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After Years of Anticipation, a Subdued Public Offering for Kohlberg Kravis

By JULIE CRESWELL

THE barbarians didn't exactly storm the gate. Tiptoed was more like it.

The long-awaited [public stock listing](#) of [Kohlberg Kravis Roberts & Company](#), the private equity firm that won a high-stakes bidding war for RJR Nabisco to cap the 1980s buyout boom and now manages a \$55 billion portfolio, went off with a yawn on Thursday. Shares of the firm's parent company fell 3 percent on the [New York Stock Exchange](#), closing at \$10.20.

One might have expected fireworks to come with the listing of one of the country's most powerful buyout shops. Yet the billionaire financier [Henry R. Kravis](#), whose own wallet is now a bit fatter, did not even show up to triumphantly ring the opening bell.

Indeed, trading was subdued marketwide on day that included the final passage of new Wall Street regulations in the Senate and continued cautious statements on the economy from the likes of [Jamie Dimon](#), the chief of [JPMorgan Chase](#). The Dow Jones industrial average ended down 7.41 points, at 10,359.31.

The environment for K.K.R.'s debut contrasted sharply with the mood a few years back, when hype and hoopla surrounded the public offerings of the buyout firms [Blackstone Group](#) and [Fortress Investment Group](#).

Those offerings came near the end of the golden era for private equity — a period when cheap and easy credit from banks gave fuel to frenzied deal-making and earned executives immense fees. Shares of Blackstone and Fortress closed sharply higher on their opening days of trading in 2007.

"Obviously, the world is very different today," said Josh Lerner, a professor who studies private equity at the Harvard Business School. "And the bloom is particularly off of the rose for some of the largest mega-groups."

The Masters of the Universe are certainly having a tough time these days. Many, including K.K.R., are sitting on billions of dollars they raised during the heyday, money they may have to return to investors if they don't put it to work over the next few years. Many of the companies they acquired during that era have declined in value and are buried under mountains of debt.

Even their own investors — pension funds, endowments and the über-rich — have turned

against them, asking that they lower the fees they charge to manage money. And the shares of former high-fliers like Blackstone and Fortress have tumbled back to earth since their public debut, with Blackstone falling 66 percent and Fortress 89 percent.

Even so, Thursday's relisting of K.K.R.'s shares from Euronext to the New York Stock Exchange is likely to be viewed as a victory inside the dark-wood-paneled walls of the firm that gained notoriety in the book "Barbarians at the Gate," about the 1980s leveraged buyout frenzy.

The listing of K.K.R.'s shares, first proposed three years ago but stymied by the financial crisis, is an important transition for the firm that was founded in the 1970s by Mr. Kravis, his cousin George Roberts and Jerome Kohlberg. Mr. Kohlberg resigned in 1987.

For one thing, it provides a way for the firm's executives to cash out. While none of them are expected to sell their shares now or even in the coming months, having a public stock listing will make it easier for Mr. Kravis and Mr. Roberts to unload some of their combined 26 percent of the firm down the road.

Going public also provides a legacy for Mr. Kravis. While questions of succession still loom over the firm, a listing on a United States exchange effectively creates an institution that will go on whenever Mr. Kravis decides to hang up his calculator and head for the golf course.

"What we're seeing is the transition from a firm that is driven and highly correlated to an individual to a firm that is more purely institutional in nature," said Jérémie Le Febvre, a partner with Triago, which raises money for private equity firms.

The listing also affords K.K.R. ready access to the public markets if it needs to raise capital, rather than having to go hat-in-hand to its traditional investors: pension funds, endowments and wealthy families. Indeed, the firm has already filed plans to raise \$500 million more in the market.