```
abnormal returns 48, 71-7
                                                      see also debt...
                                                      'material adverse change' clauses 116
accounting/information quality 86, 93, 95,
    97-104, 108, 144-51, 152-3, 177
                                                      powers 15-16, 43-5
  see also audits; financial statements
                                                      risk aversion 116
  PCD influences 86, 93, 95, 108, 144-51
                                                      roles 25, 43
accruals accounting principle 152-3
                                                      subprime crisis 1, 90, 92, 109–11, 112–20,
acquisition approach, majority interest DLLs 71,
                                                         126-51, 156-7
     77-97, 114-15, 120-51, 152-67
                                                      write downs 116
acquisition motives 16, 21-4, 35-7, 45-50, 52-3,
                                                    Basel Committee on Banking Supervision 90,
    64-5, 81-2, 108-15, 129-34, 135-51
                                                        109 10, 135
                                                      Basel II 90, 109, 135
  see also synergies
  study results 35–7, 45–50, 52–3, 64–5, 108–15,
                                                      Pasel III 90, 109
    135-51
                                                    bidders 10–20, 21–3, 27–9, 35–8, 45–51, 52–60,
Africa 117
                                                        64-5, 88, 108-15, 129-34, 166-7
agency problems 21
                                                      concepts 10-20, 21-3, 35-7, 45-51, 57-60, 88,
agriculture sector 32-7, 157-9
                                                        166 - 7
AktG see German Stock Corporation Act
                                                      motives 14–20, 21–3, 35–7, 45–51, 52–3,
American Stock Exchange (AMEX) 73-7, 177
                                                        64-5, 108-15, 129-34
                                                   bidders on the shortlist, awareness construct of
amortization 153
analyses of variance (ANOVA) 34, 35, 130, 177
                                                        competition 27-9, 37-8, 45-50, 53-7, 64
anti-trust regulations 42
                                                   bilateral ('rifle shot') auctions 10-11
appendices 50–66, 167–72
                                                   binding bid quotes, rivalry construct of
                                                        competition 27-9, 37-8, 46-50, 55-7, 64
Asia, statistics 117
asset purchases 16, 52-3, 80-97
                                                   binding offers, rivalry construct of competition
attitudes, trust 27-9, 47, 62-3, 65
                                                        27-9, 37-8, 46-50, 55-7, 64
auctions
                                                    Bloomberg databases 165
  concepts 10-14, 17, 24-9
                                                   bonds 71, 116, 120, 175
  types 10-11, 24-5
                                                   book equity 79-97, 152, 165-6
audits 13, 70, 81-2, 95, 97-102, 177
                                                    BRs see business relationships
  see also accounting...
                                                   budgeting 13, 41-6, 81, 112-15
Austria 116
                                                   Bureau van Dijk 165, 176
awareness construct of competition 27-9, 34-5,
                                                      see also Zephyr M&A database
    37-8, 45-50, 53-7, 64
                                                   business models, synergies 16
  measurement of influencing factors 53-7, 64
                                                   business relationships (BRs) 19, 23–4, 27–9,
  study results 34-5, 37-8, 45-50, 53-7, 64
                                                        40-6, 47-9, 60-3, 65, 89-90, 144-51,
                                                        177
balance sheets 2-4, 12-13, 43-5, 52, 82-97,
                                                      split sample analysis 41–5
    99-100, 131-4
                                                      study results 27-9, 40-6, 47-9, 144-51
banks 10-14, 15-16, 25-9, 43-5, 60-3, 89-90,
                                                      timelines 41–5, 57–63
    115-20
                                                      trust 19, 23-4, 27-9, 40-6, 60-3, 65
```

Business Valuation Resources, LLC 75-7, 176 buyer characteristics, PCD influences 88, 94, 120, 144-51

capital expenditures 13, 152-3 capitalization of earnings, concepts 103 carve-outs, concepts 15 CAs see confidentiality agreements cash flows 1-2, 13, 43-5, 99-102, 103-4, 152-3, cash payments, transaction prices 9-10, 31, 86-8, 94, 122, 134-51, 162-4, 167 CEOs see chief executive officers CFOs see chief financial officers

characteristics of private companies 2-5, 9-10, 14, 20-4, 25, 48-9, 85-6, 93, 112-15,

chi-square statistic 57–9, 63 chief executive officers (CEOs) 5, 177 chief financial officers (CFOs) 5, 177

classifications of private companies 2–5, 82–3,

121-51, 154-60 see also ownership . . . ; size . . .

closing, negotiations 12, 13-14, 18, 42-5 collective goals 19, 45

commitment levels of management 21-2, 23-9, 33-5, 40-6

competitors 9-10, 16-17, 19, 24-9, 34-5, 36-8 45-51, 53-7, 64, 129-34

see also awareness . . . ; rivalry . . .

