

MARKET BRIEF – October 2013

The U.S. economy saw slight growth in the month of August as it began to recover from a slowdown in the summer. However, increases in various economic indicators were not enough to compensate for steep declines seen in July, and economic uncertainty continued to weigh in on investors' faith in the U.S. economic recovery.

Federal Reserve inaction worries investors

After teeing up the markets for a cut in its \$85 billion a month of bond buying in response to improved economic data, the Federal Reserve decided not to act during its September meeting. Fredrik Nerbrand, global head of asset allocation at HSBC, states "the lack of movement on the part of the Fed, if anything, puts a question mark over their credibility, in my mind, and their data dependency is more likely to cause rather than reduce volatility in markets."

Debt ceiling debate continues to weigh down on the economy

In September, U.S. Treasury Secretary Jack Lew warned Congress that the United States would exhaust its borrowing capacity no later than October 17, at which point it would have only about \$30 billion in cash on hand. This data added another layer of pressure on lawmakers to raise the \$16.7 trillion debt limit. However, Democratic and Republican lawmakers were once again divided over how to extend the Treasury's borrowing authority, causing additional economic uncertainty.

U.S. new home sales rise but hold near lowest levels of 2013

In late September, the Commerce Department reported that sales of new single-family homes in the U.S. rose by 7.9% in August. However, the increase in new home sales did not make up for the steep drop in July, and remained near their lowest levels for 2013. The pace of sales was in line with analysts' expectations and supported the view that rising mortgage rates were taking steam out of America's housing recovery.

The inventory of new homes for sale increased by 3.6% in August from July, leaving the stock of unsold new homes at its highest level since March 2011.

U.S. durable goods edge higher, but fiscal uncertainty weighs

Orders for long-lasting U.S. manufactured goods rose 0.1% in August, driven by the strongest rise in vehicle orders since February, according to the Commerce Department. Furthermore, shipments of non-military capital goods other than aircraft grew 1.3% during the month, snapping two straight months of declines.

However, new orders for core durable goods, which are viewed as a gauge of business spending plans, rose just 1.5% in August. This growth was below economists' expectations and was not nearly enough to make up for the 3.3% decline registered in July. Annalisa Piazza, analyst at Newedge Strategy, adds that "companies are still cautious in their capex due to the uncertain economic scenario."

U.S. consumer confidence slips in September

The Conference Board released a report in late September stating that its index of consumer attitudes fell to 79.7 from a revised 81.8 in August, compared to economists' expectations for 79.9. While the consumer confidence reading for the month was only slightly below June's reading of 82.1, the highest in over five years, it has yet to regain a reading of 90 that typically coincides with a healthy economy. Lynn Franco, Director of Economic Indicators at The Conference Board, states that "while overall economic conditions appear to have moderately improved, consumers are uncertain that the momentum can be sustained in the months ahead."

U.S. businesses add 166,000 jobs, falling short of economists' expectations

Private sector employment gains picked up slightly in September, as businesses added 166,000 jobs, according to a hiring report by Automatic Data Processing Inc. This level of employment gains fell below economists' expectations of 178,000 jobs. Mark Zandi, chief economist of Moody's Analytics, which prepares ADP's report, stated that "the job market appears to have softened in recent months. Fiscal austerity has begun to take a toll on job creation."

PUBLIC MARKET

U.S. stocks retreated at the end of September after posting strong gains during the middle of the month, but the Dow Jones Industrial Average, the S&P 500 Index, and the Nasdaq Composite Index still ended up 2.2%, 3.0%, and 5.1%, respectively, over the course of the month. The stock market has seen strong year-to-date growth, with the Dow Jones Industrial Average up 16.9 for 2013%.

