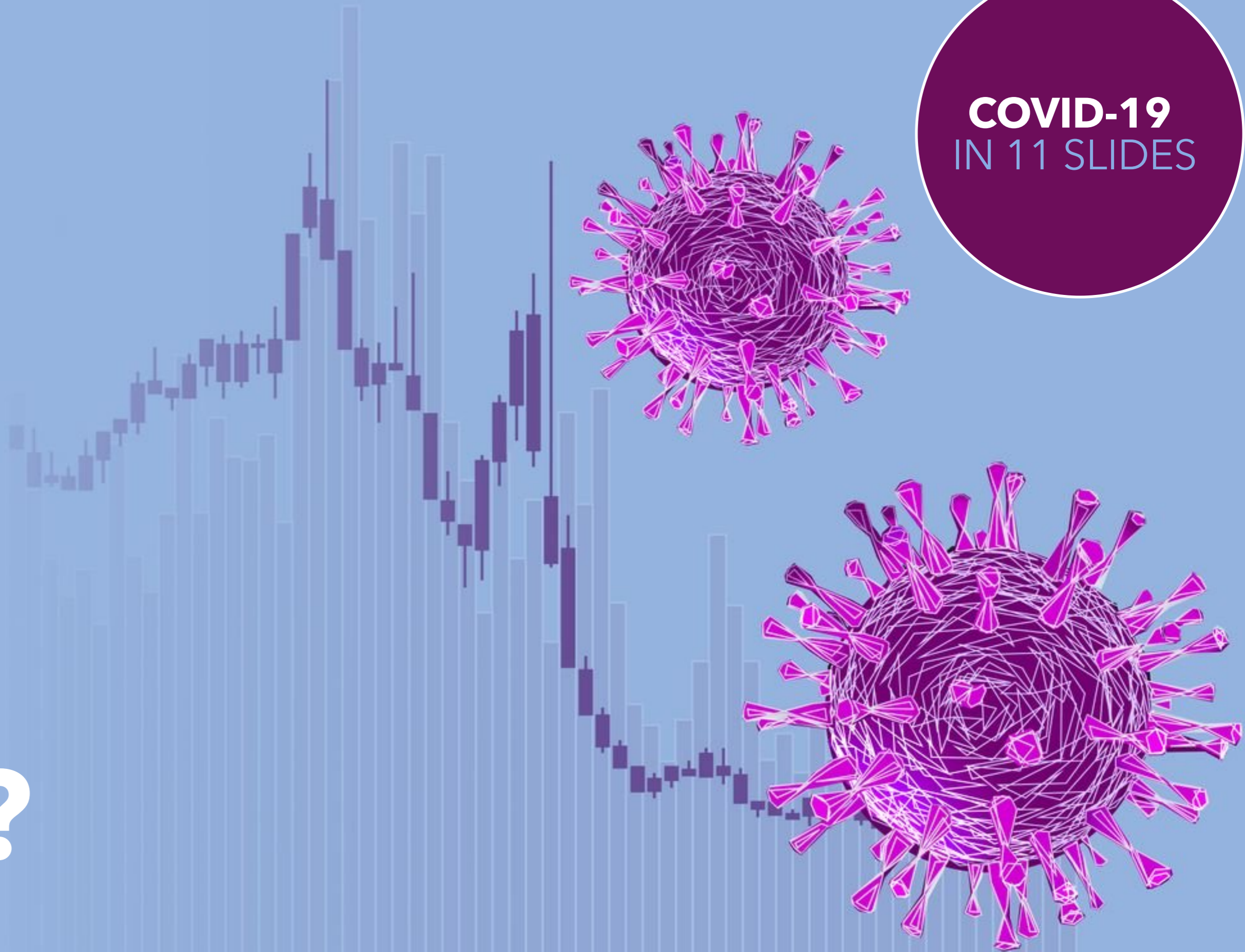


COVID-19
IN 11 SLIDES

How will covid-19 affect GPs?



How we conducted the Covid-19 Study

At a turbulent time for the industry, GP opinions are more important than ever. PEI's *Covid-19 Study* captures fund manager sentiment by gathering insight on how institutions are responding to this market inflection point.

For this 2020 study, PEI surveyed 120 fund managers who have raised a private equity fund in excess of \$100 million over the past five years.

Fieldwork was carried out between 25 and 27 March 2020. Participation in the study was anonymous, with the findings amalgamated and presented in this special report.

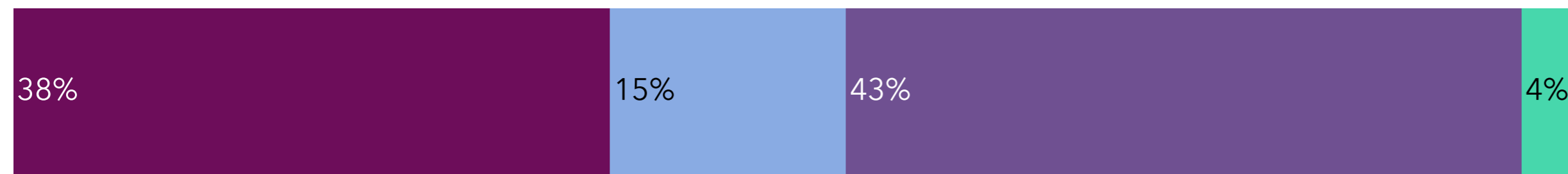
PEI recognises that fund managers may be facing personal and professional challenges given covid-19, and so we appreciate the respondents to this study taking the time to share their thoughts with us.

