

Mufson Howe Hunter

INVESTMENT BANKERS FOR GROWTH

Middle Market M&A Update

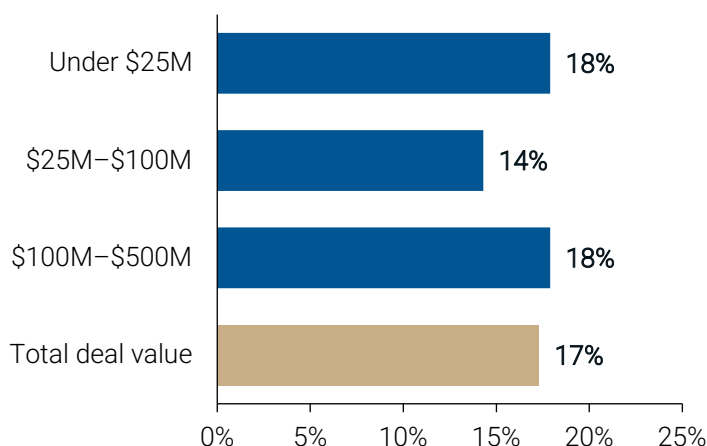
Q3 2026

Middle-Market M&A: Q3 2026 at a Glance

The M&A Marketplace has a plethora of active buyers and ample credit funding is available. If a business carries cyclical exposure, customer concentration, aggressive EBITDA add-backs, or tariff/regulatory risk, it can expect longer diligence, and a wider spread between the ask and the bid. Premium companies without the aforementioned risks are still receiving premium pricing.

Deal Volume: Down Across Every Size Range

YoY Decline in Announced Deals



Financing: Plenty of Capital, Far Fewer Checks

Direct lending behind LBOs fell to **\$10.3 billion in Q3**, about 62% below a year earlier — not a capital shortage, but discipline. Lenders still fund companies with stable cash flow and strong fundamentals, but are digging deeper on:

- Leverage levels
- Customer concentration
- Cyclical
- EBITDA adjustments
- Capex requirements
- Downside scenarios

The revenue-quality matters: project-based → reoccurring → recurring. Each step up is worth multiple points

Valuation:

Middle-market multiples span roughly 4.5x to 10.0x+ EBITDA (PitchBook median for deals under \$100M: 7.1x TTM). The difference isn't the market — it's the business. Here's how buyers are sorting companies:

4.5x – 6.0x EBITDA

Higher-Risk Profiles

- Project-based, episodic revenue; every year starts at zero
- Heavy customer concentration
- Cyclical demand or tariff-exposed end markets
- Aggressive EBITDA add-backs buyers won't fully credit
- Owner-dependent operations, the business risk is the seller

6.0x – 8.0x EBITDA

Solid Fundamentals

- Reoccurring revenue — repeat customers return reliably
- Diversified customers — no single account could materially hurt the business if lost
- Consistent margins and clean financials supported by a QoE
- A capable and upcoming second layer of management

8.0x – 10.0x+ EBITDA

Premium Territory

- Recurring, contracted revenue
- Strong organic growth
- Low capex, strong cash conversion
- Limited customer concentration
- Defensible competitive position
- Runs and grows without the owner acting as executive management
- Tuck-in acquisition growth in a fragmented market

Bottom Line

Q3 2026 reinforced a familiar theme: buyers have capital but remain selective. For U.S. deals under \$250 million, Q3 deal count fell about 37% from Q2 and aggregate value fell about 48%, with year-to-date volume roughly 36% below 2025. Valuations have proven more resilient than volume, and with add-ons at about 75% of buyouts, strategic fit matters more than ever.

Heading into Q4, owners should go to market with realistic expectations and thorough preparation. Clean financials, supportable add-backs and a credible growth plan build buyer conviction and improve both valuation and certainty of close.

Michael Mufson,
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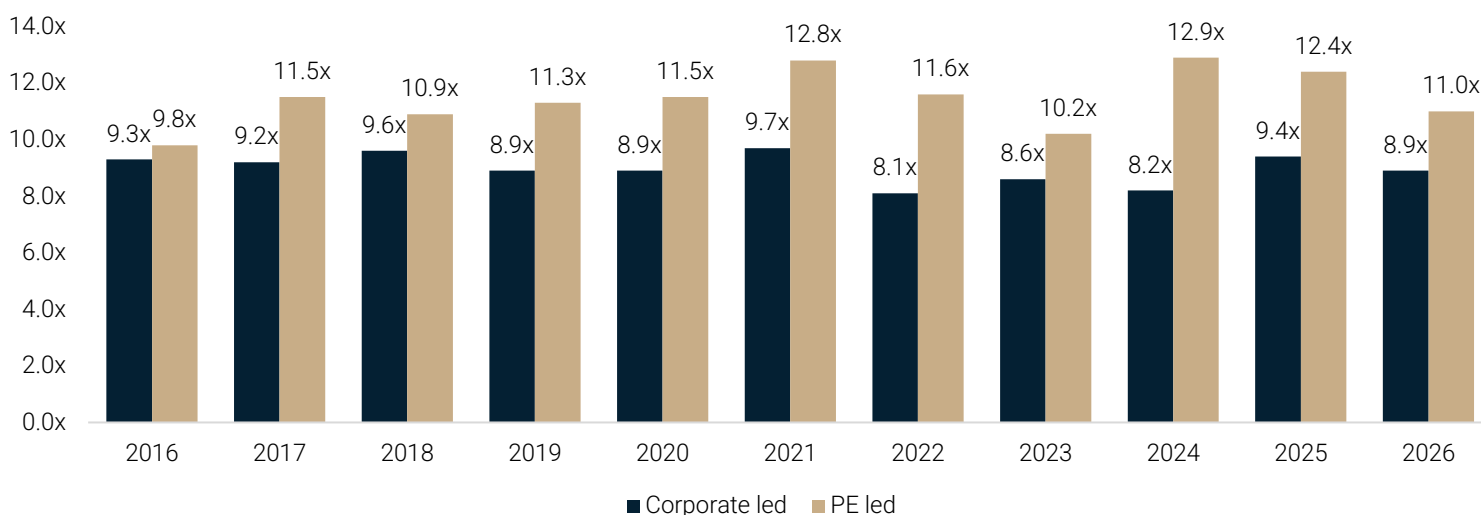
Middle Market M&A Update: Q3 2026