Public Trading Multiples

As of August 31, 2013

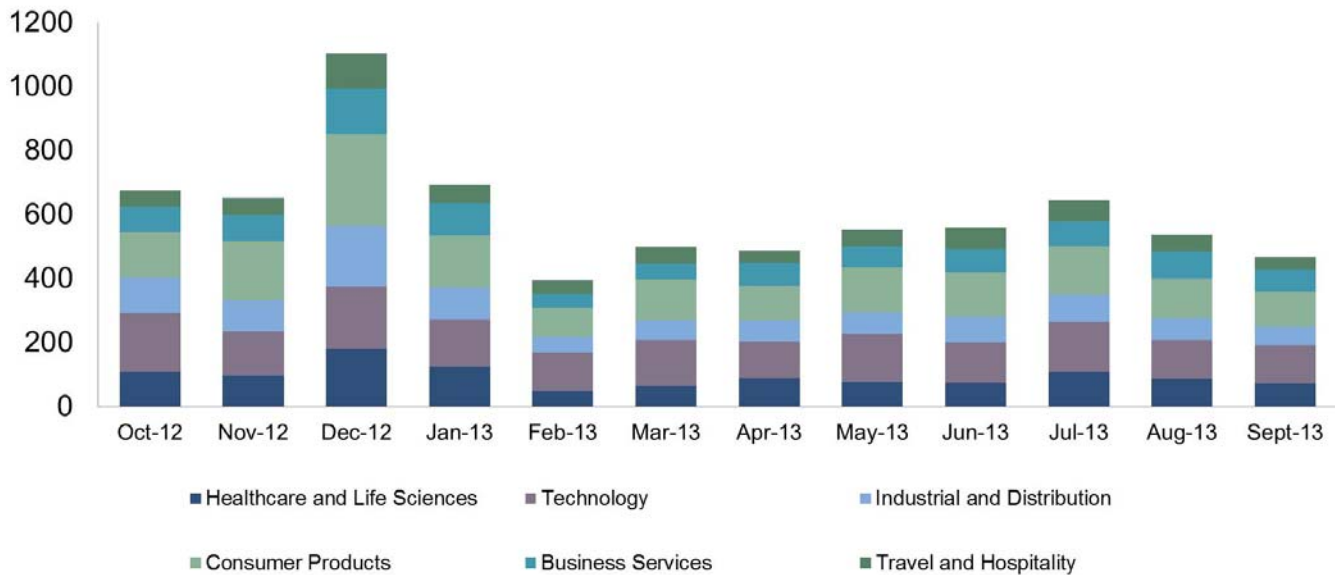
Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin
Healthcare and Life Sciences							
Healthcare Technology	2.2	21.0	48.3%	44.1%	14.1%	25.1%	11.5%
Healthcare Equipment and Supplies	2.8	10.6	3.5%	4.5%	3.2%	3.3%	25.3%
Healthcare Providers and Services	0.5	8.1	11.2%	7.9%	9.9%	8.6%	7.0%
Healthcare and Life Sciences Aggregate	1.6	10.2	7.7%	7.3%	1.1%	6.2%	14.0%
Technology							
Internet Software and Services	3.9	13.4	23.3%	17.5%	10.1%	14.3%	25.8%
IT Services	2.5	10.4	0.7%	3.8%	5.0%	6.6%	24.4%
Software	3.1	8.7	4.9%	10.1%	2.5%	10.0%	33.1%
Computers and Other Electronic Equipment	1.2	6.9	3.8%	10.8%	2.1%	20.3%	16.5%
Technology Aggregate	2.0	8.6	3.7%	9.5%	0.9%	12.8%	21.5%
Industrial and Distribution							
Aerospace and Defense	1.2	8.9	3.1%	2.2%	3.5%	5.6%	13.4%
Building Products	1.2	13.4	2.8%	3.4%	14.5%	6.4%	9.1%
Construction and Engineering	0.5	7.3	8.6%	6.3%	10.5%	6.4%	6.0%
Machinery	1.4	9.7	0.3%	14.7%	1.1%	21.8%	14.1%
Distributors	1.8	11.7	10.9%	13.8%	19.5%	22.2%	13.2%
Industrial and Distribution Aggregate	1.5	10.5	3.1%	7.4%	3.9%	11.4%	14.0%
Consumer Products							
Food and Beverage	1.8	12.6	-3.0%	6.7%	-4.0%	3.9%	14.2%
Household and Personal Products	2.6	12.0	0.2%	2.8%	3.5%	0.9%	20.8%
Household Durables	1.5	14.5	9.3%	3.5%	18.1%	14.5%	11.2%
Textiles, Apparel, and Luxury Goods	1.7	12.1	6.9%	11.4%	9.8%	12.0%	14.1%
Consumer Products Aggregate	1.3	10.2	2.3%	5.8%	2.0%	6.6%	12.4%
Business Services							
Human Resource and Employment Services	0.5	8.5	-0.7%	10.2%	4.3%	37.3%	5.3%
Research and Consulting Services	2.9	13.4	6.8%	5.6%	9.6%	7.1%	21.7%
Business Services Aggregate	1.3	9.8	1.5%	6.1%	2.2%	6.2%	13.8%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.8	11.6	-0.9%	5.2%	1.1%	7.5%	24.5%
Restaurants	2.5	11.8	2.9%	4.4%	4.0%	7.1%	20.8%
Leisure Facilities	2.9	9.8	5.8%	5.1%	9.2%	8.4%	29.1%
Travel and Hospitality Aggregate	2.7	11.8	2.7%	6.0%	4.4%	9.2%	22.7%

