

MERCER CAPITAL

# Middle Market Transaction Update

Winter 2024

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BUSINESS VALUATION &  
FINANCIAL ADVISORY SERVICES

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## Winter 2024 M&A Update

Middle market M&A activity in the third quarter of 2024 showed signs of the “summer slowdown,” as fewer PE deals were reported compared to the first two quarters of the year. Reported multiples for PE deals also declined 0.3x TTM EBITDA from the second quarter. That being said, overall deal value and transaction volume was up quarter over quarter, with total deal value reaching its highest level since the third quarter of 2022. The economy continues to show resilience, posting real GDP growth of 2.1%. As predicted, the Fed cut interest rates by 50 basis points in September, easing monetary policy for the first time in four years. The Fed emphasized that inflation was much closer to its target of 2% and the labor market showed signs of improvement. There are continued signs that there are private equity funds and strategic buyers with disposable capital, all factors that show the market should be primed for a recovery in M&A activity leading into 2025.

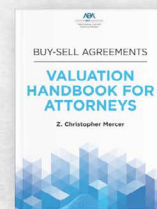
As shown in the chart on the next page, overall U.S. deal activity as compiled by Capital IQ in the third quarter increased from the depressed levels observed in recent periods, reaching its highest level since the third quarter 2022. GF Data reports that US PE middle-market activity, defined as deals with an enterprise value of less than \$1 billion, decreased 31% to 70 deals in the third quarter of 2024, returning to levels seen in 2023. The data suggests a trend we have seen over the past several years - the third quarter of the year is typically the quarter with the fewest middle-market, private equity-backed deals. The summer slowdown appears to have slowed some activity despite improving debt markets and lower interest rates.

Lower middle-market activity (defined as enterprise values of \$10 million to \$500 million) as compiled by GF Data® provides several notable observations regarding PE-backed transactions:

- Similar to the overall U.S. transaction level, lower middle market activity remains depressed relative to 2022 and especially 2021, when financing costs were historically low;

- The average EBITDA multiple for all sub-groups declined to 7.1x in the third quarter compared to 7.4x in the prior quarter and 7.3x in the third quarter of 2023;
- The average EBITDA multiple for the trailing 12 months on a rolling quarterly basis remained at 7.2x quarter over quarter. The same multiple was observed for the trailing 12 months ended September 30, 2023;
- The average EBITDA multiple for the trailing 12 months by sub-group ranged from 6.8x for deals with an enterprise value of \$25-\$50 million to 8.5x for deals in the \$100-\$250 million range;
- The year-to-date average multiples by industry ranged from 6.1x for retail to 8.9x for healthcare services; and,
- Buyer transaction costs that are excluded from the multiples cited above add about 0.3x to all-in costs.

Deal volumes in both strategic and financial deals during the third quarter present a similar picture. The chart on the left highlights overall deal value and volume, including strategic deals. The third quarter of 2024 represents a significant uptick in deal value (50%) and volume (30%) over the last four quarters. Deal value increased 56% quarter-over-quarter and is down only 7% from second quarter 2023 metrics.



[PURCHASE](#)

