

MIDDLE-MARKET M&A MONTHLY

September 2026

BLUE RIVER®

1. Executive Summary

Welcome to the September edition of the Blue River Brief, our monthly intelligence on middle-market M&A. This month's read: the market remains selective, with pockets of strength that become clearer when we separate business models, transaction sizes and buyer objectives.

- **Selectivity remains the defining market feature.** September recorded 1,226 US transactions, while year-to-date count is down 9.9%. The latest month is preliminary: August's reported count has already increased 12.2% since our last edition. Sector-specific buyer activity is more relevant to an owner than a single monthly snapshot.
- **Both sponsors and strategic buyers remain active.** Sponsors accounted for 51.9% of transactions through September, versus 51.2% a year earlier. Count is the more useful mix measure; incomplete financial disclosure and individual large deals can materially skew dollar-weighted shares.
- **Valuation trends are differentiated, not uniform.** Smaller transactions strengthened in Q2 while the broader average eased. That is a reason to match the business model and transaction size to the benchmark, not to apply one market multiple to every company.
- **Structure remains part of the economic outcome.** Earnouts, seller financing or both appeared in 53.5% of GF Data's first-half transactions. Certainty, timing and post-close risk belong in the same discussion as the headline multiple.
- **Customer reach and product expertise create strategic fit.** American Fasteners expands DSG's MRO reach in South Florida and export markets. Blue River acted as exclusive M&A Advisor to Lawson Products and Distribution Solutions Group on the transaction.

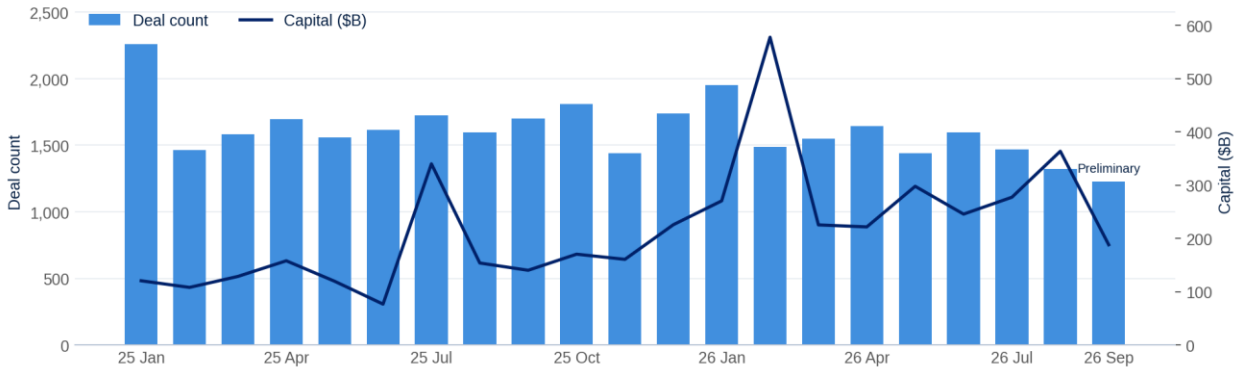
Source: PitchBook monthly exports, as of October 1; GF Data Q2 reports and fresh All Views annual rows; Blue River calculations; DSG announcement and Blue River public transaction tombstone.

2. Deal Activity Metrics

The current activity picture is selective rather than uniformly weak. September's preliminary screen contains 1,226 US transactions, down 7.3% from the revised August total. Through nine months, count is down 9.9% against the comparable 2025 period. These figures cover buyouts, other private equity and M&A/control transactions, excluding venture capital.

1,226	13,696	$188.2B	51.9%
September US transactions, preliminary (down 7.3% from revised August)	Year-to-date deal count (down 9.9% year over year)	Reported capital invested in September	Sponsor share of transactions through September (51.2% a year earlier)

Exhibit 1: US monthly deal count and capital invested, January 2025 to September 2026



Source: PitchBook; US targets; completed and announced/in-progress; venture capital excluded. Capital is the provider's capital-invested field. September is preliminary.

US M&A and private equity activity, 2026 monthly detail

Month 2026	Deal count	Capital ($B)	Count YoY
Jan	1,953	$270.7	-13.5%
Feb	1,490	$577.9	+1.8%
Mar	1,548	$225.5	-2.1%
Apr	1,643	$221.8	-3.1%
May	1,443	$298.0	-7.3%
Jun	1,599	$245.8	-1.2%
Jul	1,471	$277.5	-14.7%
Aug	1,323	$363.9	-17.2%
Sep	1,226	$188.2	-27.8%
YTD total	**13,696**	**$2,669.3**	**-9.9%**

Source: PitchBook, as of October 1. Blue River calculations. Monthly value-growth comparisons are omitted because disclosure gaps and large transactions can distort them.

