Truist Purple Paper℠

Imagine tomorrow. Build it today.

Find inspiration from 40 Truist thought leaders to spark innovation, agility, and growth for your business.

TRUIST

From the Truist executive team

Our clients inspire us every day

It's an understatement to say that the past few years have been rife with challenges for businesses of all sizes and sectors. As we've worked alongside clients to provide strategic advice and support for their new objectives, we've found their resiliency and optimism to be professionally (and personally) inspiring, and we've all gained deeper, broader insights into the volatile landscape and how to navigate it.

We acknowledge the severity of and the variance in how businesses and individuals have been impacted by this pandemic. But we're also excited to see leaders looking toward the future and crafting creative ways to embrace the new "volatility as usual" business paradigm. That's why, on the pages that follow, we're sharing industry insights from 40 subject matter experts* from across Truist—including corporate and investment banking, commercial banking, commercial real estate, specialized industries, risk management, payments, leadership, and personal wealth.

The result:
Imagine tomorrow.
Build it today.

We've organized these insights into a 7-point framework to help leaders take advantage of new and emerging opportunities. We hope these ideas will inspire you as much as they have us.

*Meet our team: For a list of the Truist subject matter experts who contributed to this compilation of insights, please see pages 30–31.

7 big opportunities for 2022

Use these ideas, provided by Truist's leadership team, to explore the strengths and opportunities in your business—and chart a new course.

These points are complex and interdependent, which has encouraged leaders to devise creative solutions to today's challenges simply by connecting the dots in new ways.

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We're listening

We'd love to hear your business insights, future objectives, and feedback. Reach out to your relationship manager at any time or to the appropriate Truist contacts on **pages 30-31.**

Reset your financial foundation

Reset your financial foundation

Evaluate capital, cash flow, and risk appetite.

Trends we're seeing

- Shift from crisis management to embracing uncertainty
- New and different risk mitigation strategies
- Reduced capital needs due to less reliance on growth through acquisition
- Planning for tax increases and inflation

Boardroom thinking and guidance has shifted from profits at all costs (2019) to survival (2020–2021) to acceptance of volatility as the new norm. Discussions increasingly center on risk mitigation, particularly in technology and cybersecurity, as well as reputational risk as it relates to environmental and social responsibilities.

Also of interest: Larger companies haven't seen as much of a need to supplement growth through acquisitions because pent-up consumer demand has driven enough organic growth and allowed businesses to pass along price increases due to supply chain and other issues. Interestingly, this has meant that corporates have been less competitive in M&A, allowing private equity to drive traffic there, running counter to historic trends.

For private companies, now's the time for shareholders to decide if they want out and, if so, to take advantage of plentiful capital, high valuations, and M&A opportunities (see page 17).

Actions to consider now

Keep the growth of business value as the top priority.

"When we're speaking to privately held companies, the question we ask is, 'What are you thinking about the value of your business?' and, in many cases, they're not. They're thinking, 'Are my employees going to show up to work today?' or 'Where's my shipment of materials,'" says **Scott Cathcart, head of Corporate Finance at Truist Securities**. "We try to disrupt those perspectives because value is the most important thing."

If your business isn't operating profitably, you won't be able to keep the doors open and pay those employees and suppliers. It's as important for private owners to look at the big picture as it is for corporates who have to answer to shareholders.

Manage risk of rising interest rates, inflation, and taxes.

Capital gains tax increases appear to be on the horizon, and owners are looking to lock in equity gains at current rates. Businesses that were previously viewing near-zero interest rates as a given are beginning to expect a rise there, too, and have become more aggressive about managing that risk. Others are using financial risk management—aka derivatives—to protect the cost of capital of their company against inflation.

Revisit credit vehicles and terms.

Now's a good time for businesses to fine-tune their capital structure to ensure its sustainability. Many are looking beyond pricing to examine the flexibility of credit vehicles and terms. Strategies include refinancing or renegotiating repayment schedules or, when seeking new funding, looking for terms that allow for the most flexibility if interest rates increase or market fluctuations continue. Other popular tactics today include issuing high-yield bonds and swapping floating-rate bonds to fixed-rate before rates go too much higher.

Rethink debt-to-equity ratio.

In 2020, businesses that were overly leveraged didn't survive, and others may have followed suit if lockdowns had persisted much longer. It's a smart move to work with financial analysts to ensure the right mix of debt and equity in a business's capital structure to survive future fluctuations and disruptions.

Liquidity ratio matters, too: Having easy access to enough capital makes it easier to pivot without the losses that can come with early exits from certain types of investments. "The conversations we're having with large corporate and commercial clients is a different type of conversation," says **Jeff Messner, head of Financial Risk Management at Truist Securities**. "Instead of looking at what if things go from an A environment to a B-minus environment, now we start to think about how to also get through a D-plus environment."

Reassess risks and coverage.

"COVID-19 has shaped how we look at risk and insurance," says **Henry Wright, chief experience officer at Truist Insurance Holdings**.

"Businesses are rethinking liabilities and coverage. We're trying to determine if COVID-19 is a workplace or a health issue and whether it can cause 'physical damage' to facilities, and how do you plan for risks like labor shortages?"

