



Capstone Headwaters

INTERCONNECT COMPONENTS Q1 2019

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CONTRIBUTORS

Todd McMahon
Managing Director
617-619-3334
tmcmahon@capstoneheadwaters.com

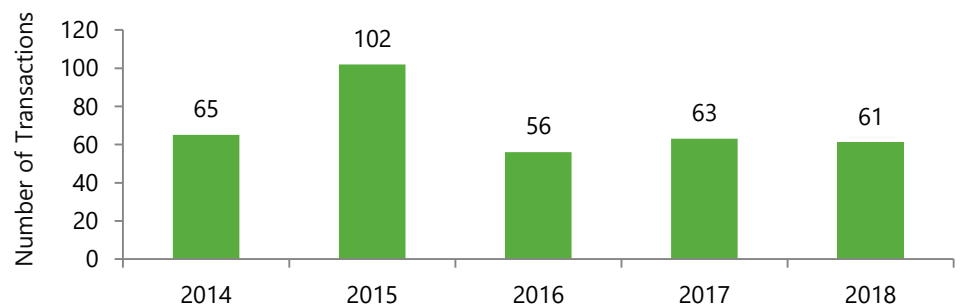
John Ferrara
Founder & CEO
617-619-3325
jferrara@capstoneheadwaters.com

MERGER & ACQUISITION OVERVIEW

Secular tailwinds, including increased industrial automation, the application of smart building technology, the proliferation of video consumption, and sophisticated bandwidth capabilities, have propelled the Interconnect Components industry to a period of rapid growth. As the transmission and securing of data across these end-markets has become more complex, key fiber and copper cabling and connectivity solutions are required to successfully facilitate the movement of data. Consequently, organizations in the space are aggressively pursuing initiatives to strengthen offerings in the space, through both organic investments and acquisitive growth strategies.

With 61 transactions announced or closed in 2018, merger and acquisition (M&A) activity in the Interconnect Components industry approached the total volume recorded in 2017 (63). Year-over-year, private equity firms increased their share of deal volume in the space, accounting for 35.1% of transactions this year, compared to 23.4% during 2017. Amphenol Corporation (NYSE:APH), a leading manufacturer of interconnect products, demonstrated an appetite for inorganic growth with the acquisition of three companies during 2018 in an effort to expand its sensor technology solutions. Amphenol acquired CTI Holdings, a manufacturer of interconnect assemblies for IT Datacom and industrial applications (January, terms undisclosed); the Controls Technologies Division of SSI Technologies in November (\$400.0 million), and All Sensors Corporation in June (undisclosed).

M&A Activity: Interconnect Components



Source: Capital IQ, Pitchbook and Capstone Headwaters Research



SEGMENT HIGHLIGHT: WIRE & CABLE MANUFACTURING

Within the Wire & Cable Manufacturing segment, Southwire is the leading player with a 17.9% share of revenue, followed by Encore Wire Corporation (7.7%) and Prysmian (BIT:PRY) (5.0%), according to IBISWorld.¹ While these three companies account for 30.6% of the market, the remainder of the industry is highly fragmented with a multitude of mid-sized operators that focus on one or two varieties of wire and cable with regionally concentrated sales.

The power generation and transmission end-market, which includes the wiring that delivers the electricity from power generators to distribution centers to final consumers, accounts for 30.5% of industry revenue. Expenditures in privatized power grids have been and should continue to be fueled by the aging infrastructure.

Industrial markets account for an estimated 16.6% of industry revenue, an area that has been bolstered by improved economic conditions for industrial production.

Approximately 30.0% of companies in the space have between 20 and 99 employees, and, as such, there is ample opportunity for large players to consolidate and reduce costs by capitalizing on the benefits of vertical integration and economies of scale.

