

Divisional Buyouts by Private Equity and the Market for Divested Assets¹

August 2018

Online Appendix

¹ Online Appendix for the paper "Divisional Buyouts by Private Equity and the Market for Divested Assets", by Ulrich Hege, Stefano Lovo, Myron B. Slovin, Marie E. Sushka, *Journal of Corporate Finance*, accepted for publication 2018. References to this Online Appendix are in the paper.

Table IA.1: Predicting the Bidding Success of Private Equity

This Table shows logit regressions to predict the outcome of the dividual asset sale. The dependent variable is a dummy variable that takes the value 1 if the asset transaction is a Private Equity Deal. The market timing variables are explained in the glossary of the Internet Appendix. Conglomerate is a dummy that takes the value 1 if the firm has divisions in at least 3 different industries in the Compustat Segment tape. Related Asset is a dummy variable that takes the value 1 if the asset and the seller firm are in the same Fama-French industry (FF12). Transaction value is split at 2002 to mark the point when PE started to enter into very large transactions (mega deals.) Long-Term Market leverage is the long-term value of financial debt from Compustat, divided by Enterprise Value. Payout (Dummy) is a dummy variable that takes the value 1 if the firm is paying dividends. Industry fixed effects are for Fama-French industries (FF12). All other variables are explained in the Glossary and in Table 4.

	(1)	(2)	(3)	(4)	(5)
Conglomerate	0.260 (0.247)	0.263 (0.247)	0.244 (0.249)	0.271 (0.248)	0.253 (0.250)
Related Asset	-0.468** (0.228)	-0.470** (0.228)	-0.463** (0.229)	-0.490** (0.230)	-0.489** (0.231)
ROA	3.450* (1.998)	3.413* (1.998)	3.452* (2.004)	3.807* (2.034)	3.778* (2.039)
Transaction Value before 2002 (Dummy)	-0.000372* (0.000207)	-0.000367* (0.000207)	-0.000378* (0.000208)	-0.000370* (0.000207)	-0.000369* (0.000208)
Transaction Value after 2002 (Dummy)	-0.000155 (0.000228)	-0.000157 (0.000228)	-0.000171 (0.000231)	-0.000149 (0.000229)	-0.000170 (0.000230)
Enterprise Value (log)	0.141* (0.0739)	0.142* (0.0740)	0.139* (0.0751)	0.138* (0.0742)	0.139* (0.0753)
Long-term Market Leverage	0.801 (0.581)	0.812 (0.582)	0.792 (0.582)	0.813 (0.582)	0.818 (0.584)
M/B	-0.0480 (0.0404)	-0.0480 (0.0404)	-0.0422 (0.0407)	-0.0491 (0.0407)	-0.0433 (0.0411)
Payout (Dummy)	-0.348 (0.331)	-0.351 (0.331)	-0.364 (0.332)	-0.376 (0.333)	-0.400 (0.334)
PE Dry Powder		2.031 (5.022)			2.517 (5.373)
Yield Spread			-1.006 (1.256)		-1.252 (1.280)
Term Spread			0.298 (0.224)		0.285 (0.230)
S&P500 3-Year Return				-0.00189 (0.00941)	-0.00174 (0.0105)
Hot IPO Market				-0.00862 (0.00951)	-0.00940 (0.00990)
Constant	-2.241*** (0.867)	-2.428** (0.984)	-2.041** (0.907)	-2.206** (0.882)	-2.280** (1.103)
N	530	530	530	530	530
Year FE	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y
pseudo R ²	0.119	0.120	0.123	0.121	0.126

Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table IA.2: Analysis of Private Equity Success

This table repeats the analysis of Table 4 by adding sequentially five market fluctuation variables: PE Dry Powder (Panel A), credit market timing variables (Panel B), equity market timing variables (Panel C), and finally all market timing variables (Panel D.) The market timing variables are explained in the glossary of the Online Appendix. All other variables are explained in the Glossary and in Table 4 of the paper.

