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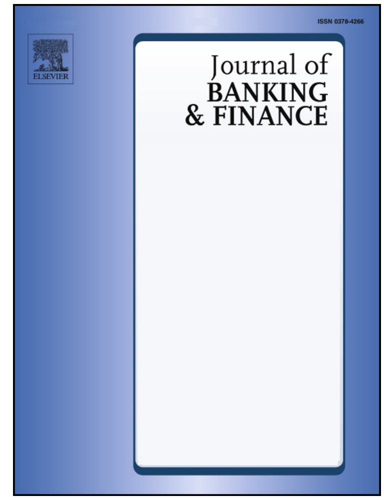

Role of Institutional Investors in Public-to-Private Transactions

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THE ROLE OF INSTITUTIONAL INVESTORS IN PUBLIC-TO-PRIVATE TRANSACTIONS

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Abstract

In Italy, as in many other European countries, listed firms will normally go dark through controlling owner-initiated tender offers. We find that institutional investors play a central role in the bid process and can protect minority shareholders from being frozen out in the bid. Specifically, tender offers are less likely to succeed when a firm has institutional investors in its ownership structure. When public-to-private offers are accepted, bid premiums are significantly greater if a financial institution (particularly when it is foreign, independent or activist) has a stake in the firm. We explore the effect of a number of hitherto unexplored factors on the takeover premium and find that shareholder agreements facilitate public-to-private acquisitions. Other factors, such as a threat to merge the target if the bid fails, or external validation of the offer price, have no impact on either the likelihood of delisting or the premium paid by the bidder.

JEL classification: G32; G34.

Keywords: Public-to-private transactions; Delisting; Family firms; Tender offer.

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