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QUARTERLY M&A NEWSLETTER

DEAL insider

M&A and Strategic Transaction Insights

Q2 2026 edition

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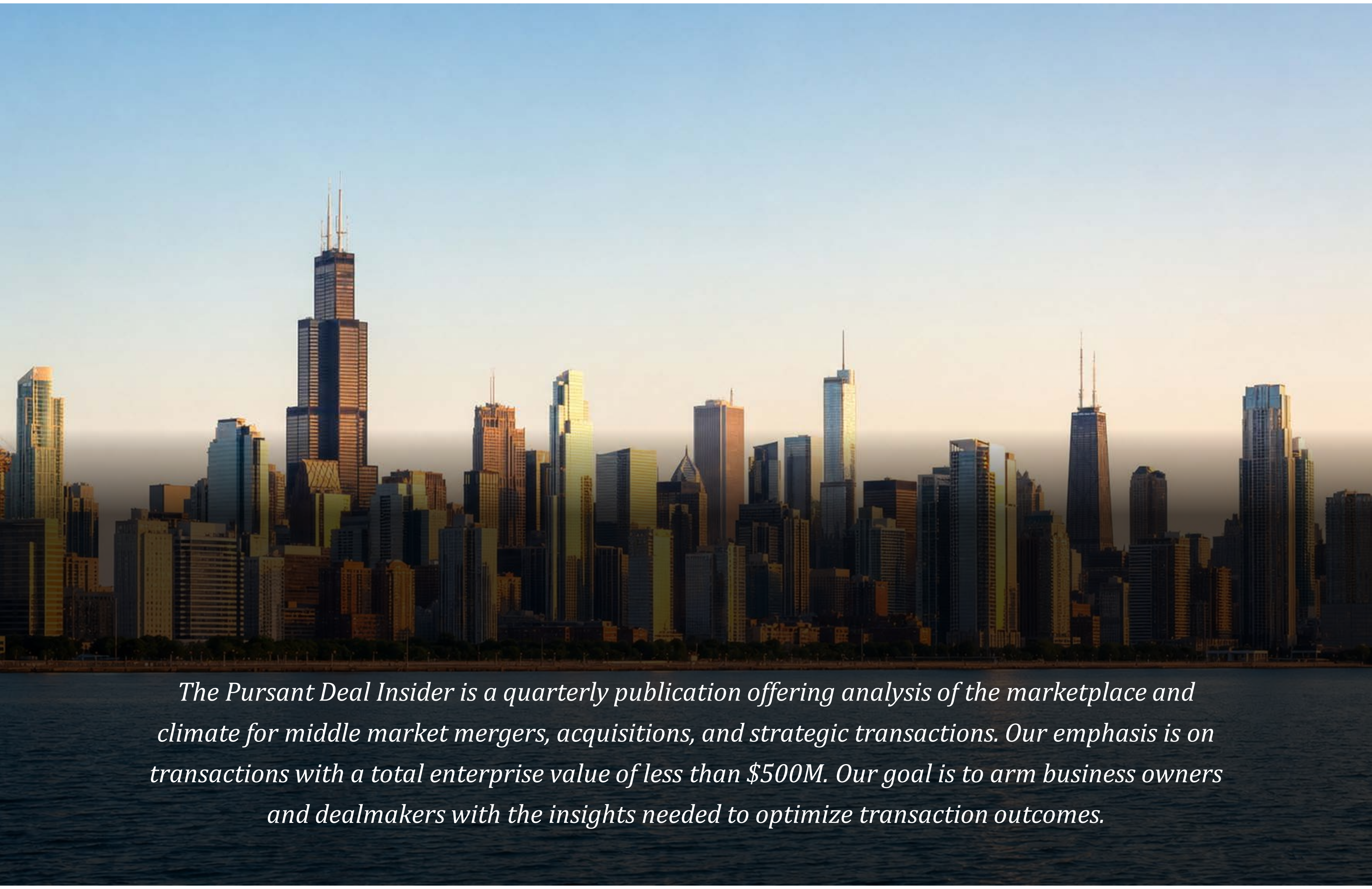
In This Issue

Q2 2026 HIGHLIGHTS

- Middle-market valuations remain resilient despite economic uncertainty
- Size matters: larger businesses command a significant valuation premium
- Strategic buyers remain the most active acquirers
- Tariff refunds create a new EBITDA normalization question

PURSANT'S THOUGHTS FOR 2026

- Quality and scale will drive valuation more than market conditions
- Strategic buyers remain an important source of competitive tension
- Tariff refunds and one-time items draw more scrutiny in quality of earnings
- Slower growth makes preparation and earnings quality more important



The Pursant Deal Insider is a quarterly publication offering analysis of the marketplace and climate for middle market mergers, acquisitions, and strategic transactions. Our emphasis is on transactions with a total enterprise value of less than $500M. Our goal is to arm business owners and dealmakers with the insights needed to optimize transaction outcomes.

