

Actis asks: COVID-19 survey

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Introduction

Actis is privileged to own almost 100 businesses across four different asset classes in 28 countries globally. Within our Private Equity business, we own four businesses in China, one of which is based in Wuhan itself. Through this unique network, we have been able to receive and to share early warning signals and best-practice responses in near real-time.

Between 26 February and 3 March, we ran a survey to gauge thoughts on the outbreak before it was assessed as a pandemic by the World Health Organisation on 11 March.

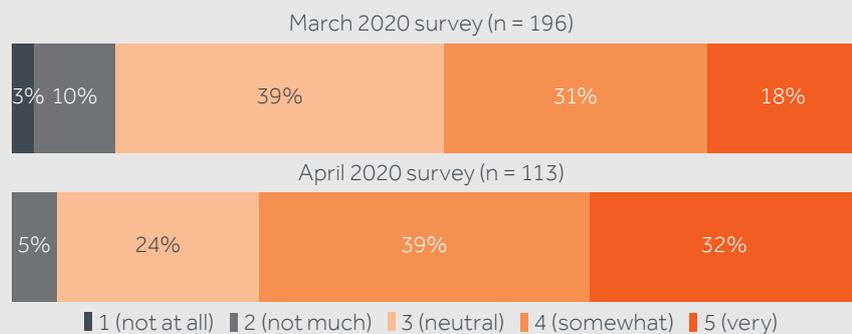
Actis surveyed the senior leadership of its portfolio companies and its own professionals in early March 2020, and again six weeks later to understand what is top-of-mind regarding COVID-19.

The survey showed that while concern levels were growing, more than half (51%) of respondents were either neutral or not concerned about the impact of COVID-19 on their businesses. While 30% of portfolio companies had a crisis management plan in place that was updated for COVID-19, 40% were either in the early stages of forming a plan or had no plan at that stage.

We re-ran the survey between 7 April and 15 April. Both the absolute findings, but also the shift in sentiment are worth highlighting.

Growing concern about the COVID-19 impact

On a scale of 1 to 5 (1 = not at all concerned, 5 = very concerned), how concerned are you about the impact of COVID-19 on your business(es)?



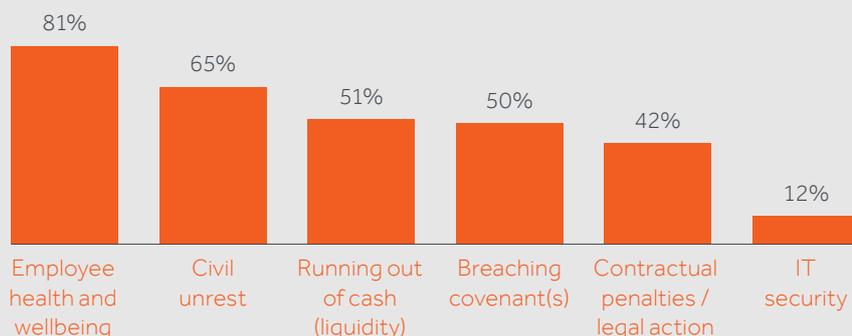
% of respondents

Source: Actis COVID-19 Surveys (March and April 2020)

Understandably, there has been a marked increase in the level of concern around COVID-19. 71% of respondents are now "somewhat concerned" or "very concerned" about the impact of COVID-19 on their businesses, a view held consistently across all geographies and asset classes. Latin America has seen the greatest step-up in level of concern between our two surveys, from 25% being "concerned" or "very concerned" in March to 59% as of today.

In the short term, employee health and wellbeing is the greatest concern, but civil unrest has emerged as a powerful theme

Please rank your top-3 concerns in the short term (next 3-6 months)?



% of respondents selecting the issue as a top-3 concern (n = 113)

Source: Actis COVID-19 Survey (April 2020)

81% of respondents rate Employee health and wellbeing among their top-3 concerns. This is followed by civil unrest (65% overall, highest in Sub-Saharan Africa (70%) and lowest in Asia (20%)) followed by running out of cash and breaching covenants (c.50%). IT security is a top-3 concern for just 12% of respondents.

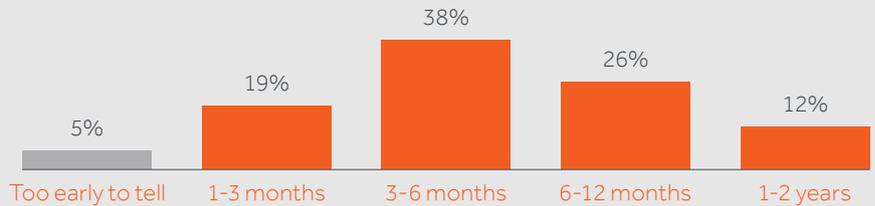
There is a wide distribution and no clear consensus around how long the current disruption will last. The most common response of "3-6 months" is shared by 38% of respondents. "1-3 months" (19% of respondents) and a duration of anything from 6 months to 2 years (38% of respondents) account for the remaining bulk of views. Only 5% of respondents consider it "too early to tell".

