

September 2019

## MARKET BRIEF

In August, economic indicators paired with a volatile public market depicted a slowdown in growth in the U.S. economy. For the most part, the economic indicators remained relatively flat, which could suggest the historic growth levels are moderating. However, unemployment and consumer confidence continue to remain at favorable levels. At the same time, the public markets struggled amid uncertainty regarding US-China trade negotiations and geopolitical tensions, which contributed to increased volatility and a decline in the S&P500 of almost 1%, as of August 31.

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

Total nonfarm payroll employment rose by 130,000 in August, and the unemployment rate was unchanged at 3.7%, the U.S. Bureau of Labor Statistics reported on September 6. Notable job gains occurred in health care and financial activities, while mining lost jobs. Notably, average hourly earnings increased by 3.2% over the past year to \$28.11 following gains in June and July. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

### Consumer Confidence Relatively Unchanged in August, Remains High

The *Consumer Confidence Index* declined marginally in August, following a rebound in July. The Index now stands at 135.1, down from 135.8 in July. The Present Situation Index – based on consumers' assessment of current business and labor market conditions – increased from 170.9 to 177.2. The Expectations Index – based on consumers' short-term outlook for income, business and labor market conditions – declined from 112.4 last month to 107.0 this month. Consumers' assessment of present-day conditions improved further in August. Those claiming business conditions are "good" increased from 39.9 percent to 42.0 percent, while those saying business conditions are "bad" decreased from 11.2 percent to 9.8 percent. Consumers' appraisal of the job market was also more favorable. Those saying jobs are "plentiful" increased from 45.6 percent to 51.2 percent, while those claiming jobs are "hard to get" declined from 12.5 percent to 11.8 percent. (<https://www.conference-board.org/data/consumerconfidence.cfm>)

### The Case-Shiller Index Posted 3.1% Annual Gain in June

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 3.1% annual gain in June, down from 3.3% in May. The 10-City Composite annual increase came in at 1.8%, down from 2.2% in the previous month. The 20-City Composite posted a 2.1% year-over-year gain, down from 2.4% in the previous month. ([https://us.spindices.com/documents/indexnews/announcements/20190827-981359/981359\\_cshomeprice-release-0827.pdf?force\\_download=true](https://us.spindices.com/documents/indexnews/announcements/20190827-981359/981359_cshomeprice-release-0827.pdf?force_download=true))

### The Consumer Price Index Increased 0.1% in August

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1% in August on a seasonally adjusted basis, after rising 0.3% in July, the U.S. Bureau of Labor Statistics reported on September 12. Over the last 12 months, the all items index increased 1.7% before seasonal adjustment. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

## PUBLIC MARKET

The U.S. public equity market experienced increased volatility in August and the S&P 500 declined 0.9% overall after many peaks and troughs due to a growing amount of uncertainty. Representative of fears in the market throughout the month was the spike of the Chicago Board of Exchange's Volatility Index, or VIX, which rose as high as 24.6 in early August, its highest level since January 2019. Though plagued by rising volatility, the S&P 500 index remains high with a YTD gain of 16.7%, as of August 31. Matt Thompson, managing partner at Thompson Capital Management, noted, "Volatility can be exacerbated by low trading volumes, but overall volume for the month was above average for August. I think the main culprit was the trade war escalation," which, he says, "carries potentially substantial longer-term implications."

