

## MARKET BRIEF

In June, 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 2.0% and 1.0% respectively, steadily approaching levels from early March. The Consumer Price Index continued to decline in May while the *Consumer Confidence Index* rose significantly. M&A activity increased slightly from May to June but remained well below typical levels.

### Unemployment Rate Fell in June

The unemployment rate in June declined to 11.1% from 13.3% in May. Total nonfarm payroll employment increased by 4.8 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 4.8 million following a decline of 2.7 million 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 Rose 14.1% in June

The *Consumer Confidence Index* increased in June, rising from 85.9 points in May to 98.1 points in June. The *Present Situation Index* improved from 68.4 points in May to 86.2 points and the *Expectations Index* rose from 97.6 points in May to 106.0 points. "Consumer Confidence partially rebounded in June but remains well below pre-pandemic levels," says Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The re-opening of the economy and relative improvement in unemployment claims helped improve consumers' assessment of current conditions, but the Present Situation Index suggests that economic conditions remain weak. Looking ahead, consumers are less pessimistic about the short-term outlook, but do not foresee a significant pickup in economic activity. Faced with an uncertain and uneven path to recovery, and a potential COVID-19 resurgence, it's too soon to say that consumers have turned the corner and are ready to begin spending at pre-pandemic levels." (<https://www.conference-board.org/data/consumerconfidence.cfm>)

### The Case-Shiller Index Increased by 1.0% in April 2020

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, marked a 1.0% monthly gain in April 2020, rising to 217.7 points from 215.4 points in March 2020. The index's April 2020 value posts a 4.7% annual gain over its April 2019 value of 207.9 points. The 20-City Composite posted a 3.9% annual gain. "April's housing price data continue to be remarkably stable," said Craig Lazzara, managing director and global head of index investment strategy at S&P Dow Jones Indices. "Among the cities, Phoenix retains the top spot for the 11th consecutive month, with a gain of 8.8% for April. Home prices in Seattle rose by 7.3%, followed by increases in Minneapolis (6.4%) and Cleveland (6.0%). Prices were particularly strong in the West and Southeast, and comparatively weak in the Northeast." (<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 June, the U.S. public markets continue to gradually rebound as more states have started to reopen. The CBOE Volatility Index (VIX) remained stable only changing from 28.2 points to 28.6 points over the course of the month. The S&P 500 and the Dow Jones Industrial Average gained 2.0% and 1.0% respectively. Both indices finished the month of June below pre-COVID-19 levels with the S&P 500 down 4.4% in 2020 and the Dow Jones Industrial Average down 10.9% on the year.

