IBBA INTERNATIONAL BUSINESS BROKERS ASSOCIATION.®

M&A Source®

Market Pulse

Q4 2025

Executive Summary

Courtesy of

INTERNATIONAL BUSINESS BROKERS ASSOCIATION AND M&A SOURCE

7100 E. Pleasant Valley Road
Suite 300
Independence, OH 44131
Office: 888-686-IBBA
www.ibba.org
www.masource.org

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M&A Source Executive Director

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QUARTERLY INSIGHTS

The quarterly IBBA and M&A Source Market Pulse Survey was created to gain an accurate understanding of the market conditions for businesses being sold in Main Street (values $0-$2MM) and the Lower Middle Market (values $2MM -$50MM). The national survey was conducted with the intent of providing a valuable resource to business owners and their advisors.The IBBA and M&A Source present the Market Pulse Survey.

The Q4 2024 survey was conducted January 1-15, 2026 and was completed by 350 business brokers and M&A advisors. Respondents completed 330 transactions this quarter. This is the 55th edition of this report.

ENTERPRISE VALUE OF MARKET SEGMENTS STUDIED

MAIN STREET	LOWER MIDDLE MARKET
‹$500K	$2M-$5M
$500K-$1M	$5M-$50M
$1M-$2M	

BUSINESS ENVIRONMENT

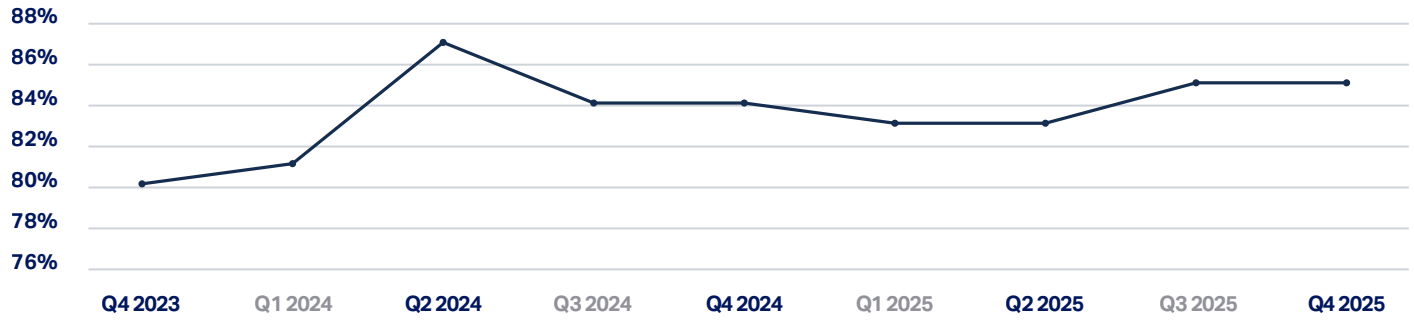
Advisors are optimistic heading into 2026. Nearly three-quarters (72%) expect market conditions to be on par with (23%) or stronger than (49%) the 2021 peak.

In the near term, sentiment is also positive. More than half of advisors (54%) expect deal volume to increase over the next three months. At the same time, expectations around pricing remain grounded: 71% anticipate multiples will hold steady. Advisors focused on the lower middle market expressed the most optimism for valuations, with 26% predicting an increase.

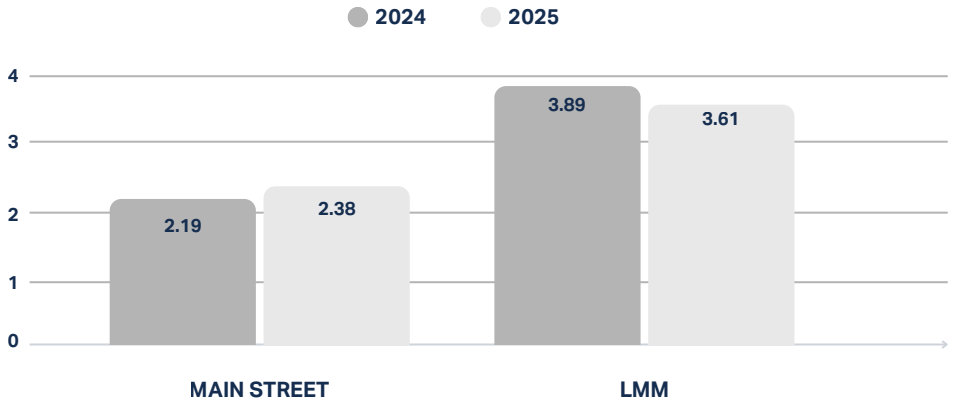
Looking back at 2025 in full, respondents reported modest momentum rather than a breakout year. About one-third (34%) closed more transactions than in 2024.

