MARKET BRIEF

The U.S. government came to a temporary resolution on the debt ceiling, after a 16-day partial shutdown

Many businesses and individuals were in turmoil in October after the government implemented a partial shutdown as the country came precariously close to running out of money. Lawmakers finally agreed to a short-term solution, with current spending levels authorized through January 15th and the debt ceiling suspended through February 7th. Many complex and divisive issues remain, and will need to be addressed in the coming months in order to prevent a similar event from recurring in 2014.

Standard & Poor's estimated that the shutdown took $24 billion out of the economy, with hundreds of thousands of furloughed employees, government contracts on hold, and government services such as national parks closed down. In addition, it has had a lingering negative impact on consumer and business confidence.

Consumer confidence weakens

Consumer confidence, as measured by the University of Michigan/Thomson Reuters index, declined in October to the lowest level in months, down from 77.5 in September to 73.2 in October. The survey explained that "consumers have increasingly moved toward the view that the government has become the primary obstacle to more robust economic growth," following the October crisis. Consumer spending grew by 1.5% in the third quarter, the slowest pace in over three years.

Manufacturing remains a positive indicator

U.S. manufacturing expanded for the fifth month in a row, with the Institute for Supply Management's index increasing from 56.2 in September to 56.4 in October. At the same time, however, factory employment is down over the past twelve months due to defense spending cuts and lower international demand.

U.S. hiring has returned to a more rapid pace

Job growth accelerated in October with 204,000 jobs added, and the prior two months of data were revised up by a total of 60,000 jobs. The unemployment rate sent a conflicting message as it rose from 7.2% in September to 7.3% in October, but the increase reflected government employees who were furloughed last month even though they have since returned to their jobs. The October jobs data, which was better than anticipated, renewed speculation that the Federal Reserve may pull back from its bond buying stimulus soon.

Home prices continue to increase, while sales volumes have declined

Home sales declined by 1.9% in September from August, driven by rising mortgage rates. New home prices are increasing due to a faster rebound for higher income buyers, leading to more sales of expensive homes. The August 2013 Case-Shiller Home Price Indices, released on October 29th, reflected a 12.8% year-over-year increase for both the 10-City and 20-City Composite Indices. The data showed that the Boston market was only 8-9% below its peak level as of August.

October brought positive news from several foreign economies

Spain's central bank announced that the country's two-year recession ended in the third quarter, with 0.1% growth from the previous quarter. Further demonstrating growth in Europe, orders from manufacturers in Germany jumped 3.3% from August to September. Meanwhile, Chinese factory activity reported a moderate increase in October, suggesting a faster expansion rate, and exports from China were up 5.6% in October from a year earlier, indicating growing global demand.

PUBLIC MARKET

Despite a decline earlier in the month related to the government shutdown, major stock market indices rose in October. The Nasdaq Composite Index was up 3.9%, the Dow Jones Industrial Average was up 2.7%, and the S&P 500 Index was up 4.5% from September. However, many anticipate that the market will experience a decline in the near future when the Federal Reserve cuts back its bond buying program.

