

MARKET BRIEF

Economic indicators released in September showed positive results. Unemployment decreased to 3.7%, the Consumer Confidence Index grew moderately, the Consumer Price Index reported a slight increase, and home prices grew at rates consistent with previous months. The public markets remain strong despite recent volatility, while middle market M&A activity continues to be in line with analyst expectations.

Unemployment Rate Declines to 3.7%

Total nonfarm payroll employment increased by 134,000 in September, and the unemployment rate declined to 3.7%. The number of unemployed persons decreased by 270,000 to 6.0 million in September. Job gains were reported in professional and business services, health care, and in transportation and warehousing, while employment in other major industries changed little. (<https://www.bls.gov/news.release/pdf/empsit.pdf>)

Consumer Confidence Increased in September

The Conference Board Consumer Confidence Index increased in September, following a large improvement in August. The Index now stands at 138.4, up from 134.7 in August. "After a considerable improvement in August, Consumer Confidence increased further in September and hovers at an 18-year high," said Lynn Franco, Director of Economic Indicators at The Conference Board. "The September reading is not far from the all-time high of 144.7 reached in 2000. Consumers' assessment of current conditions remains extremely favorable, bolstered by a strong economy and robust job growth. These historically high confidence levels should continue to support healthy consumer spending, and should be welcome news for retailers as they begin gearing up for the holiday season."

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

The Case-Shiller Index Posts 6.0% Annual Gain in July

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 6.0% annual gain in July, down from 6.2% the previous month. "Rising homes prices are beginning to catch up with housing," says David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "Year-over-year gains and monthly seasonally adjusted increases both slowed in July for the S&P Corelogic Case-Shiller National Index and the 10 and 20-City Composite indices. The slowing is widespread: 15 of 20 cities saw smaller monthly increases in July 2018 than in July 2017." (https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/785566_cshomeprice-release-0925.pdf)

The Consumer Price Index Reported a Slight Increase

The Consumer Price Index for All Urban Consumers increased 0.1% in September on a seasonally adjusted basis, after rising 0.2% in August. The shelter index continued to rise and accounted for over half of the seasonally adjusted monthly increase in the all items index. Over the past twelve months, the all items index rose by 2.3% before seasonal adjustment.

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

PUBLIC MARKET

Despite increasing volatility, the major indices remained relatively stable in September. The Dow Jones Industrial Average gained 2.0%, the S&P 500 Index grew 0.6%, and the Nasdaq Composite Index decreased by 0.6% in September.

