



CEFS Newsletter Spring 2016

21.03.2016

**Dear Dr. Svenja Jarchow,**

in this issue of our newsletter you will find news, information on a selection of current CEFS projects, publications, conference contributions, CEFS member news as well as a variety of announcements. For additional information, please visit our website at <http://www.cefs.de> or contact us at [contact@cefs.de](mailto:contact@cefs.de).

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## NEWS:

### → Paper accepted at Journal of Financial Economics

The paper "How persistent is private equity performance? Evidence from deal-level data" by Reiner Braun, Tim Jenkinson and Ingo Stoff was accepted by the Journal of Financial Economics, which is one of the highest ranked journals for finance publications. The publication is forthcoming.

### → Paper "How Persistent is Private Equity Performance? Evidence from Deal-Level Data" presented at AFA 2016

The paper "How Persistent is Private Equity Performance? Evidence from Deal-Level Data" (see above) by Reiner Braun, Tim Jenkinson and Ingo Stoff was presented at the American Finance Association Meeting January 2016. The paper addresses persistence of returns as a critical issue for investors in their choice of private equity managers. The paper analyses buyout performance persistence in new ways, using a unique database containing cash-flow data on 13,523 portfolio company investments by 865 buyout funds. It focusses on unique realized deals and finds that persistence of fund managers has substantially declined as the private equity sector has matured and become more competitive. Private equity has, therefore, largely conformed to the pattern found in most other asset classes in which past performance is a poor predictor of the future. A working paper version can be found here: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2314400](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2314400)

### → Launch of Governance Code for Family Firms

Prof. Achleitner was part of a committee of 26 family entrepreneurs, scientists and consultants which developed a family firm governance code based on scientific and practical findings and in adjustment to existing European governance codes. The results were presented at the 15-year anniversary celebration of Family Business Network Deutschland (F.B.N.) at Tengemann (Mühlheim). The initiative for the development of a family firm specific governance code came from INTES Akademie für Familienunternehmen, F.B.N. Deutschland and Die FAMILIENUNTERNEHMER - ASU. It's the third version of the code, the latest being from 2010. The results can be found here: [www.kodex-fuer-familienunternehmen.de](http://www.kodex-fuer-familienunternehmen.de)



### → Paper presented at the IFABS 2015 Corporate Finance Conference

The paper "The Leverage, Pricing and Return Puzzle in Leveraged Buyouts: The Impact of Competition" by Reiner Braun, Nicholas G. Crain and Anna Gerl was presented at the IFABS 2015 Corporate Finance Conference in London, UK.

Abstract: We investigate how the competition for buyout targets between private equity funds drives the relationship between deal leverage and performance. For targets acquired through investment bank auctions, a higher level of debt measured with respect to fundamentals (Debt / EBITDA) is associated with a higher purchase price and lower returns. This is consistent with the view that improving credit market conditions decrease the relative advantages between private equity fund managers and, thus, the sellers of the target firm ultimately benefit from easy credit. Our results are distinct from changes in deal prices driven by private equity fundraising and the results are robust to alternative proxies for the competitiveness of deals. Finally, we show that the choice to pursue auction deals in particularly loose credit markets, when expected returns are low, is positively related to proxies for agency conflicts between fund managers and fund investors.

The conference took place at the Saïd Business School of the University of Oxford in England on September 12-13, 2015.

### → Paper presented at 2016 American Finance Association (AFA) Meeting and the Paris December 2015 Finance Meeting

The paper "Women on Corporate Boards: Good or Bad?" by Thomas Schmid and Daniel Urban was presented at the 2016 AFA Meeting and the Paris December 2015 Finance Meeting.

Abstract: Prior literature shows that mandatory gender quotas are detrimental to firm value. However, little is known about causal effects of voluntarily appointed women. A large board dataset covering 53 countries and about 500,000 people enables us to identify exogenous retirements of board members due to death or illness. Long and short-run event studies yield evidence for a positive valuation effect of women. This is confirmed in panel regressions for the entire dataset. This positive impact is not driven by women per se, but a glass ceiling effect due to more rigorous selection. Thus, firms can benefit from a corporate culture that fosters the promotion of women.

A working paper version can be found here: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2344786](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2344786)

The paper received a large press coverage. Soem of it can be found here: <http://www.manager-magazin.de/unternehmen/international/frauen-in-fuehrungspositionen-sind-gut-fuers-geschaeft-a-1061805.html>

And here: <http://www.faz.net/aktuell/beruf-chance/arbeitswelt/mehr-erfolg-wenn-die-chefin-stirbt-ist-der-schock-groesser-14101265.html>

### → Paper presented at the IFABS 2015 Corporate Finance in Oxford

The paper "Travel Distance and Firm Valuation: International Evidence" by Marc Steffen Rapp, Thomas Schmid and Daniel Urban was presented at the IFABS 2015 Corporate Finance in Oxford.