September is a preliminary month. PitchBook adds late-reported transactions for several weeks after month-end. August's count has already increased from 1,179 in our last edition to 1,323, a revision of 12.2%. The broader direction of activity is more informative than placing too much weight on the newest bar.

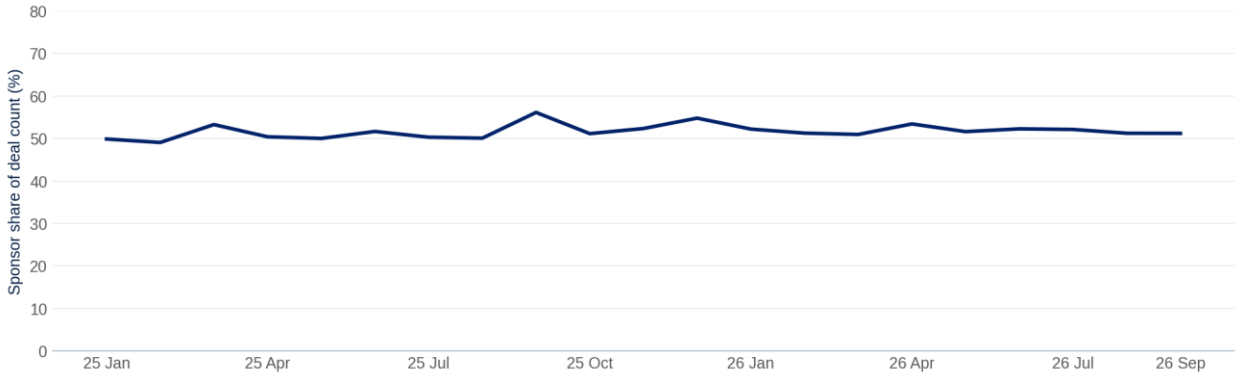
Reported capital invested reached $188.2 billion in September and $2.67 trillion year to date. Those dollar totals reflect an unevenly disclosed portion of the market: most September transactions in the deal log lack a reported value. A few large transactions can therefore move the value series without describing conditions across the wider middle market.

Source: PitchBook monthly charts and September deal export; August edition for prior reported count; Blue River calculations. US-based PE funds held $1.21 trillion of dry powder at September 30 under the unchanged prior-edition screen.

3. Private Equity vs. Strategic Buyers

Sponsors remain approximately half the market by transaction count, alongside an active strategic-buyer universe. Their share is 51.9% through September, compared with 51.2% a year earlier. The stable count mix is a useful starting point for owners considering both routes to a transaction.

Exhibit 2: Sponsor share of US deal count, monthly



Source: PitchBook. Sponsor = buyouts plus other private equity; strategic = M&A/control. Blue River calculations. Categories are deal-type proxies, not ultimate-ownership classifications.

The dollar mix deserves less weight. Many transactions do not disclose financials, and one or two large deals can change the weighted share materially. A sponsor-backed operating company may also pursue a strategic add-on, so the buyer's ownership label does not replace a discussion of its operating objectives.

Capital remains available; deployment is selective

US-based PE funds held $1.21 trillion of dry powder at September 30 using our consistent PitchBook screen. That capital gives context to sponsor participation, but it does not by itself establish willingness to pay or the debt capacity of a particular business. The transaction case still needs to connect the company's earnings and capabilities with a buyer's priorities.

Source: PitchBook dry-powder screen figure supplied by Blue River Research; Q3 US PE First Look, as of September 30; Blue River calculations.

4. Notable Deals

Three September transactions illustrate different acquisition strategies within distribution and its adjacencies: a new sponsor platform, a geographic operating-company add-on and a strategic fastener/MRO acquisition. Announcement and closing dates are kept separate where the disclosures allow.

SPONSOR PLATFORM: PACKAGED GAS AND WELDING DISTRIBUTION

Odyssey Investment Partners → Falcon Gases / Encore Gas & Supply

TRANSACTION	ANNOUNCED	CONSIDERATION	GEOGRAPHY
Majority investment / initial acquisition	September 22	Undisclosed	Southern California

Rationale. Odyssey's majority investment in Falcon Gases supports a packaged-gas distribution platform anchored by the acquisition of Encore Gas & Supply, Falcon's initial investment. Encore brings three Southern California locations, packaged gases, microbulk, welding supplies and technical services. The operating thesis combines regional customer density with capital for organic growth and further acquisitions.

