

## MARKET BRIEF

Economic indicators were mixed in January as the market continues to deal with high inflation, rising interest rates, the Russia-Ukraine war, and China's economic reopening. The *Consumer Price Index* has continued to decelerate since its peak annual growth at 9.1% in June 2022. The *Consumer Confidence Index* decreased in January, while unemployment remained steady over the month. The public markets saw a bounce back, with the S&P 500 increasing 6.3% during January. Total middle market M&A activity, and cross-border transactions increased in January while leveraged buyouts decreased.

### Unemployment Rate Remains Steady in January

The unemployment rate was little changed at 3.4% during the month of January; and the number of unemployed people, at 5.7 million, remained steady as well. Total nonfarm payroll employment rose by 517,000 throughout the month. Over the past year, the unemployment rate has decreased by 0.6% as the U.S. economy has continued its recovery from the COVID-19 pandemic. The unemployment rate of 3.4% is the lowest since May 1969.

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

### Consumer Confidence Decreases

In January, the *Consumer Confidence Index* declined slightly after an increase in December (2022). Currently, the index stands at 107.1. This represents a 1.9-point decline from the prior month when the index sat at 109.0. Along with that, the Expectations Index, which tracks consumers' short-term expectations regarding income and labor market conditions, declined 5.6 points from 83.4 in December to 77.8 in January. Ataman Ozyildirim, Senior Director, Economics at The Conference Board, stated, "Consumer confidence declined in January, but it remains above the level seen last July, lowest in 2022. Consumer confidence fell the most for households earning less than \$15,000 and for households aged under 35."

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

### The Case-Shiller Index Reports 7.7% Annual Gain in November 2022

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, posted a 7.7% annual gain in November 2022, down from 9.2% in the previous month. The U.S. National Index posted a -0.6% month-over-month decrease in November, while the 10-city and 20-city composites recorded decreases of -0.7% and -0.8%, respectively. "November 2022 marked the fifth consecutive month of declining home prices in the U.S.," says Craig J. Lazzara, Managing Director at S&P DJI. Lazzara went on to say, "For example, the National Composite Index fell -0.6% for the month, reflecting a -3.6% decline since the market peaked in June 2022. We saw comparable patterns in our 10- and 20-City Composites, both of which stand more than -5.0% below their June peaks. These declines, of course, came after very strong price increases in late 2021 and the first half of 2022. Despite its recent weakness, on a year-over-year basis the National Composite gained 7.7%, which is in the 74th percentile of historical performance levels."

<https://press.spglobal.com/2023-01-31-S-P-CORELOGIC-CASE-SHILLER-INDEX-CONTINUED-TO-DECLINE-IN-NOVEMBER>

## The Consumer Price Index Increased 0.6% in January

The Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.5% in January on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported. Over the last twelve months, the all-items index increased 6.4% before seasonal adjustment. The index for shelter was by far the largest contributor to the monthly all items increase, accounting for nearly half of the monthly all items increase. The food index rose 0.5 percentage points in January with the food at home index rising 0.4 percent. The energy index also increased 2.0 percent over the month.

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

## PUBLIC MARKET

The U.S. public markets traded up in January after a decrease in December. The S&P 500 increased by 6.3% and the Dow Jones Industrial Average was up 2.8%.

