Q1 2011 Deal Volume Comparison

Chart A: Completed EMS Transactions

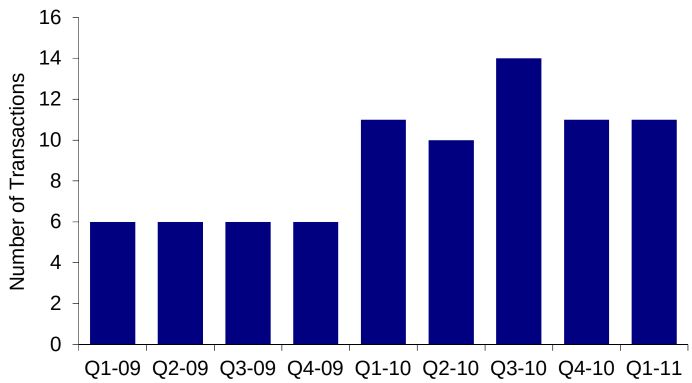
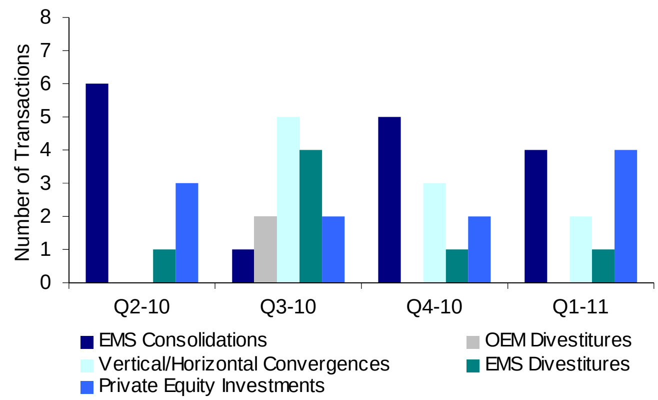


Chart B: Quarterly Comparison—EMS M&A by Deal Type



Announcements

- Altaris Capital Partners, LLC has acquired Paramit Corporation (January-11)
- Guardian Capital Partners has acquired PPI-Time Zero, Inc. (January-11)
- Norautron AS has acquired Elektronix AS (February-11)
- Sparton Corp. (NYSE:SPA) has acquired Byers Peak, Inc. (March-11)

Q1 2010 Summary

There were 11 completed transactions in Q1 2011. As displayed in Chart A, the 11 transactions are on par with the M&A activity from the last quarter as the industry is still exhibiting higher transaction activity as compared to 2009. The continued economic and credit market improvements combined with the general market need to deploy cash is driving further M&A.

As shown in Chart B, both EMS consolidation and private equity investment represented four transactions each, or 36% of total activity in Q1 2011, respectively. While EMS consolidations remained relatively steady this number of private equity investment transactions is double the amount exhibited in either of the previous two quarters. This highlights the current focus of private equity firms to deploy capital and a renewed desire to invest in the EMS industry. There were two vertical / horizontal convergences in Q1 2011 down from three transactions in Q4 2010. While the level of vertical / horizontal convergences was down for the quarter there still seems to be motivation within the industry to acquire outside of the "pure play" EMS model with companies looking to improve margins through a more diversified business portfolio. There was also one EMS divestiture in Q1 2011, which is equivalent to the level exhibited in Q4 2010.

As illustrated in Chart C, six transactions occurred within the U.S. and Canada in Q1 2011, or 55% of total transactions. This also highlights the trend of continued increasing M&A activity in the U.S. and Canada since this same time last year . There were three European deals, equivalent to the level exhibited in each of the last two quarters. There were also two cross-border transactions for this quarter, which is the highest amount for the industry in over two years.

As shown in Chart D, transactions by size for the quarter were led by the Small Tier, totaling nine, or 82% of all transactions. There was one transaction in each of the Large and Mid Tiers, or approximately 9% of the total, respectively.

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—EMS M&A by Geography

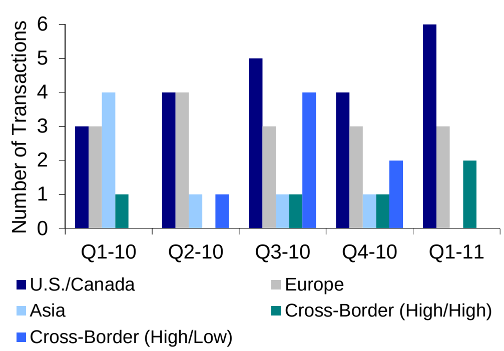
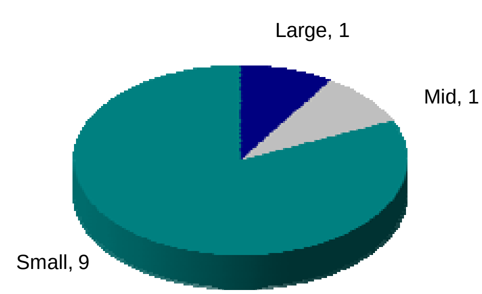


Chart D: Q1 2010 Mergers and Acquisitions by Size



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.

Terms & Turns
Revisiting the Cash Cycle

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 electronic manufacturing services industry is very material intensive, inventory management is the most important factor in achieving cash cycle improvements.

