

EMS
Quarterly
Review
Q4 2021



Announcements

December 29, 2021:

East West Manufacturing has acquired Operations of Compass Electronics

December 28, 2021:

LACROIX Group and Bpifrance have acquired Firstronic, LLC

December 1, 2021:

Flex Ltd. has acquired Anord Mardix Inc.

November 1, 2021:

Celestica Inc. has acquired PCI Private Limited



Lincoln Perspective

There were 33 EMS transactions recorded in 2021, slightly up from the 26 recorded in 2020. The primary driver of the consistent transaction activity was due to the favorable EMS industry tailwinds from the ongoing Electronics Super-Cycle. There continues to be further investment by private equity into EMS as well as consolidations through existing private equity-backed platforms and strategic investment. EMS consolidations were the most common type of transaction with 23 transactions in 2021, or 70% of total activity, compared to 17 transactions in 2020 which represented 65% of activity in 2020.

In 2021, there were four vertical/horizontal convergences, slightly up from the three recorded in 2020, which represented 12% of the total, similar to 2020's proportion.

Private equity investments accounted for three transactions in 2021, representing the same number of investments recorded for 2020. This type of transaction represented approximately 9% of the total transactions for 2021, lower than the 12% mix of the total for 2020. There were no EMS divestitures during 2021, which is comparable with the one EMS divestiture in 2020. There were two

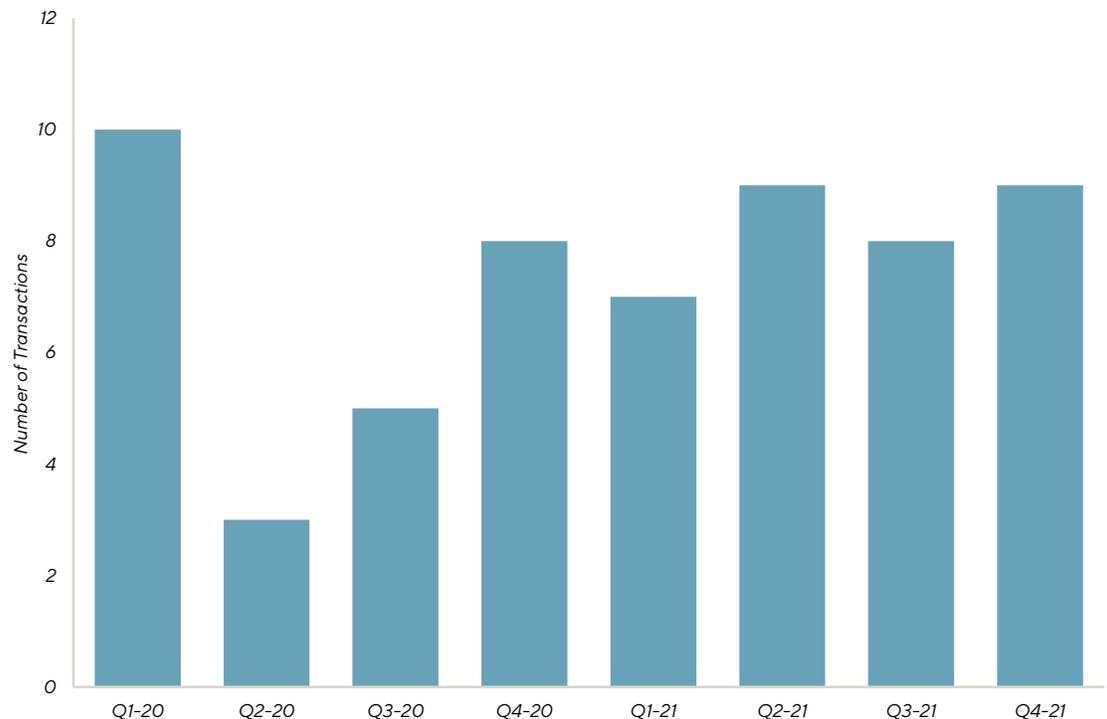
transactions categorized as diversification into EMS during 2021, which is consistent with the two transactions (8% of total activity) in this category for 2020. There was one original equipment manufacturer divestiture in 2021.

In terms of geography, 14 of the transactions were completed in North America. This represented 42% of total transaction activity in 2021. In Europe 11 transactions were completed in 2021, representing 33% of total activity. There was one transaction recorded within Asia in 2021. Four cross-border (high/high) transactions were recorded in 2021 representing 12% of total transaction activity.

