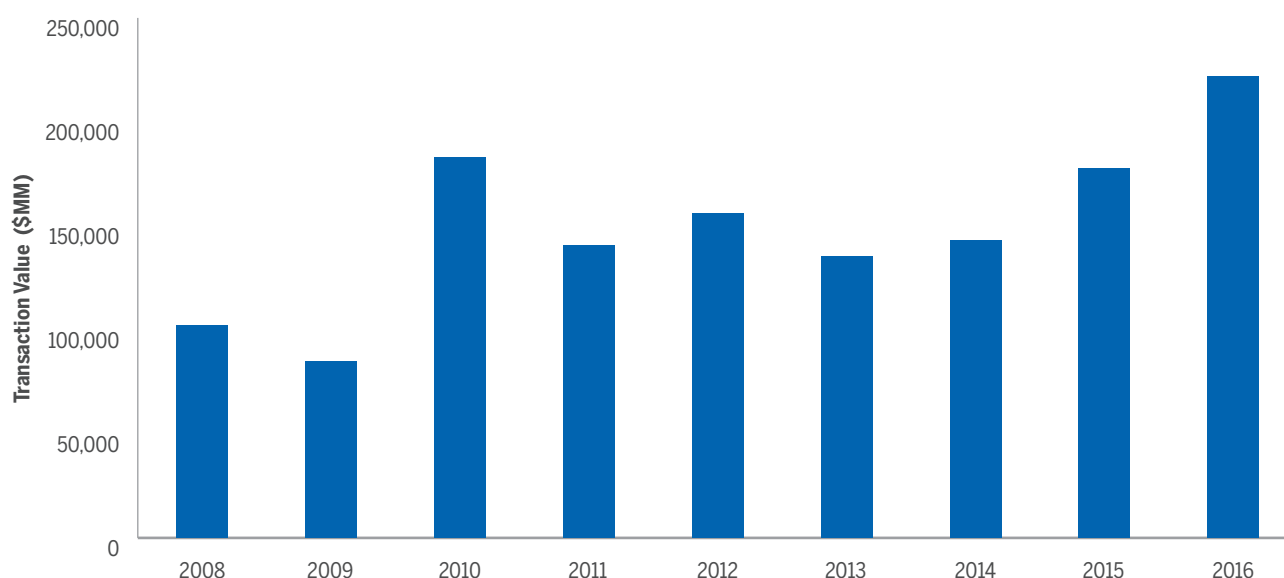


# Small Caps, Big Deals

Growth, synergy, scale and diversification are among the reasons why many large companies engage in mergers and acquisitions. Smaller companies are frequently their targets.

## Small is Beautiful *(Pending and Completed M&A Deals)*



Source: Factset. Targets are U.S. public companies less than \$5 billion through 12/31/16.

- M&A activity continues to be robust. 2017 will likely bring more transformational deals as 75% of U.S. executives plan to complete a deal in the next 12 months, according to EY's U.S. Capital Confidence Barometer survey. This is the highest percentage recorded in the 15 times the survey has been conducted.
- Anticipated future interest rate rises could impact deal financing. However, the stock market is at a near high and stock is a common payment option. Additionally, if corporate cash outside the U.S. is allowed to be repatriated at more favorable rates, it could contribute to momentum for M&A.
- As such, investors may want to consider exposure to small-cap companies.

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