

MARKET BRIEF – September 2013

After moderate growth in the first half of the year, the economic recovery slowed in many sectors during the summer months.

Consumers remain cautious

After a decline to 81.0 in July, the Conference Board's Consumer Confidence Index increased slightly to 81.5 in August. 20.1% of consumers surveyed expected business conditions to improve over the next six months. There was also slight growth in consumer spending, with a 0.1% increase in July from June.

While unemployment rates have continued to decline slowly, stagnant wages are also holding back the economy. Adjusted for inflation, the average hourly pay for a non-government, non-supervisory worker decreased slightly from June 2009 through July 2013. With high unemployment, many employers haven't experienced pressure to raise wages to retain workers in recent years. Additionally, Americans are competing more than ever with workers around the world.

Growth in the housing market has slowed

New home sales declined 13.4% in July from June, likely as a result of the rapid increase in mortgage rates. The Case-Shiller Home Price Index reported modest growth of 0.9% in June, slower than in previous months. While housing has been one of the most positive economic indicators in recent months, this indicates that the housing market may not be as strong as some believed. Mortgage rates began to rise in the spring based on the expectation that the Federal Reserve will cut back its bond-buying program, which has kept rates low. Stan Humphries, Chief Economist at Zillow, said that "over the next year, home value appreciation rates will slow as investors exit the market, mortgage interest rates rise, negative equity falls, builders ramp up and more homes come on the market."

Purchases were down in July, while manufacturing improved

New orders for manufactured durable goods decreased 7.3% in July, following three months of increases. However, most of the decline related to transportation equipment, where purchases are highly variable. The Purchasing Managers Index from the Institute of Supply Management showed growth, increasing from 50.9% in June to 55.4% in July. Deloitte's Business Confidence Index also rose 3.4 points in July.

International results are mixed

The Euro zone has seen gradual improvement, with manufacturing growth seen in August in many countries, including Spain, Italy, Ireland, Germany, the Netherlands, and Austria. However, austerity policies remain in place and consumers are hesitant to increase levels of spending. Meanwhile, turmoil in the Middle East is driving up gasoline prices.

PUBLIC MARKET

U.S. stocks retreated at the end of August, with the Dow Jones Industrial Average, the S&P 500 Index, and the Nasdaq Composite Index down 4.5%, 3.1%, and 1.0%, respectively, over the course of the month. Despite the decline, the stock market has still seen strong year-to-date growth, with the Dow Jones Industrial Average up 13%.

Public Trading Multiples
As of August 31, 2013

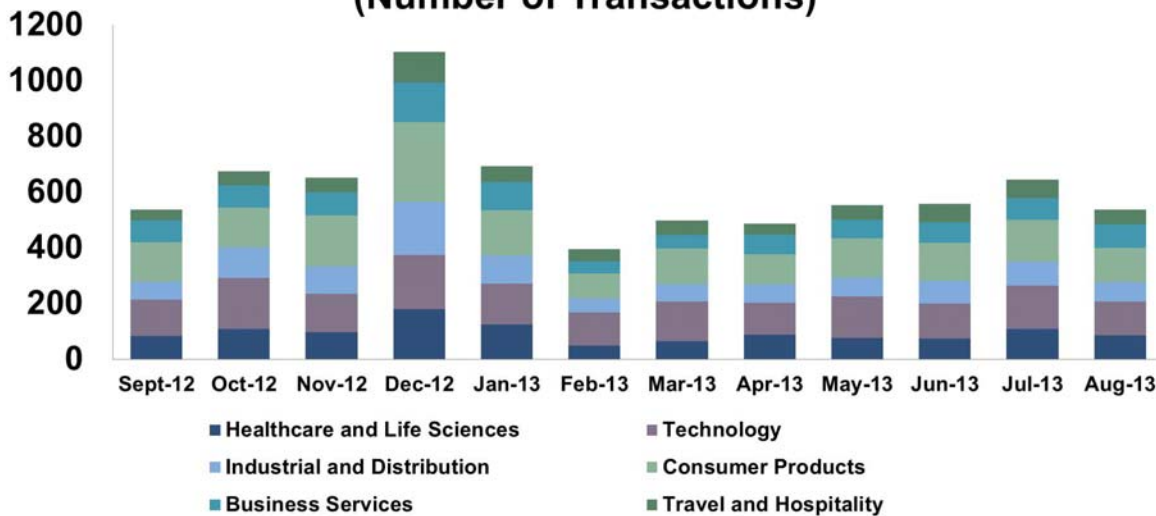
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	2.2	21.0	48.3%	44.1%	14.1%	25.1%	11.5%
Healthcare Equipment and Suppl	2.8	10.6	3.5%	4.5%	3.2%	3.3%	25.3%
Healthcare Providers and Service	0.5	8.1	11.2%	7.9%	9.9%	8.6%	7.0%
Healthcare and Life Sciences Agg	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	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 Aggre	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 Product	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 Go	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 Employme	0.5	8.5	-0.7%	10.2%	4.3%	37.3%	5.3%
Research and Consulting Service	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 Line:	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

After a strong month in July, transaction volume dipped in August. Year-to-date transaction multiples have declined slightly from 2012, with a median Enterprise Value to EBITDA multiple of 6.7x vs. 7.5x in 2012.

