Datasite

Where deals are made

The New State of M&A

France

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Executive Summary
Spotlight on France

For all the advances in recent years, just how digitally mature and technologically sophisticated is the M&A, due diligence, and asset marketing process in France?

Moreover, what does the process look like today, and how might technology and accelerating digitization change the dealmaking process over the coming years?

These are some of the key questions we wanted to investigate and answer in this research, which involved surveying 100 French M&A practitioners from corporates, private equity firms, investment banks, and law and professional services firms, for their views on the subject.

The French respondents, who form part of a global survey of 2,235 practitioners, provide insight on the current and future state of the dealmaking process, and their responses reveal many similarities in opinion with their regional peers, too.

100 France-based M&A practitioners surveyed

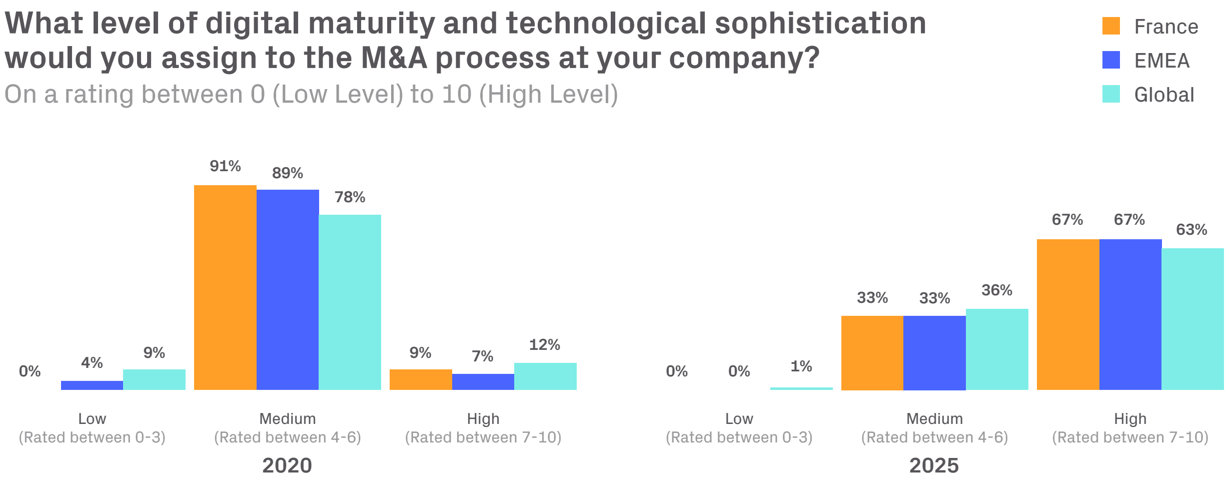
Conservative digital maturity and technological sophistication expectations vs EMEA peers

Most French practitioners today assess that the digital maturity and technological sophistication of the M&A process at their company and industry-wide is at a medium level, and they expect this to rise to a high level in five years' time.

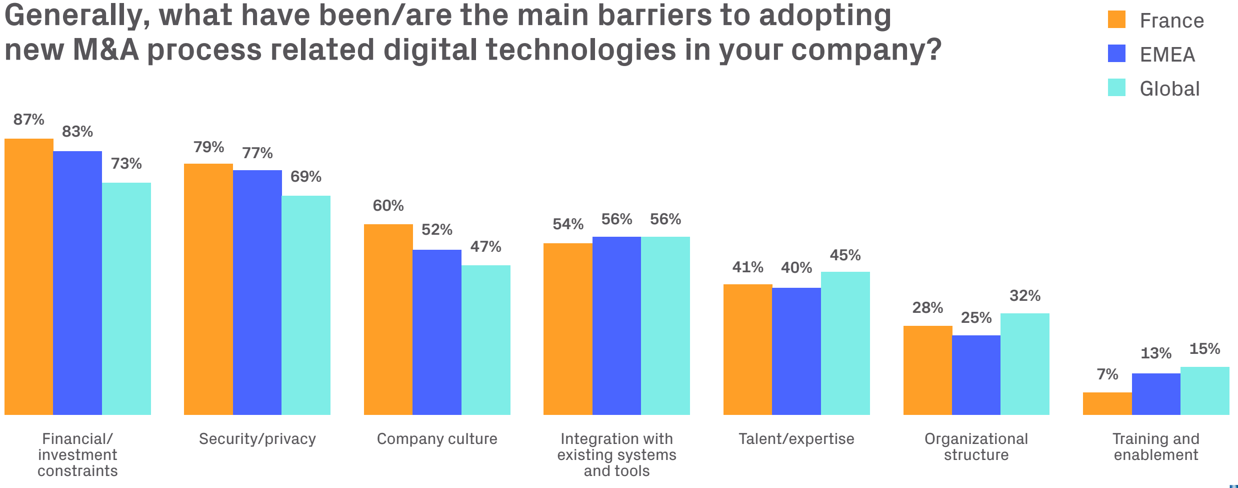
This view is shared by their peers across EMEA, who also believe, like French practitioners, that financial constraints and security and privacy issues are two of the main barriers to their company adopting M&A process-related digital technologies. Company culture is a particular issue for French practitioners, too.