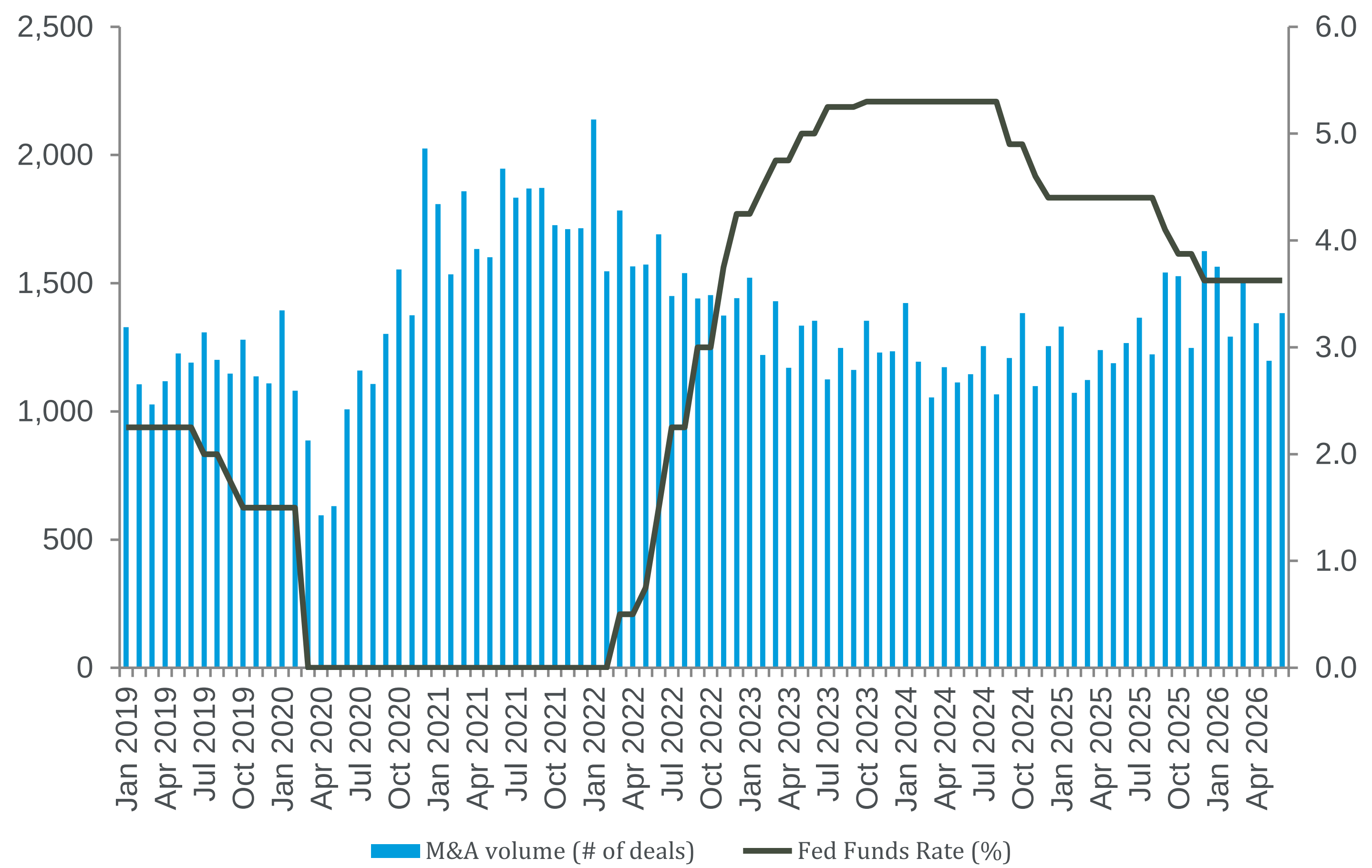
Q2 2026 M&A Activity Remains Active but Selective

+29%	+88%	3.63%
U.S. deals ≥ $100M — volume, YoY	U.S. deals ≥ $100M — value, YoY	Fed funds rate, June 2026

U.S. M&A activity remained healthy through Q2 2026, although the market continued to be characterized by selectivity rather than a broad-based surge in transactions. Larger strategic transactions showed considerable momentum, with U.S. deals of $100 million or more increasing 29% in volume and 88% in value during the April through June period compared with the prior year.

Private equity activity was more measured, with sponsors continuing to deploy capital but increasingly favoring smaller, easier-to-finance transactions as elevated borrowing costs and valuation gaps constrained larger platform acquisitions. In the private middle market, buyers remain active and capital is available, but underwriting discipline is high and activity favors high-quality businesses.

