MARKET BRIEF

Economic indicators released in June moderated after a long stretch of positive results, as compared to previous months. Unemployment increased slightly from last month, the Consumer Confidence Index reported a modest decrease, the Consumer Price Index reported a slight increase, and home prices fell slightly. In June, the public markets closed below May levels, while middle market M&A activity remained in line with analyst expectations.

Unemployment Rate Rises to 4.0%

Total nonfarm payroll employment increased by 213,000 in May, and the unemployment rate rose to 4.0% after remaining at 3.8% in May. The number of unemployed persons increased by 499,000 to 6.6 million. Compared to June 2017, the jobless rate was 4.3% and 7.0 million people were unemployed. Job gains occurred in several industries, including professional and business services, manufacturing, and health care. On the contrary, retail trade lost jobs in June. The labor force participation rate edged up to 62.9% in June from 62.7% last month.
(https://www.bls.gov/news.release/pdf/empsit.pdf)

Consumer Confidence Decreased in June

The Conference Board Consumer Confidence Index decreased in June, following a slight increase in May. The Index now stands at 126.4, down from 128.0 in May. “Consumer confidence declined in June after improving in May,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers’ assessment of present-day conditions was relatively unchanged, suggesting that the level of economic growth remains strong. While expectations remain high by historical standards, the modest curtailment in optimism suggests that consumers do not foresee the economy gaining much momentum in the months ahead.”
(https://www.conference-board.org/data/consumerconfidence.cfm)

The Case-Shiller Index Is Down Slightly, But Still Up 6.4% in the Last 12 Months

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 6.4% annual gain in April, down slightly from 6.5% in the previous month. David Blitzer, Managing Director and Chairman of the Index Committee, commented: “Home prices continued their climb with the S&P CoreLogic Case-Shiller National Index up 6.4% in the past 12 months. Cities west of the Rocky Mountains continue to lead price increases with Seattle, Las Vegas and San Francisco ranking 1-2-3 based on price movements in the trailing 12 months. The favorable economy and moderate mortgage rates both support recent gains in housing. One factor pushing prices up is the continued low supply of homes for sale. The months-supply is currently 4.3 months, up from levels below 4 months earlier in the year, but still low.”
(https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/731751_cshomeprice-release-0626.pdf)

The Consumer Price Index Reported a Slight Increase

The Consumer Price Index for All Urban Consumers increased 0.1% in June on a seasonally adjusted basis after rising 0.2% in May. The indexes shelter, gasoline and food all rose to lead to the increase in the all items index. Despite a 0.5% increase in the gasoline index, the energy index declined 0.3%, with the indexes for electricity and natural gas both falling. Over the past twelve months, the all items index rose by 2.9%; this was the largest 12 –month increase since the period ending February 2012.
(https://www.bls.gov/news.release/cpi.nr0.htm)

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PUBLIC MARKET

After the major indices gained traction in May and continued to grow, value dropped slightly in June due to uncertainty surrounding trade and political tension as well as an element of market seasonality. Historically, the Dow has declined 0.3% on average in June and has experienced a decline in 36 out of the last 67 years. Overall, the Dow Jones Industrial Average lost 1.5% and both the S&P 500 Index and Nasdaq Composite Index declined slightly by 0.6%.