Public Trading Multiples

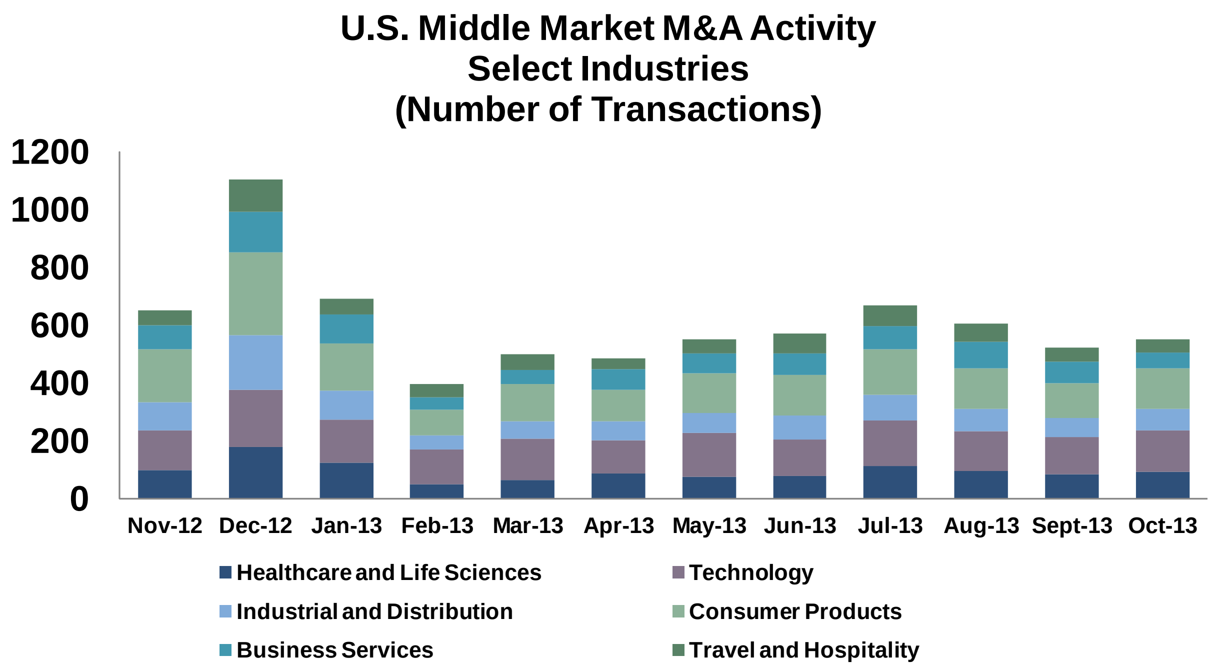
As of October 31, 2013

Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin	Gross Margin
Healthcare and Life Sciences								
Healthcare Technology	2.2	21.1	48.4%	44.2%	14.4%	25.0%	11.5%	
Healthcare Equipment and Supplies	2.8	10.6	3.5%	4.5%	3.1%	3.3%	25.2%	
Healthcare Providers and Services	0.5	8.1	11.8%	7.8%	10.3%	8.6%	7.1%	
Healthcare and Life Sciences Aggregate	1.6	10.2	7.9%	7.3%	1.1%	6.1%	14.5%	34.4%
Technology								
Internet Software and Services	3.9	13.4	23.3%	17.5%	10.1%	14.2%	25.7%	
IT Services	2.5	10.4	0.7%	3.8%	5.1%	6.5%	24.2%	
Software	3.1	8.9	4.9%	10.0%	2.6%	10.0%	32.2%	
Computers and Other Electronic Equipment	1.2	6.9	3.8%	10.9%	2.2%	20.3%	16.8%	
Technology Aggregate	2.0	8.7	3.7%	9.5%	1.0%	12.7%	21.6%	43.3%
Industrial and Distribution								
Aerospace and Defense	1.2	8.9	2.8%	2.1%	2.9%	5.3%	13.2%	
Building Products	1.2	13.4	2.8%	3.4%	14.6%	6.5%	9.1%	
Construction and Engineering	0.5	7.3	8.6%	6.3%	10.5%	6.4%	6.0%	
Machinery	1.4	9.8	0.3%	14.7%	1.0%	21.8%	14.0%	
Distributors	1.7	11.5	10.7%	14.4%	17.7%	24.5%	13.1%	
Industrial and Distribution Aggregate	1.5	10.5	3.0%	7.4%	3.7%	11.4%	13.9%	25.7%
Consumer Products								
Food and Beverage	1.8	12.6	-3.0%	6.6%	-4.1%	3.8%	14.2%	
Household and Personal Products	2.6	12.0	0.2%	2.0%	3.5%	0.9%	20.8%	
Household Durables	1.5	14.5	9.4%	3.5%	18.1%	14.5%	10.5%	
Textiles, Apparel, and Luxury Goods	1.7	12.1	7.0%	11.5%	10.0%	12.1%	14.2%	
Consumer Products Aggregate	1.3	10.2	2.3%	5.8%	2.0%	6.5%	12.4%	30.7%
Business Services								
Human Resource and Employment Services	0.5	8.7	-0.7%	10.2%	4.3%	37.1%	5.2%	
Research and Consulting Services	2.9	13.5	6.8%	5.6%	9.6%	7.0%	21.5%	
Business Services Aggregate	1.3	9.8	1.5%	6.1%	2.2%	6.2%	13.7%	31.4%
Travel and Hospitality								
Hotels, Resorts, and Cruise Lines	2.8	11.6	-0.9%	5.2%	1.1%	7.5%	24.5%	
Restaurants	2.6	11.8	2.8%	4.6%	4.1%	7.2%	21.5%	
Leisure Facilities	2.9	9.8	5.8%	5.0%	9.1%	8.4%	29.1%	

M&A MARKET

U.S. middle market M&A activity increased slightly from September to October, but remains at a lower level than last year. “Boards and CEOs don’t have great confidence in the economy right now, they don’t have confidence that we have a strong recovery going on and that it's going to sustain itself," said Scott Barshay, head of corporate development at law firm Cravath, Swaine & Moore.

