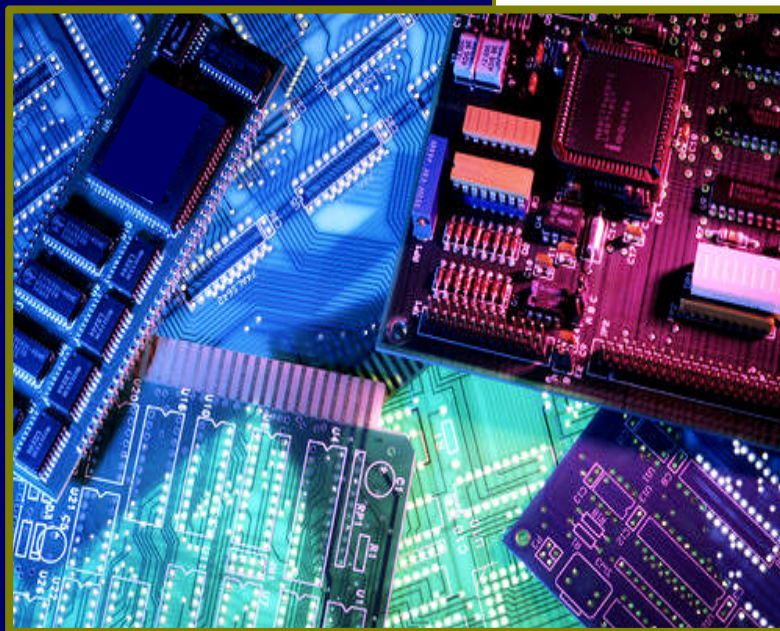


# Electronic Components

M&A Update Report

“Market Intelligence for Private Business Owners”

Q4 2013



**Capstone Partners**  
Investment Banking Advisors



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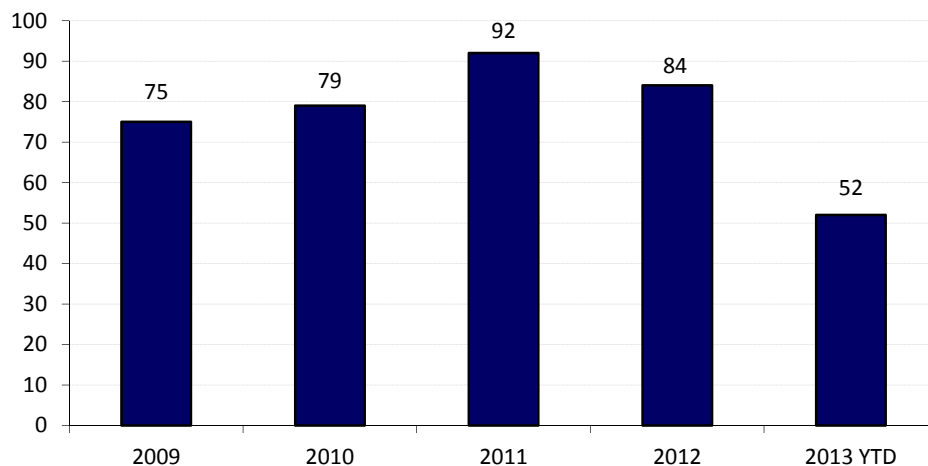
# Electronic Components

## M&A Update Report

### 2013 M&A COMMENTARY

M&A activity in the electronic components industry has remained steady since 2009, but activity lags pre-recession levels. As of October 31, there have been 52 transactions closed in 2013. In a positive indication of industry activity, Koch Industries announced the acquisition of Molex in early September at a 30%+ premium to the Company's pre-announcement share price. The transaction is subject to customary closing conditions and is expected to close before the end of the year. Other strategic acquirers who were active during 2013 include ABB Ltd., Intel, Avago Technologies, Littelfuse and Mellanox Technologies. On the private equity front, Audax Group continued its roll up strategy of electronic interconnect manufacturers through portfolio company Winchester Electronics Corporation, which in August completed its third acquisition since 2012.

### Electronic Component Transaction Trends



Source: Capstone Partners LLC research and Capital IQ  
YTD through October 31, 2013

For electronics components distributors, consolidation is expected to continue at a rapid pace as OEMs seek simplified supply chain solutions. Acquirers are looking to expand their geographic footprint, service capabilities and product portfolios to better serve end customers.

