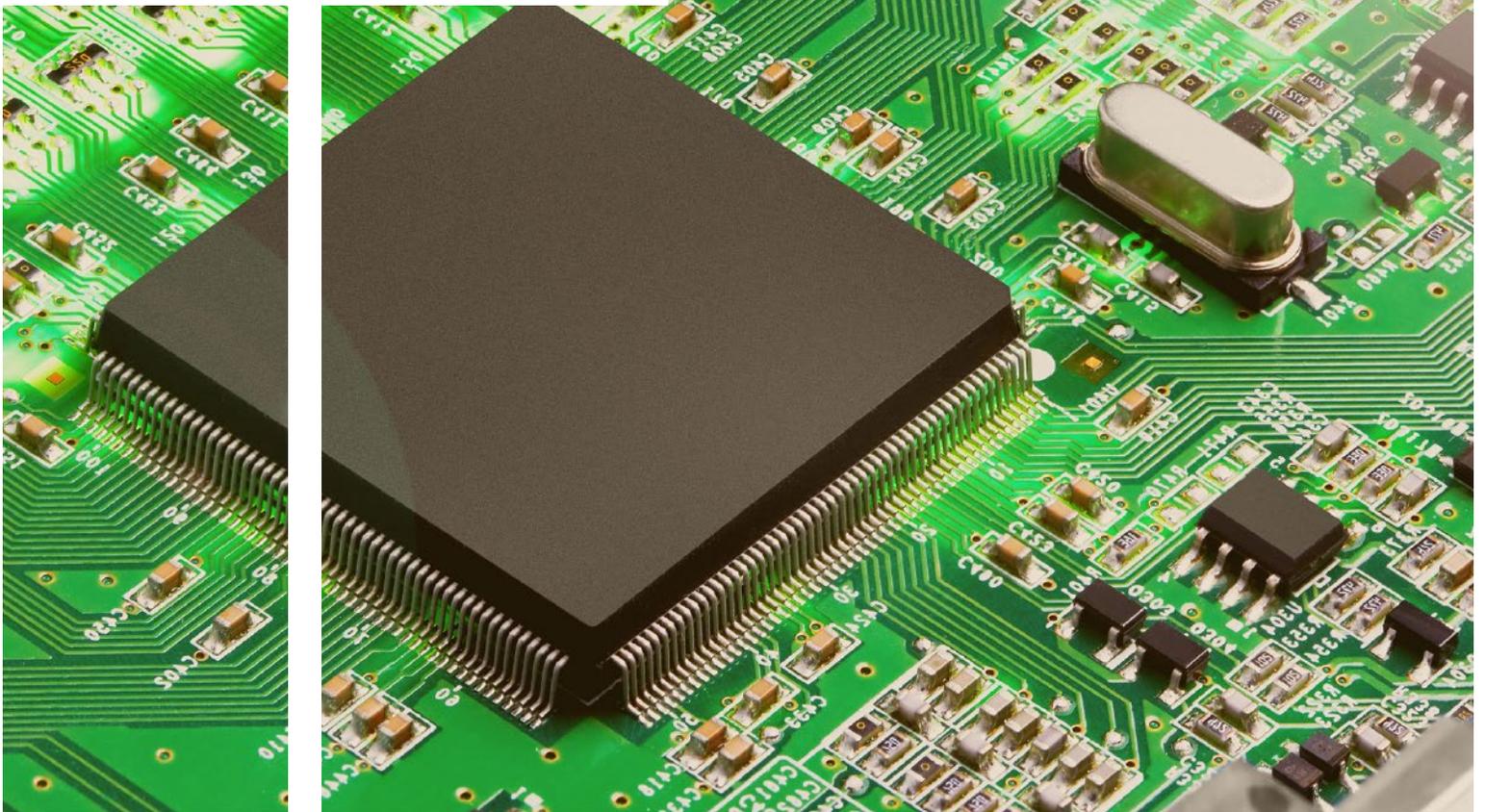


EMS
Quarterly
Review
Q2 2022



Announcements

May 18, 2022:

Latécoère has acquired Malaga Aerospace, Defense and Electronics Systems, S.A.U.

May 4, 2022:

Summit Interconnect, Inc. has acquired Royal Circuit Solutions, Inc. / Advanced Assembly, LLC

April 27, 2022:

Cicor Technologies Ltd. has acquired SMT Elektronik GmbH

April 1, 2022:

ETK EMS Group has acquired ALPHA-elektronik



Lincoln Perspective

EMS companies continue to face macroeconomic challenges while aiming to meet demand across virtually every end market segment. Key variables that are creating dynamic pressures in the industry today include the current geopolitical climate, rising inflation rates translating to increased material costs and China's latest COVID-19 policies, which are slowing manufacturing and supply chain movement globally.

