

# Kohlberg Kravis Roberts & Co.

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**Kohlberg Kravis Roberts & Co** (commonly referred to as **KKR**) is a New York City-based private equity firm that focuses primarily on late stage leveraged buyouts. It was founded in 1976 by Jerome Kohlberg, Jr., and cousins Henry Kravis and George R. Roberts, all of whom had previously worked together at Bear Stearns.



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## The KKR approach

KKR helped develop and popularize the acquisition concept known as the leveraged buyout (LBO) by creating a series of limited partnerships to acquire various corporations, which they deemed to be underperforming. In most cases, KKR (often with management) financed up to ten percent of the acquisition price with its own capital and borrowed the remainder through bank loans and by issuing high-yield bonds. KKR would often ensure that the target company's management retained an equity interest to create a personal financial incentive for them to approve of the takeover.

The bank loans and bonds used to finance the acquisition were collateralized by the tangible and intangible assets of the target company. Because the bondholders only received their interest and principal payments after the banks were repaid, these bonds were deemed riskier than investment grade bonds in the event of default or bankruptcy, and popularly became known as "junk bonds." Investment banks such as Drexel Burnham Lambert, led by Michael Milken, helped raise money for leveraged buyouts. Once the targeted company was acquired, KKR would help restructure the company, usually selling off certain underperforming assets and implementing a series of cost-cutting measures. The new, "leaner and more efficient" company could then be resold, often at significant return on investment.

## Deals

After the 1987 resignation of Jerome Kohlberg at age 61 (he later founded his own private equity firm, Kohlberg & Co.), Henry Kravis succeeded him as senior partner. Under Kravis, the firm was responsible for the 1988 leveraged buyout of RJR Nabisco. At a cost of nearly \$25 billion, it was the then highest price ever paid for a commercial enterprise and is still the largest LBO in history. The publicity surrounding the buyout led to a book, *Barbarians at the Gate: The Fall of RJR Nabisco* and subsequent film. In early 1995, KKR divested its remaining holdings in RJR Nabisco.

The list of companies KKR has bought and sold over the years includes many of the great American brand names such as Texaco, Gillette, Playtex, Beatrice, Safeway, Borden, Samsonite, and Toys "R" Us. Recently, KKR has been expanding into Europe with acquisitions such as MTU Aero Engines.

## Team

As of 1996, general partners (as opposed to associates) included Henry Kravis, George R. Roberts, Paul E. Raether, Robert I. MacDonnell, Michael W. Michelson, Saul A. Fox, James H. Greene, Jr., Michael T. Tokarz, Clifton S. Robbins, Scott M. Stuart, Perry Golkin and Edward A. Gilhuly. Gilhuly was the Managing Partner of KKR's European operations, based in London until November 2004, when he returned back to the United States. Johannes Huth, a 44 year old German national, was appointed new head of the London office.

## See also

- Leveraged buyout
- Bootstrap
- Toys "R" Us

## External links

- KKR official website (<http://www.kkr.com/>)

## References

- Yahoo! - Kohlberg Kravis Roberts & Co. company profile (<http://biz.yahoo.com/ic/40/40268.html>)
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