MIRUS CAPITAL ADVISORS

MIRUS MIDDLE MARKET MONITOR
JUNE 2017

MARKET BRIEF

Surprisingly, consumers were less optimistic than economists had expected in June. The University of Michigan's Consumer Sentiment Index dropped to 94.5 in June, well below economists' expectations for a reading of 97.1 during the month, according to Thomson Reuters consensus estimates.

Unemployment Remains Steady

The unemployment rate saw minimal change, with 4.4% in June. The unemployment rate for mining, quarrying, and oil and gas extraction was 2.6% in June 2017, down from 11.5% in June 2016. Financial activities had the lowest unemployment rate at 2.5%. The labor force participation rate increased slightly to 62.8%, which saw little change in June and has shown no clear trend over the past year. The number of discouraged workers increased by 12,00 from June 2016, coming in at 514,000. (https://www.bls.gov/news.release/pdf/empsit.pdf)

Consumer Confidence Begins to Increase

The Conference Board Consumer Confidence Index, which had decreased in May, increased moderately in June. The Index now stands at 118.9, up from 117.6 in May. The Present Situation Index increased from 140.6 to 146.3, while the Expectations Index declined from 102.3 last month to 100.6.

"Consumer confidence increased moderately in June following a small decline in May," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions improved to a nearly 16-year high. Expectations for the short-term have eased somewhat, but are still upbeat. Overall, consumers anticipate the economy will continue expanding in the months ahead, but they do not foresee the pace of growth accelerating." (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, covering all nine U.S. census divisions, reported a 5.5% annual gain in April, down from 5.6% last month. The 10-City Composite and 20-City Composite indices came in at 4.9% and 5.7%, which showed a slight decrease from the previous month. Seattle, Portland, and Dallas reported the highest year-over-year gains among the 20 cities. In April, Seattle led the way with a 12.9% year-over-year price increase, followed by Portland with 9.3%, and Dallas with an 8.4% increase. Seven cities reported greater price increases in the year ending April 2017 versus the year ending March 2017.

"As home prices continue rising faster than inflation, two questions are being asked: why? And, could this be a bubble?" says David M. Blitzer Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "Since demand is exceeding supply and financing is available, there is nothing right now to keep prices from going up. The increase in real, or inflation-adjusted, home prices in the last three years shows that demand is rising. At the same time, the supply of homes for sale has barely kept pace with demand and the inventory of new or existing homes for sale shrunk down to only a four- month supply."

"The question is not if home prices can climb without any limit; they can't. Rather, will home price gains gently slow or will they crash and take the economy down with them? For the moment, conditions appear favorable for avoiding a crash. Housing starts are trending higher and rising prices may encourage some homeowners to sell. Moreover, mortgage default rates are low and household debt levels are manageable. Total mortgage debt outstanding is $14.4 trillion, about $400 billion below the record set in 2008. Any increase in mortgage interest rates would dampen demand. Household finances should be able to weather a fairly large price drop.” (http://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller)

The Consumer Price Index experiencing a Slight Decrease

The Consumer Price Index for All Urban Consumers decreased 0.1% in May on a seasonally adjusted basis, bringing the twelve-month decrease to 1.9%. A decrease in the energy index was the main contributor to the monthly decrease in the all items index, which fell 2.7%. (https://www.bls.gov/news.release/cpi.nr0.htm)

The Purchasing Managers Index Continues to Gain Strength

The Institute for Supply Management’s Purchasing Managers Index increased from 54.9% in May to 57.8% in June, 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 expanding business conditions; with new orders, production, employment, backlog and exports all growing in June compared to May and with supplier deliveries and inventories struggling to keep up with the production pace."

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PUBLIC MARKET

Despite ongoing political challenges, the stock market remained relatively stable in June, with the Dow Jones Industrial Average reporting a 1% gain, the Nasdaq Composite Index decreasing 2%, and the S&P 500 remaining flat.

