

**MARKET BRIEF**

Economic indicators released in December showed positive results. Home prices continued to rise, unemployment remained steady, and consumer confidence expectations remained at historically strong levels. At the same time, the public markets posted across-the-board increases in December and finished the year with the best annual returns since 2013.

***228,000 Jobs added in November***

Total nonfarm payroll employment increased by 228,000 in November while the unemployment rate remained at 4.1%. Since January, the unemployment rate has declined by 0.7%. Job gains occurred in professional and business services, manufacturing, and healthcare. Employment in other major industries including mining, retail, transportation, financial services, and leisure and hospitality changed little. The labor force participation rate remained at 62.7% in November and is relatively unchanged over the past 12 months. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

***Consumer Confidence Declined Slightly After Reaching a 17-Year High***

The Conference Board Consumer Confidence Index decreased in December, following a modest improvement in November. The Index now stands at 122.1, down from 128.6 in November. Lynn Franco, Director of Economic Indicators, said that “Consumer confidence retreated in December after reaching a 17-year high in November. The decline in confidence was fueled by a somewhat less optimistic outlook for business and job prospects in the coming months. Consumers’ assessment of current conditions, however, improved moderately. Despite the decline in confidence, consumers’ expectations remain at historically strong levels, suggesting economic growth will continue well into 2018.” (<https://www.conference-board.org/data/consumerconfidence.cfm>)

***The Case-Shiller Index Indicated a Continued Rise in Home Value***

The S&P CoreLogic Cash-Shiller U.S. National Home Price NSA Index posted a 6.2% annual gain in October, up from 6.1% in September. David Blitzer, Managing Director and Chairman of the Index Committee, commented that “Home prices continue their climb supported by low inventories and increasing sales. Underlying the rising prices for both new and existing homes are low interest rates, low unemployment and continuing economic growth. Some of these favorable factors may shift in 2018. The Fed is widely expected to raise the Fed funds rate three more times to reach 2% by the end of the New Year. Since home prices are rising faster than wages, salaries, and inflation, some areas could see potential home buyers compelled to look at renting. Data published by the Urban Institute suggests that in some West coast cities with rapidly rising home prices, renting is more attractive than buying.” (<http://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

***The Consumer Price Index Increased Driven by Rising Energy Costs***

The Consumer Price Index for All Urban Consumers rose 0.4% in November on a seasonally adjusted basis, compared with 0.1% growth the prior month. Increases in gasoline, electricity, and medical care services were offset by a decline in the apparel index. Over the past twelve month, the all items index rose by 2.2%. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

## PUBLIC MARKET

The U.S. equity markets posted strong gains in December to cap a year that saw the best annual returns since 2013. The Dow Jones Industrial Average rose 1.9%, the S&P 500 Index gained 1.1%, and the Nasdaq Composite Index added 0.4% in December. For the year, the indices increased 28.1%, 21.8%, and 28.2%, respectively.

