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Private Equity Who Owns Everything

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1. The Owner Behind the Familiar Name

You recognise the sign above the door. The care home has stood on this street for thirty years. The vet still knows your dog. The restaurant has the same menu, the software company keeps the same name, and the water pipes beneath the town look exactly as they did yesterday. Yet the owner may have changed completely.

Behind the familiar business can sit a chain of holding companies, investment funds, lenders and institutional investors. At one end is the company serving customers and paying workers. At the other are retirement schemes, insurance companies, university endowments, sovereign funds and wealthy families looking for long-term returns. Between them is the private-equity manager: the organisation that raises a fund, chooses businesses, controls strategy and eventually sells.

Private equity does not mean one thing. Venture-capital funds finance young companies. Growth funds buy minority or controlling stakes in expanding businesses. Infrastructure and real-estate funds own physical assets. Distressed investors specialise in companies already under pressure. This film concentrates on buyouts, where a fund acquires control of an established company, frequently using debt.

The phrase private refers to the ownership and market. Shares are not traded continuously on a public stock exchange. Valuations are produced periodically rather than discovered every second by millions of buyers and sellers. Detailed financial information may be available to lenders, regulators and fund investors while remaining invisible to customers and workers.

That privacy can create room for long-term change away from quarterly market pressure. It can also make leverage, fees and conflicts harder for outsiders to see. A fund may rescue an overlooked company, invest in new systems and build a stronger competitor. Another deal may remove the financial flexibility a fragile service needs. The ownership label alone cannot tell us which story is unfolding.

To understand the difference, we will follow a fictional regional company called Northbridge Care and Services. It operates care homes, home-care visits and property maintenance. Northbridge is not a real case. Its numbers combine common buyout mechanisms into one visible journey. The people and outcomes are illustrative; the financial plumbing is real.

One morning, Northbridge's founder agrees to sell. The signs stay in place. The residents, carers, suppliers and local authorities see no immediate change. But a new structure has appeared behind the company, and that structure will shape every decision that follows. Who owns Northbridge now? The honest answer begins far away from its front door.

2. Where the Money Comes From

A private-equity manager begins by raising a fund. It presents a strategy to potential investors: perhaps mid-sized European services businesses, American healthcare groups or global infrastructure. Investors promise capital for a period that can stretch beyond a decade. They usually do not transfer the entire commitment on day one. The manager issues capital calls as acquisitions and expenses arise.

These investors are called limited partners. A public-sector pension fund may commit money because it needs returns to help pay future retirements. An insurer may seek assets matching long-term obligations. An endowment may accept illiquidity in exchange for the possibility of higher returns. Wealthy investors and family offices may participate directly or through feeder structures. The general partner, connected to the private-equity manager, controls investment decisions.

This creates the first surprise. A privately owned care-home group can ultimately be financed in part by the retirement savings of nurses, teachers or firefighters. The people receiving the investment return are not necessarily the same people controlling the company. Ownership is layered: beneficiaries have claims on a pension fund; the pension fund holds an interest in a private-equity fund; the fund controls a holding company; and the holding company owns the operating business.

Limited partners commit capital without knowing every future acquisition. They rely on the manager's mandate, team, record and reporting. Their money is locked for years, which gives a buyout fund time to change a company without daily redemption pressure. That long horizon is one of private equity's genuine strengths. It also means an investor cannot simply press a sell button when concerns emerge.

The manager normally invests some capital alongside the limited partners. It charges management fees and may receive a share of investment profits above agreed terms, commonly called carried interest. Precise arrangements vary widely. The important point is that the manager's economics depend on both the assets it oversees and the returns it produces.

Suppose the Northbridge fund receives two billion pounds of commitments. A pension scheme commits one hundred million, an insurer eighty million, and many other institutions supply the rest. When the manager identifies Northbridge, it calls part of that promised capital. Yet the purchase price will not be paid entirely with investors' equity. The acquisition adds another participant: lenders.

Before the deal, money flows from workers and employers into retirement funds, then into the buyout fund. After the deal, cash can travel back through distributions when investments are sold or refinanced. The path is long enough that everyday ownership becomes difficult to recognise. The question “who owns everything?” rarely has one name as its answer. It has a chain.

3. How a Leveraged Buyout Works

Northbridge is valued at one billion pounds, including the debt already on its balance sheet. The private-equity fund does not normally write a cheque for the entire amount. It creates an acquisition company and combines fund equity with new borrowing. Imagine four hundred million pounds of equity and six hundred million of acquisition debt. The proportions vary by deal, market conditions and lender confidence.

