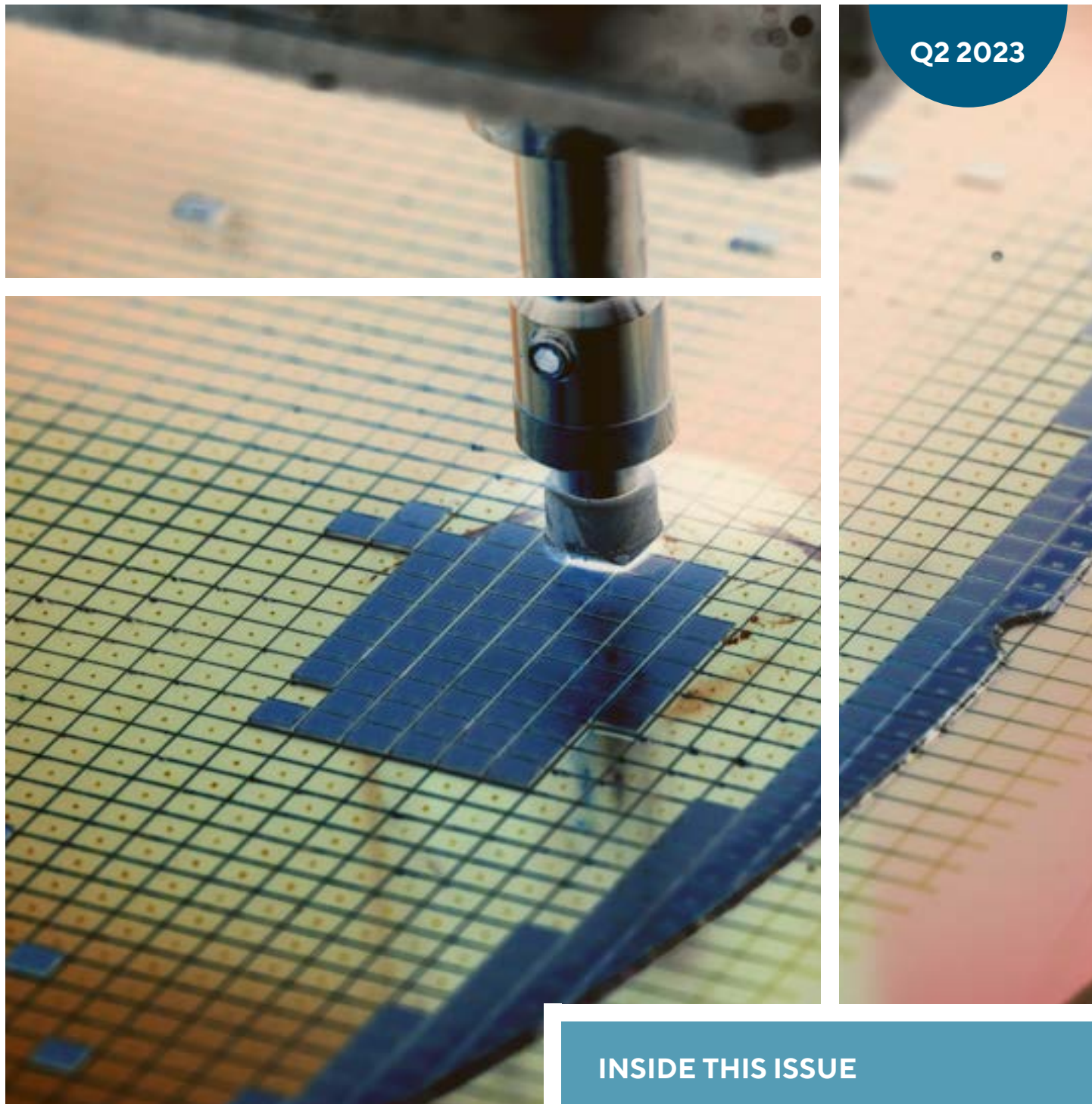


EMS

Quarterly Review

Q2 2023



INSIDE THIS ISSUE

- Deal Activity
- Margin Performance
- EMS Stock Performance

Lincoln Perspective

In Q2 2023, the EMS industry continued to navigate the challenges from supply chain disruptions. While component shortages have lessened the ripple effects of both long-lead time items and inventory, re-evaluation by customers has resulted in some volatility on EMS forecasts.

Despite these challenges, the EMS sector underscores its resilience through adaptive strategies. Additionally, demand has not slowed from most end markets with robust product development and increasing electronics content across the sector. Resourceful supply chain management practices, including diversifying component sources and fostering greater resilience, emerged as a key focus. This adaptive approach, coupled with strategic collaborations and agile response mechanisms, positions the EMS sector to exhibit more positive future results than the market as a whole.

