

Goldman Sachs: The Insight
Rob Pulford
5/8/24

I believe that private equity has reached an inflection point in 2024.

Open on Rob holding the slate + BTS scenes.

ROB:

Hi, I'm Rob Pulford, and this is the Insight.

Rob clasps the slate down. BTS shots of Rob walking in and sitting down, the logo comes on screen.

Cut to Rob talking to the camera.

ROB:

The global financial crisis was a precursor to a golden decade in private equity characterized by cheap LBO debt ever increasing valuations and growing fund sizes. This peaked in 2021 in what was an unprecedented year for private equity activity.

VISUAL: ILLUSTRATION: either a graph shared by GS (right of Rob) or abstract lines growing and falling

ROB:

In 2022, this all changed. Persistent inflation led to a material increase in interest rates driven by central bank policy.

ROB:

Where do we sit today?

VISUAL: TEXT ON SCREEN: Where do we sit today? (blurred background, block text with light blue)

The outlook for interest rates is to decline. The economic outlook is robust. There's over \$1.2 trillion of private equity dry powder that needs to be deployed. We have a looming debt maturity wall and \$3 trillion of portfolio companies that need to exit in the next two years.

VISUAL: TEXT ON SCREEN to the right or left of Rob: "outlook for interest rates is to decline" "The economic outlook is robust" "\$1.2 trillion of private equity dry powder" "looming debt maturity wall" "\$3 trillion of portfolio companies"

ROB:

DPI in the period 2007 to 2014 was close to one. In the period 2019 to 2022. It declined significantly to 0.1 times.

VISUAL: ILLUSTRATION: chart from pg 3 of the P.E. report, made more minimal

That just means that there is a significant amount of exit activity that needs to happen. It's not a question of if, it's just a question of when.

VISUAL: TITLE CARD: "It's not a question of if, it's just a question of when." The top line "it's not a questions of if" dissolves away and we are left with just "it's just a question of when"

ROB:

We are at a unique moment in time in the private equity industry.

We expect to see refinancing activity to continue to address the maturity wall ahead of us. That will then evolve into dividend recaps and preferred equity issuance to help solve this DPI problem.

In the longer term, the backlog will unwind. We will see a material increase in sponsor IPO activity along with sponsor M&A.

VISUAL: ILLUSTRATION: for the line "As we look out later into 2024 and into 2025, the backlog will unwind. We will see a material increase in sponsor IPO activity along with sponsor M&A." A visual of a tangled piece of string unwind on camera. There is a super above it that reads: "the backlog will unwind" (full frame) 'string should not look like a shoestring and should stay abstract.

ROB:

Our advice to our clients is to be nimble, be prepared and be flexible.

VISUAL: TEXT ON SCREEN BY ROB: "be nimble, be prepared, be flexible" reference to the [EOY video](#) and using dynamic text

BLOOPER/ OUTTAKE

ROB:

VO, take one. Mark.

Check out our latest report, private equity inflection point. To learn more about the role, financial sponsors are poised to play in 2024 and beyond.