Panel A: Private Equity Dry Powder

	Excess EV Annual Growth Rate		Excess EV Profitability Index		Exit Success	
	(1)	(2)	(3)	(4)	(5)	(6)
Seller TR	0.00124*** (2.62)	0.00119** (2.57)	0.00313** (2.49)	0.00358** (2.58)	0.00622** (2.40)	0.00629** (2.30)
PE Dry Powder	-0.763** (-2.01)	-0.630 (-1.60)	-3.429* (-1.95)	-2.283 (-1.61)	-3.363 (-1.42)	-4.947** (-1.96)
Ln(TP)		-0.0487 (-1.46)		-0.0834 (-0.71)		0.258 (1.31)
Exit in 1999-2001		-0.125 (-1.18)		-0.858* (-1.66)		1.330** (2.06)
Top-30 Fund		0.00411 (0.03)		0.0973 (0.28)		-0.197 (-0.31)
Constant	0.128*** (3.83)	0.424** (2.10)	0.0385 (0.34)	0.593 (0.78)	0.0670 (0.35)	-1.540 (-1.31)
<i>N</i>	157	157	157	157	161	161
adj. R^2	0.059	0.062	0.045	0.063		
pseudo R^2					0.039	0.066

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel B: Credit Market Timing Variables

	Excess EV Annual Growth Rate		Excess EV Profitability Index		Exit Success	
	(1)	(2)	(3)	(4)	(5)	(6)
Seller TR	0.00122** (2.56)	0.00116** (2.52)	0.00320** (2.55)	0.00359** (2.56)	0.00590** (2.26)	0.00597** (2.17)
Yield Spread	-0.0259 (-0.35)	-0.0288 (-0.40)	0.162 (0.81)	0.0833 (0.45)	-0.404 (-0.72)	-0.354 (-0.62)
Term Spread	0.0507* (1.82)	0.0479* (1.71)	0.180 (1.58)	0.128 (1.13)	0.212 (1.30)	0.253 (1.49)
Ln(TP)		-0.0541 (-1.63)		-0.101 (-0.81)		0.220 (1.12)
Exit in 1999-2001		-0.134 (-1.29)		-0.899 (-1.65)		1.126* (1.78)
Top-30 Fund		0.0171 (0.14)		0.122 (0.35)		-0.144 (-0.23)
Constant	0.125*** (3.50)	0.452** (2.27)	0.00797 (0.07)	0.680 (0.86)	0.0852 (0.43)	-1.293 (-1.11)
<i>N</i>	157	157	157	157	161	161
adj. R^2	0.052	0.058	0.031	0.054		
pseudo R^2					0.038	0.058

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel C: Equity Market Timing Variables

	Excess EV Annual Growth Rate		Excess EV Profitability Index		Exit Success	
	(1)	(2)	(3)	(4)	(5)	(6)
Seller TR	0.00126*** (0.008)	0.00121*** (0.009)	0.00322** (0.011)	0.00374** (0.010)	0.00691** (0.011)	0.00661** (0.020)
S&P500 3-Yr Return	-0.00124 (0.113)	-0.00114 (0.160)	-0.00310 (0.195)	-0.00148 (0.605)	-0.0126*** (0.005)	-0.0148*** (0.002)
Hot IPO Market	-0.00163 (0.465)	-0.00170 (0.465)	-0.00269 (0.681)	-0.00393 (0.565)	-0.0157 (0.199)	-0.0148 (0.246)
Ln(TP)		-0.0521 (0.122)		-0.0837 (0.504)		0.217 (0.291)
Exit in 1999-2001		-0.135 (0.204)		-0.971* (0.099)		1.428** (0.028)
Top-30 Fund		0.0199 (0.880)		0.123 (0.732)		-0.0422 (0.950)
Constant	0.133*** (0.000)	0.448** (0.027)	0.0546 (0.634)	0.616 (0.440)	0.115 (0.567)	-1.262 (0.302)
<i>N</i>	157	157	157	157	161	161
adj. R^2	0.065	0.071	0.019	0.050		
pseudo R^2					0.096	0.125

p-values in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel D: All Market Timing Variables