definition 27, 45-6, 53-4

measurement of influencing factors 53-7, 64

study results 34-5, 36-8, 45-50, 53-7, 64

complexity construct of transaction charges 27–9, 38–40, 46–7, 57–60, 64–5 conducting your own studies 151-67

confidentiality agreements (CAs) 11-12, 177 confidentiality considerations 10-14, 18, 177

conglomerate mergers 15

construction sector 32–7, 157–9 contribution margins 13, 131-4

control factors 3, 5-7, 16, 21-4, 40-6, 67-97, 105-7, 120-51

see also majority interests

family firms 3, 5-7, 16, 21-4, 40-6

control premiums 49-50, 67-70, 104-7

see also premiums

control shares 68-70, 105-7, 144-51

controlled auctions, concepts 10–14, 24–9

controlled differences, DLLs for minority

interests 71, 72-7, 96-7

convertible preferred stock 169, 176

core competences 15, 41, 61-3

corporate governance 43–5

'correction-of-a-mistake' hypothesis 15 cost-cutting synergies 16, 21, 52–3

costs 9, 16, 18, 19, 21, 24, 25-9, 38-40, 52-3, 57-60

see also transaction charges

of capital 82-97

DD 18, 19, 38-40, 42-5

prestige costs 9, 85-6

Cronbach's alpha 55-9, 63

cross-border deals 108-15, 116-20, 129-51, 162-5, 166-7, 169-72

cross-sectional return differences, DLLs for minority interests 71-7

customer bases, motives 21-2

D/E *see* debt/equity ratio

data analysis for your own studies, explorative data analysis 151-67

data clustering for your own studies 154-67, 170 data collections for conducting your own studies 164 - 7

data reductions for conducting your own studies 154-67

data rooms (DRs), DD 12-13, 19, 27-8, 33, 37–40, 43–5, 46–50, 54–60, 64–5

data sets 7 25-9, 48-50, 74-97, 122-67, 175-6 databases 7, 12-13, 19, 25-9, 33, 38-40, 54-60, 74–97, 104, 112, 116–17, 120–72, 175–6

see also Zephyr...

concepts 75-80, 164-70, 175-6

conducting your own studies 164-7

critique 164–6

DD 12-13, 19, 28, 33, 38-40, 43-5, 54-7

noise problems 165–6

outliers 166

searches 166-7

types 75–80, 91, 95, 104, 165, 175–6

variables 166-70

DAX (Deutscher Aktienindex) 88, 119, 177 days IM to signing, transaction charges 39-40,

58-60

DCFs see discounted cash flows

DD *see* due diligence

deal sizes 31, 79-97, 115-20, 158-72

deal value see enterprise value

Dealogic databases 165, 175

debt finance 15–16, 26–9, 43–5, 52, 80–97, 109-11, 112-13, 116-20, 122, 129-34, 135-51, 162-4, 168-72

debt/equity ratio (D/E) 31, 52, 84-5, 89-90, 93,

109–11, 113–15, 122, 129–34, 135–51, 162-4, 168-72, 177

defaults 175

deltas 26-9, 32-7, 40, 45, 49, 50, 64-6

see also enterprise value; transaction prices dependent firms 2, 5, 20-1, 29-66, 82-97,

109-20, 124-51, 171, 172

see also private equity; subsidiaries

definition 2, 5, 20-1, 172

E/A see equity/assets ratio PCD study results summary 148–51 summary of findings 144-51 earn out clauses 14 depreciation 153 earnings before interest, taxes, and amortization discounted cash flows (DCFs) 1–2, 99–102, (EBITA) 43 103-4, 177 earnings before interest, taxes, depreciation, and amortization (EBITDA) 77-97, 100-11, discounts 1-7, 9-10, 15-16, 20-1, 48-9, 67-172, 176, 177, 178 121-51, 152-71, 177 see also private company discounts earnings before interest and taxes (EBIT) 77–97, conducting your own studies 151-67 110–11, 124–51, 152–71, 177 introduction 1-7 EBITA see earnings before interest, taxes, and studies 48-9, 67, 70, 71-97, 114-67 amortization summary of findings 90-4, 144-51 EBITDA see earnings before interest, taxes, discounts for the lack of liquidity (DLLs) 2, depreciation, and amortization 67–172, 176, 177 economic performance 20–2, 47–9 acquisition approach 71, 77-97, 114-15, economic success of post-war Germany 6 120-51, 152-67 economic value added (EVA) 101 controlled differences 71, 72-7, 144-51 efficiency motives, divestitures 15 cross-sectional return differences 71-7 EMC see European Foundation for the definition 67-9, 144, 167 Improvement of Living and Working empirical results 67, 70, 71-97, 108-15, Conditions Emory's studies 74general application recommendations emotions, family firms 3, 5, 22–3 146 employees 2–5, 7, 13, 22–3, 47–9, 154–60 see also size factors IPOs 72-7 majority interests 70, 71, 76-107, 114-15, DD 13. SME definitions 2–4, 7 entertrisé value (EV) 17, 26-9, 34-7, 43-5, 50, minority interests 70, 71-7, 96-7, 103, 106, 144-51 64-5, 77-97, 110-11, 120, 121-51, 152-72, necessity assessments 69-70 177 restricted stock studies 71, 72-7, 88 see also deltas study selection and assessment 91-7 definition 26 summary of findings 144-51 environmental due diligence 42-5 equity finance 112-15, 168-71 discounts in praxis 70, 105-6 disposal motives 14–16, 22–4, 26–9, 32equity markets 71–7, 90–1 50, 51, 52, 64–5, 112, 135–51 equity/assets ratio (E/A) 31, 89–90, 162–4, 168-71, 177 see also divestitures; lifeline problems; Eta 34-6, 130 succession problems study results 32–5, 40–50 52, 64–5, 112, Euro Stoxx 50 119 147 - 51European Commission, SME definitions 2–4 distressed analysis 103, 175 European Foundation for the Improvement of diversifications, acquisition motives 16 Living and Working Conditions (EMC) divestitures 14-16, 166-9 20-1, 177 see also disposal motives European Investment Bank 2 DLLs see discounts for the lack of liquidity European Investment Fund 2 Dow Jones Industrials 119-20 European Private Equity and Venture Capital DR availability, transaction charges 39–40, Association (EVCA) 88, 177 58-60, 65 European Union (EU) 2-4, 108-9 DR size, transaction charges 58-60, 65 EV see enterprise value DRs see data rooms EVCA see European Private Equity and Venture due diligence (DD) 12–14, 16–17, 18, 19, 23, Capital Association 25-6, 35-45, 46-7, 53-7, 99-100, 101, EWV (Ertragswertverfahren) 97-102, 103, 177 177 Excel 166-7 costs 18, 19, 38-40 exclusivity phase, DD 12-14 definition 12-13 exit strategies, private equity 88, 144-51 Duff & Phelps Risk Premium Report 82–3 experience of target management, trust 20, 33–5, DVFA see Society of Investment Professionals in 40-6, 61-3, 65 explorative data analysis 151-67 Germany

