How M&A Professionals Have Helped Businesses Survive Through & Thrive In Uncertain Times

Matt Feldman: [00:00:00] Good morning. Thank you to everyone for joining us. We're going to give it about 60 seconds here. you have everyone a little bit of time to hop on this morning. And then we'll, we'll, we'll hop in. Appreciate everyone being here this morning.

Great. Well again, thank you everyone for being here. We, we appreciate it. We know that everyone has a lot going on right now and appreciate you spending an hour with us. Before we dive in we really want to, again, send our well wishes to everyone on the line. We're truly a unique place right now in our world and hope everyone is remaining safe, healthy, and relatively saying, we're really excited for this morning's panel.

My name's Matt Feldman. I am a managing advisor with Baldwin Christian Sherman partners. For those of you not familiar with BKS partners. We are a Tampa based, insurance risk management advisory firm, with offices throughout the Southeast, already costs for, distinct business platforms, commercial risk management, employee benefits and retirement, personal private risks, as well as asset and income protection. I am really excited today to bring you this panel. But the number of investment and professionals, for those of you familiar with BKS, you know, that we are able entrepreneur found a middle market firm, all of our founders and all of our advisors and employees, are, seen as real entrepreneurs, we all put our own spin.

And so having this opportunity today to listen to folks who are truly entrepreneurs and invest in entrepreneurs is, really exciting to all of us. I am really excited to turn the mic over to Brooke Evans. I am the CFO lions. She is CEO, CFO Alliance and BKS have worked very closely together for a long time.

Now I Brooke will introduce the rest for panel. Thank you again, everyone for joining us in Brooke, take it away.

Brooke Evans: [00:03:04] Good morning, everyone. I am so delighted to be here this morning and to have this chance to host this great panel. They are a tremendous partner and a great thought leader. This is truly inside non-insurance and you guys have probably noticed even attended some of their other great webinars.

We've had an awesome session here for you today. Just a couple of housekeeping items. If you have any technology challenges, I also wanted to think had a case with Dean he's the one that's making this all work this morning. You know, the technology parts never the easy part. Casey, if y'all have any issues during the session and you lose access to the webinar, reach out to Casey as he is the partner with that. So, as Matt mentioned, I brought Kevin on the founder of CFO Alliance, started the firm in 2008. You are an outsource CFO firm serving growth focused entrepreneurs that are honored to be invested in or have already been recently invested in by private equity or family off. So really bridging that gap between businesses and private equity have a team of 35 people and go to market as a team to serve a lot of great companies.

In a minute, I'm going to introduce you to our outstanding panelists themselves. We have got broad representation from private equity, the office and investment banking, and we're joined by David Friedman of Warwick capital group, Mike Johnson of Skyway, capital partners, Jay Grayson of supply chain equity, Ryan corner of the farewell group.

So, we'll start off and shows three minutes. Go ahead and share by yourself, please.

David Friedman: [00:04:43] Sure. David Friedman, the managing director of Warwick capital group. We're a Connecticut based family office back piece sponsor. Kong investment include a business in the substance abuse area, aesthetic, pediatric pharmaceuticals. some of our prior investments. So did health care, and it, dialysis business. and prior to that,

I ran the family office for billionaire Fred DeLuca, who the founder of a subway restaurant, franchise, business up until his passing, about four years ago.

Brooke Evans: [00:05:18] David, thank you for being here this morning. Ryan.

Ryan Cortner: [00:05:22] Hi everyone. I'm Ryan Courtner, and I'm a partner at Clearwell group. We are a family office investment advisory business here in Tampa, and we are focused on the Southeast Florida first and supporting operating businesses and real estate development projects, as well as advising our family clients in estate planning and public securities management.

Brooke Evans: [00:05:47] Alright thanks Ryan. Jay.

Jay Greyson: [00:05:51] Hi everybody. I'm Jay Greyson. I'm a managing director and founding partner of supply chain equity partners. We're a private equity group located down here and Tampa, Florida. we are the only private equity firm in North America that invest exclusively in wholesale distribution and supply chain businesses, broadly defined anything from industry related, from, pet foods to healthcare, to specialty, to, to profit.

Brooke Evans: [00:06:18] Alright thanks Jay. And

Jay Greyson: [00:06:20] Michael wrap us up.

Michael Johnson: [00:06:21] Yeah, good morning, everyone. Thanks for having me. so Michael Johnson, managing director at Skyway capital markets, we're a investment banking group headquartered here in Tampa, Florida, offices open in the country. So, we've had a number of deals that were going on in pre COVID that got put on ice, a number of deals that are still going on.

And so look forward to, yeah. Talking through some of those things.

Brooke Evans: [00:06:44] Great. Thanks, Michael. So we're going to have a dynamic and thought-provoking conversation morning, as we all have experienced in COVID, it was instant, it was pervasive and it was just endless uncertainty as the numbers bounce back and forth.

And we all try to plan for the future. And this is coming on the heels of MNA valuations work to increase for years and years. And it was leveraged. And so it's going to be a really interesting conversation this morning, around what people have experienced in the M and a markets, as kind of what he does, they were able to make, we've all had to fly.

We're curious from panelists here this morning and how they've been able to adapt and what challenges have you faced as they were moving through the evolution that was needed and what's the current trends are and what that look is M MNA. So we're going to cover all of that for this morning. We're also going to dabble in a few callings.

