Road to Next

Deloitte.

Data provided by PitchBook.

Contents

Foreword

The expansion-stage ecosystem finds itself in an unparalleled environment ripe with promise and uncertainty.

When the inaugural edition of the Road to Next series was released, the COVID-19 outbreak had yet to transform into a full-fledged pandemic. Now, months later, everything is different. The coronavirus crisis has created human tragedy at an unprecedented scale, infected millions, wreaked havoc on multiple segments of the economy, and cast a glaring spotlight on the weaknesses inherent in business models and systems across sectors worldwide.

But in the throes of any crisis lie the seeds of opportunity. Even amid the intense pressures brought to bear by the far-reaching ripple effects of stay-at-home orders and other emergency measures, some companies are standing out for their resilience. Whether their response to disruption of their operations and strategies was swift and effective or their core business lines proved particularly well-suited, if not critical, in the time of COVID-19, some companies have led by example.

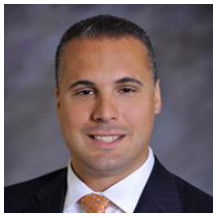
The growth-stage ecosystem is no different. The swath of companies populating this corner of the market came into maturity throughout the 2010s, fueled by relatively easy access to private capital from multiple kinds of fund managers. This novel segment of the market is facing the same risks—and could potentially seize the same rewards—as others. Some challenges may be more pressing for these expansion-stage companies than for more established companies, however, which may require that much more effort on the part of leaders and investors. Many businesses at this point in their lifecycle were already facing liquidity concerns, competitive market dynamics, hurdles of growth, and more.

This edition of the Road to Next series focuses primarily on the expansion-stage companies that were embarking on the pathway toward an initial public offering (IPO) before the crisis emerged. In addition to addressing other principal obstacles and opportunities for expansion-stage companies—such as a spotlight covering PE during the pandemic—this report examines PitchBook data sets in depth to provide analysis and historical context for liquidity trends around IPOs. From there, Deloitte leaders address key strategies and tactics for business leaders and teams to foster resilience and lay the groundwork to thrive, no matter the broader market conditions.

Deloitte and PitchBook have collaborated to produce a unique methodology for the *Road to Next* series, in order to better analyze a new segment of companies that emerged in the 2010s. Dubbing this segment the expansion stage, the methodology utilizes investment data restricted to late-stage VC, PE growth and private corporate financing. In addition, companies must still be privately held by aforementioned investment firms.

Heather Gates
Audit & Assurance Private Growth Leader
Deloitte & Touche LLP

With more than 25 years of financial services experience, Heather serves as the national Private Growth leader with oversight of the Deloitte Private, Emerging Growth Company, and Private Equity businesses within Audit & Assurance.



Jason Menghi
Audit & Assurance Private Equity Leader
Deloitte & Touche LLP

With more than 20 years of audit and accounting experience, Jason specializes in serving private equity firms and their portfolio companies.

Previn Waas
Audit & Assurance Software Industry and IPO Services Leader
Deloitte & Touche LLP

With more than 20 years of audit and accounting experience, Previn specializes in serving software and pre-IPO companies.

Executive summary

Tracing the development of the expansion-stage companies that went public in the past decade, especially in the past few years, sheds light on the traits that led to success, and provides insight into how those looking to list can navigate the current crisis.

Themes of this issue:

- The primary challenges and leading options for expansion-stage companies that were preparing for an IPO or already undergoing the process
- A spotlight on the crucial role PE funds can play in this environment, especially given their past decade of development
- The full economic impact of the COVID-19 pandemic on the current expansion-stage IPO environment as well as its possible ramifications down the line
- Assessment of critical fiscal and monetary measures and their effect on or viability for expansion-stage companies
- How expansion-stage companies can grapple creatively with shoring up balance sheets, adapting business lines to capitalize opportunistically, and identifying best methods to ensure continuity across operations

To learn more about how leaders can foster resiliency in their businesses in the COVID-19 era, read *The heart of resilient leadership.*

- The expansion-stage ecosystem proved a fertile source of IPOs throughout the 2010s as their scale precluded pure M&A; however, the rates at which companies in this stage went public remained highly variable due to accessibility of private capital.
- IPOs of expansion-stage companies overall trended larger over time, as many companies have opted to stay private longer than historically expected.
- The IPO environment in 2020 is complex and fraught with uncertainty but not as doom-laden as headlines may suggest. A few companies are ready to test the waters, blank-check companies are filing, and biotech companies are still pursuing and closing on IPOs.
- Expansion-stage companies that were to some degree underway with IPO preparations are opting to continue, realigning as need be in response to stresses exerted by the COVID-19 pandemic; several of those at very early stages have postponed.
- Multiple tactics exist for expansion-stage companies to respond to any pressures or seize any opportunities driven by the crisis; timing is imperative for executives as they seek to assess the permanency of the changes wrought by COVID-19.
- The crisis ultimately is a tragedy that will prove a test of resiliency on the part of executives and expansion-stage companies, but as in any crisis, opportunities are emerging for businesses to find a firmer financial footing and become better prepared for what lies ahead.

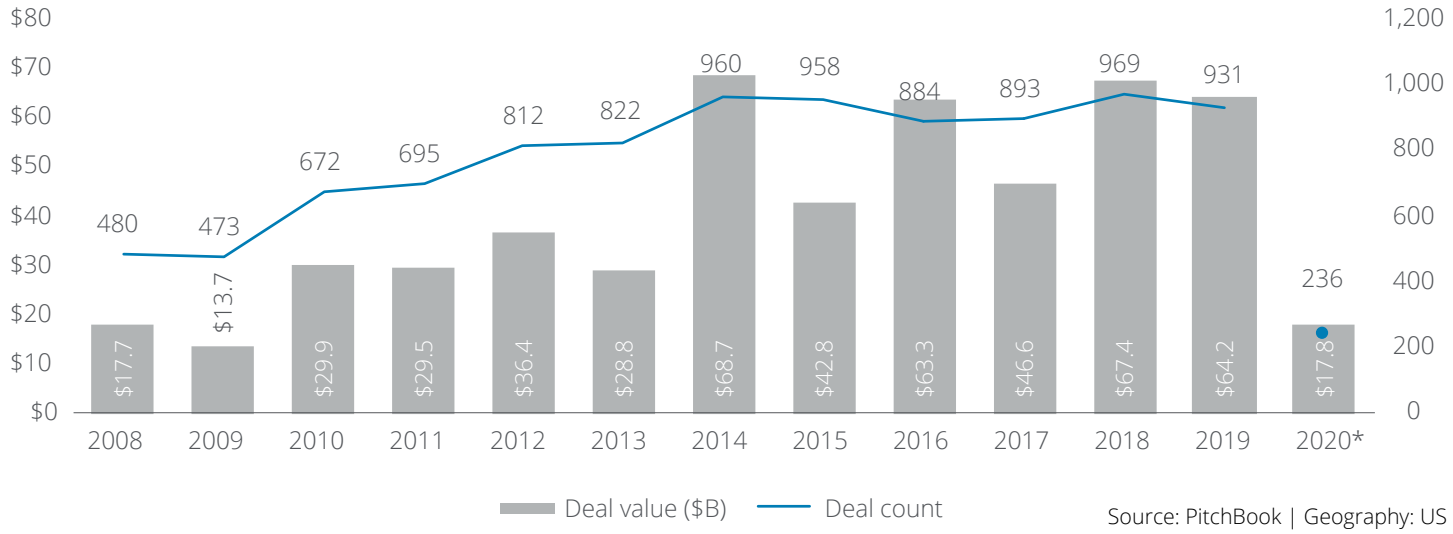
"Many of the companies we work with are undertaking thorough scenario planning, trying to assess for as many options as possible. Depending on the duration and depth of the crisis, how will their sales pipeline be affected? How much runway in months do they have? Will their current business model be able to be sustained? Companies are seizing the opportunity to focus on their unit economics and profitability."