As detailed further below in this publication, gross margin, operating margin and EBITDA margin performance for large, mid and small tier companies have improved in the last-12-months (LTM) period relative to the same time last year. Further, private equity firms are continually focused on the growth opportunity of EMS companies due to the rising demand for electronic devices fueled by the “**Electronics Super-Cycle**.” Moreover, EMS companies are working on specialization to stand out and gain market share, and they are also looking at vertical integration to control their supply chains better. With the EMS sector set to expand significantly, more mergers and acquisitions (M&A) activity is expected for consolidating key capabilities and introducing additional capital to realize near- and long-term growth opportunities.

NOTABLE ANNOUNCEMENTS

April 23, 2023:
Foxconn Technology Group has acquired XR Space Company

April 18, 2023:
Variosystems AG has acquired KUBEG AG

April 17, 2023:
East West Manufacturing has acquired Eastprint Incorporated

April 13, 2023:
NOTE AB has acquired ATM Electronics Limited

EMS Quarterly Review Q2 2023

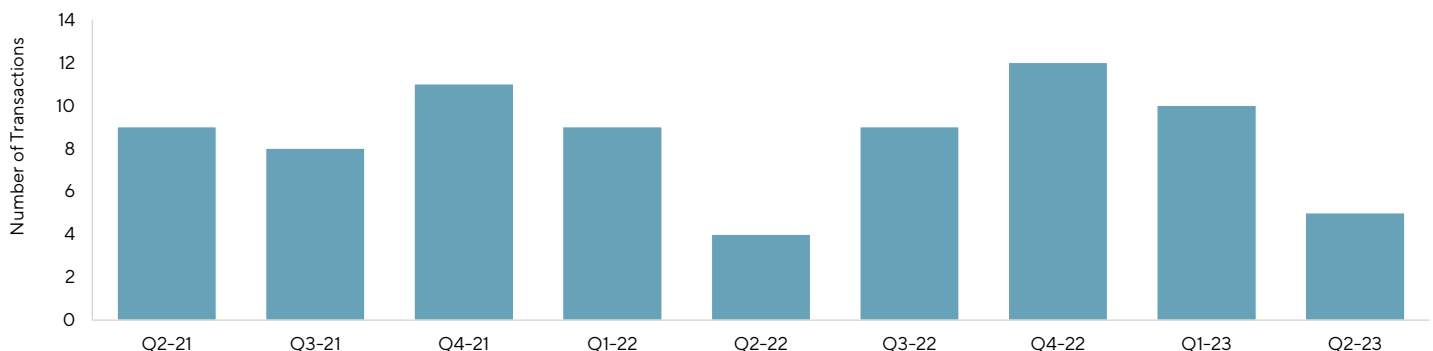
There were five EMS transactions recorded in Q2 2023, representing an increase from the four recorded in Q2 2022 but a decrease from the nine transactions recorded in Q2 2021. EMS consolidations accounted for two of the transactions in Q2 2023, or 40% of total activity, representing a decrease in the number of EMS consolidation transactions from Q2 2022 and Q2 2021, but the same as those recorded from Q2 2020.

Two vertical / horizontal convergences and one original equipment manufacturer (OEM) divestiture was recorded in Q2 2023, representing 40% and 20% of the total activity for the quarter, respectively. Diversification into EMS, EMS divestitures and private equity investments did not account for any transactions in Q2 2023.

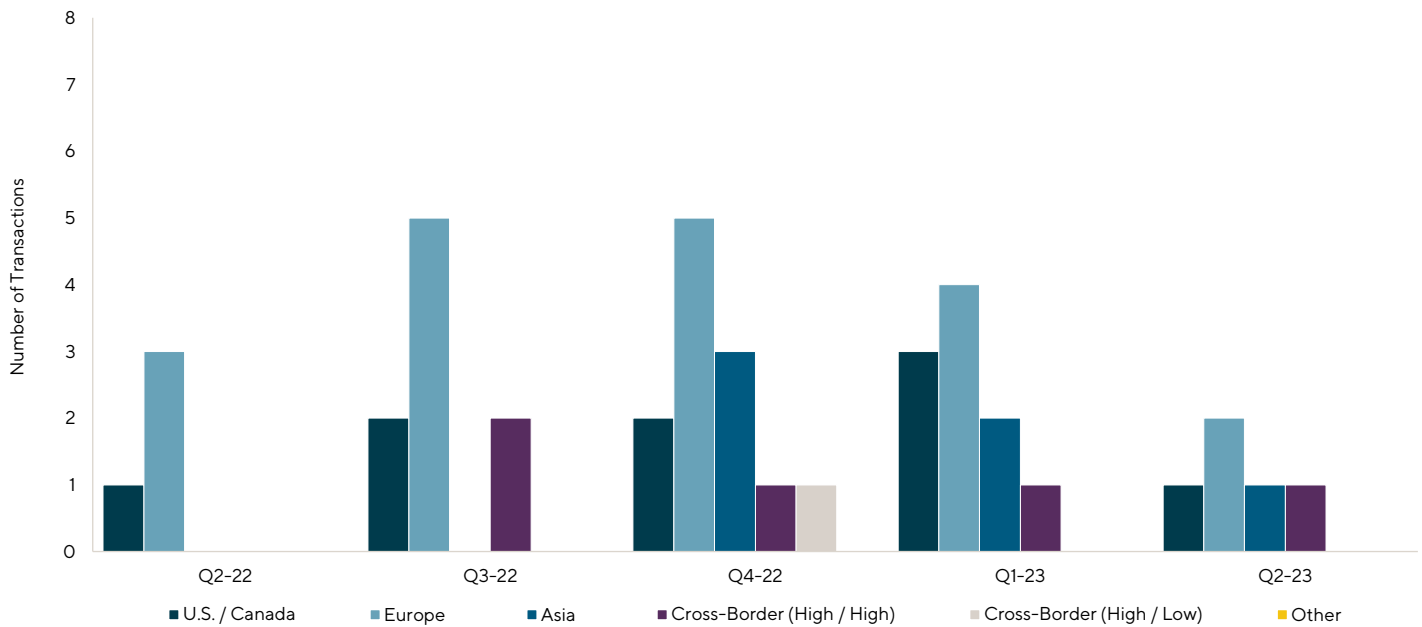
By geography, Europe had two transactions, representing 40% of total Q2 2023 EMS transactions in Q2 2023. The U.S. / Canada had one transaction and cross-border (High / High) had one transaction, representing 20% and 20% of total transaction activity in Q2 2023, respectively. Asia was also recorded for one transaction, representing the balance of EMS deal geography in 2023.

