

MARKET BRIEF

Economic indicators were down in February as the U.S. economy continues to deal with high inflation, recession fears, rising interest rates, and geopolitical tensions. The *Consumer Price Index* increased, and the *Consumer Confidence Index* declined, while the unemployment rate rose over the month. The public markets saw a loss with the S&P 500 declining 3.6% in February. Total middle market M&A activity, along with cross-border transactions and leveraged buyouts, decreased on a month-over-month basis.

Unemployment Rate Rises in February

The unemployment rate edged up to 3.6% during the month of February; the number of unemployed persons rose to 5.9 million. Notable job gains occurred in leisure and hospitality, retail trade, government, and health care. Employment declined in information and in transportation and warehousing. Total nonfarm payroll employment rose by 311,000 throughout the month. The labor force participation rate was little changed at 62.5% while the number of persons marginally attached to the labor force was little changed at 1.4 million in February.

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

Consumer Confidence Declines in February

In February, the *Consumer Confidence Index* declined further after a decrease in January. Currently, the index stands at 102.9 which is a 3.1-point decline from the prior month when the index was at 106.0. Along with that, the Expectations Index, which tracks consumers' short-term expectations regarding income and labor market conditions, declined 6.3 points from 76.0 in January to 69.7. "While consumers' view of current business conditions worsened in February, the Present Situation Index still ticked up slightly based on a more favorable view of the availability of jobs. In fact, the proportion of consumers saying jobs are 'plentiful' climbed to 52.0 percent—back to levels seen in the spring of last year. However, the outlook appears considerably more pessimistic when looking ahead. Expectations for where jobs, incomes, and business conditions are headed over the next six months all fell sharply in February Consumer," said Ataman Ozyildirim, Senior Director, Economics at The Conference Board.

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

The Case-Shiller Index Reports 5.8% Annual Gain in December 2022

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, posted a 5.8% annual gain in December 2021, down from 7.6% in the previous month. The U.S. National Index posted a -0.8% month-over-month decrease in December, while the 10-City and 20-City Composites posted decreases of -0.8% and -0.9%, respectively. "The cooling in home prices that began in June 2022 continued through year end, as December marked the sixth consecutive month of declines for our National Composite Index," says Craig J. Lazzara, Managing Director at S&P DJI. Lazzara went on to say, "The National Composite declined by -0.8% in December, and now stands 4.4% below its June peak. For 2022 as a whole, the National Composite rose by 5.8%, the 15th best performance in our 35-year history, although obviously well below 2021's record-setting 18.9% gain. We could record similar observations in the 10- and 20-City Composites."

(<https://www.spglobal.com/spdji/en/index-announcements/article/sp-corelogic-case-shiller-index-decline-continued-in-december/>)

The Consumer Price Index Increased 0.4% in February

The Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.4% in February on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported. Over the last twelve months, the all-items index increased 6.0% before seasonal adjustment. The index for shelter was the largest contributor to the monthly all items increase, accounting for over 70 percent of the increase, with the indexes for food, recreation, and household furnishings and operations also contributing. The food index increased 0.4 percent over the month with the food at home index rising 0.3 percent. The energy index decreased 0.6 percent over the month as the natural gas and fuel oil indexes both declined.

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

PUBLIC MARKET

The U.S. public markets traded down in February following an increase in January. The S&P 500 decreased by 3.6% and the Dow Jones Industrial Average was down 4.2%.

