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Urge to go private picks up steam

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Even big companies are starting to ask for privacy.

Many smaller businesses have already gone private, figuring being public wasn't worth it. Now some giant public companies hope escaping Wall Street's scrutiny will give them the freedom to fix themselves.

Ford (F), which USA TODAY reported is considering going private, is the latest example of a trend expected to continue. "There's no limit to the size of deals being done," says Raj Trikha of KeyBanc Capital Markets. "It's really caught fire."

Public companies that are going private by buying back all their outstanding shares are getting:

•**Bigger.** The average take-private deal this year was worth $1.7 billion, Thomson Financial says — up 87% from 2005 and more than triple 2004's average.

•**More high-profile.** While Ford would be gigantic, 2006 has already witnessed several large take-private transactions. Those include one of the largest ever, hospital operator HCA, followed by energy company Kinder Morgan, broadcaster Univision and concessionaire Aramark, Thomson says.

•**More frequent.** More than 80 formerly public companies have gone private this year, on pace to be the busiest year since at least 2000. Meanwhile, the total value of the deals, $136.5 billion, is already a record and well above the $94.7 billion of 2005.

The option of going private is available to more large companies because there are private-equity firms with enough cash to buy almost any company, says Ken Henderson, partner at law firm Bryan Cave. And going private could be the medicine some need, says Allen Stern at Imperial Capital. "Once you're private, you can make the tough decisions and really do the kind of things you need to do," he says.

For Ford, analysts say, going private could give the company time to formulate long-term plans and stop worrying about criticism every quarter. As a private company, Ford wouldn't "need to be as transparent, and can approach it at their own pace, and not be under the scrutiny of Wall Street analysts," says David Kudla of Mainstay Capital Management.

The risks are bigger, too, though. Many of the larger companies looking for buyers are troubled and carry baggage, making a quick resale more problematic, says Michael Kollender, executive vice president at Ryan Beck. For instance, most auto companies are saddled with pension liabilities and massive health care costs.

Despite the risks, private-equity buyers need bigger targets to get the returns they need, Kollender says. "Larger (private-equity) funds have to move to bigger transactions," he says. "It doesn't make sense to chase down $100 million companies."