



**LION EQUITY
PARTNERS**

Annual Corporate Development Report

Survey Results

March 2021

INTRODUCTION

I would like to thank the over 250 corporate M&A professionals who have generously offered their time and insights to our 1st Annual Corporate Development Survey. The survey, conducted throughout January and February 2021, polled corporate M&A professionals from some of the largest and most acquisitive corporations across the globe. The collected data measures recent M&A activity and current challenges and trends surrounding corporate deal origination, acquisitions, and divestitures. Additionally, the report illustrates overall job sentiment amongst Corporate M&A professionals.

M&A activity has rebounded from the hiatus in the early innings of the COVID-19 pandemic. Furthermore, 72% of respondents expect deal volumes to increase in 2021, and 63% of companies anticipate an increased appetite for M&A in 2021. While it appears deal activity will be robust in 2021, corporate dealmakers face significant obstacles to deal execution, including high valuations, uncertain market conditions and unprecedented challenges executing and integrating deals in a virtual environment.

Encouragingly, we are seeing a migration toward normal working conditions (12% have already returned to the office full-time, 22% are partially in office, 20% expect to return within the next 6 months and another 28% to return within 12 months). Additionally, 91% expect to travel for business within the next 12 months.

Despite M&A roadblocks and fluid working environments, the Corporate Development job sentiment remains relatively high. Many respondents indicate high levels of satisfaction regarding personal fulfillment and compensation. Notably, 80% plan to remain in this profession long term. Many respondents believe this profession strikes the right balance of intellectual stimulation, impact and professional and personal fulfillment.

I hope you find the survey results and related best practices interesting and valuable. Please feel free to connect for further discussion.



Best Regards,



Aaron M. Polack

Lion Equity Partners, Head of Business Development

CORPORATE CARVE-OUT SOLUTIONS

ABOUT LION EQUITY PARTNERS:

Lion Equity is a Denver-based private equity firm founded with the core purpose of helping companies meet strategic divestiture objectives. The Partners of Lion Equity have significant experience acquiring corporate divestitures and the overall M&A process.

WHY DO CORPORATIONS DIVEST NON-CORE DIVISIONS TO LION EQUITY:

- ✓ Proven track record of executing complex carve-outs from sellers, including Bed Bath & Beyond, Siemens, Pitney Bowes, Sodexo, The Washington Post and others;
- ✓ Demonstrated ability to execute time-sensitive carve-outs requiring speed and certainty of closure;
- ✓ Committed to flexible structures that meet seller's divestiture objectives;
- ✓ Dedicated to seamless transition through a unique understanding of the specific issues involved both during due diligence and post-closing working with Seller, employees, customers and suppliers.

TO DISCUSS A CORPORATE CARVE-OUT OPPORTUNITY, PLEASE CONTACT:

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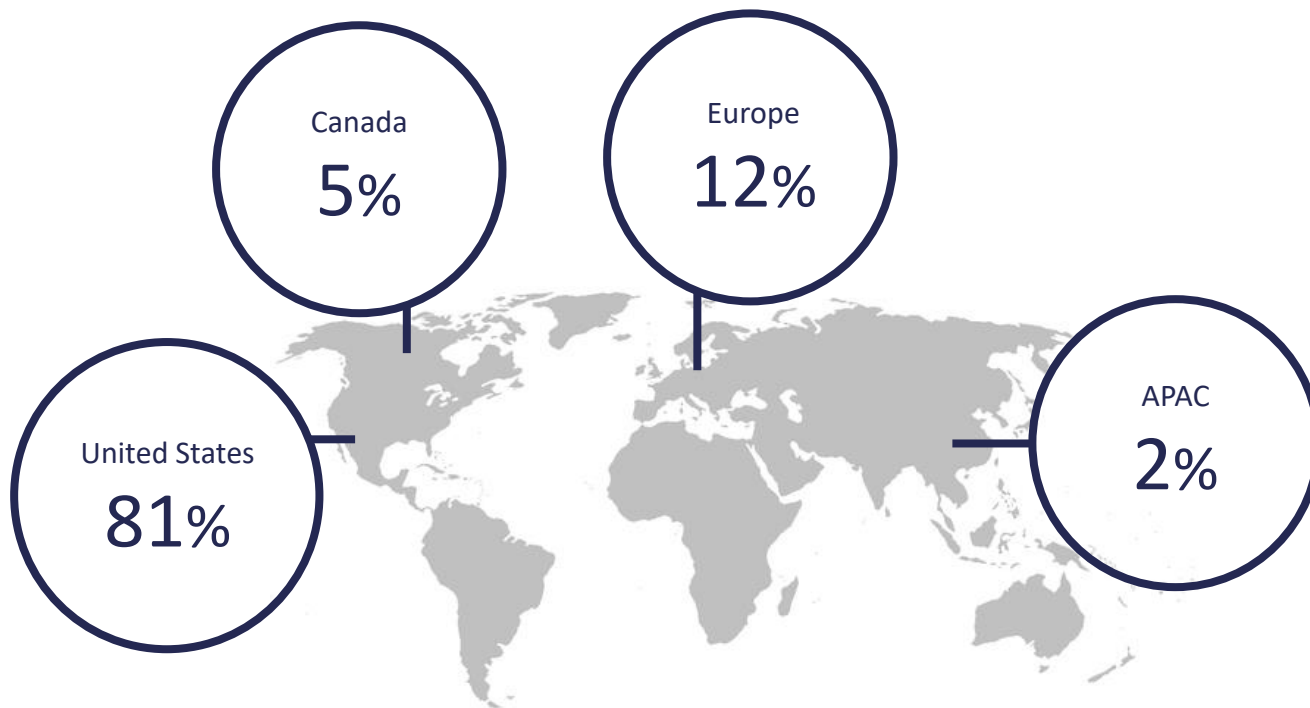
KEY FINDINGS AND RESPONDENT PROFILE

- 93%** Of corporate respondents reviewed less than 200 deals in 2020 (73% reviewed fewer than 50 deals)
- 57%** Use Microsoft Excel to track deal sourcing and pipeline data (12% do not capture any deal sourcing or pipeline data)
- #1** Seller valuation expectations is the #1 most challenging roadblock to closing deals in the current environment
- 72%** Expect deal volumes to significantly or moderately increase in 2021
- 63%** Of companies anticipate a significant or moderate increase in their appetite for M&A in 2021
- 85%** Expect to pursue smaller, tuck-in acquisitions in 2021
- 41%** Closed or attempted a divestiture transaction in 2020
- 0%** No respondents expect their Corporate Development team to downsize in 2021
- 91%** Plan to travel for business within the next 12 months (11% of total respondents are already travelling for business)
- 72%** Receive compensation/incentives beyond salary and bonus (such as stock, RSUs, warrants etc.)
- 80%** View the Corporate Development profession as a long-term career choice

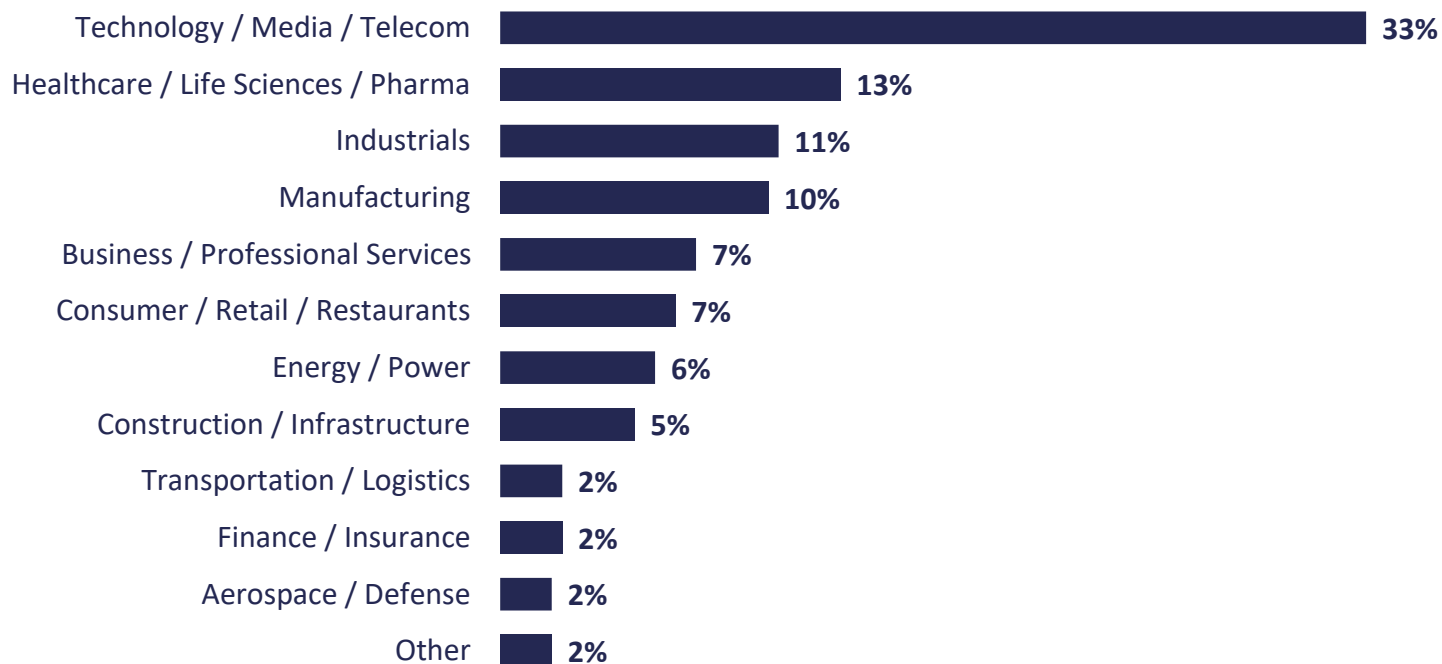
Note: ★ used throughout report to denote Key Findings

