)	(0.0001)	(0.0003)	(0.0010)	(0.8494)
N	327	108	105	114	222
Panel D: Difference (Panel B - Panel C)					
Mean	14.74%**	22.49%	3.10%	23.13%*	
	(0.0410)	(0.1530)	(0.7345)	(0.0909)	
Median	13.71%**	10.66%	15.77%	9.62%**	
	(0.0102)	(0.3402)	(0.2566)	(0.0477)	

Note: Statistical significance at the 1%, 5% and 10% levels is denoted as ***, ** and *, P-value in parenthesis

Table 4.7 presents the long-term performance of M&A transaction facilitated by investment banks, categorizing acquirors into three groups based on the KZ index. BHAR 36 is winsorized at 1% and 99% levels[7]. A T-test is employed to assess the significance of the mean and the differences between means. The Wilcoxon

[7] The results are consistent with other winsorize levels at 2% - 98% and 3% - 97%.

signed-rank test and Wilcoxon rank-sum test are used to evaluate the significance of the median and the differences between medians, respectively. P-values are displayed in parentheses, with significance levels indicated by ***, **, and * for 1%, 5%, and 10%, respectively.

Panel A illustrates all deals advised by investment banks[8]. The long-term average abnormal returns for 36 months after the announcement (BHAR 36) exhibit significant negativity across all financial constraint groups. The entire sample reflects a negative return of -9.76% (p=0.0013) and a median of -24.13% (p=0.0000), consistent with prior research (e.g., Rau & Vermaelen, 1998; Moeller et al., 2003; Siew Peng, 2012; Liu, 2016; Tarigan et al., 2022). This negative long-term performance in M&A transactions may arise from unrealized synergy gains or managerial actions post-acquisition that do not align with shareholder interests (Siew Peng, 2012).

Panel B focuses on deals advised by top-tier advisors, demonstrating a positive return of 1.66% (p=0.8068, insignificant) and median of -14.51% (p=0.0442), above the full sample. Again, no significant differences are observed between Constrained and Unconstrained acquirors in long-term performance.

Panel C represents deal advised by non-top-tier advisors, acquiror facing a dramatically loss by -13.08% (p=0.0001) on average and -28.22% (p=0.0000) median.

Panel D, in comparison between top-tier and non-top-tier advisors, reveals a notable improvement in long-term performance with the retention of top-tier advisors, exhibiting an improvement of 14.74% (p=0.0410) on average (top-tier +1.66% versus -13.08% for non-top-tier) and a median of 13.71% (p=0.0102). Among the financial constraint group of acquirors, unconstrained acquirors witness a substantial improvement of 23.13% (p=0.0909) by engaging top-tier advisors compared to non-top-tier advisors, although these differences are insignificant in other constraint groups. These findings corroborate existing literature (Xing, 2016; Guo et al., 2020), indicating that the retention of top-tier advisors enhances long-term M&A performance, underscoring the multifaceted role of financial advisors in not only negotiating deals

[8] The observed deals reduced from 603 to 422 in the long-term study, focusing solely on proven successful deals

but also integrating post-deal operations. This suggests that realizing identified synergies may necessitate time to translate into improved performance and gain recognition in the market (Guo et al., 2020)

4.2.4 Long-term performance by country

This Section delves into the long-term performance of M&A transactions across selected countries in the ASEAN region, namely Singapore, Malaysia, Thailand, Philippines, and Indonesia. By examining M&A outcomes in these countries, we aim to provide insights into the sustained impact of such strategic initiatives on shareholder wealth and firm performance over an extended period. This section offers a comparative analysis of the long-term performance of top-tier advisor contributing to M&A performance within the ASEAN context, contributing to a deeper understanding of the enduring effects of M&A activities in different market environments.

Table 4.8 Acquiror long-term performance by country (BHAR 36)

	All	Malaysia	Singapore	Thailand	Philippines	Indonesia
Panel A: All						
Mean	-9.76%***	-8.86%**	-16.50%***	-7.52%	14.04%	-8.44%
	(0.0013)	(0.0221)	(0.0038)	(0.4840)	(0.5151)	(0.6621)
Median	-24.13%***	-21.51%***	-26.095%***	-25.04%**	-11.83%	-37.52%
	(0.0000)	(0.0000)	(0.0001)	(0.0332)	(1.0000)	(0.1446)
N	422	255	104	29	16	18
Panel B: Top-Tier						
Mean	1.66%	1.20%	-11.37%	-12.90%	50.65%	-10.19%
	(0.8068)	(0.8838)	(0.4767)	(0.2491)	(0.1012)	(0.7582)
Median	-14.51%**	-11.70%	-22.51%*	-22.74%	6.13%	-37.52%
	(0.0442)	(0.2365)	(0.0526)	(0.2489)	(0.2135)	(0.1614)
N	95	54	18	6	9	8
Panel C: Non Top-Tier						
Mean	-13.08%***	-11.56%***	-17.57%***	-6.11%	-33.03%	-7.04%
	(0.0001)	(0.0085)	(0.0040)	(0.6476)	(0.2244)	(0.7792)
Median	-28.22%***	-27.11%***	-27.04%***	-34.43%*	-54.99%	-38.35%
	(0.0000)	(0.0000)	(0.0003)	(0.0680)	(0.2367)	(0.3329)
N	327	201	86	23	7	10
Panel D: Difference (Panel B - Panel C)						
Mean	14.74%**	12.77%	6.21%	-6.78%	83.69%**	-3.15%
	(0.0410)	(0.1757)	(0.6759)	(0.8007)	(0.0386)	(0.9385)
Median	13.71%**	15.41%**	4.53%	11.70%	61.12%***	0.83%
	(0.0102)	(0.0336)	(0.8400)	(0.4840)	(0.0095)	(0.8590)

