

Q2
2025

EMS

Quarterly Review

Lincoln Perspective

In Q2 2025, the electronics manufacturing services (EMS) sector continued to demonstrate operational discipline amid persistent geopolitical uncertainty, tariff-related headwinds and ongoing supply chain realignment. Industry participants accelerated reshoring and nearshoring initiatives, driven by government incentives and an increasing focus on the geographical diversification of supply chains across North America and Europe.

Margin performance continues to be increasingly company-specific. Large-tier providers benefited from scale, disciplined pricing and favorable mix, while mid- and small-tier companies faced margin pressure due to labor cost inflation, program transitions and demand variability. This divergence highlights the critical importance of operational agility, selective program focus and customer diversification.

M&A activity declined modestly from Q1 2025 but remained elevated relative to Q2 2024. Consolidation among small-tier EMS providers accounted for the majority of transaction volume, supported by private equity investments and original equipment

manufacturer divestitures. Deal activity was predominantly concentrated in the U.S. and Europe, reinforcing the broader trend of localized manufacturing and supply chain resiliency.

Component lead times and pricing have broadly stabilized, though volatility persists in AI-related and geopolitically sensitive segments. Looking ahead, the enduring “Electronics Super-Cycle,” driven by demand for AI infrastructure, cloud computing, medical devices and defense applications, continues to underpin long-term growth. Executional discipline, automation adoption and prudent capital deployment remain essential as EMS providers navigate labor constraints, cost inflation and evolving customer requirements.

