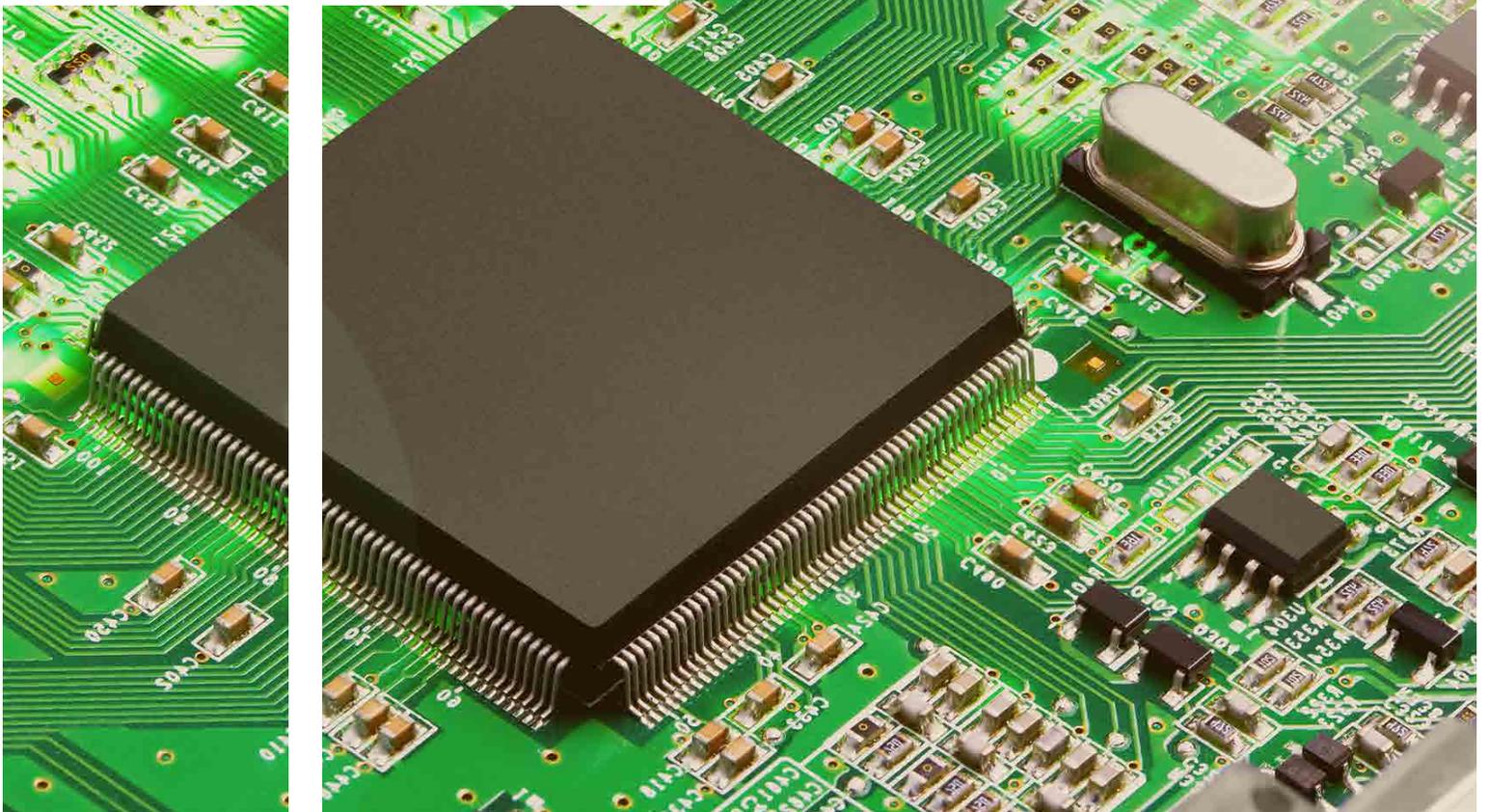


EMS
Quarterly
Review
Q2 2021



Announcements

April 5, 2021: H.I.G. has acquired SMTC Corporation

April 30, 2021: Circuits Interconnection Assemblies Ltd. has acquired CML Global Solutions

May 3, 2021: Intervals has acquired certain manufacturing assets from NEOTech

May 14, 2021: ESCATEC Sdn. Bhd. has acquired JJS Manufacturing Ltd

Lincoln Perspective

Mastering the current dynamics of the electronics supply chain is an ongoing challenge. EMS companies of all sizes are continuing to evolve in this ever-changing landscape to be able to meet the unprecedented demand for electronics while dealing with global supply complexities.

