

The State of the M&A Market for Lower-Middle-Market Companies

What is selling, what it is worth, and who is buying | Mid-Year 2026

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Your Presenters



Chris Bovis

Managing Partner, Hart Marx Advisors

- 25+ years in the performance, racing, and automotive aftermarket industries
- Instrumental in the acquisition of CCW, HiPer Technology, and Forgestar by WELD Racing, and sale of WELD Racing to current owners.
- Prior roles at Yokohama Tire and HiPer Technology; began his career as a live-event motorsports promoter



Tom Marx, MAAP

Co-Founder & Partner, Hart Marx Advisors

- 18+ years advising on M&A in the automotive, commercial vehicle, heavy-duty and performance aftermarkets
- 40+ year network spanning manufacturers, distributors, service providers, and private equity
- Chairman of MBE Group, formerly Marx Group.

We spend every day in this market, on both sides of the table, in this industry only. Everything that follows comes from that vantage point.

Four Things to Take Away

This is not a slow market. It is a selective one — and our industry is on the right side of it.

1

Big deals are booming. Everyday deals are not.

Deal dollars nearly doubled this year, but the number of deals actually fell. A handful of giant transactions is doing all the work.

2

Our industry is the exception.

Aftermarket deal activity in the first quarter was the strongest in three years — and the buyers were mostly strategics adding scale.

3

Prices held. The gap between good and average widened.

Averages have barely moved in two years. What changed is how much more the market now pays for a business that is genuinely well run.

4

Private equity has to move.

Sponsors are sitting on more unsold companies than they have ever held. They need to sell what they own and buy companies that perform.

Total M&A Activity — Two Markets, Not One

Record dollars at the top of the market. Fewer transactions everywhere else.

+99%

Growth in total U.S. deal dollars
this year — \$1.2 trillion

-4%

Change in the number of
U.S. deals over the same period

~20%

Decline in middle-market deal
count — the softest part of the market

The dollars are misleading

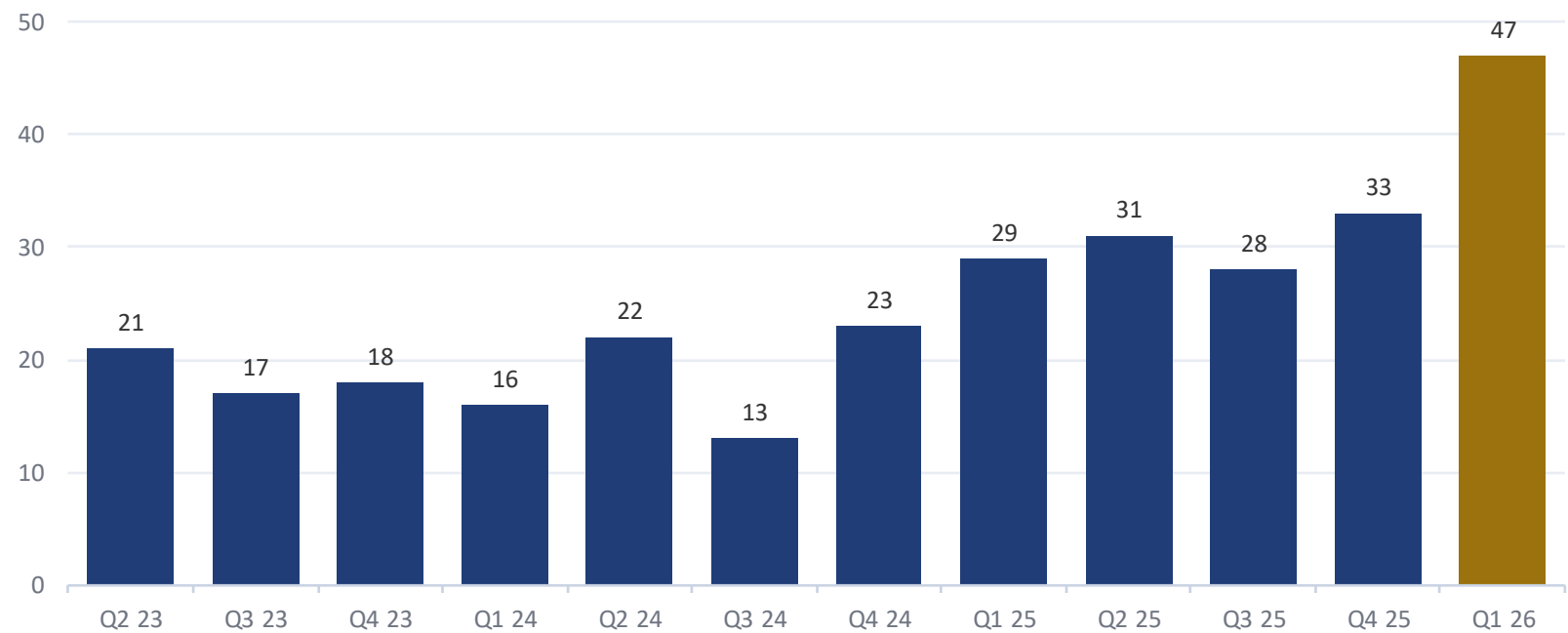
Thirty-nine transactions of \$5 billion or more accounted for \$957 billion of this year's total. One deal between two companies controlled by the same person was more than 15% of **global** Q1 deal value by itself (SpaceX, Xai).

