

MERCER CAPITAL

Middle Market Transaction Update

Fall 2025

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Fall 2025 M&A Update

Middle market M&A activity rebounded in the second quarter of 2025, although year-to-date activity remains depressed compared to prior-year levels. The ho-hum market likely reflects a confluence of factors: a backlog of exits among PE funds generally, tariff and macro uncertainty though tomorrow always is uncertain, and perhaps would-be sellers awaiting better valuations.

The availability of credit is not holding back PE-led M&A as private credit continues to see a surge of capital allocated to it that in turn has to be deployed. Also, the leverage loan/high yield bond markets are open.

Market activity also depends upon who is measuring it. We rely upon a combination of *GF Data*®, *Cap IQ* and *Pitchbook*. *GF Data*® chronicles the lower middle market. While we recognize it does not capture every transaction, we believe it provides a representative sample sufficient to offer broad commentary on the state of middle market PE activity given its focus on deals with total enterprise values between \$10 million and \$500 million submitted by approximately 350 U.S.-based private equity firms.

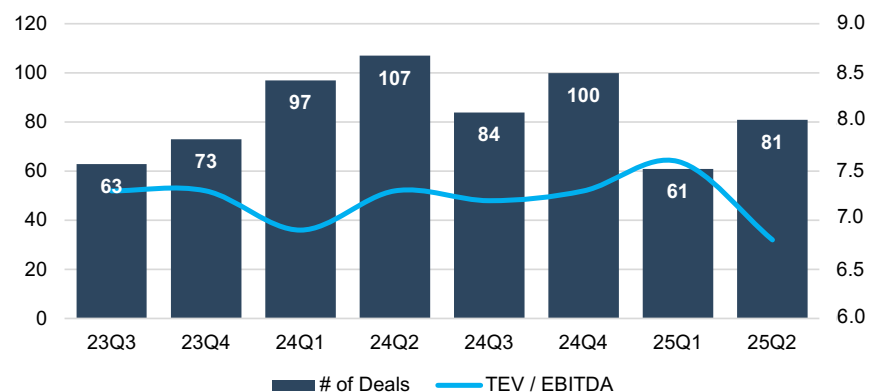
GF Data® reported:

- 81 transactions were announced in 2Q25, up 33% from 61 transactions in 1Q25 but down 24% from 2Q24 when 107 transactions were announced
- Year-to-date through June 30 there were 142 announced transactions compared to 204 in 1Q24
- The average EBITDA multiple (based upon normalized EBITDA as determined by the reporting PE firm) for the quarter declined to 6.8x from 7.6x in 1Q25 and 7.2x in 2Q24 but remained within the long-term average of 7x to 8x
- The average EBITDA multiple for the trailing 12 months on a rolling quarterly basis decreased to 7.2x from 7.4x for the trailing twelve months in the prior quarter

- Significant variance in multiples based upon the size of the transaction (e.g., 9-10x for \$100-\$500 million transactions vs 6-7x for \$10-\$50 million transactions) and variability based upon industry that ranged from 5.8x for technology to 8.3x for health care services
- Buyer transaction costs that are excluded from the multiples cited above add about 0.3x to all-in costs

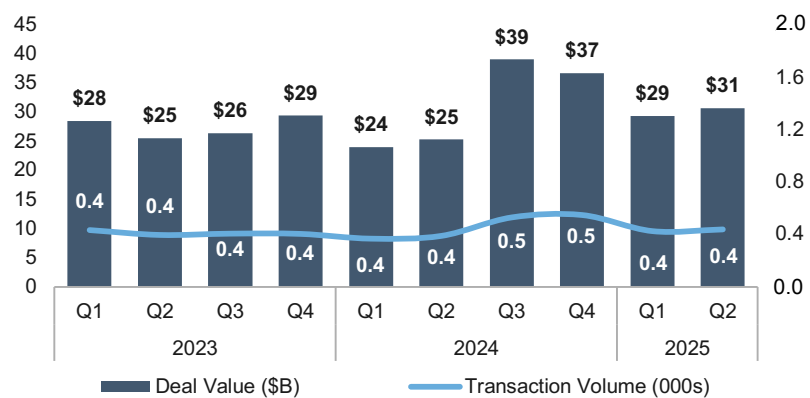
As shown in the chart below, U.S. middle-market deal activity (enterprise value under \$500 million, including strategic deals) increased in the second quarter of 2025. This marks a rebound from the depressed levels seen in the first quarter, according to *Capital IQ*. Deal value and transaction volume increased 5% and 3%, respectively, quarter-over-quarter per the *Capital IQ* data. These metrics are up 21% and 13%, respectively, from the second quarter of 2024.

