

Continued Optimism for U.S. M&A Dealmaking in 2021 Reflected in Dykema/ACG-Detroit Spring 2021 M&A Flash Survey

Respondents Express Concerns About Impact of Looming Increases in U.S. Taxes on Dealmaking

Reflecting strong U.S. M&A activity in the first quarter of 2021, respondents to the *Dykema and Association for Corporate Growth-Detroit's Spring 2021 M&A Flash Survey* overwhelmingly expressed optimism for U.S. M&A activity in 2021, with more than 70% expecting the U.S. M&A market to strengthen in 2021 compared to 2020.

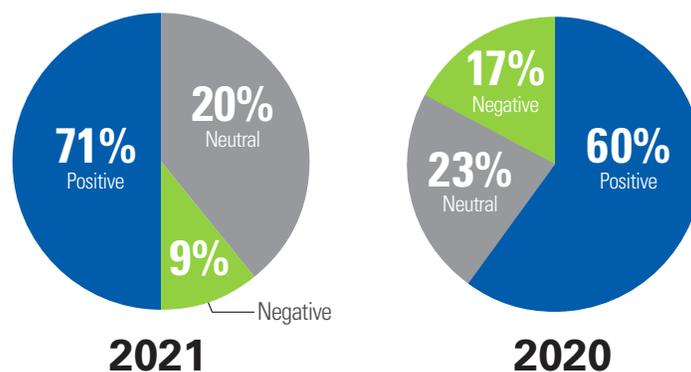
Current optimism for the U.S. M&A market is in line with the results of *Dykema's 16th Annual M&A Survey* conducted last fall, in which 71% of respondents expected the U.S. M&A market to strengthen in the next year. This optimism is a marked improvement from the results of *Dykema and Association for Corporate Growth-Detroit, San Antonio/Austin and Columbus's June 2020 M&A Flash Survey*, at which time only 51% of respondents believed the U.S. M&A market would strengthen over the following 12 months.

How will the U.S. M&A market for the next 12 months compare to the last 12 months



As with our previous surveys, respondents' outlook for the U.S. economy is predictive of their outlook for the U.S. M&A market. In the *Spring 2021 M&A Flash Survey*, 71% of respondents expressed a positive outlook for the U.S. economy for 2021, with 78% of those respondents expressing a positive outlook for U.S. M&A activity this year. Only 9% of respondents expressed a negative outlook for the U.S. economy. A similar minority predicted a weakening of the U.S. M&A market in 2021. This compares with the Fall 2020 survey results where 60% had a positive outlook and 17% had a negative one.

What is your outlook for the U.S. economy generally over the next 12 months?



But one potential dark cloud looms large over U.S. M&A activity according to our survey respondents – potential tax increases in the U.S. Two of the top three threats to U.S. M&A in 2021 that our respondents are worried about relate to increased tax rates, at both the corporate and individual levels. Threats related to government policy changes and increased regulation generally garnered 65% of the total responses to this question. This is consistent with *Dykema’s 16th Annual M&A Survey* from last fall in which two of the top three threats to U.S. M&A cited by respondents were the election of President Biden and Democratic control of both the U.S. House and Senate, presumably because of the potential for increases in taxes and government regulation.

However, there is also some good news here. Last fall, the top concern for U.S. M&A, by a significant margin, was the continued spread of COVID-19. In the *Spring 2021 M&A Flash Survey*, concerns about the impact of continued COVID-related restrictions had dropped to second place, on par with concerns about increased taxes. While COVID remains a significant concern for our respondents, with the increased rate of vaccinations, those concerns are lessening.

Which of the following pose the greatest challenges to U.S. M&A in 2021?



Availability of capital took the top spot in the list of factors cited by our respondents as most likely to fuel M&A activity in 2021, with favorable interest rates taking the third spot on the list. M&A dealmaking is poised to continue to benefit in 2021 from high investment capital levels and debt availability. According to PwC *Global M&A Industry Trends*, 2021 M&A activity is accelerating, with valuations marching higher and so much capital in play.

In line with our observations above regarding the positive U.S. economic outlook, 63% of our respondents listed improvement in economic conditions as fueling M&A activity in 2021, making it the second-most listed factor.

Which of the following are most likely to fuel M&A activity in 2021?



Survey respondents ranked U.S. financial buyers as the type of buyer most influencing deal valuations during the COVID pandemic, retaking the top spot from the U.S. strategic buyers reflected in *Dykema’s 16th Annual M&A Survey*. Respondents believed that non-U.S. financial and strategic buyers had limited impact on deal valuations in the U.S.

Which of the following types of buyers has most influenced U.S. deal valuations during the Covid-19 pandemic?

	2021	2020
U.S. Financial Buyers	58%	41%
U.S. Strategic Buyers	35%	42%
Non-U.S. Financial Buyers	4%	13%
Non-U.S. Strategic Buyers	3%	4%



www.dykema.com

California | Illinois | Michigan | Minnesota | Texas | Washington, D.C.



www.acg.org/detroit