## Public Trading Multiples

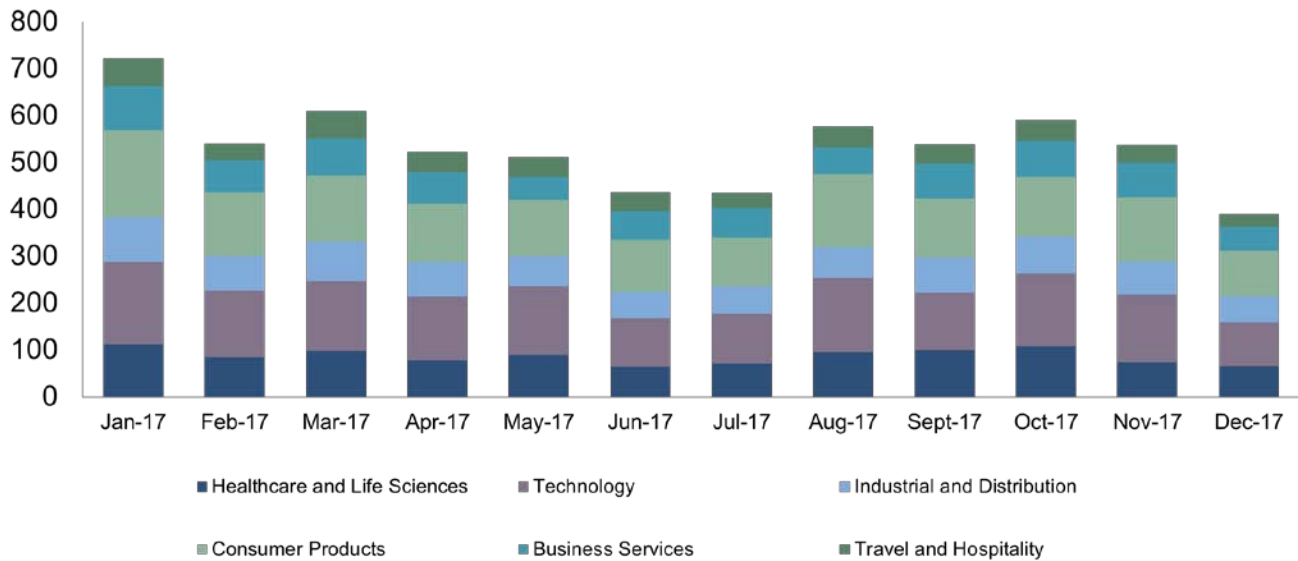
As of January 1, 2018

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	4.1x	21.3x	10.7%	7.4%	7.5%	8.0%	17.6%
Healthcare Equipment and Supplies	4.0x	17.4x	4.7%	5.3%	6.6%	7.7%	16.5%
Healthcare Providers and Services	0.8x	11.3x	4.6%	8.6%	4.6%	7.9%	4.1%
Healthcare and Life Sciences Aggregate	3.0x	16.6x	6.7%	7.1%	6.2%	7.9%	12.8%
<b>Technology</b>							
Internet Software and Services	7.4x	24.7x	26.1%	21.0%	33.6%	24.0%	12.6%
IT Services	2.8x	14.9x	6.4%	3.9%	7.9%	3.5%	9.5%
Software	5.4x	20.0x	14.0%	5.4%	11.9%	2.1%	19.0%
Computers and Other Electronic Equipment	1.5x	10.6x	3.3%	1.3%	8.9%	3.7%	19.6%
Technology Aggregate	4.3x	17.6x	12.5%	7.9%	15.6%	8.3%	15.2%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.7x	14.1x	3.4%	-0.1%	0.1%	-1.2%	6.3%
Building Products	1.4x	11.0x	-0.2%	-0.1%	7.4%	6.0%	12.5%
Construction and Engineering	0.8x	10.0x	5.7%	0.5%	4.3%	1.3%	9.5%
Machinery	1.8x	13.8x	5.2%	-0.5%	14.2%	2.2%	8.2%
Distributors	0.8x	11.4x	3.3%	-2.7%	22.5%	1.9%	4.2%
Industrial and Distribution Aggregate	1.3x	12.0x	3.5%	-0.6%	9.7%	2.1%	8.1%
<b>Consumer Products</b>							
Food and Beverage	2.3x	13.8x	4.7%	-0.7%	7.2%	1.5%	16.1%
Household and Personal Products	2.9x	16.0x	4.5%	-1.1%	6.9%	0.8%	18.3%
Household Durables	1.1x	10.5x	7.1%	3.4%	17.4%	7.9%	8.7%
Textiles, Apparel, and Luxury Goods	1.8x	12.7x	5.5%	3.9%	7.2%	0.2%	7.5%
Consumer Products Aggregate	2.0x	13.3x	5.5%	1.4%	9.7%	2.6%	12.6%
<b>Business Services</b>							
Human Resource and Employment Services	0.8x	12.5x	8.5%	4.8%	4.9%	7.0%	17.8%
Research and Consulting Services	3.0x	15.5x	9.6%	3.0%	10.8%	3.3%	12.2%
Business Services Aggregate	1.9x	14.0x	9.1%	3.9%	7.8%	5.2%	15.0%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.9x	13.3x	7.1%	2.6%	8.7%	8.9%	8.5%
Restaurants	2.2x	13.7x	1.1%	1.4%	3.1%	3.6%	8.3%
Leisure Facilities	3.5x	12.8x	0.8%	1.3%	3.8%	2.0%	29.6%
Travel and Hospitality Aggregate	2.9x	13.3x	3.0%	1.8%	5.2%	4.8%	15.5%

