

MARKET BRIEF

Generally economic indicators reported in April demonstrated ongoing economic improvement as businesses and consumers continue to be optimistic.

Unemployment fell to 4.5%

The unemployment rate decreased further from 4.7% in February to 4.5% in February 2017. Jobs were added in professional and business services and mining sectors. The labor force participation rate remained flat at 63.0%. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer confidence stabilized

After a strong increase to 124.9 in March, the Conference Board Consumer Confidence Index declined to a slightly lower but still positive level of 120.3 in April. Lynn Franco, Director of Economic Indicators, said that “Consumer confidence declined in April after increasing sharply over the past two months, but still remains at strong levels. Consumers assessed current business conditions and, to a lesser extent, the labor market less favorably than in March. Looking ahead, consumers were somewhat less optimistic about the short-term outlook for business conditions, employment and income prospects. Despite April’s decline, consumers remain confident that the economy will continue to expand in the months ahead.” (<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index set a fourth consecutive all-time high

The S&P CoreLogic Case-Shiller U.S. National Home Price Index demonstrated a 5.8% annual gain in February, continuing its upward momentum. Seattle and Portland led the gains with year-over-year increases of 12.2% and 9.7%, respectively.

David Blitzer, Managing Director and Chairman of the Index Committee, commented that “Housing and home prices continue to advance. The S&P Corelogic Case-Shiller National Home Price Index and the two composite indices accelerated since the national index set a new high four months ago. Other housing indicators are also advancing, but not accelerating the way prices are. As per National Association of Realtors sales of existing homes were up 5.6% in the year ended in March. There are still relatively few existing homes listed for sale and the small 3.8 month supply is supporting the recent price increases. Housing affordability has declined since 2012 as the pressure of higher prices has been a larger factor than stable to lower mortgage rates.” (<http://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

The Consumer Price Index decreased slightly

The Consumer Price Index for All Urban Consumers decreased 0.3% in February on a seasonally adjusted basis, bringing the twelve-month increase down to 2.4%. The largest factor behind the decrease was a decline in the gasoline index, followed by a decrease in the index for wireless telephone services. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

The Purchasing Managers Index remains strong

The Institute for Supply Management’s Purchasing Managers Index decreased from 57.2% in March to 54.8% in April, but still remained above the 50% level, representing continuing expansion. Bradley Holcomb, Chair of the Institute for Supply Management, said that “Comments from the panel generally reflect stable to growing business conditions; with new orders, production, employment and inventories of raw materials all growing in April over March.”

PUBLIC MARKET

The stock market returned modest growth in April, with the S&P 500 index, the Dow Jones Industrial Average, and the Nasdaq Composite Index all up by 1% - 2%, aided by solid first quarter earnings reports and heightened focus on the Trump Administration's three main pro-growth policies: tax cuts, regulatory relief and infrastructure spending. Kate Warne, Principal Investment Strategist at Edward Jones stated: "We expect slow progress to continue on [President Trump's pro-growth policies], as well as other components of the Trump agenda. Specifically, Trump's tax-cut plan included proposals to reduce the corporate tax rate to 15% and individual tax rates to 10%, 25% and 35%, as well as eliminating many deductions. The one-page outline didn't have enough detail to calculate its overall impact, but lower tax rates are generally good news for economic growth, and lower rates are a component of all the plans Congress is considering."

