



The Impact of Economic Policy Uncertainty on Seasoned Equity Offerings

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Abstract

This study investigates the influence of Economic Policy Uncertainty measured through the EPU index created by Baker et al. (2016), on the method selection as well as the completion time of Seasoned Equity Offerings (SEOs) in the U.K. market for the period of 2000 to 2019. Based on a sample of 1,031 completed SEO deals, including placings, private placings, and rights issues, this study finds that, regarding the method choice, economic policy uncertainty is not related to rights issues. Contrarily, the results suggest that under higher economic policy uncertainty, private placings are less preferred compared to placings. Moreover, when testing the completion time of these deals, we find that under stronger economic policy uncertainty, placings tend to experience extended completion periods. However, in the specific scenario of medium-term EPU, rights issues are estimated to be completed within a shorter time span.

Keywords: Seasoned Equity Offerings, Economic Policy Uncertainty, Financing Decisions

JEL Codes: D80, G32, G39

Resumo

Este estudo investiga a influência da Incerteza Política Económica, capturada através do Índice de Incerteza Política Económica desenvolvido por Baker et al. (2016), na seleção do método e no tempo de conclusão das Ofertas Públicas de Venda (OPVs) realizadas no Reino Unido para o período de 2000 a 2019. A partir de uma amostra de 1.031 OPVs concluídas, incluindo colocações públicas, colocações privadas e emissões de direitos, este estudo conclui que, no que diz respeito à escolha do método, a incerteza política económica não está relacionada com as emissões de direitos. Por outro lado, os resultados sugerem que num cenário de maior incerteza ao nível da política económica, as colocações privadas são menos solicitadas comparativamente com as colocações públicas. Adicionalmente, os resultados da testagem relativamente ao tempo de conclusão destas operações, sugere que quanto maior a incerteza política económica, maior é o período de conclusão das colocações públicas. No entanto, quanto mais elevada a incerteza de médio prazo associada à política económica menor será o período de conclusão das emissões de direitos.

Palavras-chave: Ofertas Públicas de Venda, Incerteza Política Económica, Decisões de financiamento

Classificação JEL: D80, G32, G39

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1. Introduction

Economic policy uncertainty (EPU) can be described as the uncertainty surrounding economic policies, namely monetary, fiscal and regulatory measures, resulting from the potential future changes on current policies (Ozili, 2021). From the financial crisis between 2007 and 2009 to the U.S. elections in 2016 or even, the referendum decision for the UK to leave the European Union, referred to as Brexit, we have all navigated, in the past, through periods characterized by higher uncertainty (Dang et al., 2021; Davis, 2016; Hill et al., 2019).

Given the mutable and complex world we live in, driven by factors such as the continuous technological advancement and the interconnection of global economies, this uncertainty has become more notable (Al-Thaqeb & Algharabali, 2019). In fact, recent worldwide events have significantly amplified uncertainty such as the Covid-19 pandemic that besides having raised public health issues has also increased the instability of the global economic system (Al-Thaqeb et al., 2022). Moreover, the ongoing geopolitical conflict between Russia and Ukraine has also aggravated uncertainty and, consequently, harmed the global economy (Ahmed et al., 2023).

The study of economic policy uncertainty has emerged, primarily due to its impact on the macroeconomic level. However, recent research has directed its focus towards investigating the influence of economic policy uncertainty on corporate decision-making processes (Ozili, 2021). As a result, it is possible to find research studying how economic policy uncertainty influences, not only, investment (Bloom et al., 2007; Bloom, 2009; Gulen & Ion, 2016; Tran, 2019) but also financing decisions. For instance, available literature shows the reflection of economic policy uncertainty on cash holdings (Duong et al., 2020; Phan et al., 2019), as well as its negative impact on the Merger and Acquisition (M&A) market (Bonaime et al., 2018; Paudyal et al., 2021; Sha et al., 2020), and on initial public offerings (IPOs) and seasoned equity offerings (SEOs) activity (Boulton, 2022; Chan et al., 2021; Colak et al., 2021; Çolak et al., 2017; Dang et al., 2021; Demir et al., 2023; Gungoraydinoglu et al., 2017; Jens, 2017).

The increasing literature regarding the impact of EPU on corporations was, mostly, inspired by the study of Baker et al. (2016), who created a new economic policy uncertainty index also known as BBD index that incorporates through news, policy changes, market conditions, and economic indicators, the major factors influencing uncertainty. This index was originally built for the U.S. using a weighted average to capture news updates, tax regulations shifts

and changes in monetary and fiscal policy prospects. The index is now available for other countries and different timeframes however, it relies exclusively on the news coverage element (Chan et al., 2021).

Despite the growing literature, there are areas of economic policy uncertainty in the decision-making process of companies that warrant further analyses. Thus, considering that SEOs are a crucial financing method, that has become, over the past few decades, more popular (Li & Wang, 2022) and without which around 62% of issuers would lose liquidity (DeAngelo et al., 2010), this study aims to provide further insights regarding the impact of economic policy uncertainty on seasoned equity offerings. In this regard, this study aspires to assess how economic policy uncertainty, measured by the EPU index of Baker et al. (2016), influences the selection of the SEO method as well as the time required for the completion of these deals.

We started by hypothesizing that firms subject to higher economic policy uncertainty are less likely to decide performing seasoned equity offerings through rights issues and, that the higher the economic policy uncertainty, the longer will be the completion time of SEO deals. Thus, using a sample of 1,031 completed SEO deals in the U.K., including placings, private placings and rights issues for the years of 2000-2019, results suggest that, regarding the method choice hypothesis and even though rights issue are not statistically significant, private placings are less preferred when compared to placings, under higher economic policy uncertainty. However, our analysis indicates that when economic policy uncertainty is higher, placings tend to experience a larger completion period, whereas rights issues are expected to be concluded within a shorter period.

The rest of this study is structured as follows. Next section presents the literature review regarding seasoned equity offerings and economic policy uncertainty. Section 3 includes the hypothesis development. Methodology and data description are detailed in section 4. Empirical results are presented in section 5 and main conclusions are identified in section 6.

2. Literature Review

2.1 Seasoned Equity Offerings

According to Le et al. (2020) seasoned equity offerings can be defined as the issue of additional stocks by public companies, representing a way to secure capital in the stock market. For Abdullah and Zaby (2021, p.1), performing SEOs is a common method of raising viable funds, allowing companies to mitigate “bankruptcy risk caused by indebtedness, maintain healthy credit ratings, and reduce restrictions on the long-term use of their funds”.

Companies can use the proceeds from seasoned equity offerings, such as for recapitalization purposes, to engage in M&A activities, reinforce capital expenditures or, even, support research and development initiatives (Autore et al., 2009), however, to optimize the effectiveness of these operations, companies should consider several determinants including the deal timing, the selection of an appropriate method as well as the issue price (Le et al., 2020).

