

private equity info

M&A Market Pulse Survey Results

April 1, 2020

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Summary: The underlying theme from this survey is *uncertainty*.

Thank you for participating.

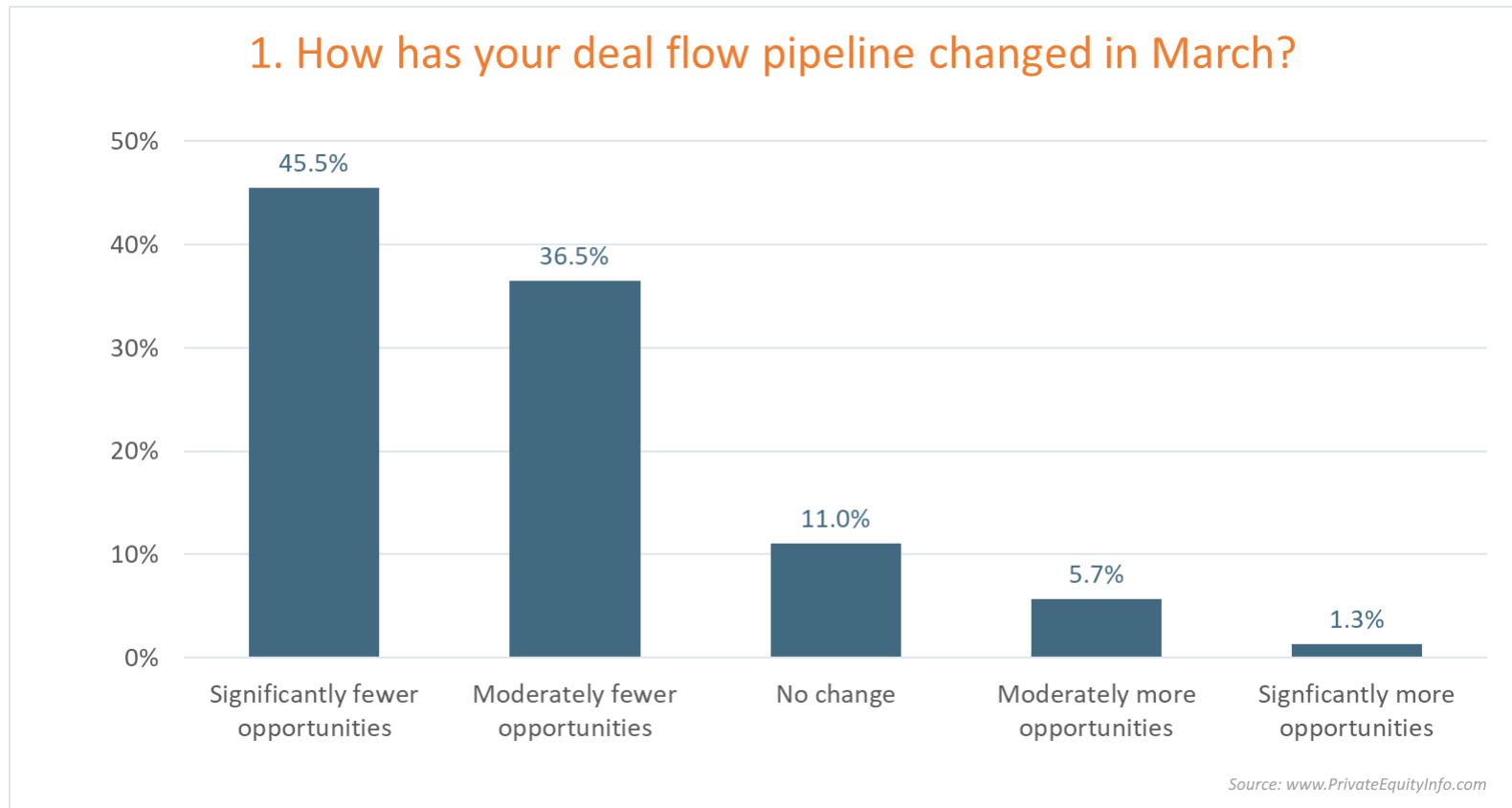
We wanted to solicit the “wisdom-of-the-crowd” to report on current conditions in the M&A marketplace and to capture a pulse on what industry peers collectively think about likely future outcomes. 300 M&A professionals representing 267 unique firms completed this survey that was open for 24 hours – 78% from M&A investment banks and 10% from private equity firms.

