
| RESEARCH ARTICLE

Private Equity Specialization's Effects on Pricing and Structure in Technology Unicorn Acquisitions from 2010–2024

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| ABSTRACT

As artificial intelligence and adjacent technologies take on a larger role in private markets, the ability to evaluate high-growth technology firms has become increasingly important for private-equity investors. We examine whether technology-focused PE sponsors differ from generalist sponsors in the sectors they enter, the prices they pay, the way they structure acquisitions, and the valuation outcomes that follow. Using a deal-level sample of 808 technology-unicorn acquisitions announced between 2010 and 2024, we combine Crunchbase transaction data with sector-level EV/EBITDA benchmarks from NYU Stern. Our primary analysis focuses on 601 acquisitions involving U.S.-based PE sponsors and compares specialist and generalist acquisition behavior across several dimensions. We find that technology-focused sponsors acquire in sectors with EV/EBITDA benchmarks 4.10 points higher than those associated with generalists, a difference of approximately 8.87% in logarithmic terms. Yet their preference for more highly valued sectors does not translate into higher relative prices at the company level: specialist-sponsored transactions are associated with substantially lower price-to-revenue multiples at entry. Specialists also structure acquisitions differently. Compared with all-cash transactions, technology-focused sponsors show a 33.6% higher relative likelihood of using mixed cash-and-stock consideration and a 71.6% higher relative likelihood of using pure stock. The differences extend beyond the acquisition itself. Within 12 months, acquisitions involving technology-focused sponsors have estimated odds of exceeding their matched sector EV/EBITDA benchmark that are 5.47 times those of acquisitions involving generalists, although this result is significant at the 10% level. These patterns are less uniform outside the United States, where the domestic relationship between specialization and sector selection is no longer statistically detectable across 207 international acquisitions. Taken together, the evidence suggests that specialization is reflected not simply in what PE sponsors acquire, but in the markets they enter, the relative prices they pay, the way they structure transactions, and the valuation outcomes that follow.

| KEYWORDS

Private equity; industry specialization; mergers and acquisitions; acquisition pricing; acquisition structure; method of payment; technology unicorns; private-company valuation; sector valuation

| ARTICLE INFORMATION

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1. Introduction

Private-equity firms differ substantially in how narrowly they concentrate their investment activity. Some sponsors build portfolios across industries, while others repeatedly invest within a small number of sectors and organize their investment teams around specialized industry knowledge. This distinction has become increasingly relevant as private-equity capital has expanded into technology. Private equity now controls 8,000 firms, compared with fewer than 5,000 publicly listed firms (EY Global, 2024). This scale places substantial pools of private capital behind acquisition decisions made by sponsors with very different degrees of sector focus. The resulting question is not simply whether specialists ultimately outperform, but also whether repeated sector experience changes how they allocate capital in the first place.

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Technology-focused sponsors often operate in sectors where valuations are elevated, future cash flows are difficult to forecast, and conventional public-market signals are limited. This makes it difficult to assess whether specialists simply pay more to participate in attractive technology markets or whether accumulated sector experience changes how they identify and price individual opportunities. Earlier private-equity research recognizes the difficulty of separating investment selection from

post-acquisition value creation (Cressy et al., 2007), while related evidence suggests that investor experience can shape which firms receive investment in the first place (Sørensen, 2007). Technology unicorns, combining substantial private valuations with limited operating histories, uncertain paths to profitability, intangible assets, and comparatively sparse financial disclosure, provide a particularly revealing setting to examine this distinction. Their reported valuations may also reflect contractual rights attached to financing rounds rather than a uniform economic value across securities (Gornall & Strebulaev, 2020). Two PE sponsors may therefore confront the same acquisition opportunity while bringing very different degrees of sector experience to the transaction.

We examine this possibility through four related hypotheses. Specifically, we test whether technology-focused PE sponsors (i) acquire targets in sectors characterized by higher public-market EV/EBITDA benchmarks than generalist sponsors, (ii) acquire individual firms at lower transaction price-to-revenue multiples, (iii) are more likely to incorporate stock into acquisition consideration, and (iv) are more likely to acquire companies that exceed their matched sector-level EV/EBITDA benchmark. Taken together, these hypotheses allow us to examine specialization across sector selection, entry pricing, transaction structure, and valuation outcomes rather than infer its role solely from realized post-buyout performance.

We test these relationships using a deal-level sample of 808 technology-unicorn acquisitions announced between 2010 and 2024. The dataset combines Crunchbase transaction and company information with sector-level EV/EBITDA benchmarks from NYU Stern. Our primary analysis focuses on 601 acquisitions involving U.S.-based PE sponsors, while 207 non-U.S. acquisitions are retained for an international extension. The results reveal a consistent distinction between specialist and generalist acquisition behavior. Technology-focused sponsors tend to enter more highly valued sector environments, acquire individual targets at lower observed price-to-revenue multiples, and rely more heavily on equity-linked consideration. These differences also extend into short-term valuation outcomes, with specialist-sponsored acquisitions exhibiting higher estimated odds of exceeding their matched sector benchmark within 12 months. The domestic sector-selection relationship, however, weakens substantially in the international sample, suggesting that these relationships are not uniform across institutional environments.

The paper contributes to the private-equity and acquisition literature by bringing the specialization question closer to where investment decisions are actually made. Existing research documents persistent differences across PE managers (Kaplan & Schoar, 2005) and links industry specialization to stronger post-buyout outcomes (Cressy et al., 2007). Our analysis asks whether those differences are already visible before and during the acquisition itself. By examining sector selection, company-level entry pricing, acquisition consideration, and short-term valuation outcomes within a common empirical setting, we connect the literature on PE specialization with broader questions of private-company valuation and transaction design. This distinction is especially relevant in technology-unicorn acquisitions, where limited disclosure and uncertain growth prospects make conventional price discovery incomplete. We do not claim that technology specialists necessarily possess superior private information or that specialization itself causes the observed differences. Rather, the evidence shows that sponsor specialization is systematically associated with how private technology acquisitions are selected, priced, and structured when valuation uncertainty is particularly high.

The remainder of the paper develops this argument in stages. Section 2 brings together literature on private-equity specialization, organizational learning, information asymmetry, acquisition pricing, and transaction structure to motivate the four hypotheses. Section 3 then describes the construction of the deal-level sample and the measures used to capture sector valuation, entry pricing, and acquisition consideration. Section 4 turns to the empirical evidence, examining whether specialist and generalist sponsors differ across each stage of the acquisition process. Section 5 tests the robustness of these relationships and asks whether the domestic patterns persist across the international sample. Section 6 concludes by considering what the findings imply for the role of specialization in private technology markets.