The acquisition company uses that money to buy Northbridge. After the transaction, the new debt sits within the ownership structure and is generally serviced from the cash generated by the business. This is the defining power of a leveraged buyout. The investor controls a billion-pound enterprise while initially committing much less than a billion in equity.

Leverage amplifies outcomes. If Northbridge grows and repays debt, the value remaining for equity can rise sharply. If cash flow weakens, interest and principal still demand payment. A small change in enterprise value can become a much larger percentage change in the equity stake because debt has the first claim.

Consider a simplified example. The fund contributes four hundred million and borrows six hundred million to acquire the company for one billion. Five years later, Northbridge is sold for one-point-two billion and debt has fallen to four hundred million. Eight hundred million remains for equity before fees, taxes and other adjustments: twice the original equity even though the total business value rose by only twenty per cent.

Now reverse the result. If Northbridge's value falls to eight hundred million while debt remains six hundred million, only two hundred million remains for equity. A twenty per cent decline in enterprise value has cut the equity value in half. If value falls below the debt owed, lenders can control the restructuring and equity may be wiped out.

The calculation is more complex in real deals. Businesses hold cash, debt comes in several layers, interest can float with market rates, and transaction costs matter. Some loans require regular repayment; others mature later. Covenants may restrict distributions or demand action when financial ratios deteriorate. The principle remains: leverage turns a business outcome into a magnified equity outcome.

Debt is not automatically evidence of extraction. Borrowing can finance an acquisition that creates a better owner for a neglected company. It can impose capital discipline and prevent idle cash from being wasted. But it consumes future choices. Money used for interest cannot simultaneously pay wages, replace equipment, build reserves or improve services.

For Northbridge, the purchase closes successfully. Residents see the same rooms. The acquisition company now owns the operating group, and lenders hold contractual claims above the equity. The

fund has not merely bought a company. It has designed a financial structure around the company's future cash.

4. Why the Company Carries the Debt

This is the point many people find counter-intuitive. The buyer chooses the transaction, but the acquired business usually produces the money that supports the borrowing. Northbridge's care fees, maintenance contracts and local-authority payments now fund wages, food, utilities, repairs, taxes—and interest on the debt used to acquire it.

Imagine Northbridge earns one hundred and twenty million pounds before interest, tax, depreciation and amortisation. That measure, EBITDA, is often used as a rough indication of operating cash generation, but it is not cash in the bank. Buildings need maintenance. Equipment wears out. Working capital changes. Tax is real. In a care business, staffing and property investment cannot be treated as optional simply because they appear below a headline earnings measure.

If annual cash interest begins at fifty million pounds, the remaining flexibility narrows. Higher interest rates can raise that bill when debt is floating-rate or refinanced. A business with stable revenue may still face financial pressure because the cost of its capital structure changes.

Lenders assess this risk before the transaction. They examine earnings, assets, market position and downside scenarios. They may require the private-equity sponsor to contribute more equity or accept covenants. Private-credit funds have become important lenders when banks are unwilling or when borrowers need flexible terms. Their capital can remain available in stressed markets, but it can also be expensive.

The company carrying acquisition debt does not mean the sponsor faces no risk. The fund's equity is exposed first when value falls, and a sponsor may inject additional money to protect an investment it believes can recover. IMF research notes that sponsor support has helped some borrowers during stress. Yet the choice belongs to the sponsor. It may conclude that further equity would not earn an adequate return.

Northbridge's managers now prepare monthly cash reports. A new digital scheduling system might reduce agency-staff costs, creating money for debt service and investment. Selling an underused property could strengthen liquidity. Delaying refurbishment could preserve cash this year while creating larger costs later. The financial structure changes the weight attached to each decision.

Every company allocates scarce money. Leverage makes the order of claims more visible. Staff and suppliers must be paid to keep the service operating. Tax authorities and landlords have legal rights. Lenders hold contracts and security. Equity receives what remains, but it also controls many of the strategic choices determining what will remain.

5. Four Ways an Investment Makes Money

A successful buyout is often described as value creation, but that phrase can combine very different mechanisms. Separating them helps us judge what actually happened.

The first mechanism is operating improvement. Northbridge might reduce duplicated administration, improve staff retention, purchase supplies more effectively and use better scheduling to deliver more care hours with the same resources. Revenue can grow through new locations or services. Margins can improve through real productivity rather than lower quality. This is the strongest version of the private-equity argument: concentrated ownership, expertise and capital make a business better.

