

Senior Bankers

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Middle Market M&A Update | Q2 2025

Deal Size	Average EV / EBITDA of U.S. M&A Transactions				
	2021	2022	2023	2024	LTM Q2'25
\$0-25mm	7.3x	7.1x	6.2x	6.2x	6.8x
\$25-50mm	8.6x	6.3x	7.6x	8.0x	8.4x
\$50-100mm	9.1x	7.5x	7.6x	8.6x	8.4x
\$100-250mm	9.1x	8.4x	8.3x	9.6x	8.6x
\$250-500mm	9.6x	8.3x	8.7x	9.9x	8.8x
\$500M-1B	9.2x	10.4x	9.9x	10.0x	9.9x

Source: FactSet, Mufson Howe Hunter

2025 Mid-Year M&A Market Update: A Tale of Two Markets

We wanted to share a brief perspective on the current state of the M&A market, as we close out the first half of 2025. As is often the case in the middle market, activity has reflected a “tale of two cities” dynamic—with different activity depending on transaction size. Transactions exceeding \$1 billion in enterprise value saw a surge in activity. YoY, the volume of large-cap deals increased by 44%, with the total dollar value of these transactions nearly doubling. Large-cap corporate buyers deployed their significant liquidity alongside bulge-bracket private equity sponsors armed with historic levels of dry powder, coupled with access to both the private credit and the syndicated loan markets. This dynamic provides competitive funding to facilitate large transactions. These buyers continue to pursue strategic acquisitions, focusing on growth and scale, product/service expansion.

By contrast, M&A transactions below \$250 million in EV experienced a 12% decline in volume during the first half of 2025. This continues a three-year trend of reduced deal activity. To put it in context, the U.S. recorded approximately 2,800 lower middle market transactions in 2021—a high point. By 2024, that number fell to 1,300 deals, representing a 54% decline from 2021. This trend continued into YTD 2025. We believe several factors are contributing to this contraction: The traditional senior lending market has tightened slightly, with private credit funds that focus on the lower end of the M&A market demonstrating caution in underwriting and mandating larger equity components from established PE sponsors despite sharing previous deal experience with these lenders. This has limited to some extent what buyers can pay in price while sellers have not yet fully reset valuation expectations, resulting in a bid-ask gap.

Across the market, buyers remain highly selective, targeting companies with the following attributes:

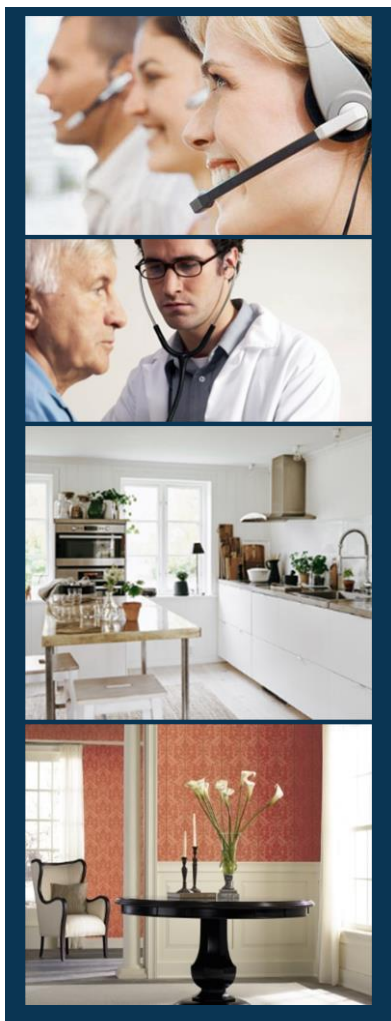
- Limited tariff and supply chain exposure
- Recurring or predictable revenue streams
- Strong EBITDA margins in the mid-to-upper teens
- High single-digit organic growth
- Platforms that support recurring bolt-on acquisition strategies

As a result, B2B and B2C services businesses are in greater demand, while consumer-facing and manufacturing sectors face more scrutiny. We also see increased rigor of buyer due diligence as a theme in 2025. Buyers are investing more time and resources in detailed due diligence—not just in historical financial tasks but increasingly in supply chain and tariff risks, cybersecurity, and technology infrastructure. Specifically, a comprehensive seller Quality of Earnings is now standard practice in financial due diligence, and the greater due diligence tasks often lengthen deal timelines.

