

Dealmakers Increasingly Optimistic About M&A Market and U.S. Economy in Dykema Survey



Respondents to Dykema's 13th Annual M&A Outlook Survey expressed an overall bullish viewpoint of the economy and U.S. merger and acquisition market, bringing a new level of optimism, not seen in several years.

According to the firm, 39 percent of respondents in this year's survey expect the M&A market to strengthen over the next 12 months, up from 33 percent last year and 37 percent in 2015. With a record-breaking robust stock market and uncertainty surrounding the presidential election fading, this revelation mirrors the 60 percent of respondents who predict a strong U.S. economy in the next 12 months, doubling last years' results.

"With the uncertainty around the presidential election in the rearview, our survey respondents are abandoning the 'wait and see' mantra, with an increasing number predicting that deal activity is back on the rise," said Thomas Vaughn, co-leader of Dykema's M&A practice. "In this year's survey, we are, however, still hearing that uncertainty around the Trump administration's priorities and regulations will have the greatest impact on M&A from a global perspective."

More than half (50 percent) of respondents expect Donald Trump to be a positive force in U.S. markets as a whole this year. Likely factors playing a role in this optimistic sentiment include expected reduction in corporate tax rates, more

favorable business regulations, and the Trump administration's perceived business-friendly positive economic policies.

The survey yielded a number of other interesting conclusions, including:

- Half of respondents said President Trump will have a positive impact on the U.S. economy and M&A market in 2018.
- Seventy-percent of respondents predict the volume of small deals (under \$50 million) will increase over the next 12 months, with 53-percent predicting an uptick in deals valued between \$50 million and \$100 million.
- Sixty-eight-percent of respondents said they would be involved in an acquisition in the next 12 months, which is fairly consistent with 2016's 70 percent.
- For the fourth consecutive year, respondents expect technology and healthcare to see the most M&A activity in the next year. Fifty-nine-percent of respondents also predict an increase in M&A activity between fintech startups and established financial services organizations in 2018.
- Almost 80-percent of respondents expect an increase in M&A activity involving privately owned businesses in the next 12 months, increasing by 10-percent from last year's results.
- Mirroring prior years, dealmakers say the leading driver of cross-border deals will be companies seeking growth via entrance into foreign markets. More companies in Asia are expected to pursue deals in the U.S., and outbound M&A activity from the U.S. to Mexico and Canada is expected to increase in the next year, despite ongoing public statements by the Trump administration around the renegotiation of the North American Free Trade Act (NAFTA).

"The middle market is quickly becoming the focus of M&A," said Jeff Gifford, co-leader of Dykema's M&A practice. "Technology

and healthcare are two of the more active spaces, with fintech becoming an increasingly popular area of interest. Megadeals have lost some of their steam and we are seeing more and more companies pursuing small to middle market strategic transactions.”

Survey results are being released this week at Dykema’s exclusive annual M&A Outlook events in Detroit and Chicago. The full report is available **here**.