It’s Not What They Say, It’s That They Say It

The impact of sentiment in M&A press releases

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Abstract:

Mergers and acquisitions are among firms' most consequential corporate decisions, yet in private-target transactions, investors often rely almost entirely on the acquirer's press release. Using 752 English-language M&A press releases from Swedish mid-cap acquirers between 2015 and 2025, this study combines event-study methodology with textual analysis to examine how sentiment, information disclosure, speaker identity, and regulatory credibility relate to the acquirer's cumulative abnormal returns. Three findings stand out. First, more informative press releases generate stronger market reactions, and positive tone carries greater weight when supported by factual disclosure. Second, target communication is consistently associated with higher abnormal returns for the acquirer, while acquirer sentiment is discounted, especially when the amount of information disclosed is high. Third, CEO statements do not differ measurably from other management comments on cumulative abnormal returns. Together, the results show that in private-target M&A, markets do not reward enthusiasm, they reward credible communication.

Keywords:
Mergers and Acquisitions (M&A), Press Release, Sentiment, Information Asymmetry, Event Study, Cumulative Abnormal Returns (CAR), Textual Analysis, Market Abuse Regulation (MAR)

AI disclosure:

AI tools were used, including ChatGPT, and Grammarly, to assist with spelling, grammar, and improving clarity and flow of the text. All analyses, and conclusions remain the sole responsibility of the authors.

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1. Introduction

Mergers and acquisitions (M&A) play a central role in firms' growth strategies and is a key component of corporate capital allocation decisions. For public firms, M&As are announced via press releases that provide quantitative and qualitative information to investors (Cao, Kiesel & Leung, 2023). As press releases are often the first source of new information, they serve as a key channel through which markets interpret corporate events. Compared to more regulated disclosures such as annual and quarterly reports, press releases allow greater managerial discretion and more textual freedom (Jiang, 2019). This has importance for the qualitative aspects of communication, as prior literature shows that the sentiment and tone of corporate disclosures, referring to the positivity or negativity of the language used, guide investor decisions and influence stock prices, (Cao et al., 2023; Gong, 2025; Huang et al., 2014). This is particularly relevant in M&A settings, where information asymmetry between managers and investors is pronounced, especially when the target is privately held (Officer, Poulsen & Stegemoller, 2009). In such cases, investors have limited access to verifiable information and must rely on managerial disclosures.

Prior research shows that the sentiment used in M&A announcements influence investor reactions. Positive sentiment expressed by target firms in press releases is associated with higher returns for the target, while acquirer sentiment generally has little impact on acquirer returns (Cao et al., 2023). However, in settings with high information asymmetry, where investors have limited information, positive acquirer sentiment is instead associated with lower abnormal returns for the acquirer (Cao et al., 2023). For example, Officer et al. (2009) state that information asymmetry is high when the target is privately held and show that acquirer returns differ depending on whether the target is public or private. They further find that stock-financed acquisitions are associated with negative announcement returns for the acquirer when the target is publicly traded, but positive returns when the target is privately held. Together, these findings highlight the importance of information asymmetry in shaping market reactions.

In addition, prior research suggests that investors also consider who communicates to investors and how credible it appears (Dzieliński, Wagner & Zeckhauser, 2017; Hennig, Firk & Wolff, 2025). For instance, they find that communication by CEOs tends to carry greater informational weight and that investor reactions depend on the perceived credibility of both the speaker and the message. Moreover, research finds that managerial sentiment may reflect

either genuine information or strategic manipulation (see e.g., Huang et al., 2014; Ahern & Sosyura, 2014; Cao et al., 2023), further underlining that who communicates the information matters.

Building on previous research and adding to the analysis of Cao et al. (2023) this paper examines the *extent to which sentiment in acquirer M&A press releases explain abnormal returns for the acquirer in private target acquisitions.* To the best of our knowledge, prior research has not jointly examined the role of acquirer and target sentiment in the context of private target acquisitions. This gap is addressed by analysing how net sentiment, defined as the ratio of positive minus negative words to total words in the acquirer press release influences the acquirer's cumulative abnormal returns (CAR) surrounding the announcement. The paper further differentiates between acquirer and target comments in the acquirer's press release as well as whether they are CEO or managerial statements, to account for differences in credibility and informational content. Compared to Cao et al.'s (2023) research that analyses public to public acquisitions in the US, this paper studies Swedish mid-cap acquirers that purchase a private target over the period 2015-2025. This covers an underexplored setting and the implementation of the Market Abuse Regulation (MAR), which requires firms to state whether the announcement contains inside information that will affect the stock price. Net sentiment is measured using the Loughran-McDonald (LM) Financial Sentiment Dictionary (Loughran & McDonald, 2016) which captures sentiment based on the frequency of positive and negative words in the context of business and finance, a method widely applied in prior literature (see e.g., Cao et al, 2023; Ahern & Sosyura, 2014).

This paper finds that market reactions to M&A press releases are not only driven by sentiment, but also by the credibility and informational context in which sentiment appears. First the study finds that the higher level of information disclosed is positively associated with higher acquirer CAR for the acquirer, indicating that investors reward press releases that reduce uncertainty. Second, the effect of sentiment becomes more significant when there is more information disclosed, suggesting that tone is interpreted in relation to quantitative information. Third, the results provide only weak evidence that positive net sentiment in the overall press release is associated with higher CAR. However, the results reveal a clear asymmetry between acquirer and target communication. While acquirer sentiment is generally not robustly associated with CAR, target communication consistently carries informational weight: the existence of a target comment is positively and significantly associated with market reactions.

Lastly, the results do not provide evidence that the identity of the individual speaker, whether CEO or other management, is associated with CAR. This suggests that investors place greater weight on whether the acquirer or target firm is communicating rather than the spokesperson. Overall, the results indicate that in private-target M&A announcements, markets do not simply reward optimistic language, they reward communication that is informative and credible.

This study is relevant for both investors and regulators. For investors, the findings are relevant because they suggest that qualitative aspects of M&A press releases contain information that is reflected in stock-market reactions. In particular, the results show that sentiment, the amount of information disclosed, and target communication are associated with CAR, indicating that investors may benefit from considering not only what firms disclose, but also how the announcement is framed when evaluating acquisitions. For regulators and policymakers, including authorities such as Finansinspektionen, the findings highlight that press releases contain value-relevant information beyond formal deal characteristics, while the significance of MAR-labelled announcements suggests that regulatory credibility also influences market interpretation.

The remainder of this paper is structured as follows. Section 2 outlines the Swedish regulatory setting and the relevance of MAR for M&A press releases. Section 3 develops the theoretical framework and hypotheses. Section 4 describes the data, sentiment measures, event-study methodology, and regression design. Section 5 presents and discusses the empirical results, while section 6 concludes the paper.

2. Regulatory Background

The Swedish setting introduces a distinct regulatory layer compared to Cao et al. (2023) since it adheres to the European Union's Market Abuse Regulation (MAR) (Regulation EU No 596/2014). Under MAR, firms are required to publicly disclose inside information as soon as possible. Inside information consists of information of a precise nature, which has not been made public, and would likely have a significant effect on the firm's stock price (Article 17 MAR). Importantly, the initial assessment of whether information qualifies as inside information is made by the firm itself, implying a degree of managerial discretion in the disclosure decision. When such information is disclosed, the press release is often labelled as MAR-compliant, subject to regulatory scrutiny. This entails that management can, through MAR-labelling, signal to investors the materiality of the M&A. Thereby, MAR-labelled M&A press releases should be perceived as more credible and of higher informational value. This differs from the U.S. setting studied by Cao et al. (2023), where initial public M&A announcements are not mandatory SEC disclosures and allow flexibility in format and content, while proxy statements are the more technical regulated disclosure documents. The relevant distinction is therefore not necessarily that Swedish stock prices adjust faster, but that Swedish MAR-labelled press releases carry a clearer legal and regulatory signal at the announcement date. This makes the Swedish setting particularly useful for examining whether regulatory classification affects how investors interpret M&A press releases.

3. Theoretical Review & Hypothesis Development

This section develops the theoretical foundation for the hypotheses by linking market efficiency, information asymmetry, disclosure theory, and textual sentiment in M&A announcements. It first explains why private-target acquisitions represent a setting with high information asymmetry, before discussing how disclosure, sentiment, and speaker credibility may influence investor reactions.

The efficient market hypothesis fundamentally underpins a vast amount of financial market research. The efficient market hypothesis states that the prices of all securities reflect all available information (Fama, 1970). As new information is unveiled to the public, prices would quickly adjust to incorporate its value into the stock price. Paradoxically, Grossman and Stiglitz (1980) highlight that the financial market must tolerate some degree of informational inefficiency. Else, without the expectation of profiting on information, no rational investor would incur the cost of acquiring it. Given this, markets contain information gaps that can be exploited. A natural source of such inefficiencies arises from information asymmetry. Akerlof (1970) demonstrates how differences in information between buyers and sellers can lead to adverse selection. In Akerlof's "lemons" framework, buyers cannot distinguish between high- and low-quality assets. This framework can be extended to financial markets, where a similar asymmetry exists between corporate insiders and investors. Managers possess superior information about the firm's prospects and strategic decisions, while investors rely on publicly disclosed information (Myers & Majluf, 1984).

Dye (1985) discusses why managers disclose private information strategically. He argues how adverse selection should incentivise management to disclose positive information and suppress negative information, to keep the stock price high. However, rational investors anticipating this information asymmetry will interpret management silence as being unfavourable, and the share price will be revised downward. In practice, Dye underlines a key caveat of this principle. Namely, that investors are seldom able to discern whether management possesses information. Accordingly, managers will strategically only disclose non-proprietary information, that is information that will not affect the distribution of the firm's future earnings but the current stock price, when the disclosure benefits outweigh the costs of silence. The (in)ability of investors to discern the quality and motive of information is a key tension that underpins subsequent research on investor interpretation of managerial disclosures.

Officer et al. (2009) highlight how private target acquisitions present a setting with high information asymmetry where investors have little information other than press releases to gauge the attractiveness of the deal. Therefore, investors decipher managerial statements and interpret signals. For example, it is found that the method of consideration conveys information. Across literature, there is consensus that stock-financed private target acquisitions generate positive abnormal returns for the acquirer while cash consideration generates non-negative returns on average (Chang, 1998; Fuller, Netter & Stegemoller, 2002; Officer et al., 2009). Private target acquisitions made with equity reflect a positive signal as (1) the acquisition resembles a private placement and the target's willingness to hold the acquirer's shares therefore conveys a favourable signal about the acquiring firm's value (Chang, 1998). (2) The concentrated ownership typical of private firms can naturally create block holders who have the incentive and the influence to monitor management effectively, reducing agency costs (Chang, 1998). And (3) Fuller et al. (2002) add that the price of a private target would be more attractive due to a liquidity discount.

