3 keys to driving up deal quality in M&A

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Corporate M&A is a continuous process, with the most competitive companies always looking for potential targets. In an environment of decreasing valuations, companies have ample opportunities to make deals that help them drive growth, meet new requirements or solve their business challenges. Indeed, these opportunities could remain for some time: A full 60% of respondents in a recent Datasite survey said M&A valuations will continue to decrease.

But even though companies are continually looking for — and finding—targets to add to their pipelines, dealmakers are being more selective about which assets they agree to purchase.

In the first half of 2023, for example, median days of due diligence for assets of $1 billion or more on Datasite were up 47% compared to 2021. And large deals weren't the only ones subject to lengthier diligence timelines: median days of due diligence are up across all value tranches on Datasite. In addition, deal completion rates on Datasite shrank to 47% in the first half of 2023—evidence that more buyers and sellers are walking away post-kickoff rather than risking a bad deal.

To keep a sharp focus on deal quality, companies need agile solutions that help them identify, assess, manage and mitigate risks throughout the acquisition process. Using a modern, purpose-built M&A platform lets them conduct more thorough and sophisticated due diligence, more easily, and with greater transparency and control from pipeline to acquisition.

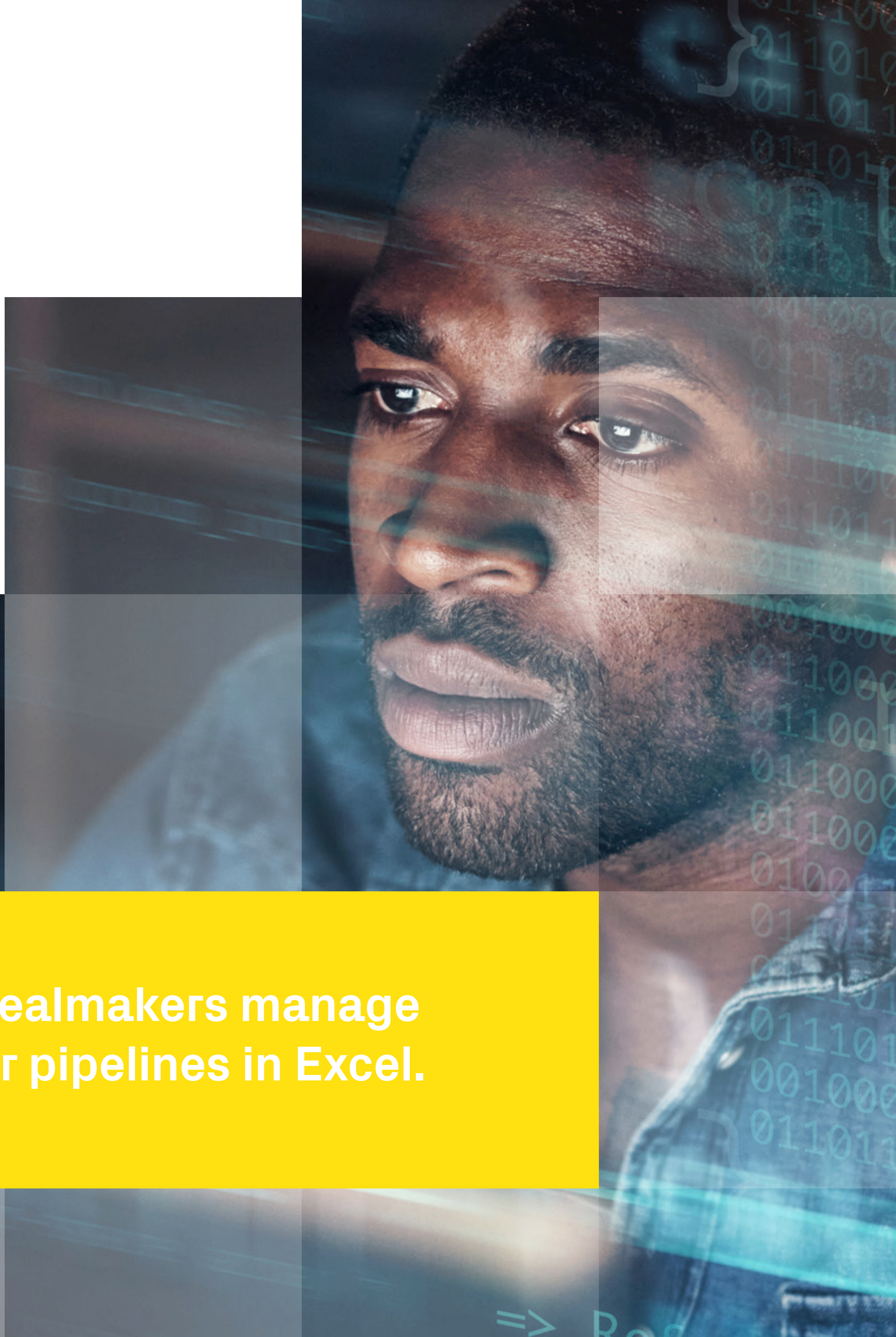
Consolidating activity into one place

Corporate M&A teams know that now is an opportune time for acquisitions.