In manufacturing, M&A has served as an important growth strategy for large strategic acquirers, with buyers seeking to add high growth, high margin business lines as well as state-of-the-art technology capabilities. In addition, some conglomerates have sought to shed non-core, mature product lines to free up resources for key growth initiatives.

The global economy will continue to play an important role in M&A activity and valuations for the electronic components industry. In particular, the health and growth of the middle class in key emerging markets, including Brazil, China, India, Mexico and Russia, will be key determinants of consumer electronics demand.

## SELECTED M&amp;A ACTIVITY AND TRANSACTION VALUATIONS

| Date     | Target   | Acquirer                                  | Target Business Description   | Transaction Value (mm) | TV / LTM |        |
|----------|--|---|---|------------------------|----------|--------|
|          |  |   |   |                        | Revenue  | EBITDA |
| 10/31/13 | RadioMobile  | Private Investors                         | Provides end-to-end mobile management solutions implemented over wireless networks.   | -                      | -        | -      |
| 10/03/13 | Altanova Corporation                               | R&D Circuits                              | Designs, simulates, fabricates and assembles test interface products for semiconductor test applications.   | -                      | -        | -      |
| 10/02/13 | Smart Sensors                                      | SOR                                       | Designs and manufactures temperature sensors and related instruments for industrial applications and OEM markets.   | -                      | -        | -      |
| 10/01/13 | Parvus Corporation                                 | Curtiss-Wright Controls                   | Operates as a strategic systems engineering and development partner for aerospace, defense, transportation and industrial OEMs.                                 | \$38.0                 | 1.9x     | 7.8x   |
| 09/16/13 | Baier & Baier                                      | Secure Communication Systems              | Manufactures radio frequency filters for the commercial, industrial and military markets.   | -                      | -        | -      |
| 08/21/13 | Array Connector Corporation                        | Cinch Connectors                          | Designs and manufactures connectors including circular, tail, hermetic, filtered and nano connectors, as well as custom products.                               | -                      | -        | -      |
| 08/20/13 | Aydin Displays                                     | Sparton Corporation                       | Designs and manufactures flat panel liquid crystal display equipment and computer workstations for the industrial, military and air traffic control industries. | \$15.0                 | 0.8x     | -      |
| 08/20/13 | Renaissance Electronics & Communications           | Gen Cap America                           | Provides RF, microwave and millimeter wave solutions.   | -                      | -        | -      |
| 08/19/13 | CETAC Technologies                                 | Teledyne Instruments                      | Manufactures and distributes sample handling and sample introduction equipment for elemental analysis.  | -                      | -        | -      |
| 08/13/13 | Fujitsu Semiconductor Wireless Products            | Intel Corporation                         | Manufactures RF transceivers for mobile cellular handsets and other portable wireless devices.  | -                      | -        | -      |
| 08/12/13 | Micro-Optics Business of DigitalOptics Corporation | FLIR Systems                              | Produces and markets diffractive optical elements, refractive optical elements and integrated micro-optic sub-assemblies.                                       | -                      | -        | -      |
| 08/07/13 | Bomar Interconnect Products                        | Winchester Electronics Corporation        | Designs and manufactures connectors and accessories for RF, video and broadcast transmission applications.  | -                      | -        | -      |
| 08/07/13 | CAP Wireless                                       | TriQuint Semiconductor                    | Supplies high-performance microwave/RF amplifiers and amplifier-based subsystems to defense and communications companies.                                       | -                      | -        | -      |
| 08/01/13 | Monoprice  | Blucora                                   | E-commerce retailer of cables, electronics and electronic accessories.  | \$180.0                | 1.4x     | 11.3x  |
