MARKET BRIEF

While uncertainty regarding anticipated regulatory changes increased in March, raising some concerns with investors, underlying economic indicators continued to demonstrate positive momentum.

The Federal Reserve raised interest rates again

In March, the Federal Reserve raised its benchmark rate for the second time in three months. Janet Yellen, Chairwoman of the Federal Reserve, commented that "the basis for today's decision is simply our assessment of the progress of the economy. And it's been doing nicely." With unemployment rates and inflation approaching the overall targets, further increases are expected in the near future. (https://www.nytimes.com/2017/03/15/business/economy/fed-interest-rates-yellen.html?_r=0)

Unemployment remained stable

The unemployment rate decreased slightly from 4.8% in January to 4.7% in February 2017, down from 4.9% in the same period last year. Jobs were added in construction, private educational services, manufacturing, health care, and mining sectors. The labor force participation rate and number of discouraged workers remained relatively flat. (https://www.bls.gov/news.release/pdf/empsit.pdf)

Consumer confidence continued its upward trend

The Conference Board Consumer Confidence Index increased from 116.1 in February to 125.6 in March, the highest level since December 2000. Lynn Franco, Director of Economic Indicators, said that "Consumers' assessment of current business and labor market conditions improved considerably. Consumers also expressed much greater optimism regarding the short-term outlook for business, jobs and personal income prospects. Thus, consumers feel current economic conditions have improved over the recent period, and their renewed optimism suggests the possibility of some upside to the prospects for economic growth in the coming months." (https://www.conference-board.org/data/consumerconfidence.cfm)

The Case-Shiller Index reached a 31-month high

The S&P CoreLogic Case-Shiller U.S. National Home Price Index increased 5.7% in January from December, or 5.9% from January 2015, reaching a 31-month high. David Blitzer, Managing Director and Chairman of the Index Committee, commented that "The recent action by the Federal Reserve raising the target for the Fed funds rate by a quarter percentage point is expected to add less than a quarter percentage point to mortgage rates in the near future. Given the market's current strength and the economy, the small increase in interest rates isn't expected to dampen home buying. If we see three or four additional increases this year, rising mortgage rates could become a concern." (http://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller)

The Consumer Price Index increased slightly

The Consumer Price Index for All Urban Consumers grew 0.1% in February on a seasonally adjusted basis, compared with 0.6% growth the prior month. Increases in food, shelter, and recreation were offset by a decline in the gasoline index. Over the past twelve months, the all items index increased by about 2.7%. (https://www.bls.gov/news.release/cpi.nr0.htm)

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PUBLIC MARKET

The stock market remained relatively flat overall in March, with the S&P 500 index unchanged, the Dow Jones Industrial Average down by less than 1%, and the Nasdaq Composite Index up by 1%, as investors reacted to the failure to repeal the Affordable Care Act and began to question the current administration's ability to implement other promised changes. Peter Boockvar, chief market analyst at The Lindsay Group, questioned, "Has the stock market priced in the perfect scenario that is becoming clear that we just won't get? A watered down Trump agenda with no changes of substance to health care and a more modest tax reform bill is NOT what I believe is currently priced in to stocks."

