

# The New State of M&A

## North America



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# Executive Summary

## Spotlight on North America

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 North America?

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 300 North America based M&A practitioners from corporates, private equity firms, investments banks, law and professional services firms, for their views on the subject.

The respondents, who form part of a global survey of 2,235 practitioners, not only provide insight on the current and future state of the dealmaking process, their responses reveal some interesting similarities and differences in opinion within the region and globally.

**300** North America-based M&A practitioners surveyed

## Digital maturity rising among US and Canadian dealmakers

For instance, most North American 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 expect this to rise to a high level in five years' time.

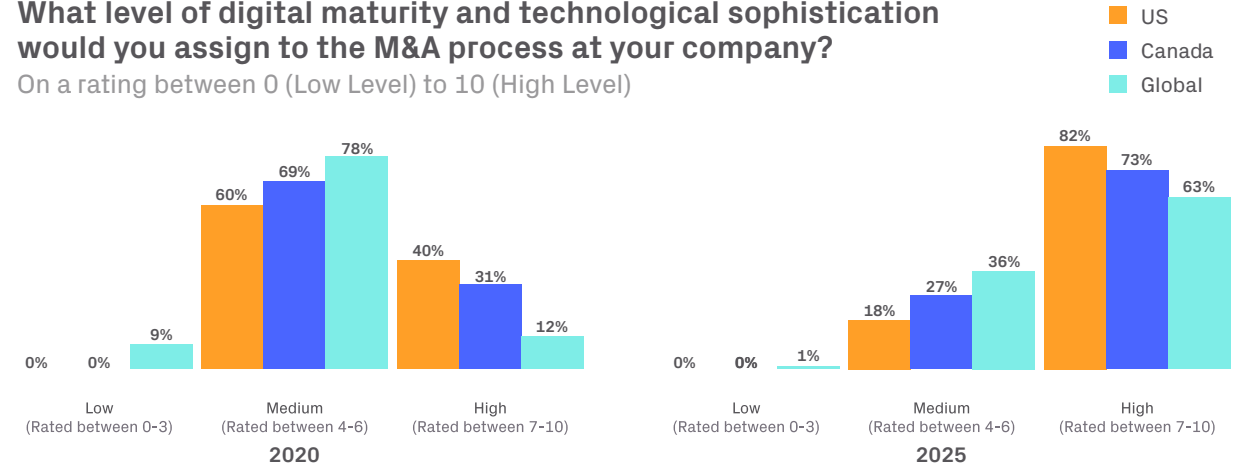
However, while this assessment is shared among US and Canadian practitioners, a notably higher percentage of US practitioners say there is already a high level of maturity and sophistication in the M&A process at their company and industry-wide, suggesting digitization there is more advanced.

In fact, at their company and industry-wide, more US practitioners than almost every other country globally said the maturity and sophistication levels of the M&A process was already high. Such differences may be expected. There is some commonality in many of the challenges that practitioners face, too.

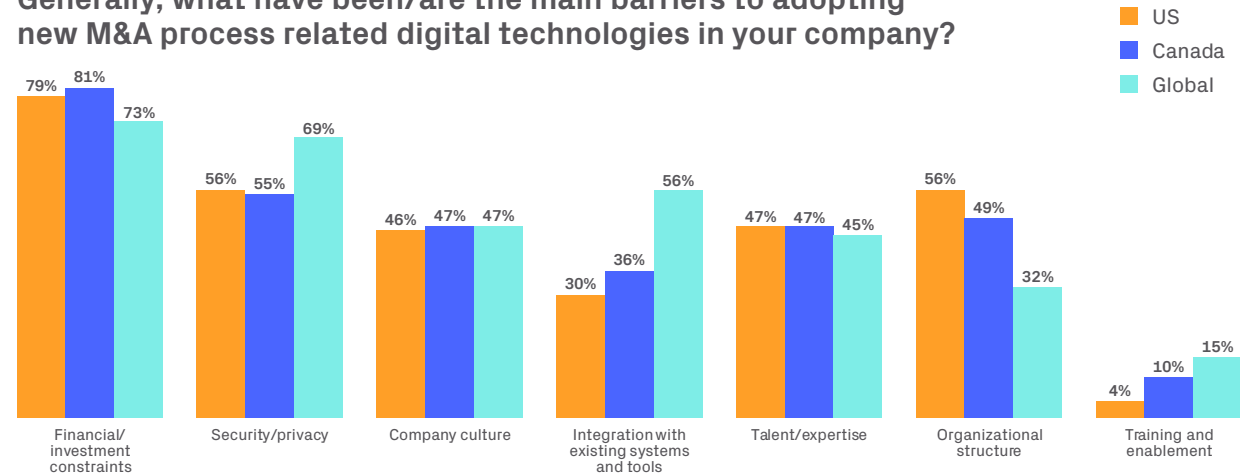
For instance, most North American practitioners said some of key barriers to adopting M&A process related digital technologies, include financial constraints, data security and privacy issues, and being able to access the best talent and expertise. Globally, these challenges are just as prevalent.

