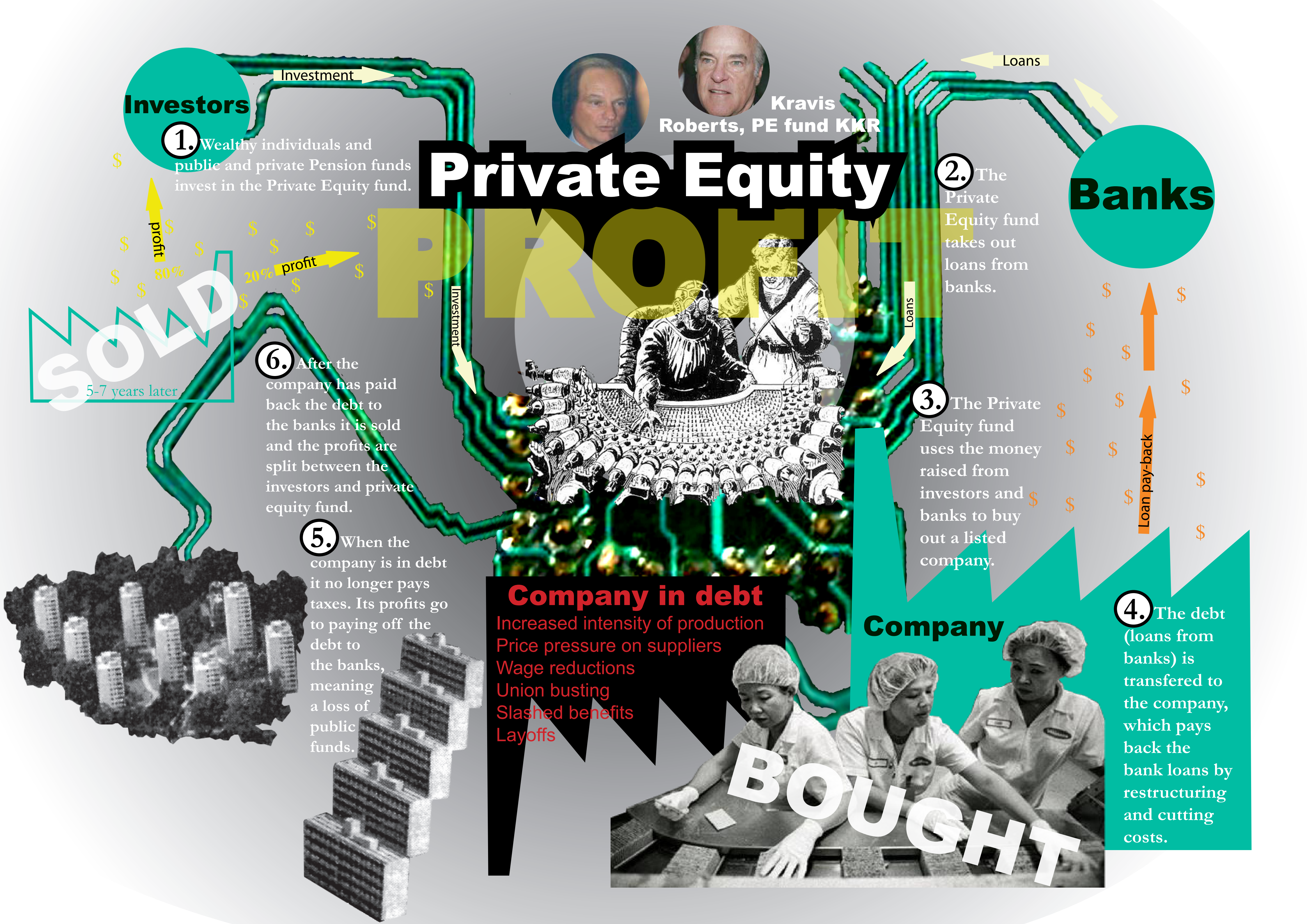

Private Equity
PROFIT
Kravis
Roberts, PE fund KKR
Investors
Investment
Loans
Banks
1. Wealthy individuals and public and private Pension funds invest in the Private Equity fund.
2. The Private Equity fund takes out loans from banks.
Investment
Loans
3. The Private Equity fund uses the money raised from investors and banks to buy out a listed company.
Company
BOUGHT
4. The debt (loans from banks) is transfered to the company, which pays back the bank loans by restructuring and cutting costs.
Loan pay-back
Company in debt
Increased intensity of production
Price pressure on suppliers
Wage reductions
Union busting
Slashed benefits
Layoffs
5. When the company is in debt it no longer pays taxes. Its profits go to paying off the debt to the banks, meaning a loss of public funds.
6. After the company has paid back the debt to the banks it is sold and the profits are split between the investors and private equity fund.
SOLD
5-7 years later
profit
80%
20%
profit