**M&A MARKET**

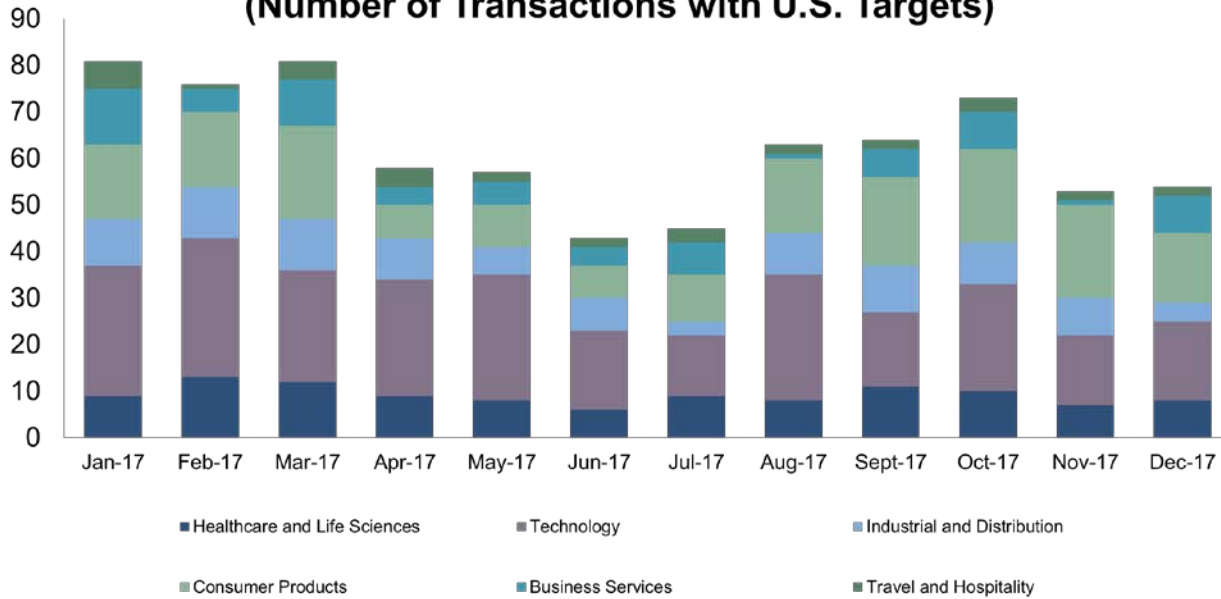
According to Baker McKenzie and Oxford Economics, dealmaking in the U.S. is set to rebound in 2018 after a year of “wait and see” following the election of President Trump in 2016. Trade policies enacted have proven to be less restrictive than originally proposed, U.S. economic fundamentals remain strong, and M&A activity is expected to reach \$1.5 trillion in 2018, up from \$1.3 trillion in 2017.

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



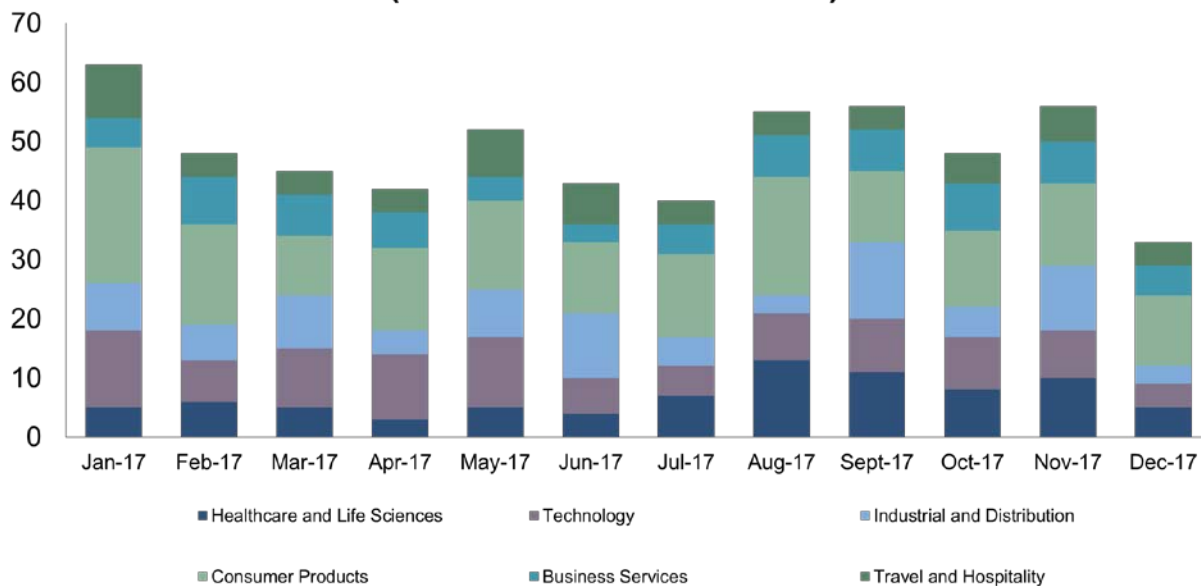
Even though the shock of Brexit and the U.S. presidential election lingered through the start of 2017, investors at home and abroad were not discouraged as the Eurozone economy rebounded. After Canada, the U.K. and Germany, respectively, led the way in both U.S. outbound and inbound M&A activity through November. The turnaround coincided with the political sentiment for creating European champions to counter U.S. and Chinese economic influence. The Eurozone closed 2017 with unemployment at its lowest level in almost eight years and economic growth back to levels not seen since 2011. As economic reforms plays out, growth could accelerate and help drive cross-border M&A in 2018. The recent increased interest by activist investors by European companies could also be a factor.