Other key deal metrics—including offers per transaction, cash at close, and multiples—were relatively flat, pointing to a market that remains active and selective.

AVERAGE CASH AT CLOSE

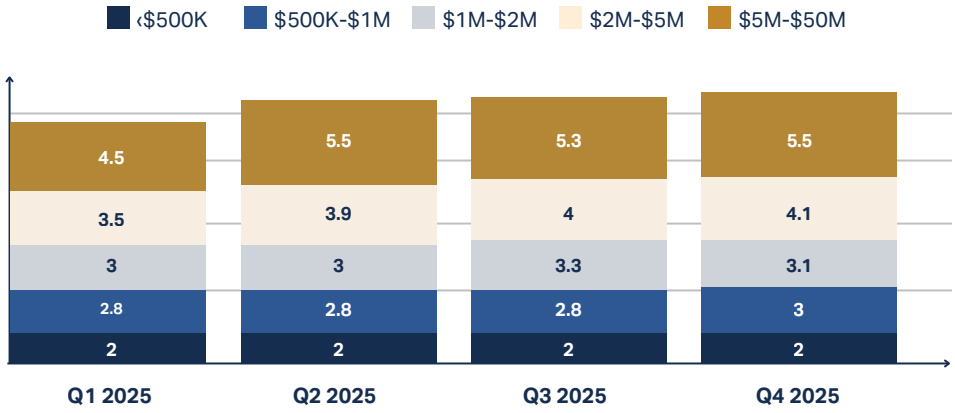


AVERAGE OFFERS PER DEAL



> *"Owners who are prepared are finding opportunities. Good businesses are moving. Momentum is building, but it's not a rush. 2026 looks more like a continuation of disciplined dealmaking than a reset to the frenzy years."*
> *– Tanya Popov, Founder and Master CBI, INIX Consulting & Brokerage*

AVERAGE MULTIPLES BY DEAL SIZE Q1-Q4 2025



<$500K - $2M in Purchase Price reflected as multiple of SDE (Seller's Discretionary Earnings);
$2M-$50M as multiple of EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization).

> *"The market feels steady. There's capital available, but buyers want quality and clarity before they lean in. Multiples haven't expanded, but deals are getting done."*
> *– Ryan Hemmert, M&A Advisor, Washington Business Brokers*

QUARTERLY INSIGHTS

ADVISOR VIEWPOINT

How Advisors See New Buyers, New Tools, and Their Role in the Deal

Beyond market outlook, the survey asked advisors to weigh in on three evolving dynamics shaping today's M&A landscape: buyer-driven acquisition models, seller use of AI tools, and where advisors believe they add the most value in a transaction.

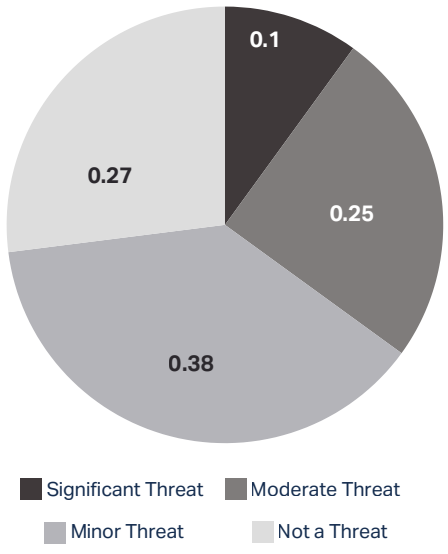
Buyer-driven models: Advisors expressed mixed views on the impact of search funds, entrepreneurship-through-acquisition (ETA) groups, and other buyer-led acquisition models.

