Dykema

M&A Insights

2014 Mergers & Acquisitions Survey Results

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Executive Summary

Survey Respondents Remain Cautiously Optimistic About Deal Making and Economy

It's been many years since life in the mergers-and-acquisitions world was this busy and this good. In 2005—the inaugural year of Dykema's M&A Survey—81 percent of the survey respondents expressed positive sentiments about the future M&A market. But 61 percent of those respondents said a slowing U.S. economy would pose the greatest risk to a persistently strong M&A market. Little did they know the dramatic impact the economic downturn would have on the M&A world.

Fast-forward 10 years and the financial crisis and ensuing recession seem to be in the rearview mirror. This year's survey respondents are bullish on the industry, their prospects, and the U.S. economy. More than half of respondents expect the economy to keep improving in the coming year, which will only increase M&A activity.

In the news, a similar sentiment of positivity about the economy is being shared. The *Financial Times* reported in September that "global deal making in the first nine months of 2014 has eclipsed the level achieved in each of the past five years." And CNN Money reported in August that there has been $1.16 trillion worth of U.S. deals inked so far this year, which matches the deal volume generated during all of 2013.

Perhaps reflecting some of the lessons learned when previous bubbles have burst, some of Dykema's survey respondents express cautiousness in their survey choices and written responses. While optimism about M&A in the coming year is widespread when compared to results from some prior surveys, this year saw slightly fewer optimists than last year. Collectively, these responses suggest that M&A professionals see economic growth and M&A activity leveling off, but still at an encouraging level.

Conversations with a couple of survey respondents showed that while the economy is improving, it's too soon to be leading a parade down Main Street in celebration of the booming M&A market.

What's fueling current U.S. M&A activity? Respondents offered such reasons as cash-rich companies, consolidation, need for business growth, strong balance sheets, limited opportunities for organic growth and low interest rates.

The M&A market also finds itself in an interesting predicament due to the economy's rebound. According to one respondent: "The M&A market is overheated with far too many buyers and not enough sellers. Valuations are as high as I can recall—for the few companies that are going to market. This is because of the huge amount of cash in the hands of PE firms, banks, and on corporate balance sheets. This is largely the result of the Fed's loose money policy."

The same respondent went on to write: "Ironically, the low rates on fixed income may be a contributing factor to business owners NOT pursuing transactions. They believe they can get a better return keeping their capital in their businesses instead of creating liquidity."

This year's survey is our 10th annual, conducted to gauge how executives and advisors engaged in M&A deals feel about the upcoming year. The data, collected in September 2014, was drawn from a diverse group of respondents.

The survey revealed that:

- 62 percent of respondents are positive about the U.S. economy over the next 12 months.
  - In 2005, 51 percent of respondents were positive about the U.S. economy in the next year.
  - This percentage dipped to as low as 8 percent in 2008.
- When comparing the previous 12 months to the next 12 months, 56 percent of respondents said the economy would improve. In 2011, 25 percent felt that way.
- Much of the future economic strength may come from privately owned companies, where 82 percent expect to see increased M&A.
- With the increased discussion about companies using tax inversions, 79 percent of this year's respondents said they would not stop buying products from a company that engaged in a tax inversion transaction.
- 63 percent of respondents said the United States should not restrict or limit companies from doing tax inversions.
- 59 percent expect to be involved in an acquisition this year, compared to only 35 percent who expect to be involved in a sale.
- Respondents indicated that the availability of capital, rather than the economy, is the primary factor fueling activity. Last year, they cited the growing economy as the top factor.

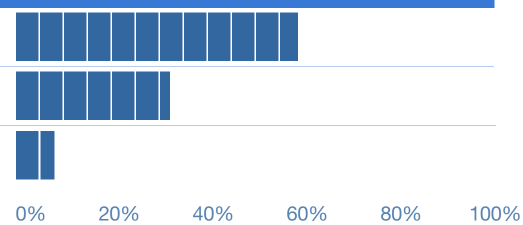
A more detailed report of our findings follows. We hope you find this information insightful and informative.

2014 M&A Survey Results and Insights

We asked respondents to complete a questionnaire designed to measure their thoughts and perspectives on the direction of the M&A market in 2014. The following charts represent the collective input of all respondents as well as added insights. We also shared some year-over-year data from past surveys when the same questions were asked to show how people's sentiments have changed. An overview of the survey methodology can be found at the end of this report.

Q1. How will the U.S. M&A market for the next 12 months compare to the last 12 months? (Select one)

Responses	%	Percentage of total respondents
Market will strengthen in the next 12 months	59.04%	
Market will see no significant change in the next 12 months	32.45%	
Market will weaken in the next 12 months	8.51%	



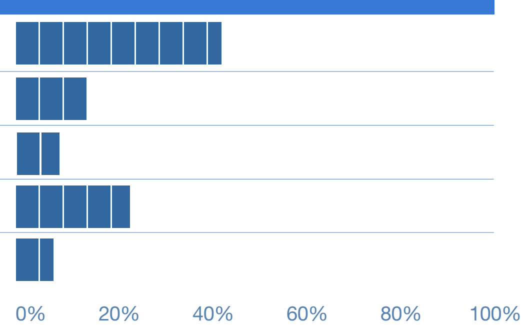
In past years we asked: How strong will the overall U.S. M&A market be during the next 12 months?

