

F P P T A

VIRTUAL LEARNING SERIES

COVID-19 IMPACT ON PRIVATE EQUITY

SEPTEMBER 2020



CONSTITUTION
CAPITAL PARTNERS

Introduction to Private Equity

Venture Capital

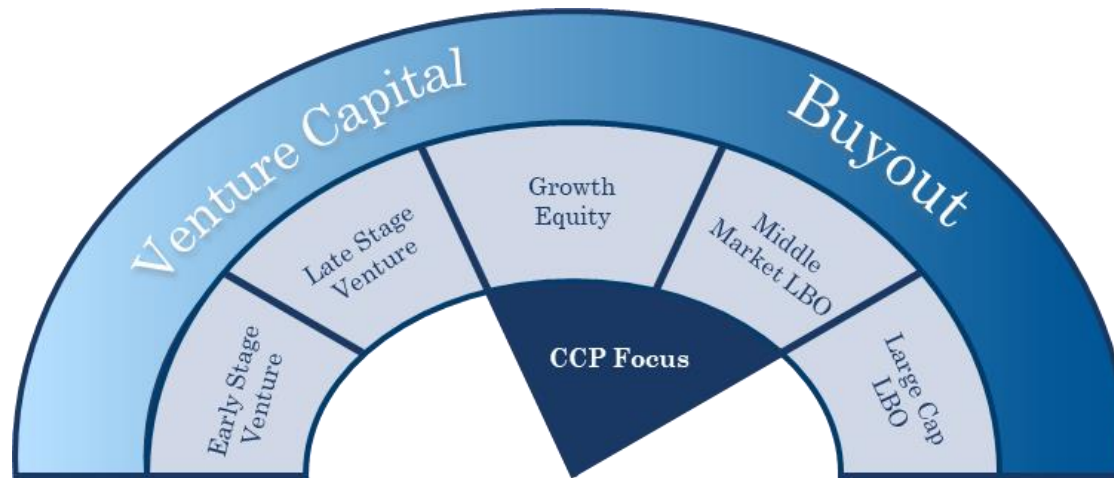
- Early stage investment, typically minority ownership basis
- Not profitable
- Market demand or product viability is uncertain

Growth Equity

- Minority or control investment
- May or may not be profitable
- Proceeds used to enhance product development, operational scalability or business development

