

Buyer-Side Demand in the U.S. Lower Middle Market: A Cross-Sectional Analysis of 76 Active Acquirers (Q4 2025–Q2 2026)

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May 2026

JEL Classification: G24 (Investment Banking; Venture Capital; Brokerage; Ratings and Ratings Agencies), G34 (Mergers; Acquisitions; Restructuring; Corporate Governance), L25 (Firm Performance: Size, Diversification, and Scope), M13 (New Firms; Startups)

Keywords: private equity, lower middle market, mergers and acquisitions, buyer demand, buy-and-build, search funds, industry fragmentation, multiple arbitrage

Disclosure. *The author is the founder of CT Strategic Partners LLC (d/b/a CT Acquisitions), an advisory firm active in the lower middle market M&A sector discussed in this paper. The analysis draws on proprietary data the firm collected in the ordinary course of business; see Section 3 for methodological detail and limitations.*

ABSTRACT

Most empirical work on private-equity (PE) mergers and acquisitions in the lower middle market (LMM) draws on closed-deal data published after transactions complete. This paper takes the inverse view, presenting a cross-sectional snapshot of *ex ante* buyer demand. The analysis aggregates standardised buy-box criteria from 76 actively-sourcing U.S. acquirers (42 PE firms, 19 search funders, 5 search/independent hybrids, 4 family offices, 4 independent sponsors, and 2 strategic platform acquirers) collected between Q4 2025 and Q2 2026. Investment criteria are catalogued across 70 standardised fields covering firm type, EBITDA range, equity check size, industry tags, deal structure, owner-continuity preferences, and geographic focus. Three findings emerge. First, buyer demand is heavily concentrated in services and manufacturing verticals: manufacturing (50%), electrical contracting (40%), HVAC (36%), distribution (34%), and home services (29%) form the deepest pools, while software and SaaS combined attract only 26% of buyers, a marked divergence from popular coverage. Second, EBITDA targeting clusters in the \$3M–\$15M range, with a median minimum threshold of \$5M and a structural 30–40% multiple discount for sub-platform-scale add-on candidates relative to platform investments. Third, 90% of buyers require control, and only 11% entertain minority recapitalisations, indicating that the recap-friendly buyer subset is narrower than seller perception suggests. The paper situates these findings within prior literature on buy-and-build strategies, search-fund entrepreneurship-through-acquisition, and M&A advisor information-asymmetry effects, and discusses implications for sellers, advisors, and capital allocators. Limitations of buy-box-versus-transactional-reality divergence and sample self-selection are addressed.

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1. Introduction

The U.S. lower middle market (LMM), conventionally defined as transactions involving target companies with enterprise values between approximately \$10 million and \$500 million, or annual EBITDA between roughly \$1 million and \$25 million, has become one of the most active segments in U.S. mergers and acquisitions (M&A). Industry estimates suggest that LMM transactions accounted for the substantial majority of disclosed PE deal volume in recent years, with roll-up and buy-and-build strategies driving a disproportionate share of activity in fragmented verticals such as residential services, distribution, and light manufacturing (CAIS, 2024; Capstone Partners, 2025).

Despite the segment’s size, the empirical literature on LMM M&A remains thin relative to upper-middle-market and large-cap PE. Most published data sources, including GF Data, BVR DealStats (formerly Pratt’s Stats), and the IBBA Market Pulse, aggregate transactional outcomes *after* deals close, providing benchmarks for realised multiples, capital structures, and deal terms (GF Data, 2025; BVR, 2018). What these sources cannot show is the inverse: the *ex ante* distribution of buyer demand (who is looking, for what kind of company, at what size, in what geography, on what structural terms) before any specific deal materialises. This information asymmetry between buyer-side knowledge and seller-side perception is a well-documented friction in private-company M&A and is one of the principal frictions that intermediation is hypothesised to mitigate (Agrawal, Cooper, Lian, & Wang, 2013).

This paper contributes a buyer-side cross-section. It analyses standardised “buy-box” investment criteria from 76 actively-sourcing U.S. LMM acquirers, collected between Q4 2025 and Q2 2026 by the author’s advisory firm in the ordinary course of deal origination. Each buy-box is a written summary of a firm’s investment criteria, typically including target EBITDA range, preferred industries, geographic focus, deal-structure preferences, fund size, and a deal-flow contact. The dataset is novel in two respects. First, it captures *intent* rather than realised behaviour, allowing measurement of demand concentration before self-selection into closed transactions. Second, it spans the full taxonomy of LMM buyer archetypes (traditional PE platforms, search funders, family offices, independent sponsors, and strategic acquirers) in a single comparable schema.

