

Why do acquirers switch financial advisors in mergers and acquisitions?*

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Abstract

Using a sample of 1,230 acquirers who made two consecutive M&A announcements within three years between 1984 and 2015, we find that more than 54% of the acquirers switched all financial advisors used in the first deal. This paper examines why acquirers switch their financial advisors and the effect of the switch on the second deal's performance. There is little evidence that acquirers switch financial advisors because of low first deal abnormal announcement returns. Several factors related to the financial advisor switch are: investment bank reputation, days between the two deals, and some firm and deal characteristics. Furthermore, we find that acquirers have higher second deal abnormal announcement returns if they switch to financial advisors with higher reputations.

Keywords: Mergers and acquisitions; Financial advisor switch; reputation

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1 Introduction

Mergers and acquisitions (M&As) are important activities in corporate finance and require complex decision making by firm managers. According to Thomson Financial SDC, the most recent merger wave peaked in 2015 when the announced U.S. domestic M&A deal value reached a record high of \$2.3 trillion, which was around 13% of GDP.¹ Investment banks usually work for corporate acquirers as financial advisors. The role of investment banks in the M&A advisory market is to help their clients identify deals with higher total synergies, to facilitate the acquisition process, and to negotiate favorable terms. In 2015 alone, U.S. acquirers paid over \$849 million in advisory fees to investment banks. Given the dollar amount involved and the importance of such takeovers for acquirers, a misguided acquisition can destroy shareholder value and may even lead to CEO turnover. Therefore, the choice of investment bank advisors in corporate acquisitions is critical to firm managers.

Firm managers usually need to seek advice from investment banks when they make the acquisition decisions. [Bao and Edmans \(2011\)](#) document a significant investment bank fixed effect in the M&A announcement returns, which supports the skilled-advice hypothesis that investment banks help clients identify synergistic targets and negotiate favorable terms. According to [McLaughlin \(1990\)](#), the services provided by investment banks in M&As fall into three categories. First, investment banks do prior research to find potential bidders or targets. Second, investment banks make effort to complete bidding offers, seek higher bids, and negotiate deal terms. Third, investment banks offer advice on bidding strategies, offer prices, decisions of accepting or rejecting offers, and evaluate potential competitive bids.

Previous studies on the choice of financial advisors in M&As usually examine how observable investment bank characteristics influence the acquirer decision to employ these banks in a single acquisition. [Servaes and Zenner \(1996\)](#) compare acquisitions completed with and without financial advisors and study the determinants to use an investment bank in M&As. [Allen et al. \(2004\)](#) investigate whether commercial banks of acquirers are hired

¹The previous peak was \$2.1 trillion in 2007.

as merger advisors. Both [Rau \(2000\)](#) and [Bao and Edmans \(2011\)](#) find that investment banks' market shares of M&A advisory industry are not related to their client's announcement cumulative abnormal returns (CARs). Contrary to these two studies, [Sibilkov and McConnell \(2014\)](#) find a significantly positive relationship between prior client performance and the likelihood that an investment bank will be chosen as the advisors by potential acquirers in the future. [Golubov et al. \(2012\)](#) document a positive effect of financial advisor reputation, measured by their advisory market shares, on the advised deal performance.

For U.S. corporate acquirers in the years 1984-2015, we identify 1,230 firms that announced and completed two domestic deals within a three-year time period. Over 54% of deal acquirers in our sample did not retain any investment banks hired in the first deal as financial advisors in the second deal. For example, The Priceline Group hired Wells Fargo as its financial advisor for a \$1.8 billion acquisition of KAYAK Software Corp in 2012. After two years, The Priceline Group announced a \$2.6 billion acquisition of OpenTable Inc, but the deal advisor was switched to Goldman Sachs. When an investment bank provides M&A advice to an acquirer, the investment bank is likely to invest in collecting firm-specific information, for example acquiring firm's business operation, management team characteristics, intangible assets, and any inside information that may affect firm future growth opportunities. If the information is useful in future advisory business with the acquirer, the investment bank will have economies of scale through repeated deal advisory relationship. The investment in firm-specific information is defined by [Williamson \(1979\)](#) as a durable transactor-specific asset that is required for the transaction but not transferable to transactions involving different parties. From the acquirer's perspective, it may also invest in the business relationship with the investment bank. In two consecutive M&As, it would be less expensive for the acquirer to employ the same investment bank and the investment bank may do a better job than others. The investment in a transaction-specific asset creates a "lock in" effect by making it costly for an acquirer to switch financial advisors.

Unlike previous M&A financial advisor literature, we analyze the individual decisions

acquirers make to switch financial advisors between two consecutive M&As. The first research question we examine in this paper is: why do so many acquirers change their financial advisor in consecutive M&As? We provide several possible reasons for the switch of investment banks as M&A financial advisors, and empirically test whether they are associated with the switch decision. Next we study whether the switch of financial advisors improves the M&A deal performance. The major objective of this paper is to improve our understanding of the economics underlying an acquirer’s choice of financial intermediation services.

The general transaction-specific asset in repeated contractual relations has been ascribed to “relationship specific capital” by [James \(1992\)](#) and [Burch et al. \(2005\)](#). In a standard trade-off economic model, an acquirer chooses to switch investment banks if and only if the benefits of switching exceeds its costs. We propose four main switch motivations. First, if the managers of an acquiring firm attribute the the first deal’s poor performance to the deal financial advisors, then the benefit of switching is the improvement in the second deal announcement return and it may be above the replacement cost of “relationship specific capital”. Second, if the benefits of hiring investment banks with high reputation outweighs the switch costs, then an acquirer may “trade up” to more prestigious financial advisors. This has been defined as the graduation effect in [Krigman et al. \(2001\)](#). Third, the “relationship specific capital” may depreciate over time. Therefore the more time it takes between two consecutive deals, the less valuable is “relationship specific capital”, and the more likely the acquirer to switch financial advisors. Forth, investment banks may have expertise in specific types of deals. If two consecutive deals differ greatly in terms of several important deal characteristics or firm characteristics, then an acquirer may choose appropriate investment banks with respect to different deals.

Our main findings are as follows. First, contrary to [Sibilkov and McConnell \(2014\)](#) who find that prior client performance measured by announcement returns is a significant determinant of the likelihood that an investment bank will be chosen as the advisor by future acquirers, we find little evidence that acquirers switch to new financial advisors

because of poor first deal performance. Both univariate and multivariate tests show that acquirer CARs around the first deal announcement do not significantly change the likelihood that the first deal financial advisors are retained in the next deal. Second, acquirers tend to “trade up” to more prestigious financial advisors in two consecutive deals. Follow [Rau \(2000\)](#) and [Golubov et al. \(2012\)](#), we measure investment bank reputation by their market shares of the M&A financial advisory industry over a five-year window before the deal announcement. We find that the increase of investment bank reputation between two deals is positively related to the probability of financial advisor switch. Third, acquirers are more likely to switch if the time between two consecutive deals is longer. This finding is consistent with the view that transaction-specific assets depreciate over time. The longer the time interval is between two M&As, the less costly the acquirers will switch their financial advisors. Forth, acquirers tend to switch to new financial advisors when the second deals are different from the first ones in terms of relative deal size, tender offer, and payment methods. Furthermore, the changes in firm characteristics between two deals such as target industry, target public status, and acquirer leverage can also induce acquirers to change their prior financial advisors in the second deal. Finally, we find that acquirer CARs in the second deal will be improved if they switch to investment banks with higher reputation. Neither the switching decision nor the reputation of investment banks in the second deal has a significantly positive effect on acquirer CARs by itself.

Few papers in the literature focus on financial advisor switch between two consecutive M&As. To be best of our knowledge, [Francis et al. \(2006\)](#) is the only study that investigates the switch of financial advisors. There are three main differences between our study and [Francis et al. \(2006\)](#). First, [Francis et al. \(2006\)](#) mix the choice of financial advisors between equity issues and M&As, while we believe that equity underwriters provide different services from the ones offered by financial advisors in M&As.² Second, [Francis et al. \(2006\)](#) find

²Equity underwriters evaluate the value of a firm, confirm whether the firm qualifies to be publicly traded, purchase the firm shares at a discount price, and then sell the shares at the market price to investors. M&A buy-side financial advisors concentrate on valuing the target and determining a competitive bid price. The advisors may also prepare and coordinate official deal documents, assess the proposed deal from strategic and financial perspectives, recommend the method of payment, scout rival bidders, help

that previous deal performance is positively related to the likelihood of retaining financial advisors. Our findings suggest that investment bank reputation along with other deal and firm characteristics, not prior deal performance, are correlated with financial advisor switches. Third, unlike [Francis et al. \(2006\)](#) who document a positive effect of staying with the same financial advisors on the second deal performance, we find that advisor switch itself does not improve the second deal performance. The second deal performance is improved only when switching firms “trade up” to investment banks with higher reputation.

Besides the studies on the choice of financial advisors in M&As, our paper is related to another strand of literature that examines the underwriter’s switch decision in equity issues. Firms regularly use investment banks for underwriting new security issues to the public. [James \(1992\)](#) shows that the longer the time between an IPO and the follow-on offering, the more likely a firm is to switch underwriters as the value of its firm-specific information degrades. [Krigman et al. \(2001\)](#) provide evidence that investment bank reputation and analyst coverage, but not prior underwriter performance, are the determinants to underwriter switch. [Burch et al. \(2005\)](#) find that loyalty to an underwriting bank is associated with lower (higher) fees for common stock (debt) offers.

Our paper contributes to the literature on the choice of M&A financial advisors by documenting the possible factors explaining why acquirers switch their financial advisors hired in the prior deals. Our study also adds to literature examining the choice of financial advisors and M&A deal performance. [Rau \(2000\)](#), [Bao and Edmans \(2011\)](#), and [Sibilkov and McConnell \(2014\)](#) have examined the relationship between M&A deal performance and the characteristics of financial advisors, such as investment reputation, prior client performance, advisory fees, etc. None of these papers, however, have examined the consequences of financial advisor switch. [Golubov et al. \(2012\)](#) find that the financial advisor’s reputation measured by investment bank market share is positively related to the deal performance. We further show that when an acquirer “trades up” its financial advisors, acquirer to market the deal to the target shareholders, obtain the information on the market’s reaction to the deal, and participate in deal term negotiations.

its deal performance will be improved.

The rest of the paper is organized into four sections. Section 2 reviews the institutional background for advisor choice and motivates our hypotheses. Section 3 describes the data and discusses the definition of advisor switch indicator variables and advisor reputation change indicator variables. Section 4 presents empirical evidence on the determinants of advisor switch. The robustness tests are discussed in section 5. Section 6 provides a summary of the results and major implications.