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Strong	82%	64%	35%	16%	28%	38%	26%	28%	44%
Neutral	13%	33%	55%	38%	53%	52%	58%	58%	54%
Weak	5%	3%	10%	46%	19%	10%	16%	14%	2%

- M&A executives and advisors are optimistic: 59 percent of survey respondents say the market will improve in the next 12 months.
- Another 32 percent say the current market will continue.
- Sentiments were much more positive in our inaugural survey in 2005, when 82 percent of respondents viewed the future of the M&A market as positive or somewhat positive.
- 2014 global M&A volume is up 50 percent, the highest since 2007 and similar to 2000 peak levels.[1]

Q2. Which of the following is most responsible for fueling current U.S. M&A activity? (Select one)

Responses	%	Percentage of total respondents
Availability of capital	43.32%	
Favorable interest rates	14.97%	
Financial markets	9.09%	
General U.S. economic conditions	24.60%	
Other (please specify)	8.02%	



[1] Citibank: "What's Going On in the Global M&A Market?" September 2014

- 43 percent of respondents say the availability of capital is most responsible for fueling M&A activity, and 25 percent cite the U.S. economy.
- This represents a reversal from last year's survey, when respondents considered the economy the primary driver and availability of capital secondary.
- The economy, while a much bigger factor today than it was back in 2005 (when only 7 percent of respondents said it was primarily fueling deals), is no longer the primary driving factor.
- As one respondent wrote: "A combination of factors is moving more owners of midsize businesses to consider transitioning ownership, valuations are driving PE exits and limited organic growth opportunities are driving strategics to look to acquisitions."

Q3. What sources of financing did you or your clients most frequently use for M&A transactions that closed in the last 12 months? (Please rank top 3)

Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (Score)
Cash	50	27	21	1 (225)
Term loans	36	44	26	2 (222)
Investor funds (such as private equity)	38	22	35	3 (193)
Revolving lines of credit	25	27	24	4 (153)
Stock/equity issued to seller	12	20	16	5 (92)
Subordinated debt	6	10	29	6 (67)
Seller financing	4	16	21	7 (65)
Privately placed notes	7	10	7	8 (48)
Publicly placed bonds	5	7	4	9 (33)

- Here's more evidence that the availability of capital is driving deals: Companies are using cash resources as their principal source of deal financing in their M&A transactions. Respondents ranked cash highest, followed closely by term loans.
- Companies have piles of cash on their balance sheets—$1.83 trillion at the end of 2013, up about 8 percent in a year, and up almost 14 percent since 2011.
- Besides cash, companies may be sitting on unused lines of credit, which they can use to get deals done quickly before taking advantage of long-term financing after closing.[2]

[2] Federal Reserve Bank, Federal Reserve Statistical Release, March 6, 2014 via http://www.deloitte.com/view/en_US/us/Services/additional-services/merger-acquisition-services/77212ac570e36410VgnVCM2000003356f70aRCRD.htm

Q4. Looking broadly at U.S. M&A transactions financed by debt, which type of lender is generally the most popular? (Please rank top 3)

Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (Score)
Commercial banks	85	48	28	1 (379)
Private equity firms	43	29	35	2 (222)
Non-bank institutional investors	24	42	27	3 (183)
Mezzanine lenders	5	26	41	4 (108)
Public market investors	13	17	19	5 (92)
Sellers	11	17	19	6 (86)
Hedge funds	3	5	15	7 (34)

- Confirming the availability of bank financing, commercial banks are far and away the most popular lender for transactions financed by debt.
- Others have reported that private equity-backed leveraged buyouts have declined 9 percent to $120.3 billion so far this year, representing 7 percent of the M&A market.[3]

William Snow, Managing Director, Jordan Knauff & Company

Only a few years have passed since the financial crisis made getting a bank loan nearly impossible for businesses. How times have changed. These days, commercial banks are by far the most popular form of debt financing for M&A transactions—nearly half of respondents ranked them as the top source this year.

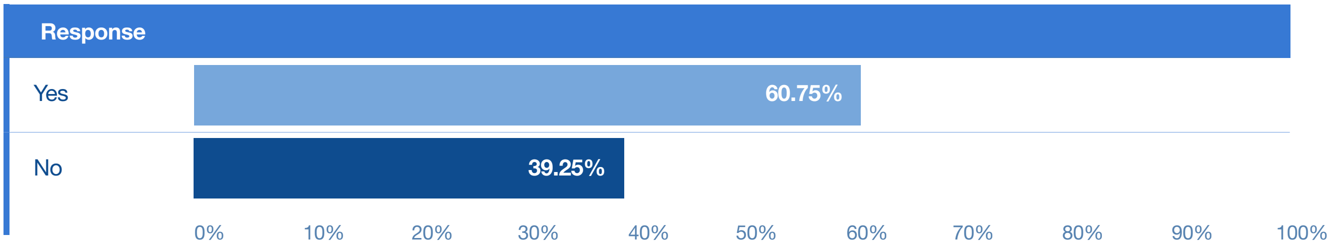
To discuss this point we turn to William Snow of Jordan Knauff & Company. Snow is not only a veteran of the transaction business, but also has a track record for making business concepts come alive with simple language; he's the author of two books, including 2011's "Mergers & Acquisitions For Dummies."

