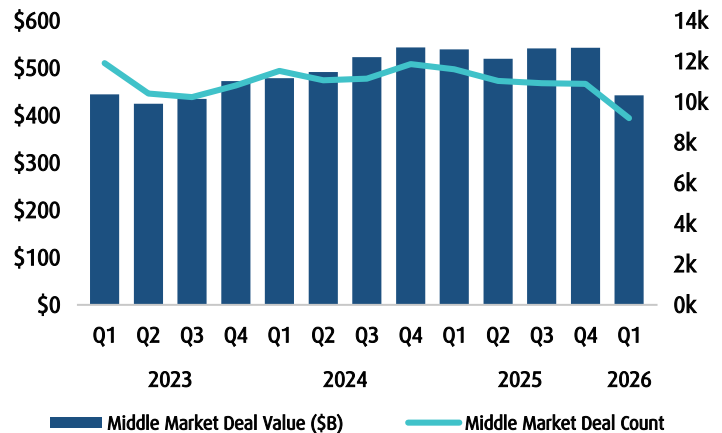


BMO Middle Market M&A update

Resilient Middle Market M&A Environment in 2026 Building Off of Momentum in 2025

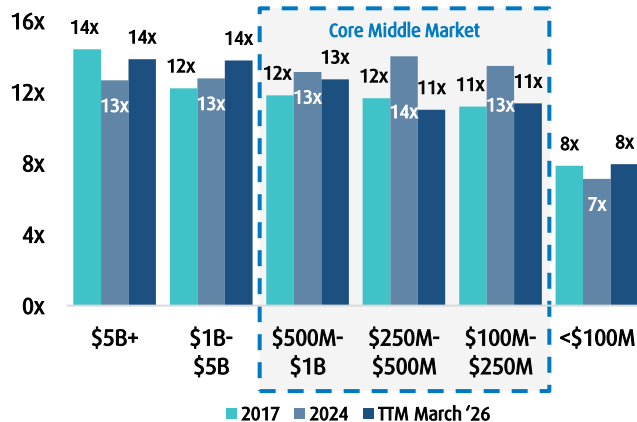
The middle market M&A environment in Q1 2026 demonstrated continued resilience, building off steady momentum established throughout 2025, with deal value and volume remaining relatively flat through the first few months of the year. Throughout the beginning of 2026, market participants navigated a shifting financing landscape, as relatively loose financing conditions early in the quarter gave way to a more selective lending environment amid broader macro volatility. Despite these dynamics, high-quality middle market assets continued to attract strong interest and execution certainty, supported by disciplined underwriting and sustained dry powder levels. At the same time, some moderation in deal pacing and heightened diligence reflected a more cautious tone among lenders and buyers.

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



Core Middle Market⁽³⁾ Multiples Remain Strong but Slightly Off Recent Highs

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



Despite short term contractions from market highs in 2024 due to cheap debt becoming scarcer, middle market transaction multiples remain in-line with historic levels. As financing conditions tightened and selectivity among buyers increased, buyers' ability and appetite to pay above market multiples, as seen in 2024, has subsided. Since core middle market transactions have greater reliance on private credit, the impact of reduced credit availability affects those transaction multiples to a greater extent than other areas of the market. Core middle market multiples still remain at robust 2017 levels, however. Further upmarket, valuation multiples generally remained stable, supported by sustained competition for scaled, high-quality platforms and continued financing access for well-performing assets.

Market Update Key Takeaways

- Middle Market Volume Remains Stable as Valuations Normalize
- Larger Deals Are Driving Overall Market Value
- Financing Environment Is Tightening, Increasing Lender Selectivity and Diligence

