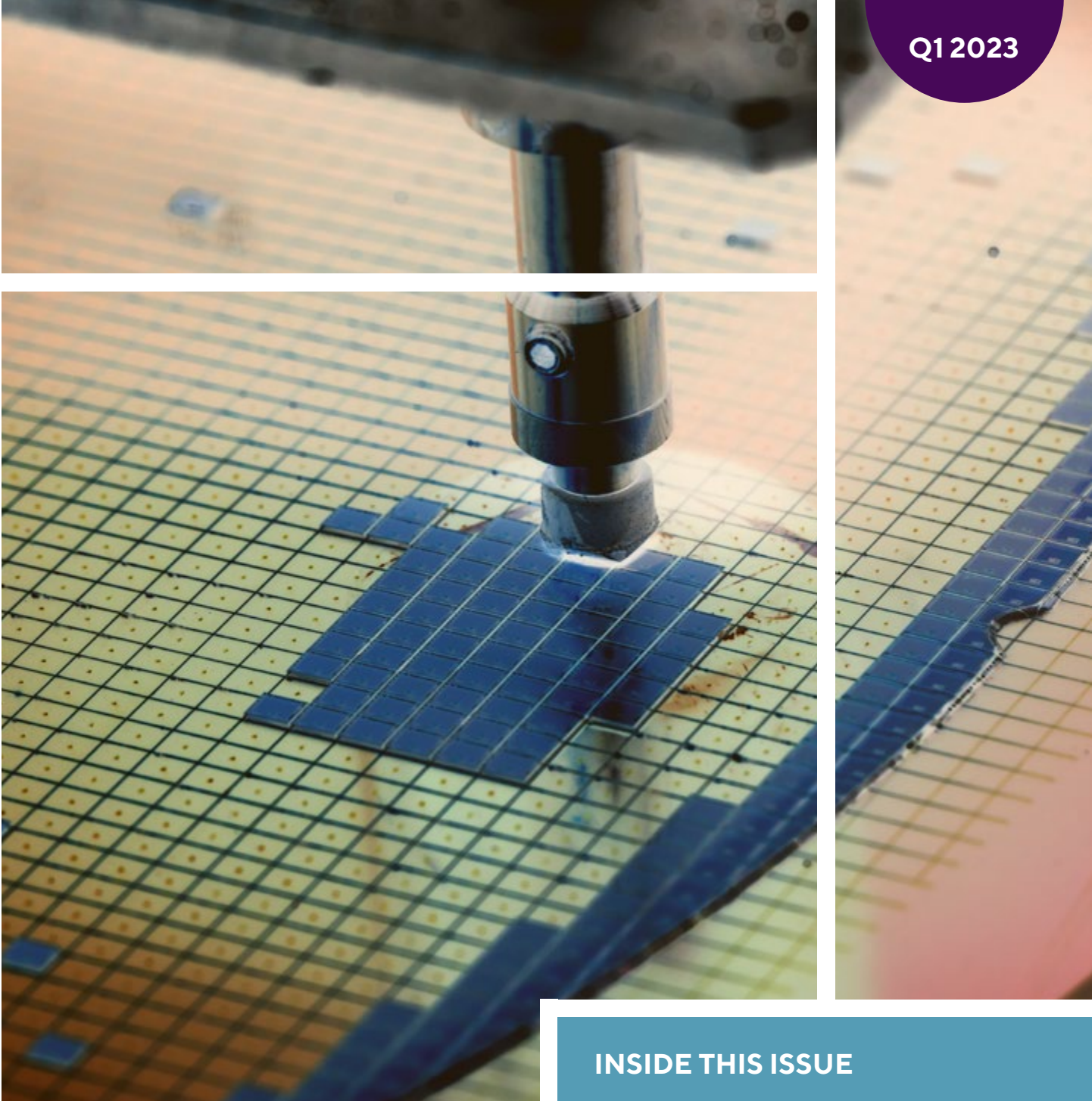


EMS

Quarterly Review



Q1 2023

INSIDE THIS ISSUE

- Deal Activity
- Cash Cycle Analysis
- EMS Stock Performance

Lincoln Perspective

There were 10 EMS transactions recorded in Q1 2023, representing a slight increase from the level of activity that was recorded in Q1 2022. EMS consolidations accounted for six transactions in Q1 2023, or approximately 60% of total EMS activity and represents a slight decrease in the number of EMS consolidations compared to Q4 2022.

