

## MARKET BRIEF

June economic indicators portray a slowly, but steadily growing US economy that marks the 10<sup>th</sup> consecutive year of economic expansion. The labor markets remain strong, as the nonfarm payrolls rose above market expectations in June, while the unemployment rate continues to hover near 50-year lows. At the same time, faced with growing geopolitical tensions, markets are anticipating the Fed to cut interest rates in late July, and US-China trade negotiations will resume after a previous standstill.

### Unemployment Rate Remains Near Record Low 3.7% in June

Total nonfarm payroll employment increased by 224,000 in June, accelerating from 75,000 adds in May and marking the 105<sup>th</sup> consecutive month of gains. The unemployment rate remained at 3.7%, little changed from its 50-year low in May 2019. Employment in professional services and healthcare, and transportation and warehousing continued to trend up, while employment changes in other industries were modest. Notably, average hourly earnings increased by 3.1% over the past year to \$27.90. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

### Consumer Confidence Index Remains High in June

The Conference Board Consumer Confidence Index remains high, although trade and tariff tensions have brought it down from 131.3 points in May to 121.5 in June. As American household spending and incomes both rose at solid rates in May, consumer confidence remains relatively strong and the stock market touched a record high in the past couple of weeks. Consumers' appraisal of current-day conditions declined in June. Those claiming business conditions are "good" decreased from 38.4 percent to 36.7 percent, however, those saying business conditions are "bad" also decreased, from 11.7 percent to 10.9 percent. "The escalation in trade and tariff tensions earlier this month appears to have shaken consumers' confidence," 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 3.5% Annual Gain in April

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 3.5% annual gain in April, down from 3.7% the previous month. "Home price gains continued in a trend of broad-based moderation," says Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices. "Year-over-year price gains remain positive in most cities, though at diminishing rates of change. The national average 30-year fixed mortgage rate rose from below 4% in late 2017 to briefly reaching almost 5% by the latter part of 2018. In 2019, mortgage rates reversed course again and the 30-year fixed mortgage rate is again under 4%. Other industry statistics are consistent with this observation. For example, the national supply of housing is trending upward and suggesting weaker demand. Perhaps the trend for the moment is toward normalization around the real long run average annual price increase.

([https://us.spindices.com/documents/indexnews/announcements/20190625-948971/948971\\_cshomeprice-release-0625.pdf?force\\_download=true](https://us.spindices.com/documents/indexnews/announcements/20190625-948971/948971_cshomeprice-release-0625.pdf?force_download=true))

## The Consumer Price Index Increased 0.1% in June

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in June on a seasonally adjusted basis, the same increase as in May: the U.S. Increases in the indexes for shelter, apparel, and used cars and trucks offset declines in energy indexes.

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

## PUBLIC MARKET

The U.S. public equity market experienced decreased volatility in June, with the S&P 500 rising 8.01%. The index still stands near an all-time high, and with a YTD gain of 18.10%, as of June 30. Markets continue to feel the effects of tensions in US-China trade negotiations, though the signed US-Mexico Agreement, already ratified by Mexico, has shown promise and potential for growth. Recent high-profile IPOs have performed variably, with Beyond Meat (BYND) continuing its rapid ascend, while the competitors Lyft and Uber attempt to recover from underperforming. Notably, the Renaissance Capital IPO ETF, a basket of the 60 or so most recent large IPOs, is up 40.5% this year, more than twice the performance of the S&P 500.

