



DealMaker
Meter
by DFIN

THE RESILIENCY
OF M&A DEALMAKING

SUMMER 2022

Understanding deal outlooks for 2022

The dealmaking industry is dealing with seismic shifts. Declining markets, high inflation, lingering COVID, U.S. midterm elections, and global unrest are growing concerns. Yet, dealmakers expect the record-breaking trends of the past two years to continue in 2022.

The Summer report explores and reports dealmaker experiences and expectations.

Today's market is resilient enough to handle whatever comes its way.

88%

believe investors are currently prioritizing profitability over growth.

76%

feel more companies are going private to stay afloat.

71%

feel private equity firms will have the upper hand on potential deals.

70%

believe antitrust enforcement will impact their ability to get deals done.

70%

say Russia's invasion of Ukraine has impacted their ability to get deals done.

67%

feel the election season will have little to no impact on their ability to get deals done.

67%

of dealmakers believe Wall Street will eventually fully return to the office.

57%

believe regulations could signal the end of Big Tech.

55%

of firms have successfully implemented protected Saturdays.

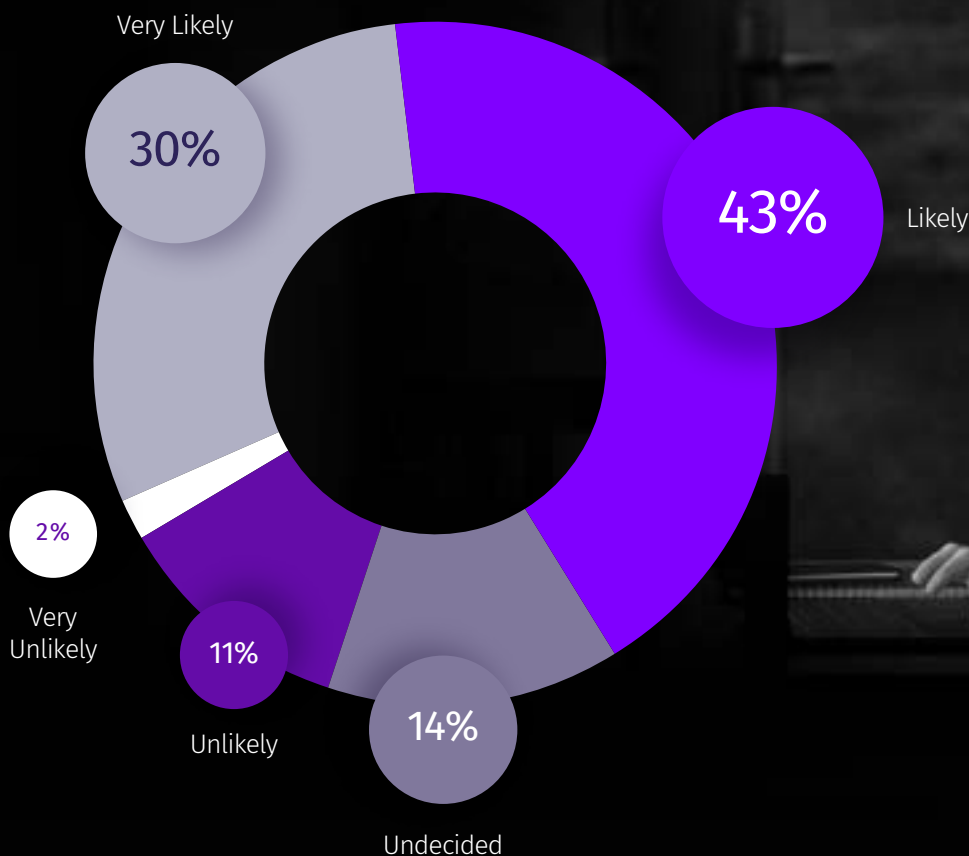
33%

of dealmakers have not worn a full suit in over six months.

The resiliency of dealmaking is being put to the test.

As we approach the midpoint of 2022, the dealmaking industry has already faced its share of challenges, from the lingering aftermath of COVID to market volatility amidst growing inflation and the uncertainty surrounding the Russian invasion of Ukraine. Despite the challenges, feelings toward dealmaking successes remain high, as 73% believe the record-breaking trends of 2020 and 2021 will continue in 2022, suggesting that today's market is resilient enough to handle whatever comes its way.

Q: Q2 2020 and 2021 were record breaking years for deals, both in number and value. How likely is this trend to continue?



Getting to know your remote dealmaker

While two-thirds of dealmakers believe Wall Street will eventually fully return to the office, many continue to work remotely.

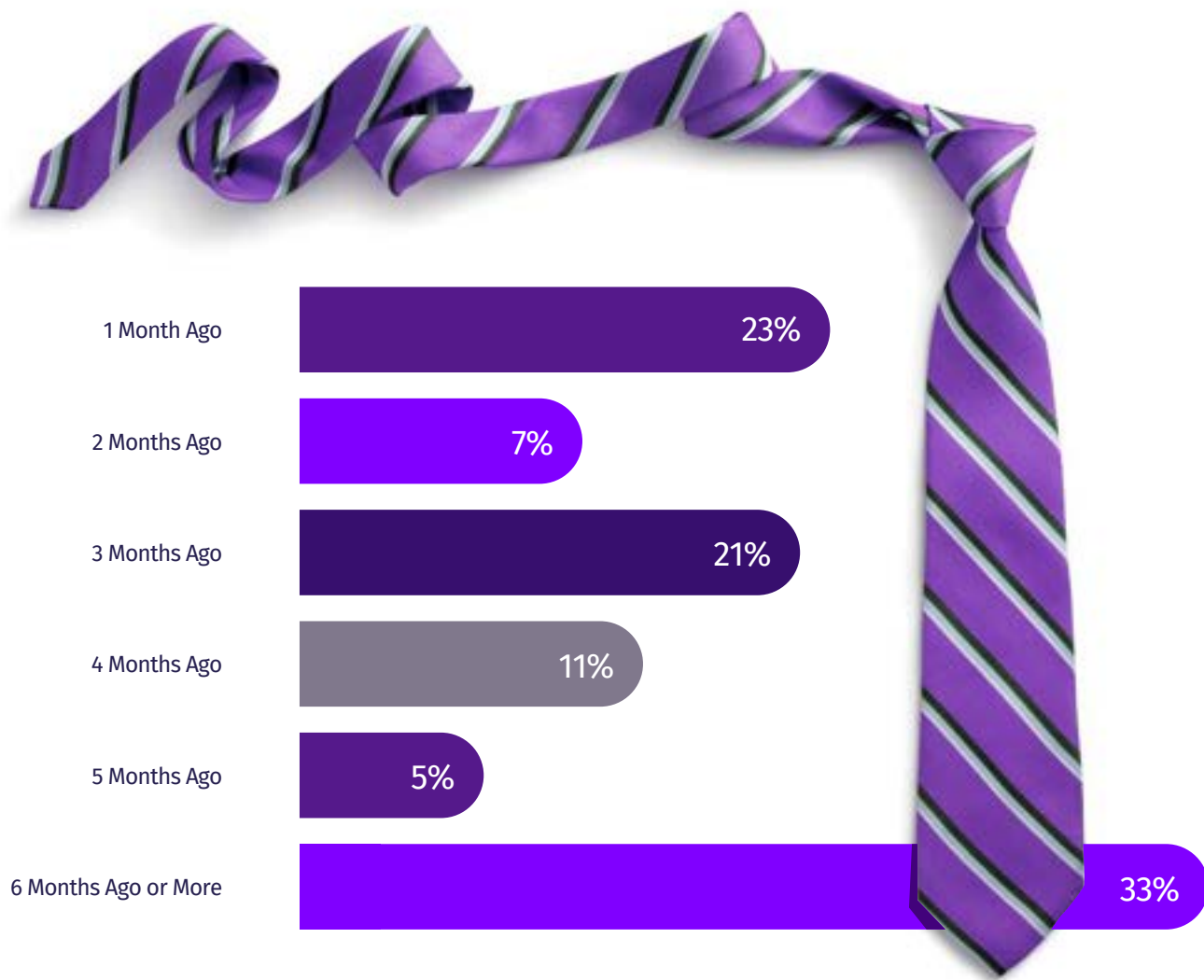
1 in 3 dealmakers have not worn a full suit for work in over six months.

