

# Creating a Competitive Advantage Through Business Development

Tuesday, November 29, 2016



# MILESTONE PARTNERS OVERVIEW

**Philadelphia-based private equity firm focused on control buyouts of lower middle market businesses**

**Founded 1995**

## **Generalist History**

Flexible and open-minded approach to identifying investment opportunities and creating value

## **Commitment to Lower Mid-Market**

Although fund size has increased, we remain committed to investing in lower middle market companies

## **Fund IV: Targeted Approach**

Industrial, financial services and tech-enabled solutions businesses headquartered in North America

## **Platform Investment Criteria**

Geography: North American HQ for platforms  
Revenue: \$15 - \$150 million  
EBITDA: \$3 - \$20 million  
Equity Investment: \$10 - \$40 million

## **Milestone I**

Fundless Sponsor

## **Milestone II**

2004  
\$120M

## **Milestone III**

2008  
\$240M

## **Milestone IV**

2012  
\$301M

# AGENDA

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- Why dedicated business development?
- What makes a good head of BD?
- How can a business development effort create a competitive advantage for a PE firm?
- Conference preview

# WHY DEDICATED BUSINESS DEVELOPMENT

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- Consistent deal volume
- Diversity of deal referral sources
  - Intermediary community is still very fragmented
- Brand / message consistency
  - Particularly important in changing market
- Feet on the street
  - Network with relevant lenders, service providers, competitors, etc.

# WHAT MAKES A GOOD HEAD OF BD

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- Professional attributes:
  - Corporate finance background
    - Must be able to speak intelligently about investment opportunities and portfolio companies
    - Intimate knowledge of firm's investment philosophy/criteria
  - Strong network or ability to quickly build one
  - Can act as an effective liaison between deal sources and investment committee
    - Ability to champion a deal (selectively)
    - Ability to champion a banker for sell-side mandate (selectively)

# WHAT MAKES A GOOD HEAD OF BD (CONT.)

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- Personal attributes:
  - Organized
  - Open-minded/thoughtful
  - Executive presence
  - People person
  - Ability to let guard down/have fun
    - Building rapport with deal sources is important

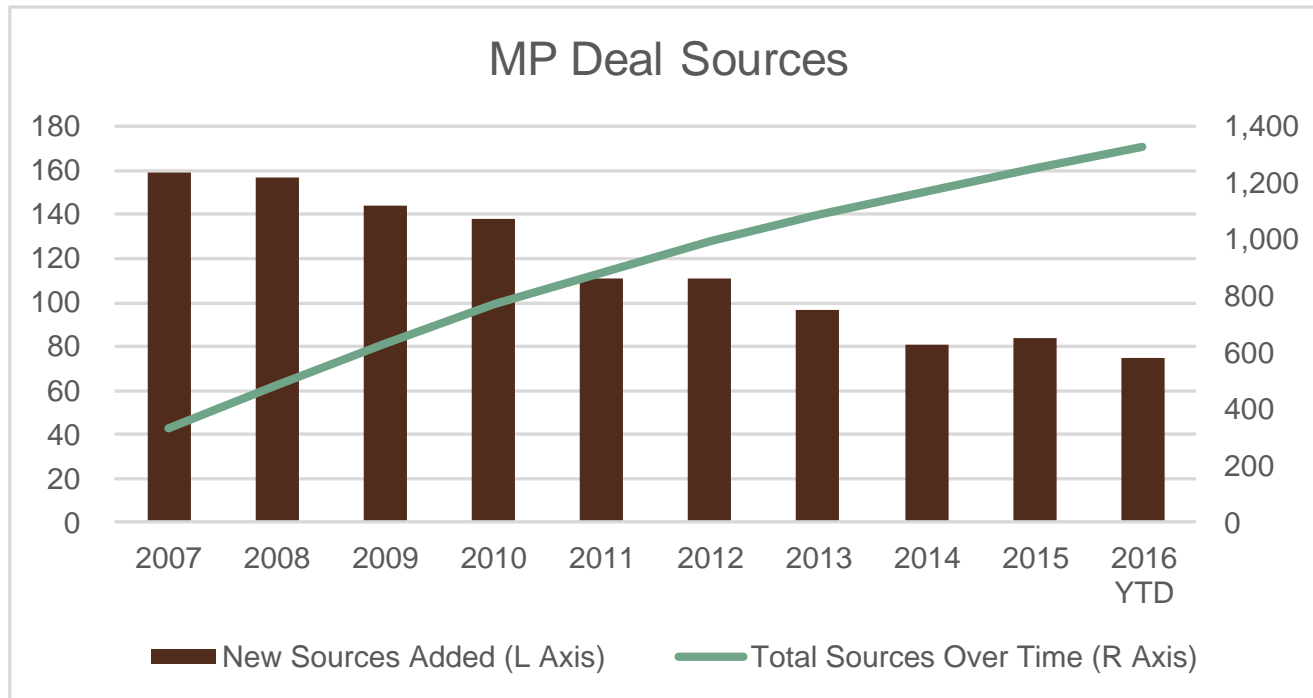
# CREATING A COMPETITIVE ADVANTAGE

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- Technology/CRM
- Change Management
- Purposeful Interaction with Market