Many businesses are increasingly seeking insurance products that can solve for these issues, while also supporting their strategic goals and business perpetuation. One approach is to buy more insurance with lower deductibles and reserve capital to address those risks that are either too expensive to insure or are "uninsurable."

For the latter, some are creating captive insurance plans: creating their own private "insurance company" and covering those specific otherwise-uninsurable risks.

Conversation starter

Am I considering all 4 quadrants of risk?

The key steps in mitigating risk involve assessing, quantifying, and prioritizing your risks in all four quadrants. Now is a good time to review this graphic with your risk management team and consider what may have changed over the past few years.

The 4 quadrants of risk

Strategic risks

- Reputation/brand
- Business perpetuation
- Leadership development
- Mergers and acquisitions
- Information technology

Operational risks

- Supply chain
- Product recall
- Employee benefits
- Regulatory compliance
- Employment practices

Financial risks

- Interest rates
- Economic instability
- Accounts receivable
- Deductibles/retentions

Hazard risks

- Fire, wind, flood
- Business income
- Auto liability
- Environmental liability
- Fraud
- Cybersecurity

By the numbers

Risk execs speak out

56%

want advice customized to their industry or business

48%

want insurance products customized to their business needs

Source: "Mid-sized businesses' top risk concerns revealed," Insurance Business Magazine, October 28, 2021.

"Buying excess inventory isn't just a way to hedge against supply chain disruption and protect against seasonal, cyclical, or market variations—it's also a way to hedge against inflation. If you have a fleet of trucks and worry about the rising price of diesel, you can hedge diesel. Today, if companies don't hedge appropriately, their cost of capital can go way up."

— **Jim Pirouz**
Head of Capital Markets at Truist Securities

Realign your operations

Realign your operations

Smooth supply chain and labor shortages.

Trends we're seeing

- Workers resetting priorities and weighing options
- A new role for M&A beyond market dominance
- Adaptations to stocking up and staffing up
- Operational stressors driving owner transitions

Businesses have become proficient at adapting to shifts in consumer demand, supply chains, and labor availability. Today, many of the practices that served leaders over the past two years are being revised and improved—more often and more quickly—to address ongoing disruptions. Creative business models are becoming the norm. This is true in all areas, from operations to service delivery to staffing.

Across all industries and sectors, returning staffing to full strength is a strategic priority. However, a talent shortage and competition for qualified labor has made this more challenging. Retaining workers is another challenge, as many have reset priorities, changed locations, and become more open to leaving for opportunities they think may be better. Taking authentic steps to bolster organizational culture and enforcing it at all levels has become a vital component of attracting and retaining top talent (see "Reinvest in your people" on page 25).

Logistics snarls and rising costs also remain common, and demand continues to outpace supply. This leaves companies continuously weighing the tradeoffs between raising prices and accepting margin reductions. For some business leaders who are weary of weathering these challenges—and worried about future disruptions—it's tempting to sell or transition now when business values are high. (See page 21 for insights on transition planning.)

Actions to consider now

Fast-track technology upgrades and automation.

Businesses are aggressively working to reconcile the physical world with the digital one. For many businesses, cloud technology and storage and artificial intelligence-driven analytics offer possibilities for customer-targeting insights, workforce talent management, and core financial processing efficiencies—and an increasing number of industry-specific solutions are making their way into the market. Technology can also aid in finding efficiencies and maximizing capacity, as in packing trucks and stocking warehouses.

Get more targeted in your people search.

Many businesses are using technology (including resume-reading bots) to find the best candidates, particularly for white-collar jobs. But all positions are important—and some may require a different approach. For a company that's struggling with having trucks sitting idle as they wait for drivers, hiring a driver recruitment specialist can be a powerful secret weapon, for example.

Healthcare has gotten particularly creative in their talent search. "Hospitals have gone as far as Indonesia to look for medical schools and nursing schools to try to find a pipeline of candidates to their U.S. facility," says **Henry Grady, Hospitals and Health Systems industry consultant at Truist**. "Others are offering scholarships or rotations to local students in the hopes that 10% or 15% of that graduating class will apply for jobs at their institution when they graduate."

(See "Reinvest in your people" on page 25 for more ways to attract and retain top talent.)

Increase inventory reserves at every stage of the supply chain.

More assets, more warehousing, and more inventory should bolster business performance and boost resilience as the economy enters the next phase. "Just-in-time is now just-in-case," says **Taylor Howerton, Logistics and Supply Chain industry consultant at Truist Commercial**. "You don't know where the next variant will come from or what the response from the consumer will be. What you do know is you're going to need more SKUs to meet today's and tomorrow's demand, especially for your most important products."

Rebalancing to shift to onshoring—with shorter supply lines—can mean a significant operational reset with changes that ripple through supplier choices, delivery and service standards, and product pricing.

Seek opportunities to expand at affordable prices.

Tuck-in acquisitions have long been a prime source of operational benefits and cost reductions, but today they're being used to fill other needs. "I'm definitely seeing businesses stepping a little bit outside of their lane to streamline a pretty disruptive supply chain," says **Michael Garcia, head of Transportation and Logistics at Truist Securities**. "A transportation company that needs to move goods from the West Coast to the East Coast, for example, might look at an acquisition that offers them facilities or a line-haul network to solve some of their issues."