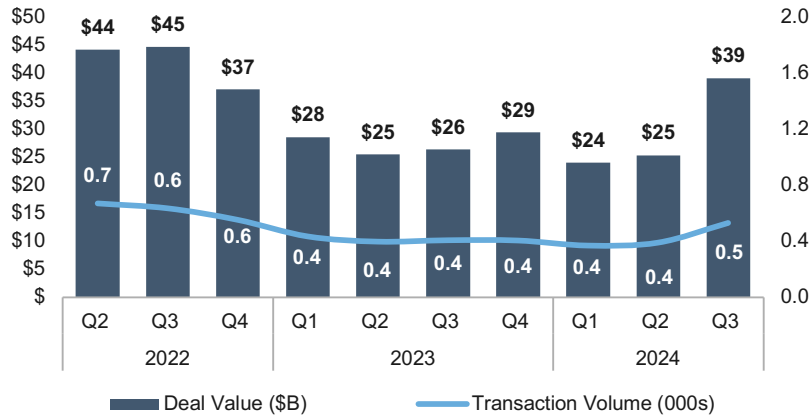
NOW AVAILABLE

### BUY-SELL AGREEMENTS: VALUATION HANDBOOK FOR ATTORNEYS

Z. CHRISTOPHER MERCER, FASA, CFA, ABAR

## U.S. Deal Value & Volume

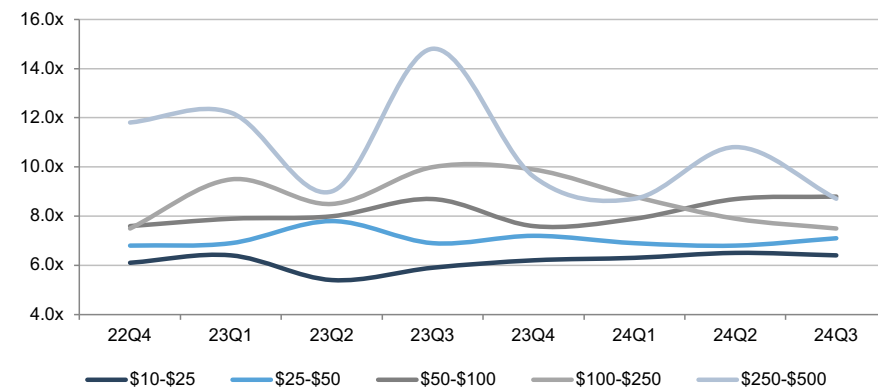
Q2-2022 to Q3-2024



Source: Capital IQ

## TEV/EBITDA Multiples

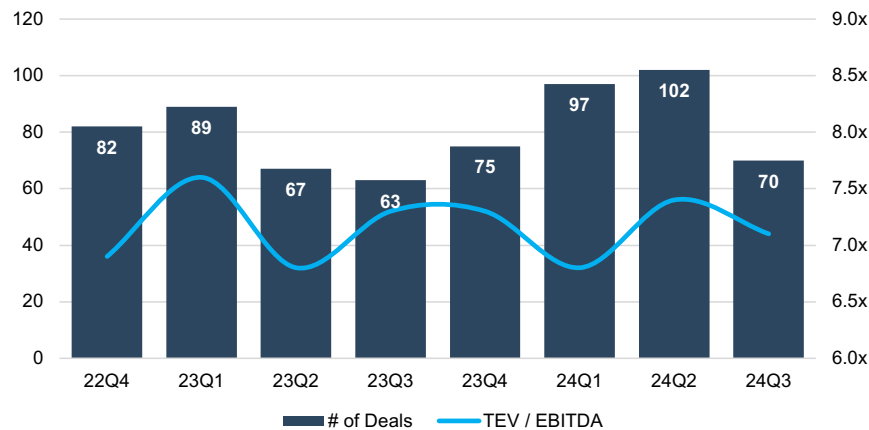
Financial Buyers | Last 8 Quarters



Source: GF Data®

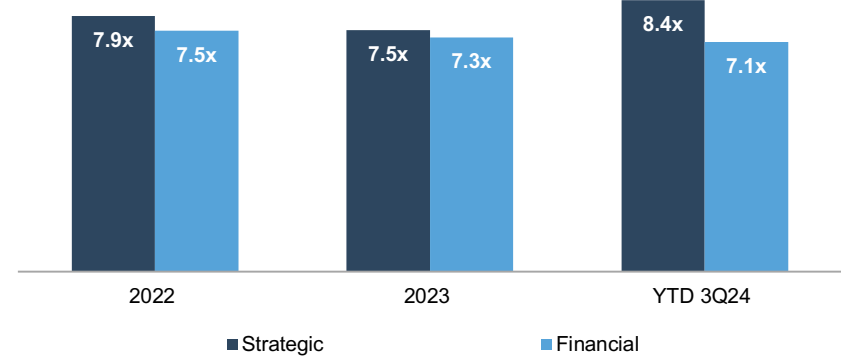
## Number of Deals and Average EBITDA Multiples

