



CALABASAS CAPITAL

3Q 2026 M&A and Private Equity Market Update

About Us

Calabasas Capital is a boutique investment banking firm focused on serving lower middle-market privately held companies, including family-held businesses, emerging growth companies, and woman-owned businesses. We specialize in sell-side and buy-side mergers, sales and acquisitions and we raise private equity and debt capital.

North American M&A Deal Value Down Big in 3Q 2026

According to PitchBook, the total value of North American M&A in 3Q 2026 fell by approximately 30% YoY vs. 3Q 2025, consistent with global M&A trends while the number of deals fell by less than 5%. Deal value was the lowest since 4Q 2024.

M&A activity by quarter



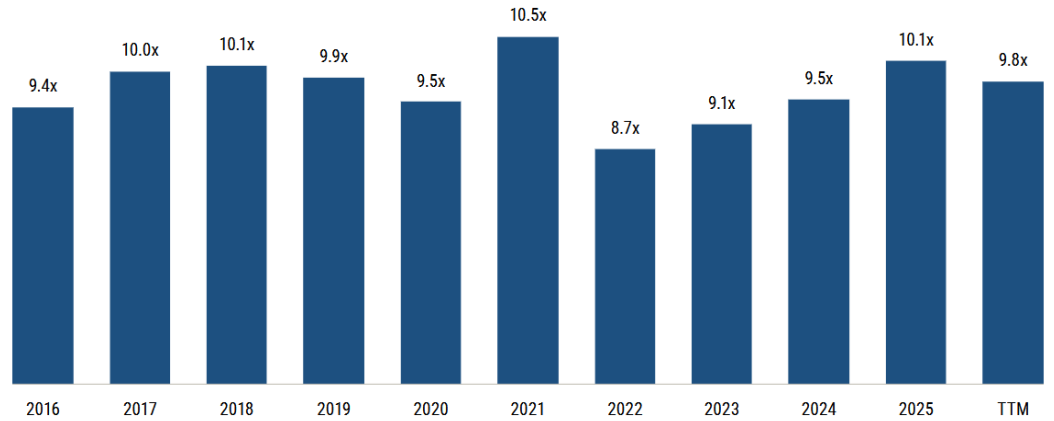
Source: PitchBook • Geography: North America • As of September 30, 2026

Deal activity in the quarter was negatively impacted by resurging inflation due to the Iran war and rising interest rates.

Valuations Remain Resilient

According to PitchBook, on a trailing 12-month (TTM) basis as of September 30, 2026, the median EBITDA multiple for deals in North America and Europe was 9.8x, which was lower than 2025 but higher than 2022 – 2024. This slight dip vs. 10.1x in 2025 can be attributed to the drop in deal value but the resilience in multiples indicates that the supply/demand imbalance continues to favor sellers, particularly strong sellers.

Median M&A enterprise value (EV)/EBITDA multiple

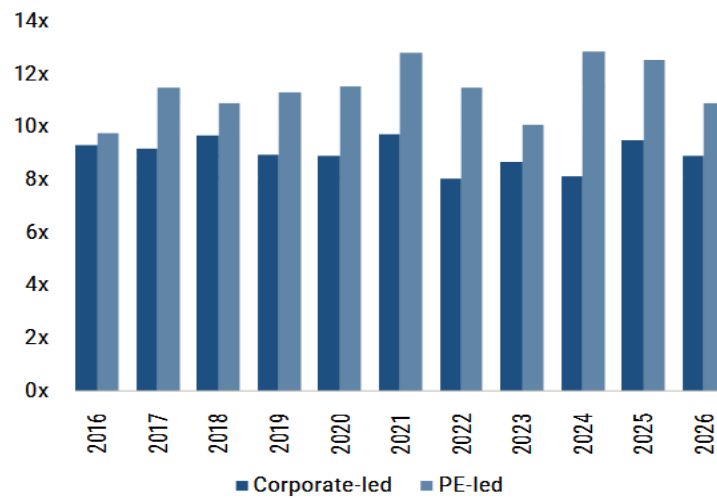


Source: PitchBook • Geography: North America and Europe • As of September 30, 2026

Valuation Gap between Sponsors and Strategics Narrows

For the past 10 years, multiples paid by PE buyers have exceeded multiples by strategic buyers and for most of this period the gap has been widening. On a TTM basis as of September 2026, however the gap has narrowed as multiples paid by PE buyers fell by more than the drop in multiples paid by strategic buyers (>1x vs. < 0.5x). According to PitchBook, valuations paid by both sponsors and corporates over the TTM period have declined to 11.5x and 8.9x, respectively, from full-year 2025.