What level of digital maturity and technological sophistication would you assign to the M&A process at your company?

On a rating between 0 (Low Level) to 10 (High Level)



Generally, what have been/are the main barriers to adopting new M&A process related digital technologies in your company?

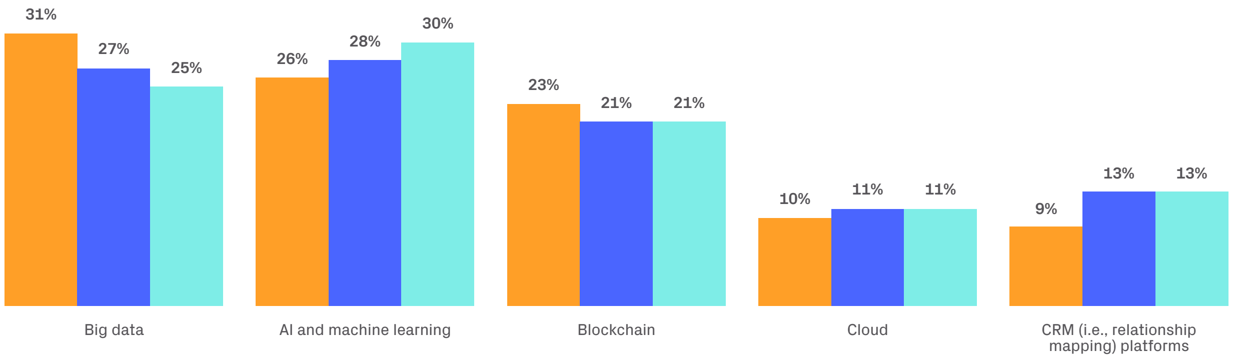


Big data, AI and ML, and blockchain to enhance M&A processes

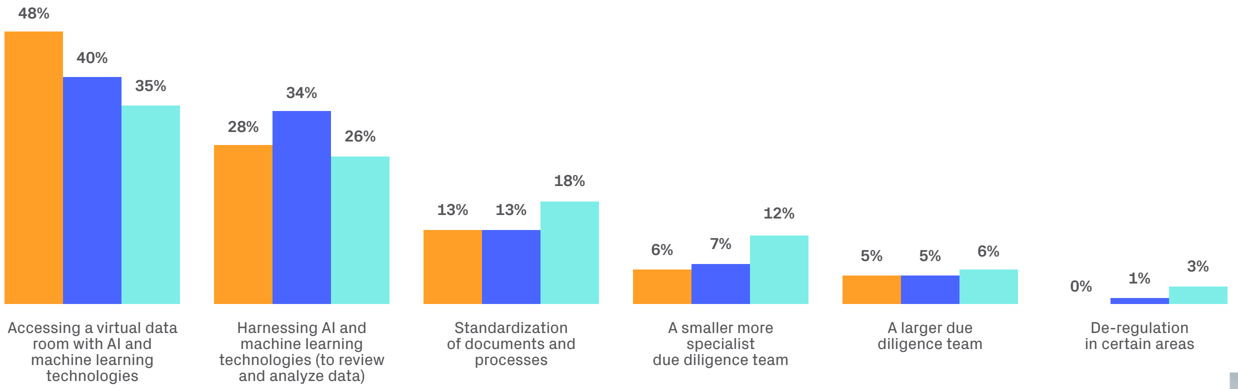
Technological advances are, however, being made. And over the next five years, most French practitioners, together with their EMEA peers, believe that technologies such as big data, AI and machine learning, and blockchain, could potentially have the most transformational impact on the M&A process, and in specific areas of it.

Most French and EMEA practitioners, for instance, believe that due diligence – the most time-consuming phase – could be enhanced most by new technologies and digitization. In fact, most French practitioners expect technology to enable greater analytical capability and security in the diligence process over the next five years. In particular, they are also placing greatest hope in AI and machine learning technologies, especially as part of virtual data rooms, to speed up the due diligence process. They also see these technologies and others helping to improve data management and communications, scenario analysis, analytics, and reporting.

Which of the following technologies do you think will have the most transformational impact on the M&A process in the next five years?



