

MARKET BRIEF

Economic indicators continued to send mixed signals in August. The unemployment rate increased slightly and home prices continued to show deceleration, while inflation data remains stubbornly high. Consumer confidence increased slightly but remains at a low level, suggesting concerns about an economic recession. Considering the recent CPI data showing elevated inflation, the Federal Open Market Committee may raise interest rates again during their meeting in late September.

Unemployment Rate Increases Slightly in August

In August, the unemployment rate rose by 0.2 percentage point to 3.7 percent, and the number of unemployed persons increased by 344,000 to 6.0 million. In July, these measures had returned to the low levels last experienced in February 2020, prior to the coronavirus (COVID-19) pandemic. Notable job gains occurred in professional and business services, health care, and retail trade. Overall, total nonfarm payroll employment increased by 315,000 in August. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Increases in August

The Conference Board Consumer Confidence Index® increased in August, following three consecutive monthly declines. The Index now stands at 103.2 (1985=100), up from 95.3 in July. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—improved to 145.4 from 139.7 last month. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—increased to 75.1 from 65.6. “Consumer confidence increased in August after falling for three straight months,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The Present Situation Index recorded a gain for the first time since March. The Expectations Index likewise improved from July's 9-year low, but remains below a reading of 80, suggesting recession risks continue. Concerns about inflation continued their retreat but remained elevated.” (<https://www.conference-board.org/topics/consumer-confidence>)

The Case-Shiller Index Reports 18.0% Annual Gain in June 2022

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 18.0% annual gain in June, down from 19.9% in the previous month. The 10-City Composite annual increase came in at 17.4%, down from 19.1% in the previous month. The 20-City Composite posted a 18.6% year-over-year gain, down from 20.5% in the previous month. “The deceleration in U.S. housing prices that we began to observe several months ago continued in June 2022, as the National Composite Index rose by 18.0% on a year-over-year basis,” says Craig J. Lazzara, Managing Director at S&P DJI. “Relative to May's 19.9% gain (and April's 20.6%), prices are clearly increasing at a slower rate. We've noted previously that mortgage financing has become more expensive as the Federal Reserve ratchets up interest rates, a process that continued as our June data were gathered. As the macroeconomic environment continues to be challenging, home prices may well continue to decelerate.” (<https://www.spglobal.com/spdji/en/index-announcements/article/sp-corelogic-case-shiller-index-decelerated-in-june/>)

The Consumer Price Index Rose 0.1 Percent in August

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.1 percent in August on a seasonally adjusted basis after being unchanged in July, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all items index increased 8.3 percent before seasonal adjustment. Increases in the shelter, food, and medical care indexes were the largest of many contributors to the broad-based monthly all items increase. These increases were mostly offset by a 10.6-percent decline in the gasoline index. The food index continued to rise, increasing 0.8 percent over the month as the food at home index rose 0.7 percent. The energy index fell 5.0 percent over the month as the gasoline index declined, but the electricity and natural gas indexes increased.

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

PUBLIC MARKET

The U.S. public markets remained turbulent in August, with prices edging higher through the first half of the month but declining towards the end of the month. The S&P 500 was down 4.2% in August, bringing its year-to-date return to -17%. The Dow Jones lost 4.1% for the month and was down 13% YTD. The Nasdaq Composite declined 4.6% in August, bringing its YTD return to -24%.

