

January 2020

MARKET BRIEF

December concluded with solid economic indicators and continued strength from the public equity market. Unemployment has remained steady and is poised to remain low throughout 2020. The market outlook on 2020 is generally positive, with the Dow Jones breaking 29,000 points on January 10th. M&A activity is expected to grow this year, particularly in the first half of 2020 and ahead of the U.S. Presidential election.

Unemployment Rate Remains Unchanged

The unemployment rate remained flat in December at 3.5% while total nonfarm payroll employment increased by 145,000, according to the U.S. Bureau of Labor Statistics. This figure falls short of the 160,000 jobs projected to be added to the economy in December. Employment rose in Health Care, Retail Trade, and Leisure & Hospitality. In 2019, 2.1 million jobs were created, the least since 2011, and the unemployment rate fell by half a percentage point. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Declined in December

The *Consumer Confidence Index* decreased marginally in December to 126.5, down 0.3 points from 126.8 in November. Lynn Franco, Senior Director of Economic Indicators at The Conference Board, noted, "While consumers' assessment of current conditions improved, their expectations declined, driven primarily by a softening in their short-term outlook regarding jobs and financial prospects. While the economy hasn't shown signs of further weakening, there is little to suggest that growth, and in particular consumer spending, will gain momentum in early 2020." (<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Posts 6.86-point Annual Gain in October 2019

In October 2019, the S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, rose 6.9 points for the trailing twelve months ending October 2019, reaching 212.4 points. Over the same period, the 10-City Composite the 20-City Composite gained 4.3 points and 4.8 points respectively. (<https://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

The Consumer Price Index Rises by 0.2%

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2% in December on a seasonally adjusted basis after gaining 0.3% in November. In 2019, the all items index rose by 2.3%, with the energy index rising 3.4% driven by rising gasoline prices which grew 7.9%. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The U.S. public market enjoyed continued gains in December, driven by solid economic indicators and optimism on trade. December capped off an excellent year for the equity markets, with the S&P 500, Dow Jones Industrial Average, and NASDAQ gaining 28%, 22%, and 35% respectively.

The markets have benefited from the January trade agreement signed by the U.S. and China, with the Dow Jones Industrial Average crossing 29,000 points.

