COVID-19 impact on Private Equity Bain POV:
Enduring COVID-19 and re-building for the new world

May 3, 2020
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COVID-19 caused unprecedented disruption, but PE funds are well positioned to support portfolio companies, while continuing to opportunistically invest

<table>
<thead>
<tr>
<th>Unprecedented change and disruption…</th>
<th>…require PE funds and portfolio companies to act now</th>
</tr>
</thead>
<tbody>
<tr>
<td>The past two months have placed significant and sudden pressure on PE funds and their portfolio companies</td>
<td><strong>PROTECT AND ENSURE CONTINUITY</strong></td>
</tr>
<tr>
<td>Protecting your people and business requires implementing major changes in the span of a few days or weeks</td>
<td></td>
</tr>
<tr>
<td>We have learned that companies are not affected equally with the level of impact varying significantly across industries and geographies</td>
<td><strong>ACCELERATE THROUGH RECOVERY</strong></td>
</tr>
<tr>
<td>Preparing for recovery requires understanding changes in customer behaviors and how / when demand will recover in a world where everything can turn on a dime</td>
<td></td>
</tr>
<tr>
<td>While there are still many unknowns, we do know that COVID-19 has accelerated many existing trends and introduced new ones, and that future disruptions are likely</td>
<td><strong>RETOOL FOR THE NEW WORLD</strong></td>
</tr>
<tr>
<td>Preparing for the ‘new world’ requires rethinking your strategy and retooling your business, as those that can adapt to change and prepare for future disruptions will be in position to gain share</td>
<td></td>
</tr>
<tr>
<td>PE industry is under pressure, yet is better placed to weather the storm compared to the GFC and continues to have unique opportunities for investors given the current situation</td>
<td><strong>INVEST IN THE DOWNTURN</strong></td>
</tr>
<tr>
<td>PE funds should look for opportunities to invest through the crisis, as investments made during and coming out of a downturn tend to do very well</td>
<td></td>
</tr>
</tbody>
</table>
PE funds need to **customize support for their portfolio companies** based on where they are in the COVID-19 cycle: Protect, Recover, or Retool

- **Protect** and ensure continuity
- **Accelerate through Recovery**
- **Retool for the new world**

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**Pivot to “Today Forward” and “Future Back” mindset** to understand shifting trends and refine strategy for the long-term.

- **Reduce supply chain risk exposure and build resiliency** to withstand future disruptions.
- **Instill operating model characteristics** needed to adapt to a post-COVID-19 world.

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How do I ensure the **safety** of my people and protect the business?

How do I **manage** a cascade of operating challenges for an uncertain duration?

How do I quickly **mobilize** people, re-establish customer relevance, and reactivate supply chains?

How does the **industry evolve** and how do I adapt value propositions, capabilities and ways of working?

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1. **Utilize “Bain Risk Assessment Tool”** to assess, identify, and prioritize risks to each business.
2. **Triage portfolio companies** based on risk and controllable value at stake to prioritize support from PE firm.
3. **Utilize Bain “Demand Curve Identification” tool** to assess shape of recovery and monitor KPIs to understand recovery timing & extent.
4. **Determine when businesses or portions of a business should ‘return to work’**.
5. **Create centralized PE fund team to leverage ‘return to work’ learnings** across portfolio and ensure PCs are reopening at the right times.
7. **Reduce supply chain risk exposure and build resiliency** to withstand future disruptions.
8. **Instill operating model characteristics** needed to adapt to a post-COVID-19 world.

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Most portfolio companies have already identified and addressed the most critical risks they are facing to protect themselves and ensure business continuity.