If your company is valued at 14, 15, or 16 times EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), consider looking at companies priced attractively at 6, 7, and 8 times EBITDA for a simple arbitrage opportunity.

Conversation starter
Which positions are you finding difficult to fill?

Where are you finding it most difficult to refill, backfill, or add teammates? How might the ideas in this section help you solve for at least some of these gaps?

By the numbers
Priority one (and two)

In a survey of 732 C-suite senior executives by PwC, most felt solving these operational challenges in 2022 is key to future success.

59%

prioritize people issues
(such as hiring tech-savvy talent)

55%

prioritize addressing supply chain disruptions

Source: "Pursuing growth in 2021: The C-suite focuses on a rejuvenated workforce and building trust," PwC, accessed December 17, 2021.

"Raw material costs, whether you're talking about crude and other petrochemicals, lumber, etc., have impacted the supply chain. How do you manage your pricing to your customer to stay in front of that? Some have done better than others, but I'm hearing from many clients, they're increasing prices on a monthly, if not weekly basis just to keep up with this."

— **Michael Phipps**
Head of Building Products Investment Banking at Truist Securities

Seize growth opportunities

Seize growth opportunities

Consider revenue, expansion, and competitive advantages.

Trends we're seeing

- Favorable conditions for accessing capital
- New types of growth via private equity and partnerships
- Environmental, sustainability, and governance linked to growth
- Cost efficiencies driving competitive advantage

While the pandemic has placed tremendous strain on many businesses, it has also created compelling opportunities across industries. In some cases, it's accentuated and accelerated trends that were underway, and in other cases it's been a catalyst for new and unexpected opportunities to grow, expand, and gain competitive advantage.

In general, corporate balance sheets are in good shape, companies are confident in their ability to access capital, and financial institutions are ready to lend. With interest rates still historically low, now is the time to consider financing growth moves.

Private equity investors, too, are flush with cash and actively seeking yield. They're shaping consolidation and other dynamics across industries from commercial real estate to automotive and more.

And cost efficiencies and pricing are being fine-tuned to gain competitive advantage. Efficiencies can come in many forms, whether it's through supply chain automation, labor-related savings, or similar moves that squeeze costs out of the system.

The power of data and data-driven insights is also a key to competitive advantage. Data is being used to help companies make predictions and be flexible by harnessing insights faster and using metrics more wisely. The right data-driven application, solution, or practice can be a game changer. (See page 13 for more insights on digitization.)

Engage in acquisition scenario planning.

Now is the time for businesses to freshen their strategic and opportunistic acquisition targeting. Acquiring talent, inventory, or raw materials can be the rationale for a purchase. And with many companies rethinking their goals and plans, there may be attractive targets available for the first time. (See "What's my growth scenario plan?" on page 12 for a few questions to consider.)

Reassess pricing to offset costs.

With inflation showing up across the economy, customers expect businesses to be reviewing pricing and will be more accepting of reasonable increases based on the value a business delivers. So now is the time to examine pricing and incorporate both temporary and longer-term adjustments. Some businesses are also growing profits through profit-margin expansion, says **Janet Jarrett, head of Asset Finance at Truist Securities**. "They're using supply-chain disruption in their favor and either stopping or shrinking rebate and discount programs, and retaining more of the profits for themselves."

Expand your footprint via partnerships.

Beyond M&A, growth is taking place through avenues other than vertical ownership. "Medical practices are forming strategic partnerships where they're combining operations for efficiency—whether that means buying supplies together or sharing an accounting team—but maintaining independence in how they operate their business," says **Jerry Coleman, head of the Medical Specialty Group at Truist Wealth**. In hospital systems, for example, there's been a shift toward teaming up with outside surgery, diagnostic, and urgent and emergent care centers.

This may prove effective in other industries with highly specialized sectors as well: The larger business can continue to provide world-class service in what they do best, while vetting and adding on select service lines that keep customers within their "system" for more needs. The smaller business benefits from a steady stream of referrals and by focusing on what they do best.

Tell your ESG story—or write a new chapter.

Being able to tell a strong story about your environmental, social, and governance (ESG) improvements can enhance your ability to attract investors, issue green bonds, and recruit an increasingly mission-driven workforce. "ESG is broader than just green energy, as we all know, and so those other factors of their business—whether those are diversity factors, reputational risk factors—those are on the minds of our clients every day, and it permeates existing operations just as much as when they're considering doing something externally," says **Tom Hackett, president and COO at Truist Securities**.

On the ESG front, authenticity and action matter more than ever to all types of stakeholders. Sometimes adopting such practices comes at a greater cost, but with consumers being more accepting of pricing adjustments today, it's a good time to make those moves (and talk about them).

Consider whether to own or lease real estate.

Take time to review current real estate holdings and future plans. Some businesses may be back on track for expansion and looking to buy or build rather than enter into a long-term lease with another owner. Keep in mind that real estate investment opportunities have shifted, too.

"Valuations for multifamily and industrial properties are climbing at record velocity right now, and the search for yield has become more pronounced during the pandemic as real estate investors are seeking more niche-type properties, such as single-family-for-rent homes, cold storage, life science, or medical office," says **David Wojdyla, head of Real Estate Advisory at Truist Securities**. Some businesses whose workspace needs have shrunk are divesting themselves of properties well-suited to these needs.

