

## MARKET BRIEF

Economic indicators revealed uncertainty in May, as the unemployment rate remained constant at 3.6% and the labor force participation rate increased. The Consumer Confidence Index decreased as the United States continues to experience record-high inflation led by oil prices which rose 9.5% in the month of May. The S&P 500 fluctuated significantly through the month but rallied at the end of the month to end with a slight gain. Most major indices made new 52-week lows during the month, despite finishing close to unchanged. Earlier in May, the Federal Open Market Committee instituted an interest rate rise of 50 basis points to fight soaring inflation. On a month-over-month basis, total middle-market M&A activity and leveraged buyouts increased slightly. Due to large amounts of capital chasing deals and a limited supply of high-quality companies in the market, the outlook for middle market M&A transactions remains optimistic for the foreseeable future.

### Unemployment Rate Remains Unchanged in May

In May, the unemployment rate was 3.6 percent for the third month in a row, and the number of unemployed persons was essentially unchanged at 6.0 million. Notable job gains occurred in leisure and hospitality, professional and business services, and transportation and warehousing. Total nonfarm payroll employment rose by 390,000, while employment in retail trade declined. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

### Consumer Confidence Decreases Slightly in May

The Conference Board Consumer Confidence Index® decreased slightly in May, following a small increase in April. The Index now stands at 106.4 (1985=100), down from 108.6 in April (after an upward revision). The Present Situation Index—based on consumers' assessment of current business and labor market conditions—declined to 149.6 from 152.9 last month. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—declined to 77.5 from 79.0. "Consumer confidence dipped slightly in May, after rising modestly in April," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The decline in the Present Situation Index was driven solely by a perceived softening in labor market conditions. By contrast, views of current business conditions—which tend to move ahead of trends in jobs—improved. Overall, the Present Situation Index remains at strong levels, suggesting growth did not contract further in Q2. That said, with the Expectations Index weakening further, consumers also do not foresee the economy picking up steam in the months ahead. They do expect labor market conditions to remain relatively strong, which should continue to support confidence in the short run." (<https://www.conference-board.org/topics/consumer-confidence>)

### **The Case-Shiller Index Reports 20.60% Annual Gain in March 2022**

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 20.6% annual gain in March, up from 20.0% in the previous month. The 10-City Composite annual increase came in at 19.5%, up from 18.7% in the previous month. The 20-City Composite posted a 21.2% year-over-year gain, up from 20.3% in the previous month. "Those of us who have been anticipating a deceleration in the growth rate of U.S. home prices will have to wait at least a month longer," says Craig J. Lazzara, Managing Director at S&P DJI. "The strength of the Composite indices suggests very broad strength in the housing market, which we continue to observe. All 20 cities saw double-digit price increases for the 12 months ended in March, and price growth in 17 cities accelerated relative to February's report."

(<https://www.spglobal.com/spdji/en/index-announcements/article/sp-corelogic-case-shiller-index-reports-annual-home-price-gain-of-206-in-march/>)

### **The Consumer Price Index Increased 1.0% in May**

The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.0 percent in May on a seasonally adjusted basis after rising 0.3 percent in April. Over the last 12 months, the all items index increased 8.6 percent before seasonal adjustment. The increase was broad-based, with the indexes for shelter, gasoline, and food being the largest contributors. After declining in April, the energy index rose 3.9 percent over the month with the gasoline index rising 4.1 percent and the other major component indexes also increasing. The food index rose 1.2 percent in May as the food at home index increased 1.4 percent.

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

### **Federal Reserve Assets and Liabilities Rise**

Total assets on the Federal Reserve's balance sheet rose roughly \$490 billion over the past two quarters. The increase in total assets was primarily driven by the increases in the securities held outright, which rose about \$550 billion reflecting the net purchases of Treasury securities and mortgage-backed securities.

