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GATES AND COMPANY SAYS: M&A OUTLOOK OPTIMISTIC

Wilmington, DE – With 1Q 2017 behind us, we wanted to take a look at what the M&A landscape might look like for the remainder of the year. As 2016 closed, middle market buyers and sellers were feeling a sense of urgency to close deals, fueled by pre- and post-election anxiety. Now that we're well into 2017, a number of elements point to an active deal environment, supported by continuing modest [U.S.] GDP growth, as companies look outside themselves for opportunities to bolster their organic growth.

According to a recent survey by Citizens Bank, " ... **sellers** are more optimistic heading into 2017 with 53% of them currently involved in or open to doing a deal in 2017, with 25% stating they are extremely confident that their organization will be acquired in the coming year." From this same report, " ... there is increased pressure from **buyers** to show revenue growth after an inability to do so in recent years, leading to robust buyer interest across the market. This is evidenced by 73% of buyers indicating they are currently involved in or open to considering making an acquisition, with 23% indicating extreme confidence they will make an acquisition in the next few months."

Some factors that could spur robust deal activity in 2017 include increased interest in cross-border acquisitions and strong availability of capital for deals. PriceWaterhouseCoopers agrees, "While [private equity] dry powder continues to be available at record amounts, it has largely not been deployed. We expect private equity to look for alternative ways to finance deals in order to compete with strategic buyers." Gates and Company anticipates PE firms will spend more of their time building value in their current portfolio through bolt-on acquisitions.

Additionally, there are several areas where buyers and sellers can increase the value derived from M&A transactions:

Create revenue synergies - Buyers can improve market perception of the value derived from their M&A deals by tracking, analyzing, and communicating their successes in delivering revenue synergies (aka "stakeholder management").

Consider multi-national deals - JPMorgan Chase says, "As companies continue to look for strategic growth, new regions provide exposure to different economic, market, and consumer dynamics." Gates and Company is particularly active in German-speaking countries and has seen significant value extracted from such cross-border deals.

Formalize processes – Also known as business process modeling, companies can improve the efficiency and repeatability of operations by mapping, formalizing, and fine-tuning key business processes. Objectives include increased process speed, improved quality, reduced cycle time, and reduced costs.

Don't ignore corporate culture - Unfortunately, "people issues" can make post-transaction integration difficult or impossible. Take the time to have a solid portion of the integration plan complete before the deal closes. Gates and Company utilizes the SchellingPoint® solution to gain alignment along several variables impacting successful integration. The approach reduces the complexities of combining two (potentially divergent) sets of processes, procedures, and cultures into one aligned and highly functioning combined system.

ABOUT GATES AND COMPANY

With offices near Philadelphia and Munich, Germany, *Gates and Company* is an investment banking and management consulting firm dedicated to helping companies grow. With an impressive track record of helping numerous companies reach their goals, *Gates and Company* specializes in M&A, market research/analysis, growth strategy formulation, business plan development, product/venture launch, and financial advisory. For more information about *Gates and Company* and additional client successes, visit www.GatesAndCompany.com.

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