



2022

# Due Diligence Report



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## About Us

Apex Leaders goes beyond traditional expert networks to match your firm with precise-fit industry advisors. Through a customized approach, Apex Leaders researches, personally vets and connects your firm with the most relevant, skilled advisors so you can quickly and confidently navigate your investment opportunities.

# Due Diligence Tactics and Trends

▷ The last couple of years have been a whirlwind for dealmakers. After 2021's record-crushing number of transactions, dealmakers went into 2022 with robust pipelines. Now the winds are shifting, and investors are facing challenging headwinds.

Not only is deal flow slowing, but the number of quality deals is also dwindling at an increasingly rapid rate. Investors are sitting on an abundance of dry powder that needs to be deployed swiftly and wisely. And macroeconomic factors like inflation, rising interest rates and geopolitical issues have created tremendous uncertainty. All this adds up to an intensely challenging M&A environment.

We wanted to understand what tactics firms use during these unpredictable times to gain conviction to pursue or pass on a deal. So, we used Survey Monkey to ask 49 dealmakers to share their insights on the number of deals evaluated annually, tactics used in diligence and average diligence spend.

We uncovered that, more than ever, firms rely on their networks to source, close deals and create value during the holding period. Let's jump into the results.

*\*Please note that totals may not add up to 100% due to rounding or multiple choice responses.*





# Precise-fit Partnerships

## Average Number of Deals Evaluated Annually



On average, firms surveyed reported conducting due diligence on an average of 67 deals per year.



## Resources Utilized During Diligence

73%

of firms reported that they utilize operators to consult when evaluating a deal.



Of that 73%, here is how they utilize operators:

- 83%** Post-close  
*(long-term consultant, board member, executive)*
- 80%** Attend management meetings
- 63%** CIM review
- 6%** Other

We asked the 27% of firms that currently do not utilize operators if they would like to and if so, in what capacity.

- 62%** Would use operators in a post-close capacity
- 38%** Would not use operators
- 23%** Would use operators to attend management meetings
- 8%** Would use them for CIM review

# Our Insights

## Experienced operators are under-utilized in value-creation strategy.

Rising deal competition over the last five to 10 years has made operators increasingly crucial in helping firms gain a competitive advantage by aiding in developing sector specialization, identifying deals and building rapport and trust with sellers.

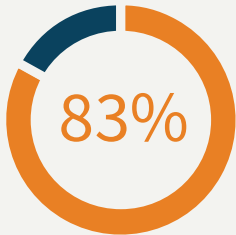
But now, they are becoming critical to value creation. As the quality of assets decreases, the number of deals where the target company requires significant work to create value increases. And thus, it becomes crucial for firms to develop a value-creation strategy during the diligence process rather than post-close.

Having a bench of seasoned executives and operators to come alongside your firm and portfolio company's leadership to navigate economic, social, regulatory and operational challenges has become pivotal to portfolio advancement. Apex Leaders takes a custom approach to understand your firm's goals, investment strategy and expertise needs to match your firm with an advisor that is a precise fit.



# Owning Your Network

## Average Advisor Calls per Deal



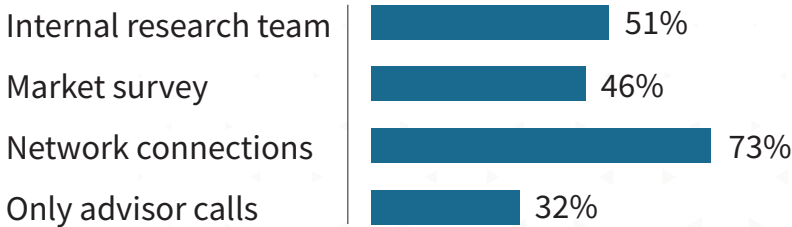
of firms reported that they utilize advisor calls for diligence, with an average of 8 calls per deal.



## The Importance of Network Connections

In addition to advisor calls, almost 75% of firms reported that they also leverage network connections in diligence.

### OTHER RESOURCES USED



Of the 17% of firms that do *not* utilize advisor calls, the majority identified network connections as their most-used resource in diligence.

### OTHER RESOURCES USED



# Our Insights

**Quality network connections are the most critical resource for sourcing deals and remaining competitive.**

Our clients have expressed that the current economic headwinds have yet to do much to dampen the high prices sellers expect.