CHART #1 · 2019–2026 US M&A VOLUME (# OF DEALS) AND THE FED FUNDS RATE



Source: Factset®

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Middle-Market Valuations Continue to Defy Public-Market Volatility

6.9x

MEDIAN TEV/EBITDA, LTM Q2-26

RESILIENCE, NOT EXPANSION

One of the more interesting developments through the first half of 2026 is not that middle-market valuations have increased dramatically, but rather how resilient they have remained. PowerComps data for the twelve months ended June 30, 2026 shows a median TEV/EBITDA multiple of 6.9x across 205 transactions, compared with 6.5x for calendar 2025. Perhaps more importantly, PowerComps notes that middle-market valuations have remained relatively steady through approximately three and a half years of significant public-market and economic volatility.

WHY THE MIDDLE MARKET DECOUPLES

That reinforces something we frequently tell clients: the middle market does not always move in lockstep with the public markets. Private-company valuations are influenced by interest rates, economic growth and public-company multiples, but ultimately buyers are underwriting the expected future cash flows and risk profile of an individual business. For high-quality companies, capital remains available and buyers remain willing to pay attractive valuations. For average or challenged businesses, buyers continue to exercise considerably more discipline — a bifurcated market rather than a broadly rising or falling one.

PURSANT'S TAKE

Sellers should be careful about interpreting headlines about "the M&A market." There is increasingly no single M&A market. There is a market for exceptional businesses, a market for average businesses, and a market for challenged businesses. The valuation and buyer appetite for each can look very different. Source: PowerComps by TagniFi (Q2 2026 market update).

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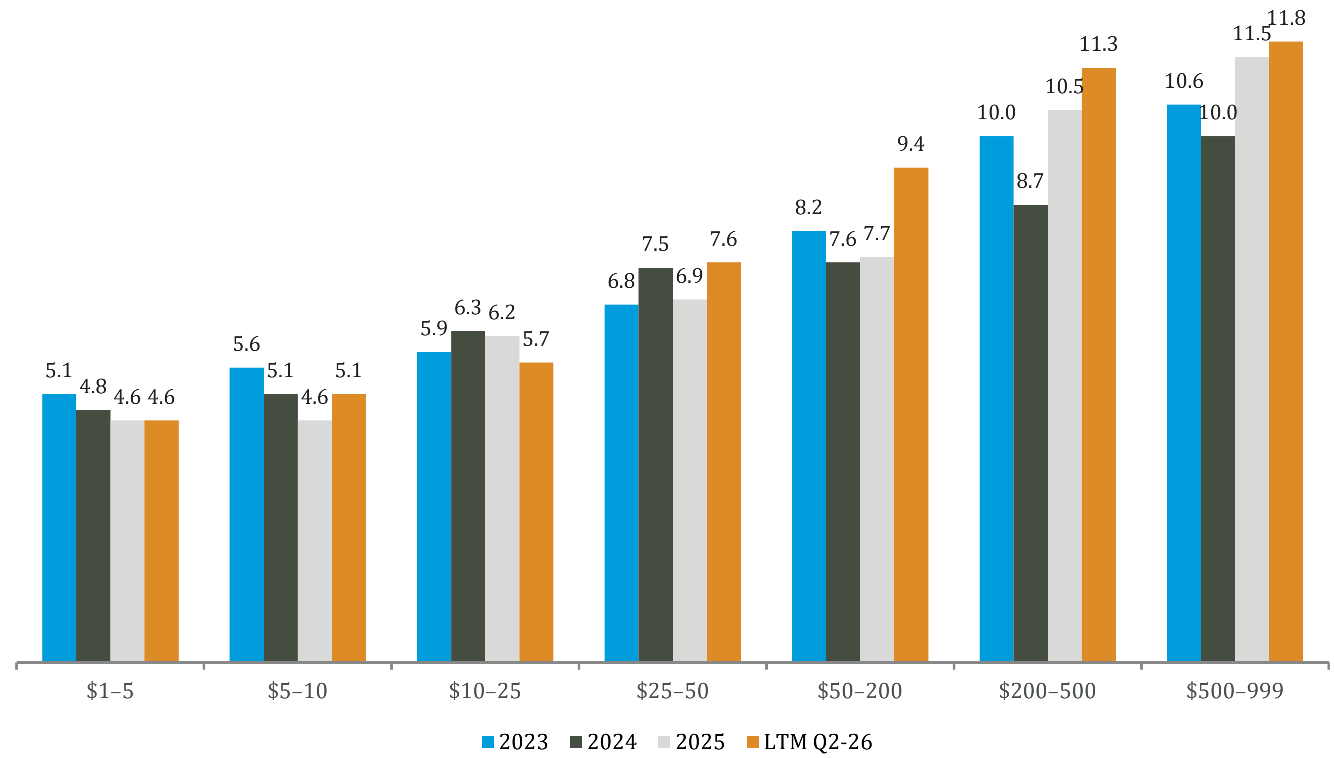
Size Matters: The Middle-Market Valuation Premium Is Significant

4.6x	5.7x	9.4x	+3.7x
$1–5M deals	$10–25M deals	$50–200M deals	size premium

Chart #2 · Median TEV/EBITDA by transaction size — medians, TEV in $MM



EBITDA defined

- For most middle-market businesses, valuation is expressed as a multiple of EBITDA — earnings before interest, taxes, depreciation, and amortization.
- It is a measurement of a company’s ability to generate cash flow, and a barometer of its health and performance.
- Multiples vary greatly with a company’s risk profile, the markets in which it operates, and the likelihood of continued returns.

