Helping drive the economic recovery

How private equity is responding to the COVID-19 crisis

DECEMBER 2020

AMERICAN INVESTMENT COUNCIL

Data provided by PitchBook

“PE’s skillset is unique for this moment”

In partnership with PitchBook Data, the American Investment Council is pleased to introduce a new data-driven series of reports detailing how private equity is helping drive the economic recovery as we continue to combat the COVID-19 crisis. The first report covers PE’s role in providing needed capital to businesses during an unprecedented economic downturn, and includes examples of investors backing companies in hard-hit sectors such as restaurants, travel, education, and beauty salons.

PE is the only asset class that can manage hands-on, complex situations at a scalable level. The most prominent example is Hilton Hotels, which was acquired by Blackstone in October 2007, just months before the Global Financial Crisis took hold. The downturn’s impact on business travel was so severe that few thought Hilton would survive. Thanks to Blackstone, it not only survived but became a profitable public company again in 2013. Many other examples can be found. Private equity’s contribution to the 2008 recovery went underreported—a 2017 study by Shai Bernstein, Josh Lerner, and Filippo Mezzanotti found that “PE-backed companies increased investments relative to their peers” during the financial crisis, and that “PE-backed companies consequentially experienced higher asset growth and increased market share during the crisis.”

How do private equity firms do it? One major reason is a renewed emphasis on bringing in industry veterans—whether the industry is retail, healthcare, or manufacturing—to help guide their portfolio companies through change. “Operating partners”—who help plan and coordinate value creation initiatives—are now commonplace. PE firms also bring in new, highly qualified board members to give strategic guidance to portfolio companies. Sometimes the new board member is a former executive of a global brand, and the portfolio company is a fraction of the size of their old company. PE firms recognize the expertise they can bring, and many executives jump at the chance to work for an up-and-coming company and help it grow.

PE’s skillset is unique for this moment, just as it was following the last financial crisis. PE investors are willing to take on the hard challenge of saving companies and rejuvenating them instead of abandoning them—or worse, betting against them. The industry has already been a major part of the solution in this recovery, helping save countless jobs and keeping business afloat in the process. PE firms have gone above and beyond to assist existing portfolio companies, including covering healthcare costs for their employees and setting aside capital for upgrades to remote working technology. Once the initial chaos subsided, PE firms turned outward—more than $450 billion has been invested in the US economy so far this year, including $36 billion in the hard-hit consumer sector. We highlight a fraction of those deals in the “Private equity at work” section—including deals that brought companies back from bankruptcy as well as emergency financings for several public companies—all with the goal of providing as much safety net as possible ahead of the eventual recovery.

Drew Maloney
President and CEO,
AIC

Methodology

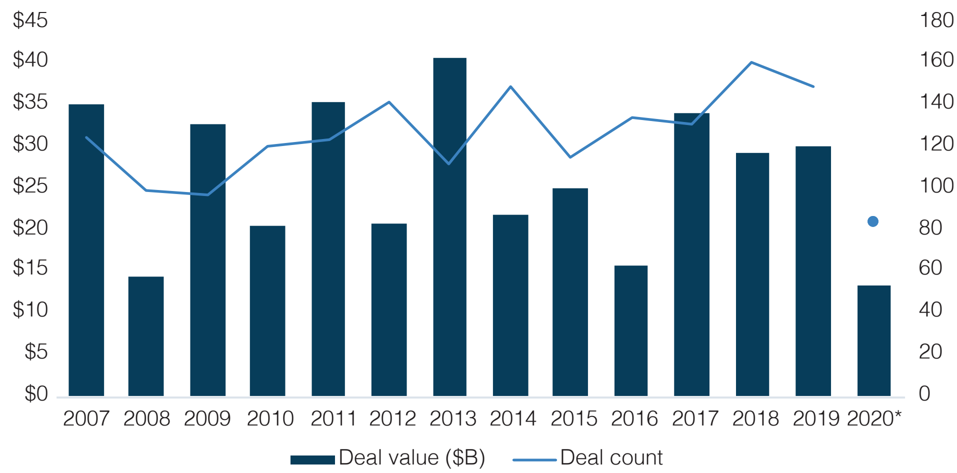
With the exception of returns data and dry powder data, all deal activity numbers derive from a representative list of 116 US-based PE firms that invest predominantly in distressed companies, bankruptcies, special situations, or turnarounds. Examples include Aurora Resurgence, Avenue Capital Group, Drum Capital Management, MHR Fund Management, Parallax Capital Partners, and Staple Street Capital, among many others.