And so we will start our first poll question. Now we would love to just understand a little bit about you as our audience this morning. So you can let us know what your role is. Are you the CEO and leader of the organization and other piece on who functions as a service provider or trusted partner to clients or something other than that, you answer that question and then we'll even into the panel conversation.

All right. Can you see, does it look like people have had a chance to respond?

Jay Greyson: [00:08:34] We've got about 80% people have responded. So please keep your questions coming in. We'll reveal the results of the few seconds.

Brooke Evans: [00:08:42] Yeah. Thank you for mentioning that we are going to have an official formal Q and a session at the end of the end of the conversation. If you have questions that you think of that you'd like to hear anything you talking, please go ahead and put the chat box and we'll save them for the day and then making it a robust Q and a session.

All right. So let's get a feel for the years. We have a lot of trust from partners that probably want to learn a bit gears and be on point with our clients and people that they're serving that some CEOs and leaders probably an even of each. And then other, alright, thank you for answering a lot of questions, but let's get, let's get started with our first question.

Cause I mentioned it was incident and pervasive. So I'm curious to hear from our panelists, what changes did you make during the pandemic that will benefit you going forward? Let's start with you.

Yeah.

Jay Greyson: [00:09:43] Gotcha. I think it may be, almost more appropriate to ask what wasn't changed, going into the pandemic, because in everything that we did, and I know a lot of our colleagues around the table here, get everything, trying to look from a long term perspective. So we are heading into the pandemic.

We did a lot of what some, so the old folks did, and that is, think about playing defense. Right away. So you immediately have to look at your, you know, your cash position. You really quite often go into 13-week cash flows. Look at continuing to plan better, understand your fixed first variable costs. look at your organizational structure initially, just a head to toe evaluation of the business, because none of us knew and still know how deep and, how deepest this is going to be with the duration of this is going to be.

But I think the tools that we created with all of our portfolio companies will help us maneuver through anything that's going to be happening over the next six, 12 months, whatever period is. But I think more importantly, getting, getting to your question when you do that type of deep dive in a company.

It's always going to call up, areas of opportunity. So when you're looking, for example, I continue to plan and you're looking at every well, not just lie to them, but you're asking why, why do we do certain things in this way? Why don't we consider certain things in this other way? So a lot of our businesses have made structural changes, not just to get through the relatively short-term issue here.

But the constraint in the business going forward, for example, we had been in a coordination stance with some of our businesses from the inside sales outbound call because some of our businesses are long legacy outside sales organizations that we're just starting to dabble with insights, but when the is not down on fly, you rent anymore.

And there's, we're seeing now going longer term, less of an appetite to have you call them, particularly in certain types of plan environments. Having that outbound calling program, within the quarter by a CRM that the cadence that you start, the running sale and closing the business is key driving you through the CRM is neat.

Having the infrastructure. Just keep that. So I think, you know, all the more businesses will be coming out of this stronger because it's not just a matter of playing defense, but you're starting to play defense to the way that sets you up to take market share and be a much more competitor going forward.

Brooke Evans: [00:12:07] So lots of, lots of stuff in there, it sounds like you had a foe and COO CEO's of your portfolio can be very good. You talk about forecasting versus variable, but with the, it sounds like there's a switch from offense to defense. Even in that different, looking through that different lens, you're finding opportunity.

And I'm curious, Ryan, maybe you can talk a little bit about with the opportunity that finding and the changes that need to be made. As Jay mentioned with, you know, taking a different focus and a sales approach, are you looking to help your portfolio companies making new investments, or is it not time to do investments that need to change an organization?

Cause there's too much uncertainty. What are you, how are you executing?

Ryan Cortner: [00:12:51] Sure. Thank you, Brooke. I think, the short answer is yes, we are helping our portfolio companies look to make new investments, both in terms of add on acquisitions and, Investing in expanding their business and other ways, I think going back to the first question, when the biggest things that that changed for us is we started to engage with our advisory boards in a, in a different way, in a more frequent manner.

So communication definitely increased. We spend a lot of time with our portfolio companies and for our own business and in building boards that. Include people that are in the same business as we are subject matter experts and people that are a generation or two ahead of us that have accomplished what we're looking to accomplish with a particular business.

So peers, professionals, patriarchs are all included. And I think, you know, Jay made a great point. I think everybody was, was focused on defense first. And then at some point we. Pick their head up and said, Hey, we've got to be deliberate about spending a portion of every day and every week on offense as well.

And that's when we really leaned on the advisor roles that we put in place to help us make wise decisions there.

Brooke Evans: [00:14:10] I love it. So that said, it sounds like a really intense period with communicating with lots of different types of stakeholders. For the benefit of your portfolio companies. just talk a little bit about communication.

The switch to remote work was awesome immediate, and some companies were able to do that really easily. And others were, were challenged. Did any of you have experiences where it was really difficult for wholesale company to make that switch to remote work? Why.

David Friedman: [00:14:46] Well, I'll jump in there. No, I think we saw kind of a major, you know, to some degree, you know, us being in the substance abuse and health care business, we really had to up our game as it related to telemedicine capabilities and video consultations. I think we did a good job doing that. Where I sort of described as mixed, obviously in substance abuse, it's a little tricky when you're dealing with volt substances.

