



DealReader

EMS

Q2 2016

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Announcements

- PARPRO Corporation has acquired Cal Quality Electronics (April-16)
- Tekmart Integrated Manufacturing Services has acquired Sanyo Manufacturing's injection molding facility in Tijuana (April-16)
- NOTE AB has sold its operations in Oslo, Norway to Dynamic Precision AS (May-16)
- Centrex Inc. has acquired Periscope GmbH (June-16)
- Flex has sold its Valencia, CA high-mix microelectronics business unit to NEO Tech (June-16)
- Foxconn Technology has acquired TeleEye Holdings Ltd. (June-16)

Q2 2016 Summary

There were six completed transactions in Q2 2016. As displayed below, the six transactions represent a decrease in recent M&A activity compared to the nine transactions recorded in the previous quarter. On a comparative basis, this represents the same level of M&A activity reported in Q2 2015.

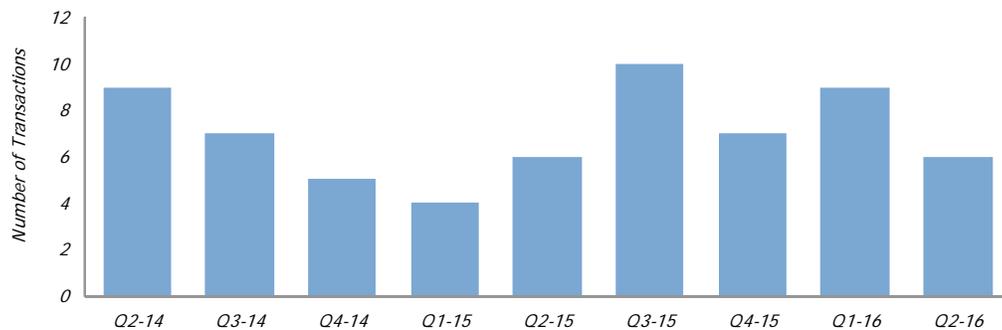
EMS consolidations were down from the last quarter, representing two transactions in Q2 2016 compared to four transactions in Q1 2016. On a comparative basis, this is down from the six EMS consolidations reported in Q2 2015. There were two EMS divestitures in Q2 2016, representing the same level of activity in Q1 2016 and an increase on a comparative basis as no EMS divestitures were reported in Q2 2015. Additionally, there were two reported transactions categorized vertical/horizontal convergences in Q2 2016. No transactions categorized as private equity

investments, diversification into EMS or OEM divestitures occurred in Q2 2016.

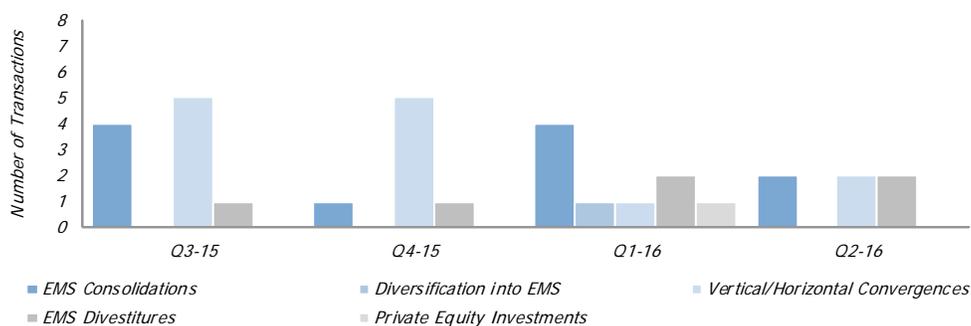
Two transactions occurred within North America in Q2 2016 (33% of the total transactions), down from three transactions in the previous quarter. On a comparative basis, three transactions occurred within North America in the same quarter of 2015. There were three cross-border transactions (50% of the total transactions) in Q2 2016, up from one in the previous quarter. There was also one transaction reported within Europe in Q2 2016, which reflects a decrease from the five reported the previous quarter. There were no transactions in Asia this quarter.

Transactions by size for the quarter fell primarily in the Small tier, totaling four. The Mid tier and the Large tier both accounted for one transaction.

