



Datasite Forecaster

January 2023 update

Trends based on Datasite's proprietary, aggregated, and anonymized transaction data.

The Datasite view: Data and definitions

We have developed the following definitions to provide clarity on how we are filtering and categorizing our data, which is all aggregated and anonymized.

- **M&A or deal.** Datasite projects categorized as an asset sale or merger
- **M&A or deal kick-offs.** The day a new sell-side data room is created in Datasite Diligence or Acquire¹
- **M&A pipeline.** The total number of ongoing M&A processes on Datasite during a given time period, regardless of the deal's stage, size, or public status
- **Forecast, prediction, or indicator.** An estimate of future deal volume based on the assumption that sell-side due diligence takes from three to nine months to complete

M&A market activity

What the public sees

Publicly announced deals

What we see

Undisclosed deals

Active, unannounced deals

Deals put on hold

Abandoned deals

Deal velocity
Deal outcomes
Deal depth

¹: This excludes M&A deals created in our deal preparation application, Datasite Prepare.

M&A deal kickoffs up 2% in 2022 YoY, pointing to healthy 2023

Expect numbers to recalibrate starting in March 2023

Cumulatively, global deal kickoffs finished 2% up in 2022 YoY and 57% higher than in 2020. This is a healthy sign for 2023, showing the market has a lot of inventory to work through once capital markets firm up.

Another sign of health: Deal kick-offs continued to be far more buoyant YoY than deal announcements on Refinitiv. The delta between the two points to behind-the-scenes activity that should bear fruit in 1H 2023.

Big questions are on M&A professionals' minds as January 2023 kicks off: What will inflation and interest rates do? When will market conditions settle enough for M&A valuations to reach a new normal?

- December 2022 M&A kickoffs fell 17% YoY from 2021. The 2022 numbers look poor only in contrast to 2021, however. Deal kickoffs were up 8% in 2022 over 2020. Favorable interest rates and anticipation of higher rates in 2022 also created unusually good M&A market conditions in 2021 and 2020
- Similarly, dealmakers should not expect a (relative) boom in M&A kickoffs this January or February 2023. The same conditions that created an M&A frenzy in December 2021 led to a spike in early 2022 activity. Look for conditions to reset around March of this year
- Dealmakers historically held off on starting new deals until the new year. Given 2022's choppy market conditions and 2021's M&A frenzy, it seems likely dealmakers embraced a return to normalcy this holiday season