In terms of transaction size, small tier EMS providers accounted for 85% of the 2021 transaction volume with 28 acquisitions. Mid tier providers accounted for three acquisitions, representing approximately 9% of total activity. For the mid tier, this represents a slight increase compared to the two transactions recorded in 2020. Large tier EMS providers accounted for two transactions, a slight increase from the one transaction in 2020.

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Quarter-over-Quarter Completed EMS Transactions

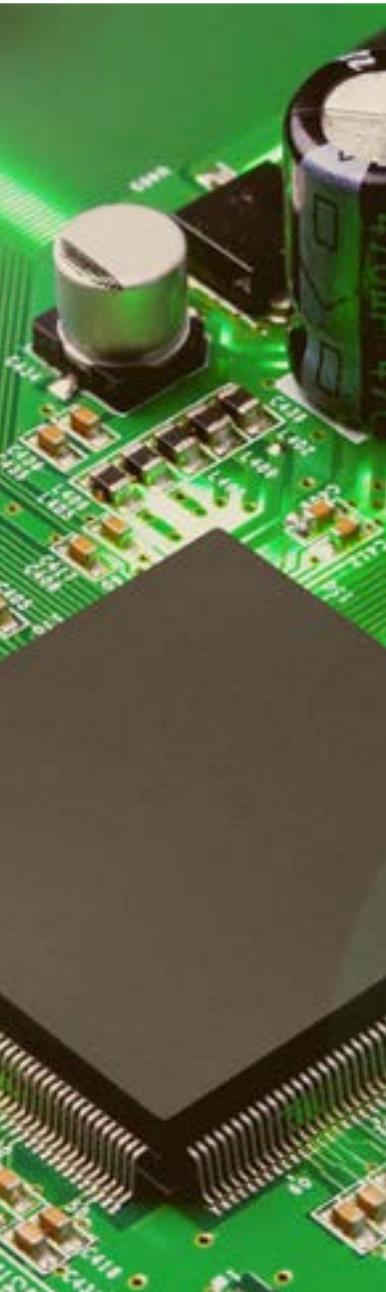


EMS Size Guide (Sales Dollars)

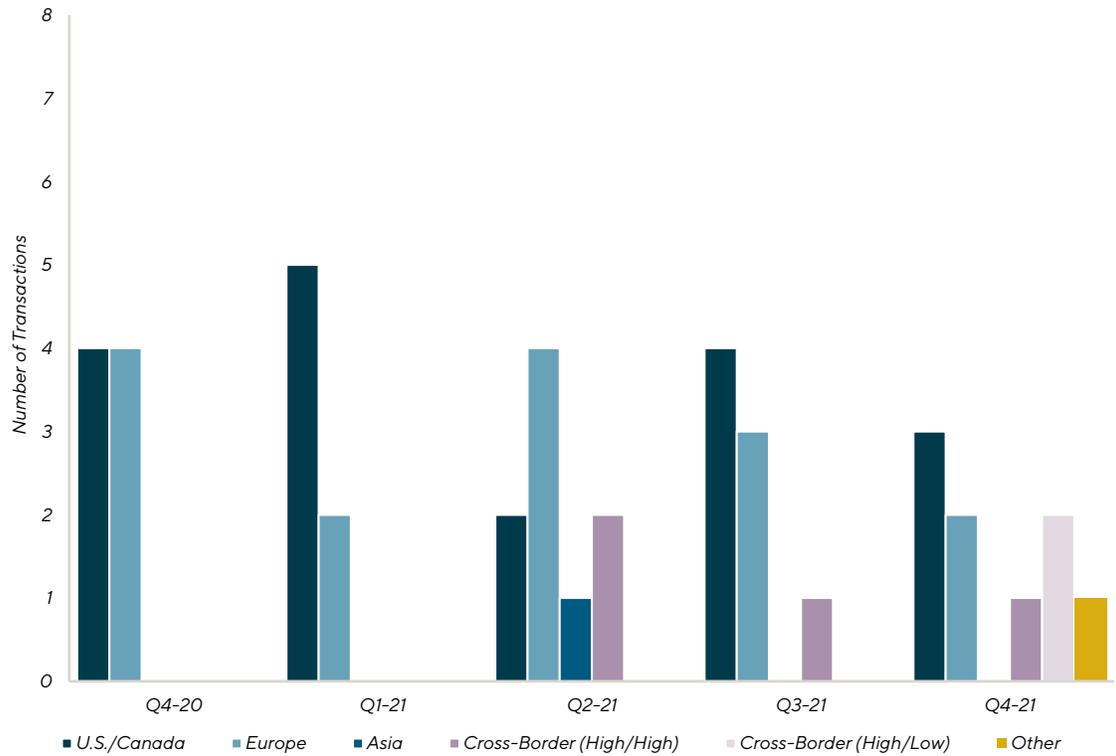
- **Large (Tier I) Greater than \$3 billion**
- **Mid (Tier II) \$300 million to \$3 billion**
- **Small (Tier III) Below \$300 million**

