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Headline: 2023 Private Equity Fundamentals

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Tweet: .@verdadcap examines the 2023 performance of private equity portfolio companies with public debt and finds they had lower revenue growth and higher interest costs compared with public firms, and zero free cash flow.

Summary: Private equity lagged public equity markets last year by a significant margin. The easiest explanation is that this is simply the result of smoothing: PE firms didn't much mark down their portfolios when the market sold off in 2022 and then didn't have to write them back up as much in 2023. But according to Bain & Co.'s latest report, buyout exits are down 66% since 2021 and 44% from 2022—which suggests that something more worrisome is happening underneath the hood. In 2023, PE-backed companies grew slower than the public market and generated significantly lower free cash flow. The lagging performance of buyouts relative to public markets looks like it might be more than just smoothing. It may reflect the weakening of the relative fundamentals. Related: Private Equity Fundamentals and It's Mostly a Paper Moon: Alternative Investments Review and The Dispersion Delusion

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post

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