



Market **Pulse**

Q1 2025

Executive Summary

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

Executive Director

Emily Bowler

2025 IBBA Chair

Erin Crawford, CBI

2025 M&A Source Chair

Kathlene Thiel, M&AMI, CBI

2026 IBBA Chair

James Parket, MCBI

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

02

Explore how business owners enter and exit entrepreneurship.

BUSINESS VALUE

05

Learn how changing dynamics are influencing business values and market confidence.

FINANCING TRENDS

09

Stay informed on shifting seller financing expectations.

TIME TO CLOSE


10

Discover how closing timelines are changing across the Main Street and Lower Middle Market sectors.

KNOW YOUR BUYER

11

Discover how the types of buyers vary by sector, including their motivation, proximity, and more.



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.

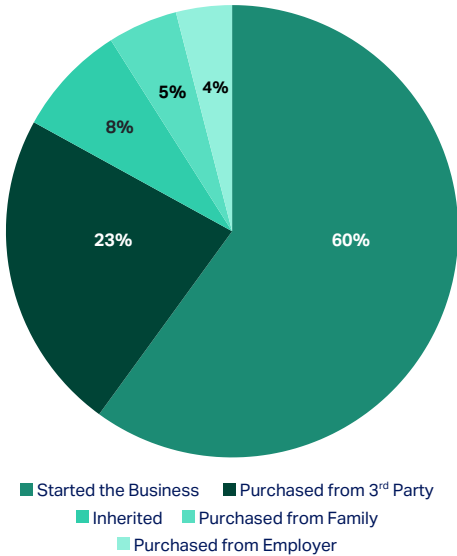
MARKET SEGMENTS STUDIED	
MAIN STREET	LOWER MIDDLE MARKET
≤\$500K	\$2M-\$5M
\$500K-\$1M	\$5M-\$50M
\$1M-\$2M	

The Q1 2025 survey was conducted April 1-15, 2025, and was completed by 358 business brokers and M&A advisors. Respondents completed 300 transactions this quarter. This is the 52nd edition of this report.

PATH TO OWNERSHIP AND EXIT

A special topic in this quarter’s survey looks at a business owner’s path to ownership and exit. M&A advisors revealed that a majority of their recent clients (60%) were entrepreneurs who had started their own business, while the remainder acquired their business through purchase (32%), inheritance (8%), or other means.

Advisors also reported that 90% of their recent sell-side clients were first-time sellers, meaning they hadn’t been through the M&A process with another business. This inexperience is compounded by a striking lack of exit planning: Most advisors (more than 8 in 10) report that fewer than 5% of their clients had a written exit strategy in place before their initial meeting.



"With 90% of recent sellers being first-timers and most lacking a formal exit strategy, it's clear many owners are approaching a significant financial event unprepared. This lack of planning means many sellers are leaving money on the table and jeopardizing their hard-earned legacy. Engaging experienced advisors early isn't a luxury; it's a critical safeguard to protect your financial future and ensure a successful transition."
– Scott Bushkie, Managing Partner, Cornerstone Business Services.

"The fact that 60% of our recent sell-side clients were founders underscores the entrepreneurial spirit driving much of the M&A activity we see. However, navigating a first-time sale without prior experience can be daunting. Engaging experienced advisors levels the playing field and ensures owners achieve the best possible outcome."
– Lisa Riley, CEO & Founder of Delta Business Advisors.

"The selling process is deeply personal, and understandably so—73% of owners either built their company from scratch or received it through family. However, this emotional attachment often becomes an obstacle in M&A transactions, as owners struggle to separate personal identity from business identity. Professional guidance becomes essential to help owners maintain objectivity and make decisions that truly serve their best interests."
– Tanya Popov, Founder of INIX Consulting & Brokerage

PRIVATE EQUITY AND SEARCH FUND ACTIVITY

The Q1 2025 survey also included a specific focus on private equity (PE) and search fund activity. These buyers continue to be active participants in the market, representing a significant pool of potential buyers for privately held companies.

Our survey examined transaction activity over the last year. The data provides insights into where PE firms and search funds are deploying capital and the size parameters they're targeting. Findings:

- 19% of sell-side advisors completed transactions with PE firms or search funds since January 1, 2024, indicating continued investment interest despite broader market uncertainties.
- PE firms show the strongest activity in the \$5M-\$50M enterprise value range (31% of deals), followed by \$2M-\$5M deals (16%).
- Search funds are less active overall and show similar interest across a range of business sizes/value points.
- Fewer advisors, just 9%, have provided buy-side assistance to private equity or search funds.

