RESTORATION ADVISORS OF AMERICA

RESTORATION MARKET UPDATE

Q4 2025

Welcome Message

- ✓ Q4 demand for restoration businesses was strong, and in 2026 we'll continue to see that demand.
- ✓ Buyers remained engaged into 2026 with strategic buyers and private equity maintaining active outreach in the lower middle market.
- ✓ Valuations are stable overall, but a clear two-tier market presents itself as premium deals command higher multiples, while underprepared businesses face deeper scrutiny.
- ✓ Restoration is not dominated by private equity giving sellers more buyer depth. Those PE firms that are succeeding in restoration bring experience and focus to integrate successfully.

The RAA Market Update is Segmented into Two Categories

Main Street Business with Enterprise Value of $6M or Below

M&A Business with Enterprise Value of $6M or Above

The RBA Market Update examines data in the context of four major themes:

Deal Flow Improvement | Financing Deals | Market Multiple Resiliency | Knowing Your Buyer

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The RAA Team has curated Q4 2025 market data from IBBA and M&A Source Market Pulse publications to contextualize current movement in the restoration space. This report serves as a reflection of Q4 2025 and a look forward to 2026 trends in M&A and Main Street transactions.

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Deal Flow

Q4 demand for restoration businesses remained strong. Recurring demand drivers continue to fuel consistent buyer interest across all deal sizes.

Buyers are prioritizing water/fire mitigation, insurance-driven revenue, and established referral pipelines, and the market is active and liquid but selective.

Prepared sellers are winning disproportionately.

Data Sourced from Q4 2025 IBBA/M&A Source Market Pulse

Multiples are Resilient

Adjusted Earning	Multiples
100,000 – 500,000	2x – 3x
500,000 – 1MM	3x – 4x
1MM – 2MM	4x – 5.5x
2MM – 3MM	5x – 6.25x
3MM+	6x – 7.5x

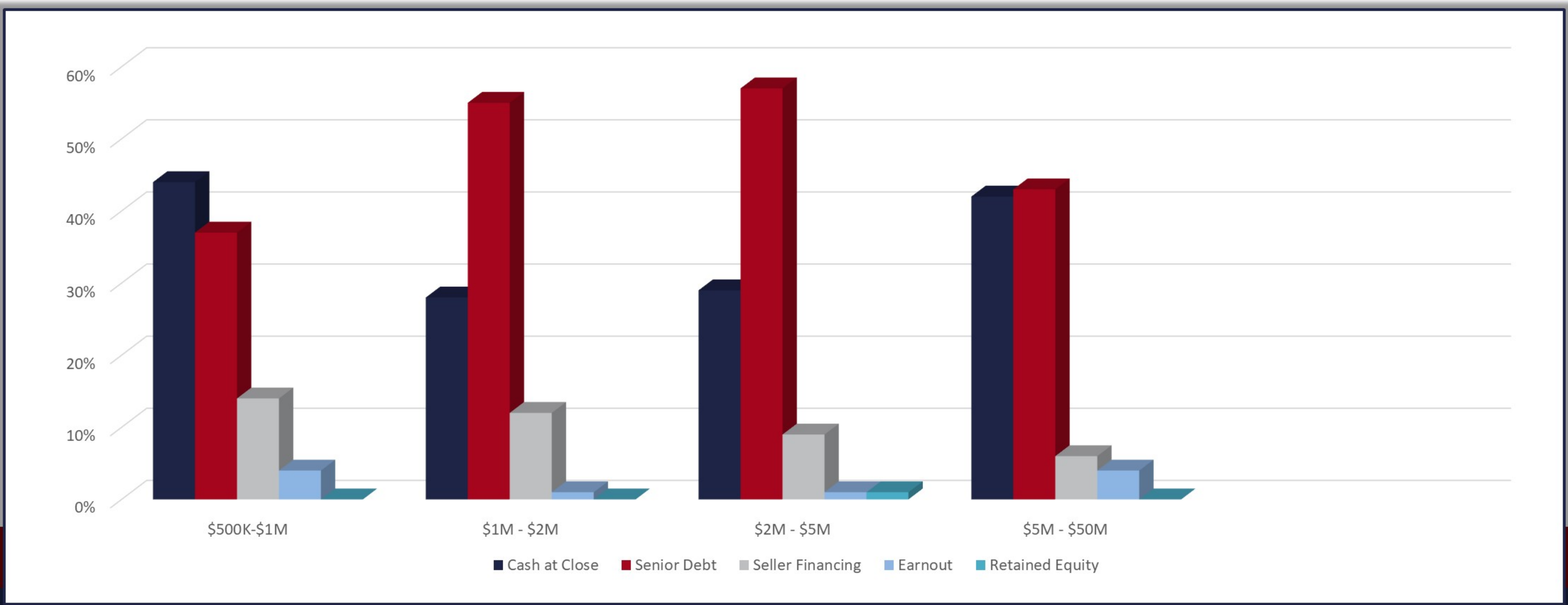
Data Sourced from Q4 2025 IBBA/M&A Source Market Pulse and amended to consider restoration-specific data collected by Restoration Brokers of America.