Source: Odyssey / Falcon Gases announcement, September 22, 2026. Majority investment and Encore's initial acquisition are disclosed; transaction terms and exact closing dates are not separately stated.

OPERATING-COMPANY ADD-ON: CENTRAL TEXAS CONSTRUCTION SUPPLY

White Cap → Ace Contractors Supply

STATUS	ANNOUNCED	CONSIDERATION	GEOGRAPHY
Completed	September 1	Not disclosed in release	Austin, TX

Rationale. Ace adds concrete accessories, rebar, safety and consumable products to White Cap's Central Texas footprint. The buyer describes an expanded team, capability and customer-service offering. This is a geographic-density and service-capacity case.

Source: White Cap's September 1 announcement. Acquisition completed by the announcement; exact closing date and financial terms are not separately stated.

STRATEGIC ACQUISITION: FASTENERS, TOOLS AND MRO CUSTOMER REACH

Lawson Products / Distribution Solutions Group → American Fasteners

ANNOUNCED	ANNUAL REVENUE	CONSIDERATION	GEOGRAPHY
September 2	Approximately $39M	Not disclosed in release	South Florida

Rationale. American Fasteners extends DSG's MRO customer base in South Florida and its reach into Latin American and Caribbean export markets. Its three locations, product expertise, scale at $39 million of revenue and more than 11,000 customers make the operating fit tangible. Blue River acted as exclusive M&A Advisor to Lawson Products and Distribution Solutions Group.

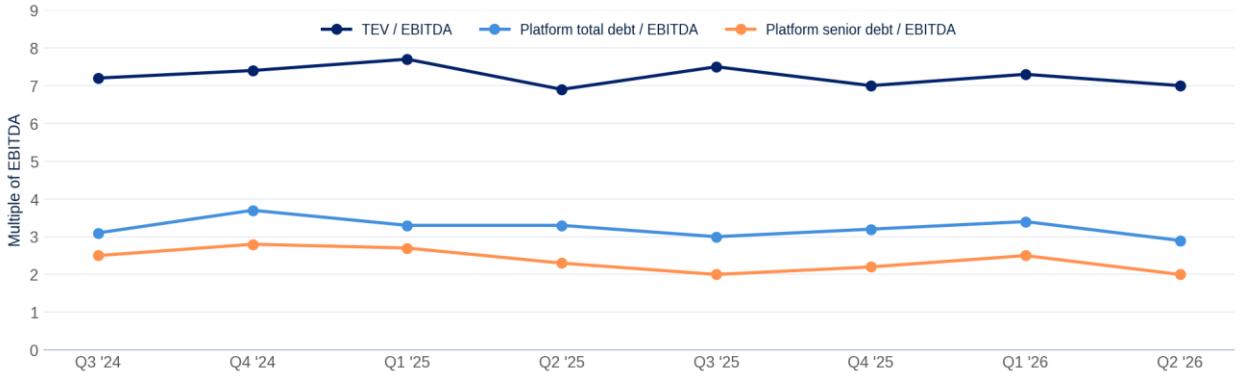
Source: DSG's September 2 announcement; Blue River public tombstone.

5. Valuation Trends

Middle-market pricing remains differentiated, and the blended average needs to be read alongside the transactions that produced it. GF Data's published Q2 standard-market mean was 7.0x TTM adjusted EBITDA, versus 7.3x in Q1, on 85 transactions in each quarter. The

report attributes much of the change to composition: no transactions closed in the $250 million-$500 million tier in Q2, while the $100 million-$250 million tier thinned.

Exhibit 3: Quarterly pricing and platform leverage, Q3 2024 to Q2 2026



Source: GF Data Q2 2026 M&A Report. Pricing is the standard-market all-transaction mean; debt multiples are platform-buyout measures, not the same cohort.