With fewer quality assets on the market and the increasing complexity of diligence, firms must now consider factors beyond financials. This includes environmental, social, governance, cybersecurity, diversity, equity, inclusion, talent density, acquisition and retention. Attention to detail and connections with the right experts during the diligence process are more important than ever.

There is intense competition for deals. And this has created the need for firms to develop comprehensive sales and marketing strategies. Bolstering your marketing and business development team's network can help facilitate proactive business opportunities and inform marketing messages.

So, when a seller is ready to come to market, they are aware of your firm's experience, capabilities and approach to partnership. Apex differs from most expert networks because we connect firms with their perfect-fit advisor and then provide ungated access, allowing firms to own, grow and leverage their network to their advantage.



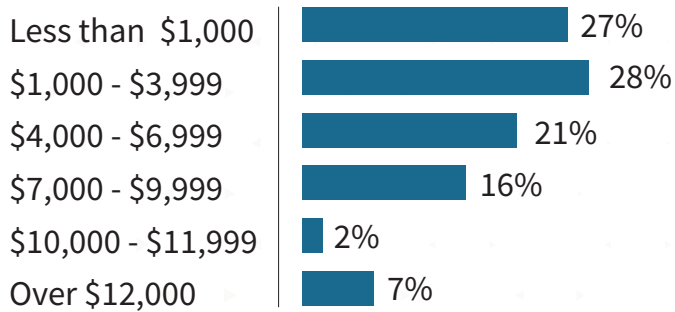
# The True Cost of Due Diligence

## Average Daily Cost of Diligence



46% of firms reported spending more than \$4,000 per day on average when conducting due diligence, considering both internal and external resources.

### AVERAGE SPEND PER DAY



### Average Spend per Deal

Private equity firms reported spending an average of **46 days in due diligence** per deal – that means that on average, 46% of PE firms spend at least \$184,000 on diligence per deal.

*\*For additional breakdowns, please see Figure 1 on the following page.*



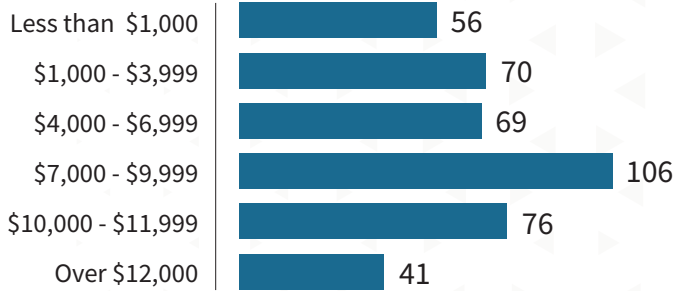


# THE TRUE COST OF DUE DILIGENCE

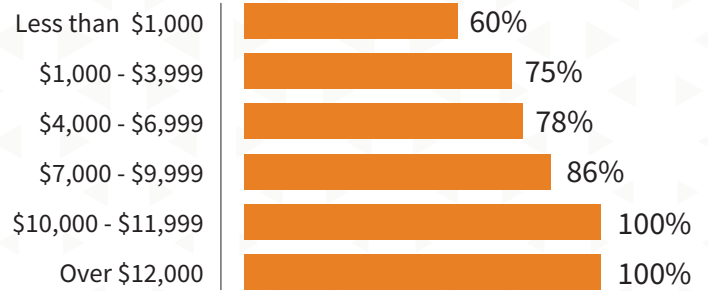
Figure 1: Additional breakdown by spend category



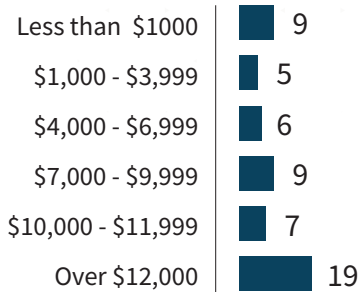
## AVERAGE NUMBER OF DEALS EVALUATED ANNUALLY