Three vertical / horizontal convergence transactions and one diversification into EMS acquisition were recorded in Q1 2023, representing 30% and 10% of the total activity for the quarter, respectively.

Original equipment manufacturer (OEM) divestitures and private equity investment transactions did not account for any transactions in Q1 2023, nor were there any transactions categorized as EMS divestitures this quarter.

In terms of geography, three of the transactions completed in Q1 2023 occurred in the U.S. / Canada. This represented 30% of the total transaction activity in Q1 2023. In Europe, four transactions were completed in Q1 2023, representing 40% of total Q1 2023 activity. There were two transactions recorded within Asia and one cross-border (High / High) transaction classified, which makes up the balance of the quarter.

In terms of transaction size, small-tier EMS providers accounted for 70% of the Q1 2023 transaction volume with seven acquisitions. Mid-tier providers accounted for two acquisitions and large-tier providers made up one of the recorded transactions, which represented 20% and 10% of total Q1 activity respectively.

Given the continued macroeconomic challenges of inflation and rising interest rates, deal activity, specifically with private equity investments, has been impacted in the EMS sector. However, overall transaction momentum remains relatively consistent in terms of volumes and is in line with typical Q1 activity from prior years. There has been generally a stronger push from EMS consolidations driven by industry tailwinds, such as the increasing demand for smart devices, wearable technology and the growth of automotive chip demand, including power control, artificial intelligence (AI) functions and the Internet of Vehicles. We expect that these trends will be further elevated by emerging technological potential such as 5G and Internet of Things, continuing to drive EMS transaction activity and electronics content through consolidations and vertical / horizontal convergences in 2023.

Additionally, we continue to see challenges related to moving through increased inventory levels as component shortages are finally starting to ease. While cash cycles remain at heightened levels we are starting to see improvement in inventory turns, which will result in improved cash cycles moving forward.

Inventory remains in focus across the EMS space with increases in cash cycles being driven from component shortages and longer lead times. However, the industry remains resilient to macroeconomic challenges through consistent customer demand and growing demand for electronics across end markets.

NOTABLE ANNOUNCEMENTS

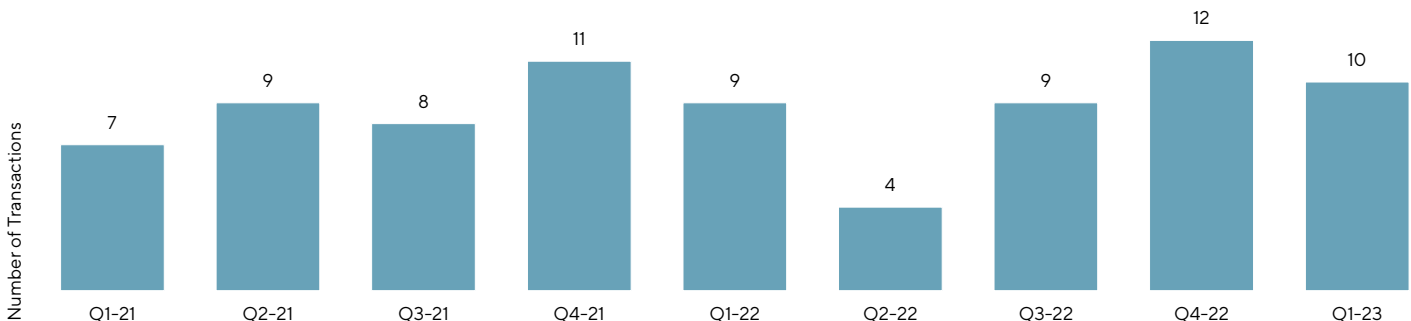
February 14, 2023: Lorom Holding has acquired Segue Manufacturing Services

