



PRIVATE EQUITY CAREER NEWS

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# PE Best Practices: Origination Strategies to Win More Deals

## Featured Speakers:

Nadim Malik, Founder and CEO, Sutton Place Strategies

Mark Filippell, Managing Director, Citizens Capital Markets

David McCoy, Managing Partner, RCP Advisors

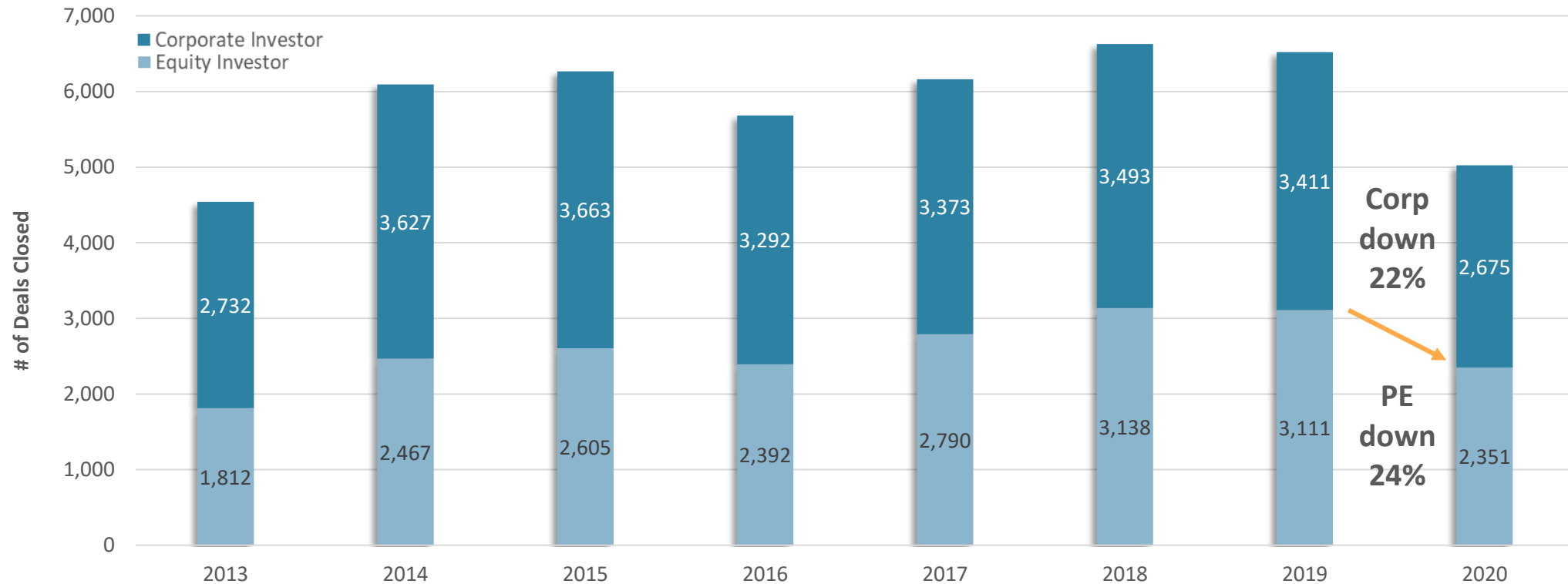
Jody Shechtman, Partner, GreyLion Capital

