

## Our thoughts on the crisis

As the COVID-19 pandemic continues to unfold across the world, this note outlines Hg's views on potential impacts to the firm and portfolio. The situation will evolve and our actions will adapt with it, with a focus on the best actions for society, the health of our direct and portfolio employees, and the protection and growth of our investors' capital.

For now, it is clear that COVID-19 is driving a global recession through an unprecedented and synchronised shock to global demand and supply. The length and depth of this are materially uncertain at this time, with some countries demonstrating relatively rapid control of the virus and a return to economic activity (albeit well below 2019 levels), and others are much earlier in the cycle, with worse to come.

Following a decade of economic growth and expanding asset prices, the change in outlook and sentiment has been abrupt and painful for many. As with previous downturns, this one will impact some areas of the economy more than others – 2001 saw the tech sector bear the brunt, 2008 hit the financial industry, and now we are seeing particular impacts on travel, leisure and hospitality.

As a specialist investor in software and service companies, we have seen how businesses and business models in which we invest can be less disrupted than the broader economy during crisis. We partner with companies that focus on critical activities such as delivering legal, health and safety advice to many thousands of businesses globally, helping companies manage employees, deliver healthcare services, and manage supply chains. Hg portfolio companies have the products, skills and expertise to assist in dealing with all these challenges, helping companies and the wider economy adjust to this new reality.

We think the world that will emerge from current events will be very different. There are things we expect to change – delivery of technology through the cloud, more interaction through technology, more regulation to monitor and control everything from health systems to supply chains, a shift in spending priorities towards the public sector, and, likely, greater and more complex taxation.

Hg implemented remote working and travel restrictions expeditiously and whilst we are very much still in the midst of the situation at present, we have been pleased to witness this working well. We are concentrating on ensuring everyone at Hg and our portfolio companies feels supported and valued through these changing circumstances. Reflecting our wider community obligations, we have also materially stepped up our donations to charities that support the most vulnerable in society.

With a global recession now the backdrop for 2020, it is important to stay grounded and be realistic about the potential challenges ahead. We have been able to provide support and advice to portfolio companies that is most relevant to them. We have also implemented a COVID channel on Hive®, our portfolio online community, enabling companies to capitalise on their position in the Hg family for advice and support. We are actively managing the challenges for our companies in order to mitigate them - as we have said before, it is not about how fast we enter this corner, it is about how fast we will come out of it.