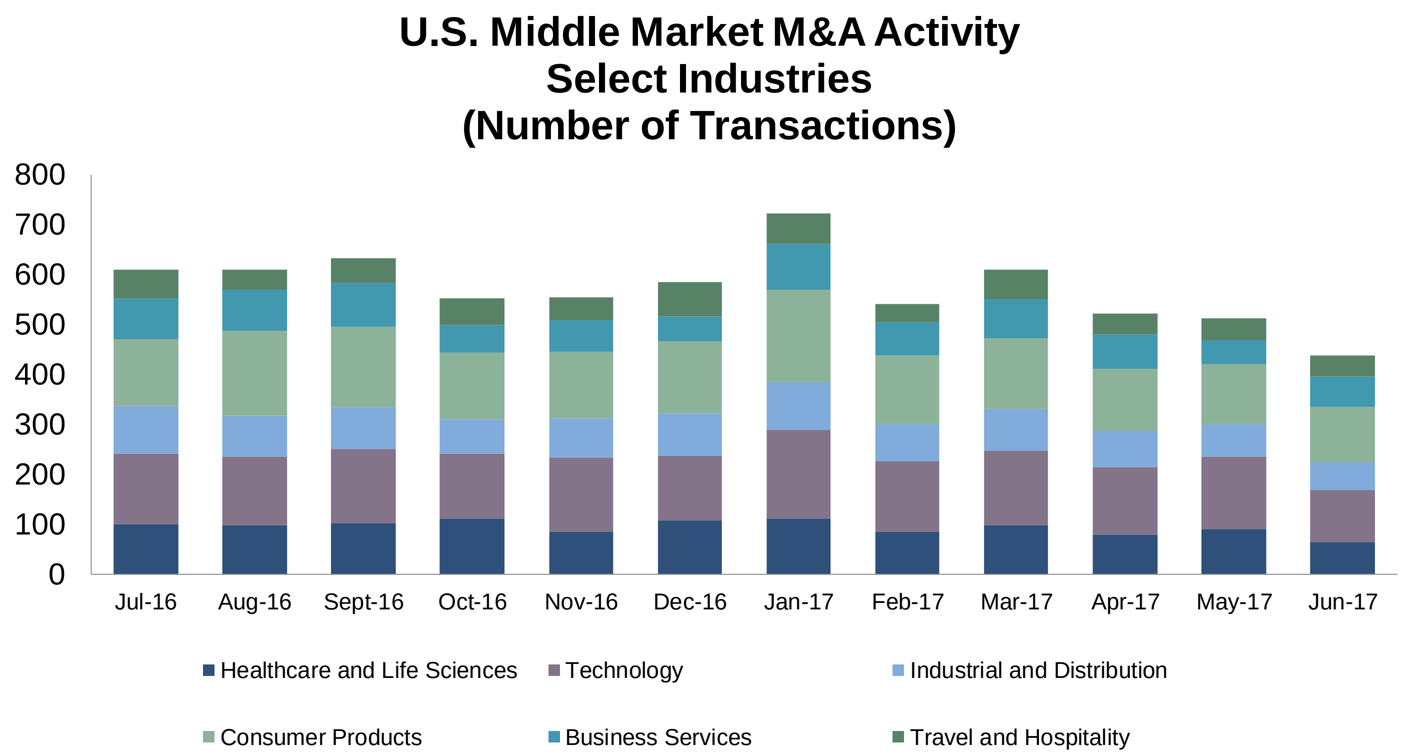
Public Trading Multiples

As of July 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	2.2x	13.7x	6.0%	6.9%	4.7%	5.7%	9.3%
Healthcare Equipment and Supplies	2.3x	13.8x	6.1%	7.0%	4.5%	5.8%	11.8%
Healthcare Providers and Services	2.2x	13.7x	6.0%	6.9%	4.7%	5.7%	11.9%
Healthcare and Life Sciences Aggregate	2.3x	13.8x	6.0%	6.9%	4.3%	5.7%	12.3%
Technology							
Internet Software and Services	6.7x	23.2x	27.0%	19.8%	33.0%	20.7%	10.9%
IT Services	2.6x	13.7x	5.5%	1.4%	7.7%	2.3%	9.6%
Software	5.1x	18.9x	7.7%	4.0%	1.1%	0.2%	17.5%
Computers and Other Electronic Equipment	1.3x	9.8x	-1.6%	-0.2%	-2.1%	1.3%	16.9%
Technology Aggregate	2.5x	13.4x	3.9%	2.5%	7.1%	5.0%	17.2%
Industrial and Distribution							
Aerospace and Defense	1.6x	13.3x	-1.4%	-1.5%	-10.9%	-2.5%	11.5%
Building Products	1.4x	10.9x	3.3%	-1.0%	11.0%	3.4%	12.8%
Construction and Engineering	0.7x	9.7x	-1.3%	-1.9%	0.7%	-0.9%	9.0%
Machinery	1.7x	13.7x	-2.7%	-3.2%	1.6%	-1.8%	8.5%
Distributors	0.8x	11.7x	-1.6%	-4.7%	9.1%	-2.6%	4.3%
Industrial and Distribution Aggregate	1.4x	11.1x	-0.3%	1.7%	0.0%	1.1%	12.3%
Consumer Products							
Food and Beverage	2.0x	13.6x	2.3%	-2.3%	4.6%	-0.2%	15.3%
Household and Personal Products	3.0x	15.5x	-1.2%	-3.8%	1.2%	-2.1%	18.9%
Household Durables	1.0x	10.2x	4.4%	0.7%	10.4%	4.1%	6.8%
Textiles, Apparel, and Luxury Goods	1.7x	12.2x	2.5%	2.1%	-1.6%	-3.0%	7.4%
Consumer Products Aggregate	1.4x	11.5x	2.4%	0.5%	4.4%	1.6%	12.4%
Business Services							
Human Resource and Employment Services	0.8x	11.4x	4.1%	1.8%	3.0%	5.3%	18.7%
Research and Consulting Services	2.9x	15.3x	3.7%	0.3%	5.0%	1.1%	12.5%
Business Services Aggregate	1.6x	12.6x	1.2%	0.3%	2..3%	1.4%	12.6%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.9x	13.7x	1.1%	0.5%	7.2%	7.6%	9.1%
Restaurants	2.2x	13.9x	0.5%	0.9%	3.5%	3.2%	8.7%
Leisure Facilities	3.2x	17.5x	2.0%	0.6%	0.8%	0.0%	25.8%
Travel and Hospitality Aggregate	2.6x	13.4x	1.8%	0.0%	6.2%	2.3%	11.2%