# COMPETITIVE ADVANTAGE: TECHNOLOGY

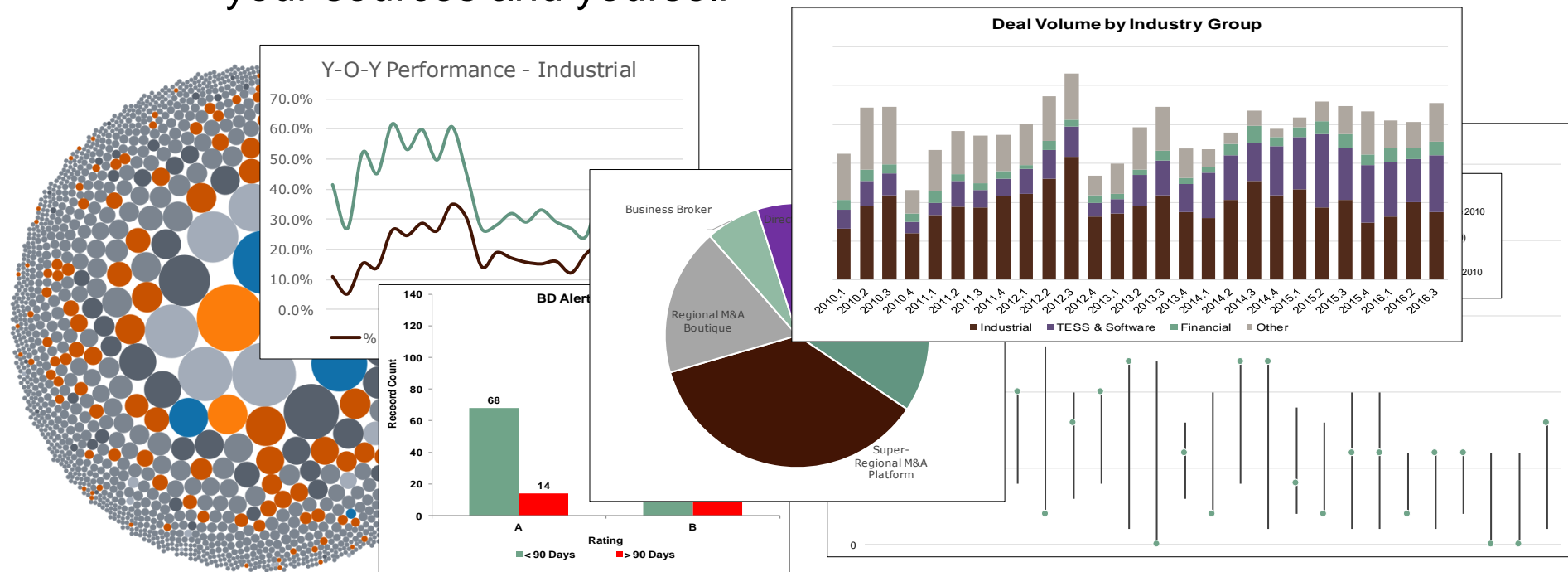
- Strong CRM system is essential
  - Fragmented market
  - Need a program/cadence governing market coverage





# COMPETITIVE ADVANTAGE: TECHNOLOGY

- Data analytics
  - Collecting data on deal flow over time enables you to evaluate your sources and yourself



- Effective use of a CRM system and data can help create a scalable sourcing platform