Clearly, there is significant uncertainty in the market as evidenced by the range of responses for many of the questions. Hopefully, these results give you a barometer of what your peers are seeing and thinking.

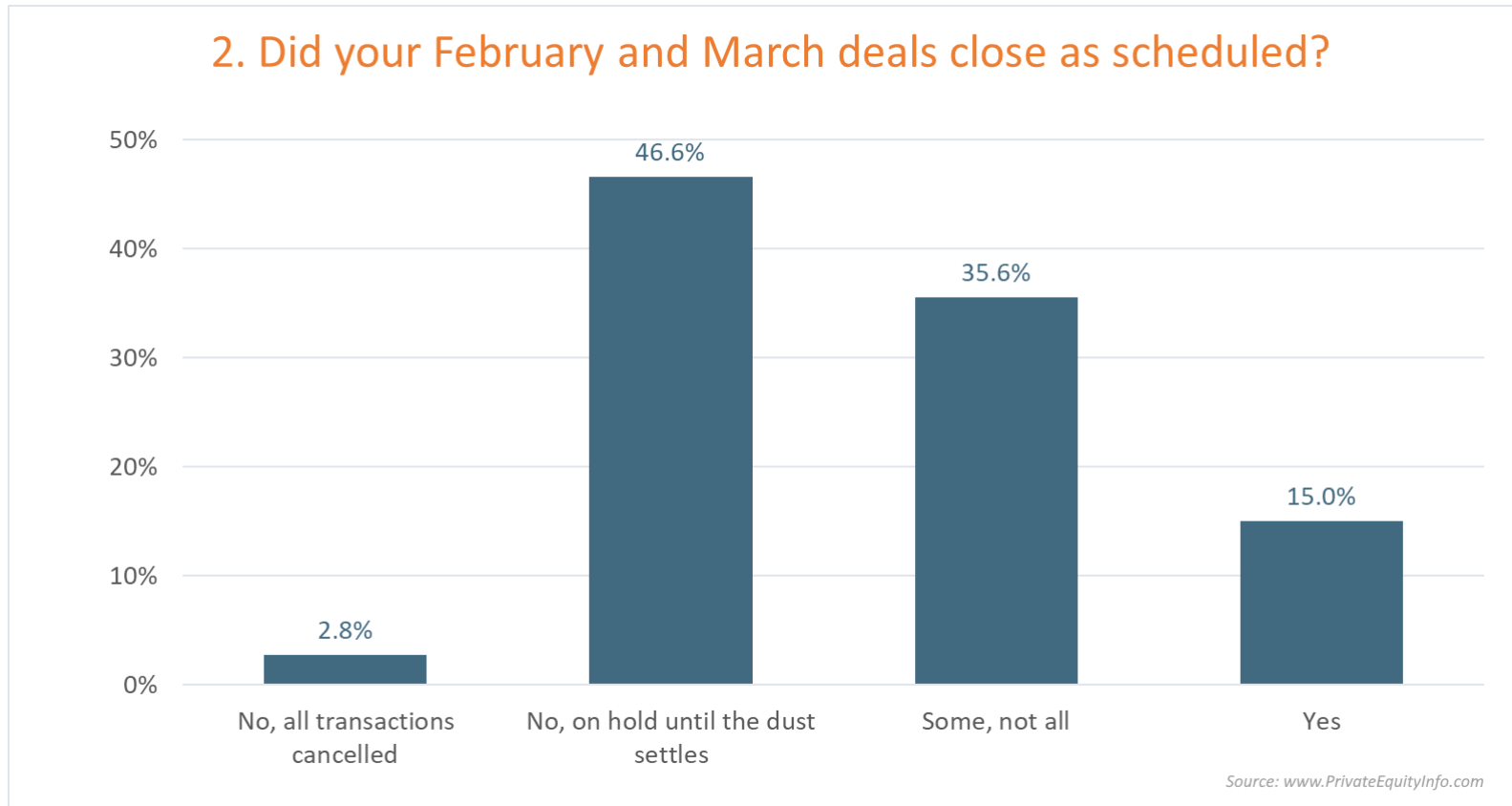
The PEI team wishes you well. Stay safe and take care.

