LOWER MIDDLE MARKET VALUATION RESEARCH

EBITDA Multiples by Industry [2026 Data]

Private Company Valuation Benchmarks for
$1M-$50M Enterprise Value Transactions

Published by Windsor Drake | windsordrake.com | Q1 2026

ABOUT THIS REPORT

This report presents EBITDA valuation multiples for 25 industry sectors, calibrated specifically for private companies in the lower middle market ($1M-$50M enterprise value). Unlike public-company multiples published by financial databases, these ranges reflect actual transaction data from sell-side M&A; processes involving founder-owned businesses.

Multiples are segmented by EBITDA size ($1M-$3M, $3M-$10M, and $10M+) because deal size is the single largest determinant of valuation in private markets. A $2M EBITDA business and a $12M EBITDA business in the same industry will trade at materially different multiples due to buyer universe, financing availability, and perceived risk.

Data is compiled from transaction databases, private equity reporting, industry research, and Windsor Drake's proprietary deal experience. All figures represent enterprise value / adjusted EBITDA ratios for private companies and should be considered indicative ranges, not precise valuations.

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SECTION 1

EBITDA Multiples by Industry and Company Size

The following table presents EV/EBITDA multiple ranges for 25 industry sectors commonly observed in lower middle market M&A; transactions. Ranges are segmented by adjusted EBITDA size to reflect the significant pricing differential that exists between smaller and larger companies within the same industry.

These multiples assume a willing buyer and seller in an arm's-length transaction, normalized financial statements, and a company with no material undisclosed liabilities. Actual transaction multiples will vary based on the adjustment factors detailed in Section 3.

Industry / Sector	$1M-$3M EBITDA	$3M-$10M EBITDA	$10M+ EBITDA	Key Valuation Drivers
B2B SaaS (Recurring Revenue)	5.0x - 8.0x	7.0x - 12.0x	10.0x - 18.0x	NRR, growth rate, churn, CAC payback
B2B SaaS (Mixed Revenue)	3.0x - 5.5x	4.5x - 7.5x	6.0x - 10.0x	Recurring % of revenue, gross margin
Fintech / Payments	5.0x - 8.0x	7.0x - 14.0x	10.0x - 20.0x	TPV, take rate, regulatory moat
Cybersecurity	5.0x - 7.5x	7.0x - 12.0x	10.0x - 16.0x	ARR growth, platform vs. point solution
Healthcare Services	4.0x - 6.0x	5.5x - 8.5x	7.0x - 11.0x	Reimbursement mix, multi-site scale
Healthcare IT / Digital Health	4.5x - 7.0x	6.0x - 10.0x	8.0x - 14.0x	Revenue model, regulatory approvals

Industry / Sector	$1M-$3M EBITDA	$3M-$10M EBITDA	$10M+ EBITDA	Key Valuation Drivers
IT Services / MSP	3.5x - 5.5x	5.0x - 7.0x	6.0x - 9.0x	MRR %, client retention, NOC maturity
Business Services	3.0x - 5.0x	4.5x - 7.0x	5.5x - 9.0x	Contract duration, client concentration
Professional Services	2.5x - 4.5x	4.0x - 6.0x	5.0x - 8.0x	Utilization, key-person dependency
Marketing / Digital Agency	3.0x - 4.5x	4.0x - 6.5x	5.5x - 8.0x	Retainer %, vertical specialization
Insurance (Brokerage)	5.0x - 7.0x	6.5x - 9.0x	8.0x - 12.0x	Book of business, renewal rates
Financial Advisory / Wealth Mgmt	4.0x - 6.0x	5.5x - 8.0x	7.0x - 11.0x	AUM, fee structure, advisor retention
Manufacturing	3.5x - 5.0x	4.5x - 6.5x	5.5x - 8.0x	Automation level, customer diversity
Construction / Specialty Trades	2.5x - 4.0x	3.5x - 5.5x	4.5x - 7.0x	Backlog visibility, contract type
HVAC / Mechanical Services	3.0x - 5.0x	4.5x - 7.0x	6.0x - 9.0x	Service vs. project mix, recurring %
Home Services (Residential)	2.5x - 4.0x	3.5x - 5.5x	5.0x - 7.0x	Route density, brand, membership base
Transportation / Logistics	3.0x - 4.5x	4.0x - 6.0x	5.0x - 7.5x	Asset-light %, contract stability
E-Commerce / D2C	3.0x - 5.0x	4.5x - 7.0x	6.0x - 9.0x	Brand equity, LTV/CAC, channel mix
Food & Beverage (Mfg/Dist)	3.5x - 5.0x	4.5x - 6.5x	5.5x - 8.0x	Brand strength, distribution footprint
Staffing / Recruiting	2.5x - 4.0x	3.5x - 5.5x	4.5x - 7.0x	Perm vs. temp mix, fill rate
Dental / Veterinary Practices	4.0x - 6.0x	5.5x - 8.0x	7.0x - 10.0x	Multi-site, payor mix, associate model
Environmental Services	3.5x - 5.0x	4.5x - 7.0x	5.5x - 8.5x	Recurring revenue, regulatory tailwinds
Aerospace & Defense (Services)	4.0x - 6.0x	5.5x - 8.0x	7.0x - 10.0x	Contract backlog, clearance levels
Automotive (Aftermarket)	3.0x - 4.5x	4.0x - 6.0x	5.0x - 7.5x	Multi-location, parts vs. service
Education / EdTech	3.5x - 5.5x	5.0x - 7.5x	6.0x - 10.0x	Enrollment growth, outcome metrics