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.

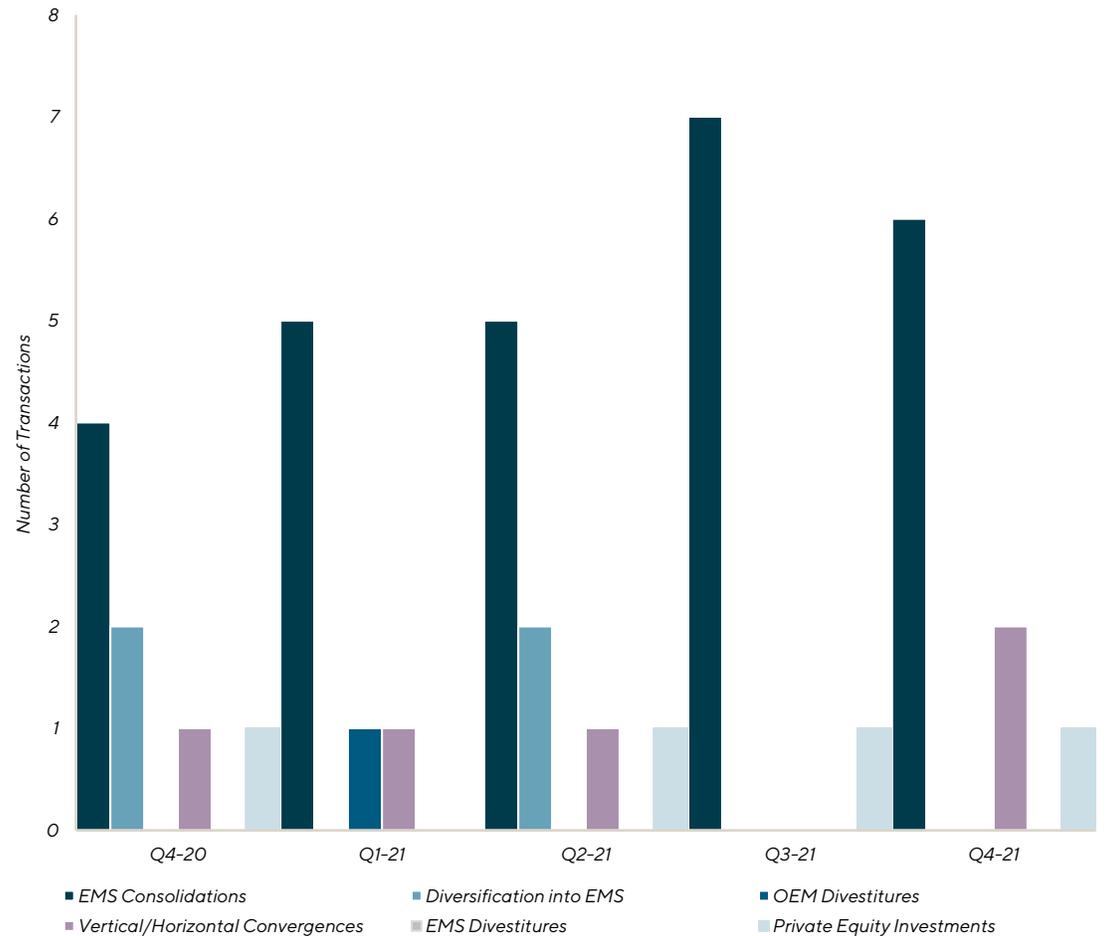
Note: Companies are included in a given tier by falling within the threshold for two consecutive quarters.



