



# Automotive Aftermarket

## Quarterly Dashboard

"Market Intelligence for Industry Players"

Q1 2007

### Market Overview

- ▶ Total light-vehicle automotive aftermarket spending is expected to reach \$210-215 billion in 2007.
- ▶ Capstone expects the market to see modest growth of between 3% and 4% over the next decade, with above average growth coming from niche branded manufacturers, as well as internet / catalog retailers.
- ▶ There has been rapid consolidation in the industry over the past couple of years, and Capstone expects there will continue to be significant M&A activity over the next 18 to 24 months.

### Key Growth Drivers

- ▶ Leading manufacturers have been able to achieve above average growth rates by: 1) leveraging operating efficiencies through production scale, 2) developing strong brand equity, and 3) diversifying product lines within and across market segments.
- ▶ Leading retailers have improved operating performance by: 1) limiting suppliers, 2) sourcing parts globally, and 3) making acquisitions in the more profitable Do-It-For-Me ("DIFM") market sector.
- ▶ Manufacturers are seeking to acquire unique brands to strengthen relationships and gain maximum shelf space with retailers and distributors.
- ▶ Retailers are seeking to acquire companies that can extend their regional footprint or give them greater access to the DIFM segment.
- ▶ Financial buyers typically pay premium multiples for specialty product companies with significant brand recognition; or companies with above average revenue growth rates and profitability.

**DONE**

**DEAL**



has been acquired by



**FRIEND SKOLER & Co.**



The undersigned represented  
**ACCESSORIES MARKETING, INC.**  
**SEALANT SYSTEMS INTERNATIONAL, INC.**



**Capstone Partners**  
Investment Banking Advisors

**Boston, MA – January 2007** – Capstone Partners LLC, a national investment banking firm, is pleased to announce that it has successfully advised Accessories Marketing, Inc. (AMI) on its recent acquisition by Friend Skoler & Co., Inc. Capstone initiated the transaction and served as the exclusive investment banking advisor to the shareholders of AMI. The terms of this transaction were not disclosed.



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# Automotive Aftermarket

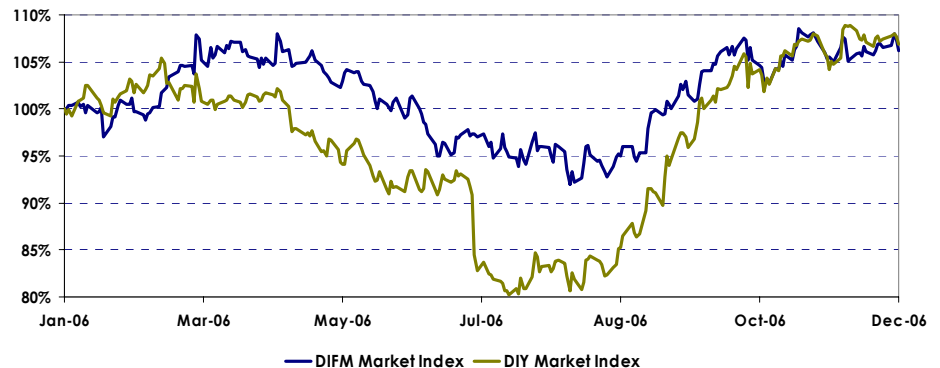
## Quarterly Dashboard

### DIFM vs. DIY – What are the driving trends?

Over the past several years, automobile systems and components have become dramatically more sophisticated. Consumers have also increased their demand for specialty parts and accessories. Although this has broadened product demand, it has also shifted the aftermarket preference away from the Do-It-Yourself (“DIY”) segment. Today, many vehicle owners do not have the time or the expertise to perform maintenance and repairs on their own vehicles.

Capstone believes this presents a significant opportunity for further market consolidation, as retailers seek to gain a greater foothold in the DIFM market. Several DIY retailers have been quietly making acquisitions, and/or initiating new programs to attract DIFM service customers. However, these gains were not definitively reflected in relative stock market performance over the past twelve months. Although DIFM companies exhibited relative out-performance through much of 2006, the DIY segment finished the year with a strong rebound.

Relative Market Performance - DIFM vs. DIY (%)



### Global Competition – What is in store for U.S. Manufacturers?

The biggest threat to the U.S. automotive aftermarket manufacturing sector has come from overseas competitors, particularly companies from China and other Asian countries that have access to cheap labor and fairly abundant raw materials. Retail distributors continue to rationalize their manufacturing base, reducing the number suppliers and moving more purchasing toward manufacturers that produce high-quality, low-cost parts, a growing percentage of which are based in Asia.