Size Range	Average EV/EBITDA of U.S. Announced M&A Transactions				
	2022	2023	2024	2025	LTM Q3 '26
\$0-25mm	7.1x	6.2x	6.2x	7.5x	7.9x
\$25-50mm	6.3x	7.6x	8.0x	10.8x	7.1x
\$50-100mm	7.5x	8.6x	8.6x	8.3x	9.3x
\$100-250mm	8.4x	8.3x	9.6x	8.0x	8.7x
\$250-500mm	8.3x	8.7x	9.9x	8.8x	9.2x
\$500mm-\$1B	10.4x	9.9x	10.0x	10.2x	9.7x

Size Range	Total Transaction Value of U.S. Announced M&A Transactions				
	2022	2023	2024	2025	YTD Sep-26
Undisclosed	-	-	-	-	-
Trans Value > \$1B	\$803,022	\$820,058	\$800,648	\$1,174,352	\$658,534
\$500mm-\$1B	\$80,639	\$63,099	\$71,766	\$113,928	\$40,067
\$250-500mm	\$60,177	\$37,809	\$47,308	\$51,689	\$26,410
Middle Market (<\$250mm)	\$81,570	\$61,050	\$59,683	\$49,302	\$26,674
Total Transaction Value	\$1,025,409	\$982,016	\$979,405	\$1,389,272	\$751,686

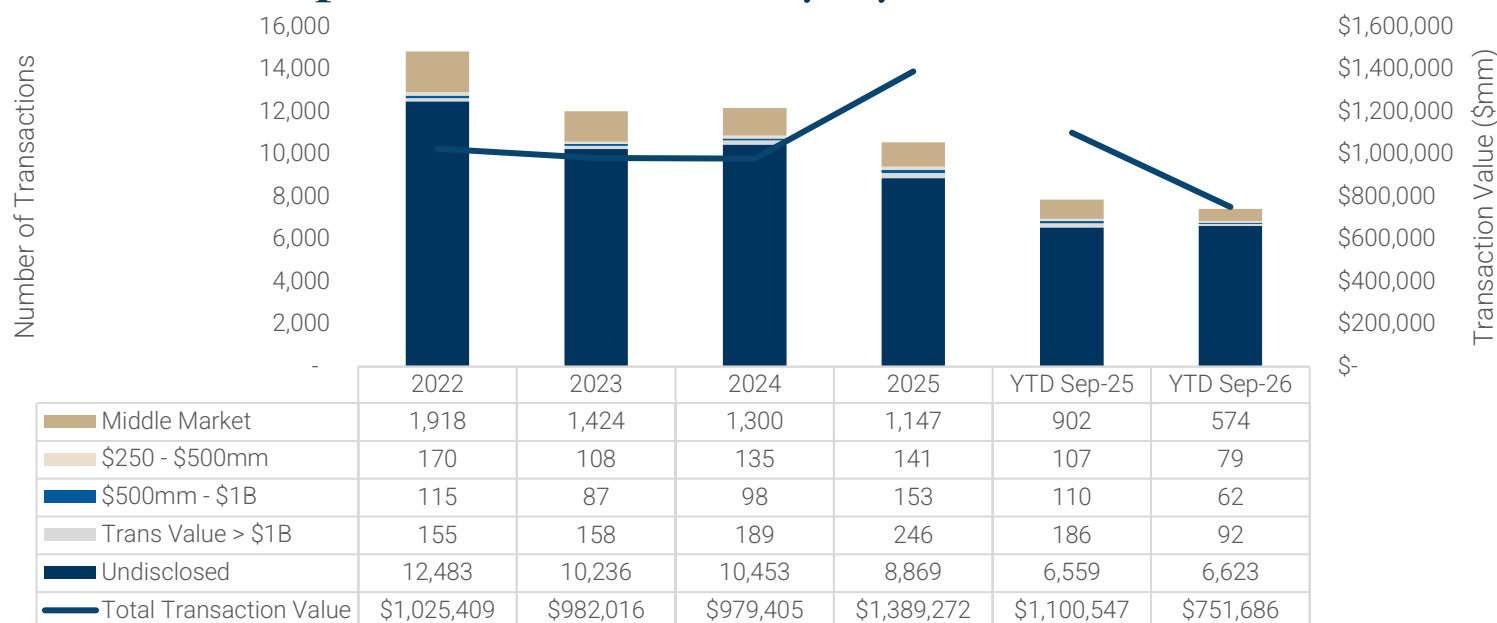
Size Range	Total Transaction Count of U.S. Announced M&A Transactions				
	2022	2023	2024	2025	YTD Sep-26
Undisclosed	12,483	10,236	10,453	8,869	6,623
Trans Value > \$1B	155	158	189	246	92
\$500mm-\$1B	115	87	98	153	62
\$250-500mm	170	108	135	141	79
Middle Market (<\$250mm)	1,918	1,424	1,300	1,147	574
Total Transaction Count	14,841	12,013	12,175	10,556	7,430

Median M&A EV/EBITDA multiple by type



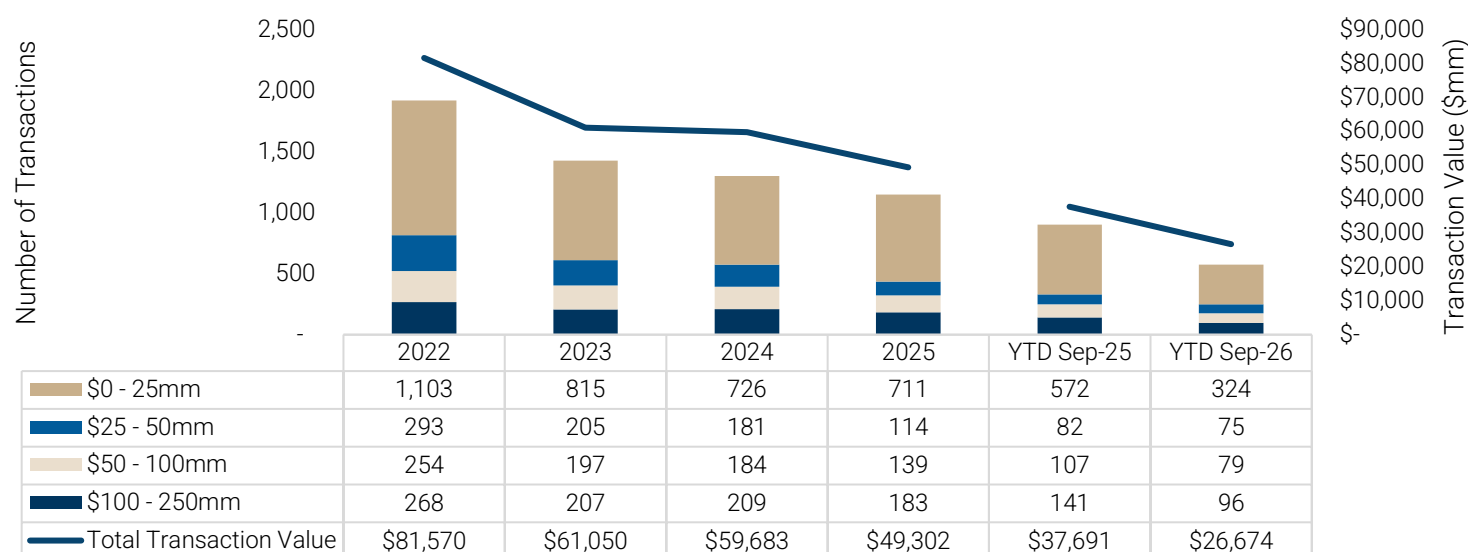
Source: Mufson Howe Hunter, FactSet, PitchBook, As of 9/30/2026

