

### **MARKET BRIEF**

Closing out a relatively strong third quarter, economic indicators released in September showed continued modest growth. While unemployment decreased further and the housing market continued to stabilize, both consumer confidence and inflation measures reported slight declines.

#### ***Unemployment continues to decrease***

The US economy added 248,000 jobs in September, building upon the 180,000 new jobs in August (revised up from an initial estimate of 142,000). The unemployment rate declined to 5.9%, a decrease of 1.3% or 1.9 million unemployed persons over the past twelve months. Referring to the continued increase in jobs, Patricia Buckley, director for economic policy and analysis for Deloitte, said: “Finally we’ve got some balance back in the U.S. economy.” (<http://www.bls.gov/news.release/empsit.nr0.htm>).

#### ***Consumer confidence declines in September***

The Conference Board’s Consumer Confidence Index decreased to 86.0 in September, down from 93.4 in August. Lynne Franco, Director of Economic Indicators at The Conference Board attributed the decline largely to the job market, saying: “Consumer confidence retreated in September after four consecutive months of improvement. A less positive assessment of the current job market, most likely due to the recent softening in growth, was the sole reason for the decline in consumers’ assessment of present-day conditions. Looking ahead, consumers were less confident about the short-term outlook for the economy and labor market, and somewhat mixed regarding their future earnings potential. All told, consumers expect economic growth to ease in the months ahead.” (<https://www.conference-board.org/data/consumerconfidence.cfm>).

#### ***The housing market is stabilizing, with slower growth in home prices***

Home prices continued to decelerate through the summer months, as reported in the July S&P/Case-Shiller Home Price Index results released in September (<http://us.spindices.com/index-family/real-estate/sp-case-shiller>). The 10- and 20-City Composites each increased by about 0.6% from the prior month. The 20-City Composite rose 6.7% over the past twelve months, the smallest twelve month gain since November 2012.

#### ***The Consumer Price Index decreases for the first time in over a year***

The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.2% in August on a seasonally adjusted basis, down from a 0.1% increase in July, and marking the first month of decline since April 2013. Over the last twelve months, the index increased 1.7%, which represents the smallest twelve month change since March 2014. The gasoline index showed the greatest decline, with a decrease of 4.1% over July (<http://www.bls.gov/news.release/cpi.nr0.htm>).

### **PUBLIC MARKET**

After a strong start to the year including several record highs, the stock market closed September relatively flat from August, with decreases of 1.5% for the S&P 500, 0.1% for the Dow Jones Industrial Average, and 2.3% for the NASDAQ Composite Index. Despite the slight decrease during the month of September, the third quarter of 2014 marks the seventh straight quarter that the S&P 500 has experienced quarterly gains.

