

MARKET BRIEF

Economic indicators released in May were positive as the economy continues to demonstrate modest, but persistent growth. Labor markets remain supportive, with solid monthly job gains and a multi-decade low unemployment rate. While U.S. public equity markets experienced increased volatility in May, the S&P 500 remains near all-time highs – and M&A activity remains robust. As markets continue to seek resolution on US-China trade negotiations, a fresh trade deal with Mexico, new Chinese stimulus measures and a patient federal reserve continue to provide a positive outlook for the U.S. economy.

Unemployment Rate Remains at Record Low 3.6% in May

Total nonfarm payroll employment increased by 75,000 in May, decelerating from 263,000 adds in May and marking the 104th consecutive month of gains. The unemployment rate remained at 3.6%, its lowest since December 1969. Employment in professional services and healthcare continued to trend up, while employment changes in other major industries were relatively modest. Notably, average hourly earnings increased by 3.1% over the past year, to \$27.83. (<https://www.bls.gov/news.release/pdf/empst.pdf>)

Consumer Confidence Improves in May

The Conference Board Consumer Confidence Index increased in May, rising to 134.1, from 129.2 in April. “Consumer Confidence posted another gain in May and is now back to levels seen last Fall when the Index was hovering near 18-year highs. The increase in the Present Situation Index was driven primarily by employment gains. Expectations regarding the short-term outlook for business conditions and employment improved, but consumers’ sentiment regarding their income prospects was mixed. Consumers expect the economy to continue growing at a solid pace in the short-term, and despite weak retail sales in May, these high levels of confidence suggest no significant pullback in consumer spending in the months ahead” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board.

(<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Posted 3.7% Annual Gain in March

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 3.7% annual gain in March, down from 4.0% the previous month. “Given the broader economic picture, housing should be doing better. Mortgage rates are at 4% for a 30-year fixed rate loan, unemployment is close to a 50-year low, low inflation and moderate increases in real incomes would be expected to support a strong housing market. Measures of household debt service do not reveal any problems and consumer sentiment surveys are upbeat. The difficulty facing housing may be too-high price increases. At the currently lower pace of home price increases, prices are rising almost twice as fast as inflation: in the last 12 months, the S&P CoreLogic Case-Shiller National Index is up 3.7%, double the 1.9% inflation rate.”

(https://my.spindices.com/documents/indexnews/announcements/20190528-934958/934958_cshomeprice-release-0528.pdf?force_download=true)

The Consumer Price Index Increased 0.1% in May

The Consumer Price Index for All Urban Consumers increased 0.1% m-o-m in May on a seasonally adjusted basis. Increases were driven by a rise in the food and medical care index's, which more than offset declines in energy.

(<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The U.S. public equity market experienced increased volatility in May, with the S&P 500 falling 6.24%. The index still stands near an all-time high, and with a YTD gain of 9.78%, as of May 31. Markets continue to feel the effects of tensions in US-China trade negotiations, though the sentiment softened in early-June following a trade deal between the U.S. and Mexico. Performance of recent high-profile IPOs has been mostly positive, with Lyft and Uber recovering from their early losses, and Beyond Meat showing strong gains. The Renaissance Capital IPO ETF, a basket of the 60 or so most recent large IPOs, is up 34% this year, about twice the performance of the S&P 500.

