IBBA INTERNATIONAL BUSINESS BROKERS ASSOCIATION.®

M&A Source®

Market Pulse

Q2 2025

Executive Summary

INTERNATIONAL BUSINESS BROKERS ASSOCIATION AND M&A SOURCE

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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-$2M) and the Lower Middle Market (values $2M -$50M). 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.

MARKET SEGMENTS STUDIED

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

The Q2 2025 survey was conducted July 1-15, 2025 and was completed by 326 business brokers and M&A advisors. Respondents completed 272 transactions this quarter. This is the 53rd edition.

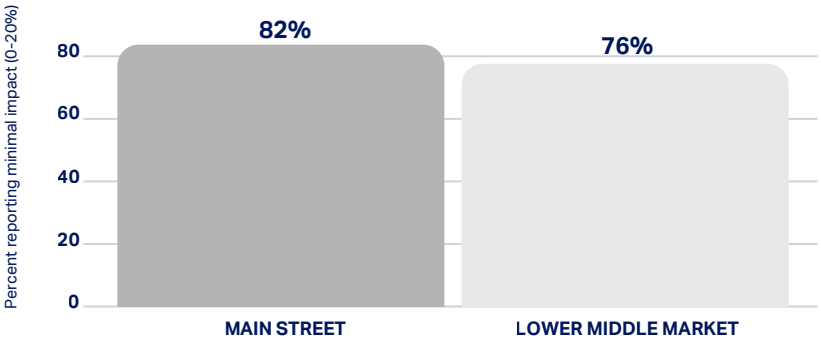
TARIFFS NOT A MAJOR FACTOR IN SELLER TIMELINES

The Q2 2025 Market Pulse report surveyed advisors on how tariffs—current or anticipated—are affecting clients' decisions to go to market. The results were clear: Tariffs may affect certain sectors, but they are not a widespread drag on M&A activity.

In the Main Street market, 82% of advisors said that fewer than 20% of their clients are delaying a sale due to current or future tariffs. In the Lower Middle Market, that figure was nearly as high at 76%. Very few advisors—just 2% to 3%—reported that tariffs were delaying a majority of their client deals.

The data suggests that while tariffs may influence some industries, they are not a primary driver of market timing decisions for most business owners.

ADVISORS REPORTING MINIMAL TARIFF IMPACT ON CLIENTS



> *"Tariffs are certainly something buyers and sellers are aware of, but they're not driving the decision to go to market for most business owners. Unless a company has significant exposure to China trade or imported goods, we're not seeing tariffs delay deals in any meaningful way."*
> *– Scott Mashuda, Managing Director of REAG*

> *"There's awareness of tariffs, especially in industries like manufacturing or import-heavy wholesale. But for most business owners, tariffs aren't the reason they're holding off—or moving forward. Other factors like interest rates, personal timing, or business performance play a much bigger role."*
> *– Erin Crawford, CII Advisors.*

> *"Even when tariffs are on the radar, they're usually just one of many factors influencing a sale. What we're seeing is that most business owners are still moving forward. Maybe they're adjusting their timing or pricing strategy slightly, but they're not shelving their plans entirely. It's more of a recalibration than a roadblock."*
> *– Kathlene Thiel, President, Thiel Group, LLC*

DIRECT BUYER OUTREACH ON THE RISE

The Q2 2025 Market Pulse survey asked advisors what percentage of their clients had received unsolicited outreach from potential buyers—including private equity groups, search funds, strategic buyers, and others.

While the majority of advisors said these offers were still limited to a small share of their client base (under 20%), that small share represents a growing and important trend—particularly in the Lower Middle Market, where deal size draws more inbound interest from professional buyers.

- In the **Lower Middle Market, nearly 30%** of advisors reported that more than 20% of their clients had been approached by **private equity groups**. Search funders and strategic buyers were also active.

- In the Main Street market, 28% of advisors reported that more than 20% of their clients had been approached by **strategic buyers**. Here too, private equity and search funders were also active.