Taken together, private target acquisitions are characterised by substantial information asymmetry. Outside investors can observe neither the target's true value nor the quality of management's assessment, which makes them heavily reliant on managerial disclosures. In this setting, the acquisition press release becomes a key mechanism through which management can reduce information asymmetry and help investors assess the quality of the deal. While prior research shows that specific disclosed characteristics, such as the method of payment, serve as important signals, the overall amount of deal-relevant information disclosed should also matter. More extensive disclosure should reduce uncertainty surrounding the transaction, improve investors' ability to evaluate whether the acquisition is value creating, and thereby lead to a more favourable stock-market reaction. Therefore, the first hypothesis is:

H1a: The more information that is disclosed in the press release is associated with higher CAR for the acquirer in private-target acquisition

Beyond the method of consideration, prior research suggests that sentiment in managerial disclosures can also function as a signal to investors. Tetlock (2007) shows that the tone of financial news can influence investor reactions and help predict short-term stock market movements. Specifically, he finds that high media pessimism predicts downward pressure on

market prices, followed by a reversion to fundamentals. The impact of sentiment on stock prices has further been examined by Huang et. al. (2014) through earnings press releases. The authors state that earnings press releases are used to express both quantitative as well as qualitative information and, being voluntary disclosures, provide managers with high flexibility and freedom to affect the tone of the text. They further underline how quantitative information alone illustrates only a part of the firm's economic condition, and needs to be complemented with qualitative information, that is rhetoric, for the reader to be able to encode and process the information. The authors explain that an abnormally positive tone can be used to explain when the fundamentals are better than the quantitative information disclosed.

Prior research suggests that textual tone is particularly influential in environments characterised by high information asymmetry (Cao et al., 2023). As press releases vary in informational depth, managerial sentiment may act as a substitute signal when factual detail is limited. Accordingly, this suggests that when disclosure is limited, net sentiment is expected to play a greater role in explaining acquirer CAR which leads to the hypothesis:

H1b: When information disclosure is low in the press release, net sentiment plays a larger role in explaining CAR for acquiring firms in private-target acquisitions

Cao et al. (2023) addresses the question of whether managers are strategic by analysing sentiment in M&A press releases and decomposing it into fundamental and manipulative components for public acquirer and public target firms. Using the LM dictionary to analyse the CAR around the announcement date they find that the acquirer's management uses significantly more positive language than the target. More interesting, is the finding that acquirer sentiment does not significantly affect acquirer stock returns whereas positive target sentiment creates a positive stock price reaction in the target share. Cao et al. (2023) argue that this asymmetry in how the market responds to acquirer versus target sentiment arises because acquirer sentiment can contain a manipulative component, whereas target sentiment more closely reflects the fundamental economics of the deal. This is because targets typically exit the firm after being acquired and the shareholders benefit directly from the premium, meaning that managers have less incentive to manipulate. In this way, when the target expresses positive sentiment, investors would interpret the acquisition premium as fair, a credible transaction, and that the deal will likely be completed. An exception arises when information asymmetry

between the acquirer and outside investors is particularly high. In such environments, more positive acquirer sentiment is associated with significantly lower acquirer abnormal returns. This Cao et al. (2023) argue to be the case as excessive optimism is suspicious, potentially signalling managerial overconfidence, empire building or that it is a value-destroying acquisition. However, the authors only look at public targets. Given the high level of information asymmetry in private target acquisitions, investors should face difficulty distinguishing between informative and strategic sentiment. As a result, positive sentiment may have various interpretations. For this reason, the second hypothesis is:

H2: Positive net sentiment in the entire M&A press release and/or from Acquirer or Target comment is associated with short-term cumulative abnormal returns (CAR) for acquiring firms in private-target acquisitions

Moreover, research shows that tone is not interpreted by investors in isolation. Beyond incentive-based theories, for why CEOs may show more positive sentiment, literature suggests that investors place weight on who communicates information. Dzieliński et al.(2017) show that investors place a large weight on CEO communication. They find that the communication style of CEOs has a stronger effect on investor reaction to earnings news than other executives such as CFOs. Dzieliński et al. (2017) further explain how investors rely more heavily on CEO disclosures when forming expectations due to the CEOs role as the representative of the firm's strategy and having a persistent communication style. In addition, Hennig et al. (2025) demonstrate that investors do not only react to managerial tone but also the credibility of the speaker. They define credibility to be a factor of the characteristic of the speaker (e.g., trustworthiness and personality) and of the message characteristics (e.g., clarity and structure). One could argue that given the CEO's role as the primary representative of the firm, their statements would have a larger impact on investors. For this reason, the third hypothesis is the following:

H3: The association between sentiment and acquirer CAR is stronger when the sentiment originates from the CEO than from other members of management in private-target acquisitions

4. Data & Methodology

This section outlines the empirical design used to examine the relationship between M&A press release communication and acquirer announcement returns. It first presents the research setting and sample construction, before describing the textual analysis, event-study methodology, variable construction, regression specifications, descriptive statistics, and diagnostic tests.

4.1 Research Setting

This paper employs a hypothesis-driven quantitative research design (Bell, Bryman & Harley, 2019). Using secondary data consisting of M&A press releases from Swedish mid-cap firms listed on Nasdaq OMX Stockholm over the period 2015-2025, an event study is conducted to estimate cumulative abnormal returns (CAR) of the acquirer around the M&A announcement. The hypotheses are tested using cross-sectional multivariate regressions, where CAR serves as the dependent variable. The methodology is consistent with prior literature, including Cao et al. (2023), enhancing robustness and comparability of results.

This thesis builds on Cao et al. (2023), but differs from their study in several important ways. First, they examine U.S. public-to-public M&A transactions in 1995-2020, whereas this thesis focuses on acquisitions of private targets by Swedish mid-cap acquirers. This distinction is central because private-target acquisitions are characterised by higher information asymmetry: the target's value is less observable, external information is limited, and investors must rely more heavily on the information provided by the acquirer at announcement. While this difference makes the results less directly comparable to Cao et al. (2023), it also makes the setting more representative of Swedish mid-cap M&A activity. In contrast to their U.S. public-to-public sample, acquisitions by Swedish mid-cap firms more frequently involve privately held targets. Focusing on private-target acquisitions therefore allows the thesis to study the type of transaction that is most relevant in this setting, rather than replicating a public-target design that is less representative of the Swedish mid-cap market. Since public-target acquisitions are already more extensively studied, the Swedish private-target setting provides a meaningful extension of Cao et al. (2023), rather than a direct replication. Second, while Cao et al. (2023) analyse both target and acquirer stock-market reactions, deal completion, time to completion, sentiment disagreement, and acquirer sentiment manipulation, this thesis focuses specifically on acquirer returns. This follows naturally from the private-target setting since

private target stock-market reactions cannot be observed. Moreover, deal completion and time to completion are less relevant in this context, as private-target acquisitions are often announced once the deal has already been signed or completed (Officer et al., 2009). Similarly, sentiment disagreement and manipulation are more difficult to estimate, as the private target does not issue a separate press release. In comparison to Cao et al. (2023) who look at acquirer and target press releases separately to compare net sentiment, this study by looking at private-target acquisitions can only separate the target comment (if present) from the acquirer's press release to compare net sentiment. Thus, when target comments appear in the acquirer's press release they risk being selected, edited, or filtered by the acquirer. This makes it difficult to cleanly separate genuine target sentiment from the acquirer's communication strategy or manipulation. Third, this thesis extends Cao et al's. (2023) work by further separating the acquirer press release into acquirer and target CEO and non-CEO management statements, allowing the analysis to test whether the identity of the individual speaker affects acquirer stock reactions. Finally, the Swedish setting introduces a regulatory dimension not present in Cao et al's. (2023) U.S. sample, as press releases may be labelled under MAR. MAR requires listed firms to disclose inside information to the market as soon as possible, meaning that a MAR-labelled M&A press releases can signal that the transaction is considered sufficiently material to potentially affect the acquirer's stock price. This is relevant because it allows the thesis to examine whether investors respond not only to sentiment and factual disclosure, but also to the regulatory credibility attached to the announcement.

4.2 Data Collection Method

The press releases selected for the sample are restricted to the universe of Swedish mid-cap firms listed on Nasdaq's OMX Stockholm stock exchange, dated January 5th, 2026 (retrieved from Dagens Industri, n.d.). Next, the M&A press releases for each firm were downloaded from Modular Finance (MFN, n.d.) between 2015 and 2025. The press releases further had to meet the following requirements: (1) Had to be the first publicly disclosed press release (2) majority acquisitions defined as >50% ownership (3) a private target acquisition (4) in English (to map with the LM dictionary). Next, the press releases were manually dissected to gather the text needed to conduct the sentiment variables which include: the entire press release, quote from target and acquirer where the quotes were divided into CEO or management comment.

Applying these selection criteria, the initial sample comprised 139 Swedish mid-cap firms. Of these, 11 firms were excluded due to the presence of dual share classes. A further 54 firms were removed based on the following: absence of M&A activity, publication of press releases exclusively in Swedish, or engagement in transactions that did not constitute standard M&A activity (e.g., acquisitions of individual plants or buildings). Consequently, the final sample consisted of 74 firms and a total of 752 press releases.

Several variables were manually collected directly from the M&A press releases. First, the announcement date was recorded and used to construct year fixed effects. Second, the MAR indicator was collected as a dummy. Third, the length of the press release was measured as the total number of words. In addition, deal-specific information was extracted from each press release, including target revenue, payment method, and whether the press release disclosed the target's purchase price, enterprise value, and number of employees, all of these were collected as dummy variables. These items were then used to construct the deal characteristic variables used in the regressions, including *Target_EV*, *Target_Employees*, *Payment_Disclosure*, *Relative_Size_Revenue*, and *Length_of_Press_Release*. A full overview of variable definitions is provided in Table 1 in the Appendix.

Industry characteristics controls, used as industry fixed effects, were downloaded using FactSet, a reliable data source that is well-known and used in the financial industry (FactSet Research Systems Inc., n.d.). For each firm, the first two SIC digits were used to determine industry in accordance with Cao et al. (2023). The acquirer firm characteristics were retrieved from FactSet and similarly to Cao et al. (2023) the data points are from the year-end of the year before the M&A announcement. The firm characteristics include: market-to-book ratio, size (logarithm of total assets), cash (cash and equivalents divided by total assets), return on assets (EBIT over total assets), leverage (total debt outstanding divided by total assets) and number of analysts covering the acquirer (see Table 1 in Appendix).