To some degree you could completely move to kind of a telemedicine, environment. I think probably the biggest challenge there was we started that was concerned not actually providing then the in-person concentration.

So, you know, we made progress in terms of marketing in some degree to our businesses, but we also saw some challenges as it related to our staff being willing to probably, you know, you guys take on, you know, that that still required. One-on-one that really can't be done through a virtual connection.

Brooke Evans: [00:16:01] Do you feel David then, like you've also been tapping Burt's and advisers to figure out how to meet through that, or how have you been trying to adaptive?

David Friedman: [00:16:14] You know, I guess we've, we've definitely been relying on kind of our boards as, as you know, Ryan said some of our advisors to some degree, our portfolio companies have been relying on us or the companies that engage in our portfolio. Because they were, I think kind of caught off guard as much as we all were on this group of things. So there's definitely been an increased reliance on outside of advisors that I say, and, you know, the kind of reliance that people have been looking for, at least from my perspective have definitely been, you know, how do we, how do we. How do we restructure or kind of look at business differently to flip this new environment and so I think, you know, we've had to kind of, you know, go about that ourselves before answering that question for our businesses and, you know, we're, we're still, I think, evolving those answers.

Brooke Evans: [00:17:16] Yeah, for sure.

Jay Greyson: [00:17:23] Would you mind if I followed David's common question because he mentioned something that's kind of near and dear to our hearts, because we talked about switching from deepens. Once you had that core sustained to an offensive mode. But as David said, I know with our firm for the first few weeks after this pandemic hit, we literally went on Sunday.

We started our calls at seven 30 every morning, Saturdays, and Sundays to do what they said. And that is, this is so new to everybody. We had to do all the work to help them portfolio companies understand anything from what is, what is the CDC. And what is this care Zack and how do you operate in this environment and all of those things, do we leave them to do their, to do their core work? If you're talking about it, communication, no offense. I think this is one of the best opportunities that many of us will ever have to play offense. And that's because at least in our world of wholesale distribution and logistics, the vast majority of those companies are still privately held.

I love those businesses have not made any investment in it and have the ability to operate and operate very productively, both at the kind of distribution center or a retail outlet all the way through the people that are working remotely at home customer service, inside sales, order entry, maybe sales teams.

So we saw lots of those. And I would assume this doesn't know any industry, a lot of these small companies. But down when they didn't have to, and that not understanding the concept of essential business and some of them shut down because not able to operate remotely, you know, in full form or fashion, or sometimes in any form.

And those are the opportunities that Edwards out there. And look not just for what your business is doing. Well, look at what your competition is able to, or not able to do, and then play very hard on the offensive side, because this could be the greatest opportunity any of us will ever have in our business.

Brooke Evans: [00:19:25] Great. And it sounds like with the increased reliance on external advisors and working with what's nearly 24 seven, ensure all of your work, the value of that relationship is invaluable.

I'm curious. Do you think that the relationship between sponsor and portfolio company has strengthened through this experience together or cause challenges in the relationship?

David Friedman: [00:19:56] Sure. I think for us, it's, it's definitely strengthened. I think, a lot of private equity funds and anybody, you know, participate in that industry, family office or otherwise, you know, when you first start that relationship, and you're getting to know one another, you talk about, the value you can bring to the table and the importance of good governance and the importance of many counselors around the importance of many counselors around the table. But oftentimes that really doesn't come out and the value isn't appreciated until there's a trial. And so, for many of our portfolio companies, this was the first serious trial that we've experienced as partners.

And so I think coming out of this, there's a lot more trust and there's a lot more understanding of what each, each group brings to the table and that's, that's going both ways. So when we, we have a great amount of respect and appreciation for our management teams and the advisors they've, they've brought around and they just, in some cases stepped up in an absolutely, amazing ways, both from a business perspective.

And then just from a human perspective and helping and caring for their teams. So that's been our experience.

Nothing brings people together or separately in like crisis. Right. I would say would pass similarly. I would say, you know, we already had a strong relationship with a lot of the companies. We engage with them and this, you know, made it stronger, but you know, your mileage may vary.

I, you know, I don't know. I don't know of a lot of companies that I know of that the relationship. The, or at least private equity firms that their relationship kind of crumbled out of this. But I just, haven't heard of.

Jay Greyson: [00:21:44] And then David, I'll add to that. We've seen both sides there because from our side, we have the same experience that you all have in terms of working closely together and strengthening.

But as we talked to a lot of our other kind of friends in the industry, they're running companies, not partners with supply chain, but in different businesses, we hear the gamut being run from. But we try to do, which is be true partners and do as much as we can because Ryan, to your point, the hard work is at the portfolio company level.

So the work that these management teams have done. Is heroic in so many cases. And that's where the really tough work gets done. So our job is to support them in this process, but we hear so many stories of seeing boy, if my private equity contract on one other report, one more update on cash flow three times a week, you know, to try to understand, allow to run my business, do what it needs to be done because of all this noise in the background.

Brooke Evans: [00:22:41] Who doesn't want to run a 13-week cash report thing ever. So Mike, I'd like to talk to you for a minute. I'm curious to see a lot of what's happening with deal, generally your views on.

Michael Johnson: [00:23:01] Yeah. I mean, you know, and you, you nailed it. I mean, it's very industry specific. So you know, you have an Academy of a couple of different industries. There's some that are doing really well. And they're actually strengthened them through this. I mean, David used on tele-health and a couple of other places.

