ACG® New York TresVista

In October, we attended ACG's New York's Monthly Luncheon Meeting. Here are five of our top takeaways from the panel discussion **'Effective M&A Deal Sourcing - What Works Today'**

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5 THINGS YOU MISSED –

1 **All About Dealmaking:** The dealmaking environment— accounting for ~13% of global acquisition activity—soared during the first half of 2019, primarily due to high levels of dry powder and low interest rates in the market, creating availability of cheap funding for takeovers. This has resulted in enormous competition to find good assets at reasonable valuations among private equity firms, sovereign wealth funds, family offices, and other institutional investors. Given such conditions, the panelists urged the professionalization of the deal-sourcing function. One way to do so is to leverage technology to access a broader network of potential buyers and sellers. For example, online deal origination platforms can help sponsors source more deals. More broadly, funds can expand their networks to include non-traditional sources such as consultants, attorneys, and influencers.

2 **The Changing Dealsourcing Landscape:** Dealsourcing has become more sophisticated over the years for both the buy- and sell-sides. Some of this is explained by the increasing number of PE firms and family offices as well as the increased sophistication of fundless sponsors on the buy-side. On the sell- side, intermediaries have begun leveraging technology to target prospective buyers, without, for example, having to spend time distributing investment teasers to everyone in their CRM. Another aspect of change is the increase of specialization in the industry, and how the role of a dedicated business development professional is becoming more prevalent due to the value they add to PE firms which do a lot of deals. The panelists suggested that PE firms should be well-organized to keep up with these changes.

3 **Day-to-Day Life of a Deal Originator:** A deal originator's daily routine is to go through exhaustive pipelines, so that they are on top of the most prominent deals for their meetings. Separately, according to the panelists, they review numerous NDAs and prepare themselves for discussions with investment bankers. Advance planning for their meetings with intermediaries, and even for general marketing activities, ensures that deadlines are not missed. The panelists did note that for deal sourcing, having a superior CRM is important, which helps in staying on top of existing relationships that are potential sources of deal flow. Alongside this, they also look at databases of intermediaries and all deals they have executed to target meaningful partnerships. In addition to this, sharing deal knowledge between the teams and understanding buyer behavior and the sell-side selection process are other notable activities.

4 **The Matchmaking Process:** It is interesting to see how technology has revolutionized deal sourcing today— from specialized roles for sourcing, to greater efficiency in the flow of information that results in better matches between sponsors. All of this starts with having an efficient CRM system by logging all conversations and deal information that can be used for future deals. Sell-side banks also use technology effectively by tracking the partner's performance in past deals. Additionally, PE firms can look to refer deals that don't fit their criteria to other PE firms who otherwise lack resources for sourcing deals, as this process also helps build strong relationships. Finally, engagement during management conversations is crucial for better deal making.

5 **Relationship Management:** It is essential for PE firms to manage relationships with intermediaries, and the founders of the business, to generate maximum returns. Pre-close, they can assist in the application of thought leadership, especially when the experience of the deal team on the assets in question is limited. Post-close, they can help identify potential add-ons as well as other initiatives to maximize equity value. Separately, it is also important to maintain relationships with boutique/smaller intermediaries as maintaining the connect helps in building proprietary deal flows.