### High-level risk assessment questions

<table>
<thead>
<tr>
<th>Demand reduction exposure</th>
<th>Do we expect demand for our <strong>core business to be resilient?</strong></th>
<th>1 – Very low</th>
<th>2 - Low</th>
<th>3 - Moderate</th>
<th>4 - High</th>
<th>5 – Very high</th>
<th>Controllability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimal impact</td>
<td>Significant decline</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If there are sales declines, can we refocus on different channels and / or customers?</td>
<td>Strong ability to refocus</td>
<td>Minimal to no ability to refocus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If there are sales declines, can we pivot to more resilient products or services?</td>
<td>Strong ability to pivot</td>
<td>Minimal to no ability to pivot</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supply chain &amp; ops exposure</th>
<th>Do we have <strong>access to enough inventory</strong> on hand to continue normal operations?</th>
<th>1 – Very low</th>
<th>2 - Low</th>
<th>3 - Moderate</th>
<th>4 - High</th>
<th>5 – Very high</th>
<th>Level of controllability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sufficient access</td>
<td>Limited access</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can we continue <strong>producing output</strong> (e.g., manufacturing of products or delivery of services)?</td>
<td>Sufficient production</td>
<td>Limited production</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can we continue <strong>shipping / delivering output</strong> to our customers?</td>
<td>Strong ability</td>
<td>Minimal production</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Labor &amp; talent risks</th>
<th>Can we <strong>readjust workforce to new situation</strong> (e.g., work from home, shift to other activities)?</th>
<th>1 – Very low</th>
<th>2 - Low</th>
<th>3 - Moderate</th>
<th>4 - High</th>
<th>5 – Very high</th>
<th>Level of controllability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strong ability to readjust</td>
<td>Minimal to no ability to readjust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can our leaders <strong>effectively manage</strong> the company (e.g., sufficient oversight)?</td>
<td>Easy management</td>
<td>Difficult management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can we maintain <strong>efficient communication</strong> internally?</td>
<td>Easy communication</td>
<td>Difficult communication</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial strength of company</th>
<th>Can we <strong>remain solvent and meet debt / covenant obligations?</strong></th>
<th>1 – Very low</th>
<th>2 - Low</th>
<th>3 - Moderate</th>
<th>4 - High</th>
<th>5 – Very high</th>
<th>Level of controllability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strong ability to meet obligations</td>
<td>Minimal to no ability to meet obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can we <strong>issue new debt</strong> to meet obligations?</td>
<td>Strong ability to issue new debt</td>
<td>Minimal ability to issue new debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can we improve <strong>cash generation from operations</strong> (e.g., cutting variable and fixed costs, divest non-core assets)?</td>
<td>Strong ability to improve</td>
<td>Minimal to no ability to improve</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Take the PE COVID-19 Risk Assessment Survey [HERE](#) to get started.
PE funds have triaged portfolio companies based on risk level and controllable value at stake to prioritize support.

**Portfolio company triage: couple risk assessment with controllability**

<table>
<thead>
<tr>
<th>Portfolio Co.</th>
<th>Risk Level</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Co. 1</td>
<td>High</td>
<td>Priority 1</td>
</tr>
<tr>
<td>Portfolio Co. 2</td>
<td>High</td>
<td>Priority 1</td>
</tr>
<tr>
<td>Portfolio Co. 3</td>
<td>Moderate</td>
<td>Priority 2</td>
</tr>
<tr>
<td>Portfolio Co. 4</td>
<td>Moderate</td>
<td>Priority 2</td>
</tr>
<tr>
<td>Portfolio Co. 5</td>
<td>Low</td>
<td>Priority 2</td>
</tr>
<tr>
<td>Portfolio Co. 6</td>
<td>Low</td>
<td>Priority 2</td>
</tr>
<tr>
<td>Portfolio Co. 7</td>
<td>Low</td>
<td>Priority 2</td>
</tr>
<tr>
<td>Portfolio Co. 8</td>
<td>Low</td>
<td>Priority 2</td>
</tr>
</tbody>
</table>

**Factors for ‘Controllable value at stake’**

- **Ability to impact**: Can fund help mitigate the risks?
- **Share of fund**: What share of fund does PC make up (e.g., as a percentage of AUM)?

