

After a robust first half of the year, dealmaking in July continued to expand, but the pace of growth slowed, and completed deals fell sharply, according to Mergers & Acquisitions' M&A Conditions Index (MACI). The MACI composite score dropped to 51.4 in July, down from 54.5 in June and 55.8 in May.

Completed deals dropped nearly 7 points to 43.3, the lowest point since we began our monthly surveys in the fall of 2013. The dip may be attributable to the fact that July is the first month of the second half of the year. Like January, July often produces lower levels of completed deals. In 2016, for example, the completed deals component of MACI fell significantly in July, when it hit 45.8, down from 50.6 the previous month.

July's deceleration occurred after a very active first half of the year. More middle-market deals were completed in the first six months of 2017 than in any first half of the year for 10 years. The slowdown in July may also reflect a seasonal pause, as many dealmakers take a vacation before what's anticipated will be an active autumn. The component that measures leads for new deals scored 56.6, and the component that measures signed letters of intent came in at 56.0, both predictors of fruitful dealmaking ahead. ■

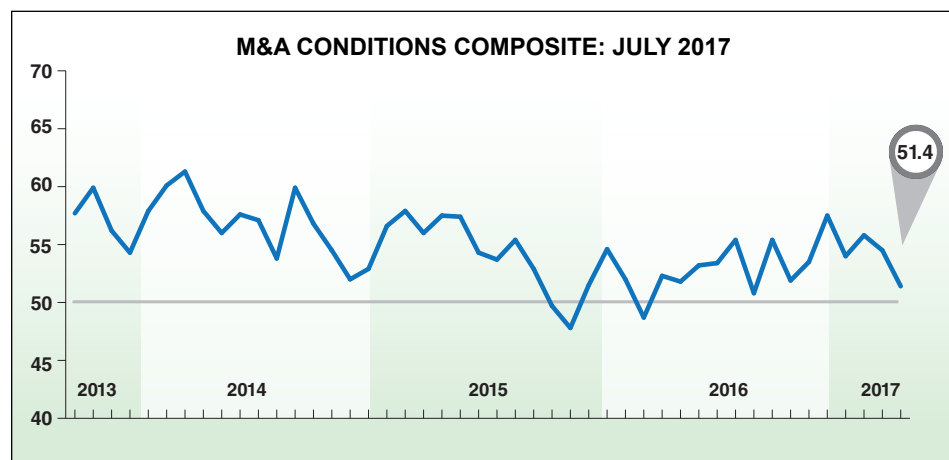
ABOUT THE MID-MARKET MERGERS AND ACQUISITIONS CONDITIONS INDEX (MACI)

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.

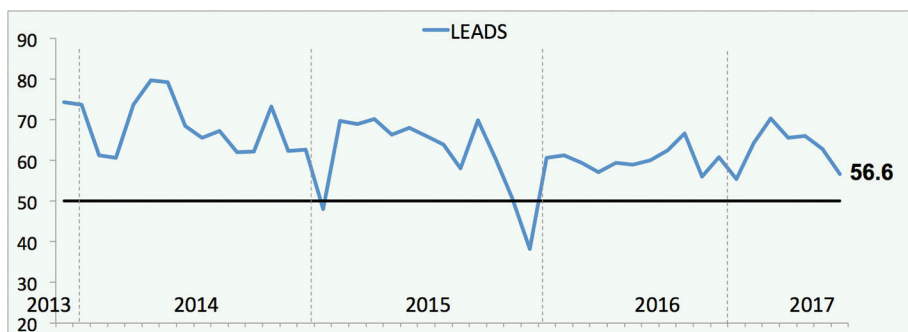
July composite at 51.4

M&A slowed in July after a very productive first half of the year. While completed deals plummeted, leads for new deals remained strong. The pause in dealmaking is likely seasonal, with an active autumn anticipated by most dealmakers.