Q: Will Wall Street ever fully return to office?



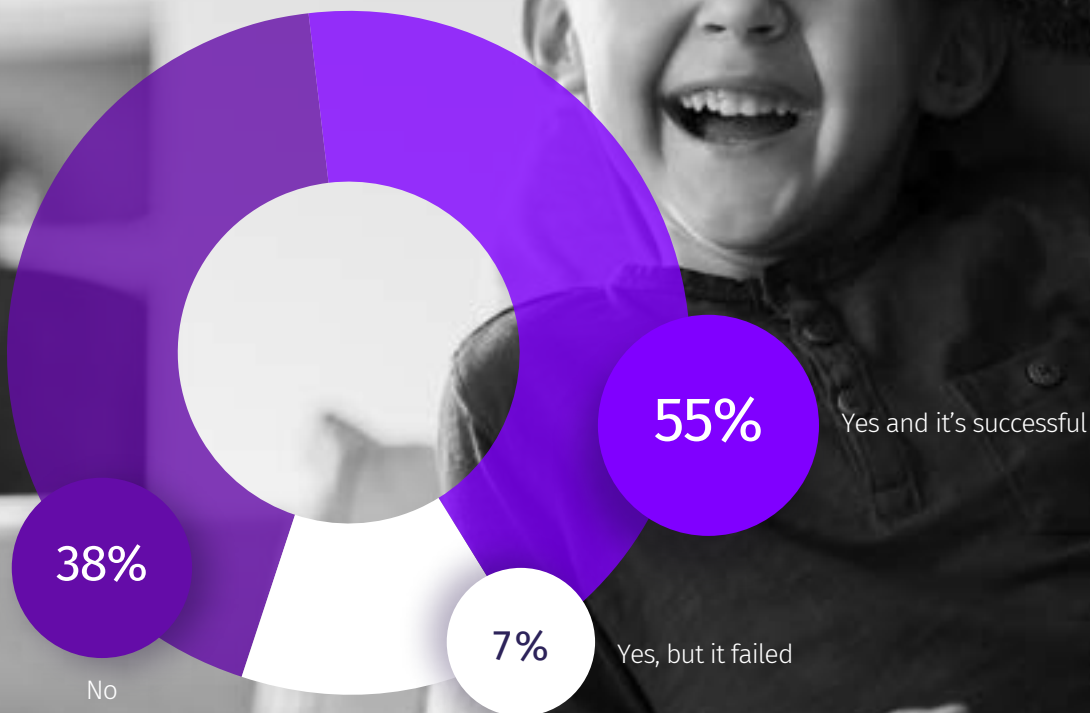
Almost half of those surveyed **have not worn a suit for work** in the last 3 months.

Q: When was the last time you wore a full suit for work?



One benefit to emerge:
55% of dealmakers
say their firm has
successfully implemented
protected Saturdays.

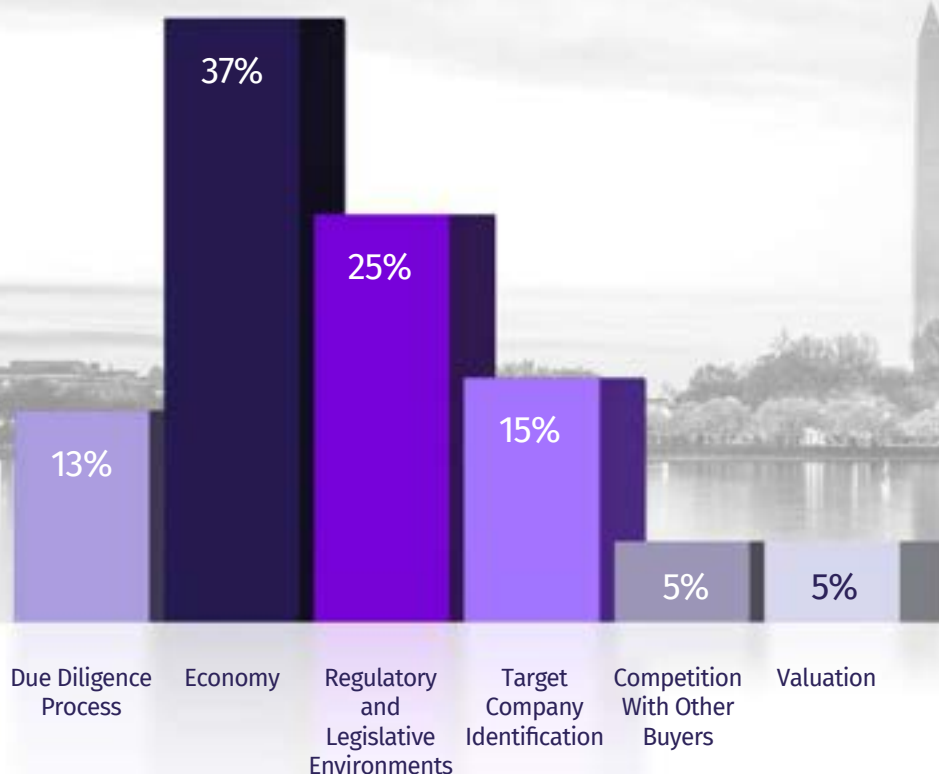
Q: Has your firm implemented
protected Saturdays?



The politics of dealmaking

It should come as no surprise that the political environment can influence dealmaking activity. In fact, 1 in 4 respondents name regulatory and legislative environments as the greatest causes for concern in getting an M&A deal done, second only to the economy (37%).

