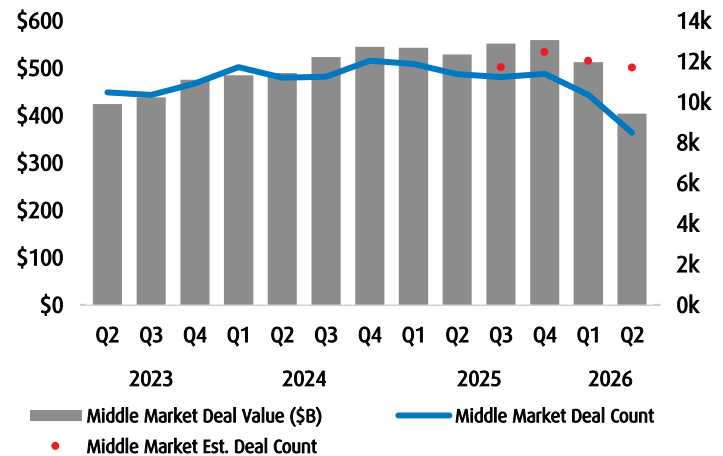


BMO Middle Market M&A update

A Selective Middle Market M&A Environment in 2026

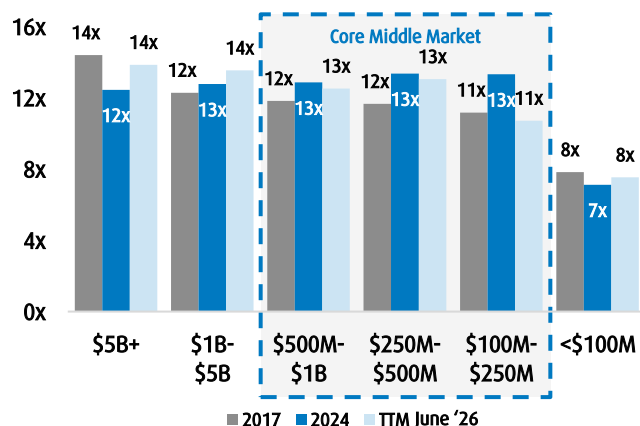
The middle market M&A environment remained stable in Q2 2026, supported by continued buyer interest in high-quality assets. As financing conditions remained selective and macroeconomic uncertainty persisted, activity increasingly favored strategically sound acquisitions and businesses with strong fundamentals. Headline transaction value was skewed by larger deals and down from the first quarter. Underlying deal count trended down, as persistently high interest rates made it more difficult for buyers to underwrite transactions. Overall, buyers maintained a heightened focus on diligence and value creation opportunities, reinforcing a measured yet constructive outlook for middle market M&A activity through the remainder of 2026.

Global Middle Market M&A Activity by Quarter^(1,2,3)



Core Middle Market⁽³⁾ Multiples Remain Strong

Median M&A EV/EBITDA Multiple by EV Size Bucket⁽¹⁾



Middle market transaction multiples have remained resilient through Q2 2026. Within the core middle market (\$100M to \$1B), multiples priced consistently across size buckets, while transactions below \$100 million continue to trade at a modest discount.

Robust buyer demand from both private equity sponsors and strategic acquirers supported attractive valuation levels. Financial sponsors remain well-capitalized with significant dry powder, while corporate buyers are increasingly utilizing M&A to supplement organic growth.

These favorable dynamics frequently result in competitive processes and have offset persistent market headwinds, including elevated interest rates, inflationary pressures, geopolitical uncertainty, and uneven economic conditions.

Market Update Key Takeaways



Middle Market Volume Remains Stable



Competitive Buyer Dynamics Support Resilient Multiples



Backdrop of High Interest Rates, Macro Headwinds, and Geopolitical Uncertainty

1. PitchBook, Q2 2026 Global M&A Report.
 2. Middle Market is defined as deals up to \$1B in enterprise value.
 3. Middle Market Est. Deal Count is based on the total estimated deal count and the pro rata share of middle market deals.

