

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 been in a sellers’ market now for two, three, four, five years, I feel like, but certainly, the last year or two has been a sellers’ market. And if you came to a deal with an earnout, you as a potential bidder or buyer, you just weren’t competitive. The seller wanted to walk away with all cash, up front at closing. All the deal structures – whether it was around cash, no earnout, no seller paper, no indemnity, no escrows – everything was around maximizing cash to the seller at closing. And that’s what’s changed. The few deals that are getting done are ones where sellers have recognized that dynamic has changed. And not all have. They’re living in a different world. But the world has changed on them, and so they’ve got to adjust where they are. There are no market norms right now. The market’s out the window and you’re creating your own market real-time in terms of reps, warranties, structure and purchase price. And the main focus is on those earnouts.” – **Private Equity Firm**

“Attention to policy/procedures around risk management will be key through fall with healthcare providers (firms that don’t take this seriously face long-term damage).” – **Private Equity Firm**

“The first step in developing a back to work plan is understanding what is permissible and non-permissible under applicable state orders. The second set of issues really relate to the health and safety of employees and potential liabilities.” – **Labor Attorney**

“If we need to, we can come in and own a business. It’s as we’ve said to all of our private equity clients, certainly not our preferred outcome. But we know how to do it, and if that’s where it gets, we’ll obviously roll up our sleeves again with 130 or so people and own companies and get them through, and we think achieve good recovery. We’re not in the business of making loans that we hope turn into equity stakes in companies, right? That’s really not our business. But we have an ability to do that where it’s needed.” – **Debt Fund / BDC**

“We are close on a couple deals right now but need to do a management meeting before writing a check – probably not until end of May.” – **Debt Fund / BDC**

“We have a buyer who wants to close on a company that received PPP via an asset purchase (cash free debt free) transaction, but the PPP loan has not yet been forgiven and even though it’s an asset purchase, the buyer wants to put the PPP portion of the purchase price in escrow until the PPP has been forgiven. The buyer does not want the government going after the company for the PPP loan – even though they are not buying the legal entity taking on the loan. Buyers and / or sellers who received PPP funds must be cautious of its treatment in a transaction.” – **Transaction Attorney**

“We’re actively looking for top talent in distressed investing, special situations and opportunistic investments. It’s a core part of our business.” – **Private Equity Firm**

“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.

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