Source: PowerComps by TagniFi, Market Update Q2 2026.

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Median TEV/EBITDA by Size Range

Medians by transaction size — TEV in $MM

Size range	2023	2024	2025	LTM Q2-26	Deals
$1–5	5.1x	4.8x	4.6x	4.6x	31
$5–10	5.6x	5.1x	4.6x	5.1x	25
$10–25	5.9x	6.3x	6.2x	5.7x	45
$25–50	6.8x	7.5x	6.9x	7.6x	30
$50–200	8.2x	7.6x	7.7x	9.4x	38
$200–500	10.0x	8.7x	10.5x	11.3x	22
$500–999	10.6x	10.0x	11.5x	11.8x	14
Total	6.0x	6.7x	6.5x	6.9x	205

Growing into a different valuation category

The size premium

- The Q2 PowerComps data demonstrates a dramatic relationship between transaction size and valuation. PowerComps describes this as the “size premium”: moving from the $10–$25 million transaction range into the $50–$200 million range represents an average increase of approximately 3.7 turns of EBITDA.
- Deal counts behind the medians: 227 (2023), 273 (2024), 213 (2025) and 204 (LTM Q2-26, as reported).
- That is a significant valuation difference — and it illustrates why growing a company before going to market can create value in two ways.

Two ways growth creates value

- First, higher EBITDA obviously produces greater enterprise value at the same multiple.
- Second, increased scale can move a business into a different buyer universe and valuation category, potentially producing multiple expansion on top of earnings growth.
- Increasing EBITDA from $4 million to $8 million does not necessarily mean simply doubling enterprise value. If that growth also increases scale, management depth, customer diversification and institutional quality, the company may command a higher multiple on the larger EBITDA base.

Source: PowerComps by TagniFi, Market Update Q2 2026 — approved deals on or before June 30, 2026.

Pursant’s Take

Ask whether additional growth can move the business into a different valuation category.

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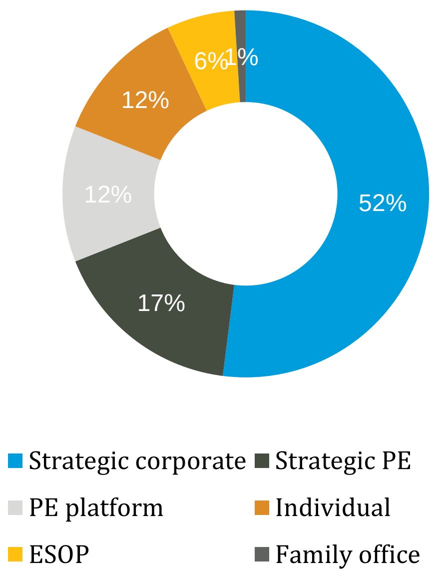
Who Is Buying? Strategic Buyers Continue to Dominate

Chart #3 · Buyer mix — 817 transactions, LTM ended June 30, 2026

Share of transaction volume



Median multiple by buyer type

Buyer type	Share	Median
Strategic corporate	52%	7.2x
Strategic PE	17%	6.6x
PE platform	12%	6.9x
Individual	12%	4.6x
ESOP	6%	6.2x
Family office	1%	5.5x

What the buyer mix does — and does not — tell you

- Strategic corporate buyers represented 52% of deal volume, substantially more than any other buyer category; strategic private equity accounted for another 17% and PE platform investments for 12%.
- Strategic corporate transactions also tend to be larger — their median transaction value was approximately $40 million — so some of the apparent strategic premium reflects deal size rather than buyer type.
- Controlling for size on businesses with $2–$5 million of EBITDA, strategic PE buyers paid the highest median multiple at 6.5x, against 6.1x for strategic corporate buyers and 6.0x for financial platforms.
- The buyer most capable of paying the highest price is often the buyer that can create the greatest incremental value.

Source: PowerComps by TagniFi, Market Update Q2 2026.

Pursant's Take

Sellers should not assume that a strategic buyer will automatically pay more than private equity.

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First There Was EBITDAC. Now There Is EBITDAT.

