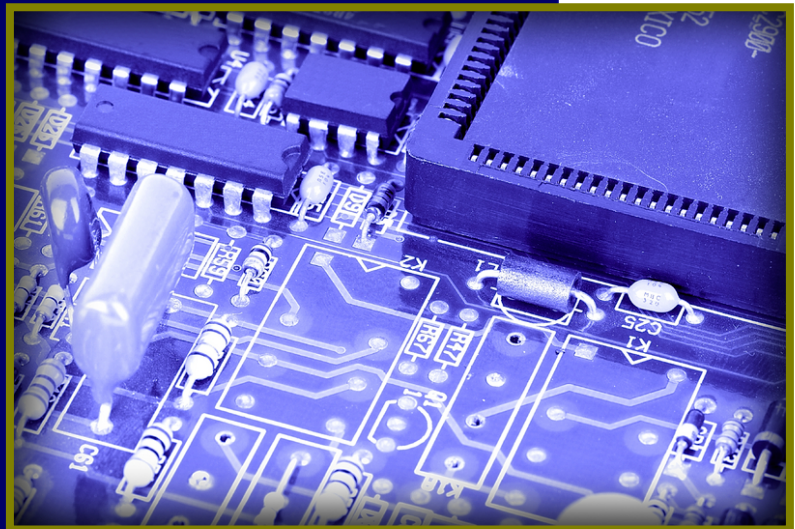


# Advanced Manufacturing Services

Coverage Report

“Market Intelligence for Industry Players”

Q3 2008



**Capstone Partners**  
Investment Banking Advisors

# Advanced Manufacturing Services Coverage Report



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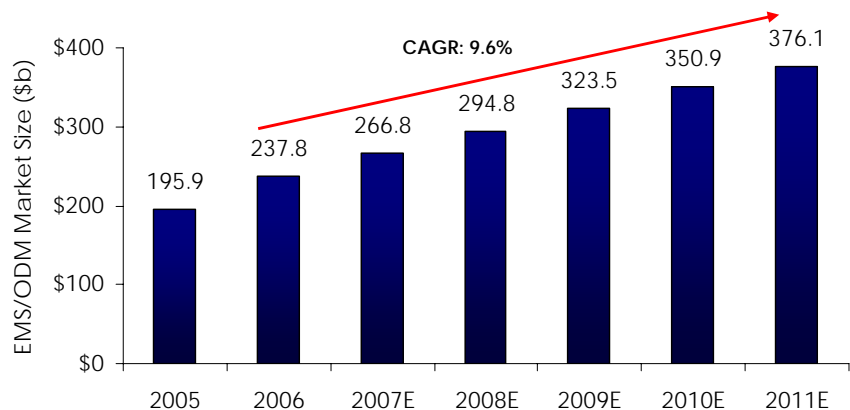
## Introduction

The global electronics market continues to grow at an aggressive pace as technological sophistication increases across industries and as emerging economies become a greater source of demand. In an effort to focus more on their core competencies, original equipment manufacturers (OEMs) serving the electronics industry increasingly have attempted to move more of their manufacturing activities to supply chain partners.

Outsourcing some of the complex and capital intensive manufacturing work has allowed OEMs to reduce unit costs and to avoid some of the risk associated with large investments in expensive capital equipment. In addition, the manufacturing specialization of these supply chain partners provides OEMs with access to cutting edge assembly technologies and processes that improve product quality while achieving more predictable levels of output. Given the sophistication of these production processes, OEMs have also demanded design and engineering services from these supply chain partners. Although all of these services clearly benefit large OEMs looking to reduce costs, they are also valuable to start-ups and smaller players that simply do not have the capital or the time (where speed to market is critical) necessary to develop such advanced manufacturing capabilities.

Offering advanced assembly of cables, integrated circuits, printed circuit boards, electromechanical devices and finished products ("box builds"), as well as testing and fulfillment services, these supply chain partners represent the global electronic manufacturing services (EMS) industry. Although there is considerable overlap, a growing niche of manufacturing services companies, specializing in independent design and engineering services, have formed the original design manufacturer (ODM) market. Capstone classifies the combination of these two markets as the advanced manufacturing services (AMS) market. The AMS market has grown considerably in recent years, reaching an estimated \$266.8 billion in 2007. The market is projected to grow at about 9.6% annually to \$376.1 billion by 2011.

