

4 Business Development Best Practices for Private Equity Firms



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Effective deal sourcing requires a careful combination of strategy, outreach, data, prioritization, emotional intelligence, and hard work. There are nearly 1,000 active financial advisors in the middle market today, according to Sutton Place Strategies. Building and maintaining effective relationships with bankers can be a challenge for private equity firms in any environment, but the sheer volume and fragmentation of the current market makes things even tougher. Sutton Place reports that nearly 60 percent of today's firms have a dedicated business development professional (up from 47 percent in 2017), but even with a devoted resource, sourcing isn't easy.

Vladimir Andonov, Director of Business Development at [Martis Capital](#), recently sat down with Middle Market Review to share four business development best practices he comes back to when networking with advisors and sourcing deals. Martis, a healthcare-focused lower middle market private equity firm, closed its third fund earlier this year at \$545 million of committed capital.

1. Make your process repeatable.

"About three-quarters of my time is spent on business development — I also am active with a few of our portfolio companies and work along with our founders to manage relationships with our LPs. During our last fundraise, one comment that consistently came up from LPs was, 'We love hearing about these positive results from Fund II — but how will you repeat that?'

"We — and our LPs — don't want one-off successes. These discussions were part of what led to me transitioning to spend most of my time on business development; previously we didn't have a dedicated BD professional. We also decided to move from tracking our deals on Excel to using a CRM. The CRM gives us more visibility into our pipeline, both current and historical. We use it to better understand what deals we've seen, why we passed on them, and whether we made the right decision. That said, we began transitioning to the CRM a little over a year ago, and are still figuring out how to leverage it most effectively and become more data-driven in our sourcing approach."

2. Stay top-of-mind.

"You have to find the right balance when it comes to staying in touch with intermediaries. Some people are open to a call every few months, others less so. It's important to be flexible.

"The number of intermediaries in the market means it can be hard to justify staying in touch with advisors who may not see that many opportunities a year. But it's still important to call on these folks and visit them when you're in their area when possible. We've found Axial — both the online network and the in-person events — helpful for meeting and keeping in touch with groups we might not otherwise encounter."

3. Be candid.

"A lot of the opportunities that get sent our way aren't a fit for us. I think bankers are very used to folks just saying, 'Sorry, we have to pass, we'll catch you on the next one.' Obviously we're all busy. But that kind of generic message isn't helpful to bankers, especially when they're trying to synthesize feedback for their clients. We're mindful of that and always try to provide bankers at least two or three specific reasons why the deal isn't a fit for us — whether it's a financial performance aspect, the end market is too small, we've looked at the space before and don't want to spend time there, etc. We hope our candidness is helpful to bankers and their clients as they bring their deals to market."

4. Ditch the quid-pro-quo mindset and be helpful.

"When we say 'relationship,' we mean it. When I meet a new group at an event, I'm focused on learning more about what they do so we can be helpful to them too. We don't view each bank as a group that will show us an opportunity that we'll pursue or not. We want to build an ecosystem. For example, if a bank is trying to win a mandate in a space where we've invested, I'm always happy to jump on a call. There's so much you can learn from talking for 20 minutes with someone with a portfolio company in the space. It's not just about whether that call is going to lead to an opportunity. Of course it would be great if all the sudden one of those banks had something they're bringing to market and it turns out to be a great fit — but I don't base my actions on that expectation."