**Moderator:** David M. Toll, Publisher, *Private Equity Career News*



# State of the Market – PE and Corp M&A Activity

## Q1-Q3 M&A Deal Volume – by Buyer Type



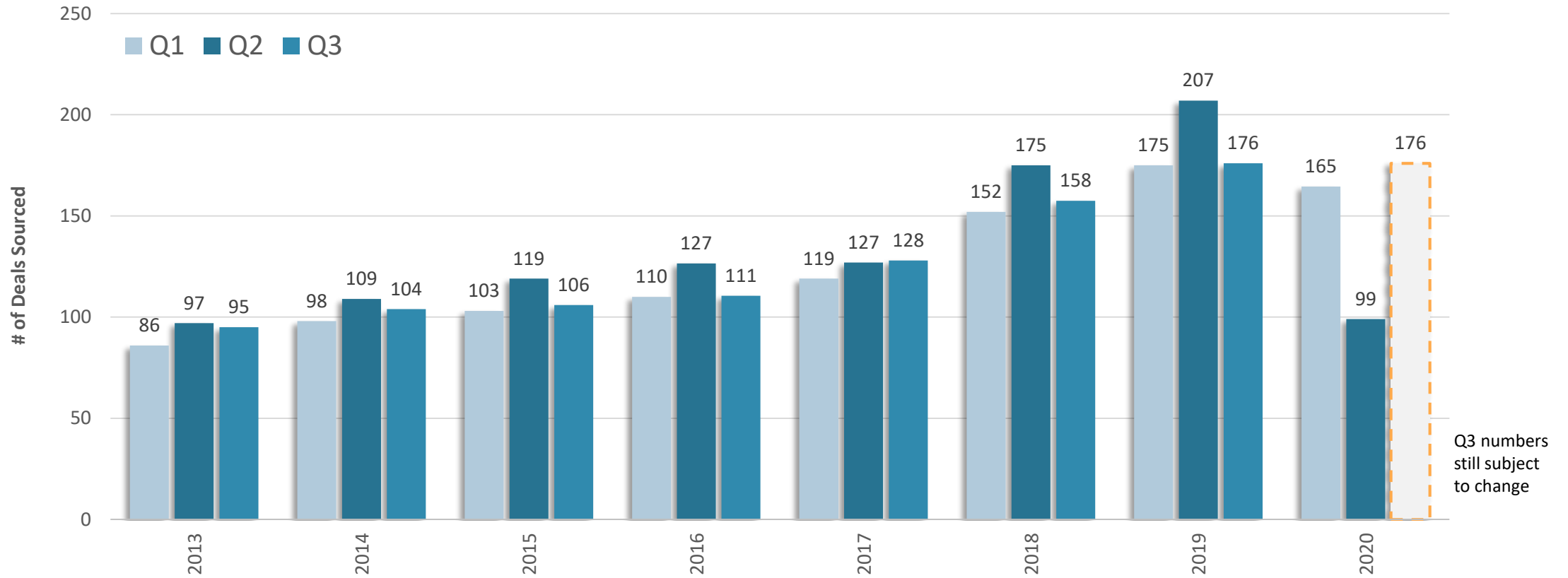
### Footnotes

1 - Closed deals across all industries, 10+ MM EV, based in North America, with private equity or strategic investors.



# State of the Market – Impact of Covid19

## Median Sponsor Dealflow – by Quarter



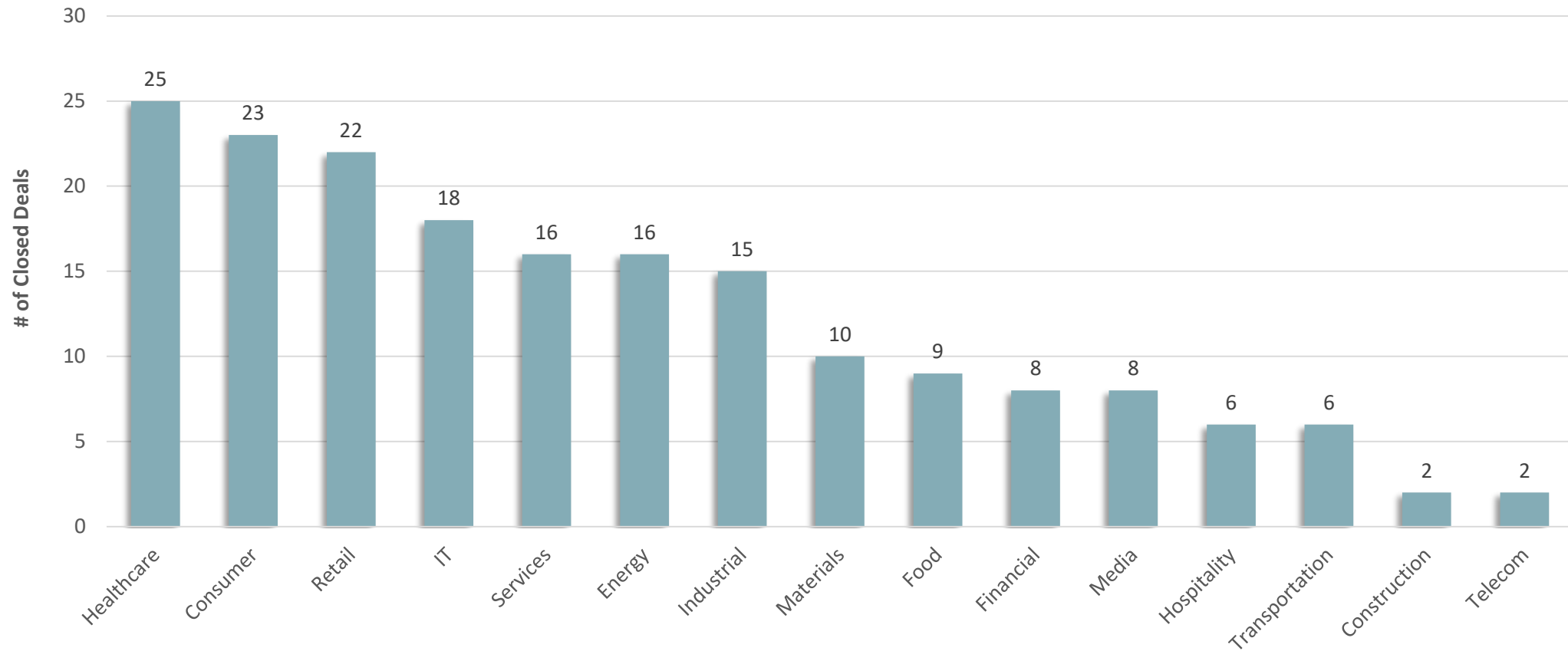
### Footnotes

1 - Median # of deals originated in Q1, Q2, Q3, between 2013-2020, by private equity firms.



# State of the Market – Impact of Covid19

## YTD 2020 Distressed Deal Volume – by Industry



### Footnotes

1 - Distressed deals, across all industries, 10+ MM EV, based in North America, with private equity or strategic investors.



