

MARKET BRIEF

The economic recovery slowed in September as the U.S. encountered uncertainty relating to both rising COVID-19 cases and inflation risks. The Consumer Confidence Index declined further from August while the Consumer Price Index rose in September by 0.4%. The unemployment rate continued to decrease, while remaining above pre-pandemic levels. The U.S. equity market declined throughout the month as well.

Unemployment Rate Declines to 4.8% in September

The unemployment rate for September was at 4.8%, down from 5.2% in August. The total nonfarm payroll employment rose by 194,000 in September. Overall, there were notable increases in employment in leisure and hospitality, professional and business services, retail trade, and transportation and warehousing; whereas employment in the education sector declined. The number of unemployed persons decreased to 7.7 million, following a slight decrease in August. In September, the number of persons on temporary layoff due to the pandemic, currently at 1.1 million, hardly changed. The labor force participation rate has remained relatively unchanged since June of 2020, at 61.7%. Along with that, the number of persons marginally attached to the labor force increased from 1.6 million in August to 1.7 million in September. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Decreased Again in September

The *Consumer Confidence Index* declined in September, following a decrease in August. Currently, the Index stands at 109.3, down from 115.2 in August. The *Present Situation Index* – a measure of consumers' assessment of business and labor market conditions – fell to 143.4 from 148.9 last month. The *Expectations Index* – based on consumers' short-term outlook for income, business, and labor market conditions – fell to 86.6 from 92.8.

“Consumer confidence dropped in September as the spread of the Delta variant continued to dampen optimism,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “Concerns about the state of the economy and short-term growth prospects deepened, while spending intentions for homes, autos, and major appliances all retreated again. Short-term inflation concerns eased somewhat, but remain elevated. Consumer confidence is still high by historical levels—enough to support further growth in the near-term—but the Index has now fallen 19.6 points from the recent peak of 128.9 reached in June. These back-to-back declines suggest consumers have grown more cautious and are likely to curtail spending going forward.” (<https://conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Reports Record 19.7% Annual Gain in July 2021

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index reported a 19.7% annual gain in July, up from 18.7% in the previous month. The 10-City Composite annual increase came in at 19.1%, up from 18.5% in the previous month. The cities reporting the highest year-over-year gains were Phoenix with a 32.4% increase, San Diego with a 27.8% increase, and Seattle with a 25.5% increase. According to Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P DJI, “July 2021 is the fourth consecutive month in which the growth rate of housing

prices set a record. The National Composite Index marked its fourteenth consecutive month of accelerating prices with a 19.7% gain from year-ago levels, up from 18.7% in June and 16.9% in May. This acceleration is also reflected in the 10- and 20-City Composites (up 19.1% and 19.9%, respectively). The last several months have been extraordinary not only in the level of price gains, but in the consistency of gains across the country. In July, all 20 cities rose, and 17 gained more in the 12 months ended in July than they had gained in the 12 months ended in June. Home prices in 19 of our 20 cities now stand at all-time highs, with the sole outlier (Chicago) only 0.3% below its 2006 peak. The National Composite, as well as the 10- & 20-City indices, are likewise at their all-time highs."

(<https://www.spglobal.com/spdji/en/index-announcements/article/sp-corelogic-case-shiller-index-reports-record-high-197-annual-home-price-gain-in-july/>)

The Consumer Price Index Increased 0.4% in September

The Consumer Price Index for All Urban Consumers (CPI-U) increased by 0.4% in September, after rising 0.3% in August on a seasonally adjusted basis. Over the last 12 months, the index increased 5.4% before seasonal adjustments.

(<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The U.S. public equity markets struggled in September, as major indices posted losses after months of gains. The S&P 500 was down 4.8% in September, and the Nasdaq Composite Index fell 4.8%, while the Dow Jones Industrial Average lost roughly 2.8% for the month.