4.3 Textual Analysis

To analyse the sentiment of the press releases the Loughran & McDonald (LM) dictionary classification list was used (n.d.). The dictionary contains a list of positive and negative words that is used to gauge the tone of the press releases and is a method that is widely used in research (see e.g., Cao et al., 2023; Ahern & Sosyura, 2014). Originally, the General Inquirer Harvard

Psychology Dictionary has been used for word classification (see e.g., Tetlock, 2007). However, Loughran & McDonald (2016) criticised the usage of a word list produced for psychology and sociology for the usage of business and finance. They therefore developed the LM dictionary using financial reports, press releases and articles and found that many negative words in the Harvard dictionary are not necessarily negative in the financial context such as tax or liability. Researchers have since then found the LM to be more statistically significant than the Harvard dictionary in this context (Mangee, 2018). Moreover, the LM dictionary is frequently updated, meaning that the words that are defined as positive or negative changes with lingual development. While there exist various methods to conduct textual analysis such as machine-learning (Gong, 2025) the dictionary method is preferred since it entails comparability with prior research. Moreover, while machine learning can capture more complex linguistic patterns, they often require large training datasets which reduce interpretability. In this way, a dictionary-based approach provides a more transparent and robust measure of textual tone.

However, since the sample is restricted to English-language press releases in a Swedish setting, this may introduce a degree of selection bias, as firms choosing to communicate in English may systematically differ from firms issuing announcements solely in Swedish. For example, through greater international exposure, investor sophistication, or disclosure quality. Consequently, the findings should primarily be interpreted within the context of internationally oriented Swedish mid-cap firms.

The LM dictionary was uploaded to Python and applied to each press release to identify the number of positive and negative words. Sentiment was measured for the full press release as well as for four separate communication segments: (a) acquirer CEO comments, (b) acquirer management comments, (c) target CEO comments, and (d) target management comments. This segmentation allows the analysis to distinguish between overall press release tone, the tone of acquirer versus target, and the tone of CEO versus management. The distinction between full press release, acquirer, and target sentiment follows the approach of Cao et al. (2023), while the further separation between CEO and management comments extends this framework. A well-established method (e.g., Cao et al., 2023; Tetlock, 2007) is to calculate net sentiment as follows:

$$Net\ Sentiment = \frac{Positive\ word\ count - Negative\ word\ count}{Total\ word\ count}$$

4.4 Cumulative Abnormal Returns

To measure the stock market reaction to M&A press releases, this study employs cumulative abnormal returns (CAR) as the dependent variable. CAR captures the deviation of a firm's stock return from its expected return around at the event date. Expected returns are estimated using the Fama French five-factor model, where the factors used were retrieved from Kenneth's data library using European daily factors (French, n.d.). The five-factor model extends the traditional three-factor framework by incorporating profitability and investment factors, thereby providing a more comprehensive adjustment for systematic risk and improving the accuracy of expected returns (Fama & French, 2015). The estimation of expected returns is based on an estimation window of [-220, -21] trading days prior to the event. This window has been used by previous literature and is sufficiently distant from the announcement date to mitigate potential contamination from information leakage, as discussed by Cao et al. (2023). In line with Cao et al. (2023) additional robustness tests were conducted using alternative estimation windows to account for potential anticipation effects and information leakage surrounding the M&A announcements. While minor variations in coefficient magnitudes were observed across specifications, the overall results and interpretations remained broadly consistent. The [-220, -21] estimation window was therefore retained as the main specification (the results are available from the authors upon request). Using the estimated factor loadings, expected returns are predicted over the event window, [-1,+1] around the announcement date. This window captures the immediate stock-market reaction while limiting the risk that CAR is contaminated by unrelated corporate news or broader market movements. A one-day window around the announcement may be too narrow if press releases are published after market close or if investors require time to process the information, while longer windows increase the likelihood of confounding events. The [-1,+1] window therefore balances information capture and identification precision and is consistent with prior M&A event-study research, including Cao et al. (2023). Additionally, the CAR observations were winsorised at the 1st and 99th percentiles to mitigate the influence of extreme outliers. Following this, abnormal returns are then computed as the difference between the realized and expected returns to obtain CAR, shown in Formula (1).

Formula (1):

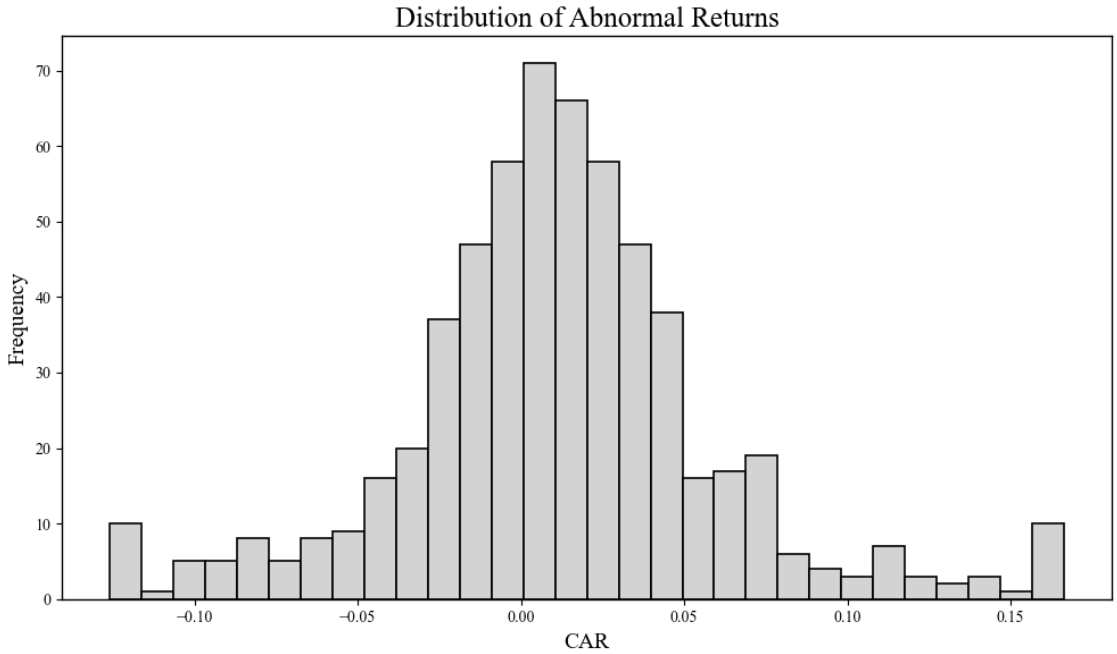
$$CAR_i[-1,+1] = \sum_{t=-1}^{+1} AR_{it}$$

Where:

$$AR_{it} = R_{it} - E(R_{it})$$

Figure 1 shows that the distribution of CAR is centred around zero, albeit with a positive skewness. This suggests that, on average, M&A announcements are associated with relatively modest valuation effects, with positive market reactions occurring somewhat more frequently, aligning with the results of previous research on private target acquisitions (Chang, 1998; Fuller et al., 2002; Officer et al., 2009). However, the observed kurtosis seen in the pronounced tail behaviour indicates heterogeneity in investor responses across transactions.

Figure 1: Distribution of Cumulative Abnormal Returns

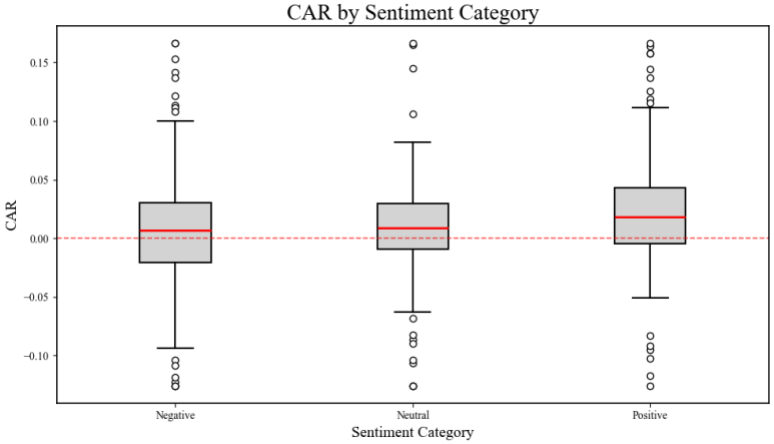


Histogram showing the distribution of acquirer CAR around the M&A announcement. The distribution is centred close to zero, indicating that most announcements are associated with modest abnormal returns. However, the right tail is somewhat more pronounced, suggesting that some acquisitions generate strongly positive market reactions. CAR is winsorised at the 1st and 99th percentiles.

To further examine the relationship between Net Sentiment and CAR, the net sentiment measure was divided into three equally sized categories representing negative, neutral, and positive based on the distribution of sentiment scores. The resulting boxplots illustrate both the central tendency and dispersion of CAR across sentiment categories. Across all groups, median CAR remains positive, suggesting that M&A announcements are, on average, viewed favourably by the market. Moreover, an increase in median CAR from negative to positive sentiment categories can be observed, indicating that a more positive announcement tone is

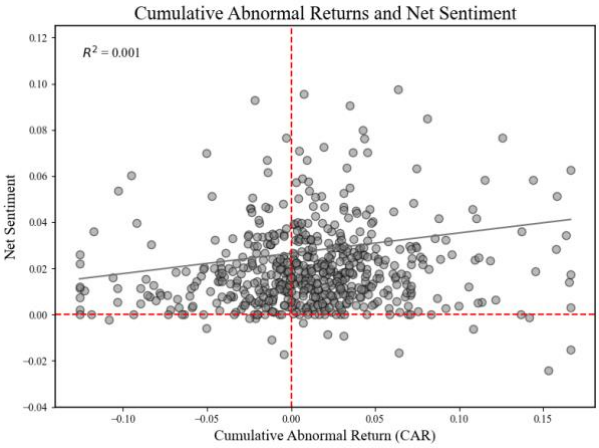
associated with positive abnormal returns. This indicates that sentiment could matter in explaining CAR.

Figure 2: CAR by Sentiment Category



Standard Tukey box plots of CAR across terciles of Net_Sentiment. The figure shows that median CAR increases from the negative to the positive sentiment category, suggesting a positive association between press release tone and market reaction. However, the overlapping interquartile ranges indicate substantial variation within each sentiment group. The red line indicates the median, boxes show the interquartile range, whiskers represent observations within 1.5 times the interquartile range, and dots indicate outliers. CAR is winsorised at the 1st and 99th percentiles.

Figure 3: Scatter Plot on Net Sentiment against Cumulative Abnormal Returns



Scatterplot showing the relationship between acquirer CAR and Net_Sentiment. The fitted line is slightly upward sloping, suggesting a weak positive association between sentiment and CAR. However, the large dispersion of observations and low explanatory power indicate that sentiment alone explains little of the variation in announcement returns. CAR is winsorised at the 1st and 99th percentiles.

Consistent with Figure 2, the scatter plot in Figure 3 illustrates a weak and positive relationship between Net Sentiment and CAR. The spread around the relationship indicates that sentiment alone does not fully explain market reactions, implying that investors also condition their responses on transaction-specific characteristics and broader firm fundamentals, which is further supported by the low R-square. Moreover, the presence of extreme observations on both the positive and negative ends further highlights the heterogeneous nature of each deal and acquisition outcomes. Additional scatter plots using alternative sentiment specifications,

including CEO-specific and management-specific sentiment measures for both acquirer and target firms, are presented under Scatter Plots 1-6 in the Appendix. The overall patterns remain broadly consistent across these specifications.

