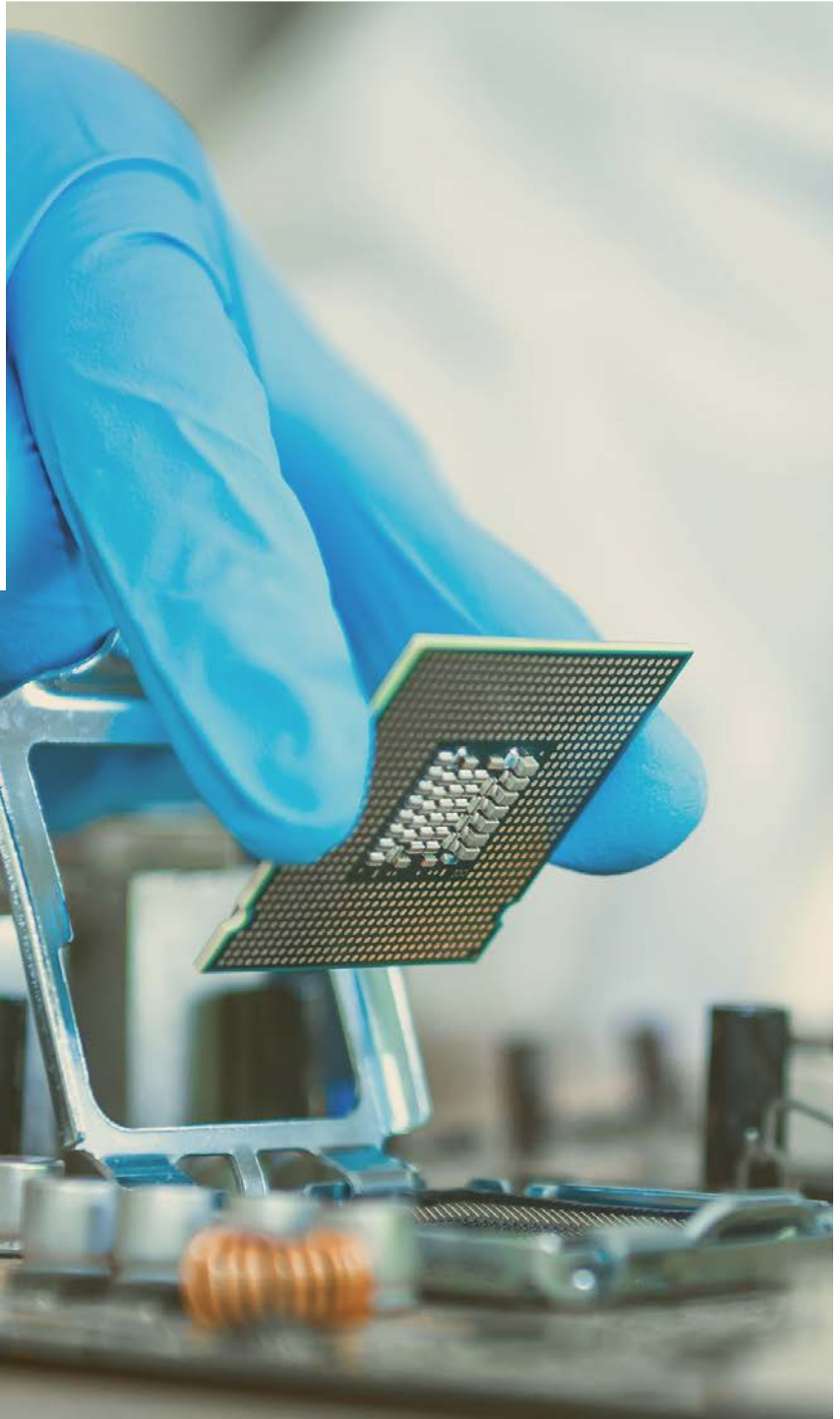


EMS
Quarterly
Review
Q1 2021



Lincoln Perspective

March 1, 2021:

East West Manufacturing has acquired Varitron Technologies

February 2, 2021:

Sanmina has acquired a production plant of OSRAM Licht

January 8, 2021:

Spartronics has acquired Primus Technologies

There were five EMS transactions recorded in Q1 2021, representing a decrease from the 10 recorded in Q1 2020. EMS consolidations accounted for three transactions in Q1 2021, or 60% of total activity, representing a slight decrease in the number of EMS consolidations from Q4 2020.

There was one vertical / horizontal convergence transaction and one original equipment manufacturer (OEM) Divestiture transaction recorded in Q1 2021, each representing 20% of total activity.