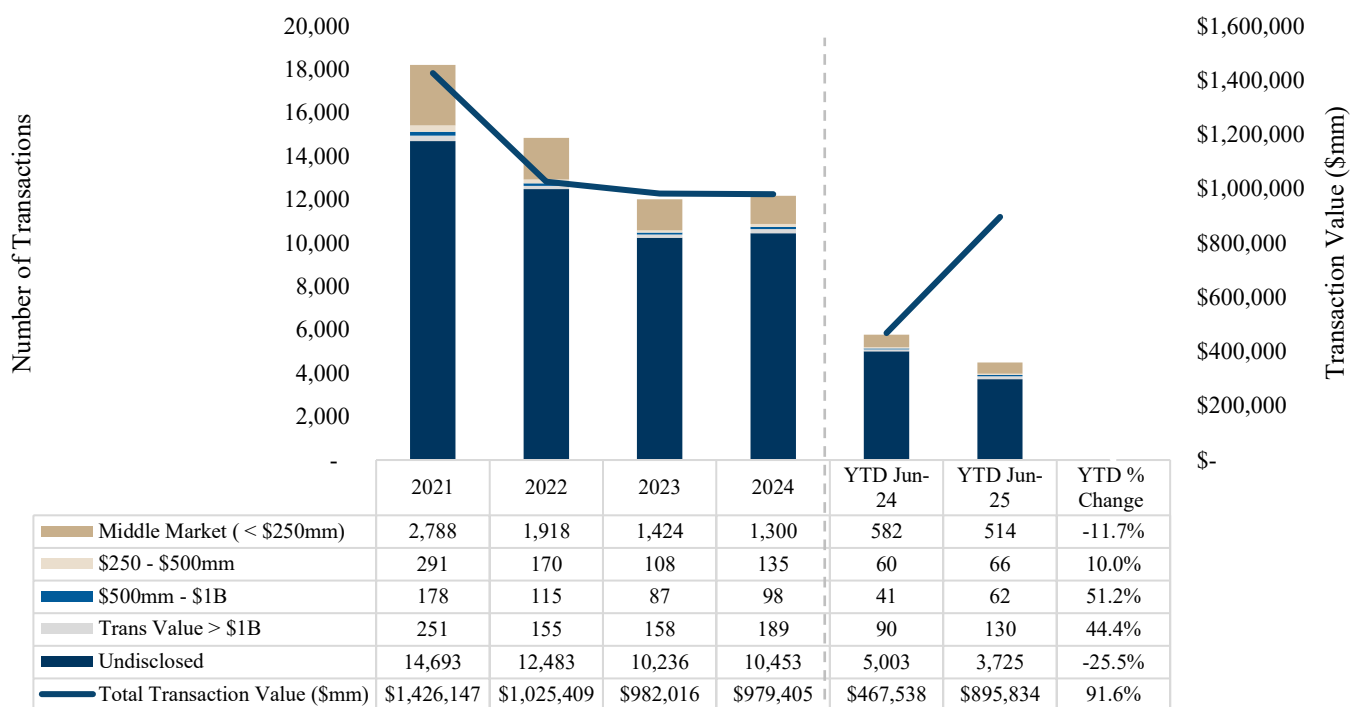
Despite these challenges, we remain guardedly optimistic about the second half of 2025. Several structural factors should continue to drive deal activity. The “silver tsunami” of baby boomer-owned businesses needing to pursue liquidity events couples with a growing backlog of middle-market private equity-owned companies seeking exits. Fortunately, this dynamic is supported by over \$1 trillion in PE dry powder seeking quality investments and half of billion in private credit focused on the middle market. While valuations for top-quartile companies hold steady, the pathway to premium pricing is more challenging. Sellers who prepare properly—through a vetting process and its associated documentation, third-party QoE reviews, and alignment with market realities—will be best positioned for a successful transaction.

We would welcome the opportunity to discuss how these trends may impact your business or future strategic plans. Please do not hesitate to reach out if we can provide additional insights.

