



How Deals Get Done

New research shows the growing influence of deal sourcing networks and social computing on the M&A industry



Executive Summary

In September, 2013 Intralinks conducted a global survey of dealmakers to better understand how technology and community-based deal networks are influencing how M&A transactions are sourced. Over 2,400 M&A professionals responded. Findings show broad adoption of online deal sourcing platforms, with an increasing volume of successful deals being initiated through these deal networks. The survey found that the traditional deal marketing process is rapidly being augmented and transformed by leveraging technology, social media and community-based deal networks to speed deals and reach the biggest possible target audience. Survey highlights include:

- More than 55 percent of dealmakers currently use an online deal network to support deal sourcing. Of them, over 85 percent of sell-side M&A professionals have marketed at least one deal online in the last 12 months.
- Among users of deal sourcing platforms, more than 50 percent of buy-side and over 40 percent of sell-side professionals have closed a deal that was sourced on an online network
- Social networks like LinkedIn and Twitter are an integrated and successful component of deal networking, broadly used across the industry
- Almost 70 percent of dealmakers report that online communities of M&A professionals are making deal-sourcing more efficient

Social and community-based technologies are already transforming how deals get done. Deal sourcing platforms are rapidly becoming mainstream, offering a low cost, long reach way of locating target counterparties. Dealmakers should consider deal sourcing networks and social platforms as an effective way of maximizing deal exposure and a proven way to close a deal.



Introduction

Technology makes it much easier for like-minded professionals to engage, exchange information and form commercial relationships. The M&A industry is no exception: over the last decade, deal sourcing platforms and online communities have sprung up to bring together dealmakers with the goal of making the deal process more efficient.

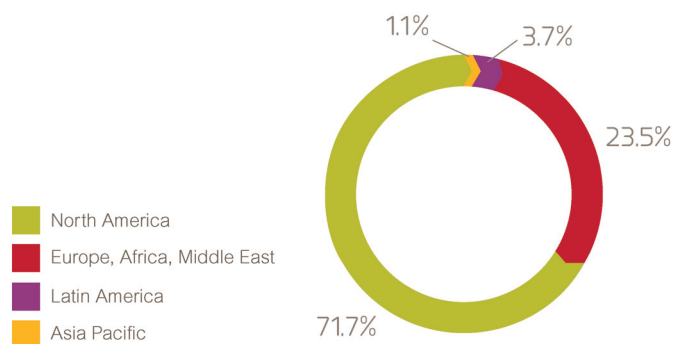
We wanted to understand how technology was influencing the deal sourcing and marketing process, and how prevalent and successful deal networks have become. To answer these questions, in September, 2013 we conducted an online survey of M&A professionals to understand their views of deal networks, their adoption of platforms and the influence of social computing and professional networks in the overall M&A industry.

The survey was conducted by Intralinks with respondents drawn from several large databases of global M&A professionals. In total 2,440 professionals responded to the survey, making this one of the largest, most comprehensive surveys of deal sourcing ever conducted.

Survey Respondents

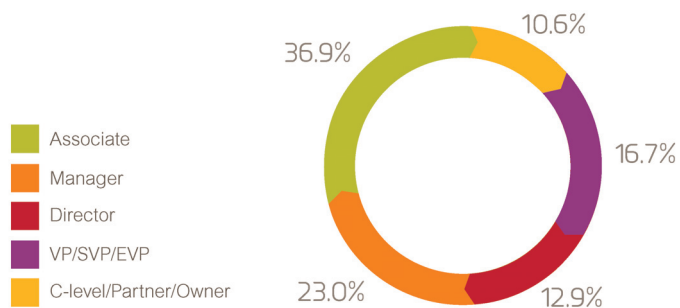
Respondents to the survey varied by experience, seniority and geography. The split between buy-side and sell-side was about even, with 52.5% identifying themselves as buy-side professionals and 47.5% identifying as sell-side. The large majority of respondents came from North America (72%), followed by Europe, Middle East and Africa (EMEA) and Latin America. There was a wide variation in job title and in the segment of the M&A industry where respondents worked.

In Which Region Do You Work?

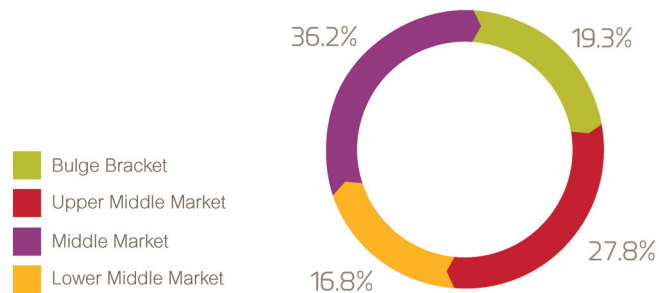




What is your Job Title?



What segment of the M&A industry do you participate in?





Over 36% of dealmakers currently use online deal sourcing networks, with a further 28% expecting to adopt them in the next 12 months.

