

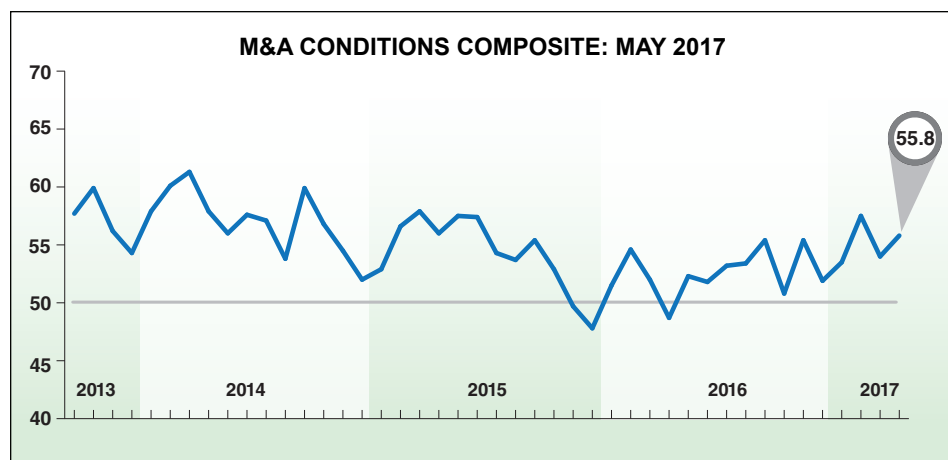
Dealmaking sped up in May, continuing a 12-month period of expansion, according to *Mergers & Acquisitions'* M&A Conditions Index (MACI). The MACI composite score increased to 55.8 in May, up from 54.0 in April.

Almost all index components rose. The most dramatic increase came from divestitures, which has been volatile in recent months. In May, divestitures soared 9.7 points to 56.3. In April, it dropped 12 points from March. Corporate spin-offs fueled a lot of M&A activity in 2016, so we're watching the component closely.

One component that declined significantly in May was bidders, which dropped 6.7 points. A high number of bidders indicates fierce competition for the best deals, which contributes to inflated valuations. As such, we calculate the component as a contrary indicator; when the bidders component is down, the number of actual bidders is up. The component has been in contraction (under 50) since the beginning of 2016. ■

## May composite at 55.8

Almost all dealmaking activities increased in May, marking 12 months of growth in the middle market, according to survey respondents. The number of bidders sounded a cautionary note; more bidders may mean higher prices.



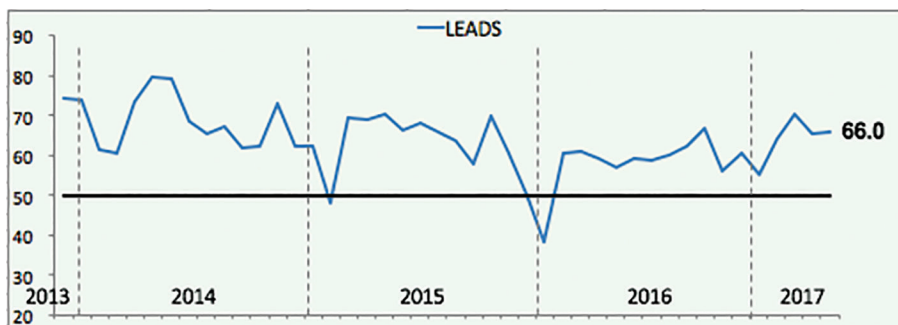
### Month to Month Trends

Index	May Index	April Index	% Point Change	Direction	Rate of Change	Trend (months)
Composite	55.8	54.0	1.8	Expansion	Faster	12
Leads	66.0	65.6	0.4	Expansion	Faster	16
Signed Letters	58.7	56.6	2.1	Expansion	Faster	4
Completed Deals	52.0	50.0	2.0	Expansion	Faster	4
Divestitures	56.3	46.6	9.7	Expansion	From Contraction	1
Financing Availability	52.6	53.4	-0.8	Expansion	Slower	6
M&A Business Activity	56.8	54.5	2.3	Expansion	Faster	12
M&A Business Staffing	54.7	52.3	2.4	Expansion	Faster	4
Bidders	39.9	46.6	-6.7	Contraction	Faster	16