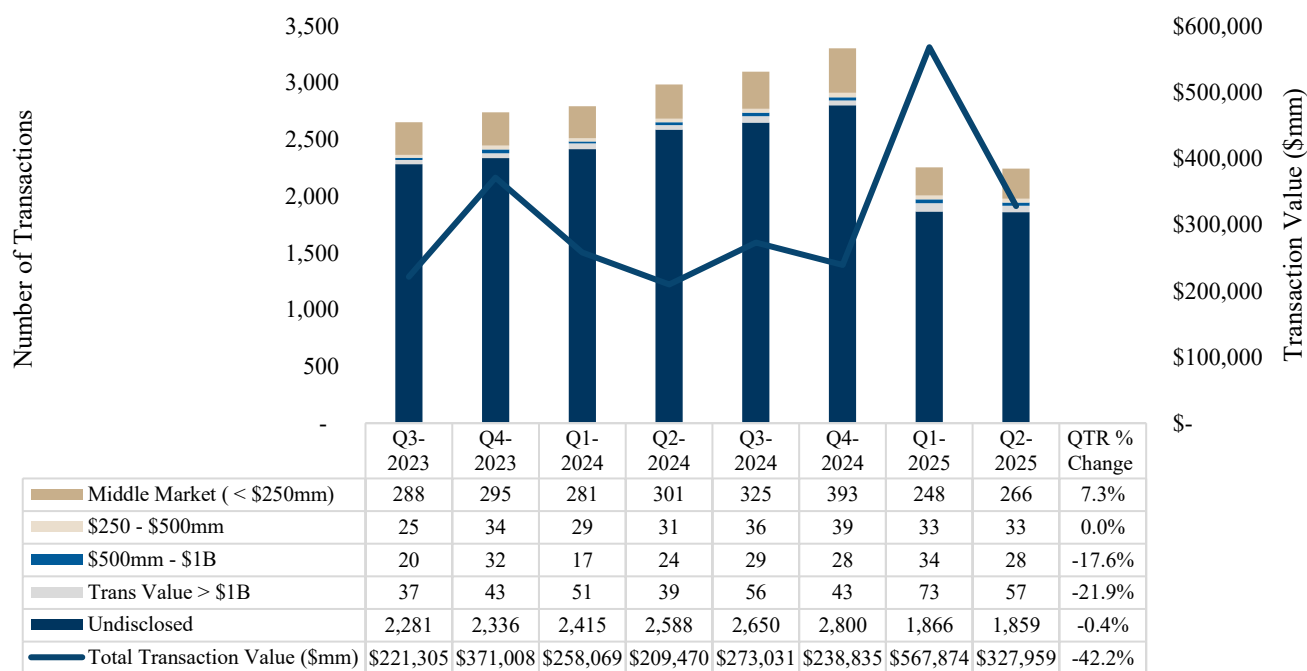
Michael Mufson, Managing Director



U.S. - All Reported M&A Activity by Year

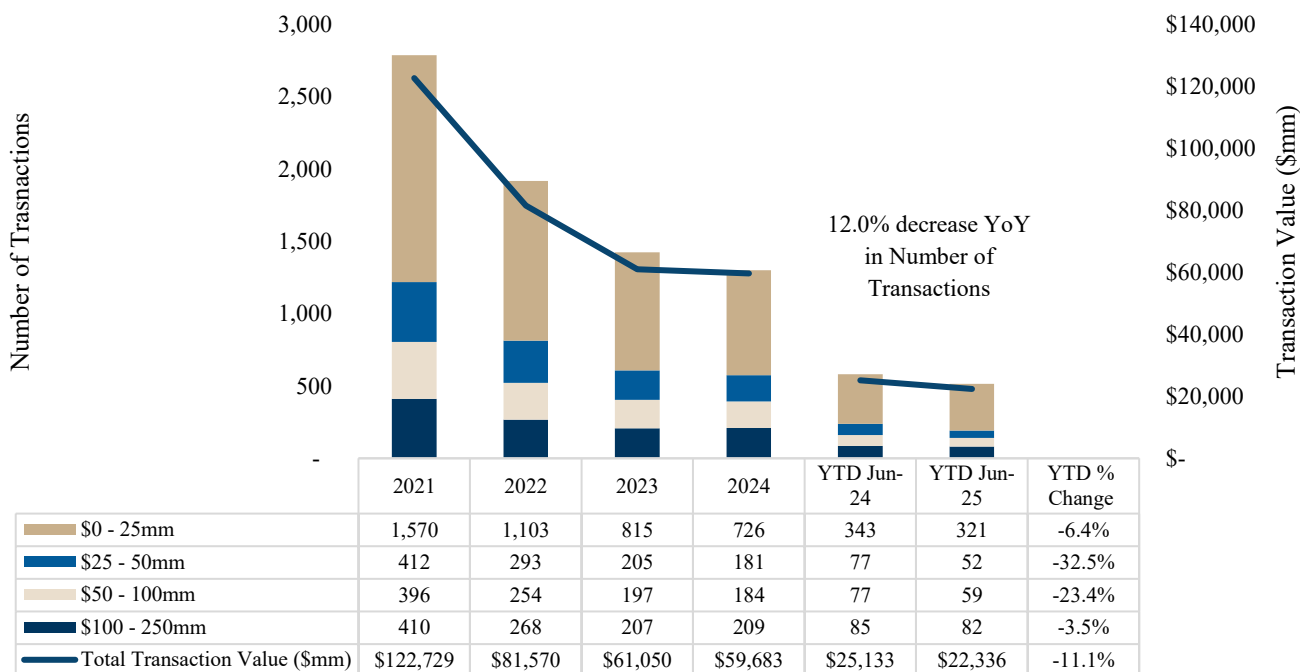


U.S. - All Reported M&A Activity by Quarter

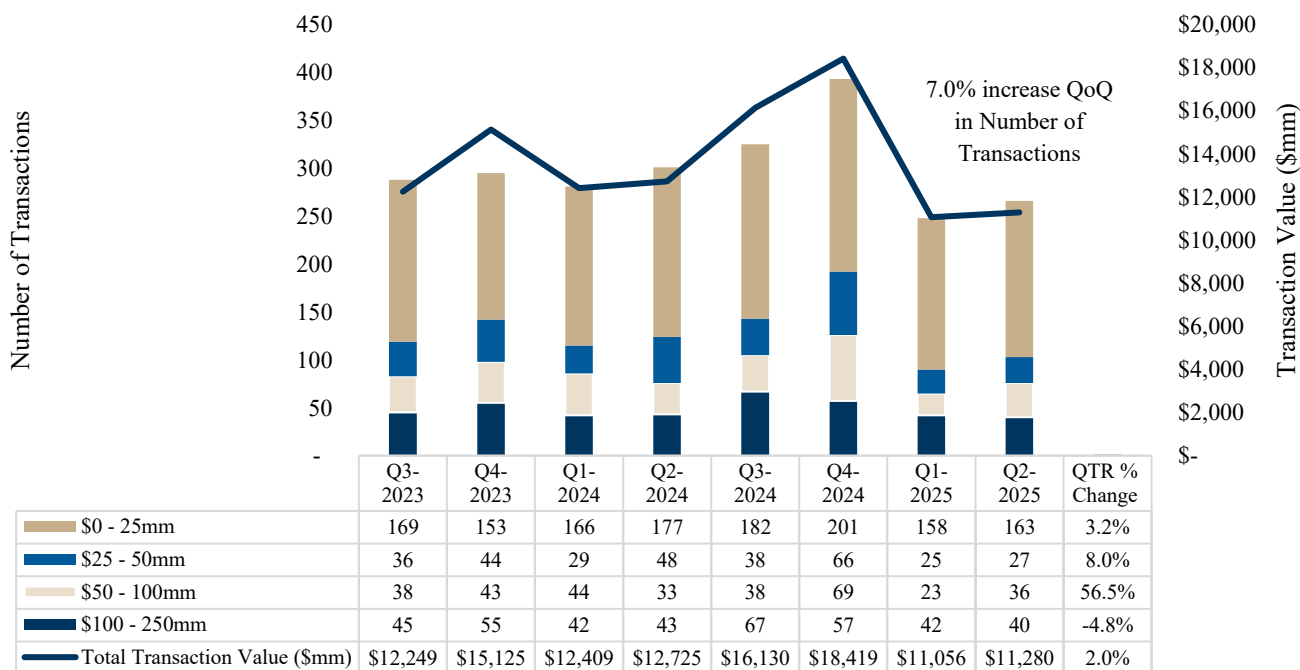


Source: FactSet, Mufson Howe Hunter
As of 6/30/2025

U.S. Lower Middle Market Annual M&A Activity – Transactions Below \$250mm