What that means for you

Headlines about a red-hot M&A market describe a different market than the one your business would likely buy or sell into. The activity that matters to this room is measured in deal count, not dollars.

Our Industry Went the Other Way

North American Aftermarket M&A — Deals Per Quarter



Best quarter in three years

Up 62% over the same quarter last year, and up 42% from the quarter before it.

Strategics are the buyers

Roughly nine of every ten deals went to a strategic acquirer buying scale, not to a new financial owner.

Mostly companies your size

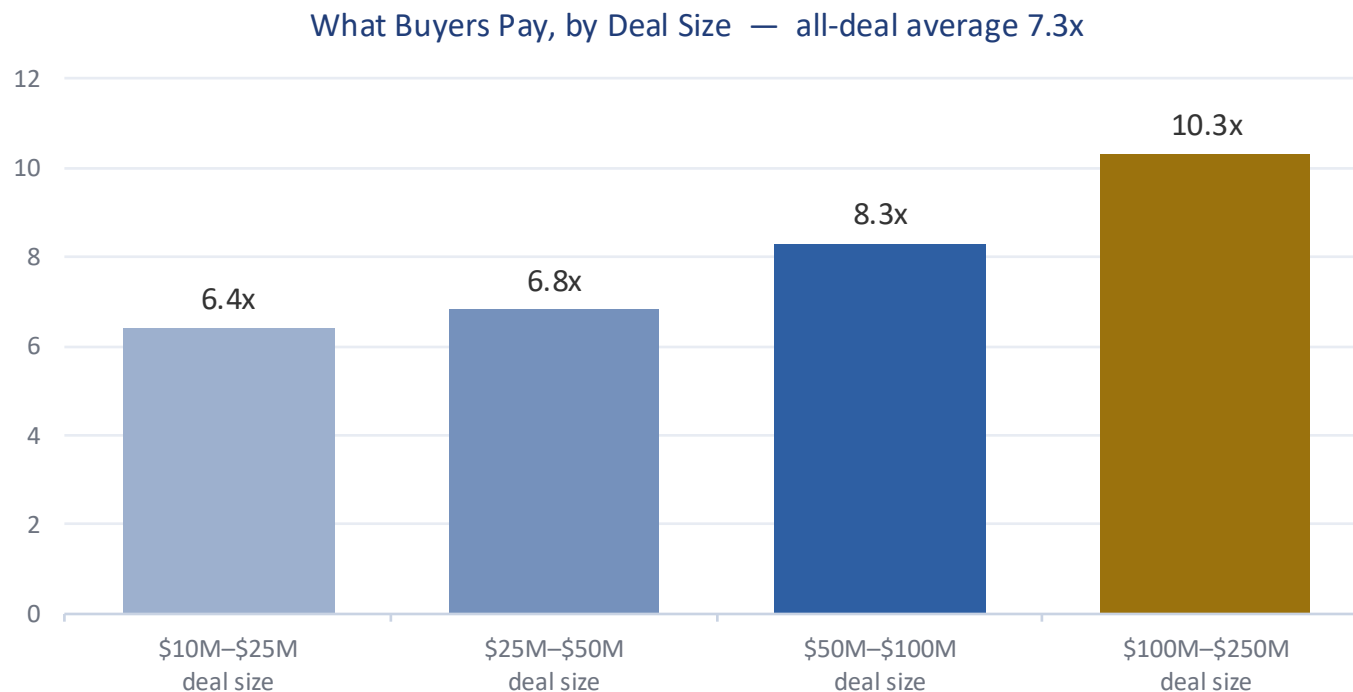
Deal count rose while disclosed values stayed flat — the growth came from smaller privately negotiated deals.

The activity is concentrated in collision, parts distribution, and service — the categories that keep an aging car parc on the road.

