

M&A Thoughts

By Gabe Lengua, CPA, Partner

As we near the end of 2017, there are several things that are clear and some others that are not. This year we saw an overall softening of the M&A market. While many factors that drove an active M&A market in recent years are still there, it is apparent there is some reluctance to complete deals. Two big factors are quality and price. We were recently involved in a transaction that fetched a 20x multiple (this was a financial sponsor deal) so those sky high deals are still happening but, increasingly, they seem to be the exception and not the norm.

Some things to keep an eye on in the coming weeks and months:

- Will tax reform get done? It should be about growth, growth and more growth. History tells us lots of bad things happen when your debt is growing at a faster pace than GDP. Tax reform, and more specifically, tax relief, will go a long way in helping spur growth – but will it happen in 2017?
- Will the Fed be aggressive or pull back? Most of the recent economic news has been positive but will the Fed speed up interest rate increases? The track record of the newly elected Fed chair would seem to indicate the continuation of more dovish policies but that remains to be seen.
- Will corporate earnings continue to be strong? So far, so good on this front but will it continue?

Some other observations:

- The debt market continues to be strong.
- Add-on activity continues to be active and a key strategy in a high priced environment.
- It's been a slower exit market; however, the age of inventory over five years is at its highest level in 10 years – many companies will come to the market soon.
- Capital raising at funds is very high with larger amounts spread across fewer funds.

Contact us

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