February 1, 2023: Niche Electronics Technologies has acquired L-Tronics

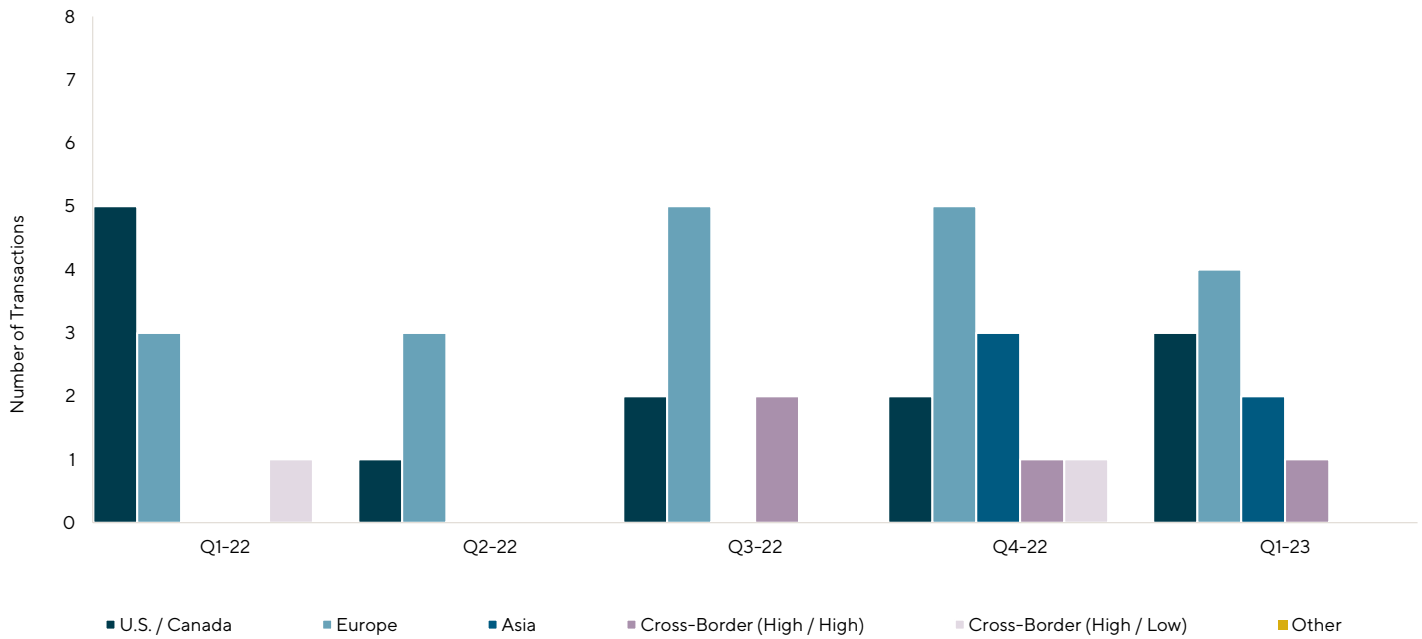
January 23, 2023: Cicor Technologies has acquired Phoenix Mecano Digital Elektronik GmbH