Some domestic manufacturers have successfully maintained their competitive position vis-à-vis the foreign competition by: 1) sourcing more of their component parts and raw materials from more efficient, third-party suppliers, thereby reducing costs, 2) moving manufacturing operations to overseas locations (Asia or Latin America) with lower overhead, or 3) targeting higher demand, specialty niche segments and developing brand equity, which enables them to maintain premium pricing and positioning among retailers.



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## Public Company Operating Data & Trading Multiples

### Automotive Aftermarket - Manufacturers

(\$ in millions, except per share data)

Company Name	Ticker	Stock Price	Market Cap	TEV	LTM Revenue	LTM EBITDA	TEV/LTM Total Rev	TEV/LTM EBITDA	P/LTM Basic EPS
Aftermarket Technology Corp.	ATAC	\$20.80	\$453.6	\$485.3	\$507.8	\$64.5	1.0x	7.5x	49.2x
Directed Electronics, Inc.	DEIX	\$9.86	\$247.2	\$536.9	\$363.0	\$29.1	1.5x	18.4x	NM
Dorman Products, Inc.	DORM	\$10.10	\$178.8	\$204.8	\$292.4	\$35.8	0.7x	5.7x	13.5x
Proliance International, Inc.	PLI	\$5.00	\$77.3	\$133.6	\$411.8	\$6.6	0.3x	20.4x	NM
Standard Motor Products Inc.	SMP	\$15.33	\$284.7	\$525.8	\$815.1	\$47.9	0.6x	11.0x	57.0x
Tenneco Inc.	TEN	\$26.21	\$1,193.3	\$2,508.3	\$4,540.0	\$430.0	0.6x	5.8x	25.8x

Source: Capital IQ (LTM as of 30 September 2006)

<b>High</b>	<b>1.5x</b>	<b>20.4x</b>	<b>57.0x</b>
<b>Low</b>	<b>0.3x</b>	<b>5.7x</b>	<b>13.5x</b>
<b>Mean</b>	<b>0.8x</b>	<b>11.5x</b>	<b>36.4x</b>
<b>Median</b>	<b>0.7x</b>	<b>9.3x</b>	<b>37.5x</b>

### Automotive Aftermarket – Wholesalers / Distributors

(\$ in millions, except per share data)

Company Name	Ticker	Stock Price	Market Cap	TEV	LTM Revenue	LTM EBITDA	TEV/LTM Total Rev	TEV/LTM EBITDA	P/LTM Basic EPS
Genuine Parts Co.	GPC	\$47.50	\$8,094.1	\$8,439.3	\$10,324.7	\$853.6	0.8x	9.9x	17.6x
Keystone Automotive Industries Inc.	KEYS	\$33.33	\$544.1	\$538.1	\$672.8	\$50.8	0.8x	10.6x	22.3x
LKQ Corp.	LKQX	\$20.90	\$1,113.9	\$1,216.8	\$728.8	\$85.2	1.7x	14.3x	25.7x

Source: Capital IQ (LTM as of 30 September 2006)

<b>High</b>	<b>1.7x</b>	<b>14.3x</b>	<b>25.7x</b>
<b>Low</b>	<b>0.8x</b>	<b>9.9x</b>	<b>17.6x</b>
<b>Mean</b>	<b>1.1x</b>	<b>11.6x</b>	<b>21.8x</b>
<b>Median</b>	<b>0.8x</b>	<b>10.6x</b>	<b>22.3x</b>

### Automotive Aftermarket - Retailers

(\$ in millions, except per share data)

Company Name	Ticker	Stock Price	Market Cap	TEV	LTM Revenue	LTM EBITDA	TEV/LTM Total Rev	TEV/LTM EBITDA	P/LTM Basic EPS
Advance Auto Parts Inc.	AAP	\$37.30	\$3,925.8	\$4,540.1	\$4,564.1	\$561.2	1.0x	8.1x	16.9x
AutoZone Inc.	AZO	\$125.09	\$8,840.9	\$10,633.2	\$6,003.3	\$1,189.8	1.8x	8.9x	16.0x
CSK Auto Corp.	CAO	\$17.04	\$746.7	\$1,122.5	\$1,594.5	\$121.8	0.7x	9.2x	27.1x
Midas Inc.	MDS	\$22.77	\$349.1	\$449.5	\$177.0	\$34.9	2.5x	12.9x	37.2x
Monro Muffler Brake Inc.	MNRO	\$35.87	\$512.8	\$568.7	\$397.8	\$57.7	1.4x	9.9x	23.3x
O'Reilly Automotive Inc.	ORLY	\$32.40	\$3,682.0	\$3,742.0	\$2,239.9	\$340.9	1.7x	11.0x	20.6x
Pep Boys - Manny, Moe & Jack	PBY	\$15.05	\$818.6	\$1,323.2	\$2,233.7	\$89.6	0.6x	14.8x	NM

