# Deal sourcing guide

Best practices for finding more promising investments and acquisitions

# Overview

Dry powder levels are at an all-time high. The number of active firms in the private markets is rising and new deals are harder to come by. As the capital markets continue to become more crowded and competitive, investors need to find new ways to streamline how they source deals.

This increasing competition is leading many firms to look beyond the traditional, network-driven means of deal sourcing, toward a more data-driven approach. That's because timely, accurate financial data helps substantiate claims, focus research and drive efficiency.

In this guide, we look at how you can use PitchBook to inform your investment strategy, find companies in your target sector that are primed for funding or acquisition and accurately gauge a company's growth—faster.

## Contents

# Informing your investment strategy

The private markets continue to increase in value and opportunity, which is attracting new players. To compete, you need insight into the flow of capital across the entire venture capital (VC) , private equity (PE) and M&A landscape; not to mention the public markets.

PitchBook provides the clarity you need to inform and execute on your strategy. Here's how it works.

# Conducting detailed market analysis

PitchBook helps you quickly discover which sectors are growing, by enabling you to easily see how much capital has been invested over time by industry, vertical, deal type and more. For example, you could look at investment activity in US healthcare companies through later-stage venture capital deals over the past five years—or assess early-stage funding rounds for European education software companies from the past two years.

## Dive deeper with charting and analytics

Within the "Pivot Table" tool, you can add and remove fields to build out a customized view of the aggregated data. In this case, you'd want to choose "Capital Invested" from the drop-down menu.

Within the "Charting" function, you can edit the chart settings to view the data in different ways like a bar graph, pie chart or stacked bars.

### 1 Companies & Deals

This search option will automatically set up the following advanced search fields for you to select from.

### 2 Filter by industries and keywords

Click the "Industry or Vertical" drop-down to see how companies are categorized. You can also type in keywords that will pull companies into the search results ,based on their business description.



### 3 Search by location

Check "Search HQ Only" to target the main office and eliminate satellite branches. By selecting "Any Office Location" you can see the branches of a company that's headquartered in another region.

### 4 Choose deal type

Whether it's pre-seed or Series D funding, leveraged buyouts or secondary buyouts, you can also easily choose the type of transaction that your target companies utilized.

### 5 Select deal criteria

Deal date and deal size are common fields used in conjunction with deal type. You can also refine your list by pre- and post-money valuation amounts, total capital raised, deal status and more.

# Identifying macro trends

After running an advanced search to generate a targeted list of companies, deals and associated investors, PitchBook's Industry Overview tab helps you put that list in a broader market context. By presenting key data points from your search in a clear, concise visual summary of the landscape, you can track trends at a glance, anticipate shifts and even see where your competition is moving, with capital breakdowns by industry and vertical—all with the option to easily click through and analyze the underlying data.

## 1 Look at quick stats

See an overview of seven key figures in your search's underlying data.

## 2 See investments over time

This chart shows yearly investments broken down by type, and can be organized by deal count or capital raised.

## 3 Create market maps

Immediately access market maps based on your search results to track your competitors, and create a deliverable to help your firm chart its next steps.

## 4 View capital breakdowns

Look at total capital invested by industry or vertical in relation to deal count.

## 5 Get company count breakdown by geography

See the distribution of companies by specific location.

## 6 Track exits

Chart yearly exits by type.

## 7 Compare median post-valuation and median deal size

See yearly median deal size against median post-valuation.

## Leveraging PitchBook's personalized dashboard

Manually sifting through news and monitoring hourly changes in the markets is inefficient. PitchBook's dashboard automatically provides personalized news and analytics all in one place—to help you stay on top of changes happening in the market. Simply open PitchBook to get the full picture on the sector you're interested in, including hard-to-find, proprietary data on private company financing histories, valuations and management teams.
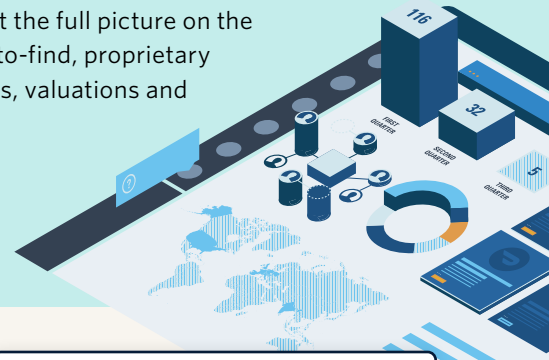
### 8 Get suggestions on top companies to watch

Check here to see recommended companies to watch based on founding date, most capital raised or who's most likely fundraising.