To support communities that have been affected by covid-19, PEI made a \$5 charitable donation to UNICEF for every response received.

Adapting fundraising in progress

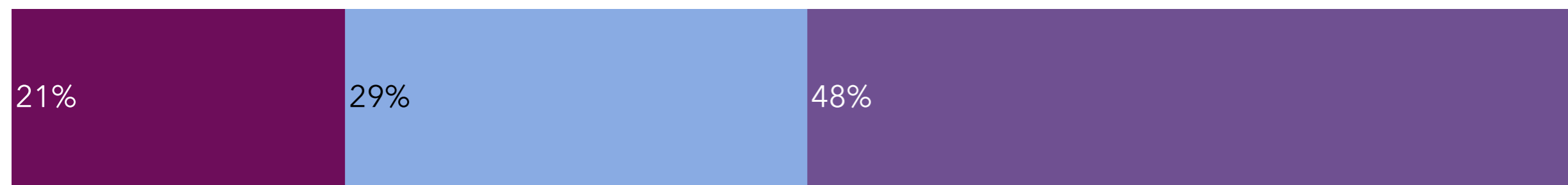
More than half the managers in the process of actively raising investor capital are expecting to adjust fundraising periods. Almost half of those seeking an extension to the fundraising period expect this to be of more than three months.

If you are currently raising a fund, please explain the likely impact of covid-19:



- We will carry on the fund raise to the same timetable
- We are pausing the fund raise indefinitely
- We are extending the fundraising period
- We will abandon the fund raise

... and what delay to the fundraising process you expect?



- We expect no delay to the expected final close
- We expect a delay to the final close of less than three months
- We expect a delay to the final close of more than three months
- We don't expect ever to hold a final close

Source: Private Equity International's Covid-19 Study

[Click here](#)

to read how covid-19 is affecting GPs' fundraising plans



The downturn is expected to split the market into the 'haves' and 'have-nots'