The global semiconductor shortage in particular is compelling companies across the EMS sector to boost their resourcefulness and find creative solutions, working closely with both customers and suppliers to manage around extended lead times and critical components. Companies that can better manage and capture supply chain efficiencies as well as exhibit positive operational KPIs have been able to generate better margin. This has resulted in increased valuations for performing EMS companies.

As you will see in this publication, operating income and EBITDA margin performance for large and mid tier companies is up in the last twelve months (LTM) period, set against some margin compression for small tier companies. While public company valuations have not increased as fast as the broader market, private company valuations have continued to show strength, reflecting the positive characteristics in the electronics industry. Additionally, the ongoing pandemic and the supply chain challenges have in no way slowed mergers and acquisitions (M&A) activity in the EMS space. Case in point, quarterly deal activity has not been this high, on a quarterly basis, since Q1 of 2020 and the firm continues to see significant opportunity for further investment in the EMS space for the foreseeable future.

EMS Quarterly Review Q2 2021

There were nine EMS transactions recorded in Q2 2021, representing an increase from the three recorded in Q2 2020 and seven transactions recorded in Q1 2021. EMS consolidations accounted for five transactions in Q2 2021, or 56% of total activity, representing the same number of EMS consolidation transactions from Q1 2021.

Diversifications into EMS accounted for two transactions during Q2 2021, representing 22% of the total Q2 2021 EMS transactions. There were zero diversifications into EMS transactions in Q2 2020.

Vertical / horizontal convergences accounted for one transaction, representing 11% of the total Q2 2021 EMS transactions. Both Q2 2020 and Q1 2021 had one vertical / horizontal transaction.

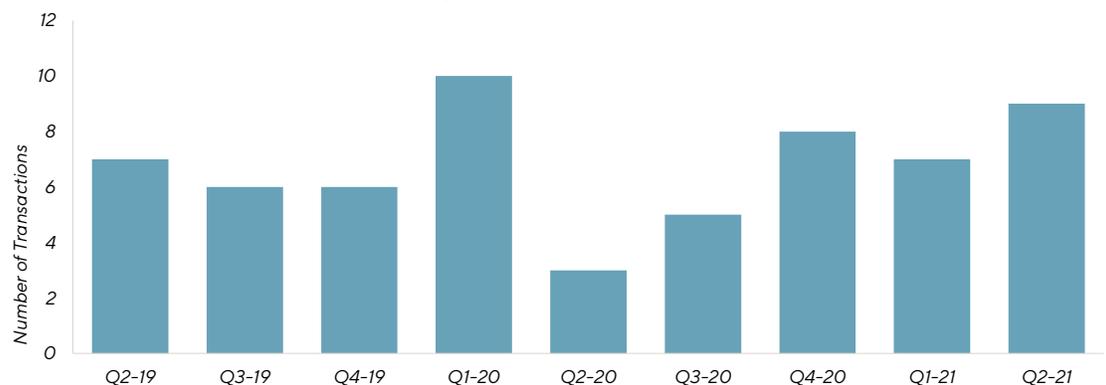
Private equity investments accounted for one transaction during Q2 2021, representing 11% of the total Q2 2021 EMS transactions.

There were no transactions categorized as original equipment manufacturers (OEM) or EMS divestitures in Q2 2021.

By geography, Europe had four transactions, representing 44% of total Q2 2021 EMS transactions in Q2 2021. The United States / Canada had two transactions and Asia had one transaction, representing 22% and 10% of total transaction activity in Q2 2021, respectively. The remaining two transactions were cross-border.

In terms of transaction size, small tier EMS providers accounted for all of the Q2 2021 transaction volume.