The EMS industry, however, continues to show resiliency through these and other challenges, given its foundational position within the broader global electronics value chain. As such, the impacts of these global trends are expected to have more of a muted and temporary effect on the EMS industry relative to other industries; this latest "Electronics Super-Cycle" is expected to continue to drive overall demand and ensuing continued growth.

As detailed further below in this publication, operating income and EBITDA margin performance for large-and-small-tier companies have improved in the last twelve months (LTM), set against some margin compression for mid tier companies. Further, while public company valuations have not increased at pace with the broader market, recent private company valuations and market activity continue to demonstrate the strength of current M&A markets. Consolidation via M&A within EMS continues to occur, particularly with small-and-medium-sized EMS companies looking to acquire other companies to support their expansion strategies. We continue to see significant opportunity for further investment in the EMS space for the foreseeable future, and overall growth over the next several years is expected to remain robust.

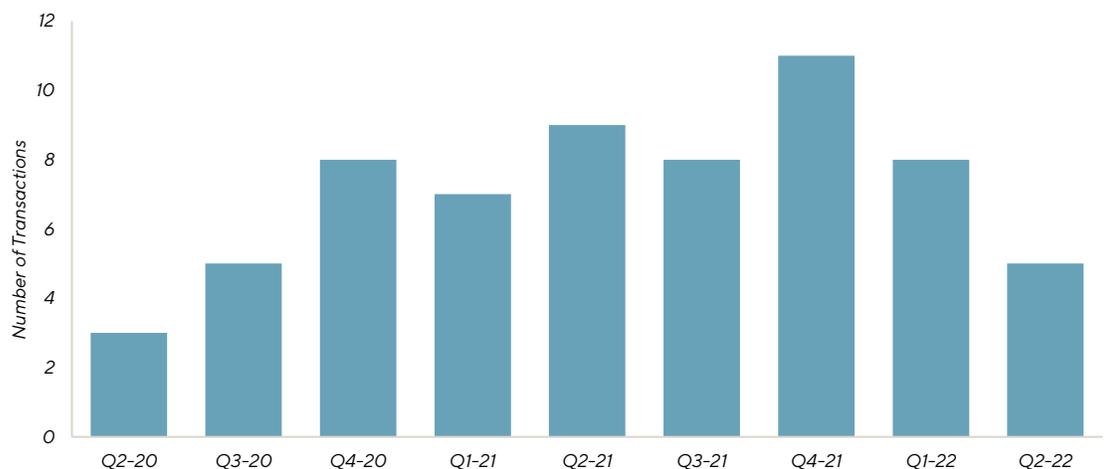
EMS Quarterly Review Q2 2022

There were four EMS transactions recorded in Q2 2022, representing a decrease from the nine recorded in Q2 2021 but an increase from the three transactions recorded in Q2 2020. EMS consolidations accounted for all four of the transactions in Q2 2022, or 100% of total activity.

By geography, Europe had three transactions, representing 75% of total EMS transactions in Q2 2022. The United States / Canada had one transaction and represented 25% of total transaction activity in Q2 2022.

In terms of transaction size, small tier EMS providers accounted for three of the Q2 2022 transaction volume, or 75% of the transaction activity. The final transaction was categorized as a mid tier EMS deal, which represented the remaining 25% of outstanding EMS deals recorded in Q2 2022.