Number of Deals and Average EBITDA Multiples Lower Middle Market Financial Buyers | Last 8 Quarters



U.S. Deal Value & Volume

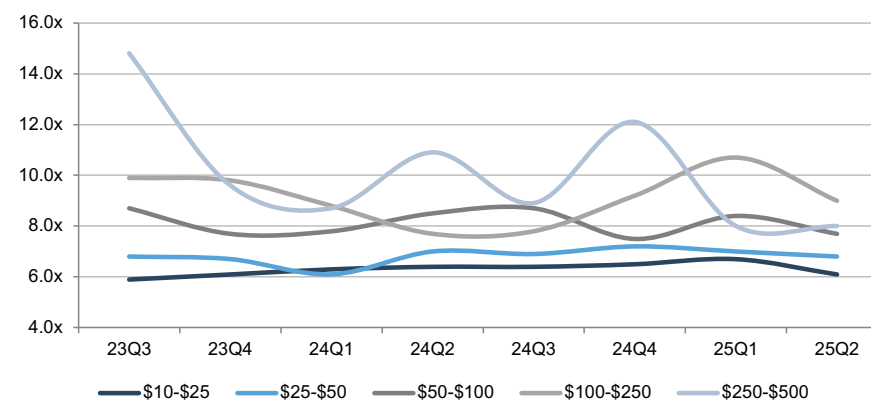
Q1-2023 to Q2-2025



Source: Capital IQ

TEV/EBITDA Multiples

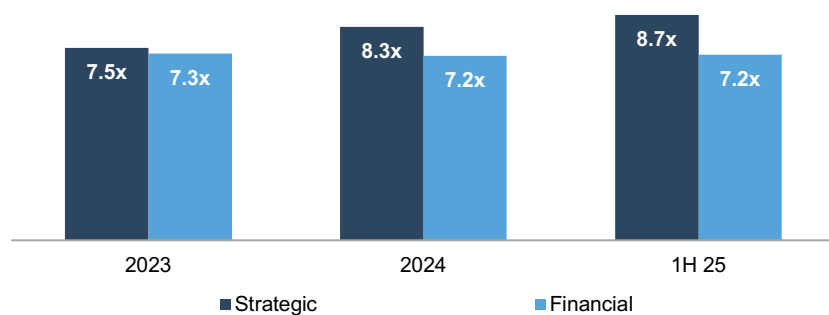
Financial Buyers | Last 8 Quarters



Source: GF Data®

EBITDA Multiples by Buyer Type

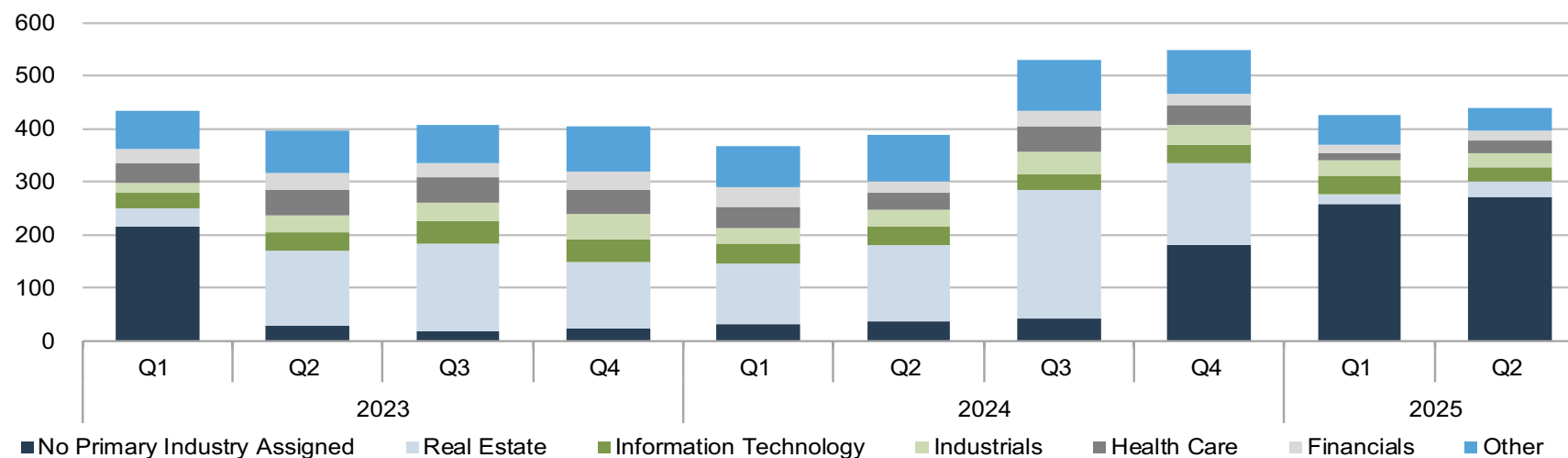
2023 to 1H25



Source: Capital IQ (strategic) and GF Data (financial)
Strategic multiples exclude outliers (defined as EBITDA multiple > 18x)