Three research questions guide the analysis:

1. **Industry concentration.** Across which verticals is LMM buyer demand concentrated, and how does this distribution compare to popular coverage of “hot” sectors?
2. **EBITDA targeting.** Where in the LMM EBITDA range does the bulk of buyer demand sit, and what structural breakpoints separate platform-eligible targets from add-on candidates?

3. Deal structure. What share of LMM buyer demand can accommodate minority, recapitalisation, or partial-rollover structures, versus requiring full control?

The remainder of the paper proceeds as follows. Section 2 reviews the relevant literature on buy-and-build strategies, search-fund entrepreneurship-through-acquisition (ETA), and M&A advisor effects in private-company transactions. Section 3 describes the methodology, including the buy-box construct, the 70-field coding schema, and the limitations inherent in self-disclosed criteria. Section 4 presents findings across the three research questions. Section 5 discusses implications for sellers, advisors, and capital allocators. Section 6 acknowledges limitations and proposes a longitudinal research agenda. Section 7 concludes.

2. Background and Literature Review

2.1 Buy-and-Build as a Dominant PE Value-Creation Lever

Buy-and-build strategies, in which a PE sponsor acquires a “platform” company and subsequently bolts on smaller add-on acquisitions during the holding period, have grown to represent approximately 40% of all global PE deals in recent years (Hammer, Knauer, Pflücke, & Schwetzler, 2017). The strategy is motivated by two principal value-creation mechanisms. The first is *operational*: consolidation can produce scale economies in procurement, back-office, fleet management, and customer acquisition, particularly in fragmented service verticals. The second is *financial*, conventionally termed “multiple arbitrage”: smaller add-on targets typically transact at lower EBITDA multiples than the platform itself, so that combined entity earnings are subsequently valued at the platform’s higher multiple at exit.

Empirical evidence for the multiple-arbitrage effect is substantial. Hammer, Marcotty-Dehm, Knauer, and Pflücke (2022), using a sample of buy-and-build transactions, document that the “add-on sourcing effect” (the reduction of average entry multiple achieved by acquiring smaller firms) contributed materially to equity-value CAGR in their sample. Heisig et al. (2022, as cited in industry literature) report comparable magnitudes. Hammer, Hinrichs, and Schweizer (2017) examine whether PE-backed acquirers exhibit a “parenting advantage” in subsequent M&A and find that PE backing induces a sizeable but short-lived boost to acquisition activity.

The cross-sectional importance of these findings is that they imply systematic demand for two distinct target classes: *platforms* (typically \$3M–\$15M EBITDA in the LMM, where a PE sponsor can establish a vertical thesis) and *add-ons* (typically \$0.5M–\$3M EBITDA, where smaller targets are integrated into existing platforms at a structural multiple discount). The buy-box data analysed in Section 4 is consistent with this taxonomy and quantifies the relative share of buyers targeting each class.

2.2 Search Funds and Entrepreneurship-Through-Acquisition

A second buyer archetype that has grown materially in the LMM is the *search fund*: a vehicle in which an individual entrepreneur (the “searcher”) raises a small pool of capital from investors to fund a 12–24 month search for a single acquisition, which the searcher then leads as CEO. The model was pioneered at Stanford Graduate School of Business in 1984 by Professor H. Irving Grousbeck (Stanford GSB Center for Entrepreneurial Studies, 2024). The 2024 Search Fund Study identifies 681 qualifying search funds formed in the United States and Canada, with aggregate pre-tax internal rates of return of 35.1% and aggregate pre-tax return on invested capital of 4.5x across the population (Kelly & Heston, 2024).

Search funds are structurally distinct from PE platforms in three respects relevant to this paper. First, they typically target smaller companies (median acquisition price approximately \$16.5 million in recent vintages). Second, they almost universally require 100% buyout and full operational control, because the searcher’s compensation structure depends on owning and running the acquired business. Third, they are constrained in deal pace because each searcher executes one acquisition. The buy-box data in Section 4 reflect these constraints: search funders are over-represented in the \$1M–\$3M EBITDA tier and almost never participate in minority or recap structures.

