Foreword

Years before private equity and buyouts became subject to political discussions, academics covered that type M&A transaction already in the 1980s and 90s. Prominent examples like the takeover of Dynamit Nobel, Celanese or Pro7Sat1 have triggered controversial debates on the economic impact of buyouts. However, finance scholars have realised quite early that the structure and financing of buyouts impose efficiency gains. Beyond operational levers the financial structure has a substantial impact on the return on investment as well as the likelihood of a deal's failure. However, while theory pinpoints a clear understanding how buyouts function, empirical research has hardly delivered satisfactory answers.

Given the large body of empirical studies covering "usual" corporate finance decisions the fairly small number of empirical buyout financing study is surprising. More importantly, the few existing studies lack homogenous samples and a stringent theoretical framework. Therefore, the results published to date appear to be somewhat muddied and too focussed on specific aspects such as the agency cost of free cash flow.

The present thesis by Christian Kühn attempts to overcome these deficits. It analyzes whether the financial structuring follows theoretical patterns addressed in other corporate finance studies. Given the specific nature with substantial capital market frictions, one would assume established patterns to show up more powerfully than in earlier empirical studies. To fully grasp these patterns, he investigated a homogenous group of almost 100 institutional buyouts carried out in Europe over the last seven years by means of multinomial logistic regressions. The results are highly robust and provide a basis for interesting conclusions.

With his thesis, Christian Kühn makes a valuable research contribution to both buyout and corporate finance literature. The analysis not only helps to better understand an economically important and controversially debated type of transaction but also allows challenging corporate finance theories within an extreme setting. In this context, it treats aspects that have not been fully addressed hitherto.

The thesis draws its special value for the reader from the author's ability to work theoretically well founded on the basis of excellent empirical data. Researchers benefit from the theoretical implications for the agency and trade-off theory. Practitioners can capitalize on the identified financing mechanism as regards a financial structure's appropriateness for a specific deal.

I wish that this thesis attracts the broad readership that it deserves.

Prof. Dr. Malte Brettel

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Christian Kühn