

MARKET BRIEF

Economic indicators released in December show mixed results. While the Case-Shiller U.S. National Home Price NSA Index posted a 5.5% annual gain, both the Consumer Price Index and Consumer Confidence Index declined, and unemployment increased to 3.9%. Going into 2019, analysts expect M&A activity to hold steady while the public markets continue to rebound from December's mid-month plunge.

Unemployment Rate Increases to 3.9%

Total nonfarm payroll employment increased by 312,000 in December, and the unemployment rate rose to 3.9%. Job gains were reported in healthcare, food services and drinking places, construction, manufacturing, and retail trade, while employment in other major industries remained flat or declined. (<https://www.bls.gov/news.release/pdf/empst.pdf>)

Consumer Confidence Decreased in December

The Conference Board Consumer Confidence Index declined in December, following a modest decrease in November. The Index now stands at 128.1, down from 136.4 in November. "Expectations regarding job prospects and business conditions weakened, but still suggest that the economy will continue expanding at a solid pace in the short-term", said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "While consumers are ending 2018 on a strong note, back-to-back declines in expectations are reflective of an increasing concern that the pace of economic growth will begin moderating in the first half of 2019." (<https://www.conference-board.org/data/consumerconfidence.cfm>)

The Case-Shiller Index Posts 5.5% Annual Gain in October

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 5.5% annual gain in October, remaining the same as the previous month. "Home prices in most parts of the U.S. rose in October from September and from a year earlier," says David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "The combination of higher mortgage rates and higher home prices rising faster than incomes and wages means fewer people can afford to buy a house. Fixed rate 30-year mortgages are currently 4.75%, up from 4% one year earlier. Home prices are up 54%, or 40% excluding inflation, since they bottomed in 2012. Reduced affordability is slowing sales of both new and existing single family homes. Sales peaked in November 2017 and have drifted down since then." (https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/843358_cshomeprice-release-1226.pdf?force_download=true)

The Consumer Price Index Declined in December

The Consumer Price Index for All Urban Consumers declined 0.1% in December on a seasonally adjusted basis, after remaining unchanged in November. The seasonally adjusted decline in the all items index was caused by a sharp decrease in the gasoline index, which fell 7.5 percent in December. This decline more than offset increases in several other indices including shelter, food, and other energy components. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The U.S. public markets remained on a downward trajectory for most of December, despite rebounding slightly during the last week of the year. Overall, The Dow Jones Industrial Average decreased 9.7%, the S&P 500 Index lost 10.2%, and the Nasdaq Composite Index decreased by 10.8 % in December.