Snow said the demand from acquirers greatly exceeds the supply of companies coming to market. If interest rates are raised to a more normal level, fixed income returns will increase and that will draw more sellers into the market. As a result, valuations will decrease to more traditional levels. Because fixed income rates presently are low, business owners are refraining from creating liquidity through sales of their businesses. Rightly or wrongly, they believe they will get a better return on their capital by keeping that capital in their existing businesses.

> "I'd rather have lower valuations and more M&A activity," Snow says. "A strong currency equals a strong economy. In the long-term we will be better off with a strong dollar."

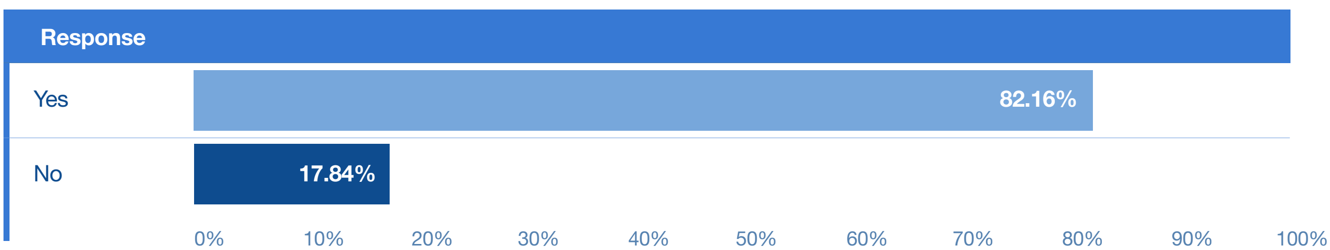
[3] Reuters: "Global M&A at seven-year high as big corporate deals return," June 30, 2014 http://www.reuters.com/article/2014/06/30/us-deals-m-a-idUSKBN0F50A920140630

Q5. Does a rise in M&A activity indicate the economy is recovering?



- 61 percent of respondents consider rising M&A a sign that the economy is improving.
- More good news for the impact of M&A activity on the economy: In the first half of the year, nearly 70 percent of U.S. deals worth $1 billion or more led to stock gains. That's up from 60 percent a year earlier, and it's better than the seven-year average of 55 percent.[4]
- A respondent said, "The reason that companies are doing acquisitions is that they cannot get any organic growth out of their existing businesses because the fundamental economy is not growing in real terms."

Q6. Do you expect there to be an increase in M&A activity involving privately owned businesses in the next 12 months?



Q7. Why? (Those who answered "Yes" to Question Number 6)

Responses	%	Percentage of total respondents
Concerns about the aging business owners	19.08%	
Concerns about the window closing	28.29%	
Improving valuations	47.37%	
Other (Please specify)	5.26%	
		0% 20% 40% 60% 80% 100%

[4] Reuters: "Global M&A at seven-year high as big corporate deals return," July 30, 2014 http://www.reuters.com/article/2014/06/30/us-deals-m-a-idUSKBN0F50A920140630

Q8. Why not? (Those who answered "No" to Question Number 6)

Responses	%	Percentage of total respondents
Building retirement	0%	
Current earnings are level	18.18%	

0% 20% 40% 60% 80% 100%

- Activity from privately held companies may be about to jump. A full 82 percent of survey respondents anticipate seeing more M&A involving private companies.
- Almost half of those who say this cite improving valuations as the driver—companies worth $10 million to $50 million have reportedly been selling at 5.4 times the annual earnings before interest, taxes, and depreciation.[5]
- Only 19 percent cite aging business owners as a driver, a sign that business owners may be delaying retirement to take advantage of rising valuations.

Q9. Which of the following events would have the most impact on M&A activity in the next 12 months? (Select one for each category)

Responses		%	Percentage of total respondents
Congressional election results in favor of Democrats	Positive	9.44%	
	Negative	50.00%	
	Neutral	40.56%	
Congressional election results in favor of Republicans	Positive	62.30%	
	Negative	6.56%	
	Neutral	31.15%	
Congressional election results in favor of Tea Party	Positive	20.67%	
	Negative	40.22%	
	Neutral	39.11%	
Decline in Chinese/Asian economy	Positive	13.74%	
	Negative	69.23%	
	Neutral	17.03%	
Increase in conflict in Middle East or Ukraine	Positive	3.83%	
	Negative	75.41%	
	Neutral	20.77%	
Increase in Federal Reserve's stated interest-rate outlook	Positive	26.23%	
	Negative	54.10%	
	Neutral	19.67%	
Significant decline in U.S. equity prices	Positive	17.13%	
	Negative	72.38%	
	Neutral	10.50%	

0% 20% 40% 60% 80% 100%

[5] Boston Business Journal: "Local dealmakers say it's a busy time for M&A among private companies," August 29, 2014 http://www.bizjournals.com/boston/blog/bottom_line/2014/08/local-dealmakers-say-its-a-busy-time-for-m-a-among.html?page=all

- Rancorous politics, the survey suggests, are bad for business. Results are mixed, but some respondents believe Congressional elections that favor the Democrats or the Tea Party would hurt M&A. A majority would consider Republican wins in Congress as good for M&A.
- Besides domestic politics, respondents are watching the news on a number of global happenings that could slow M&A, including: an economic slowdown in Asia, conflicts in the Middle East and Ukraine, falling U.S. stock prices, and a rise in the Federal Reserve's interest-rate outlook.
- Respondents are more concerned about geopolitical instability (75 percent) than rising interest rates (54 percent).
- Falling stock prices could be particularly damaging, as companies have been using equity to make bigger deals.[6]

Fred Floberg, Managing Director, The Chicago Corporation

One in five of the M&A pros we surveyed picked the aging of the baby-boomer population as the biggest driver of transactions among privately held firms this year.

