THE WALL STREET JOURNAL.

Markets

The New Survival Guide for Private Equity: Go Big or Get Back to Basics

The list of private-equity firms struggling to raise money is growing

By Miriam Gottfried
Feb 16, 2025 05:30 a.m. ET

A shakeout in the private-equity industry is forcing firms to adapt or get left behind.

The landscape of successful firms is increasingly divided between behemoths with several business lines such as Blackstone and Apollo Global Management and top performers that have focused on their roots of buying and selling companies for a profit. Firms that fall in the middle—those that are big, but not big enough, or whose returns are good but not great—are finding it difficult to raise money.

The growing list of firms that have struggled to raise money, delayed fundraising or settled for a smaller fund includes American Securities, Onex, Huron Capital and Vestar Capital Partners, according to people familiar with the matter.

Anxiety among managers is running high as the forces that powered the industry's growth fade. Institutional investors have maxed out on private equity, and higher interest rates are making it harder to raise money and profitably sell companies that were purchased when rates were lower. Firms are now fretting over whether to branch out into new business lines, sell themselves or be an acquirer, go public or court individual investors.

"Whenever you're in a market where the pace of change is accelerating, people are going to be asking: How are we doing?" said John Maldonado, managing partner of private-equity firm Advent International. "The one thing that's definitely true is you have to have a plan."

Advent, which manages about $95 billion in assets, last year completed a monthslong internal review that helped the firm decide to remain a partnership focused on private equity.

Meanwhile, the big are getting bigger by raking in money from insurance companies and individual investors. The top six private-markets managers—Apollo, Blackstone, Ares Management, KKR, Carlyle and Brookfield Asset Management—were responsible for nearly

60% of the industry's total fundraising in the first three quarters of 2024, according to company filings and data compiled by Preqin. The figure is up from about 20% in 2019 and includes areas such as credit and infrastructure.

Fueling further angst: a pair of $12 billion deals BlackRock announced last year for infrastructure firm GIP and private-credit manager HPS. After years of trying to bulk up organically in private markets, the asset-management giant's move to do it through M&A signaled a belief that the industry is changing quickly.

A depressed fundraising environment

The number of private-equity firms grew over the past few decades as pension funds, endowments and other institutional investors ramped up their exposure to private markets.

Now private markets account for 11.5% of portfolios globally, according to data from asset-manager Aviva Investors. Those institutional investors are no longer looking for more.

Private-equity firms are also sitting on more than $3 trillion worth of companies that were bought at the peak of the market in 2021 when interest rates were lower, according to Bain & Co. They are holding on to them because they don't want to accept lower valuations. As a result, money hasn't been returned to investors.

Private-equity fundraising will be depressed at least until those deals are cleared.

Clayton Dubilier & Rice is among those finding success in remaining a pure-play buyout shop. Its strong performance and focus, with only one big fund, have allowed it to take share among institutional investors.

The firm finished raising a $26 billion fund in 2023, up from $16 billion for its previous one. To help get there, CD&R more than doubled its head count in recent years, according to people close to the firm. Long known for investing in industrial and consumer companies, it has expanded into healthcare, technology and financial services and has tried to deepen its expertise in each sector.

New pools of money

Big players aren't immune to the pressures facing the private-equity industry, but they are finding new pools of money to manage.

Blackstone, for instance, has said its next big private-equity fund will be smaller than its last. Blackstone's credit businesses, on the other hand, took in over $100 billion in 2024, driven in large part by deals to manage insurance-company assets and offerings aimed at individuals. All told, the firm raised $28 billion from individuals last year, nearly double what it raised the prior year.

Other firms that want to reach these pools of capital need the resources that come with scale. That is fueling a recent spate of M&A, with firms tying the knot with bigger players such as BlackRock, Blue Owl or Franklin Templeton.

General Atlantic is among those branching out. The firm was a pioneer in growth investing, which typically involves taking a significant minority stake in a fast-growing business. It determined about five years ago that investors wanted to work with firms that could offer them a range of options to meet a variety of needs, says Chief Executive Bill Ford.

In 2020, General Atlantic launched a private-credit fund through a partnership with a firm run by Tripp Smith, who had co-founded GSO before selling it to Blackstone. In 2022, General Atlantic struck a deal to buy Smith's firm.

Last year, it bought infrastructure firm Actis. General Atlantic now manages about $100 billion and has a plan to more than double that by 2030, including by managing money through a partnership with insurance company MetLife.

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