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



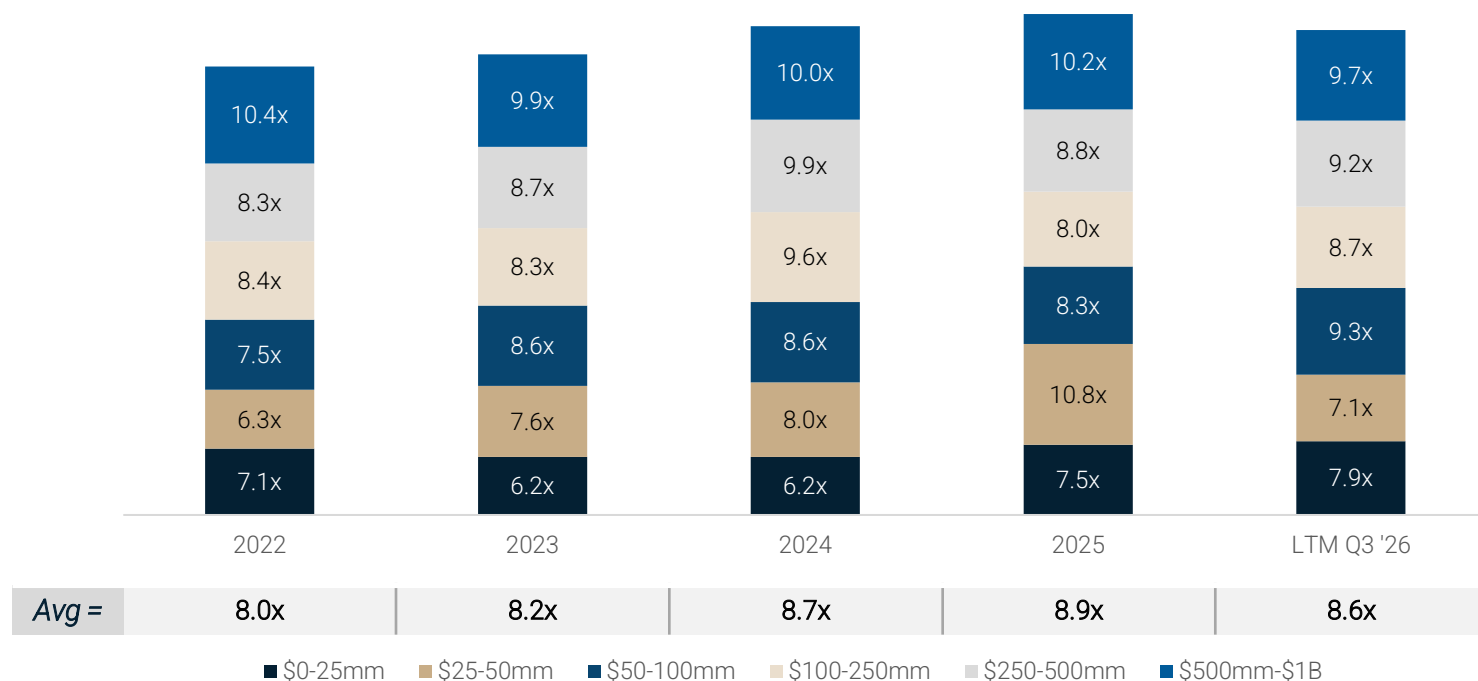
- YTD Sep-26 deal value for announced transactions declined from \$1,101B to \$752B YoY, with Q3 contributing only \$90B vs. \$307B in Q2, signaling a sharp QoQ pullback in deal size
- The contraction is concentrated in larger segments, with \$1B+ transactions falling to 22 in Q3 from 49 in Q2 (92 YTD vs. 186) and \$500mm–\$1B deals to 14 from 33 (62 YTD vs. 110)

