макроекономічної рівноваги, усунення зовнішньоекономічних дисбалансів є одним із найважливіших чинників підвищення інвестиційної привабливості нашої країни, активізації внутрішніх капіталовкладень тощо.

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LEVERAGED BUYOUTS: LOW-COST TAKEOVER

A leveraged Buyout is a type of acquisition financed by borrowed money. The firm using the LBO only has to provide a small amount of the financing to make a large purchase. Usually around 90% of the cost is financed through debt.

The basic idea behind an LBO is that the acquirer purchases the target with a loan collateralized by the target's own assets. In hostile takeover situations, the use of the target's assets to secure credit for the acquirer is one reason the LBO has a predatory reputation.

The goal of leveraged buyouts is to make a large acquisition without committing much of a capital investment. The desired result of combining the two companies is the creation of one stronger, more profitable entity that could better maximize shareholders' value.

Myers and other authors state that leveraged buyouts differ from ordinary acquisitions in two particularly obvious ways.

First, a large fraction of the purchase price is financed by debt. Some, if not all, of this debt is junk, that is, below investment-grade.

Second, the company goes private and its shares no longer trade on the open market [1].

Using or not of LBOs in different situations is determined by the specific motives:

- Lack of free cash. LBOs are used by companies that want to make a merger but cannot collect enough money in short period.
- The Junk Bonds. LBOs and debt-financed takeovers may be driven by tremendously cheap funding from the junk bond markets.
- Taxes and debt. Borrowing money saves taxes. It is known as 'tax shield'.
- Bondholders' losses. The debt that bond owners thought was secure can turn into junk when the borrower goes through an LBO.
- Debt and incentives. Managers and employees of LBOs work harder because they have to generate cash for debt service.

LBO method has specific features which distinguish it among the other methods.

1. High debt. The debt is not intended to be permanent. It is designed to be paid down. The requirement to generate cash for debt service is intended to curb wasteful investment and force improvements in operating efficiency. Of course, this solution

only makes sense in the case of companies that are generating lots of cash and have few investment opportunities.

2. Incentives. Managers are given a greater stake in the business via stock options or direct ownership of shares.

3. Private ownership. The LBO goes private. It is owned by a partnership of private investors who monitor performance and can act right away if something goes wrong. But private ownership is not intended to be permanent. The most successful LBOs go public again as soon as the debt has been paid down sufficiently and improvements in operating performance have been demonstrated.

Table 1.

The most famous acquisitions using LBO [2, 3, 4].

Year	Aquirer	Target	Price
1989	Kohlberg Kravis Roberts & Co	RJR Nabisco	$25 billion
2006	Bain Capital and Merrill Lynch Global Private Equity	Hospital Corporation of America	$33 billion
2007	Blackstone Group LP	Equity Office Properties Trust	$39 billion
2009	Blackstone	Hilton Hotels	$26 billion
2013	Silver Lake	Dell	$24.9 billion
2016	Dell	EMC	$67 billion
2016	JAB Holding Company	Keurig Green Mountain	$13.9 billion
2017	Sycamore Partners	Staples	$6.9 billion

The world's most famous LBO is the approximately $25 billion takeover of RJR Nabisco by private equity firm Kohlberg Kravis Roberts in 1989. The RJR Nabisco LBO crystallized views on LBOs, the junk bond market, and the takeover business.

Nowadays, a lot of company uses LBO to finance M&A deals. For example in USA, the most active sectors by value are Industrials, IT and healthcare that occupy approximately 70% of total value of closed LBO deals in USA in 2016 [5].

Some authors assert that there was plenty of confusion, stupidity, and greed in the LBO business. It should be mentioned that not all the people involved in the process were nice. On the other hand, they considered LBOs as main driver of increases in market value. According to the authors, the biggest winners in the RJR Nabisco LBO were the company's stockholders [1].

In the Table 1, there are 7 the most famous deals closed using debt, but a lot of deals were not closed. It happens because LBOs are enough sophisticated and take a while to fulfil.

Coming to the conclusion it should be stressed that even if LBO is highly connected with debt and some parts could lose in a short-term period, it still remains a good way to make an acquisition without using own money.

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