Note: BHAR36 is winsorized at 1% and 99%. Statistical significance at the 1%, 5% and 10% levels is denoted as ***, ** and *, P-value in parenthesis

Table 4.8 presents an analysis of the long-term M&A performance using the BHAR36 window, which is expanded to assess the market's recognition of M&A information for each country independently.

Panel A, comprising the entire sample, all countries exhibit negative abnormal returns except the Philippines, although this finding is not statistically significant. Singapore demonstrates the lowest average CAR at -16.50% (p=0.0038), which seems contradictory to its highest CAR in short-term performance. Malaysia follows closely with the second lowest average CAR at -8.86% (p=0.0221).

Panel B, focusing on deals advised by top-tier advisors, only Singapore shows a significant result, with a median CAR of -22.51% (p=0.0526).

Panel C, which examines deals advised by non-top-tier advisors, reveals significant results for Malaysia and Singapore, with average CARs of -11.56% (p=0.0085) and -17.57% (p=0.0040), respectively.

Panel D compares the differential impact of top-tier advisors, indicating significant improvements in the Philippines with an average CAR of 83.69% (p=0.0386) and a median of 61.12% (p=0.0095). Although other countries show mixed results in terms of average CAR, there are improvements in median for all without significant difference.

In conclusion, the long-term M&A performance, as analyzed through the BHAR36 window, demonstrates varied outcomes across ASEAN countries. While negative abnormal returns prevail in most cases, Singapore stands out with the lowest average CAR. Top-tier advisors show significant impact only in Singapore, while non-top-tier advisors yield significant results in Malaysia and Singapore. Interestingly, employing top-tier advisors leads to considerable improvement in the Philippines. Overall, these findings underscore the complexity of M&A dynamics within the ASEAN region, highlighting the need for tailored strategies and considerations of advisor expertise to navigate long-term performance outcomes effectively.

4.2.5 Deal completion rate, time to resolution, and advisory fees

This section explores the critical aspects of deal completion rate, time to completion, and advisory fees in M&A transactions, focusing on their implications for deal success and efficiency. By analyzing these factors, we aim to provide a

comprehensive understanding of how top-tier and non-top-tier advisors influence the outcomes of M&A transactions.

Table 4.9 Deal completion rate

	All (A)	Constrained (C)	Neutral (N)	Unconstrained (U)	Difference (C) - (U)
Panel A: All					
Mean	71.48%	66.33%	74.87%	73.17%	-6.84%
					(0.1351)
N	603	199	199	205	
Panel B: Top-Tier					
Mean	80.83%	72.41%	86.00%	80.49%	-8.08%
					(0.4354)
N	120	29	50	41	
Panel C: Non Top-Tier					
Mean	69.15%	65.29%	71.14%	71.34%	-6.05%
					(0.2365)
N	483	170	149	164	
Panel D: Difference (Panel B - Panel C)					
Mean	11.68%**	7.12%	14.86%**	9.15%	
	(0.0111)	(0.4559)	(0.0362)	(0.2392)	

Table 4.9 presents the deal completion rates for M&A transactions. For the entire sample, 71.48% of deals are completed. Unconstrained acquirors have a higher but not statistically significant deal completion rate, 6.84% more (p=0.1351). Deals advised by top-tier advisors have a significantly higher completion rate, 11.68% more, with 80.83% of deals completed compared to 69.15% for non-top-tier advisors.

Table 4.10 Time to resolution (days)

	All (A)	Constrained (C)	Neutral (N)	Unconstrained (U)	Difference (C) - (U)
Panel A: All					
Mean	208.04	241.20	184.86	201.88	39.32*
					(0.0750)
Median	154.00	205.00	139.00	128.50	76.50***
					(0.0074)
N	431	132	149	150	282
Panel B: Top-Tier					
Mean	188.52	180.38	179.58	205.33	-24.95
					(0.5914)
Median	150.00	146.00	143.00	171.00	-25.00
					(0.3750)
N	97	21	43	33	54
Panel C: Non Top-Tier					
Mean	213.71	252.70	187.00	200.91	51.80**
					(0.0388)
Median	154.50	214.00	134.50	145.00	69.00***
					(0.0013)
N	334	111	106	117	228
Panel D: Difference (Panel B - Panel C)					
Mean	-25.19	-72.32*	-7.42	4.43	
	(0.2107)	(0.1000)	(0.7853)	(0.9033)	
Median	-4.50	-68.00**	8.50	26.00	
	(0.4293)	(0.0228)	(0.7967)	(0.4038)	

Table 4.10 represents the number of days from the announcement to deal completion. For the entire sample, the average time to complete a deal is 208 days, with unconstrained acquirors completing deals more quickly. When top-tier advisors are involved, deals are completed 25 days faster on average, although this difference is not statistically significant. However, the impact is most pronounced for constrained acquirors, who complete deals 72 days faster (p=0.1000) when advised by top-tier advisors compared to non-top-tier advisors.

