

# Researching Deals and Markets

**Abstract:** Mergers and acquisitions (M&A), leveraged finance and capital markets are important markets for professional advisory firms such as investment banks, financial sector law firms and the ‘Big 4’ consultancies. While market totals are widely published in free sources, finding both sub-totals and lists of deals is more difficult and usually requires access to paid-for sources. In this article Ian Hunter considers the best paid-for and free sources and looks at the caveats in relying on them. In essence, he asks ‘why don’t the sources agree?’ and provides a ‘jargon buster’ and a critique of sources in M&A, leveraged finance and capital markets.

**Keywords:** mergers and acquisitions; leveraged finance; debt capital markets; equity capital markets; financial markets; business development research; business information sources

## INTRODUCTION

In common with many information professionals, the Research & Information Services team at Shearman & Sterling is increasingly asked to carry out business development research for the firm’s transactional practice groups, usually finding the size of markets such as mergers and acquisitions, capital markets and leveraged finance. This may also include finding the composition of the market, including leading industries and expert commentary, including predictions for the future.

These are important markets for professional advisory firms such as investment banks, financial sector law firms and the ‘Big 4’ accountancy firms. Much of the work of these firms is arranging deals for companies or advising them on the terms. Knowledge of the market size and trends allows these firms to advise their clients on business strategy and even to inform their own e.g. should a law firm base more of its leveraged finance partners in New York, London, or Frankfurt?

In this article I will consider the best sources and look at the caveats in relying on them. In any review of this type there may be omissions; these are entirely my fault. Any suggestions could be directed to *lis-law* and the *BIALL How do I? wiki*.

## DEFINITIONS

### Mergers and Acquisitions (M&A)

At its simplest a takeover takes place when one company acquires control of another and a merger takes place when two companies, usually of roughly equal size, join to become one. In practice the terms tend to be used interchangeably under the broader heading of M&A.<sup>1</sup>

### Capital Markets

Equity capital markets (ECM) concerns the issuing of shares. This may be in the form of flotations or IPOs

(when the company first lists its shares on a stock exchange) or ‘follow-ons’ such as rights issues.

Debt capital markets concerns the issuance of debt securities, commonly referred to under the catch-all titles of bonds or notes. A bond is a promise by a company (the issuer) to pay an interest rate usually over a set period of years to the buyers of the bond (the bondholders). Governments may also issue bonds, traditionally known as gilts in the UK.

### Leveraged Finance

Leveraged finance is using borrowed money for an investment. In the corporate world, this could be to buy more physical resources in order to increase output, restructure existing debt on more favourable terms or even to acquire another company. All are done in the expectation that the profit made will be greater than the interest payable on the borrowed money. In the same way, a private individual may take out a mortgage to purchase a residential property in the expectation that the property will increase in value over the lifetime of the mortgage, resulting in a profit.

The leveraged finance market is usually divided into leveraged loan and high yield bonds (HY). A high yield bond is one paying a higher rate of interest. This can be for a number of reasons, including the financial health of the issuer or the characteristics of the bond itself, but essentially because the bond comes with higher levels of risk for the bondholders; if the company goes bust, the bondholders may not get their money back.

A leveraged loan is usually a form of syndicated loan, which is a loan made to an organisation by a syndicate or ‘club’ of lenders. As with HY bonds, leveraged loans are usually identified by either the credit rating of the borrower or the loan itself or the ‘pricing’; the interest rate the company has to pay on the loan.

Within leveraged finance, researchers may also be asked for the breakdown by ‘use of proceeds’; the reason

for the financing. A company may take out a loan or issue a bond in order to acquire another company (acquisition finance), to refinance its existing debt (refi) or to fund general corporate activities (general corporate purposes or GCP). These categories will often appear in reports on the leveraged finance market and are highly valued by practitioners such as law firms and investment banks.

### FREE SOURCES FOR M&A, CAPITAL MARKETS AND LEVERAGED FINANCE STATISTICS

Publishers such as Thomson Reuters, Dealogic and Bloomberg (the 'Big 3' of this area) publish quarterly or monthly reviews, usually based around league tables, free of charge on their websites. The league tables show which law firms or investment banks have advised on most deals and the reviews typically contain a one page introduction for each region. These introductions give the total value of the market and state whether deal levels are up or down on the previous year.

