Private equity selling off assets

The $1.3 billion acquisition of Bresnan Communications by Cablevision Monday is the latest instance of a private equity firm unloading a portfolio company, illustrating the rebound in PE activity over last year, especially with PE firms on the sellside of transactions.

It follows the $4 billion acquisition last week of Talecris Biotherapeutics, a portfolio company of Cerberus Capital Management, by Barcelona-based Grifols.

Providence Equity Partners has owned Bresnan since 2003 with minority stakeholders including Comcast and private equity firm Quadrangle Group.

So far in 2010, PE activity has more than doubled compared with the same period in 2009, which doesn't say much since activity was so subdued last year. Still, mergers and acquisition activity involving a financial sponsor - a private equity firm - accounts for 13 percent of global M&A activity so far this year, up from 6 percent for the same period in 2009, according to Thomson Reuters.

But PE firms have been much more active at selling existing portfolio companies than investing in new ones. Sellside financial sponsor activity has increased at a faster rate than buyside financial sponsor activity, at 174 and 132 percent respectively. And M&A activity involving a private equity firm as a seller now outweighs activity with private equity buyers for the first time in 16 years.

As my colleague Steve Taub noted late last month, KKR is one of the PE firms that have recently been exiting portfolio companies. It has also been taking advantage of the busy M&A market and recently sold East Resources to Shell for $4.7billion. But it is also betting on the less vibrant initial public offering market and recently announced another of its portfolio companies, Toys R Us, could go public in the summer and raise $800 million.

Cashing in on earlier investments is a good thing, but PE firms will have to think of reinvesting their limited partners' money sooner rather than later to secure tomorrow's returns.