Public Trading Multiples

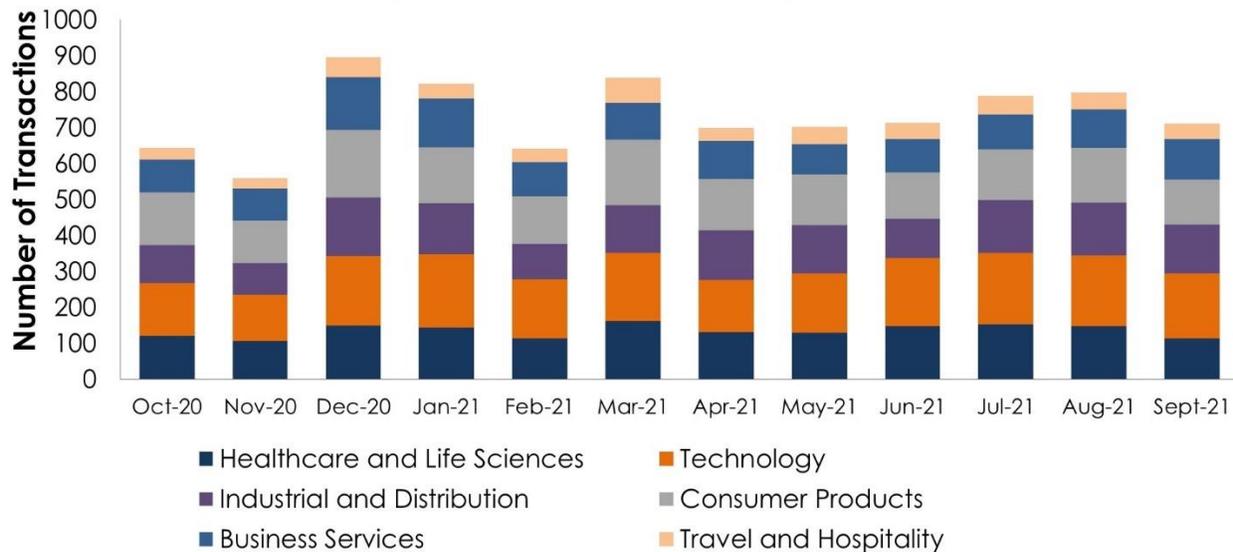
As of September 30, 2021

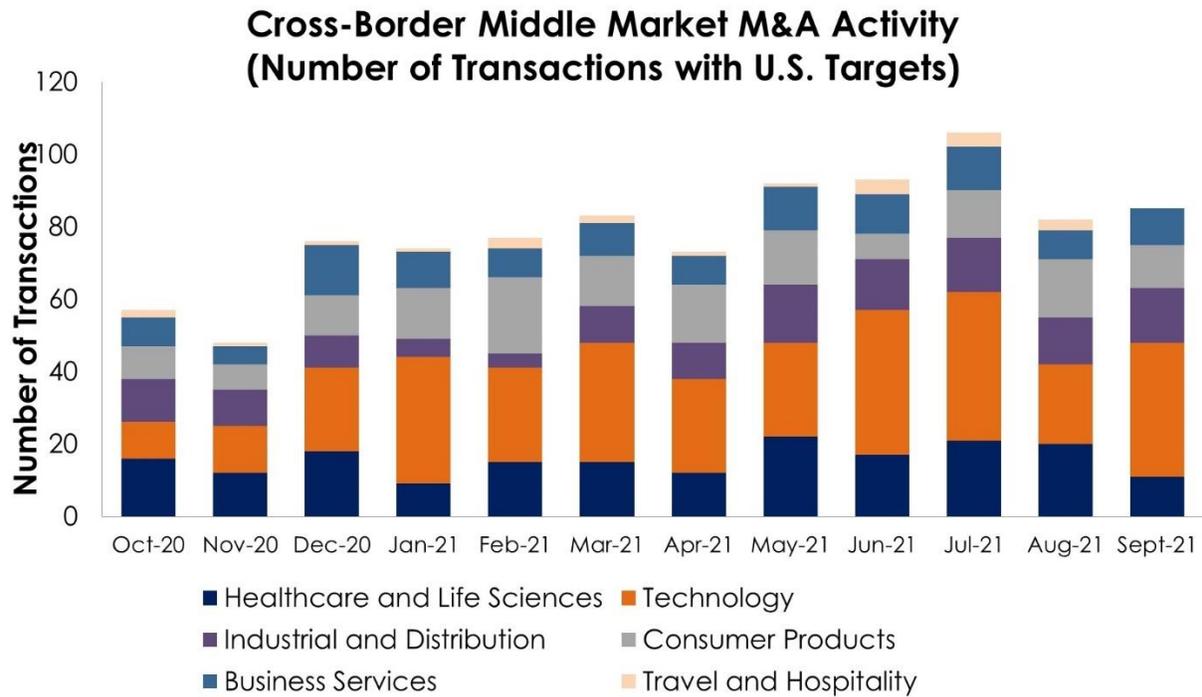
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	9.2x	38.0x	22.4%	10.3%	-14.0%	7.2%	14.8%
Healthcare Equipment and Supplies	6.0x	20.8x	21.8%	9.1%	56.2%	16.1%	29.2%
Healthcare Providers and Services	0.9x	12.0x	10.6%	10.5%	6.3%	9.4%	12.8%
Healthcare and Life Sciences Aggregate	5.4x	23.6x	18.3%	10.0%	16.2%	10.9%	18.9%
Technology							
IT Services	5.0x	21.9x	9.0%	6.4%	9.5%	6.7%	12.4%
Software	10.4x	28.6x	14.3%	11.8%	19.0%	15.4%	7.8%
Computers and Other Electronic Equipment	1.9x	13.7x	17.4%	6.4%	34.3%	7.7%	19.0%
Technology Aggregate	5.8x	21.4x	13.5%	8.2%	20.9%	10.0%	13.1%
Industrial and Distribution							
Aerospace and Defense	2.1x	14.1x	-4.0%	-0.2%	11.4%	-4.1%	9.9%
Building Products	2.0x	12.2x	13.0%	2.8%	35.9%	8.8%	16.3%
Construction and Engineering	0.6x	8.3x	15.2%	7.4%	10.5%	0.0%	6.8%
Machinery	1.9x	14.0x	12.1%	3.0%	21.0%	1.9%	5.1%
Distributors	0.8x	11.2x	14.2%	7.8%	19.4%	6.6%	4.2%
Industrial and Distribution Aggregate	1.5x	12.0x	10.1%	4.2%	19.6%	2.7%	8.5%
Consumer Products							
Food and Beverage	2.4x	13.4x	11.0%	4.4%	13.6%	5.3%	14.9%
Household and Personal Products	3.7x	17.6x	7.4%	2.3%	7.5%	2.4%	17.8%
Household Durables	1.2x	9.3x	18.8%	5.0%	44.9%	10.3%	10.2%