One adjustment, then the next

EBITDAC — the COVID adjustment

EBITDAT — the 2026 adjustment

The tariff-refund question

What changed

- During COVID, dealmakers jokingly began calling adjusted EBITDA “EBITDAC,” with the “C” standing for the extraordinary impact of COVID-related disruptions. In 2026, a new normalization issue has emerged: tariff refunds.
- Following the Supreme Court’s February 2026 decision invalidating certain tariffs imposed under the International Emergency Economic Powers Act, approximately $166 billion of tariffs became subject to repayment to affected U.S. importers and businesses.
- The Bureau of Economic Analysis classifies the refunds as a capital transfer from the federal government, because they are not associated with current-period production or ongoing tariff policy. That creates an interesting M&A question: if a company receives a substantial tariff refund, should it be included in EBITDA?

Why buyers will not simply add it back

- Our view is that, in most cases, buyers are unlikely to give a seller full valuation credit for a one-time tariff refund simply because it appears in reported earnings.
- Consider a company that historically generates $5 million of EBITDA and receives a $2 million tariff refund in 2026. Reported EBITDA might appear to be $7 million. At a 7.0x multiple, treating the entire refund as recurring EBITDA could theoretically create $14 million of additional enterprise value from a $2 million one-time payment. That obviously does not make economic sense.
- This is not just theoretical. One public company reporting Q2 2026 results separately reconciled a $25.4 million tariff refund credit out of adjusted EBITDA. Its reported adjusted EBITDA was $40.9 million, but only $15.5 million after excluding the tariff refund.

Source: Pursant, LLC analysis; Bureau of Economic Analysis

Pursant’s Take

A tariff refund can increase the cash a seller receives without meaning it should increase EBITDA.

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But There Is Another Side to the Analysis

Removing the refund is not the whole answer either

- Suppose the seller previously absorbed tariffs that depressed historical EBITDA. If those tariffs were improperly imposed and are subsequently refunded, simply removing the refund from EBITDA may not tell the whole economic story either.

What a buyer's quality-of-earnings provider will ask

- When were the original tariff expenses incurred?
- Were those costs included in historical COGS?
- Were tariff costs passed through to customers through higher pricing?
- Did the company absorb some or all of the tariffs?
- Is the refund associated with expenses occurring inside or outside the relevant trailing EBITDA period?
- Are any tariffs continuing prospectively?
- Has pricing changed now that the tariffs have been eliminated?
- Is the refund legally certain and collectible, or merely anticipated?

Welcome to EBITDAT

- Just as COVID required buyers and sellers to separate temporary disruption from sustainable earnings, tariff refunds require the same discipline. The question is not "did the company receive the money?" It did. The question is "what does the refund tell us about the company's sustainable future earnings?"
- Buyers value businesses on expected future cash flow, not one-time accounting benefits. Sellers should prepare a clear bridge showing historical tariff expense, customer pricing actions, refunds received or expected, and the normalized go-forward impact.

The normalization objective

Determine normalized ongoing earnings without either the extraordinary tariff burden or the extraordinary refund.

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The Real Deal Behind the Headline

29%

OF DEALS ≤ $50M CARRY AN EARNOUT

ANNOUNCEMENTS RARELY REVEAL THE REAL ECONOMICS

When a public company is acquired, investors typically have considerable visibility into the transaction. Private-company M&A is different. We routinely see announcements that a company was "acquired," "partnered with" a private equity firm or "sold in a transaction valued at $100 million." Behind an announced valuation can be a surprisingly complex structure: cash at closing, rollover equity, an earnout, seller financing, escrow or other contingent consideration. Debt assumed or refinanced, working-capital adjustments, transaction expenses and indemnification exposure can further affect what the seller ultimately realizes.

EVEN THE MULTIPLE CAN MISLEAD

A transaction reported at 10x EBITDA may be based on adjusted or pro forma EBITDA rather than the earnings shown on the seller's historical financial statements. Adjustments may include owner compensation, run-rate savings, pricing actions, acquisitions, synergies or other negotiated items — so two transactions both described as "10x deals" can have very different underlying economics. This matters more as structure bridges valuation and risk: SRS Acquiom data shows 29% of transactions of $50 million or less included an earnout, rising to 35% at $25 million or less, and rollover equity has become an increasingly important component of middle-market structures.

PURSANT'S TAKE

Comparable transaction data needs context — enterprise value, cash at closing, the definition of EBITDA, rollover terms, earnout mechanics, escrows, working-capital adjustments and the treatment of debt can all materially change the economics without changing the headline. The headline numbers make the news. The structure, definitions and conditions determine the economics.

Sources: SRS Acquiom, 2026 Deal Terms Study; GF Data / Middle Market Growth, 2026.

"A $100 million deal is not necessarily a $100 million check, and a 10x transaction is not necessarily 10x the EBITDA appearing on the seller's financial statements."

