



Activity Report 2014/2015
Chair of Empirical Corporate Finance

Prof. Dr. Christian Andres

Excellence in
Management
Education

Chair of Empirical Corporate Finance

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A. Chair

Dear Friends and Partners,

Over the academic year 2014/15, the Chair of Empirical Corporate Finance has again contributed to WHUs mission to provide excellent education and research output. This report contains a brief overview of the most important activities in teaching, research, and services to the school.

We offered courses in the BSc. ("Corporate Finance"), MSc. ("Corporate Governance"), Full-Time and Part-Time MBA ("Corporate Finance") and the Kellogg-WHU Global Executive MBA ("Corporate Finance") as well as modules in WHUs international European Summer MBA program ("Finance").

We are committed to high quality research in the area of empirical corporate finance. Research papers have been published in renowned international journals such as the Journal of Banking & Finance and the Journal of Corporate Finance, and working papers have been presented at international conferences. Current research projects are focused on the areas of payout policy, corporate governance (with a focus on M&A activity), and bond financing.

On November 26, 2014, former Doctoral Candidate Ulrich Hofbaur has successfully finished his dissertation project titled "Essays on Corporate Finance" with Summa Cum Laude. Several other dissertation projects have been (co-)supervised during the academic year.

In terms of services to WHU, the Chair has taken over the role of Director of Research and also serves as Academic Director of WHUs Doctoral Program since January 2015.

I would like to thank Anja Ziegler and Lennart Ulrich for their support during the past 12 months.

Vallendar, September 2015



B. Team

Prof. Dr. Christian Andres
Professor of Empirical Corporate Finance



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Research Interests:

- Corporate Governance
- Executive Compensation
- Payout Policy
- Capital Structure

Christian Andres is full professor of Empirical Corporate Finance at WHU-Otto Beisheim School of Management, Vallendar, Germany. Before joining WHU he has held appointments at the universities of Bonn and Mannheim. He holds a master's degree in economics and a PhD in finance from the University of Bonn. During his academic career, he spent several months as a visiting scholar at the University of Sheffield, UK, and the University of Florida, Gainesville, USA.

His primary research interests are in the areas of empirical corporate finance and corporate governance, with an emphasis on payout policy, private equity, and family ownership and control. He has published in academic journals such as the Journal of Banking & Finance, the Journal of Business Finance & Accounting, the Journal of Corporate Finance, and the Journal of Empirical Corporate Finance, among others, and contributed book chapters to a number of international books.

M. Sc. Wi.-Ing. Lennart Ulrich
Research Assistant



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Research Interests:

- Investor Activism
- M&A
- Bond Markets
- Corporate Governance

In his dissertation project Mr. Ulrich analyzes the implications of payout policy on debtholders' wealth. In detail, his project addresses dividend policy and share repurchases of firms located in the US as well as in Europe. Credit Default Swaps (CDS) proxy for debtholders' wealth, since they are more liquid and standardized than corporate bonds. This thesis contributes to the literature on shareholder-bondholder conflicts and considers the signaling as well as wealth transfer hypothesis.

Anja Ziegler
Personal Assistant



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Dr. Ulrich Hofbaur
Alumnus



Dissertation: “Essays on Corporate Finance”



C. Teaching

Teaching in the academic year 2014/2015 was done by Prof. Dr. Christian Andres.

It covered the BSc-, MSc-, MBA-, Part-Time MBA, Full-Time MBA and Executive MBA-program. In addition, Prof. Andres contributed to Executive Education (“WHU on Finance”, “SPOAC”). All courses were held in English.

The following table provides an overview of the courses offered:

Program	Fall Term 2014	Spring Term 2015
BSc		Corporate Finance
MSc	Corporate Governance (MIF)	
Part-Time MBA		Corporate Finance
Full-Time MBA		Corporate Finance
Executive MBA		Corporate Finance
European Summer Institute		Finance
Tepper Program (IR)		Raising Capital in European Capital Markets
Executive Education		WHU on Finance

BSc, Content of Teaching

Corporate Finance (joint with Prof. Nihat Aktas):

The course has the following structure:

- Introduction to financing instruments
- Capital structure and Modigliani-Miller
- Optimal amount of debt
- Valuation methods in practice
- Payout policy
- Private Equity and Security Sales by Public Companies

Teaching Methods:

- Interactive development of main results
- Discussions of major economic implications
- Applications using spread sheets

The course applies following theories:

- Modigliani-Miller theorem
- Capital structure models (tradeoff and pecking order theory)
- Risk-adjusted cost of capital (CAPM)
- Valuation of firms (WACC, APV)
- Theories explaining payout policy