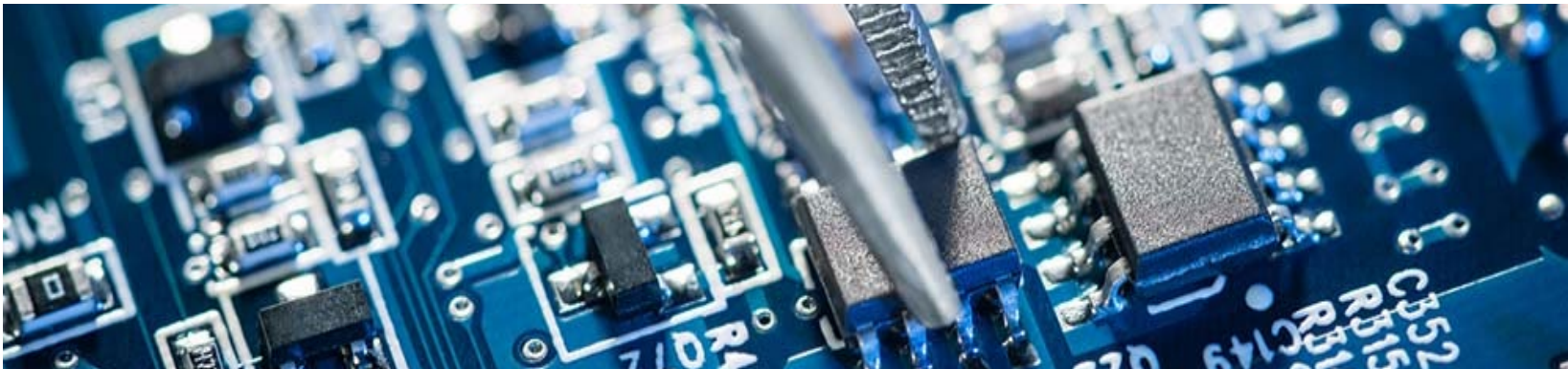
NOTABLE ANNOUNCEMENTS

April 22, 2025

Cicor Technologies has acquired the manufacturing sites of Éolane

INSIDE THIS ISSUE

- Deal Activity
- Margin Performance
- EMS Stock Performance



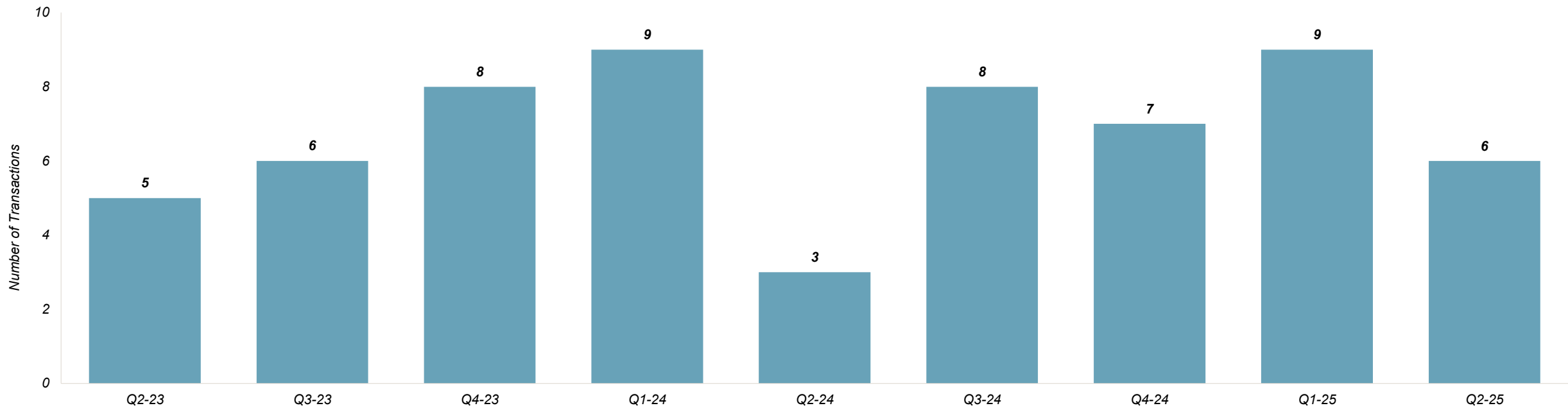
EMS Quarterly Review Q2 2025

Six EMS transactions were recorded in Q2 2025, reflecting a meaningful uptick from three transactions in Q2 2024 and five transactions in Q2 2023. EMS consolidations were the primary driver of activity, accounting for three transactions and representing 50% of total volume. The remaining transactions were evenly distributed across original equipment manufacturer divestitures, vertical / horizontal convergence and private equity investments, each comprising one transaction, or approximately 17% of total activity. Notably, no transactions involving diversification into EMS or EMS divestitures were recorded during the quarter.

By geography, the U.S. accounted for three transactions, representing 50% of total Q2 2025 EMS activity. Europe also recorded three transactions, comprising the remaining 50% of activity. No cross-border or Asia-based transactions were observed.

