DEALREADER | POWER ELECTRONICS

Lincoln International

First Quarter 2010

Q1-2010 Deal Volume Comparison

Chart A: Completed Power Electronics Transactions[1]

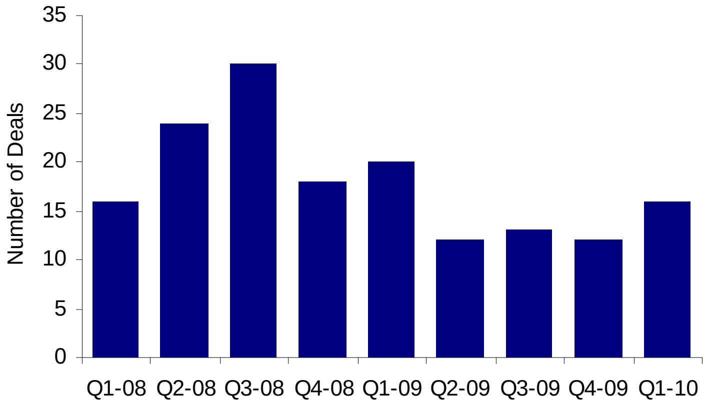
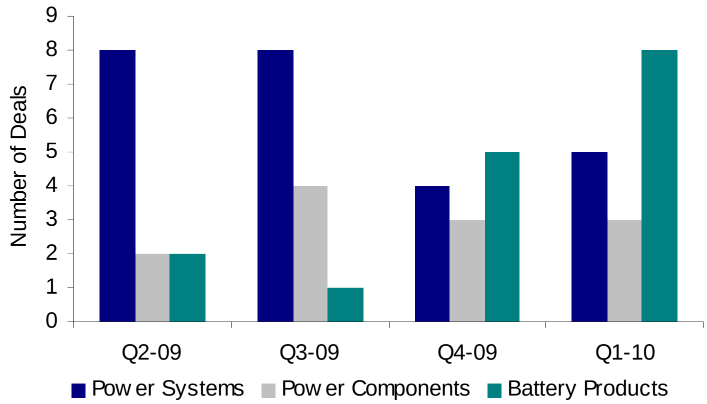


Chart B: Quarterly Comparison — Power Electronics M&A by Category[1]



Note:(1) As of Q3 2009, renewable energy transactions were no longer included in the Power Electronics DealReader

Announcements

- Astrodyne Corporation has acquired RO Associates, Inc. from Emrise Electronics Corp. (March-10)
- AREVA T&D SA has acquired P.S.D., Inc. from SPX Corporation (NYSE:SPW) (February-10)
- OM Group, Inc. (NYSE:OMG) has acquired EaglePicher Technologies, LLC from EaglePicher Corp. (OTCPK:EGLP) (January-10)
- FDK Corp. (TSE:6955) has acquired Sanyo Energy Tottori Co., Ltd. and Sanyo Energy Twicell Co., Ltd. from Sanyo Electric Co., Ltd. (TSE:6764) (January-10)

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

There were 16 completed transactions in the power electronics industry in Q1 2010, a 33% increase over the 12 transactions recorded in Q4 2009, but a 20% decline from the 20 transactions recorded in Q1 2009.

There were five transactions in power systems in Q1 2010, or 31% of the total, compared to four in Q4 2009 and 13 a year ago. The next category was power components with three transactions in Q1 2010, or approximately 19% of transactions. This is the same number of transactions as Q4 2009 and a slight decrease from the four transactions a year ago. Finally, battery products had eight transactions in Q1 2010, or approximately 50% of the total, which represents an increase from the five transactions in Q4 2009 and more than double the three battery products transactions a year ago.

As illustrated in Chart C below, of the total deals in Q1 2010, six came from U.S./Canada while there were four transactions each from Asia and those classified as Cross-Border. There were also two European transactions in Q1 2010. As a percentage of Q1 2010 total transactions, this represents 38% from U.S./Canada, 25% from Asia, 25% Cross-Border and 13% from Europe.

All Q1 2010 power electronics transactions came from the small tier. Although M&A activity has picked up in Q1 2010 relative to the previous three quarters, larger transactions have not been as prevalent. As the M&A market continues to recover, there may be an increase in the number of large and mid size transactions.

While there were no direct private equity transactions in Q1 2010 for the second straight quarter, the acquisition made by Astrodyne highlights the trend by private equity backed companies to capture growth or market position through acquisition. In addition, direct private equity interest is rising as M&A and credit markets continue to recover and as financial buyers are keen to put money to work and take advantage of the opportunity to invest in the rebound.

The acquisition of P.S.D. by AREVA T&D, strengthening its presence in the U.S. market, is a perfect example of the current trend in the power electronics industry, which has companies looking beyond existing technologies and schemes to build their business for growth. As the market continues to improve we expect to see a further increase in transaction activity.

Power Electronics Size Guide (Transaction Size)

Large (Tier I)
Greater than $1 billion

Mid (Tier II)
$250 million to $1 billion

Small (Tier III)
Below $250 million

Chart C: Quarterly Comparison — Power M&A by Geography

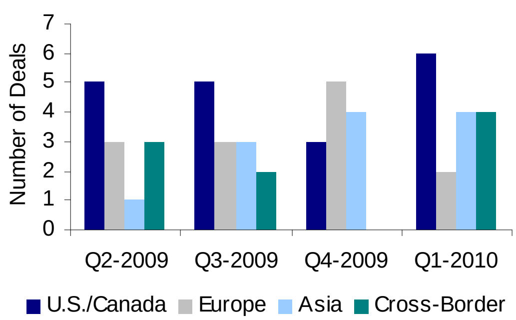


Chart D: Mergers & Acquisition by Size — Q1 2010

All Q1 2010 power electronics transactions were categorized as small.

