



SECTOR SCOPE: The light vehicle **Automotive Aftermarket** is segmented into the Do-It-Yourself (DIY) and the Do-It-For-Me (DIFM) markets, with manufacturers producing (1) Parts, (2) DIY Products, or (3) Tires that sell to both the retail/DIY and commercial/DIFM markets. The aftermarket covers a broad range of products, from replacement necessities such as exhaust manifolds and transmission parts to accessories such as bike racks, leather cleaners and pedal covers. Although tires constitute approximately \$17.0B of aftermarket revenue, this snapshot focuses on manufacturers in the other two segments due to the mature nature of tire manufacturers' business. The automotive aftermarket is highly fragmented, reflecting the diverse product offerings, with many of the largest producers also operating in the original equipment market.

GROWTH OUTLOOK:

- ▶ The light vehicle aftermarket is \$123.5 billion with retail sales of \$82.4 billion excluding revenue from tires and repairs (Automotive Aftermarket Industry Association, "AAIA").
- ▶ The AAIA reports that the overall aftermarket grew 3.0% from 2002 to 2003 and research shows that it has been steadily growing within a range of 2.0-4.0% annually since 1998.
- ▶ The overall aftermarket is expected to grow steadily at a compound annual growth rate of 3.2-4.0% through 2008, driven by strong industry fundamentals, with increasing demand for Parts & Accessories.

DEMAND DRIVERS:

- ▶ **Positive Automotive Trends Driving Aftermarket Industry Growth** - The automotive aftermarket is expected to grow steadily due to the increasing number of drivers, miles driven per year, cars on the road, and cars in the repair cycle. These trends will increase demand for replacement parts and more expensive parts as SUVs make up a greater proportion of vehicles reaching the repair cycle.
- ▶ **"One-Stop-Shop" Manufacturers Gaining Market Leverage** - The ongoing consolidation of retailers has impacted suppliers' negotiating leverage and market alternatives as retailers increasingly source products from fewer suppliers with the greatest breadth of products. As a result, successful manufacturers have looked to acquire companies that will enhance product lines, increase SKU quality, and bolster existing lines of business.
- ▶ **Competition Through Service and Reputation Spurs Consolidation** - Aftermarket manufacturers compete on reputation, service and distribution rather than price due to the maturity of the market and relative price stability. Recent aftermarket acquisitions demonstrate strategic buyers' focus on value creation, with premiums being paid to established players that have strong brands and favorable growth prospects.
- ▶ **Aftermarket Manufacturers Capitalize on Increasing DIFM Market** - The DIFM market is expected to grow more rapidly than the DIY market due to consumers' increasing desire for service and convenience and the greater complexity of needed repairs. Future acquisitions will involve more businesses producing parts serving the DIFM segment as companies seek to establish or maintain a strong DIFM market presence.

MARKET PERFORMANCE:

Capstone Automotive Aftermarket Index



The Capstone Automotive Aftermarket (CAA) Index is a market capitalization weighted index that includes the following companies: FDMLQ, MPAA, RBIN, SMP, STRT, TEN, TPR (July 19, 2004 to July 18, 2005).

Public Equity Markets

| Company Name | Valuation Statistics | | |
|---|----------------------|----------------|--------------|
| | TEV/LTM Rev | TEV/LTM EBITDA | TEV/LTM EBIT |
| Federal-Mogul Corp. (OTCBB:FDMLQ) | 0.6x | 7.3x | 19.9x |
| Motorcar Parts of America Inc. (OTCPK:MPAA) | 0.5x | 6.3x | 7.6x |
| R&B Inc. (NasdaqNM:RBIN) | 1.1x | 8.2x | 9.5x |
| Standard Motor Products Inc. (NYSE:SMP) | 0.6x | 11.8x | 21.2x |
| Strattec Security Corp. (NasdaqNM:STRT) | 0.7x | 4.4x | 5.7x |
| Tenneco Automotive Inc. (NYSE:TEN) | 0.5x | 5.2x | 9.2x |
| TransPro Inc. (AMEX:TPR) | 0.3x | 5.9x | 10.0x |
| Average | 0.6x | 7.0x | 11.9x |
| Median | 0.6x | 6.3x | 9.5x |
| Harmonic Mean | 0.6x | 6.4x | 9.8x |

TEV = Total Enterprise Value = Market Capitalization + Debt - Cash.
Source: Capital IQ, Reuters, FT.com and company reports.