2 Hypotheses and empirical predictions

The primary objective of this paper is to improve our understanding of the economics underlying an acquirer's decision to switch financial advisors between two consecutive M&A deals. In this section, we propose proxies for five aspects that may associate with an acquirer's financial advisor switch: prior deal performance, investment bank reputation, time between the two deals, differences in the two deals, and differences between the two target firms.

2.1 Prior performance hypothesis

The role of a M&A advisor is to assist its client in obtaining both a better deal price and better terms than the client would have obtained without the advisor. Investment banks, serving as financial advisors, may also propose potential acquisition candidates to their clients. The existence of M&A advisors reduces the liability risk of directors and managers by allowing them to claim that they relied on the expert advice in making their decisions regarding M&As. In many cases, a firm hires an investment bank to explore strategic opportunities for maximizing shareholders' value or expanding its products and services. If an acquirer makes two consecutive M&As, it may choose to retain its financial advisors for both deals.

However, the actual role of investment banks in M&As is controversial, both because

of the compensation they receive and because of potential conflicts of interest between the bankers and their client firms. [Rau \(2000\)](#) as well as [Bao and Edmans \(2011\)](#) report that the shares of investment banks in the corporate acquisition advisory market are unrelated to the value created for their clients in their clients' prior acquisition attempts. [Rau \(2000\)](#) finds that an advisor's reputation has a positive effect on the likelihood of deal completion but not on the stock price of its client. The implication is that when acquirers choose financial advisors in M&As, they do not take the value created by the advisors in their prior takeover attempts into account. Contrary to these studies, [Sibilkov and McConnell \(2014\)](#) find that prior client performance is a significant determinant of the likelihood that an investment bank will be chosen as the advisor by future acquirers and of the changes in investment banks' shares of the advisory business over time.³ Given the large M&A transaction value and the importance of such takeovers for acquirers, a natural presumption is that a value-maximizing acquirer will choose its advisor based on the advisor's demonstrated ability to create value for its clients. Therefore we propose:

- ***Hypothesis (H1):*** *Acquirers tend to change financial advisors in the second M&A if the performance of the first deal is poor.*

2.2 Investment bank reputation hypothesis

Previous studies on the choice of investment banks have been specifically focused on the reputation of financial advisors. For example, [Servaes and Zenner \(1996\)](#) investigate which factors lead to an acquirer's choice of professional firms or in-house expertise and find no relation between advisor reputation and bidder wealth. [Kale et al. \(2003\)](#) examine the relative reputation between acquirer and target financial advisors and find that the absolute wealth gains as well as the acquirer (target) share of total takeover wealth gain increases

³One concern on the findings in [Sibilkov and McConnell \(2014\)](#) is that if acquirers choose advisors based on their prior client performance, clients would always choose the advisors who have created the greatest value for them in the previous period and the advisory market would quickly devolve into one dominated by a single "best" advisor. This is inconsistent with the actually observed multi-participant market for advisory services.

(decreases) as the reputation difference between acquirer and target financial advisors increases. [McLaughlin \(1990\)](#) argues that reputation-building concerns bring investment banks an incentive to improve their reputation so that they will complete deals at any cost and protect the interests of their clients.

The quality of investment banks is difficult to be measured and it is usually taken as an intangible factor. Yet high quality may be signaled by an investment bank’s market share of the M&A advisory industry, which is a measure of investment bank reputation in the previous studies ([Rau, 2000](#)). An acquirer may select an investment bank with a higher reputation for some unquantifiable benefits. We posit that acquirers naturally flock to financial advisors with higher reputation.

- **Hypothesis (H2):** *Acquirers tend to hire a financial advisor with a better reputation in the second M&A.*

2.3 Pricing with setup costs hypothesis

[Williamson \(1979\)](#) defines a durable transaction-specific asset as “an asset that is required for the transaction but not marketable or transferable to transactions involving different parties”.⁴ During the repeated transactions, both suppliers and customers may invest in durable transaction or relationship-specific assets because the average cost of durable transaction-specific assets per transaction decreases with the increase in the number of transactions. However, the investment in transaction-specific assets makes it costly for customers to switch suppliers during repeated transactions. This kind of “lock in” effect in the optimal contract pricing theory has been extensively analyzed (e.g., [Klein et al., 1978](#); [Farrell and Shapiro, 1989](#)).

The nature of financial advisor services in M&As suggests that financial advisors may also invest in durable, transaction-specific assets when they expect that the same acquirer

⁴According to [James \(1992\)](#), training new employees some firm-specific skills in labor markets and firm-specific information associated with establishing a credit relationship with external creditors are both examples of transaction-specific assets.

will engage in more acquisitions in the future. In particular, in the process of providing advice on the deal, the investment bank obtains information concerning the acquiring firm's operations and management team that would be useful in advising subsequent deals. To the extent that the value of transaction-specific assets depreciates over time, the longer the interval between transactions, the less costly it will be to switch advisors. Therefore we expect:

- **Hypothesis (H3):** *Acquirers have a higher probability of switching financial advisors if the time interval between two consecutive M&A deals is longer.*

2.4 Deal difference hypothesis

Hayward (2003) suggests that acquirers are more likely to hire investment banks on stock-financed acquisitions when they have previously used these banks, because investment banks may have specialized expertise to help their clients with certain types of deals, such as a stock financed acquisition. Therefore, firms may switch financial advisors if the payment method in the second deal is different from the one in the first deal. Hayward (2003) finds that when an acquirer hires investment banks in a cash-financed acquisition, it will be less likely for the acquirer to use the same investment banks in the subsequent stock-financed acquisition.

- **Hypothesis (H4a):** *Acquirers tend to switch financial advisors if the method of payment in the first deal is different from the one in the second deal.*

In addition, transaction costs may affect an acquirer's decision to switch financial advisors. One important component of the transaction costs is the financial advisor fees paid by the acquirer. M&A advisory fees are usually one percent of deal value. This ratio tends to increase (decrease) as deal size decreases (increases) (Kosnik and Shapiro, 1997). The importance of M&A advisory fees to investment banks gives advisors a strong incentive to pitch M&A ideas to their current or prospective clients, often pushing them

into unnecessary deals of dubious value (Eccles and Crane, 1988). Evidence also suggests that a buy-side M&A advisors' valuation of the target is unaffected by its past provision of investment bank services to the target (e.g., Calomiris and Singer, 2004; Calomiris and Hitscherich, 2007). If the financial advisor fees in the first deal are high, a firm may not stay with the same investment bank in the future. On the other hand, 80% of advisory fees are contingent on the deal completion. Because our sample consists of only completed deals, it is possible that adversary fees are not associate with financial advisor switch. We have our next hypothesis:

- **Hypothesis (H4b):** *Acquirers tend to switch financial advisors if the advisory fees are more expensive in the first deal.*

In our paper, we focus on the acquirer financial advisors in two consecutive deals. Buy-side advisors help acquirers to evaluate the deal and determine a competitive bid price. They usually prepare and coordinate documentation, value the target, assess the proposed acquisition from strategic and financial perspectives, recommend how to finance the acquisition, scout rival bidders, help the acquirer market the acquisition to the target's shareholders, obtain feedback from stock market participants, and may participate in negotiations with the target or its representatives. The buy-side advisors also often recommend an offer price and deal terms, estimate a final price that includes fees and expenses related to the merger, recommend a method of payment, and suggest negotiating strategies (Fleuriet, 2008). If two consecutive deals are different in terms of some deal characteristics, it is intuitive for an acquirer to use different financial advisors who have deal-specific specialized expertise. Finally we predict that:

- **Hypothesis (H4c):** *Acquirers tend to switch financial advisors if the first deal characteristics are different from the second deal, such as tender offer, toehold, competition, and hostile deal, etc.*

2.5 Firm differences hypothesis

Through repeated participation in M&A transactions in a certain industry, advisors may accumulate industry-specific expertise that enables them to better assess firm value and synergies, execute complex deals, and reduce transaction costs. When choosing advisors among all candidate investment banks, acquirers may attach importance to a bank's expertise in industries that are of interest to them (Chang et al., 2016). It is possible that acquirers may switch their prior financial advisors when the second deals are different from the first ones in terms of target firm characteristics. For example, if two targets in a deal pair are in the manufacturing and business equipment industries, the acquirer may hire two different investment banks who have expertise in these two industries.

- **Hypothesis (H5a):** *Acquirers tend to switch financial advisors if target firm characteristics in the first deal are different from the ones in the second deal.*

Similarly, acquirers may switch their financial advisors because their own financial condition, growth opportunities, and risk premium at the announcement of the second deal are different from the ones at the announcement of the first deal. This is because investment banks provide technical and tactical assistance to acquirers throughout the takeover process by evaluating acquirer firm characteristics (Bodnaruk et al., 2009). Therefore it is hypothesized as follow:

- **Hypothesis (H5b):** *Acquirers tend to switch financial advisors if their own firm characteristics in the first deal are different from the ones in the second deal.*

3 Data and variable construction

3.1 Sample selection

To conduct our analyses, we start with all completed U.S. domestic M&As with announcement dates between 1984 and 2015 from the Thomson Reuters Securities Data

Company (SDC) Platinum Mergers and Acquisitions database.⁵ We require the acquirer to be a public firm and the target to be a public, private, or subsidiary firm. Deals without disclosed transaction value and small transactions with deal value less than \$1 million are excluded from our sample. In line with previous M&A studies, the percentage of target shares acquired by acquirers must be higher than 50%. Applying the standard filters used in the literature, we then exclude all transactions that are labeled as a minority stake purchase, acquisition of remaining interest, privatization, repurchase, exchange offer, self-tender, recapitalization, or spinoff. Because investment banks may have a closer connection with financial firms than others, we exclude deals with acquirers or targets in the financial industry. We further limit our sample to deals in which the acquirer has daily stock return data from the Center for Research in Security Prices (CRSP) and the annual accounting data from Compustat for at least one year prior to the deal announcement.

We study the switch of acquirer financial advisors between two consecutive deals in the paper, therefore we only keep deals which are announced by the same acquirer within three years.⁶ Deals without acquirer financial advisor information are also excluded from our sample. Our final sample includes 1,230 paired deals.

Panel A of Table 1 presents the distribution of our sample by deal announcement year. Consistent with the merger wave literature (e.g., Harford, 2005; Duchin and Schmidt, 2013), the frequencies of first deals, as well as second deals, peak in the late 1990s and drop in the early 2000s. 8.62% of the first deals and 9.02% of the second deal are announced in 1998. The deal frequencies also significantly drop follow the 2007 financial crisis. The pattern of the first deals and second deals across years are similar to each other over our sample period. We also report the frequency and percentage of the switchers in the second deal by year. The results show that acquirers have switched to new financial advisors more and more frequently since 1985. The trend peaks at 66.7% in 2015.

⁵The sample begins in 1984 because the information in the SDC database is less reliable before this date (Chen et al., 2007).