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The US Macroeconomic Picture for Q2 2026

1.5%	3.5%	53.3	3.50–3.75%
Real GDP growth, Q2 2026	CPI inflation, June 2026	ISM Manufacturing PMI	Fed funds target

Growth — moderating but resilient

- The economy expanded at an annualized 1.5% in Q2 2026, slowing from 2.1% in Q1 and matching the preliminary estimate.
- Personal consumption surged 3.4%, the strongest increase since Q3 2025; fixed investment climbed 7.0%, led by an 8.5% jump in nonresidential investment as equipment and IP spending benefited from strong AI demand.
- Government spending fell 1.0% and net exports weighed on growth, as imports surged 12.5% against a 4.5% rise in exports.

Inflation — first decline in five months

- Headline CPI fell to 3.5% in June 2026 from 4.2% in May, below forecasts of 3.8%; month-over-month the CPI decreased 0.4%, the largest fall since April 2020.
- Energy costs rose 15.7% year-over-year, well below May's 23.5%, as the ceasefire between the US and Iran eased pressure on the energy component.
- Core inflation eased to 2.6% from 2.9%, below forecasts of 2.8%.

Business confidence — expansion, more slowly

- The ISM Manufacturing PMI fell to 53.3 in June 2026 from 54.0 in May, below expectations of 54. A reading above 50 indicates expansion; below 50, contraction.
- Output (52.2 vs 54.3) and new orders (56.0 vs 56.8) grew more slowly; employment stayed in contraction at 49.7, though job losses eased.
- The prices index fell sharply to 73.0 from 82.1, easing cost pressure, but respondents still cite inflation, interest-rate risk and tariff/trade policy uncertainty as headwinds.

Monetary policy — on hold, and divided

- The FOMC maintained the federal funds rate at approximately 3.50%–3.75% at the end of Q2 2026.
- June minutes show officials divided: upside risks to inflation were assessed as elevated, and a few saw a case for raising rates given strong AI-related demand, the Middle East conflict and tariff effects.
- Under their most likely outlook, many officials expected rates to end the year at or slightly below the current level.

Source: Trading Economics®.

Where this leaves the cycle

Neutral to Buyer-favorable; where a sector is hurt by the cost of capital, the Buyer has the edge.

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When Due Diligence Becomes Confirmation

“

Pursant’s Take — getting the deal done is not the goal. Getting the right deal done is.

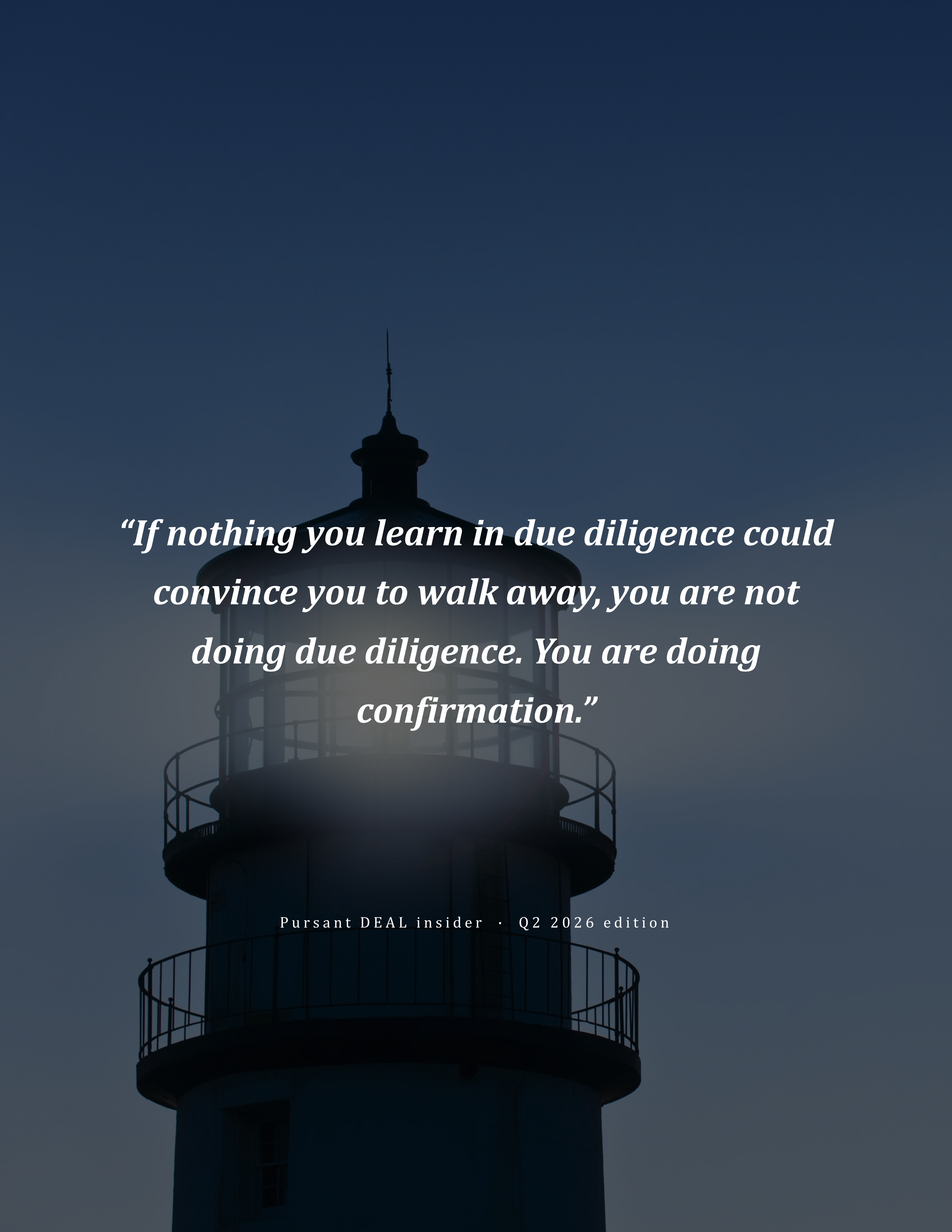
We often tell buyers and sellers that for the buyer, the deal is business. For the seller, the deal is personal. But sometimes the deal becomes personal for the buyer too.