Public Trading Multiples

As of December 31, 2019

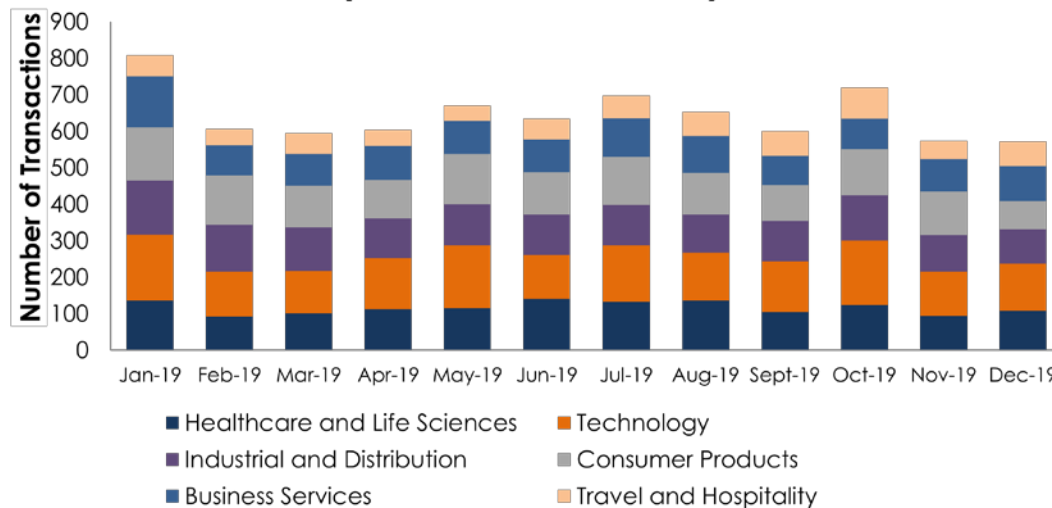
Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin
Healthcare and Life Sciences							
Healthcare Technology	5.1x	27.3x	10.1%	10.7%	11.9%	7.5%	14.1%
Healthcare Equipment and Supplies	4.8x	20.8x	5.2%	5.2%	5.3%	7.0%	17.4%
Healthcare Providers and Services	0.8x	11.5x	4.7%	5.2%	12.5%	8.3%	7.6%
Healthcare and Life Sciences Aggregate	3.6x	19.9x	6.7%	7.0%	9.9%	7.6%	13.1%
Technology							
IT Services	3.4x	17.3x	6.7%	6.9%	6.1%	8.4%	9.0%
Software	6.7x	21.7x	10.8%	12.1%	15.2%	18.3%	4.4%
Computers and Other Electronic Equipment	1.3x	11.1x	0.3%	5.6%	-8.9%	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%	4.0%	3.8%	6.3%	10.2%
Building Products	1.3x	10.8x	1.1%	2.3%	-2.0%	2.8%	11.4%
Construction and Engineering	0.7x	8.6x	5.9%	5.9%	5.1%	6.5%	9.5%
Machinery	1.4x	10.8x	2.2%	5.1%	-0.4%	8.7%	6.7%
Distributors	0.7x	10.0x	8.2%	8.0%	11.2%	14.3%	4.6%
Industrial and Distribution Aggregate	1.2x	11.1x	4.4%	5.1%	3.5%	7.7%	8.5%
Consumer Products							
Food and Beverage	2.3x	13.9x	2.4%	3.2%	1.3%	3.5%	14.8%
Household and Personal Products	3.4x	16.2x	1.3%	2.5%	5.6%	4.7%	18.2%
Household Durables	1.0x	9.3x	1.3%	5.3%	-0.4%	9.2%	8.8%
Textiles, Apparel, and Luxury Goods	2.2x	14.2x	4.3%	5.6%	6.3%	8.8%	8.9%
Consumer Products Aggregate	2.2x	13.4x	2.4%	4.2%	3.2%	6.6%	12.7%
Business Services							
Human Resource and Employment Services	0.9x	12.3x	1.7%	5.9%	5.6%	5.9%	10.6%
Research and Consulting Services	3.4x	7.9x	0.8%	4.4%	123.6%	37.8%	31.8%
Business Services Aggregate	2.1x	10.1x	1.3%	5.1%	64.6%	21.9%	21.2%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.6x	13.1x	5.9%	5.6%	3.7%	5.7%	10.9%
Restaurants	2.6x	16.2x	4.2%	2.7%	3.6%	2.6%	10.3%
Leisure Facilities	4.1x	14.4x	5.7%	5.0%	5.8%	6.7%	32.4%
Travel and Hospitality Aggregate	3.1x	14.6x	5.3%	4.4%	4.4%	5.0%	17.9%

