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# Joon Ho Kim


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## Academic positions

Associate Professor of Finance, University of Hawaii at Mānoa — 2022 -

Shidler College Faculty Fellow, University of Hawaii at Mānoa — 2022 -

Assistant Professor of Finance, University of Hawaii at Mānoa — 2013, 2014 - 2022

Visiting Scholar, University of Washington — Spring 2017, Fall 2019

## Education

University of Washington, Michael G. Foster School of Business — 2013
Ph.D. in Finance and Business Economics

University of Washington, Michael G. Foster School of Business — 2006
MBA, Global Executive Program

University of Washington, Department of Economics — 2000
Bachelor of Arts in Economics

## Research Interests

Corporate Investment, Mergers and Acquisitions, Corporate Governance, Capital Structure, Information Dissemination, Shareholder Activism

## Publications

"Does Dividend Policy Affect Sale Growth in Product Markets? Evidence from the 2003 Dividend Tax Cut" (2022) with Atsushi Chino, ***Financial Management***, 51, pp.539-571.

Summary: Despite its saliency in corporate financial policies, no studies have empirically examined the effects of firms' dividend payout policies on the firms' ability to compete in the product market. Our paper closes the gap by directly examining the effect of changes in firms' dividend policy on product market outcomes. Exploiting the 2003 dividend tax cut as the exogenous increase in demand for dividends from tax-sensitive shareholders, we show that firms that raised dividends in response to the tax cut recorded lower sales growth in product markets after the tax cut. These firms experienced a reduction in financial flexibility, which led to a decrease in investment activities. Despite the negative effects of dividends on sales growth, firm value increased on average, indicating that the firms raised dividends when the shareholder benefits outweighed the costs. Our study is the first to show the negative causal effects of a dividend-induced reduction in financial flexibility on product market performance.

"Do Social Networks Facilitate Informed Option Trading? Evidence from Alumni Reunion Networks" (2022) with Harvey Cheong, Florian Muenkel, and Harold Spilker, ***Journal of Financial and Quantitative Analysis***, 57(6), 2095-2139.

- Featured in Bloomberg Opinion - "Melvin Capital Had a Better Month" by Matt Levine
- Featured in Institutional Investor Magazine - "Hedge Fund Managers Are Getting Inside Information From Alumni Networks, Study Finds" by Christine Idzelis
- Listed on SSRN's Top Ten download list (As of 18 Jan 2021 - 19 Mar 2021)

Summary: Few studies have addressed the question of how and why firm insiders may use their information advantage to inform outside investors in the financial market. In this paper, we use manually collected information on networks of university alumni reunion cohorts to establish a plausible information channel. To identify past school ties between hedge fund managers and the firm's board members, we use biographical information from manual data collection for 6,252 individuals and 446 university and college reunion programs. Using the data, we show that hedge fund managers connected to directors of firms engaged in merger deals increase call option holdings on target firms before deal announcements. Effects are larger when reunion events for connected cohorts occur just before announcements. Independent directors, directors with short tenure, and directors with low stock ownership are more likely to transmit information. These findings highlight the role of social networks as channels of private information dissemination. To the best of my knowledge, this paper is the first to empirically examine the investor-level trading behavior of outside investors informed directly by corporate insiders through social networks.

"Do Low Search Costs Facilitate Like-Buys-Like Mergers? Evidence from Common Bank Networks" (2021) with Jiakai Chen and Ghon Rhee, ***Journal of Financial Economics***, 140-2, pp.484-513.

Summary: Surprisingly, the importance of search as a determinant of synergistic outcomes in mergers has not been rigorously studied. In this paper, we close the void by examining how search frictions affect merger outcomes. We focus on a commercial lending network consisting of a bank and its borrower firms as the channel for low-cost search for merger partners. We show that high quality mergers are more probable between firms connected through a common bank network (CBN). This effect is amplified if the connection has been recently formed or the network contains many plausible choices for merger partners. CBN-facilitated mergers exhibit higher synergy and lower post-merger cost of debt. Our results highlight the importance of search by investigating the impact of search efficiency on the merger process and outcomes. To the best of our knowledge, this paper is the first cross-sectional study to theoretically and empirically show that a reduction in search frictions increases the likelihood of high quality mergers and post-merger synergistic value.

"Asset Specificity and Firm Value: Evidence from Mergers" (2018) sole author, ***Journal of Corporate Finance***, 48, pp.375-412.