Table 4.11 Acquiror's advisory fee (USD million)

	All (A)	Constrained (C)	Neutral (N)	Unconstrained (U)	Difference (C) - (U)
Panel A: All					
Mean	0.86	0.78	0.89	0.90	-0.12
					(0.4752)
Median	0.28	0.26	0.25	0.31	-0.05
					(0.3779)
N	431	132	149	150	282
Panel B: Top-Tier					
Mean	1.54	1.17	1.37	2.01	-0.84
					(0.2067)
Median	0.59	0.32	0.49	1.44	-1.12**
					(0.0187)
N	97	21	43	33	54
Panel C: Non Top-Tier					
Mean	0.66	0.71	0.69	0.59	0.11
					(0.4163)
Median	0.23	0.26	0.19	0.25	0.01
					(0.5602)
N	334	111	106	117	228
Panel D: Difference (Panel B - Panel C)					
Mean	0.88***	0.46	0.67**	1.41***	
	(0.0000)	(0.1804)	(0.0171)	(0.0000)	
Median	0.37***	0.07	0.30***	1.20***	
	(0.0000)	(0.7867)	(0.0012)	(0.0000)	

Table 4.11 represents the advisory fees paid by acquirers in M&A transactions. For the entire sample, the average advisory fee is $0.86 million. Unconstrained acquirors tend to pay higher advisory fees on average. When top-tier advisors are involved, the advisory fee averages $1.54 million, which is significantly higher than the $0.66 million for non-top-tier advisors. This difference is most pronounced for unconstrained acquirors, who pay $2.01 million on average when advised by top-tier advisors compared to $0.59 million for non-top-tier advisors.

However, for constrained acquirors, the difference in advisory fees between top-tier and non-top-tier advisors is not statistically significant, with constrained acquirors paying $1.17 million on average for top-tier advisors and $0.71

million for non-top-tier advisors. The impact is more noticeable in Unconstrained acquirors.

4.3 Multivariate test

In examining acquiror performance, it is crucial to consider various influencing factors. However, relying solely on univariate tests may overlook the intricate interactions among these factors, potentially leading to unreliable outcomes. Thus, employing multivariate regressions becomes imperative to achieve a more thorough understanding

4.3.1 Cross-sectional regression

In this section, we aim to explore the relationship between acquiror performance, specifically abnormal returns, and the involvement of top-tier investment banks. To conduct cross-sectional analysis, we opt for ordinary least squares (OLS) regression as our preferred estimation method. Given that acquiror performance is assessed using event study methodologies, it is essential to integrate cross-sectional analysis with event study to gain a nuanced understanding. This integration allows us to precisely examine how acquirors' abnormal returns correlate with the influence of top-tier advisors at specific event dates. Through this approach, we seek to comprehensively identify the impact of different advisors on acquiror performance.

Table 4.12 Cross-sectional regression for short-term performance (CAR[-1,+1])

