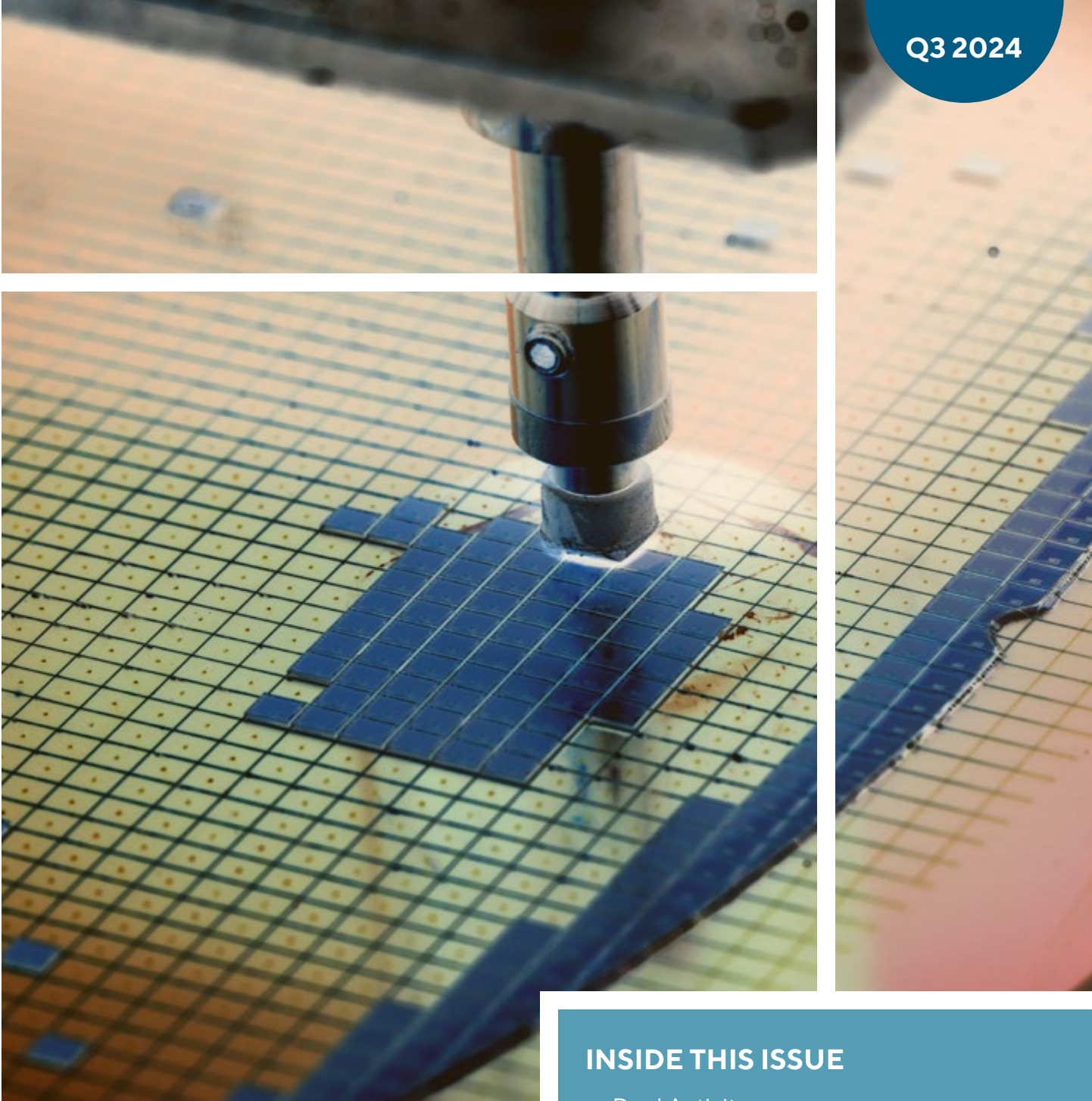


EMS

Quarterly Review



Q3 2024

INSIDE THIS ISSUE

- Deal Activity
- EMS Market Update
- EMS Stock Performance

Lincoln Perspective

In Q3 2024, the EMS industry exhibited normalization of inventories, consistent improvement in technology and an uptick in market demand, all of which underscore emerging market optimism. In all, Q3 2024 confirmed that the fundamental indicators of an EMS market recovery have further materialized.

