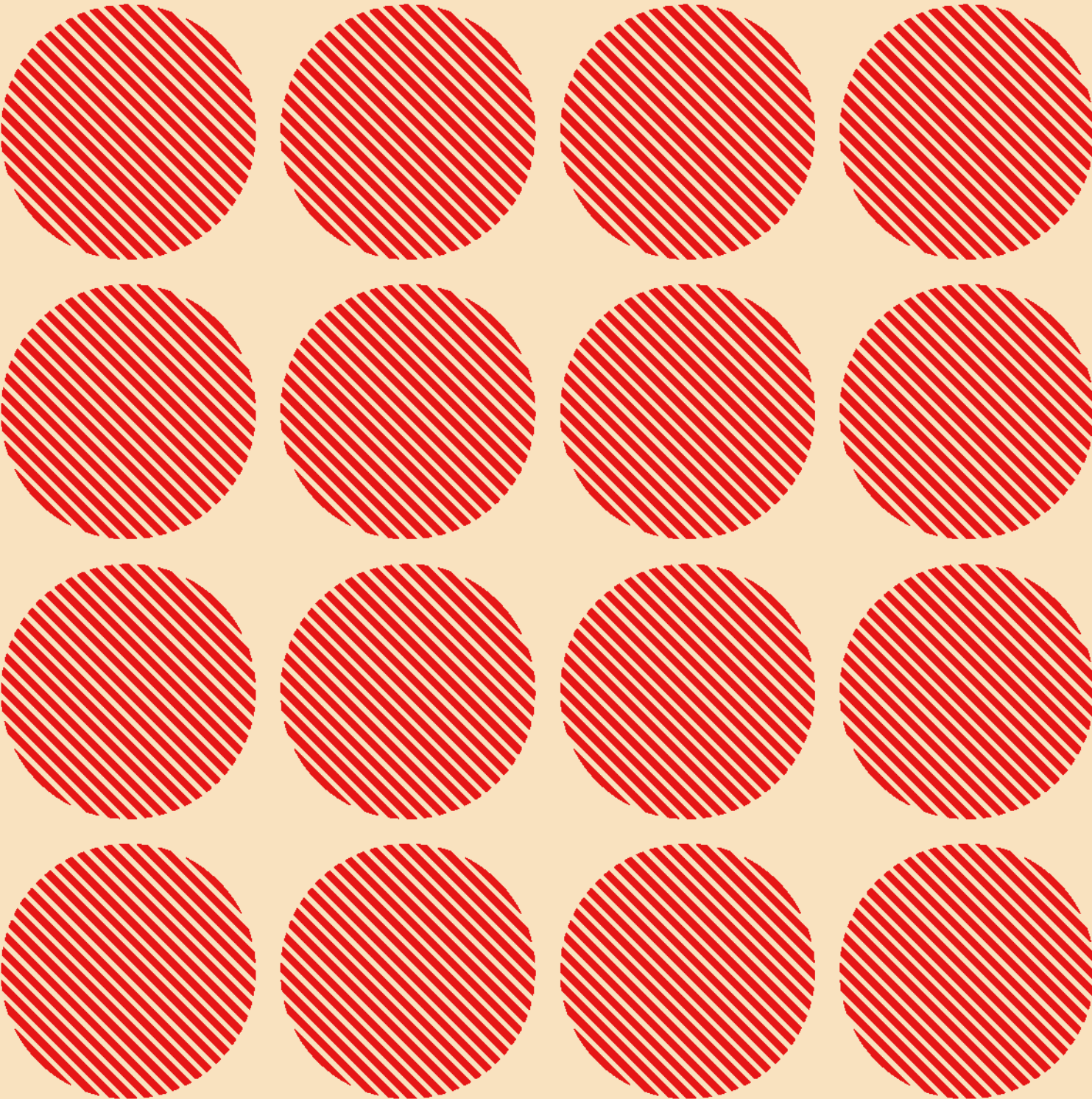


Forecast

Middle Market M&A Deal Trends



Highlights

- **Deal volume is expected to rise:** The Firmex Forecast predicted second quarter M&A transaction would increase by 7% in North America and 16% in Europe.
- **Advisor optimism is growing:** More advisors now report above-average deal volume compared to the previous survey, and a significant 50% expect above-average volume in the next six months.
- **Deal closing success rates are improving:** A higher percentage of advisors are experiencing above-average success rates in closing deals, a notable increase from the end of 2024.
- **Deal negotiation timelines remain extended:** While fewer advisors report longer-than-usual negotiation times compared to the last survey, a majority still indicate that deals are taking longer to close.
- **Valuations are stabilizing and increasing:** The sentiment around deal valuations has shifted from predominantly below average to a more balanced outlook, with slightly more advisors now seeing above-average values.
- **Buyer activity has normalized:** While the surge in buyer activity that advisors predicted last year has yet to materialize, the number of buyers in the market is now seen as average.
- **Seller activity has also moved towards average:** Similar to buyer activity, the number of sellers in the market has decreased from above-average levels to a more typical range.