EMS Quarterly Review Q1 2023

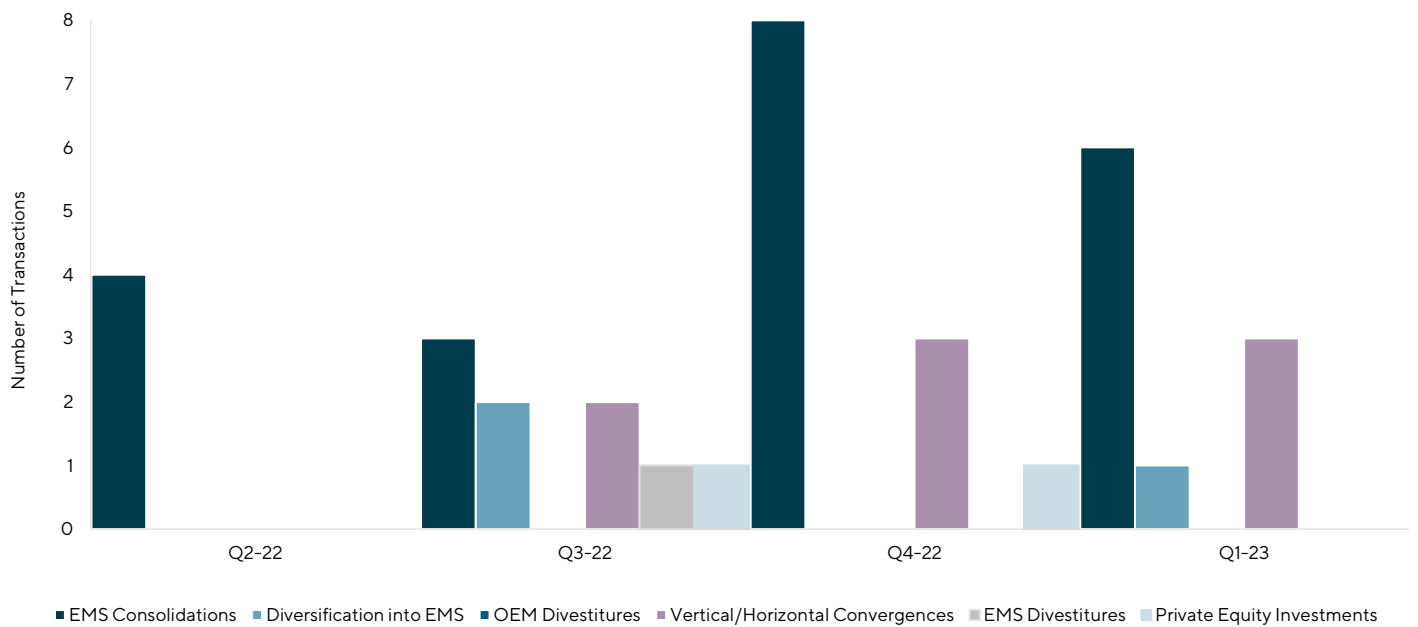
QUARTER-OVER-QUARTER COMPLETED EMS TRANSACTIONS



QUARTERLY COMPARISON—EMS M&A BY GEOGRAPHY



QUARTER-OVER-QUARTER COMPLETED EMS TRANSACTIONS



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.

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.

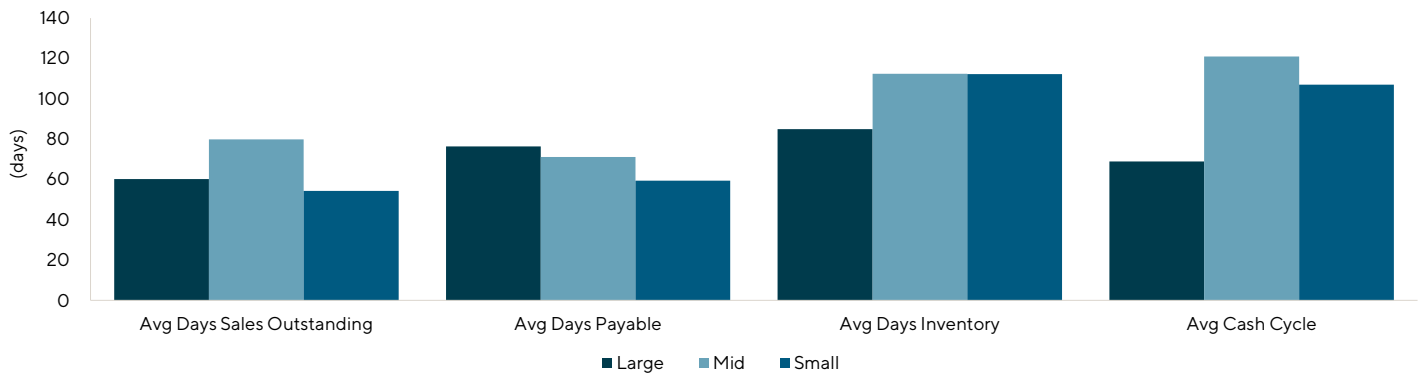
In the large tier, most companies’ cash cycles worsened (more days) relative to their Q1 2022 performance. Celestica’s cash cycle lengthened by 2.9% to 108.0 days, up from 105.0 days in Q1 2022, driven primarily by DIO growing at a faster rate than its DPO. Likewise, Flex experienced a 11.0% lengthening in its cash cycle, due to higher DIO and DSO. Jabil’s cash cycle lengthened by 24.1% to 40.4 days in Q1 2023 from 32.6 days in Q1 2022, as a result of the same DIO and DPO trends as Celestica. However, Sanmina’s cash cycle improved and shortened by (10.6%) to 59.5 days in Q1 2023 from 66.6 days in Q1 2022 due to a faster increase in its DPO and a decline in its DSO.

