

MARKET BRIEF

Q1 growth revised downward but Q2 showed improvement

The first quarter of the year turned out to be even worse than originally believed; the US Commerce Department revised its estimate of first quarter gross domestic product down in June to an annual contraction rate of 2.9%, the worst quarter since the recession ended five years ago. The poor results were tied to a combination of factors including challenging winter weather, declining business inventories and an unexpected reduction in healthcare spending. The decline highlighted the economy's lingering vulnerability as it continues to recover.

However, preliminary second quarter indicators demonstrated significant improvement. The Institute for Supply Management's Purchasing Managers Index remained steady in June at 55.3 (with a reading of more than 50 representing expansion), and averaged 55.2 over the second quarter, up from 52.7 in the first quarter. New orders rose to a seven-month high last month. Bricklin Dwyer, an economist at BNP Paribas, interpreted the results as signaling a "solid but unspectacular expansion in manufacturing activity in the coming months."

The price index for personal consumption expenditures increased 1.8% in May from a year ago, demonstrating significantly stronger inflation than earlier in the year and nearing the Federal Reserve's target of 2.0%. Consumer spending increased 0.2% in May, but after taking inflation into account, declined by 0.1%.

Federal Reserve Bank of Richmond President Jeffrey Lacker indicated in June that he anticipates that the Federal Reserve will begin raising interest rates next year regardless of overall growth in 2014.

Despite recent setbacks, consumer confidence continues to improve

The Conference Board Consumer Confidence Index increased for a second month in June, rising to 85.2. The percentage of consumers expecting business conditions to improve over the next six months increased to 18.8% from 17.7%, and the percentage expecting more jobs in upcoming months increased from 15.2% to 16.3%.

Businesses added 288,000 new jobs in June, better than initially expected, and the combined gains for the two prior months were revised upward. As a result, the unemployment rate declined from 6.3% to 6.1%.

Mr. Lacker of the Federal Reserve Bank of Richmond suggested that ongoing unemployment is largely due to structural issues such as a skills mismatch between available jobs and available workers, and said that "my reading of the evidence is that much of what we've observed over the past five years reflects structural changes in the economy that would have been very difficult for monetary policy to offset."

Growth slows in home prices and sales

The Case-Shiller 10-City and 20-City Composite Index results for April 2014, released in late June, demonstrated annual gains of about 10.8%, significantly lower growth than in the prior month. Some cities continue to report stronger growth; Boston experienced a monthly gain of over 2% and is less than 10% away from its pre-recession peak. David Blitzer, Chairman of the Index Committee, said that "prices are being supported by cash sales, low inventories and declining foreclosure and REO sales. First time home buyers are not back in force and qualifying for a mortgage remains challenging. The question is whether housing will bounce back before the Fed begins to tighten sometime next year." Sales of existing homes increased 4.9% in May, representing a slower gain than was experienced last spring.

PUBLIC MARKET

The NASDAQ Composite Index was up 3.9%, the S&P 500 Index was up 1.9%, and the Dow Jones Industrial Average was up 0.7% in the month of June. The three indices were up 5.0%, 4.7%, and 2.2% for the second quarter of the year, respectively, representing the sixth straight quarter of gains.

