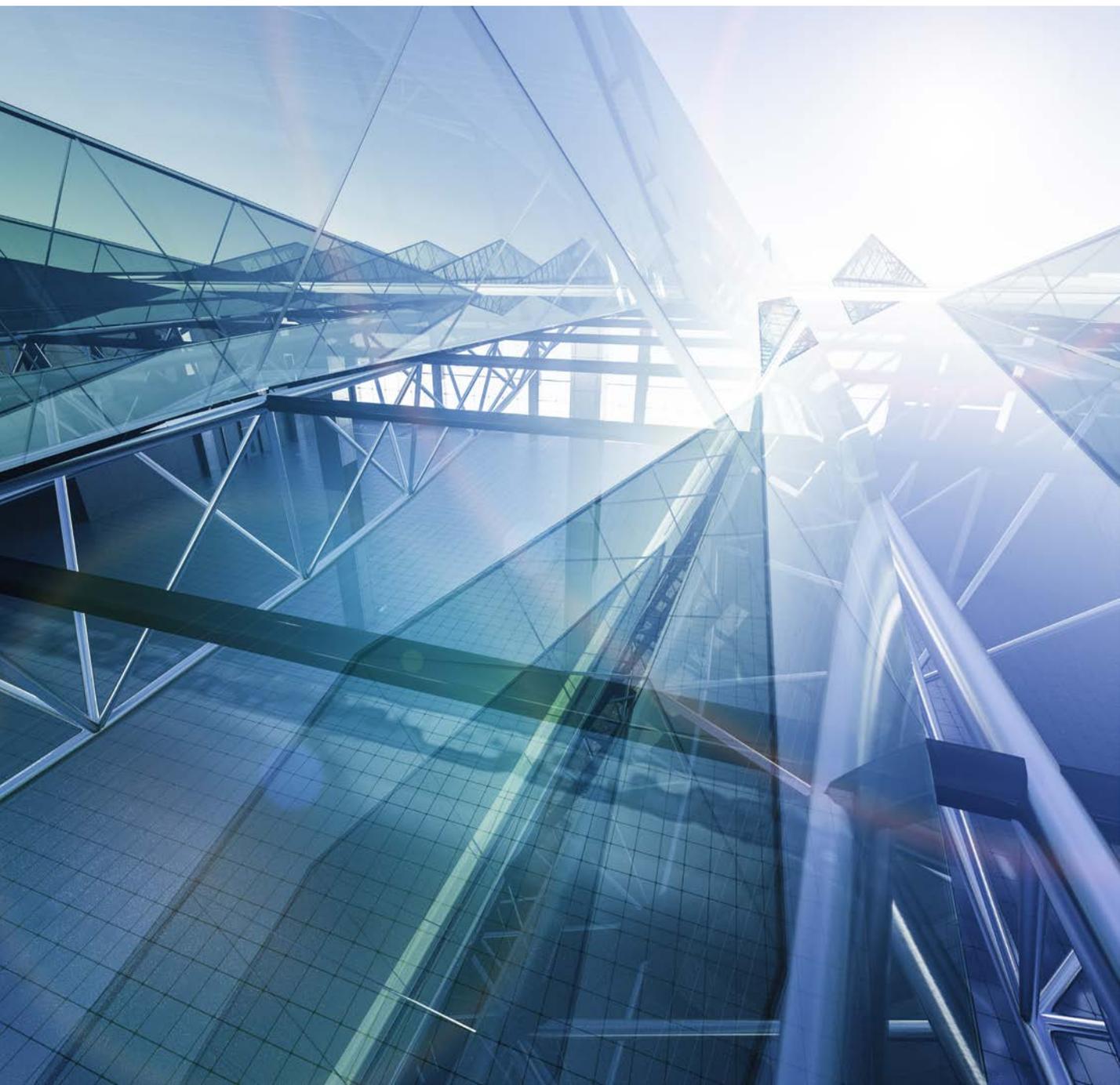




HOULIHAN LOKEY

HUMAN CAPITAL MANAGEMENT

MARKET UPDATE | COVID-19



Houlihan Lokey HCM Market Update

The outbreak of COVID-19 has resulted in a global health emergency and has sent financial markets into a frenzy. Houlihan Lokey presents an assessment of the impact of COVID-19 on the HCM industry.

Sector Observations/Recent Activity

In recent weeks, COVID-19 (also known as coronavirus) has sent shockwaves through markets globally and captured the attention of the world. Since mid-February, the outbreak has accelerated and infections have become widespread, resulting in significant market volatility that is expected to continue in the near-term. Substantial disruption to business operations has occurred and all sectors of the economy have been impacted, including the human capital management (HCM) industry.

