

A low-angle, black and white photograph of several tall skyscrapers reaching towards the sky, creating a sense of height and urban density. The buildings are partially obscured by a dark, semi-transparent overlay that contains the report's title and other text.

MIDDLE-MARKET M&A OUTLOOK REPORT

PRODUCED BY: JAMES SACKKEY **MARKETING**

2025–2026

This report distills interview insights, panel intelligence from the Dallas Business Symposium in October 2025, and trends in bank loan data into one consolidated market analysis.



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Executive Summary

Middle-market M&A (\$25M–\$500M revenue) in the DFW area enters 2025–2026 with strong buyer demand, tightening credit conditions, and a widening sophistication gap between buyers and sellers.



While the Southeast and Texas continue to outperform national averages, deals are increasingly shaped by:

- Higher cost of capital
- Stricter bank underwriting
- A flight toward operational excellence
- Creative deal structures
- Private credit's continued rise
- Sector-specific strength in industrials, business services, and tech-enabled firms

“Great companies are still getting great outcomes. Unprepared companies are getting exposed.”

MIDDLE- MARKET DEALMAKING LANDSCAPE



MARKET CONDITIONS: A TALE OF TWO REALITIES

Buyers Are Active — But More Disciplined

Across interviews with several transaction leaders in DFW, a shared pattern emerges:

- Strategic buyers remain aggressive in acquiring capabilities.
- Private equity maintains record dry powder but is far more selective.
- Valuation spreads between “top-quartile” and “average” companies are the widest in a decade.

“THE MIDDLE MARKET ISN’T SLOW — IT’S SEGMENTED. THE BEST OPERATORS ARE STILL GETTING MULTIPLE TERM SHEETS.”

*Klent Selz, Regional Market Manager,
Amerisource Business Capital*

Sellers Face a Higher Bar for Readiness

Several dealmakers noted that weak financial reporting and operational inefficiencies are killing deals earlier in the funnel.

“BUYERS NO LONGER FIX FOUNDATIONAL PROBLEMS FOR YOU. THEY’LL JUST MOVE ON.”

*Amanda Foyt, VP Commercial Banking,
Comerica*

Key Seller Weaknesses Identified:

- Insufficient working capital planning
- Outdated KPIs
- Customer concentration
- Low digital maturity
- Unclear pricing strategy
- Non-GAAP accounting adjustments not supported with documentation



**“Financing isn’t dead.
It’s just becoming a
privilege again rather
than a default.”**

*James Turcott, Partner,
Skytale Group*

Financing & Bank Loan Trends

The Most Important Shift in 2025

Lending Standards Have Tightened Across Every Major Category.

- **Senior leverage down:** Most deals capped at 2.5x–3.25x, down from 3.5x–4x two years ago.
- **Pricing up:** Spreads increased 65–125 bps YoY depending on risk tier.
- **Covenants stricter:** DSCR, fixed-charge coverage, and reporting requirements are materially tighter.
- **Conditions creating pressure:** Banks are limiting risk and cutting exposure across the board.
- **Regional variance widening:**
 - Texas and Southeast banks more aggressive
 - Coastal and Midwest banks materially more conservative

DFW C&I Insights Show a
Split Market*

50%

Increased C&I lending, driven by:

- Specialization
- Strong liquidity
- Confidence in TX middle-market operators

50%

Contracted or stayed flat, driven by:

- CRE exposure
- Cost-of-funds pressure
- Defensive portfolio repositioning

Growth concentrated at the top:
Comerica, Sunflower, TBK, Susser, MapleMark, Dallas Capital

Retrenchment concentrated among community and CRE-heavy lenders:
Veritex, PlainsCapital, Texas Security Bank, Vista Bank, NexBank, Bank of Texas.

*Data gathered from FFIEC database across 22 banks showing most activity in Dallas county ending 6/30/25

Rising Dominance of Private Credit

Leaders emphasize that private credit has shifted from an “alternative” to a primary fuel source for middle-market transactions in 2025. As regional banks tighten underwriting, private credit is stepping in with faster decisions, higher certainty, and structures tailored to operators rather than regulators.

Brice Reid of nFusion Capital noted that for industrial and manufacturing deals—where speed and operational timing matter—private credit’s ability to underwrite complex operations and move quickly often “makes the difference between winning and missing a platform.”



Why Private Credit Is Winning

- Speed
- Structure flexibility
- Covenant creativity
- Higher leverage tolerance

Greg Hext of Hext Financial Group noted that DFW’s expanding financial ecosystem has made private lenders “more embedded than ever,” offering bespoke capital stacks that match the needs of sophisticated buyers.

SPECIAL NOTE

As banks retreat, private credit steps in — but at a cost (pricing up 150–300 bps above bank debt). However, private credit isn’t just filling gaps—it’s reshaping the competitive edge in dealmaking.

“Private credit solves for flexibility, but not price. Buyers pay for that convenience.”

