M&A Quarterly Update: 2025 Third Quarter

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Welcome to Colonnade Advisors' quarterly update on 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 third 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 North American M&A Activity
2. Quarterly Financial Services M&A
3. Transaction Multiples
4. Private Equity M&A Activity

1 QUARTERLY NORTH AMERICAN M&A ACTIVITY[1]

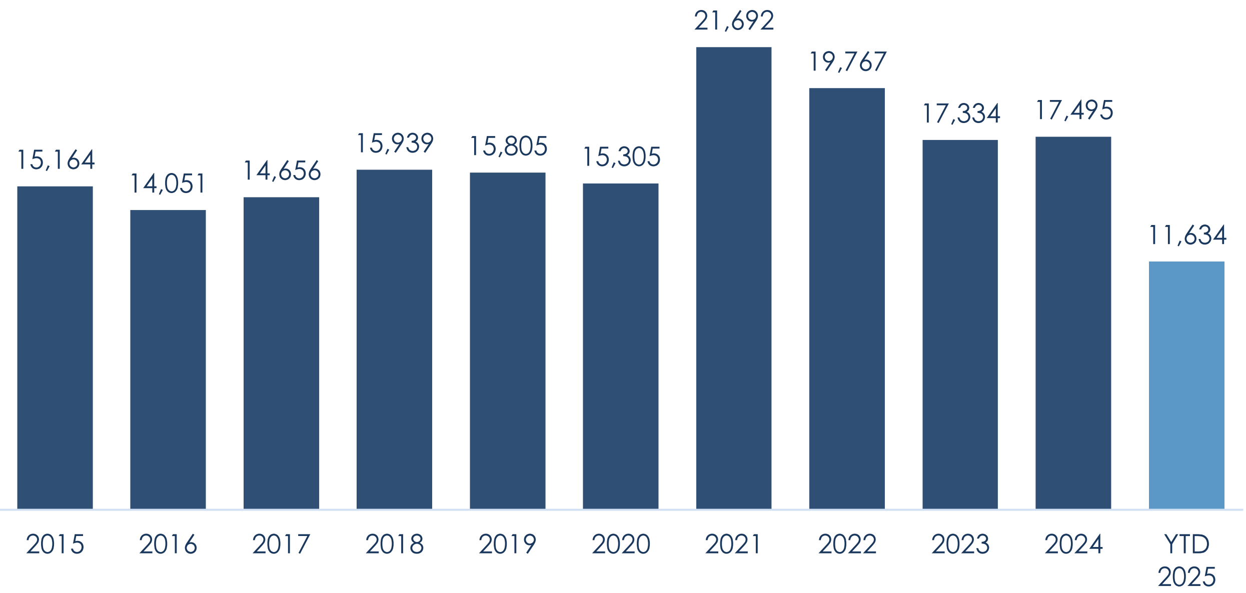
North American M&A activity accelerated in Q3 2025, powered by improved financing conditions and renewed investor confidence. Dealmakers who paused in Q2 amid tariff-driven uncertainty have returned to transaction pipelines as capital markets stabilized and borrowing dynamics became more favorable.

North America recorded 5,066 announced or completed deals totaling $762.2 billion, marking a 23% increase in deal value quarter-over-quarter and the highest quarterly value on record. The increase in aggregate deal value was driven primarily by a surge in megadeals (larger than $1 billion) which accounted for a disproportionate share of total M&A value in the quarter.

As a result, North America is on pace to reach $2.7 trillion in total M&A value by the end of the year, exceeding the prior five-year average and placing 2025 on track to be one of the strongest years of the decade. The return of risk appetite—supported by September's Federal Reserve rate cut—has enabled both strategic acquirers and financial sponsors to transact at increasing scale.

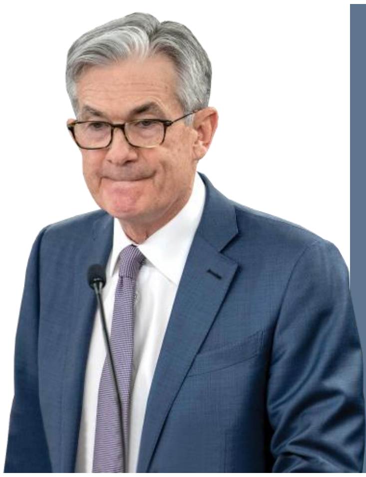
NORTH AMERICAN TRANSACTION VOLUME[1]