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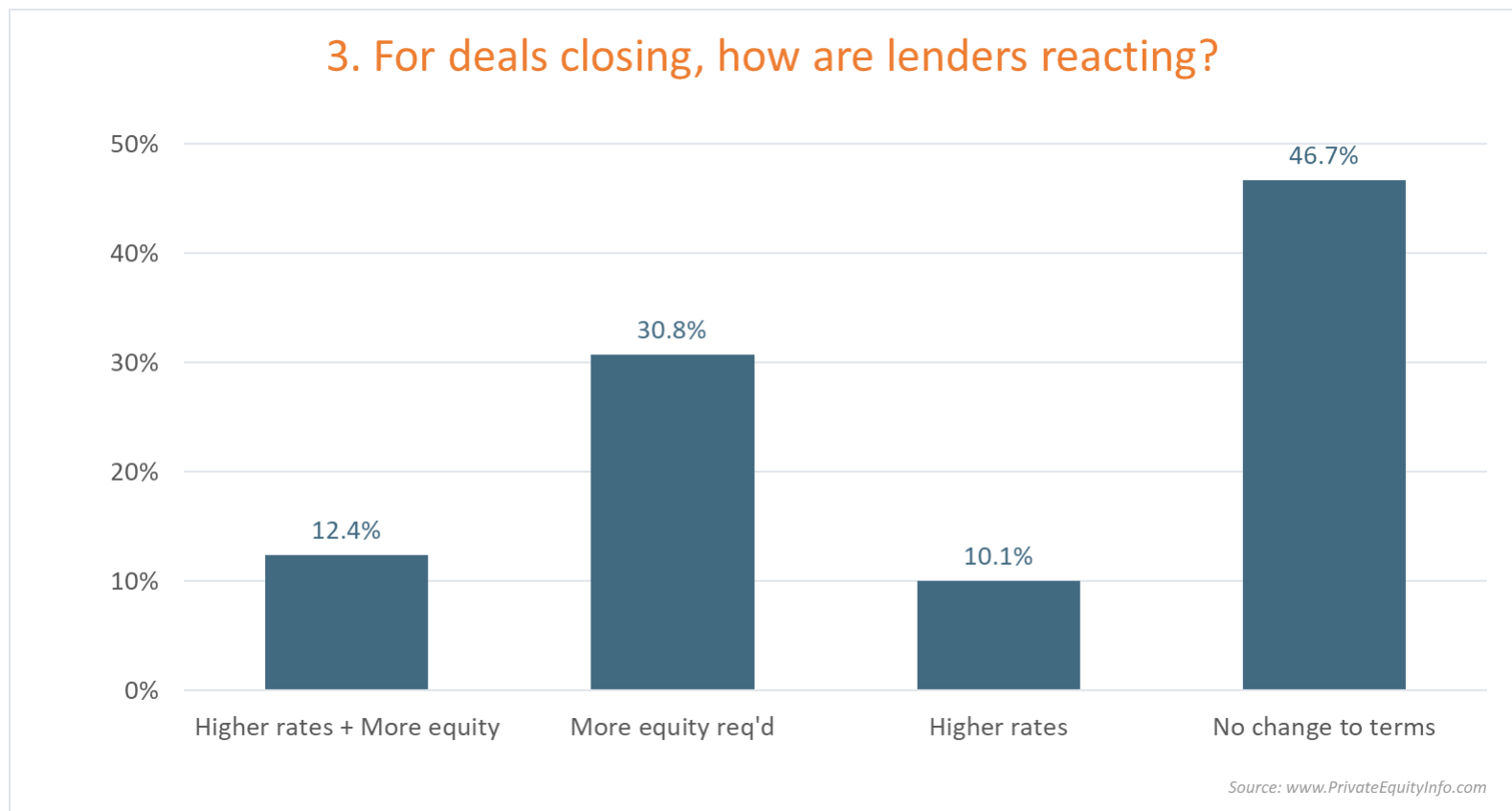
82% of respondents are seeing fewer or significantly fewer deals in the pipeline.