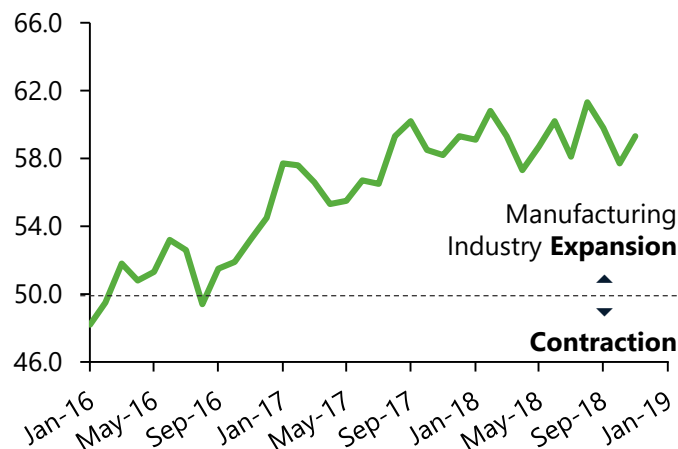
Prysmian Group completed its \$2.9 billion acquisition of General Cable in June, combining two of the premier companies in the Cable industry, to ultimately enhance Prysmian’s position in the sector and strengthen its ability to meet future opportunities and challenges that are expected to occur in the dynamic and evolving industry.

MACROECONOMIC DYNAMICS

Purchasing Managers’ Index



Prolonged Manufacturing and Industrial production continues to be a main driver for the Interconnect Components industry. According to the Institute for Supply Management’s (ISM) January 2019 Report on Business, the Manufacturing industry grew for the 29th consecutive month as the Purchasing Managers’ Index (PMI) registered 56.6% for January.²

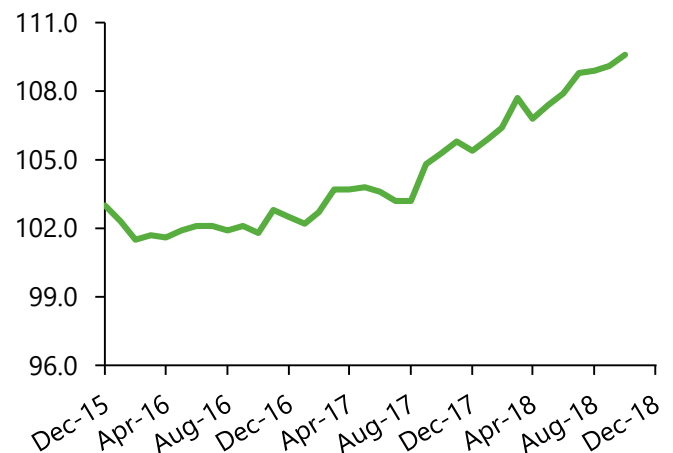


Source: Institute for Supply Management

Industrial Production Index



Industrial production rose to 109.9 in December, according to the Federal Reserve.³ This represents a slight increase from that recorded for November and 4.0% higher than it was a year ago. Capacity utilization, a measure of slack in the economy registered 78.7%, in-line with the three-year high registered during August.