The Return to Average

Business in the M&A middle market is returning to normal after several very slow years. In our most recent quarterly survey asking middle-market merger advisors to assess aspects of the market like deal volume, valuations, and success rates, the consensus shifted toward average from below average. And in every case, the advisors expect conditions in the near future to be more favorable than in the recent past.

Of course, the steady state in middle-market M&A is busy. A generation of entrepreneurs is looking to sell their companies as a growing herd of private equity funds has accumulated capital specifically to buy smaller companies and consolidate industries. It was only the shock of rising interest rates and uncertain economic conditions that slowed the natural deal flow. Even now, economic conditions continue to fluctuate in North America and Europe, and advisors note that deals still take longer to close than they have in the past.

Most significantly, the new Trump administration is making a lot of changes that could have dramatic effects on economic conditions, although it is hard to tell how they will influence M&A activity. In our survey, many advisors expressed concern that the new tariff regime would be an economic drag, while others hoped for benefits from potential deregulation.

For many veteran merger advisors, however, each political and economic development is simply another challenge to be overcome.

“Our success comes from finding the needle in the haystack,” said Robert Foster, president and CEO of Capital Canada Limited in Toronto, Canada. “And there is always a needle in the haystack.”

The Firmex Forecast: Rising Activity, Especially in Europe

After a modest dip in the first few months of this year, the Firmex Forecast, our quantitative model, predicted that M&A activity would pick up in the second quarter.

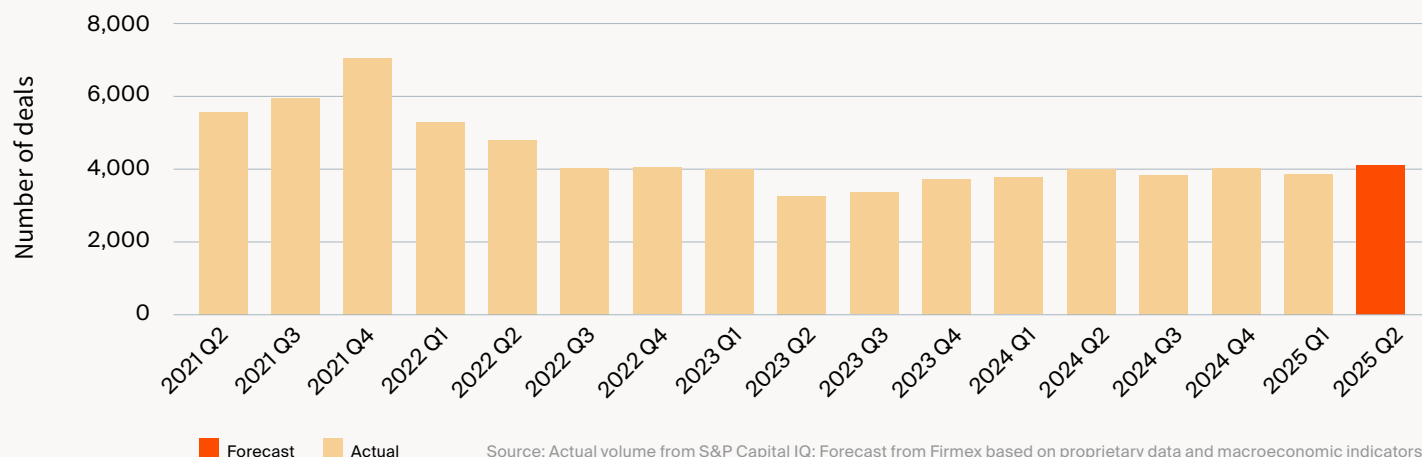
Deal activity in Europe is primed for a vigorous 16% increase over the previous three months, largely because of the decline of the U.S. dollar.

Conversely, exchange rates, along with other economic factors, including energy prices and consumer sentiment, are inhibiting deals. Still, other factors, such as an increase in activity in Firmex Virtual Data Rooms, suggest growth in the M&A market. Taken together, the model predicted volume would increase by 7% in North American in the second quarter.

The Firmex Forecast is based on a proprietary algorithm generated from activity on the Firmex platform, one of the most widely used virtual data room providers. More than 20,000 rooms are created on Firmex annually for prospective buyers and sellers to exchange confidential information during due diligence. This level of data room creation has proven to be a reliable indicator of future M&A activity. The forecast also incorporates responses from our quarterly survey of middle-market merger advisors and economic and financial market measures.