Previn Waas
Audit & Assurance Software Industry and IPO Services Leader
Deloitte & Touche LLP

Background

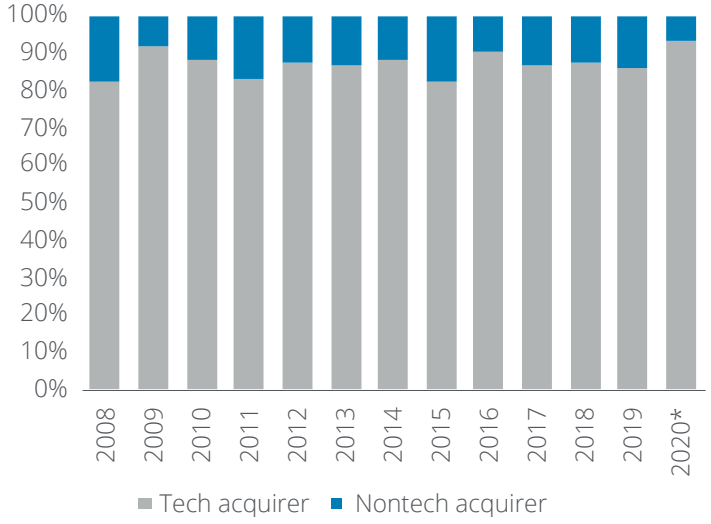
Establishing a clear background for expansion-stage IPO activity requires a snapshot of the broader M&A cycle for venture-backed companies, as well as the critical influence of tech giants as strategic acquirers prior to public listings.

VC-backed M&A activity



Source: PitchBook | Geography: US
*As of April 30, 2020
Note: Chart includes non-expansion-stage datasets

Strategic M&A ($) by tech/nontech acquirers



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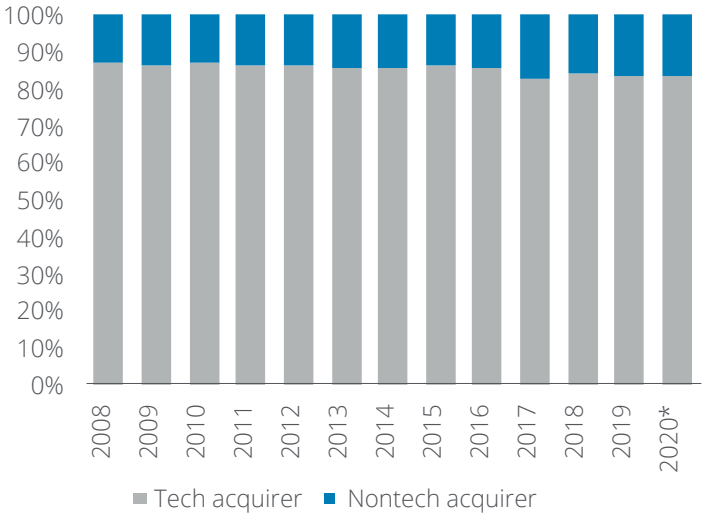
Strategic M&A (#) by tech/nontech acquirers



Source: PitchBook | Geography: US
*As of April 30, 2020
Note: Chart includes non-expansion-stage datasets

Throughout the 2010s, as expansion-stage companies matured and pursued sizable liquidity events, exit dynamics evolved as well. Companies consolidated at grand scale in mega-mergers across key industries such as health care. Venture-backed M&A volume remained robust for six straight years as giants of many industries sought to refresh patent portfolios, expand into new business lines, sidestep potential competition, or acquire new innovative technologies. Given public equities' bull run and relatively amenable lending conditions, strategic M&A also reached near-record aggregate deal value. 2019 alone saw $64.2 billion invested in the acquisition of hundreds of venture-backed companies, many of which were in the expansion stage. A significant portion of expansion-stage companies, however, have avoided a public listing or acquisition and have opted instead to stay private. Eventually, some of them considered IPOs as liquidity needs pressed, but given the broader M&A cycle and other key factors, the IPO market had also evolved.

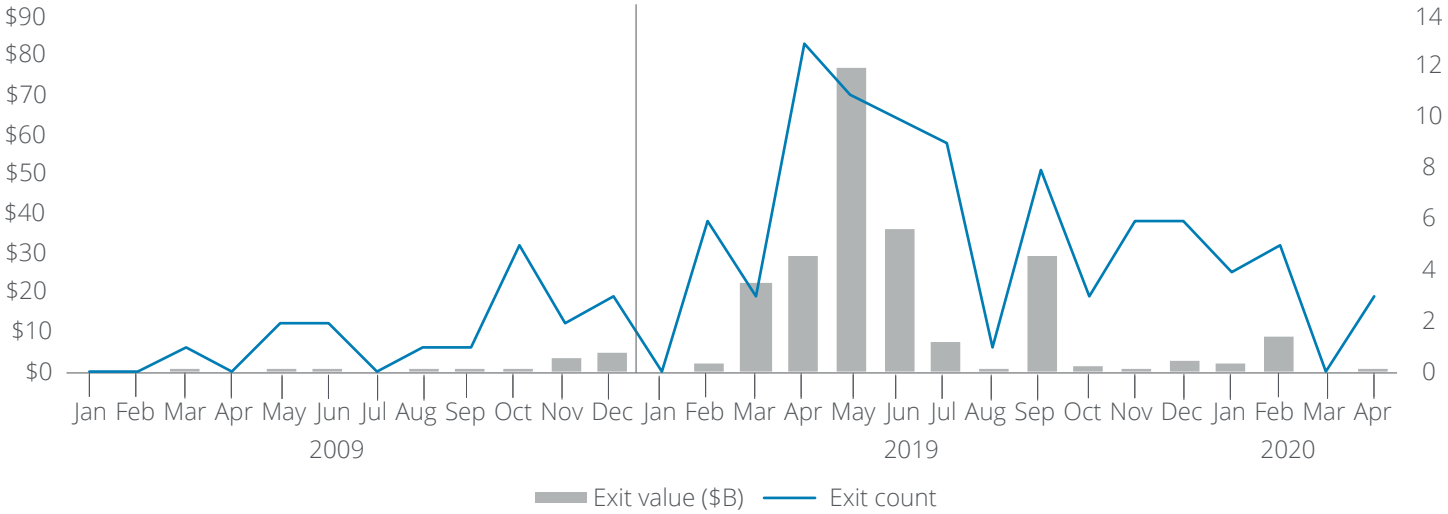
Reviewing the past decade of IPO activity amid the expansion-stage company population, the volatility in volume at first glance indicates opportunism. A record peak of 143 expansion-stage companies went public in 2014 for a combined $82 billion in value, yet just two years after, a decade-low 52 debuts were recorded (as seen later on page 10).