### Public Trading Multiples

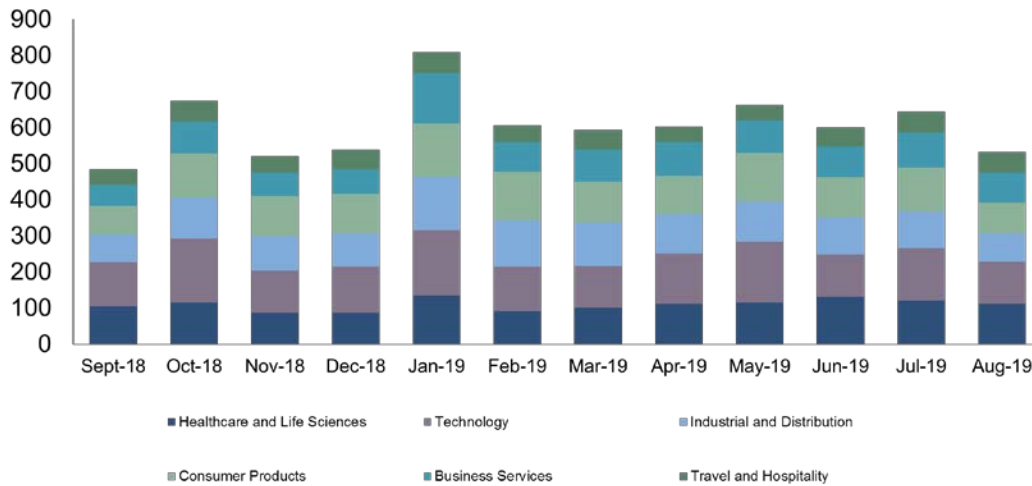
As of August 31, 2019

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	5.2x	27.8x	10.0%	10.6%	11.7%	8.5%	14.0%
Healthcare Equipment and Supplies	4.7x	20.7x	5.7%	5.2%	5.0%	6.9%	16.9%
Healthcare Providers and Services	0.8x	11.4x	11.5%	7.8%	9.6%	7.6%	7.8%
Healthcare and Life Sciences Aggregate	3.6x	19.9x	9.1%	7.9%	8.8%	7.7%	12.9%
<b>Technology</b>							
IT Services	3.6x	18.4x	7.1%	8.3%	5.2%	9.9%	8.7%
Software	6.7x	21.9x	11.3%	11.8%	15.2%	16.5%	4.8%
Computers and Other Electronic Equipment	1.2x	9.7x	2.7%	5.6%	-2.3%	5.0%	18.9%
Technology Aggregate	3.8x	16.6x	7.0%	8.6%	6.0%	10.5%	10.8%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.9x	15.2x	5.1%	3.6%	4.5%	5.2%	8.5%
Building Products	1.2x	9.8x	3.8%	3.5%	0.5%	5.0%	11.6%
Construction and Engineering	0.6x	7.8x	6.1%	6.4%	2.8%	8.1%	9.4%
Machinery	1.3x	10.0x	4.2%	5.4%	2.7%	9.8%	7.3%
Distributors	0.7x	10.0x	12.0%	8.5%	9.9%	13.9%	4.4%
Industrial and Distribution Aggregate	1.2x	10.5x	6.2%	5.5%	4.1%	8.4%	8.2%
<b>Consumer Products</b>							
Food and Beverage	2.3x	13.7x	2.8%	3.5%	2.3%	4.3%	15.0%
Household and Personal Products	3.2x	15.8x	0.9%	2.6%	3.8%	4.5%	18.5%
Household Durables	0.9x	8.5x	2.6%	6.1%	0.4%	9.6%	8.6%
Textiles, Apparel, and Luxury Goods	2.1x	13.5x	4.4%	6.0%	6.0%	8.4%	8.7%
Consumer Products Aggregate	2.1x	12.9x	2.7%	4.6%	3.1%	6.7%	12.7%
<b>Business Services</b>							
Human Resource and Employment Services	0.9x	12.4x	3.6%	7.0%	6.4%	6.6%	10.2%
Research and Consulting Services	3.2x	18.3x	0.5%	4.2%	-3.1%	3.0%	20.8%
Business Services Aggregate	2.0x	15.4x	2.1%	5.6%	1.6%	4.8%	15.5%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.5x	12.7x	7.1%	5.4%	3.4%	6.0%	10.9%
Restaurants	2.9x	17.2x	3.7%	2.2%	2.3%	2.3%	9.1%
Leisure Facilities	4.0x	13.9x	5.6%	5.2%	6.9%	7.7%	31.9%
Travel and Hospitality Aggregate	3.1x	14.6x	5.5%	4.3%	4.2%	5.3%	17.3%

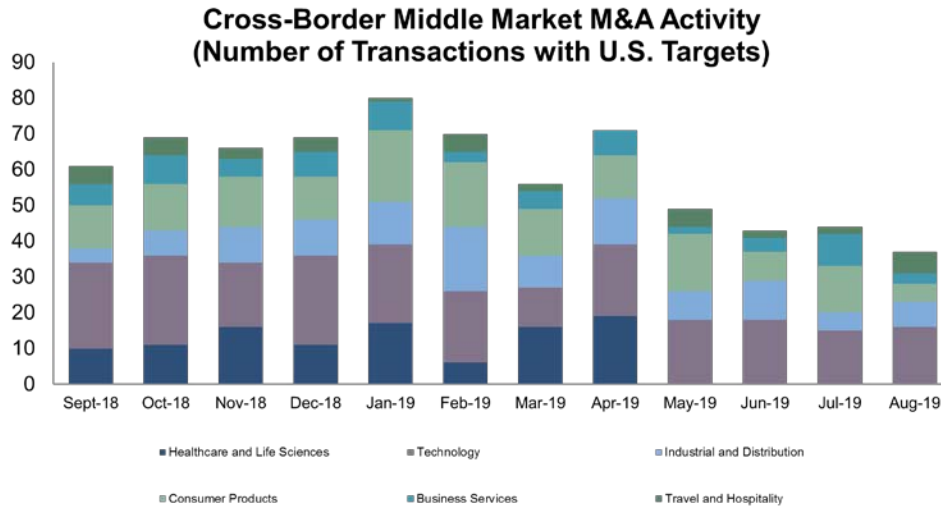
## M&A MARKET

Deal volume moderated in August. The fallout from increasing tension between the U.S. and China is affecting how many companies are defining their strategic objectives, specifically in relation to growth by acquisition. On the other hand, concerns about the end of the historically long economic cycle are diminished by consistent economic growth, the broad lack of over-extended debt, and strong performance among many companies.

