April was down, as expected

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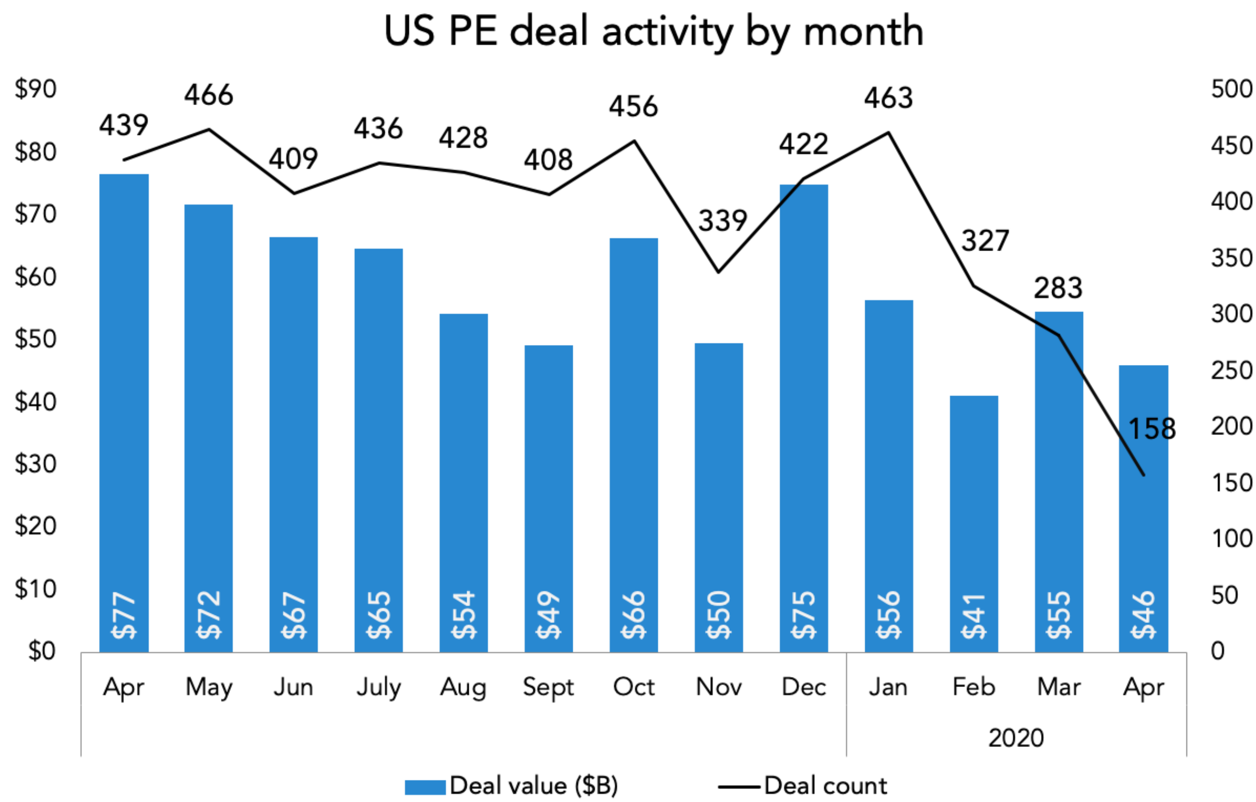

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An early look at April 2020 deal volume shows the significant decline we've all been anticipating. Only 158 transactions were completed last month, less than half of the typical monthly volume we were seeing pre-pandemic. As we've noted in the past, some of these deals were announced before the market turmoil began, so recent data is somewhat inflated by contractual obligations. We may see even lower numbers in May once the pause in activity is more visible in the numbers.

The dust is beginning to settle. In addition to immediate issues at hand, portfolio companies are starting to think about growing market share and scaling up operations in a post-COVID market, and recent layoffs are providing opportunities to poach talent that wouldn't have been available only a few months ago. Similar trends happened in 2009-2010, which helped set the stage for private equity's eventual comeback. Pernicious problems remain, however. It's still too early to tell what EBITDA multiples will look like, and investors will be hesitant to pull the trigger until revenue forecasts can be done more reliably. There's also the question of any coming regulatory changes, which feel inevitable, and changing consumer patterns that have developed over the past few months. Like a giant stone thrown into the middle of a river, money will navigate around the new obstacles. Investors still don't have a perfect sense of where those new streams will be. In the meantime, expectations around minority investments are gaining momentum. Many companies don't intend to sell the farm but need capital infusions nonetheless. Bringing financial sponsors into the mix bodes well for their balance sheets. At the same time, companies stand to benefit from professional acumen as they look ahead to the maze they’ll need to navigate in the quarters ahead.