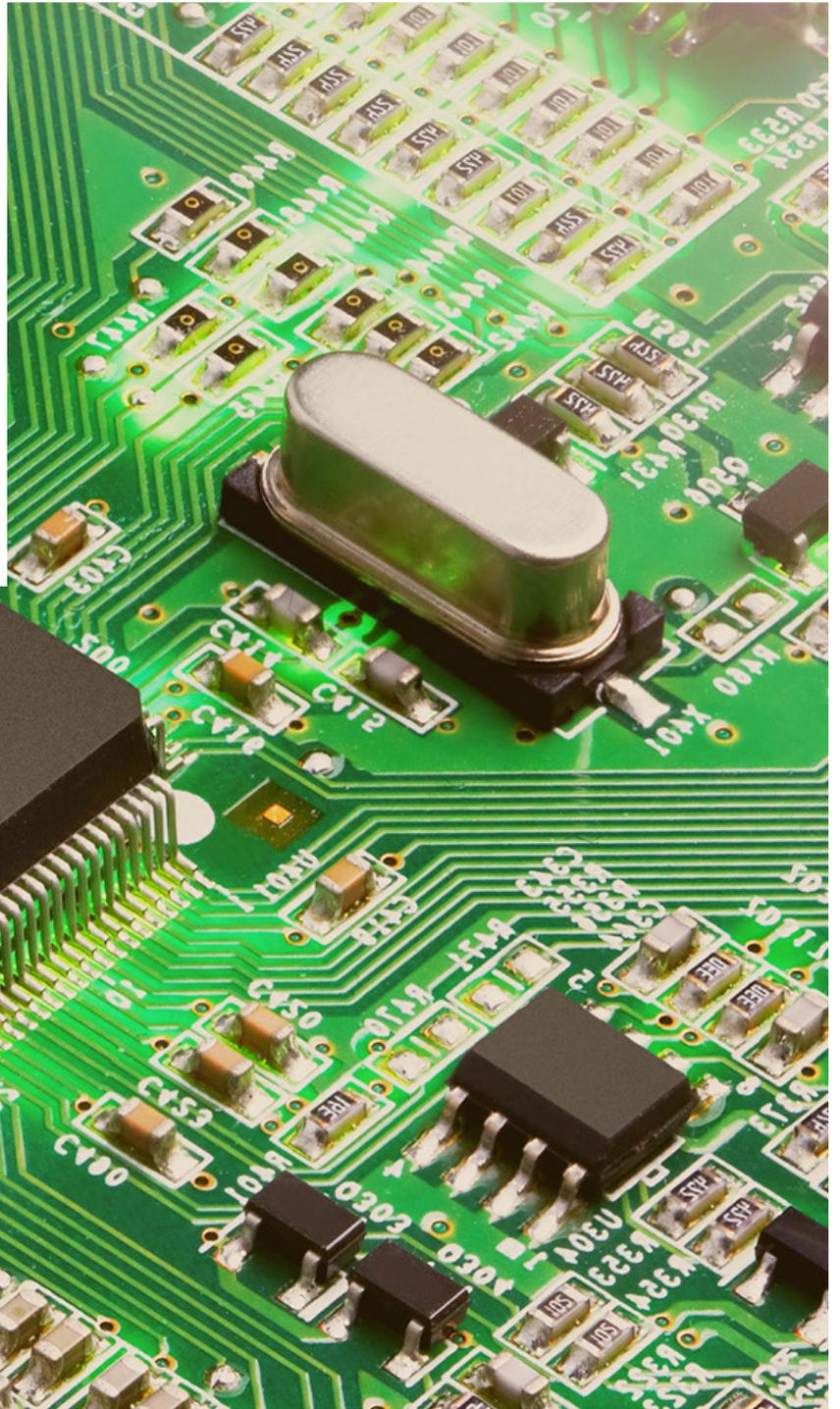


EMS
Quarterly
Review
Q2 2020



Announcements

April 27, 2020: Intervala, LLC has acquired Princeton Technology Corporation

April 30, 2020: Variosystems AG has acquired Solve GmbH

May 5, 2020: Creation Technologies LP, has acquired Applied Technical Services Corporation

June 26, 2020: One Equity Partners announced the acquisition of Sparton Corporation's Manufacturing and Design Services Unit

Lincoln Perspective

COVID-19 has slowed many industries, but the EMS industry has shown resiliency in the current market conditions. EMS organizations are continuing operations and adapting, as necessary. Despite the challenging economic and public health landscape, EMS players have been delivering promising results. This has especially been exhibited by the small tier EMS companies and those that are more focused on high reliability and critical industries.

EMS companies are essential to the global economy and are integral in delivering the underlying electronics that support critical infrastructure, medical devices, defense platforms as well as the everyday devices that we rely on. In particular, the underlying driver of the "Electronics Super-Cycle" (the demand for connectivity), has not stopped and has arguably accelerated. Since the onset of the COVID-19 pandemic, electronics have been

deployed to find treatments, care for patients, work and study from home, order groceries and other essential products, and enable countless other systems that underpin the modern economic environment. Industries like telecom have driven a surge in demand for electronic manufacturing services. Remote working, video conferencing and an increase in demand for telecommunication technology during the pandemic have shown a positive impact on EMS companies.

You will see in this publication that these fundamentals have driven better results in public company stock prices relative to the S&P. Even some performance metrics are better than last year. While M&A activity was lower for the last quarter we see significant opportunity for further investment in this space providing for additional M&A later this year.

