Leveling Deal Activity And Optimism In Dykema's 12th Annual M&A Outlook Survey

Respondents to **Dykema's 12th Annual M&A Outlook Survey** predict a flat year ahead with steady deal flow, expressing an overall neutral viewpoint coinciding with the recent leveling off of the global M&A market.

Nearly half (47 percent) of respondents said they expect the market will see no significant change in the next 12 months, up from 43 percent in last year's survey. Executives expressed some concerns about the effects corporate tax increases, increased federal regulation and taxation of carried interest could have on M&A in the coming year. But they believe other hot button news like Brexit fallout, financial-institution regulatory reform and uncertainty about the upcoming presidential election, will have a negligible effect on deals.

"When it comes to M&A in 2017, the biggest determining factor is likely the fate of the U.S. economy," opined Thomas Vaughn, co-leader of Dykema's M&A practice. "It's not surprising that respondents – seeing a decline in 2016 deal volume after several years of strong growth – are taking a wait-and-see approach."

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

- By a two-to-one margin, respondents said the policies of Republican Donald Trump, if elected, would be more supportive of the U.S. M&A market than Democrat Hillary Clinton. But a plurality of respondents said both candidates would have a neutral effect on the U.S. M&A

market in 2017.

- About half of respondents (49 percent) said availability of capital was most responsible for fueling current M&A activity, essentially the same percentage as in 2015. Twenty-five percent of respondents credited favorable interest rates, a 7 percentage point increase from 2015 despite the Federal Reserve’s December 2015 rate increase.
- Respondents said U.S. financial buyers had the most influence on U.S. deal valuation over the past 12 months. This was the first time strategic U.S. buyers weren’t seen as the most influential since the 2008 survey – even if financial buyers beat out strategics by only 5 percentage points.
- Sixty-eight percent of respondents said they expected an increase in M&A activity from privately owned businesses in 2016, down from 72 percent last year. The 4 percent difference basically mirrors the drop in the percentage of respondents predicting M&A growth this year.
- Despite the drop in overall confidence, 70 percent of respondents said they expect an acquisition involving their company or one of their portfolio companies in the next 12 months, up from 67 percent in 2015. Forty-eight percent expected a sale, compared with 42 percent last year.
- Aging business owners seeking to sell were again seen as the top driver for growth in M&A activity from privately owned businesses.

“While this year’s report demonstrates a more neutral sentiment for the global M&A market as a whole, there are segments of the market catching attention, including the energy, healthcare and technology sectors,” said Jeff Gifford, co-leader of Dykema’s M&A practice. “On the international front, the pace of outbound acquisitions by Chinese companies, particularly in the U.S. and Europe, does not appear to be slowing down anytime soon. This trend is in large part due to an increasing level of comfort navigating Chinese regulatory bodies and growing confidence that these deals will go through successfully."

Survey results are being released this week at Dykema's exclusive annual M&A outlook events in Detroit, Chicago and San Antonio.

See the full report.