

MARKET BRIEF

The economic recovery improved in October as the U.S. saw a decrease in COVID-19 cases and a return to normalcy. The Consumer Confidence Index and Consumer Price Index both rose sharply from September. The unemployment rate continued to decrease, while remaining above pre-pandemic levels. The stock market saw continued growth in October, closing at record highs.

Unemployment Rate Little Changed at 4.6% in October

The unemployment rate for October was at 4.6%, a slight decline from 4.8% in September. The total nonfarm payroll employment rose by 531,000 in October. Overall, job growth was widespread, with notable job gains in leisure and hospitality, professional and business services, manufacturing, and transportation and warehousing. The number of unemployed persons edged down to 7.4 million, continuing its downward trend. Both measures are down considerably from the peak of the pandemic, but still higher than pre-pandemic levels. In October, 3.8 million persons reported that they were not able to work because their employer closed or lost business due to the pandemic, down from 5.0 million in September. The labor force participation rate has remained relatively unchanged since June of 2020, at 61.6%. The number of persons marginally attached to the labor force was little changed at 1.7 million in October.

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

Consumer Confidence Increased in October

The *Consumer Confidence Index* increased in October, following a decline in the previous three months. Currently, the Index stands at 113.8, up from 109.8 in September. The *Present Situation Index* – a measure of consumers' assessment of business and labor market conditions – rose to 147.7 from 144.3 last month. The *Expectations Index* – based on consumers' short-term outlook for income, business, and labor market conditions – improved to 91.1 from 86.7. "Consumer confidence improved in October, reversing a three-month downward trend as concerns about the spread of the Delta variant eased," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "While short-term inflation concerns rose to a 13-year high, the impact on confidence was muted. The proportion of consumers planning to purchase homes, automobiles, and major appliances all increased in October—a sign that consumer spending will continue to support economic growth through the final months of 2021. Likewise, nearly half of respondents (47.6%) said they intend to take a vacation within the next six months—the highest level since February 2020, a reflection of the ongoing resurgence in consumers' willingness to travel and spend on in-person services."

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

The Case-Shiller Index Reports 19.8% Annual Gain in October 2021

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index reported an 19.8% annual gain in August, remaining the same as the previous month. The 10-City Composite annual increase came in at 18.6%, down from 19.2% in the previous month. The cities reporting the highest year-over-year gains were Phoenix with a 33.3% increase, San Diego with a 26.2% increase, and Tampa with a 25.9% increase. According to Craig J. Lazzara, Managing Director and Global Head of

Index Investment Strategy at S&P DJI, "The U.S. housing market showed continuing strength in August 2021. The National Composite Index rose 19.84% from year-ago levels, marginally ahead of July's 19.75% increase. This slowing acceleration was also evident in our 10- and 20-City Composites, which rose 18.6% and 19.7% respectively, modestly less than their rates of gain in July. Price gains were once again broadly distributed, as all 20 cities rose, although in most cases at a slower rate than had been the case a month ago."

(https://www.spglobal.com/spdji/en/documents/indexnews/announcements/20211026-1444567/1444567_cshomeprice-release-1026.pdf)

The Consumer Price Index Increased 0.9% in October

The Consumer Price Index for All Urban Consumers (CPI-U) increased by 0.9% in October, after rising 0.4% in September on a seasonally adjusted basis. Over the last 12 months, the all items index increased 6.2% before season adjustments. The index for all items less food and energy rose 0.6% in October after increasing 0.2% in September.

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

PUBLIC MARKET

The U.S. public markets have risen in recent months as the economy continues to recover with spending increasing and businesses returning to normal. The S&P 500 was up 6.9% in October and the Nasdaq Composite Index was up 6.5%, while the Dow Jones Industrial Average gained 5.8% for the month.