Overall multiples are holding steady, but valuation dispersion has widened significantly. There is a clear two-tier market.

Tier 1 deals with clean financials, insurance-heavy revenue, scalable teams, and strong margins are seeing multiple offers, and faster closes.

Tier 2 deals face more structure, seller notes, and price resistance.

Deal Financing 2025

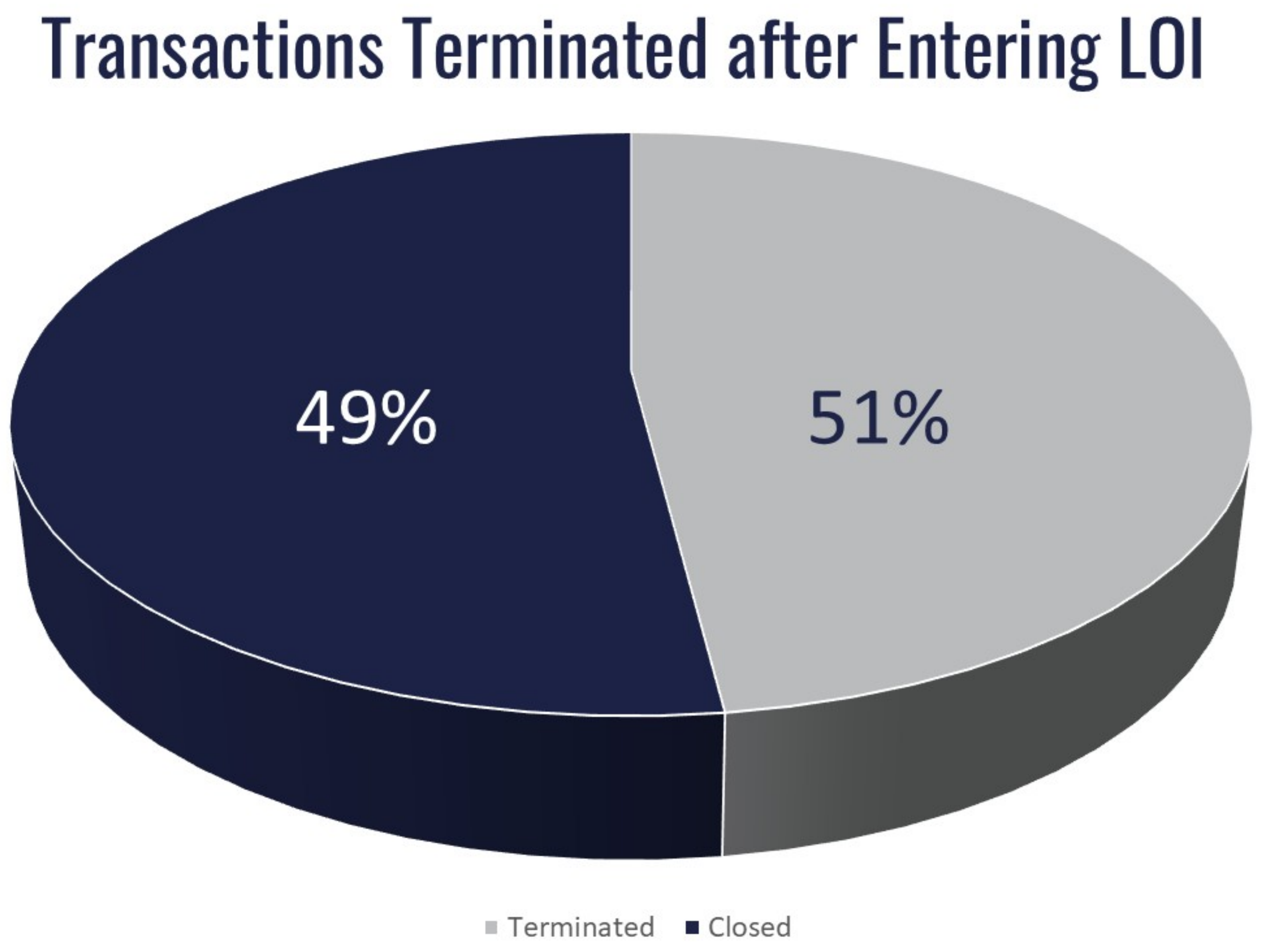


	$500K - $1M	$1M - $2M	$2M - $5M	$5M - $50M
Cash at Close	44%	28%	29%	42%
Senior Debt	37%	55%	57%	43%
Seller Financing	14%	12%	9%	6%
Earnout	4%	1%	1%	4%
Retained Equity	0%	0%	1%	0%

Data Sourced from 2025 IBBA M&A Source Survey

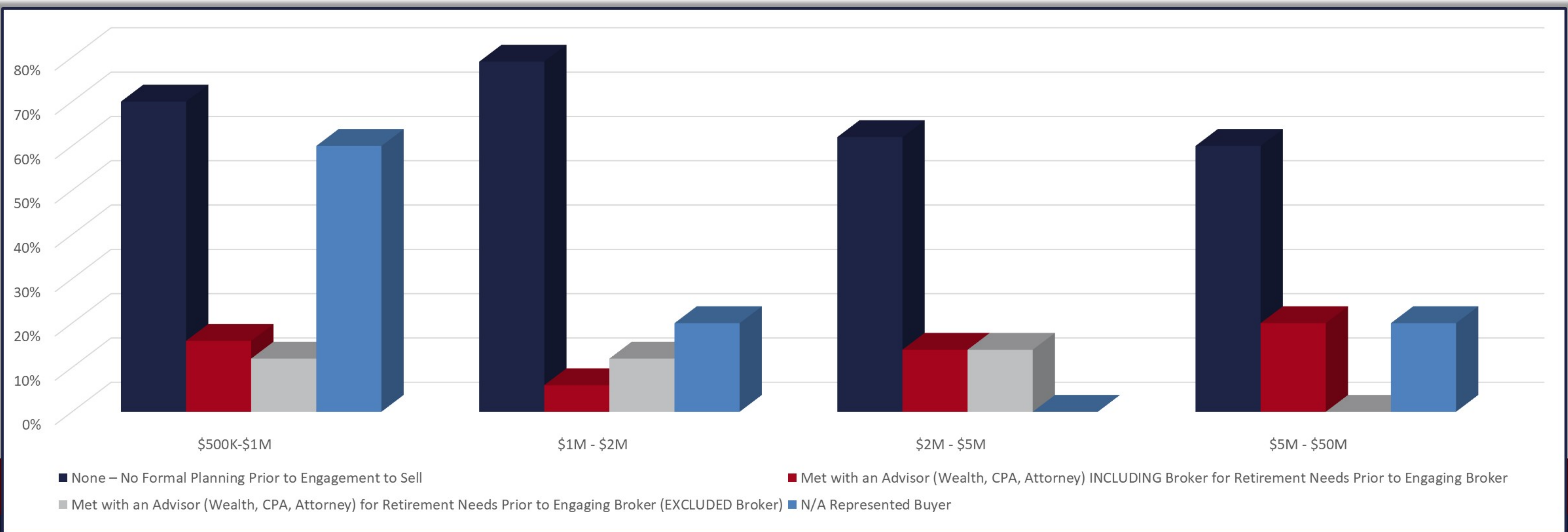
They All Close, Right?

