

Q3 2015 Deal Volume Comparison

Chart A: Completed EMS Transactions

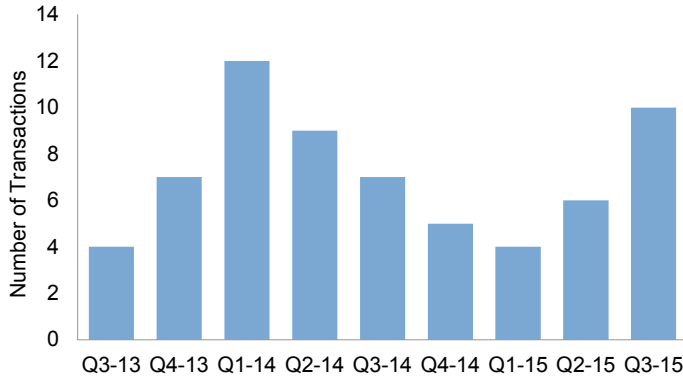
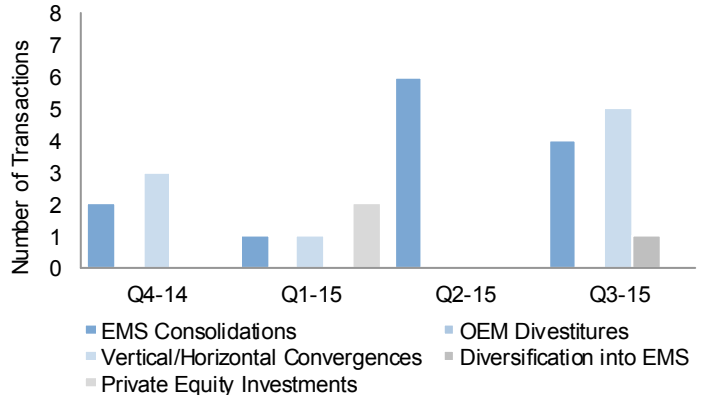


Chart B: Quarterly Comparison — EMS M&A by Deal Type



Announcements

- Flex has acquired Mirror Controls International (July)
- Jabil has acquired Kasalis Inc. (July)
- Euro Process has acquired Sofinelec (July)
- IEE S.A has acquired ALL Circuits S.A.S. (July)
- PKC Group Oyj has acquired the Wiring and Controls Business of Groclin S.A. Group (July)

Q3 2015 Summary

There were ten completed transactions in Q3 2015. As displayed in Chart A, the ten transactions represent an increase in recent M&A activity compared to the six transactions in the previous quarter. On a comparative basis, this is up from the seven transactions reported in Q3 2014.

As shown in Chart B, vertical / horizontal convergences were up from last quarter, representing five transactions in Q3 2015 compared to zero in Q2 2015. On a comparative basis, this is up from the zero vertical / horizontal convergences reported in Q3 2014. There were four EMS consolidations in Q3 2015, down from six in Q2 2015 and also down on a comparative basis from the six reported in Q3 2014. Additionally, there was one transaction categorized as a diversification into EMS in Q3 2015. No transactions categorized as OEM divestitures or private equity investments occurred in Q3 2015.

As illustrated in Chart C, six transactions occurred within Europe in Q3 2015 (60% of total transactions), up from three transactions in the previous quarter. On a comparative basis, transactions that occurred within Europe represented only 43% of the total transactions in the same quarter last year. Two transactions occurred in the U.S. and Canada (20% of total transactions) in Q3 2015, down from three in the previous quarter. There were also two cross-border transactions in Q3 2015, up from zero in the previous quarter. There were no transactions in Asia this quarter.

As shown in Chart D, transactions by size for the quarter fell primarily in the Small tier, totaling five. The Large tier accounted for three transactions, while the Mid tier accounted for two transactions.