Quarterly M&A Spotlight: Why Preparation Separates Winners in a Selective Market

Market Backdrop – The first half of 2026 delivered a market paradox. Overall deal value in North America jumped while deal volumes declined slightly year over year, with the rebound driven largely by the return of the megadeal. During the first half of 2026 there were 39 transactions valued at over \$10 billion; strip those out and total deal value declined by ~4%.⁽¹⁾ While megadeal closings captured headlines, the middle market continued to show signs of a highly discerning environment. Even as deal kickoffs rose 52% year over year, only half of North American processes reached a successful close.⁽²⁾ In this K-shaped market, scaled assets and high-quality middle market businesses continue to command buyer interest and premium valuations, while less-prepared companies that lack a concrete succession plan, carry inconsistent data and reporting practices, and/or harbor unresolved diligence issues face uncertain outcomes, lower valuations, longer timelines, and more structure. Processes increasingly stall during confirmatory diligence when new issues surface, not from a lack of buyer interest; well-prepared companies preserve valuation and certainty of close, while less-prepared sellers face wider discounts, more structure, or failed processes.

The North American Middle Market Is Selective; It Is Not Closed – Buyers continue to compete for quality assets, while smaller or diligence-challenged deals see buyer-protective structures such as earnouts, seller notes, and rollover equity, or stall altogether. Buyers no longer pay premiums for speculative growth stories. Successful transactions are based on proven profitability, realistic valuation alignment, clean operational fundamentals, and the absence of unresolved exposure to risks that will linger post-transaction, and advance only once a buyer reaches a level of comfort with each. Scrutiny has deepened alongside selectivity. Median diligence timelines reached 182 days in the first half of 2026, and every additional week is time for new issues to surface, for momentum to fade, and for buyers to reconsider price.⁽²⁾ Sellers who enter diligence with clean data and resolved liabilities compress the timeline, hold leverage, and hold valuation through closing.

It Pays to Be Prepared – A broken process costs far more than the lost deal; there is no recovering the dollars invested to reach that point. An Axial survey of 107 lower middle market advisors found that private equity funds average 106 days under exclusivity before walking away, with independent sponsors averaging even longer at 129 days, or roughly four months of legal/advisor fees and management distraction for a transaction that never closed.⁽³⁾ The seller absorbs the sunk cost, the operational drag, and a market that now knows the process failed. With nearly half of broken LOIs now attributable to issues surfaced in diligence, preparation is the most effective hedge.⁽³⁾ The math is unforgiving. The difference between a successful outcome and a stalled process is increasingly set before a buyer is ever contacted. While the market remains open and buyer interest persists, successful outcomes increasingly depend on upfront preparation, allowing sellers to enter diligence with a credible investment narrative, defensible forecasts, and limited execution risk. Those who fail to prepare cede time, leverage, and value.

Middle Market Diligence Dynamics

~52%

Increase in deal kickoffs year over year, giving buyers a wider field and reinforcing the flight to quality.⁽²⁾

~182

Median days in diligence. Every added week gives buyers more time to surface issues and reprice.⁽²⁾

45%+

Failed LOIs due to items uncovered in diligence, suggesting many broken deals are suffering from gaps in preparation for confirmatory diligence rather than a lack of buyer interest.⁽³⁾

~50%

Successful close rate across North American processes, with one in three failing. Preparation increasingly separates winners from the rest.⁽²⁾

100+

Days under exclusivity before a sponsor walks. A failed process leaves the seller with sunk costs, lost focus, and a market that knows the process failed.⁽³⁾

Source(s): PitchBook, PwC, Datasite, Plausity, Axial.

