Q1 2010 Deal Volume Comparison

Chart A: Completed EMS Transactions

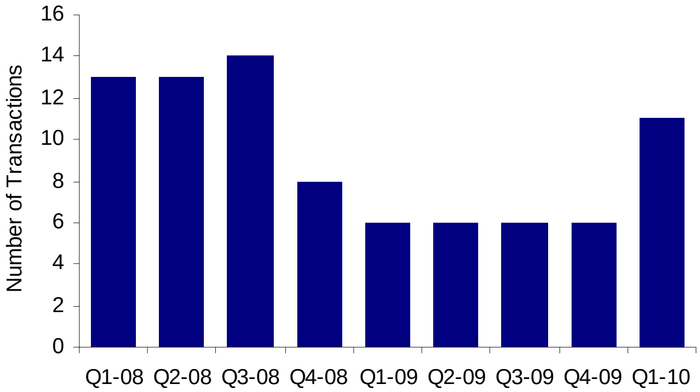
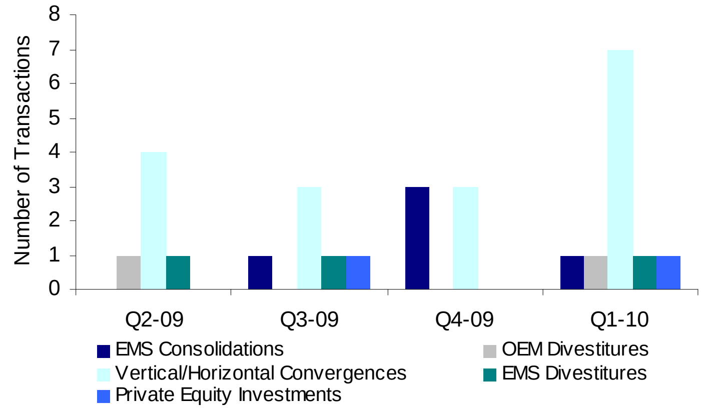


Chart B: Quarterly Comparison—EMS M&A by Deal Type



Announcements

- Celestica, Inc. (TSX:CLS) has acquired Invec Solutions Limited (January-10)
- Elecsys Corporation (NasdaqCM:ESYS) has acquired SensorCast, LLC (January-10)
- Patrimonium Medical Technology Advisors has acquired Valtronic Technologies (February-10)
- Advanced Semiconductor Engineering, Inc. (TSEC:2311) has acquired Universal Scientific Industrial Co. Ltd. (TSEC:2350) (February-10)

Q1 2010 Summary

There were 11 completed transactions in Q1 2010. As displayed in Chart A, the 11 transactions show an increase in the M&A activity compared to the previous four quarters. Overall, the economic conditions appear to have stabilized which has created an opportunity for companies to pursue strategic investments within the EMS sector.

As shown in Chart B, vertical / horizontal convergences represented seven transactions, or 64% of total activity in Q1 2010, up from three transactions in Q4 2009. The recent trend in vertical / horizontal convergences highlights a willingness to pursue expansion opportunities as some of these transactions were EMS companies expanding well outside of their core manufacturing activities. In addition, the trend also indicates more interest in the EMS sector with non-EMS companies purchasing EMS capabilities. There was one EMS consolidation in Q1 2010 down from three transactions in Q4 2009. Similarly, there was one EMS divestiture in Q1 2010, up from no transactions in Q4 2009. There was also one transaction classified as private equity investment in Q1 2010, an increase from no private equity investments in the previous quarter. There was one transaction classified as an OEM divestiture in Q1 2010.

As illustrated in Chart C, three transactions occurred within Europe in Q1 2010, or 27% of total transactions, representing a sharp increase compared to no transactions in Europe last quarter. There were three U.S. / Canada deals, up from two in Q4 2009. There were four transactions within Asia, or 36% of transactions, three more than during Q4 2009 within that geography. There was one cross-border transactions for this quarter.

As shown in Chart D, transactions by size for the quarter were led by the Micro Tier, totaling eight, or 73% of all transactions. There were two transactions categorized as large in Q1 2010, or approximately 18% of the total. Finally, there was one transaction (approximately 9% of total transactions) in the Mid Tier.

EMS Size Guide

(Sales Dollars)

Large (Tier I)
Greater than $3 billion

Mid (Tier II)
$300 million to $3 billion

Small (Tier III)
$150 million to $300 million

Micro (Tier IV)
Below $150 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—EMS M&A by Geography

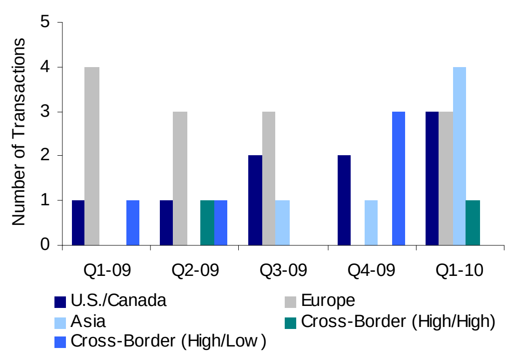
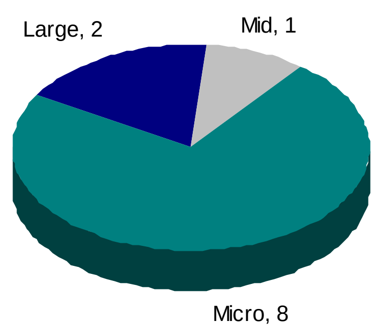


Chart D: Q1 2010 Mergers and Acquisitions by Size



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.