(<https://www.federalreserve.gov/monetarypolicy/May-2022-Federal-Reserve-Balance-Sheet-Developments.htm>)

## PUBLIC MARKET

The U.S. public markets continued to fluctuate widely in May. The S&P 500 hit bear market territory in May with a decline of nearly 21% from its January high. The Dow Jones Industrial Average increased by 0.3% and the S&P 500 was up 0.2%.

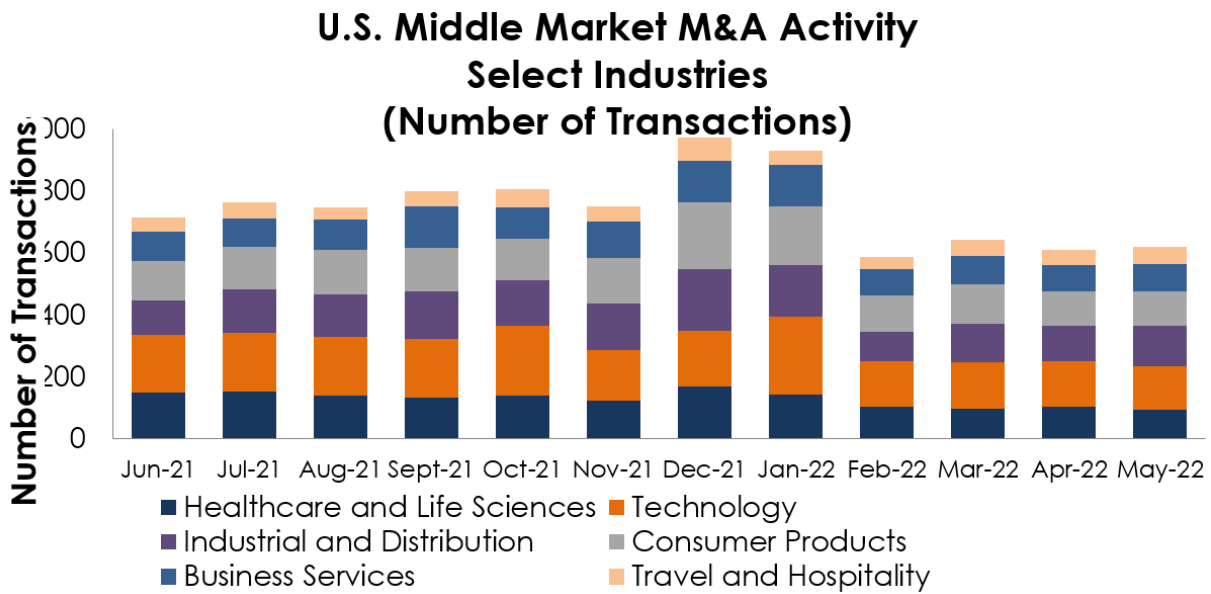
### Public Trading Multiples

As of May 31, 2022

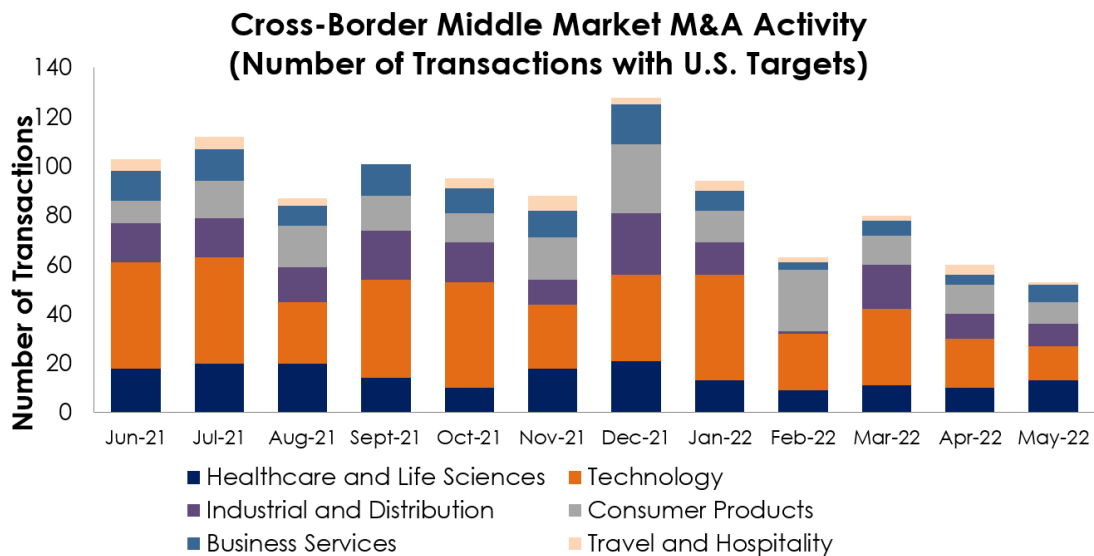
Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	5.1x	24.1x	15.6%	8.7%	45.9%	11.8%	12.9%
Healthcare Equipment and Supplies	4.4x	16.5x	11.2%	8.7%	7.5%	13.1%	28.0%
Healthcare Providers and Services	0.8x	11.4x	11.7%	10.6%	3.2%	8.6%	12.2%
Healthcare and Life Sciences Aggregate	3.5x	17.3x	12.9%	9.3%	18.9%	11.1%	17.7%
<b>Technology</b>							
IT Services	3.6x	17.5x	8.3%	5.8%	11.5%	5.8%	12.9%
Software	7.5x	22.7x	17.0%	13.0%	10.7%	15.1%	6.5%
Computers and Other Electronic Equipment	1.6x	10.8x	9.2%	7.0%	21.0%	11.4%	20.9%
Technology Aggregate	4.2x	17.0x	11.5%	8.6%	14.4%	10.8%	13.4%
<b>Industrial and Distribution</b>							
Aerospace and Defense	2.1x	13.4x	3.4%	-2.2%	31.4%	-2.9%	9.7%
Building Products	1.5x	9.4x	15.0%	4.2%	22.4%	10.0%	19.7%
