



# Sutton Place Strategies, LLC

## Improving Your Deal Sourcing Operations: Buyouts Insider

July 7th, 2016

## SPS Background

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- Founded in 2009 by former Private Equity professionals focused on business development and research for the M&A marketplace.
  - Dedicated to helping investors, lenders, corporate buyers, and advisors maximize their business development effectiveness.
  - Proprietary data tracked on a primary basis by SPS.
  - Internally developed technology for online user interface.
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## 2015 Intermediary Breakdown\*

Firm	# of Deals	% of Total	Cumulative % of Total
Houlihan Lokey	114	2.8%	2.8%
Goldman Sachs	108	2.6%	5.4%
J.P. Morgan Chase	72	1.7%	7.1%
Generational Equity	66	1.6%	8.7%
William Blair & Co.	65	1.6%	10.3%
Jefferies & Co.	64	1.6%	11.9%
Morgan Stanley	64	1.6%	13.4%
Raymond James	64	1.6%	15.0%
Lincoln International	54	1.3%	16.3%
Sandler O'Neill & Partners	53	1.3%	17.6%
Harris Williams	52	1.3%	18.8%
Moelis & Co.	52	1.3%	20.1%
Piper Jaffray & Co.	50	1.2%	21.3%
Barclays Capital	49	1.2%	22.5%
Bank of America Merrill Lynch	48	1.2%	23.7%
Robert W. Baird	48	1.2%	24.8%
RBC Capital Markets	47	1.1%	26.0%
Evercore Partners	45	1.1%	27.1%
Lazard	44	1.1%	28.2%
Citigroup	41	1.0%	29.1%

Firm	# of Deals	% of Total	Cumulative % of Total
5 Firms completed 30-39 Transactions	162	3.9%	36.3%
10 Firms completed 20-29 Transactions	230	5.6%	38.7%
16 Firms completed 15-19 Transactions	272	6.6%	45.3%
42 Firms completed 10-14 Transactions	492	12.0%	57.2%
108 Firms completed 5-9 Transactions	721	17.5%	74.7%
41 Firms completed 4 Transactions	164	4.0%	78.7%
88 Firms completed 3 Transactions	264	6.4%	85.1%
142 Firms completed 2 Transactions	284	6.9%	92.0%
328 Firms completed 1 Transaction	328	8.0%	100.0%
<b>Totals**</b>	<b>4,117</b>	<b>100.0%</b>	

Out of 800 Active Intermediaries,  
**558 (70%) Completed Three or  
 Less Transactions in 2015**

\*Based on completed PE and M&A transactions in 2015 \$10+ MM in transaction value with intermediary identified.

\*\*Total exceeds actual number of deals closed in 2015 due to multiple intermediaries on some transactions.