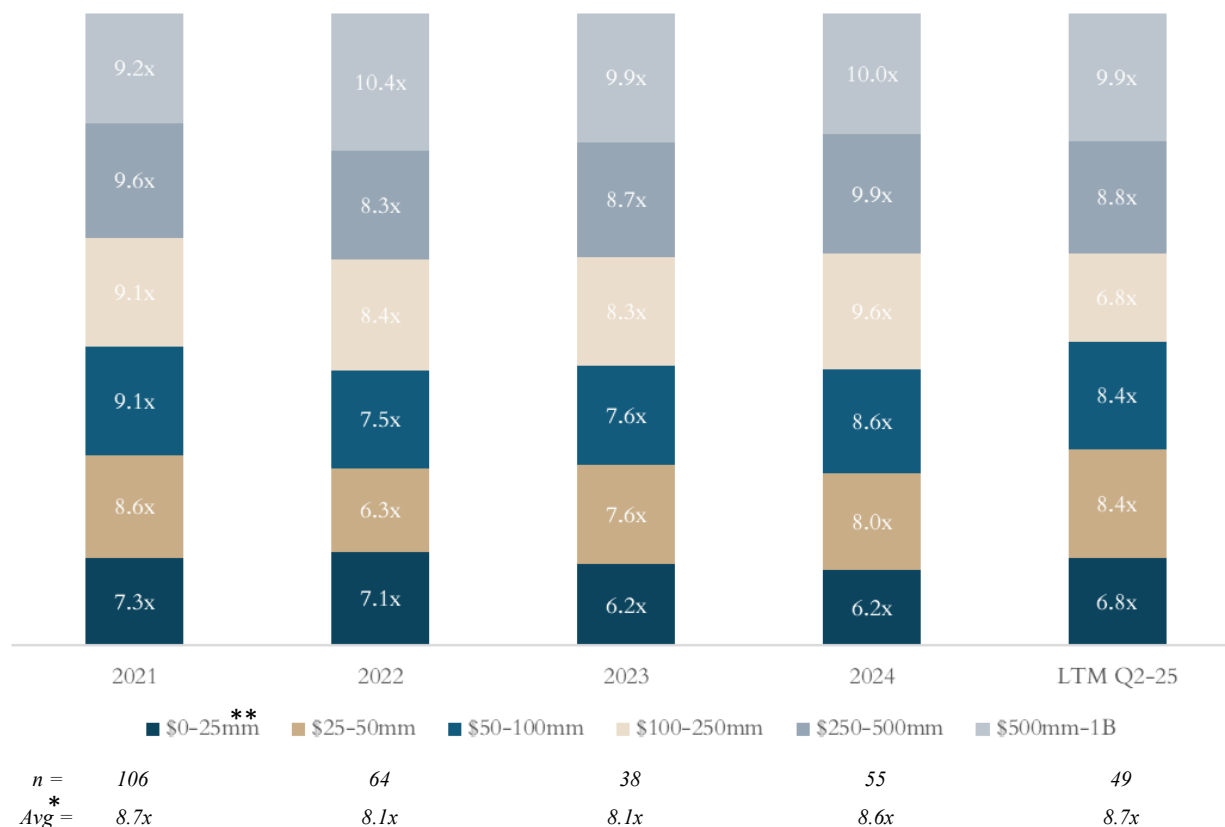


U.S. Lower Middle Market M&A Quarterly Activity – Transactions Below \$250mm



Source: FactSet, Mufson Howe Hunter
As of 6/30/2025

U.S. Middle Market M&A Valuation Multiples – Announced Transactions



* Average weighted by number of transactions

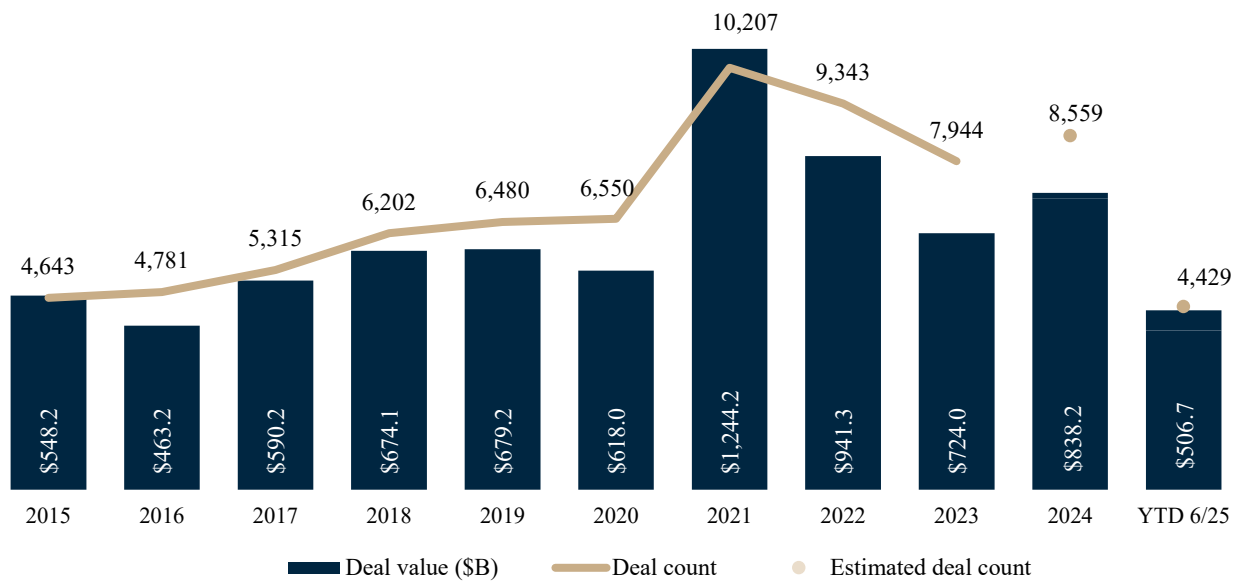
** Values Represent Enterprise Value ranges

