M&A Quarterly Update: 2025 Second Quarter

COLONNADE

Mergers & Acquisitions
Capital Raising
coladv.com

Welcome to Colonnade Advisors' quarterly update on middle-market M&A activity. Colonnade has successfully advised on numerous middle-market deals in recent years, leveraging deep industry expertise in the financial services and business services sectors.

In this report, we examine key M&A trends from the second quarter of 2025, including recent transaction activity, valuation dynamics, and the factors influencing deal flow. We also provide insights into sector-specific developments—highlighting the financial services industry—and take a closer look at private equity activity.

Our analysis examines the forces shaping the middle market and provides valuable perspectives for business owners, investors, and industry leaders.

OUR QUARTERLY UPDATE COVERS:

1. Quarterly Middle-Market M&A Activity
2. Quarterly Financial Services M&A
3. Transaction Multiples
4. Private Equity Middle-Market Activity

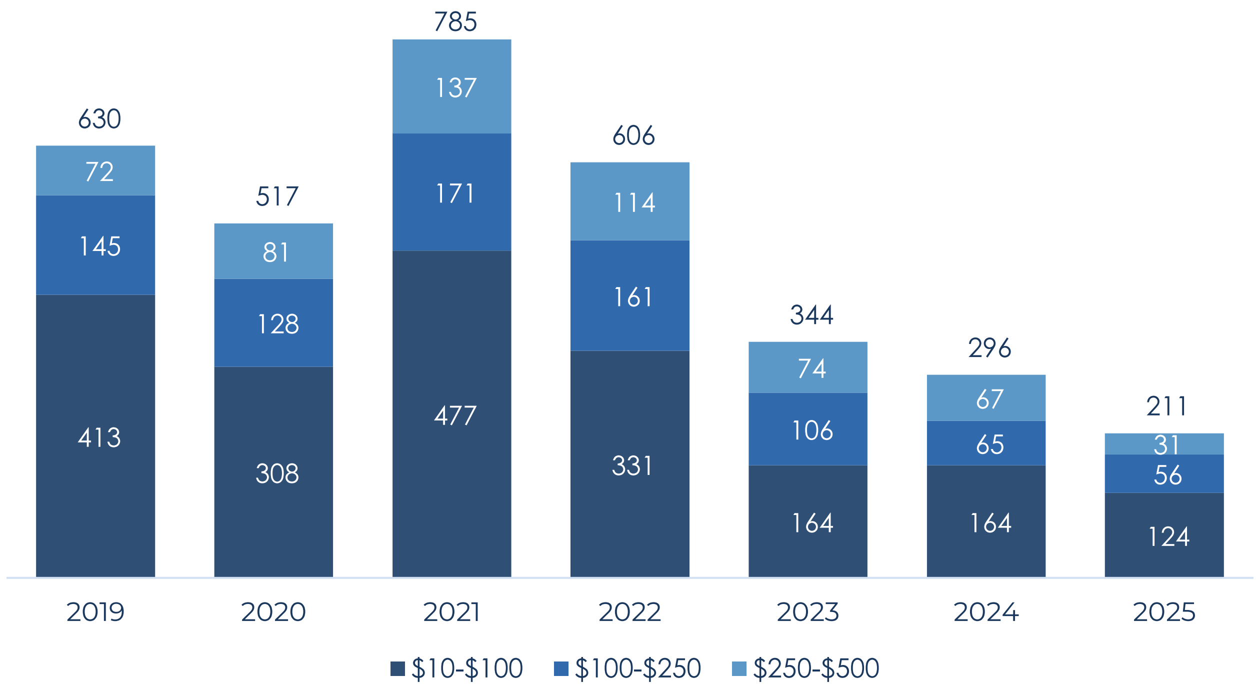
1 QUARTERLY MIDDLE-MARKET M&A ACTIVITY

North American middle-market M&A activity[1] accelerated in Q2 2025, with closed deal volume rising 34.4% from the prior quarter and aggregate deal value increasing 47.7% quarter-over-quarter. Buyers benefited from improving credit conditions as direct lenders competed on terms, compressing spreads and lowering financing costs.[2] Stable macroeconomic signals supported renewed buyer engagement, although uncertainty around tariffs and trade policy persisted.

Despite the quarter's improvement, overall activity remains below 2024 levels. Year-to-date, transaction count has declined 12.1% and aggregate deal value is down 14.6%, reflecting the impact of a muted exit environment that limits liquidity for owners and investors looking to transact.[2] While dealmakers remain cautious, the sustained pace of transactions in Q2 indicates that the middle market is positioned to build deal flow momentum in the second half of the year as potential interest rate cuts come into view.