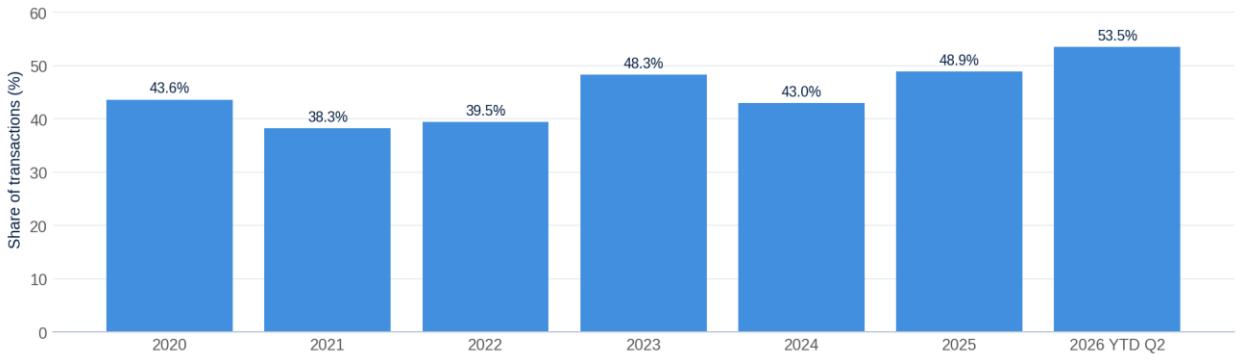
The first-half mean of 7.1x sits close to the 7.2x full-year averages in 2024 and 2025. The new Small Deals Report shows a different pocket of strength: pricing in the $1 million-$25 million universe increased to 6.1x in Q2 from 5.7x in Q1. The two ranges overlap and are not additive, but their different direction reinforces the need for size-matched benchmarks.

Source: GF Data Q2 M&A Report and Q2 Small Deals Report. Published-report figures control this comparison; database refresh differences are retained in the internal source workbook.

Structure remains part of the owner's economic outcome

The fresh GF Data annual deal-terms export shows that 91 of 170 first-half transactions included an earnout, seller financing or both: 53.5%, versus 48.9% in the displayed 2025 cohort. The combined statistic follows GF Data's definition, but the two mechanisms create different owner exposures. An earnout makes proceeds contingent on future performance; seller financing creates a credit exposure to the buyer.

Exhibit 4: Share of transactions carrying an earnout and/or seller financing



Source: GF Data All Views annual Deal Terms rows, October 1 export; 2026 through Q2. Percentages are Blue River calculations from published counts and N, not percentages published by GF Data.

A transaction should therefore be assessed as a full economic package. Headline value, cash at close, payment timing and the risks retained after closing belong in the same negotiation. The multiple is only one part of that outcome.

Financing conditions continue to shape structure

Platform total debt averaged 2.9x EBITDA in Q2, down from 3.4x in Q1; senior debt moved to 2.0x from 2.5x. Average senior pricing increased to 7.8% from 7.2%. At the same time, subordinated debt accounted for 10.6% of the first-half capital stack, versus 9.1% in 2025. Those figures describe financing and composition, not a uniform change in the valuation of every company.

Middle-market transaction metrics, latest published read

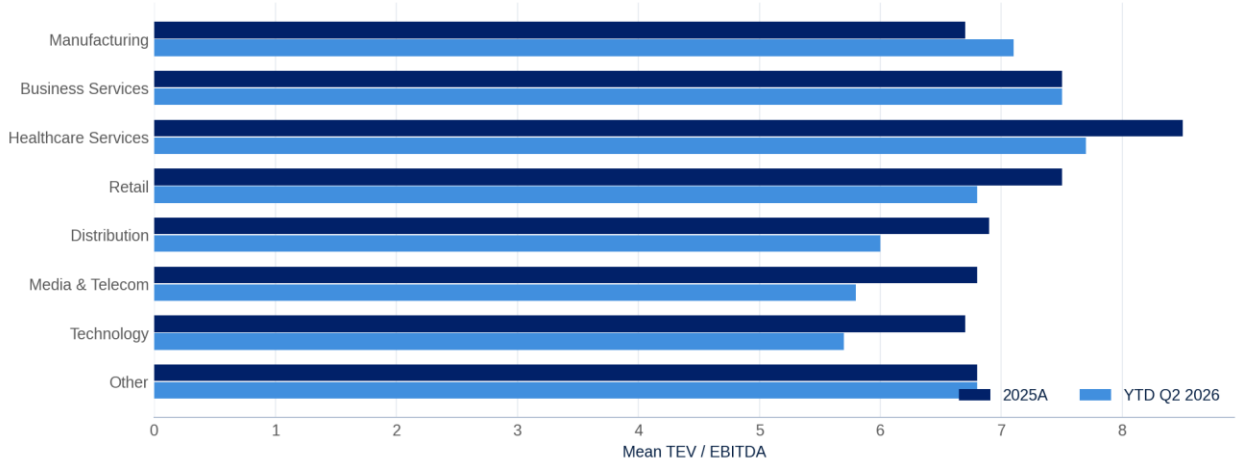
Metric	Q1 '26	Q2 '26 / H1	Period / cohort
Mean TEV / EBITDA	7.3x	7.0x	Quarterly; all standard-market deals
Platform total debt / EBITDA	3.4x	2.9x	Quarterly; platform buyouts
Platform senior debt / EBITDA	2.5x	2.0x	Quarterly; platform buyouts
Mean senior debt pricing	7.2%	7.8%	Quarterly debt pricing
Subordinated capital share	Not shown	10.6%	H1 all reported deals; 9.1% in 2025
Earnout / seller-financing incidence	Not shown	53.5%	H1 annual-row calculation; 91/170

