

MARKET BRIEF

In October, public markets saw steady gains and a sharp decrease in volatility after remaining almost flat in September. Economic indicators remained relatively steady, while consumer confidence decreased slightly as the economy moves into the late cycle phase. October saw a return in growth in both global and middle market M&A, driven by deal volume in the technology sector, and the outlook for M&A going into 2020 remains strong.

Unemployment Remains Low

Total nonfarm payroll employment increased by 128,000 in October, and the unemployment rate remained stable with a slight increase from 3.5% in September to 3.6% in October. Job gains were identified in food services and drinking places, social assistance, and financial sectors, while manufacturing and government employment declined. The labor force participation rate was 63.3%, up 0.4% over the past year. (<https://www.bls.gov/news.release/pdf/empst.pdf>)

Consumer Confidence Decreased Slightly

The *Consumer Confidence Index* declined from 126.3 in September to 125.9 in October, after a sharper drop in September. "Consumer confidence was relatively flat in October, following a decrease in September," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The Present Situation Index improved, but Expectations weakened slightly as consumers expressed some concerns about business conditions and job prospects. However, confidence levels remain high and there are no indications that consumers will curtail their holiday spending." (<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Continues Its Steady Growth

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index experienced a 3.2% annual gain in August, up from 3.1% in the prior month. "The U.S. National Home Price NSA Index trend remained intact with a year-over-year price change of 3.2%" says Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices. "However, a shift in regional leadership may be underway beneath the headline national index." Phoenix, Charlotte, and Tampa reported the highest gains, with annual increases of 6.3%, 4.5%, and 4.3%, respectively. Home price growth in Las Vegas decelerated from 4.7% to 3.3%, and San Francisco was the only city to show a year-over-year decline (0.1%). (<https://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

The Consumer Price Index Increased 0.4%

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4% in October on a seasonally adjusted basis, after remaining flat in September. The energy index rose by 2.7%, representing the majority of the CPI-U increase, with smaller gains in medical care, recreation, and food prices also contributing. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The U.S. public equity market stumbled early in October but recovered nicely by month-end. The S&P 500 gained 3.3% and ended the month at an index level of over 3,000 while the Dow Jones Industrial Average gained 1.8%. The CBOE VIX Index, which measures forward-looking implied volatility, decreased 28.8% in October after a small spike early in the month. A sharp decrease in the VIX throughout the month, otherwise known as the “fear index,” signals general investor optimism. Stocks moved higher as third quarter earnings season kicked off. Despite analyst expectations of lower earnings due to economic concerns, 76% of S&P500 companies which reported earnings in October beat consensus estimates.