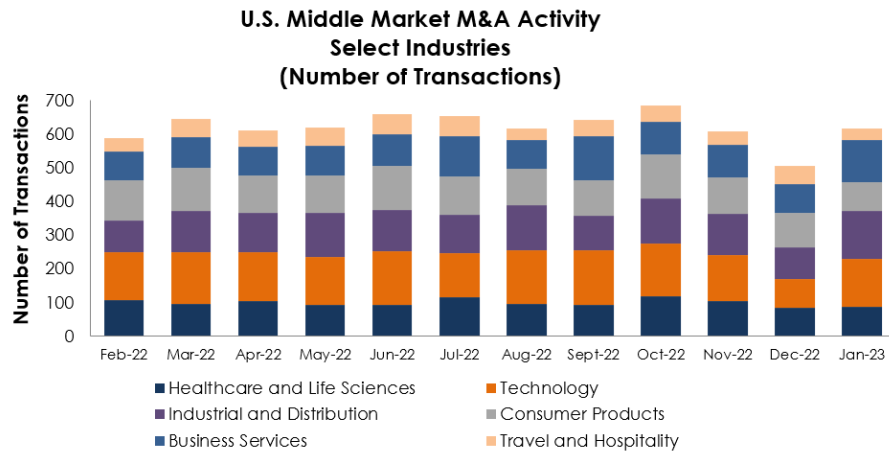
### Public Trading Multiples

As of January 31, 2023

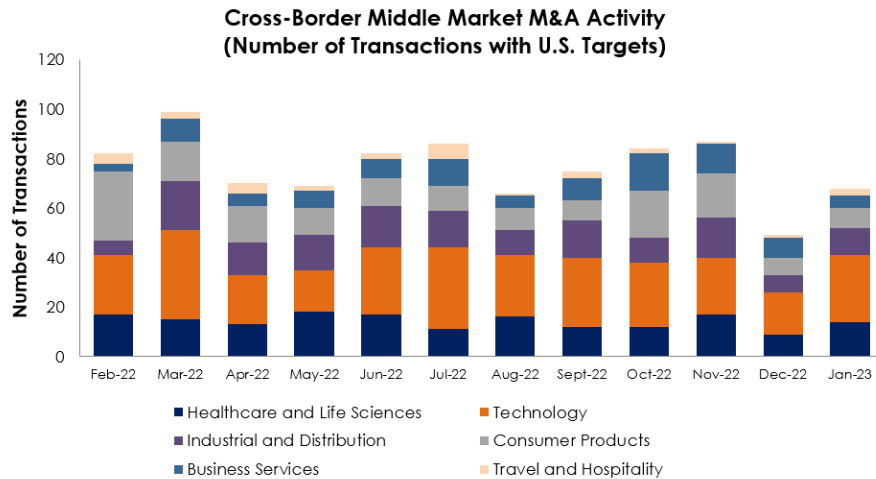
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	4.4x	23.8x	9.3%	9.5%	8.4%	2.7%	4.6%
Healthcare Equipment and Supplies	4.2x	17.2x	2.0%	7.2%	-10.5%	8.0%	26.1%
Healthcare Providers and Services	0.8x	11.3x	6.9%	8.8%	-0.5%	6.0%	9.9%
Healthcare and Life Sciences Aggregate	3.1x	17.4x	6.0%	8.5%	-0.9%	5.6%	13.5%
<b>Technology</b>							
IT Services	3.3x	15.4x	5.6%	5.6%	9.6%	5.2%	12.8%
Software	6.6x	21.2x	10.0%	12.3%	0.0%	11.2%	5.5%
Computers and Other Electronic Equipment	1.6x	11.3x	-0.9%	6.4%	-6.1%	10.8%	19.1%
Technology Aggregate	3.8x	16.0x	4.9%	8.1%	1.2%	9.1%	12.5%
<b>Industrial and Distribution</b>							
Aerospace and Defense	2.1x	15.9x	2.5%	-2.3%	0.5%	0.7%	9.1%
Building Products	1.5x	9.5x	5.8%	5.5%	-0.7%	9.0%	19.3%
Construction and Engineering	0.7x	8.7x	-1.5%	5.7%	-0.1%	2.8%	10.1%
Machinery	1.7x	12.5x	-0.3%	2.6%	-2.1%	1.8%	4.8%
Distributors	0.7x	8.4x	8.7%	8.1%	26.1%	12.4%	4.9%
Industrial and Distribution Aggregate	1.3x	11.0x	3.0%	3.9%	4.7%	5.3%	9.7%
<b>Consumer Products</b>							
Food and Beverage	2.0x	12.3x	6.6%	6.4%	0.9%	4.2%	14.5%
Household and Personal Products	3.3x	17.1x	-0.2%	1.9%	-6.1%	-1.8%	14.6%
Household Durables	0.9x	7.0x	-1.8%	4.6%	-2.5%	9.9%	9.7%
Textiles, Apparel, and Luxury Goods	2.5x	12.3x	8.4%	5.9%	5.9%	11.0%	10.5%
Consumer Products Aggregate	2.2x	12.1x	3.2%	4.7%	-0.5%	5.8%	12.3%
<b>Business Services</b>							
Human Resource and Employment Services	0.8x	9.6x	4.9%	2.6%	1.8%	4.3%	10.4%
Research and Consulting Services	3.1x	17.4x	2.4%	4.8%	1.0%	6.9%	13.6%
Business Services Aggregate	2.0x	13.5x	3.6%	3.7%	1.4%	5.6%	12.0%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	4.2x	17.4x	67.0%	-8.1%	0.0%	-19.5%	7.7%
Restaurants	2.9x	14.3x	10.8%	0.9%	11.7%	-0.3%	7.1%
Leisure Facilities	4.2x	17.2x	7.8%	1.5%	12.1%	-10.4%	34.5%
Travel and Hospitality Aggregate	3.8x	16.3x	28.5%	-1.9%	7.9%	-10.1%	16.4%

## M&A MARKET

Middle market M&A activity rose in January following a dip in December. Growth was driven by the number of middle market M&A transactions in the technology, industrial & distribution, and business service sectors.

