



THE LUCAS GROUP

Private Equity - Trends and Opportunities

November 15, 2022

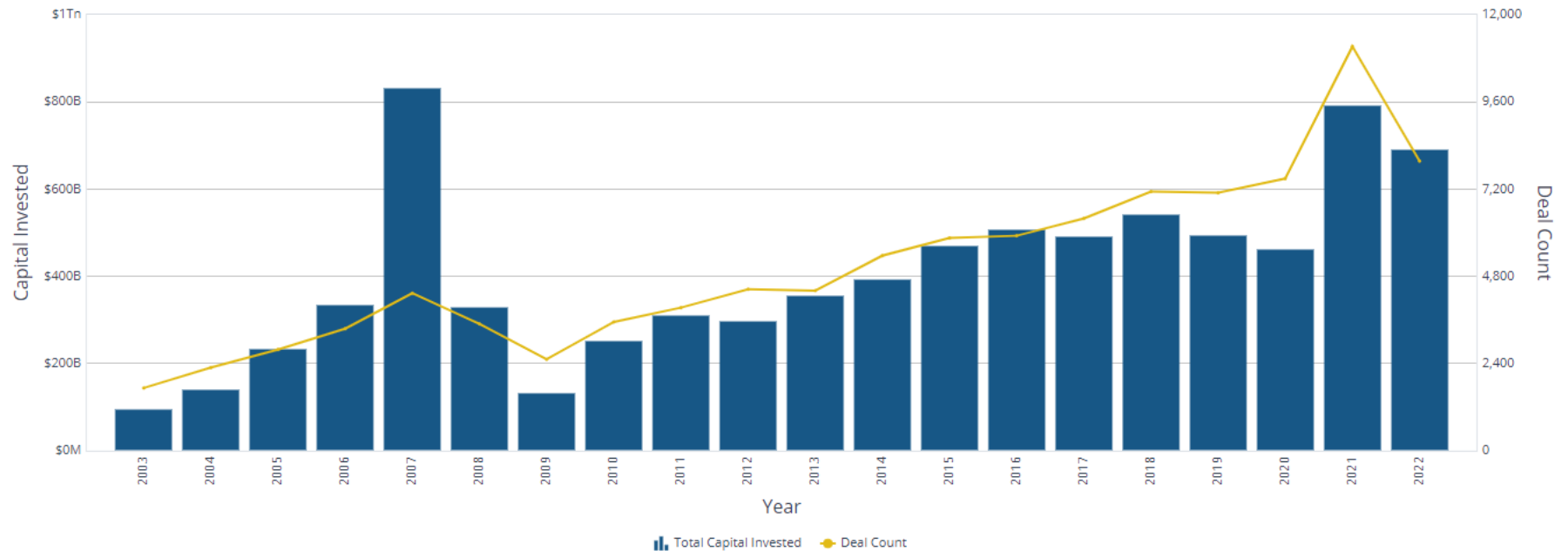
- Who We Are
- Growth of Private Equity – Increased Competition
- Evolving Deal/Transaction Process/Timeline
- How We Have Addressed It – Pinpoint Diligence
- Case Study – Project Blue
- Where PE is Headed

- **Strategy Consulting Boutique**
- **Focused on Serving the Needs of Private Equity Investors**
 - Due Diligence/Transaction Support
 - Portfolio Company – Growth Strategies
- **Founded in 1991 – “mini-Bain”**
- **Senior Expertise – Leveraging Data/Analytics**
- **Based in NYC/Boston**

MAJOR GROWTH IN PRIVATE EQUITY

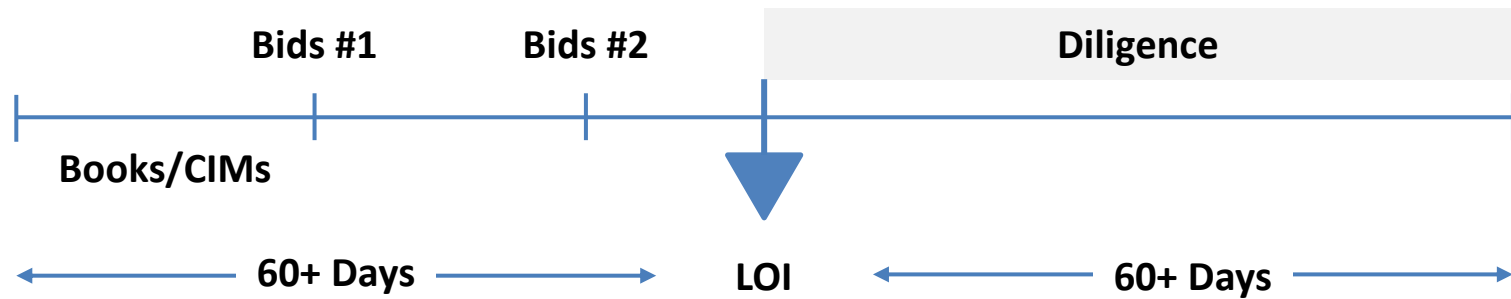
Total Capital Invested and Deal Count in the US (2003-2022)