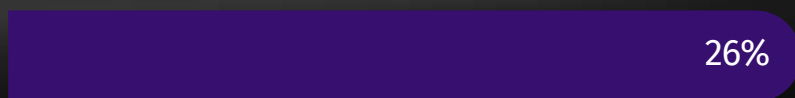
Q: What single factor is your greatest cause for concern in getting an M&A deal done?



70% of respondents believe the current U.S. administration's call for more "vigorous" antitrust enforcement will impact their ability to get deals done.

Q: The current US administration's call for more "vigorous" antitrust enforcement will impact my ability to get deals done.

Strongly Agree



Agree



Neither Agree Nor Disagree



Disagree



Strongly Disagree



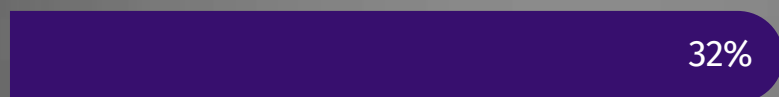
With emerging antitrust regulations taking shape, 57% of respondents believe this could be the **end of Big Tech.**

Q: With emerging antitrust regulations taking shape. Is this the end of big tech?

Strongly Agree



Agree



Neither Agree Nor Disagree



Disagree



Strongly Disagree



The upcoming midterm elections provide hope for dealmakers, as **67%** feel the election season will have little to no impact on their ability to get deals done.

Q: What will the mid-term elections mean for deal making?

The elections will have no impact on deal making



The elections could cause a little volatility, but ultimately shouldn't impact deals



A Republican majority could increase deal activity



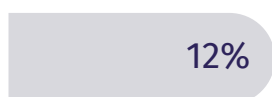
A Republican majority could hinder deal activity



A Democratic majority could increase deal activity



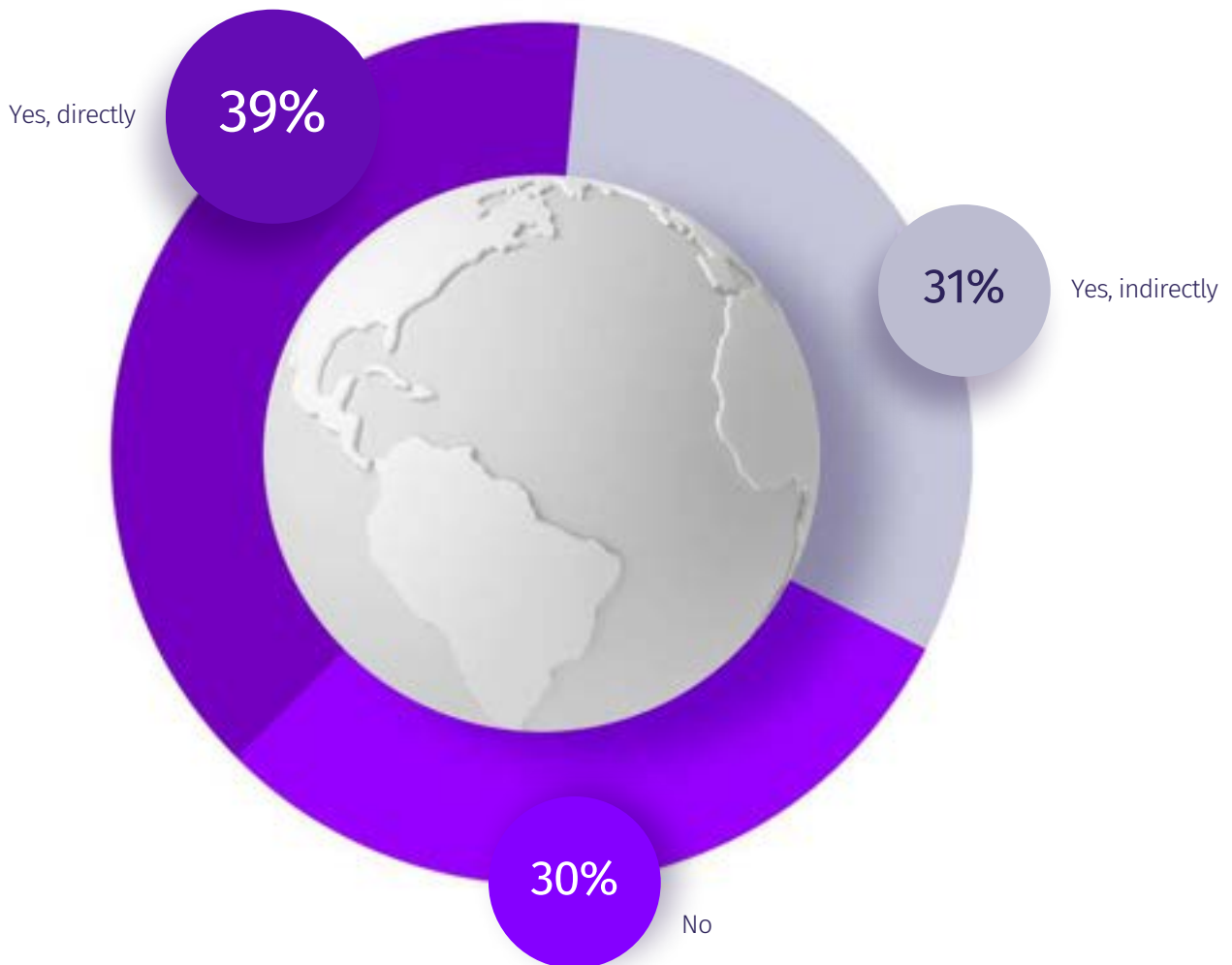
A Democratic majority could hinder deal activity



Evaluating the impact of the Russian invasion of Ukraine

Russia's invasion of Ukraine has directly impacted many operations, from supply chains to raw material production, and is equally leaving its mark on dealmaking. Specifically, 39% of respondents say the war has directly impacted their ability to get deals done, while another 31% feel an indirect impact.

Q: Has the Russia/Ukraine war impacted your ability to get deals done?



The dealmaking evolution

To address shifts in the market, investors are rethinking their strategies, with 88% believing investors are currently prioritizing profitability over growth.

Q: Do you believe that investors are currently prioritizing profitability over growth?



PROFITS



The dealmaking evolution

Dealmakers are not aligned on the outcome of the profitability shift, as 58% believe this will cause larger, more transformation deals from established organizations, while 56% anticipate a shift toward smaller, more strategic deals.

Q: How will a focus on profitability over growth impact deal making?

Experience a shift towards smaller, strategic deals



Move towards larger transformational deals from established organizations



Increasing deal deferrals due to potential volatility



No direct market impact



Going private to stay afloat.

76% feel more companies are going private to stay afloat. 71% feel private equity firms will have the upper hand on potential deals.

Q: Do you believe that more companies are going private to stay afloat?



Q: How is the decision to go private impacting potential investors?