Source: FactSet, Mufson Howe Hunter

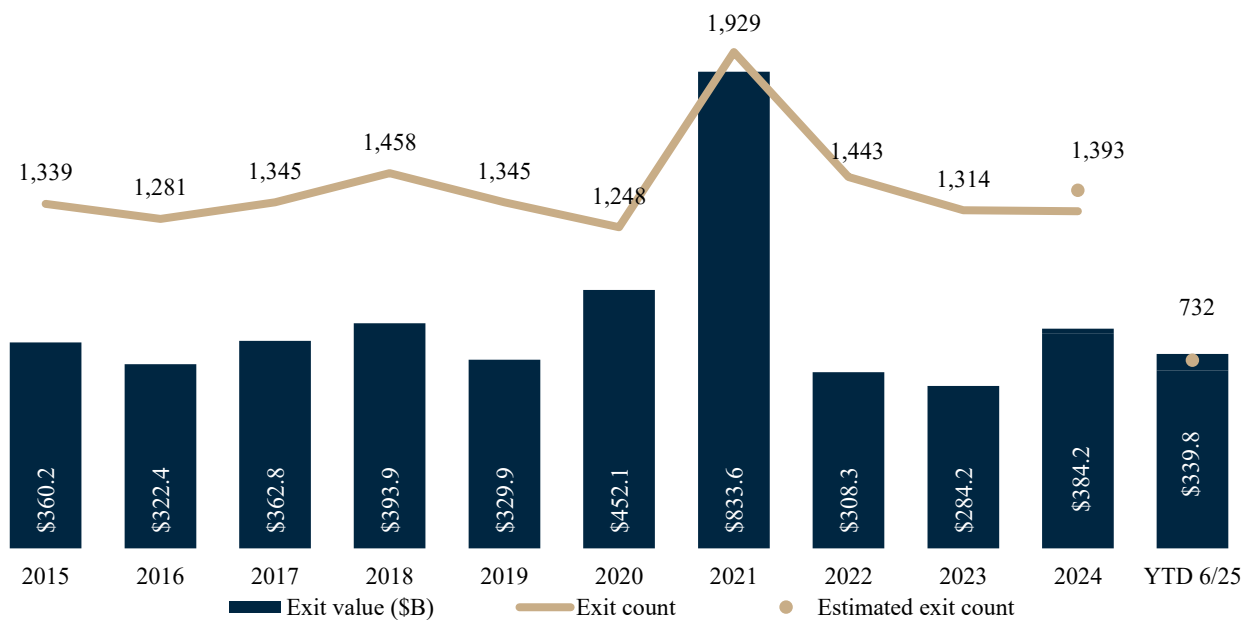
As of 6/30/2025

U.S. Middle Market Private Equity Sponsor Activity

U.S. PE Deal Activity

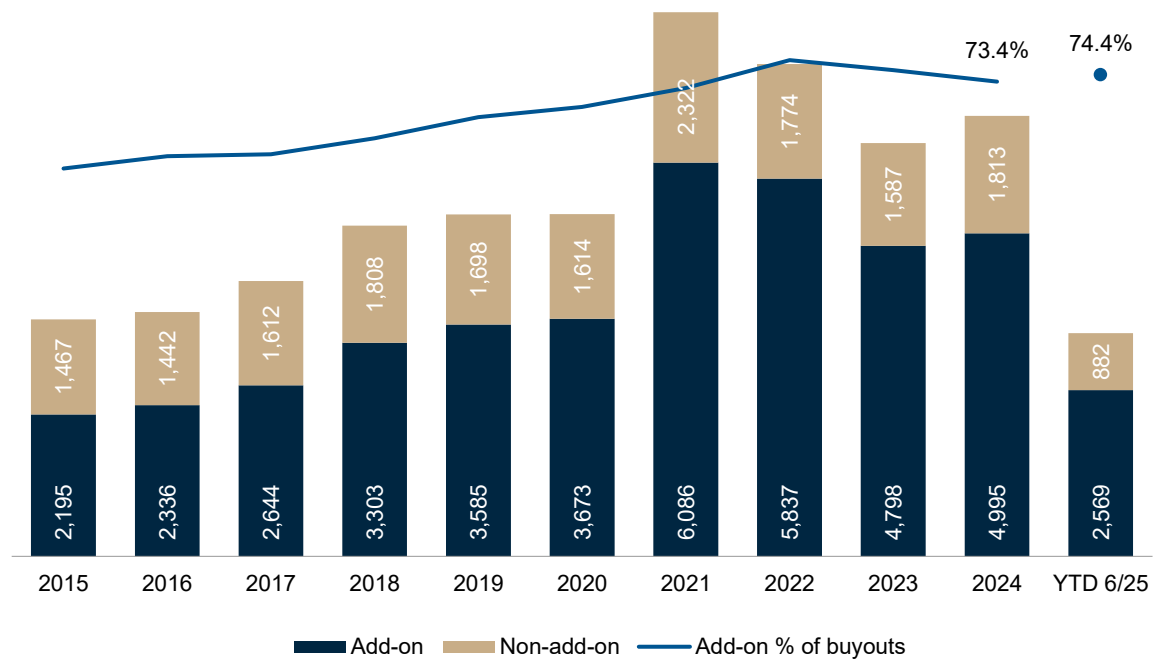


U.S. PE Exit Activity

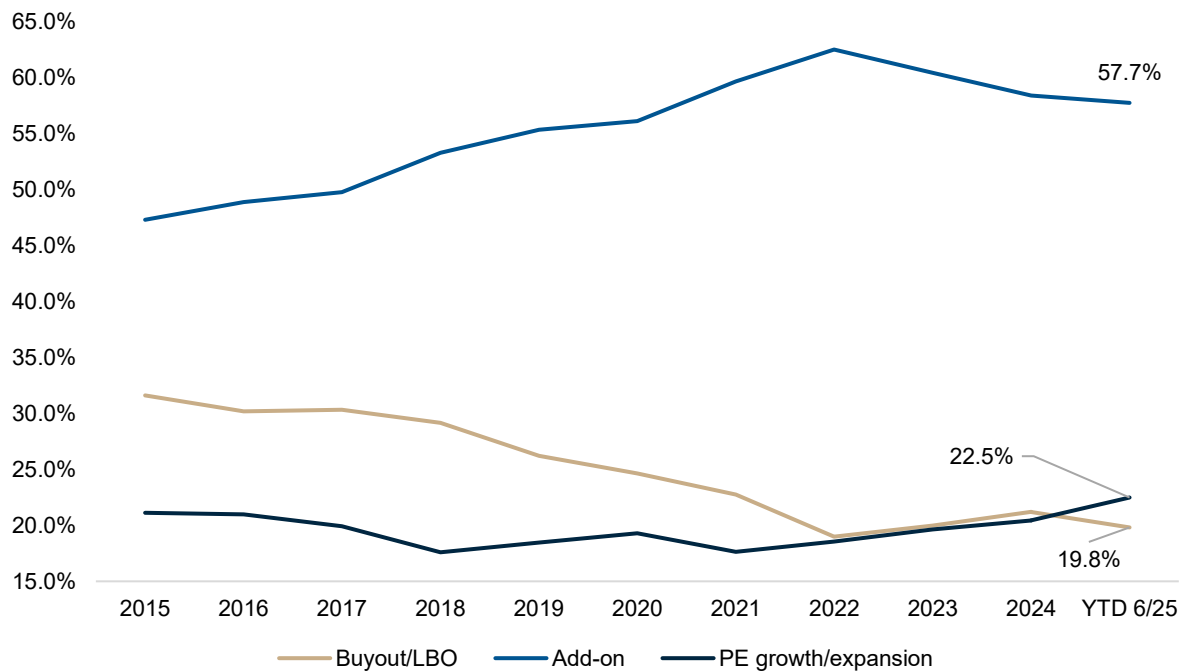


Source: PitchBook, Mufson Howe Hunter
 *As of 6/30/2025

PE Add-On Activity

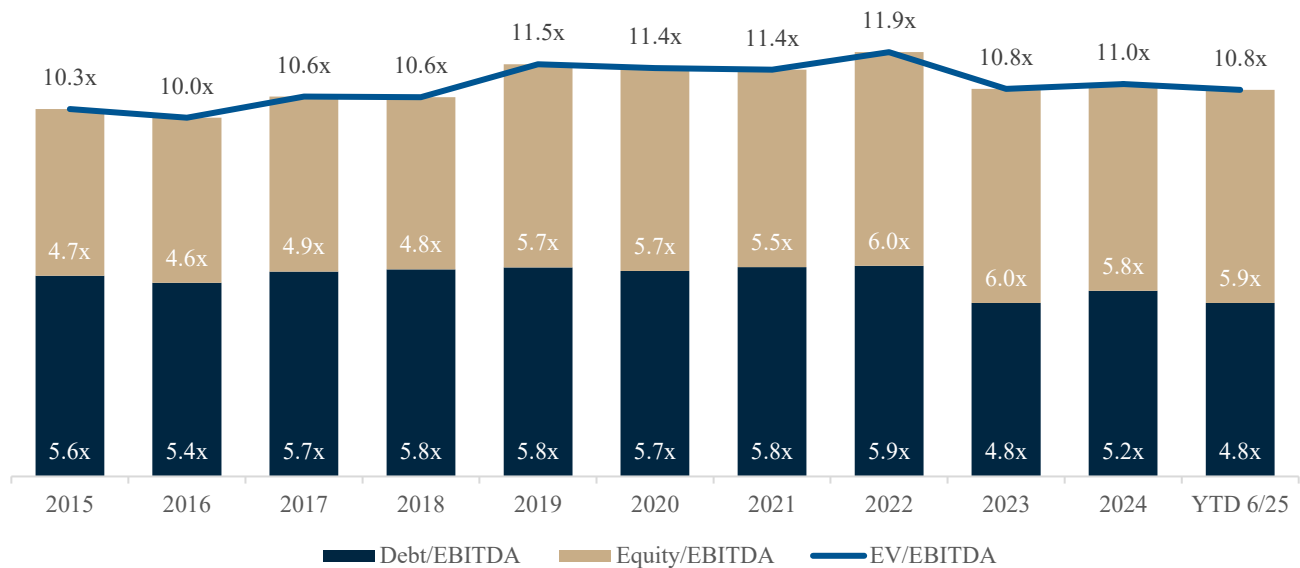


Platform LBO and Growth Equity Deals as a Share of all PE Deals