> *"Even if unsolicited offers aren't flooding the market, they're showing up often enough—and catching sellers off guard. And when business owners respond without a plan or representation, they risk leaving significant value on the table."*
> *– Lisa Riley, CEO & Founder, Delta Business Advisors*

> *"In our firm, we have a saying: One offer is no offer. Sellers who respond to unsolicited outreach without testing the market are flying blind. You need multiple offers to create real leverage. Otherwise, you're negotiating in the dark, and that means leaving money on the table." – Scott Bushkie, Managing Partner, Cornerstone Business Services*

QUARTERLY INSIGHTS

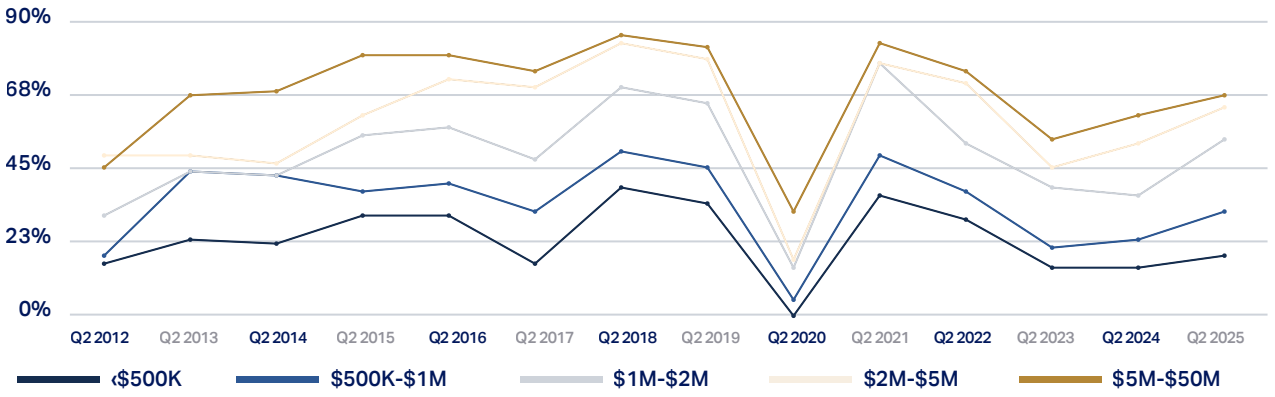
MARKET CONFIDENCE REMAINS SPLIT

A seller's market occurs when there are more potential buyers than available quality businesses for sale, giving sellers an advantage. In this environment, sellers typically have more leverage in negotiations, can command higher valuations, and often experience faster deal closures with more favorable terms.

Overall, the market is marked by growing optimism. Respondents reported the largest year-over-year improvement among businesses valued between $1M-$2M (14 percentage point uptick), with 57% believing they're in a favorable seller's market.

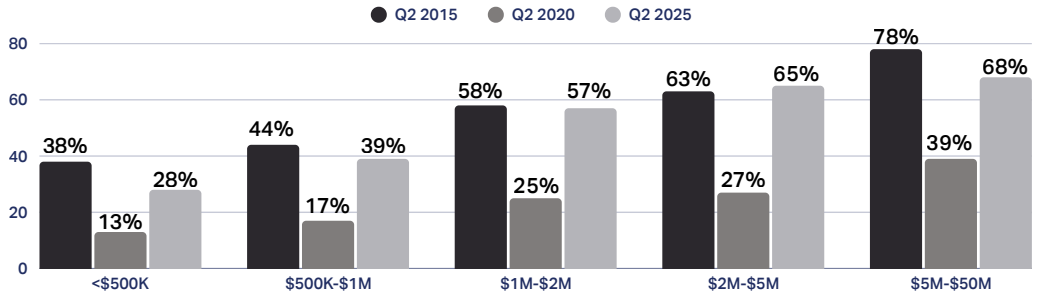
SELLER'S MARKET CONFIDENCE

Seller's Market Sentiment Q2 2012-2025



SELLER'S MARKET CONFIDENCE

Seller's Market Sentiment, Five-Year Trends, Q2 2015, 2020, 2025



"Seller sentiment is climbing, but we're still in a market marked by caution. For those who own businesses valued above $2 million, confidence continues to edge upward, but Main Street sellers remain hesitant. For many small business owners, the uncertainty outweighs the opportunity." – Lee Sheaffer, President of BizReady, Inc.