EMS Quarterly Review Q2 2020

There were three EMS transactions recorded in Q2 2020, representing a decrease from the seven recorded in Q2 2019 and down from the nine transactions recorded in Q1 2020. EMS consolidations accounted for two transactions in Q2 2020, or 67% of total activity, representing a decrease in the number of EMS consolidations from Q1 2020.

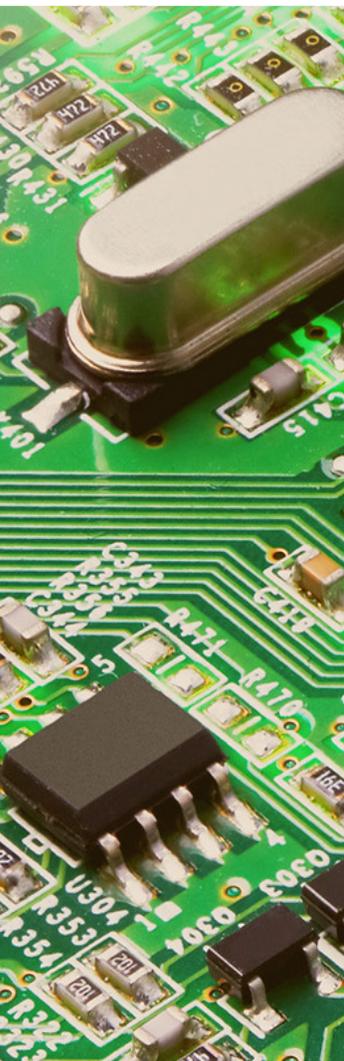
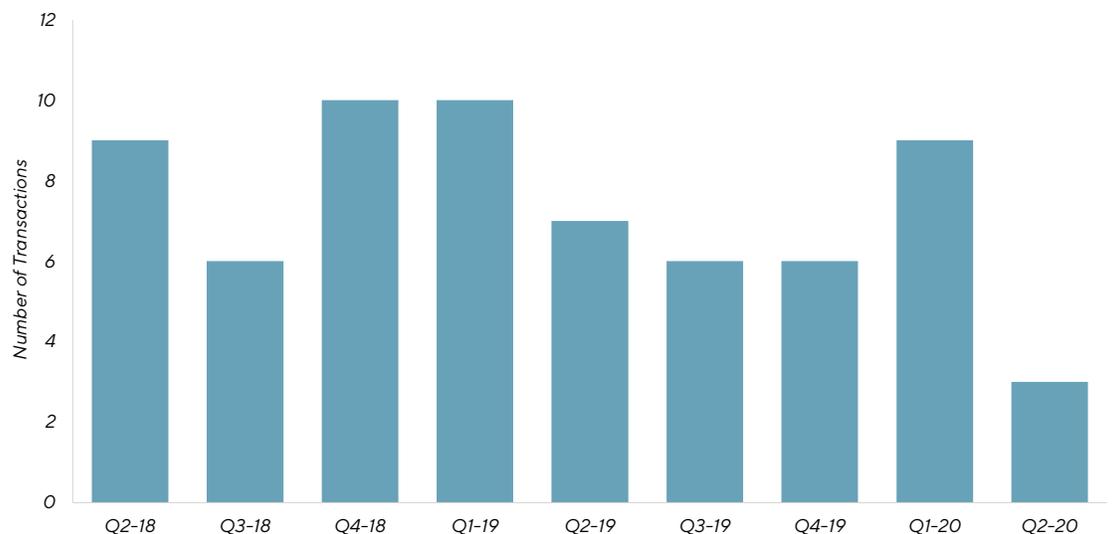
Vertical/Horizontal Convergences accounted for one transaction, representing 33% of total activity, which is consistent with the previous quarter despite the decline in overall number of transactions.

There were no OEM or EMS divestitures, Private equity investments, nor were there any transactions categorized as Diversification into EMS in Q2 2020.

In terms of geography, the U.S. / Canada had two transactions, representing 67% of total transaction activity in Q2 2020. Europe had one transaction representing 33% of total transaction activity.

In terms of transaction size, Small Tier EMS providers accounted for all of the Q2 2020 transaction volume.

Quarter-over-Quarter Completed EMS Transactions

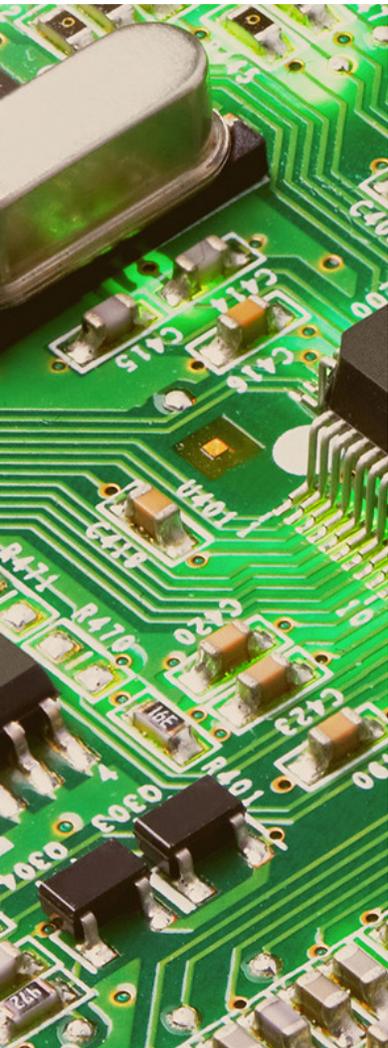


EMS Size Guide (Sales Dollars)