Quarterly Comparison—EMS M&A by Geography



Quarterly Comparison—EMS M&A by Deal Type



Current EMS Market Highlights

The overall Lincoln EMS stock index decreased 3.7% from last quarter primarily driven by a significant decline in the mid index, which declined by 12.5%. The large index also declined by 2.0%. The small index, however, grew by 6.7%.

EMS Stock Index Underperforms S&P

Current EMS Market Highlights

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.

Winners Circle		Tier
Celestica Inc.	21.5%	I
Benchmark Electronics, Inc.	(7.2%)	II
SigmaTron International, Inc.	(12.0%)	III

EBITDA Margins	
Large Tier	6.1%
Mid Tier	5.3%
Small Tier	4.7%

Worst Performers		Tier
Flex Ltd.	(7.4%)	I
Kimball Electronics, Inc.	(22.0%)	II
Nortech Systems Incorporated	(12.2%)	III

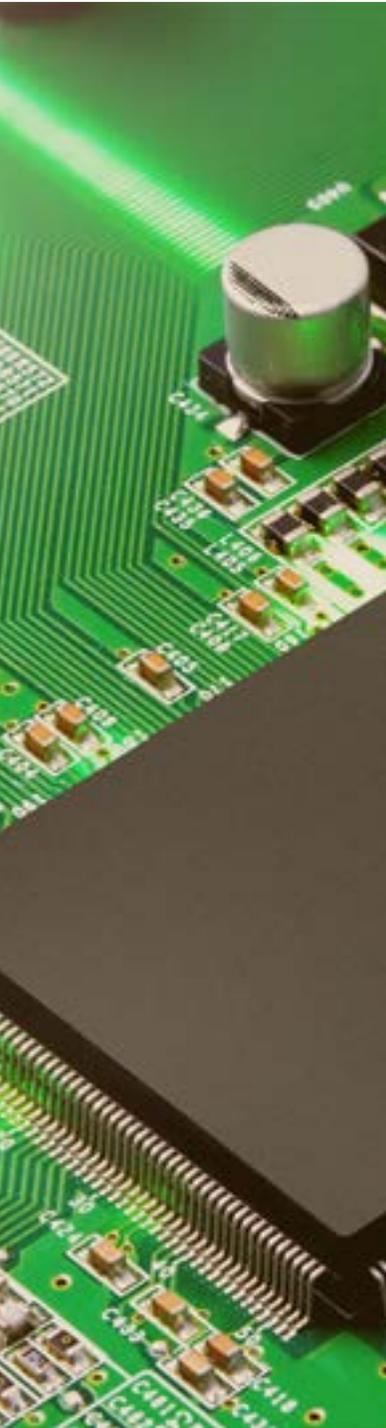
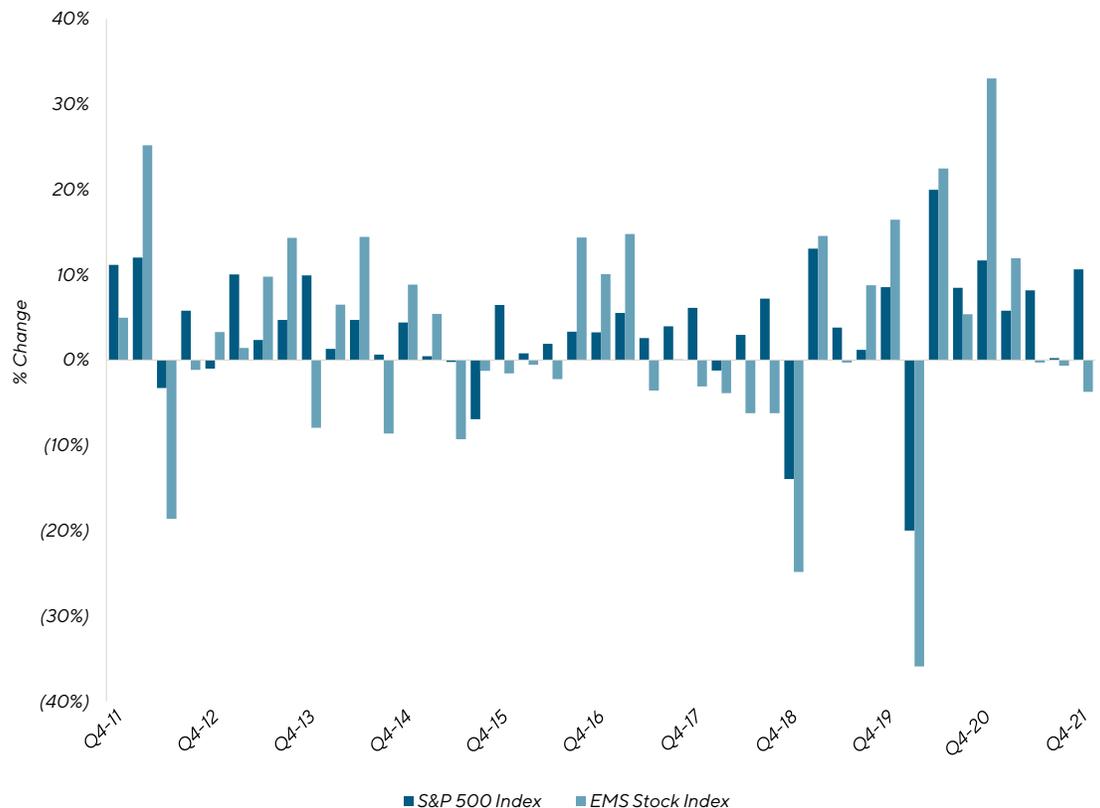
Year-over-Year Last Twelve Months Revenue Growth	
Large Tier	3.5%
Mid Tier	4.0%
Small Tier	14.3%

