



Datasite Forecaster

Special Report: 1H 2023

The Flight to Quality

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 deal.** Datasite projects categorized as an asset sale or merger
- **Prep time.** The median time from project creation to launch
- **Due diligence time.** The median time from project launch to close
- **Successful deal completion.** When an administrator says a transaction successfully completed at project close

Deal velocity
Deal outcomes
Deal depth

M&A market activity

What the public sees

Publicly announced deals

What we see

Undisclosed deals

Active, unannounced deals

Deals put on hold

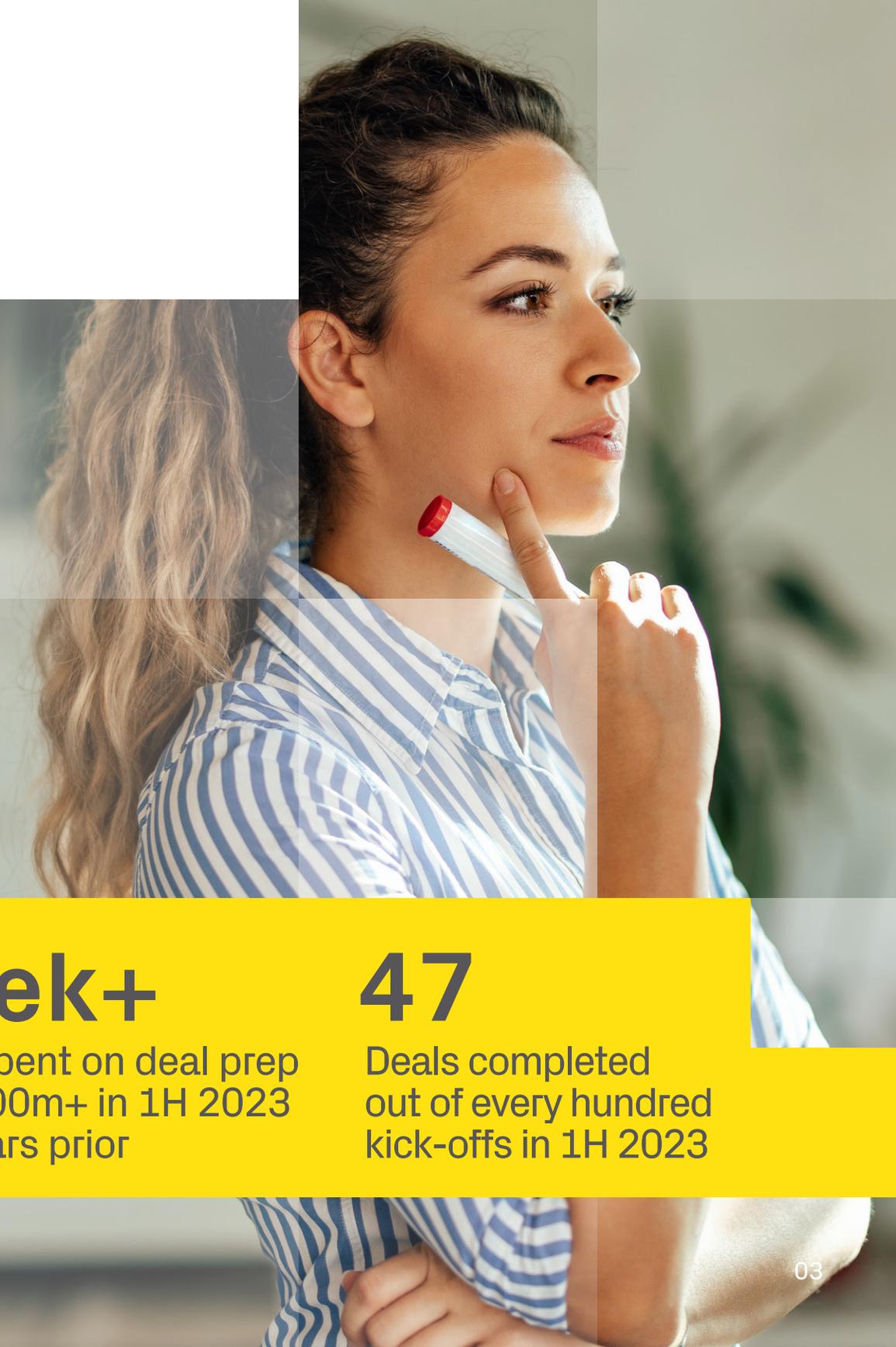
Abandoned deals

M&A industry focuses on **quality over quantity**

The M&A industry's decline this year has been greatly exaggerated. Globally, first-half 2023 sell-side deal kick-offs dipped 10% below the same time period in 2022. This is despite a steep 40% drop in announced 100m+ deal volume in 1H 2023 versus 1H 2022.

However, the widening gap between announcements and behind-the-scenes M&A activity points to a less visible industry trend: the renewed focus on deal quality over quantity. Dealmakers are choosier about the assets they are agreeing to purchase, resulting in fewer deal announcements overall.

This special report reviews some of the proprietary data trends that highlight this broad industry shift.



1 week+

Extra days spent on deal prep for assets 100m+ in 1H 2023 from two years prior

47

Deals completed out of every hundred kick-offs in 1H 2023

Handle with care:

Sellers take longer to prep

Blowback from 2021. Challenging financing conditions. Fewer quality assets. Valuation differences. Recession concerns. Regulatory headwinds.

