



M&A INSIGHTS

Middle-Market Private Equity

Q2 2026

ksm
Corporate Finance

Middle-Market PE Update

Q2 2026 delivered a split quarter, as deal volume rose 7.6% QoQ while aggregate deal value fell 12.3%. The shift toward more, smaller transactions suggests buyers stayed active but remained disciplined on size and price.

Middle-Market Summary

Middle-market private equity activity was mixed in the second quarter. Deal count rose 7.6% quarter over quarter to 766 transactions, while deal value declined 12.3% to \$75.6 billion, the lowest level of the past eight quarters. Median deal size fell to \$151.9 million in H1 2026 from \$179.0 million in 2025, as deals between \$25 million and \$100 million gained share.

Financing conditions remained a key constraint. The Federal Reserve held the federal funds target range at 3.50% to 3.75% through the quarter, and firmer inflation raised the prospect of further tightening, keeping lenders disciplined and limiting buyers' ability to rely on leverage alone.

Broader private equity activity softened slightly, with total U.S. deal count down 3.4% quarter over quarter. Add-on acquisitions fell to 53.1% of U.S. private equity deal volume from 58.6% in Q1, while growth and expansion deals rose 22.9% to 493, as sponsors put more capital into growth-oriented investments alongside traditional platform build-outs.

Exit activity was mixed in the second quarter. Middle-market exit count rose to 239 from 218, while exit value fell to \$24.7 billion from \$32.0 billion. More exits at lower aggregate value suggest sponsors are realizing smaller assets while buyers stay disciplined on price, asset quality and execution certainty.

Looking Ahead

In the lower middle market, bid-ask spreads remain widest for businesses with customer concentration, volatile margins, limited growth visibility or forecasts not yet supported by recent performance. Companies with demonstrated cash flow, defensible earnings and identifiable downside protection remain better positioned to attract buyer interest and support valuation expectations. The anticipated Federal Reserve's September 2026 hike to 3.75% to 4.00% is likely to keep financing costs elevated.

For well-positioned lower-middle-market businesses, the concentration of capital in higher-quality assets creates opportunities to command premium valuations, even in a softer deal environment.

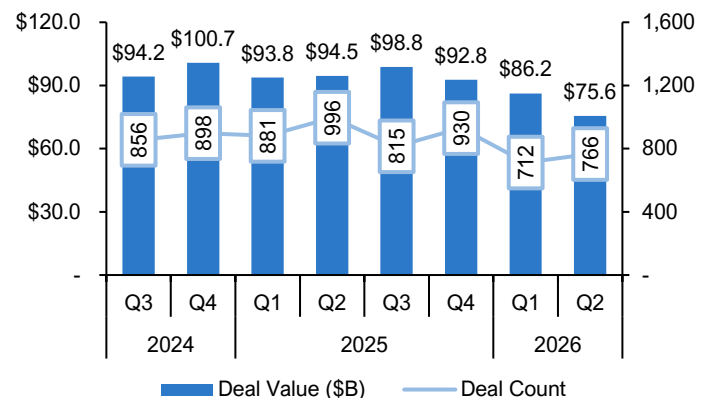
Source: PitchBook, Federal Reserve

Note: PE Deal Volume and Deal Value data includes private equity transactions and estimates closed prior to 6/30/2026; middle market ("MM") is defined as EV between \$25M and \$1B, with all figures subject to change in future quarters.

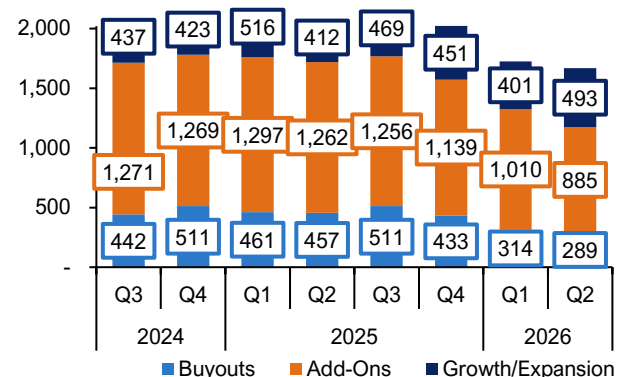
Q2 2026 MM Deal Activity

Volume:	766	+7.6%
Value:	\$75.6B	-12.3%

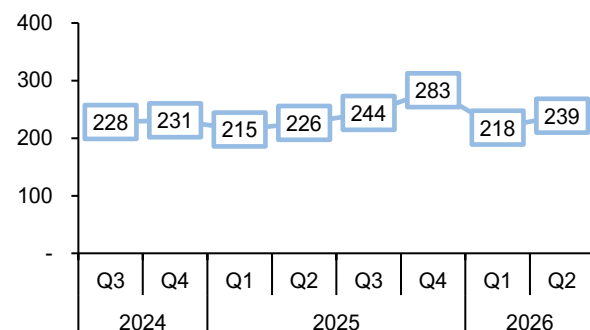
MM PE Deal Volume and Value (\$B)



Overall US PE Deal Count by Type



MM PE Exits Count



KSM Corporate Finance

Selling a business, buying a company, or raising capital are big decisions. You need advice that's practical, informed, and grounded in how businesses actually run.

KSM Corporate Finance provides lower-middle-market investment banking with a hands-on, straightforward approach that is backed by the expanded resources, industry depth, and integrated capabilities of KSM.

Our team brings deep M&A experience combined with KSM's national advisory platform – giving clients more perspective, more connectivity, and more support, without losing the high-touch experience clients have long valued.

One team. Integrated support. Practical advice.

Type	Expertise
Sell-Side Advisory	- Exit readiness and planning - Positioning and value narrative development - Buyer identification and outreach - Process management and negotiations
Buy-Side Advisory	- Acquisition strategy and target screening - Financial analysis and diligence support - Valuation, structuring, and negotiations
Capital Advisory	- Debt and equity alternatives - Lender and investor preparation - Recapitalizations and minority investments
Valuation & Strategic Alternatives	- Business and transaction valuation - Strategic alternatives assessments - Ownership and shareholder planning

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