

Intralinks Deal Flow Predictor

A quarterly prediction of future trends in the global M+A market

What is the Intralinks Deal Flow Predictor (DFP)?

The Intralinks Deal Flow Predictor (DFP) tracks global M&A sell-side mandates and deals reaching the due diligence phase prior to public announcement, providing a unique leading indicator of future global deal activity. The Intralinks DFP is based on the company's insight into a significant percentage of M&A transactions in their initial phases.

The statistics contained in the Intralinks DFP represent the volume of virtual data rooms (VDRs) created, or proposed to be created, through Intralinks or other providers. The VDRs are used to conduct due diligence on proposed transactions including asset sales, divestitures, private placements, financings, capital raises, joint ventures, and partnerships. These statistics are not adjusted for changes in Intralinks' share of the VDR market or changes in market demand for VDR services. However, we have found that the Intralinks DFP provides a unique and reliable indicator of future announced mergers and acquisitions activity.

What does the Intralinks DFP report?

The Intralinks DFP reports quarterly variations in the number of VDRs created or proposed to be created. This variation is reported as a percentage change from the previous period. Creation of a VDR occurs in the early stages of conducting a strategic transaction, before a deal is publicly announced and as such, provides a forward-looking indicator of future deal activity. As a leading global provider of VDRs, Intralinks has a unique view into this activity. (In some respects, the Intralinks DFP data is analogous to the employment reports published by ADP and others, based on actual transactional payroll data, which give an indication of employment trends.)

The Intralinks DFP reports global deal activity, as well as regional breakdowns for North America, Latin America, Asia Pacific & Japan (APJ) and Europe, Middle East & Africa (EMEA). Intralinks also reports industry sector indicators where there are significant changes in sector activity.

How does the Intralinks DFP account for deals Intralinks is not involved with, or for the fact that many deals never get announced or fail to close?

The Intralinks DFP takes account of VDRs created on Intralinks' Dealspace platform, as well as those deals that Intralinks becomes aware of in the sales process that choose an alternative solution. Combined, Intralinks has visibility into a significant percentage of M&A transactions including a disproportionate share of the larger deals that are the bellwethers of M&A activity.

Although a portion of deals reaching due diligence are never announced or completed, deals that reach the stage in which a virtual data room is needed are generally serious, with potential buyers identified and engaged in the market. Reports from our M&A clients suggest that deals reaching the due diligence stage are highly likely to close. In addition, Intralinks only reports the percentage change in deal volume quarter-over-quarter and year-over-year, not the absolute volume of deals.

Does the Intralinks DFP accurately forecast future announced deal activity?

Yes. We believe the Intralinks DFP has been a reliable indicator of future announced deal activity.

To show the predictive nature of the DFP, we compared the Intralinks DFP data with subsequent announced deal volume reported by Thomson Reuters. Thomson Reuters monitors deal flow, market trends and deal activity by region, asset class or industry vertical, and gives an accurate retrospective picture of announced deal activity. By comparing the Intralinks DFP data with subsequent deal activity reported by Thomson Reuters, we are able to validate our belief that the Intralinks DFP data is an accurate predictor of future announced M&A activity.



We compared the Intralinks DFP data with Thomson Reuters announced deal data from two quarters later and found that there is a clear correlation (see Figure 1).

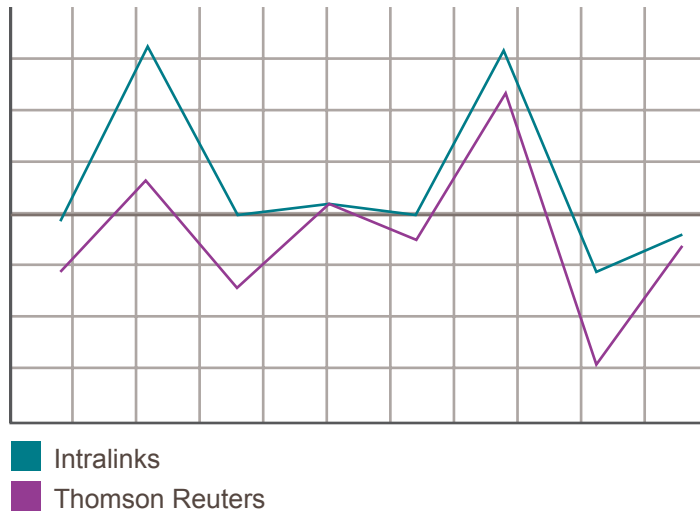


Figure 1: Quarter-on-quarter percentage changes in the global Intralinks DFP (two quarters prior) compared to each quarter's Thomson Reuters global announced deals (data courtesy of Thomson Reuters).

We engaged *Analysis & Inference Inc.*, an independent statistical analysis and consulting firm, to perform a linear regression analysis of the data shown in Figure 1 above, for the period Q3 2011 to Q2 2013. This analysis showed a very high level of statistical significance. The R^2 statistic for the regression analysis, which indicates how well the data fits the model, is 0.74. The regression analysis results in a p-value (significance) of 0.6%, a value which indicates that there is a more than 99% probability that the Intralinks DFP is a statistically significant six month predictive indicator of announced deal data. These statistics put the Intralinks DFP on par with US government forecast data for inflation, unemployment and GDP in terms of predictive value.

The Intralinks DFP can be downloaded at:

<http://www.intralinks.com/knowledge/intralinks-deal-flow-predictor>