Capstone Partners LLC is a leading national investment banking advisory firm dedicated to assisting middle market entrepreneurs through complex M&A and financing transactions.



Image courtesy of Volvo

Additional Informational Resources

Automotive Aftermarket Industry Association (AAIA)
www.aftermarket.org

Aftermarket Business Magazine
www.aftermarketbusiness.com

Automotive Aftermarket Suppliers Association
www.aftermarketsuppliers.org

Contact Information:

www.capstonellc.com

Craig P. Piccirillo

Vice President, Head of Research
 Direct (617) 619-3333
 Mobile (617) 821-4190
cpiccirillo@capstonellc.com

Scott W. Yen

Vice President
 Direct (650) 323-1600 x100
 Mobile (415) 902-6659
syen@capstonellc.com

Russell K. Chung

Associate
 Direct (650) 323-1600 x101
 Mobile (408) 348-8473
rchung@capstonellc.com

DEAL ACTIVITY:

M&A Transactions

| Date | Target | Buyer | Summary | Deal Size (\$mm) | TEV / Rev | TEV / EBITDA |
|------------|---|--|---|------------------|-----------|--------------|
| 7/15/2005 | American Racing Equipment, Inc. | Platinum Equity, LLC | Platinum Equity, LLC acquired American Racing Equipment, Inc., a manufacturer of high performance wheels for the aftermarket, for \$40.6 million. The company had about \$186 million in revenues. | 40.6 | 0.2x | N/A |
| 8/10/2005 | Hemhoff Manufacturing Company, Ltd. | R&B Inc. | R&B Inc. will acquire Hemhoff Manufacturing Company, Ltd., a manufacturer of replacement exhaust parts. The terms of the deal were not disclosed. | N/A | N/A | N/A |
| 06/09/2005 | Boston Acoustics, Inc. | D&M Holdings US Inc. | D&M Holdings US Inc., a subsidiary of D&M Holdings Inc., acquired Boston Acoustics, Inc., a provider of audio solutions for home music, audio-video systems and aftermarket and OEM automotive systems, for about \$76 million. Boston Acoustics had \$54.3 million in revenues. | 76.0 | 1.4x | N/A |
| 5/5/2005 | Midas Inc., IPC Exhaust Distribution Business | ArvinMeritor Inc. | ArvinMeritor Inc. acquired Midas Inc.'s IPC Exhaust Distribution Business for \$2 million. Midas, Inc. has revenues of \$192.5 million. | 2.0 | N/A | N/A |
| 5/4/2005 | Car Brite, Inc. | The Valvoline Company | Valvoline, a wholly owned subsidiary of Ashland Inc., will acquire Car Brite, a manufacturer of automotive reconditioning products and a wholly owned subsidiary of E & A Industries Inc., in a cash transaction for an undisclosed amount. | N/A | N/A | N/A |
| 4/18/2005 | Autotronic Controls Corp. | ValueAct Capital, ValueAct Capital Partners, L.P. | Gryphon Investors sold MSD Ignition, a multiple spark discharge product manufacturer, to MSD's management and ValueAct Capital for approximately \$141 million. Autotronic Controls had annual revenues of \$24.8 million. | 141.0 | 5.7x | N/A |
| 04/12/2005 | Carrand Companies, Inc. | Hopkins Manufacturing Corporation | Hopkins Manufacturing Corporation acquired Carrand Companies, Inc. for an undisclosed amount. Carrand Companies had annual revenues of \$16 million. | N/A | N/A | N/A |
| 1/5/2005 | Permatex, Inc. | Illinois Tool Works Inc. | Illinois Tool Works Inc. acquired Permatex, Inc., an automotive and industrial products manufacturer from PBT Brands, Inc. for about \$120 million. | 120.0 | 1.0x | N/A |
| 12/31/2004 | Wynn Oil Company | Illinois Tool Works Inc. | Illinois Tool Works Inc. acquired Wynn Oil Company, Parker Hannifin Corporation's automotive specialty chemicals business unit, for an undisclosed amount. Wynn Oil had annual revenues of about \$110 million. | 120.0 | 1.0x | N/A |
| 12/8/2004 | Bell Automotive Products, Inc. | JH Partners L.L.C. | Benswood Associates sold Bell Automotive Products, Inc., a manufacturer of consumer products for auto racing and motorcycle circles, to JH Partners LLC and the company management for \$60 million. Bell Automotive Products, Inc. had revenues of \$5.7 million. | 60.0 | 10.5x | N/A |
