

The M&A Opportunity for ESOPs

Six million American small businesses. Five trillion dollars in value. All being transitioned in the next 10 years.

Four tiers of the M&A market.

Large Cap

Above \$500M – \$1B EV

MULTIPLE

12× – 15×+ in premium sectors

BUYERS

Public markets, institutional PE, strategics at scale

CHARACTER

Not your world.

Middle Market

\$50M – \$500M EV

\$10M – \$75M EBITDA

MULTIPLE

7× – 12×, higher in software

BUYERS

Regional and national PE firms

CHARACTER

Professional management, competitive auctions

Lower Middle Market

\$5M – \$50M EV

\$1M – \$10M EBITDA

MULTIPLE

4× – 7×, by sector and management depth

BUYERS

ESOPs, search funds, family offices, individuals

CHARACTER

Owner-operated, succession-driven, more mission fit

Main Street

Under \$5M EV

Under \$1M, often SDE

MULTIPLE

2× – 4× SDE, owner-dependency discounts heavily

BUYERS

Individuals, search funds, small family offices

CHARACTER

SBA 7(a) financing is the norm

Same discipline, different arena. The lower middle market trades at lower multiples with far less competition — which is precisely why it rewards buyers who show up prepared.

Segment multiples: Capstone Partners, GF Data, PitchBook, 2025.

What we mean by the lower middle market

The lower middle market is where owner-operated, founder-led companies change hands — too large to be a corner shop, too small to draw institutional capital. That means less competition, more relationship dependency, and more room for mission fit.

\$5–50M

Enterprise value

The total acquisition price — small enough to stay below the institutional radar.

\$1–10M

EBITDA

Annual cash earnings — the number buyers actually pay a multiple of.

4–7×

EV / EBITDA multiple

Where a deal lands depends on sector, management depth, and revenue concentration.

Founder-led

Ownership

Owner-operated and succession-driven — the ESOP acquisition sweet spot

Buy-side and sell-side are not the same game.

Sell-Side M&A

The seller runs the process

| | |
|---------------|---|
| WHO LEADS | The seller's investment banker or advisor |
| THE GOAL | Maximize price and terms for the seller |
| THE PROCESS | A marketed, competitive auction to many buyers |
| YOUR POSITION | Reactive — you respond to a process someone else controls |

Buy-Side M&A

You run the process

| | |
|---------------|---|
| WHO LEADS | You, the buyer, with your own advisors |
| THE GOAL | The right business, at the right price, on your terms |
| THE PROCESS | Proactive, thesis-driven sourcing — often off-market |
| YOUR POSITION | In control — you set the strategy, pace, and timeline |

For a company that intends to grow through acquisition, the advantage is won on the buy-side — where you choose the targets instead of waiting to be shown one.

Buyer-led M&A means owning the whole process.

For decades, M&A was run by sellers and their bankers, and buyers reacted. Buyer-led M&A flips that: the acquirer drives the full lifecycle — from strategy and sourcing through diligence and integration.

01

Strategy first

Acquire against a clear thesis. Never on impulse.

02

Execute deal

Unified process, tools, and data in a single place.

03

Integrate early

Plan the integration during diligence, not after close.

Goal

Win-win

Deals that create lasting value for both sides.

What is changing hands over the next decade.

6M

Small businesses

Owned by Americans approaching retirement age, employing roughly half the private workforce.

\$5T

Enterprise value

Sitting inside those businesses today — the largest intergenerational asset transfer in US history.

