Datasite®

Where deals are made

The Future of Transaction Management

The Impact of COVID-19

Key findings from our 2021 global survey of corporate dealmakers

Contents

Executive summary

Online agility prevails

As we pass the one-year anniversary of COVID-19, corporate dealmakers are operating in a world turned outside-in. Where they work, the transactions they work on, and how they run those transactions have been radically altered by the pandemic.

Dealmakers moved overnight from a state of always on the run to always online. Newly popular transaction types like partnerships, restructurings and SPACs pushed learning curves to the limit. Finally, technology disruption's slow transformative effects turned suddenly tidal, creating waves of change across every industry and region.

How did this upheaval change the way corporate dealmakers work? We surveyed 590+ of them from every region, industry, and size to find out. In this report, we cover how they have been impacted by COVID-19, top challenges in the new environment, and key takeaways going forward.

590+ Corporate dealmakers surveyed across EMEA, APAC & the Americas

Chapter 1:

The impact of COVID-19

No 2021 report would be complete without tackling head-on the impact of COVID-19 on transaction management. In our survey, we asked dealmakers to comment directly on how the pandemic impacted the way they managed deals. In addition, we also compared our survey data taken right before the pandemic in 2020 to this year's survey results to identify any sizeable shifts.

In this chapter, we discuss key themes that stood out, including the bumpy move online, transaction slow-downs, and the acceleration to an always-on technology environment.

> **COVID-19 has compelled us to devise a more technologically advanced way of doing things.**

The impact of COVID-19

The bumpy move online: In their own words

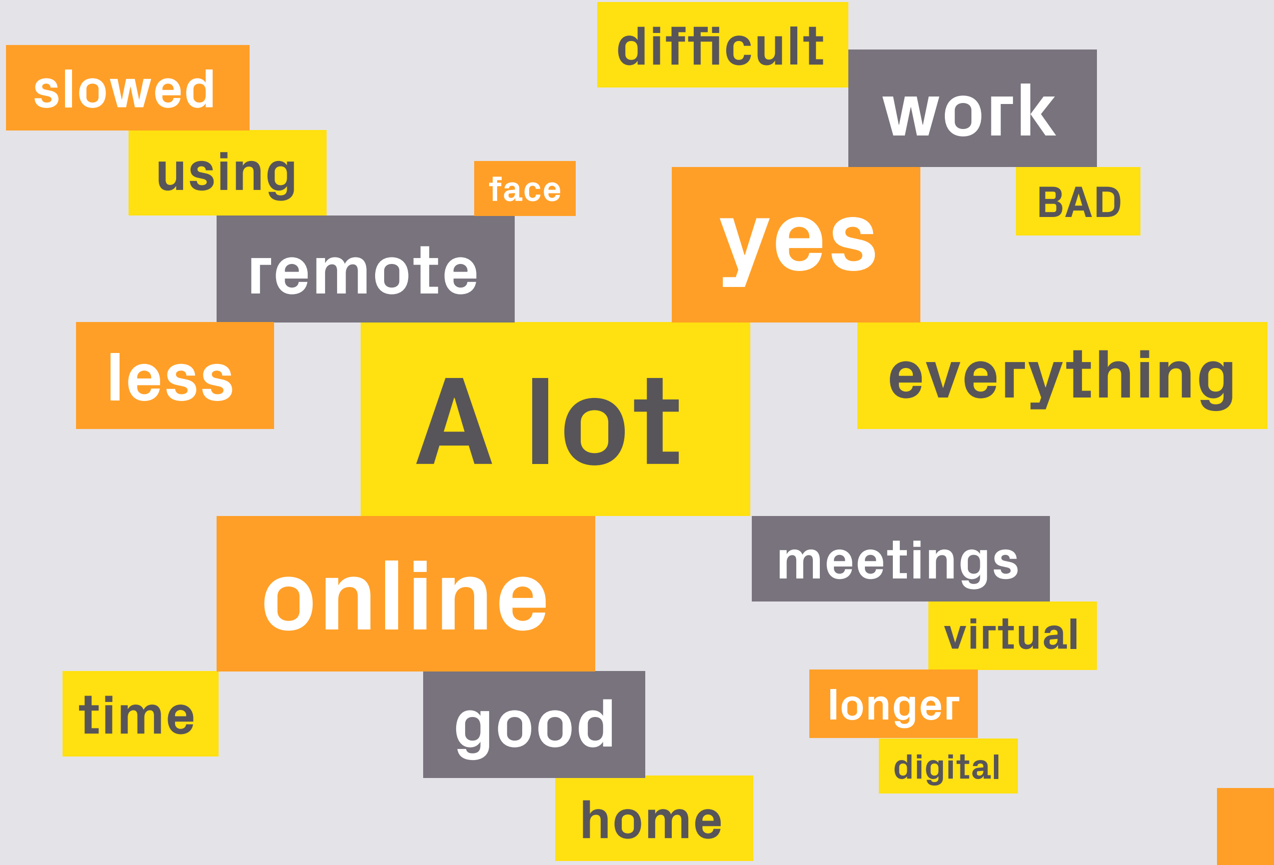
When we asked survey respondents how COVID-19 impacted the way they managed deals, the involuntary acceleration of technology adoption stood out.

