

MARKET BRIEF

In May, economic indicators improved, with a decrease in the unemployment rate and a continued upward trend in the public markets. The S&P 500 and Dow Jones Industrial Average posted gains of 4.5% and 4.3% respectively, steadily approaching levels from early March. Volatility in the public markets declined somewhat from high levels in April. The Consumer Price Index continued to decline in May while the *Consumer Confidence Index* held steady. M&A activity remained at depressed levels with the number of cross-border and LBO transactions increasing slightly from the lows experienced in April.

Unemployment Rate Fell in May

The unemployment rate in May declined to 13.3% from 14.7% in April. Total nonfarm payroll employment increased by 2.5 million with increases in employment across the leisure and hospitality, retail and trade, education and health services, and construction sectors offsetting decreases in government employment. The total number of people temporarily laid off decreased by 2.7 million following a surge in April as the spread of COVID-19 forced business closure across the nation. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Held Steady in May

The *Consumer Confidence Index* stabilized in May, increasing marginally from 85.7 points in April to 86.6 points. The *Present Situation Index* fell from 73.0 points in April to 71.1 points and the *Expectations Index* rose from 94.3 points in April to 96.9 points. "Following two months of rapid decline, the free-fall in Confidence stopped in May," says Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The severe and widespread impact of COVID-19 has been mostly reflected in the Present Situation Index, which has plummeted nearly 100 points since the onset of the pandemic. Short-term expectations moderately increased as the gradual re-opening of the economy helped improve consumers' spirits. However, consumers remain concerned about their financial prospects. In addition, inflation expectations continue to climb, which could lead to a sense of diminished purchasing power and curtail spending. While the decline in confidence appears to have stopped for the moment, the uneven path to recovery and potential second wave are likely to keep a cloud of uncertainty hanging over consumers' heads."

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

The Case-Shiller Index Increased by 0.85% in March 2020

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, marked a 0.85% monthly gain in March 2020, rising to 214.96 points from 213.16 points in February 2020. The index's March 2020 value posts a 4.4% annual gain over its March 2019 value of 205.99 points. The 20-City Composite posted a 3.9% annual gain with Phoenix, Seattle, and Charlotte reporting the highest gains. "March's data witnessed the first impact of the Covid-19 pandemic on the S&P CoreLogic Case-Shiller Indices," said Craig Lazzara, managing director and global head of index investment strategy at S&P Dow Jones Indices. "That said, housing prices continue to be remarkably stable. March results were broad-based. Prices rose in each of the 19

cities for which we have reported data, and price increases accelerated in 17 cities." (<https://us.spindices.com/index-family/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite>)

The Consumer Price Index Declined by 0.1% in May

The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.1% in May on a seasonally adjusted basis after declining by 0.8% in April. The decline was driven largely by decreases in the motor vehicle insurance, energy, and apparel indices, which offset increases in the food and shelter indices. Over the last 12 months, the all items index rose 0.1% with the food index rising 4% and the energy index falling 18.9%.

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

PUBLIC MARKET

In May, the U.S. public markets rallied steadily as states rolled out reopening plans and the Federal Reserve continued to support the financial markets and provide liquidity. The CBOE Volatility Index (VIX) declined from 37.19 points to 27.51 points over the course of the month. The S&P 500 and the Dow Jones Industrial Average gained 4.5% and 4.3% respectively. Both indices finished the month of May below pre- COVID-19 levels with the S&P 500 down 5.8% in 2020 and the Dow Jones Industrial Average down 11.1% on the year.