12M

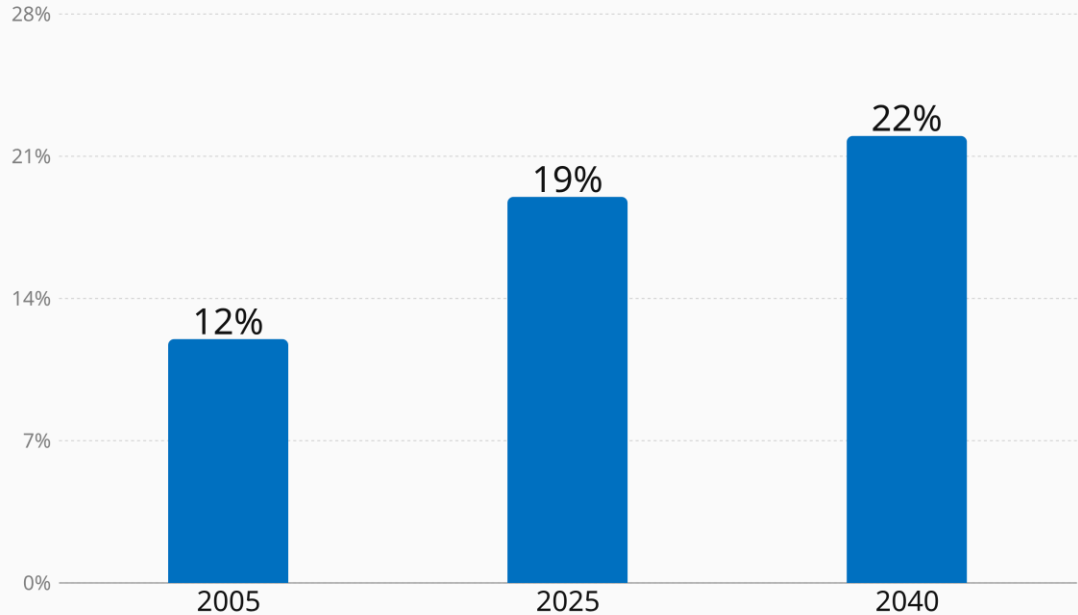
Jobs in motion

Linked directly to these firms, plus the tax base of thousands of small towns and city neighborhoods.

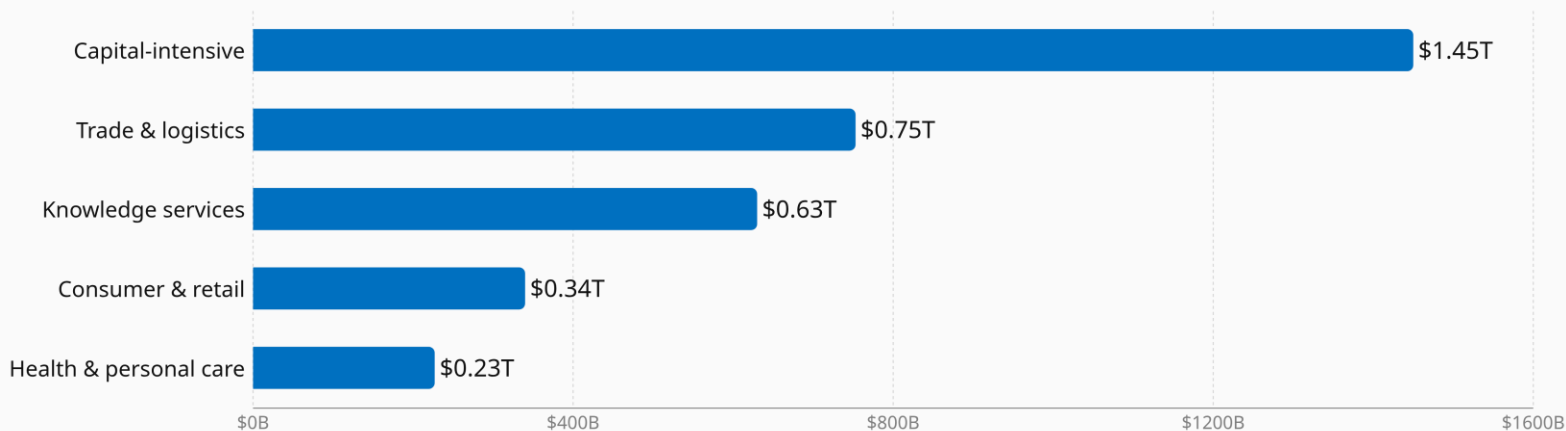
America is aging faster than it is buying.

Share of the US population aged 65 and older.

The owners of Main Street skew older than the population at large. By 2040, more than one in five Americans will be past traditional retirement age — and most current owners will have exited, sold, or closed.



\$3.4 trillion in enterprise value, unevenly distributed.