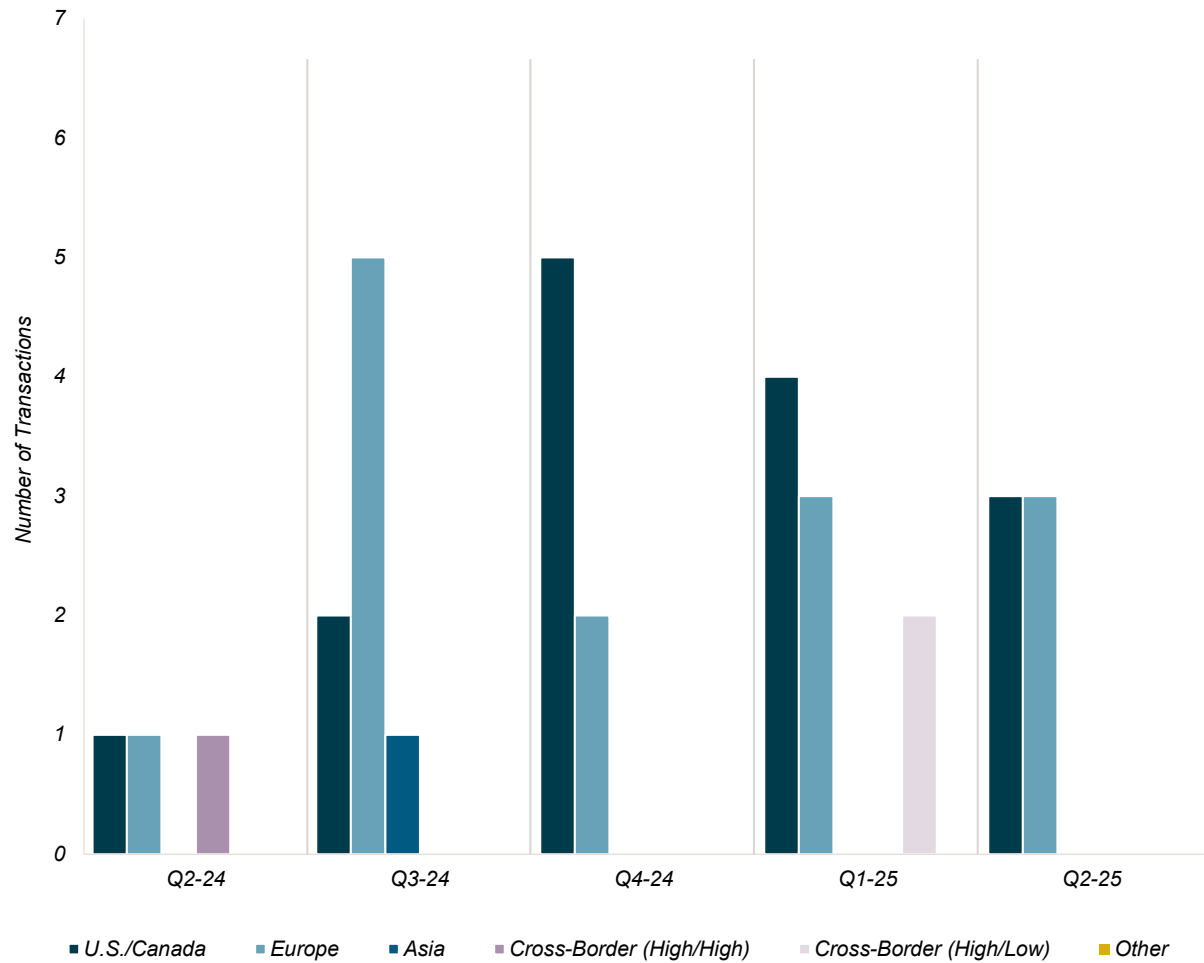
In terms of acquirer profiles, small-tier EMS providers were the most active cohort, executing four transactions and accounting for approximately 67% of total Q2 2025 volume. Mid-tier EMS providers completed the remaining two transactions (33%) for the quarter.