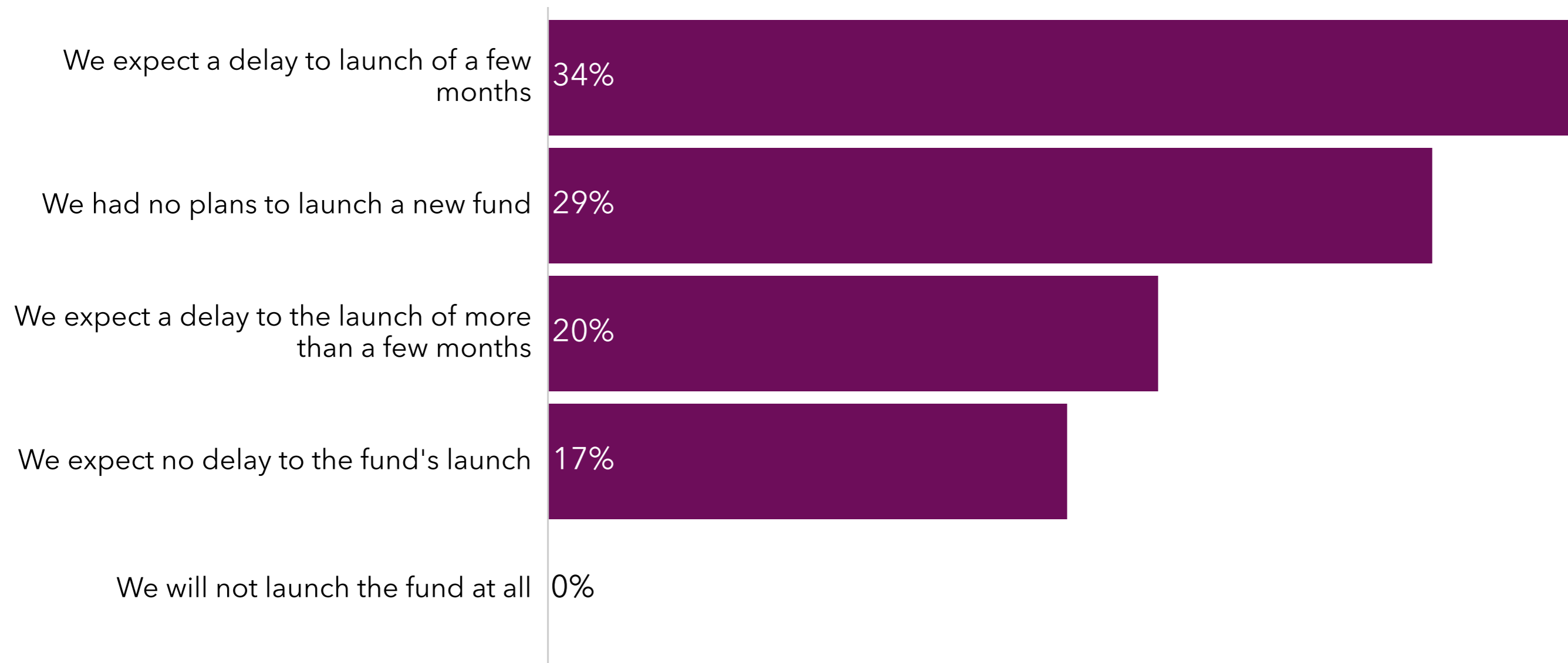
Chris Witkowsky, senior editor, Buyouts

Private Equity International

GPs pressing pause on new funds

Asked whether covid-19 will affect future fund launches, no manager stated the current situation would mean a planned fund would never be launched. However, more than half saw some form of delay to a future fund launch.

If you were planning to launch a new fund:



Source: Private Equity International's Covid-19 Study

[Click here](#)

to read about the future of fundraising



We are frankly saying to GPs that have yet to kick off initial roadshows, 'Look, there's no way of coming out right now'

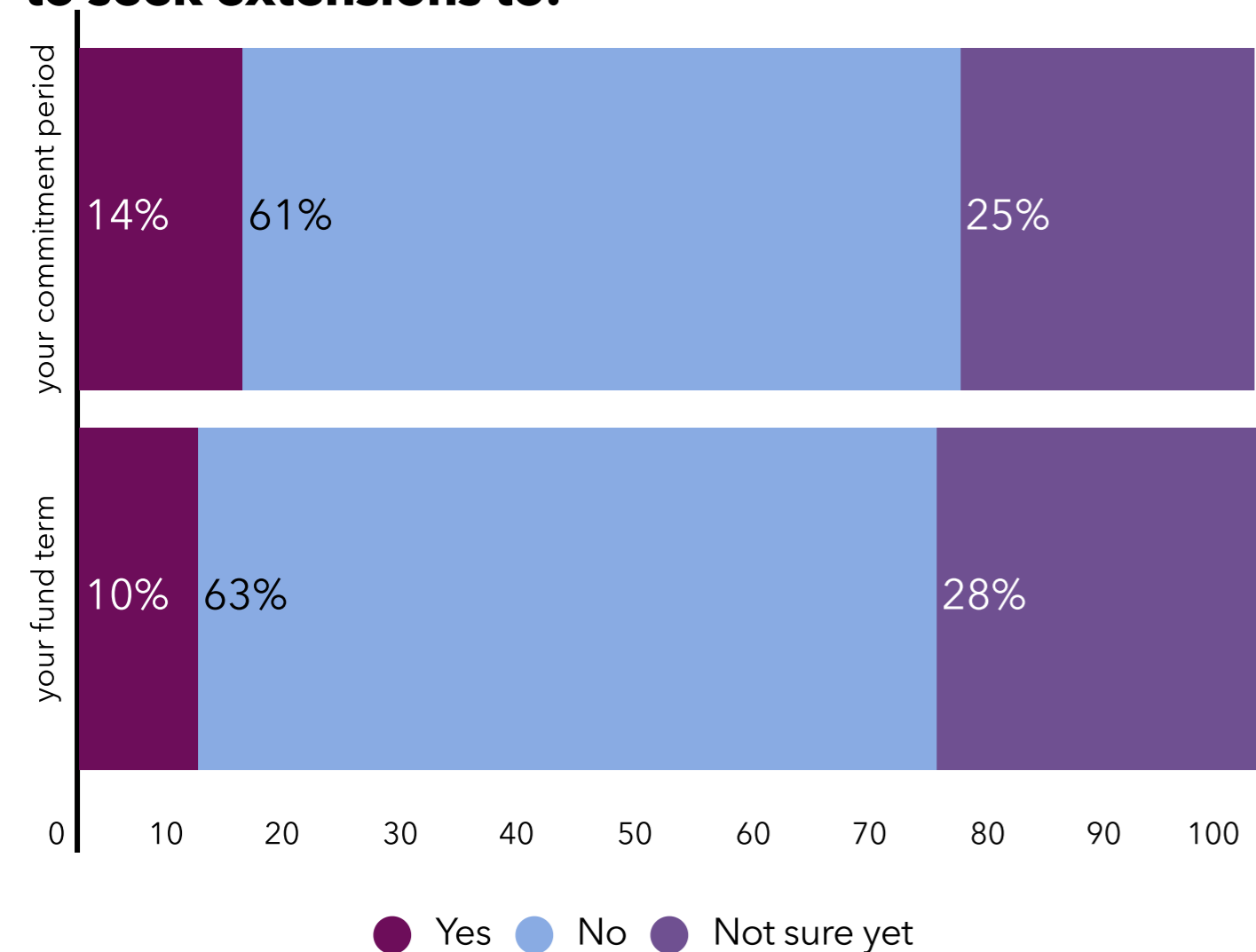
Julian Pearson, co-founder,
FirstPoint Equity