# PE Middle Market: Deal Origination

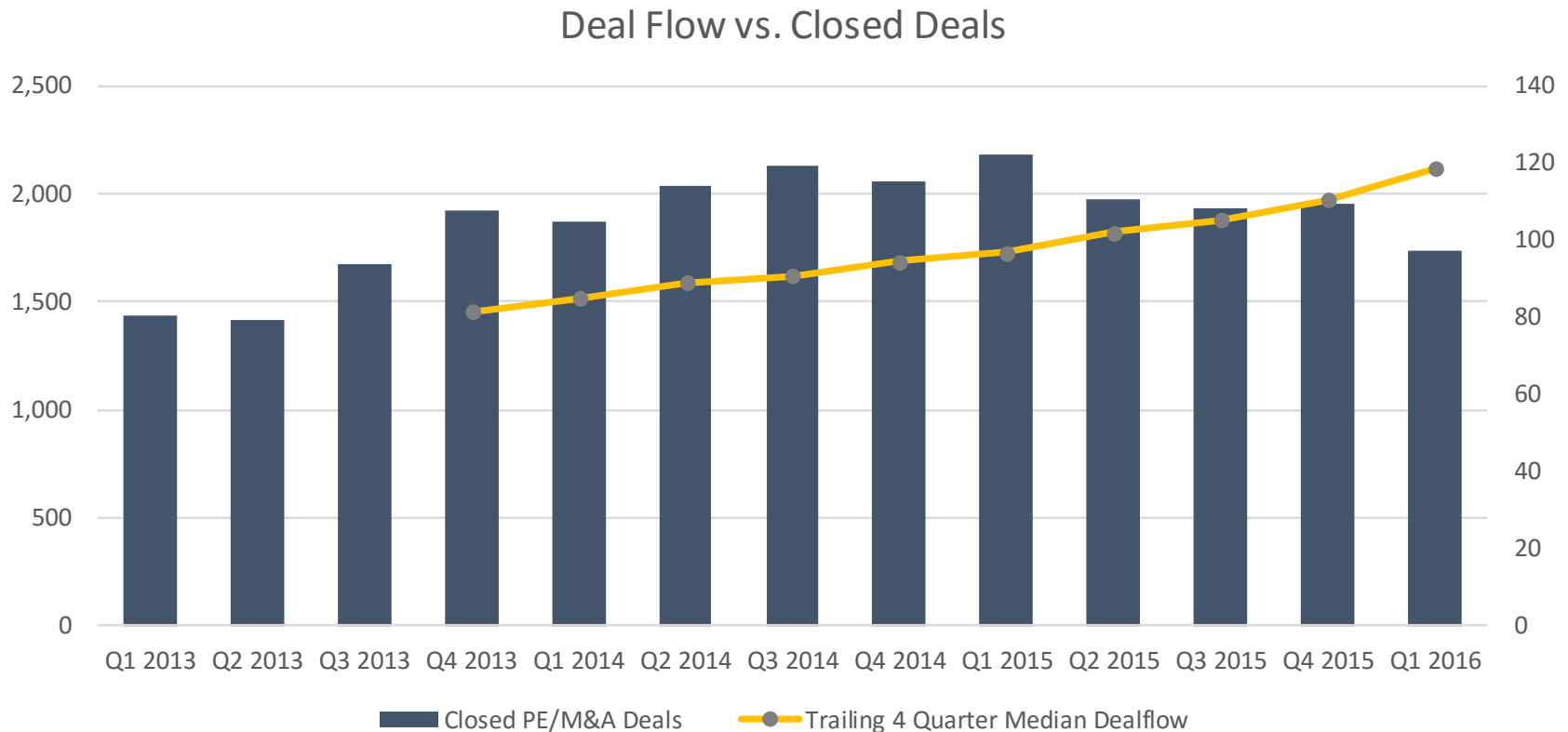
## PE Deal Origination Market Coverage Statistics

	Average	Max	Min	Top Quartile
Market Coverage <sup>1</sup>	18.6%	55.3%	2.8%	42.2%
Market Coverage Boutique Intermediaries	12.0%	47.2%	1.5%	35.8%
Market Coverage Most Active Intermediaries	21.8%	59.8%	1.0%	45.1%
Generalist PE Firms Market Coverage	17.0%	31.1%	5.5%	24.7%
Quasi-Generalist PE Firms Market Coverage	17.1%	41.3%	3.1%	33.8%
Sector Focused PE Firms Market Coverage	22.5%	55.3%	7.5%	43.4%
Upper Middle Market PE Firms Market Coverage	38.3%	50.2%	27.6%	44.6%
Lower Middle Market PE Firms Market Coverage	9.3%	26.3%	2.8%	20.4%

<sup>1</sup>Percentage of completed PE transactions with a sell-side advisor in relevant size ranges and sectors reviewed by a PE firm.

1) As of June 2015, based on SPS' 99 clients that qualified for the annual Deal Origination Benchmark Report (DOBR).