Source: Greenwich Capital Group Q1 2026 Automotive Aftermarket Industry Update (S&P Capital IQ, as of 3/31/2026). Quarter labels inferred from the reported twelve-quarter sequence. Volume was down ~16% year over year through Q3 2025, so this rebound comes off a depressed base.

Size Changes What Your Business Is Worth

Average prices have held for two years. Competition for larger businesses is what moves the number.



3.9x

Turns of difference between a \$20 million deal and a \$150 million deal — the same business, at scale

Why competition sets the price

Bidder depth, committed capital, and debt capacity all scale with deal size. More competition is what raises the price.

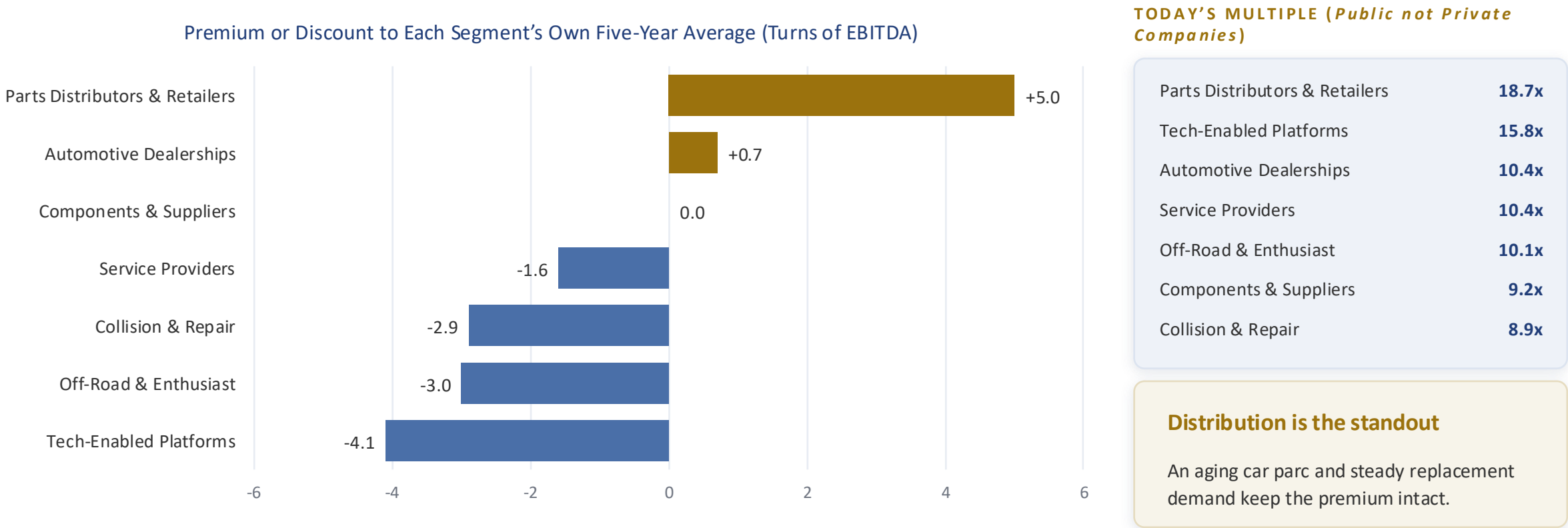
A business earning \$5 million averaged 7.4x — about \$37 million of enterprise value, in the \$25–\$50 million band.

Customer concentration is the single most common reason a price comes down. One customer above a quarter of revenue typically costs half a turn to a full turn.

Source: GF Data — private-equity-sponsored transactions, \$10M–\$500M TEV, YTD Q3 2025 (Q3 2025 M&A Report data, ESOP Advisor Special Report, Chart 1); average TEV / trailing-twelve-month adjusted EBITDA by deal size. Purely strategic acquisitions are not in this universe. The \$250M–\$500M tier is omitted: it reads 8.5x on 104 observations across 23 years and sits outside this market. Directional benchmarks only.

Where Buyers Are Paying Up — and Where They Are Not

Every segment is priced against its own history — and the spread is far wider than the sector average suggests.



The whole sector trades a little below its five-year average — but that single number hides a nine-turn spread between the top and bottom segments.

Source: Greenwich Capital Group Q1 2026 Automotive Aftermarket Industry Update (S&P Capital IQ, as of 3/31/2026). Enterprise value to EBITDA for public companies, compared with each segment's own five-year average. Public multiples run materially higher than private lower-middle-market multiples — directional context, not a valuation.

