

January 2024

## MARKET BRIEF

The U.S. unemployment rate held steady at 3.7%, reflecting a consistently tight labor market. Job creation saw a positive uptick, adding 216,000 positions, indicating continued economic growth. Consumer confidence rose with The Consumer Confidence Index reaching 110.7 from November's 102.0. The housing market reported a 4.8% annual change in home prices. The Consumer Price Index rose by 0.3% in December. Public markets closed the year positively, with the S&P 500, Dow Jones, and Nasdaq showing significant gains. Middle-market M&A activity decreased, hinting at a potential resurgence in 2024. Cross-border M&A slowed, but optimistic predictions for 2024 highlight increasing considerations for international expansion.

### December Unemployment Rate Remains Steady at 3.7%

The unemployment rate in December 2023 held steady at 3.7%, mirroring the figure from November, and the number of unemployed persons was 6.3 million. This stability marks a continuation of the tight labor market seen throughout the year. These measures are higher than a year earlier with a December 2022 jobless rate of 3.5% and 5.7 million unemployed persons. Despite the lack of change from November 2023, December saw an encouraging uptick in job creation, with 216,000 new positions added, suggesting continued economic growth and potential for further unemployment decreases in the coming months.

[Bureau of Labor Statistics](#)

### Consumer Confidence Continues to Climb in December

The Conference Board *Consumer Confidence Index*® increased in December to 110.7 (1985=100), up from a downwardly revised 101.0 in November. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—rose to 148.5 (1985=100) from 136.5 last month. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—leapt to 85.6 (1985=100) in December, up from its downwardly revised reading of 77.4 in November. This sharp increase brings expectations back to the levels of optimism last seen in July of this year. "December's increase in consumer confidence reflected more positive ratings of current business conditions and job availability, as well as less pessimistic views of business, labor market, and personal income prospects over the next six months," said Dana Peterson, Chief Economist at The Conference Board.

[The Conference Board](#)

### Case Shiller Index

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 4.8% annual change in October, up from a 4% change in the previous month. The 10-City Composite showed an increase of 5.7%, up from a 4.8% increase in the previous month. The 20-City Composite posted a year-over-year increase of 4.9%, up from a 3.9% increase in the previous month. "U.S. home prices accelerated at their fastest annual rate of the year in October," said Brian D. Luke, Head of Commodities, Real & Digital assets at S&P DJI. "Our National Composite rose by 0.2% in October, marking nine consecutive monthly gains and the strongest national growth rate since 2022."

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

## The Consumer Price Index Rose 0.3% in December

The Consumer Price Index for All Urban Consumers (CPI-U) climbed by 0.3% in December on a seasonally adjusted basis, following a 0.1% gain in November, according to the U.S. Bureau of Labor Statistics. Before seasonal adjustment, the all items index grew by 3.4% over the previous 12 months.

[U.S. Bureau of Labor Statistics](https://www.bls.gov/)

## PUBLIC MARKET

December brought another month of strong gains in the U.S. public markets for all major indices, marking a positive end to a turbulent year. The S&P 500 climbed 4.4% in December, closing at 4,765.72. This marked a 12-month gain of 24.2%, recovering from the 2022 decline. The Dow Jones Industrial Average surged 4.9% to 37,509.40, marking a 13.7% increase for the year. The Nasdaq's tech-heavy index outperformed with a 5.6% jump in December to end the month at 16,040.85. The Nasdaq enjoyed a stellar year, racking up a 43% gain.

