

Research Paper No.8

EXECUTIVE SUMMARY July 2013

(full paper link: <http://enterpriseresearch.ac.uk/publications/erc-research-papers/>)

Private Equity, Buy-outs, and Insolvency Risk

Mike Wright
Center for Management Buy-out Research
Imperial College Business School, and
University of Ghent
Tel: +44 (0)7725 159 873
Email: mike.wright@imperial.ac.uk

Nick Wilson
Credit Management Research Center
Leeds University Business School
Tel: +44 (0)113 343 4472
Email: nw@lubs.leeds.ac.uk

Private Equity restructuring using debt has been criticised for increasing financial distress and bankruptcy especially following the financial crisis. We build a unique dataset comprising the population of over 9 million company-year observations and 153,000 insolvencies during 1995-2010. We compare the insolvency hazard of the spectrum of buyout types within the corporate population over time and investigate the risk profile of the

Openness and innovation performance: are small firms different?

companies pre-buyout. Controlling for size, age, sector and macro-economic conditions private-equity backed buyouts are no more prone to insolvency than non-buyouts or other types of management buyins. Moreover, leverage is not the characteristic that distinguishes failed buyouts from those surviving.

Keywords: Private Equity, Management Buyouts, Distress, Bankruptcy, Hazard Models

JEL: D21, C25, G24, G32, G33