Moreover, the univariate correlation matrix in Appendix Figure 4 provides an initial overview of the linear relationships between the main variables. MAR has the highest positive correlation with CAR (0.19), followed by *Comment_from_Target* (0.16), suggesting that both regulatory classification and target communication are positively related to announcement returns in the raw data. The variables with the strongest negative correlations with CAR are leverage (-0.27) and market-to-book (-0.20), indicating that more highly levered or highly valued acquirers tend to have lower abnormal returns. However, these correlations are descriptive and do not account for firm controls, deal controls, year effects, or industry effects. The multivariate regressions, therefore provide the main basis for inference.

4.5 Main independent variables

In Table 1 in the Appendix, a list of all of the variables used are defined. These cover the topics of sentiment, deal characteristics and firm characteristics. The firm controls and sentiment variables are created in the same manner as Cao et al. (2023) with an additional extension with the division of CEO and management comments. The deal characteristics control variables are in line with Officer et al. (2009) who control for relative size, payment method and target deal value.

The main variables that are analysed in the regressions contain *Net_Sentiment, Comment* and *Information_Disclosure. Net_Sentiment* is a continuous variable that reflects the ratio of positive and negative words used and is applied on the entire press release as well as the split of the acquirer and target comment and for CEO and management comments. The *Comment* variables are dummy variables that is 1 if a comment from the specification exists, else 0. The *Information_Disclosure* variable is an ordinal index ranging from 0 to 3. It is constructed by summing three dummy variables indicating whether the press release discloses: (1) the target's enterprise value, (2) the acquisition purchase price, and (3) the number of target employees. Each disclosed item adds one point to the index, meaning that higher values reflect more extensive quantitative deal information. The index is equally weighted because the purpose is to capture the breadth of quantitative disclosure rather than impose assumptions about the relative importance of each disclosure item. The index is intended to capture the

extent to which the press release reduces information asymmetry by providing investors with concrete details about the target's valuation and scale. Enterprise value and purchase price capture valuation-related disclosure, while the number of employees captures information about the operational scale of the target. Since these three variables are components of the index, they are excluded as separate controls in regressions where *Information_Disclosure* is included (see Table 1 in the Results that relate to Hypothesis 1), to avoid mechanical overlap and preserve interpretability. Additionally, *Information_Disclosure* is interacted with *Net_Sentiment* to examine whether the effect of sentiment depends on the amount of quantitative information provided in the press release. The interaction term captures whether investors interpret positive tone differently in low-versus high-disclosure announcements. If sentiment functions as a substitute for missing factual information, its association with CAR should be stronger when disclosure is low, implying a negative interaction coefficient. Conversely, if sentiment becomes more credible when supported by concrete deal information, sentiment and disclosure should act as complements, implying a positive interaction coefficient. The interaction term therefore allows the analysis to test whether sentiment affects market reactions independently, or whether its relevance depends on the informational context in which it appears.

4.6 Regression Specifications

First, the main regression run for hypothesis 1 is constructed in the following manner:
Main regression (1)

$$CAR_i = \alpha + \beta_1 NetSentiment_i + \beta_2 InformationDisclosure_i$$
$$+\lambda(NetSentiment_i \times InformationDisclosure_i)$$
$$+\Gamma X_i + \theta_t + \phi_i + \epsilon_i$$

To test Hypothesis 2, the analysis first estimates whether net sentiment in the entire M&A press release is associated with acquirer CAR. The baseline specification is:

Main regression (2)

$$CAR_i = \alpha + \beta NetSentiment_i + \Gamma X_i + \theta_t + \phi_i + \epsilon_i$$

Lastly, for hypothesis 3, the hypothesis is mainly based on the Wald test

$H_0: \beta_1 = \beta_2$ to compare coefficients of CEO and management sentiment for the acquirer,

$H_0: \beta_3 = \beta_4$ compares target CEO sentiment with target management sentiment.

The main regression is:

Regression (3)

$$CAR_i = \alpha + \beta_1 AcquirerCEOSentiment_i + \beta_2 AcquirerManagementSentiment_i + \beta_3 Target CEOSentiment_i + \beta_4 Target ManagementSentiment_i + \Gamma X_i + \theta_t + \phi_i + \epsilon_i$$

Where in the regressions:

ΓX_i= Firm and deal controls

θ_t = Year fixed effects

ϕ_{ind} = Industry fixed effects

4.7 Descriptive statistics

Communication Patterns

A clear pattern emerges in terms of who communicates in the press releases as seen in Table 2. Acquirer comments appear substantially more frequently than target comments across all years. Comments from the acquirer appear in 720 out of 752 press releases (96%), compared to only 479 for target comments (64%). In particular, CEO statements from the acquirer are consistently more common (62%) than both acquirer management (44%) comments and target statements (44% from CEO and 22% from management). This pattern is consistent with acquiring firms taking a more active role in shaping the narrative surrounding the transaction, which prior literature attributes to incentives to manage investor perception (Ahern & Sosyura, 2014).

Table 2: Frequency of Communication and Disclosure Indicators

Dummy Variables	N
Communication - presence of comments	
Comment from Acquirer	720
Comment from Target	479
CEO comment from Acquirer	470
CEO comment from Target	333
Management comment Acquirer	334
Management comment Target	169
Information disclosure	
Target Purchase Price disclosed	261
Target EV disclosed	69
Target number of employees disclosed	437
Payment Disclosure	511
MAR	193

This table reports the number of press releases in which each dummy variable equals one. The full sample consists of 752 M&A press releases. Acquirer comments appear more frequently than target comments, indicating that acquirers dominate the communication around private-target acquisitions. The table also shows substantial variation in the disclosure of target-specific information, with employee count disclosed most frequently and enterprise value least frequently

Information Disclosure

The mean Information Disclosure score, reported in Table 3, is 1.02 out of a maximum of 3, with a median of 1.00, indicating that the typical press release discloses only a single item from the set of enterprise value, purchase price, and number of target employees. Purchase price is reported in 35% of cases, enterprise value in only 9%, and employee count in 58%. This considerable variation in disclosure depth, with a standard deviation of 0.73, confirms that the M&A press releases differ substantially in their informational content. Additionally, the length of the press release varies a lot from minimum at 38 to 7618 words. The standard deviation in the length of press releases is 758, while the mean is 696 (median 518), indicating that there is substantial variation in the amount of information provided across announcements.

Table 3: Descriptive Statistics for CAR, Sentiment, Disclosure and Firm Characteristics

	N	Mean	Std. Dev.	Min	25%	Median	75%	Max
CAR	600	0.01	0.05	-0.13	-0.01	0.01	0.03	0.17
Length of Press Release (in words)	752	695.53	757.69	38.00	387.75	517.00	707.75	7618.00
Sentiment measures								
Net Sentiment	727	0.02	0.02	-0.02	0.01	0.02	0.03	0.17
Net Sentiment Acquirer	720	0.05	0.03	-0.03	0.03	0.04	0.06	0.16
Net Sentiment Target	481	0.04	0.03	0.00	0.02	0.04	0.06	0.18
Acquirer firm characteristics								
Market-to-book	695	3.80	3.80	0.40	1.62	2.65	4.89	48.84
Size (log of total assets)	730	8.24	1.34	2.47	7.71	8.49	9.03	11.40
Cash / total assets	667	0.45	1.75	0.00	0.03	0.07	0.12	10.24
ROA (EBIT/total assets)	726	0.06	0.11	-1.11	0.04	0.07	0.09	0.26
Leverage (Total debt/total assets)	668	0.27	0.27	-0.05	0.09	0.25	0.36	1.47
Relative Size Revenue (target/acquirer revenue)	624	0.16	0.85	0.00	0.01	0.02	0.06	11.61
Analyst Coverage	752	4.12	1.79	0.00	3.00	4.00	6.00	8.00
Liquidity	731	18.63	3.46	0.00	17.57	18.88	20.65	23.50
Information Disclosure (0-3)	752	1.02	0.73	0.00	1.00	1.00	1.00	3.00

This table reports descriptive statistics for the main continuous and ordinal variables used in the analysis. CAR is centred close to zero, while net sentiment is positive on average across the full press release, acquirer comments, and target comments. The Information_Disclosure index has a mean of 1.02 out of 3, indicating that the typical press release contains limited quantitative target information.

M&A Volumes through the Period

Notably, in Table 4, M&A activity within the sample increases substantially during 2021 and 2022, reaching 138 and 129 transactions respectively, compared to an annual sample average of 68 transactions. This surge likely reflects the stimulus-driven expansion in transaction activity following the COVID-19 pandemic, combined with the low-interest rate environment prevailing during the period (Henry & Letsky, 2025). Although transaction activity subsequently moderated, M&A volumes have since remained above pre-pandemic levels.

Table 4: Annual Distribution of M&A Press Releases and Communication Patterns

Year	Press Releases	CEO Acq Comment	Mng Acq Comment	CEO Target Comment	Mng Target Comment	Positive Sentiment Acquirer CEO	Positive Sentiment Acquirer Mng	Positive Sentiment Target CEO	Positive Sentiment Target Mng	Average Sentiment Acquirer CEO	Average Sentiment Acquirer Mng	Average Sentiment Target CEO	Average Sentiment Target Mng
2015	28	22	7	12	7	22	7	12	7	0.042	0.036	0.049	0.035
2016	30	17	11	14	6	17	11	13	5	0.041	0.045	0.035	0.043
2017	46	32	15	24	7	26	15	20	7	0.043	0.044	0.035	0.042
2018	60	40	26	25	12	37	26	19	12	0.049	0.059	0.042	0.048
2019	56	33	27	25	10	30	27	24	9	0.056	0.046	0.056	0.036
2020	57	36	26	32	10	35	26	31	10	0.041	0.042	0.047	0.051
2021	138	97	60	63	33	95	60	59	31	0.042	0.038	0.039	0.04
2022	129	76	66	49	23	73	66	46	19	0.041	0.042	0.042	0.034
2023	63	37	31	21	22	34	31	20	20	0.043	0.055	0.047	0.041
2024	74	39	35	37	15	36	35	33	14	0.056	0.053	0.046	0.047
2025	71	41	30	31	24	39	30	28	24	0.048	0.042	0.046	0.051
Total	**752**	**470**	**334**	**333**	**169**	**444**	**334**	**305**	**158**	**0.502**	**0.502**	**0.484**	**0.468**
Average	**68**	**43**	**30**	**30**	**15**	**40**	**30**	**28**	**14**	**0.046**	**0.046**	**0.044**	**0.043**

Table 4 presents the annual distribution of the 752 M&A press releases and the frequency and average sentiment of statements made by acquirer and target representatives, disaggregated by CEO and other management. The table shows that M&A press release activity increases markedly in 2021 and 2022, while acquirer representatives consistently appear more frequently than target representatives across the sample period. Average sentiment remains positive across speaker categories, indicating that M&A communication is generally framed in optimistic terms.