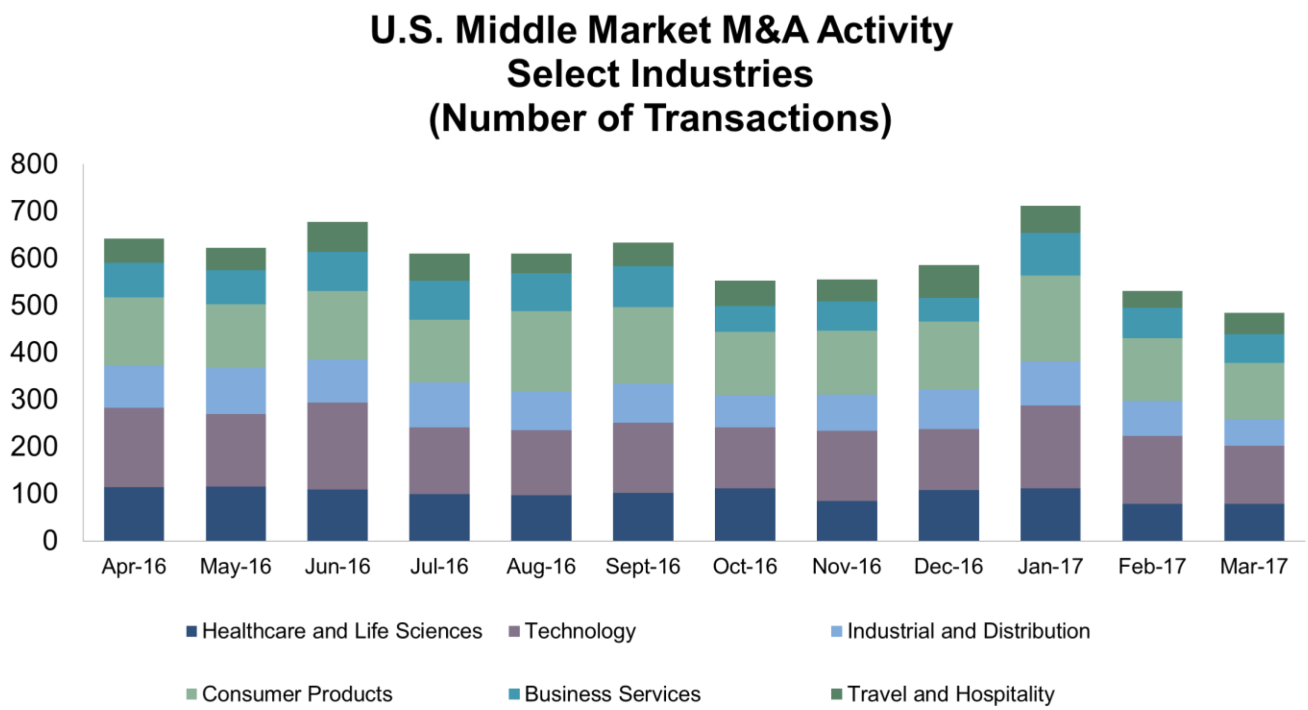
Public Trading Multiples

As of April 1, 2017

			Revenue Growth		EBITDA Growth		
Category	**EV / Revenue**	**EV/ EBITDA**	**1 Year**	**3 Year**	**1 Year**	**3 Year**	**EBITDA Margin**
Healthcare and Life Sciences							
Healthcare Technology	4.1x	19.3x	9.8%	4.6%	8.9%	8.1%	18.0%
Healthcare Equipment and Supplies	4.0x	16.5x	4.9%	5.3%	7.0%	7.5%	16.9%
Healthcare Providers and Services	0.7x	10.9x	7.9%	9.0%	7.8%	7.7%	6.3%
Healthcare and Life Sciences Aggregate	2.3x	13.4x	6.6%	6.3%	4.7%	5.1%	12.2%
Technology							
Internet Software and Services	6.2x	21.9x	26.0%	20.9%	31.6%	20.8%	15.2%
IT Services	2.5x	13.3x	5.2%	1.5%	8.2%	2.8%	9.8%
Software	4.9x	18.4x	4.9%	3.2%	-1.8%	-1.5%	16.9%
Computers and Other Electronic Equipment	1.3x	9.7x	-3.5%	-0.9%	-7.6%	0.0%	16.9%
Technology Aggregate	2.3x	13.0x	1.7%	1.8%	2.0%	4.0%	17.0%
Industrial and Distribution							
Aerospace and Defense	1.5x	12.5x	-0.8%	-1.8%	-13.2%	-1.6%	9.8%
Building Products	1.4x	11.2x	3.1%	-1.2%	8.5%	3.0%	13.4%
Construction and Engineering	0.7x	9.4x	-0.9%	-1.6%	1.5%	0.9%	8.2%
Machinery	1.7x	13.8x	-3.1%	-4.3%	0.8%	-4.1%	5.7%
Distributors	0.9x	13.8x	-5.5%	-5.4%	-1.1%	-2.3%	4.2%
Industrial and Distribution Aggregate	1.4x	10.9x	-1.0%	-2.2%	0.0%	1.2%	11.4%
Consumer Products							
Food and Beverage	2.0x	13.5x	0.9%	-2.8%	2.3%	-1.3%	14.8%
Household and Personal Products	3.0x	15.4x	-1.4%	-4.1%	1.2%	-2.3%	18.6%
Household Durables	1.0x	10.3x	1.8%	0.2%	-0.3%	4.8%	5.7%
Textiles, Apparel, and Luxury Goods	1.7x	12.1x	3.9%	2.1%	-1.2%	-3.1%	7.4%
Consumer Products Aggregate	1.4x	11.4x	2.6%	0.4%	4.3%	1.1%	12.3%
Business Services							
Human Resource and Employment Services	0.7x	11.1x	6.1%	1.5%	7.3%	7.6%	9.7%
Research and Consulting Services	3.0x	15.4x	3.6%	0.4%	3.6%	1.2%	12.8%
Business Services Aggregate	1.6x	12.5x	2.0%	-0.6%	2.9%	1.5%	11.4%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.9x	13.3x	-0.2%	-0.2%	10.8%	8.2%	11.8%
Restaurants	2.1x	13.0x	1.2%	1.4%	4.0%	3.5%	7.7%
Leisure Facilities	3.1x	11.6x	2.9%	0.6%	-0.9%	-0.9%	33.6%
Travel and Hospitality Aggregate	2.6x	12.9x	1.2%	-0.4%	7.0%	2.2%	13.7%