I mean, we have an insurance deal right now and they have to share here. You know, they to do more work from home environment very well. You know that deal is going to strategic interested in that. And then you have some others that. No, our pairings are well, right. And they're more than a distressed starter in our restructuring bays.

And we're seeing those start to, you know, come, come to market fruition and you know, I think you really are looking at mid-July20th. You know, when quarterly reports are coming to the banks, banks, and the government has really been very lenient, rightfully so. well, that reporting is going to start now. We're going to start, know, some of the issues actually coming to the surface now.

Brooke Evans: [00:24:10] Yeah, it does seem like are going to be some big winners and losers just based on what segment of the industry, they were still getting in our strength to get through this. And it, it sounds like those companies that have sponsors are going to be stronger in group as a general rule of thumb. I'm curious what you think too, with, with the banking access to capital.

How is that going to effect, even if appetite a little bit. Progress deals getting done. And why Ryan, why don't you start us off on that?

Ryan Cortner: [00:24:42] Sure. Again, I think the short answer is yes, it will. someone will correct me on this Warren buffet quote, but you know, he said something to the effect of, you know, when the tide goes out, you find out who's skinny dipping and I think. When times get tough, you know, stronger balance sheet is going to enable people to, that have been conservative over the last, several years to, to be more active and play, play offense and not have to be so internally focused. We have found, two things, a smaller number of lenders have been able to kind of pick their head up and go after new business and not be entirely focused on their portfolios.

Are there those that had really strong portfolios and are as active as ever? We're seeing those lenders reach out proactively and go after new business. So our portfolio companies and we are taking inbound calls the last several weeks looking for. From lenders looking for new relationships and companies that have strong balance sheets, but by the same turn, you know, looking at new opportunities, our, our view and what we've experienced is that, you know, things are tightening up as standards are getting tighter. But it's not as wild a swing as what we saw 10 years ago. I don't think it got, quite as loose. And so the pullback hasn't been as, as dramatic. So, is there a couple of things that we're saying?

Brooke Evans: [00:26:09] Yeah. Thanks. Jay, anything you want to add to that?

Jay Greyson: [00:26:12] I think the, you know, the reality of the situation, it can look at, say January 1st of 2022, where we are today is the uncertainty and risk behind the vast majority of companies out there.

It has increased. So banks are looking at that and it comes with, they rate their loans and how they deal with the loan. So we're seeing a spectrum from, as an example, our Canadian company, one of the banks that underwrote a loan for our Canadian company actually called us. A handful of recent in the pandemic and sent us documentation, which I've never seen that says, by the way, if you need to waive any covenants, don't worry about it.

And we're going to allow you, if it was not no interest, the principal just push it to the back of the alum. And this was just proactive on their part. So Canada's doing a good job in asking me to proactively support. But again, the reality is a risk and uncertainty are up. So I think in the U S. The bank banks are, are being supportive.

There's a little more pressure on them. I think to play a little nicer. I think the nonstandard bank lenders, will use an opportunity if they have it such as with a covenant break, who to tighten up covenants, they may give a waiver, but to kind of keep a tighter, focus on things, pricing will be going up.

The new loans Wells we priced up to. You know, a hundred, sometimes 150 basis points, maybe even a little higher from an interest rate perspective, we're seeing the live or for that was standard around 1%. Now going up to one and a half percent, which went live or is basically zero today, real interest payment and real dollars to get there.

And we're seeing the death EBITDAR ratios type of guy, you know, turn to a three and a half, even the lower end of the middle market. So, you know, that will impact valuation. But the challenge with the banks and with everybody is as we're having this recovery, the businesses, you know, equity, sponsors, and banks in particular, want to see a couple of quarters of a quote, unquote, new normal.

So they understand what their underwriting until that time comes, there will be more onus on folks like ourselves as equity sponsors over equitized deals with those, with all equity. To us support a sponsor particularly seems to be really focused on growth investments, her distribution and supply chain partners.

I mean, we cap out at a at a later date when things become a little more normal. I think what you're saying. Yeah. You know, we've seen this, you know, on two levels, you know, that, that banks have just gotten a little more careful and, you know, you want to see a couple of quarters, you know, certainly we want to see a couple of quarters, know, to the extent that they've gotten overly careful. I can't speak to that. We haven't done any deals in the last three months. you know, we haven't looked closely at any, so we don't know whether or not those are really coming down, but, you know, we're just seeing them being careful.

On the other side of this on, you know, I would say the businesses that we're in because they relied to some degree on consumer financing where cash pay, healthcare businesses. we've seen some tightening there and, actually, you know, so, so the ability for our ultimate clients in the aesthetic business and they, substance abuse business, their ability to sort of get credit or charge cards has tightened, I think is, was, has been surprising a little bit less. so we're, we're, we're seeing it on multiple levels.

Brooke Evans: [00:29:41] Yup. No shortage of factors to consider, lots to think about all from everyday working people to lending on the halls and it's not seeking opportunity. It's just finding that right off. I'm curious, you guys all kind of touched a little bit on valuation. Do you think that evaluations will broadly executive possible?

We'll see a reduction in multiples across the board. Mike pockets were multiples. We'll see. Not where they've been or even increased to be unique Apple company companies, country segments. Okay.