⁶We identify a year as 360 days. Our results are qualitatively similar for the samples of deals announced within 2 years and 1 year.

Panel B of Table 1 presents the industry distribution of acquirers and targets in our sample according to the Fama–French 10 industry classifications (Fama and French, 1997). Business Equipment and Healthcare are the top two industries for both acquirers and targets ranked by M&A deal number, accounting for about 37% of the first deals and 38% of the second deals. We observe a similar industry distribution pattern in acquirers and targets and in first deals and second deals. Panel A and B also demonstrate that our sample includes deals from a wide range of time period and firms from diversified industries. We also report the frequency and percentage of switchers in the second deal by year. The results show that acquirers have switched to new financial advisors more and more frequently since 1985. The trend peaks at 66.7% in 2015.

3.2 IB switch variable construction

In this section, we discuss the design of financial advisor switch variables in our empirical analyses. 145 first deal acquirers and 153 second deal acquirers in our sample hire multiple financial advisors in the M&As. The maximum numbers of financial advisors hired in the first and second deals are both 5. To thoroughly measure all the financial advisor switch scenarios, we adopt four different definitions of “advisor switch”.⁷

1. ALLIB, a binary variable that is equal to 1 if none of the financial advisors hired in the first deal is retained as the financial advisors in the second deal, and 0 otherwise. For example, ALLIB is equal 1 for a deal pair in which the first deals’ financial advisors are A, B, and C; the second deal’s financial advisors are E and F.
2. HALFIB, a binary variable that is equal to 1 if more than half of the first deal’s financial advisors are changed in the second deal, and 0 otherwise. For example, HALFIB is equal to 1 for a deal pair in which the first deals’ financial advisors are A, B, and C; the second deal’s financial advisors are B, C, D, and E.⁸

⁷We only consider the deal pairs in which financial advisors are hired by acquirers in both deals. We exclude deal pairs in which financial advisors are hired by acquirers in the first deals, but no financial advisors are hired in the second deals.

⁸In this example, the total number of changes is three because the acquirer no longer hires A but adds

3. ANYIB, a binary variable that is equal to 1 if the first deal and the second deal do not have the exactly same financial advisors, and 0 otherwise. For example, ANYIB is equal 1 for a deal pair in which the first deals' financial advisors are A, B, and C; the second deal's financial advisors are A and B.
4. LEADIB, a binary variable that is equal to 1 if the lead financial advisors hired in the first deal is not the lead financial advisors in the second deal, and 0 otherwise. This definition follows the prior literature on the underwriter switch in IPOs and SEOs (Krigman et al., 2001). For example, LEADIB is equal to 1 for a deal pair in which the first deal's financial advisors are A, B, and C; the second deal's financial advisors are A and D; and A is the lead financial advisor in both deals.

Because SDC may report multiple codes for the same investment bank, we manually check these codes and combine them into a single one if they refer to the same bank. On the other hand, there have been significant M&A activities in the investment banking industry during our sample period from 1984 to 2015. To account for this, we utilize the data provided in Corwin and Schultz (2005), Ljungqvist et al. (2006), and Chang et al. (2016), and combine them with those reported by SDC Platinum and other financial news sources. The effective dates of bank mergers are obtained from Corwin and Schultz (2005), supplemented by the other financial news sources.

A switch of financial advisors does not necessarily mean that financial advisors are no longer used at all, reflecting that the financial advisors have been fired. Only ALLIB indicates that all financial advisors in the first deal are no longer used at all in the second deal. For the other three switch definitions, an acquirer might hire even more advisors in the second deal than in the first deal. The investment banking industry also went through active M&As over our sample period. Following Krigman et al. (2001), We do not exclude deals advised by merged or acquired investment banks, because we are interested in the decision to change financial advisors.

D and E in the second deal. There are three financial advisors in the first deal. $\frac{\text{number of advisor changes}}{\text{number of first deal advisors}} = 1 > \frac{1}{2}$.

Panel A of Table 2 reports the numbers of acquirers that switch or do not switch their financial advisors between two consecutive deals. Among 1,230 pairs of consecutive deals, 54.39% of acquirers switch their financial advisors according to the definition of “ALLIB”; 64.39% of acquirers switch their financial advisors according to the definition of “HALFIB”; 64.72% of acquirers switch their financial advisors according to the definition of “ANYIB”; and 58.46% of acquirers switch their financial advisors according to the definition of “LEADIB”.

The summary statistics of deal and acquirer firm characteristics are presented in Panel B of Table 2. The detailed definitions of these variables are described in Appendix A. We report the number of observations, total sample mean, non-switcher sample mean, and switcher sample mean, respectively. The last two columns present the statistics of mean difference tests (t-stat.) and median difference tests (z-stat.) between the non-switcher and switcher samples. The summary statistics show that our M&A sample is similar to those used in previous studies of U.S. M&As. For the first deal, switchers have significantly lower transaction value, less toehold, and larger acquirer firm size than non-switchers. For the second deal, switchers have significantly higher transaction value, a higher possibility of tender offers, a lower possibility of hostile offers, a higher possibility of public targets, less completion time, and a larger acquirer firm size than non-switchers.

3.3 IB reputation change variable construction

In this section, we discuss the definition of investment bank reputation change indicator variables in our empirical analyses. The role of investment bank reputation has been explored in initial public offerings (e.g., [Beatty and Ritter, 1986](#); [R.Booth and Smith, 1986](#); [Titman and Trueman, 1986](#)). [Carter and Manaster \(1990\)](#) provide empirical evidence that bankers seek to protect their reputations. Several proxies for investment bank reputation have been developed in the IPO literature. [Megginson and Weiss \(1991\)](#) use the relative market share of investment banks as a proxy for their reputation. We follow the M&A financial advisor literature (e.g., [Rau, 2000](#)) and use market share and relative market

share to measure investment bank reputation. We adopt four different definitions of “IB reputation change indicators”:

1. Average reputation (IBRPT_AVG): It is the average market share of investment banks hired by acquirers. The market share is defined as transaction value allocated to each advisors divided by the total transaction value over the previous five (three) years before the deal announcement.
2. Maximum reputation (IBRPT_MAX): It is the maximum market share of investment banks hired by acquirers. The market share is defined as transaction value allocated to each advisors divided by the total transaction value over the previous five (three) years before the deal announcement.
3. Summation reputation (IBRPT_SUM): It is the total market share of investment banks hired by acquirers. The market share is defined as transaction value allocated to each advisors divided by the total transaction value over the previous five (three) years before the deal announcement.
4. Lead reputation (IBRPT_LEAD): It is the market share of lead investment banks hired by acquirers. The market share is defined as transaction value allocated to each advisors divided by the total transaction value over the previous five (three) years before the deal announcement.

4 Empirical results

In this section, we present both univariate comparisons of the switching and non-switching groups of deal pairs, and multivariate probit (logit) estimations corroborating variables that are significant in the univariate tests.

4.1 Why do acquirers switch financial advisors?

4.1.1 Univariate tests

Table 3 presents the summary statistics for the financial advisor switch associated factors discussed in the previous sections and tests of differences between the means (medians) of these variables for advisor switching deal pairs and non-switching deal pairs. Advisor switching deal pairs are not statistically different from non-switching deal pairs with respect to first deal cumulative abnormal returns (CARs) that are proxies for the first deal performance. Advisor switching deal pairs have significantly greater investment bank reputation change dummies, suggesting that acquirers choose investment banks with higher reputation when they switch financial advisors between two consecutive M&As. In addition, the numbers of calendar days between two consecutive M&As are statistically higher for the advisor switching deal pairs than for the non-switching deal pairs. This indicates that the cost of switching financial advisors decreases over time. Finally, switchers and non-switchers exhibit different deal and firm characteristics for the change in tender offer, the change in method of payment, the change in toehold, the change in target industry, the change in public target, and the change in acquirer leverage.

The univariate tests also suggest that financial advisor switchers are not statistically different from non-switchers with respect to the change in acquirer advisor fee, the change in hostile deal, the change in deal competition, the change in completion time, and the change in relative size.

4.1.2 Multivariate tests

Next we estimate probit and logit regressions to distinguish among the possible explanations for financial advisor switch.

Hypothesis 1 predicts that prior deal performance affects an acquirer's decision of switching financial advisors. Table 4 presents the regression results of both probit and logit regressions of a dichotomous variable representing an acquirer's choice of switching

its prior financial advisors on the first deal acquirer CARs. The dependent variable is equal to 1 for acquirers that change their first deal financial advisors, and 0 otherwise. Because we define multiple four “switch” variables (ALLIB, HALGIB, ANYIB, LEADIB) to measure financial advisor switch, we estimate separated probit and logit regressions for each switch definition. In addition, five different windows for CARs are presented: $(-1, 1)$, $(-2, 2)$, $(-3, 3)$, $(-5, 5)$, $(-20, 5)$. Year fixed effects are controlled for all forty regression results reported in Table 4. None of the five CAR coefficients are statistically significant, and their signs are mixed, which is inconsistent with our hypothesis 1. Therefore, we conclude that acquirers’ prior deal performance is not associated with the switch of financial advisors in the next deal.

Hypothesis 2 predicts that the reputation of financial advisor is related to on an acquirer’s decision of switching financial advisors. Table 5 reports the regression results of advisor switch variables on the change of investment bank reputation from the first deal to the second deal. Both probit and logit regressions are estimated based on a sample of 1,230 paired deals that are carried out by the same acquirer within three years. The dependent variable is equal to 1 for acquirers that change their first deal financial advisors, and 0 otherwise. The same as Table 4, we adopt four different definitions of advisor switch. To measure the change of investment bank reputation from the first deal to the second deal, we use ten different definitions because some of our sample acquirers use multiple financial advisors. Year fixed effects are controlled for in all regressions. In Panel A of Table 5, the investment bank reputation change dummy variables are defined according to the investment bank market shares information over five years before the deal announcement. The results in Panel A show that the coefficients of all ten investment bank reputation measurements are positive and statistically significant at 1% level. In Panel B of Table 5, we measure the investment bank reputation change dummy variables according to the investment bank market shares information over three years before the deal announcement. The results reported in Panel B are qualitatively similar to those reported in Panel A.

As shown in Table 5, acquirers will switch their financial advisors used in the first

deals to obtain the services of financial advisors with a higher reputation in the second deals, which supports our Hypothesis 2. All four measurements of investment reputation indicate a consistent result: investment bank reputation is associated with the switch of financial advisors. We further check if this result remains robust after controlling for the reputation of the financial advisors in the first deal. In untabulated tests, we add the reputation of the financial advisors in the first deal as control variables in the regressions of Table 5. All the coefficients of reputation change dummy variables remain positive and statistically significant. The reputation incentive of switching financial advisors does not depend on the level of first deal advisors' reputation.