RESPONDENT PROFILE

COMPANY HEADQUARTERS:



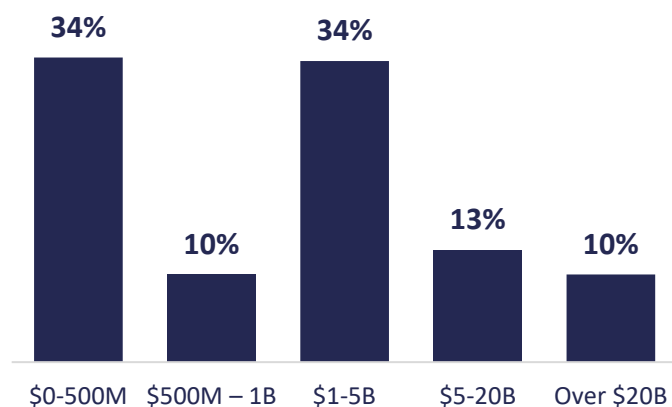
COMPANY INDUSTRY:



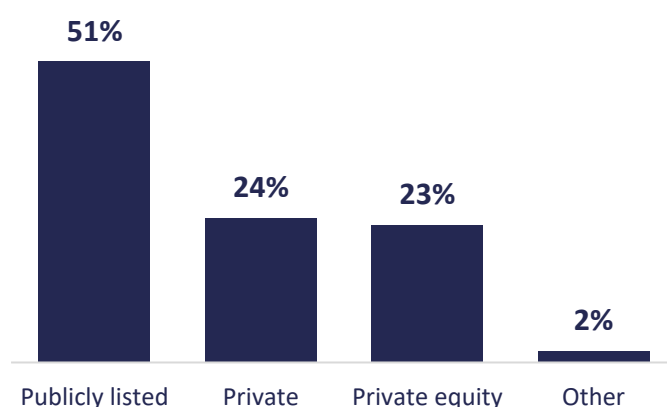
Note: Survey data is collected from 257 respondents

RESPONDENT PROFILE (CONT'D)

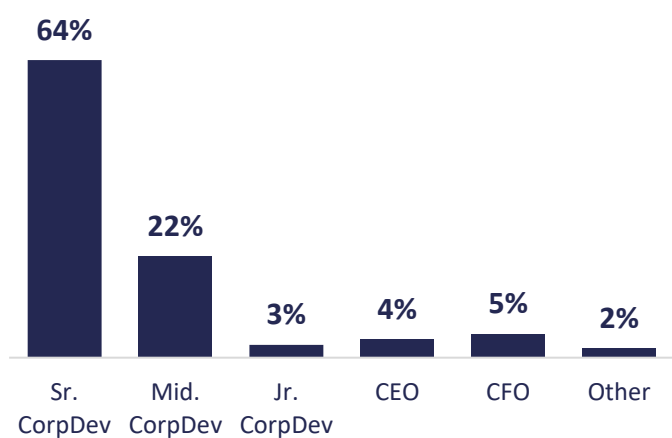
COMPANY REVENUES:



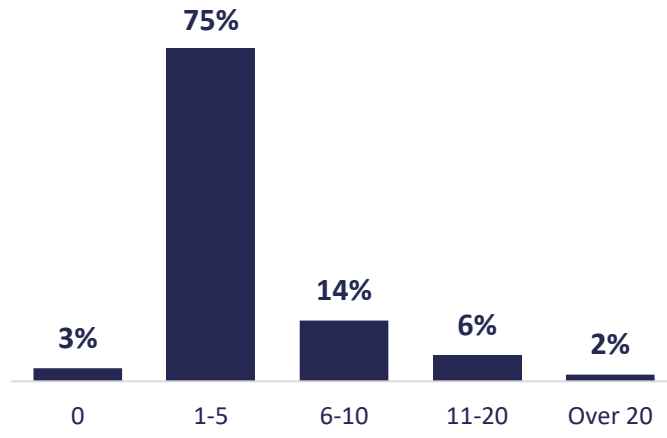
COMPANY OWNERSHIP:



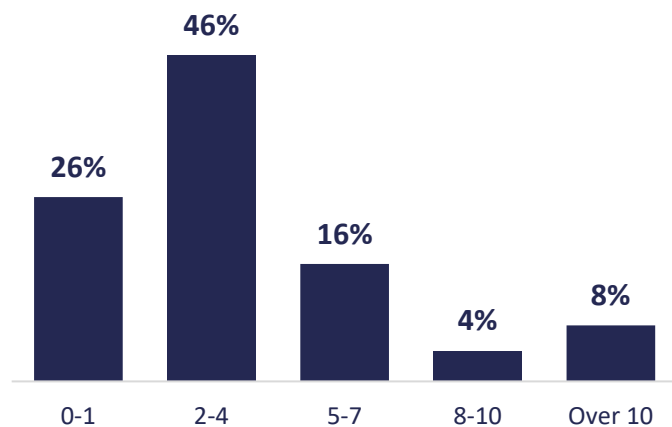
PROFESSIONAL ROLE / TITLE:



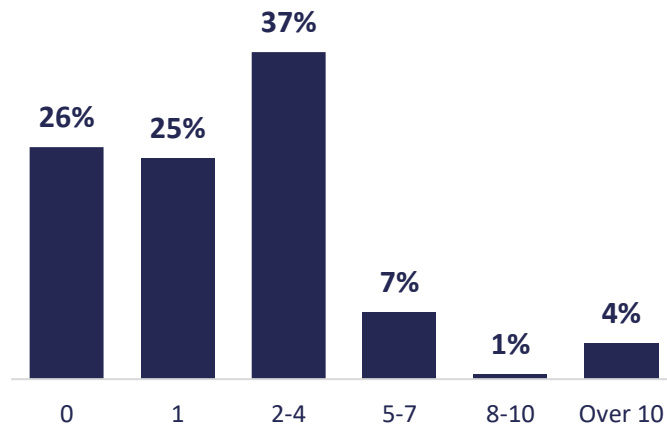
SIZE OF CORPORATE DEVELOPMENT TEAM:



AVERAGE ANNUAL DEALS CLOSED:



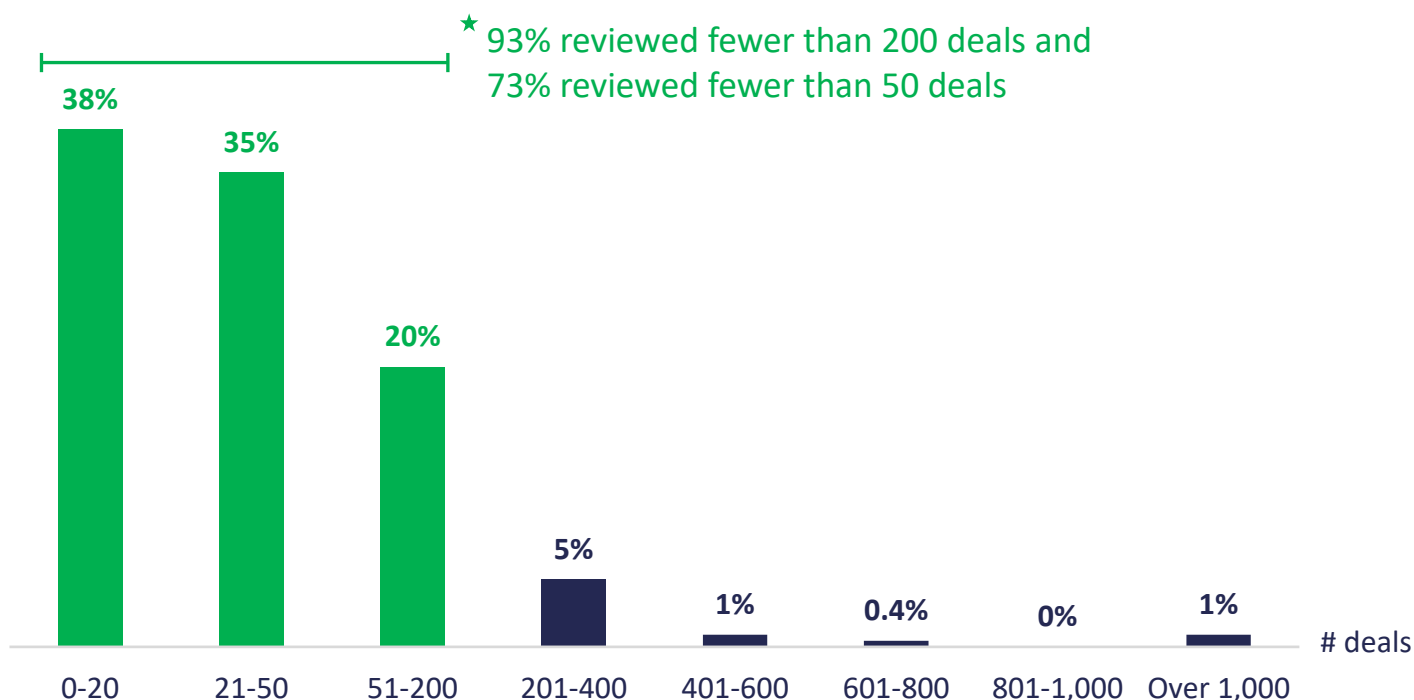
ACQUISITIONS CLOSED IN 2020:



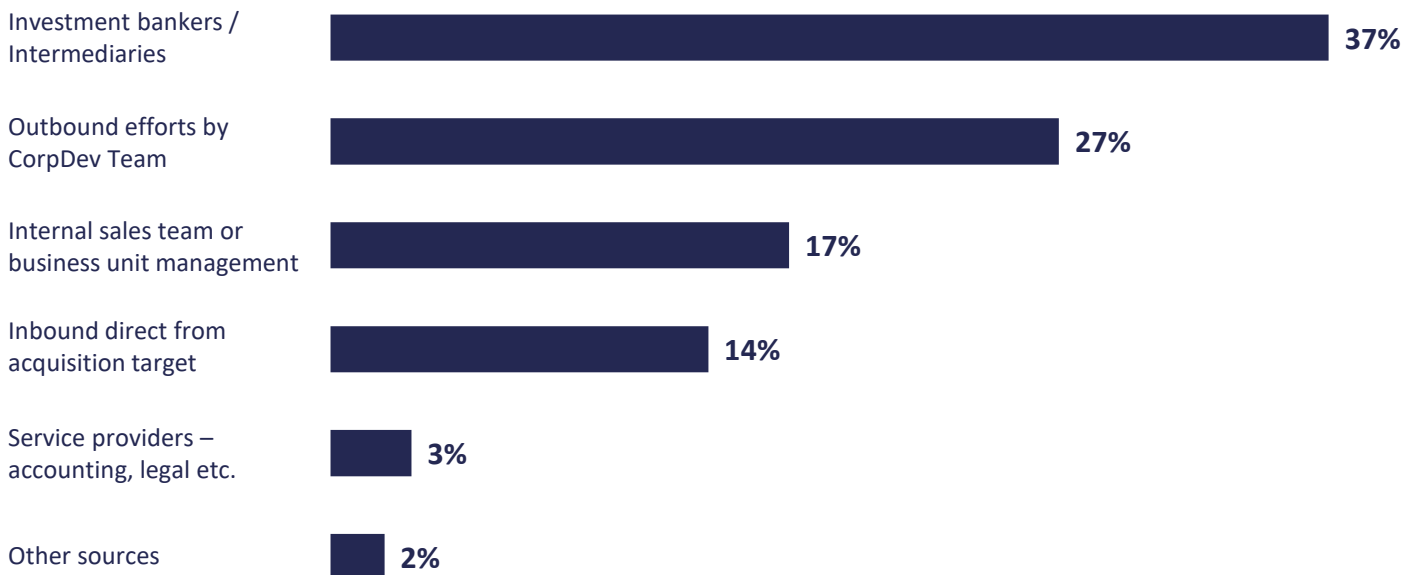
Note: Survey data is collected from 257 respondents

ORIGINATION – NEW DEALS IN 2020

HOW MANY ACQUISITIONS DID YOUR COMPANY REVIEW IN 2020:



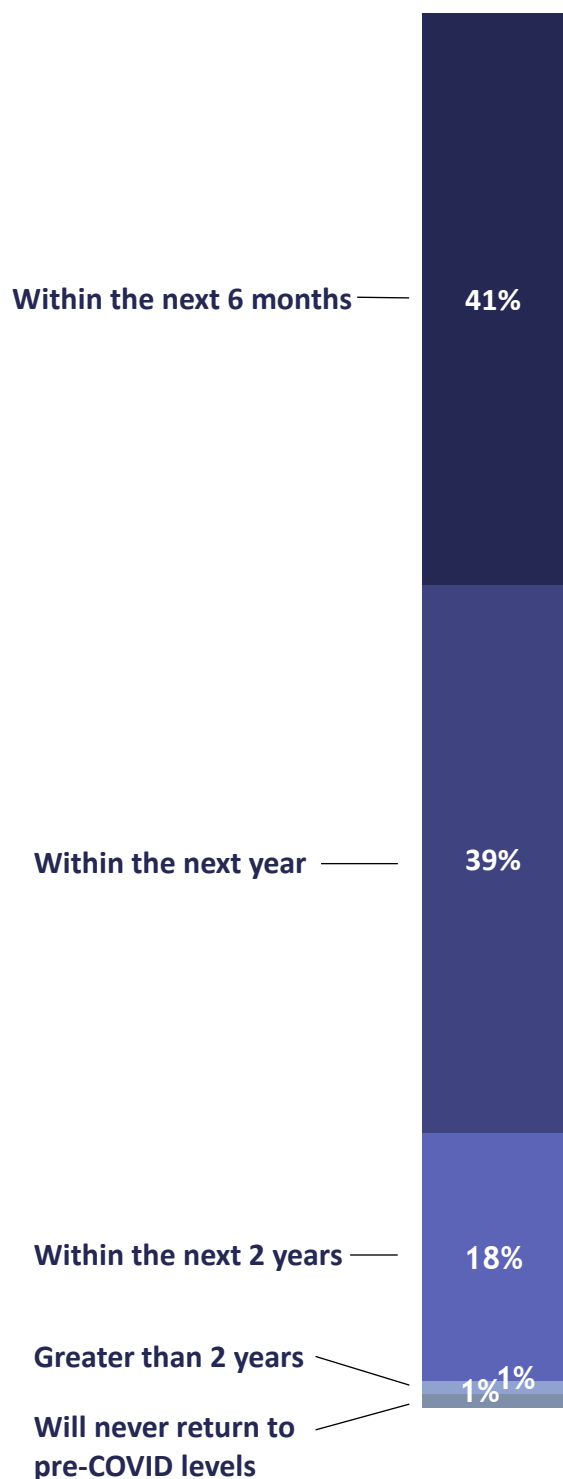
WHERE ARE YOU SOURCING ACQUISITION OPPORTUNITIES:



Note : Data presented as a weighted average for each deal source

ORIGINATION – DEAL VOLUME EXPECTATIONS

WHEN DO YOU EXPECT M&A TO ACTIVITY TO RETURN TO PRE-COVID LEVELS (OVERALL MARKET):



“ *It already has surpassed!* ”

“ *We’ve never seen more deals [in the last 6 months]. Announced M&A deals are down; however, the number of M&A deals in market has never been higher.* ”

“ *It’s higher than pre-COVID level for our industry.* ”

“ *Activity levels never changed.* ”

“ *Interestingly, but not surprisingly, we had a larger pipeline during COVID.* ”

ORIGINATION – PANDEMIC AFFECT ON DEAL ORIGINATION

DESCRIBE HOW COVID-19 AFFECTED YOUR DEAL ORIGINATION AND APPROACH FOR THE NEXT 12 MONTHS?

“ M&A activity hit a wall right as the pandemic hit; however, after 6 weeks, there was a surge in deal activity as small companies & startups were looking for additional investment or outright sales in order to weather the COVID storm. The deal flow has remained steady since then.

“ It has been much more difficult to assess true valuation of target acquisitions. Over the next 12 months, business trends will begin to smooth which will improve the valuation process.

“ Pre-COVID our process involved multiple F2F visits with potential targets to ensure that we had a good culture fit. We're now looking to duplicate those interactions via Zoom with somewhat mixed results.

“ Instituted a lot of patience over the past 12 months with the understanding that some interesting assets may come for sale before the end of CY21.

“ The pandemic has had little impact on deal origination. The primary change has been getting comfortable completing diligence virtually.

“ Inability to meet in person has probably increased reliance on brokered deals via banks.

“ More cautious approach. Our risk appetite has lowered until we see full recovery trajectory in our end markets.

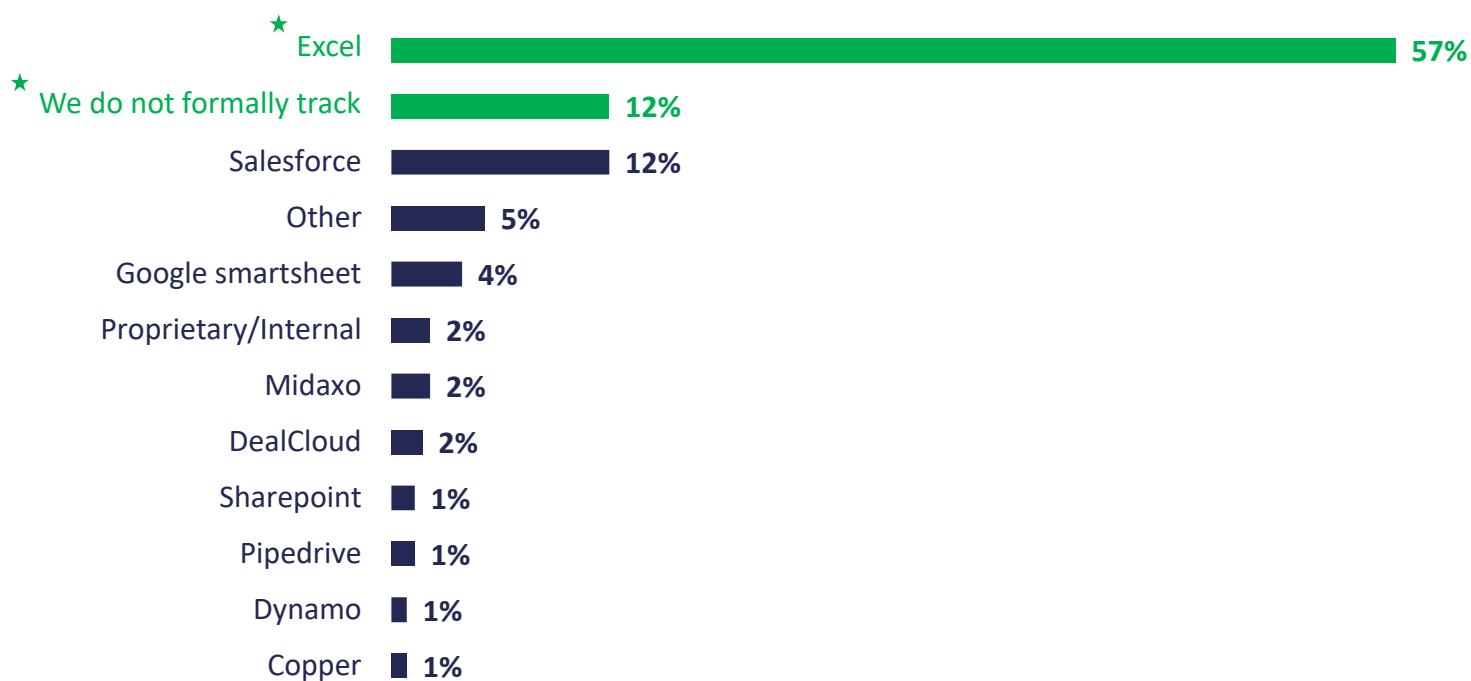
“ Engaging with prospects completely virtually has increased efficiency relative to travel time.

