



Middle Market Quarterly Review

February 2026



1

Middle Market Momentum

Deal making in the third quarter of 2025 indicated strong momentum and resilience with total value of deals finishing at its highest level since 2022. This highlights the appetite of acquirers that have been juggling challenging market conditions over the past several years.

2

Strong Performers Remain Sidelined

Companies with above average financial characteristics continue to make up a muted percentage of deal flow. These owners have insisted on higher pricing expectations while maintaining elevated market concerns. As the fed continues to strive for lower rates and the macro environment eases, these sellers returning to the marketplace should serve as a further tailwind for M&A activity.

3

Moving Back Up the Scale

In recent quarterly reports we have pointed out that buyers were moving down the enterprise value scale to increase deal flow. This dynamic has evolved. While transactions at lower enterprise values remain elevated the valuation gap to larger enterprises is widening. Buyers of larger platforms with scale to weather macro turbulence and balance sheets more befitting to creditworthiness are willing to pay up to capture these attributes.

4

Add-On Acquisitions Remain Attractive

While large enterprises are commanding higher valuations, buyers are not shelving growth through roll-up strategies. Add-on acquisitions maintained a high share of total deal count at 39% through the first nine months of 2025. Further, valuations multiples continue to be attractive for such transactions. It remains a favorable time for sellers of smaller enterprises that may attract lesser amounts of large institutional capital.

5

Looking Ahead: Loosening Conditions?

In 2025 the fed cut rates three times and the market is currently pricing in an additional cut in 2026. Geopolitical concerns started the year off rocky and while they remain elevated, tensions moderated by the end of 2025. This month, big banks have reported Q4 earnings and an increase in projected revenue from investment banking has been mostly consistent. Collectively, these factors may signal loosening conditions that could lead to increased deal making across the entire M&A landscape.



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