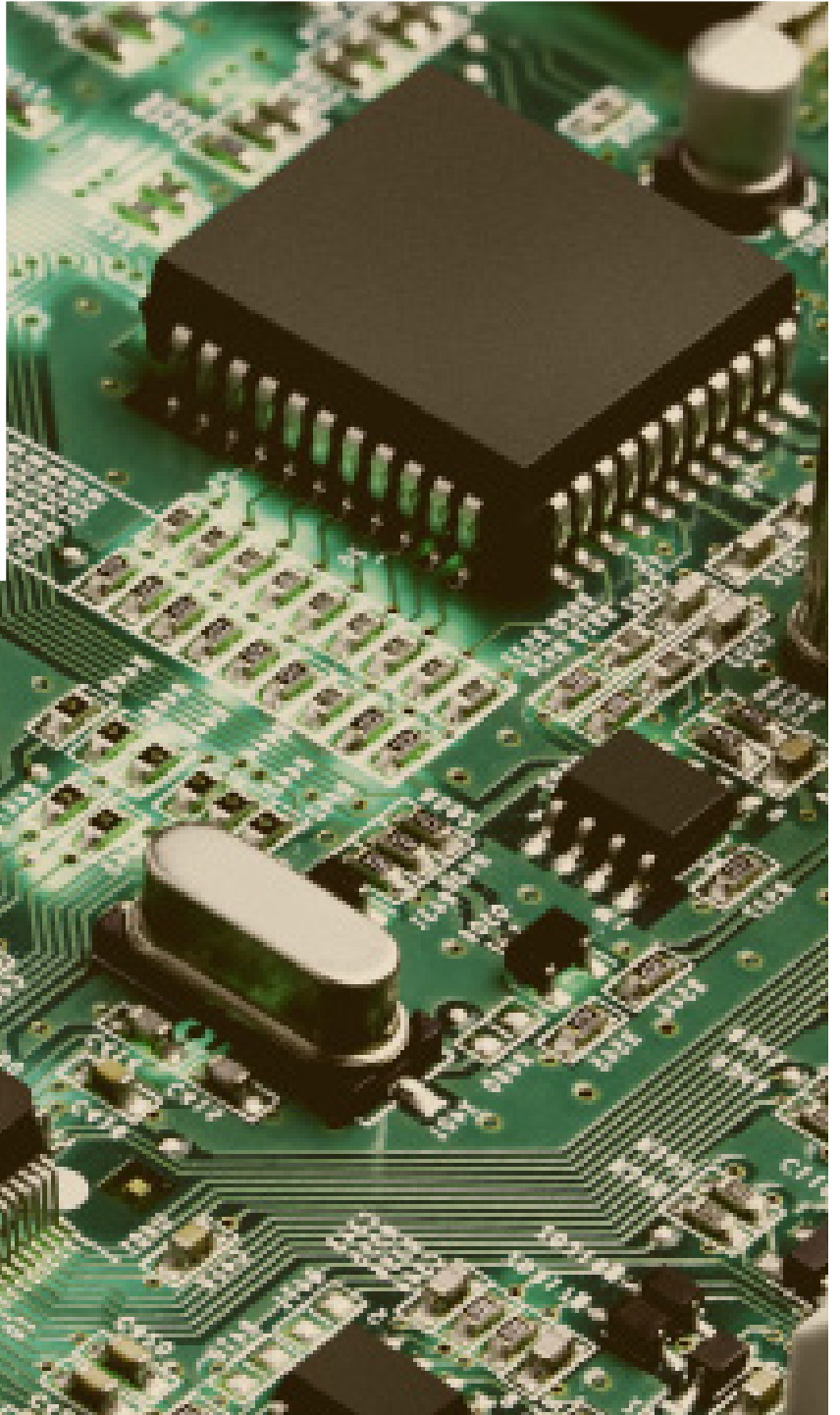


EMS
Quarterly
Review
Q2 2019



Announcements

Apr. 29, 2019: Platinum Equity, LLC has taken PCI Ltd. private

April 24, 2019: Gowanda Components Group has acquired Rem-Tronics, Inc.

May 13, 2019: Blackburn Partners LLC has acquired Zentech Manufacturing, Inc.

May 29, 2019: Hannover Finanz GmbH has acquired Lacon Electronic GmbH

Q2 2019 Year-in-Review

There were 6 EMS transactions recorded in Q2 2019, representing a decrease from the 9 recorded in Q2 2018 and down from the 10 transactions recorded in Q1 2019. EMS consolidations accounted for 2 transactions in Q2 2019, or 33% of total activity, representing a significant decrease in the number of EMS consolidations from Q1 2019.