Public Trading Multiples

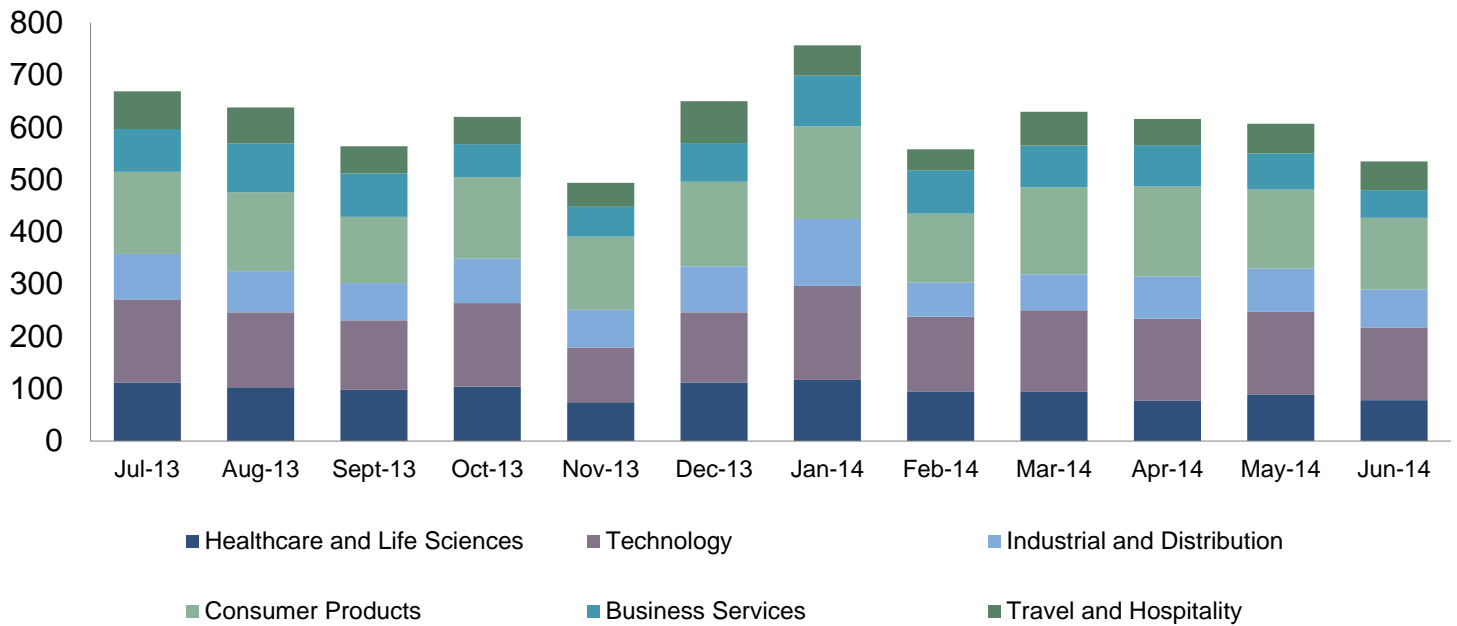
As of June 30, 2014

| 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 | 3.5 | 19.2 | 6.2% | 6.8% | 1.2% | 6.3% | 13.6% |
| Healthcare Equipment and Supplies | 3.0 | 12.9 | -4.4% | 1.0% | -11.8% | -1.9% | 15.6% |
| Healthcare Providers and Services | 0.7 | 10.1 | 7.6% | 7.8% | 3.1% | 6.7% | 5.1% |
| Healthcare and Life Sciences Aggregate | 2.1 | 12.5 | 5.3% | 5.2% | 0.6% | 1.6% | 11.8% |
| Technology | | | | | | | |
| Internet Software and Services | 5.5 | 18.7 | 16.7% | 18.2% | 14.3% | 13.7% | 27.3% |
| IT Services | 2.0 | 11.2 | 1.7% | -1.5% | 4.3% | 1.7% | 9.3% |
| Software | 3.5 | 11.4 | 7.5% | 5.5% | 4.6% | 3.6% | 16.3% |
| Computers and Other Electronic Equipment | 1.0 | 8.4 | 1.0% | 1.4% | 3.2% | 2.7% | 10.0% |
| Technology Aggregate | 1.7 | 9.8 | 3.7% | 2.1% | 8.5% | 3.3% | 17.5% |
| Industrial and Distribution | | | | | | | |
| Aerospace and Defense | 1.3 | 10.3 | 6.3% | 4.5% | 8.9% | 7.4% | 9.9% |
| Building Products | 1.1 | 9.9 | 6.1% | 3.1% | 12.3% | 1.1% | 14.0% |
| Construction and Engineering | 0.6 | 8.7 | 6.1% | 6.0% | 6.0% | 2.2% | 4.5% |
| Machinery | 1.3 | 10.8 | 1.3% | 2.0% | -0.3% | -1.3% | 7.4% |
| Distributors | 0.7 | 11.3 | 4.8% | 4.7% | 9.7% | 1.8% | 3.4% |
| Industrial and Distribution Aggregate | 1.2 | 10.4 | 3.7% | 3.6% | 5.1% | 1.2% | 7.3% |
| Consumer Products | | | | | | | |
| Food and Beverage | 1.6 | 11.5 | 1.0% | 6.2% | 4.4% | 4.6% | 14.5% |
| Household and Personal Products | 2.4 | 12.7 | 3.8% | 3.2% | 4.5% | 4.4% | 19.0% |
| Household Durables | 0.8 | 8.5 | 6.4% | 0.7% | 21.5% | 3.0% | 7.0% |
| Textiles, Apparel, and Luxury Goods | 1.7 | 10.8 | 5.5% | 6.5% | 9.6% | 7.8% | 8.7% |
| Consumer Products Aggregate | 1.2 | 10.1 | 1.7% | 4.7% | 4.0% | 5.0% | 12.3% |
| Business Services | | | | | | | |
| Human Resource and Employment Services | 0.7 | 12.2 | 5.0% | 3.9% | 13.1% | 8.3% | 14.8% |
| Research and Consulting Services | 2.2 | 13.1 | 6.9% | 7.0% | 6.1% | 7.7% | 11.9% |
| Business Services Aggregate | 1.2 | 10.4 | 2.9% | 2.5% | 4.8% | 2.4% | 12.6% |
| Travel and Hospitality | | | | | | | |
| Hotels, Resorts, and Cruise Lines | 2.0 | 12.8 | 6.6% | 4.4% | 5.2% | 5.5% | 24.1% |
| Restaurants | 1.8 | 12.1 | 0.9% | 2.7% | 1.0% | 3.6% | 7.6% |
| Leisure Facilities | 2.4 | 9.5 | 5.0% | 2.8% | 5.4% | 2.9% | 29.3% |
| Travel and Hospitality Aggregate | 2.2 | 12.4 | 4.6% | 4.8% | 5.0% | 6.0% | 20.2% |