	(1) All	(2) All	(3) All	(4) Constrained	(5) Unconstrained
Top-tier	-0.0127	-0.0151	-0.0275*	-0.0410	-0.0231
	(0.357)	*(0.260)*	*(0.073)*	*(0.181)*	*(0.339)*
Constrained	-0.0144	-0.0119	-0.0090		
	(0.378)	*(0.474)*	*(0.607)*		
Unconstrained	-0.0056	-0.0019	-0.0008		
	(0.684)	*(0.889)*	*(0.956)*		
Ln(MV)	-0.0087**	-0.0077*	-0.0081*	-0.0007	-0.0084
	(0.024)	*(0.054)*	*(0.065)*	*(0.941)*	*(0.301)*
MB	0.0014	0.0010	0.0005	0.0009	-0.0040
	(0.404)	*(0.543)*	*(0.753)*	*(0.772)*	*(0.190)*
CFE	-0.0169	-0.0182	-0.0094	-0.0216	0.0371
	(0.416)	*(0.383)*	*(0.642)*	*(0.480)*	*(0.158)*
LEV	-0.0300**	-0.028**	-0.0299**	-0.0369	-0.0044
	(0.029)	*(0.037)*	*(0.030)*	*(0.150)*	*(0.766)*
Multiple Bidder	0.0206*	0.0228*	0.0247**	0.0715***	-0.0060
	(0.100)	*(0.072)*	*(0.049)*	*(0.006)*	*(0.729)*
Relative Size	0.0095***	0.0093***	0.0092***	0.0043	0.0154***
	(0.001)	*(0.001)*	*(0.001)*	*(0.137)*	*(0.000)*
Stock	0.0358**	0.0385**	0.0388**	0.0550**	0.0035
	(0.029)	*(0.016)*	*(0.014)*	*(0.041)*	*(0.907)*
Domestic	-0.0079	-0.0100	-0.0099	-0.0009	-0.0142
	(0.543)	*(0.450)*	*(0.467)*	*(0.975)*	*(0.536)*
Public Target	0.0103	0.0096	0.0076	0.0572	0.0045
	(0.392)	*(0.449)*	*(0.575)*	*(0.119)*	*(0.864)*
Friendly Acquisition	-0.0132	-0.0146	-0.0282	-0.0544	-0.0354
	(0.465)	*(0.422)*	*(0.142)*	*(0.157)*	*(0.264)*
Diversification	0.0026	0.0052	0.0024	0.0061	0.0031
	(0.807)	*(0.632)*	*(0.831)*	*(0.828)*	*(0.871)*
Year dummy	**No**	**No**	**Yes**	**Yes**	**Yes**
Industry dummy	**No**	**Yes**	**Yes**	**Yes**	**Yes**
Constant	0.0784***	0.1258**	0.1584**	0.1061	0.1546
	(0.006)	*(0.011)*	*(0.024)*	*(0.262)*	*(0.180)*
Observation	603	603	603	199	201
P-value, F-Test	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
R-Squared	0.1613	0.1768	0.2275	0.3622	0.3888

Table 4.12 provides a detailed multivariate analysis of short-term performance, specifically examining cumulative abnormal returns (CAR) over an event window of [-1,+1]. Columns (1) through (3) analyze the influence of top-tier advisors

on the CAR for the entire group of acquirors. Specifically, Column (1) presents coefficients without any fixed effects control, Column (2) incorporates industry-specific fixed effects, and Column (3) includes both industry and year fixed effects to refine the analysis further. Moreover, Columns (4) and (5) focus on financially constrained and unconstrained acquirors respectively, setting a standard for subsequent multivariate analyses.

The primary variable of interest, the "Top-tier" dummy, signifies deals advised by top-tier financial advisors. This variable demonstrates a negative impact, with a coefficient of -0.0275 ($p = 0.073$) when accounting for both industry and year fixed effects, translating to a -2.75% decrease in CAR when a top-tier advisor is involved compared to non-top-tier advisors. These findings align with previous literature (Hunter & Jagtiani, 2003; Ismail, 2010; Chuang, 2016; Xing, 2016; Guo et al., 2020), suggesting that the retention of top-tier advisors may not lead to short-term outperformance.

Additionally, the size of the firm (Ln(MV)) is inversely related to returns, with larger firms experiencing lower CAR. A similar negative effect is observed with higher leverage ratios. Conversely, positive associations are noted with the presence of multiple bidders, greater relative deal sizes to the acquiror's market value, and the use of stock as a payment method. However, the impact of top-tier advisor involvement does not show statistical significance in either financially constrained or unconstrained acquirors, as shown in Columns (4) and (5).

Table 4.13 Cross-sectional regression for short-term performance (CAR[-2,+2])

	(1) All	(2) All	(3) All	(4) Constrained	(5) Unconstrained
Top-tier	-0.0146	-0.0174	-0.0293*	-0.0712**	-0.0054
	(0.324)	*(0.229)*	*(0.069)*	*(0.032)*	*(0.836)*
Constrained	-0.0081	-0.0071	-0.0065		
	(0.639)	*(0.683)*	*(0.719)*		
Unconstrained	-0.0065	-0.0023	-0.0020		
	(0.648)	*(0.874)*	*(0.897)*		
Ln(MV)	-0.0082**	-0.0075*	-0.0089*	-0.0003	-0.0075
	(0.048)	*(0.087)*	*(0.053)*	*(0.980)*	*(0.356)*
MB	0.0008	0.0005	-0.0001	-0.0004	-0.0055
	(0.620)	*(0.767)*	*(0.950)*	*(0.915)*	*(0.123)*
CFE	0.0021	0.0003	0.0090	-0.0010	0.0563*
	(0.924)	*(0.989)*	*(0.668)*	*(0.973)*	*(0.066)*
LEV	-0.0253*	-0.0248*	-0.0252*	-0.0237	-0.0099
	(0.071)	*(0.076)*	*(0.077)*	*(0.339)*	*(0.613)*
Multiple Bidder	0.0302**	0.0313**	0.0328**	0.0981***	0.0038
	(0.021)	*(0.017)*	*(0.012)*	*(0.000)*	*(0.834)*
Relative Size	0.0105***	0.0104***	0.0103***	0.0062**	0.0156***
	(0.000)	*(0.000)*	*(0.000)*	*(0.050)*	*(0.002)*
Stock	0.0407**	0.0440**	0.0441**	0.0767***	0.0109
	(0.027)	*(0.015)*	*(0.013)*	*(0.010)*	*(0.758)*
Domestic	-0.0092	-0.0126	-0.0148	0.0066	-0.0277
	(0.507)	*(0.366)*	*(0.301)*	*(0.821)*	*(0.281)*
Public Target	0.0118	0.0113	0.0115	0.0857**	-0.0015
	(0.394)	*(0.437)*	*(0.445)*	*(0.039)*	*(0.956)*
Friendly Acquisition	-0.0132	-0.0142	-0.0283	-0.0449	-0.0367
	(0.503)	*(0.478)*	*(0.172)*	*(0.292)*	*(0.286)*
Diversification	-0.0111	-0.0075	-0.0106	-0.0071	-0.0252
	(0.355)	*(0.533)*	*(0.377)*	*(0.806)*	*(0.214)*
Year dummy	**No**	**No**	**Yes**	**Yes**	**Yes**
Industry dummy	**No**	**Yes**	**Yes**	**Yes**	**Yes**
Constant	0.0796***	0.1126**	0.1661***	0.0634	0.1953**
	(0.007)	*(0.012)*	*(0.008)*	*(0.515)*	*(0.042)*
Observation	603	603	603	199	205
P-value, F-Test	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
R-Squared	0.1558	0.1708	0.2254	0.3827	0.3826