Some appeared to embrace – or at least accept – the move online. Many took pride in their teams' ability to rapidly shift to an online-only environment and adopt new tools and ways of working.

For others, frustration from the change was palpable. The inability to conduct face-to-face meetings, a critical component to traditional deal-making, was called out multiple times. Stress, workforce reductions, and other road-blocks also rose to the fore.

Key takeaway: A resilient and agile mind-set is critical to success in the post-pandemic landscape.

When we asked respondents how COVID-19 impacted the way they manage deals, "a lot" rose to the fore of our word cloud.



> "We are doing everything remotely and without contact from people in the same area.

The impact of COVID-19

Slowing down – or speeding up?

Time kills all deals. So, it's no surprise that the focus for many survey respondents was on how the shift to virtual deal management impacted transaction speed.

For many, transactions slowed down and took longer to complete in virtual-only settings. For a smaller subset, however, skipping management meetings and work travel resulted in speed and efficiency gains.

Key takeaway: Process speed will hinge on dealmakers' ability to take technology efficiency gains from the year before and balance them with necessary in-person interactions going forward.

SPEEDING TRANSACTIONS

" It's far more efficient virtually.

" Now it's faster because we can do many things remotely.

" It has made us more flexible, faster, and more agile.

How has COVID-19 impacted the way you manage deals?

SLOWING TRANSACTIONS

" All transactions take more time to complete now.

" We now put more time into managing transactions.

" It takes a lot longer to get things done.

" Everything slowed.

The impact of COVID-19

Always-on technology

Underscoring the forced digital transformation of the last year, the number of dealmakers who described their Virtual Data Room (VDR) use as “continuous” shot to 48%, up by 13% from the year before, according to our survey results.

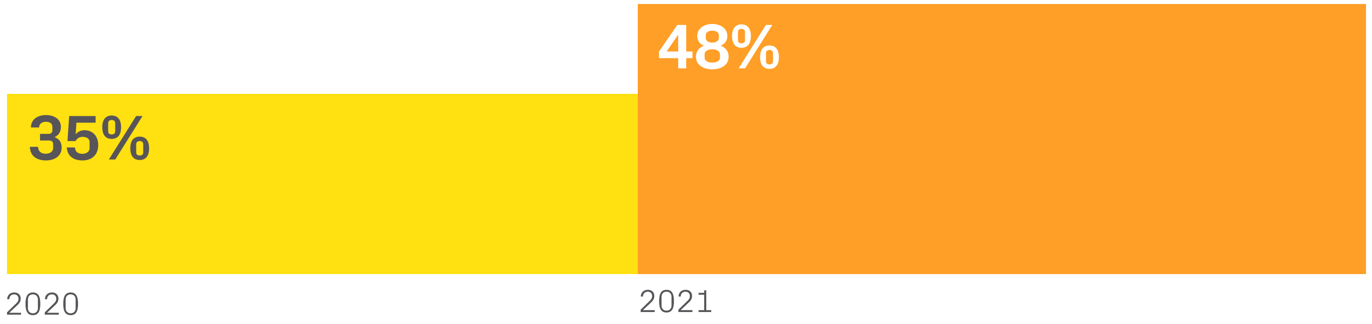
Digital adoption broke sharply along regional lines, however. A total of 57% of North American dealmakers described their VDR use as ”continuous” versus 43% for EMEA and 42% for APAC, respectively.

EMEA lags the US in digital technology adoption, according to a recent EIB Investment survey, which could be one reason for the EMEA split. And APAC’s VDR drop back may be attributable to less stringent data privacy laws. Also at play may be North America’s greater reliance on VDRs for some of this year’s most popular transaction types, including partnerships & collaborations, restructurings, and listings.

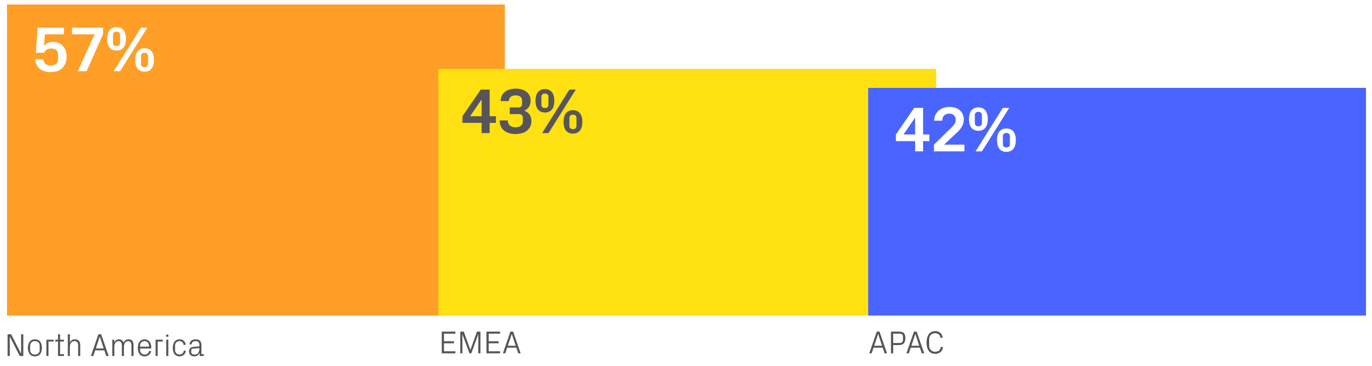
Key takeaway: As tools like VDRs become further embedded in day-to-day workflow, dealmakers must approach technology purchase decisions with a long-term, partnership mindset.

