INTERNATIONAL BUSINESS BROKERS ASSOCIATION.®

M&A Source®

Market Pulse

Q3 2025

Executive Summary

Courtesy of

Crimson Cardinal Healthcare Intermediary

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

IBBA Executive Director

Emily Bowler

2025 IBBA Chair

Erin Crawford, CBI

M&A Source Executive Director

Kylene Golubski

2025 M&A Source Chair

Kathlene Thiel, M&AMI, CBI

Incoming 2026 IBBA Chair

James Parker, CBI, MCBI, M&AMI

Incoming 2026 M&A Source Chair

Jaclyn Ring

Market Pulse Committee

Lisa Riley, PhD, MCBI, CM&AP
Market Pulse Chair

Scott Bushkie, CBI, M&AMI, CM&AP

Lee Sheaffer, CBI

Brian Stephens, MCBI, MBA

Tanya Popov, MCBI, CM&AP, CEPA, BCA

Ron West

Josh Jones, CBI

INDEX

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 Q3 2025 survey was conducted October 1-17, 2025 and was completed by 300 business brokers and M&A advisors. Respondents completed 247 transactions this quarter. This is the 54th edition.

MARKET SEGMENTS STUDIED

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

ADVISORS SEEK SBA REFORMS

Small Business Administration (SBA) loans remain a vital source of financing, particularly for first-time or individual buyers. But current SBA rules have made deals harder to structure, especially when sellers remain involved after a sale or when larger transactions bump up against outdated loan limits.

In this survey, advisors were asked to rank which existing SBA loan policies they most want to see revised. Their responses mirror industry concern that current rules, though well-intentioned, have created barriers to succession planning and small business continuity.

At the top of the list: the new personal guarantee requirement for sellers retaining minority ownership. This provision, new as of June 1, 2025, requires that any seller who retains equity (even under 20%) be treated as a continuing owner and personally guarantee the loan for two years. The policy tightens a change introduced in 2023, when the SBA first began allowing partial ownership retention under 7(a) loans. Many advisors now view the new guarantee rule as a reversal that effectively eliminates the viability of seller retained equity in SBA-financed deals.

Close behind were concerns about seller notes that must remain on full standby for the entire life of the loan up to ten years. Advisors say this prevents sellers from receiving payments that once helped bridge valuation gaps and kept transitions mutually beneficial.

While the unchanged $5 million loan cap and rules restricting seller involvement for 12 months post-closing ranked slightly lower, advisors still flagged them as outdated constraints on deal flow and business continuity.

ADVISOR PRIORITIES FOR SBA LENDING CHANGES

(Ranked 1-4, 1=most important)

RANK	ISSUE	AVG. SCORE	DESCRIPTION
1	Seller Personal Guarantee	2.29	Requiring two-year personal guarantees from sellers retaining <20% ownership and without operational involvement
2	Seller Notes	2.40	Requiring seller notes to remain for the full life of the loan if used toward the 10% buyer cash injection
3	Buyer loan cap	2.62	SBA's $5M individual loan cap, unchanged since 2010, means purchasing power has eroded by ~42% due to inflation
4	Seller involvement post-transition	2.64	Current rule restricting seller involvement for 12-months post-sale

> ***"It's important to remember that some of these 2025 rule changes are revisions to new policy in 2023 allowing sellers to retain ownership. Until then, sellers couldn't retain any ownership at all in an SBA-financed sale. The new two-year personal guarantee and seller-note-as-equity rules may feel restrictive, but they still represent a more flexible environment than what existed before 2023." - John Thwing, Vice President, Live Oak Bank***

> ***"Requiring seller notes to sit on full standby for the entire life of a loan if used as part of buyer cash injection discourages seller participation and limits deal flexibility. Although this reverts to back to the policy prior to 2023, a two-year standby balanced risk better and rewarded sellers' willingness to help finance the buyer's equity. A shorter period or allowing early substitution of seller equity with personal funds, would go a long way toward improving deal viability." — Lisa Riley, Founder & CEO, Delta Business Advisors***

> ***"Raising the loan cap has to be the top priority. We can work within most of the other changes. What we can't overcome is the $5 million ceiling. Deals that made sense a few years ago no longer fit inside that box. Increasing the cap to $10 million would bring SBA lending in line with current market valuations and inflation. A bill now before Congress, the Made in America Manufacturing Finance Act, would raise the SBA loan limit for small manufacturers from $5 million to $10 million under both the 7(a) and 504 programs. It's expected to pass, and we're optimistic it can serve as a pilot for raising the cap across the board. For many of us, that would be the most meaningful update the SBA could make." — Steve Mariani, Founder, Diamond Financial Services***