	Excess EV Annual Growth Rate		Excess EV Profitability Index		Exit Success	
	(1)	(2)	(3)	(4)	(5)	(6)
Seller TR	0.00125*** (2.65)	0.00117** (2.55)	0.00325** (2.57)	0.00353** (2.53)	0.00711** (2.56)	0.00712** (2.42)
Dry Powder	-0.343 (-0.75)	-0.199 (-0.40)	-3.168 (-1.42)	-2.045 (-1.18)	0.948 (0.32)	-0.870 (-0.28)
Yield Spread	0.00653 (0.08)	-0.00246 (-0.03)	0.320 (1.34)	0.191 (0.91)	-0.0822 (-0.13)	0.123 (0.19)
Term Spread	0.0168 (0.47)	0.0200 (0.59)	0.104 (0.82)	0.0986 (0.79)	-0.254 (-1.12)	-0.271 (-1.16)
S&P500 3-Yr Return	-0.000750 (-0.75)	-0.000724 (-0.72)	0.000747 (0.22)	0.00113 (0.31)	-0.0176*** (-2.88)	-0.0190*** (-2.99)
Hot IPO Market	-0.00139 (-0.59)	-0.00160 (-0.64)	-0.000107 (-0.01)	-0.00219 (-0.31)	-0.0148 (-1.13)	-0.0118 (-0.86)
Ln(TP)		-0.0542 (-1.62)		-0.101 (-0.79)		0.252 (1.20)
Exit in 1999-2001		-0.117 (-0.98)		-0.791 (-1.51)		1.410** (2.08)
Top-30 Fund		0.0189 (0.15)		0.0944 (0.28)		-0.0576 (-0.09)
Constant	0.128*** (3.63)	0.456** (2.26)	-0.00457 (-0.03)	0.665 (0.82)	0.162 (0.76)	-1.447 (-1.16)
<i>N</i>	157	157	157	157	161	161
adj. R^2	0.051	0.055	0.033	0.045		
pseudo R^2					0.104	0.131

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table IA.3: Regressions of Seller Announcement Returns

This table repeats the analysis of Table 5 by adding sequentially five market fluctuation variables: PE Dry Powder (Panel A), credit market timing variables (Panel B), equity market timing variables (Panel C), and finally all market timing variables (Panel D.) The market timing variables are explained in the glossary of the Online Appendix. All other variables are explained in the Glossary and in Table 5 of the paper.

Panel A: Private Equity Dry Powder

	2-day CAR				2-day TR			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PE	2.022*** (4.02)	2.187*** (3.84)	2.216*** (3.96)	2.127*** (3.75)	101.3*** (4.31)	93.86*** (3.88)	92.63*** (3.81)	94.40*** (3.89)
PE Dry Powder	-2.889 (-0.70)	-2.454 (-0.60)	-0.643 (-0.16)	-1.211 (-0.29)	358.2* (1.80)	333.4 (1.58)	375.9* (1.70)	387.1* (1.74)
PE Dry Powder*PE	-16.29** (-2.14)	-18.41** (-2.33)	-18.58** (-2.42)	-18.02** (-2.32)	-316.4 (-1.09)	-462.9 (-1.47)	-473.3 (-1.51)	-484.4 (-1.54)
POF		-0.620 (-0.61)	-0.653 (-0.65)	-0.759 (-0.75)		33.04 (1.03)	31.49 (0.98)	33.62 (1.05)
ROA		-2.674 (-0.57)	-2.795 (-0.59)	-3.037 (-0.63)		450.5** (2.08)	419.1* (1.93)	423.9** (1.97)
Asset/EV		6.243** (2.08)	6.186** (2.03)	3.380 (1.00)		1.507 (0.03)	0.666 (0.02)	56.84 (1.01)
Insiders		0.0127 (0.43)	0.0193 (0.62)	0.00675 (0.21)		-0.881 (-1.46)	-0.873 (-1.41)	-0.622 (-0.99)
M/B		-0.123* (-1.82)	-0.0893 (-1.33)	-0.0360 (-0.52)		-1.011 (-0.23)	0.500 (0.12)	-0.566 (-0.13)
Proceeds		1.038* (1.87)	0.994* (1.80)	0.854 (1.55)		-3.738 (-0.19)	-5.908 (-0.31)	-3.094 (-0.17)
Pre-return			-1.933** (-2.51)	-1.935** (-2.51)			-32.82 (-1.12)	-32.78 (-1.12)
Focus				0.232 (0.34)				-4.285 (-0.17)
Ln(EV)				-0.419** (-2.15)				8.399 (0.73)
Constant	1.167*** (3.72)	0.696 (1.09)	0.598 (0.93)	4.806** (2.18)	-1.923 (-0.15)	-47.82 (-1.40)	-46.18 (-1.33)	-130.6 (-1.21)
<i>N</i>	538	505	501	501	538	505	501	501
adj. <i>R</i> ²	0.037	0.079	0.093	0.097	0.036	0.035	0.034	0.032

