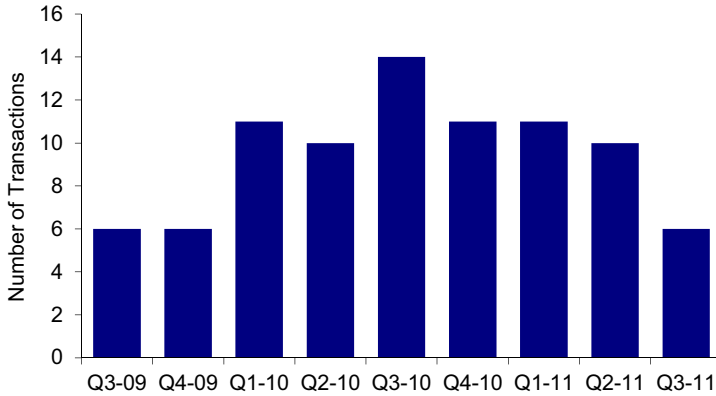
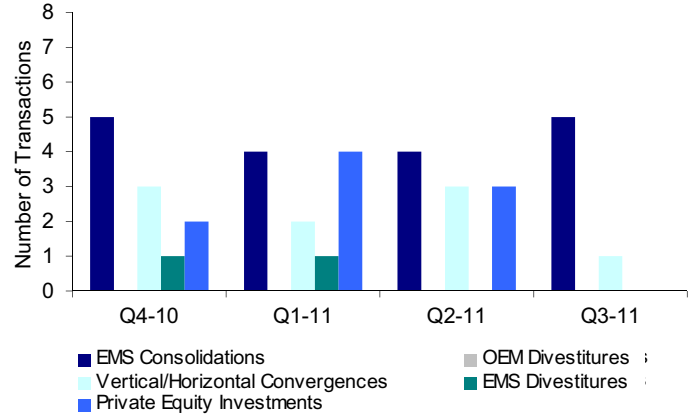


# Q3 2011 Deal Volume Comparison

**Chart A: Completed Transactions**

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


## Announcements

- Celestica Inc. (NYSE: CLS) has acquired Brooks Automation Inc., Semiconductor Equipment Contract Manufacturing Business (July-1)
- Integrated Microelectronics, Inc. (PSE: IMI) acquired EPIQ NV subsidiaries in Bulgaria, the Czech Republic and Mexico (July-29)
- OnCore Manufacturing Services, LLC acquired Victron, Inc. (August-15)
- SMTC Corp. acquired ZF Array Technology, Inc. (September-26)

## Q3 2011 Summary

There were six completed transactions in Q3 2011. As displayed in Chart A, the six transactions represent a decrease in the M&A trend compared to Q3 2011 and each of the four quarters in 2010.

As shown in Chart B, EMS consolidations represented five transactions, or 83.3% of total activity in Q3 2011, up from four in Q2 2011. The number of vertical integrations decreased as well with only one transaction in Q3 2011 compared to three in Q2 2011. There were no EMS private equity deals, OEM divestitures or EMS divestitures in Q3 2011.

As illustrated in Chart C, two transactions occurred within U.S./Canada in Q3 2011, representing 33.3% of total activity; down from three in the previous quarter. Cross-Border (High/High) transactions represented 33.3% of the activity in Q3 2011 with two transactions, up from one in Q2 2011. There was one Europe transaction this quarter, representing 16.7% of

total activity; down from five in Q2 2011. Finally, Asia had one transaction in Q3 2011, remaining flat compared to the previous quarter.

As shown in Chart D, transactions by size for the quarter were led by the Small Tier, totaling four, or 66.7% of all transactions. There was one transaction categorized as Large Tier in Q3 2011, or approximately 16.7% of the total. Finally, there was one Mid Tier transaction this quarter.

## EMS Size Guide

(Sales Dollars)

### Large (Tier I)

Greater than \$3 billion

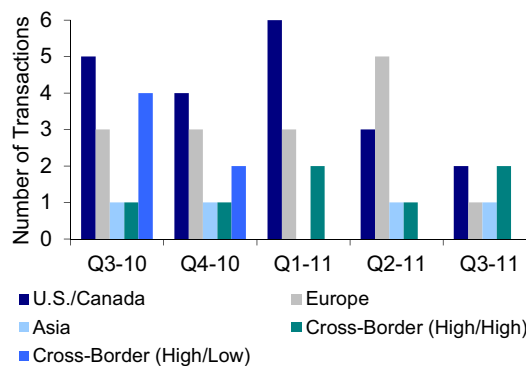
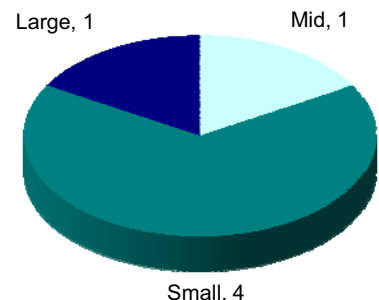
### Mid (Tier II)

