

# Components of the Thesis

Leopold Ingenohl

24th February 2018

## 1 Motivation & Importance

- Investor activism

## 2 Descriptive Introduction

- HNA - Deutsche Bank

## 3 Investor & Target Characteristics

- Sample selection criteria

## 4 Financial Condition

### 4.1 Investor

- Control variables - implementation?
- Measurements (variables) for the financial condition
  - industry multiples
  - Balance sheet ratios
  - ROE, ROA, accruals
  - Fundamental analysis
  - Working capital adequacy
  - Asset performance
  - Capitalization structure
- Evaluation of the financial strength
  - Interpretation of the variables

- Group investors based on the properties
- Pitroskis'f-score as a proxy for financial strength
- Average return over the last xx years

## 4.2 Target

# 5 Underlying Justification for using the given measures as a proxy for financial strength

- Information Availability to the Market
- 10-K Filings?
- Data availability
- Why would they use the data?
- Readability: financial information is definitely available - is it readable? (Loughran, MacDonald)
- Because information is incorporated in a given manner, we can use several variables as proxies for financial strength observed by the market in the form of abnormal returns (they know what we know)

# 6 Abnormal Returns - Event Study

- event window
- mathematics behind it
- Computation etc.

# 7 Investor-Target Ratio

# 8 Data

## 8.1 COMPUSTAT - Financial Condition

### 8.1.1 Screening Variables

1. What consolidation level? - Consolidated
2. What industry? No financial services (FS)
3. What data format? - Standardized

4. Population source? - Domestic
5. Currency? - USD
6. Company Status? - Active & Inactive

### **8.1.2 Variables**

1. Identifying Information
  - Company name
  - CIK number
2. Identifying Information cont.
  - GIC variables - GIC sectors etc.
  - NAICS - in addition to GIC?
  - SIC - in addition to GIC?
3. Company Descriptor
  - Acquisition method? - ACQMETH filter by takeover?
  -
4. Balance Sheet Items
  - Current Assets total (ACT)
  - Total Assets (AT)
  - Account receivables total (ARTFS)
  - Cash (CH)
  - Liabilities total (LT)
  - Long term debt total (DLTT)

## **8.2 CRSP - Event Study Abnormal Returns**

## **8.3 Summary Statistics**

# **9 Literature**

- Kothari, S. P., and J. B. Warner. 2007. Econometrics of Event Studies. In B. E. Eckbo (ed.), Handbooks of Corporate Finance: Empirical Corporate Finance, Chapter 1. Amsterdam: Elsevier/North-Holland.
- Journal of Financial and Quantitative Analysis (JFQA)

- Fama, E. F., and K. R. French. 2006. Profitability, Investment and Average Returns. *Journal of Financial Economics* 82: 491-518. (page 496)
- Mohr, J-H.M., 2012. Utility of Piotroski's F-score for predicting growth stock returns. Working paper, MFIE Capital.
- signs for takeover?