

ETTORE CROCI

September 24th, 2009

Date of Birth: July 28th, 1976
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EDUCATION

- 2004 - Ph.D. in Economics, University of Lugano, Switzerland. Dissertation Title: "The Market for Partial Corporate Control in Europe: The Evidence about Corporate Raiders". Thesis Advisor: Prof. François Degeorge.
- 2002 - Swiss Program for Beginning Doctoral Student in Economics at Studienzentrum Gerzensee (Microeconomics and Macroeconomics).
- 1999 - Degree in Economics (with honors), Università Cattolica del Sacro Cuore, Milan. Thesis Advisor: Prof. Lorenzo Caprio.
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EMPLOYMENT HISTORY

- Since 05.2007: Assistant Professor (*Riccatore*), University of Milan-Bicocca.
- 09.2006: Instructor, Finanza Aziendale (Temi Applicati di Gestione Finanziaria), Università Cattolica, Milan.
- 09.2005-08.2006: Teaching Assistant of Corporate Finance and Corporate Banking (Prof. François Degeorge) at University of Lugano. Researcher within the project on Corporate Finance of the National Center of Competence in Research "Financial Valuation and Risk Management" (NCCR FINRISK).
- 09.2003-08.2004: Teaching Assistant of Corporate Finance and Corporate Banking (Prof. François Degeorge) at University of Lugano.
- 10.2000-08.2003: Teaching Assistant of Corporate Finance (Prof. Lorenzo Caprio) at University of Lugano.
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TEACHING EXPERIENCE

Since 10.2007 – Finanza Aziendale (undergraduate level), Corporate Finance & International Corporate Finance (master level), Capital Markets (FINARM Master), University of Milan – Bicocca

Since 09.2006: Finanza Aziendale (Temi Applicati di Gestione Finanziaria), Mod. I, master level, Università Cattolica, Milan.

03.2006-06.2006: Finanza Aziendale (Corporate Finance), undergraduate level, University of Milan - Bicocca.

OTHER ACADEMIC APPOINTMENTS

09.2004 – 08.2005 - Visiting Scholar at Owen Graduate School of Management, Vanderbilt University.

FELLOWSHIPS AND AWARDS

2004 – One-year fellowship for young researcher awarded by the Swiss National Science Foundation.

PUBLICATIONS IN PEER REVIEWED ACADEMIC JOURNALS

1. Croci, Ettore, and Dimitris Petmezas, 2009 "Minority Shareholders' Wealth Effects and Stock Market Development: Evidence from Increase-in-Ownership M&As". *Journal of Banking & Finance*, forthcoming. DOI: [10.1016/j.jbankfin.2009.09.003](https://doi.org/10.1016/j.jbankfin.2009.09.003)

Abstract: This paper examines, using a global M&A data set, the relationship between the target firm's minority shareholders' returns and a country's stock market development in deals in which large shareholders increase their ownership stakes. For the purpose of this study, we use two measures of stock market development: (1) turnover over GDP, and (2) turnover over market capitalization. We provide evidence supporting the view that minority shareholders in target firms gain significantly more in countries with high stock market development than their counterparts in less-developed markets. Our results are robust to several firm and deal characteristics and provide evidence to policy makers that the degree of stock market development is a key determinant in improving minority shareholders' welfare.

2. Croci, Ettore and Caprio, Lorenzo, 2008, "The Determinants of the Voting Premium in Italy: The Evidence from 1974 to 2003". *Journal of Banking & Finance*, 32, 2433-2443.

Abstract: We examine the voting premium in Italy in the period 1974 to 2003, when it ranged from 1% to 100%. At firm level, the measure of the price differential between voting and non-voting stocks cannot be fully explained without taking into account the effect of the largest shareholder's identity. Family-controlled firms have higher voting premiums, especially when the family owns a large stake in the company's voting equity and the founder is CEO and/or chairman. We explain this result by showing that families attach greater importance to control and are more prone than other types of controlling shareholders to expropriate the non-voting class of shareholders.

3. Corporate Raiders, Performance, and Governance in Europe, November 2007. *European Financial Management*, 13 (5), 949-978.

Abstract: I analyze 136 block purchases made by corporate raiders in Europe between 1990 and 2001. Contrary to the hypothesis that these investors expropriate the target companies, there is a positive market reaction to the first public announcement of these purchases. In the long-run, raiders earn an abnormal profit when they sell their stakes. When they still held their positions at the end of the sample period, abnormal returns were insignificant. Raiders' activities do not improve operating performance. The findings are consistent with superior stock picking ability among these investors, but do not support the hypothesis that raiders are governance champions.

