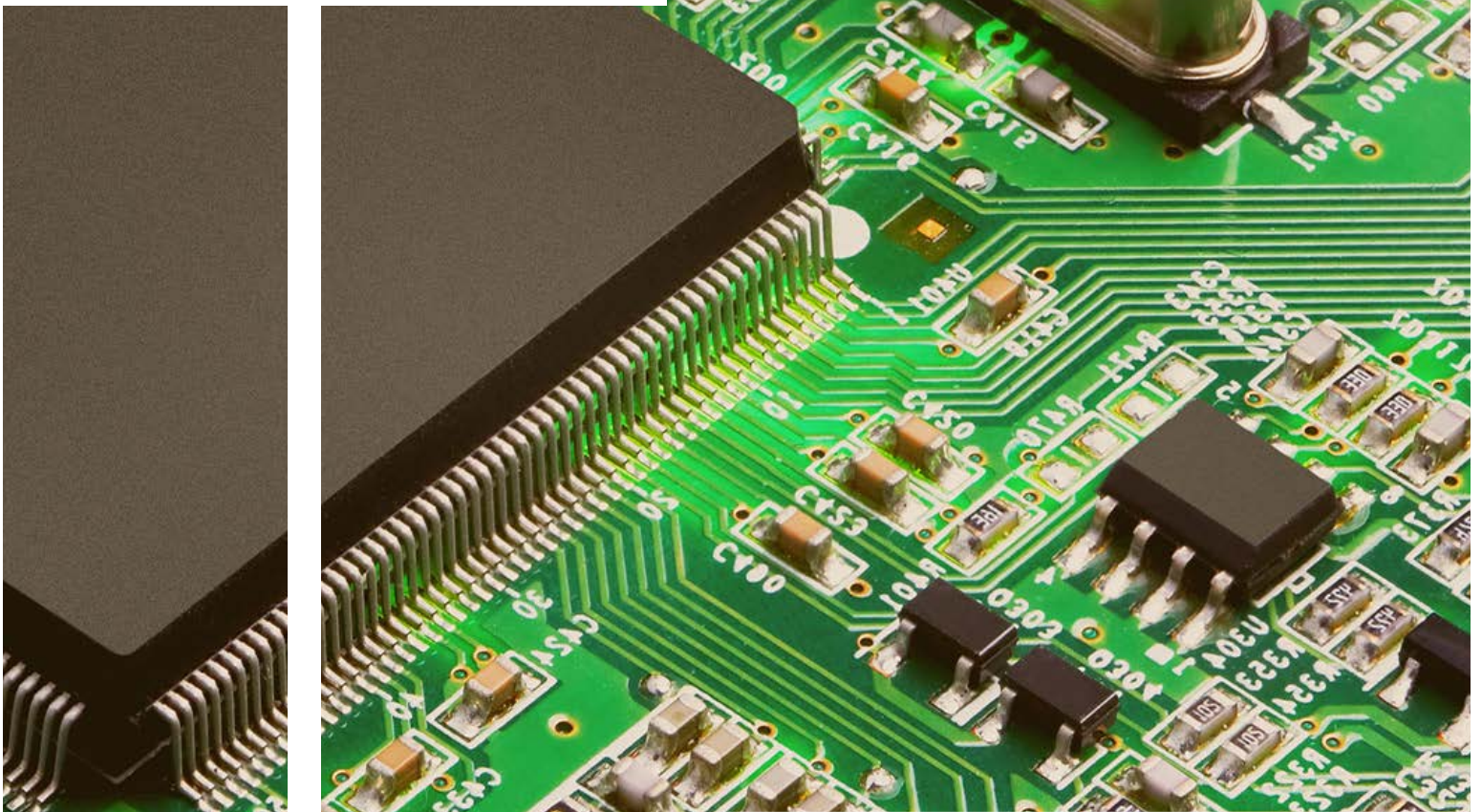


EMS
Quarterly
Review
Q1 2020



Announcements

March 13, 2020: Zentech Manufacturing, Inc. has acquired Camtek, Inc.

January 23, 2020: Incap Oyj has acquired AWS Electronics Group Ltd.

January 17, 2020: Libra Industries has acquired a Mexico facility of Benchmark Electronics

COVID-19 Perspective

Uncertainties surrounding COVID-19 and resulting business disruptions continue to be felt across every industry, however EMS companies are continuing to perform despite the crisis. Many EMS companies are currently operating between 60% to 90% of planned capacity. Facilities in China, which felt the majority of the initial impact of COVID-19 are back to operating at 90%+ of planned capacity. The most significant challenge being felt across operations is the coordination of personnel and maintaining capacity even with social distancing requirements. EMS companies have been very successful in proactively managing this and mitigating the impact of COVID-19 on their employee base by increasing flexibility in their operations through temperature scans, mask requirements, social distancing, flexible schedules, extra sanitization and other precautionary measures. The majority of EMS companies expect business operations to be "back to normal" by mid-summer, and 75%+ of EMS companies expect business to be back to normal by the beginning of Q4 2020, according to a recent IPC industry survey.