The second mechanism is debt repayment. Suppose Northbridge uses excess cash to reduce borrowing from six hundred million to four hundred million. Even if the total company is later sold for the original one billion, the equity portion has risen from four hundred million to six hundred million before costs. Value moved from lenders' claim to the owners' claim because the company paid down debt.

The third mechanism is the valuation multiple. Buyers often discuss enterprise value relative to earnings. If Northbridge is bought for eight times a measure of earnings and sold for ten times, equity can gain even without equivalent operational progress. A higher multiple may be justified because the company became larger, safer or more predictable. It may also reflect a buoyant market and cheap financing. Multiple expansion can reverse when rates rise.

The fourth mechanism is financial distribution before exit. A company may pay dividends to its owner from accumulated cash, new borrowing or asset sales. A dividend recapitalisation replaces part of the sponsor's original equity with additional debt. This can return capital early and reduce the sponsor's amount at risk, while leaving the portfolio company with larger obligations.

Most deals combine the four. The public argument often highlights operating improvement. The investment return can also depend heavily on leverage, debt repayment and the price another buyer is willing to pay. A transparent analysis creates a bridge from the original equity cheque to the final proceeds, showing how much each source contributed.

Northbridge introduces digital rostering, expands home care and centralises procurement. Those changes improve earnings. It also closes a weak division, repays some debt and benefits from a stronger market valuation for healthcare services. Later, the fund considers a dividend funded through refinancing. Each choice can increase investor returns. Their effects on resilience, staff, customers and the next owner are not identical.

When someone says private equity created value, ask where the value came from. Better service and productive investment are different from a favourable market multiple. Paying down debt is different from adding it. A company can experience several at once. The arithmetic should not be hidden inside one celebratory number.

6. Fees, Carried Interest and Incentives

Private-equity economics operate at more than one level. The fund manager may receive a management fee, commonly linked to committed or invested capital under terms that change over the fund's life. It may also receive carried interest: a share of profits after contractual conditions such as returning capital and meeting a preferred return. The exact waterfall can be complex and differs among funds.

The distinction matters because fees reward assets under management, while carried interest rewards successful exits. Together they can align the manager with investors, but they can also shape behaviour. Raising a larger fund increases the fee base. Selling a company can crystallise performance. Holding it longer may improve the business or delay the moment when performance is tested by a real market transaction.

Portfolio companies can also pay transaction, monitoring, advisory or director fees, depending on the deal and jurisdiction. Some fund agreements require these payments to offset management fees; others treat them differently. A complete account follows every pound, not merely the headline fund return.

Limited partners negotiate protections. They review fee offsets, key-person clauses, investment restrictions, valuation policy and the distribution waterfall. Large pension funds can demand better terms or invest alongside a fund with lower fees. Smaller investors may have less bargaining power.

Carried interest is often defended as performance-based compensation paid only after investors succeed. Critics focus on tax treatment, complexity and the possibility that leverage magnifies performance rewards without an equivalent sharing of downside. Both arguments depend on the precise contract and tax system.

In Northbridge's case, the acquisition includes advisory costs. The fund pays annual management fees from committed capital. Portfolio-level fees support specialists helping with procurement, technology and property. If those specialists deliver improvements worth more than their cost, the company and investors benefit. If the charges primarily move cash to affiliated entities, the incentive looks different.

This does not require assuming bad faith. Financial structures respond to rules. Managers will rationally optimise fund size, timing and contractual income. Limited partners will negotiate for net returns. Regulators will decide which conflicts require disclosure or limits. Understanding incentives means seeing what each participant is paid to maximise.

The performance reported to a pension scheme must be net of the fees and carried interest it actually bears. A strong gross return can become an ordinary net return after costs. A comparison with public markets also needs equivalent dates, risk and liquidity. The appealing internal rate of

return can be sensitive to when cash enters and leaves. One number never describes the whole bargain.

7. What Good Ownership Can Change

Private ownership can solve problems that dispersed public shareholders or a cash-constrained founder struggled to address. A fund may recruit experienced managers, finance new equipment, combine complementary companies and make difficult changes quickly. Because its capital is locked for years, it can invest through a temporary downturn without facing daily withdrawals from the fund.

Northbridge's scheduling is fragmented across paper, spreadsheets and incompatible systems. Vacant shifts are filled through expensive agencies. The new owner funds a unified platform, improves training and creates a regional recruitment team. Staff turnover falls. Managers spend less time correcting rotas. More of each care payment reaches the people delivering care.