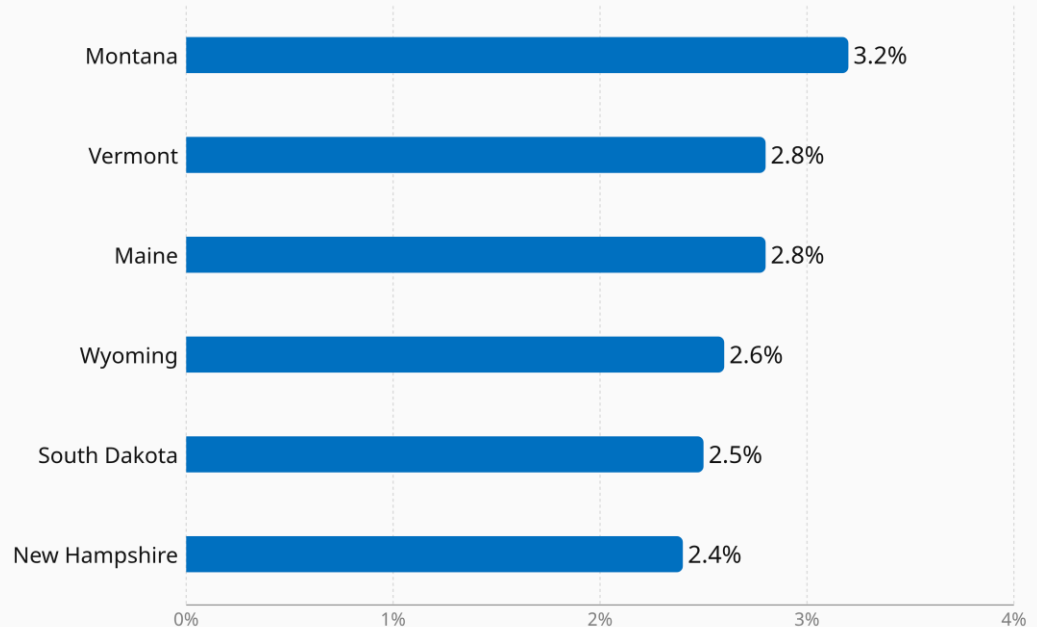
Capital-intensive trades — manufacturing, construction, logistics — hold the lion's share of value, and the steepest barrier for first-time owner-operators to acquire.

Estimated enterprise value, US small businesses, McKinsey 2026.

Rural states carry the heaviest exposure.

Small-business value at stake as a share of **state GDP**.

In the most exposed states, locally owned small businesses represent up to three percent of total economic output. A wave of uncoordinated closures hits these economies hardest — and with the fewest replacement buyers.



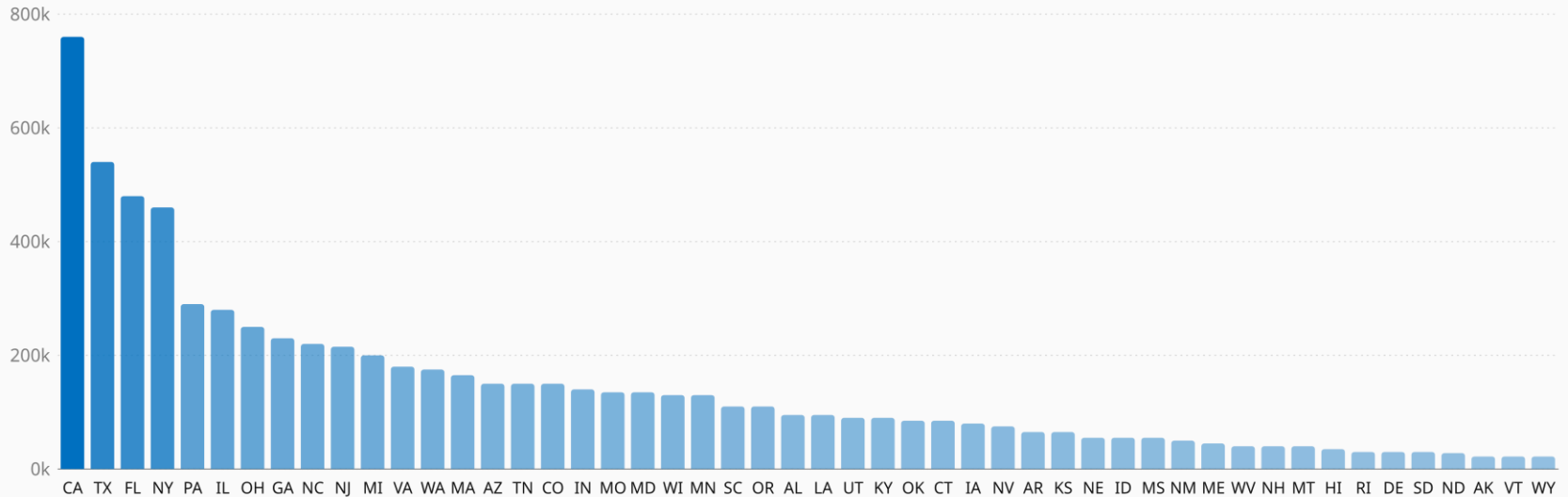
The wave reaches all fifty states.