**Global AMS Revenues**

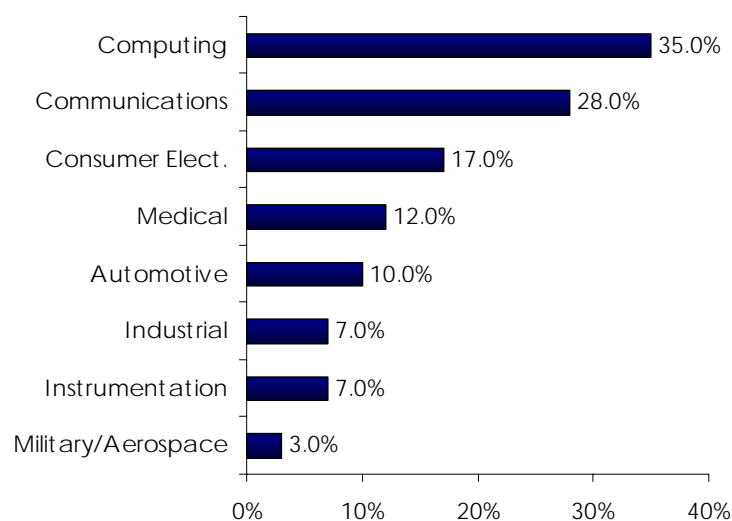


## Growth Drivers

The growth of the global AMS market has been, and will continue to be, driven by a number of global business trends. We expect that these trends will impact both the size of the overall electronics market and the share of this market in which manufacturing services players are able to participate.

- ▶ **Growing Demand in Emerging Economies** – As emerging economies like India and China continue to develop, there will be a growing demand for information technology and telecommunications products in order to support their infrastructure needs. Further, as the income levels in these countries increase with overall economic prosperity, demand for consumer electronics will also rise.
- ▶ **Technology Advances** – The demand for smaller, higher bandwidth and more intelligent technologies across end-customer segments continues to drive growth in the overall electronics industry. These more sophisticated products require cutting edge design and manufacturing, and OEMs simply cannot stay competitive if they do not outsource a significant portion of their manufacturing to AMS players.
- ▶ **Increased Tendency to Outsource Manufacturing** – Although outsourced manufacturing is an established and growing strategy in the computing, telecommunications and consumer electronics industries, AMS penetration is still fairly low in the medical, automotive, industrial, military and aerospace industries. This low penetration has largely been driven by their production methods, which tend to require a local presence (due to the need for quick turnaround production, constant interaction with OEM engineers, immediate warranty services and greater protection of intellectual property) and focuses more on low volume/high mix output. These factors have made it difficult for the established AMS companies to participate as they typically use low-cost labor from off-shore locations and focus on high volume/low mix work. However, new and existing AMS players have entered these markets by offering manufacturing services to OEMs from locations in North America. These players have been able to command gross margins as high as 20-30% (compared with the 10-15% industry average) despite the use of North American labor by providing significant value-added services to OEMs. As the older AMS end-markets continue to develop (some estimate that outsourced solutions in the computing segment may eventually hit 60% of COGS) and as the new markets become more accepting of outsourcing services, manufacturing services will claim a larger share of the overall market for electronic products.

### Estimated Percentage of COGS Outsourced by Segment



Source: Enics 2007 Investor Presentation

## Market Dynamics

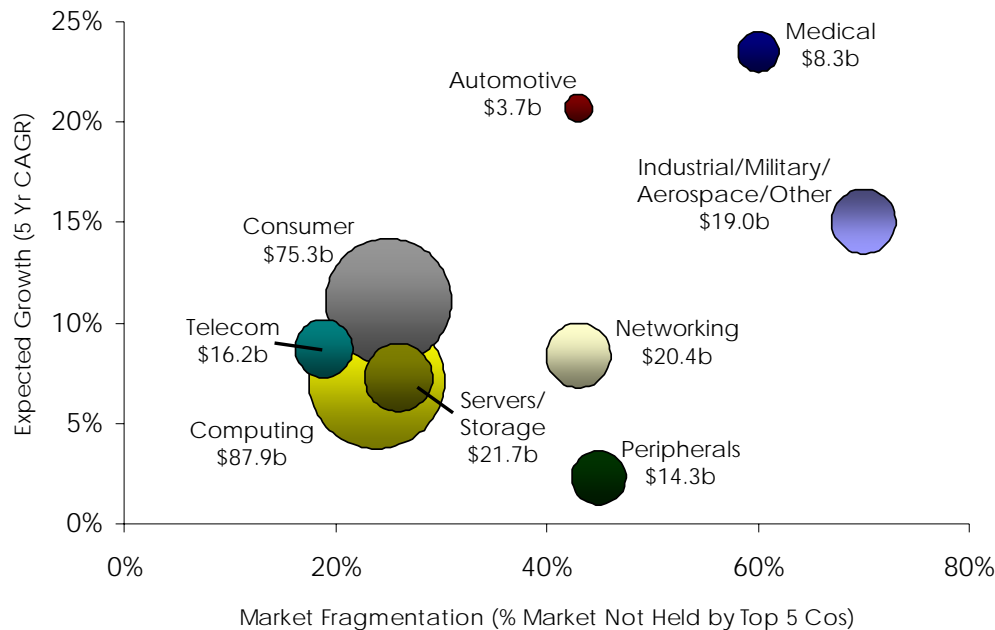
While a number of factors are driving growth in the AMS market, several trends are changing the geographic focus and the nature of the business models in this industry. These industry dynamics will continue to impact the OEM's decision to outsource manufacturing and the AMS model for delivering services to OEMs.

