



CIBC CAPITAL
MARKETS

US MIDDLE MARKET MONITOR

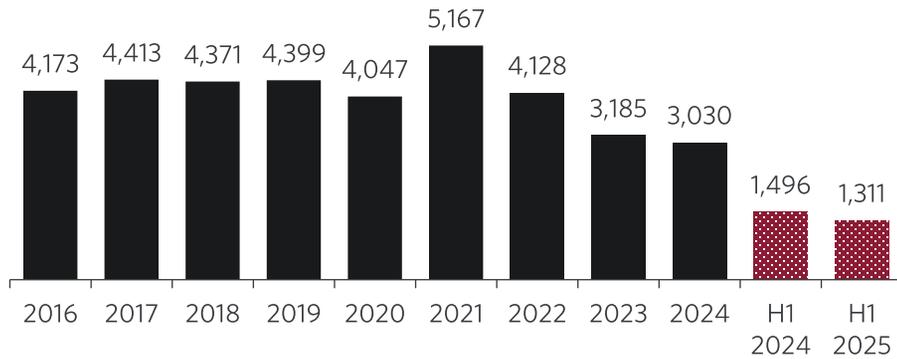
M&A and financing update

Q3 2025



Lower middle market deal volume declines amidst uncertainty

US M&A transactions under \$500mm



US lower middle market M&A deal volume declined in H1 2025 compared to the prior year, reflecting persistent headwinds from tariff uncertainty and broader macroeconomic instability that have shaped dealmaking throughout early 2025. According to Robert W. Baird & Co., transactions valued under \$500 million in enterprise value declined by 13% year-over-year during H1 2025. This contraction aligns with CIBC's experience following the April tariff announcements, as well as continuing inflation, which is impacting consumer spending. As a result, many buyers and sellers have adopted a wait-and-see approach amid ongoing policy volatility and cost pressures.

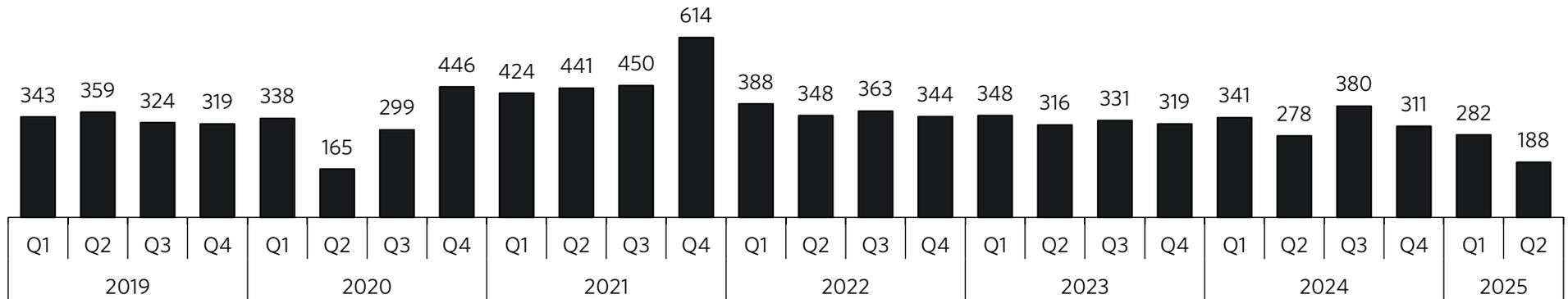
Despite the lower deal volume, a few sectors have demonstrated resilience—most notably industrials tied to the built environment (HVAC, data centers, concrete, etc.), which have remained a bright spot within the lower middle market. The trade war and new rounds of tariffs have made buyers wary of trade-exposed industries, leading to an increased preference for stable, domestic industrial manufacturers and essential service businesses. Once buyers and sellers are confident the US has reached a point of trade policy certainty, the M&A market will experience an uptick in deal volume from the H1 2025 trough.

Source: Robert W. Baird & Co.



PE exit activity continues to lag historical averages

US PE exit activity



US private equity (PE) exit activity showed a marked pullback in Q2 2025, according to PitchBook. The estimated exit count for Q2 2025 experienced a nearly 25% decline from Q1 2025, which was the strongest exit quarter for PE in three years. The decline, driven by tariff policies and growing uncertainty, was significant, with exit metrics slipping below pre-pandemic averages.

