

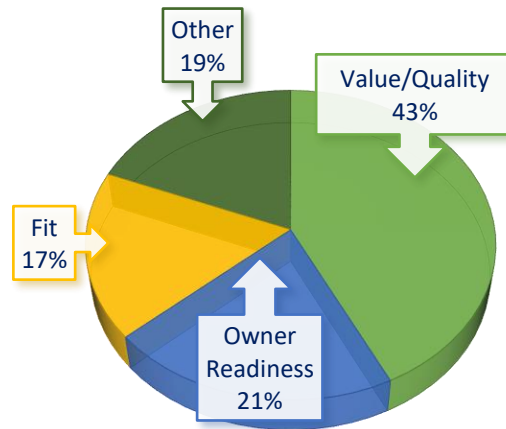
Collaboration in the Search for Deals

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Ask most transaction advisors, “what is one of the biggest challenges they face?” and the response is likely to be around the fact that there is a great deal of un-invested dollars in search of too few quality companies with owners that have realistic expectations about the company’s value. A survey of the AM&AA membership in January, 2017 corroborated this issue as 70% walked away from deals during the prior twelve months; 43% of those walked away due to value and/or quality issues, while another 21% reported owner expectations being the driving force in dropped deals.

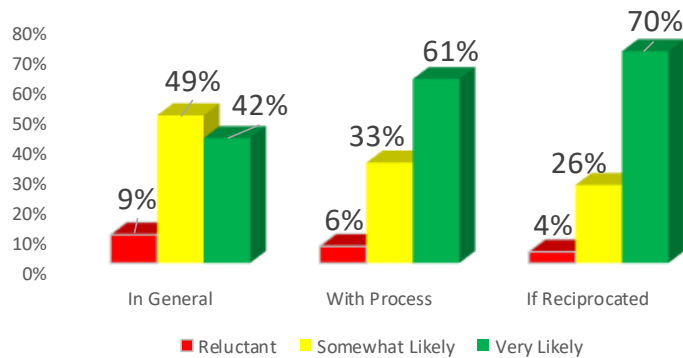
REASONS WALKED AWAY FROM DEAL



The lack of market-ready companies has significant implications for both our industry and our economy. Fewer deals means continually increased competition amongst one another, potentially driving multiples higher despite increasing costs of capital. Further, the fate of those businesses that are not market ready may depress our local, regional and broader economies as those owners with no internal transition alternatives are forced to let their employees go and close their doors. For many reasons, it is in our collective interests to help companies build value and become market-ready.

One potential way to address the lack of quality targets is for the AM&AA ecosystem of investment bankers, private equity groups, capital sources, value growth and other advisors to collaborate more than in the past to support and guide business owners toward a state of meaningful readiness for a transaction. This approach, however, has proven easier said than done as members voice concerns around trust, processes, reciprocity and cooperation. Should these issues be addressed, members reported that they would be substantially more likely to engage in collaborative projects with other advisors when confronted with a target company that needed support that the member themselves could not provide.

LIKELIHOOD TO REFER TO ANOTHER ADVISOR



For example, by the investment banker referring the target company to another trusted party to help the business owner become market-ready, the likelihood of the business owner returning to the same banker for the future transaction substantially increases. Otherwise, a transaction may either not take place at all or would take place with the banker's competitor.

During the Winter Conference, members from all fields of the AM&AA ecosystems met to discuss the factors influencing trust as well as potential processes for collaboration, fee sharing and reciprocation. This discussion provided a strong foundation for AM&AA's new framework for collaboration as well as its new member platform which will be introduced at the Summer 2017 Conference in Chicago on July 19-21. The framework focuses on developing a foundational relationship between the various transaction and other advisors in advance of any specific mutual transaction. With such a foundation in place, the AM&AA framework for collaboration, including tools and processes, may be used throughout a collaborative project for a given target and transaction.

This framework is made up of several components which will be unveiled at the Summer Conference. The most exciting element of the framework is the launch of AM&AA's new member platform which will provide a digital meeting place for all members of the AM&AA community. Within the digital platform, members will be able to learn about and from one another, including areas of specialization, thought leadership and other information. Another element of the framework, known as "Learn, Improve, Deal", defines the value proposition transaction advisors can expect and other advisors will provide to one another when collaborating on a deal together.

The framework has been developed and piloted by a cross section of the membership, representing intermediaries, investors and advisors. The Value Growth Track of the Summer Conference is dedicated to sharing the success stories and details of the collaborative framework so that all AM&AA members can attract and nurture more market-ready deals. Wednesday afternoon kicks off the conversation with "How Value Growth is Succeeding in the Field". On Thursday afternoon, we will discuss "Supersizing the Pie: AM&AA's New Standards for Collaboration" and the launching of "AM&AA's New Center of Excellence Platform" in two separate sessions. (For those that can't make it to Chicago, watch for the session recaps in the next newsletter.)