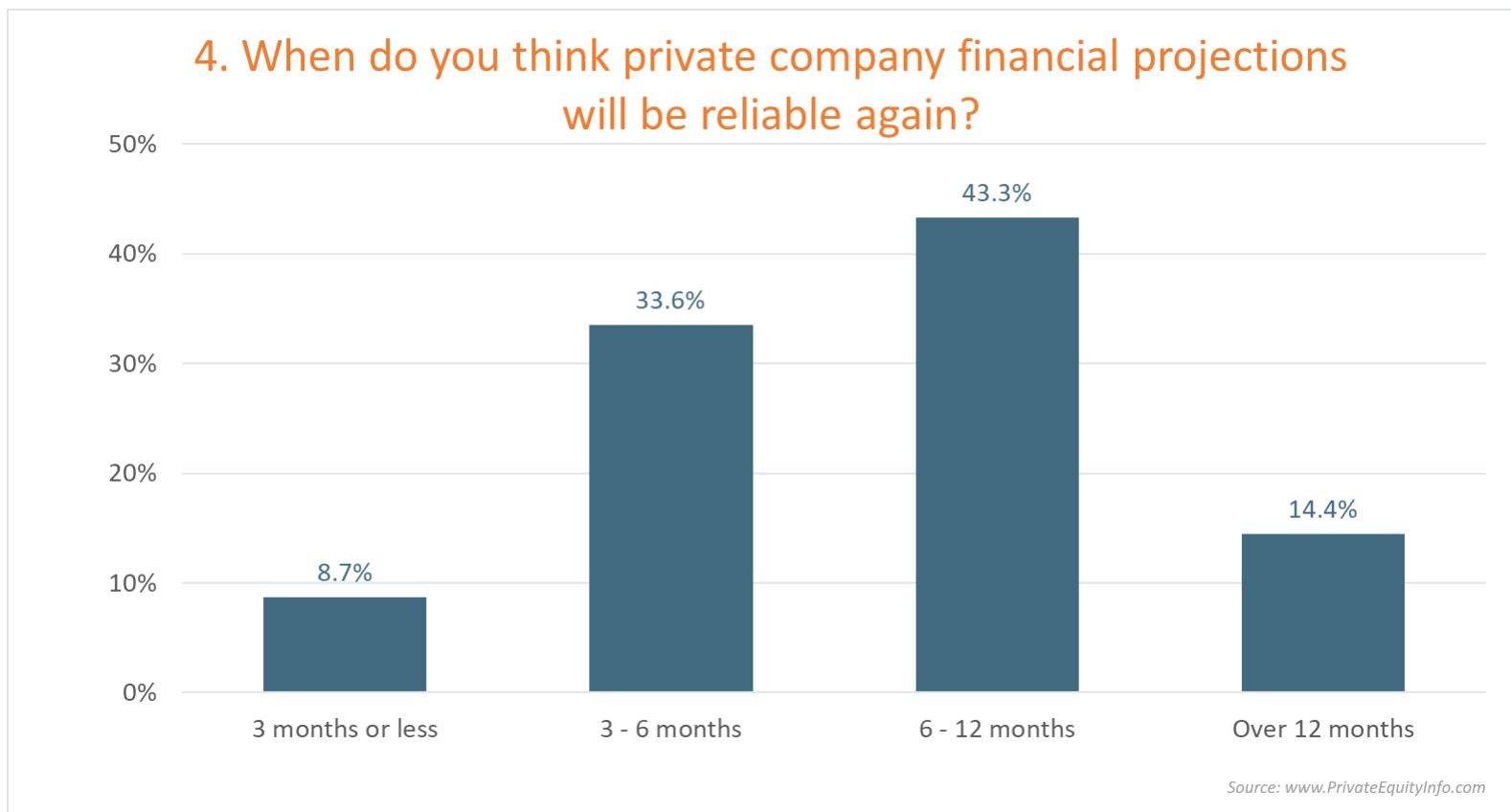
About half of the deals that were expected to close are on hold.



