

Corp Dev Imperatives for a COVID-19 World

1. Use the current M&A pause to double down on strategy and organic growth
2. Reassess and adjust current strategic plans for COVID-19 impacts
3. Complete post-merger integration on prior acquisitions to realize promised revenue synergies
4. Invest in building and marketing differentiated capabilities and use cases to support organic growth
5. Revisit "poor man's M&A" (strategic hires) to position for future growth
6. Identify and cultivate proprietary M&A pipeline now that the window has closed for many sellers
7. Capitalize on lessons learned from sheltering-in-place to drive future cost savings
8. Scrutinize performance of past deals and adjust criteria and due diligence approaches accordingly
9. Curtail share repurchases to position for over-equitized deals going forward
10. Revisit creative deal structures to help cross the valuation expectation chasm

Corporate Development in the Time of COVID-19

- With COVID-19 causing market dislocations, Corp Dev teams that became single-threaded M&A specialists need to pivot to stay relevant
- Growth strategies must be reassessed in light of prolonged shelter-in-place, CARES Act opportunities, and long-term deficit realities
- The most valuable companies will be those that shift farthest, fastest to retrench around more durable organic growth initiatives

- An immediate opportunity is to complete post-merger integration of previous acquisitions, particularly to optimize growth organizations
- Conduct thorough post-mortems of previous acquisitions and adjust criteria and due diligence approaches to avoid repeating mistakes
- Rebuild proprietary M&A pipelines and lobby leadership to ensure both access to capital and willingness to embrace creative deal structures

Clorox Wipes and Purell

COVID-19 has temporarily disrupted a record-breaking federal M&A market. After an initial frenzy of calling on targets that were in market or coming to market – like hoarders emptying shelves of essential supplies – most federal deal teams have settled down and are accepting the pause as both buyers and sellers reassess. This poses significant challenges for Corp Dev professionals who had become single-threaded M&A specialists over the last few years. While price discovery and valuation reset happens in the background, now is the time for Corp Dev professionals to rebuild those atrophied growth muscles. Use this time to reassess strategy, to work with Business Development and business unit colleagues to focus go-to-market strategies, and to position for post-COVID spending priorities.

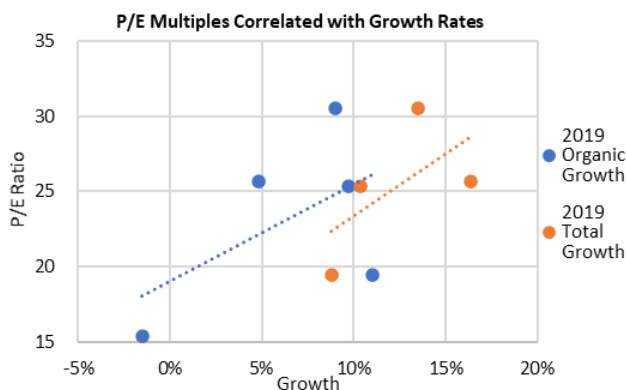
Spring Cleaning

Now that we are sheltering-in-place, we have time to focus on all the home improvement projects we had ignored during busier times. The same is true for companies who have deferred critical post-merger integration efforts. Many of the mechanical and structural elements of integration are complete – HR, accounting, payroll, IT, branding, etc. – but most companies never really optimize the growth organization post-closing. This is the perfect time for Corp Dev teams to work with their Business Development colleagues to harmonize processes, realign the organization based on "best athletes," and energize the growth organization to achieve hoped-for revenue synergies. From a political point of view, the COO, CFO, and General Counsel, who would normally fight to own integration elements, are too distracted right now, so fill the power vacuum.

Everybody is Baking

As the risks of simple commercial transactions and sudden supply shocks outweigh fears of making things ourselves, we are learning first-hand that organic growth is far more durable and sustainable than acquired growth. For years, it has been easier to acquire growth and most consultants and Boards advocated some variant of "follow the money" and/or "bigger is better." With the M&A <EASY> button currently unavailable, and possibly un-

tenable even after the capital markets recover, Corp Dev teams have to work harder now to achieve growth. Sharpen "why us" capability narratives and inventory contract access and customer intimacy to take advantage of your balance of trade: where do you need help and where might you be able to help teammates and M&A targets.



Growth and valuation multiples are strongly positively correlated, so Corp Dev teams must find ways to grow through the current M&A pause.
Source: Wolf Den analysis of publicly traded government services companies

Shop Local

We generally took it for granted that the restaurants and retailers we frequent would always be there whenever we had a whim. In the same way, many of us have gotten somewhat complacent with M&A targets, assuming they could just "get together when you are in DC" or "include us in your process." Corp Dev teams need to focus now on rebuilding and working proprietary M&A pipelines. While it is hard to initiate M&A discussions via Zoom or Hangouts, the barrier is lower than ever for manufacturing introductions. Leverage the strategies above to call on M&A prospects that round out your portfolio. For existing partners and those targets you were already pursuing, share best practices in managing through this crisis and navigating the CARES Act or help mitigate any workforce displacement. Be there for them now and they will be there for you when we get the all-clear.