

MARKET BRIEF

In September, public markets saw modest gains and lower volatility after losses in August. Economic indicators remained relatively flat, while consumer confidence decreased as the economy moves into the late cycle phase. September saw a slowdown in both global and middle market M&A, due in part to global economic uncertainty. Despite this, financial sponsors maintain record levels of dry powder and business executives continue to rank M&A as a primary growth strategy in the near term.

Unemployment Rate Declined to 3.5% in September

Total nonfarm payroll employment rose by 136,000 in September, and the unemployment rate dropped from 3.7 percent in August to 3.5 percent in September according to the U.S. Bureau of Labor Statistics. This represents the lowest unemployment figure since December 1969. Notable job gains occurred in health care (+39,000 jobs) and professional and business services (+34,000 jobs). Average hourly earnings for all employees remained flat (-1 cent) after rising 11 cents in August. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Declined in September

The *Consumer Confidence Index* declined nine points in September to 125.1, down from 134.2 in August. This was accompanied by corresponding declines in both the Present Situation Index and Expectation Index, which dropped 7 and 10.6 points respectively. Consumers' confidence during the month weakened on both current economic conditions and the short-term outlook, largely due to worsening U.S-China trade tensions in late August. The percent of respondents rating business conditions as "good" decreased from 40.9 percent to 37.3 percent, while those saying business conditions are "bad" increased from 9.9 percent to 12.7 percent. Consumers' job market outlook also worsened, with those saying that jobs are "plentiful" decreasing from 50.3 percent to 44.8 percent and those claiming that jobs are "hard to get" remaining relatively flat. (<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Gained 0.39 percent in July

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, gained 0.39 percent from June to July to reach 211.72, with an annual gain of 3.2 percent. This continued a steady upwards trend since 2012. The 10-City Composite also gained 0.02 percent for the month while the 20-City Composite gained 0.13 percent. (<https://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

The Consumer Price Index Remains Unchanged in September

The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in September on a seasonally adjusted basis after rising 0.1 percent in August. Over the past 12 months, the all items index increased 1.7 percent before seasonal adjustment. The index saw declines for the month in the energy index, which fell 1.4 percent as the gasoline index fell 2.4 percent. This was offset by

the shelter and food indices which increased, continuing an upward trend over the last year. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The U.S. public equity market experienced a modest rebound in September as the S&P 500 gained 1.72 percent overall while the Dow Jones Industrial Average gained 2.10 percent. The CBOE VIX Index, which measures forward-looking implied volatility, decreased after a sharp spike in August. Despite broader market gains, September marked a difficult month for public offerings, with Q3 2019 IPO deal volume down 26 percent from Q3 2018 and funds raised in these offerings down 25 percent for the same period. High profile IPO news included WeWork suspending its IPO on September 17th amid intense scrutiny and Peloton's offering being poorly received by the market.