# 2020 DOBR Stats - Market Coverage Metrics

Client Metrics ↓	Peer Group Stats				All Sponsor Stats					
	Generalist, Lower Middle Mkt									
	Median	Max	Min	Top Quart.	Median	Max	Min	Top Quart.		
<b>Coverage by Intermediary</b>										
All Types <sup>1</sup>	<b>18.5%</b>	14.5%	36.1%	4.8%	18.9%	17.4%	57.4%	2.6%	28.6%	
Boutique <sup>2</sup>	<b>11.5%</b>	8.9%	26.0%	2.6%	11.7%	12.5%	56.0%	0.0%	19.1%	
Most Active <sup>3</sup>	<b>24.4%</b>	15.9%	40.1%	5.7%	24.0%	19.7%	60.5%	3.2%	30.9%	
<b>Percent Change (all Int.)<sup>4</sup></b>										
6M Prior	<b>0.7%</b>	0.1%	1.7%	-2.2%	0.7%	0.3%	13.3%	-12.9%	1.3%	
12M Prior	<b>0.3%</b>	0.7%	4.7%	-3.3%	1.8%	0.9%	16.9%	-19.4%	2.9%	
<b>Coverage by Sell-Side Process</b>										
Limited	448 Total Deals	<b>1.2%</b>	0.3%	1.8%	0.0%	0.3%	0.0%	14.3%	0.0%	1.1%
Moderate	364 Total Deals	<b>15.0%</b>	2.8%	24.4%	0.6%	6.4%	4.2%	33.8%	0.0%	9.1%
Broad	593 Total Deals	<b>34.4%</b>	30.4%	68.7%	10.4%	36.7%	32.2%	82.5%	6.3%	45.9%

## Footnotes

- 1 - Percentage of PE transactions closed with a sell-side advisor, within relevant size ranges and sectors, reviewed by the client.
- 2 - Only includes transactions represented by sell-side advisors that closed 1-2 deals in the DOBR LTM period to a PE firm.
- 3 - Only includes transactions represented by sell-side advisors that closed 3 or more deals in the DOBR LTM period to a PE firm.
- 4 - Absolute percent change in market coverage compared to 6 months and 12 months prior.



# 2020 DOBR Stats - General Sourcing Metrics

Client Metrics ↓	Peer Group Stats				All Sponsor Stats				
	Generalist, Lower Middle Mkt								
	Median	Max	Min	Top Quart.	Median	Max	Min	Top Quart.	
<b>New Investments</b>									
Platforms	1	2	7	0	N/A	2	8	0	N/A
Addons	3	2	20	0	N/A	2	25	0	N/A
<b>Dealflow Metrics</b>									
Pipeline Closing % <sup>5</sup>	19%	29%	46%	10%	N/A	31%	70%	10%	N/A
Annual Dealflow <sup>6</sup>	1,564	830	5,526	171	N/A	559	5,526	65	N/A
Unique Intermediaries <sup>7</sup>	320	246	607	59	N/A	168	607	18	N/A
Deals sourced per Unique Int. <sup>8</sup>	3.4	3.2	5.0	1.8	N/A	2.7	7.0	1.4	N/A
<b>Macro Metrics</b>									
BD Professionals <sup>9</sup>	1	1	10	0	N/A	1	10	0	N/A
Int. Fragmentation Ratio. <sup>10</sup>	2.8	2.8	3.3	2.8	N/A	2.8	3.5	2.0	N/A
Target Market Relevancy % <sup>11</sup>	97%	85%	99%	71%	N/A	52%	100%	6%	N/A

## Footnotes

5 - Percentage of a sponsor's pipeline that closes to any investor. Date Seen range lags 12 months to account for closing time.

6 - Number of deals logged per PE firm in the DOBR LTM period.

7 - Number of sell-side advisors in a PE firm's pipeline over the DOBR LTM period, that have closed at least 1 deal as per SPS data.

8 - Average # of deals sourced per unique intermediary in the DOBR LTM period.

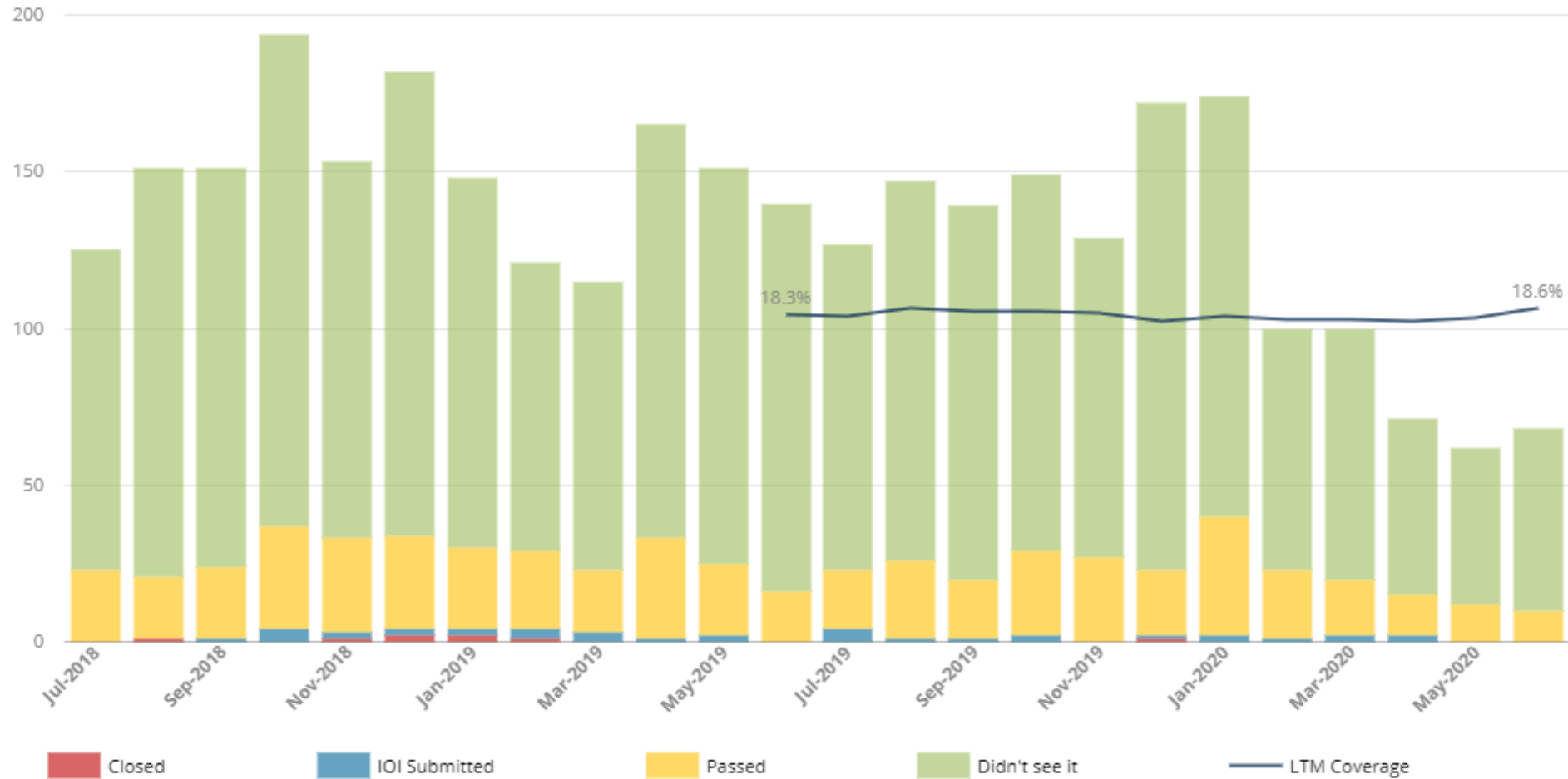
9 - Number of professionals spending a majority - if not all - of their time sourcing deals.