“Some of the best outcomes often occur when targets are acquired amid market turbulence,” says Monty Yort, director of corporate development at KnowFully Learning Group. “It’s generally when the prices are the lowest, as competition from buyers is reduced in those times.”

Not all companies, however, are well-equipped to take advantage of that reduced competition.

When it comes to their deal pipelines, for example, many companies experience challenges — ranging from irrelevant leads to a dearth of information on targets. But it’s even harder when companies manage their pipelines using manual processes, disparate technologies and spreadsheets. Even the most organized corporate M&A teams can struggle to track their pipeline health, let alone report on or visualize their pipeline data.



75% **of dealmakers manage their pipelines in Excel.**

Managing pipelines via spreadsheets and technologies that don't talk to one another also makes it difficult to compare and prioritize targets — and even harder to transition targets to the due diligence phase.

When companies instead manage their pipelines and due diligence through an advanced M&A platform, they can easily report on opportunities through customizable dashboards and data-visualization widgets. They can also move targets straight from sourcing over to their acquisition playbook and workflows, without the need to transfer documents, communications or other information from one system to another. This makes it so much easier to see the M&A process from beginning to end.

> **We really like Datasite's ability to track all diligence files and communications with management sellers, the various summary dashboarding tools and the ability to look at the overall health of the pipeline and then quickly spin up a data room when the time is right.**
>
> **Monty Yort**
> Director of Corporate Development
> KnowFully Learning Group

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Increasing control using buyer-led tools

Once a deal enters the due diligence phase, its complexity grows. It can be difficult for targets or sellers to keep up with the intricacies, especially when they aren't deal-ready.

Using a platform purpose-built for acquisitions during the due diligence phase can keep buy-side companies in control as the due diligence process moves forward and make it simple for sellers to complete their part of the process without getting stuck.

Security is also paramount at every step of the process. M&A transactions involve exchanging a large amount of sensitive data, so working with an M&A platform that has privacy and compliance standards at its core is essential.

A purpose-built M&A platform contains robust security, audit trails and GDPR-compliant data protection measures — giving dealmakers confidence that all of the deal documents, communications and other materials are protected in one central place. And when their M&A platform offers redaction and permissioning tools, corporate M&A teams can even achieve fine-grain control over the information shared in the deal.

Clients have told us they feel more equipped with Datasite and the Datasite Assist customer service team. Acquirers have a simplified system plus additional support to steer the due diligence process with more ease. This is especially helpful for sellers who might be inexperienced in M&A transactions.

Elle Cathey
Senior Director of Product Marketing
Datasite

Minimizing risks throughout the process

Maintaining control while acquiring the information necessary to make decisions is a big part of reducing risk during due diligence.

"The whole practice of due diligence in the asset purchase process is about protecting the corporation and minimizing risk while maximizing deal value," says Cathey. "Technology can really help with de-risking not just the sale itself, but also the due diligence process to vet the sale."

A modern M&A platform can equip companies with tech tools like trackers. These turn static checklists of tasks, activities or data into centralized digital to-dos with real-time status notifications. Corporate M&A teams use trackers to populate or review projects quickly; everyone is working from one central list, without relying on emails and spreadsheets.

Conducting Q&A directly within a shared space is another tech-enabled capability that can dramatically streamline due diligence. Companies can set up Q&A teams, categories, permissions, approval workflows and FAQs. Permissioned users can view, edit or respond to questions as appropriate, and related content can be linked—helping reduce security risks and miscommunications in an automated format.

Closing communication gaps during due diligence is also easier with tools for users to surface issues in real-time, instantly communicate those issues to all members of their deal teams and take prompt action. With digital findings tools, companies can keep a running list of findings in one place—all in the same format and linked to the underlying documents.

“Compiling, prioritizing, and assigning findings in one place minimizes any surprises or risks that might come later,” Cathey says.

More than

48% **of dealmakers say that distilling findings is one of the hardest parts of M&A.**

Conclusion

Ultimately, having entire M&A processes in one place can help ensure that dealmakers spend their time and effort on high-value strategic discussions and due diligence rather than redundant work or manual processes in a data room.

By using an M&A platform built for acquisitions, companies become more efficient and productive—staying focused on what matters before and during the due diligence process.

“Longer deal prep and due diligence times are the new normal for the current market,” says Cathey. “ We saw blazing transaction speeds to keep up with the unprecedented deal volume in 2021, but I think dealmakers appreciate the tighter scrutiny around due diligence practices and more careful vetting of assets. And I think they’re going to lean into technology much more to help with this new normal.”

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