Quarter-over-Quarter Completed EMS Transactions



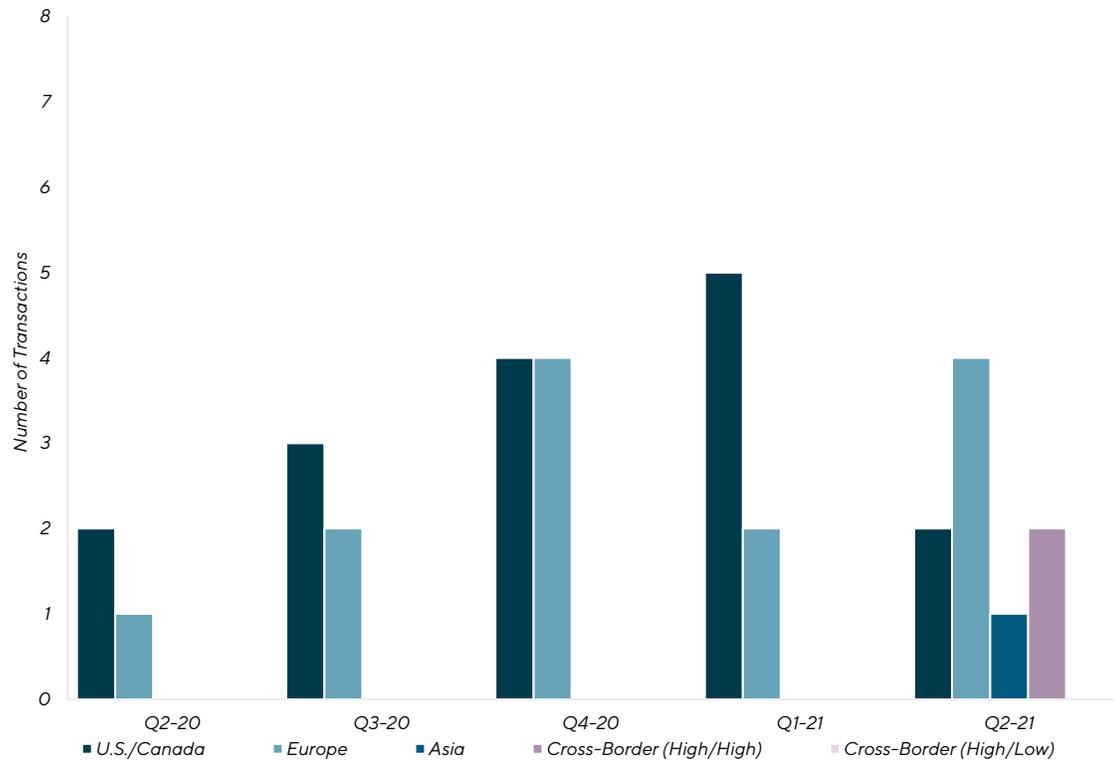
EMS Size Guide (Sales Dollars)

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

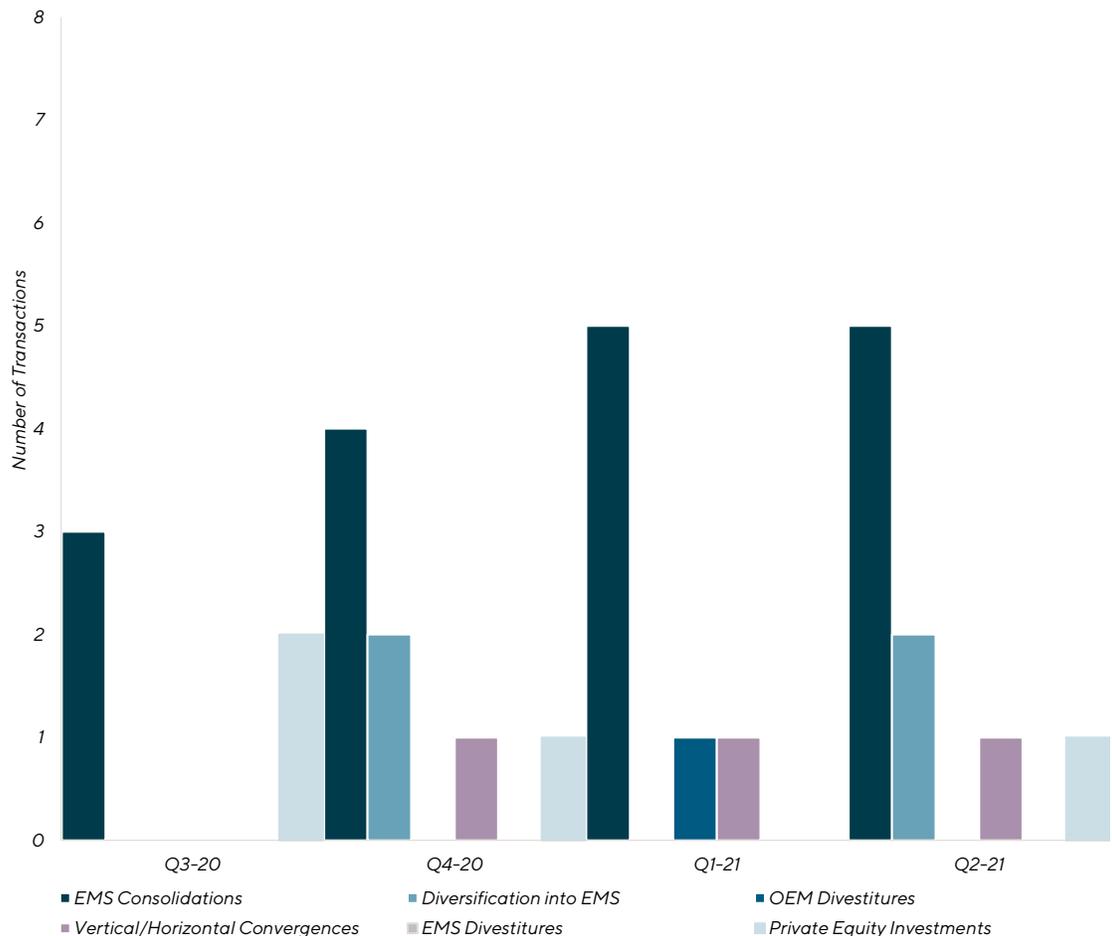
Sources: All information contained in this newsletter including the charts was obtained from company websites, Custer Reports, Lincoln's internal data, Manufacturing Market Insider and Capital IQ.