Source: PitchBook, Mufson Howe Hunter
 *As of 6/30/2025

Leverage Multiples on BSL-Funded Transactions**

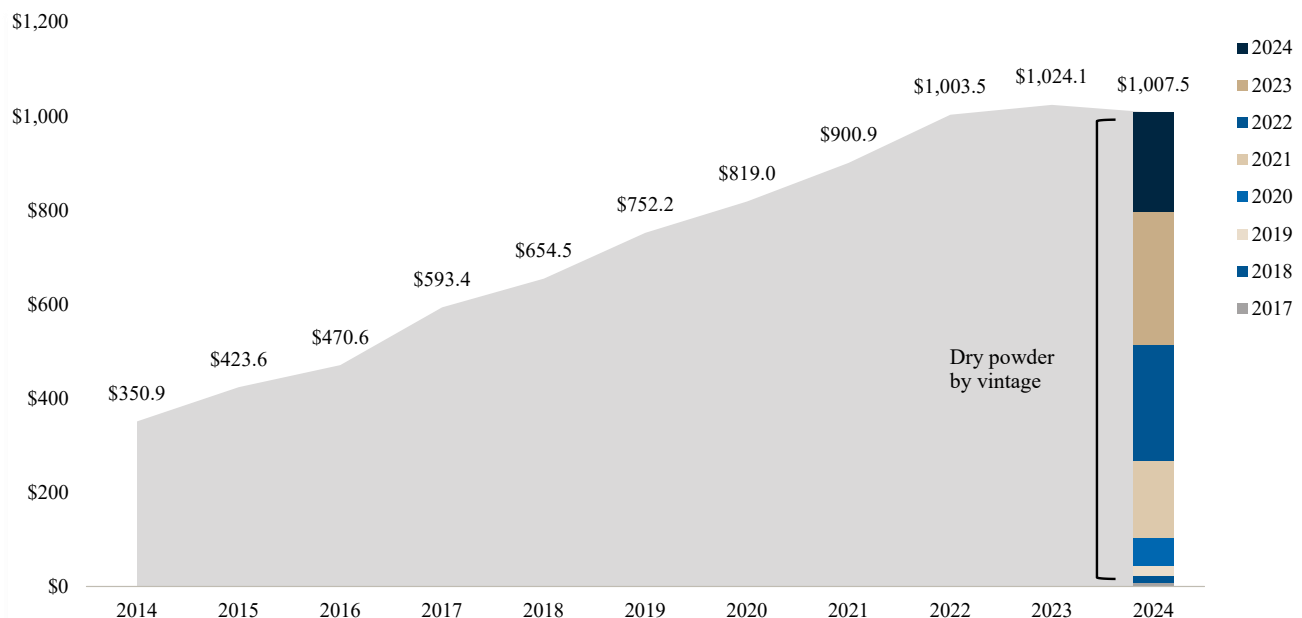


Source: PitchBook, Mufson Howe Hunter

*As of 6/30/2025

**BSL: Broadly-Syndicated Loan

U.S. PE Dry Powder (\$B)

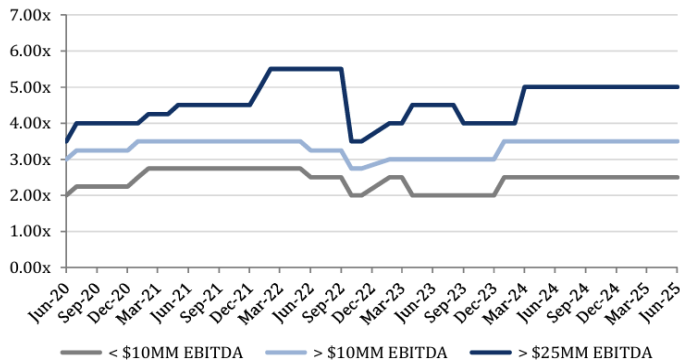


Source: Pitchbook, Mufson Howe Hunter

*As of 6/30/2025

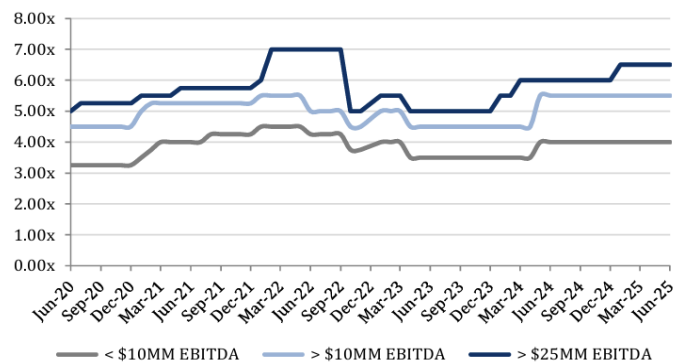
Historical Leverage Metrics | Source: SPP Capital Partners

