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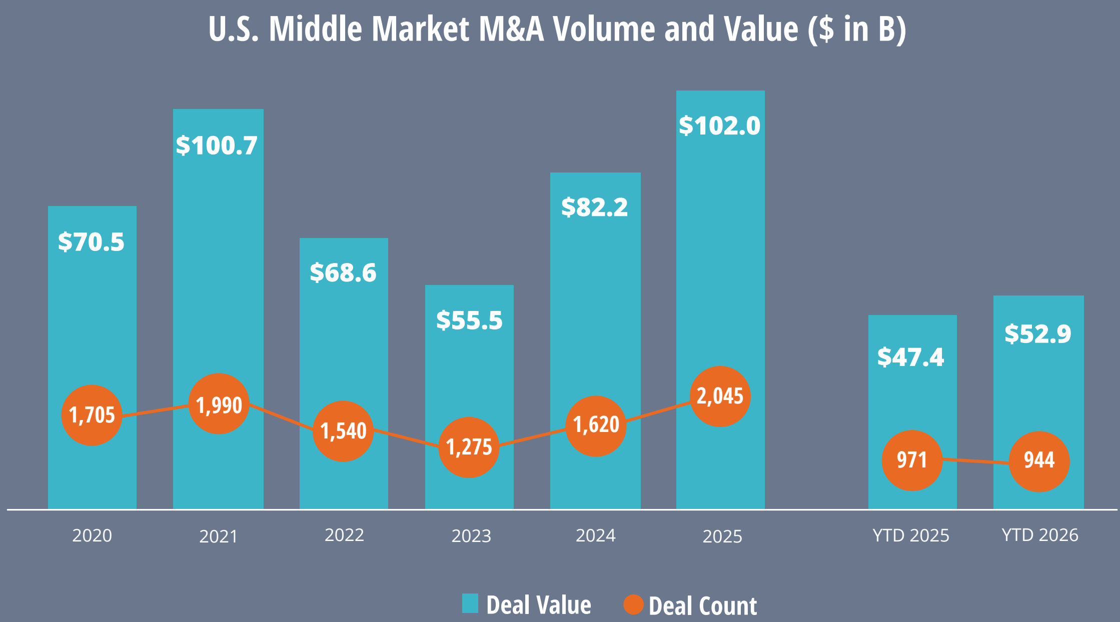
SUMMER 2026 | U.S. MIDDLE MARKET M&A REVIEW

MIDDLE MARKET M&A REMAINS ACTIVE AS BUYERS COMPETE FOR QUALITY ASSETS



Source: Capital IQ
Data represents closed deals with enterprise values of $250 million and less

M&A Volume and Value

- Through YTD 2026, overall transaction value grew more than 11% compared to 2025, but about 3% fewer completed deals, potentially indicating a more selective market skewing toward larger transactions.
- Middle market M&A activity in 2026 has been driven by private equity dry powder and stabilized financing conditions with high-quality businesses likely to clear the market.
- Deal structures for smaller transactions and those with material performance or diligence issues have been increasingly more buyer-protective, specifically bridging valuation gaps with earnouts, seller notes and rollover equity.

SD Capital M&A Market Perspectives

- As we head into the second half of 2026, we expect similar levels of M&A activity. Buyers continue to express eagerness to deploy capital, particularly in high-quality companies with a track record of strong financial performance and demonstrated ability to withstand economic cycles.
- Owners of well-performing companies considering a sale or recapitalization should discuss options and develop a strategy with an advisor. Preparing early will allow owners to access markets at the time of their choosing.
- Sellers should prepare for robust diligence as buyers and lenders place increased scrutiny on target companies.

PRIVATE EQUITY ("PE") ACTIVITY

- Average valuation multiples for middle market private equity deals in Q1 2026 were 7.3x EV/EBITDA, a slight increase from 6.9x in Q4 2025.
- The premium for size held firm as firms valued at $100M to $250M traded at 9.0x EBITDA in Q1 2026, 3.0 turns higher than firms valued at $10M to $25M.
- In Q1 2026, targets with above-average financial performance, post-closing management continuity and a private equity/corporate seller traded at an average of 7.3x EBITDA, or only 0.1x more than the overall average.
    - Targets with above-average financial performance accounted for 46% of completed deal activity.
- According to GF Data, add-on activity in Q1 2026 accounted for approximately 38% of completed buyouts in the first quarter, up from 31% in Q4 2025.
    - Add-on pricing eased modestly to 6.5x TTM EBITDA from 6.9x for full-year 2025.
- In Q1 2026, average buyout debt to equity ratio exceeded 50%, its highest reading since 2021 and up from 48.9% in 2025, signaling increased aggressiveness among senior lenders to support transaction activity.