Michael Johnson: [00:30:21] Yeah. so I think, I think so. I mean, you know, a lot of enterprise value is made up of that equity spring.

Right. And so, you know, we see the equity market actually coming back a lot stronger and a lot faster, but the debt market is still, is still out. The bear market has not come back. and you know, Jay and everybody else knowing they are on their credit box is getting brighter. They're getting a little stronger. You know, you are suing some folks recap, you know, their existing that trying to give them a little bit more, you know, maybe a little bit more expensive debt, a little bit lighter. You know, initially, you know, like Jay said, and we saw that wave. forbearances and living in cities and, proactiveness, that's starting to, let's start to come back around and, and so that'll have an impact in valuation over.

You know, those with certain balance sheets, you know, we're seeing a lot more strategic active in the market. So routine that a PE shop outfit, a strategic, and a number of, in a number of instances. And now we're seeing strategic come back in the market and winning. I'm winning competitive processes because you know, they have the policy, they can over, they can have the equity and not have to use it.

Brooke Evans: [00:31:50] So it is very interesting times. Ryan, from a clear wall perspective. Do you have particular thoughts on your view being valuation? Is it going to be a more conservative time in general, increased on one deal at a time consideration?

Ryan Cortner: [00:32:09] Yeah, I mean, for us, it's, it's the latter. we'd take a very bottoms up approach, both in, building our pipeline and evaluating each deal. And I think, lenders do the same. So I think there will be the pockets where you see things hold steady. but as a, as a whole, I think valuations will, will come down in the short term.

I think one thing that's maybe interesting to point out is I think the, you know, whether, whether it continues or not, and there's more stimulus, but some of the, government intervention has. A masked what's going on at portfolio companies and lenders while they've been patient now, as Michael said, are watching very closely.

So I think in a lot of cases, we are kind of in a wait and see mode over the next 90 days to see. You know, the eight to 10 weeks of payroll funding that portfolio companies may have may have received, and certain industries participated more than others. We'll really get them through the tough time into her recovery, or we're going to start to see additional pain and perhaps, additional opportunities, with distressed businesses. So it's a little bit of a way to see right now for sure.

Brooke Evans: [00:33:27] Which leads me into my next question. I think you all probably seen that the KPI that everyone's talking about for 2020, which is EBITDA earnings before interest taxes, depreciation, amortization, I think everyone's curious to know, will, will the feel of his period or period let's call it, you know, Q two and Q three.

And let me just count it entirely wiped out. Analysis or will companies have enough money if they flourished so good times for whatever reason to justify a higher valuation or, you know, get a severe discount? What do you think's going to happen with the actual standard?

David Friedman: [00:34:10] I think it depends. I, you know, I think, any businesses that we're going to be looking at, you know, kind of from now for the foreseeing future, we're taking, as Ryan said, kind of a little bit of a wait and see approach, I don't think we would be willing to pay for value for business. Right? You look at the stock markets are comps have come down. So if you're turning the value of business, you know, founders used to be looking for, you know, eight, 10, 12 X, you know, either, you know, there's some pretty compelling alternatives in the public markets for those kinds of multiples now. but] you know, I, I think, I we're sort of, you know, just a little bit of a wait and see mode, you know, as well.

Brooke Evans: [00:35:07] Anyone else want to chime in on that or have fun?

Michael Johnson: [00:35:11] I can. I mentioned a little bit about that. Just the industry began. I mean, it's, you know, when, when we went into this, we were already on a long cycle, right. So everybody was very concerned. Well, how did you perform during the last recession and it's performed during the last recession?

It's been interesting that the businesses that. Didn't perform well during the last recession that didn't translate into company, we had construction businesses insurer, right? And so they were able to remain open and, and, you know, boats in RV using simple Hemi note. Those, those, those are very well right now because people can travel across Europe or internationally or something like that.

You're doing this. And, you know, we have a line of businesses that did very well during the last recession. That you know, educating to educate and government markets. We couldn't even get in to perform the work. And yeah, no, it just, it didn't hit like.

Brooke Evans: [00:36:11] Yeah, and I, I still am wondering myself, are we really going to be a V shape? Are we going to have waves to three as the effects of, consumption, take effect with everyone who's been laid off and everything else? So it'd be helping watch. I'm curious to know sometimes people consider the word restructuring a word.

What is your view on restructuring? Is it a bad thing? There might be some opportunities and some distressed company is maybe that we took a straight up and his men, or maybe it looks like unique approach with some type of restructuring and investment. But what are your thoughts on instructing opportunity or is there some positive to exactly.

Jay Greyson: [00:36:59] I'm sure. Oh, I'm sorry. I thought you would call them me, Brooke. No, go ahead. All right. I'll have to do a couple of different things to restructuring classic evolve. You know, I think in our world when the word restructuring is mentioning, you know, thinking about a, you know, quarter type restructuring. So even adequate restructurings, it's a thought quite often of good business, bad balance sheet.

Right. And I think the, the world is, you know, there's a body of work as to how to get through that type of situation. you know, this situation is a little bit different. We, you may have, good businesses and the balance sheet may not be that bad, but Ron had mentioned, or Michael mentioned, you know, there's some businesses where the customer is just sat down for two or three months.

