

MARKET BRIEF

After a slight moderation in June, economic indicators released in July showed positive results. Unemployment decreased to 3.9%, the Consumer Confidence Index grew marginally, the Consumer Price Index reported a slight increase, and home prices grew at rates consistent with previous months. The public markets remain strong, while middle market M&A activity continues to be in line with analyst expectations.

Unemployment Rate Drops to 3.9%

Total nonfarm payroll employment increased by 157,000 in July, and the unemployment rate decreased to 3.9% from 4.0% in June. The number of unemployed persons declined by 284,000 to 6.3 million in July. Job gains were reported in professional and business services, manufacturing, health care and social assistance, food services and drinking places, and construction, while employment in other major industries changed little.

(<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Increased Marginally in July

The Conference Board Consumer Confidence Index increased marginally in July. The Index now stands at 127.4, up from 127.1 in June. “Consumer confidence gained marginal ground in July, after a modest decline in June,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers’ assessment of present-day conditions improved, suggesting that economic growth is still strong. However, while expectations continue to reflect optimism in the short-term economic outlook, back-to-back declines suggest consumers do not foresee growth accelerating.”

(<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Posts 6.4% Annual Gain in May

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 6.4% annual gain in May, remaining the same as the previous month. David Blitzer, Managing Director and Chairman of the Index Committee, commented: “Home prices continue to rack up gains two to three times greater than the inflation rate. The year over-year increases in the S&P CoreLogic Case-Shiller National Index have topped 5% every month since August 2016. Unlike the boom-bust period surrounding the financial crisis, price gains are consistent across the 20 cities tracked in the release; currently, the range of the largest to smallest price change is 10 percentage points compared to a 20 percentage point range since 2001, and a 25 percentage point range between 2006 and 2009. Not only are prices rising consistently, they are doing so across the country.”

(https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/749151_cshomeprice-release-0731.pdf)

The Consumer Price Index Reported a Slight Increase

The Consumer Price Index for All Urban Consumers increased 0.2% in July on a seasonally adjusted basis after rising 0.1% in June. The index for shelter rose 0.3 percent in July and accounted for nearly 60 percent of the seasonally adjusted monthly increase in the all items index. The food index also rose slightly in July. Over the past twelve months, the all items index rose by 2.9%.

(<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

After a slight decrease in value in June, the major indices reported growth in July. The Dow Jones Industrial Average gained 4.6%, the S&P 500 Index grew 3.3%, and the Nasdaq Composite Index increased by 1.4% in July. Despite increased volatility in the early part of 2018, the indices have each increased 15% - 20% over the past twelve months.