Source: Compiled from private transaction databases, PE fund reporting, and Windsor Drake proprietary data. Ranges represent interquartile observations for transactions closed between Q1 2024 and Q1 2026. All figures represent enterprise value / adjusted EBITDA. Windsor Drake does not guarantee the accuracy of third-party data.

SECTION 2

The Windsor Drake Valuation Range Framework

Industry multiples provide a starting point, not an answer. Windsor Drake applies a structured framework to translate raw multiples into actionable valuation ranges for each client engagement. The framework evaluates three dimensions:

1. Base Multiple Selection

Identify the appropriate industry and EBITDA size tier from the table above. This establishes the initial multiple range. For companies that span multiple industries (e.g., a healthcare IT company), the base multiple reflects the sector where the company generates the majority of its revenue and the buyer universe most likely to acquire it.

2. Adjustment Factor Application

Apply premium and discount factors based on company-specific attributes. These factors (detailed in Section 3) can shift the effective multiple by 1.0x to 3.0x in either direction. The most impactful positive factors are recurring revenue quality and revenue growth trajectory. The most impactful negative factors are founder dependency and customer concentration.

3. Process Premium Calibration

A competitive auction process with three or more qualified bidders typically generates a 0.5x to 1.5x premium over bilateral negotiation. This is not a theoretical observation. In Windsor Drake's transaction experience, sellers represented by experienced M&A; advisors in structured processes consistently achieve higher multiples than those negotiating directly with a single buyer. The process premium is the clearest argument for professional sell-side representation.

SECTION 3

Premium and Discount Adjustment Factors

The following factors explain why two companies in the same industry with similar EBITDA can trade at materially different multiples. Understanding these drivers is essential for founders preparing for a sale and for advisors positioning a business to maximize value.

Factor	Typical Impact on Multiple
Strong recurring revenue (>80% of total)	+1.0x to +2.5x
Revenue growth >30% YoY	+0.5x to +2.0x

Factor	Typical Impact on Multiple
Net Revenue Retention >110%	+0.5x to +1.5x
Low customer concentration (top 10 <40%)	+0.5x to +1.0x
Proprietary technology or IP	+0.5x to +1.5x
Founder-dependent operations	-1.0x to -2.0x
Customer concentration >30% in top client	-0.5x to -1.5x
Declining revenue trajectory	-1.0x to -2.5x
Regulatory or legal risk exposure	-0.5x to -1.5x
Below-market management team depth	-0.5x to -1.0x
Above-average capital expenditure requirements	-0.5x to -1.0x
Competitive auction process (3+ qualified bidders)	+0.5x to +1.5x

Adjustment factors are cumulative but subject to diminishing returns. A company with multiple premium attributes may not achieve the arithmetic sum of all individual premiums. Conversely, a single severe discount factor (e.g., >50% customer concentration) can override otherwise positive attributes.

SECTION 4

EBITDA vs. Revenue: When Each Metric Applies

In the lower middle market, EBITDA multiples are the default valuation metric for profitable companies. Revenue multiples are used in specific circumstances:

Use EBITDA multiples when: The company has at least 12 months of stable, positive adjusted EBITDA. Most lower middle market transactions for companies with $1M+ EBITDA are priced on EBITDA multiples because buyers are acquiring cash flow, not just revenue. EBITDA multiples normalize for differences in capital structure, tax jurisdiction, and depreciation policy, making them the preferred metric for cross-company comparison.

