

## MARKET BRIEF

Economic indicators deteriorated in April, with a large increase in unemployment and declines in consumer confidence and the Consumer Price Index. The public markets saw a positive, albeit highly volatile, month in April. The S&P 500 and Dow Jones Industrial Averages gained 12.7% and 11.1% respectively, recovering partially from the losses experienced in March. Volatility was down from March but remained high compared to historical levels. The Dow Jones Industrial Average saw a single day gain of 7.7% and a single day loss of 4.4% in the month. M&A activity declined during April for both domestic and cross-border transactions.

### Unemployment Rate Surged in April

April saw a significant rise in unemployment due to the effects of the COVID-19 outbreak and subsequent stay-at-home orders. The unemployment rate reached 14.7% according to the U.S. Bureau of Labor Statistics. Total nonfarm payroll employment fell by 20.5 million in the month and the number of unemployed persons who reported being on temporary layoff increased tenfold to 18.1 million. The most affected sector of the economy was leisure and hospitality, for which employment plummeted by 7.7 million (47%).

<https://www.bls.gov/news.release/pdf/empst.pdf>

### Consumer Confidence Declined in April

The *Consumer Confidence Index* deteriorated further in April, following a sharp decline in March. The Index fell by 31.9 points from 118.8 in March to 86.9 in April. The *Present Situation Index* saw the largest decrease on record of 90.3 points, down from 166.7 in March to 76.4 in April. "Consumer confidence weakened significantly in April, driven by a severe deterioration in current conditions," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The 90-point drop in the Present Situation Index, the largest on record, reflects the sharp contraction in economic activity and surge in unemployment claims brought about by the COVID-19 crisis. Consumers' short-term expectations for the economy and labor market improved, likely prompted by the possibility that stay-at-home restrictions will loosen soon, along with a re-opening of the economy. However, consumers were less optimistic about their financial prospects and this could have repercussions for spending as the recovery takes hold."

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

### The Case-Shiller Index Rose by 0.39% in February 2020

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, rose to 213.16 points in February 2020, posting an annual gain of 4.2%, up from 3.9% in January. The 20-City Composite posted a 3.5% annual gain with Phoenix, Seattle, Tampa, and Charlotte reporting the highest gains. Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices, noted; "Importantly, today's report covers real estate transactions closed during the month of February and shows no signs of any adverse effect from the governmental suppression of economic activity in response to the COVID-19 pandemic. As much of the U.S. economy was shuttered in March, next month's data may begin

to reflect the impact of these policies on the housing market." (<https://us.spindices.com/index-family/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite>)

## The Consumer Price Index Declined by 0.8% in April

The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.8% in March on a seasonally adjusted basis, marking the largest monthly decline since December 2008. The gasoline index contributed most to the monthly decline, along with decreases in the apparel, motor vehicle insurance, airline fare, and lodging away from home indices. The index for all items less food and energy fell 0.4 percent in April, the largest monthly decline in the history of the series, which dates to 1957.

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

## PUBLIC MARKET

Volatility decreased in the public markets in April. The CBOE Volatility Index (VIX) declined 36% during the month but remained higher than any month other than March since December 2018. Markets rallied during April mostly on news of a flattening COVID-19 infection curve and positive results from a clinical trial for a new treatment. The S&P 500 and the Dow Jones Industrial Average gained 12.7% and 11.1% respectively.

### Public Trading Multiples

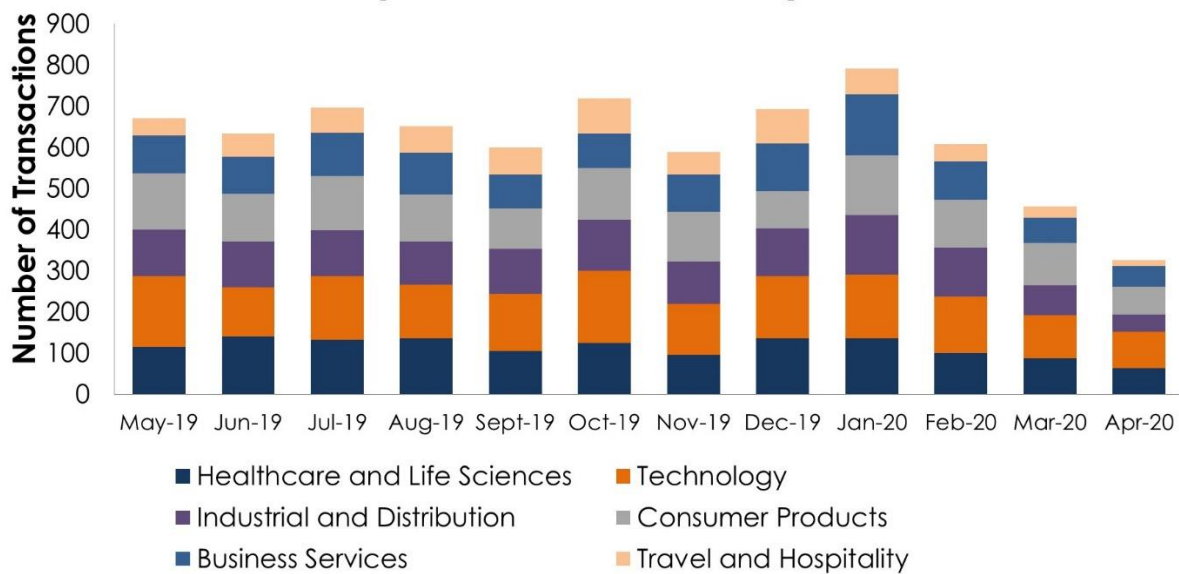
As of April 30, 2020

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	5.9x	28.9x	11.4%	10.6%	11.5%	8.9%	12.3%
Healthcare Equipment and Supplies	5.0x	20.9x	4.7%	6.3%	5.7%	7.7%	17.5%
Healthcare Providers and Services	0.8x	10.5x	3.7%	6.0%	10.1%	8.4%	7.8%
Healthcare and Life Sciences Aggregate	3.9x	20.1x	6.6%	7.6%	9.1%	8.3%	12.6%
<b>Technology</b>							
IT Services	3.4x	15.7x	6.5%	7.4%	8.8%	8.5%	9.5%
Software	7.1x	21.9x	11.9%	13.3%	13.1%	19.6%	4.5%
Computers and Other Electronic Equipment	1.4x	11.0x	0.9%	6.0%	-6.7%	3.2%	16.2%
Technology Aggregate	3.9x	16.2x	6.5%	8.9%	5.1%	10.4%	10.1%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.5x	10.9x	4.1%	5.2%	-9.9%	3.9%	9.7%
Building Products	1.3x	9.3x	-1.8%	3.1%	-4.0%	3.6%	12.0%
Construction and Engineering	0.6x	7.7x	3.6%	7.7%	2.5%	8.7%	9.8%
Machinery	1.3x	10.2x	-1.6%	5.8%	-7.6%	7.2%	7.3%
Distributors	0.7x	9.1x	0.5%	12.1%	8.7%	13.6%	4.8%
Industrial and Distribution Aggregate	1.1x	9.5x	1.0%	6.8%	-2.1%	7.4%	8.7%
<b>Consumer Products</b>							
Food and Beverage	2.1x	12.2x	2.7%	4.1%	3.8%	4.8%	15.0%
Household and Personal Products	3.2x	15.1x	2.0%	3.7%	-0.2%	4.3%	18.6%
Household Durables	0.9x	8.6x	-1.8%	5.5%	-0.4%	9.0%	8.5%
Textiles, Apparel, and Luxury Goods	1.9x	11.0x	3.7%	5.8%	2.0%	7.7%	9.5%
Consumer Products Aggregate	2.0x	11.7x	1.6%	4.8%	1.3%	6.4%	12.9%
<b>Business Services</b>							
Human Resource and Employment Services	0.8x	10.5x	1.2%	7.0%	2.1%	8.9%	10.7%
Research and Consulting Services	3.3x	16.9x	6.4%	5.7%	7.7%	4.5%	20.7%
Business Services Aggregate	2.0x	13.7x	3.8%	6.4%	4.9%	6.7%	15.7%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.1x	10.2x	2.4%	6.0%	-2.4%	3.1%	10.9%
Restaurants	2.4x	13.4x	3.1%	4.4%	1.7%	2.8%	10.8%
Leisure Facilities	3.8x	12.8x	3.3%	6.4%	-3.1%	6.7%	30.1%
Travel and Hospitality Aggregate	2.8x	12.1x	3.0%	5.6%	-1.3%	4.2%	17.3%

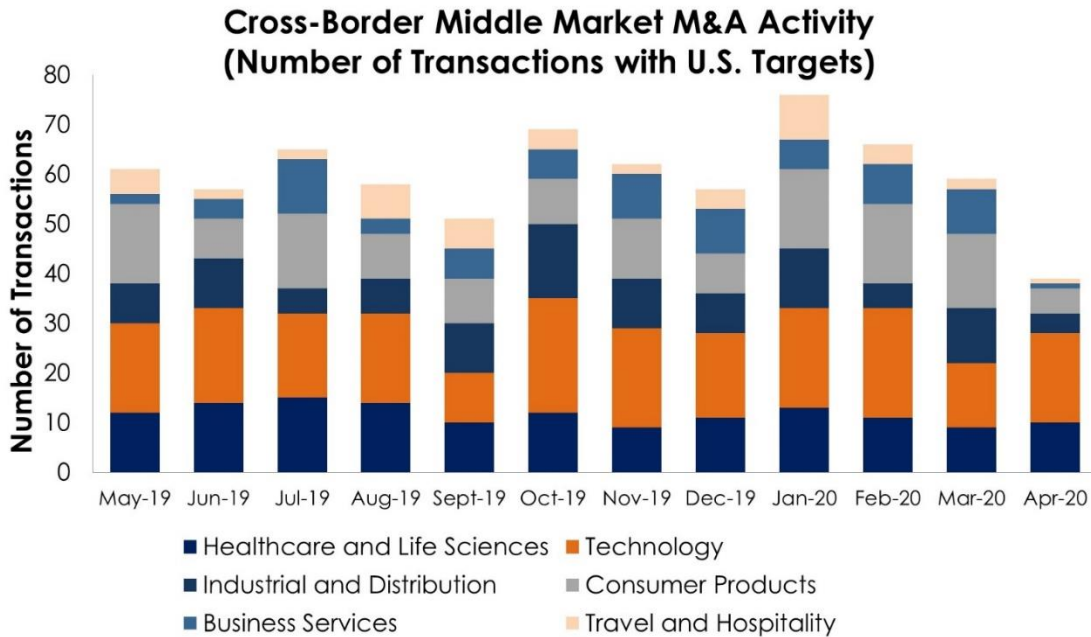
## M&A MARKET

Middle market M&A deal flow decreased considerably in April amidst business closure and stay-at-home orders in place across the country due to the COVID-19 pandemic. Activity declined across all sectors, with travel and hospitality deal activity plunging by 50%.

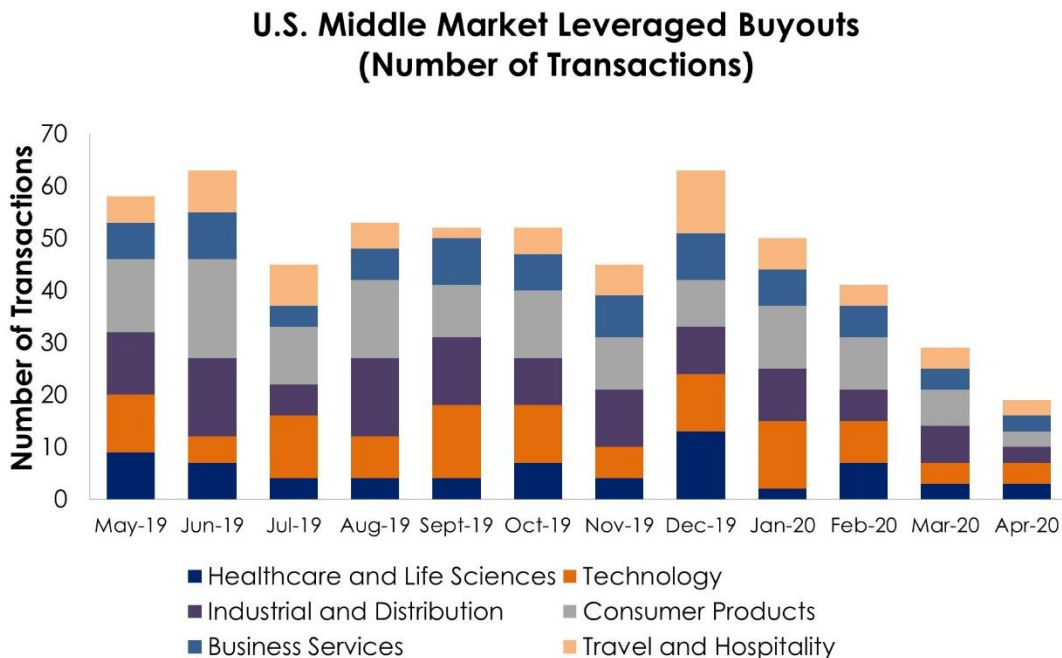
### U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Cross-border transaction deal volume fell in April. Increases in the technology and the healthcare and life sciences sectors were offset by declines in all other sectors. The largest decreases occurred in business services and consumer products. Canada was the leading country for inbound M&A deal activity in the U.S. during the month of April.



As private equity firms adjust to the current economic conditions during the COVID-19 pandemic, LBO activity has remained depressed from pre-COVID levels. In April, middle market LBO activity declined for the fourth consecutive month. Activity was down 34.5% from March and 57.8% from April 2019.



## SELECT MIDDLE MARKET M&A TRANSACTIONS – TRAVEL & HOSPITALITY

### *Hostmark Hospitality Group, Inc. acquires RAR Hospitality Inc.*

On May 14<sup>th</sup> the Illinois-based hospitality management firm Hostmark Hospitality Group acquired San Diego-based hospitality management firm RAR Hospitality. Hostmark Hospitality operates hotels and resorts both nationally and internationally, including; Marriott, Hilton, Omni, and Crowne Plaza. RAR Hospitality has been involved in more than \$2 billion of real estate transactions in California, Arizona and Colorado.

“RAR Hospitality has exhibited the breadth and depth of experience that is required in successfully managing boutique and independent hotels. The company’s entrepreneurial spirit and proven track record drive its mission of experience-focused hospitality,” said Jerome Cataldo, Hostmark president/CEO. “During a time of uncertainty for the entire hospitality industry, Hostmark plans to continue serving its clients to the highest level, focusing on creative ways to grow revenue and growing its portfolio of managed properties.”

RAR will continue to operate in San Diego under the Hostmark brand. Thomas Prins, Hostmark partner, said, “We are excited for what the future holds and plan to do great things with the RAR team, as we continue to aggressively grow our hospitality management platform including additional M&A deals.”

### *EOS Investors LLC Acquires Kennebunkport Resort Collection*

On February 26<sup>th</sup>, New York-based private real estate investment firm EOS Investors completed their first investment in New England with their acquisition of Kennebunkport Resort Collection, a multi-property resort based in Kennebunkport, ME. Kennebunkport Resort Collection operates a portfolio of nine properties, including; Hidden Pond, The Cottages at Cabot Cove, the Grand Hotel, The Tides Beach Club, Yachtsman Hotel & Marina Club, Cape Arundel Inn & Resort, The Lodge on the Cove, The Boathouse Waterfront Hotel, and the Kennebunkport Inn.

“As our first investment in the Northeast, we are delighted to add such a renowned collection of resorts to our portfolio and contribute to the evolving and thriving destination that Kennebunkport, ME, has become,” said Jonathan Wang, president of EOS. “Kennebunkport Resort Collection has been a staple for Maine’s hospitality sector for over a decade, and with this acquisition, we look forward to making a stronger connection to guests and further build on the great success that the collection has built thus far.”

The portfolio also includes several restaurants, and EOS intends to continue with new additions and renovations throughout 2020.

## 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](#)  
[Rudy Minar](#)  
[Michael Osborne](#)  
[Stuart Rose](#)  
[Kate Soto](#)  
[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](http://www.merger.com)