

## MARKET BRIEF

Economic indicators were mixed in October as the U.S. economy continued to deal with inflation, recession fears, high interest rates, and geopolitical tensions. The Consumer Price Index remained flat showing that the Federal Reserve's actions are beginning to take effect. The unemployment rate also remained flat, the *Consumer Confidence Index* declined, and the National Home Price Index rose. The public markets declined with the S&P 500 falling 2.2% in October, bringing it to a 9.2% gain year-to-date. Total middle market M&A activity increased, while cross-border transactions and leveraged buyouts decreased, on a month-over-month basis.

### Unemployment Rate Shows Little Change in October

Total nonfarm payroll employment increased by 150,000 in October and the unemployment rate increased very slightly to 3.9%. As of October 31, the number of unemployed persons stands at 6.5 million. Notable job gains occurred in health care, government, and social assistance, while employment declined in manufacturing due to strikes. Both the labor force participation rate and employment-population rate remained stable, at 62.7% and 60.2%, respectively. The numbers of persons marginally attached to the labor force was recorded at 1.4 million, and the number of discouraged workers, at 416,000.

[\(Bureau of Labor Statistics | Unemployment\)](#)

### Consumer Confidence Continues Decline in October

In October, the *Consumer Confidence Index* declined further, marking its third consecutive month of decline. Currently, the index stands at 102.6, which is a 1.7-point decline from September's 104.3. Along with that, the *Present Situation Index*, which is based on consumers' short-term outlook of current business and labor market conditions, declined to 143.1 from 146.2 in September, and the *Expectations Index*, which tracks consumers' short-term view of income, business, and labor market conditions, declined to 75.8 from 76.6 in September. Dana Peterson, Chief Economist at The Conference Board, stated that "Consumers continued to be preoccupied with rising prices in general, and for grocery and gasoline prices in particular. Consumers also expressed concerns about the political situation and higher interest rates. The decline in consumer confidence was evident across householders aged 35 and up, and not limited to any one income group."

[\(The Conference Board | Consumer Outlook\)](#)

### S&P Case-Shiller U.S. National Home Price Index Up 2.6 Percent Annually

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, which is a single-family home price index for all nine U.S. census divisions, posted a 2.6% annual gain, as of the most recent recording in August 2023. The 10-City Composite and the 20-City Composite showed increases of 3.0% and 2.2% year-over-year, respectively. Craig J. Lazzara, Managing Director at S&P DJI, said that this "marks the seventh consecutive monthly gain since prices bottomed in January 2023. The Composite now stands 6.4% above its January level. Our 10- and 20-City Composites each also rose in August, and likewise currently exceed their year-ago and January levels. Seven individual cities (Atlanta, Boston, Charlotte, Chicago, Detroit, Miami, and New York) stand at their all-time highs."

[\(S&P Global | National Home Price Index\)](#)

## The Consumer Price Index Remains Unchanged in October

The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in October on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported. This comes after an increase of 0.4% in September. Over the last twelve months, the all-items index increased 3.2% before seasonal adjustment. The index for shelter continued its rise in October, offsetting the decline seen in the gasoline index. The food index increased 0.3% over the month. The index for all items less food and energy rose 0.2%, increases here came from rent, owners' equivalent rent, motor vehicle insurance, medical care, recreation, and personal care, while the decreasing indexes were lodging away from home, used cars and trucks, communication, and airline fares.

([Bureau of Labor Statistics | CPI](#))

## PUBLIC MARKET

The U.S. public markets traded down in October, marking the third consecutive monthly decline. The S&P 500 decreased by 2.2% in October and is down about 6.4% over the last three months.