Among those experts: Fred Floberg, managing director at the Chicago Corporation. With 25-plus years of transaction advisory work under his belt, Floberg specializes in the small- to mid-market companies that make the U.S. economy go 'round. The baby boomers, he believes, are about to set off a huge wave of deals as aging business owners begin to look toward winding down their careers.

> "These people are on the 16th hole of life," Floberg says. "Everybody is telling them it's a good time to sell, with so much money out there chasing deals."

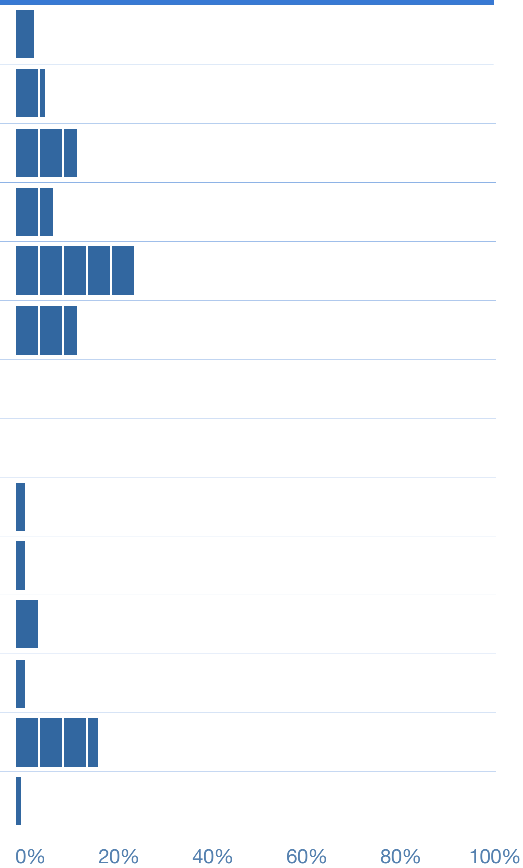
He also sees the recent economic crash-and-recovery cycle driving many retirement-age business owners to think about cashing out. The mere act of surviving the recession took a lot out of them, Floberg says.

"Most of them who made it through are doing well now, but they don't want to go through that again," he says. "We hear it all the time: Business isn't as fun as it used to be. They're ready to go do something else."

[6] Institutional Investor: "What's Behind the Rush of M&A," August 11, 2014 http://www.institutionalinvestor.com/gmtl/3369748/whats-behind-the-rush-of-m-a.html

Q10. Which sector do you believe will see the highest level of M&A activity in the next 12 months? (Select one)

Responses	%	Percentage of total respondents
Automotive	4.28%	
Consumer Products	5.88%	
Energy	13.37%	
Financial Services	8.02%	
Health Care	25.13%	
Industrial/Manufacturing	12.83%	
Insurance	0%	
Law	0%	
Logistics and Transportation	2.14%	
Media and Entertainment	2.14%	
Pharmaceuticals	5.35%	
Real Estate and Construction	2.14%	
Technology	17.65%	
Other (Please specify)	1.07%	



- As the Affordable Care Act transforms health care, and hospitals consolidate, 25 percent of respondents say that health care will have the most M&A activity in the coming year. That's up from 11 percent in 2005.
- The technology sector is runner-up: 18 percent say tech will have the most M&A.
- Respondents in 2005 were split in their opinions on which industries would see the most M&A activity in the next 12 months. Eighteen percent said the technology industry, while others were divided among biotechnology and life science (15 percent), financial services (14 percent), energy (12 percent) and auto (11 percent).
- The trend of health system consolidation continues from 2013: In the first quarter of 2014, hospital M&A increased 10 percent compared to that same period last year.[7]

[7] HFMA, June 16, 2014 http://www.hfma.org/Content.aspx?id=23307

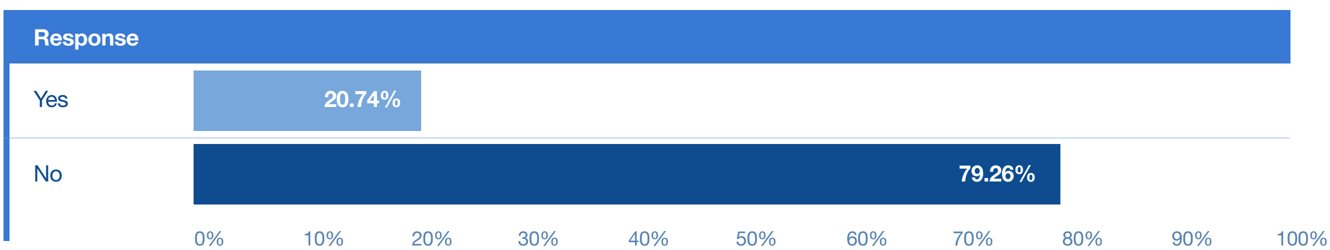
Q11. Within that sector, what type of deals would you expect to see the most? (Select all that apply)