Public Trading Multiples

As of October 31, 2021

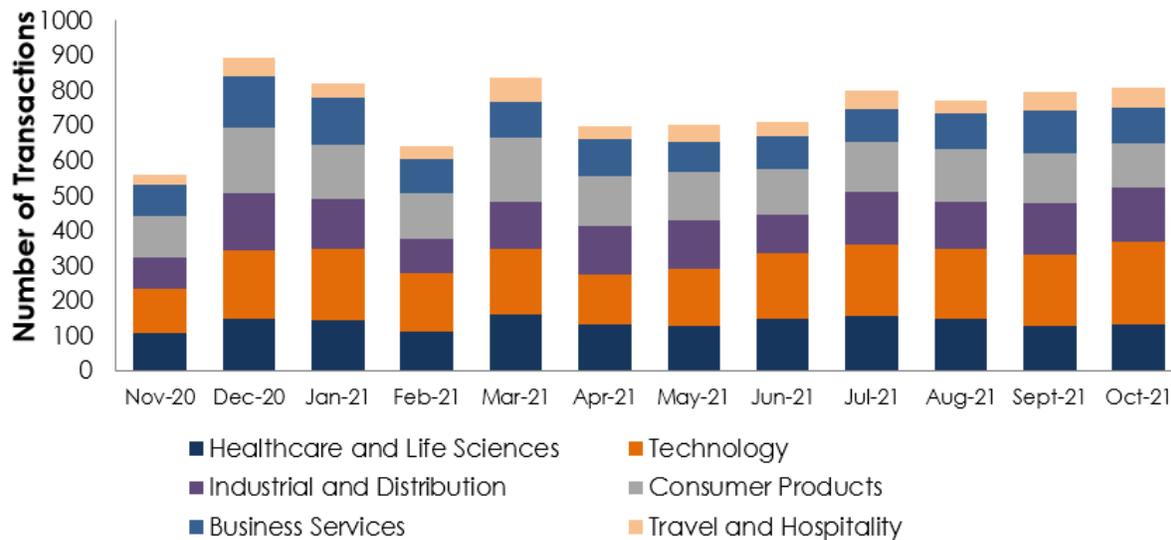
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	9.1x	33.7x	20.6%	10.3%	0.0%	6.7%	15.0%
Healthcare Equipment and Supplies	5.6x	19.9x	19.2%	9.1%	44.6%	15.7%	29.3%
Healthcare Providers and Services	0.9x	11.8x	11.1%	11.1%	4.3%	9.7%	13.3%
Healthcare and Life Sciences Aggregate	5.2x	21.8x	16.9%	10.2%	16.3%	10.7%	19.2%
Technology							
IT Services	4.8x	20.5x	9.5%	6.8%	11.5%	6.9%	12.6%
Software	10.8x	29.6x	15.1%	12.2%	20.5%	15.6%	8.0%
Computers and Other Electronic Equipment	1.9x	12.5x	16.7%	6.2%	34.6%	7.9%	19.7%
Technology Aggregate	5.8x	20.9x	13.8%	8.4%	22.2%	10.1%	13.4%
Industrial and Distribution							
Aerospace and Defense	2.1x	13.5x	-3.6%	-0.8%	18.4%	-4.4%	9.9%
Building Products	1.9x	11.9x	15.1%	3.6%	34.2%	9.4%	17.1%
Construction and Engineering	0.7x	8.9x	10.3%	6.8%	5.5%	-0.3%	6.7%
Machinery	1.9x	13.6x	11.9%	3.0%	22.6%	2.3%	5.5%
Distributors	0.8x	10.3x	19.8%	8.6%	26.0%	8.7%	4.3%
Industrial and Distribution Aggregate	1.5x	11.6x	10.7%	4.2%	21.3%	3.1%	8.7%
Consumer Products							
Food and Beverage	2.4x	13.7x	10.7%	4.6%	10.1%	5.0%	14.8%
Household and Personal Products	3.7x	17.5x	7.4%	2.3%	5.0%	2.3%	17.7%
Household Durables	1.2x	9.2x	17.6%	5.6%	40.6%	10.6%	10.2%
Textiles, Apparel, and Luxury Goods	3.1x	16.0x	18.0%	3.8%	66.0%	8.9%	9.2%
Consumer Products Aggregate	2.6x	14.1x	13.4%	4.1%	30.4%	6.7%	13.0%
Business Services							
Human Resource and Employment Services	1.2x	14.9x	6.9%	1.4%	19.6%	3.5%	10.8%
Research and Consulting Services	3.7x	16.7x	7.3%	4.4%	15.7%	5.1%	19.0%
Business Services Aggregate	2.4x	15.8x	7.1%	2.9%	17.7%	4.3%	14.9%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	8.2x	28.0x	-34.1%	-21.3%	0.0%	0.0%	-1.1%
Restaurants	3.5x	17.1x	-2.3%	-2.5%	15.7%	-5.1%	4.5%
Leisure Facilities	7.8x	22.5x	-4.4%	-10.1%	-11.4%	-25.9%	3.3%
Travel and Hospitality Aggregate	6.5x	22.5x	-13.6%	-11.3%	1.4%	-10.3%	2.2%