Public Trading Multiples

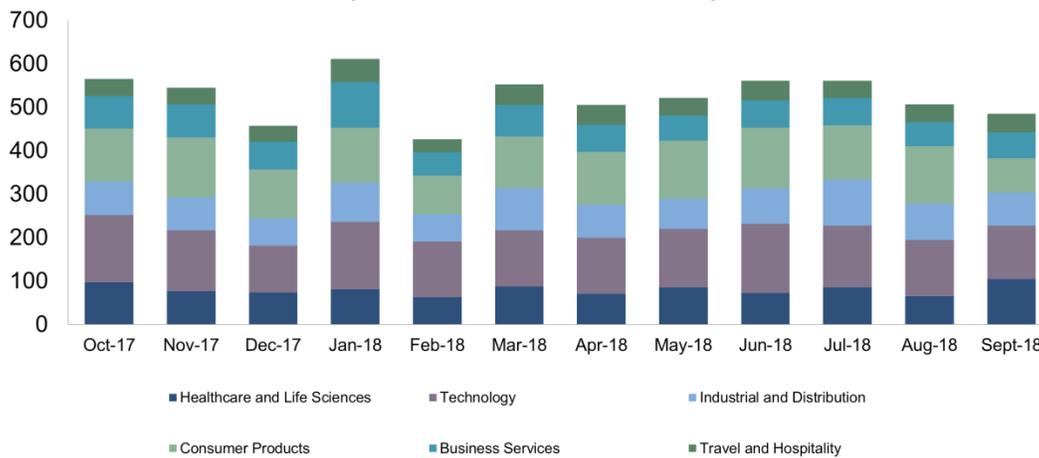
As of October 1, 2018

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	5.0x	25.5x	11.7%	10.7%	16.3%	10.2%	15.8%
Healthcare Equipment and Supplies	4.5x	19.6x	6.0%	6.5%	6.4%	8.5%	16.6%
Healthcare Providers and Services	0.8x	11.5x	5.8%	7.7%	5.9%	6.4%	7.2%
Healthcare and Life Sciences Aggregate	3.4x	18.9x	7.8%	8.3%	9.5%	8.4%	13.2%
Technology							
IT Services	3.1x	15.6x	9.1%	7.3%	12.8%	8.0%	9.7%
Software	6.1x	20.6x	15.1%	9.7%	29.0%	9.7%	10.2%
Computers and Other Electronic Equipment	1.3x	9.7x	10.9%	4.3%	12.3%	4.7%	21.4%
Technology Aggregate	3.5x	15.3x	11.7%	7.1%	18.0%	7.5%	13.8%
Industrial and Distribution							
Aerospace and Defense	1.9x	14.2x	6.5%	2.3%	16.2%	3.9%	4.5%
Building Products	1.3x	10.1x	2.6%	4.0%	6.9%	9.0%	13.5%
Construction and Engineering	0.7x	8.7x	9.5%	4.1%	15.7%	7.4%	10.6%
Machinery	1.4x	11.0x	11.3%	3.8%	20.9%	8.8%	7.5%
Distributors	0.8x	10.2x	11.0%	2.4%	16.9%	6.5%	4.2%
Industrial and Distribution Aggregate	1.2x	10.9x	8.2%	3.3%	15.3%	7.1%	8.0%
Consumer Products							
Food and Beverage	2.2x	12.2x	4.2%	2.7%	4.9%	5.2%	15.8%
Household and Personal Products	3.1x	15.5x	3.8%	2.6%	4.9%	3.5%	18.7%
Household Durables	0.9x	8.7x	11.4%	7.4%	15.3%	12.7%	8.5%
Textiles, Apparel, and Luxury Goods	2.0x	13.3x	7.2%	7.3%	13.5%	7.8%	7.5%
Consumer Products Aggregate	2.0x	12.4x	6.7%	5.0%	9.7%	7.3%	12.6%
Business Services							
Human Resource and Employment Services	0.9x	13.3x	9.7%	9.1%	7.0%	9.1%	17.6%
Research and Consulting Services	3.2x	16.7x	5.7%	5.7%	2.9%	5.3%	20.5%
Business Services Aggregate	2.0x	15.0x	7.7%	7.4%	4.9%	7.2%	19.1%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.7x	12.3x	10.5%	4.9%	10.7%	10.2%	10.5%
Restaurants	2.1x	13.3x	7.0%	3.7%	4.4%	5.3%	9.1%
Leisure Facilities	3.7x	13.3x	6.4%	6.6%	9.4%	8.4%	36.3%
Travel and Hospitality Aggregate	2.8x	12.9x	8.0%	5.1%	8.2%	7.9%	18.6%