"The concentration of PE activity in the \$5M-\$50M space isn't surprising. These deals offer a sweet spot of established business fundamentals with plenty of room for value creation. But in times of market uncertainty, we see PE firms become increasingly flexible with deal size. While larger transactions may slow, PE groups can't simply sit idle—they pivot to smaller, strategic acquisitions where they can create value through integration and professionalization. These add-on opportunities, regardless of size, can be powerful value drivers for their platform companies."

– Kathlene Thiel, President, Thiel Group, LLC.

QUARTERLY INSIGHTS

SBA LOANS CRITICAL TO SMALL BUSINESS ECONOMY

Amidst a backdrop of federal cost cutting, M&A advisors were asked about the importance of the SBA 7(a) loan program. The vast majority (90%) indicated that the 7(a) program has a vital impact on their deal-making capabilities.

The 7(a) program provides government guarantees on loans made by private lenders, making financing more accessible for buyers who might otherwise struggle to secure funding. In March, the SBA announced a significant agency-wide reorganization, aiming to reduce its workforce by 43% and reverse select policies of the prior administration—including restoring upfront lender fees to the 7(a) program.

"Small business owners are the backbone of our economy. This program allows individuals to leverage their life's work and transition out of their businesses, often to aspiring entrepreneurs eager to build something for themselves. The Trump administration's commitment to restoring the financial sustainability of the 7(a) program and its zero-subsidy status is very timely. A financially sound program is essential for ensuring long-term support for America's small businesses."

– Lee Sheaffer, President of BizReady, Inc.

BUSINESS VALUE

M&A ACTIVITY

Q1 2025 M&A market indicators paint a picture of general stability:

- Seller market confidence showed signs of improvement, although it remains below peak levels last seen from mid-2021 to early-2022.
- Valuation multiples held their historic trend in Main Street but ticked down in the lower middle market.
- Meanwhile, final transaction values as a percentage of asking price/benchmark maintained their previous levels.
- Average number of offers per deal held steady.
- Cash at close and seller financing levels continued in a consistent pattern.

"The data suggests the M&A market remains fundamentally stable despite economic uncertainty and tariff-related volatility that has impacted larger deals. While major market M&A activity saw marked declines in Q1, the Main Street and lower middle markets are showing resilience."

– Joshua Jones, President of Sapphire Mountain Group

"We may see a larger impact in Q2 if tariffs begin to affect consumer buying power or lead to supply chain disruptions. President Trump has signaled an administrative tolerance for 'short term pain,' so that could lead to a slowdown in Main Street and lower middle market deal-making in the months ahead."

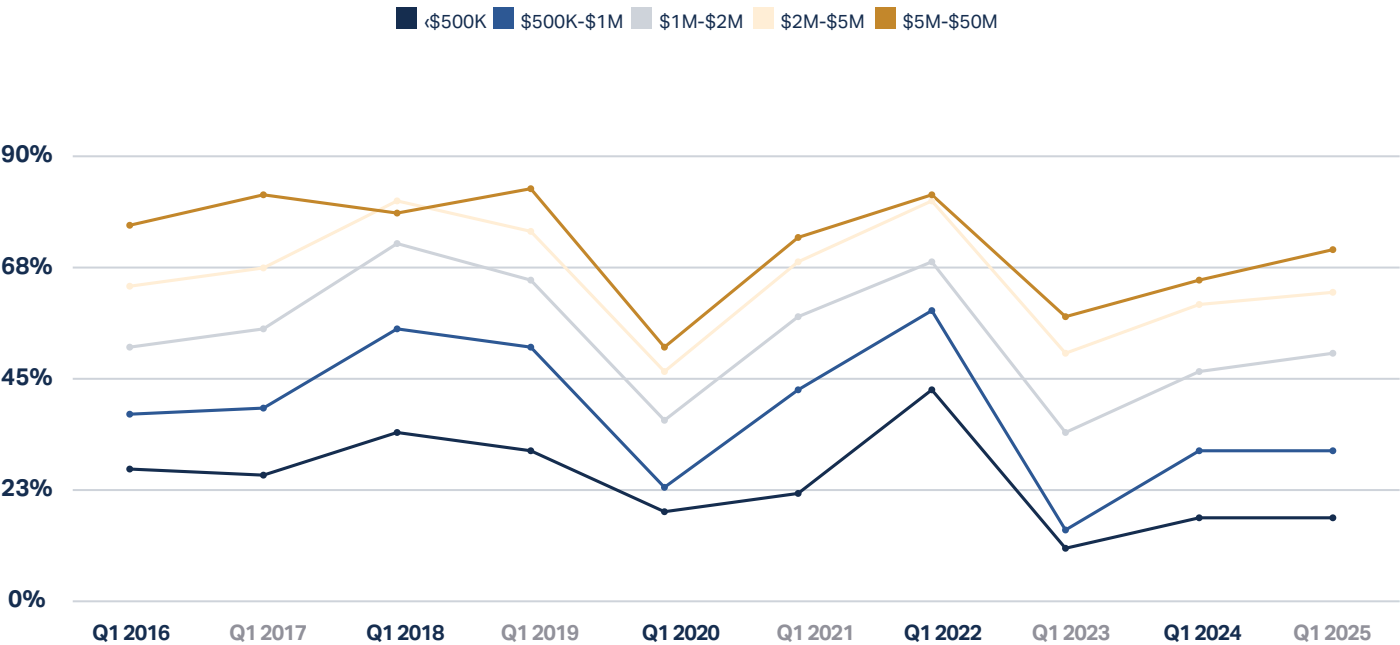
– Kathryn Guthrie, Business Intermediary with The Liberty Group of Nevada, Inc.

