

Market **Pulse**

Q2 2026

Executive Summary

Credits for IBBA/MAS/Leadership/Committees



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INDEX

QUARTERLY INSIGHTS

02

Explore changes in offers and leverage between Main Street and the Lower Middle Market

BUSINESS VALUE

04

Unpack trends in valuation benchmarks and market confidence as a whole.

FINANCING TRENDS

07

Get the latest insights in financing trends.

TIME TO CLOSE

08

Discover trends in lengthening median timelines across sectors.

INDUSTRIES & INTEREST

09

Learn top industries by market sector and where advisors see buyer interest moving.

KNOW YOUR BUYER

12

Learn more about the types of buyers in each sector, including their motivation, proximity, and more.

OUTLOOK

17

Find out what trends advisors expect to see in the quarter ahead.

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 Q2 2026 survey was conducted July 1-15, 2026 and was completed by 255 business brokers and M&A advisors. Respondents completed 181 transactions this quarter. This is the 57th edition of this report.

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

M&A ACTIVITY: STRONG COMPETITION UPMARKET, MORE BUYER LEVERAGE ON MAIN STREET

Q2 2026 did not tell a single M&A story, and conditions varied significantly by transaction size.

Buyer competition remained strong and sellers held more leverage in the Lower Middle Market, while the smallest Main Street deals continued to favor buyers.

Pricing generally held up, and sellers received most of their proceeds at closing, but transactions took longer and buyers remained selective about which opportunities they pursued.

Additional highlights:

- **Seller leverage remained strongest in the Lower Middle Market.** Roughly three-quarters of advisors described the \$2 million to \$50 million market as favoring sellers.
- **Larger deals attracted more competition.** Transactions valued over \$2 million received an average of about five offers each. Deals below \$500,000 averaged just 1.7 offers.
- **Sellers continued to receive most of their proceeds at closing.** Buyer equity and senior debt accounted for approximately 83% to 92% of transaction value.
- **Deals took longer to close.** Median timelines lengthened in nearly every sector, varying from six to 10 months in Main Street, to about a year for Lower Middle Market deals.
- **Activity should remain strong, near term.** Advisors anticipate healthy deal flow with more businesses coming to market, but not a broad increase in pricing.

Overall, well-positioned companies continue to attract multiple buyers, competitive pricing, and strong cash at close. But buyers remain selective and transactions require slightly more time to reach the closing table.

"There is capital available, but buyers are not chasing everything that comes to market. They are willing to compete for quality businesses, and equally willing to walk away when the valuation or the risk profile doesn't hold up."

– Eric Mendelsohn, Founder & Principal, Archveo Advisors

"The market is not moving in one direction. Above \$2 million, strong businesses are still drawing meaningful competition. At the smallest end of the market, however, buyers have more leverage and are more sensitive to financing, margins, and operating risk."

– James Parker, 2026 IBBA Chairman of the Board.

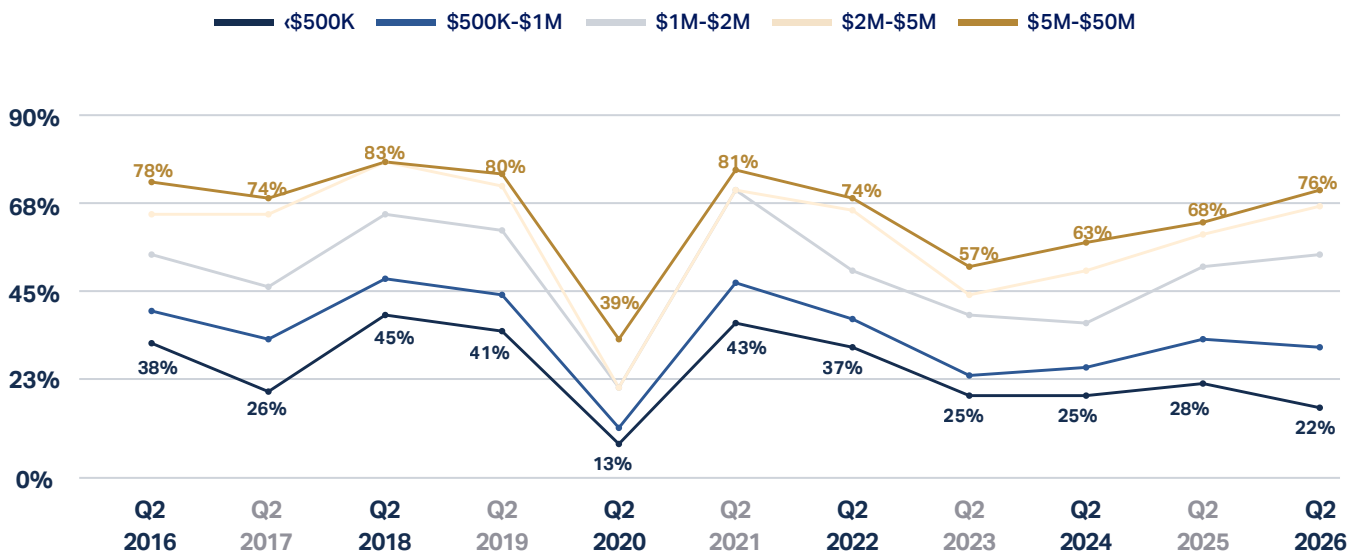
MARKET CONFIDENCE

Seller confidence is climbing in the Lower Middle Market, while Main Street continues to lag well behind its pre-pandemic highs. In Q2 2026, 72% of advisors handling deals valued from \$2 million to \$5 million and 76% of those handling \$5 million to \$50 million transactions described conditions as a seller's market. Both measures increased from the prior year.

