Using a unique proprietary data set of 1980 realized and unrealized buyouts completed between 1986 and 2010, we examine entry and exit pricing in buyouts and its influence on private equity (PE) sponsors' returns. We find that besides leverage and operational improvements, EBITDA multiple expansion (i.e. the difference between entry and exit pricing) is a fundamental factor in explaining equity returns and the result of skill rather than pure luck. We also provide evidence that more experienced PE sponsors use more debt to finance a PE transaction and debt is positively related to entry buyout pricing. However, for a transaction with a given leverage level, more experienced PE sponsors are able to negotiate lower prices. In addition, our results show that deals conducted by first time funds which are realized in a later stage of a fund’s life cycle are associated with lower exit prices which can be explained by the increased exit pressure for the PE sponsor.

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