Public Trading Multiples

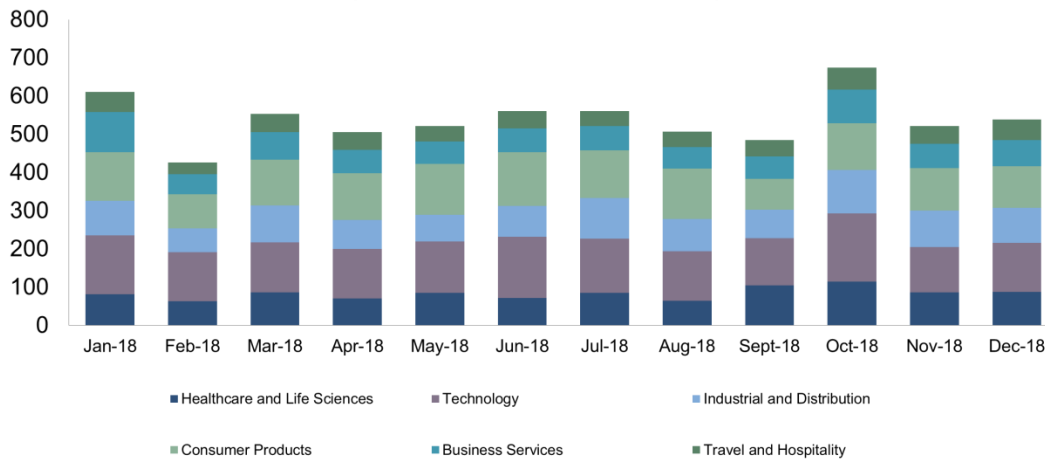
As of January 1, 2019

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	4.5x	23.1x	10.0%	10.6%	11.7%	9.9%	15.1%
Healthcare Equipment and Supplies	4.2x	18.5x	5.1%	5.9%	6.1%	7.6%	16.3%
Healthcare Providers and Services	0.8x	11.3x	5.7%	7.3%	7.2%	7.0%	8.7%
Healthcare and Life Sciences Aggregate	3.2x	17.6x	6.9%	7.9%	8.3%	8.2%	13.4%
Technology							
IT Services	2.9x	14.7x	7.6%	7.4%	11.6%	8.3%	9.4%
Software	5.7x	19.1x	14.7%	10.0%	25.4%	10.4%	8.1%
Computers and Other Electronic Equipment	1.2x	8.6x	9.6%	5.4%	11.6%	5.7%	22.3%
Technology Aggregate	3.3x	14.1x	10.7%	7.6%	16.2%	8.1%	13.3%
Industrial and Distribution							
Aerospace and Defense	1.8x	13.4x	6.4%	2.7%	16.2%	5.0%	4.9%
Building Products	1.2x	9.3x	5.8%	4.3%	2.5%	7.9%	13.1%
Construction and Engineering	0.7x	8.5x	5.3%	4.5%	7.1%	7.2%	10.3%
Machinery	1.3x	10.0x	7.4%	4.4%	12.6%	9.8%	7.0%
Distributors	0.7x	9.9x	8.0%	3.1%	14.5%	8.6%	4.3%
Industrial and Distribution Aggregate	1.1x	10.2x	6.6%	3.8%	10.6%	7.7%	7.9%
Consumer Products							
Food and Beverage	2.1x	11.8x	1.7%	3.5%	0.4%	5.5%	15.8%
Household and Personal Products	3.0x	15.1x	2.4%	2.7%	3.8%	3.8%	21.9%
Household Durables	0.9x	8.1x	7.6%	7.4%	10.1%	11.8%	8.4%
Textiles, Apparel, and Luxury Goods	1.9x	12.8x	5.1%	7.1%	9.3%	7.4%	7.9%
Consumer Products Aggregate	2.0x	11.9x	4.2%	5.2%	5.9%	7.1%	13.5%
Business Services							
Human Resource and Employment Services	0.8x	11.5x	7.3%	8.6%	5.9%	8.1%	17.5%
Research and Consulting Services	3.1x	16.0x	9.6%	4.6%	5.1%	4.4%	20.6%
Business Services Aggregate	2.0x	13.7x	8.4%	6.6%	5.5%	6.3%	19.1%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.4x	11.2x	7.2%	4.7%	6.5%	8.6%	10.7%
Restaurants	2.2x	13.7x	2.4%	3.0%	0.8%	3.6%	9.1%
Leisure Facilities	3.5x	12.2x	7.3%	6.4%	9.7%	7.8%	36.6%
Travel and Hospitality Aggregate	2.7x	12.4x	5.6%	4.7%	5.7%	6.7%	18.8%

