

US LOWER AND MIDDLE MARKET
Q1 2025 M&A UPDATE
INDUSTRY SPOTLIGHT | MAY 2025



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TABLE OF CONTENTS

- 3 M&A Overview and Outlook
- 4 M&A Deals and Valuations
- 5 M&A Activity
- 6 Notable M&A Transactions

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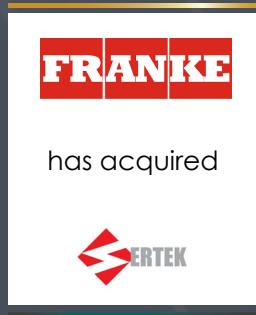
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ARTEMIS M&A TOMBSTONES



M&A OVERVIEW AND OUTLOOK

MIDDLE MARKET M&A INSIGHTS Q1 2025

The US M&A volume experienced a significant decline in Q1'25 compared to the previous quarter, reflecting a challenging environment for the middle market. The decline can be attributed to several factors such as tariffs, fears of a recession, and geopolitical tensions. The US economy contracted 0.3% in Q1 2025, marking the first quarterly contraction since early 2022, which created uncertainty among potential acquirers and sellers.

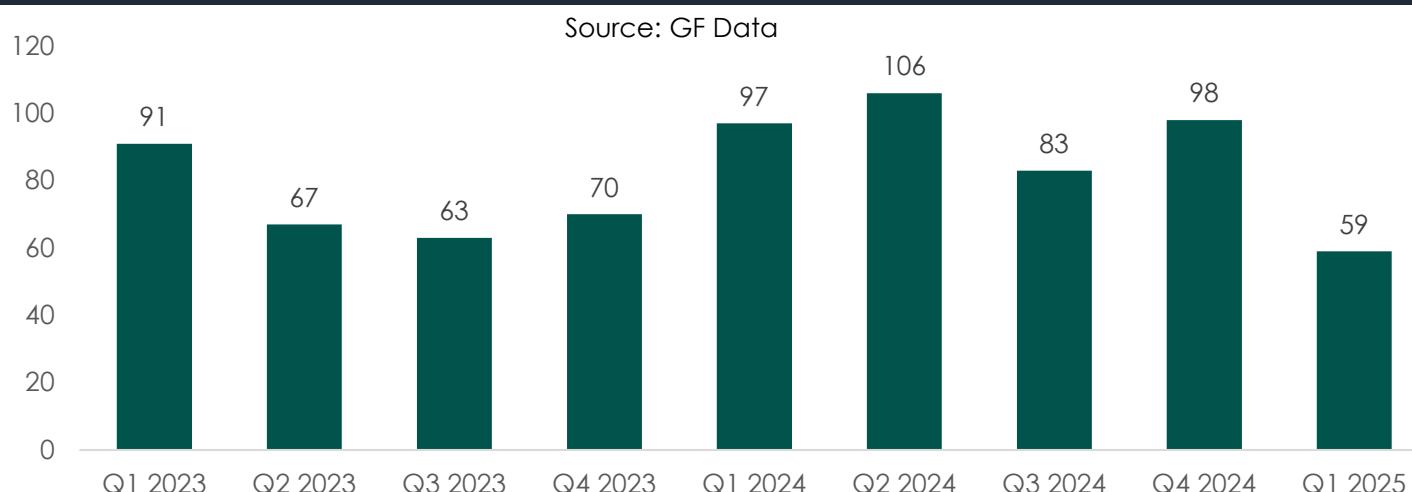
The imposition of tariffs heightened market volatility and economic uncertainty, leading to a cautious approach among companies considering M&A transactions. Additionally, elevated interest rates continued to pressure deal financing, while many middle market companies adopted a more conservative stance. Several key trends have emerged in the M&A landscape:

1. Early optimism –U.S. middle-market dealmaking in 2024 remained below prior peaks, but showed signs of stabilizing by year-end. While overall deal volumes remained below pre-pandemic levels, there was a noticeable uptick in activity, particularly in the latter half of 2024. The 2024 trends carried into 2025 i.e., early-year deal pipelines and pricing remained elevated, though principals and dealmakers grew cautious amid economic uncertainty. Many of the deals announced in the first quarter of 2025 were initiated last year, during a period of growing optimism driven by the prospect of a business-friendly US administration.
2. Outlook for 2025: Deal volume has been impacted over the past couple of years, due in part to a private equity (PE) exit drought. 2025 may see a modest recovery in middle-market M&A and key tailwinds include easing borrowing costs, plentiful private capital, and corporate demand for strategic growth. Many sponsors believed deregulation and the presidential election outcome would boost deal flow, and they carried a large pipeline (an estimated 3,800 PE-owned companies have been held 5–12 years)
3. Tariffs vs Deregulation -The policy pendulum is shaping deal strategy. Rising tariffs and trade frictions are rattling deal pipelines, especially in import-sensitive industries. For example, KPMG and Datasite report that tariff uncertainty caused many buyers to pause in Q1. PwC predicts industries like oil & gas will benefit from eased environmental and tax rules, boosting M&A there, even as others (e.g. Big Tech) face aggressive antitrust scrutiny. Niche areas like engineering, infrastructure services, and safety/security equipment remain hot. Conversely, deregulation in certain sectors is expected to lower hurdles.
4. Pent up of PE Sales - PitchBook Data analysis shows that several thousand PE exits were delayed over the past two years. Some of these exits are more likely to happen now that more confidence has returned to the market meaning more potential targets for corporate acquirers. There is still a valuation gap between buyers and sellers. And while corporate cash levels are near historic highs, the money is often concentrated among the biggest players; potentially limiting volume in some industries. Finally, many companies so far have prioritized returning cash to shareholders or just holding it instead of investing in M&A.
5. Extended diligence and stalled deals: Buyers are now including tariff-risk protection clauses and insisting on more comprehensive diligence. Deal processes are generally taking longer. Many sponsors and strategics are in “wait-and-see” mode. Datasite data show Q1 hold rates rose ~3 points YOY as buyers dig deeper on targets. Uncertainty has also prompted investment bankers to tell clients to hold off on M&A and initial public offerings until there is more clarity and consistency on US policy.
6. Resilient sectors: Several sectors are being impacted by the macro environment, especially those closest to tariff noise, government spending/services, and consumer demand. Healthcare remains notably resilient - steady demand, biotech innovation, and consolidation continue to attract buyers. Technology and cybersecurity are also holding up. Many corporates are still willing to pay for AI, cloud, or cyber capabilities to drive growth. Middle-market tech deals (especially software and services) are seeing strong buyer interest. Renewable energy and infrastructure stand out as well: the push for clean energy and modernized utilities is spurring deals in power generation, grid tech, and sustainable materials.

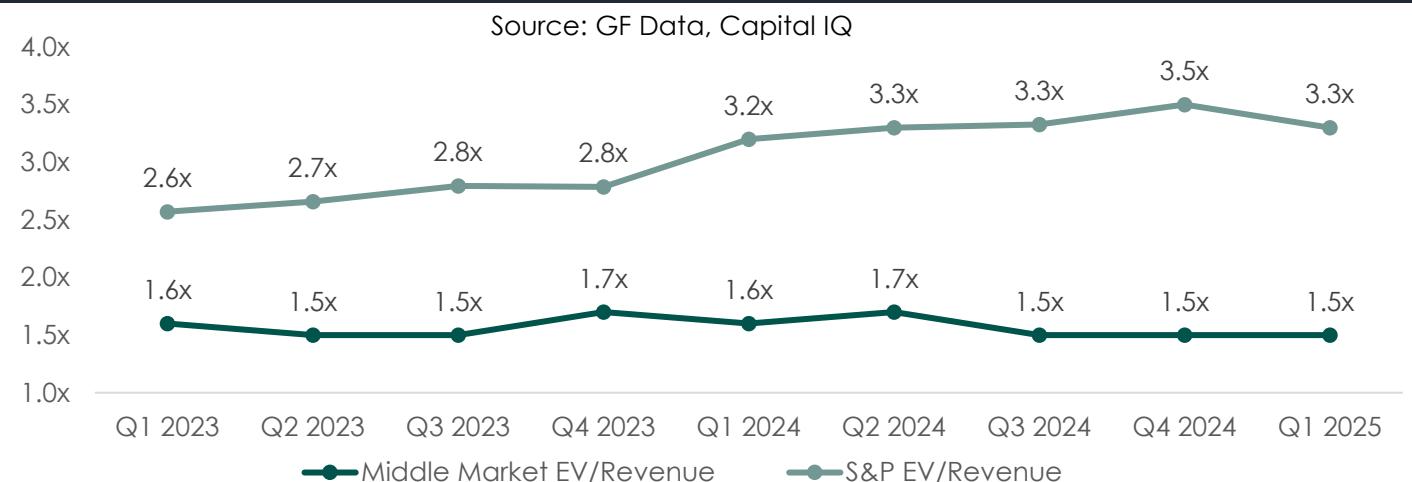
In summary, following a year marked by uneven recovery, the US M&A landscape appears primed for a resurgence; when it will come is still a major question. Several converging factors, the anticipated downward trajectory of interest rates, substantial reserves of uninvested capital awaiting deployment, corporations' imperative to transform their business models, and an easing regulatory environment will support the coming M&A wave.