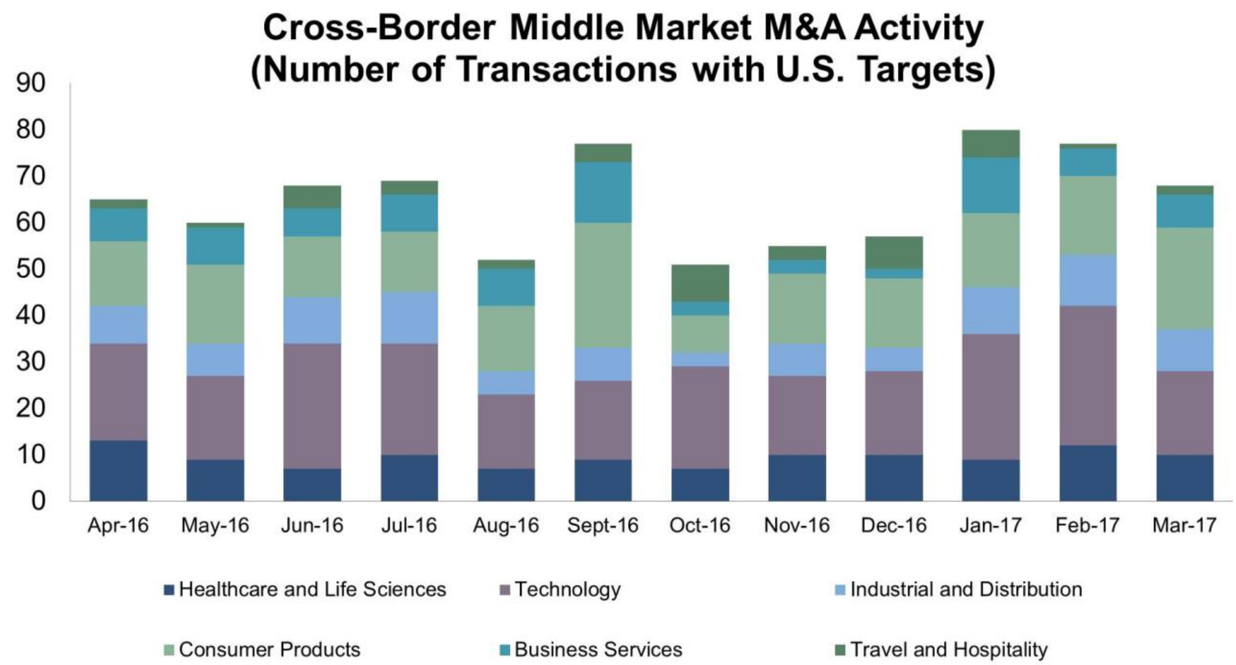
M&A MARKET

Despite a relatively slow start to Q1, with transaction volume down in February and March, the general outlook for M&A continues to be positive. A survey of dealmakers conducted by Donnelly Financial Solutions found that 80% of respondents expected an increase in transaction activity in 2017 from 2016, and 96% anticipated that the US would be one of the top three regions with the biggest increase in M&A. A survey from Citizens Bank concurred, citing owner fatigue and a desire to take advantage of peak valuations as two of the leading reasons why business owners are ready to sell now.