In the mid tier, all companies experienced worsening cash cycles. Benchmark, Key Tronic, Kimball and Plexus had slower efficiency in turning their sales into cash largely driven by increased DIO and DSO among each.

In the small tier, Nortech alone improved its cash cycle, primarily due to material declines in its DSO. Sigmatron experienced an increase in cash cycle, experiencing a 31.6% lengthening from 93.4 days in Q1 2022 to 122.9 days in Q1 2023, largely driven by a significant increase in its DIO.

Inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, Plexus has one of the longest cash cycles (143.8 days) and also has one of the lowest inventory turns at 2.6. Conversely, two companies with shorter cash cycles, Jabil and Sanmina (cycles of 40.4 and 59.5 respectively), have higher inventory turns (5.4 and 5.3 respectively). The entire industry has been challenged with increased inventory from longer than normal lead times for components. These component shortages are starting to alleviate and thus we should see inventory turnover improve and better cash cycles moving forward.

Q1 2023 CASH CYCLE



	Cash Cycle			Inventory Turns		
	Q1-22	Q1-23	%chg	Q1-22	Q1-23	%chg
Large						
Celestica Inc.	105.0	108.0	2.9%	3.5	3.2	(10.2%)
Flex Ltd.	57.9	64.3	11.0%	4.6	4.0	(13.3%)
Jabil Inc.	32.6	40.4	24.1%	6.3	5.4	(14.0%)
Sanmina Corporation	66.6	59.5	(10.6%)	6.0	5.3	(12.6%)
Median	62.3	61.9	(0.5%)	5.3	4.6	(12.6%)
Mid						
Benchmark Electronics, Inc.	96.8	107.0	10.6%	4.5	4.2	(6.4%)
Key Tronic Corporation	128.3	132.4	3.2%	3.6	2.9	(17.6%)
Kimball Electronics, Inc.	89.2	100.6	12.7%	4.6	3.7	(20.8%)
Plexus Corp.	123.7	143.8	16.3%	3.1	2.6	(16.0%)
Median	110.2	119.7	8.6%	4.0	3.3	(18.0%)
Small						
Nortech Systems Incorporated	103.7	91.2	(12.0%)	2.6	5.4	109.6%
SigmaTron International, Inc.	93.4	122.9	31.6%	4.1	2.3	(42.7%)
Median	98.5	107.0	8.6%	3.3	3.9	16.7%

Note: Negative % change for cash cycle denotes improvement.

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.	29.3%	I
Nasdaq: Key Tronic Corporation	67.9%	II
Nasdaq: Nortech Systems Incorporated	(13.1%)	III

Worst Performers		Tier
Nasdaq: Sanmina Corporation	6.5%	I
NYSE: Benchmark Electronics, Inc.	(11.2%)	II
Nasdaq: SigmaTron International, Inc.	(31.0%)	III