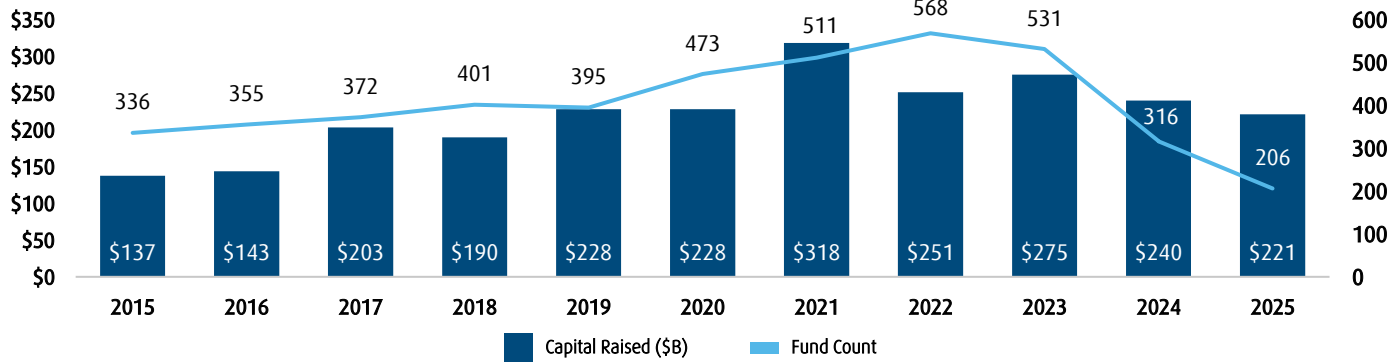
1. PitchBook, Q1 2026 Global M&A Report.
 2. Middle Market is defined as deals up to \$1B in enterprise value.
 3. Core middle market transactions are defined as businesses with enterprise values between \$250M-\$1B.



Quarterly M&A Spotlight: The Private Credit Crunch

Market Backdrop – Private credit, non-bank credit extended by specialized investment vehicles to middle market businesses, emerged after the Global Financial Crisis as banks pulled back from middle-market lending due to increased regulatory requirements and shifting risk appetite. Capital flooded into non-bank lenders, driving rapid AUM expansion from approximately zero two decades ago to trillions today. Over time, the massive influx of capital, managers, and firms into the industry caused lenders to compete by making loans with lower yields, narrower spreads, and reduced safety.

Private Credit Market Growth: Debt Fundraising Activity



Current Macroeconomic Headwinds Faced by Private Credit and the Broader Market Alike

The macroeconomic backdrop has materially shifted as compared to prior private credit cycles...

Q2 2026 Macroeconomic Headwinds



Longstanding Elevated Interest Rates



Historically Low Consumer Confidence



Geopolitical Uncertainty



Persistent Margin Pressure



Oil + Energy Shocks



Policy Uncertainty

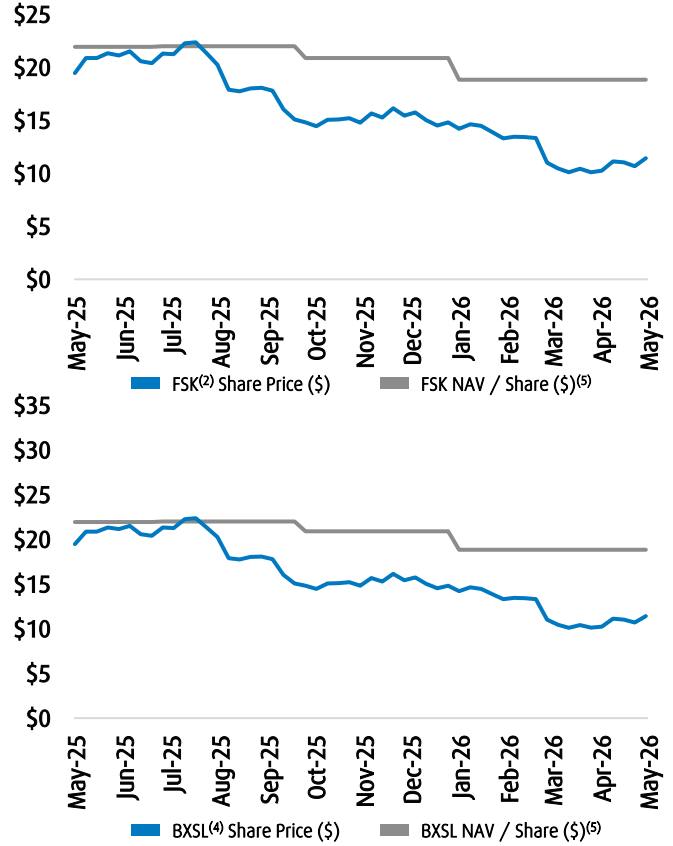
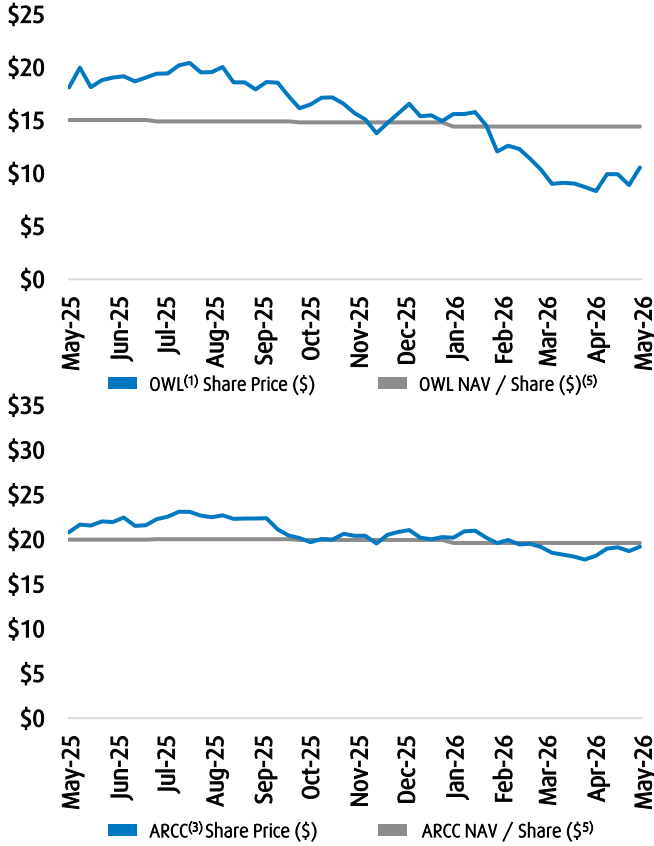
...driving increased selectivity amongst lenders, a decrease in lending volumes, and a lender pullback from AI-disrupted sectors and consumer-exposed businesses, resulting in reduced credit availability

