

M&A Trends
Report 2016
Our annual
comprehensive
look at the
M&A market



Another year of unlocking deals

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Executive summary



“We are seeing significant optimism in continued M&A activities, but global growth concerns have started to dampen the recent pace of activity.”

—Russell Thomson, national managing partner, M&A Services, Deloitte & Touche LLP

The past year marked the busiest ever for mergers and acquisitions (M&A). During the frenetic 12 months, US companies announced more than \$2.1 trillion in transactions.¹ Global M&A volume topped \$4.7 trillion in aggregate.² To put that number in context, the worldwide total exceeded the gross domestic product (GDP) of all but two nations.³ The \$4.7 trillion tally was a significant increase over 2014’s \$3.4 trillion and surpassed the previous annual record set in 2007.⁴ Despite the slowdown in the first quarter of 2016, executives at US corporations and private equity firms predict that the pace of M&A activity will continue—or even ramp up—according to Deloitte’s third annual *M&A Trends Report*.

Of the nearly 2,300 survey respondents from US corporations and private equity firms, an overwhelming majority—87 percent—said they expect their deal activity to sustain or better 2015’s record pace. A number of factors are driving the optimism, creating an environment ripe for deal-making. Many companies are still flush with cash, even after drawing some of it down over the past year. Stocks remain at relatively high levels after recovering from recent bouts of volatility. Interest rates are still at historically low levels and debt markets have slightly rebounded—enabling companies and PE firms with access to capital to continue doing deals.

Also, boundaries are increasingly blurring between industry sectors as technology penetrates and reshapes traditional business models. For instance, banks are working to deepen their capabilities by acquiring financial technology firms,⁵ while automobile companies have turned their attention to connected vehicles.⁶ The convergence of technology across industries is adding a new dimension to deal-making.

Those factors, along with others, could converge to push past a relatively lackluster start to the year and potentially continue to drive strong M&A activity. 2016 began with more of a whimper than bang. US deal volume dropped 40 percent in the first quarter of 2016, compared to the first quarter of 2015.⁷ In our survey, half of private equity investors (PEIs) anticipate an increased number of deals this year, but that is notably less than the 61 percent that foresaw an increase in activity in our 2015 survey. Our respondents flagged as caution signs a number of looming concerns—especially the global economy—that could sour the appetite for takeovers or make smaller, acquisitions more likely than large transformational deals.

Among the key findings in our 2016 *Trends* report:

- **Deal activity is expected to remain strong.** Among both corporate executives and private equity investors (PEIs), almost nine in 10 respondents expect deal activity to continue at the same pace or increase. Private equity investors were the most optimistic, with 52 percent anticipating they will actively pursue a greater number of deals over the next year, versus 43 percent of corporate respondents. Nonetheless, PEIs were less bullish than they were one year ago, as noted above.
- **Corporations see an increase in both smaller strategic deals and major transformational deals.** As respondents look at the next 12 months to take advantage of favorable opportunities, 34 percent will look for smaller strategic deals (up from 26 percent in 2015), while another 26 percent indicate they will seek major transformational deals (up from 21 percent in 2015).

¹ Thomson Reuters

² <http://www.wsj.com/articles/will-the-new-year-be-sweet-16-for-deals-1451557804>

³ <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

⁴ <http://www.wsj.com/articles/broken-deals-rein-in-a-strong-m-a-market-1420155330>

⁵ <http://techcrunch.com/2016/04/19/banks-and-fintech-in-2025-an-unlikely-alliance/>

⁶ <http://techcrunch.com/2016/01/19/whos-driving/>

⁷ <http://www.usatoday.com/story/money/2016/03/24/sorry-wall-street-m-down-40/82174880/>

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- **Companies are holding steady in looking abroad.** Both corporate executives and private equity investors are continuing at the same pace as 2015 in sourcing foreign targets (75 percent and 84 percent, respectively).
 - **More divestitures planned for 2016.** Fifty-two percent of corporate respondents—up from 39 percent a year ago—said their company plans to pursue divestitures to shed non-core assets in the year ahead, help focus their business, and in some sectors, to raise capital.

Against this optimism, respondents chose economic conditions as the top factor likely to determine deal success in 2016—the first time that’s been the case in the history of our survey. Global economic uncertainty was also seen as having the biggest influence on companies’ ability to pursue, finance and close deals in the next 12 months.

As we did in last year’s report, we identified the industries that are expected to generate the most M&A activity in the year to come—namely, technology, oil and gas, financial services, and health care—as well as the drivers behind the stepped-up expectations.

Through the responses of the corporate and private equity executives that participated in our third *Trends* report, we’re also able to glean some interesting insights about analytics and other factors in the M&A environment. We’re thrilled to share these results with you and hope you find them instructive as you develop your growth strategy and evaluate, close, and integrate your next M&A transaction.



Russell Thomson
National managing partner
Mergers & Acquisitions Services
Deloitte & Touche LLP

About the survey

From February 19 through March 15, 2016, a Deloitte survey conducted by OnResearch, a market research firm, polled 2,292 executives at US companies and private equity firms to gauge their expectations, experiences, and plans for mergers and acquisitions in the coming year.

On the corporate side, 1,790 respondents were senior executives at companies with at least \$10 million in annual revenue. Respondents included companies in 49 states and Washington, D.C. Almost 60 percent of the respondents worked at publicly traded companies, as opposed to privately held businesses. One in four hailed either from California or New York. Texas, Illinois, Florida, New Jersey, Pennsylvania, and Ohio had the next highest concentration of respondents in descending order. In all, the top eight states accounted for half of the total responses.

More than a third of the company respondents were owners, board members, or C-suite executives; the remainder included managing directors, vice-presidents, department or business line heads, or managers.

Industry representation is diverse: the five with the largest representation were (in order): technology, banking and securities, retail, and distribution, process and industrial products, and consumer products.

The size of the companies that responded also was widely dispersed, with 30 percent with annual revenue in excess of \$1 billion, roughly another 30 percent in the \$250 million to \$1 billion range of annual revenue and about 40 percent having annual revenue less than \$250 million.

Of the almost 1,800 corporate executives surveyed, nearly all (89 percent) typically close at least one merger or acquisition a year. More than half (62 percent) of the companies said they close between one and five deals a year. Seven percent typically complete more than 11 deals annually. About two-thirds (63 percent) of the deals were less than \$250 million in size, while 10 percent were at least \$1 billion in size.

On the private equity side, 502 respondents were limited to senior officials of firms based in 43 states. More than half the firms were headquartered in California, New York, Florida, Texas and Pennsylvania.

More than 15 percent of private equity respondents hailed from firms with funds in excess of \$3 billion, and 44 percent of respondents work at funds that ranged between \$500 million and \$3 billion. Forty percent of the PE firms controlled funds of less than \$500 million.

Nineteen percent of the PE firms had portfolios that contained more than 40 companies. About half held stakes in between 10 and 40 companies. One-third of the PE firms held fewer than 10 companies in their portfolio.

The full survey results are included in the appendix; some percentages in the charts throughout this report may not add to 100 percent due to rounding, or due to certain questions giving survey participants the option to choose multiple responses. Also, year over year data with rounding may show a slight difference in numbers from previous M&A Trends reports.

Expectations high as conditions shift

Paced by consolidation within the technology, energy, and health care sectors, the market for mergers and acquisitions reached new heights in 2015. The year saw more than \$2.1 trillion in transactions among US companies. And the cycle proved to be the biggest year ever for M&A transactions, with \$4.7 trillion in deals consummated across the globe. Emerging from a global recession, deal-making has been on an upward trend, but the level reached last year was more than double that of 2009 surpassed the previous record set in 2007.⁸

The predominant view among corporations and private equity respondents in our survey is that the number of deals they plan to pursue in 2016 will match or exceed last year's pace. In our survey, more than 40 percent of corporate respondents said they expect the number of deals to increase over the coming year. Virtually the same proportion see little to no change in deal volume through 2016. Fifty-two percent of private equity investors anticipate seeking more deals over the next 12 months, a significant decrease from 2015, when that number reached 61 percent. Still, fewer than 10 percent of respondents from either segment of survey-takers said they expect a dip in the number of transactions their company is likely to pursue in the coming year.

On the corporate side, only 9 percent of respondents expect the average number of deals to decrease—the figure was just 6 percent in our last two surveys. The percentage of private equity investors that don't expect significant M&A activity over the next year increased slightly compared to 2015. Six percent of PEIs expect their deals to decrease, up slightly from 2015 where only 3 percent expected decreases.

But private equity still anticipates a strong year. More than half of those respondents (53 percent) predict that their firms' acquisitions over the next 12 months will average \$500 million or more, continuing a trend that has held steady since our first survey in 2014.

“There's a lot of positive momentum in the market. Combined with the dry powder private equity has and the fact that debt markets appear to be gradually stabilizing, we anticipate continued activity among these investors.”

—Barry Curtis, partner, Deloitte & Touche LLP



Outlook for more deals in the coming year

87% of corporate and private equity executives expect deals to continue at the same pace—or to increase.

⁸ <http://www.wsj.com/articles/will-the-new-year-be-sweet-16-for-deals-1451557804>

New targets for consolidation

By sector, technology continues to be the most attractive overall industry for corporate M&A activity, with 26 percent of respondents predicting it will be the most active sector over the next 12 months. That figure was down slightly from 2015, as were results for the oil and gas industry, the second-most probable area for M&A activity, according to 22 percent of corporate respondents.

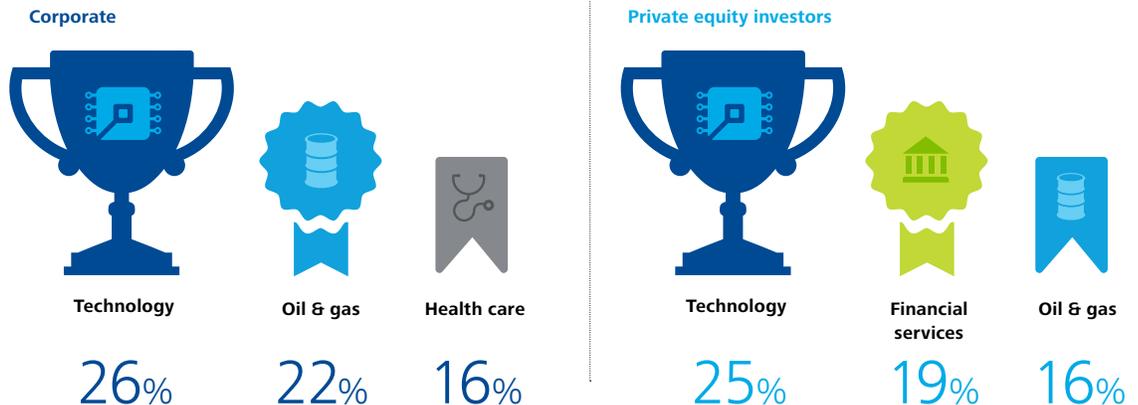
Despite recent volatility in oil prices, the industry has been fairly resilient and could see significant deals in the coming months, according to Trevear Thomas, principal, Deloitte Consulting LLP. "We could see a lot of activity in the M&A market with Tier 1 assets ripe for acquisition. Scale matters, especially in this oil environment, and that leads to further consolidation."

Though predictions for deal activity in technology and energy were down slightly this year, corporate respondents predict that several industries will see a slight bump in activity over the next 12 months. Industrial manufacturing, life sciences and construction all were up by two percentage points this year as top industries for M&A activity among corporate survey-takers.

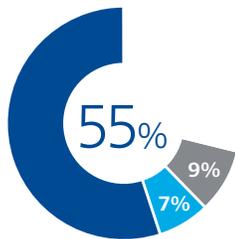
On the private equity side, technology was by far the most likely sector to see growth in transactions—one-quarter of respondents anticipated that it would be the number one industry for mergers and acquisitions in the coming year. Financial services and the oil and gas industries were noted as the most likely sectors for M&A activity among private equity respondents.

"The convergence of technology and traditionally analog industries is adding a new dimension to deal-making. For instance, banks are working to deepen their capabilities by acquiring financial technology firms, automobile companies have turned their attention to connected vehicles, and similar activity is happening in health care. As sectors converge with technology, the strong impacts tech deals have on financial markets will continue, and analyzing deal activity will need to evolve to account for the new hybrid sectors emerging," adds Russell Thomson, National M&A Managing Partner, Deloitte & Touche LLP.

Top industries for 2016 M&A activity



Add-on deals



55% of private equity investors anticipate closing at least six add-on deals. 7% expect to close more than 30 such deals. Only 9% anticipate no add-on deals.

Focus on paths to growth

Since our inaugural report in 2014, private equity firms have progressively become more involved with their portfolio campaigns. Eighty-nine percent of the 2016 respondents said they were actively or very actively involved in their portfolio companies' management, compared to 77 percent who were active or very active in 2014.

In addition, the majority of private equity deal-seekers (55 percent) anticipate they will close at least six add-on deals for their portfolio companies over the coming year, with seven percent of those respondents expecting to close more than 30 such deals over the next 12 months. Only nine percent of private equity investors say they don't expect any activity in add-on deals this year.

This year's survey results also indicate that fewer corporations are operating without a strategy to guide their M&A activity than in the past two years.

Corporations are placing more emphasis on developing an MA strategy in 2016. While 17 percent of the respondents reported having no M&A strategy in 2014, that number dropped to only three percent in our most recent survey.

The outlook for corporate deals over the next 12 months is tied in large part to the desire to build new business in existing markets, which has been the leading M&A objective for the past two years. Other motivations are starting to play a bigger role in companies' plans, however. The proportion of companies pursuing cost synergies, as well as those seeking diversification and expansion of products and services was also up this year.

Looking ahead, the hunt for small deals continues to be the most popular M&A strategy on the corporate side, with 34 percent saying this tactic will drive decision-making (up from 26 percent from last year). Meanwhile, the biggest surge in strategy was among corporations seeking transformational deals. Whereas 17 percent of corporate respondents said they were on the lookout for such deals in 2014, that number has increased steadily over the past two years and represented 26 percent of respondents in this year's survey.

"More firms this year are including M&A in their operating playbook. Aside from global economic concerns dampening organic growth plans, another reason M&A is rising to the forefront for corporates is the perception that valuations have stabilized and aren't receding any time soon. As a result, firms are looking to use M&A as a tool both for smaller, strategic, niche acquisitions as well as bold transformative deals."

—Jay Langan, partner, Deloitte & Touche LLP

Active Portfolio management



Private equity investors



For their part, private equity investors indicated they are holding portfolio companies for shorter periods of time. For the second straight year, the percentage of respondents who held their investments for five years or longer declined—the figure was more than 30 percent in 2014 while 23 percent indicated so in the most recent survey. This is consistent with the robust divestiture market we experienced in 2015.

“Recent shorter holding periods for PEIs demonstrates the continuing strength of the market.”

—Andy Wilson, partner, Deloitte & Touche LLP

Terms and conditions—buyouts, multiples and financing

A significantly higher number of private equity investors (41 percent vs. 30 percent a year earlier) believe the debt market for leveraged buyouts will be tight or very tight. Half of private equity investors see leverage multiples of five or less. Further, more than 20 percent of these respondents said they expect multiples to be weaker in the coming year. That’s a far less optimistic view than just a year ago, when only 14 percent of respondents expected multiples to decline.

After the record cycle of M&A transactions in 2015, corporations are favoring debt and equity issuance at the expense of cash in order to finance deals. For the second straight year, available cash as a funding source for corporate M&A deals was down, as less than half (47 percent) of respondents indicated, compared to 58 percent in 2014. Meanwhile, new equity issuance is up as nearly a quarter (24 percent) of respondents say it would be their primary vehicle to finance deals over the next year.

“Possible constraints in traditional debt markets will not limit transactions as PEIs have the wherewithal to access alternative sources of financing both domestic and international.”

—Barry Curtis, partner, Deloitte & Touche LLP

Tight debt market for leveraged buyouts



Private equity investors

41%



Up from
30%
in 2015

Deal environment pressures: economy, pricing and strategy

While low interest rates and easy access to debt have allowed many acquirers to orchestrate deals, the coming year may present some significant challenges for maintaining 2015's torrid pace. Continued economic uncertainty, particularly in Europe and in several markets across Asia, are expected to be a key concern for organizations as they hunt for deals. Global economic uncertainty ranked as the top influence on deal activity in the coming year among private equity investors. Meanwhile, both segments of respondents cited interest rates as the second most important factor, followed by uncertainty surrounding the 2016 US elections.

