

State of Middle Market M&A 2018

The Capstone Strategic Report

February 2018

Executive Summary

Capstone conducts an annual survey of company owners and executives to elicit their perspective on mergers and acquisitions (M&A) and external growth in the middle market. The 2018 report is our fifth in this series. Previous reports can be viewed on our [website](#).

Key Findings

1. Executives are **optimistic about growth**. A higher percentage saw an improving environment for growth in 2017 than in 2016 (48% compared to 35%).
2. **M&A activity** picked up in 2017. Those who observed higher M&A activity grew from 31% in 2016 to 38% in 2017.
3. **M&A activity will increase in 2018**. More executives are 100% certain they will pursue deals in 2018 (22%) than in 2017 (17%).
4. The **top driver for pursuing M&A in 2018** is to increase share of existing markets (65%).
5. Time and attention demanded by the process remains the **top barrier to leveraging M&A** as a tool for growth (35%).
6. Of the 44% who pursued M&A in 2017, the **majority executed acquisitions** (59%).

Middle Market M&A Continues to Grow

As anticipated in last year's State of the Middle Market M&A Report, there was renewed interest in pursuing acquisitions in 2017 as the political and economic landscape stabilized. The number of respondents seeing more M&A activity in their industry rose from 31% in 2016 to 38% in 2017. In the US the number of deals increased by 14% to 13,024, but average deal size decreased by 26% to \$109 million,¹ indicating an increase in smaller transactions. A higher number of our respondents are pursuing deals in 2018 than in 2017. Given the responses from our survey participants and our own observations of the marketplace, we predict robust M&A activity for 2018.

Read the full report, [State of Middle Market M&A 2018](#).

¹ "Mergers & Acquisitions Review Financial Advisors: Full Year 2017." Thomson Reuters. January 2018. <http://dmi.thomsonreuters.com>