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

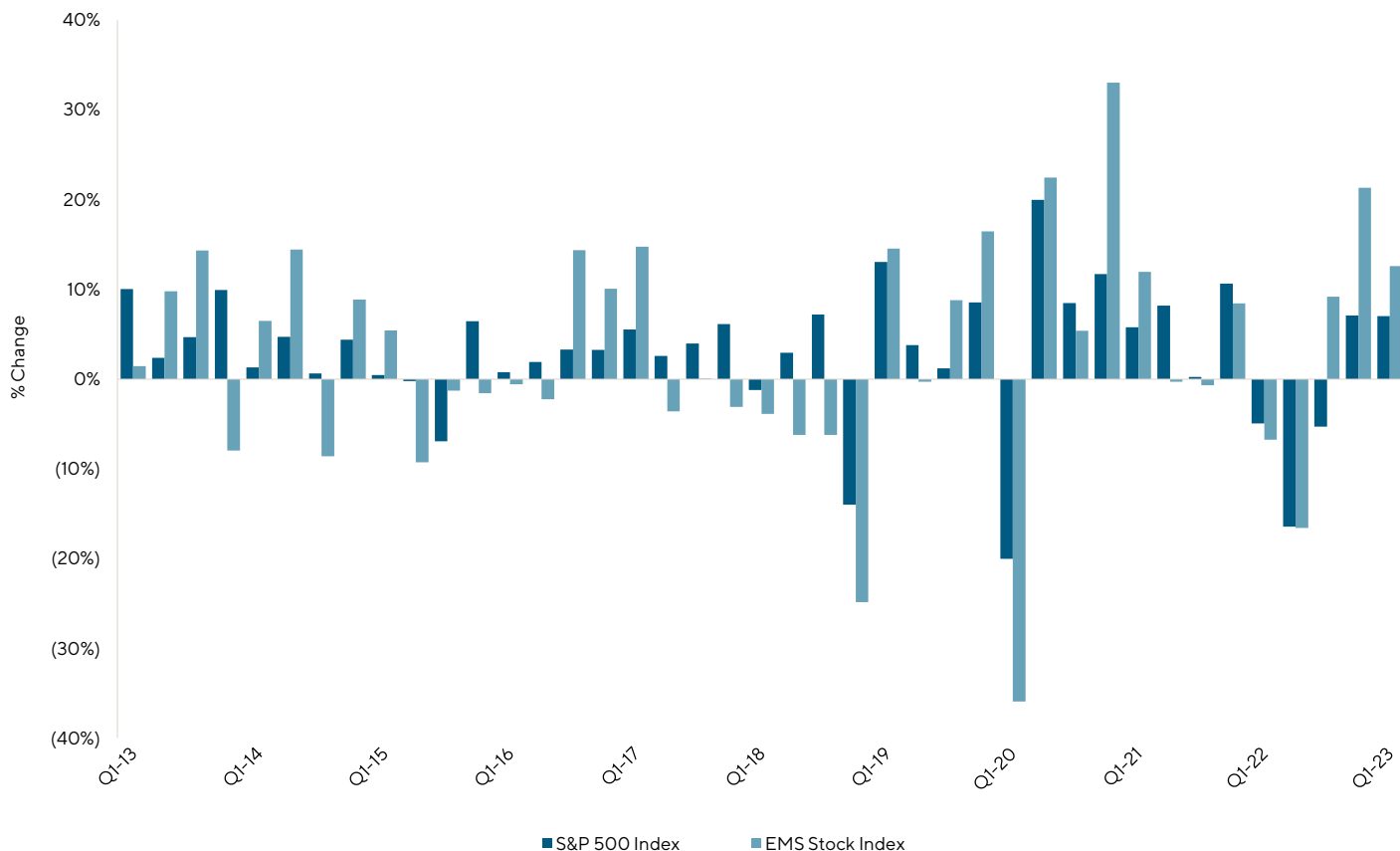
EBITDA Margins	
Large Tier	6.2%
Mid Tier	5.4%
Small Tier	4.7%

Year-over-Year Last Twelve Months Revenue Growth	
Large Tier	20.0%
Mid Tier	15.6%
Small Tier	11.4%

