

State of Midmarket M&A 2014

The Capstone Strategic Report

Executive Summary: Key Findings & Predictions

M&A is popularly associated with massive deals between Fortune 500 companies, because these are the transactions that most often make the news. In reality, most mergers and acquisitions take place in the midmarket, with deals valued at \$500m or less. Midmarket M&A activity therefore counts as a critical indicator in the overall economic picture.

What was happening in the midmarket in 2013? And what kind of midmarket M&A activity can we foresee in 2014?

To find out, Capstone Strategic, a specialist M&A consulting firm for over 20 years, designed and issued a survey for midmarket executives. All questions were designed and analyzed by Capstone Strategic founder and CEO David Braun based on his experience as a leading consultant, author and instructor for the American Management Association.

The data collected in this survey is a window into the anticipated direction midmarket companies expect to take in the M&A space as well as challenges they will need to overcome or mitigate in an uncertain economic environment. This is the first Capstone Report on midmarket M&A, which we plan to publish annually. We welcome all feedback and suggestions for future reports.

Key Findings

Growth in M&A: More M&A expected, despite modest economic expectations

- 46% engaged in M&A or external growth activities in 2013
- 63% are considering M&A activity in 2014

Overall Midmarket Growth in 2013 vs. 2014: Moderate outlook for future growth

- 62% reported “modest growth” in 2013
- 30% expect an improved economic environment in 2014
- 11% predict deterioration in 2014

2014 Factors Expected to Impact Growth: Economic anxiety

- 65% - the economy
- 38% - Changes in market demand
- 31% - Regulations
- 28% - Political landscape

2014 Deterrents to M&A Participation: Insufficient resources

- 54% reported the greatest factor holding them back from M&A is insufficient resources (time, money and people).

An M&A Resurgence?

The principle finding from our survey is the difference between our participants’ economic predictions and their expectations for M&A. While most participants (62%) are seeing only modest growth in their industries, more than half (54%) expecting a rise in M&A activity in 2014. A full 63% are considering participation themselves. Despite an uneasy economic outlook, the “bear cycle” in midmarket M&A appears to have hit bottom, and there is pent-up demand for transactions.

The full survey, State of Midmarket M&A in 2014, can be viewed by [clicking here](#).