| 07/19/13 | Majority of Global Sales Units of Conergy          | Kawa Capital Management                   | Comprises global sales units and administrative, management and infrastructure functions of Conergy AG, including the "Conergy" brand.                          | -                      | -        | -      |
| 07/08/13 | National Hybrid                                    | Data Device Corporation                   | Designs and manufactures microcircuits for military and aerospace industries.   | \$32.5                 | -        | -      |
| 06/25/13 | MCL  | Communications & Power Industries         | Designs and manufactures power amplifiers and systems for the satellite communications market.  | -                      | -        | -      |
| 06/20/13 | IPC CalFlex  | Graphic                                   | Manufactures printed circuit boards.  | -                      | -        | -      |
| 06/04/13 | Luminus Devices                                    | Lightera Corporation                      | Develops and manufactures lighting solutions for illumination applications.   | \$22.0                 | 1.3x     | -      |
| 05/15/13 | KOTURA   | Mellanox Technologies                     | Designs, manufactures and markets application-specific integrated circuits (ASIC) for communications, computing, sensing and detection markets.                 | \$82.0                 | -        | -      |
| 04/29/13 | Computer Optics                                    | Clear Align                               | Designs and manufactures infrared and visible optic lenses.   | -                      | -        | -      |
| 04/22/13 | Power-One  | ABB                                       | Designs and manufactures power supply products for the renewable energy, servers, data storage, telecom, industrials and network power systems industries.      | \$656.4                | 0.7x     | 5.8x   |
| 04/19/13 | Javelin Semiconductor                              | Avago Technologies Wireless Manufacturing | Develops mixed-signal complementary metal oxide semiconductor ICs for wireless communications.  | -                      | -        | -      |
| 04/17/13 | Spectrum Sensors and Controls                      | Measurement Specialties                   | Manufactures and markets plastic potentiometers and contact-less position sensors and transducers.  | \$44.9                 | -        | -      |
| 04/15/13 | Hamlin Electronics                                 | Littelfuse                                | Develops, manufactures and sells position and movement sensing solutions.   | \$145.0                | 1.9x     | -      |
| 04/11/13 | CyOptics   | Avago Technologies Wireless Manufacturing | Manufactures indium phosphide based optical components for communication, defense and aerospace markets worldwide.  | \$400.0                | 1.9x     | -      |
| 03/21/13 | HT MicroAnalytical                                 | Rosenberger Hochfrequenztechnik           | Provides ultra miniature mechanical switch products for military and industrial applications.   | -                      | -        | -      |
| 03/04/13 | Secure Computing Group of Luna Innovations         | Macaulay-Brown                            | Provides innovative electronic components and methods R&D, focusing on military and national security applications.   | \$6.7                  | -        | -      |
| 02/20/13 | PHAZAR CORP  | Concorde Equity II and QAR                | Designs, manufactures and markets antenna systems, towers, support structures and communication accessories worldwide.  | \$2.3                  | 0.4x     | -      |
| 02/13/13 | Nextreme Thermal Solutions                         | Laird                                     | Designs and manufactures micro-scale thermal and power management products for various industries.  | \$60.3                 | -        | -      |
| 02/04/13 | Fiberdyne Labs                                     | Carbures Europe                           | Manufactures fiber optic networking products and photonic devices and offers installation for the CATV, telecom, enterprise and fiber to the home markets.      | -                      | -        | -      |
| 01/21/13 | UPE  | Epec                                      | Manufactures printed circuit boards, power resistors and power capacitors.  | -                      | -        | -      |
| 01/15/13 | Vantage Technology                                 | Hubbell Incorporated                      | Manufactures explosion proof power and control electrical connectors.   | \$10.4                 | -        | -      |
| 01/10/13 | KTC Wireless                                       | IQE KC                                    | Manufactures and markets heterojunction bipolar transistor materials which are used in power amplifiers as a wireless component in mobile devices.              | \$75.0                 | -        | -      |

