

Winning at M&A with

Disruptive Deal Sourcing



GROWTHPAL

How to win at M&A with a Well Qualified Pipeline?

Speed of closing M&A deals has a direct correlation to the quantum of sourcing pipeline, whereas the success of M&A deals depends on the quality of sourcing pipeline. Therefore efficient, quality and continuous pipeline is fundamental to any serious M&A program.

However, sourcing demands scanning, shortlisting, screening and qualifying deals (also known as 'targets'). Corporate Development teams spend months in this process or depend on Bankers only to lose out deals to their competition. We discuss on ways to move faster to beat competition with your M&A pipeline.



Paradigm Shift in Deal Sourcing:

Internationally, the value of M&A deals has grown over the last 20 years, and it frequently reflects the state of the economy as a whole. M&A activity dips before and after a recession, like the one in 2009, and climbs during periods of economic resurgence, like the one in 2021. In 2021, the value of global M&A deals was **5.9 trillion dollars**.¹ The worldwide economic slowdown and the uncertainty caused by the COVID-19 pandemic had a detrimental influence on M&A activity in 2020, although it rebounded in 2021. There are some industries that are more appealing for mergers and acquisitions than others, depending on the status of the local economy. Like, the **value of M&A deals increased**² by more than 120% in the banking sector alone in 2021 compared to the previous year.

Aside from economic developments, Deal Sourcing and the industry's improvement in digital technology have also contributed to the rise in M&A deals, and make the M&A process faster. Organizations can now leverage a new 'disruptive' formula of "DATA x TECHNOLOGY + ANALYST TEAM" for deal sourcing thanks to the advancement in technology. This makes the deal sourcing a lot more universal, comprehensive and instant, thus speeding up and increasing the chances of M&A, giving product teams a lot more exposure to the pipeline and competitive awareness from the lens of M&A.

What are the unique components in the 'disruptive' deal sourcing model?

