

## MARKET BRIEF

Despite ongoing concerns related to both the outlook of the economy and a potential recession, economic indicators showed continued improvement in December 2022, with unemployment dropping to 3.5% and consumer confidence continuing to grow stronger. Public markets and M&A cooled off at the end of the year.

### Unemployment Rate Falls to 3.5% in December

The unemployment rate continued to decline in December, reaching 3.5% to or a total of 5.7 million unemployed persons in December. The total nonfarm payroll employment increased by 223,000 with increases in employment in leisure & hospitality, healthcare, construction, and social assistance. The labor force participation rate increased slightly from 61.9% to 62.3% while the number of persons marginally attached to the labor force decreased by 231,000 to a total of 1.3 million in December.

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

### Consumer Confidence Continues to Rise

In December, the *Consumer Confidence Index* rose from 101.4 points to 108.3 points, after an upward revision in November. The *Present Situation Index* remained flat at 144.1 points in December and the *Expectations Index* increased from 138.3 points in November to 147.2 points. "Consumer confidence bounced back in December, reversing consecutive declines in October and November to reach its highest level since April 2022," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The Present Situation and Expectations Indexes improved due to consumers' more favorable view regarding the economy and jobs. Inflation expectations retreated in December to their lowest level since September 2021, with recent declines in gas prices a major impetus. Vacation intentions improved but plans to purchase homes and big-ticket appliances cooled further. This shift in consumers' preference from big-ticket items to services will continue in 2023, as will headwinds from inflation and interest rate hikes"

<https://conference-board.org/data/consumerconfidence.cfm>

### The Case-Shiller Index Posts 9.2% Annual Gain in October 2022

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, decreased from 10.7 to 9.2% annually, and decreased -0.5% on a monthly basis. Despite its recent weakness, on a year-over-year basis the National Composite gained 9.2%, which is in the top quintile of historical performance levels." According to Craig J. Lazzara, Managing Director at S&P DJI, "October 2022 marked the fourth consecutive month of declining home prices in the U.S. For example, the National Composite Index fell -0.5% for the month, reflecting a -3.0% decline since the market peaked in June 2022. We saw comparable patterns in our 10- and 20-City Composites, both of which stand -4.6% below their June peaks after October declines -0.7% and -0.8%, respectively. These declines, of course, came after very strong price increases in late 2021 and the first half of 2022." Lazzara added, "As the Federal Reserve continues to move interest rates higher mortgage financing continues to be a headwind for home prices"

<https://us.spindices.com/index-family/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite>

## The Consumer Price Index Decreased 0.1% in December

The Consumer Price Index for All Urban Consumers (CPI-U) decreased in December by 0.1%, after rising 0.1% in November. The all-items index rose 6.5% for the 12 months ending in December. Gasoline contributed the most to the overall decrease, offsetting increases in food and food at home indexes.

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

## PUBLIC MARKET

The U.S. public markets had a tumultuous end to the year, decreasing from November. The S&P 500 lost 5.9% in December, bringing its 2022 decline to -19.4% while the Dow Jones Industrial Average decreased 4.2% in December.

