

## MARKET BRIEF

Economic indicators continued to show signs of recovery as lockdowns are lifted across the country. Unemployment continued its steady decline and the Consumer Price Index rose. However, the *Consumer Confidence Index* declined. The public equity markets continued to grow with the S&P 500, Dow Jones Industrial Average, and NASDAQ all rising and peaking at the end of the month. M&A activity also remained stable, while still below pre-COVID levels.

### Unemployment Rate Declined in August

The unemployment rate fell by 1.8 percentage points to 8.4% in August after dipping to 10.2% in July. Total nonfarm payroll employment increased by 1.4 million with increases in employment in retail trade, in professional and business services, in leisure and hospitality, and in education and health services. The labor force participation rate rose slightly to 61.7% in August. The total number of people temporarily laid off decreased by 3.1 million to 6.2 million, down considerably from the series high of 18.1 million in April. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

### Consumer Confidence Fell Further in August

The *Consumer Confidence Index* fell to 84.8 points in August, continuing from the decline in July. "Consumer Confidence declined in August for the second consecutive month," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The Present Situation Index decreased sharply, with consumers stating that both business and employment conditions had deteriorated over the past month. Consumers' optimism about the short-term outlook, and their financial prospects, also declined and continues on a downward path. Consumer spending has rebounded in recent months but increasing concerns amongst consumers about the economic outlook and their financial well-being will likely cause spending to cool in the months ahead." (<https://www.conference-board.org/data/consumerconfidence.cfm>)

### The Case-Shiller Index Posts 4.3% Annual Gain in June 2020

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, rose to 219.8 points in June 2020 from 210.8 in June 2019. The 20-City Composite posted a 3.5% annual gain and a monthly gain of 0.2%. "Housing prices were stable in June," says Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices. "The National Composite Index rose by 4.3% in June 2020, as it had also done in May (June's growth was slightly lower in the 10- and 20-City Composites, which were up 2.8% and 3.5%, respectively). More data will be required to understand whether the market resumes its previous path of accelerating prices, continues to decelerate, or remains stable. That said, it's important to bear in mind that deceleration is quite different from an environment in which prices actually fall." (<https://us.spindices.com/index-family/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite>)

## The Consumer Price Index Increased by 0.4% in August

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4% in August on a seasonally adjusted basis. A sharp rise in the used cars and trucks index was the largest factor, but the indexes for gasoline, shelter, recreation, and household furnishings and operations also contributed. Over the last 12 months, the all items index rose 1.3%.  
<https://www.bls.gov/news.release/pdf/cpi.pdf>

## PUBLIC MARKET

The U.S. public markets continued to post gains in August. The S&P 500 and Dow Jones Industrial Average gained 6.2% and 6.6% respectively. The NASDAQ continued to break records, posting a 3.1% gain over the month. Volatility increased in August with the CBOE Volatility Index (VIX) rising slightly and closing out the month at 26.4 points.

### Public Trading Multiples

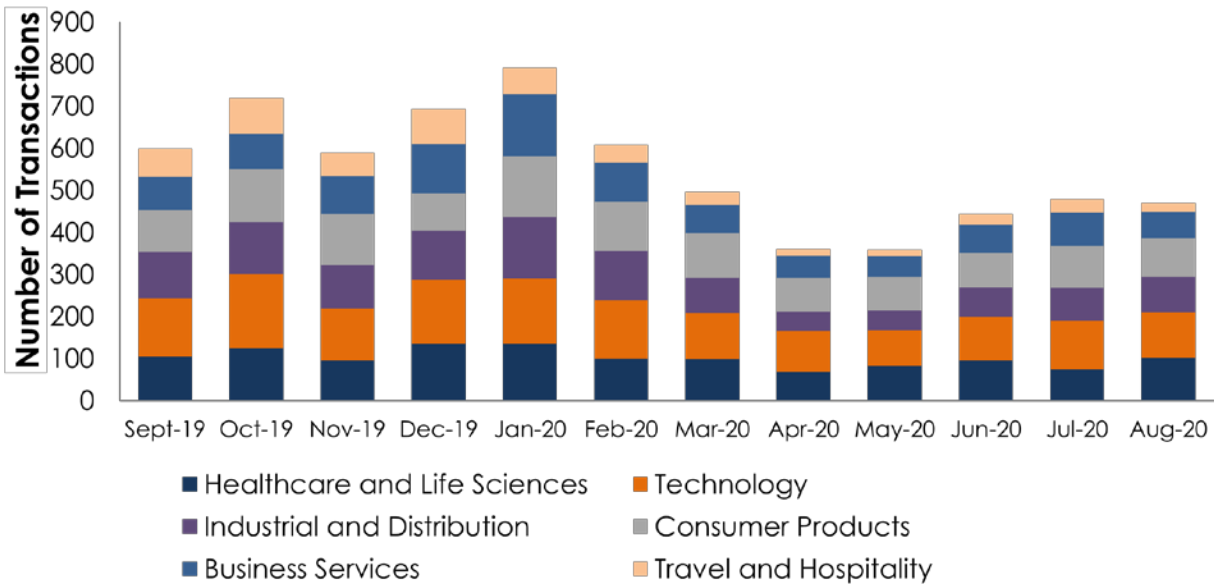
As of August 31, 2020

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	9.9x	40.7x	9.2%	9.5%	2.6%	6.7%	11.3%
Healthcare Equipment and Supplies	6.0x	26.0x	1.0%	4.4%	-4.3%	3.9%	17.6%
Healthcare Providers and Services	0.8x	10.4x	1.0%	6.1%	11.4%	10.0%	7.0%
Healthcare and Life Sciences Aggregate	5.6x	25.7x	3.7%	6.7%	3.2%	6.8%	12.0%
<b>Technology</b>							
IT Services	3.8x	17.6x	4.0%	6.3%	3.0%	7.0%	8.8%
Software	8.9x	26.3x	11.2%	12.3%	12.8%	18.3%	4.9%
Computers and Other Electronic Equipment	1.7x	13.2x	-0.8%	4.2%	-4.3%	1.7%	17.0%
Technology Aggregate	4.8x	19.0x	4.8%	7.6%	3.8%	9.0%	10.2%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.6x	12.4x	-1.4%	3.3%	-20.3%	-1.9%	9.5%
Building Products	1.6x	11.8x	-6.9%	-0.4%	-10.3%	-0.9%	12.0%
Construction and Engineering	0.6x	8.1x	1.9%	6.2%	-3.0%	5.9%	9.5%
Machinery	1.6x	13.1x	-7.0%	2.5%	-16.3%	1.4%	6.0%
Distributors	0.8x	10.7x	-6.6%	8.5%	-6.6%	6.6%	4.5%
Industrial and Distribution Aggregate	1.2x	11.2x	-4.0%	4.0%	-11.3%	2.2%	8.3%
<b>Consumer Products</b>							
Food and Beverage	2.5x	14.3x	-0.3%	2.5%	-1.0%	2.2%	14.9%
Household and Personal Products	3.6x	17.0x	-1.4%	1.3%	-3.4%	1.8%	18.7%
Household Durables	1.1x	10.7x	-5.7%	2.0%	-8.9%	1.7%	8.8%
Textiles, Apparel, and Luxury Goods	2.4x	15.0x	-8.9%	0.6%	-26.9%	-4.6%	8.4%
Consumer Products Aggregate	2.4x	14.2x	-4.1%	1.6%	-10.1%	0.3%	12.7%
<b>Business Services</b>							
Human Resource and Employment Services	0.8x	11.4x	-5.1%	3.2%	-11.6%	2.7%	10.3%
Research and Consulting Services	3.8x	20.0x	1.6%	3.0%	0.3%	0.9%	20.7%
Business Services Aggregate	2.3x	15.7x	-1.8%	3.1%	-5.7%	1.8%	15.5%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.7x	17.5x	-20.7%	-2.7%	-59.6%	-24.1%	7.7%
Restaurants	2.7x	15.9x	-5.7%	1.3%	-22.8%	-6.2%	6.7%
Leisure Facilities	4.7x	17.7x	-11.6%	0.7%	-30.1%	-4.8%	20.2%
Travel and Hospitality Aggregate	3.4x	17.0x	-12.7%	-0.3%	-37.5%	-11.7%	11.5%

## M&A MARKET

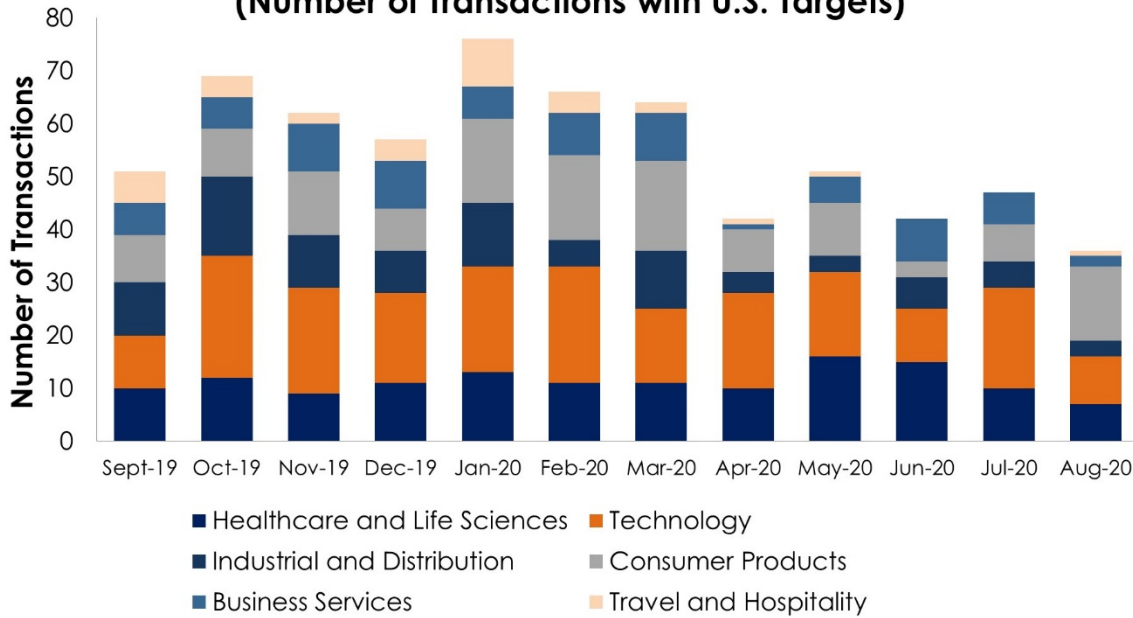
Deal flow in the middle market remained steady in August while remaining below pre COVID-19 levels. Modest increases in M&A activity in the healthcare and life sciences sector offset some of the losses in technology, consumer products, and business services.

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



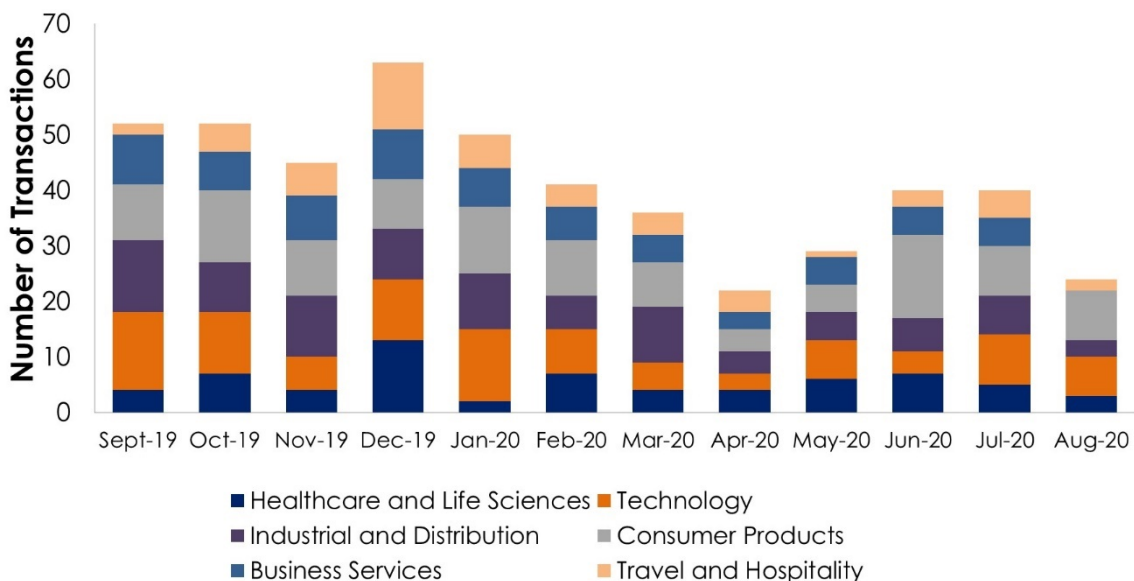
Cross-border transaction deal volume decreased in August, continuing the downward trend during the COVID-19 pandemic. There was increased activity within consumer products but not enough to offset the decrease in the technology, business services, and industrial and distribution sectors.

### Cross-Border Middle Market M&A Activity (Number of Transactions with U.S. Targets)



LBO deal volume decreased sharply in August, with activity around levels in April 2020. LBO activities across all sectors generally declined with the sharpest drops within the business services and industrial and distribution sectors. With PE firms sitting on \$1.5T of dry powder at the beginning of 2020, many firms remain eager for opportunities to invest.

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



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

### *Thoughtful Brands Acquires Golden Path and Wild Mariposa*

On August 19, 2020, Thoughtful Brands announced its acquisition of Golden Path and Wild Mariposa. Thoughtful Brands Inc. is an eCommerce technology company that researches, develops, markets, and distributes natural health products through various brands in North America and Europe. Golden Path LLC and Wild Mariposa LLC, both are privately held fast-growth, direct-to-consumer eCommerce brands selling natural health products in the United States.

The acquisitions will expand Thoughtful Brands' portfolio in the nutraceutical and hemp-based CBD product space. The Company already has a roster of established and successful hemp-CBD brands including Nature's Exclusive in North America and Sativida in Spain and Mexico. Golden Path and Wild Mariposa products are all carefully crafted based on market demand and product quality. Every product is also third-party tested for purity and manufactured in the United States in GMP certified facilities. Golden Path and Wild Mariposa are current clients of Unified Funding, LLC, which performs a number of eCommerce operations for Thoughtful Brands. In June, the Company entered into a binding term sheet to acquire the Unified eCommerce platform, signifying another key strategic growth initiative.

This allows Thoughtful Brands to continue to grow its health products business more rapidly on an international scale, tapping into entering new natural health markets and developing new products.

### *Columbia Care Acquires The Green Solution*

On September 1, 2020 Columbia Care closed its acquisition of The Green Solution for \$140 million. Columbia Care is one of the largest fully integrated operators in the global cannabis industry with licenses across the US and EU. The Green Solution is the largest vertically integrated cannabis operator in the State of Colorado.

"Since Columbia Care's formation in 2012, we have distinguished ourselves by focusing on disciplined organic growth and return on invested capital, as well as prioritizing cash flow and emphasizing a corporate culture that consistently reflects our mission and values of service, innovation and quality. When it comes to M&A, we've been waiting for the right company, with the right people, in the right market, at the right price. Today, we are proud to announce that The Green Solution, whose founders built their company on the core principles of market depth, differentiated products, brands and capabilities, consumer satisfaction, and scalable infrastructure, will be our first major acquisition," said Nicholas Vita, chief executive officer of Columbia Care. "This transaction further advances Columbia Care's promise to maximize shareholder return by making us even stronger, both financially and operationally, as we expect to see the majority of our existing markets transition to less regulated, legalized operating environments. At a price of 1.6x 2020E revenue, acquiring TGS nearly doubles our LTM revenue, store count, and production capacity, and accelerates our path to profitability while expanding our portfolio to include more health, wellness and adult-use brands."

## FURTHER INFORMATION

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