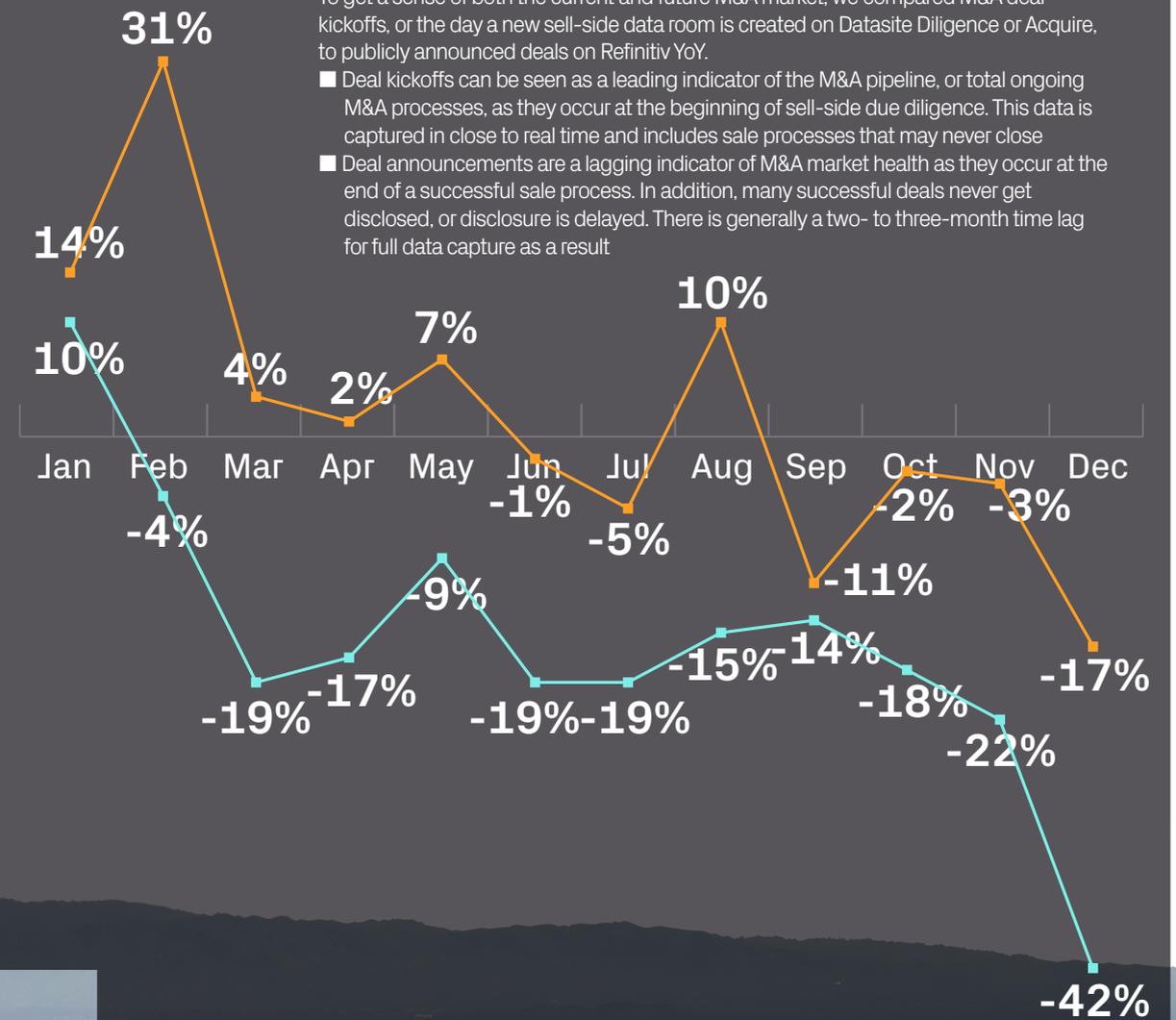
Global deal kickoffs vs. announced deals YoY 2022

■ Global deal kickoffs - Datasite ■ Announced deals - Refinitiv

What is this chart showing?

To get a sense of both the current and future M&A market, we compared M&A deal kickoffs, or the day a new sell-side data room is created on Datasite Diligence or Acquire, to publicly announced deals on Refinitiv YoY.

- Deal kickoffs can be seen as a leading indicator of the M&A pipeline, or total ongoing M&A processes, as they occur at the beginning of sell-side due diligence. This data is captured in close to real time and includes sale processes that may never close
- Deal announcements are a lagging indicator of M&A market health as they occur at the end of a successful sale process. In addition, many successful deals never get disclosed, or disclosure is delayed. There is generally a two- to three-month time lag for full data capture as a result



North America: Softer 2022 signals reset to saner times

November uptick lightens 2Q 2023 picture

Cumulatively, North America 2022 deal kickoffs dipped 6% YoY from blockbuster 2021 times - but were up 54% from 2020. Some falloff is certainly due to rockier market conditions. However, a lot of the perceived slowdown is attributable to a market correction after two years of cheap capital-fueled growth.