Four Forces Setting Prices Right Now

1

Money still costs more

And the rate cuts everyone expected did not arrive

Borrowing is more expensive than it was three years ago, so buyers are putting more of their own equity into every deal. When a buyer is writing a bigger check, they need more certainty before they will pay a premium.

2

Tariffs became predictable

Which mattered more than tariffs becoming cheaper

The 25% duty on auto parts stayed in place all year, through every court ruling. Once buyers could model landed cost again, deals that had been sitting on hold restarted — within the same quarter.

3

The car parc keeps getting older

The strongest argument any of us can make

The average vehicle on the road is now 12.8 years old, a record, with more than 110 million vehicles in their prime repair years. A buyer can underwrite our demand without having to underwrite the economy.

4

First Brands reset the shelf

And changed what buyers look at in diligence

More than 25 brands were sold, wound down, or liquidated. Share is genuinely in play across high-volume categories — and every buyer now looks hard at how a supplier finances itself.

Buyers never needed tariffs to be low. They needed them to be predictable — and that is what changed this year.

How Private Equity Actually Buys

Two words worth knowing before a buyer calls — the difference between them is one to two turns of value.

PLATFORM

The sponsor's first acquisition in a category — the anchor they build everything else onto.

Usually the larger business. Keeps its management team, because the fund is buying leadership as much as product. This is where the top of the range gets paid.

ADD-ON

Bought by an existing platform rather than directly by the fund.

Acquired for a capability, a brand, or capacity — not for its management team. Typically prices one to two turns below a platform for the same earnings.

3–5 years

The hold period sponsors underwrite when they buy. Today they are actually running about seven — which is why so many are being forced to move.

9 in 10

Aftermarket buyers this year were “strategic.” But many of those acquirers are sponsor-backed platforms buying add-ons — so private equity's real reach is wider than it looks.

Platforms still form

Most sponsor activity today is add-ons. But new platforms still get funded — Leonard Green into Mister Car Wash (~\$4.2B) and Monomoy into Jiffy Lube (~\$1.3B).

When a strategic buyer calls, find out whether there is a sponsor behind them. It changes who you are negotiating with, what they can pay, and how fast they have to move.

Private Equity Is Under Real Pressure

~9 years

To sell off the companies they already own, at today's pace

~7 years

Average time they now hold a business — was about four

\$1.1–\$1.3T

Committed money waiting to be invested, and it is aging

4 years

Running of returning less cash to their investors than they expected

Which leaves them two jobs, and they are both urgent:

1

Get the value out of what they already own

Their investors want cash back. That means improving the companies in the portfolio and then selling them — which is why you are seeing more sponsor-owned businesses come to market, and more of them buy add-ons to build scale before they do.

2

Find new platforms that genuinely perform

They have money they must put to work, but they can no longer count on rising prices to make the returns. So they are paying up for businesses with real growth and durable margins, and walking away from everything else.

Both jobs need sellers. That is the strongest tailwind behind a well-prepared aftermarket business this year.

What This Means If You Own One of These Businesses

Preparation is now worth more than timing.

The window is genuinely open

Predictable tariffs, demand you can defend, sponsors who need to transact, and strategics actively consolidating are all pointing the same way at once. That alignment does not last forever.

Fix concentration before you sell

One customer above a quarter of your revenue costs you half a turn to a full turn. The top three above half your revenue can cost one to two turns, or land you in an earnout.

Scale is worth more than you think

Getting from \$4 million of earnings to \$10 million changes which buyers can even look at you — and a deeper bidder pool is what actually raises the price.

Buyers are checking everything

Diligence is materially harder than it was in 2021. Weak preparation now produces re-trades and buyers walking away, not just a lower opening number.

Expect structure in the offer

Earnouts and holdbacks are standard now — not because buyers and sellers disagree on terms, but because they disagree on value. Plan for them and negotiate them deliberately.

Waiting is also a decision

The deals closing this year are the ones that work without rate cuts or a stronger economy. If a plan needs those things to happen first, it is worth revisiting.

If you do one thing after this session: get your numbers, your customer mix, and your management bench in order before you need them to be.

Thank You

- 1 Big deals are booming. Everyday deals are selective — and our industry is the exception.
- 2 Averages held. The gap between a well-run business and an average one widened.
- 3 Private equity needs to sell what it owns and buy what performs. Both need sellers.

Continue the conversation

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Figures drawn from publicly available sources published December 2025 through August 2026. Reporting periods differ by source and are labeled throughout. Valuation datasets measure different company populations and are not directly comparable. Prepared for discussion purposes; not investment, legal, or tax advice, and not a valuation of any specific business.