Private Market 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 private market relationships

"We've seen a bonanza of deal opportunities arising from the covid-19 situation. We have an active pipeline of opportunities across rescue financing, third party debtor in possession financing, structured finance, high quality asset owners who can't obtain financing given current market conditions and buying discounted performing middle-market traded bank loans (either downgrade related or forced selling due to fund liquidity issues) among many other opportunities. These are opportunities for us to provide capital to help bridge companies through this period – these are really healthy businesses that have issues due to the shelter in place as opposed to direct COVID-19 impacts but should come back once people are out again. They shouldn't have permanent impairment as a result of this slowdown, but instead have a short-term liquidity need as a result of the shutdown." ***– Business Development Company***

"Currently, our portfolio is a mixed bag. We are seeing about 1/3 of our portfolio companies doing very well amidst the crisis, 1/3 are muddling, and 1/3 are struggling (mostly due to various end markets that have been more impacted by COVID-19)." ***– Private Equity Firm***

"Traditionally, we have been 1/3 non-sponsor and 2/3 sponsor, but due to the limitations caused by the virus, we have been looking more at sponsor deals recently. We also are mostly looking at buyouts only in defensible sectors that aren't against the current trends including healthcare and business services. Our door is always open, but especially now, it needs to make sense."
– Business Development Company

"The same part of the economy that cushioned the blow in past recessions is being hit directly in this one. That will make this downturn not just more severe than most, but structurally different. The recovery will probably look different, too." ***– Financial Advisor***

"Word that many of the big banks are starting to sour on the second quarter is behind the change in tone. One suggesting that 2Q GDP is set to collapse by 30% versus the 1Q was not helpful and all this does is cause analysts/strategists/investors and asset managers to re-asses the state of the economy and wonder aloud about how long and how much this is really going to take to put this country back online especially since we are starting to emerge from quarantine and get back to work." ***– New York Stock Exchange***

"Companies backed by private equity sponsors and their private credit lenders are gearing up for tough talks about how to bridge the abyss of revenue lost from coronavirus-related shutdowns. Conversations between sponsors and lenders in the early days of the pandemic had been largely collegial and constructive, market participants say. The crisis has highlighted why direct lending is often easier than a broadly syndicated loan, with borrowers having to negotiate with one or a handful of lenders, instead of dozens. With a shared goal of keeping borrower companies alive, the two sides have aligned, at least initially, over measures to defend liquidity." ***– LCD News***

"The market is busy, but choppy. Somewhat surprisingly, many private equity funds are bidding almost like nothing has happened. We're expecting buyers to continue to digest the outlook over the coming weeks and months as more data emerges, which will further impact the deal markets. On the equity side, valuations are still elevated but it is now a case of the haves and the have-nots as to whether there is an equity market for your company at all. Deals are proceeding and being closed, albeit at a slower pace. There's so much capital that despite the near-term COVID impact on businesses, funds are still having to pick and chase winners. We're going to see a bonanza of financing (bank and non-bank) need over the next 6-9 months to support good companies through this cycle and are spending much of our time obtaining attractive financing and liquidity for these businesses, as well as helping them with their capital planning. Capital access and liquidity continues to be a competitive differentiator that best-in-class management teams are focusing us on. There are lots of people who need capital help and we're excited to be part of their solutions."

Matt Plooster, Managing Director
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