

Invitation

You are cordially invited to the public defense to obtain the academic degree of

DOCTOR OF BUSINESS ECONOMICS

by Frederik Bert Verplancke

Essays on Corporate Finance

Supervisors:

Prof. dr. Klaas Mulier

Prof. dr. Olivier De Jonghe

Prof. dr. Luc Renneboog

Tuesday, 26 October 2021 at 10h00

In 'Portrettenzaal', Cobbenhagen Building (C building), Warandelaan 2, 5037 AB Tilburg (the Netherlands)

<https://www.tilburguniversity.edu/campus/live-broadcast/portraits-room>

Tuesday, 26 October 2021 from 17h00 until 19h00

A reception will be organized in the Foyer, Campus Tweekerkenstraat, 9000 Gent

Please confirm your attendance no later than 14 October by e-mail to

Frederik.Verplancke@ugent.be

EXAMINATION BOARD

Prof. dr. Olivier De Jonghe

(Tilburg University & National Bank of Belgium, *Supervisor*)

Prof. dr. Klaas Mulier

(Ghent University, *Supervisor*)

Prof. dr. Luc Renneboog

(Tilburg University, *Supervisor*)

Prof. dr. Marco Da Rin

(Tilburg University)

Prof. dr. Marie Lambert

(HEC Liège)

Prof. dr. Koen Schoors

(Ghent University)

Prof. dr. Tom Vanacker

(Ghent University & University of Exeter)

Summary

My PhD dissertation is composed of three studies that examine different aspects of the business environment. A first study in which I explain the return of venture capital investments based on the risks the investors took, a second study in which I assess the impact of supportive government policies on small and medium-sized enterprises' financial performance and a third study in which I investigate the impact of monetary policy on inequality.

In the first study we assess the impact of risk on the return venture capital investors obtain from their investments. Venture capital investors will typically invest in high risk companies. As they will often invest during the early stages of high risk companies and many of these companies will eventually fail, the risks for the investors are very high. When these high risk companies become older, the risks decrease as it will be clearer if the enterprise will be successful or not. To investigate this risk-return relationship we built a database starting from U.S. IPOs in which at least one venture capital investor invested. When we compare the return from late investors with the return of early investors, we observe that late investors obtain on average higher returns. This is counterintuitive, as late investors were faced with a lower business risk. In this study we show that this inverse relationship is caused by market risk that is taken into account during the later stages. While business risk is mainly important during the early stages of the company, market risk prevails as we get closer to the IPO. Hence, these high returns for late investors are a compensation for the market risk they are faced with.

In the second study I investigate the impact of supportive government policies that are available to SMEs. In order to investigate this, I exploit a change in legislation in 2015. This change resulted in a reclassification of companies as threshold values that determine the company's size category increased. As a result, some companies were reclassified as SME and so received the benefits attributed to this category of companies. The analyses were performed by comparing 149 reclassified companies with 415 companies that did not have access to these benefits. Nevertheless these benefits are used by SME category companies, they do not result in the anticipated effect. The specific goals of the measures, such as an increase in total equity, are not reached. As a result, there are also no indirect positive consequences, such as an increase in medium term growth. Finally, I show that the measures are mainly used by the most profitable companies in order to optimize taxation.

In the third study we investigate an aspect of money markets. In perfect financial markets a business' loan application should only depend on the quality of the project. Using the Survey on the Access to Finance of Enterprises (SAFE) database of the European Central Bank (ECB), we show that the applicants' private wealth positively impacts the loan applications' approval rates. We show that this is especially the case during periods of contractionary monetary policies. Consequently, expansionary monetary policies provide a tool to reduce inequality in society, as private wealth is irrelevant during such monetary conditions.

It is important that companies and entrepreneurs can operate in an optimal environment and so create value for society. In this dissertation I investigated different aspects of this business environment. It is for example important that investors obtain a return that compensates them for the risks they take when investing in innovative companies. If this is not the case there is a risk that technological and high risk enterprises are unable to find the necessary start-up funding. Another way to create an optimal business environment is to attribute benefits to specific groups of companies. In the second study I show however that the impact of such measures is rather limited. Finally, also monetary policy can be used to create a more optimal environment. While the private wealth of the business loan applicant positively impacts loan applications during more contractionary monetary conditions, this effect is reduced during expansionary monetary policy periods. Hence, expansionary monetary policies can create a more equal environment.

Curriculum vitae

Frederik Verplancke (Bruges, Belgium, 1989) obtained his Bachelor in Business Economics in 2010 and his Master in Business Economics in 2011 at Ghent University. After graduating, he worked for two years as an account manager in the accounting industry. Next, he participated in a two-year research project at University College Ghent and in 2015 he joined Ghent University. Frederik presented his research at several international conferences, including the 4th EntFin Annual Meeting (Trier, 2019), 9th International Conference of the Financial Engineering and Banking Society (Prague, 2019), 37th International Conference of the French Finance Association (2021), EURAM 2021 and the World Finance Conference (2021). Besides the PhD project, Frederik co-authored papers that were published in the Australian Accounting Review.