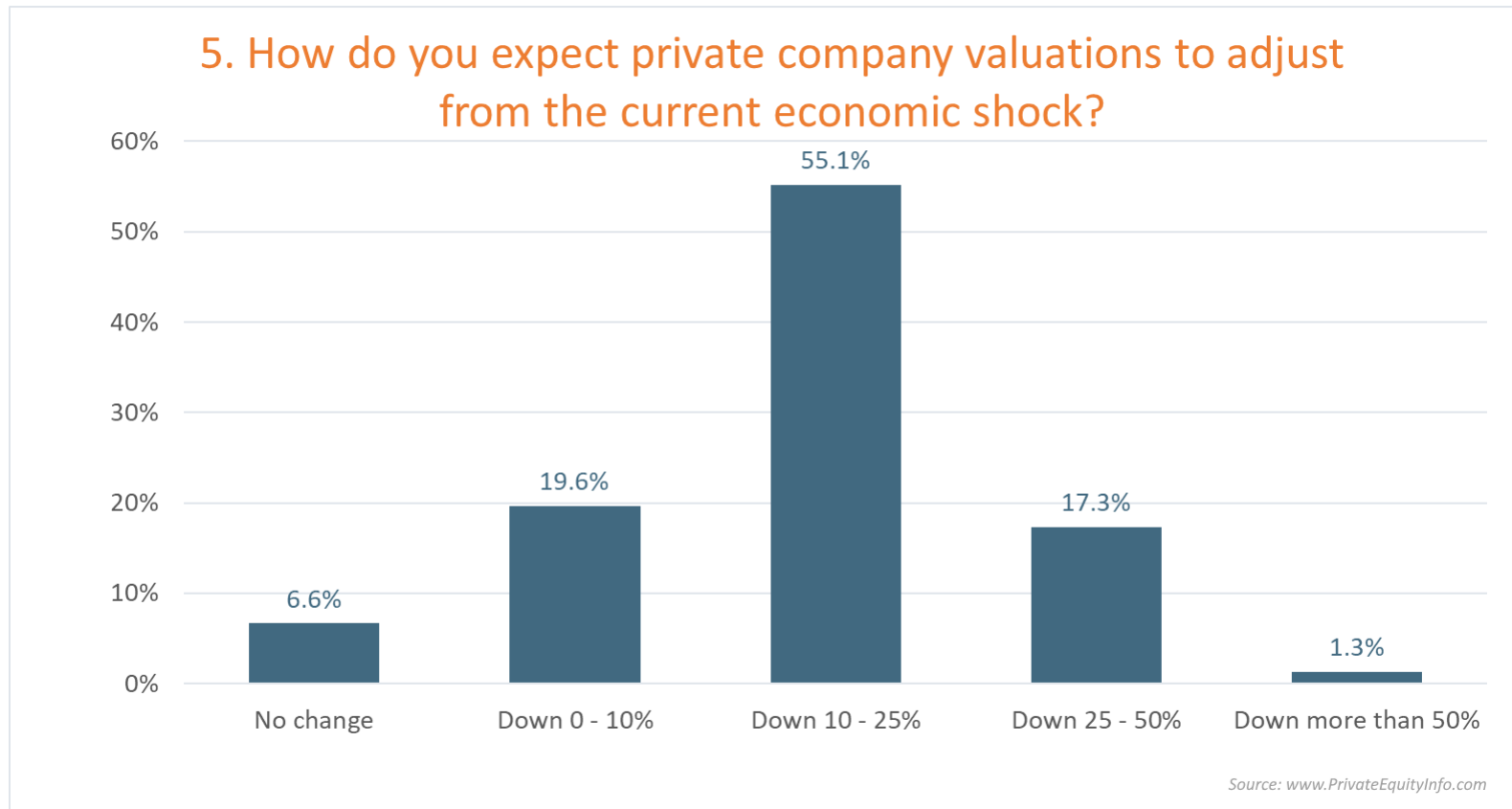
Bank terms remain unchanged for almost half of the deals that are closing. Lenders changing terms are requiring additional equity more than interest rate increases.