Median M&A EV/EBITDA multiple by type

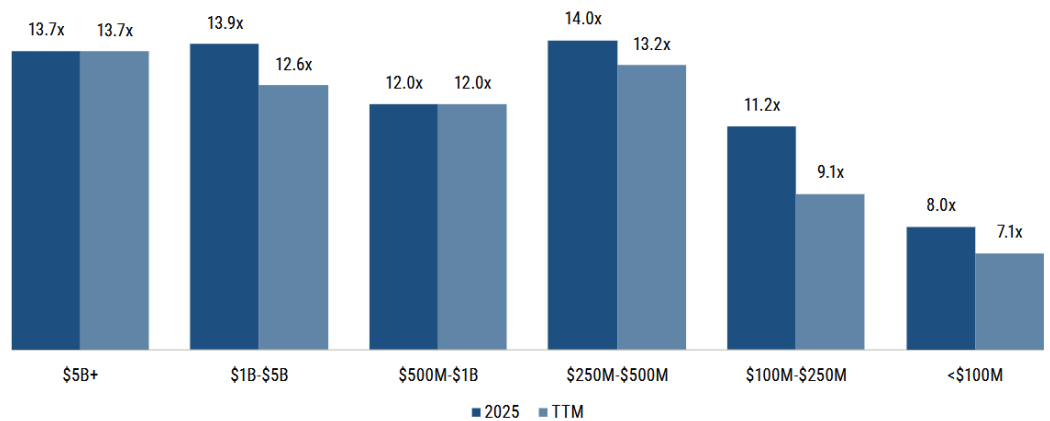


Source: PitchBook • Geography: North America and Europe • As of September 30, 2026

Valuation Gap by Size Remains Prevalent in the LMM

According to PitchBook, on a TTM basis as of September 30, 2026, EBITDA multiples in the lower middle market (\$500 million and below) continued to vary widely based on size. Multiples for deals below \$100MM averaged 7.1x vs 13.2x for deals between \$250MM and \$500MM.

Median M&A EV/EBITDA multiple by size bucket

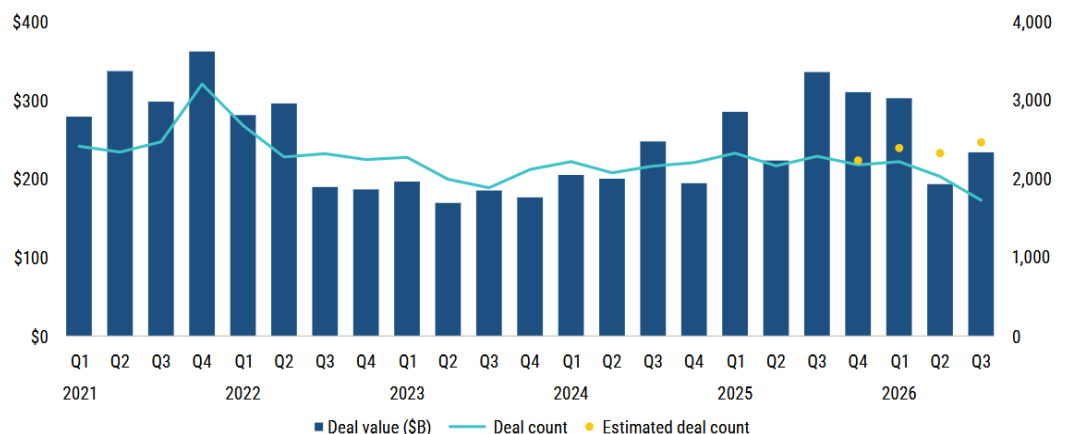


Source: PitchBook • Geography: North America and Europe • As of September 30, 2026