Responses	%	Percentage of total respondents
Big players acquiring smaller companies	57.75%	
Consolidation among big players	17.65%	
Consolidation among small- and medium-sized companies	44.39%	
Spin-offs and other divestitures	10.16%	
Other (Please specify)	2.14%	

0% 20% 40% 60% 80% 100%

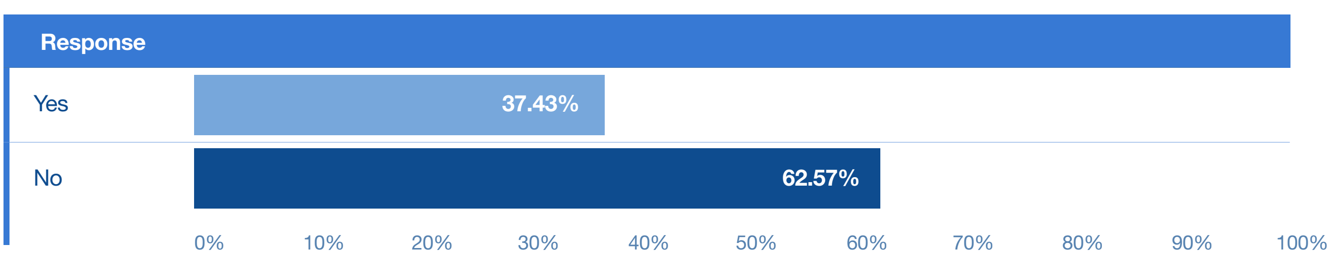
- More than half of respondents say most deals will involve big companies swallowing smaller ones.
- Meanwhile, 44 percent of respondents say consolidating small- and mid-sized companies will drive most M&A in the hottest sector.

Q12. Would you stop buying products from a company involved in a tax inversion transaction undertaken to reduce U.S. taxes?



- The U.S. may lose a reported $20 billion in tax revenue in the next decade from corporate tax inversions.
- But respondents seem unbothered by these controversial inversions, as 79 percent of respondents say they'd keep buying products from a company engaged in a tax inversion.[8]

Q13. Should the United States pass legislation that restricts or limits the ability of U.S. companies to use tax inversion transactions to reduce their U.S. income tax?



[8] Washington Post: "U.S. policymakers gird for rash of corporate expatriations," August 6, 2014 http://www.washingtonpost.com/business/economy/us-policymakers-gird-for-rash-of-corporate-expatriations/2014/08/05/4898ca5e-18d9-11e4-9349-84d4a85be981_story.html

- Showing again that respondents have few objections to tax inversions, despite the political controversy, 63 percent say Congress shouldn't restrict or otherwise limit companies from doing tax inversions.
- An estimated 47 U.S. firms reincorporated overseas through inversions during the last 10 years, more than in the previous two decades combined.[9]

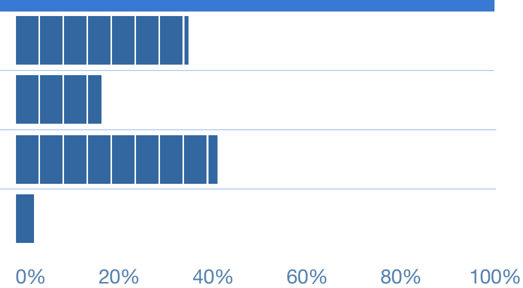
Q14. What are the leading drivers of cross-border deals today? (Please rank top 3)

Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (Score)
Companies seeking growth and entering foreign markets	83	46	34	1 (375)
Companies seeking lower costs for manufacturing	42	56	40	2 (278)
Companies utilizing tax inversions	28	18	30	3 (150)
Companies seeking new technology or intellectual property	13	38	33	4 (148)
Consumer demand for increased global companies	15	20	29	5 (114)
Companies seeking access to natural resources	6	9	21	6 (57)

- Companies looking overseas for growth are driving a surge in cross-border deal making, according to the survey. More respondents see companies seeking growth through overseas transactions rather than to cut costs.
- Many believe that tax inversions are also driving cross-border deals.

Q15. Which of the following types of buyers have most influenced U.S. deal valuations over the past 12 months? (Select one)

Responses	%	Percentage of total respondents
Financial U.S. buyers	35.79%	
Foreign buyers	17.89%	
Strategic U.S. buyers	42.11%	
None of the above	4.21%	



- As in 2012 and 2013, respondents report that strategic U.S. buyers have the greatest influence on valuations, with financial U.S. buyers close behind.
- Only 12 percent of 2005 respondents said foreign buyers had the most influence in driving up deal valuations over the previous 12 months. This year 18 percent think foreign buyers had the most influence.