M&A MARKET

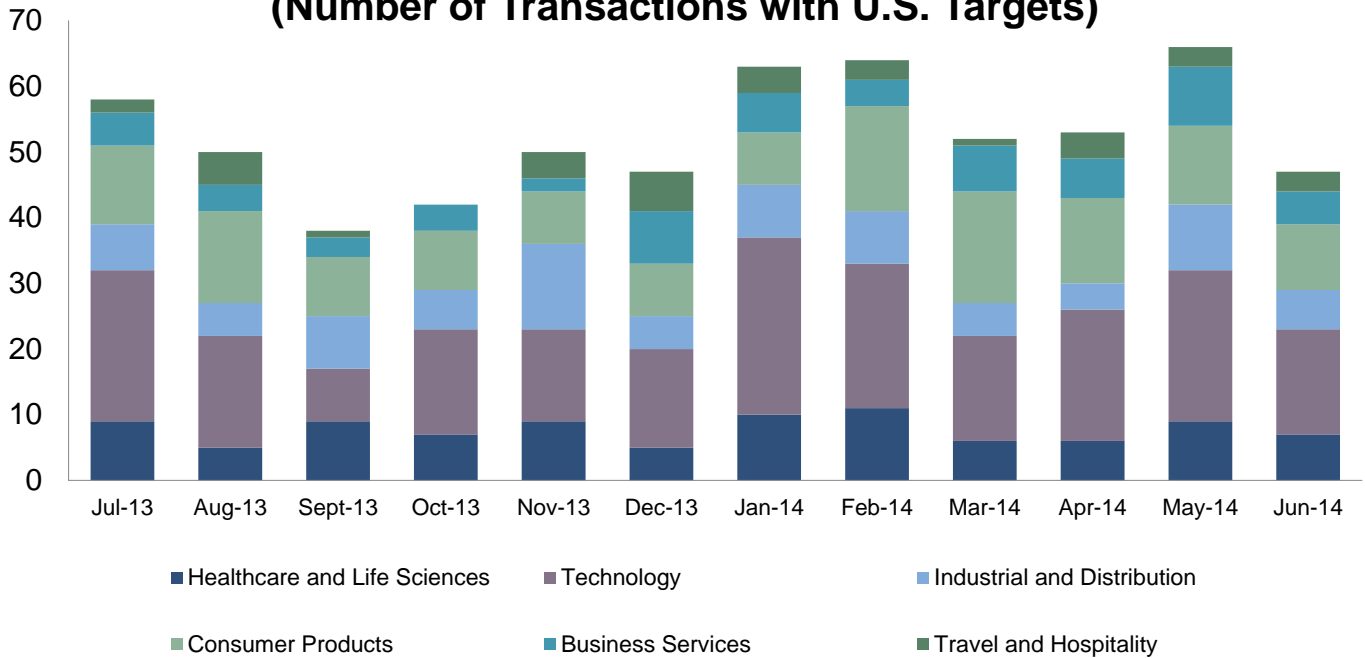
2014 experienced a strong start, with a 15.9% increase in US middle-market transaction volume for the first six months of the year compared to the same period in 2013. On a broader scale, total global M&A reached \$1.75 trillion for the first six months, a 75% increase from last year and the highest level since 2007. Peter Tague, co-head of Global M&A at Citi, said that companies have started to accept that “the volatile world we are in is the new normal... Increasingly, they are deciding they have to deliver in that environment against a growth imperative that cannot be sustained through cost-cutting and organic activity alone. That leaves us feeling pretty good about the prospects for M&A.”