7.2M

Owner-operated businesses in transition nationwide.

~51%

Sit in just the ten largest states — the rest are spread everywhere else.



Owner-operated businesses with employees whose owner is at or near retirement age, by state, thousands. Illustrative; McKinsey analysis 2026.

Four buyer archetypes, one lower-middle-market.

PRIVATE EQUITY

Lower-Middle-Market Fund

Sub-\$100M EBITDA platforms, roll-up theses, professional management layered on top of an operating company.

Plays for scale.

INDEPENDENT
SPONSORS

Deal-by-Deal Capital

No committed fund. Sponsors source the deal first, then raise equity per transaction from family offices and LPs.

Plays for flexibility.

ENTREPRENEURSHIP
THROUGH QCUSITION (ETA)

Search Funds and Operator-Buyers

MBA-led searches and individual SBA-backed buyers. One deal, \$1–10M EBITDA, a full-time operator at the helm.

Plays for control.

FAMILY OFFICES

Patient Direct Capital

Generational hold periods, no fund-cycle pressure, increasingly direct rather than LP-only. The quiet incumbent.

Plays for time.

Each archetype targets the same sellers with a different thesis, hold period, and definition of success.

Most businesses for sale are too small for financial buyers

Under \$2M in enterprise value

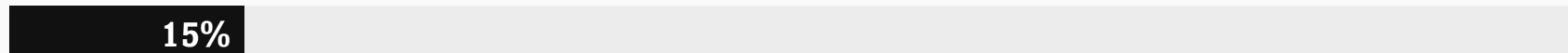
~80% of businesses



Below the deal size most private equity, search funds, and strategic acquirers will look at.

\$2M – \$10M in enterprise value

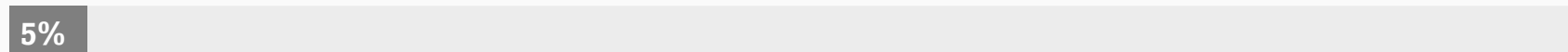
~15%



The contested zone — viable for individual buyers and search funds, but advisors and financing remain thin.

Over \$10M in enterprise value

~5%



Well-served by institutional capital. Not where the systemic gap lives.

Approximate distribution of US small-business sale candidates, McKinsey 2026.

Capital has arrived. Execution is the bottleneck.

\$2.6T

Global PE dry powder

A record share earmarked for lower- and middle-market buyouts.

~700

Active search funds

Up roughly 6× over the last decade, with new entrants every quarter.

60%

Of family offices direct-deal

Bypassing funds to buy operating companies on their own terms.

About 40 Million Owners

40 Million Owners is an employee-owned advisory firm dedicated exclusively to helping ESOP companies grow through thoughtful, disciplined acquisitions. The firm exists for a single purpose: to help employee-owned companies scale in a way that strengthens enterprise value while deepening a culture of shared ownership.

40 Million Owners works alongside ESOP CEOs, trustees, and boards as an extension of the management team. Its work spans the full lifecycle of acquisition-led growth, from defining a clear, ESOP-aligned strategy, to sourcing and executing transactions, to integrating new businesses in a manner that protects people, culture, and long-term value.

The firm is grounded in the belief that employee ownership is one of the most powerful tools available to build resilient companies, preserve legacy, and expand wealth-building opportunities for working people. When executed well, acquisitions can compound these benefits, creating larger, more diversified, and more durable ESOPs positioned to thrive for decades.

Visit 40millionowners.com or write info@40millionowners.com to learn how 40 Million Owners can help ESOPs grow with intention, discipline, and purpose.

40 MILLION OWNERS

Building a future where employee ownership is the norm, not the exception