BUSINESS VALUE

MARKET CONFIDENCE

Despite economic uncertainty, advisors reported an uptick in seller confidence, although still off previous peaks. (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 2016-2025



"The year began on a high note following Trump's election and a quarter-point drop in interest rates. There was a lot of enthusiasm about a strong M&A market heading into 2025. However, in the months that followed, factors like tariffs and interest rates remaining unchanged, tempered momentum. Optimism remains, but buyers and sellers are proceeding more cautiously—closely scrutinizing timing and deal terms."

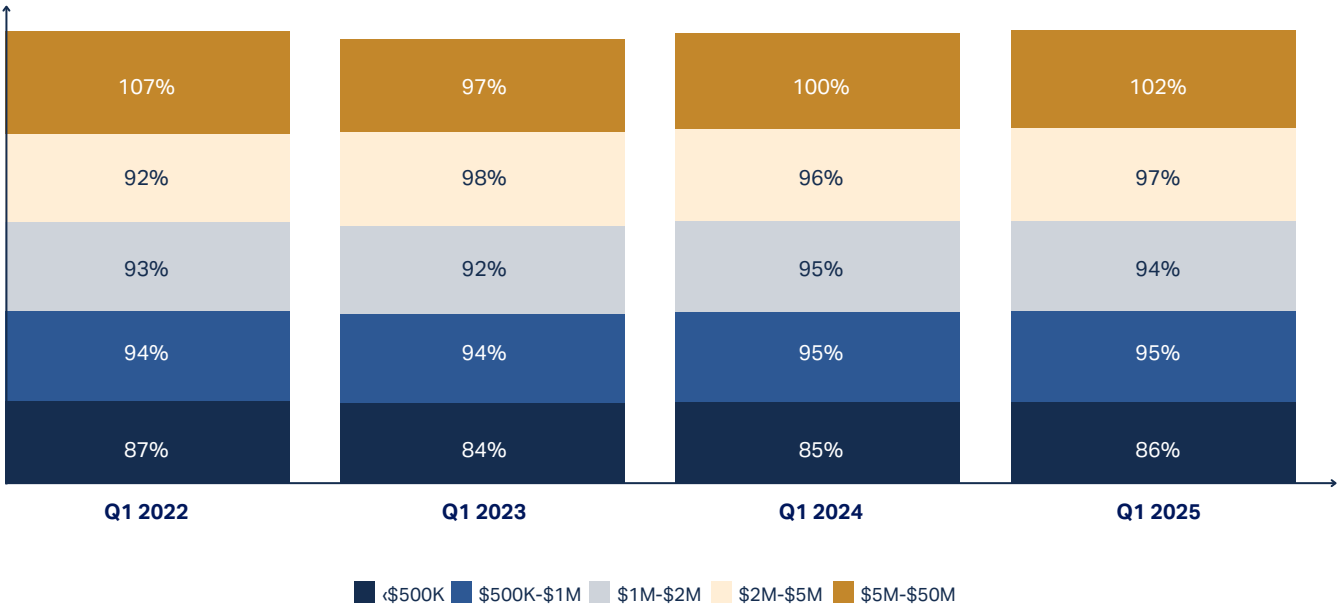
– Steven Hanson, Co-Owner – Transworld Business Advisors San Deigo North



STRONG PERFORMANCE AGAINST BENCHMARKS

On average, sellers are receiving valuations at 86% 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 TO
ASKING/BENCHMARK RATIO Q1 2022-2025



<\$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.