Textiles, Apparel, and Luxury Goods	3.1x	15.9x	13.5%	2.9%	46.5%	6.9%	9.9%
Consumer Products Aggregate	2.6x	14.0x	12.7%	3.7%	28.1%	6.2%	13.2%
Business Services							
Human Resource and Employment Services	1.2x	15.0x	4.2%	0.9%	11.1%	2.1%	10.9%
Research and Consulting Services	3.7x	16.3x	7.1%	4.4%	16.2%	5.0%	18.9%
Business Services Aggregate	2.4x	15.7x	5.6%	2.6%	13.6%	3.5%	14.9%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	7.8x	30.2x	-47.0%	-23.3%	0.0%	0.0%	-1.2%
Restaurants	3.6x	18.1x	-5.8%	-3.1%	5.4%	-6.4%	4.4%
Leisure Facilities	5.6x	16.2x	0.2%	-2.3%	-28.0%	-17.9%	4.2%
Travel and Hospitality Aggregate	5.7x	21.5x	-17.5%	-9.6%	-7.5%	-8.1%	2.5%

M&A MARKET

Middle market M&A activity was steady in September 2021, and the outlook for the remainder of the year remains positive. A report from SS&C states the following regarding M&A volume going forward: "We anticipate the number of M&A transactions to reach new heights in Q4 2021 on a year-over-year basis," said Ken Bisconti, Co-Head, SS&C Intralinks. "We're predicting an increase of greater than 10% in mergers and acquisitions (M&A) volume compared to Q4 2020. While we continue to keep a close eye on the impact of inflation, COVID-19 resurgence and geopolitical issues, it appears that dealmakers are poised to continue charging forward."