Completed EMS Transactions



Quarterly Comparison—EMS M&A by Deal Type



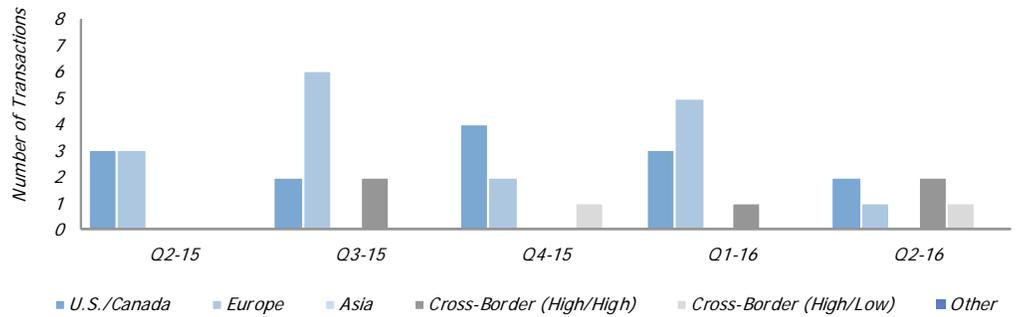
EMS Size Guide

(Sales Dollars)

- Large (Tier I)
Greater than \$3 billion
- Mid (Tier II)
\$300 million to \$3 billion
- Small (Tier III)
Below \$300 million

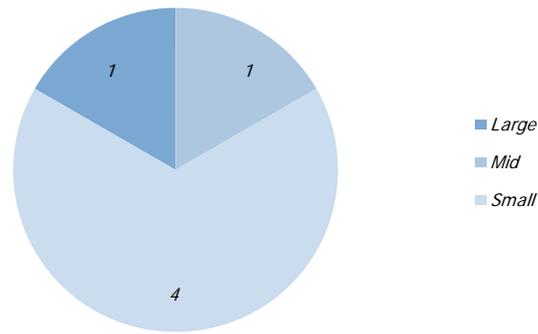
Sources: All information contained in this newsletter including the charts was obtained from company websites, Lincoln International's internal data, Manufacturing Market Insider and Capital IQ.

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.

Q2 2016 Mergers and Acquisitions by Size



Margin Performance in the EMS Industry

EMS companies have exhibited mixed results with varying margin fluctuation across industry tiers.

The three graphs on the following page provide an overview of gross margin, operating income margin, and EBITDA margin performance from 2002 through LTM Q2 2016. Each graph shows the margin performance by tier.

The Large Tier EMS companies' gross margin and EBITDA margin increased to 7.5% and 5.1%, respectively, in the last twelve months ("LTM"), up from 7.2% and 4.9% for the same period in 2015, while operating income margin remained flat at 2.9%. Mid Tier companies' gross margin decreased to 10.6% on an LTM basis for 2016, versus 10.7% in the same period in 2015. In addition, operating income margin and EBITDA margin decreased to 3.7% and 6.0%, respectively, versus 4.2% and 6.2% in the same period in 2015. The Small Tier saw an increase in all three metrics on an LTM basis to 11.6%,

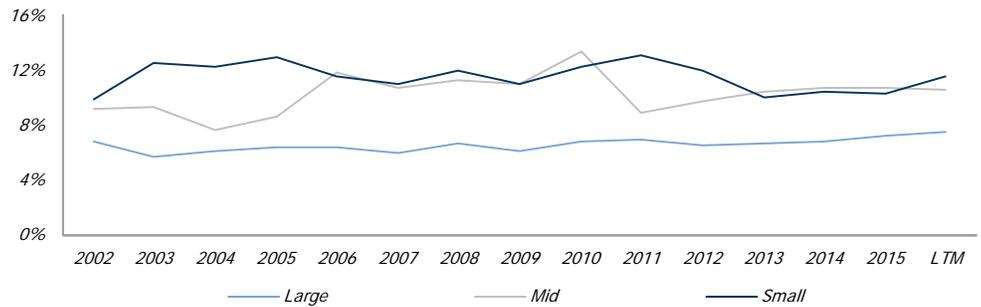
2.6% and 4.7% for gross margin, operating income margin and EBITDA margin, respectively, up from 10.0%, 0.0% and 2.2% for the same period in 2015.