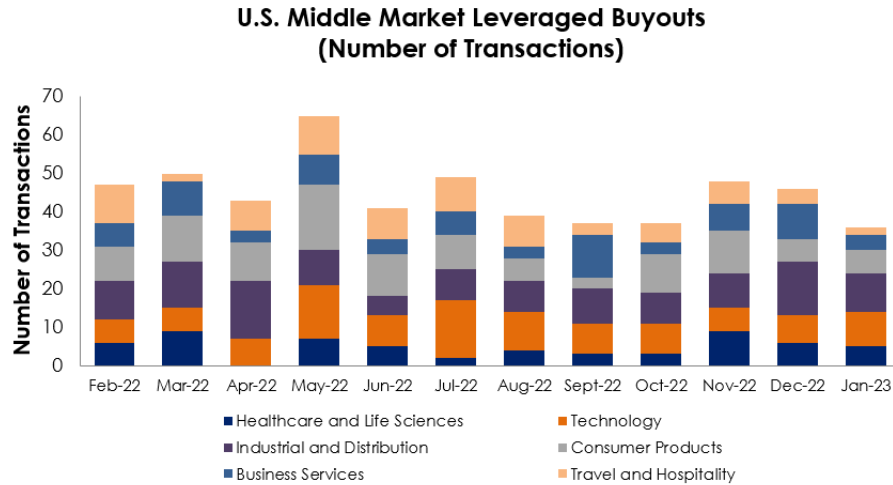


Cross-border middle market M&A activity increased in January after a slow month in December. An increase in the number of deals in the technology sector, healthcare & life sciences sector, and the industrial & distribution sector contributed to the higher deal volume.



LBO transaction volume slowed in January after two strong months. Middle market LBO volume in the technology and consumer product sectors expanded compared to the previous month.

However, a decrease in LBO volume in the business services sector and the industrial & distribution sector resulted in an overall decrease in LBO transactions throughout the month.



## SELECT MIDDLE MARKET M&A TRANSACTIONS – TECHNOLOGY

### *Tahoe Network Infrastructure acquires E-Vergent*

On January 30, 2023, fiber optic broadband investment firm Tahoe Network Infrastructure LLC announced that it has completed the acquisition of fixed wireless provider E-Vergent for a purchase price of \$11.2 million. E-Vergent operates extensive fiber and fixed wireless networks in the communities south of Milwaukee and north of Chicago. The acquisition was financed with a combination of \$6.5 million of senior debt, a seller note, and equity from Tahoe.

“This acquisition perfectly complements our strategy to acquire small, fiber-based internet service providers in underserved markets,” stated Gregory Green, Chairman of Tahoe.

“E-Vergent has over 25 years of operating history providing fiber and cutting edge fixed wireless technology to over 1 million residential and commercial subscribers in ten counties from Milwaukee to Chicago. They deliver internet service from more than 100 towers and have successfully increased service speeds to customers in each of the last four years. We look forward to expanding the business with targeted consumer and business marketing campaigns to increase penetration of our existing fiber routes and have committed to investing another \$10 million in expanding E-Vergent’s regional footprint. At the same time, Tahoe will continue to look for acquisitions in the fiber space, including partnering with rural electric utilities and cities looking for a financially sound broadband partner.”

### **Qiagen acquires Verogen**

On January 9, 2023, Qiagen NV (NYSE:QGEN) announced it has completed the acquisition of Verogen, a US-based leader in the use of next-generation sequencing (NGS) technologies to drive the future of human identification (HID) and forensic investigation. Qiagen completed the full acquisition of Verogen for \$150 million in cash paid from existing reserves. Qiagen and Verogen have been commercialization partners since announcing a distribution agreement in June 2021.

"Bringing together Verogen and QIAGEN creates a unique opportunity to better help investigators and researchers to advance forensic science and to find missing persons, accurately identify suspects and exonerate the innocent," said Thierry Bernard, CEO of QIAGEN. "The power of NGS has created so many applications that were not possible before, and its use in forensics is another opportunity for QIAGEN to provide the most complete workflow and help improve the lives of people around the world."

Verogen's sequencing and analysis solutions are designed for use on the MiSeq FGx® Sequencing System from Illumina, Inc. With this acquisition, QIAGEN gains exclusive distribution rights for this version of the MiSeq sequencer designed specifically for forensics applications. More than 300 MiSeq FGx Sequencing Systems have been placed to date, marking a strong entry into this market segment.

### **OpenWeb acquires Jeeng**

On January 26, 2023, OpenWeb the community engagement platform serving over 1,000 leading publishers, announced it has acquired the proprietary audience management platform Jeeng for \$100 million. The acquisition strengthens OpenWeb's ability to create one-to-one relationships with millions of users. It is the latest milestone in the company's rapid expansion of tools designed to connect brands, advertisers, and publishers to audiences whenever and wherever they're online.

Jeeng supports 150 million unique monthly visitors and over 650 publishers, including VICE Media, The Atlantic, Crain's, HarperCollins, and Vox Media, helping them more effectively build relationships with readers across multiple channels with hyper-personalized messaging. Using AI technology, Jeeng leverages first-party data to deliver highly effective content tailored to users' interests across email, push, and other channels.

"This acquisition brings us closer to our goal of 'OpenWeb Everywhere,' giving brands and publishers the ability to communicate with hundreds of millions of users across every online platform they encounter – messaging, email, notifications, newsreaders, interactive conversations and more," said Nadav Shoal, CEO and co-founder of OpenWeb. "With the demise of third-party cookies, collapsing trust in social media, and the segmentation of online audiences, publishers and advertisers need to talk to their users one-on-one, in a personalized way. With Jeeng's capabilities, we can continue to build and strengthen those individual relationships."

## 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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