The fund also purchases two small home-care providers whose founders want to retire. Central finance and technology reduce duplication, while local care teams retain their relationships. The combined group can negotiate better insurance and spread regulatory costs across more locations.

These are genuine economies of scale. They do not require cutting frontline quality. A specialist owner can recognise operational patterns across a portfolio and transfer knowledge. It can give a small company access to executives, data and financing normally available only to larger groups.

Private-equity ownership can also preserve companies that public markets or family owners would abandon. A rapid restructuring may close weak operations while saving the viable core. During the pandemic, private credit remained available to some sponsor-backed companies when public lending markets contracted. Sponsors sometimes injected equity because they expected temporary stress to pass.

Yet every benefit needs evidence. A new digital platform is not automatically productive. Acquisitions can create complexity rather than scale. Cost reductions can remove waste or remove the capacity that protects customers when something goes wrong. The same action appears differently from a spreadsheet and a care shift.

Northbridge's early results are encouraging: fewer agency shifts, faster invoice processing and additional home-care capacity. The fund's concentrated control helped decisions happen. But the company also has less room for error because of its debt. Operational improvement and financial risk coexist.

A balanced account of private equity must preserve this possibility: an owner can make a business materially better. Criticism becomes less credible when it treats every improvement as disguise. Praise becomes less credible when it counts every cost reduction as productivity. The test is what changed, who benefited, how durable it is, and what risks were transferred to the future.

8. When Leverage Removes Resilience

Northbridge's original plan assumes stable care fees, moderate wage growth and refinancing at manageable rates. Then energy costs rise, a labour shortage pushes pay upward and interest rates remain higher than expected. None of these events destroys the underlying demand for care. Together they squeeze cash.

A lightly indebted company can absorb a bad year from reserves or accept temporarily lower profits. A leveraged company has less discretion. Interest dates do not move because recruitment is difficult. Lenders may accept an amendment, but they can demand fees, higher margins, extra security or additional sponsor equity.

This is the central trade. Leverage improves equity returns when the plan succeeds. It reduces the shock absorber when reality departs from the plan. The financial model may include downside cases, but the world can combine problems the model treated separately.

Management responds first to reversible spending. Recruitment campaigns are delayed. Refurbishments stretch over more years. A new training programme is narrowed. Each decision preserves liquidity, and each may be defensible alone. Over time, deferred investment can weaken service and make recovery harder.

The sponsor faces a choice. It can inject new capital, negotiate with lenders, sell assets, reduce costs or begin a restructuring. The correct answer depends on whether Northbridge has a temporary liquidity problem or a permanently weaker business. Additional equity protects creditors as well as services; investors will contribute only if expected recovery justifies it.

Leverage can also create urgency that improves a complacent company. Managers focus on cash, working capital and return on investment. The danger arrives when financial targets outrank the physical reality of the service. A care home cannot reduce staffing below safe levels because a spreadsheet demands a margin. An industrial company cannot postpone maintenance indefinitely without increasing operational risk.

In insolvency, the legal entity and creditor hierarchy matter. The private-equity fund does not necessarily guarantee every portfolio-company debt. Losses can stop at the investment structure, while workers, suppliers, landlords and communities experience the operating failure directly. That separation is a normal feature of corporate law, not unique to private equity, but leveraged ownership can make it decisive.

Northbridge survives the squeeze after its owner adds equity and lenders extend maturities. The intervention demonstrates the benefit of a sponsor able to mobilise capital. It also reveals how close the original structure came to exhausting the company's flexibility. Resilience is not measured by performance in the plan. It is measured by choices remaining when the plan fails.

9. The Sale-and-Leaseback Trade

Northbridge owns many of the buildings from which it operates. The property has risen in value, but that value is trapped in bricks and land. The fund proposes a sale-and-leaseback. A property investor buys the buildings for three hundred million pounds. Northbridge signs long leases and continues operating in the same locations.

On completion day, little appears to change. Residents remain in their rooms. Staff use the same entrances. The company receives a large amount of cash, which can repay debt, fund expansion or support a distribution to shareholders. Its balance sheet becomes lighter on property.

The trade creates a new obligation. Northbridge no longer controls the buildings outright and must pay rent for decades. Leases may include inflation-linked increases, repair responsibilities and restrictions on changing use. A one-time asset becomes a recurring operating cost.