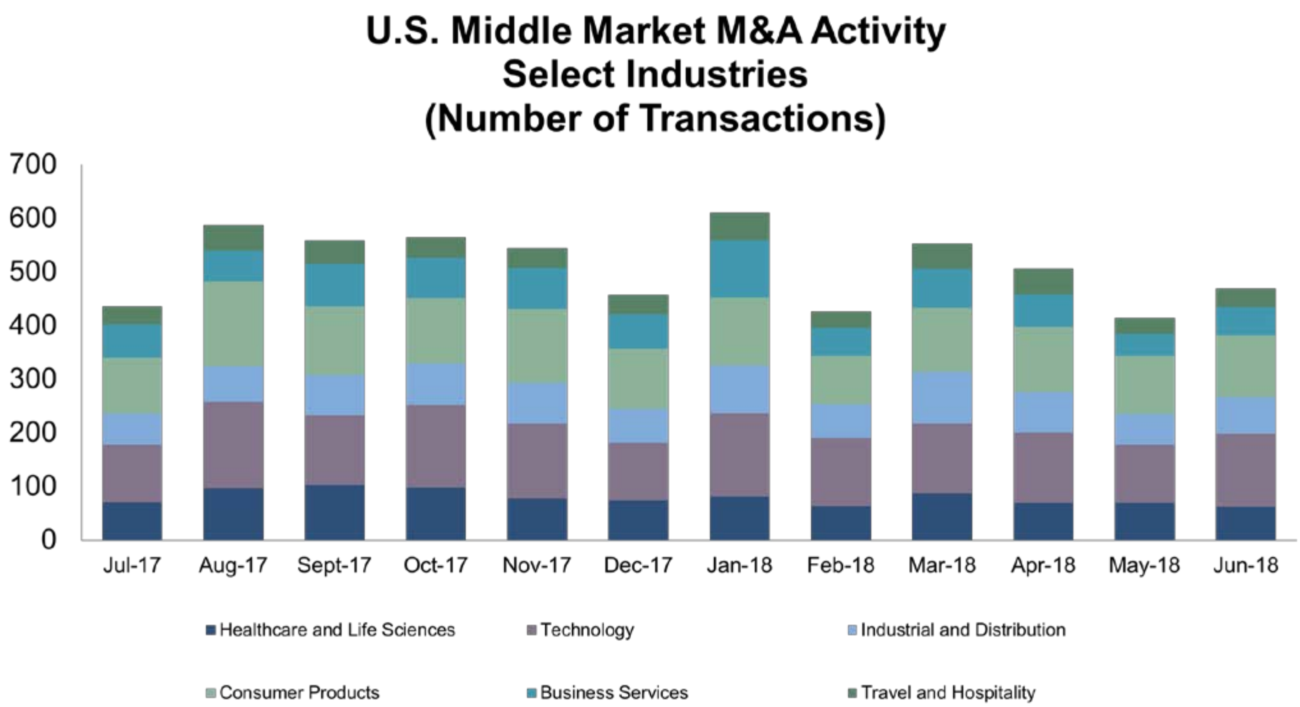
Public Trading Multiples

As of July 1, 2018

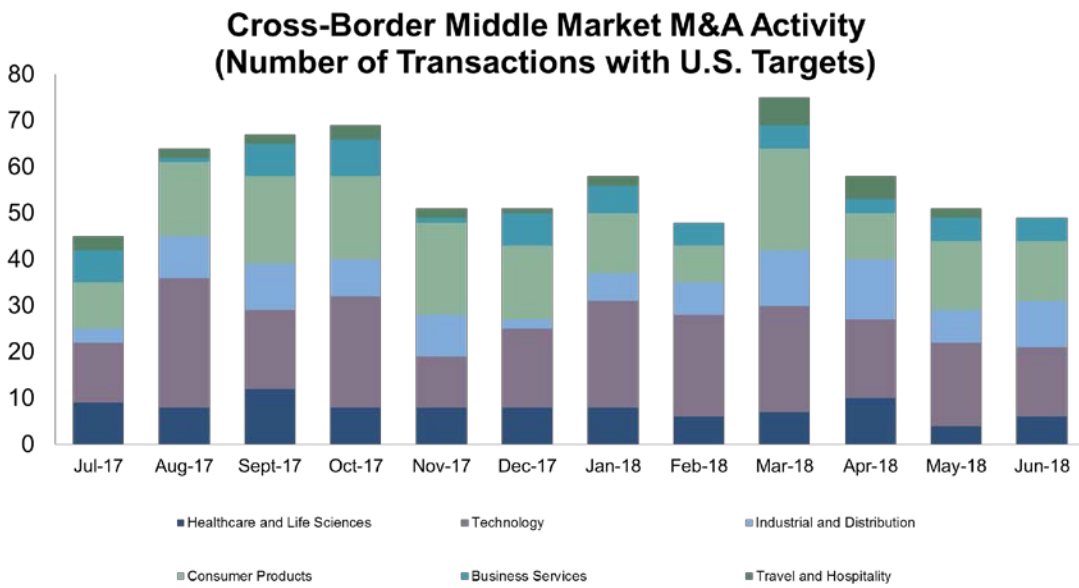
			Revenue Growth		EBITDA Growth		
Category	**EV / Revenue**	**EV/ EBITDA**	**1 Year**	**3 Year**	**1 Year**	**3 Year**	**EBITDA Margin**
Healthcare and Life Sciences							
Healthcare Technology	4.4x	22.5x	14.6%	11.6%	18.2%	12.0%	17.6%
Healthcare Equipment and Supplies	4.2x	18.3x	8.9%	7.1%	11.2%	9.2%	17.2%
Healthcare Providers and Services	0.8x	11.1x	6.6%	8.5%	7.3%	7.3%	7.0%
Healthcare and Life Sciences Aggregate	3.1x	17.3x	10.0%	9.1%	12.2%	9.5%	13.9%
Technology							
Internet Software and Services	6.7x	21.8x	29.3%	24.1%	31.7%	27.0%	10.0%
IT Services	2.9x	15.1x	12.3%	6.4%	12.2%	6.4%	9.5%
Software	5.7x	20.7x	17.5%	9.0%	25.1%	7.8%	17.2%
Computers and Other Electronic Equipment	1.3x	9.6x	14.7%	5.1%	16.9%	5.9%	21.0%
Technology Aggregate	4.1x	16.8x	18.5%	11.1%	21.5%	11.8%	14.4%
Industrial and Distribution							
Aerospace and Defense	1.8x	13.9x	9.0%	2.8%	21.5%	3.6%	4.2%
Building Products	1.3x	10.3x	8.0%	4.1%	12.0%	9.9%	13.4%
