

The Impacts of Shareholder Activism in the middle and long run

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PROF. DR. RUDOLF VOLKART

Verfasser: LAILA GRASSO

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Abstract

The present paper addresses the topic of shareholder activism and investigates the hypothesis of abnormal return in the middle and long run resulting from shareholder activism, compared to a selected benchmark.

Present evidence shows that targeted companies can record a rise in the share value after such an attack in the short run. In the following paper, it will be studied if such an alpha also exists in the middle and long run.

The stock prices of a significant number of targets which were attacked in a certain time period will be analyzed quantitatively. For the identification of influencing factors on shareholder activism, the companies will be systematically itemized for different characteristics, such as purpose of attack, date, dimension of the company, etc. We examine if this hypothesis can be proved and if it can be profitable for investors to place money in such companies with a long-run investment horizon. Furthermore, the question should be asked by which characteristics of a company the biggest alpha is recorded and in which time interval such a positive alpha exists.

If there is a correlation between an attack and a following abnormal return of the attacked firm, this leads to new opportunities for investors to profit from targeted companies, even though their financial capacity or reputation would not allow them to become active themselves. Thus they could profit from this alpha.