Sale-and-leaseback is not inherently abusive. Airlines lease aircraft. Retailers lease shops. Separating property ownership from operations can place assets with investors suited to long-duration income and release capital for a business that can earn more elsewhere. The question is whether the cash use and lease terms strengthen or weaken the operating company.

If Northbridge uses the proceeds to remove expensive debt and modernise homes, annual cash pressure may fall. If most cash leaves as a shareholder distribution while rent rises, the sponsor reduces its exposure and the service company carries a new fixed claim. Future owners inherit that lease.

Valuation can make the choice look attractive because property sale proceeds arrive immediately while rent is spread across future years. A responsible analysis discounts both and tests adverse scenarios. What happens when occupancy falls? Can an unprofitable home close, or does the lease continue? Who pays for structural repairs? Can the property owner raise rent or enforce covenants?

The FTC's 2024 healthcare workshop heard evidence about sale-and-leaseback structures in acquired healthcare businesses, including concern that proceeds can flow to owners while operators retain escalating rents. That is attributed evidence about particular practices and sectors, not proof that every transaction has the same effect. It identifies the mechanism regulators and investigators need to examine.

Northbridge sells half its properties, repays part of its acquisition debt and invests in two modern facilities. It also distributes some cash to the fund. The result is mixed: lower bank debt, better buildings, earlier investor proceeds and a long rental commitment. A transaction can improve one measure of leverage while creating another kind of fixed obligation.

10. Healthcare and Care Homes

Healthcare concentrates the private-equity debate because financial decisions meet people at vulnerable moments. A delayed software project is inconvenient. A missing nurse, closed clinic or postponed piece of equipment can change a life. That does not make private investment incompatible with care. It raises the standard of evidence required to judge it.

Private capital can renovate facilities, fund new treatments, build specialist networks and give clinicians better systems. Fragmented providers may benefit from shared purchasing, compliance and technology. A founder approaching retirement can transfer a practice to an organisation able to invest and continue it. These are real needs in sectors where public budgets and traditional bank lending may be limited.

The risk comes from applying a financial model to a service whose spare capacity protects patients. Staffing that appears inefficient during an ordinary week may be essential during an outbreak. An unoccupied bed can be resilience rather than waste. Maintenance, infection control and training produce benefits that are difficult to capture in the next quarterly earnings figure.

Research findings differ by sector, period and transaction. The Federal Trade Commission's 2024 healthcare workshop brought together researchers, practitioners, officials and affected parties. Testimony discussed consolidation, staffing, clinical autonomy, prices, protective equipment and sale-and-leaseback obligations. Some speakers described evidence of worse outcomes after particular acquisitions; others stressed investment, scale and the diversity of ownership models. A workshop transcript records attributed evidence and disagreement. It should not be converted into a universal verdict.

Northbridge's homes demonstrate the measurement problem. Agency spending falls after the scheduling project, which is positive if permanent staff cover the work safely. The same falling cost would be negative if shifts simply disappear. Occupancy rises, but that does not reveal whether residents receive more attention. Profit, staffing hours, inspections, complaints, hospital admissions and workforce turnover describe different parts of quality.

Consolidation can also change local bargaining power. A large group may negotiate lower supply prices and standardise care. It may become the only significant employer for carers in a town or the only provider able to accept a local-authority contract. The benefit of scale and the risk of market power can grow together.

The right question is not whether profit belongs in healthcare. Every provider must cover wages, buildings, supplies and capital. The question is how ownership, leverage and incentives affect clinical decisions, resilience and access. Follow the cash, but follow outcomes as well.

11. Housing, Infrastructure and Everyday Services

Private-equity and private-infrastructure funds increasingly appear in the systems people cannot easily avoid: rental housing, water, energy networks, broadband, parking, waste, childcare and transport. These assets can require patient capital and professional management. They can also possess local monopoly characteristics, long customer relationships or public guarantees.

Infrastructure suits long-duration investors because demand may be stable and assets can produce predictable cash. Pension funds value that stability. A private owner can accelerate investment when public authorities face borrowing constraints. New fibre, renewable generation or modernised logistics may arrive sooner because institutional capital accepts a multi-year return.

The tension lies in control over essential services. Customers cannot choose to stop using water. Tenants cannot move without cost. A regulated network may recover investment through future bills. The contract, regulator and financing structure decide whether efficiency gains reach users or primarily increase investor returns.

