Case Study: Deloitte

Analytics are transforming the M&A process

The M&A process is being disrupted as analytics enables advisors to process greater levels of data and enable clients to gain a competitive edge.

“Around five years ago we were aware that the diligence process was producing a level of data that was difficult to process manually and that was when we began tilting our business model towards what we call next generation services,” says Chris Woolley, partner at Deloitte.

The step change in available data meant that there is the scope to learn more about a business than ever before and the use of analytics means buyers can make a judgement based on facts with depth, speed and confidence.

Based in New York City, **Deloitte** provides audit, consulting, tax, and advisory services to nearly 90 percent of the Fortune 500 and more than 5,000 private and middle market companies.

Chris Wollet
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Deloitte.

This is particularly relevant in a traditional M&A auction sales process, where a range of bidders are competing for an asset. For the seller there is an opportunity to present the data in a way that shows a coherent story for potential bidders.

On the buyside, the availability of data and the ability to analyze it rapidly may make a potential acquisition more deliverable. "In the due diligence process, data can enable a bidder to steal a march on their competitor," says Paul Leather, M&A analytics lead at Deloitte.

Enabling Deals with Technology

Technology is enabling deals by opening up acquirers to previously unforeseen opportunities. For example, Deloitte worked for a private equity buyer, with existing investments in the technology sector, that wanted to make a bolt-on acquisition. However, the target company used a different accounting method for recognizing revenues, which would have been a stumbling block to completing a deal.

Yet Wooley, says: "By using analytics we were able to re-base the revenue recognition system onto the acquirer's revenue recognition basis they could make the acquisition work. By using analytics this was achieved in a matter of hours."

Another example is the use of geo-location technology in the diligence process. "This provides analysis around where the nearest competitor is located or how greater cost savings or value can be realized by re-locating stores, the sort of dynamic modelling that would not have been possible five years ago," says Leather.

Deloitte has also used analytics to help companies avoid making costly acquisitions. "We were helping a client which was looking to acquire a credit business," says Leather. "The valuation of the business was based on having a high-quality loan book. Our analysis revealed this not to be the case, so our client walked away."

To be sure, the use of analytics in M&A is set to drive further change. "We are seeing disruption at every stage of the M&A process from target identification to value creation," says Woolley. For example, in the last five years the concept of M&A due diligence as a discrete activity has changed and has now become an ongoing part of business operations.

"M&A transactions represent a unique opportunity to understand what drives the performance of a business," says Wooley. "With analytics there is scope to apply this to the day-to-day running of the business and drive value creation once the deal has completed. This will boost the success rate of acquisitions in the post-integration phase. That means due diligence is not simply a one-off exercise but one which can drive future performance."