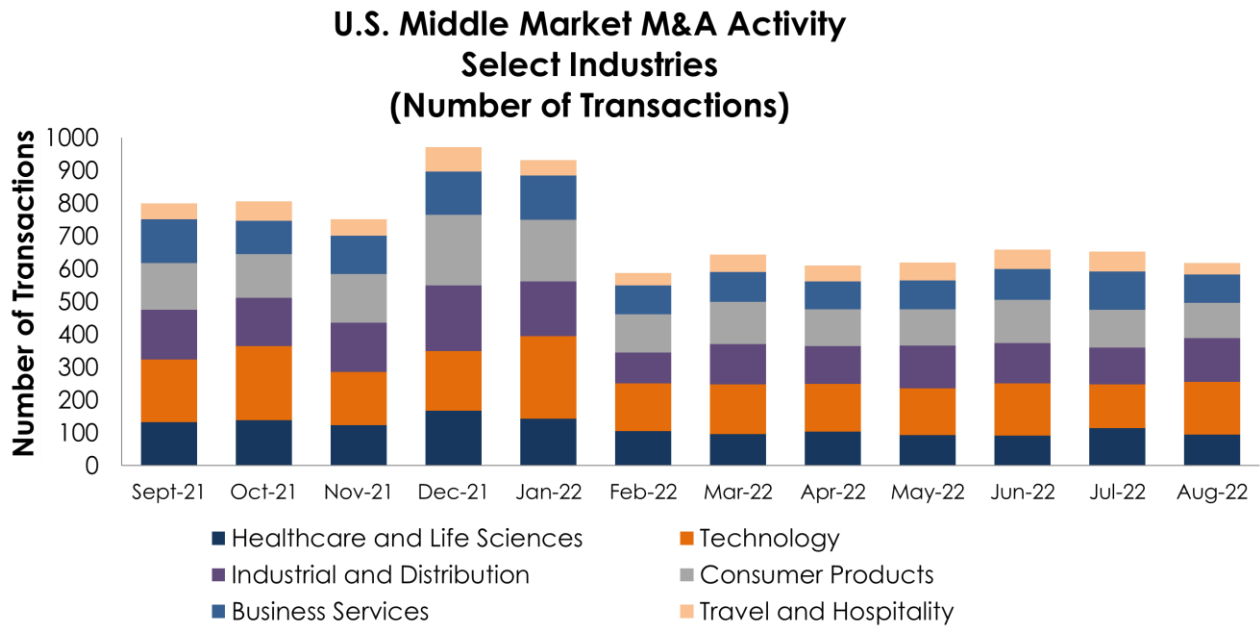
Public Trading Multiples

As of August 31, 2022

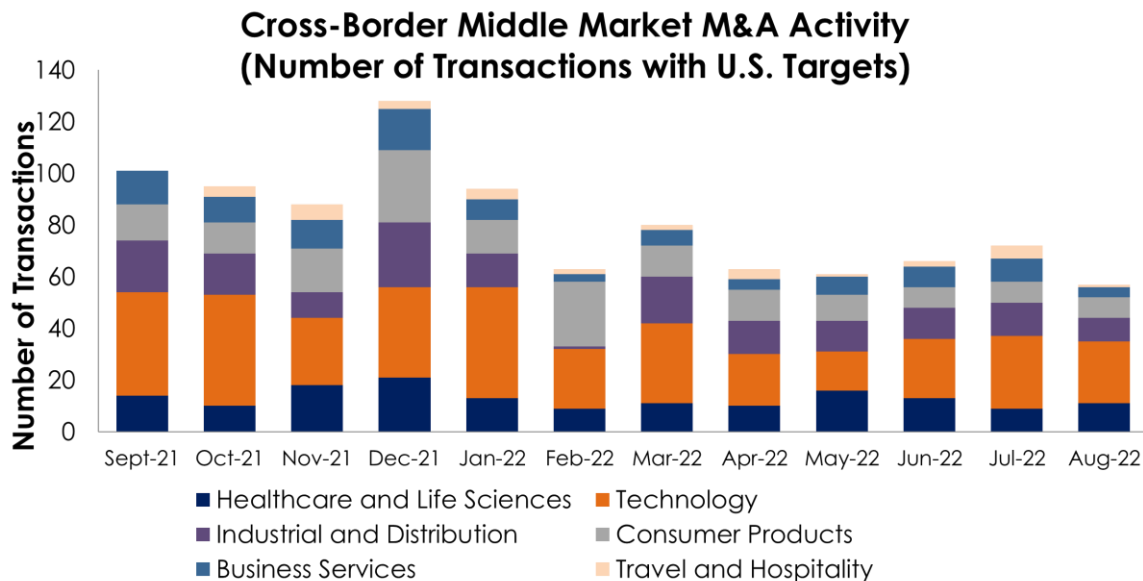
Category	EV / Revenue	EV / EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	5.0x	25.1x	11.4%	7.7%	25.5%	6.9%	5.5%
Healthcare Equipment and Supplies	4.3x	16.5x	2.4%	7.2%	-9.0%	9.7%	26.7%
Healthcare Providers and Services	0.9x	11.6x	8.8%	9.7%	3.1%	7.1%	10.1%
Healthcare and Life Sciences Aggregate	3.4x	17.7x	7.5%	8.2%	6.5%	7.9%	14.1%
Technology							
IT Services	3.4x	16.2x	4.3%	5.1%	6.1%	5.5%	12.6%
Software	7.4x	22.6x	13.8%	12.7%	5.6%	13.6%	5.5%
Computers and Other Electronic Equipment	1.7x	11.4x	1.8%	6.2%	5.1%	10.7%	20.7%
Technology Aggregate	4.2x	16.7x	6.6%	8.0%	5.6%	9.9%	12.9%
Industrial and Distribution							
Aerospace and Defense	2.1x	15.5x	-1.9%	-3.4%	5.7%	-3.7%	9.5%
Building Products	1.5x	9.2x	6.4%	3.6%	3.9%	9.4%	20.1%
Construction and Engineering	0.7x	8.6x	0.6%	5.9%	0.8%	3.6%	9.9%
Machinery	1.6x	12.4x	-0.9%	1.2%	-7.8%	-1.5%	5.3%
Distributors	0.8x	8.6x	9.6%	5.4%	29.1%	10.8%	5.0%
Industrial and Distribution Aggregate	1.3x	10.9x	2.7%	2.6%	6.3%	3.7%	10.0%
Consumer Products							
Food and Beverage	2.1x	12.5x	6.6%	5.4%	-0.7%	4.1%	14.8%
Household and Personal Products	3.3x	16.9x	-1.7%	1.4%	-9.1%	-1.7%	16.4%
Household Durables	0.9x	7.1x	-0.2%	3.9%	1.9%	10.5%	9.9%
Textiles, Apparel, and Luxury Goods	2.3x	11.1x	11.9%	5.2%	19.8%	10.7%	10.1%
Consumer Products Aggregate	2.2x	11.9x	4.1%	4.0%	3.0%	5.9%	12.8%
Business Services							
Human Resource and Employment Services	0.9x	10.3x	7.3%	1.6%	22.2%	4.9%	12.3%
Research and Consulting Services	3.2x	17.4x	4.3%	4.3%	3.2%	7.2%	16.9%
Business Services Aggregate	2.0x	13.8x	5.8%	3.0%	12.7%	6.1%	14.6%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	4.7x	19.1x	76.2%	-12.6%	0.0%	-31.1%	-2.0%
Restaurants	2.8x	14.4x	13.6%	-0.4%	21.2%	-1.5%	6.0%
Leisure Facilities	4.3x	18.2x	24.0%	2.4%	42.0%	-10.5%	20.9%
Travel and Hospitality Aggregate	3.9x	17.3x	37.9%	-3.5%	21.1%	-14.4%	8.3%

