

DEAL OPPORTUNITIES



Identifying Deal Opportunities Early On With News and Data

Gaining Access to M&A Deal Flow

Mergers & Acquisitions (M&A) are a driving force in the business world, allowing companies to grow faster, to reposition themselves or to divest non-core businesses. Many players in the financial industry are genuinely interested in M&A activity since every deal might present an opportunity to generate business. Among them are investment banks, hedge funds, private equity funds, asset managers and law firms. For these players, it is of paramount importance to be able to identify M&A deal opportunities early on, be it to open a stock position in the acquiring or acquired company, or, be it to offer investment banking or legal services to one of the parties involved in a transaction.

Since M&A is a highly competitive and secretive field, before deals finally become public, personal relationships are hardly enough these days for most players to consistently profit from M&A deal flows. More systematic analytical approaches are required—that rely on alternative data sets and automated algorithms—to create predictive models that assess the likelihood for a company to become an acquirer or to become acquired. The insights gained from such models can then be used to orchestrate appropriate action.

Automated Predictive Analytics as the Solution

Predictive modeling has become important in many business areas, mainly driven by recent advances in machine learning and artificial intelligence. However, the algorithms used for predictive modeling can only be as good as the data that is available to train and use them. In many cases, competitors gain advantages by the use of alternative data sets, such as data sets that are not widely used or that allow for new features to be modeled and capitalized on.

Dow Jones DNA offers players active in the M&A field unmatched sources of alternative data sets with a focus on business and financial news. Such machine-readable data sources, delivered in a standardized data format, enrich structured and semi-structured data sources traditionally analyzed, such as market price data or company financial ratios. This can be automated to a large extent by harnessing the power of natural language processing (NLP) algorithms. DNA also supports in creating features from such unstructured data sources for predictive models, as well as in efficiently compiling data sets of M&A activity to train and test such models. Thereby, DNA reduces considerably the time-to-model and the time-to-deployment for an M&A predictive model.

Building a Global M&A Dashboard

Consider the following scenario. The managing director of the corporate advisory division of a global investment bank plans to implement a project based on the alternative data sources available from DNA. Their vision is to create a dashboard application that shows indicators for global M&A activity, across industries and across regions. Their main goal is to be able to identify potential M&A deals early on, to build industry intelligence and to offer corporate advisory services where appropriate and promising.

In a first brainstorming meeting with an industry analyst and the data scientist of the corporate advisory team, they come up with initial ideas of how to combine unstructured news data—as retrieved from the DNA API in machine-readable form—with the structured, numerical data sets they generally use for their industry analyses. They agree on a pilot project during which the data scientist retrieves a historical Snapshot from DNA from several relevant industry publications that are known for their in-depth M&A coverage. A first screening filters those texts from the Snapshot that deal with any kind of M&A activity, such as acquisitions, mergers or divestitures. In a second step, the data scientist writes an algorithm that identifies all named entities in the texts, and tries to classify the named entities to be: the acquiring, the acquired or an otherwise involved company (such as a law firm). This step is simplified by the fact that all content is tagged by the Dow Jones Intelligent Identifier (DJID).

Based on these analyses, the data scientist combines the gained insights with market price data, as well as company financial data over time, to train and test a predictive model. The focus lies on the probabilities that the machine learning model attaches to a company to become an acquirer or being acquired. This analysis is done on a company-by-company basis, but also later, on aggregated to industry- and region-specific indicators predicting future M&A activity. The predictive model's performance—trained and tested on many thousands financial and business news articles—is better than the performance of the models that the corporate advisory team used before in combination with market and financial data.

After the successful proof-of-concept, the manager decides, together with his team and the data scientist, to build the M&A dashboard application. The dashboard will allow the team to monitor (almost) in real-time predictions of future M&A deal activity for a comprehensive set of industries, for all major global regions and for individual companies and business groups. This gives the team a noticeable edge over competitors during client calls and meetings, by providing clients access to unique industry insights and intelligence. This in turn helps landing new business and building out existing relationships.

News data to drive deal opportunities

Reach growth and funding milestones, embark on a new strategic direction or reach public markets with premium news data. Augmented analytics, using news derived data, assists you to identify mergers, acquisitions and investments early, uncovering otherwise unseen opportunities. Use DNA news and data to build and automate models that indicate the likelihood of M&A deals occurring, to quickly respond to new opportunities, mitigate risks and seize corporate finance opportunities.

What will you build with DNA?

To learn more, visit www.dowjones.com/dna or contact your sales representative.

If you are located in the US, you may also call **800-369-0166**.



Dow Jones DNA - Data, News & Analytics

At a time when data fuels the professional world, Dow Jones DNA gives you data for AI and allows you to seamlessly connect datasets. One of the world's most comprehensive licensed news datasets, DNA is designed to readily integrate with your organizations' advanced analytics in order to provide deep insights and automate business decisions.

DNA is a cloud based Data-as-a-Service platform to help you leverage outside insights and increase the accuracy of your data outputs. You can:

- Have confidence and reduce risk with news and data you can trust, from our 31+ year archive of proprietary and licensed news data with storage rights through contract life
- Rely on highly veracious data with 8,600+ sources in 28 languages from extensive regions, industries and topics
- Save time and increase productivity with well-structured metadata from our cleaned and labelled datasets. Features include tagged company codes on 20m+ companies and standardized formatting of timestamps across 1.3bn articles
- Scale and tailor the specifications and delivery method to best suit your data science teams. Our DNA Solutions Engineers are here to assist you integrate DNA