

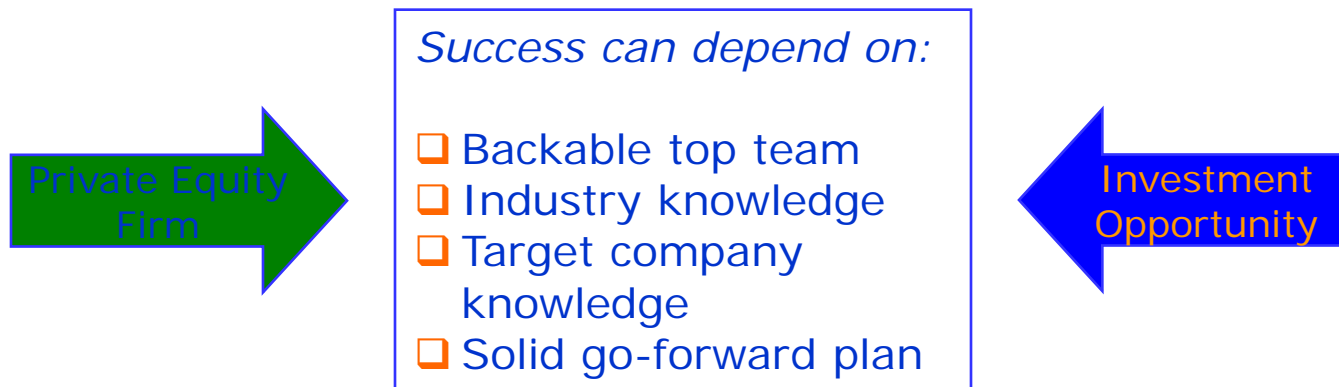


Career Networking with Private Equity Investors

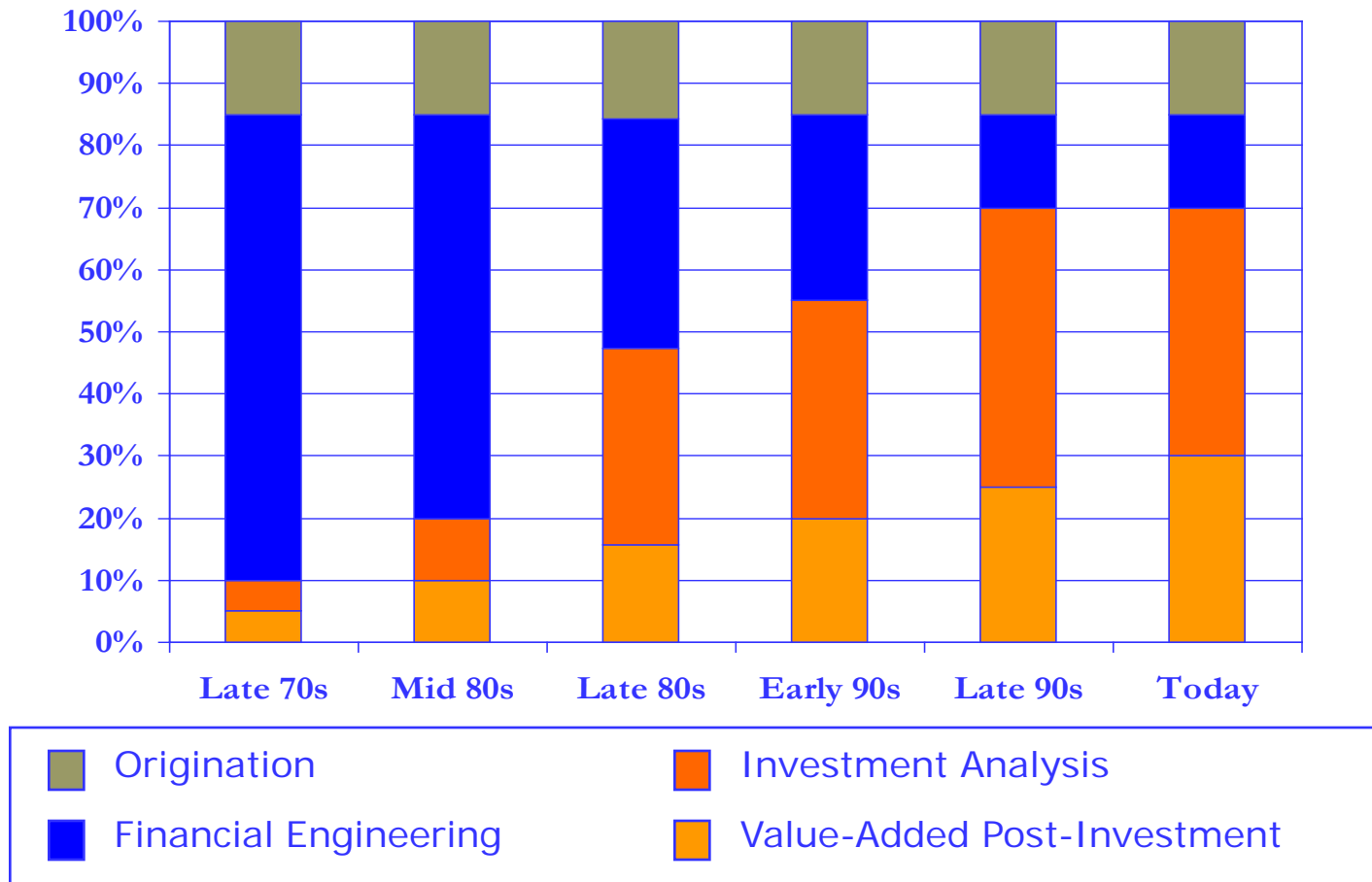
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Notch Partners

