

**MARKET BRIEF**

Economic indicators released in January showed positive results. Consumer confidence expectations remained at historically strong levels, home prices continued to rise, and unemployment remained steady. At the same time, the public markets posted across-the-board increases in January, despite growing volatility towards the end of the month. Middle-market M&A got off to a solid start, with analysts anticipating strong deal flow throughout 2018.

***200,000 Jobs Added in January***

Total nonfarm payroll employment increased by 200,000 in January while the unemployment rate remained at 4.1%. Job gains occurred in construction, food services, health care and manufacturing. 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% for the fourth consecutive month and is relatively unchanged over the past 12 months. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

***Consumer Confidence Increased in January***

The Conference Board Consumer Confidence Index increased in January, following a decline in December. The Index now stands at 125.4, up from 123.1 in December. Lynn Franco, Director of Economic Indicators, said that “Consumers’ assessment of current conditions decreased slightly, but remains at historically strong levels. Expectations improved, though consumers were somewhat ambivalent about their income prospects over the coming months, perhaps the result of some uncertainty regarding the impact of the tax plan. Overall, however, consumers remain quite confident that the solid pace of growth seen in late 2017 will continue 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 November, as it did in October. David Blitzer, Managing Director and Chairman of the Index Committee, commented that housing construction is running well below historical levels. “Without more supply, home prices may continue to substantially outpace inflation.” (<http://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

***The Consumer Price Index Reported a Slight Increase***

The Consumer Price Index for All Urban Consumers rose 0.1% in December on a seasonally adjusted basis, compared with 0.4% growth the prior month. Increases in food at home and food away were offset by a decline in the energy index, which had increased sharply in November due to rising gasoline prices. Over the past twelve month, the all items index rose by 2.1%. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

## PUBLIC MARKET

Both the Dow Jones Industrial Average and the S&P 500 closed January at higher levels than December. This marks a ten month streak of month-over-month improvements, a feat which hasn't been seen since 1959. Overall, The Dow Jones Industrial Average rose 5.3%, the S&P 500 Index gained 4.8%, and the Nasdaq Composite Index added 5.8% in January.