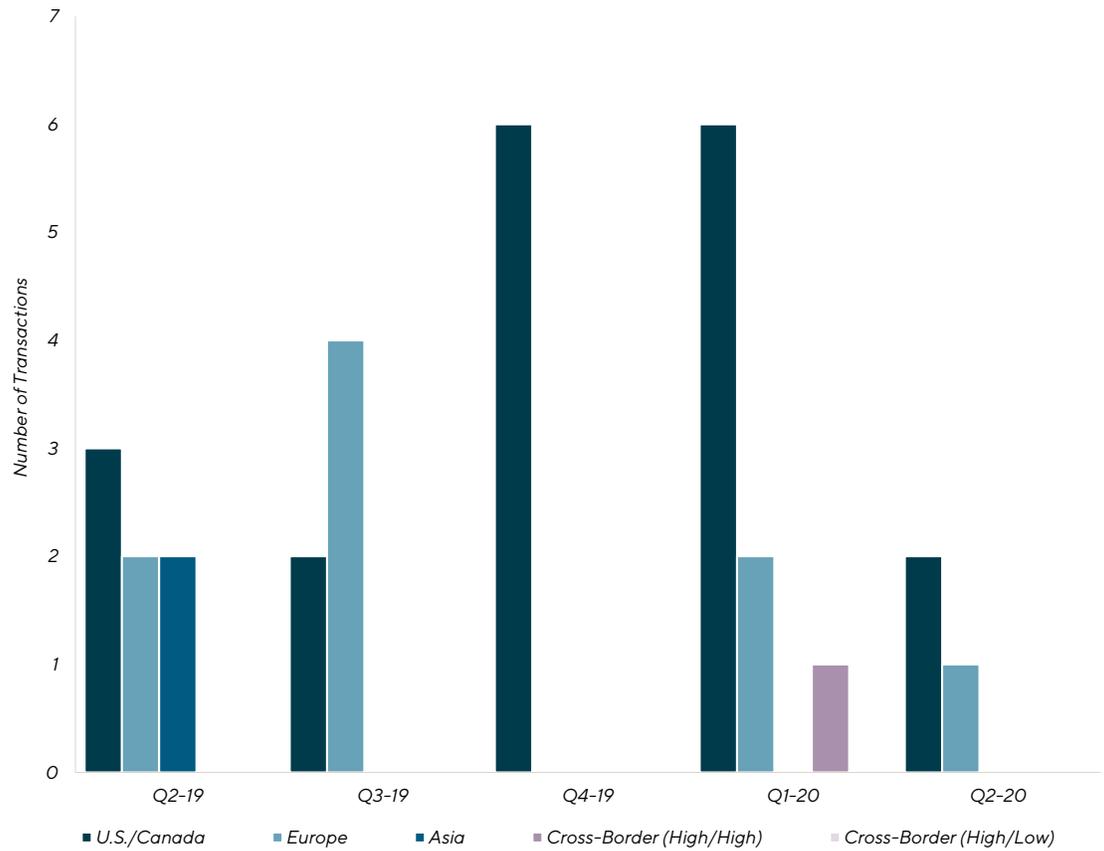
- Large (Tier I)
Greater than \$3 billion
- Mid (Tier II)
\$300 million to \$3 billion
- Small (Tier III)
Below \$300 million

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

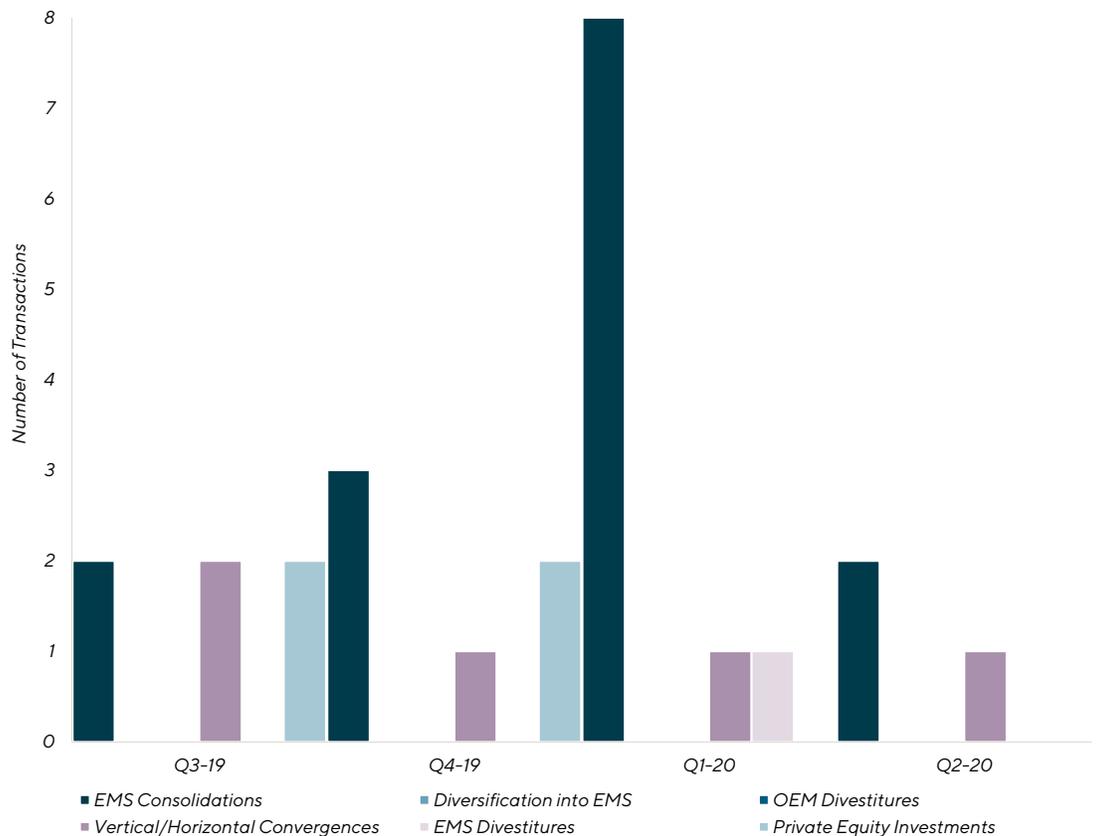
Note: Companies are included in a given tier by falling within the threshold for two consecutive quarters



