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Potential Impact of U.S. Tariffs: Private Equity Manager Perspectives

We surveyed our deep network of private equity managers for insights on the impacts of President Trump's tariff announcements

Our paper presents key findings from our survey of more than 100 private equity managers worldwide. Insights include:

- **Expected implications** on portfolio company revenue, operating costs and EBITDA
- **Potential impacts** by sector
- **Mitigation strategies** that private equity-backed companies are considering to safeguard and enhance portfolio value

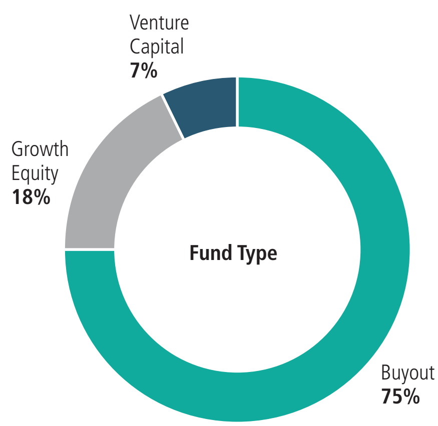
We believe these findings highlight the general resilience of private equity portfolios, as well as the measures that experienced managers are taking to navigate these uncertain times.

Survey Overview

While the market environment remains fluid given the introduction and subsequent postponement of certain announced tariffs by President Trump in early April, we wish to share a few insights on the potential direct impact of tariffs on the private equity industry gathered from our robust network of private equity partners. Neuberger Berman Private Markets leveraged its deep relationships to conduct a survey and gain a holistic view of how private equity managers believed potential tariffs could impact their portfolio companies. Our survey was conducted following the proposed tariffs by President Trump, but prior to the announcement of the 90-day hold. Below we highlight the findings from more than 100 global leading private equity managers invested in thousands of companies. This group of managers is diversified across sub asset class (figure 1), as well as by industry and geography. Notably, approximately 75% of respondents noted that they felt moderately or very confident in predicting the impact on their portfolio companies.

The insights from the survey respondents provide valuable guidance on the resilience of private equity portfolios and the measures being taken to protect and enhance value during this period of uncertainty. The survey findings provide perspectives on the sectors most vulnerable to tariff-related disruptions, as well as the strategies private equity-backed companies are considering to potentially mitigate risks.

FIGURE 1: SURVEY RESPONDENT DEMOGRAPHICS BY FUND STRATEGY TYPE



Source: Neuberger Berman Private Markets analysis based on responses from private equity manager survey, as of April 9, 2025.

The Private Equity Industry Is Less Exposed to Tariff-Sensitive Sectors Compared to Public Equity Indices

We believe that private equity portfolios are typically less directly exposed to tariff-sensitive sectors and businesses than the economy as a whole or major public equity indices. Private equity managers have historically had less exposure to sectors that rely on imports—such as consumer goods, capital goods and transportation and technology hardware and equipment and semiconductors—and greater exposure to sectors focused on services and intellectual capital, such as software and tech services, healthcare services, commercial and professional services, and communication services sectors. As shown in figure 2, 49% of private equity companies are in these service-oriented sectors, compared to only 27% of companies in the S&P 500.

FIGURE 2: EXPOSURE TO SOFTWARE AND SERVICE BUSINESSES

Source: Neuberger Berman and MSCI Burgiss for private equity data and S&P Capital IQ for S&P 500 data as of Q3 2024. Data includes companies in the software, technology services, healthcare services, commercial and professional services, and communication services sectors.

