



# Market **Pulse**

# Q2 2024

## Executive Summary

Courtesy of

# INTERNATIONAL BUSINESS BROKERS ASSOCIATION AND M&A SOURCE

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# QUARTERLY INSIGHTS

The quarterly IBBA and M&A Source Market Pulse Survey was created to gain an accurate understanding of the market conditions for businesses being sold in Main Street (values \$0-\$2M) and the Lower Middle Market (values \$2M-\$50M). The national survey was conducted with the intent of providing a valuable resource to business owners and their advisors. The IBBA and M&A Source present the Market Pulse Survey.

The Q2 2024 survey was conducted July 1-15, 2024 and was completed by 322 business brokers and M&A advisors. Respondents completed 222 transactions this quarter. This is the 49th edition.

## MARKET SEGMENTS STUDIED

MAIN STREET	LOWER MIDDLE MARKET
 <\$500K  \$500K-\$1M  \$1M-\$2M	 \$2M-\$5M  \$5M-\$50M

## IMPACT OF 2024 ELECTION OF M&A DECISIONS

### PERCENTAGE DELAYING UNTIL AFTER THE 2024 ELECTION\*



\* Survey closed prior to President Biden's withdrawal from the race.

"The fact that a quarter of sellers are waiting until after the 2024 election to go to market is not surprising. These business owners are playing a calculated waiting game," said Pino Bacinello, President of Pacific Mergers & Acquisitions, Inc. "They're anticipating that post-election clarity on economic policies could boost valuations. Many are also keeping a close eye on interest rate and potential changes in tax laws, which could impact their net proceeds from a sale."

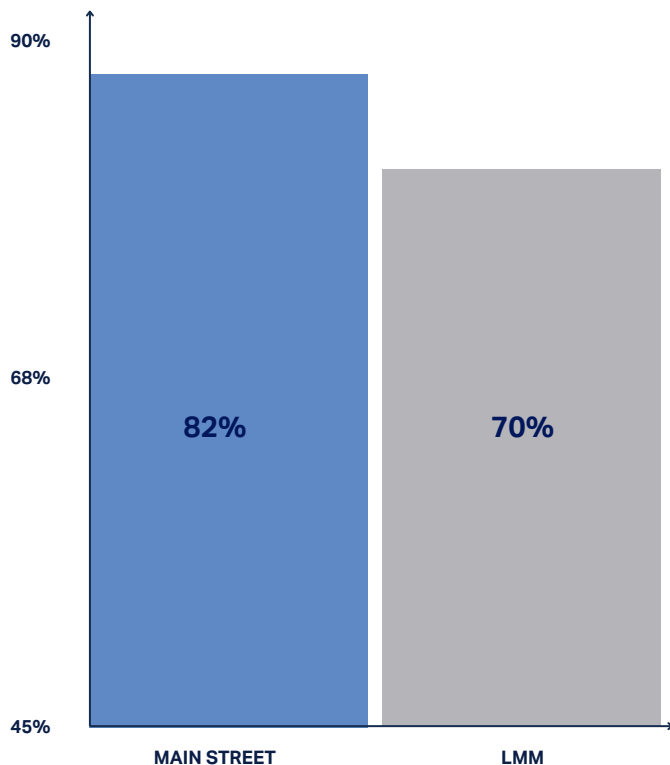
"President Biden's withdrawal from the race has added even greater uncertainty. While our data precedes this development, it's reasonable to expect we'll see more buyers and sellers pumping the brakes," said Brian Stephens, Founder, Legacy Venture Group. "The incoming administration will likely influence buyer sentiment and the availability of capital. So it's a strategic pause that could pay off in the long run."



