



MERCER CAPITAL

Middle Market Transaction Update

Winter 2025

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Winter 2025 M&A Update

Middle market M&A activity weakened in the third quarter of 2025 showed signs of the typical late summer slowdown. Although the number of deals reported fell 20%, reported multiples increased 9% from 6.9x to 7.5x quarter-over-quarter. Similarly, deal value and transaction volume was up from the previous quarter, with total deal value reaching its highest level since the fourth quarter of 2024. The third quarter of 2025 experienced renewed activity in leveraged recapitalizations and growth financings, leading to larger, better-capitalized businesses able to support higher leverage levels.

Credit conditions continued to stiffen modestly as overall debt utilization decreased in the third quarter, bringing the year-to-date debt-to-EBITDA average down to 3.8x from 4.0x in the first half of 2025. Continuing a recent trend, lenders are demanding higher equity contributions and applying stricter underwriting standards, reflecting heightened borrowing costs and cautiousness.

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 lower middle market and provides a representative sample of this portion of the market (total enterprise values between \$10 million and \$500 million submitted by approximately 350 US-based private equity firms).

GF Data reported:

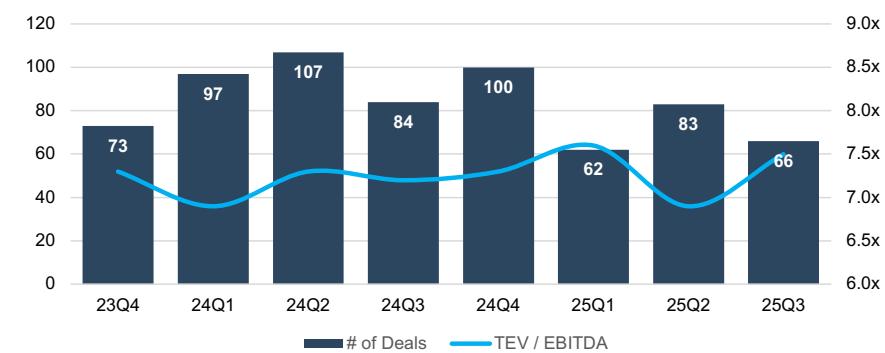
- 66 transactions were announced in 3Q25, down 20% from 83 transactions in 2Q25 and down 21% from 3Q24 when 84 transactions were announced;
- Year-to-date through September 30, there were 211 announced transactions compared to 288 in the prior year-to-date period;
- The average EBITDA multiple (based upon normalized EBITDA as determined by the reporting PE firm) for the quarter increased to 7.5x from 6.9x in 2Q25 and 7.2x in 3Q24 and remained within the long-term average of 7x to 8x;

- The average EBITDA multiple for the trailing 12 months on a rolling quarterly basis remained constant over the prior quarter's trailing twelve months metric (7.3x);
- Significant variance in multiples based upon the size of the transaction (e.g., ~9-11x for \$100-\$500 million transactions vs ~6.5x for \$10-\$50 million transactions) and variability based upon industry that ranged from 6.7x for manufacturing to 8.6x for media & telecom; 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 chart, overall U.S. middle market deal activity (enterprise value under \$500 million, inclusive of strategic deals), as compiled by Capital IQ, in the third quarter of 2025 decreased from the levels observed in the second quarter of 2025. Deal value and transaction volume increased 20% and 17%, respectively, quarter-over-quarter per the Capital IQ data; however, these metrics are down 6% and 3%, respectively, from the second quarter of 2025.

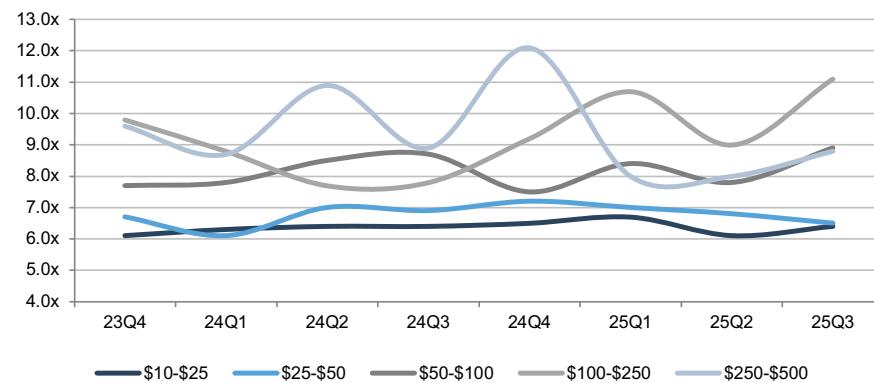
Number of Deals and Average EBITDA Multiples

