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Jouy en Josas, March 24, 2015

Dear Thomas,

This letter is to VERY strongly recommend Thorsten MARTIN for the entrepreneurship bootcamp.

Thorsten is beginning his PhD under my supervision. I have known him for a long time. When he was an exchange student at HEC (he was then doing his undergards in Cologne), he visited me a few times. His goal at the time was already to do a PhD and become an academic. This shows that Thorsten is driven and persistent, two essential qualities in an academic career. During his PhD, he took my empirical corporate finance class. He understand quickly, and deeply. Before we met, Thorsten had been an outstanding student throughout his studies. He passed the Abitur top of his school with an average of 1.0 and started his studies at the University of Cologne. He graduated top of his B.Sc. class with an average grade of 1.2 and highest distinction. He was awarded the Undergraduate Award and the Dean's Award by the University of Cologne, reserved for the best 5 percent students in Economics and Social Sciences.

Thorsten's plan is to produce work in entrepreneurship/firm dynamics, though he also has some interest in household finance (since entrepreneurs are also households). He has applied for a sowrn-in status with the French statistical office, which has good data on the universe of French firms, along with extensive information on taxes, employment, innovation etc. These data are of excellent quality (I have published several papers with them) and I have no doubt Thorsten will come up with excellent ideas on how to exploit them. What I know for sure is that Thorsten is extremely reliable and proficient with data, as he did RA work for me. In one of these projects, he had to put together for me an extract of the Consumer Expenditure Survey, which is extremeley complex. I was impressed by how fast and how well he did it.

He has just started a few projects. He started to work on a joint project with Clemens Otto on the causal effect of customer-supplier negotiations on the structure of CEO compensation. His other project is joined with Jean-Noël Barrot (MIT) and Boris Vallée (HBS), on market frictions in the transfer market for small and mid-sized companies. For

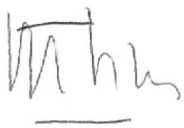
this project Thorsten has access to a dataset which covers the entire loan and guarantee activity as well as the subsidization of innovation by the French Banque publique d'investissement (BPI France). The BPI data can be merged with tax and financial data of the companies or individuals. One interesting feature of the data is that there is territorial heterogeneity in the BPI activity which allows clean identification. For instance, the thresholds to be eligible for the program vary by region and allow for a regression discontinuity design. The first project Thorsten has in mind with this data is to examine if there is credit rationing in the transfer market for SMEs: Are there acquirers who have limited access to bank financing due to credit rationing? If yes, which frictions explain the rationing? What are the determinants of the acquirers facing these financing constraints? Do the prevailing financing conditions favor a certain type of acquirer like private equity funds, large companies or wealthy individuals? Is there variation of these conditions across different sectors, for instance in sectors with a high fraction of intangible assets, fixed costs or reliance on bank credit? And ultimately what are the economic costs associated with this credit rationing? These are all very relevant and interesting questions that have not received a clean answer in the literature.

Finally, I should add that Thorsten is a very energetic, mature and resourceful student. His interest for entrepreneurship is not purely academic, but he also has interest for the "real thing". He has worked as a consultant for start-ups in the past. For instance, he designed the market entry strategy to Brazil for the Paris-based start-up Les Ateliers Ruby. He also serves as academic supervisor for Bankable, a London-based start-up which provides digital banking solutions to small and mid-sized companies. Recently, he co-founded a start-up incubator which aims to facilitate University spin-offs in Germany. So he is not your average 100% academic focused PhD student, which I take as a good sign.

To summarize, Thorsten is a great fit for the boot camp. You should take him,

Amitiés,

David THESMAR



Cover Letter

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Recommendation letter by David Thesmar

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EDUCATION

Ph.D. Candidate in Finance 2013 - Present
HEC Paris
Supervisor: David Thesmar
Topic: Entrepreneurial Finance

M.Sc. in Finance 2013
University of Cologne, Germany

RESEARCH INTERESTS

Corporate Finance, Entrepreneurial Finance, Household Finance, Labor Economics

WORK IN PROGRESS

Market frictions in the transfer market for SMEs: Evidence from French administrative data, with J.-N. Barrot and B.Vallée

Delegated Bargaining and CEO Compensation, with C. Otto

Managerial Ownership Dynamics: Evidence from the Mutual Fund Industry, with F. Sonnenburg

AWARDS AND SCHOLARSHIPS

Laboratory for Excellence in Economics and Decision Sciences Fellowship by École Polytechnique, ENSAE Paris Tech and HEC Paris 2014 - Present

HEC Paris Foundation Fellowship 2013

Foundation of German Business Fellowship 2010 - 2013

Postbank Finance Award, Prize money EUR 7,500 2012

Dean's award for the best 5 percent of M.Sc. Students, University of Cologne 2012

Award for graduating top of B.Sc. class with highest distinction, University of Cologne 2010

Undergraduate Award for the best 5 percent of B.Sc. Students, University of Cologne 2009

Gerhard Michel Scholarschip granted by the University of Cologne 2009

DAAD Scholarship granted by the German Academic Exchange Service 2009

TEACHING EXPERIENCE

HEC Paris 2014 - 2015
Lecturer Financial Markets, Master students

University of Cologne
Teaching Assistant: i.a. Investment and Financing and Coroporate Finance, B.Sc. students 2008 - 2012

NON ACADEMIC EMPLOYMENT

McKinsey & Company, Vienna, Intern Consulting Fall 2012

PriceWaterhouseCoopers, Düsseldorf, Intern Audit Winter 2009 & 2010

OTHER ACTIVITIES

Academic supervisor for the European expansion of a London-based start-up (Bankable) offering digital banking solutions to small and mid-sized companies 2015 - Present

