Summary of June 20th European WFF call – The Impact of Covid-19 on Fund Finance Deals:

Impact of COVID-19 on the market so far:

- Banks have seen liquidity issues, particularly during the early days of the pandemic, but this is not as severe now as at the beginning of the pandemic;
- Banks who depend upon the wholesale market were more effected, and the freeze of public markets made USD particularly difficult to access;
- Some lenders were having to pull out of deals and weren't able to meet all accordion and extension requests. There was also an uptick in the conversion of uncommitted facilities to committed facilities;
- Lenders with liquidity issues have been having to prioritise existing clients and some deals are being pushed out to Q3 and Q4;
- Utilisation of subscription lines has generally increased and there is also more demand for NAV and hybrid facilities as sponsors look to support their underlying portfolio companies during this time by creating additional liquidity buffers; and
- Funds have continued to close but now on shorter timeframe, meaning that some closes are smaller than originally anticipated.

Likely impact of COVID-19 on the market in the short to mid-term future:

- There is likely to be less flexibility with banks' processing and credit departments. Where commercial decisions may have been made in the past, risk assessments are likely to more conservative going forwards;
- Banks face increased internal pressure so there is likely to be more detailed discussions with sponsors at the beginning of the deal to ascertain how the facility will be used;
- Fundraising is set to continue, but anticipated size of funds may be harder to predict as LPs in different jurisdictions face different challenges as each country implements their own policies for emerging out of the pandemic. This may make it harder for lenders to assess the correct sizing of a facility and a fund manager's likely pipeline;
- Club deals are likely to be larger;
- There is definitely opportunity for some, and credit funds in particular are set to do well; and
- SMA deals are likely to increase as large LPs take this opportunity to determine the terms they want.

Impact of COVID-19 on the future working environment:

- During the transition period where everyone adjusted to working from home there were some operational difficulties on closings, for example arranging signing;
- The industry as a whole appears to have adjusted well to working from home and it's likely that there will be more home working even after lockdown is lifted;
- Parents have been able to spend more time with their families as commute times are cut to nothing;
- For families where women are the main care-givers, the additional time spent at home has hopefully meant more men feel 'permitted' to take part in childcare responsibilities;
- Likely to be a generational divide on returning to the office, with the most senior personnel keen to return to the same structure as before, and juniors eager to get back to face to face supervision. Middle generations who can work efficiently from home are likely to take this opportunity to do so more frequently, with the stigma attached to working from home no longer prevalent;
- The current culture of video calls has meant that everyone is 'the same size' and there is less of a gender divide due to a decrease in corporate hospitality; and
- With everyone having to work from home for months now employers can see that employees are just as efficient, so hopefully this will put an end to 'face-time' culture and take the gender issue out of working from home.