## Public Trading Multiples

As of October 1, 2014

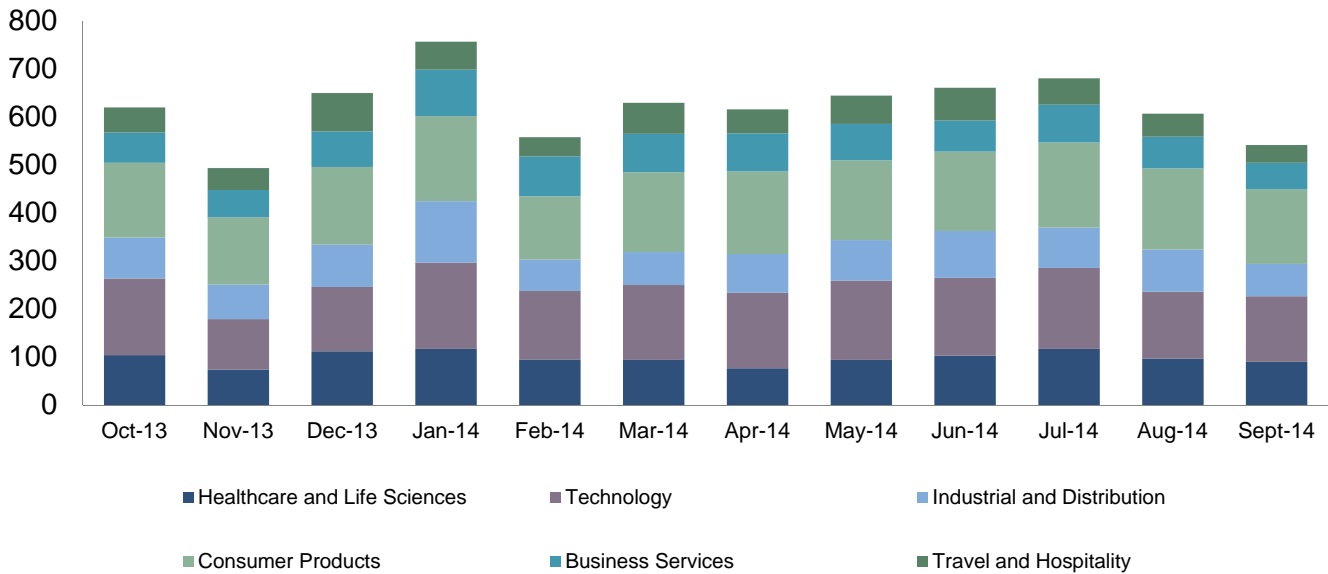
Category	EV / Revenue	EV/ EBITDA	Revenue Growth		EBITDA Growth		EBITDA Margin
			1 Year	3 Year	1 Year	3 Year	
<b>Healthcare and Life Sciences</b>							
Healthcare Technology	3.6	20.6	6.9%	5.9%	1.3%	6.6%	14.2%
Healthcare Equipment and Supplies	3.0	13.5	-2.9%	0.7%	-10.9%	-2.9%	15.8%
Healthcare Providers and Services	0.7	10.6	9.9%	8.1%	3.1%	6.6%	5.7%
Healthcare and Life Sciences Aggregate	2.2	12.8	7.3%	5.3%	2.7%	1.6%	11.9%
<b>Technology</b>							
Internet Software and Services	6.1	20.8	18.7%	17.9%	14.2%	13.0%	28.5%
IT Services	2.0	11.2	3.9%	-2.1%	6.2%	1.2%	9.7%
Software	3.6	11.9	8.3%	5.2%	2.9%	2.8%	16.6%
Computers and Other Electronic Equipment	1.0	8.0	4.2%	1.9%	7.7%	6.2%	16.9%
Technology Aggregate	1.8	10.3	6.0%	1.8%	11.1%	3.8%	17.4%
<b>Industrial and Distribution</b>							
Aerospace and Defense	1.3	10.2	6.0%	3.9%	9.3%	6.7%	10.1%
Building Products	1.1	9.7	8.7%	1.8%	13.6%	-0.4%	13.9%
Construction and Engineering	0.6	9.0	7.0%	4.9%	10.9%	0.9%	4.4%
Machinery	1.3	10.6	4.6%	1.0%	4.8%	-2.6%	7.3%
Distributors	0.7	11.6	9.7%	3.6%	14.7%	1.0%	3.3%
Industrial and Distribution Aggregate	1.2	10.4	6.4%	2.8%	8.4%	0.8%	7.3%
<b>Consumer Products</b>							
Food and Beverage	1.6	11.5	1.0%	6.2%	4.4%	4.6%	14.5%
Household and Personal Products	2.4	12.9	3.7%	1.7%	4.9%	3.0%	18.7%
Household Durables	0.8	8.5	9.3%	0.9%	22.0%	5.0%	7.2%
Textiles, Apparel, and Luxury Goods	1.6	10.8	6.5%	4.8%	9.4%	5.0%	8.4%
Consumer Products Aggregate	1.2	10.1	1.7%	4.7%	4.0%	5.0%	12.3%
<b>Business Services</b>							
Human Resource and Employment Services	0.7	11.8	7.6%	2.2%	20.3%	6.7%	15.2%
Research and Consulting Services	2.2	13.2	7.5%	5.9%	6.5%	6.3%	8.3%
Business Services Aggregate	1.2	10.5	4.9%	1.4%	6.2%	2.8%	12.7%
<b>Travel and Hospitality</b>							
Hotels, Resorts, and Cruise Lines	2.1	12.8	7.0%	3.6%	8.6%	5.4%	24.0%
Restaurants	1.8	12.0	2.8%	2.4%	2.7%	3.3%	7.5%
Leisure Facilities	2.6	9.9	7.1%	3.5%	6.4%	6.0%	30.3%
Travel and Hospitality Aggregate	2.2	12.0	6.3%	4.1%	7.0%	5.3%	19.9%

