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Have PE Firms Learned a Mega Buyout Lesson?

Energy Future Holdings’ bankruptcy filing last month put to rest another chapter in the book of boom-era PE buyout failures.

Others, such as Harrah's Entertainment (now Caesar's Entertainment), First Data and Archstone Smith continue to exist, but have either bled money or remained under the pressure of heavy debt loads, creating long-term burdens for their PE backers.

How the top 10 Buyouts since RJR have fared – http://blog.pitchbook.com/wp-content/uploads/2014/05/20140507-10-Buyouts.pdfÂ

PE firms have no doubt learned their lesson, judging from debt levels for the two largest buyouts since 2008 (at more manageable levels) and a dearth of mega-buyouts since the pre-crisis era. Since 2008, there have only been four buyouts of more than $10 billion, and none of the biggest names in PE have been on the buy-side of them. Instead, firms like KKR, TPG, Blackstone, Carlyle, Apollo, Warburg and Bain, have been acquiring more companies in the $100 million to $500 million range. That size bucket, which represented just 13% of the buyouts those seven firms completed in 2009, comprised 38.6% in 2013 and 54.6% through the first four months of this year. At least two of the firms (Carlyle and TPG) have also expressed their desire to put more capital to work through growth deals. And TPG certainly hasn't been shy about using this new strategy over the last few months, having recently invested some $1.5B with other firms on PE growth/expansion financings for Chobani, Airbnb and Uber.

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