Hypothesis 3 predicts that acquirers tend to switch financial advisors when the interval between two consecutive deals is longer. Table 6 presents the regression results of investment bank switch variables on the change of deal characteristics from the first deal to the second deal. Both probit and logit modeled are estimated based on a sample of 1,230 paired deals that are carried out by the same acquirer within three years. The dependent variable is equal to 1 for acquirers that switch deal financial advisors, and 0 otherwise. The regressions are similar to those reported in Table 4.

The results in Table 6 show that the coefficients of the days between two deals are all positive and statistically significant at 1% level. When the time between two M&As is longer, an acquirer has a higher probability to switch financial advisors in the second deal. It is consistent with the findings in James (1992) that the likelihood of firms changing underwriters in a subsequent SEO is positively related to the time between the IPO and SEO. Because the transaction-specific asset depreciates over time, the longer the expected interval between two transactions, the less costly it will be to replace the transaction-specific asset. In M&As, the longer time between the two consecutive deals, the less valuable will be the connection between the acquirer and the financial advisors hired in the first deal, therefore the less costly for an acquirer to switch financial advisors in the second deal.

Hypothesis 4 predicts that deal characteristics may affect an acquirer's decision to switch financial advisors. Results in Table 6 show that the coefficients of the change in

tender offer and the change in cash payment are positive and statistically significant. Once the second deal is different from the first one in terms of the tender offer, the acquirer will tend to switch its prior financial advisors. In addition, the change in cash payment is positively significant. Acquirers will switch their financial advisors when the payment method changes, which is consistent with the findings in [Hayward \(2003\)](#).

The change in toehold is negative and statistically significant. [Betton and Eckbo \(2000\)](#) report a significantly negative relation between toeholds and target premiums. Greater bidder toeholds (prebid ownership of target shares) reduce the probability of competition and target resistance and are associated with both lower bid premiums and lower prebid target stock price runups. The expected payoff to target shareholders is decreasing in the bidder's toehold.

Table 6 also show that the change in advisory fees is not significant in any of our advisor "switch " definitions, indicating that an acquirer does not change its financial advisors because of advisory fees. This is consistent with the findings in [McLaughlin \(1990\)](#) and [McLaughlin \(1992\)](#) that more than 80% of the advisory fees are contingent on deal completion. The change in completion time is not one of the factors associated with the switch decision. At last, the competition in M&As does not lead an acquirer to switch its financial advisors.

Hypothesis 5 predicts that both acquirers and targets characteristics would induce to the switch of acquirer financial advisors. Table 7 presents regression results of investment bank switch variables on the change of firm characteristics from the first deal to the second deal. The results show that acquirers are more likely to switch financial advisors in the second deal when two deal targets are in different industries or when one deal target is a public firm and the other deal target is a private firm. In addition, an acquirer will tend to switch its financial advisors when its own leverage has changed between two consecutive deals. The change in relative size is positive and statistically significant in three advisor switch: HALFIB, ANYIB, LEADIB. It suggests that the change in relative size is sensitive to the definition of advisor switch.

4.1.3 Comprehensive results

Finally, we simultaneously test all four hypotheses by including all variables in one model of financial advisor switching. We use the first deal acquirer CAR over the 3-day event window (-1, +1) as the proxy for the first deal performance and use the average investment bank reputation change dummy based on the investment bank market share information over five years before the deal announcement as the proxy for the change of investment bank reputation.

Table 8 reports the regression results. The comprehensive estimation reveals that the investment bank reputation improvement, the time between two consecutive M&As, the change in tender offer, the change in toehold, the change in target industry, the change in target public status, the change in relative size, the change in acquirer leverage, are important to the decision to change financial advisors for the second M&A. As in the separated tests, we fail to find that firms sanction their financial advisors for poor performance in the first deal.

4.2 Does financial advisor switch improve the second deal performance?

We have shown that to increase the reputation of investment banks is an important factor associated with an acquirer's decision to switch financial advisors in M&As. Previous literature also suggests that the reputation of the investment banks appointed as M&A financial advisors is positively related to the M&A announcement returns (Rau, 2000). Next, we examine whether the switch of financial advisors and the increase of investment bank reputation may improve M&A deal performance.

Table 9 reports the regression of the second deal acquirer announcement returns on the financial advisor switch and investment bank reputation variables. The dependent variable is the second deal acquirer CAR over the 3-day event window (-1, +1). We add an interaction term of the switch variable and investment bank reputation improvement

indicator variable. The coefficient of the interaction term represents the marginal effect of the financial advisor switch jointly with the investment bank reputation increase on the acquirer announcement returns. We control for a series of deal and firm characteristics that are generally used in the previous M&A studies on acquirer announcement returns. Year fixed effects are also controlled for all regressions.

The results in Table 9 show that the coefficients of advisor switch indicator variables are all negative, and some of them are statistically significant, suggesting that the switch of financial advisors in M&As alone may not improve the deal performance.⁹ However the all the coefficients of the interaction term between the advisor switch and the change of investment bank reputation are positive and statistically significant. It is important to note that the coefficients of the interaction terms are generally larger than those of the advisor switch variables, indicating that an acquirer's CARs in the second deal will get improved if it switches to financial advisors with higher reputation. These results reinforce our hypotheses and show why acquirers choose to change their prior financial advisors.

5 Robustness tests and further discussions

In this section, we explain the analyses we perform to assess the robustness of our results.

5.1 The Financial Services Modernization Act of 1999

The Financial Services Modernization Act, also know as the Gramm-Leach-Bliley Act (GLBA), was effective on November 12, 1999 and repealed part of the Glass-Steagall Act of 1933. The GLBA removed barriers between commercial banks and investment companies in the U.S. financial market that prohibited one institution from doing business in both the commercial bank and investment bank industries. After 1999, we observe a surge of

⁹The coefficients of the reputation change dummy are all negative and statistically significant. But the reputation change between two consecutive deals is not a firm choice variable. Even if an acquirer keeps all financial advisors used in the first deal, the reputation of these investment banks may still change over time.

M&A activities between commercial banks and investment banks in the banking industry. Therefore, acquirers may change their deal advisors either because the previous ones do not exist any more or because they have more advisor candidates in the financial advisory market after 1999. Furthermore, the GLBA imposes an exogenous shock on the market shares of investment banks in the financial advisory industry, which affects the investment bank reputation proxy variables in our empirical analysis. To mitigate these two concerns, we restrict our sample period to be between 2000 and 2015 and check the robustness of our results in Table 5. In the untabulated tests, we find that the subsample test results are qualitatively the same as those reported in Table 5.

5.2 Advisor switch and goodwill impairment

Previous accounting literature usually uses goodwill impairments to measure the long-term performance of M&As. Goodwill impairment losses are taken as an indication of a low quality investment (e.g. [Gu and Lev, 2011](#); [Goodman et al., 2013](#)). To further test the effect of financial advisor switches on post-deal long-term performance, we use goodwill impairments as an alternative proxy to measure deal quality. In general, firms do not provide detailed information about goodwill impairments. We need to verify, with purchase price allocation data, whether a reported goodwill impairment is related to a specific deal. To confirm the relationship between price allocation and future goodwill impairment, we read acquiring firms' 10-K reports filed after the deal completion. We focus on the second deals in our sample and manually code the indicator variable *GWI* that takes a value of 1 (0) if a firm records (does not record) goodwill impairment losses related to the specific second deal in the three-year period following the deal completion. Some acquirers clarify specific deals with reported goodwill impairments in their 10-K reports. For the other cases in which acquirers do not identify targets related to goodwill impairments, we assume that a goodwill impairment is related to a target if the business of the target is the same as the business of the segment reporting the goodwill impairment.

In the untabulated results, we find that switching to financial advisors with higher

reputation does not have a significant effect on the probability of goodwill impairments, which is not consistent with what we find in Table 9. However, our results are in line with the explanation that advisor switch may like a window-dressing that does not improve the long-term deal performance.

5.3 Common advisors

[Agrawal et al. \(2013\)](#) study the determinants of common or separate financial advisors in M&As. Among 6,272 deals during the period 1981–2005 in their sample, acquirers and targets choose common advisors in 98 deals. The higher probability of using common advisors is associated with several deal characteristics, but deals with common advisors do not have better deal quality than deals with separate advisors. In our sample, deals with common advisors are even rarer than those in the sample of [Agrawal et al. \(2013\)](#). Among 1,230 sequential deal pairs, 6 pairs have common advisors in the first deals and 3 pairs have common advisors in the second deals. There is not any deal pair in which both deals use common advisors. For 3 deal pairs with common advisors in the second deals, we do not find advisor switch in terms of ALLIB and LEADIB. Given the small number of deals with common advisors in our sample, the choice of common advisors is not associated with the choice of advisor switches.

6 Conclusions

Using a large sample of firms which announced two consecutive acquisitions within three years during 1984-2015, we examine the possible factors associated with acquirers switching financial advisors and the effect of the switch decisions on the acquirers' announcement returns in the second deal. Four common themes are shown in our empirical analyses that help us understand why acquirers switch financial advisors.

First, switching is not primarily driven by dissatisfaction with the services of financial advisors in the first deal. Both univariate tests and multivariate tests show that the first

deal performance, measured by acquirer CARs at the announcement, does not induce the acquirers to change their financial advisors. The second finding is that acquirers, when possible, trade up to financial advisors with a higher reputation in the second M&A deal. We show that overall investment bank reputation is a key factor in the choice of M&A financial advisors. The third finding is that firms will change their prior financial advisors if the days between consecutive deals are longer. Consistent with the prior literature, to the extent that transaction-specific asset depreciates over time, the longer the interval between two M&A deals, the less costly the acquirers will switch their financial advisors. The final finding is that firms regularly switch their financial advisors in the first deals when some characteristics of the second deals are different from the first ones'. This suggests that acquirers tend to switch financial advisors when some firm and deal characteristics change between two consecutive deals. The new advisors may fit the second deals better than the first ones.

The findings of this paper imply that the reputational mechanism does function in the financial advisory industry and acquirers tend to choose financial advisors according to the characteristics of corresponding deals.

Appendix A

See Table A1.

Table A1: Variable definitions

This table provides variable definitions and corresponding data sources. CRSP refers to the Centre for Research in Security Prices, SDC refers to Thomson Reuters Securities Data Company.