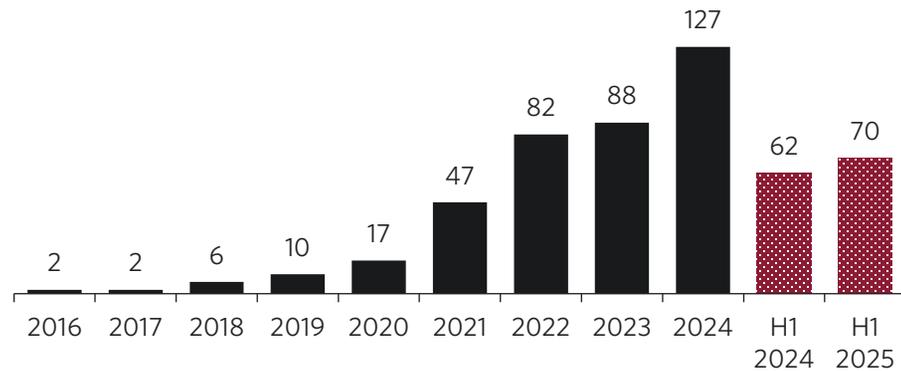
This continued lull in PE exits mirrors broader middle-market M&A exit headwinds, as policy and macroeconomic uncertainty have caused would-be sellers and buyers to pause or delay exit decisions. Heightened tariff volatility and higher input costs have made it more difficult for sponsors to find attractive exits or command premium prices. While exit activity for H1 2025 outpaced the same period in 2024 due to a strong Q1, Q3 and Q4 could demonstrate a recovery in PE exits due to better visibility and improved confidence if macro conditions and trade tensions stabilize, as some forecasts suggest.

Source: PitchBook.



PE seeks liquidity through continuation vehicles

US PE continuation fund exits



According to PitchBook, there is a clear growth trend in exits through continuation vehicles (“CVs”). From 2015 through 2020, annual CV exit counts remained below 40 per year, but began accelerating sharply in 2021. By 2024, CV-related exits surged to a record high of 127, and H1 2025 is tracking above this pace at 70 transactions in H1 2025. This strong midyear performance suggests that 2025 could mark another record year for CVs, as sponsors increasingly seek to provide liquidity to limited partners (“LPs”) amid a tepid exit environment.

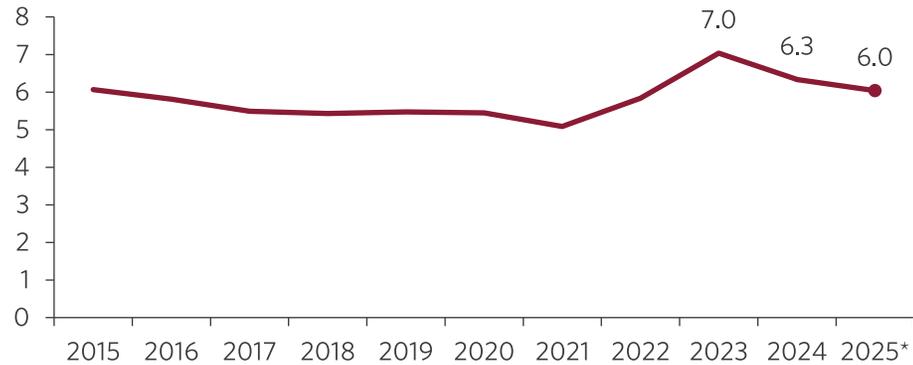
These figures reflect broader market dynamics, where muted mainstream exit activity—due to tariff uncertainties and challenging fundraising conditions—has pushed PE firms to utilize CVs as alternative liquidity solutions for LPs. Many sponsors are running dual processes—CV and an auction—and choosing a CV if valuation expectations are not met in the market. The persistent backlog of aging portfolio assets and a still-constrained exit window have created a fertile environment for this exit option. Should current trends hold, continuation fund exits are likely to remain a key release valve for pent-up liquidity needs across the private equity industry in 2025 and beyond.

Source: PitchBook.