Table 4.13 provides a detailed multivariate analysis of short-term performance, specifically examining cumulative abnormal returns (CAR) over an event window of [-2,+2]. Columns (1) through (3) analyze the influence of top-tier advisors

on the CAR for the entire group of acquirors. Specifically, Column (1) presents coefficients without any fixed effects control, Column (2) incorporates industry-specific fixed effects, and Column (3) includes both industry and year fixed effects to refine the analysis further. Moreover, Columns (4) and (5) focus on financially constrained and unconstrained acquirors respectively, setting a standard for subsequent multivariate analyses.

Top-tier dummy variable is the primary variable of interest, signifies deals advised by top-tier financial advisors. This variable demonstrates a negative impact, with a coefficient of -0.0293 ($p = 0.069$) when accounting for both industry and year fixed effects (Column (3)), translating to a -2.93% decrease in CAR when a top-tier advisor is involved compared to non-top-tier advisors. These findings align with previous literature (Hunter & Jagtiani, 2003; Ismail, 2010; Chuang, 2016; Xing, 2016; Guo et al., 2020), suggesting that the retention of top-tier advisors may not lead to short-term outperformance.

Additionally, the size of the firm (Ln(MV)) is inversely related to returns, with larger firms experiencing lower CAR. A similar negative effect is observed with higher leverage ratios. Conversely, positive associations are noted with the presence of multiple bidders, greater relative deal sizes to the acquiror's market value, and the use of stock as a payment method. However, the impact of top-tier advisor involvement shows statistical significance only in the constrained group (Column (4)). This finding will become meaningful when compared to the unconstrained group, where the impact is not significant (Column (5)).

Table 4.14 Cross-sectional regression for short-term performance (CAR[-5,+5])

	(1) All	(2) All	(3) All	(4) Constrained	(5) Unconstrained
Top-tier	-0.0218	-0.0255	-0.0377**	-0.1050**	0.0133
	(0.204)	*(0.125)*	*(0.043)*	*(0.026)*	*(0.588)*
Constrained	-0.0114	-0.0063	-0.0062		
	(0.592)	*(0.763)*	*(0.778)*		
Unconstrained	0.0028	0.0068	0.0059		
	(0.866)	*(0.677)*	*(0.731)*		
Ln(MV)	-0.0064	-0.0032	-0.0051	-0.0027	0.0000
	(0.185)	*(0.525)*	*(0.336)*	*(0.848)*	*(0.999)*
MB	-0.0016	-0.0030	-0.0046	-0.0065	-0.0075*
	(0.542)	*(0.261)*	*(0.121)*	*(0.284)*	*(0.074)*
CFE	0.0275	0.0265	0.0338	0.0460	0.0557**
	(0.285)	*(0.295)*	*(0.160)*	*(0.174)*	*(0.020)*
LEV	-0.0043	-0.0012	-0.0047	-0.0086	0.0157
	(0.806)	*(0.946)*	*(0.788)*	*(0.772)*	*(0.460)*
Multiple Bidder	0.0264*	0.0284*	0.0276*	0.1186***	-0.0227
	(0.087)	*(0.067)*	*(0.080)*	*(0.001)*	*(0.301)*
Relative Size	0.0116***	0.0115***	0.0113***	0.0084**	0.0170***
	(0.000)	*(0.000)*	*(0.000)*	*(0.023)*	*(0.000)*
Stock	0.0318	0.0356*	0.0384*	0.0714*	0.0133
	(0.139)	*(0.091)*	*(0.063)*	*(0.058)*	*(0.718)*
Domestic	-0.0020	-0.0040	-0.0110	0.0057	-0.0257
	(0.901)	*(0.805)*	*(0.509)*	*(0.885)*	*(0.364)*
Public Target	0.0026	0.0001	0.0056	0.1007*	-0.0340
	(0.876)	*(0.997)*	*(0.742)*	*(0.059)*	*(0.267)*
Friendly Acquisition	0.0017	-0.0006	-0.0228	-0.0254	-0.0350
	(0.925)	*(0.974)*	*(0.240)*	*(0.603)*	*(0.276)*
Diversification	-0.0184	-0.0148	-0.0228	-0.0156	-0.0022
	(0.191)	*(0.303)*	*(0.235)*	*(0.679)*	*(0.921)*
Year dummy	**No**	**No**	**Yes**	**Yes**	**Yes**
Industry dummy	**No**	**Yes**	**Yes**	**Yes**	**Yes**
Constant	0.0590*	0.1214**	0.1845***	0.0397	0.2192**
	(0.067)	*(0.017)*	*(0.008)*	*(0.758)*	*(0.011)*
Observation	603	603	603	199	205
P-value, F-Test	(0.0004)	(0.0001)	(0.0001)	(0.000)	(0.000)
R-Squared	0.1116	0.1396	0.1888	0.3284	0.407