\$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 2011 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

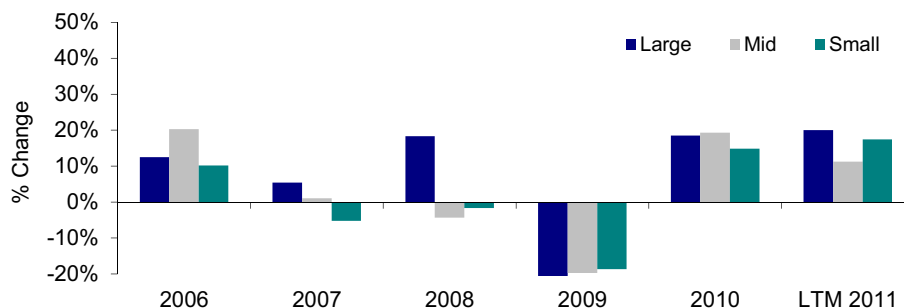
EMS industry revenue increased 37.0% in 2010 from its all time historical low in 2009. On a last-12-month (LTM) 2011 basis, industry revenue has continued to increase – the 15 largest publicly traded EMS providers in the world produced a sales increase of 19.2% versus the same period a year earlier.

As shown in Chart E, overall EMS LTM revenue has increased for all Large, Mid and Small Tier EMS providers. Large EMS providers' revenue grew 20.0% on an LTM 2011 basis versus an increase of 18.5% in 2010. The Mid Tier has also performed well with LTM revenue rising 11.2% relative to an increase of 19.3% in 2010. Small Tier EMS companies grew LTM 2011 revenue by 17.4% compared to an increase of 14.9% in 2010. Forecasts for the EMS market have also improved dramatically relative to last year. Longer term growth will continue to be driven by end market demand with the medical, computer and communications market segments leading the way.

The medical end market offers the most significant growth potential. This end market is expected to grow at a CAGR of 14.4% from 2010 to 2015. The computer and communications sectors are also expected to show strong growth, both with CAGRs above 12.5% over the next five years. Also showing double digit growth is the consumer industry with an expected CAGR of 12.3% through 2015. From 2010 to 2015, the annual growth rates for the automotive, industrial and defense end markets are expected to be 9.3%, 8.8%, and 7.2%, respectively. Overall, the global EMS market is expected to grow 12.2% annually from a \$370 billion market in 2010 to a \$660 billion market in 2015.

The shift in production to low-cost regions is starting to wane. Today, customers are often requiring their EMS partners to manufacture products near the regions

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



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

Table F: Global EMS Market by Industry

	2010		2015		CAGR
	Revenue (\$M)	%	Revenue (\$M)	%	
Automotive	\$ 8,922	2.4%	\$ 13,912	2.1%	9.3%
Communications	102,255	27.6%	185,369	28.1%	12.6%
Computer	140,409	37.9%	255,003	38.6%	12.7%
Consumer	72,590	19.6%	129,433	19.6%	12.3%
Defense/Aerospace/Other Trans.	10,891	2.9%	15,452	2.3%	7.2%
Industrial	19,611	5.3%	29,887	4.5%	8.8%
Medical	16,059	4.3%	31,416	4.8%	14.4%
<b>Total</b>	<b>\$ 370,737</b>	<b>100.0%</b>	<b>\$ 660,472</b>	<b>100.0%</b>	<b>12.2%</b>

Source: New Venture Research

where they are to be sold. For certain high-volume products like mobile phones and PCs, customers 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 migration will still take place but is expected to be at a slower pace.

According to New Venture Research, from 2010 to 2015, Asia is expected to grow at a CAGR of 12.4% followed closely by the Americas with a CAGR of 11.8%. Europe is expected to grow at 11.7%. Market share by region is expected to remain mostly constant through 2015, with Asia taking 1%

more production from Europe and representing approximately 71% of the EMS market compared to approximately 17% for the Americas and 12% for Europe, respectively.

## 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 twelve offices (three in the Americas, two in Asia, and seven in Europe) and strategic partnerships with leading institutions in China and Korea, Lincoln International has strong local knowledge and contacts in the 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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