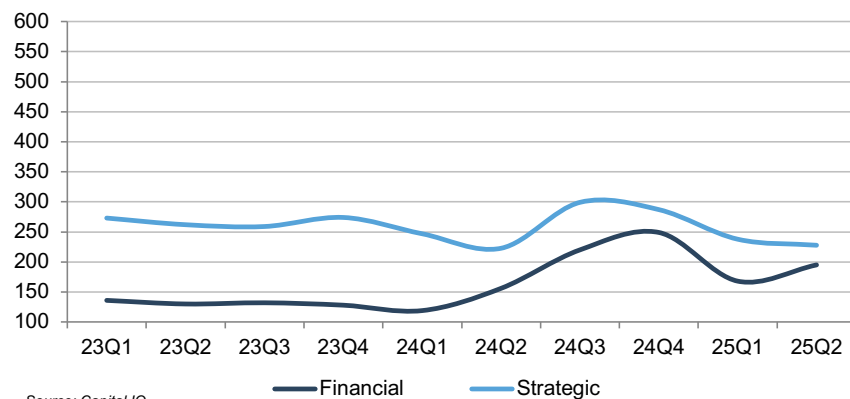
U.S. Deal Volume by Industry

Q1-2023 to Q2-2025



Number of Deals by Buyer Type

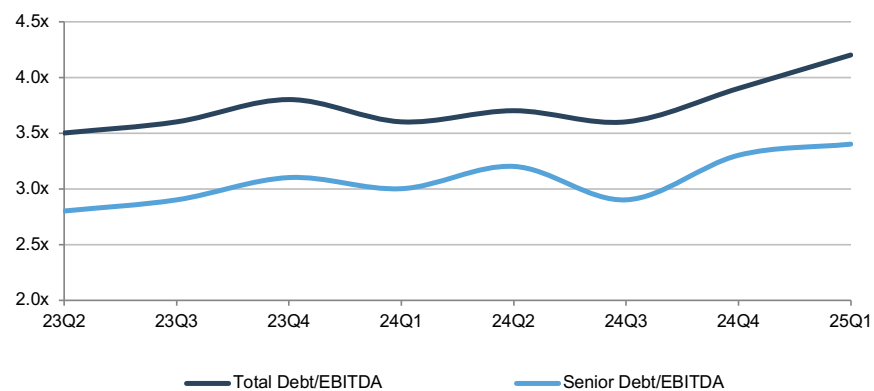
Q1-2023 to Q2-2025



Source: Capital IQ

Debt Multiples

Financial Buyers | Last 8 Quarters



Source: GF Data®

FEATURE ARTICLE

Rollover Equity in Private Equity Transactions

In the U.S. middle market, rollover equity has become an integral piece of many private equity (PE) transaction consideration structures whereby the seller exchanges some or their equity interest in the acquiring entity.

From the buyer's perspective, rollover equity helps finance a transaction and should secure the seller's support on a go-forward basis. Sellers benefit through a mix of direct liquidity and future upside—the so-called “second bite of the apple”—often enhanced by deferred tax treatment of the rolled proceeds.

The use of rollover equity in middle market deals has become more prevalent in recent years. According to [Goodwin's Private Equity Deal Database](#), the inclusion of rollover equity in transactions valued between \$25 million and \$500 million rose from 46% in 2020 to 57% in 2023.

This uptick reflects both the [financing pressures](#) facing PE buyers and the desire for alignment of incentives between new owners and ongoing management teams. Practitioners caution, however, that valuation and structural nuances can materially affect economic outcomes. For instance, disparities between rollover equity and PE-sponsor securities—such as liquidation preferences or senior rights—must be carefully valued, typically using the option-pricing method (OPM) under ASC 805, and may warrant discounts for lack of marketability.

