

## MARKET BRIEF

Economic indicators continued to present uncertainty in June, as the unemployment rate remained constant at 3.6% for the fourth month in a row and the labor force participation rate remained at 62.2%. The Consumer Confidence Index decreased by 4.5 points to its lowest level since February 2021 last month, as the United States continues to experience record-high inflation. Gas prices dipped 12 cents on average for the first time in months, largely due to the drop in the price of crude oil as recession fears cloud global demand outlook. Crude oil is currently hovering around \$100 per barrel. The S&P 500 fluctuated significantly through June but rallied at the end of the month to end with a slight gain. Both the Nasdaq Composite and Dow Jones Industrial indices finished slightly up over the course of the month. Earlier in June, the Federal Open Market Committee instituted an interest rate rise of 75 basis points, the most aggressive hike since 1994. 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 June

In June, the unemployment rate was 3.6% for the fourth month in a row, and the number of unemployed persons was essentially unchanged at 5.9 million. Notable job gains occurred in professional and business services, leisure and hospitality, and healthcare. In addition, total nonfarm payroll employment rose by 372,000.

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

### Consumer Confidence Decreases Heavily in June

The Conference Board Consumer Confidence Index® decreased in June, continuing the trend from May. The Index now stands at 98.7 (1985=100), down from 103.2 in May. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—declined to 147.1 from 147.4 last month. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—declined sharply to 66.4 from 73.7, its lowest level since March 2013. “Consumer confidence fell for a second consecutive month in June,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “While the Present Situation Index was relatively unchanged, the Expectations Index continued its recent downward trajectory—falling to its lowest point in nearly a decade. Consumers' grimmer outlook was driven by increasing concerns about inflation, in particular rising gas, and food prices. Expectations have now fallen well below a reading of 80, suggesting weaker growth in the second half of 2022 as well as growing risk of recession by yearend.”

(<https://www.conference-board.org/topics/consumer-confidence>)

### **The Case-Shiller Index Reports 20.4% Annual Gain in April 2022**

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 20.4% annual gain in April, down from 20.6% in the previous month. The 10-City Composite annual increase came in at 19.7%, up from 19.5% in the previous month. The 20-City Composite posted a 21.2% year-over-year gain, up from 21.1% in the previous month. "April 2022 showed initial (although inconsistent) signs of a deceleration in the growth rate of U.S. home prices," says Craig J. Lazzara, Managing Director at S&P DJI. "The National Composite Index rose by 20.4% for the 12 months ended April 2022; this represents a slight deceleration from March's 20.6% reading. The 10- and 20-City Composites were up 19.7% and 21.2%, respectively, modestly ahead of their gains in March. Despite the deceleration of the National Composite and the modest acceleration for the 10- and 20-City Composites, these growth rates are extremely strong by historical standards – at or above the 99th percentile in all three cases."

(<https://www.spglobal.com/spdji/en/index-announcements/article/sp-corelogic-case-shiller-index-reports-annual-home-price-gain-of-204/>)

### **The Consumer Price Index Increased 1.3% in June**

The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.3% in June on a seasonally adjusted basis after rising 1.0% in May. Over the last 12 months, the all items index increased 9.1% before seasonal adjustment. The increase was broad-based, with the indexes for shelter, gasoline, and food being the largest contributors. The energy index rose 7.5% over the month and contributed nearly half of the all items increase, with the gasoline index rising 11.2% and the other major component indexes also rising. The food index rose 1.0% in June, as did the food at home index.

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

### **Federal Reserve Struggles to Combat Inflation**

On June 15, The Federal Reserve lifted interest rates by 0.75 percentage point, the third hike this year and the largest since 1994. The Fed has been taking action all year in an attempt to counter record-breaking inflation, which has soared to its fastest pace since the 1980's. The market had expected a 50-point basis shift, but the most recent consumer prices report displayed to the Central Bank that it needed to take more drastic measures. Wall Street fears that higher rates may force the economy into a recession, which has been reflected by the 20% drop in the S&P 500 stock index, which peaked in early January.

(<https://www.pbs.org/newshour/economy/analysis-what-the-feds-largest-interest-rate-hike-in-decades-means-for-you>)

## PUBLIC MARKET

The U.S. public markets continued to fluctuate widely in June. The S&P 500 hit bear market territory last month, dropping to its lowest point since December of 2020. The Dow Jones gained some traction at the end of the month, finishing with a 2.6% MoM increase. Likewise, the Nasdaq Composite rallied to finish up 5.4%.