The general outlook of the HCM industry is varied, and uncertainty is likely to persist until the duration and overall impact of COVID-19 can be determined. However, there are key trends in the space that demands attention, as listed below.

- 1 Firms across the HCM landscape are prioritizing the need to address the coronavirus to create a remote working environment, updating sick-leave policies, cleaning protocols, and preparing to conduct remote interviews.
- 2 Some healthcare staffing firms are experiencing an uptick in client demand as a result of the outbreak, as hospitals, telehealth, and web-based therapy providers across the U.S. gear up to address the national state of emergency.
- 3 While the velocity of change has made predicting COVID-19's effects nearly impossible, firms with a Chinese presence, such as Hudson Global, have recently seen business recover as clients and employees begin to go back to work after weeks of quarantine.
- 4 The U.S. House of Representatives passed the "Families First Coronavirus Response Act" (HR 6201) for people unable to work due to the coronavirus outbreak—including independent contractors. Once passed by the Senate, the bill will provide access to disaster unemployment assistance for workers, including self-employed individuals and independent contractors, who are sick, quarantined, furloughed, laid off, or whose individual or family circumstances have changed as a result of COVID-19 or government containment efforts.
- 5 Equity and debt markets remain volatile despite rate cuts. Stimulus packages across the globe are actively trying to shore up local economies.

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Questions and Considerations

Volatile market conditions have created many questions for businesses.

How have the syndicated loan markets been affected by COVID-19?



Syndicated loan markets sold off to 90% of par and new issuances have slowed to a trickle.

Private market issuances are open, but on a case-by-case basis. Lenders are willing to provide financing but are starting to seek higher yields and more structure on terms (i.e., covenants and definitions).

Can/Should I refinance my existing capital structure? What about other options, such as a dividend recapitalization?



Due to current market volatility, opportunistic refinancing transactions have been shelved as issuers and underwriters opt to wait to understand how the financial performance will be impacted and for stable markets.

Despite recent outflows, market liquidity remains stable and opportunities to refinance will be available once volatility cools down.

What should I do if my covenants are tightening or my lenders are being difficult?



There are a number of alternative capital providers willing to engage in refinancing discussions.

Please reach out to us directly to discuss your particular situation.

What should I do if I'm considering an acquisition?



Understand the risk. Now is a great opportunity to accelerate M&A dialogue, but the constructs and due diligence requirements are changing.

Houlihan Lokey can provide M&A guidance and fulfill capital requirements in the current environment.

Do I need to discuss COVID-19 as it relates to due diligence in a sale or financing process?



Yes. COVID-19 is part of the world we now live in. It is crucial to have a clear description of COVID-19 protocols in place, a plan of attack to ensure contractors and full-time employees are safe and an understanding of potential business impacts from COVID-19 moving forward.

How Houlihan Lokey Can Help

Our firm is extremely well-equipped to help our clients navigate uncertain times. We respond quickly to challenging situations and are constantly helping clients to analyze, structure, negotiate, and execute the best possible solutions from both a strategic and a financial perspective.

What We Offer

1 Corporate Finance

Mergers and Acquisitions

Capital Markets

Private Funds Advisory

Board Advisory Services

2 Financial Restructuring

Company Advisory

Financial Restructuring

Distressed M&A

Liability Management

Creditor Advisory

3 Financial and Valuation Advisory

Portfolio Valuation and Fund Advisory

Transaction Opinions

Corporate Valuation Advisory Services

Tech+IP Advisory

Real Estate Valuation and Advisory

Dispute Resolution Consulting

Corporate Finance

We are widely recognized as a leading M&A advisor to the middle market and have long-standing relationships with capital providers including commercial banks and other senior credit providers, insurance funds, asset managers, and mezzanine fund investors. Few other investment banks maintain the breadth of relationships and capital markets intelligence that we do.

Financial Restructuring

We have the largest restructuring practice of any global investment bank. Since 1988, we have advised on more than 1,000 restructuring transactions (with aggregate debt claims in excess of \$2.5 trillion). We served as an advisor in 12 of the largest 15 bankruptcies from 2000–2019.

Financial and Valuation Advisory

For nearly four decades, we have established ourselves as one of the largest financial and valuation advisory firms. Our transaction expertise and leadership in the field of valuation helps inspire confidence in financial executives, boards of directors, special committees, investors, and business owners we serve.

Why We're Different



Dominant in Special Situations and Restructuring



Significant Experience With Financing Markets



Senior-Level Commitment and Dedication



Deep, Industry-Specific Expertise



Superior Work Product/Technical Abilities



Creativity, Imagination, Tenacity, and Positivity

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