Additionally, it can be seen that positive language dominates across all speaker categories and years. Average net sentiment (with net positive sentiment being > 0%) measures range from approximately 3% to 6% in the press releases, indicating that press releases are framed in optimistic terms. This is broadly consistent with Cao et al. (2023), who also document a predominantly positive tone in M&A press releases. However, while Cao et al. (2023) report average positive sentiment ratios in the range of 20% - 90%, the sentiment levels observed in this Swedish sample are considerably more moderate.

4.8 Regression diagnostics

All regressions include firm-level controls, deal-level controls, year fixed effects, and industry fixed effects. Following Cao et al. (2023), standard errors are clustered at the industry level to account for correlation in residuals among firms exposed to similar industry conditions, valuation environments, acquisition cycles, and disclosure practices. This is particularly relevant in M&A research, where both acquisition activity and market reactions may vary systematically across industries. In total, the number of clusters is 77, which provides a sufficient basis for cluster-robust inference. Since several acquirers appear more than once in the sample, the main regressions are also re-estimated using firm-clustered standard errors as a robustness check. The main coefficient signs and interpretations remain unchanged,

suggesting that the findings are not driven by the chosen clustering level.

Several diagnostic tests are conducted to assess the reliability of the regression specifications. The Breusch-Pagan test indicates the presence of heteroskedasticity, which is addressed through the use of cluster-robust standard errors. Multicollinearity is examined using both a correlation matrix and Variance Inflation Factor (VIF) tests. The correlation matrix provides an initial assessment of linear relationships between the explanatory variables, while the VIF test evaluates whether coefficient estimates are inflated by correlation among regressors. This is important because several variables, such as sentiment, comments, information disclosure, and press release length, are conceptually related. Overall, the correlations between the main explanatory variables remain moderate, and the VIF results suggest that multicollinearity is not a major concern. Elevated VIF values are primarily observed for interaction terms, which is expected given their mechanical relationship with the underlying variables. The Ramsey RESET test is also conducted, and the results do not indicate major functional form concerns (tests available upon request).

To assess robustness, the main regressions are re-estimated by sequentially excluding selected variables and by using alternative estimation windows for expected returns. Across these specifications, the coefficient signs and overall interpretations remain broadly consistent, although some variation in coefficient magnitudes and significance levels can be observed. This suggests that the main findings are not driven by a single model specification, variable construction, or estimation window.

5. Results & Discussion

This section presents the empirical findings and links them to the hypotheses. It first describes the language used in the press releases, before examining how disclosure, sentiment, speaker identity, and MAR-labelling relate to acquirer CAR.

5.1 Word clouds

Word clouds have been conducted to reflect the most occurring words in the press releases. Unsurprisingly, as seen in Figure 6, the most common words are corporate and factual words such as “group”, “company”, “acquisition” and “information”. The most frequent positive words in accordance with the LM dictionary are for instance “leading”, “strong”, “better”, “opportunities” and “good” (Figure 7). These words can be considered to be broad and context independent. This one could argue to be a general PR language. Next, there are growth and synergy-framing words such as “attractive”, “successful”, “opportunity” and “profitability” which set the narrative and frame expected synergies, reflecting the M&A setting. Interestingly among the most frequently used negative words are words such as “abuse”, “unlawful”, “disclose” and “violation”. These words are commonly used in a regulatory setting (Figure 8). This suggests that part of the measured negativity may be structural, arising from the legal disclosures in the press releases, rather than from pessimistic communication about the deal. Furthermore, the cross-linguistic setting may influence the interpretation of sentiment measures. While the press releases are written in English, they originate from Swedish firms operating within a different institutional and regulatory environment than the U.S. firms on which the LM dictionary was originally developed. For example “abuse” could be related to the mentioning of the Market Abuse Regulation (MAR), which only occurs in European settings. This highlights a potential limitation of applying dictionary-based sentiment measures across institutional contexts, as words classified as negative by the LM dictionary may capture regulatory compliance language rather than a meaningful negative tone. In combination, the positive and negative suggest that there is a positive bias in the press releases since the negative words are primarily regulatory and that the positive words are generalist.

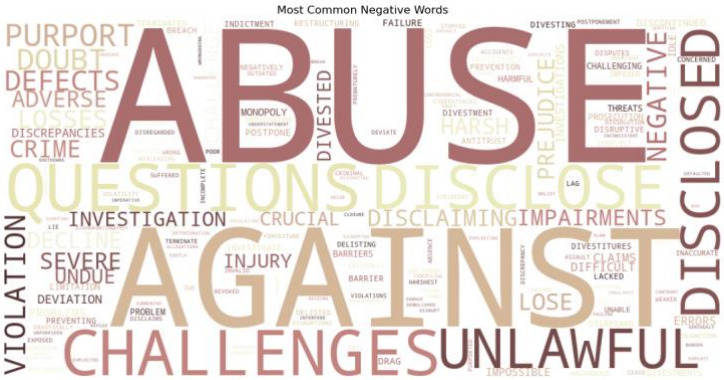
Figure 6: Word Cloud of the Most Common Words

Word Cloud of the most common words used in the press releases. The size of the word illustrates the magnitude of the word's occurrence. The most frequent words are company, group and acquisition.

Figure 7: Word Cloud of the Most Common Positive Words

The word cloud shows the most common positive words used in the press releases in accordance with the LM dictionary (Loughran & McDonald, 2026). The size of the word illustrates the magnitude of the word's occurrence. The most frequent words are leading, strong, better and opportunities.

Figure 8: Word Cloud of the Most Common Negative Words



The word cloud shows the most common negative words used in the press releases in accordance with the LM dictionary (Loughran & McDonald, 2026). The size of the word illustrates the magnitude of the word's occurrence. The most frequent words are abuse, against and challenges.

When dividing the sample into acquirer and target statements and examining the most common overall, positive, and negative words separately, a similar linguistic pattern emerges across both groups (See Figures 9-14 in the Appendix). A positive tone is dominated by broad corporate expressions such as "strong", "leading", "better", and "opportunities", reflecting

generalized strategic and synergy-oriented rhetoric rather than transaction-specific language. Although legal and regulatory words are less prominent at the individual acquirer and target level compared to the aggregate sample, "challenge" remains among the most frequent negative words for both parties. Overall, the similarity in vocabulary between acquirers and targets suggests that M&A communication follows a relatively standardized rhetorical structure.

5.2 MAR and Net Sentiment

Given that the word clouds indicate that several of the most frequent negative words are regulatory in nature, a regression is conducted to examine whether MAR-labelled press releases are systematically associated with lower measured sentiment. Specifically, *Net_Sentiment* is regressed on the MAR dummy together with the same firm controls, deal controls, year fixed effects, and industry fixed effects used in the main regressions. The coefficient on MAR is negative and statistically significant at the 1% level (see Table 5), indicating that MAR-labelled press releases have, on average, lower net sentiment than non-MAR-labelled press releases. This suggests that part of the measured sentiment in the sample may reflect regulatory language rather than purely deal-related tone. In particular, terms such as "abuse" may be classified as negative by the Loughran-McDonald dictionary even when they appear in a neutral legal context, such as "Market Abuse Regulation". The result is consistent with the interpretation that MAR-labelled announcements contain more formal regulatory wording, which can mechanically reduce measured net sentiment.

Table 5: Association between MAR and Net_Sentiment

Dependent variable: Net_Sentiment	
MAR	-0.012***
	(0.003)
Firm controls	Yes
Deal controls	Yes
Year Fixed Effects	Yes
Industry Fixed Effects	Yes
Clustered SE	Industry
R^2	0.033
Adj. R^2	-0.025
# observations	519

*Regression of MAR as the independent variable on Net_Sentiment as the dependent variable which shows a negative relationship. Standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. R squared of: 0.279 and*

5.3 Regression Results

5.3.1 Hypothesis 1

To examine whether higher levels of information disclosure in M&A press releases are associated with higher CAR for acquiring firms, regression models are estimated using the variable *Information_Disclosure*, which ranges from 0 to 3. Higher values indicate more extensive disclosure. In addition to its direct effect (H1a), *Information_Disclosure* is interacted with *Net_Sentiment* to test whether sentiment plays a larger role when disclosure is limited (H1b).

Results Table 1

Dependent variable: CAR	(1) Entire Press Release	(2) Acquirer and Target split	(3) Only acquirer split	(4) Only target split
Net_Sentiment	0.007**			
	(0.002)			
Information_Disclosure	0.004*	0.015**	0.011***	0.011
	(0.002)	(0.006)	(0.002)	(0.006)
Net_Sentiment x Information_Disclosure	0.012*			
	(0.005)			
Net_Sentiment_Acq		0.140	0.216	
		(0.181)	(0.157)	
Net_Sentiment_Targ		0.206*		0.238**
		(0.103)		(0.096)
Net_Sentiment_Acq x Information_Disclosure		-0.121	-0.174**	
		(0.085)	(0.061)	
Net_Sentiment_Targ x Information_Disclosure		-0.173		-0.200
		(0.110)		(0.111)
Comment_from_Acq		0.056	0.071	
		(0.043)	(0.045)	
Comment_from_Targ		0.032***		0.030***
		(0.009)		(0.006)
MAR	0.015***	0.025***	0.016***	0.024***
	(0.004)	(0.004)	(0.004)	(0.004)
Firm controls	Yes	Yes	Yes	Yes
Deal controls	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
Clustered SE	Industry	Industry	Industry	Industry
R^2	0.145	0.218	0.157	0.217
Adj. R^2	0.083	0.117	0.096	0.125
#observations	447	290	446	294

*Standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. All models include firm controls, deal controls, year fixed effects, and industry fixed effects. Standard errors are clustered at the industry level. Note that the deal controls do not include the variables of target Employees, Enterprise Value and Payment Disclosure. Additionally, the number of observations varies across regressions because stock-return data, firm controls, and some deal-level variables are not available for all press releases.*

The baseline results in Table 1 (Regression 1) show that both *Net_Sentiment* and *Information_Disclosure* are positively and statistically significantly related to CAR at the 5% and 10% level respectively. Economically, a one-unit increase in *Information_Disclosure* is associated with an increase in CAR of approximately 0.4 percentage points, suggesting that more detailed press releases reduce uncertainty and are rewarded by investors. This provides support for H1a and is consistent with the notion that M&A announcements convey value-relevant information to the market which is in line with Cao et al. (2023).

Turning to H1b, the interaction between *Net_Sentiment* and *Information_Disclosure* is positive and weakly significant (10% level). This indicates that the effect of sentiment on CAR

increases with higher levels of disclosure. Rather than acting as a substitute for missing information, sentiment appears to be more informative when supported by factual content. In this aggregate specification, H1b is therefore not supported. Instead, the results suggest a complementary relationship between tone and disclosure, where investors place greater weight on sentiment when it is backed by verifiable information.