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



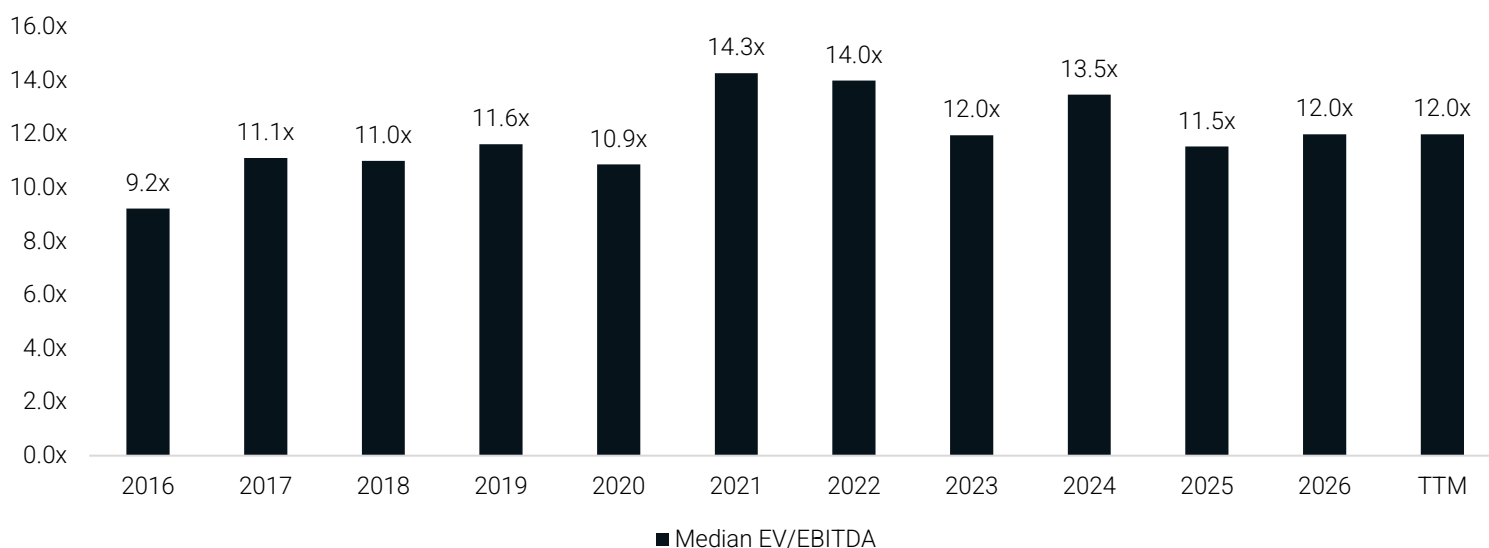
- Q3 2026 lower middle market activity softened QoQ, with deal count down ~37% (227 to 142) and value down ~48% (\$11.3B to \$5.8B); YTD Sep-26 count is down ~36% YoY and value ~29%, as elevated financing costs weigh on smaller deals

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



- U.S. middle market M&A multiples held relatively steady through LTM Q3 '26, with the weighted average edging a little short from the 2025 averages as the premium in mega deals narrowed

U.S. Buyout EV/EBITDA Multiples

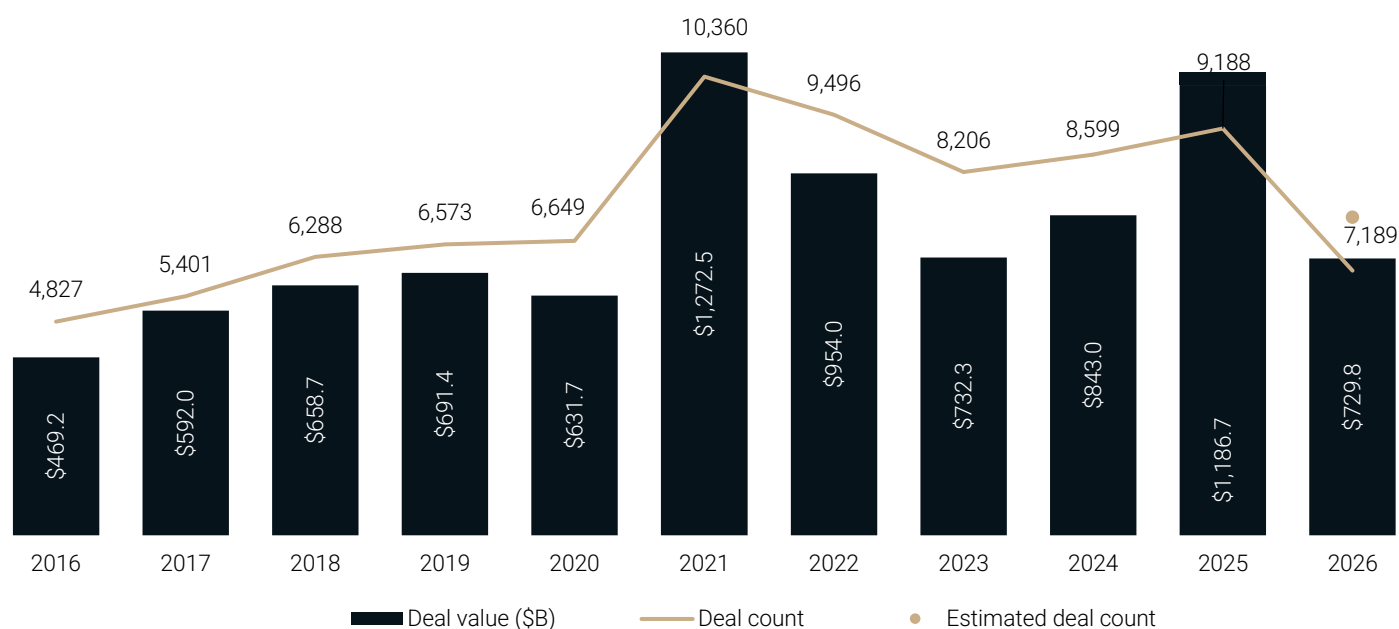


- U.S. buyout multiples have eased from the 2021-22 peak of roughly 14x to 12.0x in 2026 (TTM), a modest recovery from 11.5x in 2025 but still above the pre-pandemic range of roughly 9x-11.6x