Co-founder of a German start-up incubator 2015 - Present

Design of market entry strategy for a Paris-based start-up (Les Ateliers Ruby) in Brazil 2012

Entrepreneurship workshops at the Federal University of Santa Catarina (UFSC), Brazil and the University of Cologne 2011

PERSONAL INFORMATION

Computer Skills: Stata, Latex

Languages: German (native), English (fluent), French (intermediate), Latin (advanced proficiency)

Interests: Travelling, Sports, Social Business and Entrepreneurship

List of completed PhD courses:

- Corporate Finance Theory (ENSAE, D. Gromb)
- Discrete models and panel (Paris School of Economics, L. Behaghel)
- Economic Theories of the Firm (HEC Paris, B. Quelin)
- Empirical Corporate Finance (École Polytechnique & HEC Paris, D. Thesmar)
- Evaluation Econometrics (Paris School of Economics, M. Gurgand)
- Financial Econometrics (École Polytechnique & HEC Paris, L. Calvet, V. Czellar)
- Financial Market Microstructure (ENSAE, S. Lovo, S. Buti)
- Game Theory (Paris School of Economics, O. Compte)
- Inefficient Financial Markets (ENSAE, J. Hombert)
- Research Methods (HEC Paris; K. Dahlin, T. Lowrey,)

Letter of motivation

During my master studies, I developed a strong personal interest in the economics of entrepreneurship. I designed a workshop which distilled key insights from the entrepreneurship economics literature into actionable concepts and held several workshops at the University of Cologne, Germany and the Federal University of Santa Catarina (UFSC) in Florianópolis, Brazil. In 2012 I designed the market entry strategy for a Paris-based start-up (Les Ateliers Ruby) in Brazil. Recently I co-founded a start-up incubator which aims to facilitate University spin-offs in Germany. I also serve as the academic supervisor for the European expansion of a London-based start-up (Bankable) which offers digital banking solutions to small and mid-sized enterprises (SMEs).

Due to my personal interest in entrepreneurship I already had a strong preference to specialize in entrepreneurial finance when I started my PhD in Finance at HEC Paris in 2013. In the first year I took several courses and worked on a spin-off project from my master thesis on managerial ownership dynamics in the mutual fund industry. At the beginning of the second year I started to work on a joint project with Clemens Otto on the role of customer-supplier bargaining considerations for the structure of CEO compensation. At that time I ultimately decided to work in corporate finance with a specialization in entrepreneurial finance. Taking David Thesmar's course on empirical corporate finance which has a strong focus on entrepreneurial finance confirmed my choice. He also became my supervisor and I decided to apply to the NBER Entrepreneurship Research Bootcamp as this bootcamp is a great opportunity for me to learn from the leading researchers in the field and discuss my research ideas with them.

At the end of 2014 I started to work on a joint project with Jean-Noël Barrot and Boris Vallée on market frictions in the transfer market for small and mid-sized enterprises (SMEs). We hypothesize that there are potential acquirers for SMEs who have limited access to bank financing due to credit rationing. If this is the case, we aim to understand which frictions can explain the rationing and what the determinants of the acquirers are who face these financing constraints. In particular, we are interested if the financing conditions favor a certain type of acquirer like private equity funds, large companies or wealthy individuals and if these conditions vary across different sectors. For instance, credit constraints could potentially be more severe in sectors with a high fraction of intangible assets, high fixed costs or a strong reliance on bank credit. Ultimately we aim to estimate the economic costs associated with this credit rationing.

For this project we have access to a dataset which covers the entire loan and guarantee activity as well as the subsidization of innovation by the French Banque publique d'investissement (BPI France). This dataset covers 52,000 cases of lending and subsidization to fund innovation, 252,000 cases of co-financing for firm creation or development, 372,000 pure guarantees and 105,000 cases of pre-financing. All companies and individual entrepreneurs are identified using the NSIREN and can be to matched with data from the Institut national de la statistique et des études économiques (INSEE). This allows to merge the BPI data with tax and financial data of the companies or individuals. One interesting feature of the data is that there is territorial heterogeneity in the BPI activity which allows clean identification. For instance, the thresholds to be eligible for the program vary by region and allow for a regression discontinuity design.

Using these data, we first want to identify the nature of credit constraints for transmissions and elaborate the theoretical solutions to alleviate these constraints. Then we plan to analyze the effects of the current public activities on the access to bank debt and the number of transmissions. Finally we aim to precisely quantify the effect of access to credit due to public support on buyer composition and the transmission prize, as well as post-acquisition performance of the target with respect to productivity, growth and employment, and survival.

A number of studies have shown, that limiting the transfer of companies can lead to important economic costs (see e.g. Bertrand and Schoar, 2006; Pérez and Gonzalez, 2006; Bennedsen et al. 2007, Tsoutsoura, 2014). Other studies have shown that mergers and acquisitions can alleviate financing constraints and foster the growth of companies (Boucly et al., 2011; Erel et al., 2014). Our study allows us to quantify the importance of financing constraints for the growth trajectory of companies. It also allows us to evaluate the benefits of public policy which aims to support the transmission of small and mid-sized companies. This project is particularly interesting as there is growing interest in understanding the growth trajectory of companies and the role of government organizations to foster SME development. Additionally the transmission of companies will become even more important in the near future as, due to age demographics, many companies will have to be transferred in the next years.

To me, the bootcamp is the ideal platform to share and discuss my ideas with the other participants and is a great opportunity to deepen my knowledge in entrepreneurial finance.