QUARTERLY INSIGHTS

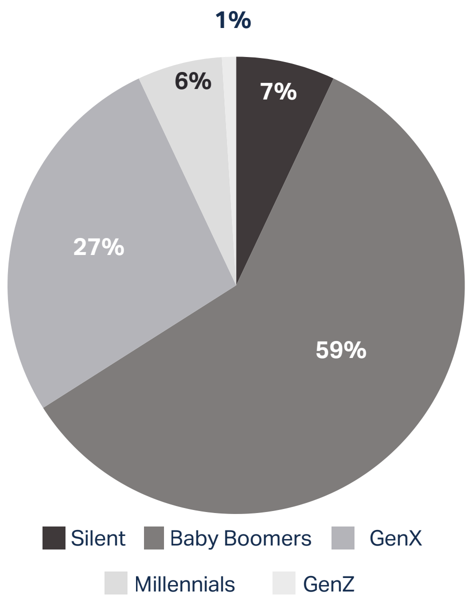
THE GENERATIONAL HAND-OFF HAS BEGUN

This month's report included a unique generational breakdown of buyers and sellers, highlighting how younger buyers are stepping into a market still largely dominated by Baby Boomer owners.

Baby Boomers continue to dominate the sell-side, making up nearly 60% of current business owners bringing companies to market. Another 27% are Gen X, while Millennial and Gen Z sellers together account for just 7%. In other words, most deals still involve longtime owners exiting after decades of growth, not younger founders moving on to their next venture.

On the buy-side, however, the age curve bends sharply younger. Millennials and Gen Z make up large portions of search funders (45%) and serial entrepreneurs (58%), signaling a new generation of professional buyers eager to acquire and scale. Even at the corporate level, nearly a third of C-suite buyers are under 45.

SELLER'S BY GENERATION



BUYER AGE MIX BY CATEGORY

	SILENT	BOOMERS	GEN X	MILLENNIAL	GEN Z
C-SUITE	17%	28%	19%	19%	10%
SEARCH FUNDERS	9%	9%	23%	23%	22%
SERIAL ENTREPRENEURS	21%	25%	32%	32%	26%
GROWTH VIA ACQUISITION	19%	24%	18%	18%	24%
OTHER	34%	14%	9%	9%	18%

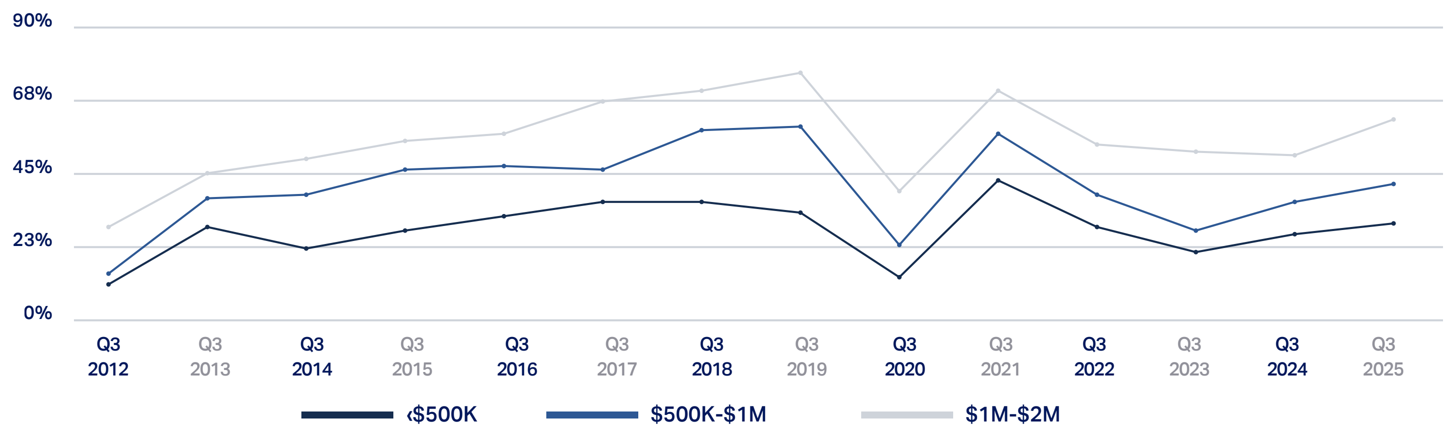
> *"We're starting to see generational differences affect how deals unfold. Buyers in their 30s and 40s may be more metrics-driven and acquisition-oriented, while long-time owners tend to value relationships and legacy. As advisors, we often end up translating between those priorities." —Brian Stephens, Intermediary, Legacy Venture Group*

