

January 2018 M&A Survey Results

By Gabe Lengua, CPA, Partner

Well, the results of our annual M&A survey are in and there are some interesting things to note. We will quickly summarize the results of each question with our general thoughts and discuss it in more detail at our annual M&A Summit in May.

Question 1

What impact, if any, do you think new technology (blockchain, artificial intelligence, etc.) will have on your portfolio companies?

Nearly half (47%) said very little; however, sizable percentages said either a lot or somewhat. This is evolving technology, and we think most are still trying to determine, depending on the industry, the impact to their company. As with most new technology, the key is not whether it impacts you (it will), but rather how you can maximize your benefit from it.

Question 2

Which industry do you believe is ripe to yield significant returns in the near future?

Nearly equal percentages (40%) said technology and health care. We would agree with this, but we would also make the case that some beaten up industries (think retail) are creating some good value plays.

Question 3

Will "add on" acquisitions continue to be a significant part of your growth strategy?

No ambiguity here – nearly 70% said yes. This is a trend that started a few years ago, and we see it continuing in 2018.

Question 4

Post close, what is your biggest challenge?

A majority (57%) said growth is the biggest challenge, with a fairly large percentage (29%) saying management issues. We would make the case that an underappreciated issue which causes many deals to underperform is realizing synergies. This includes consideration of negative synergies and execution of positive synergies.

Question 5

In what ways has the new tax law changed your thinking regarding M&A?

A majority (54%) said not much, but we would ask those folks to speak with us. The new tax law creates some interesting considerations regarding, among other things, the debt/equity split, pass-through benefits and international operations.

Question 6

What is the expectation for your portfolio companies in 2018 regarding growth?

Optimism and positive thinking – 93% said they are either expecting significant growth or growth similar to last year. Only 7% said they are expecting a decline. Given the improving GDP growth in the U.S. in 2017 and the new tax reform law, there are certainly reasons to be optimistic about growth in 2018.

Question 7

What are your overall expectations for 2018 regarding M&A?

Following question 6 (positive thinking) nearly 86% said they expect either the best M&A market in years or something similar to 2017 (which wouldn't be all that bad). With record setting capital raises in recent years, together with a growing inventory of companies held in excess of five years as well as an accommodating debt market, the formula is there for a robust 2018.

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