

## MARKET BRIEF

In March, economic indicators deteriorated with an increase in unemployment and decreases in the Consumer Confidence Index and Consumer Price Index. The public markets continued to decline over the course of the month as uncertainty over the global COVID-19 pandemic persisted. In response to this crisis, the U.S. passed a \$2.2 trillion stimulus package that included direct checks to many Americans, expansion of unemployment insurance, credit lines to American businesses, and expanded resources for healthcare providers. The number of LBO and cross-border transactions decreased, with overall middle market M&A activity declining.

### Unemployment Claims Surge

In March, the unemployment rate rose to reach 4.4% according to the U.S. Bureau of Labor Statistics. Economists estimate that the unemployment rate will rise to approximately 20% in April as the shutdowns that began in March across the nation have resulted in over 22 million new unemployment claims. Layoffs and furloughs have occurred across multiple sectors, including Leisure and Hospitality, Manufacturing, Retail Services, and Healthcare. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

### Consumer Confidence Fell in March

The *Consumer Confidence Index* declined sharply in March from 132.6 points in February to 120 points. "Consumer confidence declined sharply in March due to a deterioration in the short-term outlook," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The Present Situation Index remained relatively strong, reflective of an economy that was on solid footing, and prior to the recent surge in unemployment claims. However, the intensification of COVID-19 and extreme volatility in the financial markets have increased uncertainty about the outlook for the economy and jobs. March's decline in confidence is more in line with a severe contraction – rather than a temporary shock – and further declines are sure to follow." (<https://www.conference-board.org/data/consumerconfidence.cfm>)

### The Case-Shiller Index Rose by 3.9% in January 2020

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, rose to 212.43 points in January 2020, posting an annual gain of 3.9%, up from 3.7% in December and 3.5% in November. "The trend of stable growth established in 2019 continued into the first month of the new year," says Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices. (<https://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

### The Consumer Price Index Declined by 0.4%

The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.4% in March on a seasonally adjusted basis. This decline marks the largest monthly decrease in the index since January 2015. The decline was driven by significant price drops in gasoline, fuel oil, apparel, and

airline fares, which outweighed increases in the food away from home and medical care services indices. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

## PUBLIC MARKET

Volatility in the U.S. public market surged in March. The Chicago Board Options Exchange's CBOE Volatility Index (VIX) peaked at 82.69 points on March 16, up from 41.11 points at the end of February. The market declined as the global shutdowns due to COVID-19 threatened economic activity. The S&P 500, the NASDAQ Composite, and Dow Jones Industrial Average posted losses of 16% 14%, and 18% on the month, respectively.

### Public Trading Multiples

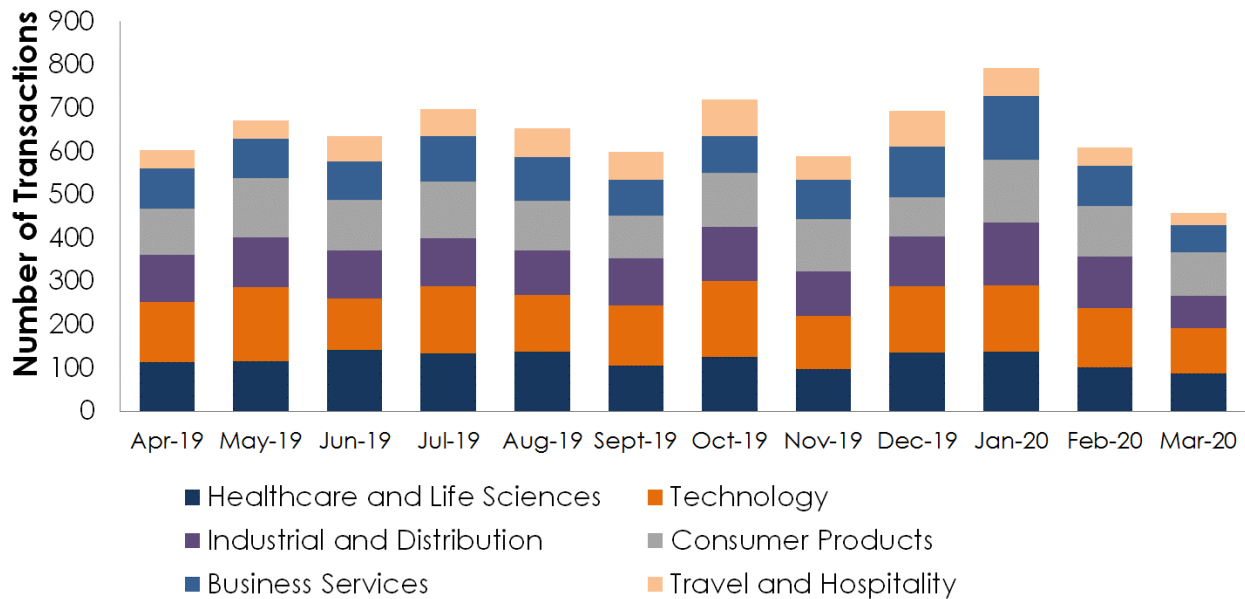
As of March 31, 2020

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	5.8x	29.4x	12.1%	11.0%	13.6%	8.3%	12.4%
Healthcare Equipment and Supplies	5.0x	20.7x	5.1%	7.0%	6.1%	8.5%	17.6%
Healthcare Providers and Services	0.8x	10.7x	5.5%	5.9%	14.2%	8.9%	7.8%
Healthcare and Life Sciences Aggregate	3.9x	20.2x	7.6%	8.0%	11.3%	8.6%	12.6%
<b>Technology</b>							
IT Services	3.6x	17.4x	7.2%	7.9%	9.7%	9.1%	9.1%
Software	7.2x	22.2x	12.0%	13.1%	12.7%	18.8%	4.5%
Computers and Other Electronic Equipment	1.5x	12.0x	1.4%	7.2%	-9.1%	5.0%	16.3%
Technology Aggregate	4.1x	17.2x	6.9%	9.4%	4.4%	11.0%	10.0%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.7x	12.4x	11.8%	7.5%	11.8%	9.4%	9.7%
Building Products	1.4x	10.1x	-0.7%	4.0%	-2.3%	5.0%	11.8%
Construction and Engineering	0.6x	7.7x	6.8%	8.0%	6.3%	8.8%	10.2%
Machinery	1.4x	10.2x	1.3%	7.4%	-2.2%	9.8%	7.0%
Distributors	0.7x	9.4x	1.8%	10.1%	9.0%	15.1%	4.7%
Industrial and Distribution Aggregate	1.1x	10.0x	4.2%	7.4%	4.5%	9.6%	8.7%
<b>Consumer Products</b>							
Food and Beverage	2.0x	12.2x	3.8%	4.7%	4.8%	5.0%	15.2%
Household and Personal Products	3.3x	15.5x	2.6%	4.2%	0.4%	4.9%	18.7%
Household Durables	1.0x	9.0x	0.9%	7.3%	3.5%	11.8%	8.9%
Textiles, Apparel, and Luxury Goods	2.0x	11.1x	4.7%	6.4%	5.5%	9.2%	9.5%
Consumer Products Aggregate	2.1x	11.9x	3.0%	5.7%	3.5%	7.7%	13.1%
<b>Business Services</b>							
Human Resource and Employment Services	0.9x	11.2x	2.0%	8.1%	4.3%	10.2%	10.7%
Research and Consulting Services	3.3x	17.1x	6.7%	5.6%	6.5%	4.0%	20.7%
Business Services Aggregate	2.1x	14.2x	4.4%	6.9%	5.4%	7.1%	15.7%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.3x	10.8x	4.1%	6.9%	1.3%	5.1%	11.7%
Restaurants	2.6x	14.7x	3.9%	4.7%	4.9%	4.3%	10.2%
Leisure Facilities	3.9x	13.0x	4.5%	6.8%	2.0%	8.4%	32.1%
Travel and Hospitality Aggregate	2.9x	12.8x	4.2%	6.1%	2.7%	5.9%	18.0%

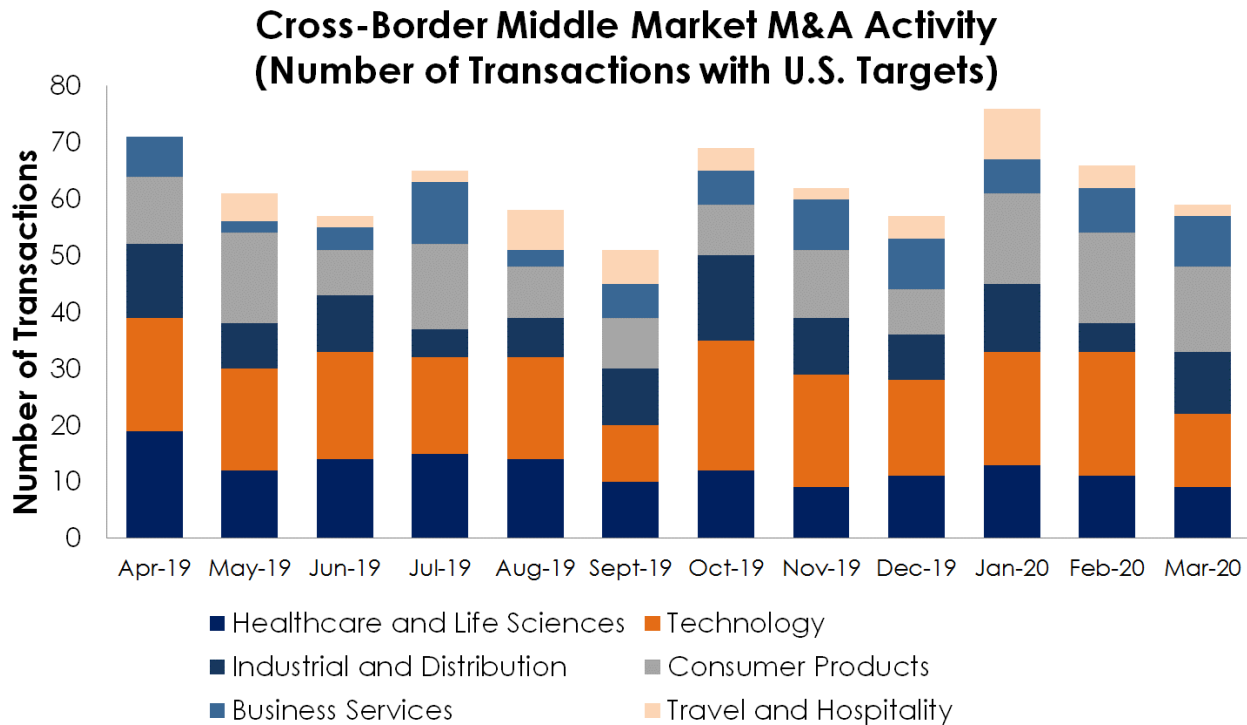
## M&A MARKET

In March, deal flow for middle market M&A decreased with notable declines in deal volume in the Travel and Hospitality, Healthcare and Life Sciences, and Industrial and Distribution sectors. Increased volatility in public markets and uncertainty regarding COVID-19 have likely contributed to this decrease.

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

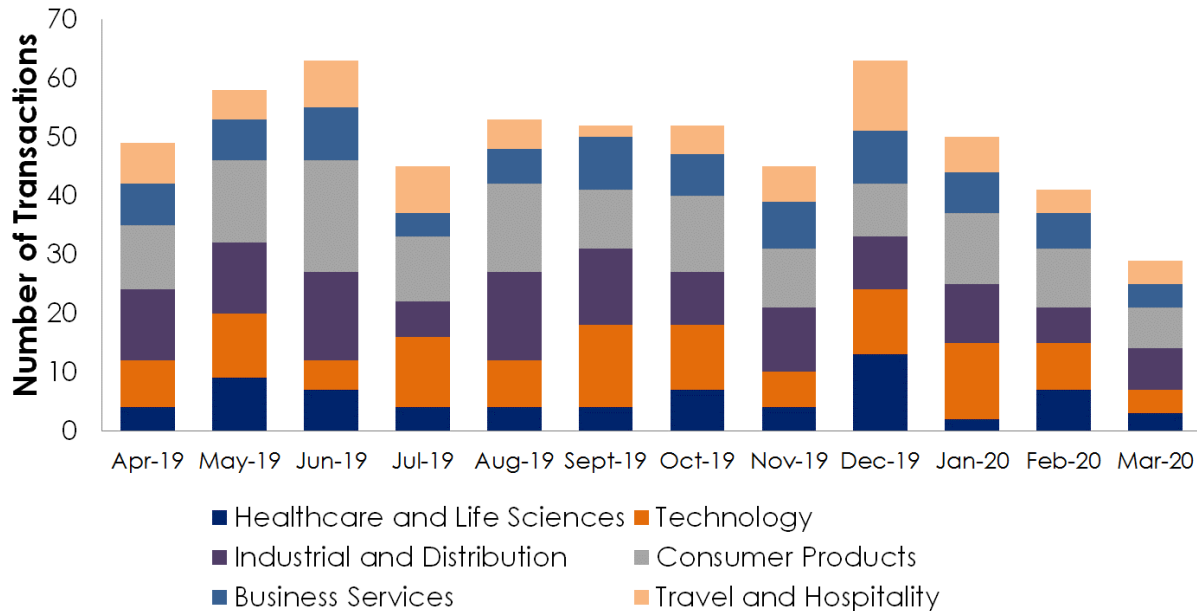


Overall cross-border transaction deal volume fell in March. There was an increase in volume for the Industrial and Distribution sector, which was offset by decreases in the Healthcare and Life Sciences, Technology, and Travel and Hospitality sectors.



In March, LBO activity continued to decline, garnering the lowest deal volume for any month in the past year. Increases in deal volume for the Industrial and Distribution sector were outweighed by decreases in the Healthcare and Life Sciences, Business Services, Technology, and Consumer Products sectors. According to law firm Paul Weiss, “the considerable decline in global dealmaking comes at a time of growing fears of a global health pandemic related to the outbreak of the coronavirus as well as increased stock market volatility.”

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



### SELECT MIDDLE MARKET M&A TRANSACTIONS – CONSUMER PRODUCTS

#### *e.l.f Beauty Acquires W3LL PEOPLE*

On February 24<sup>th</sup>, 2020, e.l.f Beauty announced the acquisition of W3LL PEOPLE. e.l.f Beauty makes high-quality, vegan and cruelty-free cosmetics and skin care products. As one of the first online beauty brands, e.l.f. has a passionate social following, national distribution at leading retailers such as Target, Walmart and Ulta Beauty, and a growing international presence. W3LL PEOPLE is a cruelty-free, clean beauty company. The acquisition highlights e.l.f Beauty’s plans to leverage its own sales and marketing channels within the clean beauty space and create synergies through strategic acquisition.

“We are pleased to bring clean beauty pioneer W3LL PEOPLE under the e.l.f. Beauty umbrella as our first strategic extension. Clean beauty is a strategically important segment given consumer sentiment and strong growth rates. W3LL PEOPLE has a long history of expertise and credibility in clean beauty that works. Their brand values and market opportunity align closely with e.l.f. and we believe there are a number of synergies to be realized on both the cost and distribution fronts,” said Tarang Amin, e.l.f. Beauty Chairman and Chief Executive Officer.

### **IG Design Group Acquires CSS Industries**

On February 28th, 2020, IG Design Group acquired CSS Industries. IG Design Group plc, the largest consumer gift packaging business in the world, is a designer, innovator and manufacturer of celebratory and occasional products, working with more than 11,000 customers in over 80 countries throughout the U.K., Europe, Australia and the U.S. CSS is a creative consumer products company, focused on the craft, gift and seasonal categories, engaging in the creative development, manufacture, procurement, distribution and sale of its products with an omni-channel approach focused primarily on mass market retailers.

Paul Fineman, Design Group's Chief Executive Officer, said: "As well as doubling the scale of our U.S. business, the combination of CSS and Design Group further strengthens our position as the global leader in consumer gift packaging and establishes us as a major supplier to the creative craft market. The acquisition significantly enhances the portfolio of products, brands and services that we offer to our global customer base of 'winning' retailers, as well as providing access to many new channels and markets. Through leveraging CSS' quality customer base, manufacturing capability and recognized brand portfolio, together with the strength of our existing business in the U.S., this transaction delivers substantial opportunities for synergies across the Group and further accelerates the Group's positive momentum. We are delighted to have once again identified a compelling opportunity that meets our clear criteria, whilst maintaining prudent levels of average leverage. This acquisition is not only earnings enhancing, it also provides us with tremendous prospects to create further value for our shareholders."

### **Westrock Coffee Acquires S&D Coffee & Tea**

On February 28th, 2020, Westrock Coffee acquired S&D Coffee and Tea from Cott Corporation. Westrock Coffee is a farmer-focused, fully integrated company providing coffee sourcing and financing, supply chain management, roasting, packaging, and distribution services to customers around the world. S&D Coffee & Tea is the largest coffee and tea manufacturer and supplier to restaurants and convenience stores in U.S. S&D is also a leading producer of liquid extracts.

"This strategic combination will create the nation's premier coffee, tea, and extract supplier that is capable of serving the most complex and demanding customers across the country and around the world. We intend to use the scale of the new company to offer the most innovative beverage solutions with competitive pricing to our global clients while simultaneously providing a premium price to our farmer partners at origin. Our unmatched commitment to customer service, product quality, and our industry-leading sustainability and transparent sourcing practices will remain a cornerstone of our business," said Scott Ford, Westrock Coffee Co-founder and Chief Executive Officer.

## FURTHER INFORMATION

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