

MARKET BRIEF

Economic indicators were overall a mixed bag in January, with the unemployment rate remaining steady at 4.0%, and the Consumer Price Index increasing 0.5% on a seasonally adjusted basis for the month. The Consumer Confidence Index declined by 5.4 points in January to 104.1, while the U.S. public markets started off the year with positive growth as the S&P 500, Dow Jones, and Nasdaq recorded 2.7%, 4.7%, and 1.8% monthly increases, respectively. The first month of 2025 concluded with optimism surrounding middle-market M&A activity, driven by significant financial sponsor dry powder, regulatory adjustments, and a favorable outlook for interest rates.

Unemployment Rate Changed Little in January

The unemployment rate decreased slightly in January, edging down from 4.1% to 4.0%. The number of unemployed people also changed little at 6.8 million. Total nonfarm payroll employment increased by 143,000 in January. Sectors adding jobs in January included health care (44,000 jobs), retail trade (34,000 jobs), government (32,000 jobs), social assistance (22,000). The labor force participation rate, at 62.6%, was unchanged in January.

[Bureau of Labor Statistics](#)

US Consumer Confidence Retreated in January

The Conference Board Consumer Confidence Index® declined by 5.4 points in January to 104.1 (1985=100). The Present Situation Index—based on consumers' assessment of current business and labor market conditions—fell sharply in January, dropping 9.7 points to 134.3. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—fell 2.6 points to 83.9, but remained above the threshold of 80 that usually signals a recession ahead.

“Consumer confidence has been moving sideways in a relatively stable, narrow range since 2022. January was no exception. The Index weakened for a second straight month, but still remained in that range, even if in the lower part,” said Dana M. Peterson, Chief Economist at The Conference Board. “All five components of the Index deteriorated but consumers' assessments of the present situation experienced the largest decline. Notably, views of current labor market conditions fell for the first time since September, while assessments of business conditions weakened for the second month in a row. Meanwhile, consumers were also less optimistic about future business conditions and, to a lesser extent, income. The return of pessimism about future employment prospects seen in December was confirmed in January.”

[The Conference Board](#)

The Case-Shiller Index Records 3.8% Annual Gain in November 2024

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 3.8% annual gain in November, up from a 3.6% annual gain in the previous month. The 10-City Composite saw an annual increase of 4.9%, recording the same annual increase in the previous month. The 20-City Composite posted a year-over-year increase of 4.3%, up from a 4.2% increase in the previous month. Month-over-month, the pre-seasonally adjusted U.S. National Index, 20-City, and 10-City Composite Indices' upward trends continued to reverse in November, with a -0.1% drop for the national index, while the 20-City Composite saw a -0.1% decline and the 10-City Composite was unchanged.

Brian D. Luke, Head of Commodities, Real & Digital Assets noted, "With the exception of pockets of above-trend performance, national home prices are trending below historical averages. Markets in New York, Washington, D.C., and Chicago are well above norms, with New York leading the way. Unsurprisingly, the Northeast was the fastest growing region, averaging a 6.1% annual gain. However, markets out west and in once red-hot Florida are trending well below average growth. Tampa's decline is the first annual drop for any market in over a year. Returns for the Tampa market and entire Southern region rank in the bottom quartile of historical annual gains, with data going back to 1988."

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

The Consumer Price Index

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.5% on a seasonally adjusted basis in January, following a 0.4% increase in December. The all-items index has increased 3.0% over the past 12 months, before seasonal adjustment. The index for shelter and the index for food both rose 0.4% in January.

The index for all items less food and energy rose 0.4% in January. Components that increased over the month include motor vehicle insurance, recreation, used cars and trucks, medical care, communication, and airline fares. Apparel, personal care, and household furnishings and operations were among the few major components that decreased in January.

The all items index rose 3.0% for the 12 months ending January, after rising 2.9% over the 12 months ending December. The all items less food and energy index rose 3.3% over the last 12 months. The energy index increased 1.0% for the 12 months ending January. The food index increased 2.5% over the last year.

[Bureau of Labor Statistics](#)

PUBLIC MARKET

The U.S. public markets saw positive growth in January with the S&P 500, Dow Jones, and Nasdaq Composite all reflecting monthly increases. The S&P 500 increased 2.7% in January bringing its one-year return to 24.7%. The Dow Jones gained 4.7% for the month and was up 16.8% for the one-year period. The Nasdaq Composite increased by 1.8% in January bringing its one-year return to 22.1%.