[9] Congressional Research Service, July 7, 2014: http://democrats.waysandmeans.house.gov/press-release/new-crs-data-47-corporate-inversions-last-decade-2

Q16. What are the most common obstacles you have experienced in deals in the past 12 months? (Please rank the top 3)

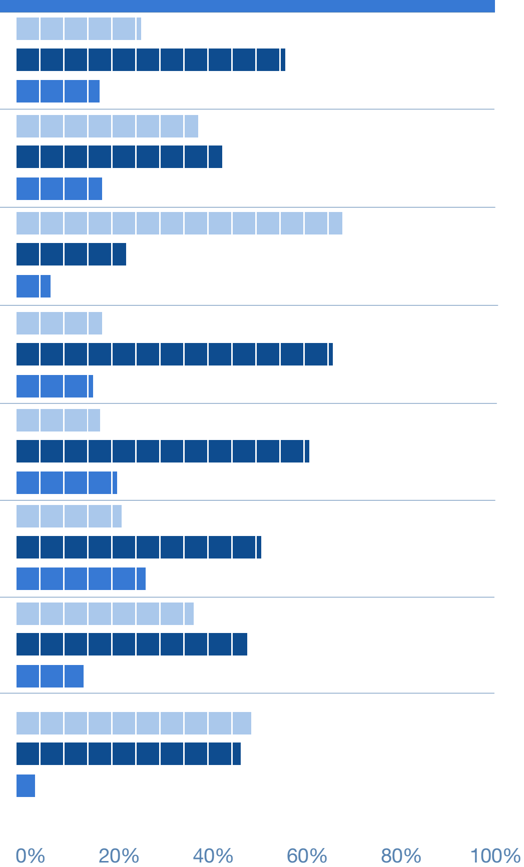
Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (Score)
Availability of quality target	57	24	34	1 (253)
Valuation	39	42	31	2 (232)
Buyer competition	22	40	25	3 (171)
Financing	20	19	25	4 (123)
Due diligence	17	22	18	5 (113)
Uncertainty in economy	14	19	31	6 (111)
Stricter bank regulations	14	17	19	7 (95)

- The biggest obstacle to deals in the last year was finding an available, quality target, respondents say.
- And acquiring those targets at the right price is also challenging in the current market, according to respondents.
- With quality targets hard to come by, there's more competition when companies find them. Buyer competition ranks as the third most common obstacle in this year's survey, up from sixth place in last year's.
- Economic uncertainty is far less of an obstacle than it was a year ago—the most common obstacle cited in 2013 fell to sixth in this year's survey.

Q17. How are deals being structured differently than they were 12 months ago? (Select one for each)

Responses		%
Earnouts	More than 12 months ago	26.32%
	No change	56.14%
	Fewer than 12 months ago	17.54%
Increased equity requirements	More than 12 months ago	38.73%
	No change	42.77%
	Fewer than 12 months ago	18.50%
Increased commercial bank/institutional debt financing	More than 12 months ago	68.42%
	No change	23.98%
	Fewer than 12 months ago	7.60%
Joint ventures	More than 12 months ago	18.34%
	No change	65.68%
	Fewer than 12 months ago	15.98%
Minority interest transactions	More than 12 months ago	17.75%
	No change	60.95%
	Fewer than 12 months ago	21.30%
Seller financing	More than 12 months ago	22.22%
	No change	50.29%
	Fewer than 12 months ago	27.49%
Subordinated debt financing	More than 12 months ago	36.84%
	No change	48.54%
	Fewer than 12 months ago	14.62%
Unitranche debt financing (senior and subordinated lenders providing combined financing arrangement)	More than 12 months ago	49.12%
	No change	46.78%
	Fewer than 12 months ago	4.09%

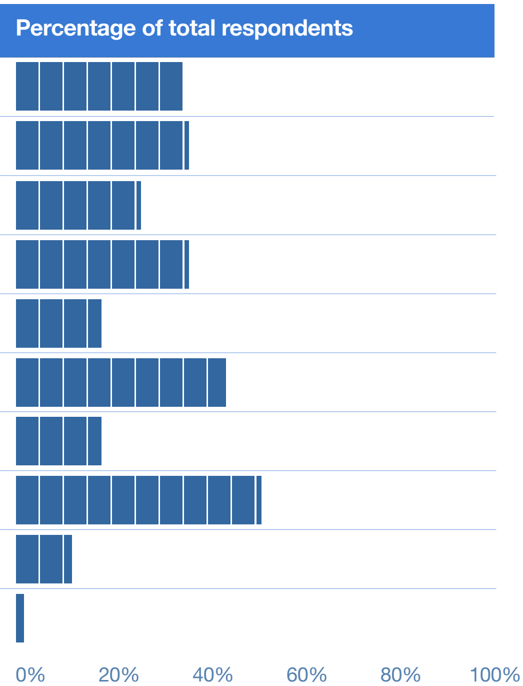
Percentage of total respondents



- In terms of deal structure, the survey indicates many deals are structured similarly to how they were last year.
- Although many deals are being done with cash rather than financing, more than two-thirds of respondents say they're seeing more commercial bank and institutional debt financing. This is a shift from last year, when companies relied heavily on fixed-income markets.