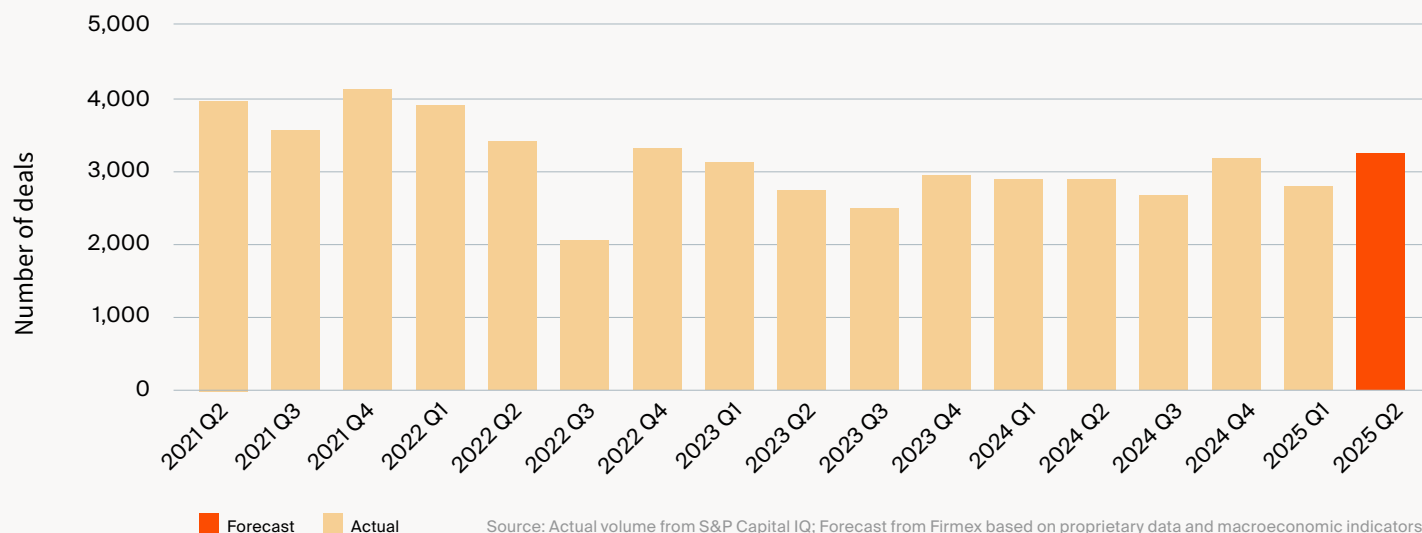
Firmex North American Deal Forecast

Projected number of deals in Q2 2025 with actual deals through Q1



Firmex European Deal Forecast

Projected number of deals in Q2 2025 with actual deals through Q1



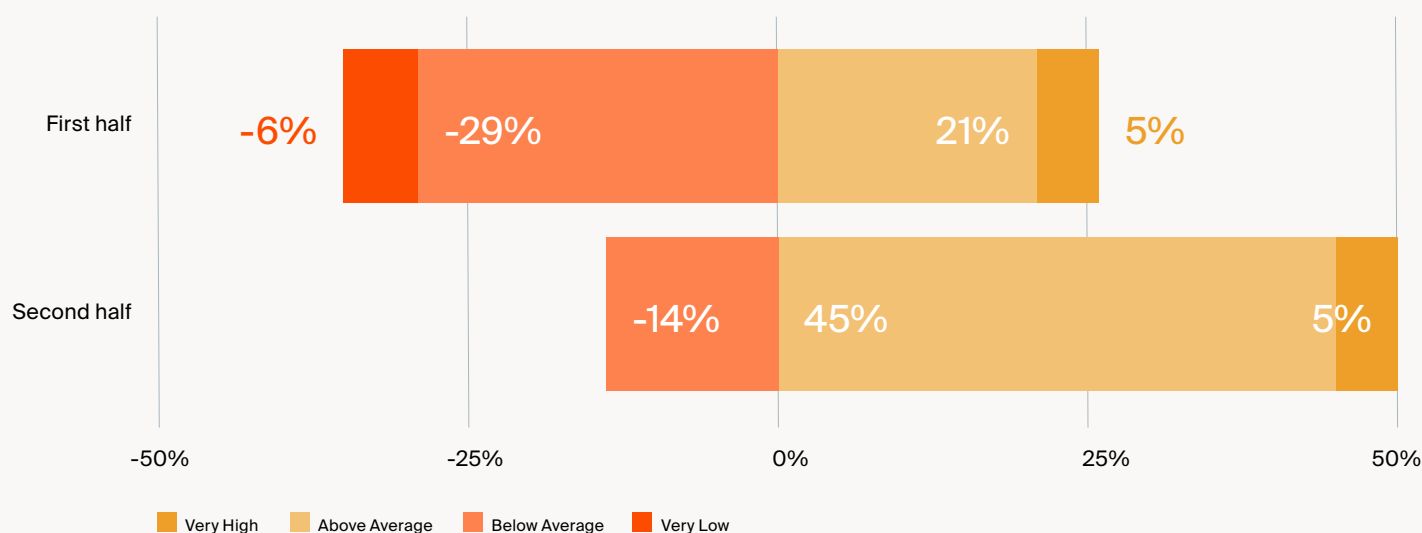
Deal Volume: Cautious Optimism

Advisors are cautiously optimistic about deal volume. While 35% of them still consider deal volume to be below average, this is an improvement from the 38% who expressed this view in the previous survey. In a positive sign, the number of advisors reporting above-average volume in the last six months increased from 20% to 26%. North American advisors were more likely to report above-average volume than their European counterparts.

Looking ahead, the outlook is even more positive. 50% of advisors anticipate above-average volume in the second half of the year, a substantial increase from the 35% who held this view at the end of 2024. Disparities remain between regions. A quarter of European advisors predict a decline in volume, compared to only one-tenth of North American advisors. Smaller firms (those with 20 or fewer employees) and those primarily representing sellers are more optimistic about growth than larger firms and those representing buyers.

Deal Volume

Deal volume over the first half of the year and predictions for the second half



OBSERVATIONS