Source: FactSet, Pitchbook, Mufson Howe Hunter, As of 9/30/2026

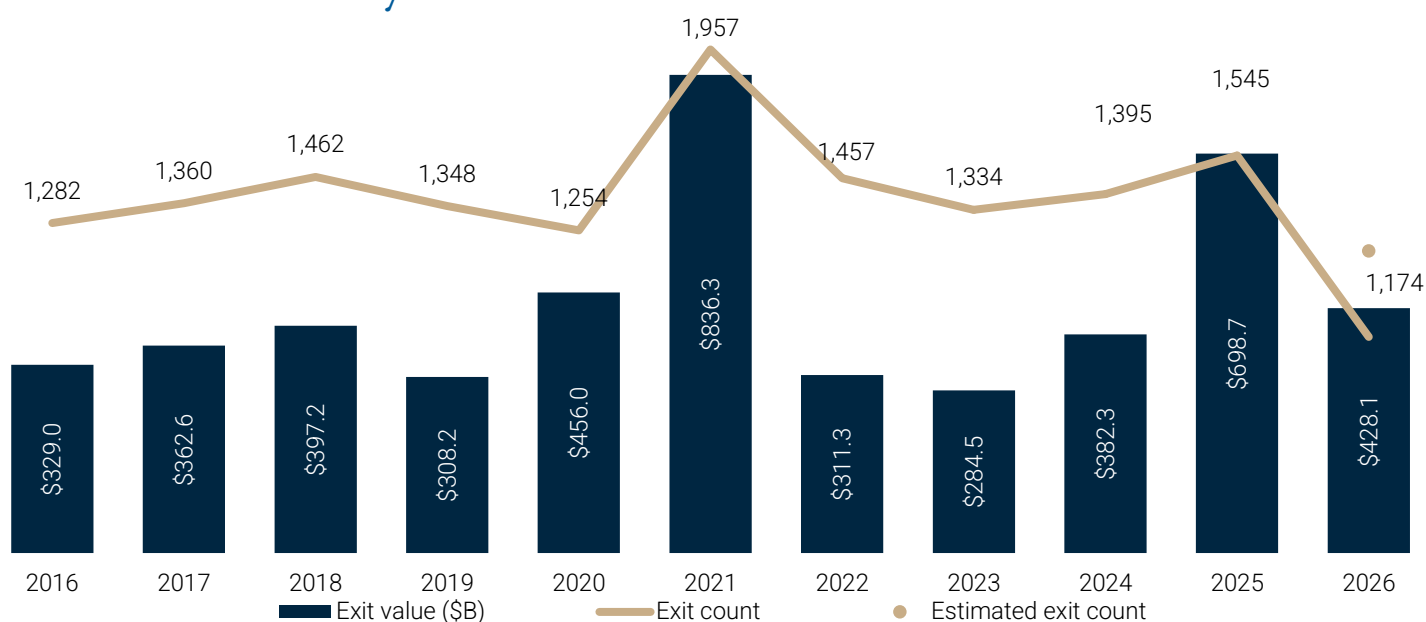
U.S. – All Reported M&A Activity by Year

U.S. PE Deal Activity



- Q3 2026 deal value rebounded 20.9% QoQ to \$233.8B across an estimated 2,467 deals (+5.9% QoQ), aided by megadeals totaling \$82.8B; 2026 is pacing for ~\$973B, below 2025 value but ahead on deal count

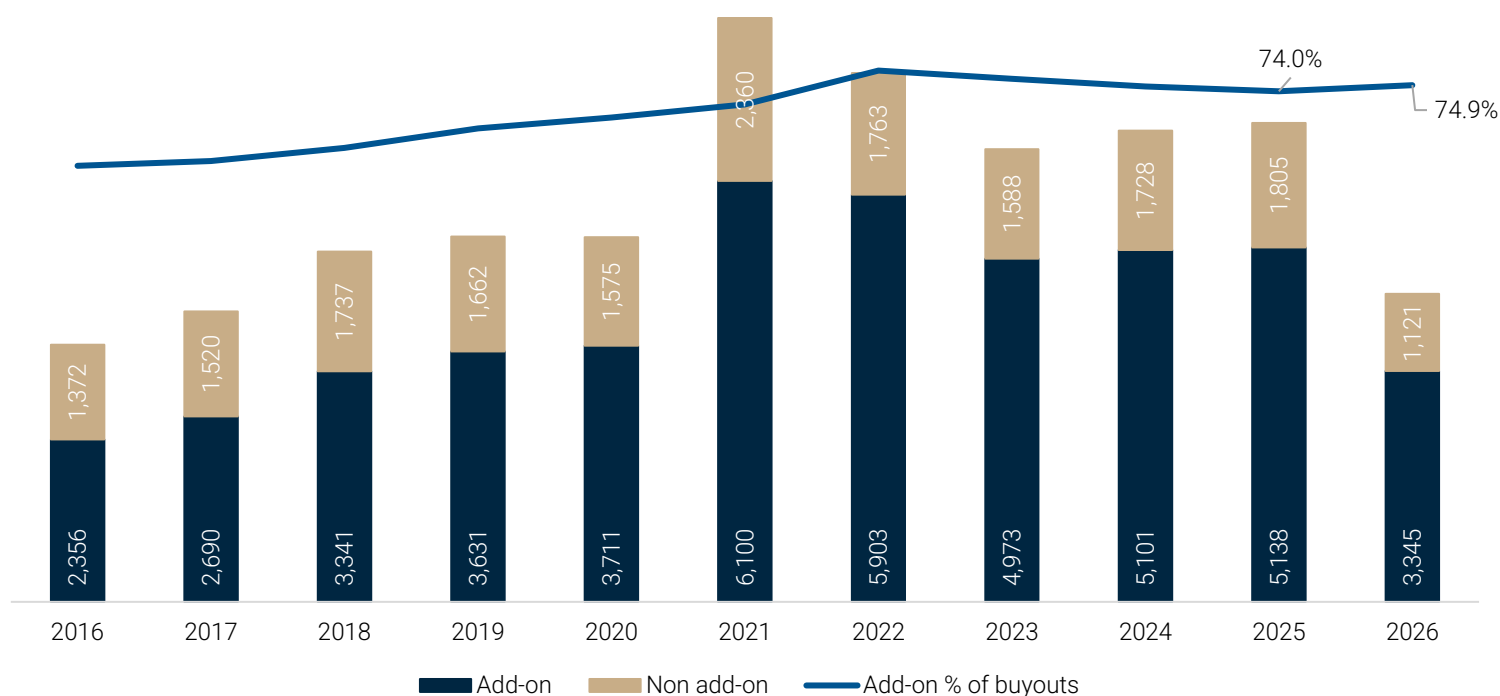
U.S. PE Exit Activity



- Q3 2026 exit value jumped 50.4% QoQ to \$165.5B while exit count rose 11.0% to 405, led by corporate strategics (~60% of Q3 exit value) and mega-exits, signaling a recovery still concentrated in large deals

