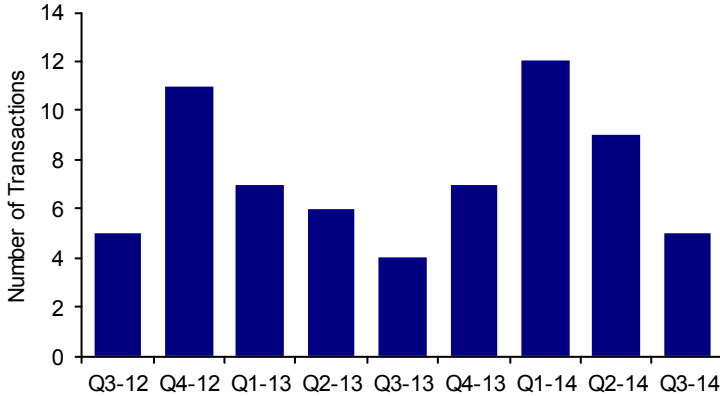
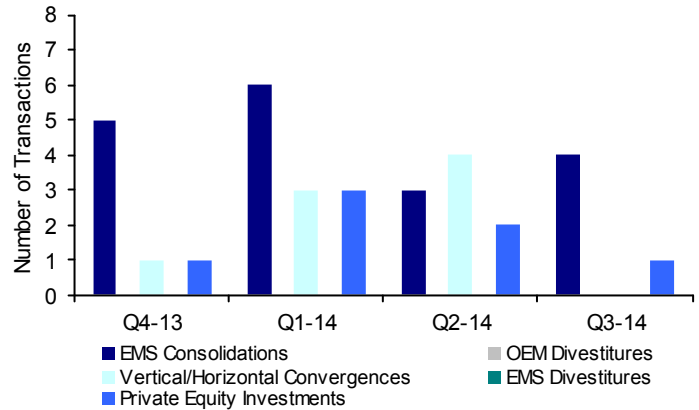


Q3 2014 Deal Volume Comparison

Chart A: Completed Transactions

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


Announcements

- Neways Electronics International NV (ENXTAM: NEWAY) has acquired Bus Holding GmbH (September-29)
- Key Tronic Corp. (NasdaqGM: KTCC) has acquired Ayrshire Electronics (September-3)
- Libra Industries, Inc. has acquired Tetrad Electronics, Inc. and Focus Manufacturing Inc. (August-1)
- Wafra Partners LLC has acquired Atronix, Inc. (July-12)
- Spartan Corp. (NYSE: SPA) has acquired Electronic Manufacturing Technology, LLC (July-9)

Q3 2014 Summary

There were five completed transactions in Q3 2014. As displayed in Chart A, the five transactions represent a decrease in M&A activity compared to Q2 2014. M&A activity was strong in the first half of 2014 with some of the highest level of transaction activity seen in the last few years occurring during the first quarter. M&A activity in the EMS industry in the first three quarters of 2014 has already surpassed total M&A activity in 2013.

As shown in Chart B, EMS consolidations represented four transaction, or 80.0% of total activity in Q3 2014, up from three in Q2 2014. The number of private equity investments represented 20.0% of total transaction activity in Q3 2014 with one transaction, down from two transactions in Q2 2014.

As illustrated in Chart C, four transactions occurred between two US companies in Q3 2014, representing 80.0% of total activity, an increase of one transaction from the previous quarter. One

European transaction occurred during Q3 2014 representing the remaining 20.0% of the activity in the quarter. This transaction was between a German company and a company from the Netherlands and represented a decrease from the two European transactions in the prior quarter.

As shown in Chart D, the majority of transactions were of Mid Tier size targets during Q3 2014, with three transactions fitting into that size category. The Small Tier size category represented the two remaining deals in Q3 2014.

With one quarter left, 2014 is shaping up as a strong year for M&A within the EMS industry and it is to be seen whether the annual transaction momentum will continue.

EMS Size Guide

(Sales Dollars)

Large (Tier I)

Greater than \$3 billion

Mid (Tier II)

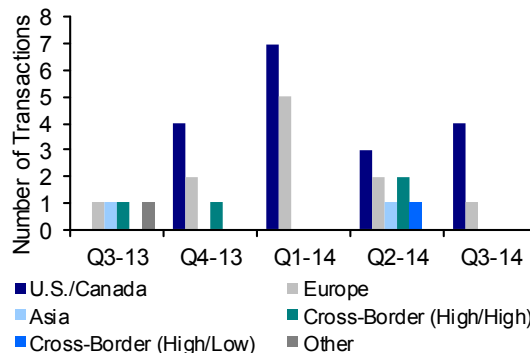
\$300 million to \$3 billion

Small (Tier III)

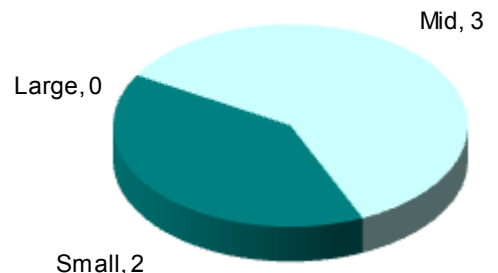
Below \$300 million

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 — M&A by Geography


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.

