

MARKET BRIEF

Economic indicators released in March showed mixed results. Unemployment remained low and home prices continued to rise. However consumer confidence decreased moderately over February, the consumer price index showed a minimal reduction, and the public markets declined slightly. Although off to a slower start than last year, Q1 M&A activity remained on pace with analyst expectations, with moderate upticks in cross-border and LBO deals in March.

More than 100,000 Jobs Added in March

Total nonfarm payroll employment increased by 103,000 in March while the unemployment rate remained at 4.1% for the sixth consecutive month. Job gains occurred in manufacturing, healthcare, mining, and professional and business services. Employment in other major industries changed little. The labor force participation rate remained relatively unchanged at 62.9%. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Declined Moderately in March

The Conference Board Consumer Confidence Index decreased in March, following a modest increase in February. The Index now stands at 127.7, down from 130.0 in February. “Consumer confidence declined moderately in March after reaching an 18-year high in February,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers’ assessment of current conditions declined slightly, with business conditions the primary reason for the moderation. Consumers’ short-term expectations also declined, including their outlook for the stock market, but overall expectations remain quite favorable. Despite the modest retreat in confidence, index levels remain historically high and suggest further strong growth 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 6.4% annual gain in January, up from 6.3% in December. David Blitzer, Managing Director and Chairman of the Index Committee, commented: “The home price surge continues. Since the market bottom in December 2012, the S&P CoreLogic Case-Shiller National Home Price index has climbed at a 4.7% real – inflation adjusted – annual rate. That is twice the rate of economic growth as measured by the GDP. While price gains vary from city to city, there are few, if any, really weak spots.” (<http://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>)

The Consumer Price Index Reported a Slight Decrease

The Consumer Price Index for All Urban Consumers decreased 0.1% in March on a seasonally adjusted basis, compared with 0.2% growth the prior month. A decline in the gasoline index more than outweighed increases in the indexes for shelter, medical care, and food to result in the slight decline in the all items index. Over the past twelve months, the all items index rose by 2.4%. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

After record growth for much of the previous twelve months, the public markets declined slightly in March. Overall, the Dow Jones Industrial Average dropped 2.1%, the S&P 500 Index decreased 1.4%, and the Nasdaq Composite Index fell 1.6% in March. However, over the past year, the Dow is up 16.7%, the S&P 500 has gained 11.8%, and the Nasdaq Composite Index has grown 19.5%.