LTM = last twelve months; TV = transaction value

Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases

## PUBLIC MARKET PERFORMANCE &amp; EQUITY VALUATIONS AS OF OCTOBER 31, 2013

| Company  | Price<br>10/31/13 | % 52 Wk<br>High | Market<br>Cap | Enterprise<br>Value | LTM        |           |              | 3-Yr Annual<br>Rev Growth | EV / LTM    |              |
|--|-------------------|-----------------|---------------|---------------------|------------|-----------|--------------|---------------------------|-------------|--------------|
|  |                   |                 |               |                     | Revenue    | EBITDA    | Margin       |                           | Revenue     | EBITDA       |
| <b>Passive &amp; Electromechanical Component Manufacturers</b> |                   |                 |               |                     |            |           |              |                           |             |              |
| Ametek Inc.  | \$47.83           | 77.1%           | \$11,681.2    | \$12,726.4          | \$3,493.5  | \$907.8   | 26.0%        | 14.7%                     | 3.6x        | 14.0x        |
| AVX Corp.  | \$13.25           | 95.1%           | \$2,234.5     | \$1,230.2           | \$1,445.6  | \$199.5   | 13.8%        | (1.9)%                    | 0.9x        | 6.2x         |
| CTS Corporation  | \$18.62           | 95.8%           | \$627.3       | \$660.2             | \$598.9    | \$66.4    | 11.1%        | 3.4%                      | 1.1x        | 9.9x         |
| KEMET Corp.  | \$5.67            | 81.3%           | \$255.7       | \$601.2             | \$818.8    | \$25.5    | 3.1%         | (3.3)%                    | 0.7x        | 23.5x        |
| TE Connectivity Ltd.   | \$51.49           | 92.3%           | \$21,293.0    | \$22,910.0          | \$13,280.0 | \$2,488.0 | 18.7%        | 4.4%                      | 1.7x        | 9.2x         |
| Vishay Intertechnology Inc.                                    | \$12.27           | 79.7%           | \$1,762.1     | \$1,036.6           | \$2,285.4  | \$338.7   | 14.8%        | (4.7)%                    | 0.5x        | 3.1x         |
| <b>Mean</b>  |                   |                 |               |                     |            |           | <b>14.6%</b> | <b>2.1%</b>               | <b>1.4x</b> | <b>11.0x</b> |
| <b>Median</b>  |                   |                 |               |                     |            |           | <b>14.3%</b> | <b>0.8%</b>               | <b>1.0x</b> | <b>9.6x</b>  |
| <b>Harmonic Mean</b>   |                   |                 |               |                     |            |           | <b>9.3%</b>  | <b>NA</b>                 | <b>0.9x</b> | <b>7.4x</b>  |

| Company                      | Price<br>10/31/13 | % 52 Wk<br>High | Market<br>Cap | Enterprise<br>Value | LTM        |         |             | 3-Yr Annual<br>Rev Growth | EV / LTM    |             |
|------------------------------|-------------------|-----------------|---------------|---------------------|------------|---------|-------------|---------------------------|-------------|-------------|
|                              |                   |                 |               |                     | Revenue    | EBITDA  | Margin      |                           | Revenue     | EBITDA      |
| <b>IP&amp;E Distributors</b> |                   |                 |               |                     |            |         |             |                           |             |             |
| Anixter International Inc.   | \$85.49           | 95.4%           | \$2,781.9     | \$3,521.7           | \$6,172.4  | \$360.1 | 5.8%        | 6.5%                      | 0.6x        | 9.8x        |
| Arrow Electronics, Inc.      | \$48.02           | 94.3%           | \$4,837.6     | \$6,535.2           | \$20,606.6 | \$815.6 | 4.0%        | 5.2%                      | 0.3x        | 8.0x        |
| Avnet, Inc.                  | \$39.70           | 92.6%           | \$5,461.6     | \$6,675.2           | \$25,934.3 | \$951.0 | 3.7%        | 7.3%                      | 0.3x        | 7.0x        |
| Ingram Micro Inc.            | \$23.17           | 95.4%           | \$3,571.5     | \$3,908.0           | \$42,101.0 | \$646.6 | 1.5%        | 7.9%                      | 0.1x        | 6.0x        |
| Tech Data Corp.              | \$51.91           | 95.1%           | \$1,960.2     | \$2,086.8           | \$25,361.0 | \$356.7 | 1.4%        | 4.7%                      | 0.1x        | 5.9x        |
| WESCO International Inc.     | \$85.46           | 99.2%           | \$3,777.0     | \$5,255.9           | \$7,277.7  | \$438.3 | 6.0%        | 14.4%                     | 0.7x        | 12.0x       |
| <b>Mean</b>                  |                   |                 |               |                     |            |         | <b>3.7%</b> | <b>7.7%</b>               | <b>0.3x</b> | <b>8.1x</b> |
| <b>Median</b>                |                   |                 |               |                     |            |         | <b>3.8%</b> | <b>6.9%</b>               | <b>0.3x</b> | <b>7.5x</b> |
| <b>Harmonic Mean</b>         |                   |                 |               |                     |            |         | <b>2.7%</b> | <b>6.7%</b>               | <b>0.2x</b> | <b>7.6x</b> |