Historical Senior Debt Cash Flow Limit (x EBITDA)



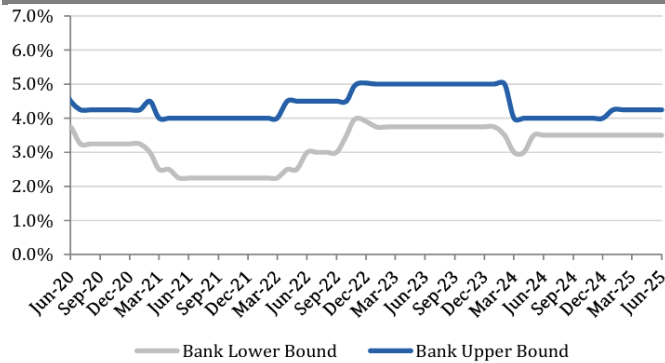
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Total Debt Limit (x EBITDA)



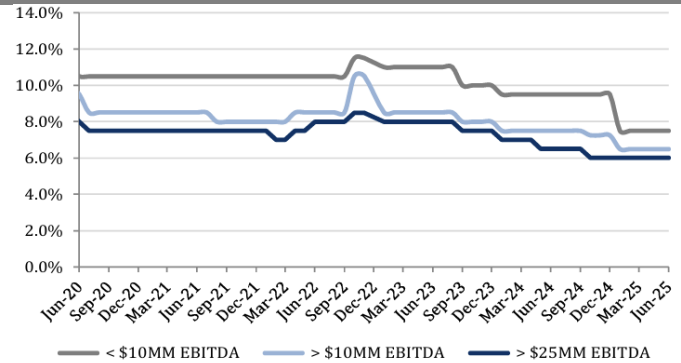
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Senior Cash Flow Pricing (Bank)



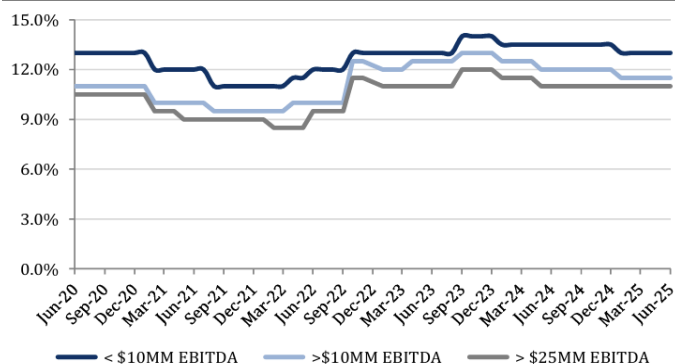
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Unitranche Pricing