**Factors for ‘Portfolio company risk’**

- **Leverage Bain risk framework**
  - Demand reduction exposure
  - Supply chain & ops exposure
  - Labor & talent risks
  - Financial strength

**PE fund actions**

- Develop custom action plans to address key risks for prioritized portfolio companies.
- Develop action plans for other high risk issues.
- Create phased execution roadmap to drive change while keeping focus on high priority actions.
- Commence execution in line with roadmap.
- Establish structure for continuous follow up of initiatives.
- Identify best practices & share across portfolio companies based on successful actions taken.
- Mobilize resources to support priority portfolio companies (e.g., OPEX / CAPEX injections, project staff / consultants).
Estimating the **shape, timing, and extent of industry demand** can help portfolio companies **better prepare for recovery**

**Post-COVID trajectory (~four year time horizon*)**

**Decline**
- Hit in short-term, does not recover

**Stabilize**
- Hit in short-term, recover in long-term

**Grow**
- Hit in short-term, bounce back or grow faster in long-term

**Spike**
- Spiked in short-term, revert or trend to decline in long-term

- Spiked in short-term, stabilize in long-term

- Spiked in short-term, keep growth momentum in long-term

**Legend:**
- Line indicates start of recovery

**Note:**
*Curves are illustrative of impact — depth and length of impact and recovery will vary widely by industry

**Leading indicators,** including regional KPIs (e.g., app usage, web traffic, reservations) and analogous regions ahead on the recovery curve (e.g., China), can be used to estimate / monitor when demand will start to recover and to what extent
Determining when to reopen can be assessed by comparing workforce demand with supply for a given workforce population

Companies need to balance demand for labor with their ability to supply it, typically on a ‘local’ or ‘workforce population’ basis.

Actions to balance workforce supply and demand:
- Use scenario testing to explore the range of workforce supply needs based on possible output demand scenarios.
- Sequence the return of labor supply to match expected manpower demand based on planned output (return to work in phased tranches).

A checklist can be used to determine a company’s readiness to reopen their business or portion of their business:

- **Customer Demand**: Re-equip business to meet changing customer demands (e.g., preference for new channels or products / services)
- **Supply Chain & Ops**: Ensure suppliers and manufacturing partners are operating at sufficient levels to fulfill expected demand; Ensure delivery / logistics providers can deliver products quickly enough despite COVID-19 related delays
- **Labor & Talent**: Ensure business can operate safely and within regional guidelines (e.g., “shelter in place” mandates, sufficient PPE); Ensure business can achieve the necessary staffing required within each workplace to match expected demand
- **Financial Strength**: Secure sufficient working capital to incur the costs of restarting operations (e.g., payroll, inventory, raw materials, utilities) across scenarios; Secure sufficient capital to make investments required to restart operations and meet new customer demands (e.g., maintenance, new equipment)

### WORKFORCE DEMAND

- **Customers and end-markets**: Confirmation of customer needs and demand; competitors' readiness to go to market
- **Value-chain readiness**: Assessment of supplier and distribution readiness; identification of alternate sources

### WORKFORCE SUPPLY

- **What are my workforce needs for the range of expected demand?**
- **What is the urgency of returning various populations?**
- **Customers and end-markets**: Confirmation of customer needs and demand; competitors’ readiness to go to market
- **Value-chain readiness**: Assessment of supplier and distribution readiness; identification of alternate sources
- **Workforce risk and constraints**: Local virus, workplace, and individual worker risks; extent of government and community constraints, support, and services (e.g., schools, transportation)
- **Mitigation measures**: Measures to reduce real and perceived risks (e.g., behaviors, policy, infrastructure)

### Advance, Retreat, Adapt, Repeat

**Actions to balance workforce supply and demand:**
- Use scenario testing to explore the range of workforce supply needs based on possible output demand scenarios.
- Sequence the return of labor supply to match expected manpower demand based on planned output (return to work in phased tranches).