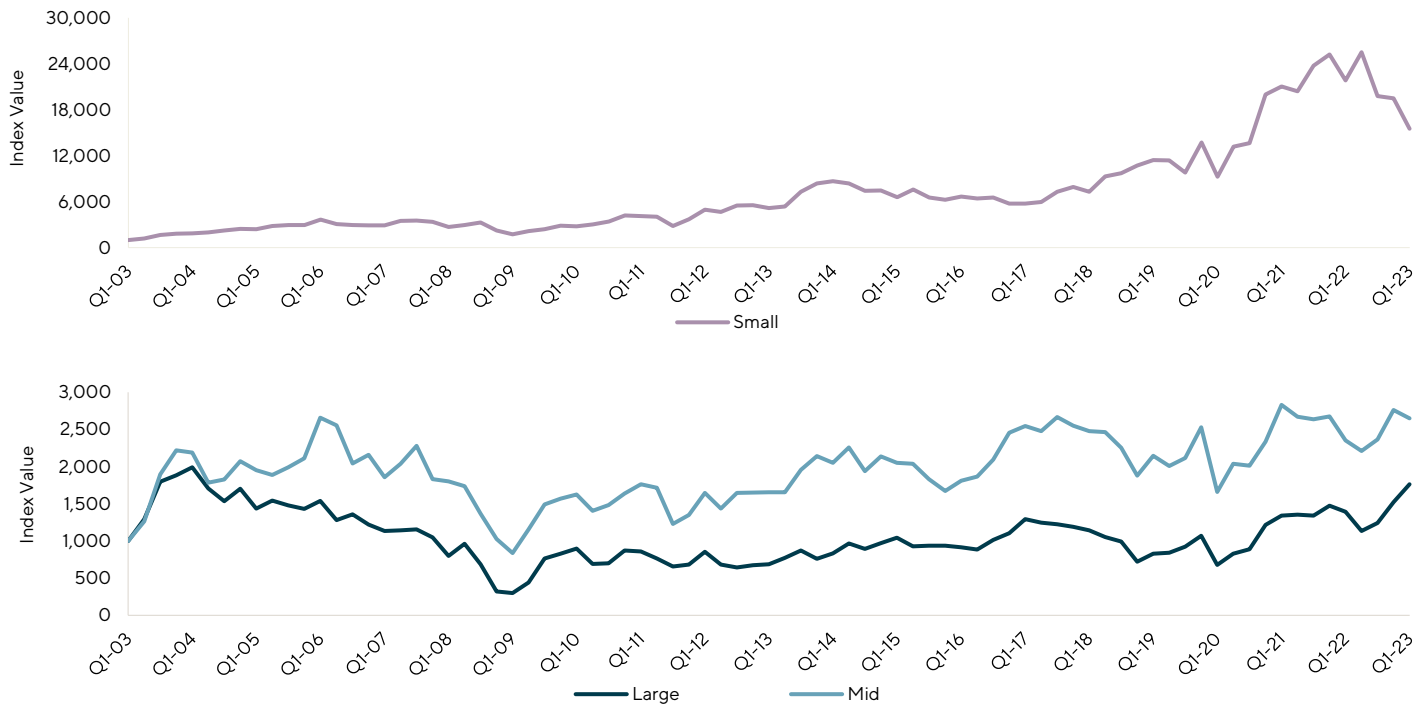
Source: Capital IQ as of March 31, 2023.

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

S&P INDEX VS. EMS STOCK INDEX QUARTER CHANGE

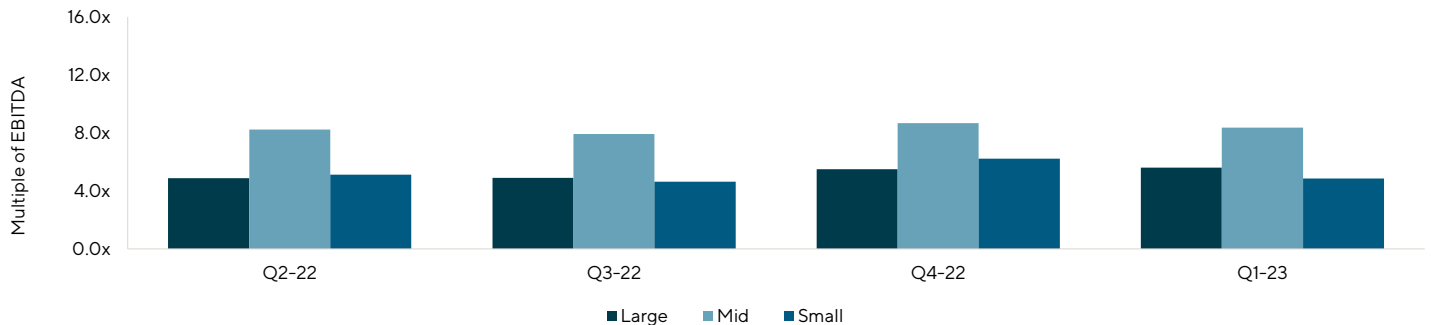


EMS STOCK INDEX BY SIZE



Note: Index Value is as of 3/31/2003.