> “ Almost all meetings are now done remotely, so VDRs and other tools that allow remote collaboration have become increasingly important.

Continuous VDR users YoY



Continuous VDR users by region in 2021



Chapter 2:

Top challenges

COVID-19 exacerbated many existing transaction management challenges. Shifting strategic priorities, expanding deal teams, document proliferation and controlling information flow have long been areas of stress.

In this chapter, we discuss what the year looked like to corporate dealmakers from a strategic, deal structure, and task management perspective.

> “ ”
> **It has been very stressful.**

Top challenges

Juggling more and more

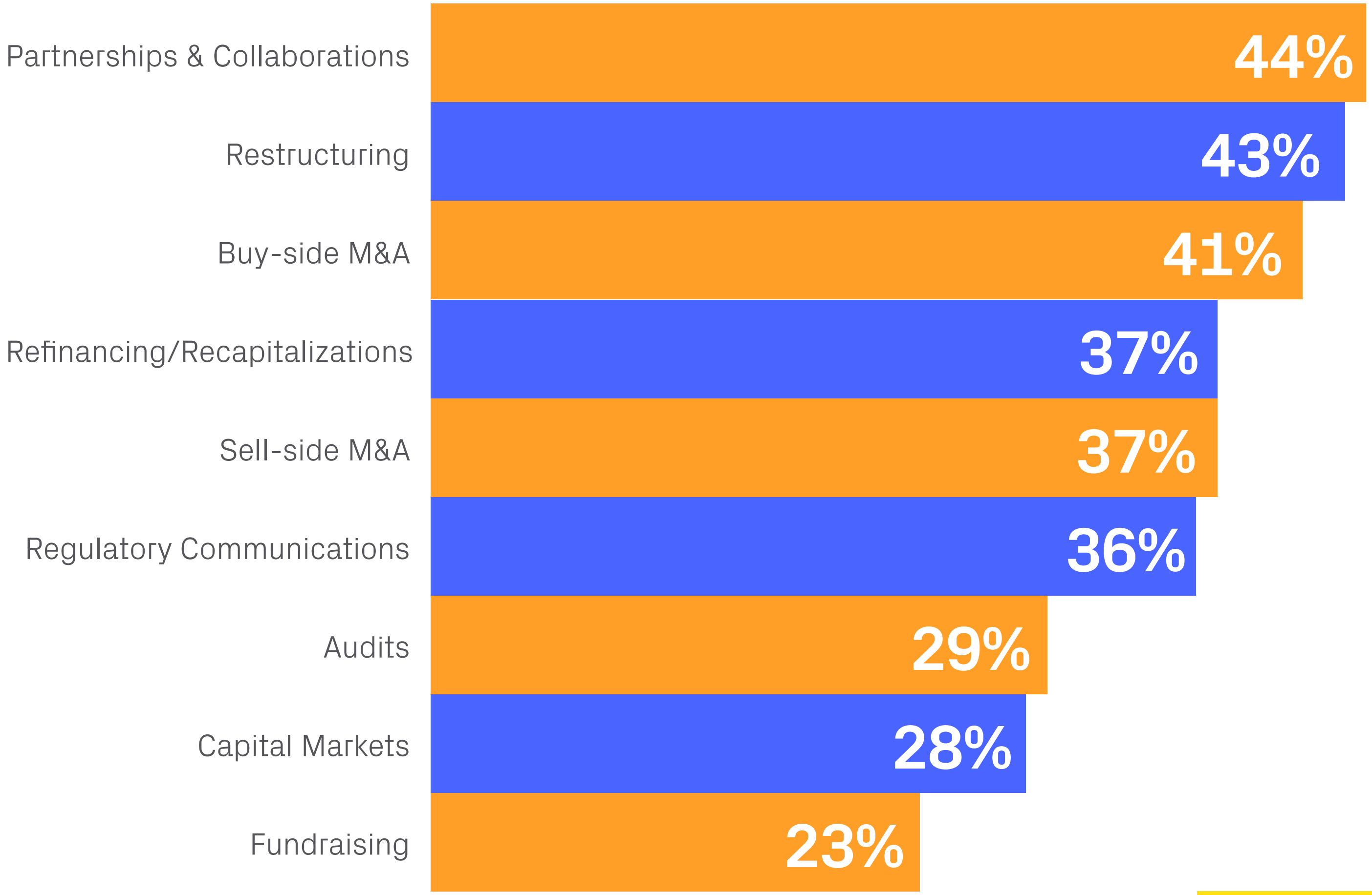
3.2. That's the average number of different transaction types dealmakers reported working on this year – more than double from the year before. Prompted by ongoing economic uncertainty and the impossibility of financial forecasts, companies have embraced new growth mechanisms and, on the flip side, portfolio rationalizations.