PE hold periods remain elevated

Median US PE exit holding periods (years)



The median hold period for PE-backed portfolio companies in the US peaked at seven years in 2023—a substantial increase from pre-pandemic averages—but declined to six years through the first half of 2025. Despite this pullback, the median remains well above the historical average of 5.2 years prior to 2020. Valuation multiples in 2021 and 2022 reached a high-water mark due to loose credit conditions, which tightened during the Federal Reserve’s rate hike cycle beginning in 2022. Furthermore, the prolonged exit window has been extended due to post-pandemic market disruption, economic policy shifts, and increased uncertainty in dealmaking environments.

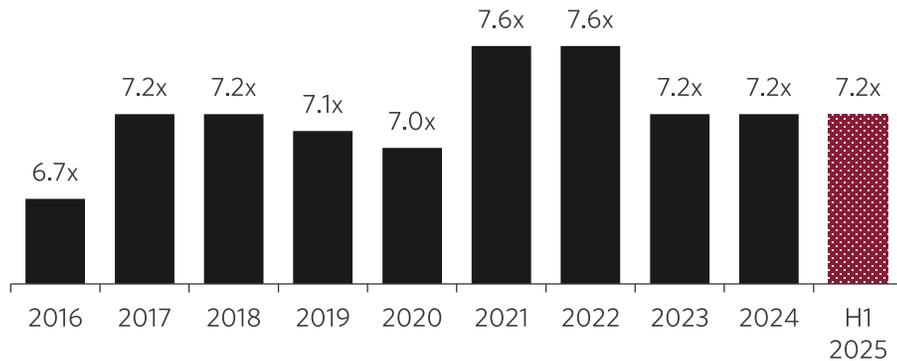
This underscores that the inventory of private equity assets is steadily aging as exit activity remains constrained. This trend aligns with recent market commentary that delayed exits—driven by volatility, high interest rates, and an uncertain economic policy environment—are putting pressure on sponsors’ ability to achieve appropriate returns. Industry observers indicate that if clarity on trade and regulatory conditions materializes, a pent-up wave of exits could reset holding periods closer to pre-pandemic levels.

Source: PitchBook.



Valuation multiples remained consistent year-over-year

Annual average EBITDA multiples for \$10mm - \$500mm LBOs



Amid broader market uncertainties, lower middle market M&A valuations remained consistent in H1 2025 compared to the same period in 2024. According to GF Data, the average EBITDA multiple for lower middle market deals was 7.2x in H1 2025—the same as the full-year average for 2023 and 2024—suggesting that private M&A pricing has stabilized after the post-pandemic software, technology and essential services boom that drove multiples to 7.6x in both 2021 and 2022. The valuation level in 2025 represents a premium over the long-term average of 6.7x from 2003 to 2020, indicating that buyers continue to compete on price for quality assets that have not been impacted by economic headwinds such as tariff concerns and inflation.

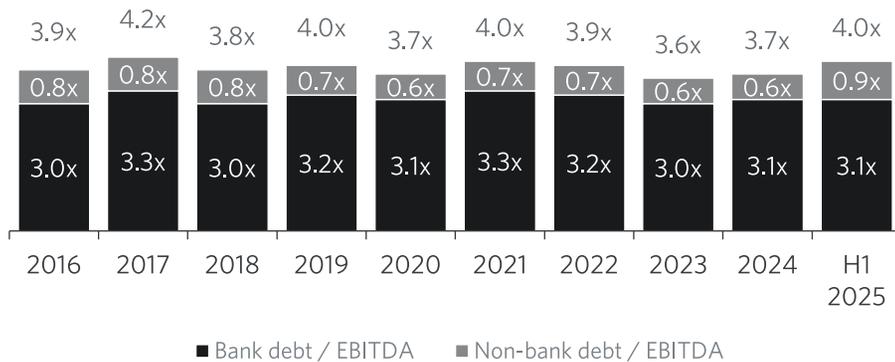
EBITDA multiples have remained stable amid a cautious rebound in M&A activity, driven by strong credit markets and pent-up demand. Looking ahead, if exit activity picks up as anticipated, valuation multiples could edge higher by year-end, provided macroeconomic clarity improves. However, if more lower-quality “B” assets begin to transact, this could offset the premium multiples achieved by higher-quality “A” assets, resulting in a lower overall average.

Source: GF Data®.