Source: Federal Reserve Board



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
11/30/18	Milrail	TPC Wire & Cable	Manufactures and supplies wire, cable, interconnect devices, and grounding systems.	-	-	-
11/27/18	SSI Controls Technologies	Amphenol	Manufacturing sensor components.	\$400.0	2.2x	-
10/01/18	Agile Magnetics	Standex International	Engaged in designing and manufacturing custom transformers, inductors, coils, chokes, and assemblies.	\$39.0	2.3x	-
09/18/18	Advanced MP Technology	America II Electronics	Sources and distributes electronic components.	-	-	-
08/21/18	W-Technology	Winchester Interconnect	Develops rotatable connectors, precision machined down-hole components, and cable assemblies.	-	-	-
07/25/18	All Sensors Corporation	Amphenol	Manufactures pressure sensors and transducers.	-	-	-
07/25/18	Amphenol Ardent Concepts	FCI USA	Provides electronic interface products.	-	-	-
07/10/18	Winchester Interconnect	Aptiv PLC	Designs, develops, and delivers interconnect solutions.	\$650.0	2.6x	-
06/15/18	Merit Cables	ADDvise Group	Offers cables, connectors, and lead wires.	\$1.6	0.6x	6.4x
05/22/18	Pulse Electronics	Yageo	Produces precision-engineered electronic components.	\$740.0	1.8x	-
05/08/18	B3CG Interconnect	AQ Group	Engages in the assembly of electric cables and harnesses.	\$15.1	-	-
04/26/18	MC Electronics	Volex	Provides contract manufacturing services in the areas of harness, cable, and electro-mechanical assemblies.	\$3.7	0.2x	-
04/26/18	Electrical Components	Cerberus Capital Management	Manufactures wire harnesses and leads, subassemblies, and other value-added assemblies.	-	-	-
04/24/18	Pontiac Coil	Sumida	Designs and manufactures fuel components for gas and diesel engines.	\$55.0	1.2x	-
04/18/18	Tools and Test Business, Textron	Emerson Electric	Manufactures electrical and utility tools, cable connectors, and mechanical hydraulic tools.	\$810.0	1.7x	-
03/26/18	CoAdna	II-VI Incorporated	Develops, produces, and supplies photonic components and modules for optical networks.	\$44.9	1.6x	-
03/12/18	Oclaro	Lumentum	Manufactures optical components and modules.	\$1,489.7	2.5x	10.4x
03/06/18	CableMasters	Focus Universal	Provides wire cabling and wireless solutions for full variety of network cable applications.	-	-	-
01/24/18	CTI Holdings	Amphenol	Designs and manufactures interconnect assemblies for IT Datacom and industrial applications.	-	-	-
01/24/18	Atrenne Integrated Solutions	Celestica	Delivers integrated components, electronic assemblies, and value-add solutions to industrial markets	\$139.0	-	-
01/03/18	Ethertronics	AVX	Manufactures passive and active antenna systems.	\$150.0	1.7x	-
12/29/17	C&M Corporation	Winchester Electronics	Manufactures standard and custom cable products.	-	-	-
12/04/17	General Cable	Prysmian	Designs and manufactures copper, aluminum, and fiber optic wire and cable products.	\$2827.1	0.8x	34.8x