Construction and Engineering	0.7x	9.1x	16.9%	5.0%	23.4%	8.1%	10.4%
Machinery	1.6x	12.0x	16.0%	3.7%	25.9%	7.3%	8.1%
Distributors	0.8x	10.5x	14.3%	1.5%	21.6%	6.1%	4.3%
Industrial and Distribution Aggregate	1.2x	11.1x	12.8%	3.4%	20.9%	7.0%	8.1%
Consumer Products							
Food and Beverage	2.2x	12.1x	9.1%	2.9%	10.7%	5.6%	15.6%
Household and Personal Products	2.9x	14.8x	11.1%	2.5%	12.4%	3.6%	18.3%
Household Durables	1.0x	9.5x	17.3%	8.0%	22.9%	13.7%	8.8%
Textiles, Apparel, and Luxury Goods	1.9x	13.2x	12.2%	7.9%	18.0%	7.3%	7.3%
Consumer Products Aggregate	2.0x	12.4x	12.4%	5.3%	16.0%	7.6%	12.5%
Business Services							
Human Resource and Employment Services	0.9x	13.0x	16.9%	10.4%	15.0%	10.3%	18.7%
Research and Consulting Services	3.0x	15.8x	12.7%	6.5%	11.5%	6.7%	20.6%
Business Services Aggregate	2.0x	14.4x	14.8%	8.4%	13.2%	8.5%	19.7%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.8x	12.9x	12.3%	5.3%	12.3%	10.0%	9.5%
Restaurants	2.2x	13.6x	8.5%	3.9%	6.5%	5.5%	8.7%
Leisure Facilities	3.6x	13.1x	10.4%	5.9%	12.3%	6.3%	33.9%
Travel and Hospitality Aggregate	2.9x	13.2x	10.4%	5.0%	10.4%	7.2%	17.4%