In fact, determining the issue price is considered the most crucial decision of SEOs due to its influence in the amount of capital that is raised and, therefore, the success of business strategies conducted by firms. Interestingly, one of the most widely documented phenomena regarding these deals is their discount and underpricing which has been extensively reported by several studies in the United States. For instance, Corwin (2003) finds an average underpricing of 2.2% between 1980 and 1998. This result suggests that issuing firms suffered a significant cost which led them, in 1998, to a loss of \$1.95 million in terms of offer proceeds. Altınkılıç and Hansen (2003) observe that during the 1990s, the SEO discount achieved an average of 3%, a result confirmed by Mola and Loughran (2004) who additionally highlight that the discount has consistently increased. Despite being limited, it is also possible to find some evidence beyond the United States. For example, in the case of U.K., Slovin et al. (2000) report an average discount for insured rights of 17% between 1986 and 1994 and Armitage (2012) find that while the discount experienced by rights issues is 30% higher than the market price, in the scenario of open offers and placings is approximately 10%. Furthermore, Armitage et al. (2014), based on a sample of open offers and large placings performed in the U.K. during 1999-2008, find that 90% of these SEOs displayed an average discount of 26%.

There are different theories aiming to explain the SEO discount, however the adverse selection hypothesis is regularly pointed out. This explanation implies that since managers have privileged information about the company, investors will interpret the issue of more equity as a signal of overvalued shares and, consequently, demand a discount (Chan & Chan, 2014). According to the market timing theory, considered one of the most notable explanations behind SEOs, managers time equity issues when shares are overvalued to raise capital at a lower cost (Cohen et al., 2007; DeAngelo et al., 2010; Dittmar et al., 2020). As a result, it is expectable that the higher the information asymmetry, the higher the discount (Chemmanur & Jiao, 2011; Chan & Chan, 2014).

However, the information asymmetry model of Myers and Majluf (1984) suggests that because managers with inside information issue overvalued stock, the stock price decreases at the issue announcement. Asquith and Mullins (1986) also verify that stock prices are negatively impacted by the announcement of equity offerings, strengthening the hypothesis that investors have a negative perception of equity issues.

There is literature documenting that even though SEOs are strategically timed when the market is experiencing an upward trend, stocks priced at unusually high levels end up being corrected (Cohen et al., 2007). In fact, Loughran and Ritter (1995) and Spiess and Graves (1995) find that, in U.S., companies that issue equity experience an underperformance over a five-year period following the offering date when compared to non-issuing firms. Ngatuni et al. (2007) and Andrikopoulos (2009), also identify a poor long-term performance associated to U.K. rights issues. Stehle et al. (2000), also report a long-term underperformance of SEOs, in the German market. Brown et al. (2006) demonstrate that Australian SEOs experience an underperformance during a period of up to five years following the announcement moment and Farinós et al. (2007) also identify a long-term underperformance in the Spanish market however, exclusively in the case of small and medium firms.

According to Marquardt and Wiedman (1998) managers' behavior suggests that a reduced level of information asymmetry is associated with a lower cost of capital and Barnes and Linehan (2006) highlight that issuers may feel incentivized to strategically announce seasoned equity offerings during periods of reduced information asymmetry to prevent negative abnormal returns at the SEO announcement. For Barnes and Linehan (2006) firms

recognized for establishing reliable communication with stakeholders have the ability to impact the information environment and, consequently, mitigate the adverse selection issue.

Lin et al. (2008) state that managers are more likely to disclose information before issuing a seasoned equity offering in an attempt to minimize the costs of these operations and for Li and Zhuang (2012), with voluntary disclosure, companies can decrease the information asymmetry, and, consequently, the SEO underpricing, as well. Along the same line, Jo and Kim (2008) argue that extensive disclosure has a positive connection with the long-run performance of SEOs. Silva and Bilinski (2015) show, based on the U.K. market, that the release of investment goals as well as the underwriter quality exert a positive influence on the SEO performance and Bowen et al. (2008), obtain results consistent with the hypothesis that both the quantity and quality regarding analyst coverage can mitigate SEO underpricing. Additionally, Amiram et al. (2016), suggest that information asymmetry is mitigated by analyst earnings forecasts.

Existent literature also documents the influence of corporate governance on seasoned equity offerings. For instance, Huang and Tompkins (2010) and Kim and Purnanandam (2014) find that investors produce a positive reaction towards SEOs announcements of firms presenting robust corporate governance devices and Becker-Blease and Irani (2008, p.293), document that “complete board independence, audit committee size, and officer and director holdings” are negatively connected to the stock price decrease at the SEO announcement.

The impact that macroeconomic conditions exert on the capacity of firms obtaining external financing is also broadly acknowledged (Erel et al., 2012). In the one hand, it is expectable that during economic booms, the amount of equity issues will be larger when compared to periods of economic distresses (Qian, 2014). However, on the other hand, according to Erel et al. (2012), when economic conditions are less advantageous, firms with inferior quality are more likely to issue equity and debt through private placements. Nevertheless, for Prasad et al. (2021), under unfavorable economic conditions, raising funds through SEOs is a preferable strategy over debt issuance, since seasoned equity offerings enable companies to gather a greater amount of capital. For Gulen and Ion (2016), companies are exposed to a constantly changing policy environment and Brogaard and Detzel (2015) state that uncertainty influences the way economic agents act. Su et al. (2020) confirm that economic policy uncertainty plays a decisive role on corporate decisions and highlight that this

uncertainty arises from the combination between economic downturns and the mutability of international conditions.

2.2 Economic Policy Uncertainty

The impact of economic policy uncertainty on business cycles has already been emphasized by several studies with the earlier research discussing the influence of uncertainty on the Great Depression (Benati, 2016). Romer (1990), based on the consumption decrease experienced after the stock market crash of 1929, concludes that a rise on income uncertainty influences consumers' decisions and Ferderer and Zalewski (1994) suggest that the Great Depression was aggravated by the high levels of uncertainty associated to interest rates. In fact, evidence shows that uncertainty can contribute to economic contractions (Bernanke, 1983; Bloom et al., 2018) and is also associated to the decelerated recovery from the economic downturn experienced between 2008 and 2009 (Baker et al., 2016; Gulen & Ion, 2016).

Despite its impact on the macroeconomic level, it is recognized that uncertainty also affects financial markets and the prevailing conclusion is that stock returns are adversely impacted by EPU (Phan et al., 2018). For instance, Pástor and Veronesi (2012) suggest that when policy changes are revealed, stock market returns decline. These authors further indicate that this reaction becomes more pronounced as the government policy uncertainty grows stronger. Moreover, Arouri et al. (2016), confirm the negative impact that EPU exerts on stock returns and Liu and Zhang (2015) suggest that economic policy uncertainty can be used to forecast market volatility.