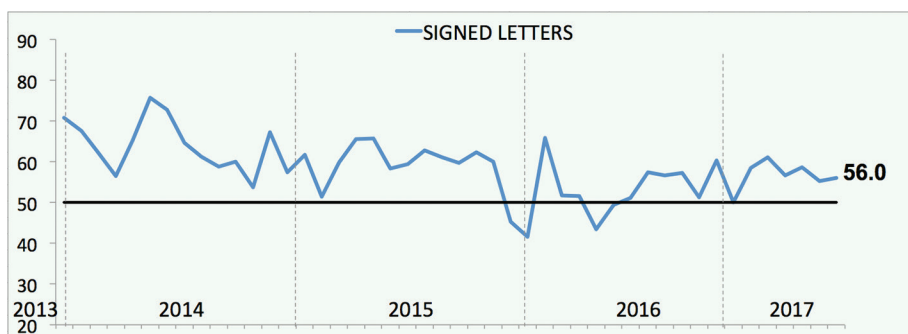


Month to Month Trends

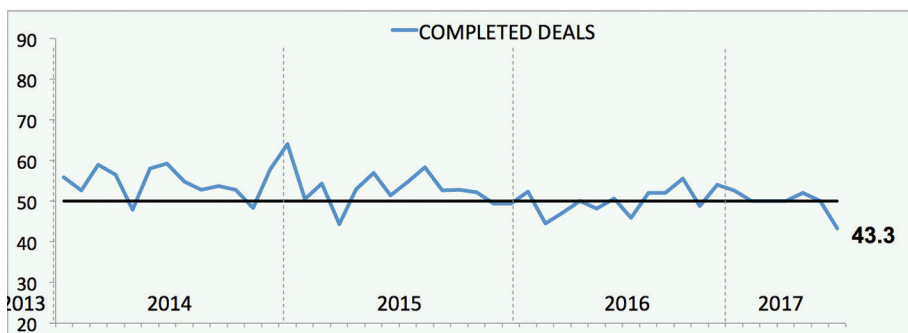
Index	July Index	June Index	% Point Change	Direction	Rate of Change	Trend (months)
Composite	51.4	54.5	-3.1	Slower	Expansion	14
Leads	56.6	62.8	-6.3	Slower	Expansion	18
Signed Letters	56.0	55.2	0.8	Faster	Expansion	6
Completed Deals	43.3	50.0	-6.7	From Even	Contraction	1
Divestitures	41.4	51.2	-9.8	From Expansion	Contraction	1
Financing Availability	51.7	54.3	-2.6	Slower	Expansion	8
M&A Business Activity	56.3	57.9	-1.6	Slower	Expansion	14
M&A Business Staffing	54.2	55.6	-1.4	Slower	Expansion	6
Bidders	45.5	41.4	4.1	Slower	Contraction	18

► **Leads**

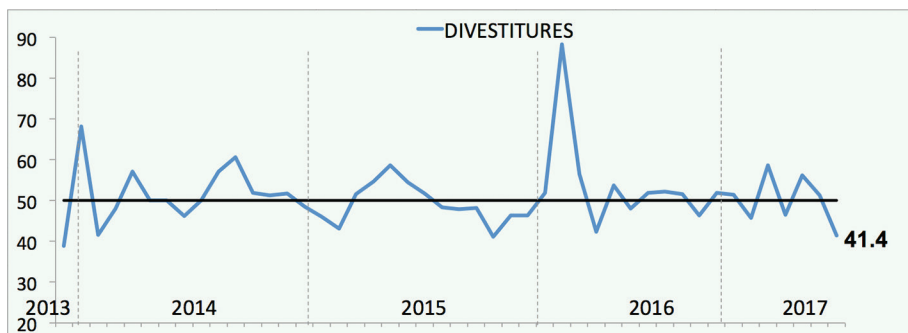
Leads for new deals scored 56.6, suggesting good times ahead.

► **Signed Letters**

Signed Letters delivered a score of 56.0, also favorable.

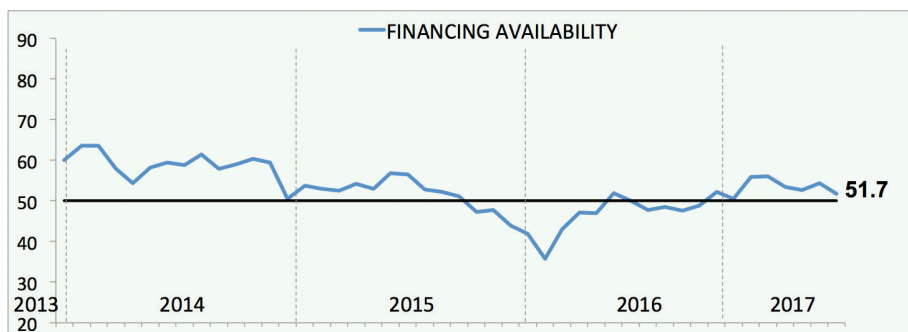
► **Completed Deals**

Completed deals dropped nearly 7 points to 43.3, the lowest point since we began our monthly surveys in the fall of 2013. But the component also dipped in July 2016, suggesting this is a cyclical dip in dealflow.

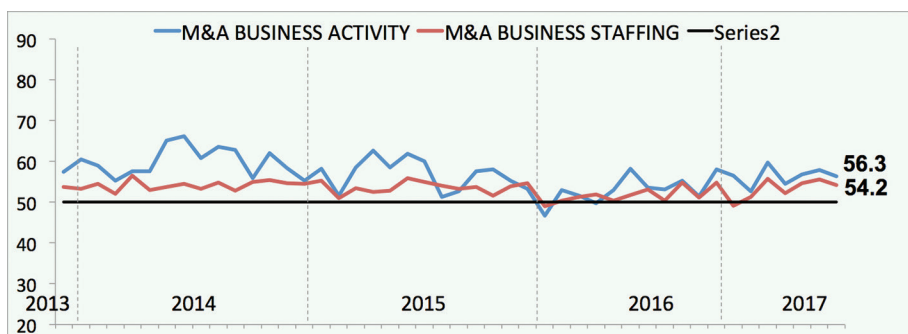
► **Divestitures**

Corporate spin-off plummeted nearly 10 points to 41.4. Corporate spin-offs have been especially volatile over the last 18 months.

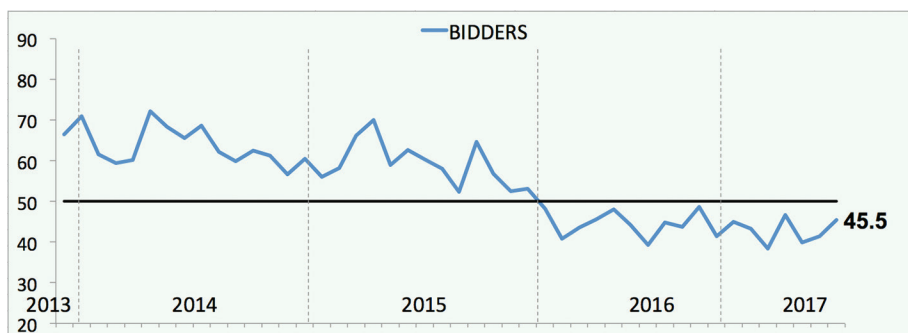
SEPTEMBER 2017

► **Financing Availability**

The availability of debt for deals remains strong.

► **Business Activity & Staffing**

These components grew again.

► **Bidders***

The bidders score remained in contraction, where it has been for 18 months, suggesting that many dealmakers are chasing the same deals.

*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.