- ❑ Clients: private equity firms and their portfolio companies
- ❑ Mission: To create partnerships between our private equity clients and top executives to enable profitable deal activity



Evolving Skill Set for Success



Source: David Offensend, Evercore Capital Partners. Presentation materials

Discussion Topics

- ❑ Why networking with private equity should be a priority for senior executives
- ❑ “Bring me a deal.” Why do they say it? What do they mean?
- ❑ How job-searching executives can position themselves as “deal executives” to improve their marketability in private equity-backed situations
- ❑ The steps executives can take to cultivate relationships with PE firms. Deal Thesis and beyond

Going Private...Why?

❑ Enhance Career Search

- ❑ Expand opportunity set – Beyond known “job openings”
- ❑ Opportunity to be proactive – Create and define career

❑ Enhance Career

- ❑ Degree of control – Fewer and more focused stakeholders; lower reporting burden
- ❑ Action-orientation – Opportunity for P&L executives to aggressively and proactively build value
- ❑ Wealth creation – Ability to share in the upside

Mismatched Expectations

Maybe
he'll be a
source of
deal flow

*Bring us a
deal.
We'd love to
back you!*

Maybe she'll
have a job
for me.

*Uh...
sure.*



The Private Equity Investor

The Executive

Targeting Executives

From a Private Equity Perspective



Investment Thesis Defined

“A clearly articulated vision of how to create value in the acquisition, transformation, and sale of a private equity investment.”

Types of Investment Theses

- ❑ Industry/concept-driven
- ❑ Target-driven
 - ❑ Company (officially or unofficially) for sale
 - ❑ Proprietary vs. Non-Proprietary

A strong Investment Thesis capitalizes on specific industry dynamics, market trends, or company situations for value creation.

The Value of Creating a Thesis to the Executive

- ❑ Provides focus for meaningful and proactive deal searching
- ❑ Demonstrates commitment to a deal-oriented career transition
- ❑ Demonstrates ability to be a thought-leader
- ❑ Enables executive to initiate a deep discussion with PE firms, going beyond experiences and qualifications
- ❑ Initiates mutually beneficial sharing of deal flow
- ❑ Enables executive to explain self clearly to deal sources and to targets
- ❑ Most effective way to gain traction with private equity firms
 - ❑ Access to resources
 - ❑ Opportunistic deal flow/job opportunities

The Value of Creating a Thesis to the Investor

- ❑ May result in proprietary deal situations and/or “proprietary” angles on auctions
- ❑ Gives Investor more “hooks” into deal sources (banks, brokers)
- ❑ Gives Investor insight into the executive as a possible deal leader – beyond resume experiences and skills
- ❑ Provides focus for discussions with executives, enabling a deeper relationship more quickly
- ❑ Gives Investor clear idea of types of auction deals to steer toward the executive