96% of respondents identify a recession as a concern in the longer term (after COVID-19). This is more than double the next highest response, which is ongoing civil unrest (45%). 65% of respondents identifying a recession as a concern believe it will be more severe than the 2008 Global Financial Crisis.

Perhaps unsurprisingly, 50% of respondents now cite "demand (sales)" as the area most at risk from COVID-19, compared to 34% in early March 2020, as the realities of lockdown and squeezed consumer spending begin to take hold.

No consensus around how long the current disruption will last, albeit it is not going away quickly

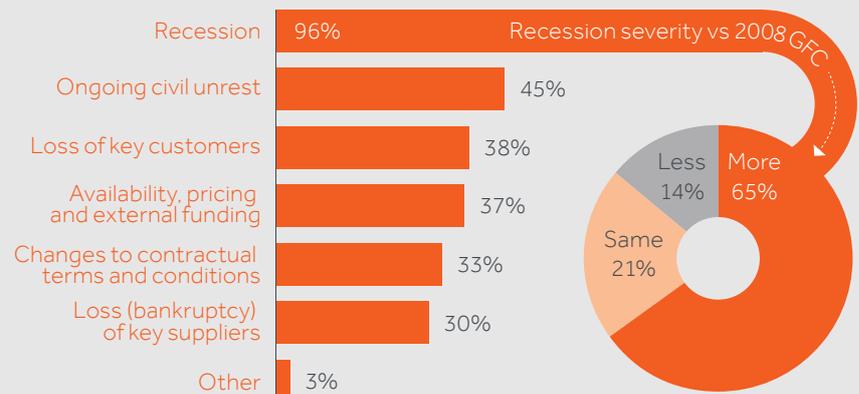
How long do you expect the current disruption to last?



% of respondents (n = 113)
Source: Actis COVID-19 Survey (April 2020)

In the longer term, the greatest concern is a recession more severe than the one which followed the 2008 Global Financial Crisis (GFC)

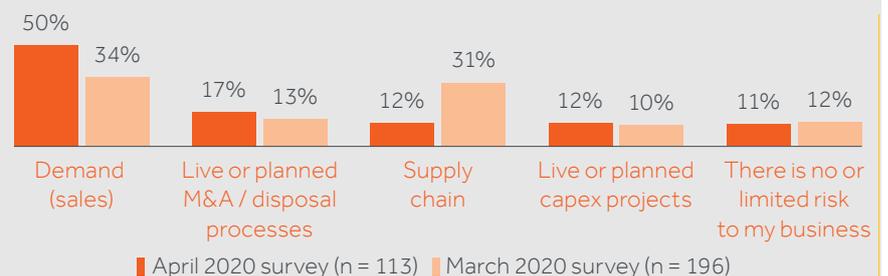
Please rank your top-3 concerns in the long term (post-COVID-19)?



% of respondents selecting the issue as a top-3 concern (n = 113)
Source: Actis COVID-19 Survey (April 2020)

Demand (sales) is seen as most at risk from COVID-19 for all asset classes

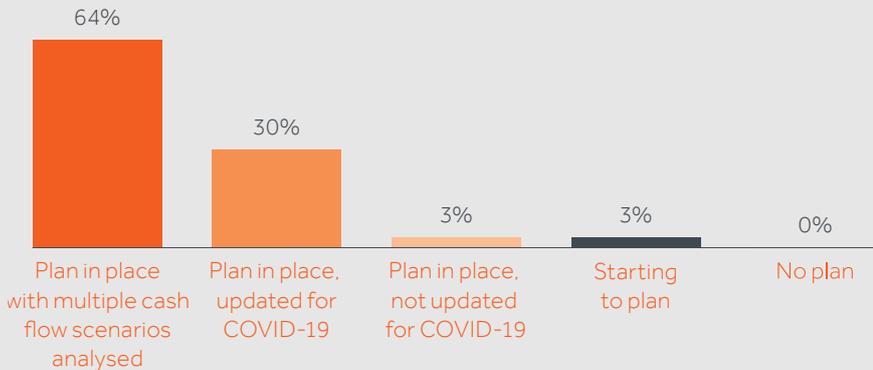
Which area of your business is most at risk from COVID-19?