2.3 Independent Sponsors and the Rise of Deal-by-Deal Capital

A third archetype is the *independent sponsor* (sometimes called *fundless sponsor*): a sponsor that sources and negotiates an acquisition before raising equity capital, on a deal-by-deal basis, from family offices, single-deal LPs, or co-investors. Independent sponsors are estimated to account for a growing share of LMM deal flow and are particularly active in the segment where traditional PE platforms find process economics challenging (Axial, 2025; Moore & Van Allen, 2023).

The independent-sponsor model inverts the committed-fund sequence: rather than raising capital first and then sourcing deals, the sponsor sources first and raises against a specific opportunity. This structural difference has two consequences observed in the buy-box data. First, independent sponsors tend to be more structurally flexible (open to a wider range of deal sizes, structures, and industries) because they are not constrained by a pre-committed mandate. Second, they tend to be smaller in count than committed-fund PE, because the model requires a distinctive deal flow advantage to be viable.

2.4 Family Office Direct Investing

Family offices have shifted materially toward direct private-equity investing in the past decade. Citi’s 2025 Global Family Office Report and corroborating data from S&P Global indicate that approximately 70% of family offices now engage in direct investing, with direct investment volume more than doubling year-over-year in 2025 (S&P Global Market Intelligence, 2026; Bank of America Private Bank, 2025). Goldman Sachs’s 2025 Family

Office Investment Insights Report finds that private equity allocations have risen to approximately 27% of family office portfolios, overtaking hedge funds and real estate (Goldman Sachs, 2025).

The implications for LMM M&A are twofold. First, family offices have become a meaningful incremental source of LMM buyer demand, both as direct acquirers and as capital partners to independent sponsors. Second, family-office direct investments tend to be characterised by longer hold horizons and greater structural flexibility than committed-fund PE, which has implications for the share of the buyer pool willing to accept minority or recapitalisation structures.

2.5 M&A Advisor Effects and Information Asymmetry

Finally, the academic literature on M&A advisor effects provides theoretical grounding for why a buyer-side cross-section is informationally valuable. Agrawal et al. (2013) document that advisor presence is associated with improved seller outcomes in private-company transactions, particularly where pre-deal information asymmetry between buyer and seller is large. Onuchic (2021) develops a theoretical model of advisor disclosure incentives showing that transparency about advisor profitability can paradoxically discourage information sharing. The buy-box data analysed here is the kind of buyer-side intelligence that a sophisticated advisor would assemble to compress that asymmetry; the contribution of this paper is to make a snapshot of that intelligence available in aggregate, anonymised form.

3. Methodology

3.1 Data Source

The dataset comprises 76 standardised “buy-boxes” collected by the author’s firm between Q4 2025 and Q2 2026 in the ordinary course of LMM deal origination. A buy-box is defined here as a written summary of a buyer’s investment criteria. Each buy-box was shared voluntarily by a U.S.-active buyer with the author’s firm for the purpose of routing qualified opportunities; no buyer was compensated for participation. All firms in the dataset confirmed that anonymised aggregation for publication was acceptable, and no firm in the disclosed-intent subset requested exclusion.

3.2 Coding Schema

Each buy-box was coded into a standardised 70-column schema. Fields include:

- **Firm classification:** PE platform, search fund, search/independent hybrid, family office, independent sponsor, strategic acquirer.
- **Size parameters:** EBITDA minimum, EBITDA maximum, revenue minimum, revenue maximum, equity check minimum, equity check maximum, fund size (where

applicable).

- **Deal-type tags:** Control, majority, minority, platform investment, add-on acquisition, recapitalisation, growth equity.
- **Owner-continuity preferences:** Owner stays required, owner exits required, flexible.
- **Recurring-revenue thresholds:** Where buyers specified a minimum recurring-revenue share.
- **Geographic focus:** National, regional (with sub-tags for Northeast, Southeast, Mid-Atlantic, Midwest, Mountain West, Pacific Northwest, West Coast), or Canada-inclusive.
- **Industry tags:** Binary tags for 50+ industry verticals (e.g., HVAC, plumbing, electrical, manufacturing, distribution, healthcare services, SaaS, MSP/IT services).

Where a buy-box did not specify a particular field, the field was coded as missing rather than imputed.

3.3 Sample Composition

Table 1 summarises the composition of the 76-firm sample by firm type.