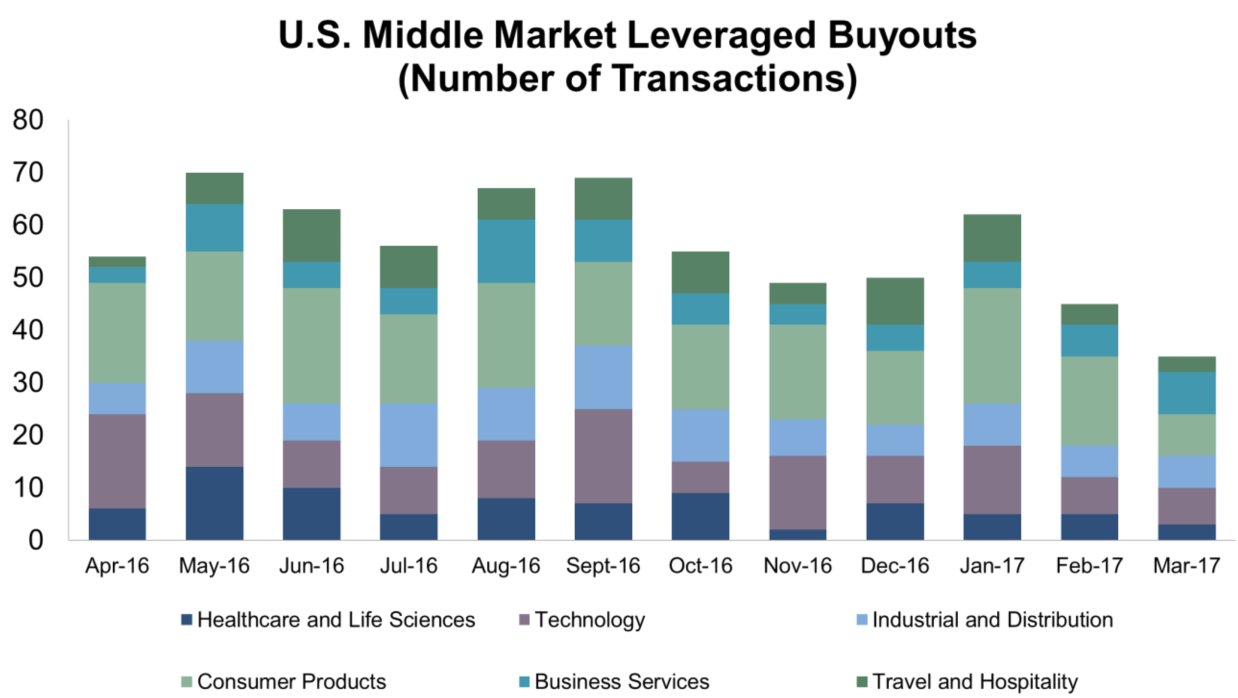


Experts interviewed by Law360 predicted a slow start to the year for cross-border M&A, followed by a "deal-making frenzy" according to an article published on January 24th. Acquirers will be watching for revisions to U.S. corporate tax rates and changes in international trade policy. Michael DeFranco, Chair of Baker McKenzie's global M&A practice, said that "Once the market understands and has direction and confidence on how those are going to impact things, activity will increase again."

Q1 2017 data supported this expectation, with an 8% increase over the same period in 2016, and a 38% increase from Q4 2016 to Q1 2017 in cross-border transaction activity involving US middle market targets.