Quarter-over-Quarter Completed EMS Transactions

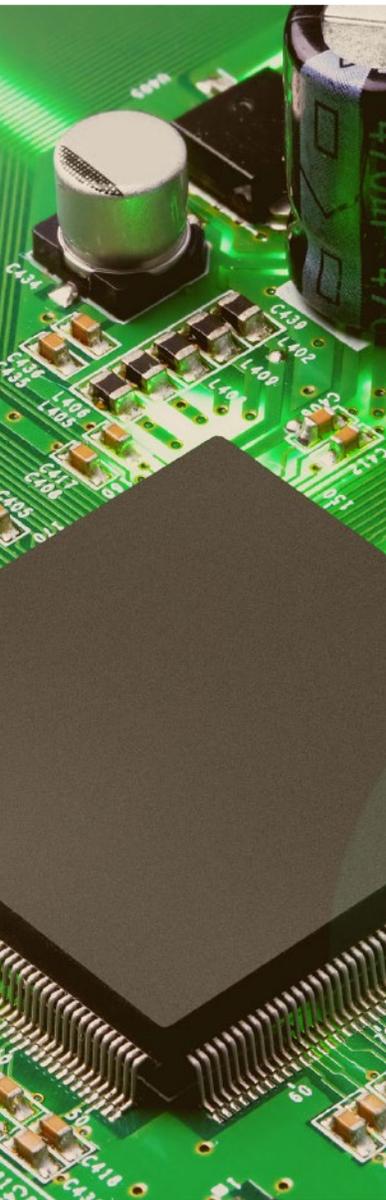


EMS Size Guide (Sales Dollars)

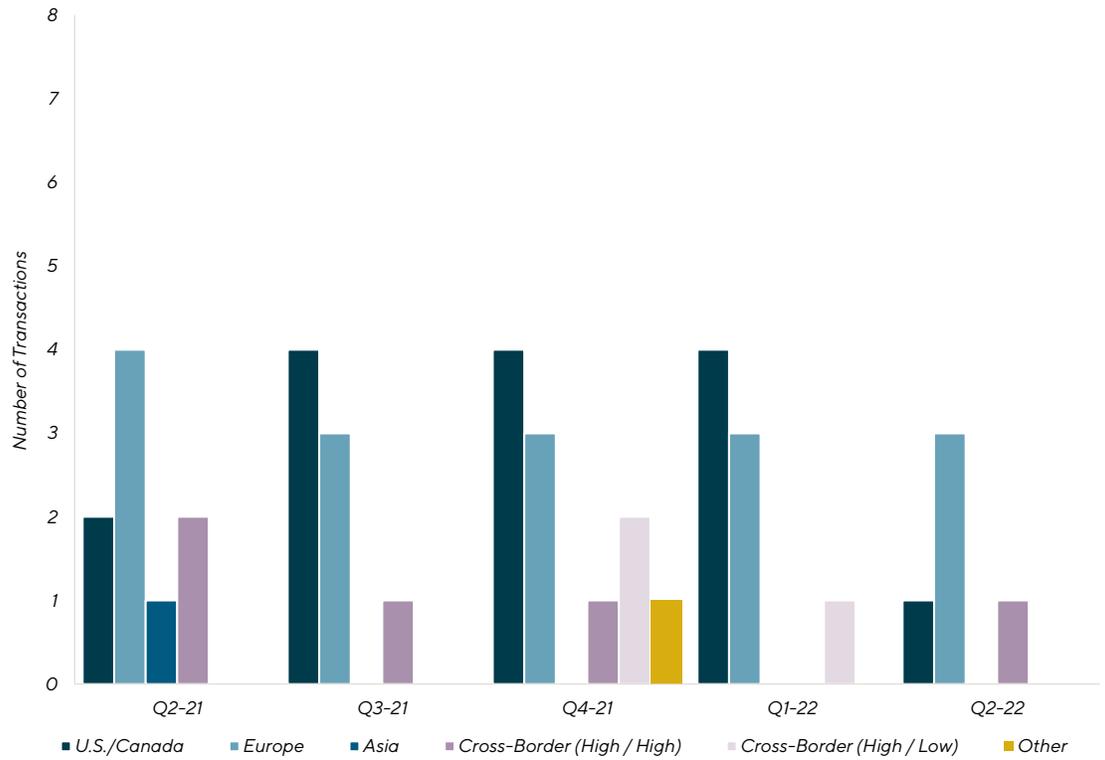
- Large (Tier I) greater than \$3 billion
- Mid (Tier II) \$300 million to \$3 billion
- Small (Tier III) below \$300 million

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.