Private equity firms will have the upper hand on potential deals



Less companies listed on public market will lead to valuation inflation



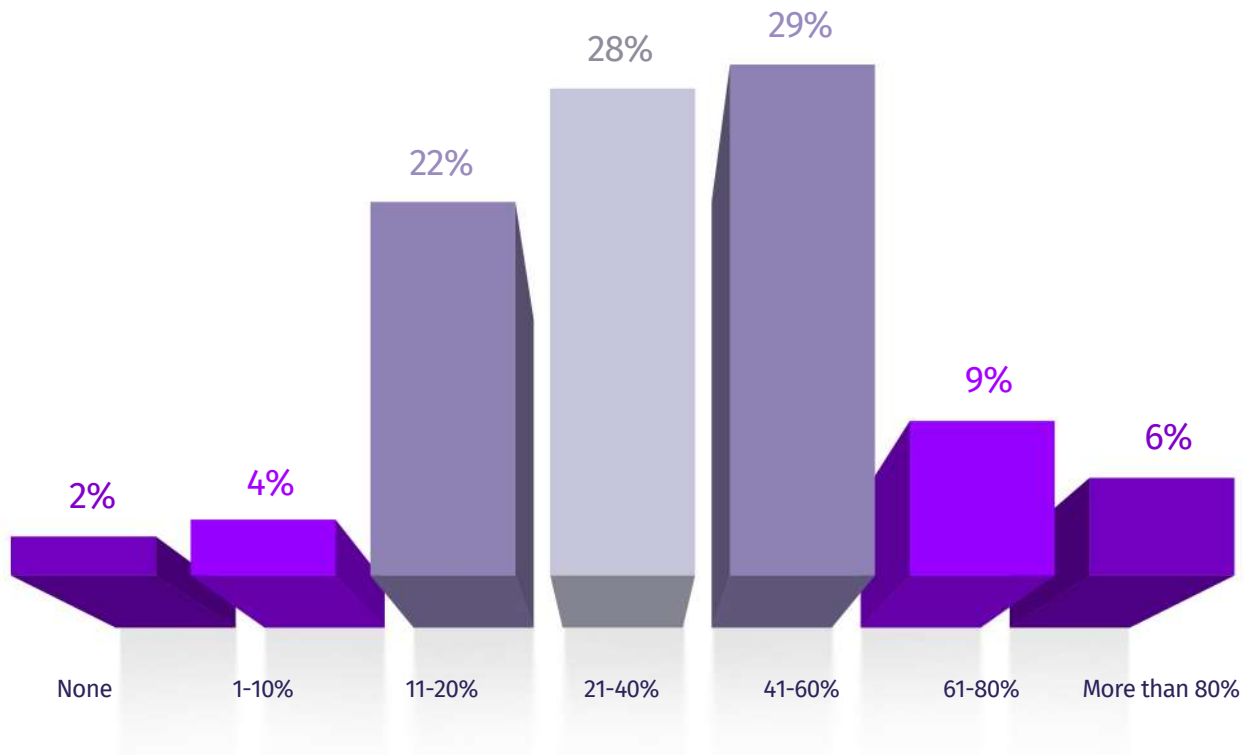
Take-private deals could limit market growth



Strong returns continue to boost dealmaking confidence

Confidence in dealmaking continues to shine as dealmakers see a positive return on their investments. Looking at the past five years, 72% of respondents said at least 21% of their deals returned positive value. Nearly half of investment bankers (47%) had positive returns in more than 41% of their deals. By comparison, only 37% of private equity professionals saw similar returns.

Q: In your opinion, when looking at overall deal making activity over the past five years, what percent successfully returned positive value?



Pressure to drive value may have led to bad decision making.

For deals that failed to return value, 72% agree pressure to find and consummate acquisitions due to fund-lifecycle or corporate mandate is a key contributor to the negative result.

Q: Pressure to find and consummate acquisitions, due to fund-life-cycle or corporate mandate (rather than acquire opportunistically without a timeline) is negatively impacting the success/positive return after an acquisition is completed.