- December 2022 kickoffs closed 21% down from their 2021 high, after a bounce back in November from September doldrums. The 2022 drop-off should be kept in context though. Notably, December 2022 kickoffs ended 10% higher than December of 2020
- A healthy upswing in kickoff activity in November 2022 leading into December is also at play. Look for those deals to give an extra bounce to 2Q 2023 deal announcements
- North America swung hard toward the real estate and business service industries in 2022, so expect some of that inventory to close in 1H 2023
- Many deals went on hold in the latter half of 2022 as dealmakers decided to let valuations settle in the wake of high inflation and interest rate hikes. Processes should restart once the market feels more confident in inflation and interest rate adjustments, resulting in a spate of activity beginning in Q2 2023

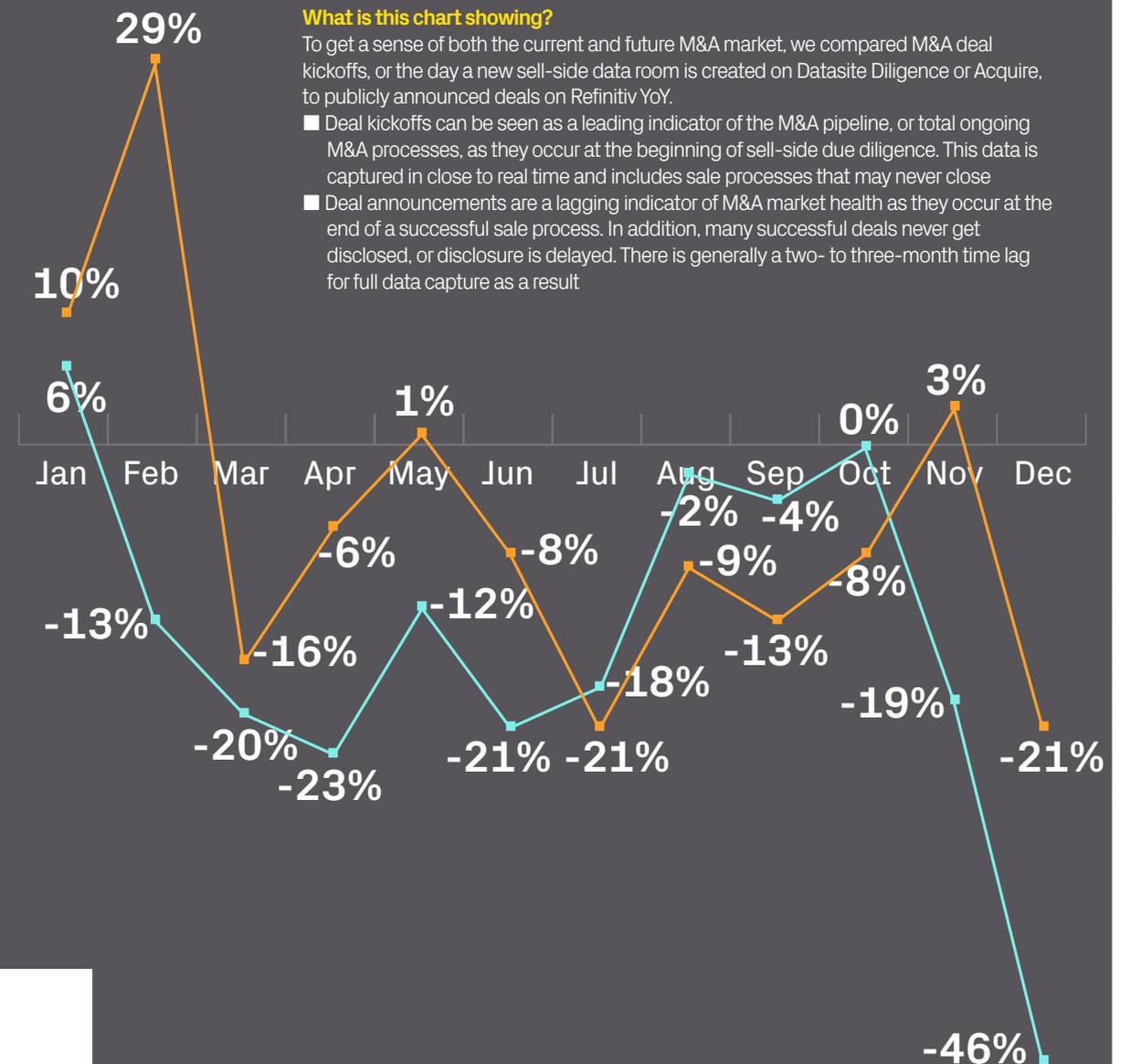
North America deal kickoffs vs. announced deals YoY 2022

