



M&A INSIGHTS

Middle-Market Private Equity

Q1 2026

ksm
Corporate Finance

Middle-Market PE Update

Q1 2026 opened softer than Q4 2025, as deal volume and aggregate deal value both declined QoQ. The sharper decline in volume suggests buyers remained selective, favoring higher-value, differentiated assets.

Middle-Market Summary

Middle-market private equity activity opened 2026 with mixed results. Deal value declined 7.1% quarter over quarter to \$86.2 billion, while deal count fell 23.4% to 712 transactions. Median deal size increased to \$193.1 million from \$176.5 million in 2025, reinforcing continued investor preference for larger, higher-value assets with scale, durable margins and visible growth opportunities.

Financing conditions remained a key constraint. Credit was available for quality borrowers, but the 3.50% to 3.75% federal funds target range, tighter lending standards and more disciplined underwriting limited buyers' ability to rely on leverage alone.

Broader private equity activity softened quarter over quarter as strategic and financial buyers remained disciplined on valuation and underwriting rather than stretching to meet seller expectations. Add-on acquisitions accounted for 58.6% of U.S. private equity deal volume, reflecting sponsors' preference for lower-risk capital deployment into existing platforms with clearer strategic fit and greater execution certainty.

Exit activity cooled from a strong fourth quarter. Middle-market exit count declined to 218 from 283, while exit value fell to \$32.0 billion from \$39.5 billion. The slowdown appears driven less by a closed exit window and more by buyer discipline around price, asset quality and execution certainty.

Looking Ahead

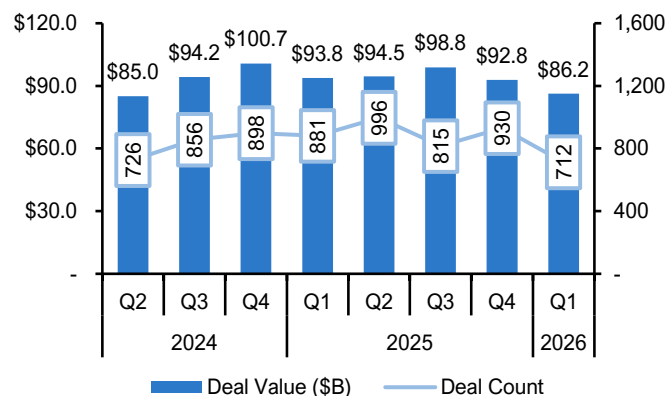
In the lower middle market, bid-ask spreads remain widest for businesses with customer concentration, inconsistent margins, limited growth visibility or forecasts not yet supported by recent performance. Companies with demonstrated cash flow, defensible earnings and identifiable downside protection remain better positioned to attract buyer interest and support valuation expectations.

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.

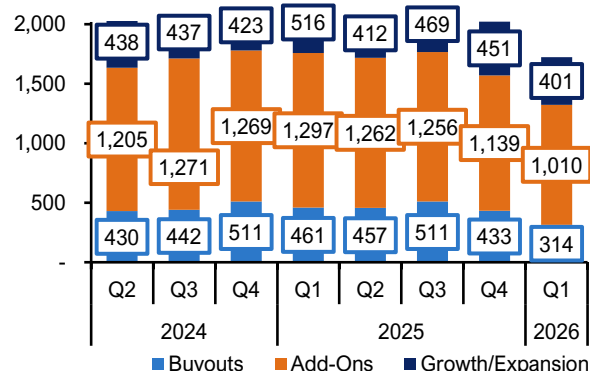
Source: PitchBook, Federal Reserve
 Note: PE Deal Volume and Deal Value data includes private equity transactions and estimates closed prior to 3/31/2026; middle market ("MM") is defined as EV between \$25M and \$1B, with all figures subject to change in future quarters.

Q1 2026 MM Deal Activity		
Volume:	712	-23.4%
Value:	\$86.2B	-7.1%

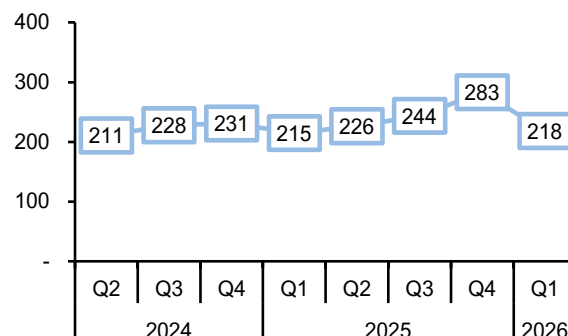
MM PE Deal Volume and Value (\$B)



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.

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With deep M&A experience and access to KSM's national advisory platform, KSM Corporate Finance helps clients gain perspective, identify opportunities, and move through transactions with confidence while maintaining a high-touch client experience.

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Type	Expertise
Sell-Side Advisory	<ul style="list-style-type: none"> Exit readiness and planning Positioning and value narrative development Buyer identification and outreach Process management and negotiations
Buy-Side Advisory	<ul style="list-style-type: none"> Acquisition strategy and target screening Financial analysis and diligence support Valuation, structuring, and negotiations
Capital Advisory	<ul style="list-style-type: none"> Debt and equity alternatives Lender and investor preparation Recapitalizations and minority investments
Valuation & Strategic Alternatives	<ul style="list-style-type: none"> Business and transaction valuation Strategic alternatives assessments Ownership and shareholder planning

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