As a result, less-traditional transactions like partnerships and restructurings surged, with 40%+ of respondents reporting working on one or both deal types. For many organizations, partnerships became a way to grow without substantial long-term financial commitments. Meanwhile, pushed to the brink of extinction by the pandemic, corporate restructurings dominated in sectors like consumer retail, leisure and oil & gas.

Key Takeaway: Corporate dealmakers' role as transaction management hubs within the organization became even more pronounced last year. To be successful, dealmakers must create ways of working that enable agility above all.

> "COVID-19 has made us more resilient but also cautious due to the uncertainty.

What projects types do you work on?



Top challenges

The buy-sell dichotomy blurs

> “The uncertainty of market conditions feeds the insecurity of our investors.

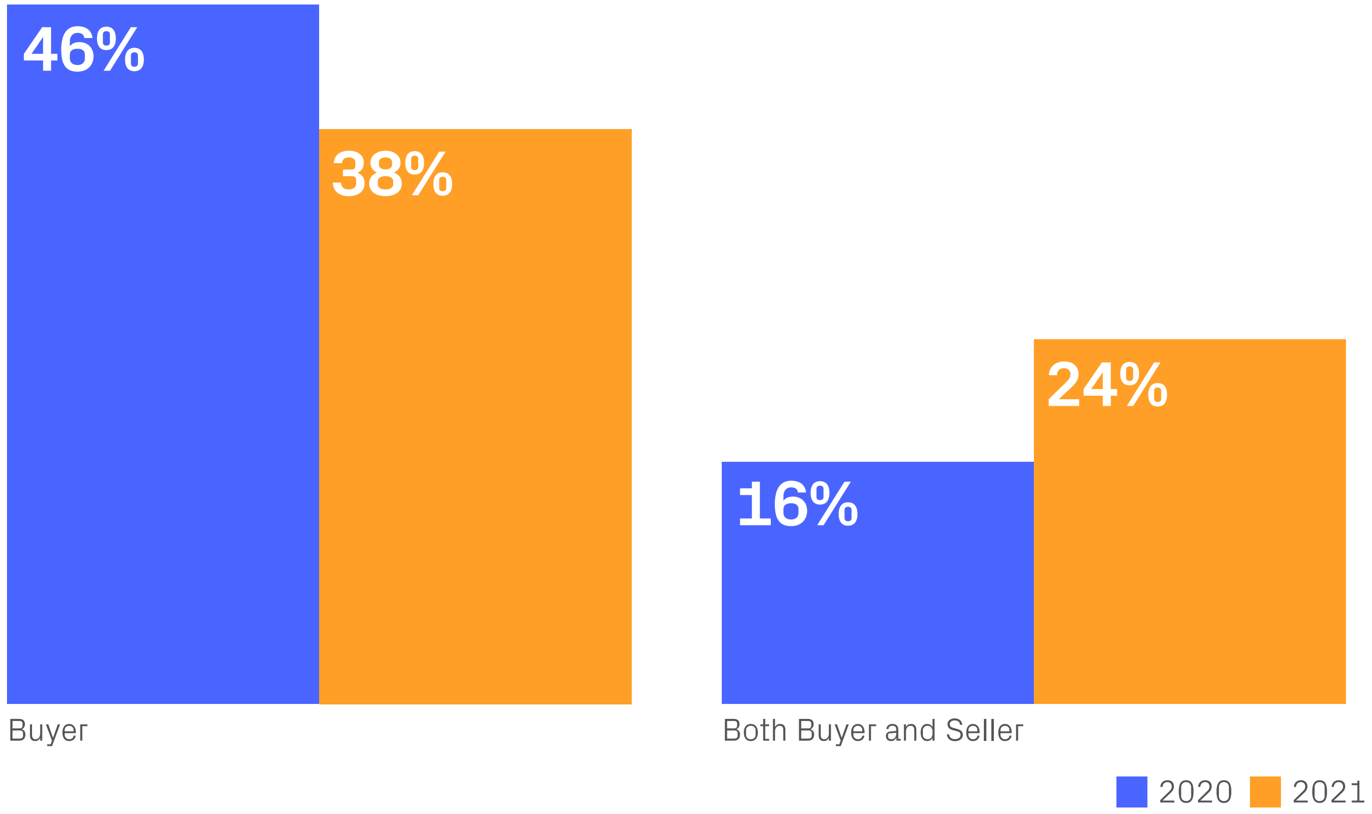
Are you a buyer or seller? Typically, organizations like to do one or the other, the argument being that companies cannot do both well at the same time.

This year saw an almost 10% uptick in corporate dealmakers characterizing their organizations as both, however, with the growth coming from dealmakers who had previously described themselves as buy-side only.

