

## Private equity Global Capital Confidence Barometer

# COVID-19: executive sentiment and key focus areas for private equity

The pandemic's ongoing progression and the resulting shock to the markets has been unnerving for PE. While overall confidence has wavered as firms pivot in unexpected ways, a wealth of dry powder and operational expertise will be imminently deployed to stabilize volatile investments and capture new opportunities.

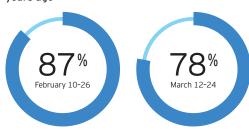
By March 24, PE firms were resigning to a 2020 economic downturn in their investment models.

Percent modeling for a 2020 downturn

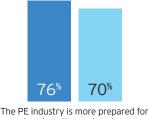


Source: EY Global Capital Confidence Barometer, Q1 2020

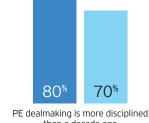
Percent more prepared for a downturn than 10 vears ago



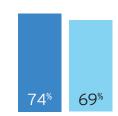
Confidence began to waver as the magnitude of the crisis unfolded.



a downturn than a decade ago



than a decade ago February 10-26 March 12-24

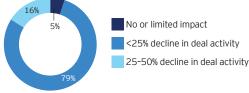


PE deals are better structured to withstand a downturn

Source: EY Global Capital Confidence Barometer, Q1 2020 | Percent of respondents who agree with statement

Despite the initial shock, PE professionals are convinced the model remains robust, and are optimizing balance sheets across the portfolio.

Impact on deal activity over the next 12 months



Source: EY Global Capital Confidence Barometer, Q1 2020

Ways in which PE is optimizing balance sheets Negotiating or renegotiating credit lines

Reducing overall leverage 55% Injecting fresh equity

Right now, PE must triage their portfolios with five critical focus areas in mind:

### Supply chain



Jeff Schlosser Supply Chain Transactions Leader Ernst & Young LLP +1 212 773 1287

- How does our demand plan need to be optimized to support critical customers? What is the state of our key vendors' liquidity and do we have
- enough capacity? ► Is our production delivering the right products in the right
- places right now?
- If our direct labor pool is affected, do we have access to adjacent capacity?

# Strategy refresh



Tim Dutterer Head of Private Equity EY-Parthenon +1 415 486 3616 tim.dutterer@parthenon.ey.com

- ► How is customer demand temporarily and permanently changing? How is competition, macroeconomic scenarios and other
- industry trends impacting your core value proposition and operating model? What short-term and long-term changes to strategy should
- be considered?

### Liquidity



EY Global Reshaping Results, Restructuring and TAS Private Equity Leader +44 7770 667332 awollaston@uk.ey.com

Andrew Wollaston

- What are our short- to medium-term cash needs? ► What are our cash needs under a range of different scenarios?
- ► What corrective actions do we need to take?
- ► Do we need additional equity?
- Tax impact



EY Global Private Equity Tax Leader +1 212 773 2339 jeffrey.hecht@ey.com

Jeffrey Hecht

- What are the tax implications of the downturn and legislative responses? How can tax attributes be leveraged to generate cash and
- increase liquidity? ► If we have geographic shifts in supply chain, what are the tax implications and planning needed?
- ► Are we prepared to withstand the macroeconomic, supply chain, geopolitical and other current and imminent shocks? How can we reshape our portfolio to address business-critical and
- operational pivot?

► How can we optimize capital efficiency for a potential strategy and

Value creation



Value Creation Leader +44 20 7951 6414 FBurger@uk.ey.com

Fredrik Bürger EY EMEIA Private Equity

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