

MARKET BRIEF

In November, gains in the public market continued with the major indices reaching near record highs. Economic indicators remained stable, with consumer confidence dipping slightly lower on trade uncertainty and sentiment that the economy is moving towards the later end of the business cycle. November saw a slowdown in M&A activity while many expect to see M&A activity grow in 2020 driven in part by private equity firms looking to deploy record levels of dry powder.

Unemployment Rate Remains Relatively Stable

Total nonfarm payroll employment rose by 266,000 in November, and the unemployment rate remained steady at 3.5 percent in November according to the U.S. Bureau of Labor Statistics. Notable job gains occurred in health care and in professional and technical services, while manufacturing saw an increase due to the end of the General Motors strike, which brought 40,000 employees back into the workforce. November saw average hourly nonfarm earnings for all employees rise by 7 cents to \$28.29. (<https://www.bls.gov/news.release/pdf/empst.pdf>)

Consumer Confidence Remains High Despite November Decline

The *Consumer Confidence Index* experienced a modest decline of 0.6 points in November to 125.5, down from 126.1 in October. This was accompanied by a corresponding decline in the Present Situation Index. The Expectation Index, which measures consumers' short-term outlook, increased in November. Lynn Franco, Senior Director of Economic Indicators at The Conference Board, suggested that the index results project weak growth in the final quarter of 2019 and growth in early 2020 to remain close to 2 percent. These figures represent relatively high consumer confidence and indicate solid spending during the holiday season.

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

The Case-Shiller Index Gained 3.2 percent TTM in September 2019

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, gained 3.2 percent from September 2018 to September 2019, reaching 212.2. The 10-City Composite gained 1.5 percent in the same period while the 20-City Composite gained 2.1 percent.

(<https://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

The Consumer Price Index Gained 0.3 Percent in November

The Consumer Price Index for All Urban Consumers (CPI-U) rose in November on a seasonally adjusted basis by 0.3 percent after rising by 0.4 percent in October. In the past year, the index has increased 2.1 percent on a seasonally adjusted basis. The shelter and energy indexes contributed significantly to November's gain, with the medical care, recreation, and food indices seeing gains for the month as well.

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

PUBLIC MARKET

The U.S. public equity market continued to rise following a dip in early October, reaching near record levels in November. The S&P 500 gained 3.4 percent overall to reach 3,141 while the Dow Jones Industrial Average gained 3.7 percent to reach 28,051. The CBOE VIX Index, which measures forward-looking implied volatility, remained at a relatively low level, ending the month at 12.6.

There was modest U.S. IPO activity during November, with 70 percent less capital raised on the NYSE than in October.