Unique components in the 'Data x Technology + Analysts' deal sourcing model are

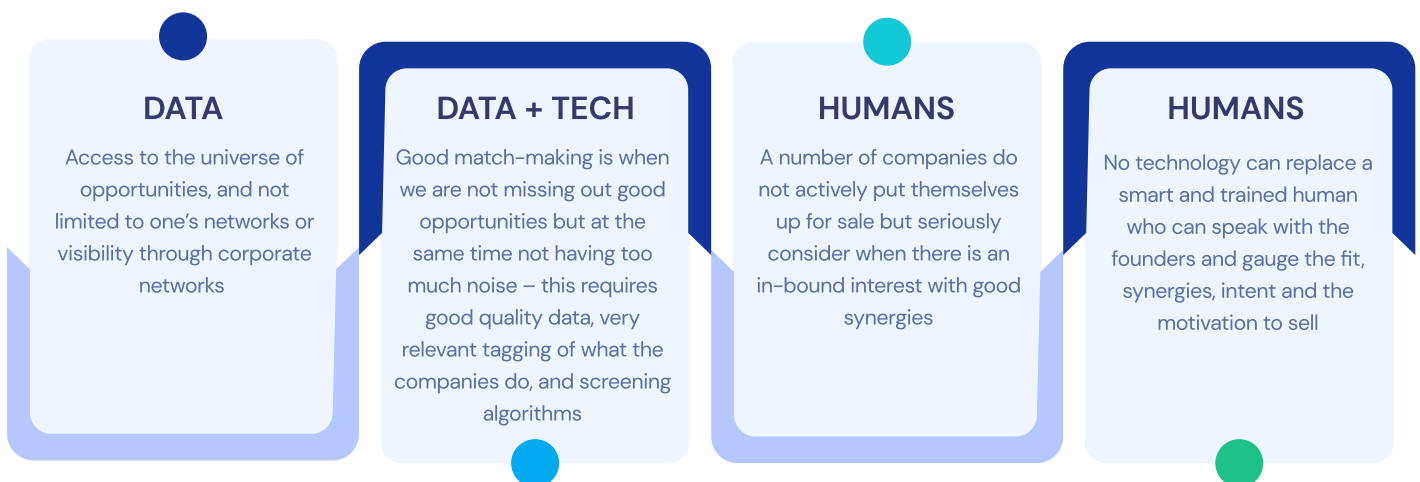


Fig. 1 – Paradigm shift in M&A deal sourcing

Combining these three components together has a huge potential in the ways Corp Dev teams source deals. 'DATA x TECHNOLOGY + ANALYSTS' is a unique deal sourcing formula that allows Corp Dev teams to combine good DATA, outcome driven TECHNOLOGY and well-trained smart HUMANS to be able to provide the most relevant 'Ready To Transact' and continuous pipeline for their mandates. With the new model, teams can reveal all the opportunities available to them so that they can pursue the right targets with confidence.

Evolution of M&A Deal Sourcing

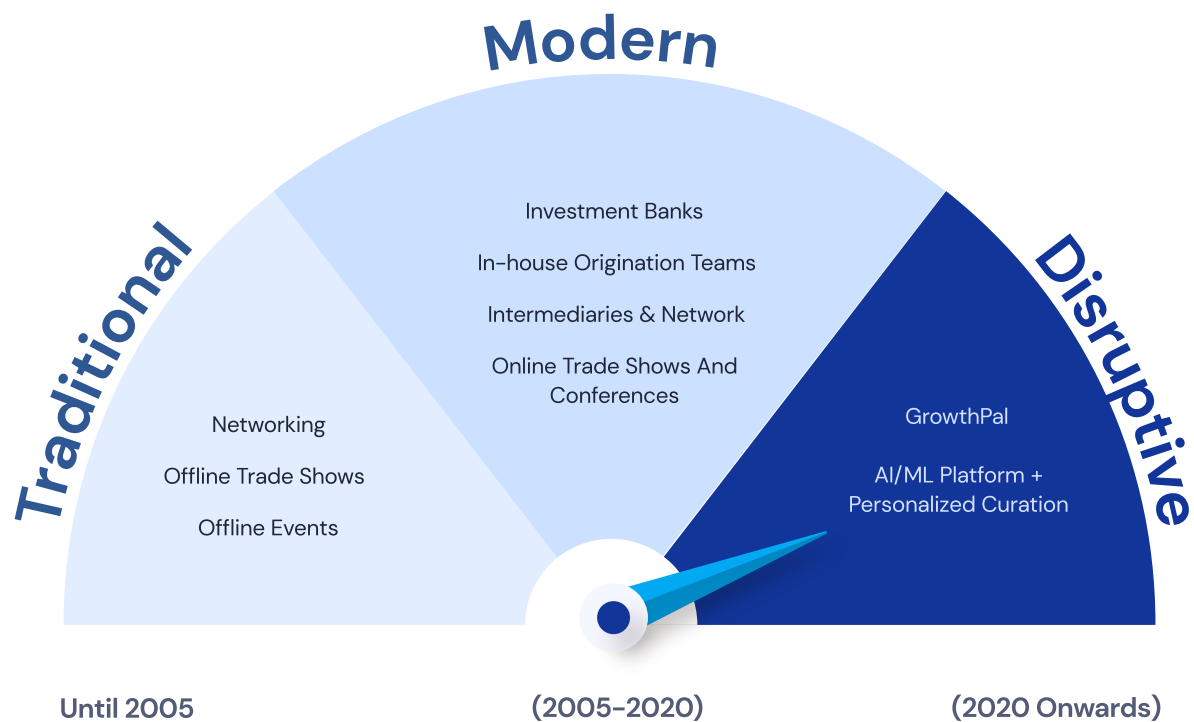


Fig. 2 – Paradigm shift in M&A deal sourcing

Many corporate executives realized that it was necessary to switch from the ‘traditional deal sourcing norms’ where they sourced targets from their networks to ‘modern norms’ where Investment bankers brought sell-side mandates on the table. **According to a poll of 1,300 global executives, 69% of respondents had utilized data analytics technologies³** in their due diligence and reporting phases of the M&A lifecycle in the last 2 years alone. However, only a handful organizations are leveraging the power of AI/ML for their deal sourcing.