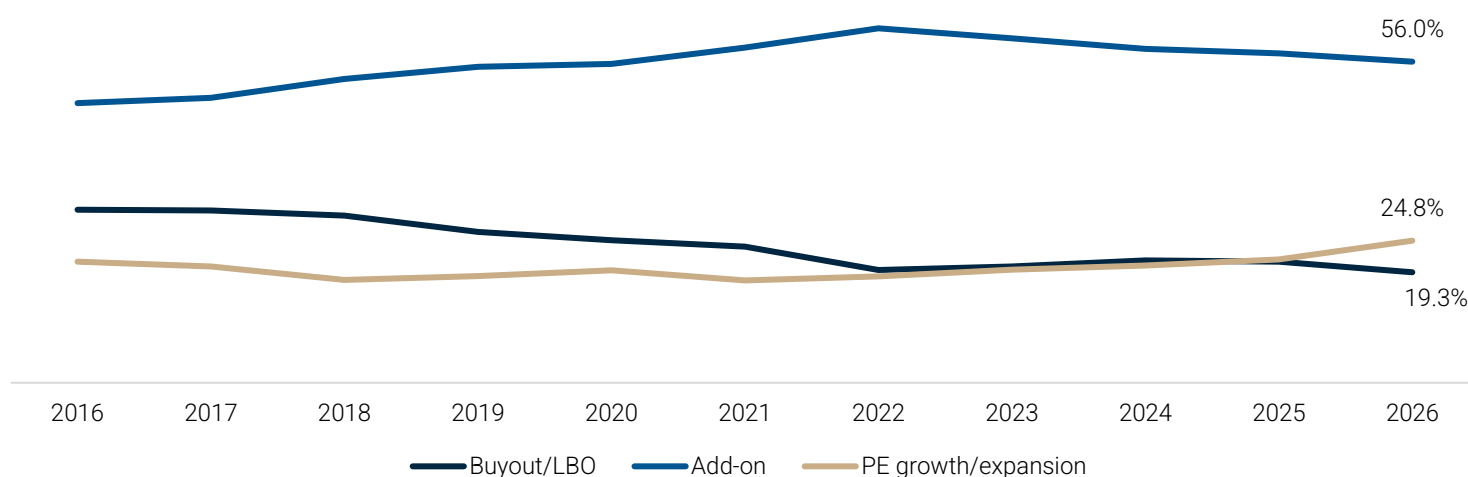
Source: PitchBook, Mufson Howe Hunter., As of 9/30/2026

PE Add-On Activity



- Add-ons represent 74.9% of buyouts in 2026 YTD; in Q3, add-on count dipped only 6.9% QoQ to 999 while platform LBOs fell 26.4% to 299

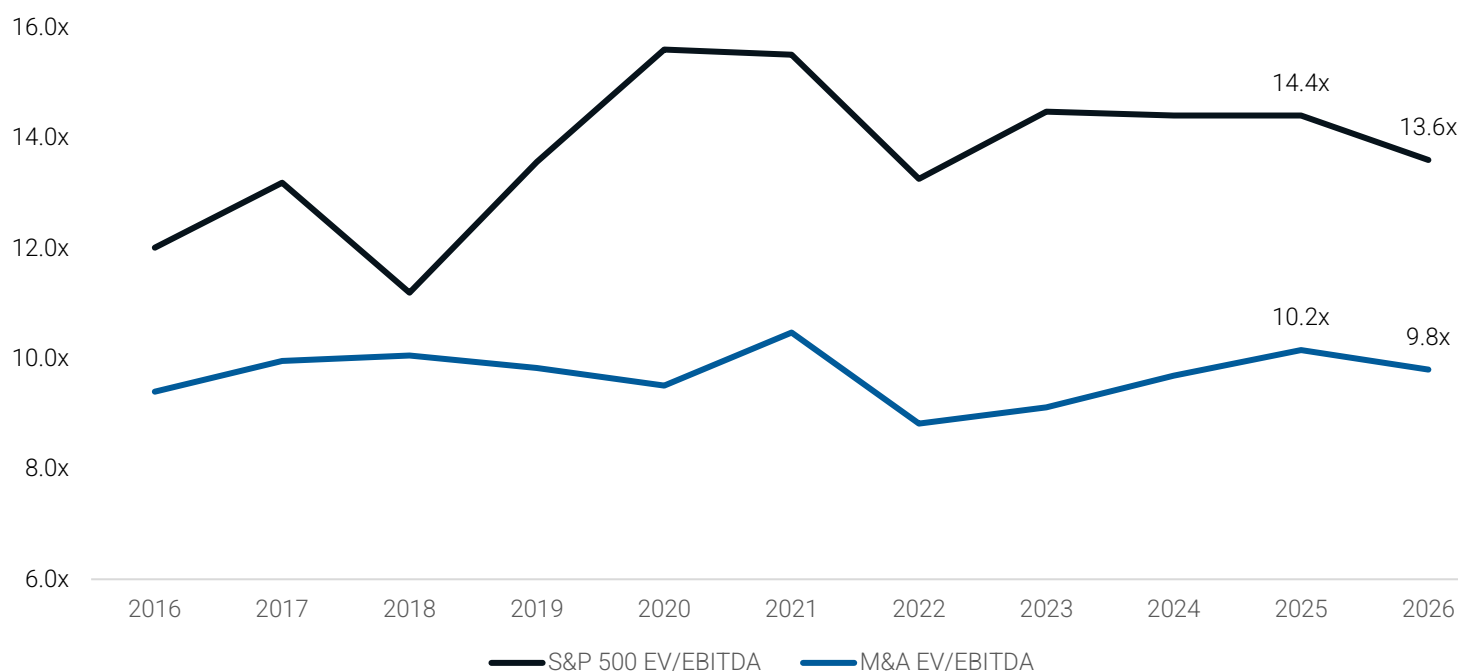
Platform LBO and Growth Equity Deals as a Share of all PE Deals



- Growth equity is on track for a record 24.8% share of PE deals in 2026, while buyout/LBO share compressed to 19.3%

