MARKET BRIEF

Economic indicators released in February showed mostly positive results. Consumer confidence increased slightly over January, home prices continued to rise, and unemployment remained steady. However, the public markets closed February at lower levels than January, after an early February market correction. Middle-market M&A continued its solid start to the year, as analysts anticipate strong deal flow throughout 2018.

More than 300,000 Jobs Added in February

Total nonfarm payroll employment increased by 313,000 in February while the unemployment rate remained at 4.1% for the fifth consecutive month. Job gains occurred in construction, retail, professional and business services, manufacturing, financial services, mining, and healthcare. Employment in other major industries, including wholesale trade, transportation and warehousing, information, leisure and hospitality, and government, changed little. The labor force participation rate increased by 0.3% to 63.0% but is relatively unchanged over the past 12 months. (https://www.bls.gov/news.release/pdf/empsit.pdf)

Consumer Confidence Increased in February

The Conference Board Consumer Confidence Index increased in February, following a modest increase in January. The Index now stands at 130.8, up from 124.3 in January. “Consumer confidence improved to its highest level since 2000 (Nov. 2000, 132.6) after a modest increase in January,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers’ assessment of current conditions was more favorable this month, with the labor force the main driver. Despite the recent stock market volatility, consumers expressed greater optimism about short-term prospects for business and labor market conditions, as well as their financial prospects. Overall, consumers remain quite confident that the economy will continue expanding at a strong pace in the months ahead.” (https://www.conference-board.org/data/consumerconfidence.cfm)

The Case-Shiller Index Indicated a Continued Rise in Home Values

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 6.3% annual gain in December, up from 6.1% in November. David Blitzer, Managing Director and Chairman of the Index Committee, commented: “The rise in home prices should be causing the same nervous wonder aimed at the stock market after its recent bout of volatility. Within the last few months, there are beginning to be some signs that gains in housing may be leveling off.” (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 0.2% in February on a seasonally adjusted basis, compared with 0.5% growth the prior month. Increases in shelter, apparel and energy were reported in February, while food pricing remained relatively unchanged. Over the past twelve months, the all items index rose by 2.2%. (https://www.bls.gov/news.release/cpi.nr0.htm)

PUBLIC MARKET

After several months of stronger than expected growth, the public markets saw increased volatility in February, closing the month with a slight decline. Overall, The Dow Jones Industrial Average dropped 4.4%, the S&P 500 Index decreased 3.8%, and the Nasdaq Composite Index fell 1.5% in February.