McKinsey in 2019 revealed that – small but multiple acquisitions add up to big value and higher shareholder returns. It also cautioned that this serial or **Programmatic M&A strategy⁴** don’t work if it is not defined and treated as an enduring capability rather than an occasional activity.

Organisations can now locate targets on a large scale for a variety of mandates thanks to a Programmatic M&A strategy and cutting-edge AI/ML technologies. ‘**QUALITY M&A PIPELINE WITH SPEED**’ in deal sourcing is a mantra that will give Corp Dev teams a competitive edge in the current ecosystem. For 2023, it will be necessary to have strong networking, modern IB intelligence, and technology interventions that can lead to successful M&As. And that is where **GrowthPal** is making ‘disruptive deal sourcing’ easily accessible with its AI/ML led platform so that ‘everyone can M&A’.

1. <https://www.mckinsey.com/capabilities/m-and-a/our-insights/global-m-and-a-market-defies-gravity-in-2021-second-half>

2. <https://www.statista.com/topics/1146/mergers-and-acquisitions/>

3. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/mergers-acquisitions/us-deloitte-2022-mna-trends-report.pdf>

4. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-one-approach-to-m-and-a-is-more-likely-to-create-value-than-all-others>

Key Challenges in M&A Deal Sourcing:

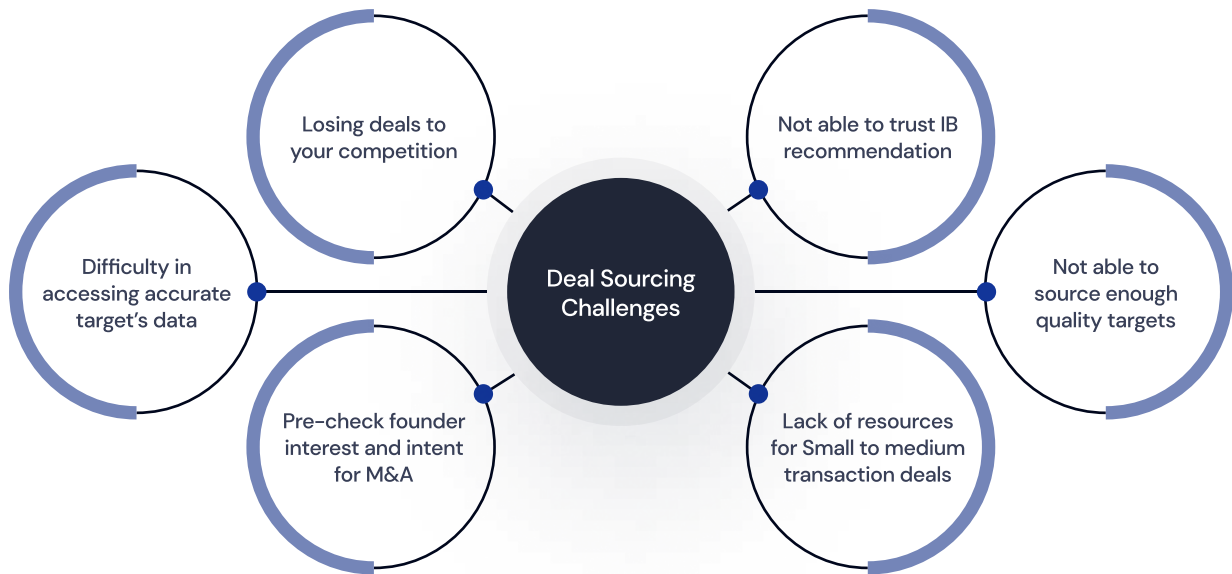


Fig. 3 – Simplified M&A lifecycle & challenges

Key challenges in M&A Lifecycle:

| Sourcing & Screening

Sourcing deals through internal networks and referrals limiting your ability to have the widest angle on the market.