Housing demonstrates how categories blur. A fund can finance new homes that would otherwise not exist. It can purchase existing homes, raise rents, standardise maintenance and aggregate properties into a financial asset. The social effect depends on supply, tenant protection, financing, service and local market power. Counting units owned tells us little without tracing what changed.

Infrastructure debt may be justified by stable long-term cash flow. Excessive leverage can still reduce maintenance and make refinancing a public concern. When an essential provider fails, government cannot always allow service to stop. Investors receive the upside in good years while taxpayers or customers may absorb part of the downside if continuity becomes politically unavoidable.

Northbridge's maintenance division wins contracts for schools and public buildings. A central purchasing system improves response times. Later, pressure to meet debt targets encourages it to bid too aggressively. The contract looks profitable before unexpected repairs. Local authorities now depend on a supplier whose financial margin is thin.

This is where ownership becomes public policy. Private capital can expand useful capacity, but the public needs transparent service standards, credible regulation and plans for failure. The asset may be privately owned. The consequences of its decisions remain shared.

12. Private Equity, Private Credit and Banks

A modern buyout rarely involves only one fund and one bank. Acquisition finance can include revolving credit, term loans, high-yield bonds and direct loans from private-credit funds. Banks may arrange debt, lend to the portfolio company, finance the private-credit vehicle or provide subscription lines secured against investor commitments.

Private credit grew partly because mid-sized companies wanted flexible loans and banks became more constrained or selective. A direct lender can understand a specialised borrower, negotiate privately and hold the loan rather than distributing it immediately. During disruption, that relationship may support faster amendments and continued lending.

The same privacy creates a data problem. Loans do not trade frequently, valuations can adjust slowly and connections among funds, banks, insurers and pension investors are difficult to map. The IMF describes potential leverage at several layers: institutional investors, investment vehicles, special-purpose structures and the underlying companies. A fund reporting little direct borrowing can still sit inside a system containing substantial debt.

Northbridge borrows from a private-credit fund managed by the same large financial group that operates private-equity strategies. The credit team has separate duties and investors, but the organisational connection creates questions about allocation, pricing and conflict management. Did the lender offer the best terms? Does it receive information unavailable to competitors? What happens when the equity owner wants flexibility and the credit fund must protect lenders?

Interconnection does not automatically mean instability. Closed-end funds usually have long-term capital and do not promise daily redemption. That reduces the run risk found in deposit-funded banking. Sponsors may add equity, and private lenders can negotiate rather than force an immediate public-market sale.

But opacity can delay recognition. A loan valued by a model may remain stable after an equivalent public bond price falls. That can prevent panic or conceal deterioration. If losses eventually emerge together, pension funds, insurers, banks and investment vehicles may discover that risks thought separate were connected.

The IMF's balanced conclusion is useful: risks appeared contained in its assessment, while rapid growth, weaker borrowers, valuation uncertainty and missing data justified closer supervision. The honest documentary should resist predicting an inevitable crisis. It should show the pipes through which stress could travel.

13. Workers, Suppliers and Customers

An investment return is built inside a living organisation. Workers create products and deliver services. Suppliers extend credit and depend on repeat orders. Customers trust warranties, continuity and quality. A buyout model that treats these groups only as costs misses the source of the company's value.

Private ownership can reward employees through training, promotion, better systems and sometimes equity participation. A growing portfolio company may hire faster than its peers. A turnaround can save jobs that would otherwise disappear. Concentrated control can remove layers of bureaucracy and let managers act.

It can also produce intense performance pressure. Targets may shorten decision horizons. Head-office functions can be consolidated across acquired companies. Employment conditions can change as the owner prepares for exit. Whether productivity rises or work simply becomes harder requires evidence beyond headcount.

Northbridge reduces agency use and gives permanent carers more predictable shifts. Staff retention improves. Its property division, however, centralises procurement and stretches supplier payment terms from thirty to sixty days. That releases working capital for Northbridge by asking smaller suppliers to finance an extra month of operations.

The accounting benefit is immediate. The economic cost moves outward. A local laundry must borrow against invoices or accept slower growth. If many powerful customers extend terms simultaneously, working-capital pressure migrates through the supply chain.

Customers can benefit from investment, consistency and wider access. They can also face higher prices when acquisitions reduce competition. A group may introduce subscription models, bundle services or close marginal locations. Each decision can be rational for the company while reducing choice for a community.

These effects are difficult to reduce to one average. A deal can create jobs in expanding divisions and remove them elsewhere. Wages can rise for scarce specialists while hours become less secure for others. Customer satisfaction can improve even as prices rise. The distribution matters.

