



# Market **Pulse**

# Q1 2026

## Executive Summary

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# 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.

The Q1 2026 survey was conducted April 1-16, 2026 and was completed by 300 business brokers and M&A advisors. Respondents completed 203 transactions this quarter. This is the 56<sup>th</sup> edition of this report.

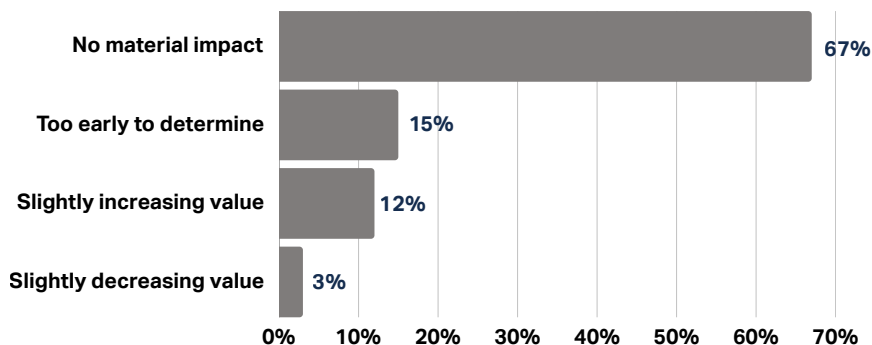
ENTERPRISE VALUE OF MARKET SEGMENTS STUDIED	
MAIN STREET	LOWER MIDDLE MARKET
≤\$500K	\$2M-\$5M
\$500K-\$1M	\$5M-\$50M
\$1M-\$2M	

## AI: IN THE CONVERSATION, NOT YET IN THE MULTIPLE

The data points to a market that is aware of AI but not yet repricing around it.

Nearly seven in ten advisors (67%) report no material impact on valuation, with only a modest share seeing upside (12%) and very few seeing downside (3%). Another 15% say it's simply too early to tell. This suggests that AI has not yet translated into consistent valuation premiums or discounts in the Lower Middle Market.

### REPORTED IMPACT OF AI ADOPTION ON BUSINESS VALUATIONS



*"AI is definitely part of the discussion, but it hasn't translated into value yet. Buyers want to understand how it's being used, but unless it's clearly improving margins or scalability, it's not changing the outcome. Right now, fundamentals still carry the deal."*  
 – Lisa Riley, Founder & CEO, Delta Business Advisors, LLC

However, AI may be influencing buyer thinking in more subtle ways. One advisor noted that the more relevant question may not be where AI adds value, but where businesses are insulated from it. In sectors where automation could disrupt core functions, buyers may begin to differentiate between companies that can leverage AI and those whose models are less exposed. That distinction is not yet showing up clearly in valuations, but it may be an emerging lens.





















## TRANSACTION MIX BY DEAL SECTOR

The industry mix offers a window into how that thinking may be playing out.

Personal services continue to show up across all deal sizes, alongside steady demand for construction, manufacturing, and distribution businesses in the Lower Middle Market. These are sectors where demand is tangible, operations are understood, and performance is easier to project.

In that context, the consistency of personal services may reflect a broader buyer preference for businesses with durable, human-centered demand.

### TOP INDUSTRIES BY MARKET SECTOR

 <\$500K	 <b>Personal Services 28%</b>	 Restaurants 15%	 Consumer Goods 15%
 \$500K-\$1M	 Construction/Engin. 24%	 <b>Personal Services 22%</b>	 Consumer Goods 19%
 \$1M-\$2M	 <b>Personal Services 19%</b>	 Manufacturing 14%	 Healthcare & Biotech 12%
 \$2M-\$5M	 Construction/Engin. 23%	 <b>Personal Services 20%</b>	 Business Services 20%
 \$5M-\$50M	 Manufacturing 37%	 Construction/Engin. 21%	 <b>Personal Services 16%</b>

*"It's notable how consistently personal services show up across deal sizes. These are businesses where demand is local, relationships matter, and delivery is hands-on. That can make them less exposed to some of the automation questions buyers are starting to think about."*

