



NATIONAL CENTER FOR
THE MIDDLE MARKET

Middle Market M&A

What Executives and Advisors Need to Know
to Make the Most of Mergers & Acquisitions

A REPORT BY THE NATIONAL CENTER FOR THE MIDDLE MARKET

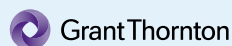
Key Takeaways

Mergers and acquisitions (M&A) are critical to the growth of many middle market companies. Yet most executives do deals infrequently. As a result, many are surprised by the challenges faced during the process. Careful preparation that starts well before a deal is on the table can help companies avoid some obstacles, be better equipped to surmount others, and improve the overall success of M&A transactions.

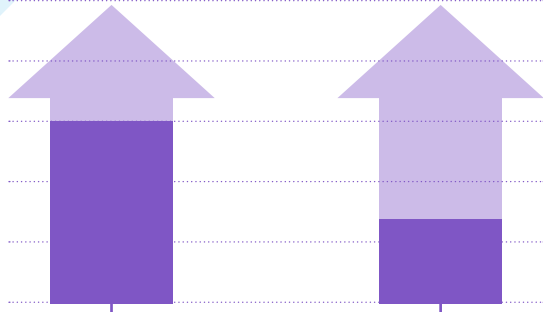
IN COLLABORATION WITH



THE OHIO STATE UNIVERSITY
FISHER COLLEGE OF BUSINESS



M&A is **critical** to growth in the middle market



60%

of middle market companies that participate in M&A say it is vital to their growth strategy

26%

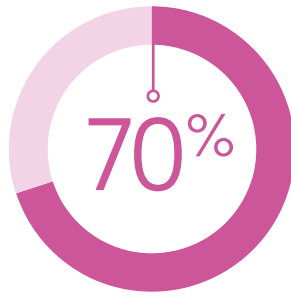
is the share of growth these companies expect M&A to contribute

There is a **steady rhythm** of deals, but companies have limited experience



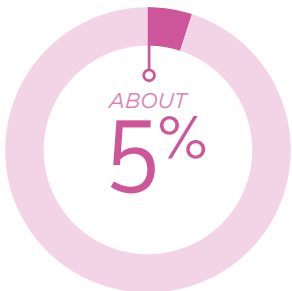
ROUGHLY
20%

of middle market companies complete an acquisition annually



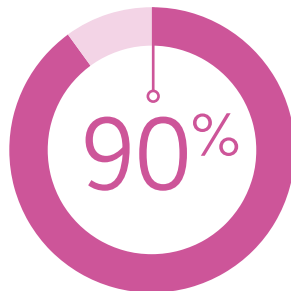
70%

of companies that made an acquisition in the past 3 years had little or no previous experience



ABOUT
5%

of middle market companies sell to or merge into another business each year



90%

of companies that sold or merged in the past 3 years had little or no previous experience

Most companies rely on **themselves** to find targets or buyers

Resources used by buyers to find a target:



33%
LAWYER/LAW FIRM



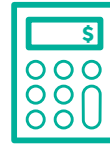
28%
CONSULTANT



21%
INVESTMENT BANK



20%
OUTSIDE ACCOUNTANTS/
ACCOUNTING FIRM



20%
TAX ADVISOR

Resources used by sellers to find a buyer:



28%
CONSULTANT



28%
LAWYER/LAW FIRM



19%
INVESTMENT BANK

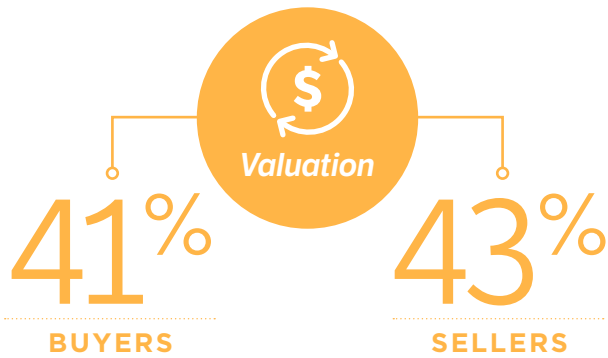


18%
PRIVATE EQUITY PARTNERS
WHO CURRENTLY HAVE
STAKE IN YOUR BUSINESS

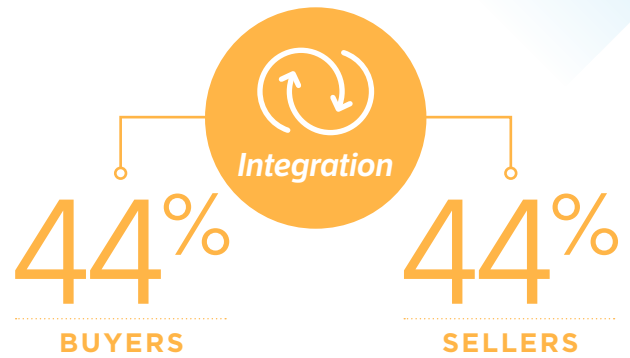


16%
CORPORATE BANK

Financial valuations and post-merger integration **complicate** deals



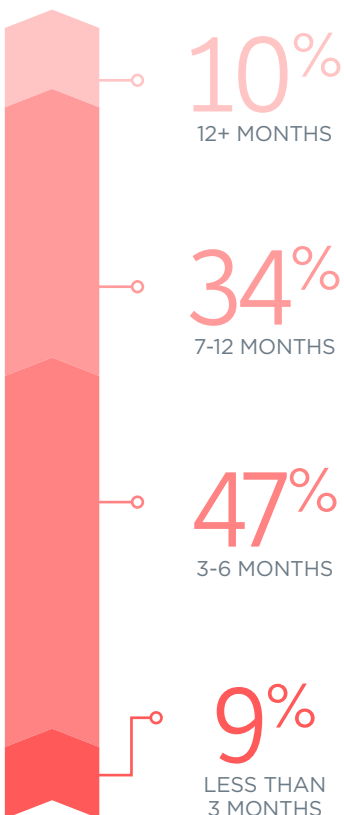
find it **very difficult** to assess the value of the business they are buying or selling



say that integration (both technical and cultural) is a **major challenge**

Most deals take less than a year; but becoming “**deal-ready**” takes years. Companies that are well prepared will be more successful.

Length of time to complete an acquisition



3-12 MONTHS

the timeframe for executing deals



3-5x THE EXECUTION TIMEFRAME

the ideal planning horizon to develop capabilities in planning, financial reporting, valuation, and execution

What "deal-ready" looks like:



GOVERNANCE

Clarify decision rights and operating authority



WORKING CAPITAL

Improve management of A/P, inventory, and A/R



TALENT

Have retention plans for key players



TECHNOLOGY

Upgrade systems and maintain an up-to-date cybersecurity plan



ACCOUNTING

Keep your books in shape



ADVISORS

Build relationships with lawyers, bankers, tax advisors, consultants, and others with M&A experience



PLANNING

Create plans, budgets, and KPIs



OPERATIONS

Document processes and set improvement plans



PEERS

Deepen and broaden connections in your industry

About This Study



ABOUT THE U.S. MIDDLE MARKET

The U.S. middle market comprises nearly 200,000 companies that generate more than \$10 trillion in combined revenue annually. The middle market is defined by companies with annual revenues between \$10 million and \$1 billion. In addition to their geographic and industry diversity, these companies are both publicly and privately held and include family-owned businesses, sole proprietorships, and private equity-owned companies. While the middle market represents approximately 3% of all U.S. companies, it accounts for a third of U.S. private-sector GDP and jobs. The U.S. middle market is the segment that drives U.S. growth and competitiveness.



ABOUT THE RESEARCH

Four hundred strategic decision makers from middle market companies that either completed an acquisition or sale in the past three years or that are highly likely to sell a company or part of a company in the next three years responded to a survey designed to understand attitudes and perceptions related to M&A, evaluate the importance of M&A to middle market companies, identify drivers of M&A activity, and gain insight into the obstacles and challenges involved in deal-making. The report also draws on more than five years of data from the National Center for the Middle Market's Middle Market Indicator surveys of 1,000 executives. The learnings and takeaways are intended to inform both middle market executives and their external advisors and consultants in order to facilitate more successful deals in the future.

Research Produced By:



**NATIONAL CENTER FOR
THE MIDDLE MARKET**

The National Center for the Middle Market is a collaboration between The Ohio State University's Fisher College of Business, SunTrust Banks Inc., Grant Thornton LLP, and Cisco Systems. It exists for a single purpose: to ensure that the vitality and robustness of middle market companies are fully realized as fundamental to our nation's economic outlook and prosperity. The Center is the leading source of knowledge, leadership, and innovative research on the middle market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders, to help accelerate growth, increase competitiveness and create jobs in this sector. To learn more visit: www.middlemarketcenter.org.

WITH CONTRIBUTIONS FROM:

Professor Steven Davidoff Solomon,
Professor of Law, University of
California, Berkeley