- ▶ **Labor Costs** – Nearly 50% of the AMS market is based in the Far East with roughly 75% of that production capacity located in China. While the traditional factor driving the AMS economics was the low-cost labor found in these areas, double-digit growth in wages is rapidly closing the gap between the cost of labor in these locations compared to other areas of the world. These changes combined with the rising cost of international shipping have made the decision to off-shore production all the more difficult.
- ▶ **Cycle Time** – Long and often unpredictable production scheduling and logistics can make the decision to outsource to an off-shore location more difficult for OEMs. This can be especially challenging in sectors that do not have clear visibility into customer demand and/or where rapid warranty services are needed. The medical segment is particularly vulnerable to both of these factors and we therefore expect that this industry, in particular, will choose to stay with AMS providers that are located close to their operations.
- ▶ **Product Quality** – For the emerging AMS end-markets, such as aerospace, medical and industrial, concern about product quality was often the driving factor in the decision to produce products in-house. If, for example, a respirator or an airplane were to experience a significant malfunction, the result could be a tragic loss of life. As AMS markets matured and developed a track record for producing quality products, the perceived risk has begun to dissolve and more of these companies are becoming comfortable with outsourcing. However, recent product quality issues in China have renewed this skepticism regarding the quality of off-shore production methods. Perhaps the most prominent of these recent issues was the toxic levels of lead found in toys. Serious quality concerns of this sort will continue to weigh on the minds of OEMs considering the use of an off-shore manufacturing partner.
- ▶ **Collaboration with Engineering** – In many of the emerging AMS end-markets, there is a strong need for rapid prototyping so that new products can be quickly pressure-tested and enhanced. In addition, the sophistication of the technologies being developed may require close collaboration between engineers at the OEM and the manufacturing partner. This sort of work clearly requires manufacturing partners to be located close to the OEM facilities. As a result, we expect to see significant growth in the North American and European AMS markets as OEMs in high growth segments seek local manufacturing partners.
- ▶ **The Regulatory Environment** – Any organization selling into the U.S. medical market must register with the Food and Drug Administration (FDA). Although there is no fee for registration, the complexity of the process can take its toll. Compliance with FDA mandates also requires considerable documentation. These factors can make the medical AMS market, in particular, more risky and costly than other end-markets. For example, a regulatory change could quickly prompt a device redesign that requires a significant change in the components that make up that device. As a result, the AMS partner could be stuck with an inventory of discontinued components. These complexities will force AMS partners to adapt their business model if they intend to make a play in this lucrative market.

## Market Segmentation

The AMS market grew out of the computing boom of the 1980's. Large OEMs, like IBM, needed to rapidly mass-produce computers, servers and networking devices. They turned to their supply chain partners to manufacture high volume products, allowing them to quickly penetrate the market. A similar process occurred with consumer electronics. As production advances significantly reduced the unit cost of these products, the mass market was able to afford them and the demand for these products increased significantly. OEMs, like Sony Corporation, again leveraged manufacturing partners to meet this demand.

### AMS Market Segments – Estimated Size, Growth and Fragmentation



Note: Bubble size corresponds to the estimated size of the EMS and ODM market in 2007  
 Source: Capstone Partners analysis; data from Deutsche Bank 2007

As a result of these dynamics, the computing, storage, networking, and consumer electronics markets currently represent the largest AMS segments (about 80% of the market in 2007). The telecom market also relies heavily on AMS partners, but this segment is significantly smaller. These more established AMS segments are expected to grow modestly in the years ahead, with consumer electronics leading the pack at a projected 11.0% compound annual growth rate (CAGR). The computer peripheral segment is expected to experience only a 2.3% CAGR, largely because of declining prices and already-high levels of outsourcing. Generally, these established AMS markets have experienced considerable consolidation in an effort to achieve greater scale and efficiencies. Consequently, these segments are highly concentrated among a few larger providers, although there is still some degree of fragmentation in the networking and peripherals segments.

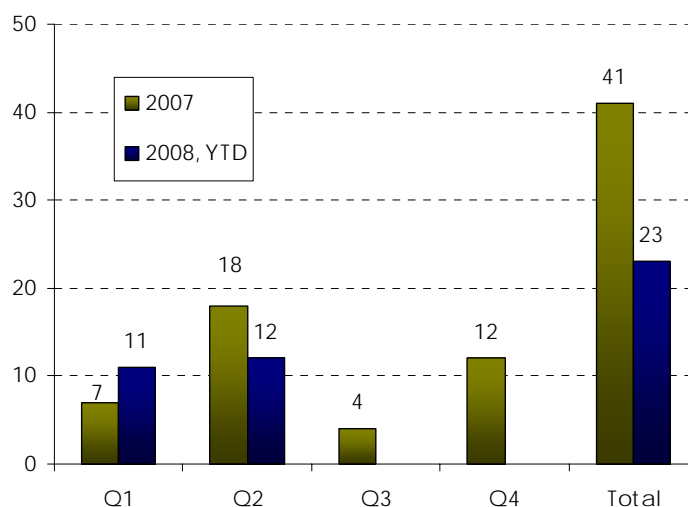
The medical, automotive, industrial, military and aerospace segments, while small relative to the established segments, are expected to grow significantly; these markets also remain quite fragmented. Capstone expects that these segments will represent prime areas for M&A activity in the next two to three years as larger players look to penetrate these markets in order to enter higher margin, higher growth segments. In addition, because AMS players in these segments are often domestic companies, we expect to see much of this activity occur in the United States.

