

Reimagining M&A Execution

Is Virtual Dealmaking Here To Stay?

The 2020 M&A environment has been marked by a notable shift to virtual execution from what was once a face-to-face process. Despite ongoing COVID-related restrictions that continue to impact traditional M&A execution, volumes have surged to record levels.

In December of 2020 we surveyed our clients for their views on what's here to stay.

Regionally, those surveyed represent 75% Americas, 20% EMEA and 5% Asia.

M&A Year-End Rebound

Early skepticism emerged in March of 2020 since in-person diligence has historically been critical to closing a deal.

In April, Deal activity ground to a halt and a return to normalcy became unlikely.

By July sentiment improved sharply and confidence in virtual processes took off in Q3.

2020 Announced M&A Deal Count (\$500mm+)

We have seen a v-shaped M&A recovery across the globe with 68 deals in January 2020, low double digit deal count in April and back up to 180+ announced deals in December 2020.

Measuring the Effectiveness of In-Person Alternatives

On a scale of 1-10, where 1 was ineffective and 10 was effective, clients ranked:

- Pre-recorded management presentations, followed by live Q&A (virtual) as a 5
- Fully live management presentations (virtual/no pre-recorded materials) as an 8

When ranking what is most challenging about in-personal alternatives, clients reported:

- Getting to know management teams the most challenging (92% surveyed say their biggest concern is the ability to identify culture and compatibility issues)
- Sourcing proprietary ideas moderately challenging
- Conducting due diligence least challenging

But the benefits of virtual sessions far outweigh the challenges they are facing. Clients appreciate:

- The potential for enhanced outcomes
- Faster timelines
- Less management time commitment
- Increased confidentiality
- Significant expense savings

In-person alternatives have the potential to reduce the time spent on a deal by 50% and a potential \$500K-\$1mm reduction in direct expenses.

Moving to a New Model

Going forward, 83% of our clients hope to adopt a hybrid model, 9% hope to continue exclusively virtual for the foreseeable future and 8% want to return to primarily face-to-face interaction.

The Future is Virtual.