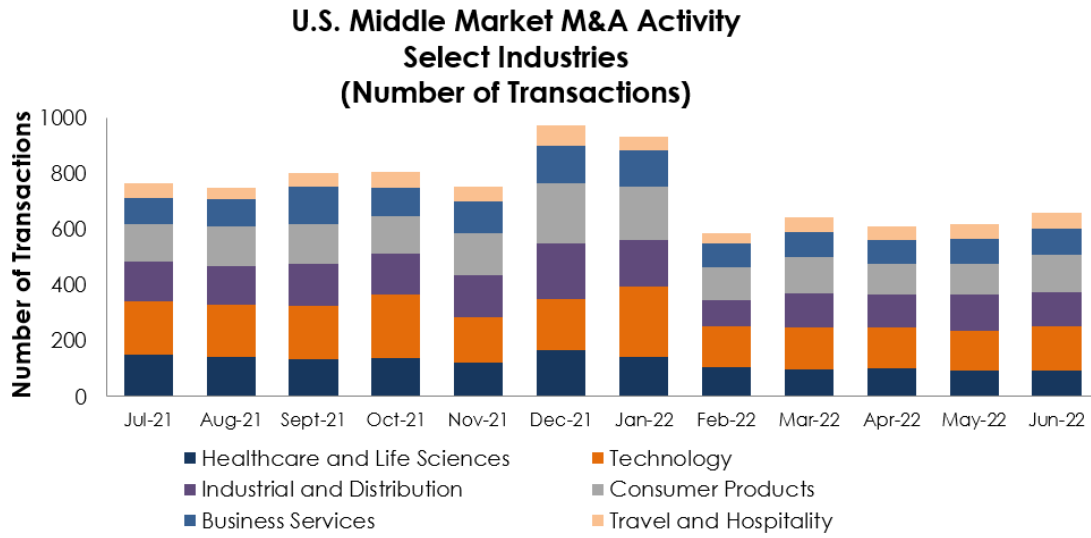
### Public Trading Multiples

As of June 30, 2022

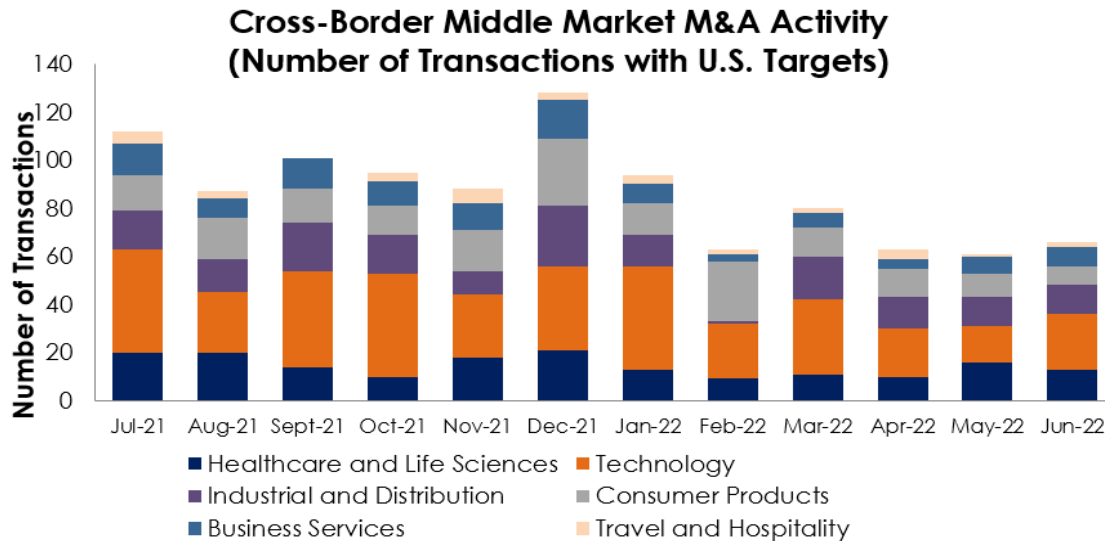
| Category                                 | EV / Revenue | EV/ EBITDA | Revenue Growth |        | EBITDA Growth |        | EBITDA Margin |
|--|--------------|------------|----------------|--------|---------------|--------|---------------|
|  |              |            | 1 Year         | 3 Year | 1 Year        | 3 Year |               |
| <b>Healthcare and Life Sciences</b>      |              |            |                |        |               |        |               |
| Healthcare Technology                    | 5.0x         | 23.6x      | 15.7%          | 8.7%   | 46.3%         | 11.8%  | 12.5%         |
| Healthcare Equipment and Supplies        | 4.4x         | 16.4x      | 11.2%          | 8.6%   | 7.2%          | 12.6%  | 28.0%         |
| Healthcare Providers and Services        | 0.8x         | 11.3x      | 11.7%          | 10.6%  | 3.1%          | 8.6%   | 12.1%         |
| Healthcare and Life Sciences Aggregate   | 3.4x         | 17.1x      | 12.9%          | 9.3%   | 18.9%         | 11.0%  | 17.5%         |
| <b>Technology</b>                        |              |            |                |        |               |        |               |
| IT Services                              | 3.5x         | 17.1x      | 8.5%           | 5.9%   | 11.3%         | 5.8%   | 12.3%         |
| Software                                 | 7.4x         | 22.3x      | 16.8%          | 12.9%  | 10.1%         | 14.9%  | 6.2%          |
| Computers and Other Electronic Equipment | 1.6x         | 10.7x      | 9.4%           | 7.1%   | 20.6%         | 11.4%  | 20.9%         |
| Technology Aggregate                     | 4.2x         | 16.7x      | 11.6%          | 8.7%   | 14.0%         | 10.7%  | 13.1%         |
| <b>Industrial and Distribution</b>       |              |            |                |        |               |        |               |
| Aerospace and Defense                    | 2.1x         | 13.6x      | 3.2%           | -2.1%  | 26.0%         | -3.7%  | 9.7%          |
| Building Products                        | 1.5x         | 9.4x       | 15.0%          | 4.2%   | 22.2%         | 10.0%  | 19.7%         |
| Construction and Engineering             | 0.7x         | 8.5x       | 7.7%           | 7.7%   | 9.7%          | 4.6%   | 10.2%         |
| Machinery                                | 1.5x         | 11.4x      | 9.7%           | 2.7%   | 8.6%          | 0.4%   | 3.8%          |