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel B: Debt Market Timing Variables

	2-day CAR				2-day TR			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PE	2.075*** (3.85)	2.279*** (3.84)	2.294*** (3.95)	2.164*** (3.66)	108.9*** (4.30)	99.73*** (3.75)	98.13*** (3.67)	100.6*** (3.82)
Yield Spread	-0.238 (-0.30)	0.0195 (0.02)	-0.281 (-0.33)	-0.299 (-0.34)	8.384 (0.15)	6.713 (0.12)	-1.824 (-0.03)	-2.236 (-0.04)
Yield Spread*PE	-1.252 (-0.99)	-2.215* (-1.65)	-2.471* (-1.87)	-2.236* (-1.70)	-75.21 (-1.10)	-69.38 (-1.01)	-68.67 (-0.99)	-73.54 (-1.04)
Term Spread	0.490 (1.36)	0.529 (1.41)	0.565 (1.51)	0.621* (1.66)	-8.307 (-0.47)	-6.534 (-0.35)	-5.705 (-0.30)	-7.030 (-0.37)
Term Spread*PE	-0.452 (-0.88)	-0.397 (-0.73)	-0.337 (-0.63)	-0.346 (-0.66)	3.733 (0.15)	12.43 (0.48)	11.79 (0.46)	11.63 (0.46)
POF		-0.650 (-0.65)	-0.700 (-0.71)	-0.809 (-0.82)		29.93 (0.93)	28.15 (0.87)	30.59 (0.94)
ROA		-3.718 (-0.78)	-3.461 (-0.71)	-3.565 (-0.72)		454.6** (1.98)	426.6* (1.84)	425.6* (1.85)
Asset/EV		6.304** (2.08)	6.352** (2.06)	3.473 (1.03)		7.384 (0.17)	7.973 (0.18)	65.04 (1.15)
Insiders		0.0130 (0.44)	0.0193 (0.62)	0.00680 (0.21)		-0.941 (-1.51)	-0.954 (-1.48)	-0.714 (-1.07)
M/B		-0.119* (-1.77)	-0.0844 (-1.26)	-0.0282 (-0.40)		-1.603 (-0.36)	-0.176 (-0.04)	-1.296 (-0.30)
Proceeds		1.102* (1.88)	0.988* (1.71)	0.849 (1.48)		-10.17 (-0.54)	-13.51 (-0.71)	-10.56 (-0.59)
Pre-return			-2.202*** (-2.77)	-2.208*** (-2.79)			-30.06 (-1.08)	-30.02 (-1.08)
Focus				0.194 (0.27)				1.736 (0.07)
Ln(EV)				-0.434** (-2.20)				8.827 (0.76)
Constant	1.306*** (3.70)	0.905 (1.38)	0.817 (1.24)	5.173** (2.36)	-4.454 (-0.33)	-45.11 (-1.23)	-42.22 (-1.13)	-131.6 (-1.19)
<i>N</i>	538	505	501	501	538	505	501	501
adj. <i>R</i> ²	0.024	0.067	0.086	0.091	0.027	0.026	0.025	0.022

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel C: Equity Market Timing Variables

