



Transaction News Update

December 2022

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



Special Dividend

Among the larger deals announced this fall is The Kroger Company (NYSE: KR) planned acquisition of Albertsons Companies, Inc. (NYSE: ACI) for \$19 billion (\$25 billion enterprise value) of cash. Deal multiples include 11.8x the next 12-months consensus earnings and 7.0x NTM EBITDA. The purchase price will be reduced by the amount of a special dividend to be paid prior to closing of up to \$4 billion, or \$6.85 per share. The special dividend is being contested by the attorney generals of Washington state, Washington D.C., California and Illinois.

[>> Click here to learn more](#)



Special Dividend & Appraisal Rights

Statutory appraisal rights for dissenting shareholders typically state the fair value of the firm is to be determined immediately before the corporate action that gave rise to the appraisal rights without giving effect to the transaction (e.g., expense or financing synergies). The Delaware Supreme Court ruled in GGP, Inc. that fair value should be determined “as if the dividend had not been declared” in a transaction in which the merger consideration represented ~2% of the total consideration when combined with the special dividend. Mercer Capital is regularly retained to opine as to statutory fair value and issue fairness opinions in transactions that trigger appraisal rights.

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Fairness Opinions for GP-led Secondaries

Although not mandated by law, fairness opinions for significant corporate transactions effectively have been required since 1985 when the Delaware Supreme Court ruled in *Smith v. Van Gorkom*, (*Trans Union*), (488 A. 2d Del. 1985) that directors were grossly negligent for approving a merger without sufficient inquiry. The Court suggested directors could have addressed their duty of care (informed decision making) by obtaining a fairness opinion. Regulation rather than case law is poised to make fairness opinions required for general partner (“GP”) led secondary transactions, which totaled \$121 billion last year.

[>> Click here to learn more](#)



RIA M&A Update

Mercer Capital is an active adviser to the RIA industry. Year-to-date RIA M&A activity has surpassed last year’s record levels in 2022, even as macro headwinds for the industry continue to mount.

[>> Click here to learn more](#)



Twitter’s Bad Lender Math

O&G OG @ EnergyCredit1 has an interesting thread about Twitter’s balance sheet following the acquisition of the company by Elon Musk and the impact that rising rates will have on debt service and what the market clearing price needs to be for credit investors to buy Twitter’s debt from the banks that originated it.

[>> Click here to learn more](#)

Market Snapshot

	12/2/22	9/2/22	12/2/21	Qtr Δ	Y/Y Δ
SOFR	3.81%	2.29%	0.05%	152 bps	376 bps
2-Year UST	4.37%	3.45%	0.59%	92 bps	378 bps
10-Year UST	3.63%	3.17%	1.61%	46 bps	202 bps
BB Corp Bond Yield	6.69%	6.77%	3.73%	-8 bps	296 bps
B Corp Bond Yield	8.51%	8.66%	5.19%	-15 bps	332 bps
S&P 500	4,072	3,924	4,577	3.8%	-11.0%
NASDAQ	11,461	11,631	15,381	-1.5%	-25.5%
Russell 2000	1,893	1,810	2,206	4.6%	-14.2%
\$10-\$25M PE Deals	7.4x	6.0x	6.0x	1.4x	1.4x
\$25-\$50M PE Deals	7.8x	6.9x	7.6x	0.9x	0.2x
\$50-\$100M PE Deals	8.6x	9.1x	9.2x	-0.5x	-0.6x
\$100-\$250M PE Deals	11.9x	9.5x	9.5x	2.4x	2.4x

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

(GF Data provides data on private equity sponsored M&A transactions; reported median multiples are for the quarters ended 9/30/22, 6/30/22 and 9/30/21)

Mercer Capital's Recent Transactions

Fidelity Bank
Maximum Bancshares, Inc.
West Des Moines, IA

has agreed to merge with

STSB **Savanna-Thomson State Bank**

Savanna-Thomson Investment, Inc.
Savanna, IL

Mercer Capital served as financial advisor to Maximum Bancshares, Inc. and rendered a fairness opinion

— September 2022 —

Global Management Consulting and Services Company

Mercer Capital rendered a fairness opinion in connection with a \$200 million stock repurchase transaction.

— July 2022 —

JA STREET
GENERAL CONTRACTORS

Blountville, TN

has installed an Employee Stock Ownership Plan

Mercer Capital rendered a Fairness Opinion on behalf of the ESOP's trustees

— May 2022 —

[>> 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
901.322.9735
crewst@mercercapital.com