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WORKING PAPER

Private Equity Portfolio Company Performance During The Global Recession

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Abstract

We assess the recent economic and financial performance of U.K. private equity (PE) backed buyouts. Our empirical evidence, which is based on thousands of transactions, reveals that PE-backed buyouts achieved superior economic and financial performance in the period before and during the recent global recession, relative to comparable firms that did not experience such transactions. Our regression results imply positive differentials of 5-15% in productivity and approximately 3-5% in profitability for buyout firms, relative to non-buyout firms. Another key finding is that revenue and employment growth for PE- backed firms were positive during the sample period.

Keywords: management buyouts; private equity; total factor productivity; employment; financial performance

JEL codes: G34, G32