It can happen when a buyer becomes overly invested in “doing a deal” or “doing this deal.” Those are two different traps. “Doing a deal” can happen when a buyer has committed to an acquisition strategy, spent months looking at opportunities, and feels pressure to finally get something done. “Doing this deal” happens when the buyer becomes emotionally attached to a particular company and starts envisioning what the combined business could become. Either can subtly change the purpose of due diligence from investigation to confirmation.

The closer you get to closing a deal, the harder it becomes to walk away. By the time a buyer gets deep into due diligence, it has invested significant time, money and energy — and there can be a significant emotional investment in getting the deal done.

Then diligence uncovers something you do not like, and you rationalize the concerns: customer concentration becomes “manageable,” declining margins become “temporary,” a weak management team becomes “something we can fix.” Instead of evaluating the new information objectively, it becomes easy to start explaining it away because you already want the deal.

Sometimes diligence confirms the thesis, sometimes it changes the deal, and sometimes it tells you to walk away — the process working exactly as intended.



“If nothing you learn in due diligence could convince you to walk away, you are not doing due diligence. You are doing confirmation.”

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Pursant’s Expectations for the Balance of 2026

WHAT WE EXPECT

We remain cautiously constructive on middle-market M&A for the balance of 2026. Valuations have proved resilient, but scale and company-specific quality are the major drivers of price.

Strategic buyers should stay relevant where a deal creates real synergies; private equity active, but selective.

FOR SELLERS, AND FOR BUYERS

For sellers, preparation matters: quality of earnings, defensible normalization, management depth and a clear growth story drive both valuation and certainty.

For buyers, discipline still matters more than enthusiasm — the best deal may be the one not completed.

OUR EXPECTATION

Premium outcomes will continue to accrue disproportionately to businesses that combine scale, quality, predictable cash flow and strong preparation.

About Pursant

Pursant is a middle market advisory firm specializing in M&A, private capital market financing, transaction advisory services, financial leadership support and business value enhancement consulting. We use a deep immersion process, our expansive networks and experience as owner/operators, dealmakers and financial professionals to achieve optimal outcomes throughout the lifecycle of a company.

OUR SERVICES

INVESTMENT BANKING

Profitable exits, partial liquidity events, acquisitions, and the capital to fund corporate ambitions.

- Sell-Side M&A Advisory
- Buy-Side M&A Advisory
- Capital Markets Advisory

FINANCIAL CONSULTING

Big 4 and large-firm professionals augmenting your finance team, running pre-transaction diligence, and managing post-close matters.

- Quality of Earnings (QoE) Analysis
- Interim & Fractional Finance Leadership
- Business Valuations
- Finance & Accounting Function Optimization
- Financial Planning & Analysis (FP&A)
- Post-Transaction Finance & Accounting Matters

BUSINESS VALUE ENHANCEMENT

Analyzing the business, identifying value-enhancement opportunities, and building roadmaps that lift performance and enterprise value.