EMS Quarterly Review Q1 2020

There were 9 EMS transactions recorded in Q1 2020, representing a slight decrease from the 10 recorded in Q1 2019. EMS consolidations accounted for 7 transactions in Q1 2020, or 77.8% of total activity, representing an increase in the number of EMS consolidations from Q4 2019.

There was one Vertical / Horizontal Convergence transaction and one EMS Divestiture transaction recorded in Q1 2020, each representing 11.1% of total activity.

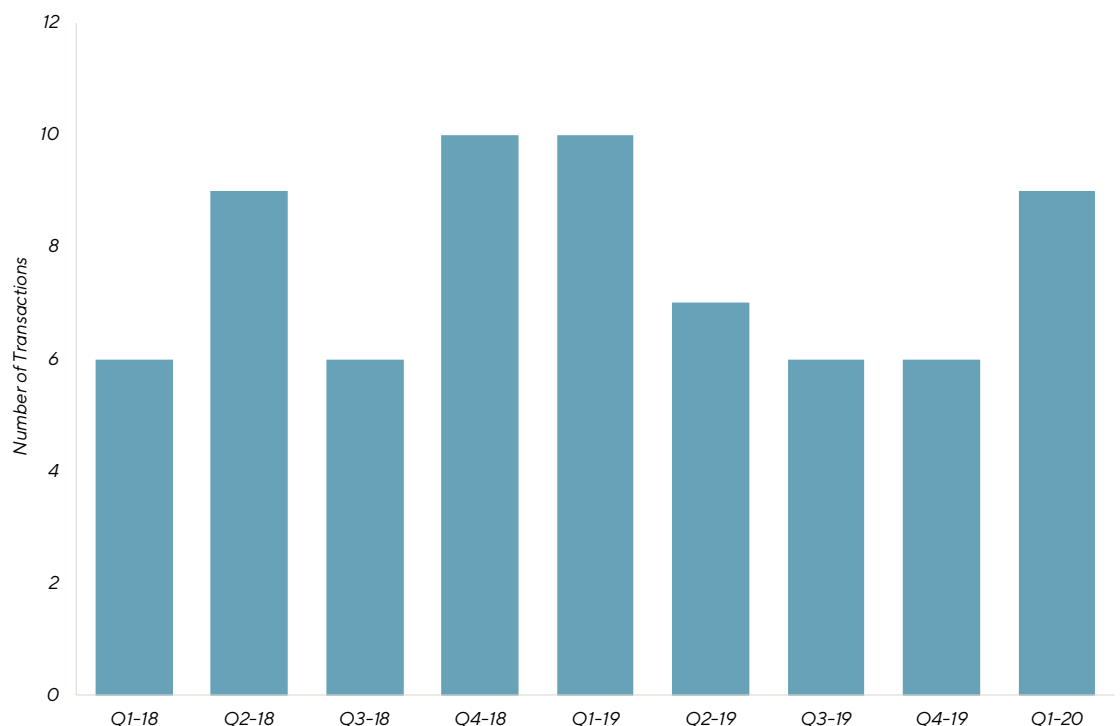
Private equity investments did not account for any transactions in Q1 2020, nor were there

any transactions categorized as Diversification into EMS or OEM Divestitures this quarter.

In terms of geography, 6 of the transactions completed in Q1 2020 occurred in the U.S. / Canada, representing 67% of total transaction activity in Q1 2019. Two transactions took place in Europe, accounting for 22% of total activity. The remaining transaction was a Cross-Border (High/High).

In terms of transaction size, Small Tier EMS providers accounted for 100% of the Q1 2020 transaction volume with 9 acquisitions.

Quarter-over-Quarter Completed EMS Transactions (Chart)

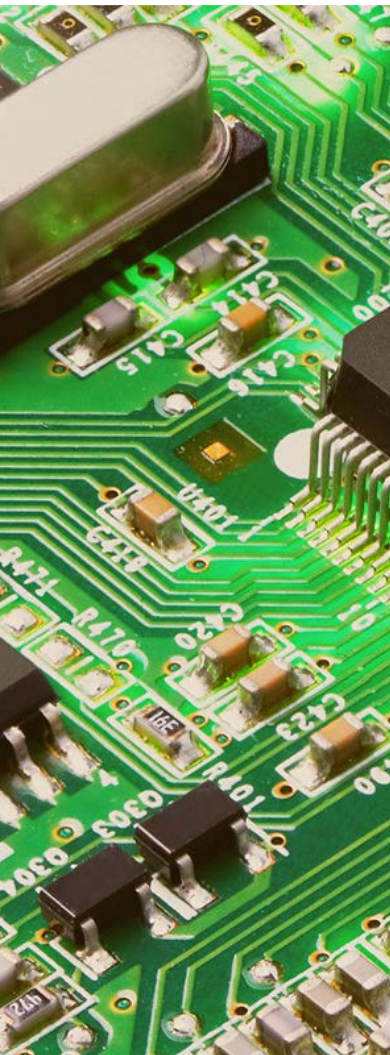


EMS Size Guide (Sales Dollars)