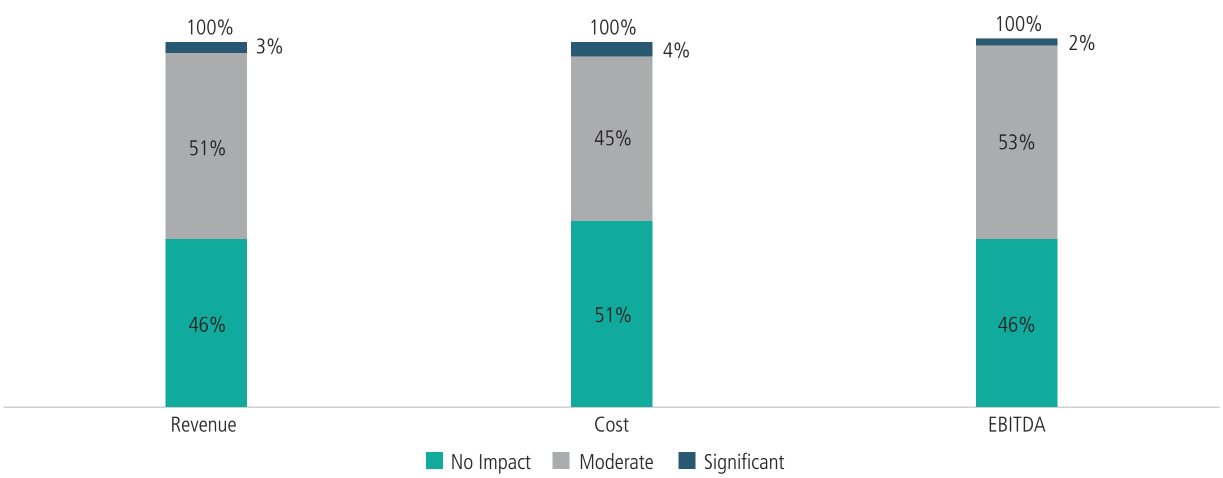
In our view, this positioning could help buffer private equity from some of the input-cost fluctuations and supply-chain disruptions that tariffs may cause. However, we recognize that there are indirect effects, and any macroeconomic disruptions could affect private equity, as well.

For more information on private equity versus GDP exposure to economic sectors reliant on imports, view our recent insight [Tariffs Are Here: What Does That Mean for Private Equity?](#).

Expected Tariff Impact on Revenue, Cost and EBITDA

We asked each survey respondent about the expected impact of tariffs on their portfolio companies' revenue, operating costs and EBITDA. As shown in figure 3, the results were similar across all three metrics, with only 2% – 4% of respondents anticipating "significant" tariff-related impacts and 45% – 53% indicating the expectation of a "moderate" impact. Notably, 46% – 51% of respondents indicated "no" expected impact. We believe this expected resilience is a combination of fewer tariff-sensitive businesses, the potential implementation of corrective measures to counter tariff effects and the respondents' focus on direct tariff impacts versus the second-order negative effect from a possible tariff-induced economic slowdown or recession.

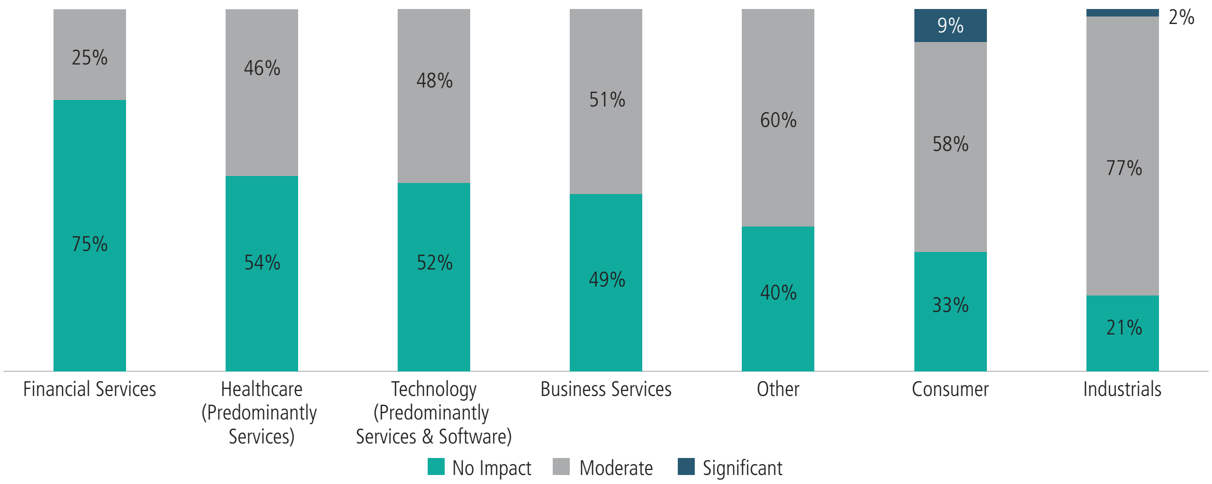
FIGURE 3: EXPECTED TARIFF IMPACTS ON REVENUE, COST AND EBITDA—PE MANAGER SURVEY DATA



Source: Neuberger Berman Private Markets analysis based on responses from private equity manager survey, as of April 9, 2025. Percentages are weighted by industry.