Conversation starter

What's my growth scenario plan?

Interested in diving deeper into your growth scenario planning? Questions to consider include:

- What are my prospects for revenue and profit gains from organic growth?
- Are the recovery-driven increases in price and demand enough to sustain my business once they're over?
- Could my company benefit from buying, selling to, merging with, or partnering with (officially or via a referral relationship) another entity or entities?

It's a great time to talk to your strategic advisors about your plans and prospects.

"Looking at ESG from a very strategic perspective, you can consider whether there is an opportunity that's part and parcel of your business strategy or a way you can diversify in this area. How can you be a contributor to meeting emerging sustainability needs? Are there complementary businesses you can get into that fit in with these drivers that are fueling growth?"

— **Julie Bennett Bunuan**
Head of ESG Advisory and Intra Industry Coverage at Truist Securities

By the numbers

Room to grow

In a Fortune/Deloitte survey, the percentages of CEOs who saw these as "expected drivers of business success" over the next year were:

Innovation/new products	54%
Application of technology	52%
Accelerated or pent-up consumer demand	38%
Increased operational efficiencies (e.g., hybrid workforce)	34%
Price increases	17%
M&A	17%
Geographic expansion	16%
Increases in public spending	14%

Source: "C-suite insights: CEOs plan, invest for strong growth ahead," The Wall Street Journal, August 10, 2021.

CEOs on ESG

39%

of leaders plan to increase public statements on social and environmental issues or consider investments in those areas within the next 12 months

Source: "Pursuing Growth in 2021: The C-Suite focuses on a rejuvenated workforce and building trust," PwC, accessed December 17, 2021.

Digitize core financial processes

Digitize core financial processes

Maximize automation, data collection, and data usage.

Trends we're seeing

- Demands for treasury management
- The need for more secure remote access
- Faster feedback loops via digitization
- The rise of portals and APIs

From the start of the pandemic, there has been a wake-up call around financial operations technology investment. Financial operations ground to a halt in the wake of office building shutdowns and the lack of access to the reports and equipment (computers and printers) housed there. Digital generation of invoices, remote payment capabilities, payroll services, and automated posting of receivables quickly became top priorities.

Companies in all sectors now recognize the need to have flexible and secure remote access to their treasury management tools and platforms. Automation and strategies that drive efficiency—and allow teams to do more with less—are getting a second look, especially as companies experience a shortage of trained treasury staff.

Digitization also drives efficiencies and velocity in the feedback loop. While it's well-known that electronic payments of all types move faster and at less cost than their predecessors, it's also true that digitized processes usually leave a more detailed work trail for easier analysis and tracking. As the feedback loop becomes faster, so does the improvement cycle.

Unfortunately, alongside the digital transformation, fraud—from both external and internal sources—grew appreciably during the pandemic. Paper checks—along with manual work steps and approvals that make companies vulnerable to ACH/wire fraud from business email compromise schemes—are now seen for the weaknesses they create. Fraud is a key driver in the push to digitize finances and lessen operational elements that are fraud risks.

Actions to consider now

Ensure C-suite buy-in on digital transformation.

"When communicating to the team about the importance of technology, the higher up in the organization the communication comes from, the more everybody is going to pay attention," says **Scott Hesketh, Treasury Solutions commercial real estate sales leader at Truist**.

This top-down strategy can help promote prioritization, foster internal support, and increase technology funding, and it's an easier pitch since executives have seen firsthand the need for flexible, remote work that is less dependent on location, paper, and people. They appreciate that automation can transform financial processes with efficiency improvements—a bonus under labor supply constraints—while speeding processing times, enabling better control of cash, reducing mistakes and rework, and decreasing fraud risk. Keep in mind that ramping up digital processes can take months.

Get more connected through APIs.

Businesses, their partners, and their financial institutions are increasingly using application programming interfaces (APIs) to carry out key tasks. Digitizing orders, invoicing, and payments to suppliers can eliminate manual steps and reconciliations. API links between companies, their enterprise resource planning (ERP) and financial platforms, and their financial institutions are becoming more important, particularly as applications move to the cloud, with more companies upgrading their ERP systems and treasury workstations.

Companies also want to move to payment options such as Venmo or Zelle that don't rely on checking account numbers. "It doesn't have to happen all at once. A lot of businesses are trying to throw new, innovative applications on top of old legacy systems," says **Chris Scott, Treasury Solutions technical product consulting leader at Truist**. "That can be clunky, but it's a necessary Band-Aid for a lot of merchants right now."

Open the door to the use of portals.

Businesses today demand cash and investment transparency. Financial and treasury portals (with connectivity and real-time access to cash positions) mean teams can make more informed investment decisions. As interest rates start to move, getting cash where it's needed or where it yields the most will again be at the forefront. Treasury and payments specialists are helping businesses determine the best path to automation for their company.

Make fraud prevention an enterprisewide effort.

Today, preventing fraud is considered part of company culture, which includes providing fraud awareness and training for employees at all levels.

