To-Do

Leopold Ingenohl

March 18, 2018

- ☑ Frame the problem
- ☐ Print Components and Kube Mail
- ☐ How can we compare the financial strength of the investor with that of the target?
- ☐ Literature on signs for a takeover
- ☐ Motivation of the investor - studies?
- ☐ Topics: Conglomerate Discount, Asymmetric Information
- ☐ Read a few SC13D filings of the sample to understand what is going on
- ☐ Preparation of the final sample (all further analysis will be based on it)

1 Main objective of the paper

Examining the link between the financial condition of the investor and the subsequent abnormal returns on the targets stock.

1.1 Investors

1. Determine abnormal returns with respect to the selected sample
2. Ranking/grouping of investors by their financial strength/condition.
3. Grouping of returns by financial strength of the investor.
4. Cross-sectional regression of financial strength components with regards to the returns

1.2 Target

1. Characteristics of the target
2. Similar to the methodology applied to the investor

1.3 Investor-Target relation

1. Industries
2. Comparison of financial conditions
3. Grouping the returns with regards to the above factors

2 Preparation of the base sample

1. SC 13D & SC 13D/A Filings?
2. Period
3. Sample of all filings
4. Filter with 10k reports
5. CRSP share code http://www.crsp.com/products/documentation/data-definitions-1 Share Code: First Digit: 1 = Ordinary Common shares, 3 = ADR, 4 = Shares of Beneficial Interest, 7 = Unit or Limited Partnership. Second Digit: 0 = No special status found, 1 = No special status necessary, 2 = Foreign incorporated, 4 = Closed End Fund, 8 = REIT
6. COMPUSTAT & CRSP Data availability
7. Manual Selection

3 Activism

1. No institutional investor activism but
2. effecting a major change in the company

4 Expected Return Proxy

1. The accounting fundamentals used as explanatory variables in the proxies for expected profitability and investment include lagged values of Bt/Mt, a dummy variable for negative earnings, profitability (Yt/Bt) for firms with positive earnings, accruals relative to book equity for firms with positive (+ACt/Bt) and negative (ACt/Bt) accruals, investment (dAt/At?1), a dummy variable for firms that do not pay dividends (No Dt) and the ratio of dividends to book equity (Dt/Bt).Fama2006
2. What is the result of the calculation?!
3. read paper again

5 Identifying Information

1. GIC variables - will merge them with the current sample - based on the PERMCO and CIK
2. Those the right ones?
3. NAICS, GIC or SIC

6 Cross-Section Regression

1. Dummy variables
2. year, industry, strength etc.

7 title