Debt availability increased before tariff-related uncertainty

Annual average LBO debt multiples for \$10mm - \$500mm LBOs



In H1 2025, total debt multiples for middle-market M&A transactions rose to 4.0x EBITDA, signaling a continued post-pandemic recovery in leverage. This YTD figure aligns with the more aggressive capital structure environment seen in 2021 and 2022, and marks an increase from the long-term total debt average of 3.7x EBITDA recorded from 2003 to 2020. The persistence of a 4.0x multiple reflects sustained lender confidence and appetite for risk, supported by healthy liquidity and competing sources of capital. Notably, transactions structured at maximum leverage reached 5.0x total debt to EBITDA, demonstrating PE comfort with elevated risk profiles when pursuing attractive acquisition opportunities.

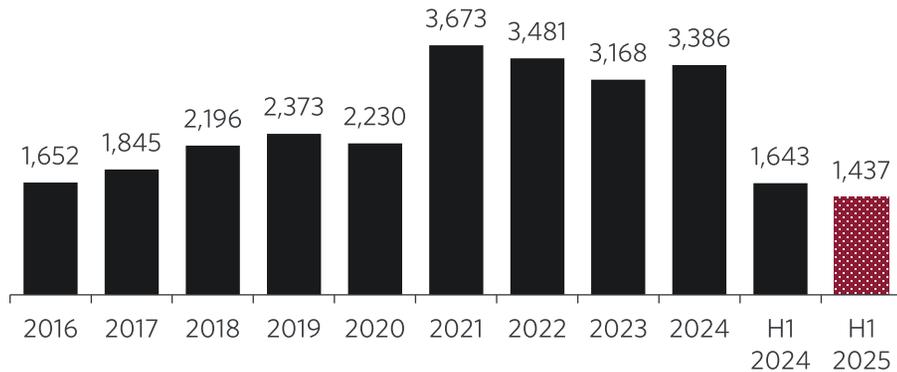
The stability of these multiples, even with broader market uncertainties, suggests the environment remains favorable for leveraged buyouts compared to periods of greater caution. Add-on transactions demonstrate notably higher leverage tolerance than platform deals, with add-ons achieving 4.4x total debt multiples compared to platforms at 3.5x total debt, reflecting lenders' greater comfort with bolt-on acquisitions that benefit from established platform infrastructure and proven management teams. Senior lenders have maintained aggressive terms and continue their willingness to underwrite deals at attractive levels, while sponsors appear comfortable pushing the financial risk in pursuit of attractive returns, particularly as the competitive dynamics between traditional banks and direct lenders create favorable borrowing conditions across the middle market.

Source: GF Data®



Business services volume declines

US business services transactions



In H1 2025, business services deal volumes declined by 13% compared to the same period in 2024, according to PitchBook. This decline reflects a persistently challenging dealmaking environment, shaped by elevated interest rates, macroeconomic uncertainty—including trade war disruptions—and a scarcity of high-quality assets coming to market. Still, the annualized transaction count for H1 2025 remains above pre-pandemic benchmarks, showcasing the sector’s durable long-term growth and resilience in a cautious climate.

Looking forward, the outlook for business services M&A is increasingly positive for the remainder of 2025 and into 2026. Investor interest remains strong, particularly in subsectors with stable, recurring cash flows and scalable operating models, such as HVAC, managed IT, legal, and consulting services. Private equity and strategic buyers are prioritizing tech-enabled, well-managed firms to capitalize on operational efficiencies, outsourcing trends, and sticky B2B relationships. As deal discipline rises, buyers are focused on companies with recurring revenues and less owner dependence, setting the stage for sustained, robust activity as economic clarity improves and sector-specific tailwinds persist.

Source: PitchBook.