10 - For a PE firm's relevant Deal Size, the # of PE transactions closed per intermediary, in the DOBR LTM period.

11 - Percentage of deals in a PE Firm's target Deal Size that are considered "relevant" after applying industry and other criteria.



# 2020 DOBR Stats – Market Coverage Over Time

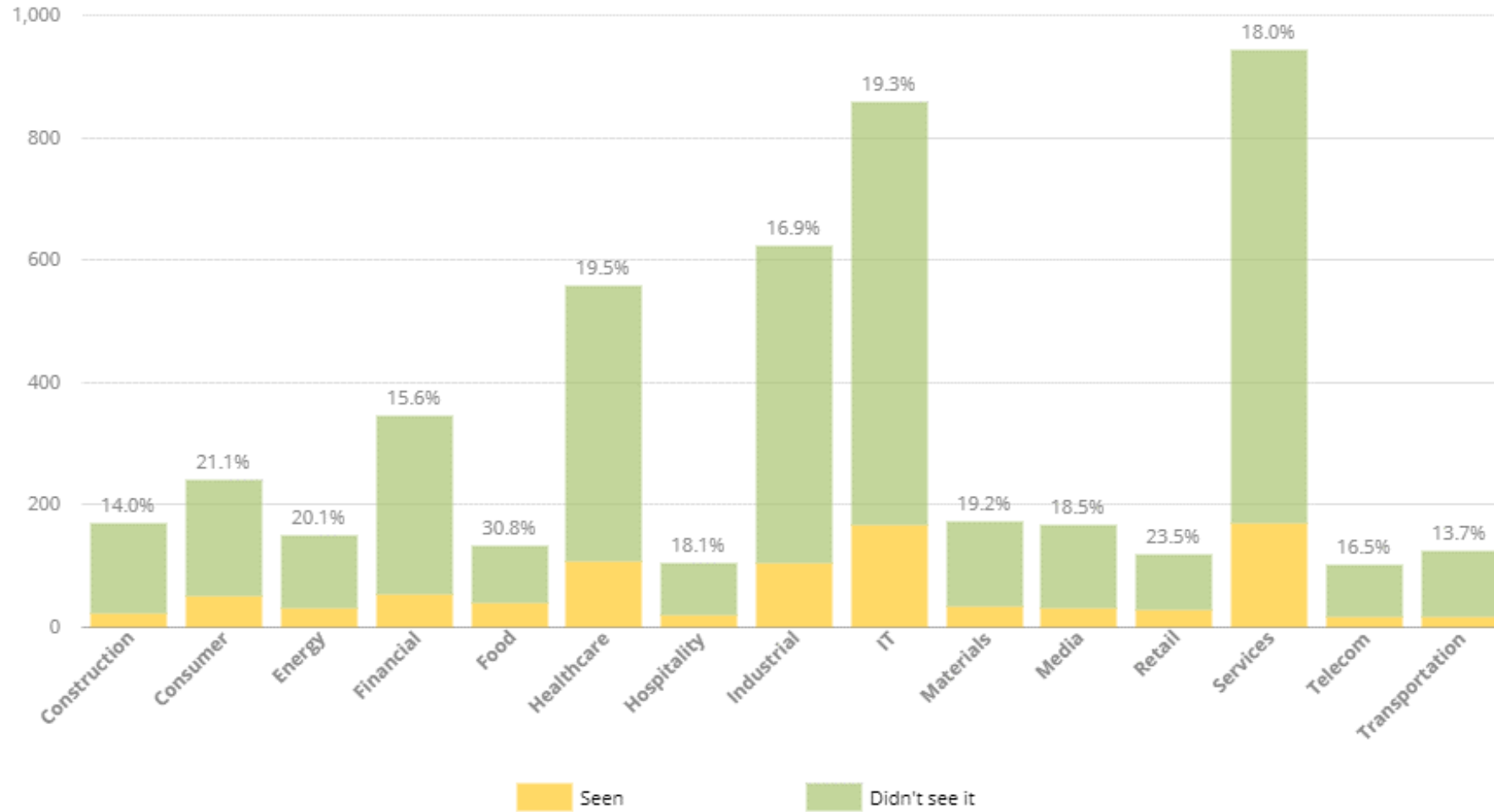


### Footnotes

1 - Trailing two-year period for the client target used in the DOBR analysis.