Public Trading Multiples

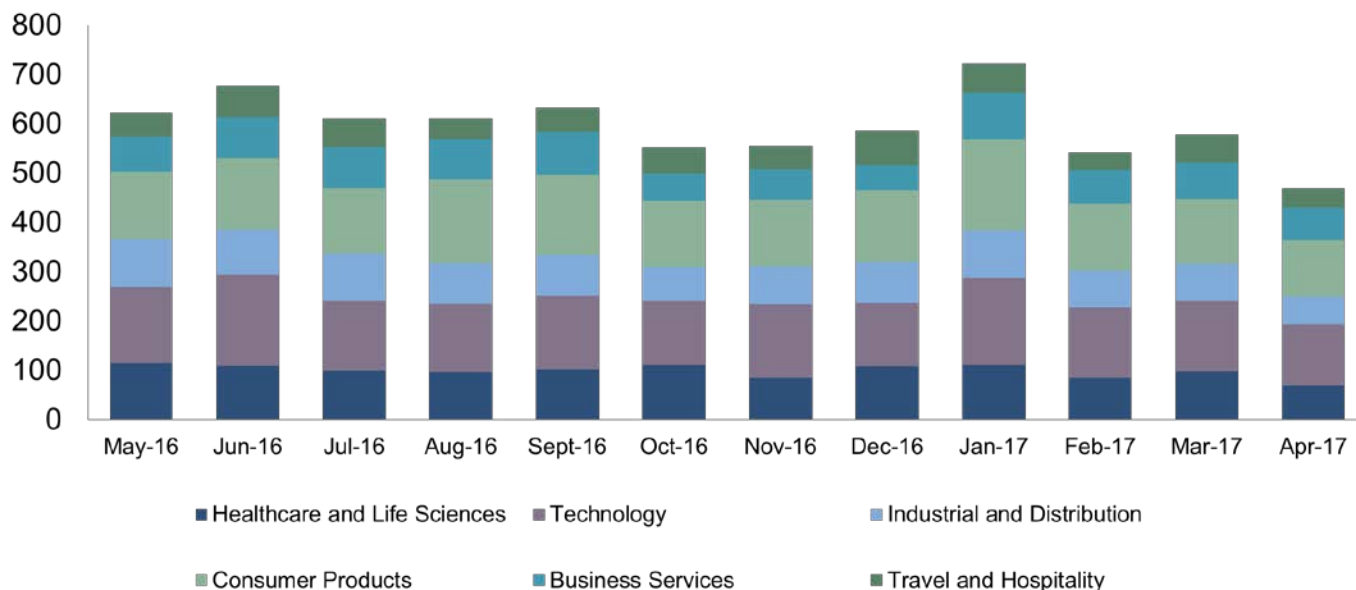
As of May 1, 2017

Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin
Healthcare and Life Sciences							
Healthcare Technology	4.2x	20.2x	9.8%	4.6%	7.9%	8.0%	18.2%
Healthcare Equipment and Supplies	4.0x	16.7x	5.3%	4.7%	8.0%	6.7%	17.1%
Healthcare Providers and Services	0.7x	10.8x	8.5%	9.7%	8.4%	8.5%	6.5%
Healthcare and Life Sciences Aggregate	2.3x	13.5x	7.0%	6.8%	4.8%	5.4%	12.4%
Technology							
Internet Software and Services	6.2x	21.7x	26.0%	18.9%	31.8%	18.9%	8.8%
IT Services	2.6x	13.4x	5.5%	1.6%	8.4%	2.5%	9.9%
Software	4.8x	18.3x	501.0%	3.5%	0.2%	-1.1%	17.2%
Computers and Other Electronic Equipment	1.3x	9.7x	-3.1%	-0.9%	-5.5%	0.8%	16.7%
Technology Aggregate	2.4x	12.9x	2.3%	1.9%	4.3%	4.4%	17.1%
Industrial and Distribution							
Aerospace and Defense	1.6x	12.9x	-1.1%	-1.6%	-11.0%	-1.1%	10.0%
Building Products	1.4x	11.2x	3.9%	-1.0%	8.8%	3.2%	13.4%
Construction and Engineering	0.7x	9.7x	-1.6%	-2.2%	0.4%	-0.5%	8.5%
Machinery	1.7x	14.0x	-4.4%	-4.5%	1.1%	-3.9%	5.9%
Distributors	0.8x	13.8x	-5.4%	-6.1%	3.6%	-2.1%	4.2%
Industrial and Distribution Aggregate	1.4x	11.2x	-1.3%	-2.3%	-0.7%	0.9%	11.5%
Consumer Products							
Food and Beverage	2.0x	13.7x	1.1%	-2.9%	3.7%	-1.0%	15.0%
Household and Personal Products	2.9x	15.1x	-1.3%	-4.0%	-0.1%	-2.6%	18.6%
Household Durables	1.0x	10.3x	2.6%	0.3%	0.0%	4.3%	6.2%
Textiles, Apparel, and Luxury Goods	1.7x	12.0x	3.3%	2.0%	-2.5%	-3.1%	7.3%
Consumer Products Aggregate	1.4x	11.5x	2.5%	0.3%	4.0%	1.1%	12.5%
Business Services							
Human Resource and Employment Services	0.7x	11.0x	4.7%	1.5%	3.3%	5.8%	9.8%
Research and Consulting Services	2.6x	14.8x	3.2%	0.7%	3.3%	1.4%	12.5%
Business Services Aggregate	1.5x	12.2x	1.5%	-0.6%	2.1%	1.5%	10.9%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.9x	13.3x	0.4%	-0.2%	10.5%	8.0%	10.8%
Restaurants	2.2x	13.7x	-2.0%	-20.0%	1.8%	2.2%	7.9%
Leisure Facilities	3.2x	11.9x	1.8%	0.6%	-1.8%	-0.8%	27.4%
Travel and Hospitality Aggregate	2.7x	13.2x	0.6%	-0.8%	6.5%	1.8%	12.6%