M&A MARKET

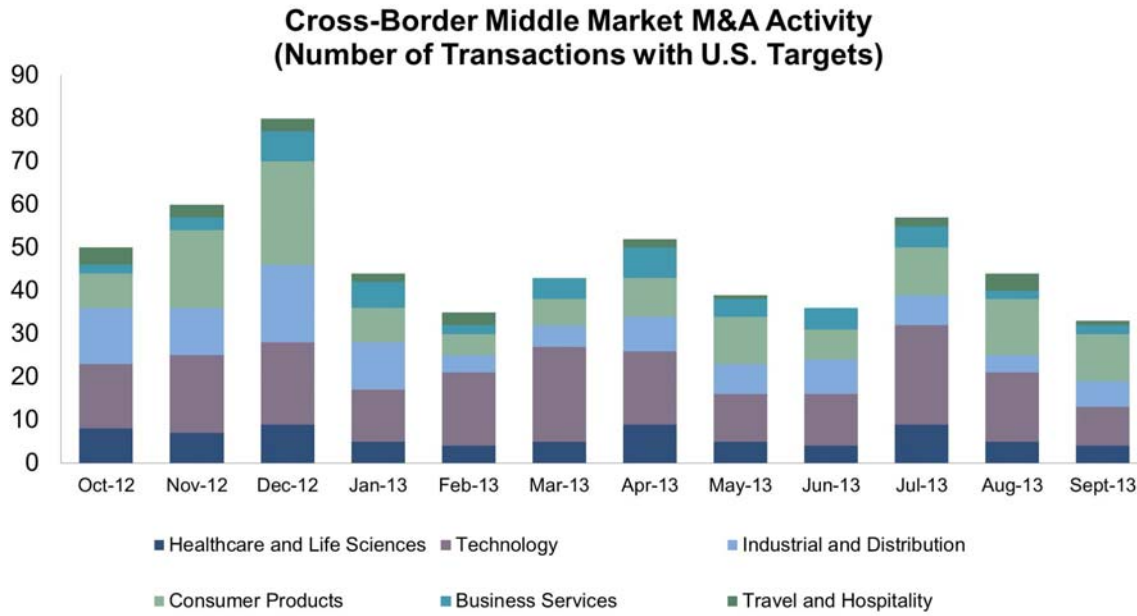
Middle market M&A transaction volume dipped 13% in September as ongoing economic uncertainty and rising interest rates held back deal activity. However, M&A activity for Q3 2013 was up 3.4% over the previous quarter, despite a decrease in activity during the previous two months.

Paul Parker, head of global corporate finance and M&A at Barclays, stated “between increased rates, and, at times, unpredictable deal approval regulatory framework, and continued debt ceiling issues, we’re back in the annual dance of uncertainty.” However, Mr. Parker provides some optimistic insight, stating that “the silver lining is that the Fed has made it clear that they’re not going to pull back on easing near-term. And therefore, companies probably do have a window to take advantage of the rate environment which is still historically low.”