Public Trading Multiples

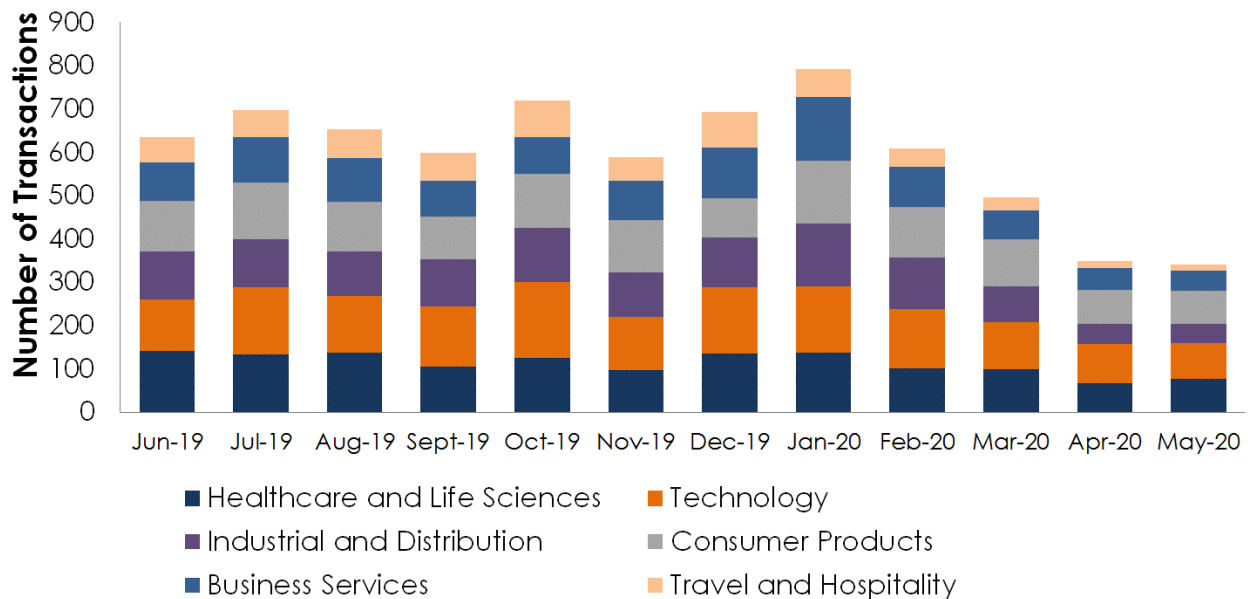
As of May 31, 2020

Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	7.1x	30.8x	11.7%	10.7%	12.5%	9.5%	12.3%
Healthcare Equipment and Supplies	5.1x	21.5x	4.0%	5.8%	3.5%	6.7%	17.4%
Healthcare Providers and Services	0.8x	10.5x	4.0%	6.1%	9.2%	8.0%	7.6%
Healthcare and Life Sciences Aggregate	4.3x	20.9x	6.6%	7.6%	8.4%	8.1%	12.4%
Technology							
IT Services	3.2x	15.3x	5.5%	7.2%	6.2%	8.4%	9.4%
Software	7.4x	21.7x	10.7%	12.5%	11.9%	19.0%	4.3%
Computers and Other Electronic Equipment	1.4x	10.7x	-0.1%	4.9%	-6.6%	3.0%	16.3%
Technology Aggregate	4.0x	15.9x	5.4%	8.2%	3.8%	10.1%	10.0%
Industrial and Distribution							
Aerospace and Defense	1.5x	11.0x	3.8%	5.3%	-10.4%	3.6%	9.8%
Building Products	1.3x	9.0x	-2.2%	2.3%	-1.9%	3.1%	12.4%
Construction and Engineering	0.6x	7.5x	2.9%	7.2%	1.5%	8.5%	9.7%
Machinery	1.3x	10.3x	-2.6%	5.1%	-8.8%	6.4%	6.5%
Distributors	0.7x	9.1x	-1.2%	11.2%	8.4%	12.7%	4.8%
Industrial and Distribution Aggregate	1.1x	9.4x	0.2%	6.2%	-2.2%	6.9%	8.6%
Consumer Products							
Food and Beverage	2.1x	12.2x	1.1%	3.3%	2.7%	4.2%	15.2%
Household and Personal Products	3.2x	15.1x	1.5%	3.3%	-0.4%	3.9%	18.7%
Household Durables	0.9x	8.3x	-2.4%	4.5%	-0.6%	6.7%	8.6%
Textiles, Apparel, and Luxury Goods	1.9x	10.6x	1.6%	4.9%	-1.2%	6.3%	9.1%
Consumer Products Aggregate	2.0x	11.6x	0.5%	4.0%	0.1%	5.3%	12.9%
Business Services							
Human Resource and Employment Services	0.7x	9.5x	1.4%	6.5%	-2.9%	6.5%	9.6%
Research and Consulting Services	3.3x	16.8x	6.1%	5.4%	7.5%	4.5%	20.7%
Business Services Aggregate	2.0x	13.2x	3.7%	6.0%	2.3%	5.5%	15.2%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.0x	9.9x	-0.6%	4.7%	-10.7%	0.1%	10.8%
Restaurants	2.4x	12.7x	2.4%	3.9%	-1.0%	1.6%	10.6%
Leisure Facilities	3.9x	13.0x	1.8%	5.6%	-6.7%	5.1%	31.0%
Travel and Hospitality Aggregate	2.8x	11.9x	1.2%	4.7%	-6.1%	2.3%	17.4%