2. Literature Review

2.1 Private-Equity Specialization, Organizational Learning, and Sector Selection

Private-equity (PE) firms differ considerably in the way they organize and pursue investments. Sponsors vary in fund size, previous investment experience, managerial background, reputation, geographic reach, and, importantly for the present study, the extent to which their activity is concentrated within particular industries. Early research on private equity tended to

focus more heavily on buyout outcomes rather than on differences across PE firms. Yet fund-level evidence increasingly suggests that the identity of the sponsor matters. Kaplan and Schoar (2005), for example, document persistent performance differences across private-equity partnerships, while Korteweg and Sørensen (2017) similarly find meaningful variation in expected returns across PE managers after separating persistent manager effects from transitory performance and luck. Neither study attributes these differences specifically to industry specialization. They do, however, suggest that differences in sponsor experience, strategy, and organizational capabilities matter for investment behavior and outcomes.

From a theoretical standpoint, specialization may generate such differences through the accumulation of firm-specific knowledge. The resource-based view argues that firms can develop valuable resources and capabilities that competitors cannot easily reproduce (Barney, 1991). In private equity, these resources may take the form of industry knowledge, sourcing relationships, managerial networks, and experience evaluating similar business models. Organizational-learning theory offers a related explanation. Levitt and March (1988) argue that organizations embed prior experience into routines that influence later decisions, while Cohen and Levinthal (1990) show that prior related knowledge improves an organization's ability to recognize and use new information. Hence, repeated investment within a sector may gradually improve a sponsor's ability to identify, screen, and evaluate subsequent opportunities in that same industry. Specialist PE investors appear to outperform or behave differently in several settings, but existing evidence does not establish whether specialization affects which targets are selected, the prices paid for those targets, or both.

Within private equity specifically, empirical work provides evidence that industry specialization can matter for both investment selection and subsequent performance. Cressy et al. (2007), using 122 U.K. buyouts, find that industry-specialist PE firms are associated with higher post-buyout operating profitability than less-specialized firms, but do not establish whether the observed specialist advantage arises primarily from superior investment selection or from monitoring and advice after acquisition. Le Nadant et al. (2018) reach a similar finding in a sample of French buyouts, showing that industry specialization is associated with stronger improvements in operating profitability. More recently, Spaenjers and Steiner (2024) examine specialist and generalist PE investors within the U.S. hotel industry, providing a useful parallel to the technology setting studied here.

Related evidence from venture capital points in much the same direction, with Gompers et al. (2009) showing that specialization can influence investment selection as well as subsequent outcomes. Sørensen (2007) likewise finds that experienced investors benefit partly through matching with stronger companies. In turn, specialist investors may be better positioned than generalists to recognize and pursue opportunities within the sectors they know best.

2.2 Information Asymmetry, Acquisition Processes, and Transaction Pricing

The factors that influence which acquisition opportunities sponsors pursue may also influence how those opportunities are valued and priced once negotiations begin. Acquisitions are often characterized by substantial information asymmetry, so when several buyers compete for the same company, this uncertainty can affect bidding behavior. Milgrom and Weber (1982) show that, in common-value settings, the bidder with the most optimistic estimate is also more likely to win. The winning buyer may therefore have valued the target too highly, creating the possibility of a winner's curse.

Acquisitions themselves can take several forms. Some targets are marketed to multiple buyers, while others are sold through negotiations with a principal bidder. Boone and Mulherin (2007), examining the private sale process preceding public acquisition announcements, find evidence of both auctions and negotiations, making it difficult to infer the degree of competition from the announced transaction alone. Bulow and Klemperer (1996) likewise show that additional bidder competition can materially improve seller outcomes, while Aktas et al. (2010) find that even negotiated acquisitions may be influenced by the threat of competing bidders. The price eventually observed can therefore reflect both uncertainty surrounding the target and the competitive process through which the deal was reached.

The bidder matters as well. Gorbenko and Malenko (2014) document substantial differences in the valuations assigned by strategic and financial bidders and show that different types of targets attract different classes of acquirers. Those differences may reflect expected synergies, financing conditions, or simply different views of how the asset can be used. Prior acquisition experience, in and of itself, does not remove this variation. Arroyabe and Hussinger (2024) find that experienced acquirers can continue to pay higher prices in bidding contests, suggesting that repeated deal experience does not automatically translate into more disciplined pricing.

In this respect, technology-specialist PE sponsors are especially interesting. Repeated exposure to comparable companies, recurring business models, and sector-specific risks may give specialists a more developed frame of reference when evaluating a potential target. That familiarity may in turn affect the price at which they are willing to transact, as well as the targets they pursue or the operating opportunities they anticipate. Bena and Li (2014) find that technological relatedness between firms is associated with the likelihood of acquisition and show that anticipated innovation synergies help shape which

firms ultimately combine. Thus, it is reasonable that differences in sponsor specialization may influence which opportunities are recognized and valued, rather than simply the final price observed at closing.

For our purposes, this distinction is important. We do not observe private valuation signals, bidder numbers, diligence quality, internal reservation prices, or the precise sale process. Accordingly, an observed pricing difference cannot establish that specialists possess superior information, bargain more effectively, or avoid the winner's curse. Instead, we examine whether specialist and generalist sponsors exhibit different transaction price-to-revenue multiples, while leaving the underlying mechanism open.

2.3 Valuation and Transaction Structure in Private Technology Acquisitions

Unicorns, commonly defined as privately held companies valued at \$1 billion or more, have become an increasingly prominent feature of the startup and private-capital landscape as high-growth firms remain private longer and reach substantial valuations before entering public markets (Ewens & Farre-Mensa, 2020). Their valuation is also unusually difficult. Young technology companies often have short operating histories, uncertain paths to profitability, substantial intangible assets, and infrequent or uneven financial disclosure to investors, making precise valuation more difficult (Agarwal et al., 2023). Gornall and Strebulaev (2020), examining 135 U.S. unicorns, found that reported post-money valuations averaged 48% above their estimates of fair value after accounting for the contractual rights attached to different share classes. Since preferred investors may receive liquidation preferences, conversion rights, or other protections that are not shared equally across the company's capital structure, post-money valuations based on preferred-share financing do not necessarily correspond to the economic value of common equity.