Number of deals in actual



[1]Pitchbook Global M&A Report
[2]Pitchbook US PE Breakdown

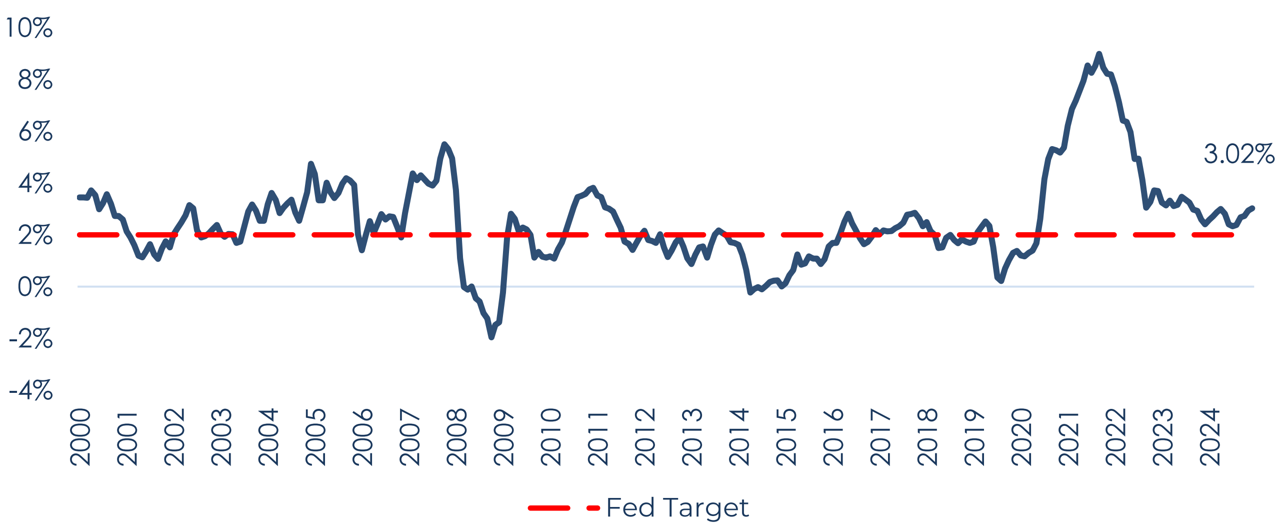
Inflation rose to 2.9% on average in Q3 2025, continuing to run above the Federal Reserve's 2% target. At its September meeting, in response to a cooling labor market and a shift in the balance of risks, the FOMC lowered the federal funds rate by 25 basis points to a target range of 4.00% to 4.25%. Powell emphasized that while inflation remains somewhat elevated, downside risks to employment have increased meaningfully since the summer, prompting the Committee to begin moving toward a more neutral policy stance. The Fed continues to view tariff-related inflation as a largely temporary price-level adjustment but acknowledges uncertainty around whether these effects will persist. As Powell explained:



> "Changes to government policies continue to evolve, and their effects on the economy remain uncertain. Higher tariffs have begun to push up prices in some categories of goods, but their overall effects on economic activity and inflation remain to be seen. A reasonable base case is that the effects on inflation will be relatively short lived—a one-time shift in the price level. But it is also possible that the inflationary effects could instead be more persistent, and that is a risk to be assessed and managed."
>
> *-Jerome Powell, Chairman Federal Reserve (Sep. 2025)*

The following chart depicts the latest inflation trends:

RATE OF INFLATION – CONSUMER PRICE INDEX[2]



[1]FOMC statement, Sep. 17, 2025
[2]FRED as of Sep. 30, 2025

2 QUARTERLY FINANCIAL SERVICES M&A

Financial services M&A remained active in Q3 2025, driven by strong buyer appetite across both the RIA and insurance brokerage spaces. Consolidators, strategic acquirers, and private capital sponsors continued to pursue scalable, high-quality businesses with resilient revenue models.

NOTABLE TRENDS – RIA SPACE[1]

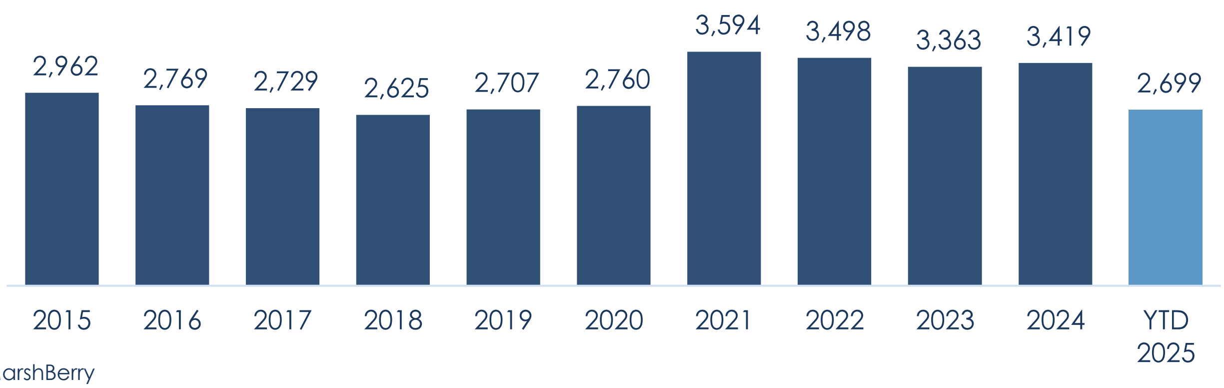
The RIA market remained an attractive area for M&A in Q3 2025, supported by a diverse investor universe that includes large strategic RIA platforms, emerging consolidators, and private capital sponsors. These buyers continue to prioritize firms with strong organic growth, high client retention, and robust planning-led service models, especially those that have built scalable operating infrastructures such as centralized compliance systems, technology platforms, and institutionalized investment management processes that enable efficient integration and sustained expansion. At the same time, many RIA owners are increasingly motivated to explore a sale due to liquidity goals, succession needs, and the desire to access broader resources that can support future growth and continuity for both clients and next-generation advisors.