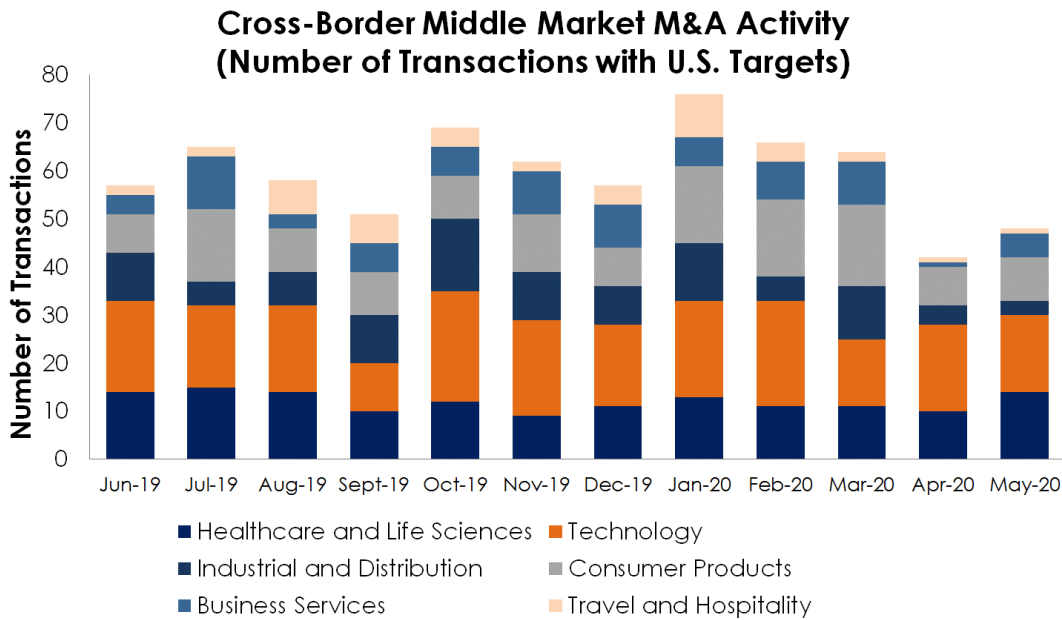
M&A MARKET

Middle market M&A deal flow remained at depressed levels in May with businesses across the country remaining closed for most of the month as states continued to attempt to curb the spread of COVID-19. The increase in M&A activity in the healthcare and life sciences sector was offset by the decrease in deal volume in the travel and hospitality and business services sectors.