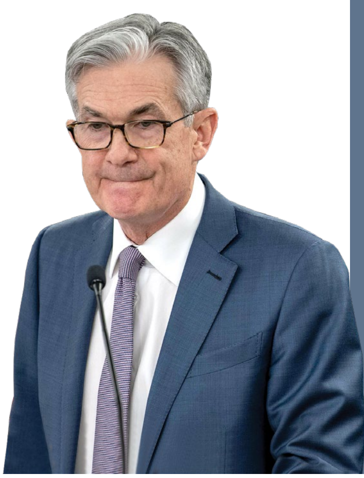
MIDDLE-MARKET TRANSACTION VOLUME[1,3]

Number of deals in actual



[1]$10M-$500M in transaction value, excludes technology deals
[2]Pitchbook PE Middle Market Report Q2 2025
[3]CapIQ 2025 data through Jun. 30

Inflation averaged 2.5% in Q2 2025, above the Federal Reserve's 2% target. At the June meeting, the Fed held the federal funds rate within in the 4.25% to 4.50% range, maintaining a cautious stance amid trade policy uncertainty and the emerging impact of tariff-driven price pressures.[1] In the June press conference, Powell indicated that navigating uncertainty was central to the Fed's policy stance:

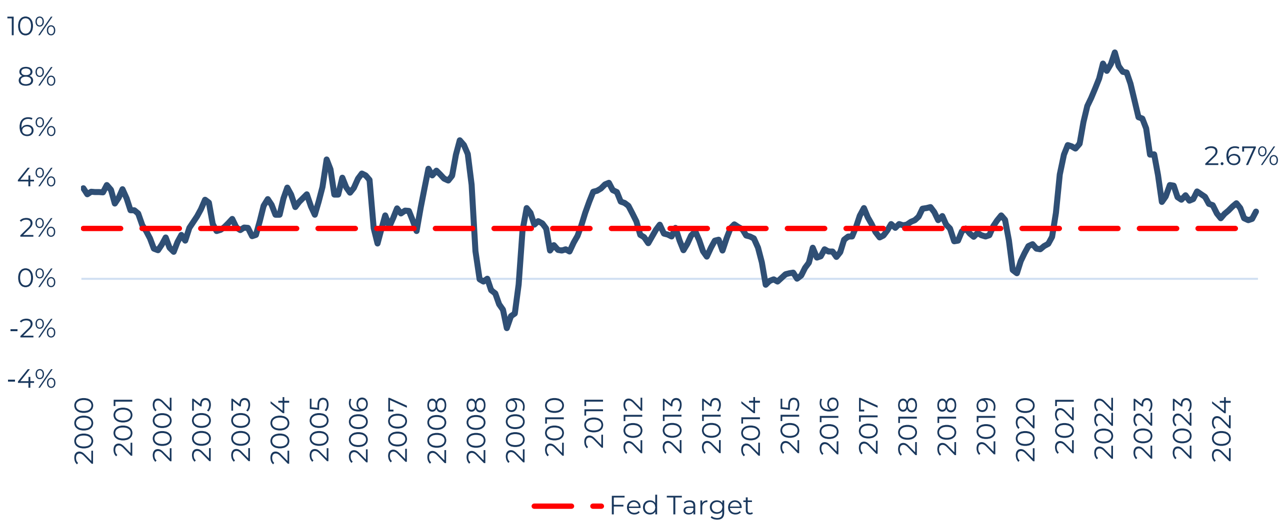


"Changes to trade, immigration, fiscal, and regulatory policies continue to evolve, and their effects on the economy remain uncertain. The effects of tariffs will depend, among other things, on their ultimate level. Expectations of that level, and thus of the related economic effects, reached a peak in April and have since declined. Even so, increases in tariffs this year are likely to push up prices and weigh on economic activity. […] Avoiding [persistent inflationary effects] will depend on the size of the tariff effects, on how long it takes for them to pass through fully into prices, and, ultimately, on keeping longer-term inflation expectations well anchored."

-Jerome Powell, Chairman
Federal Reserve (Jun. 2025)

The following chart depicts the latest inflation trends:

RATE OF INFLATION – CONSUMER PRICE INDEX[2]



[1]FOMC statement, Jun. 18, 2025
[2]FRED as of Jun. 30, 2025

2 QUARTERLY FINANCIAL SERVICES M&A

M&A activity in financial services during Q2 2025 reflected continued consolidation for both the insurance and registered investment advisor (RIA) sectors. Competitive pressures, demographic shifts, and private equity participation shaped transaction activity.

