

### **MARKET BRIEF**

Following a relatively strong second quarter, economic indicators released in July showed continued modest growth. While consumer confidence remained relatively strong due in part to a positive jobs report, housing reports continued to be mixed and inflation measures have shown a slight increase.

#### ***Unemployment continues to decline gradually***

The US economy added 209,000 jobs in July, building upon the 298,000 new jobs in June (revised upwards from 288,000). The unemployment rate was little changed at 6.2%, but has declined 1.1 percentage points over the last twelve months. The number of long-term unemployed, or those unemployed for more than 27 consecutive weeks, also held steady at 3.2 million and accounted for nearly one third of all unemployed individuals. This report marks the first time since 1997, that the US economy has added more than 200,000 jobs in six consecutive months. Ethan Harris, global economist at Bank of America Merrill Lynch in New York, summarized the report: “The job market has moved from a ‘fake recovery,’ with unemployment falling due to people abandoning the labor force, to a real recovery of steady 200,000-plus payroll gains.”

#### ***Consumer confidence continues to rise***

The Conference Board’s Consumer Confidence Index rose from 86.4 in June to 90.9 in July. Lynn Franco, Director of Economic Indicators at The Conference Board, said: “Consumer confidence increased for the third consecutive month and is now at its highest level since October 2007 (95.2). Strong job growth helped boost consumers’ assessment of current conditions, while brighter short-term outlooks for the economy and jobs, and to a lesser extent personal income, drove the gain in expectations. Recent improvements in consumer confidence, in particular expectations, suggest the recent strengthening in growth is likely to continue into the second half of this year.”

#### ***Housing reports remain mixed***

The Case-Shiller Home Price Indices’ May 2014 results, released at the end of July, showed ongoing but slower gains. The 10-City Composite gained 9.4% year-over-year, down from the 10.9% gain reported last month. Similarly the 20-City Composite increased 9.3%, compared to the 10.8% reported in June. David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, said: “Home prices rose at their slowest pace since February of last year. The 10- and 20-City Composites posted just over 9%, well below expectations. Month-to-month, all cities are posting gains before seasonal adjustment; after seasonal adjustment 14 of 20 were lower.”

#### ***Inflation measures show slight increase***

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3% in June on a seasonally adjusted basis, down from a 0.4% increase in May. Over the last twelve months, the index increased 2.1%. The US Bureau of Labor Statistics attributed a large part of the increase to the gasoline index, which rose 3.3% and accounted for two thirds of the CPI-U increase.

## PUBLIC MARKET

The NASDAQ Composite Index was down 2.0%, the S&P 500 Index was down 2.2%, and the Dow Jones Industrial Average was down 2.3% in the month of July, following a strong second quarter.