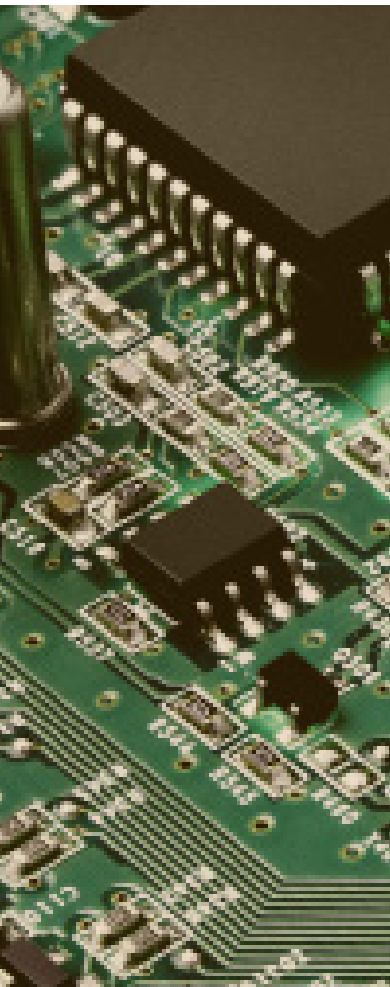
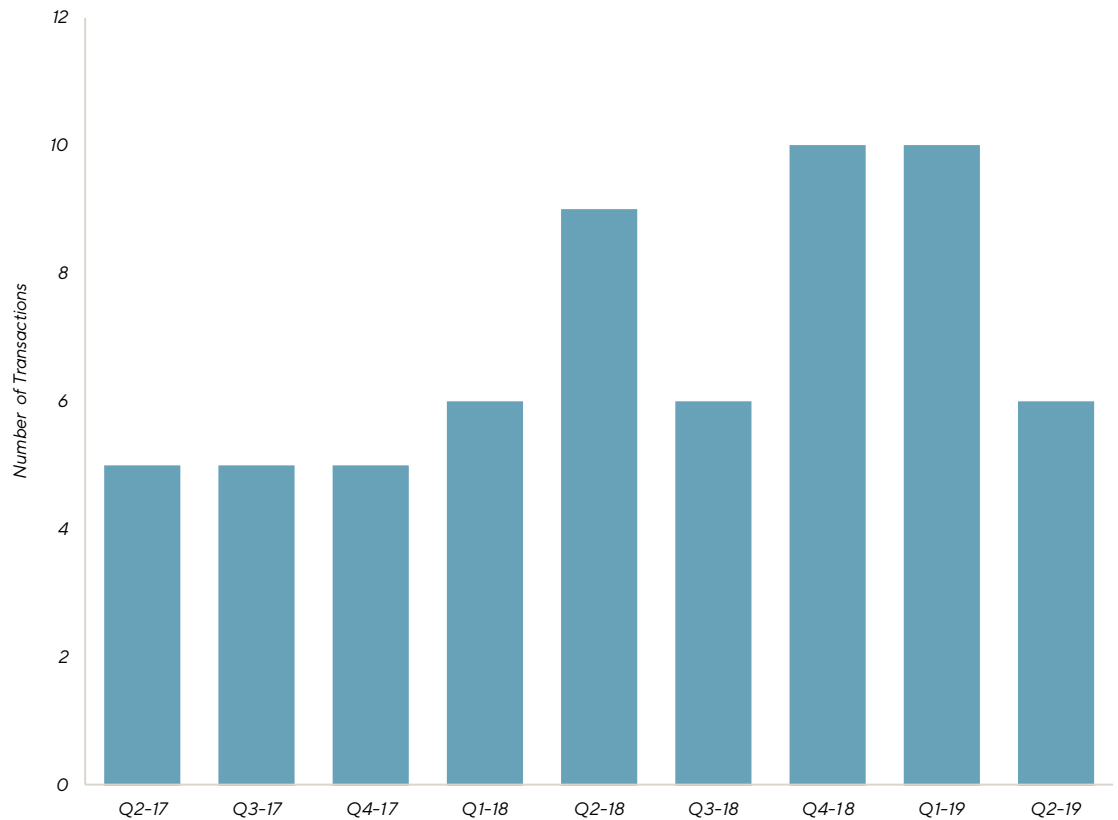
Private equity investments accounted for 3 transactions, representing 50% of total activity, which was greater than the previous quarter despite the decline in overall number of transactions. This highlights the major trend that we are witnessing of increased private equity interest in growing platforms in the EMS space.

In Q2 2019, there was one transaction categorized as a Vertical/Horizontal convergence, which did not occur last quarter. There were no OEM or EMS divestitures in Q2 2019, nor were there any transactions categorized as Diversification into EMS this quarter.

In terms of geography, the U.S. / Canada, Europe and Asia each had 2 transactions completed, each representing a third of total transaction activity in Q2 2019, respectively.

In terms of transaction size, Small Tier EMS providers accounted for all of the Q2 2019 transaction volume.

Quarter-over-Quarter Completed EMS Transactions

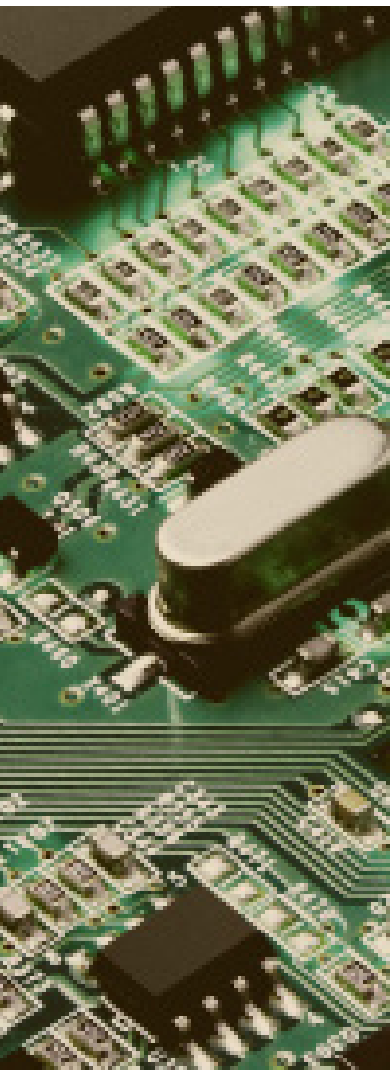


EMS Size Guide (Sales Dollars)