"I think owners have to open up their spectrum to all the potential sources of fraud," says **Hesketh**. "A major channel in electronic fraud is business email compromise, where a fraudster sends a note to somebody in the payables department and says, 'Hey, you need to change the bank account if you're paying this vendor. Click here.' And that's electronic fraud that spans beyond checks." Of course, it's also vital to use all the automated and monitoring tools at our disposal to clamp down on risk—a task that some companies are outsourcing if they don't have dedicated staff.

"We're seeing receptivity by large corporations to put their money behind technology investments to digitize payments, create better integration between their systems and their bank, process payments faster, use less labor, and share information broadly."

— **Katie Saez**
Head of Sales - Treasury Solutions, Corporate and Institutional Group, Wealth and Specialty at Truist

By the numbers

No more paper trail

In a survey of 1,000 senior-level finance professionals and finance and accounting practitioners:

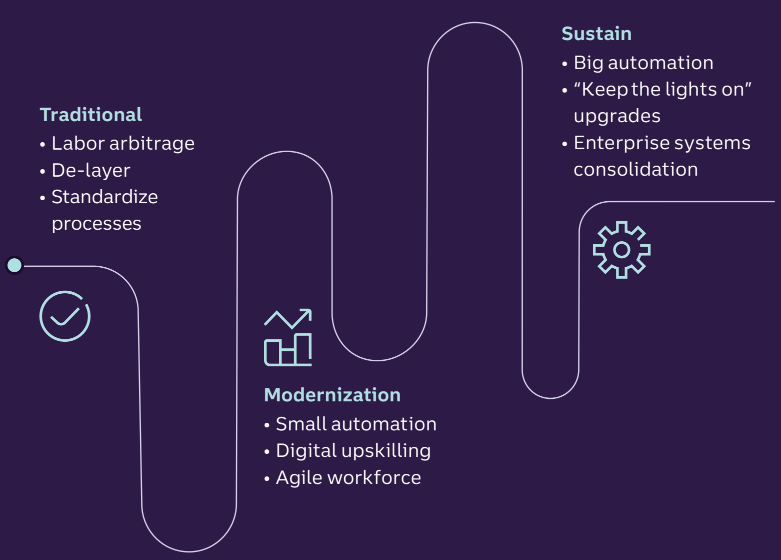
83%
had to digitize previously paper-based processes when forced to work remotely due to COVID-19

80%
of those who automated their cash conversion cycle say it has made their business more efficient and successful

Source: "New research reveals finance professionals' sentiments regarding failure to automate core operational processes and the future of digitization," Business Wire, November 18, 2021.

The winding road of digital innovation

To better leverage financial data, companies need to invest in and leverage new technologies, including artificial intelligence, machine learning, deep learning, and blockchain. Getting from paper checks to predictive analytics isn't a one-and-done (or quick) process, though.



Source: "How do you drive finance transformation?" PwC, accessed February 2, 2022.

Look at M&A differently

Look at M&A differently

Take advantage of options available to buyers, sellers, and investors.

Trends we're seeing

- Private equity investors outbidding corporate buyers
- Companies asking how to put cheap debt to work
- Labor challenges driving consolidation
- High valuations prompting early transitions

Consolidation activity has picked up again, but it's now driven by an altered mix of private equity investors and corporate buyers pursuing sellers whose motivations and valuation expectations have been changed by the pandemic and recovery.

First, corporate buyers and private equity have switched roles. Historically, corporate buyers would often outbid private equity firms for assets, relying on the expected benefits of collaboration to justify the premium. Now, with private equity under pressure to deploy pent-up capital, the roles are reversed, and private equity firms are emerging as the winners.

What executives are asking is, "How do I take advantage of not only my own stock price but also cheap debt in an environment where I know I have several years of growth ahead of me?" M&A activity may stay strong, but due diligence and sales processes may be throttled as companies continue to wrestle with competing day-to-day operating challenges.

High valuations are also driving business transitions and shifts. Some companies are using an active M&A market to move out of sectors that don't align with their evolving strategy or pricing models. In other cases, owners are looking to exit their businesses faster than before (that is, faster than they might have under more normal, pre-pandemic circumstances) as they rethink their personal priorities.

Actions to consider now

Do a fresh scan of the private equity market.

Economic growth and volatility mean that valuations and targeted industries or sectors favored by private equity are all shifting—and quickly. "Private equity is desperate to put their money to work," says **Jim Pirouz, head of Capital Markets at Truist Securities**. "And they're winning the deals that historically have been won by corporate buyers who could pay more by extracting synergies."

Companies don't want to be caught responding to an unsolicited offer based on stale information. Leaders and advisors may want to revisit the private equity sources and players in their sector more often. Complete a fresh scan of the market to find the private equity players whose current investment strategies fit the business.

Make sure you have a current valuation.

"PE transactions are moving a lot faster right now because the valuations are so rich that investors have an ability to quickly monetize their investment and make a lot of money. The whole period [from buying to selling] has shrunk from what was typically 4 to 5 years to more like 2 to 3 years," says **Raul Gutierrez, head of Mergers and Acquisitions at Truist Securities**.

It's vital to know where you stand before you find yourself contemplating a purchase or sale. Consider reassessing your business's valuation now—and at other points throughout the fiscal year, rather than just annually. With the amount of capital being infused into markets, you want to be prepared for unsolicited inquiries, even if you're not currently entertaining offers.

Take advantage of portfolio pruning to fuel strategic plans.