The reasons why sellers are taking longer to prepare assets for sale are varied. In the end, however, the results are the same. The pre-launch part of the sale process is being managed with greater care.

This is particularly true for larger sell-side processes. Dealmakers shopping assets worth 1bn+ added more than two weeks of prep time since 2021. Meanwhile, prep for assets in the \$100m - \$1bn range, already lengthier than any other value tranche, climbed by a week during that same period.

Median days of sell-side prep 2021 – 1H 2023

■ 2021 ■ 2022 ■ 2023



Buyers' double-down on diligence

Sellers are taking longer to prepare assets for sale for good reason. During the halcyon M&A days of 2021, sales went so fast that diligence became an afterthought.

Corners were cut. Buyers got burned. And now, buyers are less willing to engage in competition-fueled rolls of the M&A dice.

Median days of diligence for assets of 1bn+ jumped 47% since 2021. The larger the company, the more financing and regulatory headwinds it is likely to face.

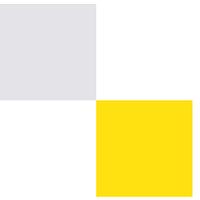
Large deals aren't the only ones receiving increased look-overs, however. Since 2021, the pendulum has swung from less diligence to more across all value tranches.



Median days of due diligence on asset sales 2021 – 1H 2023

■ 2021 ■ 2022 ■ 2023

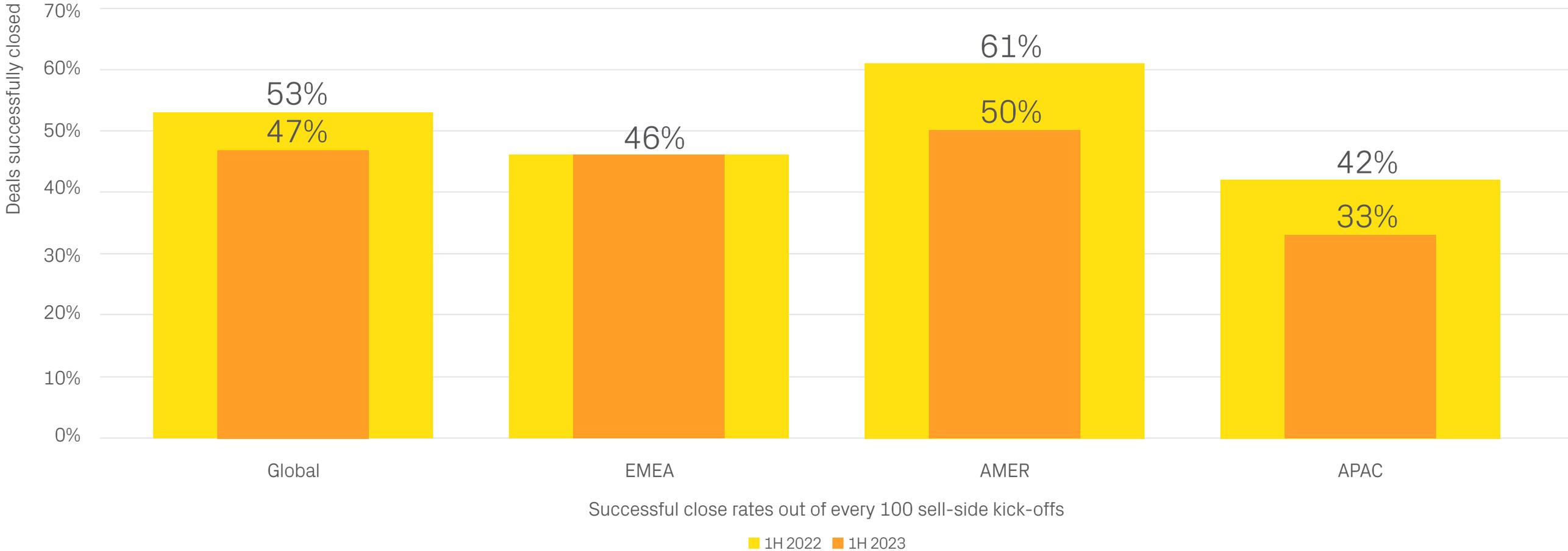




Deal completion rates shrink to 47% in 1H 2023

Another signal the M&A industry is focused on quality not quantity?

Except for EMEA, the percent of sell-side kickoffs that successfully complete is falling. Globally, six fewer sell-side kickoffs out of every 100 completed in 1H 2023. The Americas saw the sharpest drop, with 11 fewer kickoffs completing in 1H 2023 compared to the same period last year. In other words, more buyers and sellers are walking away post-kickoff rather than risk a bad deal.



Conclusion

The M&A industry is busier than ever. However, the results of those efforts are higher quality deals, not more deals.

“Less is more” is a big shift for an industry historically driven by a “more is more” mentality.

Time will tell how long this new mindset lasts.



Datasite is where deals are made

 14,000 deals annually

 2 million users (4 years)

 Track deals at inception vs. announcement

Datasite is where deals are made. We provide a complete M&A platform, driving transactions in 180 countries for investment banks, corporates, private equity, and law firms. Projects become seamless through our unique combination of technology and always-on assistance, built around the world's most trusted data room. Learn more at [Datasite.com](https://www.datasite.com).

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