| Distributors                             | 0.7x         | 8.7x       | 21.8%          | 7.1%   | 39.4%         | 12.1%  | 4.7%          |
| Industrial and Distribution Aggregate    | 1.3x         | 10.3x      | 11.5%          | 3.9%   | 21.2%         | 4.7%   | 9.6%          |
| <b>Consumer Products</b>                 |              |            |                |        |               |        |               |
| Food and Beverage                        | 2.2x         | 12.4x      | 11.1%          | 5.9%   | 4.5%          | 5.3%   | 14.8%         |
| Household and Personal Products          | 3.3x         | 16.7x      | 2.6%           | 2.4%   | -4.0%         | 0.0%   | 17.1%         |
| Household Durables                       | 0.9x         | 7.0x       | 10.8%          | 5.7%   | 19.5%         | 12.7%  | 10.5%         |
| Textiles, Apparel, and Luxury Goods      | 2.5x         | 12.0x      | 21.6%          | 5.6%   | 53.9%         | 11.5%  | 10.1%         |
| Consumer Products Aggregate              | 2.2x         | 12.0x      | 11.5%          | 4.9%   | 18.5%         | 7.3%   | 13.1%         |
| <b>Business Services</b>                 |              |            |                |        |               |        |               |
| Human Resource and Employment Services   | 0.8x         | 9.3x       | 14.0%          | 2.6%   | 47.2%         | 6.7%   | 12.3%         |
| Research and Consulting Services         | 3.2x         | 16.7x      | 7.0%           | 5.2%   | 8.5%          | 8.2%   | 21.1%         |
| Business Services Aggregate              | 2.0x         | 13.0x      | 10.5%          | 3.9%   | 27.9%         | 7.4%   | 16.7%         |
| <b>Travel and Hospitality</b>            |              |            |                |        |               |        |               |
| Hotels, Resorts, and Cruise Lines        | 5.7x         | 23.8x      | 75.0%          | -16.1% | 0.0%          | -49.9% | 0.2%          |
| Restaurants                              | 2.7x         | 13.7x      | 21.3%          | 0.1%   | 62.7%         | -0.7%  | 5.9%          |
| Leisure Facilities                       | 4.1x         | 18.4x      | 41.7%          | 3.7%   | 79.0%         | -10.5% | 9.8%          |
| Travel and Hospitality Aggregate         | 4.2x         | 18.6x      | 46.0%          | -4.1%  | 47.2%         | -20.3% | 5.3%          |

## M&A MARKET

Middle-market M&A activity saw slight growth in June. The jump was largely driven by an increase in transactions in the Technology and Consumer Products industries.