Strongly Agree



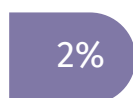
Agree



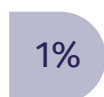
Neither Agree Nor Disagree



Disagree

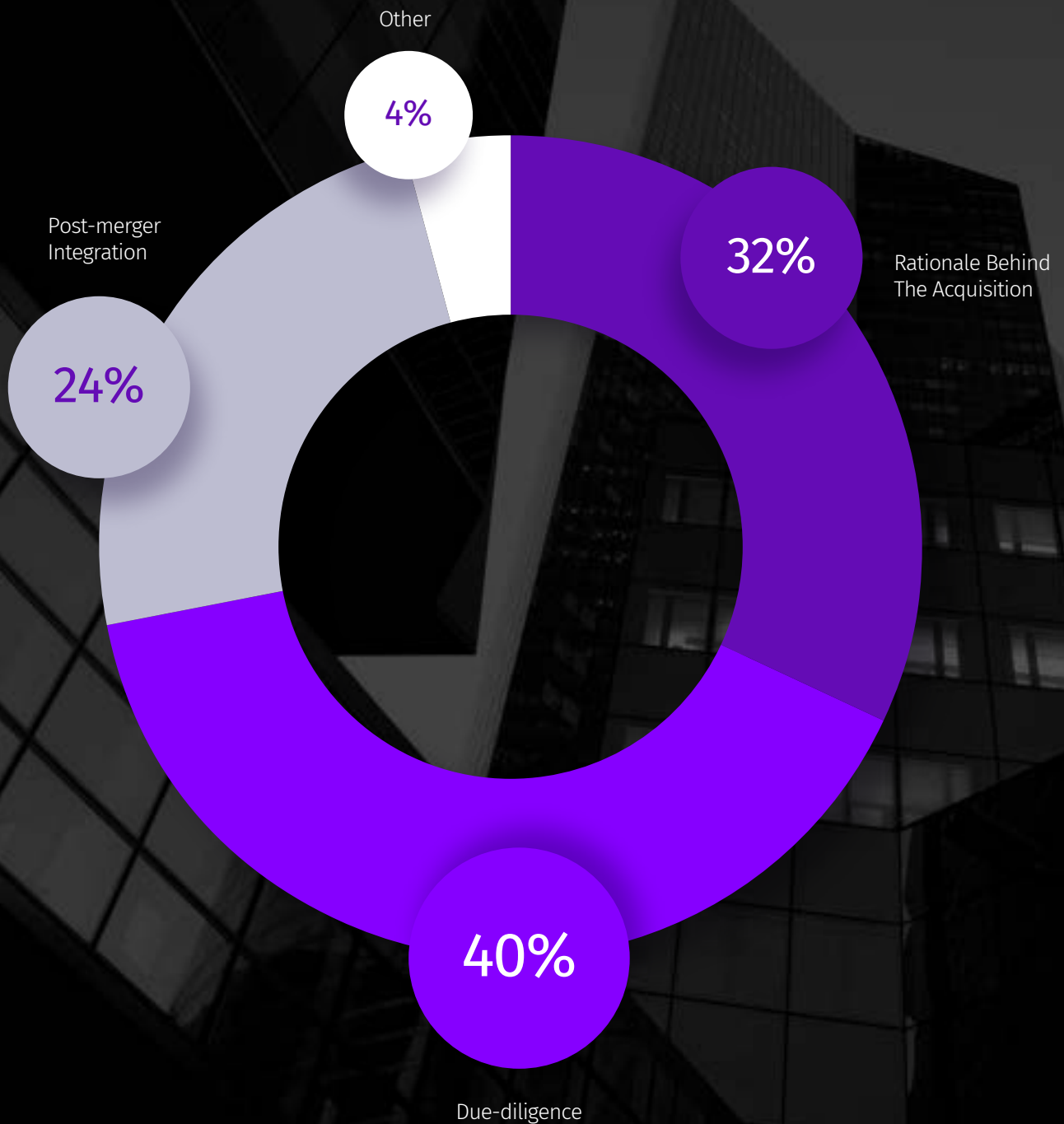


Strongly Disagree



A lack of due diligence may destroy deals

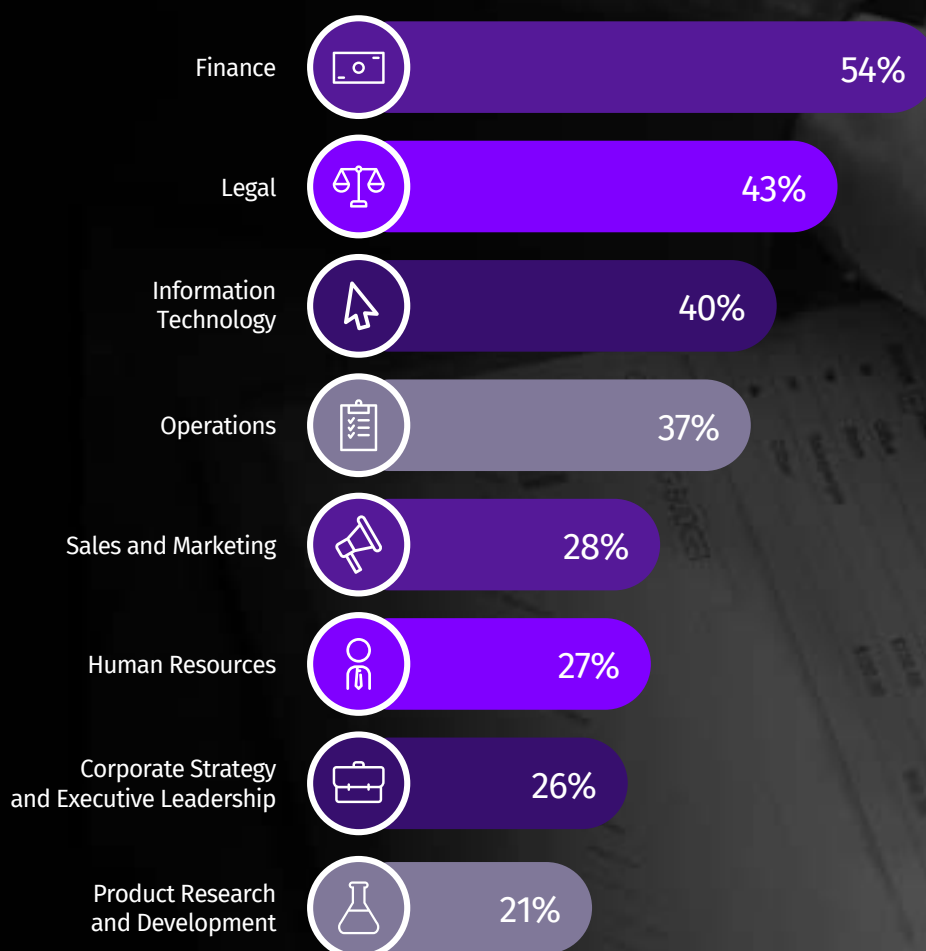
Q: In your opinion, when acquisitions fail to provide value, what is primary failure point?



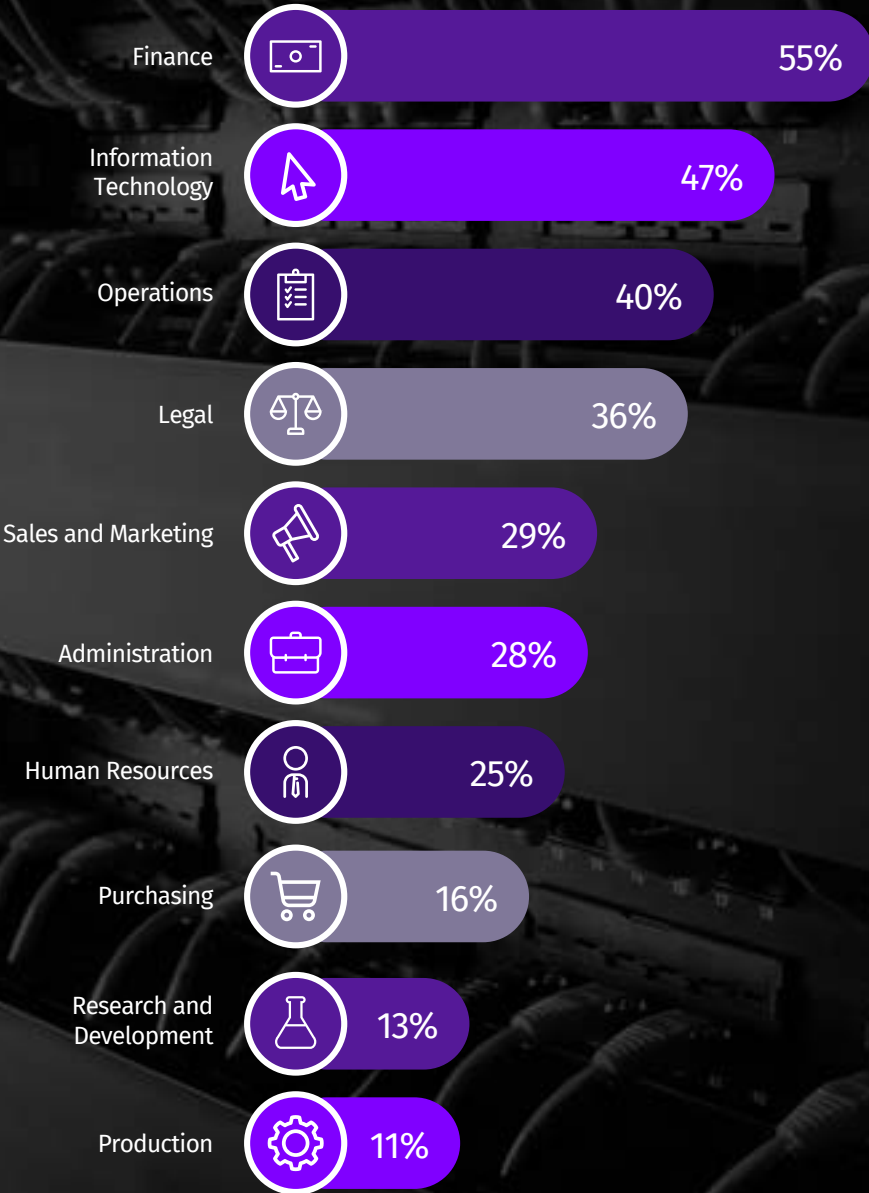
Leading due diligence players.