F-values 34-6, 130, 160-4

facilities, transaction charges 39-40, 58-60, 65 factor analyses, measurement of influencing factors 50-66 Factset Mergerstat Review database 79-80, 91, 95, 104, 175 failed M&As 9-11 fair market value (FMV) concepts 22-3, 49-51, 85, 97-102, 105-6, 177 definition 49-50 family firms 2, 3, 5-7, 10, 15, 20-4, 40-6, 47-50, 88-90, 112-15, 166-7 see also private companies concepts 2, 3, 5–7, 10, 15, 20–4, 40–6, 47–50, 88-90, 112-15 control factors 3, 5-7, 16, 21-4, 40-6 debt finance 88-90 definitions 2, 3, 5, 6–7, 20–1 economic performance 20-2, 47-9 emotions 3, 5, 22-3 international comparisons 3, 5 Mittelstand 6-7, 41-6, 171-2 process analysis 20-4 statistics 1, 5-7, 20-1, 22-4, 40-6, 47-50 study results 40-6, 47-50 succession problems 15, 22-3, 33-5, 112-13, 135 finance sector 157-9 financial distress disposal motives 15–16, 24, 26–35, 44, 45–5 52, 64, 103, 135–6, 148–9 measurement of influencing factors 52 study results 29-35, 44, 45-51, 52, 148-9 financial planning and budgeting 13, 112–15 financial selling pressures see financial distress; lifeline problems financial statements 2-4, 12-13, 42-5, 48, 52, 77–107, 112–15, 131, 4 see also balance sheets; cash flow . . . ; profit and loss . . DD 12-13, 42-5 FMV see fair market value folders DR, transaction charges 39-40, 57-60 France CAC 40 119 volume statistics 116 fraud 98, 99 FTSE 100 119 general application recommendations, PCDs and **DLLs 146** German Code of Corporate Integrity and Modernization of the Right of Avoidance Bill (UMAG) 98, 99, 100, 101, 178 German Commercial Code (HGB) 112 German Securities Acquisition and Takeover Act (WpüG) 99, 101, 178

German Stock Corporation Act (AktG) 98-101, Germany 1–10, 15–16, 21–2, 24–66, 67, 69, 82-97, 108-20, 121-51, 155-72 see also Mittelstand control shares 69 cross-border deals 108-15, 116-20, 129-38, 147-9, 162-4, 166-7, 171-2 economic success 6 PCDs 67, 82-97, 108-15, 121-51, 155-67, regression results 134-8, 147-9, 160-4, 171 - 2size differences between private/public firms 82-3, 118-20, 134-8, 147-9, 155-67 SME definitions 3-4, 5-6 social class structures 5-6 statistics 1, 5-7, 29-66, 82-97, 108-15, 121-51, 155-67 summary of finding, 147–9 US comparisons 108-15, 167, 171 volume statistics 115-20 Global Credit Portal 176 Global Market Intelligence 176 globalization trends 108-9 glossary 177–8 CmbH 112, 166, 169 Gross National Product (GNP) 1 Hang Seng 119 hedge funds 115-16 hubrus, acquisition motives 16 human resources 13, 23, 47-9 see also employees **DD 13** IASs see International Accounting Standards IDW see Institute of Public Auditors in Germany IFM (Institut für Mittelstandsforschung) 3, 6–7, 112, 177 IFRSs see International Financial Reporting Standards IM see information memorandum impairment tests 101 important elements of M&A transactions 10-14 income valuation approaches see also cash flow . . . ; discounted cash flows concepts 103, 105-7 independent firms 2, 5-6, 14, 20-4, 29-66, 82-97, 109-51, 152-67, 171 see also family . . . ; Mittelstand definition 2, 5-6, 20-1 summary of findings 144-51 indicative bids 12, 16, 24, 25-9, 32, 38, 40-6, 48-50, 53-7, 64, 66 models 25-9 study results 40-6, 48-50, 53-7, 64, 66