2026 Tightening – More recently, the market has begun to shift toward a more balanced and disciplined underwriting environment, with lenders placing greater emphasis on credit quality, structure, and long-term performance. As of January 2026, the U.S. private credit default rate has climbed to 5.8% for the last twelve months, the highest ever on record, but also reflecting normalization following an extended period of minimal losses. Risks remain concentrated in highly leveraged, rate-sensitive debt, particularly among software names and smaller borrowers, though lenders have used amendments and maturity extensions to provide flexibility. Recently, Blue Owl Capital and KKR Credit experienced a tumultuous period (see following page for charts) marked by losses and rising retail redemption rates. Driven by concerns over asset quality, higher-for-longer rates, and negative sentiment around further losses, managers are being forced to gate withdrawals, sell assets, or tap liquidity buffers, ultimately tightening capital deployment and amplifying liquidity stress across the broader credit markets.

Source(s): Bank for International Settlements, Pitchbook, Oaktree, Fitch Ratings, CNBC, Apollo.

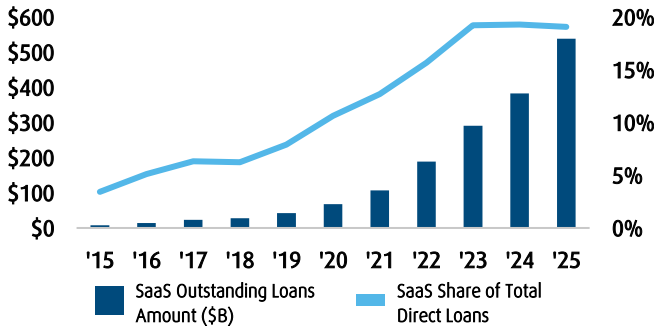
Quarterly M&A Spotlight: The Private Credit Crunch

Private Credit Industry Stalwarts' Stock Price vs. NAV / Share

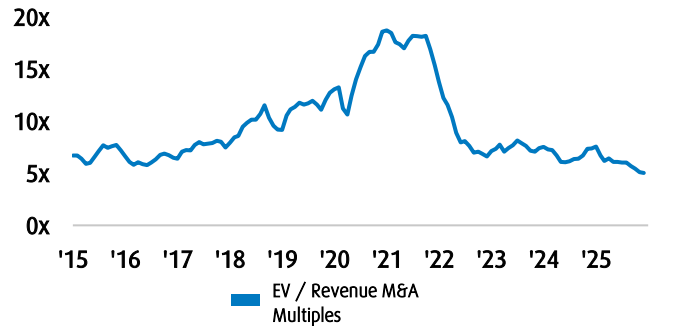


AI Is Reshaping Private Credit Risk – Investors have historically viewed software’s predictable, recurring revenue and high margins as strong support for aggressive leverage and PIK structures. Accordingly, outstanding loans to SaaS firms increased from almost \$8 billion in 2015 to over \$500 billion, or 19% of total direct loans by dollar volume. By late-2025, roughly one-third of private credit funds had significant exposure to the SaaS sector. Recent AI advancements have prompted pricing, margin, and revenue visibility questions, leading to a broad SaaS sector re-rating; however, the cause has been sentiment driven rather than fundamentals driven. Investors have in-turn become more disciplined and selective, seeking to align capital allocation more closely with long-term business fundamentals.

