

PE Pathways — A New Brand of Uncertainty?**Host: Jeremy Levy****Guest: Chris Rossi, Todd Crescenzo, and Kevin Geaney****Recorded: July 21, 2025****Aired: July 30, 2025****Jeremy Levy:**

Welcome, everyone, to our first ever live recording of a *PE Pathways* episode. It says here, “you are witnessing history.” We will let the world decide about that, I guess. My name is Jeremy Levy. I’m a partner in our private equity practice. For those of you who are not familiar, we launched *PE Pathways* earlier this year. This is our podcast series, where experienced deal makers share their thoughts on current private equity and M&A trends and developments. We have been getting some good traction on our episodes, and they are available on our website at troutman.com, or wherever you subscribe to your podcasts.

Joining me today are two clients and my fellow partner, Chris Rossi, Todd Crescenzo, who's Managing Director and Chief Investment Officer at Clear Creek Investments, and Kevin Geaney is a Managing Director at Five Arrows Managers. I think we'll start just by giving you each an opportunity to introduce yourselves. Kevin, you want to start?

Kevin Geaney:

Yeah, sure. Thanks, Jeremy. Kevin Geaney. As Jeremy mentioned, I work for Five Arrows. Five Arrows is the, broadly speaking, the alternative asset platform that's associated with a Rothschild. As part of that platform, we have a few different strategies. We do direct credit, direct lending, secondaries, and then traditional private equity, which is where I sit. Within our private equity group, we have a handful of different funds, really the only difference between them are the size of equity checks that we're writing. That allows us to write equity checks anywhere from about \$50 million on the low end, up to a billion on the high end.

Our platform is transatlantic. We initially started in Europe back in the 2007-2008 timeframe with folks in London and in Paris. In 2017, we expanded into the U.S. Today, our platform, fully transatlantic, with a focus on both Europe and North America. From a sector perspective, there's really two areas that we play in. One is data and software. That's probably two-thirds of what we do, and then the other third is in healthcare. I myself spend all my time in software.

Then from a structuring perspective, we're pretty flexible there, so we'll do the typical LBO majority buyout deals, we'll do minority investments, we'll partner with other institutional capital. Really, anything beyond passive investing is what we'll work on. Then from an investment philosophy standpoint, or a part of the market that we're playing in, we're really focused on asset quality. The very traditional, high-quality style PE investments that also tend to go for the highest multiples, so a lot of auctions, a lot of knife fights going up against other PE firms. That's the part of the market that we're playing in.

Todd Crescenzo:

Awesome. Thank you for having us, having me. Todd Crescenzo, Manager Partner at Clear Creek Investments. We are a multi-stage investment manager based on the West Coast. We focus on three resource constrained sectors; the food, water, and energy are, as I said, multi-stage. So, we do everything from later stage venture to growth, to small buyout, do that in one team and one fund. We have an appreciation for innovation, innovation driving these resource constrained sectors into tomorrow. We focus on companies that are at the intersection of that. We underwrite to a commercial inflection point, so we try not to take technical risk on the early stage and really look for plays within the value chains around three key thematic. One is electrification of everything, second is the automation of everything, and the third is the data-fication of everything.

As we think about the three verticals that we're investing in and across, we really want to be multi-stage and nimble as generalists to focus on those trends and be an engaged investor, no matter what stage we enter at. We typically sit on boards, obviously in earlier stage, smaller checks allow you to do that, later stage. If it's control, obviously it's controlled, but we also still try to engage with our investments of the portfolio companies. As I said, we're based in California and excited to be here, so thanks for having us.

Chris Rossi:

Thank you. My name is Chris Rossi. I'm a partner in the private equity and investment funds group at the firm. I'm on more of the front-end of getting these guys set up to be able to make the investments that they make and buy the companies that they buy. I focus on private fund formation and I create SPVs and all sorts of different investment structures for investment planning, and I have a niche specialty in a creature called an SPIC.

Jeremy Levy:

All right. Let's begin. For those of you listening to this podcast and not here in the room, I will let you know that we just listened to Matt Greenberg from our private equity group. He put up some slides, talking about some data points about the market in general. We thought it might be a good idea to try and drill down a little bit and bring some clients up and my partner up to be a bit more detailed and give a bit better sense of the day-to-day of what it's like to be in the market right now. We heard words like, "choppy," and we certainly hear a lot about uncertainty.