Companies tend to go public for similar reasons. In the past decade's heady environment, however, the motive, method, and moment to pursue an IPO have changed. Roadshows and requirements became ever more elaborate in the wake of regulatory reforms in the early 2000s, rendering the process of listing more complicated than it ever had been. Moreover, the concentration of expansion-stage companies in the software space and tech giants' willingness to pay multibillion-dollar sums from their record-setting cash hoards competed for many targets. That winnowed the expansion-stage ecosystem to produce a smaller cohort that eventually arrived at the juncture where an IPO was their best option.

> "Companies that were previously set for an IPO are working to keep their preparedness intact for any potential turnaround that occurs."
>
> **Heather Gates**
> Audit & Assurance Private Growth Leader
> Deloitte & Touche LLP

These factors combined to produce a coterie of expansion-stage companies that either were too pricey or already commanded a market position that ruled a sale out. Some of these companies went public in 2019 during what turned out to be the last phase in the decade's unprecedented bull run. Others anticipated listing this year but now find themselves up against a tumultuous, trepidation-inspiring IPO market.

IPO activity for expansion-stage companies by month from 2009 and 2019–April 2020



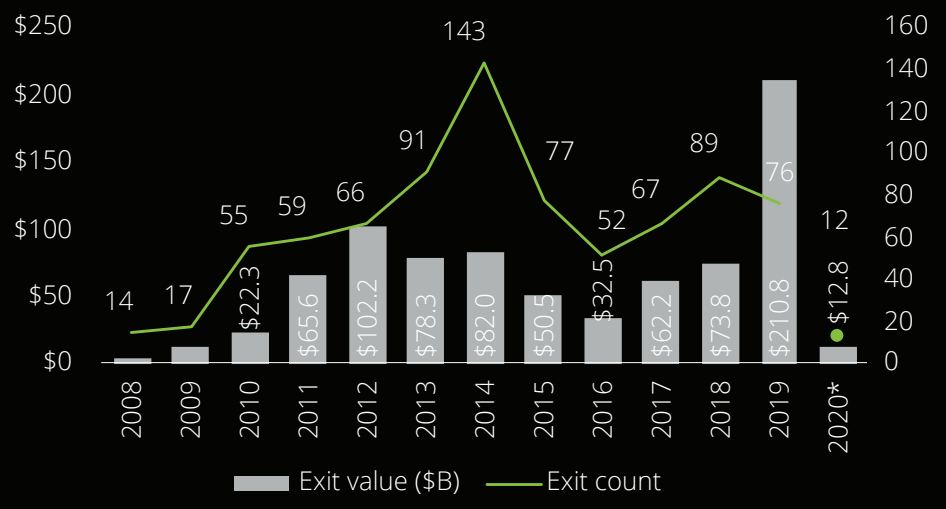
Source: PitchBook | Geography: US
*As of April 30, 2020

A snapshot of the road to IPOs in the COVID-19 era

When the inaugural edition of the Road to Next series was released, the COVID-19 outbreak had yet to transform into a full-fledged pandemic. Now, months later, everything is different. The coronavirus crisis has wrought havoc at an unprecedented scale. But in the throes of any crisis lie the seeds of opportunity. Even amid the intense pressures brought to bear by the far-reaching ripple effects of stay-at-home orders and other emergency measures, some companies are standing out for their resilience. The growth-stage ecosystem is no different.

This infographic is a data-driven snapshot of the latest edition of Deloitte's Road to Next series, which focused primarily on the expansion-stage companies embarking upon the pathway toward an IPO before the crisis emerged.

IPO activity for expansion-stage companies



Source: PitchBook | Geography: US
*As of April 30, 2020

The COVID-19 pandemic has been an accelerant of change that was already happening—businesses have had to adapt and seize opportunities faster than anticipated.

After a boom M&A cycle for venture-backed companies in particular, as well as strategic spending sprees by tech giants, a cohort of expansion-stage companies were set to go public over the next few years.

$276.3M

With a median revenue of $276.3 million, the expansion-stage companies that went public in 2020 through April's end set a new record

Note: Low data counts for 2020

82%

After a record year, 2020 is on pace to record an 82 percent decline in IPO exit value—as of end of April, 2020 is roughly on par with 2009's full-year tallies

$170.2M

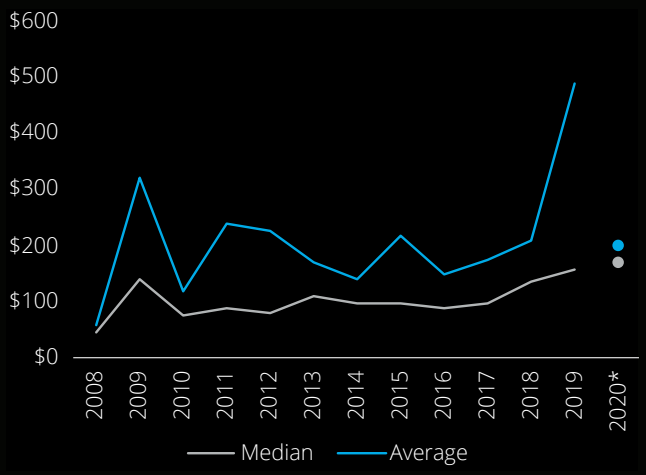
A new record for median VC raised by expansion-stage companies prior to their IPO in 2020

All callouts - Source: PitchBook | Geography: US | *As of April 30, 2020

"What we don't know just yet is how many capital calls made by investors will go unfunded. The emergence of smaller VC funds with lesser-known limited partners over the past decade may incur that potential risk, so this dynamic becomes a more pressing question in this environment. For expansion-stage companies, the question becomes which growth equity firms could, and will, provide aid."