We further asked the managers to provide the expected tariff impact per industry in which they invest. Figure 4 shows the expected impact on EBITDA for each industry. As we expected, the consumer and industrials sectors are expected to be more heavily impacted (with certain private equity managers expecting "significant" impacts) than services-focused businesses like financial services or healthcare services.

FIGURE 4: EXPECTED TARIFF IMPACTS ON PORTFOLIO COMPANY EBITDA BY INDUSTRY—PE MANAGER SURVEY DATA



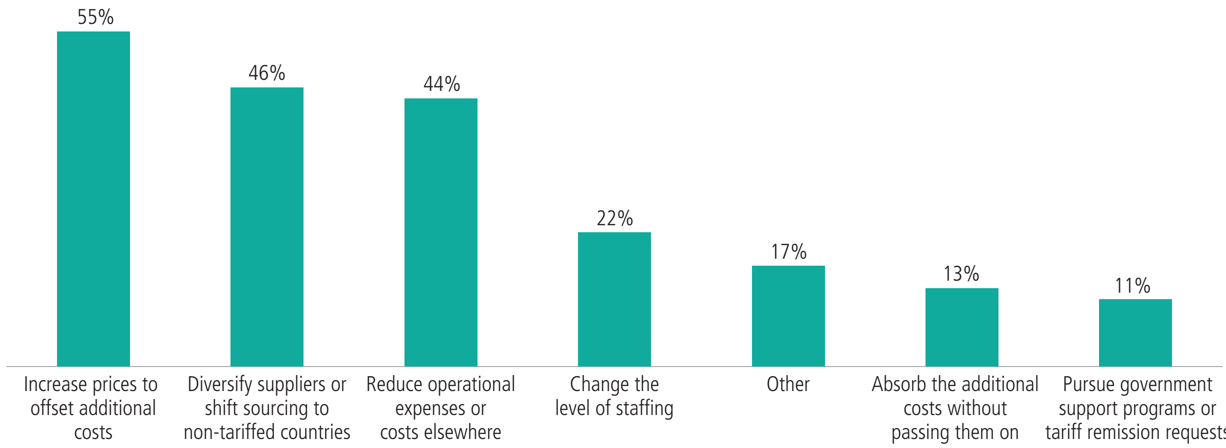
Source: Neuberger Berman Private Markets analysis based on responses from private equity manager survey, as of April 9, 2025.

Private Equity-backed Companies' Mitigation Actions Include Increasing Price, Diversifying Suppliers/Shifting Sourcing to Non-tariffed Countries, and Reducing Operational Expenses or Other Costs

Private equity is an active asset class and fund managers have the advantage of directly engaging and controlling the companies in which they are invested. This level of influence and ability to act quickly is particularly valuable in times of stress or dislocation. Historical examples, such as the responses to COVID-19 and the 2008 Financial Crisis, showcase the industry's proactive approach to navigating challenges. During the pandemic, private equity managers swiftly addressed issues like supply chain disruptions, workforce management and regulatory restrictions, and prioritized operational efficiency, cost-saving initiatives and adapting to evolving circumstances. For more information on our assessment of private equity returns during three recent periods of market distress, view our paper The Historical Impact of Economic Downturns on Private Equity.

While almost half of managers in the survey are not expecting tariffs to impact EBITDA, and only 2% are expecting a significant impact, many private equity-backed companies are actively considering and undertaking mitigation measures. As part of our survey, we asked private equity managers which mitigation strategies their portfolio companies were considering implementing. Figure 5 shows which strategies were cited. Of the companies potentially impacted by tariffs, many of them are considering pursuing multiple measures. The most cited strategies are "increase prices", "diversify suppliers or shift sourcing to non-tariffed countries" and "reduce operational expenses or costs".