The picture was more mixed below \$2 million. Sentiment rose modestly in the \$1 million to \$2 million segment, from 57% to 60%, but declined slightly for deals under \$1 million. At 22%, confidence in the smallest transactions was less than half its 2018 peak of 45%.

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



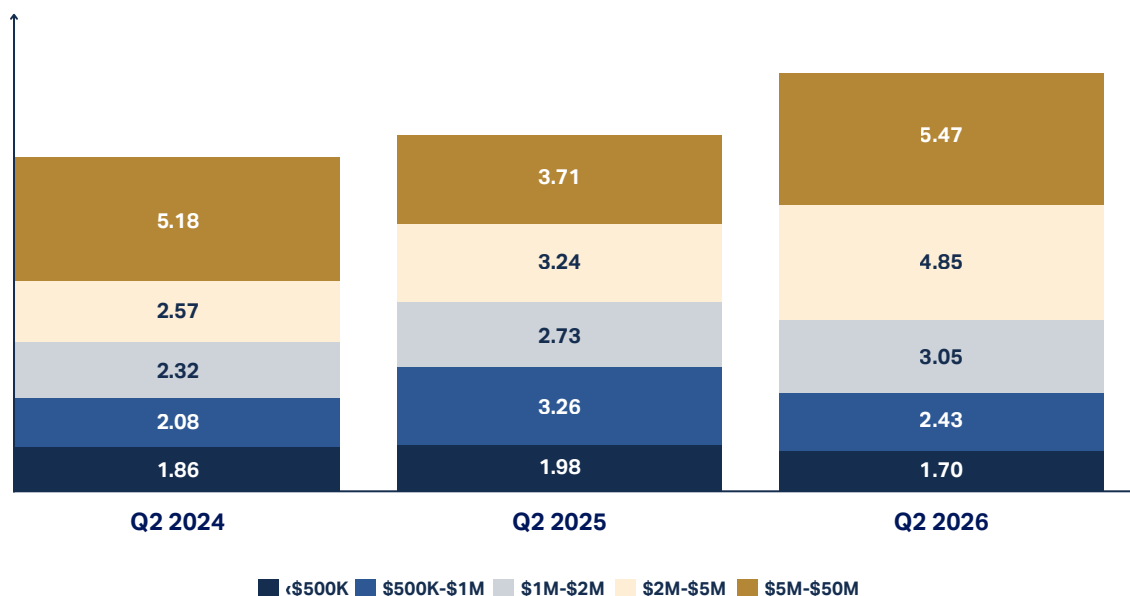
"Seller confidence has continued to recover in the Lower Middle Market, where buyers remain active and competition for quality companies is strong. Main Street has not experienced the same rebound, particularly at the smallest end of the market, where financing and buyer resources remain greater constraints." – Brian Stephens, Intermediary, Legacy Venture Group

BUSINESS VALUE

BUYER COMPETITION AND OFFERS

The higher the valuation, the more buyers are competing for a deal. While smaller deals under \$500,000 frequently receive just one or two offers, the bidding war heats up for larger assets. This quarter, 87% of deals over \$5 million attracted at least 3 offers, with 33% attracting an impressive 10+ bids.