Finance and I.T. are two of the most influential departments during due diligence, both in their involvement (54% and 40%, respectively) and how scrutinized they are (56% and 47%, respectively).

Q: In your opinion, which areas are most involved during the due diligence process?



Q: In your opinion, which areas are most scrutinized during the due diligence?



Finding value in reasoning

While there are numerous reasons to enter an M&A transaction, the reasons behind the transaction can often determine the difficulty of realizing value. When asked about the hardest deals to derive value from, dealmakers call out economies of scale, access to new product offerings, and new technology capabilities as their top three. Regarding the easiest deals, eliminating a competitor, acquiring efficient business processes, and access to customer segment emerge as their top choices.

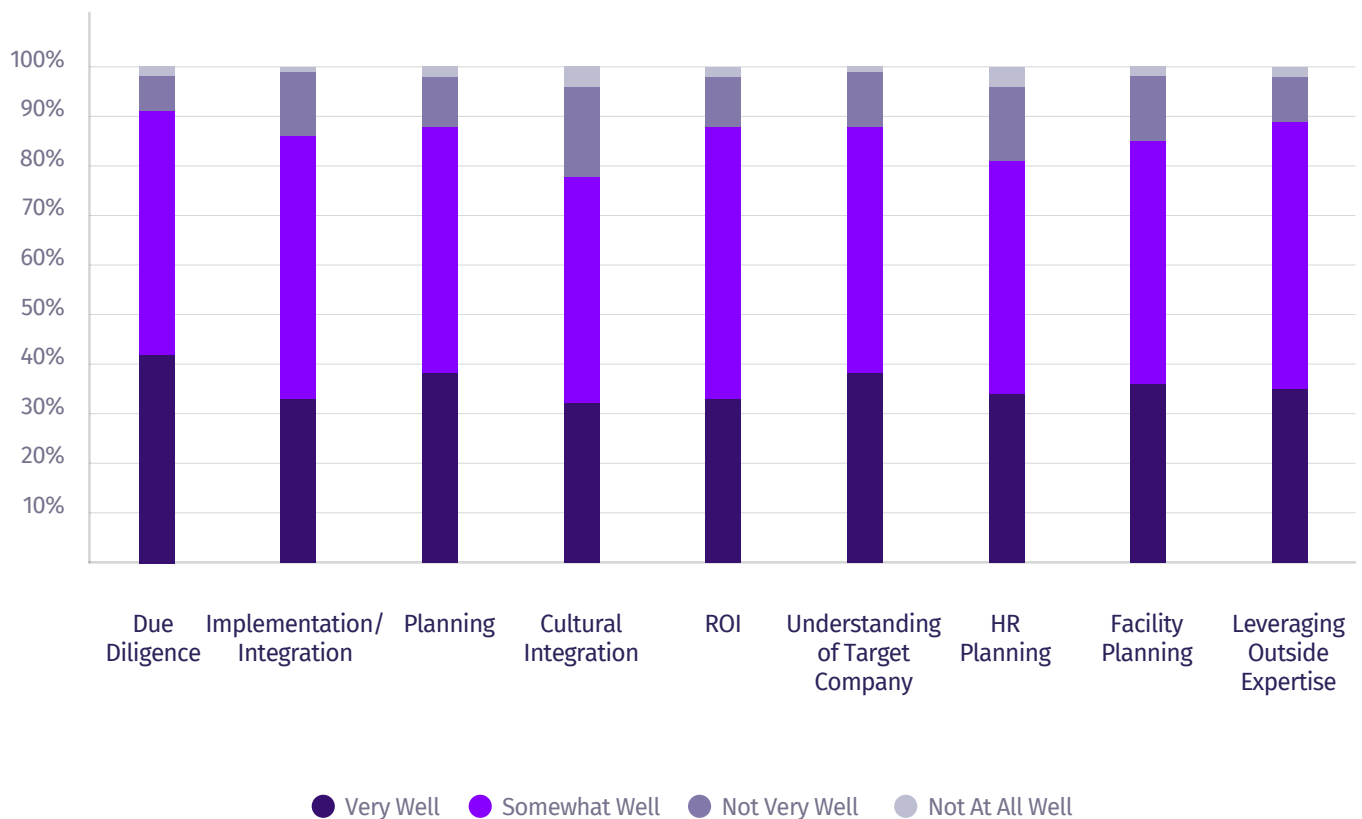
Q: The following are reasons for doing an M&A transaction. Please rank these on how difficult they are to obtaining value (1 being the hardest and 7 being the easiest.)



The industry gets a passing grade

Looking at the industry, dealmakers note high marks in their ability to execute across all functions of an M&A transaction. All practitioners are most confident in due diligence, with 91% noting they do it well. Other key performance areas include leveraging outside expertise (89%), ROI (88%), planning (87%), understanding of the target company (87%), implementations/integrations (86%), and facility planning (85%).

Q: What is the state of M&A due diligence?



