



BRONZEGATE

# THE PORTFOLIO CFO SURVEY

## FOREWORD

2020 was a tumultuous year, affecting many portfolio companies. Whilst there proved to be a level of in-built resilience in many businesses, often above expectation, investors had to manage difficult situations across their portfolios.

As a CFO executive search and interim specialist, at Bronzegade we wanted to get a sense of what 2020 meant for CFOs in private equity portfolio companies. Our survey was conducted by approaching our executive network in the UK and Europe working in portfolio companies across all sectors, size and scale.

Our objective was to gauge what the impact has been on key aspects of the CFO role and investment performance as a direct result of the pandemic. This concise analysis provides insight from 100 portfolio company CFOs, outlining their personal experiences of managing the crisis and working with PE investors during such a challenging period. We hope the findings are of interest.



**Adam Akbar,**  
*Founder & Managing Partner*

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## 1. "Did your business require additional funding because of the Covid-19 pandemic?"

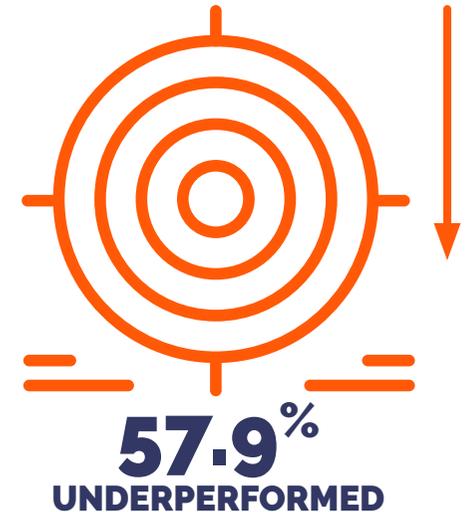


Despite the majority of portfolio companies proving to be well capitalised and shrewdly managed in terms of cashflow, the impact of the pandemic led to additional funding, often to alleviate crisis situations, in almost a third of portfolio companies surveyed. This can be evidenced by the severe impact in sectors such as hospitality and travel where a capital injection was occasionally required to stay afloat.

## 2. "How has your business performed against initial 2020 targets?"

“Knowing my business and my ability to predict the development, has been vital to our great performance in 2020. We could stick to our plans and only make smaller corrections.”

Portfolio CFO



22.1%  
ON TARGET



15.8%  
OUTPERFORMED

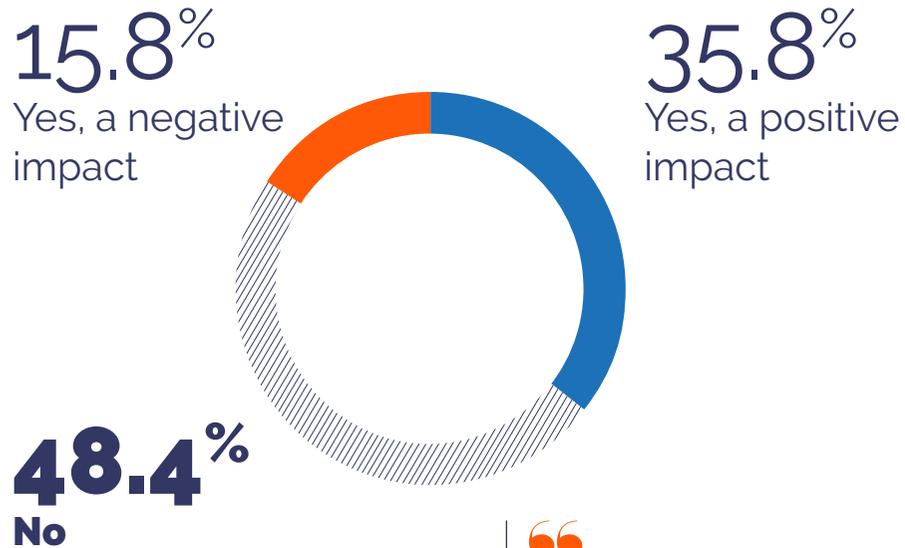


4.2%  
SIGNIFICANTLY  
OUTPERFORMED

Whilst the scale of the damage done to global economies by the Covid-19 pandemic is illustrated in these figures, with a majority of businesses off target for 2020, the results also provide reason to be optimistic. A significant percentage of portfolio companies performed well, which points to resilience, effective cost base management and generally well-run businesses. Many management teams and investors have adapted to ensure they stay on track, despite the crisis.

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3. "Have the current market conditions altered your forward business strategy?"