Private equity investments did not account for any transactions in Q1 2021, nor were there any transactions categorized as diversification into EMS or EMS divestitures this quarter.

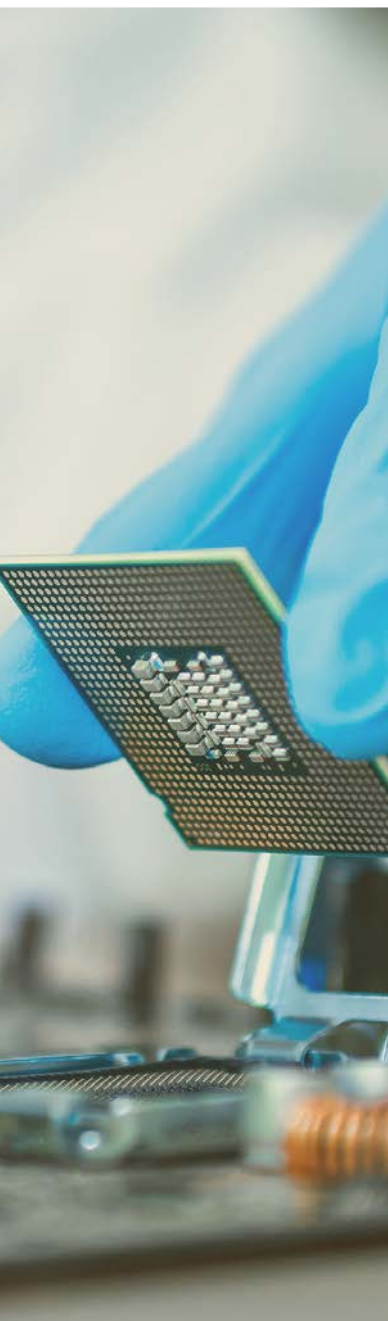
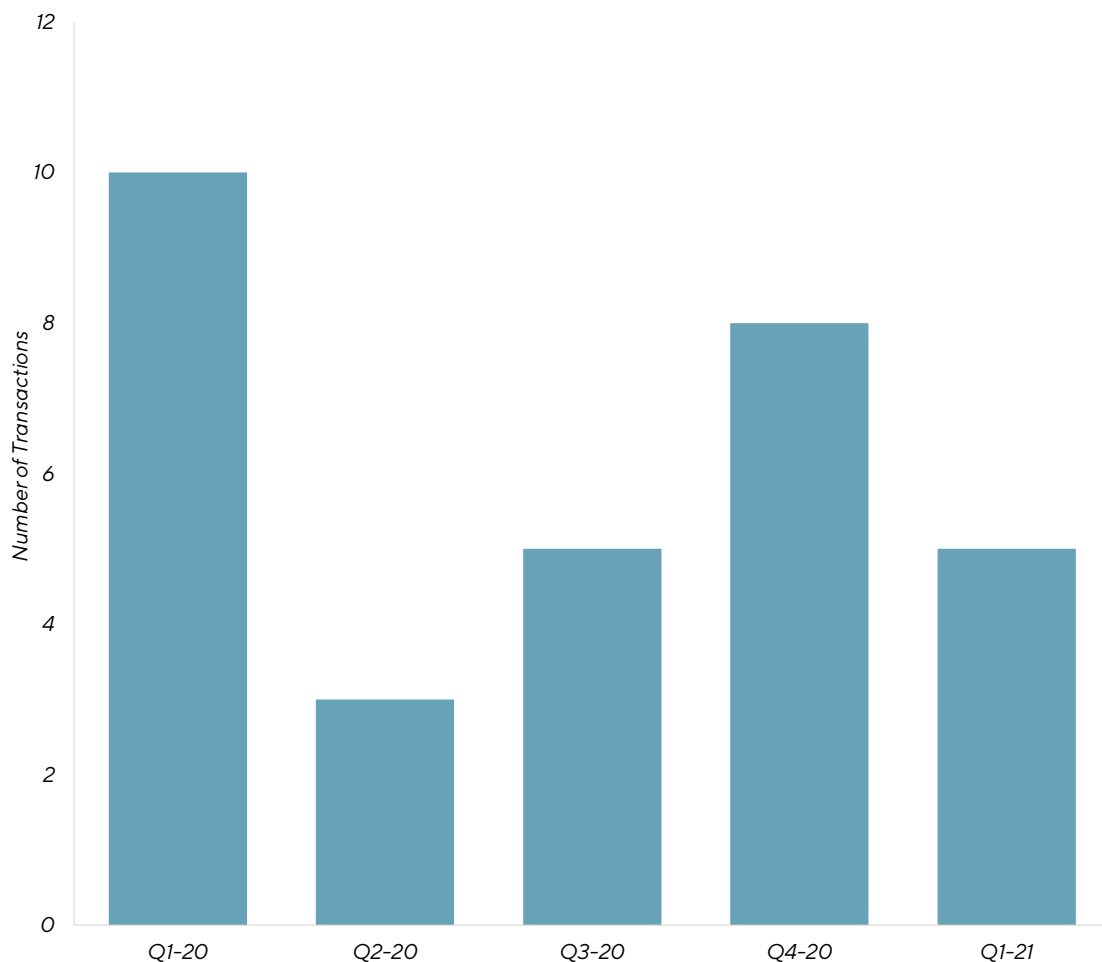
In terms of geography, 100% of transaction volume completed in Q1 2021 occurred in the U.S. / Canada.