## SELLERS OPEN TO ALTERNATIVE FINANCING

*Business Brokers and Lower Middle Market professionals are advising their clients to expect more alternative financing compared to the last five years, and sellers are generally accepting. In the Main Street market, 82% of sellers are willing to offer more competitive interest rates on seller financing than traditional lenders. In the Lower Middle Market, 70% are open to this approach.*

### WILLING TO OFFER LOWER SELLER FINANCING RATES



*"For those moving forward with transactions, the financing landscape has changed," said Josh Jones, of Utah Business Consultants. "As a response to the current high-interest rate environment, we're seeing greater use of seller notes, equity rollovers, and earnouts."*

*"What's particularly noteworthy is the flexibility we're seeing from sellers," said Mary Manilla, President of the Domain Group. "This willingness to be creative with financing terms is crucial in bridging valuation gaps and keeping deals flowing in a more challenging market."*

*"Buyers are getting creative, tapping into different sources of money, and coming up with alternative deal structures," Kathlene Thiel, President, Thiel Group, LLC, continued. "Sellers are responding with flexibility and financing in order to bridge that gap. So we're seeing deals go through that would have been dead in the water because of disconnects over price."*

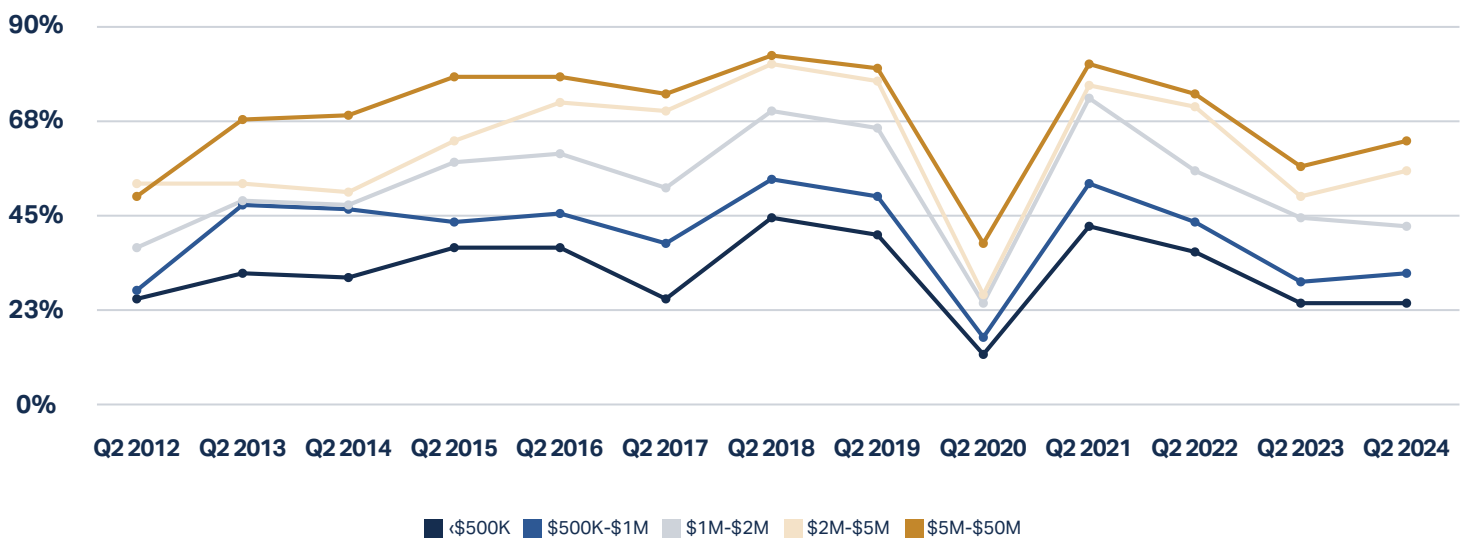
# BUSINESS VALUE

## MARKET CONFIDENCE REMAINS SPLIT

*A seller's market occurs when there are more potential buyers than available quality businesses for sale, giving sellers an advantage. In this environment, sellers typically have more leverage in negotiations, can command higher valuations, and often experience faster deal closures with more favorable terms.*

