

## MARKET BRIEF

Economic indicators continued to send mixed signals in July, with the Consumer Confidence Index decreasing by 2.7 points, falling for the third consecutive month, while inflation slowed slightly. The unemployment rate dropped to 3.5% while the labor force participation rate decreased to 62.1%. The U.S. Public Markets saw a consensus rise, recovering from losses in recent months. The Nasdaq Composite led the charge with a 12.3% month-over-month increase followed by the S&P 500 at a 9.1% increase and the Dow Jones at a 3.1% increase. Late in July, the Federal Open Market Committee instituted another interest rate rise of 75 basis points, matching the most aggressive hike since 1994. On a month-over-month basis, we saw a slight decrease in total middle-market M&A activity, while cross border and leveraged buy-out transactions rose. 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 Decreases in July

In July, the unemployment rate edged down to 3.5 percent, and the number of unemployed persons decreased to 5.7 million. These measures have returned to their levels from February 2020, prior to the COVID-19 pandemic. Notable job gains occurred in professional and business services, leisure and hospitality, and healthcare. Overall, total nonfarm payroll employment rose by 528,000.

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

### Consumer Confidence Continues Decrease in July

The Conference Board Consumer Confidence Index® decreased in July, following a larger decline in June. The Index now stands at 95.7 (1985=100), down 2.7 points from 98.4 in June. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—fell to 141.3 from 147.2 last month. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—ticked down to 65.3 from 65.8. "Consumer confidence fell for a third consecutive month in July," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The decrease was driven primarily by a decline in the Present Situation Index—a sign growth has slowed at the start of Q3. The Expectations Index held relatively steady, but remained well below a reading of 80, suggesting recession risks persist. Concerns about inflation—rising gas and food prices, in particular—continued to weigh on consumers."

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

### The Case-Shiller Index Reports 19.7% Annual Gain in May 2022

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 19.7% annual gain in May, down from 20.6% in the previous month. The 10-City Composite annual increase came in at 19.0%, down from 19.6% in the previous month. The 20-City Composite posted a 20.5% year-over-year gain, down from 21.2% in the previous month.

Craig J. Lazzara, Managing Director at S&P DJI noted, "Housing data for May 2022 continued strong, as price gains decelerated slightly from very high levels... We've noted previously that mortgage financing has become more expensive as the Federal Reserve ratchets up interest rates, a process that was ongoing as our May data were gathered. Accordingly, a more-challenging macroeconomic environment may not support extraordinary home price growth for much longer."

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

### **The Consumer Price Index Remains Unchanged in June**

The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in July on a seasonally adjusted basis after rising 1.3 percent in June, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all items index increased 8.5 percent before seasonal adjustment. The gasoline index fell 7.7 percent in July and offset increases in the food and shelter indexes, resulting in the all items index being unchanged over the month. The energy index fell 4.6 percent over the month as the indexes for gasoline and natural gas declined, but the index for electricity increased. The food index continued to rise, increasing 1.1 percent over the month as the food at home index rose 1.3 percent.

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

### **Federal Reserve Combats Inflation**

The Federal Reserve on July 27 enacted its second consecutive 0.75 percentage point interest rate increase as it seeks to tamp down runaway inflation without creating a recession.

In taking the benchmark overnight borrowing rate up to a range of 2.25%-2.5%, the moves in June and July represent the most stringent consecutive action since the Fed began using the overnight funds rate as the principal tool of monetary policy in the early 1990s.

While the fed funds rate most directly impacts what banks charge each other for short-term loans, it feeds into a multitude of consumer products such as adjustable mortgages, auto loans and credit cards. The increase takes the funds rate to its highest level since December 2018. (<https://www.cnbc.com/2022/07/27/fed-decision-july-2022-.html>)

## PUBLIC MARKET

The U.S. public markets continued to fluctuate widely in July, picking up momentum towards the end of the month. The S&P 500 is rebounding, rising back to the state of late May and finishing with a 9.1% MoM increase. The Dow Jones gained some traction at the end of the month, finishing with a 3.1% MoM increase. The Nasdaq Composite is continuing its upward trend, finishing up 12.3%.