Source: GF Data Q2 M&A and Leverage Reports; All Views annual deal-terms export. Different cohorts are labeled rather than blended into one financing assumption.

6. Sector Spotlight: Industrial Distribution

Industrial distribution is not one interchangeable business model. Product expertise, service capability, customer access and local coverage can create a compelling acquisition fit even when the broad valuation category is softer. September's transactions make that distinction concrete, while the broader pricing data helps set an appropriately measured reference point.

Exhibit 5: Middle-market TEV/EBITDA by business category, 2025 versus YTD 2026



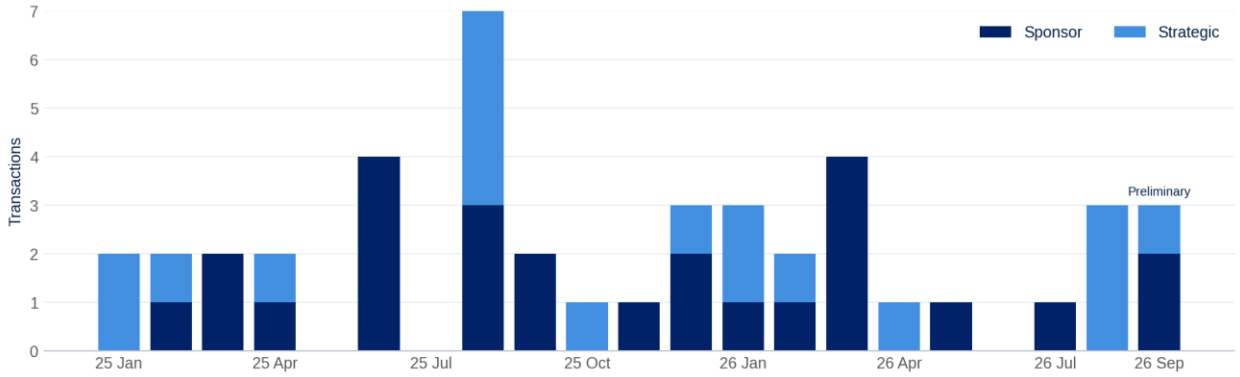
Source: GF Data Q2 M&A Report, Chart 16; $10M-$250M TEV. Latest 2026 period through Q2; sector samples differ in size and business-model mix.

Broad distribution averaged 6.0x EBITDA through Q2 against 6.9x in 2025, on 19 first-half transactions versus 27 in the prior full year. Manufacturing rose to 7.1x from 6.7x, while business services held at 7.5x. The market is differentiated across categories, rather than moving uniformly in one direction. The distribution mean is not a fastener-only multiple.

Where the operating activity is

Our core distributor-led cohort covers fasteners, MRO supplies, tools, safety, bearings, hoses and seals. It contains 18 transactions in the first nine months of 2026, compared with 21 in the corresponding 2025 period. September spans industrial bearings, MRO supply and fastener distribution. The small monthly sample is more useful for understanding buyer strategy than for drawing a sector-wide momentum conclusion.

Exhibit 6: US core industrial-distribution activity by buyer type, monthly



Source: Blue River classification of supplied PitchBook keyword and NAICS searches; 44 transactions Jan 2025-Sep 2026. Excludes unrelated channels and manufacturing-led hybrids. Not a comprehensive sector census; September preliminary.