## Public Trading Multiples

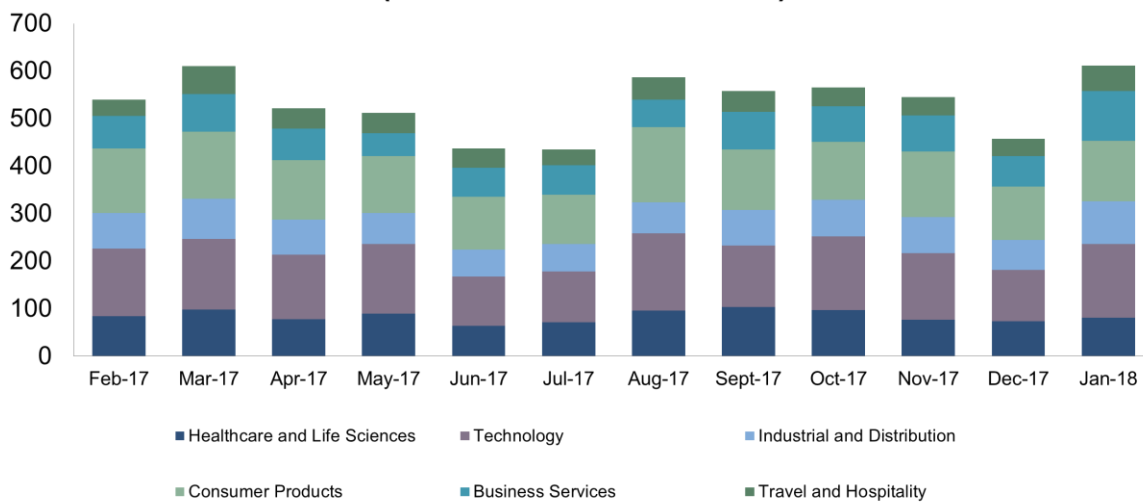
As of February 1, 2018

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	4.2x	21.6x	11.2%	7.5%	14.0%	9.4%	17.8%
Healthcare Equipment and Supplies	4.2x	17.8x	5.5%	6.0%	9.7%	8.7%	16.4%
Healthcare Providers and Services	0.8x	11.7x	5.0%	8.3%	5.5%	8.1%	4.1%
Healthcare and Life Sciences Aggregate	3.1x	17.0x	7.2%	7.3%	9.8%	8.7%	12.8%
<b>Technology</b>							
Internet Software and Services	7.4x	24.2x	26.5%	21.4%	34.5%	25.1%	12.6%
IT Services	3.0x	15.8x	9.1%	4.3%	8.0%	4.1%	9.3%
Software	5.7x	20.8x	16.3%	5.6%	16.0%	3.4%	19.2%
Computers and Other Electronic Equipment	1.4x	9.9x	8.7%	2.2%	18.0%	5.0%	20.3%
Technology Aggregate	4.4x	17.7x	15.2%	8.4%	19.1%	9.4%	15.3%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.9x	15.1x	4.3%	0.1%	2.3%	-0.3%	6.4%
Building Products	1.5x	11.1x	0.6%	0.2%	8.4%	6.6%	12.6%
Construction and Engineering	0.8x	10.1x	6.3%	0.6%	4.9%	1.4%	9.5%
Machinery	1.8x	13.8x	8.7%	0.3%	19.1%	3.4%	8.2%
Distributors	0.8x	11.5x	5.3%	-2.4%	25.1%	1.7%	4.3%
Industrial and Distribution Aggregate	1.3x	12.3x	5.1%	-0.2%	12.0%	2.6%	8.2%
<b>Consumer Products</b>							
Food and Beverage	2.3x	13.9x	5.4%	-0.3%	7.5%	2.3%	16.2%
Household and Personal Products	3.1x	15.6x	8.4%	0.7%	12.6%	3.0%	18.2%
Household Durables	1.1x	10.6x	10.1%	4.2%	19.9%	8.6%	8.9%
Textiles, Apparel, and Luxury Goods	1.9x	12.8x	7.0%	4.6%	9.6%	1.6%	7.6%
Consumer Products Aggregate	2.1x	13.2x	7.7%	2.3%	12.4%	3.9%	12.7%
<b>Business Services</b>							
Human Resource and Employment Services	0.9x	12.9x	9.6%	5.1%	6.3%	7.0%	17.8%
Research and Consulting Services	3.0x	15.6x	9.8%	3.3%	11.5%	3.7%	10.5%
Business Services Aggregate	2.0x	14.2x	9.7%	4.2%	8.9%	5.3%	14.1%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.9x	13.6x	7.7%	2.8%	9.4%	9.2%	8.8%
Restaurants	2.2x	13.7x	1.5%	1.5%	3.4%	3.9%	8.3%
Leisure Facilities	3.7x	13.4x	3.6%	1.9%	7.2%	2.7%	29.8%
Travel and Hospitality Aggregate	3.0x	13.6x	4.3%	2.1%	6.7%	5.2%	15.6%