Quarterly Comparison—EMS M&A by Geography



Quarterly Comparison—EMS M&A by Deal Type



Margin Performance in the EMS Industry

EMS companies have exhibited generally positive results in margin 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 2020. Each graph shows the margin performance by tier.

The Large Tier EMS companies' gross margin exhibited relatively flat performance with gross margins of 6.9% in the last twelve months ("LTM"), which is in line with the 6.9% for the same period in 2019. However, Operating and as a result EBITDA margins both decreased from 2.8% and 4.9%, respectively for this same period in 2019 to 2.6% and 4.6%, respectively in the current LTM period. Mid Tier companies exhibited relatively flat margin performance with gross margins increasing from 8.1% to 8.2%, operating margins declining from 3.0% to 2.8% and EBITDA margins decreasing slightly from 4.9% to 4.8% compared to the same period in 2019.

The Small Tier exhibited the best margin performance overall increasing in all three metrics on an LTM basis to 10.3%, 1.8% and 4.2% for gross margin, operating margin and EBITDA margin, respectively, up from 9.6%, 1.0% and 3.3% for the same period in 2019.

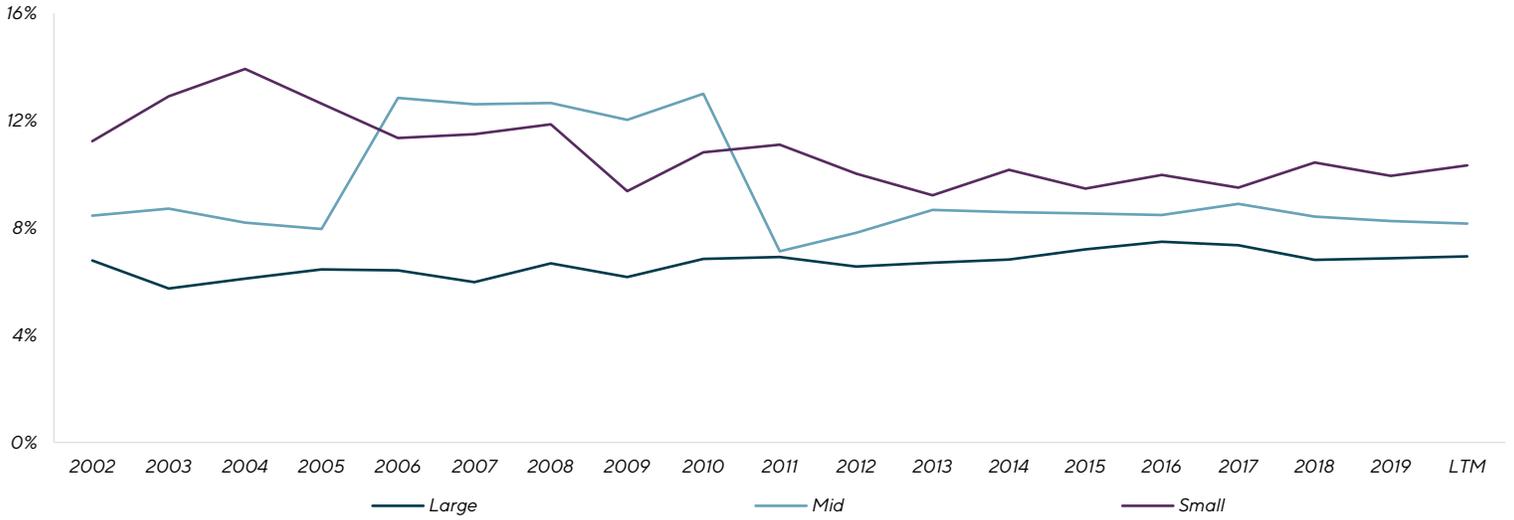
On a percent change basis comparing the LTM Q2 2020 results with the same period a year ago, in the Large Tier, Sanmina Corporation showed the smallest decline in operating margin to 3.4% from 3.5%; while SMTC Corporation led the Small Tier in operating margin improvement improving from 1.0% to 1.8%. In the Mid Tier, Key Tronic Corporation exhibited the best operating margin improvement from 1.4% to 1.6%.

Overall the EMS industry is exhibiting positive trends supported by the ongoing electronics super-cycle that is continuing to drive demand for electronics.