Public Trading Multiples

As of May 31, 2019

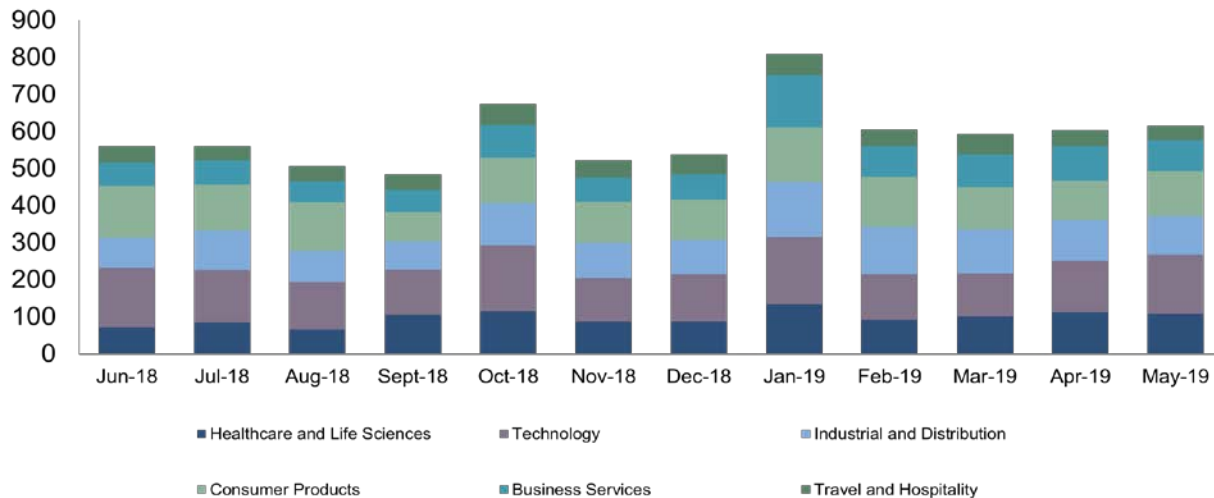
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	5.0x	26.7x	8.1%	9.7%	9.8%	8.8%	14.0%
Healthcare Equipment and Supplies	4.6x	19.6x	4.7%	5.6%	3.7%	8.4%	16.2%
Healthcare Providers and Services	0.8x	11.4x	7.9%	7.5%	7.7%	7.3%	7.5%
Healthcare and Life Sciences Aggregate	3.5x	19.2x	6.9%	7.6%	7.1%	8.2%	12.6%
Technology							
IT Services	3.3x	16.5x	3.8%	7.5%	4.6%	8.0%	8.9%
Software	6.6x	21.5x	12.8%	11.0%	25.2%	14.7%	8.2%
Computers and Other Electronic Equipment	1.3x	9.8x	1.2%	5.3%	-2.0%	5.1%	20.6%
Technology Aggregate	3.7x	15.9x	5.9%	8.0%	9.3%	9.3%	12.6%
Industrial and Distribution							
Aerospace and Defense	1.9x	14.0x	4.7%	3.6%	7.0%	6.0%	7.2%
Building Products	1.2x	10.0x	2.0%	5.4%	-1.4%	6.5%	12.9%
Construction and Engineering	0.6x	8.2x	1.8%	5.7%	0.1%	8.2%	9.4%
Machinery	1.4x	10.6x	3.0%	5.0%	4.0%	10.0%	7.3%
Distributors	0.7x	9.7x	9.5%	8.4%	9.0%	13.5%	4.3%
Industrial and Distribution Aggregate	1.2x	10.5x	4.2%	5.6%	3.8%	8.8%	8.2%
Consumer Products							
Food and Beverage	2.2x	13.4x	0.0%	3.6%	-1.2%	4.7%	15.3%
Household and Personal Products	3.2x	14.7x	-2.5%	2.1%	6.5%	6.7%	18.3%
Household Durables	0.9x	8.7x	0.6%	7.0%	-1.6%	11.0%	8.2%
Textiles, Apparel, and Luxury Goods	1.9x	12.7x	1.4%	5.9%	4.3%	7.8%	8.3%
Consumer Products Aggregate	2.0x	12.4x	-0.1%	4.7%	2.0%	7.5%	12.5%
Business Services							
Human Resource and Employment Services	0.8x	12.0x	1.1%	7.2%	2.4%	6.9%	14.7%
Research and Consulting Services	3.3x	18.2x	-2.3%	3.7%	-6.3%	3.0%	20.6%
Business Services Aggregate	2.1x	15.1x	-0.6%	5.4%	-2.0%	4.9%	17.7%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.6x	12.5x	5.3%	5.3%	4.5%	7.4%	11.9%
Restaurants	2.6x	15.9x	2.1%	2.3%	-0.1%	2.1%	9.3%
Leisure Facilities	3.9x	13.2x	2.5%	5.8%	5.7%	7.9%	32.3%
Travel and Hospitality Aggregate	3.0x	13.9x	3.3%	4.5%	3.4%	5.8%	17.8%

