

MARKET BRIEF

Economic indicators were mixed in January as the U.S. continued to struggle with the Omicron variant of the COVID-19 virus. The *Consumer Price Index* increased, and the *Consumer Confidence Index* decreased, while the unemployment remained steady over the month. The public markets saw a loss with the S&P 500 declining 5.2% during January. Total middle market M&A activity, along with cross-border transactions and leveraged buyouts, decrease on a month-over-month basis.

Unemployment Rate Remains Steady in January

The unemployment rate was little changed at 4.0% during the month of January; and the number of unemployed persons, at 6.5 million, remained steady as well. Total nonfarm payroll employment rose by 467,000 throughout the month. Over the past year, the unemployment rate has decreased by 2.4% as the U.S. economy has continued its recovery from the worst of the COVID-19 pandemic. However, in February 2020, prior to the pandemic, the unemployment rate was 3.5%, indicating that pre-pandemic figures have yet to be reached.
(<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Decreases

In January, the *Consumer Confidence Index* declined slightly after an increase in December (2021). Currently, the index stands at 113.8. This represents a 1.4-point decline from the prior month when the index sat at 115.2. Along with that, the *Expectations Index*, which tracks consumers' short-term expectations regarding income and labor market conditions, declined 4.6 points from 95.4 in December to 90.8 in January. Lynn Franco, Senior Director of Economic Indicators at The Conference Board, echoed consumers' concerns going forward. She stated "Concerns about the pandemic increased slightly, amid the ongoing Omicron surge. Looking ahead, both confidence and consumer spending may continue to be challenged by rising prices and the ongoing pandemic."
(<https://www.conference-board.org/topics/consumer-confidence>)

The Case-Shiller Index Reports 18.8% Annual Gain in November 2021

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, posted a 18.8% annual gain in November 2021, down from 19.0% in the previous month. The U.S. National Index posted a 0.9% month-over-month increase in November, while the 10-city and 20-city composites recorded increases of 1.1% and 1.2%, respectively. "For the past several months, home prices have been rising at a very high, but decelerating, rate. That trend continued in November 2021," says Craig J. Lazzara, Managing Director at S&P DJI. Lazzara went on to say, "Despite this deceleration, it's important to remember that November's 18.8% gain was the sixth-highest reading in the 34 years covered by our data [the top five were the months immediately preceding November]."
(https://www.spglobal.com/spdji/en/documents/indexnews/announcements/20220125-1449365/1449365_cshomeprice-release-0125.pdf)

The Consumer Price Index Increased 0.6% in January

The Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.6% in January on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported. Over the last twelve months, the all-items index increased 7.5% before seasonal adjustment. Increases in the indexes for food, electricity, and shelter were the largest contributors to the seasonally adjusted all-items increase. The food index rose 0.9% in January, after a 0.5% increase in December. The energy index also increased 0.9% over the month.

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

PUBLIC MARKET

The U.S. public markets traded down in January after a strong December. The S&P 500 decreased by 5.2% and the Dow Jones Industrial Average was down 4.0%.