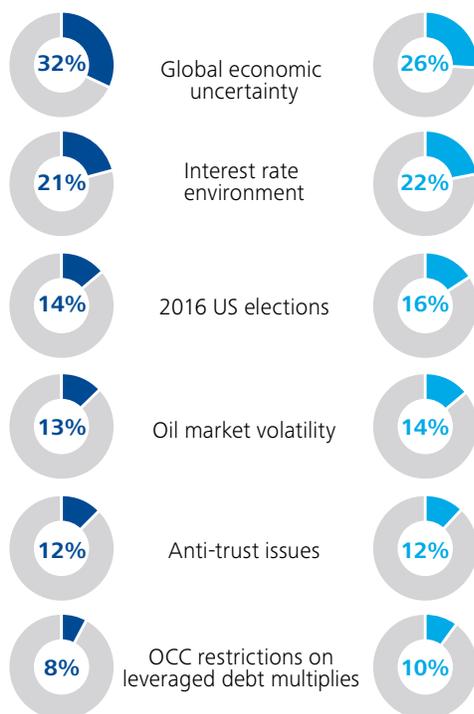
In our survey, both corporate respondents and private equity investors cited economic conditions as the top

factor for deal success, a first since we began our survey in 2014. For corporations, 31 percent said market conditions were most critical to ensuring deal success, while 37 percent of private equity respondents cited the economy as the most important factor in successful transactions.

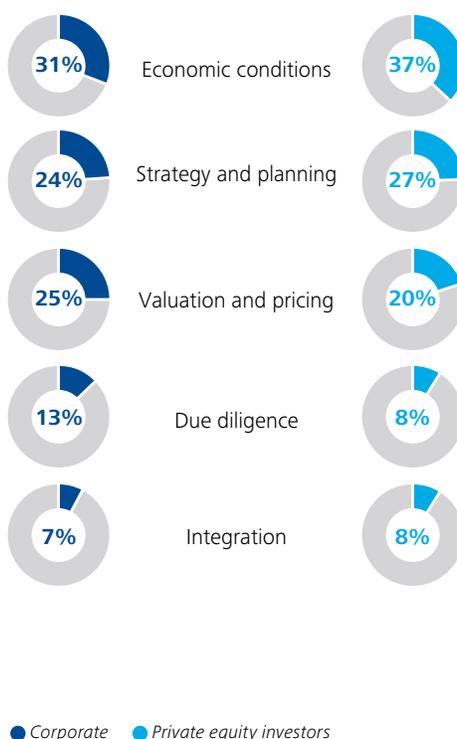
When looking at the top three factors leading to deal success in the aggregate, however, corporate respondents picked valuation and pricing as the top choice.

Despite global economic concerns, 75 percent of corporate respondents are still searching for a slightly larger share of cross-border deals. For private equity investors, 84 percent are seeking acquisitions in foreign markets.

Influence on pursuing, financing and closing deals



Top factors in ensuring deal success for your company

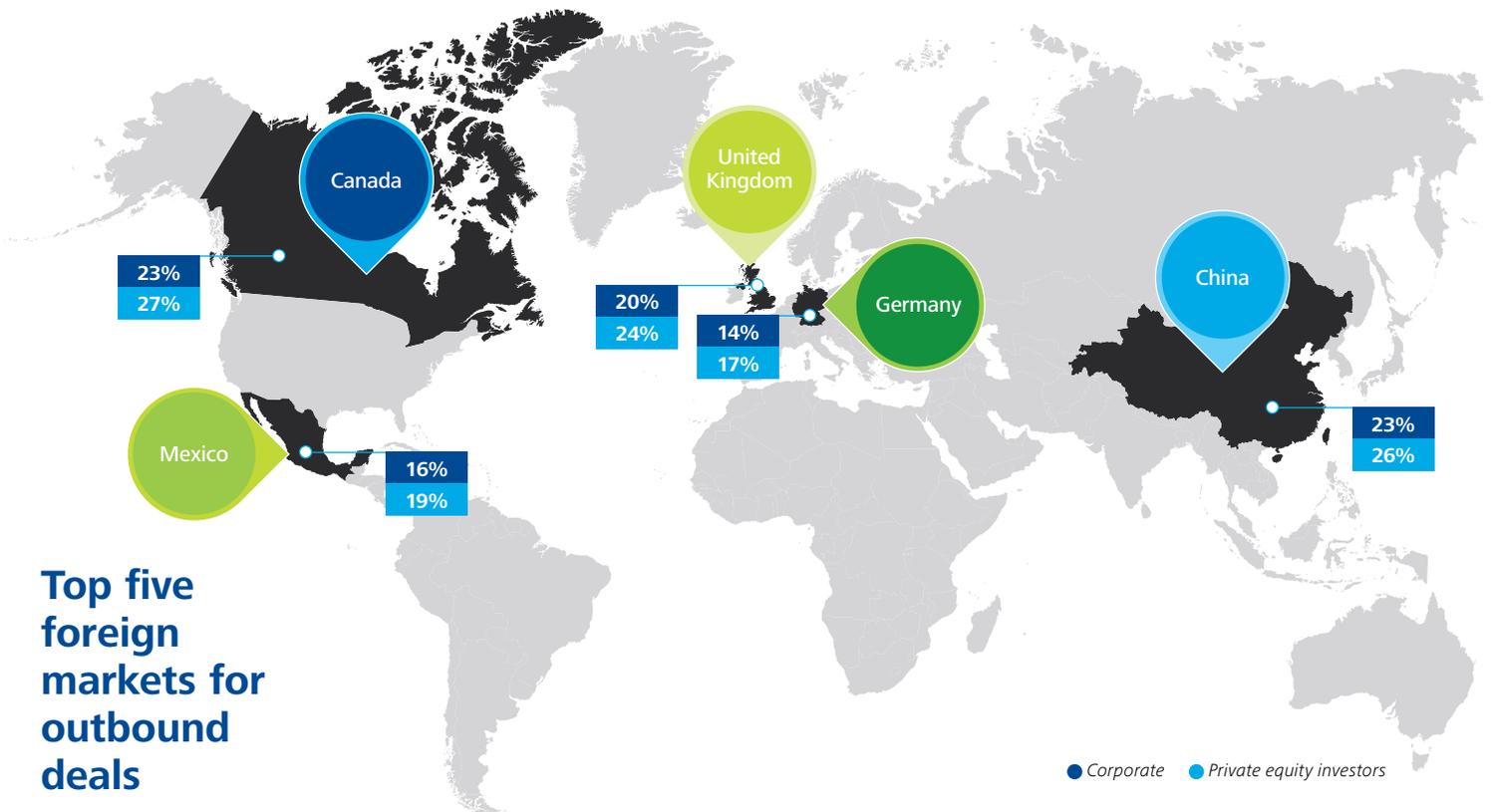


Interest in deals in the United Kingdom among corporate respondents is down for the second straight year, as 24 percent of respondents said they were likely to pursue UK deals, down from a high of 33 percent in 2014. Among private equity investors, intentions to pursue deals in France and Italy were down significantly from 2015, by margins of seven and six percentage points, respectively.

Only in Brazil, which has been in the throes of an economic and political crisis since 2014,⁹ do both PEI and corporate respondents indicate they would be pursuing fewer deals, continuing a three-year trend of falling interest in that market (PEIs down from 24 percent in 2014 to 14 percent in 2016; corporates down from 23 percent to 12 percent).

“Europe is still experiencing slow growth and Brazil may be facing a severe recession. There’s concern that the global market could impact the capital markets. At this stage, there’s still a lot of uncertainty,” said Barry Curtis. Nonetheless, liquidity among private equity investors means that deal pricing in destinations such as Brazil may become attractive later in the year or next if things stabilize there.

As compared to 2015, private equity investors also expressed about the same level of interest as last year in two significant Asian markets—China and Japan (one percentage point decrease each). Conversely, interest in pursuing transactions in Latin America gained five percentage points in Colombia and also rose slightly in Mexico, where respondents have indicated steady interest since we began our survey in 2014.



Getting execution, integration right

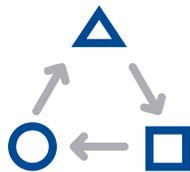
In this year's survey, there was a significant increase in respondents who said that the M&A transactions they had completed in the past two years had not met expectations. Thirty-nine percent of corporate respondents said that more than half of their transactions completed over the past two years had not generated expected returns, compared with 30 percent in 2015.

Private equity respondents also expressed growing concern about deals that had not met expectations over the last two years, with 56 percent of those surveyed saying more than half of deals had not returned expected value, up from 54 percent in 2015.

For both segments of respondents, gaps in execution and integration of deals comprised the key reason why deals did not generate the expected value (23 percent for corporates and 26 percent for PEI respondents). We also asked survey respondents for the first time this year to rank their top three concerns upon acquisition of a new target. Private equity respondents said the quality and timeliness of data was the top concern, followed by the capability of the management team, and efficiency and effectiveness in change management. On the corporate side, respondents ranked efficiency and effectiveness in change management as the top concern, followed by capability of management team, and quality and timeliness of data.

Top concerns upon acquisition of a new target

Efficiency and effectiveness in change management



Quality and timeliness of data



Capability of the management team



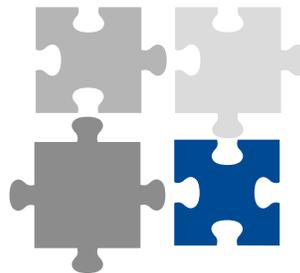
● Corporate ● Private equity investors

Building value through divestitures

The share of corporations looking to shed assets that no longer fit into their business plans has been increasing steadily since we began our survey two years ago. While 31 percent of corporate respondents expected to pursue a divestiture in 2014, the percentage climbed to 52 percent in this survey.

What's driving the pace of divestitures, particularly for existing conglomerate firms, is a return to basics, said Andy Wilson, partner, Deloitte & Touche LLP. "When companies spin off or carve out a business they can achieve higher value for the remaining core business. Investing in a business that's easily understandable in the marketplace—that's what investors want. Additionally, you give the carved-out company a chance to flourish under a new owner," Wilson said.

The leading reason corporate respondents cited for divesting a business continues to be the release of non-core assets. More than 70 percent of corporate respondents ranked the existence of such assets as one of the top three factors in their decision to divest a business, a figure which has held steady since our first M&A survey in 2014. Market change (countering competitor tactics) also continues to be an important factor for corporate respondents—a quarter ranked it as the top driver of divestitures in this survey, while 79 percent mentioned changes in the market environment as one of the top three drivers of divestitures.



Corporate

Surge in divestitures

52%  Up from 39% in 2015

Portfolio exits

68%  Up from 62% in 2015 **Strategic sales**

32%  Down from 38% in 2015 **IPOs**



Private equity investors

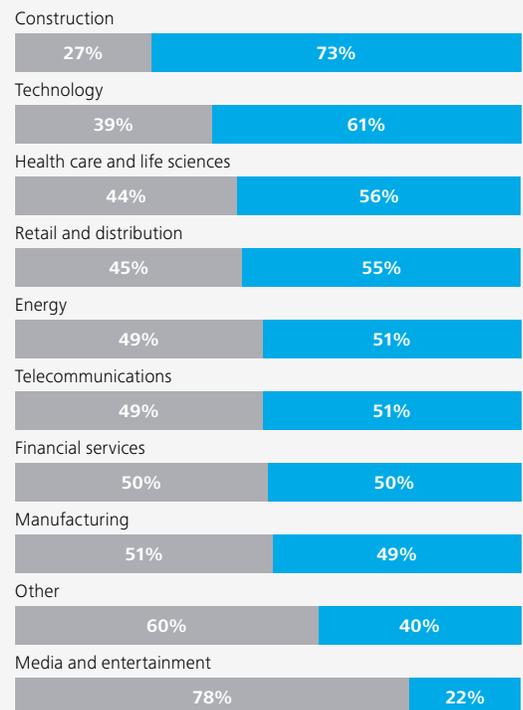
Life sciences was among the industries most likely to see divestitures, as 56 percent of respondents in 2016 said they would be pursuing a spin off in the upcoming year. A key motivator is the need to simplify portfolios, says Phil Pfrang, partner, Deloitte & Touche LLP. “There has been substantial acquisition activity within the life sciences industry. Any time they make an acquisition, it creates redundancies in their portfolios. Some of these companies become too complex for Wall Street to value them efficiently and a spin off or carve out can allow an asset within the portfolio to receive a higher valuation on its own. The sum of the parts is greater than the whole,” Pfrang said.

For the second straight year, private equity investors also expect that portfolio exits will continue to increase. Three-quarters of private equity respondents (77 percent) anticipate that there will be additional exits this year—a slightly higher proportion than those in 2015 (74 percent)—and compared to 65 percent of respondents in 2014. Two-thirds of those exits will emerge in the form of strategic sales. And despite the slow IPO start to 2016, the remainder are expected to be IPOs, a trend that has largely remained steady since 2014.

We also asked respondents to evaluate what drives success in a divestiture. Although all categories were deemed important by respondents, an effective communication plan within the organization on future plans for the business for sale ranked highest in importance for both corporate (78 percent) and private equity investors (81 percent).

Divestitures by industry

Corporate respondents



- No
- Yes

“There has been substantial acquisition activity within the life sciences industry. Any time they make an acquisition, it creates redundancies in their portfolios. Some of these companies become too complex for Wall Street to value them efficiently and a spin off or carve out can allow an asset within the portfolio to receive a higher valuation on its own. The sum of the parts is greater than the whole.”

—Phil Pfrang, partner, Deloitte & Touche LLP

M&A Analytics: Insights and challenges

Nearly a third (31 percent) of corporate respondents said analytics form a core part of their M&A strategy in our most recent survey, while 41 percent said they use technology in select areas of their analysis in these transactions. Adoption of analytics occurred at similar rates on the private equity side, with about three-quarters (74 percent) of respondents saying they use analytics and technology for at least part of their M&A analysis. These responses are slightly higher than those in our *Deloitte M&A focus on: Analytics* survey¹⁰, a pulse survey fielded in December 2015. In that survey, 68 percent of corporate leaders reported using analytics in some area of their M&A activities, with 40 percent considering it a core component of their approach.

That survey also found that the most valuable stage of incorporating analytics in the M&A lifecycle was: strategy development (64 percent target screening (49 percent), integration (47 percent), due diligence (42 percent), transaction execution (40 percent), and divestiture (20 percent).

From that same pulse survey, our results showed that over the past year, 64 percent of companies increased the use of data analytics. And, over 80 percent of respondents indicated that analytics would play an important role in future M&A transactions.

Complexity continues to be the most common impediment for corporate respondents using analytics, while private equity investors also said those difficulties were the most likely reason why they hadn't used analytics in certain transactions.

Technology-driven data analytics



A majority of corporate and PEI respondents are deploying technology-driven data analytics as either a core component of M&A analysis or within select areas of M&A analysis.

¹⁰ <http://www2.deloitte.com/us/en/pages/mergers-and-acquisitions/articles/merger-analytics-survey.html>

Conclusion

After a record-breaking year for mergers and acquisitions across the globe, the outlook for M&A activity remains quite favorable. Numerous factors are converging—and promising to sustain if not accelerate the pace of M&A activity. Interest rates remain near historical lows and equity markets are stabilizing, which we expect will enable companies to access capital.

After a record-breaking year for mergers and acquisitions across the globe, the sentiment and outlook for M&A activity remains quite favorable. Numerous factors are converging—and promising to sustain a robust level of M&A activity. Interest rates remain near historical lows and equity markets are stabilizing. In increasing numbers, companies are venturing abroad for targets sensing bargains to be had—and opportunities to expand their global footprints. Meanwhile, corporate boards, shareholders, and regulators alike are exerting pressure on firms to divest units that aren't mission-critical, triggering strong interest in companies pursuing divestitures. Additionally, the ever-changing market is ripe for sector convergence with technology as well as consolidation within certain sectors.

Still, there are a number of potential obstacles that have emerged in this, our third annual, M&A Trends Report. The nearly 2,300 respondents—comprising corporate and private equity leaders—cited global economic uncertainty as a key concern. For the first time in our survey, economic concerns surpassed strategy, planning, valuation, and pricing as the top factor impacting deal success. Those concerns may have been reflected in the decline in M&A activity that companies observed during the first quarter.

