A Market Pricing at Two Speeds: Mid-2026 M&A Dynamics and What Business Leaders Should Do About Them

by **DON BRAVALDO, CPA**

Global mergers & aquisitions is on pace for one of its strongest years on record. Sit across the table from a business owner in the middle-market, however, and you are just as likely to hear about a deal that stalled, a financing package that came in tighter than expected or a process pushed into next year. Both pictures are accurate, and reconciling them is the task at hand, because the second half of 2026 will reward owners who understand precisely which of these two markets they occupy.

This is a market pricing at two speeds. At the top, a handful of enormous transactions are inflating every headline number. Underneath, a much larger population of lower middle-market deals is moving more cautiously, financing more selectively and pricing with real discipline. That pattern holds globally, nationally, and, in its own form, in the U.S. lower middle-market, where most of Bravaldo Capital Advisors' clients live. The signal you take from "M&A is booming" depends entirely on which layer you are standing in.

THE GLOBAL PICTURE: RECORDS AT THE TOP, RESTRAINT UNDERNEATH

Global M&A value in the second quarter of 2026 came in at an estimated $1.3 trillion, down 18.4 percent from the first quarter's record $1.6 trillion, but still up a striking 35.3 percent from the same quarter a year earlier. Deal count barely moved, with an estimated 11,880 transactions, up 3.4 percent year-over-year and down just 2.4 percent from Q1. Deal value swinging upward while deal count remains nearly flat is the tell. This means the market's aggregate value is being driven by a small number of very large transactions, not a broadening of everyday dealmaking. Transactions valued at $5 billion or more accounted for $553 billion across just 34 deals, representing over 42 percent of all global M&A value from roughly three-tenths of one percent of all transactions.

Two other data points round out the picture. First, pricing held. Even as volume swung, the median EV/EBITDA multiple across North America and Europe stayed at 10.2x on a trailing-twelve-month basis, squarely within its long-run range and up a half-turn above the 9.7x recorded in 2024. Sellers are not capitulating on price, and buyers are not chasing discounts; they are simply transacting more selectively. Second, the buyer mix shifted toward strategics. Global buyout and LBO value fell 35.7 percent quarter-over-quarter to $287.3 billion, while strategic M&A value held at $892.7 billion. The Federal Reserve's continued decision to hold rates steady, combined with the European Central Bank's surprise hike in June (its first since 2023, in response to the Middle East energy shock), made leveraged buyouts harder to finance. Corporates stepped into the vacuum left by sponsors, funding transactions through equity consideration, existing debt facilities, and balance-sheet cash rather than tapping the credit markets.

THE U.S. PICTURE: TWO DEALS TELL MOST OF THE STORY

North American M&A value reached $787 billion in Q2, down 24.3 percent from Q1, a sharper pullback than Europe's comparatively modest 6.4 percent decline. Strip out just two transactions, the $118.5 billion Dominion Energy-NextEra Energy pending merger and the $60 billion Cursor acquisition, and the region's underlying activity looks considerably softer than the headline suggests.

Private equity was largely a spectator at the top of the U.S. market this quarter. Both marquee deals were strategic, stock-funded transactions, precisely the kind of purchasing power public companies with elevated share prices have and sponsors dependent on credit markets do not. A friendlier antitrust backdrop reinforced that dynamic: the FTC and DOJ resumed granting early termination for deals with no competitive concerns, and a federal court vacated the expanded 2024 Hart-Scott-Rodino premerger filing rule. The practical effect is a market where clearance timing, not outright prohibition, is the real risk, and strategic acquirers have read that as an invitation to pursue scale.

Sector performance diverged sharply. Energy ran far above its five-year average, with deal value reaching an estimated $217 billion for the quarter, up 385.5 percent year-over-year and powered substantially by the structural demand story around AI data centers and grid power. Healthcare posted its clearest growth quarter of the year, up 71.6 percent year-over-year, driven by broad-based buying tied to an upcoming wave of patent expirations forcing large drugmakers to acquire late-stage assets. IT captured the quarter's central tension in a single sector: strategic AI-driven megadeals remained hot, while sponsor-led software buyouts effectively collapsed, falling more than 60 percent quarter-over-quarter. Financial services and materials & resources, by contrast, sat well below their five-year norms, with financial services M&A value hitting a two-year low as the prior wave of bank and insurance consolidation paused.

THE U.S. MIDDLE MARKET: A TWO-TIER MARKET WITHIN THE TWO-TIER MARKET

This is where it gets most relevant to BCA's clients, and where the data, from GF Data's Q1 2026 report, the most reliable read on private, PE-sponsored transactions between $10 million and $500 million, tells its own distinct and genuinely encouraging story.