M&A MARKET

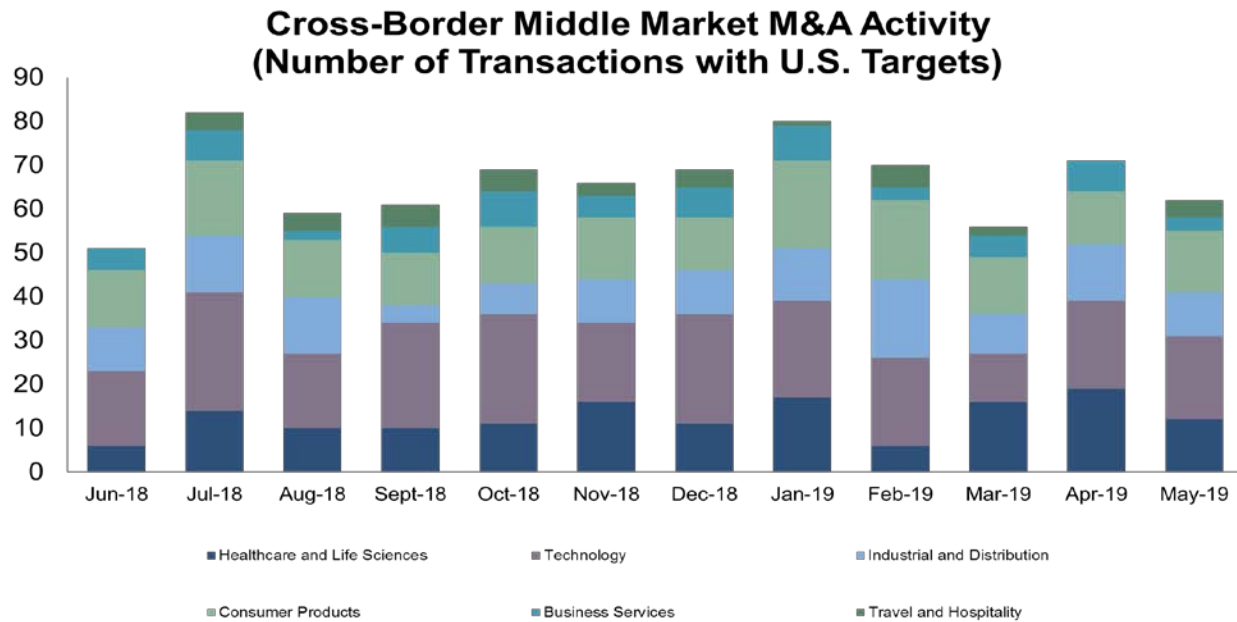
Deal volume continued at a steady pace in May, with increased activity in Technology offsetting a modest decrease in business services. Recent tariffs hikes and the shifting geopolitical chessboard are still affecting how US companies define their strategic priorities, both near and long term. However, reported concerns of market volatility and overvaluation have yet to translate into declining activity, highlighting strong economic fundamentals and companies' desire for scale amid sweeping technological disruption.

Mark Thierfelder, chair of the corporate and securities and private equity practices at global law firm Dechert, says "The middle market is going to continue to be very active" and a looming pullback in the economy may even increase an already large appetite for M&A transactions as corporations plan for a slowdown.