A little over one-third (35%) said these models pose a significant or moderate threat to traditional brokerage and intermediary firms. Another 38% viewed them as a minor threat, while 27% said they do not represent meaningful disruption.

Several advisors noted that the challenge is less about the existence of these buyers and more about how they engage with sellers.

Overall, the results suggest advisors see buyer-driven models as a permanent feature of the market, but not a replacement for intermediaries, particularly when sellers need guidance navigating competing narratives and offers.

VIEW OF SEARCH FUNDS, ETA, BUYER-DRIVEN MODELS



> *"Their existence isn't the disruptive part. It's the way some of these groups overwhelm sellers with assumptions about pricing, process, and how 'easy' it is to sell a company. In ETA models it's often unintentional. However, with some buy-side advisor groups, it's more deliberate and takes advantage of uneducated sellers."*
> *– As stated by an Anonymous Participant.*

> *"Most deals don't fail because there wasn't interest. They fail because the wrong buyer was chosen, the structure didn't hold, or risks weren't addressed early."*
> *– Lisa Riley, CEO, Delta Business Advisors*



Sellers and AI: Advisors also shared their views on how business owners' use of artificial intelligence is influencing exit planning and deal execution. Responses reflected both opportunity and concern:

26% said AI could lead some sellers to attempt a DIY sale, often creating opportunities for advisors after those efforts fall short

21% said AI has the potential to replace discrete parts of an intermediary's role

18% said AI will reinforce the unique value advisors provide

17% said AI will raise seller expectations around speed, transparency, and data-driven insights

14% said AI will improve the quality of information sellers bring into a process

Advisors generally agreed that AI can be helpful when used as a starting point but risky when treated as a substitute for professional judgment.

QUARTERLY INSIGHTS

WHERE ADVISORS SAY THEY ADD THE MOST VALUE

When asked to rank where they bring the greatest value to a transaction, responses were remarkably consistent across market segments.

In the **Main Street Market,** advisors ranked the following as their top contributions:

- *Preventing deal-killers and navigating obstacles*
- *Maximizing seller proceeds*
- *Providing an all-in-one transaction process*

In the **Lower Middle Market**, priorities were similar, with a slightly stronger emphasis on value creation:

- *Maximizing enterprise value and seller proceeds*
- *Managing a comprehensive transaction process*
- *Anticipating and resolving deal-threatening issues*

Taken together, the results reinforce a central theme: While tools, buyers, and processes continue to evolve, advisors see their core value in risk management, execution discipline, and protecting outcomes, not simply facilitating a transaction.

Advisors also ranked buyer screening and qualification, valuation and market analysis, targeted buyer outreach, strategic positioning for premium valuations, and the ability to structure complex transactions to meet seller objectives as key sources of value in a successful deal.

> *"The real value isn't just finding a buyer. It's finding the right buyer and protecting the outcome all the way to close. Our job isn't just to get a deal done. It's to protect the seller's interests, optimize value, and make sure they don't look back wishing they'd handled it differently."*
> *– Scott Bushkie, Managing Partner, Cornerstone Business Services*

2025 OVERVIEW

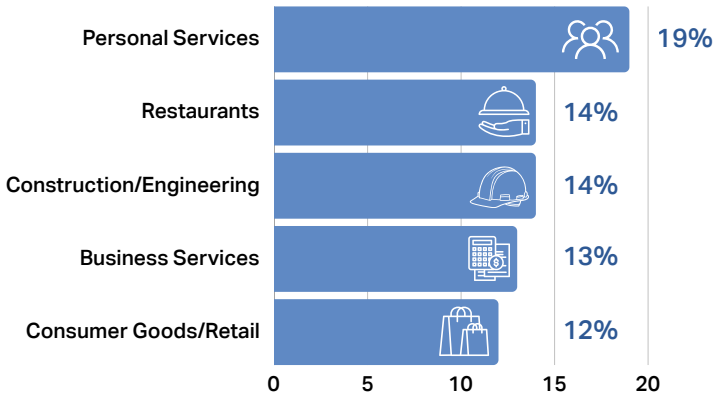
2025 TOP INDUSTRIES

According to the survey, the top industries for transaction activity for all of 2025 were:

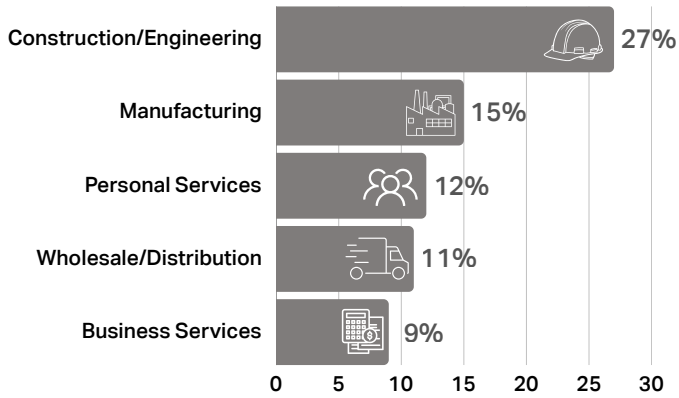
- Personal services – salons and spas, childcare, pet grooming, dry cleaning, gyms, etc.
- Restaurants – a consistent mainstay of Main Street transactions
- Construction – #1 in LLM and a leading area of activity for Main Street; this industry is seeing significant rollups
- Business services – a leading area of activity for both Main Street and the LMM
- Manufacturing – not among top five in Main Street, but a leading player in the LMM

TOP INDUSTRIES 2025

MAIN STREET



LMM

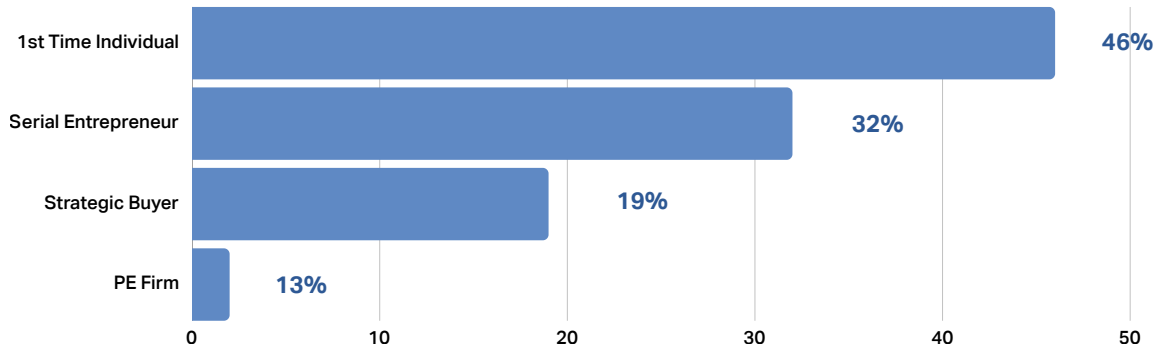


2025 OVERVIEW

2025 ACTIVE BUYERS

Individual buyers dominated the Main Street market in 2025. Calculating survey responses for all four quarters, we see that first time buyers made 46% of Main Street acquisitions followed by serial entrepreneurs (buyers who've owned a business before) at 32%. This is on trend.