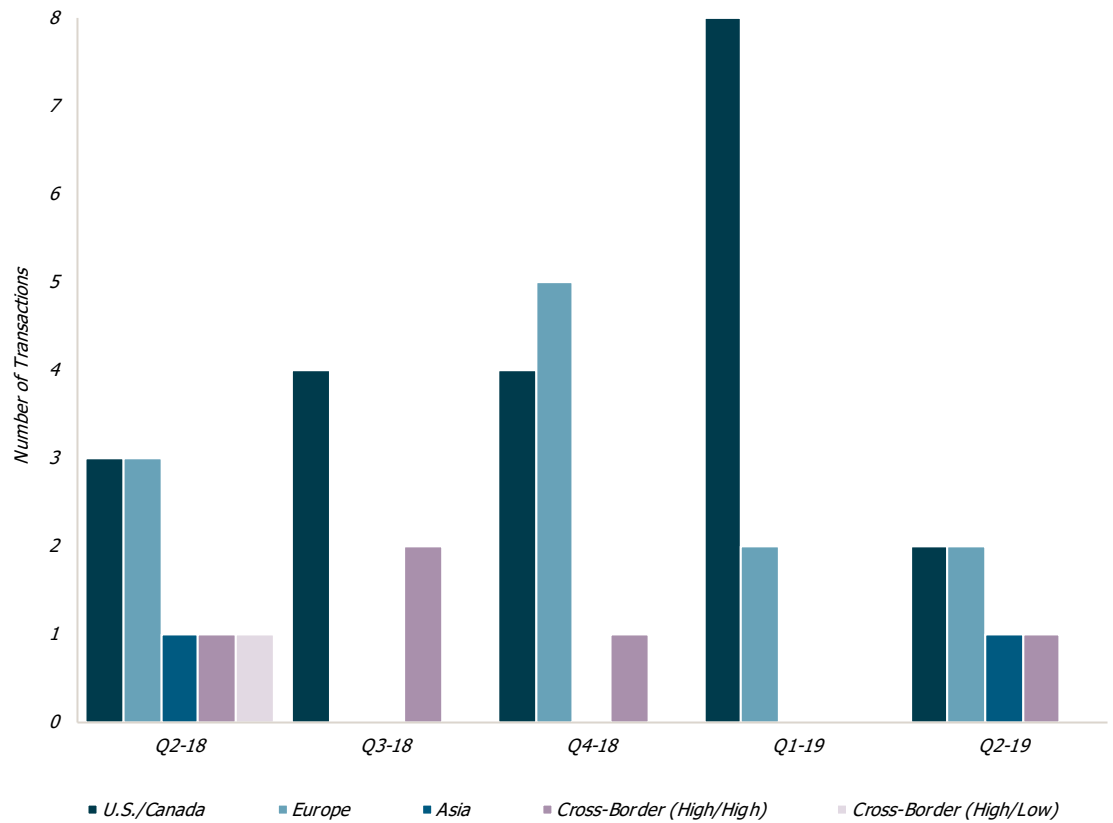
- Large (Tier I)
Greater than \$3 billion
- Mid (Tier II)
\$300 million to \$3 billion
- Small (Tier III)
Below \$300 million

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.