High valuations are leading companies to access an active M&A market to move out of sectors that don't align with evolving strategy or pricing models. These divestitures can provide the capital that acquirers need to carry out their strategic plans. Acquiring or accelerating digital capabilities, forming strategic partnerships, and extending offerings and capabilities—including expanding into new sectors and adjacent markets—are popular tactics of "offensive" M&A.

Assess and grow today to prepare for future M&A.

Look at your personal financial plan, estate plan, and other aspects of your personal wealth to see what impact various M&A moves might have on your full financial picture. Having discussions with expected successors may reveal their interest in taking the reins sooner—or never.

Knowing this now can help you make more informed decisions while the market is on your side. In the meantime, keep sales up, have a culture of continuous improvement, and do whatever you can to keep growing your overall enterprise value. Businesses that keep a future transition in mind—and prepare for it—will be ready to act fast when the time is right.

"For corporate businesses, it's labor, labor, labor. Everybody's got 12% to 15% shortfalls in labor. And they're looking at one of the synergies from M&A being talent acquisition that gets the combined business closer to full staffing."

— **Scott Cathcart**
Head of Corporate Finance
at Truist Securities

Conversation starter
What can I learn from consolidations outside my sector?

Sometimes the best ideas and inspiration come from outside your industry. Rather than looking at what corporate buyers and private equity firms are buying, consider taking a look at the "why." What are the benefits that key players are seeing or seeking from M&A? In manufacturing subsectors such as beverage, for example, there's a renewed focus on:

- Expanding trade channels and diversification, such as adding wholesale channels
- Extending off-premises capabilities
- Adding direct-to-consumer sales

Can you take a page from their playbook?

By the numbers
M&A in the U.S.

M&A in the United States took off during 2021—and a KPMG survey says there are no signs of it slowing in 2022.

$2.9 trillion
in deals in 2021

55%
more deals in 2021 than in 2020

Source: "2021 was a blowout year for M&A—2022 could be even bigger," KPMG, 2021 M&A Survey.

Solidify your transition plan

Solidify your transition plan

Revisit personal, family, philanthropy, and legacy goals.

Trends we're seeing

- A reordering of priorities in business and personal realms
- Greater willingness of owners to engage in transition planning
- An increased focus on family goals and values when planning transition
- Hastier-than-planned exits thanks to recent challenges and high valuations

For many business leaders, the pandemic and the introspection that it's triggered have led them to reset their business and life goals. For many owners, this rethinking has led to a recommitment to their industries, businesses, and employees. For others, it has prompted them to step back and step up their plans to move on to the travel, philanthropy, or new business venture they'd been viewing as a future endeavor.

High valuations are accelerating timelines and opening up new options for many owners, allowing them to consider a full or partial exit sooner rather than later. As plentiful private equity fuels higher offers, more owners are enticed to sell. This is true even for those who hadn't planned to exit their business.

Navigating labor shortages, supply chain disruption, and price instability has made moving on more attractive. However, many have discovered that they'd underestimated how long it takes to plan and execute a smooth transition that solidifies leadership succession, prepares a family for the responsibilities of wealth, and sets up owners for post-transition happiness.

When the transition is over, the right financial structures need to be in place to support those actively involved in the business and those benefiting passively as shareholders. Owners can also help protect their family's assets by setting up and funding the right financial vehicles with the proceeds of the sale.

Actions to consider now

Start planning early to avoid leaving money on the table.

A long runway with disciplined business transition and personal wealth planning helps maximize an owner's value at transition—whether the event is an outright sale, a partial sale, a dividend recapitalization, or a generational succession. The world may be moving faster, but you can't rush or shortchange the wealth transition planning process.

Take a values-based view of transition planning.

Pandemic-related introspection has led many people to examine their goals and values. This is impacting not only philanthropic plans but also for-profit decisions around transition planning.

"The social consciousness today is driving a different kind of conversation," says **Bill Lyons, director of governance at Truist Wealth's Center for Family Legacy**. "There's an increased demand for what we do on the education and governance side of things. People are looking to consider values and what's most important to the family and then layer in the personal, commercial, and investment banking services that can help families achieve their goals."

Build (or rebuild) your transition planning team.

The best time to begin transition planning is when the business is working well and you're engaged in its success. A cross-functional transition planning team that includes your trusted legal, accounting, and wealth management advisors can help you identify all the options and implement a future interfamily transfer, third-party sale, or passive management arrangement that's smooth as well as tax- and income-efficient.

Also, begin educating children and grandchildren about the business well in advance, says **Emily Haenselman, director of family education at Truist Wealth's Center for Family Legacy**. "Have open and honest discussions, when it's appropriate, about the complexity of your estate, of your business, of the wealth that you have," she says. This helps build trust and allows for the creation of a transition plan that aligns with family members' individual goals—two best practices essential for sustaining wealth over multiple generations.

Work closely with your wealth team during transition.

Business transactions can change so materially that they no longer align with whatever planning work has been done—or, in the inverse, the planning work is wholly inadequate to address the complexities of the transaction.

Keeping your advisory team informed is essential to their ability to protect your interests and adjust your plans successfully. Sharing and applying the leadership lessons learned can prove useful in this and in other areas of life that require careful planning and flexibility.

