

Q1 2012 Deal Volume Comparison

Chart A: Completed EMS Transactions

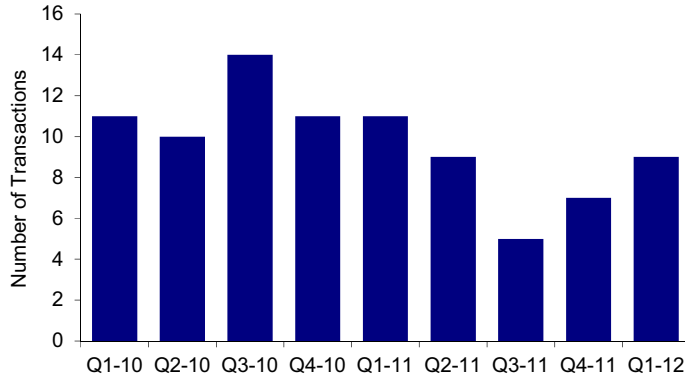
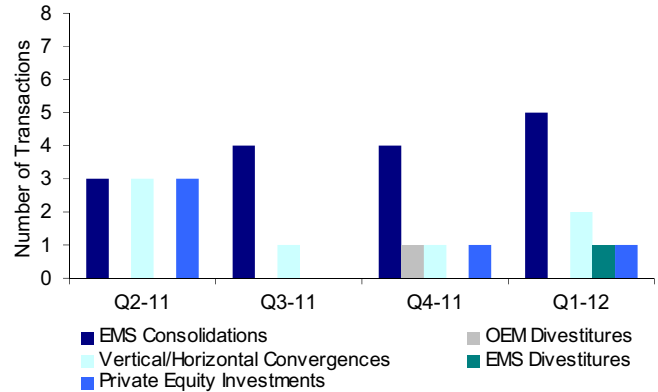


Chart B: Quarterly Comparison—EMS M&A by Deal Type



Announcements

- AsteelFlash Group SA has acquired Catalyst Manufacturing Services, Inc. (January-12)
- Shaw Kwei & Partners has taken Beyonics Technology Ltd. private (February-12)
- American Computer Development, Inc. has acquired Fawn Industries, Ltd. (February-12)
- Flextronics International Ltd. has acquired Stellar Microelectronics, Inc. (March-12)

Q1 2012 Summary

There were 9 completed transactions in Q1 2012. As displayed in Chart A, the 9 transactions represent continued steady recovery in recent M&A activity from a low point in Q3 2011. The continued economic and credit market improvements combined with the general market need to deploy cash is driving further M&A.

As shown in Chart B, EMS consolidations remained the most active type of transactions, representing five, or 56% of Q1 2012 transactions. This highlights the desire for EMS companies to continue to build stronger platforms through acquisition. There were two vertical / horizontal convergences in Q1 2012, up from one in Q4 2011. The level of vertical / horizontal convergences was up from the previous quarter as companies outside of the “pure play” EMS industry renewed their interest in EMS and expanded horizontally. Q1 2012 also had the first EMS divestiture in the last four quarters. In addition, there was one private equity transaction for the second quarter in a row.

As illustrated in Chart C, four transactions occurred within the U.S. and Canada in Q1 2012 (44% of total transactions), representing an increase over the previous three quarters. This also highlights a trend of continued increasing M&A activity in the U.S. and Canada since this same time last year. There were two deals in Asia, up from one in the previous two quarters. Cross-border activity remained strong, with one transaction between high cost countries and two transactions between high and low cost countries.

As shown in Chart D, transactions by size for the quarter were led by the Mid Tier, totaling four, or 44% of all transactions. There were two Large Tier transactions and three Small Tier transactions, or approximately 22% and 33% of the total, respectively.

EMS Size Guide

(Sales Dollars)

Large (Tier I)

Greater than \$3 billion

Mid (Tier II)

\$300 million to \$3 billion

Small (Tier III)

Below \$300 million

Sources: All information contained in this newsletter including the charts was obtained from company websites, Custer Reports, Lincoln International's internal data, Manufacturing Market Insider, and Capital IQ.

Chart C: Quarterly Comparison—EMS M&A by Geography

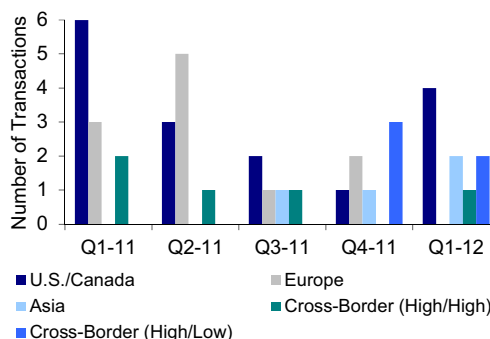
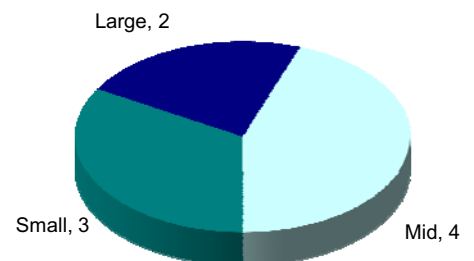


Chart D: Q1 2012 Mergers and Acquisitions by Size



Note: “High/High” indicates cross-border transactions between Japan, Taiwan, Western Europe and U.S./Canada; “High/Low” indicates cross-border transactions between high-cost regions and low-cost regions.