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

Large and mid tier EMS companies have exhibited generally positive margin results for the LTM Q2 2021 period while small tier companies largely saw margins contract.

The three graphs on the following page provide an overview of gross margin, operating margin, and EBITDA margin performance from 2003 through LTM Q2 2021. Each graph shows the margin performance by tier.

The large tier EMS companies exhibited gross margin expansion in the LTM to 7.8%, a 0.8% increase from the LTM period ending Q2 2020. Additionally, operating and EBITDA margins for large tier companies both expanded by 0.9% versus the same period in 2020 to 3.6% and 5.6%, respectively in the current LTM period.

Mid tier companies also exhibited margin expansion increasing gross margins from 8.1% to 8.8%, operating margins from 2.9% to 3.7% and EBITDA margins from 4.8% to 5.7% compared to the same period in 2020.

The small tier exhibited overall margin compression decreasing in all three metrics on an LTM basis to 9.4%, 0.3% and 2.4% for gross margin, operating margin and EBITDA margin, respectively. This is down from 11.3%, 2.9% and 4.8% for the same period in 2020, respectively.

On a percent change basis comparing the LTM Q2 2021 results with the same period a year ago, in the large tier, Flex showed the largest increase in operating margin to 3.7% from 2.4%. In the mid tier, Kimball Electronics and Plexus Corp. both exhibited operating margin improvement of 1.4% over the prior quarter. In the small tier, SigmaTron International realized the largest operating margin expansion of 0.2% from 1.0% to 1.2% versus the same period in 2020.

Overall, the EMS sector is exhibiting positive trends supported by the ongoing Electronics Super-Cycle that is continuing to drive demand for electronics.



Average Gross Margin Performance

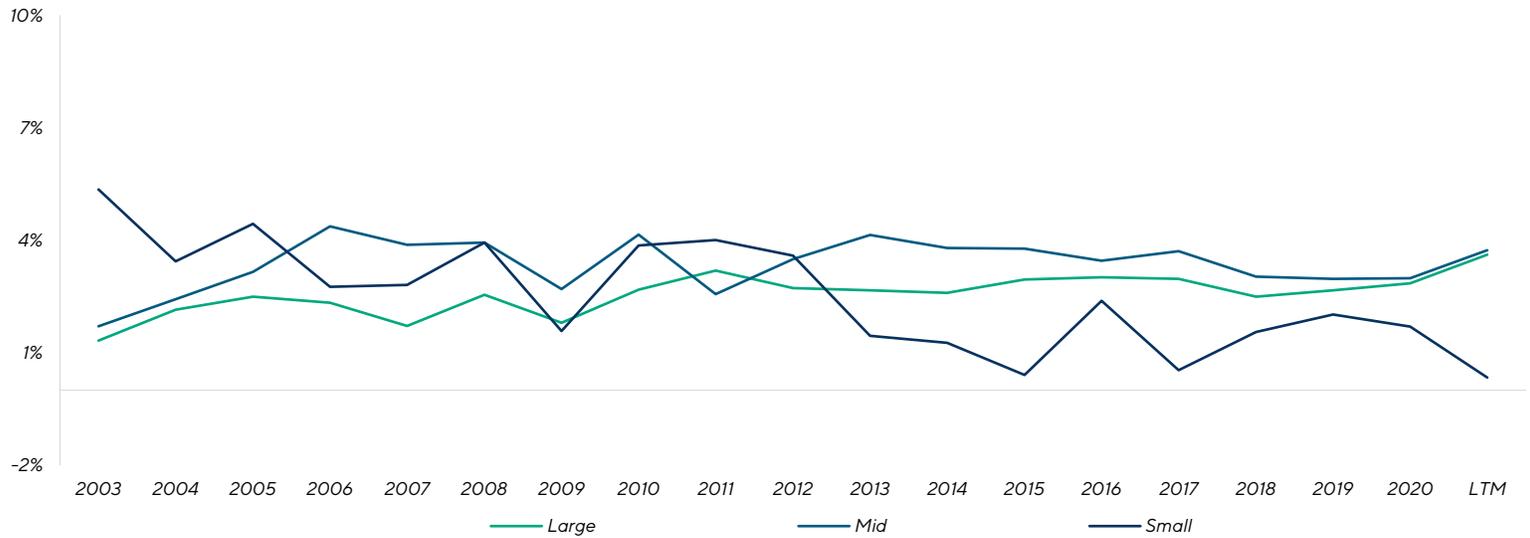
	Gross Margin	Operating Margin	EBITDA Margin
Celestica Inc.	7.8%	2.4%	4.0%
Flex Ltd.	7.4%	3.7%	5.7%
Jabil Inc.	8.0%	3.9%	6.8%
Sanmina Corporation	8.1%	4.4%	6.0%
Large Group Average	7.8%	3.6%	5.6%
Benchmark Electronics, Inc.	8.9%	2.5%	4.6%
Key Tronic Corporation	8.0%	1.8%	3.1%
Kimball Electronics, Inc.	8.6%	5.0%	7.6%
Plexus Corp.	9.8%	5.6%	7.3%
Mid Group Average	8.8%	3.7%	5.7%
IEC Electronics Corp.	12.0%	4.3%	6.5%
Nortech Systems Incorporated	7.1%	(4.5%)	(2.3%)
SigmaTron International, Inc.	9.0%	1.2%	3.2%
Small Group Average	9.4%	0.3%	2.4%

