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Leveraged Finance Group
Heard on the Street – March 11, 2020
BRIDGEPOINT INSIGHTS

PRIVATE CAPITAL MARKETS UPDATE – HEARD ON THE STREET

In light of recent market volatility, Bridgepoint is providing another real time update of what we are hearing from our close capital markets relationships

“We’re a special situations fund so everyone is all hands on deck…reaching out into the market to provide certainty. We have lots of dry capital so the message from the top is to try and deploy a good portion of that in the next few months if this volatility continues.” - *Private Credit / Structured Equity Fund*

“We are still looking to put money to work. My guess is lenders will pull back so financing could be tough. We plan on trying to exit some businesses later this year so will see how that impacts those processes. We thought most assets were overvalued. So maybe things will come more in line. Again if lenders do ultimately tighten, I would guess valuations will come down.” - *Private Equity Fund*

“We are beginning to see impacts in the debt markets, whereby select private equity processes are having difficulty attaining debt in the broadly syndicated market, giving rise to additional opportunities for direct deals. We are remaining cautious, with a focus on ensuring our portfolio companies are managing liquidity prudently and that we are being opportunistic in providing liquidity to strong borrowers through what we view to be short-term volatility.” - *Publicly Traded Private Debt Fund*

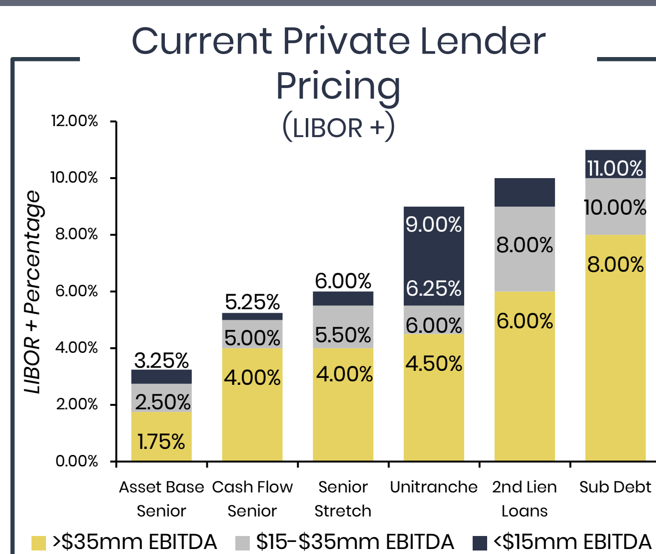
“Still gathering info - institutional loan markets sold off big Monday led by energy, airlines, lodging et al. The segments you expect to have impact. Spreads have widened out considerably in institutional loans and bonds. But it remains to be seen how it translates to the bank market, both in terms of pricing and structure.” - *Money Center Bank*

“We’ve had a fairly cautious view of the economy for the past few years and as such have continued to keep leverage reasonable and back businesses in our target industries that have a long operating history of at least back to the prior recession. Haven’t materially changed our spreads or terms but we have been a little more aggressive on ability to partner on the equity given we have some operating capabilities here as a firm. We think our minority solution to some business owners could be more accretive and beneficial to them over the long-term vs. typical PE.” - *Private Debt & Equity Fund*

“We don’t have a formal approach, but we are continuing to look at new opportunities while being mindful of short-term risks. However, we are holding spreads where they were before market volatility ensued. With that, we are also ensuring that we have LIBOR floors of at least 100bps. It is also important that we monitor our portfolio via regular conversations with our equity groups and management teams, while also continuing to travel for management and marketing meetings.” - *Private Debt Fund*

“While the public markets have seemingly been in free-fall the past few weeks, the private markets continue to be more resilient, albeit cautious. There is still too much capital chasing too few deals – the supply / demand imbalance persists. That said, investment committees are increasingly taking a wait and see approach over the near-term with potential delays and / or re-pricing, while more aggressive funds, including private debt, special situations and structured equity funds, view this as an opportunity to put substantial capital out on the street and terms and appetite remain aggressive. Historically attractive terms still exist for private middle market companies. How long remains to be seen.”

- Matt Plooster, Managing Director, Bridgepoint Investment Banking



Source: Bridgepoint Investment Banking, Capital IQ, LCD an offering of S&P Global