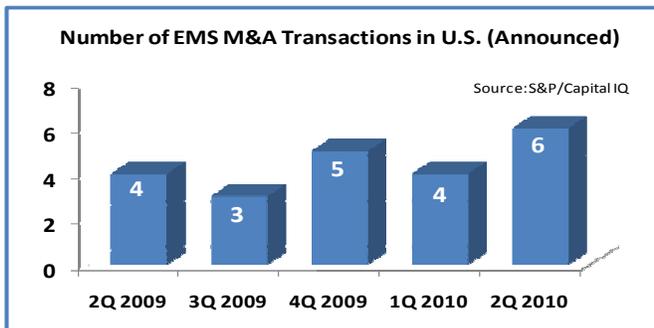


# EMS Industry Update - 2nd Quarter 2010



> As the economy continued to improve during the second quarter of 2010, EMS companies became more comfortable with their projected performances and increasingly pursued acquisitions. Aiding the improvement in M&A activity was the continued loosening of the credit markets. While some economic indicators tapered down towards the end of the quarter, it is likely that mergers and acquisitions in the industry will continue at a higher pace than exhibited in 2009.

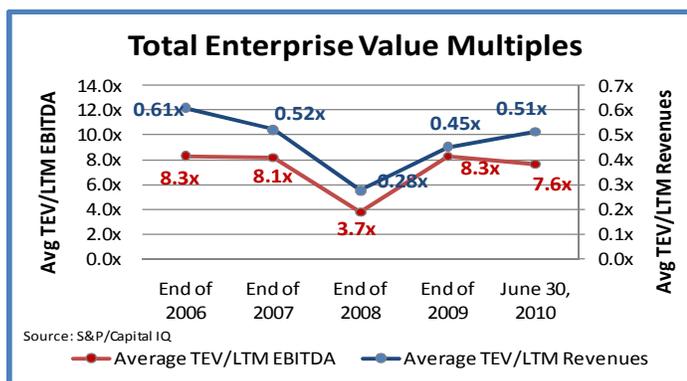


> There was no slowing in electronic components orders in June as they reached their highest level in two years, according to the Electronic Components Association (ECA). The ECA reported that the electronics components index had been moving in tandem with the Dow Jones for a period of time; however, this trend reversed as the Dow Jones had its worst June since the Great Depression.

> The Semiconductor Industry Association (SIA) reported global sales of semiconductors were \$24.7 billion in May, representing a 47.6% improvement from May 2009 when sales were \$16.7 billion. This level is also 4.5% higher than April 2010's \$23.6 billion in global sales. Worldwide sales of semiconductors are on pace to reach the \$290.5 billion sales that SIA predicted for 2010, representing a 28.5% year-over-year growth. Industries leading the way for this growth are automobiles, cellular phones, personal computers and corporate information technology.

> EMS providers are weary that the industry's recovery from a difficult 2009 is being jeopardized by long lead times and component shortages. While industry sales are on pace for a substantial improvement year-over-year, turning demand into deliverable product has been difficult for some EMS companies.

> Average valuation multiples for public EMS companies decreased since the end of 2009, standing at approximately 7.6x Last Twelve Months (LTM) EBITDA and 0.51x LTM Revenues as of the end of the 2nd quarter. Private companies are generally discounted between 20%-40% from public companies due to their size and the lack of liquidity of their shares. This suggests private EMS companies are currently valued between 4.5x-6.0x EBITDA.



## 2Q 2010 Announcements

- > On June 28, it was announced that Integrated Micro-Electronics Inc. (PSE: IMI) and Narra Venture Capital agreed to acquire 67% stake in PSi Technologies Inc. (OTCPK: PSIT.Y) for \$30 million in cash. Pursuant to the transaction, Integrated Micro-Electronics will own 56% of PSi Technologies while NarraVC will hold 11%.
- > On June 1, Alta Manufacturing acquired NRC Manufacturing. The combined firm will have two factories, one in Fremont, CA and one in China.
- > Nortech Systems Inc. (NasdaqCM: NSYS) acquired all the assets of TriVirix International Inc. for \$0.4 million on May 4, 2010. Under the terms of the deal, Nortech acquired all intellectual property and assets of TriVirix, excluding cash and receivables.