Drivers of Value Creation in a Secondary Buyout: The Acquisition of Brenntag by BC Partners

Purpose – While secondary buyouts have gained in importance in recent years, specific drivers of value creation of this type of private equity deal are not yet well understood. Through the in-depth analysis of the acquisition of Brenntag by BC Partners, we develop propositions on the value creation profile in secondary buyouts.

Design/methodology/approach – We use a single case study design to explore the information-rich context of a secondary buyout. The Brenntag case epitomizes the development of a company from being part of a large conglomerate to being private equity owned after the primary and secondary buyout up to being publicly listed. Our analysis is based on nine semi-structured interviews with key protagonists and the analysis of primary company data as well as additional secondary data sources.

Findings – We propose that even if the investment management and monitoring skills of the primary and secondary private equity group are similar there is still the potential to realize operational improvements in a secondary buyout due to either an
early exit of the primary private equity group or measures that further enhance management incentivisation. Furthermore, the Brenntag case shows that low information asymmetries can lead to higher leverage and that opportunities for multiple expansion are limited in secondary buyouts. Originality/value – While a secondary buyout has been a common exit route in recent years, we are the first to undertake an in-depth case analysis of a secondary buyout. Our study helps researchers and practitioners to enhance their understanding of drivers behind the value creation profile of secondary buyouts.

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