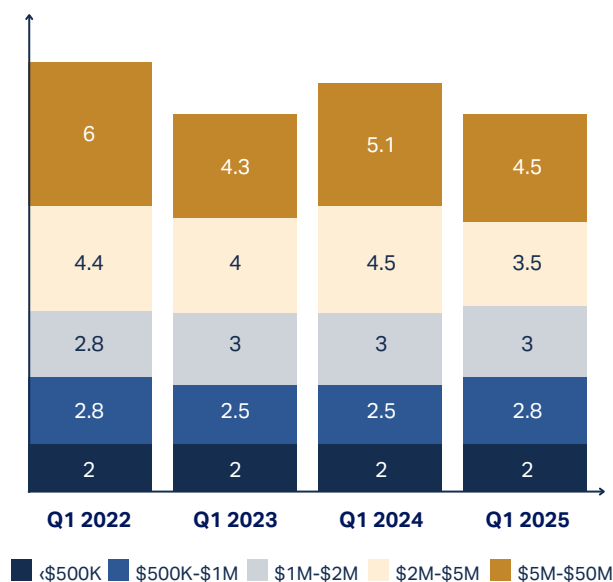
<\$500K - \$2M in Purchase Price reflected as multiple of SDE (Seller's Discretionary Earnings); \$2M-\$50M as multiple of EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization).

BUSINESS VALUE

MULTIPLES SLIP IN LMM

Multiples remained consistent across the Main Street market. However, advisors reported a downtick (up to a full point, year over year) in the lower middle market.

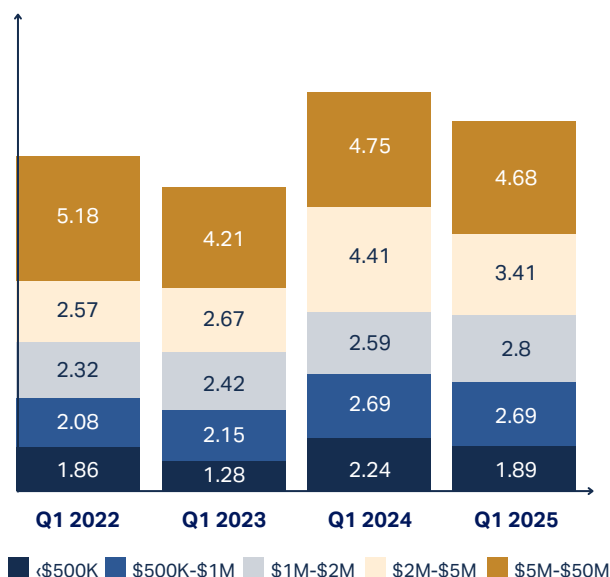
MEDIAN MULTIPLES YEAR-OVER-YEAR, Q1 2022 - 2025



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, more than 80% of deals over \$5 million attracted at least 3 offers, with 16% attracting an impressive 10+ bids.

AVG. OFFERS PER DEAL LAST FOUR QUARTERS



"The slight multiple compression in the lower middle market isn't necessarily cause for concern. We're still seeing strong buyer competition, particularly for quality assets above \$5M where 80% of deals are attracting three or more offers. This suggests buyers remain aggressive when the right opportunity presents itself."

