

# **Competition, Corporate Governance and Equity Carve-Outs – The European Case\***

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Studying a unique sample of 103 European equity carve-outs occurring between 1994 and 2004 I find highly significant abnormal returns of more than 2% around the announcement date. Announcement effects differ significantly between different law systems and decrease with minority shareholders' risk of being expropriated by managers or inside owners, like e.g. the parent firm. I also find abnormal returns to increase with competition in subsidiary's industry, which forces subsidiaries to act more efficiently and, consequently, reduces the free-cash-flow problem. Though, both, good corporate governance and fierce competition, mitigate possible agency conflicts their impacts turn out to be mutually independent.

**JEL Classification:** G14, G32, G34

**Keywords:** equity carve-outs, restructurings, corporate governance, minority shareholder protection, competition

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