“ Quality deals are being priced up so need to be more aggressive early.

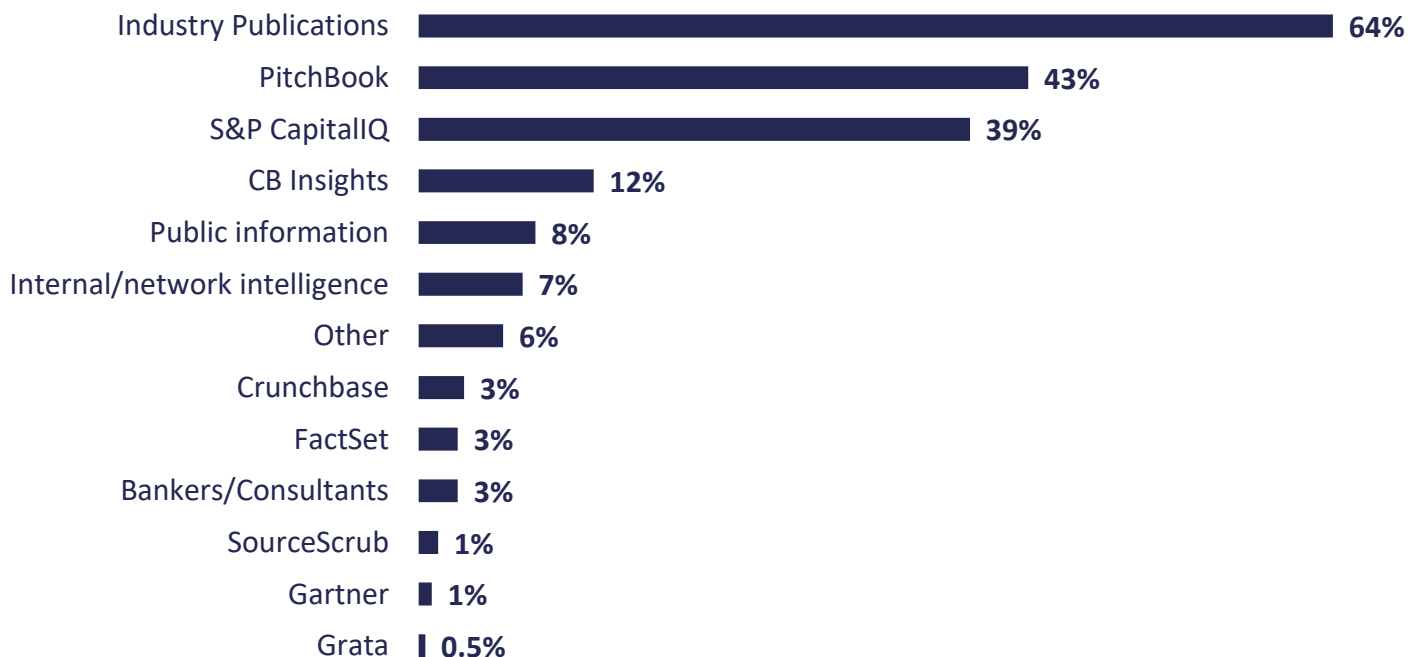
“ We have paused all acquisition, focused on cash preservation and accelerated divestiture efforts for non-core assets.

ORIGINATION – TOOLS

WHAT TOOL DO YOU USE TO MANAGE YOUR CONTACTS AND DEAL SOURCING/PIPELINE DATA:



WHAT RESOURCES ARE YOU USING TO IDENTIFY AND/OR GATHER INFORMATION ABOUT TARGET ACQUISITIONS (MULTIPLE SELECTIONS ALLOWED):



ORIGINATION – BEST PRACTICES

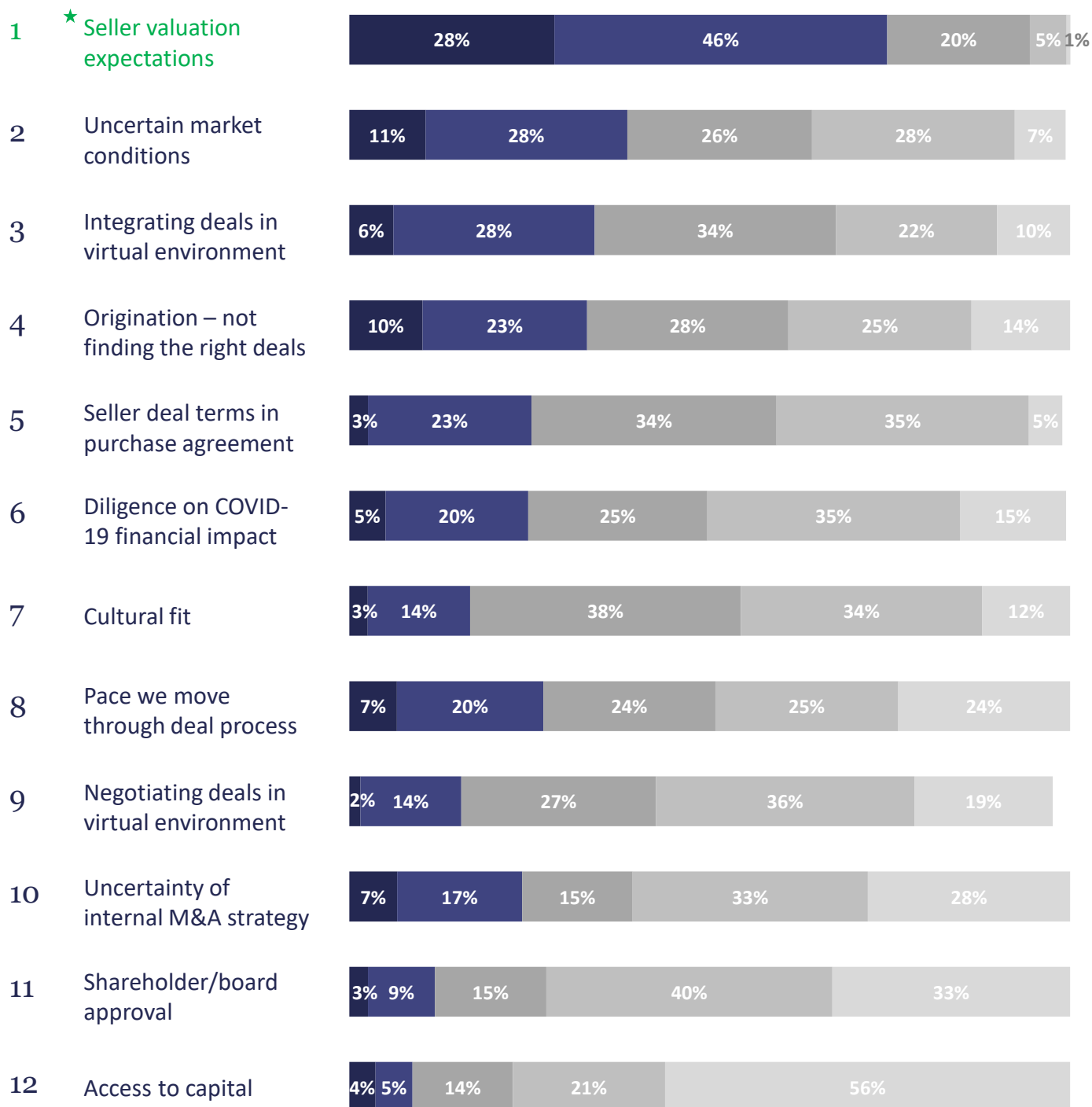
PLEASE SHARE ANY BEST PRACTICES WITH YOUR ORIGINATION PROCESS:

- “ *Emphasis on prioritizing market segments, product capabilities aligned with growth strategies, and deal scoring have accelerated quality deal flow.*
- “ *We're in this state where we need to formulate an outbound strategy. Most of our deals have come from inbound interest, which limits the pool of targets we can choose from among other disadvantages.*
- “ *We realize that we need to develop our outbound process more in order to be proactive rather than reactive.*
- “ *Tight connection with R&D and GTM teams to keep a pulse on what our customers & prospects are asking for, plus where and why churn is occurring.*
- “ *I am a strong believer that strategy is key to origination success. If you don't have a clear view of what you are and what you want to become, you aren't able to communicate that vision to potential targets. This will result in a lot of wasted effort.*
- “ *Invest in relationships - be willing to put in the time.*
- “ *Best practice is having a specific team that sources deals internally and knows how to speak the speak when they get the right person on the phone.*
- “ *Consistently revisiting dead deal list, if they checked the boxes before, likely they do again when traded in future.*
- “ *BU execs know their industry best and maintain contact and good relations with management of potential target companies so that when they're ready to sell, we get the first call.*
- “ *Organize it like a sales process, keep getting meetings and expand your network.*
- “ *Do an ecosystem map and then canvassing of all prospective companies aligned with ecosystem. Align buy recommendations with clear strategic opportunities.*

ACQUISITIONS – DEAL ROADBLOCK HEATMAP

DEAL ROADBLOCKS – RANK THE SEVERITY OF EACH CHALLENGE YOUR COMPANY FACES TO CLOSING DEALS (RANK 1-5, 5 IS MOST CHALLENGING) :