“It remains to be seen whether this year will be a tale of two halves, with improvement after a softer start,” said Russell Thomson, national managing partner, M&A Services, Deloitte & Touche LLP “We are seeing significant interest and enthusiasm across corporations and PE firms, yet the challenges are very real and global uncertainty could lead to slower M&A activity as compared to last year’s record pace.” He went on to say that, “While we can’t control the economy, companies and PE firms can get the most out of their deals through focus, preparation, and execution. There’s no substitute for a well-thought-out M&A strategy and a solid execution plan to improve prospects for the completion of a successful M&A deal.”

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—Russell Thomson, national managing partner,
M&A Services, Deloitte & Touche LLP

Appendix

Note: some percentages in the charts throughout this report may not add to 100% due to rounding, or for questions where survey participants had the option to choose multiple responses. Year over year data has been included where applicable. Rounding may show a slight difference in numbers from previous M&A Trends reports.

Acknowledgment

We would like to thank all survey respondents and interviewees for their time and the insights they shared for this report, *M&A Trends Report 2016*.

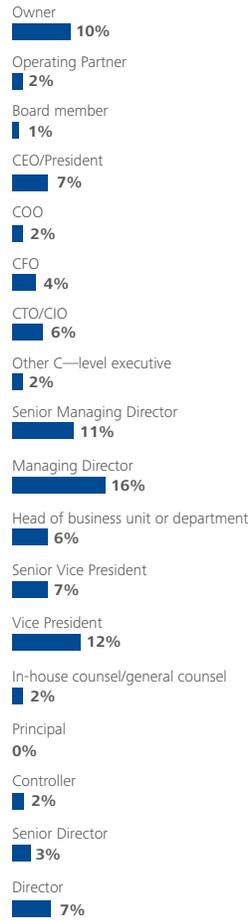
Corporate responses

Which of the following best describes your current occupation?

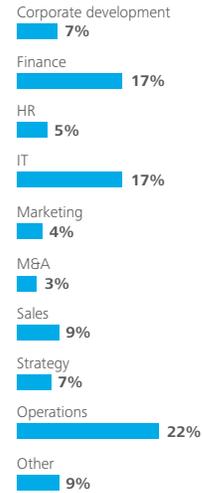


Owner of a business: 12%
Working full-time for a company: 88%

Which of the following best describes your title or role in your company?



In which function do you work?



Is your company public or privately-held?



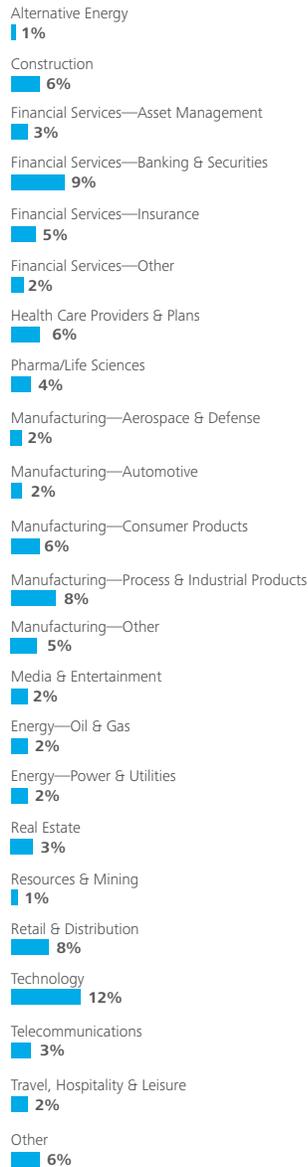
Public company: 58%
Privately-held: 42%

Which of the following describes your company?

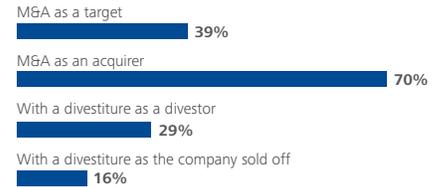


Family-owned: 41%
Closely held (non-family): 30%
Private equity owned (e.g., portfolio company): 26%
Venture-capital-backed: 2%
Other: 1%

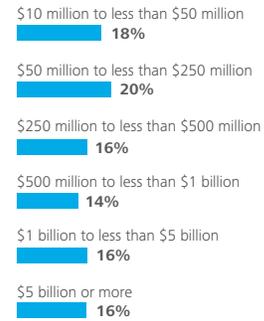
What is your company's primary industry?



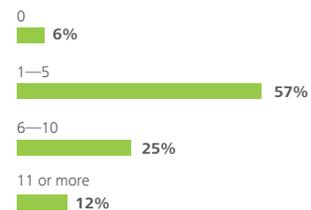
Have you ever been personally involved with your company's mergers or acquisitions or divestitures?



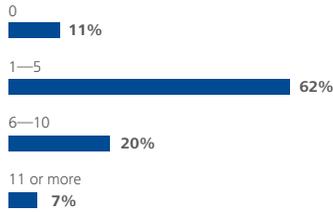
What is the annual revenue of your company?



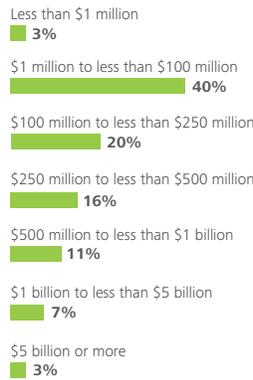
How many M&A transactions does your company actively pursue in a typical year? (i.e., have selected a target and are beginning active negotiations with a goal to enter the diligence phase)



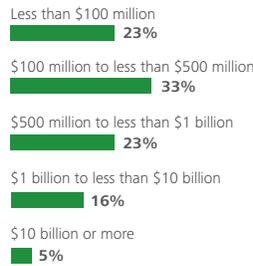
How many M&A transactions does your company close in a typical year?



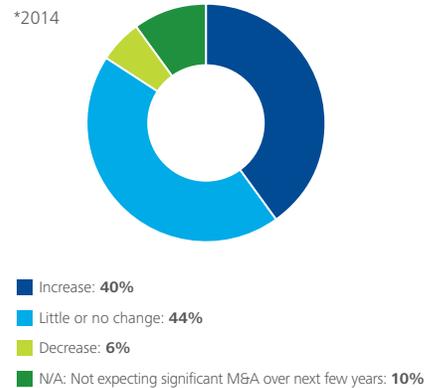
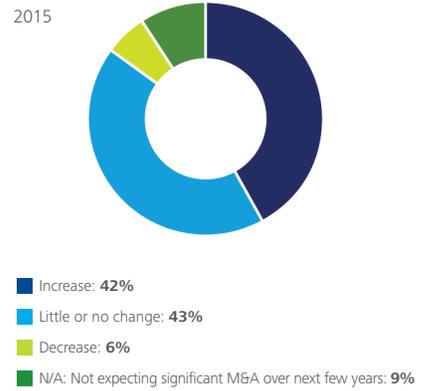
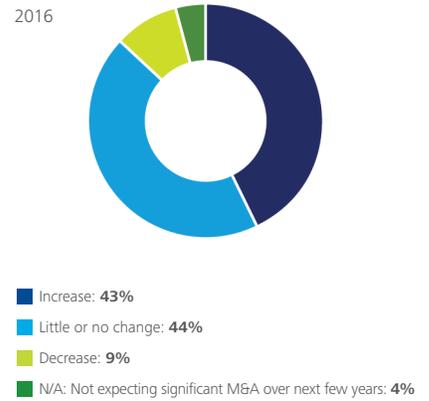
What is the typical size of a deal your company completes in a typical year?



What is the total annual dollar value (aggregate enterprise value) of all the deals your company completes in a typical year?



Do you expect the average number of deals that your company actively pursues to increase or decrease over the next 12 months?

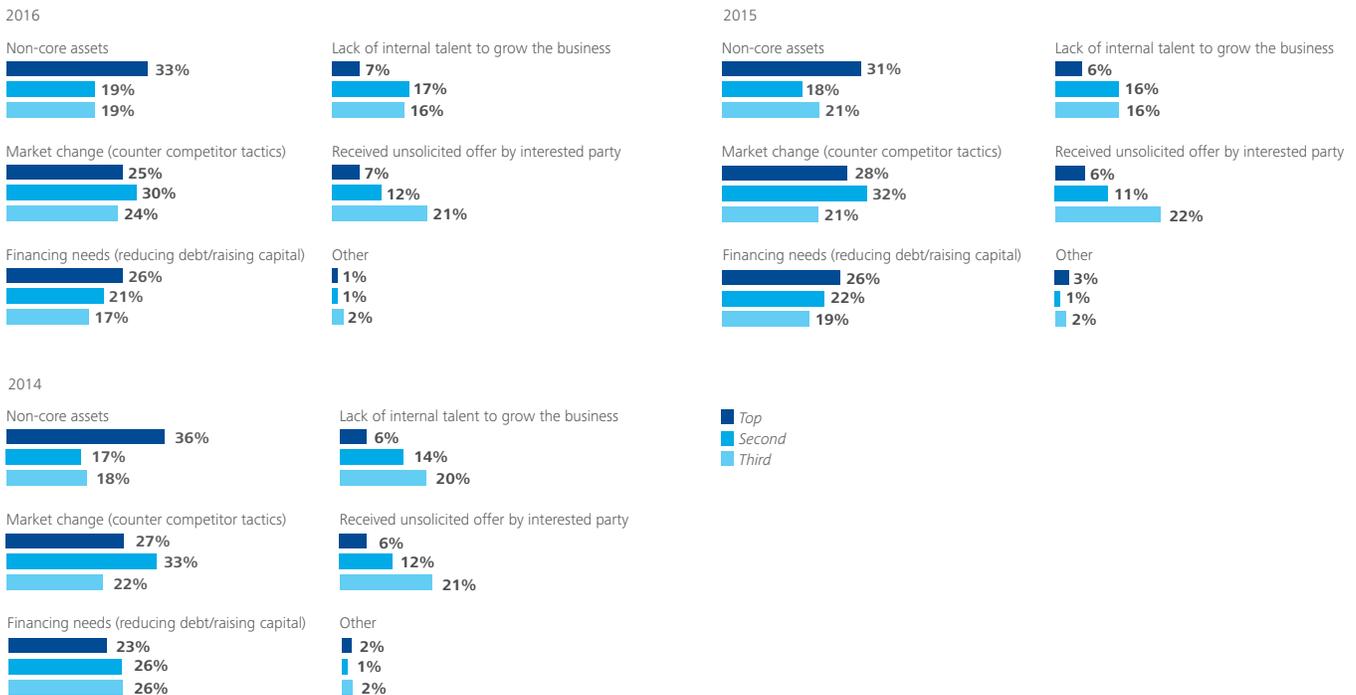


*2014 timeframe = two years

Do you expect your company to pursue divestitures over the next 12 months?



Please rank in order of importance the top 3 reasons for divesting a business as they apply to your company. (1 = Top; 2 = Second; 3 = Third)



Please rate the following concerns with respect to their importance to your company's ability to achieve a successful divestiture.

2016

Effective communication plan within the organization on future plans for the business for sale



3%

Availability of internal resources dedicated to the transaction



1%

Ability to manage confidentiality requirements of the transaction while balancing the personnel that can be involved in the transaction



1%

Sensitivities with employee morale of the business to be divested



1%

Operational complexity of executing the transaction



1%

Ability to generate required financial information



1%

Management of customer and supplier relationships through the transaction process



1%

- Not at all important
- Somewhat unimportant
- Neutral
- Somewhat important
- Extremely important

What is your company's M&A strategy for the next 12 months?

■ 2016 ■ 2015 ■ 2014

Seeking smaller strategic deals now to take advantage of favorable opportunities



Seeking major transformational deals now to take advantage of favorable opportunities



Reactively responding to any opportunities that arise



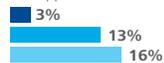
Deferring major deals in anticipation of better opportunities in the future



Deferring major deals in anticipation of better valuations



Not applicable—we do not have an M&A strategy



- Other
- 1%
- 1%
- 0%

Please rank your top 3 M&A objectives, in order of their importance, with respect to your company's M&A strategy for the next 12 months.

2016

	Ranked 1	Ranked 2	Ranked 3
Expand customer base in existing geographic markets	23%	21%	14%
Enter new geographic markets	16%	18%	15%
Pursue cost synergies or scale efficiencies	21%	13%	17%
Expand/diversify your products or services	21%	18%	15%
Obtain bargain-priced assets	9%	10%	12%
Technology acquisition	6%	10%	13%
Talent acquisition	4%	10%	13%
Other	0%	0%	0%

2015

	Ranked 1	Ranked 2	Ranked 3
Expand customer base in existing geographic markets	29%	20%	13%
Enter new geographic markets	18%	17%	15%
Pursue cost synergies or scale efficiencies	18%	13%	16%
Product/service diversification/expansion	17%	17%	16%
Obtain bargain-priced assets	7%	14%	12%
Technology acquisition	7%	10%	14%
Talent acquisition	5%	9%	13%
Other	0%	0%	0%

Thinking about the overall M&A deal environment for the next 12 months would you say that you expect it will...



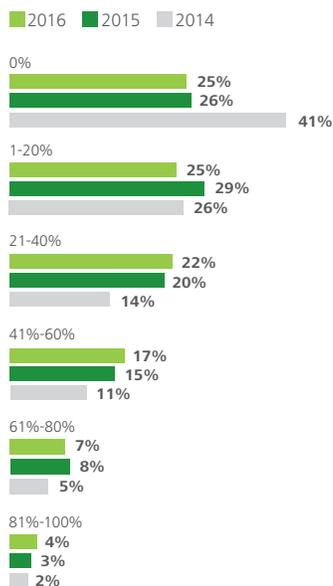
- Slow down: 16%
- Continue at the same pace: 59%
- Increase pace: 26%
- Not sure: 3%

Please rank in order of importance the top 3 concerns of your firm upon the acquisition of a new company.

2016

	Ranked 1	Ranked 2	Ranked 3
Quality and timeliness of data	27%	25%	26%
Capability of management team/need to upgrade	27%	26%	24%
Speed of decision making	13%	20%	23%
Efficiency and effectiveness in change management	29%	26%	24%
Other	1%	1%	1%
Don't know/Not sure	2%	2%	2%

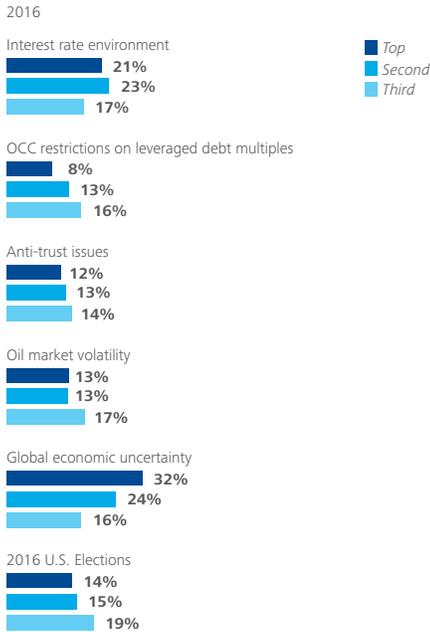
What percentage of your company's M&A deals involve acquiring targets operating principally in foreign markets?



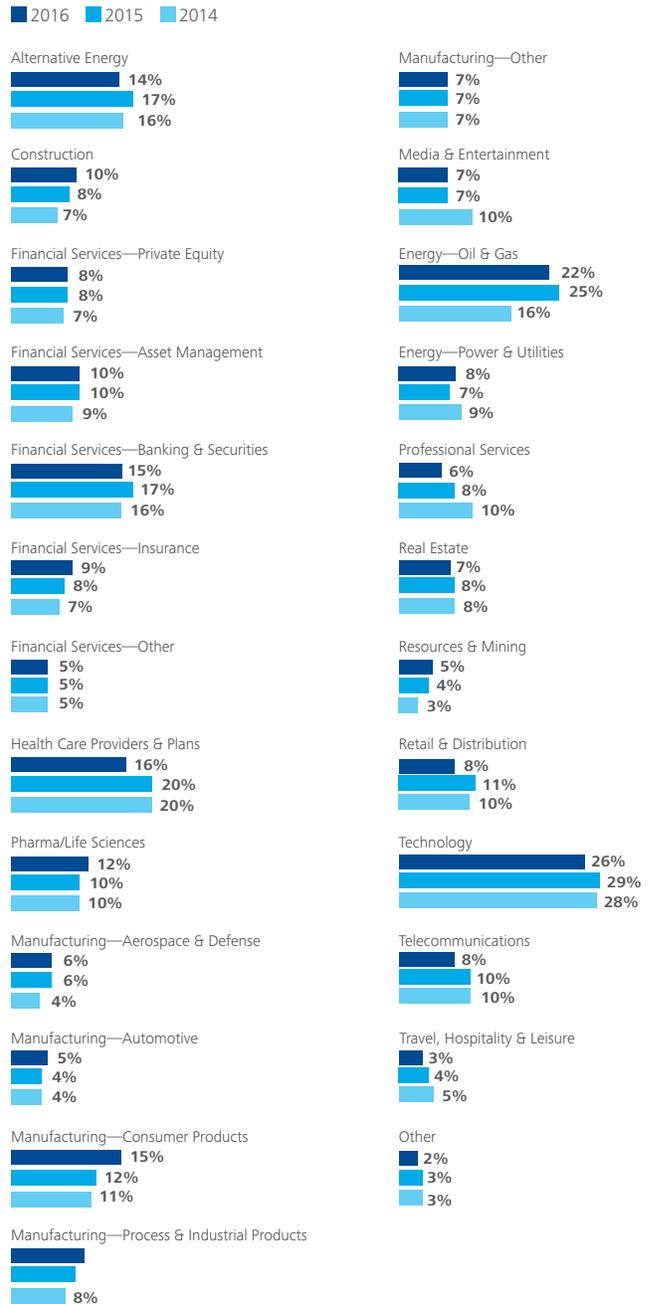
Which foreign markets are you most likely to pursue?