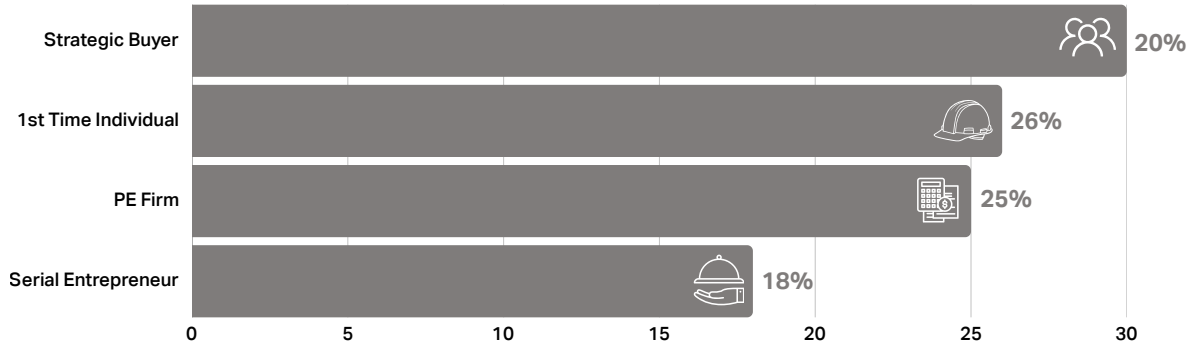
MOST ACTIVE BUYERS 2025: MAIN STREET



Individual buyers made their mark in the lower middle market as well, at 44% of acquisitions (26% first time buyer, 18% serial entrepreneurs). Private equity made about a fifth (25%) of the acquisitions in this market, on trend year-over-year.

However, if we look quarter by quarter, we see steady increase in strategic buyer acquisitions among businesses with enterprise values between $5 million and $50 million, with a subsequent decline in private equity activity.

MOST ACTIVE BUYERS 2025: LMM



PRIVATE EQUITY VS. STRATEGIC BUYERS, $5M-$50M DEAL SECTOR



"The market reported a slowdown in private equity activity in 2025, and we're seeing evidence of that in the lower middle market. As PEs recalibrate, strategic buyers are finding more room to engage sellers on value, fit, and integration."
– Sarah Grossman, Principal, BayState Business Brokers

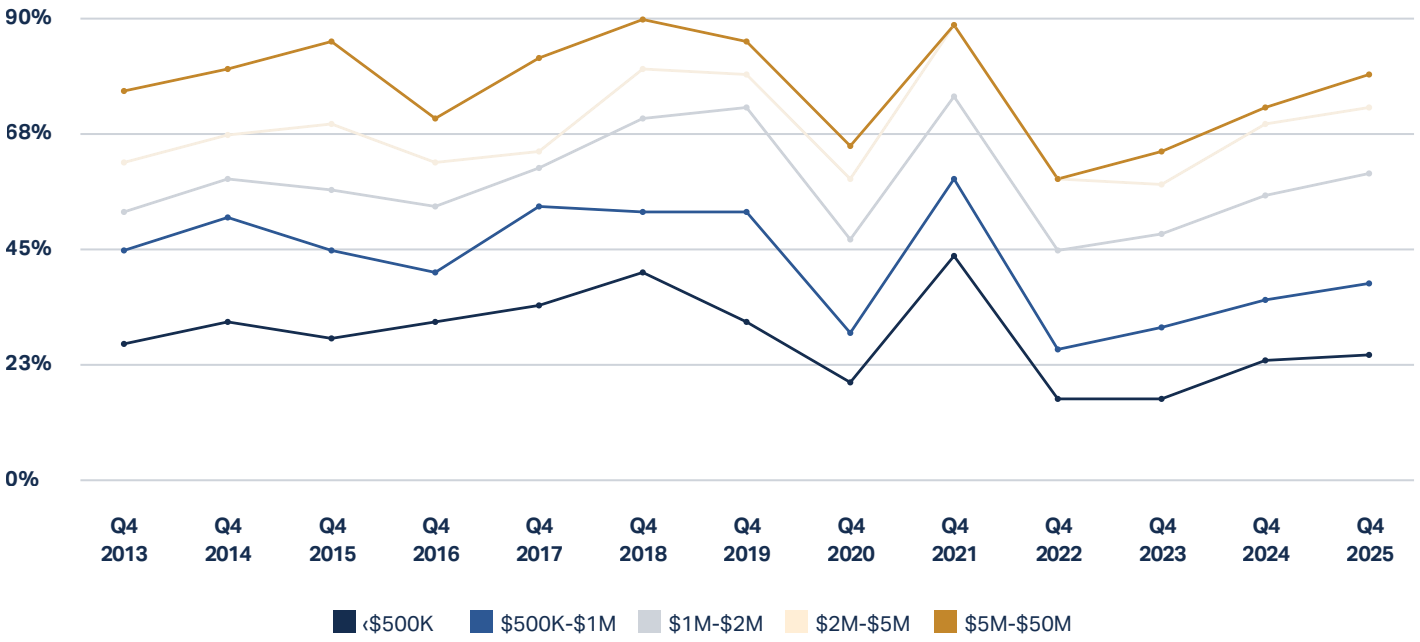
As both strategic and financial buyers remain active and well-capitalized in the lower middle market, deal dynamics continue to reflect differing buyer priorities. Financial buyers often emphasize recapitalizations, rollover equity, and second-bite outcomes, while strategic buyers are more likely to pursue full acquisitions tied to long-term integration plans. Together, these buyer groups create a competitive environment with multiple paths to liquidity for sellers, from partial exits to full sales depending on goals and fit.
- Jaclyn Ring, M&AMI, CM&AP, Director, REAG