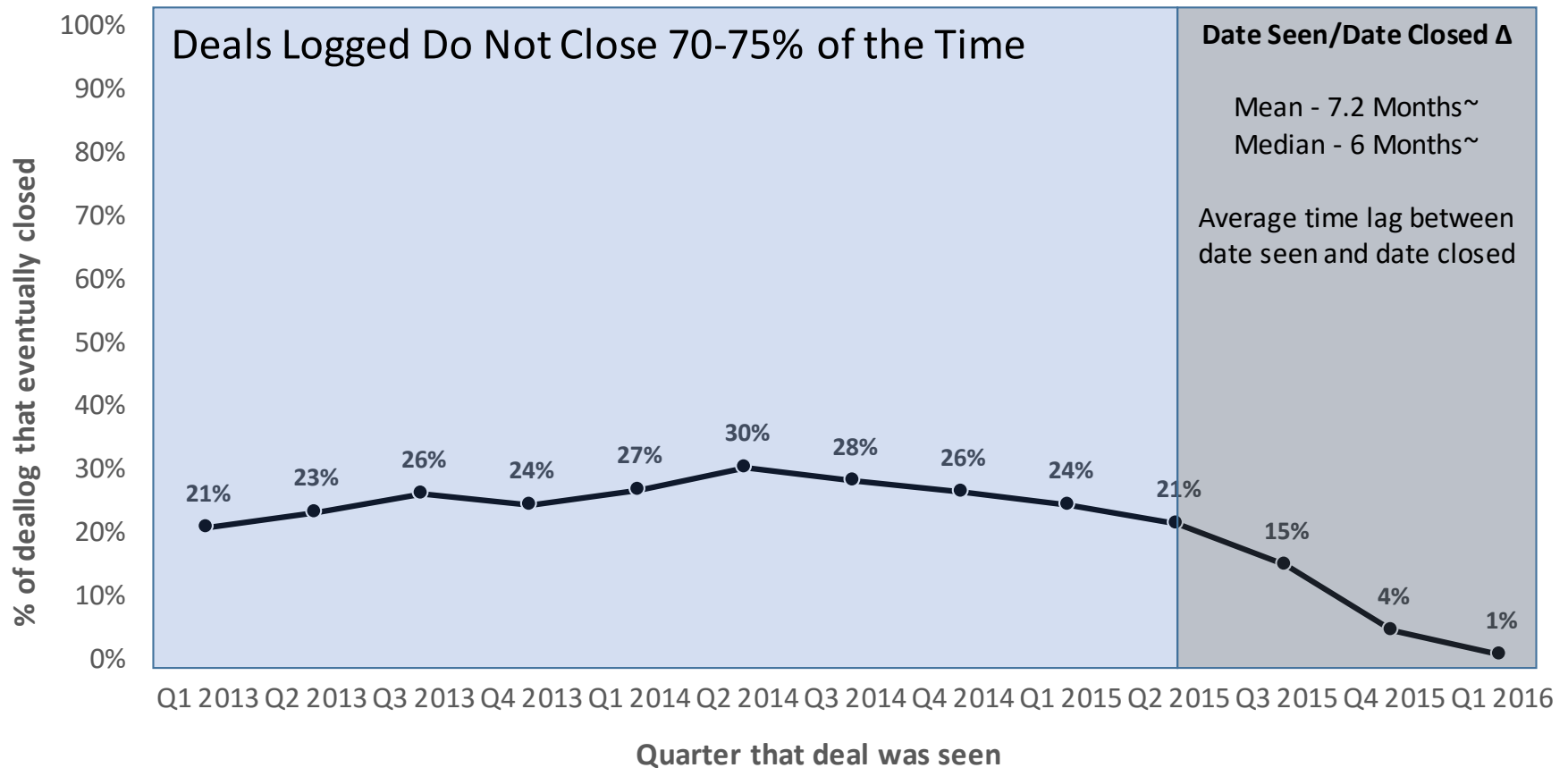
# M&A Activity And Deal Flow



- 1) Deals closed in North America, \$10+ MM in transaction value, with a private equity or corporate investor.
- 2) Average of last 4 quarters' dealflow for a PE firm (average of 90+ firms).