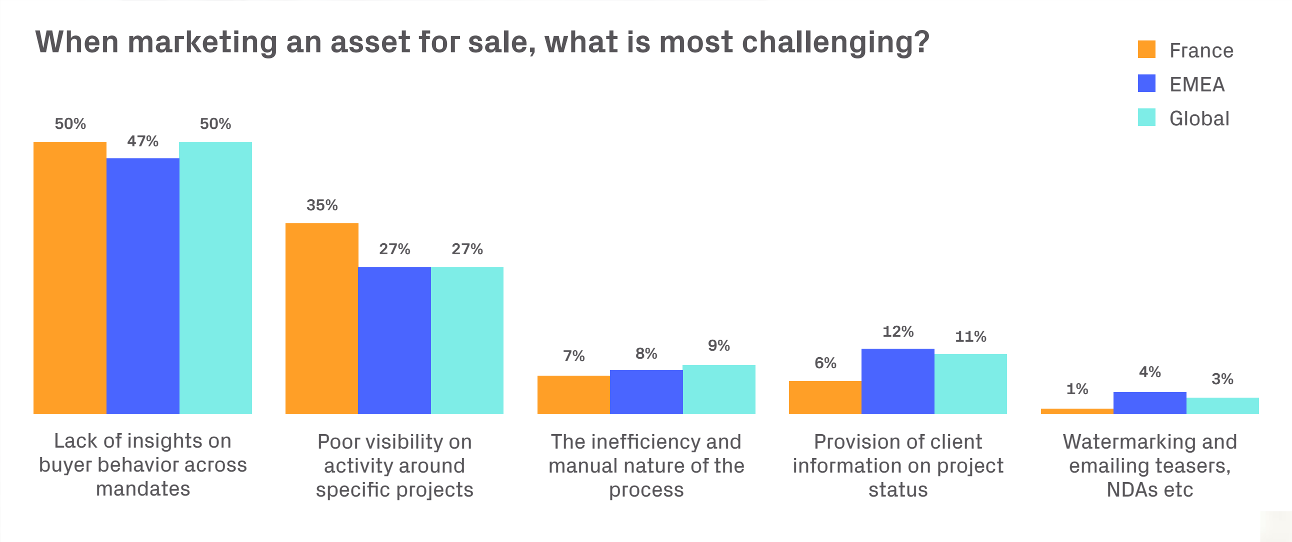
Which of the following would help accelerate the due diligence process the most?



Technological benefits to and advances in other areas of M&A

What's more, these technologies have similarly beneficial uses in asset marketing and could help address some of the key challenges in this process, such as a lack of insights on buyer behavior across mandates, according to most French practitioners.

Without doubt there has been some significant technological advances across the M&A process in recent years. And in the next five years and beyond, there is an expectation among French practitioners and their EMEA peers, that both established and emerging technologies, perhaps built-in to the next generation of virtual data rooms, could transform key areas of the process. They may even transform the process entirely.



2020 The Current State of M&A in France

Maturity and sophistication

90%

of French practitioners assess a medium level of digital maturity and technological sophistication in their company's M&A process. Some 93% of practitioners assess the same level industry-wide.

Barriers to digitization

60%

of French practitioners say company culture is one of the main barriers to their company adopting M&A process-related digital technologies – one of the highest response percentages for this in EMEA.

Enhancing diligence

54%

of French practitioners believe that, among the key stages of M&A, new technologies and digitization could enhance due diligence the most.

Diligence speed

86%

of French practitioners say due diligence takes on average 1-3 months to complete on a successful deal.

Technology upgrade

36%

of French practitioners say inadequate technology supporting them in their role is the factor that slows the due diligence process the most – the highest response percentage for this in EMEA.

2025 The Future State of M&A in France

Maturity and sophistication

67%

of French practitioners assess a high level of digital maturity and technological sophistication in their company's M&A process come 2025. Some 59% of practitioners assess the same level industry-wide.

Transformational tech

31%

of French practitioners expect big data analytics to have the most transformational impact on the M&A process over the next five years.

Advanced analytics

76%

of French practitioners believe new technologies should enable greater analytical capability in the due diligence process over the next five years.

Diligence speed

71%

of French practitioners believe due diligence on a successful deal will accelerate to one month or less in five years' time.

AI-enabled analysis

48%

of French practitioners believe accessing a virtual data room with AI and machine learning technologies would help accelerate due diligence the most.

Case Study
BNP Paribas

Digital trends accelerate and strengthen in M&A process

Last year there was a dramatic shift by banks to harness technology to execute mergers and acquisitions in the teeth of the Covid-19 pandemic. The transformation has brought clear advantages and efficiencies that will have an impact on the way M&A is executed in years to come.

Aspects of the M&A process - from preparing management presentations to site visits and deal negotiations - suddenly became impossible due to lockdowns and restrictions on foreign travel, forcing banks to embrace technology solutions.

The initial adoption was challenging, but banks like BNP Paribas, which executes M&A deals of all sizes in France and cross-border, are seeing more benefits. “With the first lockdown there was a period when everyone adjusted to a new way of working. But in the second lockdown things became more efficient and we even saw some of the fastest deal executions I have known,” says Bruno Villard, Head of M&A for Europe, Middle East, and Africa at BNP Paribas.

When it comes to deals themselves, management presentations also moved online and advisors to sell-side companies used smartphones and drones to conduct virtual site visits for potential bidders. But not all innovations will prove permanent in a post-pandemic world.

BNP Paribas is one of the world’s leading universal banks, providing retail and corporate and institutional banking services to clients worldwide. It is the largest banking group in France and the Eurozone.