# 2020 DOBR Stats – Industry Snapshot



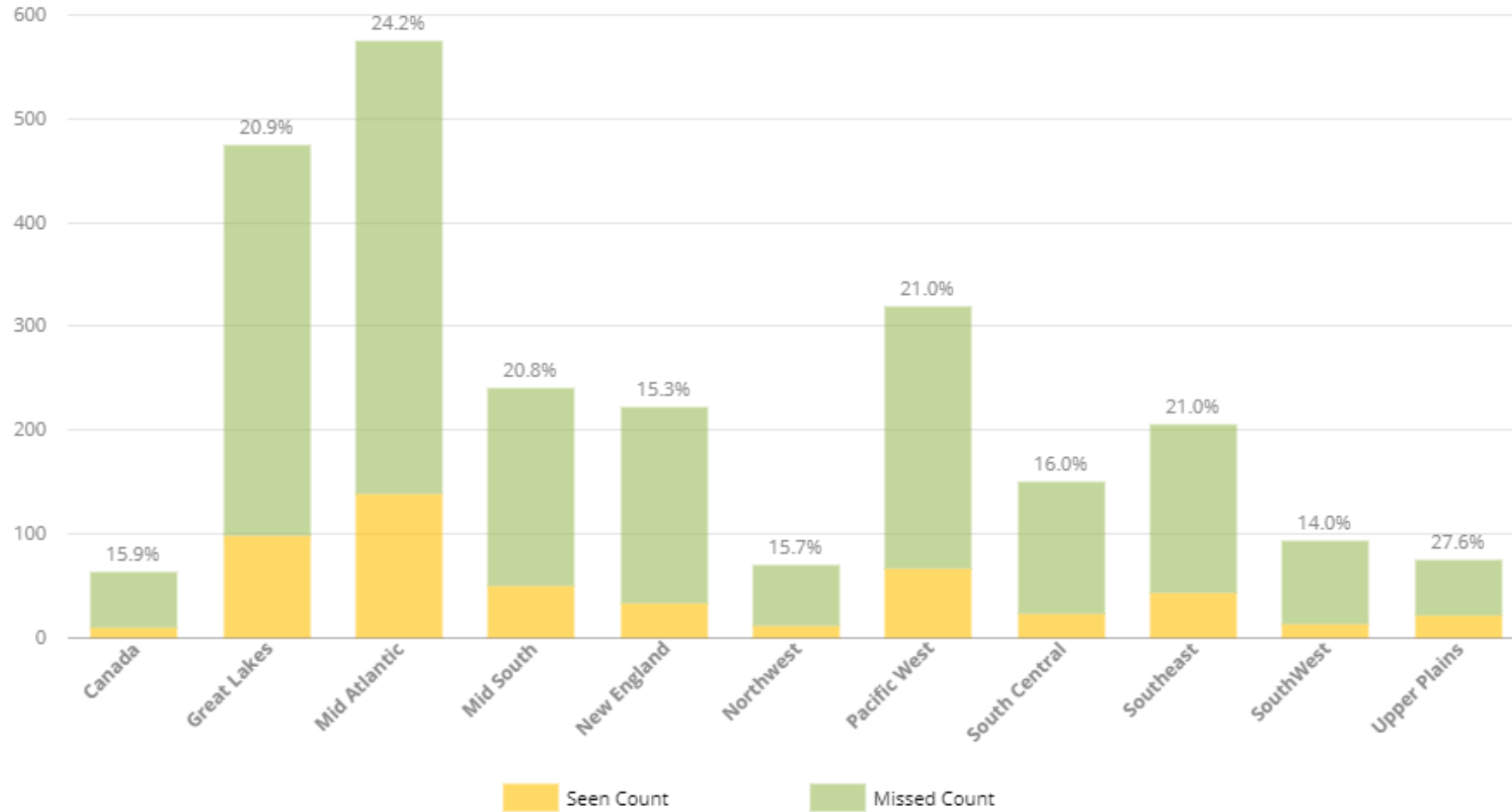
**Footnotes**

1 - Based on the number of deals by industry and the client's market coverage of each (% on top) for the trailing two year period of the client target used in the DOBR analysis.





# 2020 DOBR Stats – Intermediary Professional Location



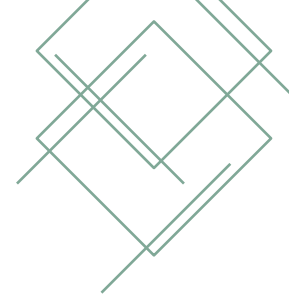
**Footnotes**  
1 - Based on sell-side advisor professional location, and the client's market coverage of their closed deals (% on top) for the trailing two year period of the client target used in the DOBR analysis.



