

MARKET BRIEF

Economic indicators released in August showed positive results. Unemployment remained at 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 Remains at 3.9%

Total nonfarm payroll employment increased by 201,000 in August, and the unemployment rate was unchanged at 3.9%. The number of unemployed persons changed little, remaining at 6.2 million in August. Job gains were reported in professional and business services, health care, wholesale trade, transportation and warehousing, and mining, while employment in other major industries changed little. (<https://www.bls.gov/news.release/pdf/empst.pdf>)

Consumer Confidence Increased in August

The Conference Board Consumer Confidence Index increased in August, following a modest increase in July. The Index now stands at 133.4, up from 127.9 in July. "Consumer confidence increased to its highest level since October 2000," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current business and labor market conditions improved further. Expectations, which had declined in June and July, bounced back in August and continue to suggest solid economic growth for the remainder of 2018. Overall, these historically high confidence levels should continue to support healthy consumer spending in the near-term." (<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Posts 6.2% Annual Gain in June

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 6.2% annual gain in June, down from 6.4% the previous month. "Home prices continue to rise across the U.S." said David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "However, even as home prices keep climbing, we are seeing signs that growth is easing in the housing market. Sales of both new and existing homes are roughly flat over the last six months amidst news stories of an increase in the number of homes for sale in some markets. Rising mortgage rates – 30 year fixed rate mortgages rose from 4% to 4.5% since January – and the rise in home prices are affecting housing affordability. (https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/766551_cshomeprice-release-0828.pdf)

The Consumer Price Index Reported a Slight Increase

The Consumer Price Index for All Urban Consumers increased 0.2% in August on a seasonally adjusted basis, the same increase as July. Increases in shelter and energy were the main contributors to the seasonally adjusted increase, with the index for energy increasing 1.9% and the index for shelter 0.3%. Over the past twelve months, the all items index rose by 2.7% before seasonal adjustment. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The major indices reported strong growth in August to close out the summer. The Dow Jones Industrial Average gained 2.5%, the S&P 500 Index grew 3.1%, and the Nasdaq Composite Index increased by 5.2% in August. Despite increased volatility in the early part of 2018, the indices have each increased 5% - 15% since the start of the year.