Public Trading Multiples

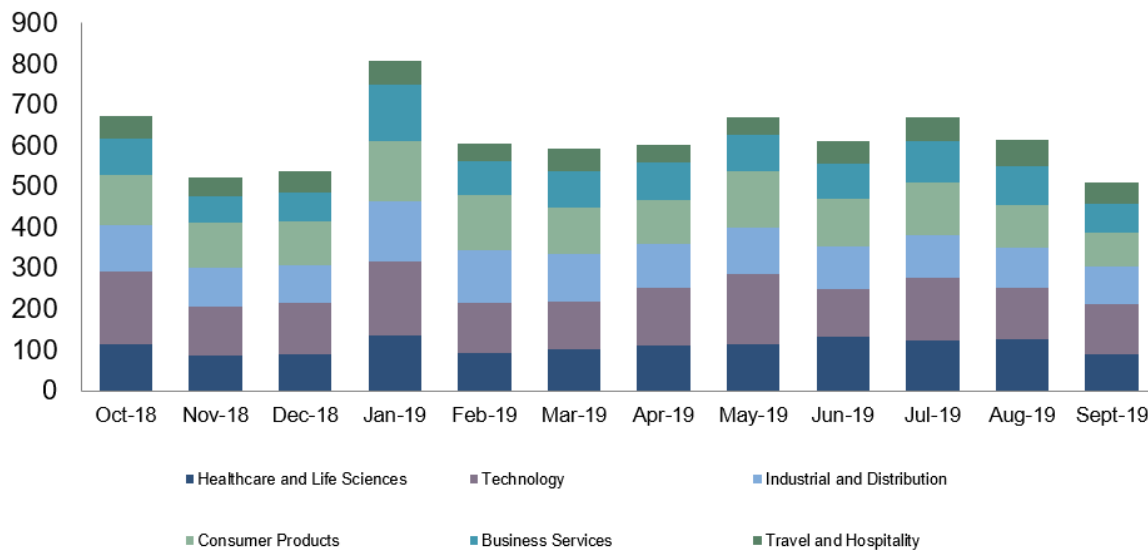
As of September 30, 2019

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	27.8x	8.8%	9.5%	11.4%	8.5%	14.8%
Healthcare Equipment and Supplies	4.7x	20.6x	5.6%	5.2%	4.7%	6.7%	15.9%
Healthcare Providers and Services	0.8x	11.5x	3.4%	5.0%	10.9%	8.1%	7.9%
Healthcare and Life Sciences Aggregate	3.5x	20.0x	5.9%	6.5%	9.0%	7.8%	12.9%
Technology							
IT Services	3.4x	17.4x	6.0%	7.4%	4.6%	8.4%	8.7%
Software	6.6x	21.6x	11.3%	11.7%	15.0%	16.8%	4.8%
Computers and Other Electronic Equipment	1.0x	8.8x	2.9%	5.1%	-3.1%	5.4%	19.2%
Technology Aggregate	3.7x	15.9x	6.7%	8.1%	5.5%	10.2%	10.9%
Industrial and Distribution							
Aerospace and Defense	2.0x	15.0x	6.3%	4.1%	6.2%	5.7%	8.5%
Building Products	1.2x	9.8x	3.9%	3.3%	0.4%	4.9%	11.6%
Construction and Engineering	0.6x	8.0x	6.2%	6.3%	2.5%	7.8%	9.5%
Machinery	1.3x	10.1x	4.4%	5.4%	3.1%	9.0%	7.3%
Distributors	0.7x	10.0x	12.3%	8.3%	10.2%	13.8%	4.5%
Industrial and Distribution Aggregate	1.2x	10.6x	6.6%	5.5%	4.5%	8.2%	8.3%
Consumer Products							
Food and Beverage	2.3x	13.8x	2.9%	3.4%	2.0%	4.1%	15.1%
Household and Personal Products	3.2x	15.8x	1.0%	2.6%	3.7%	4.5%	18.4%
Household Durables	0.9x	8.5x	2.3%	6.1%	0.7%	9.7%	8.6%
Textiles, Apparel, and Luxury Goods	2.1x	13.5x	4.5%	6.0%	5.9%	8.6%	8.7%
Consumer Products Aggregate	2.1x	12.9x	2.7%	4.5%	3.1%	6.7%	12.7%
Business Services							
Human Resource and Employment Services	0.9x	12.4x	3.6%	6.8%	6.5%	6.6%	10.2%
Research and Consulting Services	3.1x	17.5x	5.9%	7.0%	3.7%	6.6%	20.7%
Business Services Aggregate	2.0x	14.9x	4.8%	6.9%	5.1%	6.6%	15.5%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.5x	12.6x	7.5%	5.6%	4.0%	5.9%	10.7%
Restaurants	2.8x	17.2x	3.9%	2.3%	2.7%	2.4%	9.3%
Leisure Facilities	4.2x	14.1x	6.6%	5.2%	8.7%	7.3%	32.6%
Travel and Hospitality Aggregate	3.2x	14.6x	6.0%	4.4%	5.1%	5.2%	17.6%