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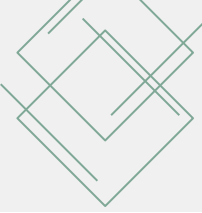
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# RCP|Advisors

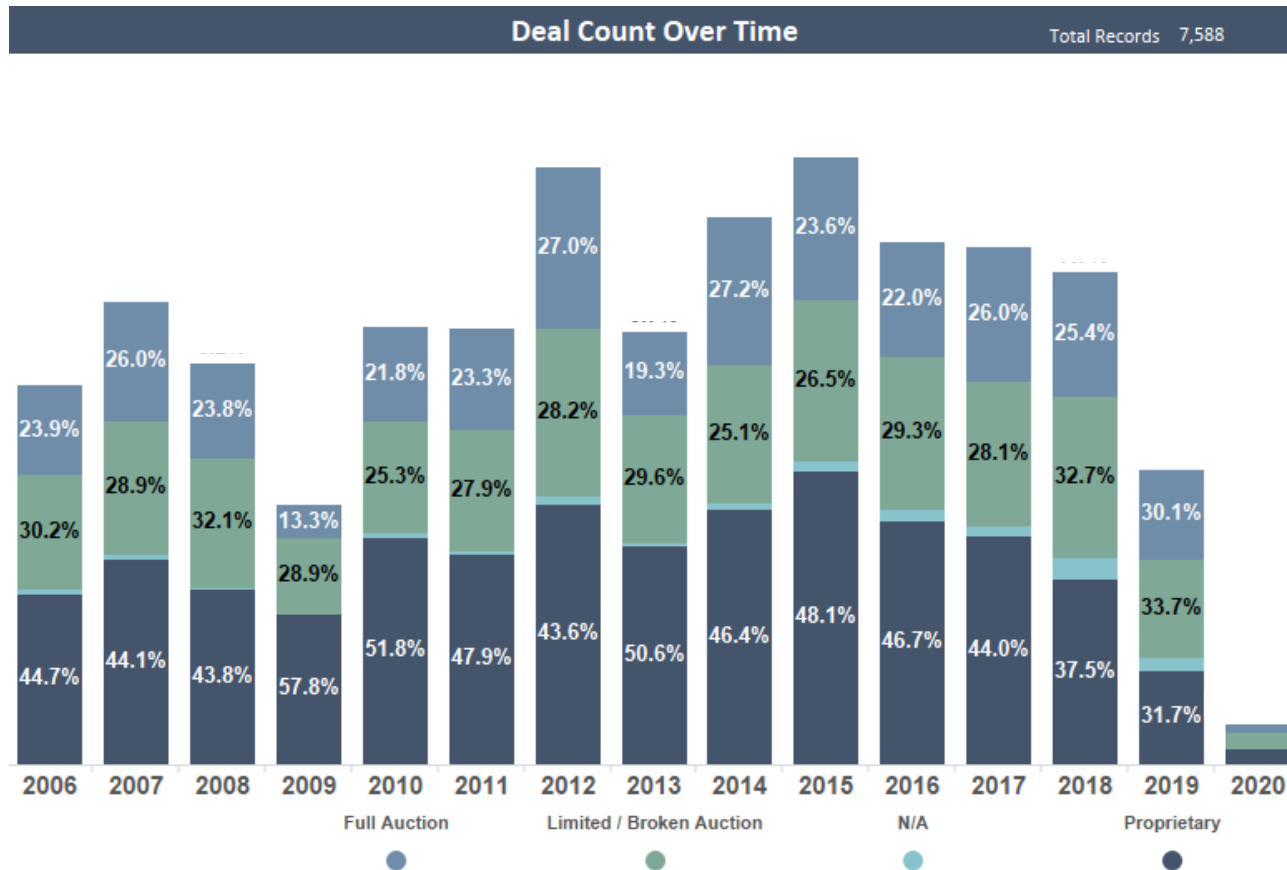
Your Private Equity Partner in the Lower Middle Market

Sourcing in Private Equity:  
Sales Process and Seller Type Analysis



# Deal Count % by Process Type

## Slight Shift from Majority Proprietary Deals to Limited/Broken auction

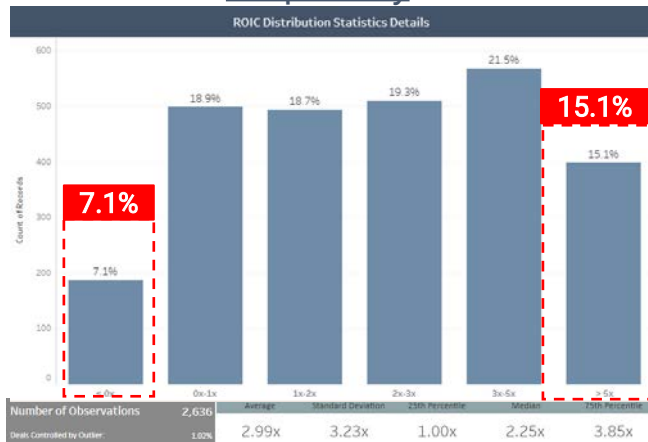


Snapshot of US deals. 50.7% of deals do not have a Sales Process type designation

