MERCER CAPITAL | VALUATION & ADVISORY SERVICES

FALL 2026

MIDDLE MARKET TRANSACTION UPDATE

IN THIS ISSUE

www.mercercapital.com

Fall 2026 M&A Update

During the second quarter of 2026, deal volume (as measured by Cap IQ) and average pricing in middle market M&A (as measured by GF Data®) was relatively stable compared to prior quarters' activity.

Surveys conducted by GF Data® captured 85 middle market M&A transactions in 2Q26, matching the reported transaction volume in 1Q26. Valuation multiples declined modestly during the quarter, with the average all-industry EBITDA multiple decreasing from 7.3x in 1Q26 to 7.0x in 2Q26.

On a combined basis in the first half of 2026, the average EBITDA multiple across all reported deals was 7.1x, a tenth of a turn below each of the prior two full years, reflecting continued selectivity among buyers and sensitivity to earnings quality, leverage capacity, and sector dynamics in the middle market. For the trailing twelve months ("TTM") ended 2Q26, announced transaction volume totaled 327 deals, down from 347 in the trailing twelve-month period ended 2Q25 (which was primarily driven by heightened deal volume in mid-to-late 2024).

Sector performance was uneven, with manufacturing multiples improving to 7.1x from 6.7x in 2025, healthcare services cooling to 7.7x from 8.5x, business services holding at 7.5x, and technology continuing its decline from 6.7x to 5.7x (after a high of 10.2x in 2023).

Average total debt on platform buyouts declined half a turn from 3.4x TTM adjusted EBITDA in Q1 to 2.9x in Q2, while senior debt coverage declined from 2.5x to 2.0x. These readings came on rising deal counts, with 50 leveraged platforms reporting in the second quarter versus 43 in the first (and 29 senior-financed platforms versus 19). Average total debt declined marginally in all four size tiers, suggesting the first quarter step-up owed more to the composition of a thin deal set than to a durable reopening of lender appetite on new platforms.

The visibility of M&A market activity also depends upon who is measuring it. We focus on a combination of GF Data®, Cap IQ and Pitchbook. GF Data® chronicles the middle market and provides a representative sample of this portion of the market (total enterprise values between $10 million and $500 million submitted by 335 U.S.-based private equity firms actively contributing).

GF Data® reported:

- 85 transactions announced in 2Q26, consistent with the previous quarter total of 85 transactions but slightly down (2%) from 2Q25 when 87 transactions were announced;
- For the trailing twelve months ended 2Q26, there were 327 announced transactions compared to 347 in the trailing twelve months ended 2Q25;
- The average EBITDA multiple (based upon normalized EBITDA as determined by the reporting PE firm) for the quarter decreased from 7.3x in 1Q26 to 7.0x in 2Q26;
- The average EBITDA multiple for the trailing twelve months on a rolling quarterly basis remained constant compared to the prior quarter's trailing twelve months metric (7.2x);
- Reported multiples varied based upon size tranche (e.g., ~7.6x for $50-$250 million transactions vs ~6.8x for $10-$50 million transactions) and industry, which ranged from 5.7x for technology to 7.7x for healthcare services; and
- Buyer transaction costs that are excluded from the multiples cited above add about 0.3x to all-in costs.

As shown in the accompanying charts, overall U.S. middle market deal activity (enterprise value under $500 million, inclusive of strategic deals), as compiled by GF Data®, in the second quarter of 2026 remained constant from the levels observed in the first quarter of 2026. However, deal value and transaction volume both decreased 11%, quarter-over-quarter per the Capital IQ data; similarly, these metrics are up 10% and 16%, respectively, from the second quarter of 2025.

2026 OUTLOOK

We remain cautiously optimistic regarding the outlook for middle market M&A through the balance of 2026. Although aggregate U.S. transaction volume as measured by GF Data® increased during the first half of the year, overall transaction activity in the U.S. remained concentrated in large transactions, while the broader middle market continued to recover more gradually.

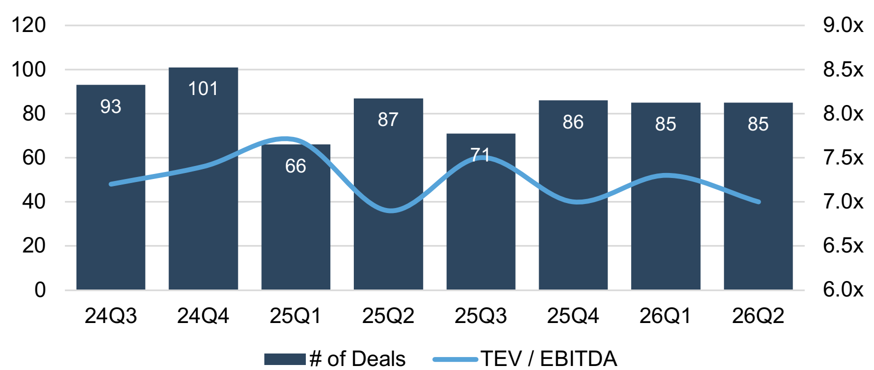
Still, buyer appetite remains healthy. Surveys by KPMG and PWC indicate 84% of surveyed corporate dealmakers and 77% of private equity respondents expect transaction volume to remain stable or increase during the second half of 2026. Strategic buyers continue to pursue smaller add-on acquisitions that expand geographic reach, add capabilities, enhance scale, or improve resilience to existing platform investments.