The most comprehensive of these is arguably the Thomson Reuters Deals Intelligence website. The website contains quarterly reports divided into broad categories such as Debt & Equity, M&A, Syndicated Loans and Project Finance (N.B. Leveraged finance data will appear in two places as HY bonds will appear in the DCM report and leveraged loans in the Syndicated Loans Report).

For specific markets the Mergermarket group publishes reports (older ones under the Remark brand) on various aspects of the M&A and ECM markets. Some are free, such as the Global and Regional M&A report (biannual), and some are available only to subscribers, such as the Monthly M&A Insider.

The best free source for leveraged finance is probably the European High Yield and Leveraged Loan Report. This quarterly report by the AFME, formerly the High Yield Association, contains detailed data for the European HY

bonds and leveraged loans including breakdown by use of proceeds. The AFME reports are published later than those by the commercial publishers, however (up to 8 weeks after the end of the quarter), and cover the European market only.

For commentary and predictions for future trends 'law firm memos' are a good free source; many professional services firms (not just law firms) publish analysis of these markets in the form of 'thought pieces'. Whilst not as detailed as the other publications in terms of data, these reviews usually contain more predictions and analysis. Examples include the Deloitte Alternative Deal Tracker, PwC's IPO Watch and the M&A Inflows and Outflows report from Clifford Chance.

As in any other text based research, traditional information retrieval skills around the use of selecting search terms, Boolean operators and a critical approach to sources come to the fore here. It may be useful to specify the name of a preferred author-firm when searching online for these to avoid too much lower quality content, usually one of the 'Big 4' consultancy firms or large international law firms.

### PAID-FOR SOURCES

So why use the paid-for sources at all?

Much of the freely available information is in snippets, e.g. a report will break down the totals into high yield and investment grade bonds for the US but not Europe, so trying to get the whole picture from one report can be frustrating.

They will usually only drill down as far as very broad regions (e.g. EMEA in the Thomson Reuters reports) and will not usually provide a breakdown by use of proceeds.

They will also tend to list only the top few deals in each market and will not have much information on each deal; each market.

For more detailed analysis or lists of individual deals, a subscription to one of the publishers' databases is

Table 1. Free sources.

Title	Scope
Thomson Reuters Deals Intelligence	quarterly league tables with an intro and additional analysis
Bloomberg	quarterly, little analysis, usually league tables only
Dealogic Insights	quarterly one page report
'Law firm memos' (law firms, The Big 4 etc)	more commentary than data
AFME High Yield & Leveraged Loan Report	quarterly, Europe only
Moody's, S&P and Fitch	press releases only, not full reports
Mergermarket	global and Regional M&A report and others
UK Office for National Statistics and (e.g. international Monetary Fund/World Bank)	usually statistics only and focused on trade flows (e.g. inbound and outbound M&A). Reports include Mergers and Acquisitions involving UK companies.

Table 2. Paid-for sources.	
The Big 3	
Thomson One Bloomberg Dealogic	
Specialist sources	
Source: Capital Structure Thomson Loan Connector Mergermarket and Debtwire (e.g. Monthly M&A Insider) S&P LCD Moody's IJ Global and Project Finance International Xtract Research and DebtXplained Flashwire [US or Europe] Monthly Bureau van Dyke Zephyr Factset (including SharkRepellent) IHS Markit Loan Market Association (UK membership organisation) Loan Syndications and Trading Association (US membership organisation)	Specialism: leveraged finance and DCM leveraged finance and DCM all leveraged finance and DCM leveraged finance and DCM Project finance leveraged finance and DCM M&A M&A M&A leveraged finance and DCM leveraged finance leveraged finance

usually required (e.g. Thomson LPC, Dealogic, Bloomberg, S&P LCD, Thomson One).

There are other more specialist deals databases such as Zephyr from Bureau van Dyke group, Capital Structure and Factset (including SharkRepellent and Flashwire Monthly).