Q18. Which of the following provisions in purchase agreements have you found to be the subject of increased negotiations during the past 12 months? (Select all that apply)

Responses	%
Basket/caps	35.20%
Earnouts	36.31%
Escrow	25.70%
Financing contingencies	35.75%
No shop/No talk	18.44%
Rep/warranty survival periods	44.13%
Termination	18.44%
Working capital purchase price adjustments	51.40%
None of the above	11.73%
Other (Please specify)	1.68%



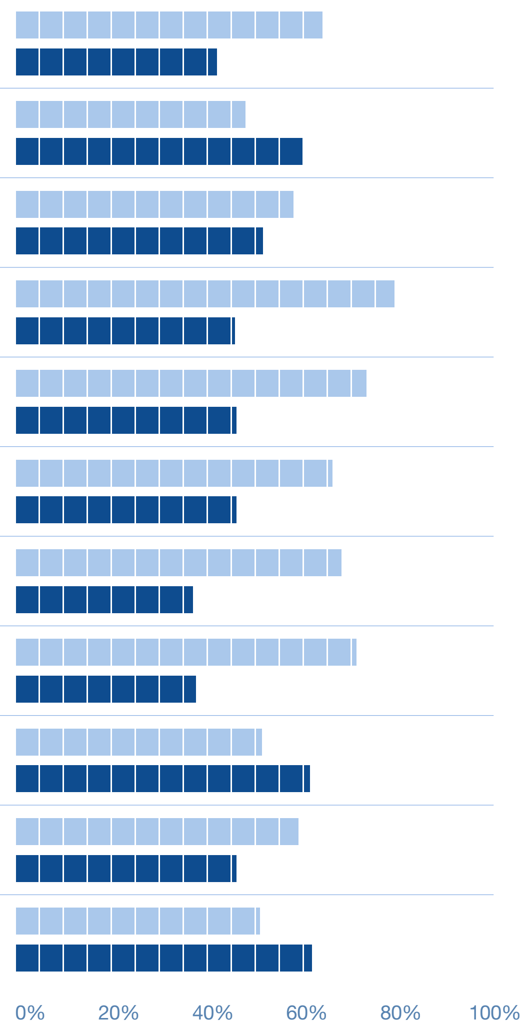
- Working capital purchase price adjustments remain a sticky spot in negotiations, as they have for three years running. More than half of respondents say this has been the biggest subject of increased negotiations.
- Earnouts also remained heavily negotiated—36 percent this year versus 41 percent last year.
- Rep/warranty survival periods have become more of an issue, as 44 percent of respondents cited these as a prime subject of increased negotiations.

Q19. Please select regions for both inbound and outbound deals.

Which regions will experience an increase in inbound/outbound U.S. M&A activity in the next 12 months? (Select all that apply)

Responses		%
Australia	Inbound to U.S.	64.44%
	Outbound to U.S.	42.22%
Brazil	Inbound to U.S.	48.72%
	Outbound to U.S.	60.26%
Canada	Inbound to U.S.	58.82%
	Outbound to U.S.	51.47%
China	Inbound to U.S.	77.68%
	Outbound to U.S.	45.54%
Europe	Inbound to U.S.	73.49%
	Outbound to U.S.	45.78%
India	Inbound to U.S.	66.22%
	Outbound to U.S.	45.95%
Japan	Inbound to U.S.	68.42%
	Outbound to U.S.	36.84%
Korea	Inbound to U.S.	70.83%
	Outbound to U.S.	37.50%
Mexico	Inbound to U.S.	51.43%
	Outbound to U.S.	61.43%
Russia	Inbound to U.S.	58.97%
	Outbound to U.S.	46.15%
South/Central America	Inbound to U.S.	50.77%
	Outbound to U.S.	61.54%

Percentage of total respondents



How do inbound and outbound responses rate from most to least?

Inbound (most to least)	Outbound (most to least)
China (77.68%)	South/Central America (61.54%)
Europe (73.49%)	Mexico (61.43%)
Korea (70.83%)	Brazil (60.26%)
Japan (68.42%)	Canada (51.47%)
India (66.22%)	Russia (46.15%)
Australia (64.44%)	India (45.95%)
Russia (58.97%)	Europe (45.78%)
Canada (58.82%)	China (45.54%)
Mexico (51.43%)	Australia (42.22%)
South/Central America (50.77%)	Korea (37.50%)
Brazil (48.72%)	Japan (36.84%)

- According to our respondents, M&A activity with Europe will involve more deals inbound to the U.S. than outbound, not unexpected as European companies look for new markets as their economies slow.

- Russia saw more respondents anticipating inbound activity to the United States, whereas last year it was the opposite, likely reflecting concerns about investing in Russia following recent events in the Ukraine.

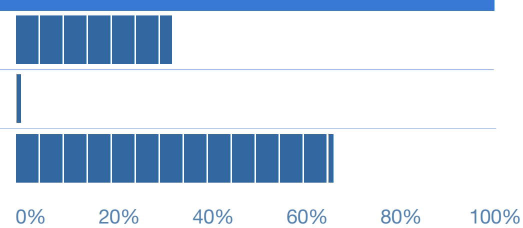
- Respondents selected China the most for U.S. inbound deals and South/Central America—followed closely by Mexico and Brazil for U.S. outbound deals.

- China's government has encouraged outbound M&A. State-owned enterprises have been pushed to globalize their businesses and secure access to resources. Financing for cross-border deals is readily available for Chinese businesses.[10]

- Policies opening up China to more FDI have helped encourage inbound investment. The creation of a free trade zone in Shanghai, for example, is a clear signal from top Chinese officials that foreign investment is now an important part of China's economic strategy.[11]

Q20. How much have cybersecurity issues affected your M&A transactions in the last 12 months in terms of your due diligence? (Select one)

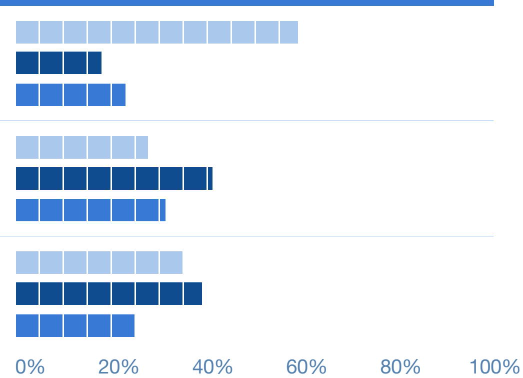
Responses	%	Percentage of total respondents
More	32.58%	
Less	1.12%	
Same	66.29%	



- While cybersecurity issues regularly make headlines, two-thirds of respondents say they're having no more (or less) of an impact on M&A due diligence than last year.

