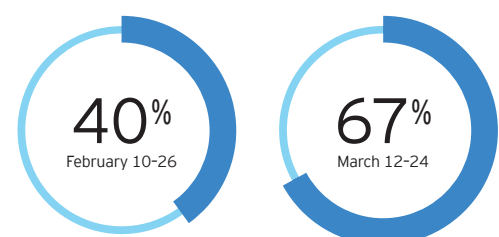


## COVID-19: executive sentiment and key focus areas for private equity

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.

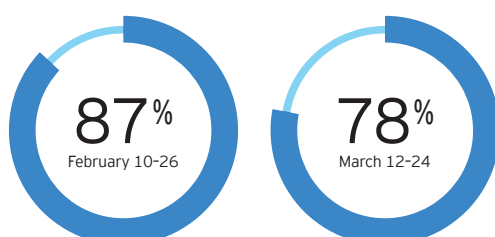
By March 24, PE firms were resigning to a 2020 economic downturn in their investment models.

Percent modeling for a 2020 downturn

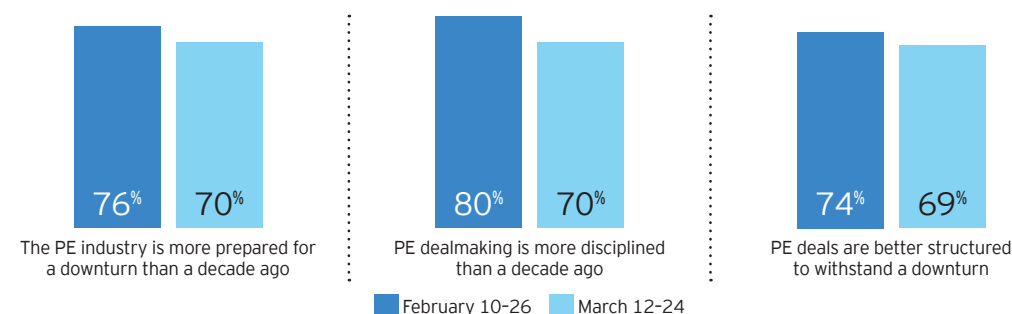


Source: EY Global Capital Confidence Barometer, Q1 2020

Percent more prepared for a downturn than 10 years ago



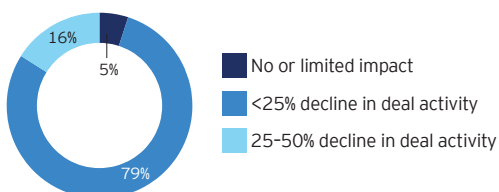
Confidence began to waver as the magnitude of the crisis unfolded.



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

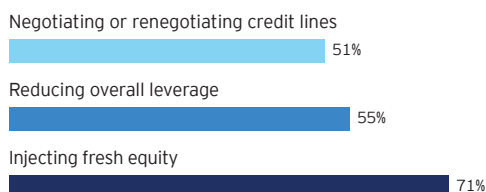
Despite the initial shock, PE professionals are convinced the model remains robust, and are optimizing balance sheets across the portfolio.

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



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

<b>Supply chain</b>	<ul style="list-style-type: none"> <li>▶ How does our demand plan need to be optimized to support critical customers?</li> <li>▶ What is the state of our key vendors' liquidity and do we have enough capacity?</li> <li>▶ Is our production delivering the right products in the right places right now?</li> <li>▶ If our direct labor pool is affected, do we have access to adjacent capacity?</li> </ul>
<b>Strategy refresh</b>	<ul style="list-style-type: none"> <li>▶ How is customer demand temporarily and permanently changing?</li> <li>▶ How is competition, macroeconomic scenarios and other industry trends impacting your core value proposition and operating model?</li> <li>▶ What short-term and long-term changes to strategy should be considered?</li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>▶ What are our short- to medium-term cash needs?</li> <li>▶ What are our cash needs under a range of different scenarios?</li> <li>▶ What corrective actions do we need to take?</li> <li>▶ Do we need additional equity?</li> </ul>
<b>Tax impact</b>	<ul style="list-style-type: none"> <li>▶ What are the tax implications of the downturn and legislative responses?</li> <li>▶ How can tax attributes be leveraged to generate cash and increase liquidity?</li> <li>▶ If we have geographic shifts in supply chain, what are the tax implications and planning needed?</li> </ul>
<b>Value creation</b>	<ul style="list-style-type: none"> <li>▶ Are we prepared to withstand the macroeconomic, supply chain, geopolitical and other current and imminent shocks?</li> <li>▶ How can we reshape our portfolio to address business-critical and capital investment decisions?</li> <li>▶ How can we optimize capital efficiency for a potential strategy and operational pivot?</li> </ul>