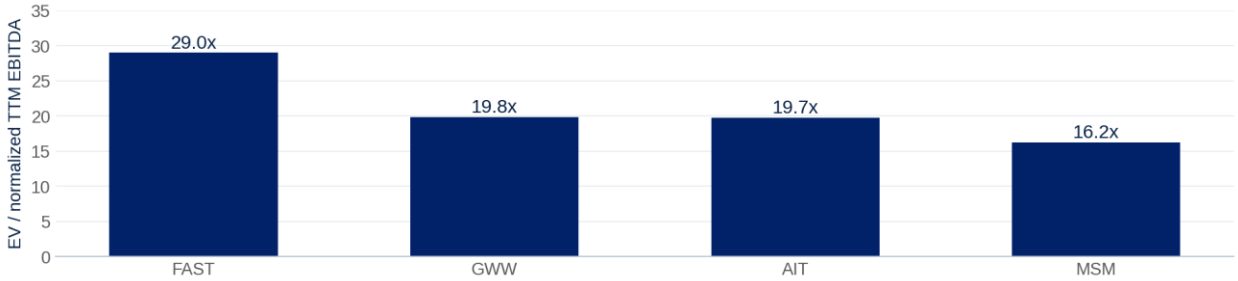
The core cohort spans precision-bearing services, industrial MRO supply and fastener/customer adjacency. American Fasteners illustrates how regional customer reach can complement an established platform. The Falcon/Encore transaction provides a separate

platform-building example in packaged gas and welding distribution, a broader adjacency that is not added to the core trend series.

What the public market pays

The public reference set reinforces the importance of business-model matching rather than one sector headline. At September 30, the four-company set ranges from 16.2x to 29.0x EV / normalized TTM EBITDA, with a median of 19.8x. That spread is a reason to focus on the operating model and earnings profile rather than adopt one sector-wide figure.

Exhibit 7: Public industrial-distribution comparables, as of September 30, 2026



Source: PitchBook dated Peer Group market values, September 30, and repulled Company Financials. USD thousands converted to USD millions. TTM financial periods: June 2026 for AIT, FAST and GWW; May 2026 for MSC. EV / normalized TTM EBITDA is a Blue River calculation.

Public industrial-distribution comparables, September 30, 2026 ($M)

Company	Ticker	EV ($M)	Norm. EBITDA margin	EV / norm. EBITDA
W.W. Grainger	GWW	61,266	16.4%	19.8x
Fastenal	FAST	57,072	22.5%	29.0x
Applied Industrial Technologies	AIT	12,341	12.6%	19.7x
MSC Industrial Direct	MSM	7,391	11.6%	16.2x
Median		**34,707**	**14.5%**	**19.8x**

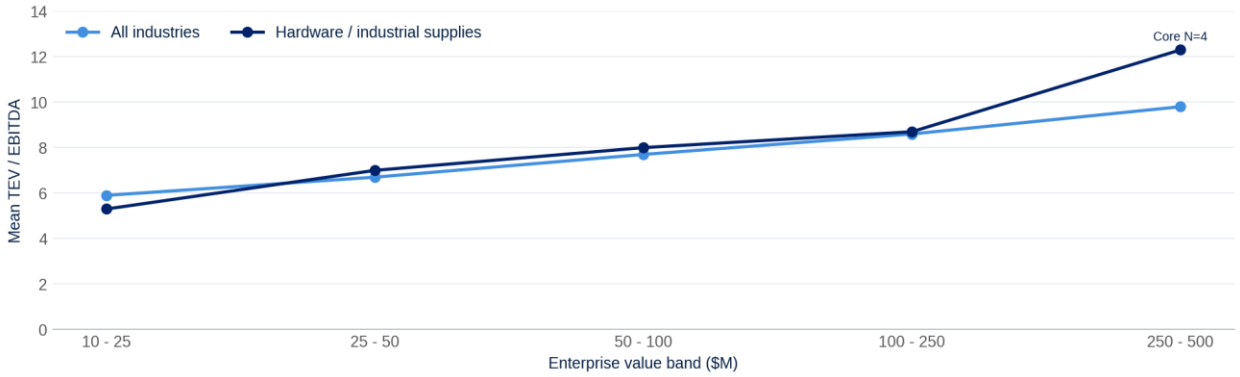
Source: PitchBook September 30 daily EV and repulled EBITDA(Normalized); Blue River calculations, consistent with the prior edition. Common close dates are explicitly verified for all four peers.

Fastenal sits at the upper end of the set, with a 22.5% normalized EBITDA margin and a 29.0x multiple, while MSC Industrial Direct is at the lower end at 11.6% and 16.2x. The group's enterprise values range from $7.4 billion to $61.3 billion. These are public-scale business-model references, not direct price benchmarks for a lower-middle-market distributor.