## M&A Activity

M&A activity in the AMS industry varied considerably throughout the year in 2007, although 2008 appears to be more stable. A total of 41 AMS transactions were closed in 2007, and 23 transactions have been announced or closed in the first half of 2008. M&A activity in 2008 is in line with 2007 performance as there were 25 transactions in the first half of 2007.

Capstone expects industry M&A activity to remain robust in the AMS market. Leading strategic companies seeking additional scale, geographic expansion, product diversification and/or penetration into attractive end-customer segments remain active in the acquisition markets. In addition, Capstone expects that component manufacturers and distributors may target the AMS space in order to further develop their suite of custom assembly solutions for their OEM customers. Several recent acquisitions on the part of strategic players include:

### Global AMS Transactions by Quarter



Source: Capital IQ, Capstone Research  
YTD = year-to-date, 2008 total reflect transactions through 2Q2008 only

**IEC Electronics Corp. acquired Val-U-Tech Corp.** – In April 2008, IEC Electronics acquired Val-U-Tech Corp, a privately held contract manufacturer serving several leading customers in the military, medical and industrial markets. The combined companies will have 360 employees with pro-forma annualized revenues in fiscal year 2009 of approximately \$70 million (Val-U-Tech had 2007 revenues of about \$11 million). The purchase price was \$10.4 million, including \$5.5 million in cash, \$1.0 million in stock and \$3.9 million in a seller's note. Together, IEC and Val-U-Tech will provide their customers with a more powerful set of solutions for meeting their manufacturing requirements and afford greater momentum and opportunity to grow into new markets.

**CTS Corporation acquired Orion Manufacturing Inc.** – In March 2008, CTS Corporation (NYSE: CTS) acquired Orion Manufacturing, Inc. for approximately \$10 million in cash. Under the terms of the agreement, CTS may pay a contingent earn-out of up to \$1.75 million in cash, based on the achievement of certain financial targets in 2008 and 2009. Orion is a contract electronics manufacturer based in San Jose, California, providing electronics manufacturing services to customers in the defense and aerospace, industrial and medical markets. Full year 2007 sales were approximately \$27 million. CTS expects the transaction to be accretive in year one. CTS expects to achieve significant synergies by combining the Orion operation with the CTS operation in Santa Clara, California.

**RAD Technologies acquires RPM Electronics** – In March 2008, RAD Technologies acquired RPM Electronics, a full service contract manufacturing company providing complex assembly of printed circuit boards for companies in the semiconductor, medical, industrial controls and instrumentation industries. RAD Electronics is a well-capitalized full service contract manufacturing company, specializing in complex assembly of printed circuit boards, custom and molded cable assemblies and over molded embedded electronics. The company is committed to expanding its products and services to the medical, military-aerospace and industrial electronics industry.

## Private Equity Investments

The private equity community is still quite active in the AMS sector. Many firms have expressed their intention to use their AMS investments as platform companies to roll-up highly attractive segments of the AMS market. Several interesting recent transactions by private equity buyers include:

**R.H. Global Technologies Ltd acquired Adeptron Technologies Corp.** – In May 2008, R.H. Global Technologies Ltd (RGT, a joint venture between First Israeli Mezzanine Inv. Ltd and RH Technologies) completed a \$6.1 million private placement for 62% of the common stock in Adeptron Technologies Corp. The transaction terms implied an enterprise value of \$9.7 million on sales of \$38.1 million and EBITDA of \$1.1 million. The primary use of proceeds was to repay the Company's outstanding \$5 million subordinated debenture. This transaction is in line with RGT's mission: "to establish a global EMS group through M&A activity."

**Axia Capital acquired Segue Manufacturing Services, Inc.** – In February 2008, Axia Capital completed its acquisition of Cable Design and Manufacturing (CDM), a leading full service contract manufacturing company based in New England, and formed Segue Manufacturing Services, LLC (Segue). Axia Capital syndicated a leveraged buyout to acquire the assets of CDM and appointed Peter Frasso, former COO of FEI, as CEO of Segue. CDM's former owner and CEO, Bill Roderick, will retain a significant equity position in the newly formed company and lead the sales and engineering organizations. The terms of the deal were not disclosed.

**Birch Hill Equity Partners acquired Creation Technologies, Inc.** – In June 2007, Creation Technologies LP, a Global Top 50 EMS provider and expert in manufacturing complex electronics, received a \$65 million investment from Birch Hill Equity Partners. The proceeds will be used to meet the requirements of the company's growing customer base, to fund its acquisition plans and to provide liquidity to employee and institutional shareholders. Birch Hill believes that Creation represents the best investment opportunity in the growing North American mid-tier EMS market given its strong value proposition to customers, unique business model, culture and core values, attractive acquisition opportunities and excellent financial performance. According to Arthur Tymos, President & CEO of Creation Technologies, "Over the past five years, Creation Technologies has grown at twice the average rate of the overall EMS industry, and we anticipate maintaining this rate of growth by supporting our current customers' growth plans, winning new customers and increasing our emphasis on mergers and acquisitions." The terms of the deal were not disclosed.