% of respondents selecting as 1st choice
Source: Actis COVID-19 Surveys (March and April 2020)

Actis' portfolio preparedness is high

How would you rate the current status of your crisis management / business continuity / disaster recovery plans?

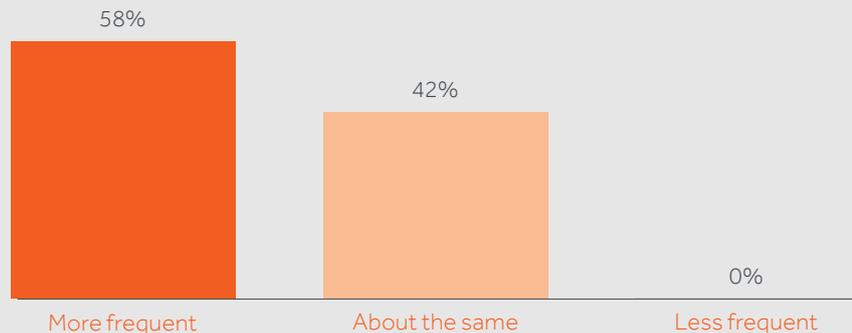


% of respondents (portfolio co management only, n = 33)

Source: Actis COVID-19 Survey (April 2020)

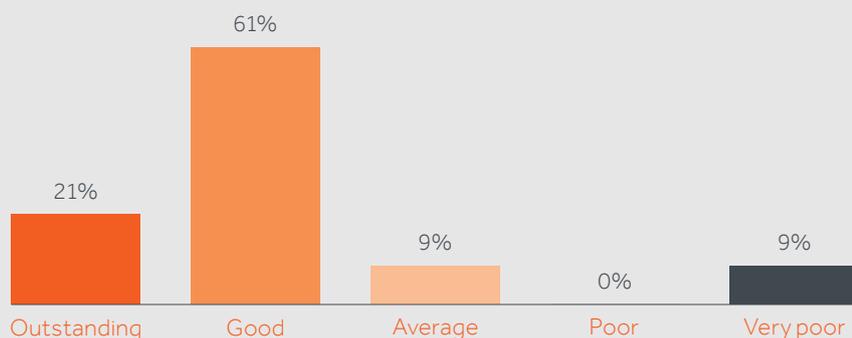
Our cohesive global approach has been well received by our portfolio companies

How have your interactions with Actis changed since the COVID-19 outbreak?



% of respondents (portfolio co management only, n = 33)

How would you rate the support you are receiving from Actis?



% of respondents (portfolio co management only, n = 33)

Source: Actis COVID-19 Survey (April 2020)

94% of portfolio management respondents say they have a crisis management plan in place which has either been updated for COVID-19 or which analyses multiple COVID-19 cash flow scenarios. All portfolio companies have revised cash flow forecasts in place. This is in contrast to the March survey – early in the crisis – when 40% either had no COVID-19 plan or were only in the early stages of forming a plan.

Preparedness has been at the heart of the Actis response and our cohesive, global approach appears to have been well received by our portfolio companies. Interactions with Actis are either "more frequent" (58%) or "about the same" (42%) as before the COVID-19 outbreak and in 82% of cases, the support provided by Actis has been rated as "good" or "outstanding".

Our support has been most powerful where we have been able to share information between companies and countries in different phases of their COVID-19 journey, boosting preparedness.

For example, our China restaurants business gave us invaluable data and response ideas which we were able to share not only with our five other Food and Beverage business across South East Asia and Africa / Middle East, but also with our retail businesses (in Private Equity) and Real Estate colleagues as they started planning for the spread of COVID-19 outside China.

Today, as restrictions are beginning to lift in China, we can use the same recovery data to inform cash flow modelling in other parts of the portfolio.

Conclusion

We're not out of the woods yet. As this survey documents, there is widespread concern about COVID-19 and the impact that it is having on our people and our businesses. No one knows how long the current disruption will last but we will almost certainly experience a severe recession across our markets.

Preparedness is key, and we are doing everything we can to support our businesses around the globe. Our COVID-19 Committee, in place since early February, continues to meet weekly, curating and cascading relevant information across our network.

Meanwhile, our teams around the world are more connected than ever – with each other and with our portfolio companies. And while there are challenges in working from home, 75% of our survey respondents believe we will work from home more frequently when this pandemic is over.

So for the time being at least, stay home and stay safe.

The authors are both members of Actis Value Creation Group (VCG), which brings professional expertise and works alongside management teams and Actis' investment professionals to maximise the value of our portfolio companies.