## 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?



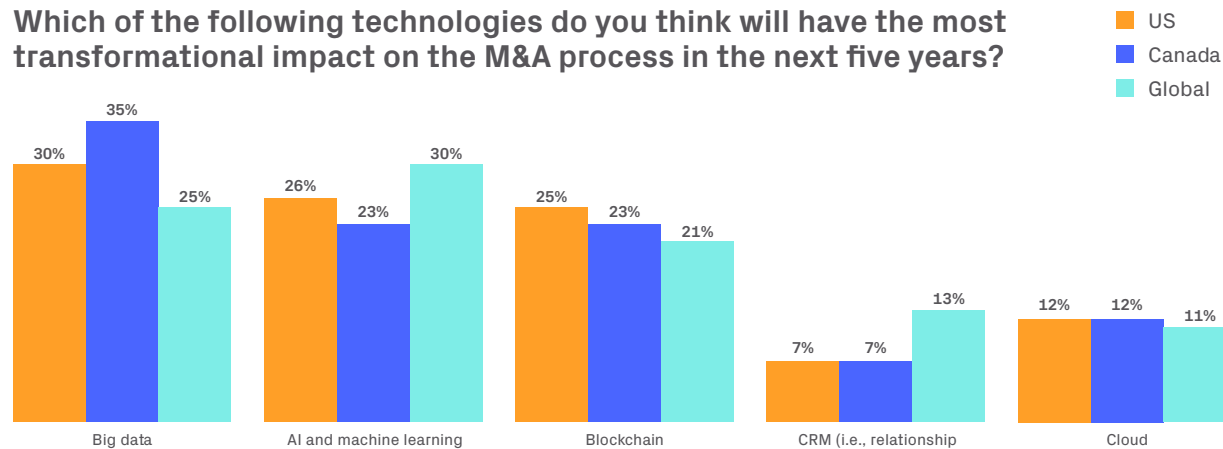
## Big data, AI and ML, and blockchain to enhance M&A processes

Advances are, however, being made. And over the next five years, North American practitioners 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.

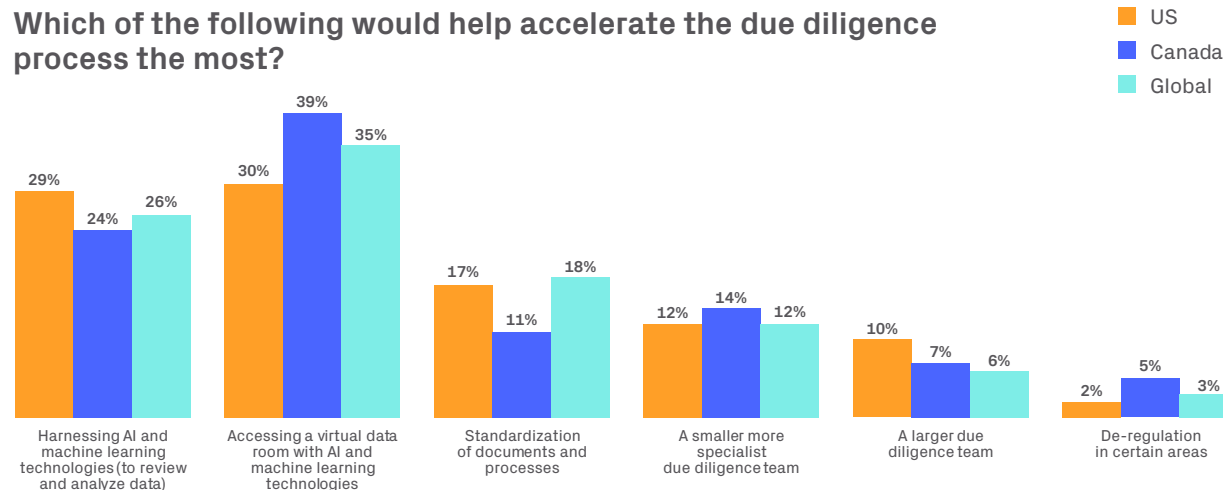
US and Canadian practitioners, for instance, similarly believe that due diligence – the most time-consuming phase – could be enhanced most by new technologies and digitization.