– Randy Hendershot, CEO/Business Intermediary, Evolution Advisors

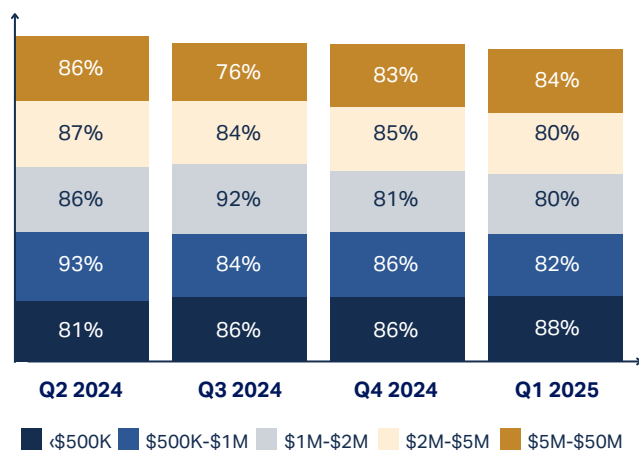
FINANCING TRENDS

FINANCING DEALS IN 2025

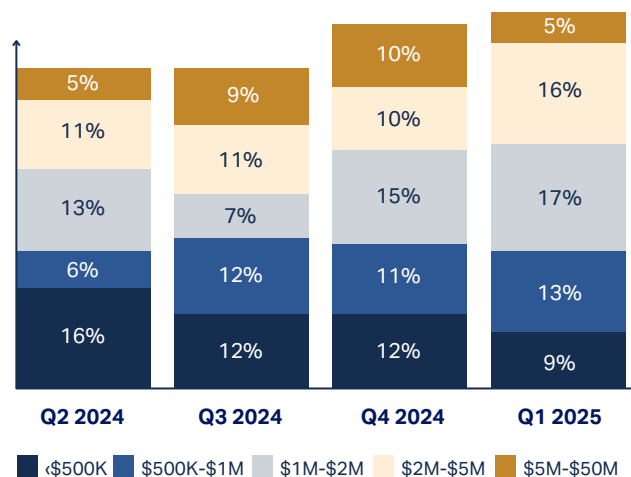
Cash at close stayed relatively consistent over the last four quarters. (Cash at close includes senior debt and buyer equity.) Seller financing accounted for roughly 15% of most deals in Q1 2025, except for the smallest and largest sectors where seller financing was 9% and 5% respectively.

CASH AT CLOSE VS. SELLER FINANCING, LAST FOUR QUARTERS

CASH AT CLOSE



SELLER FINANCING



"What's particularly encouraging is the resilience we're seeing in deal fundamentals—stable multiples in Main Street, consistent cash at close ratios, and steady seller financing levels. This tells us that while macro headlines may be causing some jitters, the core drivers of deal-making remain healthy."

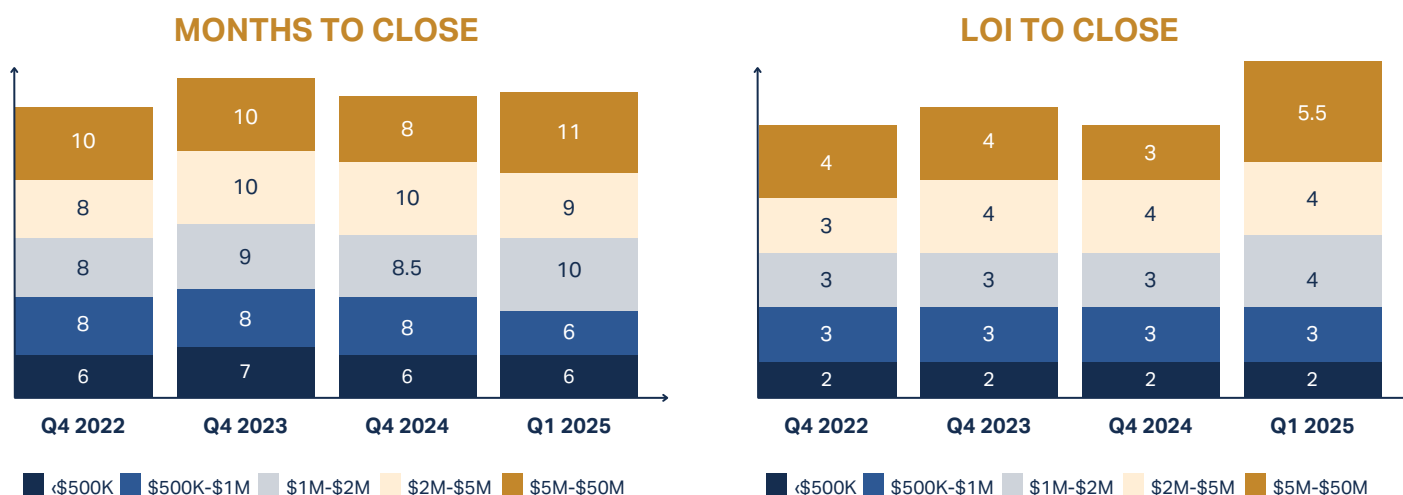
– Erin Crawford, CII Advisors, Certified Business Intermediary & Chair of the IBBA Board of Governors

"We'll be watching the SBA reorganization. If downsizing or other changes impact the 7(a) loan program, we'll see changes to these cash at close numbers, especially for Main Street deals. Any meaningful decline in SBA lending activity would put more risk on sellers in terms of seller financing and earnouts."