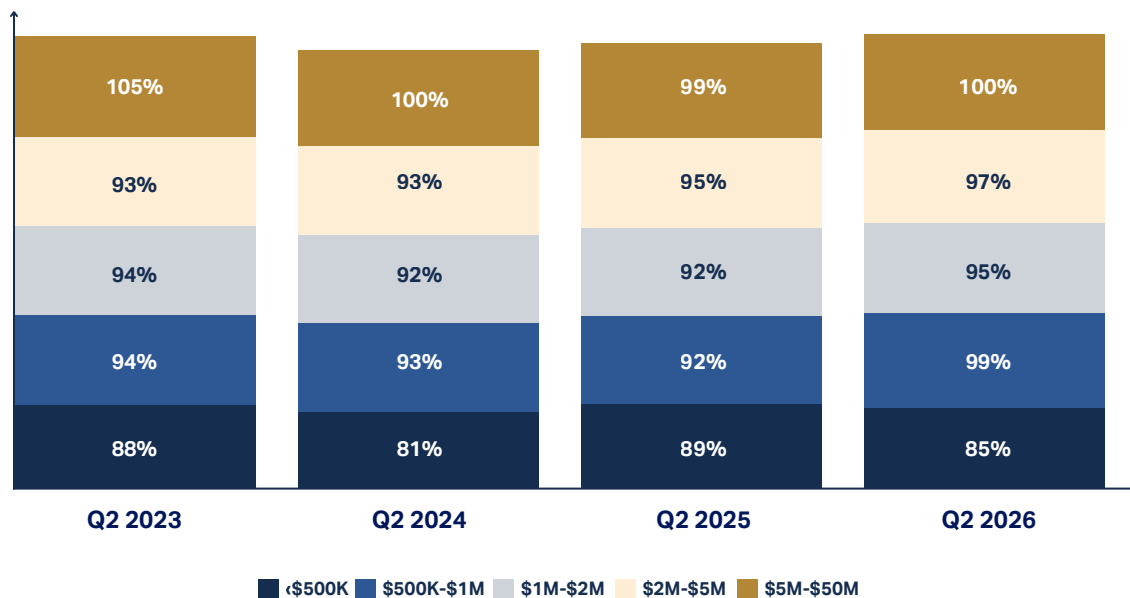
AVG. OFFERS PER DEAL Q2 2024 - 2026



"We are seeing multiple buyers for good Lower Middle Market companies, but the bar is high. Clean financials, a capable management team, and a credible growth story help turn buyer interest into competing offers." - Lee Sheaffer, President of BizReady, Inc.

SELLING PRICE COMPARED WITH ASKING/BENCHMARK

On average, sellers are receiving valuations at 85% of benchmark or better. As is the trend, businesses in the Lower Middle Market performed the best, receiving all or nearly all the private benchmark they set with their advisors before going to market.



<\$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 & \$5M may fall in either camp. It greatly depends upon type of Buyer.

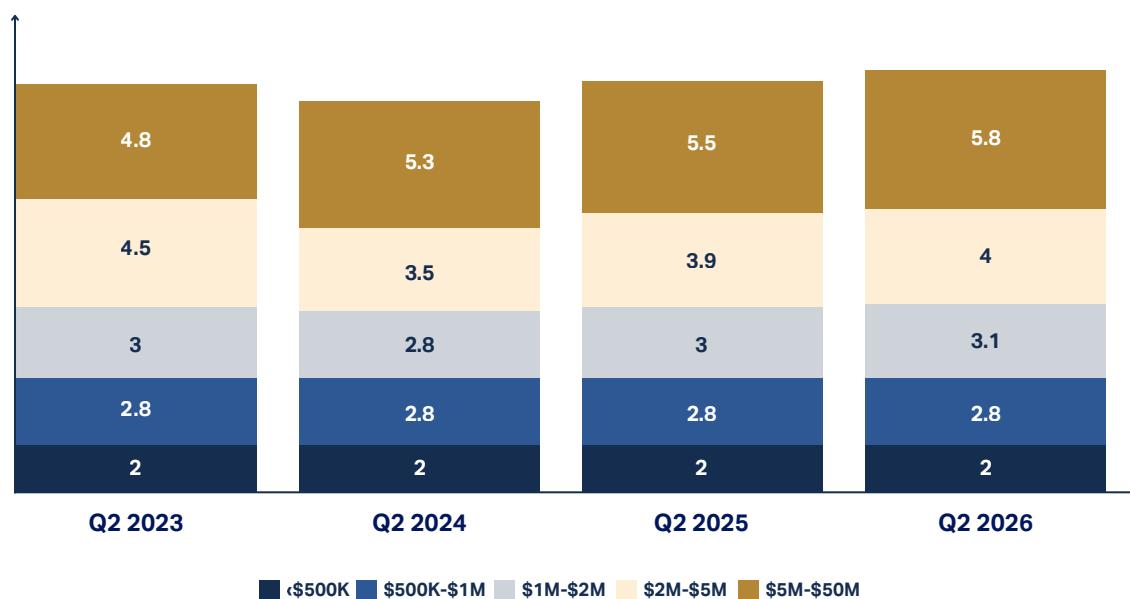
<\$500K - \$2M in Purchase Price reflected as multiple of SDE (Seller's Discretionary Earnings); \$2M-\$50M as multiple of EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization).

BUSINESS VALUE

VALUATION MULTIPLES

Valuation multiples increased across three market segment in Q2 2026. The strongest gains appeared at the top end of the market where the \$5 million–\$50 million segment climbed from 5.5 to 5.8 (its highest since Q1 2022).