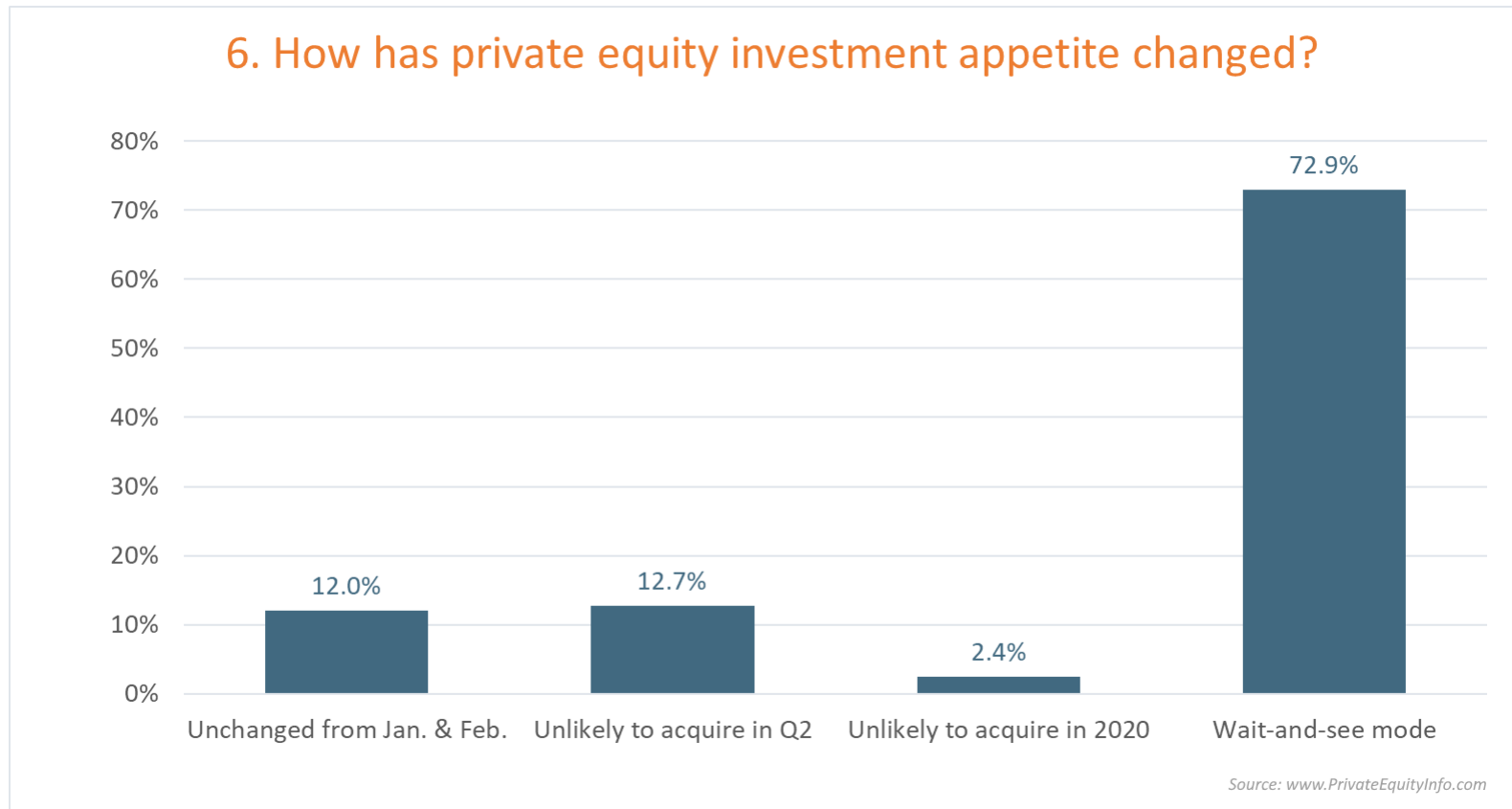
There is great uncertainty around when private company financial projections are expected to solidify.