Indeed, these practitioners expect technology to enable greater analytical capability, and security, in the due diligence process. They are also placing greatest hope in AI and machine learning, especially as part of virtual data rooms, to boost the speed of due diligence further, and help improve areas such as data management and communications, analytics, and scenario analysis.

## 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?



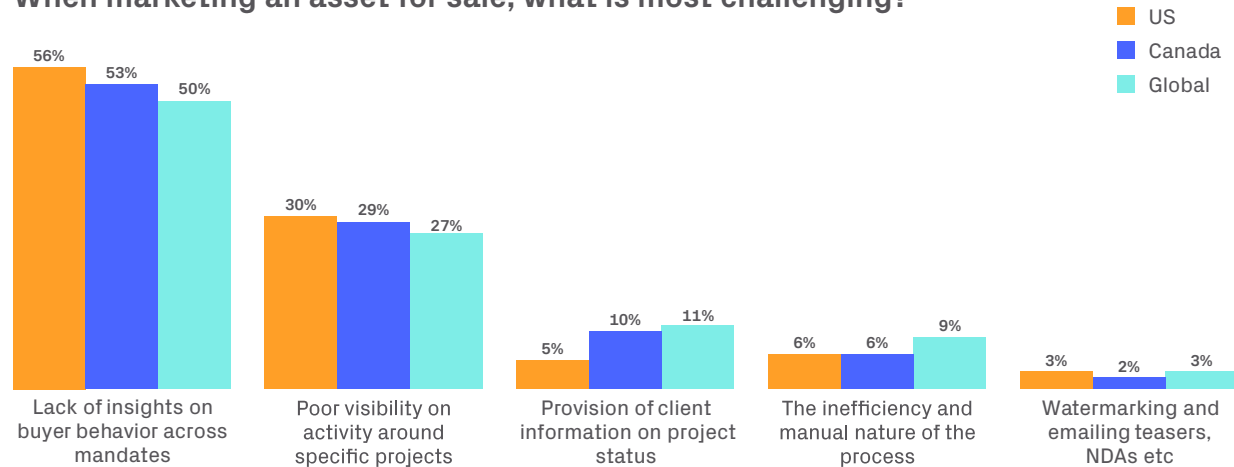
## Technological benefits to and advances in other areas of M&A

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 behaviour across multiple mandates, according to most North American practitioners.

Without doubt there has been some significant technological advances across the M&A process in recent years.

Yet, in the next five years, there is an expectation among North American practitioners, 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.

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



# 2020 The Current State of M&A in North America

Maturity and  
sophistication

63%

of North American practitioners assess a medium level of digital maturity and technological sophistication in their company's M&A process. Some 68% of practitioners assess the same level industry-wide.

Barriers to  
digitization

47%

of North American practitioners say accessing the right talent and expertise is one of the main barriers to their company adopting M&A process related digital technologies.

Enhancing  
diligence

62%

of North American practitioners believe that due diligence could be enhanced most by technology and digitization.

Diligence  
speed

93%

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

Technology  
upgrade

23%

of North American practitioners say inadequate technology supporting them in their role is the factor that slows the due diligence process the most.

# 2025 The Future State of M&A in North America



## Maturity and sophistication

79%

of North American practitioners assess a high level of digital maturity and technological sophistication in their company's M&A process come 2025. Some 74% North American practitioners assess the same level industry-wide.

## Transformational tech

32%

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

## Advanced analytics

65%

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

## Diligence speed

76%

of North American practitioners believe due diligence on a successful deal will accelerate to 1 month or less in five years' time.

## AI-enabled analysis

33%

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



# Case Study

## Latham & Watkins

### Transforming M&A due diligence and deal budgeting

Of all the accelerants to digitalisation in business operations, a global pandemic was probably the least expected. The impact of the coronavirus has, however, led to greater digitalisation in the operations of companies in the past year than in the past decade.

This has been the case across industries, even in those specialist, human-relationship-driven areas such as M&A advisory.