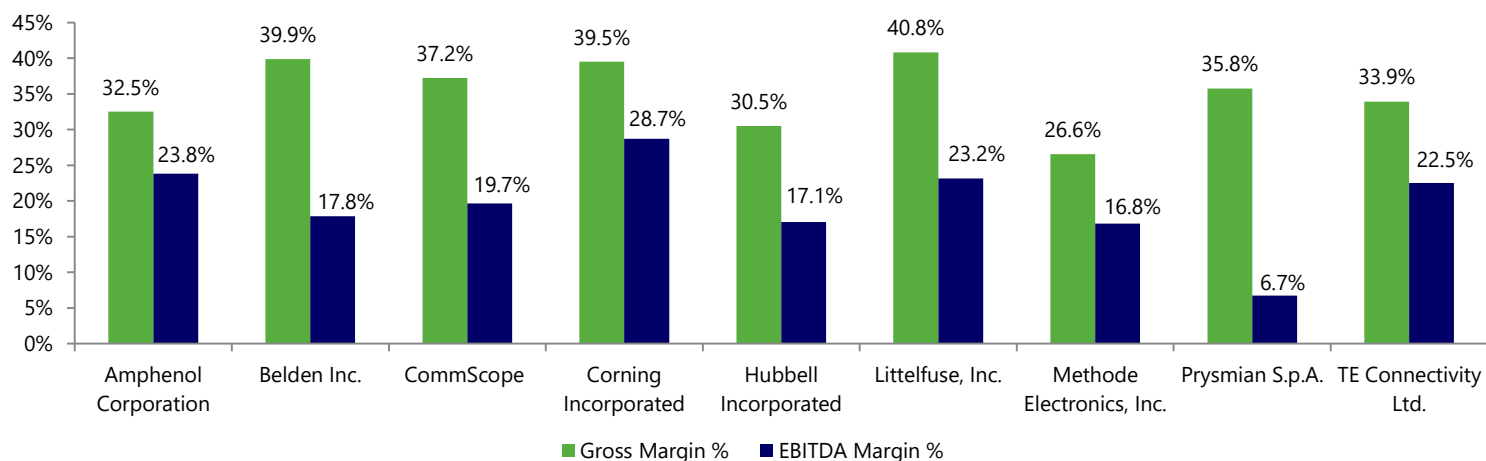


PUBLIC COMPANY TRADING & OPERATING DATA

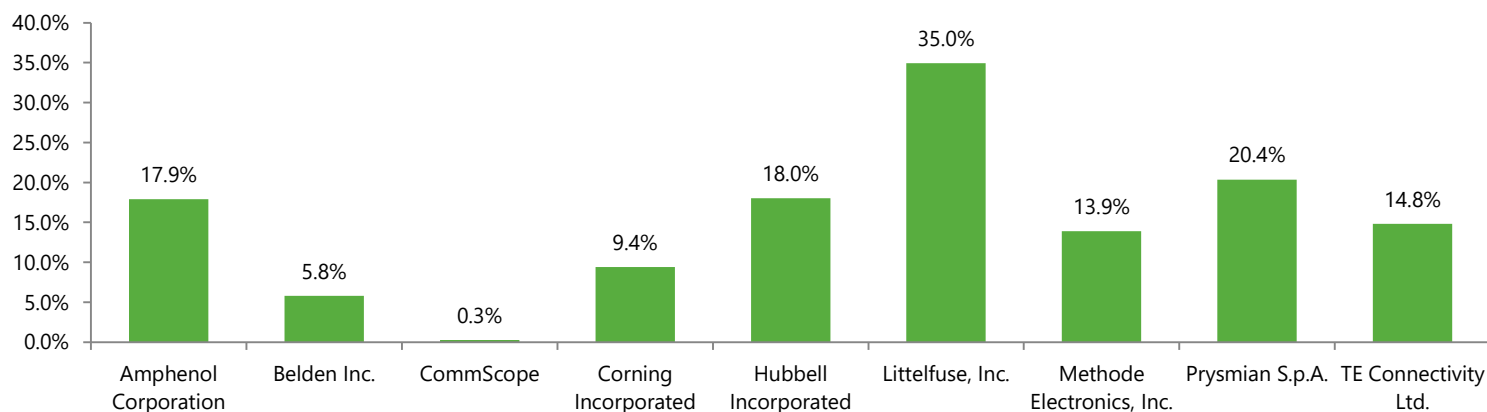
Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	01/09/19	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Amphenol Corporation	\$75.07	76.9%	\$22,620.6	\$24,903.7	\$7,921.2	\$1,887.6	23.8%	3.1x	13.2x
Belden Inc.	\$41.45	47.6%	\$1,670.7	\$2,845.7	\$2,534.9	\$452.4	17.8%	1.1x	6.3x
CommScope Holding Company	\$16.80	40.4%	\$3,229.3	\$6,860.7	\$4,631.2	\$910.5	19.7%	1.5x	7.5x
Corning Incorporated	\$28.03	76.7%	\$22,435.2	\$28,229.2	\$10,892.0	\$3,127.0	28.7%	2.6x	9.0x
Hubbell Incorporated	\$96.27	64.6%	\$5,266.6	\$6,966.4	\$4,255.3	\$726.7	17.1%	1.6x	9.6x
Littelfuse, Inc.	\$163.16	68.5%	\$4,104.6	\$4,307.2	\$1,621.0	\$375.4	23.2%	2.7x	11.5x
Methode Electronics, Inc.	\$22.96	50.5%	\$849.2	\$1,095.9	\$964.4	\$162.4	16.8%	1.1x	6.7x
Prismian S.p.A.	\$18.96	55.9%	\$4,985.6	\$8,511.3	\$10,970.1	\$740.1	6.7%	0.8x	11.5x
TE Connectivity	\$72.43	66.9%	\$24,846.0	\$28,098.0	\$13,988.0	\$3,153.0	22.5%	2.0x	8.9x