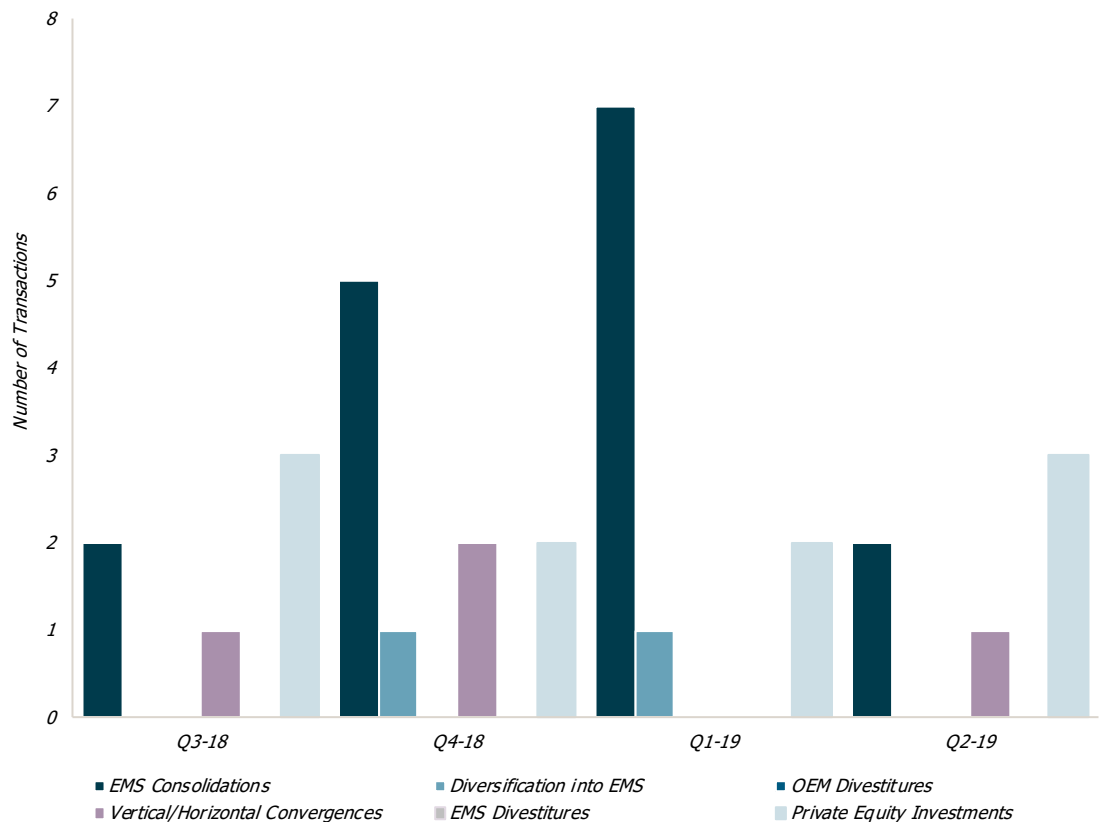
Note: Companies are included in a given tier by falling within the threshold for two consecutive quarters



Quarterly Comparison—EMS M&A by Geography



Quarterly Comparison—EMS M&A by Deal Type



Margin Performance in the EMS Industry

EMS companies have exhibited generally positive results in margin across industry tiers.

The three graphs on the following page provide an overview of gross margin, operating income margin, and EBITDA margin performance from 2002 through LTM Q2 2019. Each graph shows the margin performance by tier.

The Large Tier EMS companies' gross margin decreased slightly to 6.7% in the last twelve months ("LTM"), down just slightly from 6.8% for the same period in 2018. However, Operating and as a result EBITDA margins both increased from 2.5% and 4.6%, respectively for this same period in 2018 to 2.7% and 4.7%, respectively in the current LTM period. Mid Tier companies exhibited relatively flat margin performance with gross margins falling from 8.6% to 8.4%, operating margins declining from 3.4% to 3.3% and EBITDA margins decreasing slightly from 5.3% to 5.2% compared to the same period in 2018.

The Small Tier exhibited the best margin performance overall increasing in all three metrics on an LTM basis to 10.6%, 2.0% and 4.0% for gross margin, operating margin and EBITDA margin, respectively, up from 10.2%, 0.3% and 2.5% for the same period in 2018.

On a percent change basis comparing the LTM Q2 2019 results with the same period a year ago, in the Large Tier, Sanmina Corporation showed the most improvement in operating margin to 3.2% from 2.5%; while SMTC Corporation significantly led the Small Tier in operating margin improvement improving from -1.8% to 2.4%. In the Mid Tier, Key Tronic Corporation exhibited the best operating margin improvement from 1.3% to 1.5%.

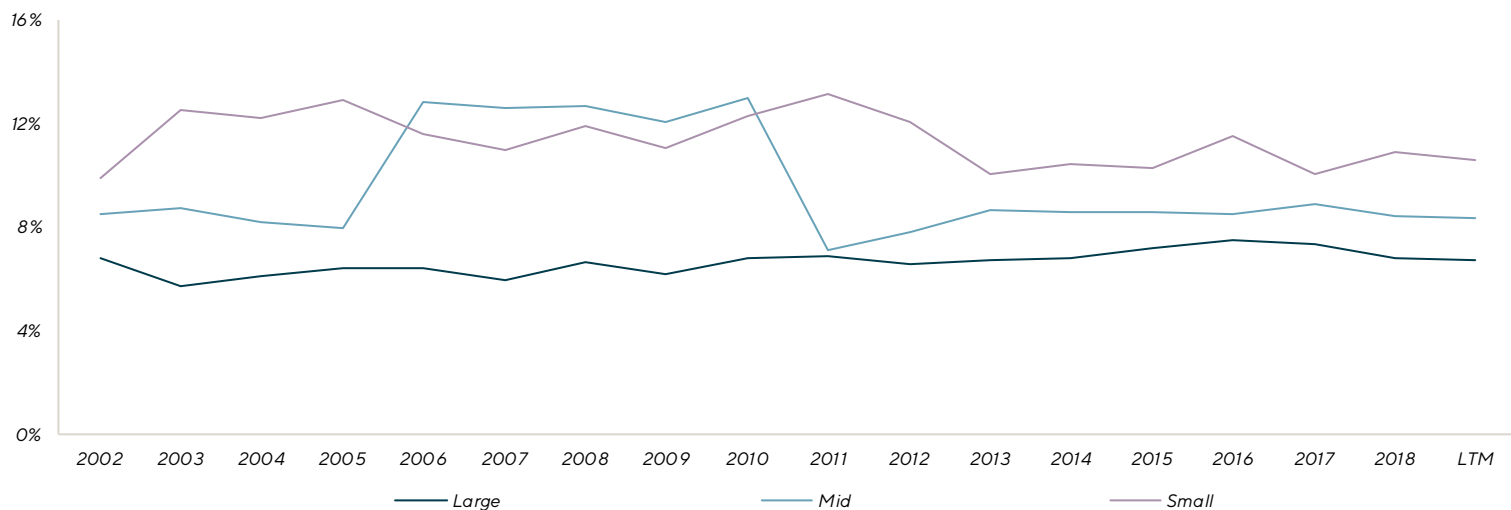
Overall the EMS industry is exhibiting positive trends supported by the ongoing electronics super-cycle that is continuing to drive demand for electronics.