QUARTER-OVER-QUARTER COMPLETED EMS TRANSACTIONS

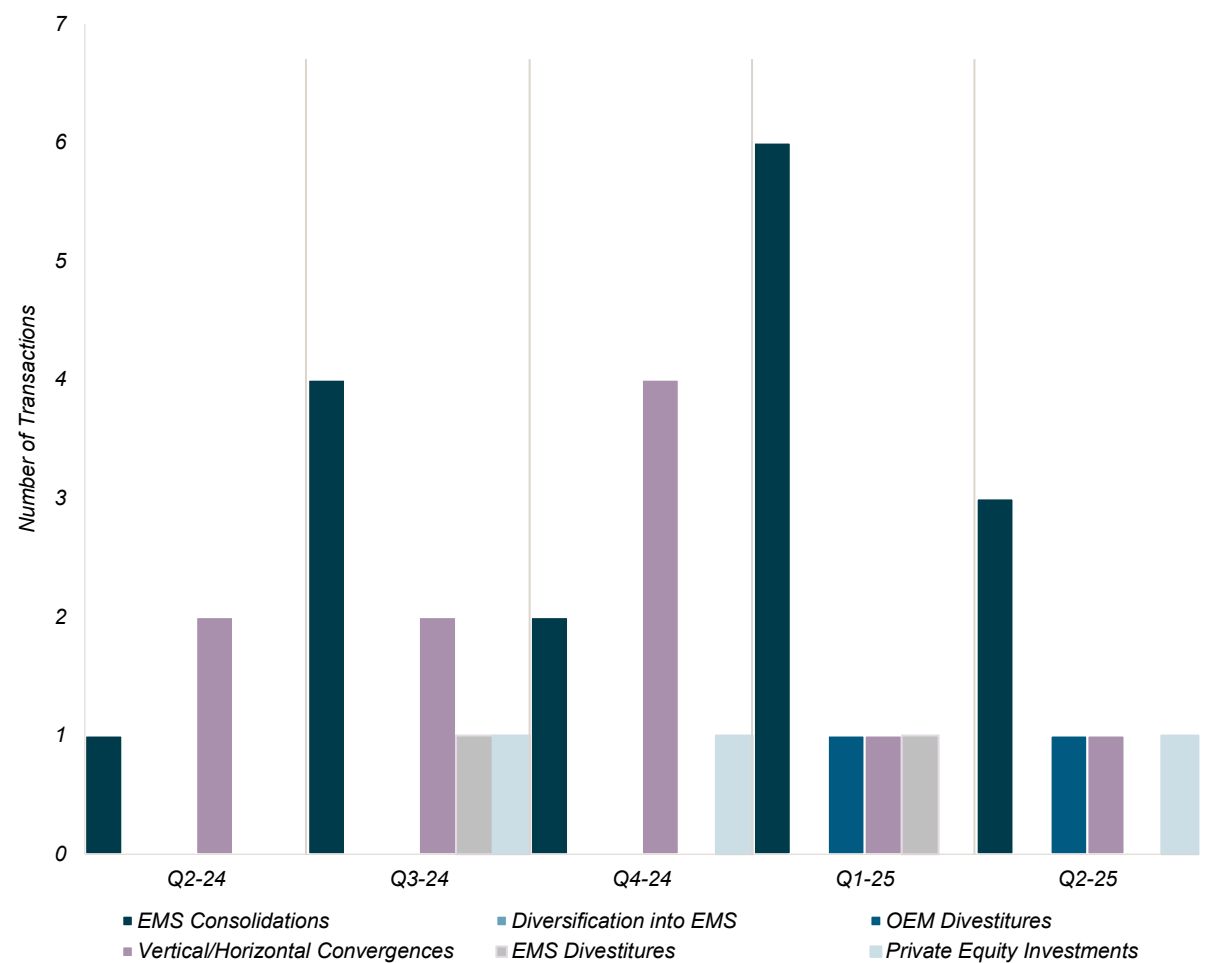


EMS Quarterly Review Q2 2025 (cont.)

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

Margin Performance

Large-, mid- and small-tier EMS companies posted mixed margin results across all metrics for the LTM Q2 2025 period. The three graphs on the following page provide an overview of gross margin, operating margin and EBITDA margin performance from 2005 through LTM Q2 2025. Each graph shows margin performance by tier.

Large-tier EMS companies continued their upward trajectory, with gross margin increasing to 9.0%, a 14-basis point (bps) improvement from the LTM period ending Q2 2024. Operating and EBITDA margins also expanded, rising by 17 bps and 22 bps to 4.9% and 6.9%, respectively. Flex delivered the most notable improvement in the tier, increasing its operating margin to 4.8%, up 83 bps year-over-year.

Mid-tier EMS companies, by contrast, experienced margin contraction across all metrics. Gross margin declined by 10 bps year-over-year to 8.9%, while operating and EBITDA margins declined by 70 bps and 50 bps to 3.4% and 5.4%, respectively. Plexus was the exception in the tier, realizing a modest 1 bp improvement in operating margin. Small-tier EMS companies saw the most pronounced margin deterioration. Gross margin declined by 471 bps year-over-year to 9.6%, while operating and EBITDA margins fell to -1.3% and 0.4%, representing declines of 581 bps and 576 bps, respectively.