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



Private equity M&A activity continued at a robust pace in 2017, although deal volume dropped in many regions compared to 2015 and 2016. The reluctance of some sponsors to carry out transactions was understandable as political and regulatory uncertainty, economic protectionism, and high valuations made for a complex investing environment. However, with private equity firms sitting on nearly \$1 trillion of dry powder and tax reform complete, the imperative to deploy fund capital should support a very active deal market in 2018.

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



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

### ***MGC Diagnostics Corporation (Nasdaq: MGCD) acquired by Altus Capital Partners***

MGC Diagnostics Corporation was acquired by Altus Capital Partners on December 27, 2017 for \$43.8 million, or 1.1x revenue.

MGC Diagnostics Corporation designs, markets, and sells non-invasive cardiorespiratory diagnostic systems for the detection, classification, and management of cardiorespiratory disease. The company was founded in 1977 and is based in St. Paul, Minnesota.

Altus Capital Partners is a private equity firm specializing in investments in middle market manufacturing companies. It typically invests in manufacturers with a strong position in a niche market, headquartered east of the Rocky Mountains, and with EBITDA of at least \$4 million. Altus Capital Partners was founded in 2003 and has offices in Wilton, CT and Lincolnshire, IL.

Todd Austin, CEO of MGC Diagnostics, said “We look forward to becoming part of the Altus organization. Our strategies for product innovation and growth are nicely aligned and together we believe we can accelerate the delivery of new product offerings to our customers. Altus’s financial strength provides incremental funding for our product development pipeline initiatives.”

### ***Vios Medical, Inc. acquired by Murata Electronics North America, Inc.***

Vios Medical, Inc. was acquired by Murata Electronics North America, Inc. on October 13, 2017 for \$101.7 million.

Vios Medical, Inc. is a medical technology company focused on utilizing medical-grade IoT sensors and virtual patient care services to optimize the management of patients throughout the continuum of care. The company is focused on reducing the cost of healthcare, enhancing clinical workforce productivity, and improving patient outcomes through clinical workflow automation. The company was founded in 2012 and is based in St. Paul, Minnesota.

Murata Electronics North America, Inc. researches, designs, manufactures, and sells ceramic-based passive electronic components and devices. The company offers products for mobile device/network/wireless communication, automotive, transportation, consumer goods, energy, healthcare equipment, data management, lighting, automation, security and safety, and industrial applications. Murata Electronics North America, Inc. was founded in 1965 and is based in Smyrna, Georgia.

Tsuneo Murata, President of Murata Manufacturing Co., stated “This acquisition represents a major foothold for Murata’s entry into the global healthcare and medical fields. Murata will effectively utilize Vios’s technologies, expertise, and network of overseas hospitals to work toward further business expansion.”

### ***Roxwood Medical, Inc. acquired by BTG plc (LSE: BTG)***

Roxwood Medical, Inc. was acquired by BTG plc on October 5, 2017 for \$80.0 million.

Roxwood Medical, Inc. focuses on developing tools to the cardiac catheterization lab to tackle complex cases in interventional cardiology. It offers a platform of front-line catheters to help patients with coronary and peripheral diseases. The company was founded in 2007 and is based in Redwood City, CA.

BTG plc acquires, develops, manufactures, and commercializes pharmaceutical products globally. The company’s growing portfolio of interventional medicine products is designed to advance the treatment of cancer, severe emphysema,

severe blood clots, and varicose veins, while its pharmaceuticals portfolio offers antidotes that alleviate toxicity and treat rare conditions. BTG plc was founded in 1948 and is headquartered in London, United Kingdom.

John Sylvester, BTG’s Chief Commercial Officer, stated “This bolt-on acquisition continues to build BTG’s strength in the interventional vascular space, further expanding our portfolio of differentiated minimally invasive vascular technologies. Roxwood’s products complement our existing business and will be offered through our existing EKOS® hospital sales force, providing our customers with options to enable treatment of these patients with complex lesions.”

### **FURTHER INFORMATION**

Successful business owners have turned to Mirus Capital Advisors for more than 30 years to help them realize their ultimate accomplishment – the sale of their business. As a mid-market investment bank focused on mergers and acquisitions, Mirus drives successful deals for companies in the industrial, consumer, business services, healthcare and technology industries. Mirus has proven time and again that its deep industry expertise, focus on relationships, thorough preparation and unwavering commitment to every deal lead to meaningful accomplishments for business owners. Our affiliate Mirus Securities, Inc. is a registered broker-dealer and FINRA member.

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