While the publicly listed EMS companies experienced mixed stock performance and overall underperformance to the S&P 500 in Q3 2024, the improved financial profiles of the sector, particularly around margins, were a strong indicator of market improvement. Diversifying component sources and other adaptive supply chain strategies have become a primary focus. The EMS sector's adoption of this approach, along with strategic collaborations and financial restraints, ensures future financial stability. Companies that have a global mindset are more than ever in a position to take advantage of both regional efficiencies and overall market demand.

NOTABLE ANNOUNCEMENTS

September 3, 2024:

Foxtronics EMS has acquired Accutron

In this publication, we get an update on the market growth expectations by sector, which indicate continued demand from the "Electronics Super-Cycle." We also observe some of the aforementioned positive trends in the market through improved stock performance and increased Mergers and acquisitions (M&A). M&A activity rose in Q3 2024 bolstering projections that H2 2024 will see increased transactions, especially with middle-market EMS companies. This uptick is largely driven by demand resiliency and broader financial improvement. With the EMS sector positioned for expansion, more M&A activity is expected to consolidate key capabilities and introduce additional capital to realize near- and long-term growth.

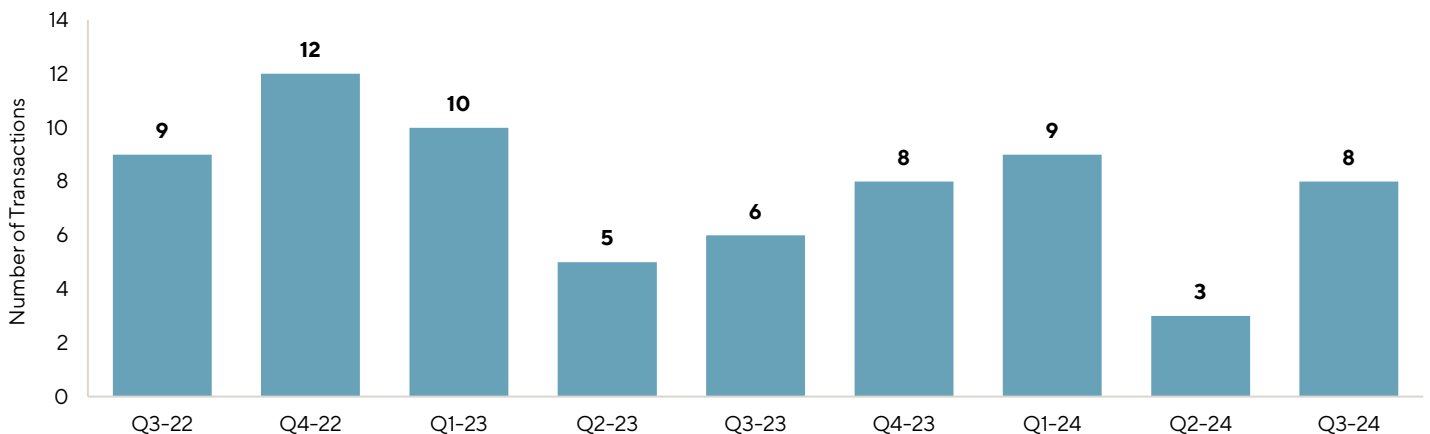
EMS Quarterly Review Q3 2024

There were eight EMS transactions recorded in Q3 2024, representing an increase from the six recorded in Q3 2023 but a decrease from the nine in Q3 2022. EMS consolidations accounted for four of the transactions in Q3 2024, or approximately 50% of total activity, representing a decrease in the number of EMS consolidation transactions compared to three of the previous four years' Q3. Vertical / horizontal convergence accounted for two of the transactions in Q3 2024, or approximately 25% of the total activity, representing the tied-for highest number of vertical / horizontal transactions in the previous four years. EMS divestitures and private equity investment accounted for one transaction, respectively. Diversification into EMS and original equipment manufacturer divestitures did not account for any transactions in Q3 2024.