## M&A MARKET

In Boston Consulting Group's 10th annual M&A market assessment report ([https://www.bcgperspectives.com/content/articles/mergers\\_acquisitions\\_divestitures\\_2014\\_m\\_a\\_report/](https://www.bcgperspectives.com/content/articles/mergers_acquisitions_divestitures_2014_m_a_report/)), released in September, the firm stated that M&A has returned to 2005-2006 levels, driven by factors including "continued low interest rates, the ample availability of capital, a less uncertain economic outlook, and high levels of M&A interest and financial capability on the part of both corporations and private-equity firms." The report also noted that the level of deal activity driven by corporate divestiture, with the goal of focusing on core operations, continued to rise. With large cash reserves in place, investor expectations are also driving M&A; a BCG survey of investors found that as of 2014, 60% were supportive of a more aggressive acquisition strategy.

While deal activity is up overall, US middle market deal activity slowed somewhat in September from the previous month.

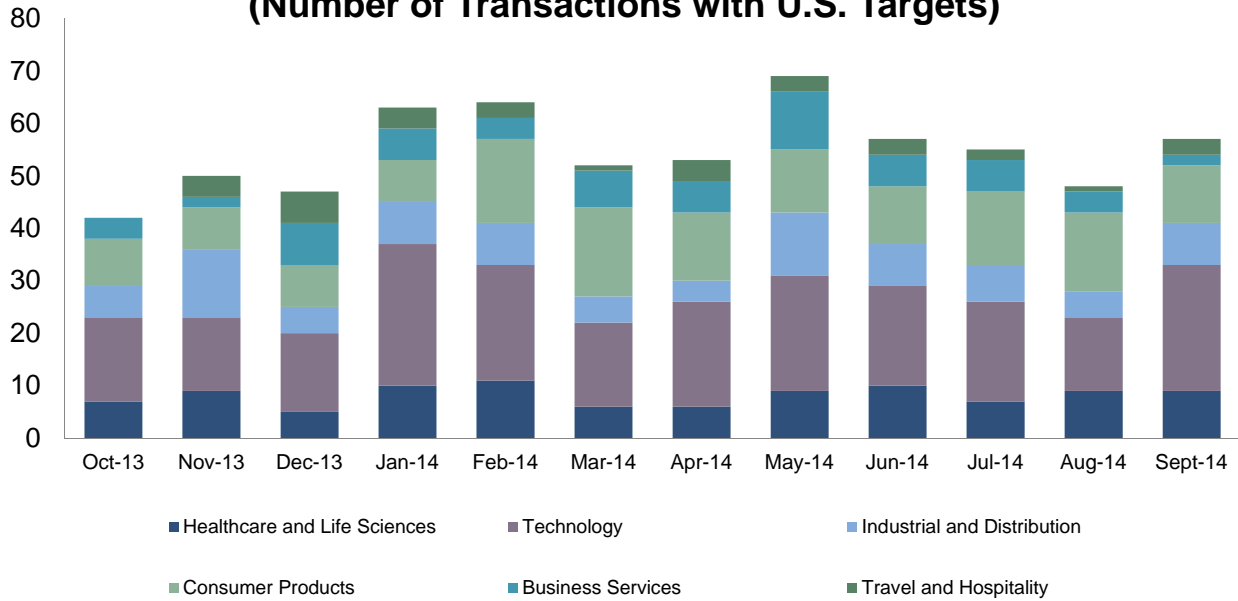
### U.S. Middle Market M&A Activity Select Industries (Number of Transactions)



Boston Consulting Group’s M&A report also noted that the US’ share of the M&A market is growing, with North American targets representing 52% of total deal value in the first half of 2014, up from 45% in 2010. Technology companies represent one of the most active sectors in the region.