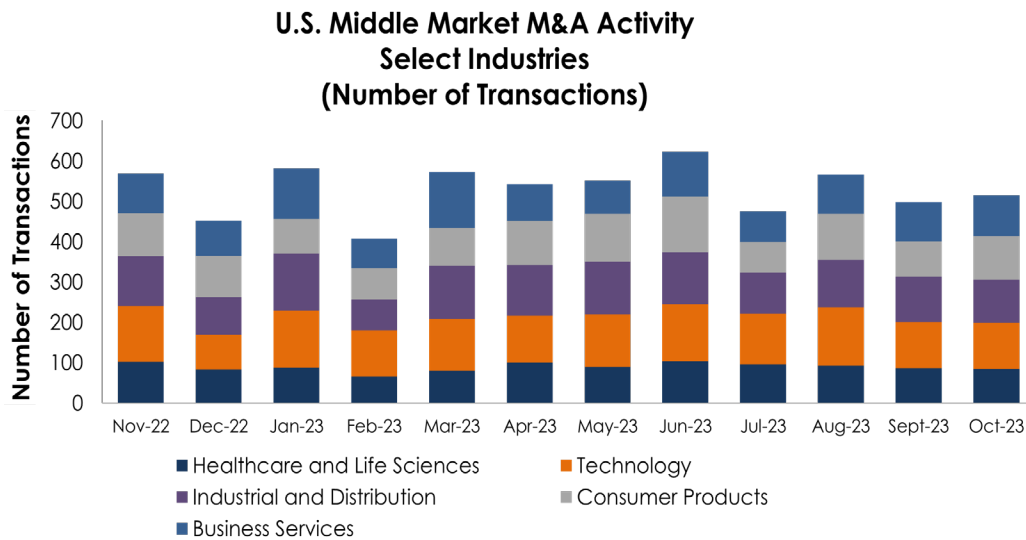
### Public Trading Multiples

As of October 31, 2023

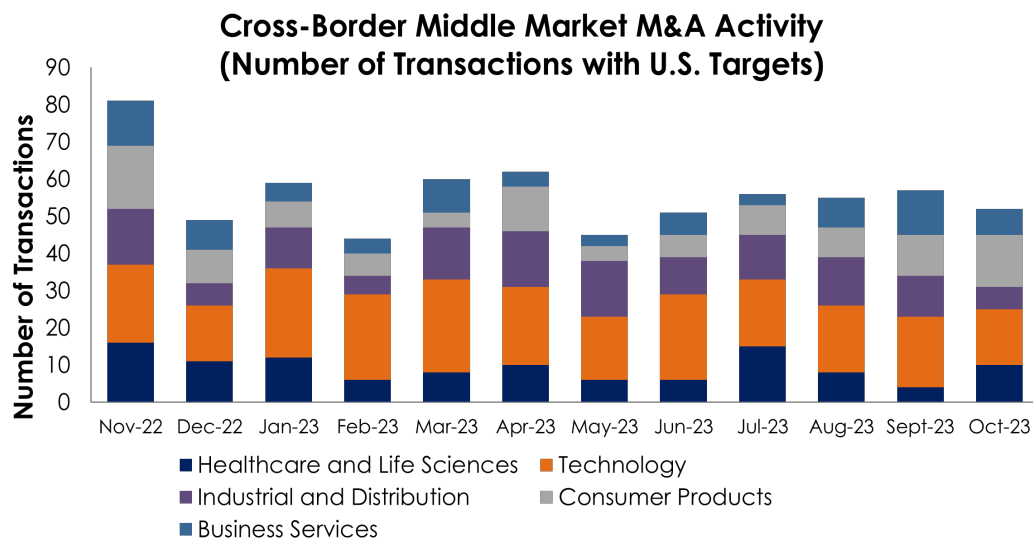
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	4.0x	24.6x	10.6%	8.2%	27.1%	0.6%	3.6%
Healthcare Equipment and Supplies	3.8x	17.2x	1.2%	6.6%	-13.3%	4.8%	16.6%
Healthcare Providers and Services	0.9x	10.7x	8.9%	9.2%	4.6%	4.7%	9.4%
Healthcare and Life Sciences Aggregate	2.9x	17.5x	6.9%	8.0%	6.1%	3.4%	9.9%
<b>Technology</b>							
IT Services	2.2x	13.3x	6.0%	2.9%	6.5%	1.8%	14.2%
Software	7.9x	24.5x	9.2%	12.1%	16.7%	13.3%	5.6%
Computers and Other Electronic Equipment	1.9x	13.9x	-3.9%	4.5%	-14.4%	4.6%	12.6%
Technology Aggregate	4.0x	17.2x	3.8%	6.5%	2.9%	6.6%	10.8%
<b>Industrial and Distribution</b>							
Aerospace and Defense	2.1x	15.9x	13.0%	2.3%	11.1%	6.9%	9.2%
Building Products	1.6x	10.1x	0.9%	7.4%	-1.8%	11.8%	19.9%
Construction and Engineering	0.7x	9.1x	8.5%	6.6%	6.5%	5.0%	6.9%
Machinery	1.5x	10.7x	11.5%	7.0%	27.3%	12.1%	7.0%
Distributors	0.8x	9.7x	-0.5%	7.6%	4.6%	13.4%	4.5%
Industrial and Distribution Aggregate	1.3x	11.1x	6.7%	6.2%	9.5%	9.8%	9.5%
<b>Consumer Products</b>							
Food and Beverage	1.9x	11.6x	7.4%	8.2%	4.6%	4.6%	13.8%
Household and Personal Products	3.1x	15.8x	5.9%	3.7%	4.1%	-0.3%	13.6%
Household Durables	0.9x	8.2x	0.7%	4.4%	-9.0%	6.5%	8.6%
Textiles, Apparel, and Luxury Goods	2.1x	11.5x	9.1%	11.9%	7.9%	26.1%	9.5%
Consumer Products Aggregate	2.0x	11.8x	5.8%	7.1%	1.9%	9.2%	11.4%
<b>Business Services</b>							
Human Resource and Employment Services	1.0x	12.3x	5.6%	5.3%	-5.3%	7.3%	9.5%
Research and Consulting Services	2.9x	16.0x	6.8%	6.1%	5.5%	7.7%	2.3%
Business Services Aggregate	2.0x	14.2x	6.2%	5.7%	0.1%	7.5%	5.9%

## M&A MARKET

Middle market M&A activity was up in October following a decrease in September. The Technology industry remains the most active with 115 deals, followed by Consumer Products with 110 deals. An annual M&A outlook [survey](#) conducted by law firm Dykema Gossett PLLC shows that M&A activity is expected to increase in 2024 in the middle and lower markets rather than mega deals over \$1 billion, due to high interest rates and a tighter lending environment.