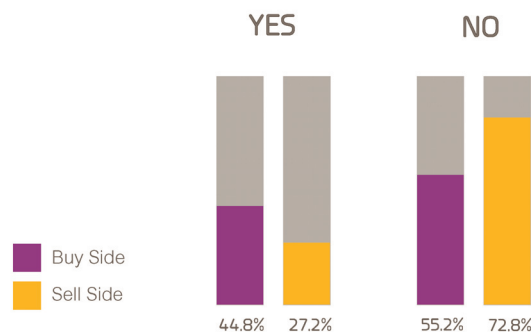
Findings

Deal Sourcing Networks are already widely used

Our survey shows that deal sourcing networks are rapidly becoming a mainstream part of the dealmaking process. Over 36% of the dealmakers in our survey currently use online deal sourcing networks, with a further 28% expecting to adopt them in the next 12 months. Buy-side professionals show a much higher use of networks today (44%) compared to sell-side (27%), but our research shows that this discrepancy will narrow as adoption accelerates.

Adoption is uniformly strong in the United States and Europe, Middle East and Africa, with Latin America and the Asia Pacific region lagging.

Do you participate in online deal sourcing?



Enthusiasm for deal sourcing networks is strong: two-thirds of respondents predict that online deal networks will change the way deals are done, while over 60% expect deal sourcing to become more automated over the next five years. Making the deal process more effective and less time-intensive is a significant driver for adopting deal networks, with 69% believing that having an online community of M&A professionals would make deal sourcing and marketing more efficient. Only 37% of M&A professionals in our survey believe the current M&A process is highly efficient.

The survey also found that dealmakers are already using social media as part of their day-to-day M&A work, with adoption of traditional social platforms like LinkedIn and Twitter rivaling many mainstream data sources like Bloomberg and Capital IQ. This should not be surprising: There are over 800 groups on LinkedIn that cater to M&A professionals, some with over 250,000 members. However, social media is a way to share news and network, but does not seem to be a way to source or market deals. While the adoption of deal sourcing platforms will accelerate over the next year, we found that adoption of social media may have peaked, and will likely not dramatically change over the next few years.



Case Study

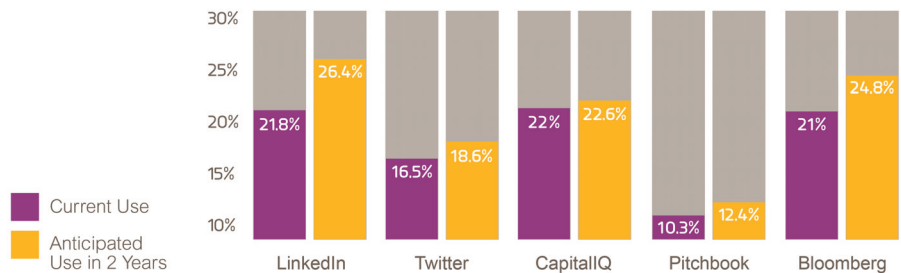
The connection made through a deal sourcing network led to a fast-closing M&A transaction.

Charlie Lorelli of Lorelli & Co. specializes in M&A advisory for the chemical industry. While he has built up a great Rolodex of contacts over the past 25 years, he always looks to expand his network. The chemical industry is relatively small, and Lorelli wants to maximize his chances to learn about new opportunities and new players.

Patrick O'Keefe, principal at the private equity firm Excellere Partners, had a similar problem. Excellere works with entrepreneurial companies that need additional strategic resources, as well as capital, in order to achieve their vision and grow their business. Across the industry, private equity firms close, on average, only one out of every 80 potential deals. "Excellere sought an efficient means to enhance deal flow," commented O'Keefe, "but we wanted to ensure we were receiving deals that fit our strategy." Though both firms did business in the chemical industry, neither Lorelli nor Excellere had ever heard of the other.

Both Excellere and Lorelli joined Intralinks DealNexus, the largest global deal sourcing platform available. Excellere Partners was one of the firms Lorelli discovered in that initial search through Intralinks DealNexus. Lorelli pitched Excellere on the deal he was working, and Excellere responded to the pitch. The transaction closed within 45 days of signing the letter of intent, where such a deal might normally take twice as long.

Which of the following applications do you currently use daily in your M&A work? In the next 2 years?



Deals sourcing networks are successful at closing transactions

When dealmakers think about optimizing their deal flow pipeline, they primarily think about maximizing the quality of deals as measured by deal size. Other concerns—like making sure they see as many opportunities as possible or finding proprietary deals that aren't over-shopped remain important—but are secondary concerns. This focus on deal size was uniform across all respondents to our survey.

We saw the same uniformity in responses when we asked how dealmakers source deals today, with a heavy reliance on existing professional networks or on internal business development groups.

Dealmakers are eager to find new ways to find deal partners and to maximize the reach of their marketing efforts, and deal sourcing networks are viewed as a way to accomplish these goals.