M&A MARKET

Middle-market M&A activity decreased slightly in August. Transactions in Business Services and Travel and Hospitality saw a decline over the month but were balanced by an uptick in the Technology and Industrials sectors.

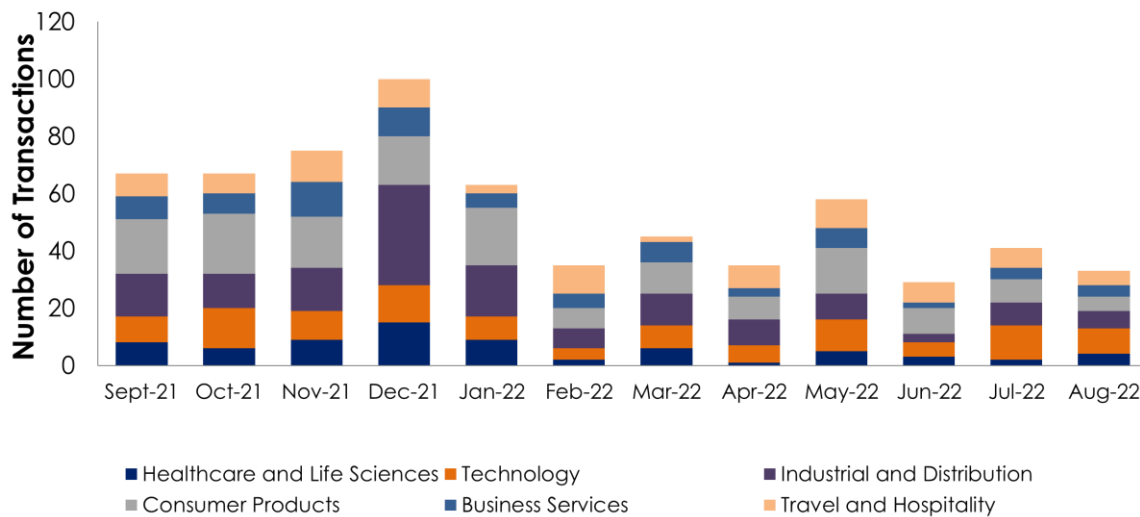


Cross-border middle-market M&A activity decreased in August as Travel and Hospitality transaction volume declined, while activity in Healthcare and Life Sciences slightly increased.