Abstract: Board members often cover large travel distances when they simultaneously serve in several firms. Based on a novel board dataset covering 35,000 firms across 54 countries, we show that travel distance signals board member quality as we find that longer travel distances are correlated with higher firm valuation. This effect likely stems from superior matching between firms and board members, extraordinary skills and abilities, as well as higher boardroom independence. We further document that busyness on average reduces firm valuation. Distant board members, however, more than compensate for negative effects of busy board members.

### → Paper "The Leverage, Pricing and Return Puzzle in Leveraged Buyouts: The Impact of Competition" presented at 8th Private Equity Findings Symposium

The Paper "The Leverage, Pricing and Return Puzzle in Leveraged Buyouts: The Impact of Competition" was by Nicholas Crain, Reiner Braun and Anna Gerl was presented at the 8th Private Equity Findings Symposium at the London Business School in June 2015.

## PUBLICATIONS:

### → Paper accepted in "Review of Financial Economics"

The paper "Should I stay, or should I go? How fund dynamics influence venture capital exit decisions" by Carolin Bock and Maximilian Schmidt was accepted for publication in the journal "Review of Financial Economics".

The paper investigates major drivers of venture capital (VC) exits which are still in question. In particular, the authors examine the determinants of exit timing in initial public offerings (IPOs). The results from a proprietary dataset of 292 U.S. VC-backed IPOs from 1991 to 2008 imply that VC firm characteristics and fund dynamics have a significant influence on the exit extent and may not always be in line with limited partners' interests. In particular, first-time funds keep their shares longer after an IPO, whereas funds satisfied with current fund performance cash out soon after the end of the lockup period.

The paper contributes to the current literature on venture capital exits by indicating that general partners' interests influence the exit decision-making and by showing that prospect theory is important in this context.



### → Paper accepted for publication in the Journal of Asset Management

The paper "Effects of return expectation on mutual funds' risk exposures" by Mario Fischer and Maximilian Overkott will be published in the Journal of Asset Management.

The paper uses market-wide implied cost of capital to investigate changes in mutual funds' risk exposures. The approach is solely based on market information at the respective time and seems natural, as analysts and fund managers possess similar knowledge and skills. Using a sample of 4147 US equity mutual funds, the paper provides evidence for time-varying risk exposures for all funds, independent of their style and size focus. Furthermore, they find that value (growth) funds reduce their value (momentum) loadings in times of a high expected market risk premium. However, only for small- and mid-cap funds, this beneficial behavior seems to be attributed to active management. After controlling for time-varying risk factors, they find that all fund types perform equally poorly measured by their alpha.

<http://www.palgrave-journals.com/jam/journal/vaop/ncurrent/abs/jam201515a.html>



### → Paper published in Journal of Applied Corporate Finance

The paper "International Evidence on Value Creation in Private Equity Transactions" by Benjamin Puche, Reiner Braun and Ann-Kristin Achleitner was published in the Journal of Applied Corporate Finance. The paper takes a closer look at value creation drivers in the different steps of PE transactions. The unique sample enables a close look at differences taking into account periods of time, regions, industries and transaction sizes.

The paper can be found here: <http://onlinelibrary.wiley.com/doi/10.1111/jacf.12152/abstract>

### → Paper "The Cost of Private Equity Investing and the Impact of Dry Powder" accepted in Journal of Private Equity

The paper "The Cost of Private Equity Investing and the Impact of Dry Powder" by Reiner Braun and Ingo Stoff was accepted at the Journal of Private Equity.

Abstract: Private equity (PE) has developed into a well-established asset class with strong growth in capital commitments over the last decades. Consequently, fund returns have decreased over time and investors have become more cost conscious. We analyze whether the maturing PE asset class has become less costly over time. Costs are defined as the difference between gross and net returns (return spread) and provide a spread benchmark useful for investors to evaluate a fund's costliness. Although return spreads have decreased over time, when controlling for falling gross returns causing lower performance-based fees, the cost of PE investing has increased. The higher costs are related to increased levels of unused capital (dry powder) because of swelling capital flows into the industry. The PE industry is thus a victim of its own success, suggesting that investors in the asset class should consider a more anti-cyclical investment approach.

The paper can be found here: <http://www.ijournals.com/doi/abs/10.3905/jpe.2016.2016.1.050?journalCode=jpe>

## AWARDS AND SCHOLARSHIPS:

### → Joachim Harms wins Best Paper Award (1st Prize)

With his paper „The Earnings Game in Family Firms“ Joachim Harms has won the Best Paper Award (1st Prize) 2015 at the 11th Family Enterprise Research Conference (FERC) in Burlington, VT. The award is worth USD 1.500 and was assigned out of a pool of 90 presented papers. FERC is widely regarded as one of the leading family firm research conferences globally. The next edition will be held in Brazil in 2016.

### → Anna Gerl receives Best Reviewer Award

Anna Gerl received the Best Reviewer Award of the Entrepreneurship Strategic Interest Group at the 15th European Academy of Management (EURAM) 2015 in Warsaw, Poland. She won the price for reviewing three papers and additionally served as a session chair of the Entrepreneurial Finance track.