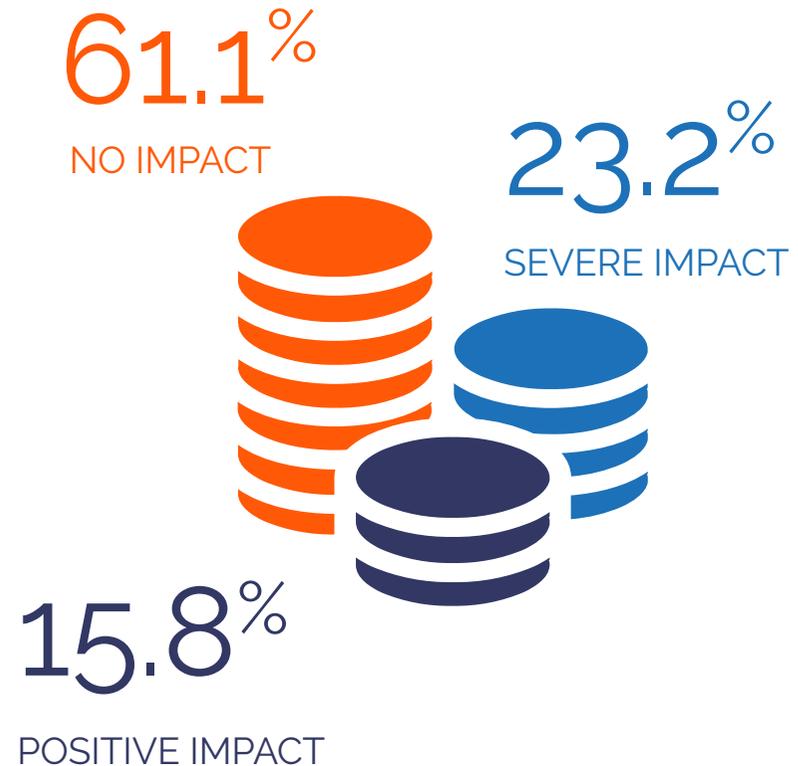


“Follow a long term investment plan, rather than look into short term action plans”

Portfolio CFO

The question posed to portfolio CFOs delivered unexpected results with more than a third reflecting that this pandemic year could actually deliver a positive impact on the future of their respective businesses. In discussions with CFOs, a common theme has been that the pandemic has created an opportunity to re-shape their organisations in ways which may not have been possible previously.

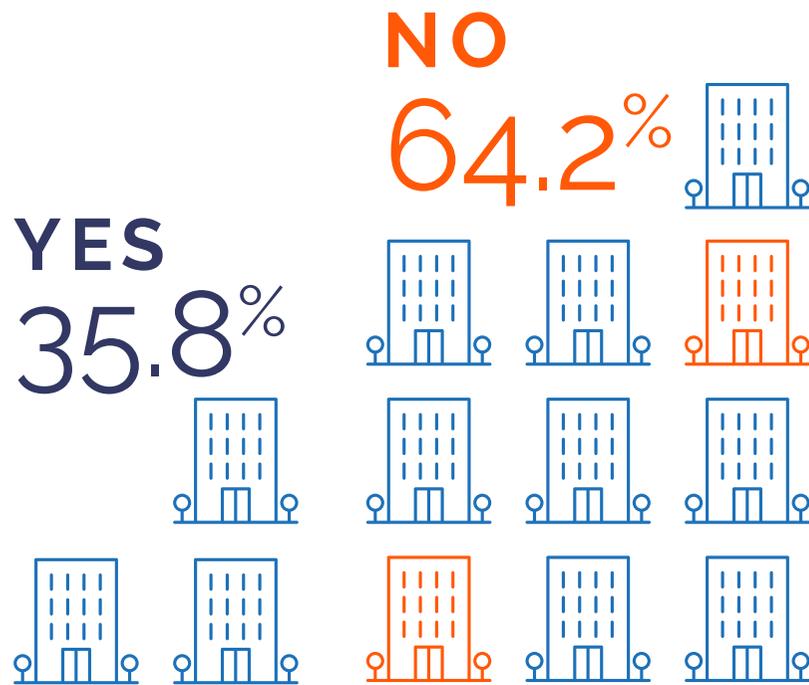
4. "To what extent has the pandemic impacted your ability to invest into the business?"



The long-term consequences of the coronavirus pandemic are underlined in the statistic that almost a quarter of respondents believe their ability to invest in the business has been critically impacted. This is understandable given some companies have been obliged to use spare resources to simply maintain daily operations. Equally, a notable majority are on a more assured footing with an optimistic outlook on investment.

