



**LION EQUITY
PARTNERS**

**Corporate Development
Trends and Compensation Report**

2022

ABOUT THIS STUDY

The Lion Equity *Corporate Development Trends and Compensation Report* is an annual survey of Corporate Development / M&A professionals from companies across the globe. Results in this report are based on voluntary data from an online survey of 728 Corporate Development / M&A professionals (conducted between January and February 2022). We made minimal efforts to only correct obvious errors and removed one significant outlier. All currency is reported in USD.

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INTRODUCTION



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I would like to thank the 728 Corporate Development and M&A professionals who generously offered their time and insights to Lion Equity Partners' 2022 *Corporate Development Trends and Compensation Report*. This report is based on a survey conducted throughout January and February 2022, which polled a vast and diversified mix of Corporate Development and M&A professionals from companies across the globe. The collected data measures recent M&A activity and trends surrounding corporate deal origination, acquisitions, and divestitures. Additionally, the report illustrates interesting findings and best practices from top corporate dealmaking professionals. An exciting new addition to this year's report is a compensation study, which is exclusively available to participants of the survey.

Our study found that 82% of corporate dealmakers reviewed less than 50 acquisition opportunities in 2021 and only 28% of respondents categorized their deal flow as "High Quality." Furthermore, 57% of respondents use Excel spreadsheets to capture deal pipeline and contact data, while 10% do not track any of their data.

Record amounts of private equity dry powder and competition for deals drove an evolution of the origination function throughout the private equity landscape. Many investment firms have hired dedicated Business Development professionals and invested in deal pipeline management and CRM tools to increase both quantity and quality of deal flow. Similar investment pressures and competition exist in corporate deal making, so it is likely that Corporate M&A will experience a similar maturation of the origination function over the

INTRODUCTION (CONT'D)

next few years to improve sourcing of desired deals.

Even after sourcing the right deal opportunities, corporate deal makers face additional hurdles in the current valuation environment. Nearly every industry category we polled (except Energy/Power) indicated typical EBITDA multiples of 9.0x or more for recent deals in their sector. As a result, corporate dealmakers are continuing to refine their practice to become more disciplined, efficient, and differentiated in their approach.

The survey data suggests soaring valuations are not dampening corporate acquisition strategies for 2022, as 85% of respondents expect their company to pursue smaller, tuck-in acquisitions, while 60% expect to pursue larger, transformational acquisitions. Furthermore, 58% of respondents expect an increase in their company's appetite for M&A in 2022. Notably, pursuits of joint ventures/partnerships (39% of respondents) and minority stakes (29% of respondents) could be tactics to grapple the high valuation environment. Overall, 2022 appears to be another year of robust corporate deal activity.

Expected divestiture activity in 2022 will escalate this trend, as 14% of respondents are currently in process with a divestiture, 13% expect to divest within the next 24 months and an additional 14% noted non-core divisions in their portfolio but are unsure if/when they will sell. Moreover, 44% of respondents indicated the proceeds from these divestitures will be redeployed into acquisitions. Our study also flushed out a common best practice when completing divestitures, as numerous corporate dealmakers underscored the importance of

preparation work. Many stressed the critical nature of early separation approach and strategy (financials, contracts, employees, etc.) to mitigate complexity and setbacks during a process.

Deal activity generally correlates to happy dealmakers, evidenced by respondents' relatively positive levels of job satisfaction. Many touted the satisfaction of value creation, intellectual stimulation, and personal fulfillment derived from their corporate M&A careers.

Corporate M&A continues to be dynamic and teeming with unprecedented activity and challenges, so I hope you find these results and observations both interesting and valuable. Please feel free to connect with any comments or questions.

Best Regards,



Aaron M. Polack



LION EQUITY
PARTNERS

COMPANY OVERVIEW

Lion Equity Partners is an operations-focused private equity firm specializing in acquiring corporate divestitures and special situations. Our investment strategy is centered on creating value in our portfolio companies through a combination of operational improvements, organic growth, and strategic add-on acquisitions. The firm leverages its strategic, financial, and operational expertise to build businesses that will create long-term value for all stakeholders.

As a transaction partner, Lion Equity commits to:

- Providing sellers with **speed and certainty of closure**
- A **seamless transition** through a unique understanding of the complexities of carve-out transactions
- Collaborating on **flexible structures** that meet seller’s divestiture objectives
- Completing due diligence in an **efficient and non-disruptive manner**
- Retaining, motivating, and **incentivizing key employees**
- Supporting the company’s management with **financial, strategic, and operational resources**

CARVE-OUT EXPERIENCE

Select Transaction Sellers



ACQUISITION CRITERIA

Corporate Carve-Outs & Special Situations

TRANSACTION SIZE

Revenue Between
\$30–\$350M

EBITDA Up To
\$15M

INDUSTRY FOCUS

**All industries considered,
with expertise in the following:**

- Business Services
- Logistics & Distribution
- Information Technology
- Established Software
- Telecommunications
- Light Manufacturing
- Industrial Services
- Print & Publishing

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KEY FINDINGS AND RESPONDENT PROFILE

7. Key Findings
8. Survey Respondent Profile

DEAL ORIGINATION

11. Sourcing Stats and Tools
12. Quantity and Quality
13. Deal Origination Best Practices

ACQUISITIONS

14. Transaction Multiples and 2022 Pursuits
15. 2022 M&A Trends
16. QoE and R&W Insurance
17. Acquisition Best Practices and Observations

DIVESTITURES

18. 2021 Activity and Divestiture Plans
19. Triggers and Use of Proceeds
20. Portfolio Reviews
21. Divestiture Best Practices

CORPORATE DEVELOPMENT PROFESSION

22. Background and Functions
23. Job Satisfaction and Locations
24. The Why
25. The Rewards
26. The Challenges

CORPORATE DEVELOPMENT COMPENSATION STUDY

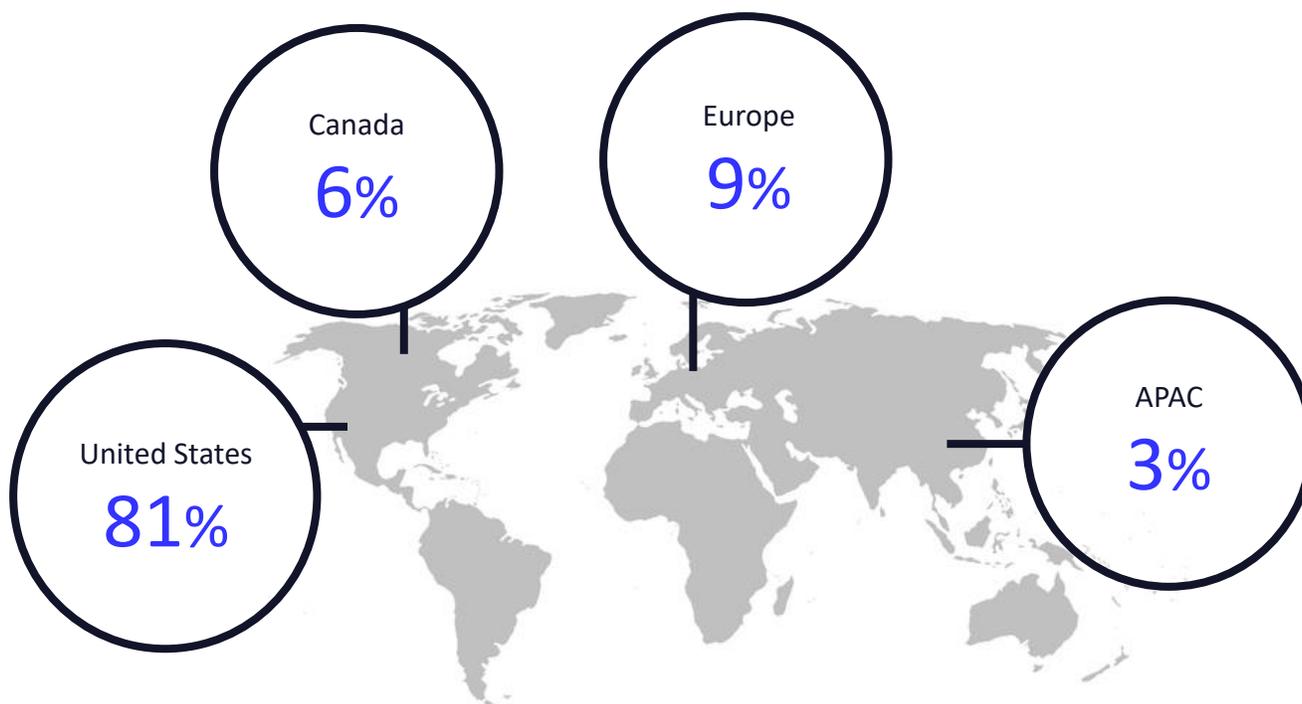
- Available to survey participants

KEY FINDINGS

- 83%** Of respondents closed at least 1 acquisition in 2021 (20% closed 6 or more acquisitions)
- 9x** Nearly every industry category had an average EBITDA multiple of 9.0x or higher (except Power/Energy)
- 82%** Reviewed/originated fewer than 50 deal opportunities in 2021 (65% fewer than 25 deals)
- 72%** Claim the quality of deals reviewed as Low or Moderate and 59% claim the quantity of deals reviewed as Low or Moderate
- 57%** Use Excel spreadsheets to manage deal sourcing / pipeline data and contacts
- 85%** Expect their company to pursue smaller, tuck-in acquisitions while 60% expect to pursue larger, transformational acquisitions
- 58%** Expect a significant or moderate increase in their company's appetite for M&A in 2022
- 55%** Expect a significant or moderate increase in their work-related travel in 2022
- 31%** Closed or attempted a divestiture in 2021
- 12%** Are back in the office full-time (42% fully remote and 46% hybrid)