Average Gross Margin Performance

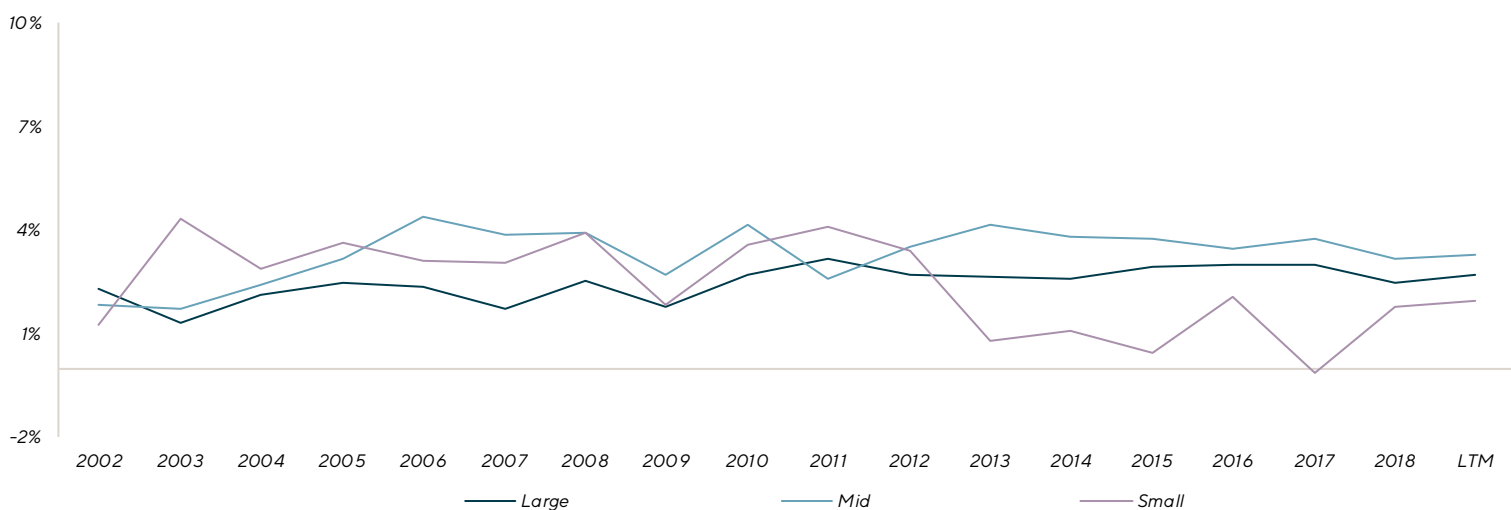
| | Gross Margin | Operating Margin | EBTIDA Margin |
|-------------------------------|--------------|------------------|---------------|
| Large | | | |
| Celestica Inc. | 6.5% | 2.3% | 3.8% |
| Flex Ltd. | 6.2% | 2.2% | 4.2% |
| Jabil Inc. | 7.6% | 3.0% | 6.1% |
| Sanmina Corporation | 6.7% | 3.2% | 4.7% |
| Average | 6.7% | 2.7% | 4.7% |
| Mid | | | |
| Benchmark Electronics, Inc. | 8.5% | 2.6% | 4.5% |
| Key Tronic Corporation | 7.5% | 1.5% | 3.1% |
| Kimball Electronics, Inc. | 7.7% | 3.9% | 6.4% |
| Plexus Corp. | 9.7% | 5.0% | 6.7% |
| Average | 8.4% | 3.3% | 5.2% |
| Small | | | |
| IEC Electronics Corp. | 12.8% | 3.7% | 5.6% |
| Nortech Systems Incorporated | 11.5% | 1.1% | 3.0% |
| SigmaTron International, Inc. | 8.7% | 0.6% | 2.5% |
| SMTC Corporation | 9.4% | 2.4% | 5.1% |
| Average | 10.6% | 2.0% | 4.0% |

Note: Margins listed are for the most recent LTM period reported as of June 30, 2019