Table 4.14 provides a detailed multivariate analysis of short-term performance, specifically examining cumulative abnormal returns (CAR) over an event window of [-5,+5]. Columns (1) through (3) analyze the influence of top-tier advisors

on the CAR for the entire group of acquirors. Specifically, Column (1) presents coefficients without any fixed effects control, Column (2) incorporates industry-specific fixed effects, and Column (3) includes both industry and year fixed effects to refine the analysis further. Moreover, Columns (4) and (5) focus on financially constrained and unconstrained acquirors respectively, setting a standard for subsequent multivariate analyses.

Top-tier dummy variable is the primary variable of interest, signifies deals advised by top-tier financial advisors. This variable demonstrates a negative impact, with a coefficient of -0.0377 ($p = 0.043$) when accounting for both industry and year fixed effects, translating to a -3.77% decrease in CAR when a top-tier advisor is involved compared to non-top-tier advisors. These findings align with previous literature (Hunter & Jagtiani, 2003; Ismail, 2010; Chuang, 2016; Xing, 2016; Guo et al., 2020), suggesting that the retention of top-tier advisors may not lead to short-term outperformance.

Differently from the CAR[-1,+1] and CAR[-2,+2], size of the firm and leverage ratio are insignificant. Unlike the CAR[-1,+1] and CAR[-2,+2] event windows, the size of the firm and leverage ratio are insignificant in this analysis. Similarly, a positive effect is observed with the presence of multiple bidders, greater relative deal sizes to the acquiror's market value, and the use of stock as a payment method. However, the impact of top-tier advisor involvement shows statistical significance only in the constrained group (Column (4)). This finding will become meaningful when compared to the unconstrained group, where the impact is not significant (Column (5)).

In conclusion, the analysis across Tables 4.9, 4.10, and 4.11 indicates a consistent pattern in the effect of top-tier financial advisors on the short-term performance of acquirors, as measured by CAR across different event windows, the involvement of top-tier advisors consistently leads to a negative impact on CAR. This effect becomes more pronounced as the event window expands, with the decrease in CAR ranging from -2.75% in a [-1,+1] window to -3.77% in a [-5,+5] window. The size of the firm and leverage ratios also play variable roles depending on the event window considered, suggesting that the specific financial characteristics of acquirors can influence CAR outcomes. However, factors such as multiple bidders, greater

relative deal sizes, and the use of stock as a payment method consistently show positive associations with CAR. Significantly, the negative impact of top-tier advisor involvement on CAR does not show statistical significance on financially unconstrained acquirors, This finding will become meaningful when compared the constrained with unconstrained group, indicating that these adverse effects are generally applicable, no matter the firm's financial condition.

Table 4.15 Cross-sectional regression for long-term performance (BHAR 36)