MULTIPLES Q2 2023 - 202

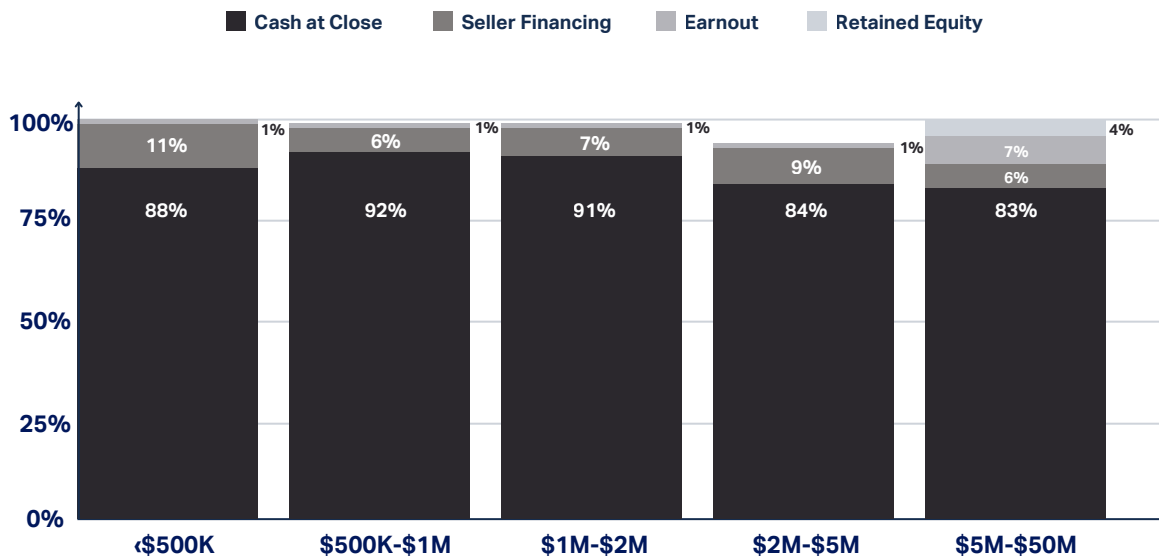


In calculating multiples, the earnings measure used typically shifts with deal size. For transactions below \$2 million, SDE *excluding* working capital remains dominant, used in 69% to 78% of deals. For deals above \$5 million, calculations span the gamut from SDE to EBITDA or TTM EBITDA, with working capital most commonly *included*.

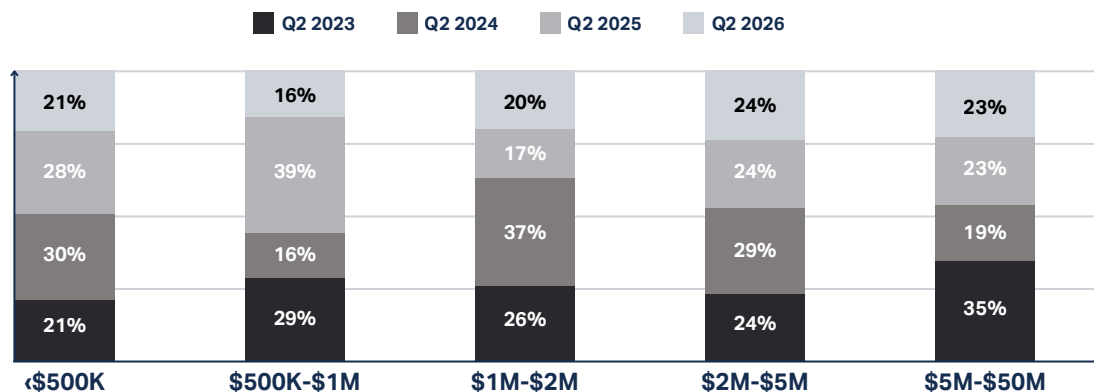
FINANCING TRENDS

In Q2 2026, sellers received 83% to 92% cash at close on average. (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 accounted for less than 10% of most deals in Q2 2026, somewhat below trend.

DEAL FINANCING Q2 2026



Q2 SELLER FINANCING TRENDS, Q2 YEAR-OVER-YEAR, 2023-2026

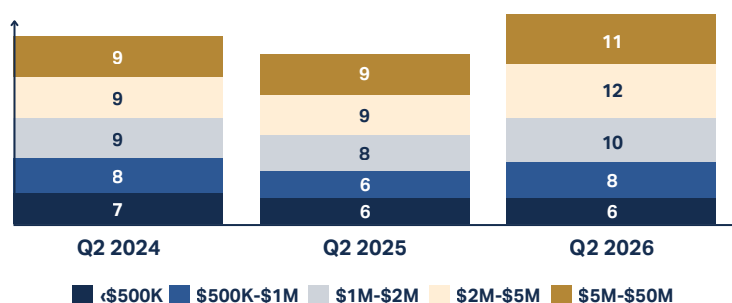


TIME TO CLOSE

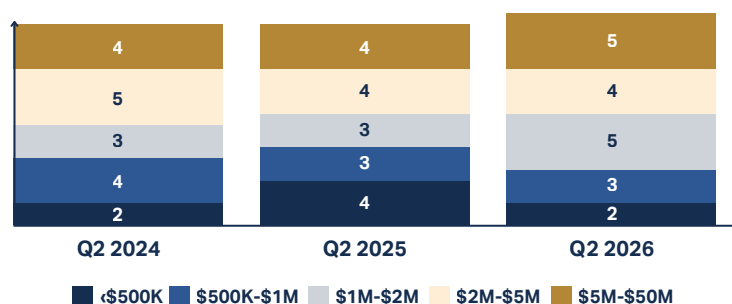
Sales timelines lengthened in Q2 2026. Main Street transactions averaged six to 10 months from engagement to close, while Lower Middle Market deals averaged 11 to 12 months. The largest increase occurred in the \$2 million–\$5 million segment, where the average rose from nine months to 11.5 months.