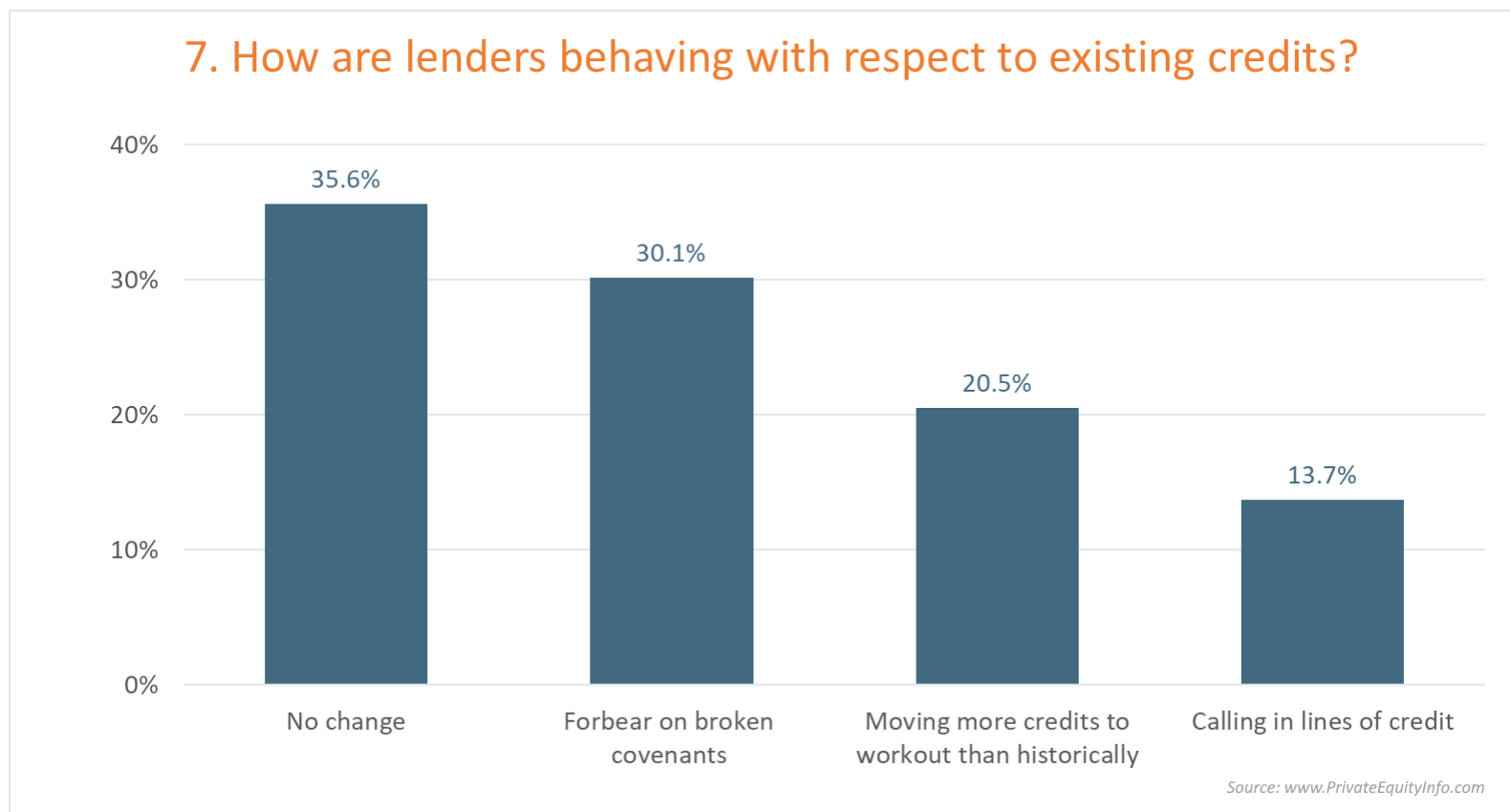
The consensus seems to center around a 10 – 25% drop in private company valuations.



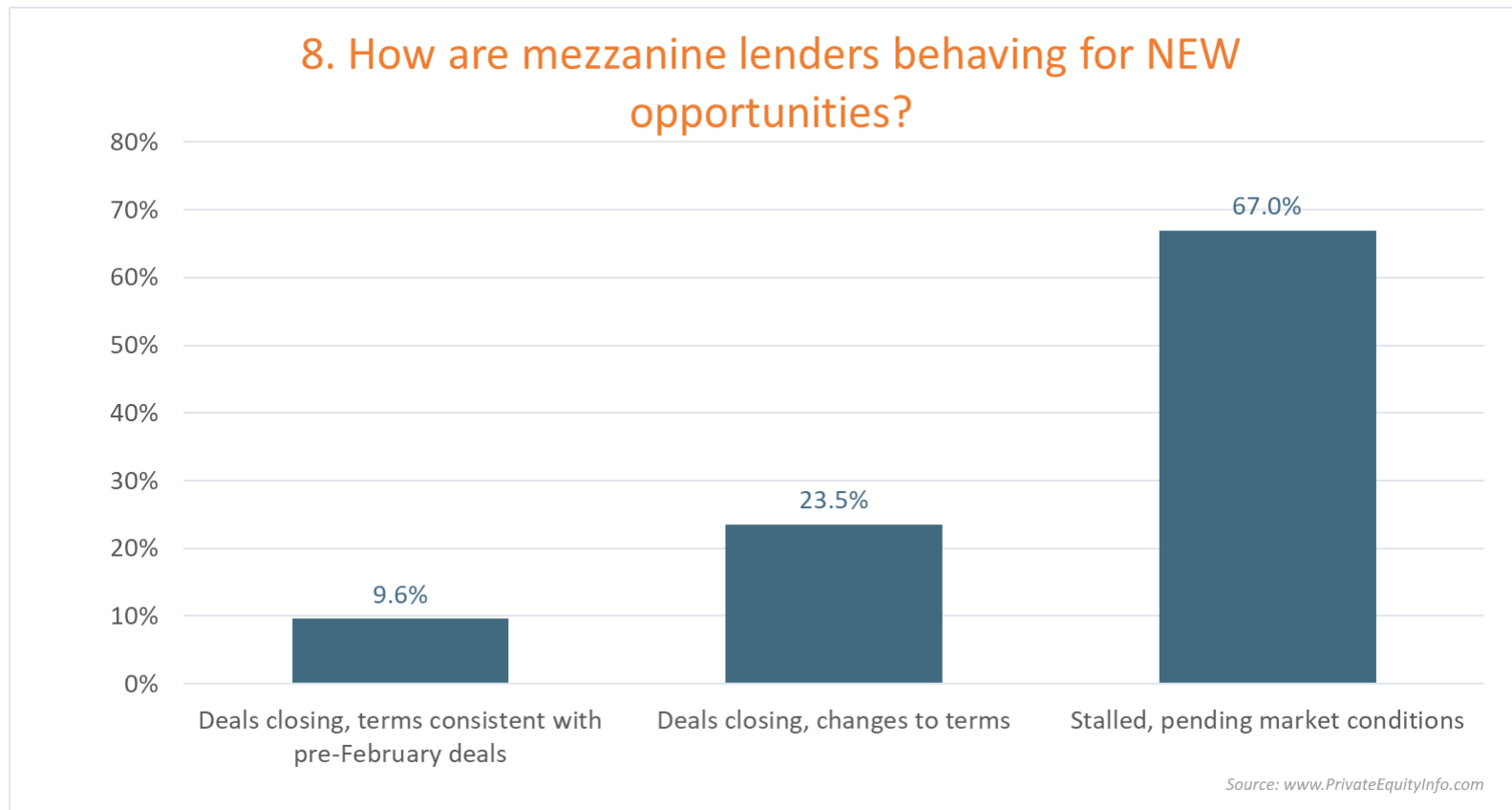
Private equity firms are clearly in the “wait-and-see mode” with respect to new investments.