BUMP IN MARKET CONFIDENCE

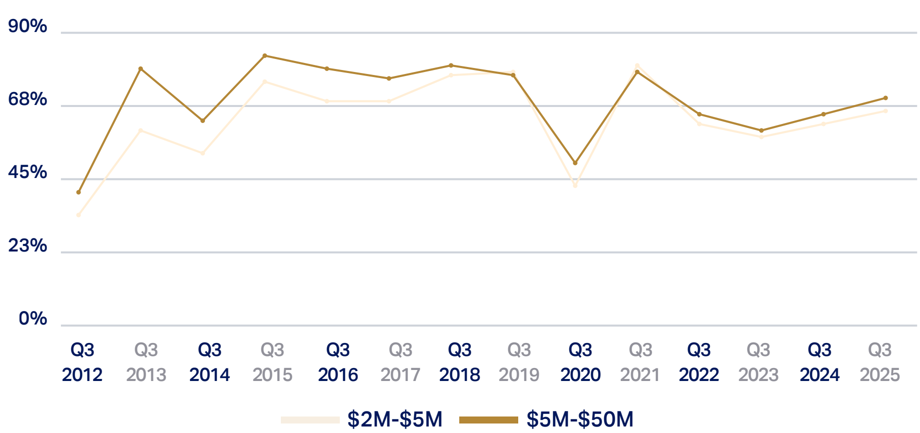
A seller's market is when sellers feel they have an advantage or it's a good time to sell, for instance when demand exceeds supply and there are more interested, active buyers than there are quality deals on the market. In a seller's market, buyer's compete in order to win deals. This typically translates to increased values and more favorable deal terms for the seller.

Q3 trends continue to show an uptick in confidence year-over-year.

MAIN STREET SELLER MARKET SENTIMENT Q3 2012-2025



LMM SELLER MARKET SENTIMENT Q3 2012-2025



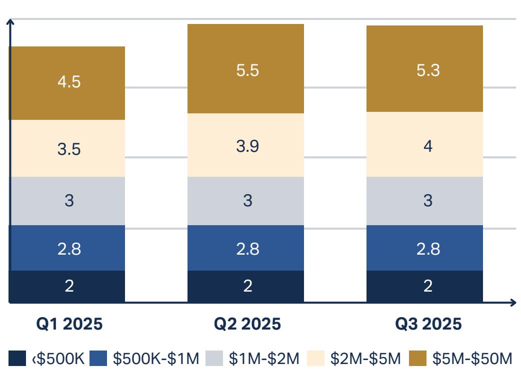
> ***"Seller sentiment is improving across the board. After years of uncertainty, business owners are finally feeling confident again. With rates easing, lending loosening, and baby boomers reaching retirement age, more sellers are coming to market. If conditions hold, 2026 could rival the record activity we saw in 2021." — Erin Crawford, CII Advisors, Certified Business Intermediary & Chair of the IBBA Board of Governors***

BUSINESS VALUE

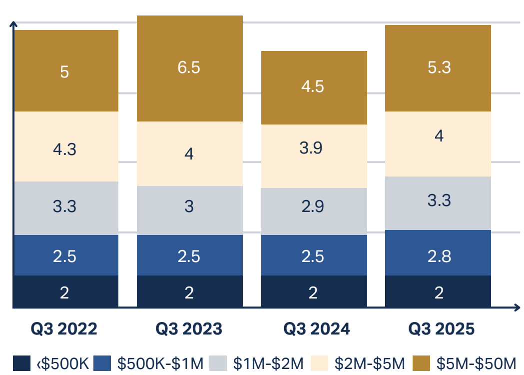
While valuations for businesses under $1 million remain relatively steady quarter-over-quarter, mid-market deals showed mild improvement. Multiples rose 0.3 points for companies valued between $1 million and $2 million, and 0.1 points for those in the $2–$5 million range. Larger transactions ($5–$50 million) dipped slightly compared to Q2, but remain 0.8 points higher than at the start of 2025, suggesting stability at the top end.

BUSINESS VALUE

MEDIAN MULTIPLES LAST THREE QUARTERS



MEDIAN MULTIPLES YEAR-OVER-YEAR, Q3 2023- 2025



"Advisors are cautiously optimistic about deal pace and valuation growth. With rate cuts expected in October and December, we're watching closely to see whether cheaper financing translates into stronger multiples in the lower middle market. The mood has shifted from 'wait and see' to 'watch and prepare.'" —– Kathlene Thiel, President, Thiel Group, LLC.

