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U.S. Deal Value & Volume

Overall transaction value and volume in the middle market in the fourth quarter of 2019 increased slightly from levels observed in the third quarter of the year, and deal value increased to its highest level over the observed historical period. Much of this increase was bolstered by generally favorable market and economic conditions in the U.S. throughout the fourth quarter including the Fed's decision to lower its benchmark rate for the third time in 2019 at its October meeting. Overall deal value and volume in the fourth quarter was higher than that of the fourth quarters of 2017 and 2018, which have typically been the most active quarters in a given year over the period analyzed.

EBITDA Multiples

Reported TEV/EBITDA multiples on transactions of up to $100 million in total enterprise value did not show much movement during the fourth quarter, while deals in the $100-$250 million range saw multiple compression of around 1.5x. Still, deals in the $100-$250 million total enterprise value range continued to report the largest multiples. Deals in the $25-$50 million dollar range were the only deals that realized multiple expansion in the fourth quarter. This tranche has seen steadier growth in multiples than other tranches since 2018. The general macroeconomic situation in the U.S. still favors sellers, which could encourage multiple growth across all tranches into 2020.

NOTE: This newsletter includes data and discussion on transaction activity through December 2019. As we all know, the economy (and everyday life) has changed dramatically since the last year-end. Our Q1 2020 update will be available soon and will include discussion on the short-term and longer-term impact of the COVID-19 pandemic.
EBITDA Multiples by Buyer Type

EBITDA multiples on deals broken out by buyer type (Strategic vs. Financial) each remained fairly consistent through 2019 with levels observed in 2017 and 2018. The premium paid by strategic buyers relative to financial buyers continued to expand through the year, with multiples on strategic deals stretching to around 8.5x and multiples on financial deals falling to around 7.2x. This trend remains consistent with the multiples observed on deals made by strategic and financial in 2017 and 2018.

Debt Multiples

Total debt multiples relative to EBITDA for financial buyers fell marginally during the fourth quarter, but remained near peak levels that were seen in 2017. During the fourth quarter of 2019, the Fed's decision to once again lower the benchmark interest rate and progress made towards a trade agreement between the U.S. and China helped spur equity markets to their strongest performance since 2013. While Fed actions encouraged a continuation of the ease of financing seen throughout 2019, the Fed's decision to lower rates only once over the course of the quarter, as opposed to the third quarter, when rates were lowered twice, perhaps cooled some lender activity in the middle market. Still, improving market fundamentals and the signaling of a trade agreement with China caused the Fed to not lower rates in its December meeting, which could be a sign of strong expected market and economic performance in 2020. In this scenario, lender behavior in 2020 would generally mimic that seen in 2018 and 2019, and debt multiples on deals in the middle market could continue their climb.
U.S. Deal Volume by Industry
Q3-2017 to Q4-2019

Number of Deals by Buyer Type
Q3-2017 to Q4-2019

Bankruptcy and Restructuring Advisory Services
- Financial advisory & consulting
- Business valuation
- Fresh-start accounting
- Fairness opinions
- Solvency Opinions

Click below for a repository of valuation and financial advisory information of our best thinking related to the impact of the COVID-19 pandemic.

MORE INFORMATION

COVID-19 Resources

Click here for more information.
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 analytical and transaction know-how of Mercer Capital.

Transaction Advisory Services

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

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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