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PE funds can **help portfolio companies ‘return to work’ via a centralized process** that shares learnings and tests readiness to reopen across their portfolio.

**RECOVER 5**

**Establish centralized team to oversee ‘return to work’ progress**
- Appoint key stakeholders with expertise and decision rights from selection of portfolio companies.
- Determine process and timeline for how the team will engage with the portfolio companies.

**Create a standard reporting template to facilitate data collection**
- Request PCs to complete standard template, detailing readiness assessments, policy changes, reopening plan, etc.
- Review ‘back to work’ plans and provide feedback to help PCs refine their strategies.
- Maintain a centralized information repository to help planning.

**Share learnings across PCs in overlapping communities**
- Identify where portfolio companies have overlapping communities (e.g., facilities in the same city).
- Compare portfolio company plans within overlapping communities to ensure they are assessing the ‘return to work’ situation appropriately.

**Identify common pain points and share best practices to mitigate**
- Identify common pain points as they arise across portfolio.
- Share attempted mitigating actions with companies experiencing similar roadblocks.
- Encourage companies to leverage a test-and-learn framework.

**Set-up centralized efforts to assist companies’ ‘back to work’ plans**

**Leverage insights across portfolio to help individual companies**
Now is the time for companies to **review their strategy and retool their businesses** accordingly using a “Today forward” & “Future back” mindset.

### “Today forward”
Develop forward thinking insights on how our society, industry, and firm are evolving due to COVID-19 and retool your business accordingly.

Leverage real-time data and emerging trends to identify strategic / operational changes that are required to thrive under the ‘new normal’.

### Changes driven by COVID-19

- **Accelerated trends**
  - Increased automation as shutdown creates a laboratory for testing
  - Consumer spending shifts to online sales channels
  - Technology decreases the cost of distance, slowing growth of cities
  - Increasing value of brand purpose and demonstrated corporate social responsibility (CSR)

- **Course-reversals**
  - Recession drives **shift to value-focused products** and reduction of insurgent brands
  - Decline of globalization as the value of transparency and resilience increases
  - Increased government influence as powers expanded during crisis remain in place

### “Future back”
Forecast how our society, industry, and firm could be redefined in the future and retool your business to **match that future state**.

Leveraging current trends and historical analogs to make proactive changes today based on your view of the future.

#### Questions to help ideate potential “Future state”

<table>
<thead>
<tr>
<th>Category</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>How customer needs, behaviors, and preferences might look in the future given changes being driven by COVID-19?</td>
</tr>
<tr>
<td>Operations</td>
<td>What are the potential states of operations and supply chain of the future, given increasing rate of disruptions and COVID-19 impact?</td>
</tr>
<tr>
<td>Competitors</td>
<td>How is the industry likely to be disrupted and what new competitors might be emerging?</td>
</tr>
<tr>
<td>Sustainability</td>
<td>Will consumer / employee activism and sustainability shifts accelerate and how will increased focus on sustainability impact business ways of working?</td>
</tr>
<tr>
<td>Business Boundaries</td>
<td>Will competitors from other industries attack our profit pools and / or how could we attack the most attractive profit pools in adjacent markets?</td>
</tr>
<tr>
<td>Macro changes</td>
<td>How might governments and the public sector reshape the future of our industry?</td>
</tr>
</tbody>
</table>

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COVID-19 highlighted the need for companies to **build more resilient supply chains** that have greater end-to-end visibility and less complexity.

Companies need to find the appropriate balance between supply chain vulnerability and profitability.

**Risk exposure**: The level of risk your supply chain faces due to external and internal factors.

**Resiliency**: How much optionality / flexibility you have in your supply chain (e.g., digital tools, capabilities).

### Select variables driving risk exposure:
- Geographic presence
- # of supply chain partners
- Supply chain length
- Dependencies
- Data availability and timeliness
- Trade risk exposure
- Manufacturing complexity
- Stable supply and customer bases
- Labor pool stability

### Select variables driving resiliency:
- Supplier alternatives
- Inventory buffer
- Agile network
- Security
- Collaboration capabilities
- AI / predictive capabilities
- Real time visibility across entire SC

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Increasing supply chain visibility and reducing complexity can also protect companies from future shocks.