Summary: No studies have investigated the effect of asset specificity on firm value in the context of the market for corporate control, and this paper fills the void. Using US merger data, I show that when target firms' industries experience a negative cash flow shock, target firms that consist of more industry-specific real assets receive a lower merger premium than those consisting of more generic assets. Results also suggest that the asset specificity discount in the target return is more pronounced if target firms are financially distressed. However, the negative value effect of asset specificity is mitigated in the presence of financially unconstrained industry rivals who place high value on the targets' assets compete for the targets and thereby are more likely to acquire the targets. Overall, our results suggest that asset specificity of a firm is an important determinant of the firm value. This paper is one of the first studies that document direct evidence that asset specificity affects companies' valuation in mergers and acquisitions.

## Working Papers

"Do funding channels affect investment horizon? evidence from hedge fund activism" with Pilsung Lee

Summary: This paper examines the relationship between hedge fund activism and the choice of funding channels, exploring how firms adjust their investment strategies accordingly. Our analysis reveals that hedge funds utilizing margin accounts as funding sources are more likely to engage in activism with a short-term focus. In contrast, hedge funds that rely on the owners' personal capital tend to pursue activism projects with a long-term horizon. Moreover, activism financed by the owners' own funds typically yields higher returns compared to those funded by client accounts. These findings suggest a strong link between hedge funds' financing decisions and their investment strategies.

"Does Analyst Reputation Matter for Firm Value? Evidence from corporate fraud revelation" with Jiakai Chen and Boo Chun Jung

Summary: In this study, we investigate an unexplored channel through which analyst monitoring can affect firm value. Specifically, we examine whether the reputation of analysts as monitoring agents affects firm value. We exploit value-destroying accounting fraud cases as negative exogenous shock to the reputation of analysts who positively covered the fraudulent firm right before the fraud revelation. We show that the non-fraudulent firms covered by the same affected analysts (i.e., connected firms) experience a 1% decline in the stock value on the revelation date. This effect is amplified for the connected firms with fewer other non-affected analysts following or with lower institutional ownership. Our analysis also reveals that the connected firms experience a reduction in stock liquidity after the revelation. Overall, our results show that the reputation of analysts as monitoring agents is an important determinant of firm value. To our best knowledge, our paper is the first to rigorously study the causal effect of analyst reputation on firm value.

"Do Long-tenured Boards Provide Stability?" with Wei-Ming Lee, under review

Summary: While previous literature on corporate board focuses on the board's impact on firm performance, this paper takes a different angle and studies volatility. Using a sample of S&P 1500 firms from 2000 to 2015, we document a negative relationship between average director tenure and return volatility. We also examine return behavior after director deaths and corporate news announcements to mitigate the endogeneity concern. This paper investigates whether average director tenure affects a firm's performance variability. We find that a one standard deviation increase in the average director tenure is associated with a 7.15% proportional decrease in annualized return volatility. A likely explanation is that long-tenured boards prefer the quiet life and make persistent and predictable policies. Consistent with this hypothesis, we find that firms with long-tenured boards have smoother investment patterns and more stable cash flows. Our work contributes to the growing literature that corporate governance can affect firm risk.

"How Does Board Structure Affect Customer Concentration?" with Wei-Ming Lee, 1st round Revise and Resubmit, ***Financial Review***

Summary: We study how board structure affects a firm's customer base. Using the Sarbanes-Oxley Act of 2002 (SOX) and related governance reforms in 2002 and 2003 as exogenous shocks that increase board independence, we find that SOX-affected firms diversify their customer base after SOX. In the average SOX-affected firm, the percentage sales made to all the major customers is lower by 2.19 percentage points when compared to the control peers. Lower customer concentration is associated with slightly higher Tobin's Q. The most likely channel through which SOX brings these changes is by removing directors or executives who are linked major customers.

"Toeing the Informed Trading Line" with Harvey Cheong, Florian Muenkel, and Harold Spilker

Summary: This paper investigates how personal connections facilitate informed option trading prior to important corporate events. We identify person-to-person connections between hedge funds and acquirer firms involved in M&A deals and find that connected fund managers purchase pre-announcement option positions that predict the direction and size of the announcement return of the underlying acquirer's stocks. This connected return predictability is more pronounced when connections form through funds' senior officials, Ivy League networks or MBA programs, highlighting the importance of the ability to access and process private information. For regulators, our results identify a channel for material private information dissemination between network participants. This is a follow-up paper to the paper titled "Do Social Networks Facilitate Informed Option Trading? Evidence from Alumni Reunion Networks", which has been accepted for publication in the *Journal of Financial and Quantitative Analysis*.