In terms of transaction size, small tier EMS providers accounted for 100% of the Q1 2021 transaction volume with five acquisitions.

Deal activity in the EMS sector has remained robust despite some lower volumes from the last 12 months. It is notable that private equity transactions have declined from their heights in 2017, 2018 and 2019, which is an indicator that PE platform companies are shoring up their positions by being consolidators with fewer new PE platforms being created. However, there remains significant interest in EMS overall due to the positive industry tailwinds created by the overarching demand for electronics content. We expect this to continue driving EMS transaction activity through consolidations and vertical / horizontal convergences.

EMS Quarterly Review Q1 2021

Quarter-over-Quarter Completed EMS Transactions



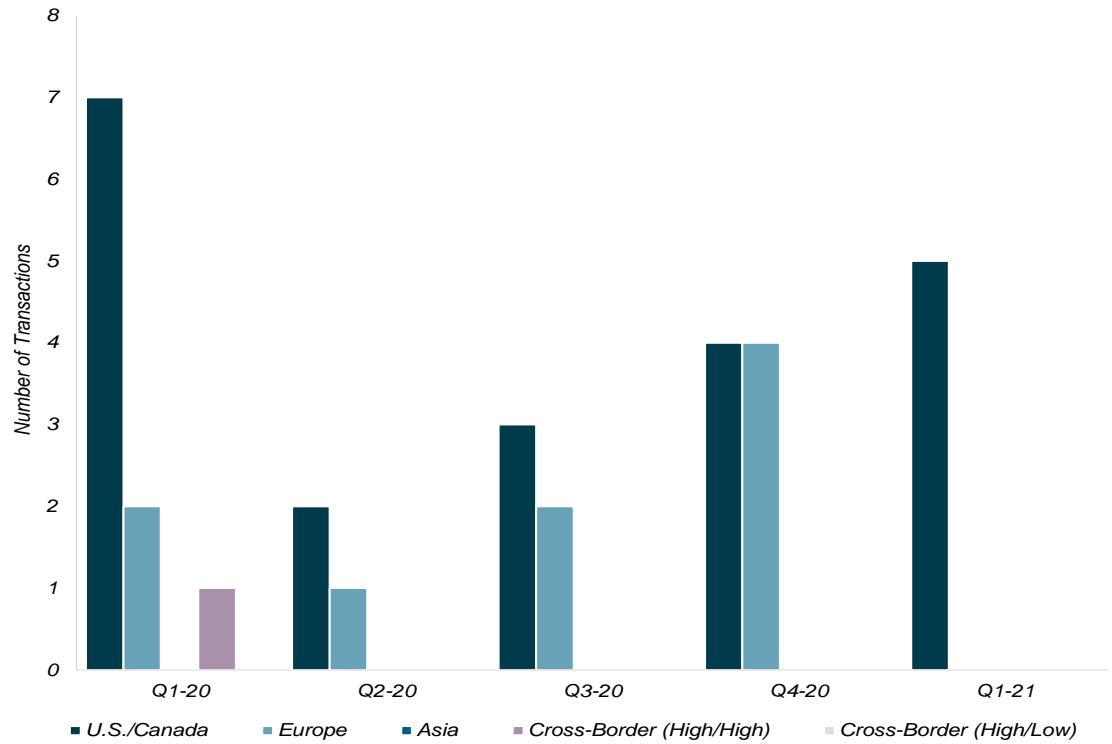
EMS Size Guide (Sales Dollars)