### Public Trading Multiples

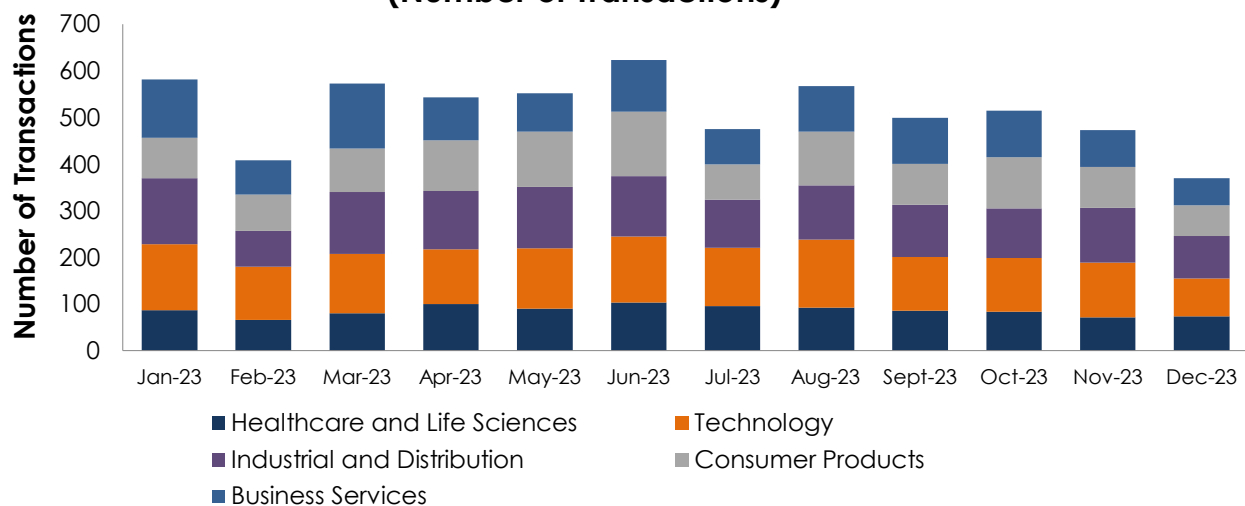
As of December 31, 2023

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	3.6x	22.8x	10.7%	9.3%	24.2%	-1.3%	2.6%
Healthcare Equipment and Supplies	3.8x	16.9x	1.9%	6.5%	-11.0%	4.4%	15.8%
Healthcare Providers and Services	0.8x	10.7x	8.5%	8.9%	5.7%	4.0%	9.8%
Healthcare and Life Sciences Aggregate	2.7x	16.8x	7.0%	8.2%	6.3%	2.4%	9.4%
<b>Technology</b>							
IT Services	2.4x	13.6x	7.5%	4.0%	8.6%	3.7%	14.3%
Software	8.0x	24.5x	9.1%	12.0%	19.6%	13.6%	6.0%
Computers and Other Electronic Equipment	1.9x	13.9x	-4.4%	3.6%	-13.1%	4.7%	12.6%
Technology Aggregate	4.1x	17.3x	4.1%	6.5%	5.0%	7.3%	11.0%
<b>Industrial and Distribution</b>							
Aerospace and Defense	2.1x	15.8x	13.4%	2.0%	11.0%	6.6%	9.1%
Building Products	1.5x	9.7x	1.7%	6.6%	1.4%	10.5%	19.5%
Construction and Engineering	0.7x	8.9x	9.6%	6.3%	7.7%	4.5%	6.2%
Machinery	1.5x	10.6x	11.6%	6.7%	27.9%	12.3%	7.3%
Distributors	0.8x	9.6x	-0.7%	7.6%	3.5%	13.3%	4.6%
Industrial and Distribution Aggregate	1.3x	10.9x	7.1%	5.9%	10.3%	9.4%	9.3%
<b>Consumer Products</b>							
Food and Beverage	1.9x	11.7x	7.2%	7.5%	4.5%	3.9%	13.9%
Household and Personal Products	2.8x	15.6x	6.8%	2.7%	4.1%	-2.2%	13.5%
Household Durables	0.9x	8.3x	0.4%	4.2%	-8.0%	6.1%	8.5%
Textiles, Apparel, and Luxury Goods	2.2x	12.1x	6.7%	10.6%	5.3%	24.3%	9.5%
Consumer Products Aggregate	1.9x	11.9x	5.3%	6.3%	1.5%	8.0%	11.3%
<b>Business Services</b>							
Human Resource and Employment Services	1.0x	12.2x	5.5%	5.4%	-5.7%	7.7%	9.3%
Research and Consulting Services	2.7x	15.3x	6.8%	5.9%	6.7%	7.4%	3.1%
Business Services Aggregate	1.9x	13.8x	6.1%	5.6%	0.5%	7.6%	6.2%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	3.4x	13.4x	33.9%	21.5%	116.3%	0.0%	13.4%
Restaurants	2.5x	13.9x	16.0%	13.0%	31.6%	23.3%	6.5%
Leisure Facilities	4.4x	13.3x	19.9%	18.4%	41.9%	59.4%	39.3%
Travel and Hospitality Aggregate	3.4x	13.5x	23.2%	17.6%	63.3%	27.6%	19.7%

