INSIGHTS

# The Impact of COVID-19 – A Guide for Private Equity (June 2020)

The COVID-19 global pandemic is forcing organizations everywhere to confront challenges never before considered – and private equity firms are no exception. Given that private equity firms have investments in a wide variety of companies, it's critical for them to understand the many challenges that have surfaced in this new COVID-19-driven landscape and gather the proper information to provide meaningful support to the companies in their portfolios.

Protiviti has published a wealth of content that provides perspective into the different challenges organizations are facing and potential ways to solve them. What follows is a summary of just a few Protiviti resources that private equity firms will find helpful.

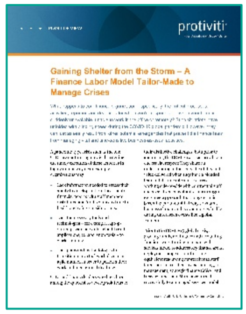
## Managed Business Services: Gaining Shelter in a Storm

Companies that need to quickly scale accounting, finance, customer service and other functions often turn to outsourced providers and other third parties for assistance. But the pandemic has thrown a wrench into many of these relationships and processes, particularly if these external parties shut down due to shelter-in-place directives requiring their workforce to remain at home without the ability to work remotely.

Consider mortgage servicers, many of which are backed by private equity. As the pandemic persists, they are juggling requests for forbearance and loan modifications that may be part of government relief programs. Mortgage servicers must still collect and deliver payments to lenders, even if third-party firms that provide those services have suspended operations. Thus, it's important for these servicers to find dependable, experienced and flexible staffing alternatives that can quickly scale and assume collection and remittance operations. In fact, any private equity portfolio company that outsources functions to third parties which are currently shuttered is likely facing a similar situation.

The advantages of managed services extend well beyond the temporary needs brought on by the pandemic, however. And frankly, occasional business upheavals should be expected – whether driven by a sudden calamity or rapid growth. In either case, private equity firms can leverage managed services to help their portfolio companies build more cost-effective and nimble staffing options to cope with change. Are your portfolio companies facing these types of issues? Here is our view on how organizations can overcome these challenges.

*Gaining Shelter from the Storm – A Finance Labor Model Tailor-Made to Manage Crises*




## Reemerging: What's the Plan?

Eventually, the COVID-19 pandemic will pass and organizations will reopen their offices – possibly with a different look and feel. And as jurisdictions have created plans to guide the reopening of their economies, businesses also need to formulate reemergence strategies that address safety, set goals and objectives, and can adapt to change.

If they haven't already, companies need to start thinking about a plan to reopen, and then execute it. Private equity portfolios contain a wide variety of investments, however, and each has unique needs. Consequently, each organization's reemergence plan will differ with regard to timing, complexity and other circumstances related to the business and industry.

Having a clear understanding of those differences, private equity firms can play a pivotal role in shaping, supporting and monitoring reemergence plans among their portfolio companies.

Among other considerations, private equity firms may want to work with each management team to review the safety procedures companies are following to reintegrate employees into the workplace. Determining proper capacity and social distancing measures, locking down break rooms or kitchens, establishing social distancing boundaries, and maintaining a remote workforce are just a few measures companies need to consider in the new normal. Plus, companies need to assess temporary actions such as bringing in new IT solutions for remote working. Is there a need to make these solutions permanent to accommodate a continued remote workforce, for example, and if so, are better options available?

We offer helpful guidance for developing a sound reemergence plan in this paper.

*Reemergence Planning – A Sound Strategy After a Crisis*


## Borrowing Options: Find the Right Pandemic Loan

In terms of loan relief programs, media reports have focused primarily on the Paycheck Protection Program (PPP) for small businesses. But government agencies have launched or amended other loan programs to help a broader spectrum of businesses stay economically viable.

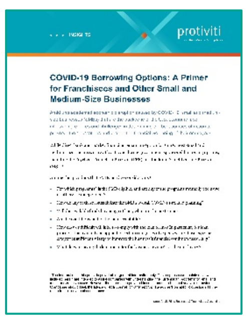
For example, the Small Business Administration updated its Economic Injury Disaster Loan program to provide eligible businesses with immediate $10,000 grants, and the Federal Reserve's new Main Street Lending Program targets small and medium-size businesses.

Companies applying for these loans may be put off by the complexity of the rules, which are prone to occasional regulatory tweaks, or simply by the inherent bureaucratic idiosyncrasies of the programs. PPP applicants have been challenged to borrow from financial institutions with whom they have no preexisting relationships.

Under certain circumstances, private equity portfolio companies are eligible to receive loans through these programs. Private equity firms can provide valuable assistance to help their portfolio companies take advantage of these programs and tap into critical funding sources. That could include making introductions to financial institutions, ensuring that companies understand the rules and obligations under each program, and arranging for legal and/or financial advice.

To what extent are your portfolio companies taking advantage of these programs? Do they need extra guidance to do so? Our detailed insights into all borrowing options can help organizations answer these and other questions.

***COVID-19 Borrowing Options: A Primer for Franchisees and Other Small and Medium-Size Businesses***


COVID-19 Borrowing Options: A Primer for Franchisees and Other Small and Medium-Size Businesses

## Cybersecurity in Times of Heightened Risk

Many mature organizations have prepared for disruptive events by establishing remote working procedures and testing them by holding occasional stay-at-home drills. However, newer firms typically lack the financial wherewithal or IT sophistication to make and assess remote working plans. As a result, the immediate need to shift to remote working has opened the door to potential cybersecurity issues, and amid the COVID-19 pandemic, hackers have ramped up attacks to exploit weaknesses.

Therefore, it is critical that private equity managers work with their portfolio companies to define what steps have been taken to shield remote workers, systems and processes from digital intrusion. Chief considerations include determining the efficacy and security of virtual private networks, file-sharing platforms and teleconferencing providers. What's more, it is important to assess existing cybersecurity protocols and the extent to which remote workers are following them.

Private equity firms should also examine how the pandemic and remote working have affected the ability of their portfolio companies – and the private equity business itself – to perform compliance reviews related to financial reporting, cybersecurity risks and other operational matters required by Sarbanes-Oxley (SOX). While SOX is geared toward reporting companies, all organizations can use the regulation's internal control standards as a benchmark to measure performance across a range of operations.

More information about cybersecurity concerns related to the COVID-19 pandemic and extended periods of remote working can be found in the following informative blog posts:

***Keeping Remote Workforces Safe and Secure – Part I***

***Keeping Remote Workforces Safe and Secure – Part II***

***Modify Cyber Monitoring to Support a Remote Workforce***

## We Are Here to Help

These are just a few areas of expertise in which Protiviti professionals excel. Private equity firms that need additional assistance or insight should not hesitate to seek guidance in these unprecedented and challenging times.

## Contact

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