Table 1. Sample composition by firm type (N = 76).

Firm Type	Count	Share	Typical Profile
PE Firm (Platform / Generalist)	42	55.3%	Committed fund capital, \$50M–\$10B fund size, control deals, 5–7 year hold
Search Fund	19	25.0%	Single operator-investor, \$1M–\$3M EBITDA target, 100% buyout, owner replacement
Search/Independent Hybrid	5	6.6%	Searcher transitioning to independent sponsor, deal-by-deal capital
Family Office	4	5.3%	Direct investing, longer hold horizon, more flexible structure
Independent Sponsor	4	5.3%	No committed fund, raises equity per-deal, motivated to close
Strategic / Platform Acquirer	2	2.6%	Existing operating company seeking add-ons in its vertical

3.4 Aggregation Protocol

All published aggregations are at the buyer-pool level. No individual firm is identified, and no buyer-specific criterion (e.g., a specific EBITDA range, a proprietary thesis statement, or contact information) is published. Pricing-related fields (offered multiples, capital structure

preferences, leverage targets) were collected but are *not* aggregated here, on the grounds that (i) multiples and terms are the most commercially sensitive component of any buy-box, (ii) they were shared under confidentiality, and (iii) any anonymised aggregation of pricing would either require firm-level attribution (which is not possible under the agreed disclosure terms) or be diluted to the point of misleading the reader. Pricing benchmarks should instead be drawn from the established transactional data services discussed in Section 2 (GF Data, BVR DealStats, BizBuySell Insight Reports, IBBA Market Pulse).

3.5 Limitations

Four limitations are material and are returned to in Section 6.

1. **Self-selection.** The sample comprises buyers who chose to share their buy-box with one specific advisory firm. Larger funds with proprietary deal-flow channels, “stealth” family offices, and inactive funds are likely under-represented. The dataset is best characterised as a snapshot of the *actively-sourcing* LMM buyer pool, not the full universe.
2. **Intent versus realisation.** Buy-box criteria are statements of intent. Prior research and practitioner experience suggest a non-trivial gap between stated criteria and realised transaction behaviour: many self-described “sector-agnostic” funds in fact close in only two or three sectors over an 18-month window. Cross-referencing buy-box criteria with realised deal data is identified as a 2027 research extension.
3. **Cross-sectional snapshot.** The data span Q4 2025–Q2 2026 and do not allow longitudinal comparison. The author intends to repeat the exercise annually.
4. **No pricing aggregation.** As discussed above, the omission of pricing data is deliberate but does constrain the paper’s contribution. Readers seeking realised multiples should consult the data services cited.

4. Findings

4.1 Industry Concentration

The first research question asked where LMM buyer demand is concentrated by industry. Table 2 reports the share of the 76-firm sample that explicitly tags each major industry vertical in its buy-box.

Table 2. Industry demand heatmap (N = 76). Buyers may target multiple industries; shares therefore do not sum to 100%.

Industry	Buyers Active	Share of Pool	Implication for Sellers
Manufacturing	38	50.0%	Deepest buyer pool; consistent with active PE roll-up activity in precision machining, metal fabrication, and specialty manufacturing
Electrical Contracting	30	39.5%	Deep PE roll-up activity; commercial buyer demand premium for \$3M+ EBITDA targets
HVAC	27	35.5%	Mature roll-up cycle; PE platforms outbid independent buyers in most processes
Distribution	26	34.2%	Deep but tier-sensitive; sub-\$5M EBITDA receives thinner add-on offers
Home Services (broad)	22	28.9%	Mix of platform and add-on; family-owned home services premium
Plumbing	22	28.9%	Adjacent to HVAC roll-up; multiples climbing
Business Services	19	25.0%	Generalist appetite; sub-vertical specifics dominate
Industrial Services	15	19.7%	Cyclical demand; B2B services premium
Software	15	19.7%	LMM software is harder to underwrite than press coverage suggests
Healthcare Services	12	15.8%	Specialty practices outperform general; regulatory complexity
SaaS	10	13.2%	Subscription premium when ARR > \$5M; below that, narrower demand
Logistics	11	14.5%	Asset-light premium; trucking under pressure
Transportation	9	11.8%	Sub-segment of logistics; cyclical
Pest Control	9	11.8%	Active but consolidating; smaller targets prefer platforms
Packaging	9	11.8%	Consistent, niche-specific demand
Environmental Services	8	10.5%	Niche but high-conviction buyers
Waste Management	4	5.3%	Concentrated demand
Staffing	7	9.2%	Cyclical; specialty staffing premium over commodity
MSP / IT Services	5	6.6%	Roll-up activity but selective