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

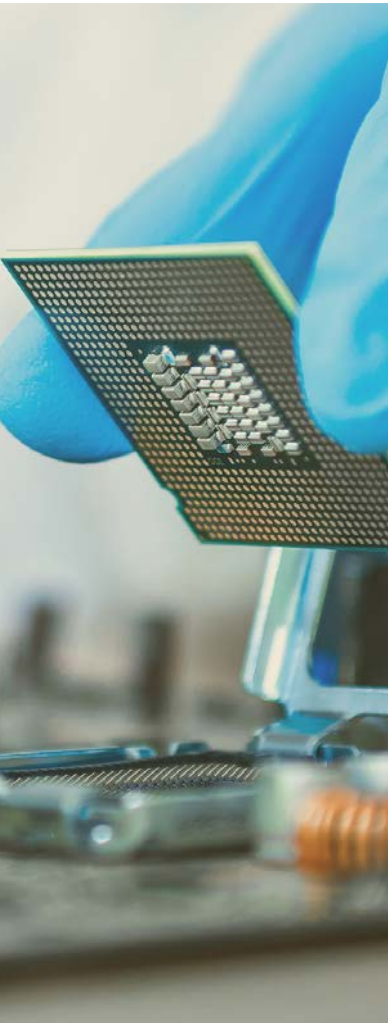
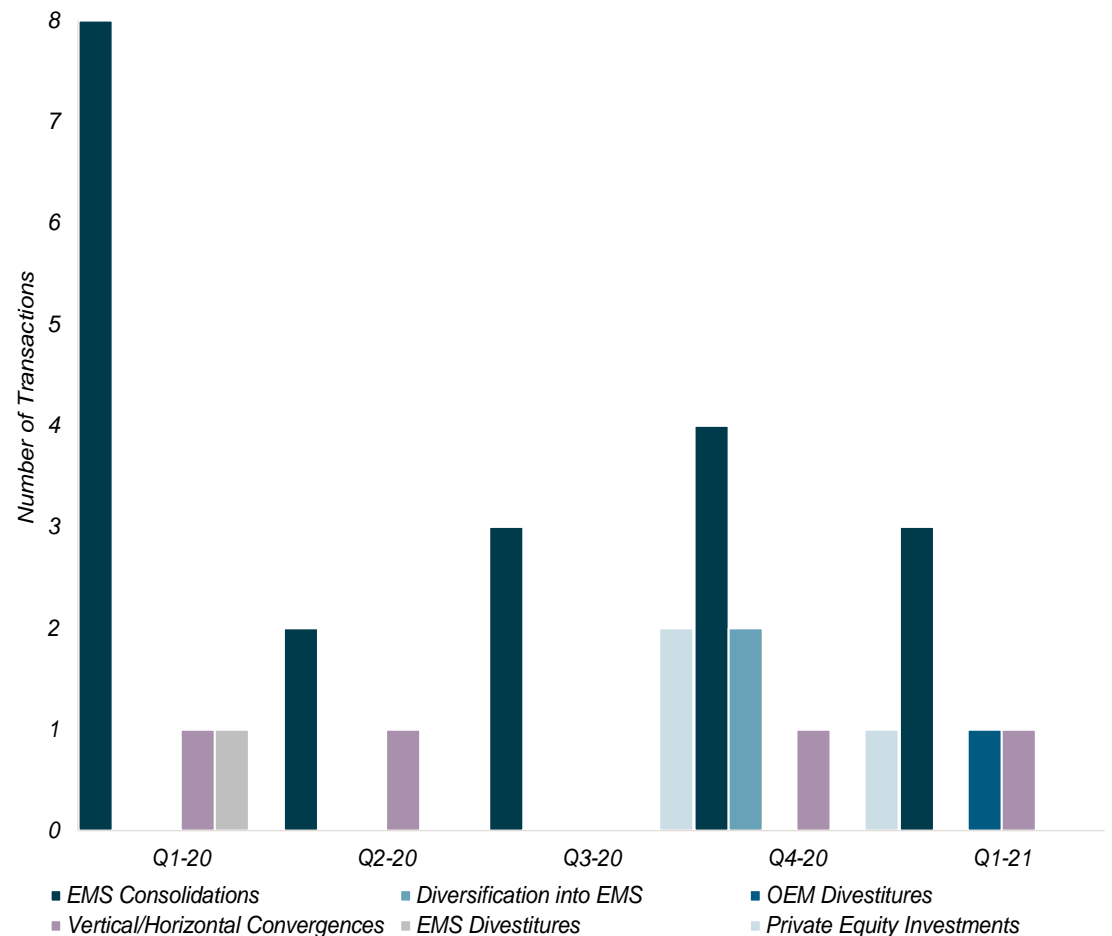
Sources: All information contained in this newsletter including the charts was obtained from company websites, *Custer Reports*, Lincoln International's internal data, *Manufacturing Market Insider* and *Capital IQ*.