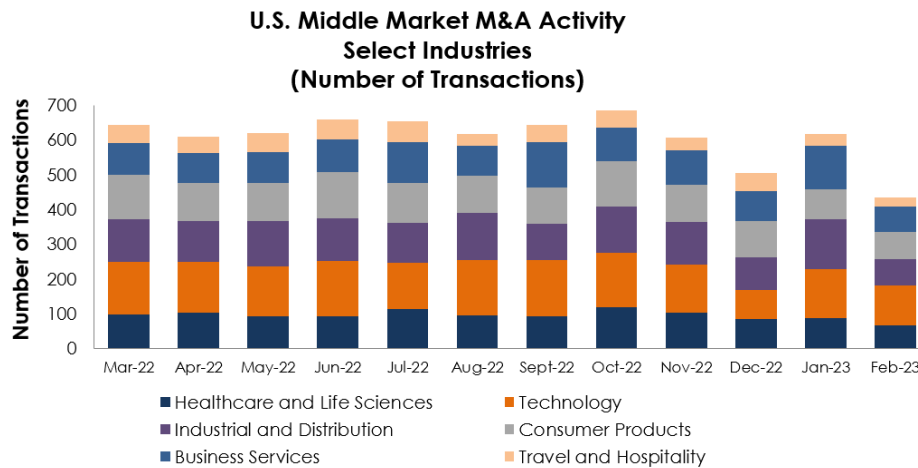
Public Trading Multiples

As of February 28, 2023

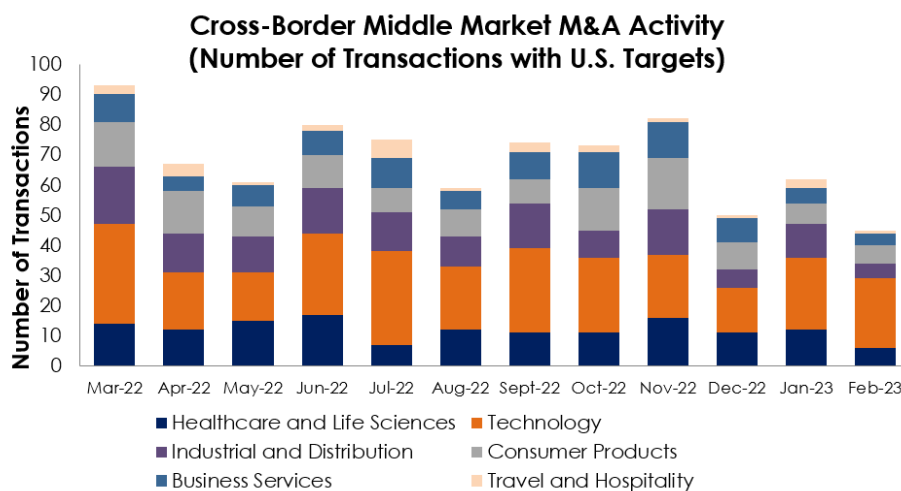
| Category | EV / Revenue | EV/ EBITDA | Revenue Growth | | EBITDA Growth | | EBITDA Margin |
|---|--------------|--------------|----------------|--------------|----------------|--------------|---------------|
| | | | 1 Year | 3 Year | 1 Year | 3 Year | |
| Healthcare and Life Sciences | | | | | | | |
| Healthcare Technology | 4.4x | 24.1x | 9.7% | 9.4% | 2.8% | 0.0% | 4.6% |
| Healthcare Equipment and Supplies | 4.3x | 17.6x | 1.4% | 7.2% | -10.4% | 8.0% | 26.1% |
| Healthcare Providers and Services | 0.8x | 11.3x | 6.8% | 8.4% | -1.1% | 5.2% | 9.9% |
| Healthcare and Life Sciences Aggregate | 3.2x | 17.7x | 6.0% | 8.3% | -2.9% | 4.4% | 13.6% |
| Technology | | | | | | | |
| IT Services | 3.3x | 15.4x | 5.9% | 5.6% | 9.0% | 5.0% | 12.8% |
| Software | 6.7x | 21.3x | 9.7% | 12.2% | 0.4% | 11.3% | 5.5% |
| Computers and Other Electronic Equipment | 1.6x | 11.4x | -1.0% | 6.5% | -5.9% | 10.9% | 19.0% |
| Technology Aggregate | 3.9x | 16.0x | 4.8% | 8.1% | 1.2% | 9.1% | 12.5% |
| Industrial and Distribution | | | | | | | |
| Aerospace and Defense | 2.2x | 15.9x | 3.3% | -2.1% | 2.0% | 1.9% | 9.1% |
| Building Products | 1.5x | 9.7x | 5.8% | 5.9% | -1.7% | 9.2% | 19.3% |
| Construction and Engineering | 0.7x | 8.7x | -0.4% | 6.1% | 0.0% | 3.6% | 10.1% |
| Machinery | 1.7x | 12.5x | -0.3% | 2.7% | -1.5% | 1.9% | 4.8% |
| Distributors | 0.7x | 8.4x | 8.9% | 8.1% | 25.3% | 12.1% | 4.9% |
| Industrial and Distribution Aggregate | 1.3x | 11.0x | 3.5% | 4.1% | 4.8% | 5.7% | 9.7% |
| Consumer Products | | | | | | | |
| Food and Beverage | 2.0x | 12.2x | 6.6% | 6.6% | 1.3% | 4.4% | 14.5% |
| Household and Personal Products | 3.2x | 17.0x | 0.5% | 1.9% | -6.0% | -1.8% | 14.6% |
| Household Durables | 0.9x | 7.1x | -2.0% | 4.5% | -2.4% | 10.0% | 9.7% |
| Textiles, Apparel, and Luxury Goods | 2.3x | 11.5x | 8.0% | 5.6% | 5.3% | 10.4% | 10.5% |
| Consumer Products Aggregate | 2.1x | 11.9x | 3.3% | 4.6% | -0.4% | 5.7% | 12.3% |
| Business Services | | | | | | | |
| Human Resource and Employment Services | 0.8x | 9.6x | 5.7% | 2.7% | 0.7% | 4.3% | 10.4% |
| Research and Consulting Services | 3.0x | 16.9x | 3.3% | 4.8% | 3.1% | 7.5% | 13.8% |
| Business Services Aggregate | 1.9x | 13.2x | 4.5% | 3.7% | 1.9% | 5.9% | 12.1% |
| Travel and Hospitality | | | | | | | |
| Hotels, Resorts, and Cruise Lines | 4.2x | 17.5x | 64.4% | -7.4% | 7001.0% | -17.1% | 7.8% |
| Restaurants | 2.9x | 14.4x | 10.6% | 0.9% | 11.5% | -0.3% | 7.1% |
| Leisure Facilities | 4.3x | 17.4x | 7.5% | 1.5% | 10.6% | -10.3% | 34.5% |
| Travel and Hospitality Aggregate | 3.8x | 16.4x | 27.5% | -1.6% | 2341.0% | -9.2% | 16.5% |