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

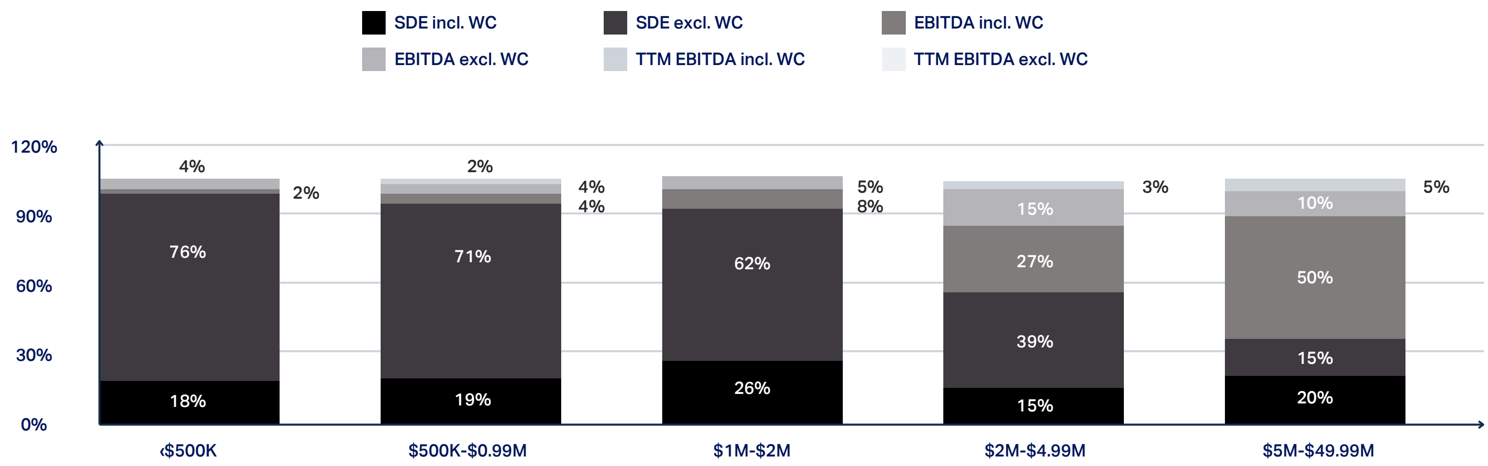
HOW DEAL MULTIPLES ARE CALCULATED —AND WHEN THAT STARTS TO SHIFT

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

- For deals under $2MM, SDE (Seller's Discretionary Earnings) is the dominant valuation method, and most often excludes working capital.
- Between $2MM–$5MM, the landscape becomes more mixed, with SDE and EBITDA (both with and without working capital) used more evenly.
- At the $5MM+ 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.

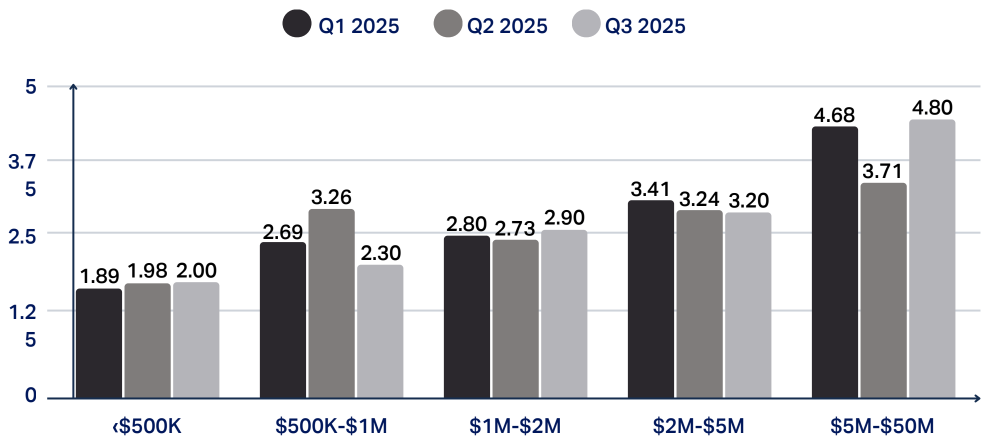
VALUATION METHODS BY DEAL SIZE



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. On average, deals typically receive between 2 to 3 offers, with larger deals attracting more interest.

