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ACCOUNTANTS AND ADVISORS

2018 M&A Survey

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 and discuss it in more detail at our annual M&A Summit in May.

Question 1

Do you believe economic strength will continue in 2019?

More than half (58%) believe that economic strength will continue in 2019 but a sizable amount (36%) aren't sure because they see too many variables.

Question 2

Which possible headwind concerns you the most?

Similar percentages (27% to 36%) say interest rates, slowing growth overseas and trade war concerns.

Question 3

As you evaluate targets, what are you primarily focused on?

Industry focus led the way at 35%. Not far behind was trailing EBITDA (29%). The strength of the management team came in at 17%.

Question 4

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

Healthcare (42%) and technology (37%) dominated the responses. These two industry segments have been considered high growth areas for many years.

Question 5

Do you believe the private equity model (5-7 year exit) is under pressure from other equity sources (i.e. family office)?

Just over half (52%) said they felt it was neutral, under modest pressure while 39% responded yes, it is under pressure.

Question 6

Do you see exits increasing in 2019?

No ambiguity here – 95% said yes – although longer holding periods, in part brought on by paying higher prices and employing an active add-on strategy, may push off higher exit activity for another year or two.

Question 7

As you look to sell companies, what exit are you planning?

Two thirds responded that they are looking to sell to a strategic buyer with nearly a third looking to sell to a financial buyer. Interestingly, even with an uptick in companies going public in 2018, a very small percentage said they were looking to an IPO.

Question 8

What are your overall expectations for 2019 regarding M&A?

"Similar to recent years" had the highest percentage (42%) but not far behind were those who see some softening in 2019 (35%).

Some thoughts

Overall, it seems as though investors are cautiously optimistic going into 2019. 2018 was strong through the first three quarters but there was some softness seen late in the year. That may be why people started 2019 a little less optimistic than they were a year ago. There are many variables, no question, but many good signs as well. Recent economic news has been solid with an excellent January jobs report and strong month for the stock market – the best January performance in 30 years. The Fed has made some calming statements regarding interest rates and there even seems to be some hope for a trade deal with China in the coming months which would lift a big uncertainty. We believe certain recent trends will continue – add-on activity stays active, multiples stay elevated – and that 2019 is looking to be another solid year.

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