### Public Trading Multiples

As of December 31, 2022

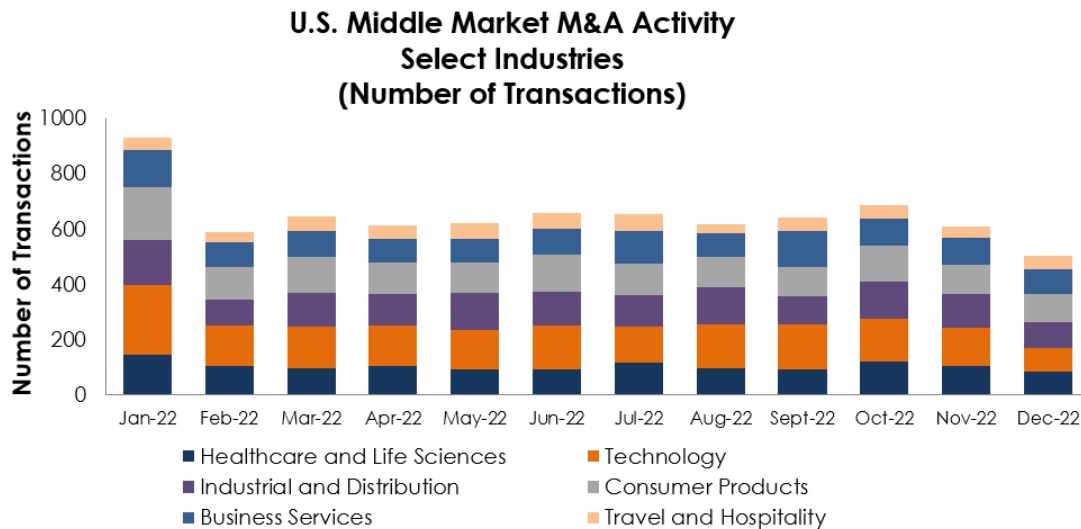
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	4.5x	24.2x	8.2%	9.1%	6.3%	1.7%	4.7%
Healthcare Equipment and Supplies	4.1x	16.3x	-0.1%	7.1%	-13.3%	8.5%	26.7%
Healthcare Providers and Services	0.8x	11.4x	7.0%	8.7%	-0.2%	5.5%	10.0%
Healthcare and Life Sciences Aggregate	3.1x	17.3x	5.0%	8.3%	-2.4%	5.3%	13.8%
<b>Technology</b>							
IT Services	3.2x	15.2x	2.7%	5.4%	3.6%	4.2%	12.7%
Software	6.6x	21.1x	11.3%	12.7%	1.7%	11.7%	5.5%
Computers and Other Electronic Equipment	1.6x	11.2x	-1.8%	5.9%	-3.4%	10.6%	20.5%
Technology Aggregate	3.8x	15.9x	4.0%	8.0%	0.6%	8.8%	12.9%
<b>Industrial and Distribution</b>							
Aerospace and Defense	2.1x	14.2x	-2.4%	-3.2%	-0.9%	-5.4%	9.3%
Building Products	1.4x	9.2x	3.6%	4.5%	-1.9%	9.2%	19.4%
Construction and Engineering	0.7x	8.6x	-3.2%	5.2%	-1.9%	2.5%	10.8%
Machinery	1.6x	12.3x	-3.4%	1.4%	-9.7%	-0.9%	4.8%
Distributors	0.8x	8.6x	4.5%	5.4%	30.0%	11.0%	5.0%
Industrial and Distribution Aggregate	1.3x	10.6x	-0.2%	2.6%	3.1%	3.3%	9.8%
<b>Consumer Products</b>							
Food and Beverage	2.0x	11.9x	4.9%	5.6%	-0.4%	4.2%	14.6%
Household and Personal Products	3.1x	16.1x	-2.8%	1.1%	-9.9%	-3.0%	15.5%
Household Durables	0.9x	6.6x	-5.0%	3.4%	-4.0%	9.4%	9.8%
Textiles, Apparel, and Luxury Goods	2.3x	11.2x	8.6%	5.2%	8.3%	10.3%	10.5%
Consumer Products Aggregate	2.1x	11.5x	1.4%	3.8%	-1.5%	5.2%	12.6%
<b>Business Services</b>							
Human Resource and Employment Services	0.8x	9.8x	1.7%	1.2%	4.2%	3.5%	11.2%
Research and Consulting Services	3.0x	17.0x	2.5%	4.8%	-0.3%	-18.9%	15.8%
Business Services Aggregate	1.9x	13.4x	2.1%	3.0%	1.9%	-7.7%	13.5%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	4.0x	16.1x	71.7%	-9.3%	0.0%	-22.2%	6.1%
Restaurants	2.8x	14.6x	10.7%	0.6%	12.2%	-0.6%	7.0%
Leisure Facilities	4.2x	17.3x	5.1%	0.3%	14.7%	-12.5%	34.1%
Travel and Hospitality Aggregate	3.7x	16.0x	29.1%	-2.8%	9.0%	-11.7%	15.7%

## M&A MARKET

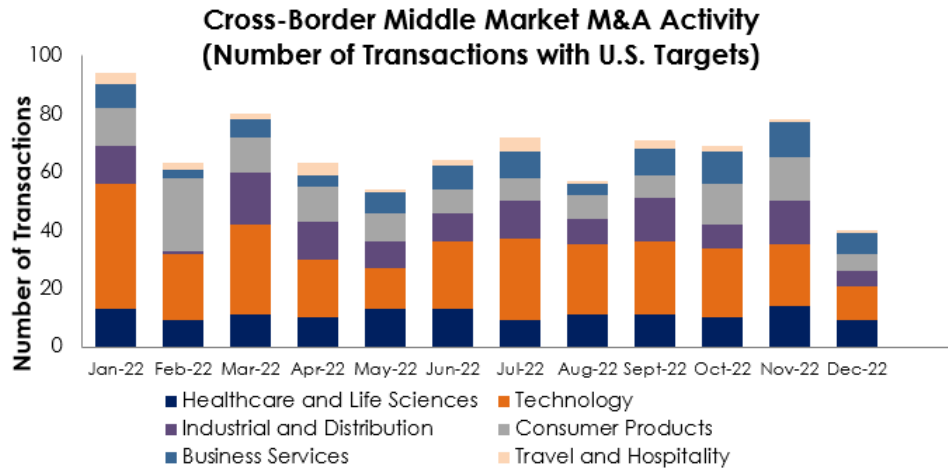
US middle market M&A activity in 2022 continued to exceed historical levels but dipped compared to extraordinary 2021 levels. Although economic and geopolitical uncertainties have created headwinds, many middle market companies and private equity firms expect conditions to improve in 2023.