M&A MARKET

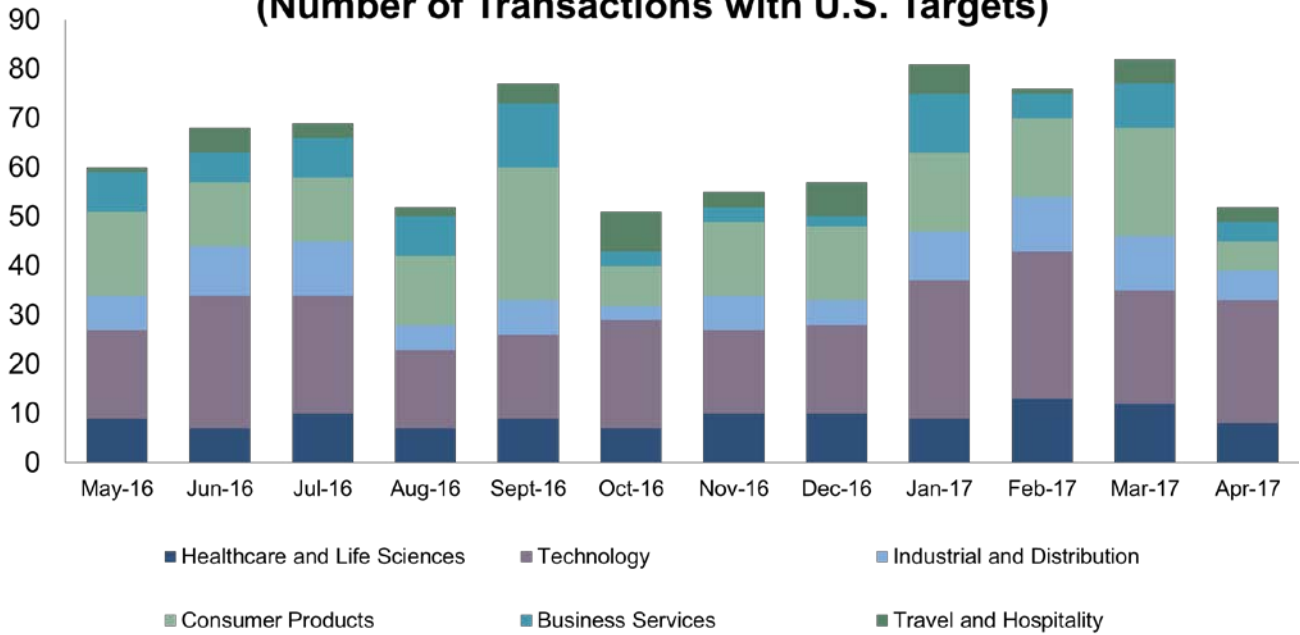
Deal volume was up slightly from February to March, but remained well below levels seen in the same months last year. Many deal professionals remain optimistic for a pickup in volume as the year progresses. An article from PricewaterhouseCoopers speculated that some companies may have held off on completing deals in anticipation of advantageous changes under the new administration.

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



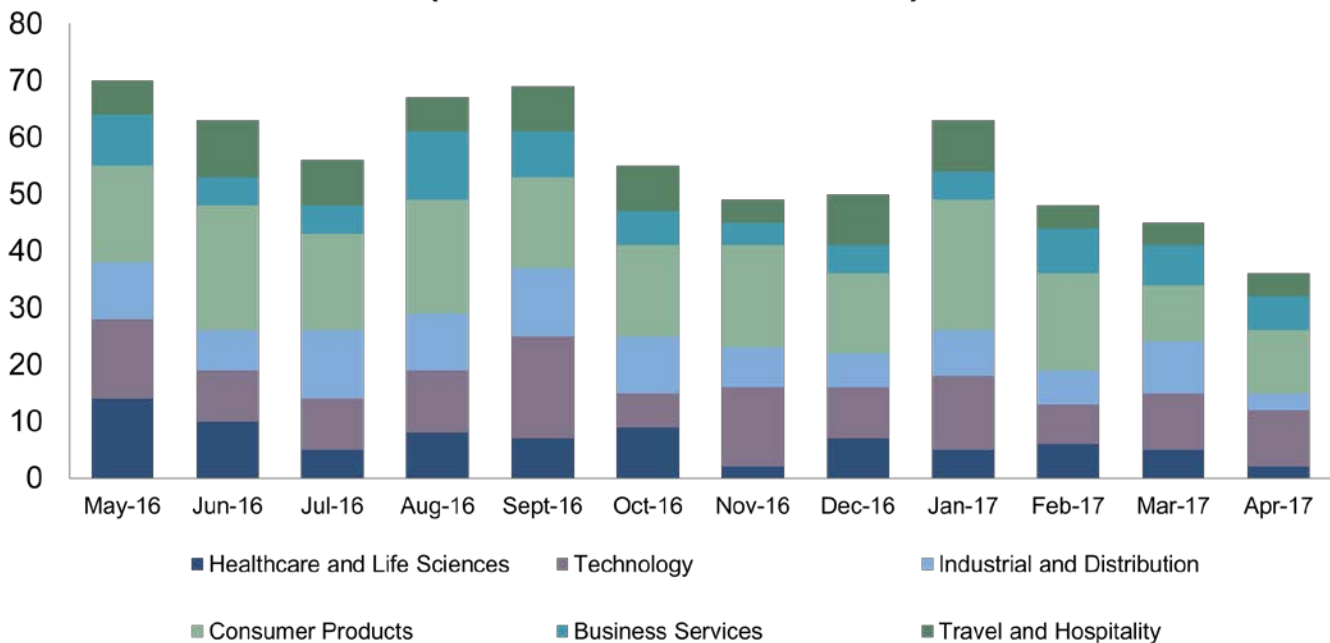
On the subject of cross-border transactions, Baker McKenzie commented that “While the political turbulence of 2016 has shown little sign of abating, deal-makers around the world seem to have taken the volatility on board,” with aggregate cross-border deal volume down somewhat but overall deal value relatively flat. Middle market transactions with US targets were up year-to-date over the same period last year.