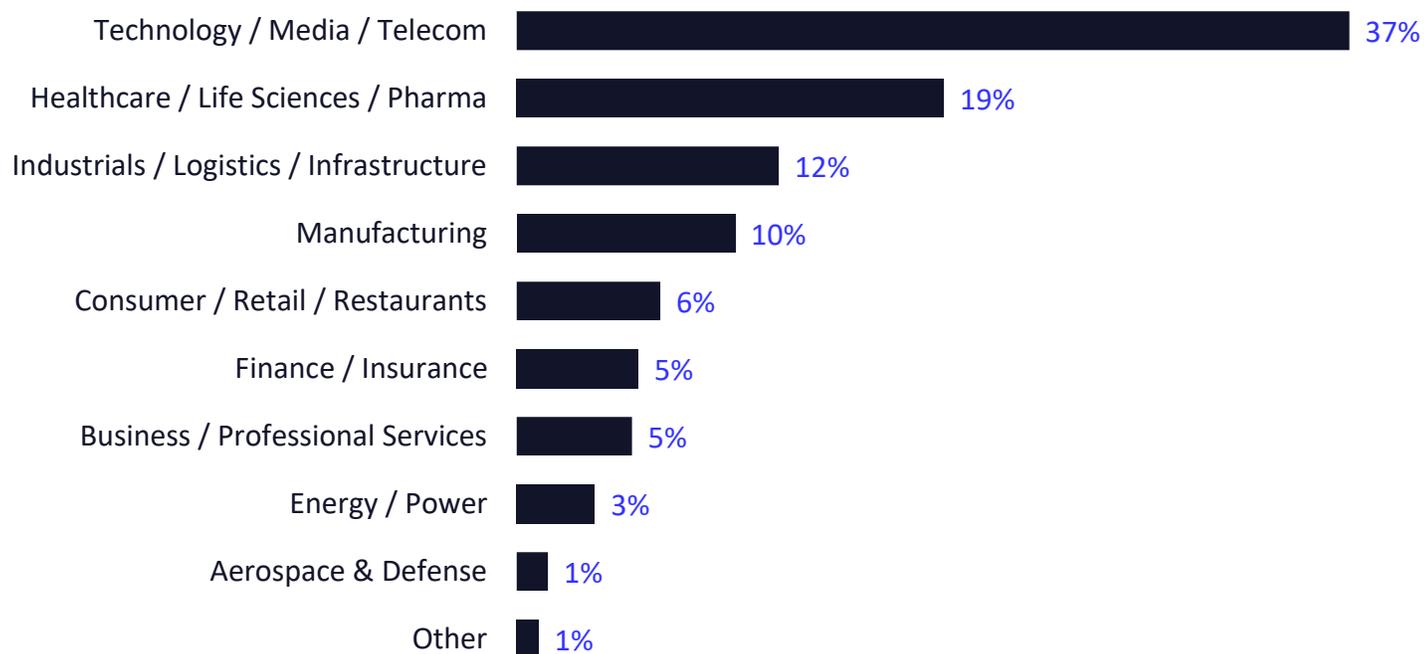
RESPONDENT PROFILE

COMPANY HEADQUARTERS:



*0.4% of respondents are from "Other" locations not listed above

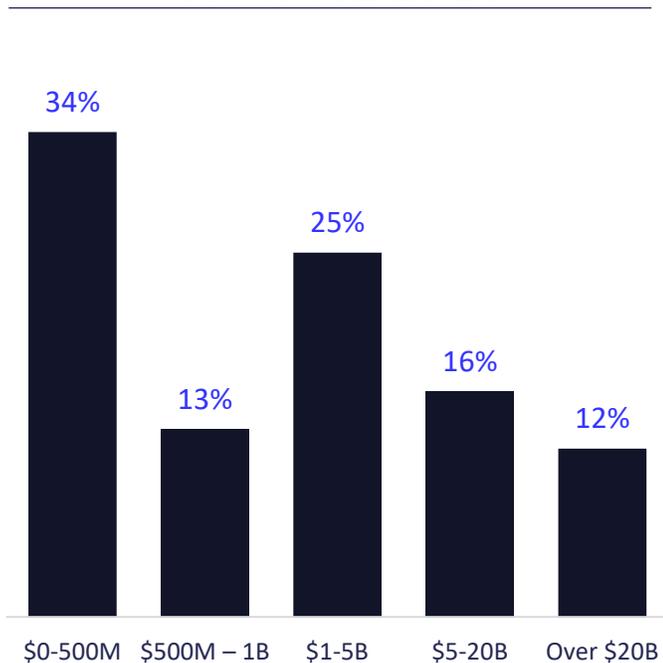
COMPANY INDUSTRY:



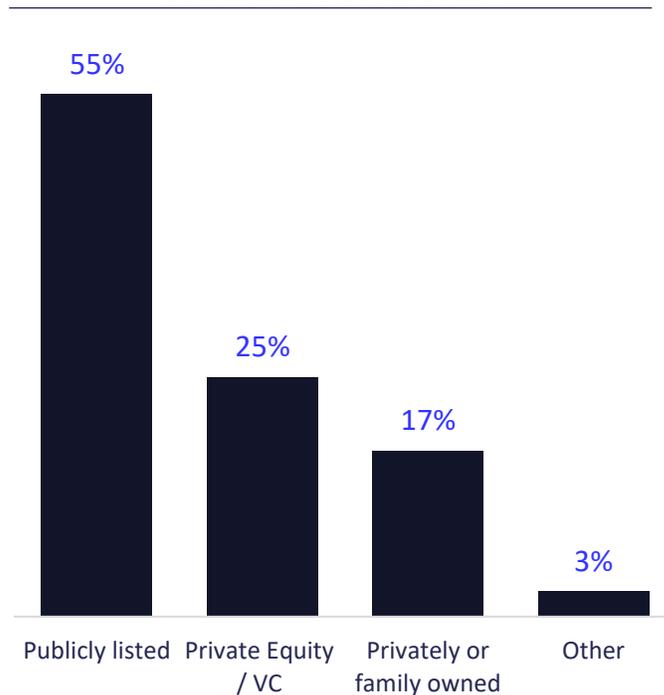
*Survey data collected from 728 respondents

RESPONDENT PROFILE (CONT'D)

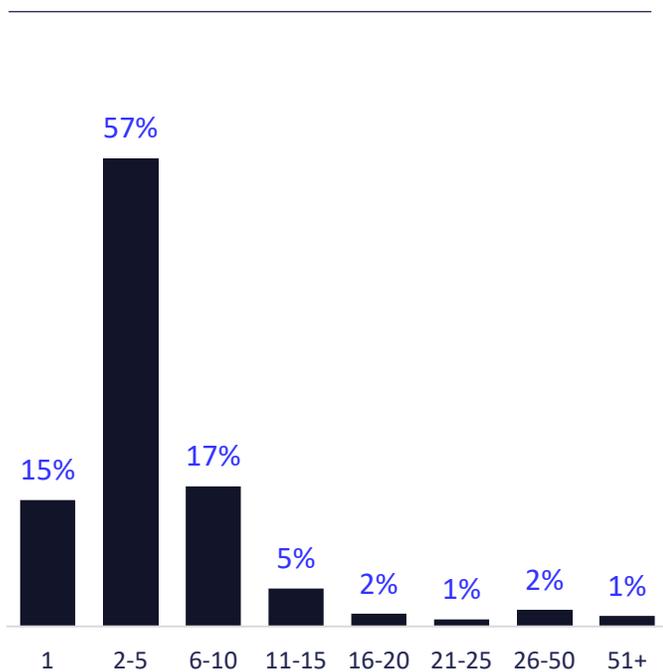
COMPANY REVENUES:



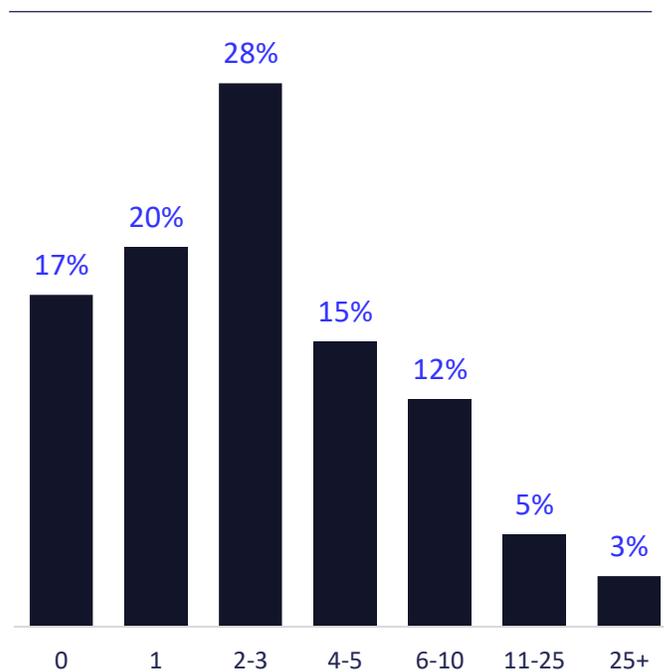
COMPANY OWNERSHIP:



SIZE OF CORPORATE DEVELOPMENT TEAM:



★ ACQUISITIONS CLOSED IN 2021:

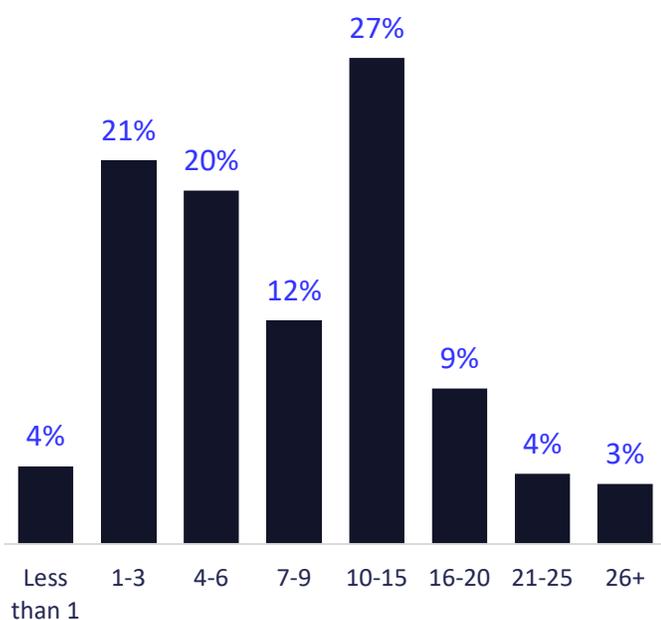


*Survey data collected from 728 respondents

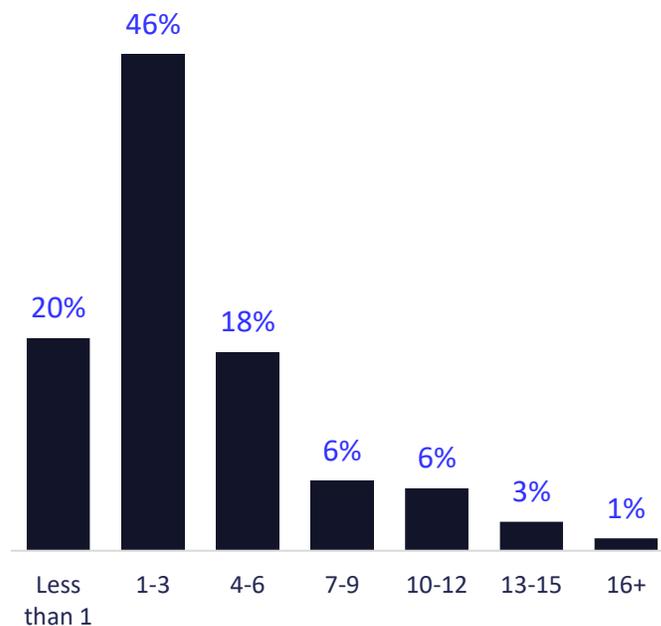
★ = Key Finding

RESPONDENT PROFILE (CONT'D)