M&A MARKET

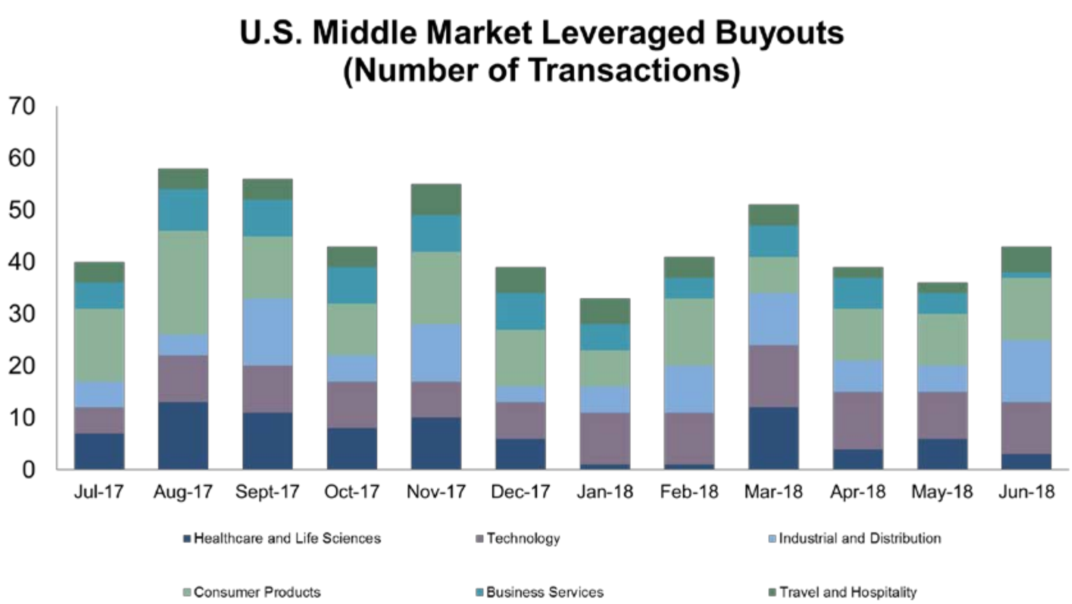
Through the second quarter of 2018, M&A activity in the middle market has been strong and activity increased from May. According to the *FactSet Flashwire*, which covers M&A activity in the United States, total deal volume in U.S. M&A increased 3.3% in the month of June. In the middle market, there were 2,714 disclosed closings with total deal value under $250 million in the trailing twelve months. The technology sector showed particularly strong results this month, showing an increase of nearly 26% in total middle market deal volume from May to June.



Cross-border deal making is becoming an increasing priority for middle-market buyers. According to the *Citizens' Middle Market M&A Outlook for 2018*, 49% of buyers surveyed are considering international acquisitions to gain access to new markets, 39% to broaden distribution networks, 35% to lower operating costs, and 25% for access to raw materials or resources. As represented in the chart below, the aggregate number of cross-border transactions in the middle market has held steady from May to June.



After a record year in 2017, private equity fundraising activity remianed strong in the second quarter of 2018 but has moderated slighly on a trailing twelve months basis. According to the *FactSet Flashwire*, total private equity activity in M&A moderated slightly from May. As compared to June, total deal volume was down 0.7%. However, in the middle market, there was more leveraged buyout activity in June with over 43 buyouts completed, an increase of 19.4% from May. Private equity interest in the industrial sector led the resurgence of LBO activity in June, with over double the amount of middle market transactions completed in this sector as compared to May.



SELECT MIDDLE MARKET M&A TRANSACTIONS – HEALTHCARE & LIFE SCIENCES

SmartAnalyst, Inc. acquired by UDG Healthcare

SmartAnalyst was acquired by UDG Healthcare on June 29, 2018 for $24 million.

Founded in 2001, SmartAnalyst is a US-based strategic consulting and analytics business focused on the pharmaceutical and biotech sectors. The company has 135 employees based across operations in New York, London, and India.

