

Q3 2013 Deal Volume Comparison

Chart A: Completed Transactions

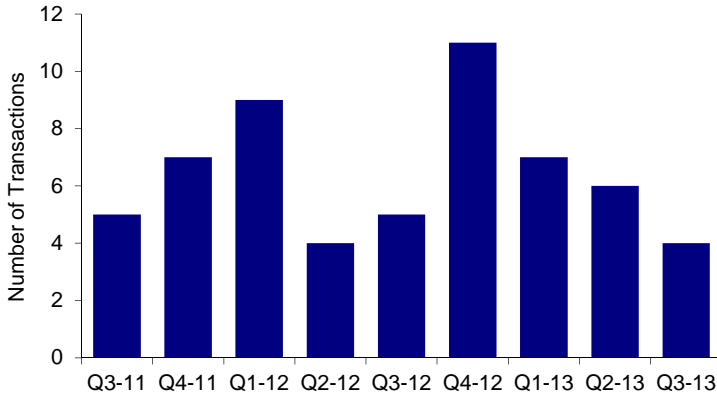
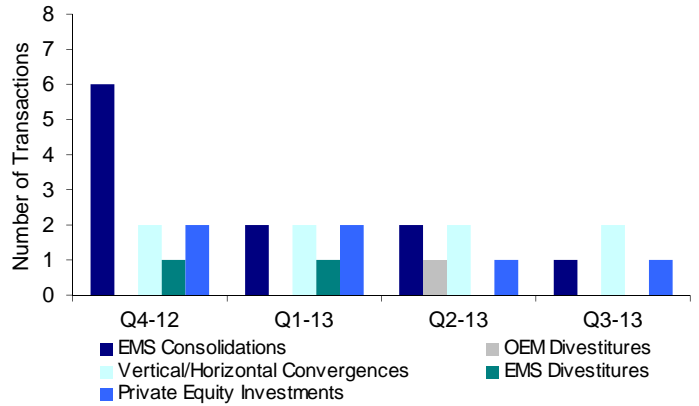


Chart B: Quarter Comparison — EMS M&A by Deal Type



Announcements

- Wright Industries, Ltd. has acquired Custom Interconnect, Inc. (September-30)
- Nittoku Denshi Co., Ltd., a subsidiary of NGK Spark Plug Co., Ltd. (TSE: 5334), has acquired Ohens Co., Ltd. (September-9)
- Nistec Ltd. has acquired a majority stake in Eltek Ltd. (NasdaqCM: ELTK) (August-19)
- OSI Electronics, a subsidiary of OSI Systems, Inc. (NasdaqGS: OSIS), has acquired Briton EMS (August-1)

Q3 2013 Summary

There were four completed transactions in Q3 2013. As displayed in Chart A, the four transactions represent a decrease in M&A activity compared to Q2 2013. M&A activity fell off in the first half of 2013 after a sharp rise in Q4 2012 as several transactions were closed prior to the year end in 2012. M&A activity in the EMS industry would need to have a stronger Q4 than last year to avoid a decrease in annual transactions for the third straight year.

As shown in Chart B, EMS consolidations represented one transaction, or 25.0% of total activity in Q3 2013, down from two in Q2 2013. The number of vertical/horizontal integrations remained consistent from the previous quarter with two transactions in Q3 2013. Private equity activity in the EMS sector remained consistent with one deal in both Q3 and Q2 2013. There were no OEM divestitures or EMS divestitures in Q3 2013.

As illustrated in Chart C, one European transaction occurred between two UK companies in Q3 2013, representing 25.0% of total activity, a decrease of one transaction from the previous quarter. Cross-Border transactions between high-cost countries, as defined below, represented another 25.0% of the activity in Q3 2013 with one transaction, remaining consistent with the one transaction in Q2 2013. There was one transaction made between two Japanese companies. Finally, one transaction occurred between two Israeli companies (shown in the "Other" category) this quarter, representing 25.0% of total activity.

As shown in Chart D, the Small Tier led Q3 2013, with all four transactions fitting into that size category.

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

Chart C: Quarterly Comparison — M&A by Geography

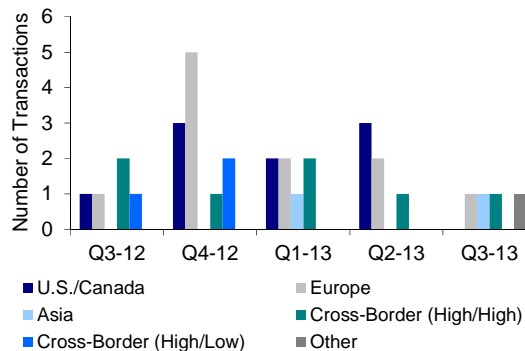
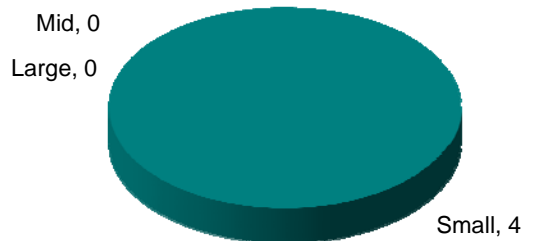


Chart D: Q3 2013 M&A by Size



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.