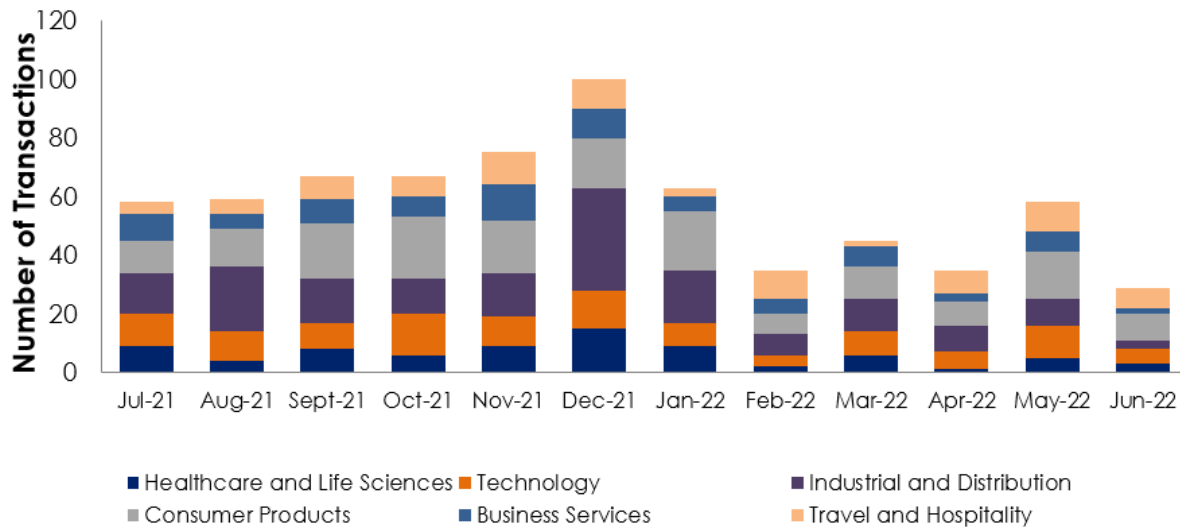


Cross-border middle-market M&A activity increased in June, ending a two-month downturn.



LBO transaction volume fell in June following a jump in May. The LBO activity outlook remains optimistic with significant capital 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 – HEALTHCARE & LIFE SCIENCES

#### *OrthoPediatrics Buys Pega Medical for up to \$33 Million*

OrthoPediatrics announced in June that it has agreed to acquire Pega Medical and its Fassier-Duval Telescopic Intramedullary System for osteogenesis imperfecta and other bone deformities. “Similar to OrthoPediatrics, the Pega organization has been focused exclusively on addressing unmet needs for children whose lives have been impacted by musculoskeletal disorders and diseases. Their product offerings include novel technologies to treat some of the most unique conditions in pediatric orthopedics,” OrthoPediatrics CEO David Bailey said in a news release.

Warsaw, Indiana–based OrthoPediatrics will buy Pega Medical for an upfront cash payment of \$31 million — as well as \$2 million in stock that includes certain restrictions for three years.

### ***Innoviva Completes Acquisition of Entasis Therapeutics for \$50 Million***

Innoviva, Inc. (Nasdaq: INVA), a diversified holding company with a portfolio of royalties, announced the successful completion of its acquisition of Entasis Therapeutics Holdings Inc., an advanced late-stage clinical biopharmaceutical company focused on the discovery and development of novel antibacterial products. Entasis brings to Innoviva an exciting portfolio that includes potentially first- and best-in-class medicines for the treatment of multidrug-resistant Gram-negative bacteria, including lead asset SUL-DUR. The Company expects to submit a New Drug Application for SUL-DUR to the U.S. Food and Drug Administration in the third quarter of 2022.

The tender offer by Innoviva for shares of Entasis expired on July 7, 2022. All the conditions of the offer have been satisfied and Innoviva completed its acquisition of all the issued and outstanding equity securities of Entasis not already owned by Innoviva and its affiliates for \$2.20 per share. As a result of the acquisition, Entasis became a wholly-owned subsidiary of Innoviva. In connection with the acquisition, Entasis' common stock will be delisted from the Nasdaq Global Market.

### ***Mirus Capital Advises TheraCell on its Sale to Isto Biologics***

Mirus Capital Advisors is pleased to announce that it served as the exclusive financial advisor to TheraCell, Inc., a California based orthobiologics company, in its sale to Isto Biologics. Isto Biologics is a portfolio company of Thompson Street Capital Partners (TSCP). The terms of the deal were not disclosed.

The acquisition will strengthen Isto's focus on offering extraordinary solutions for surgical and clinical care procedures within spine, orthopedics, and sports medicine. "We are thrilled to add TheraCell's unmatched technology to our market leading biologics portfolio," said Don Brown, CEO of Isto Biologics. "TheraCell has excelled in developing advanced bone integrating, anchoring and bridging technologies for spinal repair for over a decade."

The acquisition will expand Isto Biologics' growing portfolio of orthopedic grafts and introduce TheraCell's proprietary and patented TheraFuze DBF® technology that will become part of Isto Biologics' Influx™ line.

## FURTHER INFORMATION

Successful business owners have turned to Mirus Capital Advisors for more than 35 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:

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