Room for improvement

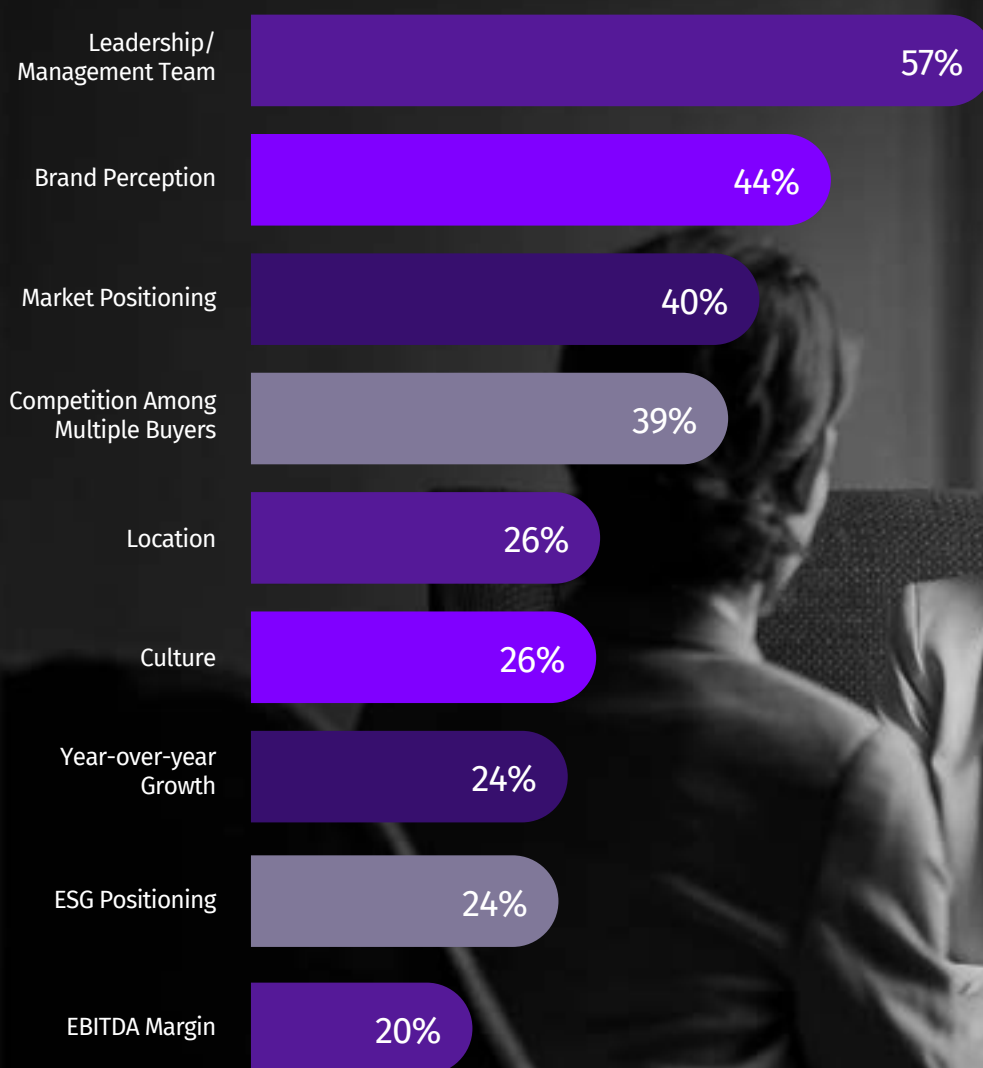
While dealmakers score themselves high in many categories, there are still some areas for improvement. The lowest-performing areas include H.R. planning (81%) and cultural integration (78%), the latter of which is becoming increasingly important in today's marketplace.



Employees continue to determine value

A company is only as good as its people, and dealmakers feel the same way. When asked about the top non-industry-specific drivers of enterprise valuation, 57% name the leadership/management team as the key driver. Brand perception (44%) and market positioning (40%) round out the top three.

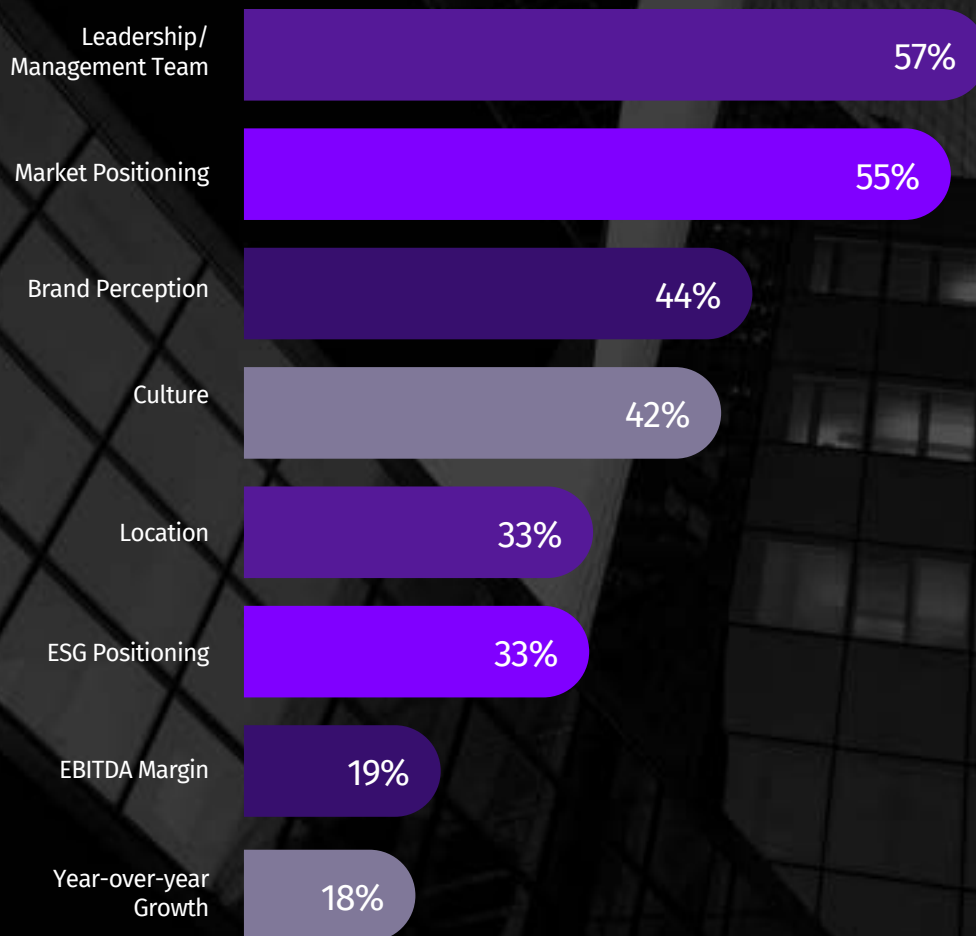
Q: In your opinion, what are the top 3 (non-industry specific) drivers of enterprise valuation?



Leadership drives future success

The belief in leadership also extends once the acquisition is complete, as 57% also name leadership and management team as the top non-industry specific driver of success/positive return following an acquisition. Like valuation, marketing positioning (55%) and brand perception (44%) remain in the top three.