## Public Trading Multiples

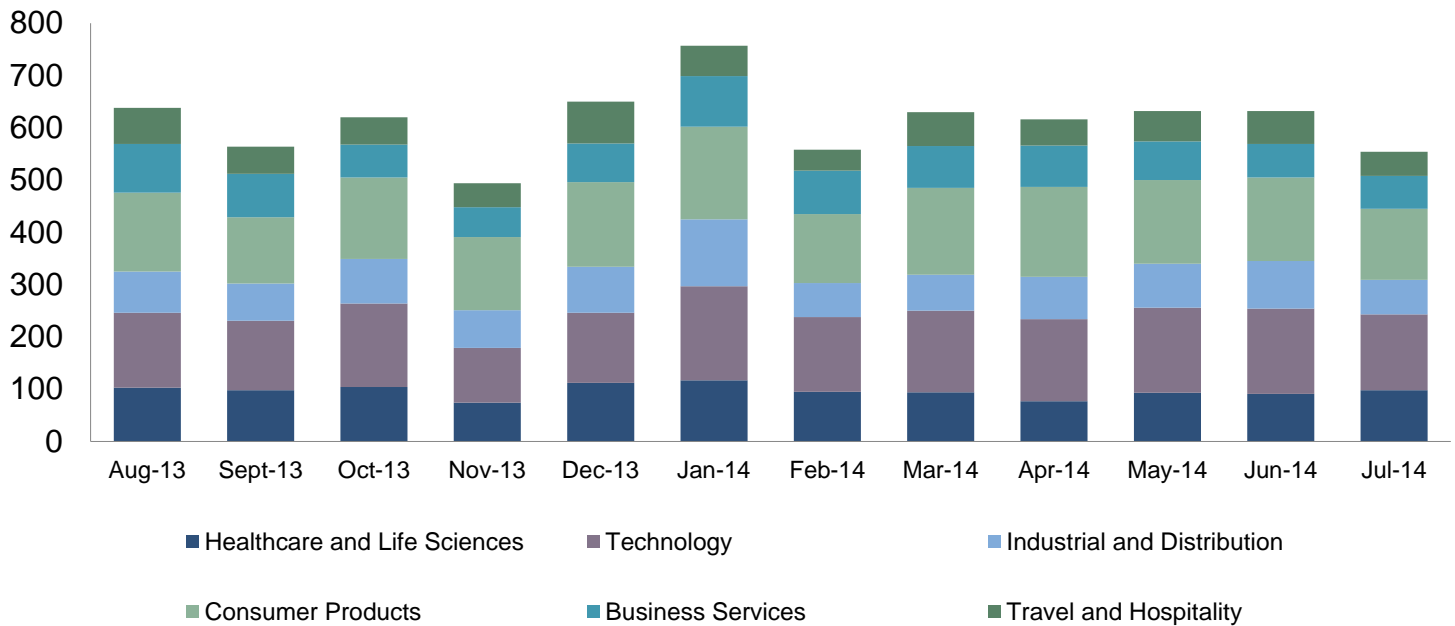
As of July 31, 2014

Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	1.8	10.4	6.7%	7.5%	0.8%	6.6%	13.5%
Healthcare Equipment and Supplies	2.3	9.9	-4.1%	0.8%	-12.4%	-2.9%	15.6%
Healthcare Providers and Services	0.4	6.2	8.1%	8.0%	3.2%	6.4%	5.1%
Healthcare and Life Sciences Aggregate	1.3	7.8	5.8%	5.3%	1.2%	1.4%	11.7%
<b>Technology</b>							
Internet Software and Services	3.0	10.2	17.3%	18.1%	13.1%	13.2%	27.8%
IT Services	1.4	7.6	2.0%	-1.8%	4.8%	1.5%	9.6%
Software	2.5	7.9	8.0%	5.5%	5.7%	3.7%	16.3%
Computers and Other Electronic Equipment	0.8	6.1	1.2%	1.0%	4.0%	2.3%	9.9%
Technology Aggregate	1.2	6.6	4.0%	1.8%	9.8%	3.2%	17.5%
<b>Industrial and Distribution</b>							
Aerospace and Defense	0.8	6.3	6.0%	4.3%	8.9%	7.0%	9.9%
Building Products	0.8	7.3	6.3%	3.1%	12.1%	1.1%	14.1%
Construction and Engineering	0.5	6.6	6.3%	5.9%	8.2%	2.1%	4.7%
Machinery	0.9	7.7	1.8%	1.6%	1.5%	-1.8%	7.6%
Distributors	0.5	8.6	7.1%	5.4%	10.1%	1.8%	3.4%
Industrial and Distribution Aggregate	0.9	7.7	4.3%	3.5%	6.1%	1.1%	7.4%
<b>Consumer Products</b>							
Food and Beverage	1.6	11.5	1.0%	6.2%	4.4%	4.6%	14.5%
Household and Personal Products	1.7	8.9	4.0%	3.1%	4.4%	4.4%	18.8%
Household Durables	0.6	6.8	6.7%	0.9%	21.9%	3.4%	7.2%
Textiles, Apparel, and Luxury Goods	1.1	7.2	5.6%	6.1%	9.8%	6.9%	8.7%
Consumer Products Aggregate	1.2	10.1	1.7%	4.7%	4.0%	5.0%	12.3%
<b>Business Services</b>							
Human Resource and Employment Services	0.4	7.8	5.9%	3.5%	16.2%	8.3%	15.0%
Research and Consulting Services	1.5	8.6	6.9%	6.6%	6.0%	7.3%	8.8%
Business Services Aggregate	0.9	7.9	3.2%	2.4%	5.1%	2.3%	12.6%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	1.5	10.0	6.6%	4.4%	5.9%	5.6%	24.2%
Restaurants	1.3	8.2	1.7%	2.7%	2.1%	3.5%	7.6%
Leisure Facilities	1.9	7.5	4.5%	3.1%	3.6%	4.9%	29.2%
Travel and Hospitality Aggregate	1.6	8.6	4.8%	4.7%	5.2%	5.9%	20.1%