Overview

There are plenty of US rescue-oriented firms…

The private equity industry includes all types of investors. The chart to the right shows the abundance of turnaround firms that are operating in the US. These types of investors tackle the hardest challenges, most of which involve good companies and good management teams that are struggling due to internal or external factors. In most cases, these investors are also experts in certain industries, and can guide their portfolio companies to solutions specific to their sector or circumstance. They also have years—in some cases decades—of experience that will be put to use in 2020 and 2021.

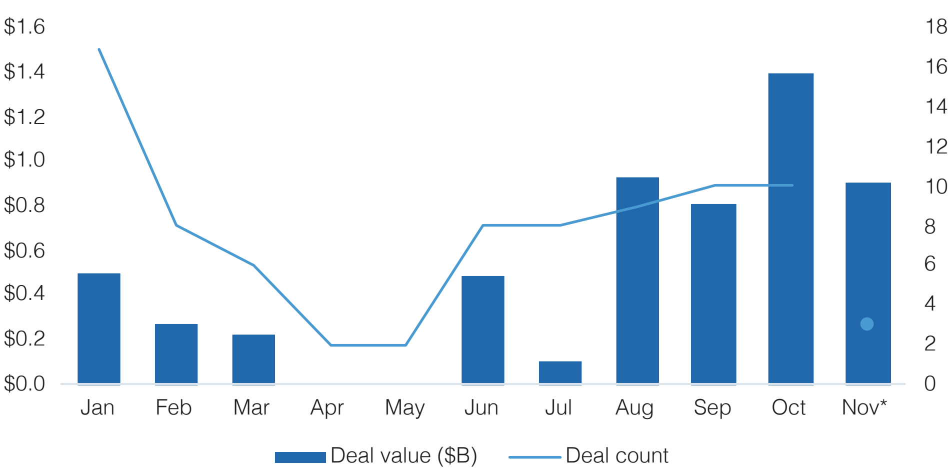
Turnaround deal activity



Source: PitchBook | Geography: US
*As of November 18, 2020

......and rescue activity is revving up

Turnaround deal activity by month



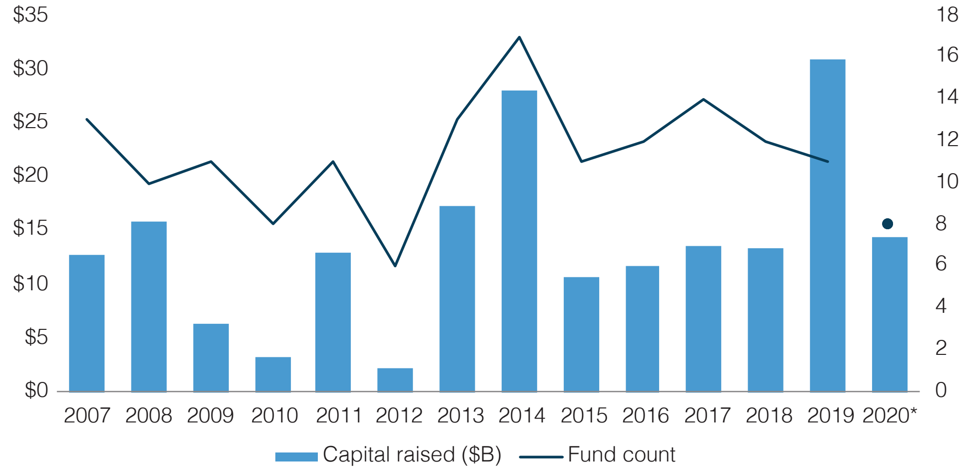
Source: PitchBook | Geography: US
*As of November 18, 2020
Note: Unlike the rest of the report, the deal totals in this table are not extrapolated, due to low counts. They are understated and cannot be compared to other PE deal values in the file.

Private equity paused in the spring as investors, like the rest of us, tried to understand what was going on. Behind the scenes and with little fanfare, investors were tending to existing portfolio companies to keep them afloat. The summer months saw a pickup in rescue buyouts, including deals struck for Shiloh Industries, Briggs & Stratton, and Brooks Brothers. Many quarantine-stricken industries saw attention over the summer as well, including education (study abroad program provider CEA and K-12 school supplier School Specialty), salons (Creative Hairdressers) and restaurants (Trudy's Tex Mex in Austin). Private equity also assisted name-brand public companies like The Cheesecake Factory, Expedia Group, and Eventbrite, among many others.