Lower Middle Market Financial Buyers | Last 8 Quarters



## EBITDA Multiples by Buyer Type

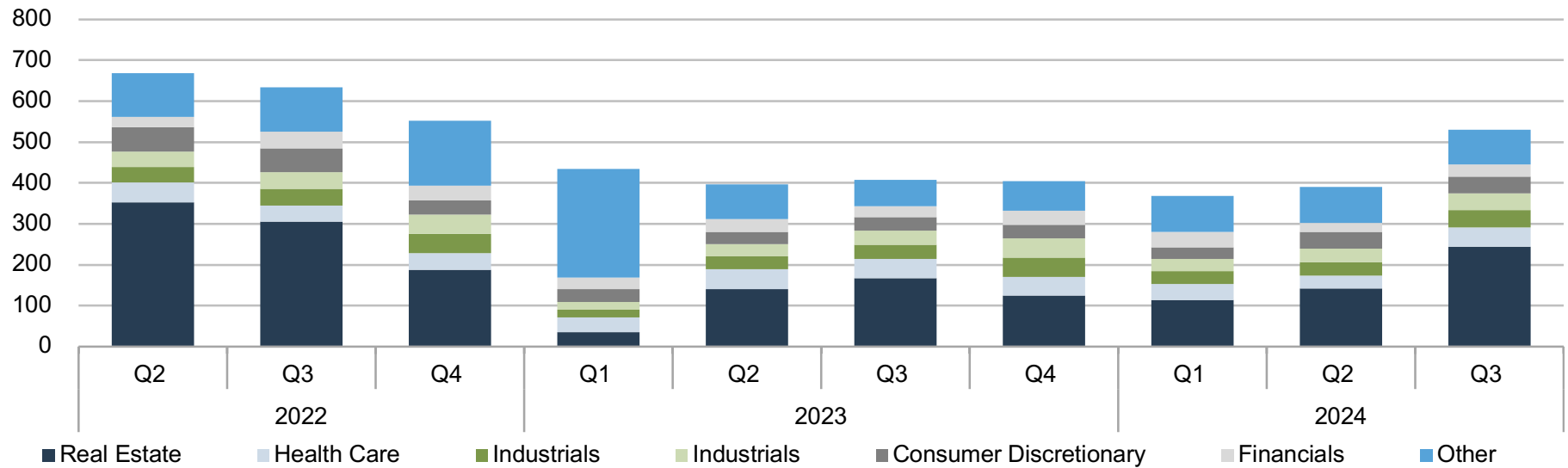
2022 to YTD 3Q24



Source: Capital IQ (strategic) and GF Data (financial)  
Strategic multiples exclude outliers (defined as EBITDA multiple > 18x)

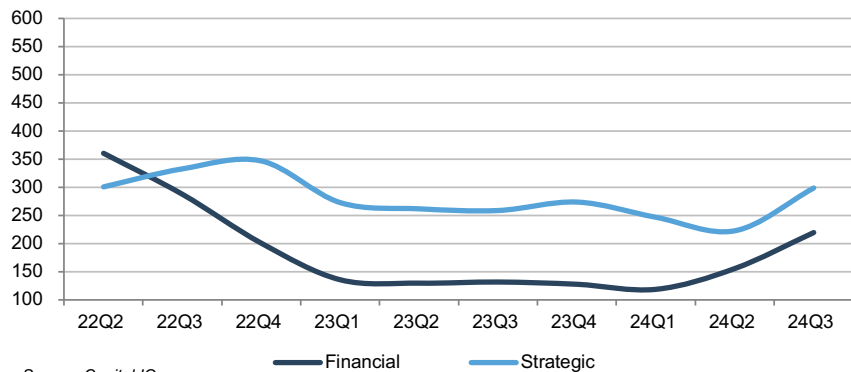
## U.S. Deal Volume by Industry

Q2-2022 to Q3-2024



## Number of Deals by Buyer Type

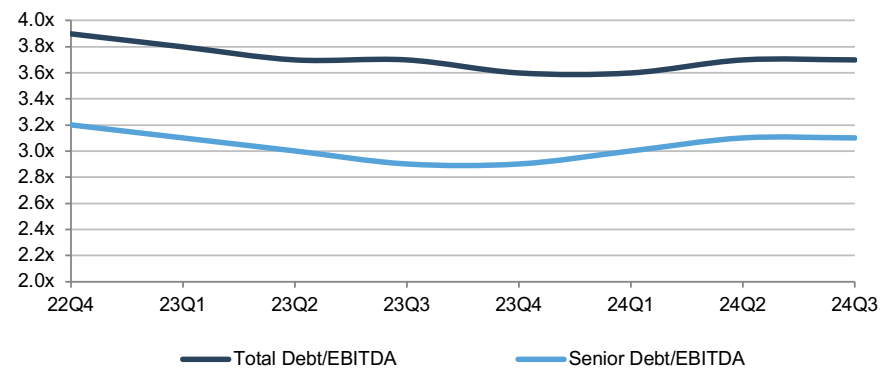
Q2-2022 to Q3-2024



Source: Capital IQ

## Debt Multiples

Financial Buyers | Last 8 Quarters



Source: GF Data®



# Mercer Capital's Recent Transactions



Panama City, FL


has acquired



Panama City, FL


Mercer Capital provided valuation and advisory services to Innovations

— August 2024 —



ASPIRANT  
Louisville, KY

has partnered with



Chicago, IL


Mercer Capital served as financial advisor to Aspirant

— May 2024 —

**U.S. Based Manufacturer of Flow Control and Process Equipment**

Mercer Capital rendered a solvency opinion for the manufacturer related to payment of a \$200 million dividend following the sale of a business unit