What's interesting about the uncertainty that we're dealing with right now, the reason why this little segment is called a new brand of uncertainty, is that we're not strangers to uncertain markets during the COVID crisis. We had an uncertain market, but it was uncertain in a certain kind of a way, right? We knew exactly what was causing the uncertainty. There was a problem. We were able to witness it, watch it, and as it develops, we didn't know how it was going to go, but we knew what we were looking for. It seems like the uncertainty that we're dealing with right now is a lot more like chaos. We don't really know what it is we're waiting for that's going to cause the uncertainty. News comes out on a fairly daily basis, creating more uncertainty.

You're still dealing with uncertainty, but there's nothing to look at to say, "I wonder when this is going to resolve itself." Which I think is driving people to act in new and unusual ways. Let's

start with you, Kevin. Talk to me about just how many books are you seeing right now? How much activity is there? What is it that you're doing on a day-to-day basis?

Kevin Geaney:

Yeah. I'd say, where we're playing and what we're seeing, the overall activity level is actually pretty healthy, and I think it's been that way since about Labor Day of last year. I think, if anything, the quantity has been going up. I think the number of real high-quality deals has been staying somewhat consistent over the past handful of months, but I think we're seeing plenty of activity. I think that to your point, the type of uncertainty that we're seeing in the market today is different from what we're used to. We can't look back at previous trends and say, hey, this is what you see, so maybe this is when the market's going to get back to normal. If you wait for this level of uncertainty to go away, you might never do anything.

I think you just have to plow ahead, try to find areas that you're not as exposed. I think that's what we're seeing in the market as well, that we are seeing that activity. Certainly, whether it's founder, or sponsor-backed businesses, that there is an appetite to try to do something.

Jeremy Levy:

Seeing similar things?

Todd Crescenzo:

Yeah. I mean, being multi-stage, we see a lot of different things. The slides Matt had up earlier really captured a lot of the sentiment, is really specific to where we're playing. If I look back a year ago, the sense of market was, well, we want to wait and see what happens with the administration. Is there going to be a new administration, what are the changes going to be? You get the new administration, things felt very, I think, risk on, if you will, in the December-January time period.

Then, obviously, policies started to matriculate, and that uncertainty maybe went up a little bit. I think the play, at Kevin's point, it really is a specific situation. It's about selection, and you have a vertical that you're playing is very specific. Being generalists, we still have to be selective. What's going on in saying the earlier stage, a Series B of an energy transition company and a small cap buyout and U.S. manufacturing, look and feel very different.

I think investors are always, or should always, be discerning and really bottoms up focus. That's how we're mitigating the "uncertainty of risks" within the market, is just trying to focus on where the opportunities based on some of the noise, and some of the policy shifts, and there are real secular thematic that are playing through that and just be selective. Then, I think, once you get to the deal side, the structuring becomes incredibly important to risk manage once you're in deal.

Chris Rossi:

Yeah. I mean, being on the front end, we are talking to a lot of different fund managers, or groups that want to raise new funds right now. We see the whole spectrum of buyout. We see debt, credit, minority equity, venture. There's a lot of vibes about positive things going forward, although they don't necessarily know what. One thing we're seeing trend-wise is critical technologies, defense, aerospace, that seems to be a very popular area right now. I use that. It could be the next bubble likely to be, but it is an important area. Critical technologies obviously covers a spectrum of things. It includes electrification of things. It includes software. It includes AI, all these things that are used in our national defense and our national security and economic security. We are seeing people focusing on those areas.

I think in the lower middle market where we play, it's the uniqueness of the assets. You're not as subject to the volatility of public marketplaces and what I'll call herds. I think that the individual uniqueness of assets gives people in this room an opportunity to find really high-quality assets.

Todd Crescenzo:

I've known Chris a long time. He's always on bubble watch.

Jeremy Levy:

The greatest recession had never happened.

Todd Crescenzo:

I think you bring up a really interesting point, which is, are you deploying capital, or raising capital? As a younger firm and fund, we're doing both at all times and it's unique to our structure. I would say, the aggregation or the capital formation side is very challenging. The deployment, I think, Matt's slide of what's dry powders out there is probably encompasses all the themes that we're talking about and getting things done, getting capital out the door. I think that's an interesting dichotomy there, at least from our perspective.

Jeremy Levy:

Yeah. Let's talk about fundraising, because I know that there's – I know you've been fundraising. In recent past, I've had some other clients who've had some mixed results fundraising over the past six to 12 months. What do you see out there in the market for fundraising at this point?