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, four of the five companies cash cycles worsened (more days) while one company's cycle shortened. Celestica lengthened its cash cycle by 11% to 34.9 days from 31.4 in Q1-2009 due to higher DIO. Sanmina-SCI's cash cycle worsened from 40.2 days to 56.3 because of lower DPO and higher DIO. Flextronics' cash cycle shortened this year from 18.4 days to 14.3, a 22% decrease, because of higher DPO. Elcoteq's cash cycle increased from 7.1 days to 9.8, a 40% rise, because of lower inventory turns and higher DSO.

In the Mid Tier, CTS and Sypris shortened their cash cycles while Benchmark, Plexus and Nam Tai lengthened theirs. CTS and Sypris increased DPO, leading both companies to shorter cash cycles, while Plexus and Nam Tai both had higher DSO and DIO leading to longer cash cycles. Benchmark increased its DSO leading to a longer cash cycle as well.

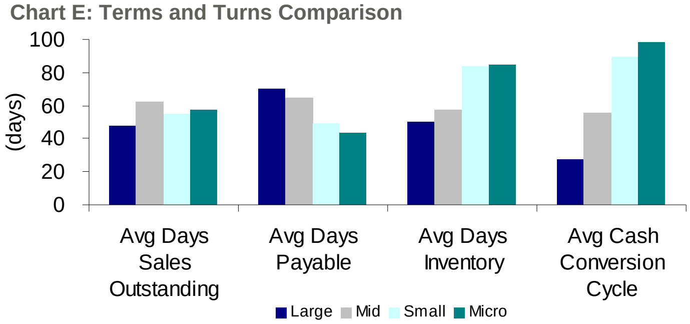
The Small Tier showed improvement in cash cycles for Key Tronic, LaBarge and Sparton, while cash cycles worsened for Raven and SMTC by 11% and 10%, respectively due to higher DIO and DSO. The cash cycles of Key Tronic, LaBarge and Sparton were shorter because of increased inventory turns.

All companies in the Micro Tier had longer cash cycles. The greatest increase came from IEC who lengthened its cycle 28% due to higher DSO and DIO and lower DPO. Similarly, Nortech, SigmaTron and Winland all had higher DSO, higher DIO and lower inventory turnover contributing to their lengthier cash cycles. As indicated in Chart E, the Micro Tier had the highest average cash conversion cycle, and includes Sigmatron who has the longest cash cycle of all companies in the index.

	Cash Cycle			Inventory Turns		
	Q1-09	Q1-10	%chg	Q1-09	Q1-10	%chg
Large Tier						
Celestica	31.4	34.9	11.2%	9.0	8.1	-10.9%
Elcoteq	7.1	9.8	39.5%	11.3	8.6	-23.9%
Flextronics	18.4	14.3	-22.3%	8.3	7.2	-13.5%
Jabil	19.9	20.0	0.8%	8.2	7.2	-11.8%
Sanmina-SCI	40.2	56.3	39.9%	7.0	6.3	-10.6%
Mid Tier						
Benchmark	69.5	81.5	17.3%	6.0	5.9	-2.3%
CTS	59.3	59.0	-0.5%	7.7	6.4	-16.7%
Nam Tai	9.8	13.7	40.1%	18.5	17.0	-8.3%
Plexus	66.8	77.2	15.5%	5.1	4.0	-21.7%
Sypris Solutions	58.3	46.5	-20.2%	5.6	6.5	15.8%
Median	**35.8**	**40.7**	**13.7%**	**7.9**	**6.9**	**-13.5%**
Small Tier						
Key Tronic	83.4	78.1	-6.4%	4.7	4.9	4.2%
LaBarge	114.6	109.4	-4.6%	3.5	3.6	3.9%
Raven Ind.	98.7	109.3	10.8%	5.7	4.8	-15.3%
SMTC	55.9	61.3	9.7%	5.6	4.4	-21.2%
Sparton	108.9	88.7	-18.6%	3.6	4.2	16.6%
Micro Tier						
IEC	57.0	72.9	27.8%	8.3	6.8	-18.1%
Nortech	85.6	95.2	11.2%	5.1	4.1	-19.6%
SigmaTron	126.9	139.2	9.7%	3.2	2.8	-12.7%
Winland	79.7	86.3	8.2%	5.6	5.5	-1.8%
Median	**85.6**	**88.7**	**3.6%**	**5.1**	**4.4**	**-13.2%**

Note: Negative % change for cash cycle denotes improvement.

Chart E: Terms and Turns Comparison



Inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, the two companies with the longest cash cycle, SigmaTron and LaBarge with cash cycles of 139.2 and 109.4, also are among the companies that have lower inventory turns with 2.8 and 3.6, respectively. Conversely the two companies with the shortest cash cycle, Elcoteq and Nam Tai, with cycles of 9.8 and 13.7, have the highest inventory turns of 8.6 and 17.0, 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.

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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