Q21. In the next 12 months, do you believe your company, or one of your portfolio companies, will be involved in any of the following transactions?

Responses		%	Percentage of total respondents
Acquisition	Yes	58.99%	
	No	17.98%	
	Not Applicable	23.03%	
Joint Venture	Yes	27.49%	
	No	40.94%	
	Not Applicable	31.58%	
Sale	Yes	35.26%	
	No	39.31%	
	Not Applicable	25.43%	



[10] American Appraisal Global M&A Valuation Outlook 2014: http://www.american-appraisal.com/AA-Files/Library/PDF/MAGlobalOutlook_2014.pdf

[11] American Appraisal Global M&A Valuation Outlook 2014: http://www.american-appraisal.com/AA-Files/Library/PDF/MAGlobalOutlook_2014.pdf

- Companies are in acquisition mode as a slow-growing economy pushes them to seek growth through deal making: 59 percent of respondents expect to be involved in an acquisition in the coming year.
- While acquirers need targets, fewer see themselves as sellers: Only 35 percent expect to be involved in a sale.

Q22. What is your outlook for the U.S. economy, generally, over the next 12 months? (Select one)

Responses	%	Percentage of total respondents
Positive	62.43%	
Neutral	26.98%	
Negative	10.58%	

0% 20% 40% 60% 80% 100%

Year-over-year data

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Positive	51%	37%	29%	8%	35%	21%	18%	25%	50%	62%
Neutral	23%	47%	50%	28%	49%	59%	50%	43%	41%	27%
Negative	25%	17%	21%	64%	16%	20%	32%	32%	8%	11%

- M&A insiders are feeling bullish—62 percent say they feel good about the U.S. economy in the next year, the highest in the 10 years this survey has been conducted.
- This year's result also represents an improved outlook from a year ago, when just half of those surveyed were bullish.
- In 2008, only 8 percent of respondents felt positive about the economy over the following 12 months, and 64 percent anticipated a negative economy in the following year.

Q23. How will the U.S. economy for the next 12 months compare to the last 12 months? (Select one)

Responses	%	Percentage of total respondents
U.S. economy will improve over the next 12 months	56.45%	
U.S. economy will see no significant change over the next 12 months	35.48%	
U.S. economy will worsen over the next 12 months	8.06%	

0% 20% 40% 60% 80% 100%

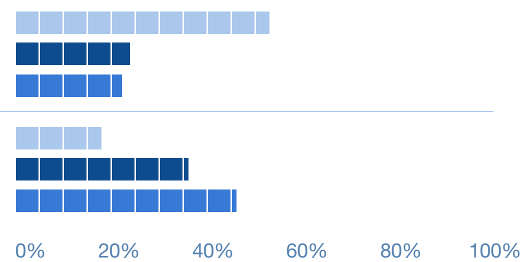
Year-over-year data since the question has been asked:

	2011	2012	2013	2014
Will improve	25%	30%	54%	56%
No significant change	53%	42%	39%	35%
Will worsen	22%	29%	7%	8%

- More evidence of bullishness: 56 percent of respondents believe the U.S. economy will improve in the upcoming year.
- This is the fourth consecutive year that this percentage has increased—rising from 25 percent in 2011—which suggests respondents are seeing slow but steady economic progress.

Q24. Which one of the following categories of buyers will increase its presence and which one will decrease its presence the most in the U.S. M&A market over the next 12 months (as a percentage of total transactions)?

Responses		%	Percentage of total respondents
Increase Most	Strategic U.S. Buyers	52.94%	
	Financial U.S. Buyers	24.60%	
	Foreign Buyers	22.46%	
Decrease Most	Strategic U.S. Buyers	17.74%	
	Financial U.S. Buyers	36.02%	
	Foreign Buyers	46.24%	



- M&A insiders say that while strategic U.S. buyers still rule the market, the impact of foreign buyers is rising. Foreign buyers were selected by a larger share of respondents, who see an increased presence in the U.S. market: 22 percent compared to 16 percent last year.

Methodology

National law firm Dykema Gossett PLLC distributed its Mergers & Acquisitions Survey via e-mail to a group of senior executives and advisors, including CEOs, CFOs and other company officers. The 190 respondents to this survey represent a cross-section of the industry, with a diverse group of professions and more than 13 different sectors represented, including industrial/manufacturing and financial services. They work at companies whose annual revenues range from under $1 million to more than $1 billion.

Percentages in questions 11, 18 and 19 exceed 100 percent because respondents were asked to check all that apply.

Due to rounding, percentages used in all questions may not add up to 100 percent. A few minor edits were made to individual responses to correct spelling, punctuation, and verb tense.