Kevin Geaney:

You're right. We just recently went through a fundraising for our growth-oriented lower mid-market fund. It was a lot of effort and I think we went into it knowing it's going to be an elongated cycle. I think that is what it turned out to be. Now, we were successful doing so. I think we were fortunate in that we were able to lean into a couple of areas of differentiation. I think, first, just given our global platform and the fact that we have a heavy European-based institutional

investors that wanted more exposure into the U.S., and so we were a good opportunity for them to be able to do so.

Then, I think we are increasingly seeing folks that want to get some sector specialization, so being able to lean into the software and healthcare experience that we had, I think that at least resonated well with investors. But I think we probably got a little bit lucky in that we were able to tell that story as people were looking for more global exposure.

What we did have to deal with is not surprisingly, Europeans don't really like us right now. We did have to figure out the right way to message that during our fundraising. But moving on, I do think because we were able to offer something a little bit different, we were able to work our way through it. But we went in knowing that this was going to be a tougher fundraising cycle than really we have before. I think that's what we've poured out.

Chris Rossi:

How about valuations? We all know several years ago, there was a peak of the market, let's say, pre-COVID. Then COVID involved a little bit of a reset. But in your sense that – maybe start with you, Todd – are sellers more reasonable at this point, or are they not yet catching up?

Todd Crescenzo:

I think, again, it depends on the sector and stage that companies are at. If we just use the framework of the public markets, things are generally on the upper echelon of expensive, maybe not exuberantly expensive, how that flows into the private markets really seeing it depends on the sector. I'm sure in software, you're still getting 10 times they are. In more industrial type companies, it seems maybe not quite the levels of 19 and pre-COVID. But to the earlier chart, things are just taking longer to get done. Is that a buyer-seller standstill, or is that just a function of consolidation, other noises? It's hard to tell. But I think valuations generally seem reasonable.

Kevin Geaney:

No. We're not seeing them come down, quite frankly. Again, as Todd mentioned, I think that's certainly specific to the part of the market that we're playing in software businesses, particularly our preference for more growth-oriented businesses. We're not seeing those valuations come down. I think if anything, what we're seeing from a competitive standpoint is that more PE firms that either are at the higher end of the market are willing to come more down market, or folks that were traditionally more value-oriented are getting more into the growth game a bit. That just increases the number of buyers that you have and all it takes are two to go after each other to explode a bit of business.

I do think we're seeing that quite a bit, and so would love for valuations to get a bit more reasonable. What even was 10 times forward ARR a year ago is now all of a sudden, 12 times forward car. Then, we're trying to figure out what definition people are actually using for what we're valuing things off of. Maybe we'll see something start to temper down, but haven't seen it yet.

Jeremy Levy:

Yeah. On sell side representations, I can say, I've had a number of clients recently who we've had to discuss the ways market is working right now. They have selective memories, let's say, on what has been going on over the past upper years, so I think we're seeing what you're describing, that maybe valuations aren't coming down the way that people might have thought they would. How about the debt markets? We know deals are taking longer. Since COVID, lenders have definitely dug in more on things like diligence. We saw slides that talked about how processes go longer, even though folks tend to be by and large optimistic about the market, they are pessimistic about how hard it is to get a deal done. I think to a certain extent, that has something to do with the debt process. What are you guys seeing in the debt markets in general?

Todd Crescenzo:

I think from a credit standpoint, financial conditions seem pretty good still. To your point, I mean, you see some, again, selectivity, some credit standards tightening. In our area of focus, we see a lot of flexible capital from the debt markets. I think that's a function of really, the amount of capital private credit generally has raised over the last, let's say, five years. But within private credit there's so many different sleeves, whether we're talking about structure, are we talking about term? Are we talking about buyout?

We've seen some really unique things on the earlier stage whether. Someone would classify that as venture debt, or maybe just creative capital in the earlier stages. We have a company that had received the DOE grant. We were able to advance against that over three years. That was a pretty streamlined, easy process. At the same time, we have a small cap buyout that we run and that's been more challenged to even get equipment financing, like sell this back. Again, I think, it's depending on what part of the market you're in, broad strokes, credit is available, but specific to the transaction.

Kevin Geaney:

I would certainly agree with that. I think we're seeing, yeah, availability of credit is strong, and I think financial folks want just as much as on the B side, they have a lot of capital that they're trying to get into play as well. I think that we've seen and this is maybe over the last six months or so, compared to 12, 18 months earlier. For ARR financings, we're actually seeing some pretty aggressive terms that folks are proposing, and so that's certainly not been not an impediment in our view for being able to try to get things done. Again, with a caveat that if you're focusing on high-quality deals, you tend to get the credit folks to get pretty excited about those.