Terms & Turns

A Look at Cash Cycles in Power Electronics

	Cash Cycle			Inventory Turns		
	Q1-09	Q1-10	%chg	Q1-09	Q1-10	%chg
Large Tier						
Delta	24.0	26.9	12.1%	12.8	10.4	-18.7%
Eaton Corp.	70.5	76.7	8.7%	6.9	6.0	-13.1%
Emerson	67.7	69.4	2.5%	6.3	5.8	-7.5%
Lite-On Tech.	5.4	1.0	-81.8%	8.3	8.1	-2.6%
Murata	134.3	144.2	7.4%	3.8	3.7	-2.1%
Sanken	143.0	149.8	4.8%	3.0	2.9	-5.2%
Schneider	79.9	77.1	-3.5%	4.4	4.0	-7.8%
TDK Corp.	91.5	96.8	5.8%	6.2	5.3	-15.3%
Median	**75.2**	**76.9**	**5.3%**	**6.3**	**5.5**	**-7.6%**
Mid Tier						
Acbel Polytech	36.4	37.9	3.9%	7.1	7.6	7.3%
Advanced Energy	145.8	146.1	0.2%	3.6	3.3	-9.4%
Bel Fuse, Inc.	102.6	131.3	27.9%	5.0	4.0	-20.0%
Chloride Group	85.7	37.6	-56.2%	4.7	4.1	-12.1%
Eltek ASA	46.3	76.7	65.9%	5.4	5.6	5.1%
FRIWO AG	-110.6	28.9	nmf	2.4	6.8	180.1%
FSP Technology	10.7	15.6	46.3%	8.0	7.5	-6.4%
Microsemi Corp.	187.7	188.2	0.3%	2.3	2.4	0.9%
Power-One Inc.	85.0	94.7	11.4%	4.0	3.8	-4.5%
Powerwave	64.1	76.6	19.5%	7.5	5.9	-21.3%
Shindegen	107.1	122.7	14.5%	3.7	3.1	-15.8%
Median	**85.0**	**76.7**	**13.0%**	**4.7**	**4.1**	**-6.4%**
Small Tier						
Cosel Co. Ltd.	123.0	159.4	29.6%	9.3	6.7	-28.0%
Magnetek Inc.	87.0	87.0	0.0%	4.4	4.1	-6.9%
SL Industries Inc.	88.8	93.9	5.8%	5.6	4.9	-13.0%
Vicor Corp.	107.2	106.5	-0.6%	4.6	4.7	2.0%
XP Power Ltd.	109.8	72.4	-34.0%	2.9	2.6	-10.2%
Median	**107.2**	**93.9**	**-12.4%**	**4.6**	**4.7**	**2.0%**

Note: Negative % change for cash cycle denotes improvement.

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." Due to the fact that the power electronics industry is very material intensive, inventory management is the most important factor in achieving cash cycle improvements.

In the Large Tier, only two of the companies improved their cash cycle (fewer days). Lite-On and Schneider improved their cash cycle by 82% and 4%, respectively, due to higher DPO. Delta, Eaton, Emerson, Murata, Sanken and TDK all lengthened their cash cycle because of higher DSO and DIO. Lite-On once again had the shortest cash cycle in the Power Electronics Group Index.

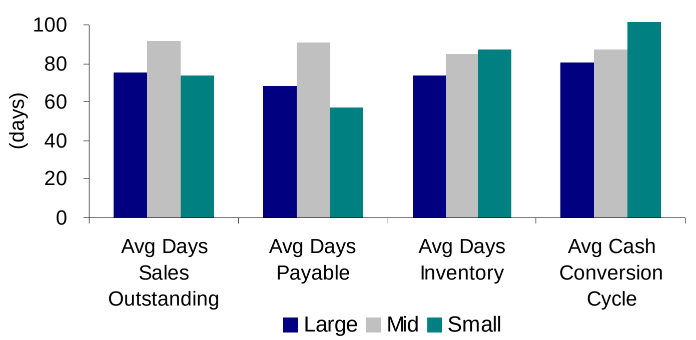
In the Mid Tier, the median cash cycle lengthened by 13% with only one of the companies showing improvement in Q1 2010. Chloride Group improved its cash cycle primarily by increasing its DPO. The remaining companies all experienced lengthier cash cycles. Many of the companies had lower inventory turnover, an important cash cycle factor, as well as higher DSO which contributed to their longer cash cycles.

In Q1 2010, the Small Tier saw two of the companies lengthen their cash cycle, two companies showing improvement and one maintaining its cash cycle. Vicor and XP Power shortened their cash cycle primarily as a result of higher DPO. Cosel and SL Industries lengthened their cash cycle because of lower inventory turns and higher DSO. Magnetek had higher DIO and DSO which was offset by a higher DPO, leaving its cash cycle unchanged. After decreasing its cash cycle by 34%, XP Power had the best cash cycle metric in the Small Tier for Q1 2010.

As illustrated above, inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, Microsemi the company with the longest cash cycle at 188 days, also had the lowest inventory turns at 2.4. Inventory turns are also impacted by business type. Smaller power electronics companies tend to serve the low volume, high mix product niche of the market, for which inventory management is more difficult resulting in fewer turns.

Lincoln will periodically review and analyze the cash cycles of the Power Electronics Index components. Cash cycles continue to be a focus due to their significant impact on ROIC and the importance of cash flow for growth.

Chart E: Terms and Turns Comparison



About Lincoln International

Lincoln International specializes in merger and acquisition 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 ten offices in Asia, Europe and North America, and strategic partnerships with leading institutions in China and India, Lincoln International has strong local knowledge and contacts in the key global economies. The organization 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.

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