M&A DEALS AND VALUATIONS

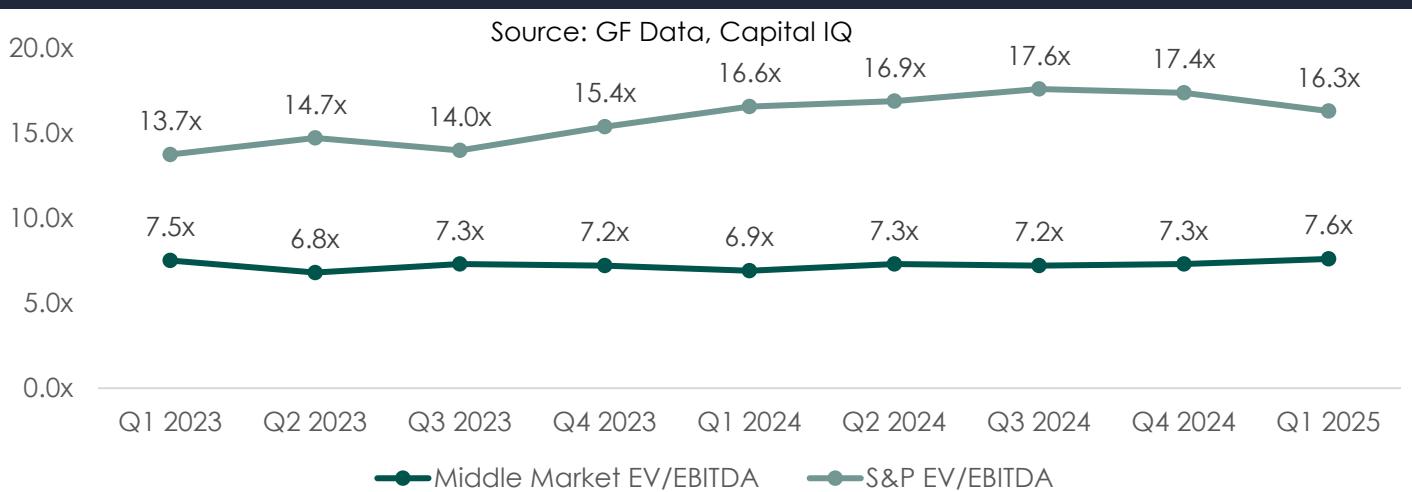
US LOWER MIDDLE MARKET DEAL VOLUME



EV/REVENUE VALUATION TRENDS



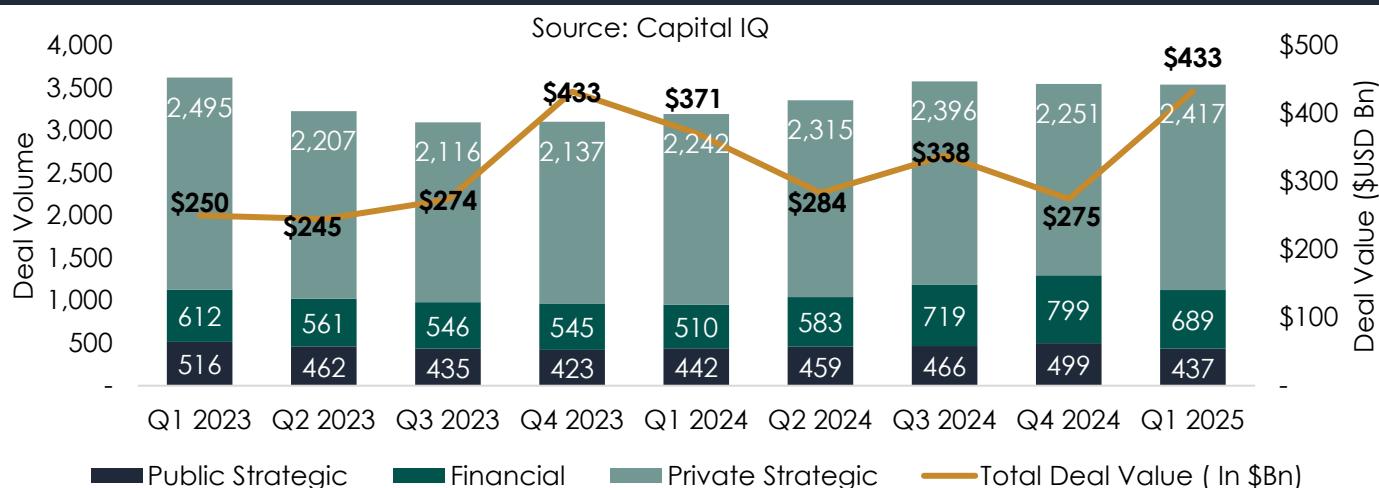
EV/EBITDA VALUATION TRENDS



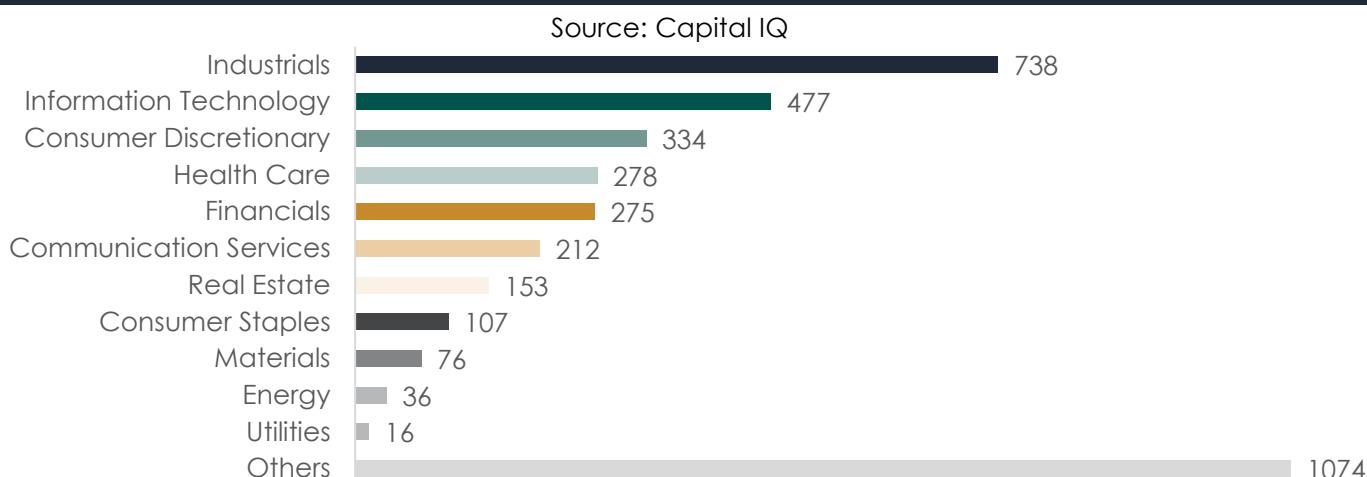
Note that the GF volume data is generated from its proprietary data collection and is only a subset of, and proxy for, the overall market

M&A ACTIVITY

Total USA M&A Deal Volume and Value (Q1 2023 – Q1 2025)



2025 Total USA M&A Deal Volume by Sector (Q1)



INDEX RETURNS



SELECT NOTABLE M&A TRANSACTIONS

\$ In Millions ND - Not Disclosed

Source: Capital IQ

DATE	TARGET	BUYER	TEV (\$M)	TEV/EBDITA	TEV/REVENUE	TRANSACTION VALUE (\$M)
03/31/2025	Sonim Technologies	Orbic North America	\$20.2	ND	0.3x	\$25.6
03/13/2025	3D at Depth	Kraken Robotics	\$17.0	ND	1.2x	\$17.0
03/11/2025	Unique Logistics International	DP World Logistics USA	\$93.3	11.0x	0.3x	\$97.0