Public Trading Multiples

As of November 30, 2019

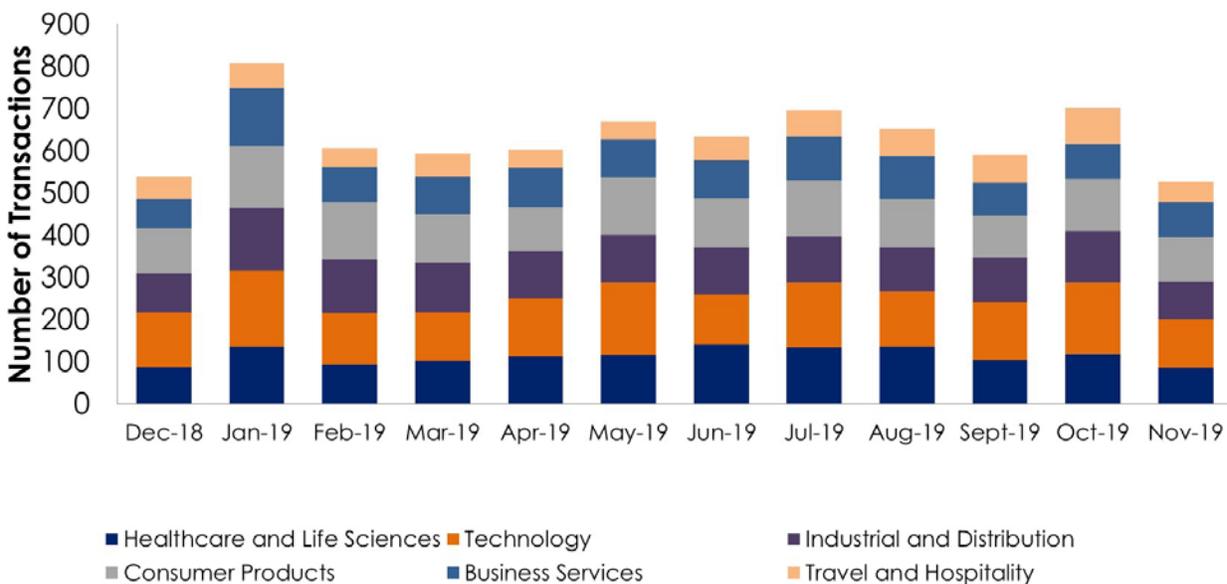
Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin
Healthcare and Life Sciences							
Healthcare Technology	5.0x	27.3x	10.0%	10.7%	11.7%	7.4%	14.8%
Healthcare Equipment and Supplies	4.8x	20.8x	5.2%	5.2%	5.6%	6.5%	17.4%
Healthcare Providers and Services	0.8x	11.6x	4.6%	5.1%	12.4%	8.2%	7.8%
Healthcare and Life Sciences Aggregate	3.6x	19.9x	6.6%	7.0%	9.9%	7.4%	13.3%
Technology							
IT Services	3.4x	17.3x	6.7%	7.0%	5.9%	8.5%	9.0%
Software	6.7x	21.7x	10.8%	12.0%	15.5%	18.3%	4.3%
Computers and Other Electronic Equipment	1.4x	11.1x	0.3%	5.5%	-9.0%	3.8%	16.9%
Technology Aggregate	3.8x	16.7x	5.9%	8.2%	4.1%	10.2%	10.1%
Industrial and Distribution							
Aerospace and Defense	2.0x	15.2x	4.8%	3.9%	3.9%	6.3%	10.2%
Building Products	1.3x	10.8x	1.2%	2.3%	-2.0%	2.7%	11.3%
Construction and Engineering	0.7x	8.6x	5.9%	5.8%	5.0%	6.5%	9.5%
Machinery	1.4x	10.8x	2.3%	5.0%	-0.4%	8.7%	6.7%
Distributors	0.7x	10.0x	8.2%	8.0%	9.4%	14.3%	4.6%
Industrial and Distribution Aggregate	1.2x	11.1x	4.5%	5.0%	3.2%	7.7%	8.5%
Consumer Products							
Food and Beverage	2.2x	13.8x	2.4%	3.3%	0.8%	3.4%	15.2%
Household and Personal Products	3.4x	16.2x	1.4%	2.6%	5.5%	4.8%	18.7%
Household Durables	1.0x	9.3x	1.5%	5.3%	0.3%	9.3%	8.8%
Textiles, Apparel, and Luxury Goods	2.1x	14.1x	4.3%	5.6%	5.7%	8.7%	8.9%
Consumer Products Aggregate	2.2x	13.4x	2.4%	4.2%	3.1%	6.5%	12.9%
Business Services							
Human Resource and Employment Services	0.9x	12.2x	1.8%	5.9%	5.8%	5.9%	10.6%
Research and Consulting Services	3.3x	7.7x	0.9%	4.5%	133.0%	39.9%	31.8%
Business Services Aggregate	2.1x	10.0x	1.4%	5.2%	69.4%	22.9%	21.2%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.6x	13.0x	5.8%	5.6%	3.6%	6.1%	10.9%
Restaurants	2.5x	16.1x	4.2%	2.7%	3.8%	2.6%	10.3%
Leisure Facilities	4.1x	14.3x	5.8%	4.9%	5.9%	6.6%	32.5%
Travel and Hospitality Aggregate	3.1x	14.5x	5.3%	4.4%	4.5%	5.1%	17.9%

M&A MARKET

Middle market M&A deal volume declined slightly in November, marking the lowest activity level of 2019, although volume was up 0.8% vs. November 2018. November saw middle market M&A EBITDA multiples remain steady from October.