Public Trading Multiples

As of January 31, 2025

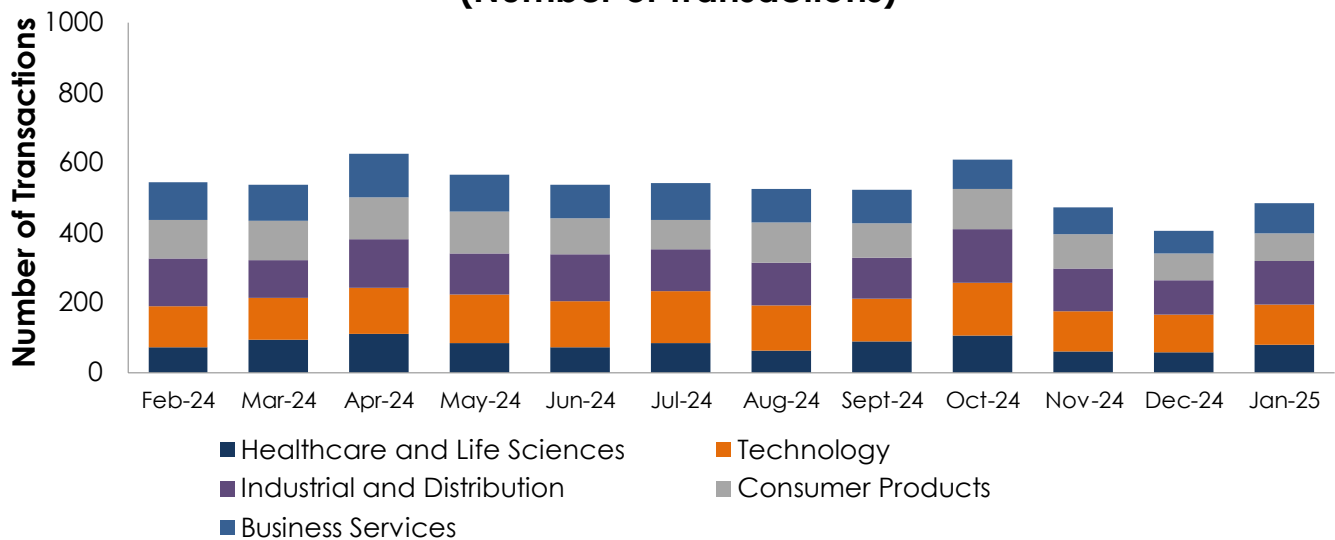
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	4.4x	26.9x	6.8%	5.9%	22.7%	12.2%	1.5%
Healthcare Equipment and Supplies	4.5x	19.5x	3.6%	2.1%	8.2%	-4.5%	16.1%
Healthcare Providers and Services	0.7x	11.1x	7.3%	7.9%	0.7%	1.5%	9.8%
Healthcare and Life Sciences Aggregate	3.2x	19.1x	5.9%	5.3%	10.5%	3.1%	9.1%
Technology							
IT Services	2.9x	17.6x	1.2%	3.2%	6.4%	4.5%	15.4%
Software	10.0x	27.1x	10.2%	10.6%	20.9%	15.4%	7.5%
Computers and Other Electronic Equipment	2.2x	15.7x	4.2%	-1.0%	12.2%	-3.0%	17.4%
Technology Aggregate	5.0x	20.1x	5.2%	4.3%	13.2%	5.6%	13.5%
Industrial and Distribution							
Aerospace and Defense	2.6x	17.3x	3.2%	4.2%	3.1%	1.6%	11.4%
Building Products	1.9x	11.7x	-2.9%	0.9%	-1.6%	-0.1%	17.4%
Construction and Engineering	0.8x	9.8x	3.9%	3.7%	6.7%	4.9%	7.9%
Machinery	1.8x	12.6x	0.4%	3.3%	1.4%	6.8%	8.7%
Distributors	1.0x	11.2x	-5.5%	-0.9%	-0.4%	1.4%	4.3%
Industrial and Distribution Aggregate	1.6x	12.5x	-0.2%	2.2%	1.8%	2.9%	9.9%
Consumer Products							
Food and Beverage	1.8x	10.9x	-0.9%	3.6%	4.0%	2.8%	13.6%
Household and Personal Products	3.0x	14.5x	-1.4%	0.8%	5.2%	1.6%	13.3%
Household Durables	1.1x	9.5x	1.4%	0.2%	4.2%	-3.2%	8.8%
Textiles, Apparel, and Luxury Goods	2.4x	12.5x	0.0%	4.9%	-2.3%	3.6%	8.2%
Consumer Products Aggregate	2.1x	11.9x	-0.2%	2.4%	2.8%	1.2%	11.0%
Business Services							
Human Resource and Employment Services	1.7x	16.8x	0.8%	3.5%	1.0%	1.4%	9.9%
Research and Consulting Services	3.2x	17.8x	3.1%	5.3%	11.7%	5.7%	15.3%
Business Services Aggregate	2.5x	17.3x	2.0%	4.4%	6.3%	3.5%	12.6%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	3.9x	14.8x	11.2%	34.8%	0.0%	0.0%	14.7%
Restaurants	2.8x	14.7x	8.5%	11.9%	13.9%	19.6%	4.7%
Leisure Facilities	3.9x	12.2x	8.0%	19.9%	6.0%	40.6%	31.2%
Travel and Hospitality Aggregate	3.5x	13.9x	9.2%	22.2%	6.6%	20.0%	16.9%