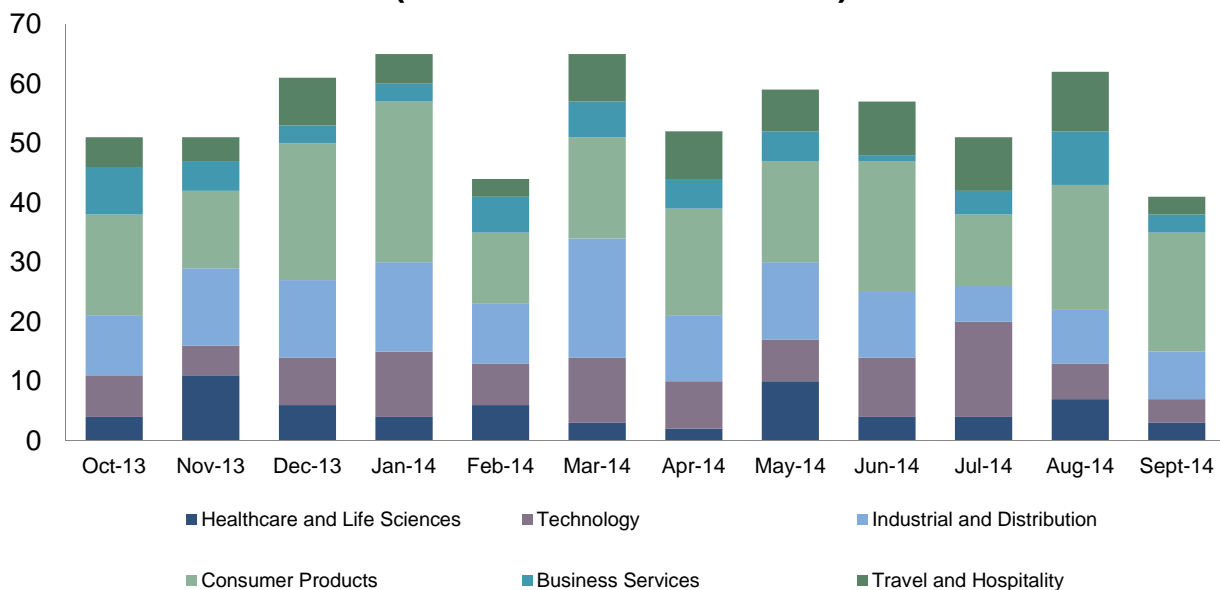
Cross border activity involving middle-market US targets increased in September by nearly 19% from the previous month, or approximately 50% from the same period last year.

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



Leveraged buyout activity has been somewhat slower to gain speed than overall M&A deal activity in 2014. In a Goldman Sachs report titled “Where have all the L.B.O.s gone?”, analysts speculated that with the stock market reaching record levels and strategic buyers eager to transact, it has been difficult for private equity buyers to compete (<http://blogs.wsj.com/moneybeat/2014/09/09/goldman-sachs-asks-where-have-all-the-lbos-gone/>). Private equity deals currently represent about 20% of overall US M&A activity, down from a four-year average of 27%. Despite the underwhelming level of activity, available PE cash continues to increase, recently hitting \$465 million, indicating that leveraged buyout volume may increase in the near future as investors are able to identify attractive opportunities.

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



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

### ***ASA Automotive Systems LLC acquired by Constellation Software (TSX: CSU)***

Constellation Software acquired ASA Automotive Systems LLC in late 2013. Mirus Capital Advisors represented ASA Automotive Systems LLC in the transaction. Constellation acquired the ASA business through the Friedman division of its Vela Software business.

