

## Outlook and Trends

By Gabe Lengua, CPA, Partner

We recently completed our annual survey of private equity groups in the Northeast and Mid-Atlantic (fund size under \$1 billion) and some interesting things emerged. First, most feel as though the drivers of a strong M&A environment over the past few years continue to remain in place. Also, certain trends such as add-on acquisitions and a focus on US geography continue as does the challenge of finding quality deals. But what also became apparent in our survey is that concern among private equity groups has shifted somewhat from a low growth environment to geopolitical factors. This, no doubt, has to do with the new administration and uncertainty regarding policy initiatives and the ability to usher things through Congress. Also on the rise are concerns about the Fed, including the rate of interest rate increases and the impact of unwinding stimulus. Some other points worth noting:

- Although a softening in M&A was seen in 2016, most are bullish about deal prospects in 2017.
- While exits declined in 2016, many see an uptick in 2017 as the IPO market strengthens.
- Add-ons will continue to be a major component of M&A in 2017.
- Increased popularity of unitranche debt structures and insurance on reps and warranties.

The complete results of the survey follows.

### M&A Survey - 2016

#### **What are you finding most challenging in the current M&A environment?**

63% -- Finding quality deals  
35% -- Paying high multiples

#### **In order to maximize returns on your portfolio companies, which strategy are you focused on?**

67% -- Add-on acquisitions  
27% -- Reducing costs

#### **Which geographic market is more attractive to you currently?**

90% -- US  
5% -- Europe

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

76% -- Sale to a strategic buyer  
22% -- Sale to a financial buyer

#### **What factors concern you as we turn toward 2017?**

73% -- Geopolitical factors  
15% -- The Federal Reserve (rising rates)

### **Post close, what is your biggest challenge?**

50% -- Growth  
28% -- Realizing synergies  
22% -- Management issues

### **Will the new administration be good for M&A?**

47% -- Yes  
11% -- No  
42% -- Not sure

### **Contact us**

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