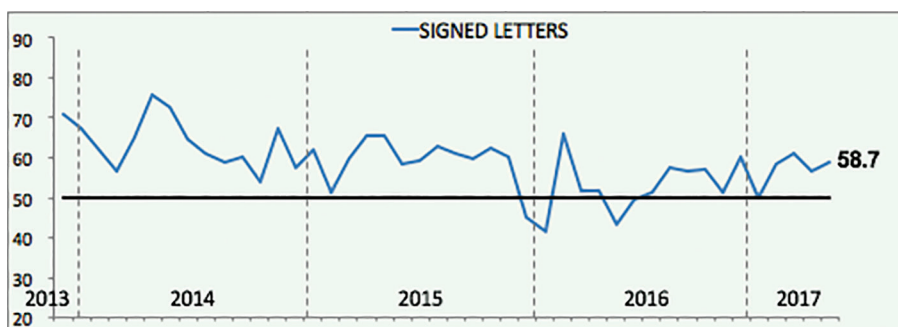
#### ABOUT THE MID-MARKET MERGERS AND ACQUISITIONS CONDITIONS INDEX (MACI)

The MACI is a composite index of mergers and acquisitions activity and conditions in the U.S. It is the result of the *Mergers & Acquisitions'* survey of executives in private equity firms, investment banks, lenders and advisor firms to track activity such as deals announced and deals completed, as well as acquisitions and divestitures.

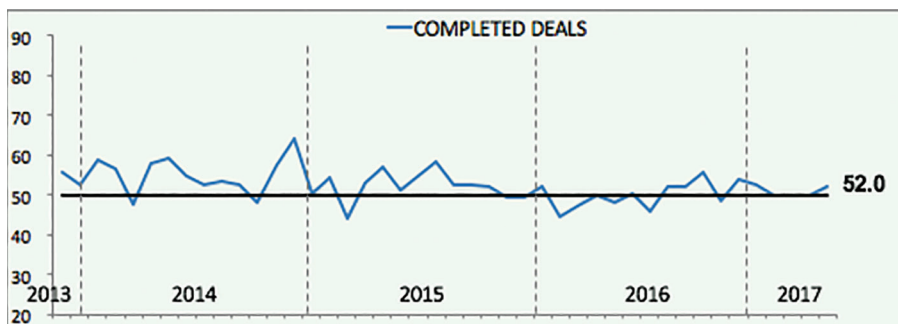
Each sub-indicator is based on survey responses that describe a change from the previous month (e.g., increase, decrease, or no change). Respondents are also asked to elaborate on any of the changes and provide their opinions about other internal or external conditions that affect their firm's operations or business outlook. A diffusion index is produced for each sub-indicator by calculating the sum of percentages of those indicating "higher" (for positive sub-indicators) and "lower" (for negative sub-indicators) and half of those indicating the "same." A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

**Leads**

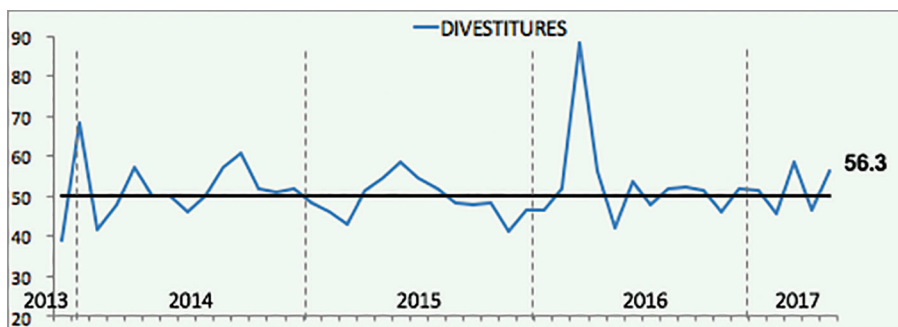
Already high, leads for new deals were up slightly in May.