2016		2015		2014	
Canada	23%	China	24%	China	33%
China	23%	Canada	23%	Canada	26%
UK	20%	UK	19%	UK	25%
Mexico	16%	Mexico	16%	Brazil	23%
Germany	14%	Brazil	16%	Mexico	20%
Japan	13%	Germany	15%	Germany	19%
Brazil	12%	Japan	13%	India	18%
France	12%	India	12%	Japan	17%
India	10%	France	11%	France	14%
Italy	8%	Italy	7%	Italy	10%
Spain	6%	South Korea	6%	Singapore	10%
Argentina	5%	Other	6%	South Korea	9%
Singapore	5%	Spain	6%	Argentina	8%
South Korea	5%	Argentina	5%	Spain	8%
Taiwan	5%	Taiwan	5%	Thailand	7%
Chile	4%	Singapore	5%	Taiwan	7%
Colombia	4%	Ireland	4%	Netherlands	6%
Malaysia	4%	Thailand	4%	Chile	6%
Ireland	4%	Colombia	4%	Malaysia	6%
Israel	4%	Sweden	4%	South Africa	6%
South Africa	4%	South Africa	4%	Russia	6%
Sweden	4%	United Arab Emirates	4%	United Arab Emirates	6%
Thailand	4%	Chile	4%	Ireland	5%
United Arab Emirates	4%	Russia	4%	Israel	5%
Costa Rica	3%	Malaysia	4%	Costa Rica	5%
Denmark	3%	Israel	3%	Colombia	4%
Finland	3%	Netherlands	3%	Saudi Arabia	4%
Netherlands	3%	Norway	3%	Indonesia	4%
North Africa	3%	Costa Rica	3%	Sweden	4%
Norway	3%	Indonesia	3%	Denmark	4%
Poland	3%	Saudi Arabia	3%	Peru	4%
Russia	3%	Denmark	3%	Turkey	4%
Czech Republic	2%	Peru	3%	Poland	4%
Indonesia	2%	Turkey	3%	North Africa	3%
Panama	2%	Vietnam	3%	Norway	3%
Peru	2%	Finland	3%	Vietnam	3%
Saudi Arabia	2%	Poland	2%	Panama	3%
Turkey	2%	North Africa	2%	Finland	3%
Vietnam	2%	Panama	2%	Hungary	2%
Bahrain	1%	Qatar	2%	Sub-Saharan (excluding South Africa)	2%
Hungary	1%	Czech Republic	2%	Czech Republic	2%
Qatar	1%	Hungary	2%	Bahrain	2%
Sub-Saharan (excluding South Africa)	1%	Sub-Saharan (excluding South Africa)	1%	Qatar	2%
Uruguay	1%	Bahrain	1%	Uruguay	1%
		Uruguay	1%		

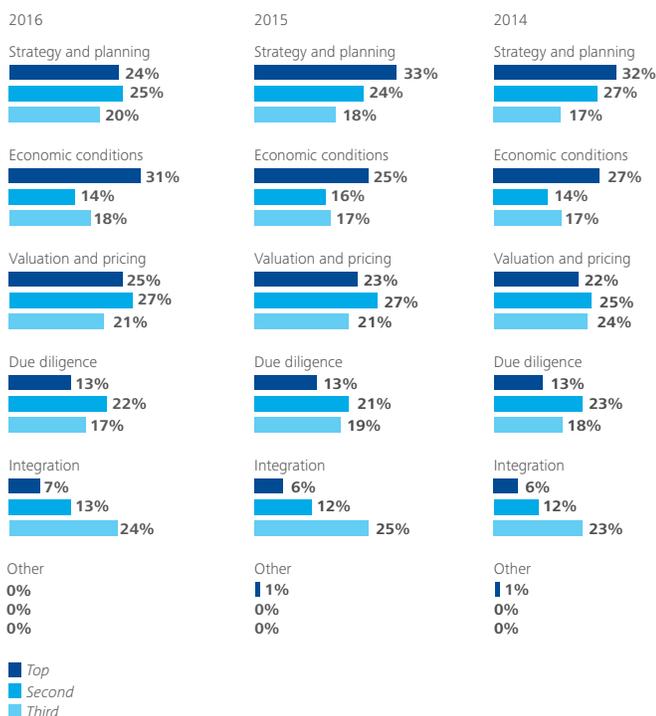
Please rank the following for their likely influence on your company's ability to pursue, finance and close deals in the next 12 months. (1 = Top; 2 = Second; 3 = Third)



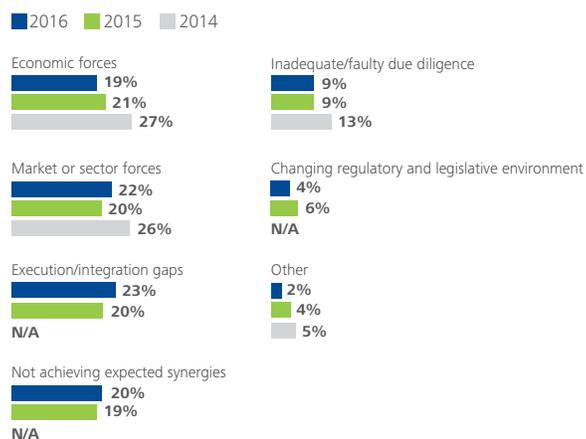
What do you see as the top three industries for M&A activity in the next 12 months?



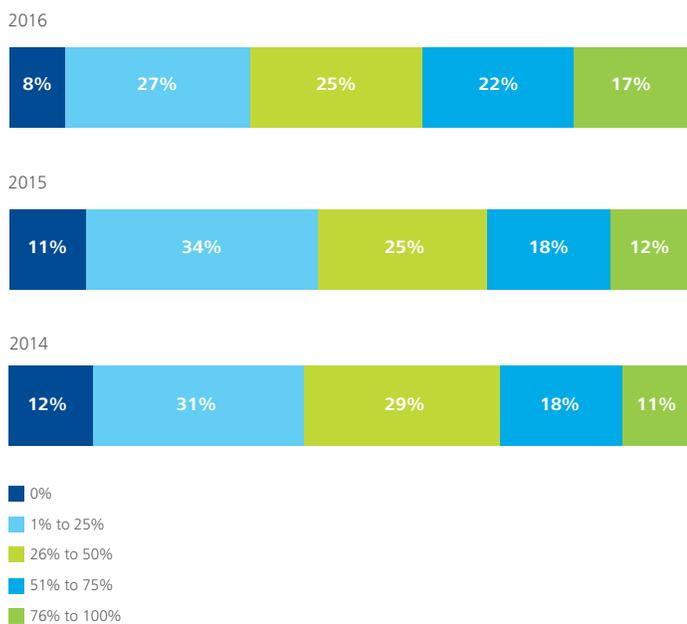
Please rank in order of importance the top 3 factors for ensuring deal success for your company. (1 = Top; 2 = Second; 3 = Third)



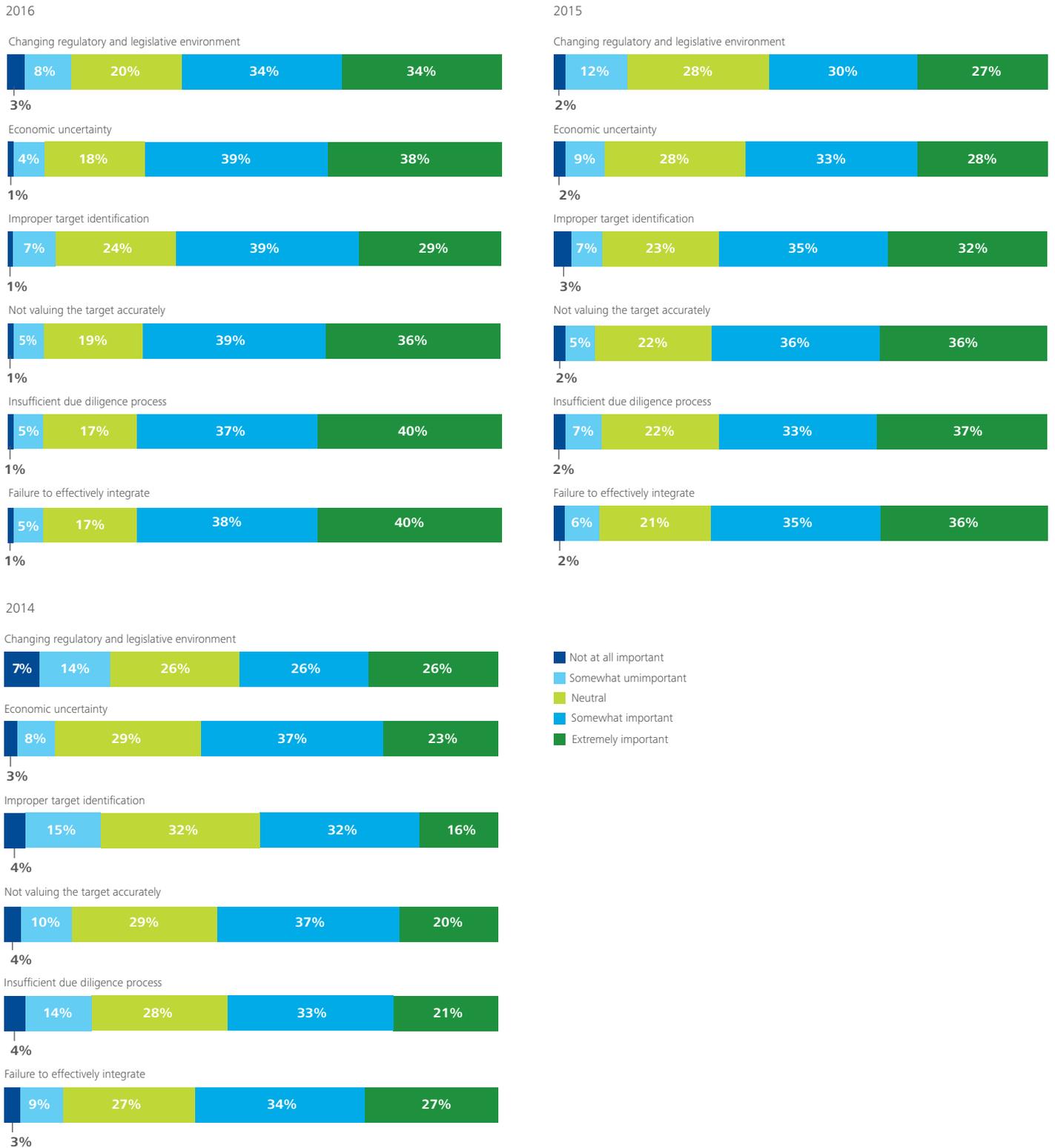
For those transactions that have not generated expected value for your company, what was the main reason?



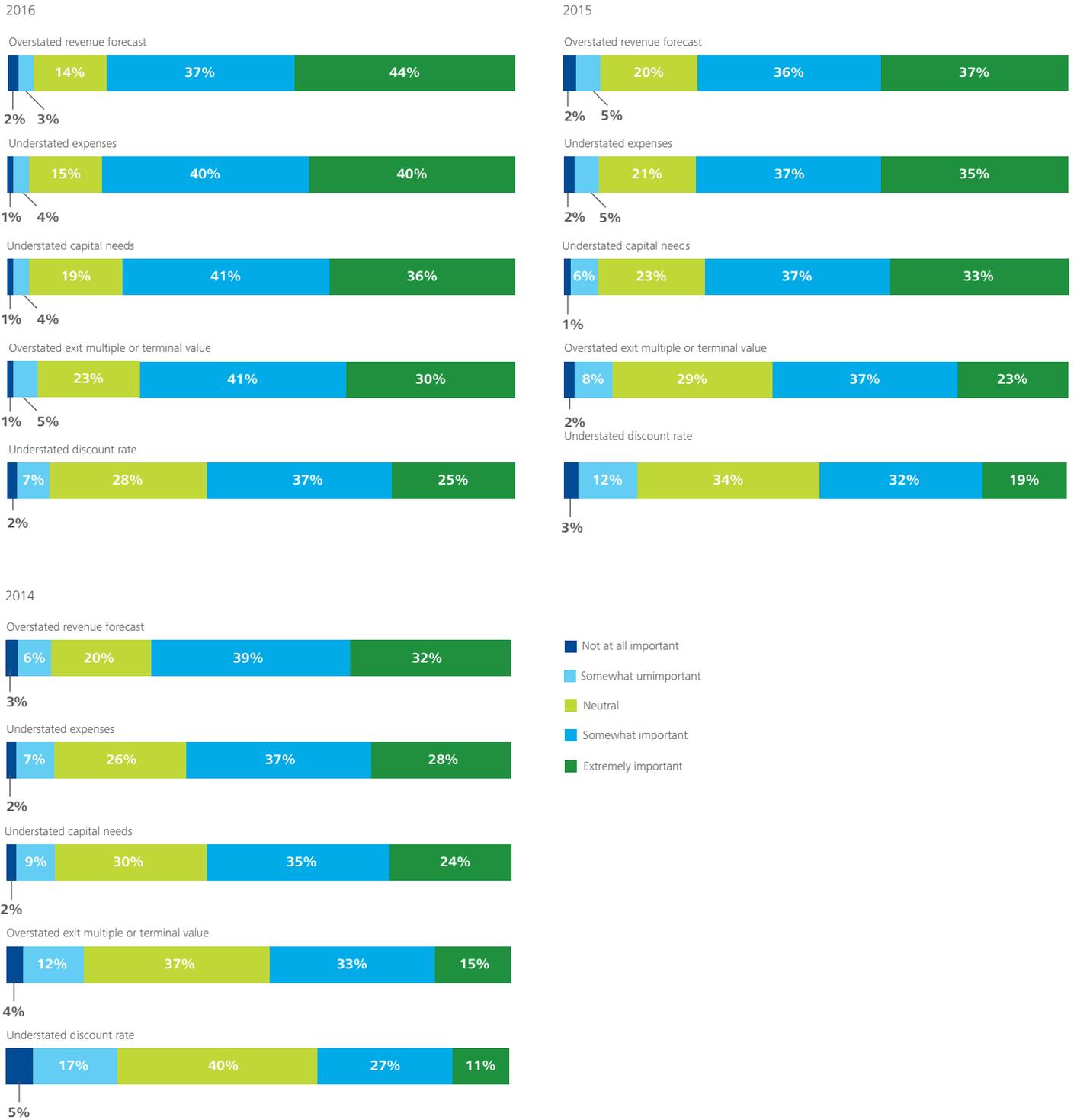
For transactions your company has completed within the past 2 years, what percentage has not generated their expected value or return on investment?