Bruno Villard
Head of M&A
for EMEA

Christophe Jalinot
Co-Head of Advisory
for France

BNP PARIBAS

Technological benefits and risks

The shift to video conferencing platforms has made bankers more efficient and cut travel times to zero, producing costs benefits and also speeding up negotiations and pitch processes. “Pitch processes moved online during Covid and I believe that post-pandemic, this will continue in some situations because it can be more efficient, but some interactions will still require physical meetings,” said Christophe Jalinot, Co-Head of Advisory for France at BNP Paribas.

How much of the M&A process remains online depends on the industry sector. In industries such as technology, there is less need for a physical site visit; but when it comes to M&A in the industrial sector, a lack of physical mobility risks slowing down and undermining the M&A process.

“Where a buyer is looking at a physical plant or a mine, or even a retailer with a physical footprint, they will want to see that the facility exists, conduct their own due diligence, and meet with management and staff,” says Jalinot.

Travel restrictions have the potential to change the cross-border M&A process, reflecting a broader theme of ‘de-globalization’. “Going forward, it could mean that some bidding processes remain less global or take longer to execute in some sectors, depending on the buyers’ objectives,” says Villard.

A hybrid model for dealmaking

Technology has been a great enabler during the pandemic, but there have also been constraints. The economic impact of the pandemic has made it difficult to project the future financial position of a target company, meaning it takes longer for financing decisions to be made. But the real innovation is still to come.

While M&A relies on face-to-face negotiations and intellectual capital, there is great potential to automate parts of the process. Virtual data rooms are the norm, while AI can be used to scour legal documents to identify outliers. Meanwhile big data can be applied to gain a greater understanding of valuation.

The Covid pandemic is likely to give rise to a new blended model of M&A deal-making.

“After the first lockdown, clients wanted to meet up to discuss bids and ideas, and we do not see that element changing. But there’s no doubt that we have developed more efficient processes in some ways and that some digital trends are here to stay,” says Jalinot.

Case Study
Natixis

Using technology to gain an edge in M&A

If 2020 was the year when much of the process around dealmaking essentially went digital, 2021 may be the year when these new ways of interacting virtually become a new norm. A balance between the old ways and the new will emerge. But the greater use of digital technology in the process has shown there are viable virtual alternatives to the way deals have been done.

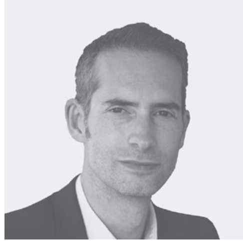
Flying thousands of miles for one meeting may not now, for instance, seem like the best use of time. But the pandemic hasn't caused this digital transition in dealmaking, says Marc Vincent, Global Head of M&A at Natixis in Paris. Rather, he believes it has "accelerated many of the trends that were already underway."

Over the past 20 years or more, technological advancement has improved and enhanced the efficiency of many of the practices and processes in M&A, so much so that executing deals has never been quicker. And yet, last year was rare because more deals were executed without any physical interaction than ever before.

"Many of our deals have exclusively been done through digital platforms with extremely limited physical presence," says Vincent. He adds that the "use of drones for due diligence purposes has become a fairly common feature" in many of the bank's transactions and is something that is likely to continue.

Natixis is a French multinational financial services firm that specializes in asset and wealth management, corporate and investment banking, insurance, and payments.

Marc Vincent
Global Head of M&A
at Natixis in Paris



Nicolas von Bülow
CEO of Clipperton

NATIXIS

High deal activity driving digitalization

In fact, many of the digital or technological solutions now in use will likely be called on again throughout 2021, as French investment bankers brace themselves for higher deal activity. Companies that traded well through the pandemic are looking to make bolt-on acquisitions, while France is embracing a global trend that sees private equity firms putting record amounts of capital to work as they lead a stampede to snap up assets at still attractive valuations.

“Private equity players are very active on the French market. There is a real ‘ecosystem’ for the asset class across all sectors,” says Vincent. “There will be also a growing differentiation between ‘Covid resilient’ and ‘non-Covid resilient’ companies with gaps of valuation, which are likely to increase significantly.”

France’s domestic private equity firms are also building scale and broadening their scope in terms of industry expertise. Natixis has a particular specialism in advising private equity firms on acquisitions and disposals, and has expanded its own M&A business through acquisitions recently, taking stakes in a number of advisory firms such as Clipperton, a Paris-based boutique focused on M&A in the technology sector.

Positioning through technology

Nicolas von Bülow , CEO of Clipperton, says that when it comes to selling assets, AI is being used to provide a competitive edge through screening buyer preferences, “so you can narrow down the list of potential bidders to keep the auction tight and improve execution.”

Along with the increased use of technology in deal screening and due diligence, and in a world where video call fatigue replaces jet lag as an occupational hazard for dealmakers, does Covid-19 challenge the notion of M&A as a people business?

“The investment banker’s edge is in forming relationships and networks. That role will never disappear, because bankers are cheap relative to the capital deployed,” says von Bülow. However, he says firms are adopting technology to improve client coverage and strengthen networks, particularly when it comes to tracking clients through client relationship management (CRM) systems.

“We invest in research and development to gain an edge over the pack. That includes using third-party tools connected to emails and pre-populated with company databases. Being equipped with a strong CRM tool, flagging up relationships, and providing a point of entry within our extended network will be useful. This will give us an edge in a post-Covid world,” says von Bülow.