Public Trading Multiples

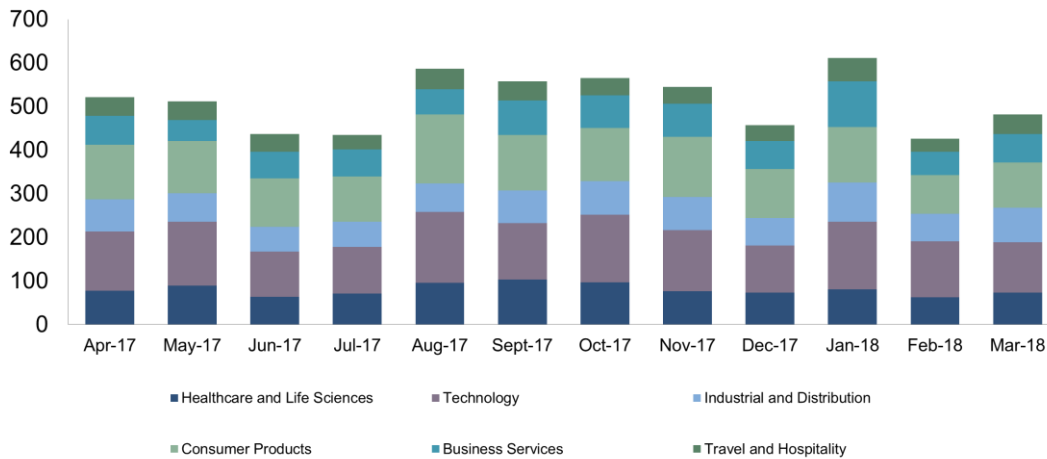
As of April 1, 2018

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	4.2x	21.8x	13.6%	10.5%	16.7%	11.5%	18.0%
Healthcare Equipment and Supplies	4.3x	18.3x	8.3%	6.1%	10.3%	8.3%	16.5%
Healthcare Providers and Services	0.8x	12.0x	6.5%	8.4%	6.0%	7.5%	4.1%
Healthcare and Life Sciences Aggregate	3.1x	17.4x	9.4%	8.4%	11.0%	9.1%	12.8%
Technology							
Internet Software and Services	7.5x	24.8x	29.6%	23.1%	35.5%	25.0%	12.7%
IT Services	2.9x	15.7x	11.8%	5.1%	8.9%	4.5%	9.5%
Software	5.8x	21.2x	17.9%	7.2%	16.8%	4.5%	19.1%
Computers and Other Electronic Equipment	1.4x	9.9x	14.1%	3.5%	19.4%	5.0%	20.4%
Technology Aggregate	4.4x	17.9x	18.3%	9.7%	20.2%	9.8%	15.4%
Industrial and Distribution							
Aerospace and Defense	1.8x	14.2x	6.3%	1.2%	16.9%	1.5%	4.4%
Building Products	1.4x	10.8x	8.4%	2.9%	14.4%	8.5%	13.0%
Construction and Engineering	0.7x	9.9x	12.4%	2.6%	14.9%	4.6%	10.0%
Machinery	1.7x	13.4x	14.0%	1.3%	25.2%	5.2%	8.3%
Distributors	0.9x	11.4x	14.0%	1.1%	26.8%	4.1%	4.5%
Industrial and Distribution Aggregate	1.3x	11.9x	11.0%	1.8%	19.6%	4.8%	8.0%
Consumer Products							
Food and Beverage	2.3x	12.7x	9.1%	1.4%	10.2%	4.3%	15.8%
Household and Personal Products	3.0x	15.3x	11.3%	1.6%	13.3%	3.2%	18.5%
Household Durables	1.1x	10.1x	16.9%	5.6%	32.5%	11.0%	8.8%
Textiles, Apparel, and Luxury Goods	1.9x	13.3x	11.5%	6.8%	15.2%	5.2%	7.7%
Consumer Products Aggregate	2.1x	12.9x	12.2%	3.8%	17.8%	5.9%	12.7%
Business Services							
Human Resource and Employment Services	0.9x	12.5x	15.9%	6.6%	14.5%	7.9%	17.8%
Research and Consulting Services	3.0x	15.5x	12.1%	5.7%	12.5%	6.1%	20.8%
Business Services Aggregate	2.0x	14.0x	14.0%	6.1%	13.5%	7.0%	19.3%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	3.0x	14.0x	10.6%	3.7%	9.0%	9.5%	9.0%
Restaurants	2.2x	13.6x	6.2%	2.5%	6.8%	5.1%	8.2%
Leisure Facilities	3.6x	12.7x	9.7%	4.2%	15.6%	5.7%	33.0%
Travel and Hospitality Aggregate	2.9x	13.4x	8.8%	3.5%	10.5%	6.8%	16.7%

M&A MARKET

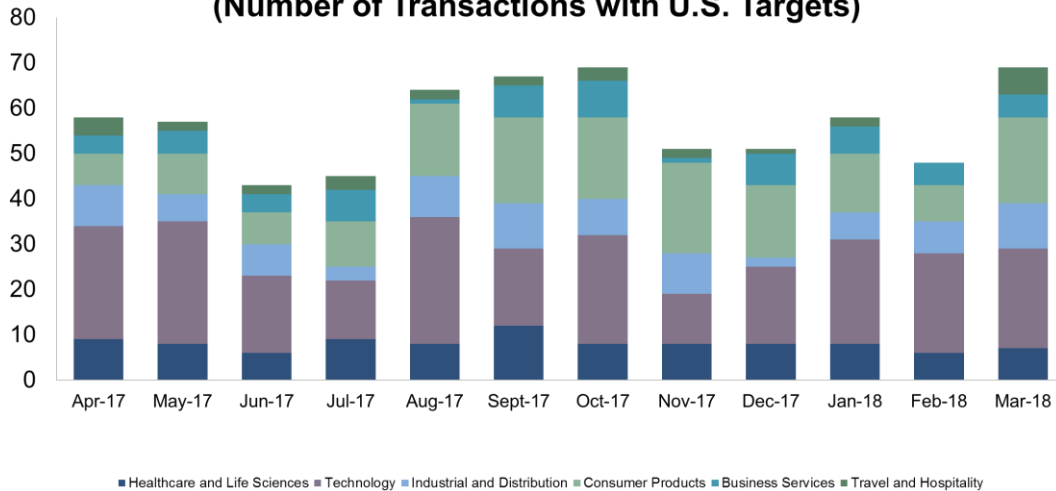
The U.S. M&A market is off to a slightly slower start in 2018 than previous years. According to FactSet Mergerstat, the sectors that have seen the largest decreases over the past three months include: technology services, health services, commercial services, distribution services, and producer manufacturing. Of the 21 sectors tracked by FactSet Mergerstat, 19 posted negative trends in deal flow over the last three months compared to the same three months one year prior.