Private equity may provide enhanced demand if sponsors liquify their portfolios by accepting market clearing prices and exit aging investment to return capital to LPs while redeploying some proceeds into new investments. Add-on acquisitions are expected to remain especially active because they generally require less financing and carry lower execution risk than new platform investments.

However, persistently elevated borrowing costs, geopolitical uncertainty, inflation, and uneven company performance will continue to promote disciplined underwriting and longer transaction timelines. Quality companies will continue to find buyers, but tighter financing conditions will weigh on the ability of marginal companies to transact as compared to several years ago..

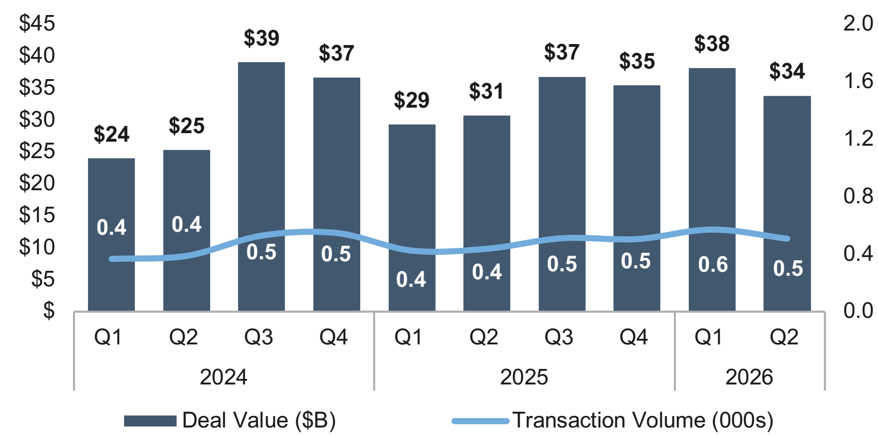
Looking toward 2027, middle market activity may improve, although a return to the exceptionally active conditions of 2021 appears unlikely. A growing backlog of delayed exits and founder-owned businesses approaching ownership transitions should expand the supply of acquisition candidates, while continued strategic demand and pressure on private equity firms to return capital should support deal volume. Overall, we believe the most likely scenario to be a gradual, broadening recovery rather than a sharp rebound, with transaction activity increasing as greater macroeconomic visibility allows buyers and sellers to pursue deal processes with greater confidence.