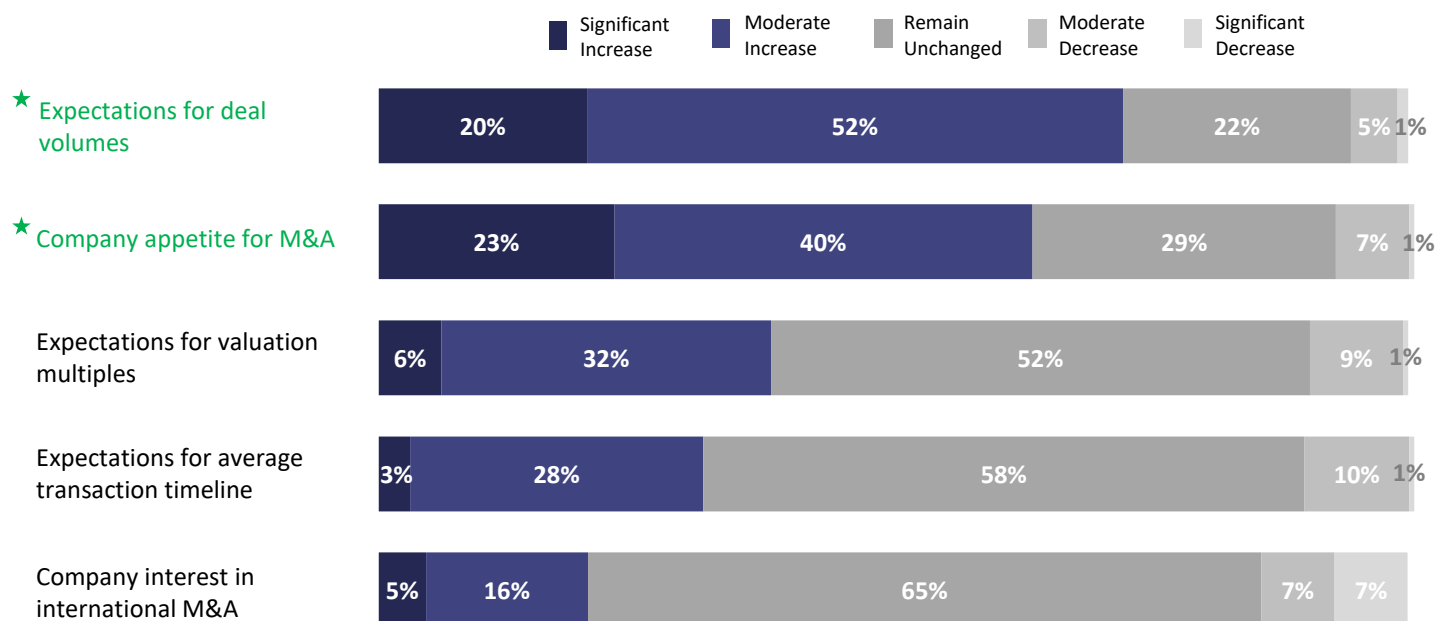
Ranking¹:



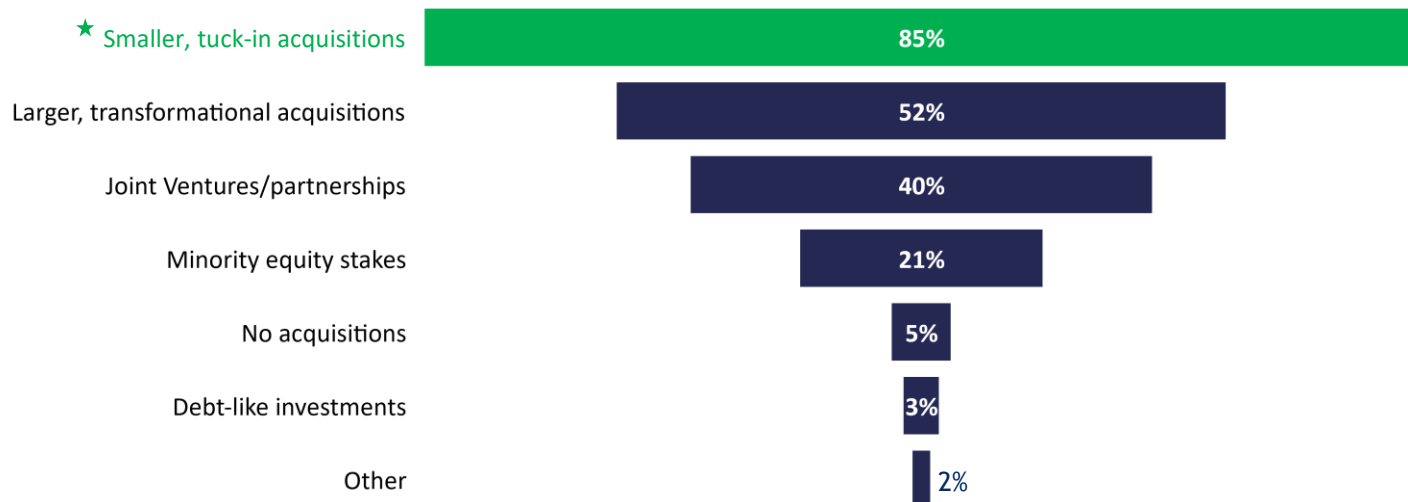
¹ Ranking is most to least severe, using weighted average for each roadblock

ACQUISITIONS – 2021 M&A TRENDS

IDENTIFYING M&A TRENDS FOR 2021:



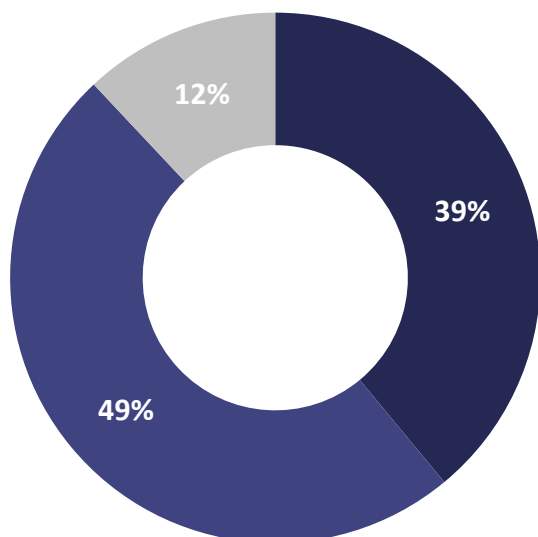
IN 2021, YOUR COMPANY WILL PURSUE (MULTIPLE SELECTIONS ALLOWED):



“Acceleration of digital transformation, consistent VC investment, massive amounts of dry powder, and appetite for risk will continue to provide a strong environment for deal-making in 2021.”

ACQUISITIONS – QoE AND R&W INSURANCE

DO YOU SEEK A QUALITY OF EARNINGS REPORT WHEN MAKING AN ACQUISITION:

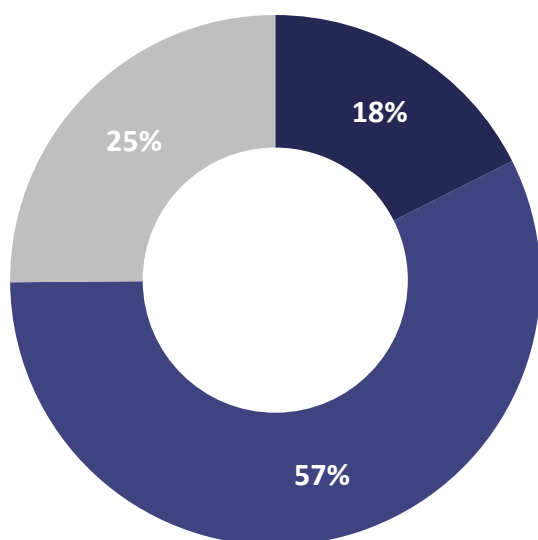


■ Yes, all of our deals ■ Yes, some of our deals ■ No

“ We engage outside advisors for QoE reports for most of our deals, except for small domestic deals or for early-stage companies with clean financials

“ Yes, for larger complex deals, but not for smaller transactions

ARE YOU USING REPS & WARRANTY INSURANCE WITH YOUR ACQUISITIONS:



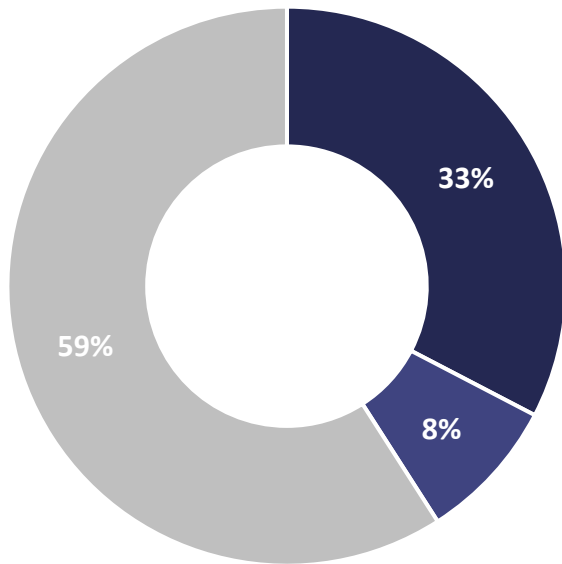
■ Yes, all of our deals ■ Yes, some of our deals ■ No

“ We are using R&W insurance more and more frequently, especially in deals with PE sellers

“ Typically, only in a competitive process where the seller requires a R&W policy