Public Trading Multiples

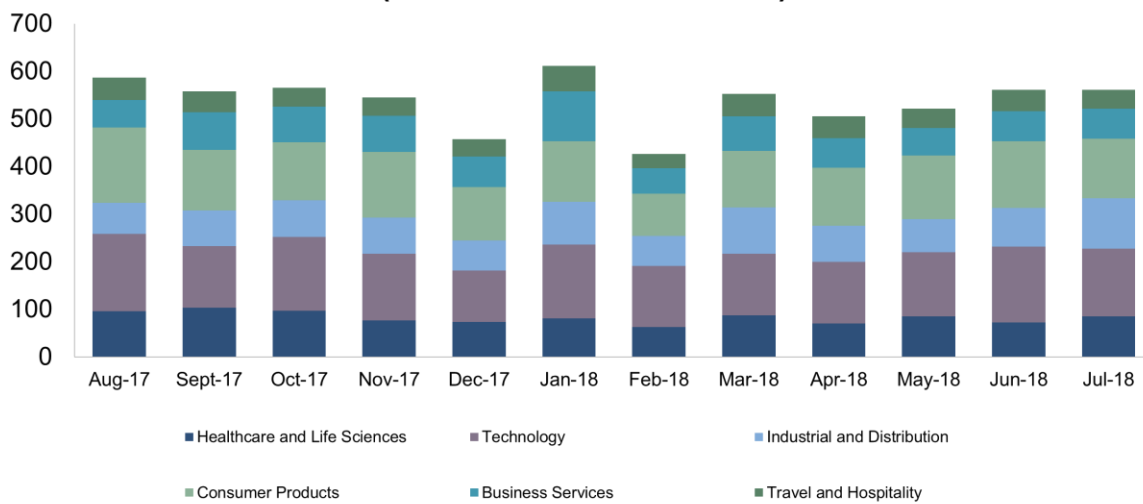
As of August 1, 2018

Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
Healthcare and Life Sciences							
Healthcare Technology	4.8x	24.8x	15.1%	11.6%	17.3%	11.2%	17.0%
Healthcare Equipment and Supplies	4.4x	19.2x	7.5%	6.9%	10.8%	9.6%	17.4%
Healthcare Providers and Services	0.8x	11.4x	6.5%	8.1%	6.8%	6.7%	6.9%
Healthcare and Life Sciences Aggregate	3.3x	18.5x	9.7%	8.9%	11.6%	9.2%	13.8%
Technology							
Internet Software and Services	6.9x	22.4x	29.4%	24.5%	31.3%	27.4%	8.2%
IT Services	3.0x	15.6x	10.4%	6.4%	12.6%	7.3%	9.5%
Software	5.9x	20.2x	18.0%	9.6%	31.6%	10.4%	16.5%
Computers and Other Electronic Equipment	1.3x	9.9x	13.0%	4.7%	13.1%	5.0%	21.5%
Technology Aggregate	4.3x	17.0x	17.7%	11.3%	22.2%	12.5%	13.9%
Industrial and Distribution							
Aerospace and Defense	1.9x	14.1x	7.0%	2.3%	18.0%	3.9%	4.1%
Building Products	1.3x	10.4x	4.2%	4.3%	8.8%	9.4%	13.3%
Construction and Engineering	0.7x	9.1x	14.8%	4.9%	21.3%	8.1%	10.5%
Machinery	1.5x	11.6x	13.7%	3.7%	24.0%	7.8%	8.2%
Distributors	0.8x	10.6x	14.6%	2.3%	16.3%	5.4%	4.1%
Industrial and Distribution Aggregate	1.2x	11.2x	10.9%	3.5%	17.7%	6.9%	8.1%
Consumer Products							
Food and Beverage	2.2x	12.3x	6.9%	2.9%	7.6%	5.5%	15.9%
Household and Personal Products	3.1x	15.5x	5.4%	2.6%	5.4%	3.7%	19.0%
Household Durables	1.0x	9.6x	15.0%	7.8%	20.2%	13.6%	8.8%
Textiles, Apparel, and Luxury Goods	2.0x	13.7x	9.8%	7.9%	15.0%	7.9%	7.3%
Consumer Products Aggregate	2.1x	12.8x	9.3%	5.3%	12.1%	7.7%	12.8%
Business Services							
Human Resource and Employment Services	0.9x	13.5x	14.0%	9.7%	11.2%	9.4%	18.7%
Research and Consulting Services	3.2x	16.7x	6.7%	5.5%	3.4%	5.4%	20.6%
Business Services Aggregate	2.0x	15.1x	10.3%	7.6%	7.3%	7.4%	19.6%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.8x	12.7x	13.7%	5.1%	14.5%	10.0%	9.3%
Restaurants	2.1x	13.4x	7.9%	3.6%	5.1%	5.2%	9.1%
Leisure Facilities	3.6x	13.4x	8.7%	5.9%	8.9%	6.4%	34.2%
Travel and Hospitality Aggregate	2.8x	13.1x	10.1%	4.9%	9.5%	7.2%	17.6%

