

MARKET BRIEF

Generally, consumers were less optimistic about the short-term outlook in May. The percentage of consumers expecting business conditions to improve over the next six months decreased by about 4.0 percent, however those expecting business conditions to worsen declined by only 0.3 percent.

Unemployment continues to decline

The unemployment rate continued its decline to 4.3% in May. Jobs were added in healthcare and mining sectors. The labor force participation rate decreased slightly to 62.7%, and the number of discouraged workers was down 183,000 from the prior year to 355,000. (<https://www.bls.gov/news.release/pdf/empisit.pdf>)

Consumer confidence declines

The Conference Board Consumer Confidence Index, which had decreased in April, declined slightly in May. The Index now stands at 117.9, down from 119.4 in April. The Present Situation Index increased marginally from 140.3 to 140.7, while the Expectations Index declined from 105.4 last month to 102.6 in May.

“Consumer confidence decreased slightly in May, following a moderate decline in April,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “However, consumers’ assessment of present-day conditions held steady, suggesting little change in overall economic conditions. Looking ahead, consumers were somewhat less upbeat than in April, but overall remain optimistic that the economy will continue expanding into the summer months.” (<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index indicates continued rise in home value

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index reported a 5.8% annual gain in March, up from 5.7% last month and setting a 33-month high. The 10-City Composite and the 20-City Composite indices came in at 5.2% and 5.9% annual increases, respectively, unchanged from last month. Seattle, Portland, and Dallas reported the highest year-over-year gains among the 20 cities. In March, Seattle led the way with a 12.3% year-over-year price increase, followed by Portland with 9.2%, and Dallas with an 8.6% increase. Ten cities reported higher price increases in the year ending March 2017 than in the year ending February 2017.

“Home prices continue rising with the S&P Corelogic Case-Shiller National Index up 5.8% in the year ended March, the fastest pace in almost three years,” says David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. “While there is some regional variation, prices are rising across the U.S. Half of the 20 cities tracked by the S&P Corelogic Case-Shiller indices rose more than 6% from March 2016 to March 2017. The smallest gain of 4.1%, in New York, was roughly double the rate of inflation.

“Sales of both new and existing homes, housing starts and the National Association of Home Builders’ sentiment index are all trending higher. Over the last year, analysts suggested that one factor pushing prices higher was the unusually low inventory of homes for sale. People are staying in their homes longer rather than selling and trading up. If mortgage rates, currently near 4%, rise further, this could deter more people from selling and keep pressure on inventories and prices. While prices cannot rise indefinitely, there is no way to tell when rising prices and mortgage rates will force a slowdown in housing.” (<http://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

The Consumer Price Index experienced a modest increase

The Consumer Price Index for All Urban Consumers increased 0.2% in April on a seasonally adjusted basis, bringing the twelve-month increase down to 2.2%. Factors contributing to the increase included higher prices for shelter, energy, tobacco, and food. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

The Purchasing Managers Index is still strong

The Institute for Supply Management's Purchasing Managers Index slightly increased from 54.8% in April to 54.9% in May, remaining above the 50% level representing continuing expansion. Timothy R. Fiore, Chair of the Institute for Supply Management, said that "Comments from the panel generally reflect stable to growing business conditions, with new orders, employment and inventories of raw materials all growing in May compared to April. The slowing of pricing pressure, especially in basic commodities, should have a positive impact on margins and buying policies as this moderation moves up the value chain."

PUBLIC MARKET

After a precipitous drop in the middle of the month following political drama involving the firing of James Comey, the stock market stabilized and finished the month with an increase, including a 1.2% gain for the S&P 500, a 0.3% increase for the Dow Jones Industrial Average, and a 2.5% increase for the Nasdaq Composite Index.