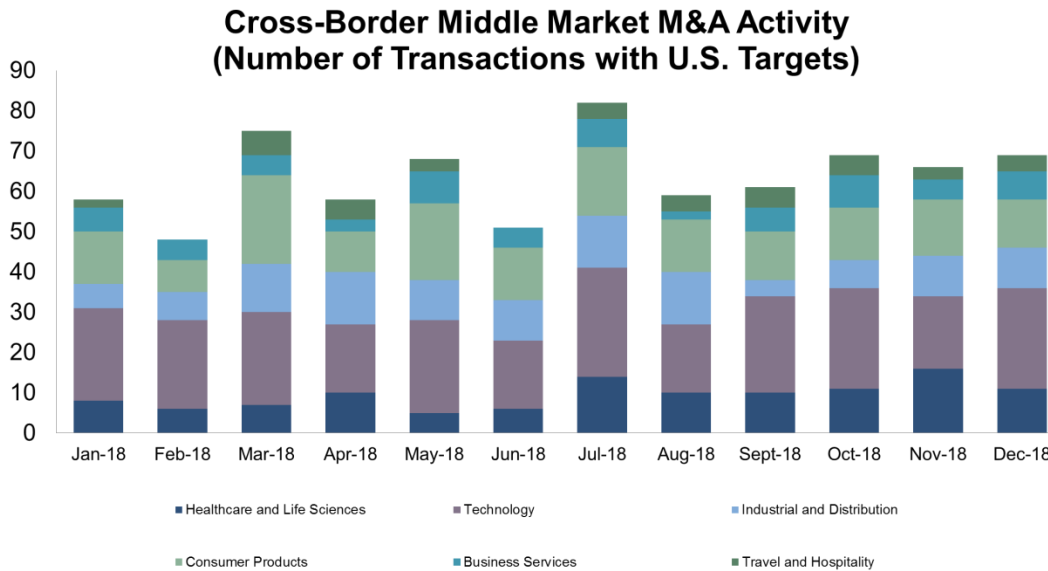
M&A MARKET

Domestic M&A may rise in 2019, according to a recent article in *Mergers & Acquisitions Magazine*, which summarized a handful of recent reports. In the Squire Patton Boggs M&A outlook, the firm suggests that geopolitical uncertainty and rising protectionism may lead investors to look closer to home for M&A opportunities in 2019. “The M&A trends identified in the report look set to continue broadly through 2019: liquidity in the system remains high, with strong availability of debt from banks, bond markets and private debt funds. However, deal values and volumes could be more affected by the protectionism and shifting policies, which are already having an impact on Chinese and U.S. outbound M&A.”

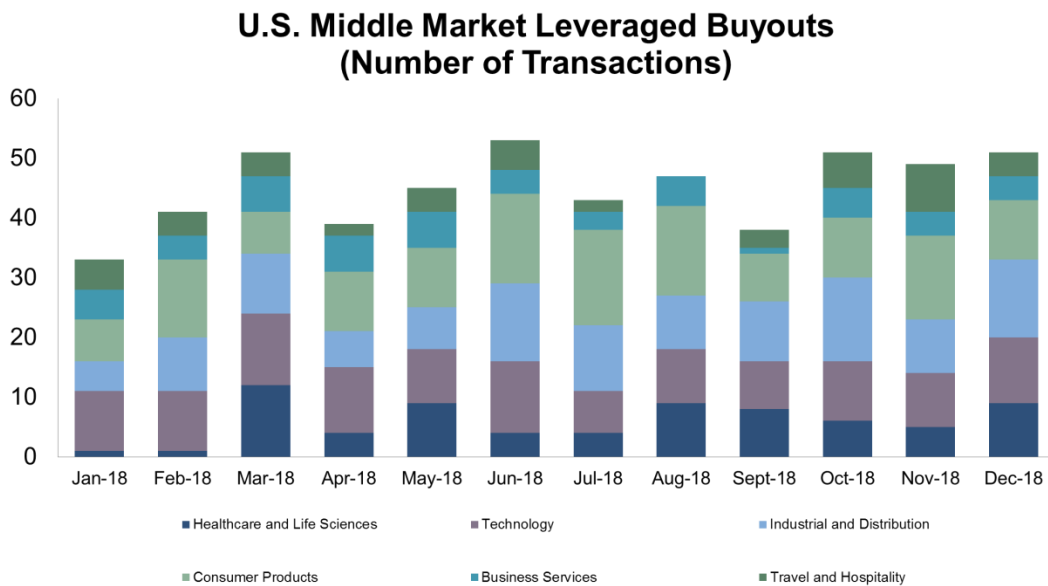
**U.S. Middle Market M&A Activity
Select Industries
(Number of Transactions)**



While geopolitical uncertainty may be good news for domestic M&A, cross-border M&A may decline in 2019. In addition to protectionism and shifting governmental policies, the March 2019 Brexit deadline is expected to curtail interest in U.K. investments in the U.S., as the U.K.’s future relationship with the EU becomes increasingly uncertain.