"I believe deal volume and deal valuations will increase in 2025 because capital costs are falling, secondary sales are rising, consumer confidence is up, and regulatory interference is down. Also, there's one trillion dollars in dry powder on the sidelines waiting to be employed."

INVESTMENT BANKER, UNITED STATES

"The market has been slow, and slightly picks up. The main causes are the economic climate and uncertainty regarding taxes. Furthermore, funding deals is becoming increasingly difficult in some sectors."

ELLY SIMONS, OWNER, ESP, BELGIUM

"Volume will pick up after a prolonged period of inactivity due to economic uncertainty."

KEVIN ASTLE, MANAGING PARTNER AND FOUNDER, MULTIVISORY INTERNATIONAL, CANADA

"Falling interest rates have been driving transactions and will continue to drive more this year."

INVESTMENT BANKER, CANADA

Completing Deals: Success Rates Rising, but Delays Persist

More deals are closing, but it's still taking a long time to get them done. In the recent survey, 31% of advisors said their success rate – the share of deals they work on that close – is above average. That's a sharp increase from the end of last year, when only 11% said their success rate was above average.

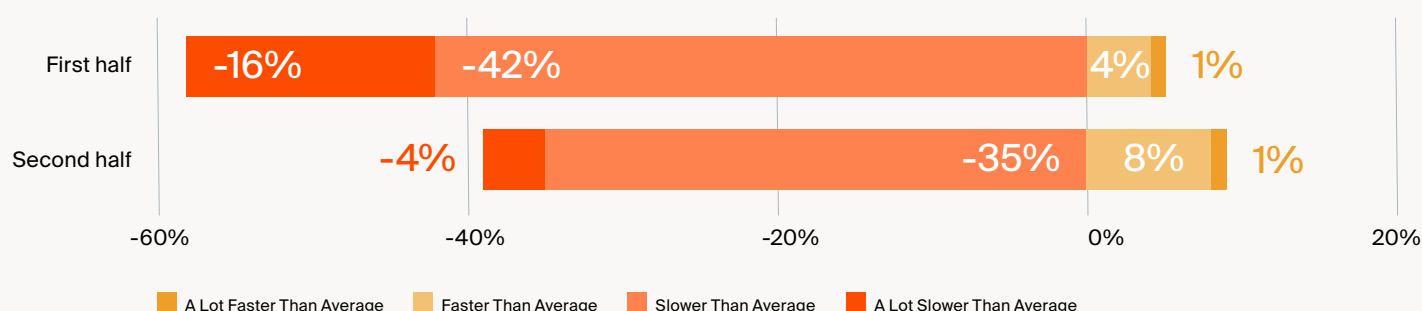
Conversely, those who said that their success rate was below average fell to 23% from 46%.

Looking into the second half of 2025, half of the advisors expect an above-average success rate. In the previous survey, only 15% expected success to be better than usual.

