



STRATEGIC RESILLIENCE IN A **SHIFTING M&A ENVIRONMENT**

What 2025 +
Means for the
Lower Middle Market

The U.S. M&A market is undergoing a profound transformation.

At Auctus Capital Partners, we specialize in helping business owners understand and navigate these turning points. By combining deep industry expertise with a commitment to innovative, client-first advisory, we empower companies to make informed decisions in uncertain times—and unlock long-term value through strategic transactions.

What began as a period of historic growth has evolved into a more complex, nuanced landscape shaped by macroeconomic recalibration, trade policy shifts, and investor reevaluation. For lower middle market companies, this moment presents both challenges and compelling opportunities.

Pre-Tariff Momentum: A Period of Ambition and Acceleration

Between 2023 and early 2025, M&A activity in the United States surged. Favorable borrowing conditions, economic stability, and robust investor appetite spurred companies to pursue deals that would expand geographic reach, diversify revenue, or gain access to emerging technologies.

High-profile transactions—such as Capital One’s purchase of Discover Financial and Synopsys’s acquisition of Ansys—highlighted a spike in megadeals across key verticals, including industrials, healthcare, and tech.

During this time, Auctus guided many business owners through high-value exits, growth equity placements, and strategic acquisitions. Our differentiated approach—led by senior bankers and built on sector-specific knowledge—enabled clients to pursue competitive processes that yielded premium valuations and favorable terms.

Tariff Disruption: A Strategic Inflection Point

Early 2025 marked a significant policy shift: the reimplementing and expansion of U.S. tariffs on goods from China, Mexico, and the EU. This move introduced new friction into global trade, impacting industries reliant on cross-border supply chains and sparking volatility across public markets.

Rather than react defensively, we encouraged clients to treat this as a time for reassessment. For some, that meant updating transaction timelines or adjusting valuation.

For others, it meant pivoting to creative capital structures or reevaluating deal pipelines in light of new geopolitical realities.

With many traditional financing routes constricted, our Debt Advisory and Growth Equity teams played a critical role—securing capital through alternative lenders and structuring customized funding solutions that preserved flexibility while reducing execution risk.

Strategic Recalibration: Evolving-Tariff Realignment in M&A

In the months following these policy changes, companies began to take a more measured and strategic approach to dealmaking. We observed significant recalibration across several fronts:

Valuation Models Adjusted: Fluctuating costs and economic headwinds widened bid-ask spreads, especially in capital-intensive sectors.

Deal Structuring Became Smarter: Contingent components—such as earn-outs and indemnities—emerged as tools to share risk between buyers and sellers.

Due Diligence Deepened: Evaluations now factor in operational resilience, tariff exposure, and geopolitical risk as much as financial performance.

Regulatory Barriers Rose: Cross-border deals now face heightened scrutiny, particularly under the oversight of CFIUS.

These shifts, while significant, are not deterrents. They are signals of a maturing market where thoughtful strategy and execution matter more than ever.

For Auctus clients, this environment creates opportunity—for buyers seeking value, for sellers ready to transition, and for companies aiming to scale with precision.



Sector Snapshots: How Industries Are Responding

Strategic adjustments vary by sector—but in each case, agility and preparation are key.

Industrial & Manufacturing: Firms are rethinking sourcing strategies, with an emphasis on domestic suppliers and operational control.

Technology: While M&A has slowed in some segments, demand for companies with AI or cybersecurity capabilities remains strong.

Agribusiness: A shift in global demand patterns has altered valuation dynamics, opening the door for value-driven acquisitions.

Private Equity: Investors are zeroing in on middle-market targets with flexible cost structures and room to scale.

As sector dynamics evolve, our team continues to deliver bespoke solutions grounded in rigorous market intelligence and real-time data.

A Shifting Capital Climate: What It Means for Dealmakers

Monetary policy has also entered a new phase. After a long cycle of tightening, the Federal Reserve lowered benchmark rates by 100 basis points in late 2024. Inflation has moderated, yet borrowing costs remain above pre-pandemic levels, affecting how deals are structured and financed.

This is where Auctus excels. Our team runs robust processes to source optimal pricing and terms across more than 500 capital partners in North America. Whether through debt, growth equity, or hybrid capital, we tailor each structure to the business and market conditions at hand—helping clients fund transactions without compromising strategic goals.

Adapting for Success: What Winning Looks Like in 2025

The current environment demands more than transactional thinking. It requires strategic adaptation and long-term vision.

At Auctus, we're helping clients prepare and perform through:

Comprehensive Due Diligence: Factoring in macro risks, supply chain dependencies, and tariff contingencies.

Creative Structuring: Leveraging mechanisms like shared-risk earn-outs, milestone-based payouts, and seller financing.

Middle Market Focus: Partnering with agile companies that can adapt faster than global incumbents—and deliver outsized returns.

Emerging Themes: Positioning clients to benefit from trends like nearshoring, ESG-focused investment, and AI-enabled consolidation.

Each engagement begins with discovery and planning—ensuring every business we advise is fully aligned internally, positioned externally, and ready for its next strategic move.

Looking Forward: Where We Go from Here

The landscape for U.S. M&A in 2025 is undeniably more complex than in years past. But for prepared business owners, it's also full of promise. Strategic acquirers remain active. Private capital is still plentiful. And valuation premiums continue to reward companies with solid fundamentals and compelling growth stories.

Whether you're preparing for a future sale, exploring acquisition targets, or evaluating your capital structure, now is the time to act intentionally.

At Auctus Capital Partners, we offer more than advisory services—we provide clarity, creativity, and a pathway forward. With a team of senior professionals deeply embedded in industry verticals, and a values-driven approach rooted in transparency and innovation, we help you achieve outcomes that match your ambition.



Auctus Capital Partners is a leading financial services firm focused exclusively on creating value for the lower middle market. For more information or to contact Auctus Capital Partners, visit www.AuctusCapitalInc.com.