COVID-19 highlights the need for end-to-end supply chain visibility and distributed decision making:

- **Control Tower**: Create a central decision making platform that has visibility across the end-to-end supply chain.

- **Predictive Analytics**: Leverage digital tools (e.g., IoT) and prescriptive analytics (e.g., machine learning) to enable actionable insights.

- **Empowered Workforce**: Ensure frontline is empowered to make on-scene decisions during complex, rapidly unfolding operations.

Companies can simplify their operations through complexity reduction across 5 key elements:

- **Portfolio** (e.g., SKU reduction)
- **Products** (e.g., product reformulation)
- **People** (e.g., clearly delineated teams)
- **Processes** (e.g., automated processes)
- **Places** (e.g., footprint reduction)

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COVID-19 also highlighted **operating model characteristics that are needed** to adjust to the ‘new world’ and endure future disruptions

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Impact of COVID-19</th>
<th>What “good” looks like</th>
</tr>
</thead>
</table>
| **Flexible resources**   | Rapid shifts in demand have highlighted the critical nature of having resources (e.g., labor, capital) that can quickly be scaled up / down                                                                                         | • Appropriate balance of full time employees and temp workers (e.g., external networks, consultants) to enable rapid scaling/shrinking of the workforce  
• Cross trained workforce that can fulfil various roles and responsibilities  
• Playbook for scaling up/down resources to match demand (e.g., holiday season playbook)                                                                                          |
| **Rapid decision making**| Swift changes in the business environment (e.g., changing customer behaviors, safety standards) have exposed the need for **quick and effective decision making**                                                                 | • Clear decision rights (RAPIDS) and streamlined processes across the entire organization  
• Teams that are empowered by cutting through layers, functional silos, and complex matrixes  
• “Control tower” decision making for select functions (e.g., central supply chain group with global visibility)                                                                                                     |
| **Streamlined communication** | Widespread uncertainty has created an increased need for a constant dialogue with employees and external stakeholders (e.g., customers, partners, investors)                                           | • Clear communication cadence from the top of the organization (e.g., weekly updates from mgmt.)  
• Consistent brand messaging that aligns with customer needs (e.g., acknowledgment of COVID-19 and its impact on service levels)  
• Regular updates to external stakeholders on milestones and impediments                                                                                                                                       |
| **Consistent productivity** | Changes to how and where people work (e.g., working from home, new safety procedures) have exposed potential challenges to consistent productivity                                                                                         | • Adoption of new tools to enable more effective collaboration for teams that are not co-located  
• Meetings that are “fit for purpose” with adaptable formats/timing to account for mobile workforces  
• Frontline labor that is retrained to operate effectively in light of new resourcing and safety protocols                                                                                                                  |
| **Reduced complexity**   | Strained resources have highlighted the importance of limiting non-critical initiatives, processes, and meetings                                                                                                         | • Removal/suspension of non-critical products, sales channels, or business units that cause outsized operational complexity  
• Consistent scrutiny of meetings, reports, and forums to ensure that they are still relevant                                                                                                                          |

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The **PE industry** has endured crises before and **appears to be in a stronger position today** than it was in during the prior disruption (Global Financial Crisis).

