THE SELL-SIDE BRIEF

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The 2026 Seller's Window: Why the Math Just Changed in Your Favor

If you own a profitable lower middle-market business and you've been telling yourself "maybe in a couple of years," this is the issue to read closely. Three forces — a record pile of buyer cash that has to be spent, a tax law that now rewards selling *sooner*, and buyers who are pickier than ever — have lined up in a way I haven't seen in years. Here's what it means for you, in plain terms.

1. The buyers have money and a deadline

Private equity is sitting on roughly **$3.7 trillion of dry powder** — committed capital that has roughly doubled since 2019 and is waiting to be deployed[2]. That capital is not patient money. Funds have investment periods that expire, and nearly a quarter of buyout dry powder has already been sitting idle for more than four years[2]. When a fund's clock runs out, the pressure to do deals shifts from the seller to the buyer.

Here's the part most owners miss: the bottleneck in this market isn't capital — it's **qualified deal flow**. There is no shortage of buyers; there is a shortage of clean, well-run businesses for them to buy[2]. Bain's midyear read confirms that select deals are still clearing — and at strong prices — but mostly for the A-plus assets[3]. If your business is one of the good ones, you have more leverage than you think.

> **THE TAKEAWAY**
> Buyers are competing for a limited supply of good companies. Scarcity is on your side — but only if your business is genuinely ready to be diligenced.

2. The tax law now rewards selling sooner (QSBS / Section 1202)

This is the single biggest change in seller economics this year, and it's flying under the radar. The One Big Beautiful Bill Act (OBBBA) overhauled the **Qualified Small Business Stock** rules under Section 1202. For qualifying C-corporation stock issued on or after July 5, 2025, the old all-or-nothing five-year holding period has been **tiered**[4]:

- **Hold 3 years →** exclude 50% of the gain
- **Hold 4 years →** exclude 75% of the gain
- **Hold 5+ years →** exclude 100% of the gain

On top of the faster timeline, the rules got more generous in two other ways: the per-issuer gain exclusion cap rose from **$10M to $15M**, and the company-size limit (aggregate gross assets) rose from **$50M to $75M** — both indexed for inflation going forward[4]. That means more lower middle-market companies now qualify, and qualifying owners can shelter more of their proceeds.

Why this matters for timing: a founder who would have had to wait until 2027 to capture meaningful QSBS benefit can now potentially close in 2026 and still capture 75% of the exclusion[5]. If your last QSBS analysis was done a few years ago — or when you formed the company — it is out of date, and it may be costing you. This is worth a fresh conversation with your tax advisor *before* you sign an LOI, not after.

Note: QSBS rules are technical and fact-specific. Nothing here is tax advice — it's a flag to get the right advisors in the room early.

3. Where multiples actually sit right now

Valuations have reset to a steadier, higher-rate normal — not the 2021 peak, but workable for both sides. In the lower middle market (roughly $1M–$50M enterprise value), private companies are generally trading between **3x and 8x adjusted EBITDA**, with the multiple driven by sector, scale, and earnings quality[6]. A quick snapshot of where things stand:

Sector	Typical Range	Notes
Software / SaaS	4.0x–5.5x ARR	Quality assets; AI-risk discounting
Healthcare services	High end of 3x–8x	Premium for recurring revenue
MSP / IT services	Lower-to-mid range	Revenue quality now decisive
Manufacturing	Mid range	Tariff exposure scrutinized
Distribution	Mid range	Scale and margin durability
E-commerce (DTC/FBA)	3.0x–5.0x EBITDA	Flat-to-down; tariff headwinds

Ranges reflect quality assets; smaller scale and key-person risk push toward the lower end. A larger EBITDA base earns a higher multiple within the same sector.[7]

One specific warning for MSP and SaaS owners: public SaaS medians fell to roughly 3.4x EV/Revenue as of March 2026 (down from 6x–7x a year earlier) as buyers discount AI-replication risk[7]. In MSP deals, buyers are now paying for **quality of revenue** — contracted, recurring, sticky — not just top-line size[8]. If you're pricing your business on multiples from two years ago, expect to sit.

4. What buyers demand before they'll pay up

The flip side of buyer urgency is buyer discipline. With abundant capital chasing limited quality, buyers have **little tolerance for messy diligence**. Earnouts are on the rise — about 29% of all LMM deals and 35% of the smallest now include one[9] — often a sign that a buyer wants to bridge a gap your numbers didn't fully close on their own. The single best way to protect price and minimize earnout risk is to be ready before you go to market:

- **A clean Quality of Earnings story.** Buyers rebuild your EBITDA from the general ledger — your add-backs need to survive that scrutiny[10].
- **3–5 years of clean, reviewed financials,** plus trailing 24-month monthly P&Ls, tax returns, and AR/AP aging ready to hand over.
- **Evidence of durable, recurring revenue** — contracts, retention data, and reduced customer concentration.
- **Reduced key-person dependence** — a business that runs without you is worth more than one that doesn't.

The macro backdrop supports moving now: uncertainty has receded, rates have eased slightly, and conditions are favorable for pent-up demand to come off the sidelines[11]. The owners who win in this market are the ones who are ready when a motivated, well-capitalized buyer comes calling.

Thinking about your timing?

A 30-minute confidential conversation now can tell you whether the QSBS window, current multiples, and buyer appetite line up for your business. There's no obligation — just a straight read on where you stand.

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