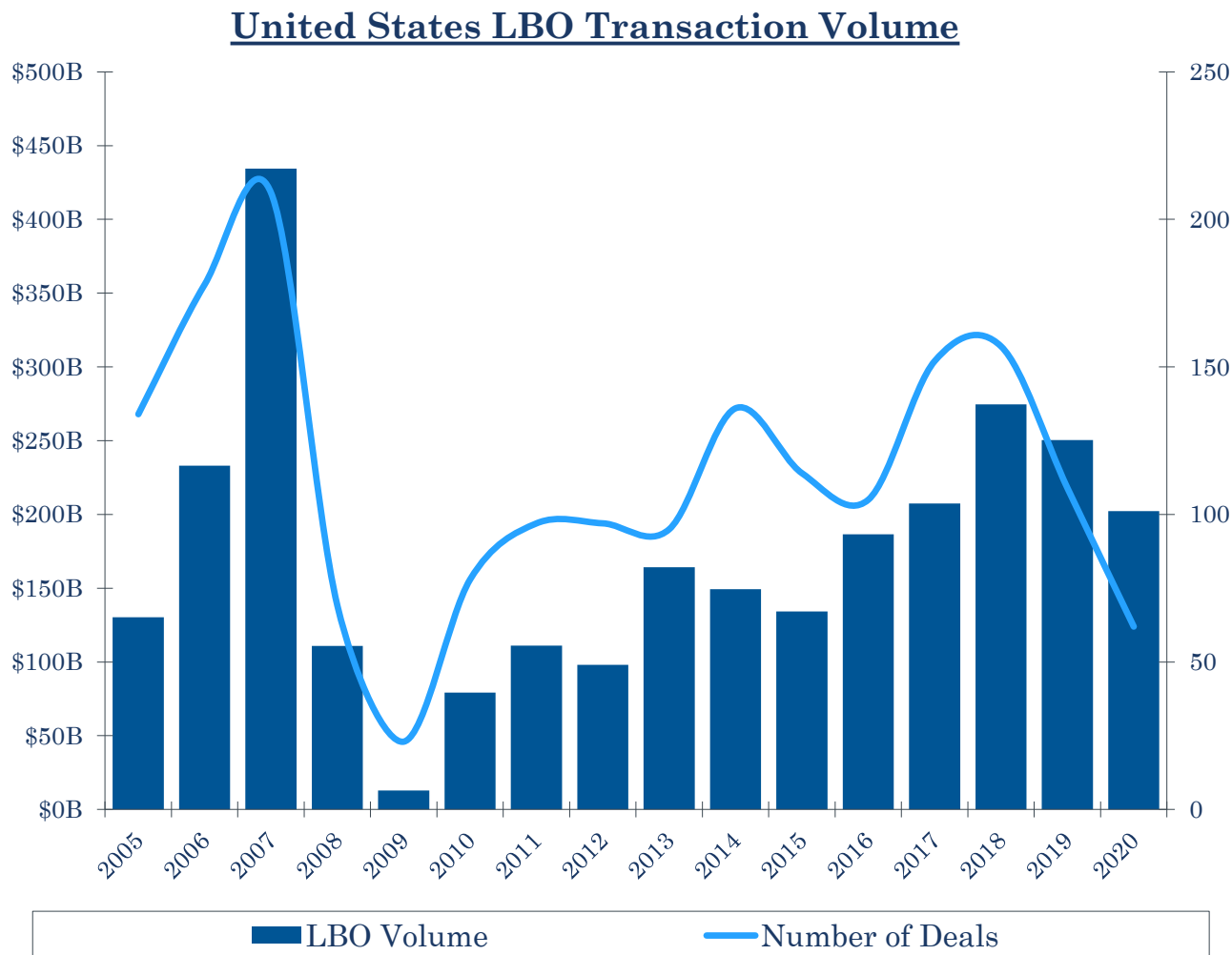
Buyout

- Control investment
- Profitable with a proven history of generating positive cash flow
- Purchase of equity from existing shareholders



Total U.S. LBO Transaction Volume

LBO transaction volume has decreased since the outbreak of COVID-19.