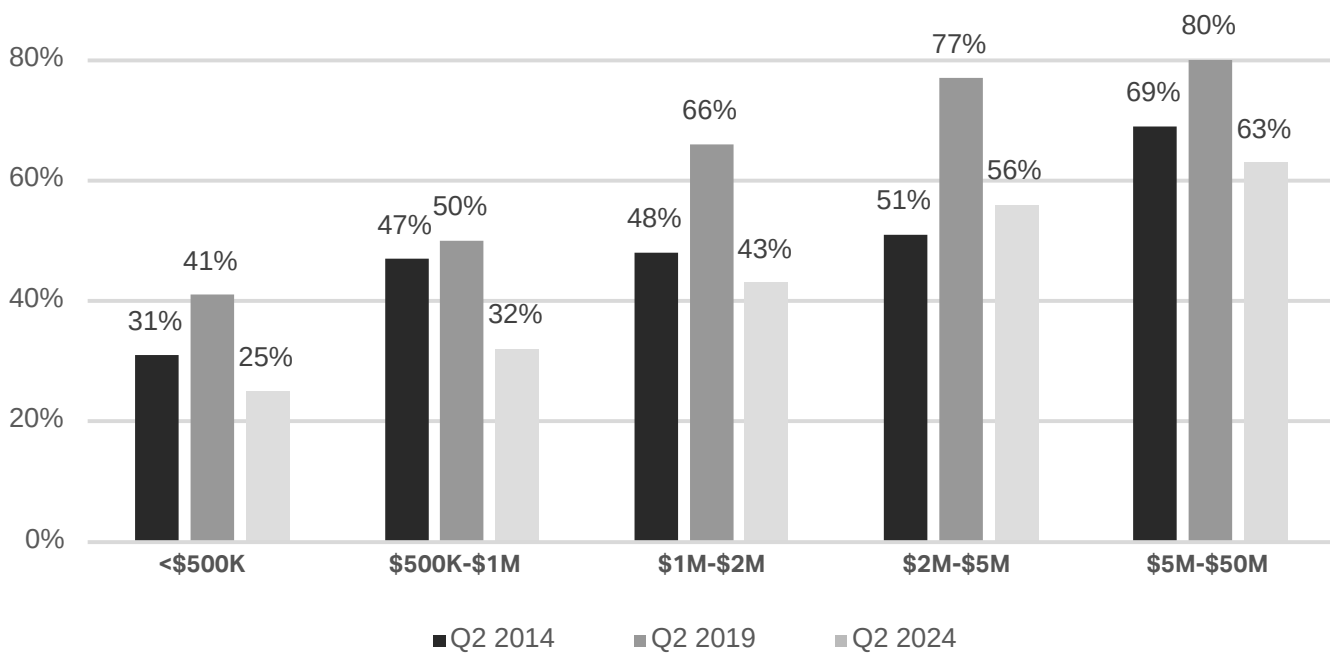
Overall, the market appears cautiously optimistic, with a clear divide between the sentiment of larger and smaller businesses. Larger businesses, particularly those valued over \$2M, experienced the greatest year-over-year improvement, with sentiment levels above 55%. Meanwhile, smaller businesses continue to feel challenged.

SELLER'S MARKET SENTIMENT Q2 2012-2024





## SELLER'S MARKET SENTIMENT, FIVE-YEAR TRENDS, Q2 2014, 2019, 2024



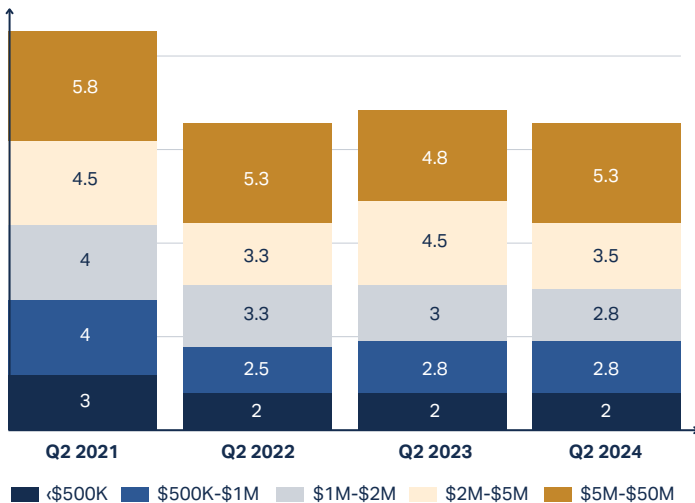
Current seller market sentiment reflects the cyclical nature of M&A—a reminder that what goes up must come down. While we're off the peaks of recent years, the market remains resilient, especially for businesses valued over \$2 million. Unfortunately, the stark contrast in sentiment between lower middle market and Main Street underscores the increasing challenges faced by small business owners in today's economic climate.

