

SEVENTH JAIME FERNÁNDEZ DE ARAOZ AWARD
for
CORPORATE FINANCE

His Majesty the King will present the Award at a ceremony held today at CUNEF

**THE JAIME FERNÁNDEZ DE ARAOZ CORPORATE FINANCE AWARD IS WON BY
A PAPER EXAMINING THE IMPACT OF TAX RELIEF ON INVESTMENT IN
START-UPS**

Madrid, 19 September 2017. Professors Juanita González-Uribe and Daniel Paravisini, respectively from Colombia and Venezuela, will today be presented by His Majesty the King with the **Seventh Jaime Fernández de Aroz Corporate Finance Award**, in recognition of their work entitled "**How Sensitive is Young Firm Investment to the Cost of Outside Equity?**", a paper which contains the first study of the effects of the cost of external finance (the issue of shares to investors other than the firm's original founders) on investment in young businesses (start-ups).

The results presented in their paper represent a major step forward in characterising the determining factors for investment by young firms, providing important evidence with regard to the positive impact of programmes that provide incentives for investment in young businesses.

The authors

Juanita González-Uribe, originally from Colombia, is a professor at the London School of Economics (LSE). Her research covers areas such as entrepreneurship, private equity and innovation in a range of countries, such as Chile, Colombia, the United Kingdom and the USA. She has been honoured with both the Kauffman and Collier awards for her research work. She has a Doctorate in Finance from the University of Colombia and a Masters in Economics and Finances along with a Degree in Mathematics from the University of the Andes (Colombia).

Daniel Paravisini, originally from Venezuela, is Professor of Finance at the London School of Economics and a member of the Centre for Economic Policy Research, the Bureau for Research and Economic Analysis of Development, the International Growth Centre, the Financial Markets Research Group and the SME Initiative at Innovations for Poverty Action. He has received the Brattle and Charles River Associates awards for his research work. He obtained a Doctorate in Economics from MIT, an MBA from the Caracas Institute of Advanced Studies in Administration and a Degree in Mechanical Engineering from Simón Bolívar University in Caracas.

The paper's main conclusions

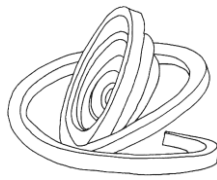
For its analysis, the winning paper uses data from the FAME database which comprises financial information from 3.6 million companies, in order to analyse the impact of the SEIS (Seed Enterprise Investment Scheme) programme over the period from 2009 to 2014. The authors' research reveals a positive, interesting and novel correlation between the programme of incentives and the contribution of equity by 'third parties and externals' who are not connected with the founders, along with an additional connection between the contribution of equity by 'third parties' and levels of investment and growth in a business, giving rise to 6 specific conclusions:

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1. The probability of issuing shares (capital increase) rose by 17% as a consequence of the SEIS programme for tax relief on 'third party' investments.
2. Companies that increased their share capital in connection with SEIS did so up to the maximum allowed by the programme, thus underlining its attractiveness for investors.
3. A share issue (capital increase) was twice as likely to happen at young firms with 'third party' shareholders as it was at the same kinds of companies with founding and related shareholders.
4. Businesses with 'third party' investors were less likely to resort to other sources of financing, such as borrowing.
5. Companies that signed up to the SEIS programme doubled their shareholder base and thus increased their possible sources of future financing.
6. Young firms in sectors showing greater capacity for growth attracted more 'third party' capital than other businesses.

The Award

The aim of the **Award**, the only one of its kind offered in Spain, is to contribute to the advancement of economics and corporate finance by recognising applied research in this field. The **Award**, sponsored in this edition by **Deutsche Bank**, **CUNEF** and **Universia**, includes a financial prize of 10,000 euros and a sculpture by Martín Chirino.

The jury is made up of prominent members of the economics, business and academic communities, and it is chaired by Eduardo Serra Rexach, President of Eduardo Serra y Asociados. Since the Award was first made in 2005, the jury has considered more than 221 works covering a wide range of subjects by authors from more than 25 countries. The winner of the Award in its first year was a work dealing with the protection of investors in international transactions; in 2007 the winning work examined the payment of directors; in 2009 the subject was internal corporate governance; in 2011, it was the talent market in the United States; in 2013, the winning authors examined the relationship between fiscal incentives and capital structure in companies; and the last edition dealt with the connection between the shortage of credit and employment.

31 works by 77 authors from 20 different countries were entered for this Seventh Edition of the Jaime Fernández de Aroz Corporate Finance Award. Most of the authors are members of the academic and university community and belong to teams representing the world's leading universities and business schools.

The Award pays tribute to **Jaime Fernández de Aroz Gómez-Acebo**, a Graduate in Economics and Business Studies from CUNEF, who devoted his professional career to investment banking. Between 1989 and 2003 he worked for Lehman Brothers and Banco Santander before being appointed Managing Director of Citigroup, where his outstanding qualities, both personal and professional, were always clearly in evidence. He died in an accident in 2003, at the age of 37.

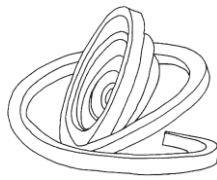
For further information, please go to: www.premiojfa.org
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