Direct Lending to SaaS Firms



SaaS Valuations



Source(s): Bank for International Settlements, Pitchbook, Oaktree, Fitch Ratings, CNBC, Apollo, Aventus.

1. Blue Owl.
2. KKR Credit.
3. Ares Credit.

4. Blackstone Credit.

5. NAV / Share data is posted quarterly, with latest available data as of 3/31/2026.



The Private Credit Tightening Impact on Borrowers & Key Takeaways

Implications for Borrowers

Despite negative headlines, borrower-level fundamentals remain solid in aggregate, even among software companies, with positive, albeit moderating, revenue growth, improving and stable margins, and strong EBITDA coverage



Strong Borrowers Still Have Capital Access

The market has shifted from “capital for all” to “selective capital”, with access to capital readily available for those with strong, predictable cashflows, high visibility, and a defensive moat



Increased Lender Diligence & Covenants

Lenders’ posture has tightened as they conduct more diligence, implement stronger covenants and documentation protections, require higher spreads, and have increased pricing discipline



Proactive Lender Engagement Is Critical

In today’s tighter credit market, lending is more relationship-driven, with story, transparency, and proactivity mattering as much as fundamentals



Insulation from AI Is a Necessity

Although the full ramifications of AI are uncertain, companies are now expected to have a gameplan to maintain their competitive moats from AI displacement

Key Takeaways

- ✓ The market is correcting for overexuberance
- ✓ AI is accelerating risk reassessment
- ✓ The M&A market remains active
- ✓ Lenders are increasingly selective
- ✓ Investor sentiment is amplifying volatility
- ✓ Capital is available for quality borrowers

Source(s): Deloitte, World Bank, U.S. News, Bloomberg, Partners Group, CreditSights, Proskauer Rose.

BMO Deal Spotlight – Sale of Nüгредиent Solutions, a value-added nut-based ingredient manufacturer, to Guardian Capital Partners



sale to



BMO  Capital Markets
Exclusive Financial Advisor
March 2026

Nüгредиent Solutions

Based in the California Central Valley, Nüгредиent Solutions is a leading developer and manufacturer of specialty nut-based ingredients. The Company supplies a broad base of customers, including food manufacturers and CPG brands, with products such as almond flours, nut butters, and sliced nuts

Guardian Capital Partners

Guardian Capital Partners is a private equity firm focused on investing in middle market companies. The firm invests across the business services, industrial, and consumer sectors, and works closely with management teams to support operational improvement and long-term growth initiatives

Transaction Highlights and Dynamics

Continued Company Outperformance

Nüгредиent continuously outperformed expectations throughout the transaction, achieving strong earnings during diligence, driving increased interest from buyers

Experienced Management Team

Nüгредиent possessed a strong management team that drove meaningful growth over the past several years and was looking to continue scaling the business with a new partner

Detailed Negotiations Support

Managed a complex negotiation dynamic among three founders with divergent objectives, structuring a solution that satisfied each stakeholder

Business Transformation

Nüгредиent is the combination of two entities that leveraged capabilities to create a vertically integrated platform that differentiates itself in a highly competitive segment

Compelling Credit Profile

Nüгредиent's clear cash flow visibility, high-quality customer base, and attractive end markets drove strong lender conviction resulting in competitive financing terms despite increased market selectivity

BMO's Transaction Value-Add

Industry-Focused M&A Execution

BMO was selected as the Company's financial advisor due to its food M&A expertise, strong buyer relationships, and proven execution capabilities

Transparent Communication

Collaborative approach to M&A execution that provided owners and management clear prioritization of objectives at all stages of the process

Comprehensive Analytical Support

Financial modeling, thoughtful analysis, and diligence support enabled transparent buyer feedback and seller education of strategic alternatives

Tailored Process Design

BMO developed a highly competitive process that maximized tension and drew substantial interest from buyers to generate multiple attractive options for ownership