Business services valuations remain strong

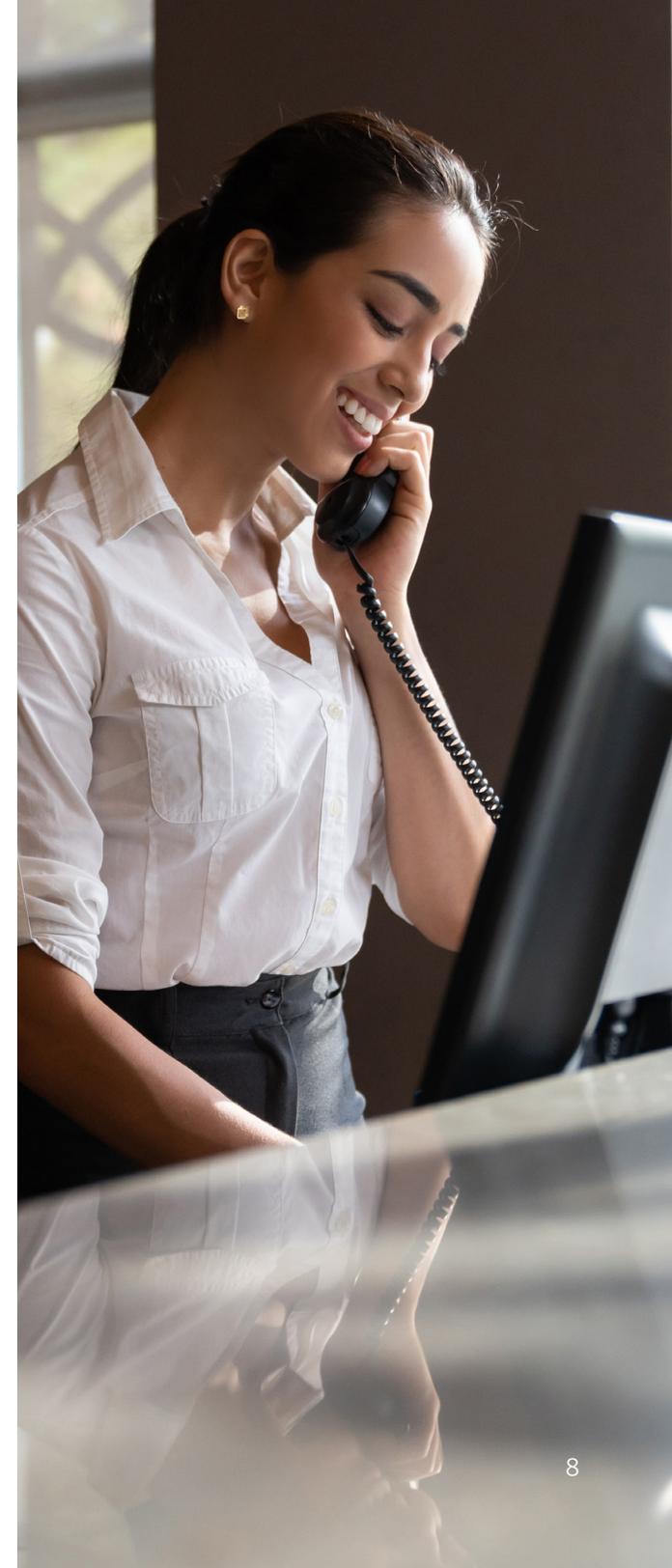
Average business services EBITDA multiples for \$10mm - \$250mm LBOs

Enterprise value	2003 - 2020	2021	2022	2023	2024	H1 2025
\$10mm - \$25mm	5.6x	6.0x	6.6x	6.1x	6.3x	6.9x
\$25mm - \$50mm	6.8x	7.2x	6.7x	6.6x	7.4x	7.6x
\$50mm - \$100mm	7.8x	8.5x	8.6x	8.8x	8.2x	8.1x
\$100mm - \$250mm	8.8x	9.1x	10.4x	11.2x	8.7x	9.1x
Total	6.7x	7.3x	7.4x	7.2x	7.2x	7.5x

According to GF Data, lower middle market business services transactions experienced a notable uplift in valuation multiples compared to prior periods. The overall average EBITDA multiple for business services rose to 7.5x in H1 2025, up from 7.2x for the full-year 2023 and 2024. The sector's elevated multiples stand out amidst broader market uncertainty and signal that buyers are especially focused on scalable business service companies with proven profitability and resilience. Best-in-class examples include IT consulting and managed services firms or digital workflow automation providers, which benefit from recurring revenue and strong adoption drivers.