Moreover, an increasing body of research has been addressing the influence of economic policy uncertainty on the corporate decision-making process. Bloom (2009), reports that uncertainty tends to experience a sharp rise after severe disruptions and conclude that with high levels of uncertainty, companies choose to provisionally suspend hiring and investment activities. Bloom et al. (2007) defend that because the value of real options is enhanced by uncertainty, companies perform more prudent decisions and Tran (2019) confirms that economic policy uncertainty encourages managers to behave more conservatively. Additionally, Gulen and Ion (2016), reinforce the idea that policy uncertainty is inversely

related to investing and suggest that when uncertainty rises, postponing investments becomes more advantageous.

Extant literature documents that policy uncertainty not only affects corporate's investment but also financing decisions given that it increases the cost of capital (Çolak et al., 2017). In fact, studies report that uncertainty has implications on the cash holdings decision as firms decide to hold higher levels of cash when exposed to stronger policy uncertainty (Duong et al., 2020; Phan et al., 2019).

Prior research reveals that the effect of uncertainty extends to the M&A market, as well. For instance, Bonaime et al. (2018) based on a sample of U.S. acquirers, find that both the value and number of M&A transactions are adversely impacted by economic policy uncertainty. However, Sha et al. (2020) find that, in China, there is a positive connection between the likelihood of acquisitions and EPU, since, under a scenario of higher uncertainty, these deals will allow the shareholders from the acquiring companies to become wealthier. In the case of cross-border M&A deals, it is found that the higher the economic policy uncertainty of a country, the fewer foreign investors will be engaged in the transaction (Paudyal et al., 2021).

Moreover, there is evidence documenting that EPU increases the underpricing of IPOs (Boulton, 2022). Çolak et al. (2017) show that the political uncertainty arising specifically from U.S. elections, reduces the number of IPOs as well as its offer prices and Colak et al. (2021, p.4) state that the Political Alignment Index, used as “a proxy for the likelihood of a partisan political intervention in local markets” stimulates the IPO underpricing. Additionally, Demir et al. (2023), based on the World Uncertainty Index, find that economic uncertainty reduces the number of IPOs as well as the amount of funds raised.

Similarly, in the case of seasoned equity offerings, according to Chan et al. (2021) the SEO discount increases with EPU, and the number of deals decreases during moments of higher uncertainty. For Gungoraydinoglu et al. (2017), political uncertainty diminishes the offerings size and exacerbates the SEO underpricing and Jens (2017), realizes that during gubernatorial elections, which are periods surrounded by a stronger level of uncertainty, the probability of companies performing SEO deals declines. Dang et al. (2021) state that when exposed to substantial policy uncertainty, companies performing SEOs experience weaker abnormal returns in the long term.

3. Hypothesis Development

The selection of seasoned equity offerings method is a critical choice that has been significantly studied, particularly, focused on the U.S. market. According to Barnes and Walker (2006) capital markets in the United States privilege ownership dispersion as well as market liquidity, both of which can be enhanced through public issues¹. However, in the U.K. market, rights offerings² were the prevailing method until the deregulation of 1986, which enabled British companies to decide issuing equity through placings³ (Slovin et al., 2000).

Focusing on the U.K., Burton et al. (1999) demonstrate that, while the market produces a negative reaction towards rights issues, placings, and open offers⁴ don't trigger a significant response. In fact, Slovin et al. (2000), show that contrary to placings that allow companies to communicate their quality and to change the ownership composition, rights offerings induce a negative reaction that has been aggravated after the deregulation and Barnes and Walker (2006) confirm that the market reacts more positively to placings rather than to rights offerings.

Furthermore, it is commonly suggested that the adverse selection problem has implications on the SEO issue method choice. According to Sony and Bhaduri (2021) rights issues are preferred by companies subject to smaller information asymmetry, whereas in the case of higher asymmetry, private placements⁵ become the favored method. There is also research showing that, when facing intense levels of information asymmetry, firms privilege private placements (Balachandran et al., 2013; Cronqvist & Nilsson, 2005; Wu, 2004). Additionally, Barnes and Walker (2006) conclude that the likelihood of firms choosing placings in order to issue equity increases with asymmetry.

¹ Public issues can be described as the offering of shares to the broader market without limitations regarding the participants allowed to purchase them (Barnes & Walker, 2006).

² Rights offerings provide to current shareholders the opportunity to buy additional shares in proportion to their existing holdings (Slovin et al., 2000).

³ According to Goergen et al. (2006) placings entail offering shares to a limited group of large-scale investors, namely institutional investors.

⁴ Open offers are similar to rights offerings however, the main difference resides on the fact that shareholders are not allowed to sell the subscription rights (Iqbal et al., 2009).

⁵ Private placements allow companies to sell new shares to a narrowed group of investors (Cronqvist & Nilsson, 2005).

However, it is important to highlight that there seems to be a clear connection between information asymmetry and economic policy uncertainty, as various studies indicate. Bird et al. (2023), state that policy uncertainty amplifies information asymmetry. Nagar et al. (2019) confirm that economic policy uncertainty intensifies information asymmetry and conclude, additionally, that despite managers' efforts to make more disclosures, the asymmetry remains.

Therefore, we expect that high levels of EPU will lead to higher information asymmetry and, consequently, rights issues will be the least preferred method to perform seasoned equity offerings. Thus, we hypothesize the following:

Hypothesis 1: Firms exposed to high economic policy uncertainty are less likely to decide performing seasoned equity offerings through rights issues.

Besides finding evidence that policy uncertainty depresses M&A activity, Nguyen and Phan (2017) also conclude that, when companies subject to high uncertainty perform mergers and acquisitions, these deals will experience longer completion periods. In fact, as it was mentioned before, uncertainty strengthens the value of real options and, as a result, it increases the upside of deferring investments (Bloom et al., 2007; Bonaime et al., 2018; Gulen & Ion, 2016). Consequently, our second hypothesis is defined as:

Hypothesis 2: The higher the economic policy uncertainty the longer will be the completion period of SEO deals.

4. Methodology and Data Description

4.1. Empirical Models

With the purpose of testing the influence of economic policy uncertainty regarding the deal method decision and similar to Dang et al. (2021) we employ a multinomial logistic regression analysis defined as follows:

$$tofdeal_{it} = \beta_0 + \beta_1 EPU3_{it} + \Sigma \gamma_j Controls_{jit} + \varepsilon_{it} \quad (4.1)$$

$$tofdeal_{it} = \beta_0 + \beta_1 EPU6_{it} + \Sigma \gamma_j Controls_{jit} + \varepsilon_{it} \quad (4.2)$$

$$tofdeal_{it} = \beta_0 + \beta_1 EPU12_{it} + \Sigma \gamma_j Controls_{jit} + \varepsilon_{it} \quad (4.3)$$

where,

$$tofdeal_{it} = \begin{cases} 0, & \text{if } tofdeal = Placings \\ 1, & \text{if } tofdeal = Private Placings \\ 2, & \text{if } tofdeal = Rights Issue \end{cases}$$

The dependent variable, denoted as $tofdeal_{it}$, represents the deal method and is assumed 0 in the case of placings, 1 for private placings, and 2 for rights issue. Considering placings as the base category, this model allows us to assess the probabilities of choosing rights issues or private placings relatively to placings, as a response to economic policy uncertainty.