## M&A MARKET

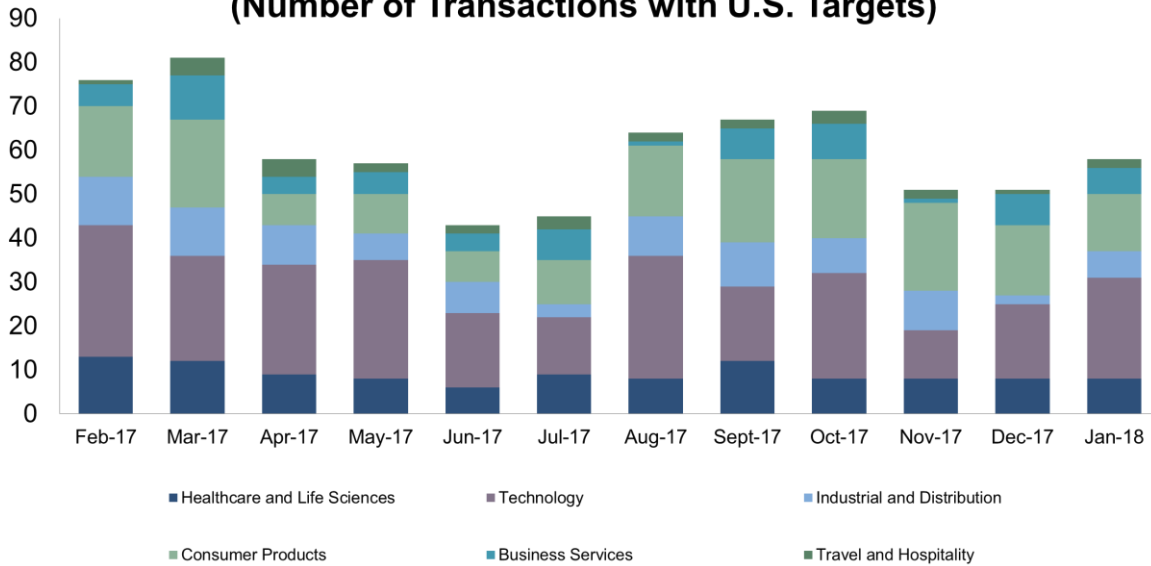
According to the Deloitte M&A trends report, corporate executives anticipate an increase in M&A activity in 2018. Nearly 70% of US corporate executives surveyed in the report expect that deal flow will increase in the next twelve months, and nearly all agree that deal size will increase or remain similar to 2017 levels. The Citizens Commercial Banking Middle Market M&A Outlook echoes these sentiments. The report summarizes: “Both sellers and buyers agree that the seller’s market of the last few years will likely continue. Fifty-six percent of sellers are either currently involved in or open to M&A activity in 2018, up from 48 percent in 2017. Seller confidence is also on the rise as 35 percent of sellers are highly confident they will complete a deal this year, compared with 25 percent in 2017.”

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



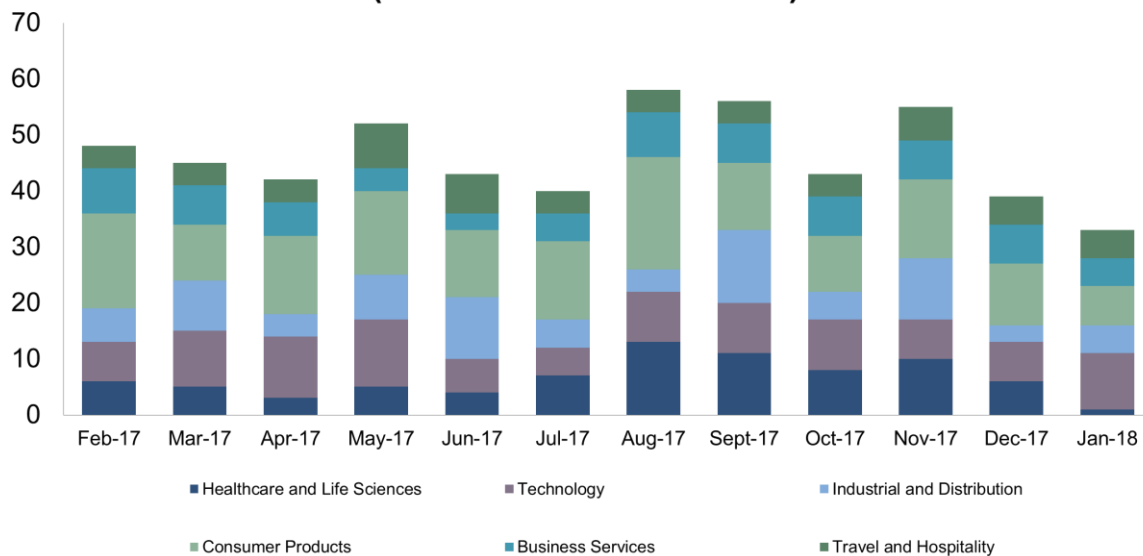
Cross-border M&A is expected to remain strong in 2018, driven in part by the US / UK deal corridor, as initial concerns related to Brexit and President Trump’s election fade away. Andrew Wilson, co-author of the Deloitte US / UK M&A Deal Monitor, writes: “The M&A market shows few signs of slowing down, with dealmakers putting aside geopolitical, economic and regulatory concerns in an effort to grow their bottom lines. For many mid-market deal makers, investing in the U.S.-U.K. corridor is no longer a second-best route to organic growth, but has become their primary growth strategy.”