■ North America deal kickoffs - Datasite ■ Announced deals - Refinitiv

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EMEA: Robust summer could lead to strong 2023 start

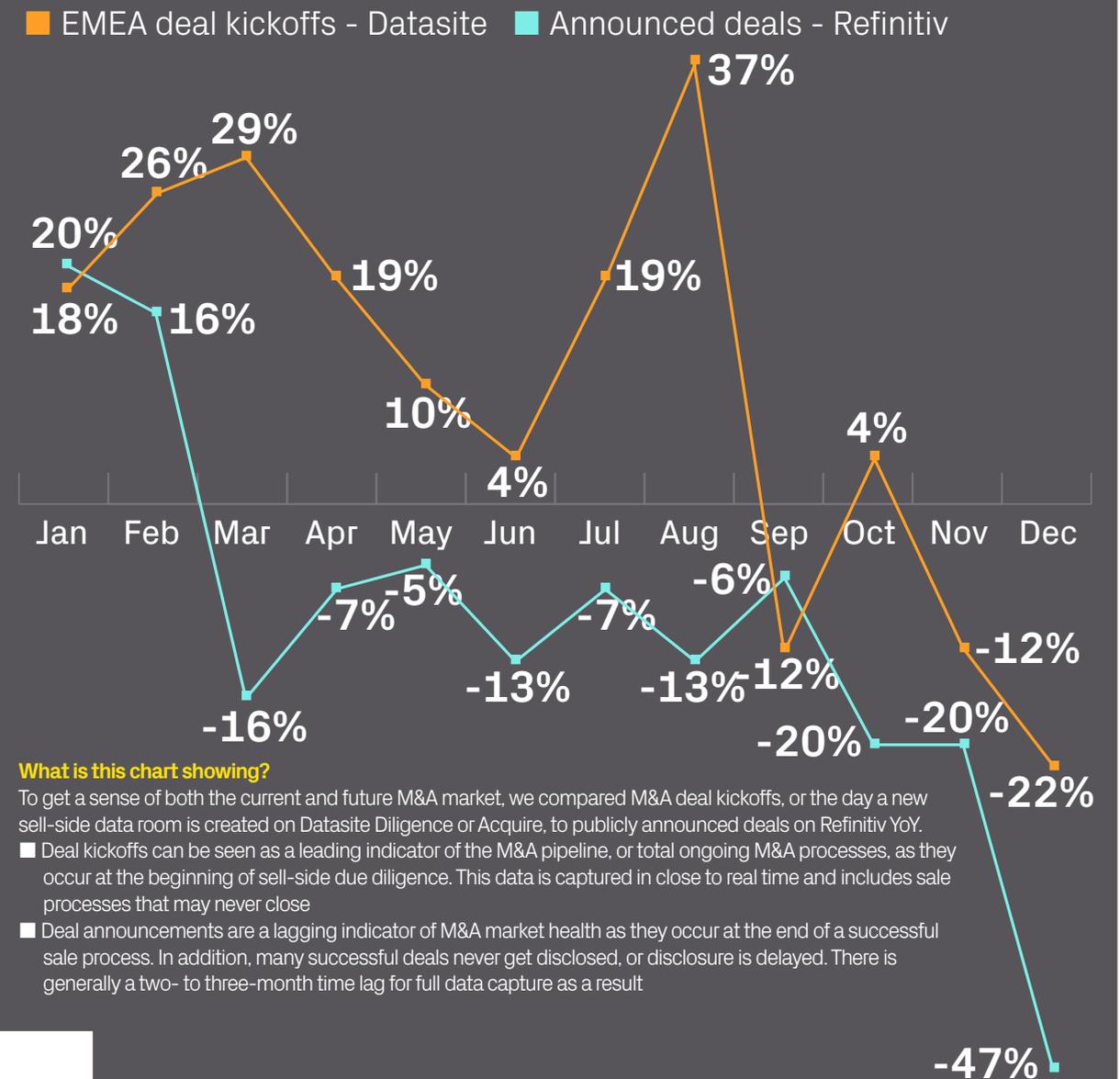
Weaker November and December 2022 hint at summer respite

Shrugging off geopolitical and economic headwinds, EMEA 2022 deal launches steamed ahead to close 8.5% up YoY.