| 12/1/2004 | Peguform GmbH | Cerberus Group | Cerberus Capital Management LP acquired Peguform GmbH, an automotive parts and components manufacturer. Terms of the transaction were not disclosed. | N/A | N/A | N/A |
| 11/18/2004 | Manik Motors Inc. | Octagon Holdings, LLC | Octagon Holdings, LLC acquired Manik Motors, a manufacturer of automotive tubular steel accessories. Terms of the transaction were not disclosed. | N/A | N/A | N/A |
| 10/29/2004 | Modine AfterMarket Holdings, Inc. | TransPro Inc. | Transpro, Inc. will acquire Modine Aftermarket Holdings Inc., an automotive replacement parts wholesaler from Modine Manufacturing Company in an all-stock transaction worth about \$53 million. Modine had revenues of \$404.1 million. | 53.0 | 0.2x | N/A |
| 10/26/2004 | Thule AB | Candover 2001 Fund, L.P., Candover Investments plc | Candover acquired Thule AB, a manufacturer of load carriers for cars, from EQT Partners for approximately €465 million (US \$995.39 million). Thule AB had an annual revenue of \$347.33 million and an EBITDA of \$40.42 million. | 595.4 | 1.7x | 14.7x |
| 9/29/2004 | Keystone Restyling Products | Core Molding Technologies Inc. | Core Molding Technologies, Inc. acquired substantially all the operating assets of Keystone Restyling Products, a manufacturer of fiberglass reinforced products for the automotive industry, for \$544,150. Keystone had \$3 million in revenues in 2003. | 0.5 | 0.2x | N/A |
| 9/17/2004 | Cooper Standard Automotive, Inc. | The Cypress Group, Goldman Sachs Group, Merchant Banking Division | An entity formed by The Cypress Group and Goldman Sachs Capital Partners acquired Cooper-Standard Automotive, an automotive components manufacturer, from Cooper Tire & Rubber Company for approximately \$1.2 billion in cash. Cooper Standard Automotive had revenues of \$877.5 million. | 1,165.0 | 1.3x | N/A |
| 7/27/2004 | Hopkins Manufacturing Corporation | American Capital Strategies, Ltd., Friend Skoler & Co., L.L.C., Friend Skoler Equity Investors, L.P. | Friend Skoler Equity Investors, L.P. acquired Hopkins Manufacturing Corporation, a consumer products manufacturer for the recreational vehicle and automotive markets, from Harbour Group. Hopkins had annual revenues of \$66.5 million. | 35.0 | 0.6x | N/A |
| 7/9/2004 | Dana Corporation, automotive aftermarket business | Affinia Group Inc. | Affinia Group Inc., an affiliate of The Cypress Group, acquired Dana Corporation's automotive aftermarket business for approximately \$1.1 billion in cash. | 1,024.5 | N/A | N/A |
| 6/25/2004 | Edebrock Corp. | O. Victor Edebrock, Jr. | Mr. O. Victor Edebrock, Jr., Edebrock Corporation's Chairman, President, and Chief Executive Officer, will acquire the company, a manufacturer of performance automotive and motorcycle aftermarket parts, through his entities, Edebrock Holdings, Inc. and Edebrock Merger Sub, Inc. at \$1.75 per share in cash. Edebrock had \$126 million in revenues. | 52.7 | 0.4x | N/A |
| 5/21/2004 | Redline Quest Products | Hartford Computer Group, Inc. | Redline Quest Industries, Inc., an automotive accessories and parts manufacturer, sold all of its assets to an affiliate of Hartford Computer Group, Inc. for an undisclosed amount. | N/A | N/A | N/A |
| 5/20/2004 | Trenz | Lund International Holdings, Inc. | Lund International acquired substantially all of Trenz's assets out of the PAC Holding Company, Chapter 11 Bankruptcy case for an undisclosed amount. Trenz is a manufacturer of aluminum automotive aftermarket parts and accessories with \$3.9 million in revenues. | N/A | N/A | N/A |
| 5/2004 | Qualis Automotive LLC | Hammond, Kennedy, Whitney & Co., HKW Capital Partners II, L.P. | HKW Capital Partner II L.P. acquired Qualis Automotive LLC, a brake and chassis components manufacturer, from an investor group for \$48 million. Qualis had revenues of \$5.3 million. | 48.0 | 9.1x | N/A |