Mid-cap organizations $50-200m in size based in the US, Australia, and Canada were most likely to fall in the seller-and-buyer category, perhaps squeezed into both roles by indecisive investors. The category also slanted toward the Consumer & Retail and the Healthcare and Life Sciences sectors - industries going through major transformation.

Key Takeaway: Time will tell whether this trend increases or returns to 2019 levels. Regardless, it’s another marker of how strategic uncertainty can stretch roles in time of crisis.

How would you characterize your organization?



Top challenges

Tasks get harder

The pain is worse than before. This year, 75%+ of respondents classified most day-to-day transaction-related tasks as difficult, with more than 45% characterizing them as very or extremely challenging - a roughly 5% uptick from last year.

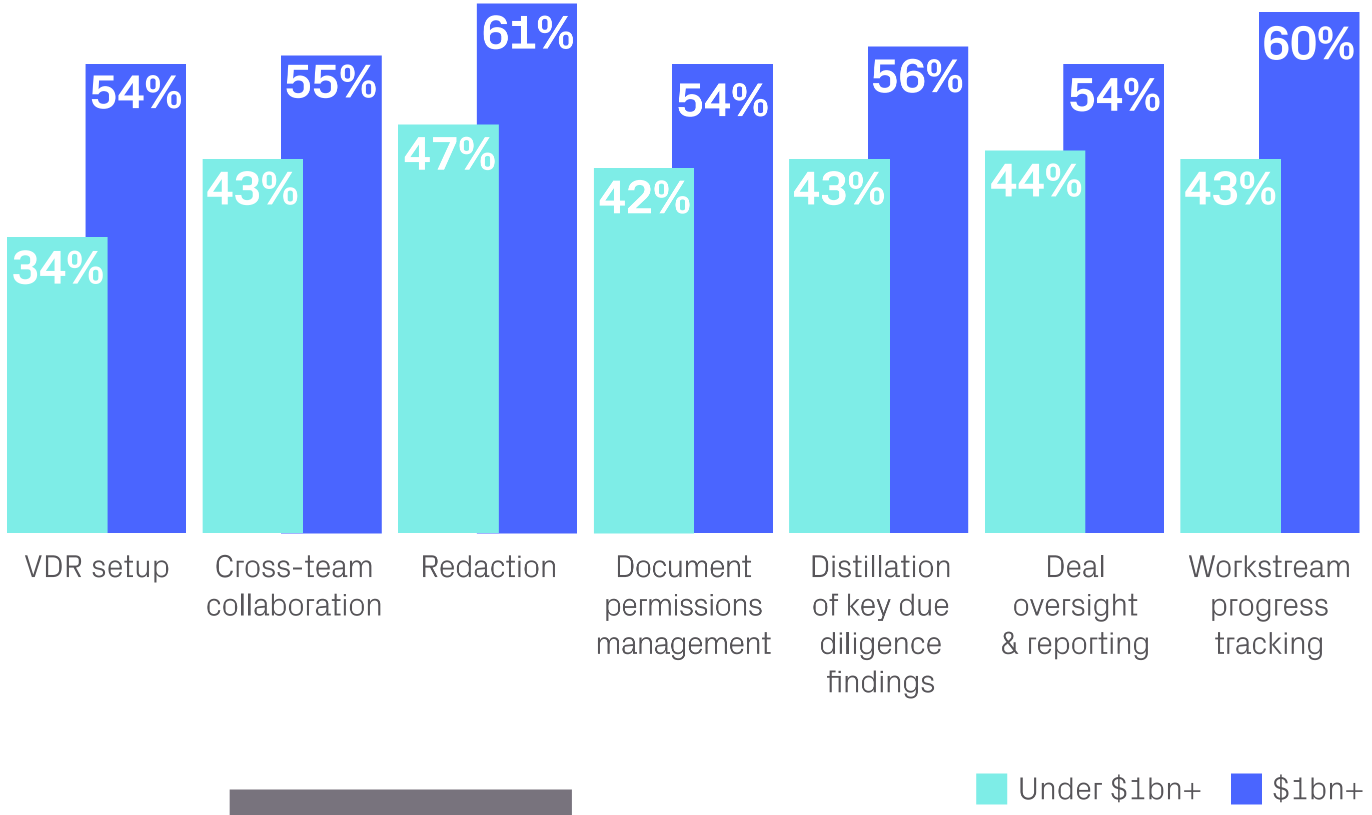
Once again, large and small corporates reported vastly different experiences when it came to task management. Businesses with $1bn+ in revenue struggled more, particularly in areas requiring cross-departmental input like redaction and workstream progress tracking.

Dealmakers at bigger organizations often manage extended deal teams of 50+ people, so some additional challenge is expected. However, the size of the gap this year suggests highly-matrixed organizations face greater efficiency hurdles working in an online-only environment.

Key Takeaway: Transaction management is a team sport. New technology can assist with internal collaboration and task automation, but only if all the players are fully onboard.

> Everything is more difficult.