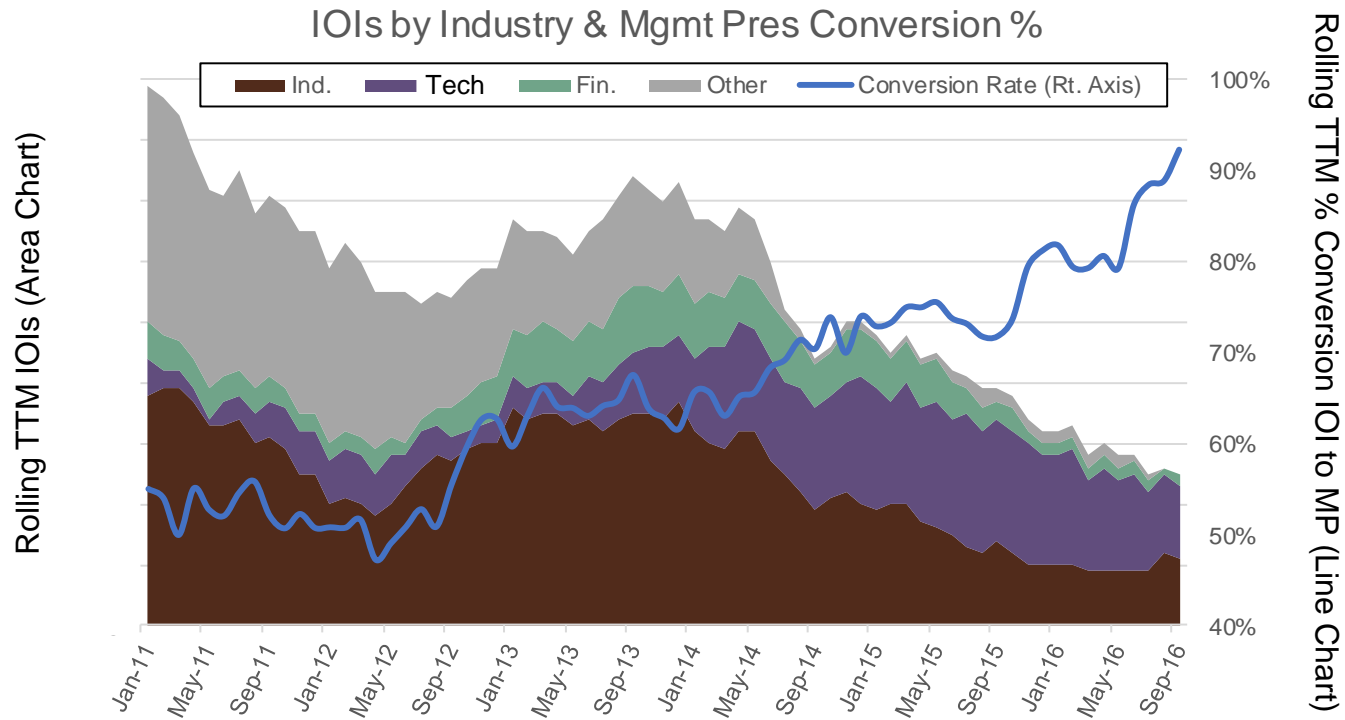
# COMPETITIVE ADVANTAGE: CHANGE MANAGEMENT

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- PE continues to evolve:
  - Sellers are more sophisticated
    - Most now hire an intermediary to manage sale process
  - Banker auctions more targeted today; fewer broad processes
  - Extremely competitive market for quality assets
    - Buyers need to distinguish themselves early in a process and speed/certainty to close is paramount
  - PE firms tightening investment approach
    - Industry theses
    - Operating partner-led searches
    - Buy and build approach
- The Business Development officer is uniquely positioned to help his/her firm respond to and implement change

# COMPETITIVE ADVANTAGE: CHANGE MANAGEMENT

- Milestone tightened its industry focus in 2013/2014
  - Investment approach shifted from generalist to three verticals
  - BD team led campaign to communicate message to market



# COMPETITIVE ADVANTAGE: PURPOSEFUL INTERACTION

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- Lower middle market PE still a relationship business
- Every interaction with a deal source should be taken seriously
  - Thoughtful feedback on deals
  - Candor/transparency around sell-side assignments for portfolio companies
  - Protect the brand (don't cheat on the golf course)
- Add value to your deal team after the deal comes in
  - Communicate openly with bankers; meet deadlines
  - Leverage relationships to help position your deal team favorably in an auction process
  - Add-ons?

# CONFERENCE PREVIEW

- Overcoming down M&A market through sourcing
- PE sourcing from the banker's perspective
- Technology
- Ken Marlin
- Building the right BD team
- Sourcing tactics employed by different buyer types

## Panelists at a glance:

**6 Leading  
IBs**

**13 Leading  
PE Firms**

**\$1.7B  
Avg. AUM\***

**\$20.7B  
Total AUM\***

**18% Avg.  
IRR\***

\*Source: Pitchbook  
IRR data measures most recent fully-deployed fund