Deal Executive Defined

- ❑ Visionary C-level leader or direct report
- ❑ Seeking to complete an acquisition and lead the resulting company
- ❑ Desires partnership with a financial sponsor
- ❑ Has a clear sense of how to create value in the sector he or she is targeting
- ❑ Deep experience in industry of target company(ies)
- ❑ Proactively seeking to identify deal opportunities which he/she can bring to the financial sponsor

Ideal Executive for Private Equity-Backed Opportunity

- ❑ 20+ years in “investor-friendly” industry
- ❑ Significant operational achievements through up and down cycles
- ❑ Entrepreneurial mindset; roll-up-the-sleeves mentality
- ❑ Strong network of industry contacts
- ❑ Track record for achieving returns to investors
- ❑ Active in deal flow
- ❑ Identified proprietary deal(s)
- ❑ Ready 3-4 person management team

Investment Thesis Elements

- ❑ What you will buy (industry, size, geography, etc.)
- ❑ How you will create value
- ❑ Why you / your team are ideal for pursuing this opportunity
- ❑ Target Roster
- ❑ Status of current efforts
- ❑ Exit strategy

Creating the Thesis: Industry Segment Focus

- ❑ Question: What is the size and segment of the industry for my deal(s)?
- ❑ Guidelines:
 - ❑ Be specific
 - ❑ Stick to an area you know and are qualified to run; experience = credibility
 - ❑ Choose industry segments with favorable growth characteristics/competitive landscape
 - ❑ US-based targets will have more traction
 - ❑ Are there viable targets?

Creating the Thesis: Value Creation Opportunities

- ❑ Question: How will you create value for a successful exit?
- ❑ Guidelines:
 - ❑ Be specific
 - ❑ Aim for the exit: value = successful exit strategy
 - ❑ Try to quantify revenue/EBITDA growth expectations
 - ❑ Avoid high-risk growth strategies (new technologies, multiple acquisitions, etc.)
 - ❑ Draw on your experience – have you succeeded at this before?

Creating the Thesis: You and Your Team

- ❑ Question: Why are you/your team ideally suited to lead such an effort?
- ❑ Guidelines:
 - ❑ Be specific. Relevant experience and track record are key
 - ❑ Round out your expertise with a strong management team: e.g., CFO, COO
 - ❑ Strong Board members are useful
 - ❑ Draft an organizational chart

Creating the Thesis: Target Roster

- ❑ Question: Have you identified a list of potentially viable targets?
- ❑ Guidelines:
 - ❑ Be specific (as appropriate)
 - ❑ List all companies - for sale or not
 - ❑ Provide names for potential platforms as well as add-on targets
 - ❑ Try to provide/estimate revenue/EBITDA
 - ❑ Making contact = greater leverage and credibility

More Elements = Greater Traction

Minimum	Add'l Elements	Most Complete
Realistic and viable vision statement	Industry/Market background	Detailed financial model
3-5 specific value-creation opportunities	Definition and size	Defined management team (key players)
Industry and market definition	Segmentation	Specific progress made on contacting targets
Uniquely qualified CEO	Relevant trends	Identified pipeline acquisitions
List of potential platforms and add-ons	Competitive landscape	Potential BOD members
Exit strategy	Rough five year proforma demonstrating top and bottom line growth	
	Tactical steps to creating value	
	Anticipated organization structure	
	Sources and uses of funds	

