

## The Importance of Working with Company and Transactions Databases

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Our clients are increasingly getting access to more information on the internet regarding business valuation models, which will allow them to understand fairly quickly how to value their business during the M&A process. What they lack is relevant experience and market intelligence gathered from that experience, being this the ultimate reason on why our clients would want to hire M&A advisors.

Company and transaction databases provide information such as the behavior of a certain sector, investors financial capabilities, oriented target screening, closed deals and market multiples. Having access to this information in a blink of an eye aligned with the relevant experience of an M&A advisor will be the difference between a successful and an unsuccessful transaction.

Throughout the M&A process, we at Moneris use one company database (SABI Bureau Van Dijk) and the Damodaran database, to get a better understanding of a sector's economic, financial and transactional behavior and, in this sense, provide our clients with a solution that truly fits our client's needs. This enables us to provide:

1. **Best proposal:** By analyzing the financial information of a potential client before the first meeting, we will be able to seek areas of improvement, best-selling areas, net debt and a possible M&A transaction strategy (according to the shareholder and asset structure of the company). This information is essential for an M&A consultant to ask the right questions and the "build" a tailor made proposal.
2. **Investor's financial capabilities:** while working the sell-side, we can search for the historical financial information of a strategic investor within a certain sector, as defined in the M&A strategy agreed with our client, to assess its investment capabilities through the income and EBITDA generated by its company before having the first meeting with said investor.
3. **Oriented target screening:** while working the buy-side, we can search for the historical financial information of a target to assess if the profit and loss structure fits the investment profile defined with our client before having the first meeting with said target.
4. **Information regarding closed deals and market multiples:** presenting the information regarding closed deals in a certain area will be a reassurance for our client, as it will remind him of the market intelligence that the M&A advisor possesses. During the negotiations process, having access to market multiples in a certain sector for closed deals will strengthen our arguments and our valuation of the company.

Regarding the closed deals and market multiples, we extract the information from the [Damodaran](#) database and [TTR](#) studies, which fits our present needs but there are other sources for M&A

transaction information for larger deals, for which there are databases specialized in this kind of information, which can be divided into 3 categories:

1) **Top down database**

Such are the cases of MergerMarket, Bloomberg and S&P Capital IQ.

These databases present a collection of transaction records, using public information sourced from press releases and media coverage.

The information contained in these records is limited to the details released to the public and thus often excludes information which is deemed relevant to advise clients, such as deal value, earnings numbers and legal deal terms.

2) **Bottoms up or proprietary database**

These databases store a collection of transactions recorded by a deal insider (e.g. lawyer, banker, etc.).

This type of record provides transparent and sometimes unlimited information with regards to the key financial and legal deal terms.

A bottoms up database is limited to only the transactions that the insider firm has advised, which therefore means they offer a substantial fewer number of deals.

3) **Mixed database**

This type of database merges the main features of a top down and bottoms up database.

The information provided is often a mix of full transparency data from insider deals and publicly announced third party deals.

The use of this sort of database is common amongst advisors who specialize in a particular sector or industry.

Regardless of which information database you may be using, one argument remains undisputed: When it comes to M&A activity, one of the most challenging obstacles is the ability to obtain clean, reliable, relevant data in a timely fashion.

To master the information and to be able to analyse it within the legal and time constraints of the pending transactions is indeed a requirement, and will determine the relevance of the advice that the consultant is able to provide to the client. Ultimately it will be essential for the success of the deal.

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