



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

Transaction News Advisor

July 2023



Fairness Opinions and Down Markets

The role of the financial advisor becomes tougher when markets are depressed. Questions of value and fair dealing may be subjected to more scrutiny. Declining or depressed markets in the context of negotiating and opining on a transaction will raise the reasonable question: How do current market conditions impact fairness? In this article we discuss some of the issues that may weigh on the decision process and the rendering of a fairness opinion in a depressed market.

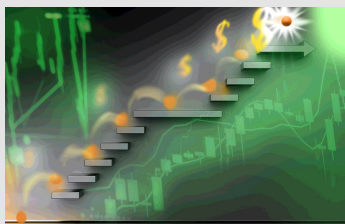
[>> Click here to read the full article](#)



Continuation Funds | Considerations for Limited Partners and General Partners

The Institutional Limited Partners Association (ILPA), which represents over 600 organizations with +\$2 trillion of private equity, in May 2023 published a position paper on continuation funds. Among the guiding principles is that a) the GP should present rationale for the fund to the LP Advisory Committee; b) the fund should maximize value for the LPs; and c) rolling LPs should be no worse off than had the transaction had not occurred.

[>> Click here to download the full PDF](#)



As Continuation Funds Plague LPs, Investors Search for a Solution

By one estimate the bulk of LPs are choosing liquidity over rolling into the continuation fund. Are LPs supportive of the liquidity opportunity? Are they forced sellers? Or are they selling because of inadequate resources to properly value the asset and evaluate the implications of rolling into a continuation fund? Mercer Capital can assist in the decision process through providing an independent valuation of the asset and fairness opinion.

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



PE's Exit Slump Hints at Declining Returns for LPs

Pitchbook reports that PE exits in the first quarter declined 15% from the year ago quarter to 279 and the cumulative enterprise value of those deals fell 34% to \$56 billion. The downturn, which became pronounced in the fourth quarter of 2022 and has gained steam this year, was described as worse than the financial crisis, though that seems extreme for a developing situation.

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



No Equity in Equities

Grant's Interest Rate Observer interviews Martin Fridson, the Chief Investment Officer of Lehmann Livian Fridson Advisors in a podcast given a teasing title "No Equity in Equities." Fridson is a widely followed long-time analyst of the high yield market. Fridson offers comments on the high yield market (e.g., private credit is sucking oxygen out of the room) and reviews his book on equities and picking gems.

[>> Click here to listen to the podcast](#)



The Basis for Control Premiums

Chris Mercer, chairman and founder of Mercer Capital, has written on valuation and other corporate finance topics for decades. In this blog post he offers thoughts about control premiums as reflected in the difference between the acquisition price for a publicly-traded company relative to its unaffected pre-deal price and how market participants' view of what control implies about cash flows and expected returns rather than governance..

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



The PGA Tour / LIV Golf Framework Agreement

The PGA Tour / LIV Golf / DP World Tour merger has created a load of drama in the sports and business worlds over the last month. While discussion has mostly centered on the status of LIV players and whether the merger will survive anti-trust scrutiny, we were immediately interested in the relative valuation process taking place behind the scenes. As news has leaked out regarding the Framework Agreement between the parties (which was eventually released in full – see link), it has become more clear how this process will work. Each of the entities will contribute their commercial assets to NewCo and will receive ownership based on the relative fair value of these assets. PIF (Saudi Arabia's Public Investment Fund) will contribute capital of a to-be-determined amount, presumably to increase its minority ownership stake to an agreed upon level (making up for the shortfall created by LIV's lower value relative to the other assets contributed). There are obviously many additional details related to this transaction as there are with every deal, but the general relative valuation process is not dissimilar to one that we have seen in countless merger deals (both big and small).

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

Nick Heinz of Mercer Capital explored the relative valuation process, as well as other merger-related issues in a [recent article](#).

Market Snapshot

	6/30/23	3/30/23	6/30/22	Qtr Δ	Y/Y Δ
SOFR	5.09%	4.82%	1.50%	27 bps	359 bps
2-Year UST	4.77%	3.91%	3.08%	86 bps	169 bps
10-Year UST	3.77%	3.46%	3.17%	31 bps	60 bps
BB Corp Bond Yield	6.90%	6.94%	7.17%	-4 bps	-27 bps
B Corp Bond Yield	8.60%	8.77%	9.54%	-17 bps	-94 bps
S&P 500	4,450	4,051	3,785	9.9%	17.6%
NASDAQ	13,788	12,013	11,029	14.8%	25.0%
Russell 2000	1,889	1,768	1,708	6.8%	10.6%
	4Q22	3Q22	2Q22		
\$10-\$25M PE Deals	6.1x	7.4x	6.0x	-1.3x	0.1x
\$25-\$50M PE Deals	6.9x	7.8x	6.9x	-0.9x	0.0x
\$50-\$100M PE Deals	7.9x	8.6x	8.9x	-0.7x	-1.0x
\$100-\$250M PE Deals	7.6x	12.8x	9.1x	-5.2x	-1.5x

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

Mercer Capital's Recent Transactions



Krause Brokerage Services
De Pere, Wisconsin

has acquired

USA-LTC
Rancho Santa Fe, California


Mercer Capital served as
exclusive financial advisor
to Krause Brokerage Services

— February 2023 —

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


Mercer Capital rendered a
solvency opinion for the
manufacturer related to
payment of a \$210 million
dividend following the
sale of a business unit

— January 2023 —



Atlanta, GA

has entered into a definitive
agreement to purchase



Rome, GA

Mercer Capital served
as financial advisor to
LGE Community Credit Union

— December 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