The added time is showing up differently by market segment. In some deals, it is taking longer to reach an LOI; in others, diligence and financing are extending the period between agreement and close.

Q2 MONTHS TO CLOSE



Q2 LOI TO CLOSE



"Longer timelines do not necessarily mean buyers have stepped away. More often, they reflect additional work to prepare the company, qualify buyers, and resolve issues before both sides are ready to close."

– Gary Hallett, President, Gateway Business Advisors, Jacksonville Florida

"We're seeing longer timelines, especially when buyers are paying a premium. The more they invest, the more thoroughly they will test the financials, operations and risks to make sure they are getting what they paid for."

– Gregory Michail, Managing Broker, Sunbelt Business Brokers of Pasadena

INDUSTRIES & INTEREST

TRANSACTION MIX BY DEAL SECTOR

Deal activity remains highly dependent on transaction size. Restaurants and personal services were prominent at the smallest end of the market, while construction and engineering appeared frequently from \$500,000 through \$5 million. In the Lower Middle Market, manufacturing, construction, distribution and business services accounted for much of the reported activity.

TOP INDUSTRIES BY MARKET SECTOR

 <\$500K	 Restaurants 25%	 Personal Services 20%	 Business Services 15%
 \$500K-\$1M	 Construction/Engin. 27%	 Personal Services 22%	 Consumer Goods 16%
 \$1M-\$2M	 Business Services 19%	 Construction/Engin. 19%	 Personal Services 13%
 \$2M-\$5M	 Construction/Engin. 40%	 Wholesale/Distribution 17%	
 \$5M-\$50M	 Manufacturing 24%	 Construction/Engin. 18%	 Business Services 18%

WHERE ADVISORS SEE BUYER INTEREST MOVING

The transaction mix above reflects completed deals reported by advisors. The Q2 2026 survey also asked a separate, one-time question about where advisors believe buyer interest is gaining or losing momentum.

This question used broader industry categories and divided the market into just two groups: transactions below \$10 million and transactions of \$10 million or more.

INDUSTRIES & INTEREST

Strongest interest:

Across both transaction-size groups, advisors see the strongest interest in business-to-business, manufacturing and industrial sectors.

*For transactions **less than \$10 million**, B2B and business services received the highest net interest score at +77, followed by manufacturing at +76 and infrastructure and industrial services at +70.*

*For transactions of **\$10 million or more**, distribution and wholesale led at +92, followed by manufacturing at +89.*

Healthcare and construction also posted positive scores in both groups. Healthcare services scored +64 in the smaller transaction group and +66 in the larger group, while construction and specialty trades scored +59 and +61, respectively.

Weakening interest:

At the other end of the spectrum, advisors reported weakening interest in consumer-facing sectors.