M&A MARKET

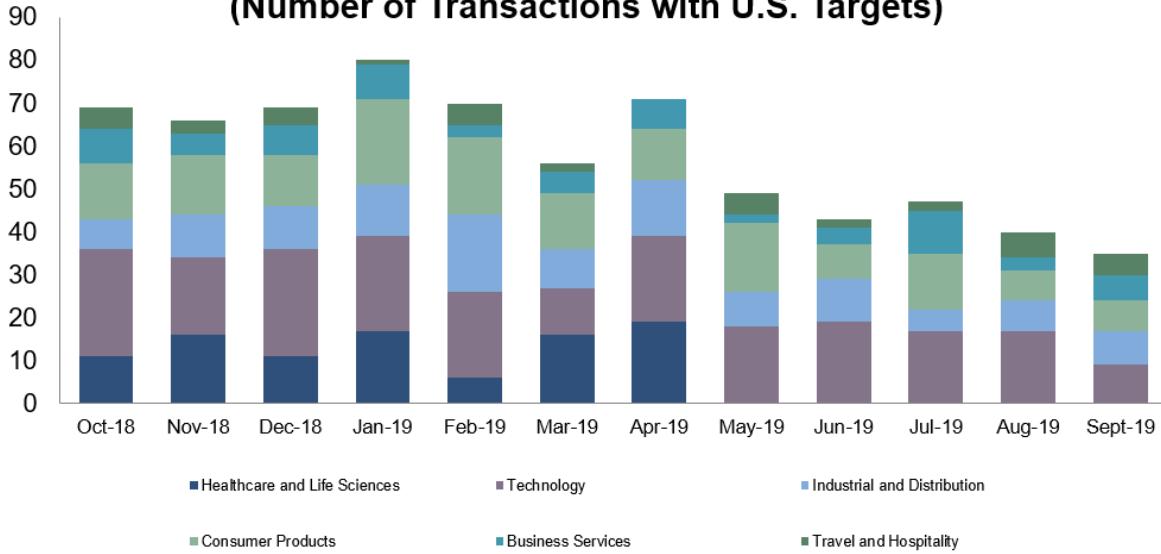
Middle market M&A deal volume declined moderately in September while deal multiples remained steady for the month. The largest decreases in middle market M&A occurred in the Consumer Products and Business Services sectors while Technology and Industrial Distribution deals saw the smallest decrease in activity.

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



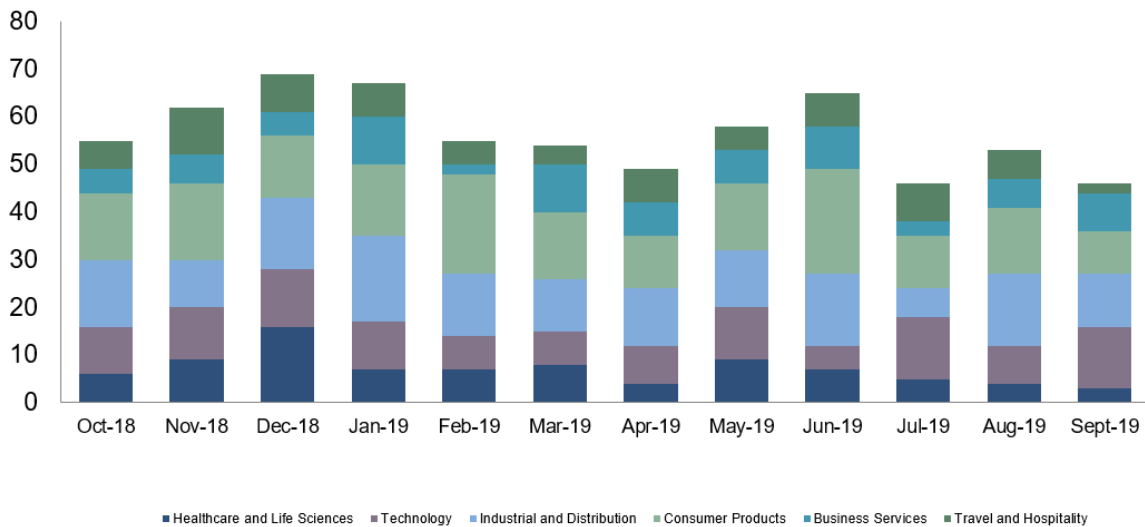
Deal flow for middle market cross-border transactions saw a decrease in September, likely due to geopolitical tensions. Specifically, uncertainty surrounding U.S. – China trade and UK Prime Minister Boris Johnson’s attempt to suspend Parliament amidst Brexit negotiations have raised concerns in the market. According to Paul, Weiss, Rifkin, Wharton & Garrison LLP, the top countries by volume for inbound U.S. cross-border M&A in September were South Korea (\$8.72 billion), Japan (\$6.17 billion), Denmark (\$1.72 billion), Singapore (\$1.44 billion), and Sweden (\$1.01 billion). For outbound U.S. cross-border M&A, the top countries by volume were Chile (\$2.17 billion), Singapore (\$1.15 billion), Canada (\$0.65 billion), United Kingdom (\$0.31 billion), and Portugal (\$0.24 billion).