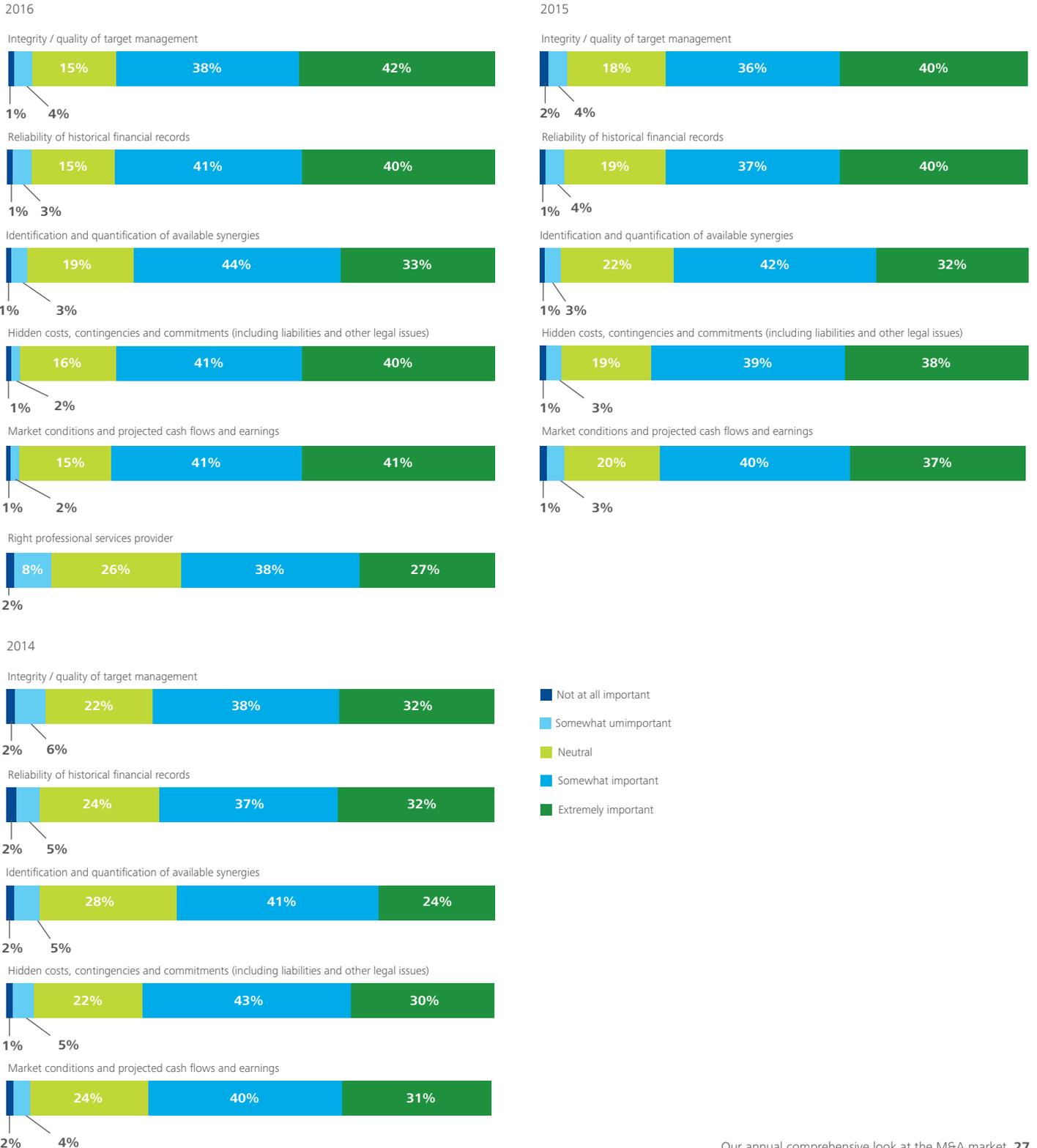
Please rate the following concerns with respect to their importance in achieving a successful M&A transaction for your company.



Please rate the following concerns in terms of their importance in accurately valuing a target.



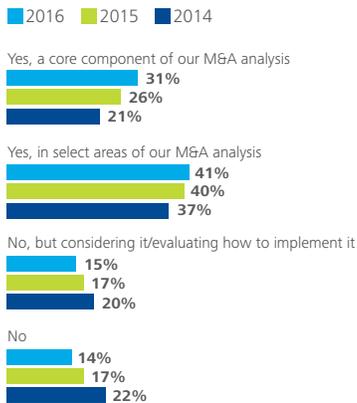
Please rate the following concerns in terms of their importance with respect to your company's due diligence process.



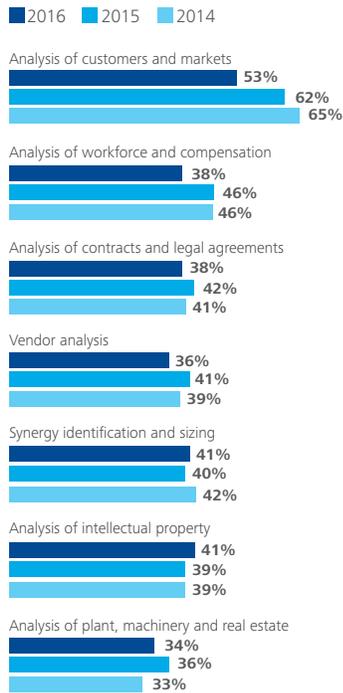
If you could do your company's last deal over again, what would you do differently?



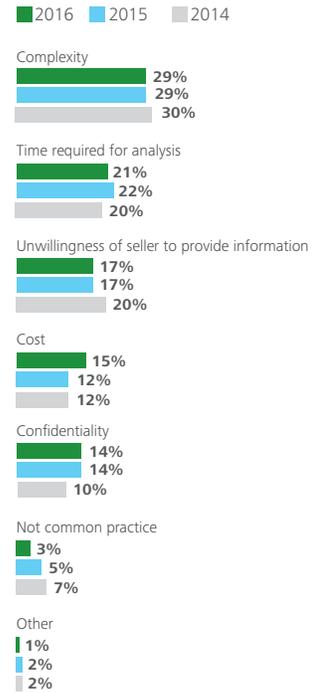
Does your company deploy technology-driven data analytics in M&A?



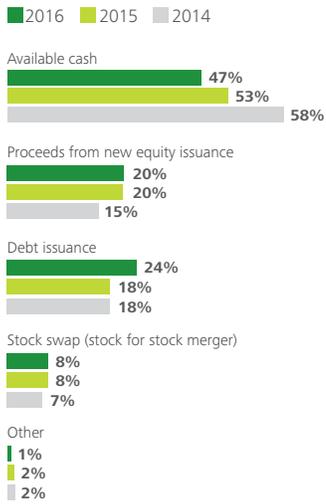
How has your company applied data analytics? Please select all that apply.



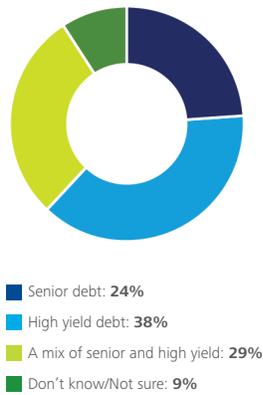
What do you think is the greatest impediment to the use of data analytics in M&A?



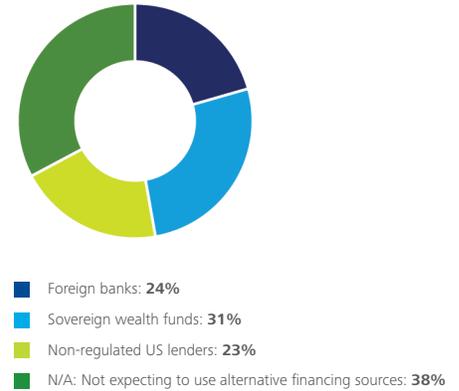
Over the next 12 months, what do you expect may be the primary funding source for your company's M&A investments?



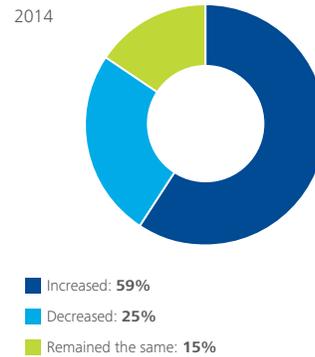
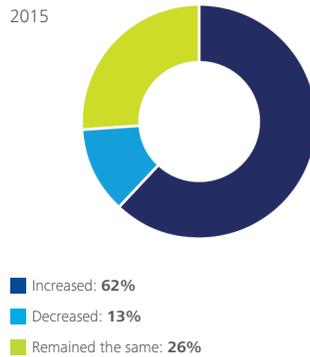
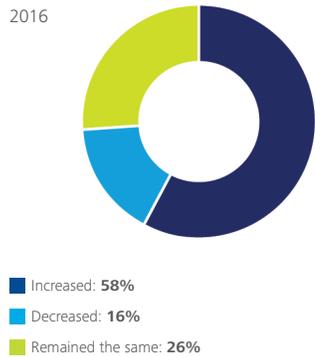
You mention that over the next 12 months, you expect your M&A primary funding source will be debt issuance. Which of the following are you most likely to utilize?



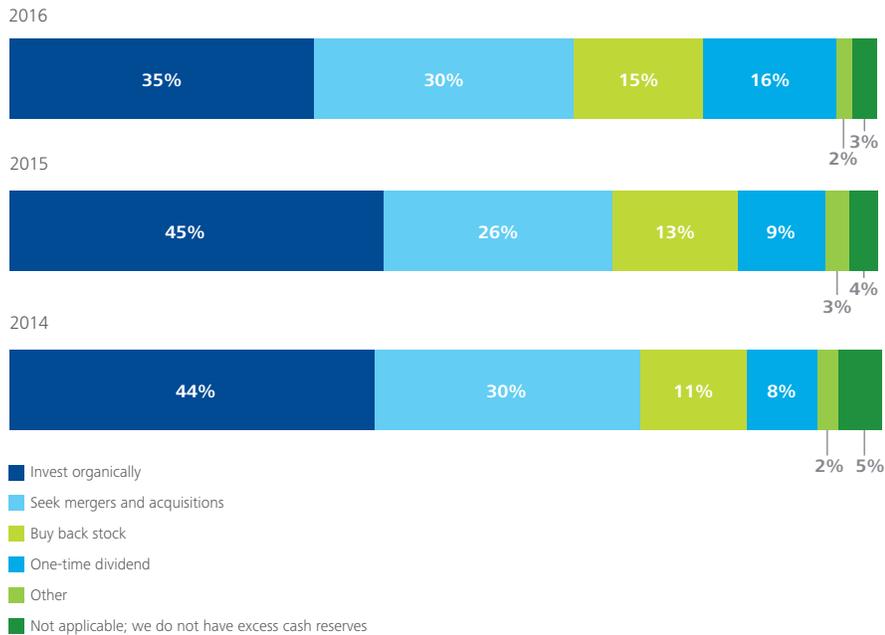
If you expect to use alternative financing sources, which of the following will it most likely be? Please select all that apply.



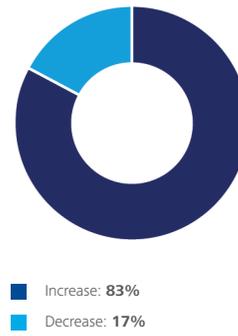
Compared to 2 years ago, how have the cash reserves on your company's balance sheet changed?



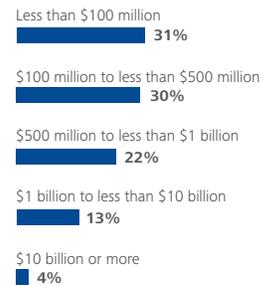
What is the primary intended use of your company's excess cash reserves? Please select only ONE.



Do you expect the enterprise size of your firm's deals to increase or decrease over the next 12 months?



What do you see as the average enterprise value for your firm's acquisitions in the next 12 months?

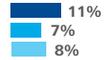


In what industries does your firm primarily focus its investments? Please rank your top 3 industries in each column.

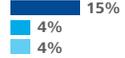
■ Top ■ Second ■ Third

Current Focus

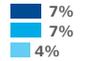
Financial Services—Banking & Securities



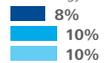
Alternative Energy



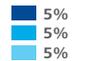
Construction



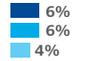
Technology



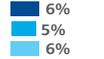
Health Care Providers & Plans



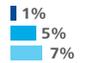
Financial Services—Insurance



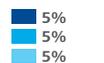
Manufacturing—Consumer Products



Professional Services



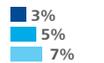
Manufacturing—Process & Industrial Products



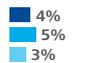
Real Estate



Financial Services—Other



Life Sciences



Retail & Distribution



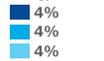
Manufacturing—Other



Media & Entertainment



Energy—Oil & Gas



Manufacturing—Automotive



Manufacturing—Aerospace & Defense



Travel, Hospitality & Leisure



Energy—Power & Utilities



Telecommunications



Travel, Hospitality & Leisure



Resources & Mining

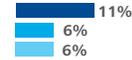


Other:

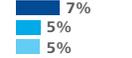


In the next 12 months

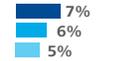
Financial Services—Banking & Securities



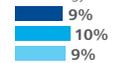
Alternative Energy



Construction



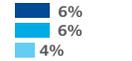
Technology



Health Care Providers & Plans



Financial Services—Insurance



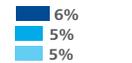
Manufacturing—Consumer Products



Professional Services



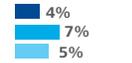
Manufacturing—Process & Industrial Products



Real Estate



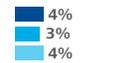
Financial Services—Other



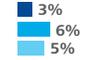
Life Sciences



Retail & Distribution



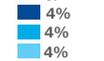
Manufacturing—Other



Media & Entertainment



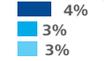
Energy—Oil & Gas



Manufacturing—Automotive



Manufacturing—Aerospace & Defense



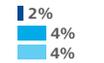
Travel, Hospitality & Leisure



Energy—Power & Utilities



Telecommunications



Resources & Mining

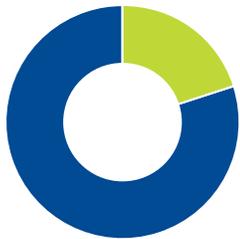


Other:



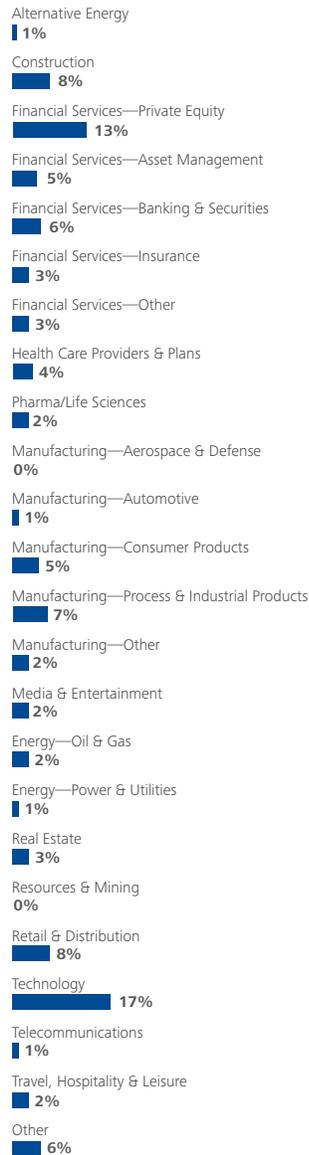
Private equity investor responses

Which of the following best describes your current occupation?

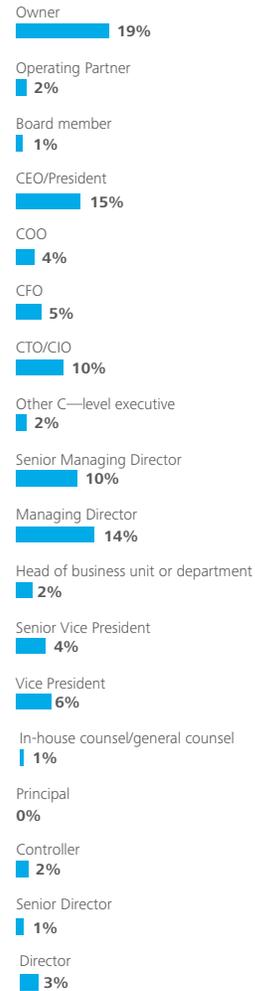


Owner of a business: 20%
Working full-time for a company: 80%

What is your company's primary industry?



Which of the following best describes your title or role in your company?

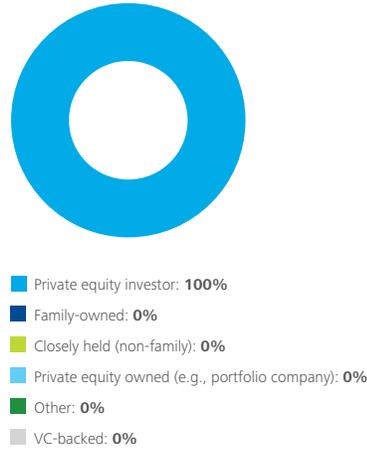


In which function do you work?