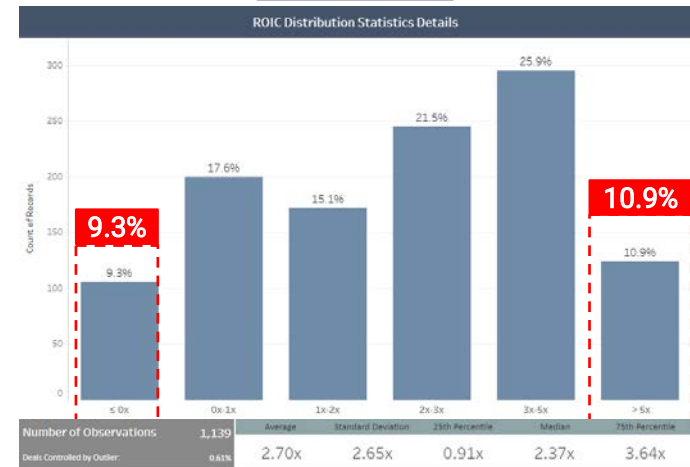
# ROIC by Process Type

## Full Auction Deals Have Lower Risk- Lower Reward Profiles

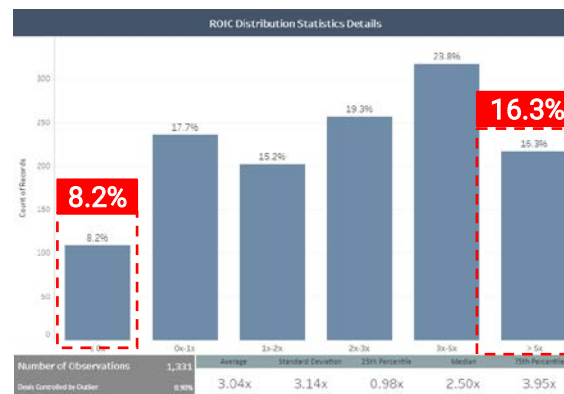
### Proprietary



### Full Auction



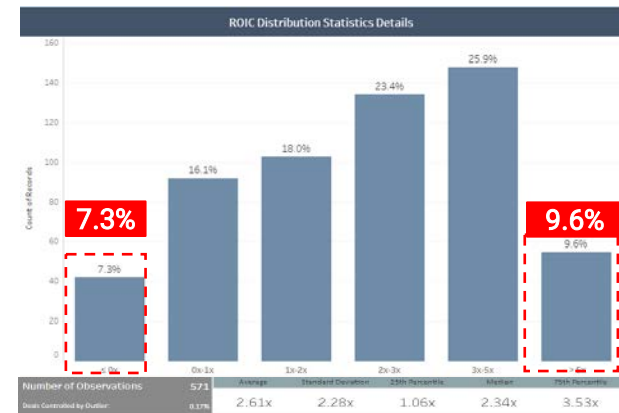
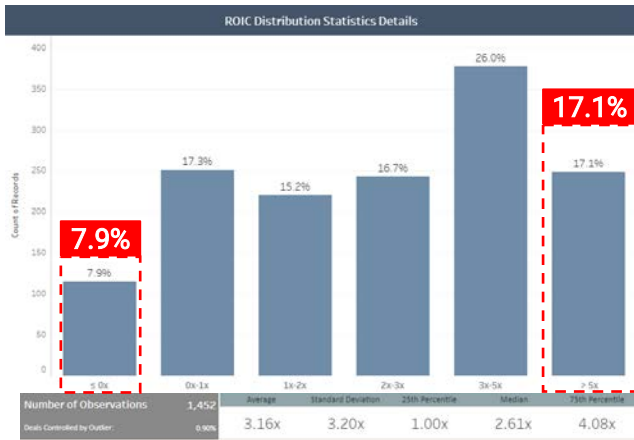
### Limited/Broken Auction



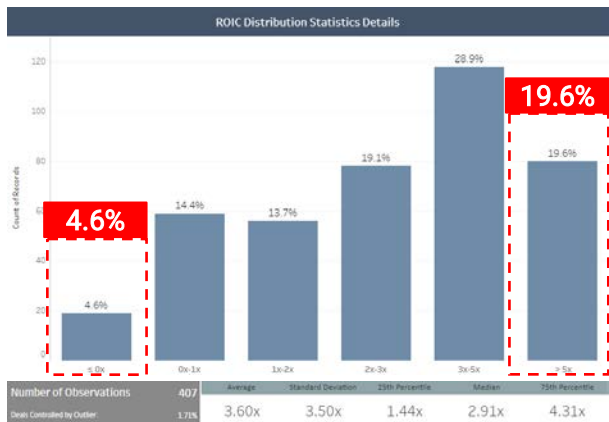
All deals initially invested since 2000 have been realized or held for at least 5 years. Deal size is limited to firms with \$25M-\$1B in entry Enterprise Value. All ROICs >20x have been rounded down to 20x to prevent skew of summary statistics.

# ROIC by Seller Type

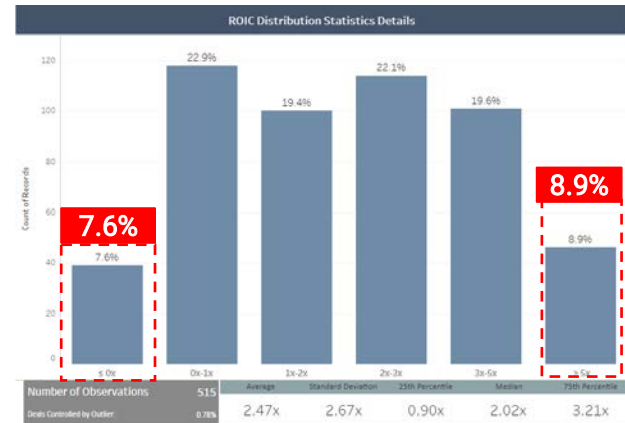
## Entrepreneur/Family Outperforms Financial Sponsor, Carveouts Perform the Best