2018 was another strong year for private equity buyouts, with a 32% increase in deal value over 2017, driven by low interest rates and record levels of dry powder. More than 5,000 buyouts were closed in 2018, with 50% being smaller sized bolt-on acquisitions, suggesting that the “buy and build” strategy is here to stay. As Andrew Cristinzio, US Private Equity Sector Leader at PwC summarizes, “In 2018, PE firms continued to develop innovative strategies in order to successfully deploy capital in a highly competitive M&A market. In 2019 and beyond we see technology increasingly being used as a differentiator in deal sourcing, diligence and driving portfolio company performance.”



SELECT MIDDLE MARKET M&A TRANSACTIONS – HEALTHCARE AND LIFE SCIENCES

Corium International acquired by Gurnet Point Capital

Corium International was acquired by Gurnet Point Capital on November 27, 2018 for \$575 million, which was approximately 13.5x revenue.

Corium is a commercial-stage biopharmaceutical company focused on the development, manufacture and commercialization of specialty transdermal products. The company was incorporated in 1995 and is headquartered in Menlo Park, California.

Gurnet Point Capital is a unique healthcare fund founded by Ernesto Bertarelli and led by Chris Viehbacher, who, together, have decades of expertise in the healthcare industry, both as Chief Executives and as investors. With an initial allocation of \$2 billion, GPC is investing long-term capital and supporting entrepreneurs in building a new generation of companies. Based in Cambridge, MA, its remit is global, encompassing life sciences and medical technologies.

"The Corium team has established a unique capability for developing and manufacturing innovative transdermal products, and we are excited to provide additional resources to ensure Corplex Donepezil becomes available to patients with Alzheimer's disease as soon as possible," said Chris Viehbacher, Managing Partner of GPC.

K2M Group Holdings acquired by Stryker

K2M Group Holdings was acquired by Stryker Corporation on November 9, 2018 for \$1.4 billion, which was approximately 4.9x revenue.

K2M brings to Stryker's Spine division a highly complementary and innovative portfolio, which includes a strong position in the complex spine market. Additionally, K2M's broad portfolio will strengthen Stryker's Spine offering in the core spinal segment, including an attractive minimally invasive spine portfolio. K2M was founded in 2004 and is headquartered in Leesburg, Virginia.

Stryker is one of the world's leading medical technology companies and, together with its customers, is driven to make healthcare better. The company offers innovative products and services in Orthopaedics, Medical and Surgical, and Neurotechnology and Spine that help improve patient and hospital outcomes.

"This acquisition underscores our commitment to the spinal market, which is the largest segment of Orthopaedics with significant unmet needs," stated Kevin A. Lobo, Chairman and Chief Executive Officer, Stryker. "We believe K2M will significantly enhance our presence with surgeons, patients and employees in both the spine and related neurotechnology markets."

Keryx Biopharmaceuticals acquired by Akebia Therapeutics

Keryx Biopharmaceuticals was acquired by Akebia Therapeutics on December 12, 2018 for \$631 million, which was approximately 8.1x revenue.

Keryx Biopharmaceuticals, a commercial stage biopharmaceutical company, focuses on providing medicines for patients with kidney disease in the United States. Keryx was founded in 1997 and is headquartered in Boston, Massachusetts.

Akebia focuses on the development and commercialization of novel therapeutics for patients with renal disease through hypoxia-inducible factor (HIF) biology. The company was founded in 2007 and is headquartered in Cambridge, Massachusetts.

John P. Butler, President and Chief Executive Officer of Akebia, said: "The combined company will have an expanded and highly complementary nephrology portfolio, with Auryxia, a product with significant growth opportunity, and vadadustat, an investigational late-stage HIF-PHI that has the potential to provide a new oral standard of care to patients with anemia due to CKD. Combining Akebia and Keryx creates a leading renal company and provides it with the infrastructure to maximize the market potential of Auryxia and build launch momentum for vadadustat in the United States, subject to FDA approval. I look forward to leading the talented teams of both Akebia and Keryx as we work to establish new standards of renal care and unlock growth potential for shareholders."

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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