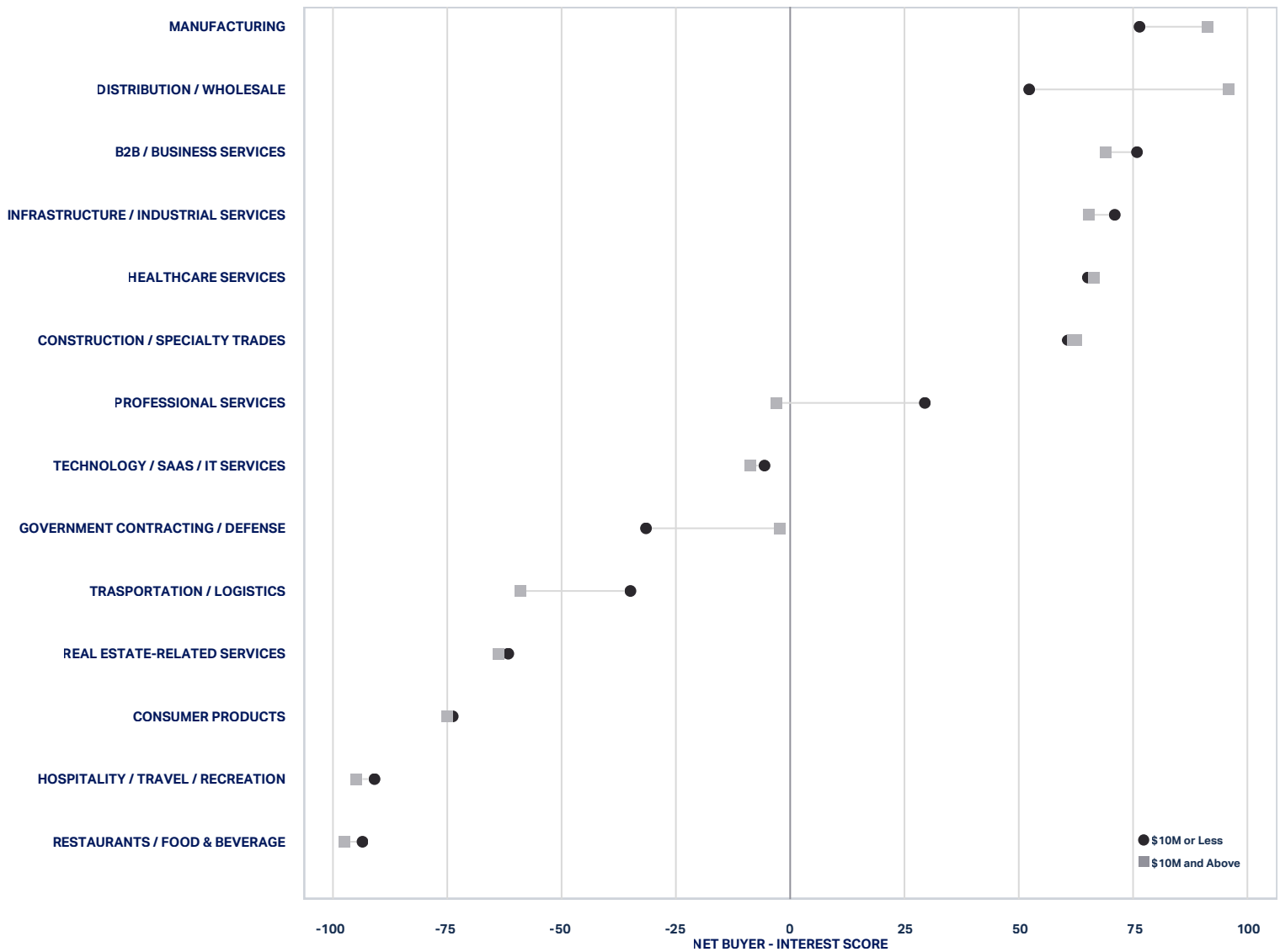
Restaurants and food and beverage received net scores of -91 for transactions of \$10 million or less and -97 for larger transactions. Hospitality, travel and recreation followed at -89 and -94, while consumer products scored -73 and -75.

Most industries moved in the same direction across both transaction-size groups, although the strength of sentiment varied. Professional services, for example, posted a positive +31 score in the smaller transaction group but was nearly neutral at -4 among larger transactions.

These findings reflect advisors' perceptions of changing buyer interest. They do not represent completed transaction volume or valuation trends.

WHERE ADVISORS SEE INTEREST MOVING

NET BUYER-INTEREST SCORE, Q2 2026
ONE-TIME ADVISOR SENTIMENT QUESTION; NOT COMPLETED TRANSACTION ACTIVITY



KNOW YOUR BUYER

AI ENTERS THE DUE DILIGENCE CONVERSATION

Buyers are beginning to ask how sellers are approaching artificial intelligence, especially in larger transactions. In deals valued at \$10 million or more, 49% of advisors said buyers frequently or occasionally ask about the seller's AI strategy, compared with 28% in transactions below \$10 million.

Larger buyers may be more likely to examine whether a company is using AI to improve productivity, protect its competitive position, or manage new operational and cybersecurity risks. In the Main Street market, however, the conversation remains less common: 37% said buyers do not ask about AI strategy at all.

For sellers, the message is not that every company needs an ambitious AI program. But owners should be prepared to explain where AI could affect their business, what tools are already being used, and how the company is managing the associated opportunities and risks.

"AI is becoming another diligence lens, particularly in larger transactions. Buyers are not expecting every seller to have an ambitious AI program, but they do want to understand how management is using these tools, governing them, and protecting the business."

— Lisa Riley, CEO & Founder, Delta Business Advisors, LLC

"Sellers need to be prepared to explain how AI affects their business. That may mean showing buyers how they are using it to improve performance and stay ahead of the curve, or making a credible case for why their industry and business model are less exposed to disruption. What buyers do not want to hear is that the company simply has not thought about it."

— Scott Bushkie, Founder and Managing Partner, Cornerstone Business Services

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

- First time buyer (49%), serial entrepreneur (31%)
- Motivated to buy a job (43%), gain a horizontal add-on (25%)
- Located within 20 miles (66%) of the seller's location, within 50 miles (17%)

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

- First time buyer (38%), serial entrepreneur (38%), strategic (existing) companies (24%)
- Motivated to buy a job (46%), gain a horizontal add-on (35%)
- Located within 20 miles (57%) of the seller's location, more than 100 miles (30%)

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

- Serial entrepreneur (44%), first time buyer (38%), strategic companies (19%)
- Buy a job (41%), horizontal add-on (31%)
- Located within 20 miles (50%) of the seller's location, more than 100 miles (28%)