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



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.

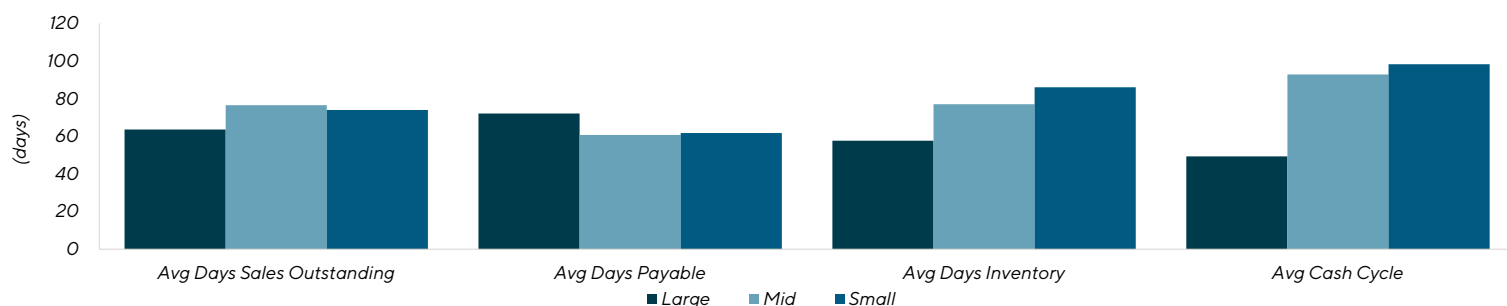
In the large tier, all companies’ cash cycles worsened (more days) except for Jabil. Jabil decreased its cash cycle by 0.6% to 24.8 days in Q1 2021 from 24.9 days in Q1 2020, largely due to higher DSO and lower DIO. Celestica’s cash cycle lengthened by 10.2% to 80.8 days, up from 73.3 days in Q1 2020, driven primarily by lower DPO. Likewise, Sanmina experienced a 6.9% lengthening in its cash cycle, due to higher DSO and lower DPO. Flex’s cash cycle lengthened by 41.6% to 31.4 days in Q1 2021 from 22.2 days in Q1 2020, as a result of higher DSO and lower DIO.

In the mid tier, Kimball alone improved its cash cycle, primarily due to lower DIO. All other companies, including Benchmark, Key Tronic and Plexus, experienced worsening cash cycles, largely driven by decreased DPO among each.

In the small tier, all companies experienced worsening cash cycles. IEC experienced the largest increase in cash cycle, experiencing a 13.6% lengthening from 121.7 days in Q1 2020 to 138.4 days in Q1 2021, largely driven by a decrease in DPO. Sigmatron lengthened its cash cycle by 12.9% to 94.2 days in Q1 2021 from 83.4 days in Q1 2020, largely due to higher DIO.

Inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, IEC has one of the longest cash cycles (138.4 days) and also has one of the lowest inventory turns at 3.2. Conversely, two companies with shorter cash cycles, Jabil and Flex (cycles of 24.8 and 31.4 respectively), have higher inventory turns (7.6 and 5.9, respectively). Inventory turns are also impacted by business type. Low volume, high mix manufacturing, for which inventory management is more difficult, generally leads to lower turns.

Q1 2021 Cash Cycle



	Cash Cycle			Inventory Turns		
	Q1-20	Q1-21	%chg	Q1-20	Q1-21	%chg
Large						
Celestica	73.3	80.8	10.2%	5.0	5.1	2.2%
Flex	22.2	31.4	41.6%	6.0	5.9	(2.6)%
Jabil	24.9	24.8	(0.6)%	7.4	7.6	2.3%
Sanmina	56.0	59.9	6.9%	7.2	7.6	5.7%
Median	40.5	45.7	12.8%	6.6	6.7	1.6%
Mid Tier						
Benchmark	84.9	89.5	5.4%	6.1	5.8	(3.7)%
Key Tronic	104.7	113.8	8.7%	3.9	3.8	(0.5)%
Kimball	80.9	74.8	(7.5)%	5.6	6.0	7.9%
Plexus	91.7	93.1	1.5%	3.8	4.1	5.8%
Median	88.3	91.3	3.4%	4.7	5.0	5.3%
Small Tier						
IEC	121.7	138.4	13.6%	3.6	3.2	(10.3)%
Nortech	81.5	89.4	9.6%	6.6	6.8	3.3%
SigmaTron	83.4	94.2	12.9%	3.1	3.0	(1.6)%
SMTC	66.1	70.7	7.0%	7.1	7.0	(2.1)%
Median	82.5	91.8	11.3%	5.1	5.0	(1.5)%

