Add-ons now 73% of all buyouts

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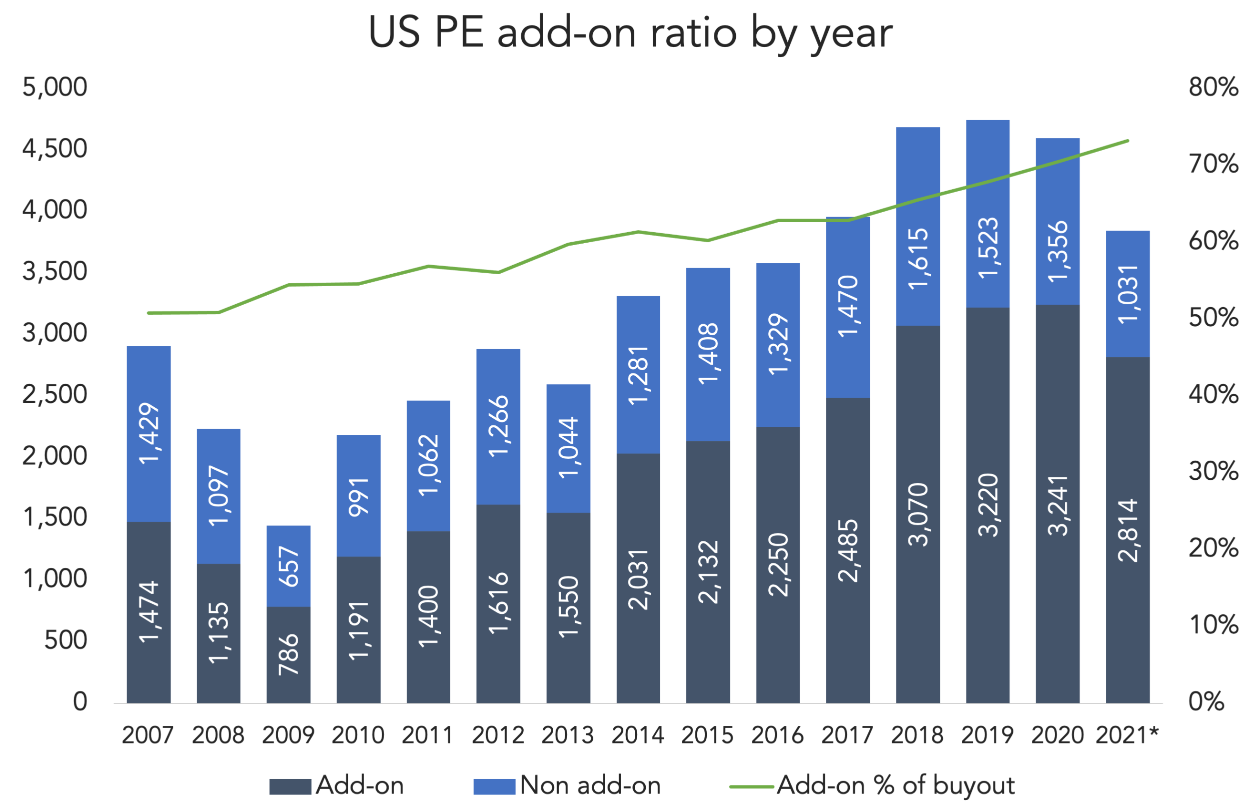

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It's getting repetitive, but the buy-and-build strategy is becoming the dominant approach for private equity. According to PitchBook's latest US Breakdown Report, add-ons are comprising 73.2% of all buyouts this year. In 2007-2008, at the height of the buyout boom, the percentage was hovering around 50%. The strategy has been around for many years—and we've been talking about it for many years—but 73% is a very high number. Eventually it will have to plateau, but not yet.

In an under-noticed letter, FTC commissioner Rohit Chopra put the buy-and-build playbook on notice last year. "While each individual acquisition may not trigger HSR reporting, the sheer number of follow-on acquisitions can be staggering." He cited the case of AssuredPartners, an insurance platform that has gained some notoriety in PE circles. Under GTCR sponsorship, AssuredPartners made 112 add-ons before it was sold to Apex Partners, which sponsored another 124 add-ons, before Apex sold it back to GTCR in 2019. It's a lot of add-ons. Confie Seguros underwent a similar number of add-ons, on its way to becoming the country's first national insurance broker focused on Hispanic consumers. The Confie example wasn't included in the FTC letter, but this line was: "The Commission should actively identify enforcement targets who may be engaged in monopolization or who have consummated unlawful mergers." Confie's case might have been exempt, considering there wasn't a Hispanic-focused market to monopolize before Confie was built. In any event, the buy-and-build phenomenon has grown so big that federal regulators are noticing. At the time of the letter, the ratio of add-ons to buyouts was 68%.

(Past performance is no guarantee of future results.)