M&A MARKET

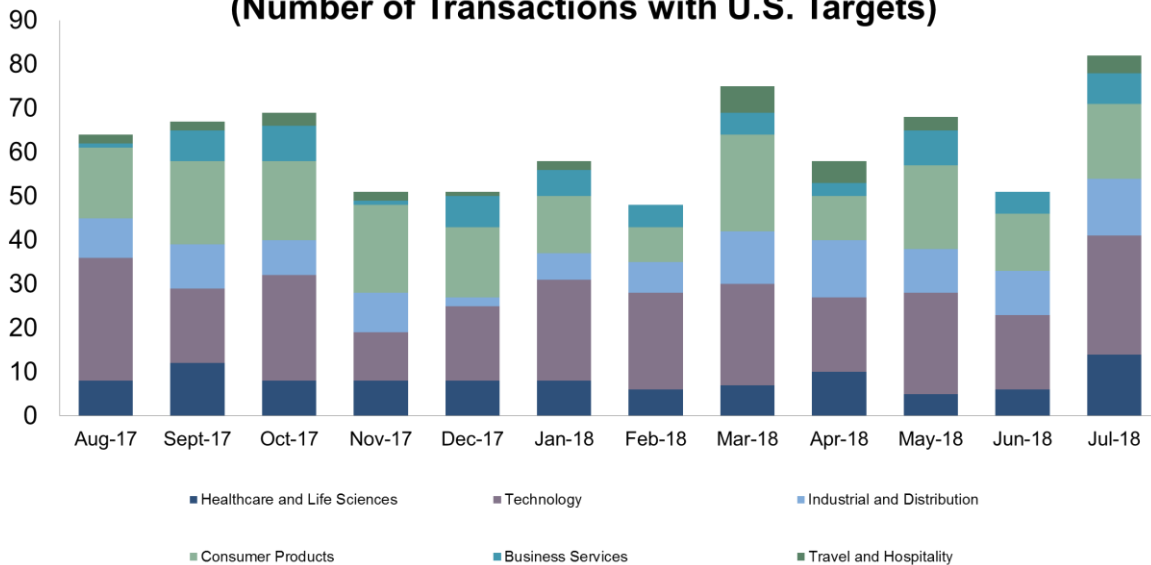
Entering the third quarter of 2018, M&A activity remains strong. According to Deloitte’s *M&A Trends 2018* report, corporations foresee an acceleration of M&A activity in 2018 both in the number of deals and size of transactions. 68% of U.S. executives surveyed and 76% of lenders expect deal flow will increase over the next twelve months. Additionally, most respondents believe deal size will either increase (63%) or stay the same (34%) compared to 2017.

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



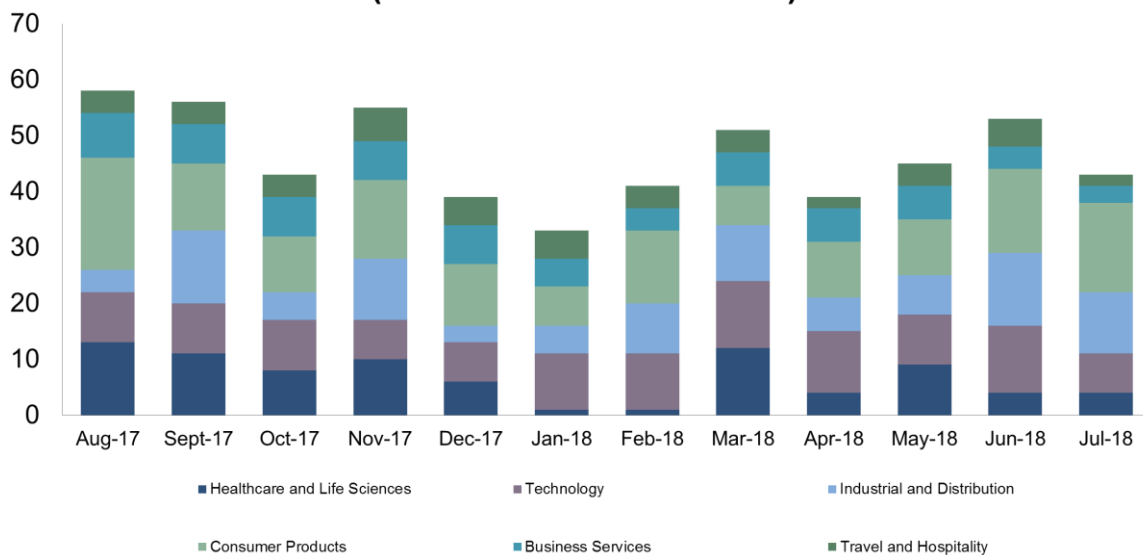
Cross-border deal activity experienced a slight uptick in July, and this momentum is expected to continue in 2018. Russell Thomson, Partner and Head of Deloitte’s U.S. Merger & Acquisition Services practice explains: “Corporates have elevated levels of balance sheet cash. They are telling us that their most likely use for that cash is in M&A, and financing is still freely available especially in the United States.”

