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Title	Value creation in private equity – Contribution of a general partner in buyouts		
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Abstract

General partner of the private equity fund (limited partnerships; in Finland kommandiittiyhtiö), the private equity firm is responsible for managing the target companies (or portfolio companies). While private equity firms try to maximise their own shareholder value they are also responsible for creating returns to the limited partners in the fund. As the risk is higher in buyouts than in venture capital investing due to the lower degree of diversification and as the leverage is commonly used, buyout specialists have to find additional ways to improve the value of their portfolio companies in order to generate value for their equity investment. Therefore the private equity firms specialising in buyouts have to be active in their investing and participate on the developing of portfolio companies in order to create value and maximise the wealth of themselves and their limited partners.

Previous literature on buyout value creation does not explain thoroughly the role of a general partner in value creation. The value of the equity investment of buyout investors can be increased through e.g. debt financing but this does not increase the value of the company. Purpose of this thesis is to study how a general partner creates value in a portfolio company in a way that the operations of the company are truly improved. Research is narrowed to analysis of two successful buyout cases in Finland. The research is qualitative, action-oriented research with case study approach.

This research reveals, partially in line with previous researches, that buyout investors act as a catalyst for the change in a buyout target company. They offer financial resources solely to the use of the respective portfolio company and let the company operate as an independent entity enhancing the development of the company and improving its market position. The buyout enables the changing of policies in the company and the experience of the representatives of private equity firm enables the establishing of new better policies. Buyout firms seek to create continuity to and improve the operations of the portfolio company through the transfer of knowledge gathered from their previous and current investments as well as through their extensive contact network of industry professionals. This knowledge transfer is an essential part of value creations in buyouts. The exit from the company not only determines the value generated for the equity investors but determines whether the company can benefit from the value creation also in the long run. If the portfolio company is sold to a buyer who can continue developing the company further, the general partner has succeeded on its buyout taking the company into a new level.

Key words	Private equity, value creation, buyout, pääomasijoittaminen, arvon luonti, arvo
Further information	