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 unenviable 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.

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

Impact on deal activity over the next 12 months

<table>
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<th>Percent modeling for a 2020 downturn</th>
<th>Percent more prepared for a downturn than 10 years ago</th>
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<td>40% February 10–26</td>
<td>87% February 10–26</td>
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Source: EY Global Capital Confidence Barometer, Q1 2020

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

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

Supply chain

- How are we prepared to withstand a downturn in confidence?
- What are our cash needs under a range of different scenarios?
- How can tax attributes be leveraged to generate cash and improve liquidity?
- How is competition, macroeconomic scenarios and other industry trends impacting our core value proposition and operating model?
- What short-term and long-term changes to strategy should be considered?
- 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 ad-hoc issues?
- Do we need additional equity?
- How can we optimize capital efficiency for a potential strategy and operational pivot?
- Are we prepared to withstand triage to the macroeconomic, supply chain, geopolitical and other current and imminent shocks?
- How can we optimize capital efficiency for a potential strategy and operational pivot?
- When do we need additional equity?
- How can we reshape our portfolio to address business-critical and ad-hoc issues?
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