We also asked about how long it takes for deals to close. In this survey, 58% of the advisors said negotiations are taking longer than usual to be completed, down from 67% in the previous survey. More now call the closing time average, with very few saying deals are closing quicker than usual.

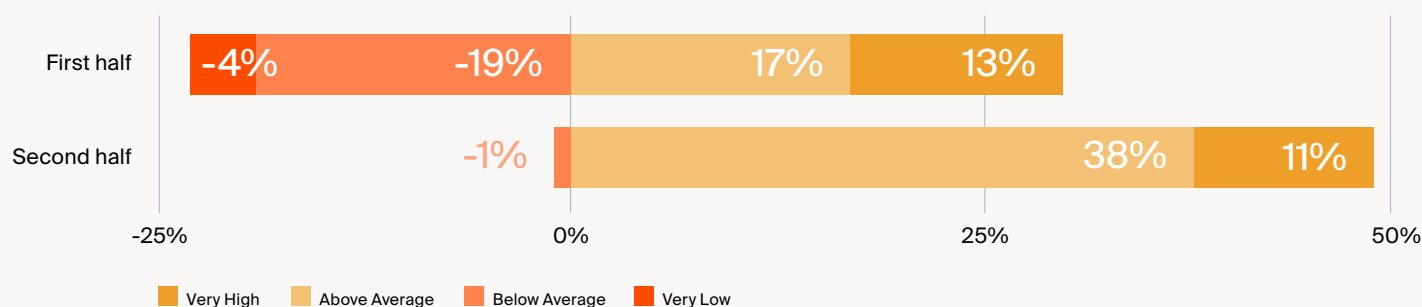
Time to Close Deals

The required time to close a deal over the last six months and predictions for the second half



Success Rate

Percentage of closed deals in the first half of 2025 and predictions for the second half



OBSERVATIONS

“Our success rate is driven mainly by the willingness of buyers and sellers to look for a compromise over valuation and deal terms metrics. We see a more stable macroeconomic environment creating the conditions for higher volume and an increasing success rate.”

JAN SLABÝ, MANAGING PARTNER, ECOVIS, PRAGUE, CZECH REPUBLIC

“It’s been a slow process for potential clients to decide to buy or sell their business, but it’s getting better.”

BERISLAV CIZMEK, FOUNDER AND CEO, CBBS, CROATIA

Valuations: Depressed No More

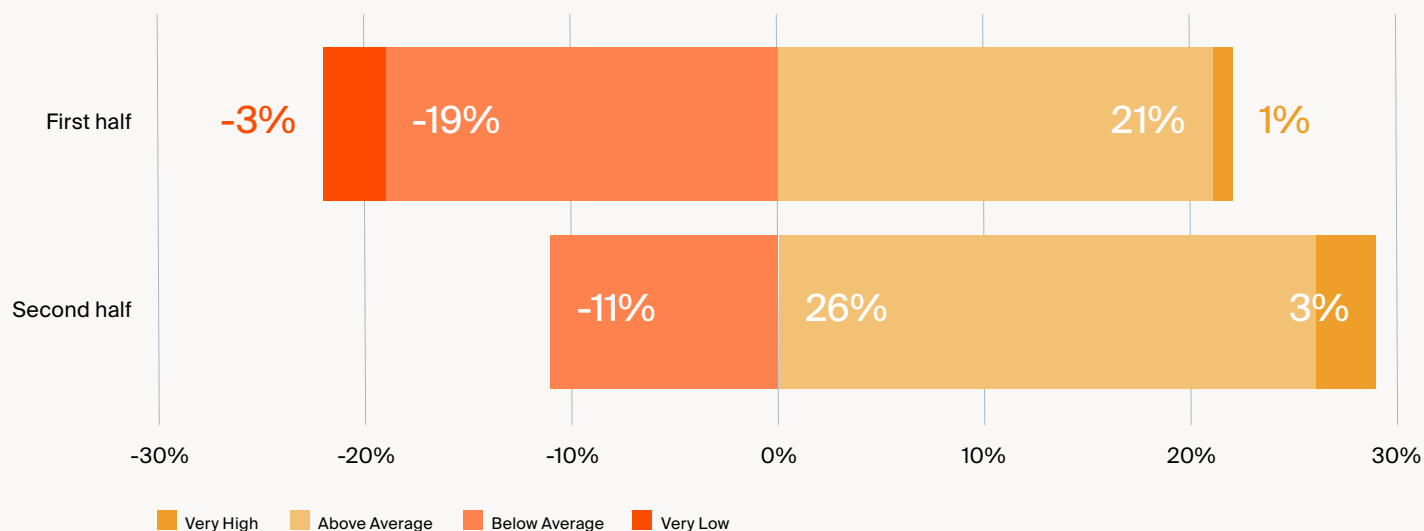
Valuations have increased since our last survey. Now, slightly more advisors (23%) called recent deal values above average than below average (21%). In our final 2024 survey, far more advisors said values were below average (39%) than above average (11%).