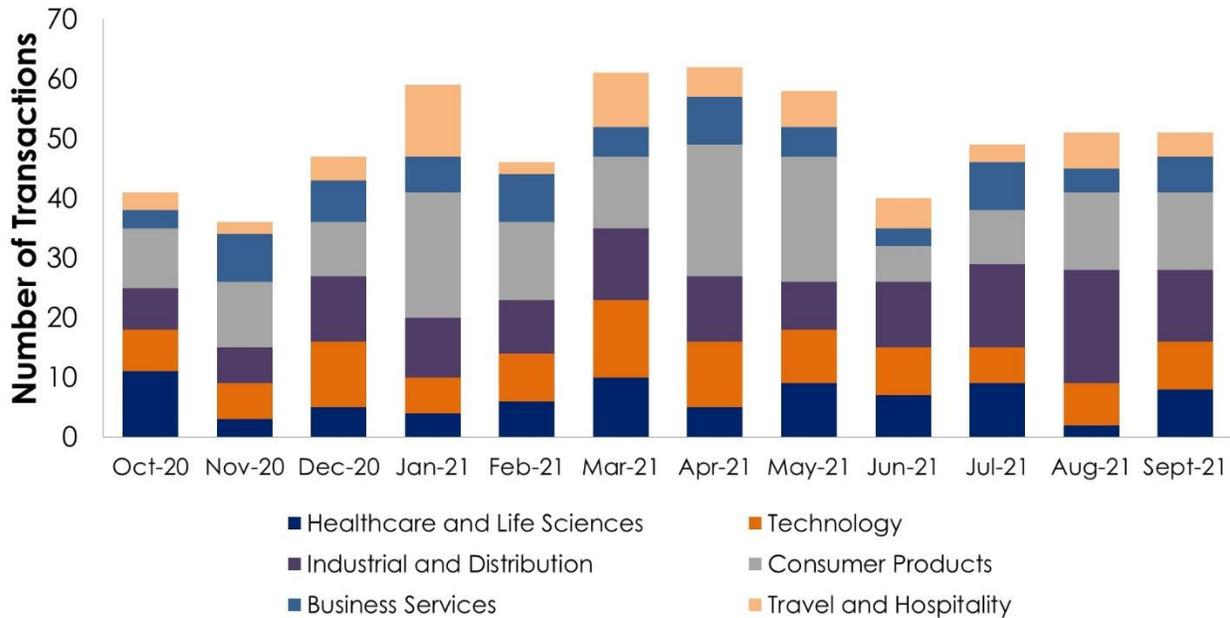
U.S. Middle Market M&A Activity Select Industries (Number of Transactions)





Cross-border M&A transaction volume remained steady throughout September. The Technology sector, along with the Industrial and Distribution Sector, saw strong activity.

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



Middle Market LBO transaction volume was strong during the month of September. The Consumer Products sector saw an outsized number of leveraged buyouts throughout the month while other sectors remained steady.

SELECT MIDDLE MARKET M&A TRANSACTIONS – TRAVEL & HOSPITALITY

Apple Hospitality (REIT) has completed the acquisition of Aloft, Portland

Apple Hospitality (NYSE:APLE) entered into a definitive agreement to acquire Aloft, Portland on September 13, 2021. Apple Hospitality is a publicly traded real estate investment trust that owns one of the largest and most diverse portfolios of upscale, rooms-focused hotels in the United States). Apple Hospitality's portfolio consists of 215 hotels with approximately 28,100 guest rooms located in 85 markets throughout 35 states.

"We are pleased to expand our portfolio with the acquisition of the newly constructed Aloft Portland, Maine and increase our exposure to the unique and vibrant Portland market," said Nelson Knight, President, Real Estate and Investments of Apple Hospitality. "In addition to Portland's tremendous appeal for leisure travel, the market is also home to a variety of corporate, government, trade, health care and educational demand generators, among others, and we are confident this stylish, urban-inspired Hotel is well positioned to benefit. We remain focused on maximizing long-term value for our shareholders and are actively exploring additional acquisition opportunities, like this one, that enhance our portfolio, align with our core ownership strategy and are well positioned for outperformance."

(<https://www.businesswire.com/news/home/20210913005774/en/Apple-Hospitality-REIT-Acquires-the-Aloft-Portland-Maine>)

SPB Hospitality has completed the acquisition of J. Alexander Holdings, Inc.

On September 30th, SPB Hospitality, an industry-leading operator and franchisor of steakhouses, pizza and craft brewery restaurants, announced that it has completed the acquisition of J. Alexander's Holdings, Inc. [NYSE:JAX]. J. Alexander's Holdings operates 47 upscale restaurants with award-winning brands, including J. Alexander's, Stoney River Steakhouse and Grill, Redlands Grill, Overland Park Grill and Merus Grill. For more than 30 years, J. Alexander's Holdings' guests have enjoyed high-quality food, an attractive ambiance and unparalleled polished service.

"This acquisition is a game-changer that advances SPB's vision of building a best-in-class hospitality company known for creating exceptional experiences and breaking through culinary boundaries," said SPB Hospitality Chief Executive Officer Jim Mazany. "I could not be more excited about the future of our SPB Hospitality brands. We're thrilled to welcome the J. Alexander's team to our family and thank them for their assistance throughout the acquisition process."

(<https://www.prnewswire.com/news-releases/spb-hospitality-completes-acquisition-of-j-alexanders-holdings-inc-301389271.html>)

FURTHER INFORMATION

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