Public Trading Multiples

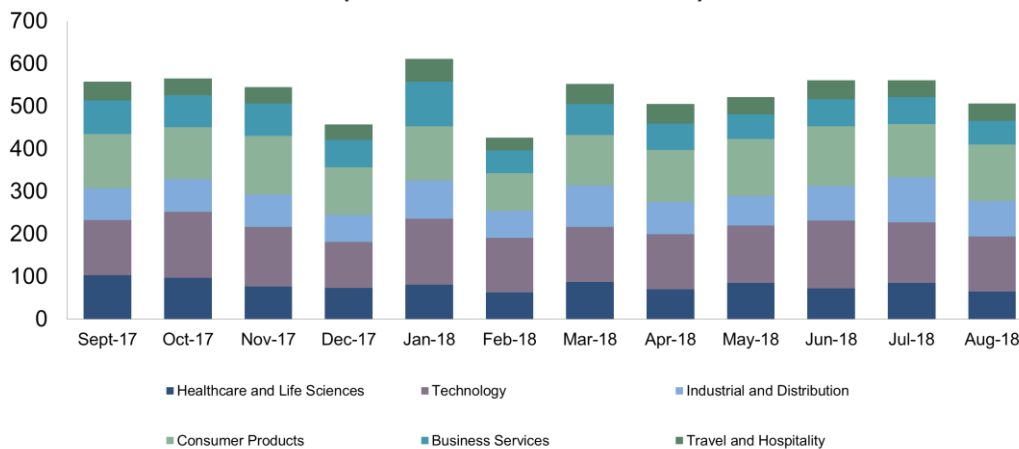
As of September 1, 2018

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	4.9x	25.2x	12.0%	10.8%	16.5%	10.8%	15.7%
Healthcare Equipment and Supplies	4.5x	19.5x	6.6%	6.4%	9.6%	8.9%	16.6%
Healthcare Providers and Services	0.8x	11.5x	6.0%	7.8%	6.3%	6.4%	7.2%
Healthcare and Life Sciences Aggregate	3.4x	18.7x	8.2%	8.3%	10.8%	8.7%	13.2%
Technology							
Internet Software and Services	6.7x	22.0x	28.2%	24.3%	24.2%	26.6%	7.9%
IT Services	3.1x	15.7x	9.1%	6.4%	12.2%	7.5%	9.6%
Software	6.0x	20.5x	17.1%	9.6%	30.8%	10.4%	16.5%
Computers and Other Electronic Equipment	1.3x	9.9x	11.9%	4.4%	12.9%	4.8%	21.4%
Technology Aggregate	4.3x	17.0x	16.6%	11.2%	20.0%	12.3%	13.9%
Industrial and Distribution							
Aerospace and Defense	1.9x	14.1x	6.7%	2.2%	17.2%	3.7%	4.6%
Building Products	1.3x	10.3x	3.2%	4.1%	7.7%	9.1%	13.5%
Construction and Engineering	0.7x	8.9x	12.0%	4.4%	17.4%	7.7%	10.5%
Machinery	1.5x	11.4x	11.8%	3.6%	20.3%	8.3%	7.5%
Distributors	0.8x	10.5x	13.1%	2.5%	17.1%	6.2%	4.2%
Industrial and Distribution Aggregate	1.2x	11.0x	9.4%	3.4%	15.9%	7.0%	8.1%
Consumer Products							
Food and Beverage	2.2x	12.2x	5.1%	2.7%	5.7%	5.2%	15.7%
Household and Personal Products	3.0x	15.4x	4.0%	2.4%	4.9%	3.6%	18.7%
Household Durables	1.0x	9.4x	13.9%	7.5%	18.8%	13.5%	8.5%
Textiles, Apparel, and Luxury Goods	2.0x	13.6x	7.9%	7.4%	13.8%	7.8%	7.5%
Consumer Products Aggregate	2.1x	12.7x	7.7%	5.0%	10.8%	7.5%	12.6%
Business Services							
Human Resource and Employment Services	0.9x	13.5x	10.7%	9.0%	8.1%	9.1%	17.7%
Research and Consulting Services	3.2x	16.6x	6.0%	5.4%	3.1%	5.2%	20.6%
Business Services Aggregate	2.0x	15.0x	8.4%	7.2%	5.6%	7.2%	19.1%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.7x	12.2x	11.3%	4.7%	12.9%	9.7%	10.5%
Restaurants	2.1x	13.3x	7.4%	3.6%	4.7%	5.0%	9.1%
Leisure Facilities	3.7x	13.6x	7.6%	5.9%	8.8%	6.6%	36.2%
Travel and Hospitality Aggregate	2.8x	13.1x	8.8%	4.7%	8.8%	7.1%	18.6%

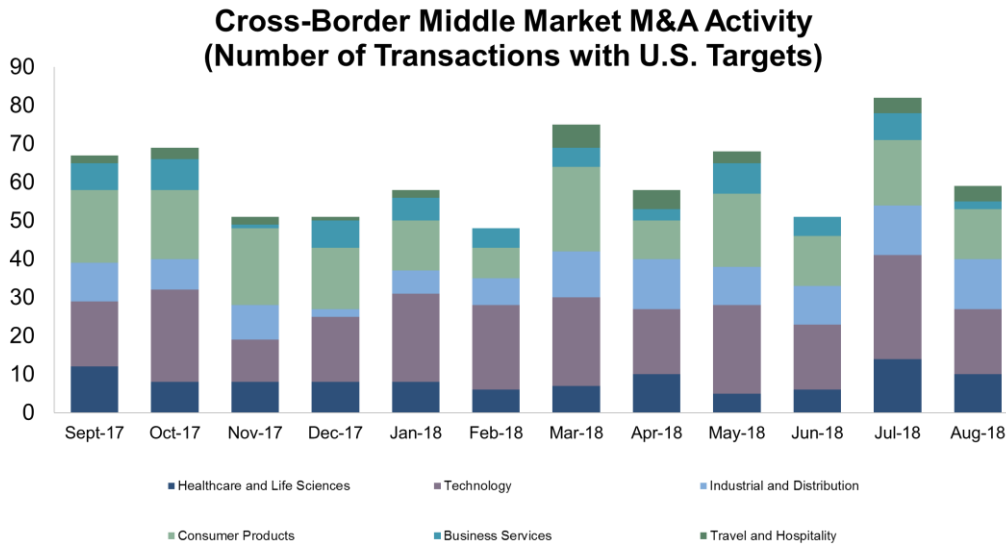
M&A MARKET

U.S. M&A activity has remained strong through the summer months. According to Factset's Flashwire US Monthly, the sectors that have seen the largest increase over the past three months are Commercial Services, Finance, Technology Services, Producer Manufacturing, and Industrial Services, while Retail Trade, Utilities, Energy Minerals, Electronic Technology and Consumer Non-Durables have seen slight declines. Analysts remain optimistic that M&A activity will continue to flourish in the near term. R. Whit Matthews of Aberdeen Standard Investments, as quoted in Axial's Middle Market Review, explains: "Everything is directionally up and to the right and everyone is cautiously optimistic that things will keep going. A correction is expected at some point, as it has been for some time now, but nothing is fundamentally changing and things are likely to continue on."