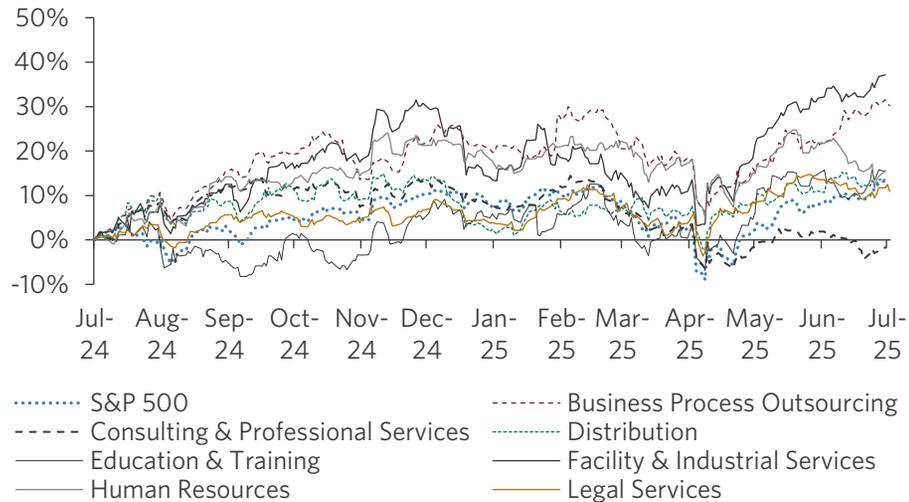
The strengthened averages across the transaction size spectrum highlight a market dynamic where well-performing or differentiated companies are commanding significant premiums, particularly as outsourcing demand rises and digital adoption accelerates. Businesses in specialty staffing, compliance outsourcing, and professional services automation are consistently drawing attention from PE and strategic acquirers, while less competitive segments, such as traditional back-office administrative services or commoditized facilities management providers are facing valuation pressure. As a result, leading tech-enabled platforms stand out as the preferred investment targets, while lower-margin or labor-intensive operators tend to experience more measured pricing and extended diligence processes.

Source: GF Data®.



Public business services companies

Business services segments vs S&P 500



Publicly traded facility and industrial services companies, as well as business process outsourcing firms, outperformed the S&P 500 during the trailing 12-month period ended June 30, 2025, while other business services segments either matched or underperformed the index. Facility and industrial services and business process outsourcing companies have continued to benefit from ongoing outsourcing trends and organizations' efforts to focus on core operations.

Conversely, consulting and professional services companies faced headwinds from slower corporate decision-making, cautious client spending, and project delays due to economic uncertainty and global trade disruptions. Despite market turbulence, professional and legal services companies remain a highly attractive area for PE buyers in the near term due to "sticky" customer relationships and opportunities for consolidation. This has been evidenced by recent, notable investments in accounting practices and law firms, which historically have not been targets for PE.

Source: S&P Capital IQ.



CIBC US Middle Market at-a-glance

Highlights



Nationally recognized middle market investment banking team with global reach.



Experienced and talented team has completed hundreds of transactions representing billions in transaction value.



Clients include **private companies, private equity funds, and corporations.**



Differentiated approach to achieving client goals through disciplined and transparent transaction processes.

Investment banking services



M&A Advisory

- Execute transactions up to \$500 million in enterprise value
- Specialize in sell-side transactions
- Conduct targeted buy-side advisory services



Capital Placement

- Raise up to \$250 million in debt and/or equity
- Provide capital structure advice for management buyouts and recapitalizations



Financial Advisory

- Strategic alternative analyses
- Special situations transactions

Focus industry verticals



Consumer



Business Services



Healthcare



Industrials



Software & Technology



Recent CIBC US Middle Market transactions



has been acquired by



has been acquired by



has been acquired by



has been acquired by



a portfolio company of



BRANFORD CASTLE PARTNERS

has been acquired by



NELLO CORPORATION

a portfolio company of

BECKNER CLEVY PARTNERS

has been acquired by management and



a portfolio company of



has been acquired by

REICHMANN SEGAL CAPITAL PARTNERS



a portfolio company of



has been acquired by



has been acquired by



a portfolio company of



a portfolio company of



has been acquired by



a portfolio company of



has been acquired by



a portfolio company of



has been acquired by



Contacts



Ronald Miller
Managing Director and Head,
CIBC US Middle Market
414 291-4528
ronald.miller@cibc.com



