

Abstract: This paper examines proxy contests and the value of shareholder voting rights (i.e., voting premium) estimated using option prices. Our sample consists of 873 proxy contests for board seats from 1994 to 2017 where targets are U.S. publicly listed firms. We find that voting premium can help predict the outcomes of the proxy contests. Specifically, increased voting premiums around contest announcements is associated with higher likelihood of the subsequently settled or voted contests, as opposed to withdrawn contests. Further, the success of the dissidents achieving board seats at the voted contests increases with the voting premium around the record dates.

Project Start and End Date: 2020-2022

Key Research Findings to date: We find that voting premium can help predict the outcomes of the proxy contests. Specifically, increased voting premiums around contest announcements is associated with higher likelihood of the subsequently settled or voted contests, as opposed to withdrawn contests. Further, the success of the dissidents achieving board seats at the voted contests increases with the voting premium around the record dates.

Dissimination:

Oğuzhan Karakaş presented the first results of the project at the Corporate Finance Webinar on April 14th, 2021

(<https://sites.google.com/view/corporatefinancewebinar>). Oğuzhan Karakaş presented the first results of the project at the CERF Monday lunchtime talks on June 14th, 2021.

Ting Yu presented the first results of the project at the Winter Doctoral Conference 2021 held by Cambridge Judge Business School. The paper received the Best Quantitative Paper Award awarded by CJBS.

Major Difficulties and Other Issues:

Outputs - Upload a Word Document:

https://www.cerf.cam.ac.uk/system/files/webform/output_april_2022_-_ting_yu.docx

Project Update - Upload a Word Document:

https://www.cerf.cam.ac.uk/system/files/webform/progress_report_april_2022_-_ting_yu.docx