To better understand the underlying mechanisms, regressions 3 and 4 (Table 1) separate acquirer and target communication. This distinction reveals a clear asymmetry. While acquirer sentiment and the presence of acquirer comments remain insignificant, both the presence of target comments and target sentiment are positively associated with CAR at the 1% and 5% level respectively, consistent with Cao et al. (2023), who show that target sentiment is more closely linked to fundamental value whereas acquirer sentiment may be discounted due to concerns about strategic tone management.

The interaction terms further nuance this picture. In regression 3, the interaction between acquirer sentiment and *Information_Disclosure* is negative and significant at the 5% level, indicating that lower disclosure is associated with a higher effect of acquirer sentiment on CAR. This is consistent with the interpretation that investors discount acquirer tone precisely when there is sufficient factual information to evaluate the deal independently, rendering optimistic acquirer language less persuasive. By contrast, the interaction between target sentiment and *Information_Disclosure* is negative but not statistically significant in regression 4, suggesting that the informational role of target sentiment does not vary systematically with disclosure depth in this specification. Taken together target and acquirer interaction terms despite the target interaction term lacking significance, provide partial support for H1b.

Additionally, regressions 3 and 4 (Table 1) also serve as robustness checks by estimating the models separately for acquirer and target communication. The results remain broadly consistent, confirming that the stronger role of target-related information is not driven by model specification. As the acquirer comments are insignificant across regression specifications the evidence consistently points to the dominant role of target communication in shaping investor reactions.

Taken together, the findings provide strong support for H1a. Greater information disclosure is consistently and positively associated with higher CAR across three of the four specifications, with the coefficient remaining significant. The exception is regression 4, where

Information_Disclosure loses significance, likely reflecting the reduced sample size when isolating target-only communication rather than a substantive weakening of the relationship. Nonetheless, the evidence for H1b is mixed. At the aggregate level, sentiment and disclosure act as complements, with sentiment becoming more informative in high-disclosure settings. This suggests that investors reward positive tone only when it is supported by sufficient factual detail, consistent with the idea that tone alone may reflect strategic communication rather than genuine information. This aligns with Huang et al. (2014), who argue that tone complements factual disclosure but may also reflect strategic management rather than true underlying fundamentals. However, when focusing specifically on acquirer and target communication, the relationship reverses. Acquirer sentiment becomes more influential when disclosure is limited, indicating that investors use it as a substitute signal in low-information environments. This nuanced result extends Cao et al. (2023) by showing that the informational role of sentiment depends not only on who communicates, but also on how much information is available.

However, the results should be interpreted as associative rather than strictly causal. Firms may adjust both the tone and the level of disclosure in press releases depending on the underlying quality of the transaction. For example, firms expecting favourable investor reactions may choose to disclose more information or communicate in a more positive tone. As a result, communication characteristics and CAR may partly reflect the same underlying deal quality. While the inclusion of firm controls, deal controls, fixed effects, and a short event window helps mitigate this concern, unobservable transaction characteristics may still affect both communication choices and market reactions. The findings should therefore be interpreted as evidence that investors price observable communication features, rather than as definitive causal effects.

5.3.2 Hypothesis 2

Hypothesis 2 predicts that positive net sentiment in M&A press releases (both at the aggregate level and within acquirer and target comments is associated with higher short-term CAR for acquiring firms. Table 2 Regression 1 presents the baseline regression examining the relationship between overall net sentiment and acquirer CAR. The coefficient on net sentiment is positive and weakly significant at the 10% level, providing limited support for H2. Economically, the magnitude suggests that more positive press release tone is associated with higher abnormal returns. However, the overall results suggest that sentiment alone plays a

relatively limited role in explaining CAR. The coefficient of 1.3 percentage points means that one-unit increase in overall net sentiment is associated with an approximately 1.3 percentage point increase in CAR. Compared to Cao et al. (2023), the estimated effect is notably smaller where they report a 3.2 percentage point increase, significant at the 5% level. This suggests that sentiment alone is less informative in this research setting.

Results Table 2

Dependent variable: CAR	(1) Entire Press Release	(2) Acquirer and Target comments	(3) Acquirer only	(4) Target only
Net_Sentiment	0.013*			
	(0.007)			
Net_Sentiment_Acq		0.046	0.068	
		(0.103)	(0.095)	
Comment_from_Acq		0.090**	0.096**	
		(0.030)	(0.038)	
Net_Sentiment_Targ		0.015		0.016
		(0.022)		(0.017)
Comment_from_Targ		0.026***		0.025***
		(0.006)		(0.003)
MAR	0.014**	0.022***	0.014***	0.022***
	(0.005)	(0.004)	(0.004)	(0.004)
Firm controls	Yes	Yes	Yes	Yes
Deal controls	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
Clustered SE	Industry	Industry	Industry	Industry
R^2	0.161	0.229	0.176	0.229
Adj. R^2	0.099	0.130	0.114	0.134
# observations	447	290	446	294

*Standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. All models include firm controls, deal controls, year fixed effects, and industry fixed effects. Standard errors are clustered at the industry level. Additionally, the number of observations varies across regressions because stock-return data, firm controls, and some deal-level variables are not available for all press releases.*

Regression 2 in Table 2 extends the analysis by jointly including acquirer and target sentiment, as well as the presence of comments from both parties. On the one hand, neither acquirer nor target sentiment remains statistically significant when both are included in the same specification, indicating that linguistic tone does not independently explain CAR. On the other hand the presence of comments from both the acquirer and the target is positively and statistically significant, with the acquirer comment significant at the 5% level and the target comment significant at the 1% level. This indicates that direct communication from both parties is valued by investors, however with more emphasis on the target. This differs from Table 1 where only the target comment was broadly significant. However, an important asymmetry remains. While both types of comments are significant, the coefficient on target comments is smaller but more precisely estimated (lower standard error), reinforcing the view that target communication is perceived as particularly credible. At the same time, the fact that acquirer comments are also significant suggests that investors do respond to communication from the

acquirer, even if tone alone is discounted. This indicates that the presence of an acquirer comment may provide informational value beyond sentiment.

These findings are consistent with Cao et al. (2023) who argue that acquirer sentiment may be discounted due to potential strategic bias, while target communication is more closely tied to fundamental value. The results here add to this insight by showing that both acquirer and target comments are informative, but that tone alone, regardless of source, is not. To control for target and acquirer comments, they are analysed in isolation in regression 3 and 4 in Table 2. The results provide robustness to the main regressions, neither net sentiment from target nor acquirer are significant, but the presence of a comment is.

5.3.3 Hypothesis 3

Results Table 3

Dependent variable: CAR	(1) Acquirer & Target	(2) Only Acquirer	(3) Only Target
Net_Sentiment_Acq_CEO_Comment	-0.014	-0.010	
	(0.100)	(0.095)	
Net_Sentiment_Acq_Mgmt_Comment	0.029	0.046	
	(0.120)	(0.142)	
Net_Sentiment_Targ_CEO_Comment	0.040		0.041
	(0.093)		(0.089)
Net_Sentiment_Targ_Mgmt_Comment	0.148		0.150
	(0.124)		(0.131)
CEO_Comment_from_Acq	0.007	0.006	
	(0.005)	(0.005)	
Mgmt_Comment_from_Acq	0.002	0.001	
	(0.007)	(0.008)	
CEO_Comment_from_Targ	0.006		0.005
	(0.006)		(0.006)
Mgmt_Comment_from_Targ	-0.004		-0.004
	(0.010)		(0.011)
MAR	0.011**	0.013**	0.012**
	(0.005)	(0.004)	(0.004)
Firm controls	Yes	Yes	Yes
Deal controls	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes
Clustered SE	Industry	Industry	Industry
R^2	0.173	0.168	0.170
Adj. R^2	0.099	0.102	0.105
# observations	464	464	464

*Standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. All models include firm controls, deal controls, year fixed effects, and industry fixed effects. Standard errors are clustered at the industry level. Additionally, the number of observations varies from the total observations because stock-return data, firm controls, and some deal-level variables are not available for all press releases.*

Table 3 examines whether the impact of communication on CAR differs depending on whether the statement originates from the CEO or from other members of management and is analysed separately for both the acquirer and the target. This allows for a more refined test of H3, which predicts that CEO communication should carry greater informational value.

The results show that, while the coefficient from net sentiment and existence of a

comment is positive for both CEO and management communication, none of these effects are statistically significant. This indicates that, once the sample is split by type of speaker, neither the presence of a comment nor the tone of communication has a measurable impact on CAR. Compared to earlier tables, the results in Table 3 suggest that the significance of communication effects is not robust when further decomposed by speaker identity. While Tables 1 and 2 show that comments, particularly from the target, are important drivers of CAR, these effects disappear once communication is split between CEO and management, indicating that the earlier significance may be driven by aggregation rather than differences in speaker credibility. This pattern remains consistent when examining CEO and management comments separately for the acquirer and the target in the isolated regressions 2 and 3. However, the relatively large standard errors suggest that these results should be interpreted with caution. Wald tests ($p = 0.7$ for acquirer and $p = 0.6$ for target) further confirms that no significant difference can be identified between CEO and management communication. These results therefore provide limited support for H3.

5.4 Control Variables

The control variables provide additional context for interpreting the main findings. Across the regressions, profitability, measured by ROA, is generally positively and significantly associated with CAR, suggesting that investors respond more favourably to acquisitions undertaken by firms with stronger operating performance. In contrast, cash holdings and leverage are generally negatively associated with CAR, indicating that investors may view acquisitions by cash-rich or highly levered firms with greater caution. The negative coefficient on cash may reflect concerns related to capital discipline or potential overinvestment, while the negative coefficient on leverage suggests that financial risk can weaken the market's response to acquisition announcements. The control variable *Payment_Disclosure,* accounting for the presence of payment-related information, is weakly negative in several regressions, implying that the disclosure of payment terms is not necessarily rewarded by investors. Interestingly, Table 2 in the summary statistics note that the majority of payments are in fact not mainly in stock, meaning that prior research would suggest that the results should show lower CAR (Officer et al, 2009). This could therefore be a reason for the negative coefficient for *Payment_Disclosure* and why the CAR distribution is largely centred around zero. By contrast, variables such as market-to-book, firm size, relative target size, analyst coverage, and liquidity

are not consistently significant. Moreover, the length of the press release is not significant in any regression.