# BUSINESS VALUE

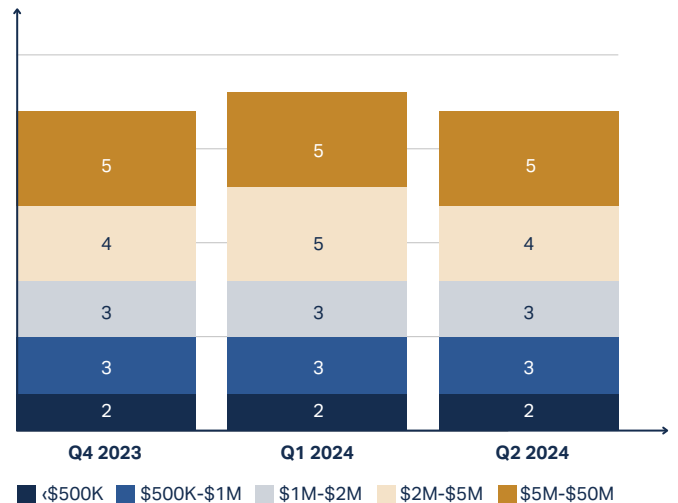
While multiples for businesses under \$1M have remained relatively constant, we've seen some fluctuation in the \$2M-\$5M range, with full point dip in Q2 2024. The \$5M-\$50M segment, however, has maintained relatively high multiples, indicating continued strong buyer interest in larger lower middle market companies.

Looking forward, M&A professionals predict multiples will stay stable. Nearly three-quarters (73%) expect multiples to stay the same over the next three months, however 19% predict a decrease.

**MEDIAN MULTIPLES  
YEAR-OVER-YEAR, Q2 2021-2024**



**MEDIAN MULTIPLES  
LAST THREE QUARTERS**



\*<\$500K - \$2M reflected as multiple of SDE; \$2M-\$50M as multiple of EBITDA

*"The \$2 million to \$5 million sector has dropped below a four multiple just four times since the Market Pulse survey began over a decade ago. We saw it in Q2 2018, Q1 2020, Q2 2022, and again now," said Lisa Riley, CEO & founder of Delta Business Advisors, LLC. "It's particularly interesting we're seeing this dip outside of a major economic event like the pandemic. It suggests that current market forces—be it interest rates or economic uncertainty—are having a meaningful impact on valuations."*