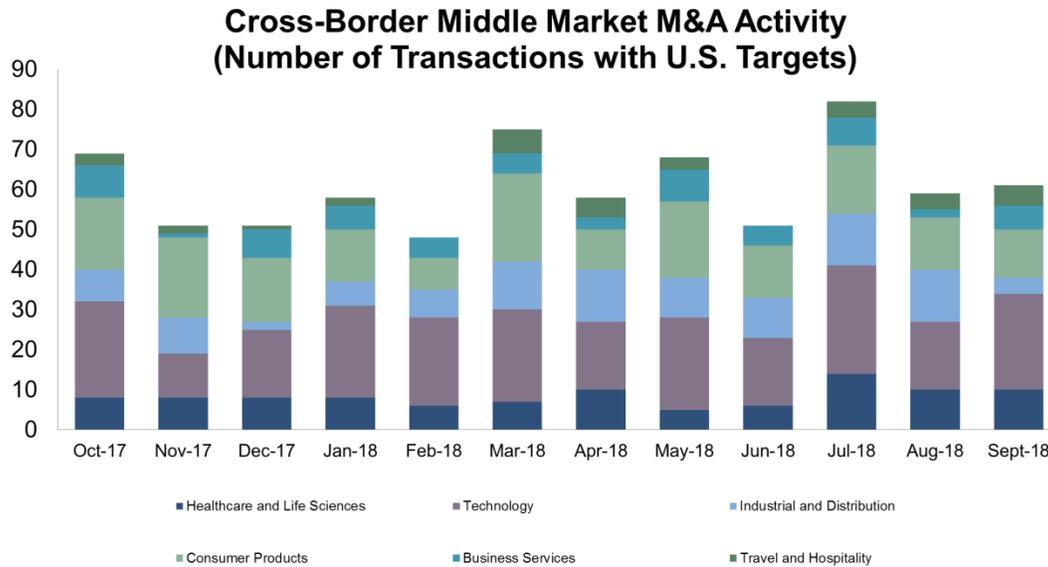
M&A MARKET

U.S. M&A activity moderated slightly in September coming off of a summer of strong deal activity. According to FactSet's *Flashwire US Monthly*, the sectors that have seen the largest gains over the past three months are Commercial Services, Consumer Services, Producer Manufacturing, and Finance. Fifteen of the twenty-one sectors tracked by FactSet posted relative gains in deal flow over the last three months compared to the same three months one year prior.

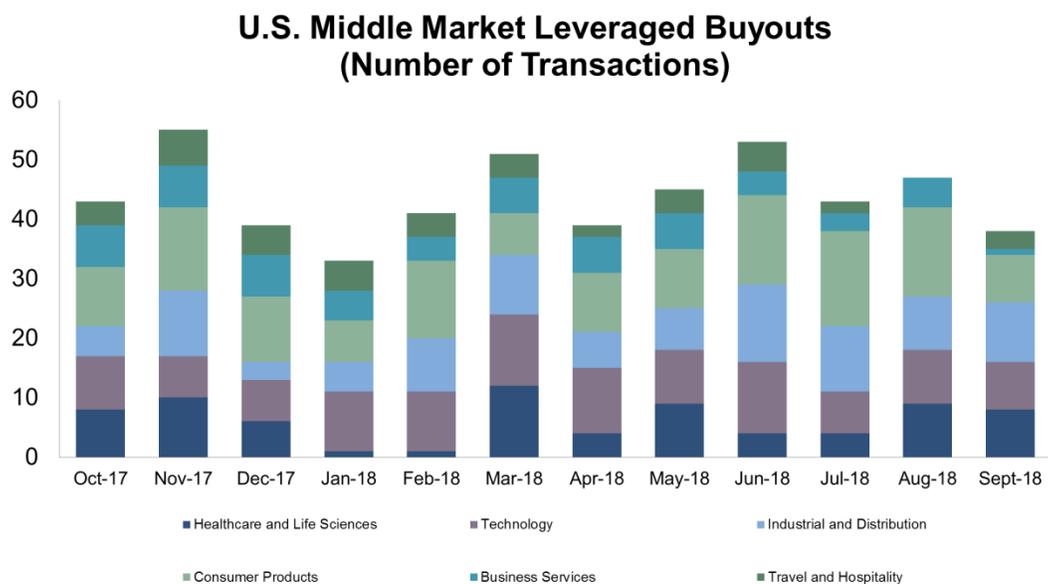
**U.S. Middle Market M&A Activity
Select Industries
(Number of Transactions)**



U.S. middle market cross border M&A activity remained steady in Q3, following a strong first half of 2018. According to Thomson Reuters' *Mergers & Acquisitions Review*, global cross-border M&A activity totaled US\$1.0 trillion in H1 2018, an 84% increase compared to H1 2017 and the strongest first half for cross-border M&A since 2007.