In terms of transaction size, small-tier EMS providers accounted for three of the Q2 2023 transaction volume, or 60% of the transaction activity. The remaining two transactions were categorized as mid-tier EMS deals, which represented the remaining 40% of outstanding EMS deals recorded in Q2 2023.

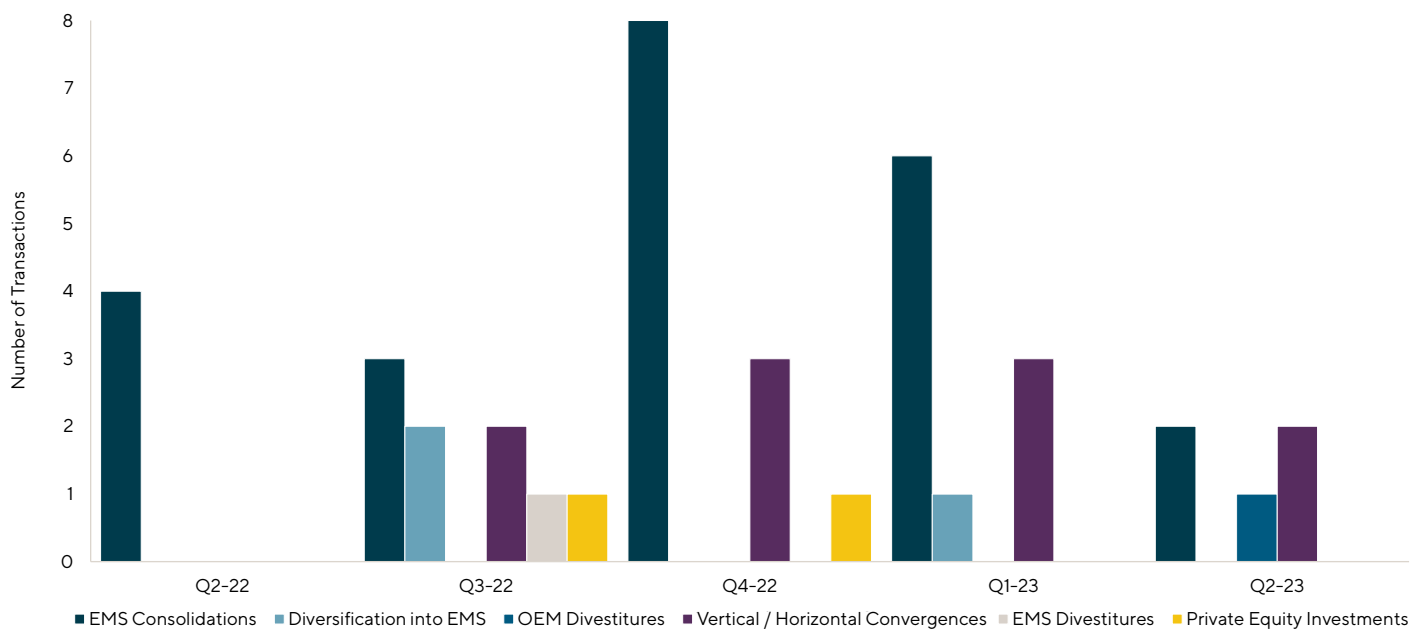
QUARTER-OVER-QUARTER COMPLETED EMS TRANSACTIONS



QUARTERLY COMPARISON—EMS M&A BY GEOGRAPHY



QUARTERLY COMPARISON—EMS M&A BY DEAL TYPE



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

Margin Performance in the EMS Industry

Large-tier, mid-tier and small-tier EMS companies have all demonstrated generally positive margin results for the LTM Q2 2023 period. On average, each group experienced margin expansion across all aspects.