A highly consistent finding is that MAR-labelled announcements are positively and statistically significantly associated with CAR across the model specifications. In Results Table 1, the coefficient on MAR ranges from approximately 0.015 to 0.025, and MAR remains positive and significant across all regressions in Results Table 2 and 3 at the 1% or 5% level. This makes MAR one of the most robust explanatory variables in the analysis. Importantly, MAR remains significant even when controlling for *Information_Disclosure*. This suggests that the MAR label does not merely capture the amount of factual information disclosed in the press release. Since firms are required to disclose inside information under MAR, and the initial assessment of whether information qualifies as inside information is made by the firm itself, a MAR-labelled press release may reduce uncertainty by signalling that the transaction is material, scrutinised, and potentially value-relevant. At the same time, some firms may apply the MAR label more conservatively, while others more broadly. Therefore, the MAR coefficient likely captures a combination of underlying deal importance, perceived price sensitivity, and regulatory credibility.

5.5 Discussion of Results

The results across Results Tables 1–3 show that investor reactions to M&A press releases depend on both the amount of information disclosed and how the information is communicated. While sentiment is positively related to CAR throughout the analysis, the results suggest that sentiment alone has limited informational value unless it is supported by factual disclosure. A key finding emerges when comparing Results Tables 1 and 2. Without controlling for *Information_Disclosure* (Results Table 2), *Net_Sentiment* is only weakly significant. However, once *Information_Disclosure* is included (Results Table 1), *Net_Sentiment* becomes positive and significant at the 5% level. This suggests that disclosure and sentiment capture different dimensions of communication. This can further be supported by examining the negative words in Figure 8, where regulatory-related terms such as “abuse” and “disclose” appear. In contrast, these words are not present in Figures 11 and 14 in the appendix, which display the negative words used specifically by the acquirer and target. This strengthens the argument that such words are regulatory in nature and perhaps should not be classified as negative within the net sentiment variable. One explanation may be that the LM dictionary is based on a US context

where, for example, MAR is not relevant, meaning that words such as “abuse” in a Swedish setting may be more neutral than negative. This is supported in Table 5 where MAR is negatively associated with *Net_Sentiment*, indicating that MAR-labelled press releases have lower measured net sentiment.

Nonetheless, MAR is included as a control variable, meaning that some regulatory disclosure should already be accounted for. However, since MAR labelling is discretionary, although subject to regulatory scrutiny, and because other regulatory details may also be included in press releases, the label may not fully capture this dimension. Consequently, the regulatory landscape may influence the net sentiment variable and could explain why the coefficient is smaller than that reported by Cao et al. (2023). In other words, within the Swedish regulatory context, the LM dictionary may not fully capture sentiment in the way it was originally intended. As a result, sentiment in M&A press releases may reflect a combination of informational content, strategic framing, and regulatory compliance language, which may explain why sentiment alone has limited explanatory power for abnormal returns in the Swedish private-target setting. This interpretation is further supported by the additional regression showing that MAR is negatively associated with *Net_Sentiment* (Table 5). Importantly, however, MAR remains positively associated with CAR in the main regressions. Investors, therefore, do not appear to interpret MAR-related wording as economically negative. Instead, MAR seems to function as a signal of deal materiality and credibility, while its regulatory terminology may partly distort the sentiment measure.

Additionally, since the analysis is restricted to English-language M&A press releases by Swedish mid-cap acquirers, it is therefore not randomly drawn from the full population of Swedish acquisitions. Such press releases may differ systematically from firms communicating only in Swedish, for example through greater international exposure, higher disclosure standards, or broader capital-market visibility. Future research could therefore examine whether the findings generalise across markets, firm sizes, and regulatory regimes. Further work could also apply other textual methods to distinguish between genuine sentiment, strategic framing, and regulatory language, to reflect legal terminology. Finally, linking press release sentiment and disclosure to long-run acquisition performance would help determine whether investors correctly identify value-relevant communication or merely respond to persuasive framing in the short term.

6. Conclusion

To conclude, this thesis examines whether sentiment in M&A press releases explains acquirer cumulative abnormal returns in Swedish private-target acquisitions, a setting characterised by substantial information asymmetry. Using 752 English-language press releases from Swedish mid-cap acquirers between 2015 and 2025, the study shows that markets do not respond to sentiment in isolation. Instead, sentiment becomes more informative when it appears in a credible disclosure context, particularly when supported by quantitative deal information.

The results further reveal a clear asymmetry between acquirer and target communication. Target communication is more consistently associated with positive market reactions than acquirer communication. In particular, target comments, and to some extent target sentiment, show a stronger and more robust association with CAR than acquirer comments and acquirer sentiment. This indicates that investors perceive target communication as more credible and less strategically biased, even when it appears within the acquirer's press release. Acquirer sentiment, by contrast, is discounted when the amount of information disclosed is high, suggesting that investors rely less on optimistic acquirer language when they have sufficient information to evaluate the transaction independently. Moreover, the identity of the individual speaker, whether CEO or other management, is not found to have a measurable effect on acquirer CAR.

The findings contribute to the literature by extending Cao et al. (2023) to a private-target setting and indicate that the value of sentiment depends on both disclosure and credibility. The results also highlight the relevance of the Swedish regulatory environment, as announcements labelled under the Market Abuse Regulation (MAR) are consistently associated with stronger market reactions. Since MAR-labelled press releases state that the firm classifies the information as inside information with potential price impact, the label may function not only as a legal disclosure mechanism, but also as a signal of deal materiality and credibility. These findings are relevant for investors, managers, and regulators. For investors, they show that M&A press releases should be evaluated not only based on tone, but also on whether the tone is supported by factual disclosure and credible sources. For managers, the results suggest that credible and information-rich communication is more valuable than optimistic language alone. For regulators, the findings suggest that both sentiment and MAR-labelling can shape market reactions to M&A announcements. Since positive tone and regulatory classification are associated with higher CAR, firms may have incentives to

strategically frame announcements or use disclosure labels in ways that enhance perceived credibility. Although the results do not prove manipulation, they highlight the importance of monitoring not only whether inside information is disclosed, but also how it is communicated. Overall, the thesis shows that in private-target M&A, the market does not reward enthusiasm itself. It rewards communication that reduces uncertainty and gives investors reason to believe it. Therefore, it is not only what firms say, nor how they say it, but whether the communication is credible, informative, and supported by facts.

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8. Appendix

Table 1: Variable Definitions and Descriptions

Variable Name	Description	Variable Type	Used in Regression
Dependent Variable			
CAR	Cumulative Abnormal Returns around the M&A announcement date, estimated using the Fama-French five-factor model over the event window [-1, +1]. Winsorised at the 1st and 99th percentiles.	Continuous	Yes (dependent)
Sentiment Variables			
Net Sentiment	(Positive words − Negative words) / Total words in the full press release, based on the Loughran-McDonald (LM) Financial Sentiment Dictionary.	Continuous	Yes
Net Sentiment Acquirer (Acq)	(Positive words − Negative words) / Total words in the combined acquirer comment (CEO + management).	Continuous	Yes
Net Sentiment Target (Targ)	(Positive words − Negative words) / Total words in the combined target comment (CEO + management).	Continuous	Yes
Net Sentiment Acq CEO comment	(Positive − Negative) / Total words specifically in the acquirer CEO quote.	Continuous	Yes
Net Sentiment Acq Mgmt comment	(Positive − Negative) / Total words specifically in the acquirer management quote.	Continuous	Yes
Net Sentiment Target CEO comment	(Positive − Negative) / Total words specifically in the target CEO quote.	Continuous	Yes
Net Sentiment Target Mgmt comment	(Positive − Negative) / Total words specifically in the target management quote.	Continuous	Yes
Communication Variables (Presence of Comments)			
Comment from Acquirer	= 1 if the press release contains any comment from an acquirer representative (CEO or other management); 0 otherwise.	Dummy	Yes
Comment from Target	= 1 if the press release contains any comment from a target representative (CEO or other management); 0 otherwise.	Dummy	Yes
CEO comment from Acquirer	= 1 if the press release contains a comment specifically attributed to the acquirer's CEO; 0 otherwise.	Dummy	Yes
CEO Comment from Target	= 1 if the press release contains a comment specifically attributed to the target's CEO; 0 otherwise.	Dummy	Yes
Management comment Acquirer	= 1 if the press release contains a comment from acquirer management (non-CEO); 0 otherwise.	Dummy	Yes
Management Comment Target	= 1 if the press release contains a comment from target management (non-CEO); 0 otherwise.	Dummy	Yes

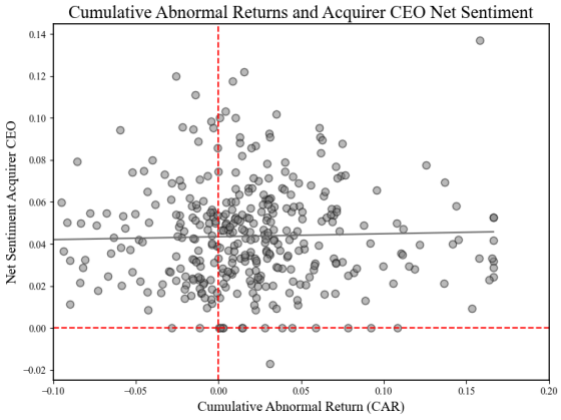
Information Disclosure and Deal Characteristic Variables			
Information Disclosure	Ordinal index from 0 to 3, summing the disclosure dummies for Enterprise Value, Purchase Price, and Number of Target Employees. Higher values indicate more extensive disclosure.	Ordinal (0–3)	Yes
Target Purchase Price disclosed	= 1 if the acquisition purchase price is disclosed in the press release; 0 otherwise.	Dummy	No (component of Information Disclosure)
Target EV disclosed	= 1 if the target's enterprise value is disclosed in the press release; 0 otherwise.	Dummy	No (component of Information Disclosure)
Target number of employees disclosed	= 1 if the number of target employees is disclosed in the press release; 0 otherwise.	Dummy	No (component of Information Disclosure)
Valuation Disclosure	= 1 if at least one of Enterprise Value or Purchase Price is disclosed; 0 otherwise.	Dummy	No
Scale Disclosure	= 1 if the number of target employees is disclosed; 0 otherwise (equivalent to employee disclosure dummy).	Dummy	No
Limited Info	Inverse of Information Disclosure. = 3 − Information_Disclosure; a value of 3 means no quantitative deal information was disclosed.	Ordinal (0–3)	No
Length of Press Release	Total number of words in the full press release.	Continuous	Yes
Payment Disclosure	= 1 if the method of consideration (cash, stock, or mixed) is disclosed in the press release; 0 otherwise.	Dummy	Yes
Shares in the offer	= 1 if the acquirer offers shares as (part of) the consideration; 0 otherwise.	Dummy	No
Cash in the offer	= 1 if cash is part of the consideration; 0 otherwise.	Dummy	No
Payment Stock Dummy	= 1 if the consideration is stock only; 0 otherwise.	Dummy	No
Payment Mixed Dummy	= 1 if the consideration is a mix of stock and cash; 0 otherwise.	Dummy	No
Payment Cash Dummy	= 1 if the consideration is cash only; 0 otherwise.	Dummy	No
MAR	= 1 if the press release is labelled as Market Abuse Regulation (MAR) compliant, signalling regulatory scrutiny and inside information; 0 otherwise.	Dummy	Yes
Relative Size Revenue	Target revenue divided by acquirer revenue (in SEK). Captures deal size relative to acquirer.	Continuous	Yes
Date of Press Release	Date and time of the press release announcement. Used to match with stock return data and to define year fixed effects.	Date	Year used as fixed effect
Target Characteristics			
Name of Target	Name of the target company.	Text	No