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, 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
NYSE:JBL	98.7%	I
NasdaqGS:PLXS	51.3%	II
NasdaqNM:SMTX	217.9%	III

EBITDA Margins	
Large	5.2%
Mid	5.3%
Small	4.4%

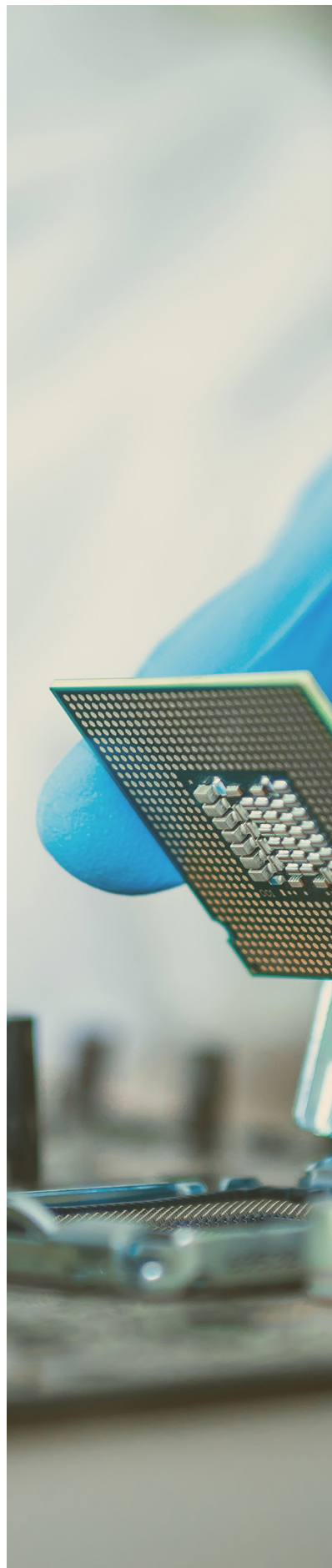
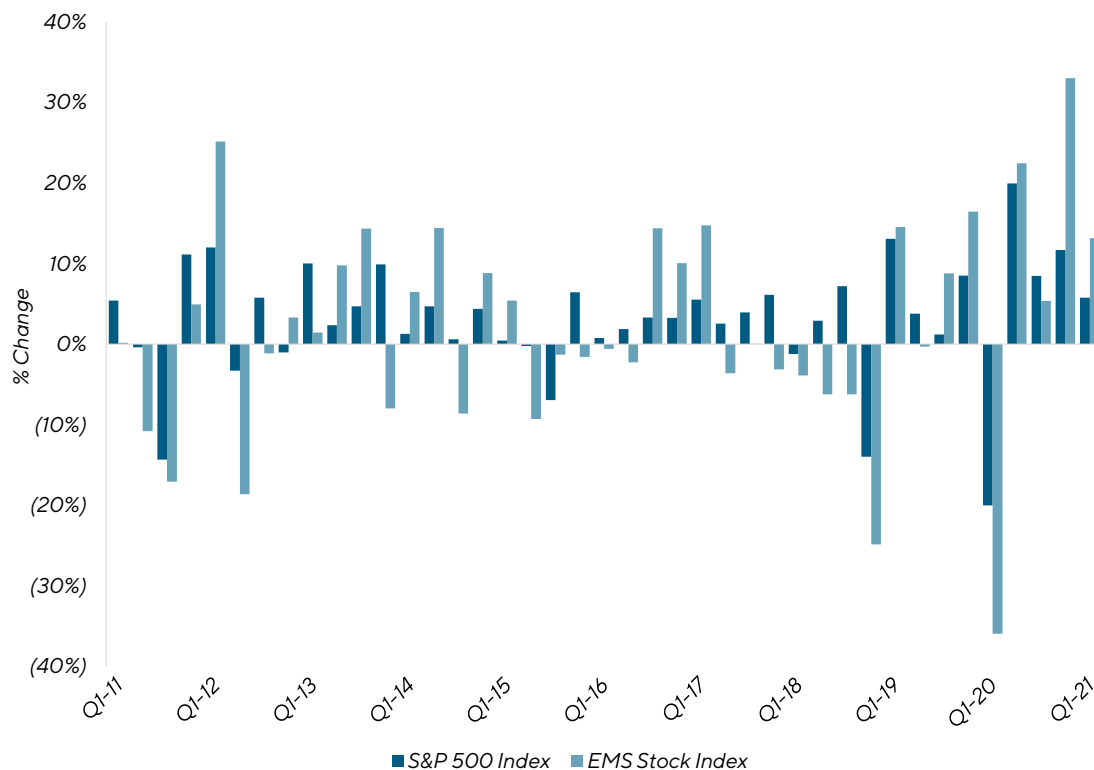
Worst Performers		Tier
NYSE:CLS	(20.3%)	I
NYSE:BHE	6.3%	II
NasdaqCM:SGMA	(46.9%)	III