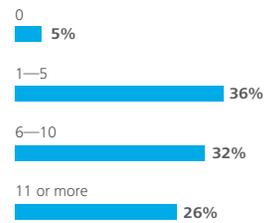


Which of the following describes your company?

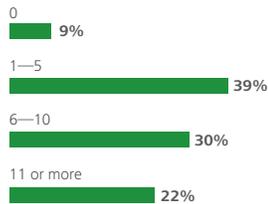
2016



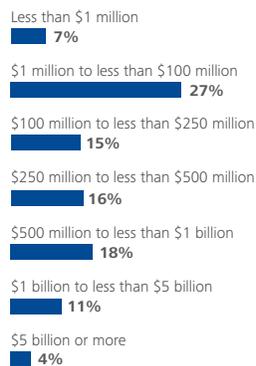
How many M&A transactions does your company actively pursue in a typical year? (i.e., have selected a target and are beginning active negotiations with a goal to enter the diligence phase)



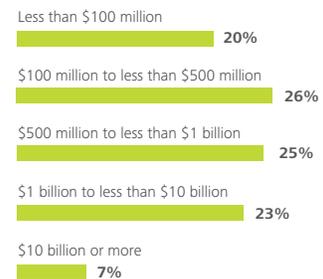
How many M&A transactions does your company close in a typical year?



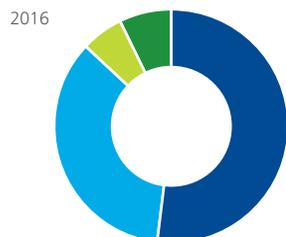
What is the typical size of a deal your company completes in a typical year?



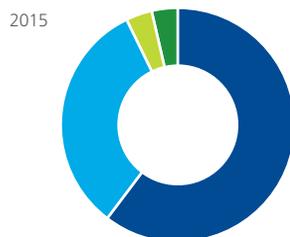
What is the total annual dollar value (aggregate enterprise value) of all the deals your company completes in a typical year?



During the next 12 months, do you expect the average number of deals your firm actively pursues to increase or decrease?

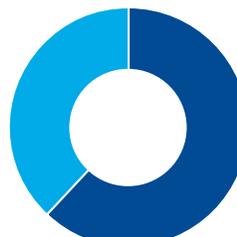


■ Increase: **52%**
 ■ Little or no change: **35%**
 ■ Decrease: **6%**
 ■ N/A: Not expecting significant M&A over next few years: **7%**

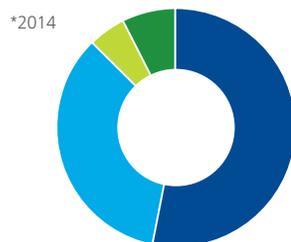


■ Increase: **61%**
 ■ Little or no change: **33%**
 ■ Decrease: **3%**
 ■ N/A: Not expecting significant M&A over next few years: **3%**

Do you expect your company to pursue divestitures over the next 12 months?



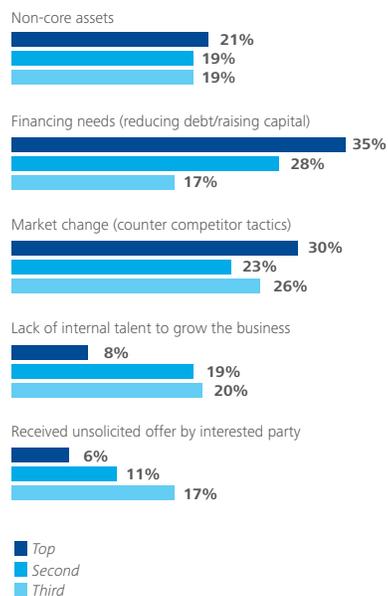
■ Yes: **62%**
 ■ No: **38%**



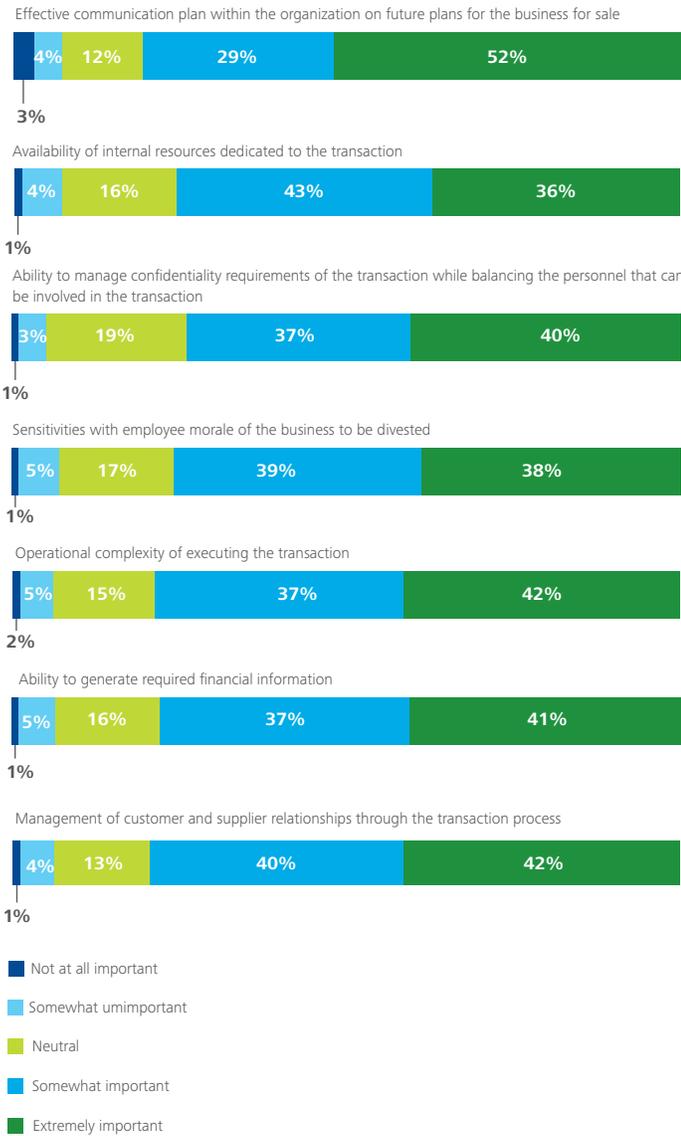
■ Increase: **53%**
 ■ Little or no change: **35%**
 ■ Decrease: **5%**
 ■ N/A: Not expecting significant M&A over next few years: **7%**

*2014 timeframe = two years

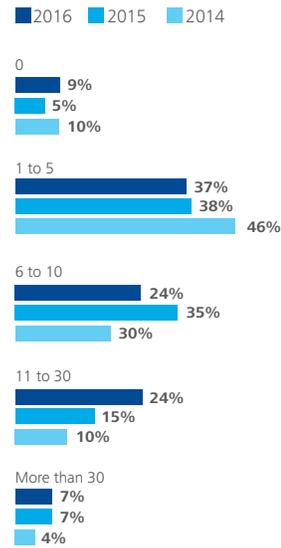
Please rank in order of importance the top 3 reasons for divesting a business, as they apply to your company.



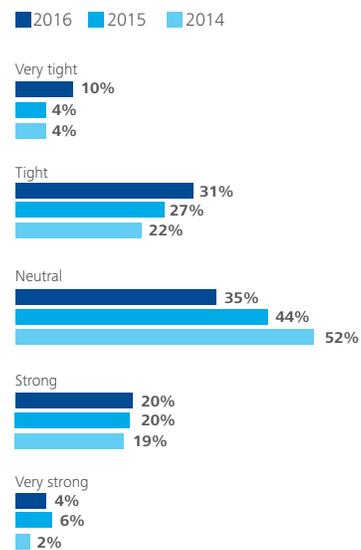
Pease rate the following concerns with respect to their importance to your company's ability to achieve a successful divestiture



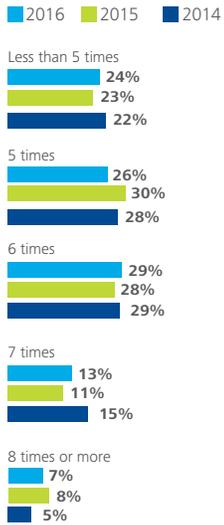
How many add-on acquisitions do you expect across your firm's portfolio over the next 12 months?



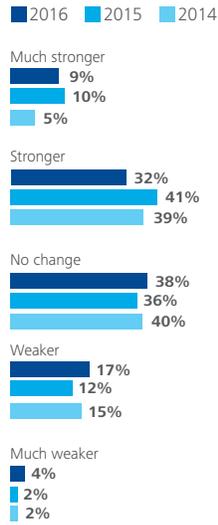
What is your general view of the debt markets for LBOs in the next 12 months?



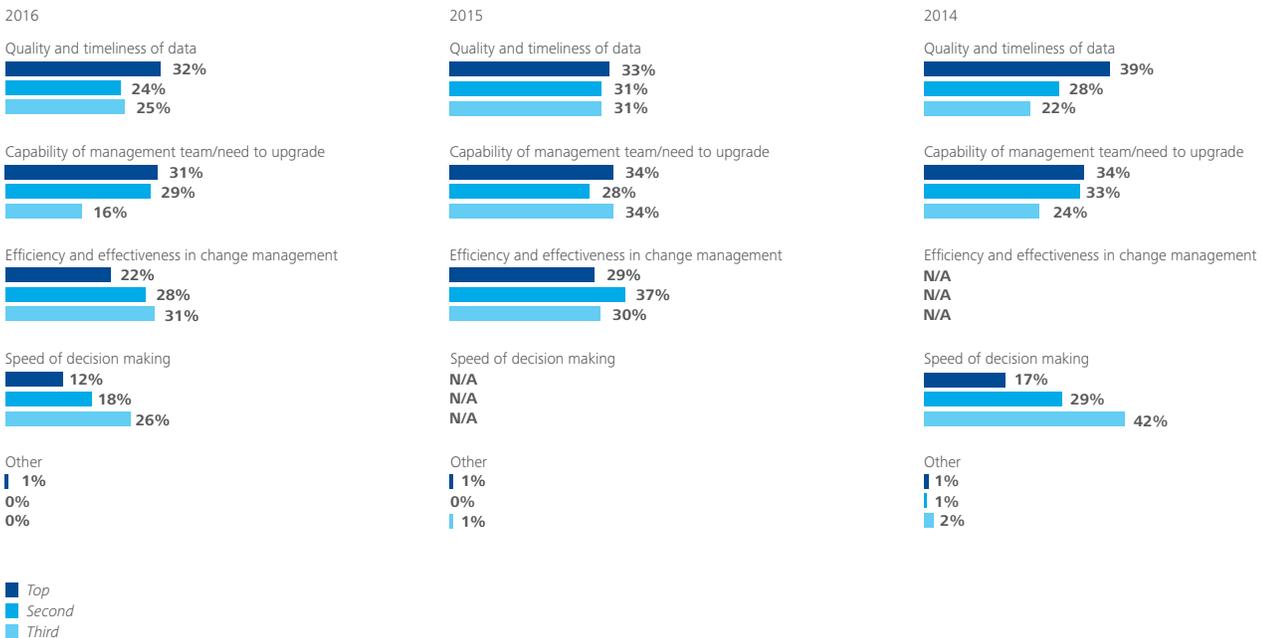
In general, what do you see as the leverage multiples for debt?



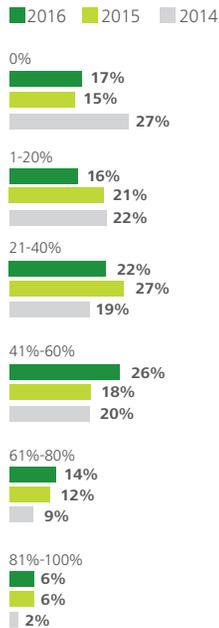
In general, how do you see leverage multiples changing over the next 12 months?



Please rank in order of importance the top 3 concerns of your firm upon the acquisition of a new company. (1 = top; 2 = second; 3 = third).



What percentage of your company's M&A deals involve acquiring targets operating principally in foreign markets?



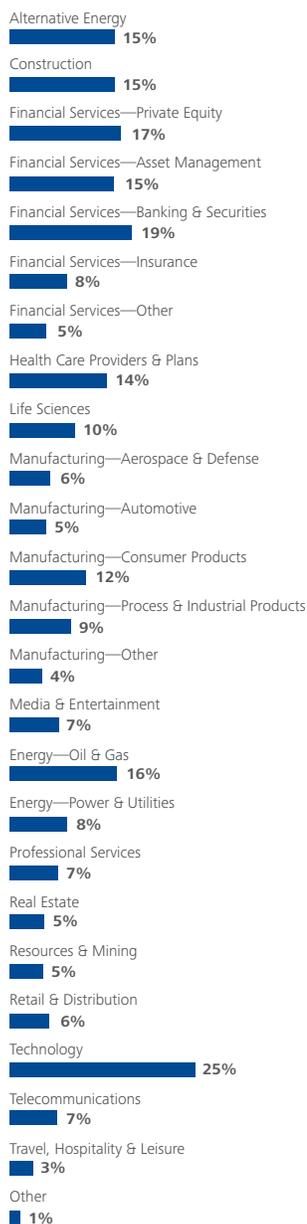
Which foreign markets are you most likely to pursue?

2016	
Canada	27%
China	26%
UK	24%
Mexico	19%
Germany	17%
Japan	17%
Brazil	14%
France	14%
Italy	10%
Spain	9%
Colombia	8%
India	8%
Argentina	7%
Chile	7%
Ireland	7%
South Korea	7%
Singapore	7%
United Arab Emirates	6%
Costa Rica	5%
Israel	5%
Malaysia	5%
Panama	5%
Taiwan	5%
Denmark	4%
Indonesia	4%
Netherlands	4%
Qatar	4%
Sweden	4%
Thailand	4%
Finland	3%
Hungary	3%
North Africa	3%
Norway	3%
Other	3%
Peru	3%
Poland	3%
Russia	3%
Saudi Arabia	3%
South Africa	3%
Turkey	3%
Bahrain	2%
Czech Republic	2%
Uruguay	2%
Vietnam	2%
Sub-Saharan (excluding South Africa)	1%

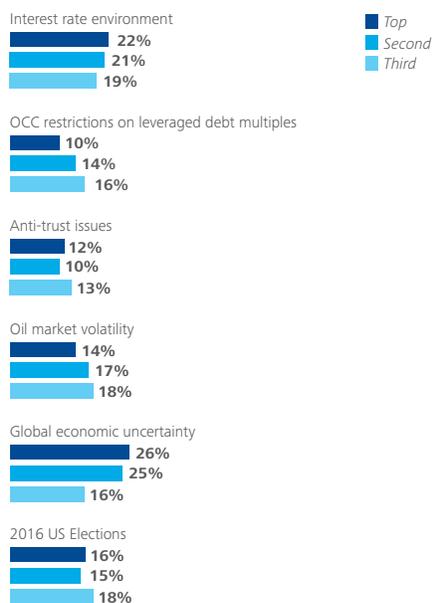
2015	
Canada	32%
UK	30%
China	27%
Japan	23%
France	21%
Germany	21%
Brazil	19%
Mexico	18%
Italy	16%
Singapore	12%
Spain	11%
India	11%
Chile	8%
United Arab Emirates	7%
Taiwan	7%
Denmark	7%
Sweden	6%
Ireland	6%
Costa Rica	6%
Argentina	6%
South Korea	5%
South Africa	5%
Poland	5%
Netherlands	5%
Malaysia	5%
Israel	5%
Finland	5%
Turkey	4%
Thailand	4%
Saudi Arabia	4%
Peru	4%
Panama	4%
Norway	4%
North Africa	4%
Russia	3%
Czech Republic	3%
Colombia	3%
Vietnam	2%
Qatar	2%
Other	2%
Indonesia	2%
Bahrain	2%
Uruguay	1%
Sub-Saharan (excluding South Africa)	1%
Hungary	1%

2014	
UK	34%
China	31%
Canada	30%
Brazil	24%
Mexico	18%
Japan	18%
India	16%
Germany	16%
France	14%
South Korea	10%
Italy	10%
Singapore	9%
Argentina	8%
United Arab Emirates	8%
Taiwan	8%
Spain	8%
South Africa	7%
Chile	7%
Ireland	6%
Colombia	6%
Norway	5%
Malaysia	5%
Israel	5%
Denmark	5%
Thailand	4%
Russia	4%
Finland	4%
Saudi Arabia	3%
Peru	3%
Panama	3%
Indonesia	3%
Costa Rica	3%
Uruguay	2%
Turkey	2%
Sweden	2%
North Africa	2%
Czech Republic	2%
Vietnam	1%
Sub-Saharan (excluding South Africa)	1%
Qatar	1%
Poland	1%
Netherlands	1%
Hungary	1%
Bahrain	1%

