

## What Multiples Really Mean in the Lower Middle Market

If you've ever wondered what your business might be worth, you've probably heard someone say, "Companies like yours trade at a multiple of EBITDA." That sounds simple enough—but what does that multiple actually mean, and where does it come from? Let's make this simple.

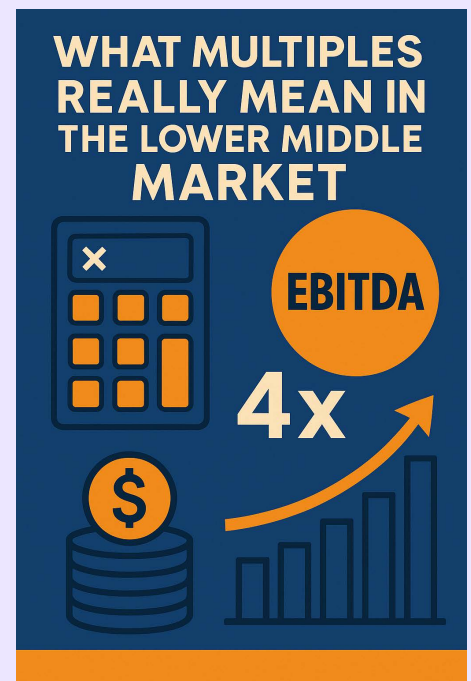
A "multiple" is really just a shortcut for value. Buyers in the lower middle market—companies with earnings typically between \$2 million and \$10 million—use EBITDA (earnings before interest, taxes, depreciation, and amortization) as a measure of cash flow. The multiple reflects how confident they are that those earnings will continue and grow. The stronger and steadier the earnings, the higher the multiple.

Across hundreds of transactions tracked by Citrin Cooperman's 2025 Independent Sponsor Report, most deals in this range closed between 4x and 6x EBITDA. Exceptional businesses—those with recurring revenue, defensible market positions, and solid second-tier management—can reach 6x to 8x or more. Those are healthy, realistic numbers in today's environment.

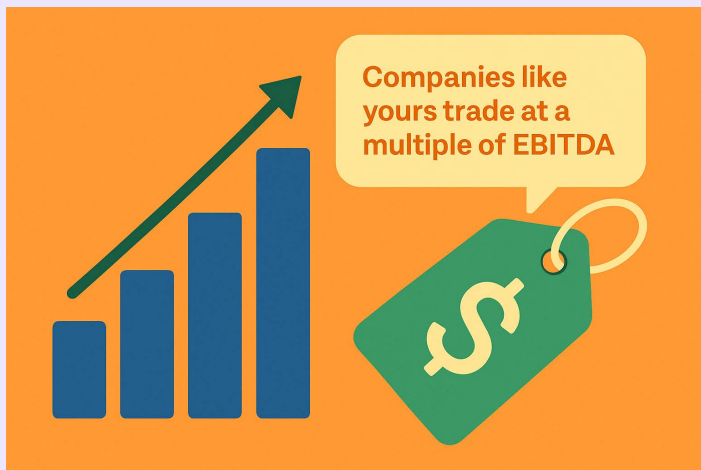
But the multiple isn't a fixed law—it's the market's way of balancing risk and reward.

### For example:

- **Customer concentration:** If one or two customers make up most of your sales, expect a discount.
- **Margins:** Strong margins show operational discipline and pricing power—both raise confidence (and value).
- **Growth:** Buyers will pay more for a business that's growing 10%+ each year versus one that's flat.
- **Industry stability:** Investors like industries where revenue is repeatable and mission-critical and not seen as consumer discretionary.



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Sometimes owners hear of “headline” deals at 10× or more and assume their business should command the same.

Usually, those are larger companies with institutional-grade systems, audited financials, and management teams that can run without the founder.

In the lower middle market, buyers take on more risk—and they price accordingly.

It’s also worth remembering that structure matters as much as price. Independent-sponsor deals like those Methodica Capital leads often include seller rollover equity, meaning you keep a meaningful ownership stake—typically 10–30%—in the new company. That rollover can transform a 5× headline multiple into something closer to 7× or 8× once you participate in the future growth you helped build.

So rather than fixating on “the number,” think about what drives it. Clean, reliable financials, diversified customers, stable leadership, and a clear growth story are what move a multiple upward.

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## Founder Spotlight: Trevor Harnett



Trevor Harnett grew up on a grain farm in a small Midwestern town in Ohio, where he developed a deep respect for hard work, community, and family business ownership. He earned a degree in Agricultural Economics from The Ohio State University, completed an M.S. in Financial Engineering at the Illinois Institute of Technology, and holds the Certified Investment Management Analyst (CIMA®) designation from the University of Chicago Booth School of Business.

Trevor began his career trading at the Chicago Mercantile Exchange and later founded MarketDelta, a SaaS trading technology company that pioneered the Footprint® chart, and built a track record as an entrepreneur and investor. He later returned to his roots in Ohio to lead Harnett Investments, a small family office, and founded Methodica Capital to help business owners navigate growth, succession, and transition.

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