M&A MARKET

Jeff Greene, EY's Global Life Sciences Transaction Advisory Services Leader, stated, "This coming year will see deal activity vary greatly across the life sciences industry and its subsectors. After its inversion-focused acquisition spree in the last few years, specialty pharma will see more tempered volumes as it continues to digest acquisitions and prune portfolios. Driven by declining valuations and relatively high debt levels, many specialty pharma players are contemplating divestitures. In contrast, biotech may have a bullish M&A run this year, spurred by the joint forces of slowing growth among big biotechs and falling valuations among small to mid-sized biotechs." The Middle Market M&A activity continues to take a decline from year to date, as well as from June 2016.



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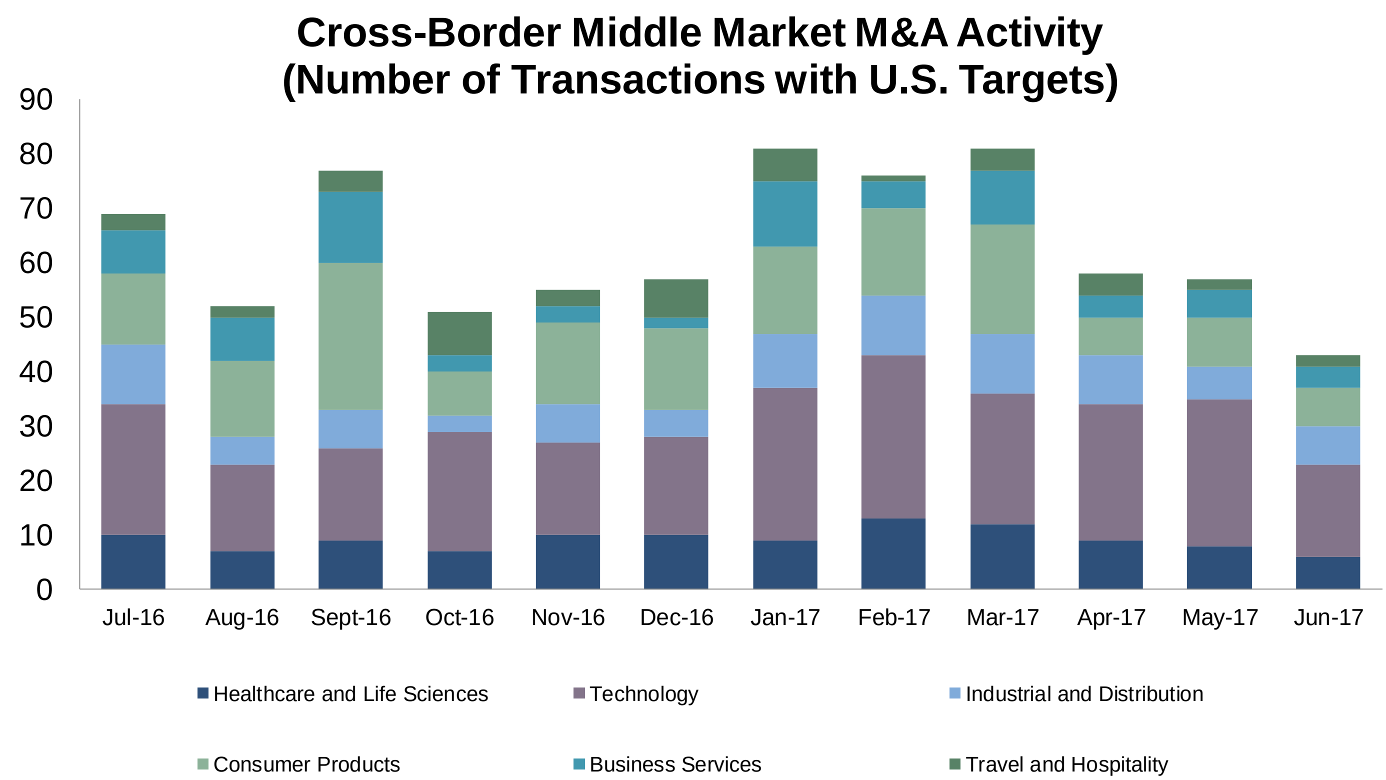