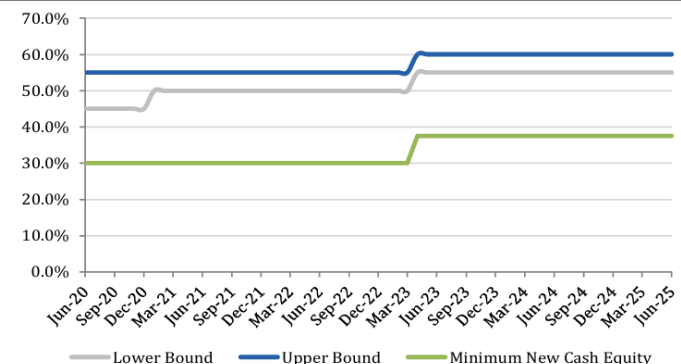
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Subordinated Debt Pricing



Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Minimum Equity Contribution



Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Source: SPP Capital Partners – "Capital Market Update June 2025"

[SPP Capital Partners - Middle Market Investment Banking and Asset Management Home](#)

Leverage Market at a Glance | SPP Capital Partners | www.sppcapital.com

[Changes from Previous Month Noted in Red]

Leverage: Senior Debt/EBITDA

	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
July 2025	2.00x - 3.00x	2.25x - 3.75x	4.25x - 5.25x
June 2025	1.50x - 2.50x	2.00x - 3.50x	4.00x - 5.00x
July 2024	1.50x - 2.50x	2.00x - 3.50x	4.00x - 5.00x
Commentary:	<i>Senior Leverage Multiple Expanding Modestly Across the Credit Spectrum</i>		

Leverage: Total Debt/EBITDA

	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
July 2025	2.50x - 4.00x	4.00x - 5.50x	5.00x - 6.50x
June 2025	2.50x - 4.00x	4.00x - 5.50x	5.00x - 6.50x
July 2024	2.50x - 3.50x	3.50x - 4.50x	5.00x - 6.00x
Commentary:	<i>No Changes in July to Aggregate Leverage Levels, Though More Issuers Have Access to the Outer Band of the Range</i>		

Pricing: Senior Commercial Bank Cash Flow

	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
July 2025	S+ 3.25% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
June 2025	S+ 3.50% - 4.25%	S+ 3.25% - 3.75%	S+ 3.00% - 3.50%
July 2024	S+ 3.50% - 4.00%	S+ 3.50% - 4.00%	S+ 3.50% - 4.00%
Commentary:	<i>Increased Competition for Assets Driving Lower Spreads Among Commercial Banks</i>		

Pricing: Senior Non-Bank/Unitranche

	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
July 2025	S+ 5.50 - 7.00%	S+ 4.75% - 6.50%	S+ 4.25% - 5.75%
June 2025	S+ 6.00 - 7.50%	S+ 5.00% - 6.50%	S+ 4.25% - 6.00%
July 2024	S+ 7.50% - 9.50%	S+ 5.25% - 7.50%	S+ 5.00% - 6.50%
Commentary:	<i>Increased Competition for Assets Driving Lower Spreads Among Private Credit Direct Lenders</i>		

Pricing: Junior Capital (Cash + PIK)

	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
July 2025	12.00% - 15.00%	11.00% - 13.00% (S+ 6.5% - 8.0%)	11.00% - 12.00% (S+ 6.25% - 7.5%)
June 2025	13.00% - 16.00%	11.50% - 13.00% (S+ 7.0% - 8.5%)	11.00% - 12.50% (S+ 6.5% - 8.0%)
July 2024	13.50% - 16.00%	12.00% - 14.00%	11.00% - 12.50%
Commentary:	<i>Junior Capital Following Macro trends for Tighter Pricing on Both Fixed and Floating Rate Instruments</i>		

Source: SPP Capital Partners – “Capital Market Update June 2025”

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Mufson Howe Hunter & Co. M&A Activity
Selected Recent Transactions

Interstate Auto Care, LLC d.b.a



has been acquired by



*The undersigned served as exclusive financial
advisor to the seller in this transaction*

Mufson Howe Hunter

INVESTMENT BANKERS FOR GROWTH



has been acquired by



A wholly-owned subsidiary of



*The undersigned served as exclusive financial
advisor to the seller in this transaction*

Mufson Howe Hunter

INVESTMENT BANKERS FOR GROWTH



has acquired



*The undersigned served as a co-financial
advisor to the buyer in this transaction*

Mufson Howe Hunter

INVESTMENT BANKERS FOR GROWTH



has been acquired by



*The undersigned served as exclusive financial
advisor to the seller in this transaction*

Mufson Howe Hunter

INVESTMENT BANKERS FOR GROWTH

Mufson Howe Hunter is an independent investment bank for middle-market companies. We focus on selling businesses, recapitalizations, buy-outs, acquisitions and raising capital. Unique to the middle market, our senior bankers have extensive corporate finance experience and deep knowledge of the capital markets.

Firm Practice Areas

Mergers & Acquisitions

- Advise buyers and sellers (public and private companies)
- Sale of businesses, strategic acquisitions, recapitalizations, management buy-outs and industry build-ups
- Specific background in representing closely-held and family-owned businesses

Capital Raise

- Equity (control and non-control)
- Mezzanine financing
- Senior and junior debt
- Typically raise debt & equity capital from commercial banks, finance companies, investment funds and private equity sponsors

Financial Advisory Services

- Analysis of business strategies and options
- Fairness opinions
- Complex valuations

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