**Private Equity
International**

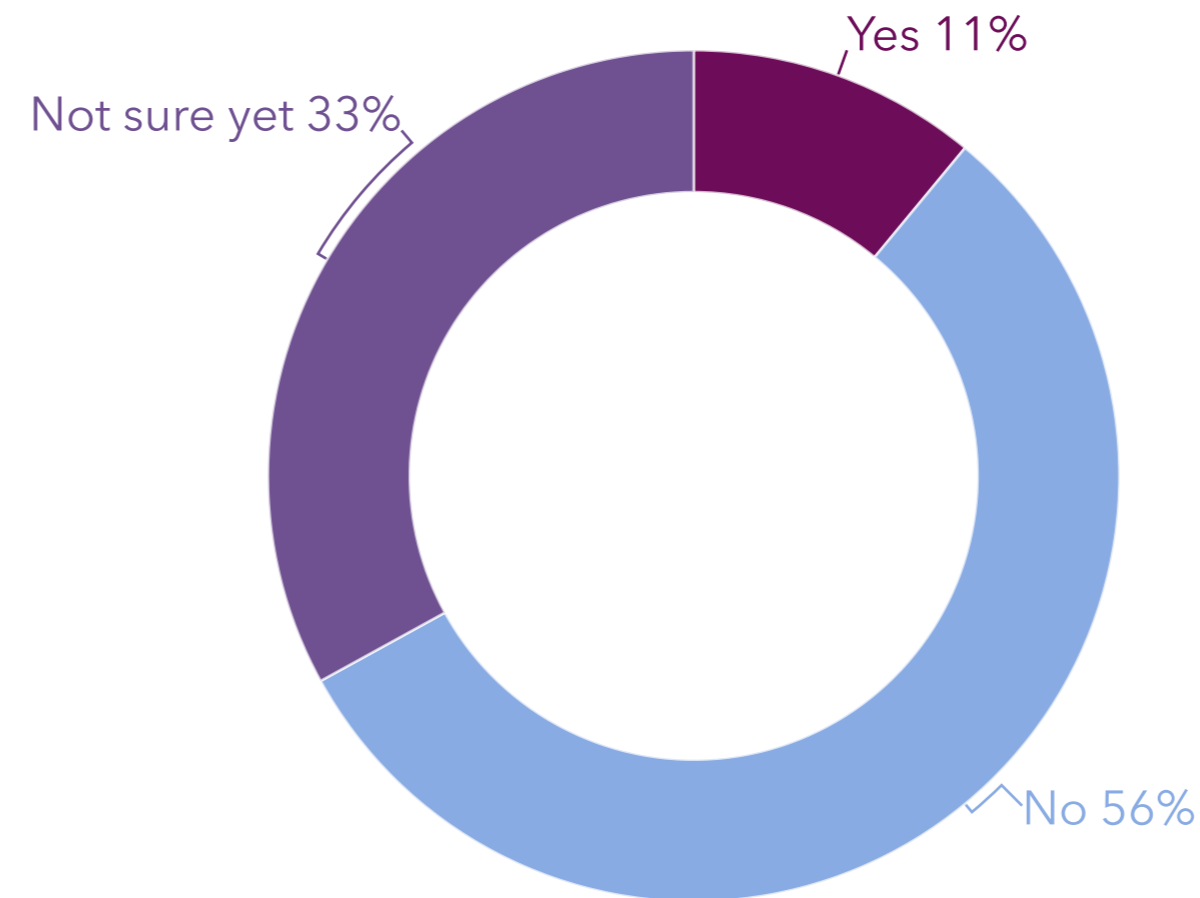
GPs holding steady on fund investment

The majority of managers in the process of investing fund capital felt comfortable they would not need to seek extensions to commitment periods or fund terms.

If you're currently investing a fund, do you expect to seek extensions to:



... and do you expect to seek a GP-led secondary process to give portfolios more time to create value?



Source: Private Equity International's Covid-19 Study

[**Click here**](#)

to read how potential LP defaults are affecting GPs in their investment period



I have seen two European LP defaults since the crisis started and more are likely to happen