Abundant equity capital to work with...

Fundraising is a critical component to the private equity industry, as it helps us gauge how confident investors are in the asset class over time. Sentiment has been very positive in recent years, which also holds true for PE firms that specialize in turnarounds and rescue buyouts. In 2019 alone, a record $31.0 billion was raised across 11 different funds, while another $14.0 billion has been raised so far in 2020. Those numbers will go up through the end of the year and into 2021, as investors commit new capital to PE firms that have long, successful histories in turnaround situations. That bodes well for the US economy, since PE capital will be needed to resuscitate and protect impacted companies and, importantly, position them for future success once the pandemic subsides.

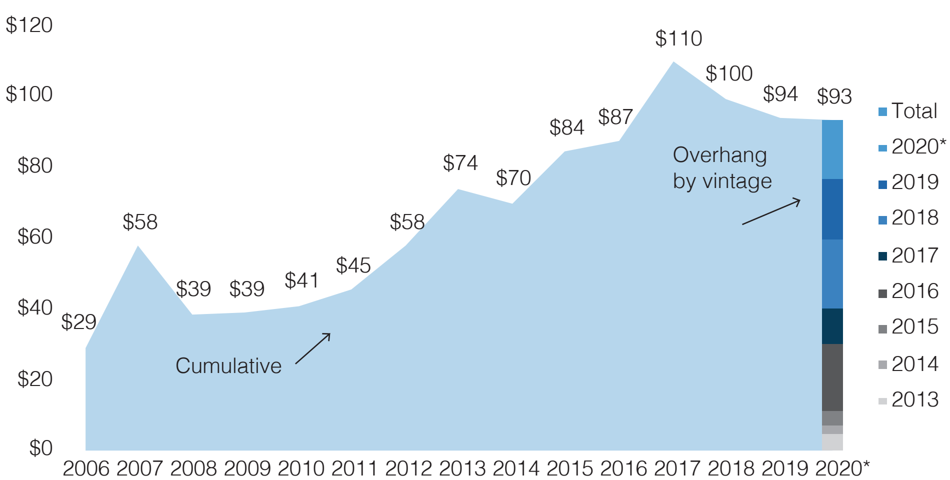
Turnaround fundraising



Source: PitchBook | Geography: US
*As of November 18, 2020

...and a profusion of debt capital, as well

Capital overhang by year—US credit special situations & distressed debt funds



Source: PitchBook | Geography: US
*As of March 31, 2020

Debt funds are vital to financing those equity investments, and several lenders are focused exclusively on complex situations. The health of this market is crucial, since relatively few lenders agree to finance companies that face significant uncertainty. The capital that will be necessary to finance this recovery is pouring in at a historic rate. Distressed-focused lenders manage almost $100 billion worth of capital, which can be used to support hundreds or potentially thousands of transactions. While this stockpile has been declining in recent years, limited partners such as pension funds and college endowments are investing more money into these types of PE firms, since they will be at the forefront of the recovery from today's widespread health crisis.

Private equity at work

CHAPTER 11

Headquarters: Valley City, OH
Investor: MiddleGround Capital
Industry: Automotive/OEM production
Deal date: August 30, 2020

Supported the business: The new financing helped Shiloh, which employs more than 3,400 across operations, sales, and technical centers, weather COVID-19-related OEM production shutdowns.

NYSE: VEL

Headquarters: Westlake Village, CA
Investor: Snow Phipps
Industry: Real estate finance
Deal date: April 6, 2020

Strengthened balance sheet: Velocity faced potential delinquencies for its residential rental and small commercial properties, across 45 states, at the height of lockdown announcements.

Featured investment

CHAPTER 11

Headquarters: Maitland, FL
Investor: Wexford Capital
Industry: Regional airline operator
Deal date: July 24, 2020

Kept struggling airline aloft: Via Airlines, which operated a regional airline in several US markets, was forced into bankruptcy last year due to pilot shortages and financial issues. Its emergence out of bankruptcy came thanks to Wexford Capital, a Florida- and Connecticut-based investor that specializes in distressed situations. COVID-19's impact on air travel has affected large and small airlines alike; regional airlines don't tend to have household name recognition but are vital for passengers (and commercial goods) that need to go to certain markets. Wexford, which successfully revitalized Republic Airways in the late 1990s, has installed Republic's former COO Wayne Heller as Via's new CEO. He said that while the pandemic has "decimated and challenged the airline industry," the need for quality regional services is still vital, "and we intend to be part of that solution."