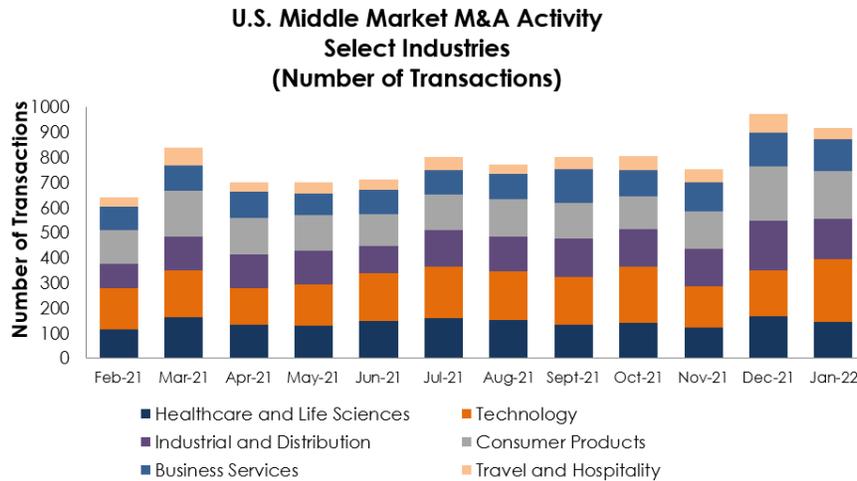
Public Trading Multiples

As of February 8, 2022

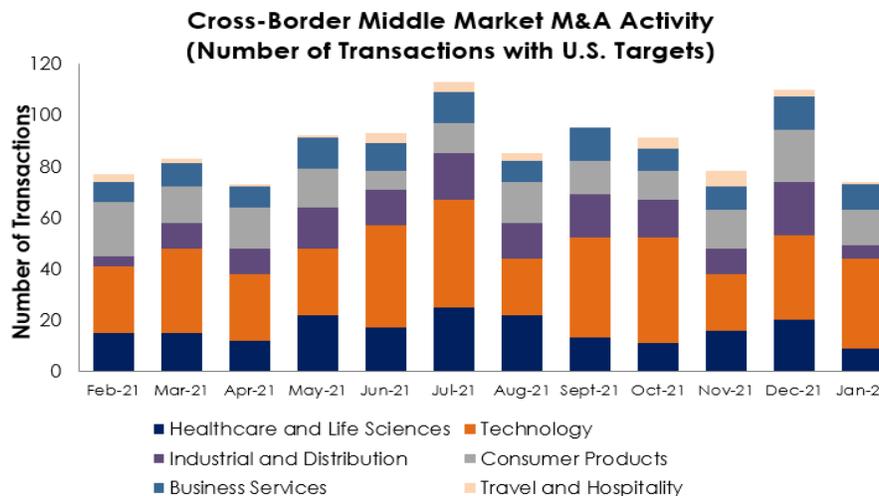
Category	EV / Revenue	EV / EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	7.7x	29.6x	16.8%	11.1%	0.6%	2.3%	14.4%
Healthcare Equipment and Supplies	5.5x	19.4x	16.0%	8.8%	33.4%	14.4%	29.5%
Healthcare Providers and Services	0.9x	11.6x	11.3%	11.2%	8.1%	10.3%	13.2%
Healthcare and Life Sciences Aggregate	4.7x	20.2x	14.7%	10.4%	14.0%	9.0%	19.1%
Technology							
IT Services	4.7x	20.6x	8.0%	6.0%	9.0%	5.6%	12.2%
Software	9.9x	27.3x	15.5%	12.5%	19.2%	16.0%	7.3%
Computers and Other Electronic Equipment	1.9x	12.8x	16.2%	6.8%	32.4%	9.6%	19.9%
Technology Aggregate	5.5x	20.2x	13.2%	8.4%	20.2%	10.4%	13.1%
Industrial and Distribution							
Aerospace and Defense	2.1x	15.1x	2.3%	-1.6%	51.4%	-3.7%	10.0%
Building Products	1.9x	11.6x	15.9%	3.4%	35.1%	10.1%	17.7%
Construction and Engineering	0.7x	8.9x	12.1%	8.3%	6.5%	4.8%	8.4%
Machinery	1.9x	13.4x	13.4%	3.3%	23.2%	3.4%	5.2%
Distributors	0.8x	10.2x	22.2%	7.4%	35.5%	8.4%	4.5%
Industrial and Distribution Aggregate	1.5x	11.9x	13.2%	4.2%	30.4%	4.6%	9.2%
Consumer Products							
Food and Beverage	2.4x	13.8x	10.6%	5.0%	8.9%	5.5%	15.0%
Household and Personal Products	3.7x	18.2x	5.5%	2.4%	0.4%	1.6%	17.4%
Household Durables	1.2x	9.2x	11.1%	3.8%	31.9%	10.5%	13.4%
Textiles, Apparel, and Luxury Goods	3.2x	14.8x	21.4%	4.3%	77.9%	11.0%	9.9%
Consumer Products Aggregate	2.6x	14.0x	12.1%	3.9%	29.8%	7.1%	13.9%
Business Services							
Human Resource and Employment Services	1.3x	15.7x	9.0%	1.8%	31.9%	5.1%	11.8%
Research and Consulting Services	3.6x	16.4x	8.2%	4.4%	18.5%	6.3%	15.7%
Business Services Aggregate	2.5x	16.1x	8.6%	3.1%	25.2%	5.7%	13.7%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	8.5x	29.4x	-22.7%	-22.5%	0.0%	0.0%	-1.4%
Restaurants	3.3x	15.9x	5.5%	-1.2%	41.7%	-2.1%	4.5%
Leisure Facilities	5.3x	23.7x	25.5%	1.3%	31.6%	-10.5%	2.1%
Travel and Hospitality Aggregate	5.7x	23.0x	2.7%	-7.5%	24.4%	-4.2%	1.7%

M&A MARKET

Middle market M&A activity remained strong in January, although down somewhat from the spike in activity in December. Growth was driven by the number of middle market M&A transactions in the technology sector.