NOTABLE TRENDS – INSURANCE SPACE[1]

Activity remained steady in Q2, with deal flow supported by interest in distribution platforms and specialty intermediaries

- Consolidation continues to be driven by the pursuit of scale, diversification of product offerings, and access to niche expertise, particularly in specialty lines
- Valuations for higher-quality firms kept strong as buyer competition stayed elevated and the pool of attractive targets remained limited

NOTABLE TRENDS – RIA SPACE[2]

RIA M&A maintained record momentum in Q2. The sector remains fragmented, with demographic factors, such as an aging advisor base and limited succession planning, sustaining the supply of potential sellers

- Strategic acquirers, often backed by private equity, were active in expanding scale, broadening service lines, and investing in technology and human capital
- Transaction sizes remain steady, pointing to a consistent flow of small- to mid-sized deals rather than reliance on larger transactions

[1]MarshBerry
[2]Fidelity, Biannual M&A Review, H1 2025

3 TRANSACTION MULTIPLES

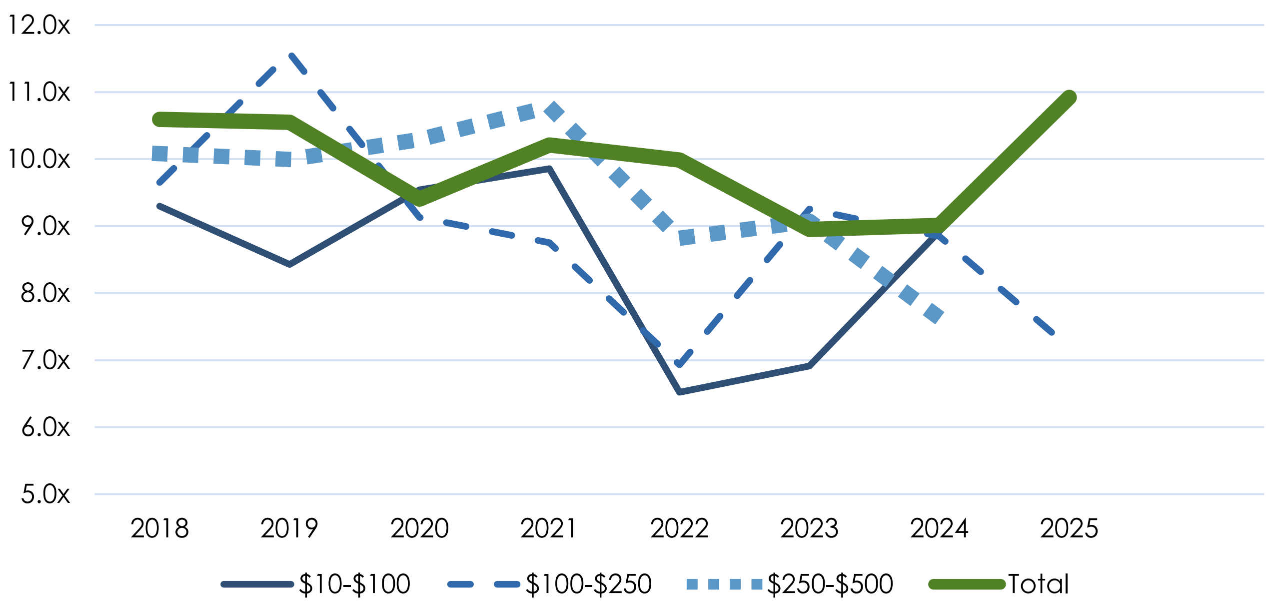
Transaction multiples in the middle market remained elevated in Q2 2025, reflecting ample credit availability and demand for resilient assets. Lower-middle-market transactions ($10-100 million enterprise value) continued to command premiums, closing at a median 11.0x EV/EBITDA. Multiples for $100-250 million deals were more moderate at 7.2x, while larger transactions in the $250-500 million range were lower at 5.3x, bringing the overall median to 10.9x.

The dispersion highlights a bifurcated market. Smaller transactions remained competitive, driven by dry powder availability and buyer interest in scalable platforms across sectors such as healthcare and financial services. Larger deals faced greater valuation pressure amid ongoing macroeconomic uncertainty. Lower-middle-market assets remain a key channel for capital deployment, offering a balance of manageable financing requirements, operational upside, and defensible market positions.

Because only two transactions with reported multiples fell in the $250 million to $500 million enterprise value range, the sample size was insufficient to calculate a meaningful median multiple, and it was therefore excluded from the Q2 2025 analysis.