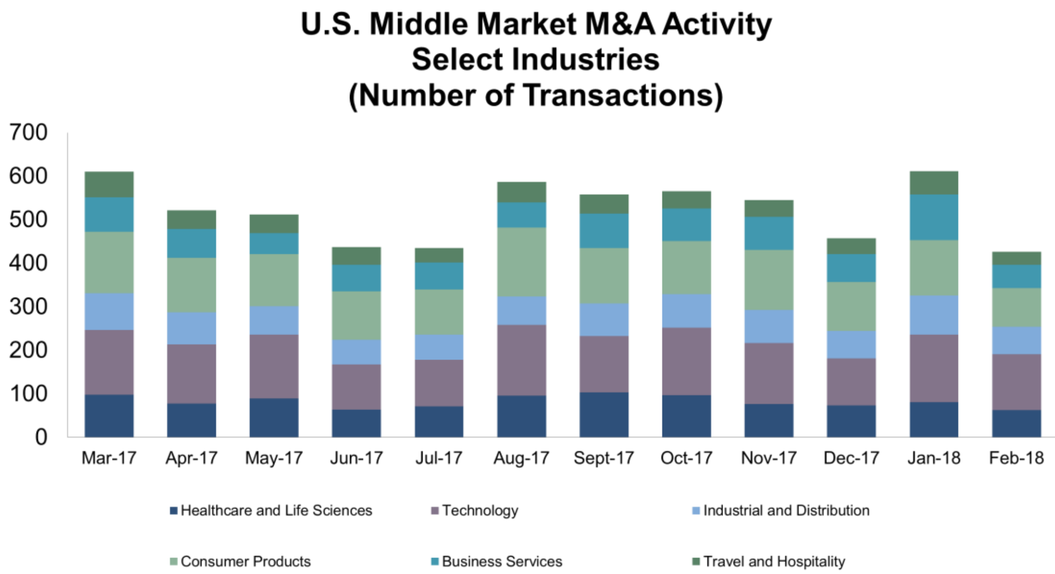
Public Trading Multiples

As of March 1, 2018

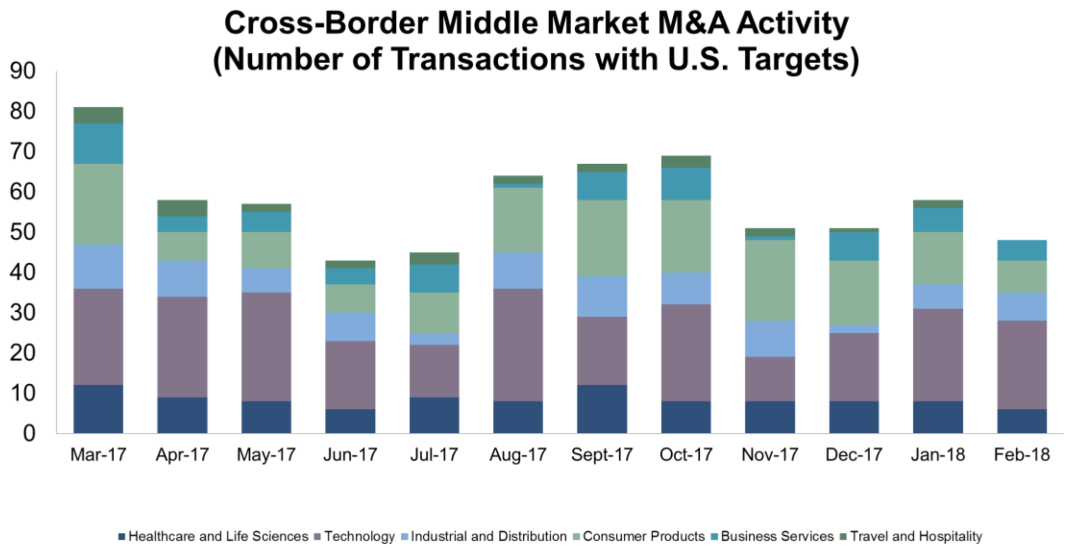
Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin
Healthcare and Life Sciences							
Healthcare Technology	4.1x	21.7x	11.8%	7.8%	12.0%	7.6%	17.7%
Healthcare Equipment and Supplies	4.2x	18.4x	7.8%	5.9%	9.3%	7.9%	16.5%
Healthcare Providers and Services	0.8x	11.7x	5.6%	8.3%	6.5%	8.0%	4.1%
Healthcare and Life Sciences Aggregate	3.1x	17.3x	8.4%	7.4%	9.2%	7.9%	12.8%
Technology							
Internet Software and Services	7.4x	24.8x	29.1%	22.9%	35.3%	25.1%	12.7%
IT Services	2.9x	15.7x	10.8%	4.7%	8.7%	4.3%	9.4%
Software	5.7x	20.8x	16.9%	5.9%	15.4%	3.6%	19.2%
Computers and Other Electronic Equipment	1.4x	9.9x	9.9%	2.4%	19.0%	5.2%	20.3%
Technology Aggregate	4.4x	17.8x	16.6%	9.0%	19.6%	9.5%	15.4%
Industrial and Distribution							
Aerospace and Defense	2.3x	14.4x	5.4%	0.6%	10.4%	0.8%	6.0%
Building Products	1.4x	10.9x	7.2%	2.5%	13.7%	8.3%	12.6%
Construction and Engineering	0.8x	10.0x	9.6%	1.7%	8.8%	3.5%	9.7%
Machinery	1.8x	13.5x	13.1%	0.9%	27.1%	4.9%	8.4%
Distributors	0.8x	11.7x	11.8%	-1.2%	24.8%	2.6%	4.3%
Industrial and Distribution Aggregate	1.4x	12.1x	9.4%	0.9%	17.0%	4.0%	8.2%
Consumer Products							
Food and Beverage	2.3x	12.6x	8.4%	1.1%	11.0%	4.5%	16.2%
Household and Personal Products	3.1x	15.4x	10.4%	1.4%	14.0%	3.7%	18.3%
Household Durables	1.1x	10.3x	15.4%	5.0%	32.0%	10.4%	8.9%
Textiles, Apparel, and Luxury Goods	1.9x	12.9x	7.8%	4.8%	11.8%	2.5%	7.7%
Consumer Products Aggregate	2.1x	12.8x	10.5%	3.1%	17.2%	5.3%	12.8%
Business Services							
Human Resource and Employment Services	0.9x	12.7x	14.0%	5.9%	13.1%	7.8%	17.8%
Research and Consulting Services	3.0x	15.4x	11.9%	4.9%	13.5%	5.7%	10.4%
Business Services Aggregate	2.0x	14.0x	12.9%	5.4%	13.3%	6.8%	14.1%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.8x	13.7x	7.8%	2.6%	6.7%	7.7%	8.9%
Restaurants	2.2x	13.7x	5.4%	1.8%	6.1%	4.1%	8.3%
Leisure Facilities	3.7x	13.1x	5.8%	2.4%	15.5%	4.7%	29.9%
Travel and Hospitality Aggregate	2.9x	13.5x	6.3%	2.2%	9.4%	5.5%	15.7%