*– Rochelle O'Brien, President, Venture Opportunities LLC, Dallas, TX*

# QUARTERLY INSIGHTS

## M&A ACTIVITY

*Q1 2026 M&A market indicators point to continued steadiness, with pockets of renewed momentum:*

- Seller confidence showed an uptick, approaching prior peaks in the Lower Middle Market, though still trailing peak levels in Main Street
- Valuation multiples remained broadly consistent with prior periods, with slight increases in the \$500K–\$1M and \$1M–\$2M ranges, while larger deals (\$2M–\$50M) held steady
- Final transaction values as a percentage of asking price/benchmark maintained their previous levels
- Average number of offers per deal held steady, and
- Cash at close and seller financing levels continued in a consistent pattern

Overall, 43% of advisors reported stronger transaction activity over the past 12 months, compared to 21% reporting weaker conditions, reinforcing a view of a market that remains active despite some mixed signals.

*"We're seeing a bit more confidence from sellers, particularly in the lower middle market, but the fundamentals haven't shifted dramatically. Buyers are still disciplined, and deals are getting done when expectations are aligned."*

*– Jaclyn Ring, Director, REAG*

*"The market feels steady, but selective. Activity is there, but it's not broad-based. Buyers are leaning into quality opportunities and passing on anything that doesn't clearly perform."*

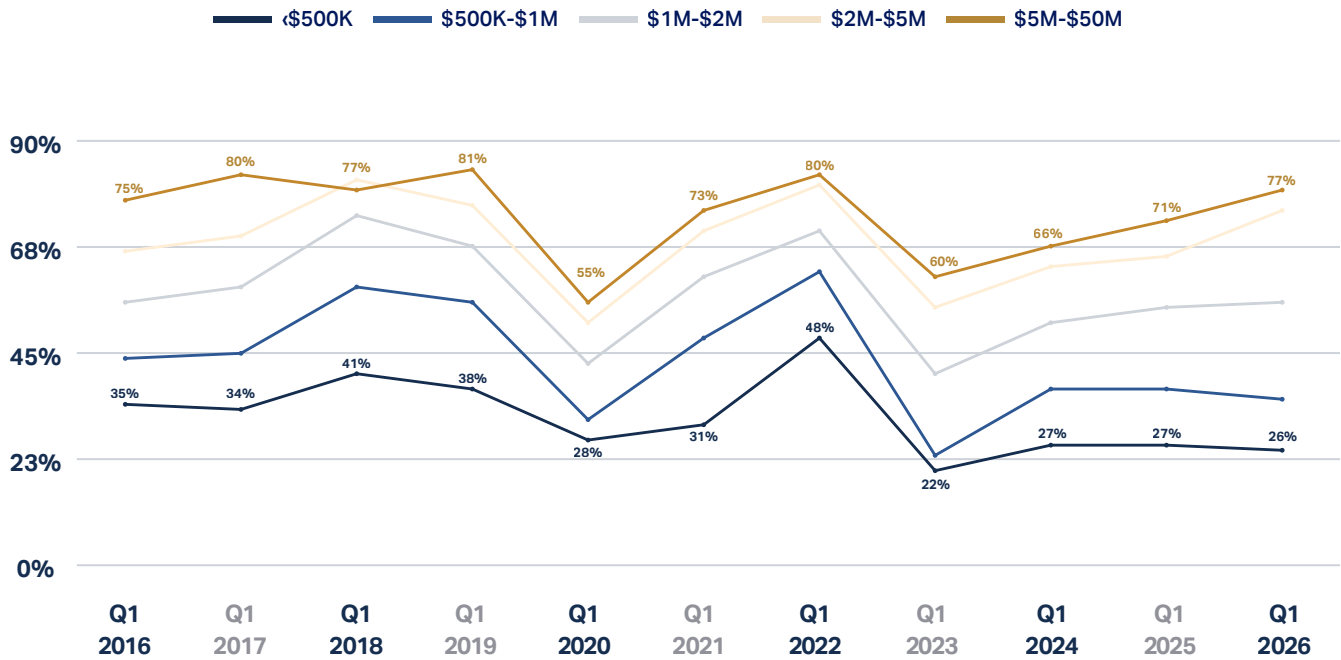
*– Joshua Carnes, Principal & Sr. Advisor at Lion Business Advisors, Austin, TX*

With the youngest baby boomers now in their early 60s and many owners well beyond that, we're seeing a natural shift. Business owners have extended their timelines, but there comes a point where they look to convert that value into liquidity. That's beginning to show up in higher activity levels.