Note: Based on the latest available financial data in CapitalIQ, as of August 2nd, 2021

Average Gross Margin Performance



Average Operating Income Margin Performance



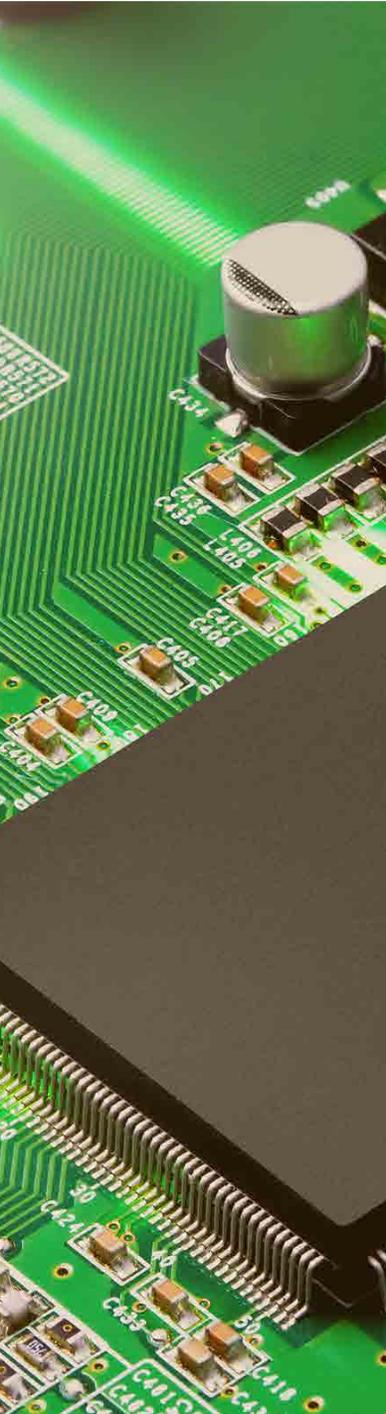
Average EBITDA Margin Performance



Note: Based on the latest available financial data in CapitalIQ, as of August 2, 2021

Current EMS Market Highlights

The overall Lincoln EMS stock index decreased 1.7% from last quarter primarily driven by a decrease in the Mid Index, which declined by 10.1%. The large index grew by 0.9%, and the small index increased by 1.8%.



EMS Stock Index Underperforms S&P

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
NYSE:JBL	13.4%	I
NasdaqGS:PLXS	(3.3%)	II
NasdaqSC:NSYS	93.8%	III