Most senior lenders are not calling in their lines of credit (yet). We suspect banks are also in “wait-and-see” mode before they move forward with definitive actions.



Most mezzanine lenders are hesitant to fund new deals.



Comments From Survey Respondents

“Really tough to say for sure on these questions - too early. But lenders are tightening leverage finance pricing/terms. Everybody is wait-and-see. PE is holding back "dry powder" to provide cash to existing portfolio companies. Hoping existing lenders will step up, but concern that credit won't be available even for long-term, good borrowers.”

“Answers to these questions vary widely depending on the industry. Some are up, some are down, some are unchanged. Also varies by size of the deal and whether or not the buyer is a strategic.”

“Funds aren't going to close any deals until things settle down, if for no other reason than LPs would think they were nuts to do so.”

“More opportunities in the market are likely to appear post COVID-19 (in 3 months) but market likely to exercise more caution.”

Comments From Survey Respondents

“More opportunities for special opportunity M&A. High quality targets are more receptive for proposals.”

“No big changes yet. One deal, with fracking exposure is suspended. Others who are enhanced by this environment are moving nicely to close.”

“Not losing deals but many are being deferred and will wait until the pandemic has subsided.”

“Business success and valuations will be largely linked to the sector in which they operate.”

“90% of our current transactions are moving forward as planned, some have supply chain issues.”

“Buyer activity has virtually dried up. Sellers are now nervous as their business value decreases.”

Comments From Survey Respondents

“Senior Lenders are focused on current customers seeking line expansion and short-term cash flow loans. New customers and acquisition lending has stalled.”

“Still a developing story.”

“Strategic buyers are still engaged and moving forward. Conservative PE firms are in a wait-and-see mode. But a number of PE firms remain active in looking for deals. They will be advantaged by being out in the market right now.”

“The business environment is catastrophic.”

“The challenge coming out will likely be a solid pick-up in consumer spending, which will bolster owners to believe their business valuation should not be lowered but investors, lenders and most great managers will know it will take 1-2 years after normal activity is restored before we can have a supportable forecast for any full recovery prospects & timelines in any industry or individual business.”

Comments From Survey Respondents

“This is going to be a very brutal next 3-6 months for us as M&A Advisors.”

“Your survey is too early. Still too much uncertainty.”

“The velocity of money is slowing to a crawl. Nobody is buying or selling anything but groceries.

“Main observation is a freeze in active processes and very few new ones.”

“Market is still unsure and finding its feet, so a lot of PE/Lenders are saying the “right” thing but in reality, are in no hurry to do anything. Others are still chasing sector opportunities.”