The practical test follows changes over time and compares them with credible alternatives. What would have happened under the previous owner? What happened at similar companies without a buyout? Which gains persisted after exit? Stakeholder claims need the same discipline as financial claims.

14. Why Valuation Is Hard to See

Public markets produce an imperfect but continuous argument about price. A listed company's shares trade among willing buyers and sellers. A private portfolio company may receive a formal valuation only quarterly, supported by models, comparable businesses and recent transactions.

That does not mean the value is invented. Professionals use established methods, independent review and audit. The challenge is that judgement enters precisely when markets become uncertain. Comparable-company prices can fall today while a private valuation adjusts later. Forecast earnings and chosen multiples can soften or accelerate the change.

Smooth reported returns appeal to investors because they appear less volatile. Some of that smoothness reflects long-term ownership without forced daily trading. Some reflects appraisal timing. Risk has not disappeared merely because the line on a chart moves gradually.

Northbridge's operating earnings rise, but interest rates also rise and comparable healthcare businesses trade at lower multiples. One part of its value improved while another worsened. The manager must estimate what a buyer would pay. Until an actual transaction occurs, there is no single observable answer.

Fund-level performance adds cash-flow timing. Internal rate of return gives more weight to when money is invested and returned. Returning capital early can increase IRR even if the total multiple is unchanged. A fund can report both an attractive annualised rate and a less dramatic multiple of invested capital. Investors need both, plus a suitable public-market comparison.

Continuation vehicles complicate price discovery further. A manager may transfer a company from an older fund into a new vehicle it also manages. Existing investors can sell or roll their interest. The transaction provides time for further growth but places the manager on both sides of a valuation and requires strong conflict controls.

Opacity is not synonymous with fraud. It is a structural consequence of assets that rarely trade. The response is transparent methodology, independent governance, comparable metrics and humility about precision. A quarterly valuation is an estimate, not a cash exit.

15. The Exit Machine and Continuation Funds

A traditional buyout fund does not intend to own a company forever. It must eventually return capital to limited partners. That creates an exit clock even when the fund has a long life.

One route is a strategic sale to a company that can combine operations. Another is a secondary buyout by a different private-equity fund. A public offering can list shares on a stock exchange, though the original owner may sell gradually. Management can sometimes buy the company. A continuation vehicle can hold the asset beyond the old fund's timetable.

The exit price crystallises much of the story. Operating projections meet a real buyer and financing conditions. Debt is repaid, transaction costs are deducted, and remaining proceeds flow to the fund. The distribution waterfall then allocates money between limited partners and the manager.

Northbridge receives offers from a public healthcare group and another buyout fund. The strategic buyer expects synergies but plans to integrate head office. The sponsor offers a higher price financed with new debt. A continuation vehicle would keep the current strategy while giving existing fund investors a choice to cash out.

The highest price is not necessarily the best outcome for every stakeholder. New leverage can restart financial pressure. Integration can remove duplicated jobs while strengthening clinical investment. Continued ownership can preserve strategy while postponing a market test.

Preparing for exit can encourage genuine improvement: clean accounts, professional management, reliable systems and a convincing growth plan. It can also encourage cosmetic short-term choices that increase earnings at the expense of maintenance or staff. A sophisticated buyer examines the quality and durability of profit.

After six years, Northbridge is sold to a long-term infrastructure-and-services investor. Acquisition debt has fallen, earnings have grown and the sale multiple is slightly higher. The fund records a strong return. The new owner inherits better technology, several renovated homes, property leases and a workforce tired by the refinancing period. The investment story ends for one fund. The company's story continues.

16. Who Ultimately Owns the Owners

When a newspaper says a private-equity firm owns a company, the phrase compresses several legal and economic relationships. The manager controls the fund's decisions. The fund owns shares through holding companies. Limited partners supply most of the equity. Their beneficiaries ultimately bear much of the investment gain or loss.

A teacher whose pension fund commits capital may be an indirect beneficiary of private-equity ownership. The same teacher may rent from, work for or buy services from a portfolio company. One person can occupy both sides of the transaction without knowing it.

This creates a governance distance. Pension trustees evaluate risk and return across a large portfolio. The private-equity manager monitors the fund. Portfolio-company directors govern the business. Regulators oversee specific activities. Customers and workers experience decisions at the end of the chain.