YOY LTM Revenue Growth	
Large	-0.8%
Mid	1.7%
Small	-1.2%

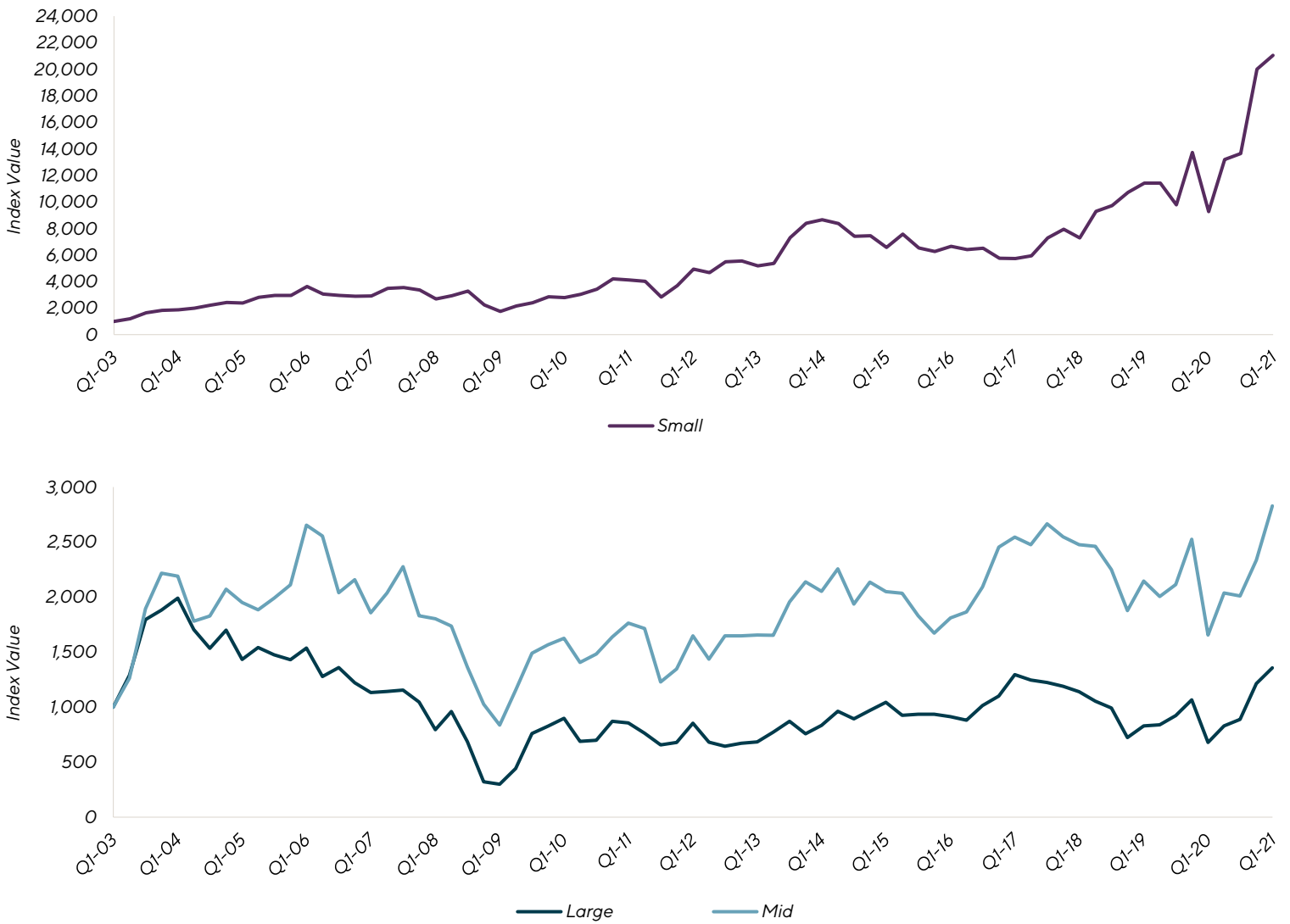
Note: Based on quarter-over-quarter share price performance