## Public Trading Multiples

As of June 30, 2019

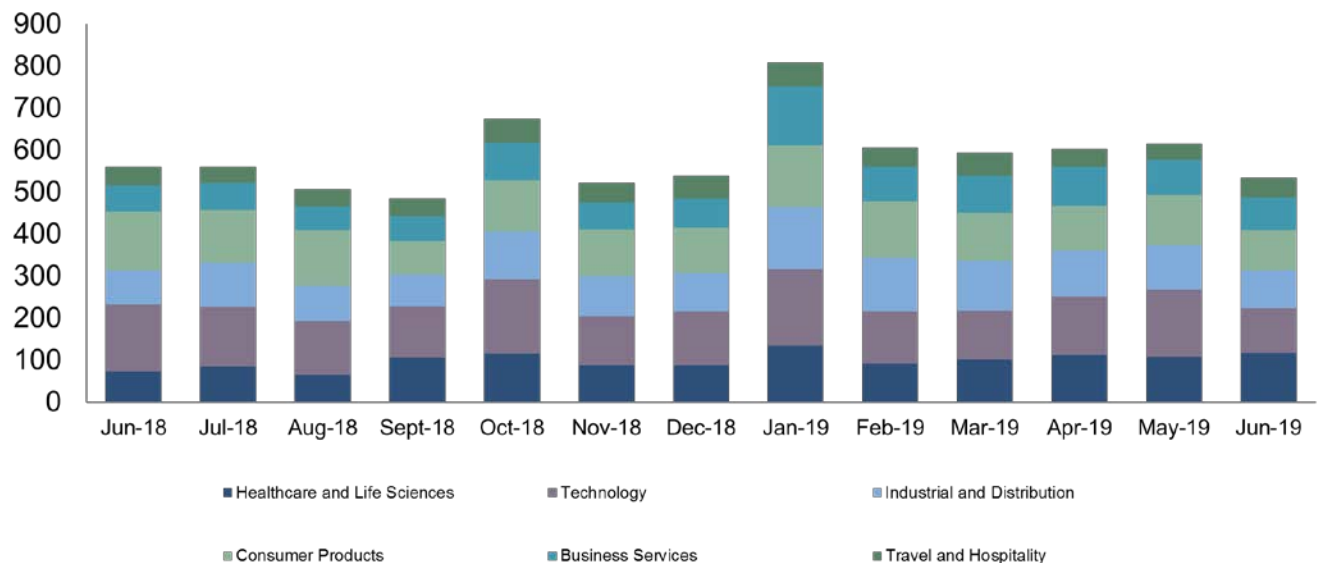
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	5.1x	27.3x	7.7%	9.8%	6.3%	8.6%	13.0%
Healthcare Equipment and Supplies	4.6x	19.7x	4.7%	5.6%	3.7%	7.4%	16.1%
Healthcare Providers and Services	0.8x	11.3x	7.9%	7.5%	7.8%	7.4%	7.5%
Healthcare and Life Sciences Aggregate	3.5x	19.4x	6.8%	7.6%	5.9%	7.8%	12.2%
<b>Technology</b>							
IT Services	3.3x	16.5x	3.6%	7.5%	5.1%	8.2%	8.8%
Software	6.6x	21.6x	13.2%	11.0%	23.9%	14.7%	8.2%
Computers and Other Electronic Equipment	1.3x	9.8x	1.2%	4.9%	-1.4%	4.8%	20.5%
Technology Aggregate	3.7x	16.0x	6.0%	7.8%	9.2%	9.2%	12.5%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.9x	13.9x	4.7%	3.5%	7.0%	6.0%	7.2%
Building Products	1.3x	10.1x	2.0%	4.4%	-1.5%	6.8%	12.9%
Construction and Engineering	0.6x	8.2x	1.7%	5.7%	0.3%	8.2%	9.4%
Machinery	1.4x	10.6x	3.0%	5.0%	3.3%	10.1%	7.2%
Distributors	0.7x	9.9x	9.5%	8.4%	5.2%	12.0%	4.2%
Industrial and Distribution Aggregate	1.2x	10.6x	4.2%	5.4%	2.8%	8.6%	8.2%
<b>Consumer Products</b>							
Food and Beverage	2.2x	13.4x	0.0%	3.7%	-1.2%	4.8%	15.3%
Household and Personal Products	3.1x	14.7x	-2.5%	2.2%	6.6%	6.7%	18.3%
Household Durables	0.9x	8.7x	0.2%	6.9%	-2.4%	10.3%	8.1%
Textiles, Apparel, and Luxury Goods	1.9x	12.6x	1.2%	5.9%	4.2%	7.7%	8.3%
Consumer Products Aggregate	2.0x	12.4x	-0.3%	4.7%	1.8%	7.4%	12.5%
<b>Business Services</b>							
Human Resource and Employment Services	0.9x	12.5x	1.1%	7.1%	2.1%	6.7%	14.7%
Research and Consulting Services	3.3x	18.3x	-2.1%	3.8%	-6.0%	3.1%	20.6%
Business Services Aggregate	2.1x	15.4x	-0.5%	5.5%	-2.0%	4.9%	17.6%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.5x	12.2x	5.3%	5.2%	3.0%	6.1%	11.9%
Restaurants	2.6x	16.0x	2.0%	2.4%	0.0%	2.3%	9.4%
Leisure Facilities	3.9x	13.5x	2.6%	5.8%	6.0%	8.0%	32.3%
Travel and Hospitality Aggregate	3.0x	13.9x	3.3%	4.4%	3.0%	5.5%	17.9%