Variable	Definition	Source
Deal outcomes and characteristics		
$CAR_{[X,Y]}$	Cumulative abnormal returns over the event window $[X, Y]$ days surrounding the acquisition announcement. The benchmark is estimated by the market model with the CRSP value-weighted index over the pre-announcement window $(-300, -46)$	CRSP
Transaction_value	Value of transaction, in million dollars.	SDC
Relative_size	The ratio of transaction value to acquirer total asset at the end of the fiscal year before the deal is announced.	SDC/Compustat
Related_industry	1 if the target and the acquirer have the same 2-digit SIC code, 0 otherwise.	SDC
Tender	1 for tender offers, 0 otherwise.	SDC
Hostile	1 for hostile deals, 0 otherwise.	SDC
Toehold	1 if the acquirer has already held a certain percentage of the target shares at the announcement, 0 otherwise.	SDC
Public	1 if the target is a public firm, 0 otherwise.	SDC
Cash	1 for deals financed fully with cash, 0 otherwise.	SDC
Competition	1 if there is at least one competing bidder for the same target at the deal announcement, 0 otherwise.	SDC
Fee	Total investment bank fee paid by an acquirer, in million dollars	SDC
Completion_time	Number of days between announcement and effective dates.	SDC
Acquirer firm characteristics		
Assets	Book value of total assets .	Compustat
Tobin's Q	Tobin's Q at the end of the fiscal year before the deal is announced, following Baker and Wurgler (2002) .	Compustat
Leverage	Ratio of book value of debt to book value of total assets in fiscal year end before the deal is announced.	Compustat
Cash/assets	Cash holding, normalized by total assets.	Compustat
ROA	Operating income before depreciation divided by total assets.	Compustat
Difference between two consecutive deals		
Calendar days change	The number of calendar days between the announcement dates of two consecutive deals	SDC

Continued on next page

Table A1 – continued from previous page

Variable	Definition	Source
Target industry change	1 if the targets in two consecutive deals have the different first three digit SIC codes, 1 otherwise.	SDC
Target Public/Private	1 if one of the targets in two consecutive deals is a public firm and the other is not, 0 otherwise.	SDC
Relative Size Change	The absolute value of the difference between Relative_size in two consecutive deals.	SDC
Advisor fee change	The ratio of advisor fees paid by the acquirer to transaction value in the second deal minus the one in the first deal.	SDC
Tender Offer Change	1 if one of the two consecutive deals is a tender offer deal and the other is not, 0 otherwise.	SDC
Acquirer Leverage change	Leverage of acquirer in the second deal minus the one in the first deal	SDC
Hostile Change	1 if one of the two consecutive deals is a hostile takeover and the other is not, 0 otherwise.	SDC
Competition Change	1 if one of the two consecutive deals has at least one competitor and the other does not, 0 otherwise.	SDC
Cash Payment Change	1 if one of the two consecutive deals is cash-only deal and the other is not, 0 otherwise.	SDC
Toehold Change	1 if one of the two consecutive deals has non-zero toehold and the other has zero toehold, 0 otherwise.	SDC
Completion Time Change	Completion time of the first deal minus completion time of the second deal	SDC
Investment bank reputation		
IBRPT1_AVG_5(3)Y	1 if the average market share of investment banks hired in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the total transaction value over the previous five (three) years before the deal announcement.	SDC league table
IBRPT1_MAX_5(3)Y	1 if the maximum market share of investment banks hired in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the total transaction value over the previous five (three) years before the deal announcement.	SDC league table
IBRPT1_SUM_5(3)Y	1 if the total market share of investment banks hired in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the total transaction value over the previous five (three) years before the deal announcement.	SDC league table

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Table A1 – continued from previous page

Variable	Definition	Source
IBRPT1_LEAD_5(3)Y	1 if the market share of the first investment bank reported by SDC in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the total M&A industry transaction value over the previous five (three) years before the deal announcement.	SDC league table
IBRPT2_AVG_5(3)Y	1 if the average market share of investment banks hired in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the subtotal transaction value with acquirer financial advisors over the previous five (three) years before the deal announcement.	SDC league table
IBRPT2_MAX_5(3)Y	1 if the maximum market share of investment banks hired in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the subtotal transaction value with acquirer financial advisors over the previous five (three) years before the deal announcement.	SDC league table
IBRPT2_SUM_5(3)Y	1 if the total market share of investment banks hired in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the subtotal transaction value with acquirer financial advisors over the previous five (three) years before the deal announcement.	SDC league table
IBRPT2_LEAD_5(3)Y	1 if the market share of the first investment bank reported by SDC in the second deal is greater than the one in the first deal, 0 otherwise. The market share is defined as the transaction value allocated to each advisor divided by the subtotal transaction value with acquirer financial advisors over the previous five (three) years before the deal announcement.	SDC league table
IBRPT3_MIN_5(3)Y	1 if the highest ranking of the investment banks hired in the second deal is lower than the one in the first deal, 0 otherwise. The ranking is defined by an investment bank's market share of total M&A industry transaction value, with lower number referring to higher ranking.	SDC league table

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Table A1 – continued from previous page

Variable	Definition	Source
IBRPT3_LEAD_5(3)Y	1 if the ranking of the first investment bank reported by SDC in the second deal is lower than the one in the first deal, 0 otherwise. The ranking is defined by an investment bank's market share of total M&A industry transaction value, with lower number referring to higher ranking.	SDC league table
Switch		
ALLIB	1 if none of the investment banks hired in the first deal is retained as the financial advisor in the second deal, 0 otherwise	SDC
HALFIB	1 if more than half investment banks hired in the first deal are changed, 0 otherwise.	SDC
ANYIB	1 if the investment banks hired in the first deal are not exact the same as the ones hired in the second deal, 0 otherwise.	SDC
LEADIB	1 if the first investment bank reported by SDC as the financial advisor in the first deal is not the one in the second deal, 0 otherwise.	SDC

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Table 1: Sample distribution

Panel A. Distribution of M&As by year. This panel presents the numbers of M&A deals by year. Our sample includes 1,230 firms that announced two M&As within three years between 1984 and 2015. We report the frequency of the first deal, the frequency of the second deal, the frequency of the switchers in the second deal, and the percentage of the switchers in the second deal, respectively.

Year	First Deal		Second Deal	
	Freq.	Freq.	Switcher Freq.	Percentage
1984	1	0		
1985	18	4	1	25.0%
1986	24	20	8	40.0%
1987	17	16	10	62.5%
1988	8	19	8	42.1%
1989	11	11	5	45.5%
1990	12	10	5	50.0%
1991	6	7	4	57.1%
1992	11	10	4	40.0%
1993	21	16	6	37.5%
1994	33	24	11	45.8%
1995	57	49	18	36.7%
1996	81	52	18	34.6%
1997	85	74	39	52.7%
1998	106	111	68	61.3%
1999	101	104	58	55.8%
2000	73	82	39	47.6%
2001	50	54	26	48.1%
2002	49	51	33	64.7%
2003	35	42	25	59.5%
2004	51	46	25	54.3%
2005	47	54	34	63.0%
2006	40	40	21	52.5%
2007	39	46	25	54.3%
2008	22	27	17	63.0%
2009	26	16	10	62.5%
2010	34	38	24	63.2%
2011	33	27	16	59.3%
2012	42	35	16	45.7%
2013	49	43	28	65.1%
2014	39	45	29	64.4%
2015	9	57	38	66.7%
Total	1,230	1,230	669	

Panel B. Distribution of M&As by acquirer or target industry. This panel presents the numbers of M&A deals by acquirer or target industry. Our sample includes 1,230 firms that announced two M&As within three years between 1984 and 2015. We assign deals into Fama–French 10 industries based on acquirer or target SIC codes.

	First Deal				Second Deal			
	Acquirer		Target		Acquirer		Target	
	Freq.	Percent	Freq.	Percent	Freq.	Percent	Freq.	Percent
Consumer NonDurables	54	4.39	56	4.55	54	4.39	56	4.55
Consumer Durables	24	1.95	26	2.11	24	1.95	16	1.3
Manufacturing	151	12.28	135	10.98	150	12.2	138	11.22
Oil, Gas, and Coal Extraction and Products	66	5.37	68	5.53	66	5.37	64	5.2
Business Equipment	465	37.8	457	37.15	465	37.8	468	38.05
Telephone and Television Transmission	85	6.91	66	5.37	86	6.99	67	5.45
Wholesale, Retail, and Some Services	99	8.05	96	7.8	99	8.05	100	8.13
Healthcare, Medical Equipment, and Drug	161	13.09	168	13.66	162	13.17	166	13.5
Utilities	44	3.58	34	2.76	43	3.5	37	3.01
Other – Mines, Constr, BldMt, Trans, H	81	6.59	124	10.08	81	6.59	118	9.59
Total	1,230	100	1,230	100	1,230	100	1,230	100

Table 2: Summary statistics

Panel A. Non-switchers vs. switchers. This panel reports the numbers acquirers that switch or do not switch their financial advisors for two consecutive deals. ALLIB is equal to 1 if not a single investment bank hired in the first deal is retained as the financial advisor in the second deal, and 0 otherwise. HALFIB is equal to 1 if more than half of the investment banks hired in the first deal are retained as the financial advisors in the second deal, and 0 otherwise. ANYIB is equal to 1 if at least one investment bank hired in the first deal is retained as the financial advisor in the second deal, and 0 otherwise. LEADIB is equal to 1 if the first investment bank reported by SDC as the financial advisor in the first deal is the same as the first one reported by SDC as the financial advisor in the second deal, and 0 otherwise. Our sample includes 1,230 firms that announced two M&As within three years between 1984 and 2015.

	Non-switchers		Switchers		Total
	Obs.	Percent	Obs.	Percent	Obs.
ALLIB	561	45.61%	669	54.39%	1,230
HALFIB	438	35.61%	792	64.39%	1,230
ANYIB	434	35.28%	796	64.72%	1,230
LEADIB	511	41.54%	719	58.46%	1,230

Panel B. Summary statistics of deal characteristics This panel reports the summary statistics of deal characteristics. Our sample includes 1,230 firms that announced two M&As within three years between 1984 and 2015. Data are provided at the time of the first deal and second deal. Summary statistics are presented for the total sample, non-switcher sample, and switcher sample. The last two columns report the t-test and Wilcoxon test results of the difference between the non-switcher and switcher sample. Detailed definitions of all variables can be found in Appendix A. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *, respectively.