Although private equity activity slowed somewhat in Q3, analysts remain optimistic going into Q4. Christopher Elvin, Head of Private Equity at Preqin, said: “Although Q3 private equity-backed buyout deal activity has slowed, it is still well ahead of where it was at the same point last year, and 2018 seems on track to surpass 2017’s full-year total. Both of the first two quarters of 2018 saw total deal value surpass the USD120 billion mark, and Q3 deal values are approaching USD100 billion. Ultimately, with the year already having broken records, the only real question remaining going into Q4 is how high it can go.”



SELECT MIDDLE MARKET M&A TRANSACTIONS – CONSUMER PRODUCTS

J.M. Smucker Baking Businesses acquired by Brynwood Partners

Brynwood Partners acquired the Pillsbury® Shelf-Stable Baking Business, the Hungry Jack® Brand and other assets from J.M. Smucker Company on August 31, 2018 for \$375 million, which was approximately 1.0x revenue.

The J.M. Smucker Company is a manufacturer of branded food and beverage products worldwide. The Company was founded in 1897 and is headquartered in Orrville, Ohio. The acquired portfolio includes the Pillsbury® brand's shelf-stable baking products along with the Hungry Jack®, White Lily®, Jim Dandy® and Martha White® brands.

Brynwood Partners, founded in 1984 and based in Greenwich, CT, is an operationally-focused private equity firm that makes control investments in North American-based lower middle market companies. Brynwood Partners created Hometown Food Company to acquire the assets from Smucker. Hometown Food Company will be headquartered in Chicago, IL and will operate the Toledo, OH facility.

"We are extremely pleased to announce the formation of the Hometown Food Company, which marks the single largest acquisition in Brynwood Partners' 34-year history," said Henk Hartong III, Chairman and CEO of Brynwood Partners. "We are excited to add the famous Pillsbury® and Hungry Jack® brands along with the White Lily®, Jim Dandy® and Martha White® brands and their great tasting products to our investment portfolio. The iconic portfolio of brands and the company's strong Mid-Western manufacturing footprint will provide us with a solid platform to invest in and to grow."

Jamba, Inc. acquired by FOCUS Brands

Jamba, Inc. was acquired by FOCUS Brands on September 12, 2018 for \$214 million, which was approximately 2.6x revenue and 56.8x EBITDA.

Jamba is a global lifestyle brand that serves freshly blended whole fruit and vegetable smoothies, bowls, juices, cold-pressed shots, boosts, snacks, and meal replacements at more than 800 locations worldwide. Jamba was founded in 1990 and is headquartered in Frisco, Texas.

Atlanta-based FOCUS Brands is a leading developer of global multi-channel foodservice brands. After the Jamba acquisition, Focus, through its affiliate brands, is the franchisor and operator of more than 6,000 restaurants, cafes, ice cream shops and bakeries in the United States, the District of Columbia, Puerto Rico and over 50 foreign countries.

"We are excited to officially welcome Jamba, a leader in the smoothie and juice category with strong franchise operators and an iconic heritage, into our family of well-known and highly loved 'fan favorite' brands," said Steve DeSutter, CEO of FBI. "We look forward to what lies ahead for this great brand, especially the continued growth that will benefit Jamba guests, franchisees, and employees."

MVMT Watches Inc. acquired by Movado Group, Inc. (NYSE:MOV)

MVMT Watches was acquired by Movado Group on October 1, 2018 for \$200 million, which was approximately 2.8x revenue.

MVMT Watches Inc. is a five-year-old lifestyle brand that creates watches, sunglasses and accessories in the affordable price range. The Company was initially capitalized by crowd funding and maintains a strong social media presence. MVMT Watches was founded in 2013 and is based in Los Angeles, California.

Movado designs and sells fine watches in the United States and internationally. The Company was founded in 1961 and is based in Paramus, New Jersey. The acquisition is expected to assist in Movado's reach to millennials and its digital expansion.

FURTHER INFORMATION

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