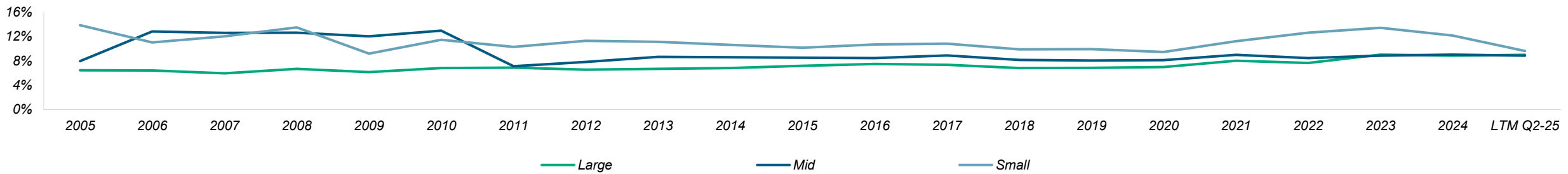
Overall, while the EMS sector remains supported by the ongoing “Electronics Super-Cycle,” margin performance has become increasingly company-specific. Scale advantages and favorable mix dynamics have allowed large-tier players to sustain margin expansion, while mid- and small-tier participants contend with persistent cost pressures and volume-related volatility.

AVERAGE MARGIN PERFORMANCE

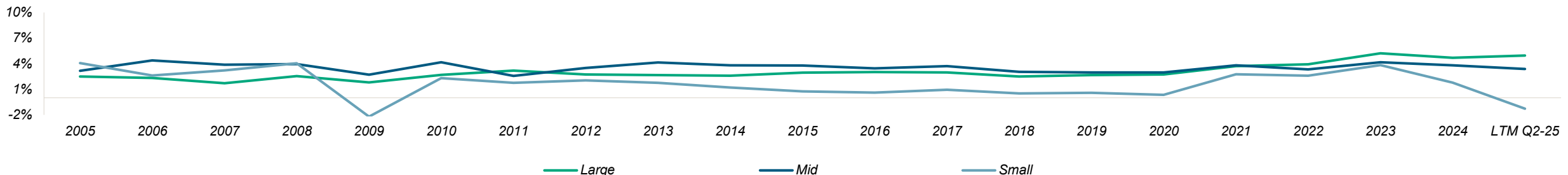
	Gross Margin	Operating Margin	EBITDA Margin
Large Tier			
Celestica Inc.	10.3%	5.8%	7.3%
Flex Ltd.	8.5%	4.8%	6.8%
Jabil Inc.	8.9%	4.7%	7.4%
Sanmina Corporation	8.3%	4.5%	6.0%
Average	9.0%	4.9%	6.9%
Mid Tier			
Benchmark Electronics, Inc.	10.3%	4.3%	5.8%
Key Tronic Corporation	8.0%	0.6%	2.8%
Kimball Electronics, Inc.	7.2%	3.7%	6.1%
Plexus Corp.	10.0%	4.9%	6.9%
Average	8.9%	3.4%	5.4%
Small Tier			
Nortech Systems Incorporated	11.9%	(1.8%)	(0.4%)
SigmaTron International, Inc.	7.4%	(0.8%)	1.1%
Average	9.6%	(1.3%)	0.4%

Margin Performance (cont.)