	2-day CAR				2-day TR			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PE	1.944*** (3.34)	1.990*** (3.19)	2.026*** (3.29)	1.930*** (3.11)	103.4*** (4.21)	94.76*** (3.73)	94.10*** (3.68)	95.63*** (3.78)
S&P500 3-Yr Return	-0.00702 (-0.77)	-0.00976 (-1.03)	-0.00916 (-0.97)	-0.00986 (-1.05)	0.00674 (0.02)	-0.0491 (-0.14)	-0.0180 (-0.05)	-0.00523 (-0.01)
S&P500 3-Yr Return*PE	-0.00421 (-0.30)	-0.00121 (-0.09)	-0.000633 (-0.05)	-0.0000998 (-0.01)	0.885 (1.26)	0.517 (0.72)	0.530 (0.74)	0.522 (0.73)
Hot IPO Market	-0.0403* (-1.92)	-0.0398* (-1.89)	-0.0350* (-1.65)	-0.0338 (-1.61)	0.886 (0.97)	0.831 (0.89)	0.897 (0.97)	0.876 (0.95)
Hot IPO Market*PE	0.0134 (0.39)	0.00824 (0.24)	0.00933 (0.28)	0.00472 (0.14)	-1.164 (-0.89)	-1.350 (-1.06)	-1.274 (-1.00)	-1.195 (-0.95)
POF		-0.721 (-0.74)	-0.762 (-0.78)	-0.869 (-0.89)		30.85 (0.96)	29.36 (0.91)	31.29 (0.96)
ROA		-2.285 (-0.48)	-2.367 (-0.49)	-2.571 (-0.53)		430.2* (1.90)	397.4* (1.75)	400.0* (1.78)
Asset/EV		6.724** (2.13)	6.642** (2.08)	3.739 (1.08)		-0.109 (-0.00)	-1.215 (-0.03)	48.18 (0.82)
Insiders		0.0114 (0.39)	0.0177 (0.57)	0.00490 (0.15)		-0.915 (-1.40)	-0.918 (-1.37)	-0.703 (-1.02)
M/B		-0.139** (-2.13)	-0.108* (-1.67)	-0.0517 (-0.76)		-1.184 (-0.27)	0.271 (0.06)	-0.698 (-0.16)
Proceeds		0.891 (1.58)	0.829 (1.47)	0.696 (1.24)		-6.999 (-0.37)	-9.447 (-0.50)	-7.085 (-0.40)
Pre-return			-1.850** (-2.46)	-1.857** (-2.48)			-31.48 (-1.11)	-31.39 (-1.11)
Focus				0.169 (0.25)				-0.431 (-0.02)
Ln(EV)				-0.436** (-2.25)				7.511 (0.65)
Constant	1.398*** (3.73)	1.024 (1.58)	0.928 (1.42)	5.316** (2.43)	-3.930 (-0.27)	-43.19 (-1.21)	-41.91 (-1.15)	-117.9 (-1.09)
<i>N</i>	538	505	501	501	538	505	501	501
adj. <i>R</i> ²	0.035	0.077	0.090	0.095	0.033	0.027	0.026	0.023

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel D: All Market Timing Variables