**U.S. Middle Market M&A Activity
Select Industries
(Number of Transactions)**

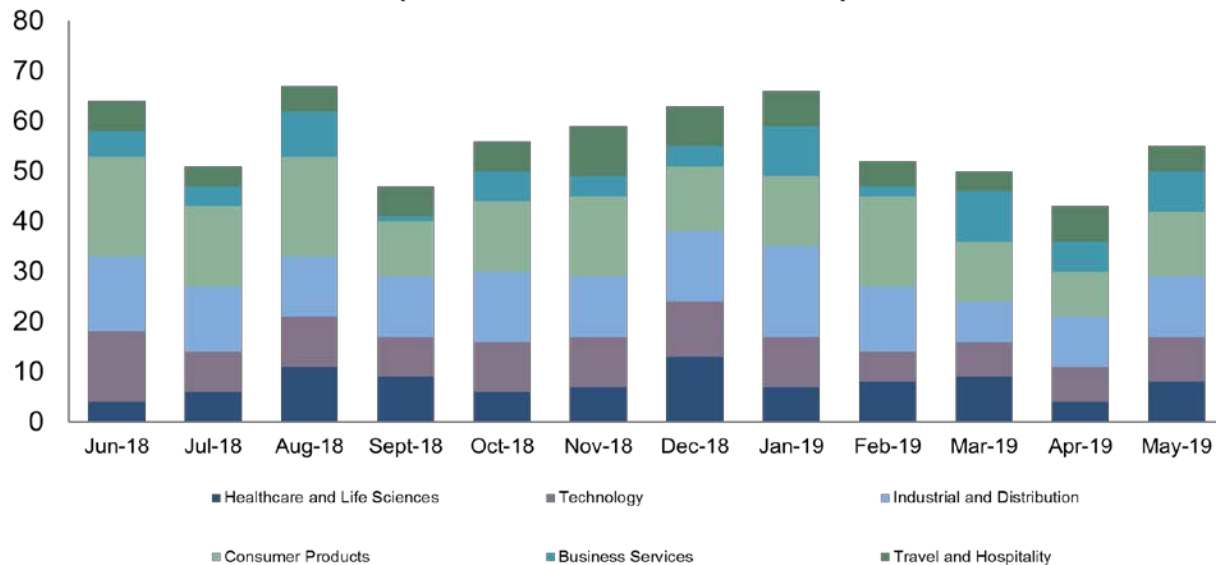


Middle market cross-border deal flow also remained strong in May despite uncertainty regarding geopolitical tensions. Andrew Sherman, a partner at Seyfarth Shaw LLP, says "Most growing companies understand that being acquisitive in a wide variety of markets has become the new normal in strategic growth planning."



Middle market LBO activity had a strong showing in May with the Healthcare and Consumer Products sectors recovering from a slow April. Though high public market valuations and business cycle risks are raising concerns of a potential correction, fund managers and industry analysts maintain an overall positive outlook for future deal activity given record levels of dry powder. U.S. economic and regulatory trends have continued to encourage deal-making this year. Ropes and Gray's Co-Head of M&A, Jane Goldstien commented, "There's lots of money in the private equity funds and they are now able, in ways they weren't before, to compete with the strategics". As the debt markets continue to serve as a headwind for private equity funds, the future for leveraged buyouts remains optimistic.

U.S. Middle Market Leveraged Buyouts (Number of Transactions)



SELECT MIDDLE MARKET M&A TRANSACTIONS – Business Services

Tax Prep Giant H&R Acquires Wave Financial

Enterprise Software Accounting and tax-prep firm, H&R Block announced that it plans on acquiring Wave Financial for \$405 million in cash.

Wave offers bookkeeping, accounting and payroll services for small businesses around Canada. With Wave’s services in its arsenal, H&R Block says it expects to generate an additional \$40 million to \$45 million in revenue in the 2020 fiscal year by expanding their presence in the small business market. “Bookkeeping and cash flow management are significant pain points for small business owners and essential to successful annual tax preparation,” says H&R Block CEO Jeff Jones. ”

‘Their clients are currently asking for tax help,’ chief financial officer Tony Bowen said on an earnings call. “We know there’s going to be an opportunity down the road to put our capabilities together.’”

Stagwell Group buys B2B digital marketer MultiView

Private equity firm, The Stagwell Group acquired MultiView, a B2B digital marketer for an undisclosed amount in April.

MultiView, which was previously owned by Warburg Pincus, is Stagwell’s first significant investment in the growing B2B digital marketing space. With over 400 employees across the US and Canada,

MultiView is a leader in digital marketing solutions for B2B marketers and publishing solutions for associations

Mark Penn, Stagwell Group managing partner says: “Programmatic advertising is a small but rapidly growing part of the B2B advertising mix today, and Multiview has unmatched products, data and insights to help B2B buyers leverage this offering. From my days with Microsoft, I know B2B marketers need specific solutions and with MultiView as part of the Stagwell family we can deliver those seamlessly.”

Arthur J. Gallagher Purchases Cairstone Financial

Arthur J. Gallagher (NYSE: AJG) acquired Indiana’s benefits consultant Cairstone Financial in late May for an undisclosed amount. Cairstone Financial, founded in 2010, serves the Midwestern region with its group health, life, wellness, retirement, disability and dental coverages and services.

Arthur J. Gallagher, a top five global insurance brokerage, risk management and consulting services firm, acts as a liaison between insurance providers and their clients. According to Gallagher chairman, president and CEO J. Patrick Gallagher, Jr., the Cairstone Financial team has a “solid track record” of growing their business and discovering ways to help clients better control their healthcare costs without sacrificing the wellbeing of employees.

FURTHER INFORMATION

Successful business owners have turned to Mirus Capital Advisors for more than 30 years to help them realize their ultimate accomplishment – the sale of their business. As a mid-market investment bank focused on mergers and acquisitions, Mirus drives successful deals for companies in the industrial, consumer, business services, healthcare and technology industries. Mirus has proven time and again that its deep industry expertise, focus on relationships, thorough preparation and unwavering commitment to every deal lead to meaningful accomplishments for business owners. Our affiliate Mirus Securities, Inc. is a registered broker-dealer and FINRA member.

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