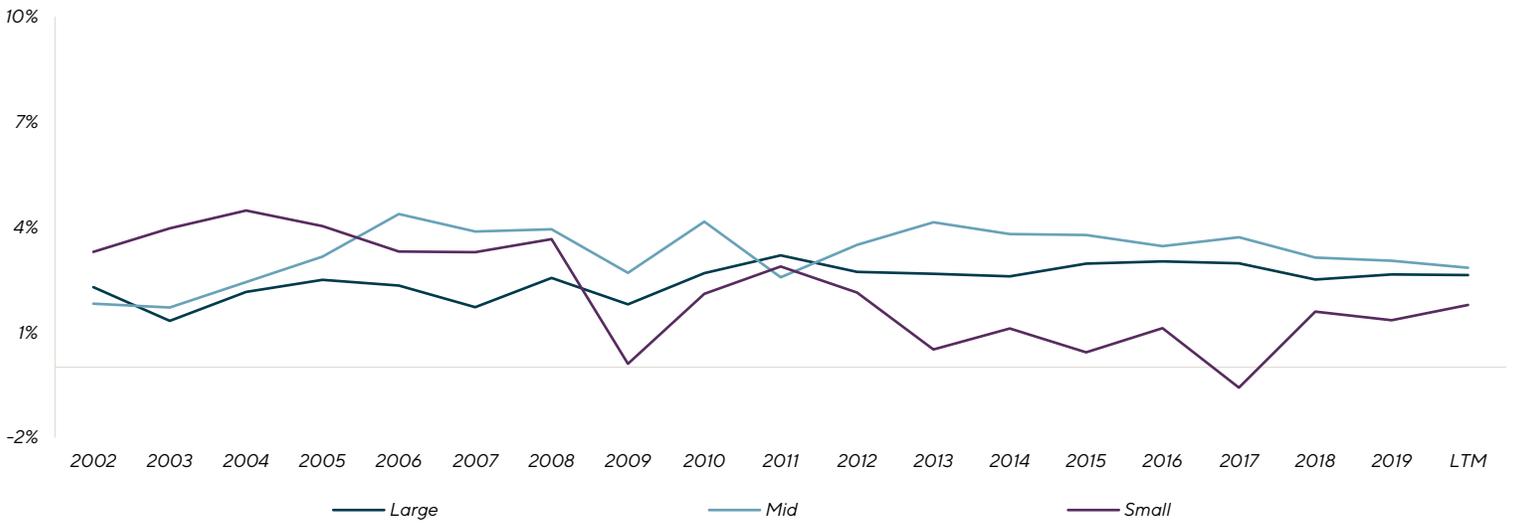
Average Gross Margin Performance

	Gross Margin	Operating Margin	EBITDA Margin
Large			
Celestica Inc.	6.9%	1.9%	3.5%
Flex Ltd.	6.2%	2.4%	4.4%
Jabil Inc.	7.3%	2.7%	5.5%
Sanmina Corporation	7.4%	3.4%	5.1%
Large Group Average	6.94%	2.6%	4.6%
Mid			
Benchmark Electronics, Inc.	8.7%	2.1%	4.3%
Key Tronic Corporation	8.0%	1.6%	3.0%
Kimball Electronics, Inc.	7.0%	3.4%	5.9%
Plexus Corp.	9.0%	4.2%	5.9%
Mid Group Average	8.2%	2.8%	4.8%
Small			
Nortech Systems Incorporated	10.9%	0.6%	2.5%
SigmaTron International, Inc.	9.6%	1.7%	3.6%
SMTC Corporation	10.4%	3.0%	6.6%
Small Group Average	10.3%	1.8%	4.2%

