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## What's the outlook for merger and acquisition activity for Iowa companies?

There was much discussion over the state of the M&A markets in 2016. After a record-breaking 2015, we saw a sizable dip in global deal volumes in 2016 (although still a healthy \$3.6 trillion). This has been attributed to a variety of factors; however, difficulties surrounding regulatory approval of large, cross-border mergers and uncertainty over the future administration in the U.S. were two of the biggest headwinds.

We believe 2017 will be another strong year for business transactions despite the uncertainties. Iowa business owners who are looking to transition ownership will still find a host of willing and able buyers with plenty of capital to deploy. Many strategic buyers are still experiencing sluggish organic growth and are looking to supplement that through purchases. An added benefit that could come to fruition from the new administration is a decrease in taxes. Based on our discussions with business owners, the potential tax savings are a very important consideration when deciding to sell.

On the flip side, many Iowa businesses can be expected to make acquisitions of their own. We have many companies in the state that have strong management teams and are growing tremendously. These companies can use their resources to make strategic acquisitions of competitors, suppliers or complementary product lines that might not be getting the proper attention and investment to grow under current ownership. Although interest rates increased in 2016, and expectations are for further increases this year, they remain low by historical standards and should not have a significant effect on the attractiveness of financing options.

Overall, Iowa businesses are somewhat insulated from the major M&A headwinds we witnessed in 2016. Most are not of the size to garner regulatory scrutiny and deal primarily on a domestic basis. Although international economic policies and turmoil can have a trickle-down effect in the U.S., we feel that the domestic business and regulatory climates will remain the drivers of activity for companies in the Heartland.