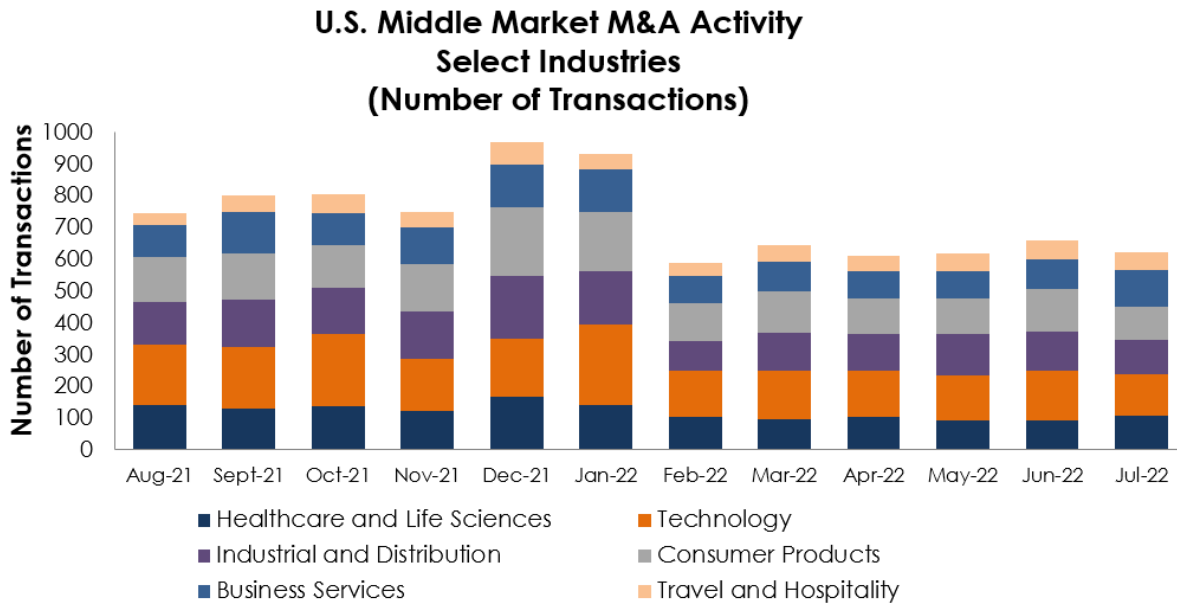
### Public Trading Multiples

As of July 31, 2022

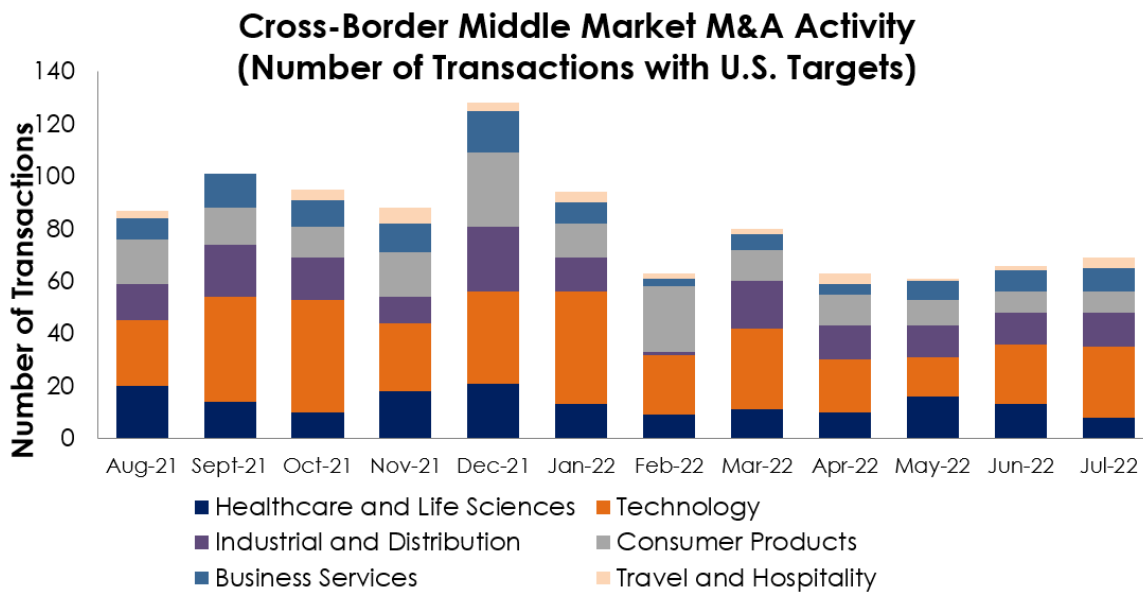
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	5.0x	24.7x	13.2%	8.2%	28.8%	10.5%	6.9%
Healthcare Equipment and Supplies	4.3x	15.9x	6.8%	8.1%	-0.1%	11.9%	27.8%
Healthcare Providers and Services	0.8x	11.4x	10.4%	9.9%	5.7%	7.5%	11.7%
Healthcare and Life Sciences Aggregate	3.4x	17.4x	10.1%	8.7%	11.5%	9.9%	15.4%
<b>Technology</b>							
IT Services	3.4x	16.1x	6.0%	5.4%	6.9%	5.6%	12.8%
Software	7.3x	22.2x	15.4%	12.7%	7.5%	14.4%	6.2%
Computers and Other Electronic Equipment	1.6x	10.9x	6.6%	6.9%	12.0%	11.9%	21.0%
Technology Aggregate	4.1x	16.4x	9.3%	8.4%	8.8%	10.6%	13.3%
<b>Industrial and Distribution</b>							
Aerospace and Defense	2.0x	14.9x	-1.0%	-3.1%	6.0%	-3.5%	9.7%
Building Products	1.5x	9.4x	8.2%	3.7%	8.1%	9.5%	20.0%
Construction and Engineering	0.7x	8.6x	6.6%	7.3%	6.6%	4.1%	10.7%
Machinery	1.5x	11.7x	4.6%	1.9%	-3.7%	-0.9%	3.8%
Distributors	0.8x	8.6x	15.5%	6.0%	34.1%	11.4%	4.7%
Industrial and Distribution Aggregate	1.3x	10.6x	6.8%	3.2%	10.2%	4.1%	9.8%