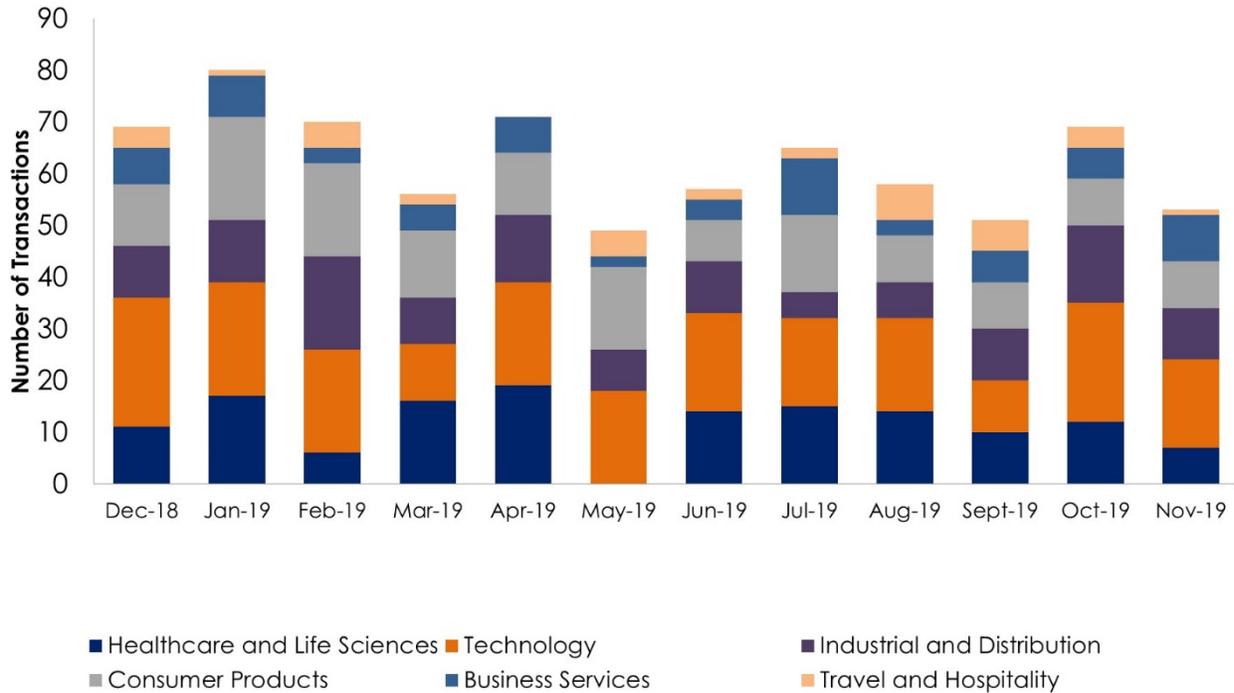
Middle market M&A is projected to grow in 2020, driven by an anticipated increase in private equity transactions and strategic focus on acquisitions. According to the LMBC Middle Market Business Outlook Survey, 10 percent of executives polled ranked acquisitions and vertical integrations as their top business goal for next year. EY's Global Capital Confidence Barometer showed that 52% of respondents were planning to actively pursue M&A in the next 12 months (as of October 2019).

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



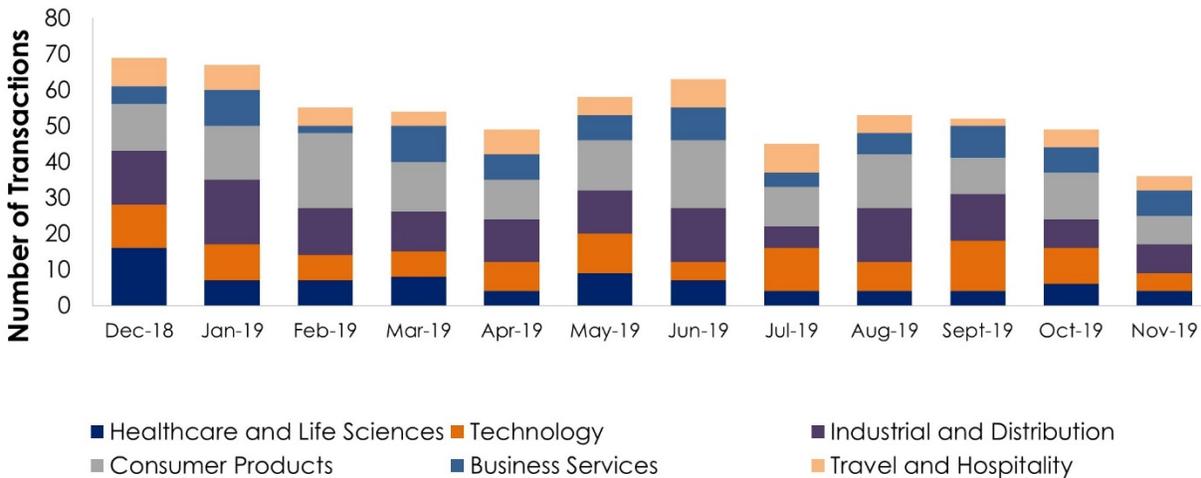
Deal flow for middle market cross-border transactions decreased in November after a strong October. This decline was likely driven by trade uncertainties and the regulatory landscape. In the United States, cross-border M&A deals have been subject to increased scrutiny by the Committee on Foreign Investment in the United States (CFIUS), primarily applicable to transactions in which the target possesses critical technology and infrastructure or personal data of U.S. citizens. As of November 2019, cross-border M&A with Chinese acquirers had fallen more than 90 percent since its 2016 peak, according to PitchBook. Cross-border deals between the U.S. and China may see some normalization following a potential trade agreement in 2020.