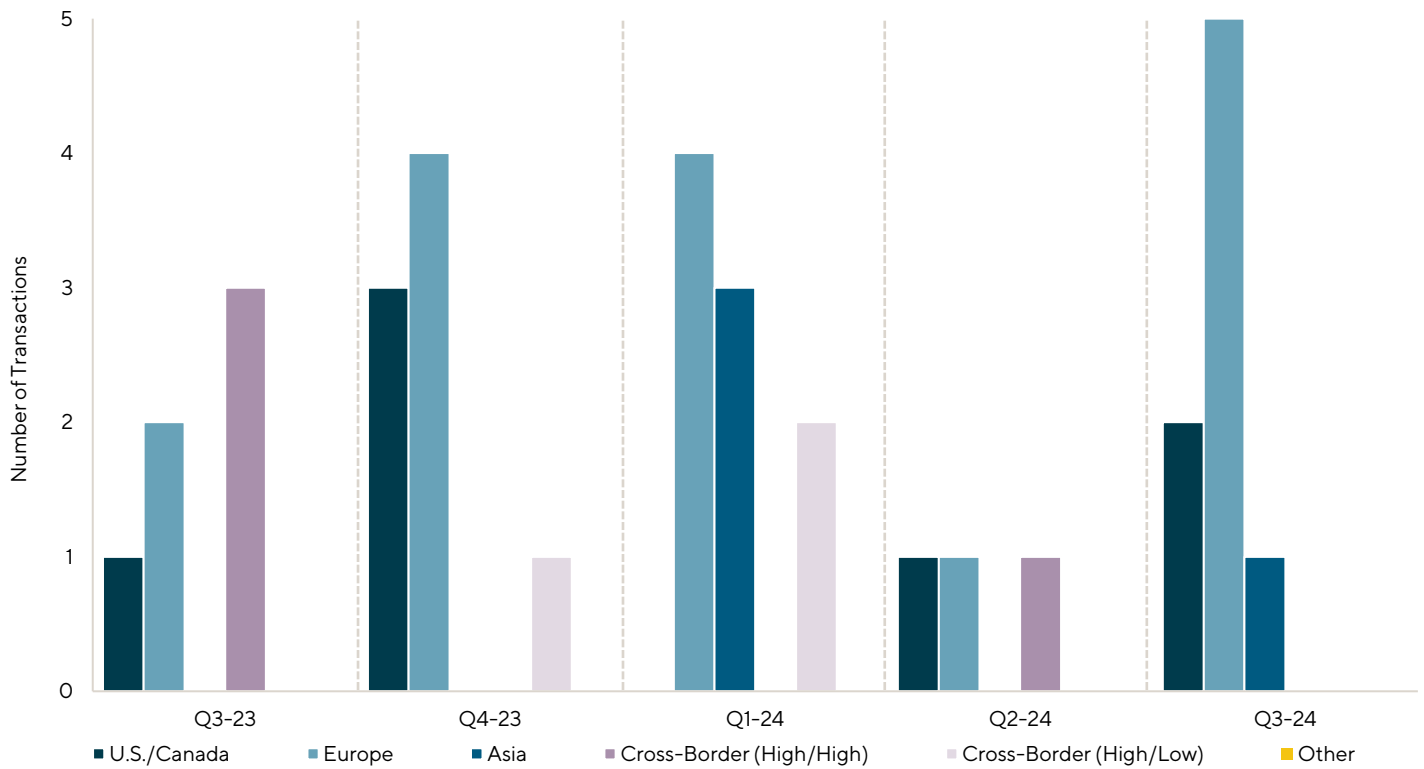
By geography, Europe had five transactions, representing approximately 63% of total Q3 2024 EMS transactions. U.S. / Canada had two transactions, representing 25% of total transaction activity in Q3 2024. Asia had one transaction, representing 13% of total Q3 2024 transaction activity. Cross-border (High / High) and cross-border (High / Low) did not record a closed transaction in Q2 2024.

In terms of transactions by acquirers, small-tier EMS providers accounted for seven of the Q3 2024 transactions, or 83% of the transaction activity. One transaction was categorized as a mid-tier EMS deal, which represented 17% of EMS deals recorded in Q3 2024. There were no deals recorded by large-tier EMS in Q3 2024.