## M&A MARKET

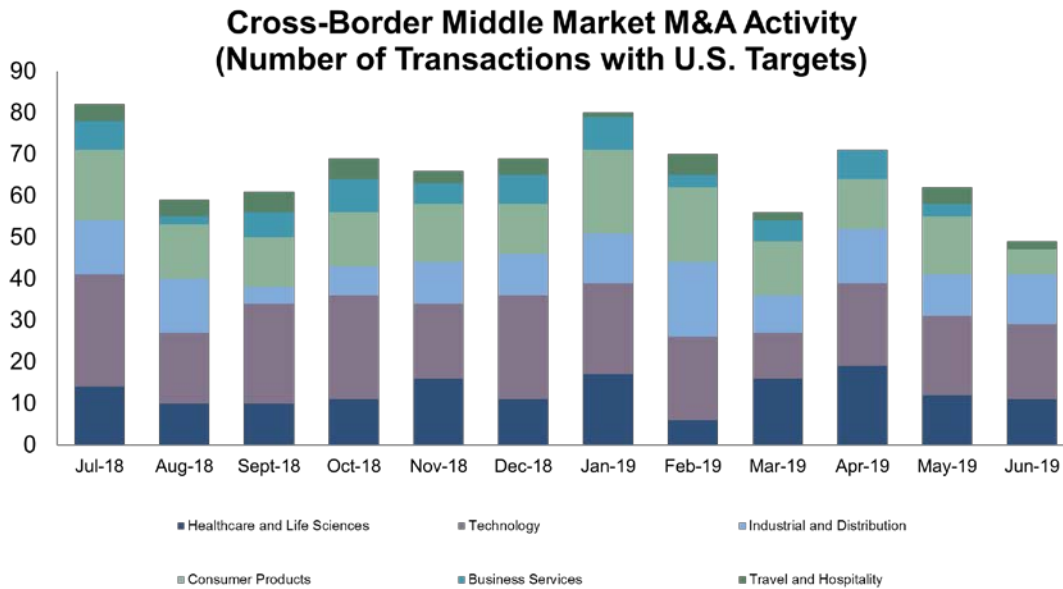
Deal volume continued at a moderate rate in June, with fewer transactions in technology and increased activity in healthcare and life sciences, relative to the previous month. Increasing tariffs and a potential for their further escalation are still affecting how US companies define their strategic priorities, both near and long term. On the other hand, concerns about the continuous economic upcycle are ameliorated by the broad lack of over-extended debt, low unemployment rates and strong company performance.

Christopher Stradling, co-head of the consumer group at Lincoln International, comments on the state of the M&A climate in the middle market, "White hot market - M&A sellers today benefit from very strong M&A market that is likely to last through and beyond 2019. Slow growth - while the economy is performing well it is still only growing at low single digit rates."