Economic policy uncertainty is captured through the monthly economic policy uncertainty index developed by Baker et al. (2016). The EPU index, for the U.K., relies on the analysis of newspaper articles that include key terms associated to economic policy uncertainty and is collected from www.policyuncertainty.com. In order to evaluate the impact of this uncertainty over different periods and to capture its short and medium-term effects, we perform regression analyses for the natural logarithm of EPU computed over 3, 6, and 12 months preceding the deal announcement date. In fact, it is expectable to obtain different results according to the different periods over which the EPU is computed. For instance, given the complex decision of choosing the SEO method it is foreseeable that the medium-term EPU will exert a stronger impact on the relevant variables compared to the short-term EPU.

Additionally, we include a set of control variables representing firm characteristics: Age_{it} (number of years since entering in Worldscope), $Salesgr_{it}$ (growth of net sales or revenues), Roe_{it} (net income before extraordinary items/preferred dividends divided by total shareholder's equity), $Size_{it}$ (natural logarithm of total assets), Lev_{it} (total debt divided by total assets), Bm_{it} (common equity divided by market capitalization), $Capex_{it}$ (capital expenditures divided by total assets), $R\&D_{it}$ (research and development expense divided by total assets), $Dividend_{it}$ (dummy variable assuming 1 in the case of firms that pay common dividends, and 0, otherwise) and $EPS1ne_{it}$ (number of analysts' earnings forecasts).

Regarding the testing of the second hypothesis, we employ a linear regression model to assess the relationship between the EPU and the time required for the completion of each SEO deal method captured in our sample.

The following models are used:

$$Period_{it} = \beta_0 + \beta_1 EPU3_{it} + \Sigma \gamma_j Controls_{jit} + \varepsilon_{it} \quad (4.4)$$

$$Period_{it} = \beta_0 + \beta_1 EPU6_{it} + \Sigma \gamma_j Controls_{jit} + \varepsilon_{it} \quad (4.5)$$

$$Period_{it} = \beta_0 + \beta_1 EPU12_{it} + \Sigma \gamma_j Controls_{jit} + \varepsilon_{it} \quad (4.6)$$

The dependent variable denoted as $Period_{it}$, represents the completion time of an SEO deal and is calculated based on the natural logarithm of the number of months between the announcement and the completion date of deals plus one. We use the natural logarithm of the EPU index for different time frames of uncertainty (3, 6, and 12 months) and apply the same set of control variables included in the previous testing.

4.2. SEO Sample Construction and Sample Statistics

Our sample of seasoned equity offerings is retrieved from the Zephyr database, and the data collection process started with the selection of all completed capital increase deals in the U.K. region, in particular, placings, private placings, and rights issues. As it is summarized in Table 1, we begin with an initial dataset comprised of 10,476 raw observations, which

subsequently underwent several filtering procedures to ensure that the final sample includes all the relevant information.

Table 1 - Sample Selection Process

	Nº. Of observations
Initial sample of completed SEO deals including placings, private placings and right issue	10,476
- Excluding financial and utility firms	(3,814)
- Excluding deals missing date or value information	(50)
- Excluding companies performing more than one deal within a time frame of 3 years	(4,603)
- Excluding deal dates after 2019	(152)
- Excluding deals missing firm financial information or economic policy uncertainty data	(826)
Total exclusions	9,445
Final Sample	1,031

In order to prevent regulatory issues, we started by excluding financial and utility firms, following previous literature, such as the research conducted by Nnadi et al. (2021). All the deals missing date and value information were excluded and, consistent with Yang et al. (2016) the sample was restricted to firms that had only performed one deal within an interval of three years, to dodge skewing of statistical tests and the incorporation of firms whose performance is influenced by their presence in specific industries and not, necessarily, by SEO activity. Additionally, the deals completed after 2019 were eliminated to avoid potential data outliers arising from the impact of the Covid-19 pandemic. We also dropped all the deals missing firm's accounting information available on the Worldscope database as well as economic policy uncertainty data. In the end, we obtained a final sample consisting of 1,031 completed SEO deals.

Table 2, Panel A, presents the distribution of completed SEO deals over the period between 2000 and 2019. This data shows that placings have been the preferred deal method, accounting for 72% of the total amount of deals, while, private placings and rights issues, correspond, only to 18% and 10%, respectively. Additionally, it is observable that, in 2004,

the number of SEOs achieves a peak of 90 deals, however between 2005 and 2008 the average remains around 56 deals. In 2009, the total number of deals reaches its highest level, possibly signaling the recovery from the financial crisis of 2007-2008. Nevertheless, after 2017, it is possible to identify a decline in the number of completed SEO deals, which might be connected to the 2016 referendum decision for the U.K. to exit the European Union (Brexit), an event that, according to Hill et al. (2019) exacerbated political uncertainty.

Panel B shows the distribution of SEO deals by industry, confirming that placings are, undoubtedly, the favorite financing method across all the industries represented in the final sample.

Table 2 - Sample Distribution Summary

Panel A: Year Distribution - This table illustrates the year distribution of the SEO deals included in the final sample (placings, private placings and rights issues) within the time frame between 2000 and 2019.

Year	Placings	Private placings	Rights issues	Total
2000	10	7	3	20
2001	22	6	3	31
2002	24	6	5	35
2003	46	7	7	60
2004	79	9	2	90
2005	34	23	9	66
2006	31	12	2	45
2007	33	14	6	53
2008	43	13	2	58
2009	50	19	28	97
2010	38	9	3	50
2011	55	13	4	72
2012	26	24	4	54
2013	49	12	2	63
2014	42	4	6	52
2015	34	0	7	41
2016	37	2	1	40
2017	38	4	4	46
2018	27	3	3	33
2019	24	0	1	25
Total	742	187	102	1,031

Panel B: Industry Distribution - This table illustrates the industry distribution of the SEO deals included in the final sample (placings, private placings and rights issues) within the time frame between 2000 and 2019.