Revenue of Target (SEKm)	Target company revenue in SEK millions. Used to construct Relative Size Revenue.	Continuous	No (used to derive Relative Size)
Currency	Currency of the target's reported revenue, used for conversion to SEK.	Categorical	No
Acquirer / Firm Characteristics			
Market-to-Book (mb)	Acquirer market capitalisation divided by total book value, measured at year-end prior to the announcement.	Continuous	Yes
Size	Natural logarithm of acquirer total assets (SEKm), measured at year-end prior to the announcement.	Continuous	Yes
Cash	Acquirer cash and cash equivalents divided by total assets, measured at year-end prior to the announcement.	Continuous	Yes
ROA	Acquirer EBIT divided by total assets, measured at year-end prior to the announcement.	Continuous	Yes
Leverage	Acquirer total debt outstanding (long- and short-term) divided by total assets, measured at year-end prior to the announcement.	Continuous	Yes
Analyst Coverage	Number of analysts covering the acquirer.	Continuous	Yes
Liquidity	Daily stock turnover defined as stock price multiplied by the number of shares traded, aggregated over trading days.	Continuous	Yes
Revenue (Acquirer)	Acquirer revenue in SEKm.	Continuous	No
Fixed Effects			
Industry	First two SIC digits of the acquirer's industry, used as industry fixed effects in all regressions.	Categorical	Yes (fixed effect)
PressRelease Year	The year in which the press release was published, used as year fixed effects in all regressions.	Date	Yes (fixed effect)
Identification Variables (not used in regressions)			
Name of Release / Acquirer	Acquirer company name and a link to the corresponding press release. Used for data collection and identification only.	Text	No

This table presents all variables used in the study, organized by category. Variable types are: Continuous, Dummy (binary 0/1), Ordinal, Categorical, Date, or Text. The final column indicates whether the variable was included as an explanatory variable or fixed effect in the main regressions.

Scatter Plots:

(1)



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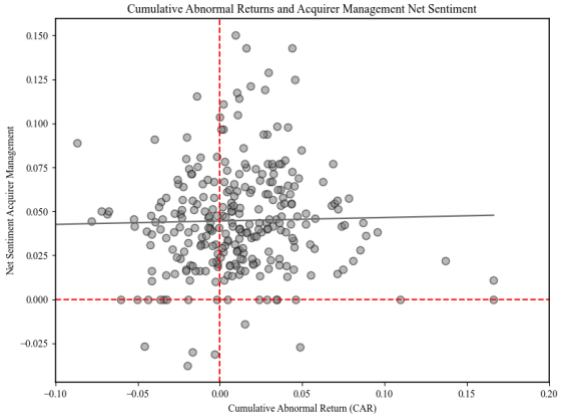

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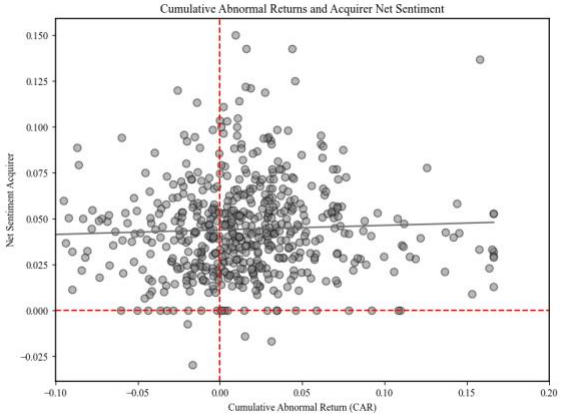

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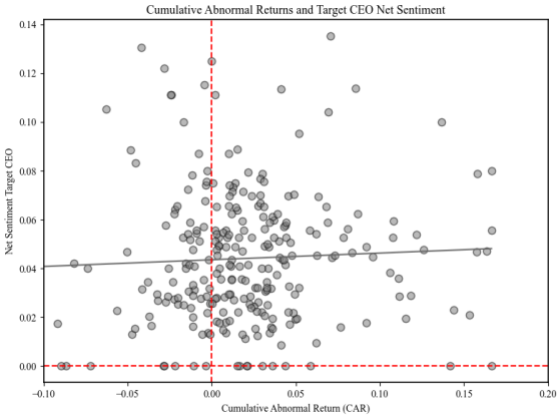

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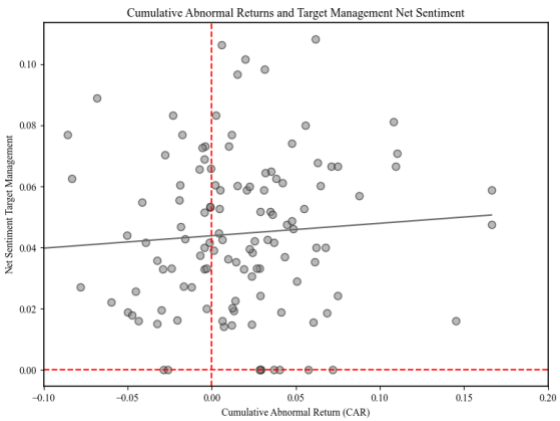

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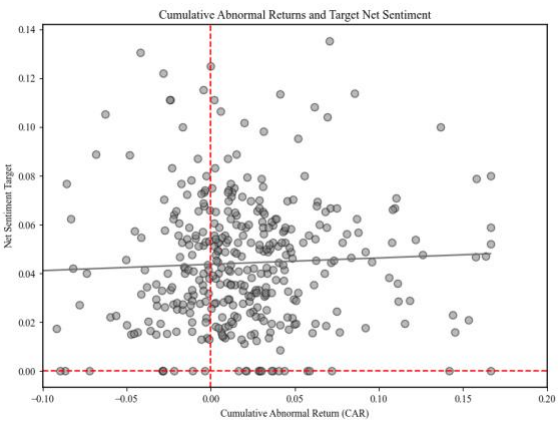

Figure 4: Correlation Table of Key Variables with CAR

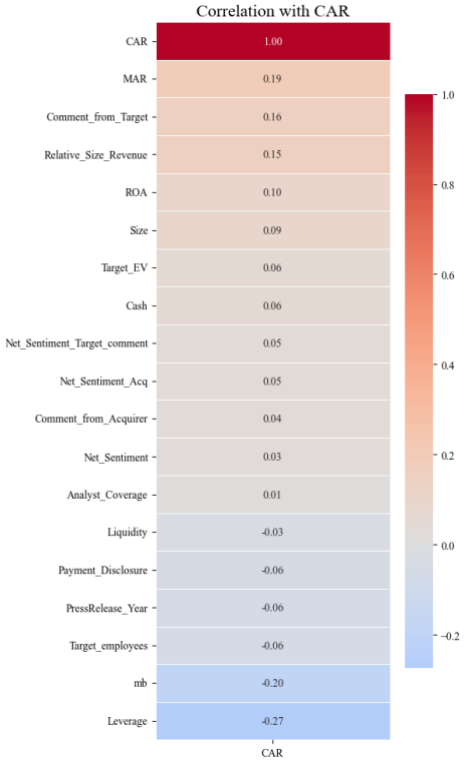

Figure 5: Multivariate Correlation Matrix

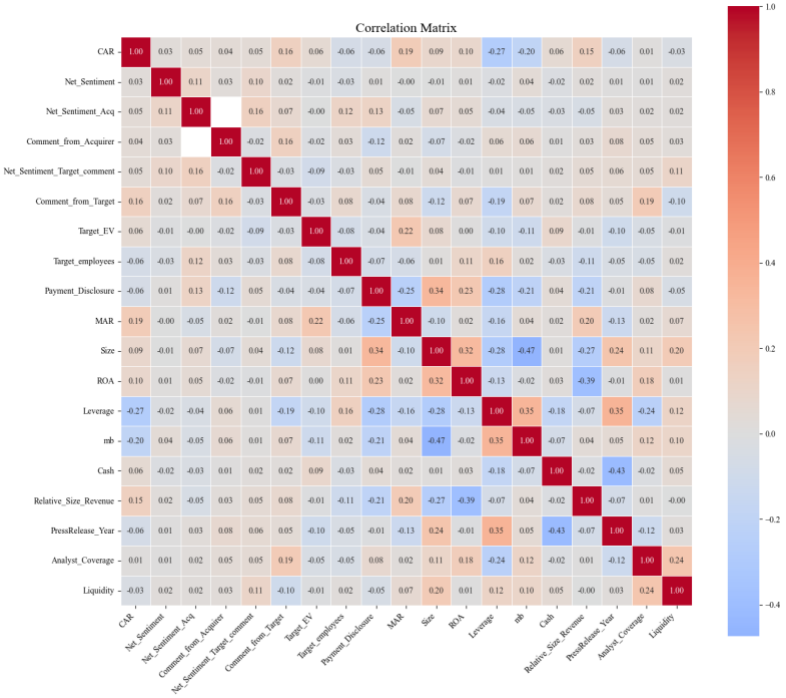

Figure 9: Most used words in press releases by Acquirer

Figure 10: Most common positive words used by Acquirer

Figure 11: Most common negative words used by Acquirer

Figure 12: Most common words used in press releases by Target

Figure 13: Most common positive words used by Target

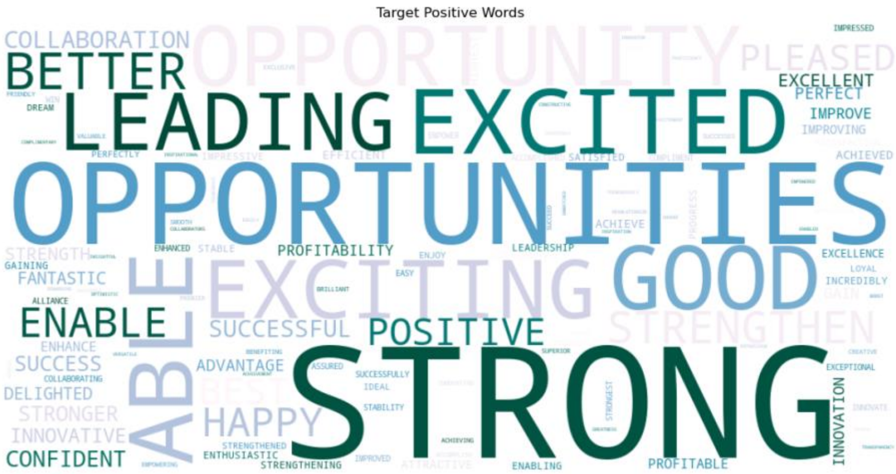

Figure 14: Most common negative words used by Target