Mid-Market M&A Industry Outlook: January 2025 Whitepaper //

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Mid-market mergers and acquisitions (M&A) are poised for a massive shakeup in the next decade. A wave of Baby Boomer entrepreneurs exiting their companies could unlock as much as **$15 trillion** in private business wealth transfers.

But while the potential upside is huge, the process of buying and selling small and medium-sized businesses (SMBs) remains riddled with challenges. According to Harvard Business Review, between **70 and 90 percent** of these transactions fail, largely due to fragmented data management, human error, and outdated workflows.

Why Mid-Market Deals Stumble

1. **Information Overload**
   Financial statements, contracts, and operational metrics are often buried in disconnected systems, introducing errors and undermining buyer confidence.
2. **Manual Processes**
   Reliance on spreadsheets and email for due diligence, Q&A, and version control can add weeks—or even months—to the closing process.
3. **Poor Diligence**
   Almost 60% of executives surveyed by Bain & Co attributed deal failures to poor due diligence that did not identify critical issues.

How A.I. Can Change the Game

Artificial intelligence offers a path forward by automating repetitive tasks, accelerating due diligence, and preventing costly errors. Key A.I.-powered innovations include:

- **Automated Error Detection**
  Algorithms cross-check financial records, contracts, and due diligence documents for discrepancies, trimming the need for manual oversight by up to 50% (*Liquid Acquire Internal Beta Testing*).
- **Automated Q&A**
  As many as 70% of deal-related queries are repeats or have clear answers that already exist within the data room / transaction documents. By surfacing

existing documentation and past answers, A.I. can resolve questions almost instantly, dramatically speeding up the Q&A cycle.

- **Dynamic Version Control**
  Centralized dashboards ensure all stakeholders are always working with the latest documents, eliminating the confusion of multiple file versions.

Introducing Liquid Acquire

This is where Liquid Acquire steps in. Backed by significant pre-seed funding, the platform zeroes in on the exact pitfalls that cause mid-market deals to falter:

1. **End-to-End Workflow Management**
   Every stage—from the initial exchange of financial statements to the final handshake—is tracked within a single, transparent platform.
2. **Integrated Q&A**
   Automated Q&A modules cut discovery phases by up to 70%, as shown in an early pilot program with more than 20 professional service firms.
3. **Scalable for Advisors**
   By offloading tasks like data entry and quality checks, Liquid Acquire enables professional service firms (PSFs) to handle more deals at once, without inflating headcount.

Real-World Impact

- **Faster Closings**
  In recent pilots, Q&A's were capable of being finalized up to 50% faster than average (*Liquid Acquire Pilot Results*).
- **Higher Success Rates**
  Reducing human error and last-minute surprises in DD can led to a significant boost in completed transactions (*Bain & Co*).
- **Lower Costs**
  Automation replaces labor-intensive tasks, substantially cutting advisory, legal, and financial fees for SMBs.

The Road Ahead

With Baby Boomers stepping back and $15 trillion in business wealth poised to change hands, the mid-market M&A sector is under mounting pressure to deliver efficient, transparent transactions. By baking A.I. into every stage—from due diligence to signing day—Liquid Acquire is helping usher in a new era. Early adopters won't just close deals more successfully; they'll reshape an industry long overdue for modern, data-driven solutions.