1. PwC 2026 Mid-Year Outlook.

2. Datasite Deal Drivers Americas HY 2026.

3. Axial 2026 Lower Middle Market M&A Outlook: Valuations, Deal Activity & Market Trends.

Quarterly M&A Spotlight: How Businesses Can Prepare to Drive a Successful Outcome

Transaction Readiness and Winning in a Selective Market

- A selective market does not have to be an unfavorable one. While diligence has deepened and outcomes have grown less certain, the businesses that transact on the best terms share a common trait: they prepared early. Owners who address the fundamentals below well ahead of a process enter diligence with a credible narrative, fewer surprises, and greater leverage to protect value through closing.



Succession Planning De-Risks Your Exit

- **Why early preparation matters:** Buyers pay a premium for a business that can run without the owner. Depth across management, sales, operations, and other key functional areas reduces key-person risk, protects institutional knowledge and customer relationships, and gives buyers confidence the business will continue to perform after the transaction.
- **How you can prepare:** Identify the key roles and individuals the business relies on most. Formalize a succession plan and put retention arrangements in place to keep the talent buyers expect to retain through the transaction.



Clean Data, Smoother Process

- **Why early preparation matters:** Buyers reward businesses that produce accurate, granular data quickly. A reliable ERP system and clean underlying data can answer diligence requests, reinforce the story being told, and signal a well-run operation. Fragmented spreadsheets and inconsistent reporting slow the process and create doubt.
- **How you can prepare:** Evaluate whether current systems can generate customer, product, and margin-level detail at the level of granularity buyers expect, strengthen ERP and underlying data ahead of a process, and put processes in place to capture the information buyers will need to underwrite a transaction.



Shore Up Key Agreements

- **Why early preparation matters:** The strength of key customer and supplier agreements directly shapes how buyers view revenue quality and margin stability. Committed volumes, locked-in pricing, adequate duration, and clean change-of-control language reduce perceived risk, while gaps in any of these may become negotiating leverage for buyers.
- **How you can prepare:** Assess material customer, supplier, and lease agreements for term, volume, pricing, and assignment provisions, and shore up or extend the agreements most critical to the business ahead of a process.



Audited Financials Build Buyer Trust

- **Why early preparation matters:** Audited statements give buyers confidence in the reliability of your numbers and remove a source of diligence friction. A two-to-three-year audited track record shortens the timeline, limits a buyer's ability to reprice on late surprises, and supports a higher, more defensible valuation, while providing a verified foundation for both sell-side and buy-side quality of earnings work.
- **How you can prepare:** Engage a reputable accounting firm to audit your two most recent fiscal years and build toward a multi-year audited history well before you approach the market.



Control the Environmental Narrative

- **Why early preparation matters:** Environmental issues are a leading cause of late-stage repricing and deal delays. A liability first uncovered by the buyer puts a seller and its advisors on their heels, forcing them to respond mid-process with limited information and little leverage. Getting ahead of it lets you control the findings, the messaging, and the timing.
- **How you can prepare:** Engage an environmental consultant to complete a Phase I assessment on company-owned or operated sites, and work to remediate any findings before engaging with buyers.

BMO Deal Spotlight – Sale of The Willamette Valley Company (“WVCO”), a Manufacturer and Distributor of Specialty Chemicals, to Arclin

 The Willamette Valley Company

a portfolio company of



sale to



a portfolio company of

TJC

BMO  Capital Markets

Exclusive Financial Advisor

February 2026

The Willamette Valley Company

Based in Eugene, Oregon, WVCO is a manufacturer and distributor of specialty chemicals and integrated robotic dispensing equipment with expertise in solutions encompassing coatings, fillers, adhesives, robotics, engineering, and more across the wood products, railroad, infrastructure, and consumer products end markets

Arclin

Headquartered in Alpharetta, Georgia, Arclin is a North American manufacturer and formulator of proprietary surface overlays and specialty resins primarily for the residential construction, transportation infrastructure, and repair and remodel markets

Transaction Highlights and Dynamics

Tailored Marketing Process

Executed a broad marketing effort, generating numerous buyer discussions with BMO, effectively maximizing competitive tension for a unique, high-quality asset