Following a flurry of deal launches in Q1 2022, EMEA dealmakers were uncharacteristically busy during the summer months of July and August, leading to a tired September, upbeat October, and tepid November and December.

- December 2022 kickoffs fell 22% from the year before. However, December 2021 was unusually robust, jumping 25% from the year prior. EMEA December 2022 numbers dipped only 1% compared to December 2020, also a frothy month compared to historical cycles
- The burst of activity in July, August, and October 2022 could result in a busy 1H 2023 as dealmakers come back from the end-of-year holidays refreshed and ready to close lingering sale processes
- In reaction to global uncertainty, tangible asset types dominated EMEA M&A launches. Look for a spate of industrial, business service, and real estate announcements
- EMEA's slower November and December 2022 months could be macroeconomic headwinds finally catching up to M&A optimists. Or it could simply be the result of dealmaker burnout, and a desire to resume a historically slower pace around the holidays. Either way, the news looks good for EMEA dealmakers who resent last year's intrusion on their July and August holidays

EMEA deal kickoffs vs. announced deals YoY 2022



APAC: Exuberant deal kickoffs set stage for bullish new year

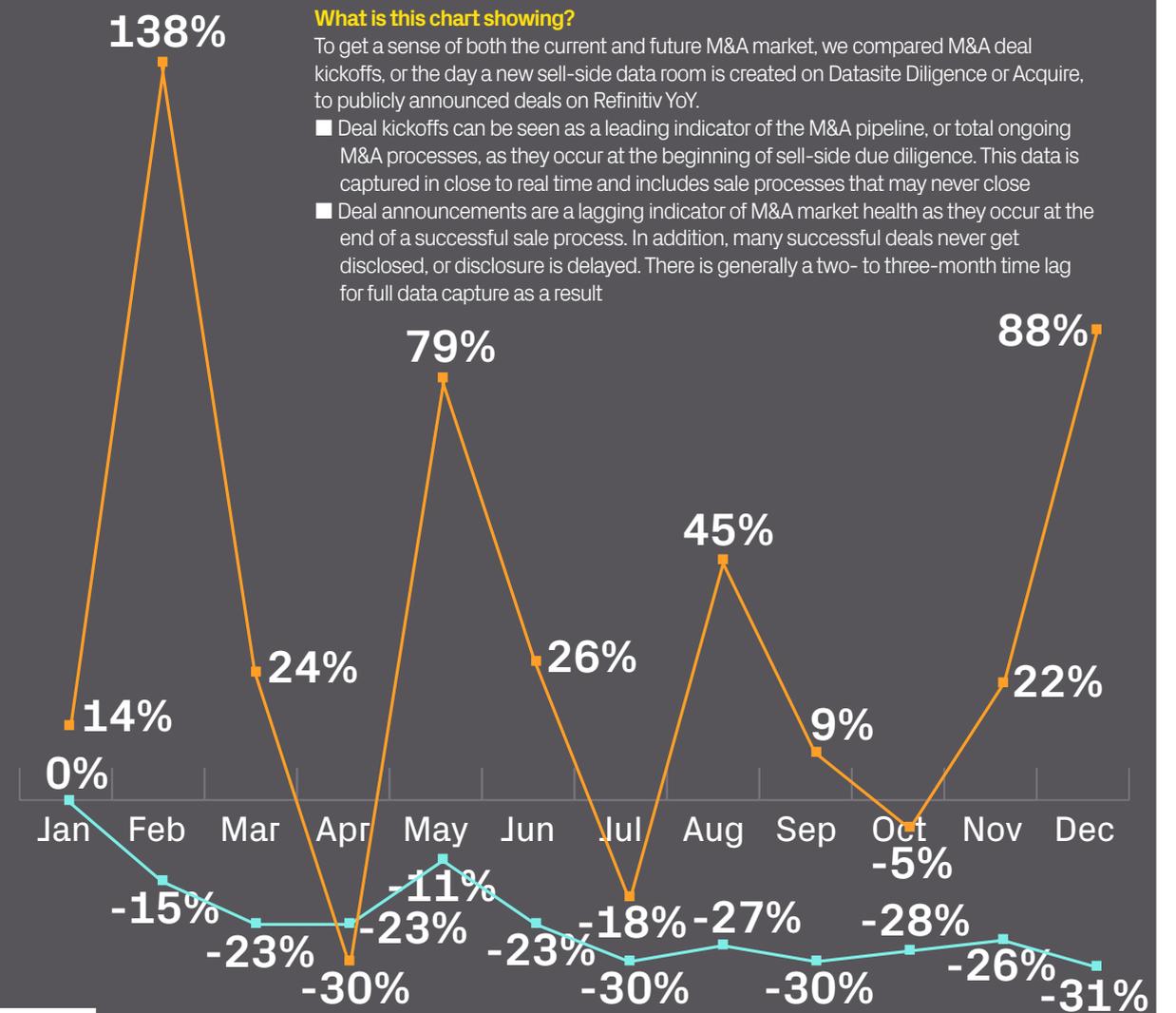
Announced deal activity much lower

APAC 2022 deal kickoffs jumped 21% YoY from 2021, propelled by spikes in February, May, August, November, and December. The public M&A market was far more morose, with publicly announced deals underwater by 10% or more from February 2022 on, according to Refinitiv.

- December 2022 kickoffs closed 88% up from their 2021 high, improving upon an impressive 22% bounce in November 2022. Expect a solid Q1 2023 from the deal announcement front, as all that November and December activity starts to resolve
- From a kickoff standpoint, all major industries except energy saw upward momentum. Bright spots include healthcare and financial services
- The 2022 delta between deal kickoffs and announced deal activity was highest in APAC. Time will tell whether this is due to overly optimistic forecasts on the part of dealmakers – or closing hesitancy due to tough market conditions and softening valuations

APAC deal kickoffs vs. announced deals YoY 2022

■ APAC deal kickoffs - Datasite ■ Announced deals - Refinitiv



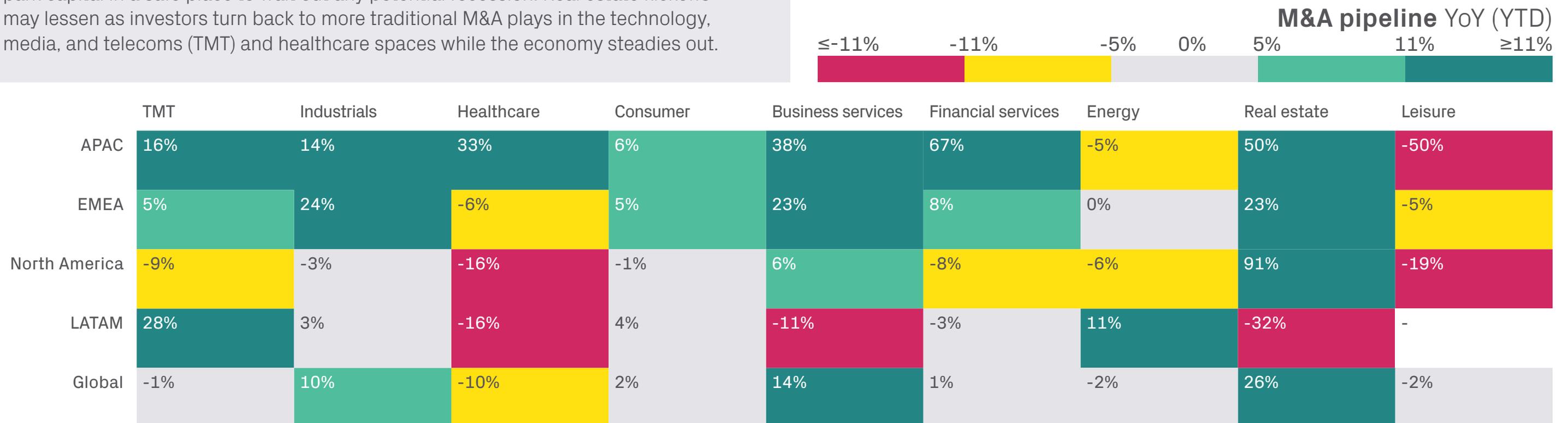
The Datasite Forecaster view: What's up, down, and neutral YTD