## MARKET CONFIDENCE

Advisors reported an uptick in seller confidence, nearing peaks in the Lower Middle 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 Q1 2016-2026



*"The swing we saw from early 2022 into 2023, and the steady climb since, just goes to show how sensitive seller sentiment is to interest rate shifts. As financing conditions tightened, confidence pulled back quickly. And now, as the environment has stabilized, we're seeing that confidence return, particularly in the lower middle market."*

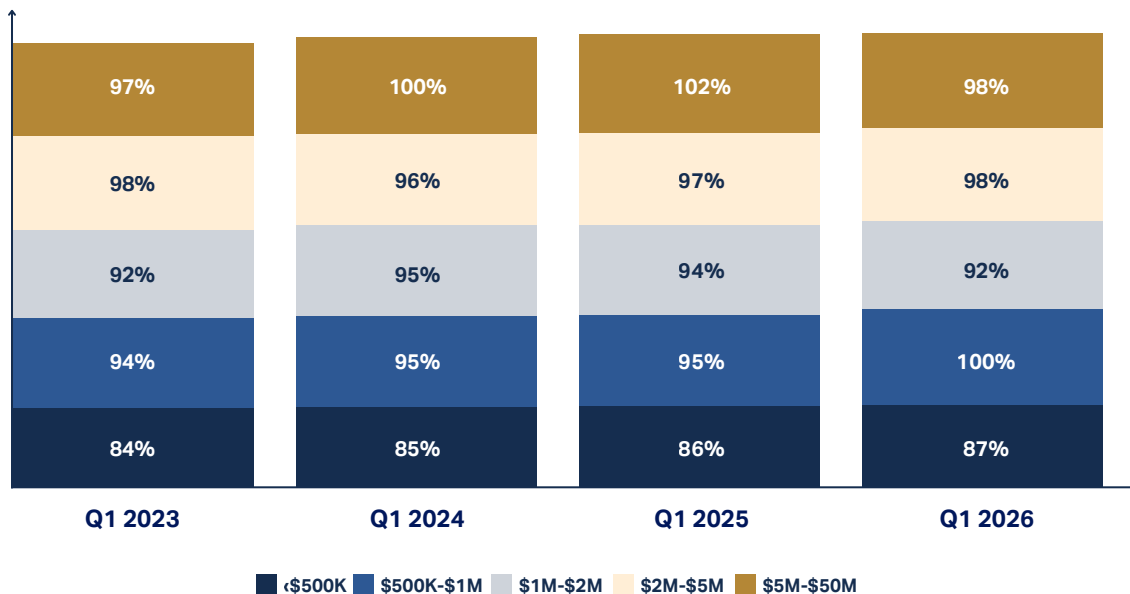
- Lee Sheaffer, President of BizReady, Inc.

# BUSINESS VALUE

## STRONG PERFORMANCE AGAINST BENCHMARKS

On average, sellers are receiving valuations at 87% of benchmark or better. As is the trend, businesses in the Lower Middle Market performed the best, receiving all or nearly the private benchmark they set with their advisors before going to market.