Featured investment

CHAPTER 11

Headquarters: Austin, TX
Investor: Hargett Hunter Capital Partners
Industry: Regional restaurant chain
Deal date: July 31, 2020

Rescued popular local restaurant: Trudy's Tex Mex is a regional restaurant chain that operates in four locations in Austin. A popular brand, Trudy's was forced into bankruptcy protection due to COVID-19, like hundreds of other local and regional restaurants throughout the country. Hargett Hunter Capital Partners, a lower-middle-market investor based in Raleigh and Dallas, bought all four properties out of bankruptcy this past summer. Jeff Brock, who dined at one of Trudy's locations on his first trip to Texas 20 years ago, led the acquisition. In an interview with CoStar News, Brock said he was excited to "support a 45-year-old brand in one of the greatest markets in the country," and mentioned that Hargett Hunter used the slowdown to upgrade the company's buildings.

NASDAQ: CAKE

Headquarters: Calabasas Hills, CA
Investor: Roark Capital Group
Industry: National restaurant chain
Deal date: April 20, 2020

Navigating the landscape: The Cheesecake Factory operates almost 300 restaurants and employs 46,250 staff members. The money helped solidify its long-term plan and emerge from the crisis.

NYSE: USFD

Headquarters: Rosemont, IL
Investor: KKR
Industry: Food service distribution
Deal date: April 21, 2020

Fortified balance sheet: KKR's investment helped secure liquidity and allow US Foods to focus on its customers and employees during an uncertain time for the food distribution market.

NYSE: EB

Headquarters: Seattle, WA
Investors: Francisco Partners
Industry: Online travel
Deal date: April 23, 2020

Provided greater flexibility: Eventbrite depends on live events, which have been postponed indefinitely. The financing helps them continue operations and position themselves for a post-quarantine world.

NASDAQ: EXPE

Headquarters: San Francisco, CA
Investor: Apollo, Silver Lake
Industry: Self-service ticketing platform
Deal date: May 11, 2020

Strengthened liquidity: Expedia depends on travel to thrive. Apollo's and Silver Lake's investment gave Expedia an opportunity to develop a comprehensive strategy to emerge post-COVID.

CHAPTER 11

Headquarters: Vienna, VA
Investor: Tacit Salon Holdings
Industry: Salon chain
Deal date: June 4, 2020

Retained employees: Tacit's investment helped support all of the company's salon brands, focus on reopening safely, and retain its pre-COVID employees. The company was founded in 1974.

Headquarters: San Francisco, CA
Investors: Silver Lake, Sixth Street Partners
Industry: Hospitality
Deal date: April 6, 2020

Host support: The resources support Airbnb's vast community of hosts who rely on Airbnb income. The deal included $5.0 million to Airbnb's Superhost Relief Fund toward rent and mortgage payments.

CHAPTER 11

Headquarters: Enfield, CT
Investors: SPARC Group, Leonard Green & Partners
Industry: Apparel
Deal date: August 11, 2020

Preserved America's oldest retail brand: The deal includes a commitment to maintain 125 retail locations, and keep hundreds of jobs.

Featured investment

Headquarters: Appleton, WI
Investors: TCW Group, Lantern Asset Management, Cerberus Capital
Industry: Educational products and services
Deal date: September 15, 2020

Supported the business: School Specialty designs, manufactures, and sells a range of education-related equipment to the Pre-K to grade 12 market. Its product line includes furniture, equipment, classroom supplies, and educational technology, and its client base extends throughout the United States and Canada. In mid-September, an investment group led by The TCW Group, Cerberus Capital Management, and Lantern Capital Partners acquired substantially all of the company's assets. Stay-at-home orders have roiled the education industry as classroom lessons have gone digital. Parents aren't the only consumers of school supplies, however; grade schools and high schools continually purchase new equipment and supplies each year. The transaction keeps School Specialty's business intact, positions it for future growth potential, and allows it to continue providing students the supplies they need to succeed in school.