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

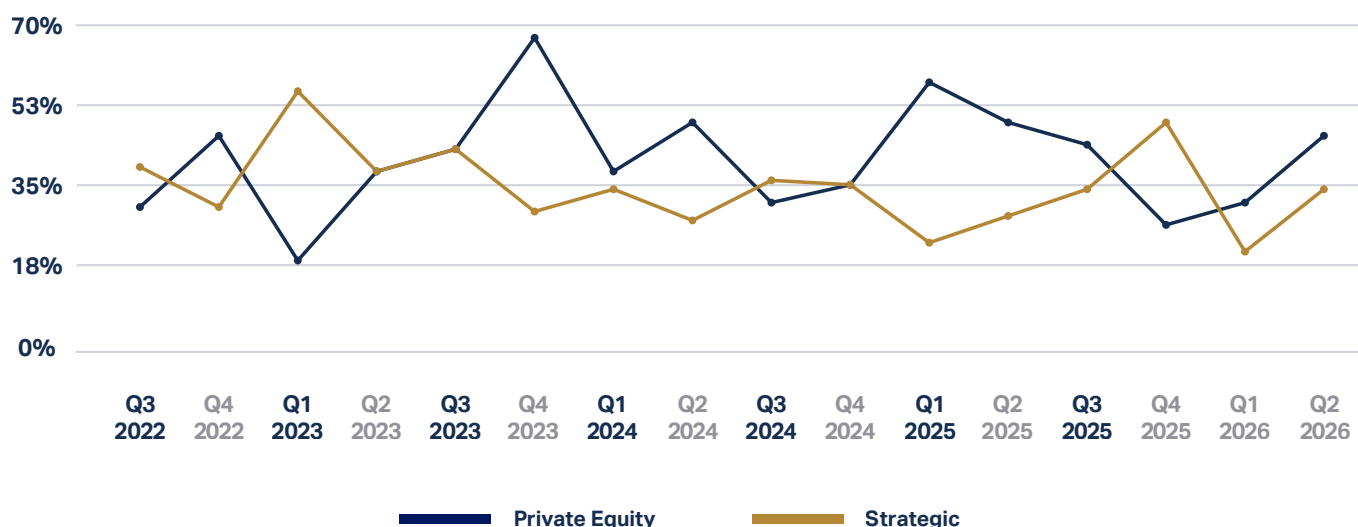
- First time buyer (47%), serial entrepreneur (27%), strategic companies (17%)
- Buy a job (50%), horizontal add-on (27%)
- Located within 20 miles (53%) or more than 100 miles (20%)

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

- Private equity (47%), strategic buyer (35%)
- Horizontal add-on (53%), vertical add-on (29%)
- Located more than 100 miles (71%) of the seller's location

KNOW YOUR BUYER

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



"The right advisor should match the market for the business. Below \$5 million in revenue, buyers are often local, so a business broker with a strong reputation and network in that community can make a real difference. At and above \$5 million, 71% of buyers came from more than 100 miles away. That requires an M&A Advisor who can run a broad, disciplined process rather than wait for the right buyer to emerge from the seller's backyard."

– Jaclyn Ring, Director of REAG

SELLER MOTIVATIONS AND EXIT READINESS

Retirement was the leading reason owners went to market across every transaction segment. It accounted for nearly two-thirds or more of reported sales between \$500,000 and \$50 million, peaking at 72% in the \$1 million to \$2 million market.

Motivations were more varied below \$500,000, where retirement represented 45% of sales. Burnout, health concerns and new opportunities each accounted for another 14% to 17%.

That lower-end finding is worth calling out because it suggests smaller business owners may be more likely to sell in response to immediate personal or operational pressures, while larger-company sales are more consistently connected to retirement and planned ownership transitions.

Whatever prompted the sale, however, most owners entered the process with limited advance preparation. Across the five market sectors, between 60% and 90% of sellers had completed less than one year of exit planning, or none at all.