EBITDA Margins	
Large	5.6%
Mid	5.7%
Small	2.4%

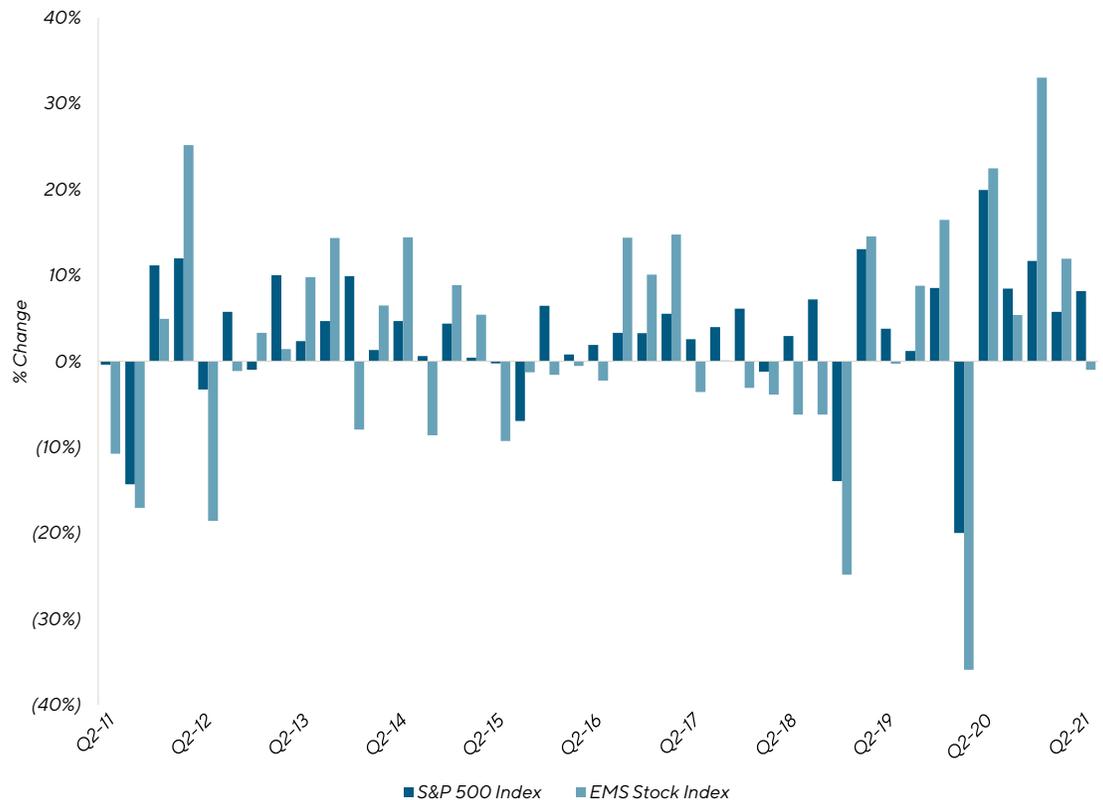
Worst Performers		Tier
NasdaqGS:SANM	(7.9%)	I
NasdaqGS:KE	(20.2%)	II
NasdaqGM:IEC	(11.0%)	III

YOY LTM Revenue Growth	
Large	3.8%
Mid	5.4%
Small	(2.2%)

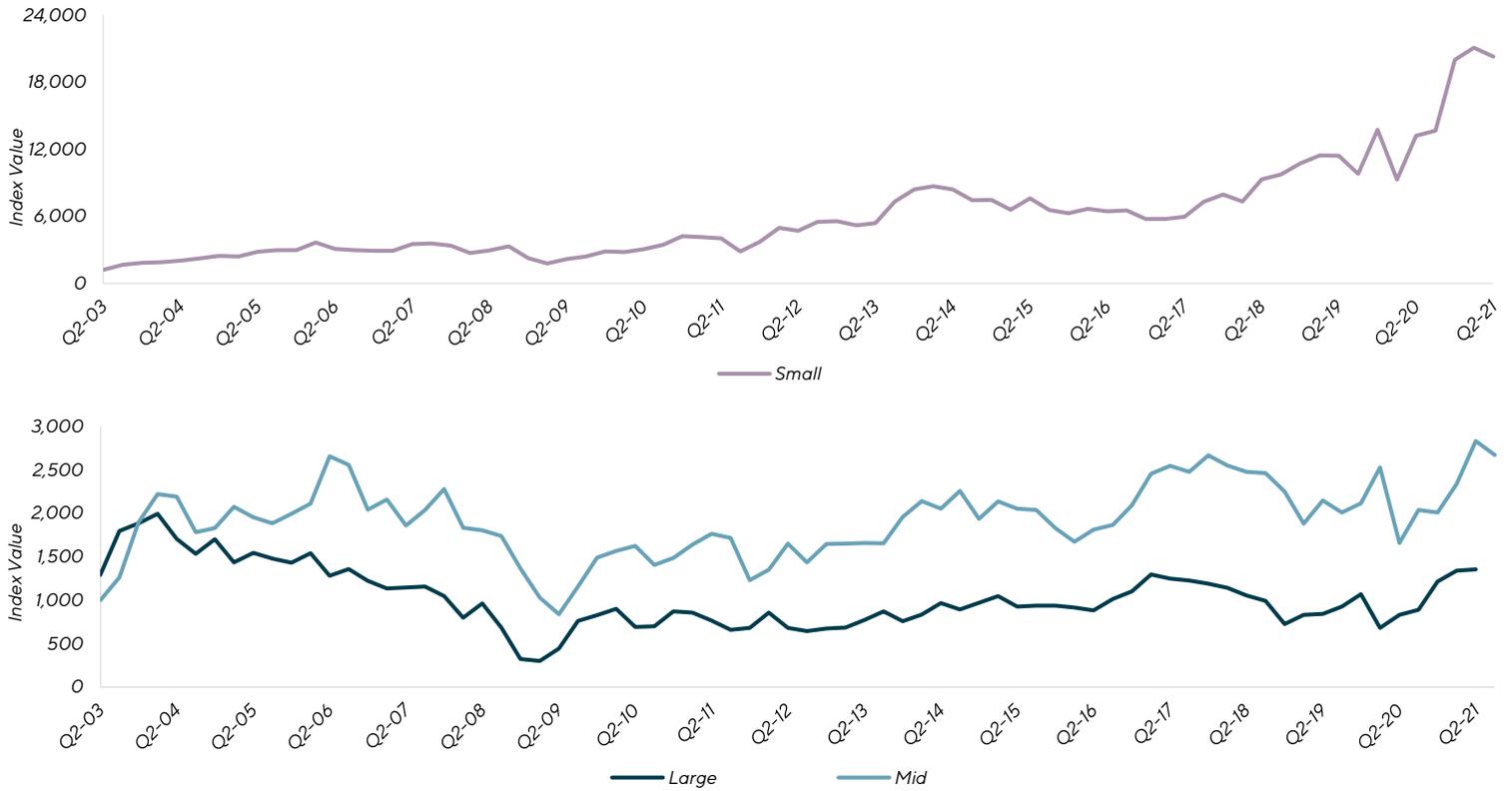
Note: Based on quarter-over-quarter share price performance, as of August 2nd, 2021