M&A MARKET

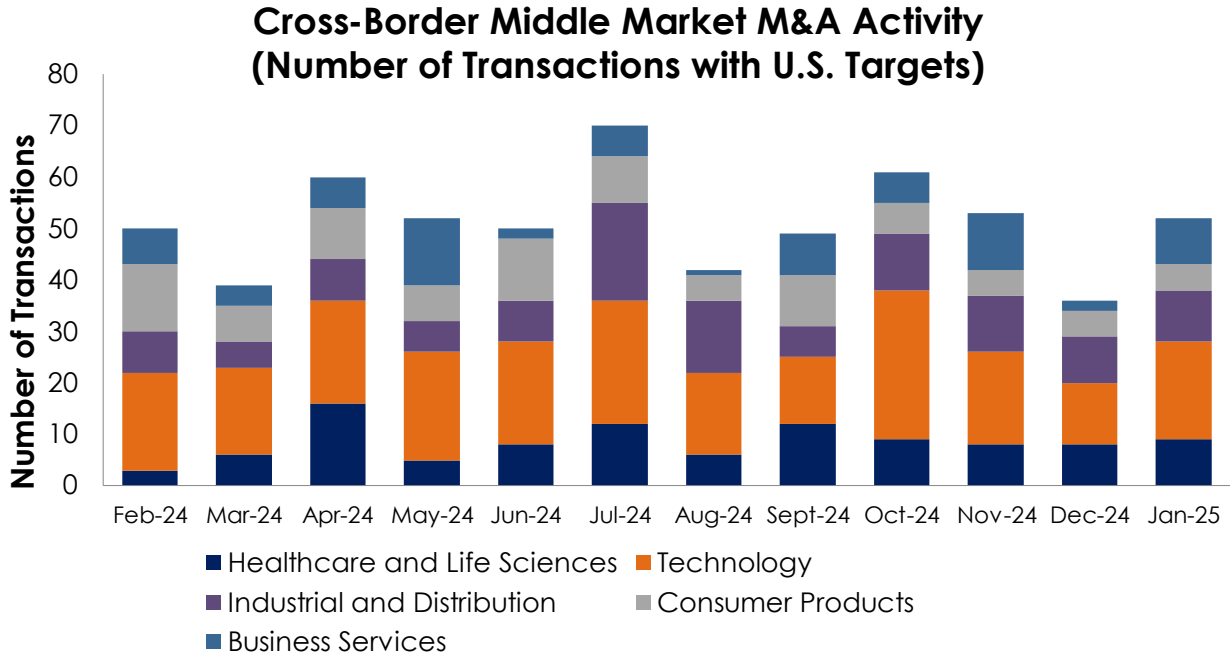
Some of the largest deals announced in January include Constellation Energy, the largest producer of 24/7 emissions-free electricity, agreeing to acquire Calpine, the largest U.S. producer of energy from low-emission natural gas generation, for \$16.4 billion; Johnson & Johnson reaching an agreement to acquire Intra-Cellular Therapies, a biotech firm specializing in neuroscience, for \$14.6 billion; KKR & Co. and Canada's PSP Investments agreement to acquire a 20% minority stake in American Electric Power Co.'s Ohio, Indiana, and Michigan transmission companies for \$2.8 billion; and medical device maker Stryker Corp.'s agreement to purchase Inari Medical Inc. for about \$4.9 billion.

U.S. middle-market M&A activity increased in January. The Industrial and Distribution sector recorded an increase in deal volume compared to December, while the other sectors stayed relatively the same.