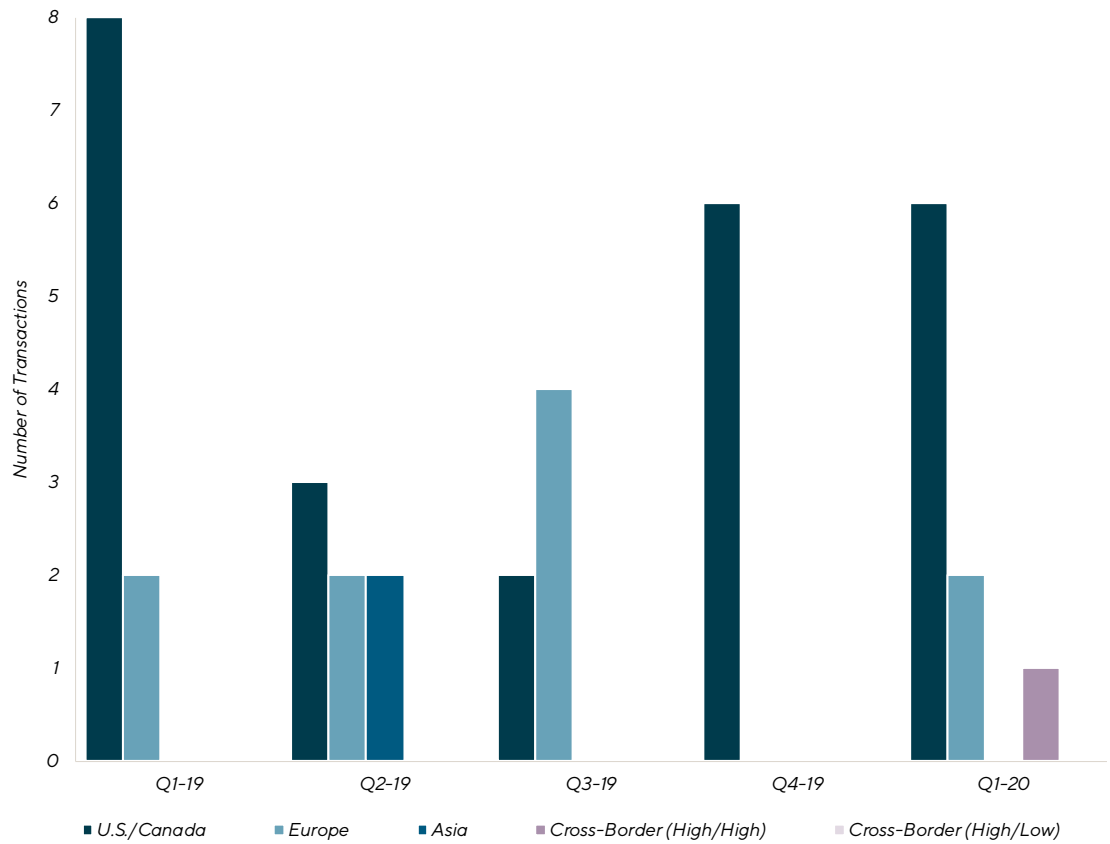
- Large (Tier I) greater than \$3 billion
- Mid (Tier II) \$300 million to \$3 billion
- Small (Tier III) below \$300 million

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.