Variable	Obs.	Total	Non-switchers	Switchers	Difference	
					t-stat.	z-stat.
First deal characteristics						
Transaction_value	1,230	1,052.14	1,140.64	977.92	0.56	-3.69***
Relative_size	1,230	0.50	0.46	0.54	-0.69	-0.24
Related_industry	1,230	0.39	0.40	0.38	0.68	0.68
Tender	1,230	0.10	0.10	0.10	-0.30	-0.30
Hostile	1,230	0.01	0.01	0.01	1.16	1.16
Toehold	1,230	0.44%	0.53%	0.37%	0.77	2.02**
Public	1,230	0.37	0.35	0.38	-0.97	-0.97
Cash	1,230	0.33	0.32	0.35	-1.10	-1.11
Competition	1,230	0.02	0.02	0.02	0.66	0.66
Fee	1,230	0.74	0.80	0.69	0.52	0.28
Completion_time	1,230	84.47	86.72	82.59	0.76	-0.32
Acquirer_Assets	1,230	9,177.02	6,395.28	11,509.68	-2.32**	-2.48**
Acquirer_Tobin's Q	1,105	2.94	2.95	2.94	0.04	0.48
Acquirer_Leverage	1,107	46.93%	47.43%	46.50%	0.65	0.31
Acquirer_Cash/assets	1,230	19.84%	19.79%	19.89%	-0.08	0.06
Acquirer_ROA	1,230	0.03	0.03	0.03	-0.33	-0.49
Second deal characteristics						
Transaction value	1,230	1,113.21	1,010.08	1,199.69	-0.79	-3.70***
Relative_size	1,230	0.49	0.45	0.53	-0.64	-0.56
Related_industry	1,230	0.38	0.37	0.38	-0.43	-0.43
Tender	1,230	0.11	0.09	0.13	-2.17**	-2.17**
Hostile	1,230	0.01	0.02	0.01	1.81*	1.81*
Toehold	1,230	0.42%	0.72%	0.16%	2.81***	2.85***
Public	1,230	0.39	0.36	0.41	-1.96*	-1.96*
Cash	1,230	0.34	0.27	0.40	-4.66***	-4.62***
Competition	1,230	0.03	0.03	0.03	0.52	0.52
Fee	1,230	0.82	1.01	0.67	1.44	-0.30
Completion_time	1,230	86.53	92.11	81.86	1.84*	-0.71
Acquirer_Assets	1,230	10,228.43	7,701.48	12,347.45	-2.12**	-3.05***
Acquirer_Tobin's Q	1,112	2.74	2.91	2.60	1.35	1.21
Acquirer_Leverage	1,113	48.51%	48.03%	48.91%	-0.65	-1.05
Acquirer_Cash/assets	1,229	17.91%	18.43%	17.48%	0.83	0.98
Acquirer_ROA	1,230	0.02	0.03	0.02	1.31	0.53

Table 3: Univariate tests

This table reports the selected summary statistics for the financial advisor switch associated factors for acquirers that switch financial advisor between two consecutive M&As, and acquirers that do not. Our sample includes 1,230 firms that announced two M&As within three years between 1984 and 2015. The last two columns report the t-test and Wilcoxon test results of the difference between the non-switcher and switcher sample. Detailed definitions of all variables can be found in Appendix A. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *, respectively.

Variables	No-switchers (N=561)			Switchers (N=669)			Difference	
	Mean	Median	S.D.	Mean	Median	S.D.	t-stat.	z-stat.
First deal performance								
First deal <i>CAR</i> [-1, +1]	0.0025	-0.0019	0.0881	0.0068	0.0028	0.0846	-0.88	-1.40
First deal <i>CAR</i> [-2, +2]	0.0050	-0.0028	0.1078	0.0063	0.0033	0.0919	-0.23	-1.26
First deal <i>CAR</i> [-3, +3]	0.0045	-0.0028	0.1257	0.0075	0.0035	0.1021	-0.47	-1.47
First deal <i>CAR</i> [-4, +4]	0.0056	-0.0054	0.1341	0.0046	0.0012	0.1078	0.14	-0.44
First deal <i>CAR</i> [-20, +5]	0.0004	-0.0035	0.1982	0.0047	-0.0024	0.1522	-0.43	0.11
Investment bank reputation								
IBRPT1_AVG_5Y_DM	0.38	0	0.49	0.49	0	0.50	-3.90***	3.88***
IBRPT1_MAX_5Y_DM	0.36	0	0.48	0.50	1	0.50	-5.07***	-5.02***
IBRPT1_SUM_5Y_DM	0.38	0	0.49	0.50	1	0.50	-4.45***	-4.42***
IBRPT1_LEAD_5Y_DM	0.36	0	0.48	0.50	1	0.50	-4.92***	-4.88***
IBRPT2_AVG_5Y_DM	0.38	0	0.49	0.49	0	0.50	-3.84***	-3.82***
IBRPT2_MAX_5Y_DM	0.36	0	0.48	0.50	1	0.50	-5.00***	-4.95***
IBRPT2_SUM_5Y_DM	0.38	0	0.49	0.50	1	0.50	-4.32***	-4.29***
IBRPT2_LEAD_5Y_DM	0.37	0	0.48	0.50	1	0.50	-4.86***	-4.81***
IBRPT3_MIN_5Y_DM	0.30	0	0.46	0.49	0	0.50	-6.97***	-6.84***
IBRPT3_LEAD_5Y_DM	0.30	0	0.46	0.49	0	0.50	-6.80***	-6.68***
IBRPT1_AVG_3Y_DM	0.37	0	0.48	0.50	1	0.50	-4.86***	-4.81***

Continued on next page

Table 3 – continued from previous page

Variables	No-switchers				Switchers				Difference	
	Mean	Median	S.D.	Mean	Median	S.D.	t-stat.	z-stat.		
IBRPT1_MAX_3Y_DM	0.33	0	0.47	0.51	1	0.50	-6.43***	-6.33***		
IBRPT1_SUM_3Y_DM	0.35	0	0.48	0.52	1	0.50	-5.79***	-5.71***		
IBRPT1_LEAD_3Y_DM	0.33	0	0.47	0.51	1	0.50	-6.37***	-6.27***		
IBRPT2_AVG_3Y_DM	0.37	0	0.48	0.50	0	0.50	-4.69***	-4.65***		
IBRPT2_AVG_3Y_DM	0.34	0	0.47	0.51	1	0.50	-6.24***	-6.15***		
IBRPT2_SUM_3Y_DM	0.36	0	0.48	0.52	1	0.50	-5.67***	-5.60***		
IBRPT2_LEAD_3Y_DM	0.34	0	0.47	0.51	1	0.50	-6.24***	-6.15***		
IBRPT3_MIN_3Y_DM	0.29	0	0.46	0.50	0	0.50	-7.35***	-7.19***		
IBRPT3_LEAD_3Y_DM	0.29	0	0.46	0.49	0	0.50	-7.31***	-7.16***		
Pricing with setup costs										
Days between two deals	275.3	189	261.7	382.7	310	296.9	-6.67***	-6.81***		
Deal difference										
Change in acquirer advisor fee	-0.0014%	0	0.3679%	-0.0014%	0	0.4255%	-1.25	-0.60		
Change in tender offer	0.13	0	0.33	0.18	0	0.38	-2.33**	-2.32**		
Change in hostile deal	0.02	0	0.13	0.02	0	0.13	0.19	0.19		
Change in competition	0.05	0	0.21	0.04	0	0.21	0.27	0.27		
Change in cash payment	0.29	0	0.46	0.38	0	0.48	-3.06***	-3.05***		
Change in toehold	0.05	0	0.21	0.02	0	0.15	2.16**	2.16**		
Change in completion time	-5.39	0	117.76	0.73	-3	101.42	-0.98	0.61		
Firm difference										
Change in target industry	0.53	1	0.50	0.58	1	0.49	-1.81*	-1.81*		
Change in public target	0.32	0	0.47	0.37	0	0.48	-1.67*	-1.67*		
Change in relative size	0.45	0.15	1.13	0.65	0.16	3.27	-1.39	-0.83		
Change in acquirer leverage	0.51	0	9.43	2.45	0	11.73	-2.98***	-2.28**		

Table 4: Prior performance

This table presents forty regression results of IB switch variables on the first deal acquirer cumulative abnormal returns (CARs). Both probit and logit modeled are estimated based on a sample of 1,230 paired deals that are carried out by the same acquirer within three years between 1984 and 2015. The dependent variable is equal to 1 for acquirers that switched deal financial advisors, and 0 for acquirers that did not switch. We use four different definitions of IB switch and five different windows for CARs. Only the coefficients of acquirer CARs are reported and each coefficient represents a single regression. Detailed definitions of all variables can be found in Appendix A. Year fixed effects are controlled for all regressions. P-values are reported in parentheses. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *.

	Probit Model					Logit Model						
	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB
First deal <i>CAR</i> [-1, +1]	0.290 (0.496)	-0.237 (0.587)	-0.186 (0.671)	0.110 (0.796)	0.470 (0.492)	-0.351 (0.619)	-0.268 (0.705)	0.186 (0.787)	0.470 (0.492)	-0.351 (0.619)	-0.268 (0.705)	0.186 (0.787)
First deal <i>CAR</i> [-2, +2]	0.044 (0.905)	-0.337 (0.375)	-0.277 (0.465)	0.019 (0.960)	0.073 (0.901)	-0.526 (0.389)	-0.431 (0.481)	0.036 (0.952)	0.073 (0.901)	-0.526 (0.389)	-0.431 (0.481)	0.036 (0.952)
First deal <i>CAR</i> [-3, +3]	0.120 (0.709)	-0.135 (0.681)	-0.077 (0.814)	0.131 (0.684)	0.192 (0.710)	-0.207 (0.697)	-0.115 (0.829)	0.218 (0.680)	0.192 (0.710)	-0.207 (0.697)	-0.115 (0.829)	0.218 (0.680)
First deal <i>CAR</i> [-5, +5]	-0.032 (0.917)	-0.130 (0.673)	-0.106 (0.731)	0.014 (0.964)	-0.051 (0.917)	-0.202 (0.687)	-0.163 (0.746)	0.024 (0.961)	-0.051 (0.917)	-0.202 (0.687)	-0.163 (0.746)	0.024 (0.961)
First deal <i>CAR</i> [-20, +5]	0.123 (0.557)	-0.130 (0.538)	-0.098 (0.644)	0.067 (0.747)	0.198 (0.556)	-0.211 (0.544)	-0.157 (0.651)	0.111 (0.743)	0.198 (0.556)	-0.211 (0.544)	-0.157 (0.651)	0.111 (0.743)

Table 5: Reputation

Panel A. Five years This table presents eighty regression results of IB switch variables on the change of IB reputation from the first deal to the second deal. Both probit and logit modeled are estimated based on a sample of 1,230 paired deals that are carried out by the same acquirer within three years between 1984 and 2015. The dependent variable is equal to 1 for acquirers that switched deal financial advisors, and 0 for acquirers that did not switch. We use four different definitions of IB switch and ten different definitions of IB reputation change. The IB reputation change dummy variables are defined according to the IB information over five years before the deal announcement. Only the coefficients of IB reputation change dummy variables are reported and each coefficient represents a single regression. Detailed definitions of all variables can be found in Appendix A. Year fixed effects are controlled for all regressions. P-values are reported in parentheses. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *.