FIGURE 5: PERCENT OF PRIVATE EQUITY-BACKED COMPANIES CONSIDERING ADOPTING EACH MITIGATION STRATEGY—PE MANAGER SURVEY DATA

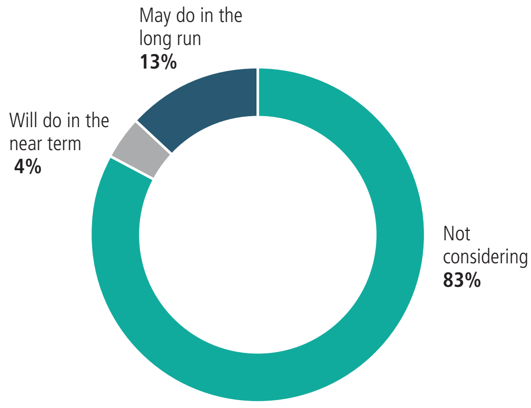


Source: Neuberger Berman Private Markets analysis based on responses from private equity manager survey, as of April 9, 2025.

Private Equity-backed Companies Considering Building/Increasing U.S. Production

We asked private equity managers about their companies' plans to either build or increase U.S. production or move to U.S.-based suppliers. As shown in figure 6, just 17% of managers said that their companies are considering such a move, including 4% planning to do so in the near term. This is notable, as almost half of managers are not expecting their companies' EBITDA to be affected by tariffs.

FIGURE 6: PERCENT OF MANAGERS WHOSE COMPANIES ARE CONSIDERING BUILDING/INCREASING U.S. PRODUCTION OR MOVING TO A U.S.-BASED SUPPLIER—PE MANAGER SURVEY DATA

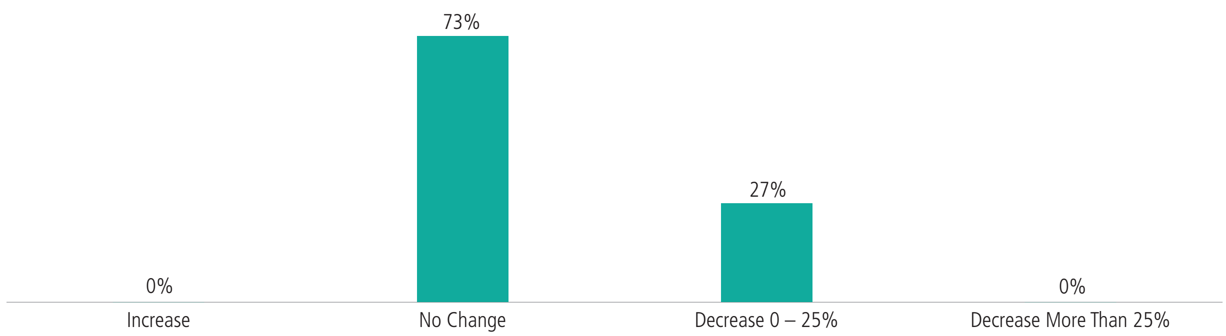


Source: Neuberger Berman Private Markets analysis based on responses from private equity manager survey, as of April 9, 2025.

Limited Expected Tariff Impact on Near-Term Portfolio Company Valuations

Understanding that each industry and company has unique exposure regarding potential tariffs, we asked private equity managers about near-term valuation expectations, a topic that is "top of mind" for many investors. As shown in figure 7, approximately 73% of private equity managers expect no near-term valuation changes as a result of the potential tariffs and approximately 27% expect a near-term valuation reduction of less than 25%. To note, no respondent predicted either an increase in valuations or a decrease in valuations by more than 25%.

FIGURE 7: PREDICTION OF NEAR-TERM VALUATION IMPACT OF TARIFFS—PE MANAGER SURVEY DATA



Source: Neuberger Berman Private Markets analysis based on responses from private equity manager survey, as of April 9, 2025.

Private Equity Managers are Well-Positioned to Capitalize on the Current Market Environment

We believe that private equity managers are well equipped to capitalize on dislocation opportunities created by potential tariffs and their second-order economic effects, but recognize that the range of business and economic outcomes remains wide given the still-uncertain situation.

Private equity managers' proactive, flexible and forward-thinking approach has historically allowed them to pivot strategies, leverage change and drive value creation in the face of dislocation in the market, as evidenced by their resilience during downturns like COVID-19 and the 2008 Financial Crisis.

While broader market uncertainty has clouded the near-term outlook for both dealmaking and exit activity, we believe that disruption could create interesting opportunities for well-positioned capital solutions providers.

Tariff-related developments remain fluid and subject to change. Neuberger Berman Private Markets remain committed to actively engaging with private equity managers to assess their perspectives on market dynamics and the potential implications of tariffs.

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