

# Q3 2012 Deal Volume Comparison

Chart A: Completed Transactions

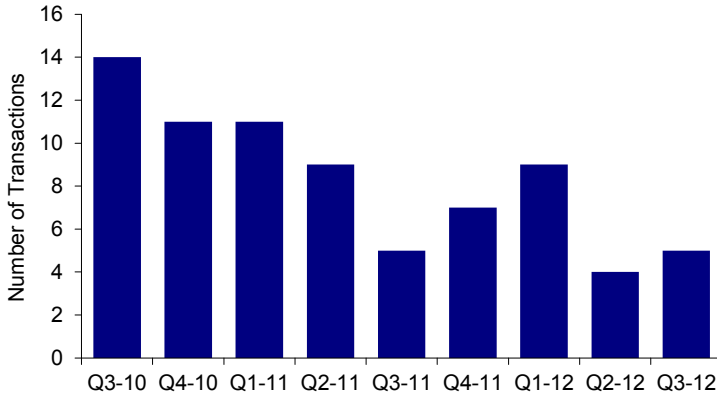
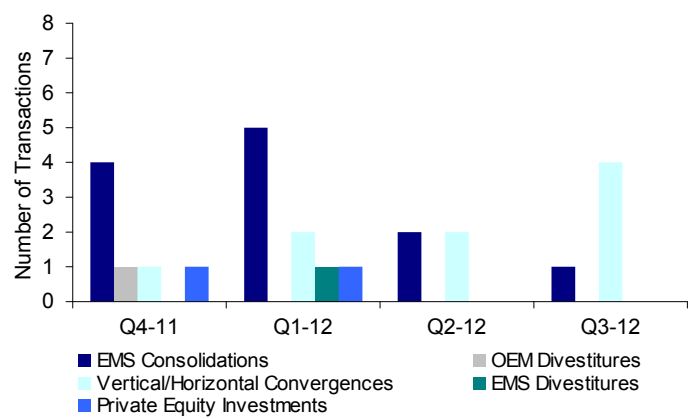


Chart B: Quarter Comparison — EMS M&A by Deal Type



## Announcements

- H.B. Fuller Company (NYSE: FUL) has acquired Engent, Inc. (September-10)
- Celestica Inc. (TSX: CLS) has acquired D&H Manufacturing Company (September-10)
- Stadium Group plc (AIM: SDM) has acquired IGT Industries Ltd. (September-4)
- AsteelFlash Group SA has acquired EN ElectronicNetwork AG (August-27)
- Global Invacom Holdings Limited has acquired Radiance Group Limited (SGX: 5DC) in a reverse merger (July-5)

## Q3 2012 Summary

There were five completed transactions in Q3 2012. As displayed in Chart A, the five transactions represent an increase in M&A activity compared to Q2 2012. However, M&A activity fell off in the first half of 2012 versus the same period a year earlier primarily due to economic softness. M&A activity in the EMS industry would need to surge in the final quarter of the year to avoid a fall off for the second straight year.

As shown in Chart B, EMS consolidations represented one transaction, or 20.0% of total activity in Q3 2012, down from two in Q2 2012. The number of vertical/horizontal integrations increased with four transactions in Q3 2012 compared to two in Q2 2012. There were no EMS private equity deals, OEM divestitures or EMS divestitures in Q3 2012.

As illustrated in Chart C, one transaction occurred between two U.S. based companies in Q3 2012, representing 20.0% of total activity; remaining flat

with the previous quarter. Cross-Border transactions between high-cost countries, as defined below, represented 40.0% of the activity in Q3 2012 with two transactions, up from zero in Q2 2012. There was one Cross-Border transaction between the UK, a high-cost region, and Singapore, a low-cost region. Finally, there was one transaction between two UK companies this quarter, representing 20.0% of total activity; down from two in Q2 2012.

As shown in Chart D, the Small Tier and the Mid Tier led Q3 2012, with two transactions apiece, or 40.0% of all transactions, respectively. There was one Large Tier transaction in Q3 2012, or approximately 20.0% of the total.

## 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 — M&A by Geography

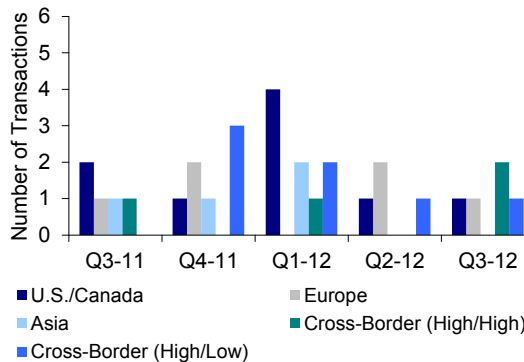
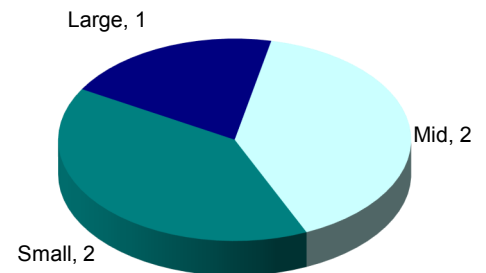


Chart D: Q3 2012 M&A by Size



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.