**Key Principal Partners acquired MC Assembly, Inc.** – In March 2007, Key Principal Partners (KPP), a \$1 billion private investment firm, acquired majority ownership of MC Assembly, a leading provider of electronic manufacturing services. This transaction marks the completion of the transition from ownership by the company's founding family, a process that began with KPP's initial investment in the company in 2003. MC Assembly was founded by the Rossi family of Melbourne, FL in 1984 and is a national leader in the contract manufacturing arena with annual revenues in excess of \$200 million. It provides turnkey solutions to OEMs and focuses on assembly of low-to-medium volume, medium-to-high mix printed circuited boards as well as full box build assembly. Mr. Charles Rossi will retire as Chief Executive Officer of the Company. Mr. George Moore, current Chief Operating Officer, will assume the role of CEO. The terms of the deal were not disclosed.

## Selected AMS M&amp;A Transactions

Date	Target / Acquirer	Target Business Description	Transaction Value (mm)	TV / LTM Revenue
7/7/08	<b>Sanmina-SCI Corporation, Certain Assets of Personal Computing Business</b> Foxteq Holdings Inc.	Offers computing and storage devices manufacturing services.	\$90.0	-
6/16/08	<b>Houstech, Inc.</b> Private Investor	Offers engineering support and a range of design and assembly services, including PCBA, cable assembly and electro-mechanical assembly.	-	-
5/30/08	<b>Val-U-Tech Corp.</b> IEC Electronics Corp.	Provides contract electronic manufacturing services, including cable and harness assembly, printed circuit board assembly, box build, final assembly and testing.	\$10.4	0.9x
5/7/08	<b>FRIWO Mobile Power GmbH</b> Flextronics International Ltd.	Operates in the mobile communication market and is the manufacturer of chargers for mobile telephones.	\$83.4	-
4/30/08	<b>UFE Incorporated</b> Catalina Precision Products, Inc.	Provides contract engineering and manufacturing services for subassembly and finished goods manufacturers.	-	-
4/14/08	<b>Adeptron Technologies Corp.</b> First Israel Mezzanine Inv. Ltd., RH Technologies Ltd.	Provides manufacturing services to OEMs, including PCBA, cable and harness assembly, mid-plane and back-plane assembly and full product electromechanical integration.	\$6.1	0.3x
3/13/08	<b>Orion Manufacturing, Inc.</b> CTS Corporation	Provides contractual electromechanical assembly services, as well as testing facilities for in-circuit test and system testing of products.	\$11.8	0.4x
3/13/08	<b>RPM Electronics</b> RAD Technologies, LLC	Provides contract manufacturing services for electronics and electro-mechanical products.	-	-
2/12/08	<b>Positron Technologies Inc.</b> Triton Electronique International Groupe, Inc.	Provides electronics manufacturing services and logistics in Canada.	-	-
2/5/08	<b>Segue Manufacturing Services, LLC</b> Axia Capital	Operates as a contract manufacturer providing electro-mechanical assembly, cable design and fabrication, global sourcing, machining and product engineering.	-	-
1/28/08	<b>Avail Medical Products, Inc.</b> Flextronics International Ltd.	Operates as a medical device outsourcing company in the United States.	-	-
12/31/07	<b>Bar Manufacturing, LLC</b> Compart Engineering, Inc.	Offers contract manufacturing services to the automotive, teleco, medical/bio-tech, control valve, PCB test components, nuclear, aerospace and food/agricultural industries.	-	-
12/12/07	<b>Suntron Corp.</b> Blum Capital Partners, L.P., Thayer Capital Partners	Provides manufacturing services and solutions to various sectors in the electronic manufacturing services industry in the United States and Mexico.	\$3.2	0.2x
11/19/07	<b>Freedom Electrical Contractors, Inc.</b> Individual Investors	Provides engineering services, computerized engraving, cable assemblies, or contracting services.	-	-
10/1/07	<b>Solectron Corp.</b> Flextronics International Ltd.	Provides electronics manufacturing and supply chain management services to original equipment manufacturers in the electronics products and technology markets worldwide.	\$4,301.2	0.4x
8/23/07	<b>Tarlton Supply, Inc.</b> J.B. Poindexter & Co., Inc.	Provides contract manufacturing services, including welding and fabrication; mechanical assembly and electronic/electrical assembly and testing.	\$19.0	0.7x
6/20/07	<b>Creation Technologies, Inc.</b> Birch Hill Equity Partners Management Inc.	Provides electronic manufacturing services including design support and new product development, final assembly, packaging and product distribution.	\$61.1	-
6/8/07	<b>Ventrex Inc.</b> Hi-Tech Rubber, Inc.	Provides medical device contract manufacturing services.	-	-
6/4/07	<b>Veritek Manufacturing Services, LLC</b> OnCore Manufacturing Services	Provides electronic manufacturing services including surface mount printed circuit board assemblies, and assembled and tested system/box-build electronic products.	-	-
6/1/07	<b>Pacific Circuit Assembly, Inc.</b> Adeptron Technologies Corp.	Provides board and system assembly services and program management services.	\$2.2	0.7x
5/29/07	<b>Test Technology Manufacturing Services Inc.</b> Inservco, Inc.	Manufactures printed circuit board assemblies and subassemblies.	-	-
5/11/07	<b>Key Tronic Corporation, New Mexico facility</b> ADEVCO Corporation	Provides electronic manufacturing services which includes keyboards and devices for personal computers, terminals and workstations.	\$4.3	-
4/19/07	<b>Stewart Manufacturing, Inc.</b> Stremel Manufacturing Co.	Engages in contract manufacturing for aerospace, medical and electronic industries.	-	-
3/1/07	<b>MC Test Service, Inc.</b> Key Principal Partners, LLC	Provides electronic manufacturing services including new product introduction, PCBA, box build/integration, direct fulfillment, warranty/repair and product support.	-	-
2/15/07	<b>Reptron Electronics Inc.</b> Kimball Electronics, Inc.	Provides engineering services, display and systems integration services and electronic manufacturing services.	\$50.6	0.3x
2/7/07	<b>Lintelle Engineering, Inc.</b> Creo Capital Partners, LLC	Provides manufacturing and engineering services in the semiconductor captive equipment industry.	-	-
1/8/07	<b>Pemstar Inc.</b> Benchmark Electronics Inc.	Provides engineering, design, test, manufacturing, and fulfillment services to the industrial, medical, computing and data storage and communications industries.	\$319.7	0.3x
11/6/06	<b>TT APSCO, Inc.</b> TT Electronics plc	Offers engineering, prototype development, printed circuit board assembly and testing, final assembly and box build and in-house coating, potting and encapsulation.	\$30.2	0.6x
10/3/06	<b>Micropaq Corporation</b> TS3, LLC	Provides electronic manufacturing services including printed circuit board assemblies, custom cables/harnesses and electro-mechanical assemblies.	-	-
9/29/06	<b>Ultima Labs Inc.</b> Sondex plc	Offers design and manufacturing services to the oilfield service industry.	\$9.2	-
9/29/06	<b>Dynamic Details, Inc., Assembly Business</b> Veritek Manufacturing Services, LLC	Engages in the assembly of printed circuit boards for the computer, telecommunications and electronic industry.	\$12.0	0.4x
9/4/06	<b>International Displayworks Inc.</b> Flextronics International Ltd.	Engages in the design, manufacture, and distribution of liquid crystal display products on a contract basis.	\$318.4	3.0x
7/31/06	<b>Entronix, Inc.</b> Rockwood Equity Partners LLC	Provides electronics remanufacturing, contract manufacturing and reverse logistics services.	-	-