Help set up your successors for success.

If family members or employees are your desired successors, keep in mind that they may understand the business or operations but not how to lead, manage finances, and assess and mitigate risk. Before the transition, introduce them to the strategic advisors you've used for financial, insurance, risk, and wealth management—and who know the ins and outs of your business. Also encourage would-be owners to take advantage of leadership resources and programs, such as those from the Truist Leadership Institute. Making these connections can even help the sale go more smoothly. One example: "Many business owners plan on passing their business on to the next generation or possibly transferring it to key employees through an employee stock ownership plan (ESOP), but both require financing, and with valuations increasing, it is unlikely family or employees will want to borrow the necessary funds," says **Steve Aldrich, managing director of McGriff Insurance Services**. Talk to your insurance advisors about how a key person life insurance plan or a buy/sell agreement can help you and your successors make a smoother transition.

Conversation starter

Does my transition plan cover these 4 categories?

Transition preparation steps fall into four categories. This overview from the National Center for the Middle Market can help identify gaps or areas for improvement.

Legal and accounting

- Obtain a fair valuation
- Make sure the books are in good shape
- Conduct risk assessments

Operations and finances

- Cut costs
- Increase efficiency
- Improve management of working capital

Professional relationships

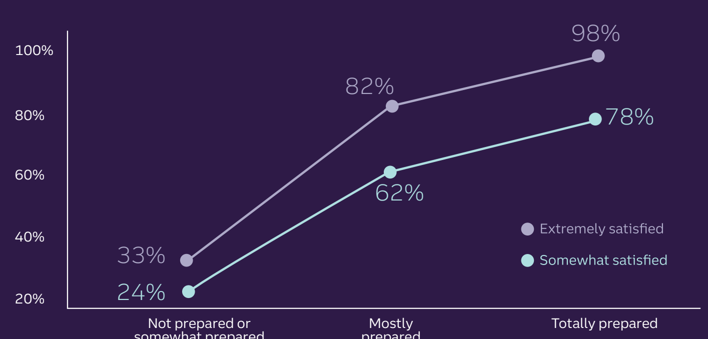
- Bolster brand recognition and customer loyalty
- Strengthen supplier relationships
- Focus on employee and team culture

Personal matters

- Talk to trusted family and friends
- Consider philanthropy and legacy
- Set retirement goals

By the numbers

Transition preparation = satisfaction



Source: "Preparing for major business transition," The National Center for the Middle Market in collaboration with Ohio State University, Chubb, and Truist, 2020.

A team-building activity

As with other types of business planning, bringing more voices to the table can help ensure that you have all the bases covered. Your transition planning team should include the following:

- Financial advisors familiar with your industry/sector
- A legal advisory team
- Corporate accountants
- A wealth management team
- Commercial real estate experts
- Business valuation analysts
- Risk and insurance specialists
- An estate/succession planning team
- Family and leadership team members

"Owners ask, 'What do I need to know before I start down the road to transition?' When owners skip the planning work and don't understand what should be happening before the event, that's where value is lost—where their goals aren't met in an efficient way."

— **Duncan Moseley**
Managing Director of the Business Transition Advisory Group at Truist Wealth

Reinvest in your people

Reinvest in your people

Prioritize purpose, training, and leadership to win the talent war.

Trends we're seeing

- Benefits and compensation as a mere starting point in negotiation
- Challenges striking the right balance in work flexibility
- More energy and authenticity around ESG and DEI efforts
- Purpose-driven employees demanding greater ESG efforts
- DEI as an enterprisewide effort

Additional employee benefits and compensation are now only the table stakes needed to attract and retain talent. The ultimate answer to staffing issues is engagement and culture: making the company a group people want to join and where they will stay and grow. That often means investing in staff through leadership skill development and directed activities that build strong teams.

It also increasingly means providing workers with flexible work benefits—such as remote technology tools, a work-from-home setup (from office supplies to desks and PCs), flexible hours, and mental and physical health support. Interestingly, while such measures can build attraction, engagement, and retention, too much flexibility regarding remote work can be detrimental, leading to increased work-life stress and higher intent to quit. Companies are actively seeking the balance that works best for their organization.

Many workers today expect their employers to live up to a purpose greater than simply making money. That's changing how team members think about their work, engage with that work, and derive meaning from it. It's also requiring leaders to move beyond mission statements and address purpose as an enterprisewide effort with real actions behind it. This is particularly true in the areas of environmental, social, and governance (ESG) and diversity, equity, and inclusion (DEI).

Environmental and social responsibility have gained ground as priorities among consumers, investors, employees, lenders, analysts, and other stakeholders. Companies are working harder to develop initiatives and articulate results around what they do regarding ESG and DEI—beyond mission statements and policies. The entire organization is now engaged in looking for opportunities to improve the culture, from boardroom to factory floor.

Actions to consider now

Provide targeted stress-relief training.

The pressures from the economy and health, child care, supply chain, and labor issues make the workplace a very high-stress, pressure-filled environment for many employees. Remote work and other types of work flexibility, while in demand, bring new challenges, such as burnout and work-nonwork imbalance. Addressing them may mean allocating some of the training budget to courses beyond the usual skills-based and professional offerings, such as training in setting boundaries, managing time, and asking for help when needed.