	Probit Model					Logit Model						
	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB
IBRPT1_AVG_5Y	0.277*** (0.000)	0.402*** (0.000)	0.412*** (0.000)	0.314*** (0.000)	0.448*** (0.000)	0.666*** (0.000)	0.686*** (0.000)	0.509*** (0.000)	0.448*** (0.000)	0.666*** (0.000)	0.686*** (0.000)	0.509*** (0.000)
IBRPT1_MAX_5Y	0.357*** (0.000)	0.390*** (0.000)	0.381*** (0.000)	0.354*** (0.000)	0.577*** (0.000)	0.644*** (0.000)	0.632*** (0.000)	0.575*** (0.000)	0.577*** (0.000)	0.644*** (0.000)	0.632*** (0.000)	0.575*** (0.000)
IBRPT1_SUM_5Y	0.313*** (0.000)	0.432*** (0.000)	0.424*** (0.000)	0.319*** (0.000)	0.505*** (0.000)	0.714*** (0.000)	0.702*** (0.000)	0.517*** (0.000)	0.505*** (0.000)	0.714*** (0.000)	0.702*** (0.000)	0.517*** (0.000)
IBRPT1_LEAD_5Y	0.340*** (0.000)	0.390*** (0.000)	0.391*** (0.000)	0.346*** (0.000)	0.548*** (0.000)	0.644*** (0.000)	0.648*** (0.000)	0.561*** (0.000)	0.548*** (0.000)	0.644*** (0.000)	0.648*** (0.000)	0.561*** (0.000)
IBRPT2_AVG_5Y	0.275*** (0.000)	0.396*** (0.000)	0.407*** (0.000)	0.311*** (0.000)	0.445*** (0.000)	0.658*** (0.000)	0.679*** (0.000)	0.505*** (0.000)	0.445*** (0.000)	0.658*** (0.000)	0.679*** (0.000)	0.505*** (0.000)
IBRPT2_MAX_5Y	0.355*** (0.000)	0.385*** (0.000)	0.376*** (0.000)	0.351*** (0.000)	0.574*** (0.000)	0.636*** (0.000)	0.625*** (0.000)	0.570*** (0.000)	0.574*** (0.000)	0.636*** (0.000)	0.625*** (0.000)	0.570*** (0.000)
IBRPT2_SUM_5Y	0.306*** (0.000)	0.430*** (0.000)	0.422*** (0.000)	0.310*** (0.000)	0.494*** (0.000)	0.711*** (0.000)	0.700*** (0.000)	0.504*** (0.000)	0.494*** (0.000)	0.711*** (0.000)	0.700*** (0.000)	0.504*** (0.000)
IBRPT2_LEAD_5Y	0.338*** (0.000)	0.385*** (0.000)	0.386*** (0.000)	0.343*** (0.000)	0.545*** (0.000)	0.636*** (0.000)	0.640*** (0.000)	0.557*** (0.000)	0.545*** (0.000)	0.636*** (0.000)	0.640*** (0.000)	0.557*** (0.000)
IBRPT3_MIN_5Y	0.506*** (0.000)	0.568*** (0.000)	0.551*** (0.000)	0.513*** (0.000)	0.822*** (0.000)	0.948*** (0.000)	0.921*** (0.000)	0.838*** (0.000)	0.822*** (0.000)	0.948*** (0.000)	0.921*** (0.000)	0.838*** (0.000)
IBRPT3_LEAD_5Y	0.489*** (0.000)	0.566*** (0.000)	0.558*** (0.000)	0.516*** (0.000)	0.793*** (0.000)	0.943*** (0.000)	0.933*** (0.000)	0.841*** (0.000)	0.793*** (0.000)	0.943*** (0.000)	0.933*** (0.000)	0.841*** (0.000)

Panel B. Three years This table presents eighty regression results of IB switch variables on the change of IB reputation from the first deal to the second deal. Both probit and logit modeled are estimated based on a sample of 1,230 paired deals that are carried out by the same acquirer within three years between 1984 and 2015. The dependent variable is equal to 1 for acquirers that switched deal financial advisors, and 0 for acquirers that did not switch. We use four different definitions of IB switch and ten different definitions of IB reputation change. The IB reputation change dummy variables are defined according to the IB information over three years before the deal announcement. Only the coefficients of deal characteristics change variables are reported and each coefficient represents a single regression. Detailed definitions of all variables can be found in Appendix A. Year fixed effects are controlled for all regressions. P-values are reported in parentheses. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *.

	Probit Model					Logit Model						
	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB
IBRPT1_AVG_3Y	0.357*** (0.000)	0.517*** (0.000)	0.519*** (0.000)	0.401*** (0.000)	0.577*** (0.000)	0.858*** (0.000)	0.864*** (0.000)	0.651*** (0.000)	0.577*** (0.000)	0.858*** (0.000)	0.864*** (0.000)	0.651*** (0.000)
IBRPT1_MAX_3Y	0.464*** (0.000)	0.490*** (0.000)	0.472*** (0.000)	0.470*** (0.000)	0.752*** (0.000)	0.811*** (0.000)	0.784*** (0.000)	0.765*** (0.000)	0.752*** (0.000)	0.811*** (0.000)	0.784*** (0.000)	0.765*** (0.000)
IBRPT1_SUM_3Y	0.415*** (0.000)	0.539*** (0.000)	0.521*** (0.000)	0.411*** (0.000)	0.672*** (0.000)	0.892*** (0.000)	0.865*** (0.000)	0.669*** (0.000)	0.672*** (0.000)	0.892*** (0.000)	0.865*** (0.000)	0.669*** (0.000)
IBRPT1_LEAD_3Y	0.453*** (0.000)	0.475*** (0.000)	0.468*** (0.000)	0.490*** (0.000)	0.733*** (0.000)	0.787*** (0.000)	0.776*** (0.000)	0.797*** (0.000)	0.733*** (0.000)	0.787*** (0.000)	0.776*** (0.000)	0.797*** (0.000)
IBRPT2_AVG_3Y	0.346*** (0.000)	0.504*** (0.000)	0.506*** (0.000)	0.389*** (0.000)	0.559*** (0.000)	0.837*** (0.000)	0.843*** (0.000)	0.633*** (0.000)	0.559*** (0.000)	0.837*** (0.000)	0.843*** (0.000)	0.633*** (0.000)
IBRPT2_MAX_3Y	0.451*** (0.000)	0.484*** (0.000)	0.467*** (0.000)	0.466*** (0.000)	0.731*** (0.000)	0.803*** (0.000)	0.777*** (0.000)	0.759*** (0.000)	0.731*** (0.000)	0.803*** (0.000)	0.777*** (0.000)	0.759*** (0.000)
IBRPT2_SUM_3Y	0.407*** (0.000)	0.530*** (0.000)	0.512*** (0.000)	0.403*** (0.000)	0.658*** (0.000)	0.877*** (0.000)	0.851*** (0.000)	0.657*** (0.000)	0.658*** (0.000)	0.877*** (0.000)	0.851*** (0.000)	0.657*** (0.000)
IBRPT2_LEAD_3Y	0.444*** (0.000)	0.472*** (0.000)	0.464*** (0.000)	0.489*** (0.000)	0.719*** (0.000)	0.781*** (0.000)	0.771*** (0.000)	0.795*** (0.000)	0.719*** (0.000)	0.781*** (0.000)	0.771*** (0.000)	0.795*** (0.000)
IBRPT3_MIN_3Y	0.539*** (0.000)	0.545*** (0.000)	0.529*** (0.000)	0.543*** (0.000)	0.876*** (0.000)	0.910*** (0.000)	0.885*** (0.000)	0.888*** (0.000)	0.876*** (0.000)	0.910*** (0.000)	0.885*** (0.000)	0.888*** (0.000)
IBRPT3_LEAD_3Y	0.531*** (0.000)	0.526*** (0.000)	0.519*** (0.000)	0.588*** (0.000)	0.863*** (0.000)	0.878*** (0.000)	0.868*** (0.000)	0.960*** (0.000)	0.863*** (0.000)	0.878*** (0.000)	0.868*** (0.000)	0.960*** (0.000)

Table 6: Deal characteristics

This table presents sixty-four regression results of IB switch variables on the change of deal characteristics from the first deal to the second deal. Both probit and logit modeled are estimated based on a sample of 1,230 paired deals that are carried out by the same acquirer within three years between 1984 and 2015. The dependent variable is equal to 1 for acquirers that switched deal financial advisors, and 0 for acquirers that did not switch. We use four different definitions of IB switch and eight variables proxy for the change in deal characteristics. Only the coefficients of deal characteristic change variables are reported and each coefficient represent a single regression. Detailed definitions of all variables can be found in Appendix A. Year fixed effects are controlled for all regressions. P-values are reported in parentheses. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *.

	Probit Model				Logit Model			
	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB
Days between two deals	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)
Change in acquirer advisor fee	14.777 (0.114)	14.389 (0.132)	12.231 (0.201)	12.635 (0.177)	23.780 (0.115)	23.163 (0.134)	19.786 (0.199)	20.418 (0.175)
Change in tender offer	0.265** (0.012)	0.333*** (0.003)	0.327*** (0.003)	0.304*** (0.005)	0.428** (0.013)	0.557*** (0.003)	0.547*** (0.003)	0.496*** (0.005)
Change in hostile deal	0.086 (0.762)	0.294 (0.326)	0.286 (0.339)	0.114 (0.689)	0.137 (0.767)	0.470 (0.336)	0.459 (0.348)	0.183 (0.693)
Change in competition	-0.034 (0.847)	0.181 (0.333)	0.172 (0.358)	-0.136 (0.445)	-0.056 (0.846)	0.287 (0.349)	0.273 (0.373)	-0.218 (0.446)
Change in cash payment	0.211*** (0.007)	0.208** (0.010)	0.216*** (0.008)	0.182** (0.021)	0.341*** (0.007)	0.341** (0.011)	0.355*** (0.008)	0.295** (0.021)
Change in toehold	-0.421** (0.041)	-0.455** (0.024)	-0.407** (0.044)	-0.440** (0.032)	-0.684** (0.041)	-0.744** (0.024)	-0.663** (0.045)	-0.715** (0.032)
Change in completion time	0.000 (0.284)	0.000 (0.623)	0.000 (0.589)	0.000 (0.209)	0.001 (0.280)	0.000 (0.634)	0.000 (0.599)	0.001 (0.206)

Table 7: Firm characteristics

This table presents thirty-two regression results of IB switch variables on the change of firm characteristics from the first deal to the second deal. Both probit and logit modeled are estimated based on a sample of 1,230 paired deals that are carried out by the same acquirer within three years between 1984 and 2015. The dependent variable is equal to 1 for acquirers that switched deal financial advisors, and 0 for acquirers that did not switch. We use four different definitions of IB switch and four variables proxy for the change in firm characteristics. Only the coefficients of firm characteristic change variables are reported and each coefficient represent a single regression. Detailed definitions of all variables can be found in Appendix A. Year fixed effects are controlled for all regressions. P-values are reported in parentheses. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *.