### 9 See the top players

Look at the top six firms based on their number of investments and acquisitions, as well as market caps and post-money valuations.

### 10 Access relevant reports

Industry Overview also serves up the top six most recent and relevant PitchBook reports, based on your search criteria.

### 11 Look at company breakdowns by vertical and industry

View the top companies by vertical or industry.

### 12 Get the latest news

You can also see the most recent news articles that mention the companies in your search results.

# Researching exit activity of sponsor-backed companies

By drilling down into PitchBook's Companies & Deals search function, you can see which companies have made any type of exit of whatever size, in any date range, location and industry. This could include identifying all PE-backed exits of healthcare companies through a secondary buyout since 2018, for example, or screening for all transactions where a specific investor was involved.

## 1 Companies & Deals

Note that you shouldn't fill out any of the fields within the "Deal Criteria" tab when using the "Exit/Liquidity" tab necessary for this search. The search criteria for each tab could conflict.

## 2 Select exit/liquidity

This tab will automatically set up the following advanced search fields for you to select from.

## 3 Choose exit status

Check "Completed" to only search for deals that have been executed.

## 5 Further refine your search criteria

Exit amount, min. and max. post valuation and exit date range are common fields used in conjunction with exit status and type. You can also refine your list by specific seller or acquirer name. To look for a list of companies where their current financing status matches the exit criteria you've set, check the "Only Search the Most Recent Transaction" box.

## 6 Run the search

The results will be a list of companies that have exited according the criteria you've set. Note that these companies could have gone through other stages of financing after the exit type you've screened for in your search, unless you select the "Only Search the Most Recent Transaction" box.

## 4 Pick exit type

Under "Other Filters," you have the option to see PE-backed exits or VC-backed exits.

# Comparing specific companies

Quickly see key data points and discover relevant insights about companies with PitchBook's Profile Highlights and Comparisons features. With these tools, you can customize what information you see on a company profile, so you can know immediately if it's worth investigating further, and then compare those key data points to up to five other companies.

## 1 See changes in valuations

Once you've selected a company's profile, you can instantly see how a company's valuation has increased or decreased over time.

## 2 Gauge fundraising status

Harness PitchBook's entire VC deal dataset to see when a company may be seeking new funding. The curve depicted by blue bars shows the number of transactions that are either an exit or a next step in the VC process. The orange bar shows where the company is in that curve.

## 3 Choose other stats you'd like to follow

You can also select from a wide range of other key metrics to track, including employee count, acquisition focus, recent executive departures, total raised to date and more.