You can, the balance sheet is in that bad shape or wasn't going into it. You've actually got a healthy kind of business. So as an equity sponsor, we can pay to take equity risk. And I think Ryan said every industry is different. And whether it's a V recovery or you recovery a different perspective, you know, I think we all have to look at the line in profiles, the impact for two or more on and long term on people's balance sheets, Ryan, to your point, the wounds have kept the number of companies.

You know, running full in the last two to three months before we made any impact when that money goes away. But I think we really all looking at the underlying end market and markets and take a little bit of a longer-term view. I think there's still plenty of good transactions and partnerships to be had, but I think in today's day and age, it's going to require more structure and more creativity at least in the recent past.

Brooke Evans: [00:38:48] The creative approach, David, how would you add on that?

David Friedman: [00:38:55] Yeah, I guess the word restructuring. I was thinking about that as Jay said, you know, that sort of implies something a little drastic, you know, is, is it restructuring it or, or is it maybe evolving kind of to, to fit your environment? you know, given this uncertain, unforeseen, I guess environmental change, I would say there's nothing wrong, you know? Reanalyzing how you it and how you're going to need business in the future. And, going back to what we were talking about before and pulling all of the resources that you possibly can to try put the puzzle pieces, that new business model, you know, you still may have a great business underlying this, but you know, black Swan man's happy. And, you know, this is. Yeah, and this is I guess, an opportunity to restructure or is it evolved into, you know, how your business now is, is going to run in, in future of this sort of socially or the socially distanced future, I guess, And so, so which, which I guess, you know, part of me is thinking for Melissa.

I don't know if I answered the second part of your question before about, you know, whether or not, you know, we see kind of what we would see as opportunities out there. And I think the opportunities out there that we might pay full value for the opportunities that now lend itself already. We're already when it's up to that new social distance environment.

Brooke Evans: [00:40:21] Yeah. So that's when I get the premium still today. So getting creative and rearranging the turtle and the puzzle pieces, as, as opposed to calling in a fricking restructuring room. In what thoughts do you have?

Michael Johnson: [00:40:33] Well, I think just to add on to what Jay and David already said, and Jay said at the beginning of the call here is that a tremendous amount of work has gone into re underwriting re-evaluating w whatever you want to call it, diving deeper into our existing businesses than maybe we have in the recent past.

And. I think there's just a incredible opportunity in front of a lot of investors to, to take that work and information and better understanding and mini closer relationship with management teams and make something of that and follow through on some of the ideas that. Made a lot of sense and maybe didn't make it to number one or two on the priority list.

those are projects that are credit incredibly expensive in terms of the time, and effort both, internally and advisor and accountant time that go into some of those projects. I think it'd be a shame to leave those on the table behind us post code.

Yeah, I think, you know, it's kind of to wrap it up. I mean, you know, going up to the right for him, I mean, that hides a lot of issues and we all hit on that before.

Michael Johnson: [00:41:45] Right. I mean, you know, now those issues come to bear and, you know, I mean, whether it's working with vendors, I mean, you know, whether it's working with like group, like yeah. I know, talked to a number of times about, you know, this is interrupted insurance.

No. I mean, you work with them to get better terms. And we've seen a lot of the companies be able to get to 10 net 60 days and they're able to extend it. They can take advantage of this announced. And then out of it, you know, working with folks like Dimock, right. And doing this after the Alison summit. And I think that that is actually the silver line in all of it.

Right. Because you initially dive in a little bit more and you know, your structure, how you use it. Right. Actually be quite positive.

Brooke Evans: [00:42:33] Great feedback on you. I'd sum it up by saying that necessity is the mother of invention also just, and I think the two words we can bring is discipline exposed. So wherever the lack of discipline. Might be exposed, but it sounds like there's a lot of opportunity to use as learning to create something new and evolve the company school.

That even the last question, and this is a loaded question, but what I'd like to hear from your perspective is where do you see the largest communities out of this? When you think about your colleagues or future investments, or if you just fast forward to whatever is going to look like, and what do you think is the single largest opportunity. Wants to start that one.

David Friedman: [00:43:21] Yeah. I'll, I'll go. Cause sort of, maybe it's a continuation of what I was saying before, but I think any business that lends itself to a social distancing that you can do while being socially distanced, whether it's a telemedicine, whether it's a, some sort of outdoor activity or, or sports, or just.

Minimal kind of one to one or one to one at the most contact is probably, you know, where I think] we're feeling like, you know, we're going to be looking for businesses that, incorporates, some trait, you know, that leans in that direction. Thinking this is a long-term ongoing situation. We may have been socially distanced, you know, from here until, you know, I don't, I don't know whether or not the virus was actually going to be long-term, but I think psychology, this is going to, yeah, I'm a million percent.

Brooke Evans: [00:44:20] All right, Jay, what would you say about it? Single largest opportunity.

Jay Greyson: [00:44:26] Let me follow something. David said, because none of us know how long the virus will be here, but I think we've all learned a lot just over the last few months in terms of how productive we can be. And in many cases, more productive than before the virus hit.

In some ways that we operate. So, agree with David, anything that's social distance will be an opportunity. We're also looking at various market segments where a system before competition doesn't have the capability to really invest in the investment Medicaid. We can invest in the sophisticated that it takes to run a business.

No in today's type of environment, we can get that as specifically as a opportunities, but we're also doing is looking, not just our portfolio company with our, with our, CEOs who are running the business, but looking at other industries and other opportunities to say what is going to transform significantly, not just in the social distance.