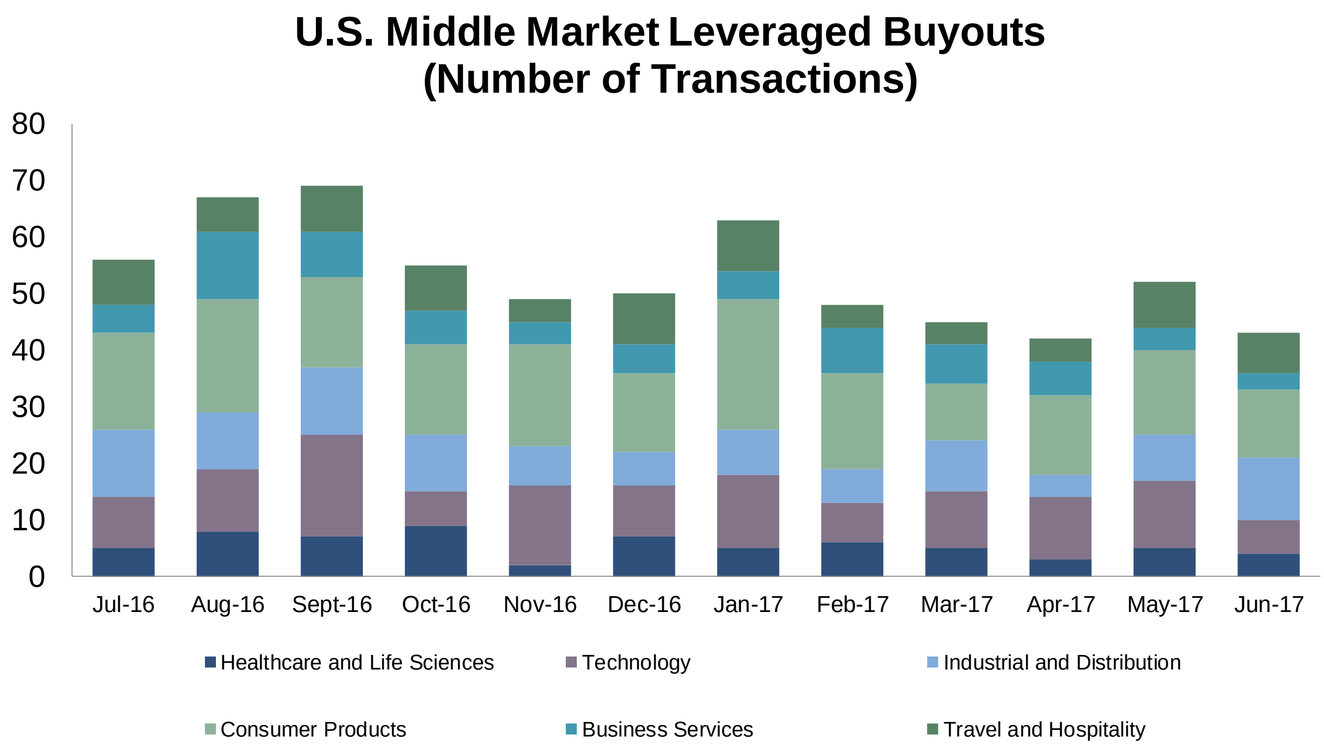
“The value of global cross-border M&A transactions reached a 10-year high in Q1 2017, despite seeing a 10 percent decline in volume. According to Allen & Overy, the mining sector saw a 142 percent increase in deal values in the mining sector over Q1 2016. Rising commodity prices have increased confidence, and helped to drive activity. “The huge increase in deal values for Q1 may somewhat overstate the level of recovery in the sector. However, many now expect commodity prices to continue firming this year and next, and that will encourage banks and investors to get behind new projects and deals, further adding to the improving strength in the sector,” said Geoff Simpson, a partner at Allen & Overy. Cross-border transaction volume began to decline as we reach the middle of 2017, as compared to months prior and mid-year 2016.



