

MARKET BRIEF

Economic indicators released in April were positive. The economy continues to demonstrate modest but persistent growth. Labor markets remain supportive, with unemployment near 50-year lows. U.S. public equity markets extended their historic start to the year – the S&P 500 rose 3.9% in April to all-time highs – and M&A activity remains robust. However, markets are seeking resolution on US-China trade negotiations, as escalating rhetoric and a fresh round of higher tariffs triggered investor concerns in early May.

Unemployment Rate Declines to 3.6% in April

Total nonfarm payroll employment increased by 263,000 in April, accelerating from 196,000 adds in March and marking the 103rd consecutive month of gains. The unemployment rate fell to 3.6%, its lowest since December 1969. Notable job gains occurred in professional services and construction, while employment changes in other major industries were relatively modest. Notably, average hourly earnings increased by 3.2% over the past year, to \$27.77. (<https://www.bls.gov/news.release/pdf/empst.pdf>)

Consumer Confidence Improves in April

The Conference Board Consumer Confidence Index increased in April, rising to 129.2, from 124.1 in March. “Consumer Confidence partially rebounded in April, following March’s decline, but still remains below levels seen last Fall. The Present Situation Index, which had decreased sharply last month, improved in April, as did consumers’ short-term outlook. Overall, consumers expect the economy to continue growing at a solid pace into the summer months. These strong confidence levels should continue to support consumer spending in the near-term,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board.

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

The Case-Shiller Index Posted 4.0% Annual Gain in February

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index posted a 4.0% annual gain in February, down from 4.2% the previous month. “The pace of increases for home prices continues to slow,” said David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. “Homes began their climb in 2012 and accelerated until late 2013 when annual increases reached double digits. Subsequently, increases slowed until now when...sales of new homes, housing starts, and residential investment had similar weak trajectories over the last year.”

(https://my.spindices.com/documents/indexnews/announcements/20190430-918758/918758_cshomeprice-release-0430.pdf?force_download=true)

The Consumer Price Index Increased 0.3% in April

The Consumer Price Index for All Urban Consumers increased 0.3% m-o-m in April on a seasonally adjusted basis. Increases were driven by energy and gasoline prices, which more than offset declines in car, apparel, and food prices. (<https://www.bls.gov/news.release/cpi.nr0.htm>)

PUBLIC MARKET

The U.S. public equity market continued its strong start to 2019 in April, with the S&P 500 rising 3.9%. The index stood at an all-time high, and with a YTD gain of 17.5%, as of April 30. However, tensions in US-China trade negotiations, including a fresh set of tariffs on Chinese goods, triggered a pull back in early May. Performance of recent high-profile IPOs has been mixed, with Lyft and Uber declining significantly after their offerings, and Beyond Meat showing modest gains – several other unicorns including Pinterest and Airbnb remain in the 2019 pipeline.