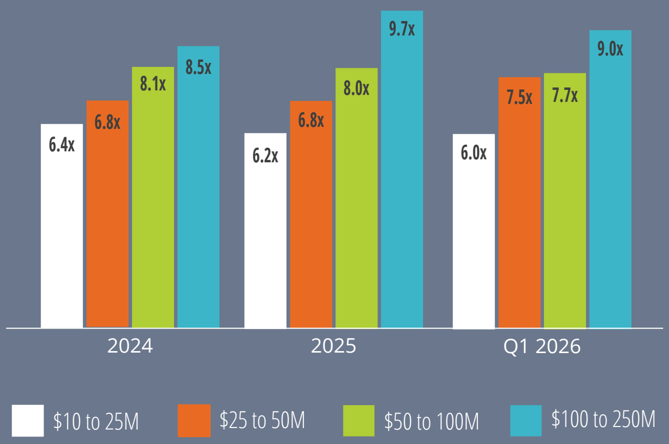
PRIVATE EQUITY VALUATION BY INDUSTRY

	Q1 2026 EV/EBITDA by Industry			
	Manufacturing	Business Services	Distribution	Health Care Services
$10 to 25M	6.1x	5.7x	6.5x	6.4x
$25 to 50M	6.9x	7.7x	N/A	8.9x
$50 to 100M	6.8x	7.9x	6.0x	10.9x
$100 to 250M	9.7x	9.2x	7.5x	N/A
Total	7.2x	7.0x	6.7x	8.5x
Total Number of Deals	26	25	7	8

Source: GF Data®

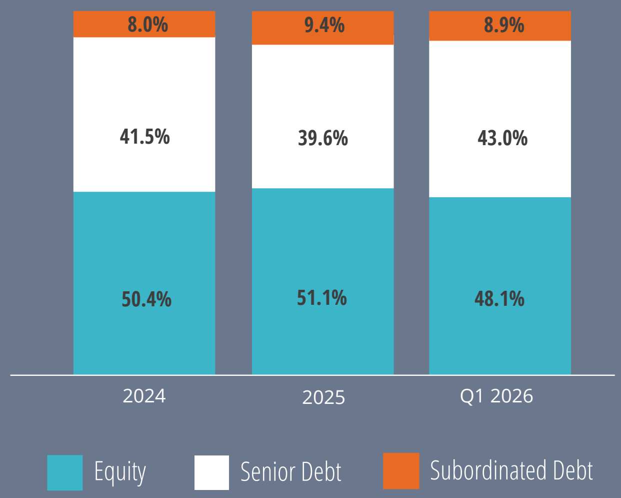
Contact SD Capital to learn more about industry-specific valuation data.

EV/EBITDA (by transaction size)



Source: GF Data®

Equity and Debt Contribution by Year



Source: GF Data®

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Representative Transactions

Representative Manufacturing, Industrial & Business Services Experience

BENCHMARK RISK GROUP
has been acquired by
Trinity Consultants
a portfolio company of
OAK HILL CAPITAL
Sell Side Investment Banker

BPI INC.
has formed a strategic partnership with
RHI MAGNESITA
Advisor to BPI, Inc.

Gipson Bearing & Supply Co.
has been acquired by
BSC Industries
a portfolio company of
B·C·P Benford Capital Partners
Sell Side Investment Banker

STANDARD AIR
has been acquired by
Koch Air LLC
Sell Side Investment Banker

DONEGAL Construction Corp.
DELTA CONTRACTING, INC.
have been acquired by
SurfaceCycle
a portfolio company of
WARREN EQUITY PARTNERS
Sell Side Investment Banker

Representative Energy & Utility Services Experience

JTB John T. Boyd Company
has been acquired by
MANAGEMENT
Sell Side Investment Banker

CWM Environmental
has been acquired by
METIRI
a portfolio company of
Goldman Sachs
Sell Side Investment Banker

PSC
has been acquired by
BPS Supply Group
a portfolio company of
TRIVE CAPITAL
Sell Side Investment Banker

Klein's Restoration Services Inc.
has been acquired by
YAK ACCESS
a portfolio company of
Platinum Equity
Sell Side Investment Banker

KEYSTONE CONSULTANTS, INC.
has been acquired by
CLS Contract Land Staff
a portfolio company of
OAKTREE
Sell Side Investment Banker

Representative Consumer & Healthcare Services Experience

ALLEGHENY CARD SOLUTIONS
has been acquired by
NEWGUARD PLASTIC CARDS LLC
a portfolio company of
Daboosh Investments, LLC

ANM Armstrong Nutrition Management
has been acquired by
DiningRD
a portfolio company of
EVOLUTION CAPITAL PARTNERS

HTG SUPPLY Hydroponics & Grow Lights
has been recapitalized by
FOREST LANE CAPITAL

Austin's
has been acquired by
KIK Consumer Products
a portfolio company of
Centerbridge

LEVIN FURNITURE
has been acquired by
Art Van
a portfolio company of
THL

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SD Capital is a leading, full-service investment banking, corporate finance and strategic advisory firm serving the needs of mid-market and small companies.

With more than 75 combined years of financial transaction, strategic advisory and executive management experience across a broad spectrum of industries and client situations, our focus is to provide premier advisory services in the areas of company sales and divestitures, acquisitions, fund-raising and strategic advisory.

Our dedicated team of highly skilled professionals are deeply involved with every aspect of client engagements. Supported by the wealth of resources of Schneider Downs & Co., Inc., we are able to service our clients' needs at every step of the process.

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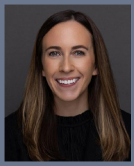

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