| | | |
|---------------|------|-------|
| Mean | 2.7x | 14.7x |
| Median | 1.2x | 14.7x |
| Harmonic Mean | 0.5x | 14.7x |

Private Placement Transactions

| Date | Company | Participants | Summary | Deal Size (\$mm) |
|------------|--------------------------|---------------------------------------|--|------------------|
| 8/15/2005 | Commercial Vehicle Group | Commercial Vehicle Group Shareholders | Commercial Vehicle Group, a manufacturer of components for the heavy truck, specialty transportation and consumer after markets, raised \$150 million in senior notes. Commercial Vehicle Group has revenues of \$446.9 million. | 150.0 |
| 4/25/2005 | XPEL Technologies Corp. | XPEL Shareholders | XPEL Technologies Corp., an aftermarket manufacturer focusing on paint and headlight protection, announced an offering of units for gross proceeds of \$300,000. XPEL had revenues of \$9.53 million. | 0.3 |
| 3/8/2005 | Microheat Inc. | Pro-Cut, LLC | Microheat Inc., a manufacturer of hot washer fluid and de-icing systems for the automotive industry, announced that it has raised \$14 million in Series C preferred stock financing. The company has raised over \$40 million in private capital to date. | 14.0 |
| 12/15/2004 | SmarTire Systems Inc. | Cornell Capital Partners LP | SmarTire Systems Inc., a manufacturer of wireless data transmission and processing technologies, announced that it has entered into an agreement with Cornell Capital Partners, L.P. pursuant to which the company will issue a 5% convertible debenture in the principal amount of \$2.5 million to Cornell. SmarTire had revenues of \$1.53 million. | 2.5 |

A CLOSER LOOK: AUTOMOTIVE ELECTRONICS

As consumer products continue gaining high-tech functionality at an accelerating pace, the automotive industry has rapidly integrated these innovations into new models.

For the aftermarket, the burgeoning use of electronics translates into more complicated repairs requiring professional diagnostics and service – a positive dynamic for the DIFM segment. Electronics demand rose 7.8% per year from 1998-2003, making it the fastest growing aftermarket components segment. Forecasts predict electronics will continue to lead other aftermarket accessories segments through 2008 at a growth rate of 6.1% per year.

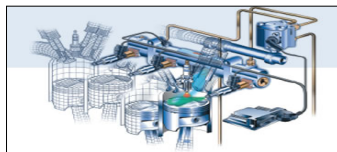
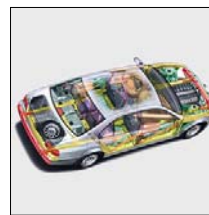


Image courtesy of Bosch Automotive



Currently Integrated Electronics

- Electronic seats
- Power steering
- Power locks and windows
- GPS navigation systems
- Adapters for accessories (i.e. mp3 players, mobile phones, etc.)

Newer Developments

- Hybrid technology
- Direct-shift gearboxes
- Real-time navigation
- Distance sensors
- Enhancements for cornering, braking and stability
- Satellite radio

Future Developments

- Drive-by-wire technology
- Hydrogen powered engines