	(1) All	(2) All	(3) All	(4) Constrained	(5) Unconstrained
Top-tier	0.1405*	0.1446*	0.1146	0.2903	0.2523
	(0.075)	*(0.076)*	*(0.196)*	*(0.149)*	*(0.122)*
Constrained	0.0309	0.0299	0.0241		
	(0.686)	*(0.690)*	*(0.763)*		
Unconstrained	0.1003	0.1011	0.0957		
	(0.162)	*(0.169)*	*(0.201)*		
Ln(MV)	-0.0165	-0.0291	-0.0425**	-0.1318***	-0.0478
	(0.377)	*(0.120)*	*(0.038)*	*(0.010)*	*(0.270)*
MB	-0.0246***	-0.0208***	-0.0176***	-0.0308**	-0.0052
	(0.000)	*(0.002)*	*(0.010)*	*(0.034)*	*(0.788)*
CFE	0.0344	0.0405	0.0146	-0.0203	0.0528
	(0.598)	*(0.532)*	*(0.837)*	*(0.883)*	*(0.775)*
LEV	0.0008	-0.0166	-0.0104	0.1591	-0.1699
	(0.994)	*(0.878)*	*(0.927)*	*(0.469)*	*(0.220)*
Multiple Bidder	0.0238	0.0202	0.0529	0.1811	-0.0714
	(0.693)	*(0.739)*	*(0.402)*	*(0.216)*	*(0.525)*
Relative Size	-0.0167***	-0.0169***	-0.0227***	-0.0299**	-0.0204**
	(0.002)	*(0.003)*	*(0.000)*	*(0.029)*	*(0.029)*
Stock	0.0182	0.0077	0.0236	-0.0625	0.0772
	(0.811)	*(0.919)*	*(0.763)*	*(0.667)*	*(0.624)*
Domestic	0.1287*	0.1381**	0.1186*	-0.1417	0.4791***
	(0.054)	*(0.043)*	*(0.100)*	*(0.369)*	*(0.000)*
Public Target	0.0829	0.0873	0.0915	0.2007	-0.1793
	(0.320)	*(0.309)*	*(0.326)*	*(0.452)*	*(0.357)*
Friendly Acquisition	0.2130***	0.2089***	0.1901**	0.3326	0.2010
	(0.003)	*(0.004)*	*(0.017)*	*(0.130)*	*(0.179)*
Diversification	-0.1071*	-0.1056*	-0.1146*	-0.2243	-0.2141*
	(0.093)	*(0.094)*	*(0.080)*	*(0.198)*	*(0.088)*
Year dummy	**No**	**No**	**Yes**	**Yes**	**Yes**
Industry dummy	**No**	**Yes**	**Yes**	**Yes**	**Yes**
Constant	-0.2755**	-0.5741***	-0.5949**	-0.1350	-1.009**
	(0.018)	*(0.000)*	*(0.015)*	*(0.798)*	*(0.033)*
Observation	422	422	422	129	147
P-value, F-Test	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
R-Squared	0.0651	0.0934	0.1629	0.3789	0.4285

Table 4.15 provides a detailed multivariate analysis of long-term performance, specifically examining BHAR over a 36-month following the announcement. Columns (1) through (3) analyze the influence of top-tier advisors on the BHAR for the entire group of acquirors. Specifically, Column (1) presents coefficients without any fixed effects control, Column (2) incorporates industry-specific fixed effects, and Column (3) includes both industry and year fixed effects to refine the analysis further. Moreover, Columns (4) and (5) focus on financially constrained and unconstrained acquirors respectively, setting a standard for subsequent multivariate analyses.

Top-tier dummy variable is the primary variable of interest, representing deals advised by top-tier financial advisors. Unlike short-term performance, the top-tier variable yields a positive impact, with a coefficient of 0.1446 ($p = 0.076$) in column (2) when only industry fixed effects are considered. This suggests a 14.46% increase in BHAR when a top-tier advisor is involved. However, the significance diminishes when both industry and year dummies are controlled (Column (3)), as well as constrained or unconstrained acquirors, as shown in Columns (4) and (5). These findings support existing literature (Xing, 2016; Guo et al., 2020), indicating that the retention of top-tier advisors enhances long-term M&A performance, underscoring the multifaceted role of financial advisors in not only negotiating deals but also integrating post-deal integration. This suggests that the full advantages of the merger, identified during the deal process, often take time to improve performance. This slow progress highlights the need for patience and consistent effort in combining the companies after the merger to realize the expected benefits and gain market recognition. This confirms the significant value of having top-tier financial advisors for successful long-term M&A outcomes (Xing, 2016; Guo et al., 2020).

Factors negatively affecting BHAR include the market-to-book value ratio (MB) and diversification. A higher MB indicates an overvalued stock, which unsurprisingly leads to lower BHAR. Diversification, where acquirors venture into industries outside their primary business, can lead to inefficiencies due to a lack of expertise and competencies in the new sectors, thus destroying performance. Conversely, domestic acquisition boost BHAR by 13.81% ($p=0.043$) possibly because the acquiror and target share similar cultural and business practices and because

acquirors understand the domestic market better. Lastly, friendly acquisitions increase BHAR by 20.89% ($p = 0.004$). Unlike hostile takeovers, which often incur high premiums and additional costs such as legal fees and advisory services, friendly deals tend to be negotiated with more reasonable premiums and lower associated costs, directly benefiting shareholders.

CHAPTER 5
CONCLUSION

The focus of this study is to examines the influence of top-tier investment banks on acquirors' value creation potential, specifically comparing their impact to that of lesser-known financial advisors. The investigation extends to both short-term and long-term performance outcomes, focusing on how top-tier investment banks affect mergers and acquisitions within the ASEAN market context.

Our findings indicate that top-tier financial advisors do not consistently improve short-term abnormal returns (CAR) for acquiring firms. Contrary to expectations, the presence of top-tier advisors may lead to underperformance in the short term, with average CAR ranging from -2.59% to -2.98% below those of non-top-tier advisors. This aligns with the overpayment advisory fee concerns hypothesis, suggesting that the higher fees charged by top-tier advisors reflect negatively in the market's short-term reaction.