### Public Trading Multiples

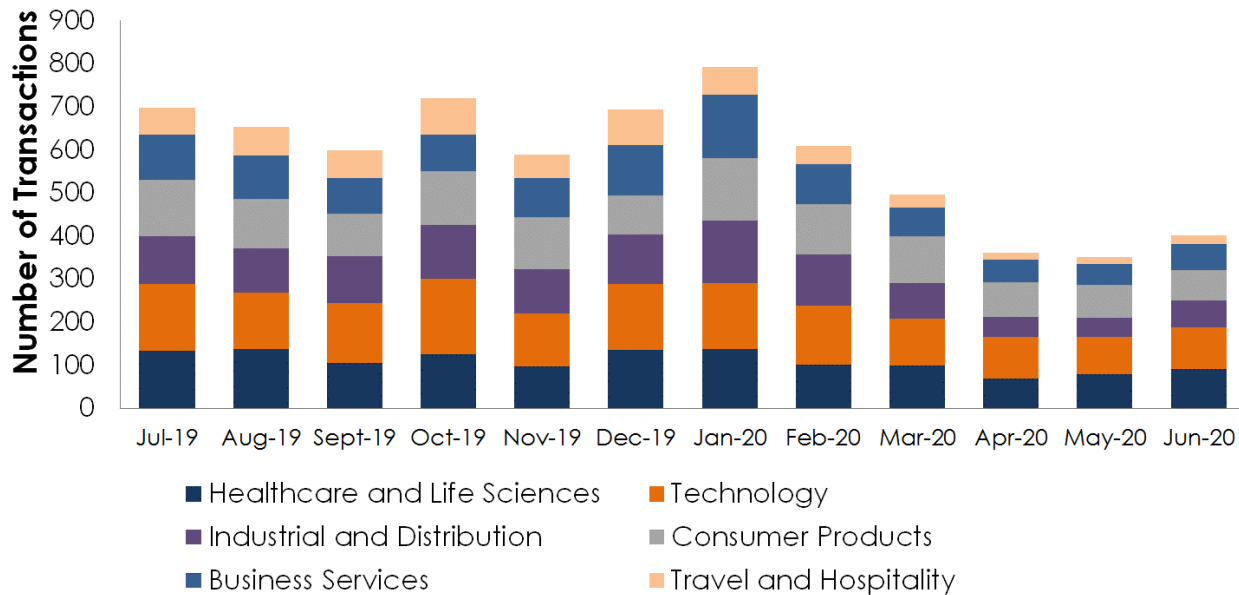
As of June 30, 2020

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	7.6x	33.4x	11.0%	10.6%	4.8%	7.2%	12.4%
Healthcare Equipment and Supplies	5.1x	21.7x	4.1%	5.9%	2.5%	6.6%	17.2%
Healthcare Providers and Services	0.8x	10.4x	4.4%	6.4%	9.6%	8.4%	7.6%
Healthcare and Life Sciences Aggregate	4.5x	21.8x	6.5%	7.6%	5.7%	7.4%	12.4%
<b>Technology</b>							
IT Services	3.3x	15.7x	5.2%	7.1%	6.0%	8.4%	9.0%
Software	7.7x	22.9x	11.2%	12.9%	12.2%	19.3%	4.3%
Computers and Other Electronic Equipment	1.4x	10.7x	-0.5%	4.8%	-6.9%	2.8%	16.3%
Technology Aggregate	4.1x	16.4x	5.3%	8.3%	3.8%	10.2%	9.9%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.5x	10.8x	3.4%	4.9%	-10.9%	3.5%	9.8%
Building Products	1.3x	9.2x	-2.4%	2.1%	-2.6%	2.6%	12.4%
Construction and Engineering	0.6x	7.5x	3.0%	7.3%	1.6%	8.4%	9.5%
Machinery	1.3x	10.3x	-2.8%	5.0%	-8.2%	6.7%	6.6%
Distributors	0.7x	9.1x	-1.3%	11.2%	4.2%	10.8%	4.6%
Industrial and Distribution Aggregate	1.1x	9.4x	0.0%	6.1%	-3.2%	6.4%	8.6%
<b>Consumer Products</b>							
Food and Beverage	2.1x	12.2x	1.2%	3.3%	3.2%	4.3%	15.1%
Household and Personal Products	3.3x	15.5x	1.6%	3.2%	-0.5%	3.8%	18.7%
Household Durables	0.9x	8.5x	-3.0%	4.3%	-2.3%	5.7%	8.5%
Textiles, Apparel, and Luxury Goods	2.0x	11.3x	0.5%	4.4%	-4.4%	4.9%	9.0%
Consumer Products Aggregate	2.1x	11.9x	0.1%	3.8%	-1.0%	4.7%	12.8%
<b>Business Services</b>							
Human Resource and Employment Services	0.7x	9.5x	1.2%	6.5%	3.1%	8.9%	11.0%
Research and Consulting Services	3.4x	17.4x	6.2%	5.3%	7.4%	4.0%	20.7%
Business Services Aggregate	2.0x	13.4x	3.7%	5.9%	5.2%	6.5%	15.8%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.1x	9.9x	-1.2%	4.3%	-11.7%	-0.4%	9.7%
Restaurants	2.4x	12.6x	1.1%	3.5%	-3.1%	1.0%	9.6%
Leisure Facilities	3.9x	13.2x	1.0%	5.2%	-7.7%	4.6%	30.9%
Travel and Hospitality Aggregate	2.8x	11.9x	0.3%	4.3%	-7.5%	1.8%	16.7%

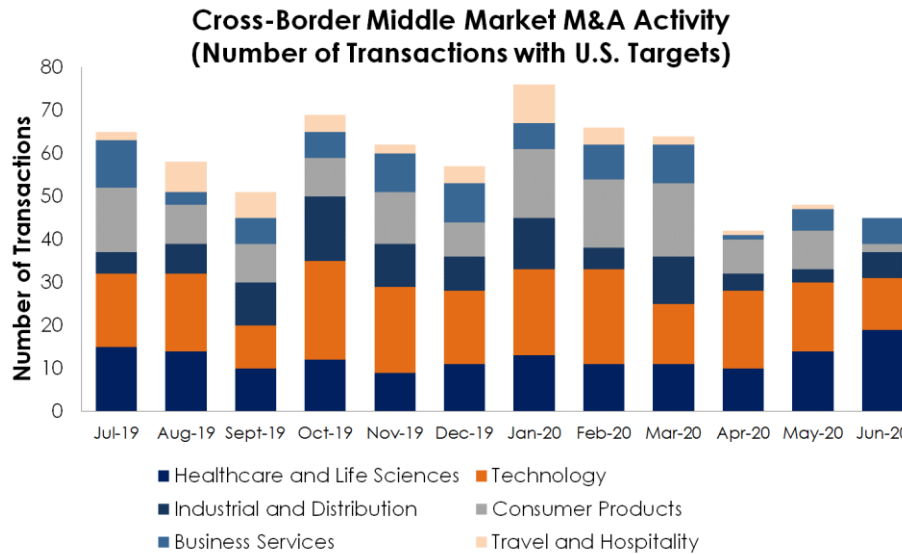
## M&A MARKET

Middle market M&A deal flow remained at depressed levels with a slight increase in June with some businesses across the country beginning to open as states continue to lift lockdowns slowly. The increase in M&A activity occurred across the board except for consumer products, with industrial and distribution, technology, business services, and healthcare and life sciences driving the growth.

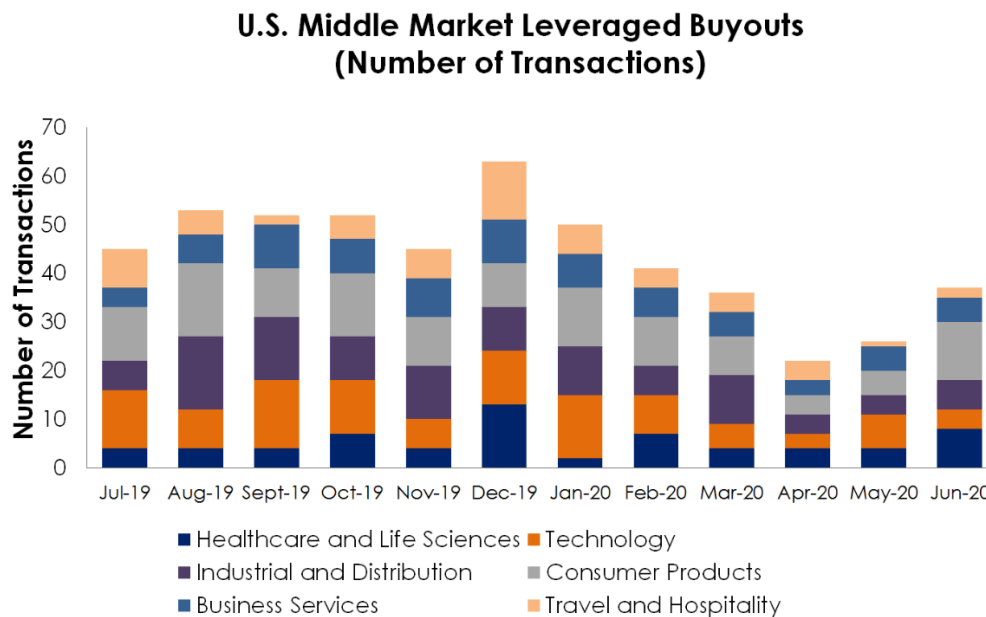
### U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Cross-border transaction deal volume decreased slightly in June, with restrictions still in place on international travel. The decreases in deal flow in the consumer products and technology sectors were largely offset by increases in industrials and distribution and healthcare and life sciences.



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 were largely driven by consumer products and healthcare and life sciences. Technology was the only industry that witnessed a decrease in transaction volume.



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

### ***AdvanSource Biomaterials Corporation Completes the Sale of Substantially All of its Assets to a Subsidiary of Mitsubishi Chemical America***

On February 3, 2020, AdvanSource sold substantially all of its assets to MCPP, a subsidiary of Mitsubishi Chemical America, Inc. and its shareholder, Mitsubishi Chemical Corporation. AdvanSource Biomaterials Corporation is a materials technology company specializing in medical grade polymers for long- and short-term applications.

“This transaction offers our shareholders a meaningful premium,” said Michael Adams, CEO of AdvanSource. “We anticipate issuing a shareholder dividend in the near future.”

Patrick West who led the deal for Mirus said “we are pleased to have affected the deal between AdvanSource and MCPP. It is another example of Mirus helping large acquirers fully appreciate the value of lower middle market companies with unique value-added technology.”

### ***Induction Healthcare Group Acquires Zesty Limited***

On June 9, 2020, Induction Healthcare Group announced its acquisition of Zesty Limited for \$15.6 million in cash. Induction, based in London, UK is a healthcare technology company focused on streamlining the delivery of care by Healthcare Professionals. Zesty provides a platform for patients to access their medical records, manage their outpatient appointments, attend remote consultations and read and store clinical correspondences

CEO of Induction Dr Hugo Stephenson said of the acquisition: “Zesty has demonstrated that it can improve patient experience while saving hospitals time and money through its market leading patient portal and outpatient bookings engine. In the process, Zesty has solved the problem of integrating with different electronic patient record systems. Connecting the most used app by NHS doctors (Induction) and the most used app by NHS trusts (MicroGuide) with patients and their health records, has the potential to deliver the right resources to the right places at the right time - a transformational opportunity for healthcare.”

CEO of Zesty James Balmain added: “Induction and Zesty coming together can help improve the way healthcare is delivered. [...] We will be working as hard as we can to help bring clinical teams and patients together, in an efficient and low-friction way. The COVID-19 pandemic has focused minds within healthcare on the benefits of using digital technology in all sorts of ways – I think we can and should be doing more.”

## 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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