Lower Middle Market Financial Buyers | Last 8 Quarters



TEV/EBITDA Multiples

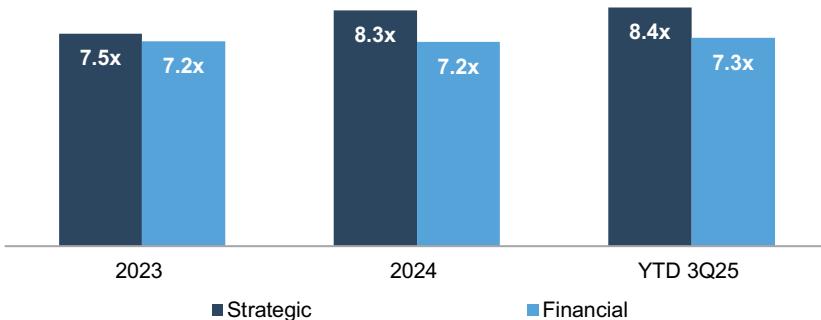
Financial Buyers | Last 8 Quarters



Source: GF Data®

EBITDA Multiples by Buyer Type

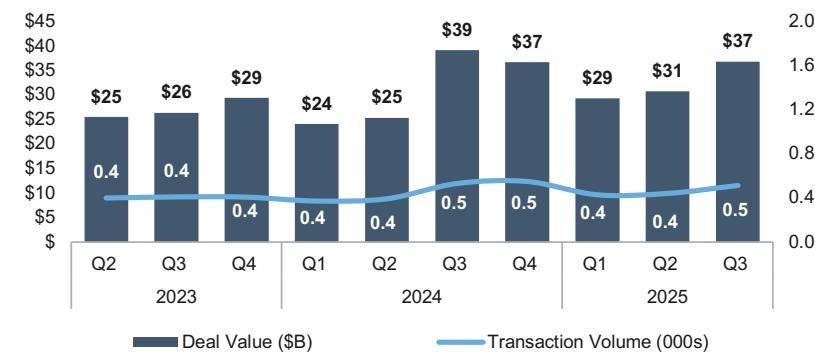
2023 to 3Q25



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

U.S. Deal Value & Volume

Q2-2023 to Q3-2025



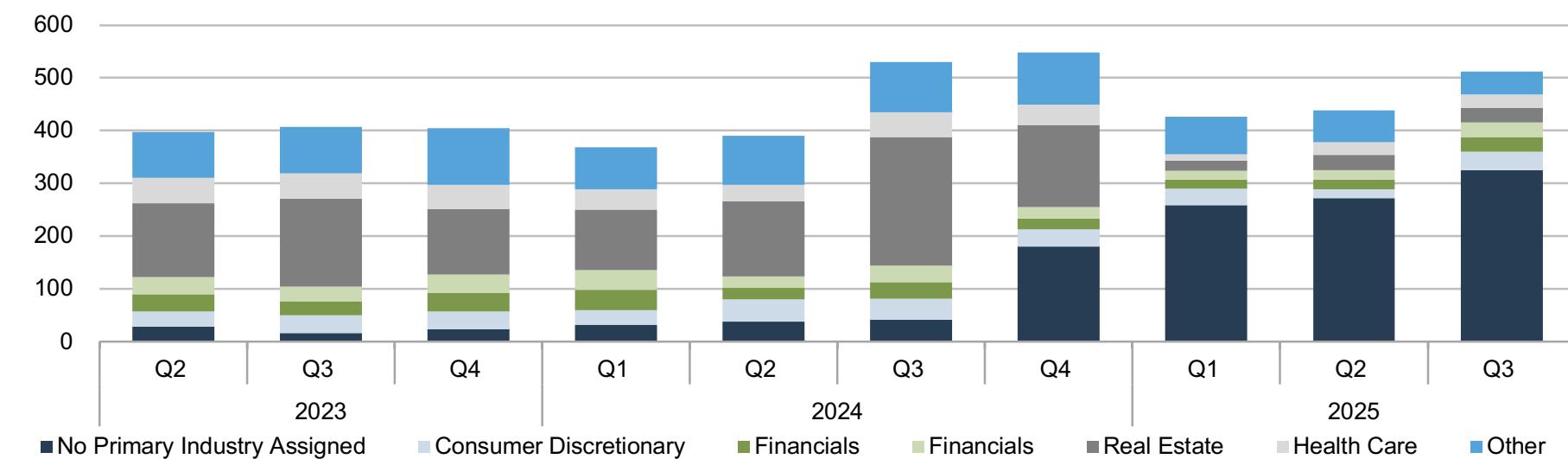
Source: Capital IQ

In 2026, middle market M&A activity is widely expected to increase from 2024 and 2025 levels due to improving confidence among both strategic buyers and private equity sponsors arising from a variety of factors. After a subdued period marked by interest-rate volatility and valuation gaps, dealmakers are entering 2026 with cautious optimism. Stabilizing financing conditions, healthier corporate balance sheets, and significant private equity dry powder are expected to fuel increased deal volume, particularly for well-positioned companies with strong cash flows and favorable growth prospects. Pent-up demand from delayed transactions is additional tailwind that could support a more active market.