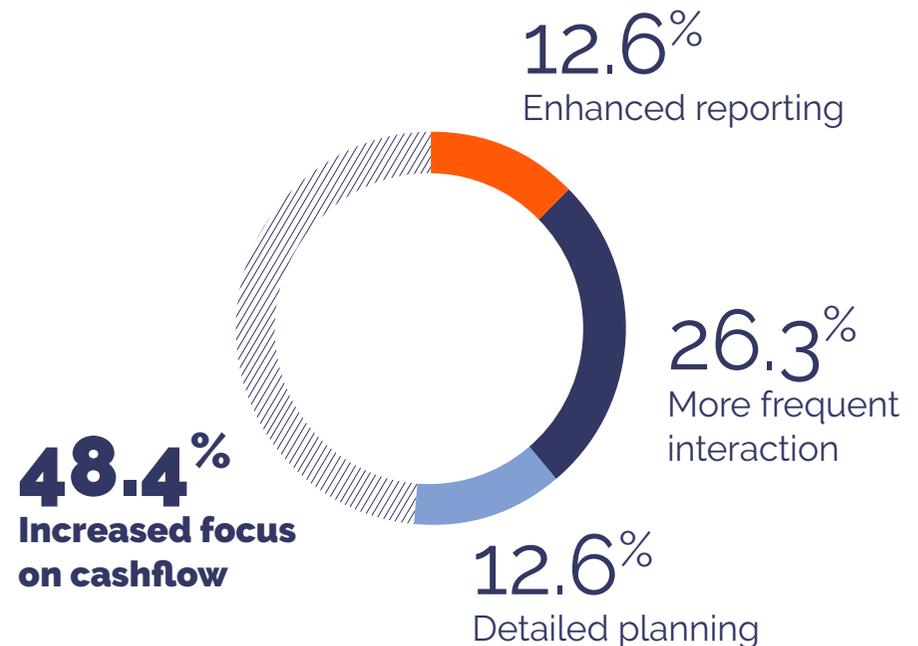
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5. "Has the impact of Covid-19 affected your ability to execute bolt-on acquisitions or mergers?"



Given many investment plans revolve around targeted M&A, the figures presented here provide a concerning outlook for many portfolio companies' growth targets. While management teams and investors have generally maintained performance in their organisations, the results here suggest that for some, this has been to the detriment of M&A objectives, typically through a lack of available funding or adverse market conditions.

6. "What is the main additional demand your PE investor(s) put upon you in 2020?"



The first lockdown measures resulted in a lengthy pause on deal activity and a heightened focus on portfolio performance, leading to investors spending more time with management teams. Naturally, effective cash management, a fundamental of PE investments at any time, intensified in order to combat loss of revenue from decreased market and consumer activity.

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## 7. "What else could your investor do to support you?"



“They have been very supportive and collaborative throughout.”

Portfolio CFO

With close to 30% of CFOs responding in favour of a “collaborative approach”, there is an indication that many CFOs and Investors may not have felt perspectives are aligned during the crisis. The demands for clear communication and transparent planning reinforce the idea that the pandemic has led to a lack of cohesion in some cases, which is unsurprising during a period of heightened uncertainty.

## 8. "Has your exit horizon changed?"

43.2%  
NO, IT IS STILL ON TRACK

34.7%  
YES, THERE HAS BEEN A MINOR ADJUSTMENT

20.0%  
YES, IT HAS CHANGED SUBSTANTIALLY

2.1%  
YES, IT HAS BEEN REDUCED TO BE A QUICKER EXIT

Due to the pandemic, the investment strategies have changed for many portfolio companies, not least in terms of exit timeframes, with over half having now been altered. In many circumstances, investors have been forced to redraw sale plans and potentially retain assets for longer as they look to hit the returns initially projected. Very few are subject to quicker exits, perhaps mainly those fortunate enough to have experienced a “Covid bounce”.

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## 9. "Has the COVID-19 pandemic impacted your business culture?"



A high percentage of CFOs cited a detrimental impact on their business culture, to which there are many contributing factors. A visible dip in business performance, swift rationalisation measures and tension at Board level will create uncertainty, which mirrors the external climate. Furthermore, a lack of interpersonal involvement has notably poor ramifications for business culture. Consequently, a major challenge for executive teams and investors is to maintain or re-build a positive culture in this environment.

## 10. "Which area do you envisage the most investment in 2021?"



With technology and M&A, both key drivers for efficiency and growth, remaining as the main areas of investment for 2021, there is an indication of a strong desire and intent to continue growing, professionalising and developing portfolio companies, despite the uncertainty. Technology is still viewed as a key enabler for many CFOs, now perhaps even more so, given the changing business environment and increased focus on digital services and remote working.

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## SUMMARY

Our portfolio CFO survey results provide an insight into the various challenges that CFOs have faced and can expect as a result of the ongoing pandemic. Whilst many of the responses illustrate the extent of the negative consequences of the crisis for portfolio companies, there is also a good degree of optimism.

The coronavirus pandemic has impacted both current performance and future prospects for a wide number of organisations, with both business culture and investor relations adversely affected. With exit horizons changing and M&A plans being shelved in certain cases, the portfolio landscape for most private equity firms will have witnessed a sustained period of fluctuation in 2020.

Equally, it could be argued that the level of damage has not been as profound to the majority of portfolio companies. Many CFOs observed a high degree of business resilience and a desire to keep investing for growth and development.

This new year will no doubt bring familiar as well as new challenges for portfolio companies and their CFOs. The lessons learnt from 2020 will prove to be invaluable in the year to come.



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# Bronzegate

*Pioneering better partnerships*

Bronzegate is an established leader across UK and European private equity, delivering CFO talent to both mid-market and large cap firms.

The firm was founded by finance leadership experts to solve the difficulties many organisations face when hiring CFOs and Finance Leaders across the UK and Europe. Executive search firms typically follow a business model focused on providing full C-suite solutions, often with a specific sector focus.

We have a philosophy which challenges this traditional way of operating.

If you would like to hear more from us, please follow Bronzegate on LinkedIn



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