And what didn't change is this going to drive for example, we're talking to a company, right? The outside sales and, I've always had some insights sales work and that's the discussion we had earlier. But what they're finding now is. There they were experimenting with this, but their customers think about a buyer, for example, or an engineer.

If you want, if your salesperson is the head person there, they're always trying to track that salesperson down just on the road there's meeting. So on and so forth. You know, maybe this is a different business model that says what if we consolidate a group of people inside that are more readily available and readily available on zoom or some type of teleconference with those experts, with that sales knowledge and technical applications, expertise is an easier or quicker phone call away.

You know, what, why do we need to make that visit to that plant where it takes two hours to drive in traffic and certainly be there for an hour or two or two hour day when that engineer or that buyer on the floor was something as simple as a phone with a camera that can show you what you're looking at and have that discussion live.

You could maybe four or five or six of those with, from a productivity perspective. We're seeing a lot of people challenged how they're doing business, and we're looking for those opportunities where with investment in guidance for these dreams can transform faster or these businesses transform faster to be stronger in kind of the new world.

Brooke Evans: [00:46:52] Yeah. Michael?

Michael Johnson: [00:46:57] Oh, yeah. I mean, definitely all of that. I mean, you know, we were in an environment where we were jumping on a plane in a heartbeat, right. I mean, you can fly across the country, somebody, I mean, and now it's just, you know, these do pools and things like that. I mean, you can get a lot out of them and I mean, you can, you can make a lot of progress with, so definitely agree with all that.

Yeah, I think, you know, the distressed piece of it, that's probably the single biggest thing that we're looking at. you know, with 40 million unemployed, you know, there is going to be some folks that, that don't have, we're just kind of able to make it a good time. Yeah, that'll come to bear, and you know, there'll be, to, to acquire those. That's really where a lot of effort,

Brooke Evans: [00:47:48] What would you say is the single largest opportunity?

David Friedman: [00:47:50] Sure. I think for us, just sort of builds on what I was saying earlier is, is taking all of the work that was done and engaging in a different way with markets and portfolio companies and taking those learning points and then identifying where those can be applied to other businesses that maybe haven't taken the steps.

But with our new experience, we can see and identify with those. Those steps are to make them more efficient, more resilient. in, you know, what we're calling then the new environment. So I think, just leveraging the learning points is what we see is tremendous opportunity over the next several years.

Brooke Evans: [00:48:29] All right. I'm going to summarize that then as, as that opportunity. Those naturally the social distancing company can outperform the competition and trans or quickly competitors. Having always speaking Michael Barr.

That's markets point of view, becoming my being wise with wanting and having to be a better partner and maybe helping companies transform working as a result of that defect. I summarize all that as thing is nice, but it's not all bad. There's some room for me. You mean at all that. So, I was supposed to introduce the calling question in the middle of the panel, and I didn't do that.

I'm looking at this, but I see a polling question and that one is Casey. If you can see that third one for us, and I don't know if you can skip a second one. Hope we can. All right. So what is your outlook of your business? You see my market opportunity and expect to grow. You expect to continue to base markets cutbacks and have challenges.

What does it mean? Yeah, we'll give everyone just a minute to respond. All right. Look at that positively this morning. So 75% of the audience is expecting that there's opportunities to grow. If you are going to continue and facts are neutral. Summarize my point again, not all bad. So that includes that you want to spend time. What about eight minutes left? So we're just going to come on and a gentleman, thank you so much for sharing my perspectives this morning from a bus dialogue. Great thoughts.

David Friedman: [00:50:36] Thank you.

Jay Greyson: [00:50:39] Thank you again for the panel. I think it was very informative. we do have some questions that popped up and please feel free to write in any additional questions you might have. The first one is how can a company develop a risk resilient supply chain? Is there anybody that would like to take that first?

David Friedman: [00:50:55] Yeah, we kind of live with this a little bit. and, and that's another one that says depends. Cause we talk about supply chain, supply chains, so broad and widely defined in every single industry. It doesn't just mean, you know, ship, development of turning raw materials into goods and shipping and storing and picking, packing, and shipping.

And can we just the supply chain in developing technology and developing software. So it is, it is very, it is very, very company industry specific. I mean, there are a few trends that, you know, that would surprise a lot of folks, one, with, with the political environment today. There are a lot of folks that are looking to insource or, not just to the us, but also to have alternative sources of supply if you're relying upon China.

So that is something I think we most likely all see just because of the uncertainty in the, in the political environment, but it also speaks to the point of resiliency. And that is having one point of failure in any supply chain is a dangerous situation. So it's causing everyone to rethink supply chain, start to finish and make sure that our redundancies.

Fallback positions. And it was scenario planning throughout the supply chain. We'd recommend this look, map the supply chain out. What can all the various points look at the risks today and look at potential risks in the future. And then the critical links in those supply chains always look to have some type of fallback plan and it may cost you today.

It may be rather than buying a hundred percent of your product from company a in, countries. Speed. You want to go 73rd is maybe that 30% costs you more, but it's giving you a fallback in case something happens to that. Your supplier a and again, may not just be political risks, but factories can burn down.

Cooling can be broken and things like that can happen. So map out the supply chain, look at the critical links, look for where you're going to have some redundancy and support. and then it's a matter of cost and time as to how resilient you're able to make that supply chain. It's almost like probably any good investment you want to be diversified, right?