- Exit Strategy Planning
- Business Value Optimization
- Executive Search
- Leadership Coaching
- Market Intelligence

WHAT OUR SERVICES DELIVER

Confidence for our clients to navigate strategic transactions and complex financial matters

Enhanced enterprise value

Optimized leadership performance

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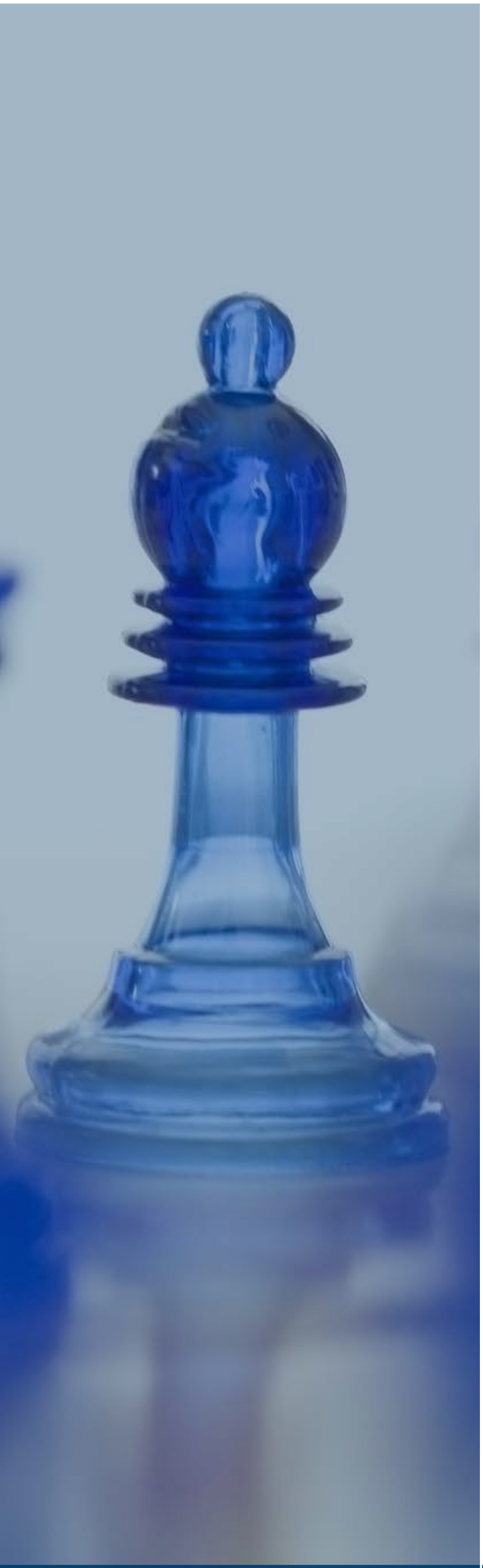
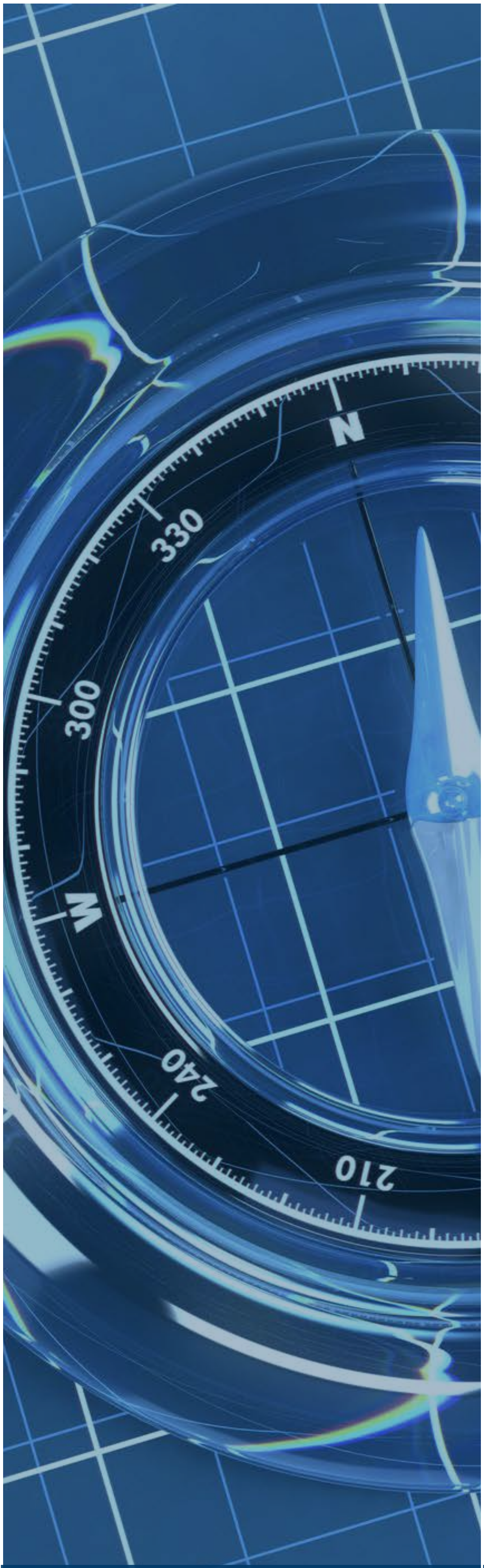


M&A and strategic transactions



Private capital market financing

Value enhancement consulting