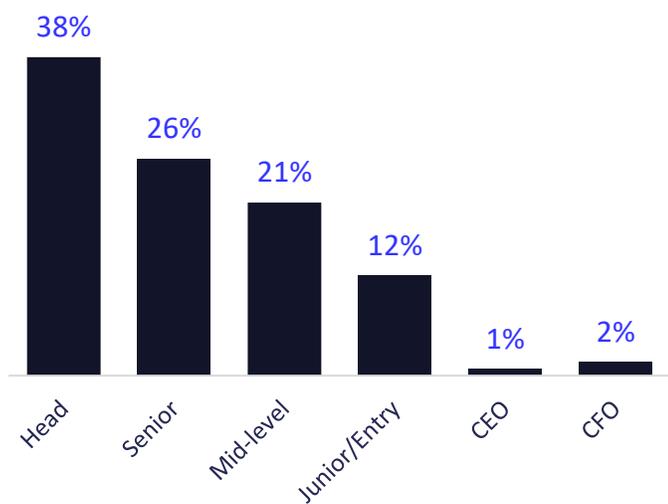
YEARS OF CORPDEV / M&A EXPERIENCE:



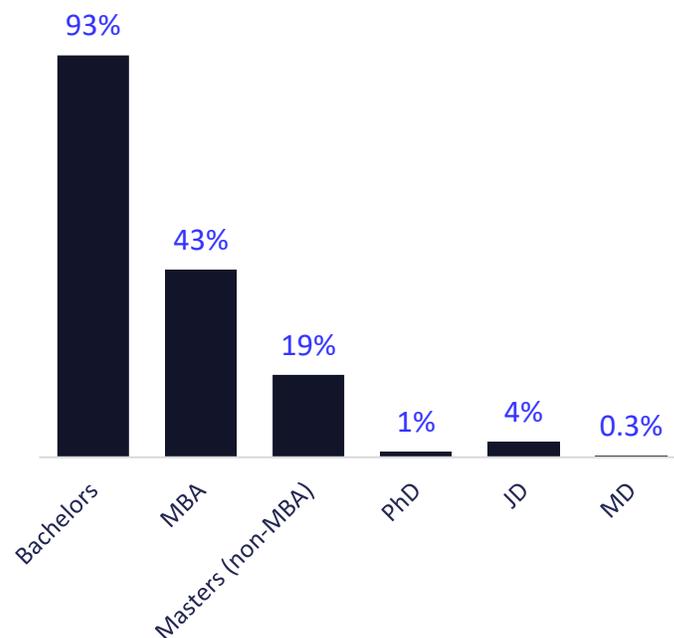
YEARS AT YOUR CURRENT COMPANY:



CORPORATE DEVELOPMENT TITLE CATEGORY:



RESPONDENT EDUCATION:

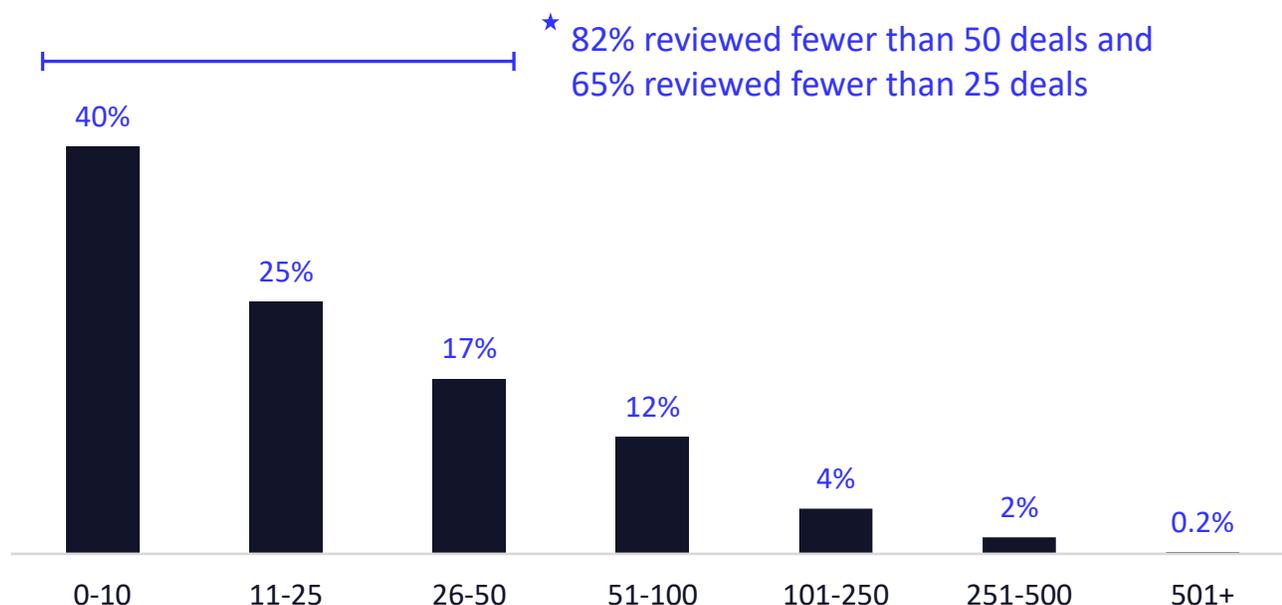


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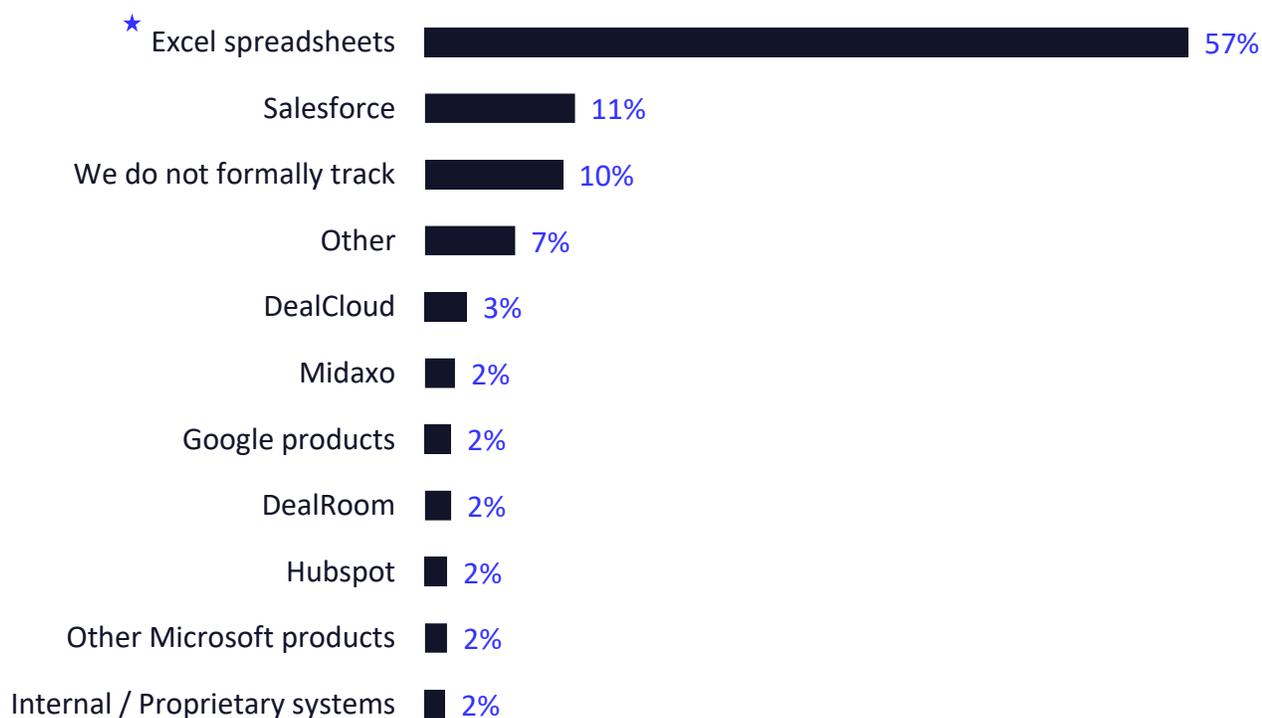
*Survey data collected from 728 respondents

DEAL ORIGATION – SOURCING STATS AND TOOLS

HOW MANY ACQUISITION OPPORTUNITIES DID YOUR COMPANY REVIEW IN 2021:



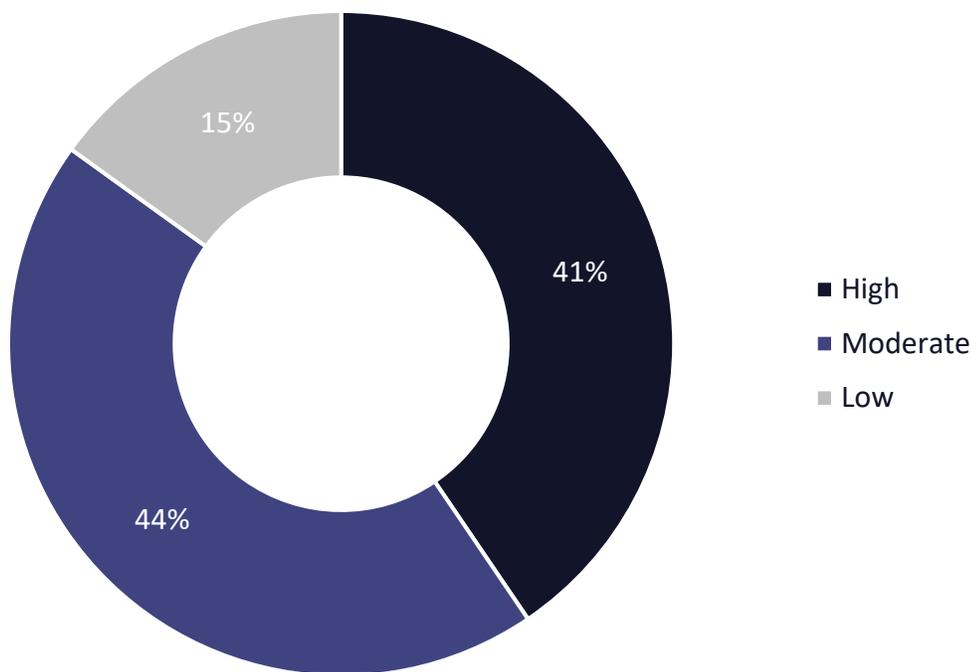
WHAT TOOL DO YOU USE TO MANAGE YOUR CONTACTS AND DEAL SOURCING/PIPELINE DATA:



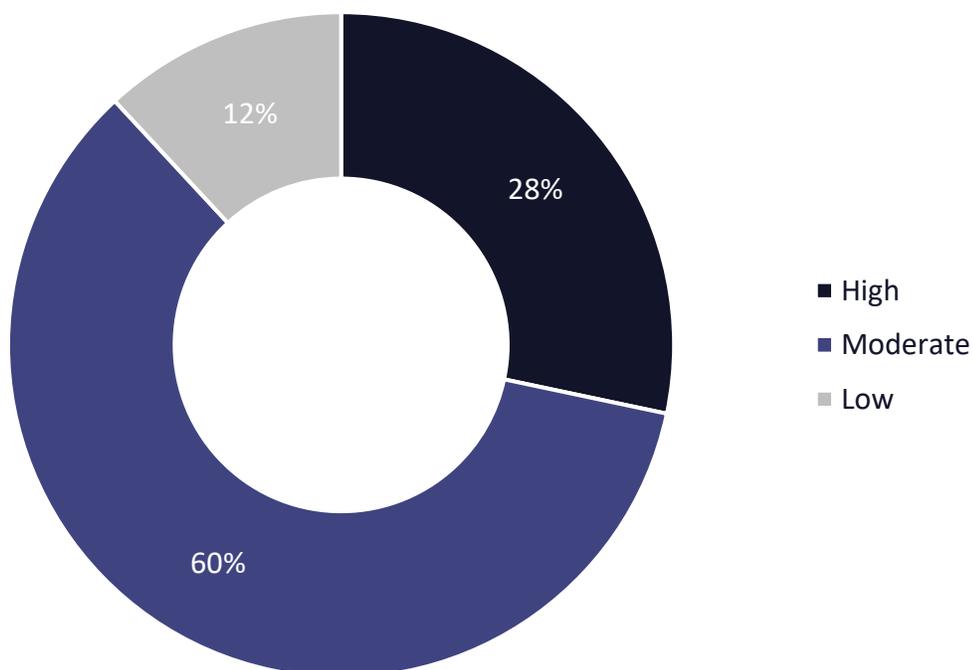
★ = Key Finding

DEAL ORIGATION – QUANTITY AND QUALITY

★ HOW WOULD YOU DESCRIBE THE **QUANTITY** (# OF DEALS) OF YOUR DEAL FLOW?



★ HOW WOULD YOU DESCRIBE THE **QUALITY** (STRATEGIC FIT) OF YOUR DEAL FLOW?



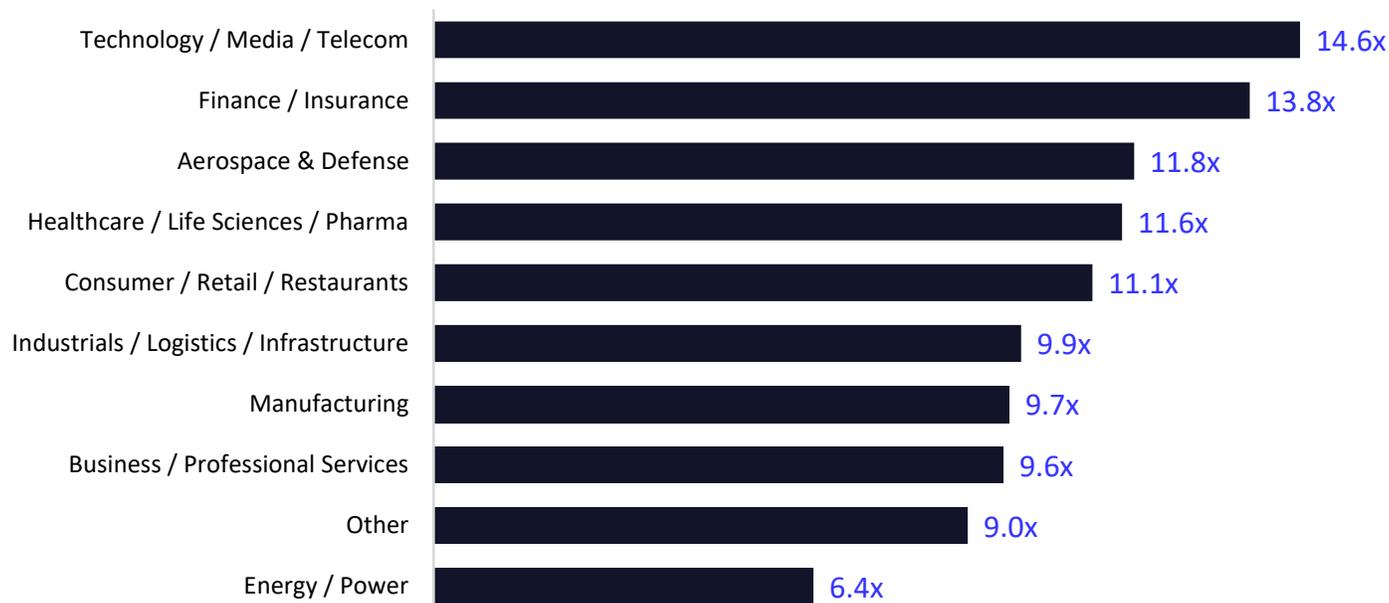
DEAL ORIGATION – BEST PRACTICES

TOP 10 RESPONSES - DEAL ORIGATION BEST PRACTICES:

10. Need to manage the Origination process like a Business Development function with the overlay that is the number of quality deals brought not just absolute number of deals.
9. Campaign approach: focus on specific area, cast a wide net and methodically narrow down the targets. Establish and maintain many relationships.
8. Having a dedicated M&A sourcing individual or team helps to keep the pipeline active throughout the year - Allows Corp Dev to vet the target more efficiently and quickly "pass" on opportunities that aren't as strong of a fit.
7. Combination of internal effort across our operations team to identify and reach out to potential targets, supplemented by third-party sources (retainer, pure contingent, and some purely relational).
6. We find the right industry specific bankers that are well connected with and knowledgeable about the type of companies we are seeking to buy, which has led to many bilateral, proprietary deals that are in our sweet spot.
5. When we were in full acquisition mode, using a pipeline management tool is helpful in tracking targets through the process and keeping notes that can be reviewed later if the target comes back again.
4. My preference is low volume, high touch, and high quality. Thus, I am able to use referral relationships in my primary industry focus to deal origination. My best practice: PAY your referral relationships (where allowed) before they even ask. Make it worth their while.
3. Create a deal evaluation framework that summarizes the important elements to consider: geographic fit, differentiated IP, team skills (acquire), current revenue (buying market), potential revenue (new offer to a large customer base), affordability (how much funding / valuation / founder desire), etc. Weight those by importance and score companies being evaluated to help focus the team discussion.
2. Embed yourself deeply in the business teams so that you know "what" to look for. It's not a numbers game. It's a quality game as attached to the needs of the business. Then, hunt aggressively for those targets. Read about it...call them. It's that simple.
1. 1) Capture strategy from the business units we support globally, understanding both organic and inorganic strategies. 2) Build pipeline based on these strategic initiatives. Origination efforts involve tradeshows, google search, input from field resources and ZoomInfo database. 3) Initial contact made with prospects by the "right" corporate development resource. While all on the team perform most functions, the "origination" efforts and deal assessment / financial modeling functions are different skill sets. Having the right resource focus on the right function is important.

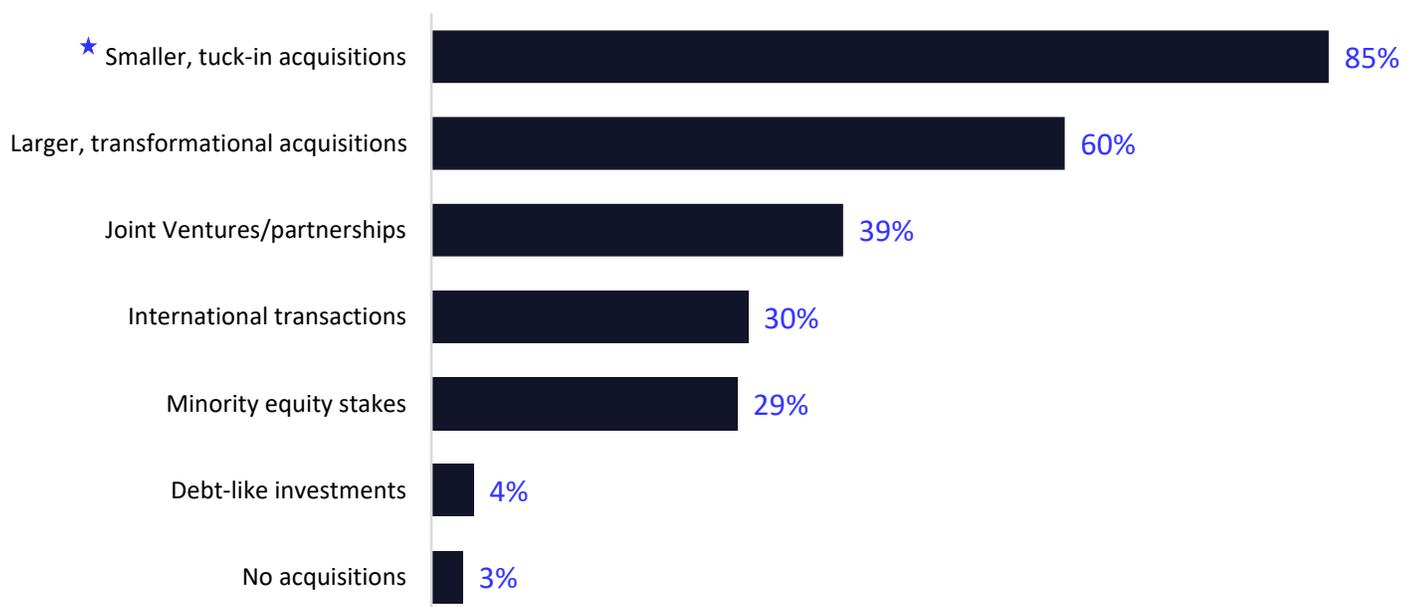
ACQUISITIONS – TRANSACTION MULTIPLES AND 2022 PURSUITS

★ WHAT IS THE TYPICAL EBITDA MULTIPLE FOR RECENT ACQUISITIONS IN YOUR INDUSTRY:



*EBITDA multiples are an average of all data points from each industry category

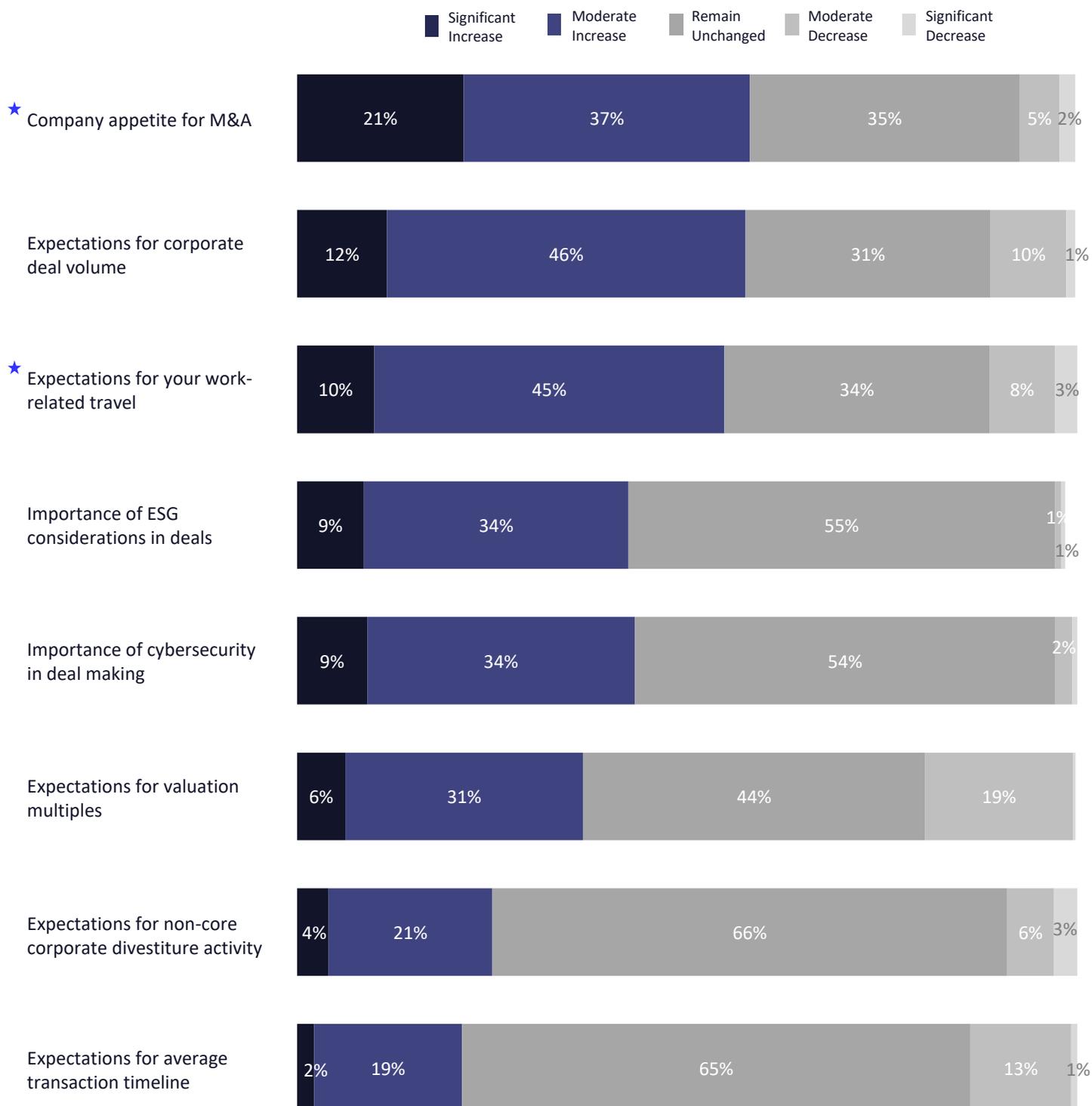
IN 2022, YOUR COMPANY WILL PURSUE:



*Multiple selections allowed

ACQUISITIONS – 2022 M&A TRENDS

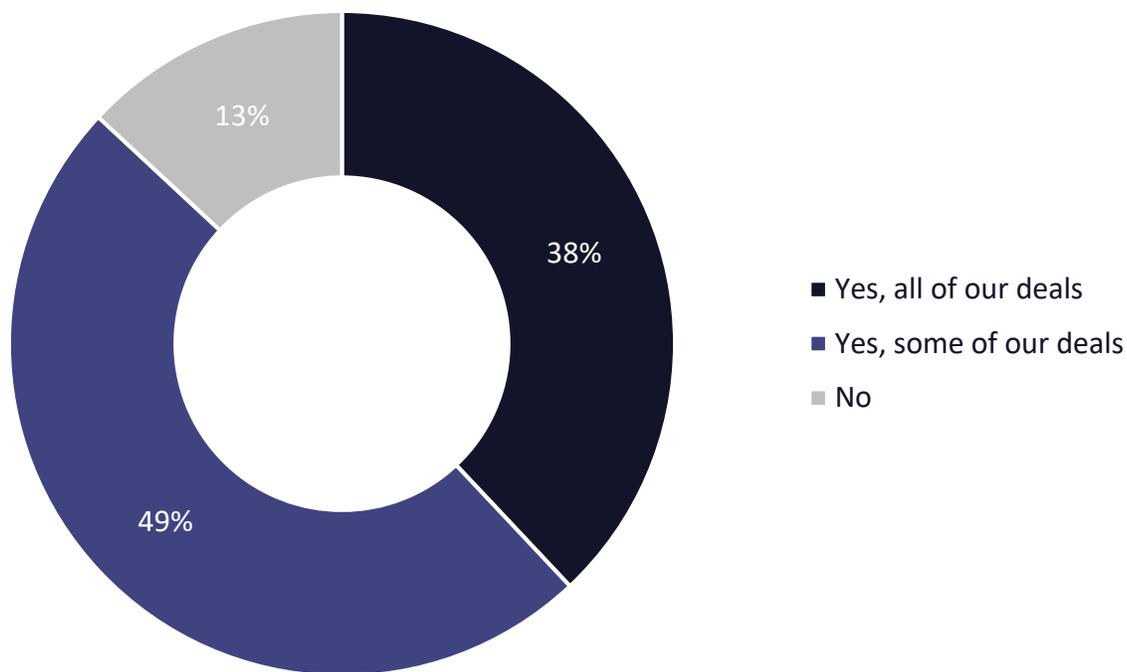
IDENTIFYING M&A TRENDS FOR 2022:



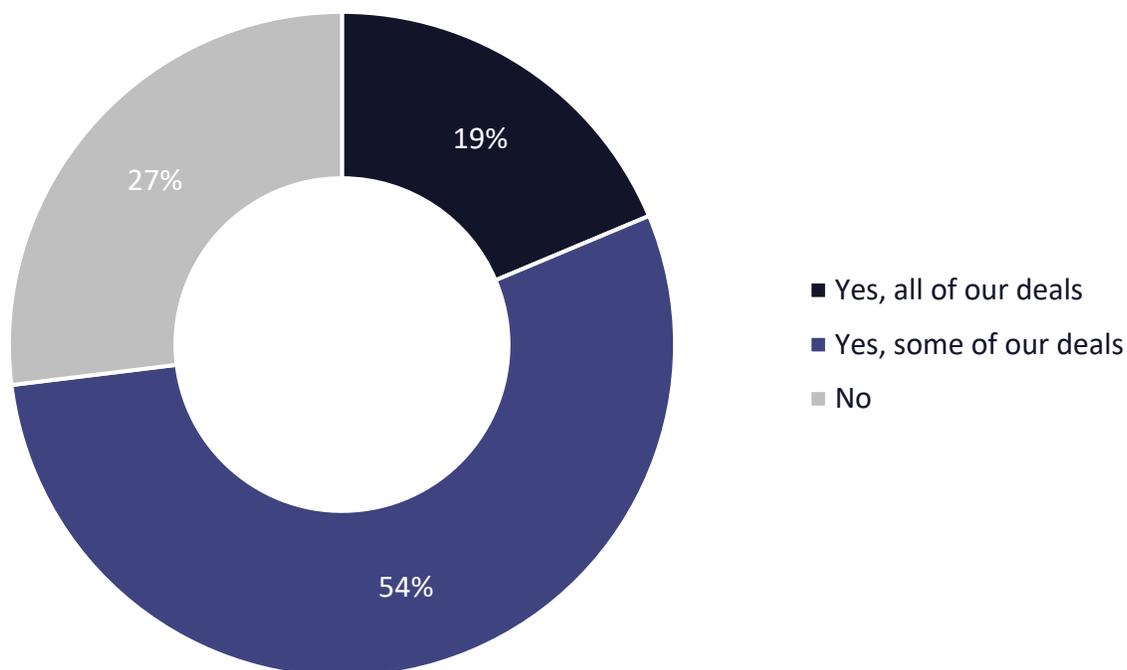
★ = Key Finding

ACQUISITIONS – QoE AND R&W INSURANCE

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



ARE YOU USING REPS & WARRANTY INSURANCE WITH YOUR ACQUISITIONS:



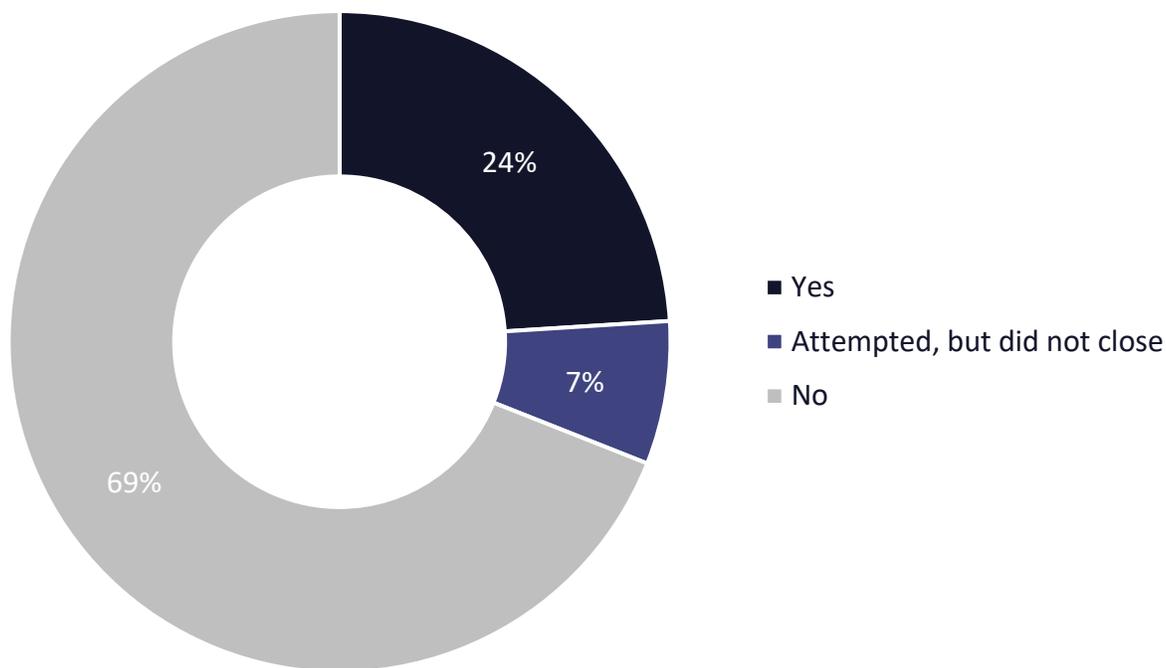
ACQUISITIONS – BEST PRACTICES AND OBSERVATIONS