The industrials industry was the global M&A winner of 2022, with deal kickoffs jumping 10% YoY off the back of a 24% surge in EMEA. The climate crisis, COVID-19, and the Russia-Ukraine war created a global economic environment rife with physical risk. As a result, dealmakers helped companies integrate supply chains, exit vulnerable locations, and reinvest in the defense sector. Expect that trend to continue at a softer pace into 1H 2023.

Though a much smaller industry overall, real estate M&A also took off in 2022. M&A kickoffs increased by 26% YoY as investors fled into inflation-resistant assets. With real estate development time horizons of three to seven years, the hope may be to park capital in a safe place to wait out any potential recession. Real estate kickoffs may lessen as investors turn back to more traditional M&A plays in the technology, media, and telecoms (TMT) and healthcare spaces while the economy steadies out.

TMT, the largest M&A industry by volume, bounced back toward the end of 2022, ending the year at a relatively neutral decrease of 1% YoY. Look for an upswing in TMT announcements in 1H 2023, particularly in EMEA, as a result.

Finally, of all the larger industries, healthcare took the biggest hit in 2022 and ended down 10% YoY. These deal kickoff numbers should however be put in the context of prior years. COVID-19 injected a huge amount of capital and activity into the healthcare M&A space, particularly in areas like digital health. The industry may need more time to digest before kicking off the next series of funding rounds and M&A.



What is this chart showing?

This chart provides a year-over-year (YoY) view of the total number of ongoing M&A processes on Datasite by region and industry. We have provided this view on a cumulative, 12-month trailing basis to provide as robust a sample size as possible. We have left blank any areas where our sample size was not robust enough to report on.

Our research

The Datasite Forecaster compiles data from deals conducted on Datasite's platform, aggregated and anonymized to protect client confidentiality. Datasite hosts more than 13,000 projects a year and has over 50 years' experience in M&A, so we have one of the largest databases of current and historical M&A deal activity in the world.

From this data we have produced:

- 1) Informed estimates about future deal volumes
- 2) Benchmark data drawn from historical deals

We cleaned and prepared our data using the R statistical programming environment. Then we defined a 'typical' Datasite-hosted project using three criteria. Firstly, we used the median (rather than the mean). Secondly, we based our deal kickoff data on sell-side deals only. Thirdly, in order to compare timeframes consistently, we broke these into two parts: days from project creation to launch ('prep time') and days from launch to close ('due diligence time'). We excluded projects that were never launched or still open.

We used the same methodology for forecasts relating to specific sectors, scenarios, and Datasite products. We reviewed sector breakdowns only in countries with 100+ transactions a year, and we reported on countries only where our sample size was 40+ transactions a year.

The Datasite Forecaster is for informational purposes only. All information contained within is not intended to provide, and should not be relied upon for, legal, tax, financial, investment recommendations, or any other type of advice.

13k+
transactions annually

80k+
logins monthly

170
countries covered

50+
years of experience

We are Datasite

Datasite is where deals are made. Driving M&A in more than 170 countries. Delivering many of the world's top transactions – sell-side, buy-side, and beyond.

Discover an end-to-end M&A suite built around the world's most trusted data room. In one place you have all you need for every type of project, from advanced AI tools to global support 24/7/365. Seamless processes cut deal times by up to 40%. And a fast-evolving platform keeps you one step ahead of the competition. Secure your success with Datasite.



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