WORKING PAPERS

1. Croci, Ettore, and Dimitris Petmezas "Why do Managers Make Serial Acquisitions? An Investigation of Performance Predictability in Serial Acquisitions" (September 2005). Available on SSRN: <http://ssrn.com/abstract=727503>

Abstract: I evaluate why managers choose to make a series of acquisitions. To investigate this question, I study 591 bidding firms that completed at least five acquisitions within a five year interval during the sample period 1990-2002. I test four potential explanations for serial acquisitions: overconfidence, superior managerial acquisition skill, managerial empire building behavior, and that the acquisitions comprise a single plan. My tests focus on persistence in the sign of CARs around the announcements. As a group, serial bidders show no evidence of performance persistence or reversal, but successful acquirers show persistent success. My evidence is consistent with only one hypothesis: that some managers have superior acquisition skills.

2. Croci, Ettore, "Stock Price Performances of Target Firms in Unsuccessful Acquisitions" (July 2006). Available on SSRN: <http://ssrn.com/abstract=766304>

Abstract: This paper examines the stock price returns of 459 targets in unsuccessful M&A deals from 1990 to 2001. An information hypothesis that includes new information arrived after the M&A proposal explains better than the synergy hypothesis the evidence for failed acquisitions. The average abnormal return announcement to termination is a negative 10.61%. Abnormal returns vary according to the identity of the party who terminates the deal. When the target firm rejects a deal, the target stock price drops by 4.33%. The loss is 14.49% when the bidder terminates the deal. In the long-run, abnormal returns are generally insignificant.

3. Croci, Ettore, Lorenzo Caprio, and Alfonso Del Giudice, "Ownership Structures, Family Control, and Acquisition decisions" (March, 2009). Available on SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1293853

Abstract: We investigate how ownership (cash-flow rights held by the largest shareholder) and ownership identity (family control vs. non-family) influences the decision to take part in M&As as an acquirer or as an acquired company. We study a comprehensive sample of 777 Continental European companies in the period 1998-2002. We find that ownership is negatively correlated with the probability of launching a takeover bid, and family firms are less likely to make acquisitions. CARs around the announcement of an acquisition are positively associated with the cash-flow rights of the largest shareholder and with family control. On the passive side of M&A deals, a big stake of the largest shareholder makes the acceptance of an acquisition proposal less likely, and the same is true for family control, at least when heirs are involved in the company as managers and/or directors.

4. Croci, Ettore, Halit Gonenc "Family Control and raising external capital: An analysis of large European firms " (April, 2009).

Abstract: We examine the family firms' propensity to raise outside capital, both equity and debt, and compare it to that of non-family firms. Using a comprehensive sample of 777 large European firms in the period from 1998 to 2002, we find that family firms are, indeed, reluctant to make equity issues compared to non-family firms. However, all other things equal, family firms tend to make new equity issues following periods in which stock prices substantially increased. Family control does not affect the decision to issue debt, unless the founder is still in the company. In that case, founder-led family firms are more likely to issue debt. Finally, we do not find differences in the probability of using rights offerings between family firms and non-family firms to use. Our evidence presents interesting implications for family control firms to understand their long-term aspects of management choices for financing decisions.

5. Croci, Ettore, and Dimitris Petmezas, and Nick Travlos, "Idiosyncratic Volatility, Takeover Premiums and Target Gains" (February, 2009).

We examine the relation between targets' idiosyncratic volatility (σ) with takeover premiums received and target's acquisition announcement returns. We argue that σ is a significant driving force of the premium difference and hence different returns enjoyed by target firm's shareholders. The uncertainty in the market about a target's value makes bidder manager to pay a relatively higher price, when she believes that the acquisition will increase her shareholders' value, in favor of target's shareholders. Our results support this argument as we find that high idiosyncratic volatility targets receive considerably larger premiums and gain significantly more than targets that are easier-to-value. This finding is robust to the method of payment effect and several other target and deal characteristics. Finally, our results have implications about the method of payment effect on target returns by idiosyncratic volatility. High idiosyncratic volatility targets acquired with cash realize the largest returns by great magnitude because the investors interpret this financing decision as the bidder has more favorable information than the market about target's value and hence appreciate price at the benefit of target's shareholders.

6. Croci, Ettore, and Dimitris Petmezas, and Evangelos Vagenas-Nanos, "Managerial overconfidence in High and Low valuation markets: Evidence from the UK" (September, 2009). Paper under review (2nd round) at the European Journal of Finance. Available on SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1349401

Abstract: In this paper we empirically investigate bidders' performance managed by overconfident and non-overconfident managers in high and low valuation periods. Using a sample of UK acquisitions in the period 1990-2005, we provide evidence that the interaction between market valuation and different behavioral traits of managers is a key determinant of bidders' announcement returns. In contrast to overconfident managers, non-overconfident managers conduct value-creative acquisition deals in all valuation periods. In addition, when we control for acquirer and deal characteristics, we find that bidders with non-overconfident managers gain the most in high valuation periods, while firms are better off without overconfident managers in any type of market conditions.