M&A MARKET

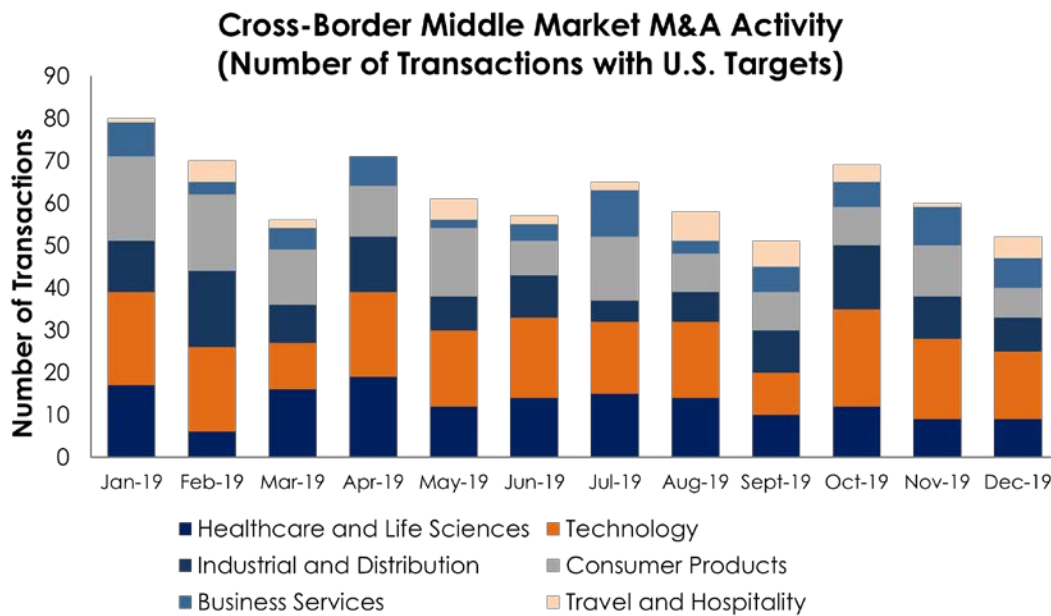
Middle market M&A deal volume was flat in December 2019, with increasing activity in the Healthcare and Life Sciences, Technology, Business Services, and Travel and Hospitality sectors offset by decreasing activity in the Consumer Products and Industrial and Distribution sectors. December capped off an excellent year not only for middle market M&A activity, which totaled 7,729 transactions, but also for market-wide M&A activity, with deal volume reaching \$1.8 trillion, thus topping the \$1.7 trillion in deal volume reported in 2018.

Despite uncertainty regarding domestic national elections and geopolitical tensions, middle market M&A deal volume is projected to be strong in 2020 as interest rates remain low.

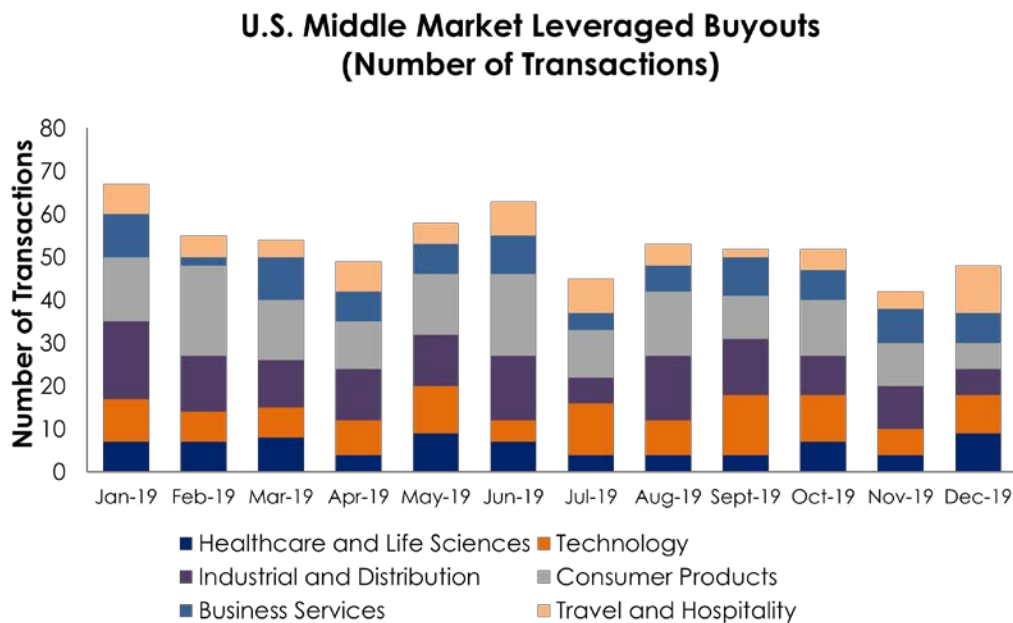
**U.S. Middle Market M&A Activity
Select Industries
(Number of Transactions)**



Cross-border middle market deal flow continued to decline in December after previously falling in November. The continuing decline is largely a result of the geopolitical uncertainty that pervaded the month of December regarding U.S.-China trade. As trade tensions continue to subside, cross-border M&A deals may return to the higher levels seen earlier in the year. Additionally, in a survey conducted at the end of 2019, Baker Tilly International found that 71% of 150 dealmakers from around the world expect their cross-border M&A to increase in 2020 despite geopolitical risks and protectionism.