These valuation problems can also affect how acquisitions are structured. Officer et al. (2009) find that stock consideration becomes particularly relevant in environments of high information asymmetry surrounding private targets, consistent with a risk-sharing interpretation. Faccio and Masulis (2005) show, however, that financing capacity, ownership considerations, and other transaction characteristics also influence the choice between cash and equity. Observed payment choice alone cannot reveal whether equity was used primarily because of target uncertainty, financing constraints, bidder valuation, seller preferences, or bargaining considerations. This ambiguity is particularly important for private technology companies, where uncertain cash flows, complex capital structures, and limited public price discovery can coexist within the same transaction.

Existing evidence therefore does not imply a single interpretation of equity-linked consideration. Stock or mixed consideration may reflect valuation uncertainty, financing constraints, seller preferences, ownership retention, or other transaction-specific factors. The unresolved question is whether these structures vary systematically with the industry specialization of the acquiring PE sponsor, particularly when the targets are privately held, high-growth technology companies. Existing payment-method research has developed largely around corporate M&A, while the unicorn literature has focused more heavily on private financing and valuation. Bringing these strands together suggests that transaction consideration may represent another dimension along which specialist and generalist sponsors differ, without implying that greater equity use reflects superior information, greater confidence, or higher transaction quality.

2.4 Institutional Variation Across Markets

Private-equity acquisitions do not take place within a uniform institutional environment. Differences in legal enforcement, investor protection, accounting standards, and capital-market development can affect both the information available to investors and the contracts through which transactions are completed. Rossi and Volpin (2004), using acquisitions across 49 countries, find that M&A activity is greater in countries with stronger shareholder protection and accounting standards, while the method of payment also varies systematically with investor protection. Within private equity more directly, Lerner and Schoar (2005) examine 210 investments in developing economies and show that contractual structures differ markedly with the quality of legal enforcement: stronger-enforcement environments make greater use of convertible preferred securities and contractual covenants, whereas investors in weaker-enforcement environments rely more heavily on ownership and board control. These findings suggest that institutional conditions can shape not only the availability of investment opportunities, but also how investors value, finance, and structure transactions, potentially conditioning the same selection, pricing, and consideration decisions discussed in the preceding sections.

Institutional constraints, however, need not affect all investors equally. Kaplan et al. (2007), studying venture-capital contracts across 23 non-U.S. countries, find substantial differences across legal regimes in simple comparisons, but also show that more experienced investors tend to employ similar U.S.-style contractual arrangements across countries. Once investor experience is taken into account, the explanatory importance of legal regime declines in many of their specifications. This leaves

open a competing interpretation: institutional differences may constrain investment behavior, but accumulated experience and organizational capabilities may allow some investors to adapt more effectively to unfamiliar markets. Hammer et al. (2021), using 1,149 global private-equity transactions, find that cross-border buyouts are associated with 25–37% higher EV/Sales multiples than comparable domestic deals. The pricing gap narrows where accounting standards are stronger and target information is more readily available, suggesting that information frictions and local market familiarity materially shape cross-border transaction pricing. Their findings are particularly relevant here because they show that observed transaction multiples can reflect differences in the information environment, rather than solely differences in the underlying economic characteristics of the targets.

The international setting therefore introduces an identification problem closely related to sponsor specialization. Cross-country transactions differ simultaneously in disclosure quality, legal enforcement, financing conditions, currency movements, investor protections, and familiarity with the local market. Erel et al. (2012), analyzing 56,978 cross-border mergers, show that geography, accounting disclosure, bilateral trade, relative market valuations, and exchange-rate movements all help determine which countries become acquirers and targets. An observed specialist–generalist difference abroad may therefore reflect sponsor capabilities, the institutional setting in which the deal occurs, or an interaction between the two. Conversely, the absence of such a difference need not imply that specialization ceases to matter outside the United States; institutional heterogeneity and cross-border informational frictions may make the relationship more difficult to detect. What remains comparatively less understood is whether differences between specialist and generalist PE sponsors persist in private technology acquisitions across institutional environments. Existing research provides reasons to expect specialization to affect target selection, transaction pricing, and transaction structure, but does not establish whether those relationships vary systematically across markets.

3. Data and Measurement

The preceding literature suggests that sponsor specialization may be associated with differences in target selection, transaction pricing, and deal structure, but existing evidence does not establish whether these patterns extend to private-equity acquisitions of high-growth technology firms. We examine these relationships using a deal-level dataset of private-equity acquisitions constructed from Crunchbase's Acquisition Database for 2010–2024. The sample is designed to isolate high-value technology acquisitions undertaken by private-equity sponsors while preserving variation in sponsor specialization and geographic setting. We first restrict the sample to acquired firms with valuations exceeding USD 1 billion. We then retain only acquirers classified by Crunchbase as "Private Equity," excluding corporate and venture-capital transactions. Finally, we restrict acquired firms to the ten Crunchbase technology industry groups: *Consumer Electronics*, *Data and Analytics*, *Software*, *Hardware*, *Information Technology*, *Artificial Intelligence (AI)*, *Blockchain and Cryptocurrency*, *Internet Services*, *Apps*, and *Mobile* to focus the acquired companies on technology-sector classifications. These filters yield an initial sample of 808 acquisitions spanning all geographic regions.

Using the Crunchbase transaction data, we construct a company-level price-to-revenue proxy by dividing the disclosed acquisition price by the midpoint of the acquiree's reported revenue range. We then match these transaction-level measures to sector-level valuation data from New York University's Stern School of Business (NYU Stern), using the January 2025 vintage of its *Enterprise Value Multiples by Sector (U.S.)* dataset (Damodaran, 2025). The dataset covers 94 distinct industries and reports EV/EBITDA and related valuation multiples. Because Crunchbase classifies targets across 49 industry groups, we construct an approximate crosswalk between the Crunchbase and NYU Stern classifications, using Crunchbase industry metadata to guide the mappings. Where a single Crunchbase industry group corresponds to multiple NYU Stern sectors, we use the average EV/EBITDA multiple across the sectors.

Because our central research question examines whether technology-focused PE sponsors execute acquisitions differently from diversified sponsors, we classify each acquisition using a binary indicator for the acquirer's technology specialization. Specifically, acquisitions are coded as "tech-focused" (*tech_or_not* = 1) if the acquirer's Crunchbase industry group falls within *Consumer Electronics*, *Data and Analytics*, *Software*, *Hardware*, *Information Technology*, *Artificial Intelligence (AI)*, *Blockchain and Cryptocurrency*, *Internet Services*, *Apps*, or *Mobile*; all remaining acquisitions are coded as generalist (*tech_or_not* = 0). Under this classification, 349 of the 808 acquisitions involve technology-focused PE sponsors, while 459 are undertaken by generalist sponsors (Table 1).