TOP 10 RESPONSES - ACQUISITION BEST PRACTICES OR OBSERVATIONS FROM 2021:

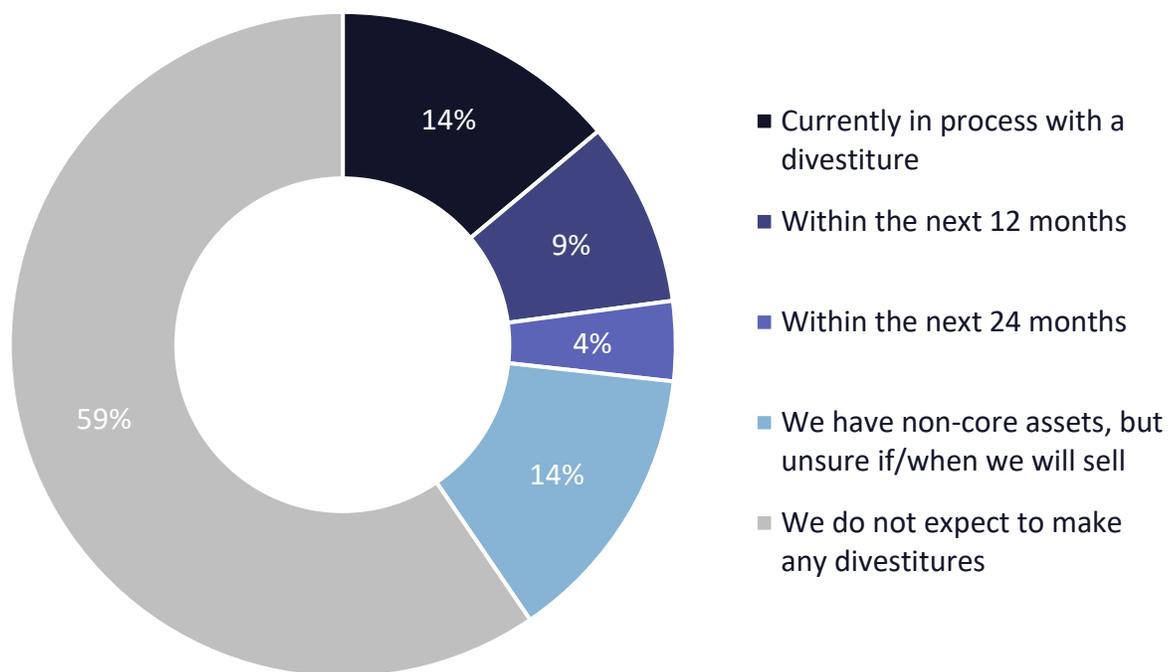
10. Need to have a very disciplined process that can be executed quickly and efficiently to compete for deals.
9. Private equity engaging in our industry and driving up multiples, shortening due diligence, and changing expectations of sellers and brokers.
8. Similar to housing market, sellers want elevated valuations, tighter timelines, and are shifting more risk onto buyers in terms of Reps & Warranties Insurance and disclosures.
7. Be wary of auction style deals, spending on advisors can be very high without deal certainty. Decide early whether a deal is the right fit.
6. Biggest challenge during 2021 was the multiple expansion we experienced relative to seller expectations.
5. I think 2021 may be seen as an aberration in terms of high valuations due to the frothy public markets, high level of PE fund appetite and available cash, and the low interest rate environment. I don't see all 3 of those factors lining up in the same period in the near-term future.
4. Difficult to assess cultural fit when conducting diligence remotely. Need to spend a lot more one-on-one time and check-ins with management at the target companies throughout the process to ensure alignment.
3. It has been a hard few years for corporate development. Expectations (e.g., valuation, multiples, etc.) have been at historic highs. Structured deals are preferred, but winning usually requires conviction to pay the target more upfront.
2. On one hand, making in person meetings have been a challenge. On the other hand, the team working diligence virtually has been more efficient and I would say somewhat more effective (better attention to details).
1. Relationships and reputation continue to matter and being able to differentiate as a value-added buyer is increasingly important as a means to win competitive situations.

DIVESTITURES – 2021 ACTIVITY AND DIVESTITURE PLANS

★ DID YOUR COMPANY COMPLETE ANY DIVESTITURES IN 2021:



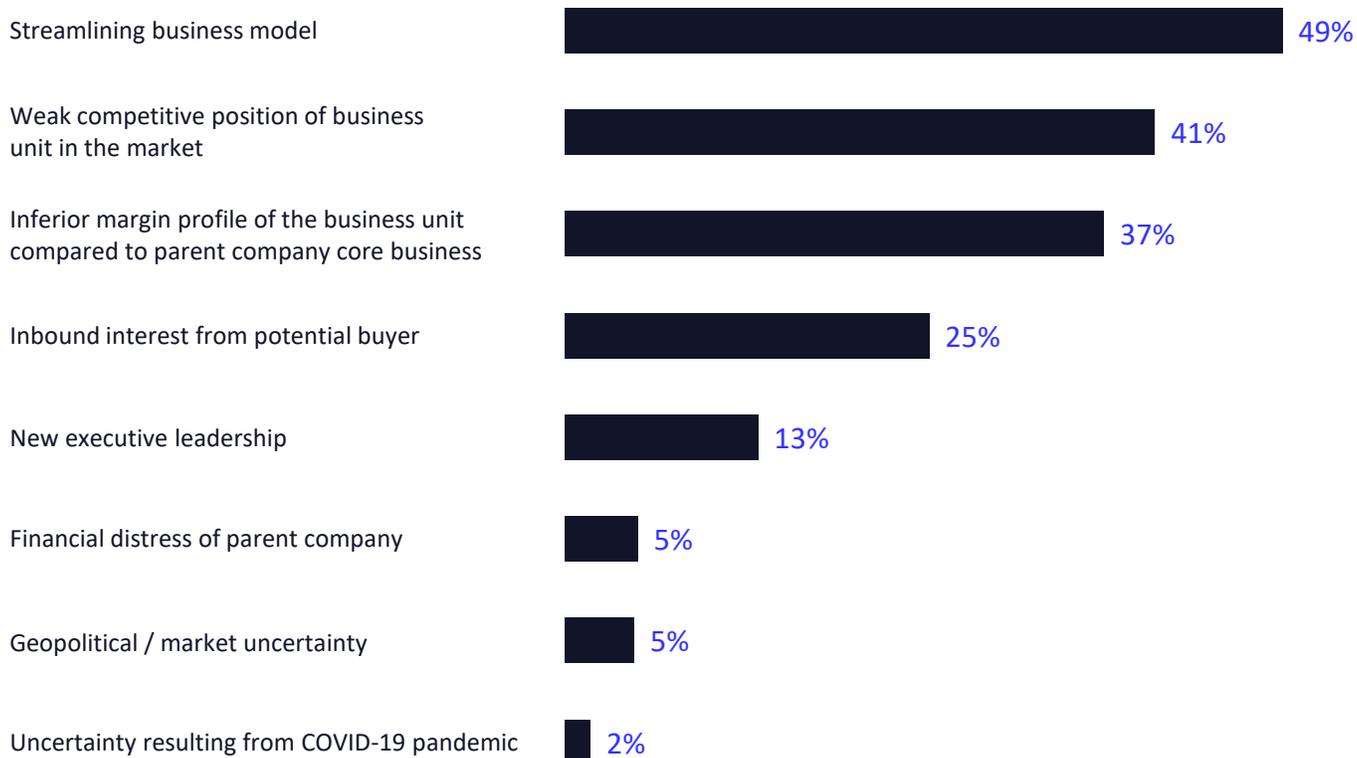
WHEN DO YOU EXPECT TO INITIATE YOUR NEXT DIVESTITURE:



★ = Key Finding

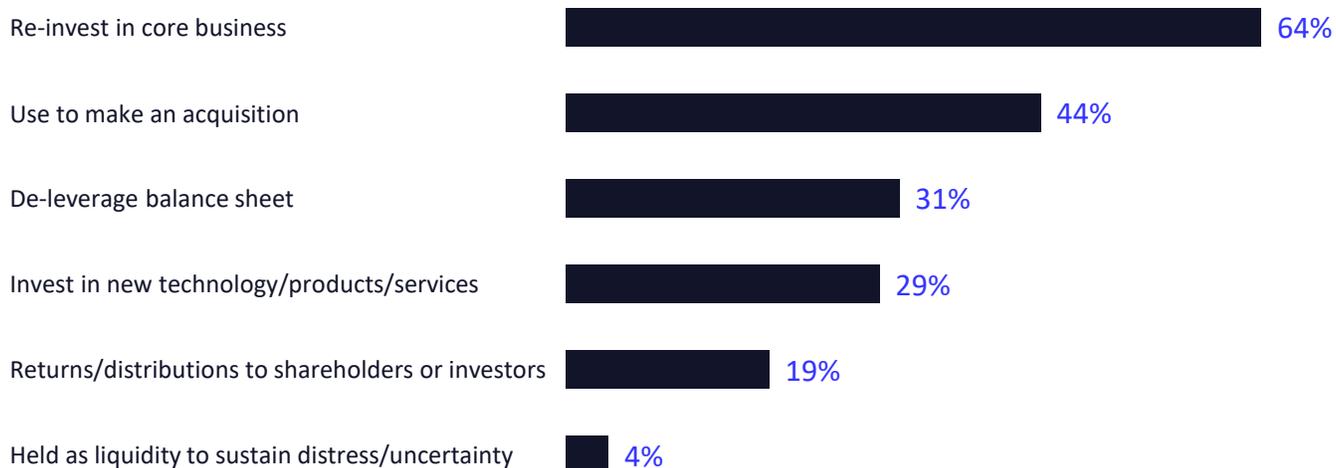
DIVESTITURES – TRIGGERS AND USE OF PROCEEDS

