



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

Transaction News Advisor

May 2024



5 Reasons Sellers Need a Quality of Earnings Report

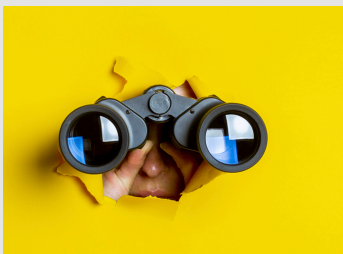
Mercer Capital

M&A deal flow was sidelined for much of 2022 and 2023, but the economy's soft landing, stabilizing interest rates, and pent-up M&A demand are expected to compel buyers and sellers to renew their efforts in 2024 and beyond. As deal activity recovers, sellers need to be prepared to present their value proposition in a compelling manner.

For many sellers, an independent Quality of Earnings ("QofE") analysis and report are vital to advancing and defending their asset's value in the marketplace. And it can be critical to the ensuing due diligence processes buyers apply to targets.

In this article, we review five reasons sellers benefit from a QofE report when responding to an acquisition offer or in preparing to take their businesses to market.

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

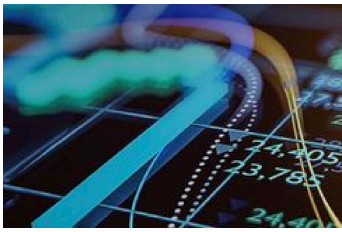


What to Look for in a Quality of Earnings Provider

Mercer Capital

The cost of corporate M&A failures is high for both buyers and sellers. These high stakes mean that thorough and high-quality due diligence is critical. A Quality of Earnings (or QofE) analysis is an essential component of transaction diligence for both buyers and sellers. Optimizing your transaction diligence requires assembling the right team. In this article, we discuss four things buyers and sellers should look for when evaluating potential QofE providers.

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

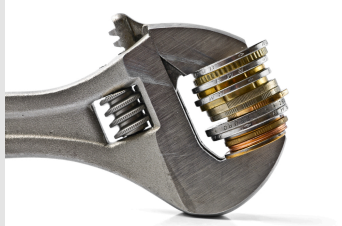


Syndicated Market Steps Up Leverage to Compete with Direct Lenders

LevFin Insights

All is well that ends well in leverage finance. CreditSights reports that banks are playing on direct lenders' turf. The institutional market has begun competing with private credit managers on one of the chief benefits they offer: the capacity for higher leverage.

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



The Private Equity Market Has Stalled — And There's No Easy Fix

Institutional Investor

Like some (or many) corners of the CRE industry, some or maybe much of private equity is struggling with an exit strategy that would be helped by a sharp drop in rates that would support M&A, IPOs and refinancings at lower rates.

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

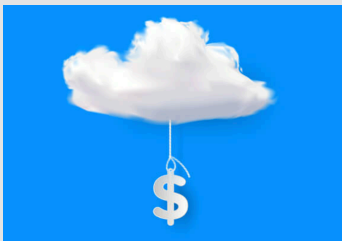


Secondaries Had a Big 2023. This Year Could Be Bigger

Institutional Investor

A potential overinvestment in illiquid assets by many institutional investors with ongoing cash needs implies private equity secondaries are poised for another big year even though IPOs and M&A are picking up somewhat.

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



S&P Study Finds Addbacks Cloud EBITDA Projections for Corporate Borrowers

PitchBook

For transactions originated during 2015-2020, 95% of companies failed to meet their first-year EBITDA projections and around 55% missed earnings projections by 33% or more in the two years following origination.

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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

	5/3/24	2/2/24	5/3/23	Qtr Δ	Y/Y Δ
SOFR	5.31%	5.32%	4.81%	-1 bps	50 bps
2-Year UST	4.93%	4.30%	4.00%	63 bps	93 bps
10-Year UST	4.61%	4.01%	3.46%	60 bps	115 bps
BB Corp Bond Yield	6.39%	6.22%	6.69%	17 bps	-30 bps
B Corp Bond Yield	7.47%	7.56%	8.61%	-9 bps	-114 bps
CCC and Lower Corp Bond Yield	13.61%	13.61%	14.45%	0 bps	-84 bps
S&P 500	5,128	4,959	4,091	3.4%	25.4%
NASDAQ	16,156	15,629	12,025	3.4%	34.4%
Russell 2000	2,036	1,963	1,739	3.7%	17.0%
<i>Rolling Four Quarters</i>	<i>4Q23</i>	<i>3Q23</i>	<i>4Q22</i>		
\$10-\$25M PE Deals	6.0x	5.9x	6.2x	0.1x	-0.2x
\$25-\$50M PE Deals	7.1x	7.0x	7.2x	0.1x	-0.1x
\$50-\$100M PE Deals	8.0x	8.0x	8.7x	0.0x	-0.7x
\$100-\$250M PE Deals	9.8x	9.1x	9.3x	0.7x	0.5x
\$250-\$500M PE Deals	10.7x	11.2x	10.1x	-0.5x	0.6x
Number of Transactions	269	292	331	-23	-62
<i>Quarter Only</i>					
Median Multiple-All Deals	7.5x	7.3x	6.9x	0.2x	0.6x
Number of Transactions	57	60	80	-3	-23


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

Mercer Capital's Recent Transactions



Corpus Christi, Texas


has formed a partnership with



Owings Mills, Maryland


Mercer Capital served as financial advisor to Hose of South Texas

— April 2024 —



Sioux Falls, SD


has announced its intent to acquire a bank branch in Sioux City, Iowa from



Spicer, MN


Mercer Capital served as financial advisor to Levo

— April 2024 —



ROCHESTER, NY

has acquired



Hernando, MS

Mercer Capital served as financial advisor to North American Electric.

— January 2024 —

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

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



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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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