

Stefan Albust

The Impact of Private Equity Investments on Portfolio Companies

An Impact-Analysis Focusing on the Number of Employees
and their Average Wages

Master's Thesis

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Impact of Private Equity Investments on Portfolio Companies

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An Impact-Analysis Focusing on the Number of Employees and their
Average Wages

Stefan Albust

Note: Dissertation submitted as part requirement for the degree of Master of Business
Administration in the Durham University – EBS Business School EMBA Programme, 2019

Abstract

The private equity industry is growing and therefore its importance is increasing as well. However, the reputation of private equity investors is not always positive and some harmful examples confirm this picture in the broader market. The negative history subsequently led to an increasing regulatory environment. Nevertheless, private equity financing has also many advantages for the portfolio companies such as the solution of succession concerns, additional equity financing and added external know-how.

This dissertation takes up the private equity topic and analyzes its impact on the employees of the portfolio companies. As there has been no detailed research done so far on the German market, this paper focuses on the impact on German companies which were taken over by a private equity house. It is assumed that the investment of a private equity company leads to an increase in the number of employees (H1) as well as their average wages (H2). These hypotheses are based on the performed literature review which shows a rather diverse picture with a slight trend towards the advantages of private equity investments.

By analyzing five private equity owned companies from different industries in Germany and benchmarking them against their local main competitor as well as testing the results against their statistical significance, interesting results appear. On the one hand, H1 needs to be rejected as in 60% of the analyzed companies the number of staff decreased after the investment of a private equity company. On the other hand, H2 can be confirmed as the average wages of the remaining employees increased in 80% of the observed companies and also evolved better compared to their non-private equity backed peers. Additionally, this dissertation shows that the second year after the takeover (T+2) is rather special and requires further investigation.

Due to limitations of this research paper, it is recommended to use all the identified results for a more detailed analysis on the reasons of the observations.

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Abbreviations

AIF	Alternative Investment Funds
AIFM	Alternative Investment Funds Manager
ATM	Automatic Teller Machine
B2C	Business to Customer
BGB	Bürgerliches Gesetzbuch
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EU	European Union
GmbH	Gesellschaft mit beschränkter Haftung - Limited Company
HGB	Handelsgesetzbuch - Code of Commercial Law
IBO	Investor led Buyout / Institutional Buyout
IPO	Initial Public Offering
KKR	Kohlberg Kravis Roberts
LBO	Leveraged Buyout
MBI	Management Buyin
MBO	Management Buyout
MEBO	Management led Employee Buyout
PublG	Publizitätsgesetz - Public Disclosure Act
SPD	Sozialdemokratische Partei Deutschlands
TPG	Texas Pacific Group
UBGG	Unternehmensbeteiligungsgesellschaftengesetz
UK	United Kingdom
US	United States of America
VC	Venture Capital
WKBG	Wagniskapitalbeteiligungsgesetz