### AVERAGE SELLING PRICE AS OF ASKING/BENCHMARK Q1 2023-2026

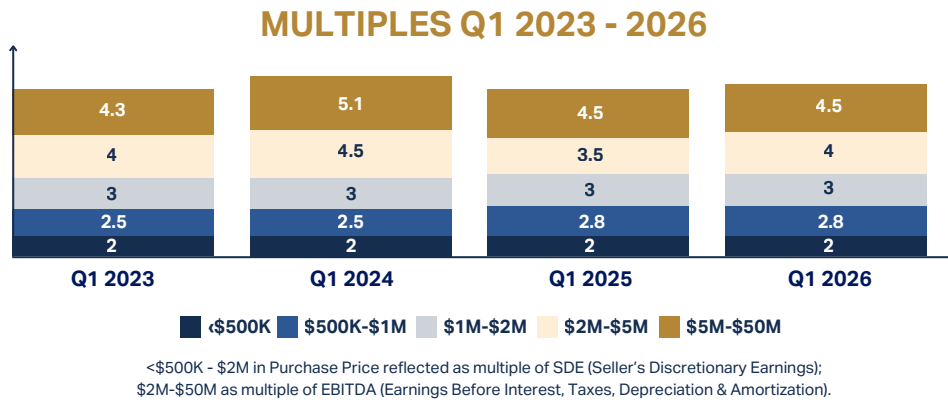


<\$1M in Purchase Price typically goes to market with an asking price whereas those in the \$5M-\$50M typically go to market without an Asking Price, however, with an expectation of what buyers will most likely pay. Those between \$1M & \$2M may fall in either camp. It greatly depends upon type of Buyer.

<\$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).

## MULTIPLES TICK UP

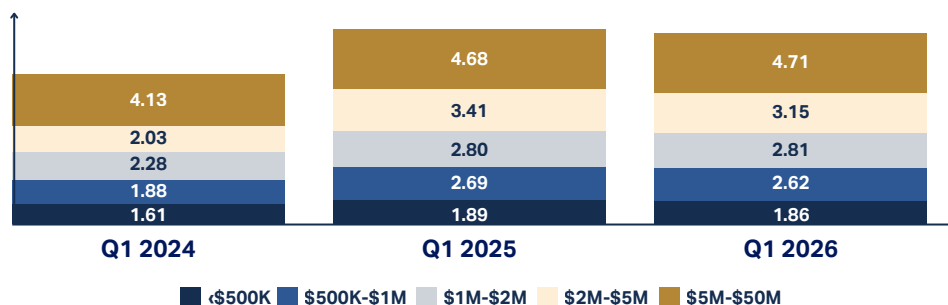
Multiples in Q1 2026 are broadly consistent with prior periods, with slight increases in the \$500K–\$1M and \$1M–\$2M ranges. Larger deals (\$2M–\$50M) held steady.



## OFFERS SIGNAL STRONG BUYER INTEREST

The higher the valuation, the more buyers are competing for a deal. While smaller deals under \$500k frequently receive just one or two offers, the bidding war heats up for larger assets. This quarter, 83% of deals over \$5 million attracted at least 3 offers, with 18% attracting an impressive 10+ bids.

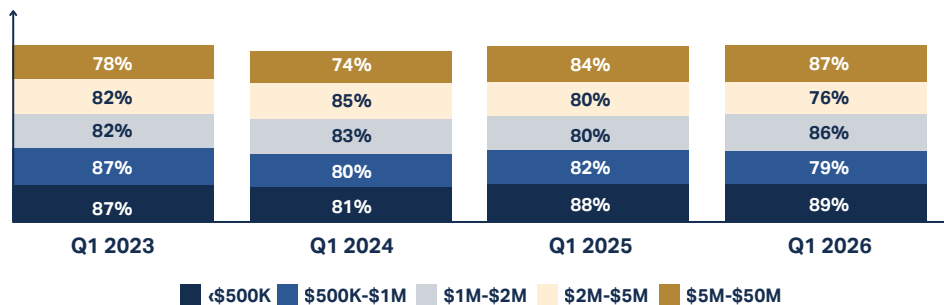
### AVG. OFFERS PER DEAL Q1 2024 - 2026



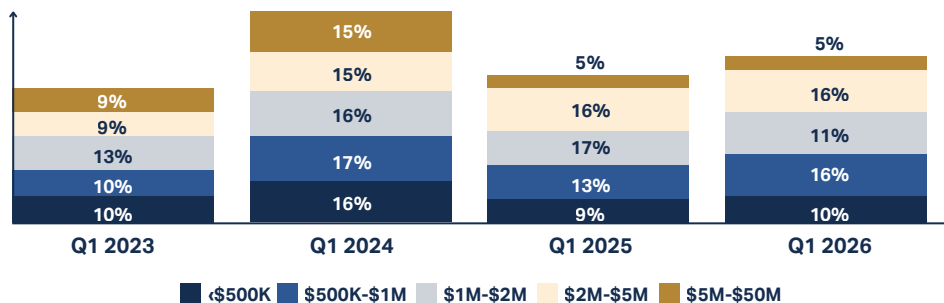
# FINANCING TRENDS

Cash at close stayed relatively consistent over the last four quarters. (Cash at close includes senior debt and buyer equity.) Seller financing accounted for roughly 10-16% of most deals in Q1 2026, except for the \$5M+ sector where seller financing was just 5%.