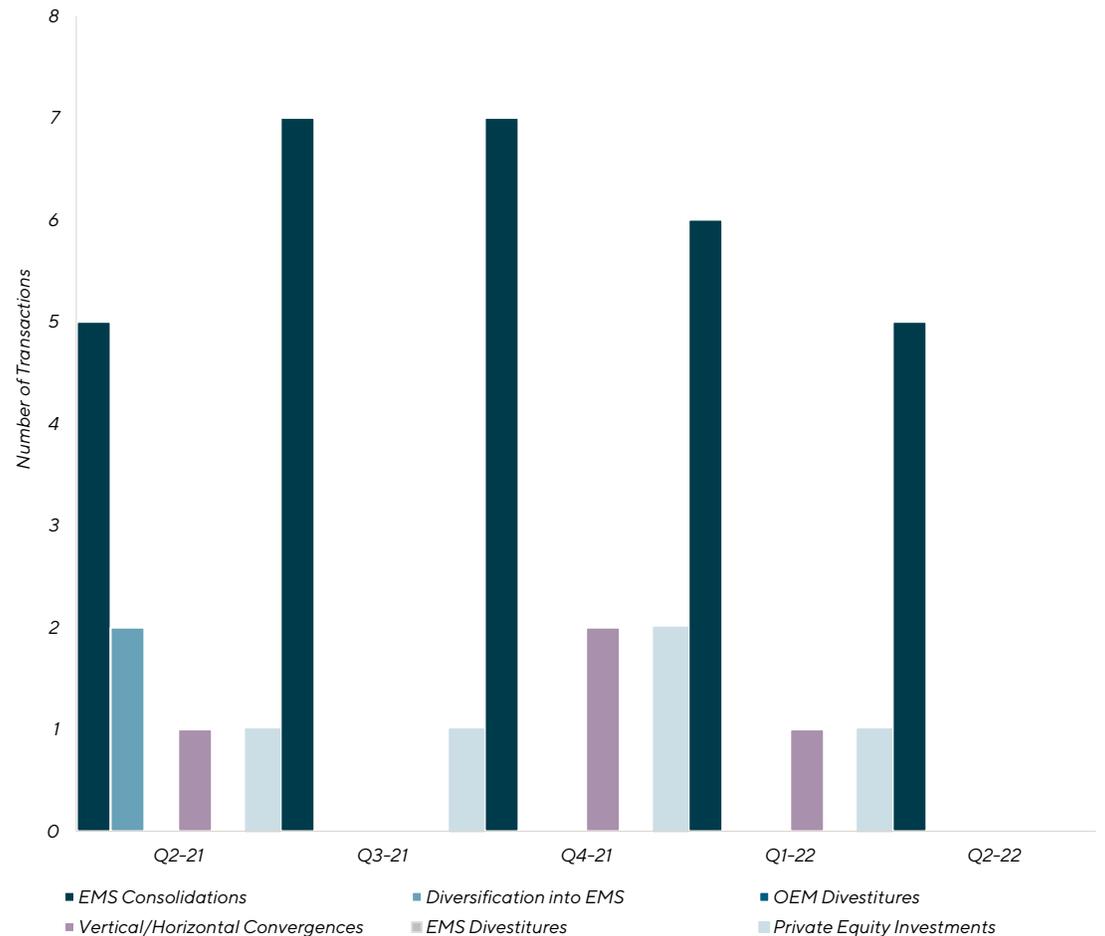
Note: Companies are included in a given tier by falling within the threshold for two consecutive quarters



Quarterly Comparison—EMS M&A by Geography



Quarterly Comparison—EMS M&A by Deal Type



Margin Performance in the EMS Industry

Large tier and small tier EMS companies have exhibited generally positive margin results for the LTM Q2 2022 period while mid 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 2022. Each graph shows the margin performance by tier.

The large tier EMS companies exhibited gross margin expansion in the LTM to 8.1%, a 0.2% increase from the LTM period ending Q2 2021. Additionally, operating and EBITDA margins for large tier companies expanded by 0.3% and 0.2%, versus the same period in 2021, to 3.9% and 5.9% respectively in the current LTM period.

Small tier companies also exhibited margin expansion increasing gross margins from 8.2% to 13.3%, operating margins from (1.4%) to 4.2% and EBITDA margins from 0.6% to 5.8% compared to the same period in 2021.

The mid tier exhibited overall margin compression decreasing in all three metrics on an LTM basis to 8.4%, 3.2% and 4.9% for gross margin, operating margin and EBITDA margin, respectively. This is down from 9.0%, 3.8% and 5.7% for the same period in 2021, respectively.

On a percent change basis comparing the LTM Q2 2022 results with the same period a year ago, in the large tier, Celestica showed the largest increase in operating margin to 3.5% from 2.4%. In the mid tier, Benchmark Electronics, Inc. exhibited operating margin improvement of 0.5% over the prior LTM year. In the small tier, Nortech Systems Incorporated realized the largest operating margin expansion of 8.1% from (4.0%) to 4.1% versus the same period in 2021.