M&A MARKET

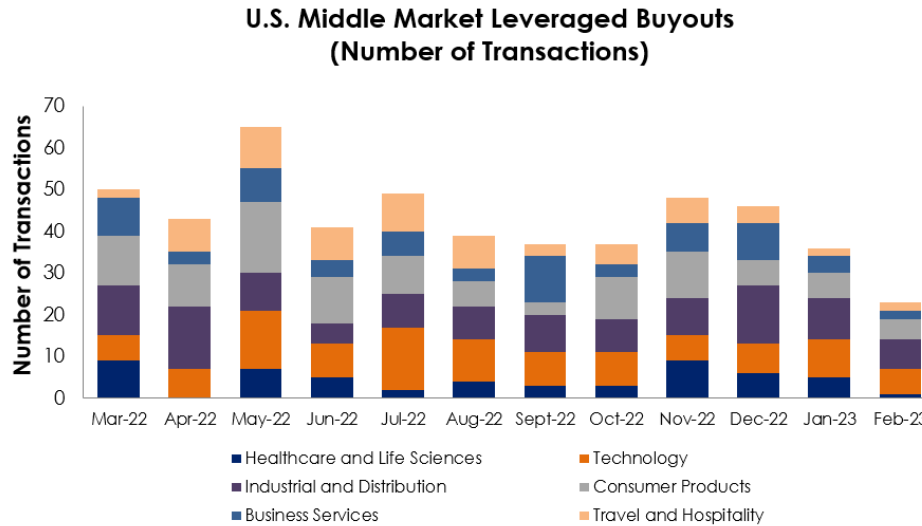
Middle market M&A activity was down in February following a strong month in January. The Technology industry had the highest activity with 114 deals, followed by Consumer Products with 78 deals. Global M&A activity may rise in the second half of 2023 as investors and executives look to balance short-term risks with their long-term business transformation strategies, according to PwC's 2023 Global M&A Industry Trends Outlook.



Cross-border middle market M&A activity slowed in February after an increase in January. The Healthcare and Life Sciences sector and the Industrial & Distribution sector transaction volume declined significantly in the month of February.