Venkat Jasti, Angel Investor,
Cowtown Angels

Sector Insights from Interviews & Panels



Experts from the Dallas Business Symposium agreed: Operations-centric investors have a competitive advantage in 2025/26.

Industrials & Manufacturing (Strongest Sector)

Several transaction leaders have noted a surge in:

- Automation adoption
- Supply chain reshoring
- Niche, specialized manufacturing acquisitions

Healthcare Services

Strong due to aging population + private equity's long-term platform strategy.

Financial Services & Specialty Lending

Transaction leaders reinforce DFW's rise as a "secondary financial hub," validating the trend in PE, credit funds, and banks consolidating presence in Texas.

Tech-Enabled Services

Not traditional SaaS — but:

- Professional services with automation
- IT-enabled business processes
- Data-driven operations platforms

These command strong valuations because they enhance operational efficiency.

"This region rewards execution. Capital moves here because operators perform here."

**Charles Williams, CEO,
Pioneer Realty Capital**

DFW & Southeast Regional Advantage

● 01. Texas Leads the Way

Texas—especially DFW—continues to outperform national markets due to its diversified industrial base, population inflows, and lender confidence. Dealmakers consistently pointed to Dallas as a "financial gravity well," where operators, private credit, and banks remain more active and relationship-driven than coastal counterparts.

● 02. The Dallas Ecosystem is Strong

Dallas, in particular, benefits from a dense ecosystem of private equity, lenders, and family offices—creating a faster, more competitive, and more relationship-centric deal environment than almost anywhere else in the U.S.

"DFW has become its own financial center. Capital doesn't just pass through here anymore—this is where decisions are being made."

*Oliver Cone, M&A Advisor,
Bulkley Capital*



***Why Texas and
the Southeast
Lead the
Nation***

- Population inflows
- Lower tax burden
- Corporate relocations
- Strong small to middle-market banks
- Strategic location and logistics infrastructure
- Favorable regulatory environment

Deal Structures: Creativity is Now Strategy



Across all conversations, the following structures are being used much more frequently as a means to de-risk deals and shore up credibility of sustainable business.

Rising Structures

- Earnouts (12–36 months)
- Seller financing
- Higher equity rollovers (20–40%)
- Contingent value mechanisms
- Revenue-based adjustments
- Continuation funds
- Preferred equity slices
- Multi-tranche credit stacks

Falling Structures

- All-cash closings
- High-leverage platform acquisitions
- Aggressive pro forma adjustments

“The art of the deal is returning. Structure is now as important as price.”

*Lester Wigler,
Portfolio Management Director,
Morgan Stanley*



Key Risks & Headwinds

1. Volatile rate expectations

Even the *perception* of rate shifts pauses deals.

2. Seller valuation anchoring

Sellers pricing off 2021–2022 comps is the #1 deal killer.

3. Regulation & tax uncertainty

Potential changes to carried interest, capital gains, and bank capital rules all impact structuring.

4. Operational fatigue

Owners who waited too long to exit are seeing diminished performance due to burnout.



Key Opportunities

1. Acquisition of under-invested companies

PE groups calling this the “goldmine segment”.

2. Add-ons at attractive multiples

Especially in industrials, logistics, and IT services.

3. Distressed and special-situation deals

Especially with weak working-capital management.

4. Family-owned businesses without succession

A massive demographic tailwind.

Recommendations for Investors & Business Owners

If You're a Seller (12-24 Month Horizon):

- Upgrade financial reporting to investor-grade
- Implement KPI dashboards that match buyer expectations
- Eliminate customer concentration risk
- Modernize operations (automation, digital maturity)
- Improve working capital discipline
- Get a valuation reset based on 2025-2026 lending realities

If You're a Buyer:

- Pursue add-ons aggressively while valuation spreads remain favorable
- Use multi-layered deal structures to win competitive processes
- Build relationships with regional banks + private credit funds
- Prioritize data-heavy, systems-based, operationally-strong companies



For Both:

- Run a Quality of Earnings (QoE) early
- Align tax strategy early
- Prepare for more lender questions and slower bank approvals



Outlook for 2026

Despite macro uncertainty, the middle-market remains arguably the healthiest segment of the U.S. economy. The lower and middle-markets are seeing investors come down market and are vibrantly doing deals, although subdued from 2024, deal levels are comparable to 2023 with shifts in family office activity, interest in several refreshed sectors like sports, AI, industrials, and new technologies around aerospace & defense.

2026 is anticipated to be stronger in transaction activity, provided there are no major unexpected shifts across geopolitical or fiscal policy.

Expect:

- More disciplined buyers
- More structured deals
- Continued credit tightening
- Increased private credit share
- Strong industrial & services M&A
- Texas & Southeast outperforming the national market as capital moves inland from the coasts

“There’s more capital than great companies. That imbalance is why the middle market stays strong.”

*Scott Perry, President,
Texas Association of
Business Brokers DFW*



What is Your Growth Strategy?

Strategic relationship building and thought-content based on insights are the most powerful ways to engage your prospects.

Start engaging more strategically and consistently. Reach out.

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