7. Croci, Ettore, and Dimitris Petmezas, and Evangelos Vagenas-Nanos, "Managerial Overconfidence and Corporate Acquisitions: The UK Evidence" (September, 2009).

In this paper we empirically investigate the interaction between managerial overconfidence and overall stock market valuation. Using a sample of UK acquisitions in the period 1990-2005, we provide evidence that this interaction is a key determinant of the bidder announcement returns. We show that, in the short-run, acquisitions by firms run by non-overconfident managers outperform those completed by overconfident managers. This result is mainly due to the different results obtained in low valuation

markets, where overconfidence leads to lower returns in acquisitions of private companies. This result is robust to several acquirer and deal characteristics and has implications that during crisis, at least for what concerns acquisitions, firms may be better off without overconfident managers.

8. Croci, Ettore, Eric Nowak, and Olaf Ehrardt " Minority squeeze-out regulation in Germany: efficiency, fairness, and economic consequences " (June, 2009)

To facilitate delistings of stock companies after an acquisition, national legislations in Europe give firms who own a large fraction of the targets' equity capital the right to acquire the remaining outstanding shares. Squeeze-out offers has been used extensively in Germany. We provide a cost-benefit analysis of the current squeeze-out procedures in Germany, using a brand-new database of squeeze-outs with unique data, and offer new insights on this procedure taking into account both the minority investors' point of view and firms' strategies.

9. Croci, Ettore, e Alfonso Del Giudice, " Le commissioni di collocamento delle obbligazioni bancarie in Italia" (January, 2009).

WORKS IN PROGRESS

- Shareholder activism in Europe, with Eric Nowak (University of Lugano);
- Ownership structure and stock acquisition, with Dimitris Petmezas (University of Surrey);
- Analysis of the market reaction around Hedge funds' minority acquisitions in Italy, with Giovanni Petrella (Università Cattolica del Sacro Cuore, Milano);
- Behavioral mutual funds: performance and persistence, with Paola Bongini (Università di Milano-Bicocca).
- Going private transactions in Europe, with Alfonso del Giudice (Università Cattolica del Sacro Cuore, Milano).

CONFERENCE AND RESEARCH SEMINAR PRESENTATIONS

2009

23rd European Conference on Operational Research, Bonn; EFMA Meeting, Milano; 5TH WORKSHOP ON FAMILY FIRMS MANAGEMENT RESEARCH, Hasselt; FMA European Meeting, Torino; 10th Workshop on Corporate Governance and Investment, Copenhagen*; Free University of Bolzano.* (*scheduled)

2008

EFMA Meeting, Athens; FMA European Meeting, Prague.

2007

FMA Annual Meeting, Orlando ; University of Milan-Bicocca; EFMA Meeting, Vienna; FMA European Meeting, Barcelona; Meeting on "Prospettive del sistema finanziario italiano: corporate finance, banking, ownership, governance", Milan.

2006

Meeting of The French Finance Association, Paris; Conference on “Corporate Governance e Assetti Proprietari nel Mercato Finanziario Italiano”, Bologna; EFMA Meeting, Madrid; FMA Meeting, Stokholm; IESEG School of Management, Lille; University of Lugano; Università degli Studi di Milano – Bicocca.

2005

Meeting of The French Finance Association, Paris; University of Bern; Vrije Universiteit; Owen Graduate School of Management, Vanderbilt University.

2004

EFA Meeting, Maastricht; EEA/ESEM Meeting, Madrid; EFMA Meeting, Basel; 3rd Swiss Doctoral Workshop on Finance, Gerzensee; European Doctoral Workshop in Finance, Paris.

2003

Meeting of The French Finance Association, Paris; Università Cattolica del Sacro Cuore, Milan; University of Lugano; Doctoral Tutorial EFA Meeting, Glasgow; 2nd Swiss Doctoral Workshop on Finance, Gerzensee Università di Bologna; Free University of Bozen/Bolzano.

PROFESSIONAL ACTIVITIES

Acted as referee for the following journals: Revue Finance, Journal of Empirical Finance, European Financial Management, Journal of Multinational Financial Management, Corporate Governance: An International Review, Financial Management.

Acted as discussant at the following conferences: EFA 2006, EFMA 2004, 2006, 2007, 2009, FMA European Meeting 2007, 2009, FMA Annual Meeting 2007, Meeting of The French Finance Association, 2003, 2005, and 2006.

Acted as tutor at the EFMA Doctoral Tutorial in 2006, 2007, and 2008.

RESEARCH INTERESTS

Corporate finance, M&A, corporate governance, international corporate finance, behavioral finance.

REFERENCES

Prof. François Degeorge,
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