Industry	Placings	Private placings	Rights issues	Total
Chemicals, Rubber, Plastics, Non-Metallic Products	59	12	9	80
Construction	34	4	7	45
Education, Health	11	2	0	13
Food, Beverages, Tobacco	17	2	3	22
Gas, Water, Electricity	4	1	0	5
Hotels and Restaurants	17	6	3	26
Machinery, Equipment, Furniture, Recycling	102	20	10	132
Metals and Metal Products	28	4	6	38
Other Services	319	73	41	433
Post and Telecommunications	10	4	0	14
Primary Sector (agriculture, mining, etc.)	42	15	7	64
Publishing, Printing	34	9	2	45
Textiles, Wearing Apparel, Leather	7	3	3	13
Transport	10	6	3	19
Wholesale and Retail Trade	43	25	8	76
Wood, Cork, Paper	5	1	0	6
Total	742	187	102	1,031

Table 3, panel A, shows the descriptive statistics of our sample and indicates a considerable variability across the different variables. For instance, data suggests that firms complete the SEO deals within an average of around 2 months and their age averages approximately 22 years. Sales growth has an average of 0.737 however, the average return on equity is negative, an indication of an overall poor performance. Firms have on average, a size of 10.871, the leverage ratio averages 0.207 and the transition from the 25th percentile to the median suggests that firms use different debts levels. The book-to-market ratio averages 0.628, and according to the data, firms exhibit a moderate capital expenditure degree. The average expenses on research and development is only 0.040 and there are firms that do not invest in R&D at all, considering that the median and 25th percentile are zero. Dividend payouts are also skewed, presenting an average of 0.419 but a median of zero, which leads us to the conclusion that many firms do not pay dividends. Lastly, the median of the number of analysts' earnings forecasts is one, meaning that firms have relatively low analyst coverage.

Panel B summarizes the mean and median of firm characteristics by each type of SEO deals (placings, private placings and rights issues). This table shows that firms raising capital through rights issues experience, on average, an extended completion period and have higher return on equity, size, leverage, book-to-market ratio, capital expenditures and more analysts' earnings forecasts. However, firms choosing private placings show, on average, reduced completion periods as well as lower return on equity, size, leverage, book-to-market ratio and capital expenditures levels.

Table 3 - Seasoned Equity Offerings and Firm Characteristics

Panel A - This table illustrates the descriptive statistics for all variables regarding the EPU index, SEO deals and firm-level characteristics included in the final sample. With the exception of the variables *Dividend_{it}* (dummy variable) and *Period_{it}*, the remaining variables are winsorised at the 1st and 99th percentiles. Variable definitions are presented in the Appendix.

Variables	Observations	Mean	Standard Deviation	25 th Percentile	Median	75 th Percentile
Period	1,031	1.911	1.264	1.099	1.946	3.045
<i>EPU3_{it}</i>	1,031	4.634	0.490	4.230	4.732	4.981
<i>EPU6_{it}</i>	1,031	4.654	0.472	4.256	4.795	4.949
<i>EPU12_{it}</i>	1,031	4.678	0.440	4.298	4.807	4.943
<i>Age_{it}</i>	1,031	21.863	14.229	11.000	18.000	27.000
<i>Salesgr_{it}</i>	1,031	0.737	3.445	-0.031	0.103	0.331
<i>Roe_{it}</i>	1,031	-0.110	1.362	-0.304	0.045	0.195
<i>Size_{it}</i>	1,031	10.781	2.441	8.992	10.522	12.469
<i>Lev_{it}</i>	1,031	0.207	0.254	0.009	0.133	0.307
<i>Bm_{it}</i>	1,031	0.628	0.880	0.194	0.416	0.847
<i>Capex_{it}</i>	1,031	0.046	0.062	0.009	0.023	0.057
<i>R&D_{it}</i>	1,031	0.040	0.112	0.000	0.000	0.012
<i>Dividend_{it}</i>	1,031	0.419	0.494	0.000	0.000	1.000
<i>EPS1ne_{it}</i>	1,031	3.266	5.408	0.000	1.000	4.000

Panel B - This table illustrates the mean and median for all variables regarding, the EPU index, SEO deals and firm-level characteristics included in the final sample grouped by each SEO method. With the exception of the variables *Dividend_{it}* (dummy variable) and *Period_{it}*, the remaining variables are winsorised at the 1st and 99th percentiles. Variable definitions are presented in the Appendix.

Variables		Placings	Private Placings	Rights Issues
<i>Period_{it}</i>	Mean	1.813	1.602	3.187
	Median	1.792	1.609	3.238
<i>EPU3_{it}</i>	Mean	4.648	4.578	4.633
	Median	4.732	4.731	4.745
<i>EPU6_{it}</i>	Mean	4.667	4.582	4.690

<i>EPU12_{it}</i>	Median	4.800	4.780	4.795
	Mean	4.702	4.576	4.687
<i>Age_{it}</i>	Median	4.808	4.746	4.829
	Mean	21.057	21.316	28.735
<i>Salesgr_{it}</i>	Median	18.000	18.000	25.500
	Mean	0.770	0.954	0.103
<i>Roe_{it}</i>	Median	0.116	0.078	0.037
	Mean	-0.091	-0.278	0.067
<i>Size_{it}</i>	Median	0.059	-0.001	0.011
	Mean	10.643	10.331	12.606
<i>Lev_{it}</i>	Median	10.411	10.047	12.940
	Mean	0.194	0.193	0.324
<i>Bm_{it}</i>	Median	0.124	0.101	0.292
	Mean	0.585	0.561	1.060
<i>Capex_{it}</i>	Median	0.395	0.412	0.653
	Mean	0.046	0.044	0.056
<i>R&D_{it}</i>	Median	0.023	0.019	0.030
	Mean	0.040	0.052	0.022
<i>Dividend_{it}</i>	Median	0.000	0.000	0.000
	Mean	0.410	0.364	0.588
<i>EPS1ne_{it}</i>	Median	0.000	0.000	1.000
	Mean	2.888	3.107	6.304
	Median	1.000	1.000	4.500

Regarding correlation coefficients, Table 4 illustrates the Pearson (Spearman) correlation matrix, indicating that economic policy uncertainty is significantly correlated with most of the control variables, with the exception of *Roe_{it}* and *Lev_{it}*.

Table 4 - Pearson and Spearman Correlations Matrix

This table illustrates the Pearson (Spearman)'s correlation coefficients between all variables. Numbers in bold are statistical significant at the 1%, 5% or 10% significance level. With the exception of the variables *Dividend_{it}* (dummy variable) and *Period_{it}*, the remaining variables are winsorised at the 1st and 99th percentiles. Variable definitions are presented in the Appendix.

