Despite heightened risk and valuation challenges, Spring 2022 DealCloud Dealmaker Pulse Survey finds dealmakers remain optimistic

June 13, 2022

- Almost half (45%) foresee an impact due to rising geopolitical, economic, and inflationary risks.
- Many (66%) found increased pricing/valuations in their target sector to be the biggest challenge to closing deals in the previous six months.
- Almost all private equity firms (94%) have closed deals in the previous six months, up from 89% in autumn 2022.
- Most (80%) anticipate the same or higher volume of new deal closings during the coming six months.

PALO ALTO, Calif., June 13, 2022 (GLOBE NEWSWIRE) -- Intapp (NASDAQ: INTA), a leading provider of cloud-based software for the global professional and financial services industry, today released the Spring 2022 DealCloud Dealmaker Pulse Survey report. Intapp surveyed private equity professionals about recent deal activity and fundraising as well as trends, factors, and challenges that concern them in the months ahead. The survey showed record-breaking activity in the past six months not only in the number of deals, but also in competition, pricing for deals, and fundraising.

"With more risk, competition, and uncertainty today, you need to either cover the market more broadly across your network, or more deeply with sector expertise and management insight," said Ben Harrison, President of Financial Services at Intapp. "Right now, it's about minimizing risks and maximizing relationships."

Key takeaways
Past positive economic trends, coupled with robust capital inflows and optimism for deal activity, fueled a market rally. However, private equity professionals view heightened competition, geopolitical, socioeconomic, inflation-related, and talent risks as significant challenges. Key findings include:

- **Increased confidence in market opportunities:** More than half (52%) of survey respondents indicated that they'll be raising their largest fund to date, while only 1% indicated that the next fund will be smaller than anticipated. Generally, investor expectations of private equity returns have not changed, as 80% anticipate the same or higher volume of new deal closings during the coming six months, with 44% planning more deal closings
  - **Primary deal focus:** Over the next six months, most firms (69%) expect to focus on acquiring new companies or rolling up/bolting on to existing portfolio companies. Just 12% expect their primary focus to be working with existing portfolio companies on operations.
  - **Primary sources of deals in the next six months:** With 77% of dealmakers expecting deal sourcing from sponsor and founder sales, relationship intelligence and strong market coverage will be critical for successful deal originations in 2022. To a lesser extent, dealmakers expect that recapitalizations (6%), corporate carve-outs (5%), and other sources (12%) will drive their deal pipelines.

- **Increased competition:** 87% of survey respondents believe that competition will increase or remain at the same level over the next six months. For those who believe that competition for assets over the next six months will be higher, 62% attribute the higher competition to too many private equity firms chasing too few quality deals, rather than pressure to put cash in play (cited by just 24%), investors demanding new investments (10%), or increased activity by corporate acquirers (3%).

- **Increased risk:** More than half (55%) of survey respondents have seen investors' emphasis on risk management and mitigation increase over the last few months, and 17% believe they will focus mainly on mitigating economic, socioeconomic, and/or geopolitical risks to their portfolios. Forty-five percent of respondents indicated a change in strategy because the geopolitical situation has affected their capital-raising strategy, target investment markets, or investment sectors.
  - **Talent challenges:** Most respondents cite recruiting outside talent as one of their firms' greatest human resources challenges. Given the current labor environment, many firms have been focused on retaining team members, upskilling junior staff, and hiring new employees.

"Reducing the burden on current staff and retaining people is a high priority when it comes to talent," said Harrison. "Leveraging technology frees up time and allows our team to focus on more value-added analyses. It's a competitive edge. And, when you're hiring external talent, it's about how quickly you can get them up to speed."

- **Environmental, social, and governance factors:** Survey respondents noted several important reasons for adopting ESG investment parameters, with a roughly equal percentage citing three significant factors: a strategic commitment to a purpose, investor expectations, and protecting the firm's reputation.

  - Half (49%) say ESG is a factor in screening potential deals.
  - Another 33% might make a change to include ESG as a prerequisite for investment or establish ESG as a priority for operational compliance.
  - Investment and deal team members were the most likely (59%) to say they would pass on a deal due to an ESG issue, followed by 41% of partners or executive committee members.

- **Returning to the road:** One byproduct of the pandemic was the adoption of virtual meetings and the almost complete stoppage of business travel. However, respondents noted a shift back to business as usual when it comes to business travel, citing 16 average days on the road during the previous six months. Most dealmakers, about 73%, expect even more travel in the coming months.

- **Tools of the trade:** Respondents also revealed an acceleration in tech adoption. Almost all use technology solutions to maximize efficiency and augment and optimize their operations, and 83% of those surveyed say they use CRM and deal management technology.

Harrison noted: "When you arm your team with tools to leverage your talent, investment discipline, market intel, and deep industry knowledge, you can capitalize on your competitive advantages. Then, market uncertainties look less like risks and more like attractive opportunities."

The Spring 2022 Dealmaker Pulse Survey Report is available at dealcloud.com/pulse.

This is the fifth edition of the biannual DealCloud Dealmaker Pulse Survey. We invited private equity professionals to participate in our survey; a mix of DealCloud clients and non-clients responded. We fielded the survey from April 19 – May 3, 2022. All responses are anonymous.

About Intapp
Intapp makes the connected firm possible. We provide cloud software solutions that address the unique operating challenges and regulatory requirements of the global professional and financial services industry. Our solutions help more than 1,950 of the world's premier private capital, investment banking, legal, accounting, and consulting firms connect their most important assets: people, processes, and data. As part of a connected firm, professionals gain easy access to the information they need to win more business, increase investment returns, streamline deal and engagement execution, and strengthen risk management and compliance. For more information, visit intapp.com and connect with us on Twitter (@Intapp) and LinkedIn.

Media Contact:
Ali Robinson
Global Media Relations Director, Intapp
press@intapp.com
678-909-0703