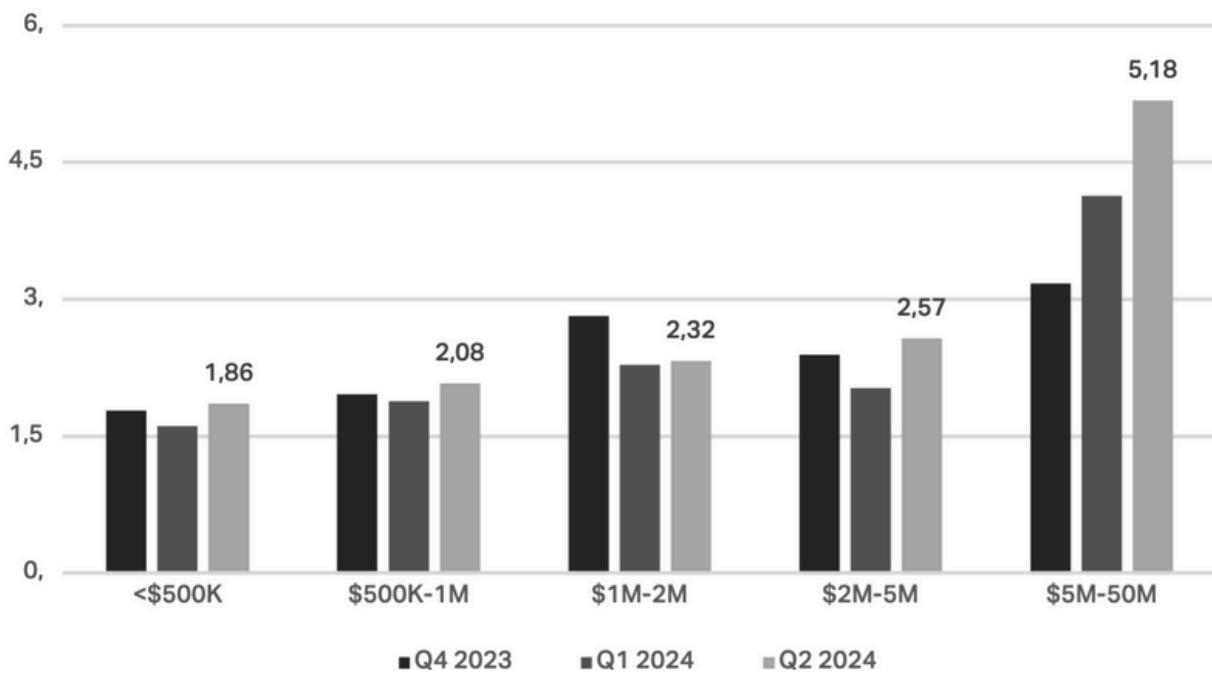




## OFFERS PER DEAL

The number of offers per deal serves as a key indicator of market competitiveness and buyer interest in the M&A landscape. On average, deals typically receive between 2 to 3 offers, with larger deals attracting more interest.

### OFFERS PER DEAL, LAST THREE QUARTERS



# TIME TO CLOSE

*The average time to sell a small business stayed relatively stable at 7 to 9 months across most deal sectors. Of that time roughly 60 to 120 days are spent in due diligence and execution, after a signed offer or letter of intent.*

What's notable, this quarter, is the significant decline in time to close in the \$5M-\$50M sector, dropping from 13 to 9 months. This could signal increased market competition, greater efficiency in due diligence, or a more receptive lending climate in this sector.