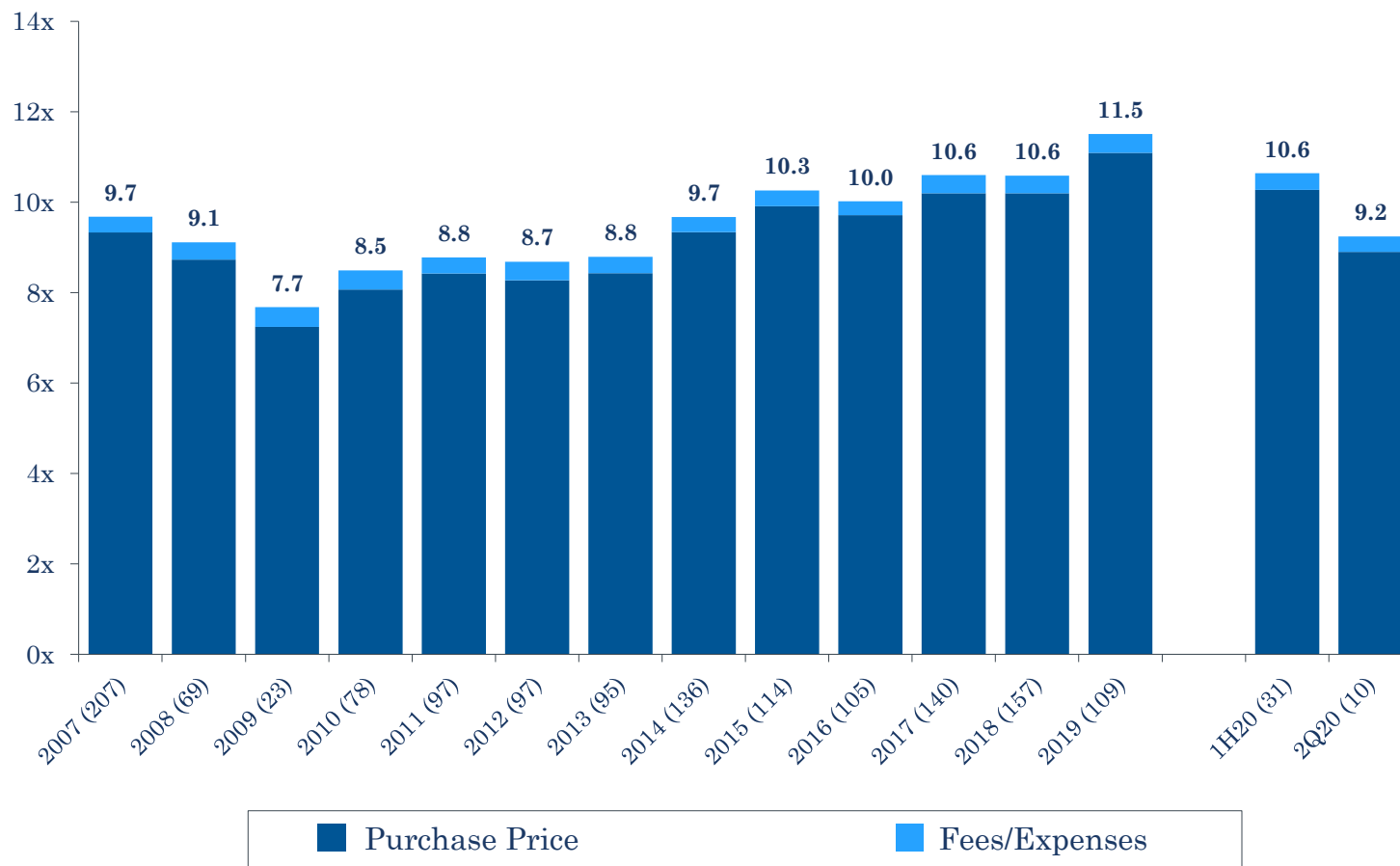


- (1) Data retrieved from S&P Global Market Intelligence, Leveraged Buyout Review, quarterly presentation as of June 30, 2020.
- (2) Data for 2020 represents annualized YTD deal activity through June 30, 2020.

LBO Purchase Price Multiples

Purchase price multiples have decreased in 2020 from a high of 11.5x LTM EBITDA in 2019.

LBOs Purchase Price Multiples



■ Purchase Price

■ Fees/Expenses

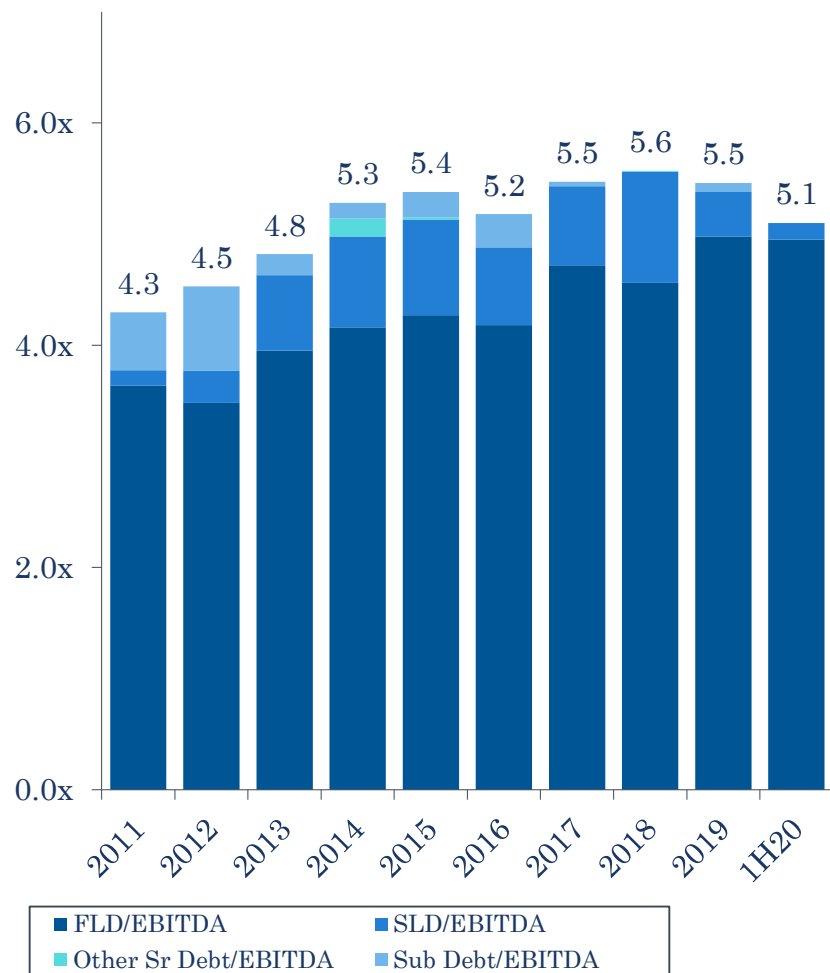


(1) Data retrieved from S&P Global Market Intelligence, Leveraged Buyout Review, quarterly presentation as of June 30, 2020.

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Leverage Statistics

Since the COVID-19 outbreak, new deals have used lower amounts of leverage and debt pricing has increased.



(1) Data retrieved from S&P Global Market Intelligence, LCD Quarterly Leveraged Lending Review, presentation as of June 30, 2020.