For all of 2025, the lower middle-market exhibited an inverse relationship between volume and pricing: busy quarters were priced cheaply, while quiet quarters produced rich multiples, as if the market could not sustain both strong volume and strong pricing at the same time. Q1 2026 broke that pattern for the first time in five quarters. GF Data's contributors reported 80 completed transactions at an average of 7.3x trailing twelve-month adjusted EBITDA, both metrics exceeding full-year 2025 levels and moving together rather than trading off against each other.

But the encouraging headline conceals a market that is no longer pricing transactions as a single cohort. It is pricing them as two. Platform pricing rose to 7.6x from 7.2x in 2025, while add-on pricing fell to 6.5x from 6.9x over the same period. That 1.1-turn spread is the widest on record in GF Data's series, representing a sharp reversal from 2022 and 2023, when add-ons traded at a slight premium to platforms. The mechanism is entirely financing-driven: senior debt pricing on platform deals fell roughly 85 basis points during the quarter, and platform leverage increased materially, with total debt climbing to 3.9x EBITDA and senior debt to 3.3x, both multi-year highs. Add-ons, which typically draw on an existing platform's credit facility rather than fresh syndications, simply did not see that same tailwind. Sponsors buying platforms and sponsors buying add-ons are, in a very real sense, operating in two different capital markets right now.

The quality story moved in a similarly instructive direction. The "quality premium" (the pricing reward for above-average financial performance, defined as EBITDA margins and revenue growth both comfortably above market norms) widened to 7 percent in Q1, up from a record-low 2 percent in 2025. The mechanism matters: that widening came almost entirely from softer pricing on lower-quality assets, not stronger pricing on premium ones. Buyers reasserted discipline at the bottom of the quality spectrum rather than paying up further at the top. The size premium told a parallel story, normalizing back to its long-term average of 2.6 turns between the $10–$100 million and $100–$500 million platform cohorts, after compressing to 2.3 turns in 2025.

Sector rotation was the final, and perhaps most important, surprise. Through 2025, the prevailing narrative held that business services were a safe haven, while manufacturing carried the tariff and macroeconomic risks that made it the sector to avoid. Q1 2026 inverted both halves of that story. Manufacturing led the major sectors, with average pricing rising to 7.2x from 6.6x on the highest quarterly manufacturing deal count in five quarters (26 transactions), driven largely by resilient B2B activity. Business services, meanwhile, cooled for the first time in three years, down to 7.0x from 7.3x, with the softening concentrated almost entirely in transactions under $25 million. Healthcare services held its historical premium at 8.5x; distribution eased modestly to 6.7x. GF Data itself calls this directional rather than a confirmed paradigm shift, but it is the sharpest sector reversal the data has shown in years, and it deserves owners' attention regardless of which side of it their business sits on.

WHAT BUSINESS LEADERS SHOULD BE WATCHING

Pulling these three layers together, here is what we believe matters most for owners and executives thinking about capital, growth or a transaction over the next twelve months.

Know which market you are actually selling into. "The M&A market" is really at least three markets layered on top of one another: a megadeal market setting the headlines, a strategic-versus-sponsor market where financing access determines who can compete for the largest assets, and, within the lower middle-market itself, a platform-versus-add-on market where financing terms diverge by more than a full turn of EBITDA. If your business is a platform-scale opportunity in a consolidating sector, you are pricing into real tailwinds. If you are more naturally an add-on candidate, your buyer pool has less fresh financing behind it than the headlines suggest, so competitive process design matters more than ever.

Track your sector's momentum, not last year's narrative. The reversal between manufacturing and business services is the clearest lesson of the first half: the sector that was considered "safe" in 2025 cooled, while the sector everyone was told to avoid led the market. Treat sector positioning as a variable to monitor each quarter, not as a fixed label for the year.

Understand that pricing discipline, not price collapse, is the story. Global, national, and lower middle-market multiples all held remarkably steady even as deal volumes swung sharply, which is meaningfully different from a downturn. Well-prepared, well-performing businesses are still receiving strong valuations, but buyers have stopped extending that same treatment to lower-quality assets. The gap between a well-documented, above-average performer and an average one is widening because buyers are pulling back on the latter, not paying more for the former.