## An Analysis of Growth Trends Affecting the EMS Industry

EMS industry revenue increased only 8.8% in 2011, following the 37.0% increase exhibited in 2010. However, on a last-12-month ("LTM") 2012 basis, industry revenue has decreased – the 15 largest publicly traded EMS providers in the world produced a revenue decrease of 5.9% versus the same period a year earlier.\*

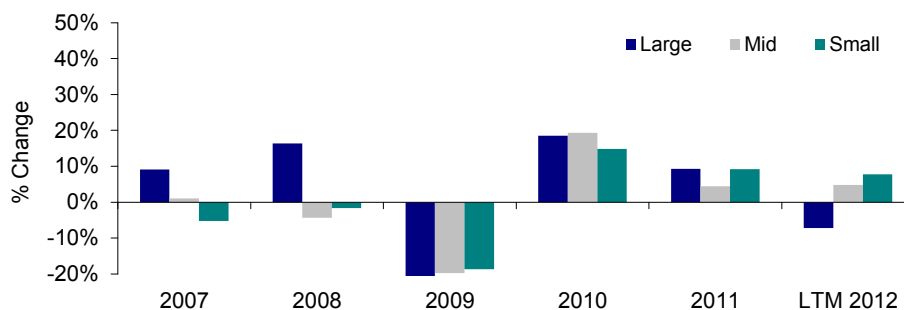
As shown in Chart E, overall LTM revenue has increased for Mid and Small Tier EMS providers, but decreased for those in the Large Tier. Large EMS providers' revenue decreased 7.2% on an LTM 2012 basis versus an increase of 9.3% in 2011. The Mid Tier has performed moderately with LTM revenue rising 4.8% relative to an increase of 4.5% in 2011. Small Tier EMS companies grew LTM 2012 revenue by 7.8% compared to an increase of 9.2% in 2011. Longer term growth is expected to continue and be driven by industry demand with the communications, computer and consumer industries leading the way.

The communications industry is expected to exhibit the most significant growth. This industry is expected to grow at a CAGR of 10.9% from 2011 to 2016. The computer and consumer industries are also expected to show strong growth, with CAGRs at, or, above 9.5% over the next five years. Also showing strong growth is the medical industry with an expected CAGR of 7.9% through 2016. From 2011 to 2016, the annual growth rates for the industrial, automotive and defense industries are expected to be 7.6%, 6.6%, and 5.8%, respectively. Overall, the global EMS market is expected to grow 9.7% annually from a \$410 billion market in 2011 to a \$650 billion market in 2016.

Today, more so than ever, OEM customers are requiring their suppliers to manufacture

\* Foxconn not included due to lack of comparability with the rest of the subset

Chart E: Year-Over-Year Revenue Growth by Tier



Note: Chart represents companies from Lincoln's quarterly Stock Index

Table F: Global EMS Market by Industry

	2011		2016		CAGR
	Revenue (\$M)	%	Revenue (\$M)	%	
Automotive	\$ 10,480	2.5%	\$ 14,425	2.2%	6.6%
Communications	118,393	28.7%	199,033	30.4%	10.9%
Computer	166,823	40.4%	263,638	40.3%	9.6%
Consumer	70,242	17.0%	110,445	16.9%	9.5%
Defense/Aerospace/Other Trans.	8,695	2.1%	11,517	1.8%	5.8%
Industrial	22,782	5.5%	32,801	5.0%	7.6%
Medical	15,338	3.7%	22,406	3.4%	7.9%
<b>Total</b>	<b>\$ 412.753</b>	<b>100.0%</b>	<b>\$ 654.265</b>	<b>100.0%</b>	<b>9.7%</b>

Source: New Venture Research

products near the regions where they are being sold. For certain high-volume products like mobile phones and PCs, OEMs need to leverage the lowest cost in manufacturing. However, for other products the labor cost differentials are becoming less significant when weighed against the total cost of production. Offshore product migration will still take place, according to New Venture Research's forecasts, but it will be at a more moderate pace.

According to New Venture Research, from 2011 to 2016, Asia is expected to grow at a CAGR of 10.0% followed by the Americas with a CAGR of 8.9%. Europe is expected to grow at 8.7%. Market share by region is expected to remain mostly constant through 2016, with Asia taking 1% more production from both Europe and the Americas and representing approximately 71% of the EMS market compared to approximately 17% for the Americas and 12% for Europe.

## 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 thirteen 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](http://www.lincolninternational.com).

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