The percentage of transactions in the market that entered an LOI and then terminated without closing in 2025 remained at 51%, a stark reminder that getting to LOI does not guarantee a transaction will close.



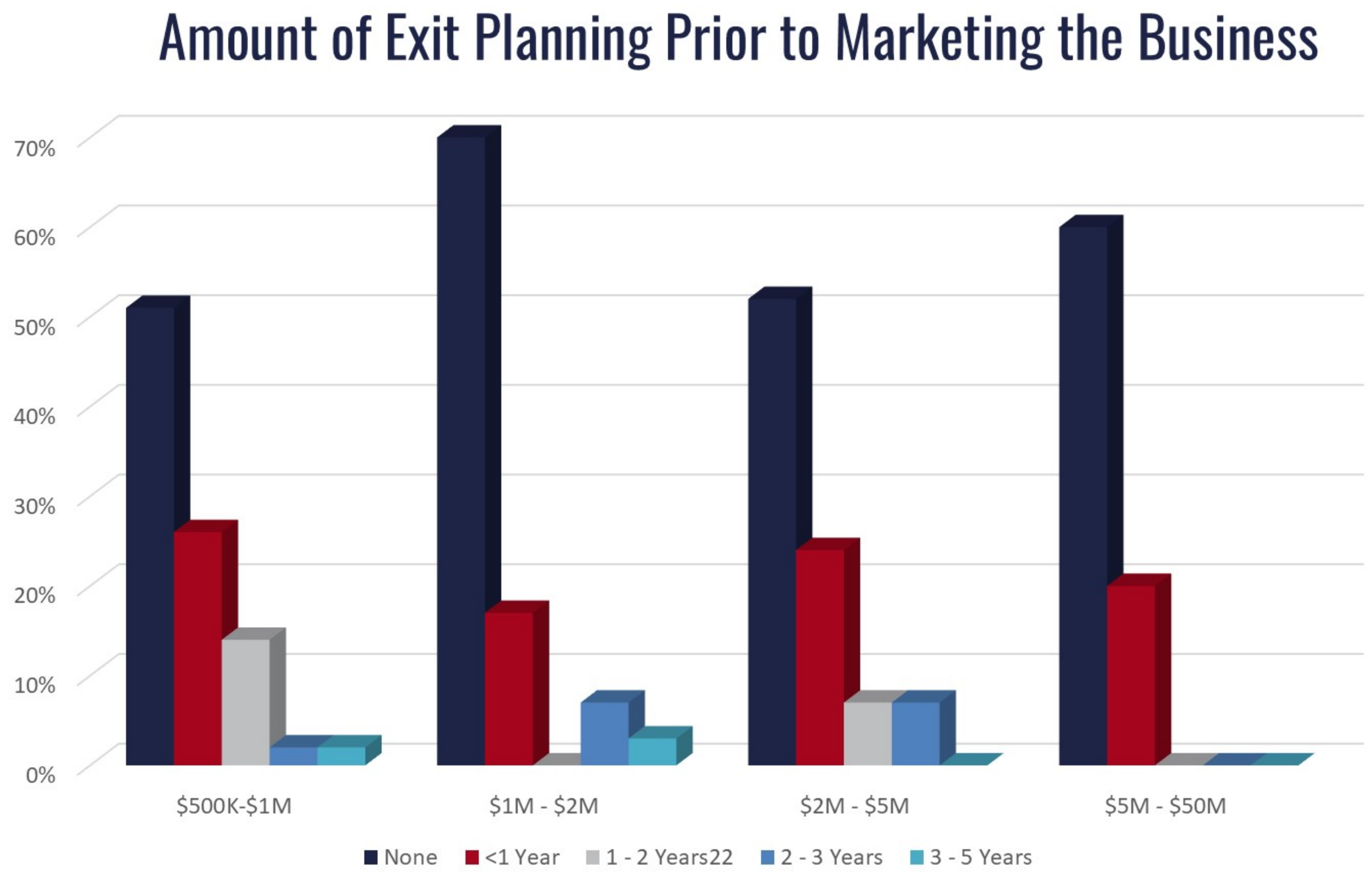
Data Sourced from 2025 IBBA M&A Source Survey