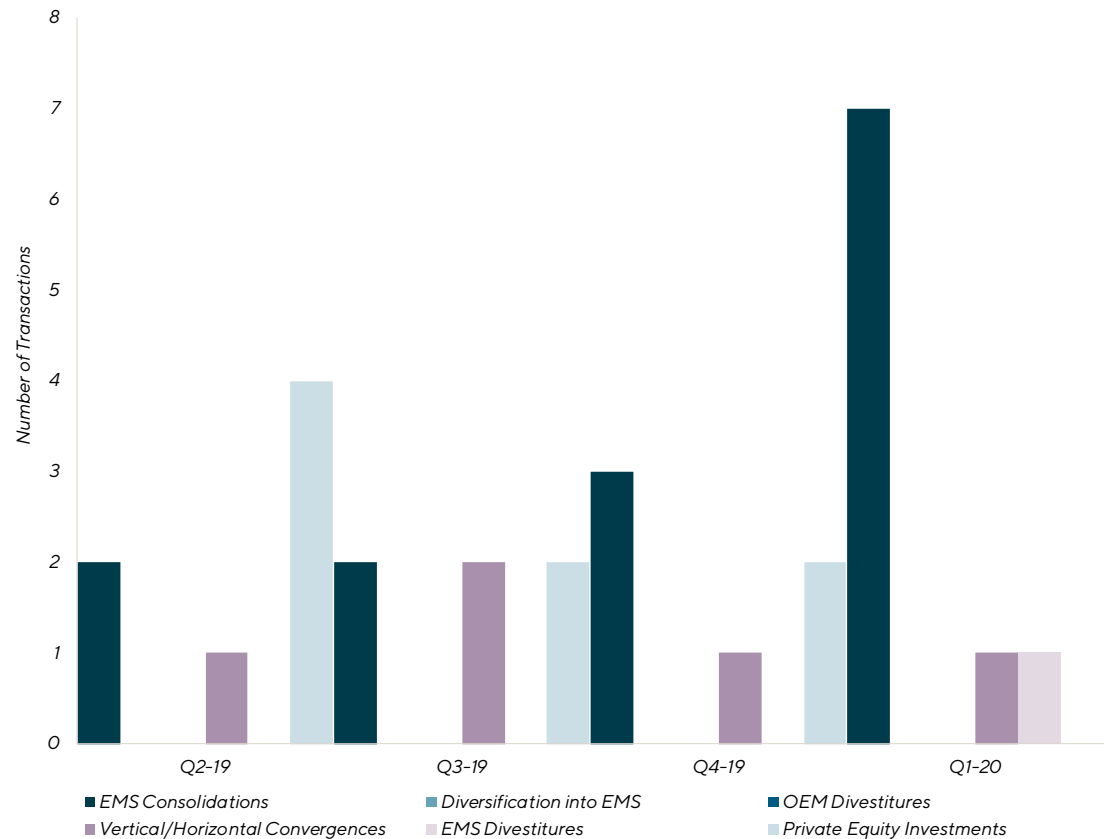
Note: Companies are included in a given tier by falling within the threshold for two consecutive quarters



Quarterly Comparison—EMS M&A by Geography



Quarterly Comparison—EMS M&A by Deal Type



Terms & Turns - Revisiting the Cash Cycle

The cash cycle is calculated by adding days sales outstanding (DSO) and days inventory outstanding (DIO) and subtracting from this sum days payable outstanding (DPO). The financial statistic is used to measure how quickly a company can turn sales into cash. There are two basic disciplines in managing cash cycle: 1) contractual terms with vendors and customers, and 2) inventory turns, hence "Terms & Turns." Because the electronic manufacturing services industry is very material intensive, inventory management is the most important factor in achieving cash cycle improvements.

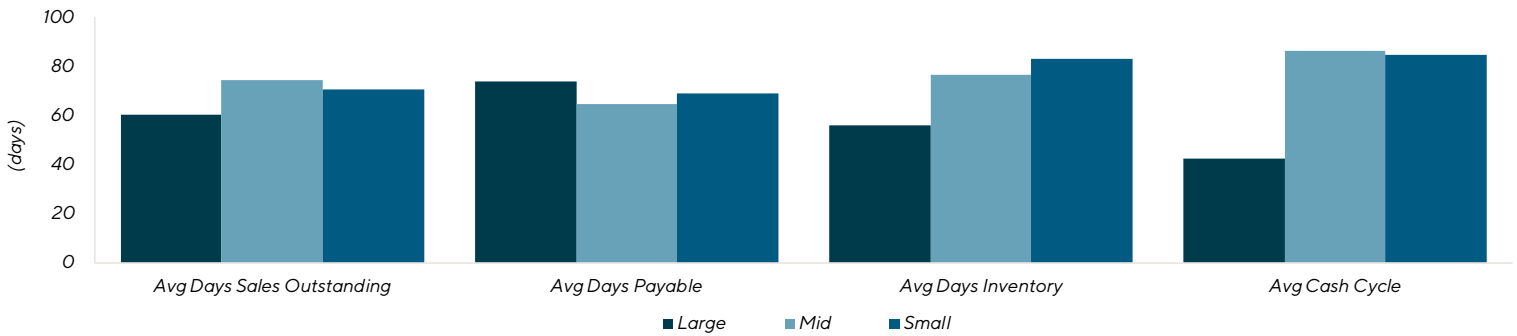
In the Large Tier, all companies' cash cycles worsened (more days). Jabil lengthened its cash cycle by 89.7% to 24.9 days in Q1 2020 from 13.1 days in Q1 2019 largely due to higher DSO and lower DPO. Celestica's cash cycle lengthened by 17.2% to 70.7 days, up from 60.3 days in Q1 2019, driven primarily by lower DPO. Likewise, Sanmina experienced a 6.2% lengthening in its cash cycle due to higher DSO and higher DIO. Flex's cash cycle shortened by 9.5% to 22.0 days in Q1 2020 from 24.4 days in Q1 2019 as a result of higher DPO and lower DSO.