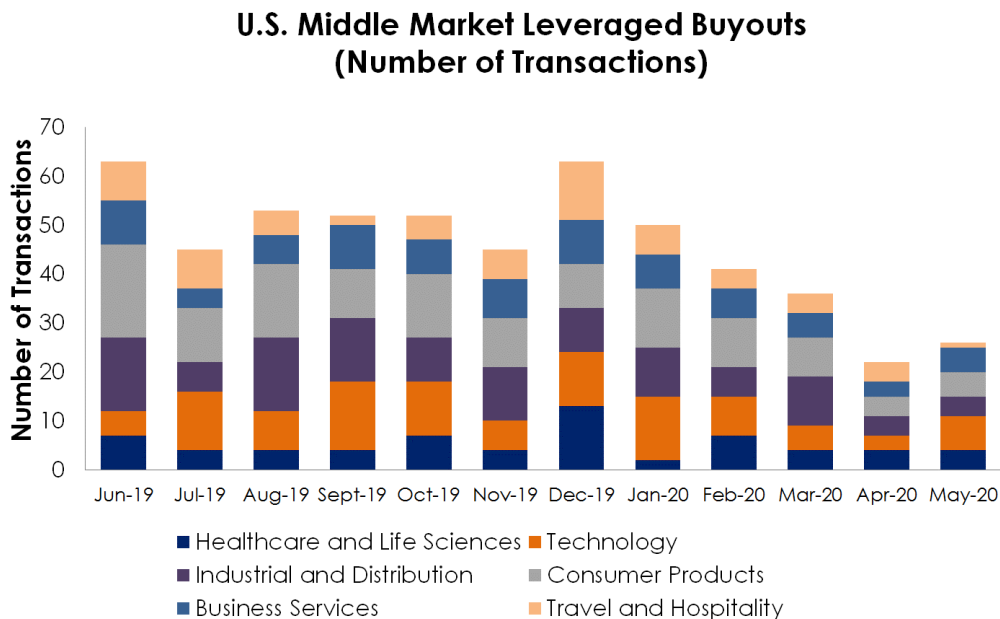
U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Cross-border transaction deal volume increased in May. The decreases in deal flow in the industrial and distribution and technology sectors were offset by increases in the business services, consumer products, and healthcare and life sciences.



LBO deal activity rose in May, marking the first increase in volume since January 2020. Deal volume increased as financial sponsors looked to deploy their dry powder in a market with lower valuations. Deal activity remained below pre- COVID-19 levels as private equity firms continued to focus on the operations of their portfolio companies. Increases in deal volume in the healthcare and life sciences, business services, technology, and consumer products sectors offset declines in volume in the travel and hospitality and industrial and distribution sectors.



SELECT MIDDLE MARKET M&A TRANSACTIONS – BUSINESS SERVICES

G&A Partners Acquires Ignite PEO Services

On May 5, 2020 G&A Partners announced their acquisition of Ignite PEO Services. G&A provides professional employer services (PEO) to businesses across the U.S., focusing on supplying human resources, employee benefits, and payroll administration solutions. Ignite is a PEO and human resources outsourcing provider based in Denver, Colorado.

“Acquiring Ignite’s book of business represented a great opportunity for G&A Partners as we look to further expand ourselves as one of the top PEOs in Colorado and in the surrounding area,” said Aaron Call, G&A Partners’ executive vice president of operations for the western United States.

The transaction marks G&A’s eighth acquisition in the past two and a half years and extends the company’s strategy of utilizing acquisition to expand its geographic reach across the U.S. The acquisition adds key accounts in Colorado and expands G&A’s client total to over 2,000 across the U.S. and Latin America.

Change Healthcare Acquires eRx Network

On May 4, 2020, Change Healthcare announced its acquisition of eRx for \$212.9 million. Change Healthcare, based in Nashville, Tennessee, is a provider of data and analytics-driven clinical, financial, and patient engagement solutions across the healthcare system. eRx offers claims and prescription routing solutions to pharmacies.

“Bringing eRx back into the fold will enable us to leverage our combined scale, breadth of solutions, and network capabilities to increase market penetration, advance innovation, and create new opportunities,” said Neil de Crescenzo, president and CEO, Change Healthcare. “As a leader in delivering advanced technology solutions for pharmacies, providers, and pharmaceutical companies, eRx aligns with our strategy to reduce costs, improve outcomes, and enhance consumer engagement for our customers.”

With the acquisition, Change Healthcare expands its portfolio to provide a wider range of solutions to its clients and advances its reach into the pharmacy market.

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.

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