For Luke Bergstrom, the US-based Global Co-Chair of M&A at law firm Latham & Watkins, he believes the pandemic will most likely accelerate the pace of digital transformation in the M&A process, which has already seen “fairly significant change” in at least the past two decades.

**“I still remember when we had to use physical data rooms, where, during a one to two week due diligence exercise, there would be large crew of people going in to take a look under the hood of a company,” he says. “Those days are now gone for most of us, who use virtual data rooms and the many different forms of digital communication to interact with all sides of a deal.”**



Latham & Watkins is a leading international law firm, providing innovative solutions to complex legal and business challenges around the world.



Luke Bergstrom  
Global Co-Chair of M&A

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LATHAM & WATKINS LLP

## Boosting the speed of M&A with technology

Importantly, Bergstrom says that as a result of what technological advancement there has been in the process, the pace of M&A has picked-up substantially compared to the past, and could accelerate further, partly due to the efficiency of operating remotely.

Among other benefits, one of the key technological advancements that have helped boost the speed of the M&A process is the application, and increasing use, of AI in specific areas.

Latham, for instance, use AI in M&A and capital markets due diligence, and in transaction budgeting. In diligence, Bergstrom says the firm has specific teams that use an AI program – developed by Kira Systems – to help them crunch through large volumes of contracts and other financial information efficiently and accurately.

He says using the program has increased their efficiency in advising clients, whether on large, complex cross-border transactions or on smaller, mid-market type transactions.

In addition, Latham are also using AI to help monitor and analyse time spent and resource allocation on transactions, enabling their lawyers to provide a pretty accurate deal budget to clients.

**“Our use of AI here is a win-win for the client and for us,” says Bergstrom. “It helps us deliver value to our clients and meet their objectives around cost predictability.”**

## Analysis, insights, and outcomes

Latham is one of a number of leading US and UK law firms that are at the forefront of using AI and other technologies in their operations. Indeed, Ed Barnett, Latham & Watkin’s UK-based Global Co-Chair of M&A, says much of the advance in this has been led by UK firms, which, due partly to intense competition, have been more actively seeking new ways to maintain margins and increase revenue through the use of technology, at the lower and more sophisticated end of the scale.

However, Barnett, just like Bergstrom, feels that for all the benefits technology can bring to them, and their clients, the importance of human relationships, experience, expertise and judgement should forever remain paramount.

“We all agree technological advancement is going to continue apace, but in any professional services role, you shouldn’t lose sight of the importance of relationships and trust, which is absolutely critical to what we do,” he says. “Some firms are perhaps trying to overengineer what we do as lawyers in using certain technologies, but this misses the point. Clients are not hiring us on the basis of how technologically sophisticated we are. Technology can enhance the service we provide – and the efficiency of how we provide it – but they’re hiring us for our expertise, experience and judgement.”



# Case Study

## National Bank

### From video conferences and VDRs to an AI future

Across markets throughout the world, the M&A process last year essentially went completely digital for the first time. Never before have so many deals been done when no handshake has happened between a buyer and seller.

For David Savard, Managing Director and Head of M&A and Private Capital Advisory at National Bank in Montreal, this shift was no incremental evolution, it was a revolutionary, widely and rapidly digitizing practices and processes in a way few expected.

“Humans are good at adapting when forced to,” he says. “I think many of us now realize the significant efficiencies that can be had by using technology in the way we have had to.”

For him and his team this has included using available technology solutions across various parts of the deal process that typically involves executives meeting, such as management presentations and site visits. Here, pre-recorded video presentations for bidders have become the digital alternative to in-person presentations, while drones have been increasingly used to conduct site visits, particularly on infrastructure transactions.

These digital solutions, and so many others besides, have helped keep deals moving in Canada, possibly at a faster pace than if they were not used at all.



National Bank is one of Canada's leading commercial banks, providing capital raising, brokerage, risk management and financial advisory services to clients across industries.



David Savard  
Managing Director and  
Head of M&A and Private  
Capital Advisory



### Accelerating the speed of transactions

Judging this may be difficult, but what is certain is that technological advancement more generally has aided the speed of transaction execution in the past decade or more.

Savard has seen this and says the speed of transactions has certainly accelerated. At the same time, he says while the amount of work has also increased, “we can definitely do a lot more today in the same amount of time than we could in the past.”

An example of that is in financial analysis and valuation, where in the past it may have taken at least a week, Savard says nowadays most of it can be done in less than a day because of all the digital applications and automated tools at the disposal of advisors.