NYSE: VVI

Headquarters: Phoenix, AZ
Investor: Crestview Partners
Industry: Experiential services and live events
Deal date: August 5, 2020

Enhanced financial flexibility for the next eight fiscal quarters: Viad's business lines (exhibitions, concerts, corporate events) came to a virtual halt while leisure travel suffered a significant slowdown.

Featured investment

Headquarters: Phoenix, AZ
Investor: Infinedi Partners
Industry: Provider of study abroad programs
Deal date: August 10, 2020

Enabled student travel: Cultural Experiences Abroad is the fourth largest provider of study abroad programs for American college students. Last year CEA helped place more than 4,800 students from over 300 universities in 22 cities around the world. The college experience, like many other walks of life, has been upended by COVID-19. Travel restrictions add a second layer of complexity for study abroad programs. Infinedi Partners, a relatively new firm that was founded in 2018, recapitalized CEA in August. The transaction will help CEA fully support its existing partnerships as well as add significant health and safety resources to students and universities. Infinedi has invested over $140 million of equity since the COVID-19 pandemic began.

NYSE: OUT

Headquarters: New York, NY
Investors: Providence Equity Partners, Ares Management
Industry: Advertising
Deal date: April 16, 2020

Enhanced liquidity: OUTFRONT secured new financing to help ensure successful operations through a challenging business environment.

Headquarters: Chicago, IL
Investors: Ascendant Capital Partners, Oaktree Capital
Industry: Hotels and lodging
Deal date: July 24, 2020

Provided financial flexibility: Watermark's 33 hotels operate almost 10,000 rooms across 17 states, including California, New York and Florida.

NYSE: EEX

Headquarters: San Juan Capistrano, CA
Investor: Onex
Industry: B2B trade show operator
Deal date: June 10, 2020

Bolstered finances: $400.0 million of new capital provided a cushion to Emerald, which orchestrates 100+ trade shows per year and employs 548 people.

NASDAQ: OSW

Headquarters: Coral Gables, FL
Investor: L Catterton
Industry: Cruise line spa operator
Deal date: April 30, 2020

Rescaled operations: Rescue equity helped buoy OneSpaWorld, which employs 5,000 and operates spas, salons, and fitness centers on major cruise lines that were dramatically affected by COVID-19.

Q&A with KKR

"We're investing to help our portfolio companies emerge stronger on the other side of this crisis."

In KKR's Q1 earnings call back in May, Scott Nuttall noted that KKR had learned from the 2008 financial crisis and was optimistic about the road ahead. What lessons did KKR learn from 2008, and how is your firm positioning itself to invest in, and aid, today's recovery?

The ongoing public health crisis resulting from COVID-19 is very different from the global financial crisis (GFC) in terms of the challenges we face as a society. This was not a financial crisis but rather a human crisis that had spilled over to the financial world. In terms of our business, I think it's fair to say that what we saw and experienced during the GFC led to an evolution and expansion of KKR's capabilities. As a result, we are a very different firm today than we were in 2008 in terms of everything from how we think about portfolio construction to what type of capital we have to deploy and even how we make decisions.

The GFC shifted the investing landscape. After that, many companies had different needs. They needed a partner to help them restructure or rescue capital or simply obtain a different type of capital. We built businesses inside KKR to address those different needs and today have the ability to invest in any part of a company's capital structure, virtually anywhere in the world. We believe our investments are helping take companies to new heights, in addition to supporting their communities.

Since the 2008 crisis, we've gone from two investing businesses to 24, from 10 offices to 21, and roughly $45.0 billion of AUM to $234.0 billion. We've built a capital markets business, significantly increased our ability to invest different types of capital, and enhanced our operating capabilities and global reach. As the crisis resulting from COVID-19 has unfolded, all of these capabilities have come together in a really incredible way to allow us to support existing and new portfolio companies with capital and other resources to help them navigate a period of volatility and disruption.

Where do you see opportunities to invest in and support companies in an environment like this?

It's hard to talk about opportunity when COVID-19 has presented such enormous human tragedy. However, we do believe our platform has provided us with opportunities in this environment to provide support to companies, management teams, and the other partners with whom we do business.