Exit Planning 2025



	$500K - $1M	$1M - $2M	$2M - $5M	$5M - $50M
None – No Formal Planning Prior to Engagement to Sell	70%	79%	62%	60%
Met with an Advisor (Wealth, CPA, Attorney) INCLUDING Broker for Retirement Needs Prior to Engaging Broker	16%	6%	14%	20%
Met with an Advisor (Wealth, CPA, Attorney) for Retirement Needs Prior to Engaging Broker (EXCLUDED Broker)	12%	12%	14%	0%
N/A Represented Buyer	2%	3%	10%	20%

Data Sourced from 2025 IBBA M&A Source Survey



Data Sourced from 2025 IBBA M&A Source Survey

Exiting Without a Plan

Even though retirement is far and away the biggest reason sellers go to market, most business owners are doing little to no exit planning. The smaller the business, the less likely owners are to plan. Of those owners who did plan, most started less than a year before putting their business on the market.

A business owner typically has 70-90% of their net worth tied up in their business. Most of them are doing no advanced planning before going to market with their largest asset. Lack of planning can have a tragic outcome, with a significant loss in value or the inability to sell at all.

Conclusion

External challenges continued in Q4 2025 and into the first quarter of 2026. The restoration industry continues to demonstrate its durability.

Strategic buyers, individual owner-operators, and selective private equity groups remain active with capital ready for quality opportunities.

The opportunity for sellers remains strong, but it rewards preparation. Well-prepared restoration companies are achieving premium outcomes, while average businesses are seeing increased scrutiny.

It is more important than ever to prepare your business for sale and ensure its appeal to potential buyers. Under present conditions, if you have your business on the market and are not speaking with multiple buyers, you risk leaving money on the table. One of the questions we are often asked is the timing of the market.

No one can predict the market with 100% accuracy. What you can do is focus on building a great company. By correctly implementing the technology and success strategies to take your business to market, you will expose it to the right buyers. Your efforts are better rewarded by executing solid strategies to build a solid, sellable company.

The International Business Brokers Association (IBBA) is the largest international non-profit association operating exclusively for people and firms engaged in business brokerage and mergers and acquisitions. This association provides business brokers education, conferences, professional designations, and networking opportunities. Formed in 1983, the IBBA has more than 650 business intermediaries across the world. (http://www.ibba.org)

The M&A Source was established in 1991 to address the professional issues of merger and acquisition professionals. They are the world's largest international organization of experienced and dedicated merger and acquisition intermediaries representing the lower middle market. Their mission is to promote members' professional development and interests to better serve their clients' needs, and maximize public awareness of professional intermediary services available for middle market merger and acquisition transactions. The M&A Source currently has more than 350 cooperative intermediaries across the world. (http://www.masource.org)