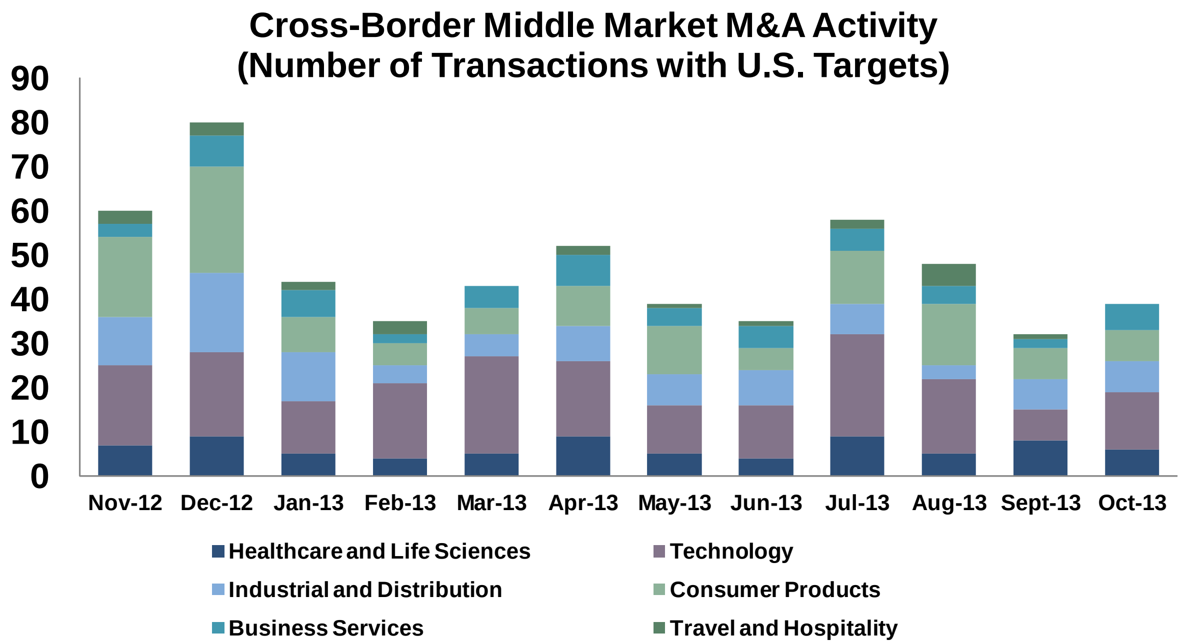
Anthony Whittemore, co-head of mergers & acquisitions for the Americas at Deutsche Bank, referred to speculation about the Fed bond buying program as a possible factor contributing to low M&A activity, explaining that "the Fed's decision to defer may have taken some of the pressure off as buyers anticipate a longer period for the current interest rate environment."



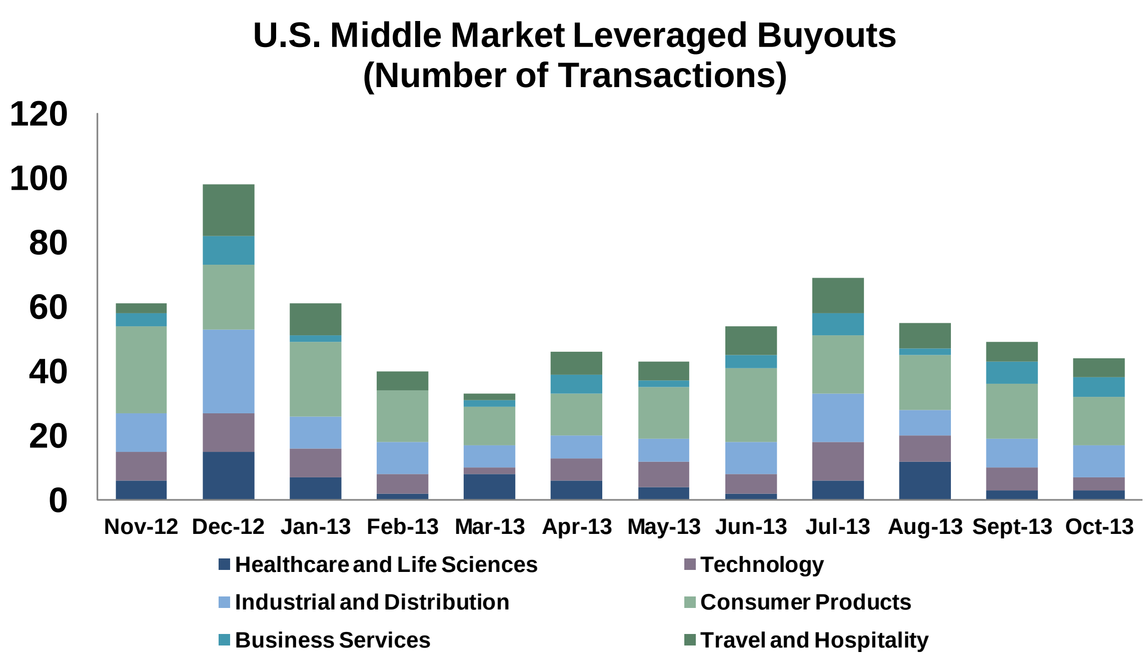
Ernst & Young's EY Global Capital Confidence Barometer surveyed 1,600 executives in 72 countries in September, and found that 69% expect global deal volumes to increase. Additionally, 87% considered credit availability to be stable or improving, and 58% viewed growth as their primary focus. A Deloitte survey of CFOs was somewhat less optimistic, with 51% planning to pursue significant M&A deals while 49% did not plan to do so.

