

# The Calculated Exit

M&A UPDATE | VOL 4

*presented by:*

CalculatedExit  
INVESTMENT BANKERS  
& ENTREPRENEURS

Welcome to Volume 4 of *The Calculated Exit*. Here you will find observations and opinions related to M&A activity as seen through the lens of a boutique M&A advisory firm.

## THE MARKET HAS CHANGED. OR HAS IT?

If you have been waiting for rates to come down, multiples to return, or certainty in Washington, you may still be waiting. The deal market is no longer fueled by cheap capital and urgency. It is fueled by discipline.

We continue to see higher-for-longer interest rate expectations, more conservative lending standards, and greater buyer scrutiny in due diligence. Earnouts and rollover equity are increasingly common, and the gap between seller expectations and buyer underwriting has widened. Yet deals are getting done. The question is not whether transactions are happening. They are. The question is whether your business is positioned to transact in this market.

## ARE VALUATIONS DOWN?

Yes and no. Top-tier, well-run businesses with recurring revenue, strong margins, clean financial reporting, institutional management teams, and limited customer concentration are still commanding strong multiples.

Businesses that rely heavily on

owner involvement, inconsistent reporting, or aggressive add-backs are seeing pressure. The easy-money era masked operational weaknesses. That mask is off.

## THE COST OF CAPITAL MATTERS

Interest rates are not where they were in 2021. Buyers who rely on leverage must now underwrite higher debt service, stricter bank covenants, and greater equity contributions. This typically results in lower leverage multiples, tighter working capital negotiations, and greater diligence around the sustainability of earnings.

However, disciplined buyers remain active. Private equity still has significant dry powder. Strategic buyers still need growth. They are simply being more selective.

## DON'T LET WAITING COST YOU

Many owners are taking a wait-and-see approach, and that is understandable. But consider this: if rates fall, competition among sellers may increase. If rates stay elevated, buyers will remain selective. If tax law changes, planning windows can close quickly. There is rarely a perfect window. There is only preparation.

*“Deals are getting done. The question is whether your business is positioned to transact in this market.”*

## WHAT ARE BUYERS FOCUSED ON IN 2026?

The themes are clear, and they have not changed as much as you might think.

### 1. Quality of Earnings

Adjusted EBITDA is being dissected line by line. Normalization assumptions must be defensible. Revenue recognition, margin sustainability, backlog quality, and customer retention are under a microscope.

### 2. Management Depth

Is there life after the founder? Buyers want scalable teams, not heroic owners. If the business cannot function without you at the helm, that is a risk that will be priced into the deal.

### 3. AI and Operating Efficiency

How are you using technology? Are you automating processes? Buyers want to know whether margins are expanding because of genuine operational improvement or simply pricing inflation.

### 4. Cash Flow

Not just EBITDA. Actual cash flow. Working capital discipline matters more than ever in a higher-rate environment.

## RUN YOUR BUSINESS LIKE YOU'RE SELLING IT

This has not changed. Operate with clean monthly closes, clear KPI dashboards, defined internal controls, institutional client

relationships, and thoughtful succession planning. A business that runs without constant owner intervention is a scalable asset. A business that depends entirely on the owner is employment.

## WELL, WHAT CAN YOU CONTROL?

You can control margin discipline, expense normalization, client concentration, management development, financial reporting integrity, and proactive tax planning. You cannot control interest rates, capital gains rates, geopolitical risk, or public market volatility. Focus your energy where it moves the needle. Preparation is leverage.

## START THE DISCUSSIONS NOW

Don't be too busy being busy. If you don't know your trailing twelve-month EBITDA, your adjusted EBITDA bridge, your normalized working capital target, or your realistic valuation range in today's market, then you are not having the right conversations. A sale is not an event. It is a process. And in today's market, it is a process that rewards preparation and punishes surprises.

***"Preparation is leverage."***

## THINKING OF SELLING YOUR BUSINESS?

Selling your business can be the most financially significant transaction of your life. There are legal, tax, operational, and emotional considerations. Negotiations are complex. Due diligence is intense. The good news? Disciplined preparation still wins.

## MEET THE EXPERT

With over 30 years of experience as a CPA working in M&A advisory, Dave has worked with hundreds of business owners in both the buyer and seller capacities. Currently the head of transaction advisory services, he is also the managing partner and owner of a midsize CPA firm. These roles are greatly beneficial to his investment banking mandates and provide increased bandwidth for the most demanding of transactions.

Owning and operating his own business for over 30 years has helped Dave understand what it is to build something from nothing, fine-tune it over time to position it in the market, and monetize it when the time is right. The most common compliment that he receives is that he really relates to the owner, understands the importance of the relationship, and takes the time to explain every step of the process in a way that makes them feel in control... because they are.



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