## 4 Compare similar companies' key metrics

Select the "Comparisons" tab and choose the data points you want to see for up to five similar companies. You can then easily edit the recommended comps, and download a presentation-ready visualization of the data.
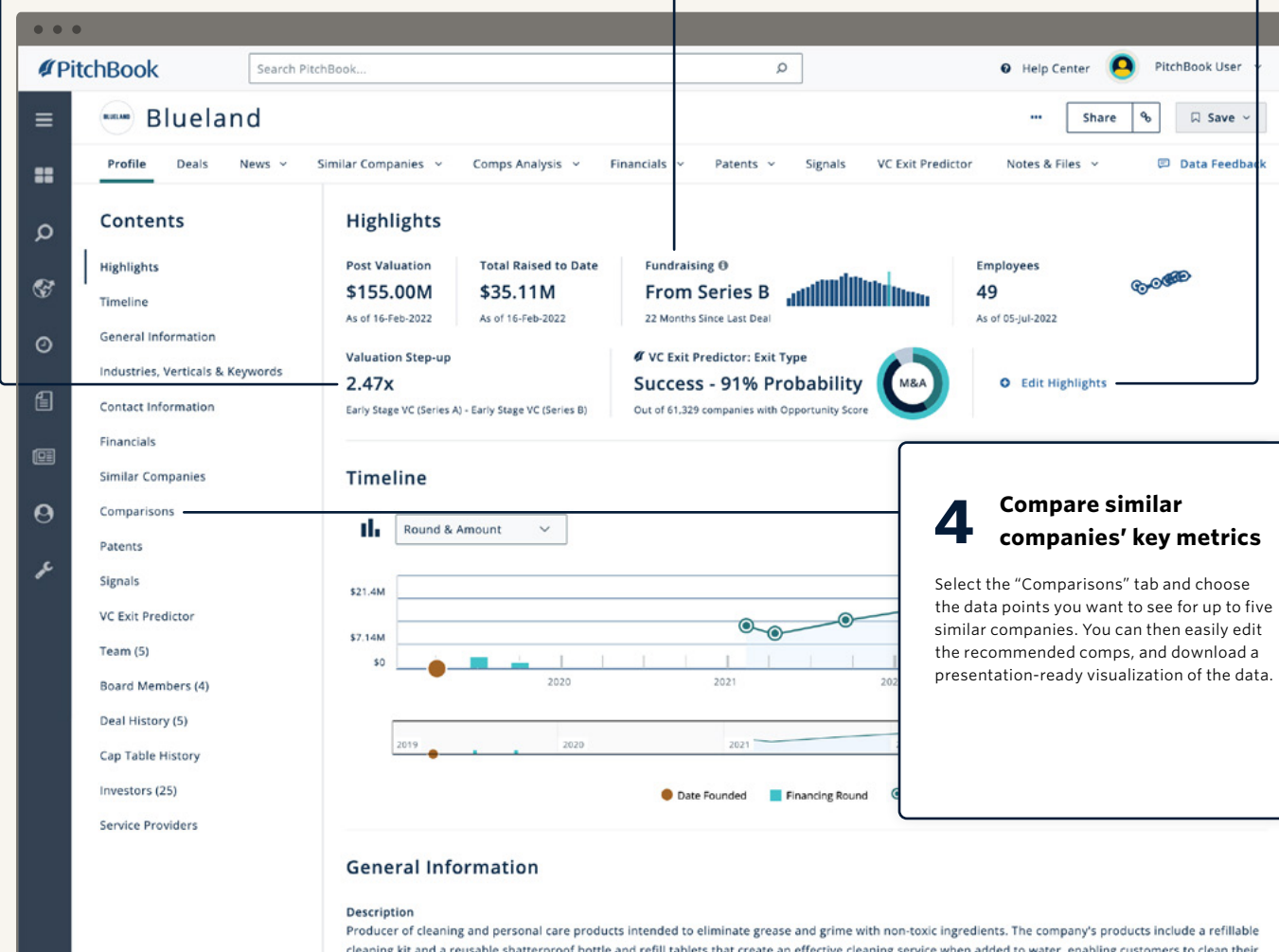
# Discovering and tracking emerging spaces

New trends within the VC landscape pop up all the time, and identifying those spaces in their nascency—before your competitors key in—can be a challenge. By using PitchBook's Emerging Spaces feature, you can discover niche corners of the market on the rise within relevant sectors. and identify promising investment trends based on the number of companies founded in a new space, by year, total deals over time and year-over-year context for growth metrics.

**1 Click the emerging spaces icon**

This option on the left navigation bar will bring up the Emerging Spaces main page.

**2 Select the sectors you're most interested in**

In the top navigation bar, filter out any sectors you're not interested in by deselecting them.

**3 Check out spaces to watch**

On the right side of the page, you can see what's trending, growing or just interesting, based on recent activity in that space.



**4 Choose what metrics the spaces are organized by**

Sort results by company count, deal count or capital invested in each emerging space. By looking for trends like spaces with a high number of new startups but limited deal counts, for example, you can key in on potential growth areas that other investors haven't yet.

**5 Dive deeper into each sector**

Add additional filters to your search, such as backing status, year founded, location, deal type and current deal status.

**6 Keep exploring**

Click "Restore Default" to get back to the feature's original set of default search settings and continue discovering new emerging spaces.

# Identifying targets that align with your strategy

There are millions of private companies tracked on PitchBook. Having up-to-date and accurate data on their pre- and post-money valuations, industry, total capital raised, revenue figures and other non-financial metrics will help you quickly build a list of promising opportunities you can use to maintain your investment pipeline.

Here's how.

# Creating a target list

PitchBook enables you to quickly create a list of promising investment or acquisition targets, based on the attributes that matter most to you or your client—including industry, location, pre- and post-money valuations, total capital raised, revenue figures and more. This could include identifying all the mobility tech companies in California with Series B funding, for example, or listing all the PE-backed fintech companies in Europe that are nearing the end of their holding period.