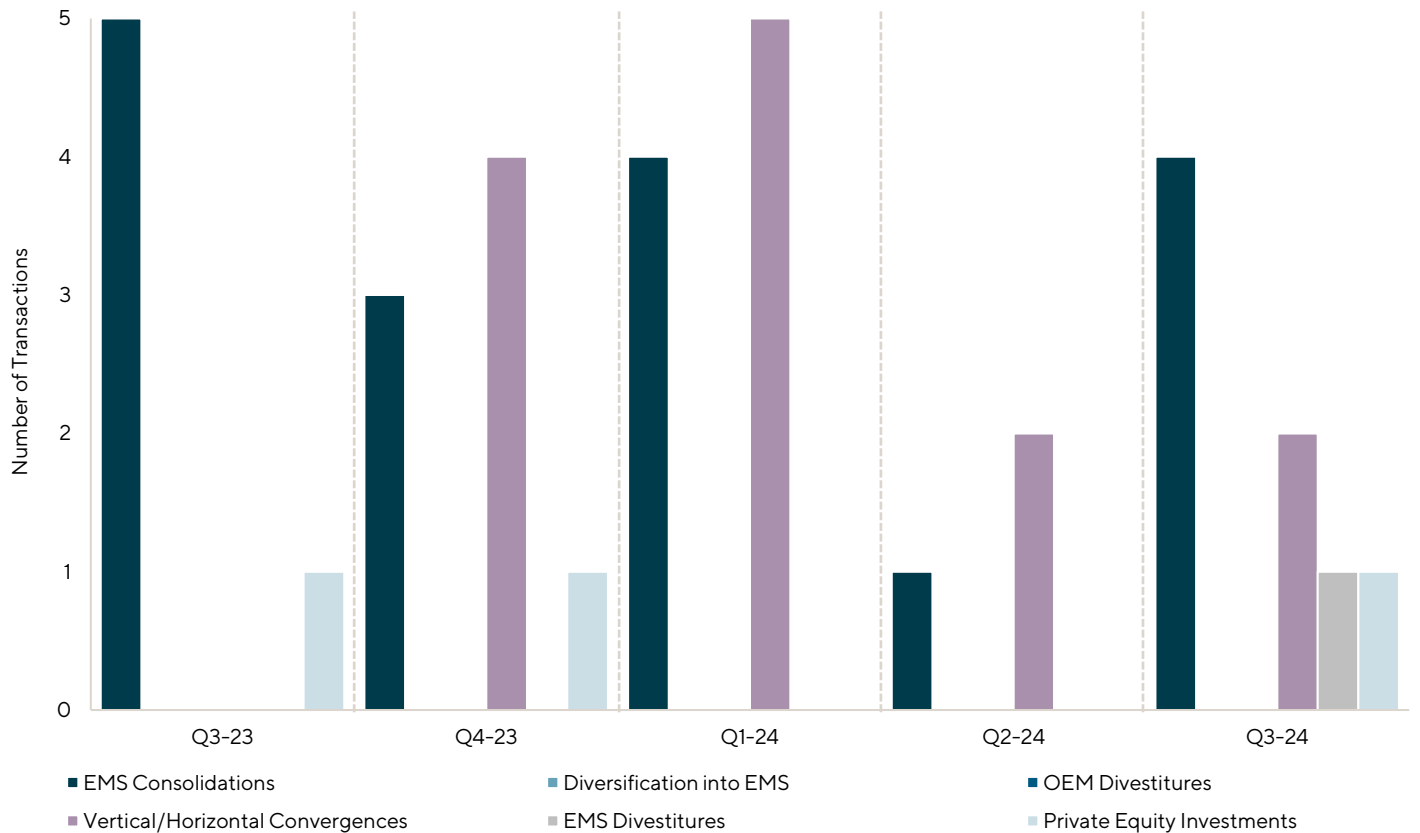
QUARTER-OVER-QUARTER COMPLETED EMS TRANSACTIONS



