

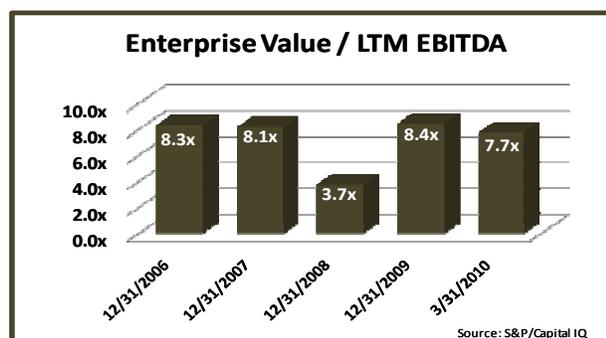
EMS Industry Update - 1st Quarter 2010

by **STRATEGICADVISORS**
Middle Market Investment Bankers

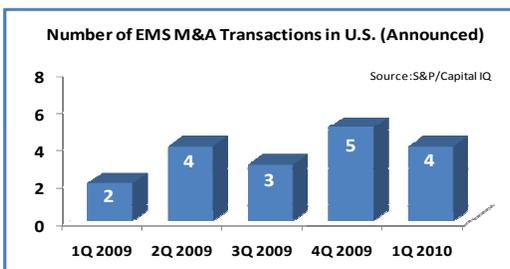
> According to IPC, the North American EMS industry is more likely to expand capacity and to purchase new equipment in 2010 than it did during 2009. Last year, 17% of the companies participating in IPC's North American EMS statistical program indicated they would "very likely" or "definitely" add assembly capacity. Nearly twice as many companies responded "very likely" or "definitely" to the same questions in 2010.

> The Manufacturing Market Insider published its annual list of the Top 50 EMS Global Providers for 2009. Of the companies listed, the following ten were headquartered in the U.S.

- > Benchmark Electronics - Angleton, CA
- > CTS Electronics Man. Solutions - Bloomington, IN
- > DRS Technologies - Parsippany, NY
- > EPIC Technologies - Norwalk, OH
- > Jabil Circuit - St. Petersburg, FL
- > Kimball Electronics Group - Jasper, IN
- > LaBarge - St. Louis, MO
- > OnCore Manufacturing - San Jose, CA
- > Plexus - Neenah, WI
- > Sanmina-SCI - San Jose, CA



> There were four EMS Industry M&A transactions in the first quarter of 2010, which is comparable to the activity seen throughout much of 2009 but well below the levels seen in previous years. Valuation multiples of public EMS companies dropped slightly from the levels seen at the end of 2009, as seen in the chart above.



> The global economic recession resulted in a 13.4% decline in revenues for EMS providers and ODMs in 2009. The iSuppli Corporation sees a turnaround for the industry this year, forecasting it to grow 7.8% from \$260.5 billion in 2009, to \$280.8 billion in 2010. This growth rate is equal to the compound annual growth rate *Electronic Trend Publications* forecasted for the EMS industry during the 2008-2013 period.

> According to iSuppli, global semiconductor suppliers are expected to maintain lean stockpiles in the beginning of 2010 to maintain profitability amid still uncertain economic conditions. Days of Inventory (DOI) for semiconductor suppliers were expected to decline to 68.3 days at the end of the first quarter. This is approximately 6.9% below normal inventory levels for this time of year. While many EMS providers are finding it difficult to obtain components needed to manufacture their customers' products, it appears there will not be much help in the short-term from semiconductor suppliers. iSuppli expects conditions to improve and DOI to stabilize to 70 days by the end of 2010.

1Q 2010 Announcements

> Kuchera Industries, Inc. and Kuchera Defense Systems, Inc. were sold to API Technologies Corp. (OTCBB:ATNY) in January for approximately \$29.1 million in cash and stock. The combined companies generated approximately \$65 million in revenues in the 12-months ended June 30, 2009, indicating an enterprise value of approximately 0.45 times revenues.

> Alternative Microwave Resources, Inc., a New Hampshire-based contract manufacturer specializing in hybrid assembly, engineering and testing of RF and microwave modules, was sold to SemiGen Inc. in March.