

Title: Proxy Contests and the Value of Voting Right (with Scott Hirst, and Oguzhan Karakas)

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announcements increase for contest that are later settled or voted, but remain unchanged for contest that are later withdrawn.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.

Oguzhan Karakas will present the first results of the project at the Corporate Finance Webinar on April 14th, 2021:

- <https://sites.google.com/view/corporatefinancewebinar>

My co-authors and I are working on further analyses and the first draft of the working paper.

First Year PhD Progress Report

Ting Yu

The first year of my PhD in Finance consists of assessed modules, additional academic training, and the finance comprehensive exam, which trains and enhances my understanding in finance and economics. During the first two terms, I took four assessed modules including MF8 Continuous Time Finance, SMO8 Game Theory, R301b Cross Section and Panel Data and S140 Behavioural Economics, two audit modules including E300 Econometric Methods and F520 Behavioural Finance, and one research project MF7. In the Easter term, I will take the final comprehensive exam. Apart from taking these courses and preparing for the comprehensive exam, I attend Cambridge Finance Seminars and the symposium held by CERF.

I have achieved a distinction in MF8 and completed an audit report for E300 in the Michaelmas term. Other four modules are assessed through oral exam, term paper, coursework, and report, respectively in Lent term. Besides, I am undertaking a project with my supervisor Oğuzhan Karakaş on proxy contest and voting premium. 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. My MF7 report constitutes the first draft of the project. We started this project in June 2020 by building a database on voting premium and continue writing progressively into a working paper these days.

The main focus of my first year PhD in Easter term is preparing the comprehensive oral and written exam. The finance comprehensive exam will be examining more than 200 papers that are most heavily cited in the finance literature and have had an enormous impact on the profession. The papers are classified into three parts: corporate finance, asset pricing, and financial intermediaries, which help to build up a comprehensive understanding of the finance literature.