Acknowledge the differences of leading in crisis.

Leading when business pressures, stress, and change are running at high levels isn't like leading when things are stable. Our crisis brain works differently, and the past two years were often more of a sprint as leaders strove to pivot faster and make it through to the next week, month, or quarter.

"Today is about creating an ability to run the marathon," says **Jenni Marsh, director of consulting at the Truist Leadership Institute**. "With a foundation of neuropsychology, we are empowering leaders to understand the connection between their thoughts, their behaviors, and the results they are getting. Translating this awareness into specific behavior change that becomes a larger pattern of behavior over time transforms leadership."

Rethink the "contract" with your employees.

The relationship between employer and employee has become as much a social contract as a business one. Employers are seeking to answer questions like: What do your employees value? How does that align with your business operations? What does your new work culture—specifically designed to attract, retain, develop, and reward productive employees—look like?

Create career pathways and maximize potential.

Businesses are increasingly asking employees for feedback so they can address systemic and structural challenges in the realm of DEI. This includes looking at how they evaluate people, make promotion decisions, identify the rising stars for extra nurturing, and expand the talent pipeline to include previously untapped resources (thus diversifying the team).

Outlining clear pathways and requirements for promotion can help ensure equity. "There are so many systemic and structural opportunities, and I think that's one of the keys—to look for opportunities as opposed to just problems," says **Eileen Hogan, executive consultant at the Truist Leadership Institute**. "Everyone can be looking for ways to be more inclusive here, create more equity there—but we have to be willing to look all across the spectrum."

Create dedicated roles for DEI and ESG.

More companies are seeing the value in adding staff with specific roles dedicated to these important goals. Such experts can help provide clear policy direction, evaluate practices, and carry the messaging through to employees and customers. While this level of devotion was once reserved for the largest corporations, midsize and other businesses are finding it vital to follow suit, even if that currently means adding one of these specialties to the job description of an existing C-suite or other executive.

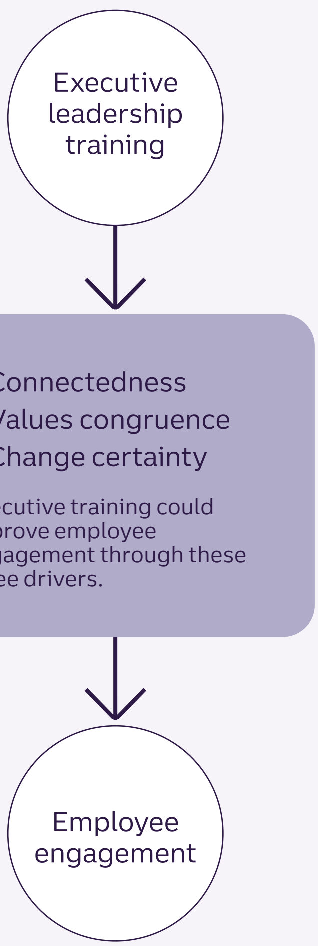
"While some businesses have absolutely flourished, others have been forced to innovate like never before with their profit strategies, channel development, cost cutting, and more. If leaders can just hold on to that creative drive, fueled by necessity, it will serve them incredibly well."

— **Janet Jarrett**
Head of Asset Finance at Truist Securities

Conversation starter

Is my executive leadership training driving employee engagement?

According to Truist Leadership Institute research, executives' leadership training is associated with higher employee scores in three sectors: executive connectedness (satisfaction with communication and trust from top leadership), values congruence (the sense that your values mesh with your employer's), and change certainty (an understanding of your company's rationale behind decisions that drive change).



Source: "Executive amplitude: How top leaders have a major impact on employee engagement," Truist Leadership Institute, 2020.

By the numbers

Benefits package

A group of 117 CEOs shared what approaches they plan to take to attract and retain talent. Below are the most and least popular by percentage.

80%	Increased flexibility (in-person vs. virtual, etc.)
68%	More emphasis on corporate purpose
68%	More focus on DEI
65%	More emphasis on well-being and mental health
58%	More attention to culture
50%	Increased pay
50%	More emphasis on ESG
47%	More training and development
35%	Expanded benefits
27%	Retention bonuses
24%	More time off

Source: "Fortune/Deloitte CEO Survey: Fall 2021 Highlights," Deloitte, 2021.

"The key to managing flexible work is well-defined boundaries. Mentally and psychologically, people need to learn how to devote time and energy to work during work hours and then, when in non-work time, turn off their notifications on their phone and focus on personal matters."

— **Scott Cathcart**
Head of Corporate Finance at Truist Securities

Looking ahead

The power of a one-team approach

As you weigh your options and address new challenges in the months ahead, you'll want the best strategic advisors on your team—inside and outside your company. We understand that what our clients care about is having the right minds by your side. That's why each time you bring a challenge to Truist, we bring to you the key players as a single, powerful team. And we'll share the insights we've gathered across all industries, sectors, and channels so you can be confident that you're making the best decisions for your business and its future.

Our expertise runs deep. Our focus never wavers. Let's change the way your business banks. Learn more at Truist.com.

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These Truist subject matter experts contributed their experience and talents to the creation of this paper. We encourage you to reach out to them individually if you have any questions or insights to share.

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