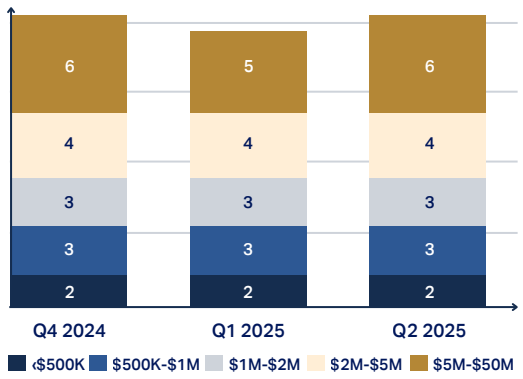
BUSINESS VALUE

Median multiples held relatively steady in Q2 2025, with two notable exceptions. The sub-$500K segment edged up to 2.3x—a rare occurrence above the 2.0x mark. The $5M–$50M category rebounded to 5.5x, recovering from a dip in Q1 and reinforcing investor demand for quality assets at scale.

Looking forward, M&A professionals predict multiples will stay stable over the next quarter.

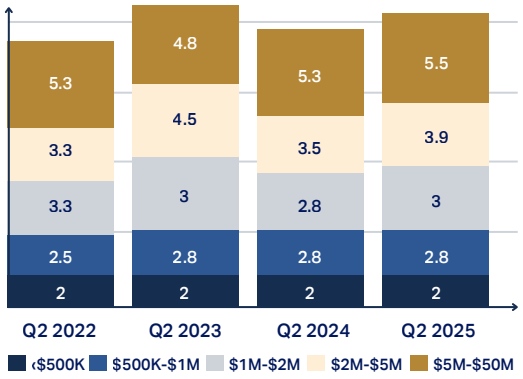
BUSINESS VALUE

MEDIAN MULTIPLES LAST THREE QUARTERS



Typically <$500K - $2M reflected as multiple of SDE; $2M-$50M as multiple of EBITDA

MEDIAN MULTIPLES YEAR-OVER-YEAR, Q2 2022 - 2025



Typically <$500K - $2M reflected as multiple of SDE; $2M-$50M as multiple of EBITDA

"We saw deals valued between $2 million to $5 million drop below a 4.0 multiple in Q2 2024 and stay there. Before then, a sub-4.0 multiple was a rarity in this sector. The fact that we've now recorded five consecutive quarters below that mark suggests a real recalibration in how buyers are pricing risk, especially in a high-scrutiny environment." – Brian Stephens, Founder, Legacy Venture Group

HOW DEAL MULTIPLES ARE CALCULATED —AND WHEN THAT STARTS TO SHIFT

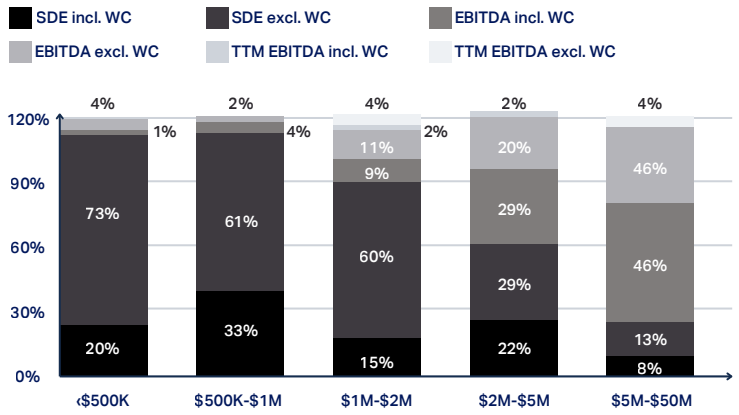
The type of multiple used in deal valuation shifts significantly as business size increases.

- For deals under $2M, SDE (Seller's Discretionary Earnings) is the dominant multiple type, and most often excludes working capital.
- Between $2M–$5M, the landscape becomes more mixed, with SDE and EBITDA (both with and without working capital) used more evenly.
- At the $5M+ level, EBITDA dominates—particularly including working capital—reflecting the more complex deal structures and buyer expectations typical in this range.

This progression aligns with market norms: SDE is preferred in owner-operated Main Street businesses, while EBITDA is the standard for institutional or investor-grade deals.

