

Summary

Reimund, Carsten, Schwetzler, Bernhard, and Zainhofer, Florian

“Costs of Financial Distress: The German Evidence”

In this paper we aim to verify the existence of costs of financial distress (cfd) for a sample of German CDAX firms using an ex-post approach originally due to Opler/Titman (1994). In contrast to this US-based study we do not find a significant interaction between high leverage and distress for German firms: firms in distressed industries with high ex ante leverage do not display lower sales growth than their ex-ante lower levered counterparts. (JEL G32, G33)