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



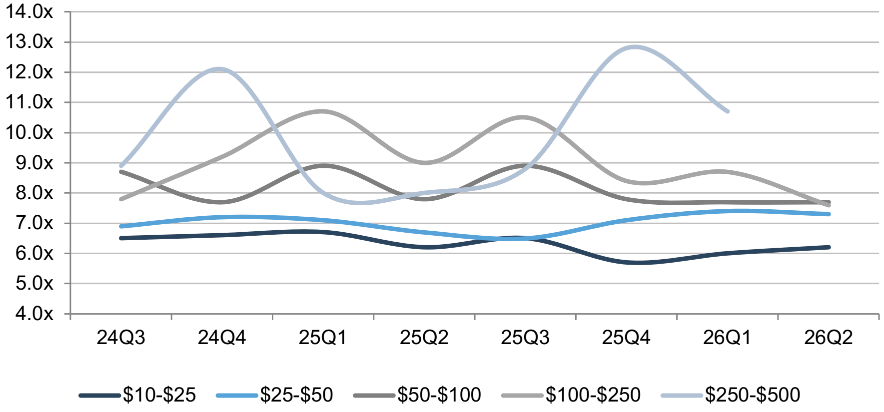
Source: GF Data®

U.S. Deal Value & Volume
Q1-2024 to Q2-2026



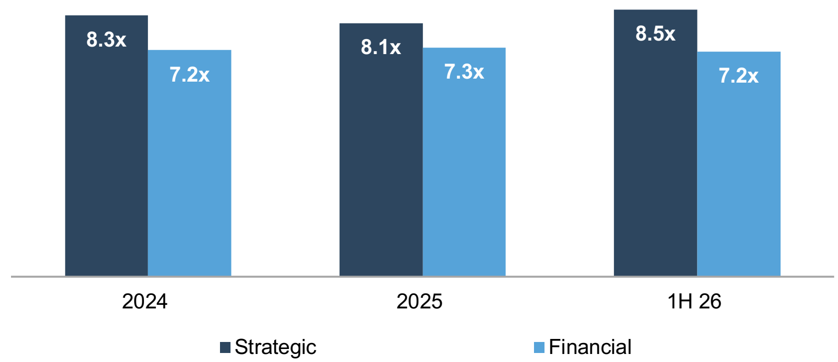
Source: Capital IQ

TEV/EBITDA Multiples
Financial Buyers | Last 8 Quarters



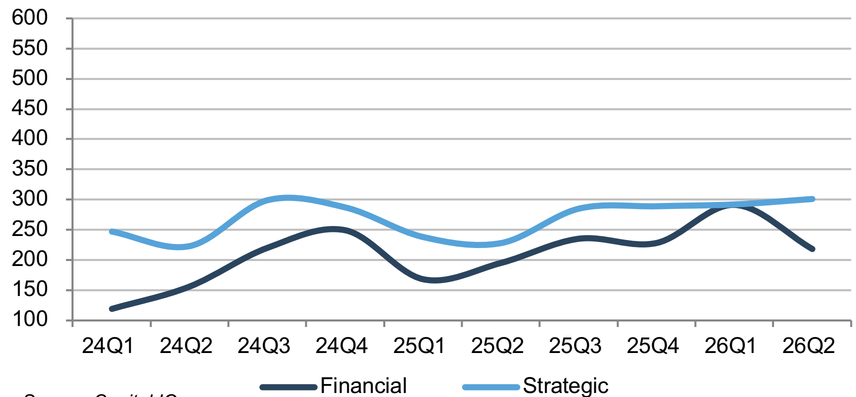
Source: GF Data®

EBITDA Multiples by Buyer Type
2024 to YTD 1H26



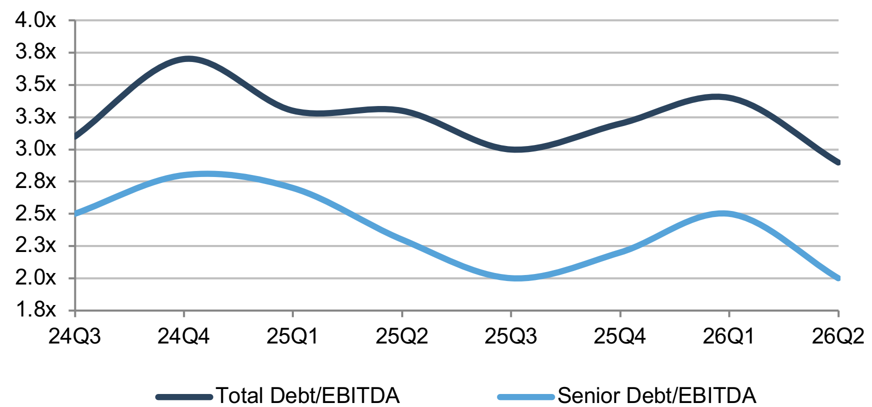
Source: Capital IQ (strategic) and GF Data (financial)
Strategic multiples exclude outliers (defined as EBITDA multiple > 18x)

