



# M&A analytics

## The three-minute guide





# Why it matters now

## Smarter decisions

An M&A deal can be one of the biggest decisions a company makes, so it pays to do it right. Yet in many cases decision-makers are forced to take action with a lot less information and insight than they would like. Even in situations where they have access to mountains of data, they often lack the time, tools, and expertise to make sense of it.

Now that's starting to change. According to a recent Deloitte LLP survey, advanced analytics is fast becoming a mainstay in the M&A toolkit, with 58 percent of companies already using it in their M&A deal process and another 20 percent considering it.<sup>1</sup>

Effective and consistent use of analytics in M&A can help companies make better decisions when the stakes are high and timeframes are compressed. What's more, the use of analytics may potentially improve process efficiency and effectiveness across the M&A life cycle—strategy, target screening, due diligence, transaction execution, and integration—by capturing and generating deep and valuable insights in ways that stakeholders may apply quickly.

1. "M&A Trends Report 2014: A Comprehensive Look at the M&A Market," Deloitte LLP, 2014.

# Why M&A analytics

## Complexity simplified

Studies show that relying on intuition and simple rules for analyzing complex situations such as M&A typically leads to poor decisions.<sup>2</sup>

Conceptualizing and putting a deal together requires an incredible amount of information and analysis, a deep understanding of historical patterns, and the ability to produce a broad-based forecast. While spreadsheets—the standard tool for M&A analysis—can help capture data, they are much less effective for identifying and visualizing complex patterns.

When you're looking at millions or even trillions of rows of company data and considering conditions and hypotheses that may make or break the deal, analytics becomes very important. This is even more relevant in the vast and expanding universe of big data, which can include anything from social media and customer preferences to census data, weather information, and geolocation information.

Humans have a natural ability to recognize visual patterns and pictures. That's one reason M&A analytics may be so helpful. By presenting information visually, analytics may instantly convey vast amounts of information and reveal patterns and insights that might otherwise be forever buried in a spreadsheet model.

2. "How to Leverage Analytics and Social Media to Improve M&A," CFO Journal, September 23, 2013.

# The benefits

## **Deeper, more consistent insights**

Different data sources often tell different stories. Advanced analytical models can drill down and synthesize data from multiple sources, providing a more consistent and defensible foundation for big-bet decisions.

## **Faster answers**

In the fast-paced world of M&A, teams armed only with spreadsheets don't have time to do sophisticated analytics. Dedicated tools, models, and methods for analytics may help deliver deep insights at M&A speed.

## **Improved efficiency**

Dedicated analytics models and tools can streamline the process of data collection and analysis, saving time and money in every phase of the M&A life cycle. For example, text analytics can accelerate and streamline the contract review process through automatic organization of contracts based on common themes and other similarities; automatic extraction of structured data such as names, locations, and dollar amounts; and advanced "fuzzy logic" searches on key words and phrases.

## **Insights you can see**

Visualization makes it easier to spot important trends and anomalies that might otherwise go unnoticed. It also may create a more compelling case for action. Geospatial analysis is a particularly effective visualization tool, enabling you to see at a glance where risks and opportunities are concentrated, where fraud and waste are more likely to occur, how corporate policies could influence behavior in different regions, and where assets and resources may be deployed for greater impact.

# What to do now

## **Answer questions that are worth asking**

Use targeted analytics to address questions and issues that may have a material impact on the M&A deal decision and valuation. Don't analyze everything under the sun just because you can.

## **Dare to be different**

One of the biggest barriers to embracing the power of analytics for M&A is fear of the unknown. In the high-pressure, time-compressed environment of an M&A deal, it's tempting to stick with the tried-and-true methods of analysis, even when they are merely adequate.

## **Start small. Start now.**

Begin familiarizing yourself with M&A analytics before you need it. Also, on your next deal, consider setting up a "shadow" parallel effort using both standard spreadsheets and advanced analytics to mitigate risk.

# Time's up



## Ready. Set. Go.

Many leading companies are using advanced analytics in virtually every phase of the M&A life cycle—from the vetting process, where they see what they can find out about the target company and whether the information is useful, to the use of big data to compare against industry trends, all the way through to the final phase when the deal is announced.

If your M&A process faces too much data and too little time and insight, it might be worth giving M&A analytics a closer look. To learn more, please contact us.

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