### PE activity expected to slow significantly in near-term, but industry appears to be in better position to rebound compared to during GFC

- **Deal making** dropped by ~50% during GFC, partially driven by credit markets ‘freezing’

- **Exit activity** drastically slowed during GFC as investors held out to avoid “selling at discount”

- **Private capital raised** dropped by >50% during GFC as LPs questioned the asset class

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**Exit activity drastically slowed during GFC as investors held out to avoid “selling at discount”**

- **Global buyout deal count**
  - Rest of world
  - Asia-Pacific
  - Europe
  - North America

- **Global private capital raised, by fund type**
  - Other: Mezzanine, Natural resources
  - Fund-of-funds
  - Secondaries
  - Distressed PE
  - Venture
  - Infrastructure
  - Growth
  - Real estate
  - Buyout

**High-level notes:**
- LHS: Incl. add-ons, excl. loan-to-own & bankrupt transactions; Middle: Excl. bankruptcies; RHS: Distressed PE incl. distressed debt, special situation and turnaround funds; Other incl. private investment in public equity and hybrid funds
- Source: Dealogic, Preqin

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**PE activity expected to slow significantly in near-term, but industry appears to be in better position to rebound compared to during GFC**

- **Deal making dropped by ~50% during GFC, partially driven by credit markets ‘freezing’**
  - Deal making will slow dramatically with downturn duration still unclear; while there is a record amount of PE dry powder, credit markets are stalling and volatility makes asset valuation difficult

- **Exit activity drastically slowed during GFC as investors held out to avoid “selling at discount”**
  - Exits will drop and hold periods could extend as GPs shift focus to PCs, hold onto assets as valuations drop, and mismatch in buyer/seller expectations persist

- **Private capital raised dropped by >50% during GFC as LPs questioned the asset class**
  - Fundraising will drop as LPs pull back on new commitments, although decline will likely be less severe than through GFC, as LPs remain committed to PE and recognize the importance of vintage year diversification

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Investments made during and coming out of a downturn tend to do very well

### Opportunities will present for both debt and equity investors

- **For debt and distressed investors**, there are lots of strategies to pursue and we will see them all including:
  - Loan-to-own
  - Distressed with no control (trade in/trade out)
  - Direct lending
  - Event-driven credit
  - Special situations credit

- **Equity investors** will look to buy assets where they see long-term value greater than current valuations imply, types of deals we expect to see more of:
  - Investments in public equities (PIPE, minority stake, or ownership)
  - Carve-outs, as corporates divest business units to raise cash
  - Other private or sponsor-backed businesses

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<table>
<thead>
<tr>
<th>Gross buyout deal MOIC by investment year</th>
<th>Pre-01 recession</th>
<th>Post-01 recession</th>
<th>Pre-GFC</th>
<th>Post-GFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pooled MOIC</td>
<td>Top quartile</td>
<td>Median</td>
<td>Bottom quartile</td>
</tr>
<tr>
<td>Pooled IRR (%)</td>
<td>01</td>
<td>02</td>
<td>03</td>
<td>04</td>
</tr>
<tr>
<td>17%</td>
<td>5X</td>
<td>5X</td>
<td>5X</td>
<td>5X</td>
</tr>
<tr>
<td>15%</td>
<td>38%</td>
<td>48%</td>
<td>53%</td>
<td>52%</td>
</tr>
<tr>
<td>19%</td>
<td>26</td>
<td>40</td>
<td>46</td>
<td>23</td>
</tr>
<tr>
<td>Invested capital (S$)</td>
<td>98</td>
<td>99</td>
<td>00</td>
<td>26</td>
</tr>
<tr>
<td># of deals</td>
<td>1,025</td>
<td>1,158</td>
<td>1,231</td>
<td>98</td>
</tr>
</tbody>
</table>

Notes: Includes all geographies and all deal sizes, grouped by investment year; pooled average weighted by invested capital; includes buyout, turnaround and special situations deals

Source: CEPRES Platform
To find **attractive opportunities now**, investors should **adjust their diligence approach** by answering additional **five key questions** about a potential target.