	2-day CAR				2-day TR			
	(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)
PE	1.960*** (3.52)	2.106*** (3.56)	2.091*** (3.59)	1.985*** (3.35)	95.45*** (3.89)	88.99*** (3.46)	86.79*** (3.38)	89.25*** (3.52)
PE Dry Powder	0.711 (0.16)	1.254 (0.26)	3.408 (0.69)	2.635 (0.53)	435.9** (2.01)	426.3* (1.89)	490.1** (2.06)	508.1** (2.12)
PE Dry Powder*PE	-21.17*** (-2.66)	-24.54*** (-2.83)	-24.45*** (-2.95)	-23.28*** (-2.74)	-544.5* (-1.83)	-617.8** (-2.03)	-640.6** (-2.11)	-670.4** (-2.20)
Yield Spread	-0.127 (-0.14)	0.146 (0.15)	-0.263 (-0.27)	-0.254 (-0.26)	-11.08 (-0.20)	-9.751 (-0.17)	-24.26 (-0.42)	-25.12 (-0.44)
Yield Spread*PE	-0.0161 (-0.01)	-0.776 (-0.51)	-1.059 (-0.69)	-0.887 (-0.58)	-71.31 (-0.94)	-60.19 (-0.79)	-62.00 (-0.80)	-66.25 (-0.85)
Term Spread	0.338 (0.88)	0.314 (0.81)	0.369 (0.93)	0.433 (1.09)	-13.59 (-0.62)	-13.61 (-0.59)	-11.59 (-0.50)	-13.38 (-0.57)
Term Spread*PE	-1.268** (-2.09)	-1.167* (-1.75)	-0.971 (-1.48)	-0.973 (-1.48)	41.86 (1.56)	37.99 (1.36)	40.64 (1.47)	40.19 (1.47)
SP 500 3-Yr Return	-0.00250 (-0.26)	-0.00589 (-0.59)	-0.00623 (-0.60)	-0.00544 (-0.53)	-0.500 (-1.13)	-0.526 (-1.16)	-0.521 (-1.13)	-0.541 (-1.18)
SP 500 3-Yr Return*PE	-0.0124 (-0.78)	-0.00480 (-0.29)	-0.000728 (-0.04)	-0.000834 (-0.05)	1.898** (2.33)	1.507* (1.88)	1.600** (1.98)	1.597** (1.98)
Hot IPO Market	-0.0430** (-2.04)	-0.0421** (-2.00)	-0.0384* (-1.81)	-0.0373* (-1.77)	0.793 (0.83)	0.765 (0.79)	0.824 (0.87)	0.802 (0.85)
Hot IPO Market*PE	0.0458 (1.37)	0.0492 (1.52)	0.0476 (1.48)	0.0421 (1.32)	-1.159 (-0.84)	-1.163 (-0.87)	-1.106 (-0.82)	-0.959 (-0.73)
POF		-0.709 (-0.72)	-0.737 (-0.75)	-0.840 (-0.85)		34.56 (1.06)	33.24 (1.00)	36.00 (1.09)
ROA		-2.258 (-0.47)	-2.418 (-0.49)	-2.519 (-0.51)		408.8* (1.78)	375.0 (1.64)	374.8* (1.65)
Asset/EV		6.579** (2.08)	6.548** (2.03)	3.851 (1.09)		4.657 (0.10)	4.622 (0.10)	69.83 (1.18)
Insiders		0.0102 (0.35)	0.0160 (0.52)	0.00443 (0.14)		-1.041 (-1.60)	-1.054 (-1.58)	-0.780 (-1.14)
M/B		-0.123* (-1.84)	-0.0899 (-1.32)	-0.0383 (-0.55)		-0.666 (-0.15)	1.033 (0.24)	-0.221 (-0.05)
Proceeds		0.937* (1.69)	0.883 (1.60)	0.751 (1.37)		-0.609 (-0.03)	-3.366 (-0.17)	0.0115 (0.00)
Pre-return			-1.869** (-2.40)	-1.867** (-2.40)			-43.60 (-1.45)	-43.70 (-1.45)
Focus				0.224 (0.31)				-0.0954 (-0.00)

Ln(EV)				-0.404** (-2.06)				9.978 (0.85)
Constant	1.409*** (3.83)	0.975 (1.52)	0.936 (1.44)	4.968** (2.26)	3.512 (0.25)	-39.08 (-1.04)	-36.15 (-0.95)	-136.6 (-1.23)
<i>N</i>	538	505	501	501	538	505	501	501
adj. <i>R</i> ²	0.042	0.085	0.098	0.101	0.035	0.028	0.030	0.028

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table IA.4: Irrelevance of Long-run Organizational Form

This table repeats the analysis of Table 4 (Panel A) and of Table 5 (Panel B) by adding a new variable, Sold Asset Remains Independent, that measures the choice of organizational form of the entity that is the divisional asset in the long run. The new variable is a dummy variable that takes the value of one if until the end of 2017 (or the end of observation if the entity goes bankrupt), the asset is an independent organization (either as a listed entity after an IPO exit, or again under PE ownership), and zero otherwise. All other variables are explained in the Glossary and in Tables 4 and 5 of the paper.

Panel A: Analysis of Private Equity Success

	Excess EV Annual Growth Rate		Excess EV Profitability Index		Exit Success	
	(1)	(2)	(3)	(4)	(6)	(6)
Seller TR	0.00124*** (2.63)	0.00124*** (2.70)	0.00319** (2.50)	0.00374*** (2.71)	0.00777*** (2.82)	0.00805*** (2.81)
Sold Asset Remains Indep.	0.0277 (0.47)	0.0520 (0.88)	0.0489 (0.24)	0.173 (0.75)	-0.298 (-0.89)	-0.423 (-1.22)
Ln(TP)		-0.0490 (-1.46)		-0.0838 (-0.74)		0.256 (1.30)
Exit in 1999-2001		-0.185* (-1.80)		-1.070* (-1.83)		0.962 (1.51)
Top-30 Fund		0.00776 (0.06)		0.110 (0.30)		0.00985 (0.01)
Constant	0.118*** (2.98)	0.408** (2.00)	0.0275 (0.15)	0.540 (0.70)	0.238 (0.96)	-1.282 (-1.09)
<i>N</i>	157	157	157	157	157	157
adj. <i>R</i> ²	0.040	0.054	0.013	0.054		
pseudo <i>R</i> ²					0.045	0.063

