

# Money Issue: What's the Deal

**FINANCE:** Some Los Angeles-based public companies are taking the private route and experts say this is just the beginning.

**By ZHIYU LUO**

*Staff Reporter*

Automotive entrepreneur Scott Painter sealed the \$227 million deal to take Santa Monica-based TrueCar Inc. private Wednesday, tucking the digital automotive marketplace he co-founded in 2005 under his wing again.

Having announced the deal in October, Painter will return to TrueCar as chief executive, leading TrueCar's parent company, Fair Holdings Inc., with a group of strategic partners, investors and lenders.

"Having a stable base of supportive shareholders means you don't have to chase growth at all costs. Unprofitable growth isn't growth that's healthy, and it doesn't help a company improve its value," Painter said in an interview with the Business Journal upon the announcement last week. "Having a stable base of supportive investors and shareholders means that we can focus on the important work that we need to do without chasing the market."

The year 2025 marked a moment for corporate America to quietly step off Wall Street – and an increasing number of



Scott Painter, who founded TrueCar Inc. in 2005, recently closed on his deal to reacquire the company and take it private. (Photo by Rich Schmitt)

L.A. companies, like TrueCar, followed suit.

From technology to fashion and footwear and entertainment, the City of Angels saw a growing number of local firms going private in various sectors, with Painter opening 2026 with the closure of his transaction.

However, Manhattan Beach-based Skechers U.S.A. Inc.'s \$11.4 billion take-private deal took the crown as L.A.'s largest of 2025 – and there are more such transactions to come.

"I don't think it's a blip. I think it's a trend," said Lloyd

Greif, chief executive of downtown investment banking firm Greif & Co. who represented Skechers in the transaction. "I think you'll see more of the same in 2026."

The public market has seen its fair share of disruptions from tariffs to what some call a "stagflation" on the line. Sensing the on the line. Sensing the seismic shifts, companies fled to the proverbial private high grounds for refuge, often hoping to wait out the tsunami and plan their long-term growth without



Lloyd Greif

the pressure of performing for all to see.

“There are so many good reasons to go private, and I think we will see an acceleration. Especially California, in L.A. County, we have more regulations, more red tape, and it’s not an easy place to do business,” said Sung Won Sohn, professor of finance and economics at Loyola Marymount University’s college of business administration. “California companies have even more reasons to go private.”

**To show or not to show**

When it comes to their business operations, public companies have their hands tied by regulations and public scrutiny. For one, a public company must disclose its earnings, legal proceedings and other metrics on a quarterly basis, which increases operational costs, subjects it to

more regulations and makes it hard to strategize with a long-term plan.

“The cost of compliance audits, they mount up,” Sohn said. “You really cannot focus on long-term strategies, because you may have to sell an asset that you don’t want to sell, but you want to show earnings. You end up doing things that you shouldn’t be doing. You lose flexibility in managing a business.”

Not having flexibility is dangerous in a challenging business environment, where consumers increasingly look for the best bang for their buck. Not meeting

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LLOYD GREIF  
*Greif & Co.*

the quarterly projections can tank stock prices, and a significant number of public companies are not seeing enough returns from the public market.

Remaining public presents clearer disadvantages than benefits at this time, Greif said.

Skechers was “historically” undervalued, he notes. Compared to its peers in footwear such as Nike Inc. or Adidas, its market multiple was lower and thus was attractive to buyers who may “retool it in private to make it more public market

friendly and more likely to trade consistent with its peers when it goes public again.”

On May 2 – three days before the go-private announcement – Skechers closed at \$49.37 per share. Adidas closed at \$117.01 and Nike at \$58.59. The same day the deal dropped, Skechers’ stock climbed more than 24% to close at \$61.39 a share. That brought its valuation in line with the deal price at \$63 a share in a cash payout – or shareholders could take a \$57 cash payout plus a non-transferable equity stake in the newly privatized Skechers.