Table 1. Acquiree Industry Composition and Above-Benchmark Pricing

Industry	Percent of sample (%)	Above-Benchmark (%)
Information Technology	11.80	24.2
Hardware	11.24	24
Consumer Electronics	9.19	22.2
Data and Analytics	8.51	19.0
Software	7.04	16.2
Internet Services	6.13	13.6
Financial Services	4.88	11.6
Professional Services	4.77	11.5
Health Care	3.06	11.5
Transportation	2.95	5.56
Other	30.44	14.3

Note. Percent of sample is each industry's share of all deals. Above Benchmark (%) is the fraction of deals in that industry with computed entry price/revenue exceeding the matched industry-year EV/EBITDA benchmark (NYU Stern series). Shares may use different denominators due to missing revenue bands or benchmarks. Shares may not sum to 100 due to rounding.

Given the institutional heterogeneity across acquisition markets discussed above, we focus the primary analysis on the 601 acquisitions involving U.S.-based private equity sponsors, while retaining the international observations for supplementary analysis. Matching the U.S. sample to the NYU Stern industry classification yields 548 transactions with matched sector-level EV/EBITDA benchmarks. We then use the midpoint of each target's reported Crunchbase revenue range to compute the *price_revenue_ratio*, defined as the disclosed acquisition price divided by the target's estimated pre-acquisition revenue. The resulting analytical data therefore combine transaction-level pricing and sponsor characteristics with matched sector-level valuation measures, including the continuous variables *Price_in_USD*, *Acq_Funding_Amt*, and *EV_EBITDA*. Because private-market financial information is not disclosed uniformly across transactions, observation counts vary across variables and empirical specifications. We retain the broader sample of 808 domestic and international acquisitions to assess the generalizability of our results.

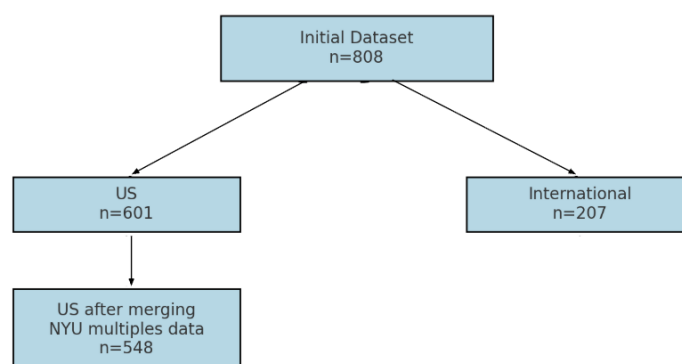
Figure 1. Sample Construction and Benchmark Matching

Figure 1. Flow chart from the raw deal list to the analysis samples. We begin with 808 announced technology acquisitions, split into U.S. (n = 601) and international (n = 207) samples. Each subset is then merged with NYU Stern industry EV/EBITDA benchmarks, resulting in benchmark-matched samples of 548 U.S. and 207 international acquisitions.

Table 2. Sample Summary: Prices, Benchmarks, and Scale

Variable	Obs	Mean	SD	Min	Max
Price_in_USD	601	4440.48	71300	1000	7713.76
EV_EBITDA	548	27.93	21.21	11.42	97.97
price_revenue_ratio	494	85.36	424.51	0.1	4800
log_EV_EBITDA	548	3.20	0.51	2.52	4.60
log_Revenue	494	19.82	2.09	13.12	23.02
Acq_Funding_Amt	312	6.18e + 8	1.92e + 9	114025	1.67e + 10

Note. *Price_in_USD* is the disclosed transaction value in nominal U.S. dollars and is scaled to millions where indicated in the regressions. *EV_EBITDA* is the NYU Stern sector-level EV/EBITDA benchmark matched to each transaction. *price_revenue_ratio* is the transaction price-to-revenue proxy, calculated as disclosed acquisition price divided by the midpoint of the target's reported revenue range. *log_EV_EBITDA* and *log_Revenue* are natural logarithms of the corresponding benchmark and revenue proxy. *Acq_Funding_Amt* measures target's cumulative external funding raised prior to acquisition, in U.S. dollars. Observation counts vary because financial information is not disclosed uniformly across transactions.

4. Analysis

We conduct four main empirical tests corresponding to our hypotheses. Specifically, we examine whether technology-focused PE sponsors (i) acquire targets in sectors characterized by higher baseline public-market valuations, (ii) pay lower price-to-revenue multiples at entry, (iii) are more likely to incorporate stock into acquisition consideration, and (iv) are more likely to exceed the matched sector valuation benchmark. We evaluate these relationships using the U.S. sponsor sample described in Section 3, applying regression specifications tailored to each outcome.

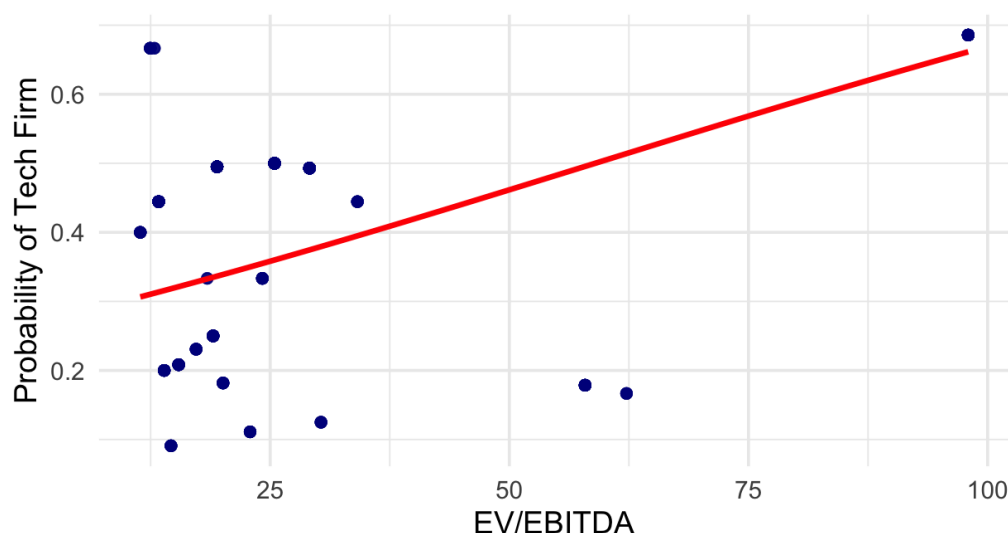
Table 3. Association Between Technology Specialization and Sector EV/EBITDA