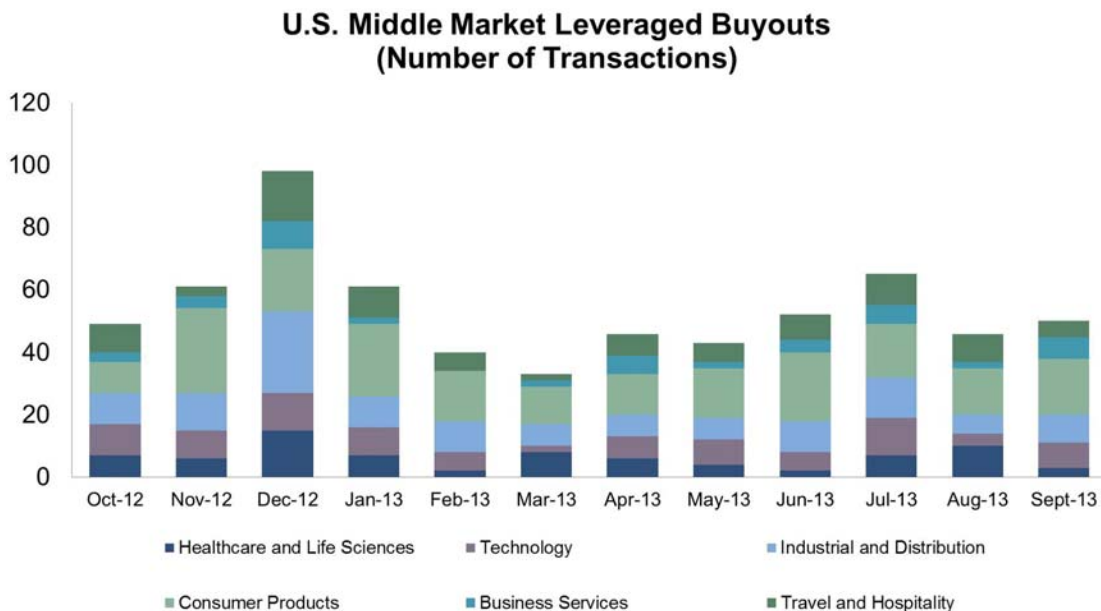
**U.S. Middle Market M&A Activity
Select Industries
(Number of Transactions)**



Cross-border transactions involving U.S. targets declined 25% in September over the prior month. Overall activity for Q3 2013 also fell 5.5% from the prior quarter. Much of the global cross-border M&A activity has been focused on higher growth and emerging markets. U.S. companies are likely to be buyers as “relatively easy access to capital, elevated cash levels on corporate balance sheets, and low interest rates in the U.S. translate into high transaction capacity,” according to a KPMG report.



Middle market LBO activity increased 8.7% in September from the previous month, while total activity for the third quarter of 2013 was up 14.2% from the previous quarter. The increase in buyout activity is an encouraging sign and demonstrates that private equity fund managers are continuing to find good opportunities for investments despite some concerns that overall deal flow is decreasing.



SELECT M&A TRANSACTIONS – FOCUS ON CONSUMER PRODUCTS SEGMENT

Hot Topic Inc. (NasdaqGS: HOTT) acquired by Sycamore Partners

Sycamore Partners entered into a definitive agreement to acquire Hot Topic (NasdaqGS: HOTT) for approximately \$560 million in cash on March 6, 2013, representing EV/Revenue and EV/EBITDA multiples of 0.7x and 8.6x, respectively.

Hot Topic operates as a mall and web-based specialty retailer in the United States. The Company operates Hot Topic, Torrid, and Blackheart store concepts. The Company's Hot Topic stores sell music/pop culture-licensed merchandise, including tee shirts, hoodies, hats, jewelry, novelty items, jeans, shorts, sunglasses, CDs, DVDs, bags, and other products for young men and women. The Company's Torrid stores sell casual and dressy jeans and pants for plus size young women. Its Blackheart stores sell bras, panties, corsets, sleepwear, and beauty products. As of February 2, 2013, the Company operated 618 Hot Topic stores across the U.S., Puerto Rico, and Canada. The Company also operates 190 Torrid stores and 5 Blackheart stores. The Company was founded in 1988 and is based in City of Industry, California.

Sycamore Partners is a private equity firm specializing in buyouts of small and middle market companies in the consumer, retail, and fashion sectors. Sycamore Partners was founded in 2011 and is based in New York, New York.