Public Trading Multiples

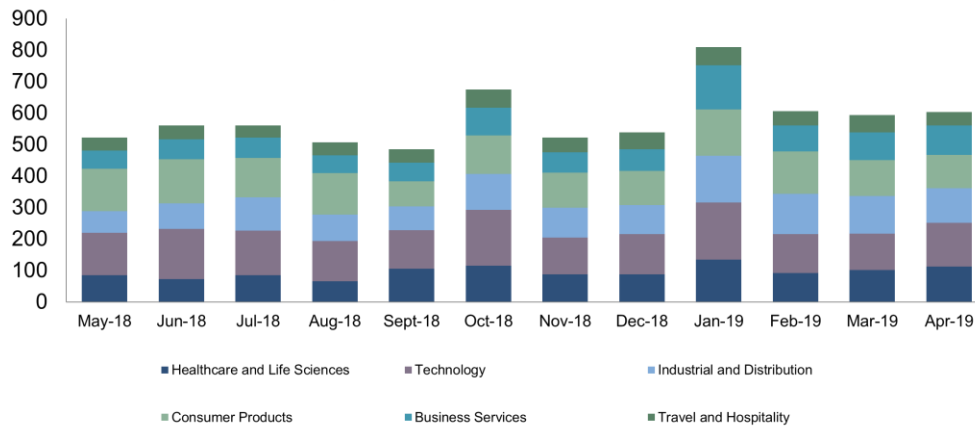
As of April 30, 2019

Category	EV / Revenue	EV/ EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Year	EBITDA Growth 1 Year	EBITDA Growth 3 Year	EBITDA Margin
Healthcare and Life Sciences							
Healthcare Technology	4.8x	25.5x	8.9%	9.9%	10.1%	8.4%	14.2%
Healthcare Equipment and Supplies	4.5x	19.4x	6.3%	6.2%	5.6%	9.2%	15.8%
Healthcare Providers and Services	0.8x	11.2x	8.5%	7.9%	7.9%	7.6%	8.5%
Healthcare and Life Sciences Aggregate	3.4x	18.7x	7.9%	8.0%	7.9%	8.4%	12.8%
Technology							
IT Services	3.2x	16.2x	5.4%	7.6%	7.4%	8.6%	8.7%
Software	6.6x	21.8x	13.4%	10.7%	25.0%	14.1%	8.8%
Computers and Other Electronic Equipment	1.3x	9.8x	2.5%	5.1%	-0.6%	4.8%	20.6%
Technology Aggregate	3.7x	16.0x	7.1%	7.8%	10.6%	9.2%	12.7%
Industrial and Distribution							
Aerospace and Defense	1.9x	13.8x	5.0%	3.7%	7.0%	5.7%	6.7%
Building Products	1.3x	9.8x	4.0%	5.2%	1.4%	7.6%	13.0%
Construction and Engineering	0.6x	8.1x	2.6%	6.0%	1.5%	8.9%	9.4%
Machinery	1.4x	10.7x	4.9%	5.3%	6.1%	10.6%	7.2%
Distributors	0.7x	9.7x	13.4%	8.9%	13.9%	13.9%	4.3%
Industrial and Distribution Aggregate	1.2x	10.4x	6.0%	5.8%	6.0%	9.3%	8.1%
Consumer Products							
Food and Beverage	2.3x	13.6x	0.9%	4.1%	0.2%	5.1%	15.4%
Household and Personal Products	3.2x	14.6x	-2.0%	2.3%	7.0%	7.0%	18.5%
Household Durables	0.9x	9.1x	2.5%	7.8%	0.0%	11.5%	9.0%
Textiles, Apparel, and Luxury Goods	1.9x	12.6x	2.6%	6.8%	6.0%	8.0%	8.0%
Consumer Products Aggregate	2.1x	12.5x	1.0%	5.2%	3.3%	7.9%	12.7%
Business Services							
Human Resource and Employment Services	0.8x	11.8x	3.5%	8.1%	2.4%	8.1%	14.9%
Research and Consulting Services	3.1x	17.5x	-1.9%	3.9%	-6.7%	2.9%	20.6%
Business Services Aggregate	2.0x	14.6x	0.8%	6.0%	-2.1%	5.5%	17.7%
Travel and Hospitality							
Hotels, Resorts, and Cruise Lines	2.5x	12.1x	8.0%	5.9%	6.3%	7.9%	11.7%
Restaurants	2.4x	15.4x	3.1%	2.7%	-0.5%	2.6%	9.5%
Leisure Facilities	3.8x	13.1x	3.6%	6.7%	7.6%	9.0%	32.8%
Travel and Hospitality Aggregate	2.9x	13.5x	4.9%	5.1%	4.4%	6.5%	18.0%

M&A MARKET

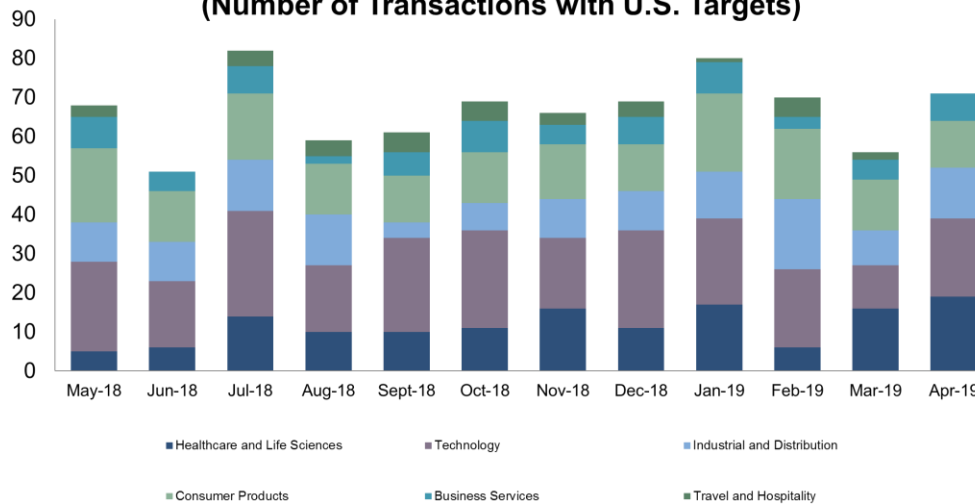
Deal volume continued at a steady pace in April, with increased activity in Technology offsetting a modest decrease in Industrial & Distribution. Reported concerns of market overvaluation are yet to translate into declining activity, highlighting strong economic fundamentals and companies' desire for scale amid sweeping technological disruption.