Cross-Border Middle Market M&A Activity (Number of Transactions with U.S. Targets)



Middle market LBO activity decreased in September, with the largest decreases occurring in the Travel & Hospitality and Consumer Products sectors, while Technology and Business Services deal volume increased. September also showed a shift towards strategic deals in the broader M&A market, as the number of strategic acquisitions increased by 28.1 percent in the U.S. Deal value, however, decreased among both sponsors and strategic transactions.

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



SELECT MIDDLE MARKET M&A TRANSACTIONS – Consumer Products

S. C. Johnson Acquires Oars + Alps

On September 12th, S. C. Johnson & Son, Inc. acquired Oars + Alps LLC from Breakout Capital and Levy Family Partners for \$20 million. Launched in 2016, Oars + Alps is a Chicago-based specialty manufacturer and distributor of skincare products including eye cream, deodorants, and soap marketed towards male consumers. The company has grown from an e-commerce startup to be included in over 500 Target stores as part of the Target Takeoff Accelerator Program. The acquisition marks a continued interest in from SC Johnson in acquiring early-stage skincare companies after their June announcement to acquire sunscreen startup Sun Bum LLC.

Founded in 1886, SC Johnson is a private multinational company with brands across household products, including Ziploc, Armstrong, Glade, Pledge, Windex, and Raid.

Grupo Nutresa Acquires Cameron's Coffee

On September 18th, Colombian packaged food conglomerate Grupo Nutresa S.A. (BVC: NUTRESA) acquired Minnesota-based Cameron's Coffee and Distribution Company for \$113 million from Minneapolis-based private equity firm Goldner Hawn. Cameron's Coffee produces and supplies coffee and tea, offering its products in major grocery store chains in Arizona, Iowa, Illinois, Michigan, Minnesota, Missouri, Nebraska, North Dakota, and Wisconsin.

Grupo Nutresa hopes to strengthen its international footprint in the United States through the acquisition. The firm was also interested in the acquisition due to Cameron's Coffee's iconic brand and strong go-to-market strategy.

Grupo Nutresa's CEO, Carlos Ignacio Gallego expressed: "This acquisition is a new step in Grupo Nutresa's internationalization process and is aligned with our objective of improving the quality of life of consumers through conscious brands, affordable products and innovative, differentiated value propositions. Through Cameron's Coffee, Grupo Nutresa strengthens its international presence in a fast-growing and dynamic category, which offers multiple opportunities for sustainable long-term value creation through effective, differentiated innovation."

Stonewall Kitchen Acquires Village Cannery of Vermont Inc.

Stonewall Kitchen, LLC, a retailer of specialty food products and kitchen products, has completed its acquisition of Village Cannery of Vermont, Inc. Terms of the transaction, closed on September 30, 2019, were not disclosed. Village Cannery of Vermont is headquartered in Barre, VT, and was founded in 1995.

"We're thrilled to expand our family with this partnership," said John Stiker, Chief Executive Office of Stonewall Kitchen. "Vermont Village (Village Cannery of Vermont Inc.) is a leader in various apple and vinegar products, with exceptional offerings like their signature Organic Unsweetened Applesauce, just recently voted the #1 best-tasting applesauce in an independent taste test of 28 different brands by Epicurious. As fellow New Englanders, we're looking forward to combining the strength of our business with the Vermont Village brand to grow together in product innovation and distribution."

FURTHER INFORMATION

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