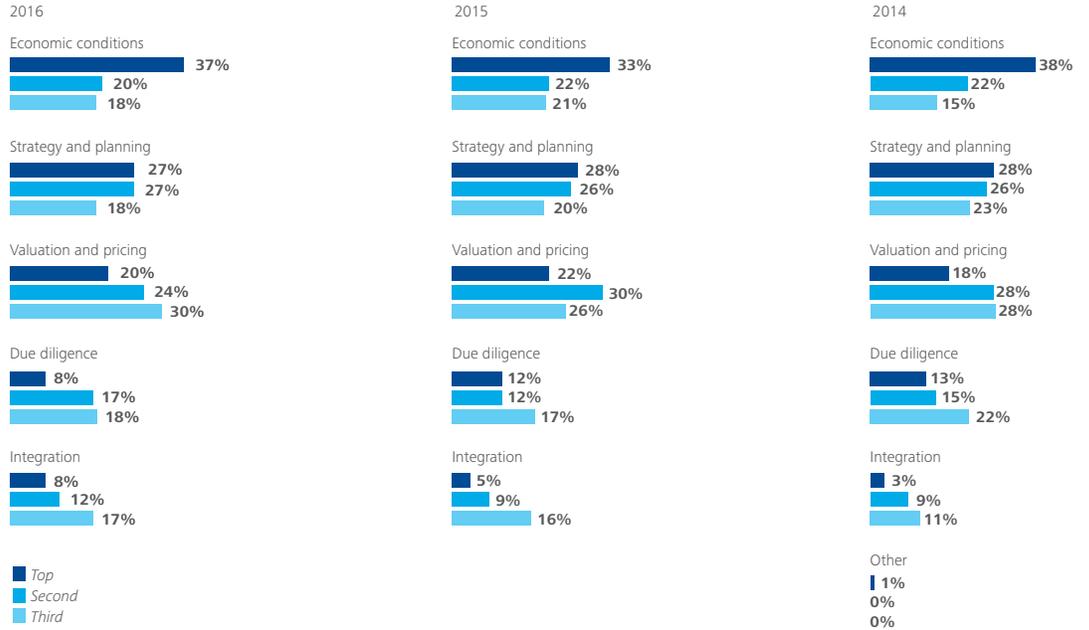
What do you see as the top three industries for M&A activity in the next 12 months?



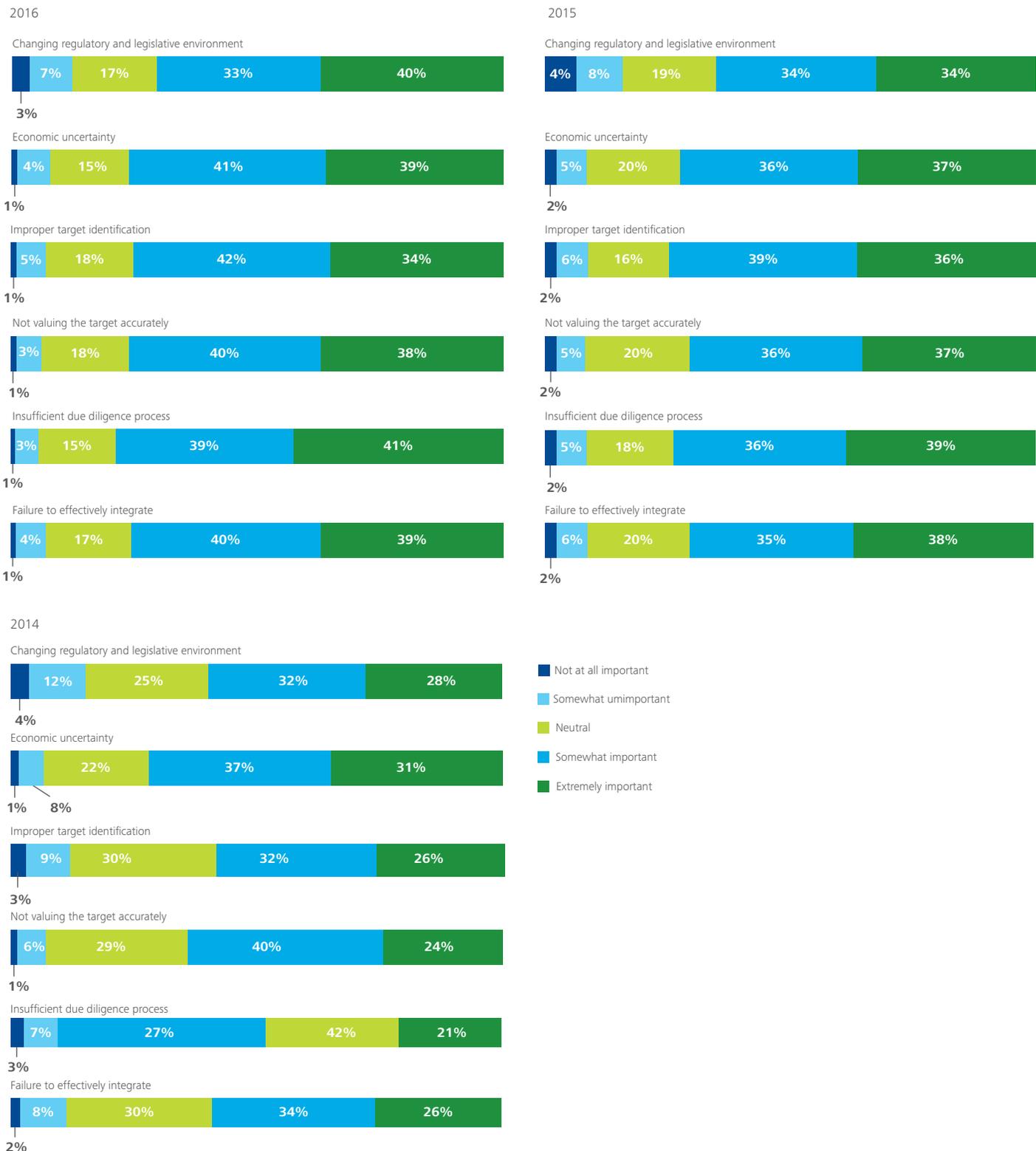
Please rank the following for their likely influence on your company's ability to pursue, finance and close deals in the next 12 months. (1 = Top; 2 = Second; 3 = Third)



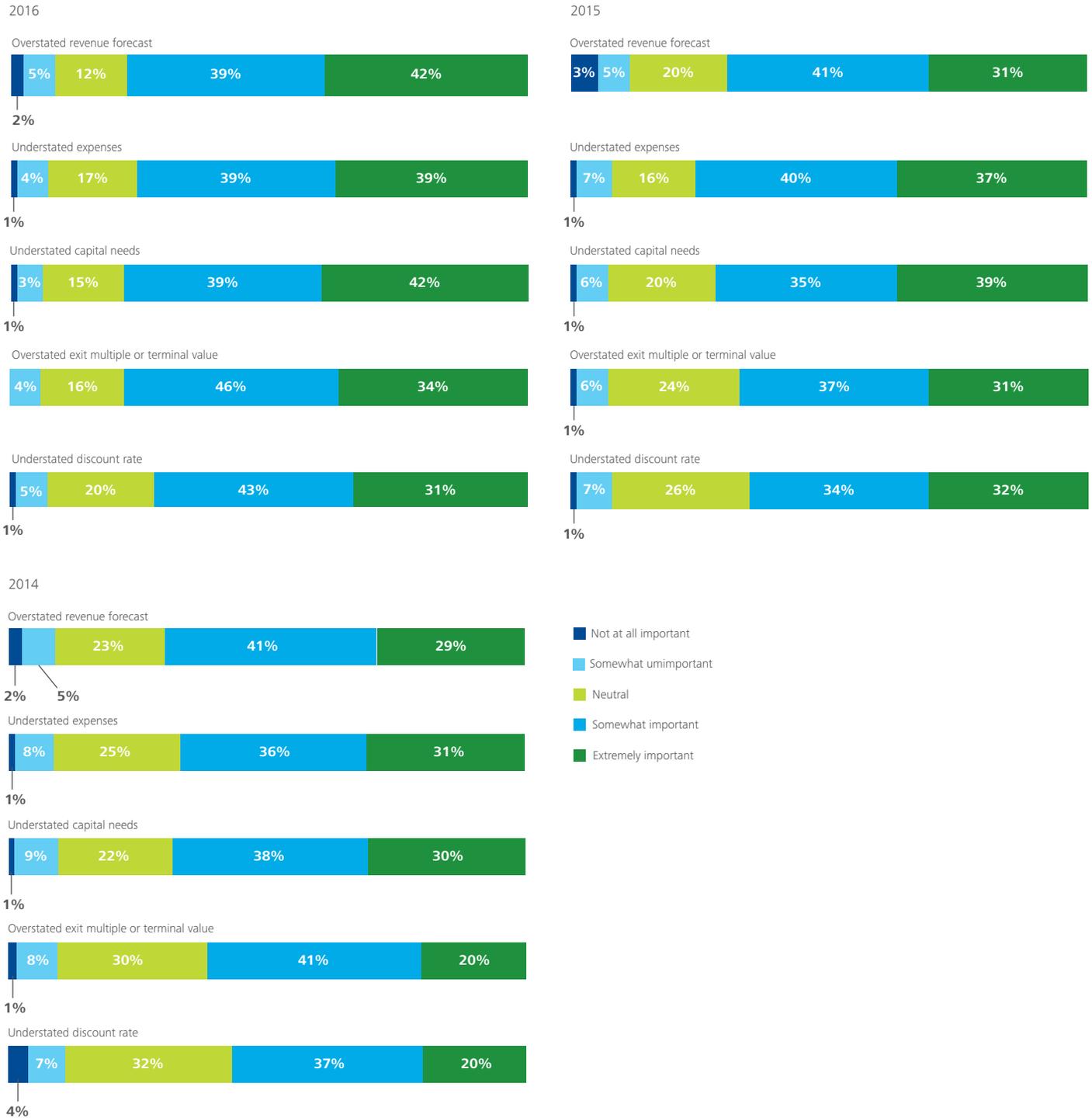
Please rank in order of importance the top 3 factors for ensuring deal success for your firm.



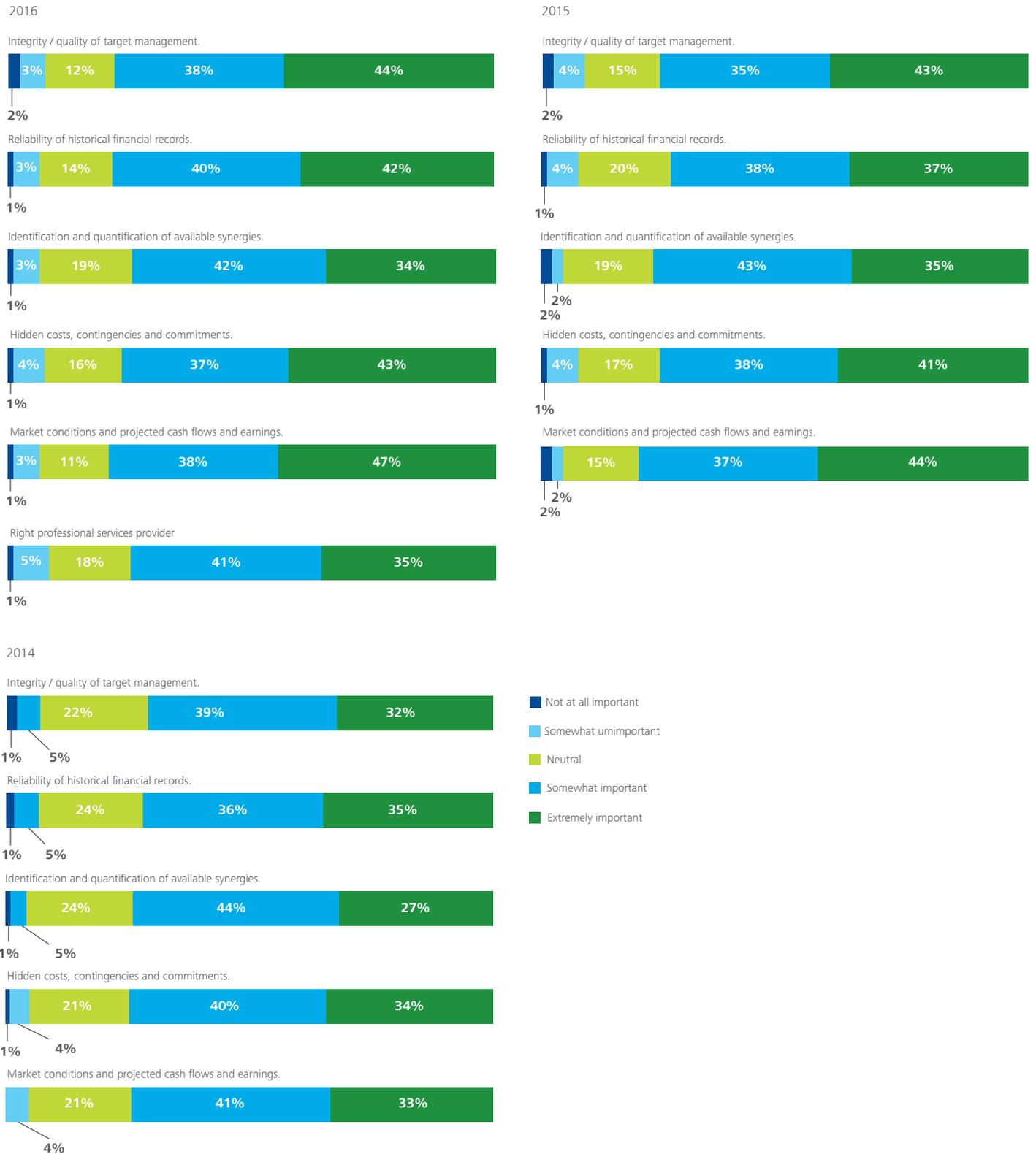
Please rate the following concerns with respect to their importance in achieving a successful M&A transaction for your firm.



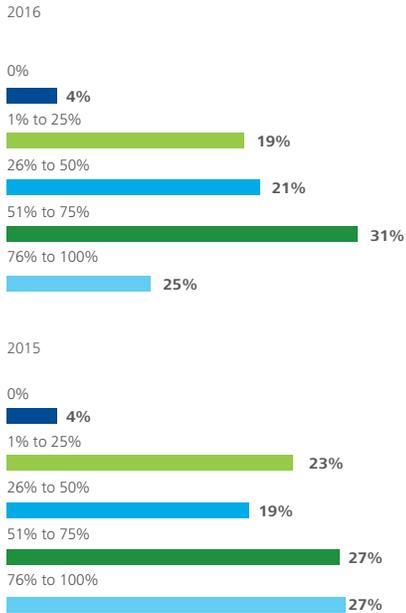
Please rate the following concerns in terms of their importance in accurately valuing a target for your firm.



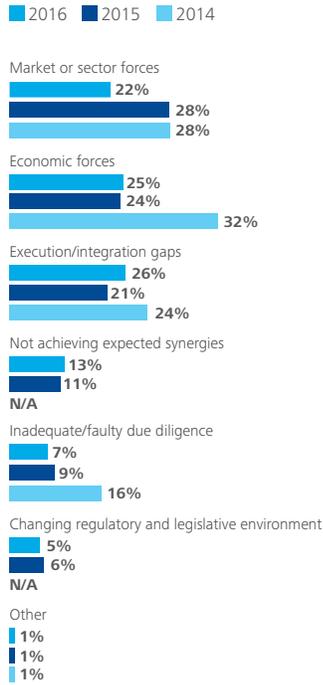
Please rate the following concerns in terms of their importance with respect to your firm's due diligence process.



For transactions your firm has completed within the past 2 years, what percentage has NOT generated their expected value or return on investment?



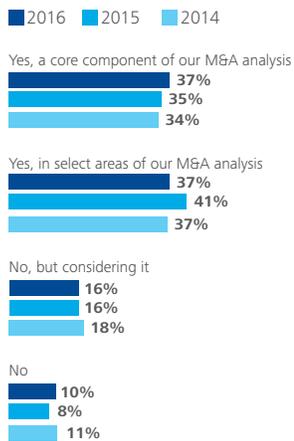
For those transactions that have NOT generated expected value for your firm, what was the main reason?