Terms & Turns

Revisiting the Cash Cycle

The cash cycle is calculated by adding days sales outstanding (DSO) and days inventory outstanding (DIO) and subtracting from this sum days payable outstanding (DPO). The financial statistic is used to measure how quickly a company can turn sales into cash. There are two basic disciplines in managing cash cycle: 1) contractual terms with vendors and customers, and 2) inventory turns, hence "Terms & Turns." Because the electronic manufacturing services industry is very material intensive, inventory management is the most important factor in achieving cash cycle improvements.

In the Large Tier, all but one company's cash cycle shortened (less days). Celestica shortened its cash cycle by 4.5% to 32.4 days from 33.9 in Q1-2011 due to lower DSO. Flextronics' cash cycle shortened from 12.9 days to 10.6, a 18.1% decrease, because of lower DSO and higher DPO. Jabil Circuit's cash cycle decreased from 15.2 days to 13.8, a 9.6% decrease, largely because of lower DSO. However, Sanmina-SCI's cash cycle lengthened this year from 47.8 days to 54.6, a 14.2% increase, because of significantly worsened DSO and lower DPO.

In the Mid Tier, all but Sypris lengthened their cash cycles. CTS lengthened its DIO, while Benchmark and Nam Tai lengthened their DSO, both leading to a deterioration in the cash cycle. While Nam Tai's DIO also increased significantly, it was compensated by an increase in DPO mitigating the overall impact. While Plexus maintained its cash cycle length, Sypris was able to improve its cash cycle by significantly reducing DSO.

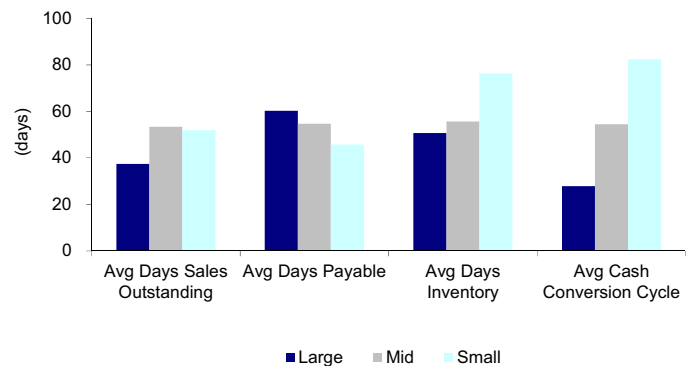
The Small Tier showed improvement in cash cycles for IEC, Nortech and Sparton, while cash cycles worsened for Key Tronic, SigmaTron and SMTC. The improvements in cash cycles within the Small Tier were driven by the strengthening of all three elements: lower DSO, higher DPO and lower DIO. Key Tronic's and SigmaTron's cash cycles increased due to increased DSO, while SMTC saw both an increase in DSO and a significant decrease in inventory turnover.

Inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, the company with the longest cash cycle, SigmaTron with a cash cycle of 123.5, is also the company that has the lowest inventory turns at 3.4. Conversely the three companies with the shortest cash cycles, Nam Tai, Flextronics and Jabil with cycles of 11.3, 10.6 and 13.8, respectively have three of the highest inventory turns with 18.9, 8.0 and 7.0, respectively. Inventory turns are also impacted by business type. Low volume, high mix products, for which inventory management is more difficult, generally have lower turns. The cash cycle continues to be a focus for EMS providers due to its significant impact on ROIC and the importance of cash flow for growth.

	Cash Cycle			Inventory Turns		
	Q1-11	Q1-12	%chg	Q1-11	Q1-12	%chg
Large Tier						
Celestica	33.9	32.4	-4.5%	7.4	7.0	-6.2%
Flextronics	12.9	10.6	-18.1%	8.4	8.0	-5.4%
Jabil Circuit	15.2	13.8	-9.6%	7.6	7.0	-8.1%
Sanmina-SCI	47.8	54.6	14.2%	7.5	7.0	-6.6%
Median	24.6	23.1	-6.1%	7.5	7.0	-7.2%
Mid Tier						
Benchmark	82.4	90.1	9.4%	5.8	5.6	-2.7%
CTS	59.5	64.2	7.9%	6.6	5.6	-14.3%
Nam Tai	10.5	11.3	7.5%	26.6	18.9	-29.1%
Plexus	75.3	76.5	1.6%	4.3	4.0	-7.1%
Sypris	42.5	30.2	-29.0%	8.2	9.4	15.3%
Median	59.5	64.2	7.9%	6.6	5.6	-14.3%
Small Tier						
IEC	88.2	67.1	-23.9%	5.9	6.3	6.6%
Key Tronic	76.8	79.1	3.0%	5.6	5.3	-6.5%
Nortech	80.0	76.4	-4.6%	5.0	5.7	14.8%
SigmaTron	122.2	123.5	1.1%	3.3	3.4	2.1%
SMTC	47.4	69.3	46.3%	5.9	4.2	-28.6%
Sparton	89.6	79.9	-10.8%	4.5	5.0	11.3%
Median	84.1	77.7	-7.5%	5.3	5.1	-3.8%

Note: Negative % change for cash cycle denotes improvement.

Chart E: Terms and Turns Comparison



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