Variables	EV_EBITDA		log_EV_EBITDA	
	Estimate	Std. Error	Estimate	Std. Error
(Intercept)	26.26 ***	1.74	3.12 ***	0.029
tech_or_not	4.10 **	1.84	0.085 *	0.05

Turning first to Hypothesis 1, the regression results provide consistent support for the predicted relationship between sponsor specialization and sector valuation. In the level specification, acquisitions involving technology-focused sponsors are associated with sector EV/EBITDA benchmarks that are 4.10 points higher than those associated with generalist sponsors ($p < 0.05$). The log-linear specification reinforces this result, indicating that technology-focused sponsors are associated with sector EV/EBITDA benchmarks that are approximately 8.87% higher ($\beta = 0.085$, $p < 0.10$). Although the log specification is significant only at the 10% level, the positive direction of both estimates and the stronger significance of the level specification together provide meaningful empirical support for Hypothesis 1. This finding is visually reinforced by Figure 2, which plots sector-level EV/EBITDA benchmarks on the x-axis against the fitted probability that the acquiring firm is a technology specialist on the y-axis. The figure displays a distinct positive relationship, with the likelihood of a technology-focused acquirer increasing as sector valuation multiples rise. Taken together, the regression estimates and the visual evidence tell a consistent story – technology-focused PE sponsors are more strongly associated with acquisitions in comparatively expensive sector settings than their

generalist counterparts.

Figure 2. Sector Multiples vs. Fitted Probability the Acquirer Is Tech



Note. Scatterplot deals with sector-year EV/EBITDA on the x-axis and the fitted probability that the acquirer is a tech specialist on the y-axis. Probabilities come from a simple logistic regression of *tech_or_not* on the sector-year EV/EBITDA benchmark; the red curve is the model-implied fit for that bivariate specification. Each dot represents 30 deals. Fitted probabilities on the y-axis range from 0 to 1.

Table 4. Determinants of Entry Price-to-Revenue Multiples

	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	2714.56	326.54	8.31	1.16e-15***
tech_or_not	-119.95	36.39	-3.30	1.06e-3***
log_EV_EBITDA	59.43	34.69	1.71	0.09*
log_Revenue	-110.15	8.78	-12.55	< 2e-16***
Price_in_USD	8.47	2.16e-09	3.93	9.83e-05***
Announced_Year	-0.03	0.01	-2.63	8.6e-3***

Note. This table reports ordinary least squares estimates where the dependent variable is the transaction price-to-revenue proxy, calculated as disclosed acquisition price divided by the midpoint of the acquiree's reported revenue range. The key regressor is *tech_or_not* (1 = technology-specialist sponsor; 0 = generalist). Controls include the log of the matched industry-year EV/EBITDA benchmark (*log_EV_EBITDA*), the log of the target's revenue midpoint (*log_Revenue*), disclosed deal value in U.S. dollars (*Price_in_USD*, rescaled in the regression), and announcement date (*Announced_Date*). Standard errors are reported in the table. *, **, and *** denote $p < .10$, $p < .05$, and $p < .01$, respectively. A negative coefficient on *tech_or_not* indicates lower estimated price-to-revenue multiples for technology specialists, conditional on sector valuation conditions, revenue scale, deal size, and time.

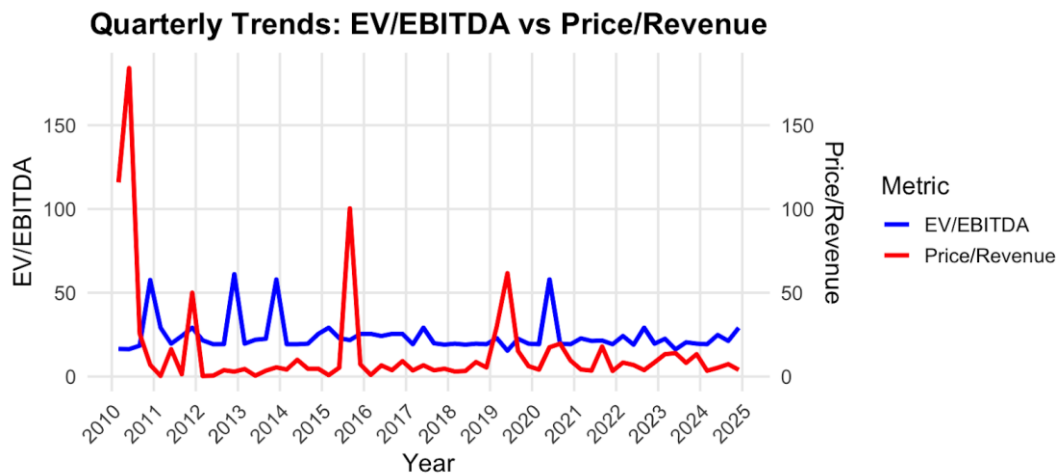
Turning to Hypothesis 2, we examine whether technology specialization is associated with the entry multiple paid for acquired firms. We estimate an OLS regression in which the dependent variable is the transaction-level *price_revenue_ratio*, defined as the disclosed acquisition price divided by the midpoint of the target's reported revenue range. The specification can be written as:

$$PriceRevenue_i = \alpha + \beta tech_or_not_i + \delta' X_i + \varepsilon_i$$

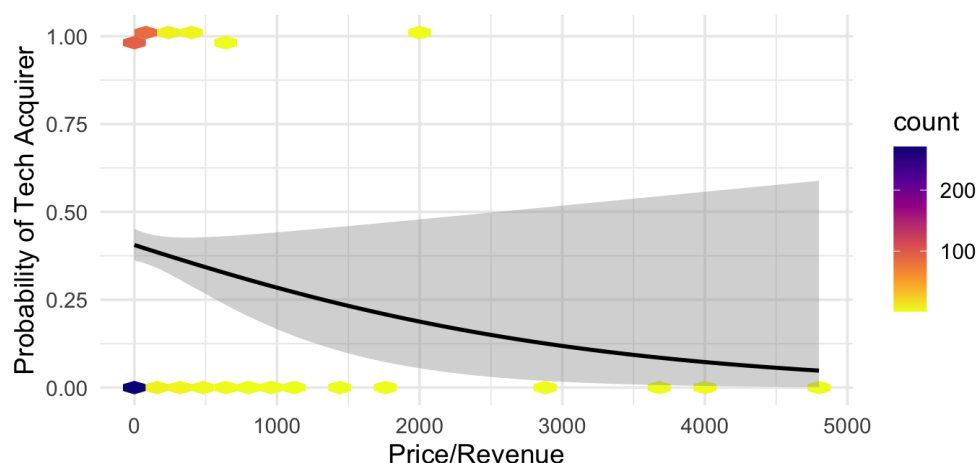
where α is the intercept, β captures the association between technology-specialist status and the entry multiple, X_i represents the vector of controls, and ε_i is the error term. The results provide strong support for the predicted relationship. Holding target revenue, sector-level EV/EBITDA, disclosed deal scale, and announcement timing constant, acquisitions involving technology-focused sponsors are associated with price-to-revenue multiples that are 119.95 points lower, on average, than those involving generalist sponsors ($\beta = -119.95$, $p < 0.001$). The negative coefficient therefore indicates a substantial difference in observed entry pricing between specialist and generalist acquirers, even after accounting for variation in firm scale and broader sector valuation conditions.