The Critical Path to Execution

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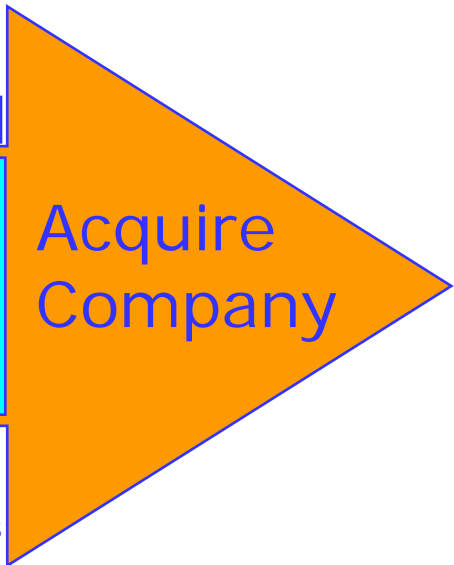
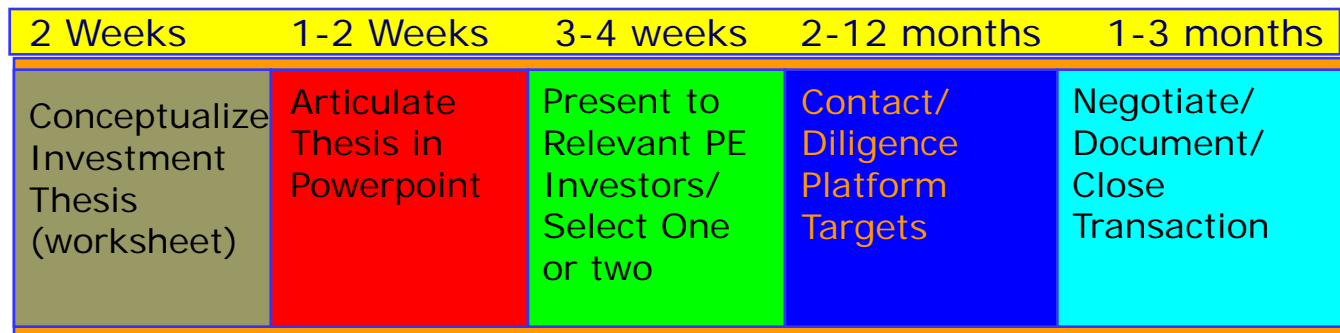
Poorly
Conceived
Thesis
- 

Poor Articulation
And Delivery
- 

Inappropriate
Investor
Targets
- 

Lack of viable
targets
- 

Poor communication
with PE firm



- N** Assist in developing, validating, refining thesis
- N** Assist in developing Powerpoint
- N** Help target appropriate PE investors; Make introductions Coordinate meetings
- N** Align expectations
- N** Assist in negotiations
- N** Maintain feedback loop
- N** Help with resources for identifying targets

Dealbreakers For (Most) PE Firms

Negative considerations

- ❑ Few viable platforms
- ❑ High customer concentration
- ❑ Highly commoditized business
- ❑ Major overseas threat
- ❑ Cyclical industries
- ❑ Flat / shrinking industry
- ❑ Poor reference checks

Showstoppers

- ❑ Inappropriate industries (e.g. real estate development, gambling)
- ❑ Very small target (i.e. EBITDA < \$3M)
- ❑ Early/VC stage investments
- ❑ Unsuitable platform location
- ❑ Irrelevant experience
- ❑ Unproven technology
- ❑ Significant pending litigation
- ❑ Criminal involvement
- ❑ Fad business

Choosing the Right Partner

- ❑ Industry focus
- ❑ Deal size
- ❑ Geography, e.g. domestic vs. international
- ❑ Deal "type," e.g. Roll-up, turnaround, recap, growth versus buyout
- ❑ Proprietary vs. Auction bias
- ❑ Appetite for replacing management
- ❑ Executive program
- ❑ Chemistry

Maintaining Momentum

Our Top Ten List

1. Lead with your deal ideas/thesis, not your resume
2. Contact the right/relevant investors
3. Proactively plan and execute your thesis; however,
 - a. Be prepared to be opportunistic. Actionability trumps.
 - b. Be willing to modify your thesis, yet remain focused
4. Take initiative in contacting target companies when possible
5. Develop and maintain a leadership posture before the acquisition
6. Do not put the PE firm on your critical path; keep the train moving; do not interpret silence as a “no”
7. Be specific when requesting support from investors
8. Remain discriminating as you consider potential deals
9. Control what you can; be persistent yet patient with the rest
10. Be prepared; know everything you can about your thesis, industry, targets and investors when you meet with an investor.

Contacting Notch Partners

Please contact us directly for:

- ❑ Questions about the Deal Thesis Worksheet
- ❑ Help in refining Thesis

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