Public Trading Multiples

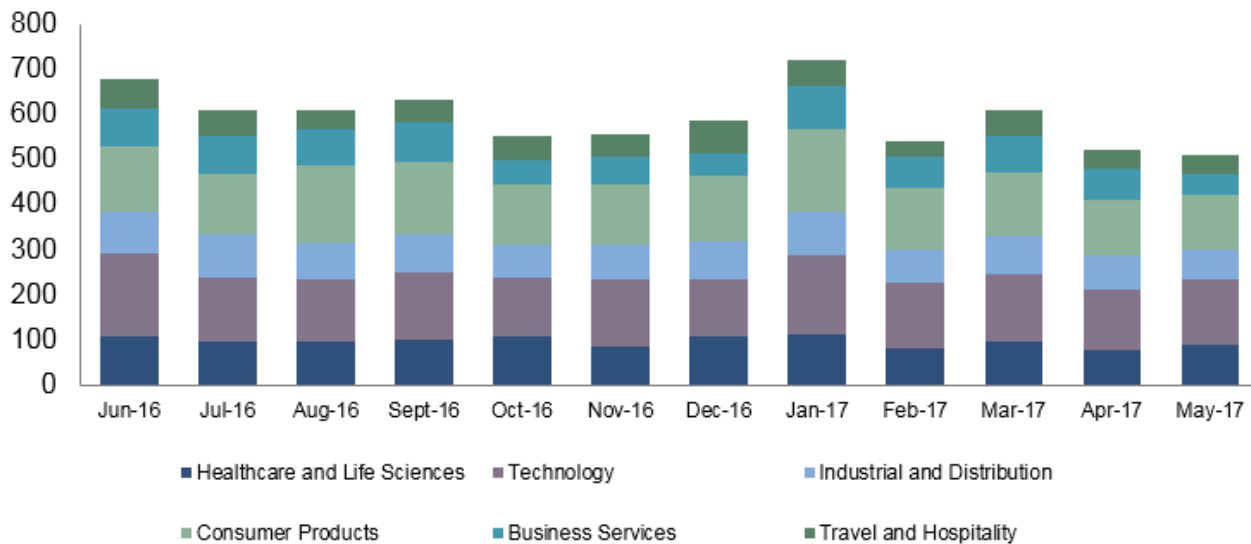
As of June 1, 2017

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	4.3x	21.6x	8.4%	4.8%	3.5%	6.2%	18.0%
Healthcare Equipment and Supplies	4.1x	17.2x	4.3%	4.7%	7.1%	6.4%	16.2%
Healthcare Providers and Services	0.8x	11.0x	7.4%	9.2%	6.6%	8.3%	4.8%
Healthcare and Life Sciences Aggregate	2.3x	13.6x	6.0%	6.6%	4.8%	5.8%	12.5%
Technology							
Internet Software and Services	6.5x	23.1x	27.3%	19.9%	32.0%	20.4%	11.1%
IT Services	2.6x	13.6x	5.4%	1.8%	8.1%	2.4%	9.6%
Software	4.9x	18.3x	6.0%	3.9%	20.0%	-0.2%	17.5%
Computers and Other Electronic Equipment	1.3x	13.9x	-1.3%	-0.2%	-1.5%	1.3%	16.9%
Technology Aggregate	2.4x	13.2x	3.8%	2.5%	6.7%	4.9%	17.2%
Industrial and Distribution							
Aerospace and Defense	1.6x	13.0x	-1.4%	-1.5%	-10.1%	-2.1%	9.8%
Building Products	1.4x	11.0x	3.0%	-1.0%	10.1%	3.2%	12.9%
Construction and Engineering	0.7x	9.7x	-1.3%	-1.8%	0.1%	-0.9%	8.6%
Machinery	1.7x	18.4x	-2.6%	-3.2%	3.6%	-2.2%	6.4%
Distributors	0.8x	15.8x	-3.6%	-5.5%	9.2%	-3.0%	4.1%
Industrial and Distribution Aggregate	1.4x	15.1x	-0.7%	-1.7%	0.0%	1.1%	11.6%
Consumer Products							
Food and Beverage	2.0x	17.5x	2.0%	-2.4%	4.2%	-0.4%	15.3%
Household and Personal Products	2.9x	15.4x	-1.0%	-3.6%	1.4%	-1.9%	19.3%
Household Durables	1.0x	10.1x	4.6%	0.9%	11.0%	7.1%	6.4%
Textiles, Apparel, and Luxury Goods	1.7x	12.2x	2.8%	2.4%	-1.2%	-2.4%	7.7%
Consumer Products Aggregate	1.4x	11.4x	2.5%	0.5%	4.9%	1.8%	12.5%
Business Services							
Human Resource and Employment Services	0.8x	11.3x	4.3%	1.9%	2.9%	5.5%	17.4%
Research and Consulting Services	2.7x	14.8x	2.9%	0.9%	3.5%	1.9%	12.5%
Business Services Aggregate	1.5x	12.2x	1.1%	-0.2%	2.2%	1.8%	12.3%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.9x	13.3x	1.4%	0.6%	10.6%	8.3%	9.1%
Restaurants	2.3x	13.9x	-1.1%	-0.2%	1.7%	2.1%	7.9%
Leisure Facilities	3.3x	12.0x	1.5%	0.5%	-0.8%	-0.3%	28.0%
Travel and Hospitality Aggregate	2.7x	13.3x	1.2%	-0.6%	6.1%	1.7%	11.8%