Source: Capital IQ (LTM as of 30 September 2006)

<b>High</b>	<b>2.5x</b>	<b>14.8x</b>	<b>37.2x</b>
<b>Low</b>	<b>0.6x</b>	<b>8.1x</b>	<b>16.0x</b>
<b>Mean</b>	<b>1.4x</b>	<b>10.7x</b>	<b>23.5x</b>
<b>Median</b>	<b>1.4x</b>	<b>9.9x</b>	<b>21.9x</b>

## Private Equity – How do they participate?

Capstone believes that private equity firms will continue to be very active participants in the automotive aftermarket sector – in 2006, approximately 30% of all transactions involved private equity firms, or strategic competitors backed by private equity. Buy-out and mezzanine funds raised more than \$100 billion in 2006, a record amount, and there is ample demand from financial investors seeking attractive investment opportunities.

Based on our discussions with leading private equity sponsors, these buyers are seeking companies with: strong product portfolios, positive cash flow and revenue trends, and unique strategic advantages – premium pricing, brand recognition, or strong relationships with customers and/or distributors.

## Recent Automotive Aftermarket M&A Transactions

Announced / Closed	Target / Buyer	Target Description	TEV*	TEV / Rev
5 Feb 07 -	Lear Corporation American Real Estate Partners LP ( Carl Ichan)	Manufactures automotive interior systems worldwide for OEM manufacturers.	\$ 2,425.6	0.3x
31 Jan 07 -	International Fuel Systems, Inc. (Remy Int'l) Catepillar Inc.	Manufactures light and medium truck diesel enging and components, such as fuel pumps, injectors, and turbo chargers.	-	-
31 Jan 07 -	Franklin Power Products, Inc. ( Remy Int'l) Catepillar Inc.	Remanufactures light and mediucm truck diesel engins and components.	-	-
29 Jan 07 -	Harco Manufacturing (Brake Hose Business) Delphi Corp.	Manufactures brake hose systems for OEM manufacturers.	-	-
17 Jan 07 17 Jan 07	Optronics Inc., Two Operating Facilities Corporate Property Associates 16 - Global Inc.	Manufactures specialty lighting and outdoor products including spotlights, headlamps, driving lights and accessories.	\$ 6.0	-
8 Jan 07 8 Jan 07	Trailair, Inc. Lippert Components, Inc.	Offers wheel air ride pin box and center point suspension products for fifth wheel and travel trailers.	\$ 8.1	-
2 Jan 07 2 Jan 07	Haldex Brake Products Corporation Setco Automotive Limited	Products include braking systems, air compressors, governors, service and spring brake chambers, friction materials, drain and valves.	\$ 4.9	-
29 Dec 06 29 Dec 06	Jordan Auto Aftermarket, Inc. The Edgewater Funds	Offers automotive air conditioning compressors, driers and accumulators, transmission hard and soft parts.	\$ 44.0	-
20 Dec 06 20 Dec 06	Center Manufacturing, Inc. Industrial Opportunity Partners LLC	Makes electronics and metal parts for automobiles and Harley Davidson and Honda motorcycles and watercraft.	-	-
19 Dec 06 19 Dec 06	Timken Co., Global Steering Business DriveSol Worldwide, Inc.	Designs and manufactures automotive steering components.	-	-
11 Dec 06 11 Dec 06	Plastique Royal Inc. Uni-Select Inc.	Distributes automotive paint and body shop products. Based in Canada.	-	-
11 Dec 06 11 Dec 06	Accessories Marketing Inc. (SLIME) Friend Skoler & Co., Inc.	The company manufactures tire sealants and tire repair products, which are sold through national retail and automotive stores.	-	-
5 Dec 06 -	Bandag Inc. Bridgestone Americas Holding, Inc.	Produces procured tread rubber and equipment in the United States, as well as tire management services and road service.	\$ 1,100.6	1.0x
30 Nov 06 -	Allied Exhaust Systems' undercar operations Olympic Brake Supply	Specialty exhaust warehouse distributor.	-	-
30 Nov 06 -	Lear Corporation, NA Interior Systems Division International Automotive Components Group	Supply cockpits, door panels, flooring and acoustics, instrument panels, interior trim and overhead systems for various OEM.	\$ 0.3	-
27 Nov 06 27 Nov 06	Big 10 Tire Stores, Inc. Sun Capital Partners, Inc.	Retailed tires and offers services in the United States. Based in Alabama.	-	-
20 Nov 06 20 Nov 06	E&E Parts & Equipment Inc. FleetPride Corporation	Distributor of heavy-duty truck parts and is based in Arkansas.	-	-
16 Nov 06 16 Nov 06	AAMP of Florida, Inc. Audax Group	Manufactures and markets audio and video equipment for automobiles and homes.	-	-