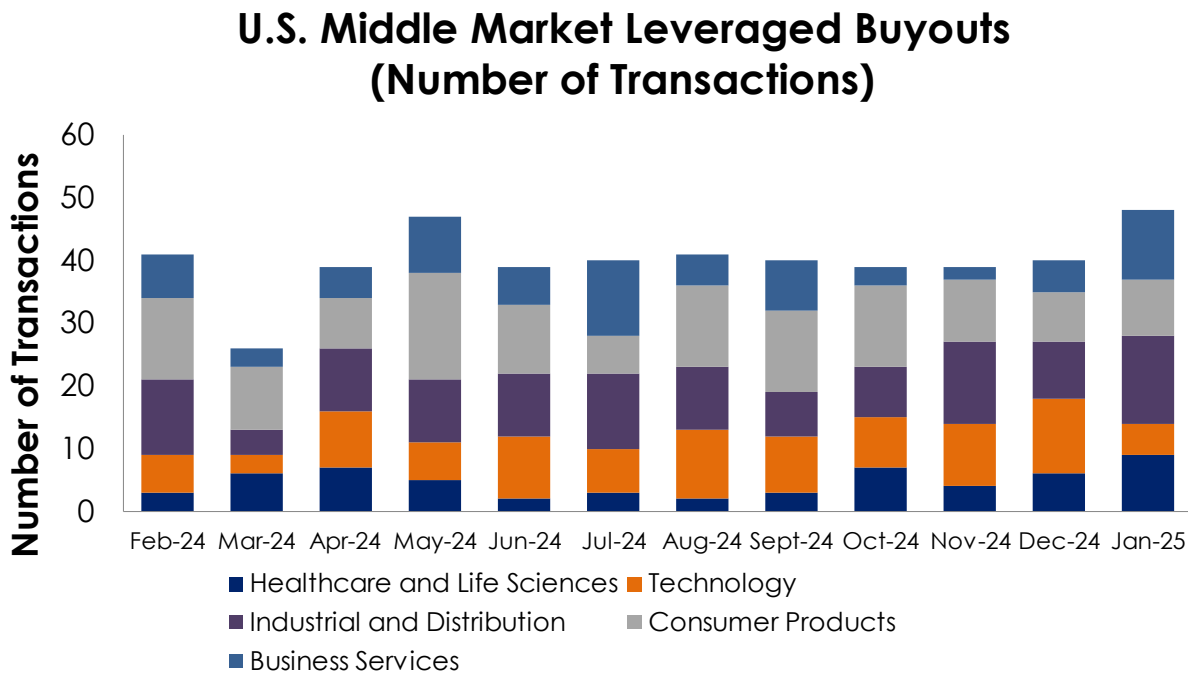
U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Cross-border middle-market M&A activity rose in January, as the number of Technology, Industrial and Distribution, and Business Services transactions increased.



LBO transaction activity rose in January, with notable increases in the number of Healthcare and Life Sciences, Industrial and Distribution and Business Services transactions.



SELECT MIDDLE MARKET M&A TRANSACTIONS – TECHNOLOGY

Badger Meter Announces Acquisition of SmartCover Systems

[Full Article](#)

Badger Meter, Inc. (NYSE: BMI) announced the acquisition of SmartCover® Systems (“SmartCover”) from XPV Water Partners, for \$185 million. SmartCover provides sensors, software and related services for 2/7 monitoring of sewer levels, as well as lift station monitoring and control hardware and software solutions. These solutions enable water utilities to more effectively deal with the range of challenges associated with aging infrastructure, limited resources, and the impact of severe weather events on system resiliency.

“We’re excited to join forces with Badger Meter to enable water utilities to more effectively deal with the range of challenges associated with aging infrastructure, limited resources, and the impact of severe weather events on system resiliency,” said Corey Williams, President and CEO of SmartCover. “The innovation and leadership in the smart water management space makes Badger Meter a natural home for our market-leading collection system monitoring technologies. Together, we will aid customers in visualizing and optimally managing the full extent of their wastewater management systems.”

Paltalk, Inc. Completes Acquisition of Newtek Technology Solutions, Inc.

[Full Article](#)

Communications software innovator Paltalk, Inc. (NASDAQ: PALT) completed its acquisition of Newtek Technology Solutions, Inc. (NTS) from NewtekOne, Inc. Newtek provides server hosting, cloud hosting, data storage, managed security, backup and disaster recovery, and other related services, including consulting and implementing technology solutions. The company will operate under the name “Intelligent Protection Management Corp.”

Jason Katz, Paltalk’s Chairman and Chief Executive Officer, commented: “We look forward to entering the cloud infrastructure and cybersecurity sectors and serving our new customers, including NewtekOne. Our strategic focus on technology and our experienced management team form the foundation for us to achieve greater scale and reach to deliver the best service to our customers and value to our stockholders.”

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