NOTABLE TRENDS – INSURANCE SPACE[1]

A defining feature of the quarter was the continued dominance of private-capital-backed acquirers, who now represent a substantial majority of insurance brokerage buyers. These platforms continue to seek geographic expansion, enhanced product specialization, and access to niche verticals. Valuations remain elevated for high-performing brokerages, particularly those with strong organic growth, high retention rates, and scalable operating models.

FINANCIAL SERVICES TRANSACTION VOLUME[2]

Number of deals in actual



[1]MarshBerry
[2]Pitchbook Global M&A Report

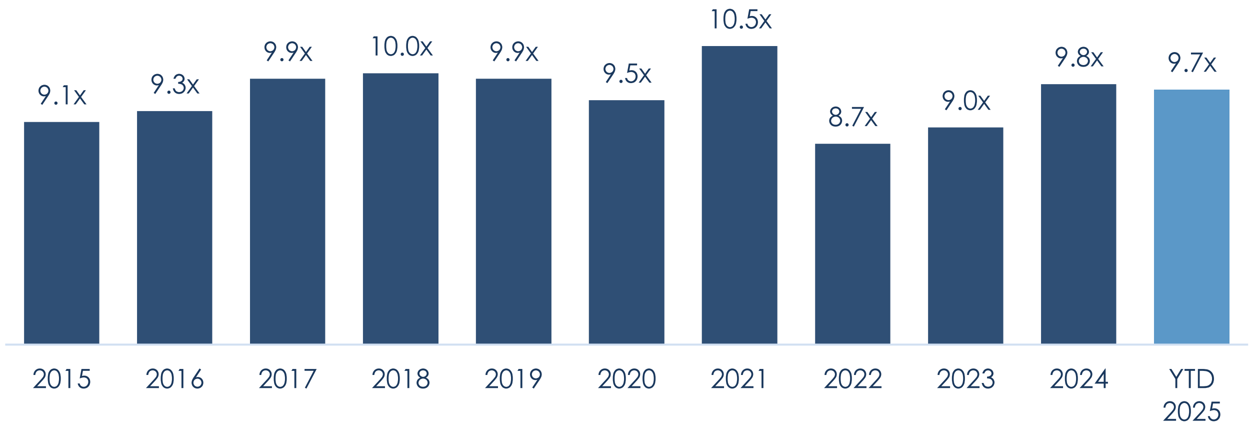
3 TRANSACTION MULTIPLES

Valuation multiples continued to expand in Q3, reflecting stronger credit markets and competition for high-quality assets. North America and Europe combined median EV/EBITDA multiples moved to 9.7x, up from 9.3 earlier in the year. In the US, EV/Revenue multiples hit 2.2x, nearing 2021 peaks.

In the middle and lower middle markets, valuations remain competitive but show increasing dispersion, driven by asset quality, scalability, margin durability, and degree of cyclicality.

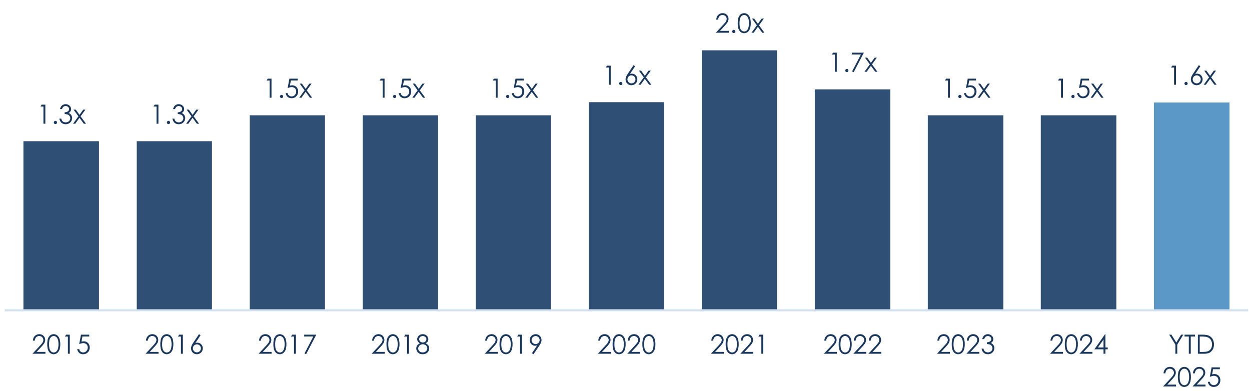
MEDIAN TRANSACTION MULTIPLES[1]