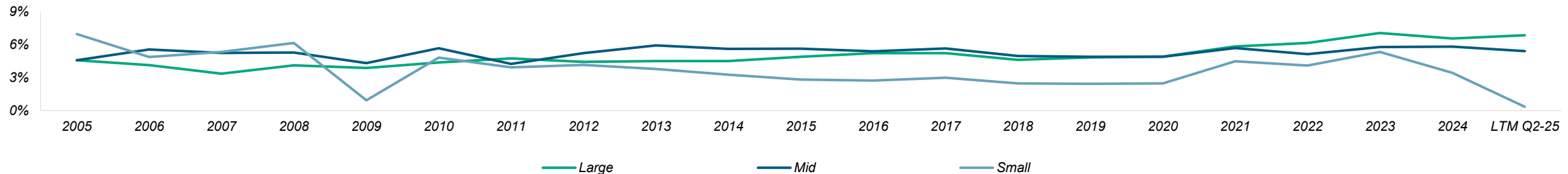
AVERAGE GROSS MARGIN PERFORMANCE



AVERAGE OPERATING MARGIN PERFORMANCE



AVERAGE EBITDA MARGIN PERFORMANCE



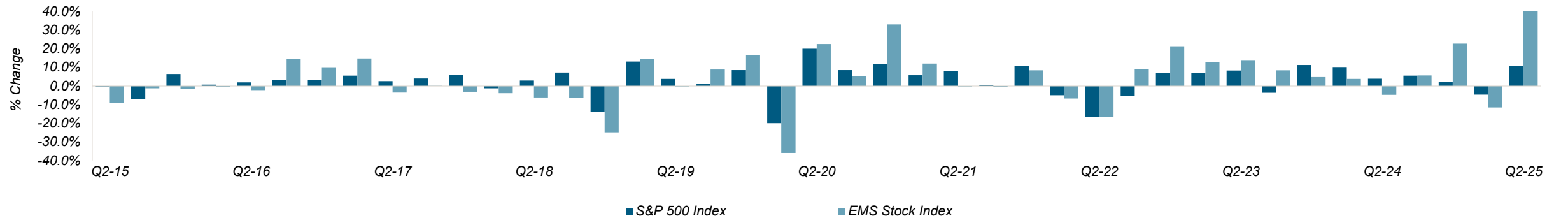
EMS Stock Index Outperforms S&P

QUARTERLY UPDATE TABLES

Winner's Circle			Tier	Worst Performers			Tier	EBITDA Margins		YoY Last 12 Months Revenue Growth	
Celestica Inc.	98.1%		I	Sanmina Corporation	28.4%		I	Large	7.4%	Large	5.3%
Kimball Electronics, Inc.	16.9%		II	Benchmark Electronics, Inc.	2.1%		II	Mid	5.4%	Mid	(7.2%)
SigmaTron International, Inc.	138.4%		III	Nortech Systems Incorporated	(6.0%)		III	Small	0.4%	Small	(14.4%)

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 below.