Whether it's geographically, whether it's suppliers. I mean, you know, as we were looking at a business prior to all of this happen, most of their manufacturing was done in China. And some of in Israel while I think going forward probably a lot more is going to be done in Israel and then, you know, in other parts of our business where we relied on some of the largest, sort of, I guess healthcare supply, distributors, we realizing how much we need to diversify. So that's the key word, diversify,

Brooke Evans: [00:53:39] Reducing that exposure all the way across the board and every area of supply chain and beyond any other thoughts, Ryan or Michael on that question?

Michael Johnson: [00:53:48] I rely on Jay.

Brooke Evans: [00:53:52] We have other questions.

Jay Greyson: [00:53:54] Yeah, and we actually had a follow up to that. So maybe Michael, you can get an idea of that and your value in businesses, but, how does companies, how are they measuring consumer demand right now? As it pertains to, you know, obviously supply is one side, but demand. And how are you measuring that in businesses? In the future?

Michael Johnson: [00:54:11] Yeah. And we touched on this a little bit. I mean, you know, if, if a company is flat or slightly up during all of this, I mean, we actually view that as, as a huge positive, right? I mean, that's almost like being up 15, 10, 15% in normal time. So, you know, That demand piece is key. you know, we've got a couple of businesses that, you know, have been a quick stop and then, bounce right back.

And April, the late March kind of dropped off the late April. you know, and already came back. Obviously that's been, that's been extremely positive, a lot of people and Ryan and Jay and everybody hit on this already. I mean, No, they're starting to do looking at weekly sales reports, not looking at things daily. They're not looking at things. I want to see that bounce quick and, you know, net promoter scores and things like that are, are still important on, on some of those customer acquisition costs. Those sorts of things are still are still important metrics, but we haven't just said that they. But the timeframe in which they look at those, those metrics have gotten a lot shorter, just so they can get a lot more line of sight, a lot faster,

Jay Greyson: [00:55:26] Great point, Michael, we're seeing it everywhere.

David Friedman: [00:55:28] I think that's a good point. Michael, one of the things that we're, we're doing, in addition to kind of looking at things in a more frequent manner is digging into the source of demand in a way that's a little bit more granular than maybe we have sometimes in the past and saying, particularly for companies that are starting to experience a rebound.

This, became a factor in a healthcare business that we're involved in, but how much of that, rebound is really attributable to deferred sales or pent up demand for over the last 45 days or so. And how much is, is new sales, new demand. So I think we just have to be careful when we're looking at headline numbers to make sure we understand what's behind them.

And that's where. You know, having a strong CFO and a good set of advisors can help us keep our eyes on the right figures and access to good data processes consistent.

Jay Greyson: [00:56:21] Yeah, I think we have time for one more question. And this one's interesting because we've talked a lot about a balance sheet income statement type of questions, but this one talks about or is asking, how do you create a thriving company culture? And I think in times of uncertainty, you know, a lot of your colleague employees that may not be directly involved with management, have a lot of uncertainty. I want to know that they're going to be okay. How have you addressed this with your companies?

David Friedman: [00:56:55] Yeah, I'll, I'll start there. I think for us, it, it, it starts with setting the cultural expectation, at the highest level at the board level, setting good governance, In place from the beginning. So people know what expectations are and then partnering with folks that are. Are genuinely aligned with you in their care for the workforce and good times and in bed.

And, you know, one of the things that we've done over the last several years is put in place, counselors that are available, whether they're a corporate chaplain or whether they're. take another form depending on the portfolio of companies, so that as employees deal with life issues, they have someone other than the person that signs their paycheck or writes their annual review to, to reach out to.

And I think, we saw a lot of benefit from those sorts of, offerings, which are generally not that expensive. when they're spread across a decent sized organization, we saw a lot of benefit from that as. As times have been more challenging over the last few months. Yeah, I would say for us communication and compassion, which I think is knowing along with what Ryan has said, it's been a real opportunity to show your employees, you know, how much, you know, you really understand and care about, you know, what they're going through, whether it's health issues, whether it's fear about what's happening here.

It's no concern about losing their job and businesses. I think as, as long as you know, in, in our case, you know, been communicative and compassion. with employees, it's gone along with it. Strengthened at least our cultures.

Brooke Evans: [00:58:38] Wonderful. What a way to build loyalty. this has been such a delight and radish. Thanks for inviting me to host it with you. I also wanted to depression. It's preparing a spray to get a general pool with businesses. why they have either been leaving, surviving or steady. Coming through COVID and the real underlying factors.

And the purpose of this survey is to gather real data that we can share back out to the market. So following up out of this mission, we'd like to share that with you. If you'd be willing to take that survey, that would be wonderful. And we'll share the results back with you once we compiled everything.

But again, reaching that and VKS thanks so much. This was fantastic. Originally on our wrap us up here.

Jay Greyson: [00:59:19] Yeah. Thank you again. Thank you Brooke. For moderating all the panelists, we really appreciate the valuable insight you have for other people in emanate community, but also the private businesses. That may not realize all the assets that you truly bring to an organization.

So if anybody has follow up questions, please reach out our contact information is on the slide showing right now. we're happy to reach out to our panelists, other members of our business network. And I hope this was an informative, good use of your time. So thank you everybody.