ENTERPRISE VALUE / EBITDA



Note: Enterprise Value is calculated as market cap on March 31, 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.	\$12.90	\$7,521	\$1.21	108.0	1.4x	4.1x	0.3x	\$1,565	\$457
Flex Ltd.	23.01	29,720	1.76	64.3	1.4x	6.8x	0.4x	10,379	1,950
Jabil Inc.	88.16	35,127	6.91	40.4	1.0x	5.4x	0.4x	11,750	2,286
Sanmina Corporation	60.99	8,495	4.65	59.5	1.7x	6.1x	0.4x	3,559	(316)
Mid									
Benchmark Electronics, Inc.	\$23.69	\$2,886	\$1.91	107.0	2.2x	6.6x	0.4x	\$834	\$216
Key Tronic Corporation	7.27	526	0.38	132.4	2.1x	8.4x	0.4x	78	141
Kimball Electronics, Inc.	24.10	1,584	1.75	100.6	2.0x	7.9x	0.5x	596	250
Plexus Corp.	97.57	4,088	5.53	143.8	1.4x	10.5x	0.7x	2,703	309
Small									
Nortech Systems Incorporated	\$10.65	\$134	\$0.70	91.2	2.1x	5.5x	0.3x	\$29	\$15
SigmaTron International, Inc.	2.65	407	0.03	122.9	2.0x	4.2x	0.3x	16	104

Sources: Bloomberg, Capital IQ and company filings, as of March 31, 2023.

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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.

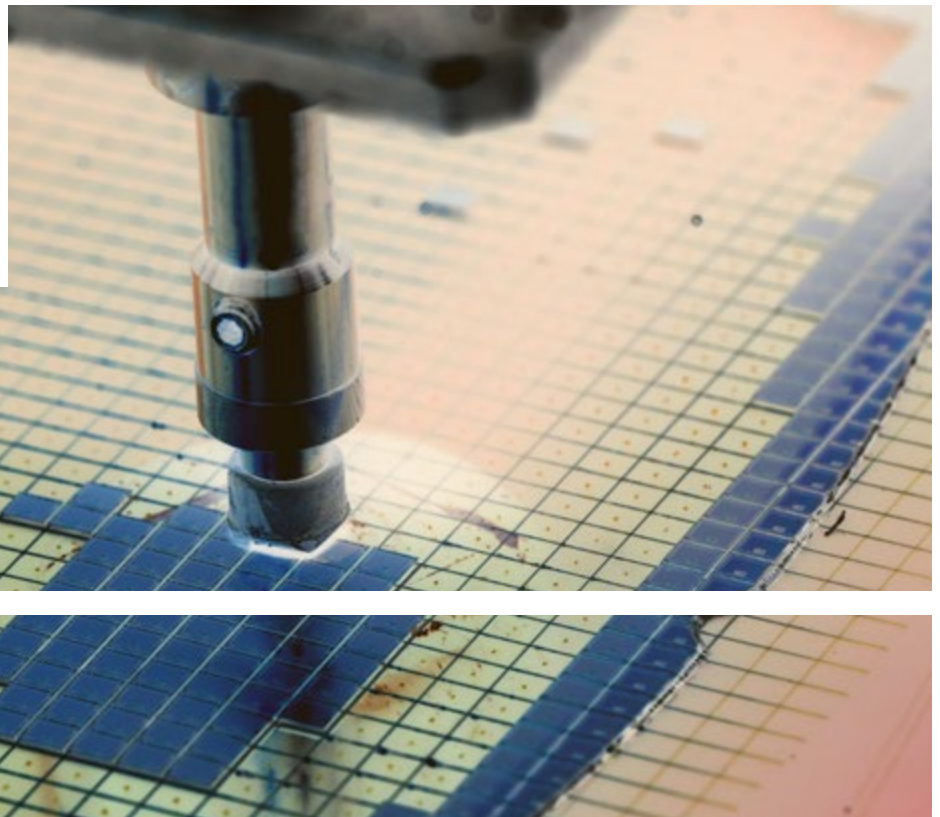
Contributors

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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