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Recognize that scale is securing better financing terms than it has in years. The 85-basis-point improvement in platform senior debt pricing, and the jump in platform leverage to multi-year highs, is a direct, measurable advantage for larger transactions. For an owner sitting near a size threshold, say, close to the $25 million or $100 million enterprise value marks where GF Data shows the clearest step-ups, there may be real value in scaling further before a sale, or in structuring the deal to be marketed as a platform rather than an add-on.

Plan around a genuinely uncertain rate and geopolitical backdrop. The Fed dropped forward guidance at its June meeting, while the ECB's raised rates for the first time since 2023, reversing the direction of policy in response to the Middle East energy shock. Together, these developments underscore how quickly the financing environment can change. Financing costs and availability could move more sharply in either direction over the next two quarters than at any point since 2022, so deal timelines and capital plans should account for that volatility rather than assume today's terms will hold.

Take advantage of a friendlier, though not frictionless, antitrust environment. For strategic buyers and sellers, clearance risk has genuinely eased in the U.S., even as the regulatory environment becomes more nuanced in Europe, a real and underappreciated tailwind for corporate buyers positioned to pursue on scale.

Prepare your financials as if the "above-average performer" test is being applied to you, because it is. With the quality premium now driven by buyers discounting weaker assets rather than rewarding stronger ones, clean, well-documented margins and revenue growth are no longer nice-to-haves that earn only a modest premium. Increasingly, they are the baseline criteria determining whether a business is valued in the upper or lower half of its peer group.

HERE IS WHAT WE ARE HEARING

Conversations with private equity funds, lenders and BCA's advisory network echo the data closely. Buyers describe underwriting the risk of AI disruption in software targets far more carefully than they did a year ago, while showing renewed conviction in manufacturing and industrial platforms that were out of favor twelve months earlier. Lenders confirm the bifurcation directly: platform financing is genuinely competitive again, with senior debt pricing improving and leverage available at levels not seen since 2022, while add-on financing, still largely drawn against existing facilities, has seen little movement. Several advisors note that structured terms, particularly earnouts, are doing more of the work to bridge buyer and seller expectations than direct negotiations over multiples, consistent with a market pricing selectively rather than uniformly.

ENTHUSIASM AMID CAUTION

We enthusiastically support the growth plans of private business owners while never hesitating to recommend caution when warranted. With that in mind, we offer the following counsel to business owners who may or may not be considering a sale.

- **Get an honest assessment on whether you are a platform or an add-on in your buyers' eyes**, and structure your process accordingly. The financing environment behind each is genuinely different right now.
- **Benchmark your margins and growth against GF Data's above-average performer thresholds** before going to market, not after a buyer points out the gap.
- **Do not assume last year's sector narrative still holds.** Get a current read on where your industry sits in its consolidation and pricing cycle before setting expectations and strategy.
- **Explicitly incorporate interest rate and financing volatility into your planning.** With the Fed's guidance more opaque than it has been in years, a financing plan that works only under today's terms is a fragile one.
- **If you are a strategic seller, the antitrust backdrop is more favorable than it has been in years,** worth factoring into how you think about buyer pools and timing.
- **Keep your financial reporting clean and audit-ready.** In a market that rewards documented quality and penalizing everything else, this is the single highest-leverage action most owners can do before a process begins.
- **A well-performing, well-prepared business still commands a strong price.** Despite a genuinely volatile first half, pricing discipline across every layer of the market, global, national, and lower middle-market, confirms that quality companies command favorable pricing and great companies command premium pricing.

The mid-2026 environment is not one story but several, stacked on top of one another: a record-setting headline market, a strategic-versus-sponsor divide reshaping who can compete for scale, and a lower middle-market segment that rewards platforms and quality performers while quietly tightening on everyone else. None of this is cause for panic. As in every cycle through which we have advised, this is a period that rewards owners who understand which market they are operating in, prepare accordingly, and remain disciplined about timing and expectations.

At Bravaldo Capital Advisors, www.bravaldocapitaladvisors.com, we are ready to support M&A and Corporate Finance clients navigating today's environment in pursuing life-changing mergers and acquisitions or corporation growth opportunities.

Sources: PitchBook, "Q2 2026 Global M&A Report" (published July 9, 2026); GF Data, an ACG Company, "Q1 2026 M&A Report" (published May 18, 2026); Federal Reserve, FOMC statement, June 17, 2026; European Central Bank, monetary policy decision, June 11, 2026; Bureau of Labor Statistics (2026 CPI and employment releases); ACG Atlanta / Datasite, "M&A South 2026" panel insights; Bravaldo Capital Advisors, "M&A and Private Debt Market Observations: Recap 2025 and Outlook for 2026" (July 2026).

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