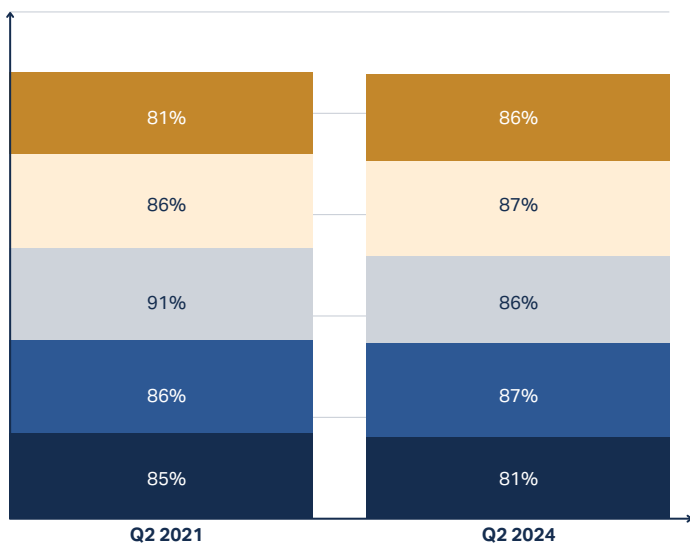
## MONTHS TO CLOSE, \$5M-\$50M SECTOR



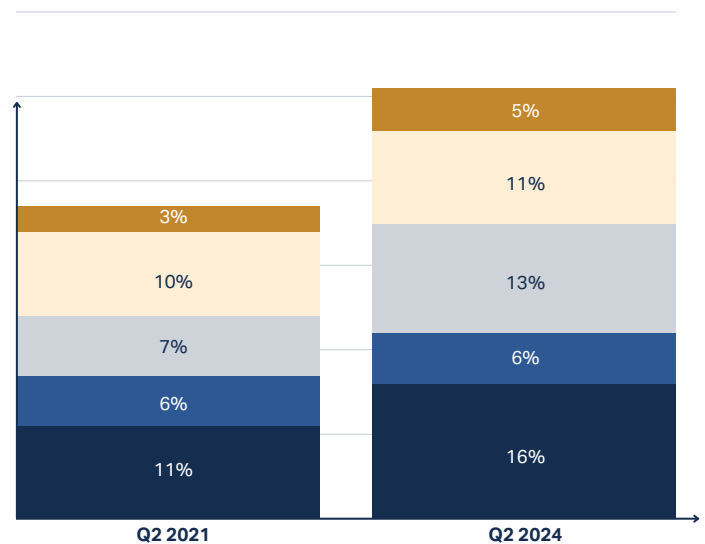
# FINANCING TRENDS

On average, sellers can expect to receive about 87% of total consideration as cash at close. (Cash at close includes senior debt and buyer equity.) For deals valued between \$5 million to \$50 million, earnouts (5%) and retained equity (5%) also played a meaningful role in financing.

## CASH AT CLOSE



## SELLER FINANCING



■ <\$500K ■ \$500K-\$1M ■ \$1M-\$2M ■ \$2M-\$5M ■ \$5M-\$50M

*“Even though interest rates are up five points over Q2 2021, we’re not seeing a big shift in seller financing requirements. There’s still so much money in the marketplace that it’s driving strong values and competition,” said Tanya Popov, Founder of INIX Consulting & Brokerage, LLC..*

# FINANCING TRENDS

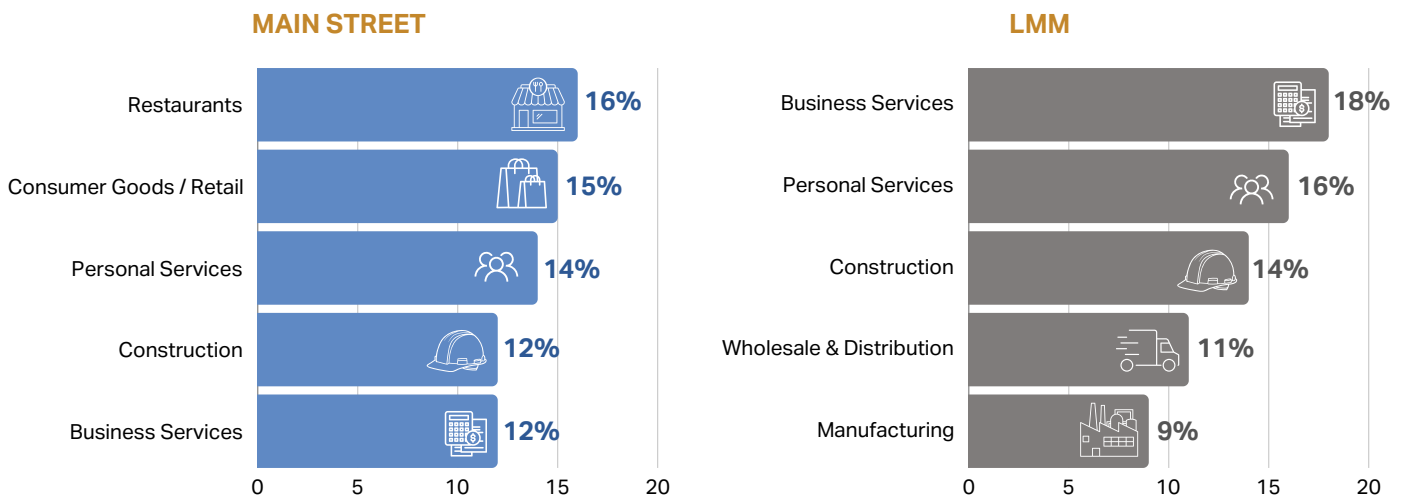
## TOP INDUSTRIES

Every quarter, Market Pulse data highlights the dynamic landscape of business sales across different deal values. There's a strong presence of service-based industries in both segments.