We justify our inclusion of $\log_EV_EBITDA$ as a control variable through time-series analysis of several key variables. As shown in Figure 3, the quarterly co-movement between transaction price-to-revenue multiples and sector-level EV/EBITDA benchmarks illustrates the relationship between company-specific transaction pricing and the broader valuation environment, reinforcing the importance of accounting for sector conditions when comparing specialist and generalist sponsors.

Figure 3. Quarterly Movement: Sector EV/EBITDA Benchmarks vs. Deal Price/Revenue (Q1, 2010 - Q3, 2024)



This result is consistent with the information-asymmetry and winner's-curse framework developed in Section 2.2. As discussed there, common-value auction theory suggests that uncertainty surrounding a target can expose bidders to overvaluation risk, while greater familiarity with the underlying asset may affect how aggressively bidders price an acquisition (Milgrom & Weber, 1982). Applied to our setting, the lower entry multiples associated with technology-focused sponsors are therefore consistent with the possibility that sector-specific knowledge contributes to greater pricing discipline when evaluating technology acquisitions. The regression accounts for several alternative sources of variation in entry pricing: *Announced_Year* captures changes in market conditions over time, $\log_EV_EBITDA$ accounts for the broader sector valuation environment, and $\log_Revenue$ controls for target scale. Figure 3 further illustrates why these surrounding market conditions matter, showing that both transaction price-to-revenue multiples and sector-level EV/EBITDA benchmarks vary substantially over the sample period. Importantly, the negative specialist coefficient remains after accounting for these factors. The result therefore aligns with the informational mechanism developed in Section 2.2: technology-focused sponsors enter acquisitions at lower observed price-to-revenue multiples even after differences in target scale, market timing, and sector valuation conditions are taken into account. Because we do not observe bidders' private information, reservation prices, or the competitive process underlying each transaction, we cannot establish that specialization directly allows sponsors to avoid the winner's curse. Rather, the observed pricing difference is consistent with the theoretical mechanism developed in Section 2.2 and with our prediction that specialist sponsors exhibit greater pricing discipline at entry.

Figure 4. Company-Level Price-to-Revenue Multiple and Specialization

Note. The figure plots transaction-level Price/Revenue on the x-axis against the fitted probability that the acquiring sponsor is technology-focused on the y-axis. The fitted curve is generated from a bivariate logistic regression of *tech_or_not* on Price/Revenue. The downward-sloping relationship indicates that higher entry multiples are associated with a lower fitted probability that the acquiring sponsor is a technology specialist.

Turning to Hypothesis 3, we examine whether technology-focused sponsors are more likely to incorporate stock into acquisition consideration rather than relying exclusively on cash. To test this relationship, we estimate a multinomial logit model of acquisition consideration, using all-cash transactions as the reference category. The specification is:

$$\ln \left(\frac{PR(Y_i = j)}{PR(Y_i = \text{Cash})} \right) = \alpha_j + \theta_j \text{Tech}_i + \gamma'_j X_i, \quad j \in \{\text{Cash \& Stock}, \text{Stock}\},$$

where Y_i denotes the consideration structure of transaction i , Tech_i is the technology-specialist indicator, and X_i contains the included controls for announcement year, sector-level EV/EBITDA, target revenue, and transaction size. The coefficient θ_j therefore captures the association between technology specialization and the relative likelihood of each stock-based consideration category compared with an all-cash transaction.

Table 5. Logistic Regressions of Acquisition Structure and Above-Benchmark Pricing

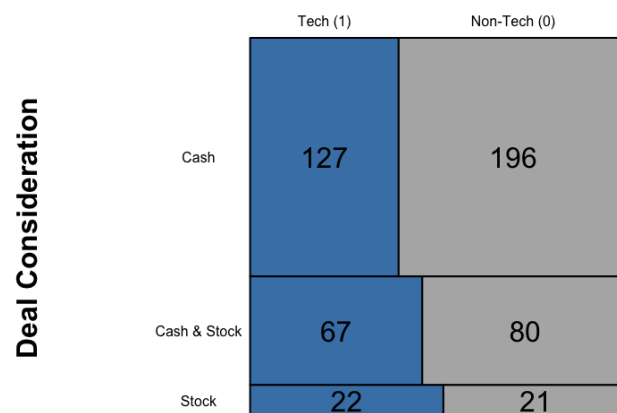
Variables	Cash & Stock		Stock		greater_than_sector_multiple	
	Estimate	Std. Errors	Estimate	Std. Errors	Estimate	Std. Error
(Intercept)	238.24 ***	1.51e-06 ***	123.33 ***	8.33e-07	1.02e+02 ***	2.05e+01
tech_or_not	0.29 *	3.52e-4 *	0.54 ***	1.18e-4	1.70 *	9.52e-01
Announced_Year	-0.12 *	6.15e-4 *	-0.07	1.99e-4	4.31e-01**	1.67e-01
log_EV_EBITDA	-0.24***	1.08e-03***	-0.67***	9.68e-05	-8.04 ***	1.92
log_Revenue	-0.04	0.06	-0.07**	1.59e-2	-4.69 ***	9.53e-01
Price_millions	5.77e-05	1.87e-05	5.26e-5	2.06e-05	3.31e-10 ***	6.79e-11
Acq_Funding_Amount	–	–	–	–	2.288e-10	2.498e-10

Note. The *Cash & Stock* and *Stock* columns report multinomial logit coefficients for each consideration category relative to all-cash transactions, the reference

category. *Above-Benchmark Pricing* reports a separate binary logit for `greater_than_sector_multiple`, an indicator equal to 1 when the transaction price-to-revenue proxy exceeds the matched industry-year EV/EBITDA benchmark from NYU Stern. `tech_or_not` equals 1 for technology-specialist sponsors; `Announced_Year` is the calendar year of the transaction; `log_EV_EBITDA` is the natural log of the matched industry-year EV/EBITDA benchmark; `log_Revenue` is the natural log of the target's revenue midpoint; `Price_millions` is disclosed deal value in USD millions; and `Acq_Funding_Amount` is the target's cumulative external funding prior to acquisition. Coefficients are reported in log-odds; an estimate b corresponds to an exponentiated coefficient of $\exp(b)$. ***, **, and * denote $p < .01$, $p < .05$, and $p < .10$, respectively.