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The M&A Lifecycle

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Research Methodology
France

The analysis in this report is based on the survey responses from 100 French M&A practitioners.

These responses formed part of a larger global survey of 2,235 M&A practitioners.

By institution type, respondents were split between companies and private equity firms (57%), representing acquirers; and investment banks, professional services and law firms (43%), representing M&A advisors.

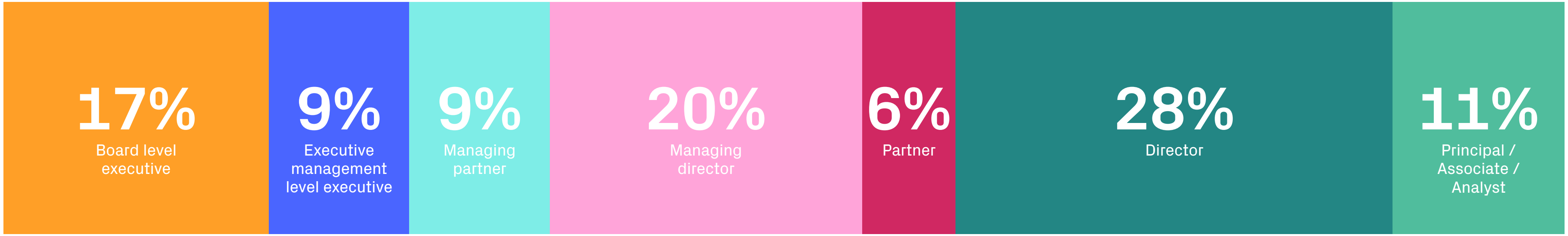
By seniority, board and executive management level executives comprised 26% of respondents, with managing partner, managing director and partner level executives comprising 36%. Director, principal, associate level executives comprised 38%.

The global survey was conducted by Euromoney Thought Leadership Consulting between February and April 2020.

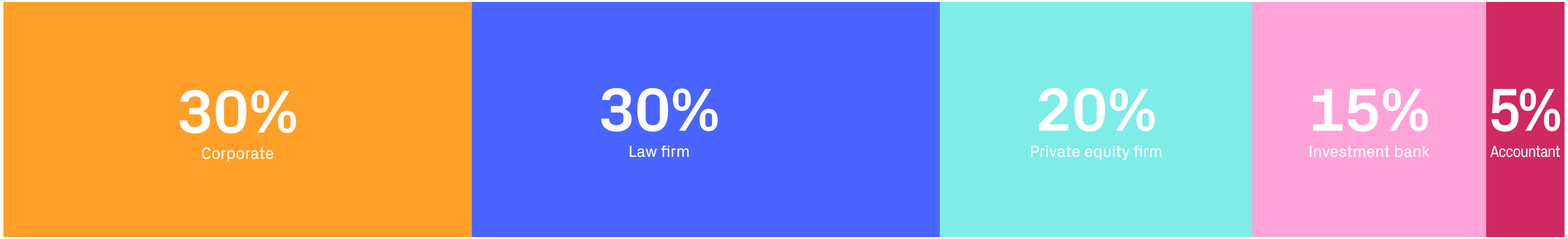
Research Demographics
France

Percentages in the following charts are rounded to the nearest 1%.

Which of the following best describes your position?