OFFERS PER DEAL, LAST THREE QUARTERS

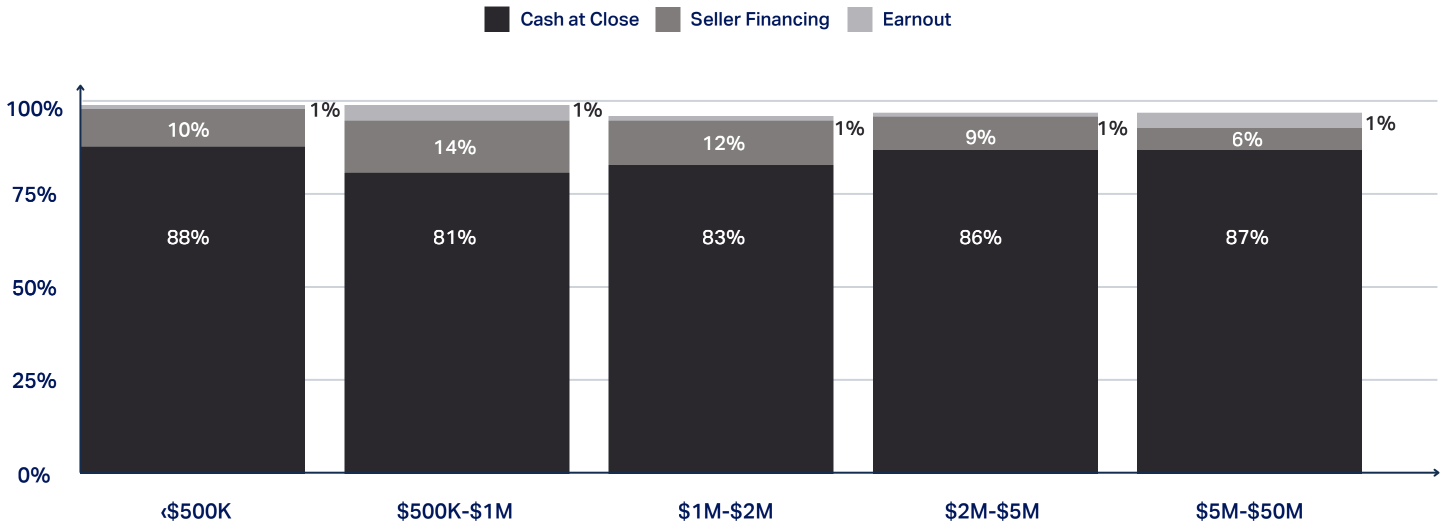


"Sellers who attract multiple offers tend to see more favorable terms across the board, from valuation to structure to speed of close. It's proof that the right process pays off." — Joshua Jones, President, Sapphire Mountain Group

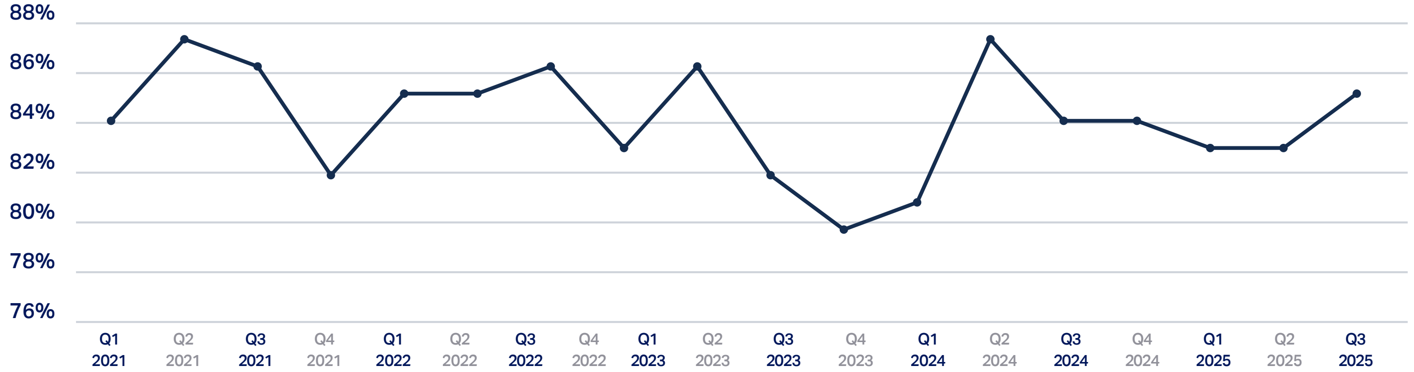
FINANCING TRENDS

Few sellers receive all cash at close. In Q3 2025, sellers averaged 81% to 88% cash at close. Historically, average cash at close has remained fairly stable, hovering around the mid-80% range.

Q3 2025 DEAL STRUCTURE BREAKDOWN BY DEAL SIZE



AVERAGE CASH AT CLOSE



> *"We're still seeing healthy cash-at-close numbers, and that's unlikely to change. As financing becomes more accessible and competition for quality businesses picks up, sellers will continue to capture strong early deal value."*
> *—Nivedita Buzzetta, CBI, CM&AP, CEPA, Edison Business Advisors*

KNOW YOUR BUYER

WHAT DRIVES BUSINESS OWNERS TO MARKET

Retirement remains the top reason for sellers to exit, followed by burnout.

