

Project Update

Ting Yu

Title: Proxy Contests and the Value of Voting Right (with Scott Hirst and Oğuzhan Karakaş)

Abstract: This paper examines the proxy contests, and the market value of shareholder voting rights (i.e., voting premium). We estimate voting premium using a new technique exploiting option prices. Our sample consists of 1,053 proxy contests for board seats from 1994 to 2017 where targets are U.S. publicly listed firms. We find evidence that voting premium can partially explain the share price reactions around proxy contests, consistent with the value of the vote hypothesis of Dodd and Warner (JFE-1983). We also find that voting premium can help predicting the outcomes of the proxy contests. Specifically, voting premiums around contest announcements increase for contest that are later settled or voted, but remain unchanged for contest that are later withdrawn. Further, the success of the dissidents achieving board seats at the voted contests increases with the voting premium around the record dates.

Dissemination: 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.

Updates: My co-authors and I are working on updating datasets, further analyses and the first draft of the working paper.

Progress Report

Ting Yu

The main focus of my first year PhD in Easter term was preparing for the comprehensive oral and written exam. The finance comprehensive exam consists of examining more than 200 papers that are most heavily cited in the finance literature and have had an enormous impact on the profession. I have successfully passed the comprehensive exam in July 2021.

During the summer, my coauthors (Oğuzhan Karakaş and Scott Hirst) and I are working on updating the dataset for our proxy contest and voting premium project. The paper investigates how share price behaves around proxy contests for target firms and to which extent shareholder voting premium can explain the share price performance. We also test whether we could predict the outcome of a proxy contest and how successful the dissidents would win based on the behavior of the voting premium at the early stage of the proxy contest. Currently, we have found interesting results based on proxy contest and voting premium data. We will update our dataset to 2021 and write progressively into a working paper these days.