### → "Highly Commended Paper" certificate for Prof. Dr. Dr. Ann-Kristin Achleitner

The paper "Value creation drivers in a secondary buyout – The acquisition of Brenntag by BC Partners" published in Qualitative Research in Financial Markets was selected by the journal's editorial team as a Highly Commended paper in the 2015 Emerald Literati Network Awards for Excellence. This study which analyzes the value creation in secondary buyouts using the example of Brenntag by BC Partners, is joint work of Ann-Kristin Achleitner, Eva Lutz and Christian Figge.

Further information can be found here:

<http://www.emeraldgrouppublishing.com/authors/literati/awards.htm?year=2015>

## EVENTS:

### → Retrospect: Successful workshop on „foundation-owned companies“ at TUM on 26 and 27 November 2015

From 26 to 27 November 2015, the first two-day workshop on „foundation-owned companies“ took place at Technical University of Munich (TUM).

In cooperation with the University of Trier, the Maecenata Foundation, and the Förderkreis Gründungsforschung (FGF), Professor Achleitner and Anna Gerl (TUM) organized a workshop for both researchers and practitioners focusing on a wide range of different workshop themes. The participants eagerly discussed aspects including corporate strategy and economic success of foundation-owned corporations,

social perception and responsibility, legal and tax aspects, and the role of donors in the construction of foundation-owned companies.

Particular highlights were three keynotes by Tilman Todenhöfer (Robert Bosch Industrietreuhand KG), Dr. Klaus Herberger (Carl-Zeiss-Stiftung), and Alexander Möller (ADAC e.V.). Further invited talks and panel discussions shed light on findings and experiences on foundation-owned companies from both science and practice for the more than 60 workshop participants.

The workshop results will be summarized in a new book on foundation-owned companies published by the SpringerGabler Verlag. If you are interested in a contribution or would like further information, please contact [hosseini@uni-trier.de](mailto:hosseini@uni-trier.de).

For further information on the full program and photos from the workshop, please visit:  
<http://www.fgf-ev.de/workshop-stiftungsunternehmen/>.



## → Chairs in Entrepreneurial Finance conduct Seminar with Chernobobatey

“Only 10 seconds readers’ attention – not more for reading an online article”

Doctoral students of the Chairs of Entrepreneurial Finance and the Chair for Strategy and Organization had the great chance to participate in a seminar on the “application of new media techniques in the digital age” with Chernobobatey (Editorial Director of the German-language edition of The Huffington Post) and Professor Achleitner. They learned how to use different types of social media (e.g., Facebook, Twitter, and Blogging) and techniques to boost social media presence and attention. During their seminar, they visited the German editorial office of The Huffington Post in Munich and gained in-depth knowledge of the news portal that also offers blogs and views on different topics.



## → CPEA participants successfully completed the programme

After successfully completing their last module, the participants of the Certified Private Equity Analyst - CPEA received their official certificates in a festive ceremony. Several high-profile members of our partner, the BVK, and of the TUM School of Management were present. Dinner speaker was Jeremy Golding, Managing Partner at Golding Capital Partners.

If you are also interested in this certificate program centered around private equity investments, we invite you to register for the next round starting 29 October, 2015.

All information about this German-language program can be found on the website of the Executive Education Centre (<http://www.eec.wi.tum.de/>).



## CEFS MEMBER NEWS:

### → CEFS congratulates Daniel Urban on the completion of his dissertation

CEFS congratulates Daniel Urban on the completion of his dissertation and welcomes him as a postdoctoral researcher

The CEFS congratulates Daniel Urban on the successful completion of his dissertation. Daniel's work focused on certain aspects of corporate boards, such as female board representation, director busyness, and CEO power.





After finishing his dissertation, Mr. Urban decided to continue as a postdoctoral researcher ("Habilitation") at the Chair for Financial Management and Capital Markets.

### → CEFS welcomes Dr. Svenja Jarchow

Dr. Svenja Jarchow is well known to CEFS. She successfully finished her dissertation and now rejoined CEFS as managing director. With her scientific background of a Master of Science in Molecular Biotechnology and her interdisciplinary thinking she is looking forward to the new challenges as managing director.



### → CEFS congratulates Dr. Carolin Bock on her professorship at the Technische Universität Darmstadt

Dr. Carolin Bock, a habilitation candidate at the Chair in Entrepreneurial Finance, has been named Professor for Entrepreneurship (Gründungsmanagement) at the Technische Universität Darmstadt. In her new role, she will continue her research in the field of entrepreneurship, in particular dealing with topics related to venture capital and academic entrepreneurship.



### → CEFS welcomes Frédéric Closset

CEFS welcomes Frédéric Closset

The Chair of Financial Management and Capital Markets welcomes Frédéric Closset as new research assistant. Frédéric joined the team on January 1, 2016. His research will focus on insolvency costs under changing insolvency law.

Frédéric graduated with a Master's degree (Dipl.-Ing.) in Mechanical Engineering and a Bachelor's degree in Business Administration from Technische Universität München. Over the past two years, Frédéric has gained work experience working for various clients at The Boston Consulting Group.



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