

## MARKET BRIEF

Economic indicators were largely positive and indicative of ongoing recovery. The unemployment rate continued to fall while the *Consumer Confidence Index* and Consumer Price Index both rose. The public markets saw a decline following five months of consecutive gains with the S&P 500 and Dow Jones Industrial Average posting losses of 3.9% and 2.3% respectively. M&A activity saw strong increases, particularly cross-border transactions and leveraged buyouts, approaching pre-COVID-19 levels.

### Unemployment Rate Declined in September

The unemployment rate fell by 0.5 percentage points to 7.9% in September, marking five consecutive months of decline. Total nonfarm payroll employment increased by 661,000 with increases in employment in leisure and hospitality, retail trade, health services and professional and business services. The labor force participation rate decreased slightly by 0.3 percentage points to 61.4%, marking a 2.0% decrease since February. The total number of people temporarily laid off decreased by 1.5 million to 4.6 million. This is down considerably from the high of 18.1 million in April but is 3.8 million higher than in February.

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

### Consumer Confidence Rose Sixteen Points in September

The *Consumer Confidence Index* increased in September, rising from 86.3 points in August to 101.8 points. The *Present Situation Index* increased from 85.8 points in August to 98.5 points in September and the *Expectations Index* increased from 86.6 points in August to 104.0 points in September. "Consumer Confidence increased sharply in September, after back-to-back monthly declines, but remains below pre-pandemic levels," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "A more favorable view of current business and labor market conditions, coupled with renewed optimism about the short-term outlook, helped spur this month's rebound in confidence. Consumers also expressed greater optimism about their short-term financial prospects, which may help keep spending from slowing further in the months ahead."

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

### The Case-Shiller Index Posts 4.8% Annual Gain in July 2020

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, rose to 221.6 points in July 2020 from 211.5 points in July 2019, marking a 4.8% annual gain with a monthly gain of 0.8%. The 20-City Composite posted a 3.9% annual gain and a monthly gain of 0.6%. "Housing prices rose in July," says Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices. "The National Composite Index gained 4.8% relative to its level a year ago, slightly ahead of June's 4.3% increase. The 10- and 20-City Composites (up 3.3% and 3.9%, respectively) also rose at an accelerating pace in July compared to June. The strength of the housing market was consistent nationally – all 19 cities for which we have July data rose, with 16 of them outpacing their June gains."

<https://us.spindices.com/index-family/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite>

## The Consumer Price Index Increased by 0.2% in September

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2 percent in September on a seasonally adjusted basis after increasing 0.4 percent in August. A continued sharp rise in the index for used cars and trucks was the primary driver, with the natural gas, shelter, and recreation indexes also contributing. Over the last 12 months, the all items index increased 1.4 percent before seasonal adjustment.

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

## PUBLIC MARKET

The U.S. public markets saw a drawback in September after five consecutive monthly gains. The S&P 500 and Dow Jones Industrial Average were down 3.9% and 2.3% respectively. The NASDAQ saw a steeper decline, dropping 5.2%. Volatility remained steady in September with the CBOE Volatility Index (VIX) closing out the month at 26.4 points, right where it was at the end of August.

### Public Trading Multiples

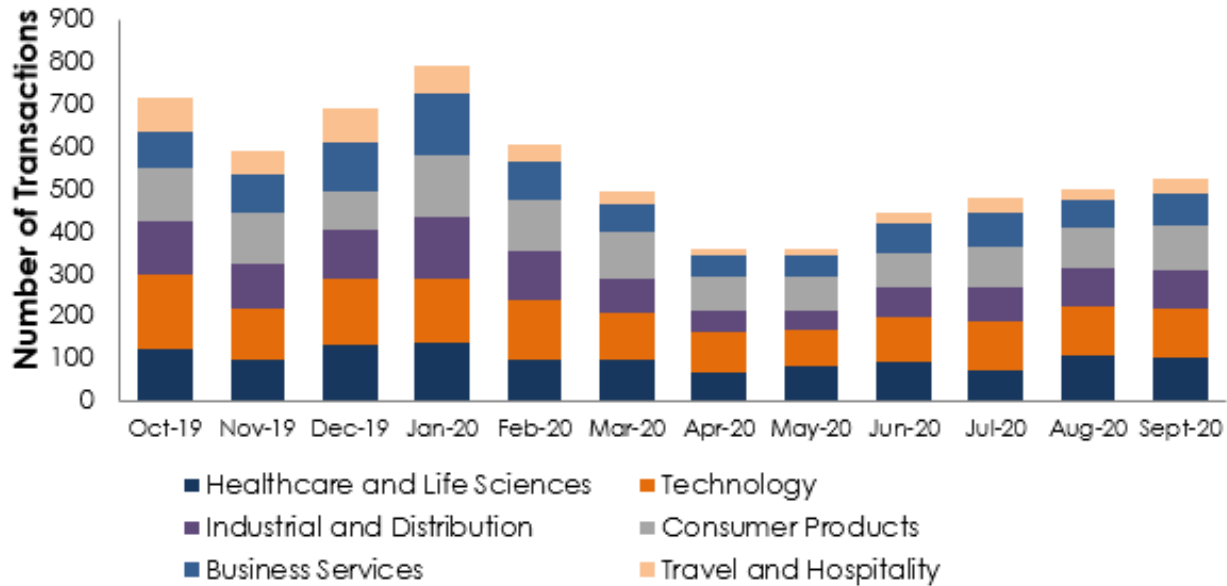
As of September 30, 2020

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	9.9x	41.0x	8.8%	9.3%	1.5%	6.3%	11.2%
Healthcare Equipment and Supplies	6.0x	25.9x	1.2%	4.5%	-3.7%	4.1%	17.6%
Healthcare Providers and Services	0.8x	10.6x	0.9%	6.1%	11.8%	10.2%	7.0%
Healthcare and Life Sciences Aggregate	5.6x	25.8x	3.6%	6.6%	3.2%	6.9%	11.9%
<b>Technology</b>							
IT Services	3.9x	17.6x	3.8%	6.3%	3.9%	7.5%	8.8%
Software	8.9x	26.3x	11.1%	12.3%	13.0%	18.5%	4.9%
Computers and Other Electronic Equipment	1.7x	13.1x	-0.7%	4.1%	-4.0%	1.7%	16.9%
Technology Aggregate	4.8x	19.0x	4.7%	7.6%	4.3%	9.2%	10.2%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.6x	12.4x	-1.5%	3.3%	-20.3%	-1.4%	9.6%
Building Products	1.6x	11.8x	-7.0%	-0.4%	-10.4%	-0.9%	11.9%
Construction and Engineering	0.6x	8.1x	1.5%	6.0%	-4.1%	5.7%	9.5%
Machinery	1.6x	13.0x	-7.1%	2.6%	-16.6%	1.3%	6.1%
Distributors	0.8x	10.7x	-7.0%	8.5%	-7.1%	6.5%	4.5%
Industrial and Distribution Aggregate	1.2x	11.2x	-4.2%	4.0%	-11.7%	2.2%	8.3%
<b>Consumer Products</b>							
Food and Beverage	2.5x	14.3x	-0.2%	2.4%	-0.6%	2.4%	15.0%
Household and Personal Products	3.7x	17.6x	-1.5%	1.2%	-3.4%	1.7%	18.8%
Household Durables	1.1x	10.8x	-5.9%	1.8%	-9.0%	1.6%	8.9%
Textiles, Apparel, and Luxury Goods	2.4x	15.6x	-9.5%	0.4%	-28.2%	-5.1%	8.3%
Consumer Products Aggregate	2.4x	14.6x	-4.3%	1.4%	-10.3%	0.1%	12.7%
<b>Business Services</b>							
Human Resource and Employment Services	0.8x	11.5x	-5.6%	2.9%	-12.2%	2.3%	10.3%
Research and Consulting Services	3.9x	20.1x	1.3%	2.9%	-0.6%	0.6%	20.7%
Business Services Aggregate	2.3x	15.8x	-2.2%	2.9%	-6.4%	1.4%	15.5%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.9x	18.5x	-25.0%	-5.0%	-67.0%	-30.1%	7.6%
Restaurants	2.8x	16.4x	-6.7%	1.0%	-24.8%	-6.8%	6.6%
Leisure Facilities	4.8x	18.2x	-12.8%	0.2%	-31.1%	-5.4%	19.8%
Travel and Hospitality Aggregate	3.5x	17.7x	-14.8%	-1.3%	-40.9%	-14.1%	11.3%

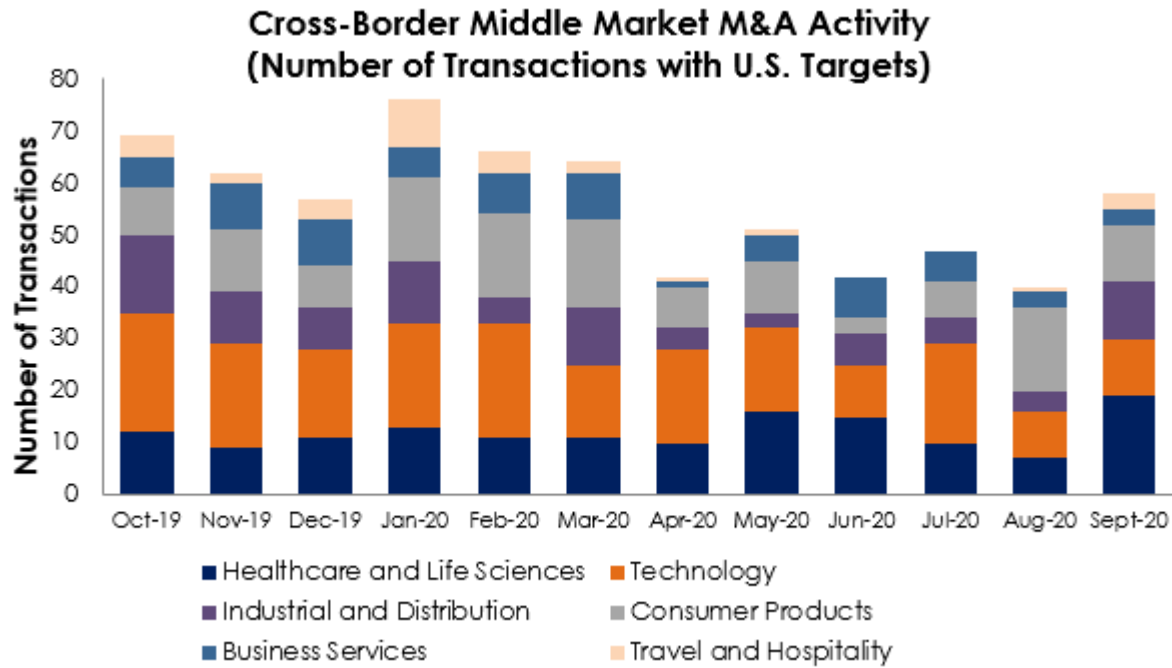
## M&A MARKET

Deal flow in the middle market has continued to rebound in September while remaining below pre-COVID-19 levels. The increase in M&A activity occurred across the board except for healthcare, with technology, consumer products, business services, and travel and hospitality driving the growth.

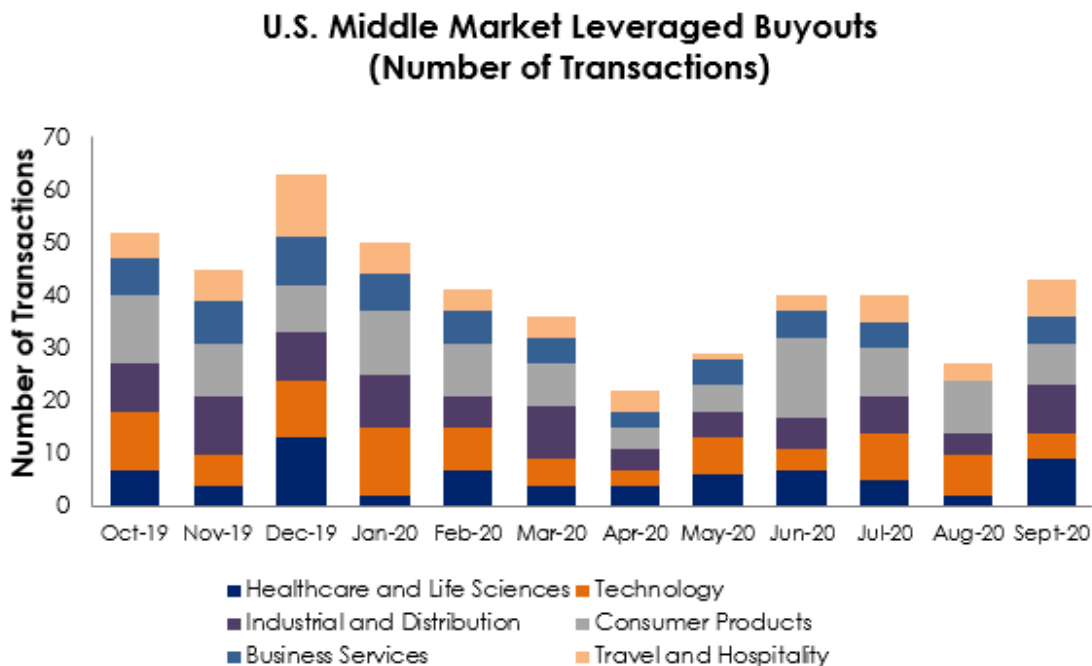
**U.S. Middle Market M&A Activity  
Select Industries  
(Number of Transactions)**



Cross-border transaction deal volume increased significantly in September, with deal volume reaching pre-COVID-19 levels. Increased activity in healthcare, industrial and distribution, and travel and hospitality accounted for the growth.



LBO deal volume increased sharply in September, with the highest activity since January 2020. Healthcare, business services, industrial and distribution, and travel and hospitality all saw substantial increases in LBO activity.



## SELECT MIDDLE MARKET M&A TRANSACTIONS – Travel and Hospitality

### *FAT Brands Acquires The Johnny Rockets Group*

On September 23, 2020, FAT Brands announced its acquisition of The Johnny Rockets Group. FAT Brands Inc. is a multi-brand franchising company that acquires, develops, and markets fast casual and casual dining restaurant concepts in North America. The Johnny Rockets Group owns and operates over 325 international locations of burger and shake fast food restaurants.

The acquisition will expand FAT Brands' portfolio in the burger restaurant space. FAT Brands already has a presence in this space with its portfolio including Fatburger and Elevation Burger. After the acquisition, FAT Brands will have more than 700 franchised and company owned restaurants globally. Johnny Rockets is known for its 1950s diner style décor, classic burgers and indulgent, hand-spun real ice cream shakes. President and CEO of FAT Brands, Andy Wiederhorn said, "This acquisition is a transformative event for FAT Brands in terms of scale and brand awareness. We see a lot of synergy with Johnny Rockets and our current restaurant concepts and we are eager to take the brand to new heights."

This acquisition allows FAT Brands to continue to grow its fast food burger restaurant portfolio, nearly doubling its portfolio restaurant locations, while bringing in a new level of brand awareness with the Johnny Rockets name.

### *The Carlyle Group Acquires Superstition Sunrise RV Resort*

On September 22, 2020, The Carlyle Group closed its acquisition of Superstition Sunrise RV Resort for \$88 million. The Carlyle Group is a private equity mega fund with prior investments in the mobile home and RV resort space. Superstition Sunrise RV Resort is a luxury, 55 years old-plus RV resort based in Arizona with 1,119 RV spaces.

The acquisition is a record-breaking deal, marking the single largest transaction in Arizona's history for a mobile home community or RV resort. With the acquisition, The Carlyle Group is continuing its trend of investing in the RV and manufactured housing market.

### *CAI Investments Acquires Harrah's Reno Hotel & Casino*

On September 30, 2020, CAI Investments closed its acquisition of Harrah's Reno Hotel & Casino for \$41.5 million. CAI Investments finances, develops, and manages properties across key markets in the United States. CAI envisions the future of the property to be a live-work-play destination that supplements its residential and workspaces with retail, restaurants, a grocery store, and a gym.

"You can take the elevator down from your apartment, go straight to work at the office, take a walk down the river then head to the gym — all within the same building," says CAI CEO Chris Beavor, "There aren't a lot of places downtown where you can move in 200 people, provide housing that's affordable, office space and a place to park their car."

## 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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