BUSINESS VALUE

MARKET CONFIDENCE

Advisors continue to report rising seller confidence, with the lower middle market sitting solidly in a seller's market. (A seller's market occurs when demand exceeds supply. In a seller's market, buyers compete in order to win deals. This typically translates to increased values and more favorable deal terms for the seller.)

SELLER'S MARKET SENTIMENT Q4 2013-2025



Heading into 2026, despite some ongoing macro uncertainty, greater market clarity is driving increased confidence and engagement from both buyers and sellers - particularly around well-prepared, quality businesses."
— Scott Cronk, President/Owner, TYLAS Venture Group, LLC

"Deal flow increased significantly in the last quarter, driven in part by recent interest rate reductions and by sellers becoming more comfortable with the current market environment administration. At the same time, demographic pressures, including an aging owner population, continue to bring more businesses to market. We expect that momentum to continue into 2026."
– Jim Parker, President, Boss Group International

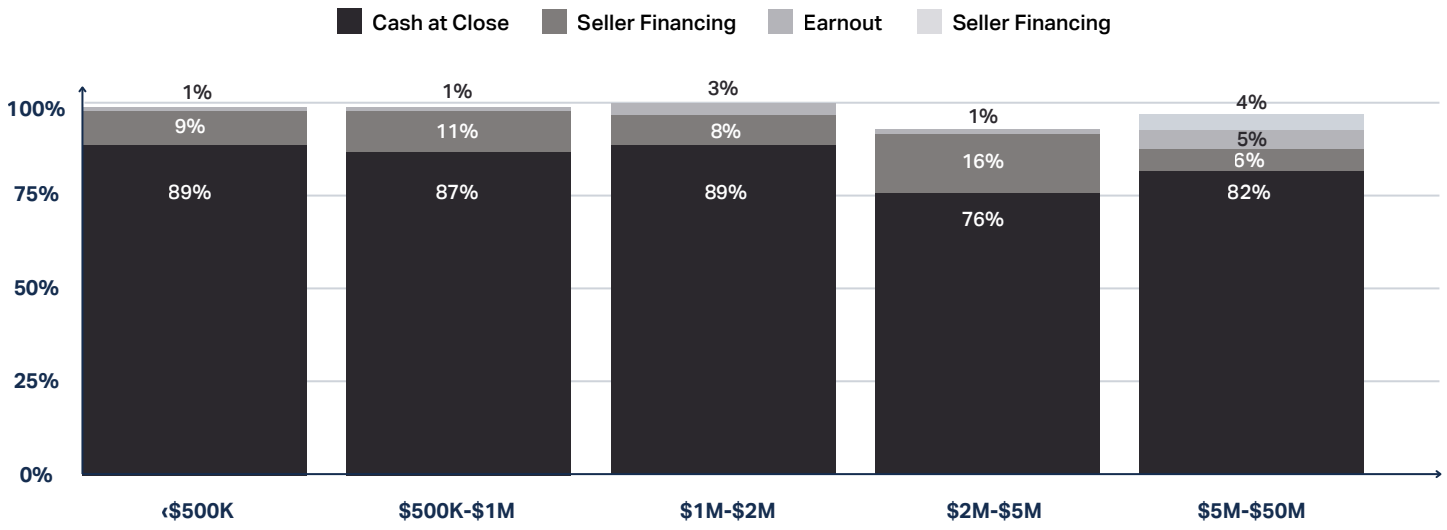
FINANCING TRENDS

FINANCING DEALS

In Q4 2025, sellers averaged between 76% to 89% cash at close. (Cash at close includes senior debt and buyer equity.) That means most sellers walked away with the bulk of their deal value upfront.