\*TEV = Total Enterprise Value (\$mm)

## Recent Automotive Aftermarket M&amp;A Transactions

Announced / Closed	Target / Buyer	Target Description	TEV*	TEV / Rev
13 Nov 06 16 Jan 07	Spectra Premium Industries Inc. Camada Group Inc., Desjardins Capital	Manufactures and distributes fuel tanks, radiators, oil pans, and air-conditioning parts.	\$ 109.0	0.5x
7 Nov 06 7 Nov 06	Dura-Bond Bearing Company Melling Tool Company	Manufactures power train parts and powder metal components.	-	-
3 Nov 06 20 Dec 06	First Technology Automotive & Special Products Sensata Technologies, Inc.	Manufactures automotive electronics, electromechanical devices, and precision ceramic components.	\$ 90.0	0.3x
3 Nov 06 3 Nov 06	SCS/ Frigette Corp. Black Knight Partners, LP	Manufactures air conditioners and cruise controls, replacement parts, electric door locks, remote keyless entry/security systems.	\$ 70.0	-
3 Nov 06 -	K-Line Industries' EVAP leak detection division Star Envirotech	Ultrasonic leak detection technology.	-	-
3 Nov 06 3 Nov 06	Duncan Systems Inc. Hammond, Kennedy, Whitney & Company Inc.	Distributes replacement RV, truck, and specialty glass, windshield and provides paint and body repair. Based in Indiana.	-	-
2 Nov 06 2 Nov 06	Asher Management Group Ltd. Uni-Select Inc.	Supplies auto parts and accessories. Based in Binghamton, New York.	-	-
27 Oct 06 -	Genco Auto Electrical BBB Industries	Remanufacturer of starters and alternators.	-	-
26 Oct 06 -	FIAMM S.P.A., Car Battery Business Johnson Controls	Manufactures car batteries in Italy.	-	-
20 Oct 06 28 Nov 06	Proquest Business Solutions, Inc. Snap-on Inc. (NYSE:SNA)	Develops and deploys of parts and service-oriented electronic catalogs for various industries including automotive.	\$ 480.7	2.6x
13 Oct 06 -	Nor-Cal Distributors Baxter Auto Parts	Independent auto parts distributor in Northern California.	-	-
12 Oct 06 12 Oct 06	Pullman Industries, Inc Noble International Ltd.	Manufacturer of beams, sills, bumpers and door components.	\$ 120.0	0.5x
7 Oct 06 -	ADP Transmission Parts Transpar Industries	Supplies automatic transmission parts and standard clutches for cars and light trucks.	-	-
3 Oct 06 3 Oct 06	Reich's Ford Truck and Tractor James S. Grimes, Inc.	Offers the spare parts for trucking firms and commercial trucks. Based in Frederick, Maryland.	-	-
31 Aug 06 30 Oct 06	Migami, Inc., Prior to Reverse Merger with Innovay, Inc.	Develops products designed to eliminate air pollution in the environment by suppressing the emission of nitrogen oxide.	-	-
31 Aug 06 6 Oct 06	Tomco Auto Products, Inc. Champion Parts Inc.	Manufactures fuel system components including carburetors and diesel fuel injection pumps.	\$ 10.7	-
27 Jun 06 8 Nov 06	Eagle Automotive Group, Inc. Atlantis Holding Corp.	Manufactures interior seat products, seat covers, interior organizers, consoles, and cup holders.	-	-
28 Mar 06 16 Oct 06	Lear Corp., European Interior Products International Automotive Components Group	Designs and manufactures automotive interior components in Europe.	\$ 100.0	0.1x

\*TEV = Total Enterprise Value (\$mm)

### Analyst Certification and Representation Disclaimer

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# Automotive Aftermarket

## Representative Transactions

The following transactions were closed by Capstone Partners, or professionals currently employed at Capstone Partners.



Has been  
acquired by

FRIEND SKOLER & CO.



Has divested  
assets to

ROMEO RIM, INC.  
THE RESERVE GROUP



Has been  
acquired by

LUND INTERNATIONAL, INC.



Has been  
acquired by

OCTAGON HOLDINGS



Has been  
acquired by

LUVERNE TRUCK  
EQUIPMENT, INC.



Racing & Performance  
Products

Has been  
acquired by

DUBIN CLARK & COMPANY

### About Capstone Partners LLC

Capstone Partners LLC, a leading national investment banking advisory services 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: Specialty Products, Business Services and Technology & Media. Our team possesses transaction experience spanning hundreds of M&A and financing transactions. We have completed transactions in over 30 states, along with several cross-border engagements. All of our transactions are supported through industry-specific research and relationship coverage capabilities.



Capstone Partners LLC

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