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



Middle market LBO activity decreased in November, with the largest decreases occurring in the technology, consumer products, and healthcare industries. Industrial & distribution and business services LBO activity remained flat from October to November. In 2019, U.S. and European private equity reached record fundraising levels and are projected to have another strong year in 2020 (PitchBook). According to Dechert LLP, 58 percent of private equity executives expected an increase in the number of carve-out acquisitions targeted by their firm in 2020 while another 33 percent expected that number to stay the same as 2019.

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



SELECT MIDDLE MARKET M&A TRANSACTIONS – BUSINESS SERVICES

Solugenix Corporation Acquires SEI, LLC

On November 1, 2019, Solugenix Corporation announced its acquisition of SEI, LLC, a leading provider of support solutions for multi-location environments. SEI, LLC provides call center, customized technical help desk, and inside sales services in the United States and internationally. Solugenix Corporation offers information technology consulting services. The company provides a wide range of domain-specific IT specialists within the areas of business analysts and project managers; technology platforms, including enterprise resource planning (ERP) and customer relationship management (CRM); application lifecycle services, including release management and packaging; databases, data warehousing, and analytics; and infrastructure, integration, and cloud, including AWS and Azure.

“Over the course of the last two decades SEI has perfected the use of US-based remote workforce to provide high-quality support for demanding business users,” said Shashi Jasthi, CEO of Solugenix. “This forms a perfect complement to Solugenix’s focus on implementing and supporting complex technology solutions for high-value, high-risk business processes. The combined team will have the skills and the scale to take on bigger engagements in what we are already good at: complex IT applications, artificial intelligence, machine learning, robotic process automation, and data science.”

Pariveda Solutions, Inc. Acquires Levinson & Co.

On November 19th, 2019, Pariveda Solutions announced its acquisition of Levinson & Co. Levinson & Co. operates as a consulting and leadership development company offering executive seminars and programs for business organizations. The company was founded in 1968 and is based in Jaffrey, New Hampshire. Pariveda Solutions, Inc. is an employee-owned, strategic services and information technology consulting company with locations in 11 cities across North America. The company was founded in 2003 and is based in Dallas, Texas.

"Our clients face organizational, talent, and leadership challenges as they transform their enterprises. Since its founding in 2003, Pariveda's purpose is to develop individuals towards their highest potentials," said Bruce Ballengee, Pariveda CEO and Founder. "Today's transformations require more than systems design and consultation services; organization, talent, and leadership must be transformed to sustain success. This acquisition will lead to greater co-creation opportunities with our clients, directly benefiting the speed and effectiveness of their transformations."

Wipfli, LLP Acquires Klein Hall

On November 1st, 2019, Wipfli announced its acquisition of Chicago-based accounting firm Klein Hall. This marked the 17th acquisition for Wipfli in the last five years, adding 25 Klein Hall employees to expand Wipfli's Chicago presence. Klein Hall has provided accounting, tax, and advisory services to privately held business and entities in the Chicago area for 17 years. Wipfli is a national, top 20 accounting and consulting firm in the United States offering audit, tax, and consulting services to corporations nationwide. Following this transaction, Wipfli grew to more than 2,400 associates across 50 offices.

"We are pleased that Klein Hall chose to join Wipfli. The addition will strengthen Wipfli's resources in this key market where our firm currently has five locations. This will add an office to our footprint in the western suburbs of Chicago, enhancing our physical presence in the market and helping Wipfli to become an even stronger leader in providing audit, tax and consulting services to Chicagoland's organizations and businesses," said Kurt Gresens, Wipfli's managing partner.

FURTHER INFORMATION

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