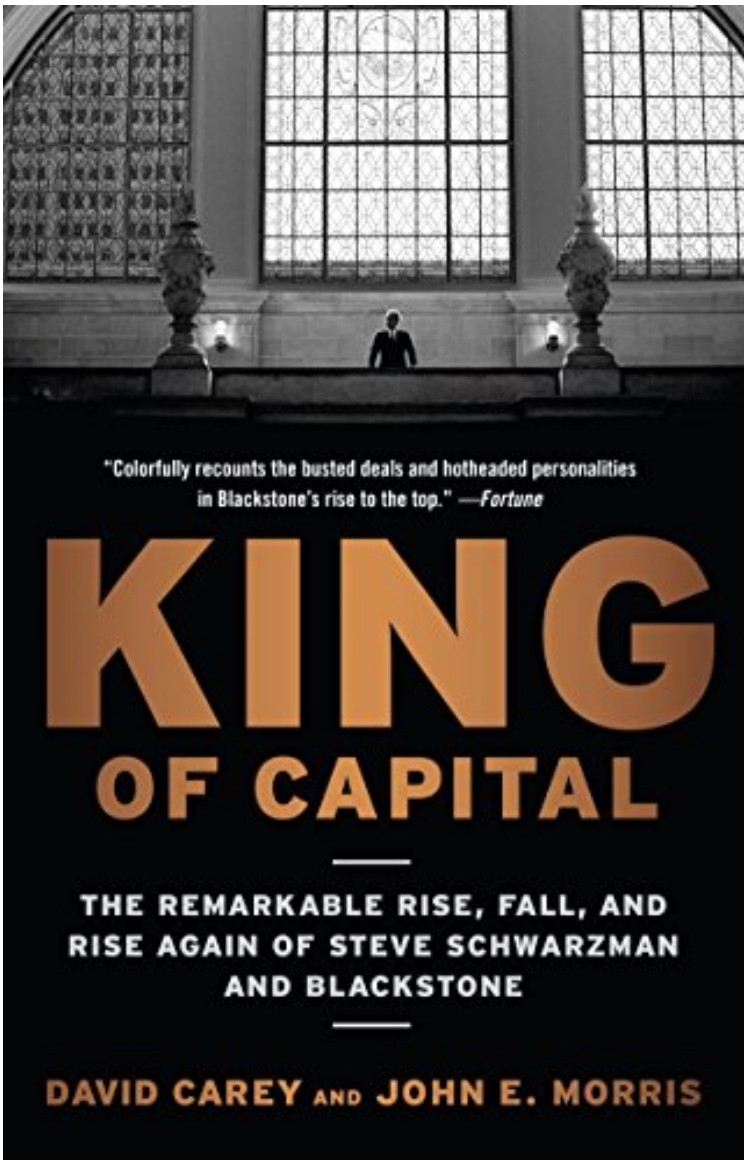


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King of Capital: The Remarkable Rise, Fall, and Rise Again of Steve Schwarzman and Blackstone



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Description :

Prsentation de l'diteurThe story of Steve Schwarzman, Blackstone, and a financial revolution, King of Capital is the greatest untold success story on Wall Street In King of Capital, David Carey and John Morris show how Blackstone (and other private equity firms) transformed themselves from gamblers, hostile-takeover artists, and barbarians at the gate into disciplined, risk-conscious investors while the financial

establishment banks and investment bankers such as Citigroup, Bear Stearns, Lehman, UBS, Goldman Sachs, Merrill Lynch, Morgan Stanley were recklessly assuming risks, leveraging up to astronomical levels and driving the economy to the brink of disaster. Now, not only have Blackstone and a small coterie of competitors wrested control of corporations around the globe, but they have emerged as a major force on Wall Street, challenging the likes of Goldman Sachs and Morgan Stanley for dominance. Insightful and hard-hitting, filled with never-before-revealed details about the workings of a heretofore secretive company that was the personal fiefdom of Schwarzman and Peter Peterson, King of Capital shows how Blackstone and private equity will drive the economy and provide a model for how financing will work in the years to come.