EMS Size Guide

(Sales Dollars)

Large (Tier I)

Greater than \$3 billion

Mid (Tier II)

\$300 million to \$3 billion

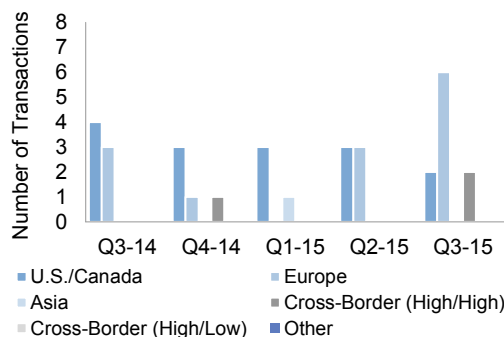
Small (Tier III)

Below \$300 million

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

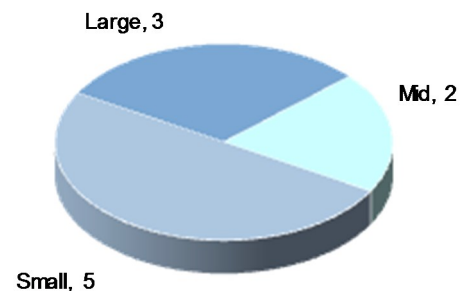
Sources: All information contained in this newsletter including the charts was obtained from company websites, Lincoln International's internal data, Manufacturing Market Insider, and Capital IQ.

Chart C: Quarterly Comparison — EMS 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 2015 Mergers and Acquisitions by Size



An Analysis of Growth Trends Affecting the EMS Industry

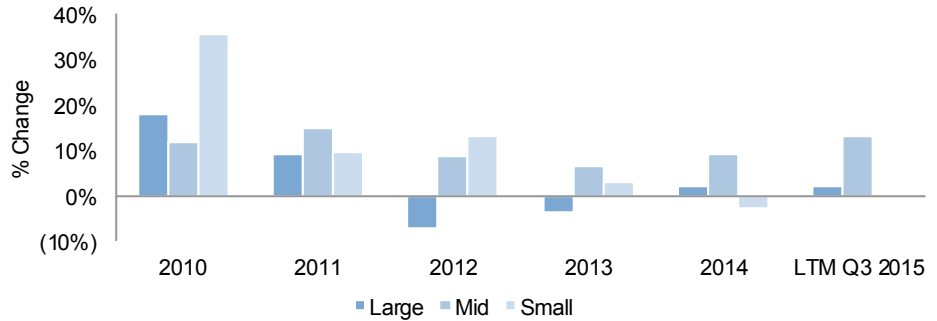
EMS industry revenue increased by 23.8% in 2014, following the 0.3% increase exhibited in 2013.

As shown in Chart E, overall LTM Q3 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 2.0% on an LTM Q3 2015 basis versus an increase of 4.4% in LTM Q3 2014. The Mid Tier has shown strong growth with LTM Q3 revenue rising 13.0% relative to an increase of 6.3% for the same period during 2014. Small Tier EMS companies experienced flat revenue in the LTM Q3 2015 period compared to a decrease of 2.9% for this same period during 2014.

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 8.3% from 2014 to 2019. The commercial aviation and medical industries are also expected to show strong growth, with CAGRs of 7.7% and 7.2%, respectively, over the next five years. Also anticipating strong growth are the industrial and automotive industries with expected CAGRs of 6.3% and 6.1%, respectively, through 2019. From 2014 to 2019, the annual growth rates for the computer, consumer and defense industries are expected to be 5.0%, 4.8% and 4.8%, respectively. Overall, the global EMS market is expected to grow 6.3% annually from a \$340 billion market in 2014 to a \$460 billion market in 2019.

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 high

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

	2014		2019		CAGR
	Revenue (\$ in millions)	%	Revenue (\$ in millions)	%	
Automotive	\$12,079	3.6%	\$16,221	3.5%	6.1%
Communications	\$103,649	30.6%	\$154,472	33.6%	8.3%
Computer	\$115,946	34.3%	\$147,802	32.2%	5.0%
Consumer	\$54,820	16.2%	\$69,397	15.1%	4.8%
Defense/Aerospace/Other Trans.	\$11,233	3.3%	\$15,289	3.3%	6.4%
Industrial	\$25,501	7.5%	\$34,602	7.5%	6.3%
Medical	\$15,246	4.5%	\$21,554	4.7%	7.2%
Total	\$338,474	100.0%	\$459,337	100.0%	6.3%

-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 2014 to 2019, Asia is expected to grow at a CAGR of 6.7% followed by the Americas and Europe at 5.7% and 5.5%, respectively. Market share by region is expected to remain fairly constant through 2019, with Asia representing 72.0% of the EMS market compared to 16.3% for the Americas and 11.7% for Europe.

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