Industry	Buyers Active	Share of Pool	Implication for Sellers
Restoration	5	6.6%	Niche; insurance-driven demand
Roofing	5	6.6%	Active but storm-cycle dependent

Three observations are notable. First, manufacturing leads the demand distribution at 50% of buyers active, consistent with the prevalence of buy-and-build strategies in fragmented industrial verticals documented by Hammer et al. (2022). Second, residential and commercial services verticals (electrical contracting, HVAC, distribution, home services, and plumbing) collectively constitute the next deepest pool, corroborating PitchBook-sourced data indicating nearly 800 PE-backed acquisitions of HVAC, plumbing, and electrical contractors since 2022 (S&P Global Market Intelligence, 2025). Third, the combined share of buyers tagging *software* (19.7%) or *SaaS* (13.2%), with overlap approximately 26% of buyers active in at least one of the two, is materially lower than coverage in financial media would suggest. The interpretation, consistent with the LMM segment's services orientation, is that most LMM platforms are operationally focused on services businesses with predictable cash flow; software and SaaS deals tend to migrate to venture and growth-equity funds whose return models accommodate higher binary-outcome risk.

The implication for sellers is that the *depth* of the buyer pool in a target's industry is a leading indicator of bid count and bidding intensity in a competitive process. Sellers in deep-pool industries can reasonably expect 8–15 credible bids in a well-run process; sellers in thin-pool industries (each below 7% of buyers) should expect 1–3 credible bids and should weight targeted outreach more heavily than broad-market processes.

4.2 EBITDA Targeting

The second research question asked where in the LMM EBITDA range buyer demand is concentrated. Among the 76 buyers, the median minimum EBITDA threshold was \$5 million and the median maximum threshold was \$8 million. The interquartile range for minimums was \$3M–\$5M; the interquartile range for maximums was \$5M–\$15M.

Approximately 70% of buyer demand falls within the \$3M–\$15M EBITDA range. Below \$3M, the buyer pool shifts away from PE platforms (which typically will not acquire sub-\$3M EBITDA targets as new platform investments) toward PE add-ons (where the target is integrated into an existing platform), search funds (which often target precisely the \$1M–\$3M range), and independent sponsors. Above \$20M, the buyer pool shifts upward into upper-middle-market funds whose mandates and process structures differ materially.

A structural feature of the LMM multiple landscape is the discount applied to add-on candidates relative to platform-eligible targets. Practitioner data and consistent academic findings on multiple arbitrage indicate that add-on transactions typically clear at roughly 30–40% lower multiples than platform transactions in the same vertical (Hammer et al.,

2022). This delta is not negotiable in the usual sense: it is the mechanism by which a PE sponsor earns the arbitrage on its consolidation thesis. A seller whose business cannot meet the size, recurring-revenue, or market-position thresholds required to qualify as a platform target will, almost by definition, transact at add-on multiples regardless of process intensity.

4.3 Deal Structure

The third research question asked what share of LMM buyer demand can accommodate non-control structures. Table 3 reports the distribution.

Table 3. Deal structure preferences (N = 76).

Deal Structure Component	Share of Buyers	Notes
Control / Majority	90%	Default expectation; most buyers want 80%+ at close
Platform investments	55%	PE platforms establishing new portfolio companies
Add-on acquisitions	70%	Integrating smaller targets into existing platforms
Recapitalisations	11%	Founder retains 20–49% via rollover; concentrated in PE platforms with long-hold growth thesis
Minority investments	8%	Rare; concentrated in family offices and PE growth-equity arms
Owner stays post-close (required)	3%	Typically PE platforms with 5–7 year hold and management-continuity thesis
Owner exits post-close (required)	5%	Typically search funders, who replace the founder as CEO
Owner-continuity flexibility	92%	Default position; few hard requirements

Two findings warrant emphasis. First, the control-versus-non-control distribution is more skewed than seller perception often suggests. Press and practitioner coverage of “recap” structures gives the impression of a wider non-control market than the data support: only 11% of buyers in the sample explicitly entertain recapitalisations, and only 8% entertain minority investments. For a seller whose preferred outcome is to retain 20–49% via rollover equity, the realistic buyer subset is narrow and concentrated in traditional LMM PE platforms with growth-platform theses, not in search funds (which almost never recap), nor in strategic acquirers (which typically pursue 100% acquisitions).