Company type

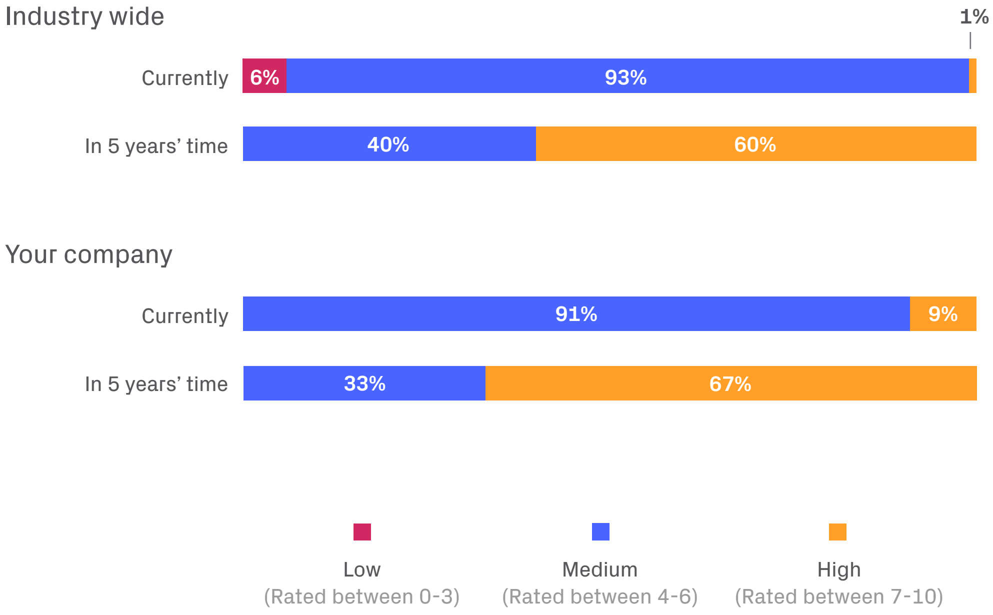


Digitization
France

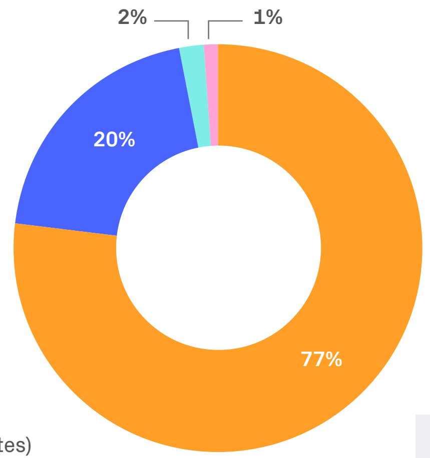
Of these key areas or stages, which do you believe could be enhanced most by new technologies and digitization?

73% Due diligence
12% Deal preparation
6% Negotiation
6% Strategy
3% Asset marketing
1% Sourcing
0% Closing
0% Exit
0% Post-merger integration

What level of digital maturity and technological sophistication would you assign to the M&A process?
On a rating between 0 (Low Level) to 10 (High Level)



In the context of a M&A transaction, how do you expect technology to change the due diligence process over the next five years (to 2025)?

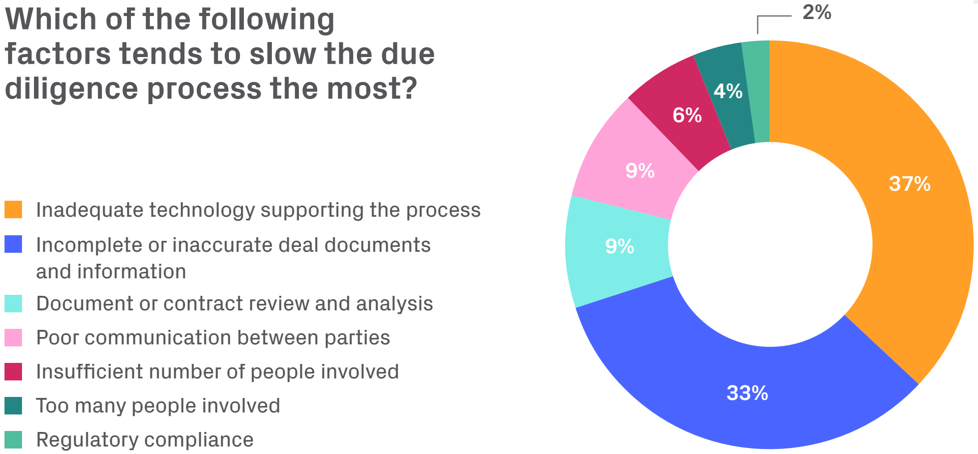


New technologies should...

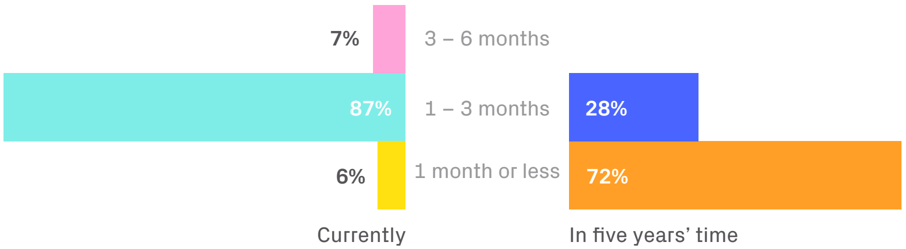
- Enable greater analytical capability
- Enable greater security
- Simplify the entire process
- Make it faster to close deals
- Reduce the total deal (resources and time) cost (No votes)

Due Diligence Process
France

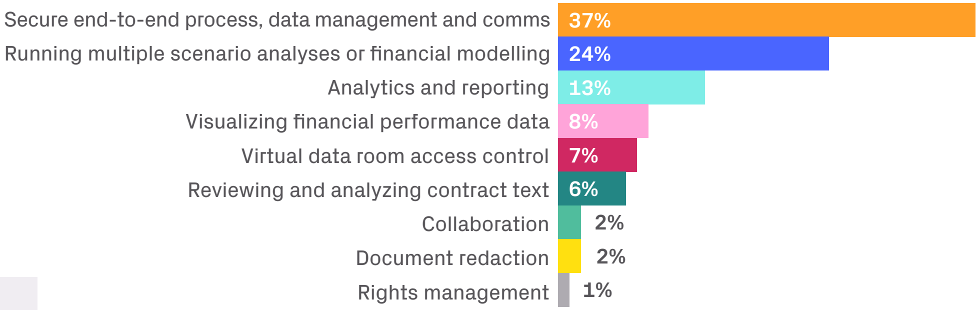
Which of the following factors tends to slow the due diligence process the most?