M&A MARKET

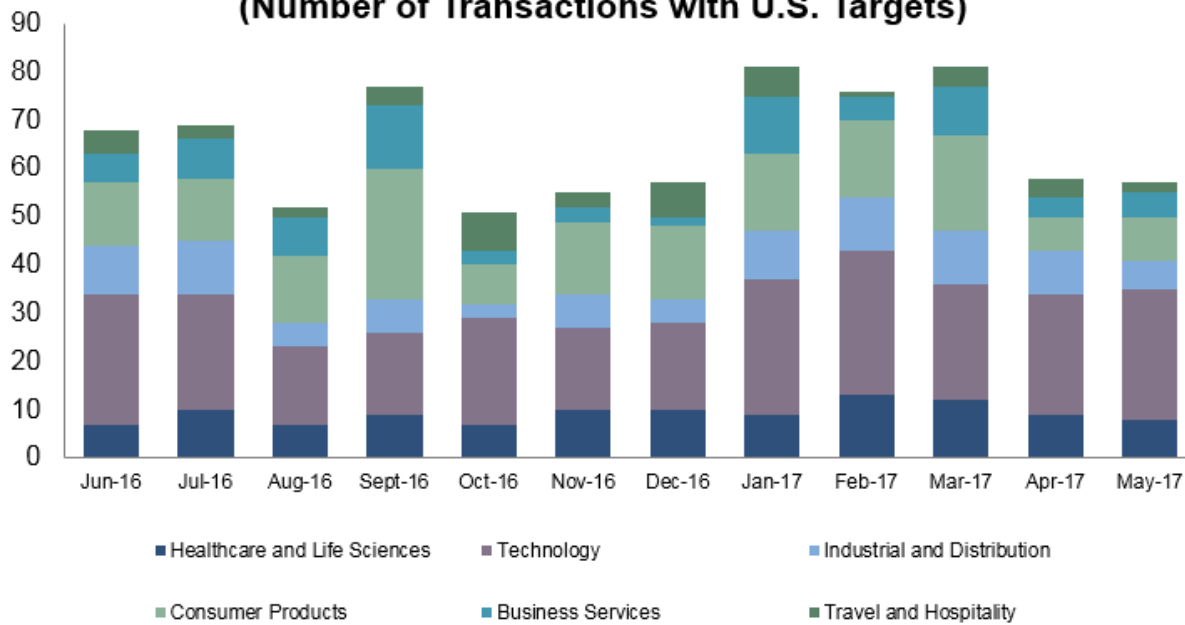
While US middle market activity was down year-to-date, the outlook remains positive overall. According to EY’s Global Capital Confidence Barometer, “New geopolitical complexities have emerged in 2017 — but we may be witnessing a new kind of M&A market, where these geopolitical concerns might not derail deals, unlike in previous cycles. Moreover, there has been no change in the underlying reasons for pursuing deals: digital disruption, sector blurring, and changing consumer and customer behavior. More than ever, companies that hold back from inorganic growth strategies could struggle to remain relevant in a fast-moving environment.” Based on a survey conducted in April 2017, EY found that 39% of executives expected an improving M&A market and 57% anticipated the market remaining stable, while only 4% predicted a decline.

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



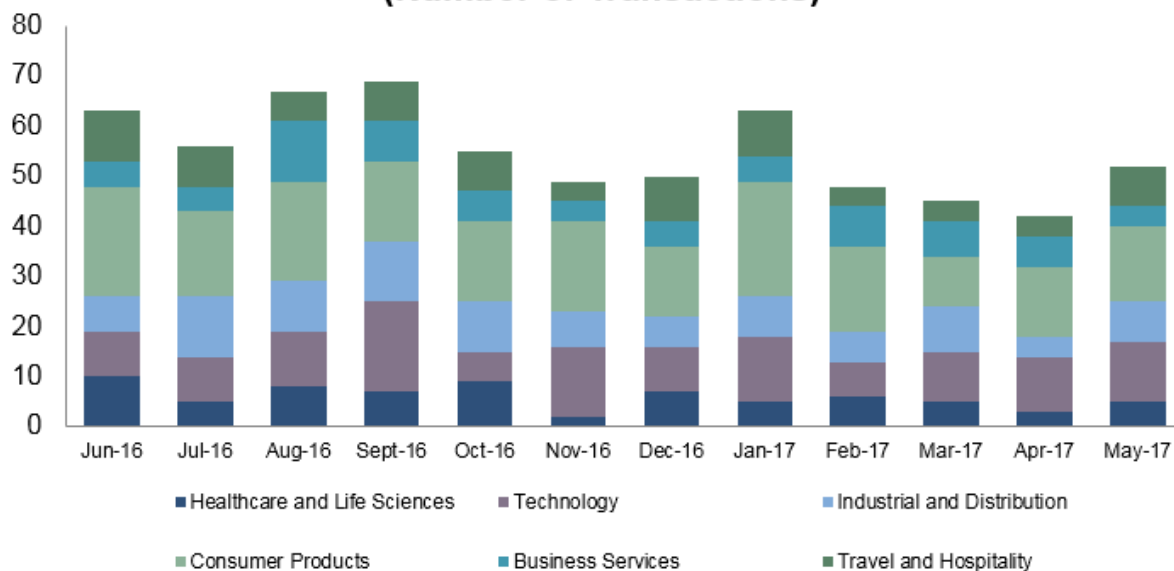
As noted by Richard Peterson, Senior Director of Global Markets Intelligence at S&P Global, “After reaching a low point in 2013, the percentage of M&A deals involving acquirers and targets from different countries is on the ascent. Specifically, an examination of global merger and examination data this year indicates that the proportion of cross-border M&A deal volume accounts for over one-fifth of all deal volume.” Cross-border transaction volume involving US targets in the sectors shown in the following chart were up 6% in the first five months of 2017 compared to the same period of 2016.