Lawrence E. Golub, CEO of Golub Capital said, "Middle market companies showed strong profit growth in the second quarter of 2017, after three quarters of modest year-over-year declines. Although a tight labor market continues to put pressure on margins, the improvement in earnings suggests that the middle market firms in our sample were more effective at cost control than in prior quarters. Across sectors, revenue growth was consistent with the healthy pace of growth in the first quarter of 2017. The Technology sector once again led revenue growth, benefiting from continued demand for productivity-enhancing technology. In aggregate, the Golub Capital Altman Index results for the second quarter of 2017 are consistent with a 2-3% rate of U.S. GDP growth."



SELECT M&A TRANSACTIONS – FOCUS ON HEALTH CARE AND LIFE SCIENCES

Mediware Acquires Kinnser Software

Mediware Information Systems has announced it will acquire Kinnser Software from Insight Venture Partners. The transaction is backed by TPG Capital.

Mediware, based in Lenexa, Kan. and founded in 1980, is a supplier of software for human and social services, blood solutions, cellular therapy, homecare, medication management, rehabilitation, and respiratory therapy. Kinnser, based in Austin, Texas, is a provider of comprehensive software solutions for home health and hospice providers.

Insight Venture Partners, based in New York, is a PE and venture capital firm founded in 1995, first invested in the company in 2012. It targets investments in growth-stage software, internet and data services companies. TPG Capital, headquartered in Fort Worth, Texas and San Francisco, targets investments in middle-market companies in healthcare and a number of other industries.

Athenahealth Buys Palo Alto, CA-Based Praxify

Athenahealth buys Palo Alto, CA-based Praxify for $63 million.

Palo Alto-based Praxify was founded in 2010 with the idea of reinventing how doctors work. Athenahealth, based out of Watertown, MA, was founded in 1997 with a similar idea: To take the burden of paperwork, or digital documentation off the doctors' docket, the better for them to practice medicine.

The acquisition of Praxify will advance athenahealth's platform strategy and mobile capabilities. Praxify has invested in developing machine learning and natural language processing technology over the years.

"In combination with our cloud platform and services, Praxify's team and technology will help us further reduce the many inefficiencies of healthcare's clinical and operational workflows," Prakash Khot, athenahealth's chief technology officer, said in a statement. The underlying technology on which Praxify is built will be integrated into Athenahealth's cloud platform. Knot noted, "it would create new opportunities for both internal and third-party developers to rapidly build and launch applications. positioning Athenahealth to speed development and delivery of innovation at scale for the healthcare industry."

GTCR Announces Acquisition of GreatCall

Headquartered in San Diego, California, GreatCall is the largest provider of connected health and personal emergency response services (PERS) for active aging, serving over 800,000 subscribers across the United States. GreatCall's product offering includes senior-friendly hardware combined with one-touch connectivity to trained agents who can answer questions, dispatch emergency personnel, connect to family caregivers and provide additional concierge services.

As part of the transaction, GTCR will partner with CEO David Inns and the GreatCall management team as they continue to grow and develop the Company's technology and services offering. GTCR expects to commit additional equity capital to fund future acquisitions and organic growth initiatives.

"David and the GreatCall team have built a tremendous business that is well-positioned for long-term success in an important industry," said GTCR Managing Director David Donnini. "As America's senior population continues to grow, technology enabling seniors to live independently at home for longer both significantly improves their quality of life and reduces the cost to care for them."

"We are excited to partner with GTCR as we continue to provide seniors with exceptional services that provide peace of mind and extend independent living," said Mr. Inns. "GTCR brings significant resources and experience in building industry-leading companies, and we believe they will be a valuable resource in the long-term expansion of our business."

Lawrence Fey, Managing Director at GTCR, added: "Through their leading service and technology platforms, GreatCall delivers a differentiated customer experience to an expanding demographic. As communication form factors and use cases continue to evolve, GreatCall is uniquely positioned to tailor these advancements to the needs of independent seniors."

The transaction is expected to close in the third quarter of 2017.

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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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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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.