Looking ahead, the outlook suggests further stabilization. Only 11% of advisors expect values to remain below average in the coming months, while a majority (61%) anticipate average valuations.

However, a regional disparity persists, with European advisors more inclined to report lower historical values and a higher expectation of continued below-average valuations compared to their North American counterparts.

Valuations

Deal valuations from the first half of 2025 and predictions for the second half



OBSERVATIONS

“Valuations are above average because of high seller expectations, constricted supply of companies, and lots of dry powder with the buyers. It’s simple supply and demand.”

TIM CHRISTIE, PRINCIPAL, CORPDEV CONSULTING, UNITED STATES

“Deals are appropriately valued now. If fewer companies become available, the buyers will get desperate and start bidding up deals.”

INVESTMENT BANKER, UNITED STATES

“The potential for new tariffs from the United States is negatively affecting valuations.”

MICHAEL PESNER, CEO, HERMITAGE CANADA FINANCE, CANADA

Buyer and Seller Activity

One area where the return to average isn't felt as strongly is in the number of buyers in the market. In our late 2024 survey, 37% of advisors said there were more than the usual number of buyers in the market, and nearly half said that they expected above-average buyer participation this year.

Those predictions did not pan out. In our recent survey, only 18% reported an above-average level of buyers, with 56% calling the number of buyers average. A plurality (40%) expect above-average buyers in the coming months.

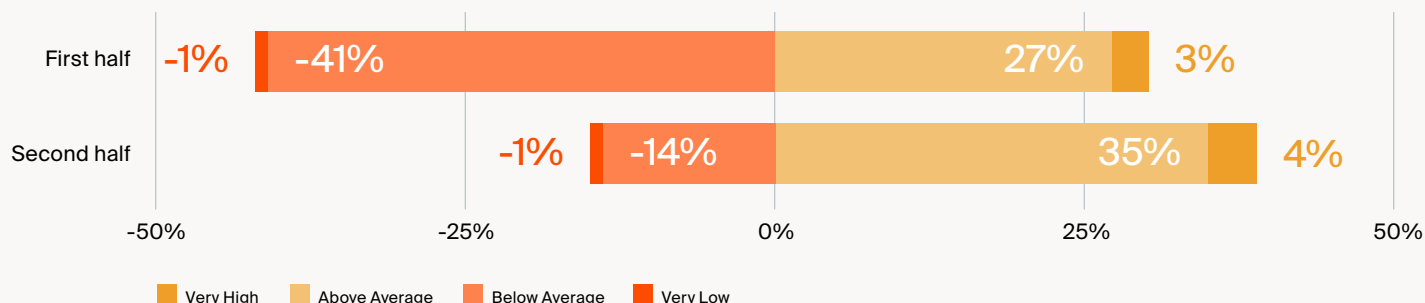
Firms with more than 20 employees were more likely to say they now see an above-average number of buyers in the market and more likely to predict higher-than-average buyer participation in the future.

Interestingly, the number of sellers in the market has also moved from above average to average. In the recent survey, 18% said there is an above-average number of sellers compared to 37% at the end of last year. The proportion of advisors reporting an average number of sellers has risen from 36% to 56%

Expectations for the coming months suggest a slight decrease in seller activity, with 40% of advisors anticipating more sellers than usual, compared to 47% in the previous survey. Larger firms are also more likely to anticipate an increase in seller activity.

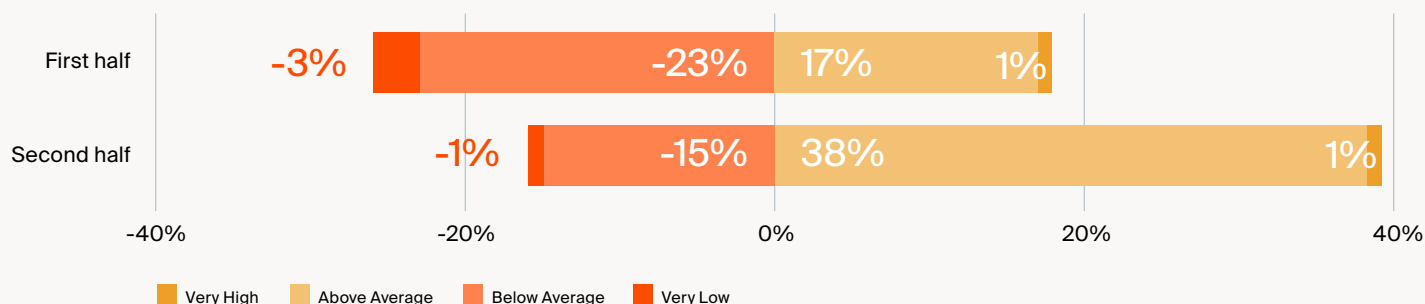
Buyers

The number of buyers in the market from the first half of 2025 and predictions for the second half



Sellers

Sellers in the market over the first half of 2025 and predictions for the second half



OBSERVATIONS

“The number of buyers is steady, but the number of sellers has felt slow for a couple of years, and we’re not seeing signs of improvement just yet.”