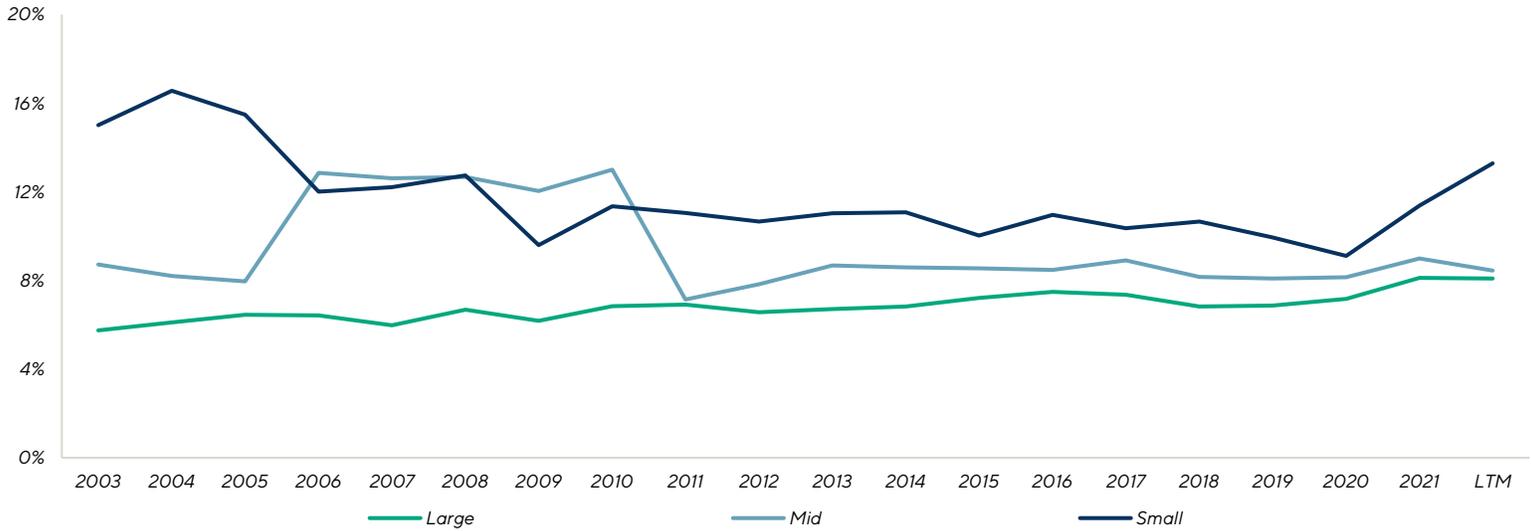
Overall the EMS industry continues to exhibit positive trends supported by the ongoing Electronics Super-Cycle that is continuing to drive demand for electronics.

Average Gross Margin Performance

	Gross Margin	Operating Margin	EBITDA Margin
Large			
Celestica Inc.	8.9%	3.5%	5.1%
Flex Ltd.	7.5%	3.8%	5.6%
Jabil Inc.	7.8%	3.9%	6.8%
Sanmina Corporation	8.1%	4.4%	6.0%
Large Group Average	8.1%	3.9%	5.9%
Mid			
Benchmark Electronics, Inc.	9.3%	3.0%	4.7%
Key Tronic Corporation	7.8%	1.5%	2.6%
Kimball Electronics, Inc.	7.8%	3.8%	6.2%
Plexus Corp.	8.9%	4.4%	6.2%
Mid Group Average	8.4%	3.2%	4.9%
Small			
Nortech Systems Incorporated	14.8%	4.1%	5.7%
SigmaTron International, Inc.	11.8%	4.3%	6.0%
Small Group Average	13.3%	4.2%	5.8%

Note: Based on the latest available financial data in CapitalIQ, as of June 30th, 2022