Deal flow for middle market LBOs increased in December with the largest increases occurring in the Technology, Travel and Hospitality, and Healthcare and Life Sciences industries. LBO activity in the Industrial & Distribution and Business Services decreased from November to December. LBO activity in 2020 is expected to build off a strong 2019 driven by private equity firms' considerable dry powder.



SELECT MIDDLE MARKET M&A TRANSACTIONS – HEALTHCARE AND LIFE SCIENCES

KNOW Bio Acquires Clinical Sensors

On December 19th, 2019, KNOW Bio acquired Clinical Sensors. KNOW Bio is a life science incubator focused on applying its extensive intellectual property to therapeutic applications for the treatment and care of several diseases and conditions. Clinical Sensors is a development-stage company based in Research Triangle Park, N.C. committed to pioneering diagnostic devices and coatings that harness the physiologic properties of nitric oxide to improve diabetic self-management. Immediately following the acquisition, Clinical Sensors was renamed Diabetic Health. The acquisition is in line with KNOW Bio's strategy of forming subsidiaries to focus on specific diseases and conditions and assembling teams of experienced personnel with equity stakes to incentivize performance.

"Continuing our strategy to expand our technology into therapeutic areas where nitric oxide can be beneficial, the acquisition of Clinical Sensors allows KNOW Bio to take advantage of the work already done by their team while adding distinct capabilities for their on-patient management systems. The team at DHl now has the resources to complete the development of their technology with our proprietary nitric-oxide chemistries. Our shared resource model empowers drug and device developers to focus on what is important to drive nitric oxide technology into the hands of needy patients and ultimately drive value for our shareholders," noted Neal Hunter, Managing Director and CEO of KNOW Bio.

IZI Medical Products Acquires RadioMed

On December 17th, 2019, IZI Medical Products, announced the acquisition of RadioMed, from IBA S.A. IZI, backed by Chicago based private equity firm Shore Capital, is a leading developer, manufacturer, and provider of high-quality medical consumable devices used in interventional radiology and oncology, radiation therapy, neuro-spine, and image guided surgery procedures. RadioMed, owned by IBA S.A., is the manufacturer of VISICOIL™ implantable fiducial marker. This is IZI Medical Products' fourth acquisition in the last two years, as they continue to add to their portfolio of medical products.

"We believe that the VISICOIL™ fiducial marker is the industry leading solution due to its maximum soft-tissue fixation and minimal imaging artifact. We are excited to increase the market penetration of these products through RadioMed's existing distribution channels and IZI's direct sales force. These products are complementary to IZI's existing Imaging Marker and Interventional Oncology portfolios," commented IZI's CEO Greg Groenke.

Janssen Research and Development Acquires TARIS BioMedical

On December 20th, 2019, Janssen Research and Development, a subsidiary of Johnson and Johnson, announced its acquisition of TARIS BioMedical. Founded in 2008, TARIS BioMedical is a biotechnology leader specializing in the delivery of drugs in bladder disease treatments. The

acquisition adds clinical-stage products for Janssen Research and Development's Global Oncology Therapeutic Area to further develop and test.

"The TARIS technology provides a first-in-class clinical stage platform to evaluate novel, locally delivered therapeutics for patients with localized bladder cancer. Together with the TARIS team, we look forward to advancing complete regimens to push towards early interception of bladder cancer with the goal of improving outcomes for patients and, ultimately, delivering cures," said Peter Lebowitz, M.D., Ph.D., Global Therapeutic Area Head, Oncology, Janssen Research & Development, LLC.

FURTHER INFORMATION

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