M&A MARKET

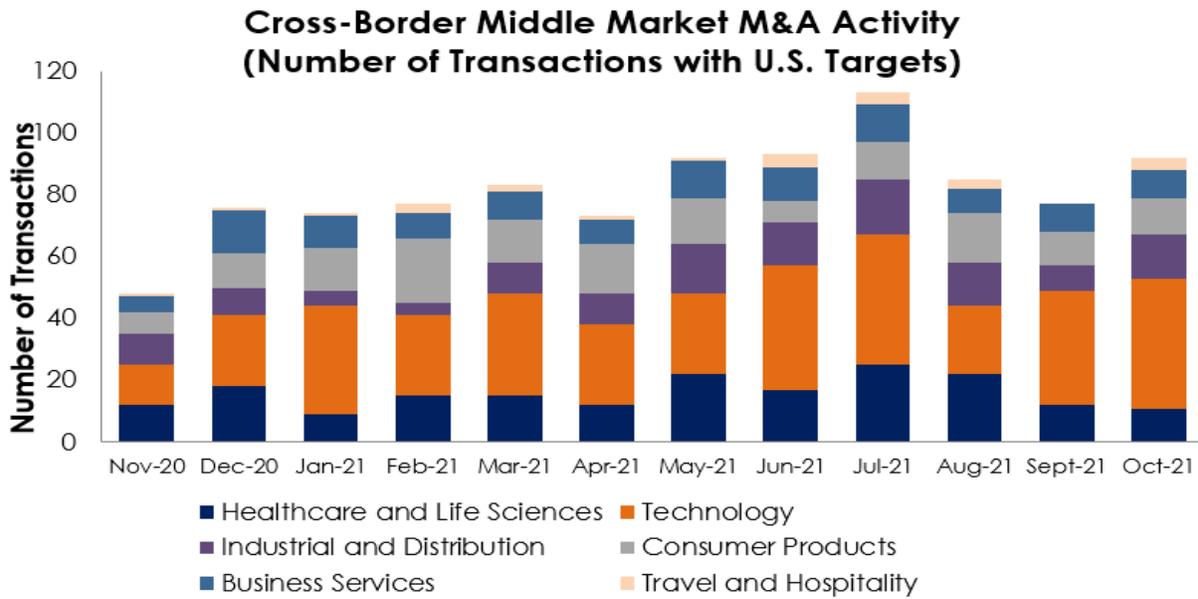
Middle market M&A activity was steady in October 2021, and the outlook for the remainder of the year remains positive. A recent PwC report projects a strong end to 2021 with predictions of high deal activity continuing into 2022.

The report stated: "Overall, we remain bullish on the level of M&A activity during the second half of 2021, with a greater variety of deals being undertaken to meet the growing complexity of challenges facing companies... We continue to closely watch the changing macroeconomic landscape – inflation, interest rates, tax policy, regulation and government spending – for clues that could have deal makers tap the brakes. However, our optimism remains as capital availability and strategic goals are playing as big as ever."

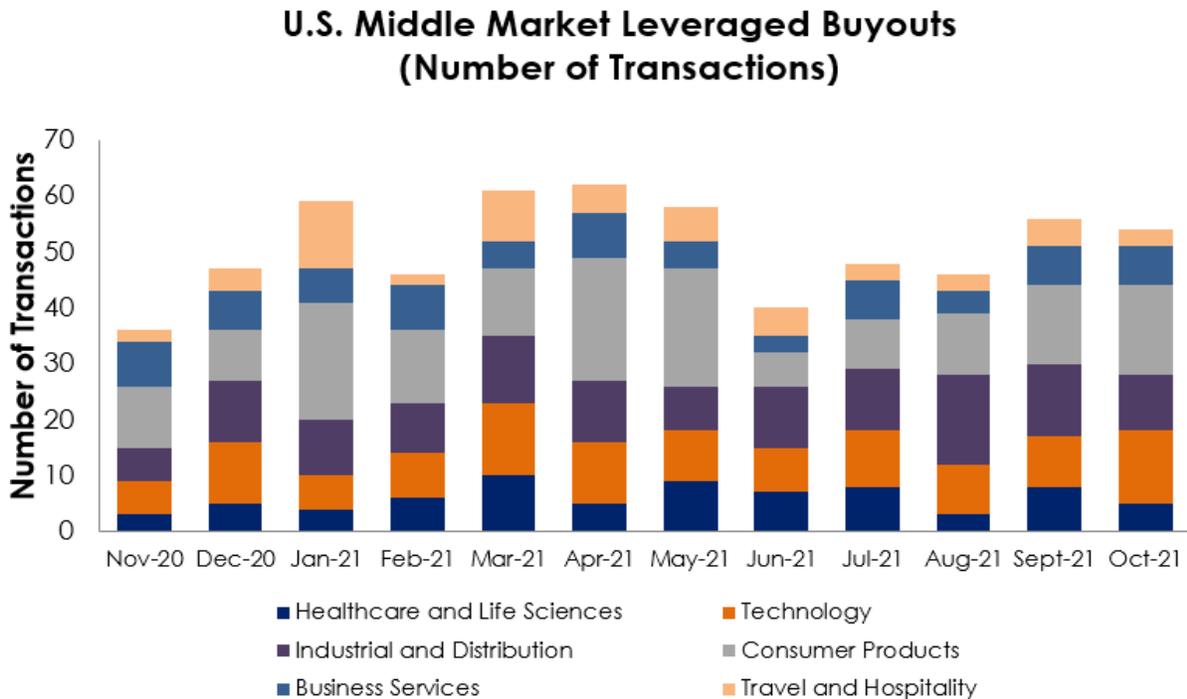
**U.S. Middle Market M&A Activity
Select Industries
(Number of Transactions)**