Patrick Bremmer
Managing Director
414 291-4548
patrick.bremmer@cibc.com



Ryan Chimenti
Managing Director
414 291-4531
ryan.chimenti@cibc.com



Christopher Larsen
Managing Director
414 291-4547
christopher.larsen@cibc.com



James Olson
Managing Director
414 291-4552
james.olson@cibc.com



Ryan Olsta
Managing Director
414 291-4555
ryan.olsta@cibc.com



Allison Reinke
Managing Director / Sponsor
Coverage
872-329-6123
allison.reinke@cibc.com



Eric Reuther
Managing Director
312 564-2786
eric.reuther@cibc.com



Brian Howley
Executive Director
414-291-4537
brian.howley@cibc.com



Michael Boedeker
Director
414 291-4544
michael.boedeker@cibc.com



Alexander Eskra
Director
414 291-4533
alexander.eskra@cibc.com



Dylan Harkness
Director
414 615-5491
dylan.harkness@cibc.com



Daniel Riley
Director
414 291-3867
daniel.riley@cibc.com



Rachel Krause
Director
414 291-4530
rachel.krause@cibc.com

This communication and has been prepared by CIBC Capital Markets for discussion purposes only. The information contained in this document is strictly confidential and furnished to you solely for your benefit and internal use only. CIBC Capital Markets expressly disclaims any liability to any other person who purports to rely on it. These materials may not be reproduced, disseminated, quoted from or referred to in whole or in part at any time, in any manner or for any purpose, without obtaining the prior written consent of CIBC Capital Markets in each specific instance.

This communication should not be construed as a research report. The information contained in this communication is not intended to constitute a “research report, statement or opinion of an expert” for the purposes of the securities legislation of any province or territory of Canada or “research” as defined in FINRA Rule 2241 by the Financial Industry Regulatory Authority (FINRA). Nothing in this communication constitutes a recommendation, offer or solicitation to buy or sell any specific investments discussed herein. However, this communication may contain links to CIBC Capital Markets research reports or notes. The materials described herein are provided “as is” without warranty of any kind, either express or implied, to the fullest extent permissible pursuant to applicable law, including but not limited to the implied warranties of merchantability, operation, usefulness, completeness, accuracy, timeliness, reliability, fitness for a particular purpose or non-infringement. The information and data contained herein has been obtained or derived from sources believed to be reliable, without independent verification by CIBC Capital Markets, and we do not represent or warrant that any such information or data is accurate, adequate or complete and we assume no responsibility or liability of any nature in connection therewith. CIBC Capital Markets assumes no obligation to update any information, assumptions, opinions, data or statements contained herein for any reason or to notify any person in respect thereof. The information and any analyses in this presentation are preliminary and are not intended to constitute a “valuation,” “formal valuation,” “appraisal,” “prior valuation,” or a “report, statement or opinion of an expert” for purposes of any securities legislation in Canada or otherwise. This printed presentation is incomplete without reference to the oral presentation, discussion and any related materials that supplement it.

The services, securities and investments discussed in this document may not be available to, nor suitable for, all investors. These materials do not (nor do they purport to) disclose all the risks and other significant issues relating to any of the securities, products or financial instruments described herein or any transaction related thereto. Nothing contained herein constitutes financial, business, legal, tax, investment, regulatory or accounting advice. Prior to making any investment in a product or financial instrument described herein, you should make your own appraisal of the risks from a financial, business, legal, tax, investment, regulatory and accounting perspective, without relying on the information contained herein, by consulting, if you deem it necessary, your own advisors in these matters or any other professional advisors. CIBC employees are prohibited from offering to change or otherwise influence any research report, rating or price target to any company as inducement for the receipt of any business or compensation.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce (“CIBC”), its subsidiaries and affiliates including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC World Markets plc, provide products and services to customers around the world. In the US, CIBC Capital Markets also provides investment banking services under the trademark brand name CIBC US Middle Market Investment Bank. Securities and other products offered or sold by CIBC Capital Markets are subject to investment risks, including possible loss of the principal invested. Each subsidiary or affiliate of CIBC is solely responsible for its own contractual obligations and commitments. Unless stated otherwise in writing, CIBC Capital Markets products and services are not insured by the Canada Deposit Insurance Corporation, the Federal Deposit Insurance Corporation, or other.

® The CIBC logo and “CIBC Capital Markets” are registered trademarks of CIBC, used under license.