	<i>EPU3_{it}</i>	<i>EPU6_{it}</i>	<i>EPU12_{it}</i>	<i>Period_{it}</i>	<i>Age_{it}</i>	<i>Sales gr_{it}</i>	<i>Roe_{it}</i>	<i>Size_{it}</i>	<i>Lev_{it}</i>	<i>Bm_{it}</i>	<i>Capex_{it}</i>	<i>R&D_{it}</i>	<i>Dividend_{it}</i>	<i>EPS1ne_{it}</i>
<i>EPU3_{it}</i>		0.935	0.826	0.146	0.026	-0.030	0.033	0.111	0.004	0.107	-0.087	-0.065	0.070	0.164
<i>EPU6_{it}</i>	0.959		0.898	0.152	0.015	-0.021	0.031	0.103	0.005	0.113	-0.057	-0.054	0.048	0.159
<i>EPU12_{it}</i>	0.873	0.938		0.127	0.030	-0.040	0.022	0.131	0.005	0.171	-0.048	-0.072	0.072	0.166
<i>Period_{it}</i>	0.104	0.115	0.114		-0.055	-0.057	-0.104	-0.044	0.038	0.042	-0.046	0.044	-0.124	-0.035
<i>Age_{it}</i>	0.027	0.018	0.026	-0.051		-0.213	0.106	0.352	0.192	0.076	-0.028	0.067	0.320	0.438
<i>Salesgr_{it}</i>	-0.023	-0.020	-0.030	0.006	-0.069		0.119	-0.030	-0.075	-0.121	0.174	-0.005	-0.045	-0.116
<i>Roe_{it}</i>	0.009	0.005	-0.005	-0.059	0.082	-0.067		0.310	0.081	-0.044	0.081	-0.114	0.376	0.208
<i>Size_{it}</i>	0.099	0.095	0.104	-0.030	0.412	-0.112	0.172		0.381	0.317	0.194	-0.185	0.601	0.720
<i>Lev_{it}</i>	-0.009	-0.010	-0.002	0.039	0.148	-0.053	-0.007	0.144		0.029	0.115	-0.175	0.234	0.239
<i>Bm_{it}</i>	0.106	0.121	0.135	0.094	0.007	-0.041	0.024	0.242	-0.110		-0.045	-0.169	0.144	0.116
<i>Capex_{it}</i>	-0.059	-0.042	-0.021	-0.006	-0.085	0.051	-0.027	0.056	0.042	-0.061		-0.027	0.147	0.173
<i>R&D_{it}</i>	-0.094	-0.093	-0.089	-0.013	-0.078	-0.005	-0.094	-0.279	-0.049	-0.168	-0.038		-0.128	-0.027
<i>Dividend_{it}</i>	0.068	0.056	0.065	-0.107	0.346	-0.129	0.185	0.588	0.080	0.071	0.015	-0.218		0.553
<i>EPS1ne_{it}</i>	0.104	0.102	0.101	-0.070	0.433	-0.108	0.108	0.722	0.150	0.017	0.013	-0.120	0.453	

5. Empirical Results

5.1. Economic Policy Uncertainty and SEOs Method Decision

Table 5, Panel A, presents the results from the multinomial logistic regression, assessing the impact of economic policy uncertainty computed over 3, 6, and 12 months on SEOs method decision (placings, private placings and rights issues). We hypothesized that during periods of higher EPU, right issues are less preferred when compared with the remaining options. However, the results indicate that rights issues are not connected with any level of economic policy uncertainty. Nevertheless, we observe a statistically significant negative coefficient for $EPU3_{it}$, $EPU6_{it}$ and $EPU12_{it}$ (at the 10%, 5% and 1% levels, respectively) in the case of private placings. This finding suggests that during periods of higher economic policy uncertainty, private placings are relatively less preferred compared to placings. Additionally, this negative relation between economic policy uncertainty and private placings is intensified as the period for which the EPU is calculated increases.

The observed preference for placings over private placings during periods of higher EPU can be explained by the presence of information asymmetry. According to the definitions provided by Zephyr, private placings involve a direct negotiation with a specific group of investors such as companies or individuals, but in the case of placings, there is, usually, the participation of brokers or sponsors, who are, then, responsible for targeting buyers. In fact, Booth and Smith (1986) and Huang and Zhang (2011), suggest that financial intermediaries such as underwriters have the ability of alleviating information asymmetry problems and Di Maggio et al. (2019) highlight the crucial role played by broker networks on the transmission of information. Thus, considering this literature, it is understandable that when EPU is higher, placings are preferred over private placings, since with the intervention of brokers or sponsors, the information asymmetry exacerbated by uncertainty will be mitigated.

Table 5 - Economic Policy Uncertainty and SEOs Method Decision

Panel A - This table illustrates the results from the multinomial logistic regressions, evaluating the impact of economic policy uncertainty (EPU) computed over 3, 6, and 12 months on SEOs method decision (placings, private placings and rights issues). With the exception of the variables *Dividend_{it}* (dummy variable) and *Period_{it}*, the remaining variables are winsorised at the 1st and 99th percentiles. Variable definitions are presented in the Appendix. Robust standard errors are displayed in brackets. ***, ** and * represents significance at 1%, 5% and 10% levels, respectively.

	(4.1)		(4.2)		(4.3)	
Variables	Private Placings	Rights Issues	Private Placings	Rights Issues	Private Placings	Rights Issues
<i>EPU3_{it}</i>	-0.296* (0.168)	-0.261 (0.208)				
<i>EPU6_{it}</i>			-0.400** (0.173)	-0.095 (0.213)		
<i>EPU12_{it}</i>					-0.685*** (0.193)	-0.382 (0.254)
<i>Age_{it}</i>	0.003 (0.007)	0.016* (0.008)	0.003 (0.007)	0.016** (0.008)	0.003 (0.007)	0.016* (0.008)
<i>Salesgr_{it}</i>	0.010 (0.021)	-0.422 (0.304)	0.010 (0.022)	-0.417 (0.305)	0.009 (0.022)	-0.419 (0.301)
<i>Roe_{it}</i>	-0.069 (0.054)	0.075 (0.119)	-0.070 (0.054)	0.070 (0.118)	-0.075 (0.054)	0.071 (0.119)
<i>Size_{it}</i>	-0.136** (0.064)	0.296*** (0.086)	-0.138** (0.064)	0.298*** (0.085)	-0.139** (0.064)	0.296*** (0.086)
<i>Lev_{it}</i>	-0.005 (0.351)	1.668*** (0.412)	-0.005 (0.350)	1.673*** (0.411)	0.009 (0.354)	1.672*** (0.413)
<i>Bm_{it}</i>	0.091 (0.110)	0.417*** (0.104)	0.100 (0.110)	0.406*** (0.103)	0.124 (0.111)	0.428*** (0.105)