Capital Invested & Deal Count



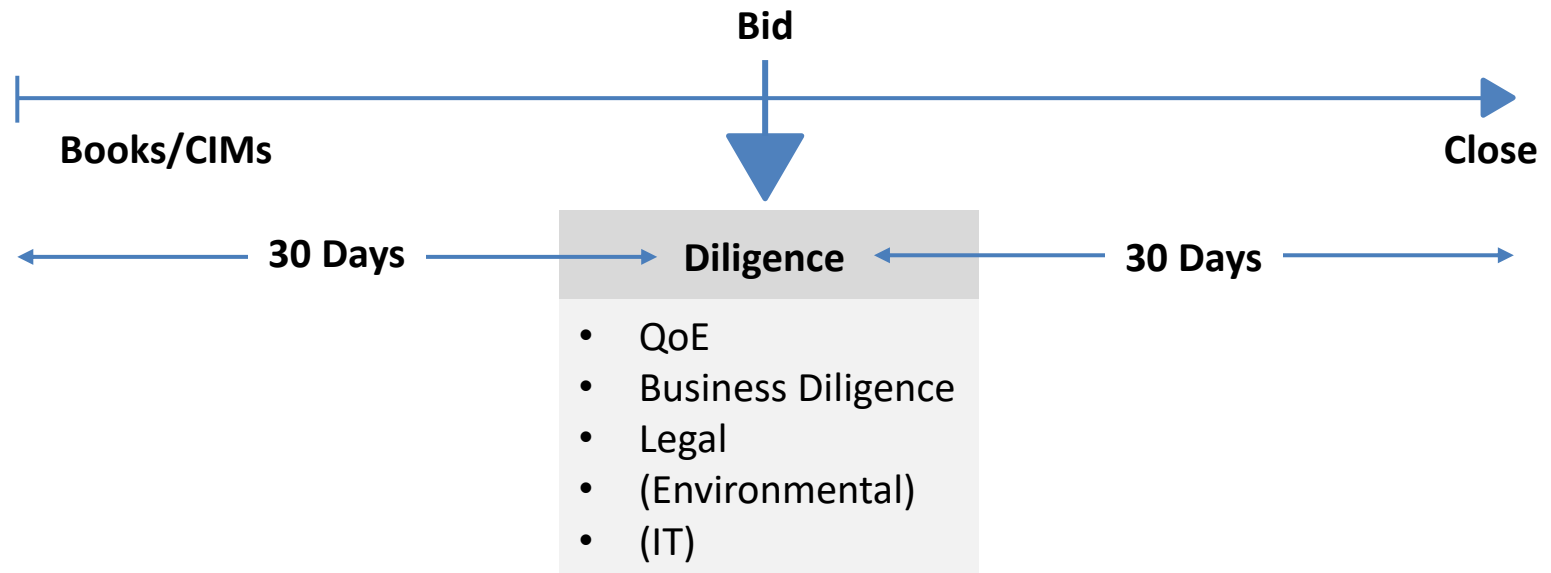
**2022 data represents ¾ of the full year*

TRADITIONAL DEAL TIMELINE



RECENT DEAL TIMELINE

“Pre-empting the Process” - Compressed Timelines Due to Added Competition



HOW WE HAVE ADDRESSED COMPRESSED TIMELINES

TLG's "Pinpoint Diligence"

- **Tailored - One Week Intensive Analysis**
- **Address Go/No-Go Issues – Before Committing**
 - Major Time/Resources to Compete for Deal
 - E.G. –
 - Market Growth Sufficient?
 - Emerging Competitive Threat?
 - Strength of Customer Relationships?

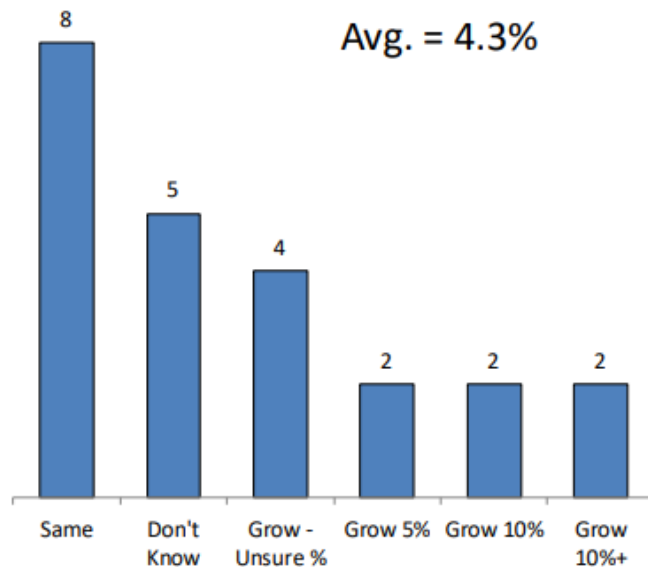
- **PE Client considering acquisition of leading distributor of parts for appliances – E.G repair parts of washers and dryers**
- **Attractive investment if market growth to exceed 2-3 percent**
- **Seemed obvious on the surface – growth of GDP?**
- **But market radically changing:**
 - Korean imports
 - More technology
 - Shorter lifespan → implications?

PHONE SURVEY: VOLUME TRENDS

Yet, repair services providers expect higher growth in their businesses over the next 5 years than in the last 5 years.

When compared to 2020, would you expect volumes of sales in five years to increase, decrease or remain the same?

Mentions (n=18)



Quotes

- Though there is a general uncertainty about growth prospects, 43% of respondents expect growth in the repair industry
 - “Hard to tell. it will depend on technology, politics (tariffs) and weather changes (i.e. more humidity, more fridges break).”
 - “I see growth because people will be buying more and more appliances will break.”
- The growth expectations come as industry participants perceive two countervailing trends
 - Products breaking more often, and
 - Products replaced more frequently than in the past (vs. repair)

WHERE PE IS HEADED

One Person's View

- **Major Economic Downturn**
- **Fewer Sellers**
- **Fewer Investors**
- **Difficult To Raise Funds**
- **Active Secondary Market**
- **Distressed Situations – Restructuring**

- **Those with cash will have incredible opportunities**
 - PE Investors for deals
 - Portfolio companies to gain share
- **Moreover – the greatest predictor of fund success is the year they start**
 - I.e. 2023 vintage funds and likely to be highly successful