Source: Capital IQ

TV = transaction value; LTM = last twelve months

Mean	\$327.7	0.7x
Median	\$15.5	0.4x

## Public Company Trading &amp; Operating Data

\$ in millions, except per share data

Company	Ticker	LTM Operating Metrics			1-Year Revenue Growth	Total Debt / EBITDA	Total Debt / Equity	Return on Capital	Inv. Turnover Rate	Days Sales Out.	Cash Conv. Cycle
		Gross Margin	EBITDA Margin	Net Income Margin							
Benchmark Electronics Inc.	BHE	6.5%	4.7%	3.2%	-5.3%	0.1x	0.0x	4.2%	6.7	64.2	69.2
Celestica Inc.	CLS	6.2	3.9	1.4	-7.5	2.4x	0.3x	4.1	8.5	41.9	36.2
DDI Corp.	DDIC	19.1	10.8	1.0	-3.0	0.0x	0.0x	2.4	10.4	56.2	63.0
Flextronics International Ltd.	FLEX	5.9	4.1	NM	46.2	3.0x	0.4x	5.1	8.3	34.7	22.1
Jabil Circuit Inc.	JBL	6.9	4.6	0.7	4.4	2.4x	0.5x	4.9	8.0	38.5	23.2
LaBarge Inc.	LB	19.3	10.4	4.9	18.3	0.9x	0.3x	13.3	3.3	50.1	123.8
Merix Corp.	MERX	13.0	4.0	NM	-5.1	4.5x	0.6x	NM	12.5	77.7	47.3
Plexus Corp.	PLXS	11.7	8.0	5.1	11.7	1.2x	0.4x	11.8	5.3	44.7	64.4
Sanmina-SCI Corp.	SANM	5.7	3.0	NM	12.4	4.7x	1.2x	4.2	9.7	43.4	28.0
TTM Technologies Inc.	TTMI	20.7	14.5	6.5	40.8	1.8x	0.5x	9.4	7.5	61.4	77.8
<b>Mean</b>		<b>11.5%</b>	<b>6.8%</b>	<b>3.3%</b>	<b>11.3%</b>	<b>2.1x</b>	<b>0.4x</b>	<b>6.6%</b>	<b>8.0</b>	<b>51.3</b>	<b>55.5</b>
<b>Median</b>		<b>9.3%</b>	<b>4.6%</b>	<b>3.2%</b>	<b>8.0%</b>	<b>2.1x</b>	<b>0.4x</b>	<b>4.9%</b>	<b>8.1</b>	<b>47.4</b>	<b>55.2</b>
<b>High</b>		<b>20.7%</b>	<b>14.5%</b>	<b>6.5%</b>	<b>46.2%</b>	<b>4.7x</b>	<b>1.2x</b>	<b>13.3%</b>	<b>12.5</b>	<b>77.7</b>	<b>123.8</b>
<b>Low</b>		<b>5.7%</b>	<b>3.0%</b>	<b>0.7%</b>	<b>-7.5%</b>	<b>0.0x</b>	<b>0.0x</b>	<b>2.4%</b>	<b>3.3</b>	<b>34.7</b>	<b>22.1</b>