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

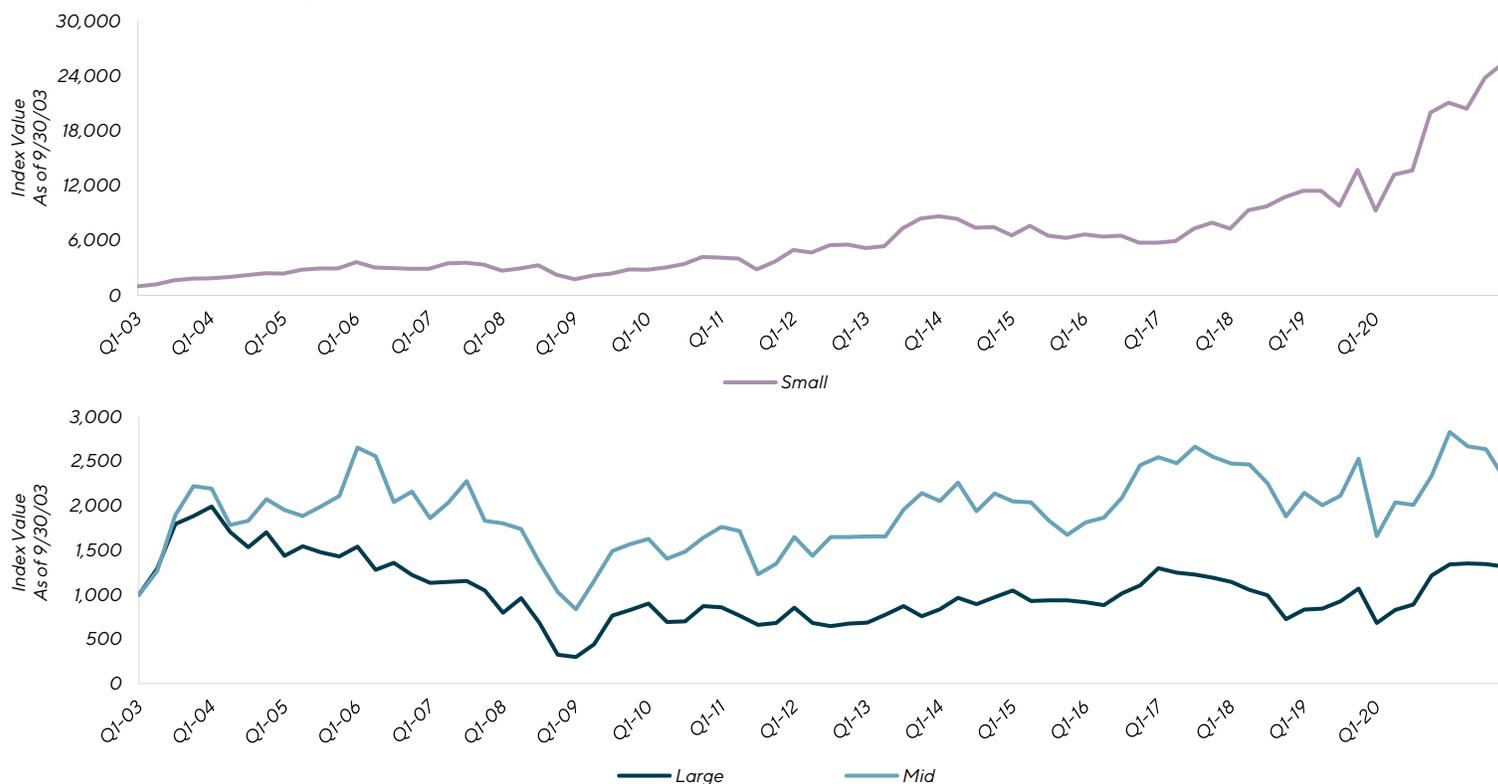
Source: Capital IQ as of January 24, 2022