Heather Gates
Audit & Assurance Private Growth Leader
Deloitte & Touche LLP

Median and average VC raised ($M) prior to IPO for expansion-stage companies

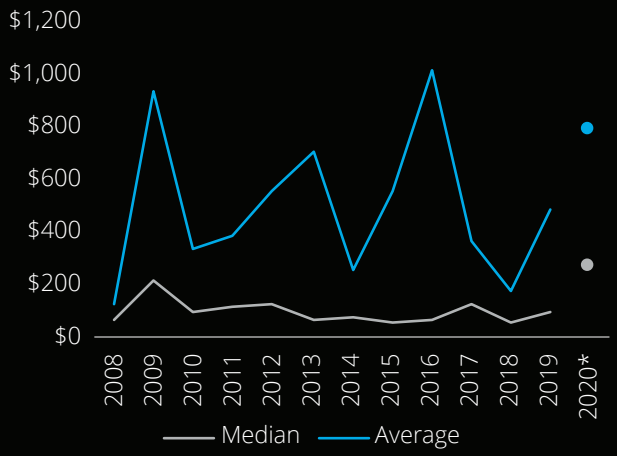


Source: PitchBook | Geography: US
*As of April 30, 2020
Note: Low data counts for 2008, 2009, and 2020

Median and average years from first VC round to IPO for expansion-stage companies

Source: PitchBook | Geography: US
*As of April 30, 2020

Median and average revenue ($M) at time of IPO for expansion-stage companies



Source: PitchBook | Geography: US
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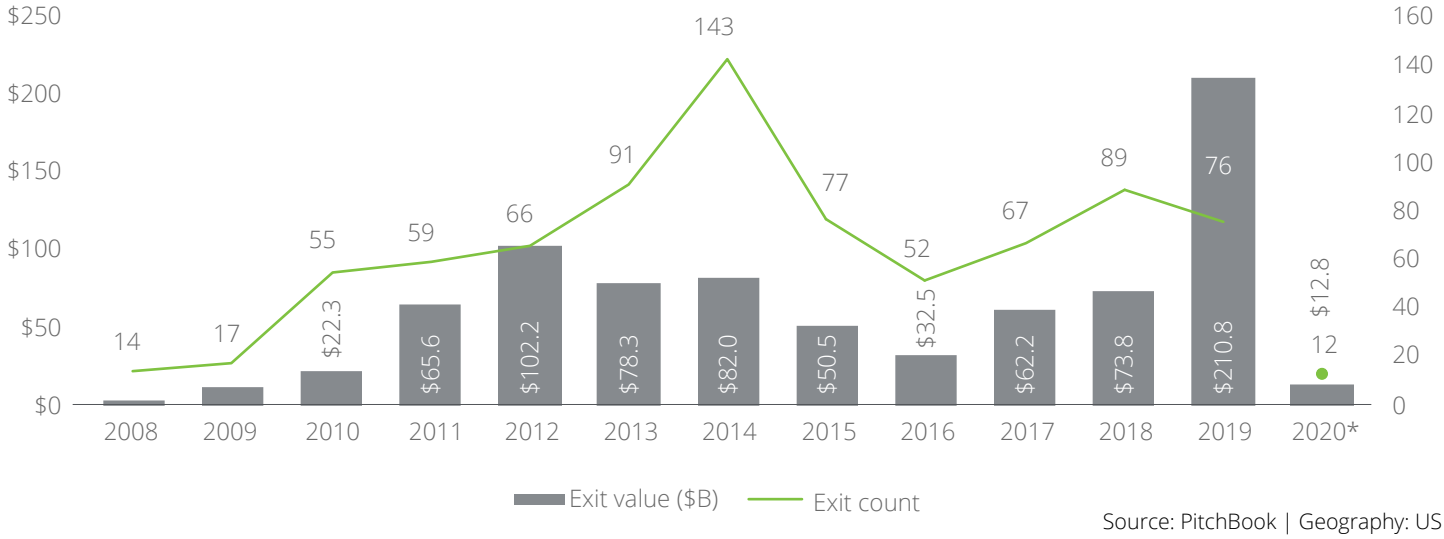
"Toward the end of last year, unit economics began to be emphasized much more, especially for consumer-facing, tech-enabled businesses. Cash-flow positivity or clear demonstration of pathways to profitability will be emphasized. That won't change."

Previn Waas
Audit & Assurance Software Industry and IPO Services Leader
Deloitte & Touche LLP

The road to IPOs

Expansion-stage companies' pathways to IPOs have grown more complicated over the years, evolving in response to trends in dealmaking and innovations in liquidity.

IPO activity for expansion-stage companies



Source: PitchBook | Geography: US
*As of April 30, 2020

Reviewing the financing activity and characteristics of the expansion-stage companies that went public throughout the past decade, as well as those that have managed to go public in 2020 to date, produces a valuable array of findings for those businesses confronting hard questions in these unprecedented times. The bulk of expansion-stage companies along the road to an IPO were venture-backed, having evolved against the backdrop of the record-breaking dynamics of the decade's VC market. As a result, we can trace the origin of multiple trends back to the capital-rich environment —the availability and accessibility of private capital, particularly within the confines of venture.

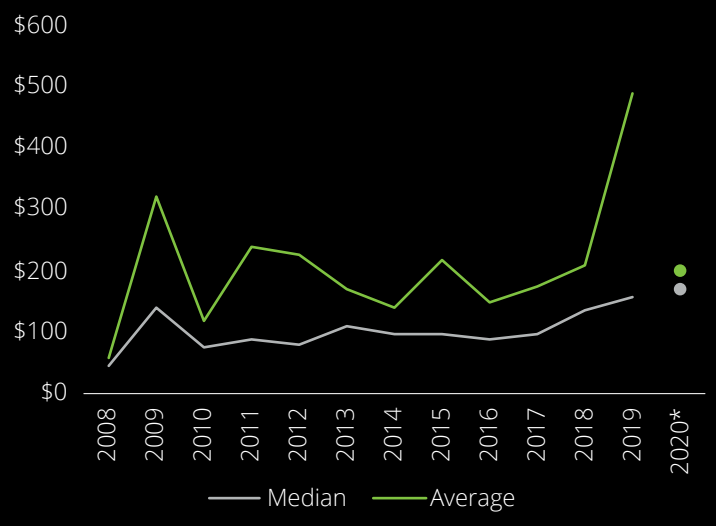
IPO sizes and post-money valuations gradually trended higher throughout the 2010s. After 2016, approximately 90 percent of all expansion-stage companies listed at $100 million or greater. (Smaller IPOs continued to close primarily due to the steady stream of biotech listings.) Given the paucity of debuts in 2020 to date, the record tally posted in Q1 for median IPO size for expansion-stage companies is not sufficiently robust to draw any conclusions. Companies able and willing to go public in 2020's increasingly uncertain environment would naturally be larger and more established.

