The Case for Secondary Buyouts as Exit Channel

Abstract:
Do private equity firms have a clear pecking order when deciding on exit channels for their portfolio companies? Are secondary buyouts—that is, sales to other PE firms—always an exit of last resort? And are there company- or market-related factors that have a clear and predictable influence on decisions to pursue secondary buyouts? Using a proprietary dataset of over 1,100 leveraged buyouts that exited in North America or Europe between 1995 and 2008, the authors attempt to answer these questions by analyzing the returns associated with public, private, and secondary (or “financial”) exits. Based on their analysis of the realized returns, there is no clear pecking order of exit types. Secondary buyouts deliver rates of return that are the equal of those achieved through public exits. In addition, the authors assess the relationship between the likelihood of choosing a financial exit and certain company-related as well as market-related factors. Portfolio companies with greater debt capacity are more likely to be sold in secondary buyouts. Furthermore, increases in both the liquidity of debt markets and the amount of undrawn capital
commitments to the private equity industry increase the probability of exit through secondary buyouts

Intellectual Contribution: Discipline-based Research

Zeitschriftentitel: Journal of Applied Corporate Finance

Journal gelistet in FT45 Ranking: nein

Jahr: 2012

Band: 24

Heft / Issue: 4

Seiten: 102-111

Print-ISSN: 1745-6622

Urteilsanmerkung / Urteilsbesprechung: 0

Key publication: Nein

Peer reviewed: Ja

International: Ja

Book review: Nein

commissioned: not commissioned

Professional Journal: Nein

Interdisziplinarität: Nein

Occurences:
  - Einrichtungen > Fakultäten > Fakultät für Wirtschaftswissenschaften > Kompetenzfelder > Finance & Accounting > Lehrstuhl für Entrepreneurial Finance (Prof. Achleitner) > Refereed Journal Articles

entries: