

MARKET BRIEF

Economic indicators were mixed in October as the U.S. advances along its recovery from the impact of COVID-19. The unemployment rate and the *Consumer Confidence Index* both declined over the month while the Consumer Price Index remained unchanged. The public markets saw another month of decline with the S&P 500 posting a loss of 2.8%. M&A activity rose despite decreases in cross-border transactions and leveraged buyouts.

Unemployment Rate Falls 1.0 Percentage Point in October

The unemployment rate continued to fall in October, declining 1.0 percentage point to 6.9%. This decrease marks six consecutive months of a declining unemployment rate. Total nonfarm payroll employment increased by 638,000 with increases in employment in leisure and hospitality, retail trade, construction, and professional and business services offsetting a decrease in government employment. The labor force participation rate erased losses in September, rising by 0.3% to 61.7%. The number of persons marginally attached to the labor force remained unchanged at approximately 2.0 million.

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

Consumer Confidence Declines Marginally

In October, the *Consumer Confidence Index* fell 0.4 points from 101.3 points to 100.9 points. This decline follows a 16-point rally in September. The *Present Situation Index* increased from 98.5 points in September to 104.6 points and the *Expectations Index* decreased from 104.0 points in September to 98.4 points. "Consumer confidence declined slightly in October, following a sharp improvement in September," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions improved while expectations declined, driven primarily by a softening in the short-term outlook for jobs. There is little to suggest that consumers foresee the economy gaining momentum in the final months of 2020, especially with COVID-19 cases on the rise and unemployment still high."

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

The Case-Shiller Index Posts 5.7% Annual Gain in August 2020

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, posted a 5.7% annual gain in August 2020, rising from 211.88 points in August 2019 to 223.97 in one year. "Housing prices were strong in August," says Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices. "The National Composite Index gained 5.7% relative to its level a year ago, well ahead of July's 4.8% increase. The 10- and 20-City Composites (up 4.7% and 5.2%, respectively) also rose at an accelerating pace in August. The strength of the housing market was consistent nationally – all 19 cities for which we have August data rose, and all 19 gained more in the 12 months ended in August than they had done in the 12 months ended in July."

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

The Consumer Price Index Remains Unchanged

The Consumer Price Index for All Urban Consumers (CPI-U) remained unchanged in October after rising 0.2% during the prior month. Price increases in electricity and food away from home were offset by price decreases in apparel and medical care commodities. The all items index increased 1.2% before seasonal adjustment over the past twelve months.
<https://www.bls.gov/news.release/pdf/cpi.pdf>

PUBLIC MARKET

The U.S. public markets fell for the second month in a row in October, following five consecutive months of gains. The S&P 500 decreased 2.8% while the Dow Jones Industrial Average and NASDAQ saw more significant losses of 4.6% and 8.6% respectively. Volatility simultaneously rose over the month, gaining 11.6 points to close out October at 38 points.

Public Trading Multiples

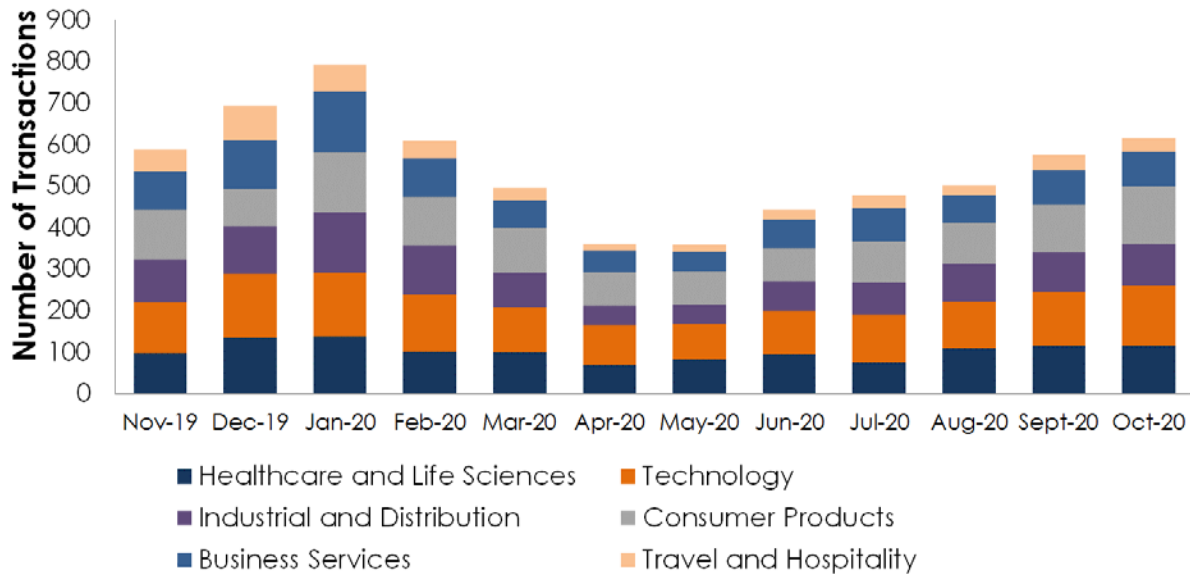
As of October 31, 2020

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	10.1x	42.2x	10.9%	9.2%	13.5%	7.2%	12.1%
Healthcare Equipment and Supplies	6.0x	25.2x	3.1%	4.3%	1.1%	4.5%	17.8%
Healthcare Providers and Services	0.8x	10.3x	0.1%	6.5%	10.9%	10.5%	7.4%
Healthcare and Life Sciences Aggregate	5.6x	25.9x	4.7%	6.7%	8.5%	7.4%	12.4%
Technology							
IT Services	3.8x	17.7x	3.7%	6.3%	0.8%	7.3%	8.9%
Software	9.0x	26.1x	11.7%	12.2%	13.4%	18.5%	5.0%
Computers and Other Electronic Equipment	1.7x	13.1x	2.0%	3.8%	2.9%	1.3%	17.5%
Technology Aggregate	4.8x	19.0x	5.8%	7.4%	5.7%	9.0%	10.5%
Industrial and Distribution							
Aerospace and Defense	1.6x	11.7x	-1.7%	2.8%	-27.0%	-4.7%	9.5%
Building Products	1.7x	12.2x	-4.0%	1.3%	-3.4%	0.0%	12.2%
Construction and Engineering	0.6x	7.9x	6.1%	6.4%	1.5%	6.3%	9.5%
Machinery	1.7x	13.7x	-5.2%	1.5%	-14.6%	-1.1%	6.2%
Distributors	0.8x	10.9x	-6.3%	7.3%	-9.1%	4.3%	4.5%
Industrial and Distribution Aggregate	1.3x	11.3x	-2.2%	3.9%	-10.5%	1.0%	8.4%
Consumer Products							
Food and Beverage	2.4x	13.7x	1.1%	2.2%	3.9%	2.7%	15.0%
Household and Personal Products	3.8x	17.7x	-0.7%	1.1%	-3.0%	1.8%	18.7%
Household Durables	1.2x	10.7x	-2.3%	1.6%	-4.6%	1.4%	9.2%
Textiles, Apparel, and Luxury Goods	2.5x	16.5x	-10.0%	-0.5%	-30.0%	-7.0%	8.2%
Consumer Products Aggregate	2.5x	14.7x	-3.0%	1.1%	-8.4%	-0.3%	12.7%
Business Services							
Human Resource and Employment Services	0.9x	12.3x	-5.2%	2.0%	-14.7%	0.2%	10.5%
Research and Consulting Services	3.9x	20.2x	1.8%	2.9%	0.2%	1.1%	13.2%
Business Services Aggregate	2.4x	16.3x	-1.7%	2.4%	-7.3%	0.6%	11.8%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	3.7x	24.7x	-34.3%	-9.0%	-87.5%	-52.0%	6.7%
Restaurants	3.0x	16.7x	-8.5%	0.5%	-28.8%	-8.3%	6.1%
Leisure Facilities	5.3x	19.9x	-17.1%	-1.4%	-42.8%	-11.8%	18.3%
Travel and Hospitality Aggregate	4.0x	20.4x	-19.9%	-3.3%	-53.0%	-24.0%	10.4%

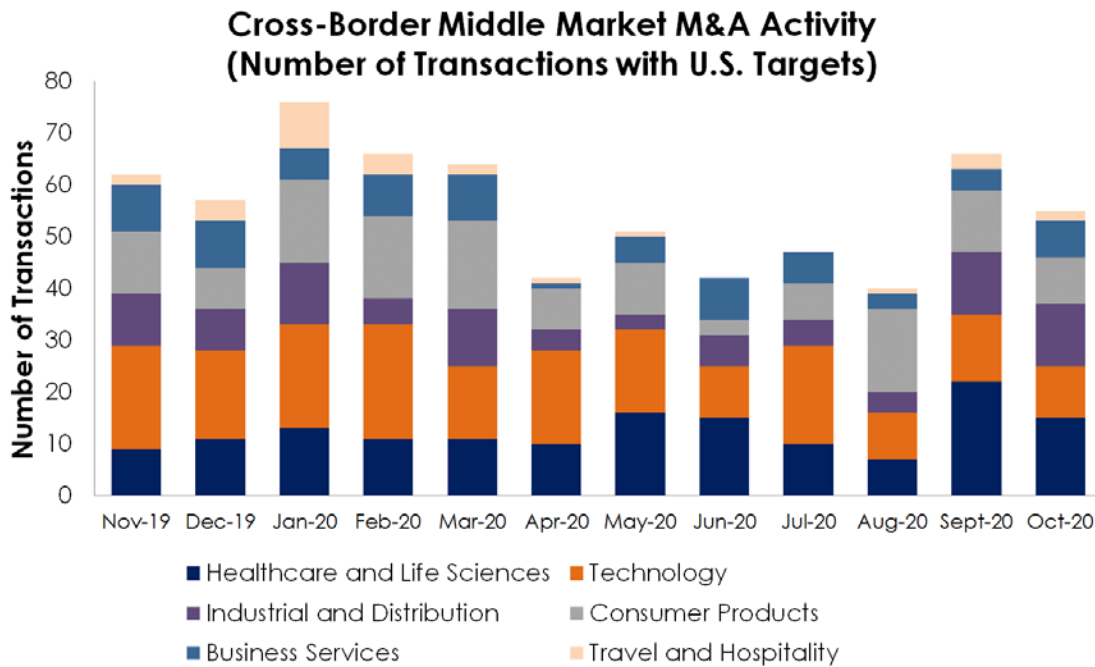
M&A MARKET

Middle market M&A activity increased in October, marking five consecutive months of rising transaction volume. The increase in deal volume was driven by increases in transactions in the technology, consumer products, and industrial distribution sectors.

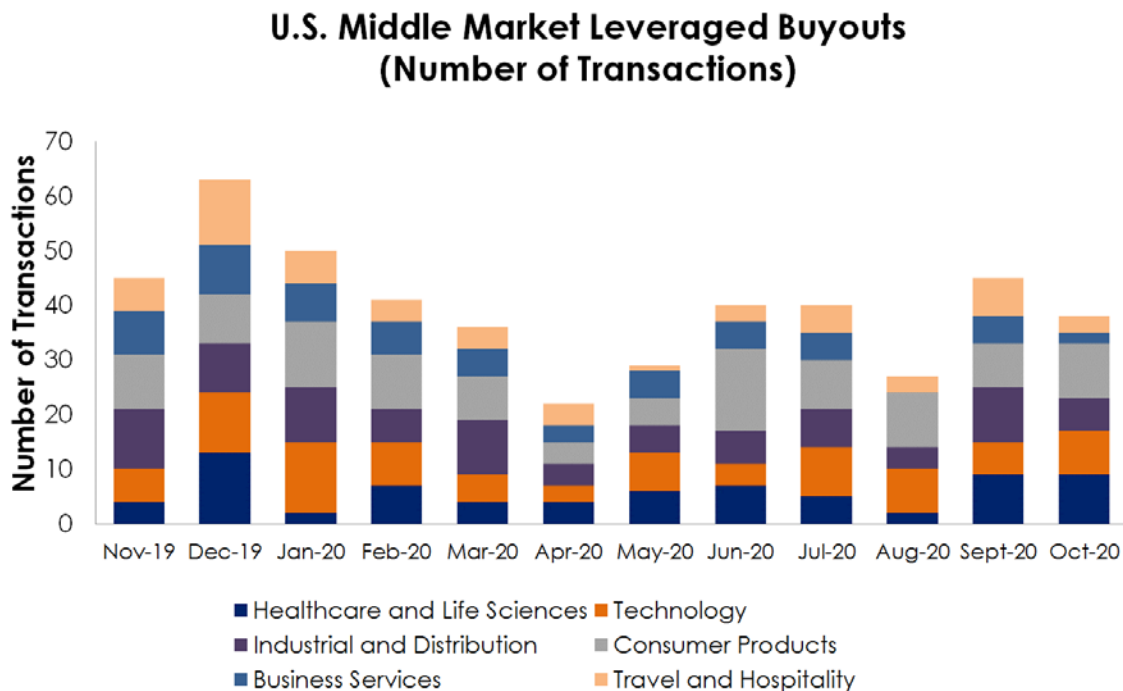
U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Cross-border transaction deal volume declined in October after increasing the previous month. Increases in transactions in the business services sector were offset by decreases in the technology, healthcare and life sciences, and travel and hospitality sectors.



LBO transaction volume declined slightly in the month of October. While the technology and consumer products sectors saw an uptick in deal volume, the total number of LBO transactions in travel and hospitality, business services, and industrial distribution fell in October.



SELECT MIDDLE MARKET M&A TRANSACTIONS – BUSINESS SERVICES

Valor Global Acquires DRS Services

On October 14, 2020, Valor Global closed its acquisition of DRS Services USA. Valor Global is a leading provider in world class call center solutions to customers around the world. DRS Services is a top healthcare and medical call center services provider specializing in patient scheduling and healthcare support solutions, based in Scottsdale, Arizona.

“We are pleased to welcome the DRS team to Valor Global family, deepening our expertise and accelerating the scaling of our healthcare offering to customers around the country,” said Valor Global CEO Simer S. Mayo. “Valor’s investment will provide healthcare providers with a trusted leader in healthcare call center solutions and provide a major economic impact with new job creation to the local community.”

SIB Fixed Cost Reduction Acquires Cost Control Associates

On October 27, 2020, SIB Fixed Cost Reduction acquired Cost Control Associates (CCA). SIB specializes in reducing operational costs for companies in areas such as waste removal, telecom, bank fees, property tax, utilities, maintenance contracts, corporate insurance and dozens of other spend areas. The company analyzes clients’ current vendor invoices to identify billing errors, ensure contract compliance and negotiate best-in-class pricing. CCA complements these services, helping companies reduce and better manage utility expenses for energy, waste removal, telecom and cellular. The company’s utility expense management services include utility invoice reviews, utility bill processing and payment, analysis and review of utility data, energy procurement and other services.

“We’ve partnered with the team at CCA for several years in order to provide our clients with the most competitive rates and services for their utility spend,” said Kevin Flounders, president of SIB Fixed Cost Reduction. “Bringing CCA into the SIB family was a natural next step in our growth strategy as we expand both organically and through mergers and acquisitions.”

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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