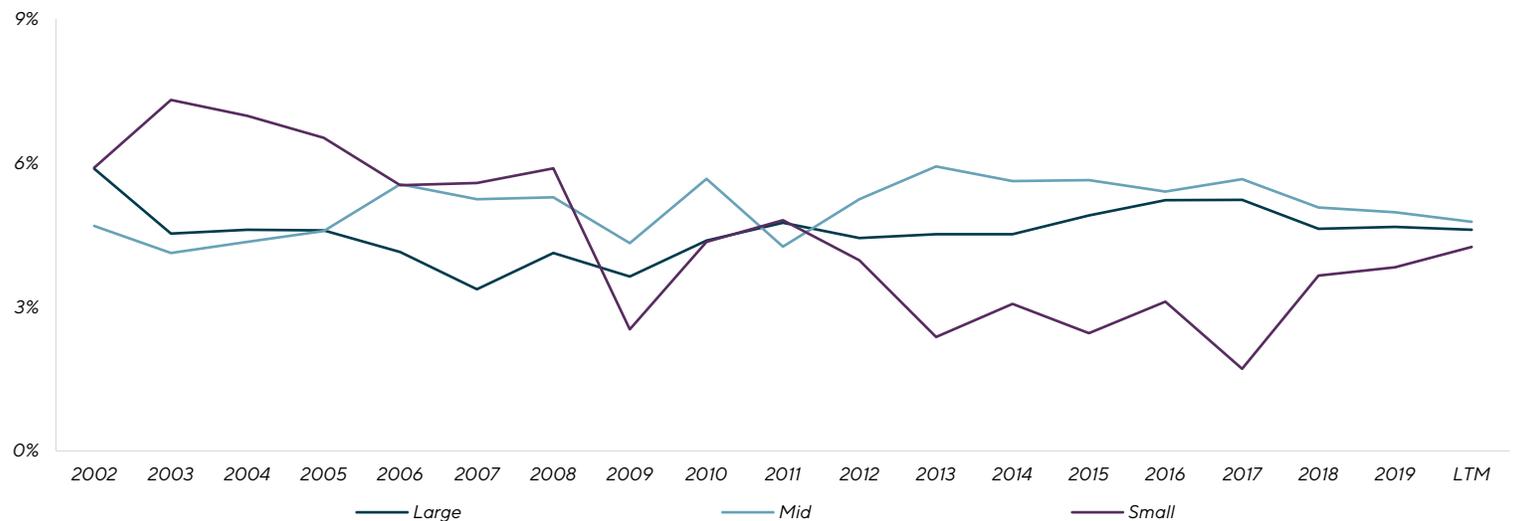
Average Gross Margin Performance



Average Operating Margin Performance



Average EBITDA Margin Performance



Current EMS Market Highlights

The overall Lincoln EMS Stock Index increased 22.4% from last quarter primarily driven by an increase in the Small Index, which grew 42.3%. The Large Index and Mid Index by 22.0% and 23.0% respectively.



EMS Stock Index Outperforms S&P

About the EMS Stock Index

Similar to the S&P 500 Index, the EMS Stock Index is a market cap weighted composite index. The index is prepared by first selecting a base period, in this case, Q1 2003, and totaling the market caps of the companies for each tier in this period. This period and total market cap is set to a base index, in this case, 1,000.

Next, for each tier, the current period's total market cap is calculated, divided by the base period's total market cap and then multiplied by the base index (1,000). The result is the index value used for plotting in the graph on the next page.

Winner's Circle		Tier
Jabil Inc.	22.2%	I
Plexus Corp.	16.2%	II
IEC Electronics Corp.	133.7%	III

Worst Performers		Tier
Flex Ltd.	(43.0%)	I
Kimball Electronics, Inc.	(25.8%)	II
SigmaTron International, Inc.	(66.7%)	III

Note: Based on quarter-over-quarter share price performance

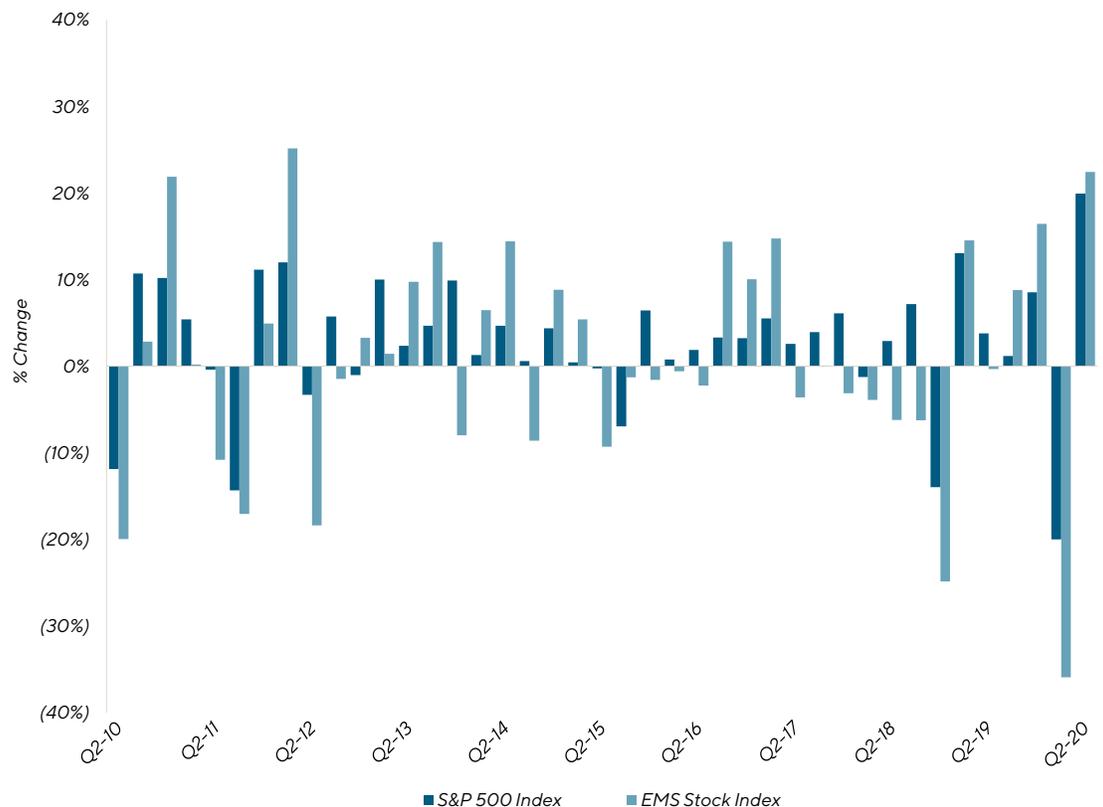
EBITDA Margins	
Large Tier	4.7%
Mid Tier	4.9%
Small Tier	5.0%