– Bill White, M&A Business Intermediary, Murphy Business Sales, Hudson Ohio

TIME TO CLOSE

The average time to sell a Main Street business varies from 6 to 10 months. Businesses in the lower middle market, however, saw a slight uptick in time to sell. This was driven by a noticeable jump in the due diligence period for businesses in the \$5-50M sector, where the 5.5 month average is the longest ever reported in Market Pulse history (~13 years).



"The unprecedented five-and-a-half-month due diligence period we saw in the lower middle market reflects a unique confluence of events. Many buyers essentially hit the pause button during the lead-up to the 2024 presidential election, given the stark policy differences between candidates and potential implications for taxes, regulations, and trade. Once we had election clarity, we were so close to year-end that buyers opted to wait for full 2024 financials. This created a kind of 'double wait' effect that stretched typical timelines."

– Brian Stephens, Founder of Legacy Venture Group.

KNOW YOUR BUYER

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

- *First time buyer (55%), serial entrepreneurs (28%)*
- *Motivated to buy a job (48%), gain a horizontal add-on (22%)*
- *Located within 20 miles (70%) of the seller's location*

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

- *First time buyers (50%), serial entrepreneurs (30%), or strategic (existing) companies (17%)*
- *Motivated to buy a job (39%), better ROI (19%), horizontal add-on (15%), vertical add-on (15%)*
- *Located within 20 miles (65%) of the seller's location*

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

- *First time buyer (40%), serial entrepreneurs (34%), strategic company (17%)*
- *Motivated to buy a job (43%), horizontal add-on (32%)*
- *Located within 20 miles (47%) or more than 100 miles (26%) of the seller's location*

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

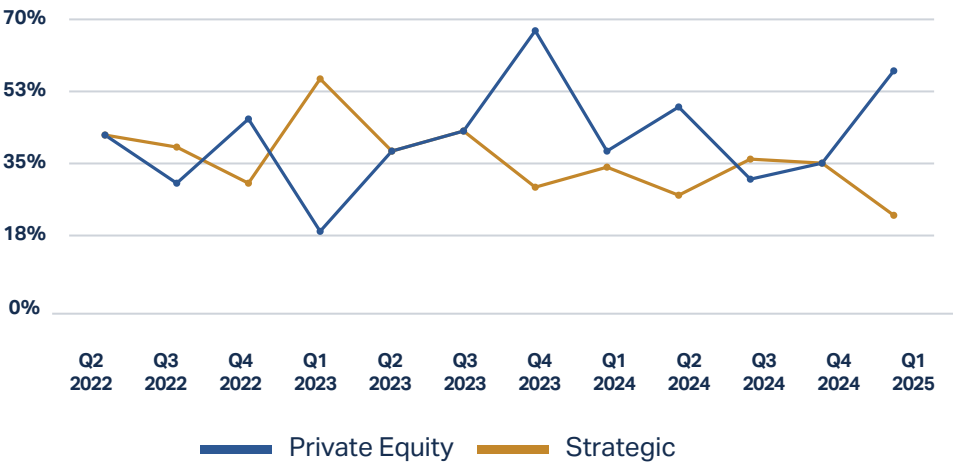
- *First time buyers (40%), strategic company (23%), serial entrepreneur (23%)*
- *Horizontal add-on (33%), motivated to buy a job (26%)*
- *Located within 20 miles (44%) or more than 100 miles (26%)*

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

- *Private equity (59%), strategic company (23%)*
- *Horizontal add-on (64%), better ROI (14%)*
- *Located more than 100 miles (55%) of the seller's location*
- *Over the last eight quarters, private equity has captured an average 42% of the deals in this sector while strategics accounted for 37% of buyers (see figure below)*

KNOW YOUR BUYER

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



WHAT ARE THEY BUYING?

In the Main Street market, personal services trended throughout the sector. In the lower middle market, construction/engineering and wholesale/distribution dominated transactions.

TOP INDUSTRIES BY MARKET SECTOR

<\$500K	Personal Services 24%	Restaurants 22%	Consumer Goods, Construction (tie) 11%
\$500K-\$1M	Personal Services 19%	Business Services 17%	Health & Biotech 15%
\$1M-\$2M	Construction/Engin. 28%	Business Services 23%	Personal Services 15%
\$2M-\$5M	Wholesale/Distrb. 16%	Construction/Engin, Mnfg, Personal Svs (tie) 14%	
\$5M-\$50M	Construction/Engin. 36%	Manufacturing 18%	Wholesale/Distrb. 14%



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**