Moreover, the sheer volume of capital raised by the typical expansion-stage company prior to listing necessitated sizable debuts and valuations. The median sum raised by an expansion-stage company prior to IPO rose from $99.0 million in 2015 to $156.3 million in 2019. 2020's figures are even higher. Prolonged private growth requires substantial infusions of capital, and for a remarkably long stretch of time, investors of multiple types were willing to fund all-out pursuit of growth.

"Companies that have already proven they are first in class or winners of their segment will still be able to conduct fundraises. Especially as more nontraditional investors such as growth equity firms are involved in this segment, there could still be plenty of investment funds available."

Heather Gates
Audit & Assurance Private Growth Leader
Deloitte & Touche LLP

Median and average VC raised ($M) for expansion-stage companies prior to IPO



Source: PitchBook | Geography: US
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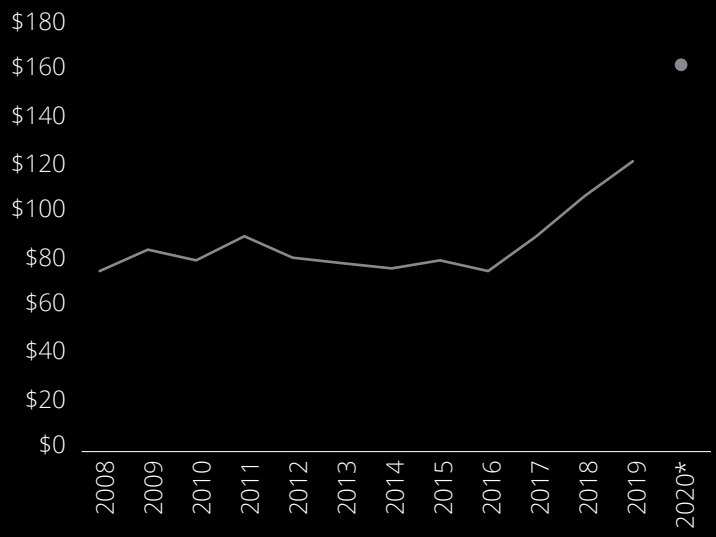
Note: Low data counts for 2008, 2009, and 2020

Median and average years from first VC round to IPO for expansion-stage companies

Source: PitchBook | Geography: US
*As of April 30, 2020

Median IPO size ($M) for expansion-stage companies



Source: PitchBook | Geography: US
*As of April 30, 2020
Note: Low sample size for 2008, 2009, and 2020

Median IPO post-money valuation ($M) for expansion-stage companies

Source: PitchBook | Geography: US
*As of April 30, 2020
Note: Low sample size for 2008, 2009, and 2020

Where this established narrative grows more intriguing is comparing how long expansion-stage companies took to list following their first VC round and their last. The median and mean duration between first VC funding and listing stayed remarkably consistent between 2012 and 2019. (The sudden drop in 2020 must be viewed cautiously, given only 12 IPOs have closed thus far.) At the same time, companies slightly reduced the time between their final round of venture funding and going public, from 1.7 years at median in 2012 to 0.8 years in 2019. Taking into account the sums raised in those final financings prior to listing, it's clear that expansion-stage businesses were doubling down on readily available private capital even several months before going public to further ensure plenty of runway no matter what additional funds their debut netted. For many businesses, such a strategy was sensible as they sought to reach critical inflection points in scale, size, and market penetration before ideally transitioning to a more stable blend of growth orientation and profitability.

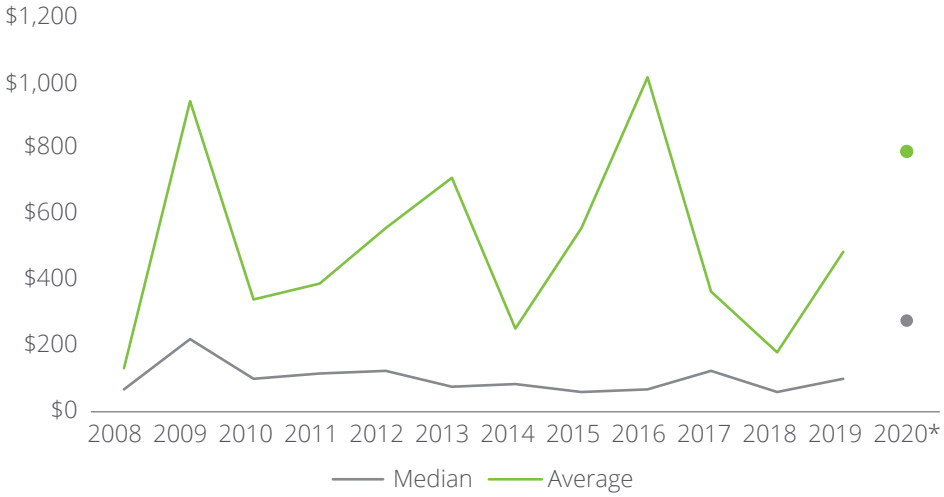
"Even in enterprise software, the initial question nowadays is how essential the service or tool truly is. Spending will likely shift from the nice-to-have to the need-to-have."

Previn Waas
Audit & Assurance Software Industry and IPO Services Leader
Deloitte & Touche LLP

Now, in the turmoil wrought by the COVID-19 pandemic, every business is racing down that same path. For many companies, cash is king more than ever before. Even those that have not yet been materially affected by the waves of stay-at-home orders are shoring up balance sheets and trimming budgets. Interestingly, although again the sample size is small, the median revenue for expansion-stage businesses that have closed IPOs in 2020 was staggeringly high at $276.3 million.

Some sectors may go unaffected by the ongoing crisis. Some are even set to benefit from it. Enterprise infrastructure and services that do not require in-person contact are perhaps the two best-known examples. Edtech infrastructure and support could also see increased demand should school systems invest more in their remote learning tools. The permanency of the outbreak's effects remains uncertain. What is clear is that the COVID-19 pandemic has served as an accelerant of change that was already happening—and has forced businesses to embrace that change and shift their tactics as a result.