Average Gross Margin Performance



Average Operating Income Margin Performance

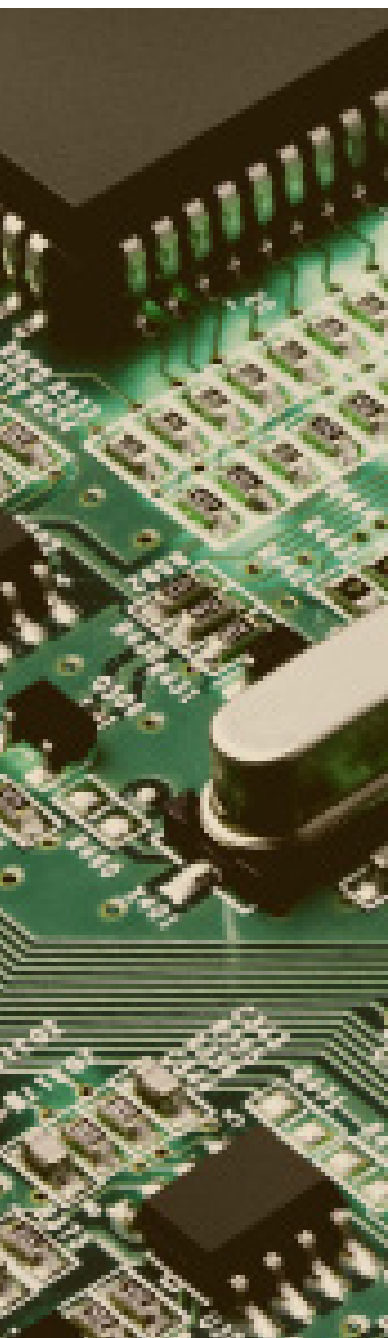


Average EBITDA Margin Performance



Current EMS Market Highlights

The Overall Lincoln EMS Stock Index increased 15.3% from last quarter primarily driven by an increase in the Large and Mid Index, which grew 15.8% and 14.2%, respectively. The Small Index increased again for a consecutive quarter by 6.5%.



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 | 20.4% | I |
| NasdaqGS:PLXS | (3.9%) | II |
| NasdaqNM:SMTX | 104.2% | III |

| Worst Performers | | Tier |
|------------------|---------|------|
| NasdaqGS:FLEX | (46.8%) | I |
| NasdaqGM:KTCC | (27.0%) | II |
| NasdaqCM:SGMA | (74.3%) | III |

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

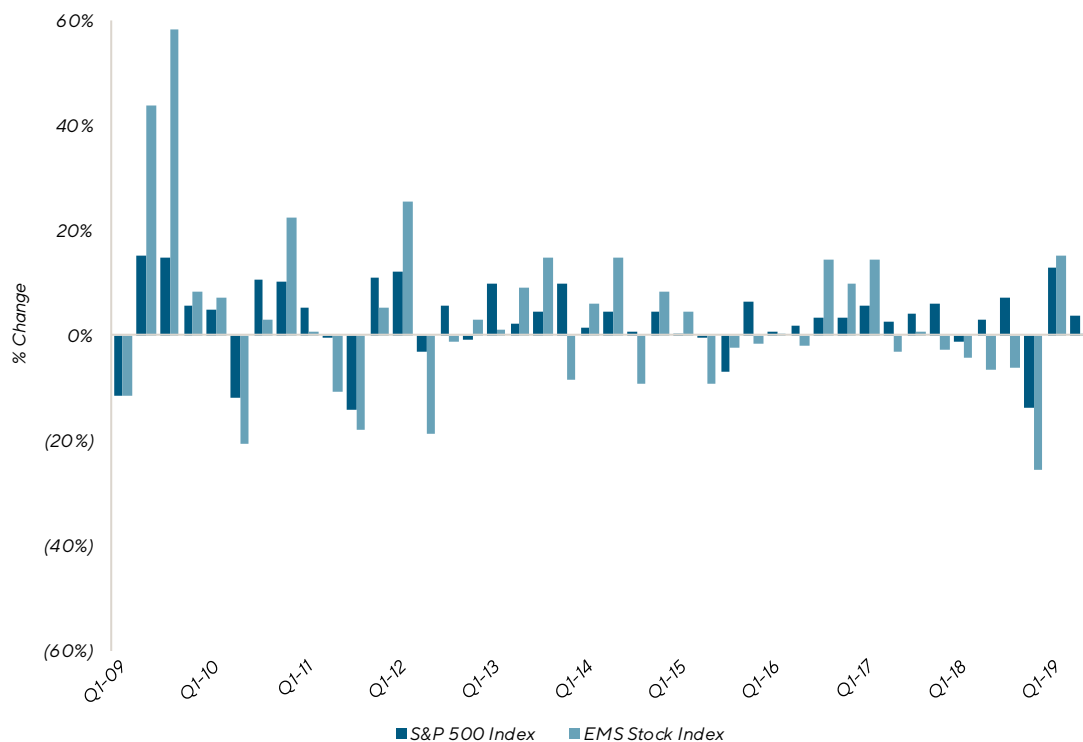
| EBITDA Margins | |
|----------------|------|
| Large Tier | 4.7% |
| Mid Tier | 5.2% |
| Small Tier | 4.0% |

| YOY LTM Revenue Growth | |
|------------------------|-------|
| Large Tier | 8.7% |
| Mid Tier | 5.8% |
| Small Tier | 32.3% |