FOUNDING PARTNER, UNITED STATES

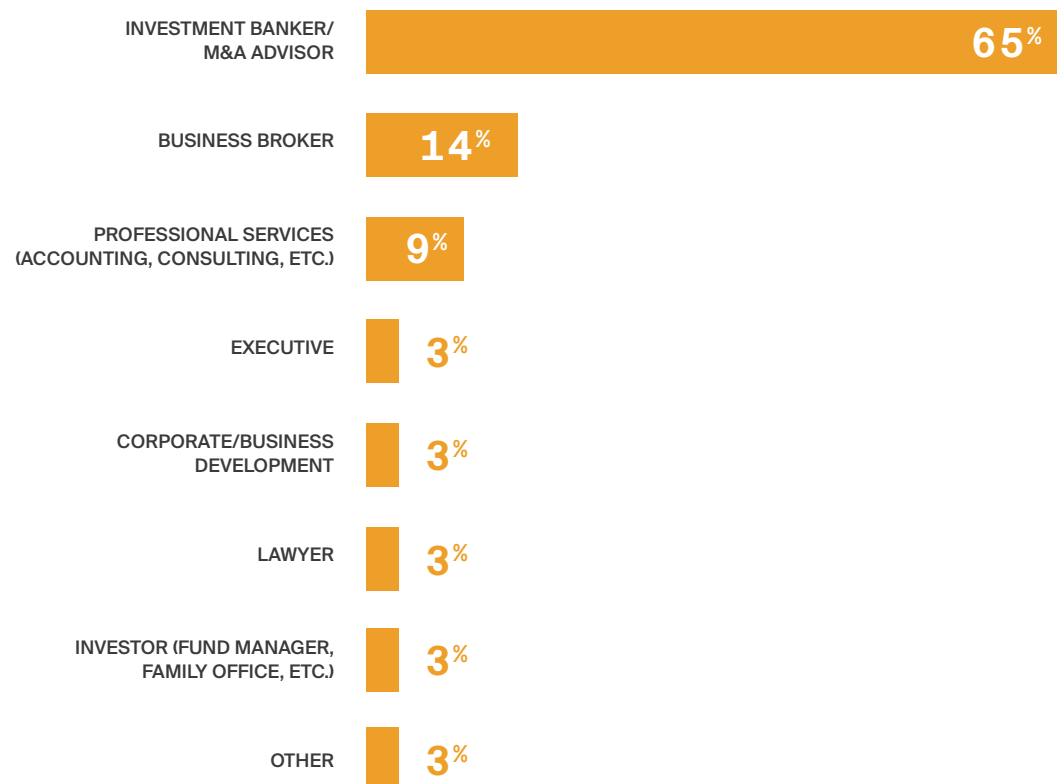
“Buyers have been very selective because of interest rates and the state of the economy, which in Europe has been on the back foot.”

BRANISLAV ZLATY, PARTNER, STEEP HILL S.R.O., SLOVAKIA

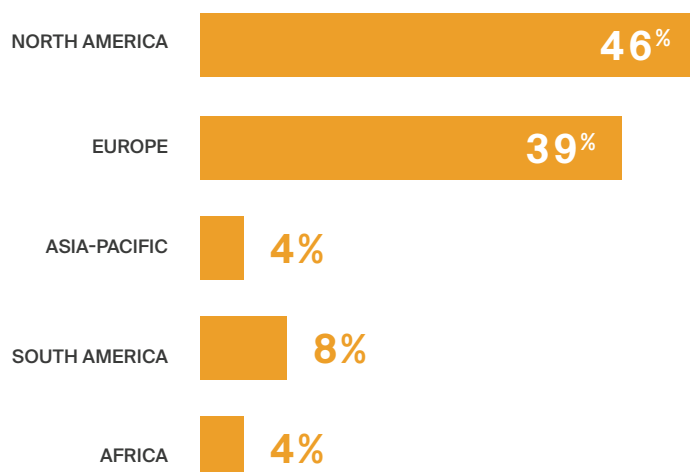
Methodology

This report is based on a global online survey conducted in February and March 2025. The 79 respondents were investment bankers, business brokers, and other professionals involved in middle-market mergers and acquisitions. Firmex has conducted quarterly surveys with similar methodologies since 2021. The demographics of the respondents are below.