<b>Consumer Products</b>							
Food and Beverage	2.1x	12.4x	9.2%	5.9%	1.3%	4.7%	14.8%
Household and Personal Products	3.3x	16.5x	0.9%	1.9%	-5.4%	-0.8%	16.9%
Household Durables	0.9x	7.1x	4.9%	4.7%	9.0%	11.7%	10.0%
Textiles, Apparel, and Luxury Goods	2.3x	11.0x	15.9%	5.2%	27.4%	11.1%	9.9%
Consumer Products Aggregate	2.1x	11.8x	7.7%	4.4%	8.1%	6.7%	12.9%
<b>Business Services</b>							
Human Resource and Employment Services	0.8x	9.1x	10.3%	2.3%	36.4%	6.4%	12.3%
Research and Consulting Services	3.2x	17.4x	5.1%	4.5%	3.4%	7.3%	17.3%
Business Services Aggregate	2.0x	13.3x	7.7%	3.4%	19.9%	6.8%	14.8%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	5.0x	20.4x	72.0%	-15.0%	0.0%	-43.8%	-2.3%
Restaurants	2.8x	14.0x	16.9%	0.0%	31.9%	-0.9%	6.2%
Leisure Facilities	4.1x	17.3x	38.3%	3.9%	74.1%	-8.2%	21.2%
Travel and Hospitality Aggregate	3.9x	17.2x	42.4%	-3.7%	35.3%	-17.7%	8.4%

## M&A MARKET

Middle-market M&A activity decreased slightly in July. The decline in Consumer Products and Technology transactions was balanced out by the increase in Business Services activity.