Construction and Engineering	0.7x	8.6x	7.7%	7.7%	9.6%	4.6%	10.3%
Machinery	1.5x	11.4x	9.8%	2.7%	9.0%	0.4%	3.9%
Distributors	0.8x	8.9x	21.5%	7.1%	46.0%	13.5%	4.9%
Industrial and Distribution Aggregate	1.3x	10.3x	11.5%	3.9%	23.7%	5.1%	9.7%
<b>Consumer Products</b>							
Food and Beverage	2.2x	12.4x	11.0%	5.9%	4.7%	5.3%	14.8%
Household and Personal Products	3.3x	16.6x	2.6%	2.4%	-3.5%	0.2%	17.1%
Household Durables	0.9x	7.1x	11.1%	5.6%	21.5%	13.0%	10.5%
Textiles, Apparel, and Luxury Goods	2.5x	12.2x	22.0%	5.2%	59.4%	10.9%	10.1%
Consumer Products Aggregate	2.2x	12.1x	11.7%	4.8%	20.5%	7.3%	13.1%
<b>Business Services</b>							
Human Resource and Employment Services	0.9x	10.2x	14.0%	2.6%	43.7%	5.7%	11.7%
Research and Consulting Services	3.2x	16.7x	7.0%	5.3%	10.0%	8.3%	21.3%
Business Services Aggregate	2.0x	13.4x	10.5%	3.9%	26.8%	7.0%	16.5%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	6.0x	23.8x	67.3%	-16.6%	0.0%	-49.4%	-1.0%
Restaurants	2.7x	13.7x	21.6%	0.1%	65.4%	-0.6%	5.6%
Leisure Facilities	4.4x	19.4x	42.3%	3.7%	87.6%	-9.7%	10.4%
Travel and Hospitality Aggregate	4.4x	19.0x	43.8%	-4.2%	51.0%	-19.9%	5.0%

## M&A MARKET

Middle-market M&A activity held steady in May. The Technology industry had the highest transaction volume, followed by the Industrial and Distribution sector.

