



Sutton Place Strategies, LLC

The Impact of Effective Deal Sourcing Capital Roundtable Conference November 10th, 2014

Deal Origination Analytics™

Sutton Place Strategies is dedicated to meeting the business development needs of private equity and mezzanine firms.

The firm's core service is **Deal Origination Analytics™**, which consists of a customized report package designed to quantify the addressable universe of a client's transaction target market, measure market penetration, and serve as a road map to increase the effectiveness of a firm's internal deal sourcing efforts.

The reports are backed by proprietary data tracked on a primary basis by Sutton Place Strategies since May 2009.

Presentation Materials Usage

All materials in this presentation remain the intellectual property of Sutton Place Strategies, LLC (SPS). SPS grants a limited, personal, non-exclusive, non-transferable, revocable license to access, display, and use such reports and downloadable content for non-commercial purposes only. Any republication of Sutton Place Strategies reports or downloadable content must include proper citation to SPS or be explicitly approved in writing by Sutton Place Strategies' authorized personnel prior to republication. All rights not specifically granted herein shall be reserved to SPS.

LTM September 2014 Intermediary Breakdown*

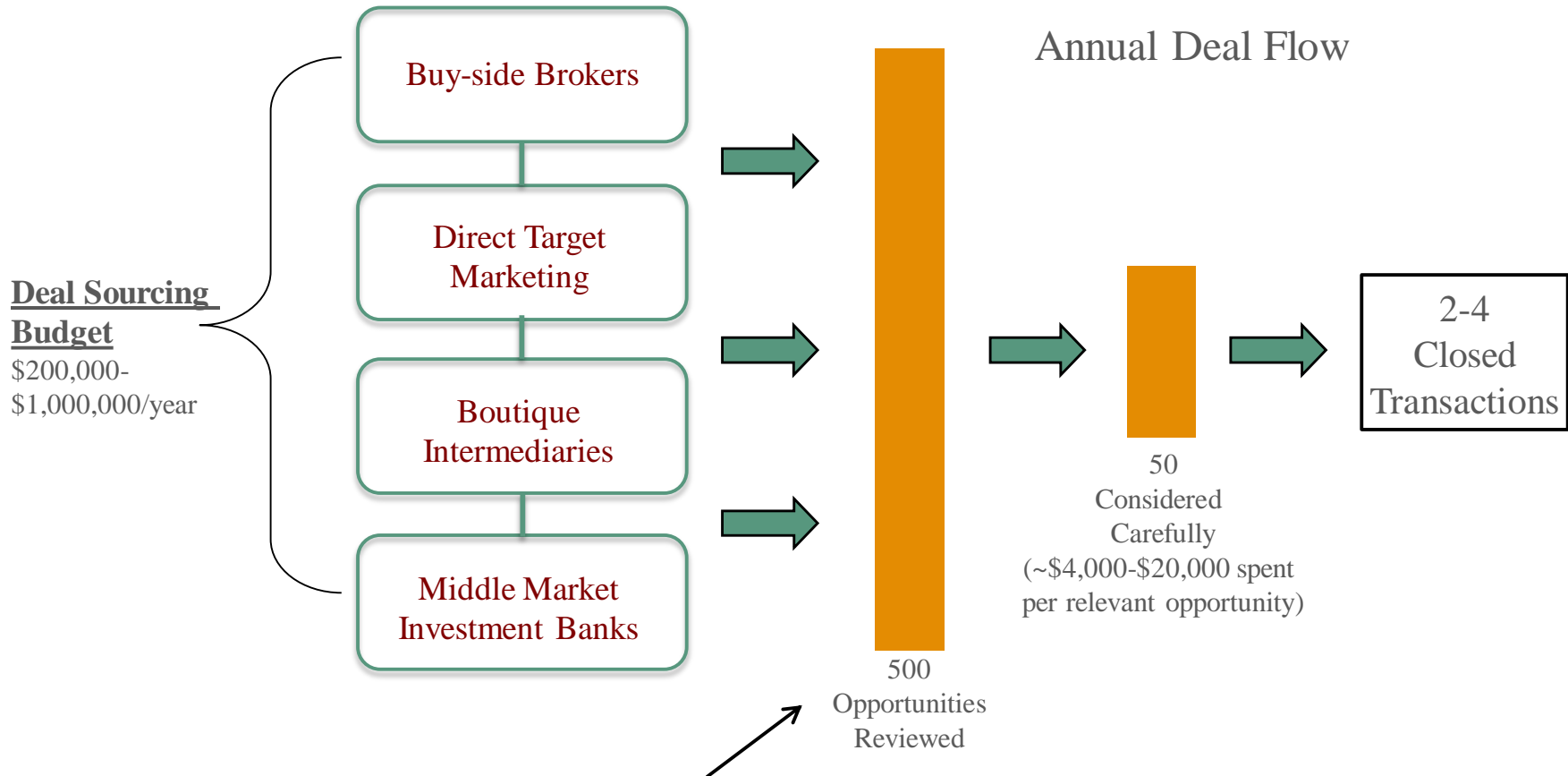
Firm	# of deals	% of total	Cumulative % of Total	# of Firms	# of deals	% of total	Cumulative % of Total	
Houlihan Lokey	98	2.6%	2.6%	10	Completed 21-30 Deals	238	6.4%	37.8%
Goldman Sachs	82	2.2%	4.8%	41	Completed 11-20 Deals	567	15.1%	53.0%
J.P. Morgan Chase	68	1.8%	6.6%	7	Completed 10 Deals	70	1.9%	54.9%
RBC Capital Markets	66	1.8%	8.4%	12	Completed 9 Deals	108	2.9%	57.7%
Evercore Partners	60	1.6%	10.0%	9	Completed 8 Deals	72	1.9%	59.7%
Morgan Stanley	60	1.6%	11.6%	23	Completed 7 Deals	161	4.3%	64.0%
William Blair & Co.	59	1.6%	13.2%	21	Completed 6 Deals	126	3.4%	67.3%
Raymond James	58	1.5%	14.7%	41	Completed 5 Deals	205	5.5%	72.8%
Jefferies & Co.	56	1.5%	16.2%	48	Completed 4 Deals	192	5.1%	77.9%
Barclays Capital	53	1.4%	17.6%	71	Completed 3 Deals	213	5.7%	83.6%
Harris Williams	51	1.4%	19.0%	131	Completed 2 Deals	262	7.0%	90.6%
Bank of America Merrill Lynch	49	1.3%	20.3%	351	Completed 1 Deals	351	9.4%	100.0%
Moelis & Co.	48	1.3%	21.6%	Total**:		3,744	100%	
Lincoln International	46	1.2%	22.8%					
Piper Jaffray & Co.	44	1.2%	24.0%					
Sandler O'Neill & Partners	44	1.2%	25.2%					
Citigroup	43	1.1%	26.3%					
Robert W. Baird	42	1.1%	27.4%					
Lazard	39	1.0%	28.5%					
Generational Equity	38	1.0%	29.5%					
Stifel, Nicolaus & Co.	38	1.0%	30.5%					
Credit Suisse	37	1.0%	31.5%					