Median and average revenue ($M) at time of IPO for expansion-stage companies



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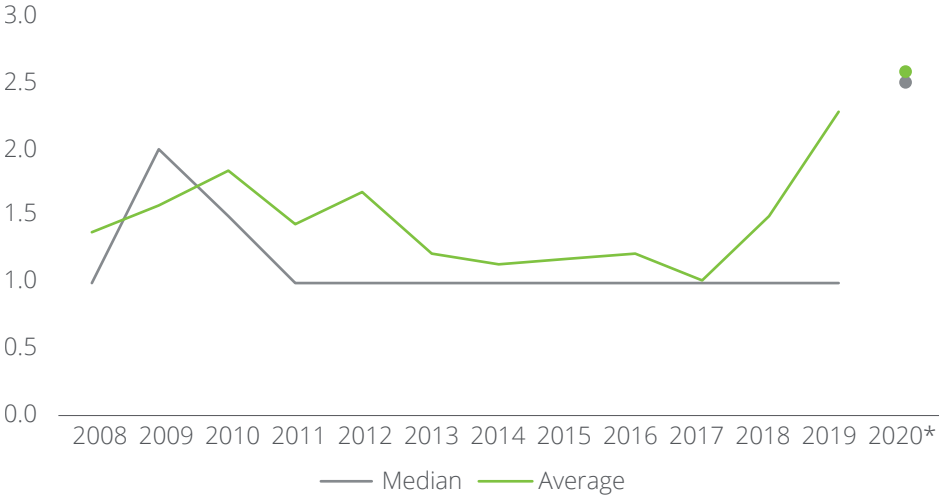
Note: Low data counts for 2008, 2009, and 2020

PE exiters (#) at time of IPO from expansion-stage companies



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Amid the many tactics various expansion-stage companies, especially those that were preparing for an IPO, are employing or still considering before implementation, the following already stand out:

- Shifting compensation structures (adjusting compensation to the form of equity instead of cash, splitting planned raises into segments)
- Restructuring fixed costs and pausing discretionary spending (freezing hiring, renegotiating contracts with suppliers when possible, investigating lease terms)
- Reallocating capital in most profitable, surest business lines
- Conducting furloughs and/or layoffs or reducing working hours
- Obtaining additional financing support from partners or governments (between ample dry powder and company size, smaller businesses can find assistance)

Many companies are just beginning to use or explore these methods, exercising caution to avoid making irrevocable or long-lasting changes that prove to be less necessary than anticipated. Leaders are still trying to adopt a wait-and-see approach if possible.

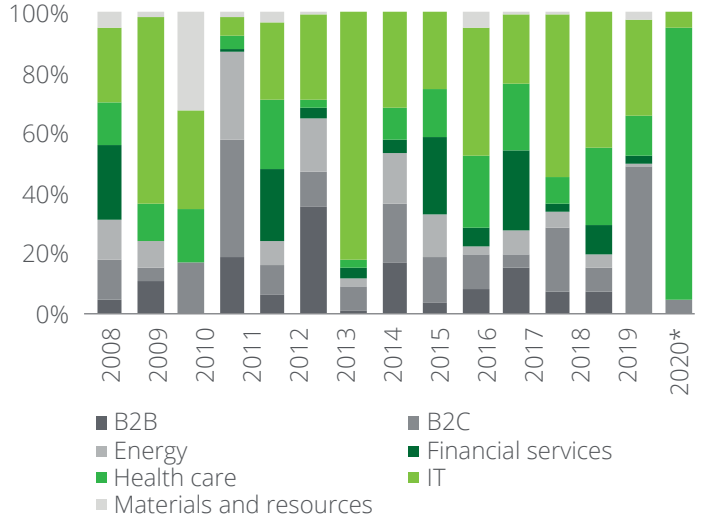
But the environment, although constantly in flux, is already showing intriguing signs of how things may evolve in the coming months as everyone more firmly grasps how to adapt during the crisis and prepare for a world following it. Among the few IPOs still occurring, special acquisition corporations present a way for investors to still gain exposure to companies at potentially more attractive pricings.

Dealmaking is slowing but still proceeding for the companies that either require capital or are trying to look ahead and not lose any competitive ground. For some, a downgrade in valuation may be worth it in the long run if it means securing the funds needed to maintain, if not thrive, for at least a matter of months.

Given the degrees of uncertainty induced by different approaches to handling the pandemic, companies and investors alike are operating on a monthly basis, if not week-to-week. The good news for expansion-stage companies is that the capital is there to fuel them as they look to hopefully get back on track to a public listing or an alternate, significant liquidity event; the bad news is that the terms are not going to be quite as favorable.

In closing, this tragic pandemic has rattled the expansion-stage ecosystem as much as any other market segment. Stakes are higher for many businesses, given their growth trajectory and business models that required significant capital infusions. Others can still proceed as usual for now, but all are reassessing and adapting as the ramifications wrought by the crisis continue to unspool. It remains to be seen if circumstances for a significant portion of the expansion-stage ecosystem grow dire, but as must be emphasized one last time, the vast abundance of private capital that powered the flourishing of the expansion-stage ecosystem throughout the past decade still provides a hopeful backdrop.

IPO activity ($) for expansion-stage companies by sector



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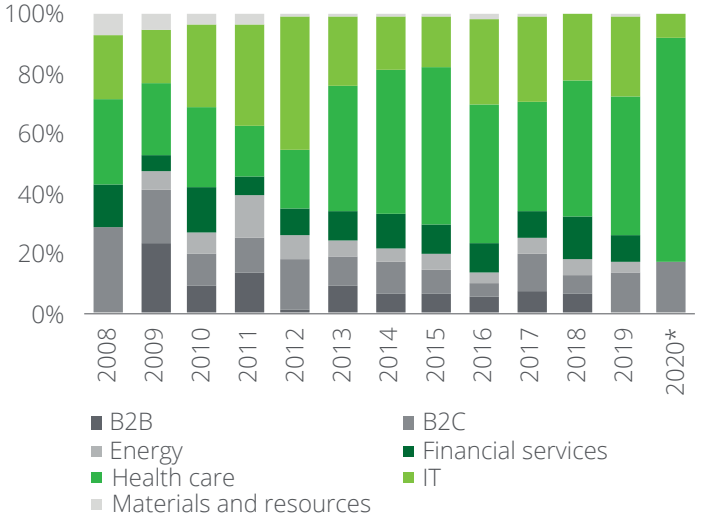