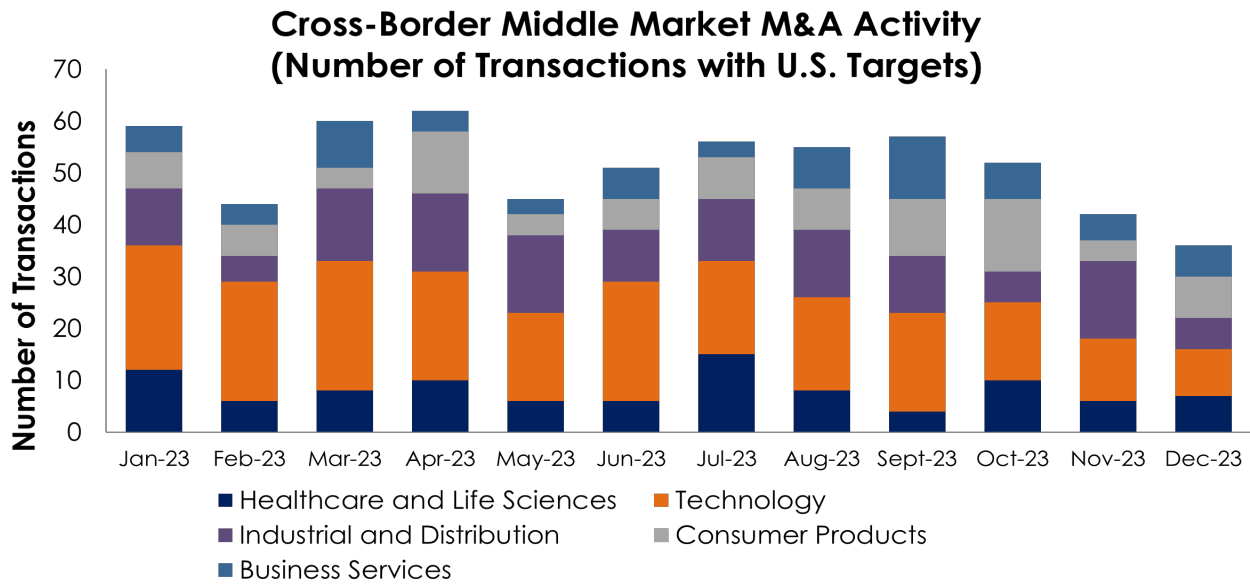
## M&A MARKET

Strategic acquisitions by operating companies in December remained steady, a sign of continued confidence in long-term growth heading into Q1. The percentage of M&A deals with founder-owned companies as sellers reached 61.5% in early 2023—a 15-year high—indicative of the importance of lower middle market activity to the current M&A market. A significant backlog of potential deals suggests demand is waiting to be unleashed. This potential upswing could be fueled by private equity firms with record levels of dry powder, more than \$2 billion as of late 2023.

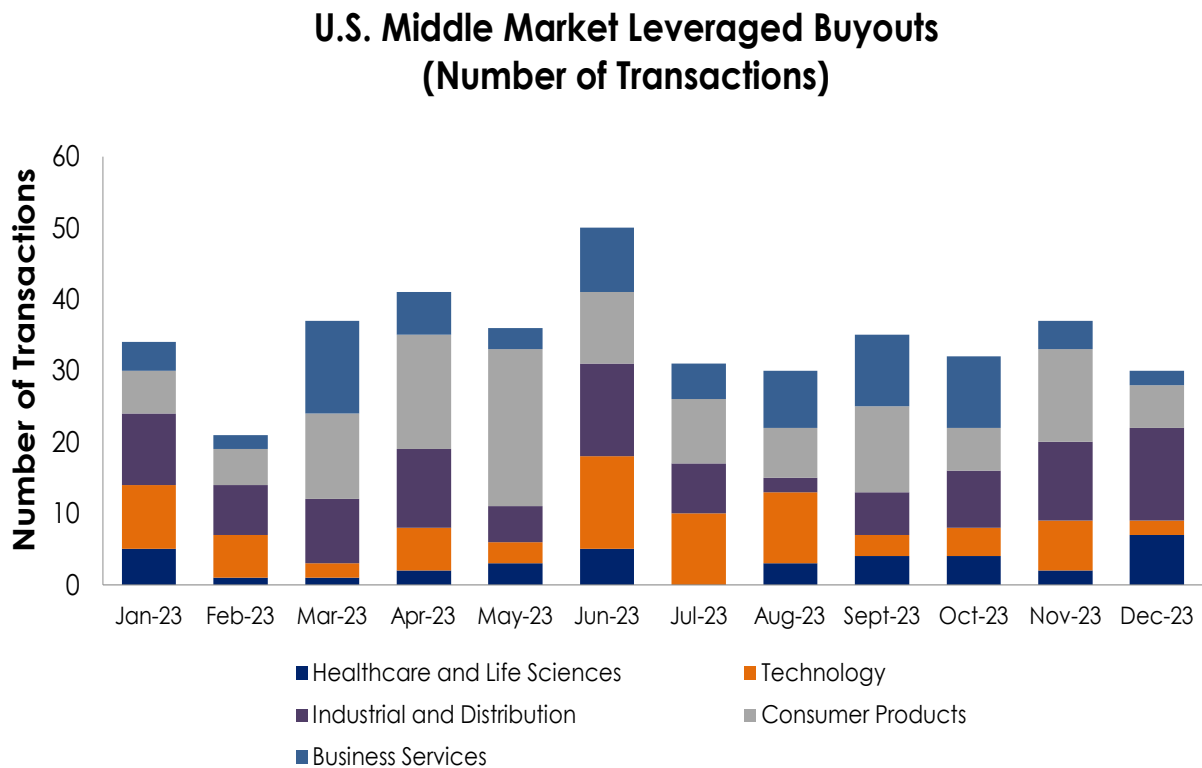
### U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Cross-border middle-market M&A activity slowed in December after a decrease in November. Transaction volume for the Industrial and Distribution sector decreased in the month of December while volume for Consumer Products doubled. Despite the pattern of decreasing cross-border M&A activity in Q4, a Forbes article titled ["Trends And Predictions For The M&A Sector In 2024"](#) touches on optimistic predictions stating, "more companies are considering expansion opportunities beyond national borders. Globalization and accessibility to international markets are contributing to cross-border M&A transactions."