Out of 787 Active Intermediaries,
**553 (70.3%) Completed Three or
 Less Transactions in the LTM
 September 2014 Period**

*Based on completed PE and M&A transactions in LTM Sept 2014 \$10+ MM in transaction value with intermediary identified.

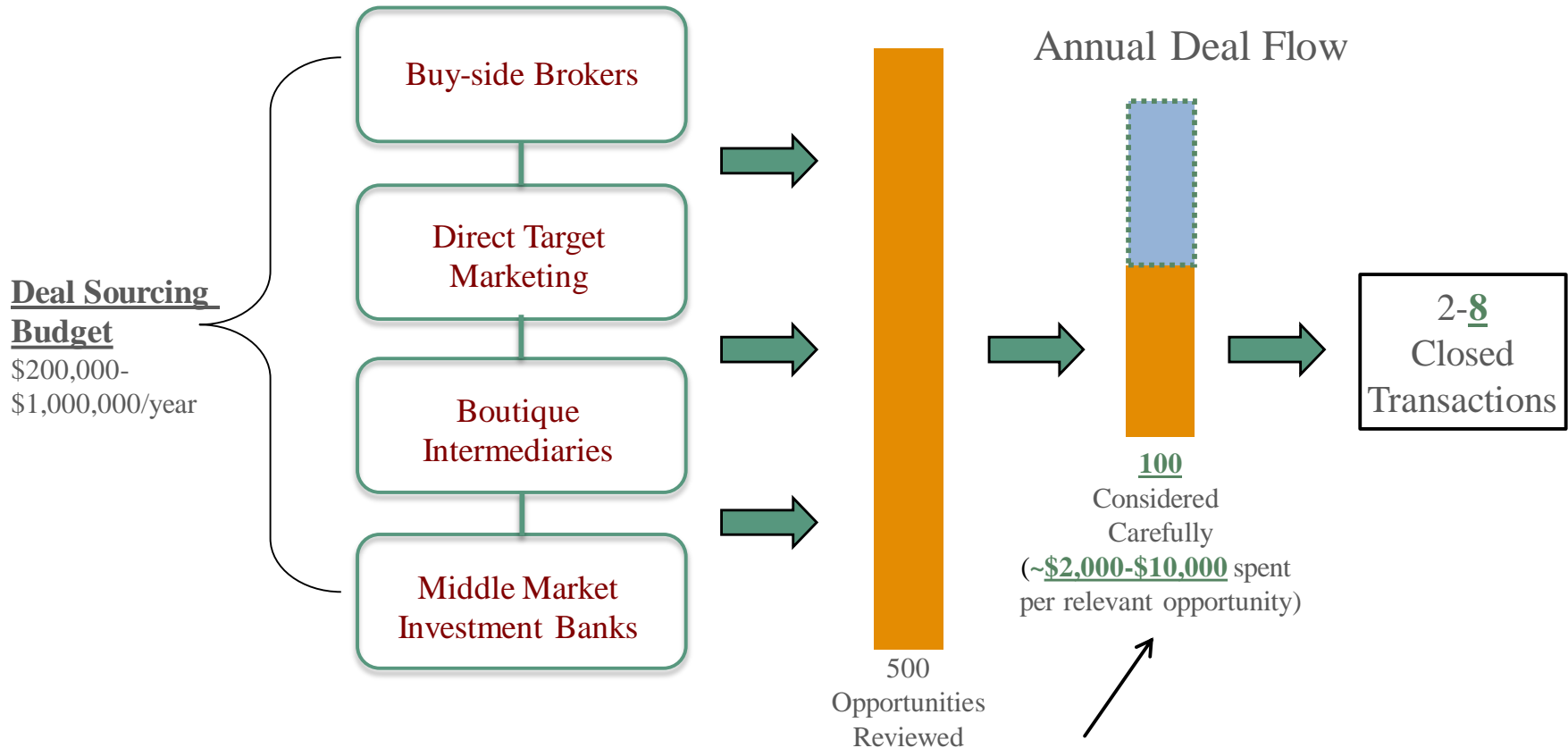
**Total exceeds actual number of deals closed in LTM Sept 2014 due to multiple intermediaries on some transactions.

Private Equity Deal Origination



- ◆ Typical approach to enhance deal flow is to spend additional time and money to increase opportunities reviewed