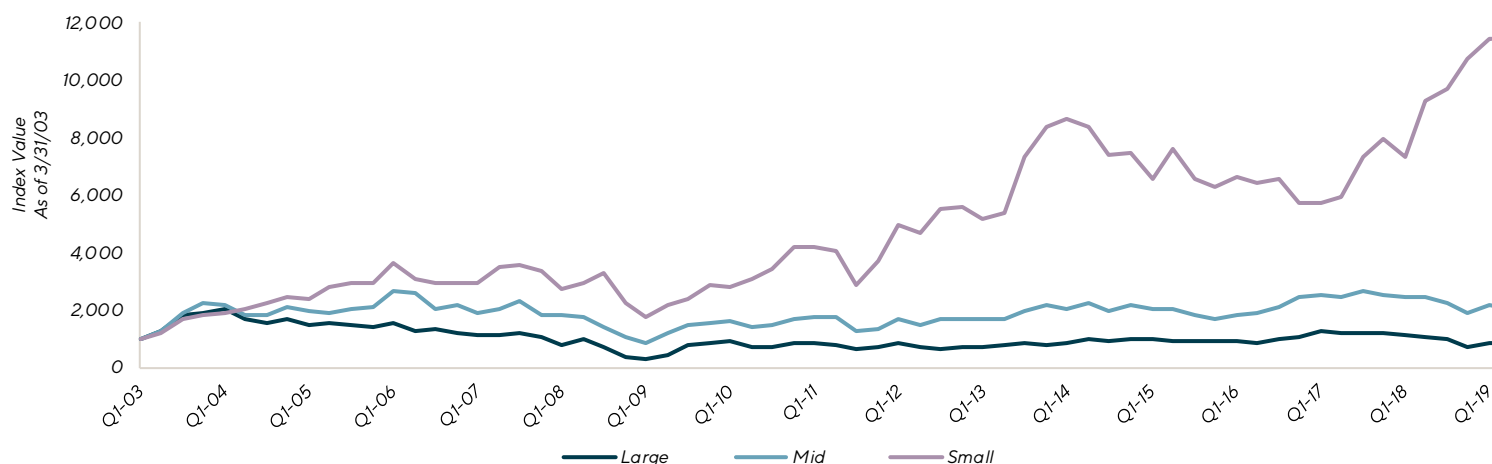
Source: Capital IQ as of June 30, 2019

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

S&P Index vs. EMS Stock Index Quarter Change

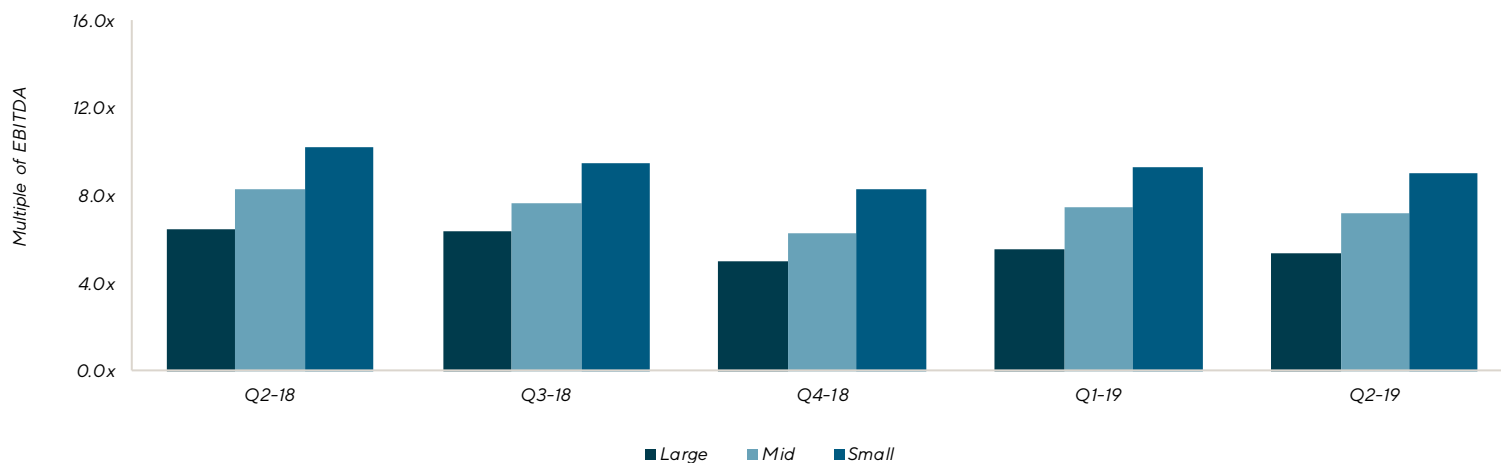


EMS Stock Index by Size



Note: See below for specific company classifications

Enterprise Value⁽¹⁾ / EBITDA



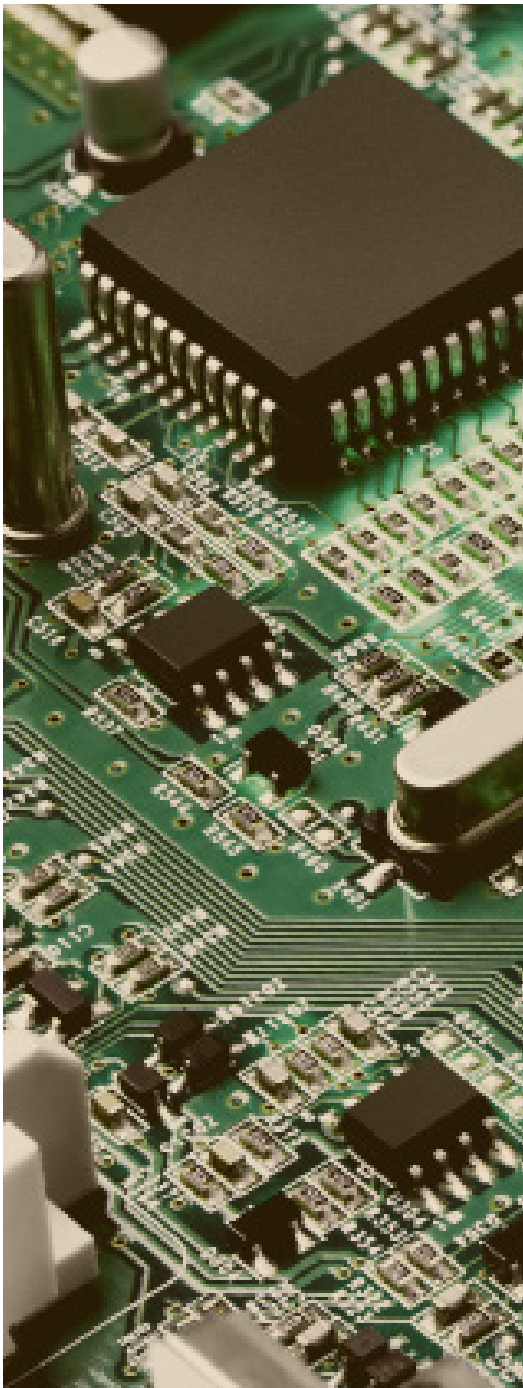
(1) Enterprise Value is calculated as market cap on June 30, 2019 plus debt, preferred equity and minority interest less cash

Note: See below for specific company classifications

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. | \$6.83 | \$6,567 | \$1.25 | 60.3 | 1.81 | 4.9x | 0.2x | \$900 | \$363 |
| Flex Ltd. | 9.57 | 26,211 | 0.18 | 21.7 | 1.20 | 5.7x | 0.2x | 4,918 | 1,358 |
| Jabil Inc. | 31.60 | 24,481 | 1.09 | 16.6 | 1.01 | 4.8x | 0.3x | 4,833 | 2,238 |
| Sanmina Corporation | 30.28 | 8,004 | 1.62 | 49.7 | 1.31 | 6.2x | 0.3x | 2,089 | 238 |
| Mid | | | | | | | | | |