Kaiser-Meyer-Olkin measure of sampling industries conducting your own studies 154-67 adequacy 55-9, 63 data clustering 157–60 knowledge, trust 27–9, 40–6, 47, 61–3, 65 PCD influences 83–5, 92, 120–51, 152–67, Kruskall-Wallis tests 154 170 process analysis 32-7 Lack of Marketability Discount Study 176 influencing factors 14-66, 82-97, 120-51, LBOs see leveraged buy-outs 152 - 70LCD database see Leveraged Commentary & see also competitors; disposal motives; industries; ownership . . . ; size . . . ; lean presentations in the data room 47 leases 43-5 synergies; time . . . ; transaction charges; trust conducting your own studies 152-67 legal issues 13–14, 42–5, 70, 98, 112, 166, 169 measurement methods 50-66, 144-51 letters of intent (LOIs) 12, 13–14, 40, 41, 58–60, models 24–9, 144–51 177 leverage differences, PCD influences 88-90, 93, study assessments 47-9, 120-51 study limitations 48-9 109-11, 116-20, 129-34, 135-51, 171-2 study results 29-66, 120-51 leveraged buy-outs (LBOs) 71, 98, 112, 175, 177 variables' list 64-6, 120-3, 144-6, 166-70 Leveraged Commentary & Data (LCD) 116, 175, information asymmetries 17, 19, 86, 99 176 lifeline problems information desires construct of transaction charges 27-9, 46-7, 58-60, 64-5 disposal motives 15–16, 24, 26–35, 44, 45–51, information memorandum (IM) 12, 25-6, 27-9, 52, 64, 112-15 32, 36-7, 45-50, 53-7, 61-3, 64, 177 measurement of influencing factors 52, 64 study result: 29-35, 44, 45-51, 52, 64 concepts 12, 27-9, 32, 36-7, 45-50, 53-7, 61, 64 liquidity 1=2, 15–16, 67–9, 144–51, 176, 177 distributions to bidders 46-7, 53-6, 64 see all discounts for the lack of liquidity initial public offerings (IPOs) 71, 72–7, 88, 94, corcepts 67-9, 144-51 **definition** 67–8, 146–7 95–7, 102, 103, 135, 165, 175, 176, 177 initial stakes, trust 19, 41-5, 61-3, 65, 144-51 marketability contrasts 67–70 overview 68-9 Institute of Public Auditors in Germany (IDW) 97-102, 103-4, 177 loans 43–5, 70, 175 institutional investors 53, 176 LOIs see letters of intent insurance reviews 42-5 intangibles 101 M&A Analytics 175 see also soft factors M&As see mergers & acquisitions interest rates 85, 152 McGraw-Hill 175 Internal Revenue Service (IRS) 76-7, 97, 177 see also Standard and Poor's International Accounting Sundards (IASs) majority interests 97-102, 177 concepts 76-107, 114-15, 120-72 International Financial Reporting Standards DLLs 70, 71, 76–107, 114–15, 120–51 (IFRSs) 97-102, 177 man-days in DR, transaction charges 39–40, introduction 1-7 58-60, 64 investment banks 10-14, 25-9, 60-3, 152 management buy-outs (MBOs) 5, 7, 71, 175, 178 see also banks management factors, private companies 2-5, 16, investment value 16, 49–51, 97–102, 103, 105–6, 20, 21–9, 33–5, 40–50 153 - 67management incentives, acquisition motives 16, concepts 16, 49-51, 105-6, 153 definition 16, 49, 50 management involvement, study results 40-50 investors 2, 10–14, 19, 21–2, 48, 52–3, 112–15, management presentations (MPs), DD 12-13, 32, 43-5, 47, 54-7, 64 see also institutional . . . ; stakeholder . . . ; manufacturing sector strategic . . . PCD influences 83–5, 131–4, 142–4, 149, 150, types 52-3 157 - 9IPOs see initial public offerings process analysis 32-7 IRS see Internal Revenue Service market capitalization 26 market echo, awareness construct of competition joint ventures (JVs) 60-3, 177 27-9, 37-8, 45-50, 54-7, 64