In the Mid Tier, only Plexus improved its cash cycle, primarily due to higher DPO and lower DIO. All other companies, including Benchmark, Key Tronic and Kimball, experienced worsening cash cycles, largely driven by increased DSO and DIO among each.

In the Small Tier, all companies experienced improving cash cycles except for IEC. SMTC experienced the largest improvement in cash cycle, experiencing a 30.2% shortening from 90.9 days in Q1 2019 to 63.4 days in Q1 2020, largely driven by a large increase in DPO. IEC lengthened its cash cycle by 24.4% to 112.5 days in Q1 2020 from 90.5 days in Q1 2019 largely due to higher DSO.

Inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, IEC has one of the longest cash cycles (112.5 days), and also has one of the lowest inventory turns at 3.5. Conversely, three companies with shorter cash cycles, Jabil, Flex and Sanmina (cycles of 24.9, 22.0 and 52.7 respectively), have higher inventory turns (7.4, 6.2 and 7.7, respectively). Inventory turns are also impacted by business type. Low volume, high mix manufacturing, for which inventory management is more difficult, generally leads to lower turns.

Q1 2020 Cash Cycle

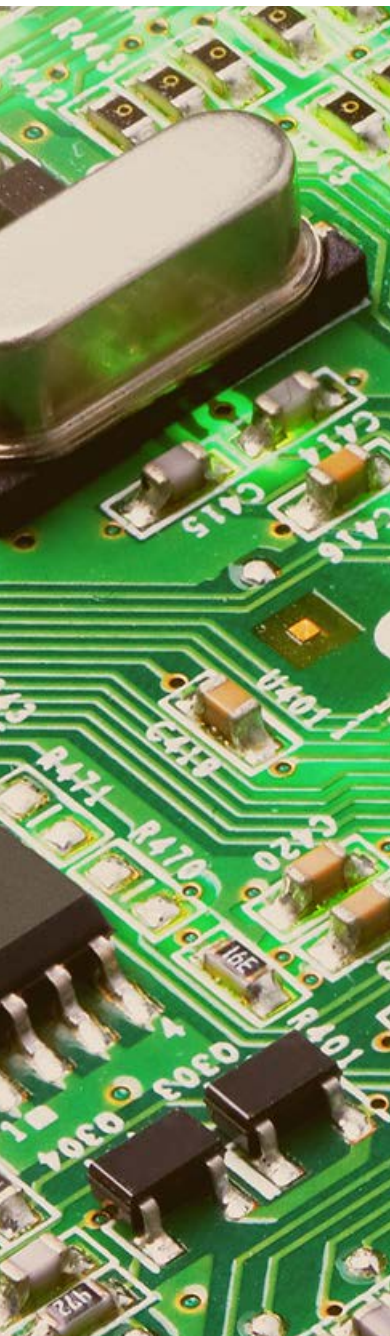


	Cash Cycle			Inventory Turns		
	Q1-19	Q1-20	%chg	Q1-19	Q1-20	%chg
Large						
Celestica Inc.	60.3	70.7	17.2%	6.1	5.3	(13.6)%
Flex Ltd.	24.4	22.0	(9.5)%	6.5	6.2	(5.3)%
Jabil Inc.	13.1	24.9	89.7%	6.6	7.4	12.0%
Sanmina Corporation	49.7	52.7	6.2%	7.0	7.7	9.8%
Median	37.0	38.8	4.9%	6.6	6.8	3.4%
Mid						
Benchmark Electronics, Inc.	70.4	79.3	12.7%	7.5	6.6	(12.3)%
Key Tronic Corporation	81.9	99.5	21.4%	4.4	4.0	(8.8)%
Kimball Electronics, Inc.	71.5	75.6	5.7%	5.3	5.7	6.8%
Plexus Corp.	97.0	91.7	(5.5)%	3.7	3.8	5.1%
Median	76.7	85.5	11.5%	4.8	4.8	(0.2)%
Small						
IEC Electronics Corp.	90.5	112.5	24.4%	3.9	3.5	(10.0)%
Nortech Systems Incorporated	80.3	79.7	(0.7)%	5.6	6.6	17.8%
SigmaTron International, Inc.	95.5	83.4	(12.7)%	2.9	3.1	7.7%
SMTC Corporation	90.9	63.4	(30.2)%	5.1	6.6	29.0%
Median	90.7	81.5	(10.1)%	4.5	5.1	12.1%

Note: Negative % change for cash cycle denotes improvement.

Current EMS Market Highlights

The overall Lincoln EMS Stock Index decreased 35.9% from last quarter. The Large, Mid and Small Indices each decreased by 36.3%, 34.4% and 32.5% respectively.



EMS Stock Index Outperforms S&P

About the EMS Stock Index

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.