Literature:

Brealey, Richard A., Stewart C. Myers und Franklin Allen (2010): Principles of Corporate Finance 10. Ed. - internat. Ed., Boston, McGraw Hill,

MSc, Content of Teaching

Corporate Governance:

The course has the following structure:

The module offers a theoretical and empirical analysis of the main corporate governance issues where corporate governance refers broadly to the mechanisms which deal with the principal-agent problems between the insiders and the outsiders of corporations. The module looks at the variety of legal systems and other institutions, ownership structures, boards of directors, executive compensation, the relationship between corporate governance and firm value, and governance regulation. A strong

emphasis is put on the analysis of how and through which channels corporate governance matters for firm-level and country-level economic performance and whether firm-level actions are effective.

Teaching Methods:

- Interactive Lecture
- Case Studies
- Guest Speaker

The course applies following theories:

- Agency Theory
- Game Theory
- Econometric Techniques

Literature:

Goergen, Marc (2012). International Corporate Governance, Pearson. Additional material will be provided as handouts or downloads.

Part-Time/Full-Time MBA, Content of Teaching

Corporate Finance:

Course structure:

This course covers the basic principles of corporate finance and develops the necessary practical tools for financial decisions and corporate valuation. After a brief introduction which motivates the goals of a firm against the background of different corporate governance regimes, we will take a closer look at financing alternatives (debt and equity) and develop an understanding of the security issuance process (IPOs). We will then discuss determinants of the optimal debt/equity mix and the consequences for a firm's cost of capital.

Teaching Methods:

- Class Teaching
- Cases
- Group Discussion

Learning Goals:

To develop an understanding of different financing sources and their implications, become familiar with the concept of weighted average costs of capital (WACC), become sensitive to the role of agency problems and information asymmetries in a corporate environment and their impact on financing conditions.

Theories:

- Agency Theory
- CAPM
- NPV calculations
- WACC

Literature:

Brealey, Richard A., Myers, Stewart C., and Allen, Franklin (2011): Principles of Corporate Finance, 10th edition, McGraw-Hill, New York

EMBA, Content of Teaching

Corporate Finance:

Course structure:

This course covers the basic principles of corporate finance and further develops the necessary practical tools for financial decisions and corporate valuation. After a brief introduction, which motivates the goals of a firm against the background of different corporate governance regimes, we will take a closer look at the determinants that affect the debt/equity choice. In this context, we will discuss practical guidelines to derive the cost of capital for single projects and for the whole firm. In addition, the course will provide an overview of a firm's external financing alternatives (debt and equity), with a focus on the security issuance process (IPOs). Additional topics include payout policy (including the choice between stock repurchase and dividends), select issues in corporate governance as well as a brief introduction into mergers and acquisitions (M&A).

Teaching Methods:

Combination of classical classroom teaching, group work on cases, and discussions.

Final Exam:

The final exam is a take-home examination.

Literature:

Cases



European Summer School – Tepper-Program

Following courses were taught:

- ESI BA: Finance
- ESI MBA: Finance
- ESI MBA II: Finance
- Tepper School of Business, Carnegie Mellon University: Raising Capital in European Capital Markets

Finance:

Course Structure

This course introduces participants to stylized facts about financial system architecture in Europe, differences in financing patterns between US and European corporations - including the role of private and public bond and equity markets - as well as recent changes in corporate governance regulation and investor protection. Against this background, the implications for the financing of European corporations and the possibility of convergence of financial systems will be discussed.

Content

- A brief overview of financial system architecture
- Differences between the European and the US financial system
- Investment behavior of private and institutional investors
- Differences between European and US investment behavior and equity financing alternatives

Tepper-Program/Company Visit

This year, the chair again organized a company visit at Commerzbank AG in Frankfurt/Main. Joachim Heppe, Deputy Head DCM Bonds & Head Syndicate was welcoming the students. Michel Grape, DCM Loans, Jens Voss, Head of ECM Loans and David Schmidt, Head of Corporate Bond Origination Frankfurt talked about “Recent Developments in the Corporate EUR Loan Market”.



Students had the possibility to visit the trading floor and to talk to several representatives of Commerzbank.