BUSINESS VALUE

VALUATION METHODS BY DEAL SIZE



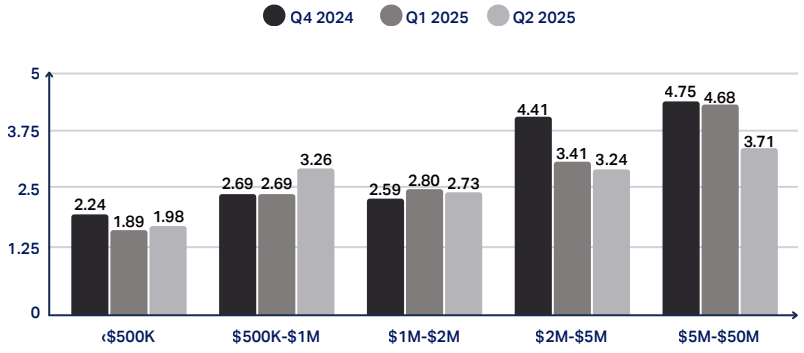
"Digging into the data around multiples, it's a reminder that sellers need experienced advisors who understand not just valuation, but how value is structured. A deal with a 4x multiple isn't always worth more than one at 3x if the terms behind it are fundamentally different," said Joshua Jones, President of Sapphire Mountain Group.

Understanding how your business will be valued isn't just about knowing your earnings. It's about knowing which earnings metric buyers will care about. SDE might be the norm for smaller, owner-run businesses, but once you cross into the Lower Middle Market, buyers expect to see clean EBITDA, often with working capital included."
– Lisa Riley, CEO & Founder, Delta Business Advisors

OFFERS PER DEAL

The number of offers per deal serves as a key indicator of market competitiveness and buyer interest in the M&A landscape. Deals generally receive between 2 to 4 offers, with larger deals attracting more interest.

OFFERS PER DEAL, LAST THREE QUARTERS



"More offers mean more leverage and better outcomes. Survey respondents are active members of the IBBA and M&A Source, meaning they're invested in staying informed and improving their practice. Sellers working with advisors who aren't as engaged may not see the same level of buyer activity." – Lee Sheaffer, President of BizReady, Inc.

"The number of offers per deal remains strong overall, with most sellers seeing multiple interested parties at the table. Even as we see a bit of variability quarter to quarter, particularly in the Lower Middle Market, experienced advisors continue to drive competitive processes that lead to better outcomes. It's a reminder that preparation and positioning make a real difference." – Tanya Popov, Founder, INIX Consulting & Brokerage