YOY LTM Revenue Growth	
Large Tier	(6.3%)
Mid Tier	(3.2%)
Small Tier	8.7%

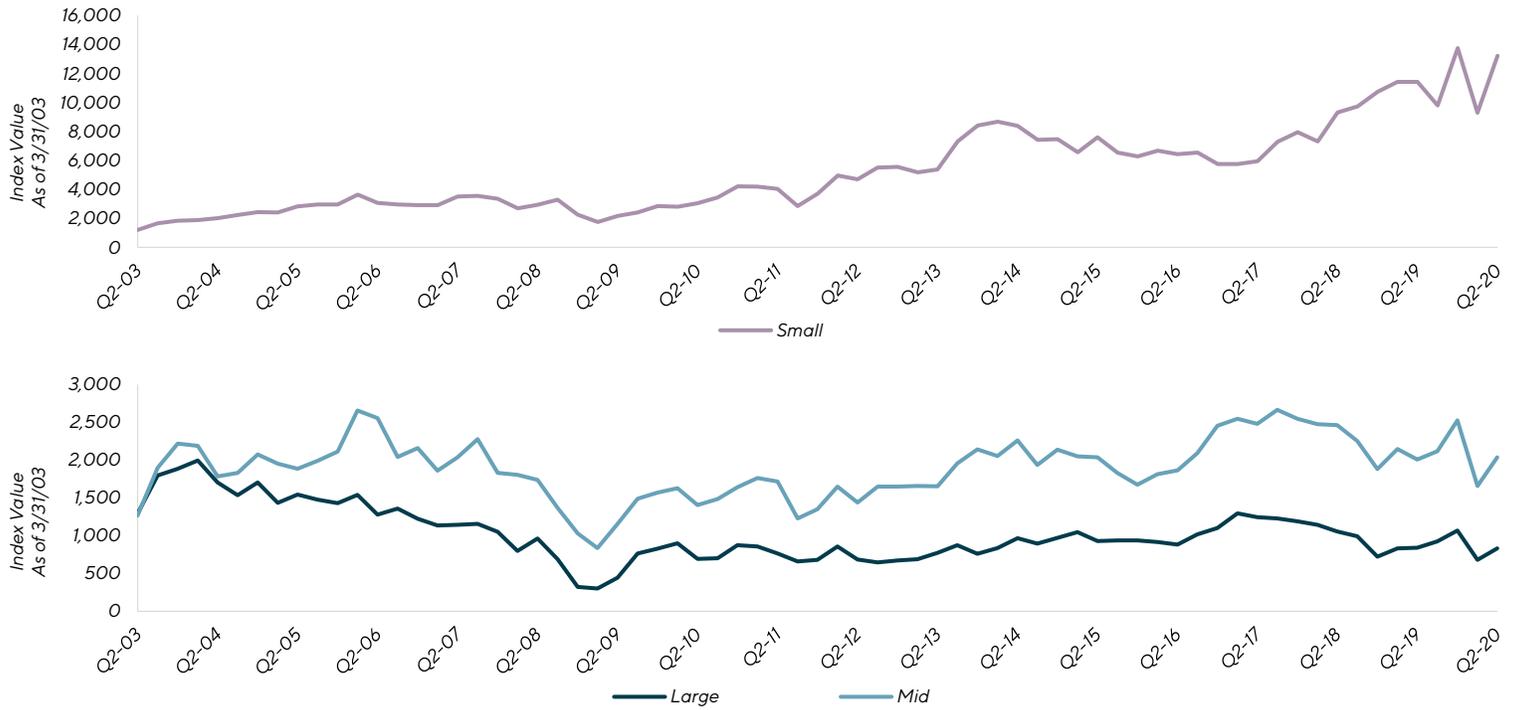
Source: Capital IQ as of June 30th, 2020

Note: Average for each sector; YOY stands for year-over-year

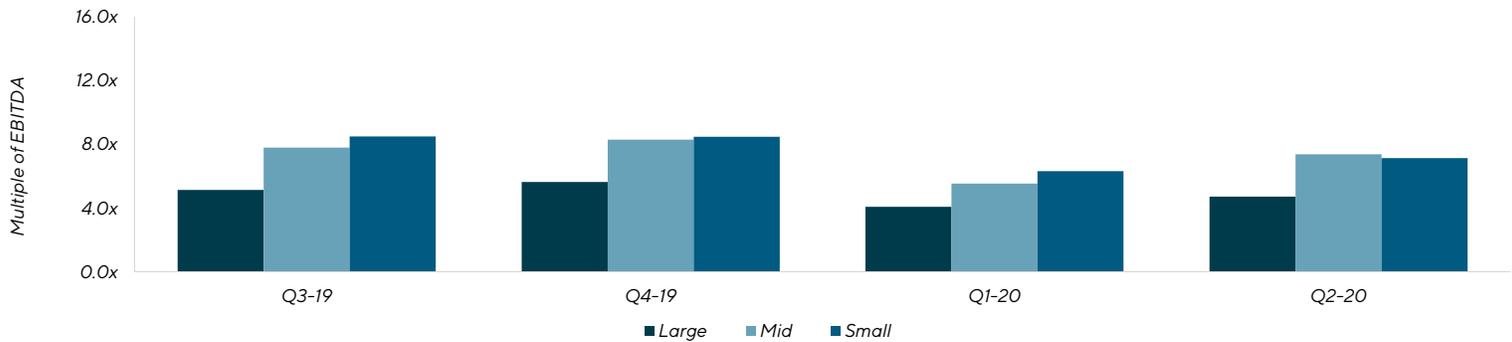
S&P Index vs. EMS Stock Index Quarter Change