ASA Automotive Systems is a leading supplier of on-premise and cloud-based software products for tire dealers, auto repair shops, and retreaders. ASA provides Point-of-Sale (POS), e-commerce, order processing, accounting and business management solutions for the retail, commercial and wholesale tire and automotive organizations. ASA products currently manage the sale of over 3 billion dollars in tire & services revenue per annum in the United States and Canada.

As a result of the acquisition, the ASA business will operate as an independent division of Friedman and will continue to develop, enhance and market its solutions in order to provide a competitive edge to its customers. Friedman Corporation is headquartered in Deerfield, IL and is a division of the Vela Operating Group of Constellation Software. Friedman Corporation specializes in complete ERP solutions for manufacturers and distributors of “make to order” and “engineer to order” products in the building products, capital equipment, and automotive sectors. The Friedman Operating group also has a complementary portfolio of software offerings for transportation management, material optimization, supply-chain management, multi-channel merchant and direct-to-consumer distribution.

Ken Halle, President of ASA Automotive Systems, commented “We are pleased to be joining the Constellation family. This acquisition is extremely positive for both our loyal customers and staff. Our mission will not change, as we remain focused on driving quality products and services to our valued customers. This new relationship will give us access to a broad network of software professionals along with providing the support and security of a strong global parent company to enable us to continue growing and building the ASA software brand.”

### ***Bizo, Inc. acquired by LinkedIn Corporation (NYSE:LNKD)***

Bizo, Inc. was acquired by LinkedIn Corporation (NYSE:LNKD) from Ascent Venture Partners, Bessemer Venture Partners and others for approximately \$175 million on August 13, 2014.

Bizo, Inc. operates an online marketing platform that enables B2B marketers to reach their target prospects and make purchase decisions through targeted display, social advertising, retargeting, and other integrated multi-channel programs. The company was founded in 2007 and is based in San Francisco, California.

LinkedIn Corporation operates an online professional network, which allows members to create, manage, and share their professional identity online; build and engage with their professional networks; access shared knowledge and insights; and find business opportunities. LinkedIn Corporation was founded in 2002 and is headquartered in Mountain View, California.

“We have been a LinkedIn partner for a while now and it became clear that our respective missions and cultures are really well aligned,” said Russell Glass, Bizo’s Co-Founder & CEO. “I couldn’t be more thrilled that we are coming together to accelerate our ability to reach professional audiences, nurture prospects, and acquire customers in truly powerful ways.”

### ***Uptivity Inc. acquired by inContact, Inc. (NasdaqCM:SAAS)***

Uptivity, Inc. was acquired by inContact, Inc. (NasdaqCM:SAAS) for \$50.2 million from Edison Venture Fund and others on May 6, 2014. The implied enterprise value was approximately 2.0x revenue and 16.0x EBITDA.

Uptivity, Inc. provides contact center workforce optimization and management solutions, including call recording solutions for quality management; corporate governance, risk management, and regulatory compliance services; dispute resolution; and coaching and training services. The company was founded in 2004 and is based in Columbus, Ohio.

inContact, Inc. provides cloud contact center software solutions, and network connectivity services in the United States. The company was founded in 1994 and is headquartered in Salt Lake City, Utah.

Paul Jarman, CEO of inContact said “Today’s mid-sized contact centers are every bit as complex as their enterprise counterparts and need to provide a high quality, multi-channel service experience with limited capital budget and resources. These centers often lack IT personnel and dedicated WFO staff and require solutions that are easy to learn and use.” Jarman continued, “We have strong success with our existing Verint-powered solution in the cloud, which we will continue to offer to enterprise customers. With the addition of Uptivity’s full-featured WFO solution for the midmarket, inContact will now have a solid two-tier offering in a multibillion dollar industry.”

### **FURTHER INFORMATION**

Founded in 1987, Mirus Capital Advisors is a middle-market investment bank that specializes in merger advisory, capital-raising services, fairness opinions and valuations to entrepreneurs, corporations and professional investors. By combining a proven process, industry and transactional expertise, and personalized service, Mirus has completed hundreds of transactions for both public and private companies.

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