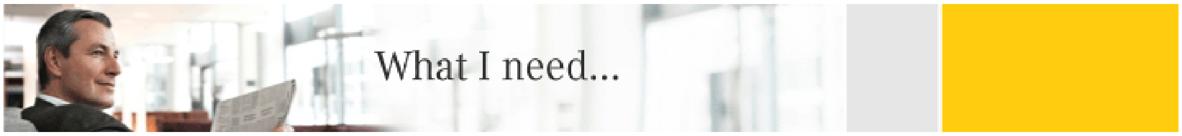
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Private-equity IPOs

The Carlyle swoop

Sep 8th 2011, 9:21 by A.S.

EVER since 2007, when Blackstone became the first private-equity firm to go public, its fellow "barbarians" have been rattling the gates of stock exchanges around the world. The latest is the Carlyle Group, which on September 6th filed a registration statement for an initial public offering (IPO) that will probably happen sometime early next year.

An announcement of this kind had long been expected. The firm has spent the past few years acquiring new units and portfolio companies with the abandon of a compulsive shopaholic. As of June 30th it oversaw $153 billion in assets, up by nearly 43% since 2010, much of this down to its acquisition of AlpInvest, a $43.3 billion Dutch fund of funds, earlier this year. It has branched out of private equity into other businesses, including hedge funds, energy investments and collateralised loan obligations. Carlyle will probably use the proceeds from an IPO to fund further expansion, says Paul Schaye of Chestnut Hill Partners, an investment bank. Being a public company also provides a clearer exit for the firm's three billionaire founders, who are all over 60.

But even those who had predicted Carlyle's move are flummoxed by the timing of its announcement, given market volatility. In the past three months Blackstone's shares have fallen by around 20%; those of KKR, Apollo and Fortress are down by at least 30%, compared with a 9% fall for the S&P 500.

Carlyle may choose to hold off going public until markets improve. But it had reason to announce its plans this week. Its annual meeting of investors starts on September 11th. That is a useful forum to discuss the IPO, although the founders may not get an easy ride. "We prefer our general partners not to go public," says an executive at a sovereign-wealth fund that is invested with Carlyle, because of the potential conflict of interest between fund investors and shareholders. Carlyle will "see the pushback" when it raises its next American mega-fund, he predicts.

There are more cynical reasons to explain why Carlyle is pushing ahead with its IPO now. Blackstone went public at the top of the market, only to see its shares languish. Carlyle could go public at a bottom, and claim credit if its shares rebound with the market.

Victor Fleischer, associate professor at the University of Colorado Law School, says Carlyle may also want to go public sooner rather than later before potential changes to the tax treatment of private-equity firms, which would increase taxes on firms' public shareholders and make it harder to exist as a publicly traded partnership. As the only large buy-out firm to be headquartered in Washington, DC, Carlyle is better than most at keeping its finger on the political pulse.

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hedgefundguy wrote: Sep 8th 2011 1:48 GMT

Seems the mindset of the executives of the Wall Street banks, along with investment firms changed after they went public.

No longer having to worry about their money, they took on more risk and leverage with shareholder money.

We'll see how Carlyle pans out.

Regards

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1-1 of 1