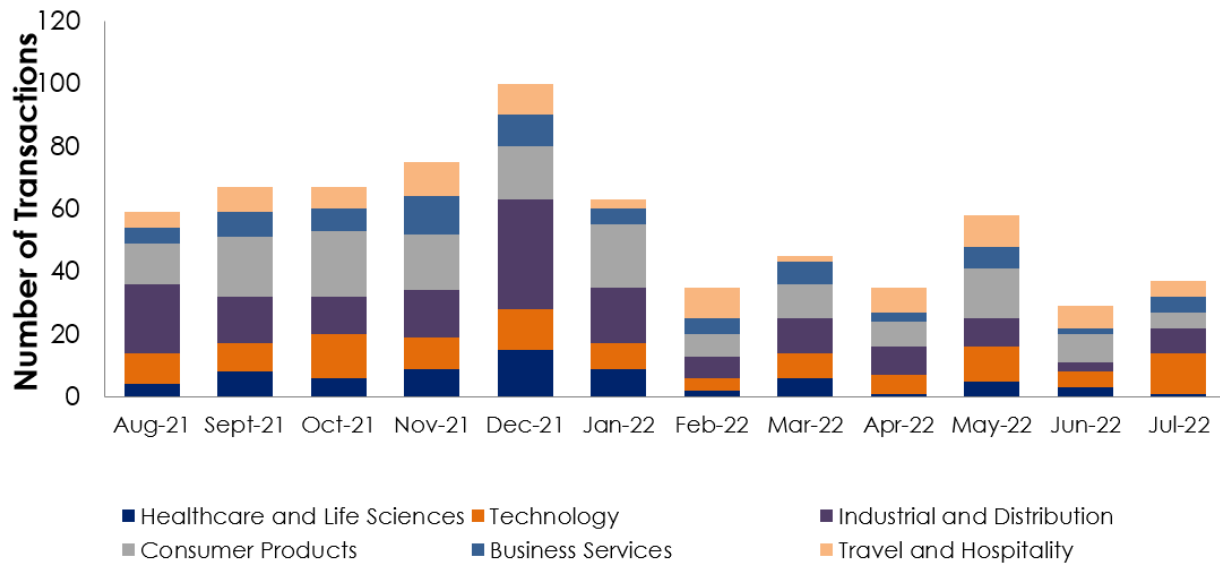


Cross-border middle-market M&A activity increased in July, continuing the momentum from June.



LBO transaction volume rose in July following a decline in June. The LBO activity outlook remains optimistic with significant capital to be invested.

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



### SELECT MIDDLE MARKET M&A TRANSACTIONS – TECHNOLOGY

#### *SPS Commerce acquired GCommerce for approximately \$45 million*

SPS Commerce, Inc. (NASDAQ: SPSC), a leader in retail cloud services, today announced the acquisition of GCommerce, a leading EDI provider within the automotive aftermarket industry.

"We are excited about the acquisition of GCommerce, a software solution provider known for its expertise in the automotive aftermarket industry," said Archie Black, CEO of SPS Commerce. "We are pleased to welcome GCommerce employees and customers to the SPS Commerce community, and I am looking forward to capitalizing on our joint passion for innovation and focus on excellent customer experience."

Under the terms of the agreement and plan of merger, SPS Commerce acquired GCommerce for approximately \$45 million in cash.

### ***ReadyTech to acquire IT Vision at an upfront consideration of \$23.1 million***

ReadyTech Holdings has signed an agreement to acquire IT Vision, a specialist provider of local government focused technology. Upfront consideration of \$23.1 million will be paid using a combination of 50% cash and 50% shares.

Earnout consideration up to an additional \$31.5 million (payable in cash and/or, subject to shareholder approval, ReadyTech shares) subject to achievement of certain revenue and EBITDA milestones within a four-and-a-half-year period following the completion of the transaction.

According to a press release, "the acquisition significantly bolsters ReadyTech's position in local government software – ReadyTech becomes a major local government software provider of scale. It accelerates path to cloud subscription for IT Vision's significant customer set and potential synergies including opportunity to cross-sell/upsell ReadyTech's broader product suite."

### ***Investnet, Inc. acquired Redi2 Technologies, Inc for approximately \$70 million***

Investnet announced that it has acquired Redi2 Technologies, Inc. (Redi2), a leading provider of revenue management and hosted fee-billing solutions in the global financial services industry. The deal creates more connections across the Investnet financial wellness ecosystem for asset managers, wealth managers, and registered investment advisors (RIAs).

"Redi2 is a pioneer and innovator in the cloud-based delivery of wealth and investment management billing software, making them an ideal partner as we continue to strengthen our financial wellness ecosystem," said Tom Sipp, Executive Vice President of Business Lines for Investnet. "With Redi2's solutions, we become the industry leading provider of revenue and billing tools needed by all industry constituents—including advisors, wealth firms, and asset managers. This acquisition enhances our strategic enablement of service and data, and over the next two years will create operating leverage by bringing Investnet and Redi2's administrative, revenue, and billing services together."

## 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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*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 2022, Mirus Capital Advisors, Inc. All rights reserved. Mirus Capital Advisors does not assume any liability for errors or omissions.*

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