We of course are seeing different types of investment trends, which we believe we are well positioned to take advantage of for our clients. The first I'll mention is the opportunity set you might expect from a dramatic disruption to normal business activity (and so many aspects of our daily lives). We are seeing opportunities to invest in good companies that maybe have stretched balance sheets or have a near-term need for liquidity. KKR has been able to provide a capital solution to help these businesses manage through the pandemic. For example, we provided US Foods, a former portfolio company, with a convertible equity investment to help extend its liquidity through the crisis.

The pandemic has accelerated a number of trends that we were already seeing globally, such as increased data consumption, appetite for digital services, and consumers becoming more comfortable making purchases online. We have made a number of investments aligned with these themes, including our investments in Jio Platforms, India's leading digital services platform, MASMOVIL, which is one of the leading mobile players in Spain, and the formation of Global Technical Realty, a large data center platform seeking pan-European opportunities.

Nate Taylor
KKR

Nate joined KKR in 2005 and is Co-Head of Americas Private Equity, a member of the Investment Committee within KKR's Americas Private Equity platform, and a member of the Next Generation Technology Growth Investment Committee. He has been involved with many investments at KKR, with a particular emphasis on the consumer and technology sectors.

Nate currently sits on the board of directors of 1-800 Contacts, Academy Sports, Bay Club, BMC Software, Fleet Farm, and Nature's Bounty. He also helped establish KKR's operations in India. Prior to joining KKR, Nate was with Bain Capital where he was involved with investments in the consumer and technology sectors.

Nate holds a BA, magna cum laude, from Dartmouth College and an MBA, Arjay Miller Scholar, from Stanford University Graduate School of Business.

In the US, we recently agreed to acquire 1-800 Contacts through our core investments strategy. This is a company that helped pioneer the direct-to-consumer category and has continued to innovate in areas such as telemedicine and consumer-centric online experience. These are areas that have benefited from COVID-19 tailwinds, but where we also see a long-term opportunity.

PitchBook statistics show KKR didn't slow down very much under quarantine. Why did KKR continue to invest, even amidst all that uncertainty?

We talk a lot about connectedness and our "One Firm" approach, but it can be difficult to understand what this really means from outside of our organization. I think our ability to share information and resources globally was demonstrated in our response to the pandemic. Even though we know this was a part of the culture, travel was a big part of it too, and I think we were all surprised at how everyone still was as collaborative and connected as ever. As things escalated in the US and Europe, we were also able to see around the corner and learn from the experience of our team members in Asia, who had already been facing similar changes earlier and for some time.

The global scale and capabilities of our firm—including our macro, public affairs, and Capstone (operations) teams—coupled with intense collaboration with all the deals teams also contributed to our ability to continue moving forward during the early days of the pandemic. As travel lockdowns were put in place, our deeply embedded local teams stayed connected, which enabled us to do business with our partners around the world. With capital markets put on hold, our KKR Capital Markets team and sizeable balance sheet allowed us to move forward with confidence. We also moved quickly to help our fund investors play offense as we began to see sharp dislocations, particularly in credit markets. We raised approximately $4.0 billion for the KKR Dislocation Opportunities strategy over an eight-week period.

As a result, 2020 has been a very active year for KKR, both in terms of deployment and fundraising. We've also been able to achieve good realizations and return capital to our LPs, despite the volatile environment.

> **Having a partner who is willing to support and invest in your long-term vision can be a big advantage for companies during a period of uncertainty and disruption.**

Collectively, KKR's portfolio companies employ hundreds of thousands of people. What type of advice and guidance have you been giving to your portfolio companies during these challenging times?

We've encouraged our portfolio companies to stay close to their customers and take care of their employees. Safety has been our absolutely top priority. All of our teams have rolled up their sleeves to provide our portfolio companies with direct support and resources. This is happening on many different fronts; we've been helping them with COVID-19-specific issues, such as sourcing PPE, implementing safety measures, and developing re-opening plans, as well as navigating the turbulent market environment.

We have also worked closely with them on any liquidity issues. We had some companies in hard-hit industries that needed new capital and others that were still growing and needed capital to support them with M&A.

What economic challenges do you see ahead, particularly for hard-hit sectors such as travel and hospitality? Do you see near-term promise for a recovery in sectors such as travel, restaurants, etc.?

We are optimistic over the long term, but I think these are areas where we are still seeing a delayed recovery. As investors, we entered the crisis with very limited exposure in these areas, and we are remaining cautious and thoughtful about new opportunities. It isn't possible to predict the shape of the recovery or how long the crisis is going to last. Our view is that it's going to be a gradual recovery.