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



A recent article from PNC observed that private equity firms “are demonstrating an eagerness to put capital to work, particularly in companies with a proven track record through economic cycles.” Valuations and equity contributions remain at a high level, and fundraising is strong, with EY reporting \$132 billion in funds closed in the first quarter of 2017, up 6% from the same period last year.

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



SELECT M&A TRANSACTIONS – FOCUS ON BUSINESS SERVICES

Avention, Inc. acquired by The Dun & Bradstreet Corporation (NYSE:DNB)

Avention, Inc. was acquired by The Dun & Bradstreet Corporation on January 9, 2017 for \$150 million, or 2.5x revenue.

Avention, Inc. offers business information on companies through its platform. Its products and services include Avention for Sales that provides business lead generation and qualification tools; Avention for Marketing that enables building of marketing data and business contact database list; and Avention for Research that is used for marketing and company research, as well as other tools. Avention, Inc. was formerly known as OneSource Information Services, Inc. and changed its name to Avention, Inc. in March 2014. The company was founded in 1986 and is based in Concord, Massachusetts.

The Dun & Bradstreet Corporation (NYSE:DNB) provides commercial data, analytics, and insights on businesses worldwide. It was founded in 1841 and is headquartered in Short Hills, New Jersey.

Josh Peirez, President and Operating Officer of Dun & Bradstreet, said “We are excited to combine our world-class company and contact data with Avention's best-in-class technology that is fully integrated with the leading software platforms utilized by B2B sales professionals and marketers. Avention is a natural fit that will allow us to deliver tremendous value to customers, and the synergies we can capture put the value of this deal well above the purchase price of the acquisition.”

SNI Companies Inc. acquired by Gee Group Inc. (AMEX:JOB)

Gee Group, Inc. acquired SNI Companies Inc. for total consideration of \$86 million, or 0.8x revenue, on April 3, 2017.

SNI Companies Inc., an employment services company, provides recruitment and staffing services in the United States. SNI Companies Inc. was founded in 1998 and is based in West Des Moines, Iowa.

Gee Group Inc. (AMEX:JOB) provides staffing services in the United States. The company was formerly known as General Employment Enterprises, Inc. and changed its name to Gee Group Inc. in July 2016. Gee Group Inc. was founded in 1893 and is headquartered in Naperville, Illinois.

According to the press release issued by Gee Group, “Through the merger with SNI, GEE Group enters markets where the Company previously did not have a presence, such as Iowa, Louisiana, Minnesota, New Jersey and Pennsylvania. By entering these markets, GEE Group will be able to expand its geographic footprint, broaden its breadth and depth of services, and provide recruitment services in more markets nationwide.”

Operational Security Systems, Inc. acquired by Convergent Technologies LLC

Operational Security Systems was acquired by Convergent Technologies for an undisclosed amount on May 1, 2017.

Operational Security Systems, Inc. engages in the planning, design, installation, and maintenance of electronic protection systems and solutions for corporations and institutions in the Southeastern United States, the Caribbean, and Europe. It offers integrated security electronics, CCTV, access control, intrusion detection, and perimeter protection systems. The company was founded in 1972 and is based in Atlanta, Georgia.

Convergent Technologies LLC operates as a service-based integrator of electronic security, fire alarm and life safety, healthcare technologies, communications, and building automation solutions globally. The company designs, installs, and

services integrated building systems. Convergent Technologies LLC was founded in 2001 and is headquartered in Schaumburg, Illinois.

Dan Mocerri, Executive Chairman and Co-Founder of Convergent Technologies, commented that “Convergent maintains its focus on seeking out culturally similar organizations, and Operational Security Systems is in alignment with our customer-focused strategy. They have been providing complex solutions to the market for many years, and their knowledge and expertise will enhance Convergent’s capabilities.”

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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