MIDDLE MARKET MEDIAN MULTIPLES[1,2]

Transaction Value/EBITDA (excludes technology deals)



[1]CapIQ 2025 data through Jun. 30
[2]Multiples over 25.0x excluded

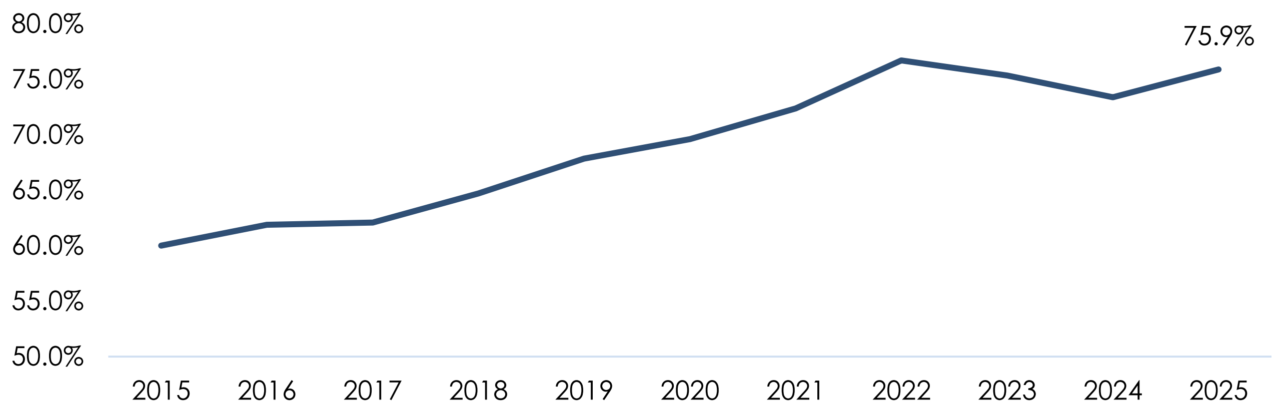
4 PRIVATE EQUITY MIDDLE-MARKET ACTIVITY

The middle market continued to represent the core of private equity dealmaking in Q2 2025. Smaller transactions were particularly attractive to sponsors, providing accessible entry points in a cautious macro environment. The lower and core middle market offered a consistent base of activity, supported by more durable financing structures and sellers aligning with buyer expectations on valuation.

Add-on acquisitions accounted for 75.9% of buyout activity, above the long-term average of 72.5%.[1] This reflects sponsors' emphasis on expanding existing platforms, capturing synergies, and extending market reach, especially in B2B services, financials, and consumer sectors.[1] The preference for add-on acquisitions reflects firms' efforts to achieve operational efficiencies and pricing power while navigating a difficult macro environment.

Growth equity drove a meaningful portion of activity, comprising 22.3% of all PE transactions in Q2, above the five-year average of 19.2%.[1] While contributing a smaller share of overall deal value, growth equity allowed sponsors to invest in companies with strong expansion prospects without adding leverage. These transactions emphasized equity-funded growth and operational improvements, aligning with a more cautious market environment. Together, the prominence of add-ons and growth equity reflects a shift toward strategies that balance near-term risk management with long-term growth positioning.

ADD-ONS AS A SHARE OF PRIVATE EQUITY BUYOUTS[1]



[1]Pitchbook Q1 2025 US PE Breakdown

CONCLUSION

Deal activity improved meaningfully from Q1 as financing conditions strengthened and macro signals stabilized, but year-to-date levels remain below 2024 due to limited exit opportunities and ongoing policy uncertainty. Inflation and tariff-driven pressures remain key risks for the second half of the year.

In financial services, consolidation in insurance and registered investment advisor sectors highlighted the resilience of structural drivers such as scale, demographics, and private equity involvement. Similarly, private equity strategies in the middle market underscored adaptability, with add-on acquisitions and growth equity comprising a significant portion of activity.

Overall, Q2 results indicate a middle-market environment characterized by steady investor interest, elevated competition for smaller transactions, and cautious positioning for broader growth. The balance between near-term defensiveness and longer-term expansion suggest that the middle market will remain a critical outlet for capital deployment as the year unfolds.

If you would like to discuss M&A market conditions with Colonnade, please contact:

Jeff Guylay
Managing Director
847.452.8315
jguylay@coladv.com

Gina Cocking
Managing Director
312.953.2658
gcocking@coladv.com

Matt Magee
Sr. Account Executive
312.870.6204
mmagee@coladv.com

Greg Makoid
Associate
312.870.6205
gmakoid@coladv.com

Austin Cambas
Analyst
813.454.6964
acambas@coladv.com

COLONNADE

Colonnade Advisors LLC • 600 Cleveland Street • Suite 272
Clearwater, FL • 33755
Investment banking services provided through Colonnade Securities LLC, member FINRA

Colonnade is an independent investment bank focused on the financial services and business services sectors. Colonnade provides expert, objective advice on mergers and acquisitions, private placements, fairness opinions, valuation opinions and corporate finance issues for privately held businesses, publicly traded companies and financial sponsors. Our senior bankers bring extensive transaction experience, industry expertise, a process orientation and a sense of urgency to each engagement.

This advertisement was prepared in September 2025. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: Pitchbook, CapIQ, FOMC, FRED, Deloitte, Triple-I, Fidelity and company presentations