LBO transaction volume decreased slightly in December after an increase in November.



## SELECT MIDDLE MARKET M&A TRANSACTIONS – HEALTH CARE & LIFE SCIENCES

### **CERTARA ACQUIRES APPLIED BIOMATH**

[Full Article](#)

Certara, Inc. (Nasdaq: CERT) announced it has acquired Applied BioMath, an industry-leader in providing model-informed drug discovery and development support to help accelerate and de-risk therapeutic research and development (R&D). Together, Certara and Applied BioMath are the life sciences industry's largest team of experts in quantitative systems pharmacology (QSP), a method of biosimulation used across the development lifecycle to predict endpoints, biomarkers and the most effective dosing regimen. Nine out of ten new therapies that enter the clinic do not achieve regulatory approval or commercialization primarily due to lack of efficacy or unmanageable toxicity. The popularity and prevalence of the QSP methodology has grown in recent years as a strategy to de-risk drug development. QSP combines computational modeling and experimental data to examine the relationships between a drug, the biological system, and the disease process.

**Mirus Capital Advisors acted as financial advisor to Applied BioMath for the transaction.**

### **ZIMVIE TO SELL SPINE BUSINESS FOR \$375M**

[Full Article](#)

Zimvie announced plans on Monday to sell its spine business to Miami-based investment firm H.I.G. Capital, narrowing the company's focus to its dental business. H.I.G. will pay \$315 million in cash and a \$60 million promissory note that will accrue interest at a rate of 10% per year, for a total consideration of \$375 million. The sale is "a step in the right direction for ZimVie as it allows it to double down on what we view as the more attractive of its two end markets while also significantly improving its financial position," J.P. Morgan analyst Robbie Marcus wrote in a research note. For the nine months ended Sept. 30, Zimvie's dental sales were roughly flat year-over-year at \$344.1 million, and its spine sales declined by 8.5% to \$308.7 million. Zimvie's board has approved the sale, and it is expected to close in the first half of 2024, subject to closing conditions, including required regulatory approvals.

### **CYCLO THERAPEUTICS COMPLETES MERGER WITH APPLIED MOLECULAR TRANSPORT**

[Full Article](#)

Cyclo Therapeutics, Inc, a clinical stage biotechnology company focused on developing transformative therapies for rare and neurological diseases with limited treatment options, and Applied Molecular Transport Inc, a biopharmaceutical company, announced AMT will merge with Cyclo Therapeutics in an all-stock transaction. "The completion of this merger with Applied Molecular Transport represents a significant milestone and bolsters our confidence and excitement for the future of Cyclo Therapeutics. With the merger now closed and following our recent positive Type C meeting with the FDA, fundamentally the Company has never been stronger," commented N. Scott Fine, CEO of Cyclo Therapeutics.

## 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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