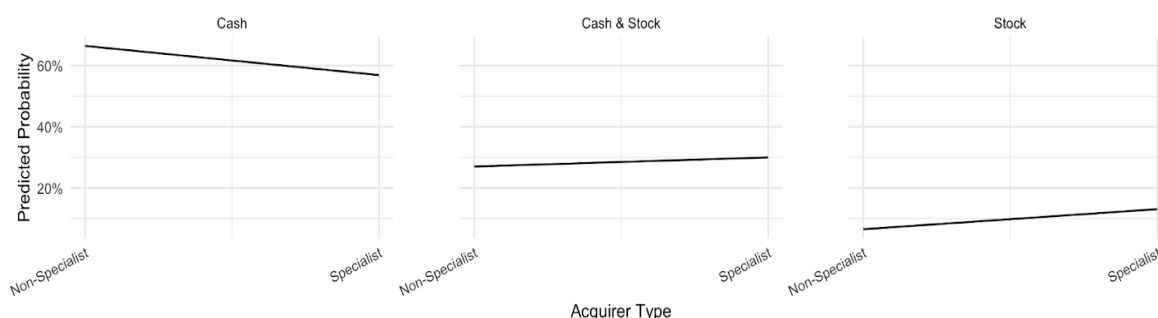
The multinomial logit estimates provide evidence consistent with this prediction. Using all-cash transactions as the reference category, technology specialization is associated with a positive coefficient for both Cash & Stock consideration ($\beta = 0.29$, $p < 0.10$) and pure Stock consideration ($\beta = 0.54$, $p < 0.001$). Exponentiating these coefficients yields relative-risk ratios of approximately 1.336 and 1.716, respectively. Thus, relative to an all-cash transaction, the estimated relative risk of using Cash & Stock is about 33.6% higher for technology-focused sponsors, while the relative risk of using pure Stock is about 71.6% higher. Although the mixed-consideration estimate is only marginally significant at the 10% level, and it is unverifiable whether this result occurs due to the buyer or the seller, both coefficients move in the predicted direction and provide support for Hypothesis 3. The specification also accounts for variation in sector valuation conditions, target scale, transaction size, and acquisition timing through `log_EV_EBITDA`, `log_Revenue`, `Price_millions`, and `Announced_Year`. Even after these differences are taken into account, the specialist coefficients remain positive, suggesting that the greater use of stock among technology-focused sponsors is not simply a by-product of the types of firms they acquire or the market conditions in which those deals occur. Instead, the pattering appears to be a distinct feature of how specialist sponsors structure their acquisitions.

Figure 5. Deal Consideration by Acquirer Type (Mosaic)



Note. Tile areas are proportional to the number of deals by consideration type and acquirer classification, and the values shown within each tile are raw deal counts. The figure provides an unconditional descriptive snapshot; corresponding multinomial regression estimates are reported in Table 5.

Figure 5 provides a useful descriptive complement to the multinomial logit results. The mosaic plot shows that generalist sponsors rely on pure cash consideration in 66.0% of their deals (196 of 297), whereas technology-focused sponsors do so in only 58.8% of transactions (127 of 216). By contrast, mixed Cash & Stock consideration accounts for 31.0% of specialist transactions compared with 26.9% of generalist transactions, while pure Stock accounts for 10.2% and 7.1%, respectively. This pattern is consistent with the transaction-structure literature discussed in Section 2.3, where equity-linked consideration has been associated with risk sharing under information asymmetry surrounding private targets (Officer et al., 2009), while financing capacity and ownership considerations may also influence the choice between cash and stock (Faccio & Masulis, 2005). As an unconditional snapshot, Figure 5 cannot distinguish among these mechanisms, but it is directionally consistent with the regression evidence in Table 5 and with Hypothesis 3: technology-focused sponsors are less concentrated in all-cash transactions and exhibit a greater use of stock-based consideration.

Figure 6. Predicted Probability of Deal Consideration by Sponsor Type

Note. Predicted probabilities are derived from the multinomial logit model of acquisition consideration (Cash; Cash & Stock; Stock) on *tech_or_not* and the included controls. The panels compare model-implied probabilities for generalist and technology-specialist sponsors across each consideration category. These are conditional predictions; coefficient estimates are reported in Table 5.

Figure 6 offers a final view of the same transaction-structure pattern from a conditional perspective. After accounting for the controls included in the multinomial specification, technology-focused sponsors remain less likely to rely exclusively on cash and more likely to use either mixed Cash & Stock or pure Stock consideration. The predicted probabilities therefore echo both the descriptive pattern in Figure 5 and the coefficient estimates in Table 5, reinforcing the evidence in support of Hypothesis 3. Taken together, the results suggest that specialization is reflected not only in the sectors sponsors enter and the prices they pay, but also in the way they choose to structure the transaction itself. This raises a natural final question: whether the differences associated with specialization at acquisition also extend to short-term post-acquisition valuation outcomes.

Hypothesis 4 addresses this final dimension of the analysis. We examine whether portfolio companies acquired by technology-focused PE sponsors are more likely than those acquired by generalist sponsors to exceed their matched sector-level EV/EBITDA benchmark within 12 months of acquisition. To test this relationship, we estimate a binary logistic regression controlling for the sector-level EV/EBITDA benchmark, target revenue, transaction size, announcement timing, and cumulative pre-acquisition target funding. The specialist coefficient is positive and statistically distinguishable from zero at the 10% level ($\beta = 1.70, p < 0.10$). Exponentiating the coefficient yields an odds ratio of approximately 5.47, indicating that acquisitions involving technology-focused sponsors have an estimated 5.47 times the odds of exceeding the matched sector benchmark within 12 months relative to acquisitions involving generalist sponsors.

