

Internet Appendix for

The Effects of Hedge Fund Interventions on Strategic Firm Behavior

Table A1*Number of Hedge Activist Events by Calendar Year*

Year	Frequency	Percent
2001	245	5.54
2002	283	6.40
2003	318	7.19
2004	359	8.12
2005	460	10.41
2006	478	10.81
2007	522	11.81
2008	407	9.21
2009	226	5.11
2010	351	7.94
2011	288	6.52
2012	231	5.23
2013	252	5.70
Total	4,420	100

Notes. This table reports the yearly distribution of activist events based on the original sample of 4,420 events without additional data requirements.

TABLE A2*Cross-Sectional Variations Conditional on Promptness of the Resolution of Activist Demand*

Dependent Variable:	Bad news forecast likelihood		Bad news forecast frequency	
	(1)	(2)	(3)	(4)
<i>POST</i>	-0.132 (-0.53)	-0.060 (-0.21)	-0.226 (-1.42)	-0.145 (-0.77)
<i>POST</i> × <i>DQUICK1</i>	-0.452 (-0.90)		-0.056 (-0.16)	
<i>POST</i> × <i>DQUICK2</i>		-0.437 (-0.00)		-0.168 (-0.60)
<i>Control Variables</i>	Yes	Yes	Yes	Yes
<i>Firm Fixed Effects</i>	Yes	Yes	Yes	Yes
<i>No. of Observations</i>	876	876	876	876

Notes. This table presents results from the analysis of changes in the likelihood and frequency of bad news management forecasts around hedge fund activism, conditioned on the promptness of the resolution of activist demand. We obtain dates of resolution for a subset of our activist events from the hedge fund activism database constructed by Brav et al. (2008). The final sample with required data for the analysis includes 876 firm-quarters (for 162 events) in the event window. The event window includes all firm-quarters during hedge fund intervention, and an equal number of quarters before the intervention. *DQUICK1* is 1 if the activist demand is resolved within 180 days and zero otherwise. *DQUICK2* is 1 if the activist demand is resolved within 360 days and zero otherwise. All other variables are defined in the Appendix. Control variables as in Table 5 are included but not reported for conciseness. *T*-statistics reported in parentheses are based on heteroscedasticity robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively.

Table A3
Change in Bad News Withholding Conditional on Management Turnovers

Dependent Variable:	Bad news forecast likelihood			Bad news forecast frequency		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>POST</i>	-0.249*** (-2.63)	-0.225*** (-2.71)	-0.256*** (-2.98)	-0.140** (-2.29)	-0.174*** (-3.21)	-0.149*** (-2.69)
<i>POST</i> × <i>MGMTCHG</i>	-0.153 (-1.14)			-0.219** (-2.53)		
<i>POST</i> × <i>CEOCHG</i>		-0.313** (-2.14)			-0.217** (-2.33)	
<i>POST</i> × <i>CFOCHG</i>			-0.181 (-1.30)			-0.261*** (-2.91)
<i>Control Variables</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Firm Fixed Effects</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>No. of Observations</i>	9,266	9,266	9,266	9,266	9,266	9,266

Notes. This table presents results from the analysis of changes in the likelihood and frequency of bad news management forecasts around hedge fund activism, conditioned on whether the firm experienced a management turnover during the fund intervention. The sample includes 9,266 firm-quarters in the event window with required data, which includes the hedge fund activists that result in CEO/CFO turnovers and are excluded from the main analyses. *MGMTCHG* is an indicator variable equal to 1 for a CEO or CFO turnover and 0 otherwise. *CEOCHG* (*CFOCHG*) is an indicator variable equal to 1 for a CEO (CFO) turnover and 0 otherwise. All other variables are as defined in the Appendix. The event window includes all firm-quarters during hedge fund intervention, and an equal number of quarters before the intervention. Control variables as in Table 4 are included but not reported for conciseness. *T*-statistics reported in parentheses are based on heteroscedasticity robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively.

Table A4
Impact of Bad News Forecast Issuance on CFO/CEO Turnover Likelihood

Dependent Variable:	<i>CEO Turnover Likelihood</i>		<i>CFO Turnover Likelihood</i>	
	(1)	(2)	(3)	(4)
<i>DBDMF</i>	0.337** (2.02)	0.467** (2.39)	0.393** (2.39)	0.395** (2.06)
<i>Control Variables:</i>				
<i>DLOSS</i>		0.973*** (3.91)		0.391 (1.56)
<i>TOTNEWS</i>		-1.883 (-0.56)		-0.299 (-0.08)
<i>ANNRET</i>		-0.203 (-0.79)		-0.266 (-1.03)
<i>ACTIVE</i>		0.732*** (4.00)		0.671*** (3.70)
<i>HFLOWN</i>		0.015 (1.29)		0.036*** (2.89)
<i>LONGTERM</i>		1.592*** (5.81)		1.809*** (6.22)
Intercept		-3.280*** (-10.90)		-3.301*** (-10.67)
<i>No. of Observations</i>	844	732	844	732
<i>Pseudo R²</i>	0.004	0.127	0.006	0.130

Notes. This table presents results from the analysis of the impact of bad news management forecast issuance on the likelihood of a CEO/CFO turnover during the hedge fund intervention, controlling for firm performance and hedge fund characteristics. The initial sample includes the 844 activist events targeted by 267 hedge fund activists, including those activist events that result in CEO/CFO turnovers and are excluded from the main analyses. After we impose additional data requirements on control variables, the sample includes 732 activist events. *DBDMF* is an indicator variable that takes the value of 1 if the management issued at least one bad news forecast during the intervention. *T*-statistics reported in parentheses are based on heteroscedasticity robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively. The Appendix contains the variable definitions.