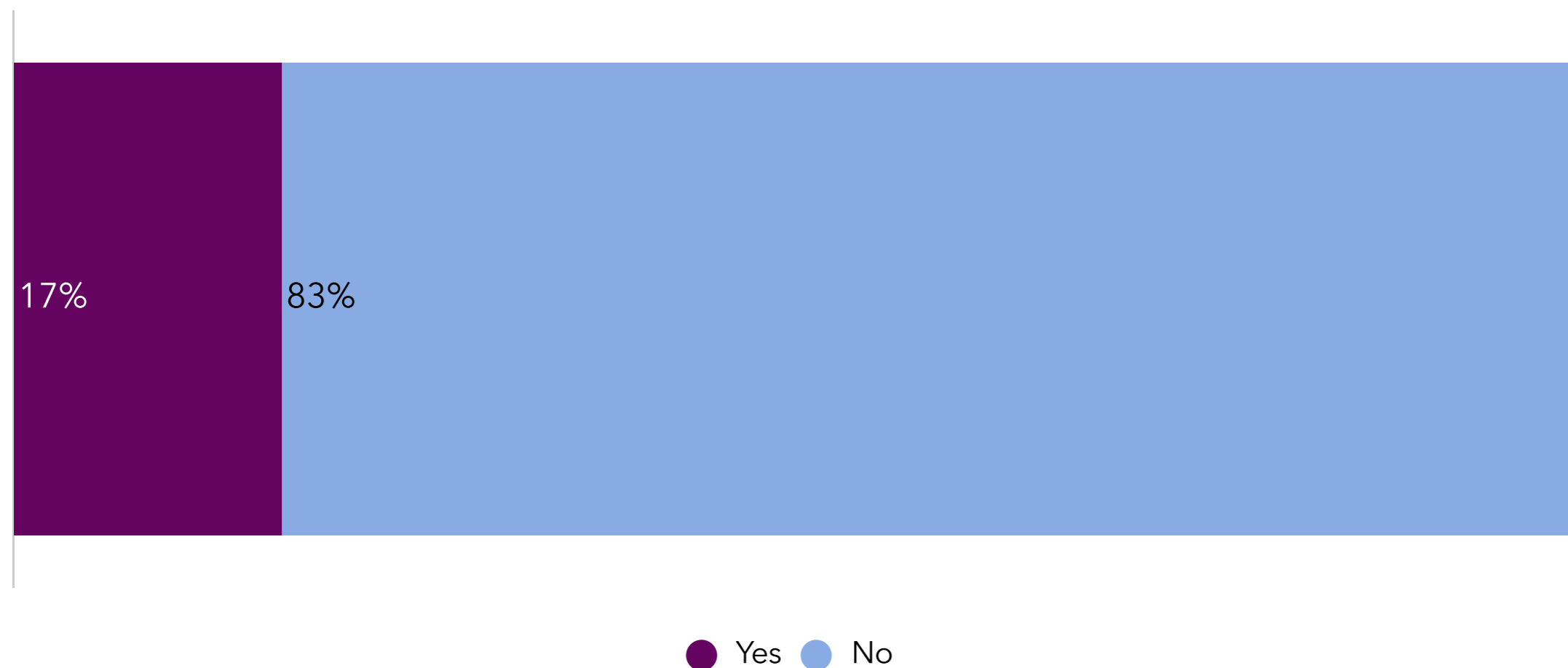
Eamon Devlin, partner,
MJ Hudson

Private Equity International

LP liquidity issues aren't a top concern

More than 80 percent of managers surveyed did not see covid-19 as a reason to consider early repayments for subscription credit line drawdowns in anticipation of potential liquidity issues among LPs, but some are already receiving calls from LPs instructing them to utilise their credit lines for as long as possible.

Are you considering early repayments for subscription credit line drawdowns in anticipation of potential liquidity issues among LPs arising from coronavirus?



Source: Private Equity International's Covid-19 Study

[**Click here**](#)

to read about GPs that are pondering early repayments for credit lines



Some of our sponsor clients have received calls from LPs instructing them to utilise subscription-backed credit lines as much and as long as possible