LBO activity got off to a slow start in 2017, with a drop-off in transaction activity reported in February and March. However, many still anticipate increased activity later in the year with significant private equity "dry powder" availability and debt remaining relatively inexpensive. Higher valuations are requiring private equity investors to put in a greater proportion of equity into deals; Michael Terwilliger, global portfolio manager at Resource America, stated that "There's a strange paradox in the market right now – the market is on fire but with a high degree of caution. Everyone is crowding the 'safe' credits but reluctant to take on much risk.'"



MIRUS CAPITAL ADVISORS

SELECT M&A TRANSACTIONS – FOCUS ON CONSUMER PRODUCTS

KeVita, Inc. acquired by PepsiCo, Inc. (NYSE:PEP)

KeVita, Inc. was acquired by PepsiCo, Inc. as of December 31, 2016. KeVita was advised on the transaction by Whipstitch Capital, an affiliate of Mirus Capital Advisors.

KeVita, Inc. produces and markets coconut-based organic probiotic drinks. KeVita, Inc. was founded in 2009 and is based in Oxnard, California.

PepsiCo, Inc. operates as a food and beverage company worldwide. The company was founded in 1898 and is headquartered in Purchase, New York.

"Joining the PepsiCo family will give us an opportunity to extend KeVita's trend-forward beverages to a broader audience, while staying committed to our core values," said Bill Moses, CEO and co-founder of KeVita. "We're looking forward to more consumers experiencing the KeVita brand and to leveraging PepsiCo's marketing and distribution capabilities."

Grindmaster-Cecilware Corporation acquired by Electrolux Professional, Inc.

Electrolux Professional, Inc., a subsidiary of AB Electrolux (OM:ELUX B) acquired Grindmaster-Cecilware Corporation from BNY Mezzanine Partners and other shareholders for approximately $108 million, or 1.7x revenue, on March 2, 2017.

Grindmaster-Cecilware Corporation engages in the design and manufacture of hot, cold, and frozen beverage dispensing equipment, as well as a complementary foodservice equipment for food and beverage industries worldwide. It offers coffee grinders, coffee and tea brewers, powdered beverage dispensers, fryers, griddles and broilers, ranges and ovens, food warmers, other foodservice equipment, kitchen equipment, and parts. The company was founded in 1911 and is headquartered in Louisville, Kentucky with locations in Illinois and Thailand.

Electrolux Professional, Inc. manufactures and supplies foodservice and laundry equipment systems. It operates as a subsidiary of AB Electrolux, which manufactures and sells household appliances. AB Electrolux was founded in 1901 and is headquartered in Stockholm, Sweden.

“We are very pleased to complement our portfolio with such an attractive range of beverage products, as the combination better meets customer needs, especially among food service chains,” said Alberto Zanata, Head of Electrolux’s Professional Products division. “This move will also reinforce our presence in North America, one of the largest global markets for professional appliances.”

OGIO International, Inc. acquired by Callaway Golf Company (NYSE:ELY)

Callaway Golf Company (NYSE:ELY) acquired OGIO International, Inc. for $75.5 million, or approximately 7.6x projected EBITDA, on January 11, 2017.

OGIO International, Inc. designs and manufactures bags, backpacks, and travel luggage. Its products include men’s and women’s golf bags, backpacks, work bags, travel bags, athletic bags, street bike gear, and power sports luggage. OGIO International, Inc. was founded in 1987 and is based in Bluffdale, Utah.

Callaway Golf Company, together with its subsidiaries, designs, manufactures, and sells golf clubs, golf balls, golf bags, and other golf-related accessories in the United States and internationally. Callaway Golf Company was founded in 1982 and is based in Carlsbad, California.

Callway CEO Chip Brewer commented: "We are excited about Ogio becoming part of Callaway and believe this acquisition aligns well with our stated goal of strategically developing growth in tangential areas. There is significant overlap in our supply chains and go-to-market strategies, which should allow us to add value and create profitable growth."

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 http://merger.com. You can also contact our senior bankers directly:

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Brendan Kiernan

Michael Krongel

Patrick West

Sources: CapitalIQ, Bloomberg, Forbes, Reuters, The New York Times, The Wall Street Journal, Bureau of Labor Statistics, Ernst & Young, JP Morgan, Financial Times, other sources as referenced within, and Mirus analysis.