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Private Equity Acquisitions and the Competitiveness of Buyout Firms

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Private equity is an important source of financing for French companies. This paper examines the relationship between private equity and the competitiveness of buyout firms in a French context. Prior literature has assessed private equity markets and emphasized mechanisms including the replacement or reorganization of management, the reduction of agency costs, the financial pressure through leverage, the influence of shareholders and the management expertise of the fund. However, as the majority of these existing studies focus on private equity in the U.S. and U.K., little consensus has been achieved about the application of these results to France. In this paper, we discuss the mechanisms of private equity in a French context. We analyze the criteria on which buyout companies are chosen by funds, as well as the relationship between private equity and subsequent firm performance. Our findings show that French private equity funds select companies that, in comparison to their competitors, are larger in size and are better performers. Our results also show that following a buyout, companies do not experience a significant performance improvement. Based on our empirical analysis, we find no significant evidence that French private equity creates long-term value.

Keywords: Private equity, competitiveness, buyout firms, agency costs