“You can count the number of companies that are dominating the performance of the stock market on two hands,” said Greif. “That means that there’s a lot of other companies out there that aren’t necessarily seeing the



Sung Won Sohn



A Guess Inc. denim exhibition in Tokyo. (Photo c/o Guess)

same growth in stock price and, if they're not, then you have the value dislocation that creates the opportunity for private equity firms to swoop in."

President Donald Trump's administration has implemented tariffs on more than 90 countries, and retail companies are feeling the squeeze. For instance, Skechers sourced 40% of their products from China, according to a Yahoo Finance report last February. That puts the company right in the crossfires of a tit-for-tat trade war.

By the time the shoemaker withdrew its 2025 guidance – citing "macroeconomic uncertainty stemming from global trade policies" – it was facing a 145% duty on Chinese imports, reported Yahoo Finance in April.

Skechers by far isn't the only business impacted by ongoing international tensions.

TrueCar also did not share financial guidance for the sec-

ond quarter of 2025, citing uncertainties arising from automotive tariffs. Former chief executive Jantoon Reigersman told analysts that it was "prudent" not to offer such guidance as the company continued to monitor market dynamics.

Retailers and manufacturers of "tangible products" are hit the hardest, Marina Gentile, partner of Global Transfer Pricing Strategies at Withum, told the Business Journal in May. "There is a lot of uncertainty ahead for U.S.-based companies importing their products from foreign markets," she said.

### 'Dirty laundry'

Exiting the public market then can mean weathering it out and waiting for sunnier days. And with less public scrutiny, private companies also can "hide their dirty laundry" better and avoid the transparency that may hurt their business from a competitive standpoint, said Greif.

"If the current presidential administration has shown anything, it's shown that it's unpredictable, and that lack of predictability makes it challenging to chart a course," he said. "You have to be flexible in this environment, and it's hard to make long-term commitments, long-term investments and long-term plans if you don't know what's the next shoe to drop on the macroeconomic environment."

Downtown fashion company Guess? Inc., which also announced a \$1.4-billion go-private deal with Authentic Brands Group in August, echoed Greif's observation.

Chief Executive Carlos Alberini said the apparel retailer will have "enhanced flexibility to navigate today's complex operating environment and execute on a more targeted, long-term strategy" if it went private.

The birds might still circle back to the public markets at some point. TD Cowen's John Kernan expect Skechers to become "public again in the not-too-distant future," reported Yahoo Finance.

James Park, professor of law and vice dean for community, equality and justice at UCLA School of Law, said the benefit of going private is giving companies a breathing space and hope that the business environment will become more hospitable again over time.

"You're trying to wait out an unfavorable environment and survive to become a public company at a later day," Park said.



Trevor Saliba is the founder of NMS Capital Group. (Photo by Ricardo Mendoza)

### **Private credit: lots of dry powder**

In the eye of the storm, private credit is growing fast as one of the more favorable financing alternatives. Companies increasingly prioritize certainty and more tailored experience, and private credit capitalizes on this demand.

“The reason you’ve seen a nice pickup in larger leveraged buyouts in the past 12 months, specifically, is because there are private credit markets,” Greif said. “LBOs used to be dependent strictly on the bank syndication market, not anymore. Private credit funds now drive a lot of that activity.”

Aliso Viejo-based Scheer Law Group noted in a report that while traditional banks are now retrenching because of “regulatory pressures and capital constraints,” private asset man-

agers such as Century City-based Ares Management Corp. are skyrocketing into prominence.

In addition, Morgan Stanley reported that the rapid growth in private credit has been propelled by “increased market volatility and bank lending regulations” –projecting the market will reach \$5 trillion by 2029, more than double the \$2 trillion in 2020.

“Private credit has historically offered compelling performance in relation to other segments of the fixed-income market and leveraged finance,” wrote Ashwin Krishnan, head of North America Private Credit at Morgan Stanley Investment Management, in a report. “Over the last 10 years, when private credit began to grow in earnest, it has provided higher returns and lower volatility compared to both leveraged loans and high-yield bonds.”