## CASH AT CLOSE, Q1 2023-2026



## SELLER FINANCING, Q1 2023-2026

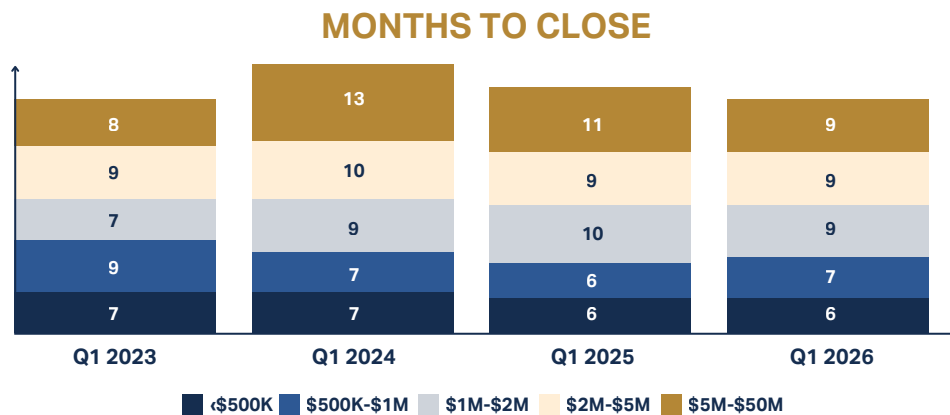


*"The encouraging signal this quarter is that the core drivers of deal-making remain intact. We're seeing stable multiples, consistent deal structures, and a modest uptick in seller confidence—all signs of a market that continues to function well despite some macro uncertainty."*

– James Parker, 2026 IBBA Chairman of the Board

# TIME TO CLOSE

The average time to sell a Main Street business varies from 6 to 9 months. Businesses in the Lower Middle Market tend to average a 9 to 12-month sales cycle.



*"What we're seeing is a steady but measured pace to closing. The front end of the process may fluctuate, but once a deal hits LOI, the work required to get it across the finish line hasn't really changed."*

*– Joshua Jones, President, Sapphire Mountain Group*

*"The timeline to close continues to require discipline from buyers, sellers, and brokers. There is a trend to not rush through diligence, financing, and final negotiations. Buyers are taking all the time they need."*

*– Eric J. Gall, Broker/Founder, Edison Business Advisors*

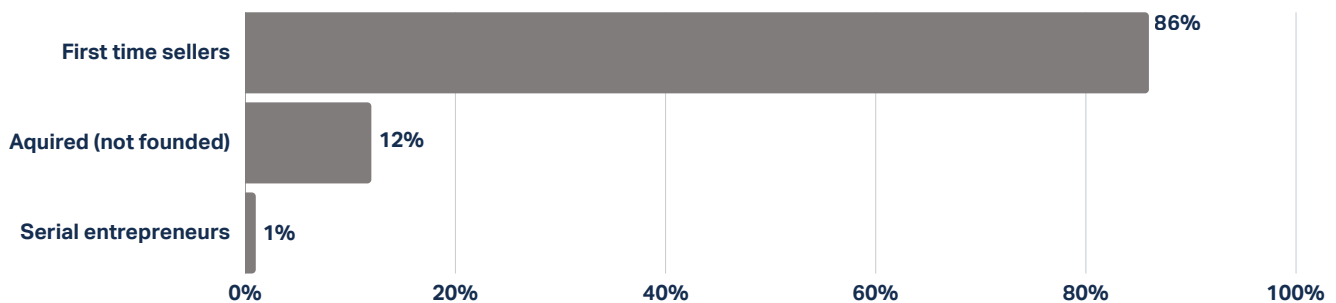
# TIME TO CLOSE

## SELLER MIX & EXIT PLANNING

Business owner representation in advisor pipelines remains heavily weighted toward first-time sellers. A majority of advisors (60%) report that first-time sellers make up at least three-quarters of their current engagements and 86% say first time sellers make up at least half.