EV = enterprise value; LTM = last twelve months \$ in millions, except per share data	Mean	19.6%	1.8x	9.4x
	Median	19.7%	1.6x	9.0x
	Harmonic Mean	16.7%	1.5x	8.8x

Last Twelve Month Margin Performance



Last Twelve Month 1-Year Revenue Growth





FIRM TRACK RECORD

<p>Empire</p> <p>has been acquired by</p>	<p>technetix</p> <p>has acquired certain assets of</p>	<p>WICK HILL</p> <p>has recapitalized with</p>	<p>TR MFG. INC.</p> <p>has been acquired by</p>
<p>ARNOLD INDUSTRIES</p> <p>has been acquired by</p>	<p>RAD ELECTRONICS, INC.</p> <p>has sold certain assets to</p>	<p>IMC Networks</p> <p>has been acquired by</p>	<p>STAR ENVIROTECH INC.</p> <p>has been acquired by</p>
<p>Antel INTERNATIONAL, INC. <i>The Antenna Technology Company</i></p> <p>has been acquired by</p>	<p>AVTEK INC.</p> <p>has been acquired by</p>	<p>L-com</p> <p>has recapitalized with</p>	<p>System Connection</p> <p>has been acquired by</p>
<p>CYPRESS INDUSTRIES</p> <p>valuation & financial advisory</p>	<p>MilesTek</p> <p>has been acquired by</p>	<p>B&B ELECTRONICS</p> <p>has been acquired by</p>	<p>ATRIOT Antenna Systems</p> <p>has been acquired by</p>



CITATIONS

1. Dylan Miller, *IBISWorld*, "Wire & Cable Manufacturing in the US," <https://clients1.ibisworld.com/reports/us/industry/default.aspx?entid=804>, accessed December 5, 2018.
2. Institute for Supply Management, "November 2018 Manufacturing ISM Report On Business," <https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?SSO=1>, accessed February 13, 2018.
3. Board of Governors of the Federal Reserve System, "Industrial Production and Capacity Utilization," <https://www.federalreserve.gov/releases/g17/>, accessed February 13, 2018.

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INTERCONNECT COMPONENTS REPORT CONTRIBUTORS



Todd McMahon
 Managing Director
tmcmahon@capstoneheadwaters.com | 617-619-3334

Todd possesses over 20 years of transaction, financial services and corporate executive experience. Prior to Capstone, Todd was President of Array Financial Services, a Boston based boutique M&A advisory firm he founded in 2002. He began his career at Putnam Investments, later moving to Bank Boston's investment banking group. Later, Todd served as Managing Director at Ross Crossland Weston/RCW Mirus, where he was responsible for managing the firm's technology investment banking practice. Todd's investment banking experience is complemented by his involvement as an entrepreneur and investor where he was involved in various consolidation transactions, raised over \$30mm of debt and equity financing and was responsible for managing all aspects of operations. He earned his MBA from Boston University and his BA from the University of Massachusetts.



John Ferrara
 Founder & CEO
jferrara@capstoneheadwaters.com | 617-619-3325

John is the Founder and CEO of Capstone Headwaters and is responsible for the firm's investment and merchant banking operations, as well as managing client transactions. John has executed well over 150 transactions and related engagements and his entrepreneurial endeavors have included serving as a founding member of seven financial service practices and a principal shareholder in five startup businesses. Under his leadership, Capstone has expanded to 10 offices in the US and UK with an international platform that spans 450 professionals in 40 countries worldwide.

Prior to 2002, when he acquired the practice he initially founded from Arthur Andersen to form Capstone, John served as a Regional Managing Partner with Andersen Corporate Finance LLC. While with Andersen, John held various national and global leadership positions. He started his career in Lehman Brothers' M&A group in New York, London and Riyadh, later becoming a founding member of Rodman & Renshaw's M&A practice in New York. After a break to compete in Australia's semi-professional baseball league, John joined The Deloitte Consulting Group in Los Angeles to focus on turnaround and interim management engagements.





BUILT FOR THE MIDDLE MARKET



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