On a percent change basis comparing the LTM Q2 2016 results with the same period a year ago, in the Large Tier, Jabil Circuit showed the most improvement in operating margin to 3.2% from 2.9%; Key Tronic led the Mid Tier in operating margin improvement, up to 2.1% from 1.7%; in the Small Tier, SMTC Corporation showed the most improvement in operating margin to 2.2% from 0.3%.

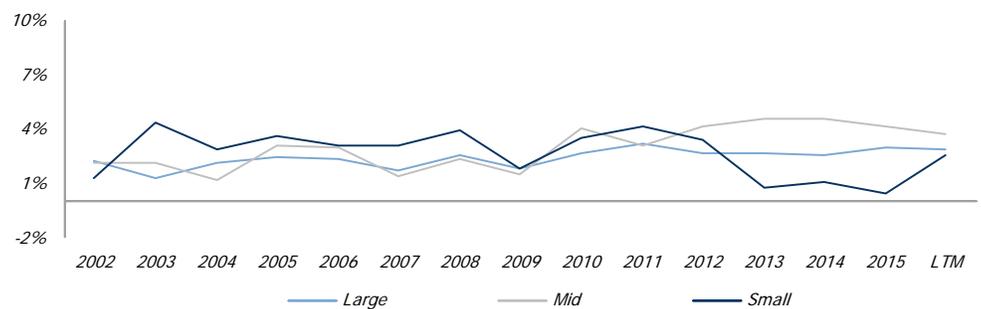
Margin Data

	Gross Margin	Operating Margin	EBITDA Margin
Large Tier			
Celestica	7.1%	2.9%	4.1%
Flex	6.6%	2.4%	4.5%
Jabil	8.5%	3.2%	6.7%
Sanmina	7.8%	3.3%	4.9%
Average	7.5%	2.9%	5.1%
Mid Tier			
Benchmark	9.0%	3.9%	6.1%
Key Tronic	8.0%	2.1%	3.4%
Kimball	7.7%	3.5%	5.9%
Plexus	8.6%	4.1%	6.0%
Sparton	19.8%	4.9%	8.4%
Average	10.6%	3.7%	6.0%
Small Tier			
IEC	16.2%	6.0%	8.7%
Nortech	11.1%	0.3%	2.3%
SigmaTron	10.1%	1.7%	3.9%
SMTC	9.3%	2.2%	4.0%
Average	11.6%	2.6%	4.7%

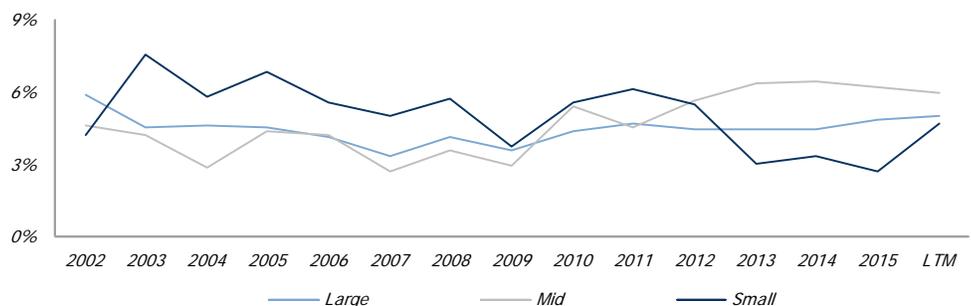
Average Gross Margin Performance



Average Operating Income Margin Performance



Average EBITDA Margin Performance



Global Industry Groups

Aerospace & Defense
Automotive & Truck
Building & Infrastructure
Business Services
Chemicals
Consumer
Distribution
Electronics
Energy & Power
Financial Institutions
Food & Beverage
Healthcare
Industrials
Packaging
Technology & Media

Global Locations

Amsterdam
Beijing
Chicago
Frankfurt
London
Los Angeles
Madrid
Milan
Moscow
Mumbai
New York
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