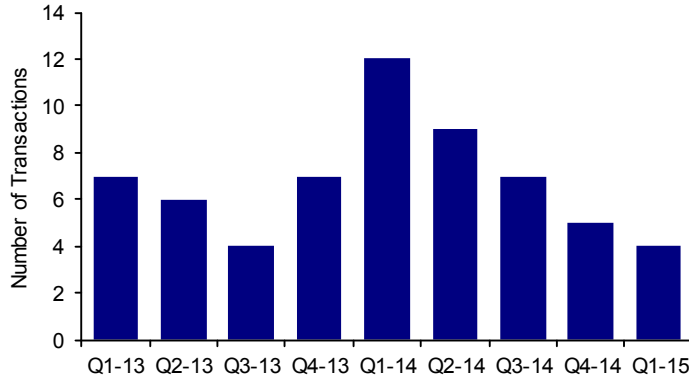
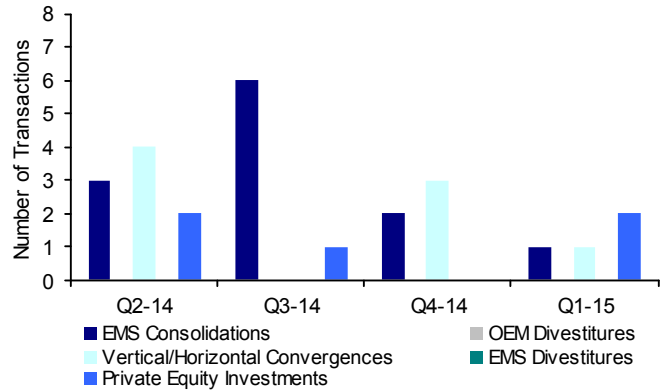


Q1 2015 Deal Volume Comparison

Chart A: Completed EMS Transactions

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


Announcements

- Summit Equity Group has acquired Niche Electronics Technologies, Inc. (March-15)
- Season Group USA has acquired Xytronic, Ltd. (March-15)
- Cyient Limited has acquired Rangsons Electronics Pvt. Ltd. (February-15)
- Corridor Capital has acquired Circuitronics, Inc. (January-15)

Q1 2015 Summary

There were four completed transactions in Q1 2015. As displayed in Chart A, the four transactions represent a decrease in recent M&A activity compared to the five transactions in the previous quarter. On a comparative basis, this is sharply down from the twelve transactions in Q1 2014 with only four transactions in Q1 2015.

As shown in Chart B, EMS consolidations were down from last quarter, representing one, or 25% of Q1 2015 transactions, compared to two in Q4 2014. On a comparative basis, this is down significantly from the six EMS consolidations in Q1 2014 with only one in Q1 2015. There was one vertical / horizontal convergence in Q1 2015, down from three in Q4 2014 and also down on a comparative basis from the three reported in Q1 2014. Vertical / horizontal convergences have remained in recent quarters as companies outside of the “pure play” EMS industry have renewed their interest in EMS and expanded horizontally. There were two private equity transactions in Q1 2015 up

from zero in the previous quarter. On a comparative basis, there were three private equity transactions in Q1 2014 versus only two in Q1 2015.

As illustrated in Chart C, three transactions occurred within the U.S. and Canada in Q1 2015 (75% of total transactions), representing the same level of activity as the previous quarter. On a comparative basis, the seven transactions that occurred within the U.S. and Canada in Q1 2014 represented only 58% of the total transactions in that quarter last year. There was one deal in Asia, up from zero in both the previous quarter and from Q1 2014. There were no cross-border or European transactions this quarter.

As shown in Chart D, transactions by size for the quarter fell primarily in the Small tier, totaling three, while the Mid tier accounted for one transaction.

EMS Size Guide

(Sales Dollars)

Large (Tier I)

Greater than \$3 billion

Mid (Tier II)

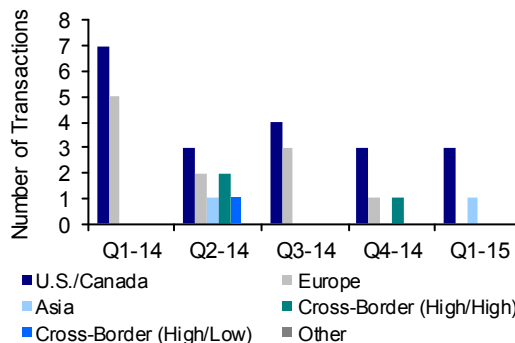
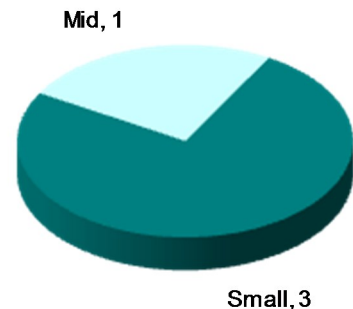
\$300 million to \$3 billion

Small (Tier III)

Below \$300 million

Note: Companies are included in a given tier by falling within the threshold for two consecutive quarters

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 2015 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, one company's cash cycle worsened (more days), while three companies' cash cycles improved. Celestica lengthened its cash cycle by 3.0% to 42.6 days from 41.4 in Q1 2015 largely due to lower DPO. On the other hand, Flextronics' cash cycle shortened from 26.1 days to 24.4, a 6.5% decrease, because of higher DPO. Jabil Circuit's cash cycle shortened from 6.4 days to 6.2, a 3.4% decrease, because of lower DIO and lower DSO. Sanmina-SCI's cash cycle also improved this quarter from 50.4 days to 44.8, an 11.1% decrease, because of lower DIO and lower DSO.