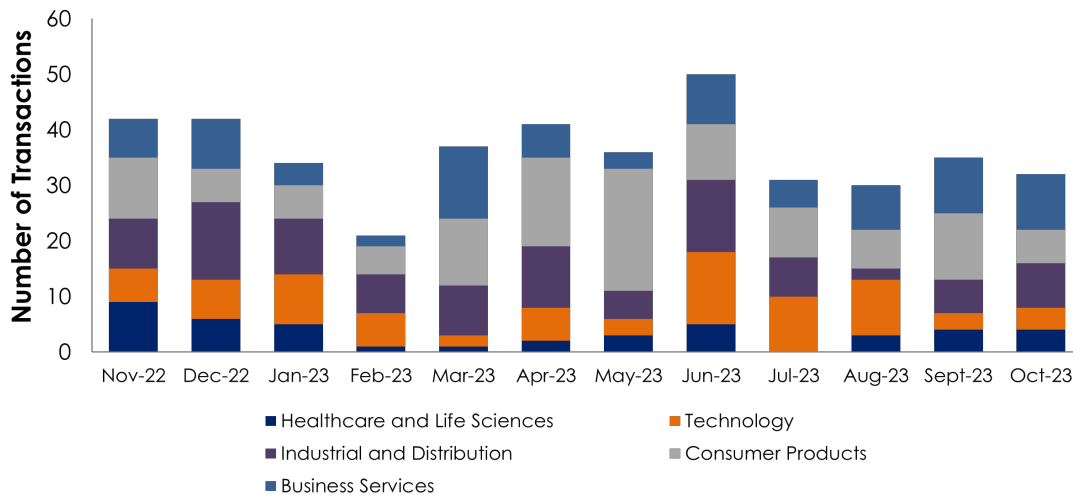


Cross-border middle market M&A activity slowed in October after an increase in September. The Healthcare and Life Sciences sector activity increased strongly, while the Industrial & Distribution sector transaction volume declined significantly. Law firm Foley & Lardner LLP wrote in an [article](#) that they expect a “resurgence of cross-border M&A” in 2024.



LBO transaction volume also slowed down in October after an increase in September. The Consumer Products space was responsible for this decrease, while other sectors remained mostly flat. Overall, LBO prospects seem to be strengthening into 2024, with Q3 2023 LBO debt issuance returning to its highest quarterly volume since Q4 2021 ([FitchRatings](#)).

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



## SELECT MIDDLE MARKET M&A TRANSACTIONS – CONSUMER PRODUCTS

### Atalanta Acquires Mt. Vikos

[Full Article](#)

On October 31, 2023, Atalanta Corporation, a specialty food importer of high-quality international products, added Mt. Vikos to its portfolio of brands through a strategic acquisition. Mt. Vikos is known for its line of Greek feta cheeses and shelf-stable spreads.

Atalanta's President, Tom Gellert, shared the transaction rationale: "As consumer awareness of authentic Greek products continues to increase, we felt it important to grow our presence in this category." Founded in 1945, Atalanta is currently the largest privately-owned food importer in the United States and is under the umbrella of the Gellert Global Group.

Mt. Vikos offers PDO (Protected Designation of Origin) imported specialty products from Greece and prides itself on traditional production methods with non-GMO sheep and goat milk. The company promises to retain its commitment to quality and authenticity post-acquisition. Additionally, Mt. Vikos hopes to use Atalanta's resources and expertise for further growth.

## ***Society Brands Acquires Club EarlyBird***

### [Full Article](#)

On October 31, 2023, Society Brands, a technology-enabled consumer products company with an ecommerce focus, acquired Club EarlyBird, a high-growth morning energy drink company.

In the four years since its inception, Club EarlyBird has grown primarily via direct-to-consumer channels and social media popularity. Product releases have been met with significant demand, selling out of the company's inventory very quickly. Their Morning Drink "gives the body and brain proper hydration and the needed ingredients for motivation and energy." Founder Chuckie Gregory and his wife Shelby see the sale as the best step for scaling the business, and plan to remain heavily involved in expanding the brand.

This marks yet another acquisition by Society Brands, who continues to grow via investments into fast-growing brands. After investing in several of these businesses, the acquiring company expects more than 50% of their revenue to be through direct-to-consumer channels, with the rest coming from ecommerce marketplaces and wholesale. Society brands also raised \$25 million in October, bringing their total capital commitment to \$230 million, with which they've now built a portfolio of eight brands, including Capsule Supplies, Barnesmith, Power Theory, and Wolf Tactical.

## FURTHER INFORMATION

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