Deal-Makers See Better Days Ahead Following Turbulent 2020

In the midst of the COVID-19 pandemic and just a year after tempering expectations for deal-making, respondents to Dykema's 16th Annual M&A Outlook Survey are the most optimistic they have been in the 16-year history of the survey.

Seventy-one percent of respondents expect the M&A market to strengthen over the next 12 months, up from 33 percent in 2019, and 87 percent believe M&A activity will increase in the same time frame. The rise in optimism reflects market conditions and a belief from respondents that the worst is behind them — with both financial and strategic buyers seeing opportunity in a hobbled economy. Further, 60 percent of respondents say their outlook for the U.S. economy is positive over the next 12 months

The survey polled senior executives and advisers across the nation, CEOs, CFOs, owners, managing directors and other professionals involved in M&A activity. When asked about the impact this year's election could have on deal-making, nearly twice as many respondents felt Donald Trump's reelection would be positive for M&A (61 percent) compared to a Joe Biden victory (34 percent). Sixty-four percent see Republican control of both houses of Congress as the most favorable outcome for M&A; half as many (32 percent) view Democratic control of both houses as positive.

Despite their optimism, deal-makers agreed about several looming issues. Nearly two-thirds (63 percent) of respondents ranked COVID-19 among the three greatest threats; Democrat wins in the presidency (48 percent) and Congress (46 percent)

followed in second and third place among top concerns.

The survey yielded several additional significant findings, including:

- Respondents were divided on what would be the single greatest driver of U.S. M&A activity over the next 12 months, with U.S. economic conditions (22 percent), favorable interest rates (22 percent) and availability of capital (20 percent) all vying for the top spot.
- Strategic U.S. buyers saw a resurgence in this year's survey, ranking atop our list of most influential buyers for the first time since 2017, likely a reflection of our unique economic conditions. Financial U.S. buyers followed closely behind and remain flush with deployable capital.
- Respondents embraced government programs to help businesses survive COVID-19 restrictions and their fallout. The Paycheck Protection Program (PPP) proved most popular; 73 percent of respondents say they accepted those loans. Just 8 percent of respondents who worked on deals involving PPP reported failing to close the deal due to the loan — a sign deal-makers were able to navigate potential hurdles involving the outstanding loans.
- Respondents predict the following sectors will see the most M&A activity in the next 12 months: 1) Automotive; 2) Health Care; 3) Technology; 4) Consumer Products; 5) Financial Services. Notably, education jumped to number six in this year's survey, up nine spots from 2019. Energy dropped from third in 2019 to eighth.
- Europe ranked as the top destination for both inbound and outbound U.S. M&A activity. Central/South America and China ranked second and third for inbound activity, with those two options flipped for outbound.

Survey results are being released at Dykema's exclusive annual M&A Outlook event on October 27. Get the ***full report***.