Although total global M&A activity increased from the first three quarters of 2012 to the first three quarters of 2013, global cross-border deal value declined by 7.9% over the same period. Europe was the most targeted region for cross-border acquisitions, followed by North America.

U.S. middle market cross-border deal activity was up by about 22% from September to October.



While 2013 has been a stellar year for large buyouts, middle market leveraged buyouts have been less active, declining by around 10% from September to October based on preliminary data, and about 10% from the same month last year. Still, available private equity has continued to increase, with approximately $158 billion in new funds closed to date this year compared to $129 billion over the same period last year, pointing to more leveraged buyouts in the near future.



SELECT M&A TRANSACTIONS – FOCUS ON BUSINESS SERVICES

WorkflowOne LLC acquired by The Standard Register Company (NYSE:SR)

The Standard Register Company (NYSE:SR) acquired WorkflowOne LLC from Workflow Management, Inc. for approximately $220 million on August 1, 2013. WorkflowOne generated revenues of approximately $460 million and adjusted EBITDA of $35 million in 2012.

WorkflowOne LLC provides print management, marketing, and distribution services to healthcare, financial services, manufacturing, and retail markets in North America. The company was founded in 2004 and is based in Dayton, Ohio. The Standard Register Company engages in the management and execution of critical communications primarily in the United States. It operates in two segments, Healthcare and Business Solutions. The Standard Register Company was founded in 1912 and is based in Dayton, Ohio.

Joseph Morgan, President and Chief Executive Officer of Standard Register, said that "the acquisition of WorkflowOne increases our customer base and incremental growth opportunities. It also provides new markets and capabilities in retail and promotional products and cross-selling opportunities. And, importantly, we are acquiring a significant pool of talented people with expertise in our industry and markets."

VerticalResponse, Inc. acquired by Deluxe Corp. (NYSE:DLX)

Deluxe Corp. (NYSE:DLX) acquired VerticalResponse, Inc. for $27.3 million in cash in June 2013. The implied enterprise value was approximately 1.1x revenue.

VerticalResponse, Inc. provides a suite of Web-based self-service email marketing, event marketing, social media, online survey, and direct mail marketing solutions to small businesses and non-profit organizations primarily in North America. The company was founded in 2001 and is headquartered in San Francisco, California with an additional office in Boston, Massachusetts. Deluxe Corporation, together with its subsidiaries, provides printed products, forms, and marketing solutions to small businesses and financial institutions primarily in the United States, Canada, Europe, and South America. It operates in three segments: Small Business Services, Financial Services, and Direct Checks. Deluxe Corporation was founded in 1915 and is headquartered in Shoreview, Minnesota.

Lee Schram, Chief Executive Officer of Deluxe, said that the acquisition "accelerates our web-based growth efforts with small businesses, adding valuable online promotional and internet marketing services capabilities."

The Work Connection, Inc. acquired by Spartan Staffing, LLC

Spartan Staffing, LLC acquired substantially all of the assets of The Work Connection, Inc. (TWC) for $19.9 million on September 30, 2013.

The Work Connection, Inc. provides business staffing solutions and is based in Oakdale, Minnesota. Spartan Staffing, LLC recruits, hires, and places long-term, temp-to-hire, and project-oriented manpower for manufacturing and logistics industries. The company was founded in 1986 and is based in Greenville, South Carolina. It operates as a subsidiary of TrueBlue, Inc. (NYSE:TBI), a temporary staffing provider.

"This acquisition strategically expands our presence in several key markets and allows us to better serve current customers and attract new ones," commented Steve Cooper, Chief Executive Officer of TrueBlue.

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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Bruce Boes

Sources: CapitalIQ, Bloomberg, Reuters, CNN, Forbes, The New York Times, The Wall Street Journal, Bureau of Labor Statistics, other sources as referenced within, and Mirus analysis.