Insights:

Retirement is the most common reason for going to market across all deal sizes, and its importance grows with deal size. For deals under $500K, 38% of advisors cite retirement as the reason these sellers went to market, compared to 55% for deals $5M-$50M. This suggests that smaller business owners are more likely to exit before their retirement years.

Burnout was a significant driver across all deal sectors this quarter. In Q3, 17% of owners in under $500K category and 15% of those in the $5M-$50M category exited due to burnout.

New opportunities play a bigger role in deals under $500K, peaking at 18% of those seller exits.

Family issues, health, and relocation appear mostly in smaller deals, with 11% of sellers in the <$500K range citing health issues.

Unsolicited offers become a driving force for deals in the $5M-$50M range, accounting for 10% of seller exits.

> *"Burnout is one of the biggest threats to a successful exit. When an owner runs out of steam, performance often dips, and so does value. The best time to sell is when you're on an upswing, not when you're ready to walk away. That takes planning, knowing what your business is worth, and timing the sale around your goals, not your fatigue."*
> *— Lee Sheaffer, President of BizReady, Inc.*

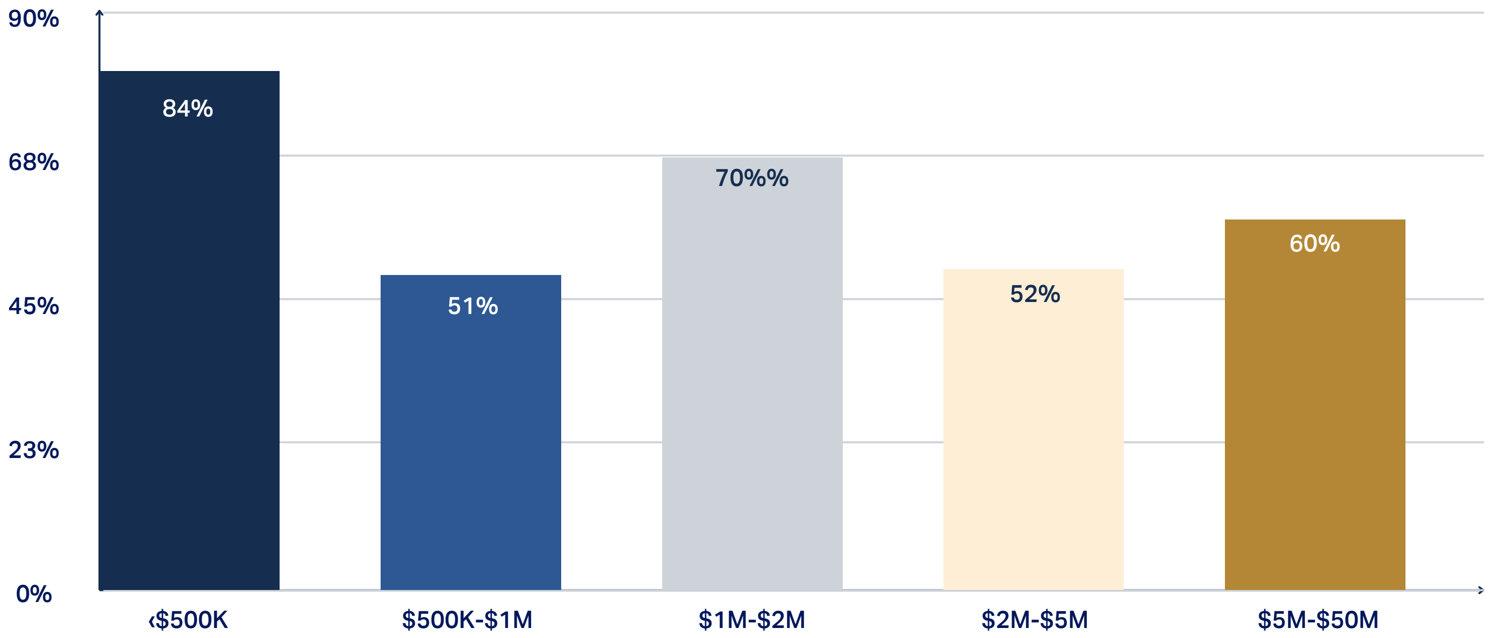
> *"We're seeing more unsolicited offers as buyers work to build proprietary deal flow. That's a healthy sign for the market, but it can cost sellers who negotiate one-on-one. A structured sale process that creates competition—generating what we like to call the Power of Multiple Offers™—helps maintain owner leverage and drive valuations higher."*
> *— Scott Bushkie, Founding Partner, Cornerstone Business Services*

KNOW YOUR BUYER

EXITING WITHOUT A PLAN

Even though retirement is the number one reason sellers go to market, most business owners are doing little to no exit planning. The smaller the business, the less likely owners are to plan. Of those owners who do plan, most start less than a year before putting their business on the market.