Winner's Circle		Tier
NYSE:JBL	(6.4%)	I
NasdaqGS:PLXS	(10.1%)	II
NasdaqGM:IEC	44.2%	III

Worst Performers		Tier
tsx:cls	(62.5%)	I
NasdaqGM:KTCC	(57.3%)	II
NasdaqCM:SGMA	(70.8%)	III

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

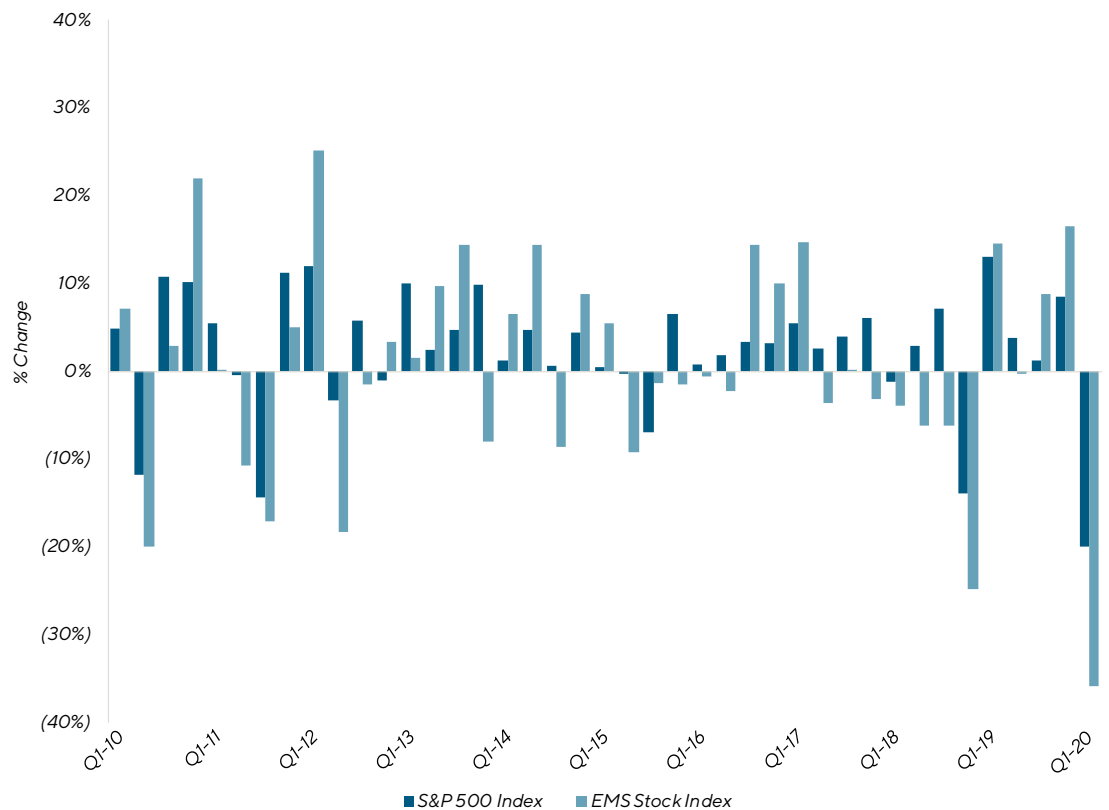
EBITDA Margins	
Large Tier	4.6%
Mid Tier	4.9%
Small Tier	4.6%