Associated Hygienic Products LLC acquired by Domtar Corporation (NYSE: UFS)

Domtar Corporation (NYSE: UFS) signed a definitive agreement to acquire Associated Hygienic Products LLC for approximately \$270 million on May 28, 2013. The transaction represented EV/Revenue and EV/EBITDA multiples of 0.8x and 8.8x, respectively.

Associated Hygienic Products LLC engages in manufacturing, marketing, and selling disposable baby diapers and training pants for food, drug, and mass merchandiser retailers in North America. The Company has manufacturing and distribution facilities in Delaware, Ohio, and Texas. Associated Hygienic Products was founded in 1984 and is based in Duluth, Georgia.

Domtar Corporation designs, manufactures, markets, and distributes communications papers, specialty and packaging papers, and adult incontinence products worldwide. It operates in three segments: Pulp and Paper, Distribution, and Personal Care. The Pulp and Paper segment offers business papers, including copy and electronic imaging papers, and computer papers. The segment also provides commercial printing and publishing papers. The Distribution segment is involved in purchasing, warehousing, selling, and distributing business papers, printing and publishing papers, and packaging products. Domtar's Personal Care segment manufactures and sells incontinence products, such as branded and private label briefs, protective underwear, underpads, infant diapers, and washcloths. Domtar Corporation is headquartered in Montreal, Quebec.

John Williams, President and CEO of Domtar, states "the market for store brand infant diapers is growing steadily in North America driven by high quality products and a strong value proposition. The acquisition of AHP will provide meaningful market expansion opportunities and innovative product development capabilities with our existing Personal Care business, as well as synergies to the bottom line."

Robert's American Gourmet Food, LLC acquired by B&G Foods Inc. (NYSE: BGS)

B&G Foods North America, Inc. (subsidiary of B&G Foods Inc.) entered into an agreement to acquire Robert's American Gourmet Food, LLC for approximately \$200 million in cash on June 7, 2013. No valuation multiples were disclosed.

Robert's American Gourmet Food, LLC, doing business as Pirate Brands, produces snack food products. It offers puffed rice and corn, cheesy rice and corn puffs, potato chips, and corn sticks. The Company's baked snack brands include Pirate's Booty, Smart Puffs, and Original Tings. The Company markets its products through online retailers and stores in the United States, and through its online store. The Company was founded in 1987 and is based in Sea Cliff, New York.

B&G Foods Inc. and its subsidiaries engage in the manufacture, sale, and distribution of shelf-stable foods and household products in the United States, Canada, and Puerto Rico. B&G offers shelf stable Mexican food, including taco shells, tortillas, seasonings, dinner kits, taco sauces, peppers, refried beans, salsas, and related food products. B&G also offers hot cereals, pancake mixes, maple syrup, salad dressing, marinades, organic products, meat spreads, and a variety of other food products. B&G was founded in 1996 and is headquartered in Parsippany, New Jersey.

David Wenner, President and CEO of B&G Foods, states “we are delighted to add Pirate Brands, including the iconic Pirate’s Booty, to the B&G Foods family of brands. The acquisition of this business and its collection of all-natural snack food marks the second addition to our snack foods portfolio since we entered the category last October.

FURTHER INFORMATION

Founded in 1987, Mirus Capital Advisors is a middle-market investment bank that specializes in merger advisory, capital-raising services, fairness opinions and valuations to entrepreneurs, corporations and professional investors. By combining a proven process, industry and transactional expertise, and personalized service, Mirus has completed hundreds of transactions for both public and private companies.

Our affiliate Mirus Securities, Inc. is a registered broker-dealer and FINRA/SIPC member.

For any questions about the Middle Market Monitor or Mirus Capital Advisors, please contact Mirus Capital Advisors at 781-418-5900 or visit www.merger.com. You can also contact our senior bankers directly at:

Peter Alternative at alternative@merger.com, telephone number 781-418-5943

Andy Crain at crain@merger.com, telephone number 781-418-5950

Rainer Frost at frost@merger.com, telephone number 781-418-5960

Alan Fullerton at fullerton@merger.com, telephone number 781-418-5954

Jamie Grant at grant@merger.com, telephone number 781-418-5928

Laura Kevghas at kevghas@merger.com, telephone number 781-418-5944

Michael Krongel at krongel@mirusresortcapital.com, telephone number 781-418-5961

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