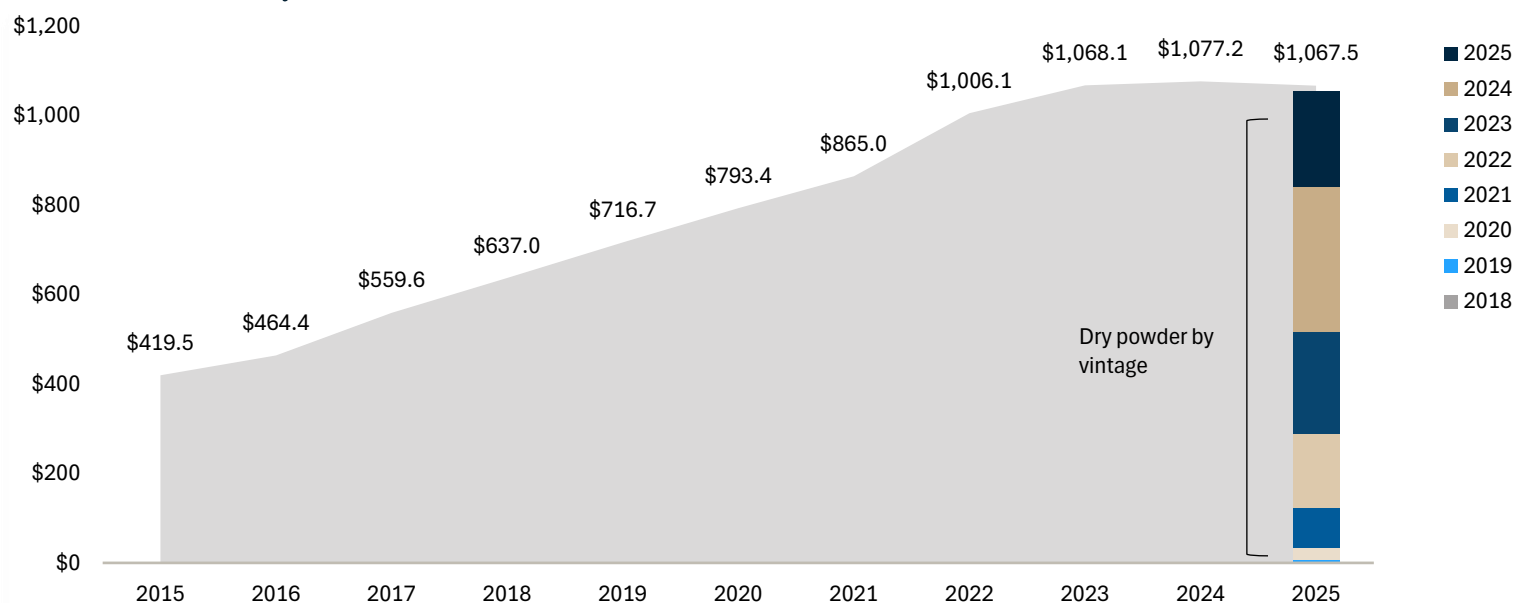
Source: PitchBook, Mufson Howe Hunter., As of 9/30/2026

S&P 500 versus M&A median EV/EBITDA multiple



- Both public and private market valuations moderated in 2026, with the S&P 500 EV/EBITDA multiple declining to 13.6x, while median M&A multiples softened to 9.8x, reflecting continued restraint in transaction pricing.

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

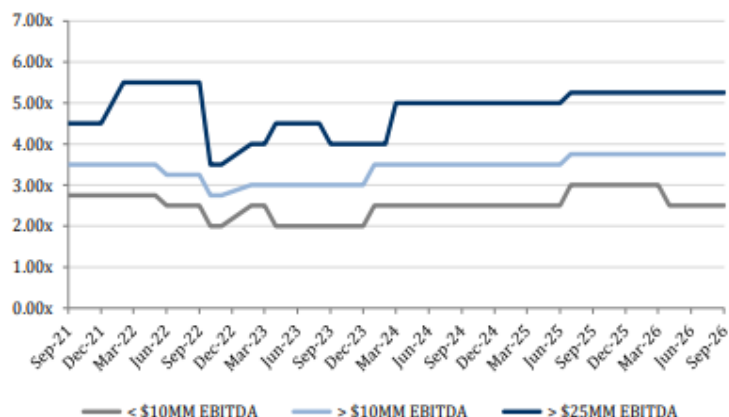


- Dry powder remains high despite sponsors being cautious around platform acquisitions and a slowdown in the return of capital due to relatively muted exit activity

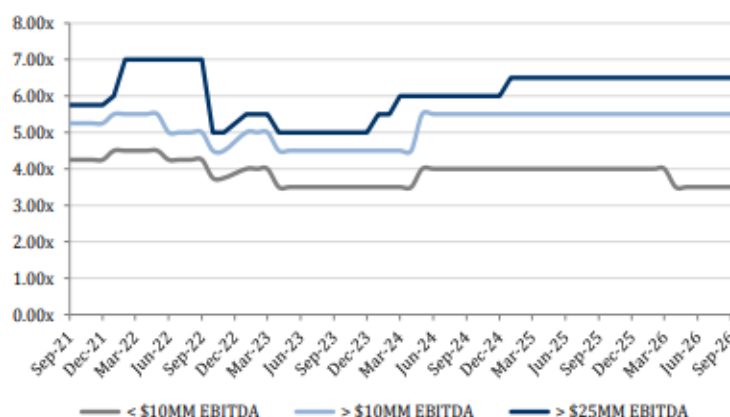
Source: PitchBook, Mufson Howe Hunter., As of 6/30/2026

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

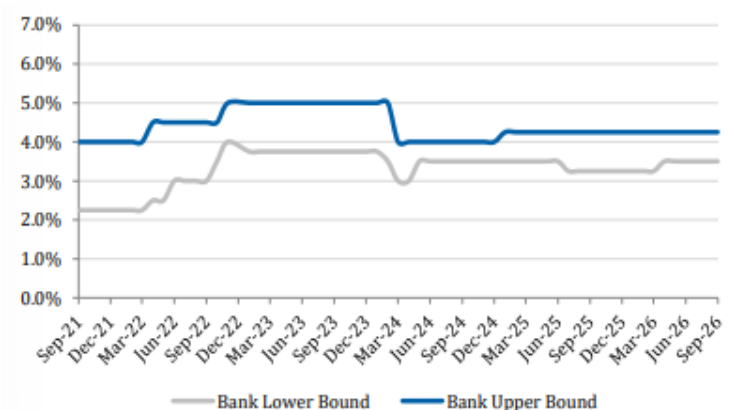
Historical Senior Debt Cash Flow Limit (x EBITDA)



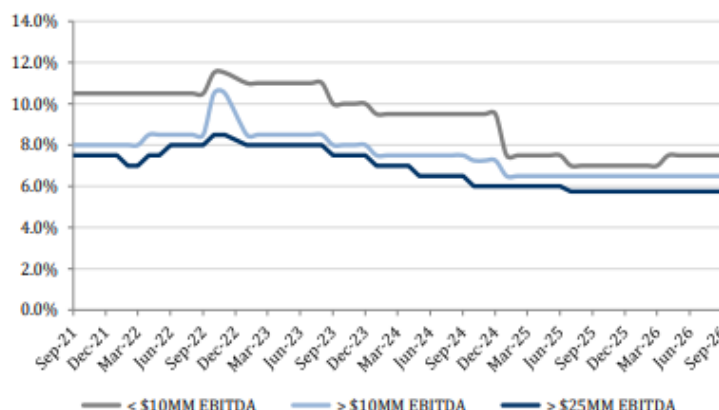
Historical Total Debt Limit (x EBITDA)