### Carve-Out



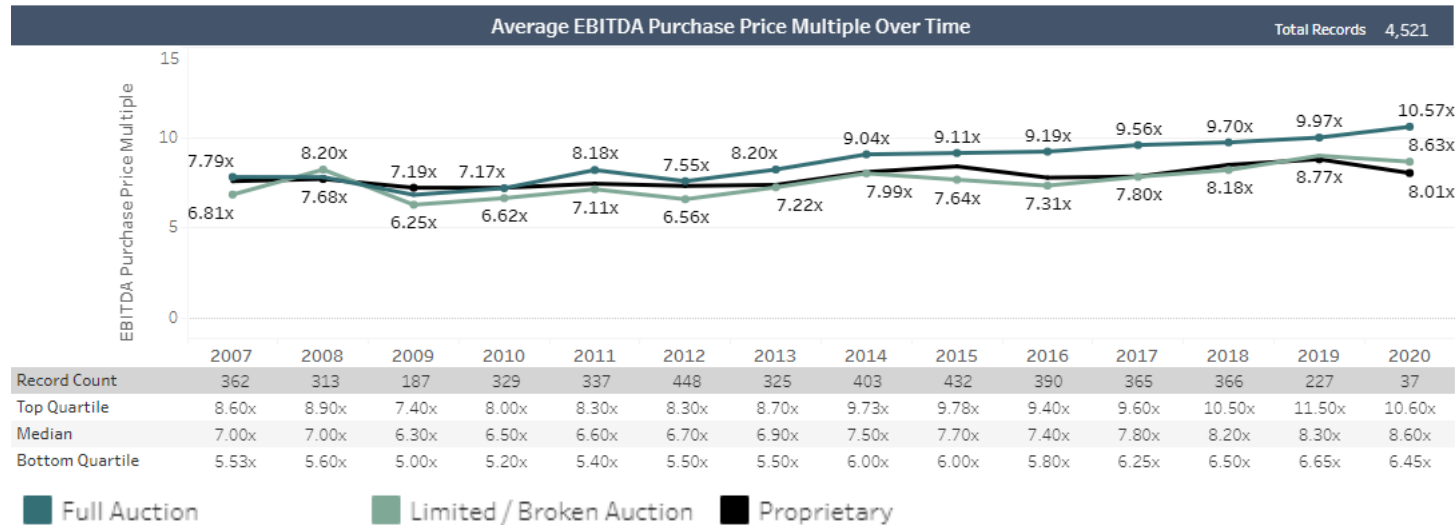
### Growth Capital / Recap



All deals initially invested since 2000 have been realized or held for at least 5 years. Deal size is limited to firms with \$25M-\$1B in entry Enterprise Value. All ROICs >20x have been rounded down to 20x to prevent skew of summary statistics.

# Entry Multiples by Process Type

## Full Auctions Tend to Command Higher Valuations

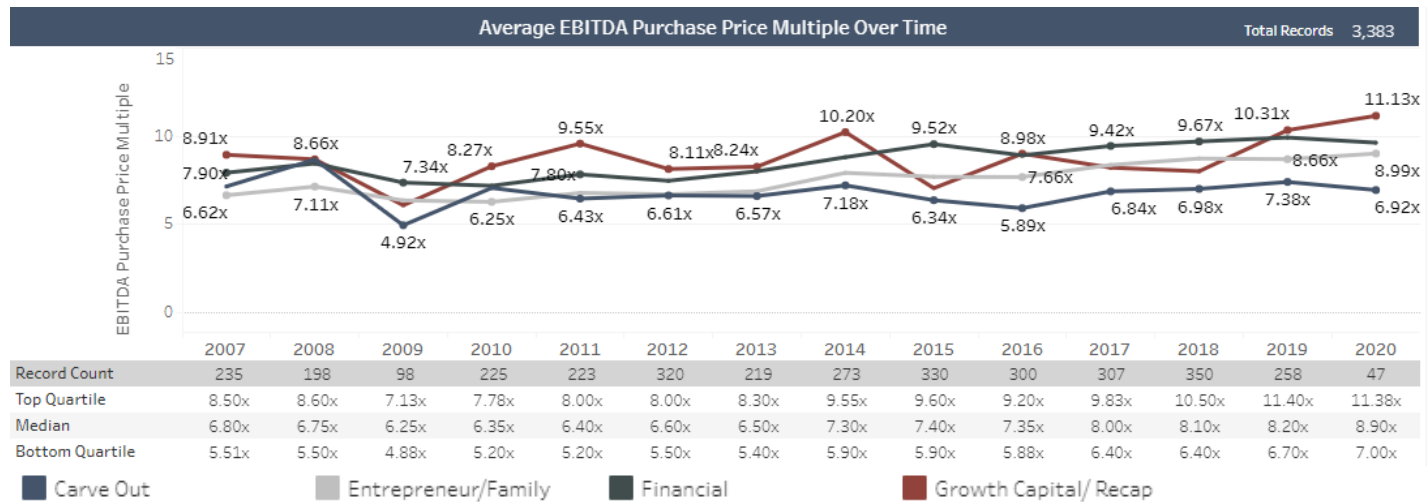


	2006-2010 Avg. EBITDA Entry Multiple	2011-2015 Avg. EBITDA Entry Multiple	2016-2020 Avg. EBITDA Entry Multiple	Long term Avg. EBITDA Entry Multiple
Full Auction	7.53x	8.42x	9.80x	8.58x
Limited/Broken Auction	6.92x	7.30x	8.18x	7.47x
Proprietary	7.29x	7.70x	8.16x	7.72x

Entry and exit multiples displayed by initial investment date

# Entry Multiples by Seller Type

## Carve-Outs Tend to Pay Less on a Year-to-Year Basis



	2006-2010 Avg. EBITDA Entry Multiple	2011-2015 Avg. EBITDA Entry Multiple	2016-2020 Avg. EBITDA Entry Multiple	Long term Avg. EBITDA Entry Multiple
Growth	8.31x	8.62x	9.32x	8.75x
Carve Out	6.71x	6.63x	6.80x	6.71x
Entrepreneur/Family	6.61x	7.17x	8.47x	7.42x
Financial	7.81x	8.30x	9.47x	8.53x

Entry and exit multiples displayed by initial investment date





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