The specialist sources in Table 2 produce some excellent publications, usually only available to subscribers, as well as being searchable databases of deals. The publications focus on trends within the markets even down to the level trends within documentation such as the covenants and ratios used in leveraged loan agreements. These are highly valued by practitioners.

## THE ISSUES

Even with paid-for sources there can be issues when relying on market data:

- Reputation of the source - most articles in the press are based on data from one of the Big 3 publishers (see Table 1 above) so practitioners may be wary of publishing a thought piece based on any other source.

The smaller publishers such as Capital Structure or Xtract Research contain detailed information on individual deals but their market totals may be based on a relatively small universe of deals; indeed some of the niche publishers rely on simply counting the value of deals in their database to provide market totals. In contrast the market totals from the Big 3 tend to be heavily revised and edited, even several months after the year-end.

- Publishers differ in their valuations of the market and numbers of deals - this can be frustrating if one

publication does not contain all the data required; effectively it is not possible to use the European data from the AFME and the US data from a Thomson Reuters publication, for example.

- Totals differ from the same publisher - totals from a database search will not be the same as those in published reports from the same publisher due to all the editing that goes into the latter. It is not therefore advisable to rely on the market total from a published report and then obtain the country or use of proceeds breakdown from the database even if the database is produced by the same publisher.

- Double counting - within leveraged finance the sum of the parts (e.g. breakdown by use of proceeds) may add up to more than the total market value published elsewhere in the same report. This is due to different ways of sub-dividing the market.

- Value v. volume v. number - most publishers will measure the market by both number of deals and total value of the deals. Confusingly, the total value is usually referred to as volume.

## THE SOLUTION

Researchers should:

- be consistent – rely on one source throughout if possible;
- point out conflicting data if having to present this: ‘due to differences in methodology...’;
- use database searches for lists of deals but not for market totals;

- apply a common-sense check to make sure sub-divisions of a market do not differ from the total.

## CONCLUSION

Despite being based on a finite number of deals worth a finite amount of money, analysing these markets seems to

be an art not a science. Estimates of market size often vary between publishers, and more surprisingly, totals may differ between published reports and a database from the same publisher. If researchers are aware of these caveats, however, there is a lot of good quality information available free of charge.

## Footnote

<sup>1</sup> Weinberg & Blank on *Takeovers and Mergers* (Laurence Rabinowitz ed). 5th ed. Sweet & Maxwell, Release April 2017, 1001–1

## Biography

Ian Hunter is Research & Information Services Manager at Shearman & Sterling (London) LLP. Since qualifying in the early 1990s Ian has worked for law firms, investment banks and a university business school. Ian has published articles on the topics of information literacy and the use of free websites for legal and official information. Ian is currently Chair of the PR & Promotions Committee of the British and Irish Association of Law Librarians.

*Legal Information Management*, 17 (2017), pp. 232–238

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doi:10.1017/S1472669617000457

# Have You Voted? Teaching OSCOLA with Mentimeter

**Abstract:** This article details a small project undertaken by Information Skills Advisers at London South Bank University to increase student engagement in lecture theatre settings through the use of a web-based audience response system (ARS), Mentimeter. Supporting the School of Law, librarians delivered an interactive OSCOLA referencing session to a large capacity lecture theatre. A previous session was redesigned to increase student engagement and active learning utilising interactive quiz questions which students answered using mobile devices. The majority of feedback from students and staff who participated in this pilot project was positive and showed an increase in student engagement. This article is based on the presentation, ‘Have You Voted?: Teaching OSCOLA with Mentimeter’ delivered at the BIALL Annual Conference 2017. It will examine the process of adapting a lecture to include interactive content using an ARS, and will discuss the outcomes of the pilot session and explore benefits and challenges inherent in using technology of this type in a large classroom.

**Keywords:** audience response system; active learning; student engagement; OSCOLA

## INTRODUCTION

Information Skills Advisers work within the Academic Liaison Department in the library at London South Bank University (LSBU). Our primary role is to provide

information skills and referencing support for students usually via one-to-one appointments or group training sessions. As Information Skills Advisers for the School of Law and Social Sciences at LSBU, we are given a