S&P INDEX VS. EMS STOCK INDEX QUARTER CHANGE

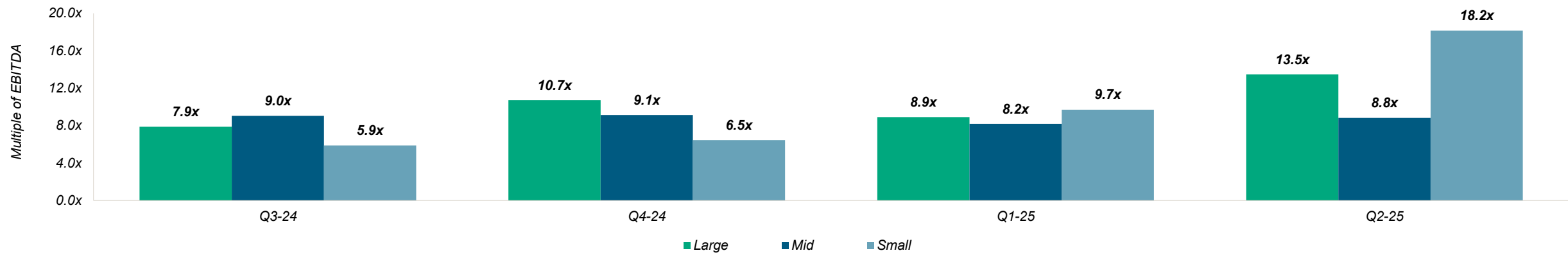


CURRENT EMS MARKET HIGHLIGHTS

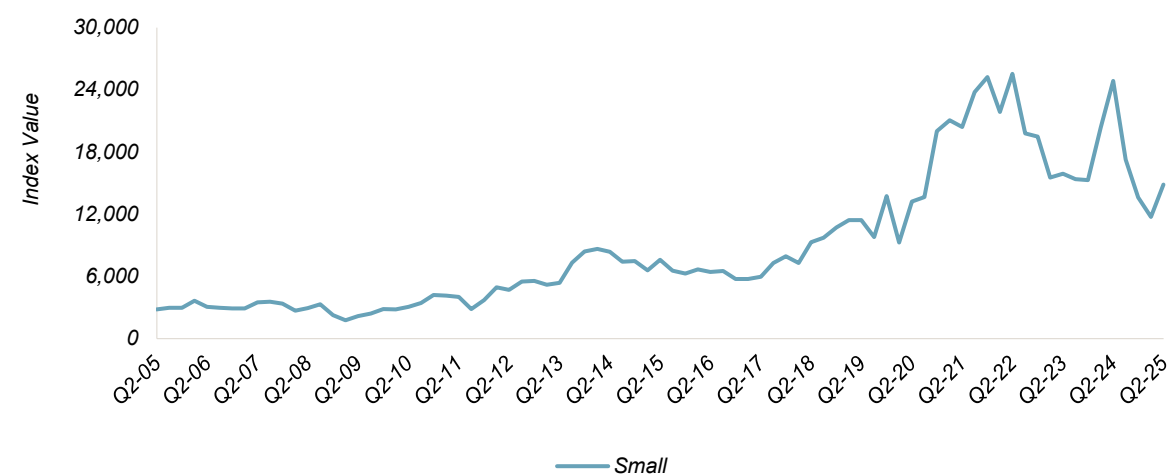
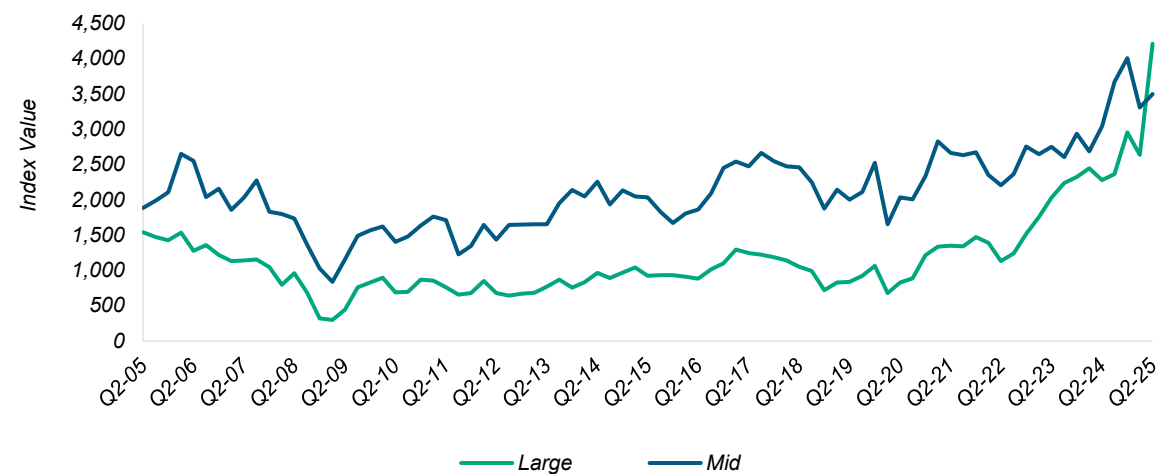
The overall Lincoln EMS Stock Index rose 53.4% quarter-over-quarter, driven by gains of 59.6%, 5.7% and 26.7% across the large-cap, mid-cap and small-cap indices, respectively.