## PERCENTAGE OF FIRMS THAT UTILIZE OPERATORS



## AVERAGE NUMBER OF ADVISOR CALLS PER DEAL



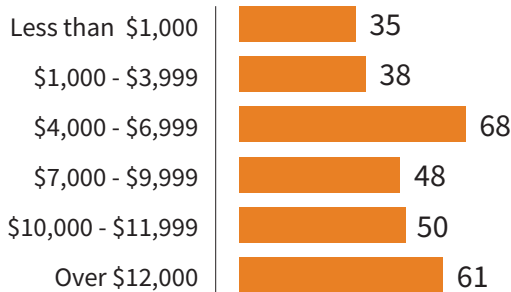
## PERCENTAGE OF FIRMS THAT UTILIZE ADVISOR CALLS



Firm's Average Spend per Day of Due Diligence



## AVERAGE NUMBER OF DAYS SPENT IN DILIGENCE PER DEAL



Firm's Average Spend per Day of Due Diligence

# Our Insights

**Diligence is costly, and finding relevant executives from the start is imperative to controlling costs.**

Conducting due diligence is costly, but the costs of missing out on the right deal or investing in the wrong one are even greater. The fierce competition, abundant dry powder and intense pressure to deploy capital have made having the right people in your network essential to success.

By adding specialized industry experts across all facets to your network, firms can quickly get up to speed on opportunities, bid with conviction and build relationships that can help to generate additional value during the hold period.

Apex Leaders matches firms with specialized experts that help your firm make the smartest business decisions, faster. By building partnerships with the right advisors from the start, we save you time both in the valuation of subject matter experts and the investment life cycle.



# Our Process

Through our custom, consultative approach, we deliver precise-fit partnerships that enable investors to navigate investment opportunities quickly and confidently. Here's how we do it.



## Scope

After submitting your project via our industry-leading platform, your dedicated Apex Leaders team will meet with you to do a deep dive into the insights you need to gain, investment angles and length of advisor engagement – a one-hour call or a longer-term partnership.



## Discover

Armed with the knowledge gained during the project intake meeting, our research team gets to work. They conduct custom research and map all relevant talent. Using your criteria, they thoroughly and personally interview before presenting them to you – ensuring only the highest caliber advisors specific to your project.



## Partner

In the portal, review the resumes and vetting call notes. Once you decide which advisors to engage with, the Apex team facilitates the introduction. We provide ungated access to advisors, so the relationship is yours to nurture and grow, should you choose to, either now or in the future.



## Follow-through

Engagement from your dedicated Apex Leaders team doesn't end after advisor introduction. Our team will follow up to ensure you have gained the insights needed or if a pivot needs to be made based on findings from advisor engagements. If different expertise is now needed, our team will iterate to provide the exact-match advisors to navigate the new angle.

# Our Services

▷ We give investors a competitive edge across the investment continuum – Exploration, Evaluation and Post Acquisition.

## Exploration

### SECTOR THESIS

In today's investing environment, sellers expect you to understand the nuances of their industry, have a long-term sector strategy and present a strong vision for company growth. So building proactive relationships in target sectors is crucial to becoming a preferred buyer. We connect you with seasoned executives and operators that you can partner with to build trust and rapport with sellers, gain a competitive advantage and position you to discover proprietary investment opportunities.

## Evaluation

### DILIGENCE

No matter if your deal is at an early stage or under LOI, we connect you with the precise-fit advisors — whether that be a C-suite executive that has “been there, done that,” an end-user or any level in between. Our process ensures you are connected to the right industry expert who can provide the insights needed to accelerate the learning curve. This will help you determine whether to keep pushing on a deal and when to redirect resources to the next opportunity.

## Post-acquisition

### PORTFOLIO ADVANCEMENT

Growth strategies for your portfolio companies are essential to value creation. Our services extend to your portfolio companies at no additional fee as part of your partnership with us. We use the same bespoke process to match management teams with expert advisors that can provide insight on key considerations such as expanding into new and adjacent markets, examining key performance drivers, evaluating new technologies and anticipating regulatory shifts.

### BOARD PLACEMENT

The earlier investors fill key experience gaps on their board, the better integrated and more effective the board will be in serving the company's strategic interests. Apex Leaders uses specialized research methods and extensive experience built from servicing investors across multiple industries, sourcing the most relevant and experienced executives to serve on your board of directors for a perfect fit.





# APEX LEADERS



## Find your Perfect-fit Partnership

Are you ready to go beyond the traditional expert network and find the precise-fit advisor for your investment opportunities? Contact Apex Leaders today.

(208) 900-2737

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