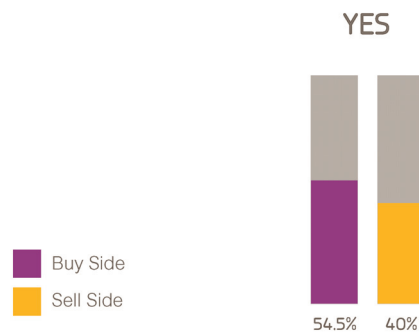
Among current users of deal networks, almost half of buy-side professionals get more than 25% of their deals from sourcing networks, while 39% of sell-side professionals have marketed more than five deals on networks in the last year.

When we asked current users of deal sourcing networks about their experiences, results showed that they are very effective at reaching new deal partners and closing deals. 55% of buy-side users and 40% of sell-side users have closed a deal sourced from an online deal sourcing network.

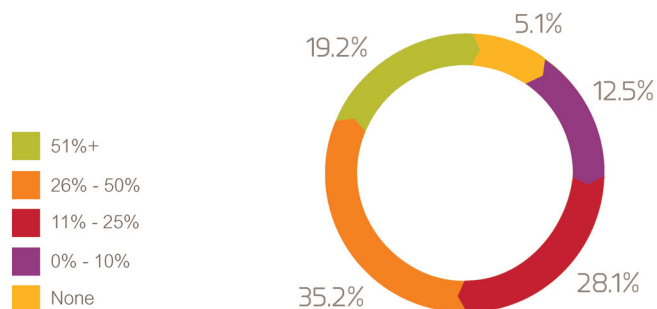


Clearly, deal sourcing networks are valuable, but their effectiveness may not be known to those dealmakers who have yet to adopt them. Among dealmakers who had yet to use online deal sourcing, the most frequently cited reason for not engaging was a perception that they aren't successful at closing deals. Interestingly, less than 10% of sell-side respondents think they are reaching buyers effectively. In addition, among all survey respondents, less than 15% are concerned about adopting technology or about entrusting part of their deal process to an online platform. Even though the dealmaking process needs to be highly secure and well governed, dealmakers are very comfortable using technology in the M&A process and this is not an impediment to adopting online deal networks.

Have you ever closed a deal sourced on an online deal sourcing platform?



What percentage of your firm's total deal flow is coming from deal sourcing networks?





Among current users of deal sourcing networks, 55% of buy-side users and 40% of sell-side users have closed a deal sourced on the network.

Recommendations for Dealmakers

M&A professionals are confident in their use of technology, understand that deal sourcing can be improved by leveraging online deal networks and are moving rapidly to adopt these platforms. Deal sourcing networks are already a mainstream component of the deal marketing process, with our survey showing that over a third of dealmakers already use deal networks today, with over two-thirds expecting to have adopted them a year from now. More importantly, deal networks have already proven to be effective at identifying deal partners and closing opportunities: Among current users of deal sourcing networks, 55% of buy-side users and 40% of sell-side users have closed a deal sourced on a network.

M&A professionals should consider making deal sourcing networks a mainstream part of their deal sourcing and marketing process. The move to deal sourcing networks is changing the way deals get done:

- **Networks make deal sourcing more efficient**

In common with many online community and social platforms, deal sourcing networks make it practical for M&A professionals to meet and transact. Networks make it much easier to extend the reach of existing deal sourcing activities, attracting more interested parties and speeding the sourcing process.

- **Networks go beyond just community building and can close deals**

Deal sourcing networks aren't just about building community – they have proven to be effective at identifying interested parties in a transaction that subsequently lead to closed deals. Almost half of dealmakers that use deal sourcing networks have closed an opportunity that came from a deal network.

- **Networks augment rather than substitute for existing deal sourcing approaches**

Today dealmakers rely heavily on their existing personal or company contacts and processes to identify deal partners, and most are eager to find ways of discovering and attracting new counterparties outside their existing network. Online deal sourcing presents an efficient way to augment existing sourcing techniques and reach a global community of potential partners. Deal sourcing networks should be seen as an extremely effective way to supplement and amplify traditional deal sourcing, rather than as a replacement.



- **Networks will level the playing field for all M&A professionals**

Traditional approaches to deal sourcing are complex, expensive and labor-intensive; this tends to favor large organizations that have the resources, experience and deep pockets to identify the best partners to close a deal. Deal sourcing networks, especially those that have a critical mass of members and high levels of engagement, will make it much easier for mid-market organizations to compete, because they will make it much easier to promote a deal to a large, global community of M&A professionals.

- **Networks could shorten the deal process and significantly accelerate deal volumes and close rates**

Deal sourcing networks are just beginning to make an impact on the M&A industry, but this research suggests they could act as a significant accelerant to deal transaction times and to the overall volume of global M&A transactions. They can also improve close rates.

By making the deal sourcing process more seamless and transparent, and by offering greater reach to locate new interested parties, deal sourcing networks have the potential to impact overall deal volumes and push close rates higher overall.



About Intralinks DealNexus

[Intralinks DealNexus](#) combines intelligent, real-time deal sourcing tools, with an immersive, members-only professional network. More than 5,000 firms in 150 countries are making millions of connections on thousands of actionable M&A opportunities. All right now, in real time. Intralinks DealNexus helps firms close more deals, faster.

To learn more about DealNexus, please contact:

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