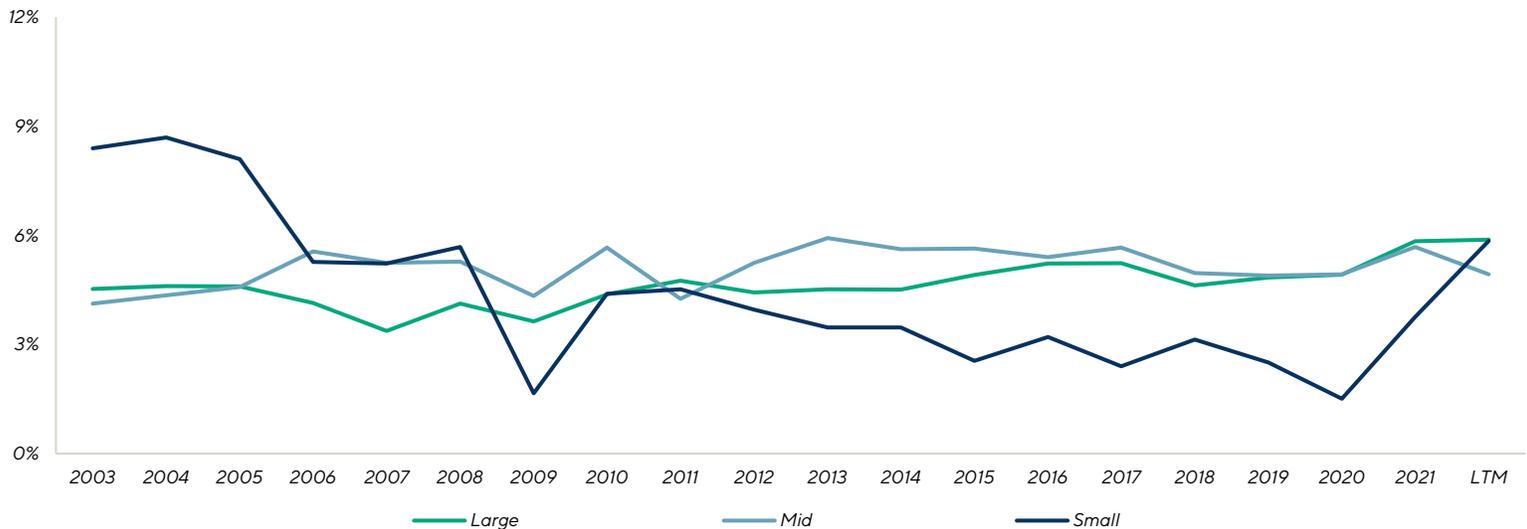
Average Gross Margin Performance



Average Operating Income Margin Performance



Average EBITDA Margin Performance



Note: Based on the latest available financial data in CapitalIQ, as of June 30th, 2022

Current EMS Market Highlights

The Overall Lincoln EMS Stock Index decreased 16.6% from last quarter primarily driven by a decrease in the large index, which declined by 18.5%, and the mid index, which contracted by 6.1%. The small index increased by 16.8%

EMS Stock Index Underperforms 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.

Quarterly Update Tables

Winners Circle		Tier
NasdaqGS: Sanmina Corporation	0.8%	I
NasdaqGS: Kimball Electronics, Inc.	0.6%	II
NasdaqSC: Nortech Systems Incorporated	33.6%	III

EBITDA Margins	
Large Tier	5.9%
Mid Tier	4.9%
Small Tier	5.7%

Worst Performers		Tier
NasdaqGS: Flex Ltd.	(22.0%)	I
NasdaqGM: Key Tronic Corporation	(21.9%)	II
NasdaqCM: SigmaTron International, Inc.	3.4%	III

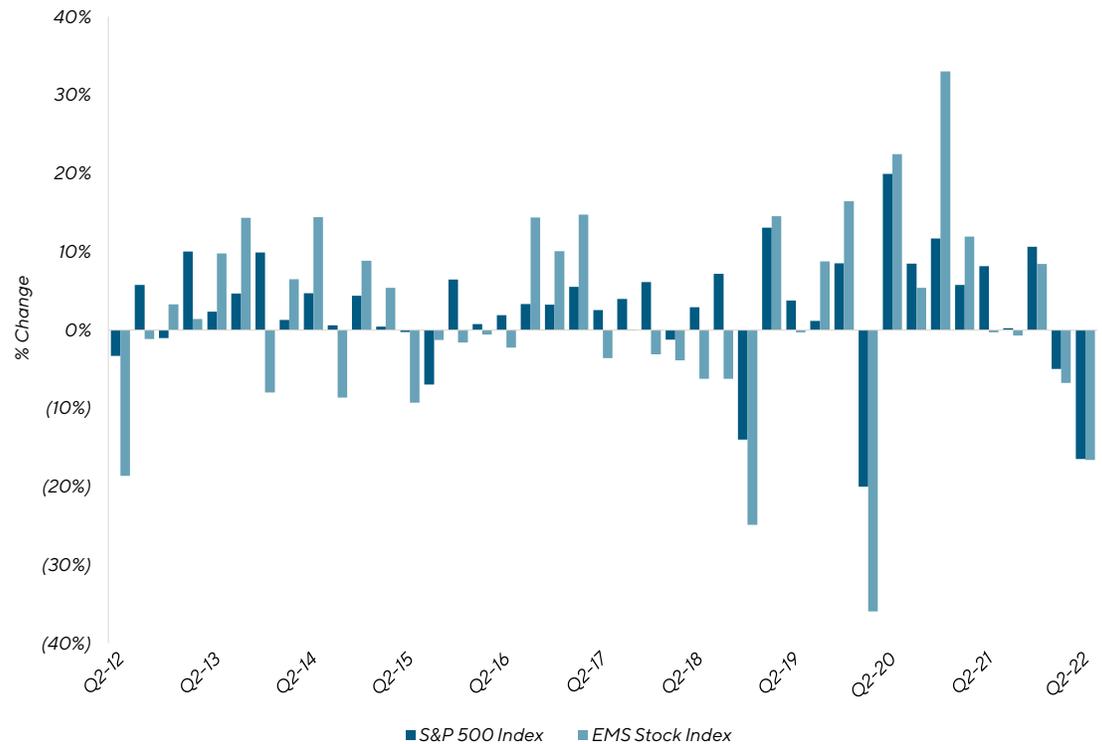
Year-over-Year Last Twelve Months Revenue Growth	
Large Tier	7.2%
Mid Tier	4.6%
Small Tier	28.6%