The three graphs on the following page provide an overview of gross margin, operating margin and EBITDA margin performance from 2003 through LTM Q2 2023. Each graph shows the margin performance by tier.

The large-tier EMS companies exhibited gross margin expansion in the LTM to 8.2%, a 0.1% increase from the LTM period ending Q2 2022. Additionally, operating and EBITDA margins for large-tier companies expanded by 0.8% and 0.5%, versus the same period in 2022, to 4.7% and 6.4% respectively in the current LTM period.

Small-tier companies also exhibited margin expansion increasing gross margins from 13.3% to 14.1%, operating margins from 4.2% to 4.7% and EBITDA margins from 5.8% to 6.2% compared to the same period in 2022.

The mid tier exhibited overall margin expansion increasing in all three metrics on an LTM basis to 8.8%, 4.0% and 5.6% for gross margin, operating margin and EBITDA margin, respectively. This is up from 8.4%, 3.2% and 4.9% for the same period in 2022, respectively.

On a percent change basis comparing the LTM Q2 2023 results with the same period a year ago, in the large tier, Celestica showed the largest increase in operating margin to 5.0% from 3.5%. In the mid tier, Kimball Electronics, Inc. exhibited operating margin improvement of 1.2% over the prior LTM year. In the small tier, SigmaTron International Inc. realized the largest operating margin expansion of 1.7% from 4.3% to 6.0% versus the same period in 2022.

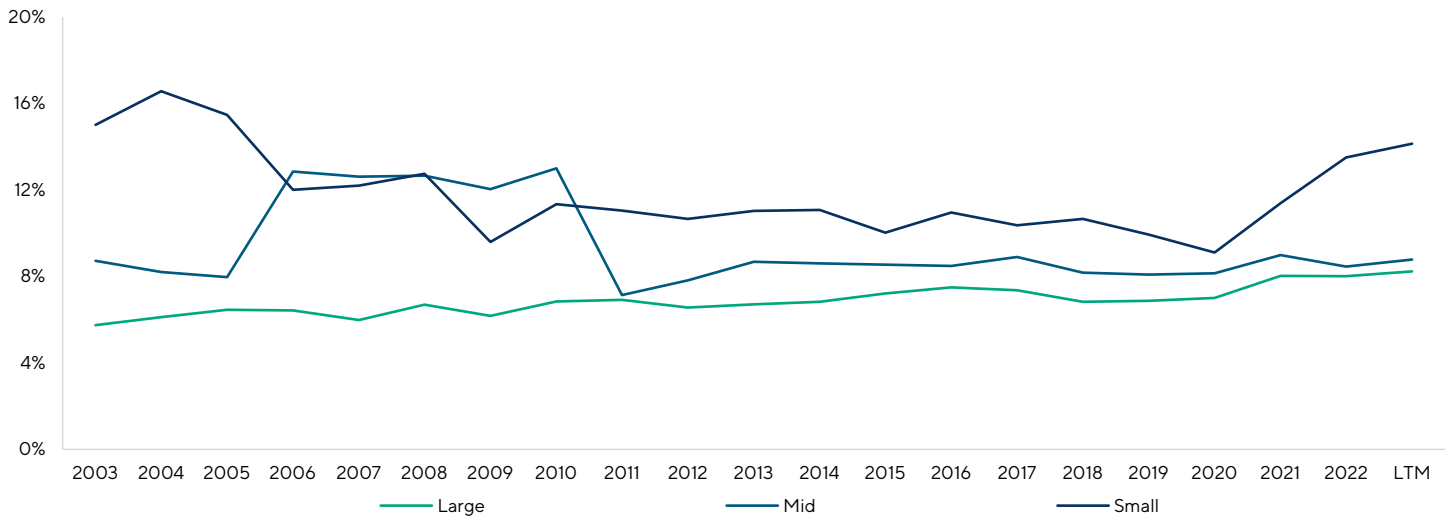
Overall the EMS sector maintains its upward trajectory, bolstered by the sustained electronics super-cycle, which is driving persistent electronics demand.