If you could do your company's last deal over again, what would you do differently?



Does your firm deploy technology-driven data analytics in M&A?



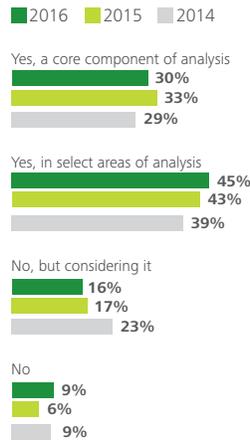
How has your company applied data analytics? Please select all that apply.



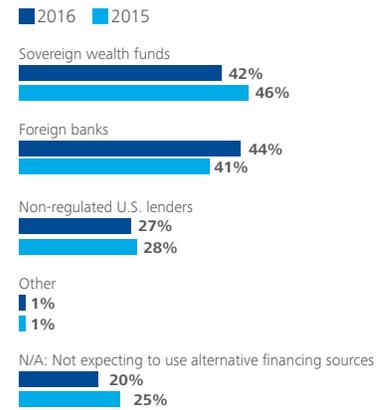
What do you think is the greatest impediment to the use of data analytics in M&A?



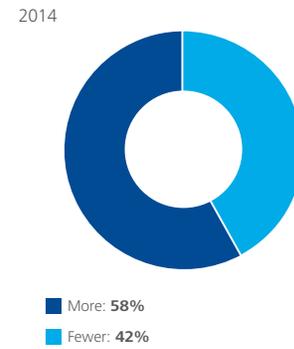
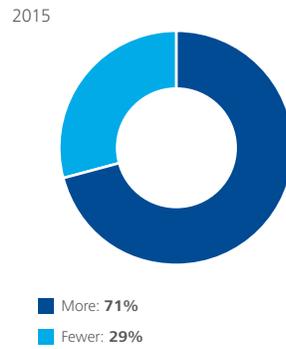
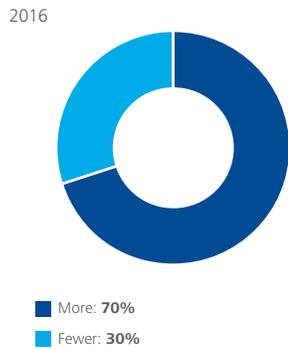
Does your firm deploy technology-driven data analytics in its portfolio companies?



If you expect to use alternative financing sources, which of the following will it most likely be? Please select all that apply



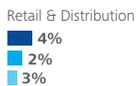
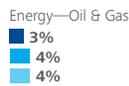
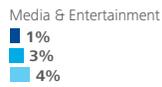
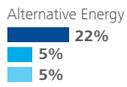
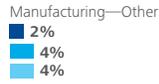
In general, do you expect to see more or fewer club deals in the next 12 months?



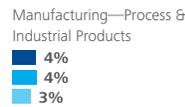
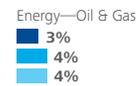
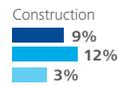
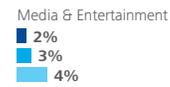
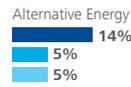
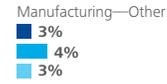
In what industries does your firm primarily focus its investments? Please rank your top 3 industries. (1 = Top; 2 = Second; 3 = Third)

■ Top ■ Second ■ Third

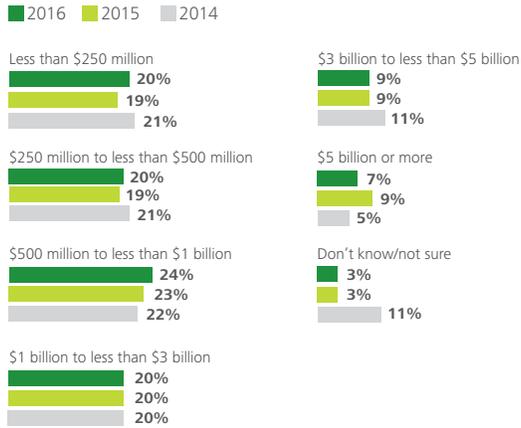
Current Focus



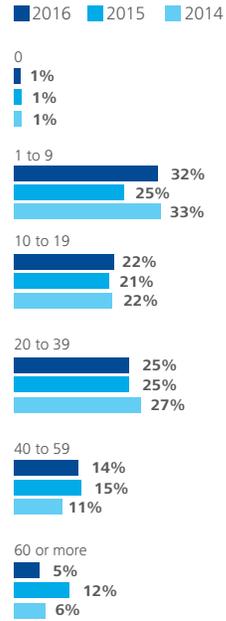
In the next 12 months



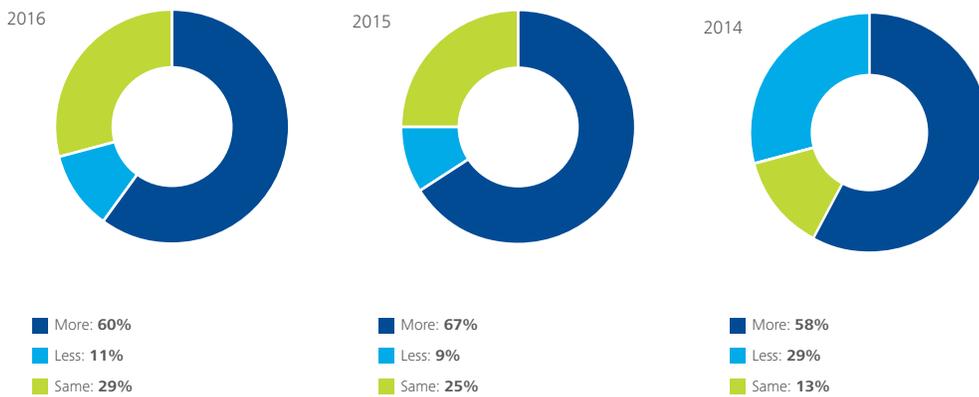
What is the size of your current fund?



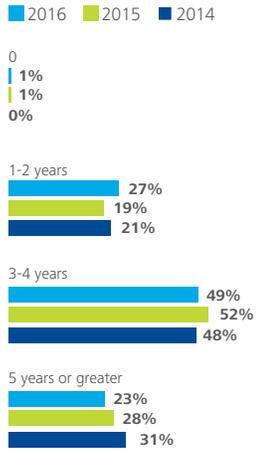
How many companies are in your firm's current portfolio?



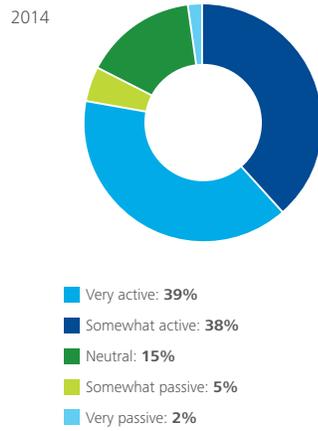
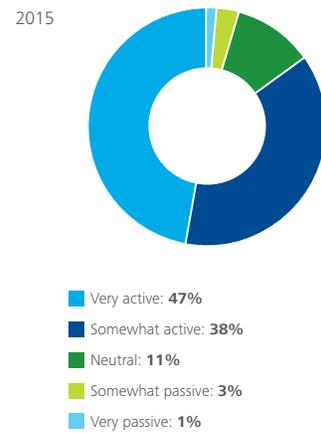
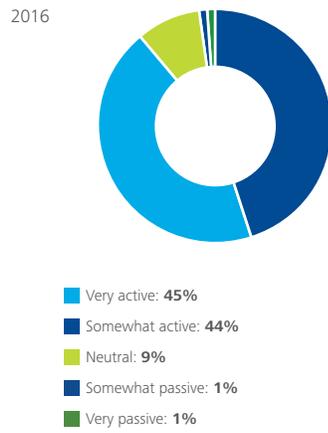
Do you have more or less companies in your firm's portfolio today than you had 5 years ago?



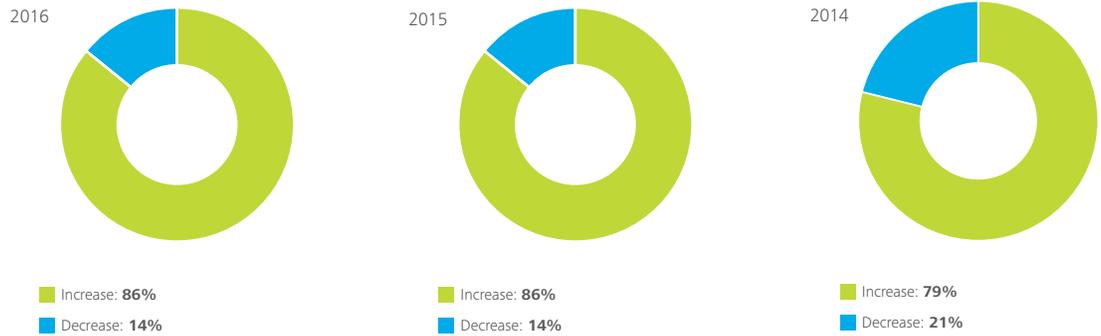
What is the intended blended holding period for your firm's portfolio?



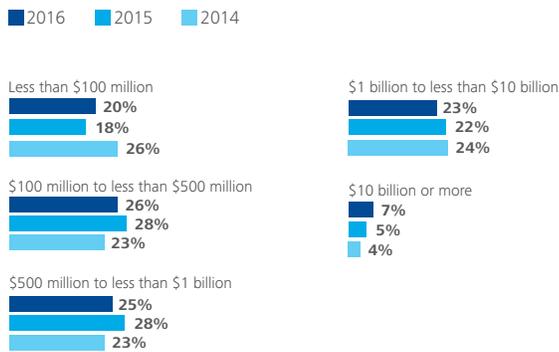
What is your firm's overall level of involvement with the management of your portfolio companies?



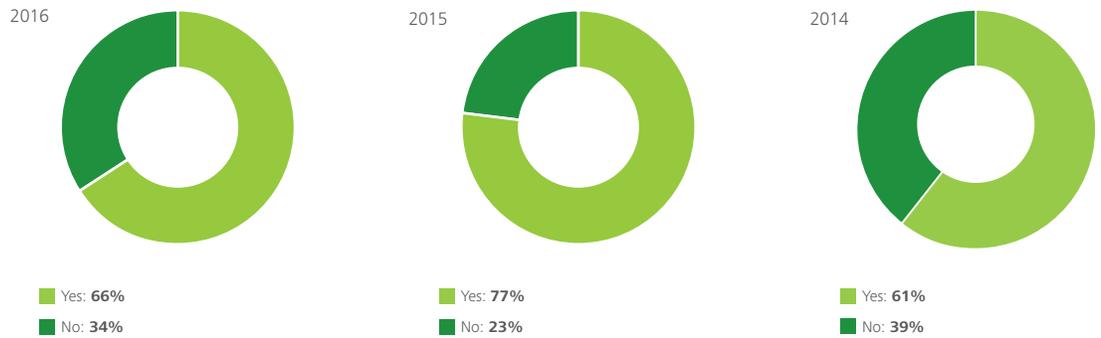
Do you expect the enterprise size of your firm's deals to increase or decrease over the next 12 months?



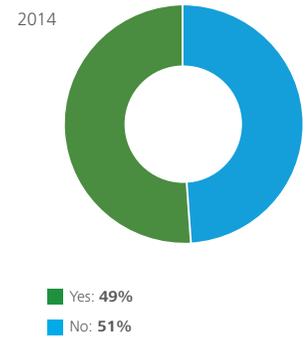
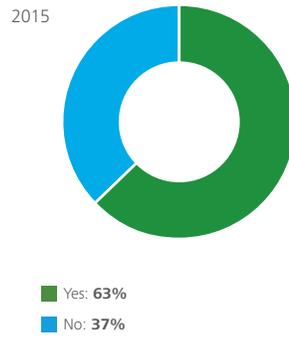
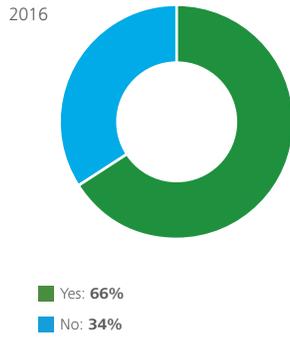
What is the total annual dollar value (aggregate enterprise value) of all the deals your company completes in a typical year?



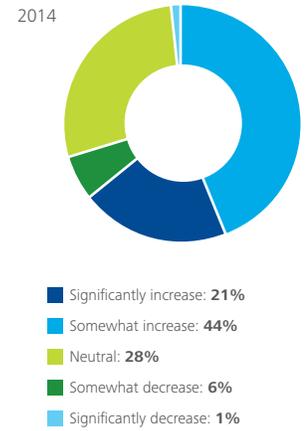
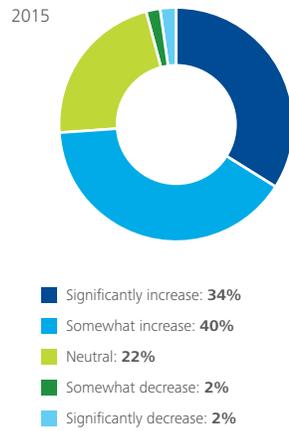
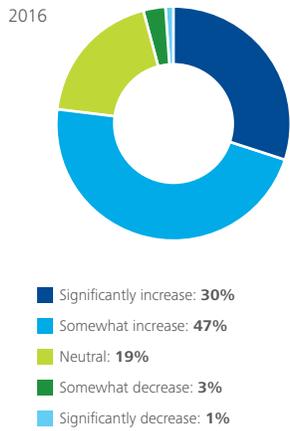
Do you expect your firm to make more growth/minority investments over the next 12 months?



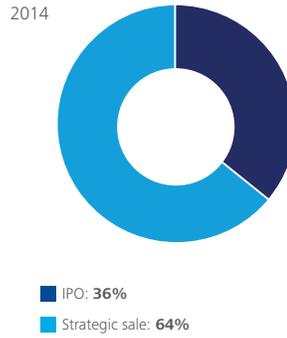
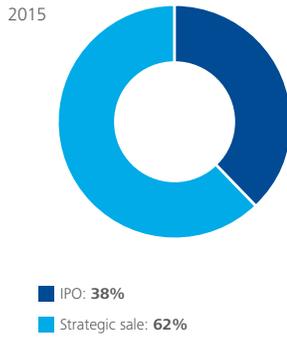
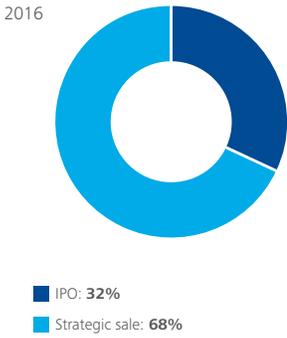
Over the next 12 months, does your firm plan to increase the number of operating partners to enhance portfolio performance?



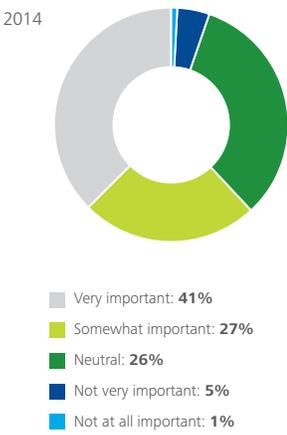
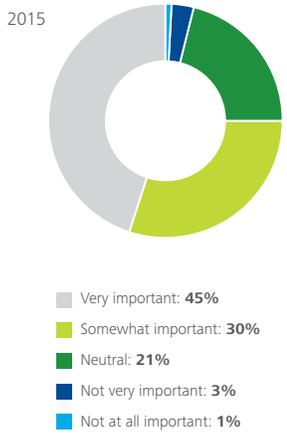
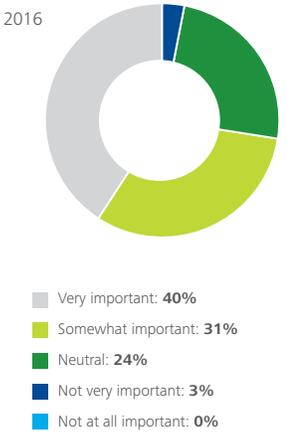
What is your expectation regarding the level of portfolio company investment exits in the market over the next 12 months?



What do you expect to be the primary form of portfolio exits in the market over the next 12 months?



How important are issues of responsible growth to your firm over the near-term?



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