

State of Midmarket M&A

Q1-Q3 2014 Update

The Capstone Strategic Report

November 2014

Executive Summary

At the end of 2013, Capstone conducted a survey of midmarket company owners and executives, to elicit their insights on mergers and acquisitions. In October of this year, we conducted a follow-up survey. Our objective: to see how the first three quarters of 2014 matched expectations we learned last year, and to indicate any new trends in midmarket M&A.

Key Findings

Growth in M&A: There has been an increase in M&A activity in the midmarket, despite continuing economic uncertainty.

- 60% engaged in M&A or external growth activities in 2014
- 44% are considering M&A activity in last quarter of 2014

Overall Midmarket Growth: Moderate growth continues.

- 68% reported growth in 2014

Opportunities: Companies are very interested in exploring new markets.

- Increased focus on acquisition of new markets (up 11% from 2013)
- A total of 62% of respondents are interested in expanding into new markets.

Challenges: Scarce resources and difficulty in finding companies to acquire.

- Greatest deterrent from M&A activity is lack of time, money, and people.
- 28% of respondents report a lack of suitable companies to purchase.

Steady Growth in M&A

Overall, our perception is that the economy will continue to recover, and as it does, more midmarket companies will seize on the opportunities presented by external growth. We define external growth as any strategy that leverages a relationship with another company—such as acquisition, minority ownership, joint venture or strategic alliance. We see more companies recognizing the possibilities for accelerating their growth through these kind of relationships. However, many are still restricting themselves unnecessarily by considering only acquisitions of for-sale companies. In reality, external growth opportunities, including acquisition, are possible with almost any company, for the right equation.

The full survey, **State of Midmarket M&A Q1-Q3 2014 Update** can be viewed at www.SuccessfulAcquisitions.net/report.