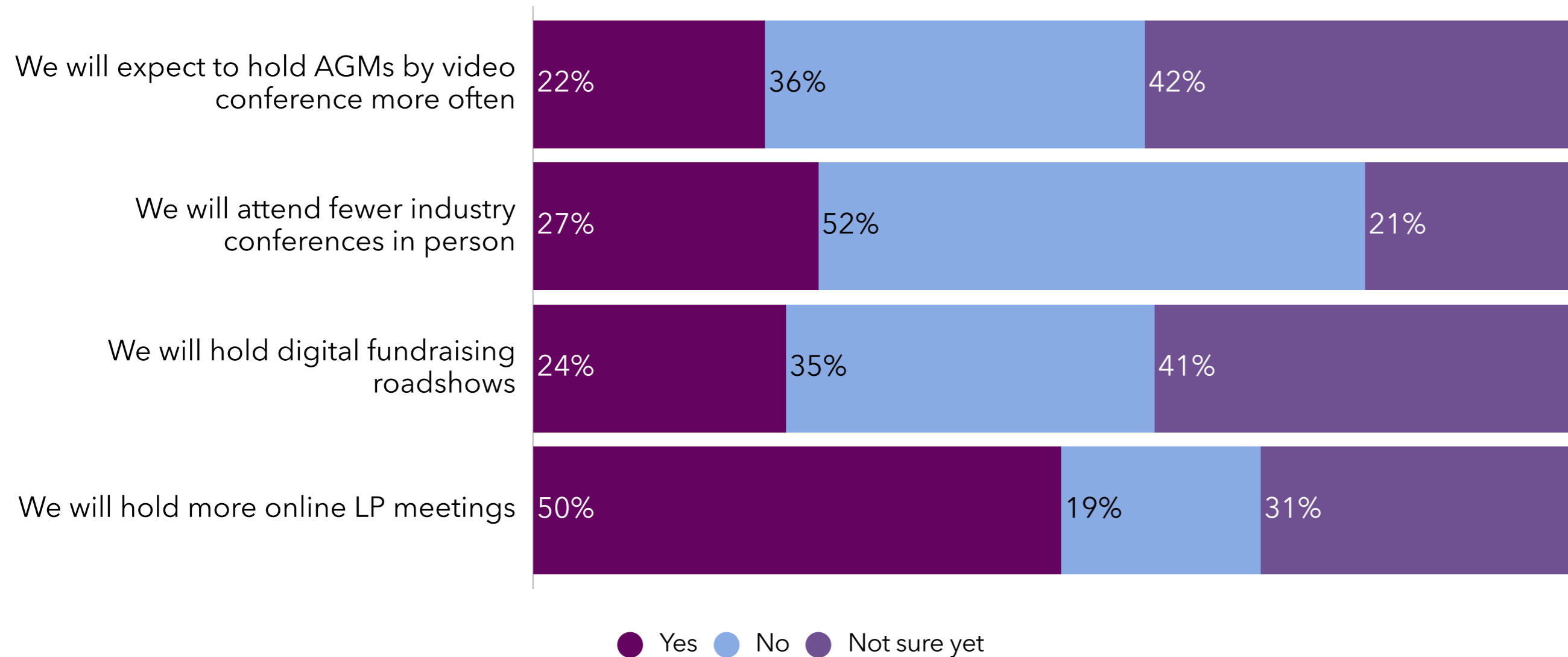
Zac Barnett, managing partner, Fund Finance Partners

Private Equity International

The new normal

A large proportion of managers surveyed are looking to change the way they interact with LPs, with half looking to hold more online LP meetings.

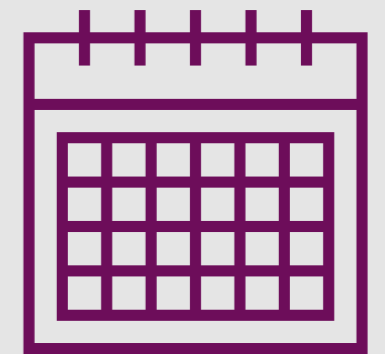
Which of the following do you expect to do once "normal" business life returns?



Source: Private Equity International's Covid-19 Study

[Click here](#)

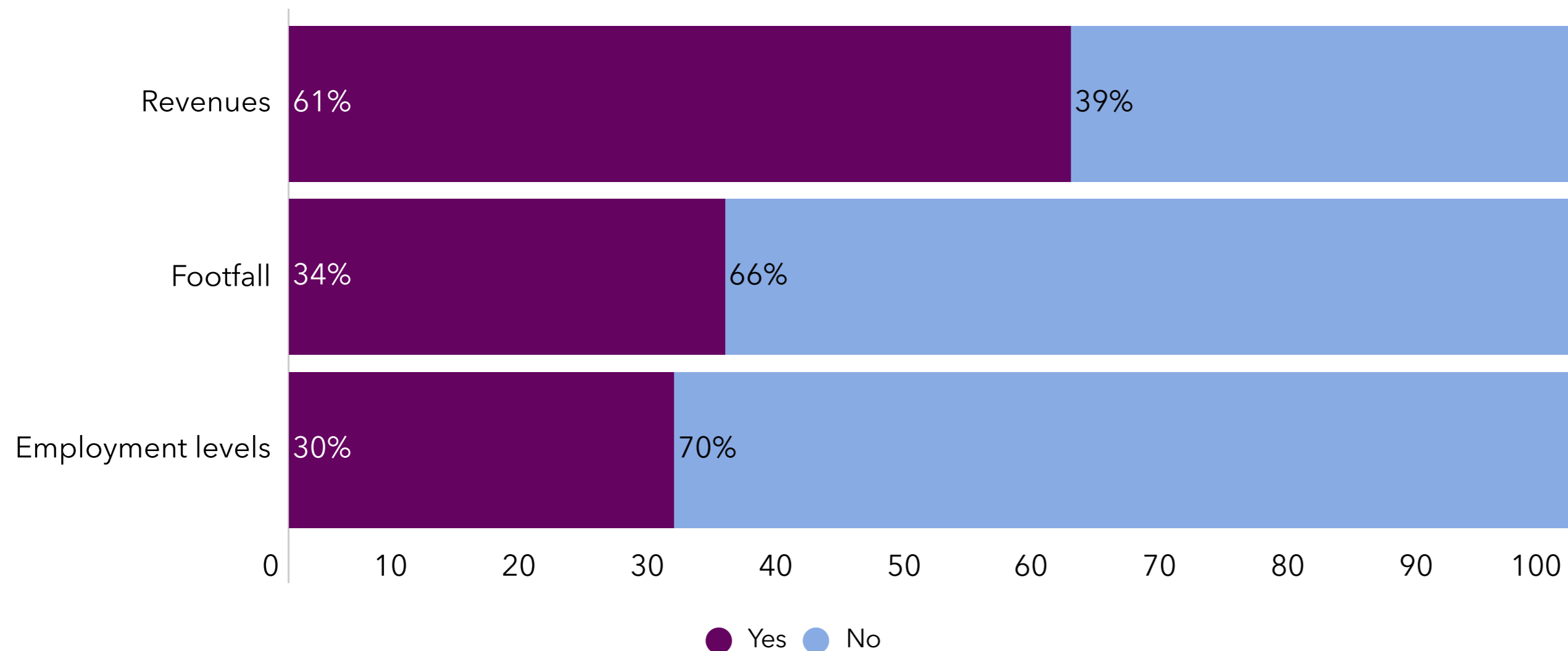
to stay up to date on upcoming PEI conferences