This phenomenon persists across various event windows but does not show any significant evidence across different financial constraint groups, suggesting no substantial deviations in performance attributable to the financial status of the acquiring firms. Thus, the involvement of top-tier advisors does not mitigate the negative impact for financially unconstrained acquirors. In fact, our evidence indicates that unconstrained acquiror generally achieve higher abnormal returns, although this finding is not statistically significant.

In contrast, the long-term performance analysis underscores a significant positive impact of top-tier advisors, evidenced by an average BHAR above non-top-tier advisors by 14.74% when top-tier advisors are involved. This outcome highlights the substantial role that top-tier financial advisors play not only in negotiating deals but also in effectively integrating operations post-transaction. The realization of identified synergies, which contribute to enhanced long-term performance, typically requires time to materialize and be recognized in the market, aligning with the synergy hypothesis.

Overall, while top-tier investment banks may not provide immediate short-term benefits and might even underperform compared to their non-top-tier counterparts,

their involvement proves to be significantly beneficial in the long run, ultimately adding substantial value to the acquiring firms through the successful realization of synergies.

Further aspects of the study delve into deal completion rates, time to resolution, and advisory fees. The data reveals that engagements with top-tier advisors are associated with an 11.68% higher deal completion rate (80.83% for top-tier versus 69.15% for non-top-tier), a faster resolution time by approximately 25 days (188.52 days for top-tier versus 213.71 days for non-top-tier), and a higher absolute dollar fee by $0.88 million (top-tier $1.54 million versus non-top-tier $0.66 million). However, the relative advisory fee to deal value is marginally lower for top-tier advisors (1.30% compared to 1.49%).

The study also identifies significant regional variations in the impact of advisor reputation on M&A outcomes across ASEAN. These differences are likely driven by distinct economic conditions, regulatory frameworks, and cultural business practices prevalent in individual ASEAN countries, which influence the execution and perception of M&A activities in these markets.

Overall, this research provides a comprehensive analysis of the differential impacts of financial advisors on M&A performance, offering valuable insights for stakeholders in the ASEAN considering mergers and acquisitions.

This study encompasses several limitations. Firstly, the attribution of long-term M&A performance improvements is solely associated with M&A activities. It's crucial to acknowledge that these observed enhancements could also be influenced by factors external to the M&A transaction, such as changes in accounting methods post-merger, operational improvements, or strategic shifts within the combined entities. Secondly, the analysis predominantly relies on the Kaplan-Zingales (KZ) Index to assess financial constraints of the acquirors. While this is a widely accepted measure, it has limitations and other indicators like the Whited-Wu index or cash flow sensitivity measures might offer different insights into financial constraints. Sole reliance on the KZ Index may not fully capture the spectrum of financial constraints faced by firms. Thirdly, the unavailability of acquisition premium data in the database limits a nuanced analysis of financial impacts of M&A deals, particularly in assessing whether acquirors advised by top-tier advisors can negotiate for lower premiums and how this impacts overall deal success.

Future research could benefit from a more detailed analysis that includes accounting measures of combined firms' post-merger, such as Return on Assets (ROA), Return on Equity (ROE), and other key operating metrics. This approach would enhance understanding of the tangible impacts of M&A on firm performance. Furthermore, it would be valuable to explore the influence of the target's financial advisor in the M&A process. Investigating how the reputation of the target's advisor affects deal outcomes, negotiation dynamics, and the synergies achieved could offer deeper insights into how advisors shape the success of M&A transactions.

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APPENDICES

APPENDIX A

Definition of variables

Variable	Definition
CAR [-1, +1]	3-day cumulative abnormal return around announcement
CAR [-2, +2]	5-day cumulative abnormal return around announcement
CAR [-5, +5]	11-day cumulative abnormal return around announcement
BHAR36	36-month post-announcement buy-and-hold abnormal return
MV	Market value of equity measured four weeks prior to the announcement
Ln(MV)	The natural logarithm of the market value of equity measured four weeks prior to the announcement
M/B	Market-to-book ratio, calculated as the market value of equity divided by the book value of equity, measured four weeks before the announcement
Leverage	Total debt divided by total capital at the fiscal year-end preceding the announcement (LTD+STD / LTD+STD+SEQ)
CFE	Cash flow-to-equity ratio, calculated as cash flows divided by market value of equity, measured four weeks before the announcement
Multiple bidder	Dummy variable that equals to 1 if acquiror has conducted more than one M&A deals over 3 years before the acquisition
Relative Size	Transaction value divided by the acquiror market value of equity 4 weeks before the announcement
Public	Dummy variable equals to 1 if the target is a publicly listed company
Friendly	Dummy variable equals to 1 if the deal attitude is classified as a friendly takeover.
Diversification	Dummy variable equals to 1 if the acquiror and the target operate in different industries

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