UDG Healthcare plc, together with its subsidiaries, provides advisory, communication, commercial, clinical, and packaging services to the healthcare industry. The Ashfield segment offers commercialization services for the pharmaceutical and healthcare industry in the areas of advisory, communications, and commercial and clinical services. UDG Healthcare plc was founded in 1948 and is based in Dublin, the Republic of Ireland.

The acquisition of SmartAnalyst is in line with Ashfield's strategy to expand its advisory service proposition for its healthcare clients and follows the acquisitions of STEM in October 2016 and Vynamic in July 2017. SmartAnalyst provides Ashfield with access to commercial development decision makers, as well as infrastructure in India. Ashfield will provide leverage and opportunities to grow Smart Analyst's customer base outside the US through Ashfield's global business.

Halyard Health, Inc. (NYSE:HYH) acquires CoolSystems, Inc.

CoolSystems, Inc., marketed as Game Ready, was acquired by Halyard Health on June 5, 2018 for $65 million, or approximately 1.9x revenue.

Game Ready develops, manufactures and markets the Game Ready® product line, used in the pain management and rehabilitation of patients recovering from orthopedic surgery or sports-related injuries. The company was founded in 1997 and is based in Concord, California.

Halyard operates as a medical technology company that focuses on eliminating pain, speeding recovery, and preventing infection for healthcare providers and patients worldwide. Halyard is based in Alpharetta, Georgia and generates revenues of over $620 million.

"The acquisition of Game Ready represents another step forward in Halyard's transformation as a pure-play medical device company and is consistent with our strategy to continually generate value for our patients, customers, and shareholders. The combination of Game Ready's market leading cold therapy products with our ON-Q* Pain Relief System portfolio will significantly enhance our postoperative non-opioid product offerings and broaden our orthopedic footprint. Combined, we will be better positioned to play a critical role in providing innovative non-opioid therapies that reduce or eliminate the use of opioids for surgical patients and get them back to the things that matter," said Joe Woody, Halyard CEO.

Accelovance, Inc. signs merger agreement with Linical USA, Inc.

Accelovance merged with Linical on April 16, 2018 in a deal worth $32.9 million, or approximately 1.2x revenue.

Accelovance is an award winning, clinical development Contract Research Organization (CRO) focused on oncology, vaccine, dermatology, pain, nutrition and women's health (Phase I-IV programs). Providing global full CRO services to pharmaceutical companies, biotechs, CROs, and academic institutions, Accelovance supports client needs by leveraging operational knowledge and patient recruitment strategies that result in successful clinical trials. Established in 2005 with a corporate mission to improve the quality and predictability in clinical research, Accelovance has made significant strides in the industry by combining strong business and operational perspective with clinical and medical expertise.

Linical Co., Ltd. is a Contract Research Organization (CRO) headquartered in Japan dedicated to providing a full range of professional services across the drug development process, with global operations in more than 20 countries. In accordance with the philosophy of contributing to new drug development and promoting the happiness of patients, Linical has supported the clinical development efforts of clients, focusing mainly on oncology, CNS (central nervous system), and immunology. Linical is capable of delivering a one-stop set of comprehensive services for large-scale, global projects and offering a streamlined service, ranging from innovative drug development, clinical development, clinical research, and surveys after manufacturing and sale, to support the drug life cycle management.

Stephen J. Trevisan, CEO of Accelovance noted, "This is an exciting milestone for Accelovance, allowing us to further expand our global bandwidth. Linical's expertise in oncology and immunology aligns perfectly with our therapeutic focus, and their strong heritage in neurology further enhances our service offering for clients. We are pleased to be working together with an organization that shares our mission of delivering exceptional execution to our clients in clinical research."

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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Peter Alternative

Bruce Boes

Andy Crain

Alan Fullerton

Brendan Kiernan

Michael Krongel

Stuart Rose

Patrick West