Public Trading Multiples

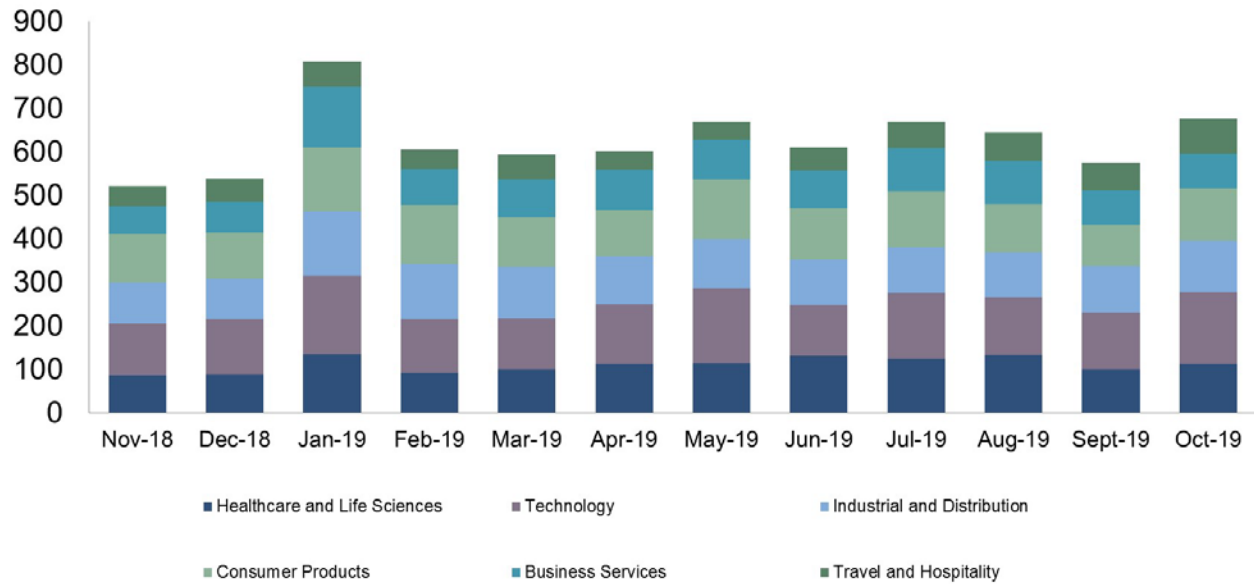
As of October 31, 2019

Category	CapIQ Identifier	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
				1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences								
CapIQ Identifier								
Healthcare Technology	IQ26977523	5.1x	27.9x	9.5%	10.3%	11.6%	7.2%	14.5%
Healthcare Equipment and Supplies	IQ10714745	4.7x	20.2x	5.2%	5.2%	7.1%	6.5%	17.4%
Healthcare Providers and Services	IQ10714744	0.8x	11.4x	6.3%	5.7%	13.0%	8.4%	7.9%
Healthcare and Life Sciences Aggregate	IQ10714677	3.5x	19.9x	7.0%	7.1%	10.5%	7.4%	13.3%
Technology								
IT Services	IQ10714755	3.4x	17.4x	6.3%	7.1%	5.5%	8.5%	9.0%
Software	IQ10714756	6.7x	21.6x	10.8%	11.9%	15.0%	17.7%	4.3%
Computers and Other Electronic Equipment	IQ10714684	1.3x	11.0x	0.7%	4.6%	-8.9%	3.0%	17.1%
Technology Aggregate	IQ10714679	3.8x	16.7x	5.9%	7.9%	3.9%	9.8%	10.1%
Industrial and Distribution								
Aerospace and Defense	IQ10714719	2.0x	14.9x	4.9%	4.0%	5.5%	6.4%	8.9%
Building Products	IQ10714708	1.3x	10.9x	1.3%	2.4%	-3.1%	2.6%	11.4%
Construction and Engineering	IQ10714709	0.7x	8.5x	6.3%	5.9%	4.9%	7.3%	9.0%
Machinery	IQ10714711	1.4x	10.7x	2.9%	5.1%	0.7%	9.5%	7.3%
Distributors	IQ10714896	0.7x	10.0x	8.5%	8.2%	9.7%	14.3%	4.5%
Industrial and Distribution Aggregate	IQ10714674	1.2x	11.0x	4.8%	5.1%	3.6%	8.0%	8.2%
Consumer Products								
Food and Beverage	IQ10714694	2.3x	13.9x	2.7%	3.2%	1.0%	3.5%	15.1%
Household and Personal Products	IQ10714695	3.3x	16.1x	1.5%	2.7%	5.9%	5.1%	18.9%
Household Durables	IQ10714721	0.9x	9.2x	1.6%	5.4%	0.3%	9.3%	8.8%
Textiles, Apparel, and Luxury Goods	IQ10714723	2.1x	14.0x	4.1%	5.8%	5.8%	8.7%	8.8%
Consumer Products Aggregate	IQ10714674	2.2x	13.3x	2.5%	4.3%	3.3%	6.6%	12.9%
Business Services								
Human Resource and Employment Services	IQ10714856	0.9x	12.2x	2.1%	5.9%	5.8%	6.0%	10.6%
Research and Consulting Services	IQ47815268	3.3x	19.4x	0.7%	4.3%	-1.4%	3.2%	20.7%
Business Services Aggregate	IQ10714705	2.1x	15.8x	1.4%	5.1%	2.2%	4.6%	15.7%
Travel and Hospitality								
Hotels, Resorts, and Cruise Lines	IQ10714834	2.6x	12.9x	6.9%	5.6%	3.1%	6.0%	10.8%
Restaurants	IQ10714837	2.6x	15.9x	5.0%	2.6%	5.1%	2.9%	10.3%
Leisure Facilities	IQ10714835	4.1x	14.2x	5.5%	4.9%	5.3%	6.7%	32.5%
Travel and Hospitality Aggregate	IQ10714734	3.1x	14.4x	5.8%	4.3%	4.5%	5.2%	17.9%