market environments 1, 48-9, 67, 85, 90-3, 95, 108 - 67conducting your own studies 151-67 developments 115-20 PCD influences 90-2, 93, 95, 108-67 rescue packages 116-17, 120 statistics 115-51, 156-67 subprime crisis 1, 90, 92, 109–11, 112–20, 126-51, 156-7 volume statistics 115-20 market leaders, trust 61-3, 65 market shares 44-5, 61-3, 65 market valuation approaches 103-7 see also multiples marketability 67-70, 73-7, 95-7, 106-7, 144-51 definition 67-70 liquidity contrasts 67-8 marketing phase 11-14, 46-7, 99 MarketScope Advisor 176 matching portfolios, conducting your own studies 'material adverse change' clauses, banks 116 MBOs see management buy-outs measurement of influencing factors 50-66, 152 - 67medium-sized enterprises, definition 2-3, 4 Member States 2 mergers & acquisitions (M&As) 1-7, 9-66, 71 77-97, 108-20, 126-67, 175-6, 178 see also databases; private companies 2001-2006 period 48 conducting your own studies 151-67 cross-border deals 108-15, 116-20, 129-51, 162-5, 166-7, 169-72 failed M&As 9-11 important elements 10-14 introduction 1-7 motives 14-20, 21-4, 25-9, 32-7, 40-53, 64-5, 108-15, 129-51 overview 10-14 phases 10-16, 23, 25-9, 35-40, 42, 46-7, 98-101 process analysis 1-2, 9-66, 85-6 profiles 85-6, 93, 112-15, 144-51 regional differences 90-2, 93 soft factors 9-66 statistics 1, 16, 29-66, 78-97, 108-20, 126-72, subprime crisis 1, 90, 92, 109-11, 112-20, 126-51, 156-7 successful M&As 1-2, 9-10, 48, 50, 144, 146 usage of the study results 146-67 volume statistics 115-20, 165 Mergerstat Review database 79-80, 91, 95, 104, 175 mezzanine capital 89, 122

micro enterprises, definition 2-3 mining sector 157-9 minority interests 19, 67, 68-70, 96-7, 103, 106-7, 144-51, 168-71 concepts 68-70, 71-7, 96-7, 103, 106-7, 144-51 controlling ownership interests 76–7 DLLs 71-7, 96-7, 103, 106-7, 144-51 valuations 70, 71-7, 96-7, 103, 106-7, 144-51 Mittelstand 5-7, 29-66, 82-97, 109-11, 112-15, 124-34, 146, 147-9, 171-2 debt finance 87, 89-90, 109-11, 147-8, 171-2 definitions 5–7, 29, 171–2 family firms 6-7, 41-6, 171-2 PCD study results summary 147-9 qualitative aspects 7, 146, 147-9 reputations 45-6 SMEs 7 statistics 6-7, 29-56, 82-3, 89-90, 112-15, 124-34, 147-9, 171-2 study results 29-66, 82-3, 109-11, 124-34, 147-9, 171-2 models 16 24-66, 144-51, 161-4 motives for M&As 14-20, 21-4, 26-9, 32-7, <del>45</del>–50, 52–3, 108–15, 129–51 VPs see management presentations multiples 67, 74–97, 103–7, 108, 110–11, 120-51, 152-67, 175 see also market valuation approaches concepts 103-7, 110-11, 120-51, 152-67 conducting your own studies 152-67 DLLs 74-97, 144-51, 152-67 ratio equation 154 NAICS see North American Industry Classification System National Association of Securities Dealers (NASD) 99, 101, 178 natural logarithms 154–5 negotiations 9-10, 12-14, 15-17, 23, 40, 42-51, net asset valuations approach (NAVs) 103 Netherlands 22 New York Stock Exchange (NYSE) 9–10, 73–7, 88, 178 Nikkei 119-20 noise problems, databases 165-6 non-marketable control interests, valuations 106-7, 144-51 North America 61, 82–3, 87, 89–91, 108–15, 121-51, 155-67, 175, 176, 178 see also US North American Industry Classification System (NAICS) 158-9, 178 NYSE see New York Stock Exchange