AVERAGE GROSS MARGIN PERFORMANCE

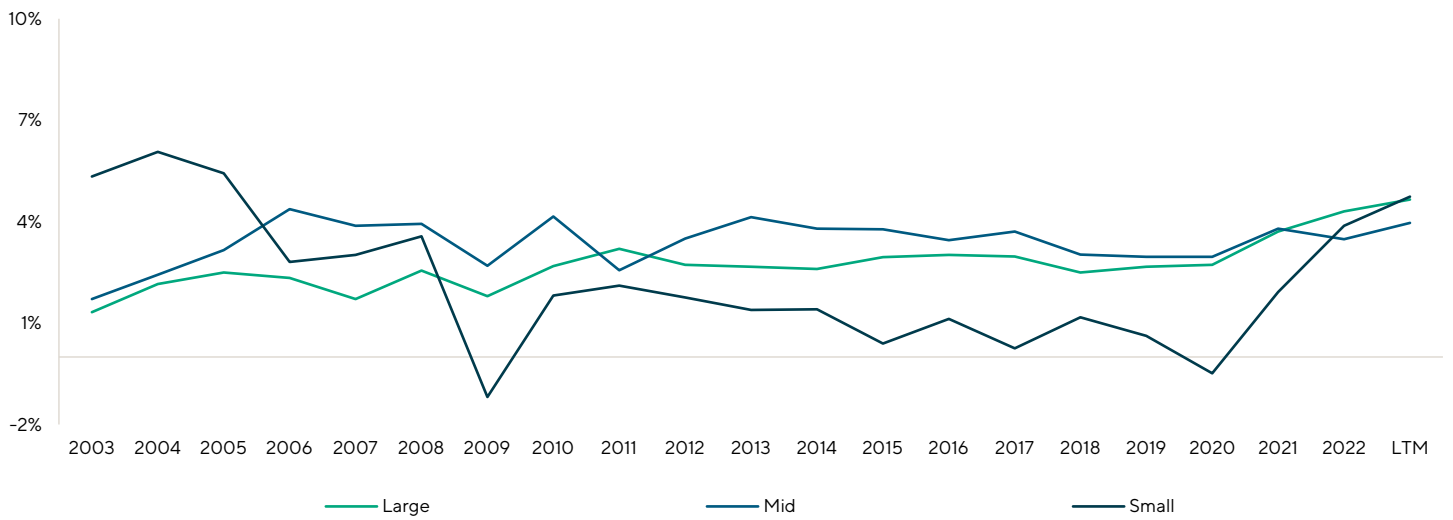
| | Gross Margin | Operating Margin | EBITDA Margin |
|-------------------------------|--------------|------------------|---------------|
| Large | | | |
| Celestica Inc. | 9.1% | 5.0% | 6.4% |
| Flex Ltd. | 7.8% | 4.1% | 5.8% |
| Jabil Inc. | 8.0% | 4.5% | 7.1% |
| Sanmina Corporation | 8.1% | 5.0% | 6.3% |
| Large Tier Average | 8.2% | 4.7% | 6.4% |
| Mid | | | |
| Benchmark Electronics, Inc. | 9.1% | 3.7% | 5.1% |
| Key Tronic Corporation | 8.2% | 1.9% | 3.8% |
| Kimball Electronics, Inc. | 8.3% | 5.0% | 6.8% |
| Plexus Corp. | 9.5% | 5.3% | 6.8% |
| Mid Tier Average | 8.8% | 4.0% | 5.6% |
| Small | | | |
| Nortech Systems Incorporated | 15.8% | 3.5% | 4.9% |
| SigmaTron International, Inc. | 12.4% | 6.0% | 7.5% |
| Small Tier Average | 14.1% | 4.7% | 6.2% |

Note: Based on the latest available financial data in CapitalIQ, as of June 30th, 2023

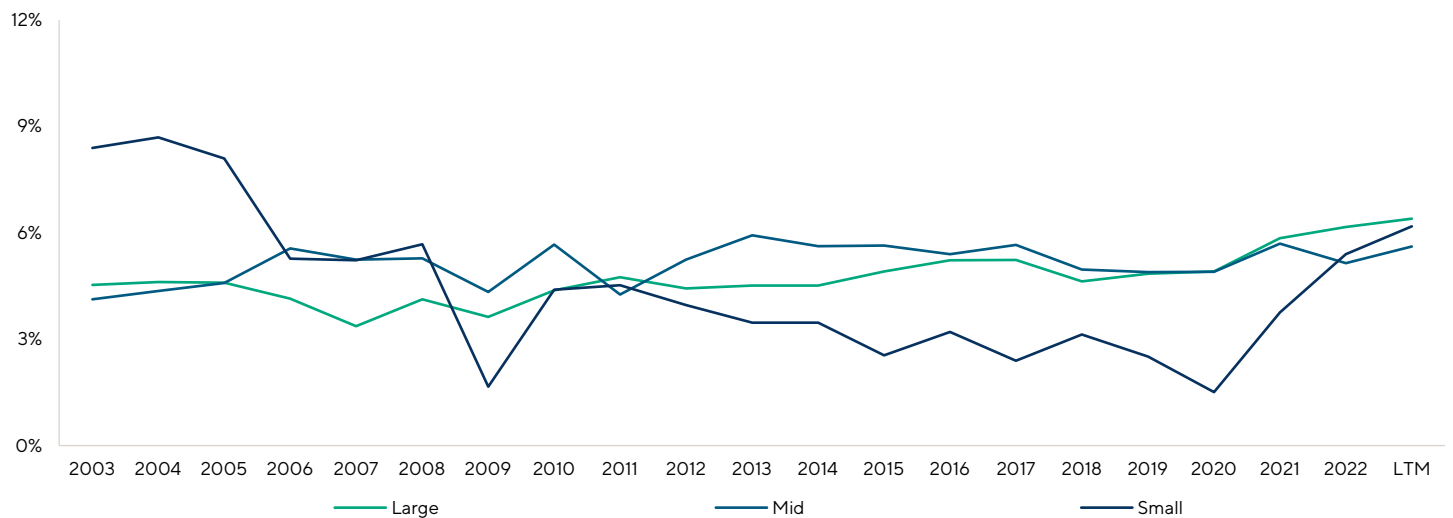
AVERAGE GROSS MARGIN PERFORMANCE



AVERAGE OPERATING INCOME MARGIN PERFORMANCE



AVERAGE EBITDA MARGIN PERFORMANCE



Note: Based on the latest available financial data in CapitalIQ, as of June 30th, 2023