YOY LTM Revenue Growth	
Large Tier	-1.5%
Mid Tier	-0.9%
Small Tier	14.1%

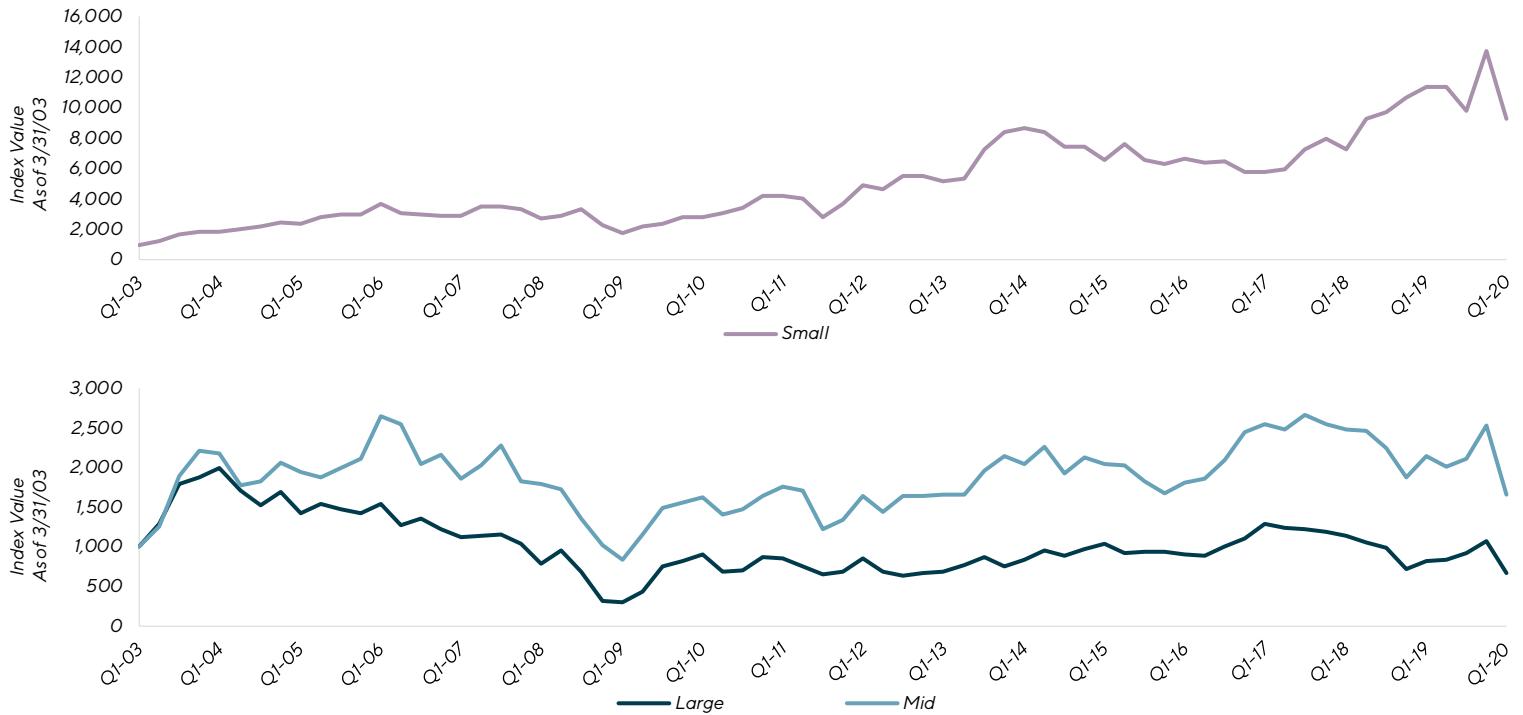
Source: Capital IQ as of March 31st, 2020

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

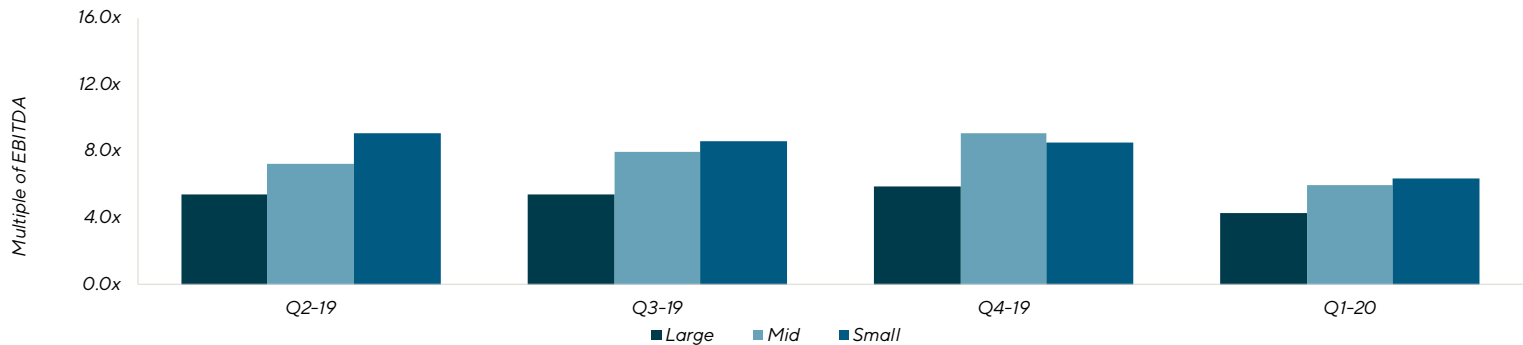
S&P Index vs. EMS Stock Index Quarter Change