Note: Based on quarter-over-quarter share price performance, as of June 30th, 2022

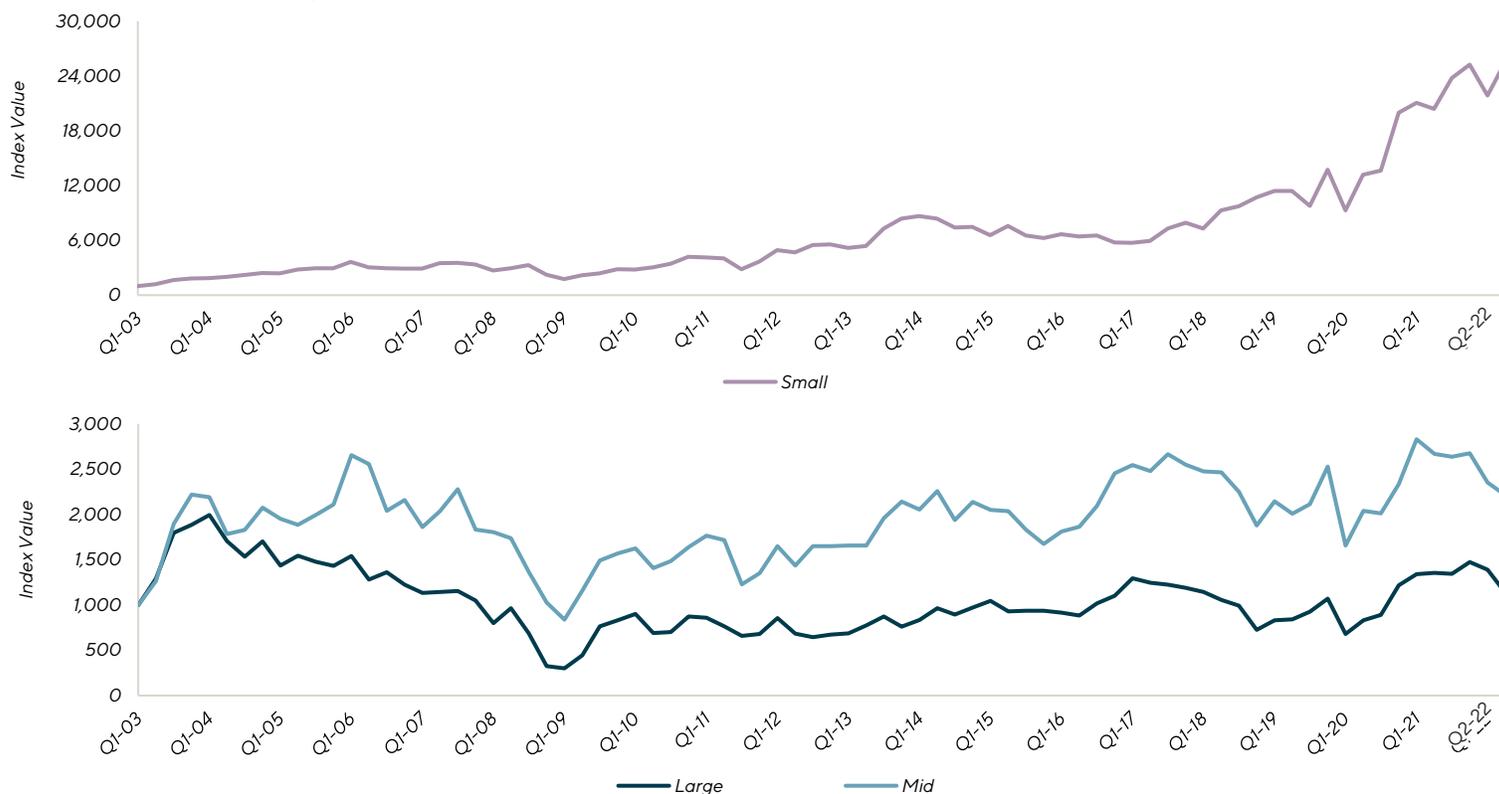
Source: CapitalIQ as of June 30th, 2022

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

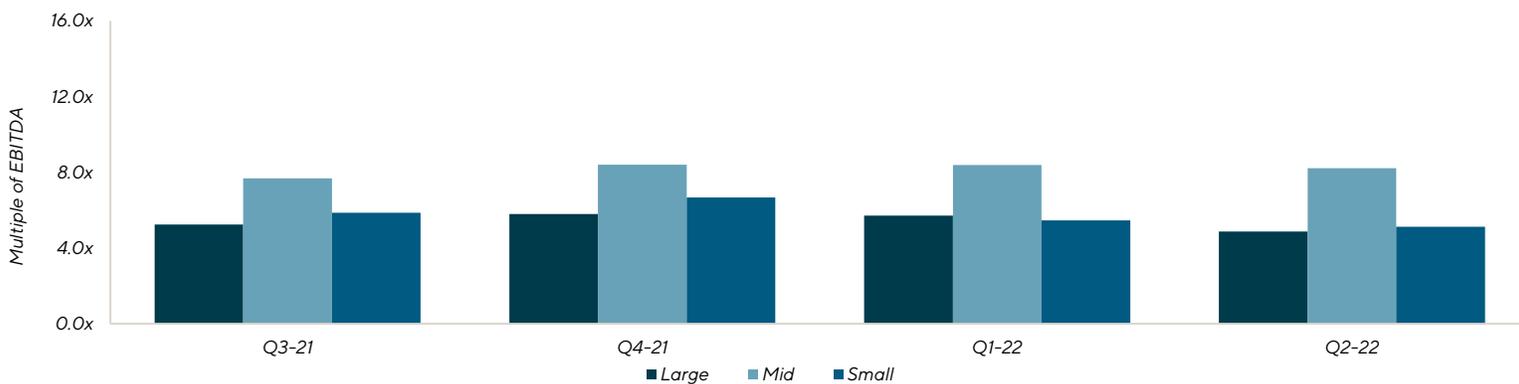
S&P Index vs. EMS Stock Index Quarter Change



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	Market Cap (\$ in mm)	Net Debt (\$ in mm)
Large									
Celestica Inc.	\$9.72	\$6,264	\$0.99	105.0	1.5x	5.0x	0.3x	\$1,206	\$439
Flex Ltd.	14.47	26,041	1.94	57.9	1.3x	5.1x	0.3x	6,622	1,920
Jabil Inc.	51.21	31,857	5.83	34.9	1.0x	4.1x	0.3x	7,232	2,382
Sanmina Corporation	40.73	6,971	4.31	69.8	1.7x	5.2x	0.3x	2,478	(183)
Mid									
Benchmark Electronics, Inc.	\$22.56	\$2,386	\$1.08	96.8	2.1x	6.4x	0.4x	\$793	\$57
Key Tronic Corporation	4.41	538	0.23	131.2	2.1x	8.7x	0.3x	47	133
Kimball Electronics, Inc.	20.1	1,305	1.41	89.2	1.8x	7.5x	0.5x	499	105
Plexus Corp.	78.5	3,364	3.87	134.1	1.5x	10.3x	0.7x	2,176	144
Small									
Nortech Systems Incorporated	\$14.00	\$124	\$3.08	83.1	2.1x	5.9x	0.4x	\$38	\$18
SigmaTron International, Inc.	7.06	379	1.92	105.1	1.7x	4.4x	0.3x	36	80

Sources: Bloomberg, Capital IQ and company filings, as of June 30th, 2022



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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About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, and valuations and fairness opinions. As one tightly integrated team of more than 800 professionals in more than 20 offices in 15 countries, we offer an unobstructed perspective on the global private capital markets, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at: www.lincolninternational.com.

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