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



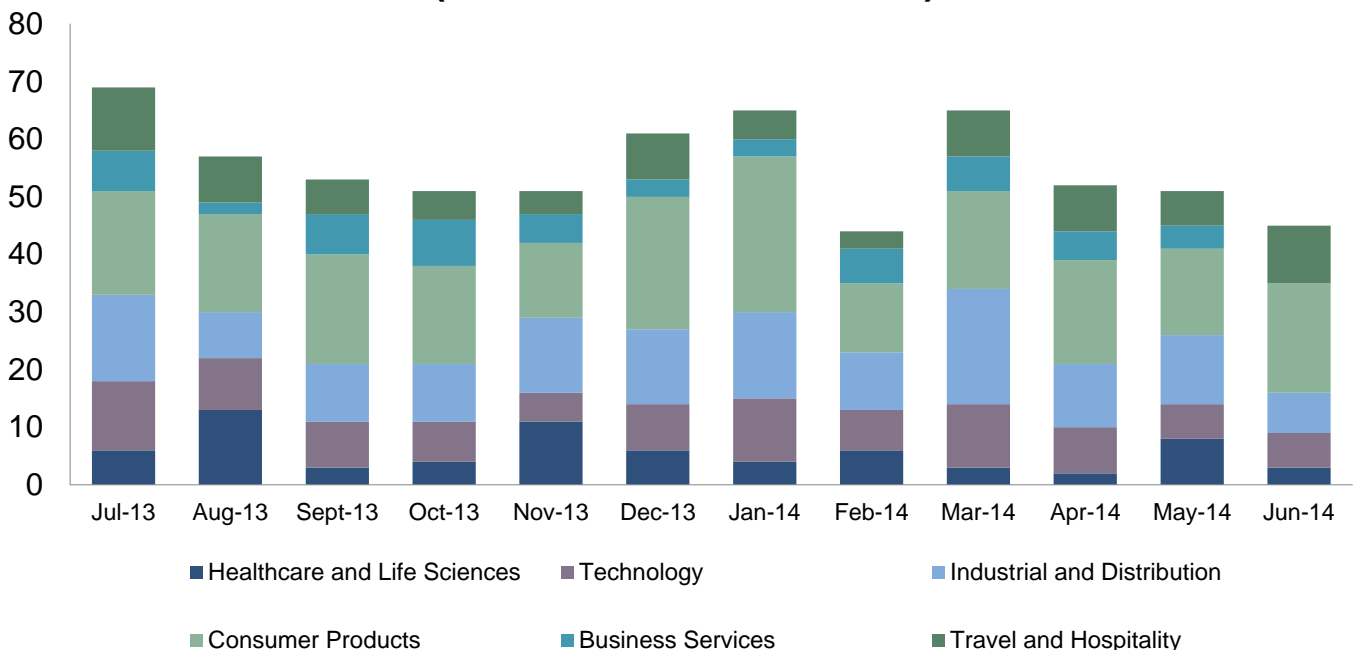
Baker & McKenzie undertook a survey of 350 executives who recently engaged in cross-border deals, finding that 86% of respondents viewed their last cross-border deal to be successful and 34% planned to complete another cross-border deal in the next two years. Key motivators for cross-border deals included access to customers (which 34% cited as the top factor), access to intellectual property (25%), access to industrial assets (21%), access to natural resources (12%), and access to human capital (8%).

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



While middle-market leveraged buyout activity declined slightly in June, overall conditions remain positive, including leverage multiples which continue to rise. For larger deals, debt-to-EBITDA multiples rose from 5.4x last year to 5.9x in the second quarter of 2014.