	Probit Model				Logit Model			
	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB
Change in target industry	0.166** (0.025)	0.201*** (0.008)	0.202*** (0.008)	0.166** (0.026)	0.266** (0.026)	0.329*** (0.008)	0.330*** (0.008)	0.267** (0.027)
Change in public target	0.178** (0.022)	0.269*** (0.001)	0.289*** (0.000)	0.183** (0.019)	0.287** (0.022)	0.445*** (0.001)	0.479*** (0.000)	0.298** (0.019)
Change in relative size	0.036 (0.140)	0.090** (0.013)	0.097*** (0.008)	0.069** (0.044)	0.058 (0.159)	0.162** (0.022)	0.176** (0.016)	0.118* (0.052)
Change in acquirer leverage	0.010*** (0.005)	0.009** (0.021)	0.008** (0.032)	0.010*** (0.006)	0.017*** (0.006)	0.014** (0.024)	0.013** (0.036)	0.017*** (0.007)

Table 8: Comprehensive

This table presents the regression results of IB switch variables on a combination of associated factors. Both probit and logit modeled are estimated based on a sample of 1,091 paired deals that are carried out by the same acquirer within three years between 1984 and 2015. The dependent variable is equal to 1 for acquirers that switched deal financial advisors, and 0 for acquirers that did not switch. We use four different definitions of IB switch. Concordant responses reflect that among all possible switcher/non-switcher pairs, the regression model predicts the switch accurately this percentage of the time. Detailed definitions of all variables can be found in Appendix A. Year fixed effects are controlled for all regressions. P-values are reported in parentheses. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *.

	Probit Model				Logit Model			
	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB
First deal $CAR[-1, +1]$	0.307 (0.503)	-0.235 (0.621)	-0.170 (0.721)	0.114 (0.805)	0.478 (0.522)	-0.402 (0.607)	-0.299 (0.703)	0.166 (0.825)
IBRPT1_AVG_5Y	0.182** (0.026)	0.312*** (0.000)	0.322*** (0.000)	0.230*** (0.005)	0.301** (0.024)	0.545*** (0.000)	0.565*** (0.000)	0.386*** (0.004)
Days between two deals	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)
Change in acquirer advisor fee	17.711* (0.072)	18.203* (0.079)	15.440 (0.137)	14.524 (0.143)	28.760* (0.075)	29.234* (0.088)	25.095 (0.141)	23.554 (0.146)
Change in tender offer	0.219* (0.081)	0.239* (0.072)	0.221* (0.096)	0.294** (0.022)	0.359* (0.082)	0.406* (0.071)	0.378* (0.093)	0.489** (0.022)
Change in hostile deal	-0.178 (0.565)	0.020 (0.951)	-0.004 (0.991)	-0.147 (0.639)	-0.283 (0.581)	0.045 (0.935)	0.007 (0.989)	-0.243 (0.638)
Change in competition	-0.213 (0.293)	0.041 (0.850)	0.032 (0.881)	-0.350* (0.085)	-0.329 (0.327)	0.103 (0.780)	0.085 (0.817)	-0.551 (0.101)
Change in cash payment	0.126 (0.154)	0.152 (0.100)	0.161* (0.082)	0.107 (0.227)	0.211 (0.143)	0.257* (0.093)	0.274* (0.075)	0.181 (0.211)
Change in toehold	-0.372 (0.122)	-0.523** (0.027)	-0.452* (0.056)	-0.392 (0.104)	-0.597 (0.123)	-0.863** (0.024)	-0.755** (0.047)	-0.632 (0.102)
Change in completion time	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.001

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	Probit Model				Logit Model			
	ALLIB	HALFIB	ANYIB	LEADIB	ALLIB	HALFIB	ANYIB	LEADIB
Change in target industry	0.116 (0.152)	0.168** (0.045)	0.170** (0.043)	0.122 (0.136)	0.190 (0.151)	0.284** (0.042)	0.287** (0.040)	0.202 (0.129)
Change in public target	0.118 (0.174)	0.161* (0.077)	0.183** (0.044)	0.099 (0.260)	0.187 (0.188)	0.269* (0.076)	0.308** (0.044)	0.155 (0.281)
Change in relative size	0.036 (0.114)	0.075** (0.041)	0.080** (0.032)	0.064* (0.065)	0.059 (0.133)	0.134* (0.056)	0.145** (0.047)	0.109* (0.072)
Change in acquirer leverage	0.009** (0.015)	0.008* (0.057)	0.007* (0.084)	0.009** (0.015)	0.015** (0.015)	0.013* (0.061)	0.012* (0.089)	0.015** (0.017)
Intercept	-0.149 (0.454)	0.132 (0.535)	0.121 (0.571)	-0.089 (0.657)	-0.233 (0.476)	0.183 (0.615)	0.161 (0.658)	-0.146 (0.660)
Observations	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091
Pseudo R-square	0.072	0.093	0.095	0.071	0.072	0.095	0.097	0.072
Concordant responses	67.6%	70.3%	70.5%	67.5%	67.7%	70.4%	70.6%	67.6%

Table 9: IB switch, reputation change, and deal performance

This table presents the regression results of the second deal acquirer cumulative abnormal returns (CARs) on the IB switch and IB reputation change. The OLS regressions with robust standard errors are based on a sample of 1,112 paired deals that are carried out by the same acquirer within three years between 1984 and 2015. The dependent variable is the second deal acquirer CAR over the 3-day event window $(-1, +1)$ where 0 is the announcement day. The benchmark is estimated by the market model with the CRSP value-weighted index over the pre-announcement window $(-300, -46)$. We use four different definitions of IB switch. Detailed definitions of all variables can be found in Appendix A. Year fixed effects are controlled for all regressions. P-values are reported in parentheses. Significance at the 0.01, 0.05, and 0.10 levels is indicated by ***, **, and *.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
IBRPT1_AVG_5Y	-0.021*** (0.006)									
IBRPT1_AVG_5Y * AIIB	0.026*** (0.011)									
IBRPT1_SUM_5Y		-0.016** (0.046)								
IBRPT1_SUM_5Y*ALLIB		0.021** (0.047)								
IBRPT1_MAX_5Y			-0.021*** (0.008)							
IBRPT1_MAX_5Y*ALLIB			0.027*** (0.009)							
IBRPT1_LEAD_5Y				-0.021*** (0.010)						
IBRPT1_LEAD_5Y*ALLIB				0.024** (0.020)						
IBRPT2_AVG_5Y					-0.020*** (0.009)					
IBRPT2_AVG_5Y*ALLIB					0.025** (0.014)					
IBRPT2_SUM_5Y						-0.016* (0.052)				
IBRPT2_SUM_5Y*ALLIB						0.020* (0.051)				
IBRPT2_MAX_5Y							-0.020**			

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Table 9 – continued from previous page

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
IBRPT2_MAX_5Y*ALLIB							(0.012)			
							0.026**			
							(0.012)			
IBRPT2_LEAD_5Y								-0.020**		
								(0.013)		
								0.024**		
								(0.025)		
IBRPT3_MIN_5Y									-0.013	
									(0.115)	
									0.018*	
									(0.098)	
IBRPT3_MIN_5Y*ALLIB										
IBRPT3_LEAD_5Y										
										-0.016*
										(0.058)
										0.019*
										(0.074)
										-0.008
										(0.254)
										0.013***
										0.013***
ALLIB	-0.012*	-0.010	-0.012*	-0.011	-0.012	-0.010	-0.012*	-0.011	-0.008	
	(0.094)	(0.168)	(0.086)	(0.129)	(0.102)	(0.172)	(0.094)	(0.140)	(0.269)	
Sec_Cash	0.012**	0.012**	0.012**	0.012**	0.012**	0.012**	0.012**	0.012**	0.013***	
	(0.011)	(0.013)	(0.014)	(0.013)	(0.010)	(0.012)	(0.013)	(0.012)	(0.008)	
Sec_Toehold	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	
	(0.400)	(0.423)	(0.407)	(0.404)	(0.403)	(0.424)	(0.410)	(0.407)	(0.427)	
Sec_Hostile	0.001	0.002	0.003	0.002	0.001	0.001	0.002	0.001	-0.002	
	(0.913)	(0.889)	(0.804)	(0.882)	(0.934)	(0.905)	(0.830)	(0.907)	(0.891)	
Sec_Tender	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	
	(0.770)	(0.756)	(0.770)	(0.729)	(0.756)	(0.744)	(0.754)	(0.719)	(0.740)	
Sec_Related_industry	-0.008	-0.008	-0.008	-0.008	-0.008	-0.008	-0.008	-0.008	-0.008	
	(0.132)	(0.130)	(0.130)	(0.138)	(0.137)	(0.133)	(0.135)	(0.142)	(0.132)	
Sec_Competition	-0.008	-0.007	-0.008	-0.007	-0.008	-0.007	-0.008	-0.007	-0.008	
	(0.488)	(0.514)	(0.480)	(0.539)	(0.486)	(0.512)	(0.478)	(0.534)	(0.498)	
Sec_Relative_size	-0.004**	-0.004**	-0.004**	-0.004**	-0.004**	-0.004**	-0.004**	-0.004**	-0.004**	
	(0.018)	(0.019)	(0.020)	(0.020)	(0.018)	(0.019)	(0.020)	(0.020)	(0.019)	
Sec_Acquirer_Assets	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	
	(0.681)	(0.653)	(0.678)	(0.687)	(0.672)	(0.647)	(0.670)	(0.679)	(0.653)	
Sec_Acquirer_Tobin's Q	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	
	(0.331)	(0.368)	(0.383)	(0.372)	(0.332)	(0.368)	(0.381)	(0.371)	(0.391)	

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Table 9 – continued from previous page

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Sec.Acquirer_Leverage	-0.000 (0.637)	-0.000 (0.580)	-0.000 (0.606)	-0.000 (0.588)	-0.000 (0.634)	-0.000 (0.581)	-0.000 (0.605)	-0.000 (0.586)	-0.000 (0.560)	-0.000 (0.550)
Sec.Acquirer_Cash/assets	-0.034 (0.127)	-0.033 (0.138)	-0.034 (0.129)	-0.034 (0.125)	-0.034 (0.126)	-0.033 (0.136)	-0.034 (0.128)	-0.034 (0.123)	-0.033 (0.142)	-0.033 (0.135)
Sec.Acquirer_ROA	-0.020 (0.273)	-0.019 (0.289)	-0.019 (0.295)	-0.020 (0.266)	-0.020 (0.271)	-0.020 (0.286)	-0.019 (0.291)	-0.020 (0.265)	-0.019 (0.302)	-0.020 (0.280)
Intercept	0.020 (0.262)	0.019 (0.304)	0.020 (0.259)	0.020 (0.266)	0.020 (0.263)	0.019 (0.303)	0.020 (0.262)	0.020 (0.268)	0.017 (0.340)	0.018 (0.319)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112
R-Squared	0.046	0.044	0.046	0.046	0.046	0.043	0.046	0.045	0.042	0.043