From sourcing a deal to deal completion, how much time on average does due diligence take on a single successful M&A transaction?

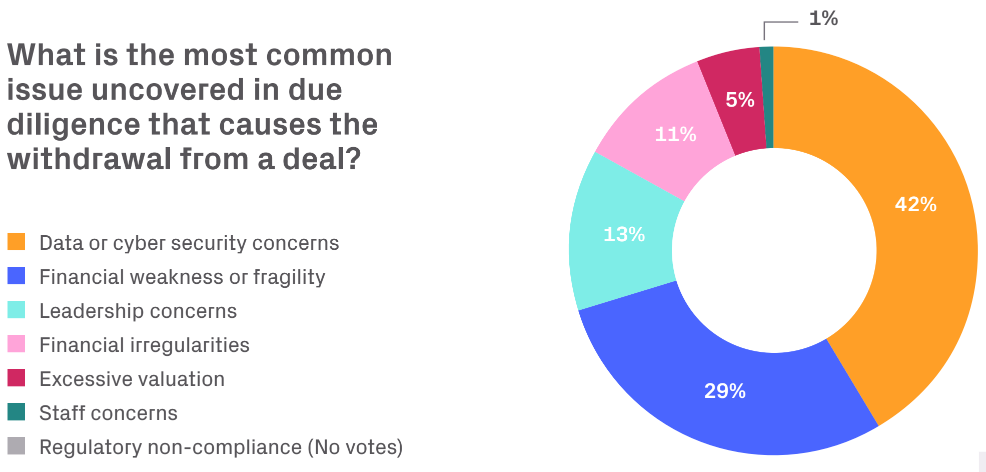


Which of the following do you believe technology could help improve the most?

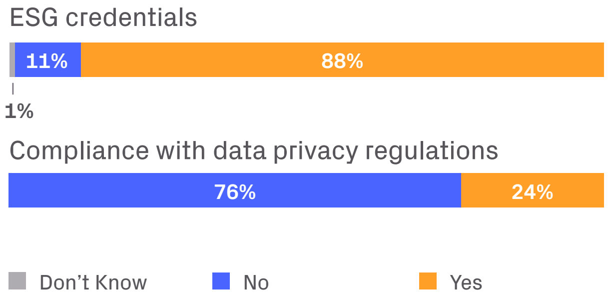


Due Diligence Concerns
France

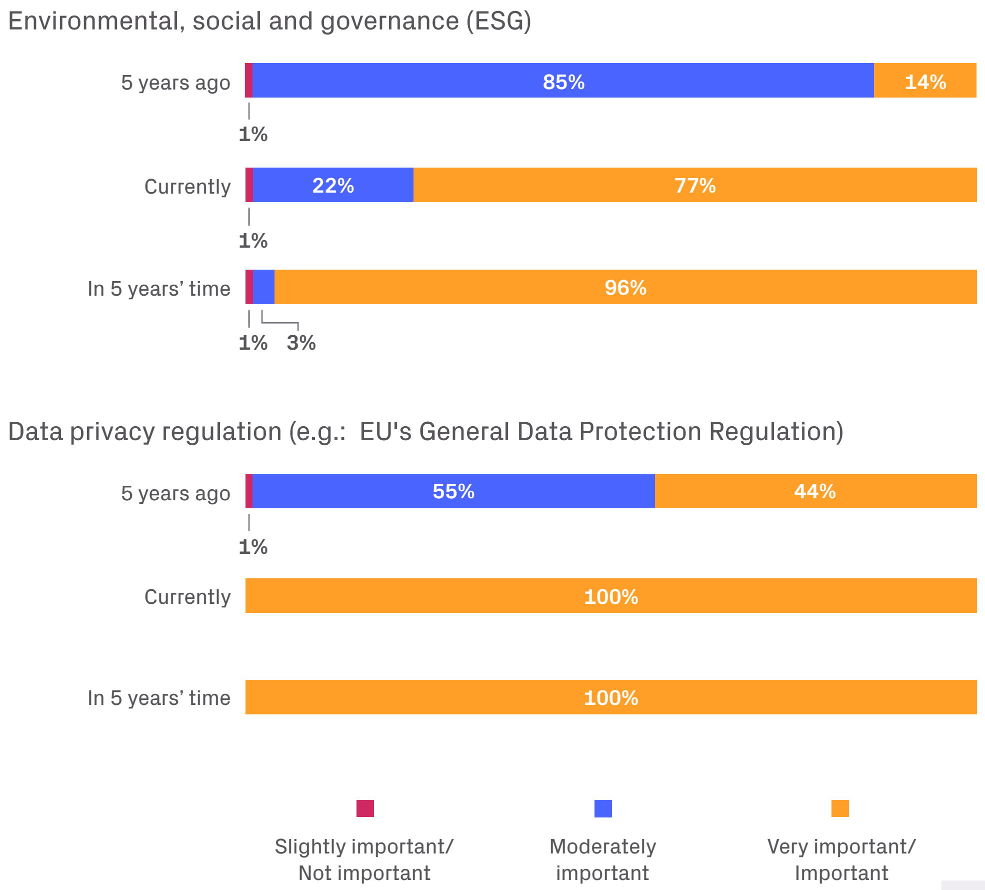
What is the most common issue uncovered in due diligence that causes the withdrawal from a deal?