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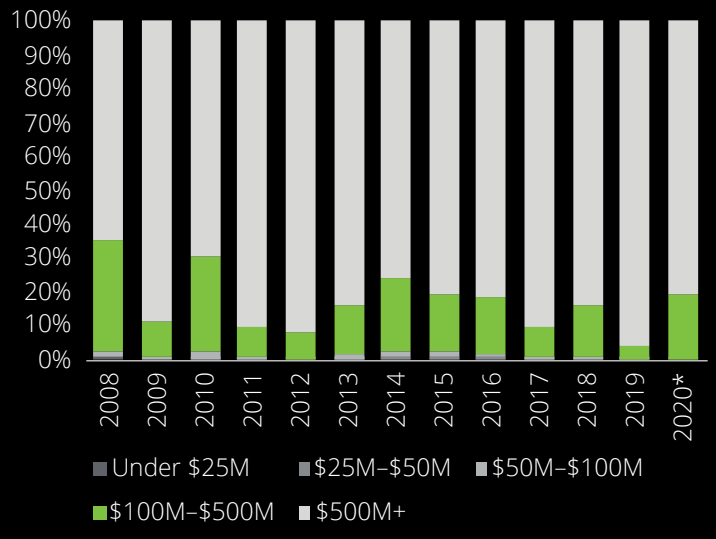
IPO activity ($) for expansion-stage companies by size



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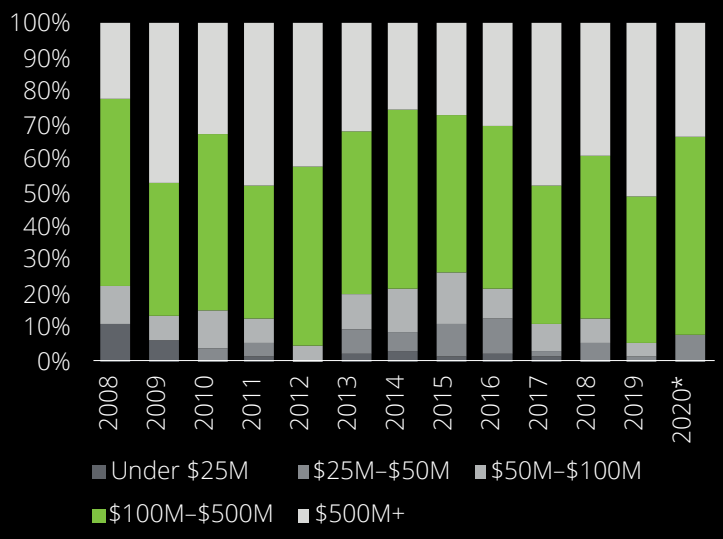
IPO activity (#) for expansion-stage companies by size



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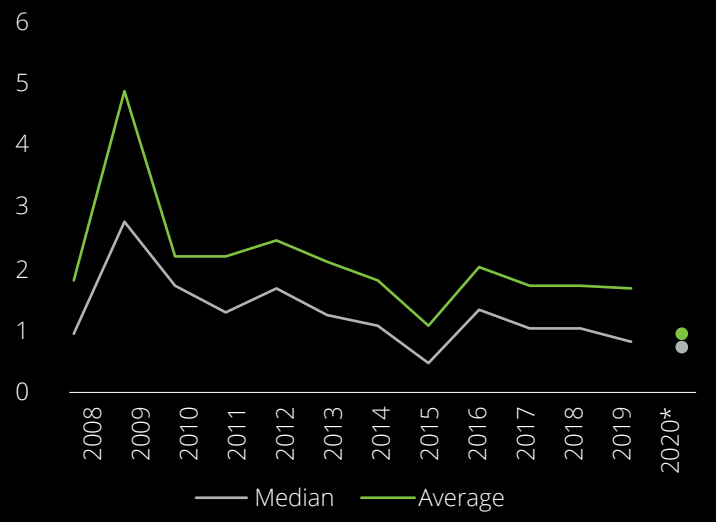
Median and average years from last VC round to IPO for expansion-stage companies



Source: PitchBook | Geography: US
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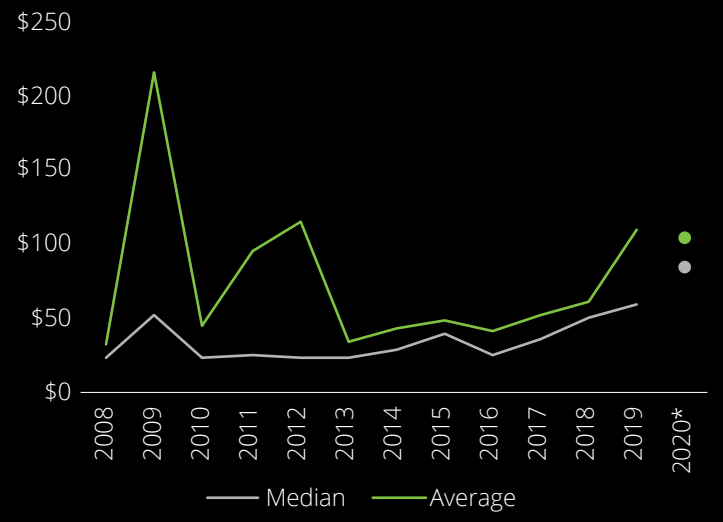
Note: Low sample sizes for 2008, 2009, and 2020

Median and average last VC deal size ($M) prior to IPO for expansion-stage companies



Source: PitchBook | Geography: US
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Spotlight

Opportunities for PE: To reverse the economic damage of COVID-19, PE firms can put more than $1 trillion to work. What can they do?

The COVID-19 crisis has had a damaging impact on the economy—in a matter of weeks, once-safe assumptions about the economy have evaporated. Government policy makers are racing to pump billions of dollars into small businesses to help keep them from shuttering or laying off workers. The impacts will likely reverberate for months to come.

In time, perhaps this year or next, it is hoped, the virus will subside, and economic life will begin to return to normal. But by whom? Other than governments and central banks, very few entities have the kind of dollars that may be needed to help restart company growth, make vital investments, rehire workers, and restructure debt. Even then, deciding where to invest and what to save is a rare skill.

That's why it's important to recognize the role PE firms can play in this environment. While they are perhaps best known for buyouts—and the political fire such deals often inspire—PE firms can create far more value through their work in particularly challenging economic moments. The firms have the ability to take positions in out-of-favor companies and sectors, guide portfolio company management, and help grow businesses steadily over several years. The outsized returns these firms are able to generate—and for which they are sometimes reviled—often emerge only when the economy, and the companies they own, fully recover. In short, PE firms often invest when so many others are afraid to act.

Stepping up to the plate

Such fear is in full force. An increasing number of companies and economic sectors are under severe pressure. Even if they were healthy and well-capitalized before COVID-19, today is a different story. Millions of jobs have been lost, and thousands of businesses are at risk.

This is a classic scenario where PE can play a role. Those with the greatest prospects may not have been for sale before; now, they may be considering additional funding alternatives. PE can bring capital to the table, potentially preserving jobs, restructuring debt, and helping managers lead their companies through these next few months. Many PE founders say this is the moment for which their firms live.

