

# Q&A

*A diversity of business sectors, ample capital held by investor groups, and demographic factors are some key drivers behind a robust mergers-and-acquisitions scene in Orange County. The fast pace of M&A activity means professional services providers, such as accountants, are in high demand to carry out sound due-diligence procedures and provide guidance.*

*The Business Journal's Jane Yu asked local accounting firm executives to share their thoughts on M&A activity in Orange County, as well as to discuss expectations for future trends and client concerns. Here are edited excerpts of their responses:*

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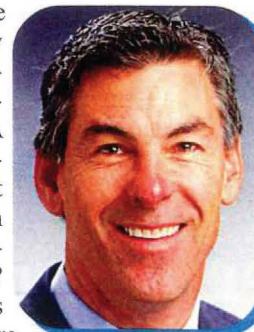
A recent Pew-Research study says 10,000 people in the U.S. will turn 65 today. In fact, 10,000 will turn 65 every day for the next 19 years. Owners are looking to retirement and cashing out in record

numbers. Orange County is largely made up of middle-market companies, and M&A activity is continuing to grow past levels seen in 2014. What's driving this growth? What are the trends to watch for? There

are many market forces fueling M&A activity in Orange County, not just demographics. In a recent Citizens Bank report, 57% of companies with \$100 million to \$2 billion in revenue are currently involved in or are actively seeking acquisitions. Here are some trends to look for:

- There's money to spend, and sponsors are getting creative. Seeking the highest return on capital is forcing private equity to proactively search their sectors for deals.

- Deal multiples are going up. With more competition in the middle market, performing companies will go for a premium. Deals that seemed too expensive in the past will look more reasonable seen through today's market perspective. If you are a seller, you could reduce your risk by engaging in sell-side due diligence. As a buyer, beware of buying at inflated premiums.



■ Healthcare M&A is expected to lead the way in 2015, followed by technology/media, as these industries are the most transformative. Biotech, healthcare IT innovation and hospital consolidation are driving factors.

Volatility will continue, and M&A professionals in Orange County, on both sides of the deal, will have to focus on quality and performance. Performing companies in Orange County are being sold at premium multiples, and underperformers are being significantly discounted. Both financial and strategic buyers are racing to find competitive advantages with their acquisitions. This race is fueling buyers to be proactive and creative while also driving multiples up. All of this is happening in front of a historical demographic shift in our country. Will 2015 be the high water mark for M&A activity in Orange County? I don't know. What I do know is it will be a year to remember.