QUARTERLY COMPARISON—EMS M&A BY GEOGRAPHY



QUARTERLY COMPARISON—EMS M&A BY DEAL TYPE



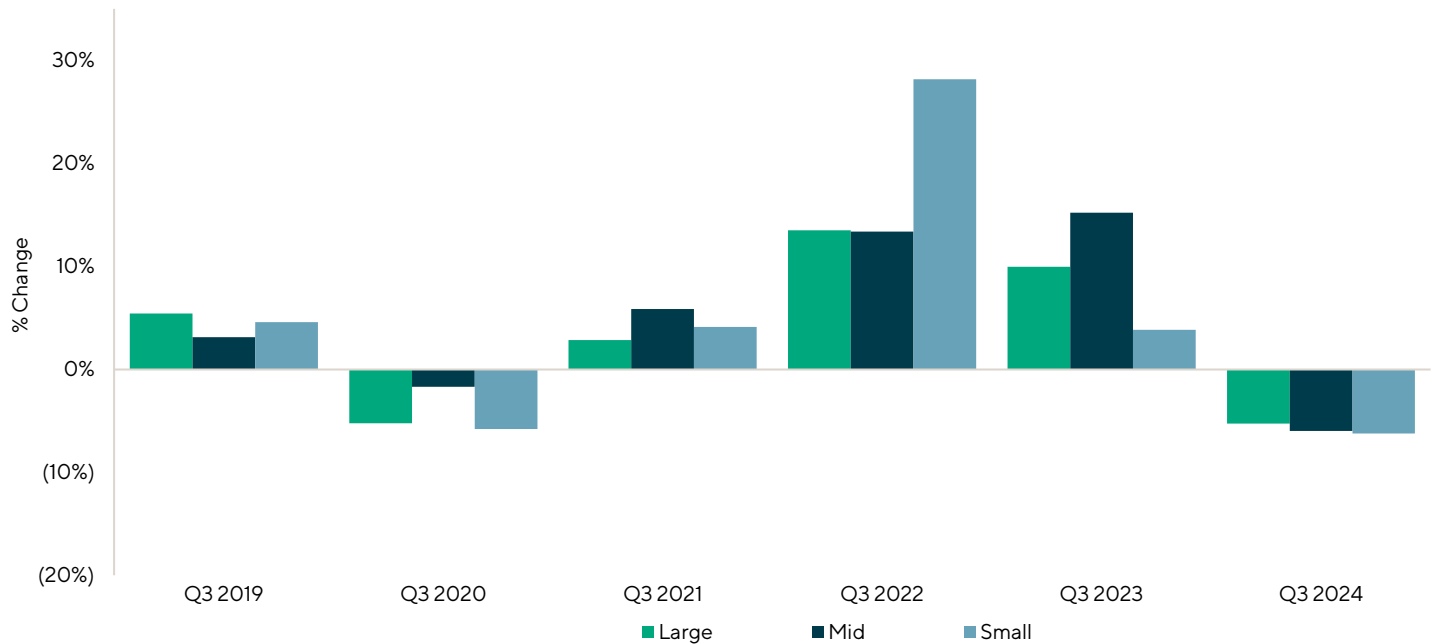
Sources: All information contained in this newsletter including the charts was obtained from company websites, Custer Reports, Lincoln International's internal data, Manufacturing Market Insider and Capital IQ

An Analysis of Growth Trends Affecting the EMS Industry

As shown in the revenue trend chart below, overall last 12 months (LTM) Q3 2024 revenue declined for the large, mid and small-tier EMS providers. Large-tier EMS providers' revenue decreased (5.3%) on an LTM Q3 2024 basis versus an increase of 10% in LTM Q3 2023. The mid-tier experienced a decrease in growth, with LTM Q3 2024 revenue decreasing (6.0%) year-over-year from an increase of 15.2% in LTM Q3 2023. Small-tier EMS providers experienced a decrease of (6.2%) LTM Q3 2024, versus an increase of 3.8% in LTM Q3 2023.

In the most recent worldwide industry forecast, the communications segment is expected to exhibit the most significant growth within the EMS industry over the next five years, with a CAGR of 8.3% from 2021 to 2026. The medical segment is also expected to show strong growth, with a CAGR of 6.4% over the next five years. Overall, the global EMS market is expected to grow 4.6% annually from a \$515 billion market in 2021 to a \$645+ billion market in 2026.

YEAR-OVER-YEAR REVENUE GROWTH BY TIER



GLOBAL EMS MARKET BY INDUSTRY SEGMENT

	2023		2028		CAGR
	Revenue (\$ in mm)	%	Revenue (\$ in mm)	%	
Automotive	36,420	7.1%	45,213	7.0%	4.4%
Communications	184,377	35.8%	274,347	42.5%	8.3%
Computer	97,289	18.9%	73,508	11.4%	(5.5%)
Consumer	88,122	17.1%	109,062	16.9%	4.4%
Industrial	49,914	9.7%	64,979	10.1%	5.4%
Medical	36,778	7.1%	50,227	7.8%	6.4%
Commercial Aviation	11,286	2.2%	14,293	2.2%	4.8%
Defense/Other	10,843	2.1%	13,320	2.1%	4.2%
Total	515,029	100.0%	644,947	100.0%	4.6%

Source: New Venture Research Corp., *The Worldwide Electronics Manufacturing Services Market, 2024 Edition*

EMS Stock Index Underperforms 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, 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.