03/10/2025	AMS Holding	A-Mark Precious Metals	\$67.6	7.3x	0.3x	\$62.0
03/06/2025	Alternative Power Generation	Willdan Energy Solutions	\$43.0	ND	1.2x	\$43.0
03/04/2025	Alliance Drilling Tools	Star Equity Holdings	\$11.9	5.0x	1.1x	\$11.9
03/03/2025	Girbau North America	EVI Industries	\$43.0	ND	0.6x	\$43.0
02/19/2025	Lane Supply	Gibraltar Industries	\$120.0	7.2x	1.1x	\$120.0
02/13/2025	Intevac	Seagate Technology Holdings plc	\$63.6	ND	1.0x	\$130.8
02/06/2025	Englewood Lab	Cosmecca Korea Co., Ltd.	\$131.6	8.0x	1.0x	\$36.1
02/05/2025	Jake's	US Foods Holding Corp.	\$92.0	ND	0.6x	\$92.0
02/04/2025	Alternative Energy Systems Consulting	-	\$53.0	ND	1.2x	\$53.0
01/29/2025	BroadPath	Sagility	\$57.9	ND	0.8x	\$57.9
01/22/2025	Vince Holding Corp.	P180	\$179.6	6.1x	0.6x	\$169.9
01/10/2025	Akoya Biosciences	Quanterix Corporation	\$111.1	ND	1.4x	\$146.1
Mean				7.4x	0.8x	
Median				7.2x	1.0x	