What the middle market actually clears

The narrow hardware and industrial-supply data is best used as historical scale context, not a current-year pricing conclusion. It contains 59 transactions across the full history, and its recent annual view combines only four deals over 2024-2026. That limits how much weight we can place on a narrow current-period average.

Exhibit 8: Historical private-company multiples by enterprise-value band



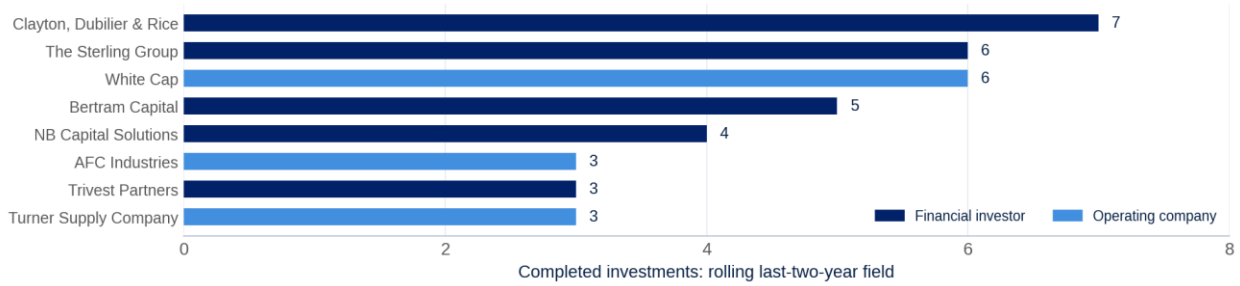
Source: GF Data live All Views exports, October 1; full-history means, 2003-2026. Core NAICS 42371/42384 compared with all industries. Core sample by band: 26, 10, 9, 10, 4. Not current-year pricing; large-bin mean particularly thin.

The historical core means range from 5.3x in the $10 million-$25 million band to 12.3x in the $250 million-$500 million band, but that last point rests on four transactions. The useful owner lesson is to benchmark size and business model carefully, with sample size and dispersion visible, rather than treating either the broad 6.0x current category or the narrow historical curve as a valuation of a particular company.

Who is actually buying

The completed-transaction investor view shows both financial investors and operating companies participating in the broader distribution screen. Clayton, Dubilier & Rice is credited with seven investments, The Sterling Group with six and White Cap with six in the last two years. These are participation credits: affiliated sponsors and platforms can be credited on the same deal, so the counts should not be summed as independent acquisitions.

Exhibit 9: Completed investor participation, rolling two-year snapshot



Source: Refreshed PitchBook screenshots received October 2; completed transactions only. Counts use the displayed rolling last-two-year field, not a fixed September 30 calendar cutoff. All reported non-lender participants with three or more investments are shown; sponsor and platform credits can overlap.

Selected September distribution transactions

Target	Buyer / investor	Value ($M)	Provider event date	Type
Next Point Bearing	Pfingsten	Undisclosed	Sep 23	Buyout/LBO
Stellar Industrial Supply	SNH Capital Partners	Undisclosed	Sep 17	PE Growth/Expansion
American Fasteners	DSG / Lawson Products	Undisclosed	Sep 1	M&A/control

Source: PitchBook supplied sector corpus. Provider event dates retained for activity-series comparability; independently verified announcement and closing dates are stated in Section 4. Prices are not inferred from revenue.

7. Owner's Corner: Beyond the Catalog

Michael Herrmann, Managing Director & Buy-side Practice Leader

Owners preparing for a transaction should demonstrate why their customer relationships and operating capabilities are difficult to replace.

Revenue and earnings establish the financial baseline. The owner's task is to explain what sustains those earnings and how the business fits a buyer's strategy. American Fasteners provides a timely example: DSG emphasized customer relationships, product expertise and geographic reach in its announcement. The business brings three South Florida locations and additional reach into Latin American and Caribbean export markets. Blue River acted as exclusive M&A Advisor to Lawson Products and Distribution Solutions Group.

Source: DSG September 2 announcement and Blue River public transaction tombstone; commentary drafted by Blue River Research for internal approval.