What LPs are asking of their managers

Almost two-thirds of investors in the LP version of our survey did not feel they had good visibility on the impact of covid-19 on their funds' portfolio companies. When asked about their correspondence with investors, 61 percent of fund managers stated they were being asked by LPs for more frequent reporting of portfolio company revenues in light of covid-19.

Due to covid-19, are you being asked by LPs for more frequent reporting on the following portfolio company metrics?



Source: Private Equity International's Covid-19 Study

[Click here](#)

to read about LP sentiment in light of covid-19



It's better to have a direct phone call because everything is changing so quickly

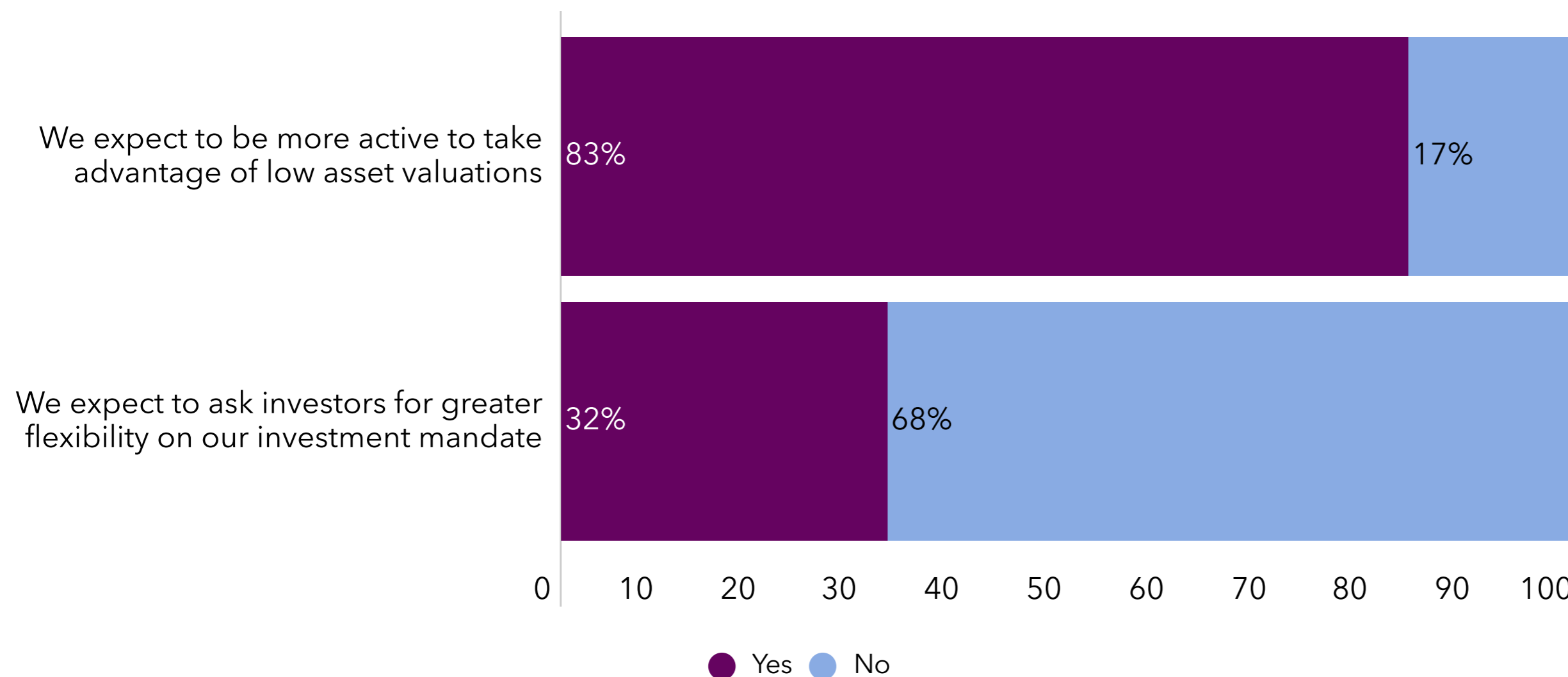
Sam Robinson, managing partner, North-East Private Equity

Private Equity International

Low asset valuations of interest to GPs

More than 80 percent of managers surveyed expect to see increased activity in the coming months to take advantage of low asset valuations. But less than a third of the managers expect to ask LPs for greater flexibility on investment mandates.

