

CLÁUDIA CUSTÓDIO

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DATE OF BIRTH: 10th of April 1979

SEX: F

CITIZENSHIP: Portuguese

APPOINTMENTS

Main: Assistant Professor, Department of Finance, W. P. Carey School of Business, Arizona State University, since August 2010

DOCTORAL STUDIES: London School of Economics 2005-2010

THESIS TITLE: "Corporate Diversification: The Role of Industry-specific Expertise and The Impact of Mergers and Acquisitions Accounting"

Main advisors: Antoine Faure-Grimaud, Daniel Ferreira and Denis Gromb
Comitee: Paolo Volpin and Renee Adams

PRE-DOCTORAL STUDIES:

Master in Finance, ISCTE Business School (Lisbon) 2002-2004
Licenciatura (BA) in Business Administration, ISCTE Business School (Lisbon) 1997-2002

PRIMARY RESEARCH FIELDS:

Empirical Corporate Finance, Corporate Governance.

TEACHING EXPERIENCE (PRE PhD):

As Lecturer:

2008 - 2010 - Quantitative methods II (pre-session course in Financial Accounting for MSc in Finance at the London School of Economics)

2002 - 2010 - Corporate Finance (Executive Education at ISCTE Lisbon / ISPU - Maputo)
- Advanced Corporate Finance (Executive Education at ISCTE Lisbon / ISPU - Maputo)
- Corporate Finance (BA in Management at ISCTE Lisbon)
- Financial Accounting (BA in Management, BA in Finance and BA in Economics at ISCTE Lisbon)

As Class Teacher (at the London School of Economics):

2006 - 2010 - Corporate Finance (MSc Accounting and Finance)

- Principles of Finance (BSc Accounting and Finance)
- Social science research methods for management (BSc in Management)
- Finance (Summer School)
- Financial Markets (Summer School)
- Marketing (Summer School)

As Teaching Assistant (at the London School of Economics):

2007 -2010 - Corporate Finance (MSc Finance)

RELEVANT POSITIONS HELD (PRE PhD):

2009 - 2010 London School of Economics – Tutorial fellow
2007 - 2010 Financial Markets Group – Research Assistant
2002 - 2004 ISCTE Business School (Lisbon) – Teaching Assistant
2002 -2003 Borges, Macedo e Associados, SROC – Financial Auditor

LANGUAGES:

Portuguese (Native)
English (Fluent spoken and written)
French and Spanish (Basic spoken and written)

HONORS, SCHOLARSHIPS AND FELLOWSHIPS:

2005 – 2009 - “Fundação para a Ciência e Tecnologia” Scholarship
1999 - 2000 – Merit Scholarship – ISCTE
1997 - High School Board of Excellence - Escola Secundária de Camilo Castelo Branco, Carnaxide.

COMPLETED WORKING PAPERS:

"Generalists vs. Specialists: Managerial Skills and CEO Pay", 2010, (With Miguel Ferreira and Pedro Matos)

We study whether the rise in CEO pay in the last decades in the U.S. can be explained by an increase in the relative importance of industry mobility and general managerial skills. Based on detailed information on CEOs' past industry background, past experience as top executive, and educational training we construct an index of general managerial ability. We find a positive relation between this index and CEO pay using the sample of S&P 1,500 firms in the 1993-2007 period. To quantify the premium that generalist CEOs command, we introduce a new measure of a CEO's excess pay as the difference between that a CEO's pay and the pay of a portfolio of other CEOs who are specialists in the industries that match the CEO's past industry experience. We find that the excess pay increases with the CEO's industry mobility. In addition, we provide evidence that CEO pay increases when firms hire new CEOs from the external labor market. Furthermore, there is a significant additional pay premium

for generalist CEOs running diversified firms. Our findings suggest that a rise in the importance of general relative to firm-specific managerial skills helps explain the rise in executive pay.

"Why are U.S. Firms Using More Short-Term Debt?" 2010 (With Miguel Ferreira and Luis Laureano)

Abstract: We document a secular decrease in corporate debt maturity of US firms from 1976 to 2008. This decrease in debt maturity is driven by the smallest firms for which the average percentage of debt maturing in more than three years decreases from 49% in 1976 to 28% in 2008. For large firms, however, the decrease in average debt maturity is small. Firms with higher degree of information asymmetry play an important role in explaining the decrease in debt maturity. Agency costs of debt or agency problems between managers and shareholders do not seem to contribute to the decrease. Our results challenge the existing theories as changes in known determinants of debt maturity cannot account for most of the decrease in the use of long-term debt.