Transaction tasks called very or extremely difficult



Top challenges

Transaction time-sucks

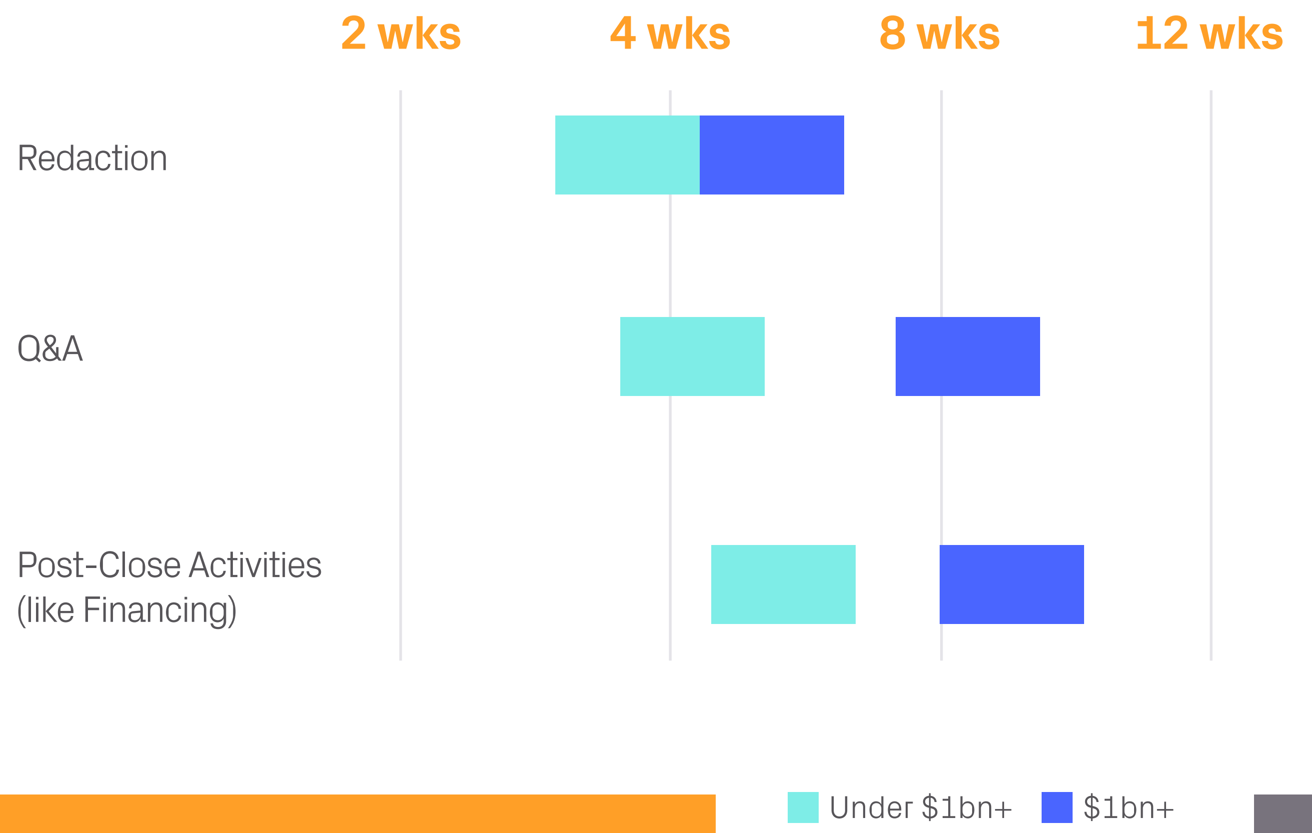
Knowing where process slowdowns tend to occur, and how to prepare for them, is a critical component to successful deal-making. This year, we wanted to get a better view on how dealmakers allocate time for activities that are integral parts of the sale process but historically tend to be overlooked or under-estimated.

Interestingly, time estimates for all three chosen activities: redaction, Q&A, and post-close work were substantial. A slim majority of respondents pegged redaction, Q&A, and post-close activities as taking four to six weeks. However, we noticed substantial differences based on company size, with larger organizations likely to add an extra two to six weeks onto all three activities.

Key Takeaway: Dealmakers should approach redaction, Q&A, and post-close activities as mini-projects within the project, not as short-term task work.

> “We are working a lot slower.

Transaction activity time estimates



Top challenges

Redaction growing pains

Spurred by increasingly stringent data privacy laws like GDPR and concerns over competitive leaks, a total of 47% of survey respondents considered redaction very or extremely challenging. Dealmakers from $1bn+ companies put the number at 61%—an 11% jump from the year before.

On a regional basis, EMEA dealmakers were most likely to struggle with redaction tasks. While GDPR undoubtedly played a part, another factor was EMEA's greater adherence to traditional redaction tools like paper & pen, Adobe and outsourcing to third parties. Under pandemic conditions, manual redaction methods may have reached their breaking point.

In contrast, Singapore dealmakers were least likely to find redaction difficult amongst all the regions by a margin of 10%. Interestingly, 67% of them also reported primarily using the VDR for redaction – a 29% bump over the average.

Finally, another sharp split occurred by role. By 57%, more risk-adverse legal and financial dealmakers struggled with redaction - compared to only 34% in corporate development roles.