EMS Stock Index Outperforms S&P

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, Q12003, 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.

QUARTERLY UPDATE TABLES

| Winner's Circle | | Tier |
|---------------------------------------|-------|------|
| NYSE: Jabil Inc. | 22.4% | I |
| Nasdaq: Kimball Electronics, Inc. | 14.6% | II |
| Nasdaq: SigmaTron International, Inc. | 22.3% | III |

| Worst Performers | | Tier |
|--------------------------------------|---------|------|
| Nasdaq: Sanmina Corporation | (1.2%) | I |
| Nasdaq: Key Tronic Corporation | (22.0%) | II |
| Nasdaq: Nortech Systems Incorporated | (8.9%) | III |

Note: Based on quarter-over-quarter share price performance, as of June 30th, 2023

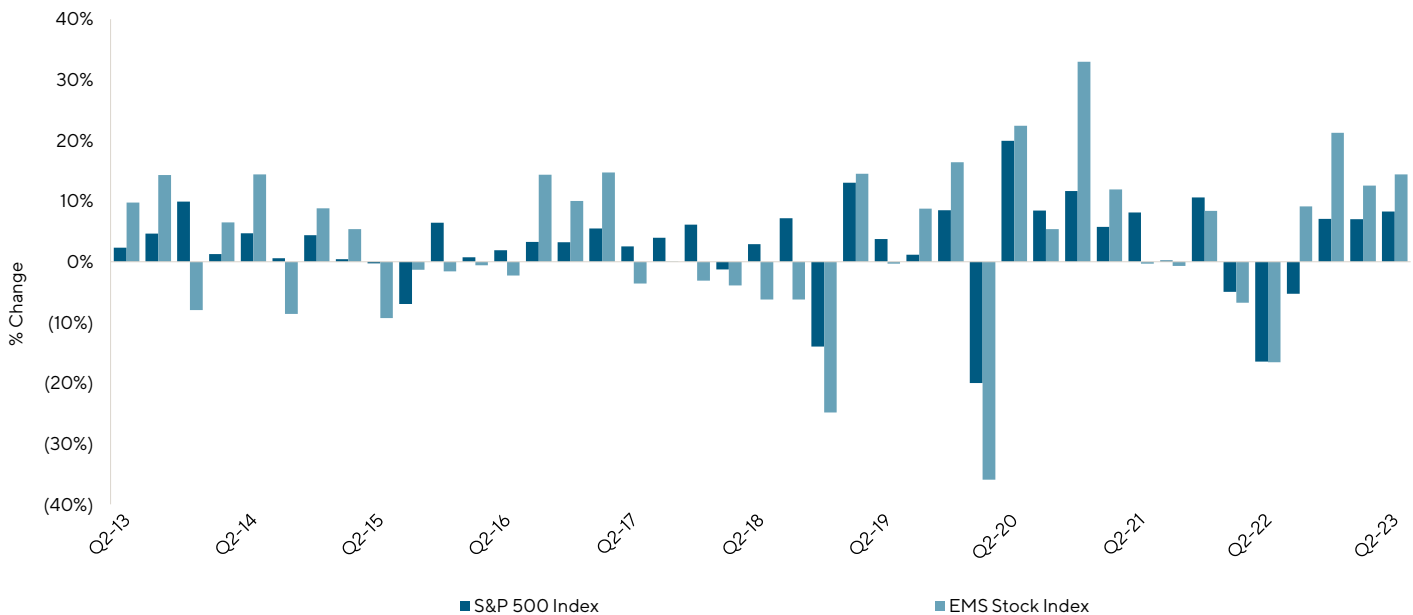
| EBITDA Margins | |
|----------------|------|
| Large Tier | 6.4% |
| Mid Tier | 5.6% |
| Small Tier | 6.2% |

| Year-over-Year Last Twelve Months Revenue Growth | |
|--|-------|
| Large Tier | 19.8% |
| Mid Tier | 17.6% |
| Small Tier | 9.6% |