Use revenue multiples when: The company is pre-profit, in high-growth mode (>50% YoY), or in a sector where revenue quality is the primary value driver (e.g., high-growth SaaS with >130% NRR). Revenue multiples are also used when EBITDA is artificially depressed by discretionary reinvestment or one-time expenses that obscure the true earnings power of the business.

Critical distinction: Adjusted EBITDA is not GAAP EBITDA. In sell-side M&A;, EBITDA is normalized by adding back owner compensation above market rate, one-time expenses, non-recurring items, and other discretionary costs that would not continue post-acquisition. This adjusted figure is what buyers use to determine the purchase price, and it is the denominator in the multiples referenced throughout this report.

SECTION 5

How Deal Size Affects Multiples

Deal size is the single most important variable in determining EBITDA multiples for private companies. This is not intuitive to many founders, who expect that a good business should command the same multiple regardless of its size. In practice, the relationship between size and multiple is driven by three structural factors:

Buyer universe expansion. A company with $2M EBITDA attracts primarily search funds, independent sponsors, and smaller PE firms. A company with $8M EBITDA attracts the full spectrum of lower middle market PE firms, family offices, and strategic acquirers. More qualified buyers means more competitive tension, which translates directly to higher multiples.

Financing availability. Senior lenders are more willing to provide acquisition financing for larger transactions with more predictable cash flows. A $30M transaction can typically secure 3.0x-4.0x senior leverage, whereas a $10M transaction may only support 2.0x-2.5x. Lower leverage means buyers need more equity, which compresses the multiples they can afford to pay.

Perceived risk reduction. Larger companies tend to have more diversified customer bases, deeper management teams, and more resilient operations. These attributes reduce the buyer's perceived risk, which directly supports higher multiples.

SECTION 6

What Drives a Premium Multiple in 2026

The M&A; market in 2026 is characterized by significant dry powder across private equity, selective deployment, and a widening premium between high-quality and average businesses. The following attributes are commanding the strongest premiums in today's market:

Recurring revenue with strong retention. Companies with >80% recurring revenue and net revenue retention above 100% consistently trade at the top of their industry range. Buyers pay premiums for predictable cash flows that reduce acquisition risk.

AI integration or enablement. Companies that have meaningfully integrated AI into their product or operations, particularly in ways that improve gross margin or create competitive barriers, are seeing 1.0x-2.0x multiple premiums relative to peers.

Vertical specialization. Niche focus on a specific industry or customer segment commands higher multiples than horizontal generalist positioning. Vertical expertise creates switching costs, deepens customer relationships, and narrows the competitive set.

Clean financial documentation. Companies with audited or reviewed financials, a completed or in-process quality of earnings report, and well-organized data rooms close faster and at higher multiples. Buyer confidence in the numbers reduces diligence risk adjustments.

Management team depth. Businesses that can operate without the founder for 90+ days demonstrate institutional durability. This is one of the most common value detractors in the lower middle market, and founders who address it early create measurable enterprise value.

Competitive process discipline. Sellers who engage experienced M&A; advisors and run structured competitive processes consistently achieve higher multiples than those who negotiate bilaterally. The process itself creates value through information asymmetry, competitive tension, and timeline control.

SECTION 7

Methodology and Data Sources

The multiples presented in this report are derived from multiple data sources including private transaction databases (PitchBook, PrivCo, GF Data), private equity fund reporting, industry-specific M&A; research publications, and Windsor Drake's proprietary transaction experience. Public company multiples (Damodaran, S&P; Capital IQ) are referenced as upper-bound benchmarks but are discounted by 20-40% to reflect the illiquidity, scale, and risk differentials inherent in private company transactions.

Ranges represent interquartile observations (25th to 75th percentile) for transactions closed between Q1 2024 and Q1 2026. Outlier transactions (top and bottom 10%) are excluded to avoid distortion from strategic premiums or distressed sales. All multiples are expressed as enterprise value divided by adjusted EBITDA, where adjusted EBITDA reflects normalization for owner compensation, one-time items, and non-operating expenses.

Industry classifications follow standard NAICS groupings with modifications for sub-sectors that trade at materially different multiples (e.g., SaaS within software, MSP within IT services). Company size segmentation is based on adjusted EBITDA rather than revenue to better reflect the metrics buyers use to price transactions.

SECTION 8

Disclaimer