According to KPMG’s M&A Predictor, as of July 2013 “the capacity to transact, as measured by forecast net debt to EBITDA, holds steady with an expected improvement of 13 percent over the next year.” Sectors showing the strongest performance over the past 12 months include healthcare, consumer discretionary, and industrials.

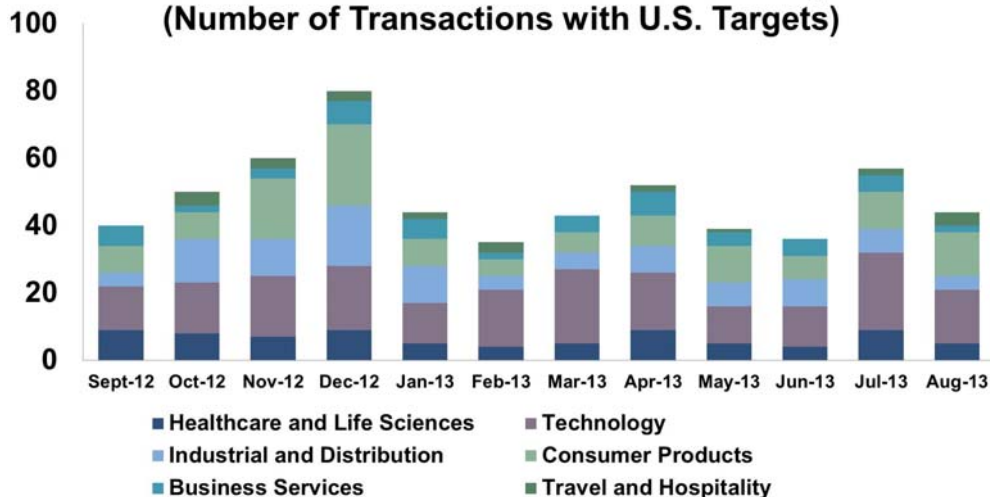
U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



KPMG’s July 2013 M&A Predictor stated that globally, “confidence in the M&A market is still higher than a year ago in all markets.” Japanese companies in particular have experienced a 24% increase in appetite for transactions.

Cross-border transactions, which have increased in volume by 56% since 2008, are expected to continue their upward trend. Deloitte reported a 7.4% increase in international investment in U.S. companies in Q2 2013 vs. the same period in 2012.

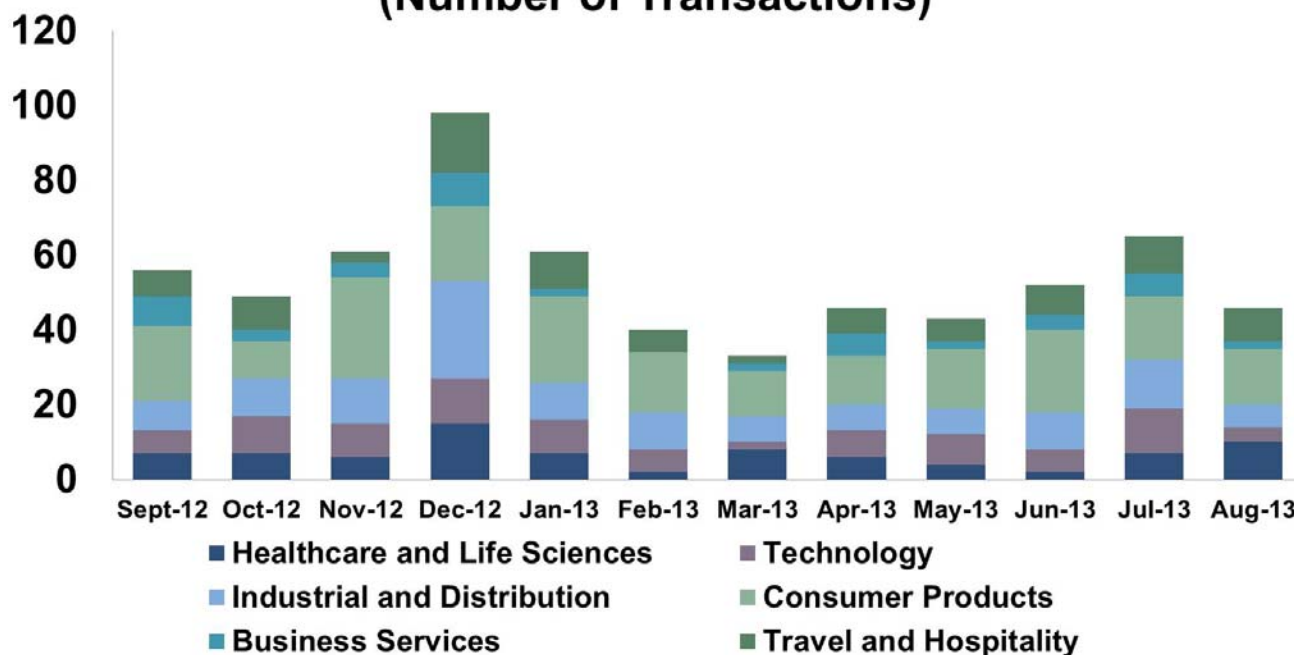
Cross-Border Middle Market M&A Activity (Number of Transactions with U.S. Targets)