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



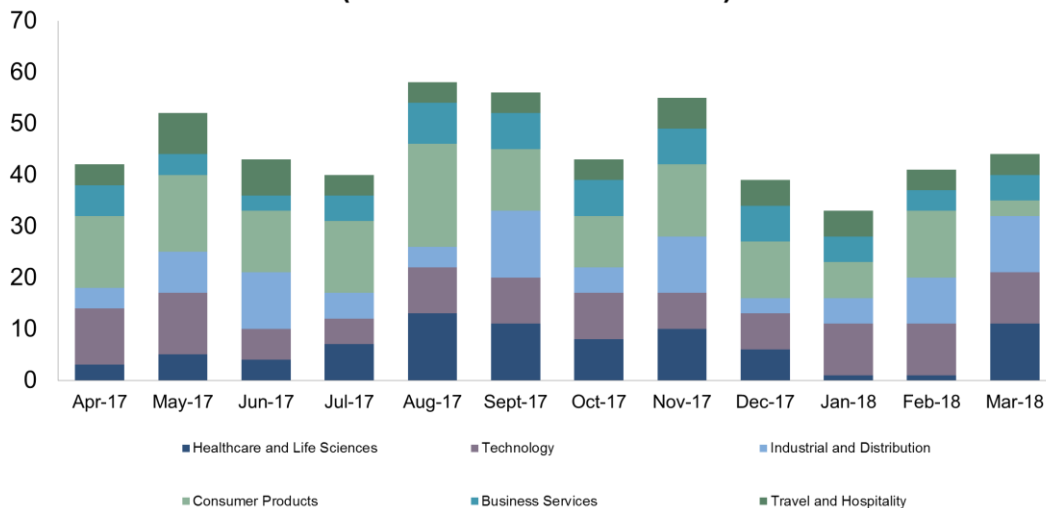
One of the key influences on cross-border deals in 2017 was the sharp drop in Chinese investment into the U.S. While cross-border investment is showing signs of increased activity, analysts worry that the U.S. political climate could impact deal activity in the near term. According to a recent Mergermarket report, the Committee on Foreign Investment in the United States (CFIUS) is placing increased scrutiny on investors, which is driving many Chinese companies away from U.S. technology deals.

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



After a record year in 2017, private equity fundraising activity remains robust. According to the E&Y Private Equity Capital Briefing, private equity firms closed 56 funds in January with \$41 billion in commitments from investors. Buyout fundraising accounted for the most activity, with 14 funds raising \$15 billion from investors, more than double the amount closed in January 2017. Dry powder also remains at records levels: as of January, private equity firms have approximately \$630 billion in capital available to fund deals.

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



SELECT M&A TRANSACTIONS – FOCUS ON CONSUMER PRODUCTS

Crystal Rock Holdings, Inc. acquired by Cott Corporation (TSX:BCB)

Crystal Rock Holdings, Inc. was acquired by Cott Corporation (TSX:BCB) on March 23, 2018 for approximately \$35 million.

Crystal Rock markets and distributes water and coffee service, office supplies, refreshment beverages and other break room items to the commercial office and home markets throughout the Northeast. The company was founded in 1914 and is headquartered in Watertown, Connecticut.

Cott is a route based service company with a leading volume-based national presence in the North America and European home and office bottled water delivery industry and a leader in custom coffee roasting, blending of iced tea, and extract solutions for the U.S. foodservice industry. The company was founded in 1955 and is headquartered in Mississauga, Canada.

Jerry Fowden, Cott's Chief Executive Officer, commented, "The Crystal Rock acquisition is another positive step in our stated strategy to pursue acquisitions in the higher margin home and office water delivery and coffee services categories, where we believe our platform, operating strength and synergies can be leveraged."

Filament Brands acquired by Lifetime Brands, Inc. (NasdaqGS:LCUT)

Filament Brands was acquired by Lifetime Brands, Inc. (NasdaqGS:LCUT) on March 2, 2018 for \$313 million, which was approximately 1.8x LTM revenue.

Filament Brands is a manufacturer of housewares products including juicers, peelers, food preparation products and bake ware. The company was founded in 1851 and is headquartered in Seattle, Washington.

Lifetime Brands is a global provider of branded kitchenware, tableware and other household products. The company was founded in 1945 and is headquartered in Garden City, New York.

"We are pleased to welcome the Filament business, brands and people to Lifetime," said Jeffrey Siegel, Lifetime's Chairman and Chief Executive Officer. "This transaction brings together two highly complementary companies and positions Lifetime with the scale, brands and capabilities to compete and win in today's dynamic global environment. Filament has firmly established itself as a leader of high-end design and innovation in the branded consumer products sector. With its attractive positions in non-traditional, high-growth channels, Filament will help extend Lifetime's reach into important new segments and create new opportunities for our business. This transaction represents a significant milestone for our company, our shareholders and our customers, and we are confident that joining forces gives us the opportunity to accelerate our growth plans and create value for all our stakeholders."

Rimports Inc. acquired by Sterno Products LLC

Rimports Inc. was acquired by Sterno Products LLC on March 1, 2018 for \$170 million, which was approximately 1.1x LTM revenue and 5.0x LTM EBITDA.

Rimports manufactures wickless candle products including a range of candles, warmers and fragrance cubes. The company is headquartered in Provo, Utah.

Sterno Products provides a line of portable warming, ambience and catering products to the hospitality and retail markets. The company is a newly formed subsidiary of Compass Diversified Holdings (NYSE:CODI), and is headquartered in Corona, California.

"We are thrilled with the acquisition of Rimports, a leader in scented wax products, adding to The Sterno Group's portfolio of companies in our retail and foodservice channels. Rimports is an excellent fit, given our mutual commitment to high quality products, with a focus on customer-centric processes and a passion for innovation," stated Don Hinshaw, CEO of The Sterno Group.

FURTHER INFORMATION

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