| Company                                     | Price<br>10/31/13 | % 52 Wk<br>High | Market<br>Cap | Enterprise<br>Value | LTM       |           |              | 3-Yr Annual<br>Rev Growth | EV / LTM    |              |
|---|-------------------|-----------------|---------------|---------------------|-----------|-----------|--------------|---------------------------|-------------|--------------|
|   |                   |                 |               |                     | Revenue   | EBITDA    | Margin       |                           | Revenue     | EBITDA       |
| <b>Interconnect Component Manufacturers</b> |                   |                 |               |                     |           |           |              |                           |             |              |
| Amphenol Corporation                        | \$80.29           | 93.7%           | \$12,778.8    | \$13,374.0          | \$4,514.9 | \$1,015.2 | 22.5%        | 10.3%                     | 3.0x        | 13.2x        |
| Belden Inc.                                 | \$67.26           | 95.7%           | \$2,932.6     | \$3,772.6           | \$2,037.1 | \$303.8   | 14.9%        | 10.1%                     | 1.9x        | 12.4x        |
| Black Box Corporation                       | \$25.04           | 79.3%           | \$402.1       | \$548.4             | \$983.5   | \$83.6    | 8.5%         | (1.6)%                    | 0.6x        | 6.6x         |
| Coleman Cable, Inc.                         | \$24.60           | 92.8%           | \$454.6       | \$760.6             | \$919.2   | \$89.3    | 9.7%         | 15.0%                     | 0.8x        | 8.5x         |
| General Cable Corp.                         | \$32.93           | 88.7%           | \$1,638.6     | \$2,828.4           | \$6,282.7 | \$305.5   | 4.9%         | 11.6%                     | 0.5x        | 9.3x         |
| Hubbell Inc.                                | \$107.54          | 95.1%           | \$6,279.6     | \$6,244.0           | \$3,129.8 | \$563.1   | 18.0%        | 7.9%                      | 2.0x        | 11.1x        |
| Methode Electronics, Inc.                   | \$25.58           | 86.0%           | \$953.1       | \$932.4             | \$568.4   | \$54.8    | 9.6%         | 13.8%                     | 1.6x        | 17.0x        |
| Molex Incorporated*                         | \$38.63           | 99.4%           | \$6,905.9     | \$6,587.2           | \$3,639.9 | \$637.7   | 17.5%        | 4.1%                      | 1.8x        | 10.3x        |
| <b>Mean</b>                                 |                   |                 |               |                     |           |           | <b>13.2%</b> | <b>8.9%</b>               | <b>1.5x</b> | <b>11.0x</b> |
| <b>Median</b>                               |                   |                 |               |                     |           |           | <b>12.3%</b> | <b>10.2%</b>              | <b>1.7x</b> | <b>10.7x</b> |
| <b>Harmonic Mean</b>                        |                   |                 |               |                     |           |           | <b>10.6%</b> | <b>NA</b>                 | <b>1.0x</b> | <b>10.3x</b> |

\*Note: Molex entered into a Definitive Agreement to be acquired by Koch Industries at an implied EV of \$7,229 on September 9, 2013.

LTM = last twelve months; EV = enterprise value


Sources: Capital IQ and public filings

**CAPSTONE PARTNERS: SELECTED ELECTRONIC COMPONENT AND EMS TRANSCATIONS**


Capstone Partners has completed several transactions within the electronic components and EMS space. These transactions span the major categories of manufacturing and distribution. In some instances the transactions encompassed the sale of 100% of the company. In others, they included the sale of only certain assets or they involved recapitalizations by private equity groups. Capstone’s experience in the electronic components industry provides us with insight into the valuable attributes and likely valuation of a target company, the active buyers in the industry and the nuances of transactions in this space.




*has sold  
certain assets to*


*has been  
acquired by*





*has been  
acquired by*


*has recapitalized  
with*




*has been  
acquired by*


*valuation &  
financial advisory*





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## ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial and Technology & Telecom. The firm also has a merchant banking capability to actively co-invest in transactions. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego and Silicon Valley.

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