

The *Transaction News Advisor*, published monthly, covers selected M&A, private equity, and credit and capital market transactions of note.

Transaction News Advisor

June 2024



How Does a Quality of Earnings Report Differ From an Audit

Mercer Capital

A quality of earnings (“QoE”) report and an audit are both essential tools in the business world, but they serve distinct purposes and offer varying insights. Audits are broader and regulatory in nature, whereas QoE analyses are more focused and strategic, catering to the needs of investors and decision-makers who require a deeper understanding of a company’s true financial health and future potential.

[>> Click here to read the article](#)



SEC Fairness Opinion Requirement Has Not Slowed GP-Led Secondaries

Mercer Capital

Last fall the SEC finalized rules that require GPs to obtain a fairness opinion and/or valuation when utilizing a continuation fund to buy an asset from an existing fund the GP manages. The ruling did not negatively impact activity as GP-led secondaries increased to \$31 billion in 2H23 from ~\$15 billion in both 1H23 and 2H22.

Read the full article in our latest edition of **Value Focus: Portfolio Valuation Private Equity and Credit**

[>> Click here to read the full article](#)



Court Strikes Down S.E.C.'s Fee Disclosure Rule for Funds

New York Times (subscription required)

PE industry trade groups and others challenged SEC rule making adopted last year that require GPs to provide more disclosures and implement certain corporate governance practices as obtaining fairness or valuation opinions for GP-led secondaries. Earlier this month, the U.S. Court of Appeals for the Fifth Circuit Court in New Orleans handed the industry a victory by striking down the rule on the grounds the SEC exceeded its authority. The SEC has yet to respond, but we think good corporate governance practices such as obtaining valuation and fairness opinions when GPs sit on both sides of the table will continue to be observed.

[>> Click here to read the full article](#)



PE Secondaries: Evolving Landscape Can Expand Opportunities

Apollo

Apollo offers a view of the evolving role of PE secondaries from that of a last resort liquidity option to a core allocation for private market investors. Interesting to us is the adoption of primary investment diligence and governance items in secondary transactions (quality of earnings reports, fairness opinions, rep and warranty insurance).

[>> Click here to read the full article](#)



Large Acquisitions Dominate the Permian M&A Landscape

Mercer Capital

Andrew Frew, a member of Mercer Capital's Energy team, surveys large deal M&A in the Permian Basin.

[>> Click here to read the blog post](#)

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Quality of Earnings Analysis

What Buyers and Sellers Need to Know About Quality of Earnings Reports

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Market Snapshot

	6/14/24	3/14/24	6/14/23	Qtr Δ	Y/Y Δ
SOFR	5.31%	5.31%	5.05%	0 bps	26 bps
2-Year UST	4.76%	4.54%	4.53%	22 bps	23 bps
10-Year UST	4.32%	4.13%	3.73%	19 bps	59 bps
BB Corp Bond Yield	6.32%	6.34%	6.89%	-2 bps	-57 bps
B Corp Bond Yield	7.33%	7.53%	8.60%	-20 bps	-127 bps
CCC and Lower Corp Bond Yield	13.67%	12.95%	13.91%	72 bps	-24 bps
S&P 500	5,432	5,150	4,373	5.5%	24.2%
NASDAQ	17,689	16,129	13,626	9.7%	29.8%
Russell 2000	2,006	2,031	1,874	-1.2%	7.0%
<i>Rolling Four Quarters</i>	<i>1Q24</i>	<i>4Q23</i>	<i>1Q22</i>		
\$10-\$25M PE Deals	6.0x	6.0x	6.5x	0.0x	-0.5x
\$25-\$50M PE Deals	6.6x	7.0x	7.2x	-0.4x	-0.6x
\$50-\$100M PE Deals	8.1x	8.0x	8.6x	0.1x	-0.5x
\$100-\$250M PE Deals	9.2x	9.6x	9.5x	-0.4x	-0.3x
\$250-\$500M PE Deals	9.5x	10.7x	10.2x	-1.2x	-0.7x
Number of Transactions	274	291	322	-17	-48
<i>Quarter Only</i>					
Median Multiple-All Deals	6.6x	7.2x	7.6x	-0.6x	-1.0x
Number of Transactions	72	72	89	0	-17

Source: St. Louis Federal Reserve (FRED), S&P Global Market Intelligence, GF Data® (an ACG Company)

Mercer Capital's Recent Transactions



**Specialty Construction
Materials Dealer /
Distributor**

Mercer Capital served as financial advisor to the seller in connection with an \$81 million transaction

— May 2024 —



**The Neverleak
Company LP**
FOOT FLEXIBLES SINCE 1982
Olive Branch, MS


sold the majority of its assets to



NPG
NORTH PARK GROUP
Chicago, IL


Mercer Capital served as financial advisor to The Neverleak Company LP

— April 2024 —



Levo
Credit Union
Sioux Falls, SD

has announced it's intent to acquire a bank branch in Sioux City, Iowa from



HERITAGE BANK
Employee Owned
Spicer, MN

Mercer Capital served as financial advisor to Levo

— April 2024 —

>> [Click here to see more transactions](#) <<

For more information or to discuss your needs in confidence, please contact us.



Nicholas J. Heinz, ASA
901.322.9788
heinzn@mercercapital.com



Timothy R. Lee, ASA
901.322.9740
leet@mercercapital.com



Bryce Erickson, ASA, MRICS
214.468.8411
ericksonb@mercercapital.com



Jeff K. Davis, CFA
615.345.0250
jeffdavis@mercercapital.com



**Jay D. Wilson, Jr.
CFA, ASA, CBA**
469.778.5860
wilsonj@mercercapital.com



John T. (Tripp) Crews, III, ABV
901.322.9735
crewst@mercercapital.com

About Mercer Capital

About Mercer Capital Mercer Capital provides investment banking, transaction advisory, and restructuring services to a broad range of public and private companies and financial institutions.

We leverage our historical valuation and investment banking experience to help you navigate a critical transaction, providing timely, accurate and reliable results. We have significant experience advising boards of directors, management, trustees, and other fiduciaries of middle-market public and private companies in a wide range of industries.

Transaction Advisory and Restructuring Services include:

- M&A Representation Services
- Fairness Opinions
- ESOP Advisory Services
- Quality of Earnings
- Bankruptcy and Restructuring Advisory
- Solvency Opinions

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