Second, the platform/add-on split among the 42 PE firms is informative. Of those firms, 36 (86%) explicitly mention both platform and add-on activity in their buy-box; the remaining 14% are pure platform investors. None are pure add-on investors. The implication is that the typical LMM PE firm will entertain almost any LMM opportunity that could plausibly be characterised as either a new platform or an add-on to an existing one, although the thesis, valuation, and integration plan vary materially between the two characterisations.

4.4 Geographic Concentration

The dataset also captures geographic focus. 95% of the 76 buyers are U.S.-focused, with only 7% explicitly extending their search to Canada and almost none extending beyond North America. Within the U.S., 28% specify a regional preference, with the Southeast and Midwest most commonly named, followed by the Mid-Atlantic and the Mountain West. The Pacific Northwest and West Coast are notably less common in LMM buyer mandates than in upper-middle-market mandates, where venture and growth-equity geography is more California-centric.

A practical consequence is that the effective buyer pool for a given seller is the intersection of industry depth (Section 4.1) and regional preference. A Southeastern HVAC business faces a materially deeper buyer pool than a Pacific Northwest HVAC business, even though both are in the same nominal industry. The interaction between region and industry merits more detailed treatment in future work.

5. Discussion

The cross-section presented above has three sets of implications.

5.1 Implications for Sellers

For owners considering a sale, the data support a four-step pre-process assessment:

1. **Estimate buyer-pool depth.** Sellers in deep-pool industries (manufacturing, electrical, HVAC, distribution, plumbing, home services) can reasonably plan around a competitive process with 8–15 credible bids. Sellers in thin-pool industries should plan around targeted outreach to a smaller buyer subset and should weight non-process levers (e.g., proprietary buyer relationships) more heavily.
2. **Match buyer archetype to business size.** A business with \$1M–\$3M EBITDA is realistically targeting PE add-ons, search funders, and independent sponsors; a business with \$3M–\$15M EBITDA is in the deepest part of the LMM pool; a business above \$20M EBITDA is largely in upper-MM territory with a different buyer set.
3. **Align structural expectations with the recap-friendly subset.** If a seller's preferred outcome involves a 20–49% rollover, the addressable buyer subset is

approximately 11% of the population analysed here, concentrated in LMM PE platforms with long-hold growth theses. Targeting that subset from the outset compresses process timelines and reduces late-stage structural renegotiation.

4. **Treat region as a binding constraint, not a soft preference.** The effective buyer pool is the intersection of industry depth and regional preference, not the union.

5.2 Implications for Advisors and Intermediaries

For sell-side advisors and intermediaries, the data point to the value of targeted, criteria-matched outreach over generalised broad-market processes. With 76 buyers in this sample distributed across firm types, EBITDA tiers, industry tags, and regional preferences, a “spray-and-pray” mailer to all 76 will typically yield a lower response rate than a curated outreach to the 20–40 buyers whose stated criteria match the target. The academic literature on M&A advisor effects (Agrawal et al., 2013) is consistent with the practitioner observation that the advisor’s central value is reducing the information asymmetry between seller and buyer pool, rather than maximising the breadth of contact.

5.3 Implications for Capital Allocators

For LPs allocating to the LMM, the data quantify a few things often discussed only qualitatively. The relatively narrow share of buyers willing to entertain minority or recap structures (11% and 8% respectively) is consistent with the structural difficulty of deploying LMM minority capital at scale. The dominance of platform-plus-add-on PE (86% of PE firms in the sample) corroborates the centrality of buy-and-build to LMM PE returns, consistent with the empirical findings of Hammer et al. (2022). The growing relative weight of search funds (25% of the sample) is consistent with the segment’s documented growth (Kelly & Heston, 2024) and suggests that the LMM is increasingly bimodal: a search-fund tier targeting \$1M–\$3M EBITDA, and a traditional PE tier targeting \$3M–\$15M, with limited overlap between them.

6. Limitations and Future Research

Four limitations bear restatement.