Company	Ticker	Price 7/31/08	% 52 Wk High	Market Cap	Enterprise Value	LTM		EV / LTM		EV / NTM	
						Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
Benchmark Electronics Inc.	BHE	\$14.64	54.2%	\$987.6	\$710.9	\$2,773.9	\$129.5	0.3x	5.5x	0.2x	4.4x
Celestica Inc.	CLS	8.1	82.0	1,853.3	1,400.2	8,003.1	310.7	0.2x	4.5x	0.2x	3.9x
DDI Corp.	DDIC	5.87	74.4	126.0	108.3	187.0	20.3	0.6x	5.3x	NA	NA
Flextronics International Ltd.	FLEX	8.93	65.7	7,478.3	9,455.5	30,751.4	1,246.3	0.3x	7.6x	0.3x	5.5x
Jabil Circuit Inc.	JBL	16.26	63.0	3,415.1	3,958.3	12,644.7	579.0	0.3x	6.8x	0.3x	6.0x
LaBarge Inc.	LB	14.78	97.2	227.0	252.5	266.5	27.8	0.9x	9.1x	NA	NA
Merix Corp.	MERX	1.98	26.8	41.7	105.4	384.7	15.6	0.3x	6.8x	0.3x	4.6x
Plexus Corp.	PLXS	28.5	87.8	1,137.4	1,106.7	1,791.3	142.8	0.6x	7.7x	0.6x	9.2x
Sanmina-SCI Corp.	SANM	1.77	63.2	939.6	1,438.4	10,499.2	317.7	0.1x	4.5x	0.2x	4.2x
TTM Technologies Inc.	TTMI	11.25	71.4	480.1	538.9	677.6	98.3	0.8x	5.5x	0.7x	5.0x
<b>Mean</b>			<b>68.6%</b>			<b>\$6,797.9</b>	<b>\$288.8</b>	<b>0.4x</b>	<b>6.3x</b>	<b>0.3x</b>	<b>5.3x</b>
<b>Median</b>			<b>68.5%</b>			<b>\$2,282.6</b>	<b>\$136.2</b>	<b>0.3x</b>	<b>6.1x</b>	<b>0.3x</b>	<b>4.8x</b>
<b>High</b>			<b>97.2%</b>			<b>\$30,751.4</b>	<b>\$1,246.3</b>	<b>0.9x</b>	<b>9.1x</b>	<b>0.7x</b>	<b>9.2x</b>
<b>Low</b>			<b>26.8%</b>			<b>\$187.0</b>	<b>\$15.6</b>	<b>0.1x</b>	<b>4.5x</b>	<b>0.2x</b>	<b>3.9x</b>

Source: Capital IQ and Capstone Partners Research. Tables developed after market close on July 31, 2008.

EV = enterprise value

NA = not available

NTM = next twelve months (average analysts' estimates)