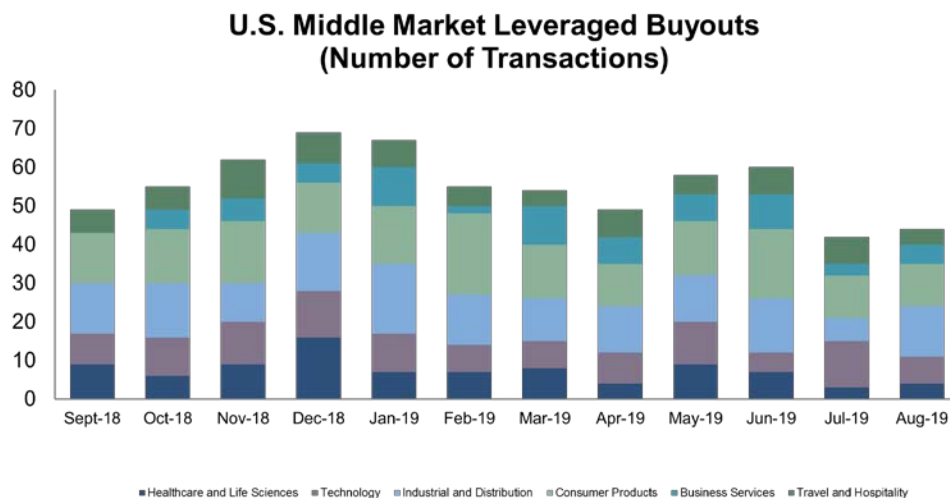
**U.S. Middle Market M&A Activity  
 Select Industries  
 (Number of Transactions)**



Middle market cross-border deal flow decreased further in August, most likely due to uncertainty caused by underlying geopolitical tensions relating to the U.S. – China trade war and uncertainty around Brexit. Philip Noblet, head of U.K. investment banking at Jefferies, said British firms may look to M&A to protect themselves from negative Brexit consequences. He noted, “The amount of pressure on these companies will accelerate in the coming months and for some the choice will be between domestic consolidation and restructuring.”



Middle market LBO activity improved in August with the Consumer Products and Industrials & Distribution Services sectors recovering from a slow July. According to Pitchbook, PE-led acquisitions accounted for almost 40% of North American M&A volume in the first half of 2019. Historically, sponsor-backed acquisitions constituted less than 30%. One change has been PE’s focus on growth, instead of cost-cutting, which has allowed funds to compete with strategic buyers, especially in the technology industry.



## SELECT MIDDLE MARKET M&A TRANSACTIONS – Industrial & Distribution

### *Maroon Group acquires Amsyn LLC*

Mirus Capital Advisors acted as the exclusive financial advisor to Amsyn, LLC in its acquisition by Maroon Group LLC. Amsyn is a national distributor of specialty chemicals to the coatings, lubricants, nutraceutical, pharmaceutical, and electronics industries. The transaction represents another example of a successful entrepreneur joining the Maroon team to drive the next phase of the company's growth.

"Amsyn's ability to distinguish itself as a leading provider of technical solutions has resulted in close integration within its customers' supply chains. The acquisition reinforces Maroon's position in core markets and is a great fit within our comprehensive portfolio of specialty chemicals and ingredients," said Terry Hill, CEO of Maroon Group.

### *Heartland Express Acquires Millis Transfer*

Heartland Express, Inc. (NASDAQ: HTLD) ("Heartland"), one of North America's largest and most profitable truckload transportation companies, announced that it has acquired 100% of the equity of dry van truckload carrier Millis Transfer, Inc. and related entities ("Millis"), for aggregate value of approximately \$150 million.

Michael Gerdin, Chairman, President, and CEO of Heartland commented: "We are very pleased to welcome everyone at Millis to Heartland Express. We are impressed with the high quality of the driving professionals and the organization's safety profile. In addition, the regional coverage, equipment, conservative and disciplined management style, and culture are all very compatible with our approach. The current Millis Family management team has over 113 years combined experience and will remain with the business in their current roles. We expect Millis to contribute to our ongoing success immediately, and with opportunities for further improvement, get even better over the long term."

### *AE Industrial Partners completes acquisition of Columbia Helicopters*

AE Industrial Partners, LP, a private equity firm specializing in aerospace, defense and government services, power generation, and specialty industrial markets, has announced that it has completed its acquisition of Columbia Helicopters. Terms of the transaction, announced on July 18, 2019, were not disclosed.

Columbia Helicopters is headquartered in Aurora, Ore., and has a fleet of helicopters built to transport cargo and passengers. The company also provides maintenance, repair, overhaul and life cycle support services to the public and private sectors. Kirk Konert, a principal at AEI, said the investment company seeks to build on Columbia Helicopters' six decades of aviation services experience and expand offerings into new markets.

## 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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