Middle market cross-border transaction volume saw a slight increase from deal volume in October. The largest number of deals were done in the technology and industrial and distribution sectors.



LBO transaction volume remained flat in October compared to the previous month, following a slight slowdown over the summer months.



SELECT MIDDLE MARKET M&A TRANSACTIONS – BUSINESS SERVICES

Bedford Cost Segregation Merged with Source Advisors

On May 20th, Source Advisors, a leading specialized tax consulting firm providing R&D Tax Credit, Cost Segregation, LIFO inventory, § 179D and § 45L solutions nationwide for more than 38 years, has joined forces with Bedford Cost Segregation, an independent professional services firm specializing in cost segregation and innovative tax and energy solutions for the commercial real estate industry. Mirus Capital Advisors represented Bedford Cost Segregation in the transaction.

“Bedford’s exceptional client focus and reputation in the industry align perfectly with our core values of trust, integrity, and client service,” said Chris Henderson, President of Source Advisors. “We are excited to further extend our national presence and unparalleled technical leadership with this combination.”

Sev1Tech Inc Completes Acquisition of Geocent LLC

On October 26th, Sev1Tech Inc, a company that specializes in IT Modernization, cybersecurity, cloud, engineering and more for U.S. Government agencies and major commercial organizations announced that it has completed the acquisition of Geocent LLC. Geocent works with government and other agencies to provide technology modernization, cloud solutions, advanced analytics, and mission services. Geocent has strong ties to the federal government which will also benefit Sev1Tech.

“Geocent serves the U.S. federal government through its strong reputation as an innovator in DevSecOps and engineering services, supporting critical missions across agencies. Both Sev1Tech and Geocent are familiar and valued partners to the government agencies and commercial organizations that have, through these shared core values and collaborations, transformed and streamlined to better serve citizens, more effectively compete in the marketplace and improve national security.”

VC3 Inc Completes Acquisition of ThinkGard LLC

On October 26th, VC3, a services provider for municipal government and mid-market businesses announced that it has acquired ThinkGard LLC. ThinkGard specializes in technology risk management and provides cybersecurity solutions to its clients. ThinkGard is mainly focused on the data security of its clients but provides other services in IT management as well.

“VC3, a market-leading managed information technology (IT) service provider, announced today the acquisition of ThinkGard, a cybersecurity and disaster recovery provider to local governments. The addition of this established firm in the municipal market aligns with VC3’s focus to serve cities and towns across the country.” Sandy Reeser, VC3’s Chief Executive Officer, said, “ThinkGard is highly focused on securing and protecting the data of the clients they serve. I’m very excited that we can combine our teams to expand our new collective service offerings to municipalities and businesses across the country.”

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.

For any questions about the Middle Market Monitor or Mirus Capital Advisors, please contact Mirus Capital Advisors at 781-418-5900 or visit <http://merger.com>. You can also contact our senior bankers directly:

[Alan Fullerton](#)
[Andy Crain](#)
[Brendan Kiernan](#)
[David Christopher](#)
[Kate Soto](#)
[Patrick West](#)
[Rudy Minar](#)
[Sean Sundstrom](#)
[Stuart Rose](#)

Sources: Capital IQ, Bloomberg, Forbes, Reuters, The New York Times, The Wall Street Journal, Bureau of Labor Statistics, Ernst & Young, JP Morgan, Financial Times, The Middle Market, other sources as referenced within, and Mirus analysis. Copyright 2021, Mirus Capital Advisors, Inc. All rights reserved. Mirus Capital Advisors does not assume any liability for errors or omissions.

 Follow us on LinkedIn

To read more reports on the M&A markets, visit our website: www.merger.com