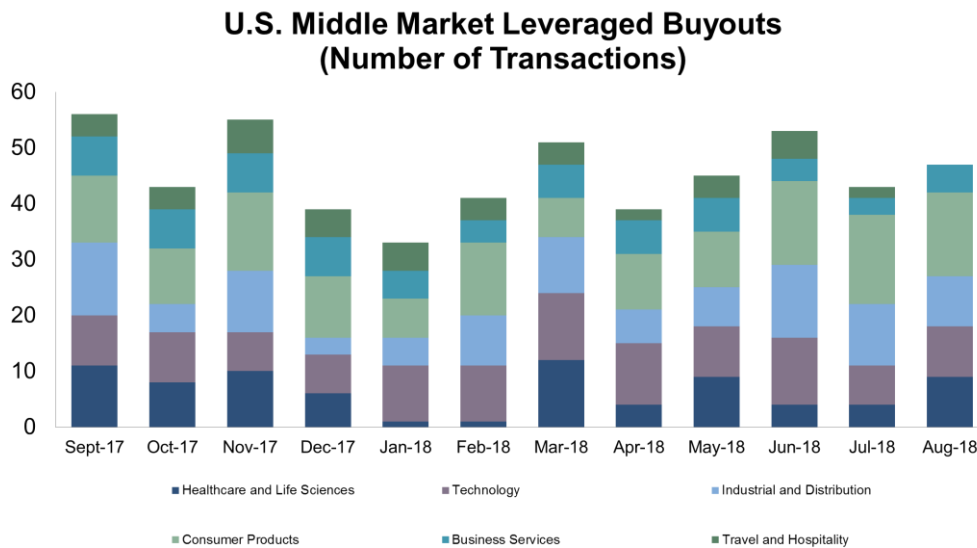
**U.S. Middle Market M&A Activity
Select Industries
(Number of Transactions)**



U.S. cross border M&A activity has also held steady through the first part of 2018. Over the next several years, analysts expect strengthening cross-border activity driven by increasing middle-market activity. As KPMG notes in its M&A Predictor: 2018 Annual Report: "While the proportion of cross-border deal volume, as noted, has remained relatively steady over the last eight years – at about one-fifth to one quarter of global deals – that mix is shifting toward more cross-border transactions as companies pursue real and rapid growth wherever it can be found."



Middle market private equity activity remains robust, with more than 650 transactions closed in Q2 totaling more than \$87 billion. According to Axial's Middle Market Review, the middle market has accounted for 60% of year-to-date deals compared to 57% in 2017. Valuation multiples have also been increasing, as TJ Mahoney, CEO of Lincolnshire Management, explains: "The amount of available capital out there is driving up prices to very high levels, and the higher multiples deals make headlines. What's under reported is the lower multiple deals. There are still firms that are being judicious. There are also nuances. You can pay a 10 times multiple for a company, and that can be a good price — and you can pay a five times multiple, and it be a bad price because the company can't perform."



SELECT MIDDLE MARKET M&A TRANSACTIONS – INDUSTRIAL AND DISTRIBUTION

Skandia, Inc. acquired by TransDigm Group Incorporated (NYSE:TDG)

Skandia, Inc. was acquired by TransDigm Group Incorporated (NYSE:TDG) on July 13, 2018 for \$84 million, which was approximately 3.2x revenue.

Skandia is a leading provider of highly engineered seating foam, foam fabrication, flammability testing and acoustic solutions for the business jet market. Skandia was founded in 1983 and is headquartered in Davis Junction, Illinois.

TransDigm Group Incorporated, through its wholly-owned subsidiaries, is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. TransDigm Group was founded in 1993 and is headquartered in Cleveland, Ohio.

W. Nicholas Howley, Executive Chairman of TransDigm Group Incorporated, stated, "Skandia is a long standing supplier of proprietary, sole source products with established positions on nearly all business jet platforms, strong aftermarket content and an outstanding reputation with its customers. Skandia fits well with our consistent product and acquisition strategy. As with all TransDigm acquisitions, we expect the Skandia acquisition to create equity value in-line with our long-term private equity type return objectives."

MRSI Systems, LLC acquired by Mycronic AB (OM:MYCR)

MRSI Systems, LLC was acquired by Mycronic AB (OM:MYCR) on June 1, 2018 for \$60.9 million, which was approximately 2.0x revenue.

MRSI Systems designs and manufactures automated ultra-precision die bonding and epoxy dispensing systems for the hybrid microelectronics industry. The Company was founded in 2013 and is headquartered in North Billerica, Massachusetts.

Mycronic AB is a Swedish high-tech company engaged in the development, manufacture and marketing of production equipment with high precision and flexibility requirements for the electronics industry. The Company was formerly known as Micronic Mydata AB and changed its name to Mycronic AB in June 2014. Mycronic is headquartered in Täby, Sweden.

"MRSI is a perfect strategic match with Mycronic's goal of adding leading businesses in the area of high precision and high flexibility equipment manufacturers for electronics assembly. This acquisition is a further step in executing our strategy of growing with profitability in adjacent market segments", says Lena Olving, CEO and President of Mycronic.

Pontiac Coil, Inc. acquired by Sumida Corporation (TSE:6817)

Pontiac Coil, Inc. was acquired by Sumida Corporation (TSE:6817) on June 1, 2018 for \$55 million, which was approximately 1.2x revenue.

Pontiac Coil engages in development, manufacturing and selling of various kinds of coils for the automotive industry with a central focus on the U.S. market. Pontiac Coil was founded in 1954 and is headquartered in Clarkston, Michigan.

Sumida Corporation is a global leader in the design and manufacture of coil-related components and modules. Specializing in custom design solutions, Sumida's products are used in a wide range of applications from consumer electronic devices through to home appliances, automotive electronics, green energy solutions, industrial electronics and medical healthcare devices and equipment. Sumida was founded in 1956 and is headquartered in Tokyo,

FURTHER INFORMATION

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