Source: CapitalIQ as of June 30th, 2023

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

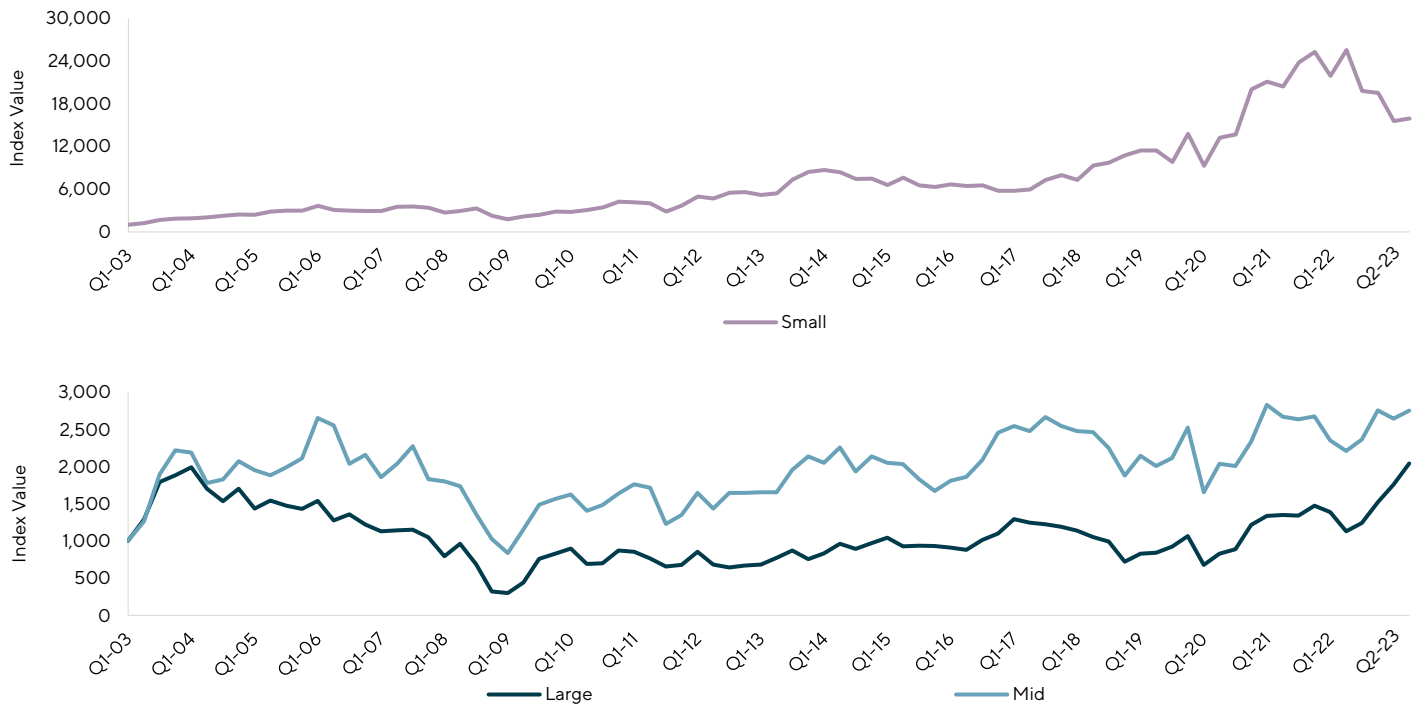
S&P INDEX VS. EMS STOCK INDEX QUARTER CHANGE



CURRENT EMS MARKET HIGHLIGHTS

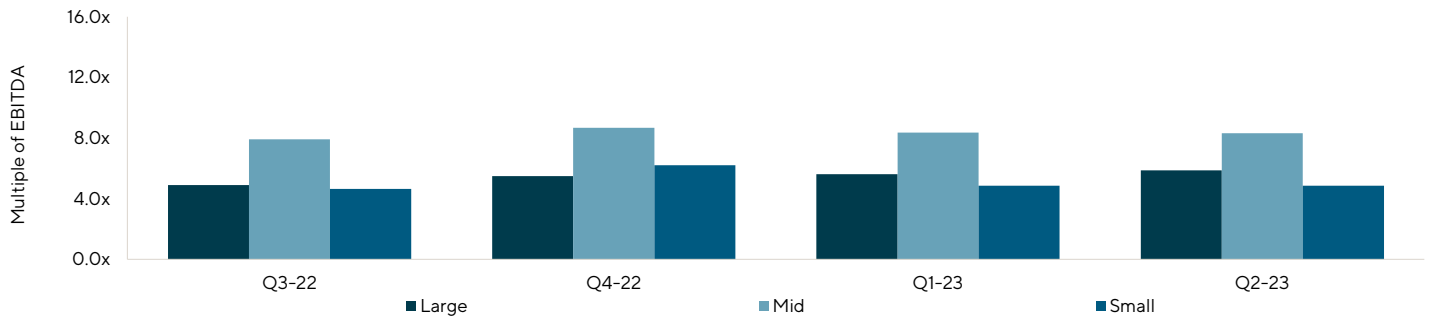
The overall Lincoln EMS Stock Index increased 14.4% from last quarter primarily driven by an increase in the large index, which increased by 16.0%, and the mid index, which increased by 4.0%. The small index grew by 2.4%.