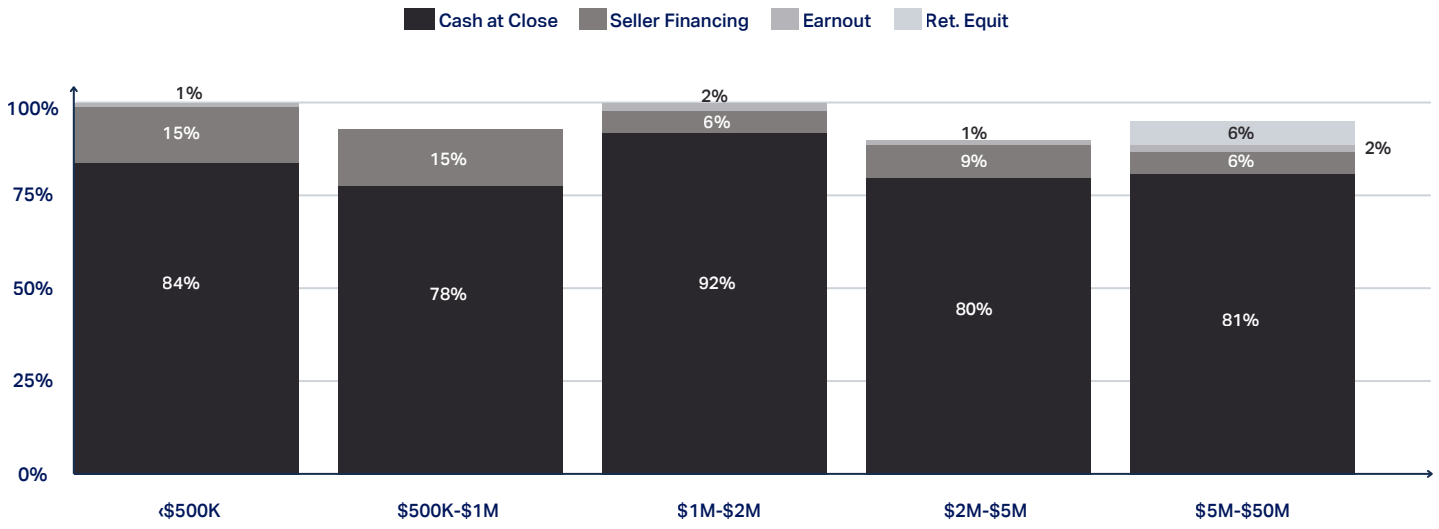
FINANCING TRENDS

CASH DOMINATES

In Q2 2025, sellers averaged between 78% to 92% 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—particularly in smaller deals—while earnouts and retained equity are used sparingly. Compared to the same time last year, cash at close has ticked up slightly in most segments, suggesting stable buyer confidence and continued access to capital.

DEAL FINANCING Q2 2025

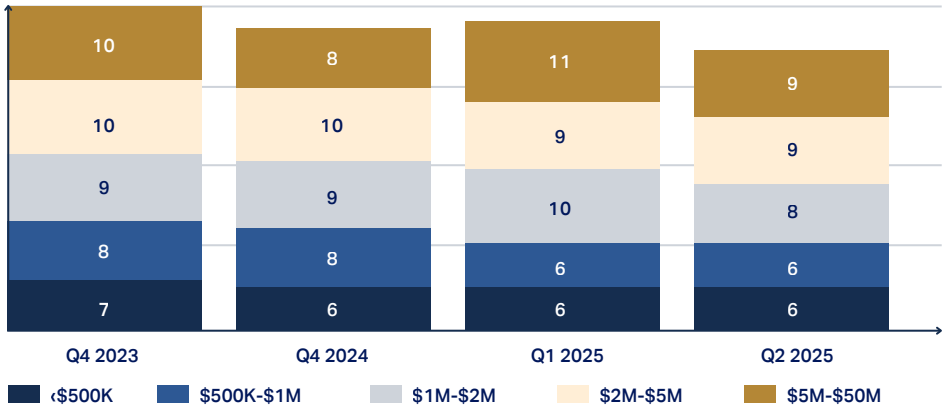


> *"Most sellers are walking away with the majority of their deal value in cash at close, which is a strong position to be in. Seller financing is still common—especially in smaller deals—but the low use of earnouts and retained equity shows that buyers aren't pushing for as many risky or contingent terms right now. That's good news for sellers looking for cleaner exits."*
> *– Nick Ramsey, Business Broker, First Choice Business Brokers San Francisco*

TIME TO CLOSE

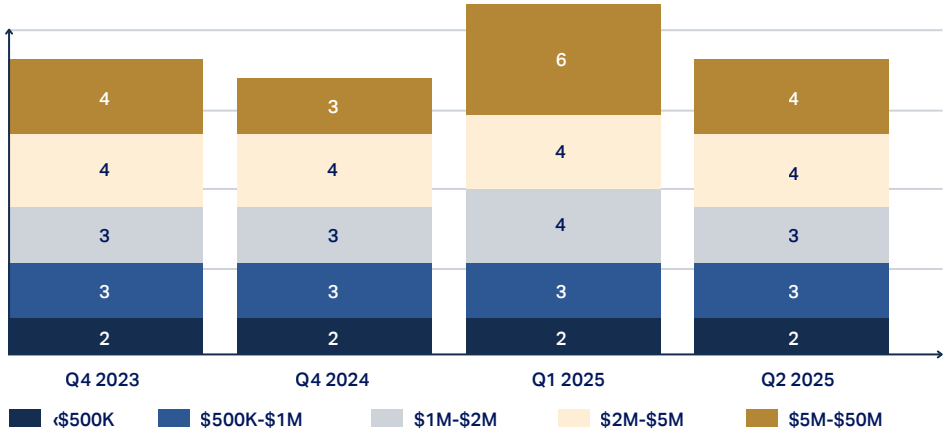
In Q2 2025, the time to sell a business—from engagement to close—returned to more typical levels, ranging from 6 to 9 months across deal sizes. The LOI to close period also normalized, after a brief spike last quarter in the $5M-50M segment.