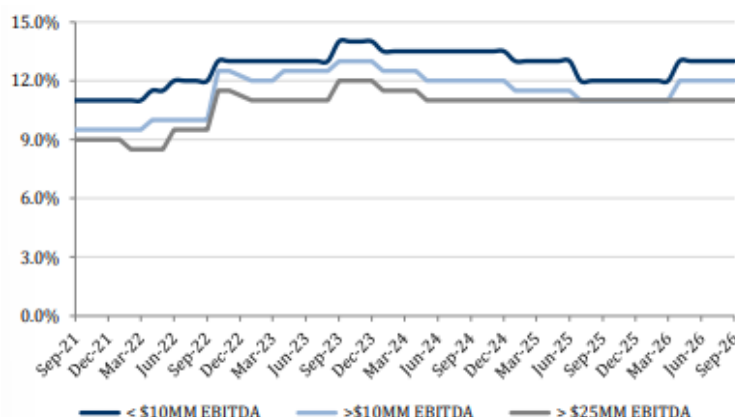
Historical Senior Cash Flow Pricing (Bank)



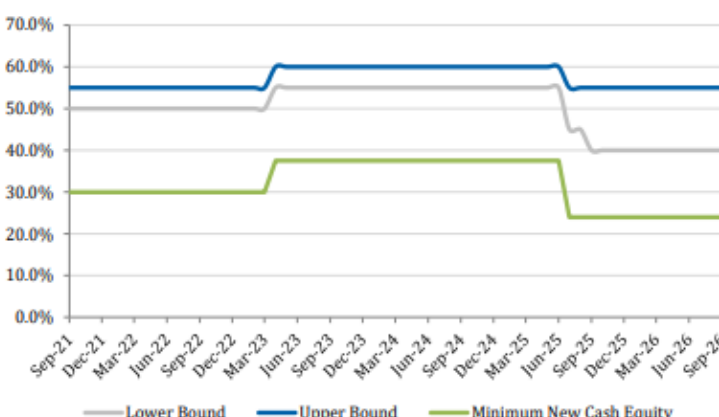
Historical Unitranche Pricing



Historical Subordinated Debt Pricing



Historical Minimum Equity Contribution



Source: SPP Capital Partners – "Capital Market Update September 2026"
SPP Capital Partners – Middle Market Investment Banking and Asset Management Home

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Changes from Previous Month Noted in Red

	Leverage: Senior Debt/EBITDA		
	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
September 2026	2.00x - 2.50x	2.25x - 3.75x	4.25x - 5.25x
August 2026	2.00x - 2.50x	2.25x - 3.75x	4.25x - 5.25x
September 2025	2.00x - 3.00x	2.25x - 3.75x	4.25x - 5.25x
Commentary:	<i>Senior Debt Leverage Capacity Remains Constant for September</i>		

	Leverage: Total Debt/EBITDA		
	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
September 2026	2.50x - 3.25x	4.00x - 5.50x	5.00x - 6.50x
August 2026	2.50x - 3.25x	4.00x - 5.50x	5.00x - 6.50x
September 2025	2.50x - 4.00x	4.00x - 5.50x	5.00x - 6.50x
Commentary:	<i>While Competition for New Deals Is Strong, there is no Discernable Impact on Pricing for September</i>		

	Pricing: Senior Commercial Bank Cash Flow		
	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
September 2026	S+ 3.50% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
August 2026	S+ 3.50% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
September 2025	S+ 3.25% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
Commentary:	<i>No Changes to Bank Pricing - Levels Consistent with Where They Have Been All Summer</i>		

	Pricing: Senior Non-Bank/Unitranche		
	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
September 2026	S+ 5.50% - 7.50%	S+ 5.00% - 6.50%	S+ 4.25% - 5.75%
August 2026	S+ 5.50% - 7.50%	S+ 5.00% - 6.50%	S+ 4.25% - 5.75%
September 2025	S+ 5.50% - 7.00%	S+ 4.75% - 6.50%	S+ 4.25% - 5.75%
Commentary:	<i>Notwithstanding a "Stabilization" in Private Credit Dysfunction, Pricing Remains at Current Levels Going into Q4</i>		

	Pricing: Junior Capital (Cash + PIK)		
	< \$10MM EBITDA	> \$10MM EBITDA	> \$25MM EBITDA
September 2026	13.00% - 16.00%	12.00% - 14.00% (S+ 7.5%-8.5%)	11.00% - 12.00% (S+ 6.25%-7.5%)
August 2026	13.00% - 16.00%	12.00% - 14.00% (S+ 7.5%-8.5%)	11.00% - 12.00% (S+ 6.25%-7.5%)
September 2025	12.00% - 15.00%	11.00% - 13.00% (S+ 6.5%-8.0%)	11.00% - 12.00% (S+ 6.25%-7.5%)
Commentary:	<i>Lack of Mezzanine Deals Keeping Pricing Tight, but Trending to Outer Band for Smaller Issuers</i>		

Senior Bankers



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Mufson Howe Hunter & Co. M&A Activity

Select Recent Transactions

Interstate Auto Care, LLC d.b.a.



ValvolineTM

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 exclusive financial advisor to the seller 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. 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 business



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

Industry Coverage

Business Services

- B2B Distribution
- Defense & Government Services
- Infrastructure & Construction Services
- Market Research & Insights
- Outsourced Facility Maintenance
- Professional & Consulting Services

Contact: Michael Mufson & Joe Golden

Consumer & Retail

- Consumer Products & Services
- Direct-to-Consumer e-commerce
- Food Products & Services
- Home Furnishings & Architectural Finishing
- Hospitality Services
- Specialty Retail

Contact: Michael Mufson & Anthony Lopez-Ona

Manufacturing & Industrial Services

- Aerospace & Defense (including MRO)
- Automation & Test/Measurement
- Environmental & Infrastructure Services
- Industrial Products & MRO
- Value-Added Distribution

Contact: Michael Mufson & Joe Golden

Technology & Services

- Enterprise Software
- Internet
- Mobile
- Outsourcing Services
- Tech-Enabled Services

Contact: Brandon Eck

Mufson Howe Hunter

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