U.S. Private Equity Deal Value Down

According to PitchBook while the number of U.S. PE transactions in 3Q 2026 was up by about 5% YoY vs. 3Q2025, the value of deals dropped by about 30%. On a sequential basis, however, the value of deals in 3Q2026 was up by 21% and deal count was up 6% vs 2Q2026, which is when the Iran war began and deal flow dropped precipitously. Overall PE activity in 2026 is still on track for another strong year despite geopolitical uncertainty and rising inflation. Dealmakers are adjusting deal size and structure rather than stepping away from the market entirely since after all they have to put money to work.

PE deal activity by quarter

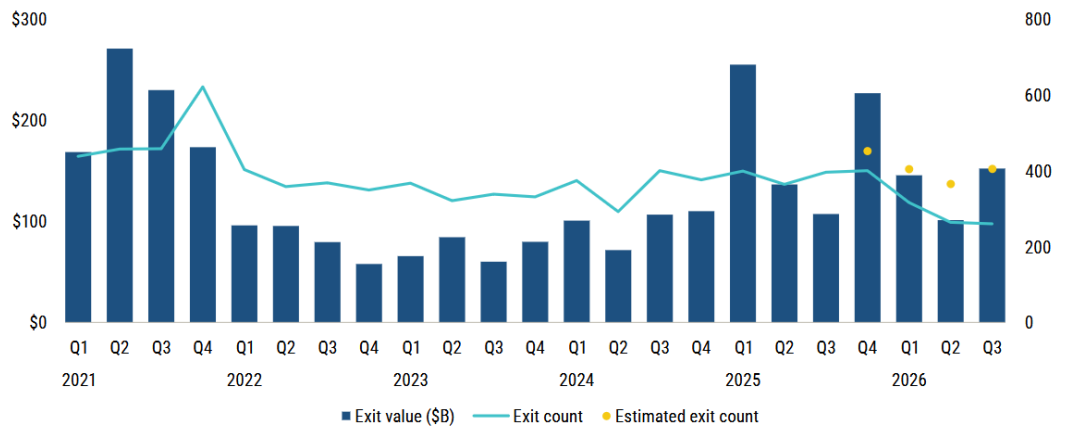


Source: PitchBook • Geography: US • As of September 30, 2026

U.S. Private Equity Exit Activity Rebounds

According to PitchBook, PE exit value climbed back in Q3, with a 50% QoQ jump in value vs. 2Q2026 and a 54% gain YoY versus 3Q2025. Deal count saw a modest improvement, increasing 11% QoQ and 2% YoY. The trends indicate that exit activity is still driven by a handful of very large transactions rather than by broad-based liquidity. The good news is that the number of US PE-backed companies has been growing at a slower pace as exit activity continues to improve, even if it is not as fast as most PE participants would like.

PE exit activity by quarter



Source: PitchBook • Geography: US • As of September 30, 2026

M&A Market Outlook

Similar to the public markets, M&A activity has remained resilient so far in 2026 despite macroeconomic headwinds. However, the 10-year treasury is now firmly above 5% and arguably on its way to 6%, its highest level in over 20 years. Coupled with the likelihood of additional rate hikes into 2027, sponsors will be forced to become much more conservative from a valuation perspective when considering acquisitions, giving strategic buyers an edge. Most platforms carry floating rate debt and higher rates reduce discounted cash flows. PE firms will also have to be more conservative with exit multiple assumptions, meaning longer hold periods (other than for large A+ assets) and a more intense focus on creating long term value with strategic initiatives vs. financial engineering.

Sources:

1. PitchBook: Q3 2026 U.S. Private Equity Breakdown.
2. PitchBook: Q3 2026 Global M&A Report.

*Calabasas Capital is a dba of Fallbrook Capital Securities Corp., member FINRA/SIPC. Securities offered through Fallbrook Capital.