## Work in Progress

"Can Machine Learning Predict Value-Increasing Merger Deals?" with Wei-Ming Lee and Atsushi Chino

"Match-making in ESG: Do firms with similar ESG scores engage in mergers?" with Jarrad Harford and David Shin

"Does Access to Capital Affect the Value of Rival Firms? Evidence from SPACS Mergers" with Harold Spilker

"Debt Financing Frictions and Access to Public Debt", sole author

## Conference Presentations and Seminars

(* denotes co-author presentation)

"Do Social Networks Facilitate Informed Option Trading? Evidence from Alumni Reunion Networks" (2021) with Harvey Cheong, Florian Muenkel, and Harold Spilker
Seminar at the University of Hawaii at Mānoa, Honolulu, Hawaii, 2019, 2021
Seminar at the University of Washington, Seattle, Washington*, 2017
Seminar at the Saint Mary's University, Halifax, Nova Scotia, Canada*, 2017

"Do Low Search Costs Facilitate Like-buys-like Mergers? Evidence from Common Bank Networks" with Jiakai Chen and Ghon Rhee
Northern Finance Association Annual Meeting, Halifax, Nova Scotia, Canada, 2017
Financial Management Association Annual Meeting, Boston, MA*, 2017
Econometric Society Asian Meeting, Hong Kong, China*, 2017
Asian Finance Association Annual Meeting, Seoul, South Korea, 2017
Seminar at the National Central University, Taipei, Taiwan*, 2017

"Does Dividend Policy Affect Sales Growth in Product Markets? Evidence from the 2003 Dividend Tax Cut" with Atsushi Chino
Japan Finance Association Annual Meeting, Osaka, Japan*, 2017
Seminar at the University of Washington, Seattle, Washington, 2017

"Asset Specificity and Firm Value: Evidence from Mergers", sole author
Midwest Finance Association Conference, Chicago, IL, 2013
Seminar at the University of Washington, Seattle, Washington, 2013

"Do Long-tenured Boards Provide Stability?" with Wei-Ming Lee
FMA European Conference, Glasgow, Scotland*, 2019

"How Does Board Structure Affect Customer Concentration?" with Wei-Ming Lee
Financial Management Association Asia/Pacific meeting, Taipei, Taiwan*, 2017
City University of Hong Kong Summer Conference, Hong Kong, China*, 2017
Seminar at National Taiwan University, Taipei, Taiwan*, 2017
Paris Financial Management Conference, Paris, France*, 2016

"Debt Financing Frictions and Access to Public Debt", sole author
Global Finance Conference, Chicago, IL, 2012
Doctoral Student Consortium, Financial Management Association Conference, Atlanta, GA, 2012

## Academic Service

Ad hoc referee: Journal of Financial and Quantitative Analysis, Management Science, Journal of Corporate Finance, Journal of Banking & Finance (twice), Pacific-Basin Finance Journal (thrice)
Academic committee member for PhD students: Hamza Essaidi (Co-chair); Murat Arabaci; Bin Qiu; Jaeseong Lim
Conference session chair/discussant: 29th Asian Finance Association

## Teaching Experience

University of Hawaii at Mānoa - Instructor 2013-Current
Business Finance – BUS314
Corporate Financial Management – FIN307
Financial Analysis and Valuation – FIN636
Average course evaluation: 4.3/5

University of Washington - Review session instructor 2008-2011
Business Finance – FIN350
Finance and Managerial Economics – BECON300
Full Time MBA Finance and Business Microeconomics – MBA504
Executive MBA Finance and Business Microeconomics – EMBA504

## Grants, Honors, and Invitations

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| Shidler College Faculty Fellow, University of Hawaii at Mānoa | 2022-Current |
| Summer Research Grant, University of Hawaii at Mānoa | 2013-2016, 2019- Current |
| Shirley Lee Faculty Research Award, University of Hawaii at Mānoa | 2022 |
| AFA Travel Grant | 2013 |
| Evert McCabe Fellowship, University of Washington | 2012 |
| Student Travel Grant, American Finance Association Conference | 2012 |
| Doctoral Student Consortium Invitee, Financial Management Association Conference | 2012 |

## Skills

Computer: SAS, Stata, MATLAB, SQL
Languages: English (fluent), Korean (native)

## Other Professional Experience

LG Electronics, Seoul, Korea 2003-2004
Title: Assistant Market Researcher at the Mobile Communication Division
Responsibilities included:
- Compiled intelligence reports on overseas markets for the vice president
- Countries sent to for market research: Singapore, Malaysia, UK, Germany, France, Italy

## References

**Jarrad Harford**
Professor of Finance and Business Economics
Chair of the Department of Finance and Business Economics
Paul Pigott-PACCAR Professor in Business Administration
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**Jonathan Karpoff**
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Washington Mutual Endowed Chair in Innovation
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**Edward Rice**
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