



Middle:Market:Pulse

As the Republican and Democratic presidential candidates square off to debate the issues that will shape the upcoming fall elections, jobs creation by private equity is one issue that has been recently thrust into the spotlight. Recent discussion has focused on whether the private equity industry actually creates jobs or if by consolidation and efforts to streamline and improve operations, a net jobs loss results. Does the private equity industry underperform or outperform both public and private sectors of American industry when it comes to jobs creation and other criteria?

A dynamic new website www.GrowthEconomy.org has been created by the Association for Corporate Growth and other non-partisan organizations to track private equity investing and the effect on jobs creation, sales and other metrics. This “first ever” undertaking, began long before the presidential nominees were known, uses data from 1995 through 2009.

Two independent data sets are used in the new site, GrowthEconomy.org: The National Establishment Times Series (NETS) database and PitchBook, the leading provider of independent private equity research and data. In addition, many top universities have contributed and will be mining this data on an ongoing basis to inform the public, industry and congress on private equity investing. It will be interesting to see if the wide statistical differences between private equity and non-private equity jobs creation will continue over time.

Comparing jobs creation by the private equity industry to public and private sectors as a whole, we see that during that 14 year span, PE backed companies created significantly more jobs (81.5%) than their public/private counterpart (11.7%). In addition, the PE backed companies showed significantly higher increases in sales as well, up 132.8% vs. 28%.

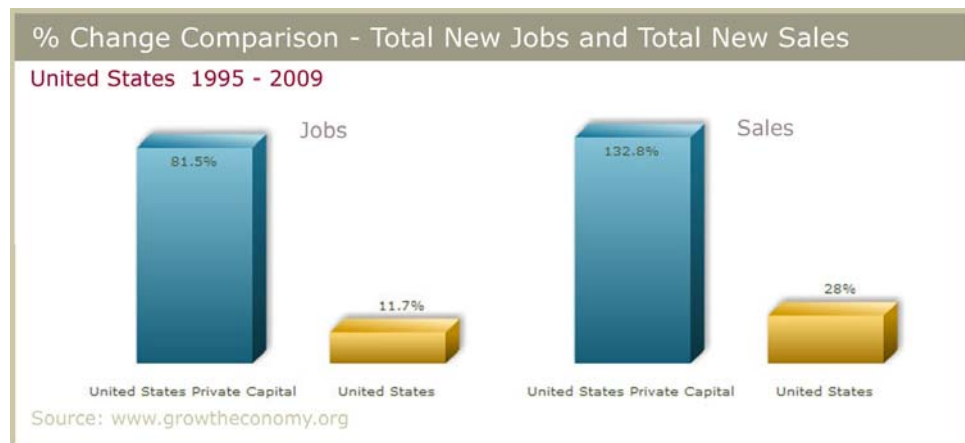


Figure 1

Why? The goal of private equity is to acquire and grow a company, sell it and make a competitive rate of return for its investors. Most private equity groups seek out investments that are best in class companies or at least solid performers in need of capital and expertise to expand. An influx of capital and the involvement of a team of business experts provide that “shot in the arm” needed for rapid growth. An increase in both sales and jobs seems a natural result of this growth.

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NOTICE:

Published multiples should only be used as a general guide to market conditions. Many factors will cause multiples to vary for a particular company including; industry, size, customer concentrations, management, brand and various other characteristics. Talk with your CFA representative for guidance. Securities offered through Corporate Finance Securities, Inc. Member FINRA and SIPC.