LBO transaction volume also slowed down in February after a decrease in January. The Healthcare & Life Sciences and Technology sectors decreased the most.



SELECT MIDDLE MARKET M&A TRANSACTIONS – CONSUMER PRODUCTS

Tofurky Acquired by Morinaga Nutritional Foods

On February 10, 2023, Tofurky, the Oregon-based maker of alternative meat products, announced that it and its parent company Turtle Island Foods have been acquired by Morinaga Nutritional Foods, a subsidiary of Japanese food and beverage company Morinaga Milk Industry. Tofurky's sister brand, the plant-based cheese product Moocho, was also acquired in the deal.

"We're very proud of what we've achieved thus far as an independent and family-operated company, but as we enter our next stage of growth, Morinaga will provide the platform needed to help us expand more aggressively in the U.S. and beyond," Tofurky CEO Jaime Athos said in a press release about the deal.

The acquisition comes as the company continues to ramp up production to meet demand. Vegan and vegetarian eating trends continue to see rapid growth across global markets.

The two companies already have an established working history. Morinaga has been a tofu supplier to Tofurky for 17 years. According to the release Morinaga plans to increase the number of technical staff and production capacity at Tofurky's Hood River manufacturing facility. Morinaga also operates a tofu manufacturing facility in Tualatin and a sales and research & development office in Torrance, California. In its release, Morinaga said it "plans to leverage synergies" from Tofurky's sales teams to fine-tune total portfolio approaches to the U.S. marketplace."

Cincy Brands Acquires Sapidilla

On February 16, 2023, Cincy Brands, a technology-driven consumer products company that acquires and accelerates better-for-you brands, announced the acquisition of Sapidilla, a brand of earth-friendly cleaning products that have natural scents. They acquired the brand from The Gorilla Glue Company, which will continue to be an investor. Sapidilla is the second acquisition for Cincy Brands after acquiring Vitabox in 2022.

Sapidilla was originally founded in Vancouver, Canada, to address consumer concerns about using fake dyes and fragrances in the home. The team created a product line that includes hand soaps, dish soaps, and cleaners that use 100% pure essential oil blends and biodegradable ingredients for a deep clean that makes homes smell amazing. The brand got its start selling bulk products to soap refilleries and is available in major retailers across Canada, on sapidilla.com, and Amazon.com.

"Sapidilla is the exact type of brand we are looking to acquire for the portfolio of better-for-you brands," said Sean Lee, President of Cincy Brands. "The Sapidilla brand is beloved by consumers because of its plant-based, biodegradable, and earth-friendly formulas that clean incredibly well and have scents that invigorate the senses. We were drawn to the brand because consumers rave about the captivating natural scents of the products."

Convive Wines Acquires Lifetime Vintage

On February 2, 2023, Convive Wines, a wine retail and ecommerce company out of New York City, announced its acquisition of wine marketplace Lifetime Vintage. The two companies combine forces to achieve their joint mission of making wine approachable for everyone.

Lifetime Vintage, founded in 2019 with a mission to make wine approachable for everyone, partners with sommeliers and beverage professionals across the U.S. to help both consumers and companies with their wine needs. They work with corporate clients to plan engaging events virtually and in-person, send meaningful gifts to clients and colleagues, and curate great wine selections for happy hours. For consumers, their sommelier team provides a suite of wine curation services, such as helping to plan dinner parties, stocking up wine fridges, and sourcing fine wines for growing collections. They partner with licensed wine retailers to source and fulfill all wine shipments.

Convive Wines and Lifetime Vintage have worked together for many years, consistently growing their relationship due to the exceptional wine quality and value that Convive brings to the wine industry. Now, by combining forces, Convive is able to expand their corporate offerings, leverage Lifetime Vintage's sommelier network, and grow their client base. Lifetime Vintage, in turn, can now offer their clients a broader selection of wines and have more control over the buying process, ensuring that their clients continue to receive a personalized experience.

"Because we've collaborated for years, we've seen first-hand the many synergies between our two businesses," says Lifetime Vintage CEO, Jordan Cook. "We're excited about how we'll be able to further enhance the client experience through this acquisition."

FURTHER INFORMATION

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