

MID-MARKET PULSE: Energy deals expected to zoom

M&A in the energy sector is expected to accelerate swiftly over the coming months, according to Mergers & Acquisitions' Mid-Market Pulse (MMP).

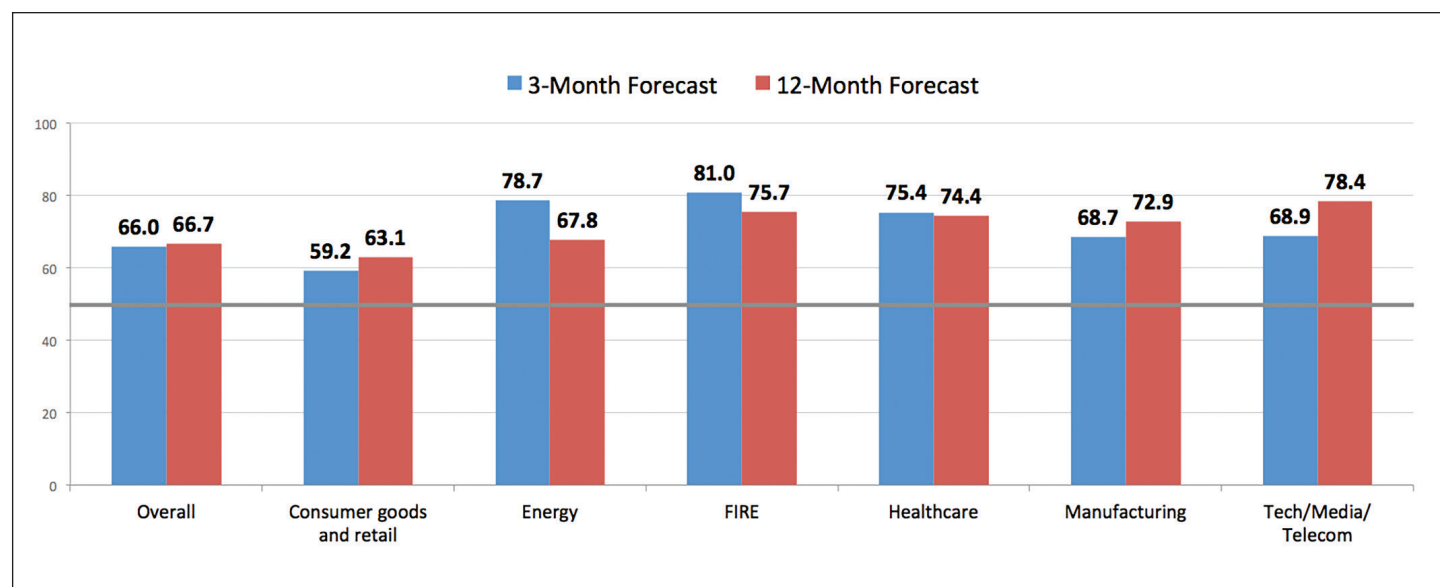
Dealmakers surveyed in July gave the sector a very high score of 78.7 for the 3-month outlook and an encouraging 67.8 for the 12-month outlook, both higher than the respective scores of 66.0 and 66.7 they gave to overall M&A on the same survey. However, the sector's scores were not as exuberant as they were when we last looked at the energy sector in a survey just after the 2016 election. At that point, survey participants gave the energy sector a composite score of 86.0 for the 3-month outlook and a score of 90.3 for the 12-month outlook, among

the highest delivered by any sector since we began the survey in the fall of 2013.

M&A in the energy sector is expected to benefit from Republican control of the U.S. federal government. But many major projects, including interstate pipelines and other endeavors worth billions of dollars, including utility mergers, have been delayed while the Federal Energy Regulatory Commission lacked the required number of commissioners to make decisions. The Senate approved two commissioners in early August, restoring a voting quorum. But volatility in the price of oil is expected to continue, with concerns about over-production and questions about the commitment on the part of major oil producers to cap output.

The energy industry's 3-month score was the second highest short-term outlook of the six high-growth sectors measured by the MMP. The financial services, insurance and real estate (FIRE) sector delivered the highest 3-month score. In the 12-month timeframe, tech, media and telecom (TMT) came in first place, followed by FIRE, healthcare, manufacturing, then energy in fifth place and consumer goods and retail in sixth place.

The MMP is a forward-looking sentiment indicator, published in partnership with CT, a provider of business compliance and deal support services. ■



ABOUT THE MERGERS AND ACQUISITIONS MID-MARKET PULSE (MMP)

The MMP is a monthly barometer for the outlook of M&A activity and conditions from the collective viewpoint of approximately 250 business executives in private equity firms, investment banks, lenders and advisor firms, such as accounting, law, and consulting firms, involved in M&A activity. Various sub-indicators that make up the overall MMP composite include projected deal volumes and pricing, staffing and resource utilization levels, and the expected impacts of economic conditions, taxes, and regulatory policy on respondents' future M&A activity.

MMP results are presented as rolling aggregate indicators for both three- and 12-month outlook periods for macro M&A issues as well as for individual industry sector issues in healthcare, consumer/retail, manufacturing, energy, and technology/media/telecommunications on a monthly rolling basis. A diffusion index is produced by calculating the sum of percentages of those indicating on survey responses that describe a change in sentiment for three and 12 months (e.g., increase/positive, decrease/negative, or no change/neutral) to arrive at three-month and 12-month aggregate index values that are then averaged to create a total composite for the month. A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

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