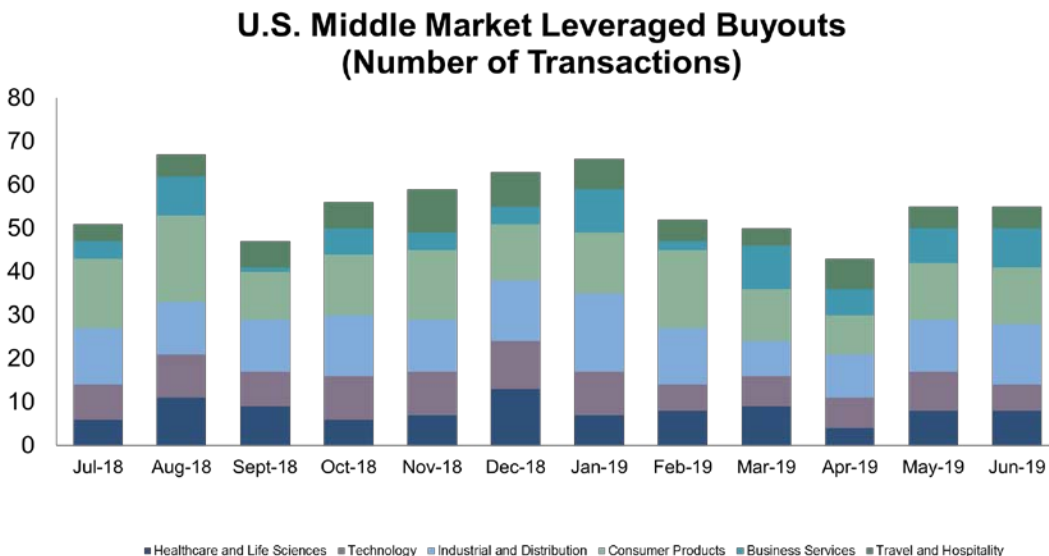
### U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Middle market cross-border deal flow also remained strong in May despite uncertainty caused by underlying geopolitical tensions. Manolo Falco, Citigroup's long-serving head of corporate and investment banking in Europe says, "What we have seen missing is the cross-border deals, and the M&A market has been increasingly regional this year, whether in the U.S. or in Europe or Asia."



Middle market LBO activity had a strong showing in June with the Consumer products and Industrials and Distribution Services sectors recovering from a slow May. 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. However, Preqin data indicates that investor appetite for hedge funds is increasing as they have recorded the highest quarterly number (220) of investor mandates in the period since Q1 2016.



## **SELECT MIDDLE MARKET M&A TRANSACTIONS – Healthcare & Life Sciences**

### **Tech Giant Dassault Systèmes Acquires Medidata**

French 3-D and product lifecycle management specialist Dassault Systèmes has acquired Medidata Solutions, a provider of SaaS-based clinical development software, for \$5.8 billion.

Medidata's cloud-based services help with the development of therapeutic innovations and clinical operations performance for pharmaceutical companies and biotechnology firms, contract research organizations, and medical centers and sites. "Facilitating new therapeutic innovations to become the next standards of care has been our commitment since day one," Glen de Vries, co-founder and president of Medidata, said in a statement. "Ultimately, we will unlock enormous opportunities for our customers and patients, advancing life sciences in the age of precision medicine."

"It's a logical evolution of the scope of what we do," Bernard Charles, chairman and CEO of Dassault Systemes, commented in a Wednesday interview on CNBC. "Life science is going to go through an accelerated digitization of its own processes."

### **Boston Scientific Buys Vertiflex, Inc.**

Boston Scientific Corporation (NYSE: BSX) announced the close of its acquisition of Vertiflex, Inc., a privately-held company that developed and commercialized the Superior® Indirect Decompression System, a minimally-invasive device used to improve physical function and reduce pain in patients with lumbar spinal stenosis (LSS) – the narrowing of the spinal canal, which can cause compression of nearby nerves.

"The addition of the Vertiflex procedure to our pain management portfolio advances our pain category leadership strategy, while also providing physicians with additional non-opioid pain management solutions that can help improve the lives of the growing number of patients suffering from chronic pain," said Maulik Nanavaty, president, Neuromodulation, Boston Scientific.

### **Varian Purchases Cancer Care Solutions Endocare and Alicon**

Varian (NYSE: VAR) today announced it has acquired Austin, Texas-based Endocare and Hangzhou, China-based, Alicon, to expand its portfolio of multidisciplinary integrated cancer care solutions. Endocare is a leading provider of hardware and software solutions supporting cryoablation and microwave ablation, and Alicon, a leader in embolic therapy for treating liver cancer in China.

These acquisitions provide Varian with a leading position in the high-value interventional oncology segment, which is expected to grow from approximately \$860 million in 2019 to over \$1 billion in 2021. Consistent with Varian's vision of a world without fear of cancer and increased global access to advanced cancer care, these acquisitions will allow the combined organization to

develop innovations in interventional oncology and provide patients and customers with a wider range of cancer care solutions delivered through Varian's proven global platform.

"We are confident that the portfolio of products and both companies' dynamic R&D pipelines will unlock new growth for Varian and expand our clinical partners' treatment options in the years to come," said Dow Wilson, president and chief executive officer of Varian.

## 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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