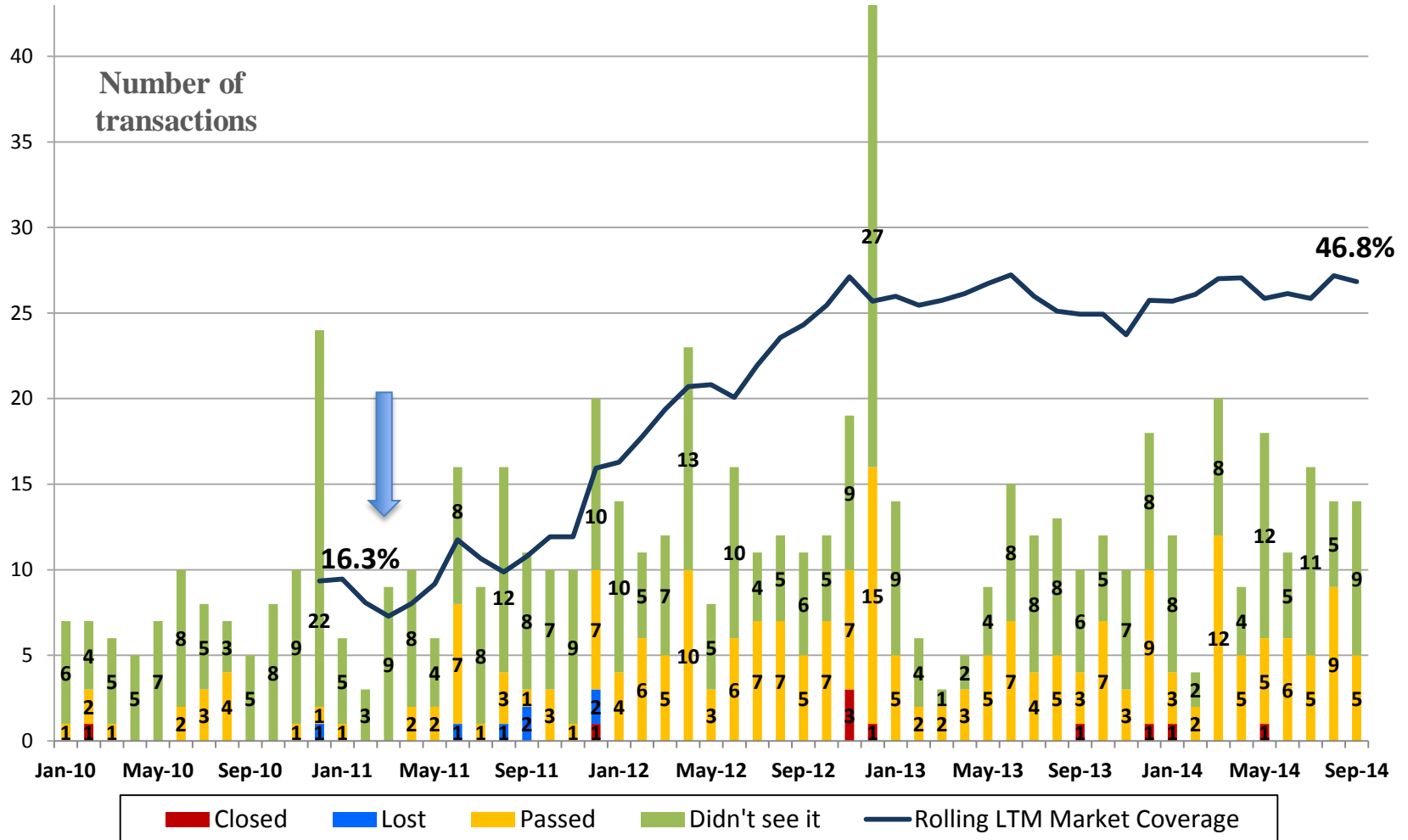
Private Equity Deal Origination



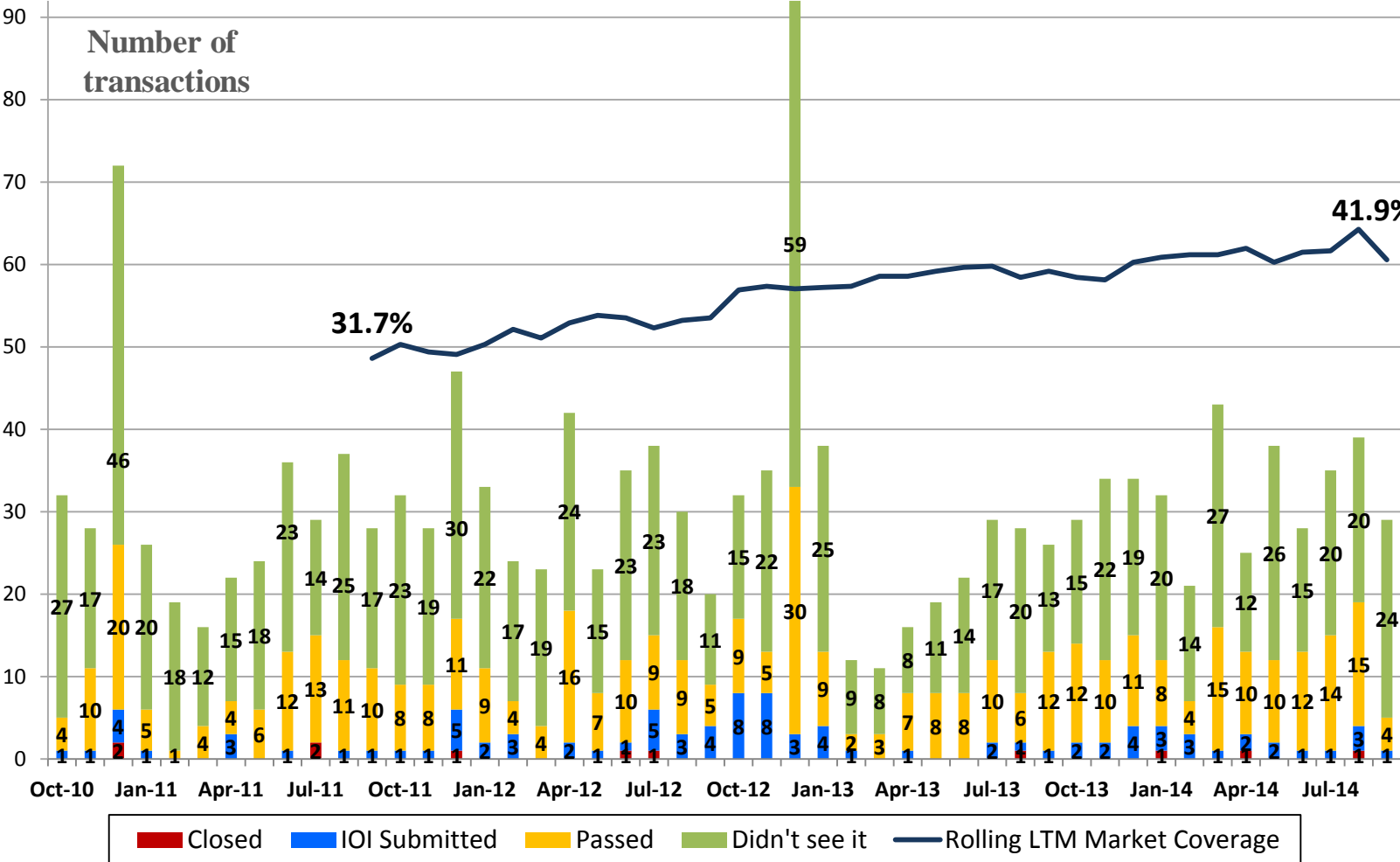
◆ **Shift focus on increasing number of quality opportunities, reducing cost per relevant opportunity and:**

- ✓ Increasing number of closed deals leading to bigger funds, or closing same number of deals while increasing IRR due to higher quality selection

Market Coverage: Sector Focused



Market Coverage: Quasi-Generalist



PE Middle Market: Deal Origination

PE Deal Origination Market Coverage Statistics

	Average	Max	Min	Top Quartile
Market Coverage ¹	19.3%	52.2%	2.8%	39.9%
Market Coverage Boutique Intermediaries	12.8%	45.8%	1.4%	34.7%
Market Coverage Most Active Intermediaries	21.8%	61.4%	1.0%	46.3%
Generalist PE Firms Market Coverage	17.6%	35.3%	7.4%	28.3%
Quasi-Generalist PE Firms Market Coverage	17.9%	40.5%	3.1%	31.2%
Sector Focused PE Firms Market Coverage	23.7%	48.2%	6.2%	37.7%
Upper Middle Market PE Firms Market Coverage	38.7%	52.2%	27.6%	46.1%
Lower Middle Market PE Firms Market Coverage	8.7%	27.9%	2.8%	21.6%

¹Percentage of completed PE transactions with a sell-side advisor in relevant size ranges and sectors reviewed by a PE firm.

Deal Origination: LP Reporting

◆ Two Common Typical Themes from GPs to LPs

- ✓ Proprietary deal flow
- ✓ Breaking down the funnel (number of deals, IOIs submitted, closed rate, etc.)

◆ LPs Will Need More

- ✓ Deal flow receiving increased scrutiny for three reasons
 - Everyone claiming to do a great job, who really is?
 - Increased transparency and disclosure requirements; efficient way for them to check the box on diligence when it comes to deal sourcing
 - Increased direct investing and co-investing; GPs with access to higher share of relevant deals are more attractive

Conclusion

- ◆ **Marketing Will Require an Increasing Portion of PE Firm's Budget**
 - ✓ Deal origination key to unlocking value for investors
 - ✓ Shift focus from deal volume to effectiveness
 - ✓ Not just auctions vs. proprietary: boutique advisors
 - ✓ Importance of the BD professional
 - ✓ LP interest in this area is increasing

Market Coverage: Sector Focused

