

Date of the event:

On Thursday, 26th January, 2012
From 01:00 PM to 2:00 PM

Location:

Luxembourg School of Finance
University of Luxembourg
4 Rue Albert Borschette
2nd Floor
Modigliani Miller Auditorium (E02-003)
L-1246 Luxembourg

Registrations:

- Free seminar (with lunch included)
- Registrations by email before January 23rd, 2012
- At the following address : lsf-events@uni.lu

Information:

Ms Martine Zenner
Tel : +352 46 66 44 6335

<http://www.lsf.lu/eng/Research/Seminars-and-Workshops>



The LSF is pleased to invite you to the following
lunch seminar:

Misvaluing Innovation

*By Professor Lauren Cohen
Harvard Business School*

Misvaluing Innovation

The Luxembourg School of Finance

is pleased to invite you to the

LSF Seminar

We demonstrate that a firm's ability to innovate is predictable, persistent, and relatively simple to compute, and yet the stock market ignores the implications of past successes when valuing future innovation. We show that two firms that invest the exact same in research and development (R&D) can have quite divergent, but predictably divergent, future paths. Our approach is based on the simple premise that while future outcomes associated with R&D investment are uncertain, the past track records of firms may give insight into their potential for future success. We show that a long-short portfolio strategy that takes advantage of the information in past track records earns abnormal returns of roughly 11 percent per year. Importantly, these past track records also predict divergent future real outcomes in patents, patent citations, and new product innovations.