M&A MARKET

Consensus among analysts is that 2018 will be another strong year for M&A. KPMG writes: "M&A executives are looking forward to another active year in 2018. This is underpinned by sound macro-economic fundamentals, more developed M&A strategies […], availability of funding and a pipeline of attractive target assets coming to the market." JP Morgan reiterates the positive outlook: "We expect solid GDP growth in all major economies and healthy equity and debt markets to continue to provide companies with confidence to pursue innovative and transformative M&A transactions. Shareholders have demonstrated receptivity to smart and synergistic strategic deals, motivating boards to look for initiatives to bolster a modest organic growth outlook and drive shareholder value."

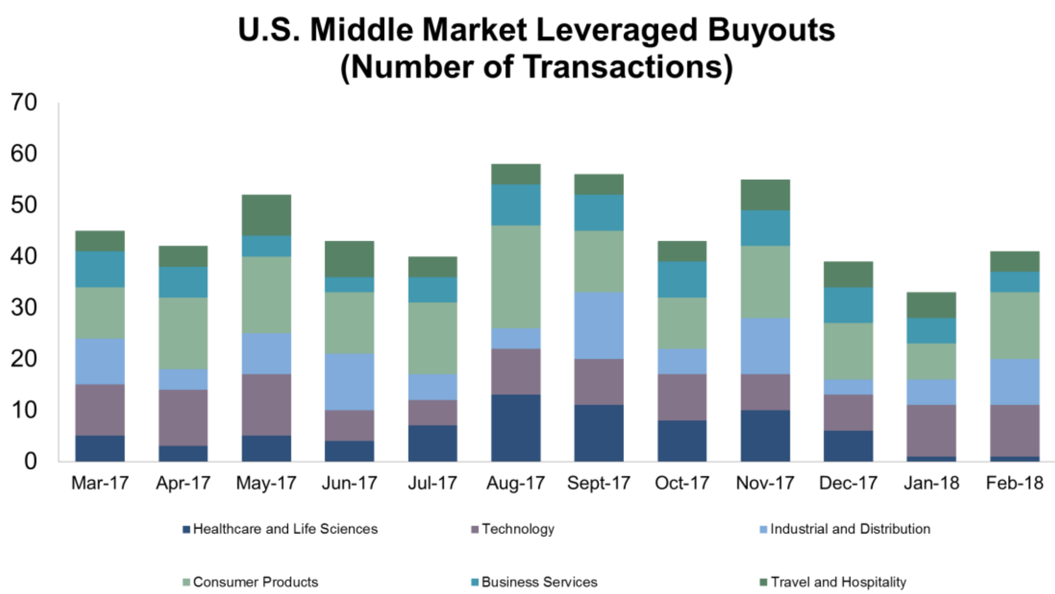


One of the key influences on cross-border deals in 2017 was the 62% drop in Chinese investment into the US and Europe in the first nine months of 2017. This was a dramatic decrease compared to the record breaking levels reported in the same period in 2016. This was largely a result of restrictions imposed by Beijing on outbound foreign investment, which caused sellers outside of China to be concerned about a Chinese buyer's ability to finance and close deals. Towards the end of 2017, Chinese investors increasingly attempted to mitigate these perceived risks by using offshore vehicles, and as a result, the pipeline of Chinese deals has started to strengthen entering 2018.



As 2018 begins to take shape, more and more private equity firms are moving to the lower middle market in search of a larger pool of targets, lower valuations and less competition from other PE groups. They are, as many have said, "thinking small to grow big".