First, the sample is self-selected: the 76 firms are those that chose to share their criteria with one advisory firm. Larger funds, “stealth” family offices, and inactive funds are likely under-represented. Triangulation against a larger sampling frame (e.g., PitchBook-sourced active-acquirer lists, GF Data deal-participant rosters) is identified as a 2027 extension.

Second, the data measure stated intent rather than realised behaviour. A natural extension is to cross-reference buy-box criteria with realised deal data over the subsequent 12–24 months, to quantify the gap between what buyers say they target and what they

actually close. The expectation, consistent with practitioner experience, is that the gap will be meaningful and that “sector-agnostic” claims in particular will narrow substantially when realised activity is examined.

Third, the dataset is cross-sectional and does not yet support longitudinal analysis. Annual repetition of the exercise, with consistent coding, would allow measurement of how LMM buyer demand shifts in response to macro conditions (rate environment, credit conditions, exit-market windows) and structural conditions (sector saturation in roll-up verticals).

Fourth, pricing data are excluded by design. A future research design that obtains anonymised pricing data under stricter aggregation protocols (e.g., minimum cell sizes, randomised perturbation) could complement the demand-side cross-section presented here with a matched pricing-side cross-section.

7. Conclusion

This paper has presented a buyer-side cross-section of U.S. lower middle market M&A demand, drawn from 76 standardised buy-boxes collected between Q4 2025 and Q2 2026. The findings are consistent with three claims. First, LMM buyer demand is concentrated in services and manufacturing verticals; the popular framing of software and SaaS as the centre of gravity overstates their share of LMM deal flow specifically. Second, EBITDA targeting clusters in the \$3M–\$15M range, with a structural multiple discount of approximately 30–40% applied to sub-platform-scale add-on candidates relative to platform investments. Third, 90% of buyers require control, and only 11% entertain minority recapitalisations, indicating that the recap-friendly buyer subset is narrower than seller perception typically suggests.

The paper’s principal contribution is to make a buyer-side snapshot available, in aggregate and anonymised form, to complement the closed-deal data services that dominate the existing literature. The cross-section is best understood as a snapshot of the actively-sourcing LMM buyer pool, not the full universe; longitudinal and triangulated extensions are identified as priorities for subsequent annual editions.

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Appendix A. Coding Schema Summary

The following is a condensed list of the 70 standardised fields used to code each buy-box. Fields are grouped by category; binary tags are not enumerated individually.

Category	Field Count	Example Fields
Firm classification	3	firm_type, fund_size, vintage
Size parameters	8	ebitda_min, ebitda_max, revenue_min, revenue_max, equity_check_min, equity_check_max, enterprise_value_min, enterprise_value_max
Deal-type tags	7	control, majority, minority, platform, addon, recap, growth_equity
Owner-continuity	3	owner_stays_required, owner_exits_required, flexible
Recurring-revenue thresholds	2	recurring_revenue_min_pct, contracted_revenue_min_pct
Geographic focus	9	us_national, us_northeast, us_southeast, us_mid_atlantic, us_midwest, us_mountain_west, us_pacific_northwest, us_west_coast, canada_inclusive
Industry tags	~50	hvac, plumbing, electrical, manufacturing, distribution, home_services, healthcare_services, software, saas, msp_it, pest_control, packaging, restoration, roofing, staffing, environmental, waste, logistics, transportation, ...
Process metadata	2	data_collection_date, last_contact_date

Appendix B. Notes on Cross-Source Validation

The findings reported in Section 4 were spot-checked against three external data sources where overlap permits.

- HVAC concentration.** S&P Global Market Intelligence (2025), drawing on PitchBook data, reports nearly 800 PE-backed acquisitions of HVAC, plumbing, and electrical contractors since 2022. This is consistent with the combined 39.5% + 35.5% + 28.9% share of buyers tagging electrical, HVAC, and plumbing in the present sample.
- Search-fund segment size.** The 19 search funds in the sample (25% of the dataset) is qualitatively consistent with the 681 active search funds documented in the Stanford 2024 Search Fund Study (Kelly & Heston, 2024), normalised for the fact

that this sample is the subset that engaged with one specific advisory firm during one specific window.

3. **Family-office direct activity.** The 4 family offices in the sample (5.3%) understate the true family-office share of LMM buyer activity, consistent with the well-documented “stealth” character of family-office direct investing (S&P Global Market Intelligence, 2026). This is acknowledged as a limitation rather than treated as a finding.