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



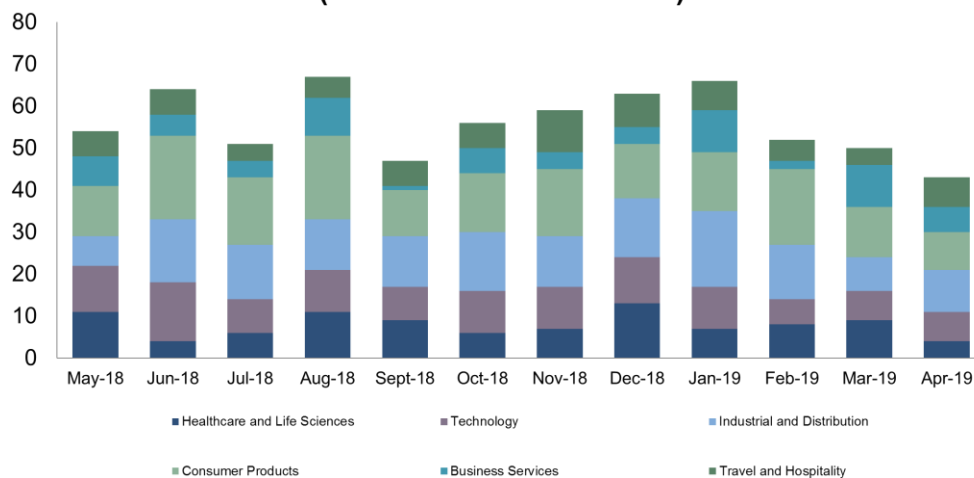
Middle market cross-border deal flow increased in April, rebounding from the dip in March. Increased activity was particularly noticeable in both Technology and Industrial & Distribution sectors. Overall, deal flow in the first 4 months of 2019 is up 16% relative to the same period in 2018 despite ongoing global headwinds from Brexit negotiations and trade disputes.

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



Middle market LBO activity slowed to its lowest level of the past year in April, with the largest declines in the Healthcare and Consumer Products sectors. Fund managers and industry analysts maintain an overall positive outlook for future deal activity given record levels of dry powder, though high public market valuations and business cycle risks are raising concerns of a potential correction. Preqin research's Christopher Elvin commented, "This is a crucial time for the industry: a market correction seems increasingly anticipated and coupled with ongoing pricing challenges investors are proceeding with caution. However, private equity weathered the Global Financial Crisis well and in a low-return environment the asset class's proven track record of delivering superior returns to investors over the longer term will maintain private equity's appeal to investors looking to meet their return objectives." According to Preqin, almost a third (31%) of investors are expected to invest more in private equity in 2019 than in 2018, while only 12% are expected to invest less.

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



SELECT MIDDLE MARKET M&A TRANSACTIONS – TRAVEL, HOSPITALITY & LEISURE

Gaming Partners International acquired by Angel Holdings

Gaming Partners (GPIC) was acquired by Angel Holdings on May 1, 2019 for \$110 million, which was approximately 1.1x revenue and 8.1x EBITDA. The \$13.75/share purchase price represents a 79% premium over GPIC's unaffected stock price.

GPIC manufactures and supplies casino table game equipment, such as cards, dice sticks, and RFID solutions to authenticate casino currency. GPIC was founded in 1963 and is headquartered in North Las Vegas, Nevada.

Angel Holdings is a leading global manufacturer and supplier of playing cards and related equipment, such as automatic card shufflers, for the gaming industry and retail markets, and is based in Japan.

The deal closed after a negotiated go-shop period concluded without other competitive bids. The transaction will combine two companies with complementary products and geographic footprints.

Zoe's Kitchen acquired by Cava Group

Zoe's Kitchen was acquired by Cava Group on November 21, 2018 for approximately \$300 million, which was approximately 0.9x revenue and 16.6x EBITDA. The \$12.75/share purchase price represents a 33% premium over Zoe's unaffected stock price.

Zoe's Kitchen develops and operates a chain of fast-casual restaurants, with approximately 250 restaurants across 20 states. Zoe's Kitchen was founded in 1995 and is based in Plano, Texas.

Founded in 2010, Cava Group owns and operates a chain of Greek and Mediterranean fast-casual restaurants.

"With this acquisition, Cava will be able to broaden our geographic footprint and meet the needs of even more guests," Cava CEO Brett Schulman said in a statement. "As part of the Cava family, Zoe's Kitchen will benefit from Cava's track record of bold culinary innovation and leveraging data and technology to drive growth and convenience." The acquisition was financed by a significant equity investment from Act III Holdings, a brand-accelerator financing group created by former Panera Bread CEO Ron Shaich.

Movie Tavern acquired by Marcus Theatres

Movie Tavern, Inc. was acquired by Marcus Theatres Corporation on February 1, 2019 for approximately \$126 million, consisting of approximately \$30 million in cash and approximately 2.45 million shares of Marcus common stock.

New Orleans-based Movie Tavern is an industry leader known for successful in-theater dining, premium food and drink, and luxury seating. Movie Tavern operates 22 locations and 208 screens in 9 states. The Company is a portfolio Company of Veronis Suhler Stevenson, a private equity firm.

Marcus Theatres is a subsidiary of Marcus Corporation, which owns and operates movie theaters, hotels, and resorts. Including the acquisition of Movie Tavern, Marcus now operates 1,098 screens at 90 locations across 17 states.

"The foundation of our growth and success is our guest service expertise and the strength of our food and beverage offerings, which includes multiple lobby and in-theatre dining options that have revolutionized the moviegoing experience," said Rolando B. Rodriguez, chairman, president and CEO of Marcus Theatres. "We look forward to collaborating with our new colleagues to further enhance the Movie Tavern experience... [including] the introduction of new amenities..."

FURTHER INFORMATION

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