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# **State of Middle Market M&A**

## **2019**

*The Capstone Strategic Report*

March 2019

## **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 2019 report is our sixth in this series. Previous reports can be viewed on our [website](#).

## **Key Findings**

1. **Growth was generally positive** in 2018. In their industries, most respondents (74%) reported modest growth, similar to 2017 data (73%) while a higher percentage (13% vs. 7%) saw high growth.
2. **More respondents executed deals in 2018** (52%) than in 2017 (44%).
3. Participants observed **similar levels of M&A activity in both 2018 and 2017** with **38% reporting more M&A** in both years.
4. While acquisition was the most popular form of external growth (49%), a **growing number pursued strategic alliances and joint ventures in 2018** (30% compared to 12% the previous year.)
5. Participants **faced the same top five barriers to M&A as last year**. Most said **time and attention demanded by the process** was one of the strongest reasons for not considering M&A.
6. Compared to last year's survey, **fewer are 100% certain** they will execute a deal in the coming year (11% compared to 27%).
7. Participants are most interested in **accessing new markets** and **increasing existing market share** through M&A 2019.

## **M&A Activity Remains Strong, But Caution Ahead**

As noted in last year's report, in 2018 we saw robust levels of acquisition and external growth activity across multiple industries. Global M&A activity jumped 12%, reaching a record \$4.3 trillion with 47,585 announced deals.<sup>1</sup> In the US, deal value increased by 32% to \$1.7 billion, but the number of deals fell by 8% to 12,442,<sup>2</sup> meaning the average transaction size was larger in 2018. While in this year's survey, participants are still positive about growth, they are cautiously optimistic when it comes to M&A in 2019 with some expressing concerns about a recession on the horizon. From our survey and from our observations in the marketplace, while we believe dealmaking will remain robust in 2019, acquisition activity is not expected to reach 2018 levels. Instead we expect to see a shift toward strategic alliances, joint ventures, minority investments, or partnerships – deal structures that might help companies better hedge risk should the economic and political environment change.

**Read the full report, [State of Middle Market M&A 2019.](#)**

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<sup>1</sup> "Mergers & Acquisitions Review Financial Advisors: Full Year 2018." Thomson Reuters, January 2019.  
<http://dmi.thomsonreuters.com>

<sup>2</sup> Thomson Reuters