QUARTERLY UPDATE TABLES

Winner's Circle		Tier
Flex Ltd.	13.4%	I
Key Tronic Corporation	41.2%	II
Nortech Systems Incorporated	(14.2%)	III

Worst Performers		Tier
Celestica Inc.	(10.8%)	I
Kimball Electronics, Inc.	(15.8%)	II
SigmaTron International, Inc.	(49.0%)	III

Note: Based on quarter-over-quarter share price performance, as of September 30, 2024

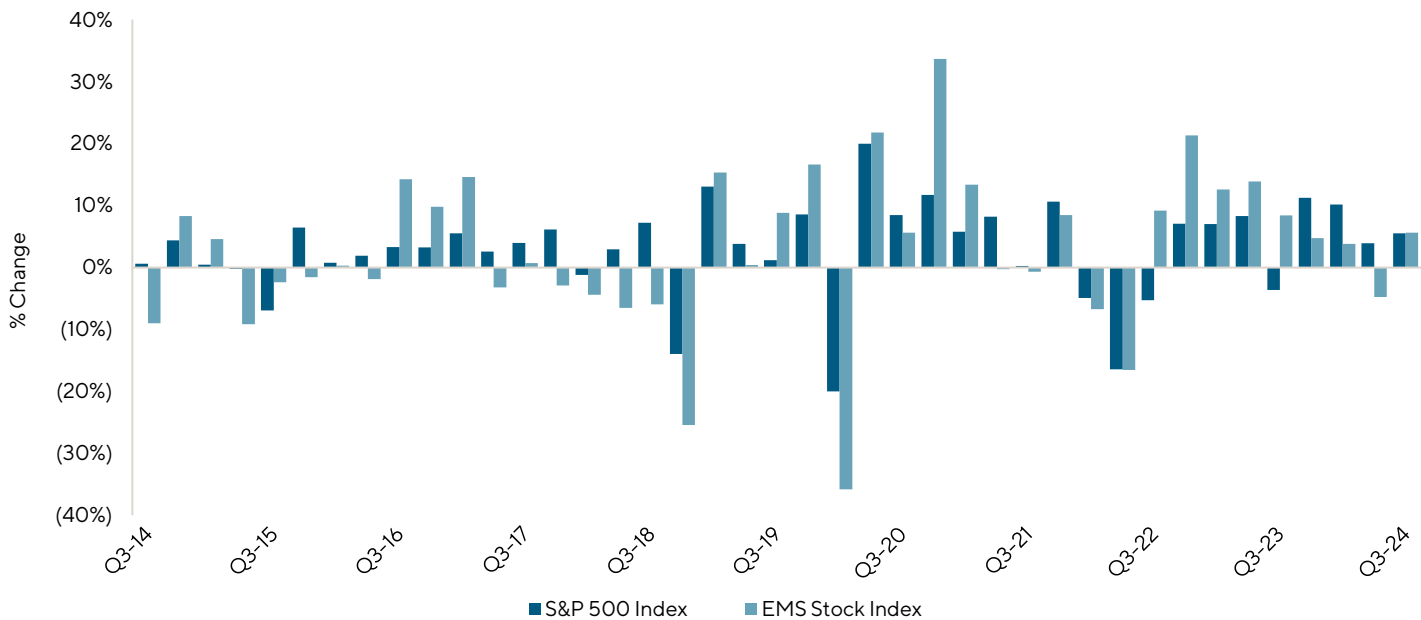
EBITDA Margins	
Large	6.7%
Mid	5.6%
Small	4.1%

Year-over-Year Last 12 Months Revenue Growth	
Large	(5.3%)
Mid	(6.0%)
Small	(6.2%)