- **Start with the customer relationship.** Document purchasing frequency, retention, product breadth and the services customers rely on. Separate recurring replenishment from project-driven orders. Repeat purchases are useful evidence, but they should not be presented as contracted revenue. Identify whether relationships belong to the organization or depend on the owner and a handful of salespeople.
- **Make product expertise transferable.** Demonstrate how the business helps customers select products, resolve application problems and maintain availability. Support that story with trained employees, documented processes and reliable operating data. Documenting expertise and developing the team helps make the capability transferable beyond the owner.
- **Show where a buyer can build, not just what it can buy.** Map customer density, branch coverage, supplier relationships and adjacent product opportunities. Distinguish existing capabilities from proposed synergies. Explain what the business already does well and what a particular buyer could add.
- **Prepare the financial evidence.** Reconcile inventory, identify slow-moving stock, explain working-capital seasonality and analyze margins by customer and product category.

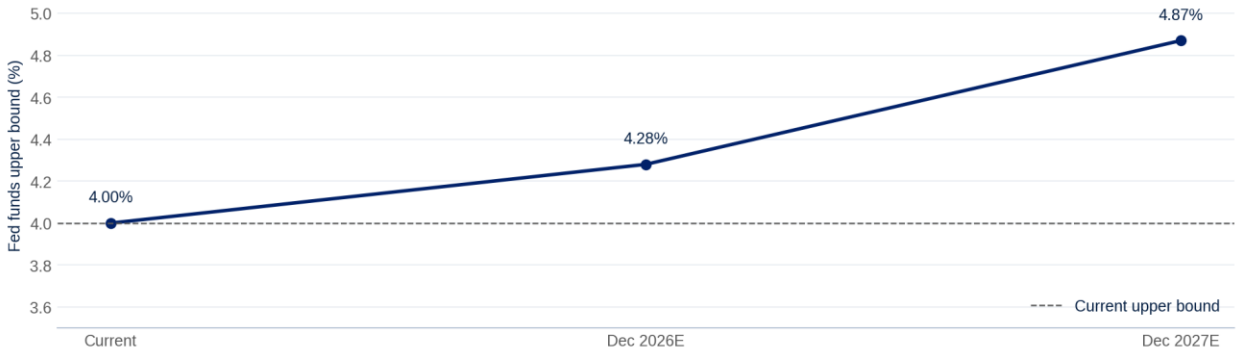
Separate acquisition opportunities from organic growth, and proposed improvements from benefits already achieved.

Our view: owners should use the next 18 to 24 months to make the business easier to diligence and less dependent on individual relationships. The objective is not to promise a valuation premium. It is to give a buyer credible evidence of durable earnings, transferable capabilities and a clear strategic fit.

8. What We're Watching

- **The rate path keeps financing discipline in focus.** The September CME benchmarks show a fed funds upper bound of 4.00% currently, 4.28% at year-end 2026 and 4.87% at year-end 2027. That higher expected path puts continued emphasis on cash generation, interest coverage and a sustainable capital structure. These are three benchmark points, not a meeting-by-meeting forecast.

Exhibit 10: Market-implied fed funds upper-bound benchmarks



Source: CME FedWatch readings supplied by Blue River Research, as of September 30. Prior-edition upper-bound convention retained; future benchmarks are expectations and may change.

- **The next private-market valuation read.** Q3 GF Data will provide a further test of the differentiated pricing and financing trends visible through Q2, including the pocket of strength in smaller transactions.
- **Recorded and estimated sponsor activity.** Q3 First Look includes 738 estimated additional deals, 29.9% of its total count. Subsequent reporting will help clarify the pace and composition of sponsor activity alongside the monthly screen.
- **Longer holding periods and the liquidity agenda.** PitchBook's August note identifies 2,536 US sponsor portfolio companies at or beyond the traditional five-to-seven-year exit window. Some strong assets are deliberately held longer; the owner-facing question is whether the operating plan continues to support a credible route to liquidity.
- **Revisions to September.** August's count rose 12.2% since our last edition. Additional September reporting may sharpen the monthly comparison, which is why preliminary figures remain labeled and are revisited in subsequent editions.

Source: PitchBook Q3 US PE First Look and Private Equity's Zombie Problem, August 17 publication; GF Data Q2 reports; current and prior monthly transaction pulls; Blue River calculations.

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Firm Overview

BLUE RIVER

Founded in 2002, **Blue River Financial Group** is a leading middle market investment banking firm. We offer advanced transactional guidance to public corporations, private equity, family offices and owners of privately held companies.

Blue River provides a suite of services to middle market clients including corporate development, private equity support, confidential sell-side representation, valuations and transaction consulting. Our team combines deep transaction experience with an operator's mindset—bringing together MBAs, attorneys, valuation specialists, and former executives who understand the realities of sourcing, underwriting, and executing deals in competitive markets.



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