MONTHS FROM ENGAGEMENT TO CLOSE



<$500K - $2M reflected as multiple of SDE; $2M-$50M as multiple of EBITDA

MONTHS FROM LOI TO CLOSE



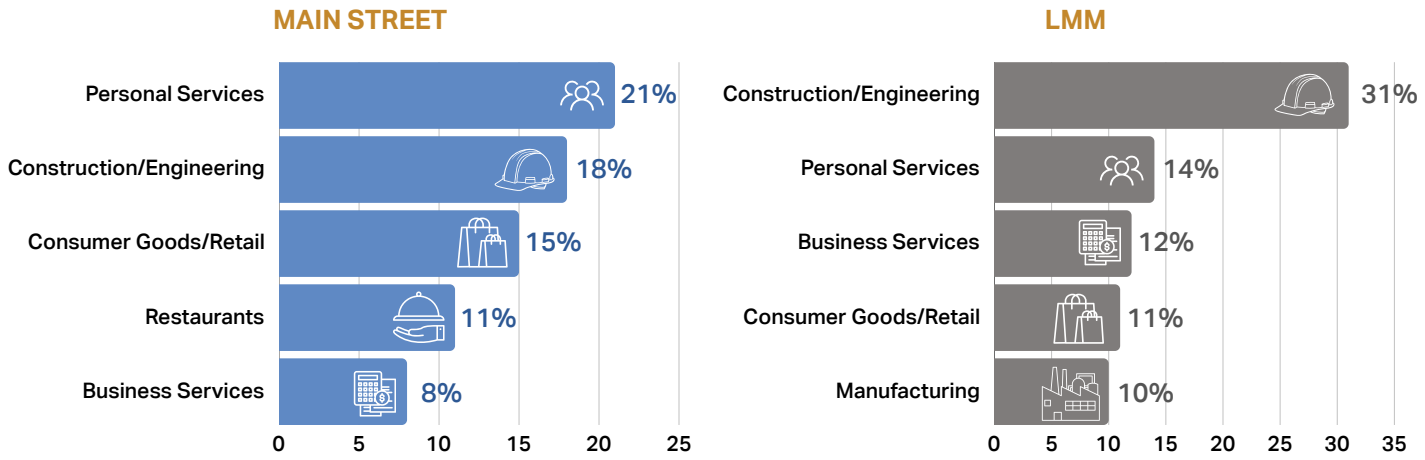
<$500K - $2M reflected as multiple of SDE; $2M-$50M as multiple of EBITDA

KNOW YOUR BUYER

TOP INDUSTRIES: CONSTRUCTION LEADS

Every quarter, Market Pulse data highlights the dynamic landscape of business sales across different deal values. Construction and engineering continue to dominate across the M&A landscape, from the smallest Main Street deals to the Lower Middle Market. Personal services also stand out as a top performer.

TOP INDUSTRIES FOR M&A ACTIVITY Q2 2025



> *Construction and Engineering are two of the few sectors showing consistent buyer interest at every deal size, reflecting their essential roles in both local economies and larger-scale development, " said Brian Stephens, Founder, Legacy Venture Group. "As for personal services, there's strong demand for small, service-based businesses with a loyal customer base. But we're also seeing personal services show up in Lower Middle Market deals—suggesting that some of these businesses have scaled successfully and are becoming attractive to professional buyers."*

KNOW YOUR BUYER: SERIAL ENTREPRENEURS TRENDING

The data shows that first-time buyers are more active in the Main Street market, while strategic buyers and PE firms become more prominent as the deal size increases. Buyer motivations also shift, with a focus on job acquisition in the lower value ranges and an increasing emphasis on strategic expansion in the higher value segments. Additionally, location preferences appear to shift with deal values, suggesting that proximity to sellers may be more critical for smaller deals.

Notably, results in Q2 2025 show an uptick in serial entrepreneurs (buyers who have purchased a business before). They appeared as the second most common buyer type across four of the five categories.

KNOW YOUR BUYER

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

- First time buyer (43%), serial entrepreneur (34%), strategic buyer (21%)
- Motivated to buy a job (41%), gain a horizontal add-on (28%)
- Located within 20 miles (67%) or more than 100 miles (19%) of the seller's location

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

- First time buyer (41%), serial entrepreneur (35%), or strategic buyer (24%)
- Motivated to buy a job (30%), horizontal add-on (22%), better ROI (20%), vertical add-on (20%)
- Located within 20 miles (59%) or more than 100 miles (20%) of the seller's location

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

- First time buyer (49%), serial entrepreneur (26%), strategic buyer (15%)
- Motivated to buy a job (38%), horizontal add-on (28%)
- Located within 20 miles (49%) or more than 100 miles (32%) of the seller's location