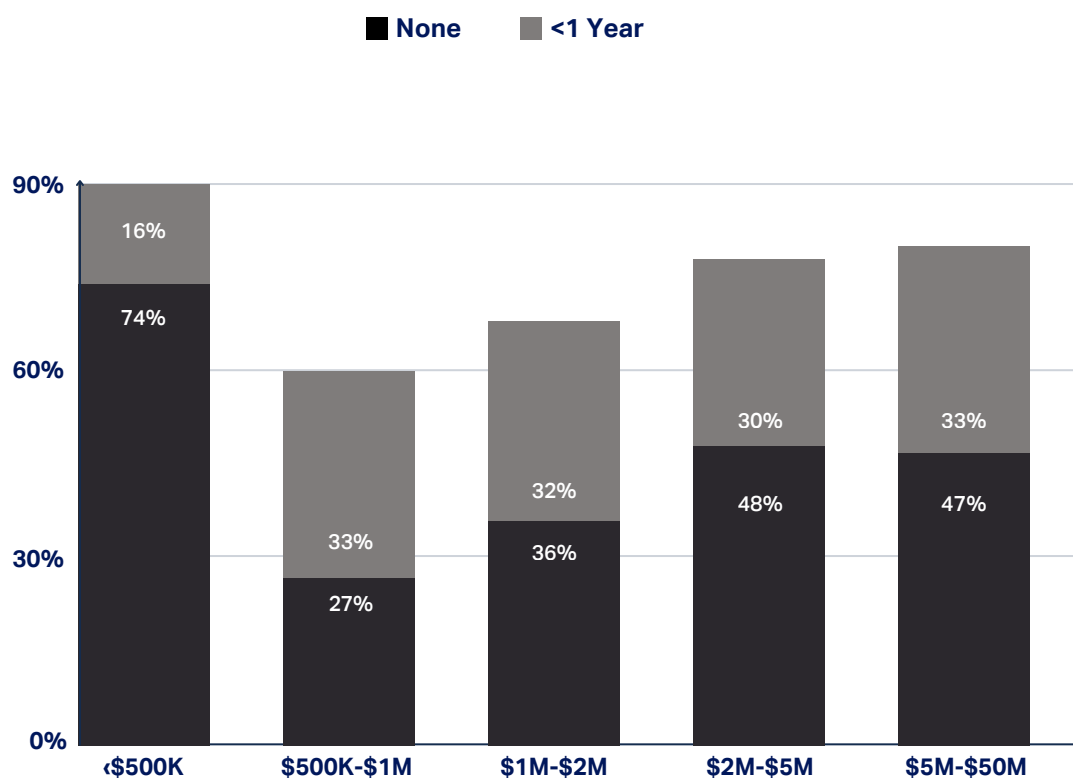
RETIREMENT DRIVES MOST BUSINESS SALES

DEAL SIZE	RETIREMENT
UNDER \$500K	45%
\$500K–\$1M	62%
\$1M–\$2M	72%
\$2M–\$5M	70%
\$5M–\$50M	65%

Other motivations vary. Burnout was the second-most common reason in most sectors. New opportunities, health concerns, family issues and relocation each played smaller roles.

KNOW YOUR BUYER

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



"Retirement continues to bring owners to market, but many begin the process later than they should. The businesses that are easiest to sell are usually the ones whose owners prepared before they felt an immediate need to leave."

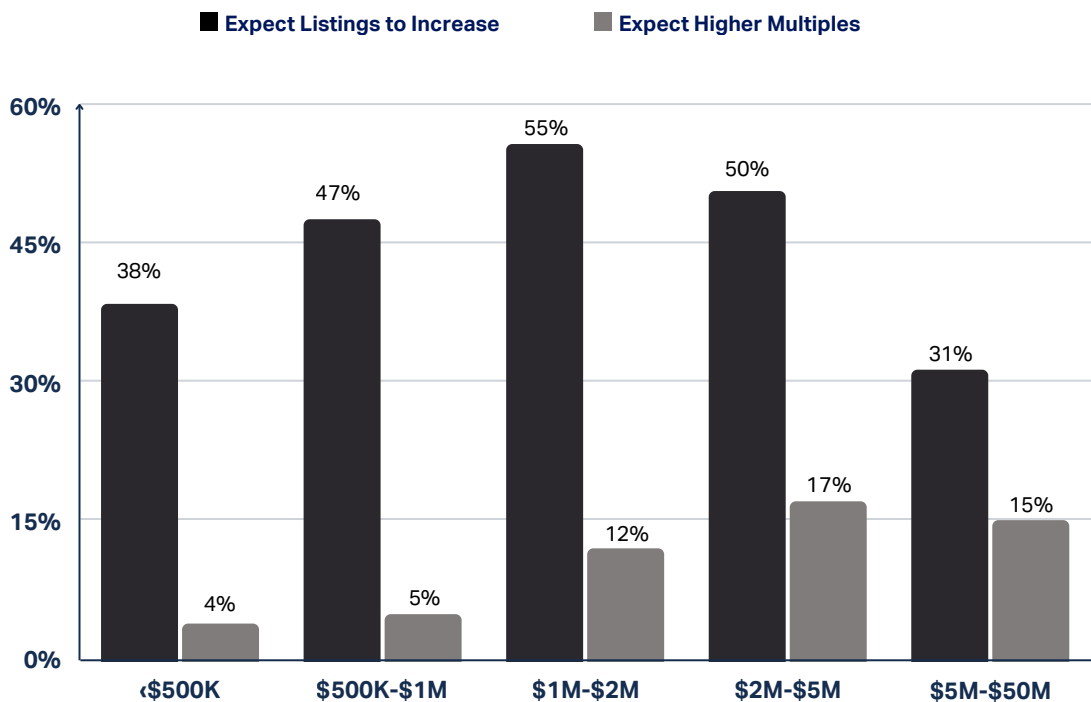
– Tanya Popov, Founder and Lead Advisor, INIX Consulting & Brokerage

OUTLOOK

THREE-MONTH OUTLOOK

Advisors expect the strongest near-term activity in the \$1 million to \$5 million sectors, where about half anticipate an uptick in new listings and engagements. Expectations are more cautious at the smallest and largest ends of the market.

Valuation multiples are expected to remain largely steady. Overall, the outlook points to more businesses coming to market, but not a broad increase in pricing. Of note, at the smallest end of the market, nearly 20% expect multiples to decline.





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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 Lower 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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