CHAPTER 1 The Debutants "More Rumors About His Party Than About His Deals," blared the front-page headline in the New York Times in late January 2007. It was a curtain-raiser for what was shaping up to be the social event of the season, if not the era. By then, the buzz had been building for weeks. Stephen Schwarzman, cofounder of the Blackstone Group, the world's largest private equity firm, was about to turn sixty and was planning a fête. The financiers' lavish holiday parties were already well known in Manhattan's moneyed circles. One year Schwarzman and his wife decorated their twenty-four-room, two-story spread in Park Avenue's toniest apartment building to resemble Schwarzman's favorite spot in St. Tropez, near their summer home on the French Riviera. For his birthday, he decided to top that, taking over the Park Avenue Armory, a fortified brick edifice that occupies a full square block amid the metropolis's most expensive addresses. On the night of February 13 limousines queued up and the boldface names in tuxedos and evening dresses poured out and led past an encampment of reporters into the hangarlike armory. TV perennial Barbara Walters was there, Donald and Melania Trump, media diva Tina Brown, Cardinal Egan of the Archdiocese of New York, Sir Howard Stringer, the head of Sony, and a few hundred other luminaries, including the chief executives of some of the nation's biggest banks: Jamie Dimon of JPMorgan Chase, Stanley O'Neal of Merrill Lynch, Lloyd Blankfein of Goldman Sachs, and Jimmy Cayne of Bear Stearns. Inside the cavernous armory hung a huge indoor canopy . . . with a darkened sky of sparkling stars suspended above a grand chandelier, mimicking the living room in Schwarzman's \$30 million apartment nearby, the New York Post reported the next day. The decor was copied, the paper observed, even down to a grandfather clock and Old Masters paintings on the wall. RB star Patti LaBelle was on hand to sing Happy Birthday. Beneath an immense portrait of the financier also a replica of one hanging in his apartment the headliners, singer Rod Stewart and comic Martin Short, strutted and joked into the late hours. Schwarzman had chosen the armory, Short quipped, because it was more intimate than his apartment. Stewart alone was known to charge \$1 million for such appearances. The \$3 million gala was a self-coronation for the brash new king of a new Gilded Age, an era when markets were up and crazy wealth saturated Wall Street and especially the private equity realm, where Schwarzman held sway as the CEO of Blackstone Group. As soon as it became clear, the birthday affair was merely a warm-up for a more extravagant coming-out bash: Blackstone's initial public offering. By design or by luck, the splash of Schwarzman's party magnified the awe and intrigue when Blackstone revealed its plan to go public a few weeks later, on March 22. No other private equity firm of Blackstone's size or stature had attempted such a feat, and Blackstone's move made official what was already plain to the financial world: Private equity—the business of buying companies with an eye to selling them a few years later at a profit—had moved from the outskirts of the economy to its very center. Blackstone's clout was so great and its prospects so promising that the Chinese government soon came knocking, asking to buy 10 percent of the company. When Blackstone's shares began trading on June 22 they soared from \$31 to \$38, as investors clamored to own a piece of the business. At the closing price, the company was worth a stunning \$38 billion—one-third as much as Goldman Sachs, the undisputed leader among Wall Street investment banks. Going public had laid bare the fantastic profits that Schwarzman's company was throwing off. So astounding and sensitive were those figures that Blackstone had been reluctant to reveal them even to its own bankers, and it was not until a few weeks before the stock was offered to investors that Blackstone disclosed what its executives made. Blackstone had produced \$2.3 billion of profits in 2006 for the firm's sixty partners a staggering \$38 million apiece. Schwarzman personally had taken home \$398 million that year. That was just pay. The initial public offering, or IPO, yielded a second windfall for Schwarzman and his partners. Of the \$7.1 billion Blackstone raised selling 23.6 percent of the company to public investors and the Chinese government, \$4.1 billion went to the Blackstone partners themselves. Schwarzman personally collected \$684 million selling a small fraction of his stake. His remaining shares were worth \$9.4 billion, ensuring his place among the richest of the rich. Peter Peterson, Blackstone's eighty-year-old, semiretired cofounder, garnered \$1.9 billion. The IPO took place amid a financial revolution in which