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel B: Regressions of Seller Announcement Returns

	2-day CAR				2-day TR			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PE	2.269*** (3.57)	2.443*** (3.47)	2.453*** (3.56)	2.310*** (3.30)	80.69*** (3.00)	92.19*** (3.07)	89.70*** (2.97)	92.16*** (3.08)
Sold Asset Remains Indep.	-0.234 (-0.26)	-0.417 (-0.44)	-0.393 (-0.43)	-0.259 (-0.28)	40.23 (0.99)	5.498 (0.14)	8.051 (0.21)	5.560 (0.14)
POF		-0.615 (-0.61)	-0.666 (-0.66)	-0.762 (-0.76)		29.55 (0.93)	27.78 (0.87)	29.53 (0.92)
ROA		-4.019 (-0.85)	-3.870 (-0.80)	-4.233 (-0.87)		458.5** (2.06)	429.7* (1.92)	435.5* (1.96)
Asset/EV		6.080** (2.01)	6.077** (1.98)	3.332 (0.98)		7.757 (0.18)	8.014 (0.18)	55.42 (0.96)
Insiders		0.0136 (0.45)	0.0201 (0.64)	0.00761 (0.24)		-0.924 (-1.48)	-0.933 (-1.45)	-0.718 (-1.07)
M/B		-0.124* (-1.87)	-0.0916 (-1.40)	-0.0385 (-0.56)		-1.450 (-0.32)	-0.0694 (-0.02)	-0.989 (-0.22)
Proceeds		1.113* (1.93)	1.021* (1.78)	0.892 (1.56)		-11.54 (-0.60)	-14.38 (-0.75)	-12.09 (-0.66)
Pre-return			-2.075*** (-2.64)	-2.090*** (-2.66)			-27.38 (-0.99)	-27.13 (-0.98)
Focus				0.266 (0.39)				-2.777 (-0.11)
Ln(EV)				-0.407** (-2.07)				7.094 (0.60)
Constant	1.165*** (3.73)	0.829 (1.27)	0.722 (1.10)	4.811** (2.18)	-1.713 (-0.13)	-43.28 (-1.27)	-41.24 (-1.19)	-112.8 (-1.01)
<i>N</i>	534	503	499	499	534	503	499	499
adj. <i>R</i> ²	0.024	0.063	0.081	0.085	0.030	0.030	0.028	0.026

t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Glossary (Online Appendix)

PE Dry Powder: the ratio between the aggregate available capital of all US-based private equity (Buyout) funds raised over the past 5 years, divided by the sum of all capital commitments to US-based private equity (Buyout) funds over the same period. Aggregate available capital is the sum of all capital commitments to US-based private equity (Buyout) funds minus capital already invested in recorded transactions in the database. The five year period is chosen to mimic the typical investment period of US private equity funds. Data are drawn from Thomson Reuters' Private Equity database.

Yield Spread: the difference in yield between AAA-rated corporate bonds and BAA-rated corporate bonds, a typical measure for credit risk. Data are from Moodys). Yield spread in the month of the deal announcement.

Term Spread: the difference in yield between a 10 year US Treasury bond and a short (3-months) US Treasury bill. Term spread in the month of deal announcement.

S&P500 3-Year Return: Market Return over the past three years on the S&P500 stock market index. Return in the three years preceding the month of the deal announcement.

Hot IPO Market: defined as the number of IPOs in the month preceding the deal announcement, a typical variable to indicate the state of the IPO exit market.

Sold Asset Remains Independent: A dummy variable that takes the value of one if until the end of 2017 (or the end of observation if the entity goes bankrupt), the asset is an independent organization (either as a listed entity after an IPO exit, or again under PE ownership), and zero otherwise.