Seller financing remains a common tool to bridge valuation gaps, while earnouts and retained equity are used sparingly. The $2M-$5M deal sector represents something of an anomaly this quarter as cash at close has rarely dropped below 80% in recent years.

DEAL FINANCING Q4 2025

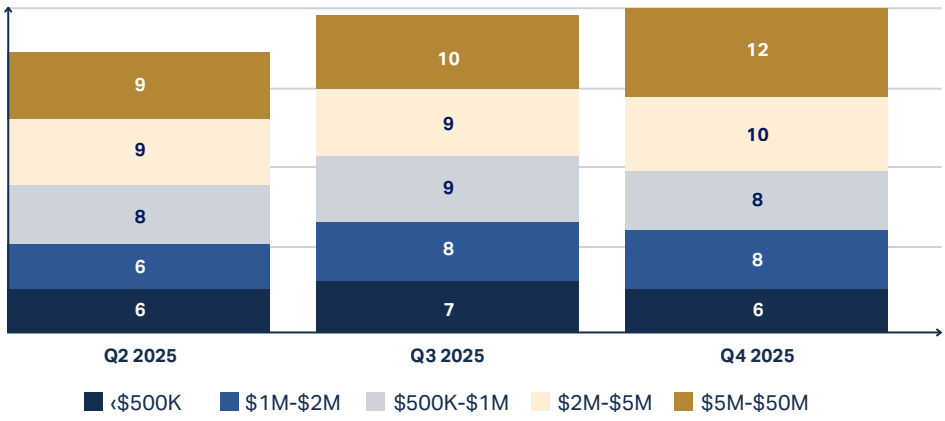


TIME TO CLOSE

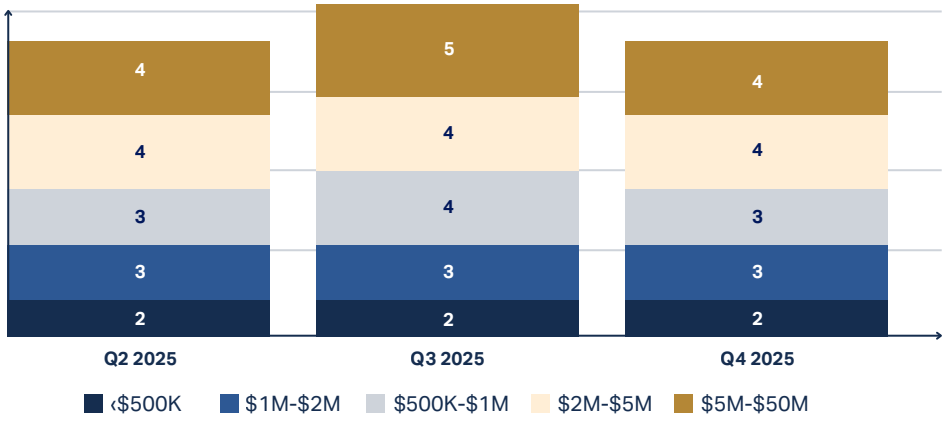
The average time to sell a small business stayed relatively consistent in Q4 2025, varying from six to 12 months. Of that time roughly three to four months are spent in due diligence, after a signed letter of intent or offer.

> *"The biggest misconception sellers have is how quickly things move. The more prepared you are on the front end, the smoother, and often shorter, the process feels."*
> *– Lee Sheaffer, President of BizReady, Inc.*

MONTHS TO CLOSE



LOI TO CLOSE



KNOW YOUR BUYER

<$500,000: Buyers in this sector were:

- First time buyer (56%), serial entrepreneur (24%), strategic buyer (19%)
- Motivated to buy a job (37%), vertical add-on (24%)
- Located within 20 miles (68%) of the seller's location, or 50 miles (18%)

<$500K-$1M: Buyers in this sector were:

- First time buyer (43%), serial entrepreneur (38%), or strategic (existing) company (17%)
- Buy a job (43%), horizontal add-on (20%)
- Located within 20 miles (65%) of the seller's location, or 50 miles (19%)

$1M-$2M: Buyers in this sector were:

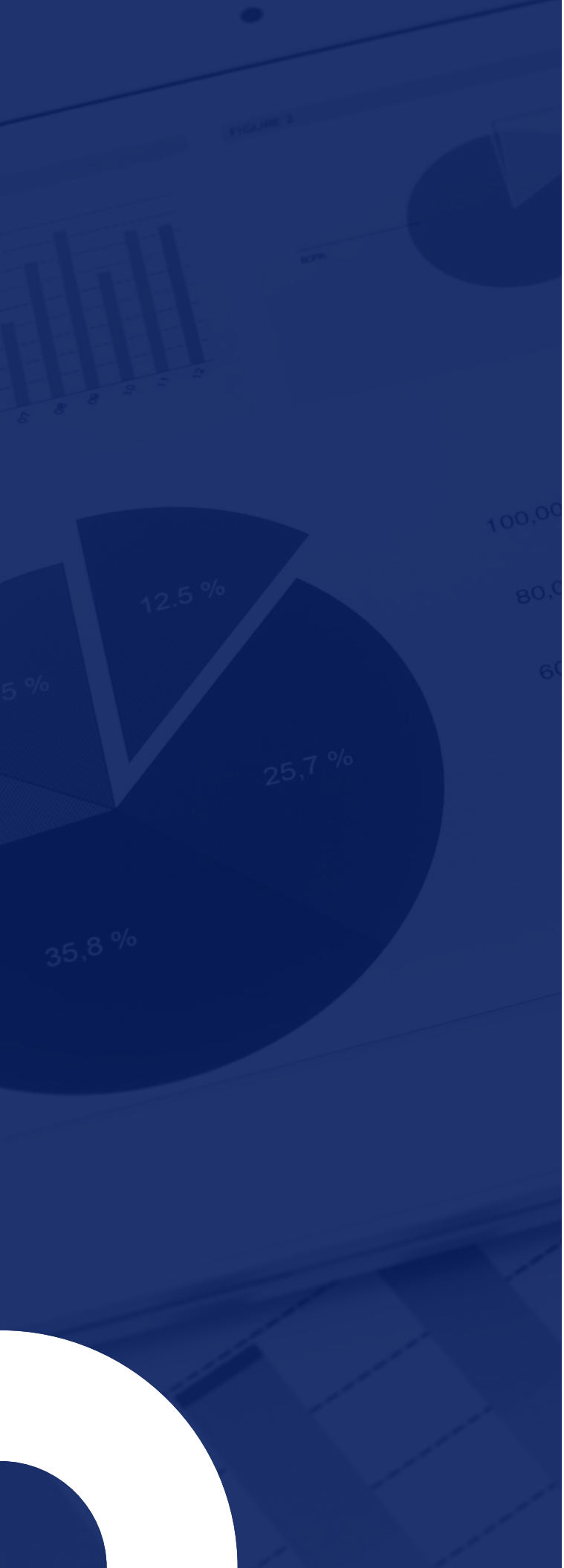
- First time buyer (44%), strategic company (29%), serial entrepreneur (23%)
- Motivated to buy a job (40%), vertical add-on (23%), horizontal add-on (17%)
- Located within 20 miles (60%) or more than 100 miles (23%) of the seller's location

$2M-$5M: Buyers in this sector were:

- Strategic company (48%), first time buyer (30%)
- Horizontal add-on (30%), buy a job (30%), vertical add-on (22%)
- Located more than 100 miles (52%), within 20 miles (30%)

$5M-$50M: Buyers in this sector were:

- Strategic company (50%), private equity (27%)
- Horizontal add-on (42%), vertical add-on (35%)
- Located more than 100 miles (58%) of the seller's location



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ABOUT INTERNATIONAL BUSINESS BROKERS ASSOCIATION

Founded in 1983, IBBA is the largest non-profit association specifically formed to meet the needs of people and firms engaged in various aspects of business brokerage, and mergers and acquisitions. The IBBA is a trade association of business brokers providing education, conferences, professional designations and networking opportunities. For more information about IBBA, visit the website at www.ibba.org or follow the IBBA on Facebook, X, and LinkedIn.

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ABOUT THE M&A SOURCE

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