There's no shortage of topics to discuss in today's PE market. What is one industry trend that you or KKR believe is being overlooked right now, with everything going on?

Not necessarily overlooked, but I believe that add-on transactions that take place at a portfolio-company level often receive less attention when you read news about the private equity industry. Despite the disruption caused by the pandemic, we've helped our portfolio companies execute a number of transformative acquisitions during COVID-19—for example, OverDrive's acquisition of RBdigital from RBmedia to deliver enhanced content and features for OverDrive's digital reading platform. We have also helped our portfolio companies navigate difficult capital markets and raise capital. KKR Capital Markets supported Epicor with its refinancing and subsequent sale, and also supported Academy Sports' IPO.

While the challenges created by the pandemic have continued, we are focused on helping our portfolio companies pursue new opportunities for growth. Having a partner who is willing to support and invest in your long-term vision can be a big advantage for companies during a period of uncertainty and disruption. We're investing to help our portfolio companies emerge stronger on the other side of this crisis.

Q&A with The Riverside Company

"PE firms improve efficiency and drive growth"

What role will private equity, and turnaround specialists in particular, play in this recovery? Do you see your role differently today than you did in the aftermath of the 2008 financial crisis?

Private equity provides a unique combination of intellectual and financial capital designed to help a company succeed in any environment (whether it's a virus or a financial collapse). According to Bob Braddick, a senior partner at Mercer Consulting, "Private equity tackles business issues including HR management head on; they are thoughtful and decisive." In the current environment several of Riverside's CEOs have noted how helpful it is to have a partner helping to think through the many challenging issues they have and are facing. PE firms improve efficiency and drive growth, often investing in new talent with higher pay. It is their unique combination of aligned resources that makes private equity especially advantageous in an environment where recovery is needed.

Riverside has been active this year, even under quarantine. To what extent did COVID impact your approach to investing over the past few months, if at all?

We think the best firms invest through all environments, simply adjusting as needed. In the current environment adjustments have involved understanding the COVID impact on the industry, financials, supply chain, overall market, and customers. Based on that understanding, certain deals got delayed or restructured slightly, and certain themes attained more weight. But our overall strategy did not change. Admittedly, we were heavily advantaged because our specializations allowed us to meet management teams well before the COVID outbreak, so we were able to close those deals comfortably.

One of Riverside's focuses is education, a hard-hit industry. Your firm has invested in more than 70 education and training companies over the years. Do you believe the education experience is set to change going forward? If so, how are you approaching the new landscape as an investor?

Although impacts will differ between K-12 and Higher Ed, we generally see rapid acceleration of trends that were already in motion. In K-12 for example, the goal of providing more real time feedback on student progress has been accelerated by increased 1:1 learning as well as more technology and digitalization in the classroom. In Higher Ed, many institutions were struggling with enrollments pre-COVID; inability to bring in international students coupled with the less costly need to learn functional skills for a digital economy may accelerate that demise. As investors, we are taking a very cautious approach and focusing on mandated hard skills (such as compliance) within corporate training and digital services versus more discretionary soft skills.

COVID has had an outsized impact on small businesses and the lower middle market, where Riverside focuses. What's your assessment of the market in terms of its health? And how is your assessment guiding you through this downturn as an investor?

Size of a company has likely not been as impactful as industry. Companies in the travel, hospitality, or entertainment industries have been crushed regardless of whether they are big or small. Smaller companies may have less access to capital, but that is why having a private equity partner can really help. In terms of recovery, there is a fair amount of liquidity in the market thanks to stimulus and flexible lenders. So if we don't have a liquidity crisis, the global

Pam Hendrickson
The Riverside Company

Pam joined Riverside in 2006 and serves as COO and Vice Chairman. Riverside is a $10 billion global private equity firm that partners with small companies and helps them grow by providing both financial and intellectual capital. Prior to joining Riverside, she served for 22 years at JP Morgan Chase in senior roles in Real Estate and the Private Bank including as Managing Director, Global Head, Lending and Liquidity Products; Managing Director, Chief Operating Officer, U.S. Private Bank.

She is Currently on the Executive Committee of the American Investment Council; Past Chairman of the Board of the Association for Corporate Growth; and has been a member of the board of the Small Business Investor Alliance. She is also Vice Chairman of the advisory board of the Kenan Institute for Ethics at Duke University and a Trustee of the National Humanities Center, where she chairs the audit committee.