5. Robustness and Extension

To assess the robustness of our main findings, we conduct a series of alternative statistical tests and sensitivity analyses across the empirical specifications. For sector selection (Hypothesis 1), univariable comparisons provide additional, though more modest, support for the baseline result. Welch's t-test indicates that sector-level EV/EBITDA is higher for technology-focused acquirers than for generalist acquirers ($\mu_{tech} = 30.23\$$ versus $\mu_{non-tech} = 27.18, p = 0.0636$), while non-parametric testing via the Wilcoxon rank-sum test confirms a statistically significant location shift at the 10% level ($W = 72,352, p = 0.0829$), consistent with the direction of our OLS regressions and conclusions. Finally, in the benchmark-exceedance specification for Hypothesis 4, the 90% confidence interval for the exponentiated coefficient on specialist status ranges from 1.0836 to 10.8351. Because the interval excludes one, the estimated association is distinguishable from the null at the 10% significance level, indicating higher estimated odds of medium-to-long-term sector benchmark exceedance among portfolio companies acquired by technology-specialist sponsors.

We next extend the analysis beyond the United States to assess the generalizability of the domestic findings. International transactions are defined according to the headquarters location of the acquiring PE sponsor, yielding a separate sample of 207 acquisitions involving non-U.S. sponsors. Together with the 601 U.S.-sponsor acquisitions, these observations comprise the broader 808-deal sample used for the international extension. Importantly, this international sample does not represent a single homogeneous market. Instead, it spans a wide range of institutional and financial settings, including 74 observations associated with Europe, the Middle East, and Africa, 36 with Asia-Pacific markets, 19 with Nordic and Scandinavian markets, 11 with Latin America, and 10 with ASEAN and Southeast Asia. Because several of these regional classifications overlap, these counts are best interpreted as indicators of the sample's geographic breadth rather than as mutually exclusive categories. At the country level, the sample is concentrated most heavily in the United Kingdom, Australia, China, Canada, and South Korea, with additional representation from India, Brazil, and Israel. The sample therefore spans markets with materially different institutional and financial environments, a distinction that is relevant in private equity given evidence that institutional distance can affect cross-border buyout outcomes (Tian, 2025).

Against this more heterogeneous institutional backdrop, the domestic sector-selection relationship becomes considerably weaker. In the international sample, the log-linear EV/EBITDA specification yields a small and statistically

insignificant specialist coefficient $\beta_{\log} = 0.03768, p = 0.6077$), indicating that the sector-selection pattern observed in the U.S. sample does not replicate in this specification. The result therefore provides no statistically detectable evidence of a comparable specialist–generalist difference in sector-level valuation environments outside the United States. In stark contrast to the domestic findings, the weaker international relationship may reflect additional influences arising from governance, geopolitical conditions, and local market institutions, all of which have been shown to shape cross-border acquisition activity and private-equity outcomes (Ahsan et al., 2024; Cao et al., 2023; Tian, 2025). These factors may also make any sector-specific knowledge associated with specialization more difficult to translate consistently into observable acquisition behavior across markets.

6. Conclusion

This study finds that technology-focused private-equity sponsors differ systematically from generalists across several stages of the acquisition process. In the U.S. sample, specialists tend to operate in more highly valued sector environments while entering individual transactions at lower observed price-to-revenue multiples. They also make greater use of equity-linked consideration, and specialist-sponsored acquisitions exhibit higher estimated odds of exceeding their matched sector-level EV/EBITDA benchmark within 12 months. The combination of these results demonstrates that specialization is reflected in where sponsors invest, the terms on which they transact, and the way acquisitions are structured. At the same time, the domestic sector-selection relationship is no longer statistically detectable in the international sample, placing an important boundary on the generalizability of the U.S. evidence.

These findings carry broader implications for the allocation of capital to private technology firms. As artificial intelligence and related technology industries expand, a growing population of high-growth companies remains private while reaching substantial valuations, leaving investors to operate increasingly in environments where conventional market-based price discovery is limited. Private-company valuations can already be affected by information asymmetry, limited disclosure, and the contractual structure of financing rounds (Ewens & Farre-Mensa, 2020; Gornall & Strebulaev, 2020; Barber et al., 2023). In this increasingly difficult-to-navigate market, our results suggest that buyer specialization may offer a meaningful advantage for technology-focused PE firms and shape which opportunities they recognize and how they value them. In this sense, specialization may have implications beyond individual PE transactions: it may influence how difficult-to-value technologies, business models, and risks are assessed as capital is allocated across a growing population of private technology firms.

The implications extend to transaction structure as well. Our finding that technology-focused sponsorship is associated with greater use of equity consideration suggests that sponsor specialization may affect not only how a transaction is priced, but also how its future economic consequences are shared (Officer et al., 2009; Faccio & Masulis, 2005). Differences in equity consideration can affect who remains exposed to the future gains and risks of the acquired company, with potential consequences for managerial incentives, founder participation, and the willingness of owners to transact. Unlike an all-cash transaction, equity-linked acquisitions can leave founders and existing investors exposed to the post-acquisition performance of the combined business. Such continued exposure may also intersect with managerial retention, which can carry economic value in private-equity acquisitions when incumbent managers possess valuable firm-specific human capital (Bargeron et al., 2017). Broader acquisition research further shows that managerial equity incentives can shape acquisition terms and the use of stock consideration (Cai & Vijn, 2007). Our evidence does not identify these downstream effects directly, but it shows that the transaction structure through which they may arise varies systematically with sponsor specialization.

The international results are equally important in interpreting these findings. Differences in legal enforcement, accounting standards, investor protection, financing conditions, and access to information can alter both acquisition pricing and transaction structure (Rossi & Volpin, 2004; Lerner & Schoar, 2005; Erel et al., 2012). The absence of a statistically comparable sector-selection relationship outside the United States should consequently not be interpreted as evidence that specialization becomes irrelevant internationally. Rather, it suggests that sector expertise operates within an institutional environment that may strengthen, weaken, or obscure its relationship with acquisition outcomes. This distinction is important for both researchers and practitioners, as evidence from the U.S. private-equity market should not automatically be treated as representative of sponsor behavior across countries.

More broadly, the results point to a simple but consequential feature of private capital markets: the characteristics of the investor can matter alongside the characteristics of the firm receiving the investment. As private technology markets continue to expand, understanding how specialization, information, valuation, and institutional context interact will become increasingly important for understanding how capital reaches the firms that ultimately drive technological growth. Our findings show that these relationships are already visible in the acquisition process itself, while leaving the underlying mechanisms, and the extent to which they operate across market, for future research. The broader implication is that, in private technology markets, capital allocation is shaped not only by the opportunities being financed, but also by the expertise, incentives, and institutional setting of the investors evaluating them.

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