DIVESTITURES – 2020 DEALS AND EXPECTATIONS

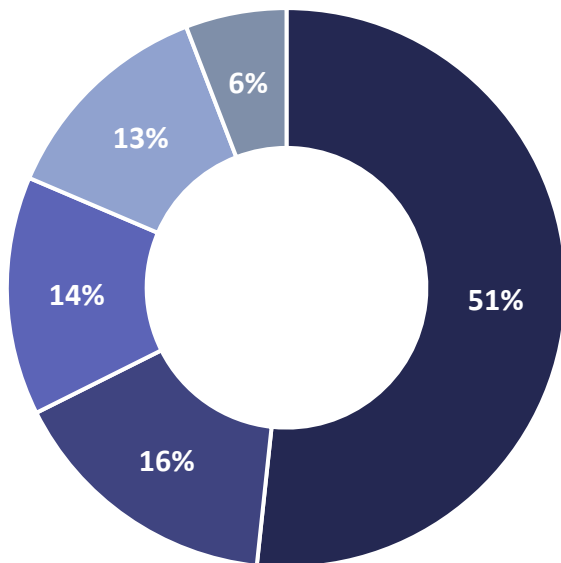
DID YOUR COMPANY COMPLETE ANY DIVESTITURES IN 2020 :



*41% closed or attempted a divestiture in 2020

■ Yes ■ Attempted, but did not close ■ No

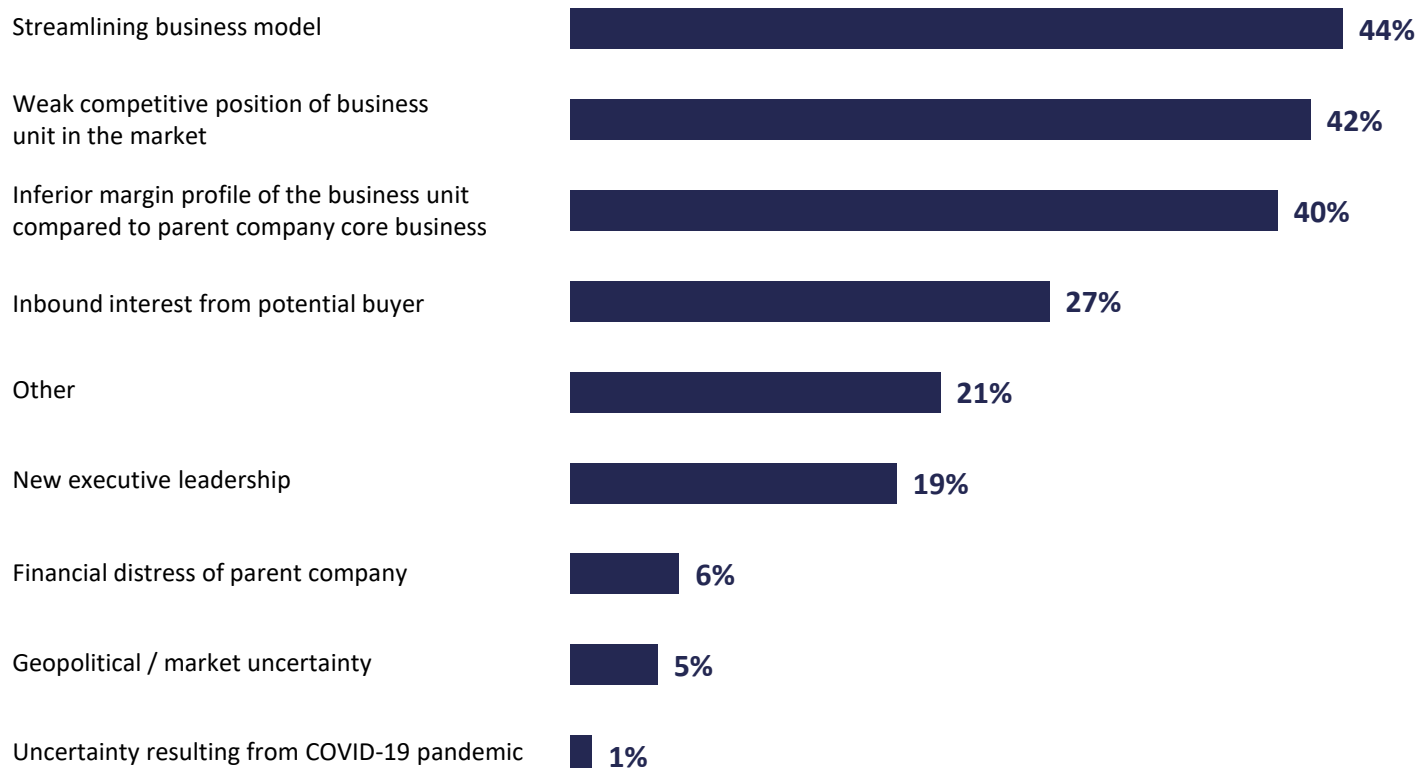
WHEN DO YOU EXPECT TO INITIATE YOUR NEXT DIVESTITURE:



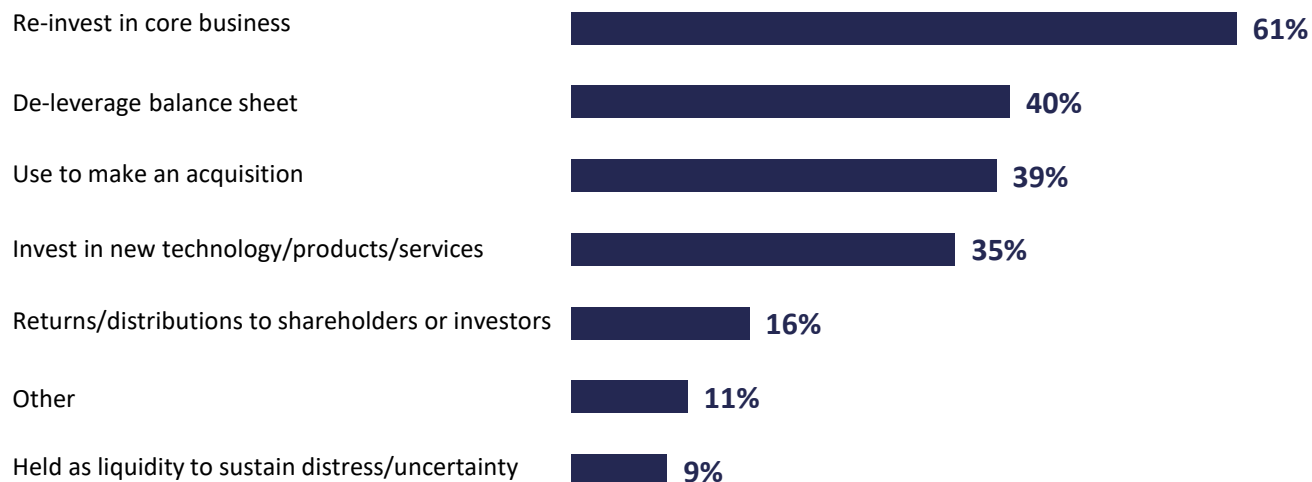
- We do not expect to make any divestitures
- Currently in process with a divestiture
- We have non-core assets, but unsure if/when we will sell
- Within the next 12 months
- Within the next 24 months

DIVESTITURES – TRIGGERS AND USE OF PROCEEDS

WHAT TRIGGERS CAUSE YOU TO DIVEST (RECENT AND/OR PLANNED DIVESTITURES, MULTIPLE SELECTIONS ALLOWED):

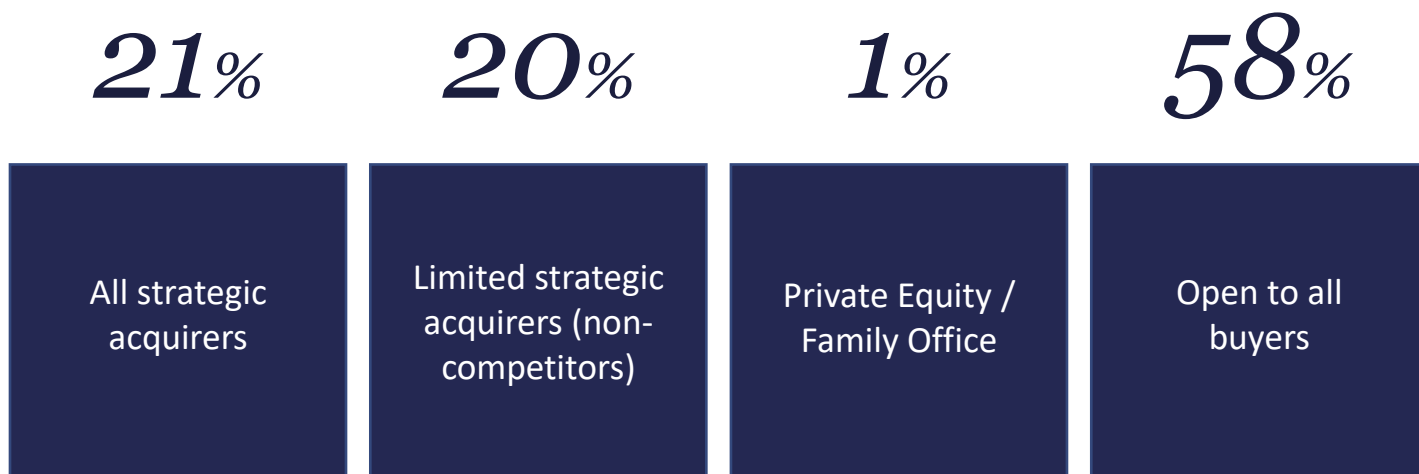


WHAT ARE YOU DOING WITH THE PROCEEDS FROM DIVESTITURES (RECENT AND/OR PLANNED DIVESTITURES, MULTIPLE SELECTIONS ALLOWED):