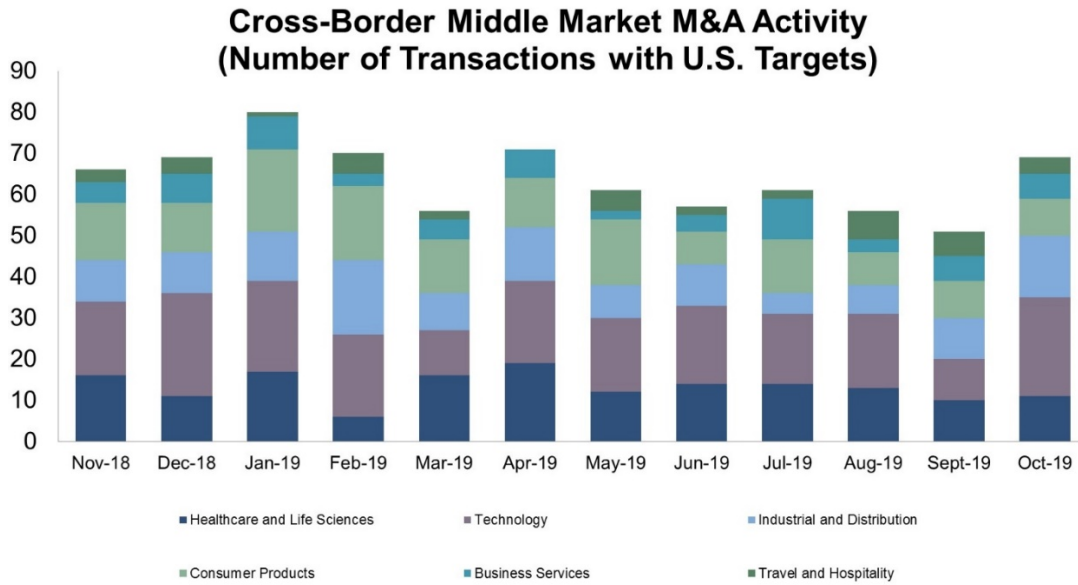
M&A MARKET

Middle market M&A deal volume rebounded in October as one of 2019's stronger months in terms of the number of middle market transactions. The largest increases in middle market M&A transaction volume occurred in the Technology and Consumer Products sectors. October was one of the strongest months for M&A Middle Market deal activity this year.

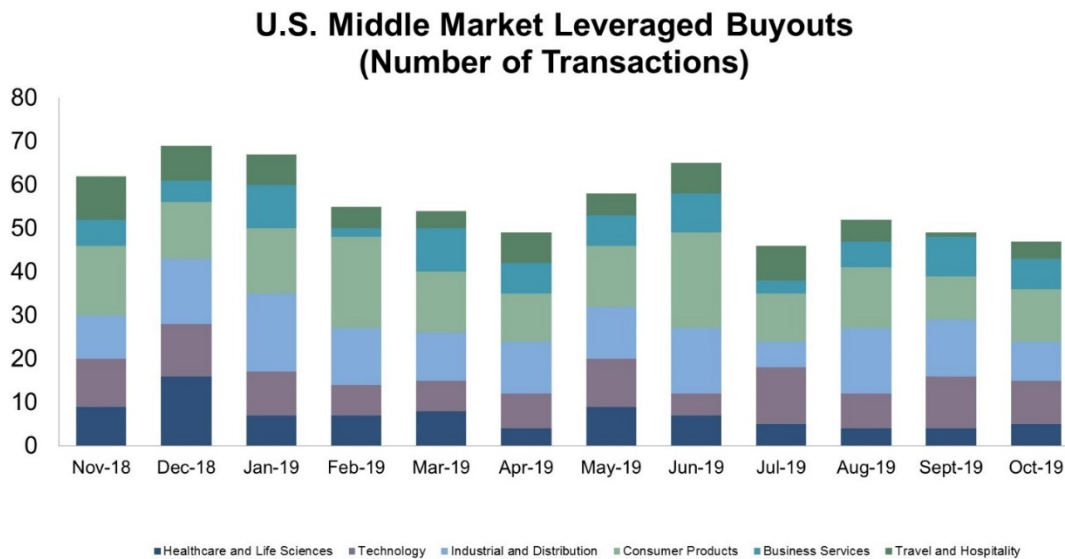
U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Deal flow for middle market cross-border transactions saw a rebound in October, likely due to increased cross-border deal volume between the United States and Europe. However, according to Pitchbook, China-driven M&A in North America has declined steeply in 2019. Through Q3 2019, there has only been \$20 billion of aggregate M&A deal value for transactions with Chinese buyers and US targets, which is a 90%+ decline compared to a peak of \$298 billion in 2016. Some of this slowdown is influenced by the trade war, while some are likely attributed to blocked transactions by The Committee on Foreign Investment in the US on the grounds of national security.