Still, deal activity in the middle market could be confined to favored industries and sectors. Activity is likely to be more concentrated in sectors such as industrials, healthcare, technology, and business services, while more cyclical or margin-pressed industries may lag in terms of deal activity. Valuation assumptions, geopolitical uncertainty, and uneven economic growth will continue to shape deal structures and timelines, as in prior years. Overall, 2026 is expected to be a productive year for middle market dealmaking, with certain industries and sectors seeing higher levels of activity than others. Well-positioned companies with strong cash flows and favorable growth prospects will continue to be attractive acquisition targets for both private equity sponsors and strategic acquirors.

U.S. Deal Volume by Industry

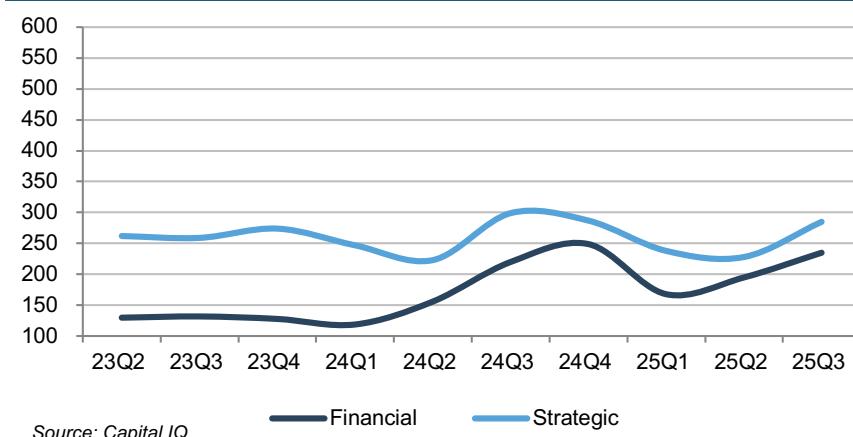
Q2-2023 to Q3-2025



Source: Capital IQ

Number of Deals by Buyer Type

Q2-2023 to Q3-2025



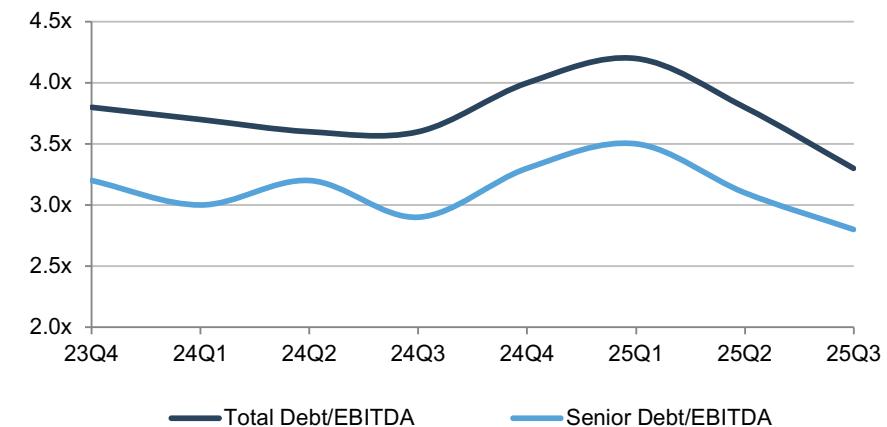
Source: Capital IQ

Mercer Capital's Middle Market Transaction Update // Winter 2025

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Debt Multiples

Financial Buyers | Last 8 Quarters



Source: GF Data®

Mercer Capital's Recent Transactions

M&A ADVISORY

 **NUSENDA**
CREDIT UNION

Albuquerque, New Mexico

HAS ACQUIRED

 **WESTERN HERITAGE BANK**
Las Cruces, New Mexico

Mercer Capital served as financial advisor to Nusenda Federal Credit Union

M&A ADVISORY

 **Palmetto Citizens**
FEDERAL CREDIT UNION

Columbia, South Carolina

HAS AGREED TO ACQUIRE FOUR BRANCHES OF

 **SOUTHERN BANK**
Georgia

Mercer Capital served as financial advisor to Palmetto Citizens Federal Credit Union

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

 **b1BANK**

Baton Rouge, Louisiana

HAS AGREED TO ACQUIRE

 **PROGRESSIVE BANK**

Monroe, Louisiana

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

M&A ADVISORY

 **Y-12**
CREDIT UNION

Oak Ridge, Tennessee

HAS ACQUIRED

 **FSB**
First State Bank

Middlesboro, Kentucky

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

M&A ADVISORY

 **ONE AMERICA**
BANCORP

Hopetown, Oklahoma

HAS ACQUIRED

 **Capeton**
STATE BANK

Woods County, Oklahoma

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

M&A ADVISORY & FAIRNESS OPINION

First Missouri Bancshares, Inc.

 **VERIMORE**
BANK

Brookfield, Missouri

HAS AGREED TO ACQUIRE

 **Clay County**
Savings Bank

Liberty, Missouri

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

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 QoE 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 ripe 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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