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Identifying likely buyout take-private targets

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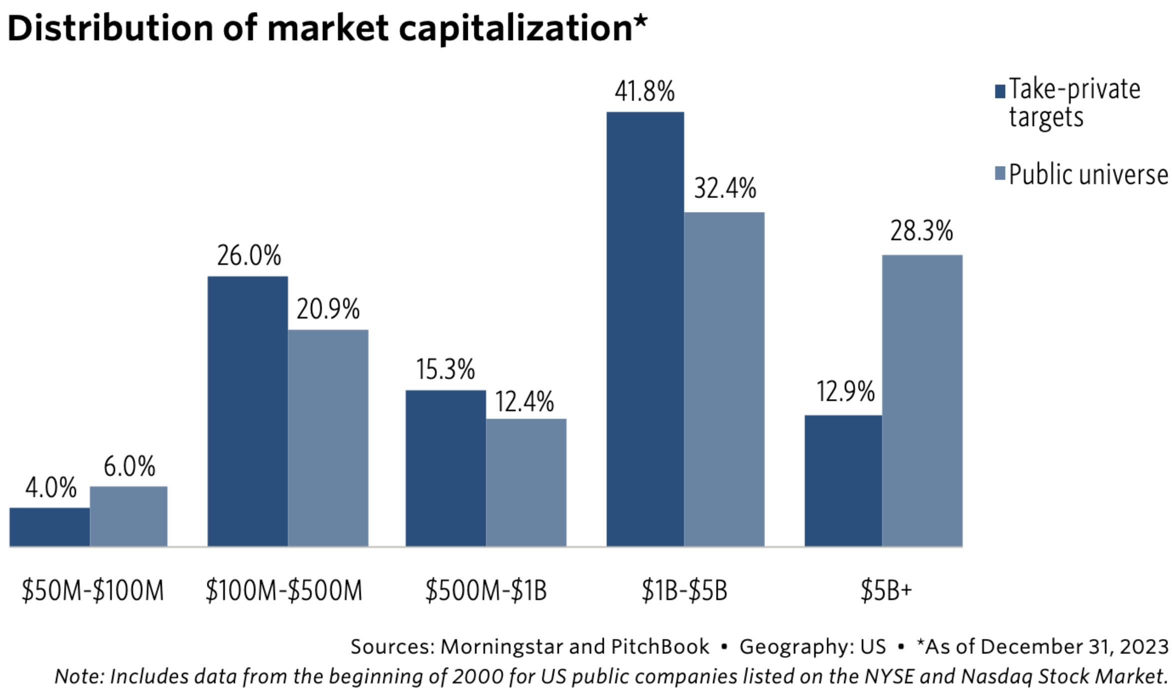

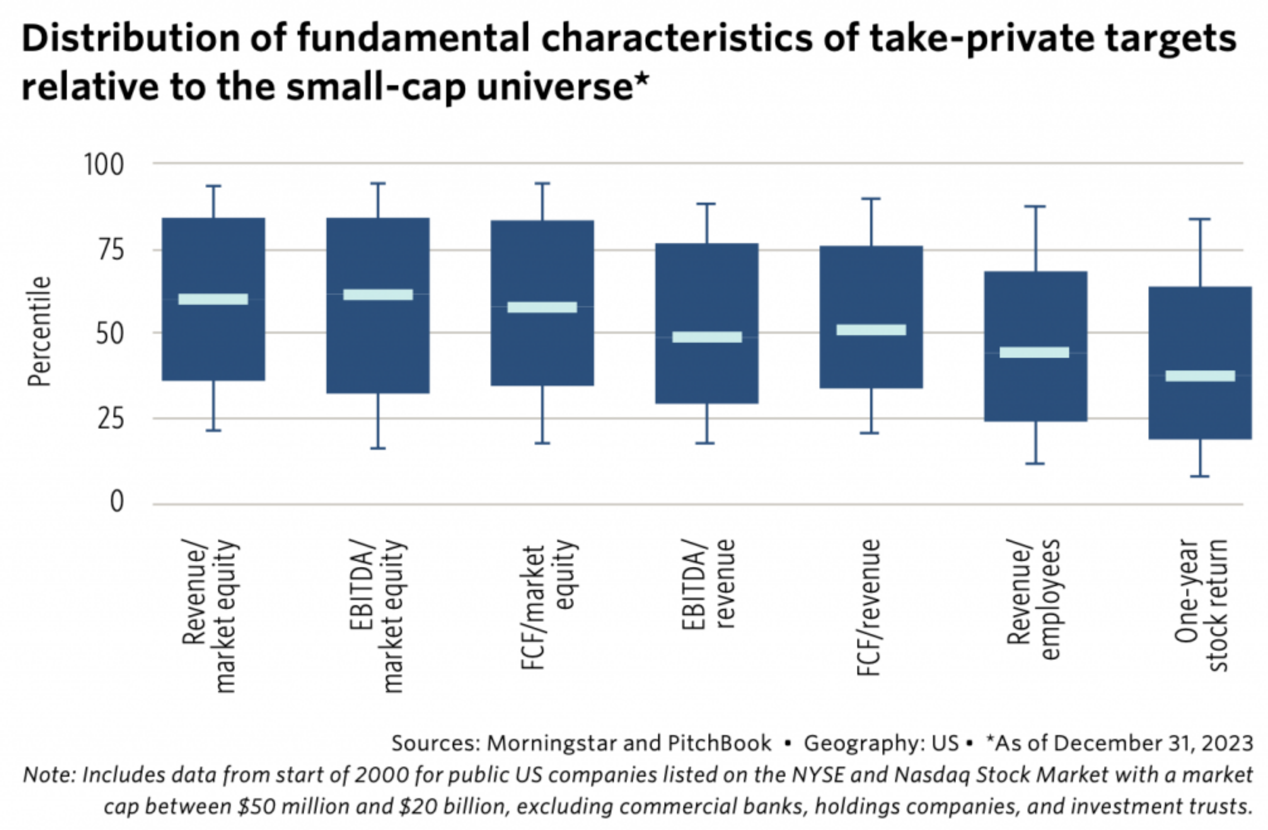

Download PitchBook's Report here.

Since the inception of the strategy in the 1980s, buyout managers have maintained a core playbook: Invest in relatively small, underperforming companies at a reasonable price that still generate enough free cash flow (FCF) to service an increased debt burden. Evidence from take-private transactions over the past 30 years confirms this playbook is being used. We found that take-private targets are more likely to be relatively cheap with respect to a variety of equity price ratios despite relatively neutral EBITDA and cash flows margins. Underperformance is apparent in both the trailing one-year stock return as well as operating efficiency in terms of revenue generated per employee.

(Past performance is no guarantee of future results.)