**M&A MARKET**

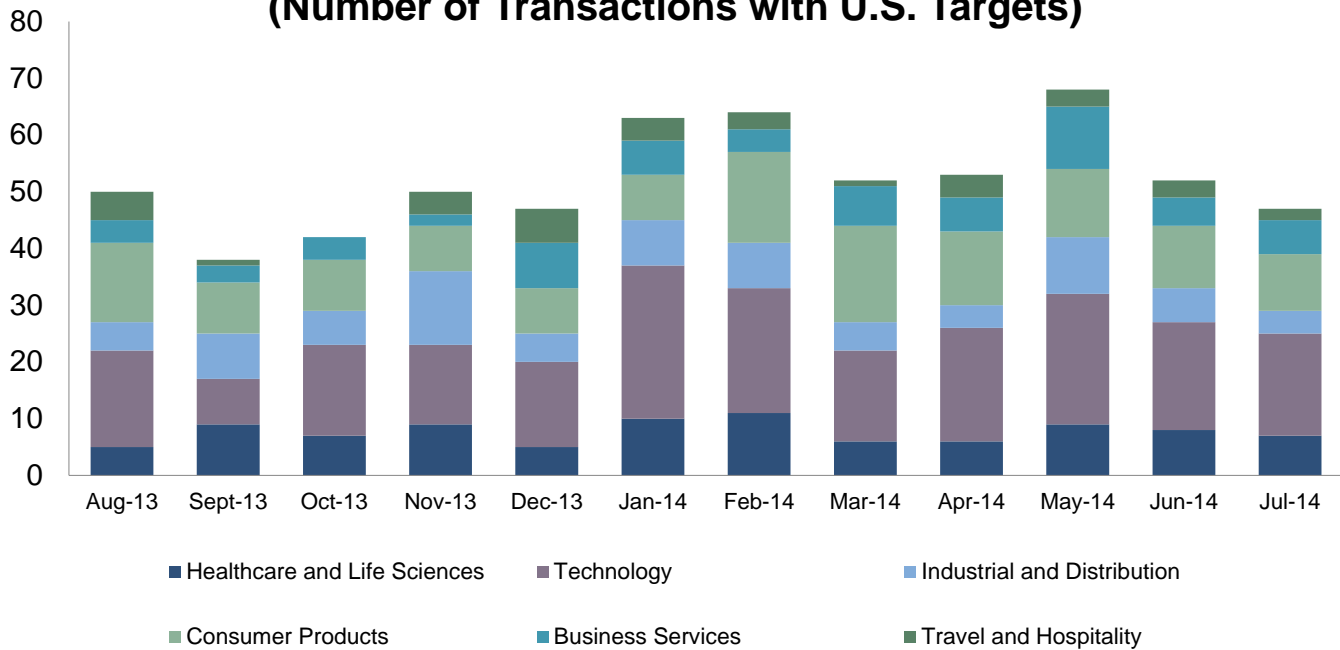
After a strong start to 2014, middle-market transaction volume declined slightly in July. However the Mid-Market M&A Conditions Index (MACI), a diffusion index which measures M&A activity through a survey of middle-market deal makers, increased slightly in July from 56 to 57.6. Mary Kathleen Flynn of Mergers and Acquisitions explained, “The early-stage growth shown in most of the MACI scores for July suggests that the momentum in middle-market transactions that characterized the first half of 2014 may continue in the second half.”

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



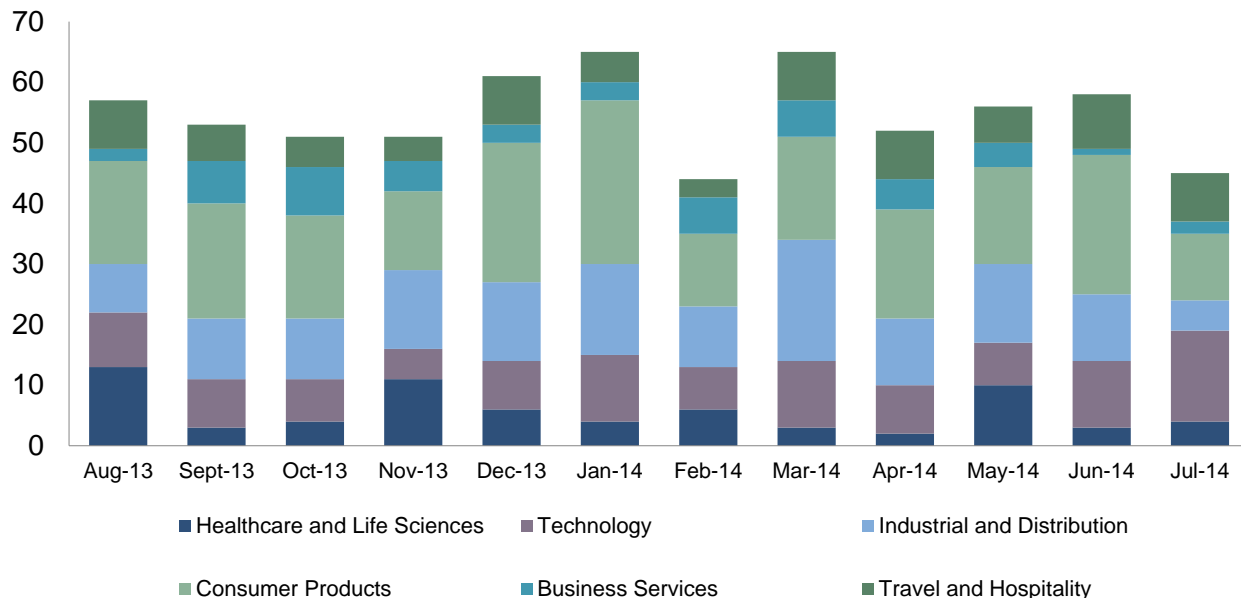
The volume of cross-border transactions in July remained roughly even with June. However, year-to-date transaction volume increased 33% from the same period in 2013. The U.S. remains an attractive target, with roughly 38% of total global deal volume in July involving U.S. targets.