WHAT TRIGGERS CAUSE YOU TO DIVEST:



*Multiple selections allowed

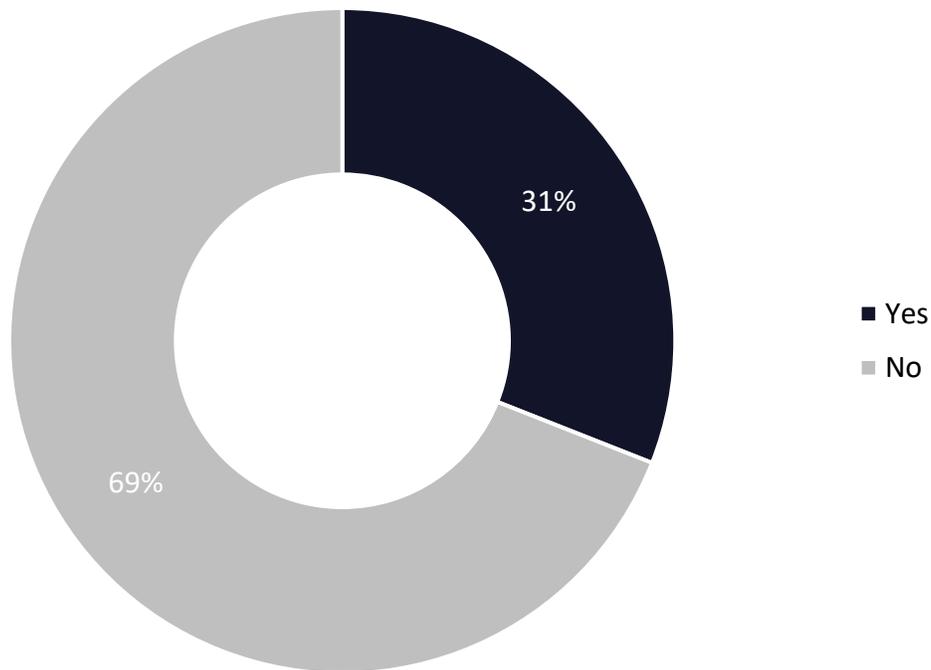
USE OF PROCEEDS FROM DIVESTITURES:



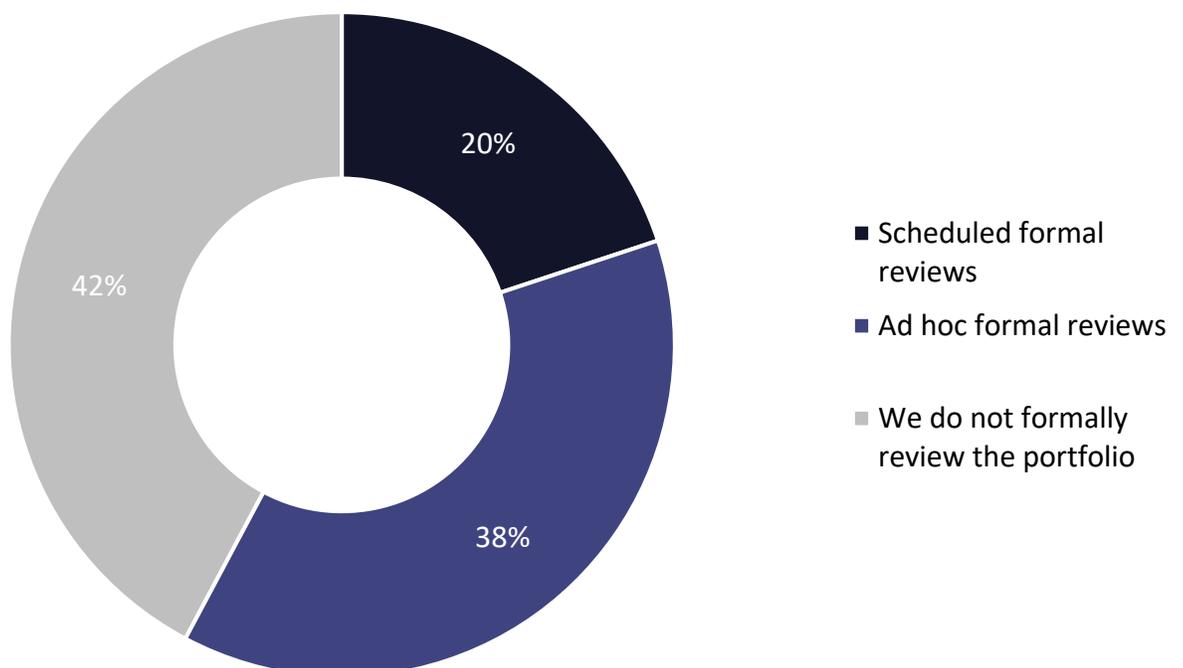
*Multiple selections allowed

DIVESTITURES – PORTFOLIO REVIEWS

DID YOUR COMPANY CONDUCT A FORMAL REVIEW TO IDENTIFY POTENTIAL DIVESTITURES:



WHAT IS YOUR CADENCE OF REVIEWING BUSINESS UNITS TO IDENTIFY DIVESTITURE CANDIDATES:



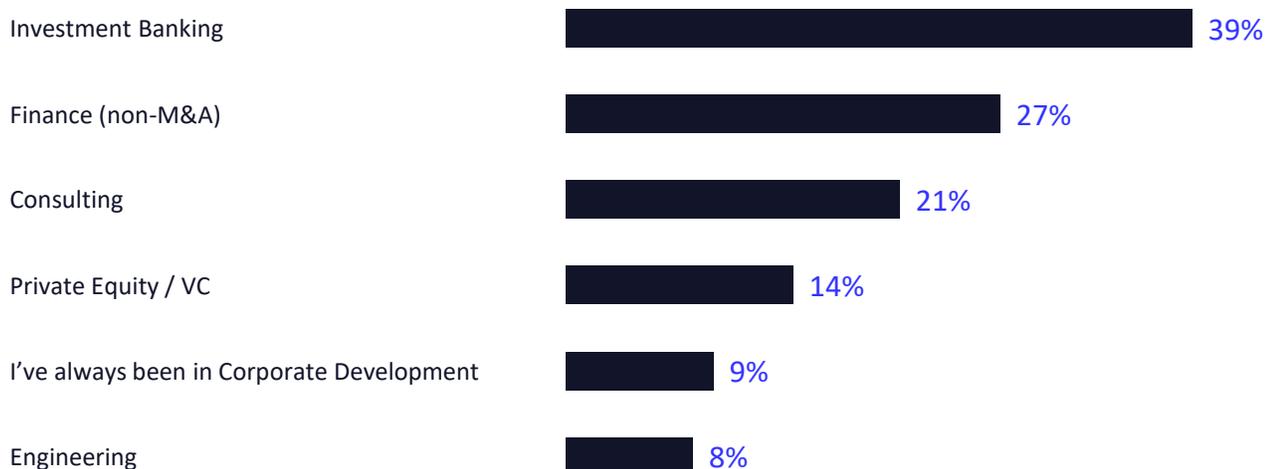
DIVESTITURES – BEST PRACTICES

TOP 10 RESPONSES - DIVESTITURE BEST PRACTICES:

10. Do your homework upfront before the process starts.
9. Internal contract review is critical.
8. Hire an investment banker. Ensure the team spends proper time gathering information and cleaning up the financials before starting the formal process.
7. Disciplined and organized approach with appropriate info available to buyers. Be prepared in advance of launch.
6. Prepare considerably upfront, particularly on the entanglement of the asset with parent, carve-out financials, and gathering relevant diligence information BEFORE launching a process.
5. Pre-work is critical - do not launch a process until you have done your internal preparation and diligence on the business / product line.
4. Advanced planning to prepare the business to operate as a standalone entity (can be helpful to financial and strategic buyers).
3. Ensuring SMO in place early. Identify separation approach and strategy across the functions early in process.
2. Each program is looked at from a "Prove, Prune, or Scale" lens.
1. Ensure strong oversight by CorpDev - should not be led by the business unit. Allow at least three months prep time for complex business units so that data room is complete and any factors that could affect a sale are known.

CORPORATE DEVELOPMENT PROFESSION – BACKGROUND AND FUNCTIONS

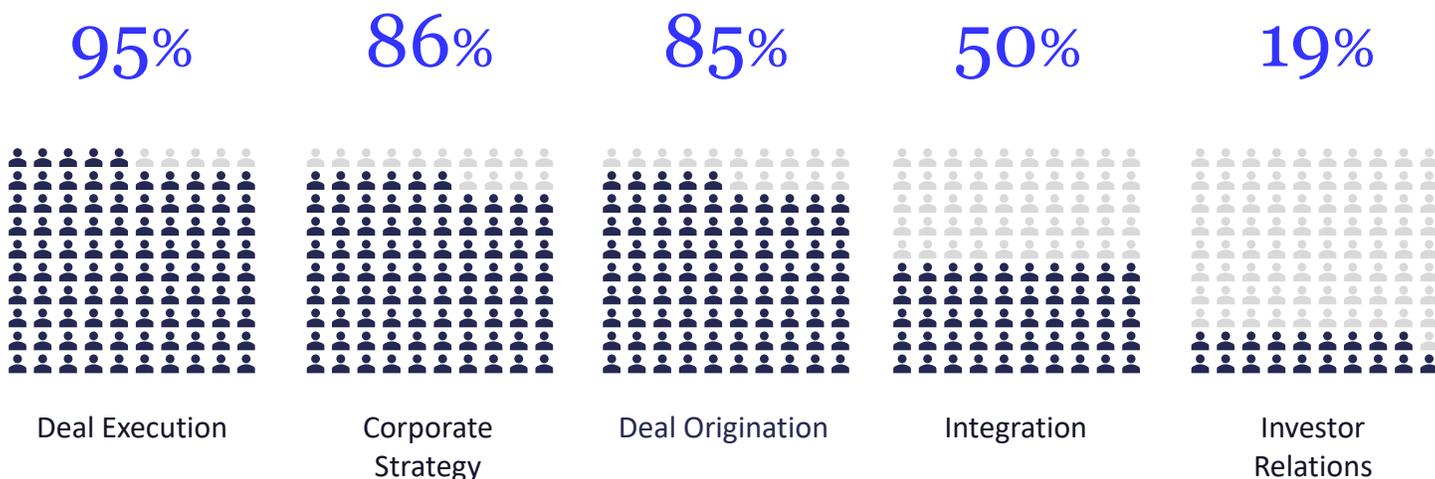
WHAT WAS YOUR BACKGROUND BEFORE CORPORATE DEVELOPMENT:



*Multiple selections allowed

**Other popular backgrounds not shown include, Military, Sales/Business Development, and Technology

WHAT TASKS/FUNCTIONS DO YOU FULFILL IN YOUR ROLE:

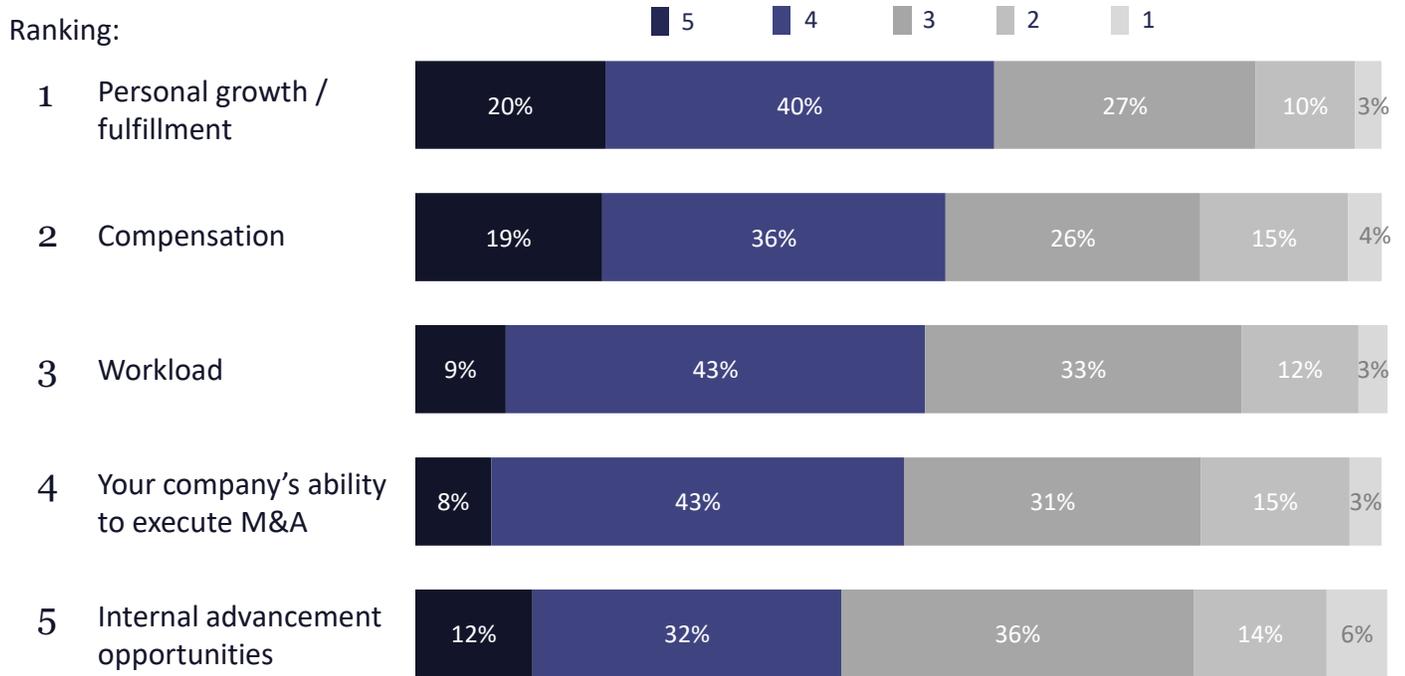


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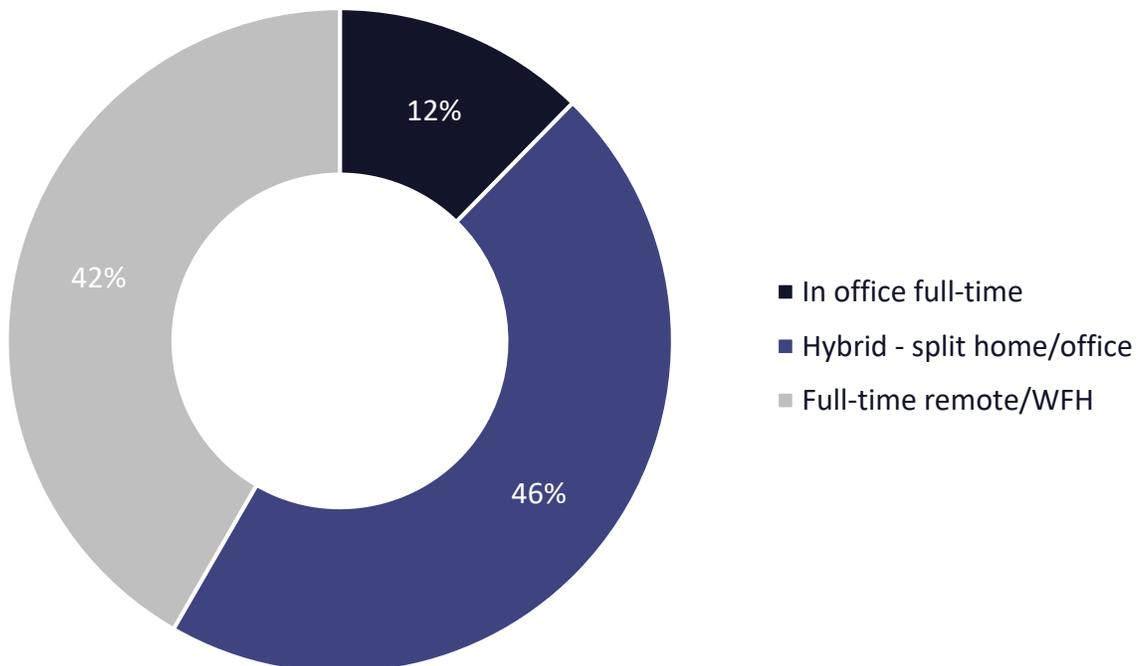
**Other popular tasks not shown include, Recruiting, Board Management, and Patent/IP Management

CORPORATE DEVELOPMENT PROFESSION – JOB SATISFACTION AND LOCATIONS

JOB SATISFACTION LEVELS (RANKED 1-5, 5 IS EXTREMELY SATISFIED):



★ CURRENT WORKING ENVIRONMENT:



★ = Key Finding

CORPORATE DEVELOPMENT PROFESSION – THE WHY

TOP 10 RESPONSES - WHY DID YOU CHOOSE A CAREER IN CORPORATE DEVELOPMENT:

10. The nature of the work. Learning about new businesses, technologies, and industries. Talking to founders, and finding creative ways to make deals happen.
9. 1) Interest in becoming a stakeholder in M&A processes 2) Career advancement/opportunities 3) Compensation 4) Work / life balance.
8. I wanted full understanding and experience of sourcing and executing a deal, more skin in the game on the work I am performing.
7. I love the corp dev role as it helps me blend my business acumen with financial skills.
6. Great segue from investment banking/strategic transactions into this role. I love deals and this role is more fun when you own the transactions, as opposed to being an advisor.
5. Like other forms of investing, corporate dealmaking is a discipline that brings together a very wide set of skills. As a result, the job is a fun intellectual challenge and, when done well, creates long term value for both the company and the individual.
4. Corporate Development roles provide a lot of insight into corporate strategy across the entire organization. The opportunity to be on the front line of executing the company's inorganic growth strategy as an early career professional was enticing. Also, the role touches each part of the organization and the opportunity to learn the functions and priorities across the organization is a great way to expedite your learning curve and provide additional career paths.
3. The ability to continue thinking and executing like an investor combined with the ability to drive the execution and strategy of an operating business.
2. Ability to work on complex initiatives, lead high-performing teams that generate significant impact on the business. Daily challenges, frequent change, opportunity to learn about new businesses and technologies. I enjoy working with people and honing my negotiation/diplomacy skills.
1. I love doing deals!

CORPORATE DEVELOPMENT PROFESSION – THE REWARDS

TOP 10 RESPONSES - WHAT IS THE MOST REWARDING ASPECT OF YOUR CAREER CHOICE:

10. Seeing when something you work so hard on crosses the finish line. A lot of times in M&A / Corp Dev, time is spent on something that never materializes.
9. Learning many businesses models and manufacturing sites. "How things are made." Seeing the increase in the value of the business and realization of the potential of the deal once executed.
8. Finding rough stones that can be turned into gems.
7. Oversight of the entirety of M&A process and continuously learning about new processes (legal, HR, tax, etc.), nuances with each asset, and how to manage large cross-functional teams.
6. The variety of workload, international work/travel and interaction with a broad range of professionals.
5. Finding a great company, buying it and watching it grow significantly inside a bigger platform.
4. Incredible exposure to leadership and company-altering decisions (earlier in career than most), opportunities to add value and prove myself to senior leaders.
3. I love helping founders realize value from what they have built and, where possible, continue to provide good jobs. I also enjoy taking the products they have developed and expanding the markets and potential.
2. Returning value of investment through operational and talent transformation, employee experience and DEI and change management.
1. Seat at the table with senior team in terms of company strategy and capital allocation decisions. I also enjoy the external focus of the role, which keeps things fresh - working with bankers, consultants and networking financial investors and company leadership is very rewarding.

CORPORATE DEVELOPMENT PROFESSION – THE CHALLENGES

TOP 10 RESPONSES - WHAT IS THE MOST CHALLENGING ASPECT OF YOUR CAREER CHOICE:

10. Navigating a deal process in a CorpDev environment is much more challenging. The internal diligence lift involving multiple departments is challenging. On top of that is integration planning and execution, which adds a layer of complexity.
9. Outside of stress and workload of Corp Dev, when something you spend a lot of time on ends up not going anywhere.
8. Tracking policy change and the influx of capital into the industry causing valuation expectations and trends to drastically increase.
7. Gaining internal commitment to execute projects and maintain deal budgets over a multi-year horizon.
6. The uncertainty and unpredictability of M&A outcomes due factors outside your direct control.
5. Negotiations with overzealous advisors on the other side of the table.
4. Distinguishing our company as the preferred buyer to sellers given how competitive the M&A space is and number / types of buyers.
3. Collaborating with a constantly changing group of teammates in other business units, some of whom can slow down a deal.
2. It's an opinion game and not everyone shares my opinion.
1. Your efforts do not always align with your outputs; at the end of the day, there is always a counterparty that is outside of your control. A close second is the lack of interest of internal stakeholders in doing the hard work to support M&A; this shows up primarily as a lack of ownership over areas of responsibility.

COMPENSATION STUDY

The Compensation Study portion of the 2022 *Corporate Development Trends and Compensation 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.

Example sections from the Compensation Study:

- Average and percentile (90th, 75th, 25th, 10th) compensation by title category. Compensation data includes base, bonus, and long-term incentive plans.
- Compensation data from each title category broken out by (i) Company Revenues, (ii) Location, and (iii) Years of M&A Experience
- Data on annual raises and industry compensation comparison



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