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# Leveraged Buyouts and Private Equity

Steven N. Kaplan

Per Stromberg

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### Abstract

In a leveraged buyout, a company is acquired by a specialized investment firm using a relatively small portion of equity and a relatively large portion of outside debt financing. The leveraged buyout investment firms today refer to themselves (and are generally referred to) as private equity firms. We describe and present time series evidence on the private equity industry, considering both firms and transactions. We discuss the existing empirical evidence on the economics of the firms and

transactions. We consider similarities and differences between the recent private equity wave and the wave of the 1980s. Finally, we speculate on what the evidence implies for the future of private equity.

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