As rollover equity becomes more prevalent, both buyers and sellers must engage in diligence regarding valuation, capitalization table dynamics, and exit expectations to fully assess its long-term impact.

ABOUT MERCER CAPITAL

Since 1982, Mercer Capital has offered M&A advisory services to a diverse range of public and private companies, leveraging extensive valuation and investment banking experience to guide clients through complex transactions. While our team provides objective advice, we also advocate for our clients while navigating the competitive marketplace of private equity groups, family offices, and strategic buyers. We facilitate informed decision-making with a tailored, multi-phased approach to planning and executing transactions. For confidential consultation on your transaction-related needs, contact us today.

ADDITIONAL RESOURCES

BLOG POST

Should You Accept Rollover Equity?

Road to Riches or “Worst Idea Ever”


READ

ARTICLE


Calibrating or Reconciling Valuation Models to Transactions in a Company's Equity

READ

Mercer Capital's Recent Transactions


Business First Bancshares, Inc.

 Baton Rouge, Louisiana

has agreed to acquire


Progressive Bancorp, Inc.

PROGRESSIVE BANK
 Monroe, Louisiana

Mercer Capital served as financial advisor to Progressive Bancorp, Inc.

— July 2025 —

ONE AMERICA BANCORP

 Hopetown, Oklahoma

has acquired


Hopetown STATE BANK
 Woods County, Oklahoma

Mercer Capital served as financial advisor to One America Bancorp Inc.

— June 2025 —

Y-12 Federal Credit Union

 Oak Ridge, Tennessee

has acquired

First State Bank of the Southeast

First State Bank
 Middlesboro, Kentucky

Mercer Capital served as financial advisor to Y-12 Credit Union.

— July 2025 —

First Missouri Bancshares, Inc.

 Brookfield, Missouri


has agreed to acquire

CCSB Financial Corp.