Business Services appears in both lists but is more prominent in the lower middle market (18% vs. 12% in Main Street), suggesting these businesses may be more attractive or viable at larger scales.

Construction maintains a similar share in both segments, indicating consistent M&A activity regardless of business size.

### TOP INDUSTRIES FOR M&A ACTIVITY Q2 2024



*"Business services are emerging as a hot industry in today's high-interest-rate environment," said Lee Sheaffer, President of BizReady, Inc. "With typically low capital expenditure requirements and often recurring revenue models, these companies are well-positioned for growth without the burden of heavy borrowing."*

# KNOW YOUR BUYER

The data shows that first-time buyers are more active in the Main Street market, while strategic buyers and PE firms become more prominent as the deal size increases. Buyer motivations also shift, with a focus on job acquisition in the lower value ranges and an increasing emphasis on strategic expansion in the higher value segments. Additionally, location preferences appear to shift with deal values, suggesting that proximity to sellers may be more critical for smaller deals.

## <\$500,000: Buyers in this sector were:

- *First-time buyer (41%), strategic buyer (30%), serial entrepreneur (27%)*
- *Motivated to buy a job (44%), gain a horizontal add-on (26%)*
- *Located within 20 miles (70%) or more than 100 miles (16%) of the seller's location*

## \$500K-\$1M: Buyers in this sector were:

- *Serial entrepreneur (36%), first-time buyer (30%), or strategic buyer (24%)*
- *Motivated to buy a job (32%), horizontal add-on (29%)*
- *Located within 20 miles (58%) or more than 100 miles (24%) of the seller's location*

## \$1M-\$2M: Buyers in this sector were:

- *First-time buyer (43%), strategic buyer (28%), serial entrepreneur (25%)*
- *Motivated to buy a job (45%), horizontal add-on (28%)*
- *Located within 20 miles (40%) or more than 100 miles (25%) of the seller's location*

## \$2M-\$5M: Buyers in this sector were:

- *Serial entrepreneur (38%), first-time buyer (31%), strategic buyer (27%)*
- *Buy a job (31%), better ROI than other investment (27%), horizontal add-on (23%)*
- *Located within 20 miles (46%) of the seller's location*

## \$5M-\$50M: Buyers in this sector were:

- *PE firms seeking add-on (33%), strategic (28%), PE firms seeking platform (17%)*
- *Horizontal add-on (56%), vertical add-on (17%)*
- *Located more than 100 miles (44%) of the seller's location*

*"Private equity firm activity is nearly double that of strategic buyers. That's likely due to the fundamentally different pressures each group faces," said Scott Bushkie, Managing Partner of Cornerstone Business Services, Inc. "Strategic buyers have the flexibility to adopt a wait-and-see approach, potentially opting for organic growth or pausing until the interest rate environment stabilizes. Whereas private equity firms operate under the constant pressure of fund lifecycles. They don't have the luxury of inaction, and we're seeing that urgency play out."*