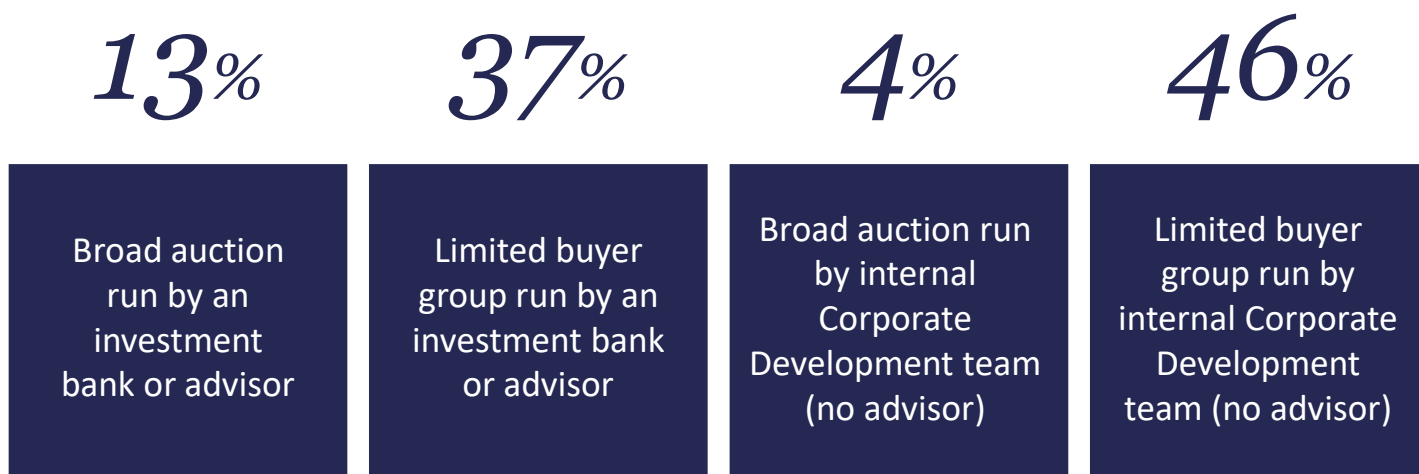


DIVESTITURES – SALES PROCESS

WHAT BEST DESCRIBES YOUR PREFERRED BUYER FOR DIVESTITURES (RECENT AND/OR PLANNED DIVESTITURES):



WHAT BEST DESCRIBES YOUR TYPICAL SALE PROCESS FOR A DIVESTITURE (RECENT AND/OR PLANNED DIVESTITURE):



DIVESTITURES – BEST PRACTICES

PLEASE SHARE ANY BEST PRACTICES FOR PORTFOLIO REVIEWS AND EXECUTING DIVESTITURES:

“ *I think a best practice is to have a regular cadence for identifying non-core parts of the portfolio and consider them for divestiture.*

“ *We should do a formal review. We don't.*

“ *Pre-planning is the key, especially in a carve-out situation. This includes external third party VDD reports (QofE, Phase I environmental, QofO, etc.) and detailed separation analyses. It is never as easy and straight-forward as it might appear.*

“ *Divestiture is considered when we feel the ecosystem should have the service but we don't see margin performance or strategic alignment.*

“ *Have a clear understanding of the desired outcome (process, buyer type, timeframe) before engaging the management team, but they are critical to getting the deal closed. Keep the team working on the divestiture as small as possible for as long as possible.*

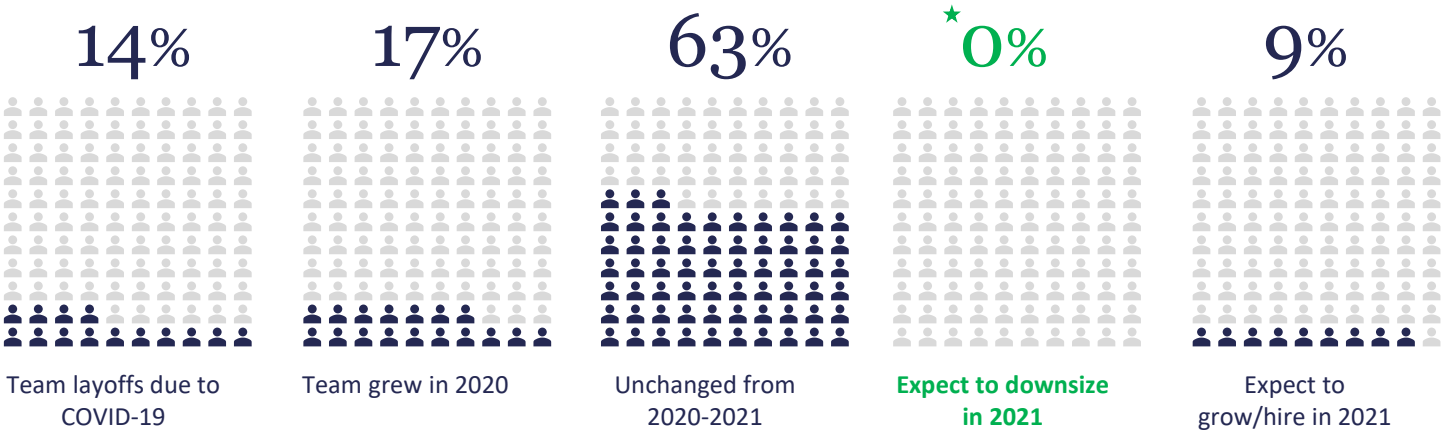
“ *Get your house in order before going to market.*

“ *Be proactive and do not wait until business has been neglected!*

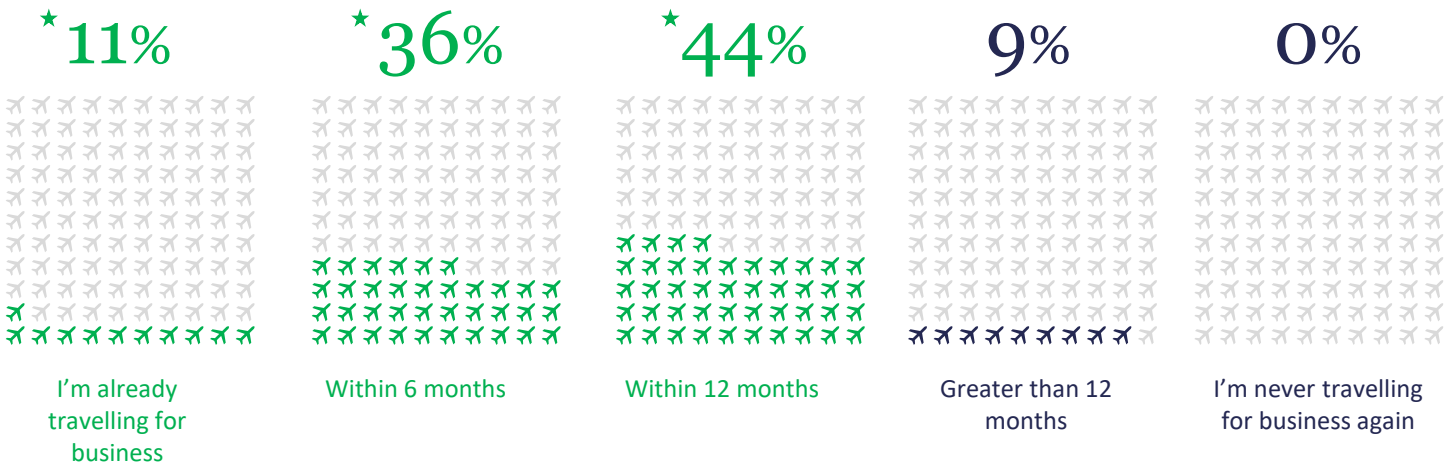
“ *Include divestiture strategy (as well as acquisition strategy) in all long-range plans.*

CORPORATE DEVELOPMENT PROFESSION – PANDEMIC IMPACT

WHAT BEST DESCRIBES YOUR CORPORATE DEVELOPMENT TEAM (SELECT ALL THAT APPLY):



WHEN DO YOU EXPECT TO TRAVEL AGAIN FOR BUSINESS:

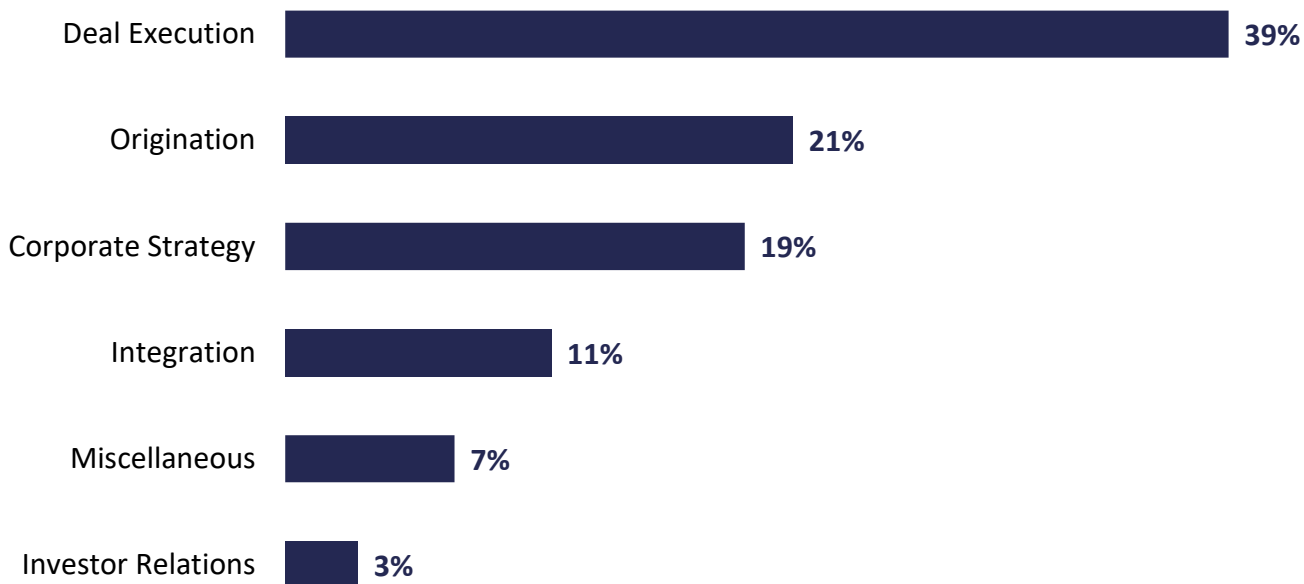


WHAT BEST DESCRIBES YOUR WORKING ENVIRONMENT:

