

CEO Media Exposure & Cross-Sectional Stock Returns

Student Collaborator: Bryce Dankers

Faculty Collaborators: Dr. Nan Hu, Dr. Ling Liu

Department of Accounting and Finance, University of Wisconsin-Eau Claire



Background

For the research that we conducted, the specific question we addressed is whether CEOs' media exposure affects their firm's security return when firms have good versus bad corporate merger and acquisition news.

Method

We attained financial information of about 1500 corporations and tested the effect of their CEO's media exposure on their firm's cross-sectional stock returns. We partitioned firms into two groups, firms with good merger and acquisition news and firms with bad merger and acquisition news. We used the total goods news and total news as independent variables to test our results respectively.

Research Questions

1. With a successful merger and acquisition, stocks that are managed by CEOs with high media exposure earn higher returns than stocks managed by CEOs with low media exposure
2. CEOs with high media exposure earn higher returns than CEOs with low media exposure when they make mistakes, such as earnings management, because the market is more willing to forgive the CEOs with high media exposure.

Table 1

	bad _{MA}		good _{MA}	
Intercept	-0.08693	-6.74	0.08098	7.46
sum_goodnews	-0.00062	-4.6	0.000478	3.99
q	-0.0061	-4.7	0.004	3.51
fcf	0.02807	1.45	-0.04447	-2.21
lev	0.01172	0.53	0.02633	1.3
high_tech	-0.00385	-0.74	0.00558	1.19
public	-0.00632	-1.07	-0.00014	-0.03
private	0.00206	0.4	-0.00057	-0.14
relative_size	-0.04127	-4.96	0.01706	3.47

Other_{variables}

Table 2

	bad _{MA}		good _{MA}	
Intercept	-0.0801	-6.26	0.08013	7.42
sum_news	-0.00019	-3.04	0.000233	4.26
q	-0.00635	-4.87	0.00416	3.65
fcf	0.04239	2.24	-0.04994	-2.52
lev	0.01616	0.72	0.02765	1.36
high_tech	-0.00383	-0.73	0.00582	1.25
public	-0.00655	-1.1	0.00013	0.02
private	0.00149	0.28	-0.00058	-0.14
relative_size	-0.0404	-4.83	0.01683	3.43

Other_{variables}

Table 3: CEO reputation and MA including G-index (corporate governance index)

	bad _{MA}		good _{MA}	
Intercept	-0.08615	-4.79	0.06013	4.03
sum_goodnews	-0.00052	-3.58	0.000435	3.81
GINDEX	0.00111	1.13	-0.00131	-1.7
q	-0.00657	-3.48	0.00552	4.18
fcf	0.08538	2.11	-0.02889	-0.84
lev	-0.00105	-0.04	-0.03388	-1.41
high_tech	-0.00764	-1.28	0.00547	1.1
public	-0.01117	-1.68	-0.01146	-2.03
private	-0.00158	-0.26	-0.00718	-1.55
relative_size	-0.03138	-2.95	0.06914	6.45

Other_{Variables}

Conclusion

No matter with or without the corporate governance control variables, we reached robust research results: Regardless of the CEOs' media exposure level, as long as firms have bad merger and acquisition news, the market will punish the firms' stocks. On the contrary, the market will reward firms with good merger and acquisitions news.

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