| Qualifying & Introductions

Working with the same data as well the other players doesn't give you a competitive edge.



| Letter of Intent/ Negotiation

With multiple buyers bidding on the same opportunity, the chances of securing the right deal at acceptable terms as low.



| Due Diligence & Closures

Without wider access to data, you'll never know if it's the best deal for you – or whether the market has more to offer.

Impact of Disruptive M&A Deal Sourcing:

GrowthPal team recently conducted a 'Focus Group' survey with 83 Corp Dev / M&A professionals from various tech-enabled sectors. As per this survey, Corp Dev teams strongly believe that there is a high demand for good targets in the market, hence they now need to look at a much larger pool of targets, engage with many and discuss offers with quite a handful to finally close one that fits best and is also equally eager to close with them.



Fig. 4 – Imperatives on M&A Lifecycle with growing demand for inorganic growth

As per this survey, companies using AI/ML led platforms for their deal sourcing had a much wider pool of targets for their mandates compared to the ones who were reliant on their network or just Investment Bankers. These companies were also able to beat their competition by moving much faster and could make multiple acquisitions in the same timeframe.

#	Traditional	Modern	Disruptive
Available pool of targets for sourcing	~50	~100-500	A few thousands
Post 1st level screening	~6-8	~25-50	A few thousands
Qualified with right 'sellside' intent	~2	~20	50+
Letters of intent/ offer	~2	~5	10+
Aquisitions/ strategic investment	1	1	3-4

Table 1 – Average pool of targets across various deal sourcing methods

Disruptive deal sourcing gives you almost

5x targets to select from for an acquisitions.

The survey also highlighted the impact of disruptive deal sourcing on the acquisition timeline. There was significant time savings during the sourcing, screening and qualification phases of deal sourcing. However, time taken for deal negotiations, deal structuring, valuation, as well as due diligence remained the same.

#	Traditional	Modern	Disruptive
Building a pool of targets for sourcing	6-10 weeks	2-3 weeks	2-3 days
1st level screening & shortlisting	4-8 weeks	2-3 weeks	3-4 days
Qualifying & making introduction	8-12 weeks	3-4 weeks	2-3 weeks
Lol/offer roll-outs & negotiations	4-6 weeks	4-6 weeks	4-6 weeks
Due diligence & final transaction	6-8 weeks	6-8 weeks	6-8 weeks
Overall average duration	28-44 weeks	16-24 weeks	12-18 weeks

Table 2 - Average duration in M&A Transaction Lifecycle across various deal sourcing methods

With Disruptive deal sourcing you can reduce your **acquisition timeline by over 50% and increase the chances of deal happening also by 50%.**

Disruptive Deal Sourcing – The Programmatic Way!

Types of Programmatic Acquisitions:



Fig. 5 – Types of Programmatic M&A

Programmatic M&A Approach:

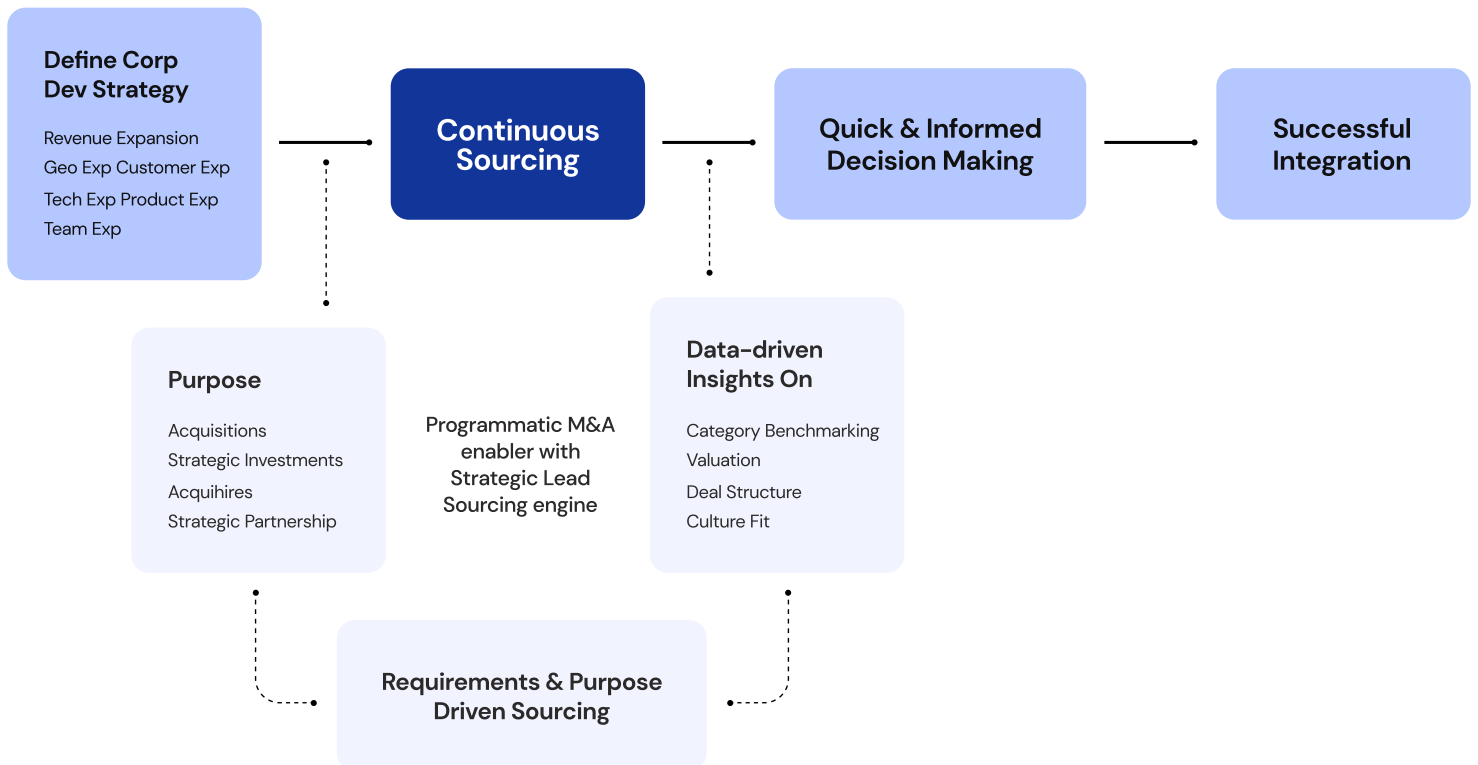


Fig. 6 – Programmatic M&A Approach

GrowthPal – Proven Credentials:



Wide Coverage

Wide coverage of RICH intelligence collated from 60+ data sources

Curated

RIGHT needle for each mandate from 2 Mn+ companies

Ready

Curated & Qualified by Analysts as 'Ready to Transact'

With GrowthPal, we have managed to reduce our sourcing time to just weeks
M&A Head, Fintech, India

Their approach is much faster than traditional advisors
Cofounder & CEO, IT services

Having GrowthPal has allowed us to build a healthy M&A pipeline
Corp Dev Head, IT SaaS



About GrowthPal:

GrowthPal's unique platform improves M&A deal velocity by 3x. Its clients start getting an M&A pipeline of accurate and investment-ready options within 6 weeks of placing specific buy side mandated. Enabled by proprietary recommendation algorithm and working on multi-source data of more than 2 million startups globally, GrowthPal strives to disrupt the space of investment banking. For more information, please visit <https://www.GrowthPal.com/>.

Let's discuss

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