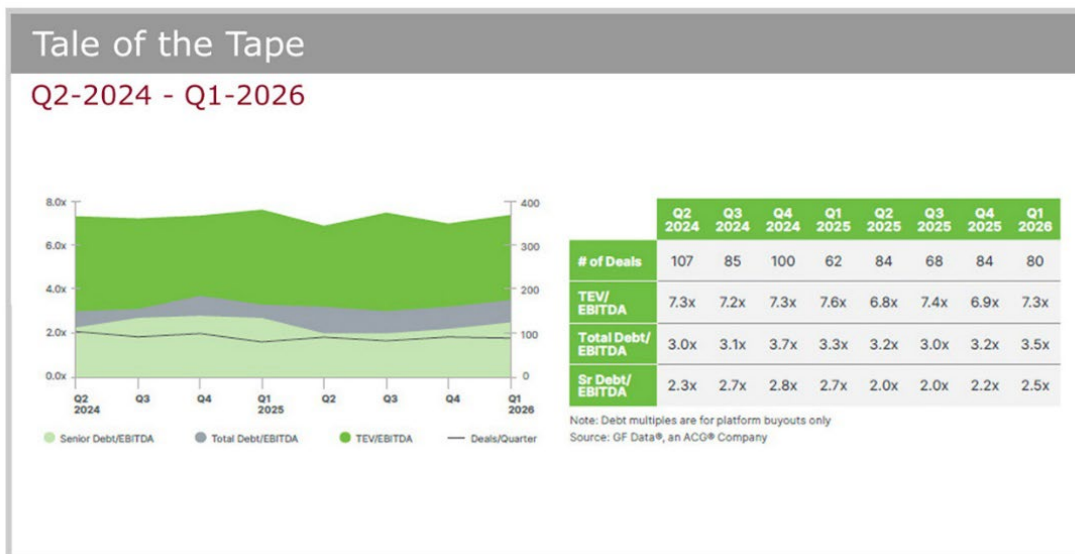




If you are a middle-market business owner looking at the current landscape, the latest figures from a recently published report by GF Data, a database of private company transactions, show that the market for selling companies started the year on much steadier ground. Private Equity buyers completed 80 mid-



sized business sales at an average valuation of 7.3 times their yearly cash flow (EBITDA), a welcome upt from last year's choppy conditions. This rebound happened because banks and lenders finally loosened their purse strings, making it cheaper and easier for buyers to secure big corporate loans. In fact, overall debt funding jumped to its highest level since 2022, allowing buyers to put more borrowed money toward purchasing large, standalone companies.

However, this does not mean every business is seeing a bump in value; the market has actually split into two very different tracks. Buyers who are setting up major new standalone investments—which we call "platforms"—can easily tap into this new bank funding and are paying premium prices averaging 7.6 times cash flow. On the flip side, smaller businesses being bought just to get absorbed into an existing company—known as "add-ons"—are stuck using older, tighter credit lines. Because of this funding gap, add-on valuations actually softened to an average of 6.5 times cash flow, creating the widest pricing gap we have seen in years between large and small deals.

We are also seeing massive shifts in what industries buyers want and how picky they are being. Manufacturing businesses experienced a huge comeback as business-to-business activity firmed up, while the hot business services sector cooled down for the first time in three years. Furthermore, buyers are getting much more disciplined about financial health. The price gap between high-performing companies and struggling ones widened significantly, not because buyers are paying extra for the best businesses, but because they are aggressively cutting their offers on lower-quality companies. If you are thinking about a sale, presentation and true operational strength will matter more than ever.

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NOTICE:

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