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

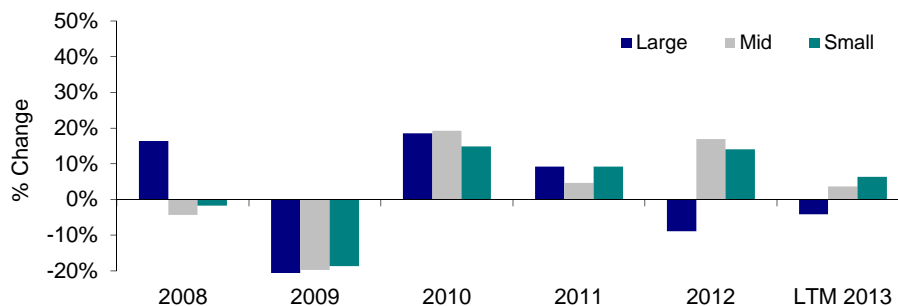
EMS industry revenue decreased by 6.2% in 2012, following the 8.7% increase exhibited in 2011. However, on a last-12-month ("LTM") 2013 basis, industry revenue has decreased by only 3.1%.

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 4.1% on an LTM 2013 basis versus a decrease of 8.9% in 2012. The Mid Tier has leveled off its growth trajectory with LTM revenue rising 3.7% relative to an increase of 16.9% in 2012. Small Tier EMS companies grew LTM 2013 revenue by 6.4% compared to an increase of 14.0% in 2012.

The communications industry is expected to exhibit the most significant growth within the EMS industry over the next five years. This industry is expected to grow at a CAGR of 10.3% from 2012 to 2017. The consumer and medical industries are also expected to show strong growth, with CAGRs of 8.5% and 7.9%, respectively, over the next five years. Also showing strong growth is the industrial segment with an expected CAGR of 7.6% through 2017. From 2012 to 2017, the annual growth rates for the computer, automotive and defense industries are expected to be 6.7%, 6.6%, and 5.8%, respectively. Overall, the global EMS market is expected to grow 8.1% annually from a \$420 billion market in 2012 to a \$620 billion market in 2017.

Today, more so than ever, OEM customers are requiring their suppliers to manufacture products near the regions where they are being sold. For certain high-volume products like mobile phones, notebooks and tablets, OEMs need to leverage the

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

	2012		2017		CAGR
	Revenue (\$M)	%	Revenue (\$M)	%	
Automotive	\$ 10,675	2.5%	\$ 14,713	2.4%	6.6%
Communications	119,105	28.4%	194,430	31.4%	10.3%
Computer	171,792	41.0%	237,676	38.3%	6.7%
Consumer	65,864	15.7%	98,832	15.9%	8.5%
Defense/Aerospace/Other Trans.	8,650	2.1%	11,462	1.8%	5.8%
Industrial	28,390	6.8%	40,879	6.6%	7.6%
Medical	15,020	3.6%	21,942	3.5%	7.9%
Total	\$ 419,496	100.0%	\$ 619,934	100.0%	8.1%

Source: New Venture Research

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 2012 to 2017, Asia is expected to grow at a CAGR of 8.3% followed by the Americas

and Europe, both having CAGRs of 7.7%. Market share by region is expected to remain mostly constant through 2017, with Asia taking 0.6% more production from Europe and the Americas and representing 72.0% of the EMS market compared to 16.5% for the Americas and 11.5% 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 fifteen 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

Matthias Norweg,
Director (Chicago)
mnorweg@lincolninternational.com

Chaim Lubin,
Vice President (Chicago)
clubin@lincolninternational.com

Cynthia Goulet,
Associate (Chicago)
cgoulet@lincolninternational.com

EUROPE

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

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

Iván Marina,
Managing Director (Madrid)
i.marina@lincolninternationales.es

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

ASIA

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

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

SOUTH AMERICA

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



AMSTERDAM | BEIJING | CHICAGO | FRANKFURT | LONDON
LOS ANGELES | MADRID | MILAN | MOSCOW | MUMBAI
NEW YORK | PARIS | SÃO PAULO | TOKYO | VIENNA

Results you can rely on

© 2013 Lincoln International LLC

Contributors
Patrick Riordan, Analyst: priordan@lincolninternational.com
Alex Sabol, Analyst: asabol@lincolninternational.com