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Warburg Pincus Hands Cash Back to Investors as Rivals Struggle

- Its distributions outpaced investments for most of past decade
- President Jeff Perlman says firm has 'luxury' of being private

by Gillian Tan
February 22, 2024

The largest US private equity firms have disappointed some fund investors with dwindling distributions in the past two years as they struggled to exit investments.

Warburg Pincus is an outlier.

The closely held firm generated close to $11 billion last year, more than half of which came from selling or recapitalizing 10 portfolio companies, according to people familiar with the matter. That exceeded the $7 billion of capital invested, the people said.

"Being a net provider of capital to investors is a huge strength for us right now – especially in a period where they know it's tough to get liquidity," Warburg Pincus President Jeffrey Perlman said in an interview, adding that the firm's diversification has enabled a variety of exits in challenging markets.

Comparatively, distributions at five major publicly traded alternative asset managers – all which answer to both shareholders and fund investors – dropped by almost half between 2021 and last year, when global deal values fell to their lowest level in a decade.

Warburg, for its part, has the "luxury" of being a private partnership, Perlman said. The firm has focused on expanding in areas where its fund investors are most interested – exemplified by its entry into capital solutions and an effort to build a more active real estate business.

"If our investors do well, we do well versus more of a fee-focused mindset," Perlman said, reiterating that Warburg prioritizes fund performance.

Chip Kaye and Jeffrey Perlman *Source: Warburg Pincus*

'Constructive Shareholders'

In the past five years, the firm has distributed a total of $46 billion, compared with $31 billion in contributed capital from investors, people with knowledge of the matter said. Its distributions outpaced capital invested for the past 10 years except for one.

Warburg's recent exits include the sale of Procare Solutions to Roper Technologies Inc., Summit Health-City MD's sale to VillageMD, the sale of Polyplus to Sartorius Stedim Biotech and the sale of Once For All to GTCR.

The firm counts French holding company Groupe Marc de Lacharriere and a Middle Eastern pension fund as minority investors that have owned a combined stake of roughly 10% for about a decade.

"We've got two very constructive shareholders," Chip Kaye, Warburg's chief executive officer, said in an interview, noting that the duo are treated like partners in the firm. Their backing has "given us capital to invest in our own funds and fund new initiatives."