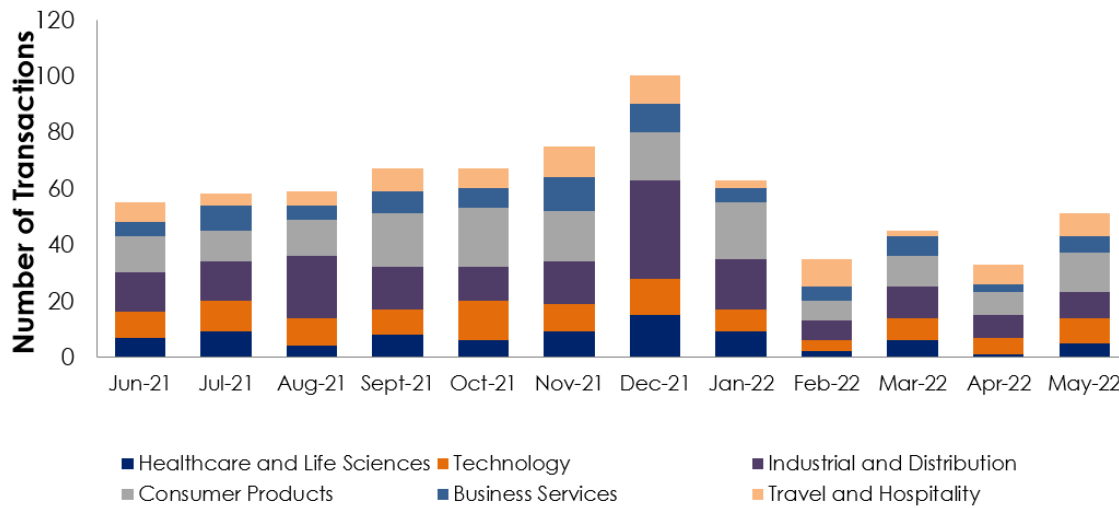


Cross-border middle-market M&A activity decreased in May 2022 showing a three-month downturn.



LBO transaction volume jumped in May following a drop-off in April. The LBO activity outlook remains optimistic with significant dry powder to be invested. The Fed raising rates may impact valuations, as leveraged loans will get more expensive and hinder strong returns.

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



### SELECT MIDDLE MARKET M&A TRANSACTIONS – BUSINESS SERVICES

#### *Deveron Corporation acquires A&L Canada Laboratories East, Inc*

Deveron Corp., a leading agriculture data company in North America, announced that the Company has entered into a definitive agreement dated May 2, 2022, with certain vendor shareholders to acquire a 67% equity interest in A&L Canada Laboratories East, Inc. (“A&L”), with an option to purchase the remaining 33% following the three-year anniversary of closing. A&L is the one of the largest soil and tissue laboratories in Canada. Deveron and A&L have cooperated in Canadian soil testing and analysis since 2019 and jointly own and operate Wood’s End Laboratory in the United States. “This acquisition is transformational for Deveron. Combining Deveron and A&L establishes one of the only fully vertically integrated agriculture data companies in the market. This also aligns with our vision to be North America’s leader in lab and agronomist services,” stated David MacMillan, Deveron’s President, and CEO.

### ***FlexJobs acquires Localwise***

FlexJobs, the leading job site for professionals seeking remote and flexible work, announced the acquisition of online job marketplace and talent-matching platform, Localwise. The strategic addition brings a dedicated focus on local job searching and hiring to FlexJobs, which has provided the largest database of vetted and hand-screened remote and flexible job listings since 2007. Oakland, CA-based Localwise was founded in 2014 and has grown to serve a community of more than 519,000 members. Its users can create profiles, enable fast application submissions, view the status of their applications in real time, be matched with employers, and build a network of people they know and trust. It empowers local businesses to thrive by transforming local hiring through trusted relationships, including access to a team of Hiring and Talent Specialists. The companies will operate singularly under the FlexJobs brand.

## 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](http://www.merger.com)