Similarly, Savard says significant change has also occurred in the sourcing or identification of potential targets. Where before advisors would search for targets in trade journals and at industry conferences, almost everything now is researched via online search tools and databases.

### Technology will continue to support the M&A process

Physical data rooms, jammed with thousands of confidential documents, are mostly extinct now, too. Instead, virtual data rooms are widely used, offering new digital innovations, such as user tracking capability, which helps advisors see who is interested in what, and to what extent.

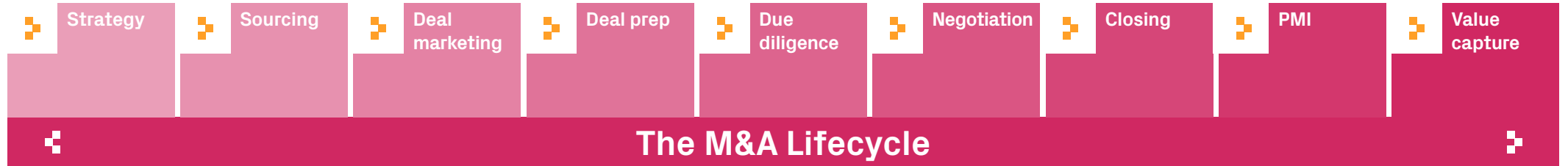
Savard says this functionality is important for them to identify patterns in buyer interest and engagement across multiple transactions, and particularly among private equity firms, which can be engaged in multiple deals at any one time.

Looking to the future, Savard believes technology will continue to advance in support of the M&A process. In fact, he and his colleagues in other areas of the bank are pushing for this.

“We’ve challenged our internal IT team to look into how and where AI can be applied across the banking business. This includes lending and potentially helping us on the advisory side identify potential M&A opportunities for our clients. This may take a few years for us to develop, but AI could have some future role in helping us streamline and accelerate that identification process.”



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# Research Methodology

## North America

The analysis in this report is based on the survey responses from 300 North America based M&A practitioners. These responses formed part of a larger global survey of 2,235 M&A practitioners.

By institution type, respondents were evenly split between companies and private equity firms 50%, representing M&A clients; and investment banks, professional services and law firms 50%, representing M&A advisors.

By seniority, board and executive management level executives comprised 31% of respondents, with managing partner, managing director and partner level executives comprising 41%. Director, principal, associate level executives comprised 28%.

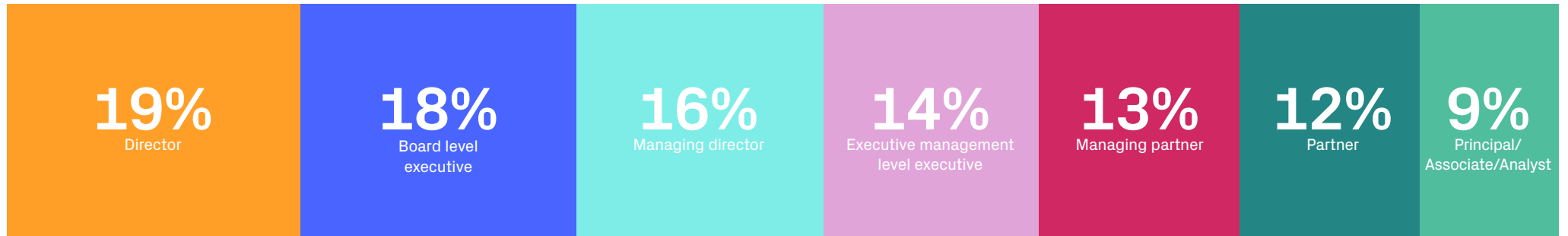
The global survey was conducted by Euromoney Thought Leadership Consulting between February and April, 2020.

