

## Curriculum Vitae Johann Reindl

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CONTACT INFORMATION	Johann Reindl c/o Department of Finance BI, Norwegian Business School Nydalsveien 37 N-0442 Oslo  <i>Tel:</i> +47 46410749 <i>E-mail:</i> <a href="mailto:johann.reindl@bi.no">johann.reindl@bi.no</a> <i>WWW:</i> <a href="http://home.bi.no/johann.reindl">http://home.bi.no/johann.reindl</a>
ACADEMIC APPOINTMENT	<b>BI - Norwegian Business School</b> Assistant Professor of Finance, August 2013 - present
EDUCATION	Ph.D. in Finance, Vienna Graduate School of Finance, Austria. 2008 - 2013 Committee: Dirk Hackbarth, Neal Stoughton, and Josef Zechner  Mag. in Economics, University of Economics and Business, Vienna 2008 Thesis: Asset Prices and the Business Cycle - A Regime Switching Approach
RESEARCH INTERESTS	Primary: Corporate Finance, Connections between Corporate Finance and Asset Pricing, Empirical Asset Pricing Secondary: Credit Risk, Real Options
TEACHING EXPERIENCE	<b>BI, Norwegian Business School, Norway</b> <i>Lecturer, Multinational Corporate Finance, MSc Finance, Sivilkonom</i> 2013-present <i>Between 200 and 350 students, average student evaluation score: 4.05/5.</i>  <b>Vienna University of Economics and Business, Austria</b> <i>Lecturer, Finance Paper Reading, MSc Quantitative Finance</i> 2012  <b>Vienna University of Economics and Business, Austria</b> <i>Academic Tutor, Gutmann Private Wealth Management Seminar, MSc in Finance and Accounting</i> 2011  <b>University of Vienna, Austria</b> <i>Lecturer, International Financial Management, MSc International Business</i> 2010
HONORS AND AWARDS	Best paper award, Financial Research Association Conference 2016 Full Scholarship, Vienna Graduate School of Finance (2008-2013) Bank Gutmann Best Paper Award, 2nd Place (2011) Bank Gutmann Best Paper Award, 3rd Place (2012)

### **Deleveraging Via Asset Sales: Agency Costs, Taxes, and Government Policies**

Do equityholders of a financially distressed firm have an incentive to sell assets and buy back debt to achieve a more sustainable leverage ratio and avoid costly bankruptcy? I develop a dynamic structural model incorporating a dynamic game to determine conditions under which a firm would voluntarily do so. It allows me to assess the impact of debt overhang and asset substitution on the restructuring condition and the holdout problem. I find that as long as the total firm value increases through the debt repurchase, equityholders benefit from it, as well. In a dynamic setting, the debt overhang problem takes the form of too early restructuring. Taxes on cancellation of debt income and government subsidies to debtholders can destroy equityholders' incentives; so does low liquidity in the market for the firm's assets; an asset purchase program fosters them. Last, via threatening not to tender, debtholders can appropriate a large share of the firm's restructuring gains. However, they cannot stop equityholders from gambling for resurrection which in turn gives equityholders bargaining power to prevent debtholders from holding out.

### **Market Implied Costs of Financial Distress** (joint with Neal Stoughton and Josef Zechner) *revise and resubmit at the Review of Financial Studies*

This paper examines bankruptcy costs using market prices of equity and put options during the financial crisis. Our approach avoids the downward selection bias and the upward bias when using the tradeoff theory to estimate bankruptcy costs. While the average bankruptcy cost is about 20%, we find wide variation across and within industries. Costs are related positively to asset volatility, growth options, and labor intensity and negatively to tangibility, size, weak corporate governance and entrenched management. Using our results we also find strong support for the tradeoff theory but we identify the other firm characteristics that also matter.

### **Do covenants prevent asset substitution?** (joint with Alexander Schandlbauer)

This paper shows that bond covenants mitigate the asset substitution problem. We track defaulted firms for the last seven years prior to bankruptcy and use a structural corporate finance model together with a novel simulated methods of moments approach for conditional samples to detect the unobservable risk-shifting behavior and to identify the mechanisms through which covenants can work. We find that cash-flow based covenants destroy risk-shifting incentives via reducing the convexity of the equity value function and not by tying the hands of the management. Companies with protective covenants are less likely to engage in risk-shifting just prior to bankruptcy and if they do, they increase their cash-flow risk by less. Nonetheless, issuing bonds without covenants can also be optimal. We find that for the average firm with no covenants attached, the agency cost from asset substitution is lower than the inefficiency the firm would incur had it included covenants in its bond contracts.

**Acquirer Termination Fee and Stock Market Feedback** (joint with Di Cui and Øyvind Norli)

Theory suggests that traders will be more reluctant to trade on negative private information about an ongoing merger if their trading will cause the merger to be canceled. This paper provide evidence on the existence of such feedback between prices and corporate decisions. Using the existence of an acquirer termination fees as a proxy for the commitment not to cancel the transaction, we show that post announcement acquirer stock prices contain more firm-specific information when such a commitment exists than when it does not exist. This suggest that investors with negative private information are more willing to trade on their information when managers are prevented from using this information to adjust their decisions.

**The Cross Section of Expected Stock Returns and Option Prices**

I find a novel explanation for the volatility smile pattern across firms: firms' real investment decisions. First, I show empirically that the cross section of volatility smiles can be explained by the Fama-French factors. This result is puzzling in that option prices, for which the implied volatility surface is just a metric, are affected by determinants of the expected return of the underlying. Second, I provide a rationale for this finding by developing a theoretical model that links a firm's stock option price to its investment decision. In the model, investment options and operating leverage not only establish a relationship between the Fama-French factors and expected stock returns but also make the volatility of the firm' equity state dependent. Via this connection, the factors are also related to the theoretical option prices. The relationship even holds in a Black-Scholes world where expected stock returns have no effect on option prices. I find the model's predictions concerning the correlation between the size and book-to-market factor and the volatility smile to fit very well the empirical stylized facts.

CONFERENCE  
PRESENTATIONS  
AND SEMINARS

**Deleveraging Via Asset Sales: Agency Costs, Taxes, and Government Policies** AFA 2014, Universit della Svizzera italiana (Lugano), University of Mannheim, Business School, BI Norwegian Business School, University of Southern Denmark

**Market Implied Costs of Financial Distress**

University of Hong Kong, HKUST, the Goethe University Frankfurt the Frankfurt School of Management, the University of Zürich, the European Finance Association, the European Winter Finance Conference, the Financial Research Association, and the IDC Rothschild Ceasarea Conference.

**Do covenants prevent asset substitution?**

Nordic Finance Workshop 2014 (Oslo, Norway), 15th Workshop on Corporate Governance and Investment (Oslo, Norway), Aarhus, Swiss Society for Financial Market Research (2016),

PROFESSIONAL  
EXPERIENCE

**Raiffeisen Bank International** Jan. 08 to May 08  
Analyst in the Economic and Financial Markets Research Department

**Raiffeisen Bank International** May 06 to Dec. 07  
Part time assistant in the Economic and Financial Markets Research Department

ADDITIONAL  
INFORMATION

**Languages**

English: fluent  
German: native  
French: advanced knowledge  
Norwegian: basic

**Software**

Programming Skills: Matlab, R, Mathematica, Eviews, VBA  
Databases: Datastream, WRDS, Bloomberg

REFERENCES

**Professor Josef Zechner**

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and Business  
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**Professor Neal Stoughton**

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