| Benchmark Electronics, Inc. | \$25.12 | \$2,561 | \$1.35 | 70.3 | 2.65 | 7.1x | 0.3x | \$969 | \$(159) |
| Key Tronic Corporation | 4.98 | 475 | (1.02) | 79.6 | 2.14 | 5.9x | 0.2x | 54 | 32 |
| Kimball Electronics, Inc. | 16.24 | 1,140 | 1.13 | 77.2 | 1.97 | 6.7x | 0.4x | 413 | 80 |
| Plexus Corp. | 58.37 | 3,052 | 4.42 | 97.0 | 1.83 | 9.1x | 0.6x | 1,757 | 96 |
| Small | | | | | | | | | |
| IEC Electronics Corp. | \$6.28 | \$137 | \$1.06 | 106.3 | 1.81 | NM | 0.7x | \$65 | \$34 |
| Nortech Systems Incorporated | 4.02 | 115 | 0.07 | 83.0 | 1.80 | 9.5x | 0.3x | 11 | 22 |
| SigmaTron International, Inc. | 2.60 | 285 | (1.48) | 95.5 | 2.10 | 8.6x | 0.2x | 11 | 50 |
| SMTC Corporation | 3.86 | 282 | 0.04 | 66.6 | 1.27 | NM | 0.7x | 97 | 96 |

Sources: Bloomberg, Capital IQ and company filings, as of June 30, 2019



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.

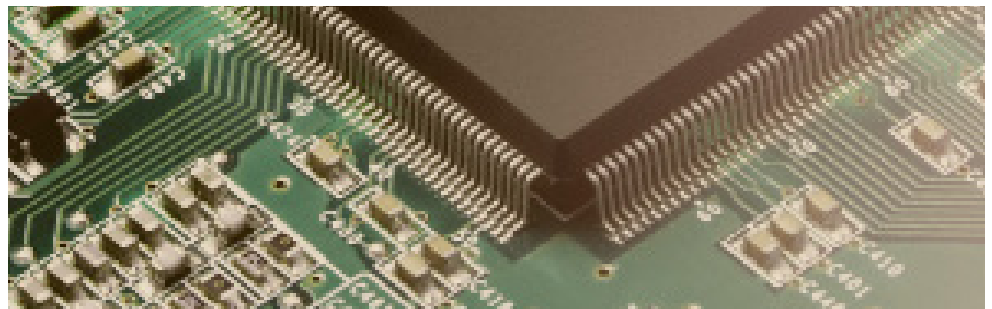
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