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



> *"Owners who don't plan their exits end up reacting to the market instead of leading it. When 70–90% of your net worth is tied up in your company, waiting until you're burned out or ready to retire is a gamble. A proactive exit plan keeps you in control of timing, value, and legacy." — Tanya Popov, Founder and Master CBI, INIX Consulting & Brokerage*

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.

We can also see a pretty clear story about business expansion strategies. Smaller businesses are typically acquired as horizontal add-ons, where the buyer seeks to expand market share by acquiring a company in the same industry or offering similar products or services. However, once a business reaches the $5 million valuation mark or higher, that's when we start to see vertical add-ons come into play, as buyers look to integrate companies within the same supply chain.

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

- First time buyers (45%), serial entrepreneurs (38%)
- Motivated to buy a job (44%), horizontal add-on (26%)
- Located within 20 miles (71%) of the seller's location

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

- First time buyers (40%), serial entrepreneurs (31%), or strategic buyers (23%)
- Horizontal add-on (29%) or buy a job (27%)
- Located within 20 miles (50%) or within 50 miles (27%) of the seller's location

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

- First time buyers (38%), serial entrepreneurs (31%), or strategic buyers (28%)
- Buy a job (28%), horizontal add-on (28%), vertical add-on (21%)
- Located within 20 miles (44%), within 50 miles (21%), or more than 100 miles (26%)

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

- First time buyers (33%), serial entrepreneurs (27%), strategic buyers (21%)
- Buy a job (27%), better ROI than other investment (24%), horizontal add-on (18%)
- Located within 20 miles (55%), or more than 100 miles (30%)

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

- PE firms (45%), strategic buyers (35%)
- Horizontal add-on (40%), vertical add-on (20%)
- Located more than 100 miles (65%) or within 20 miles (20%) of the seller's location