One Client Win

Integrated execution utilizing commercial banking, sponsor finance, wealth management, and capital markets resources

Nüгредиent Company Value Drivers



Specialized Operations

- Processor of custom and proprietary ingredient solutions with applications across multiple end-markets
- Direct access to some of the world's largest almond farms, offering flexibility and service that appeal to customers of all sizes



In-house Capabilities

- In-house R&D, application labs, and technical sales teams enable collaborative product development
- Owned buildings and land that was leased back to the buyer
- Functional ingredients for CPG/food, beverage, and wellness industries



Sourcing Diversification

- Sourced inputs from vertically integrated farms, processors, and third-party growers
- Maximum utilization of agricultural inputs and ability to mitigate commodity swings



Attractive End Markets

- Established base of long-term customers developed through leading customer service and consistent, high-quality products
- Rapidly expanding relationships with blue-chip customers across multiple growing segments

SPACECRAFT COMPONENTS CORP.
sale to
CHARGER
Exclusive Financial Advisor
June 2026

POLYMER ADHESIVES
a portfolio company of
DALFORT CAPITAL
sale to
DIVERSITECH
a portfolio company of
PARTNERS GROUP
Exclusive Financial Advisor
May 2026

MED SOURCE LABS
divestiture of product line to
Confidential Buyer
Exclusive Financial Advisor
May 2026

st. AGRESTIS
sale to
THE WINE GROUP
Exclusive Financial Advisor
April 2026

THE STERLING GROUP
acquisition of
SCRUBBS COMPANY
Exclusive Financial Advisor
April 2026

pellera
a portfolio company of
H I G CAPITAL
sale of UK business unit
Inspire
Exclusive Financial Advisor
April 2026

nügradient solutions
sale to
GUARDIAN CAPITAL PARTNERS
Exclusive Financial Advisor
March 2026

2b CLOUD
merger with
Sela.
Exclusive Financial Advisor
March 2026

THE SAKTON GROUP
has been acquired by
capital spring
Exclusive Financial Advisor
March 2026

MATRIX ADHESIVES GROUP
a portfolio company of
GOLDNERHAWN
acquisition of
TRUARC PARTNERS
Exclusive Financial Advisor
March 2026

KENWOOD VINEYARDS
sale to
KORBEL
Exclusive Financial Advisor
March 2026

OVATION HOLDINGS, INC.
LEADING WITH SERVICE
Portfolio Company of
WARREN EQUITY PARTNERS
Acquisition of
PHOENIX PUMPS, INC.
Exclusive Financial Advisor
February 2026

HSC
sale to
hkW
Exclusive Financial Advisor
February 2026

The Willamette Valley Company
a portfolio company of
ENDEAVOUR
sale to
ARCLIN
a portfolio company of
TJC
Exclusive Financial Advisor
February 2026

ASI Group
sale to
WITHROW PARK GROWTH
Exclusive Financial Advisor
December 2025

PRIME ELECTRIC
a portfolio company of
WESTVIEW CAPITAL PARTNERS
acquisition of
TRUELINK CAPITAL
Exclusive Financial Advisor
December 2025

KEY POLYMER
a portfolio company of
DALFORT CAPITAL
sale to
SEATEX
a portfolio company of
Riverside
Exclusive Financial Advisor
December 2025

melett
a subsidiary of
Wabtec CORPORATION
sale to
BMTS TECHNOLOGY
a portfolio company of
FountainVest
Exclusive Financial Advisor
December 2025

STE MICHELLE WINE ESTATES
a portfolio company of
SYCAMORE PARTNERS
sale to
COVENTRY VALE
Exclusive Financial Advisor
December 2025

SIMI
a brand of
THE WINE GROUP
has been acquired by
WARROOM CELLARS
Exclusive Financial Advisor
November 2025

WARBURG PINCUS
acquisition of
FlavorSum
Exclusive Financial Advisor
August 2025

COLUMBIA BASIN RAILROAD
sale to
JAGUAR TRANSPORT
a portfolio company of
OPTrust
Exclusive Financial Advisor
August 2025

CUMMINGS
a portfolio company of
TABERNACLE EQUITY
sale to
IDENTITI
a portfolio company of
KEYSTONE CAPITAL
Exclusive Financial Advisor
August 2025

GONNELLA
Since 1886
acquisition of
Lineage*
(Select Asset)
Exclusive Financial Advisor
August 2025

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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