Source: Capital IQ as of September 30, 2024

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

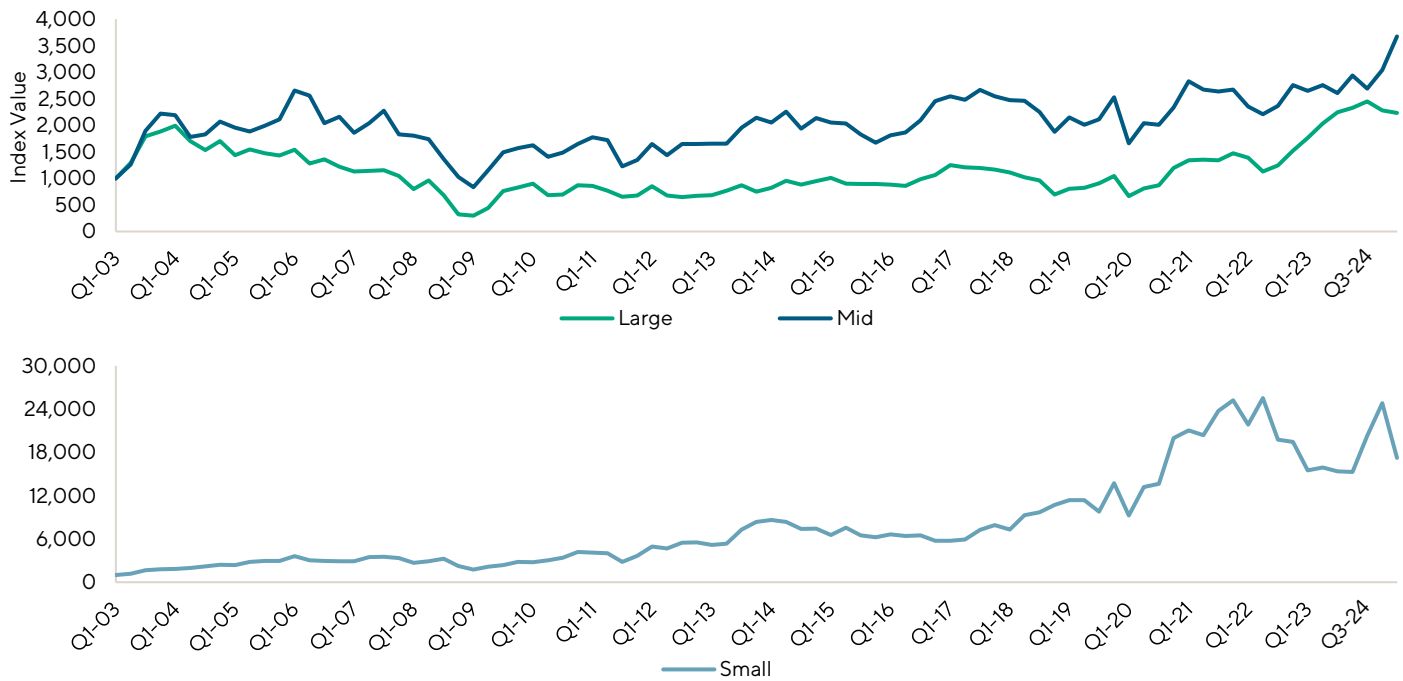
S&P INDEX VS. EMS STOCK INDEX QUARTER CHANGE



CURRENT EMS MARKET HIGHLIGHTS

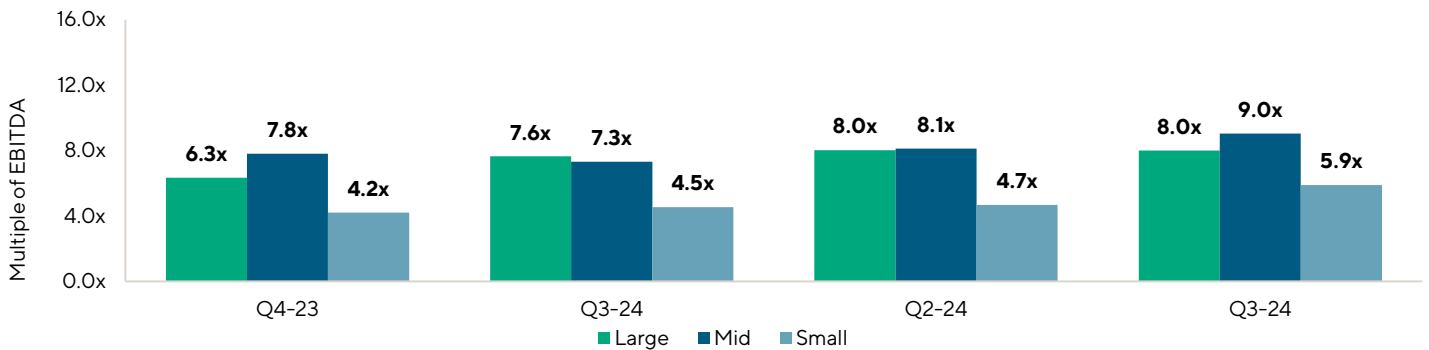
The overall Lincoln EMS Stock Index increased 5.6% from last quarter, primarily driven by an increase of 3.6% and 20.8% in the large and mid-indices, respectively. Inversely, the small index decreased by (30.6%).