In contrast, serial entrepreneurs tend to represent a smaller share of activity, with most advisors indicating they account for less than 25% of their pipeline. Owners who acquired (rather than founded) their business fall in between, appearing consistently but rarely as the dominant seller type.

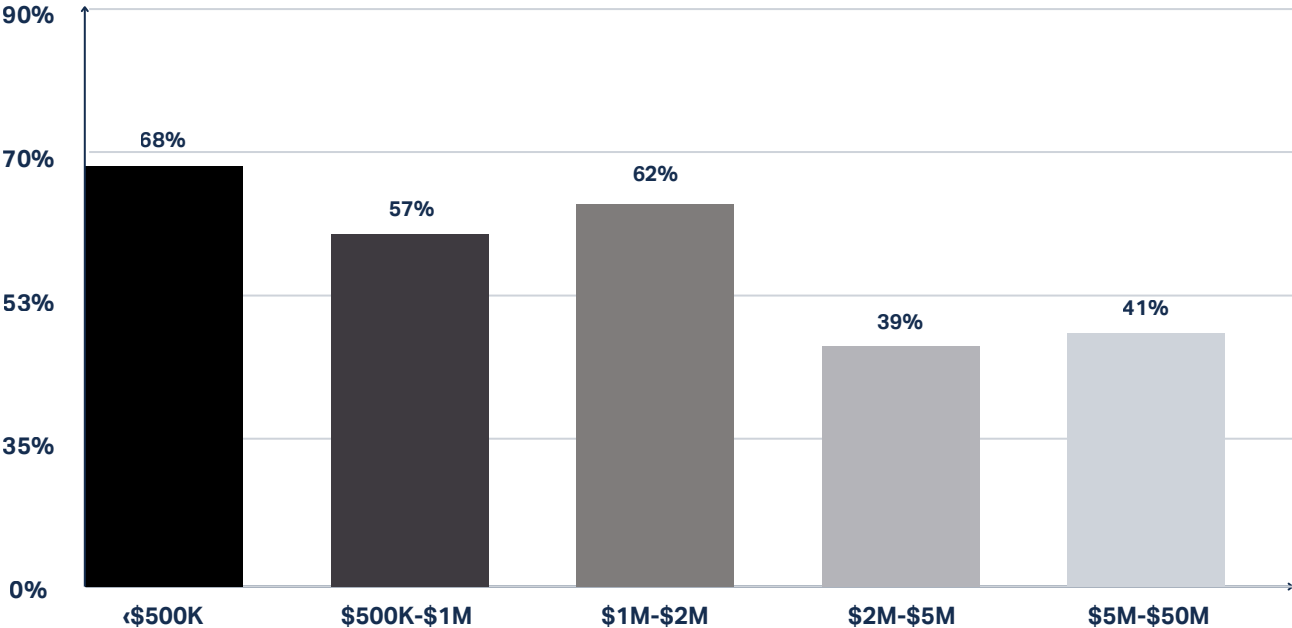
### % OF ADVISORS WHOSE PIPELINE IS A MAJORITY (>50%) OF EACH SELLER TYPE



If most sellers are coming to market for the first time, it raises a related question: How prepared are they for the process?

The data suggests many are not. Across deal sizes, a significant share of owners engage in the sale process without formal exit planning, particularly in the Main Street and Lower Middle Market. While the percentage declines as deal size increases, even at the higher end, a meaningful portion of sellers enter the market without a structured plan in place.