Chart D: Q3 2014 M&A by Size


An Analysis of Growth Trends Affecting the EMS Industry

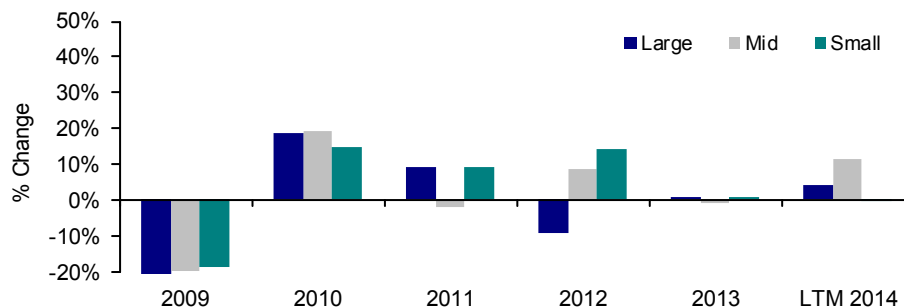
EMS industry revenue increased by 0.3% in 2013, following the 7.7% decrease exhibited in 2012. However, on a last-12-month ("LTM") 2014 basis, industry revenue has increased by 4.6%.

As shown in Chart E, overall LTM revenue has increased for Large and Mid Tier EMS providers, but slightly decreased for those in the Small Tier. Large Tier EMS providers' revenue increased 3.9% on an LTM 2014 basis versus a decrease of 4.3% in LTM 2013. The Mid Tier has shown strong growth with LTM revenue rising 11.6% relative to a decrease of 1.9% for the same period during 2013. Small Tier EMS companies experienced a decrease in LTM 2014 revenue of 0.6% compared to an increase of 2.2% for this same period during 2013.

In the most recent industry forecast, 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 8.4% from 2013 to 2018. The medical industry is also expected to show strong growth, with a CAGR of 7.1% over the next five years. Also anticipating strong growth are the automotive, defense and industrial industries with expected CAGRs of 6.3%, 6.4% and 6.3%, respectively, through 2018. From 2013 to 2018, the annual growth rates for the computer and consumer industries are expected to be 5.1% and 5.4%, respectively. Overall, the global EMS market is expected to grow 6.3% annually from a \$435 billion market in 2013 to a \$595 billion market in 2018.

The continued trend of OEM customers requiring their suppliers to manufacture products near the regions where they are being sold is stronger than ever. Some

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

	2013		2018		CAGR
	Revenue (\$M)	%	Revenue (\$M)	%	
Automotive	\$ 11,707	2.7%	\$ 15,867	2.7%	6.3%
Communications	122,243	28.0%	183,260	30.9%	8.4%
Computer	170,707	39.1%	218,591	36.8%	5.1%
Consumer	79,183	18.1%	103,202	17.4%	5.4%
Defense/Aerospace/Other Trans.	11,125	2.5%	15,176	2.6%	6.4%
Industrial	26,754	6.1%	36,250	6.1%	6.3%
Medical	14,999	3.4%	21,137	3.6%	7.1%
Total	\$ 436,718	100.0%	\$ 593,483	100.0%	6.3%

Source: New Venture Research

high-volume products, such as consumer devices, require OEMs to utilize the lowest cost manufacturing and tend to prefer Asia for their manufacturing needs. However, due to increasing labor costs in Asia and the logistics costs associated with larger and more complex products, offshore manufacturing has been less of a focus for certain higher margin products. Offshoring 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 2013 to 2018, Asia is expected to grow at a CAGR of 6.6% followed by the Americas and Europe at 5.7% and 5.5%, respectively. Market share by region is expected to remain fairly constant through 2018, with Asia taking 1.0% more production from Europe and the Americas and representing 72.0% of the EMS market compared to 16.3% for the Americas and 11.8% 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 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

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

SOUTH AMERICA

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

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



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

Results you can rely on

© 2014 Lincoln International LLC

Contributors

Alex Sabol, Analyst: asabol@lincolninternational.com