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



While middle-market leveraged buyout activity declined slightly in July, year-to-date volume increased 22% over the same period in 2013. Public-to-private deals have decreased significantly in 2014 largely due to high public share prices, record profit margins, aggressive competition from strategic buyers, and regulatory pressures to keep leverage levels in check. Of the \$89 billion in LBO deal flow that LCD tracked through June 2014, only 3.5% funded public-to-private transactions.

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



## **SELECT M&A TRANSACTIONS – FOCUS ON TRAVEL AND HOSPITALITY**

### ***Hilton Garden Inn, Houston, Texas acquired by Summit Hotel Properties, Inc. (NYSE:INN)***

Summit Hotel Properties, Inc. (NYSE:INN) acquired the Hilton Garden Inn in Houston, Texas from ALH Properties Ten LLC for approximately \$38 million on January 9, 2014. The implied enterprise value was approximately 4.3x revenue and 15.6x EBITDA.

Hilton Garden Inn is a 182 room hotel managed by American Liberty Hospitality and located in Houston, Texas. The hotel features various amenities including a fitness center, pool and business center. The hotel was built in 2005 and Summit Hotel Properties anticipates spending \$3.1 million in capital improvements over the next twelve months.

Summit Hotel Properties, Inc. is a hotel investment company that engages in acquiring, renovating, repositioning, and selling premium-branded hotels in the upscale and midscale segments of the United States lodging market. The company's current portfolio consists of 90 hotels with over 11,000 guest rooms in 22 states. The company was founded in 2004 and is based in Sioux Falls, South Dakota.

### ***InterContinental Mark Hopkins San Francisco acquired by Oaktree Capital Management, L.P. and Woodridge Capital Partners, LLC***

Oaktree Capital Management and Woodridge Capital Partners, LLC acquired the InterContinental Mark Hopkins in San Francisco for \$120 million on February 8, 2014. The implied enterprise value was approximately 2.9x revenue.

The Mark Hopkins Hotel is a 383 room hotel which was built in 1926 on the site of railroad magnate Mark Hopkins' 40 room mansion. The hotel is located at the top of Nob Hill with panoramic views of San Francisco and is close to the city's financial and shopping districts. Oaktree Capital Management and Woodridge Capital Partners are U.S. based investment firms that had previously partnered to purchase the Fairmont San Francisco, a hotel located across the street from the Mark Hopkins, in 2012.

John Brady, Global Head of Real Estate for Oaktree, stated, "Through a strong partnership with hotel employees and numerous city constituencies, we're excited about the future of the San Francisco luxury hospitality market, and owning both iconic assets on top of Nob Hill, the Mark Hopkins and the Fairmont across the street."

### ***Morgan's Foods Inc. acquired by Apex Restaurant Management, Inc.***

Apex Restaurant Management, Inc. acquired Morgan's Foods, Inc. for approximately \$20 million on May 27, 2014. The implied enterprise value was approximately 0.5x revenue and 7.1x EBITDA.

Morgan's Foods, Inc. operates restaurants under franchise in the United States, including KFC, Taco Bell and Pizza Hut. As of May 2014, the company operated 68 restaurants in 6 states. Morgan's Foods, Inc. was founded in 1925 and is headquartered in Cleveland, Ohio. Apex Restaurant Management, Inc. owns and operates a chain of fast food restaurants, including Yum! Brands and Long John Silver's. The company was founded in 2005 and is based in Carrollton, Texas.

Apex's CEO, Tabbassum Mumtaz, said in a statement, "The Morgan's Foods organization is an excellent fit into our existing QSR restaurant base, and I look forward to working with the Morgan's Foods team on this exciting opportunity."

## **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](http://www.merger.com). You can also contact our senior bankers directly:

[Peter Alternative](#)

[Bruce Boes](#)

[Andy Crain](#)

[Alan Fullerton](#)

[Jamie Grant](#)

[Laura Kevghas](#)

[Michael Krongel](#)

*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. Copyright 2014, Mirus Capital Advisors, Inc. All rights reserved. Mirus Capital Advisors does not assume any liability for errors or omissions.*