## OWNERS WHO ENGAGED IN NO FORMAL PLANNING PRIOR TO ENGAGEMENT TO SELL



*"What stands out is that many owners are navigating one of the most significant financial events of their lives without prior experience or preparation. When you haven't been through it before, you don't know what you don't know. And that lack of planning and information can put sellers at a real disadvantage at the negotiating table."*

*– Scott Bushkie, Managing Partner, Cornerstone Business Services*

# KNOW YOUR BUYER

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

- First time buyer (43%), strategic buyer (28%), serial entrepreneur (24%)
- Motivated to buy a job (36%), gain a horizontal add-on (20%)
- Located within 20 miles (62%) of the seller's location, more than 100 miles (18%)

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

- First time buyer (41%), serial entrepreneur (41%)
- Motivated to buy a job (41%), gain a horizontal add-on (19%)
- Located within 20 miles (51%) of the seller's location, more than 100 miles (22%)

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

- First time buyer (44%), serial entrepreneur (33%), or strategic (existing) companies (16%)
- Buy a job (33%), horizontal add-on (21%)
- Located within 20 miles (40%) of the seller's location, more than 100 miles (33%)

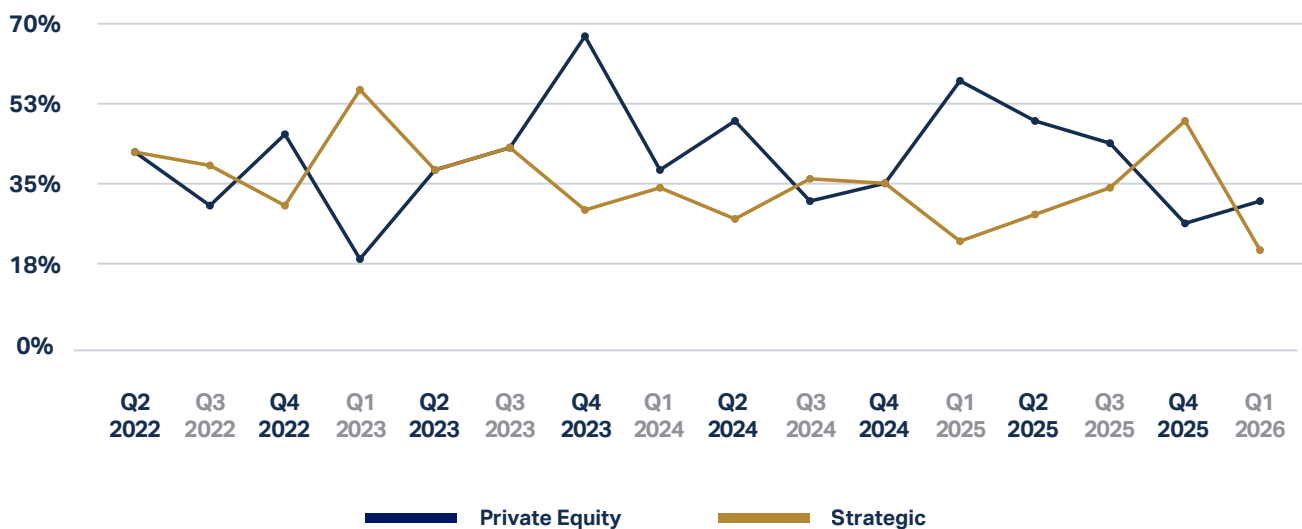
## \$2M-\$5M: Buyers in this sector were:

- First time buyer (47%), serial entrepreneur (30%), strategic companies (20%)
- Buy a job (33%), horizontal add-on (20%), vertical add-on (20%)
- Located within 20 miles (37%) or more than 100 miles (33%)

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

- First time buyer (21%), serial entrepreneur (21%), strategic companies (21%)
- Horizontal add-on (42%), buying a job (21%), better ROI (16%)
- Located more than 100 miles (68%) of the seller's location

## PERCENTAGE OF \$5-50M DEALS CAPTURED BY PRIVATE EQUITY VS STRATEGIC BUYERS



*“What stands out this quarter is the shift in who’s getting deals done. We’re seeing more individual buyers—both first-time and experienced operators—competing in spaces that were traditionally dominated by strategic acquirers. To me, that’s less about strategics stepping back and more about the buyer pool broadening.”*  
 – Tanya Popov, Founder and Lead Advisor, INIX Consulting & Brokerage



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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](http://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](http://www.masource.org) or follow The M&A Source on [Facebook](#), [LinkedIn](#), or [X](#).





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