In the Large Tier, all four companies cash cycles shortened (less days). Celestica shortened its cash cycle by 2.9% to 33.9 days from 34.9 in Q1-2010 due to lower DSO. Flextronics' cash cycle shortened from 14.6 days to 12.9 because of slightly improved inventory turns and lower DSO. Jabil Circuit's cash cycle decreased from 20.0 days to 15.2, a 23.9% decrease, largely because of lower DSO. Sanmina-SCI's cash cycle shortened this year from 56.3 days to 47.8, a 15.1% decrease, because of significantly improved inventory turns.

In the Mid Tier, Benchmark and CTS lengthened their cash cycles while Elcoteq, LaBarge, Nam Tai and Plexus shortened theirs. Benchmark and CTS reduced DPO, leading both companies to longer cash cycles, while Elcoteq, LaBarge and Plexus all had improved inventory turns leading to shorter cash cycles. Nam Tai reduced its DSO leading to a shorter cash cycle as well.

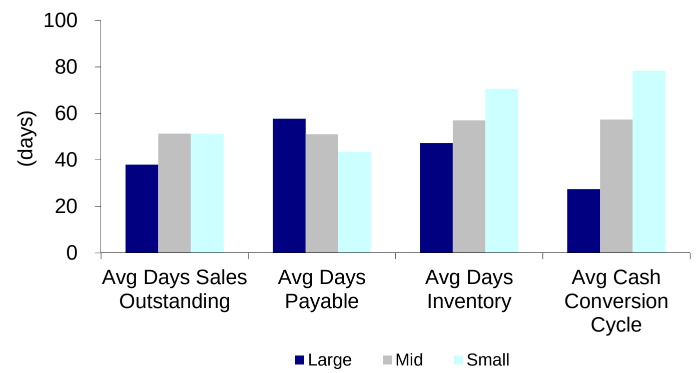
The Small Tier showed improvement in cash cycles for Key Tronic, Nortech, SigmaTron, SMTC and Sypris, while cash cycles worsened for IEC and Sparton. The improvements in cash cycles within the Small Tier were driven mainly by increases in inventory turns. Sparton's cash cycle increased as it reduced its DPO while IEC saw both a reduction in DSO and a decrease in inventory turnover worsening its cash cycle.

Inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, the company with the longest cash cycle, SigmaTron with a cash cycle of 122.0, is also the company that has the lowest inventory turns at 3.3. Conversely the three companies with the shortest cash cycles, Nam Tai, Flextronics and Elcoteq with cycles of 9.5, 12.9 and 14.5, respectively have the highest inventory turns with 21.4, 8.4 and 12.3, respectively. Inventory turns are also impacted by business type. Low volume, high mix products, for which inventory management is more difficult, generally have lower turns. The cash cycle continues to be a focus for EMS providers due to its significant impact on ROIC and the importance of cash flow for growth.

	Cash Cycle			Inventory Turns		
	Q1-10	Q1-11	%chg	Q1-10	Q1-11	%chg
Large Tier						
Celestica	34.9	33.9	-2.9%	8.1	7.4	-7.5%
Flextronics	14.6	12.9	-11.8%	7.8	8.4	8.6%
Jabil Circuit	20.0	15.2	-23.9%	7.2	7.6	5.4%
Sanmina-SCI	56.3	47.8	-15.1%	6.3	7.4	19.0%
Median	**27.5**	**24.6**	**-10.5%**	**7.5**	**7.5**	**0.5%**
Mid Tier						
Benchmark	77.3	82.4	6.5%	5.7	5.8	1.8%
CTS	59.0	59.5	0.9%	6.4	6.6	3.1%
Elcoteq	21.6	14.5	-32.9%	8.2	12.3	49.2%
LaBarge	112.4	103.0	-8.4%	3.6	4.0	12.6%
Nam Tai	13.0	9.5	-27.1%	22.2	21.4	-3.6%
Plexus	77.2	75.3	-2.4%	4.0	4.3	7.8%
Median	**68.1**	**67.4**	**-1.0%**	**6.0**	**6.2**	**2.5%**
Small Tier						
IEC	72.9	88.1	20.9%	6.8	5.9	-12.7%
Key Tronic	78.1	76.5	-2.0%	4.9	5.7	17.0%
Nortech	101.5	75.6	-25.5%	4.1	5.5	34.6%
SigmaTron	139.2	122.2	-12.2%	2.8	3.3	n/a
SMTC	61.3	47.4	-22.7%	4.4	5.9	33.8%
Sparton	93.1	96.1	3.2%	4.2	4.3	n/a
Sypris	46.5	42.5	-8.7%	6.5	8.1	24.2%
Median	**78.1**	**76.5**	**-2.0%**	**4.4**	**5.7**	**29.7%**

Note: Negative % change for cash cycle denotes improvement.

Chart E: Terms and Turns Comparison



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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.

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,
Associate (Chicago)
clubin@lincolninternational.com

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

EUROPE

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

Matthias Norweg,
Director (Frankfurt)
m.norweg@lincolninternational.de

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

ASIA

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

Hideyuki Fujisawa,
Director (Tokyo)
hfujisawa@lincolninternational.com

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Contributors
Matt Halverson, Analyst: mhalverson@lincolninternational.com