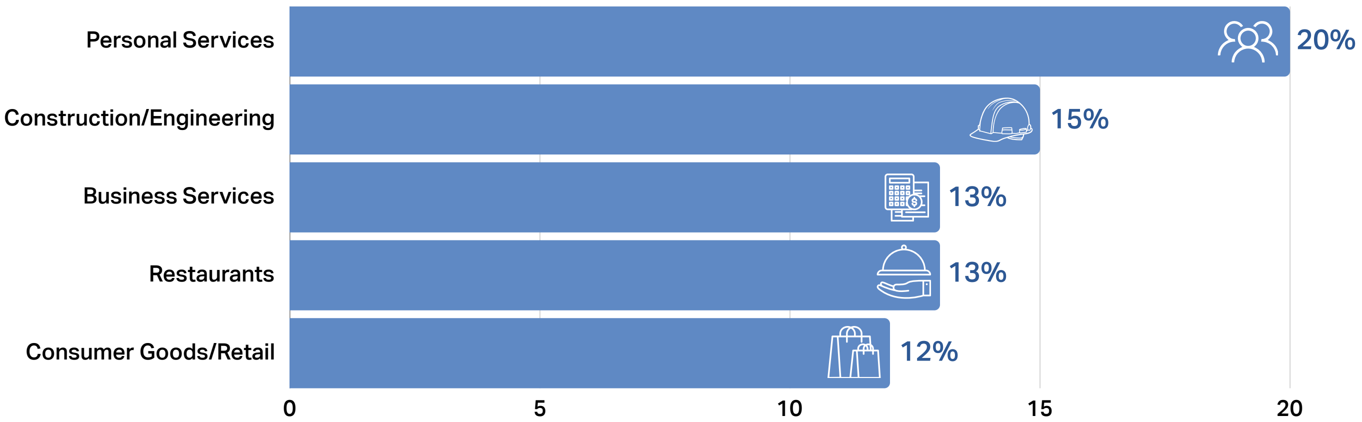
KNOW YOUR BUYER

TOP INDUSTRIES

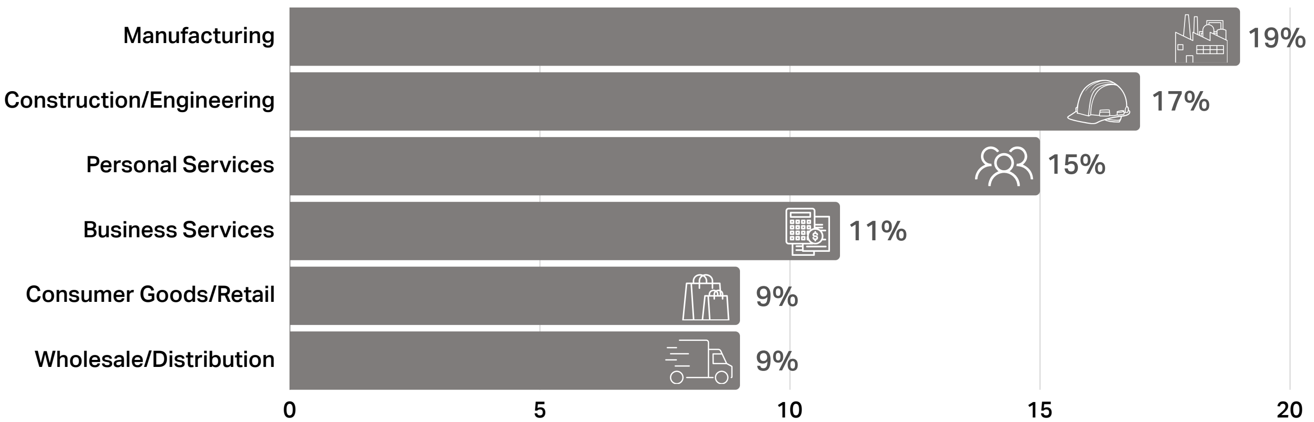
Overall, this quarter's M&A activities display a diverse range of industries attracting investment. Personal services and construction remain strong players in the Main Street market, while manufacturing and construction led in the lower middle market.

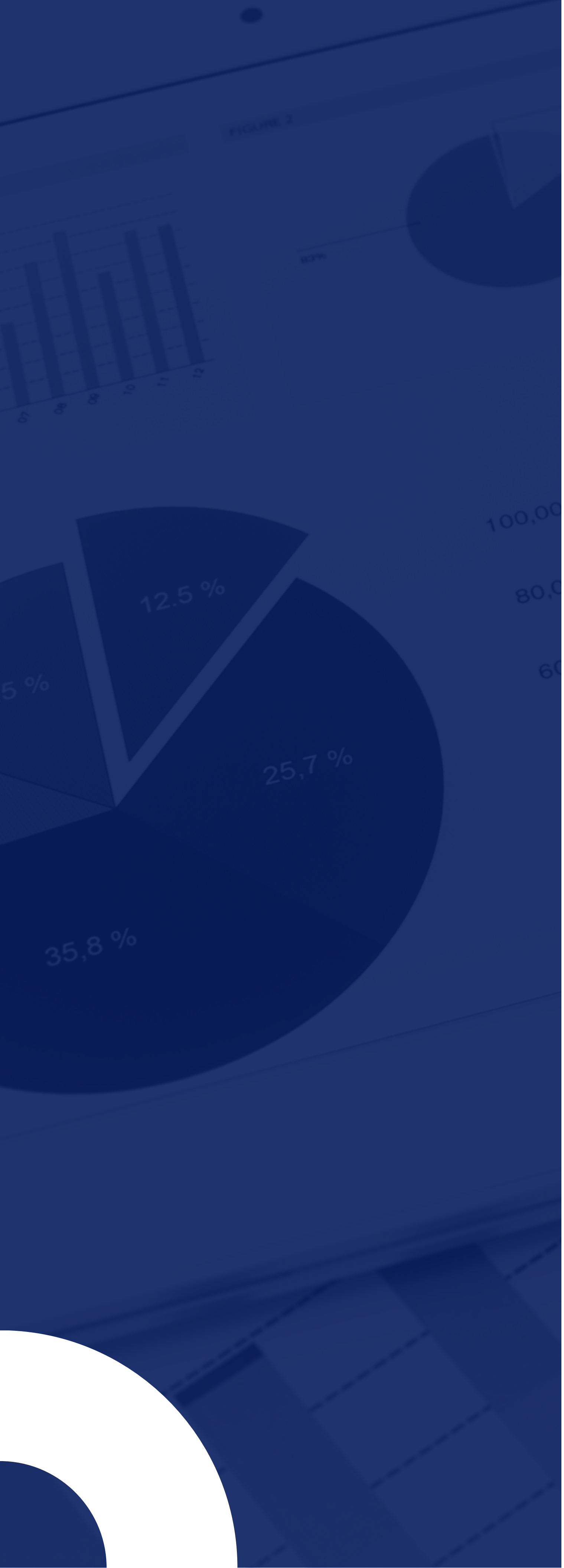
TOP INDUSTRIES FOR M&A ACTIVITY Q3 2025

MAIN STREET



LMM





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.


Market Pulse