Have you worked on M&A transactions that have not progressed because of concerns about a target company's:



As a consideration in M&A due diligence, assess the importance of the following issues:



Asset Marketing and Acquisitions
France

When marketing an asset for sale, what is most challenging?

50% Lack of insights on buyer behavior across mandates

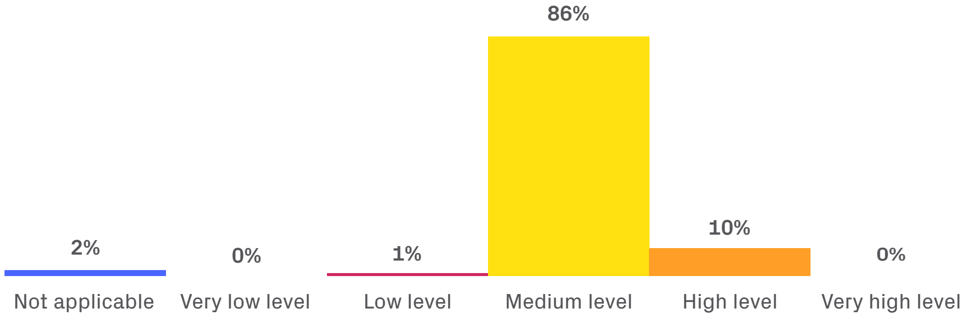
35% Poor visibility on activity around specific projects

7% The inefficiency and manual nature of the process

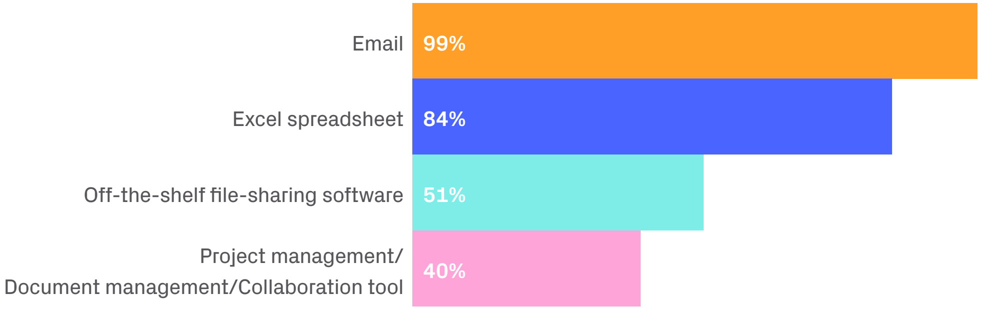
6% Provision of client information on project status

1% Watermarking and emailing teasers, NDAs etc

When marketing an asset for sale, how efficient and effective is your company's current process of identifying, marketing to and tracking potential buyers?

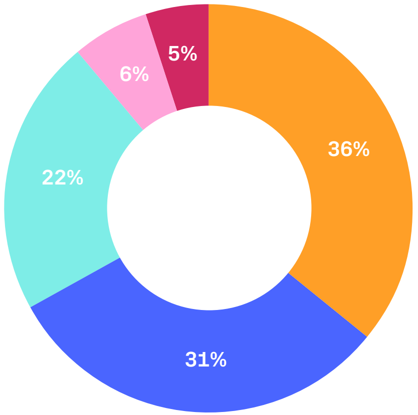


What tools do you use today to execute the workflow of the due diligence process on a potential acquisition target?

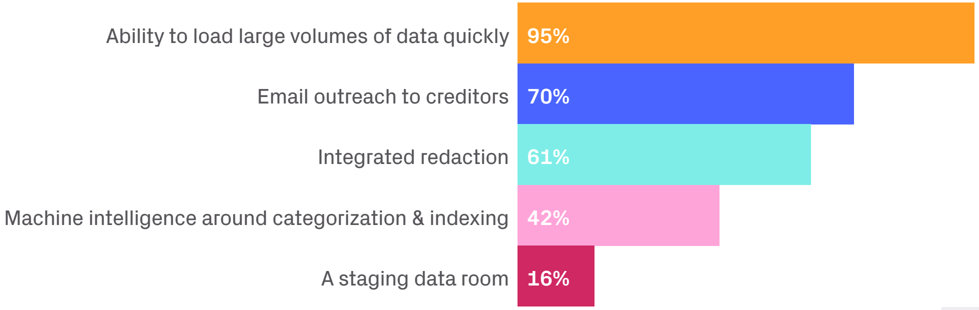


Restructuring
France

Which type of restructuring will dominate over the next 24 months?



What tools are most useful for restructuring?



About this report

The survey was conducted by Euromoney Thought Leadership Consulting between February and April 2020.

Thought Leadership Consulting specializes in creating original, authoritative and impactful thematic research and content for global business and finance leaders.

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