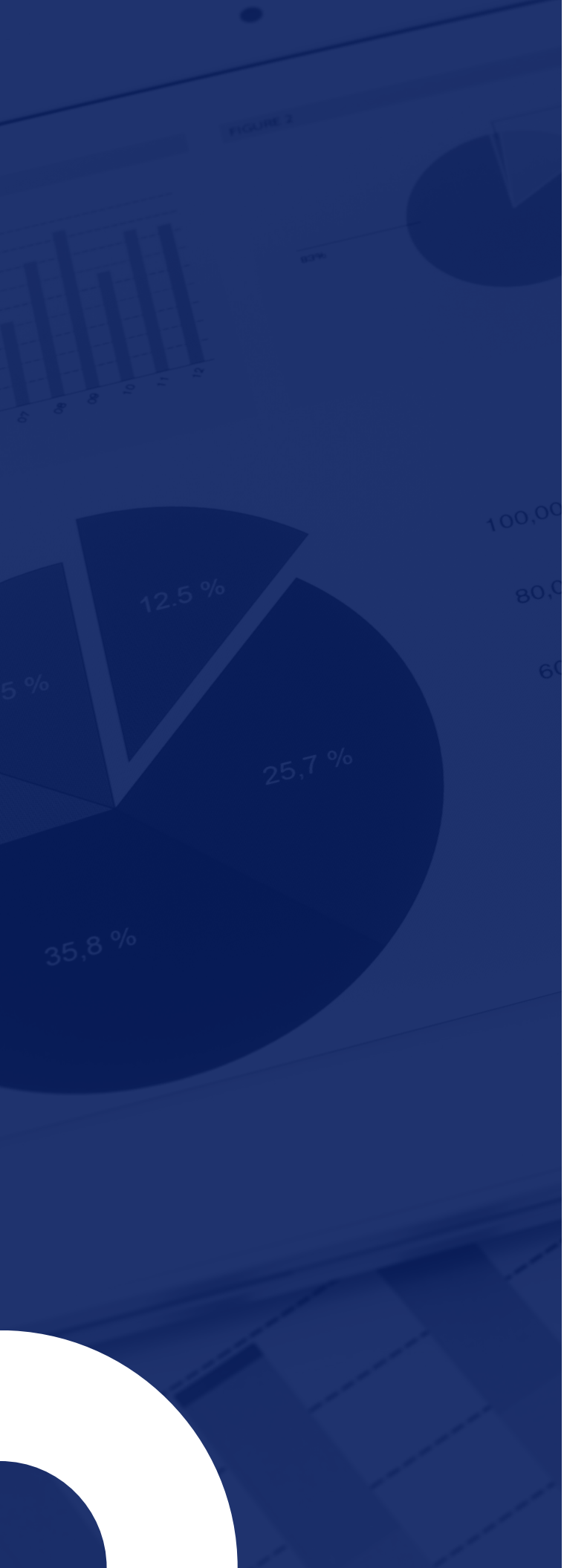
$2M-$5M: Buyers in this sector were:

- First time buyer (34%), serial entrepreneur (29%), strategic buyer (24%)
- Horizontal add-on (29%), better ROI (27%), buy a job (24%)
- Located within 20 miles (41%) of the seller's location or more than 100 miles (32%) of the seller's location

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

- PE firm seeking add-on (33%), strategic (29%), PE firm seeking platform (17%), first time buyer (17%)
- Vertical add-on (38%), horizontal add-on (25%), better ROI (21%)
- Located more than 100 miles (67%) of the seller's location

> ***"We're seeing more repeat buyers in the market—a shift from the baby boomer pattern of building one business and retiring. Anecdotally, we're seeing a trend with Gen X owners. Many are selling earlier, then boomeranging back into ownership after a break. Whether it's boredom, opportunity, or a love of the game, they're not done after just one go."***
> ***– Joshua Jones, President of Sapphire Mountain Group.***



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.

ABOUT THE M&A SOURCE

Founded in 1991, the M&A Source promotes professional development of merger and acquisition professionals so that they may better serve their clients' needs, and maximize public awareness of professional intermediary services available for middle market merger and acquisition transactions. For more information about the M&A Source visit www.masource.org or follow The M&A Source on Facebook, LinkedIn, or X.

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