What effects do you think the covid-19 crisis will have on your firm's dealmaking?



Source: Private Equity International's Covid-19 Study

[Click here](#)

to read how the secondaries market is reacting to covid-19



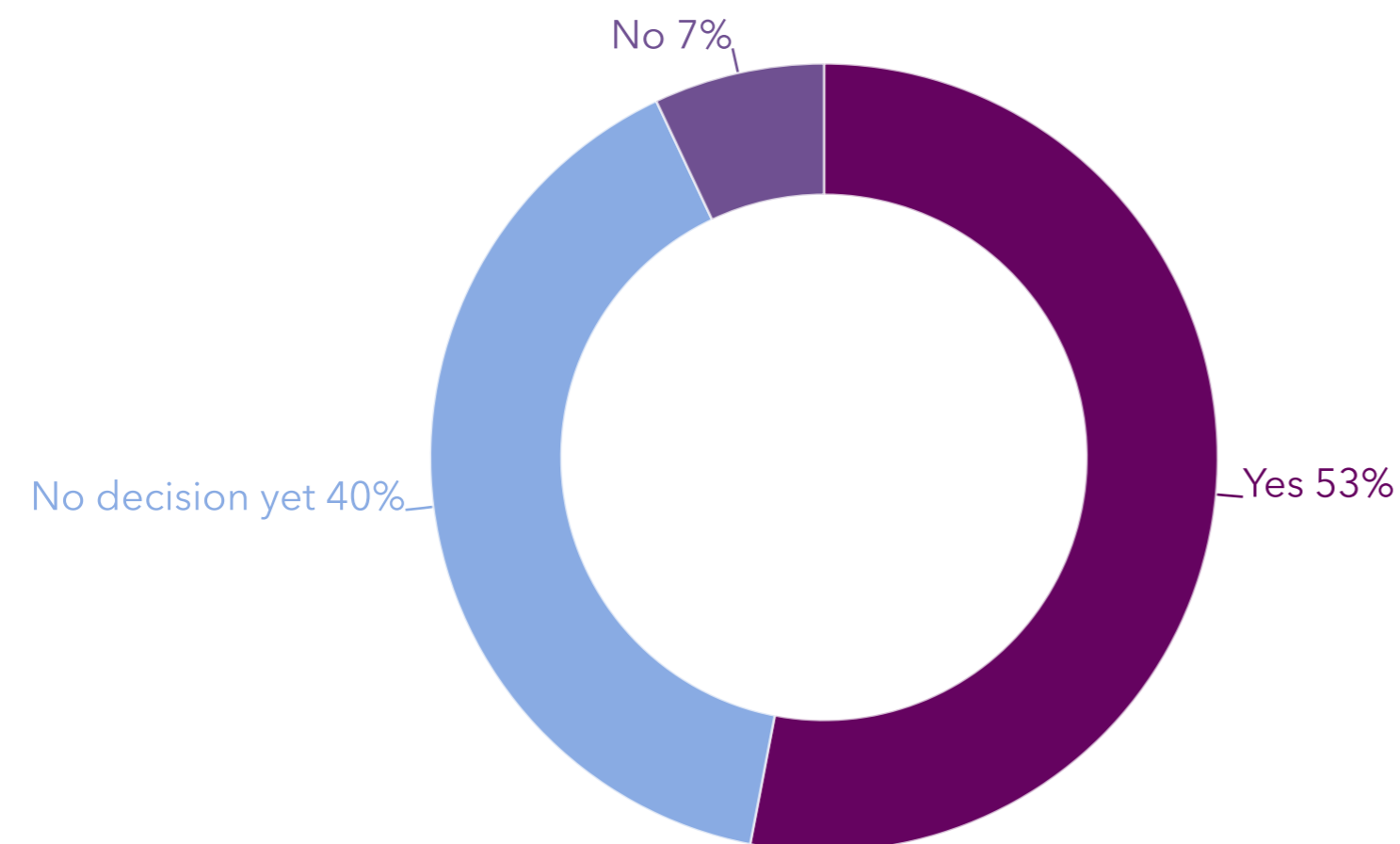
We don't know what this is worth, so let's pick a number then go lower than that

Senior UK-based secondaries buyer

Layoffs around the corner

More than half of the managers we spoke to planned to make layoffs in their portfolio companies, with a further 40 percent of respondents still unsure.

Do you expect to make layoffs in your portfolio companies?



Source: Private Equity International's Covid-19 Study

[Click here](#)

to read all covid-19-related news reported by *Private Equity International*



[PE-backed companies] are incredibly durable but are subject to the same economics as the rest of the market, and with no money coming in, layoffs will happen

Tom Bohn, president and CEO, Association for Corporate Growth

Private Equity International



This report was compiled from data collected from *PEI's Covid-19 Study* published in April 2020.

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