objectively determined value 97-102, 103 introduction 1-7 management factors 2-5, 16, 20, 21-9, 33-5, Officer, Micah 79-80, 87, 165 open auctions, concept 10–14 40 - 50opportunity costs, transaction charges 18 ownership factors 2-6, 7, 10, 19, 20-4, 29-66, OTCs see over-the-counter transactions 67, 69, 86, 122–51, 171–2 outbidding issues, competition 17 process analysis of M&A transactions 9-66 outliers, conducting your own studies 166 public companies 1-2, 4, 5-6, 9-10, 48-50, over-the-counter transactions (OTCs) 9–10, 73–7, 67-9, 71-97, 120-51, 152-67, 171 122, 178 size factors 2-5, 7, 47-9, 82-97, 115-51, 152-67, 169-72 overview of M&A transactions 10-14 ownership factors statistics 1-7, 16, 20-1, 22-4, 29-66, 78-97, private companies 2-6, 7, 10, 19, 20-4, 29-66, 108-15, 126-72 67, 69, 86, 122–51, 171–2 subprime crisis 1, 90, 92, 109–11, 112–20, study results 40-50, 65-6, 144-51, 171-2 126–51, 156–7 types 2-7 parties in DRs, rivalry construct of competition private company discounts (PCDs) 1-2, 9-10, 27-9, 37-40, 46-50, 54-7, 64 67-172, 178 partnerships 60-3, 177 accounting/information quality influences 86, payment methods, PCD influences 86-8, 94, 95, 93, 95, 108, 144–51 120, 122, 135-51, 162-4, 167 acquisition approach 71, 77–97, 114–15, 120-51, 152-67 PCDs see private company discounts Pearson correlation 38, 161 buyer characteristics influences 88, 94, 120, pension funds 115-16 144-51 concepts 67-172 pensions, DD 42 conducting your own studies 151-67 people to handle, transaction charges 27, 33–5, 39-40, 58-60, 64-5 cross-border deals 108–15, 116–20, 129–51, phases of M&As 10–16, 23, 25–9, 42, 46–7, 162–5, 166–7, 169–72 98-101 definition 69, 78, 144 poison pills 175 empirical results 67, 70, 79–97, 108–15, politics, Mittelstand 5-7 120 - 67Pratt's Stats database 165, 175 industry influences 83-5, 92, 120-51, 152-67 preliminary steps 10-14 influencing factors 82–97, 120–51 premiums 9-10, 16, 18, 20-1, 25, 49-50, 67-9, leverage differences 88-90, 93, 109-11, 82-97, 108-15, 175, 176 116-20, 129-34, 135-51, 171-2 see also valuations M&A profiles and firm characteristic concepts 67-9, 82-97, 108 influences 85-6, 93, 112-15, 144-51 methodologies 102-7, 120-2, 167, 171 overview 68-9 studies 49–50, 82–97, 103–15 payment method influences 86-8, 94, 95, 120, preparation phase 9–10, 11–14 122, 135-51, 162-4, 167 prestige costs 9, 85–6 regional differences in M&As and equity price to book equity 79-97, 152 market environments 90-2, 93, 95, 108-51 relative valuation methodologies 167, 171 price/earnings ratios (P/Es) 74-97, 111, 123-51, 153-67, 169-71, 175 size difference influences 82-3, 87, 92, 95, PricewaterhouseCoopers 95 108-51, 152-67 studies 91-7, 114-71 private companies 1–7, 9–66, 67–172 summary of findings 90-4, 144-51 see also family firms; mergers & acquisitions; Mittelstand; small and medium-sized summary influencing factors 90-4, 144-51 enterprises; valuations time influences 85, 92, 109-11, 112-67, characteristics 2-5, 9-10, 14, 20-4, 25, 48-9, 170 - 1usage of the study results 146-67 85–6, 93, 112–15, 144–51 classifications 2-5, 82-3, 121-51, 154-60 private equity 2, 29-31, 35-7, 42, 45, 71-7, 85, concepts 1-7, 20-2, 167, 171-2 88, 112-15, 122, 135-51, 162-4, 166-7, definitions 2-7, 167, 171-2 economic performance 20-2, 47-9 see also dependent firms; venture capital boom years of 2006 to 2007 85 general application recommendations 146 importance 1–2 critique 112-14, 135, 148