EMS Stock Index by Size



Enterprise Value⁽¹⁾ / EBITDA

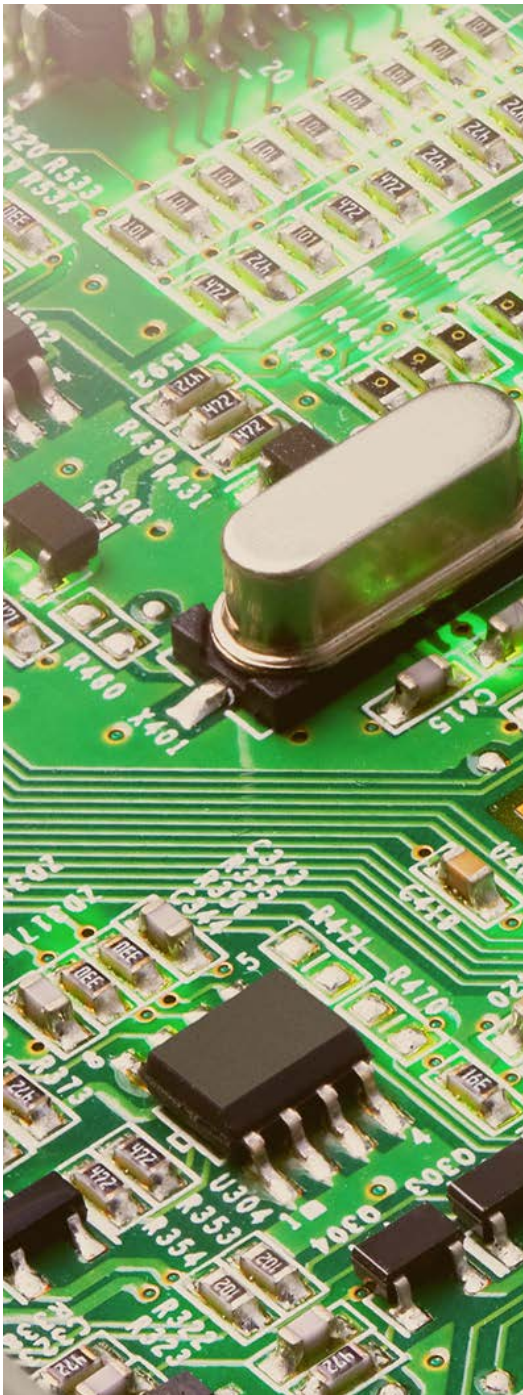


(1) Enterprise Value is calculated as market cap on March 31st 2020 plus debt, preferred equity and minority interest less cash

EMS Stock Index Company Data

	Stock Price	LTM Sales (\$ in mm)	Diluted EPS	Avg. Cash Conversion Cycle (days)	Current Ratio	EV/EBITDA	EV / Sales	Market Cap (\$ in mm)	Net Debt (\$ in mm)
Large									
Celestica Inc.	\$4.94	\$5,888	\$0.53	70.7	1.75	3.2x	0.1x	\$638	\$231
Flex Ltd.	8.38	24,952	(0.05)	22.0	1.24	4.9x	0.2x	4,221	1,662
Jabil Inc.	24.58	26,340	0.85	24.9	0.95	4.1x	0.2x	3,738	2,632
Sanmina Corporation	27.28	7,886	1.96	52.7	1.83	4.9x	0.2x	1,927	28
Mid									
Benchmark Electronics, Inc.	\$19.99	\$2,268	\$0.60	79.3	2.60	4.8x	0.3x	\$728	\$(121)
Key Tronic Corporation	2.91	436	(0.82)	99.5	2.02	6.1x	0.2x	31	60
Kimball Electronics, Inc.	10.92	1,253	1.27	75.6	2.09	4.5x	0.3x	275	69
Plexus Corp.	54.56	3,251	3.85	91.7	1.79	8.3x	0.5x	1,602	53
Small									
IEC Electronics Corp.	\$5.94	\$166	\$0.46	112.5	1.90	9.0x	0.6x	\$62	\$35
Nortech Systems Incorporated	3.42	116	(0.46)	79.7	1.95	Nm	0.3x	9	21
SigmaTron International, Inc.	2.95	290	0.42	83.4	2.13	4.4x	0.2x	13	42
SMTC Corporation	2.33	373	(0.23)	63.4	1.20	5.6x	0.4x	66	82

Sources: Bloomberg, Capital IQ and company filings, as of March 31st 2020



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.

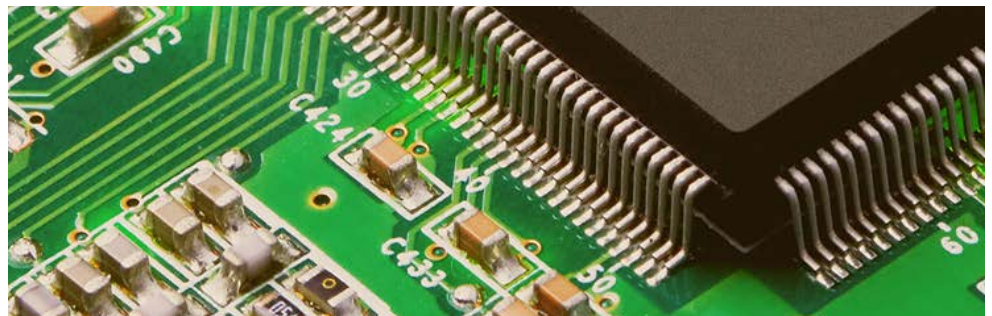
Contributors

Jack Calderon

Managing Director | Chicago
+1 (312) 580-6289
jcalderon@lincolninternational.com

Chaim Lubin

Managing Director | Chicago
+1 (312) 506-2753
clubin@lincolninternational.com



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