EMS STOCK INDEX BY SIZE



Note: Index Value as of 3/31/2003

ENTERPRISE VALUE / EBITDA



Note: Enterprise Value is calculated as market cap on June 30, 2023, 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. | \$14.50 | \$7,743 | \$1.38 | 104.9 | 1.4x | 4.3x | 0.3x | \$1,733 | \$423 |
| Flex Ltd. | 27.64 | 30,335 | 1.73 | 66.9 | 1.5x | 7.3x | 0.5x | 12,259 | 1,449 |
| Jabil Inc. | 107.93 | 35,274 | 7.12 | 40.0 | 1.1x | 6.2x | 0.5x | 14,126 | 2,271 |
| Sanmina Corporation | 60.27 | 8,924 | 5.10 | 55.6 | 1.8x | 5.7x | 0.4x | 3,506 | (293) |
| Mid | | | | | | | | | |
| Benchmark Electronics, Inc. | \$25.83 | \$2,950 | \$1.86 | 116.6 | 2.4x | 7.4x | 0.4x | \$920 | \$281 |
| Key Tronic Corporation | 5.67 | 552 | 0.47 | 131.8 | 2.2x | 8.0x | 0.4x | 61 | 152 |
| Kimball Electronics, Inc. | 27.63 | 1,701 | 1.86 | 99.8 | 1.9x | 8.2x | 0.6x | 683 | 262 |
| Plexus Corp. | 98.24 | 4,270 | 6.05 | 139.8 | 1.4x | 9.6x | 0.7x | 2,716 | 253 |
| Small | | | | | | | | | |
| Nortech Systems Incorporated | \$9.70 | \$138 | \$0.88 | 90.0 | 2.0x | 4.5x | 0.3x | \$26 | \$14 |
| SigmaTron International, Inc. | 3.24 | 414 | (3.39) | 118.7 | 1.4x | 5.2x | 0.3x | 20 | 104 |

Sources: Bloomberg, Capital IQ and company filings, as of June 30th, 2023

About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, and valuations and fairness opinions. As one tightly integrated team of more than 850 employees in more than 20 offices in 15 countries, we offer an unobstructed perspective on the global private capital markets, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at www.lincolninternational.com.

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Lincoln's Global Technology, Media & Telecom Group

Connected to Clients' Ambitions

Encompassing both physical assets and intellectual property, the technology, media & telecom (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.

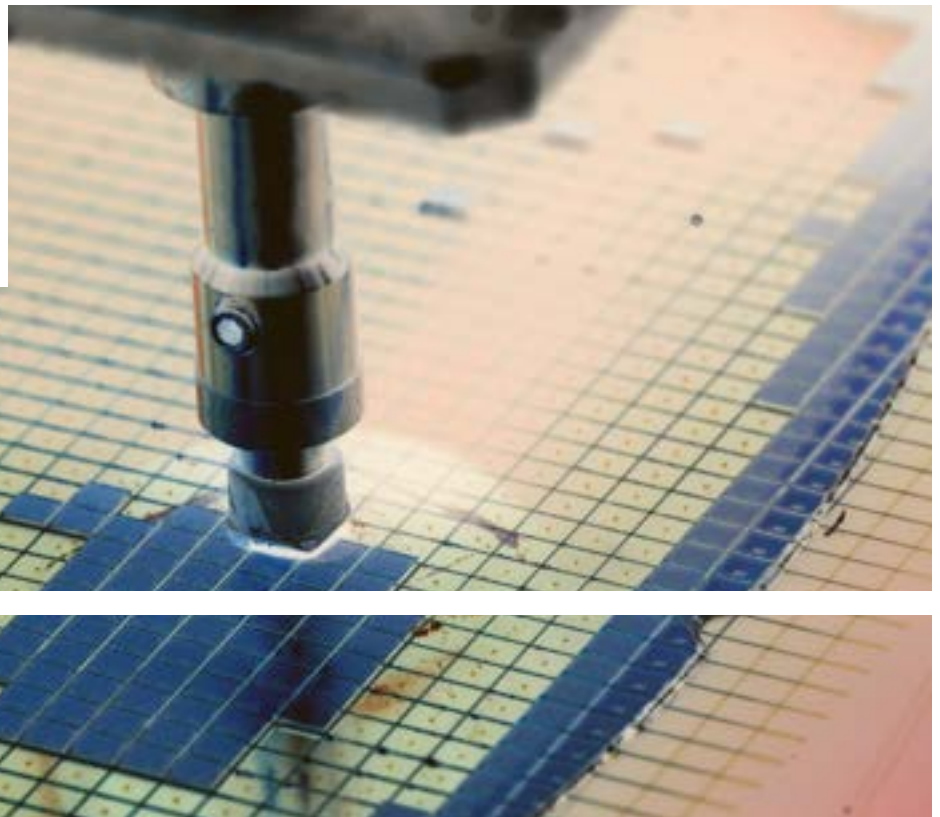
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