Number of Deals by Buyer Type
Q1-2024 to Q2-2026



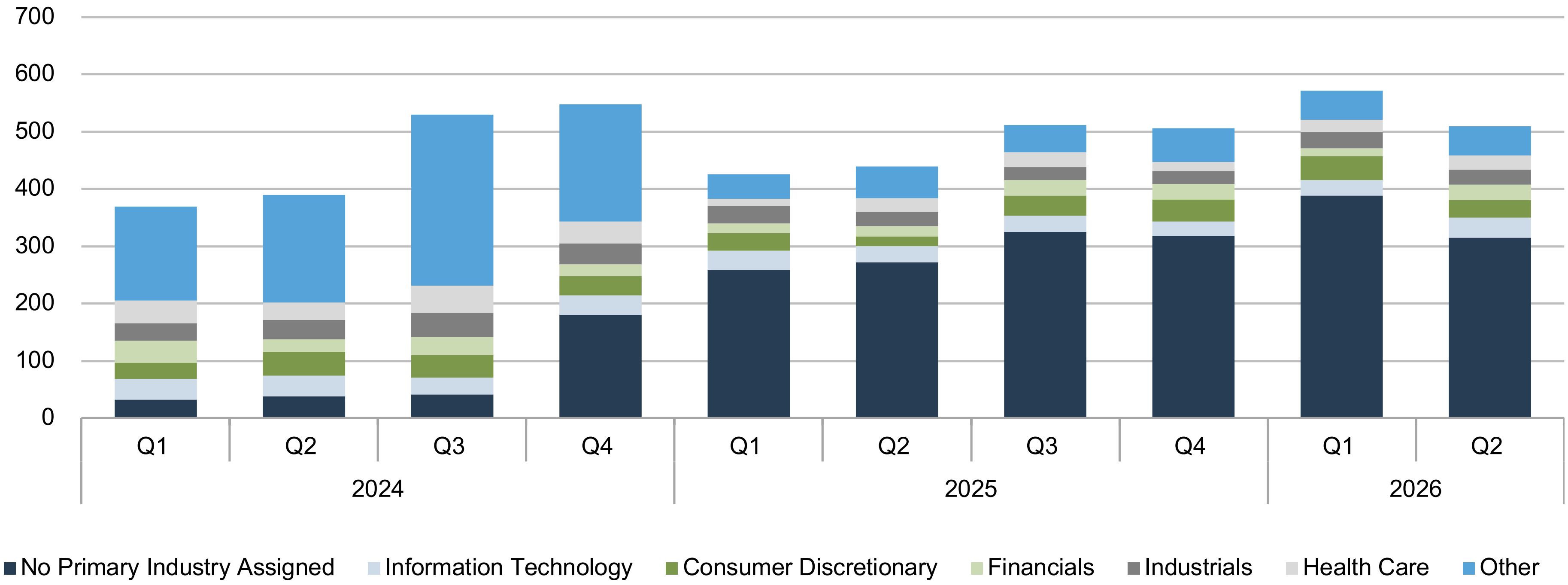
Source: Capital IQ

Debt Multiples
Financial Buyers | Last 8 Quarters



Source: GF Data®

U.S. Deal Volume by Industry
Q1-2024 to Q2-2026



Source: Capital IQ

Mercer Capital's Recent Transactions

FAIRNESS OPINION

STRATEGIC VALUE
BANK PARTNERS

Cleveland, Ohio

Mercer Capital rendered a fairness opinion on behalf of two affiliate funds of Strategic Value Bank Partners

M&A ADVISORY

Southwest Distributors
INCORPORATED

A distributor of Anheuser-Busch, Modelo, Mark Anthony, KDP, and other beverages

Summit, Mississippi

HAS SOLD TO

Southern Beverage Company
Since 1939

Ridgeland, Mississippi

Mercer Capital served as financial advisor to Southwest Distributors

FAIRNESS OPINION

Continuation Fund Sponsored by an

Affiliate of a Wall Street Institutional Investor

HAS ENTERED INTO AN AGREEMENT TO ACQUIRE CERTAIN LP INTERESTS IN

A Retail-Focused Private Equity Fund Based in the Midwest

Mercer Capital rendered a fairness opinion on behalf of the private equity fund and its limited partners advisory committee

M&A ADVISORY

ASPIRANT

Louisville, KY

HAS PARTNERED WITH

point·c

Chicago, IL

Mercer Capital served as financial advisor to Aspirant

M&A ADVISORY

HOSE of South Texas, Inc.

Corpus Christi, Texas

HAS FORMED A PARTNERSHIP

TIPCO TECHNOLOGIES
Focused Flexible Solutions

Owings Mills, Maryland

Mercer Capital served as financial advisor to Hose of South Texas

SOLVENCY OPINION

Manufacturer of flow control and process equipment

$350 million dividend recap transaction

Mercer Capital rendered a solvency opinion for the referenced transaction

M&A ADVISORY

Navigant
CREDIT UNION

Smithfield, Rhode Island

HAS ACQUIRED

RANDALL
Financial Group, LLC

Providence, Rhode Island

Mercer Capital served as financial advisor to Navigant Credit Union

M&A ADVISORY

WORLDWIDE
ELECTRIC CORPORATION

Rochester, NY

HAS ACQUIRED

North American Electric

Hernando, MS

Mercer Capital served as the financial advisor to North American Electric

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

MERCER CAPITAL

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

Advantages We Offer

- Maximize Net Proceeds
- Negotiate the Best Possible Terms
- Speed Up the Deal Process
- Ensure Transaction Closure
- Help Ensure Confidentiality
- Minimize Burden on the Ownership


Nicholas J. Heinz, ASA
heinzn@mercercapital.com
901.685.2120


Timothy R. Lee, ASA
leet@mercercapital.com
901.322.9740


Jeff K. Davis, CFA
jeffdavis@mercercapital.com
615.345.0350


Jay D. Wilson, Jr., CFA, ASA, CBV
wilsonj@mercercapital.com
469.778.5860


Matthew R. Crow, ASA, CFA
crowm@mercercapital.com
901.685.2120


John T. (Tripp) Crews, III, ABV
crewst@mercercapital.com
901.322.9735


J. Davis Rolfe, Jr., CPA, ABV
rolfed@mercercapital.com
901.322.9712


John W. Farris
farrisj@mercercapital.com
901.688.1990