In the first few weeks of confronting the COVID-19 crisis, perhaps it was hard to see that outcome, but some of the leading PE firms are already envisioning how to get there. What's more, they're collectively sitting on close to $1.2 trillion of dry powder—per PitchBook data—to help keep their existing portfolio companies going, potentially invest in firms suddenly in distress, help transform companies and entire industries, and pursue other growth and value-creating measures.

Sizing up the opportunities—and impediments

Capitalizing on this opportunity requires significant effort and care. The near-term outlook for many PE firms is obscured by several challenges. Some investors have become suddenly wary of the long-term lockups required by PE. Many funds that were in the midst of raising capital may not hit their initial targets. Investors often must maintain certain ratios in their asset mix, and with equities so beaten down, some investors may need to reduce their exposure to PE.

These are hurdles, not walls. Much depends on the specific PE fund. A fund that completed a round of funding last fall and has yet to deploy much of that capital may be in an advantageous spot; if a fund was scheduled to begin fundraising now, it is hard to see a path to success.

Still more challenged are those funds that were planning to exit their portfolio companies through IPOs in the coming year or

> ". . . it's important to recognize the role PE firms can play in this environment. While they are perhaps best known for buyouts—and the political fire such deals often inspire—PE firms can create far more value through their work in particularly challenging economic moments."

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so. With financial markets volatile, such an exit strategy would be difficult.

Another key dividing line among funds may be their operational capabilities. Funds will likely need to multitask, and some firms are creating dedicated teams for specific goals. For example, while one team focuses on helping their portfolio companies through the crisis, another team might develop debt-financing strategies, including the evaluation of federal small-business bailout packages, for their portfolio companies. Additionally, yet another team may be dedicated to restarting conversations with deal targets that went silent as valuations rose too high, and still another team might focus on sharing details of key strategies and other insights with fund investors such as pension funds and insurance companies.

Not all funds are prepared to do all these things, and still more may not have the in-house capabilities to anticipate special issues. These issues often include tax matters, both the evaluation of complex tax savings and refund opportunities created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed by the United States Congress in 2020, as well as the potential tax consequences of various debt-financing strategies. Such strategies—which often revolve around a portfolio company modifying terms of its debt with lenders or a PE firm buying up underpriced debt of a portfolio company—may make sense on paper, but they can trigger significant tax implications later if not properly structured.

The bottom line: If there's an opportunity out there, PE firms are likely working around the clock to discover it.

Avoiding a repeat

What's more, many PE firms have seen these challenges before—even if not on this scale. During the last major economic crisis—the global financial recession of 2007–2008—many firms and their investors ratcheted back rapidly and stayed on the sidelines a beat too long. That meant that these funds missed out on opportunities that existed when things looked bleakest.

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Those lessons were not forgotten. We have heard from PE executives that the kinds of returns expected to be captured—historic double-digit annual returns that are the basis for the strong reputations of PE firms—will depend on what they do in the next six to 18 months. So long as a firm has dry powder and knows how to source deals, it may have plenty of opportunities ahead.

Several paths to dealmaking are open to firms in the months to come, in addition to taking growth equity positions: Some public companies may be amenable to going private, some could look to make minority cash infusions in public equities (so-called PIPE transactions), and others may look to shed noncore assets. Many strategic finance roads are likely to present themselves.

That doesn't mean, however, that the race will be swift. Many funds are not rushing to put their capital to work right away. They need more information about COVID-19's impact and progress toward containing the virus. This is likely only the first wave of economic pain from the response to the virus; as those impacts cascade through the economy, PE firms may be tested to first perform triage on their own portfolio companies. The need to dust off relationships, reengage in conversations, and reconsider deals that seemed unaffordable only a few months ago may be critical. In the end, the volume of M&A activity may not increase in quantity as much as in quality. The firms willing to invest their dry powder in this environment may take their time and choose their targets carefully. Given the relative absence of competition from other investors, they can afford to hold their fire.

There is yet another reason firms may take things slowly. Some portfolio companies—in fact, some entire subindustries—may need a full rethink given the systematic effects of COVID-19 on economic life. Shutting down major events and public spaces, moving a majority of the global workforce to working remotely, shifting huge portions of communications to virtual spaces: each of these things represents massive new opportunities for transformation, even when COVID-19 is finally contained.

A test of leadership

Life will most likely be different, and PE firms should want to make sure their portfolio companies respond to the new reality. Every aspect of running a business—sourcing talent, engaging customers, building supply chains, honing digital brand strategies, ratcheting up cybersecurity and data controls—may have to be rethought and redesigned. PE firms should drive those conversations and lead transformation where necessary.

Doing all of this and doing it well can test any PE firm and its leadership; not all will be able to take this challenge on at once. That's to be expected, especially given the still-developing scale of the crisis and its aftermath. There may well be a shakeout in the PE space as a result.

But that neither guarantees success for larger firms nor dooms smaller ones. Much depends on how they approach the coming tsunami of challenges and opportunities. In fact, the competitive landscape in PE may well be reshaped by this moment; those who recognize the potential opportunities—and act on them efficiently and strategically—may be able to leapfrog those who merely retrench and wait out the next few months until the water seems calmer. Either way, those firms that emerge stronger in the post–COVID-19 period are likely to find their reputations, and that of PE in general, easier to defend.

Methodology

Geographical region: United States

Capital overhang: Calculated as the sum of capital yet to be deployed that is available for investment. This report includes US-based VC and PE growth funds.

Cash flows: Aggregate capital called (known as contributions) by funds and aggregate capital returned (known as distributions) to LPs from funds by year. Only cash flows from US-based VC and PE growth funds are included in this report.

Assets under management (AUM): Aggregate dry powder (uncalled capital), as well as aggregate NAV (net asset value, i.e. the value of underlying fund investments) by year. AUM is restricted to US-headquartered VC and PE growth funds.

Active investors: The number of active investors is calculated by including either investors who have raised a venture or growth fund in the trailing five years, or those who have made four or more VC or PE growth investments in the past three years. There is no exclusion on investor type apart from angel investors.

All investment data is restricted to late-stage VC, PE growth, or corporate financing types as defined by PitchBook.

Tourist investors are defined as hedge, mutual, or sovereign wealth funds.
All exits are defined by PitchBook's primary exit types: buyouts, acquisitions, or IPOs. The underlying companies are those that have at minimum achieved any of the investment data under restrictions.

Company inventory is calculated by tallying the number of companies that achieve either late-stage VC, PE growth, or corporate financing by year and have not recorded an exit event as of the year in question.

All exits unless otherwise noted were made by companies that fall under aforementioned criteria for expansion-stage companies. The number of sellers was based on the count of investors classified as PE by PitchBook within the IPO event.

This report was written in the middle of May 2020.