Occupation

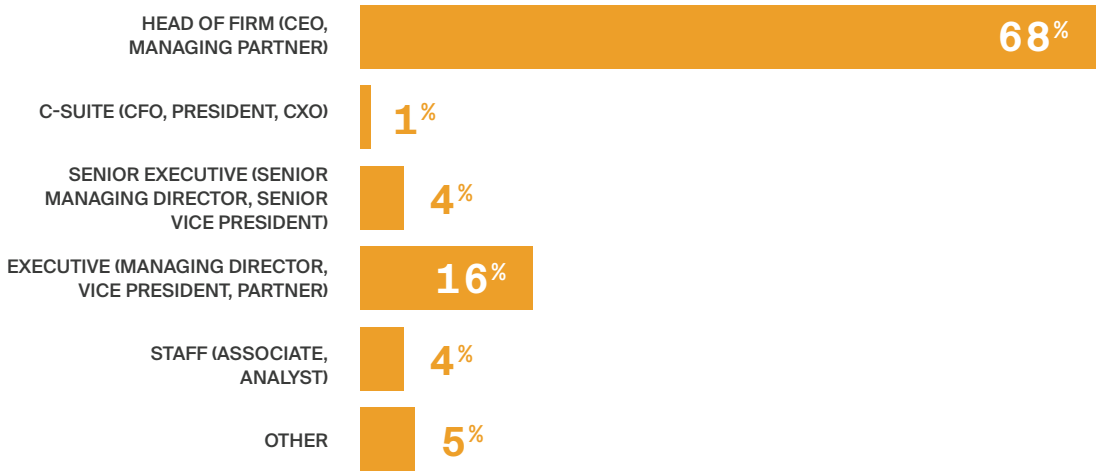


Region

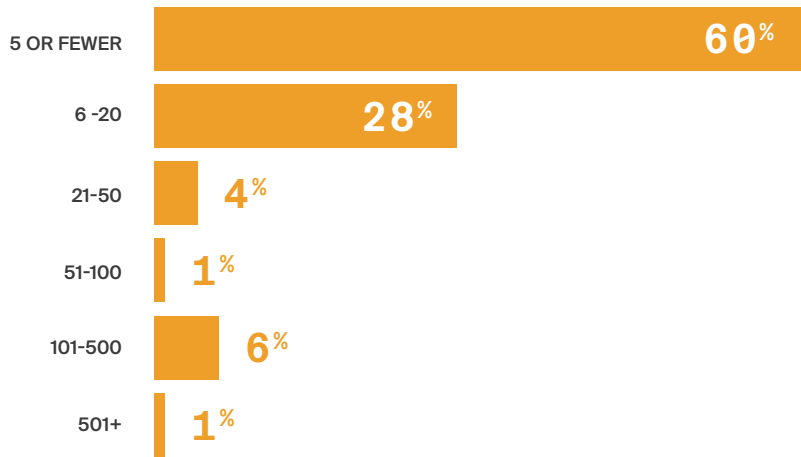


Methodology

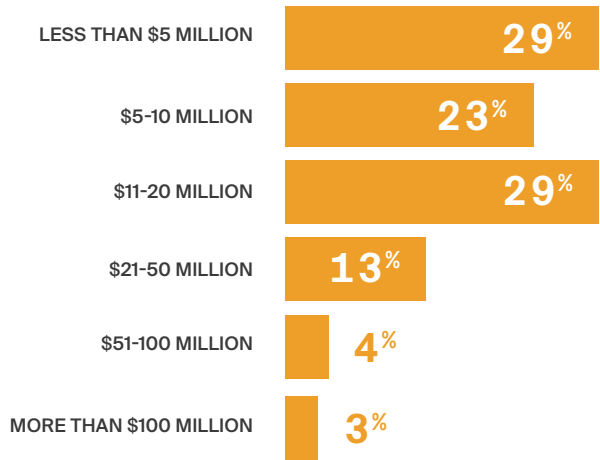
Job Title



Number of Employees in Firm



Average M&A Transaction Size for the Firm





About **FIRMEX**

Firmex is a global provider of virtual data rooms where more deals, diligence, and compliance get done. As one of the world's most widely used virtual data rooms, Firmex supports complex processes for organizations of all sizes, including diligence, compliance, and litigation. Whenever professionals need to share sensitive documents beyond the firewall, Firmex is their trusted partner.

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