Executive Summary

The acquisition of a company by another company is considered in research as well as in the business world as the biggest investment a firm can undertake within its legal environment. Regarding the relevance of this occasion, the deal structure becomes more complicated and the decisions on it more important the greater the deal is. Therefore, the basic legal forms of mergers and acquisition and its implications are important to understand in a first place. One of the most crucial decisions of the acquirer and the target company in a corporate transaction is the agreement on the method of payment. Common ways to pay for the control over another company are by using cash, stocks or other securities separately or in a mix. Especially the choice between cash and stocks has attracted a lot of attention in research over the last three decades. While this choice may be a result of many sophisticated rationales it is also very depending on the circumstances in which each deal is settled. But as research has proceeded with big samples tests and precise methodology over the years, we are now able to pin down general thoughts behind the choice of the medium of exchange. Namely, there are four determined topics: Corporate Control, Asymmetric Information, Bidder's financial strength and the taxation of the company and the individual. As post-transaction control ownership in the new entity, the informational differences about the true value of the bidder's stock and taxation consequences can be described as strategic thoughts behind the choice, a firm's debt capacity expressed by its fundamental financial strength is more an ex-ante criterion. On point, if a company has no access to cash sources then it doesn't have to spend time on any advantage or disadvantage thoughts of cash usage.

In this sense, it is the goal of this thesis to examine the relationship between financial strength of the acquirer and the method of payment. Further, I focus in this examination on completed transactions with a Swiss acquiring nation between December 31st, 1995 and December 31st 2015. Following Faccio and Masulis (2005), I proxy for the financial strength of the purchaser with $Total\ Assets$, $Collateral$, $Financial\ Leverage$ and I analyze it's impact on the likelihood of a non-cash payment with a Logit Model as well as the influence on the percentage of cash used with a Tobit model. In Faccio and Masulis (2005) great European study, they claim the usage of cash to be positively related with $Total\ Assets$, $Collateral$ and negatively related with $Financial\ Leverage$. The aim of the thesis is to confirm this claim in a Swiss database.

Fist finding of the thesis is that Swiss buyers have a strong preference for an all-cash payment in most of the completed transactions. Further, they prefer a pure non-cash payment over a

mix of cash and other securities. Second, I find a positive relationship between Swiss acquirer's financial strength and cash usage given the methodology applied on the chosen proxies. A statistically significant association of the hypothesis can only be partly shown. I find the Swiss Acquirer's $Financial\ Leverage$ is significant, the $Collateral$ is insignificant and no conclusion about the $Total\ Assets$ can be drawn.