EMS STOCK INDEX BY SIZE



Note: Index Value as of September 30, 2024

ENTERPRISE VALUE / EBITDA



Note: Enterprise value is calculated as market cap on September 30, 2024, 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.	\$51.12	\$9,241	\$3.16	98.5	1.5x	9.6x	0.7x	\$6,015	\$543
Flex Ltd.	33.43	25,837	2.23	69.5	1.4x	8.4x	0.6x	13,274	1,435
Jabil Inc.	119.83	28,883	11.17	39.1	1.1x	6.9x	0.5x	13,594	1,056
Sanmina Corporation	68.45	7,603	3.86	70.5	2.0x	7.1x	0.5x	3,741	(270)
Mid									
Benchmark Electronics, Inc.	\$44.32	\$2,753	\$1.86	121.7	2.3x	9.1x	0.6x	\$1,600	\$114
Key Tronic Corporation	5.72	567	(0.26)	119.3	2.8x	7.6x	0.3x	62	130
Kimball Electronics, Inc.	18.51	1,715	0.81	104.2	2.3x	5.9x	0.4x	459	217
Plexus Corp.	136.71	3,961	4.01	148.6	1.5x	13.6x	1.0x	3,722	(51)
Small									
Nortech Systems Incorporated	\$11.71	\$138	\$2.23	107.6	2.5x	5.0x	0.4x	\$32	\$16
SigmaTron International, Inc.	2.85	361	(0.99)	115.3	1.2x	6.7x	0.3x	17	78

Sources: Bloomberg, Capital IQ and company filings, as of September 30, 2024

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 1,000 professionals 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.

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.

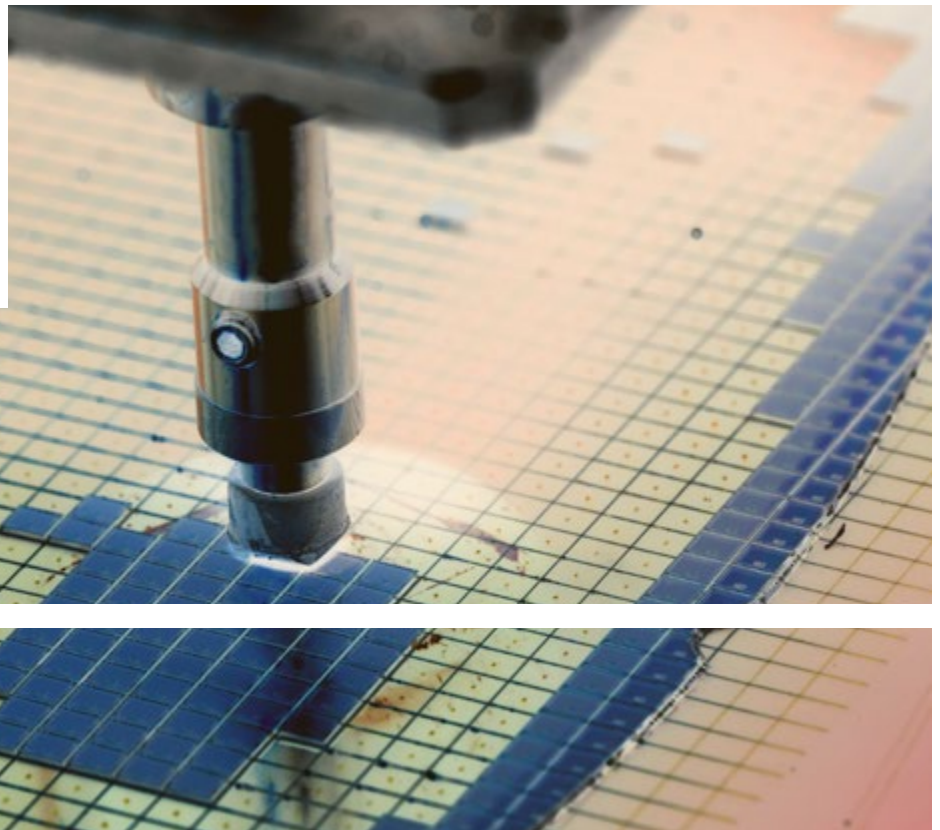
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