Blackstone and a coterie of competitors were wresting control of corporations around the globe. The private equity, or leveraged buyout, industry was exing its muscle on a scale not seen since the 1980s. Blackstone, Kohlberg Kravis Roberts and Company, Carlyle Group, Apollo Global Management, Texas Pacific Group, and a half-dozen others, backed by tens of billions of dollars from pension funds, university endowments, and other big investors, had been inching their way up the corporate ladder, taking over \$10 billion companies, then \$20 billion, \$30 billion, and \$40 billion companies. By 2007 private equity was behind one of every five mergers worldwide and there seemed to be no limit to its ambition. There was even talk that a buyout firm might swallow Home Depot for \$100 billion. Private equity now permeated the economy. You couldnt purchase a ticket on Orbitz.com, visit a Madame Tussauds wax museum, or drink an Orangina without lining Blackstones pockets. If you bought coffee at Dunkin Donuts or a teddy bear at Toys R Us, slept on a Simmons mattress, skimmed the waves on a Sea-Doo jet ski, turned on a Grohe designer faucet, or purchased razor blades at a Boots pharmacy in London, some other buyout firm was benefiting. Blackstone alone owned all or part of fifty-one companies employing a half-million people and generating \$171 billion in sales every year, putting it on a par with the tenth-largest corporation in the world. The reach of private equity was all the more astonishing for the fact that these firms had tiny staffs and had long operated in the shadows, seldom speaking to the press or revealing details of their investments. Goldman Sachs had 30,500 employees and its profits were published every quarter. Blackstone, despite its vast industrial and real estate holdings, had a mere 1,000 employees and its books were private until it went public. Some of its competitors that controlled multibillion-dollar companies had only the sketchiest of websites. Remarkably, Blackstone, Kohlberg Kravis, Carlyle, Apollo, TPG, and most other big private equity houses remained under the control of their founders, who still called the shots internally and, ultimately, at the companies they owned. Had there been any time since the robber barons of the nineteenth century when so much wealth and so many productive assets had come into the hands of so few? Private equities power on Wall Street had never been greater. Where buyout firms had once been supplicants of the banks they relied on to finance their takeovers, the banks had grown addicted to the torrent of fees the firms were generating and now bent over backward to oblige the Blackstones of the world. In a telling episode in 2004, the investment arms of Credit Suisse First Boston and JPMorgan Chase, two of the worlds largest banks, made the mistake of outbidding Blackstone, Kohlberg Kravis, and TPG for an Irish drugmaker, Warner Chilcott. Outraged, Kohlberg Kravis cofounder Henry Kravis and TPGs Jim Coulter read the banks the riot act. How dare they compete with their biggest clients! The drug takeover went through, but the banks got the message. JPMorgan Chase soon shed the private equity subsidiary that had bid on the drug company and Credit Suisse barred its private equity group from competing for large companies of the sort that Blackstone, TPG, and Kohlberg Kravis target. To some of Blackstones rivals, the public attention was nothing new. Kohlberg Kravis, known as KKR, had been in the public eye ever since the mid-1980s, when it bought familiar companies like the Safeway supermarket chain and Beatrice Companies, which made Tropicana juices and Sara Lee cakes. KKR came to epitomize that earlier era of frenzied takeovers with its audacious \$31.3 billion buyout in 1988 of RJR Nabisco, the tobacco and food giant, after a heated bidding contest. That corporate mud wrestle was immortalized in the best-selling book *Barbarians at the Gate* and made Henry Kravis, KKR's cofounder, a household name. Carlyle Group, another giant private equity firm, meanwhile, had made waves by hiring former president George H. W. Bush and former British prime minister John Major to help it bring in investors. Until Schwarzman's party and Blackstone's IPO shone a light on Blackstone, Schwarzman's firm had been the quiet behemoth of the industry, and perhaps the greatest untold success story of Wall Street. *Revue de presse* The authors [take] us from the early days of the Blackstone Group, when the firm was just two guys and a secretary, to the buyout boom, when Mr. Schwarzman's conspicuous consumption became a symbol of the new Gilded Age. In between, the book dives deeply into the firm's signature deals Celanese! Nalco! Distressed cable bonds! that made Mr. Schwarzman and his partners so rich. It also delivers some fun details about many of the now-famous Wall Street players that did tours of duty at the firm. *New York Times DealBook* Carey and Morris thorough reporting offers a compelling look into the little understood Wall Street giant and the secrets of its success. *Worth Magazine* [R]anks as one of the most even-handed treatments of the industry. David Carey and John Morris . . . received unusual access to Blackstone. . . . This allowed them to chronicle the firm in full and entertaining fashion across its 25-year history. *Bloomberg Brief Mergers* [A] broad history of private equity, with Blackstone as the touchstone. *Fortune.com* Check out "King of Capital" because it's got gossip, it's got brains, and it's as readable as hell. And it's got some really good Schwarzman stories too. *The Deal* "King of Capital" aspires to be a serious portrait of Blackstone

and the way that Schwarzman so brilliantly built it up, scoring numerous coups along the way and avoiding the mistakes of many competitors. And it does a fine job in what it sets out to do." Financial Times
The authors link Blackstones history to the larger story of private equitys expansion and its relationship to corporate America. They offer a lucid explanation of how the debt markets evolved from junk bonds to securitised loans, changing the types of deals that private-equity firms were able to finance. The Economist