In the Mid Tier, all but Sypris worsened their cash cycles. Benchmark saw decreases in its DPO and increases in its DIO and DSO resulting in an increase to the cash cycle. Key Tronic saw increases in both DSO and DIO by more than its DPO, resulting in a net increase to the cash cycle. Plexus lengthened its cash cycle largely due to a decrease in DPO. Sparton also lengthened its cash cycle due to a decrease in DPO and an increase in DIO. Meanwhile Sypris saw decreases in its DIO and DSO by more than its DPO, resulting in a net decrease to the cash cycle.

In the Small Tier, all but SMTC worsened their cash cycles. The longer cash cycles within the Small Tier were driven mainly by higher DIO and DSO. SMTC's cash cycle improved due to decreased DIO.

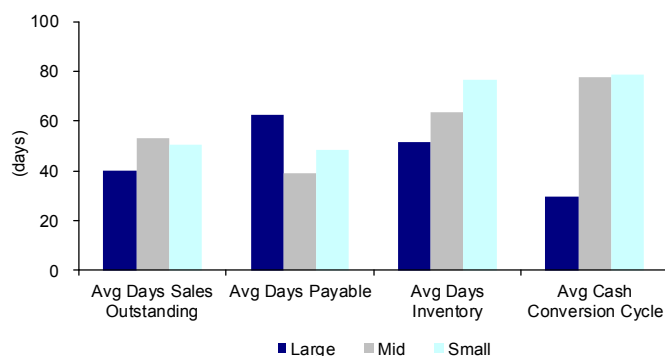
Inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, the company with the longest cash cycle, Sparton (cash cycle of 96.2), also has one of the lowest inventory turns at 5.0. Conversely the three companies with the shortest cash cycles, Jabil, Flextronics and Celestica (cycles of 6.2, 24.4 and 42.6, respectively) have higher inventory turns (7.9, 6.7 and 6.6, 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		
	Q1-14	Q1-15	%chg	Q1-14	Q1-15	%chg
Large Tier						
Celestica	41.4	42.6	3.0%	6.6	6.6	-0.3%
Flextronics	26.1	24.4	-6.5%	7.8	6.7	-13.5%
Jabil Circuit	6.4	6.2	-3.4%	7.2	7.9	10.0%
Sanmina-SCI	50.4	44.8	-11.1%	6.8	7.2	5.7%
Median	33.8	33.5	-0.7%	7.0	7.0	-0.3%
Mid Tier						
Benchmark	80.2	85.5	6.6%	6.3	5.9	-6.5%
Key Tronic	81.5	92.2	13.1%	6.2	5.5	-11.7%
Plexus	74.8	76.7	2.5%	4.3	4.6	8.9%
Sparton	87.9	96.2	9.5%	5.4	5.0	-6.2%
Sypris	41.5	36.5	-12.1%	7.8	10.0	28.1%
Median	80.2	85.5	6.6%	6.2	5.5	-11.7%
Small Tier						
IEC	73.6	84.9	15.4%	6.4	5.3	-17.7%
Nortech	85.4	89.4	4.7%	5.2	5.5	5.8%
SigmaTron	79.1	88.3	11.7%	3.8	3.3	-13.3%
SMTC	55.6	52.8	-5.1%	5.2	6.1	17.1%
Median	76.3	86.6	13.5%	5.2	5.4	3.5%

Note: Negative % change for cash cycle denotes improvement.

The Q1 2015 cash cycle analysis excludes Kimball Electronics (NasdaqGS:KE), which will be included in future cash cycle analyses

Chart E: Terms and Turns Comparison



About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and pension advisory services on a wide range of transaction sizes. With sixteen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com.

Contact

Lincoln International's Electronics Group is led by a former CEO of a public EMS company. The firm's Electronics team provides transactional, financial and strategic advisory services to electronics companies and private equity groups. For more information, please contact:

NORTH AMERICA
Jack Calderon,
Managing Director (Chicago)
jcalderon@lincolninternational.com

Chaim Lubin,
Director (Chicago)
clubin@lincolninternational.com

SOUTH AMERICA
James Sinclair,
Managing Director and
President - Brazil (São Paulo)
jsinclair@lincolninternational.com

EUROPE
Mark Barrow, Managing Director
(London)
mbarrow@lincolninternational.com

Øyvind Bjordal, Managing
Director (Zurich)
o.bjordal@lincolninternational.ch

Géraud Estrangin, Managing
Director (Paris)
g.estrangin@lincolninternational.fr

Richard Floto, Managing Director
(Frankfurt)
r.floto@lincolninternational.de

Eric Wijs, Managing Director
(Amsterdam)
e.wijs@lincolninternational.nl

Rommel Franco, Director
(Madrid)
r.franco@lincolninternational.es

ASIA
Tetsuya Fujii,
Managing Director and
President - Japan (Tokyo)
tfujii@lincolninternational.com

T.N. Giridhar,
Managing Director and
President - India (Mumbai)
tngiridhar@lincolninternational.com

Joe Chang,
Managing Director and
CEO - China (Beijing)
jchang@lincolninternational.com



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