D. Publications/Working Papers

The following research papers have been published in peer reviewed journals in the academic year 2014/2015:

- Andres, C., Doumet, M., Fernau, E., and Theissn, E. (2015) "The Lintner model revisited: Dividends versus total payouts, **Journal of Banking & Finance**, 55, 2015, p. 56-69
- Andres, C., Fernau, E., and Theissen, E. (2014) "Should I Stay or Should I Go? Former CEOs as Monitors", **Journal of Corporate Finance**, 28, 2014, p. 26-47

Working Papers:

- "Dividend Policy, Corporate Control and Tax Status of the Controlling Shareholder" (with A. Betzer, M. Goergen, and I. van den Bongard)
- "Delegated Monitoring: The Effectiveness and Pricing of Bond Indenture Trustees" (with A. Betzer and P. Limbach)
- "Open Market Share Repurchases in Germany: A Conditional Event Study Approach" (with A. Betzer, M. Doumet and E. Theissen)
- "Do what you did four quarters ago: Trends and implications of quarterly dividends" (with U. Hofbaur)
- "Measuring Abnormal Credit Default Swap Spreads" (with A. Betzer and M. Doumet)
- "Cash Windfalls and Acquisitions" (with E. Croci and U. Hofbaur)

E.

Service to the Scientific Community

Refereeing

- Financial Management Association Annual Meeting
- Global Finance Association Annual Meeting
- International Journal of Managerial Finance
- Journal of Banking and Finance
- Journal of Corporate Finance
- Journal of Business Finance & Accounting
- Swiss Finance Association Annual Meeting

Editorial Boards

- Global Finance Journal

F. **Services performed for the School/Community Outreach**

Services performed for the School

- Interviews and Assessment of Applicants in the M.Sc. programs
- Director of Assurance of Learning (until 12/2014)
- Member of AOL Group (from 01/2015 onwards)
- Academic Director of Doctoral Program (from 01/2015 onwards)
- Director of Research (from 01/2015 onwards)

Media coverage

- Süddeutsche Zeitung
- Manager Magazin

Other “Community Outreach” activities

- HVB-Unicredit PhD-Seminar in Eltville (11/14)
- General Meeting of Deutsche Forschungsgemeinschaft, Bochum (07/15)
- External reviewer for placement of professors

G. **Talks/Conferences**

Conference/Institution	Title
German Finance Association, Wuppertal	Annual Meeting
University of Bonn	Seminar Talk

H. Contributions to WHU Development

WHU Research Seminar in Finance

The Finance Groups provides a research seminar, which was held once a week during the academic year 2014/2015.

Following Researchers/Scientists were invited:

Yakov Amihud, New York University, Leonard N. Stern School of Business
The Pricing of Corporate Foreign Trade Risk

Ettore Crocia, Università Cattolica del Sacro Cuore, Italy
Decision-Making during the Credit Crisis: Why did the Treasury let Commercial Banks fail?

Daniel Metzger, Stockholm School of Economics
Why Do Shareholder Votes Matter?

Karin Thorburn, NHH Norwegian School of Economics
Are stock-financed takeovers opportunistic?

Nikolaos Karampatsas, Surrey University
Do Rating Agencies affect Acquisition Decisions?

Markus Glaser, Ludwig-Maximilians-Universität München
Managerial Voting Power and Firm Value

Oguzhan Ozbas, USC - Koc University
Managerial Accommodation, Proxy Access, and the Cost of Shareholder Empowerment

Bo Becker, Stockholm School of Economics
Bad times, Good credit

Sascha Steffen, European School of Management and Technology
Zero Risk Contagion - Banks' Sovereign Exposure and Sovereign Risk Spillovers

Tereza Tykvová, Universität Hohenheim
Special Purpose Acquisition Companies - Are They an Alternative to IPOs?

Andreas Kaeck, University of Sussex
Variance-of-Variance Risk Premium

I. Cooperation in Research

André Betzer (Schumpeter School Wuppertal)

Ettore Croci (Università Cattolica Milan)

Douglas Cumming (York University)

Markus Doumet (University of Mannheim)

Erik Fernau (University of Mannheim)

Marc Goergen (Cardiff Business School)

Peter Limbach (Karlsruhe Institute of Technology)

Erik Theissen (University of Mannheim)

Inga van den Bongard (University of Mannheim)

J. Sustainability

The chair of Empirical Corporate Finance deals with issues of long-term sustainability is research and teaching, as well as in operational matters.

In recent years, corporate governance has become the topic of an intense debate among academics and practitioners. Several research papers deal with questions of how organizational structures in corporations can assure that the right incentives for managers to lead companies responsibly are in place and how control structures should be shaped. These research projects include issues such as transparency, executive compensation, and board structures.

In addition, the chair contributes a course on "Corporate Governance" to the Master in Finance program. In the course, students should develop an understanding of important issues in corporate governance and of its relevance in a social, political, and economic context.

Finally, the chair has adopted a paperless filing system and aims at preserving natural resources in its organizational processes.