<i>Capex_{it}</i>	-0.197 (1.355)	3.239* (1.913)	-0.178 (1.351)	3.336* (1.909)	-0.136 (1.346)	3.322* (1.903)
<i>R&D_{it}</i>	0.263 (0.687)	0.966 (1.587)	0.243 (0.690)	0.985 (1.585)	0.220 (0.694)	0.951 (1.595)
<i>Dividend_{it}</i>	-0.037 (0.226)	-0.308 (0.297)	-0.038 (0.227)	-0.310 (0.297)	-0.032 (0.228)	-0.306 (0.297)
<i>EPS1ne_{it}</i>	0.057** (0.026)	-0.008 (0.027)	0.059** (0.025)	-0.010 (0.027)	0.061** (0.026)	-0.007 (0.027)
Constant	1.109 (0.918)	-5.279*** (1.369)	1.608* (0.958)	-6.066*** (1.376)	2.918*** (1.038)	-4.716*** (1.517)
Observations	1,031	1,031	1,031	1,031	1,031	1,031
Wald chi2	107.6	107.6	108.6	108.6	116	116
Prob > chi2	0	0	0	0	0	0
Pseudo R2	0.074	0.074	0.075	0.075	0.080	0.080

Panel B - This table illustrates the marginal effects resulting from the multinomial logistic regressions, evaluating the impact of economic policy uncertainty (EPU) computed over 3, 6, and 12 months on SEOs method decision (placings, private placings and rights issues). The outcomes labeled as Predict outcome (1), Predict outcome (2) and Predict Outcome (3) represent the probability of firms choosing as an SEO method - placings, private placings and rights issues - relative to changes in the economic policy uncertainty (EPU). Variables are winsorised at the 1st and 99th percentiles. Variable definitions are presented in the Appendix Robust standard errors are displayed in brackets. ***, ** and * represents significance at 1%, 5% and 10% levels, respectively.

Variables	Predict Outcome (1)	Predict Outcome (2)	Predict Outcome (3)	Predict Outcome (1)	Predict Outcome (2)	Predict Outcome (3)	Predict Outcome (1)	Predict Outcome (2)	Predict Outcome (3)
<i>EPU3_{it}</i>	0.055** (0.027)	-0.039 (0.024)	-0.016 (0.016)						
<i>EPU6_{it}</i>				0.058** (0.028)	-0.057** (0.025)	-0.001 (0.016)			
<i>EPU12_{it}</i>							0.112** (0.031)	-0.093** (0.027)	-0.019 (0.020)

Additionally, given the documented impact of policy uncertainty on investment decisions (Bloom, 2009; Bloom et al., 2007; Gulen & Ion, 2016), it is reasonable to anticipate that investors may exhibit a propensity to postpone investments during periods of higher uncertainty. Consequently, considering that private placings typically target a specific group of investors, while placings tend to use brokers or sponsors who source other investors, it is justifiable to suggest that, under a scenario of higher economic policy uncertainty, placings present a more favorable issue method.

Moreover, to assess the impact of changes of EPU on the likelihood of companies choosing each SEO method, we compute the marginal effects. The results shown, exclusively for the variables $EPU3_{it}$, $EPU6_{it}$ and $EPU12_{it}$, on Panel B, are aligned with the findings that we obtained regarding the impact of EPU on the SEO method choice. Once again, results suggest that EPU is not connected with rights issues. However, in the case of placings we find that a rise on EPU will increase the probability of this method being chosen. For private placings, this relationship is not statistically significant for $EPU3_{it}$ however, for $EPU6_{it}$ and $EPU12_{it}$ it is possible to observe that an increase on economic policy uncertainty will decrease the probability of firms raising capital through private placings.

5.2. Economic Policy Uncertainty and the Completion Time of SEO Deals

We hypothesized that the higher the EPU the longer will take for an SEO deal to be completed, however, the results shown in Table 6, reveal that EPU is not related to the completion time of private placings. Nevertheless, for placings, is identified a statistically significant positive coefficient (at the 1% level) for all the computed EPU index levels, suggesting that during moments of higher economic policy uncertainty, placings are more likely to experience a larger completion period. Moreover, it is important to highlight that this positive relationship is stronger for the $EPU12_{it}$ which is the only level of economic policy uncertainty presenting a statistically significant relationship with the completion time of rights issues. These findings may be explained by the fact that being the 12 month EPU calculated over an extended period of time, it has the ability to capture more changes in the policy uncertainty.

However, interestingly, the results suggest, that unlike placings, in the case of rights issues, the relationship with $EPU12_{it}$ is statistically significant and negative (at the 1% level), revealing that the during periods of higher EPU, rights issues are expected to experience a shorter completion time. This contradicts our hypothesis, however, as stated before, because uncertainty can lead to economic contractions (Bernanke, 1983; Bloom et al., 2018), which in turn, reduces the available capital (Erel et al., 2012), it is plausible to suggest that, under higher EPU, firms might be able to raise funds more rapidly through rights issues compared to placings. In fact, in the case of rights issues, companies can raise funds directly from existing shareholders, without having to rely on financial intermediaries, as in the case of placings.

Table 6 - Economic Policy Uncertainty and the Completion Time of SEO Deals

This table illustrates the results of the linear regressions to evaluate the impact of economic policy uncertainty (EPU) computed over 3, 6, and 12 months and the time required for the completion of each SEO deal method captured in our sample (placings, private placings and rights issues). With the exception of the variables *Dividend_{it}* (dummy variable) and *Period_{it}*, the remaining variables are winsorised at the 1st and 99th percentiles. Variable definitions are presented in the Appendix. Robust standard errors are displayed in brackets. ***, ** and * represents significance at 1%, 5% and 10% levels, respectively.

Variables	Placings	Private Placings	Rights Issues	Placings	Private Placings	Rights Issues	Placings	Private Placings	Rights Issues
<i>EPU3_{it}</i>	0.459*** (0.088)	0.335 (0.207)	-0.094 (0.107)						
<i>EPU6_{it}</i>				0.477*** (0.090)	0.303 (0.219)	-0.185 (-0.112)			
<i>EPU12_{it}</i>							0.488*** (-0.1)	0.240 (-0.23)	-0.312*** (-0.116)
<i>Age_{it}</i>	-0.004 (0.003)	-0.003 (0.007)	-0.005 (0.004)	-0.004 (0.003)	-0.002 (0.007)	-0.006 (0.004)	-0.005 (0.003)	-0.002 (0.007)	-0.006 (0.004)
<i>Salesgr_{it}</i>	0.003 (0.012)	0.009 (0.028)	-0.303** (0.142)	0.003 (0.012)	0.009 (0.028)	-0.300** (0.141)	0.004 (0.011)	0.009 (0.027)	-0.297** (0.136)
<i>Roe_{it}</i>	-0.024 (0.033)	-0.139* (0.080)	-0.034 (0.035)	-0.021 (0.033)	-0.140* (0.079)	-0.031 (0.035)	-0.018 (0.033)	-0.140* (0.080)	-0.030 (0.034)
<i>Size_{it}</i>	0.029 (0.031)	-0.020 (0.074)	-0.074* (0.042)	0.032 (0.031)	-0.026 (0.074)	-0.073* (0.042)	0.031 (0.031)	-0.030 (0.073)	-0.069 (0.042)
<i>Lev_{it}</i>	0.180 (0.203)	-0.202 (0.359)	-0.168 (0.276)	0.176 (0.202)	-0.188 (0.359)	-0.158 (0.274)	0.170 (0.201)	-0.203 (0.355)	-0.149 (0.268)
<i>Bm_{it}</i>	0.074 (0.050)	0.007 (0.141)	0.021 (0.048)	0.074 (0.049)	0.010 (0.141)	0.032 (0.049)	0.071 (0.049)	0.014 (0.141)	0.043 (0.046)