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

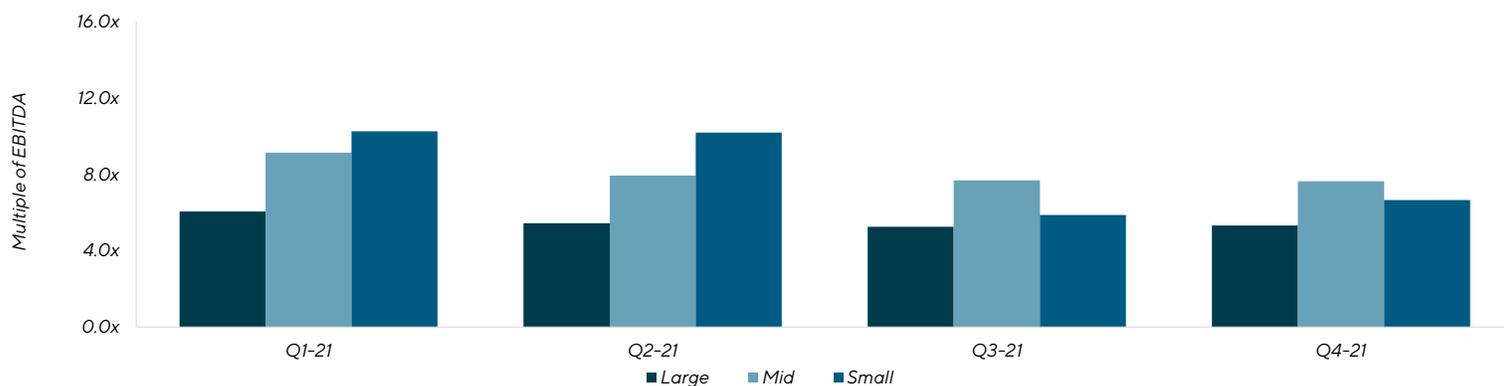
S&P Index vs. EMS Stock Index Quarter Change



EMS Stock Index by Size



Enterprise Value⁽¹⁾ / EBITDA



(1) Enterprise value is calculated as market cap on January 24, 2022 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	MarketCap (\$ in mm)	Net Debt (\$ in mm)
Large									
Celestica Inc.	\$10.79	\$5,635	\$0.82	108.7	1.5x	5.5x	0.3x	\$1,341	\$408
Flex Ltd.	16.38	25,456	2.05	53.9	1.4x	5.5x	0.4x	7,709	2,417
Jabil Inc.	62.17	30,019	4.89	24.6	1.0x	5.2x	0.4x	8,920	2,212
Sanmina Corporation	37.22	6,759	4.18	66.6	1.7x	5.0x	0.3x	2,396	(302)
Mid									
Benchmark Electronics, Inc.	\$24.80	\$2,144	\$0.85	97.6	2.1x	7.1x	0.4x	\$874	\$(44)
Key Tronic Corporation	6.03	528	0.30	124.3	2.3x	9.0x	0.4x	65	132
Kimball Electronics, Inc.	20.11	1,253	1.68	78.1	1.8x	5.6x	0.4x	505	(13)
Plexus Corp.	79.41	3,356	4.35	123.7	1.6x	8.8x	0.7x	2,224	167
Small									
Nortech Systems Incorporated	\$10.10	\$106	\$(0.50)	101.2	1.6x	7.5x	0.5x	\$27	\$23
SigmaTron International, Inc.	7.81	334	3.13	102.1	1.8x	5.8x	0.3x	46	66

Sources: Bloomberg, Capital IQ and company filings, as of January 24th, 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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