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



According to the Pitchbook US PE Middle Market Report, in 2017, private equity firms invested more than \$320 billion across more than 2,300 deals. 2017 featured a 14% year-over-year increase in deal value, largely driven by a shift in activity to the upper middle market (UMM). Nico Cordiero, analyst at PitchBook, summarizes: “The notable shift in the US MM towards UMM activity is being driven by several factors, including record-high pricing multiples, larger add-on deals, and ballooning fund sizes. In 2018, if the economy continues to chug along at its current pace, we expect to see a resurgence in strategic activity, as corporations complete the integration of previous acquisitions into existing operations. The result could have a far-reaching impact on the overall PE dealmaking landscape.”

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



## **SELECT M&A TRANSACTIONS – FOCUS ON TECHNOLOGY**

### ***ACCEO Solutions Inc. acquired by N. Harris Computer Corporation***

ACCEO Solutions Inc. was acquired by N. Harris Computer Corporation, a subsidiary of Constellation Software Inc. (TSX:CSU), on January 16, 2018 for \$201 million.

ACCEO Solutions Inc. designs, develops and offers banking, accounting, business, and cloud computing solutions. The company was founded in 1977 and is headquartered in Montreal, Canada.

N. Harris Computer Corporation develops software solutions for customers in utility, public sector and schools group, and healthcare group businesses in North America. The company was founded in 1976 and is headquartered in Ottawa, Canada with additional offices in North America.

Gilles Létourneau, Acceo's Chief Executive Officer said, "We are very proud to have built a company that is highly visible in Canada's IT industry. Being well recognized has sparked the interest of Constellation, a large organization that has demonstrated its ability to acquire and integrate companies with great success. I am confident that Acceo will be in good hands as part of the Harris family and that both clients and employees will benefit from this acquisition. We have numerous products that are complimentary and will contribute to growth opportunities."

### ***Angoss Software Corporation acquired by Datawatch Corporation (NasdaqCM:DWCH)***

Angoss Software Corporation was acquired by Datawatch Corporation (NasdaqCM:DWCH) on January 30, 2018 for \$24.3 million, which was approximately 2.3x revenue and 11.1x EBITDA.

Angoss Software provides predictive analytics software and solutions primarily to financial services, insurance, retail, health care, and information communication and technology organizations. The company was founded in 1984 and is based in Toronto, Canada.

Datawatch Corporation designs, develops, markets, and distributes business computer software products to self-service data preparation and visual data discovery markets in the United States and internationally. The company was founded in 1985 and is headquartered in Bedford, Massachusetts.

"This is a transformative acquisition for Datawatch that offers a very natural complement to our core Monarch technology platform, significantly expands our addressable market and thus strengthens our competitive position," said Michael A. Morrison, president and chief executive officer. "Our legacy in data preparation serves as the ideal foundation to extend into all levels of analytics, including predictive and prescriptive analytics. With the Angoss data science platform, we are uniting data preparation, machine learning and predictive analytics to provide an end-to-end data intelligence solution for the enterprise. We welcome the Angoss team to Datawatch, and we know that everyone is excited to work together to make advanced analytics even more accessible to users of all skill levels."

### ***Bazaarvoice, Inc. acquired by Marlin Equity Partners***

Bazaarvoice, Inc. was acquired by Marlin Equity Partners on February 1, 2018 for \$521 million, which was approximately 2.2x revenue.

Bazaarvoice, Inc. provides marketing tools to retailer and brand clients for understanding consumer voice. It provides its solutions through Bazaarvoice conversations platform, a software as a service platform, which enables clients to capture, manage, and display online consumer-generated content, including ratings and reviews, photos, questions and answers,

videos, long-format narratives, seller ratings, and workbench analytics. Bazaarvoice, Inc. was founded in 2005 and is headquartered in Austin, Texas.

Battery Ventures is a private equity and venture capital investment firm specializing in seed, start-up, early and late stage ventures, leveraged buy-outs, acquisitions, growth equity, PIPES, spin-outs, roll-ups, later stage, take private transactions, mid-market buyouts, special situations, expansion deals, secondary transactions, and distressed situations in the Fintech sector. Battery Ventures was founded in 1983 and is based in Boston, Massachusetts.

“We are pleased to announce this transaction which enables our stockholders to realize immediate cash value at a premium and provides Bazaarvoice with the operational flexibility it needs to continue its strategic vision,” said Gene Austin, Bazaarvoice’s chief executive officer and president.

### **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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