Leon Black's Sell-Everything Call Has Been Heard by His Rivals

Leslie Picker and Ruth David
July 1, 2015 — 6:01 AM CEST

Apollo Global Management Chairman And CEO Leon Black. Photographer: Patrick T. Fallon/Bloomberg

When financier Leon Black said his Apollo Global Management LLC was exiting "everything that's not nailed down" amid rising valuations, he made headlines. Two years later, other private-equity firms are following suit -- dumping stakes into the markets at a record clip.

Firms including Blackstone Group LP and TPG Capital Management have been capitalizing on record stock markets around the world to sell shares, mostly in their companies that have already gone public. Globally, buyout firms conducted 97 stock offerings in the second quarter, more than in any other three-month period, according to data compiled by Bloomberg.

Since Black made his comments in April 2013, the MSCI World Index has gained 18 percent, stretching valuations even higher. Headwinds that threaten to rattle global equities are everywhere -- from the Greek and Puerto Rican debt crises to an eventual increase in U.S. interest rates.

"It's clear that we are currently in an environment of frothy valuations," said Lise Buyer, founder of IPO advisory firm Class V Group. "The insiders -- those with the most knowledge -- are finding this a very good time to take some money off the table."

This year, private-equity firms sold $73 billion of their buyouts to the public, a record amount over a six month period, Bloomberg data show.

Hilton Deal

The biggest such deal this year came in May when Blackstone sold 90 million shares, or $2.69 billion worth, of hotel-chain Hilton Worldwide Holdings Inc. in a secondary offering. Blackstone took the company private in 2007 for $26 billion and did an IPO in December 2013, raising $2.7 billion. After the latest sale, Blackstone's stake in Hilton fell to 46 percent from 82 percent before the IPO, Bloomberg data show.

The largest European exit so far this year was the $2.46 billion IPO of online car dealership Auto Trader Group Plc in London, where Apax Partners sold shares. In Asia, private-equity firm China Aerospace Investment Holdings Ltd. sold 2.3 million shares in a $2.12 billion IPO of China National Nuclear Power Co.

While the firms have been trimming their stakes in public companies, they're doing fewer initial offerings in the U.S. PE-backed IPOs have had the slowest start to the year since 2010, selling $8.2 billion in stock.

The reason: Many of the larger companies that were swooped up during the buyout boom that ended in 2007 have already gone public. Today's selling is largely private-equity owners getting out of those assets.

Fundraising Spree

"It's been a lot more about harvesting public positions than creating new ones through IPOs," said Cully Davis, co-head of equity capital markets for the Americas at Credit Suisse Group AG. "The markets are open and the financial sponsors are pretty astute about timing their exits."

Buyout firms were also motivated to exit older positions as they seek investments for new funds, said Klaus Hessberger, co-head of equity capital markets for Europe, the Middle East and Africa at JPMorgan Chase & Co. The funds raised $438 billion last year, a post-crisis record, according to an April report by research firm Triago.

Selling to companies or other buyout shops was still the more popular way for private-equity firms to unload assets over the quarter. They sold $57 billion of assets in 284 sales in the second quarter, compared with $39 billion for stock sales, according to data compiled by Bloomberg.

In an echo of Leon Black, Frank Maturo, vice chairman of equity capital markets at UBS AG, said, "Private equity is selling everything that's not bolted down. With the robust valuations in today's market, they are accelerating monetizations of companies they own."

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