# Research Demographics

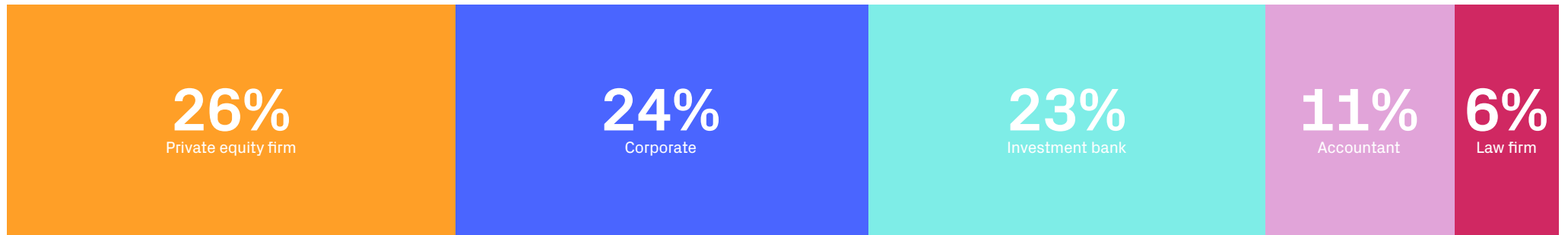
## North America

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

### Which of the following best describes your position?



### Company type

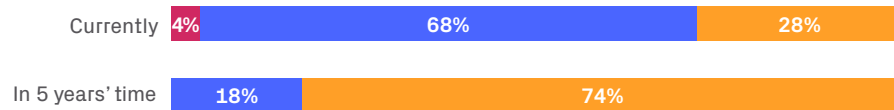


# Digitization North America

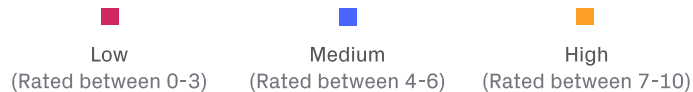
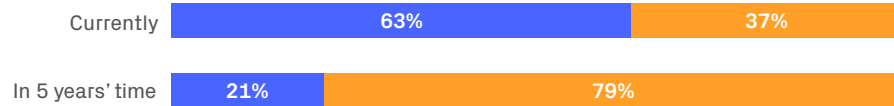
## What level of digital maturity and technological sophistication would you assign to the M&A process?

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

### Industry wide



### Your company



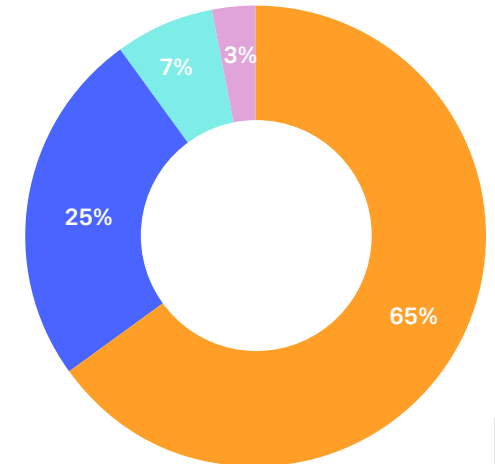
Of these key areas or stages, which do you believe could be enhanced most by new technologies and digitization?