Key Takeaway: Redaction is becoming a big organizational problem. Tackling it head on and embracing new automation tools is the best way forward.

> “COVID-19 has made a lot of different systems impossible to use.

Redaction difficulty factors

More Difficult	Less Difficult
EMEA	Singapore
Finance & Legal	Corporate Development
Large Company	Small Company
Manual Process	VDR

Conclusion:

Five takeaways from the toughest year

COVID-19 has accelerated the digital transformation already taking place for corporates managing multiple transactions. It also has increased the types, difficulty, and length of the transactions they are working on. To succeed, dealmakers must stay agile, lean into technology, and take their extended deal team with them.

1

Assess your organization. To make the most of the enforced move online, evaluate with your team what succeeded and what did not from the year before. What aspects of your work should stay virtual and which ones should revert to in-person?

2

Standardize processes. Create repeatable practices to help routinize workflow. This will help your team navigate new transaction types and shifting strategic objectives without getting distracted.

3

Anticipate friction points. Take a project management approach not just to the transaction at hand but to the larger pieces of work within the deal, like Q&A and redaction. This will help you avoid common time mires.

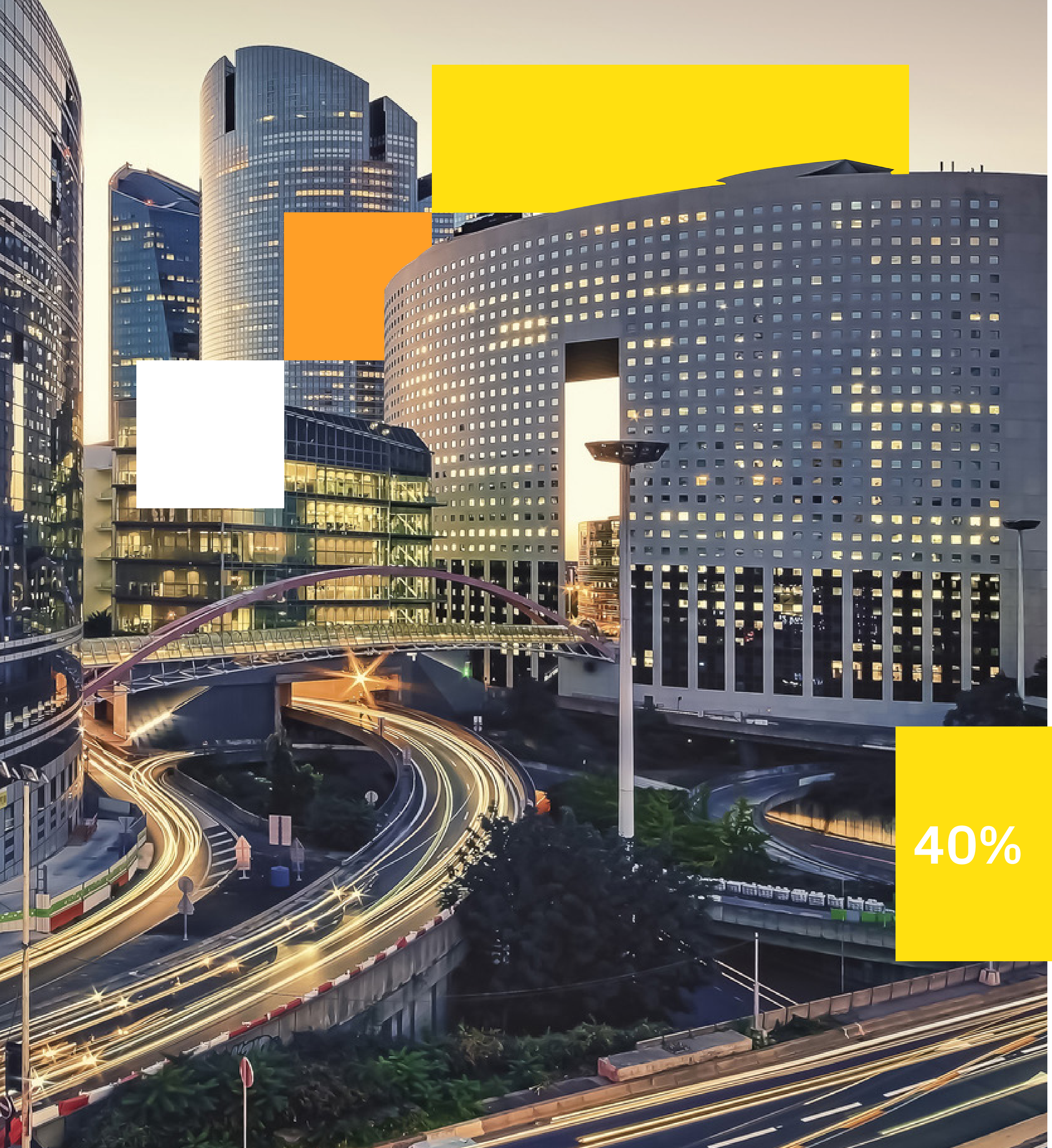
4

Review collaboration techniques. Managing wider deal teams will always be a challenge; however, new tools and ways of working can ease friction points. For example, consider embedding your checklists into the VDR so you can automate workstream updates.