Clay County Savings Bank
 Liberty, Missouri

Mercer Capital served as financial advisor to First Missouri and rendered a fairness opinion

— January 2025 —


ASPIRANT
 Louisville, KY

has partnered with


point.c
 Chicago, IL


Mercer Capital served as financial advisor to Aspirant

— May 2024 —

U.S. Based Manufacturer of Flow Control and Process Equipment

Mercer Capital rendered a solvency opinion for the manufacturer related to payment of a \$200 million dividend following the sale of a business unit

— June 2024 —



Specialty Construction Materials Dealer / Distributor

Mercer Capital served as financial advisor to the seller in connection with an \$81 million transaction

— May 2024 —


HOSE
 of South Texas, Inc.
 www.hose-etc.com
 Corpus Christi, Texas

has formed a partnership with


TIPCO TECHNOLOGIES Focused Flexible Solutions
 Owings Mills, Maryland

Mercer Capital served as financial advisor to Hose of South Texas

— April 2024 —

Mercer Capital provides investment banking, transaction advisory, and restructuring services to a broad range of public and private companies and financial institutions. >> [View All Transactions](#) <<

Other Resources



WHITEPAPER

Quality of Earnings

What Buyers and Sellers Need to Know About Quality of Earnings Reports

For buyers and sellers, the stakes in a transaction are high. You only get one chance to do it right. Commissioning a quality of earnings report is an essential step in getting the transaction right.

In this whitepaper, we illustrate how buyers and sellers benefit from a quality of earnings report that extracts a company's sustainable earning power from the thicket of historical GAAP earnings. We review the most common earnings adjustments applied in QofE analyses and review the role of working capital and capital expenditures as the links between EBITDA and cash flow available to buyers.

[DOWNLOAD PDF](#)



WHITEPAPER

Selling Your Business

Practical Steps Business Owners Can Take to Ready Their Businesses for the Best Transaction Outcome

Selling your business is a daunting exercise that requires careful preparation and real-time vigilance. In this whitepaper, we define some practical steps business owners can take to ready their businesses for the best transaction outcome. These steps include identifying the right kind of buyer and transaction design, setting expectations for the timeline to consummate a transaction, hiring an advisor, understanding the various advisory fee structures that best suit each transaction scenario, as well as a few considerations every owner should contemplate before bringing their business to market.

[DOWNLOAD PDF](#)



WHITEPAPER

Buy-Side Considerations

Middle Market Companies Looking to Enter the Acquisition Market

Many observers predict that the market is rife for an unprecedented period of M&A activity, as the aging of the current generation of senior leadership and ownership pushes many middle market companies to seek an outright sale or some other form of liquidity. Obviously, not all companies are in this position. For those positioned for continued ownership, an acquisition strategy could be a key component of long-term growth.

In this whitepaper, we cover buy-side topics from the perspective of middle market companies looking to enter the acquisition market.

[DOWNLOAD PDF](#)

Transaction Advisory Services

In addition to our corporate valuation services, Mercer Capital provides investment banking and transaction advisory services to a broad range of public and private companies and financial institutions.

Mercer Capital has been successfully executing mergers & acquisitions for a broad spectrum of middle-market companies since the mid-1980s.

We specialize in providing merger & acquisition services to sellers or buyers of private businesses or public companies divesting divisions and subsidiaries. In addition, Mercer Capital assists clients in industry consolidations, roll-ups, and refinancings.

Mercer Capital leverages its historical valuation and investment banking experience to help clients navigate a critical transaction, providing timely, accurate and reliable results. We have significant experience advising boards of directors, management,

trustees, and other fiduciaries of middle market public and private companies in a wide range of industries. Our independent advice withstands scrutiny from shareholders, bondholders, the SEC, IRS, and other interested parties to a transaction, and we are well-versed in the new industry standards.

The professionals of Mercer Capital guide you through the uncharted waters of selling your business, acquiring another business or division, mergers, valuations, fairness opinions, and other transaction advisory needs. Rely on the experience, independence, and transaction know-how of Mercer Capital.

Transaction Advisory Services

- M&A Representation
- ESOP Installation, Termination, and Transactions
- Squeeze-Out Transactions
- Fairness and Solvency Opinions
- Minority Shareholder Stock Repurchases
- Corporate or Partnership Recapitalizations



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