Long chains can distribute expertise. A pension scheme need not operate care homes itself. They can also distribute responsibility until each participant sees only its contract. The pension fund asks whether returns meet obligations. The manager asks whether strategy increases value. The company asks whether it meets budgets. The resident asks whether someone answers the call bell.

Beneficial ownership registers, fund disclosures and regulatory reports illuminate parts of the chain. Commercial confidentiality and complex entities leave gaps. Even perfect legal ownership data would not reveal influence exercised through debt covenants, management agreements or board appointments.

The answer to “who owns everything?” is therefore less dramatic and more consequential than a list of famous firms. Modern ownership is a network connecting ordinary savings to concentrated control. Returns can support millions of retirements. Decisions can also alter essential services far from the beneficiaries receiving those returns.

Accountability should follow control. The party able to appoint directors, approve debt, sell assets and determine strategy has responsibilities that cannot be explained away by the distance between fund and beneficiary. At the same time, beneficiaries and trustees must decide what standards their capital should require.

17. What Regulation Can and Cannot Reveal

Private-equity regulation spans securities law, competition, tax, employment, pensions, sector rules and corporate reporting. No single regulator sees the entire system. A healthcare authority watches clinical standards. A competition authority examines market power. A financial regulator focuses on funds, investors and stability. Company law governs directors and insolvency.

Institutional investors generally receive detailed private reporting. Public disclosure can be much thinner than for listed companies. Regulators collect additional data, but cross-border structures and different definitions make aggregation difficult. The IMF repeatedly identifies data gaps around leverage and connections with private credit.

More disclosure can reveal fees, valuations, conflicts and debt. It cannot by itself determine whether staffing is safe or a maintenance plan is adequate. Sector expertise remains essential. A perfect fund report may still miss deterioration inside one operating site.

Competition review also faces timing. Buying one veterinary practice may not change a market. Repeating the transaction across hundreds of local areas can create consolidation gradually. Regulators need information that connects apparently small deals and measures local choice.

Rules can reduce harmful incentives, but they can create new structures designed around thresholds. Leverage caps may move debt to another layer. Disclosure requirements can produce long documents without clarity. Tax changes alter the balance among fees, carried interest, debt and equity. Regulation works best when it follows economic substance rather than labels.

For essential services, continuity plans matter as much as financial reporting. Who operates a water network, care home or transport service if the company fails? Which assets remain available? Can contracts transfer? A credible failure regime reduces the assumption that the public will rescue investors to protect users.

Transparency should enable decisions, not simply generate data. Workers need to know who controls their employer. customers need service and complaint information. Limited partners need net performance and risk. Regulators need entity-level connections. The public needs evidence about outcomes in sectors carrying social obligations.

18. The Question to Ask About Any Deal

Private equity is neither a secret society owning every object nor a neutral label without consequences. It is a way of organising capital, control, incentives and time. Its outcomes depend on the company purchased, the price, the debt, the manager, the operating plan, the economic cycle and the protections around people who cannot diversify their exposure.

When a familiar business changes hands, begin with the ownership chain. Who supplied the equity? Who controls the board? Which lenders hold claims? Which entities receive fees? Then examine the operating company. How much cash does it produce after the investment needed to sustain the service?

Next, map every fixed claim: interest, rent, leases, tax, pensions and supplier obligations. Test them against a bad year, not only the acquisition plan. Ask whether the owner can and will add capital. Identify which assets were sold and where the proceeds went.

Separate the sources of return. Did earnings grow because the service improved? Did debt fall because the company generated cash? Did the valuation multiple rise? Were dividends funded by operations, asset sales or new borrowing? The same investor return can emerge from very different corporate histories.

Then examine distribution. What happened to wages, staffing, suppliers, prices, maintenance, competition and resilience? Avoid assuming that every cost reduction is harm or every investment announcement is benefit. Look for measured outcomes and credible comparisons.

Finally, follow the exit. Who bought the company, with what financing and obligations? A successful fund sale is a moment in a longer institutional life. Customers, workers and physical assets remain after the investment period ends.

Northbridge finished stronger in technology and scale, weaker in property flexibility, and more experienced in the cost of leverage. Its investors earned a return supporting pensions and insurance obligations. Its workers and residents experienced benefits and strain that no fund-level number can fully express.

That is the central answer. Private equity does not own the world in one hidden room. It connects the world's savings to concentrated decisions about companies people depend on. To judge it fairly, do not stop at the owner's name. Trace the capital, the debt, the cash and the consequences—all the way to the front door.