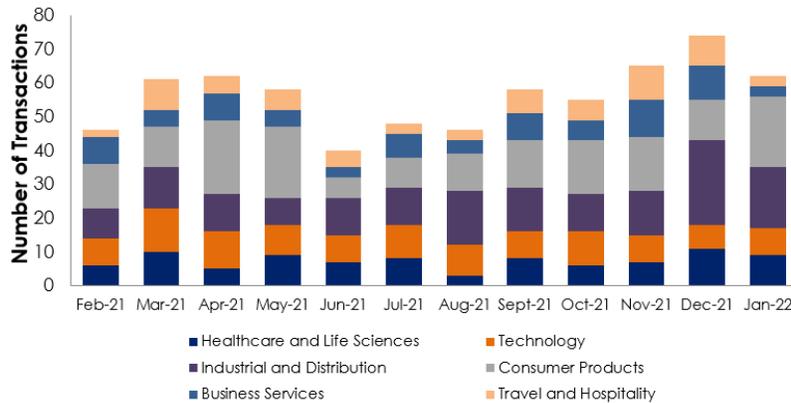


Cross-border middle market M&A activity slowed down in January after a strong month of December. A decrease in the number of deals in the travel and hospitality sector and the industrial and distribution sector contributed to the slower month.



LBO transaction volume slowed in January after three increasingly strong months. Middle market LBO volume in the consumer products sector expanded compared to previous months. However, a decrease in LBO volume in the travel and hospitality sector and the business services sector resulted in an overall decrease in LBO transactions throughout the month.

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



SELECT MIDDLE MARKET M&A TRANSACTIONS – TECHNOLOGY

Alithya Group acquires Vitalyst

On February 1, 2022, Alithya Group Inc. (NASDAQ: ALYA) announced that it has completed the acquisition of US-based Vitalyst, LLC for a purchase price of up to \$50.2 million. Vitalyst is an award-winning Microsoft Gold Partner providing best-in-class employee experience and transformative change enablement via the on-demand, subscription-based *Adaptive Learning™* proprietary platform.

Vitalyst accompanies Fortune 1000 companies in the adoption of cloud-based, Microsoft business applications. Its more than 165 professionals currently support over 350 business applications for over 400 clients that operate in more than 20 countries. Its services are offered in over 10 languages and drive usage and awareness of Microsoft applications, allowing organizations to achieve the maximum return on their investment by enhancing user proficiency and productivity.

In a statement regarding the transaction, Paul Raymond, President and CEO at Alithya, stated, "I am proud to welcome Vitalyst to the Alithya community. In Vitalyst, we found a highly skilled team with a culture and vision in strong alignment with Alithya's values and corporate objectives. Vitalyst's blue-chip customer base, and its virtual *Adaptive Learning™* platform, provide strong bases for continued success in the years to come."

Paylocity acquires Cloudsnap

On January 19, 2022, Paylocity (NASDAQ: PCTY), a leading provider of cloud-based HR and payroll software solutions, announced the acquisition of Cloudsnap Inc., a flexible, low-code solution for integrating disparate business applications.

The acquisition of Cloudsnap's technology will enable Paylocity to deliver modern integrations and seamless data sharing between critical systems more efficiently and effectively, while helping to unify and automate business processes across HR, Finance, Benefits, and other systems.

Converge Technology Solutions acquires PDS Holding Company

On January 10, 2022, Converge Technology Solutions Corp., a software-enabled IT & cloud solutions provider, announced it had acquired PDS Holding Company, a Delaware corporation, and its wholly-owned subsidiaries, including Paragon Development Systems, Inc. (PDS), a Wisconsin-based organization focused on fueling digital transformation. Converge acquired PDS from Mason Wells, a private equity firm based in Milwaukee, Wisconsin

"We're pleased to announce the addition of Paragon Development Systems, with its expertise in digital transformation, to Converge's portfolio of companies," stated Shaun Maine, CEO of Converge. "PDS's knowledge and proficiency in the healthcare space will enhance Converge's ability to deliver enterprise solutions and managed services to our clients in this sector across North America. Additionally, PDS's presence in the central region will give us more scale across Wisconsin, Illinois, and Minnesota to help us continue to meet the requirements of our clients in these areas."

"Converge is looking forward to working with Paragon Development Systems leadership to continue driving value and delivering an enhanced level of satisfaction that PDS clients have come to rely on over the past few decades," said Greg Berard, President, North America of Converge. "The synergies between Converge and PDS will allow us to offer increased benefits and an expanded solution portfolio for our mutual clients across North America."

FURTHER INFORMATION

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