### Questions to answer

#### A. How will industry demand recover post-COVID-19?
- Define the **industry’s short and long-term demand profiles** and potential timelines of recovery
  - How long might gov’t restrictions last in the company’s geographies under different scenarios?
  - What is the shape and duration of the bounce back? Is there pent-up demand?
  - Did demand shift to substitute products? If so, will customers revert back to their prior behaviors?
- Companies in industries expected to ‘snap back’ quickly (e.g., pent-up demand) post-crisis
- Companies that have not seen their offerings replaced by substitutes during COVID-19

#### B. Is current distress caused by company specific issues, beyond COVID-19?
- Understand target’s **historical financial & operating performance** prior to COVID-19 compared to competitors
- Assess to what degree potential internal factors are addressable and the timing/resources required to address them
- Companies that were market leaders / successful prior to COVID-19
- Companies with issues (not COVID-19 related) that are addressable with minimal investment

#### C. Is the company poised to maintain or gain share when demand comes back?
- Assess target’s ‘ability to win’ in new competitive landscape (including COVID-19 impact) to predict share evolution post-COVID-19
  - **Operational:** Ability to win given production capacity, input availability, and cost structure
  - **Sales:** Ability to meet structural changes in customer preferences — e.g., delivering offerings through new channels (online vs. in-store)
  - **Customer engagement / loyalty:** Has the company done a better job than competitors of engaging with customers through the crisis to build loyalty?
- Well capitalized companies with resilient operations and supply chains that will be able to quickly ramp-up post-crisis to capture increased demand
- Companies aligned well with structural changes in customer behaviors (e.g., online sales)

#### D. Can we ensure the short-term stability of the company?
- Assess **short-term disruption risk** to customer demand and supply chain inputs, and target’s ability to temporarily scale down its operations if needed
- Assess **short-term liquidity needs** to determine capital investment required (including potential government aid)
- Companies with resilient supply and demand and/or flexibility to temporarily scale down operations
- Companies that are likely to receive government support when needed

#### E. Do we have a plan for longer-term differential value creation?
- Identify what **value creation levers you can pull** to ‘retool’ the target for the future (e.g., new value props for emerging needs, opportunistic M&A, cost management)
- Companies where your playbook can add significant value in longer-term
**PE portfolio companies can use Bain tools** to help them Protect, Recover, and Retool their businesses properly.

**Protect** and ensure **continuity**

- How do I manage a cascade of operating challenges for an uncertain duration?
- How do I quickly mobilize people, re-establish customer relevance, and reactivate supply chains?
- How do I ensure the safety of my people and protect the business?

**Accelerate through **recovery**

**Retool** for new world

- How does the industry evolve and how do I adapt value propositions, capabilities and ways of working?

**Bain Risk Assessment survey:** Demand reduction is highest risk companies are trying to combat, followed by financial strength (although risk level varies by industry).

- How do I ensure the safety of my people and protect the business?
- How do I manage a cascade of operating challenges for an uncertain duration?
- How do I quickly mobilize people, re-establish customer relevance, and reactivate supply chains?

**Portfolio companies can use a simple checklist to test if they are ready to restart business and return to work.**

**Assessing how well you navigated through COVID-19 can help identify areas needing improvement within your operating model.**

**Take the ‘PE COVID-19 Risk Assessment’ **HERE** to identify the greatest risk to the business.**

**Take the ‘Ability to Navigate COVID-19 Assessment’ **HERE** to identify areas that may need improvement in your operating model.**
Bain can provide additional support to PE funds and portfolio companies to navigate COVID-19 crisis, accelerate through recovery, and retool for the new world.
Recovery from the COVID-19 crisis will require strong commitment

• Despite the uncertainty of the current environment, the **PE industry will get through this crisis**, solidifying its importance in the global economy as a **producer of jobs, creator of value, and provider of strong returns** to LPs

• However, this will not be easy – PE funds and their portfolio companies must navigate the **short-term survival challenge**, while making **investments required to win in the long-term**

• **We already see emerging signs of recovery**, but understanding demand resurgence and how to best get back to work will be key

• **We look forward to working together** to get through this crisis and shape the future of the industry