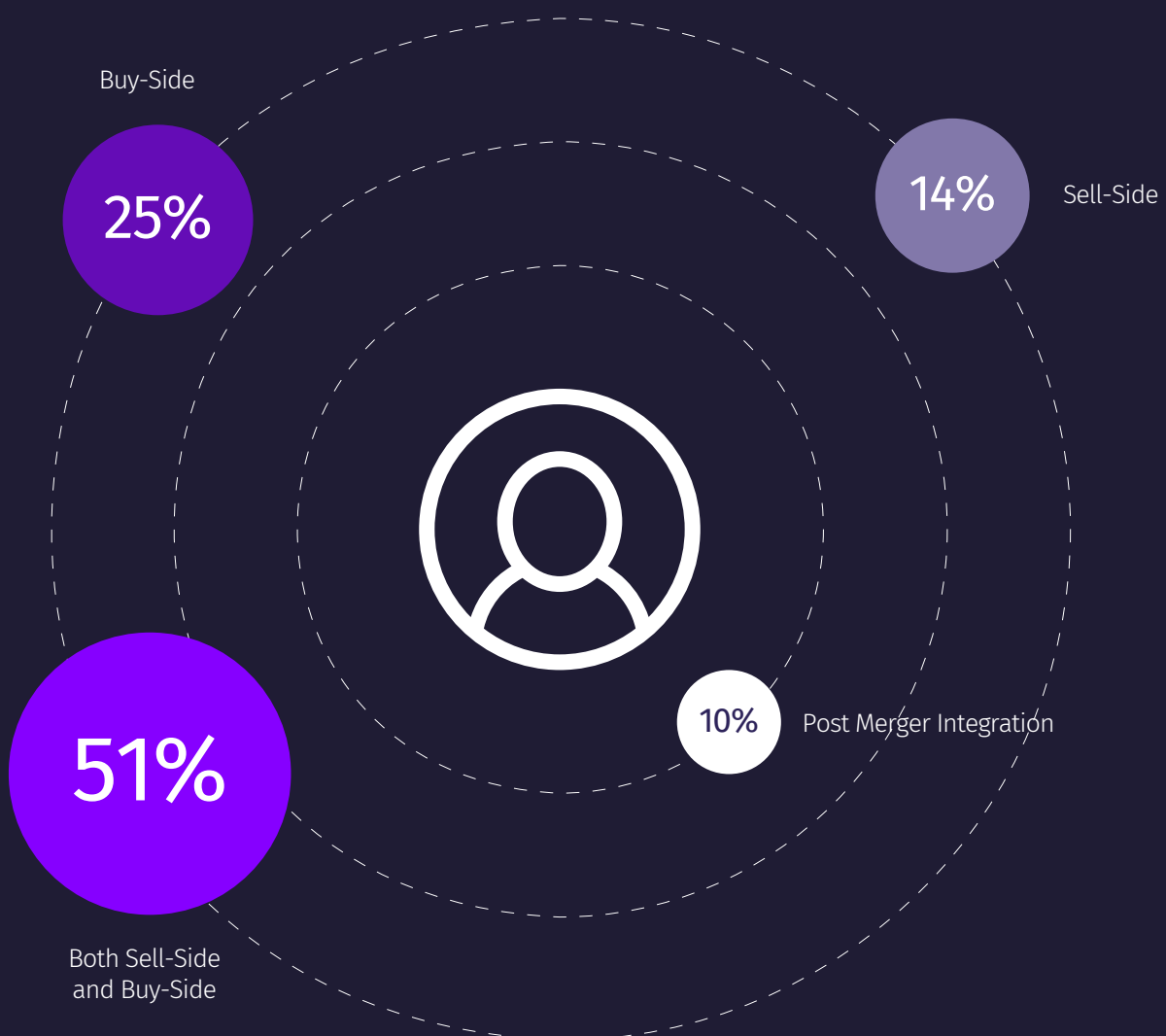
Q: In your opinion, what are the top 3 (non-industry specific) drivers of success/positive return after an acquisition is completed?



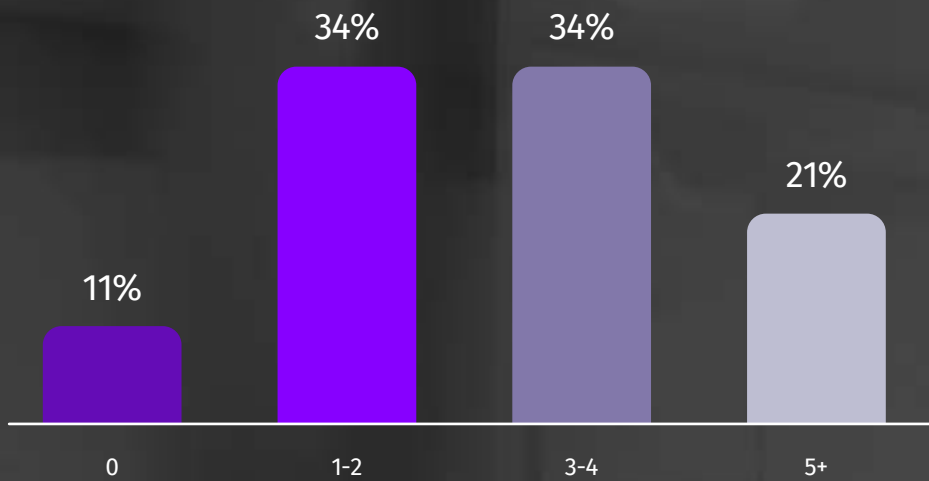
About the respondents

The survey comprised of 174 dealmakers, including investment bankers, private equity professionals, and attorneys. All respondents have been involved with M&A transactions in their current role, with the majority (51%) working on both the buy-and sell-sides. Most (55%) have been involved in at least three deals in the trailing twelve months, and 64% expect to be involved in at least the same number of deals during the next 12 months.

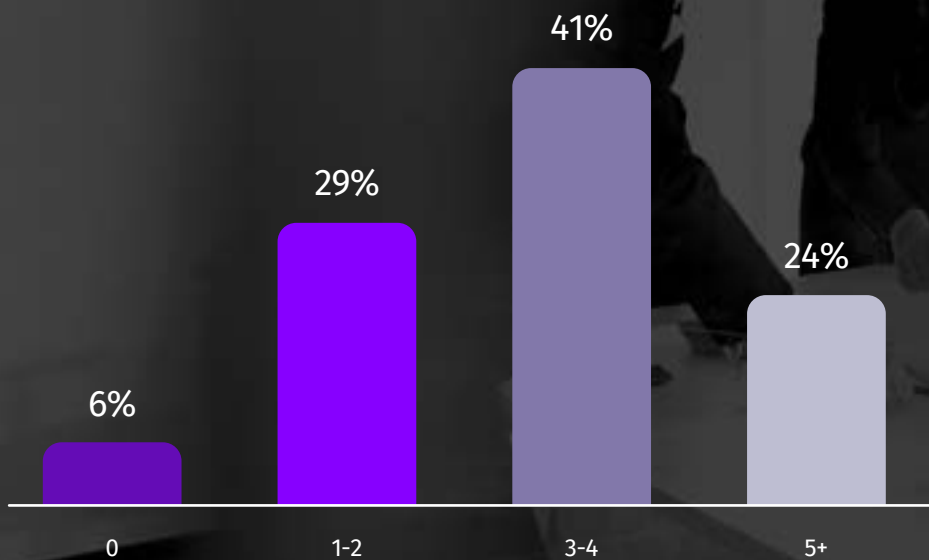
Q: On what side of the M&A process do you have the most experience?



Q: How many deals were you involved with in the trailing twelve months (TTM)?



Q: How many deals do you expect to be involved with during the next twelve months?



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Keeping your finger on the financial pulse, the DealMaker Meter compiles quarterly answers to questions about everything from activities in sectors/industries to geographies and impacts.

Who answers?

A blue-ribbon panel made up of our top global DFIN dealmakers/partners (advisors, corporate clients, lawyers, bankers, etc.)

How should I use it?

To gauge the global market outlook – and plan your next move.

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