## Filtering by company status, deal type and other criteria

You can filter your search further by backing, business and ownership status as well. And whether it's pre-seed or Series D funding, leveraged buyouts or bankruptcies, you can also easily choose the type of transaction that your target companies were involved in. Deal date and deal size are common fields used in conjunction with deal type. You can also refine your list by pre- and post-money valuation amounts, total capital raised, deal status and more.

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Click the "Industry or Vertical" drop-down to see how companies are categorized. You can also type in keywords that will pull companies into the search results, based on their business description.

## 3 Search by location

Check "Search HQ Only" to target the main office and eliminate satellite branches. By selecting "Any Office Location," you can see the branches of a company that's headquartered in another region.

# Searching for companies that are ready for funding or acquisition

PitchBook makes it easy to discover companies that likely need an infusion of capital or loans, based on when they last received financing, how many employees they have and more. You can also leverage insight into VC and PE portfolios to see when companies are nearing the end of their holding period, and are prime acquisition targets.

## 1 Companies & Deals

This search option will automatically set up the following advanced search fields for you to select from.

## 2 Select deal criteria

Check the "Only the Most Recent Transaction" box. This ensures that the company's most recent financing was the one you specify. Set a "Deal Date," which represents the time period in which the target companies received their last financing.

## 3 Choose deal type

Select the appropriate deal type that would have caused a target company to be placed in a firm's portfolio. "Buyouts" for PE, for example, or a "VC Round" for VC.



## 4 Filter by industries and keywords

Click the "Industry or Vertical" drop-down to see how companies are categorized. You can also type in keywords that will pull companies into the search results, based on their business description.

## 5 Search by location

You can select the location you'd like to focus your search on, too. Check "Search HQ Only" to target the main office and eliminate satellite branches. By selecting "Any Office Location," you can see the branches of a company that's headquartered in another region.

## 6 Select portfolio status

Choose the "Investors" tab on the left column. Then check "In Portfolio/Active" to limit your search to companies already in a firm's portfolio.

## 7 Pick company status

Filter your search further by backing, business and ownership status as well. Selecting "Privately Held (backing)" under "Ownership Status" will ensure your search results only pull up private companies.

# Connecting with target buyers and investors

Once you've narrowed down a list of promising buyers or investors, PitchBook makes it simple to identify the best person to contact at each organization, so you can reach out immediately. After you've identified key decision makers, you can use the information you've gathered from creating your target list and building comps within PitchBook to negotiate with more confidence.

## 1 Get key individuals' contact info

Click on each company or investor's name to go to their profile page. Within the "Team" section, you'll find phone numbers and email addresses for key contacts.

## 2 Export your target list to Excel

PitchBook also gives you the option to export contact information as an Excel CSV file. Contact your customer success manager to find out how.

## The emergence of pre-seed funding

The term "seed" has been used for decades to describe the earliest stages of VC investment, but the definition has necessarily changed as the industry has matured. The seed stage has historically been defined by relatively small deal sizes often comprising convertible debt. Over the past decade, however, activity in the stage has grown fast and attracted new investors with larger pools of capital. Because of this increase in early-stage investment activity, seed deals today look more like past Series A deals; Series A deals look like past Series B deals and so on

This most recent evolution has led to a bifurcation in the seed market, spawning new terms including "pre-seed," "post-seed" and even "dirt stage," to describe the most nascent scenarios for which broader seed funding is utilized.

# Who we are

In 2007, PitchBook Founder and CEO John Gabbert knew that his idea for an actionable, extensive database for private equity-focused intelligence was worth pursuing. He and seven others set up shop in a 200-square-foot windowless office, and the rest is PitchBook history.

Since those early days, PitchBook has expanded its coverage areas to include the entirety of the public and private markets. We've added thousands of datasets and millions of individual insights to the platform, and we've pioneered new features and products that surface the information our clients need to win. We look at every day as a new opportunity to meet and exceed our customers' expectations through helping them make informed decisions that propel their firms forward.

Now part of Morningstar, PitchBook is headquartered in Seattle, London, and Singapore, with additional offices in New York and San Francisco.

## PitchBook

### Win what's next

John Gabbert
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