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



SELECT M&A TRANSACTIONS – FOCUS ON BUSINESS SERVICES

KnowledgeAdvisors, Inc. acquired by Corporate Executive Board Co. (NYSE:CEB)

Corporate Executive Board (NYSE:CEB) acquired KnowledgeAdvisors, Inc. from Synetro Group, L.L.C., Mosaix Ventures and others for approximately \$52 million in cash on February 28, 2014.

KnowledgeAdvisors, Inc. provides learning and talent measurement solutions. It offers Metrics that Matter, an on-demand Web-based human capital analytics tool that streamlines the data collection and reporting elements of measurement for various human capital processes. KnowledgeAdvisors, Inc. was founded in 1999 and is based in Chicago, Illinois. The Corporate Executive Board Company provides member-based advisory services to executives and professionals in the United States, Europe, and internationally. It offers data analysis, research, and advisory services to senior executives and their teams to drive corporate performance by identifying and building on the proven best practices of the world's best companies through various channels, including Web-based resources, interactive workshops, live meetings, and published studies; and creates and maintains benchmarking assets with information, such as organizational structures, costs, and productivity, as well as customer experience and service quality. The Corporate Executive Board Company was founded in 1979 and is headquartered in Arlington, Virginia.

Tom Monahan, Chairman and CEO of CEB, said that “This acquisition accelerates the groundbreaking work we have done to provide HR leaders with actionable solutions to measure the effectiveness of their development and talent management strategies, select and develop great teams, and build critical workforce skills.” An existing customer of both organizations, Alex Brody of Southern California Edison, said that the “pairing of CEB insights and KnowledgeAdvisors’ analytic capabilities and learning benchmarks will be a powerful package for organizations like ours looking to make high-impact leadership development decisions in a data-driven manner.”

KnowledgePoint360 Group LLC acquired by Ashland Healthcare, LLC

Ashfield Healthcare, LLC, a subsidiary of UDG Healthcare plc (LSE:UDG), agreed to acquire KnowledgePoint360 Group LLC from ABRY Partners, LLC for approximately \$140 million in cash on February 27, 2014. The implied enterprise value was approximately 1.4x revenue, or 7.2x EBITDA.

KnowledgePoint360 Group LLC provides healthcare information and communications solutions, and advisory services for the pharmaceuticals and biotech industries and healthcare professionals. The company engages in various business segments, including multichannel healthcare communications; benchmarking and advisory services; and workflow solutions and speaker program optimization. The company was founded in 1972 and is based in Lyndhurst, New Jersey. Ashland Healthcare, LLC designs and delivers nursing support programs and provides healthcare communication services. It operates as a subsidiary of UDG Healthcare plc (LSE:UDG), an Irish company that provides supply chain, packaging, medical, regulatory, and sales and marketing services to healthcare manufacturers and pharmacies.

Liam FitzGerald, Chief Executive of UDG Healthcare, said that “KnowledgePoint360 is a significant strategic and complementary acquisition for UDG Healthcare, giving us a market leading position...Expansion in healthcare communications and related business areas is a key part of our global growth strategy.”

Reliance Communications, Inc. acquired by West Corporation (NasdaqGS:WSTC)

West Corporation (NasdaqGS:WSTC) entered into a definitive agreement to acquire Reliance Communications, Inc. from Chicago Growth Partners and others on April 14, 2014. The total transaction amount of \$75 million resulted in an enterprise value to revenue multiple of approximately 2.8x.

Reliance Communications, Inc. provides on-demand notification solutions for the education market. The company's solutions include SchoolMessenger CommSuite, software as a service notification platform for school systems to connect with parents, students, and staff through voice, SMS text, and email messages; and SmartCall, an add-on to SchoolMessenger's hosted CommSuite service that enables users to send non-emergency notifications over their own idle phone lines. The company was founded in 1999 and is based in Santa Cruz, California. West Corporation provides technology-driven communication services in the United States, Canada, Europe, the Middle East, Africa, the Asia-Pacific, Latin America, and South America. It operates in two segments, Unified Communications and Communication Services. West Corporation was founded in 1986 and is headquartered in Omaha, Nebraska.

Todd Strubbe, President of West Corporation's Unified Communications segment, said that "We are excited to add SchoolMessenger to West's strong portfolio of alerts and notifications solutions. We know that domain expertise, platform performance and customer service are the three critical requirements for delivering a world-class messaging and notifications service. SchoolMessenger has demonstrated outstanding capability on all three dimensions."

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.

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