"Mergers and Acquisitions Accounting Can Explain the Diversification Discount", 2009

I show that M&A accounting can explain the diversification discount measured with Tobin's q . The typical M&A accounting procedure inflates the book value of assets and creates a mechanical drop in the common measure of acquirers' Tobin's q . Because diversified firms are more acquisitive than standalones, their q is also likely to be lower, generating a spurious diversification discount. After adjusting q for goodwill by excluding it from the book value of assets I find no significant diversification discount in most specifications. I also use the adoption of a new accounting rule in 2001 in the US as a natural experiment to test this hypothesis. Last, because goodwill is a conservative correction I estimate the magnitude of the total adjustment on a small sample and find a diversification premium.

"The Value of CEOs' Industry Expertise - Evidence from Mergers & Acquisitions", (with Daniel Metzger), 2009

Do expertise and experience of CEOs matter for corporate decisions? In this paper we quantify the value of industry-specific human capital by analyzing the return to experience in the context of diversifying mergers and acquisitions. We employ a new and unique CEO- firm panel that enables us to track CEOs across different firms and therefore allows us to construct a measure of industry experience. Conducting an event study, we estimate the impact of CEO industry-specific expertise on the announcement returns of diversifying mergers and acquisitions. After controlling for firm, deal characteristics, and for CEO fixed effects we find that industry experts generate on average 0.9% higher abnormal returns than inexperienced CEOs when diversifying. The effects are even higher when only experience in top management positions is considered (2.1%) and when the target is from an industry with high managerial discretion (3.0%). In monetary terms, top experience in the target's industry adds between \$145M and \$210M of shareholder value in an average diversifying acquisition.

"Core-business Expertise, Managerial Discretion and Corporate Diversification", 2009

I test the hypothesis that unrelated diversification destroys value because managers lack expertise outside the core business. I develop diversification measures that capture both the importance of non-core business activity (sales-shift) and the unrelatedness to core-business (distance-to-core). I test two main implications: firms with more business activities outside the core business have lower value and the discount should be greater for firms with more activity in unrelated-to-core secondary segments. The evidence supports both hypothesis. I test more directly if the results are linked to a lack of managerial expertise by using an industry index of managerial discretion. I find that increasing non-core business sales weight by 10% decreases firm value up to 3%, if the firm

has high managerial discretion. Finally I find no compensation premium for diversified firms and a positive correlation between managerial discretion and CEO compensation.

“Cash Holdings and Business Conditions”, 2005 (masters dissertation, with Clara Raposo and Miguel Ferreira)

We investigate the relation between business conditions and corporate liquidity decisions by US firms. We find strong evidence that financially constrained firms hold more cash during recessions and that business conditions are significant to constrained firms' cash decisions. In contrast, we find weak evidence that financially unconstrained firms adjust cash holdings according to the business cycle. This asymmetric behaviour is more pronounced for changes in the short-term interest rate. Moreover, we find that firms increase the level of liquidity during periods of tighter credit conditions. Our findings support both the precautionary motive for holding cash and the pecking order theory.

RESEARCH IN PROGRESS:

“Cash holdings and CEO characteristics”, with Daniel Metzger

We study how CEO characteristics, namely past financial industry experience, determine the level of corporate liquidity and the performance of managing this cash.

PRESENTATIONS:

2010 - Seminars:

- Arizona State University
- Instituto de Empresa, Madrid
- London Business School
- Maastricht University
- Notre Dame University
- Oxford University - Said Business School
- Queen Mary College
- Stanford University
- Universidad Pompeu Fabra, Barcelona
- Universidade Nova de Lisboa
- University of Washington

2009 – Conferences:

- Financial Management Association, Turin
- European Financial Management Association, Milan
- ISCTE Business School Conference on Mergers & Acquisitions, Lisbon

2008 – "Merton H. Miller" Doctoral Students Seminar, Athens

PUBLISHED BOOKS:

Mota, A. and Custodio C. 2006, *Finanças da Empresa*, Booknomics (in Portuguese)