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

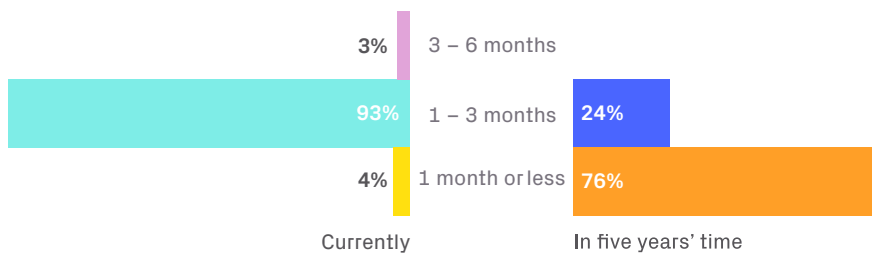




# Due Diligence Process

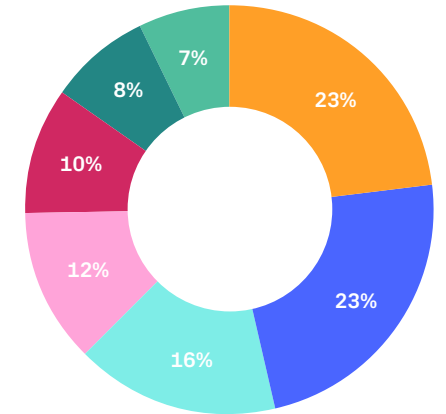
## North America

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

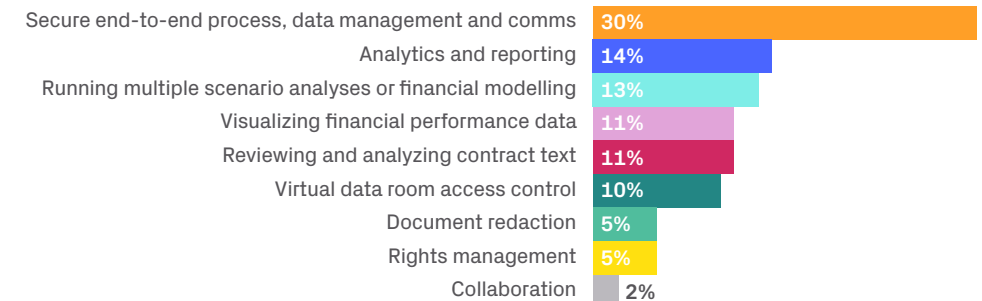


Which of the following factors tends to slow the due diligence process the most?

- Incomplete or inaccurate deal documents and information
- Inadequate technology supporting the process
- Insufficient number of people involved
- Document or contract review and analysis
- Poor communication between parties
- Too many people involved
- Regulatory compliance



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

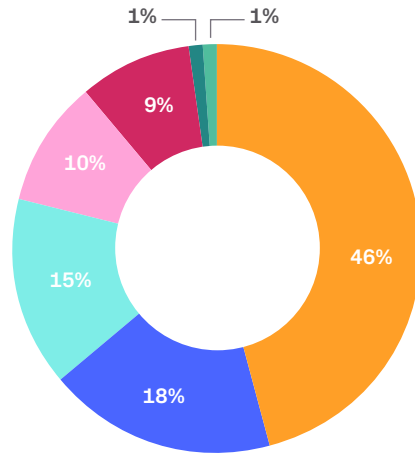


# Due Diligence Concerns

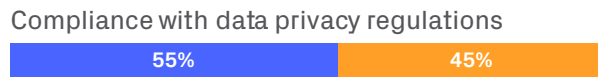
## North America

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

- Data or cyber security concerns
- Financial weakness or fragility
- Excessive valuation
- Financial irregularities
- Leadership concerns
- Regulatory non-compliance
- Staff concerns



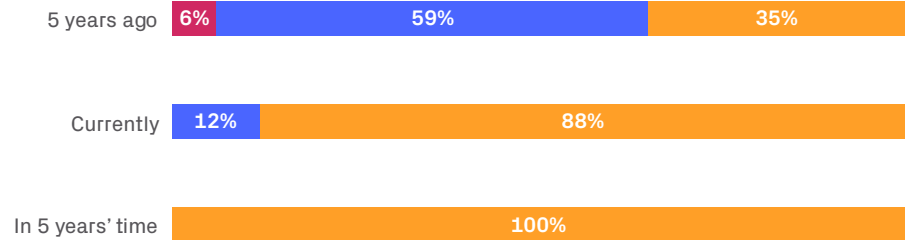
Have you worked on M&A transactions that have not progressed because of concerns about a target company's:



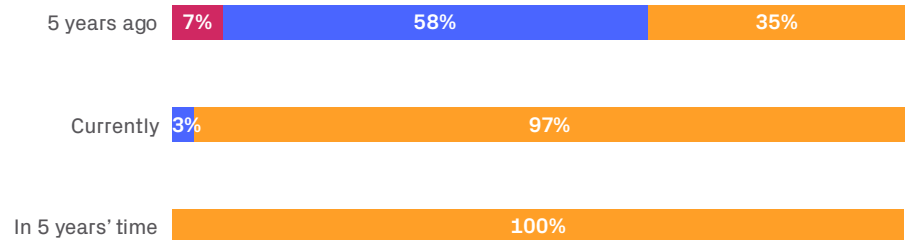
■ No ■ Yes

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

Environmental, social and governance (ESG)



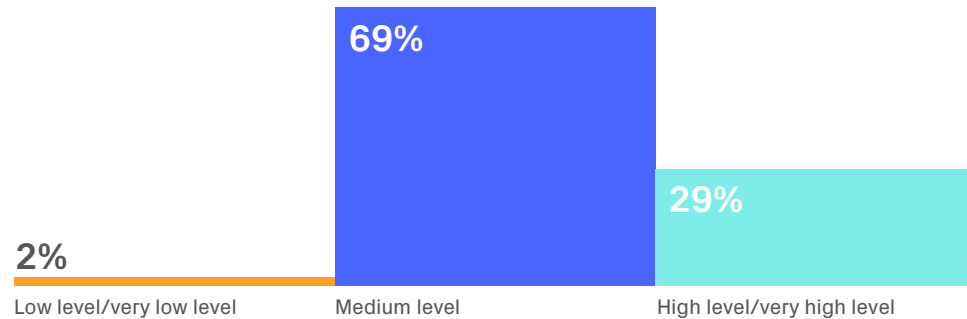
Data privacy regulation (e.g.: EU's General Data Protection Regulation)