Middle market LBO activity decreased slightly in October, with the largest decreases occurring in the Industrial & Distribution and Consumer Products sectors, while Travel & Hospitality and Healthcare & Life Sciences deal volume increased. According to Pitchbook, 2019 is on pace to set a record for U.S. add-on acquisition activity for private equity groups. As of October 11, 68% of all U.S. private equity buyouts were add-ons. The factors influencing this shift are largely backed by a heightened focus on the buy-and-build model and increasing buyout multiples that raise the price tags for new platform investments.



SELECT MIDDLE MARKET M&A TRANSACTIONS – Travel and Hospitality

ARC Group Acquires WingHouse Bar & Grill Restaurant Concept

On October 14th, ARC Group, Inc., a restaurant holding company announced it acquired the WingHouse Bar & Grill restaurant concept from Soaring Wings, LLC and its affiliates for \$18 million. WingHouse Bar & Grill first opened its doors over 25 years ago in Largo, Florida, where the concept to blend the spirit and camaraderie of sports with the casual atmosphere of a full-service restaurant was brought to life by NFL alum, Crawford Ker. Today, WingHouse has grown to 24 locations that span the state of Florida, generating more than \$60.6 million in revenue and \$3.5 million of cash flow from operating activities during 2018.

Seenu G. Kasturi, CEO of ARC Group, stated, "We are excited to add WingHouse Bar & Grill to our portfolio due to its established regional presence within a compelling segment, as we continue to aggressively expand our national footprint. This acquisition is consistent with our strategy of acquiring restaurants chains for which we can leverage our franchising, marketing, operational, logistics and financial expertise to drive sales growth and profitability."

Churchill Downs Incorporated Acquires Turfway Park

On October 9th, Churchill Downs Incorporated announced that, through its wholly-owned subsidiary NKYRG, LLC, it completed its purchase of horse racing track Turfway Park in Florence, Kentucky from JACK Entertainment LLC and Hard Rock International for total consideration of \$46 million in cash. Churchill Downs Incorporated (Nasdaq: CHDN) is an industry-leading racing, online wagering and gaming company anchored by its iconic flagship event - The Kentucky Derby.

"We are thrilled to welcome Turfway Park to the Churchill Downs racing family," said Kevin Flanery, President of Churchill Downs Race Track. "Our team is poised to restore Turfway to its former glory, anchored by northern Kentucky's first historical racing machine facility. The result will be a first-class racing product fueled by increased purses that keeps high-quality horses in Kentucky year-round and appeals to horseplayers nationwide."

Marriott Acquires Hotels Union Square LLC

On October 17th, Marriott International, Inc. (NASDAQ: MAR) announced that it purchased the 270-room W New York – Union Square in the heart of Manhattan's dynamic Union Square neighborhood for \$206 million. Marriott International will transform the existing hotel into a cutting-edge W Hotels showcase, advancing the company's strategy to redefine and reinvigorate the brand in North America.

"There's no better place than New York City to reveal to the world the future of our W Hotels brand, so we're tremendously excited about this acquisition and the unique opportunity that it presents for our reinvention strategy," said Arne Sorenson, President and CEO, Marriott International. "When W was launched as a single hotel in New York 21 years ago with ground-breaking design and a bold approach to nightlife, it pushed the boundaries of how people thought about a hotel. Given how much travelers crave these types of experiences today and the brand's global reach, we see limitless potential for the W brand with hotel owners and developers, travelers and locals."

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.

For any questions about the Middle Market Monitor or Mirus Capital Advisors, please contact Mirus Capital Advisors at 781-418-5900 or visit <http://merger.com>. You can also contact our senior bankers directly:

[Peter Alternative](#)
[David Christopher](#)
[Andy Crain](#)
[Alan Fullerton](#)
[Brendan Kiernan](#)
[Michael Krongel](#)
[Michael Osborne](#)
[Stuart Rose](#)
[Patrick West](#)

Sources: Capital IQ, Bloomberg, Forbes, Reuters, The New York Times, The Wall Street Journal, Bureau of Labor Statistics, Ernst & Young, JP Morgan, Financial Times, The Middle Market, other sources as referenced within, and Mirus analysis. Copyright 2019, Mirus Capital Advisors, Inc. All rights reserved. Mirus Capital Advisors does not assume any liability for errors or omissions.



Follow us on LinkedIn

To read more reports on the M&A markets, visit our website: www.merger.com