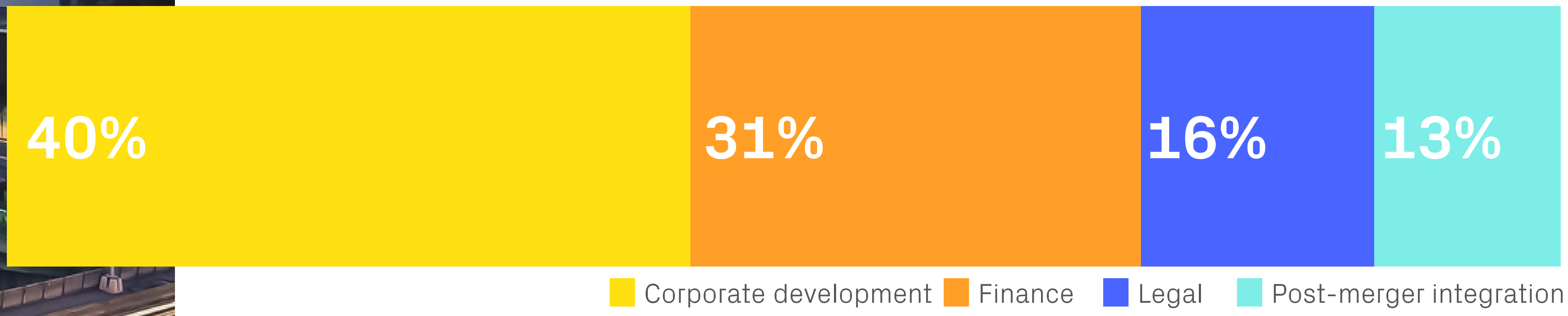
5

Embrace always-on. Take a proactive approach to technology partnership by centralizing transaction processes on one, enterprise-wide platform. This will help you standardize workflow processes, improve collaboration, and minimize disruption around onboarding, training and billing.

Research demographics



We surveyed 590+ corporate professionals who work on M&A transactions



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“ ”

Datasite is very easy to use on both the buy- and sell-side. It really helped us organize and share data across multiple diligence streams.

Chief Financial Officer

Your Corporate Data Room

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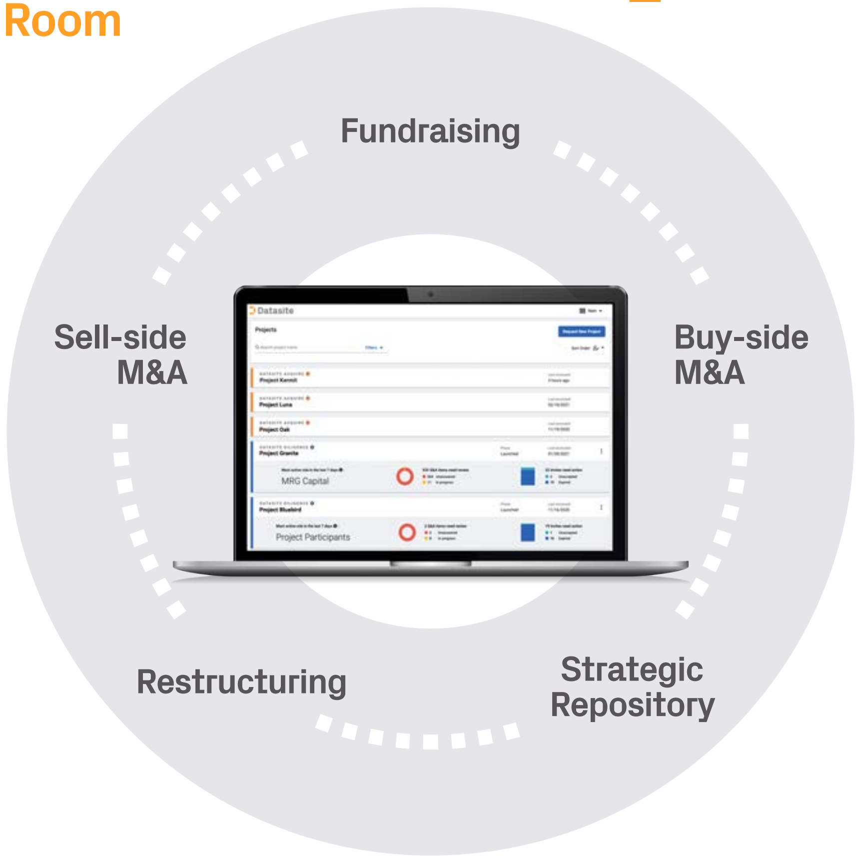

Get in touch

If your organization is contemplating an M&A, financing, tax clawback or other transaction, talk to Datasite. You don't have to be an M&A expert—you don't even have to have undertaken a major transaction before.

By taking advantage of our best-in-class project management support and technology, you can greatly reduce the transaction management challenges ahead.

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