The private credit boom offered public companies more certainty and more speed in the “go-private” transactions despite the shift in interest rates, according to Greif. Private credit also offers a one-stop shop for all kinds of debt, whereas traditional bank financing may take several steps.

The competitive edge is not lost on businessowners. While going public typically means milking a greater access to capital in debt or equity, that advantage is now less clear with a vibrant private market.

“The availability – increasing availability – of private credit has made these going private transactions much more doable,” Greif said. “There’s been a very receptive financing market for PE firms to be able to get access to the leverage that they need... in some respects, private credit is now a bigger part of their business model than the equity side was.”

Krishnan added in his report: “Significant pent-up demand and private equity dry powder that has built up over the years may create favorable lending conditions and pricing for direct lenders once fully released.”

More foreign capital is also flooding in to buy U.S. companies. Both Skechers and Air Lease Corp. – which announced last September plans to be acquired by a new holding company in Ireland – are involved with investors from abroad. While they are global firms that have the capacity to be noticed by funds worldwide, the U.S. represents “one of the safest investment regions in the world” and easily attracts foreign capital, noted Trevor Saliba, founder and chairman of NMS Capital Group in Beverly Hills.

Wealthy international investors often have their eyes on long-term gains instead of liquidity, and private equity has an attractive higher return rate, said Yaniv Tepper, managing partner of Beverly Hills-based Angeleno Group. Pension funds are also increasing their



*Martin Prescher, Eric Asmussen and Ken Potter at TrueCar headquarters in Santa Monica. (Photo by Rich Schmitt)*

allocations to the public market due to an “extended time period where interest rates were fairly low,” seeing an opportunity to make more money.

“There’s been a little bit of an asset rotation towards alternatives and privates, in the pursuit of higher returns,” said Tepper.

### **The catfight over Federal Reserve**

Interest rates also affect business, and as the Federal Reserve finds itself in the crosshairs of Trump’s battle with current Fed Chair Jerome Powell and the board of governors, concerns about the future of interest rates arise.

The Federal Reserve has cut interest rates three times since last September to revitalize the labor market. The current rate stands between 3.5% and 3.75%, but Trump wants more cuts, and he wants it faster. In December, he told *The Wall Street Jour-*

*nal* that he wants the interest rate to be “1% and maybe lower than that” within a year.

Powell’s term is done on May 15 and Trump may likely appoint his successor before then, which could offer the president room to influence the central bank’s interest rates and regulatory decisions.

While lower interest rates can spur on short-term economic growth, a “too loose” monetary policy with too much borrowing can result in high inflation down the line due to excessive demand, Harvard Law Professor Daniel Tarullo, a former Fed governor, told *Harvard Law Today*. “People recognize that the independence of the Federal Reserve is really at stake here.”

Applied to the private market, lower interest rates can make it a more attractive environment for private equity to buy undervalued companies with less borrowing costs and

higher ability to drive returns, noted Tepper.

Krishnan agreed, citing an annualized return of 10.5% in the fourth quarter of 2024 in direct lending – beating out high-yield bonds and leveraged loans – even while the Federal Reserve cut rates.

“If the next set of Fed cuts is shallow, or 100 to 150 basis points in total, that may be an environment in which private credit can continue to deliver compelling returns,” Krishnan wrote.

Going private is not a panacea, though. Private companies can still suffer from increased debt or high leverage, and if they make the wrong decisions in cutting costs – not only “fat” but also “muscle,” said Sohn – then the companies may not perform well, especially in a tight labor market.

Emerging private company holders like Painter, however, are not intimidated.

“Having spent my entire adult life in digital auto retail and having been one of the pioneers in almost everything that’s happened over the last 25 or 30 years, we’ve got a pretty good focus on what we think is going to move the needle and serve customers a better buying experience, save them money and help dealers sell cars,” said Painter. “I think there’s always execution risk, but I’m not too worried.”