# Percentage Of Deals Logged That Close Increasing

◆ Key Takeaway: PE Deal Flow Increasing Due To Well-Run Processes Becoming Even More Efficient



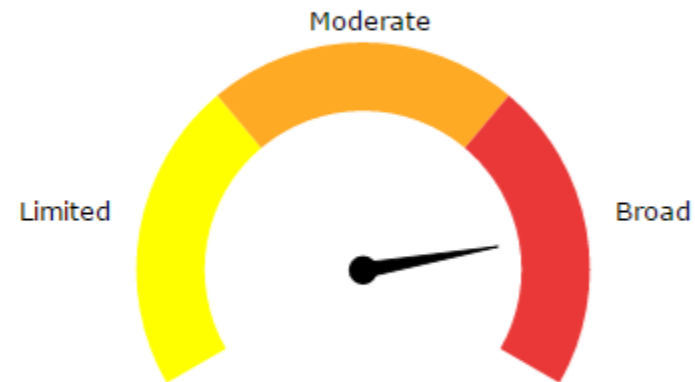
# New SPS Metric: Deal-Level Sell-Side Process

## DEAL INFORMATION



Deal Name	Women's Marketing Inc.
Closed	1/4/2016
Description	Operates a full service marketing agency
Industry	Media
Sub Industry	Marketing and sales services
Deal Type	Buyout
Trans Value Range	50-249
Distressed	No
Seller	PNC RiverArch Capital
Seller Type	Private Equity
Target	Yes
Stage	Passed

### Sell-Side Process\*



\*Based on the proportion of SPS clients that reviewed the transaction.

# New SPS Metric: Firm-Level Sell-Side Process Index

## FIRM INFORMATION

Company Name **Moelis & Co.**  
 Company Type **Intermediary**  
 City **New York**  
 State **NY**  
 Region **Mid Atlantic**

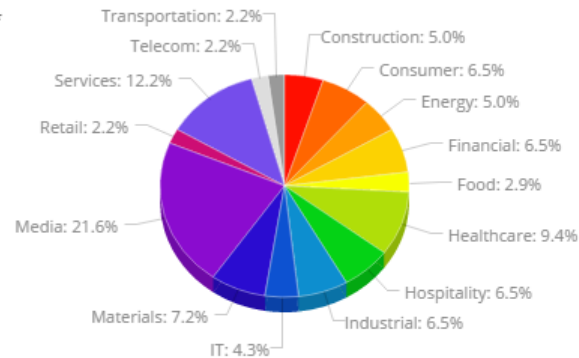
### Relevant Deal Activity and Coverage\*



### Sell-Side Process Index



### Activity by Industry\*



- ◆ The Sell-Side Process Index classifies the type of closing process that intermediaries are employing (**Broad, Moderate, Limited**) on a relative basis.
- ◆ Private equity firms can utilize this rating to better direct their intermediary outreach.



# Breaking Down Intermediaries By Sell-Side Process

		Limited	Moderate	Broad	Total
Firm Category	<b>Boutique (1-3 Deals)*</b>	695	283	320	1,298
	<i>% of Total</i>	54%	22%	25%	
	<b>Mid-Tier (4-20 Deals)*</b>	17	91	57	165
	<i>% of Total</i>	10%	55%	35%	
	<b>Large (20+ Deals)*</b>	0	17	12	29
	<i>% of Total</i>	0%	59%	41%	
<b>Total</b>		<b>712</b>	<b>391</b>	<b>389</b>	<b>1,492</b>

\*Closed annually on average

## ◆ Key Takeaways

- ✓ Over 50% of Boutique firms run Limited processes; great long-term play as some will grow and close more deals becoming Mid-Tier over time
- ✓ 65% of Mid-Tier firms run Moderate or Limited processes; great return on time invested in building relationships with serial deal flow
- ✓ While some assumptions are now called into question, others are confirmed:
  - Largest firms running the Broadest processes: Harris Williams, Duff & Phelps Securities, Lincoln International, Robert W. Baird, and William Blair & Co.

# Presentation Materials Disclaimer and Usage

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