Source: Capital IQ as of August 2nd, 2021
Note: Average for each sector; YOY stands for year-over-year

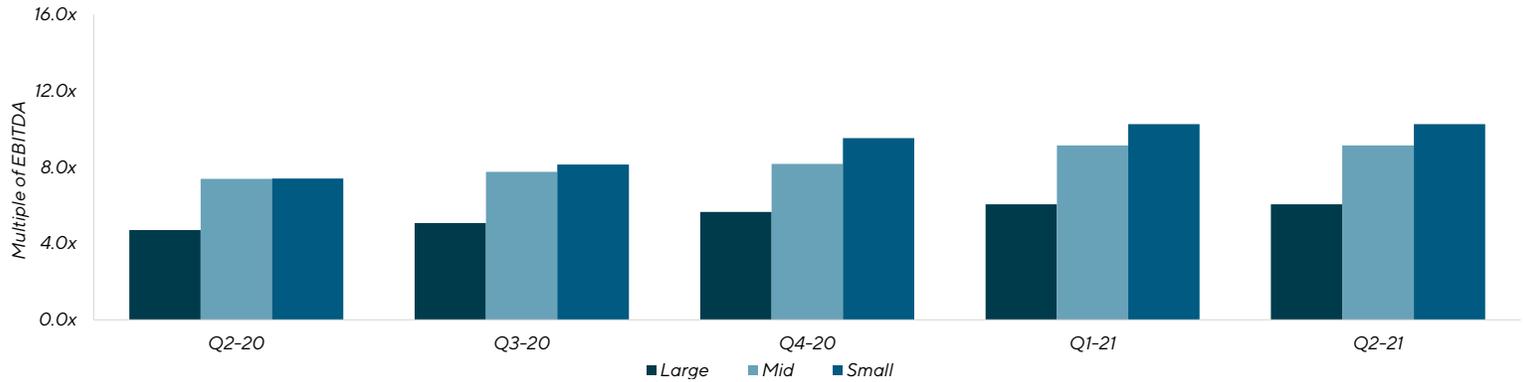
S&P Index vs. EMS Stock Index Quarter Change