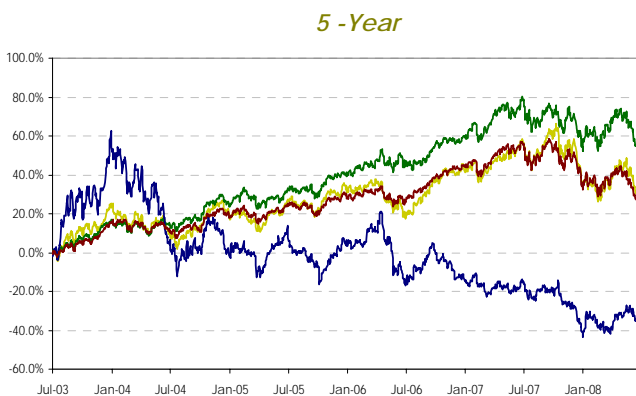
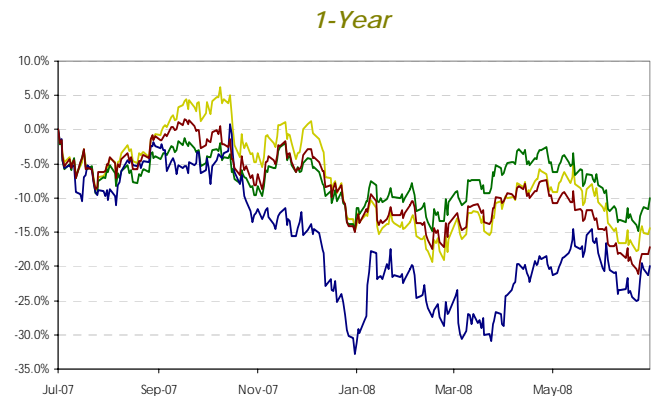
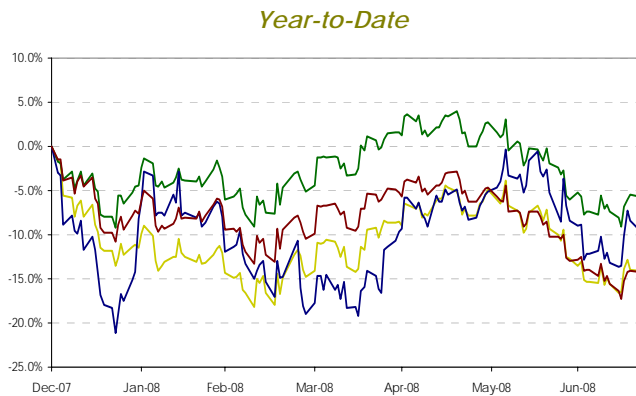
LTM = last twelve months

NM = not meaningful

## Public Company Analysis

- ▶ As of July 31, 2008, trading multiples for the AMS peer group averaged 0.4x LTM revenue and 6.3x LTM EBITDA. TTM and LaBarge had the highest LTM revenue multiples of 0.8x and 0.9x, respectively, while LaBarge, Plexus and Flextronics had the highest LTM EBITDA multiples of 9.1x, 7.7x and 7.6x, respectively. All four of these players enjoyed rapid revenue growth over the last 12 months.
- ▶ LaBarge's focus on highly specialized and complex military, aerospace and industrial products is reflected in the Company's low rate of inventory turn (3.3), long cash conversion cycle (123.8 days) and high gross margins (19.3%). TTM also serves similar end markets but focuses on higher volume products allowing the Company achieve a higher inventory turn (7.5) and faster cash conversion (77.8 days) while still earning an industry leading gross margin of 20.7%.

The Capstone AMS Index

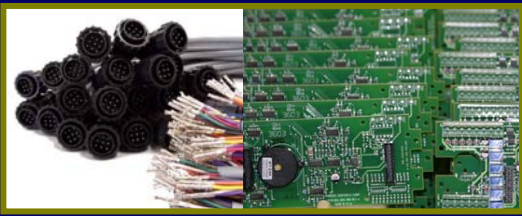


— Capstone AMS Index  
 — S&P 500 Index  
 — NASDAQ Composite Index  
 — Dow Jones Composite Average Index

Source: Capital IQ, charts developed after market close on July 23, 2008

**Market Outlook**

- ▶ The Capstone AMS market index has consistently underperformed the broader market indices in the 1-year, 5-year and 10-year time horizons. The year-to-date chart shows the AMS index beating all market indices other than the Dow Jones.
- ▶ We believe that the near term outlook is uncertain given the reliance on the state of the U.S. economy. Those choosing to focus on more stable, high growth segments (medical, aerospace, military, etc.) may benefit as they diversify away from segments that are more susceptible to economic contraction.
- ▶ We are quite optimistic regarding the long term prospects for the AMS peer group. As managers in companies focused on higher margin segments become more comfortable with the outsourcing of design and manufacturing work, and as the global electronics industry continues to grow, there will be significant opportunities for revenue and earnings expansion for these players. M&A activity will be an important factor in this process.



# Advanced Manufacturing Services

## Representative Transactions

### WORLD CLASS WALL STREET EXPERTISE – BUILT FOR THE MIDDLE MARKET

The following transactions were completed by Capstone Partners or by professionals now working for the firm.

 a portfolio company of SVOBODA, COLLINS LLC  <i>has been acquired by</i>  <b>CASTLE ISLAND PARTNERS, LLC</b>	  <i>has recapitalized with</i>  	  <i>has been acquired by</i>  	 ITT Industries  <i>acquisition advisory</i>  <b>ITT INDUSTRIES, INC.</b> (NYSE: ITT)
  <i>has divested assets</i>  	  <i>has been acquired by</i>  	  <i>follow-on public equity offerings</i>	  <i>has been acquired by</i>   <i>The Product Realization Company</i>
  <i>initial public offering</i>	  <i>has been acquired by</i>  	  <i>follow-on public equity offerings</i>	  <i>has been acquired by</i>  

### About Capstone Partners LLC

Capstone Partners LLC is a leading national investment banking advisory firm dedicated to serving the transaction needs of middle-market companies. The firm provides corporate sale & divestiture, merger & acquisition and private placement advisory services across three major industry practices: Business Services, Specialty Products and Technology & Media. Our team possesses significant experience spanning hundreds of M&A and financing transactions. All of our transactions are supported through industry-specific research and relationship coverage capabilities.



Capstone Partners LLC

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