"The competitive nature of even the lower middle market is intense," says Eric Bacon, a managing director and co-founder of Watervale Equity Partners, a lower middle-market PE firm launched in August. "The sell processes are compressed, offering limited exposure to the seller and management, and multiple teams spend big bucks to distinguish themselves in a race to a quick close. We are trying to escape some of that by moving down lower. We see that there is an inflection point somewhere in the $6 million to $7 million Ebitda range. Yes, the risks are higher with less infrastructure and management depth. But, we've worked there and enjoy rolling up our sleeves."



SELECT M&A TRANSACTIONS – FOCUS ON INDUSTRIAL & DISTRIBUTION

FMH Aerospace acquired by AMETEK, Inc.

FMH Aerospace was acquired by AMETEK, Inc. on February 1, 2018 for $235 million, which was approximately 4.7x LTM revenue.

FMH Aerospace Corp. manufactures engineered components and assemblies for commercial aerospace, defense, space, and industrial sectors. Its products facilitate transfer of fluids and gases at extreme temperatures, pressures, and demanding environments. The company is headquartered in Irvine, California.

AMETEK, Inc. manufactures and sells electronic instruments and electromechanical devices worldwide. The Company was founded in 1930 and is headquartered in Berwyn, Pennsylvania.

"FMH is a high-quality acquisition for our Thermal Management Systems businesses with excellent positions across a number of attractive aerospace and defense platforms," commented David A. Zapico, AMETEK Chairman and Chief Executive Officer. "Its proprietary products and solutions further broaden our differentiated product offering serving these markets."

Precision Hydraulic Cylinders Inc. acquired by Leggett & Platt, Incorporated (NYSE:LEG)

Precision Hydraulic Cylinders Inc. ("PHC") was acquired by Leggett & Platt, Incorporated on January 31, 2018 for $85 million, which was approximately 1.0x LTM revenue.

PHC designs, develops, manufactures, and supplies hydraulic cylinders. Its products are used in material handling, construction, highway and off-highway vehicle, aerial work platform, and agricultural applications. The company serves OEMs in the mobile equipment markets worldwide. PHC was founded in 1997 and is based in Beulaville, North Carolina. It has production facilities North Carolina; Cramlington, United Kingdom; and Chennai, India.

Leggett & Platt designs and produces various engineered components and products worldwide. It operates through four segments: Residential Products, Furniture Products, Industrial Products, and Specialized Products. The Company was founded in 1883 and is headquartered in Carthage, Missouri.

Leggett & Platt President and CEO Karl G. Glassman commented: "Hydraulic cylinders are one of a handful of new markets identified during the Styles of Competition analysis and growth process we began in 2016. PHC serves a market of mainly large OEM customers utilizing highly engineered, co-designed components with long product lifecycles, yet representing a small part of the end product's cost. This business aligns extremely well with the Critical Components style shared by many of our strongest performing operations."

Fore Transportation, Inc. acquired by Universal Logistics Holdings, Inc. (NasdaqGS:ULH)

Fore Transportation, Inc. was acquired by Universal Logistics Holdings, Inc. on February 2, 2018 for nearly $35 million, which was approximately 1.1x LTM revenue.

Fore Transportation offers local, regional, and long-haul intermodal trucking services. The Company was founded in 1994 and is based in Harvey, Illinois, outside of Chicago.

Universal Logistics Holdings provides transportation and logistics solutions in the United States, Mexico, Canada, and Colombia. The company was formerly known as Universal Truckload Services, Inc. and changed its name to Universal Logistics Holdings, Inc. in April 2016. The Company was founded in 1981 and is headquartered in Warren, Michigan.

"We are extremely excited to welcome Fore Transportation to the Universal family," stated Jeff Rogers, Universal's Chief Executive Officer. "Fore is a strategic acquisition of a well-established brand in the Chicagoland intermodal trucking market. We see a great deal of opportunities to gain market share in this region, as well as offer expanded services to Fore's already existing blue-chip customer base. We're off to a great start in 2018, and closing this deal represents a first step in our renewed ambitions to acquire and integrate best-in-class companies."

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.

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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Patrick West

Sources: CapitalIQ, Bloomberg, Forbes, Reuters, The New York Times, The Wall Street Journal, Bureau of Labor Statistics, Ernst & Young, JP Morgan, Financial Times, The Middle Market, other sources as referenced within, and Mirus analysis.