Chris Rossi:

Those aggressive terms you're seeing, are they more pricing terms, or are they covenant terms, operational, like oversight types of things, ratios, things like that?

Kevin Geaney:

Yeah. I would say more structural-based. I think, there's a cap you can really go to on pure pricing. Things like, when do you flip over to – for example, in ARR financing, I think we're seeing some more flexibility there. How exactly do you define it, but that one when you flip it over, what do you get credit for from an ARR perspective? I think some of the definitional terms that we're seeing some more leeway on.

Todd Crescenzo:

Totally agree with that. Seeing someone.

Jeremy Levy:

Let's talk about portfolio companies. Portfolio companies have to manage through the day-to-day of this uncertainty that we're dealing with. Not thinking about longer term investments, not thinking about deploying capital, just thinking about how to operate the business. How are you seeing your portcos deal with the current state of play?

Todd Crescenzo:

I'm going to sound like a broken record. It depends. We have a Series B company that's in the energy transition space, and I would say, they are constantly stressed. I'm a board and chair of that company, and I think I spend four days a week on the phone with the CEO. It's a highly engaged process, because the backdrop, now this is a technology, a very deep technology that has U.S. centrism. There's a lot of positives, but there's still a lot of noise to the earlier slide of tariffs and geopolitics and things like that. That's a really all hands-on deck, a lot of navigating choppy seas. It's not a storm, but you've just got to keep going. Then you contrast that with maybe some of our other portfolio companies that I wouldn't say are on autopilot, but really are in their commercial activation phase, nothing's changed, and that's a little bit smoother sailing. We have a little bit of everything and frankly, depends on the day. Whoever's playing golf here tomorrow, we'll see when the calls come in and we'll talk about it some more.

Kevin Geaney:

Yeah. The main of that, that's actually right, it really depends on each specific situation. I think to some extent, you just have this broader level uncertainty, so how do you play into that? How do you think about investing, when you're going through a general period of uncertainty? We have other portfolio companies that are much more directly impacted with what's happening. I'm a good example. I sit on the board of a GovTech business that serves the federal sector, and all the noise that's going on there with what's happening with DOGE and actual headcounts to their customers and prospective customers and what does that actually mean?

In our view, that generally creates opportunities. As long as you're able to position the business correctly, you're able to take advantage of that. When you see this level of disruption, it's probably a good time to invest to be able to try to take advantage of it, and I think that's what we're trying to do and trying to go after. Of course, you never know how things are always going

to play out, and again with this. With everything that's happening, things can change very quickly. And so, you just have to have your head on the swivel and be willing and able to adjust when you have to.

Jeremy Levy:

Well, I think I'm going to bring us to a close with, I guess, a last question to sum up. I think the theme has come through, but are you a net buyer or a net seller at this point in time?

Kevin Geaney:

We're certainly looking to buy. I'm slightly optimistic on the poll there. Yeah. I mean, I think we're – as I said before, if you're waiting for the uncertainty to recede, you might never do anything again. I do think it's still a good opportunity if you're playing in the right pockets and you're being judicious about what it is you're looking at and all the typical stuff you hear about PE and what it is that you can bring to the table and picking and choosing the spots to play. I do think it's a good opportunity to continue to go out there and try to get aggressive, in with the deals.

Todd Crescenzo:

I won't say it depends again. I think we're a net-deployer capital, right? Our funds are a little different. It's open-ended. We're constantly raising capital and then deploying. We always want to find those selective opportunities that hit a return hurdle, right? And so, we want to always be in market. That's less what the backdrop is. You always want to be conscious of that from a framing perspective. At the end of the day, being selective, adhering to your process and really getting the risk-reward outcomes that you're comfortable with, we can get comfortable in any situation.

I think maybe just a trend around that is I do think that we'll probably see some consolidation in these periods of uncertainty. Even in the GovTech space, maybe there's a winner and a loser, and somehow, they come together and it makes more sense. That's something that we've seen across our portfolio.

Jeremy Levy:

Well, thank you. I really appreciate you taking time to discuss with us today. Thank you to our audience for listening. We will be posting this episode next on our feed. Feel free to check out our other episodes on our website, or wherever you get your podcasts.

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