Source: Capital IQ as of March 31, 2021
Note: Average for each sector; YOY stands for year-over-year

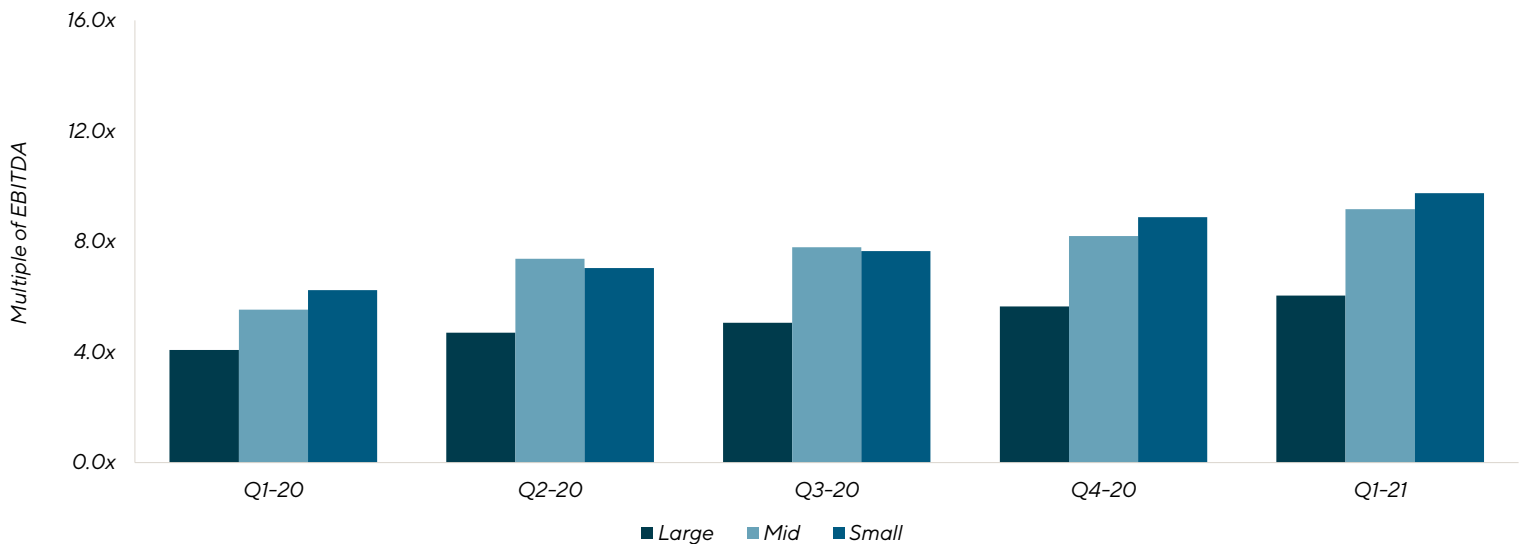
S&P Index vs. EMS Stock Index Quarter Change



EMS Stock Index by Size



Enterprise Value / EBITDA



EMS Stock Index by Size

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.	\$8.37	\$5,748	\$0.47	80.8	1.73	5.0x	0.2x	\$1,075	\$139
Flex Ltd.	18.31	23,343	0.83	31.4	1.48	7.5x	0.5x	9,140	1,870
Jabil Inc.	52.16	28,297	2.40	24.8	1.03	5.3x	0.4x	7,833	2,413
Sanmina Corporation	41.38	6,875	2.15	59.9	1.93	6.4x	0.4x	2,687	(91)
Mid									
Benchmark Electronics, Inc.	\$30.92	\$2,053	\$0.38	89.5	2.50	8.9x	0.5x	\$1,123	\$(158)
Key Tronic Corporation	7.71	479	0.52	113.8	2.86	9.4x	0.4x	83	106
Kimball Electronics, Inc.	25.80	1,232	1.45	74.8	2.06	7.3x	0.5x	649	(6)
Plexus Corp.	91.84	3,368	4.13	93.1	1.84	11.2x	0.8x	2,647	26
Small									
IEC Electronics Corp.	\$12.04	\$185	\$0.66	138.4	1.87	13.1x	1.0x	\$127	\$60
Nortech Systems Incorporated	6.28	104	(0.58)	89.4	2.10	Nm	0.4x	17	21
SigmaTron International, Inc.	5.37	266	(0.10)	94.2	1.87	7.4x	0.3x	23	49
SMTC Corporation	6.01	386	(0.02)	70.7	1.18	8.8x	0.7x	171	87

Source: CapitalIQ as of March 31, 2021





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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