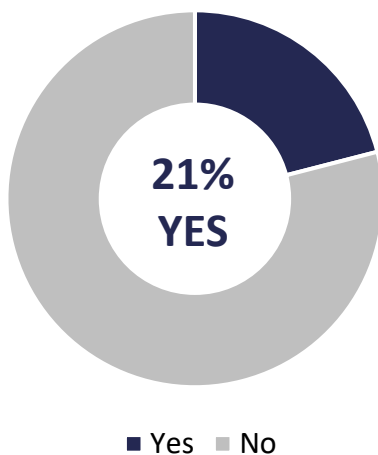


CORPORATE DEVELOPMENT PROFESSION – TIME AND MONEY

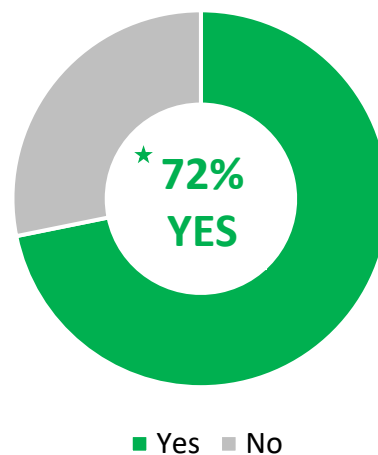
WHAT IS YOUR TIME ALLOCATION ON THE TASKS BELOW¹:



IS ANY PORTION OF YOUR COMPENSATION DIRECTLY TIED TO METRICS ON YOUR ACQUISITIONS AFTER CLOSE:



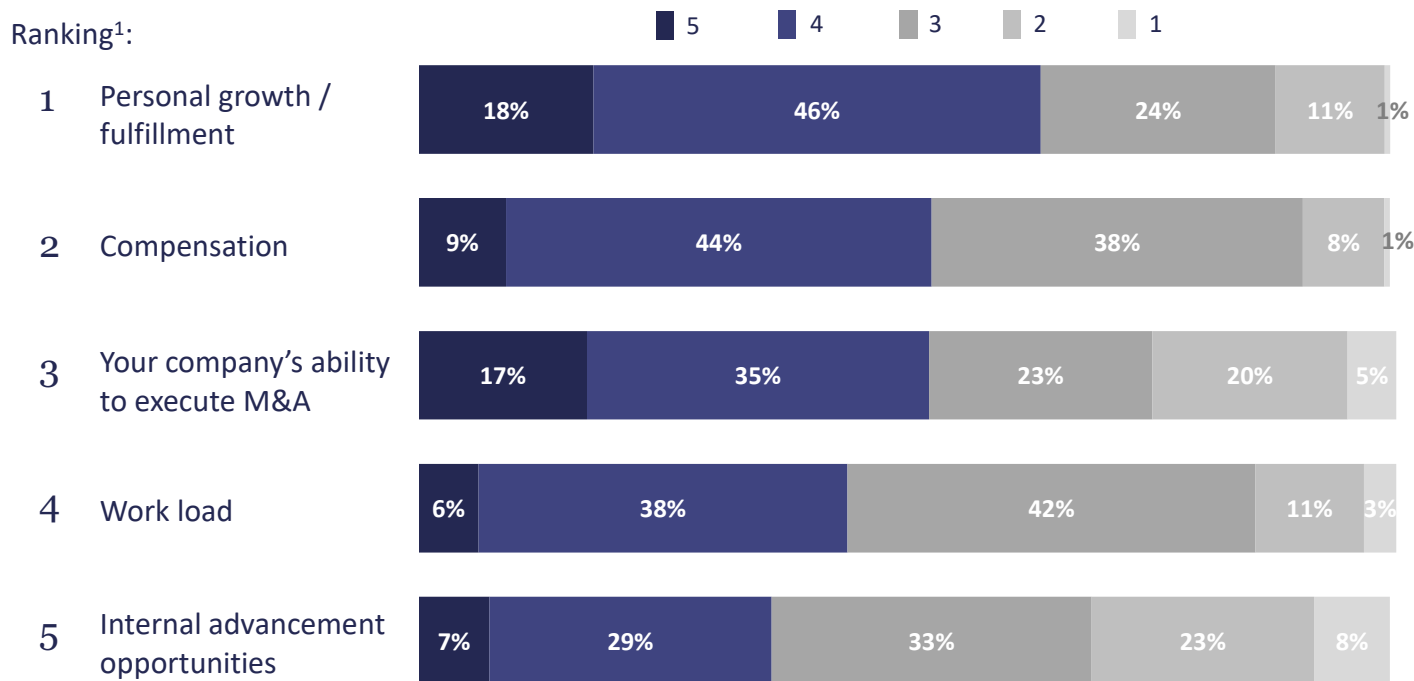
DO YOU RECEIVE COMPENSATION/INCENTIVES BEYOND SALARY AND BONUS (SUCH AS STOCK, RSUs, WARRANTS ETC):



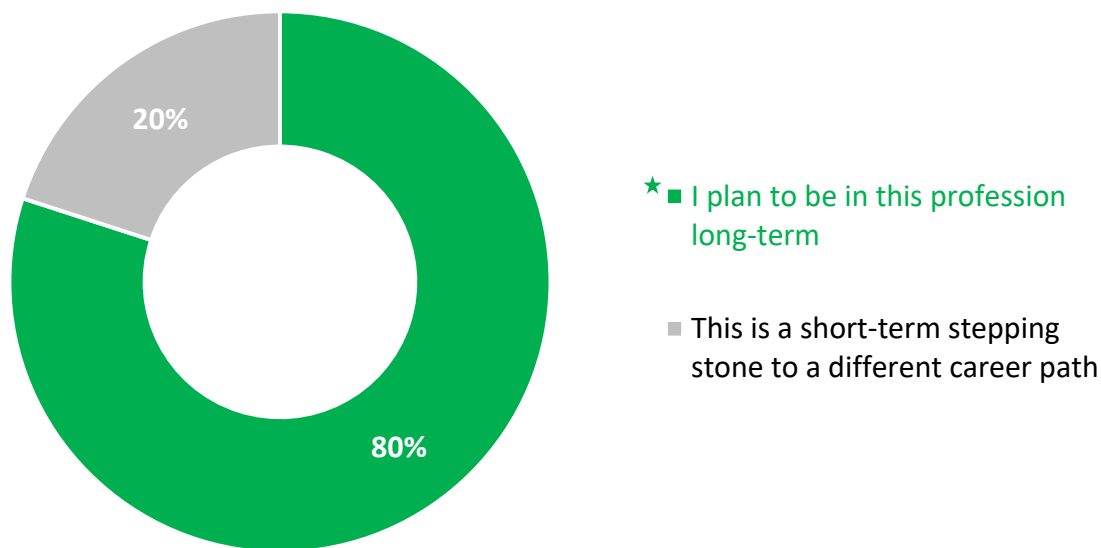
¹ Data presented as weighted average of time allocated per task

CORPORATE DEVELOPMENT PROFESSION – JOB SENTIMENT

RANK YOUR LEVEL OF SATISFACTION FOR EACH ASPECT OF YOUR JOB
(RANK 1-5, 5 IS EXTREMELY SATISFIED) :



HOW DO YOU VIEW YOUR CAREER IN CORPORATE DEVELOPMENT:



¹ Ranking is most to least satisfied, using weighted average for each aspect of job

CORPORATE DEVELOPMENT PROFESSION – THE WHY

WHY DID YOU CHOOSE THE CORPORATE DEVELOPMENT PROFESSION:

- “ *It's a unique position in the market. Close enough to the financial community to understand PE sponsor motivations, but also close enough the business to understand what's going on in the business.* ”
- “ *I started straight out of school and every project teaches me new things , gives me an opportunity to make an impact on clients and stakeholder, and lets me work with some of the smartest and most creative people in the world.* ”
- “ *I like the concept of contributing to the growth of the organization and seeing that over time. In addition, although deals follow a similar process, each one is unique, which keeps things interesting.* ”
- “ *Corp Dev is a great balance of mixing strategy and operations with financial goals. I was fortunate to find myself in a fragmented industry and partnering with very active buyers who view value inorganic growth as a means to achieve size quickly.* ”
- “ *Breadth of disciplines that can be applied to the profession - and hence personal development.* ”
- “ *I love the complexity and variety.* ”
- “ *Best combination of intellectual stimulation, work-life balance, and opportunity to make an impact.* ”
- “ *Temporary path to gain operating experience while building an M&A track record. Stepping stone to corporate C-Level position or re-entry into PE.* ”
- “ *Was a sell-side advisor on Wallstreet for 10+ years and wanted more work life balance as my wife and I started a family.* ”

INDUSTRY DATA AND TRENDS

The Industry Data and Trends section of the report is available to survey participants. If you would like to participate in next year's survey to receive the full report, please email Aaron Polack at apolack@lionequity.com. Thank you.