**Signed Letters**

Signed letters of intent increased more than 2 points.

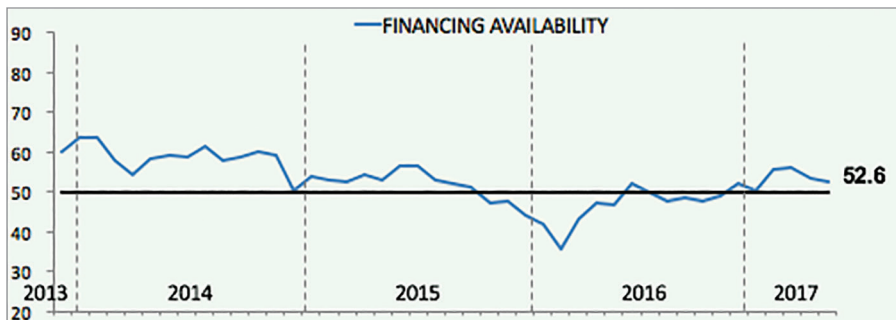
**Completed Deals**

Completed deals rose, an important sign of M&A health.

**Divestitures**

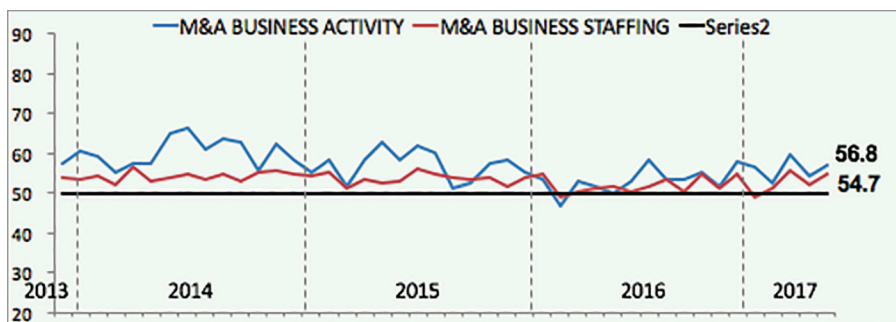
The most dramatic increase came from divestitures, which has been volatile in recent months.

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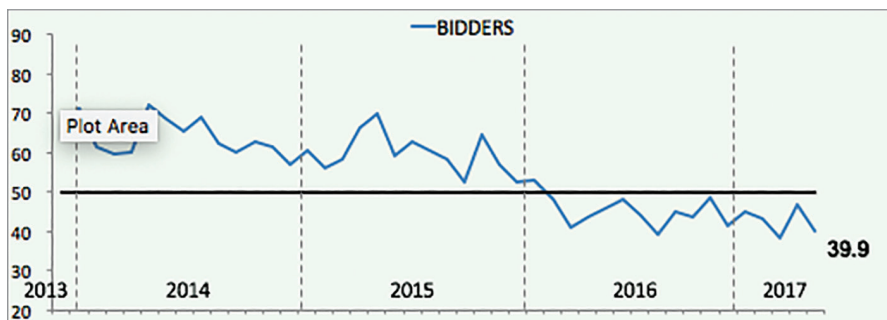
## ► Financing Availability

The availability of debt for deals dipped slightly.



## ► Business Activity & Staffing

These components both rose in May.



## ► Bidders\*

The one component to fall significantly in May was bidders, which has been in contraction since the beginning of 2016. A high number of bidders suggests fierce competition for the best deals, which contributes to inflated valuations.

\*Note: When survey respondents report increases in a contrary indicator (bidders) the composite index numbers drop, reflecting worsening business conditions. Contrary indicators are thus calculated inversely to quantify this effect.