



# dialogues

PUBLIC VOICES IN  
PRIVATE EQUITY

## Patient Partner

### The role of private equity during a pandemic

*"Private equity and venture capital investment are a very efficient way of expanding additional capacity where required because of the new normal."*

Neil MacDougall, Chairman at Silverfleet

With its hands-on approach and financial firepower, private equity may just be what's needed to help reshape post-pandemic economies.

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Mary Kuusisto, Partner at Proskauer



While it is still uncertain how long-term some of the pandemic's effects will be, it is clear that companies need to build resilience if they are to survive or even thrive through whatever unexpected events the future throws at them. They will need investment — and a significant amount of it. Government initiatives in economies across the world, such as furlough schemes, grants and tax payment deadline extensions all help for now, but over the longer term, businesses will need support to reposition themselves for what comes next.

Private equity has a major role to play here. With dry powder of nearly US\$2 trillion in March 2021, according to Preqin<sup>1</sup> figures, the industry has significant firepower to both support existing companies and invest in businesses that meet the demands of a post-COVID economy.

In the early phases of the pandemic, the industry put significant sums to work in portfolio companies to help them weather the effects of lockdowns and the need for social distancing. Invest Europe's data suggests that 60% of private equity and venture capital investment in European companies in H1 2020 was follow-on capital — the highest recorded in any half-year.<sup>2</sup> "GPs reacted very quickly when it became clear in early 2020 that the virus was not a short-term, isolated issue," says Nigel van Zyl, Partner and co-head of the private funds group at Proskauer. "They worked to shore up portfolio companies' balance sheets, sought to engage constructively with lenders and supported their companies with operational expertise allowing portfolio companies to innovate, secure supply chains and take defensive steps or in some cases expand and grow their businesses."

#### In dialogue — More about our contributors



**Nic Humphries, Senior Partner and Executive Chairman at Hg**  
Nic is Senior Partner and Executive Chairman of Hg, a specialist private equity investor focused on software and service businesses. He has ultimate responsibility for Hg's strategy, management and governance.



**Neil MacDougall, Chairman at Silverfleet**  
Neil is Chairman of Silverfleet, the European mid-market private equity firm. Neil has more than 30 years' experience of investing in the European mid-market, and he has led some of Silverfleet's most successful investments. He is also Chairman of the BVCA, and due to his expanse market experience, his views and opinions are frequently sought by the media and industry alike.



**Mary Kuusisto, Partner at Proskauer**  
Mary is a Private Funds Partner at the international law firm Proskauer with more than 25 years of global experience in the private equity industry. She is Managing Partner of the London office and a member of the Firm's Executive Committee. She has been named in Best Lawyers in America for Private Investment Funds for numerous years including 2021 and frequently recognised by Chambers and Legal 500.



**Nigel van Zyl, Partner at Proskauer**  
Nigel is Partner at the international law firm Proskauer and co-head of the private funds group. He specialises in advising asset managers, institutional investors and investment advisors across the full spectrum of investment fund matters. He's been named in The Lawyer's Hot 100 list of most influential lawyers, is a member of Legal 500's Hall of Fame and is recognised as a Leading Individual in both Chambers UK and Europe directories.

## Private equity 4.0

The industry's support has also come in the form of expertise and know-how as executives have worked in partnership with management teams to first, stabilise businesses and then, chart a way forward in a changed environment. "We see private equity as being in its fourth generation — a kind of PE 4.0," says Nic Humphries, Senior Partner and Executive Chairman of Hg. "The best firms share the traits of a large industrial entity — including its scale in end markets, deep in-house expertise, best practice capabilities, talent networks — which are then combined with the best traits of the PE world, such as governance, incentives and capital structures."

For many companies, this combination of capital and experience has proved invaluable as they have had to turn on a dime, shifting strategy to, say, online distribution or accelerating digitalisation. Yet we are also seeing a shift in the new investment patterns of private equity funds as they seek out opportunities that benefit from pandemic tailwinds. "Private equity and venture capital investment are a very efficient way of expanding additional capacity where required because of the new normal," says Neil MacDougall, Chair of the British Private Equity and Venture Capital Association (BVCA). "That means diverting resources to where there is growth while reducing capacity where it is no longer needed."

## Talking tech

Investment in the technology sector is one example of this. In 2019, investment in technology accounted for 17.5% of US private equity investment; in 2020, it had increased to 20.2%, according to Pitchbook,<sup>3</sup> with signs of further rises in the near to medium term. "Private equity had already started getting very interested in technology," says MacDougall. "But the past year has seen a big increase, with PE firms often buying into companies at an earlier stage than before, acquiring businesses from venture capital investors." MacDougall also points to some specific lower technology, pandemic related areas such as sanitiser and PPE production — these are products needed by society now and likely in the longer term, and private equity has helped fund the huge growth in volumes produced and distributed.

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Nigel van Zyl, Partner at Proskauer



## Patience required

The need to reshape economies post-pandemic plays well into private equity's skill sets and aptitude for change management. It may even offer the industry an opportunity to shift the narrative. "Private equity has sometimes struggled with its reputation," says Mary Kuusisto, Partner in the private funds group at Proskauer and head of its London office. "Part of this is due to the difficulty of measuring what might have happened if a firm hadn't, for example, re-tooled or downsized a company to prevent a worse result. In today's environment, there will be difficult decisions, but there is a clear role for private equity to deploy capital to support companies with strong potential."

Private equity's long-term investment horizons are of particular benefit here. "Private equity is largely able to be patient capital and that matters because there is still a lot to play out here," says van Zyl. "There will inevitably be some closures, but overall, many private equity backed companies will come out of the pandemic stronger and with more innovative business models and systems and better prepared for a 'new normal.'"

The rise in GP-led secondary deals over the past year is an example of patient capital in action. These transactions—in which GPs and LPs roll existing portfolio companies into a new continuation fund or through which additional funding is raised in the form of, for instance, preferred equity—are being used to hold on to strong companies that need more time and/or capital to achieve further growth. "It is fortunate that the industry is at a mature stage as the pandemic's effects are being felt," says Kuusisto. "There are now a variety of products and experienced managers to support companies in innovative ways."

And that, clearly, is of significant value to the economy at a time when many good companies are facing significant uncertainty while others are trying to keep up with unprecedented demand. As Humphries says: "PE 4.0 has proved to be very resilient in supporting growth, sustainability and innovation during the crisis. It's a great example of what PE should be looking to achieve now, and in the future, for the benefit of all stakeholders and wider society."

<sup>1</sup> <https://pro.preqin.com/analysis/dryPowder March 2021>

<sup>2</sup> <https://www.investeurope.eu/research/activity-data/>

<sup>3</sup> <https://pitchbook.com/news/articles/private-equity-charts-2020-tech-oil-irr>



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