

Philipp Jostarndt



© 2008 AGI-Information Management Consultants
May be used for personal purposes only or by
libraries associated to dandelion.com network.

Financial Distress, Corporate Restructuring and Firm Survival

An Empirical Analysis
of German Panel Data

With a foreword by Prof. Dr. Bernd Rudolph

Deutscher Universitäts-Verlag

Table of Contents

List of Tables	XV
List of Figures	XVII
1 Introduction	1
1.1 Motivation	1
1.2 Course of examination	5
Bibliography for Chapter 1	8
2 Data selection and sample descriptives	11
2.1 Sampling procedure	11
2.2 Data sources and sample structure	14
2.3 Sample representativeness	17
2.4 Sources of financial distress	18
Bibliography for Chapter 2	23
3 Financial distress, corporate control, and management turnover	25
3.1 Introduction	25
3.2 Theory and propositions	27
3.2.1 Theory on distress, ownership, and management turnover	27
3.2.1.1 Financial distress and the separation of ownership and control	28
	IX

3.2.1.2	Ownership structure and internal monitoring	29
3.2.1.3	External monitoring and the market for corporate control	30
3.2.1.4	Financial distress and bank monitoring	31
3.2.2	Propositions	33
3.3	Data and measurement	34
3.3.1	Data structure	34
3.3.2	Sample characteristics	35
3.3.3	Measurement issues	38
3.3.3.1	Measurement of ownership	38
3.3.3.2	Measurement of management turnover	39
3.4	Empirical results	40
3.4.1	Descriptive evidence	40
3.4.1.1	The impact of financial distress on corporate control	40
3.4.1.2	The impact of financial distress on management turnover	44
3.4.2	Evidence from panel regressions	47
3.4.2.1	Econometric specification	47
3.4.2.2	Estimation results	48
3.4.2.3	Sensitivity analysis	55
3.5	Summary and conclusions	58
	Bibliography for Chapter 3	59
	Appendices	63
4	An empirical study of distressed debt restructurings	71
4.1	Introduction	71
4.2	The economics of bankruptcy and debt restructuring	74
4.2.1	Key elements of the German bankruptcy code	74

4.2.1.1	The 1994 bankruptcy reform	74
4.2.1.2	Rules and proceeding of the new bankruptcy code	75
4.2.1.3	The effects on finance and control	76
4.2.2	Determinants of successful debt restructurings	78
4.2.2.1	Bankruptcy costs and firm value	78
4.2.2.2	<i>Information asymmetry</i>	80
4.2.2.3	Creditor conflicts	81
4.2.3	Prior empirical evidence	83
4.3	Data and hypotheses	85
4.3.1	Sampling procedure	85
4.3.2	Sample characteristics	87
4.3.3	Hypotheses and variables	88
4.4	Descriptive statistics and estimation results	91
4.4.1	Descriptive statistics	91
4.4.1.1	Success and failure in distressed debt restructurings	91
4.4.1.2	Univariate analysis	95
4.4.2	Prediction of successful debt restructurings	98
4.4.2.1	Model specification	98
4.4.2.2	Multivariate analysis	99
4.4.2.3	Robustness checks	102
4.4.3	Evidence from stock returns	103
4.4.3.1	Event classification	103
4.4.3.2	Analysis of market reactions during distressed debt restructurings	105
4.4.3.3	Analysis of cross-sectional regression results	107
4.5	Summary and conclusions	110
	Bibliography for Chapter 4	112

Appendices	116
5 Claimholder conflicts in distressed equity offerings	127
5.1 Introduction	127
5.2 Theory and hypotheses	130
5.2.1 Financial theory and distressed equity	130
5.2.1.1 Wealth transfers	130
5.2.1.2 Ownership structure	132
5.2.1.3 Managerial discretion	133
5.2.2 Hypotheses and variables	134
5.3 Data and descriptives	136
5.3.1 Sample description	136
5.3.2 Summary statistics	137
5.4 Methodology and empirical results	142
5.4.1 The firm perspective	142
5.4.1.1 Model specification	142
5.4.1.2 Estimation results	144
5.4.2 The market perspective	148
5.4.2.1 Valuation effects of offering announcements	148
5.4.2.2 Cross-sectional hypotheses	149
5.4.2.3 Cross-sectional regression results	151
5.5 Summary and conclusion	154
Bibliography for Chapter 5	155
Appendices	158
6 A study of firm exit and survival in financial distress	163
6.1 Introduction	163

6.2	Theory and propositions	166
6.2.1	Theoretical background	166
6.2.1.1	Firm size, firm age, and performance	166
6.2.1.2	Capital structure	167
6.2.1.3	Corporate ownership	169
6.2.1.4	Market valuations	170
6.2.1.5	Industry condition	171
6.2.1.6	Corporate restructuring	172
6.2.2	Propositions and variables	172
6.3	Data and methodology	175
6.3.1	Data structure and descriptive analysis	175
6.3.1.1	Data structure	175
6.3.1.2	Descriptive analysis	177
6.3.2	Methodology	181
6.4	Estimation results	183
6.4.1	Outcomes of financial distress	183
6.4.2	Duration of financial distress	186
6.5	Summary and conclusions	190
	Bibliography for Chapter 6	191
	Appendices	195