

TRANSACTIONS IN CORPORATE CONTROL:

An Empirical Investigation of the Nature, Determinants and Effects of Corporate Buyouts

ZUR ÜBERTRAGUNG VON GESELLSCHAFTSANTEILEN EINER UNTERNEHMUNG:  
Eine empirische Untersuchung von Wesensmerkmalen,  
Determinanten und Auswirkungen von Corporate Buyouts

TABLE OF CONTENTS

	Page
<u>I. List of Tables</u> .....	VIII
<u>II. List of Figures and Illustrations</u> .....	X
<u>1. Introduction</u> .....	1
1.1. Statement of Purpose.....	1
1.2. Course of Analysis.....	6
1.3. Definitions and Terminology.....	7
1.3.1. Corporate Control.....	7
1.3.2. Corporate Buyouts.....	11
1.4. Notes.....	16

<u>2. Past and Present of the Market for Corporate Control</u>	18
2.1. Transactions in Corporate Control: A Historical Overview	18
2.1.1. Acquisition Volume since 1893	18
2.1.2. Acquisition Volume since 1975	21
2.2. The Emergence of Corporate Buyouts in the Mid 1970s	30
2.3. Corporate Buyout Comeback in the 1980s	32
2.4. Preliminary Conclusions	42
2.5. Notes	44
 <u>3. Conceptual and Financial Aspects of Corporate Buyout Management</u>	47
3.1. Alternative Types of Transactions	47
3.1.1. Merger	47
3.1.2. Sales of Assets	49
3.1.3. Sales of Stock	50
3.1.4. Sales of Shares to Employee Stock Ownership Plan (ESOP)	52
3.1.5. Tender Offer with Subsequent Freeze-Out Merger	54
3.1.6. Leveraged Tender Offer	55
3.1.7. Related Going-Private Transactions	55
3.1.8. Reverse Stock Split	56
3.2. Considerations on the Selection of Transaction Types	57
3.3. Financial Management of Corporate Buyouts	62
3.3.1. Acquisition Financing and Initial Capitalization	63
3.3.1.1. Senior Secured/Unsecured Debt	63
3.3.1.2. Subordinated Debt	65
3.3.1.3. Equity	66

3.3.1.4. Strip Financing.....	67
3.3.1.5. The Financing Mix in Corporate Buyouts.....	68
3.3.2. Management of Post-Acquisition Financing....	72
3.3.2.1. Financial Goals and Objectives....	72
3.3.2.2. Back-up Financing Arrangements.....	74
3.4. Preliminary Conclusions.....	76
3.5. Notes.....	78

#### 4. Financial Characteristics of Buyout Firms:

##### An Empirical Analysis.....84

4.1. Review: Previous Studies of Acquired Firm Characteristics.....	85
4.2. The Corporate Buyout Firm: Empirical Issues and Selection of Variables.....	90
4.3. Sampling Procedure and Descriptive Statistics.....	97
4.4. Methodology: Univariate and Multiple Discriminant Analysis.....	103
4.5. Empirical Results.....	107
4.5.1. Univariate Analysis.....	107
4.5.2. Profile Analysis.....	110
4.5.3. Multiple Discriminant Analysis.....	117
4.6. Preliminary Conclusions.....	124
4.7. Notes.....	127

#### 5. Empirical Determination of Abnormal Stock

##### Returns for Pre-Buyout Stockholders.....133

5.1. Overview: Previous Studies of Stockholder Wealth Effects in Corporate Control Transactions.....	135
5.2. Methodology: Abnormal Stock Return Analysis.....	139

5.2.1. Theoretical Foundations: Market Model and Capital Asset Pricing Model.....	140
5.2.2. Sample Data and Design.....	145
5.3. Empirical Results.....	146
5.3.1. Descriptive Sample Statistics.....	147
5.3.2. Pre-Buyout Stockholder Wealth Effects.....	148
5.3.2.1. Partition by Firm Size.....	154
5.3.2.2. Partition by Ownership Structure..	157
5.3.2.3. Partition by Medium of Exchange..	160
5.3.2.4. Partition by Transaction Initiation.....	162
5.4. Preliminary Conclusions.....	169
5.5. Notes.....	175
 <u>6. Wealth Effects and their Sources in Corporate Buyouts</u> ..	181
6.1. Direct and Indirect Transaction Effects.....	183
6.1.1. Pre-Buyout Shareholders.....	183
6.1.2. Post-Buyout Shareholders and Third Party Investors.....	185
6.1.3. Non-Shareholder Constituencies.....	189
6.1.3.1. Creditors and Bondholders.....	189
6.1.3.2. Employees.....	191
6.1.3.3. Servicing Intermediaries.....	194
6.2. Sources of Transaction Effects.....	195
6.2.1. Reduction of Agency Costs.....	197
6.2.1.1. Agency Costs of Equity.....	199
6.2.1.2. Agency Costs of Debt.....	203
6.2.1.3. Aggregate Agency Costs.....	209
6.2.2. Tax-Related Buyout Incentives.....	212
6.2.3. Advantages of Private Ownership.....	214
6.3. Preliminary Conclusions: Considerations on the Aggregate Economic Impact of Corporate Buyouts.....	217
6.4. Notes.....	221

<u>7. Summary and Conclusions.....</u>	232
<u>8. Appendices.....</u>	241
8.1. List of Sample Firms.....	241
8.2. List of Post-Buyout Market Values.....	243
Deutschsprachige Zusammenfassung:	
<u>9. Zur Übertragung von Gesellschaftsanteilen einer Unternehmung: Eine empirische Untersuchung von Wesensmerkmalen, Determinanten und Auswirkungen von Corporate Buyouts.....</u>	244
9.1. Problemstellung.....	244
9.2. Das Buyout-Segment des Marktes für Gesellschaftsanteile in den USA.....	247
9.3. Struktur- und Finanzmanagement in Corporate Buyouts.....	250
9.4. Unternehmensprofile in Corporate Buyouts.....	254
9.5. Aktienkursverhalten und Residualrenditen in Corporate Buyouts.....	263
9.6. Transaktionsauswirkungen auf Buyout-Beteiligte und deren Bestimmungsfaktoren.....	282
9.7. Zusammenfassung und Schlußfolgerungen.....	295
9.8. Anmerkungen.....	299
<u>10. Bibliography.....</u>	306