About
RAA

The Restoration Specialty Division of American Business Exits

ABE

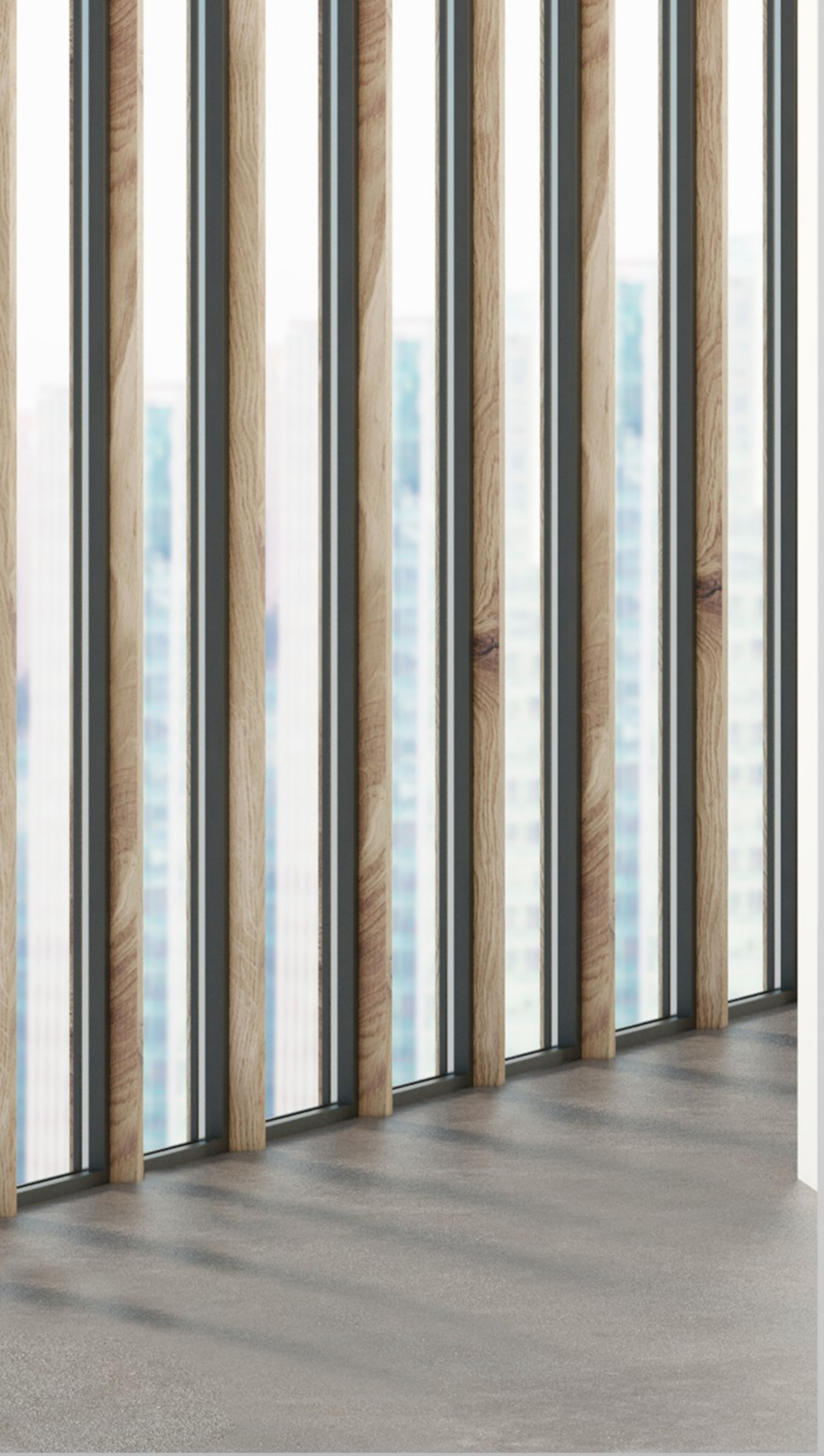
Restoration Advisors of America (RAA), formerly Restoration Brokers of America, provides insight, analysis, and advisory guidance for restoration and remediation business owners navigating mergers and acquisitions.

In 2026, founder Gokul Padmanabhan executed a rebrand for the firm to reflect what our work has always required. Selling a restoration company is an advisory process that demands sector-specific knowledge, a specialized team, and a long-horizon relationship with the owner.

While the name has changed, the commitment to precision exits remains the same. RAA operates as the restoration-specific practice within American Business Exits, a broader platform extending the same caliber of exit advisory to business owners in the lower-middle market across other industries.

RAA serves restoration exclusively, and with the depth that distinction requires. With over $550M in restoration company sales, RAA studies the industry's growth, deal trends, and market fluctuations to provide restoration business owners with accurate, experience-grounded guidance at every stage of the exit journey.

The Restoration Market Report is a reflection of that ongoing commitment and provides a quarterly view of M&A conditions, valuation trends, and market data specific to the restoration and remediation space.



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THANK YOU

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