Many deal professionals are hopeful for strong year for M&A in 2023. A report from PwC states that “Executives say they are confident they’ll be able to hit near-term growth goals and execute on strategic transformational initiatives.”

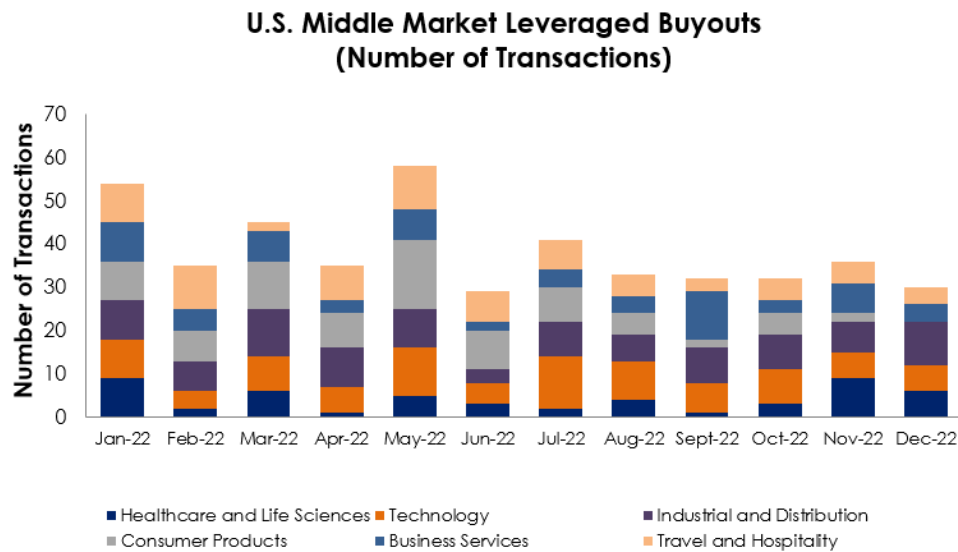
PwC’s 2023 deal outlook describes some of the factors driving transactions: including capital discipline, navigating uncertainty, transformational deals, and mitigating risk. PwC states “The need for speed in business transformation, which is accelerating thanks to technological advances and the evolving economy, will keep dealmaking front and center. Whether changing supply chains, adopting new go-to-market approaches or adding capabilities, the market is impatient. The fastest way to transform a business is through M&A, divestitures or other deals.”



US cross-border transaction volume peaked in November, followed by a slowdown in December. The technology, consumer product, and industrial sectors declined significantly for the month of December.



LBO transaction volume slowed later in the year, after a peak in May.



## **SELECT MIDDLE MARKET M&A TRANSACTIONS – HEALTHCARE & LIFE SCIENCES**

### ***GCX Mounting Solutions (“GCX”) Acquires Jaco Inc.***

On December 9, 2022, GCX Mounting Solutions closed its acquisition of Jaco Inc. Jaco is a healthcare IT manufacturing company focused on the design, development, and manufacturer of point-of-care IT workstation solutions for the healthcare market, including powered carts, non-powered carts, wall arms, and video-presentation carts. GCX Mounting Solutions (“GCX”), a portfolio company of Audax Private Equity is a global leader in the design and manufacturing of healthcare-focused mounting and mobility solutions. Mirus represented Jaco in the transaction.

“We are very excited to partner with the entire Jaco team. Like GCX, Jaco has a longstanding history of providing high-quality designs that address the needs of healthcare workers with user responsiveness and ergonomic advantages,” said Del France, CEO of GCX. “Jaco’s products are lightweight, simple to use, and offer safe, durable, and reliable performance. Jaco’s product portfolio is synergistic with GCX and supports our mission to deliver high-quality products, services and innovations that empower clinicians to improve healthcare outcomes.”

### ***CAIRE Inc. Acquires MGC Diagnostics***

On November 28, 2022, CAIRE Inc acquired MGC Diagnostics for \$170.2 million. MGC designs, manufactures and develops non-invasive cardiorespiratory diagnostic systems. MGC is known for its pulmonary function testing systems, cardiopulmonary exercise systems, spirometers, flow sensors, gas analyzers, and associated consumables. CAIRE INC is a developer and manufacturer of respiratory care diagnosis equipment; oxygen therapy devices designed for portable, at-home and military use; and generation solutions for medical, commercial and environmental applications.

“CAIRE is firmly committed to driving future growth by expanding our offerings in the clinical setting to better serve those individuals affected by cardiorespiratory diseases. MGC has a state-of-the-art portfolio that is widely adopted to diagnose respiratory disease and to ensure that the information obtained benefits disease management. These tools are an excellent complement to CAIRE’s complete range of oxygen therapy solutions,” said Earl Lawson, CAIRE President and CEO.

## 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.

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