Transaction Value/EBITDA, North America and Europe



MEDIAN TRANSACTION MULTIPLES[1]

Transaction Value/Revenue, North America and Europe



[1]Pitchbook Global M&A Report

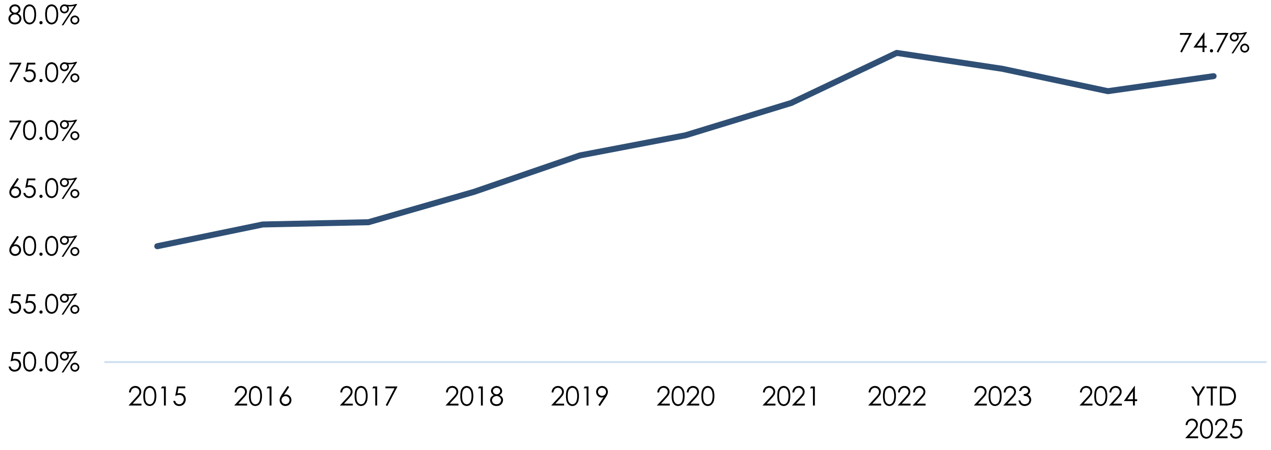
4 PRIVATE EQUITY MIDDLE-MARKET ACTIVITY

Private equity M&A activity increased in Q3 2025, supported by improving financing conditions. As credit markets stabilized, sponsors returned to the market with a selective approach, prioritizing transactions with clear execution paths and near-term value creation opportunities.

Add-on acquisitions remained the primary driver of private equity M&A volume, accounting for 74.1% of buyout transactions during the quarter. Sponsors continued to emphasize platform expansion through tuck-in acquisitions, using M&A to enhance operating scale, broaden product and service offerings, and unlock cost and revenue synergies within existing portfolio companies.

Growth-oriented M&A also rebounded following a softer prior quarter, with growth equity transactions representing 23.2% of private equity deal activity in Q3. These transactions, which typically emphasize organic growth initiatives and margin expansion rather than financial leverage, were particularly attractive for sponsors targeting businesses with durable fundamentals amid a more conservative underwriting environment.

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



[1]Pitchbook US PE Breakdown

CONCLUSION

M&A activity strengthened in Q3 2025 as improving financing conditions and greater market clarity supported a broad re-acceleration in transaction activity. After a pause in Q2 driven by tariff uncertainty and macro volatility, both strategic buyers and financial sponsors returned to the market with increased confidence.

In the middle market, competition remained strongest for high-quality assets with resilient cash flows and scalable platforms. Financial services M&A continued to demonstrate structural resilience, with sustained consolidation across insurance brokerage and registered investment advisor sectors driven by scale benefits, demographic shifts, and ongoing private capital involvement. Private equity sponsors leaned toward strategies offering greater transaction certainty, with add-on acquisitions and growth equity representing a meaningful share of deal flow.

Looking ahead, M&A activity is expected to remain supported by improving financial conditions and sustained buyer interest. Transaction momentum will likely continue to favor assets with strong fundamentals, clear strategic fit, and defensible growth profiles, as both strategic acquirers and financial sponsors maintain disciplined strategies.

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

Sources: Sources: Pitchbook, MarshBerry, CapIQ, FOMC, FRED, Fidelity and company presentations

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