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Blackstone's 2021 stock performance outpaces peers, S&P 500

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Market Intelligence

Blackstone Inc. reported an 83.8% year-to-date stock price appreciation, largely outperforming its peers and the S&P 500 and S&P 500 Financials stock market indices, according to S&P Global Market Intelligence data.

Stock price change of the big 4 private equity firms vs. major benchmarks in comparable periods in 2021, 2020

Data compiled as of Aug. 24, 2021.
Stock price change = total return of a security over a period, including price appreciation and the reinvestment of dividends. Dividends are assumed to be reinvested at the closing price of the security on the ex-date of the dividend.
Year-to-date total return is calculated as of Aug. 21* for 2020, and Aug. 23 for 2021.
* Aug. 23, 2020, (Sunday) was a nontrading day.
Analysis is limited to the top four listed private equity firms as of FQ2'21.
Source: S&P Global Market Intelligence

Four of the biggest publicly traded U.S. private equity firms — Blackstone, KKR & Co. Inc., The Carlyle Group Inc. and Apollo Global Management Inc. — converted to the traditional C-corp model over the past three years from a publicly traded partnership to tap into a larger pool of potential investors and to hike their share prices amid the new tax regime, under which the U.S. corporate tax rate was cut to 21% from 35%.

During the company's second-quarter conference call, Blackstone CFO Michael Chae attributed the boost in shareholder value to the firm's financial performance and the availability of its stock to a wider investor audience.

"We believe there is significant support to continue this momentum," he added.

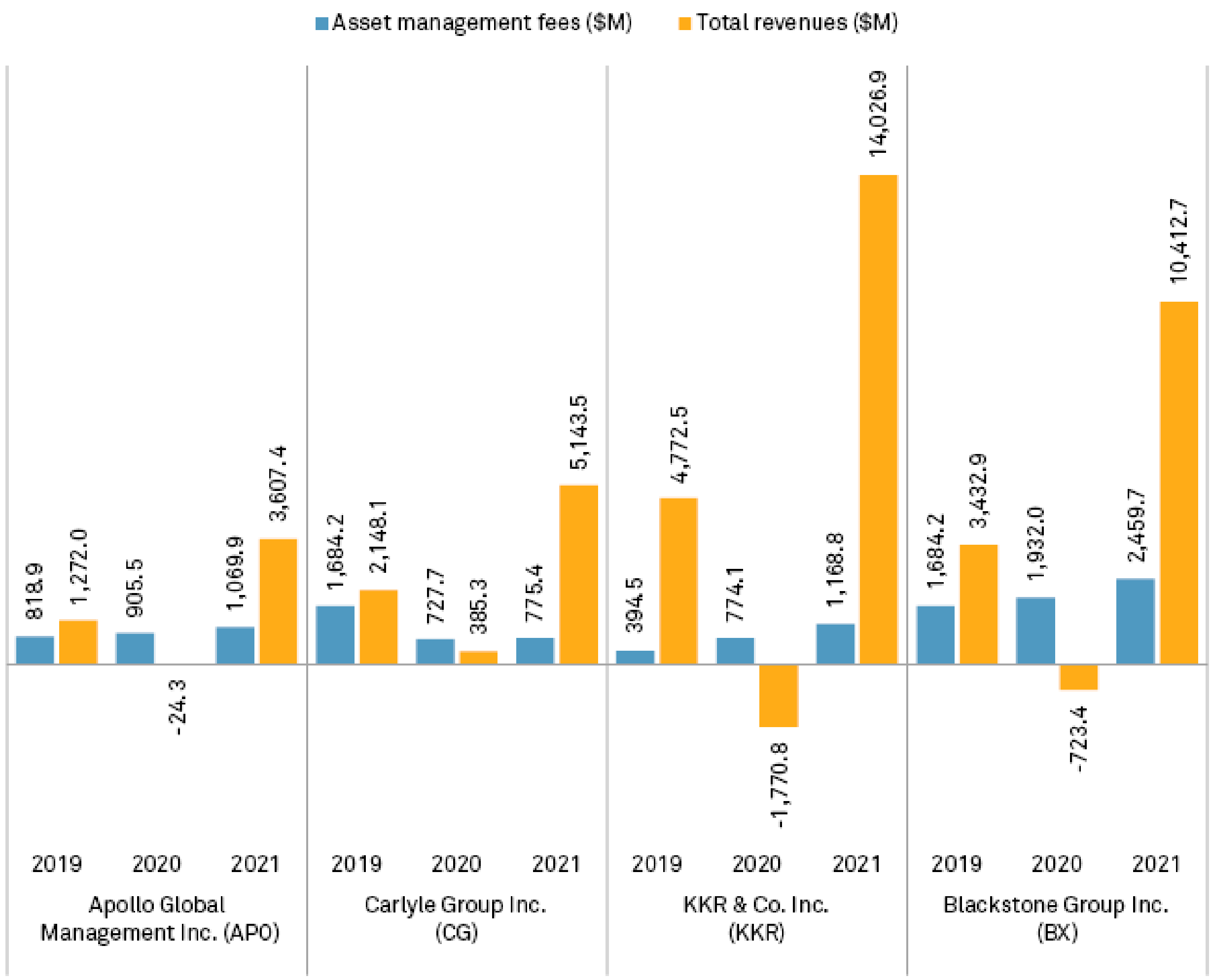
Investors expect Blackstone's market share in the retail channel will bring "potentially higher and more durable organic growth versus peers," added Rufus Hone, an analyst at BMO Capital Markets, in an emailed comment.

Fee-related revenue drivers

Blackstone saw the highest asset management revenue at approximately $2.36 billion year-to-date. The fee-related earnings gain for the quarter is backed by the expansion of the firm's existing strategies, the scaling of news businesses and earnings from perpetual capital strategies, Chae said on the earnings call.

The firm is expected to generate approximately $150 million in fee revenues in 2022 from its announced partnership with American International Group Inc., in which Blackstone will acquire a 9.9% stake in the insurer's life and retirement business. The fee revenues are expected to increase by about $400 million after a six-year period, Chae added.

H1 fee-based, total revenues of Big 4 private equity firms, 2019-2021



Data compiled Aug. 25, 2021.
Asset management fees include revenues derived from asset management and portfolio service fees; investment advisory and related fees; management, distribution and service fees; residential real estate capital markets commissions; advisory fees; distribution fees; transaction service commissions; mutual fund management fees; partnership management fees; management and distribution fees; transaction services fees; portfolio service fees; asset management and securities services; base management fees; and management fee income.
Sources: S&P Global Market Intelligence; company filings

At Carlyle, a near-term increase in fee-related earnings will be spearheaded by its fundraising, capital markets activity and platform construction, Carlyle CFO Curtis Buser said on the company's recent earnings call.

The firm is also working on converting lower-value performance earnings into higher valued fee-related earnings by raising and co-investing into larger funds, seeding new products and providing capital to underwrite a growing capital markets business, Buser added.

KKR also reported record fee-related earnings during the second quarter, which were helped by a gain in the firm's management fees during the period, Craig Larson, the firm's partner and head of investor relations, said during KKR's earnings call.

Apollo, on the other hand, said fee-related earnings for the quarter appreciated due to higher advisory and transaction fees and management fees, which were partially offset by an uptick in noncompensation expenses.

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