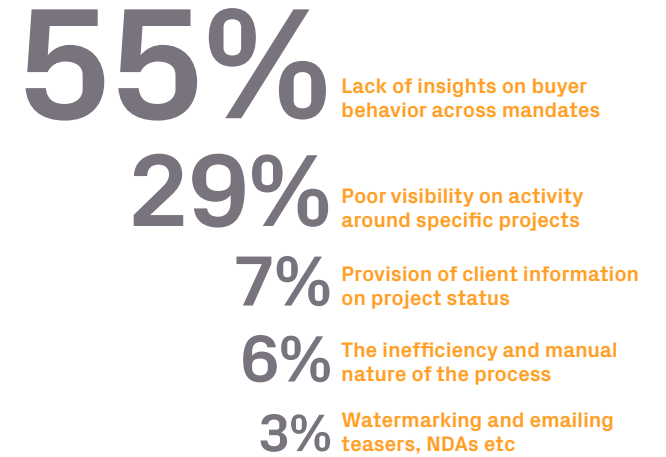
■ Slightly important/Not important ■ Moderately important ■ Very important/Important

# Asset Marketing and Acquisitions North America

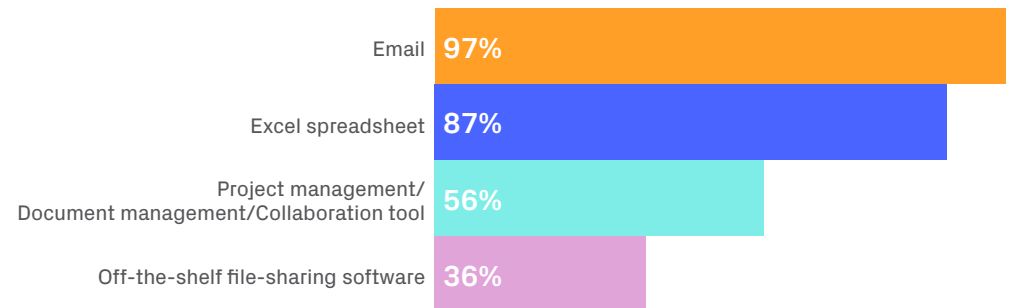
When marketing an asset for sale, how efficient and effective is your company's current process of identifying, marketing to and tracking potential buyers?



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



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

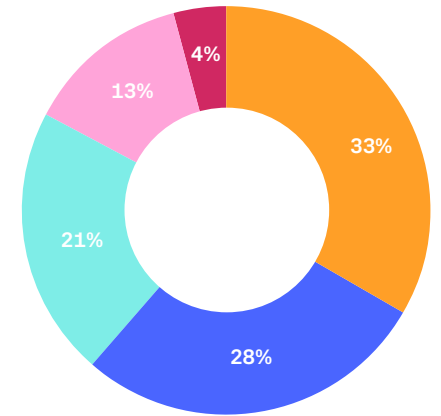


# Restructuring North America

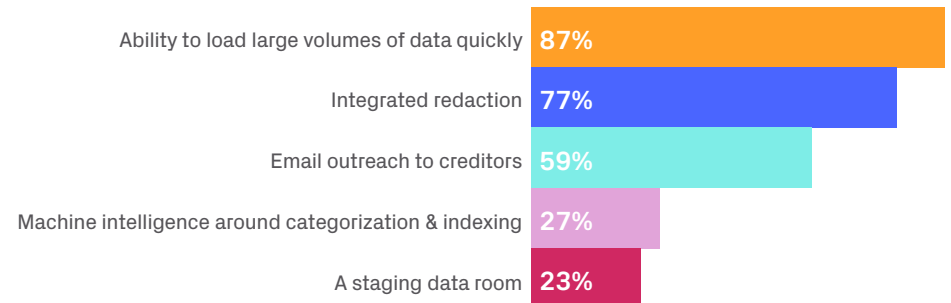


Which type of restructuring will dominate over the next 24 months?

- Debt-financing
- Non-performing loans (NPLs)
- Divestitures and carve-outs
- Bankruptcy
- Liquidation



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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