COVID-19 Impact Differs by Industry and Company

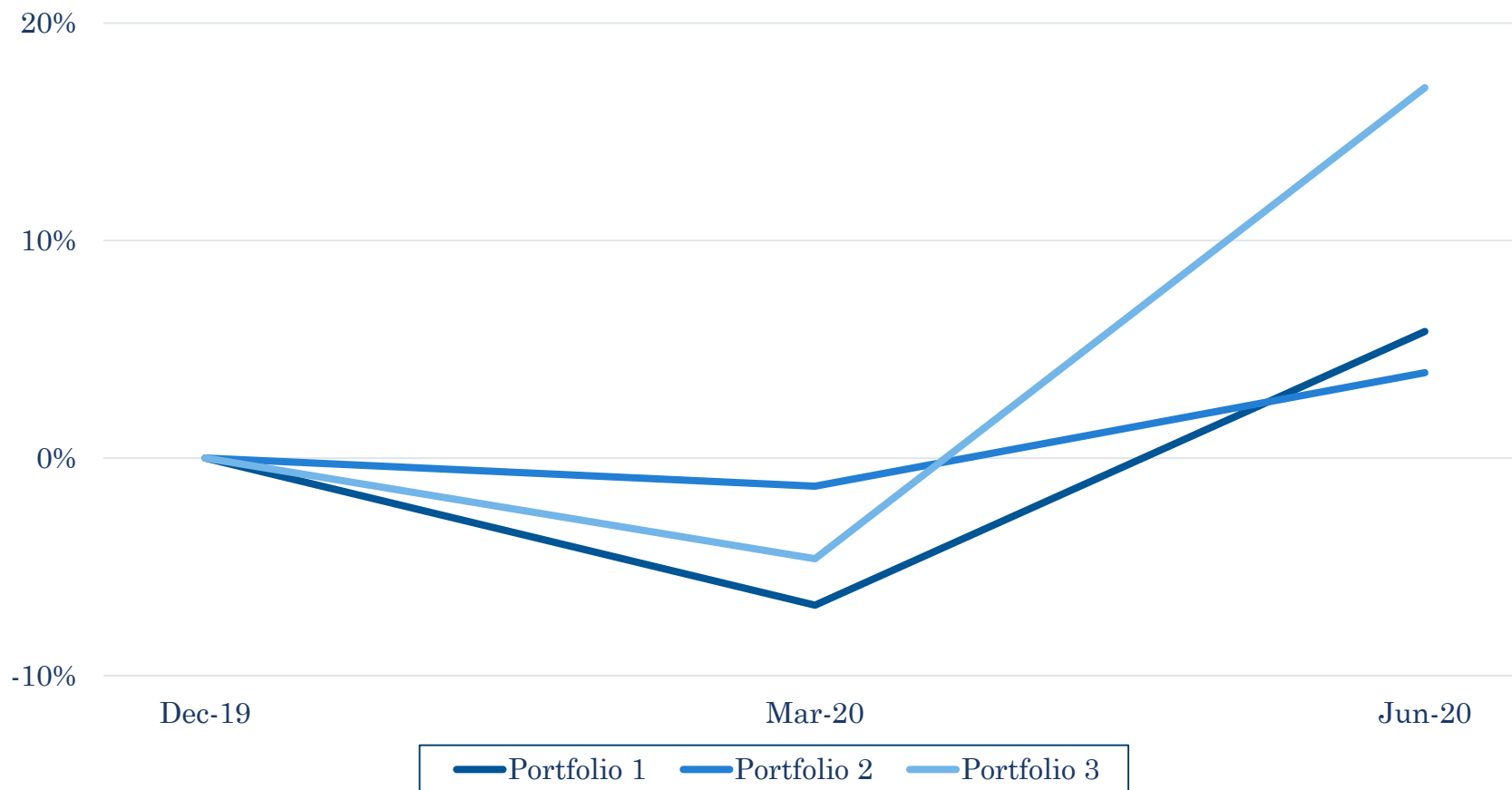
Industry	Impact
Consumer 	<ul style="list-style-type: none">• Impact varied by consumer product type• Restaurants and retail were hit hard but consumer staples and disinfectant products have grown tremendously
Healthcare 	<ul style="list-style-type: none">• In person healthcare services suffered delays and cancellations• Any COVID-19 related testing and/or treatments have performed well
Business Services / Industrials 	<ul style="list-style-type: none">• Mixed results depending on the end market of the business• Some industries were heavily impacted whereas other businesses have continued business as usual



COVID-19 Impact on Existing Private Equity Portfolios

Private equity portfolios were negatively impacted in Q1 2020 but have rebounded in Q2 2020.

Example PE Portfolio Valuations



(1) Data represents an example of a private equity portfolio performance and is not indicative of all private equity funds. Actual results may differ materially from those presented. Past performance is no guarantee of future results or indicator of future results.

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Conclusion

The COVID-19 outbreak is still a fluid situation and long-term impacts are uncertain at this time.

Summary

- Slight slowdown in deal volume but not significant as of today
- Impact from COVID-19 has been mixed and largely depends on the company and industry
- Overall, portfolios have held up and are performing well to date
- However, long-term impact is still uncertain and will change based on macro events
 - Will the economy fall into recession or rebound?
 - Will there be a second wave of COVID-19 cases?
 - When will a vaccine be developed and approved for administration?

Thank you for your time today.