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



Private equity investors remain active in 2018, with more than \$1 trillion in dry powder to deploy. The average fund size in the U.S., which had been rising steadily over the past few years, has dropped to \$631 million in the first half of 2018, compared to \$914 million in 2017. Mega fund have been few and far between with only one firm raising more than \$5 billion so far in 2018, while ten firms topped the \$5 billion mark in 2017. However, first time fundraising has seen a spike with thirteen U.S. firms closing on debut funds (\$3.5 billion in aggregate) in the first half of 2018.

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



SELECT MIDDLE MARKET M&A TRANSACTIONS – TECHNOLOGY

Action Corporation acquired by HCL Technologies and Sumeru Equity Partners, Inc.

Action Corporation was acquired by HCL Technologies and Sumeru Equity Partners on July 17, 2018 for \$330 million, which was approximately 3.1x revenue and 8.6x EBITDA.

Action is a leader in hybrid data management, cloud integration, and analytics solutions, and powers insight-driven enterprises around the globe to help them solve the toughest data challenges. The Company was founded in 1980 and is headquartered in Palo Alto, California.

HCL Technologies (NSEI:HCLTECH) is a leading global technology company that helps forward looking enterprises re-imagine and transform their businesses. HCL operates out of 32 countries and has consolidated revenues of \$7.6 billion for the twelve month period ended 31st December 2017.

Sumeru Equity Partners is a technology-focused private equity firm that invests in market leading companies across software, technology-enabled services and hardware. The firm was founded in 2014 by an experienced team from Silver Lake Sumeru, a private equity fund started in 2007 within Silver Lake.

Commenting on the acquisition, C Vijayakumar, President and CEO, HCL Technologies, said, “Action will play a critical role in enhancing HCL’s Mode 3 offerings in data management products and platforms. Action’s products when combined with HCL’s Mode 2 solution offerings like Cloud Native, Digital and Analytics, and DRYICE™, will be a powerful proposition to harness the power of hybrid data.”

Edgewater Networks, Inc. acquired by Ribbon Communications Inc.

Edgewater Networks was acquired by Ribbon Communications on August 3, 2018 for \$100 million, which was approximately 1.7x revenue.

Edgewater Networks is a market leader in enabling IP-based voice, video and data services. Service providers and enterprises of all sizes use Edgewater Networks solutions to simplify customer premise configurations for quick and smooth installations, reduce time to market and deliver rapid return on invested capital. Edgewater was founded in 2002 and is based in Santa Clara, California.

Ribbon Communications Inc. (Nasdaq: RBBN) is a company with two decades of market leadership experience in providing secure real-time communications solutions to the top service providers and enterprises around the globe. Built on world-class technology and intellectual property, Ribbon delivers highly reliable, unified and embedded real-time communications capabilities to customers in more than 25 countries and on 6 continents.

“This transaction demonstrates how we are delivering on our strategic objectives and extending our market reach,” said Fritz Hobbs, President and Chief Executive Officer of Ribbon Communications. “The combination of Ribbon Communications and Edgewater Networks creates a best-in-breed, complete platform that extends our leadership position in the SBC, cloud UC, security and analytics markets.”

Penguin Computing Inc. acquired by SMART Global Holdings, Inc.

Penguin Computing was acquired by SMART Global Holdings on June 8, 2018 for \$85 million, which was approximately 0.5x revenue and 10.5x EBITDA.

Penguin Computing is a leader in specialty compute and storage solutions targeting applications in Artificial Intelligence (AI), Machine Learning (ML) and High Performance Computing (HPC) using state-of-the-art, open technologies and advanced industry architectures. The Company was founded in 1998 and is based in Fremont, California.

SMART Global Holdings (NasdaqGS:SGH) includes the SMART family of companies, which are global leaders in specialty memory, storage and hybrid solutions serving the electronics industry with standard and custom products for over 25 years.

“We are pleased to be embarking on the first acquisition of our strategy to broaden the reach and capabilities of SMART into new technologies, markets and channels that leverage our proven platform of integrating and growing businesses,” commented Ajay Shah, Chairman and CEO of SMART Global Holdings. “Penguin brings an outstanding customer base, solid products and strong supplier relationships to SMART in the specialty compute, storage and networking markets.”

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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