

What Are the Valuation Trends for Independent Sponsors and Buyers Acquiring Lower Middle Market Companies?



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What are the valuation trends for independent sponsors (IS) / buyers acquiring lower middle market (LMM) companies?

- Valuations continue to scale with size -> median 5.7x adj EBITDA for \$10 to \$25mm EV; 7.6x for \$25 to \$50mm; and 9.4x for \$50m to \$200m.
- "Scarcity of quality targets" is a common buyer complaint.
- Price gains are concentrating in stronger, higher-margin companies rather than spreading evenly across the market.
- Targets with above-industry-average profit margins can command almost a full multiple turn more (over ones with below-average margins).
- To address valuation gaps, "earnouts are functioning less of a concession and more as a core structuring tool in today's market."
- Earnouts are averaging 16.5% of EV and running a median of 24 months.

- Other i-bankers report LMM buyers being more conservative with cash at close, and in addition to rollover equity, using more earn-outs and seller financing (some with contingent payment structures).

John J. Koepfel's commentary on "[Private Equity Buyers Pay Up for Small Add-Ons as Middle-Market Multiples Climb to 6.9x](#)," *Private Equity Professional*, By, Bob Wegbreit, August 27, 2026.

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