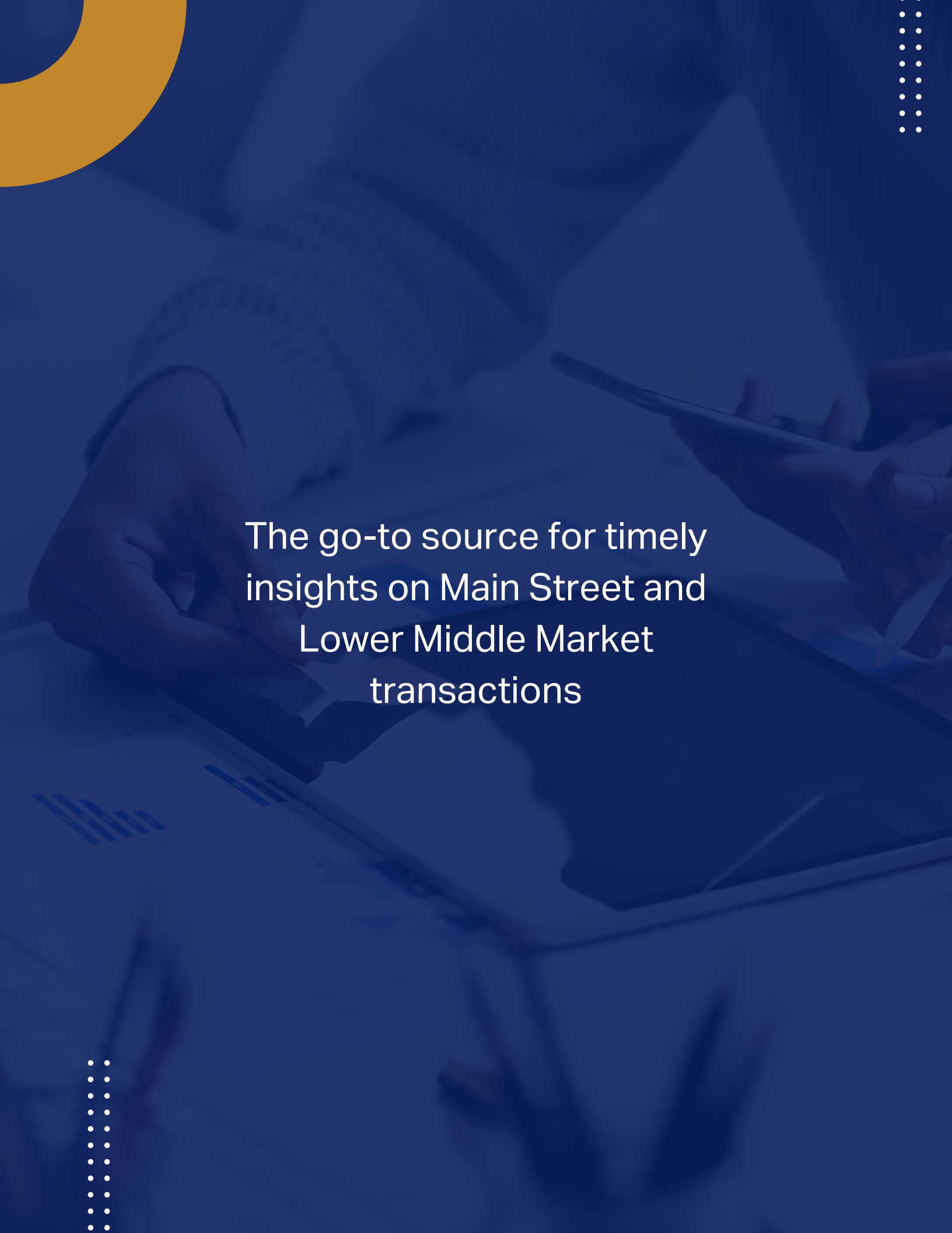
## ABOUT INTERNATIONAL BUSINESS BROKERS ASSOCIATION

Founded in 1983, IBBA is the largest non-profit association specifically formed to meet the needs of people and firms engaged in various aspects of business brokerage, and mergers and acquisitions. The IBBA is a trade association of business brokers providing education, conferences, professional designations and networking opportunities. For more information about IBBA, visit the website at [www.ibba.org](http://www.ibba.org) or follow the IBBA on [Facebook](#), [X](#), and [LinkedIn](#).



## ABOUT THE M&A SOURCE

Founded in 1991, the M&A Source promotes professional development of merger and acquisition professionals so that they may better serve their clients' needs, and maximize public awareness of professional intermediary services available for middle market merger and acquisition transactions. For more information about the M&A Source visit [www.masource.org](http://www.masource.org) or follow The M&A Source on [Facebook](#), [LinkedIn](#), or [X](#).



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# Market **Pulse**