EMS Stock Index by Size



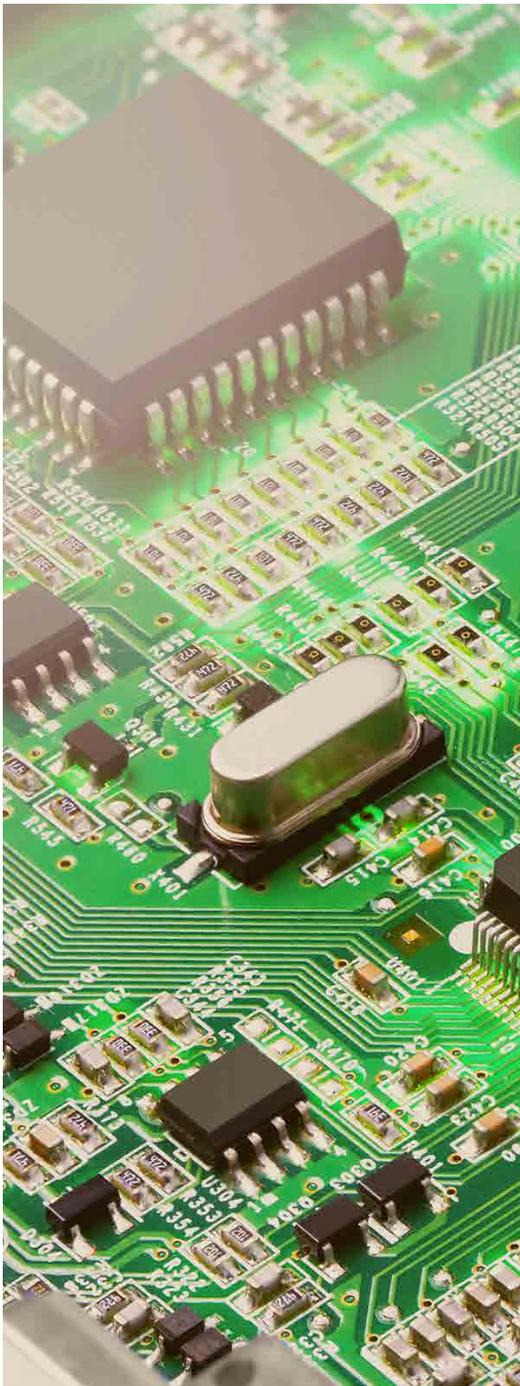
Enterprise Value / EBITDA



EMS Stock Index Company Data

	Stock Price	LTM Sales (\$ in mm)	Diluted EPS	Avg. Cash Conversion Cycle (days)	Current Ratio	EV / EBITDA	EV / Sales	MarketCap (\$ in mm)	Net Debt (\$ in mm)
Large									
Celestica Inc.	\$8.92	\$5,592	\$0.68	85.2	1.7	5.0x	0.2x	\$1,120	\$100
Flex Ltd.	17.83	25,313	1.52	42.0	1.4	6.0x	0.4x	8,705	1,766
Jabil Inc.	59.13	29,176	3.78	24.9	1.0	5.0x	0.4x	8,623	2,196
Sanmina Corporation	38.10	6,988	3.91	55.4	1.9	5.1x	0.3x	2,480	(289)
Mid									
Benchmark Electronics, Inc.	\$26.21	\$2,098	\$0.79	89.1	2.2	6.9x	0.4x	\$939	\$(153)
Key Tronic Corporation	6.79	502	0.52	122.1	2.5	8.7x	0.4x	73	115
Kimball Electronics, Inc.	20.59	1,249	1.62	70.6	2.0	5.0x	0.4x	514	(27)
Plexus Corp.	88.79	3,439	4.87	98.6	1.8	9.5x	0.7x	2,520	(13)
Small									
IEC Electronics Corp.	\$10.71	\$187	\$0.48	147.3	1.9	14.2x	0.9x	\$114	\$62
Nortech Systems Incorporated	12.17	99	(1.22)	92.5	1.8	NM	0.5x	32	21
SigmaTron International, Inc.	6.24	278	0.36	90.9	1.7	7.5x	0.3x	27	55

Sources: Bloomberg, Capital IQ and company filings, as of August 2nd, 2021



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.

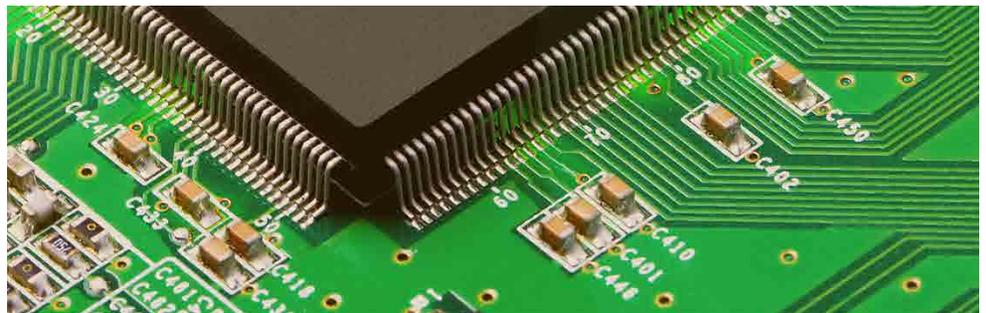
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