Optimal Launch Timing

Leading up to the process, BMO worked closely with Endeavour and management to closely assess business performance, market conditions, and consider potential tariff impacts to optimize launch timing

High-Touch Buyer Diligence

Demonstrated careful judgment and a thoughtful approach throughout the diligence process, strategically releasing confidential information to sustain buyer interest while protecting sensitive data from multiple strategic buyers

Strong Buyer Connectivity

Proactive, ongoing dialogue with priority financial sponsors and strategic counterparties resulted in strong buyer engagement and a highly competitive process

Fuel for Future Growth

The acquisition of WVCO adds category-leading, mission-critical products to Arclin's engineered wood chemicals portfolio, while introducing integrated equipment and high-touch service capabilities supported by a best-in-class innovation team

BMO's Transaction Value-Add

Deep Chemical Expertise and Active Practice

BMO's leading Chemicals M&A franchise and track record of closed deals enhanced credibility in market

Comprehensive Analytical Support

Worked hand in hand with management and third-party advisors to support the Company's near-term growth initiatives with a defensible financial model backed by proven unit economics

Positioning and Communicating the WVCO Story

BMO played a pivotal role in highlighting the Company's category-leading products, deeply entrenched customer relationships, and ultra-sticky revenue profile, helping drive sustained competitive tension

Detailed Negotiation Support

BMO worked with third-party advisors to defensibly position the accounting treatment of cash, working-capital, and debt-like items, directly increasing proceeds to the sellers

Value Maximization

Through process structure, curated marketing materials, analytical support, and tactical negotiation strategy, BMO was able to maximize value in a challenging macro environment

WVCO's Value Drivers



Diversified End Markets

- Revenue diversified across four end markets: Wood Products, Consumer, Transportation & Infrastructure, and Automation
- Unique mix of go-to-market strategies tailored towards specific end markets helps drive consistent demand



Product Differentiation

- Leading product offerings across several categories including wood repair, consumer specialty adhesives, and rail tie repair
- Unmatched quality supplemented by WVCO's service and automation offerings creates a strongly differentiated value proposition



Strong Customer Relationships

- Razor/razorblade model creates a defensible moat around customers
- Strong service model creating frequent customer touchpoints providing visibility into customer needs across divisions



Proven M&A Capabilities

- Experienced management team with a proven track record of acquiring and integrating add-on acquisitions
- Well-maintained pipeline of M&A targets with near-term and long-term priorities

 sale to  a portfolio company of  Exclusive Financial Advisor August 2026	 acquisition of  Exclusive Financial Advisor August 2026	 sale to  Exclusive Financial Advisor August 2026	 a division of  sale to  Exclusive Financial Advisor July 2026	 a portfolio company of   sale to  Exclusive Financial Advisor July 2026	 a portfolio company of  sale to  a portfolio company of  Exclusive Financial Advisor June 2026
 a portfolio company of  sale to  a portfolio company of  Financial Advisor May 2026	 divestiture of product line to Confidential Buyer Exclusive Financial Advisor May 2026	 sale to  Exclusive Financial Advisor April 2026	 acquisition of  Exclusive Financial Advisor April 2026	 a portfolio company of  sale of UK business unit  Exclusive Financial Advisor April 2026	 sale to  Exclusive Financial Advisor March 2026
 merger with  Exclusive Financial Advisor March 2026	 sale to  Exclusive Financial Advisor March 2026	 a portfolio company of  sale to  Financial Advisor March 2026	 sale to  Exclusive Financial Advisor March 2026	 a portfolio company of  acquisition of  Exclusive Financial Advisor February 2026	 sale to  Exclusive Financial Advisor February 2026

Let's connect

Whether you're expanding through acquisition or ready to transition ownership of the business, our middle-market M&A experts are ready to help you take your company to the next phase.

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