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



Although LBO deal activity was relatively slow for the first four months of the year, valuations remain strong with Pitchbook reporting a 10.8x EV/EBITDA multiple in Q1 2017 private equity transactions, up from 10.7x in 2016. According to Pitchbook, “The industry’s strong returns have led to significant stores of dry powder available to tap which, in turn, has created more competition for suitable buyout targets.”

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



SELECT M&A TRANSACTIONS – FOCUS ON TRAVEL AND HOSPITALITY

Northstar California Ski Resort acquired by EPR Properties (NYSE:EPR) and Och-Ziff Real Estate Acquisitions, LLC

Northstar California Ski Resort was acquired by EPR Properties (NYSE:EPR) and Och-Ziff Real Estate (OZRE) Acquisitions, LLC as of April 6, 2017 for \$456 million. The acquisition included 15 attraction properties and 5 small family entertainment centers.

Northstar California is a ski resort in the Lake Tahoe area. The resort has extensive co-investments including lodging and second home communities.

In tandem with the Northstar California acquisition, OZRE will acquire 14 additional ski resorts for approximately \$374 million. These resorts include:

- Brighton, Utah
- Crested Butte Mountain Resort, Colorado
- Cypress Mountain, B.C., Canada
- Gatlinburg Sky Lift, Tennessee
- Jiminy Peak Mountain Resort, Massachusetts
- Loon Mountain Resort, New Hampshire
- Mount Sunapee Mountain Resort, New Hampshire
- Mountain High Resort, California
- Okemo Mountain Resort, Vermont
- Sierra at Tahoe Resort, California
- Stevens Pass, Washington
- Sugarloaf Mountain Resort, Maine
- Summit at Snoqualmie Resort, Washington
- Sunday River Resort, Maine

EPR Properties is a real estate investment trust headquartered in Kansas City, Missouri. OZRE is a real estate investment firm based in New York, New York.

Pacific Island Restaurants, Inc. acquired by Restaurant Brands New Zealand Limited (NZSE:RBD)

Pacific Island Restaurants was acquired by Restaurant Brands New Zealand as of March 8, 2017 for \$105 million. This was approximately 0.9x trailing twelve month revenue and 5.5x EBITDA.

Pacific Island Restaurants operates franchisees of Pizza Hut, Taco Bell, A&W, and Long John Silver's restaurants in Hawaii and Guam.

Restaurant Brands New Zealand operates quick service and takeaway restaurants in New Zealand, Australia, and internationally.

Restaurant Brands Chairman, Ted van Arkel commented: “In particular, Restaurant Brands is excited to gain exposure to Taco Bell, a brand with attractive margins and a product offering that has worldwide appeal. We have nearly 20 years’ experience successfully operating the Pizza Hut brand in New Zealand and will look to leverage this experience to drive the Hawaiian franchise’s continued performance.”

InterContinental Mark Hopkins San Francisco acquired by Leadwell Global Properties

The InterContinental Mark Hopkins San Francisco was acquired by Leadwell Global Properties as of March 31, 2017 for approximately \$206 million.

The InterContinental Mark Hopkins operates as a hotel in San Francisco, with amenities including guest rooms and suites, a fitness center, a rooftop lounge, vacation packages, banquet facilities, a bar, a business center, a club lounge, conference rooms, and wedding facilities.

Leadwell Global Properties owns several hotels and is based in Hong Kong.

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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