<i>Capex_{it}</i>	-0.726 (0.753)	0.665 (1.821)	0.548 (0.612)	-0.786 (0.754)	0.644 (1.809)	0.534 (0.601)	-0.901 (0.757)	0.644 (1.790)	0.502 (0.611)
<i>R&D_{it}</i>	0.022 (0.460)	-0.503 (0.909)	-0.520 (0.371)	0.045 (0.466)	-0.561 (0.913)	-0.529 (0.355)	0.017 (0.464)	-0.591 (0.920)	-0.549 (0.341)
<i>Dividend_{it}</i>	-0.333*** (0.108)	-0.161 (0.268)	0.013 (0.142)	-0.329*** (0.108)	-0.154 (0.268)	0.023 (0.141)	-0.334*** (0.108)	-0.143 (0.269)	0.036 (0.138)
<i>EPS1ne_{it}</i>	-0.029*** (0.010)	-0.019 (0.026)	0.007 (0.019)	-0.029*** (0.010)	-0.017 (0.027)	0.008 (0.019)	-0.028*** (0.010)	-0.015 (0.026)	0.008 (0.018)
Constant	-0.375 (0.526)	0.437 (1.199)	4.709*** (0.598)	-0.491 (0.540)	0.621 (1.252)	5.106*** (0.621)	-0.538 (0.571)	0.944 (1.278)	5.645*** (0.610)
Observations	742	187	102	742	187	102	742	187	102
Adjusted R-squared	0.069	0.006	0.029	0.069	0.003	0.038	0.064	-0.001	0.063

6. Conclusions

Based on a final sample of 1,031 completed SEO deals in the U.K., including placings, private placings and rights issues between 2000 and 2019, this study examines the impact of economic policy uncertainty, captured through the EPU index, on both the SEO method choice and completion time. Our hypothesis anticipated that firms exposed to high economic policy uncertainty are less likely to decide performing seasoned equity offerings through rights issues and, that the higher the economic policy uncertainty the longer will be the completion period of SEO deals.

Although the empirical results do not indicate any connection between the EPU and rights issues, the findings suggest that during periods of higher economic policy uncertainty, private placings are relatively less preferred compared to public placings and this result is intensified as we expand the period over which the EPU is calculated. Moreover, we find that under higher economic policy uncertainty, placings are more likely to have an extended completion period. However, in the specific scenario of the EPU calculated over 12 months, rights issues are estimated to be completed within a shorter time span.

Nevertheless, it is crucial to recognize that this study has some limitations. For instance, the final sample comprises a relatively small number of observations, mainly due to the inclusion of only three SEO methods. Additionally, despite the effort of gathering a set of control variables, there might be other relevant factors determining the SEO activity that are not being captured in our models. Lastly, the fact that this study focuses on an U.K. sample, constrains the generalization of the findings, especially in the case of different regulatory environments.

To conclude, regardless of its limitation, this study provides valuable insights to practitioners and policymakers as it highlights the role of economic policy uncertainty as a crucial factor on firm's financing decisions. However, it also unravels the importance of further investigation enabling the establishment of a consolidated base of knowledge regarding the impact of uncertainty on firm's decision-making process.

Appendix

Appendix A: Variable Definitions

Variables	Definition	Reference Literature	Source
Dependent variables			
<i>tofdeal_{it}</i>	Type of deal method, equal to 0 for placings, 1 for private placings, and 2 for rights issue, for firm <i>i</i> at year <i>t</i>	Dang et al. (2021)	Zephyr Database
<i>Period_{it}</i>	Natural logarithm of the number of months between the announcement and the completion date of deals plus one, for firm <i>i</i> at year <i>t</i>	Nguyen and Phan (2017)	Zephyr Database
Independent Variables			
<i>EPU3_{it}</i>	Natural logarithm of the economic policy uncertainty index developed by Baker et al. (2016) calculated for a period of three months, for firm <i>i</i> at year <i>t</i>	Baker et al. (2016)	www.policyuncertainty.com
<i>EPU6_{it}</i>	Natural logarithm of the economic policy uncertainty index developed by Baker et al. (2016) calculated for a period of six months, for firm <i>i</i> at year <i>t</i>	Baker et al. (2016)	www.policyuncertainty.com
<i>EPU12_{it}</i>	Natural logarithm of the economic policy uncertainty index developed by Baker et al. (2016) calculated for a period of twelve months, for firm <i>i</i> at year <i>t</i>	Baker et al. (2016)	www.policyuncertainty.com
Control variables			
<i>Age_{it}</i>	The number of years from the time company <i>i</i> entered Worldscope Database until year <i>t</i>	Dang et al. (2021)	Worldscope Database
<i>Salesgr_{it}</i>	Growth of net sales or revenues for firm <i>i</i> at year <i>t</i>	Nguyen and Phan (2017)	Worldscope Database
<i>Roe_{it}</i>	Net income before extraordinary items/preferred dividends divided by total shareholder's equity for firm <i>i</i> at year <i>t</i>	Chan et al. (2021)	Worldscope Database

$Size_{it}$	Natural logarithm of total assets for firm i at year t	Dang et al. (2021)	Worldscope Database
Lev_{it}	Total debt divided by total assets for firm i at year t	Dang et al. (2021)	Worldscope Database
Bm_{it}	Common equity divided by market capitalization for firm i at year t	Dang et al. (2021)	Worldscope Database
$Capex_{it}$	Capital expenditures divided by total assets for firm i at year t	Nnadi et al. (2021)	Worldscope Database
$R\&D_{it}$	Research and development expense divided by total assets for firm i at year t	Gungoraydinoglu et al. (2017)	Worldscope Database
$Dividend_{it}$	Dummy variable equal to 1 if firm i at year t paid common dividends, and 0, otherwise	Dang et al. (2021)	Worldscope Database
$EPS1ne_{it}$	Number of analysts' earnings forecasts for firm i at year t	Dang et al. (2021)	Worldscope Database

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