EMS Market Trends – Public Companies Valuation Trend

SELECT PUBLIC COMPANIES – TRENDING AVERAGE EV / EBITDA



EMS STOCK INDEX TRENDING DATA



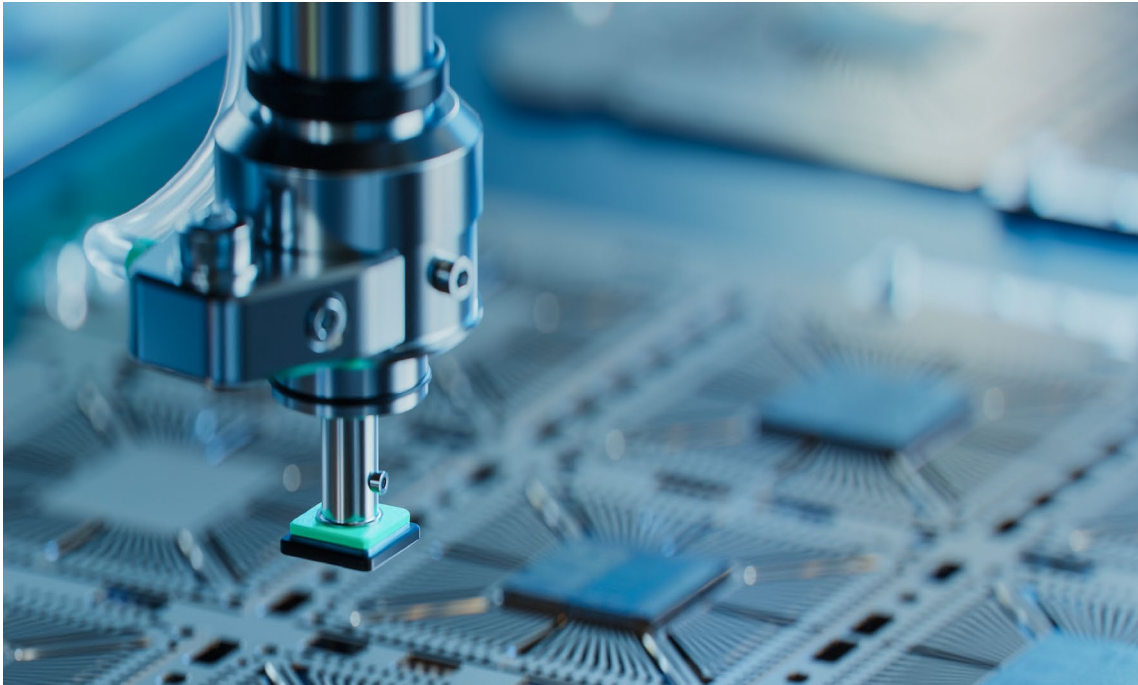
Sources: Bloomberg, Capital IQ and company filings as of June 30, 2025
Note: Enterprise value is calculated as market cap on June 30, 2025, plus debt, preferred equity and minority interest less cash
Note: Index Value as of June 30, 2025

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.	\$	156.11	\$	10,587	\$	4.59	88.3	1.4x	21.9x	1.8x	\$	17,939	\$ 699
Flex Ltd.		49.92		26,074		2.28	58.2	1.4x	10.5x	0.8x		18,655	2,025
Jabil Inc.		218.10		28,514		5.11	36.0	1.0x	11.5x	0.9x		23,406	1,865
Sanmina Corporation		97.83		8,049		4.67	80.6	1.9x	10.0x	0.7x		5,230	(435)
Mid													
Benchmark Electronics, Inc.	\$	38.83	\$	2,589	\$	1.05	109.9	2.4x	8.2x	0.6x	\$	1,402	\$ 47
Key Tronic Corporation		2.86		484		(0.60)	136.3	2.7x	8.5x	0.3x		31	124
Kimball Electronics, Inc.		19.23		1,536		0.71	106.1	2.1x	6.3x	0.4x		469	127
Plexus Corp.		135.31		4,025		5.87	138.3	1.6x	12.3x	0.9x		3,666	(55)
Nortech Systems Incorporated	\$	8.93	\$	121	\$	(1.22)	119.6	2.8x	25.4x	0.4x	\$	25	\$ 20
SigmaTron International, Inc.		2.98		312		(2.00)	127.5	1.2x	11.0x	0.3x		18	66

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Consumer
Energy Transition, Power & Infrastructure
Financial Institutions
Healthcare
Industrials
Technology

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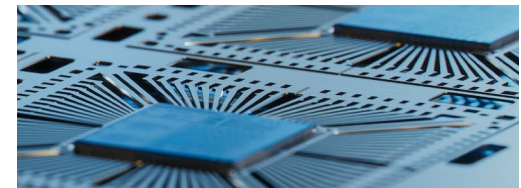
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