U.S. middle market private equity activity demonstrated a 5.9% increase in volume but a 5.2% decrease in total value for the trailing twelve months ended June 30, 2013, compared to the same period ended June 30, 2012.

Meanwhile, the average holding period for portfolio companies rose to 5.4 years in 2012, the highest in the past several years, as many private equity firms have struggled to exit investments.

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



SELECT M&A TRANSACTIONS – FOCUS ON INDUSTRIAL AND DISTRIBUTION SEGMENT

Peco, Inc. acquired by Astronics Corporation (NasdaqGS:ATRO)

Astronics Corporation (NasdaqGS:ATRO) entered into a stock purchase agreement to acquire Peco, Inc. from a group of individual owners for approximately \$140 million in cash on May 28, 2013. With revenue of \$77.8 million, the implied enterprise value to revenue multiple was approximately 1.7x.

Peco, Inc. engages in the manufacture and integration of aerospace systems for commercial aircraft OEMs, defense contractors, and MRO centers. It offers passenger service units, custom plastic injection molding, PMA parts and FAA repair stations, passenger reading and informational lights, interior reconfigurations, composite assemblies, HVAC thermostats, industrial equipment, weather-proof controls, and occupancy sensors; and die castings, screw machines, chromate conversion and metal painting, CNC machining, and custom assembly and kitting. The company was founded in 1938 and is headquartered in Portland, Oregon. Astronics Corporation, through its subsidiaries, designs and manufactures products for the aerospace and defense industries worldwide. The company was founded in 1968 and is headquartered in East Aurora, New York.

Peter Gundermann, President & CEO of Astronics, said, “PECO is a leader in the critical equipment it designs and manufactures and has successfully established a number of positive relationships with aerospace customers. We believe that Astronics will be able to both strengthen and benefit from those solid relationships.”

Taggart Global, LLC acquired by Forge Group Limited (ASX:FGE)

Forge Group Limited (ASX:FGE) entered into an agreement to acquire Taggart Global, LLC from Quintana Capital Group, L.P. and others for \$68 million on June 3, 2013.

Taggart Global, LLC designs, builds, and operates coal preparation plants and material handling systems worldwide. It offers consulting and financial services, such as feasibility studies, capital and operating cost estimations, financial analysis, due diligence, project financing, plant audits and appraisals, and expert witness testimony; and engineering and process design service, such as conceptual design, detailed engineering design, surface infrastructure, resource evaluation, and process engineering. The company was founded in 1993 and is headquartered in Canonsburg, Pennsylvania with additional offices in Canada, China, South Africa, Australia, and Brazil. Forge Group Limited, through its subsidiaries, provides various engineering and construction services primarily to the resource and oil & gas sectors in Australia, west Africa, and New Zealand. The company is based in West Perth, Australia.

Forge Group's Managing Director, David Simpson, said, "Taggart is a highly complementary business for Forge Group and the acquisition is consistent with our long term growth strategy... This acquisition gives us a large asset management and industrial maintenance capability in the US and we see significant growth prospects in this market, especially in the coal, clean coal technology and power utilities sectors."

Controls Southeast, Inc. acquired by Ametek Inc. (NYSE:AME)

AMETEK Inc. (NYSE:AME) acquired Controls Southeast, Inc. from Industrial Growth Partners and other sellers for approximately \$160 million on August 2, 2013. Post-acquisition, Controls Southeast will operate as a part of the Electronic Instruments Group. The implied enterprise value was approximately 3.2x revenue.

Controls Southeast, Inc. engages in the engineering, design, fabrication, and installation of piping and thermal maintenance systems. The company was founded in 1962 and is headquartered in Pineville, North Carolina. AMETEK, Inc. manufactures and sells electronic instruments and electromechanical devices in North America, Europe, Asia, and South America. The company operates in two segments, the Electronic Instruments Group and the Electromechanical Group. AMETEK, Inc. was founded in 1930 and is based in Berwyn, Pennsylvania.

"CSI's products and systems create additional opportunities for AMETEK to broaden the range of solutions we offer industries such as oil and gas processing and sulfur recovery, where we already have strong, well-established positions. We expect to leverage the customer relationships of our combined businesses and tap our global capabilities to extend CSI's reach into key process markets worldwide," said Frank Hermance, AMETEK's Chairman and Chief Executive Officer.

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.

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