private equity (Continued) exit strategies 88, 144-51 statistics 112-14, 135, 142-4, 148, 162-4 private placements, DLLs 74-7, 95-7 privatizations 175 process analysis 1-2, 9-66, 85-6 see also influencing factors M&A transactions 1-2, 9-66 models 24-66 study assessments 47-9 study limitations 48-9 study results 29-66 Russia 117 process length, transaction charges 27, 33–5, 39-40, 60, 65 process quotes, rivalry construct of competition 27-9, 37-8, 46-50, 54-7, 64 profit and loss statements 13, 43-5, 52 public companies private companies 1-2, 4, 5-6, 9-10, 48-50, 67-9, 71-97, 120-51, 152-67, 171 valuations 1-2, 48-50, 71-97, 121-51, 152-67, 171 public reference portfolios, concepts 153-67 qualitative aspects, Mittelstand definition 7 R&D-budget planning 13, 41-6, 81 ratio equation, multiples 154 real estate sector 32-7, 58, 71 real options 98 recovery scenarios 175 references 173-4 regional differences in M&As and equity market environments, PCD influences 90-2, 93, 95, 108 - 51regression analysis 26–66, 67, 31, 121–67, 171 - 2conducting your own studies 160-4 international results 134–44, 147–51, 160–4 process analysis 26–66 relative valuation methodologies 167, 171 reliability analyses, measurement of influencing factors 50-66 reputations 14, 18-20, 23-4, 27-9, 40-50, 60-3, 65, 85–6 see also trust definition 47, 61-3 measurement of influencing factors 60-3, Mittelstand 45–6 169 - 72rescue packages, market environments 116–17, 120 restricted stock studies, DLLs 71, 72-7, 88 retail trade sector 157-9 returns on investment 19, 21-2, 48, 71-7 169 - 72revenue-enhancement synergies 16, 52-3 Small Business Administration (SBA) 3, 178

```
revised offers 12-13, 16, 17, 18, 24-9, 34-5,
    40-6, 51, 55-7
  DD 12-13, 16, 17, 18, 24-9, 42, 55-7
  models 25-9, 34-5
  summary presentations 41, 43
risk averse banks, post-subprime crisis 116
risk-reduction synergies 16, 52-3
rivalry construct of competition 27-9, 34-5,
     37-8, 45-51, 53-7, 64
  measurement of influencing factors 53-7, 64
  study results 34-5, 37-8, 45-50, 53-7, 64
S&P Capital IQ database 165, 176
  see also McGraw-Hill
sales & distribution analysis, DD 13, 43-5
sales & purchase agreements (SPAs) 12, 13-14,
    26-9, 40, 58-60, 70, 178
sales growth 21-2, 42, 47-9, 77-97, 110-11, 120,
     124-51, 152-71
  see also turnover factors
  motives 21-2, 42, 47-9
  study assessments 47-9, 120, 124-51
SBA see Small Business Administration
SBA's Otice of Advocacy 3, 178
scentrio analysis 98
SDC Platinum database 165, 175
searches, databases 166-7
Securities and Exchange Commission (SEC)
     72-7, 96, 165, 178
self-selection bias, IPO studies 76
sellers 10-20, 22-4, 26-9, 32-5, 40-6, 49-51, 52,
    57-60, 64-5, 112, 135-51, 166-7
  see also private companies
  concepts 10-20, 22-4, 26-9, 32-5, 40-6,
    49-51, 57-60, 166-7
  motives 14-20, 22-4, 26-9, 32-5, 40-51, 52,
    64-5, 112, 135-51
services sector
  PCD influences 83–5, 131–4, 138, 139,
     140-51, 157-9
  process analysis 32-7
Shannon P. Pratt 176
share buy-backs 175
short-term profits 21–2
SIC see Standard Industrial Classification
signings, negotiations 12, 13-14, 18, 42-5, 51
site visits (SVs), DD 12-13, 43-5, 100
size factors 2–5, 7, 47–9, 82–97, 108–51, 152–67,
  see also employees; turnover...
  conducting your own studies 154-67
  data clustering 154-60
  PCD influences 82-3, 87, 92, 108-51, 152-67,
```

```
small and medium-sized enterprises (SMEs) 1,
                                                   subsidiaries 2, 14-15, 19, 42, 86-8, 129-34,
    2-7, 112-15, 178
                                                         148-51, 165
  see also private companies
                                                      see also dependent firms
  definitions 2-3, 5-7
                                                   successful M&As 1-2, 9-10, 50, 144, 146
  international comparisons 2-3
                                                    succession problems, disposal motives 15, 22–3,
  introduction 2-6
                                                         33-5, 112-13, 135
                                                   summary of findings, PCDs 90-4, 144-51
  Mittelstand 7
  statistics 1, 2-3, 6-7, 112-15
                                                   SVs see site visits
social capital 19
                                                   syndicated loans 175
social class structures in Germany 5-6
                                                   synergies 9–10, 16, 20, 21, 24, 27–32, 34–7,
Society of Investment Professionals in Germany
                                                         45-50, 52-3, 64, 87-8, 135-51
     (DVFA) 99, 100, 101, 177
                                                      acquisition motives 16, 24, 27–32, 34–7,
soft factors
                                                         45-50, 52-3, 64, 135-51
  see also intangibles
                                                      definition 27–9, 52–3
  transaction prices 9-66
                                                      measurement of influencing factors 52-3, 64,
South America 117
                                                         87 - 8
Spain 116
                                                      study results 34-7, 45-50, 52-3, 64, 135-51
SPAs see sales & purchase agreements
                                                      types 16, 27, 52-3
spin-offs 15, 98
                                                      valuation concepts 49–50, 37–8
sponsors, concepts 10-14, 19
SPSS Inc. 152
                                                   T-values 34–5, 134–51, 171–2
stakeholder value 16, 18, 20, 26-9, 101, 152-3
                                                   tax issues 13, 16, 42–5, 76, 89–90, 101, 152
Standard Industrial Classification (SIC) 157-9,
                                                      acquisition metives 16
                                                      DD 13, 42-5
     166-7, 178
Standard and Poor's (S&P) 116, 119, 165,
                                                   teams, concepts 10-14, 47
                                                    technologies 21-2, 42-5, 61, 108-15, 152
                                                      DC 42-5, 61
  see also Leveraged Commentary & Data;
    McGraw-Hill; S&P Capital IQ database
                                                      motives 21-2, 108-15
  databases 116, 175-6
                                                    Thomson Reuters 165, 175
standards of value 97-107
                                                      see also SDC Platinum database
stock markets 2, 9-10, 72-7, 115-20, 166, 1
                                                      conducting your own studies 154-67
     178
  statistics 115-20
                                                      data clustering 156-60
  subprime crisis 119–20
                                                      PCD influences 85, 92, 109-11, 112-67, 170-1
stock options 75-7, 176
                                                    timelines 11–14, 21–4, 39–40, 41–6, 57–63, 85,
                                                         92, 109-11, 112-51
stock swaps 175
strategic goals 16, 21-4, 40-6, 48-50
                                                      business relationships 41-5, 57-63
strategic investors, concepts 10-14, 52-3,
                                                      phases 11-17, 39-40, 42
     112 - 15
                                                    trade sector
studies 9–10, 24–66, 114–67, 171
                                                      PCD influences 83–5, 131–4, 138, 139, 140–2,
  assessments 47-9, 91-7, 114-15, 120-51
                                                         143–51, 157–9
  conducting your own studies 151-67
                                                      process analysis 32-7
                                                    transaction charges 18-20, 24, 25-9, 33-5,
  limitations 48-9
  measurement of influencing factors 50-66,
                                                         38-40, 45-51, 57-60, 64-5, 69-70
     152 - 67
                                                      see also complexity . . . ; costs; information
  PCD 91-7, 114-67
                                                         desires . .
                                                      definition 27-9, 46-7, 57-60
  process analysis 24-66
  results 29-66, 82-97, 114-51
                                                      measurement of influencing factors 57-60,
  summary of findings 90-4, 144-51
  uses 146-51
                                                      study results 33-5, 38-40, 45-50, 57-60, 64-5
  valuations 47-50, 91-7, 114-15, 120-67, 171
                                                    transaction prices 1-2, 9-66
  variables' list 64-6, 120-3, 144-6, 166-70
                                                      see also influencing factors; valuations
subprime crisis 1, 90, 92, 109–11, 112–20,
                                                      cash payments 9-10, 31, 86-8, 94, 122,
                                                         134-51, 162-4, 167
     126-51, 156-7
  concepts 112-20, 126-51, 156-7
                                                      definition 25-9
  stock markets 119-20
                                                      models 24-9
```