Pam earned an MBA, Finance and Marketing, from the Kellogg School of Management at Northwestern University; and a BA, Public Policy and History, from Duke University.

economy should recover. As an investor, some companies will continue to thrive, and we obviously want to invest in those. For some other companies, projections, debt levels, and price will need to reflect the current environment, but they may offer some significant opportunity.

What kinds of new initiatives have you put in place for your portfolio companies to maintain sales, particularly your consumer brands? Do you have any examples of successful initiatives that will remain intact after the health crisis has passed?

Top line growth has always been a major focus for us, and we are proud of the way our companies have been able to pivot. They have gone from an environment where sales occurred on site and in person to an environment where everything is remote. We have in house sales gurus who have initiated specific training programs such as “Peloton RPM (role play management).” This training won’t turn a bad salesperson into a good one, but it will help everyone acquire much better skills for remote selling, and these are skills that will be beneficial in any environment. Other initiatives have been creative and are company specific. For example, we have one company, a contract manufacturer, that has used its excess capacity to give limited manufacturing credits to customers in return for exclusivity; this has resulted in record customer backlog and sales.

Top line growth has always been a major focus for us, and we are proud of the way our companies have been able to pivot.

What is your level of confidence for the long-term health of the US and global economies?

We have seen a very accelerated pivot to ecommerce and digitalization; while this strong shift will benefit many companies, it will hurt others and is likely to have far-reaching implications. I am an optimist by nature, so I believe the economy will recover from Covid-19 as long as liquidity remains free flowing and businesses can access capital. Certain sectors have already seen a benefit from the virus, but others will take a very long time to recover.

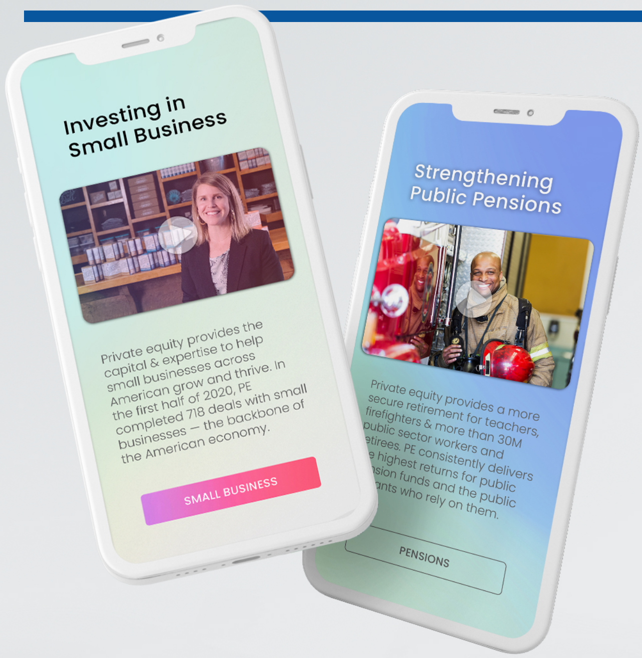
There’s no shortage of topics to discuss in today’s PE market. What is one industry trend that you or Riverside believe is being overlooked right now, with everything going on?

At the moment, there is significant concern about a potential change in capital gains taxes as a consequence of the election. So, entrepreneurs are concerned about whether there is enough time to sell their business by year end. What is being overlooked is that there is still plenty of time to complete a non-control transaction by year end; this can be especially attractive in a multi-generational family owned business. As an example, a private equity fund can provide a non-management shareholder full liquidity in a structured instrument, thereby allowing a founder to take some chips off the table in 2020 while also enabling the management owners to materially increase their stake in the business. We believe this kind of solution could make the holidays much more enjoyable for everyone.

PRIVATE EQUITY
INVESTING IN AMERICA

From urban to rural and everywhere in between, private equity is making a positive impact across America and investing in every community to:

- Back small businesses
- Support good-paying jobs
- Boost the American economy
- Strengthen public pensions



The American Investment Council (AIC) is an advocacy and resource organization established to develop and provide information about the private investment industry and its contributions to the long-term growth of the U.S. economy and retirement security of American workers. Member firms of the AIC consist of the country's leading private equity and growth capital firms united by their successful partnerships with limited partners and American businesses.

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