— June 2024 —



**Specialty Construction Materials Dealer / Distributor**

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

— May 2024 —



Olive Branch, MS


sold the majority of its assets to



Chicago, IL


Mercer Capital served as financial advisor to The Neverleak Company LP

— 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 —



Corpus Christi, Texas

has formed a partnership with



Owings Mills, Maryland

Mercer Capital served as financial advisor to Hose of South Texas

— April 2024 —



Kalamazoo, Michigan

has signed a definitive agreement to acquire



Gurnee, Illinois

Mercer Capital served as financial advisor to Advia Credit Union

— January 2024 —

Mercer Capital provides investment banking, transaction advisory, and restructuring services to a broad range of public and private companies and financial institutions. >> [View All Transactions](#) <<

# Other Resources



WHITEPAPER

## Quality of Earnings

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

For buyers and sellers, the stakes in a transaction are high. You only get one chance to do it right. Commissioning a quality of earnings report is an essential step in getting the transaction right.

In this whitepaper, we illustrate how buyers and sellers benefit from a quality of earnings report that extracts a company’s sustainable earning power from the thicket of historical GAAP earnings. We review the most common earnings adjustments applied in QofE analyses and review the role of working capital and capital expenditures as the links between EBITDA and cash flow available to buyers.

[DOWNLOAD PDF](#)



WHITEPAPER

## Selling Your Business

Practical Steps Business Owners Can Take to Ready Their Businesses for the Best Transaction Outcome

Selling your business is a daunting exercise that requires careful preparation and real-time vigilance. In this whitepaper, we define some practical steps business owners can take to ready their businesses for the best transaction outcome. These steps include identifying the right kind of buyer and transaction design, setting expectations for the timeline to consummate a transaction, hiring an advisor, understanding the various advisory fee structures that best suit each transaction scenario, as well as a few considerations every owner should contemplate before bringing their business to market.

[DOWNLOAD PDF](#)



WHITEPAPER

## Buy-Side Considerations

Middle-Market Companies Looking to Enter the Acquisition Market

Many observers predict that the market is rife for an unprecedented period of M&A activity, as the aging of the current generation of senior leadership and ownership pushes many middle-market companies to seek an outright sale or some other form of liquidity. Obviously, not all companies are in this position. For those positioned for continued ownership, an acquisition strategy could be a key component of long-term growth.

In this whitepaper, we cover buy-side topics from the perspective of middle-market companies looking to enter the acquisition market.

[DOWNLOAD PDF](#)

# Transaction Advisory Services

In addition to our corporate valuation services, Mercer Capital provides investment banking and transaction advisory services to a broad range of public and private companies and financial institutions.

Mercer Capital has been successfully executing mergers & acquisitions for a broad spectrum of middle-market companies since the mid-1980s.

We specialize in providing merger & acquisition services to sellers or buyers of private businesses or public companies divesting divisions and subsidiaries. In addition, Mercer Capital assists clients in industry consolidations, roll-ups, and refinancings.

Mercer Capital leverages its historical valuation and investment banking experience to help clients 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. Our independent advice withstands scrutiny from shareholders, bondholders, the SEC, IRS, and other interested parties to a transaction, and we are well-versed in the new industry standards.

The professionals of Mercer Capital guide you through the uncharted waters of selling your business, acquiring another business or division, mergers, valuations, fairness opinions, and other transaction advisory needs. Rely on the experience, independence, and transaction know-how of Mercer Capital.

## Transaction Advisory Services

- M&A Representation
- ESOP Installation, Termination, and Transactions
- Squeeze-Out Transactions
- Fairness and Solvency Opinions
- Minority Shareholder Stock Repurchases
- Corporate or Partnership Recapitalizations



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## Advantages We Offer

- Maximize Net Proceeds
- Negotiate the Best Possible Terms
- Speed Up the Deal Process
- Ensure Transaction Closure
- Help Ensure Confidentiality
- Minimize Burden on the Ownership

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