transaction prices (Continued) see also fair market value; income . . . ; investment value; market . . . ; transaction process analysis 1-2, 9-66 public/private contrasts 1-2, 9-10, 48-50 soft factors 9-66 concepts 1-2, 9-10, 48-51, 67-172 conducting your own studies 152-67 study results 29-66 transportation sector definitions 49-51 PCD influences 131-4, 150, 157-9 introduction 1-7 process analysis 32–7 methodologies 102-7, 120-2, 167, 171 trust 18–20, 21, 22–4, 26–9, 34–5, 40–51, 60–6 methods 1-2, 49-51, 71-97, 98-107, 120-2, 152-67, 171 see also attitudes; business relationships; experience . . . ; initial stakes; knowledge; minority interests 70, 71-7, 96-7, 103, 106-7, reputations 144-51 definition 18, 27, 47, 60-3 public/private contrasts 1-2, 9-10, 48-50, measurement of influencing factors 60-3, 65-6 71–97, 120–51, 152–67 relative valuation methodologies 167, 171 study results 40-50, 60-3, 65-6 turnover factors 2-4, 7, 30-1, 153, 154-72 standards of value 97-107 see also sales growth; size factors studies 47-50, 91-7, 114-15, 120-67, 171 subprime crisis 1, 90, 92, 109–11, 112–20, UK 3-4, 29, 67, 82-5, 87, 89-91, 109-15, 126-51, 156-7 118-20, 121-34, 142-51, 155-67, 169-71, summary of finding, 90-4, 144-51 175-6 usage of the study results 146–67 cross-border deals 109-15, 142-4, 150-1 value chains 52-3, 64 PCDs 67, 82-5, 87, 89-91, 109-11, 121-34, variables database searches 166-70 142–51, 155–67 regression results 142-4, 150-1, 161-4 list 64-6, 120-3, 144-6, 166-70 size differences between private/public firms venture capital (VC) 29, 71-7, 88, 103-4, 122, 82-3, 118-20, 142-4, 150-1, 155-67 165–6, 176 SME definitions 3-4 see also private equity summary of findings 150-1 volume statistics 115-20, 165 UMAG see German Code of Corporate Integrity voting rights 48, 69 and Modernization of the Right of Avoidance Bill wealth managers 176 weights/coefficients, measurement of influencing univariate analyses, concepts 124–34, 147–51, 154-67 factors 50-66 US 2-3, 29, 67, 69, 72-7, 78-97, 104, 108-15, Western Europe 29, 82–5, 87, 89–91, 108–20, 121-34, 140-51, 155-67, 169-71, 175, 121–51, 155–67, 171, 175 176 control shares 69 cross-border deals 108-20, 138-40, 149, cross-border deals 108-15, 116-20, 141-2, 162-4, 171 150, 167, 171 PCDs 67, 82-5, 87, 89-91, 108-15, 121-34, DLLs 72-7, 96-7 international comparisons 108-15, 167, 171 140–51, 155–67 regression results 140-2, 149-50, 161-4 non-US comparisons 108-15 PCDs 67, 82-5, 87, 89-91, 96-7, 104, 108-15, size differences between private/public firms 121-51, 155-67, 171 82-3, 118-20, 155-67 regression results 138-40, 149, 160-4 summary of findings 149–50 US comparisons 108-15 size differences between private/public firms 82-3, 118-20, 138-40, 149, 155-67, 171 volume statistics 115-20 SME definitions 2-4 wholesale trade sector 157-9 summary of findings 149 Willamette Management Associates 74–7, 176 volume statistics 115-20 working capital 14, 42–5 WpüG see German Securities Acquisition and US Department of Agriculture (USDA) 3 US International Trade Commission 3 Takeover Act usage of the study results 146-67 write downs, banks 116 Valuation Advisors LLC database 75-7, 176 Zephyr M&A database 112, 113, 116–18, valuations 1-7, 10, 15-16, 21-4, 47-51, 67-172, 120-71, 176 176 see also Bureau van Dijk