EMS Stock Index by Size



Enterprise Value⁽¹⁾ / EBITDA

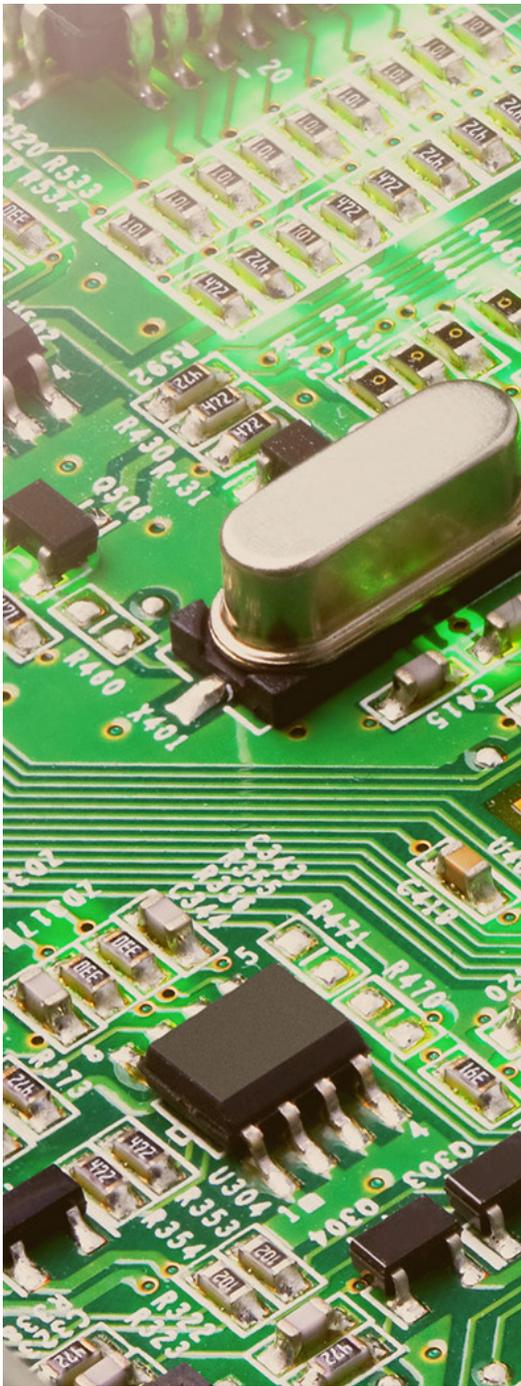


(1) Enterprise Value is calculated as market cap on June 30th, 2020 plus debt, preferred equity and minority interest less cash

EMS Stock Index Company Data

	Stock Price	LTM Sales (\$ in mm)	Diluted EPS	Avg. Cash Conversion Cycle (days)	Current Ratio	EV/EBITDA	EV / Sales	Market Cap (\$ in mm)	Net Debt (\$ in mm)
Large									
Celestica Inc.	\$9.32	\$5,821	(\$0.03)	77.4	1.62	4.6x	0.2x	\$1,203	\$157
Flex Ltd.	10.25	23,187	0.18	30.4	1.41	5.2x	0.3x	5,102	2,190
Jabil Inc.	32.08	26,540	0.26	25.1	0.94	4.6x	0.3x	4,830	2,338
Sanmina Corporation	25.04	6,978	1.5	56.5	1.58	4.5x	0.2x	1,708	-140
Mid									
Benchmark Electronics, Inc.	\$21.60	\$2,070	\$0.01	88.1	2.6	5.9x	0.3x	\$787	(\$118)
Key Tronic Corporation	5.3	439	0.38	104.7	2.26	7.5x	0.3x	57	84
Kimball Electronics, Inc.	13.54	1,233	1.05	80.9	2.07	5.5x	0.3x	338	66
Plexus Corp.	70.56	3,230	3.5	101.1	1.77	10.6x	0.7x	2,059	117
Small									
IEC Electronics Corp.	\$9.63	\$173	\$0.54	121.7	2.11	10.5x	0.8x	\$101	\$37
Nortech Systems Incorporated	4.29	116	-0.27	81.5	1.91	Nm	0.3x	11	20
SigmaTron International, Inc.	3.37	290	0.42	83.4	2.13	4.6x	0.2x	14	42
SMTC Corporation	3.03	365	-0.24	66.1	1.22	6.3x	0.5x	85	84

Sources: Bloomberg, Capital IQ and company filings, as of June 30th, 2020



Lincoln's Global Technology, Media & Telecom Group

Connected to Clients' Ambitions

Encompassing both physical assets and intellectual property, the TMT industry has expansive opportunities for investors and entrepreneurs. Our global network of professionals, our strong relationships with industry leaders and our deep expertise in a variety of TMT verticals combine to serve the unique needs of clients capitalizing on change within a sector that is highly integrated into nearly every service and product. Our connections, along with our track record of exceptional results, give us the edge to provide our clients with creative and innovative financial solutions.

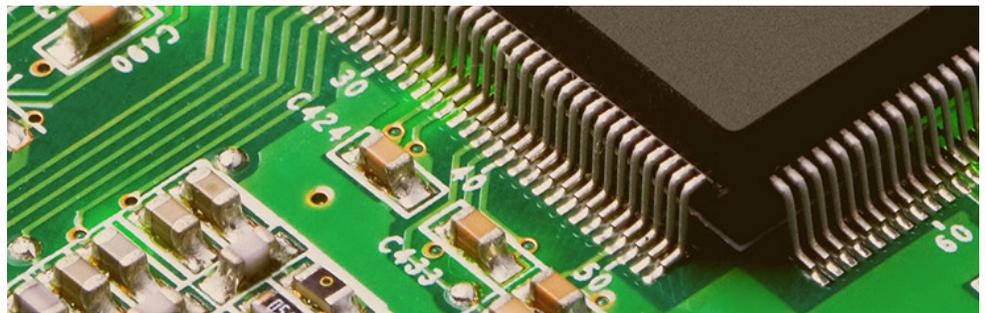
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