LBO transaction volume fell in August following an increase in July. Private equity dry powder still sits at record levels, however, compelling buyout firms to maintain deployment. This may well drive additional buyout activity for the rest of 2022 and beyond.

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



SELECT MIDDLE MARKET M&A TRANSACTIONS – TECHNOLOGY

Cornerstone acquired SumTotal for \$200 million

Skillsoft Corp. (NYSE: SKIL) (“Skillsoft” or the “Company”), a platform for transformative learning experiences, sold its SumTotal business, a provider of learning and human capital management software (“LMS” and “HCM”) for highly regulated industries, to Cornerstone OnDemand, Inc. (“Cornerstone”) for approximately \$200 million in a cash transaction.

“Through the divestiture of SumTotal, we are aligning and simplifying Skillsoft’s portfolio to serve our customers and focus our business on the best opportunities for profitable growth,” said Jeffrey Tarr, Chief Executive Officer of Skillsoft. “This transaction enables us to sharpen our focus on accelerating growth in our core business of providing customers transformative learning experiences, which includes a portfolio of best-in-class content, a platform that is personalized, connected to customer needs and built on world-class technology, and a broad ecosystem of partners. This move marks another important step in our long-term strategic efforts to extend our leadership and create a more valuable company.”

Following the close of the transaction, Richard Walker, Chief Corporate Strategy and Development Officer and President, SumTotal, will continue in his role as Skillsoft Chief Corporate Strategy and Development Officer.

MST Solutions acquired by Mastek for \$111 million

MST Solutions, an independent Salesforce consulting and system integration partner, has announced its acquisition by Mastek (NSE: MASTEK) – a publicly traded Digital Engineering and Cloud Transformation partner with a global client base.

This acquisition will grow MST's service offerings and deep bench of resources while opening doors to a global market. In turn, Mastek will further strengthen their Customer Experience service line, validating its commitment to bringing velocity and innovation to their clients' digital transformation journey.

MST Solutions Founder and CEO, Thiru Thangarathinam, had this to say: "We're thrilled to join the Mastek family. We share a strong cultural alignment and a deep commitment to the growth and experience for our colleagues. Partnering with Mastek is the right choice for us to expand into a global market with a continued focus on delivering outcomes for our customers. By combining our decade of experience in the Salesforce ecosystem across multiple clouds with Mastek's global scale, we'll be able to deliver value across a wide range of service offerings."

Converge Technology Solutions Corp. Completes Acquisition of PC Specialists, Inc. d/b/a Technology Integration Group for \$74 million

Converge Technology Solutions Corp. ("Converge" or "the Company") (TSX:CTS) (FSE:OZB) (OTCQX:CTSDF) a software-enabled IT & Cloud Solutions provider has acquired PC Specialists, Inc. d/b/a Technology Integration Group ("TIG"). Headquartered in San Diego, CA with 20 offices across North America, TIG specializes in optimized performance solutions and critical business support.

From software and hardware procurement to discovery assessments, strategic planning, deployment, data center optimization, IT asset management and cloud computing, TIG offers custom-built IT solutions for clients around the globe, with a major presence in the United States and Canada. With 20+ branch locations, TIG serves a wide-reaching and diverse client base in enterprise, government, education, and SMB markets. Always offering a personal, consultative approach to identifying and fulfilling organizations' specific computing needs, TIG customizes innovative technology that best fits any unique infrastructure requirement.

"TIG is elated to be joining forces with Converge," said Tom Janecek, CEO and CFO of Technology Integration Group. "We are extremely proud of our 40+ year history and have no doubt that our track record of success as a multi-national service and solutions integrator will continue as part of Converge. We are excited for the strategic direction and vision of the Company and look forward to a bright future for our employees, clients, and business partners."

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.

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