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Blackstone chips $52bn in debt off portfolio

The firm has 'reduced, refinanced or extended' more than $52bn of its debt across its businesses since 2009, which has helped drive value creation, according to Blackstone executives.

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The Blackstone Group has "reduced, refinanced or extended" more than $52 billion of portfolio debt since the beginning of 2009, Steve Schwarzman, the firm's chief executive officer, said during an earnings call. The figures quotes pertained to the company's holdings across multiple strategies and asset classes.

As an example, the firm bought back debt at a discount in its portfolio company Michaels Stores and sold it for more than six times original cost, Schwarzman said.

"Another driver in some of our valuations over the last 12 months has been the ability to extinguish debt at a discount and take advantage of some of the dislocation of the credit markets to create value," Blackstone's president Tony James said during the call.

Earlier this year, Blackstone was able to shave off $4 billion of debt on its Hilton hotels portfolio company and push back debt maturities by two years to 2015.

Private equity firms have been working to control debt loads in the portfolios. Standard & Poor's estimated earlier this year that about $140 billion of leveraged buyout-related loans will come due in 2014. Close to $80 billion will mature in 2013 and about $25 billion in 2015.

A number of private equity firms have had success refinancing portfolio company debt, but some critics say the moves are only temporary measures and the companies that have been through refinancings have only bought themselves more time to deal with their debt burdens.

Moody's Investors Service reported earlier this week that casino giant Harrah's still has a debt problem, despite refinancings, and will need to go public, sell assets or restructure. The company, bought by TPG and Apollo Global Management in 2008 for $27 billion, makes about $1.8 billion a year in interest payments.