

EMS
Quarterly
Review
Q4 2022



Announcements

December 15, 2022:

Foxconn Industrial has acquired Fulian System Integration Electronics

December 13, 2022:

Season Group International has acquired all assets of Pycom Ltd

December 12, 2022:

EC Electronics Limited has acquired Swan EMS

November 3, 2022:

Alliance Electronics has acquired TME / Elekto / ACE Electronics

October 3, 2022:

GPV International has acquired Enics AG

Lincoln Perspective

The EMS industry demonstrated increased deal activity and resilience during Q4 2022, despite current recessionary pressures. 12 EMS transactions is the highest number within a quarter since Q1 2014, and 34 total EMS transactions recorded in 2022 is the second highest on a yearly-basis since 2010, behind 2021's 35 recorded transactions. The continued electronics "supercycle" growth and "interconnection of everything" is fueling further demand in the EMS space, keeping companies acquisitive and maintaining similar transactional activity as last year despite macroeconomic challenges.

In terms of transaction types, 2022 has shown more diversification relative to 2021, with more companies pursuing vertical / horizontal and divestiture strategies. EMS consolidations were the most common type of transaction with 21 transactions in 2022, or 62% of total activity.

In 2022, there were six vertical / horizontal convergences, a 50% increase from the four recorded in 2021. This represented 18% of the total transactions in 2022, a much higher percentage of the total than in 2021.

Private equity investments accounted for four transactions in 2022, representing a similar number of investments than those recorded for 2021. This type of transaction represented 12% of the total transactions for 2022, which is approximately the same percentage mix of the total for 2021.

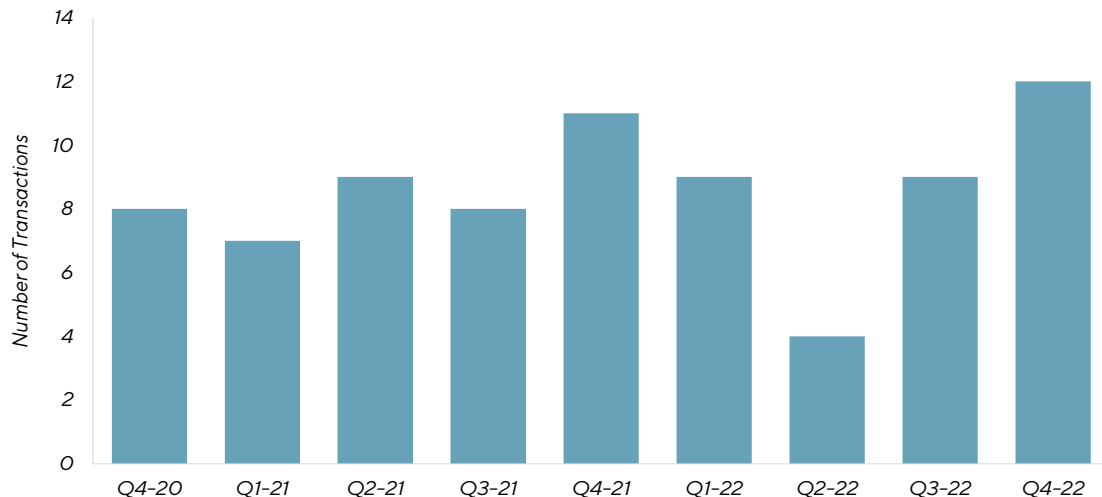
There was one EMS divestiture during 2022, which is an increase from the zero recorded in 2021. There were two transactions categorized as diversification into EMS during 2022, which is consistent with the two transactions (6% of total activity) in this category for 2021. There were no original equipment manufacturer (OEM) divestitures in 2022.

In terms of geography, 10 of the transactions were completed in North America. This represented 29% of total transaction activity in 2022. In Europe, 16 transactions were completed in 2022, representing 47% of total activity. There were three transactions recorded within Asia in 2022. Three cross-border (High / High) transactions and two cross-border (High / Low) transactions were recorded in 2022, representing 9% and 6% of total transaction activity respectively.

In terms of transaction size, small tier EMS providers accounted for 62% of the 2022 transaction volume with 21 acquisitions. Mid tier providers accounted for 10 acquisitions, representing approximately 29% of total activity. For the mid tier, this represents a large increase compared to the 4 transactions recorded in 2021. Large tier EMS providers accounted for three transactions, a slight increase from the two transactions in 2021.

EMS Quarterly Review Q4 2022

Quarter-over-Quarter Completed EMS Transactions



EMS Size Guide (Sales Dollars)

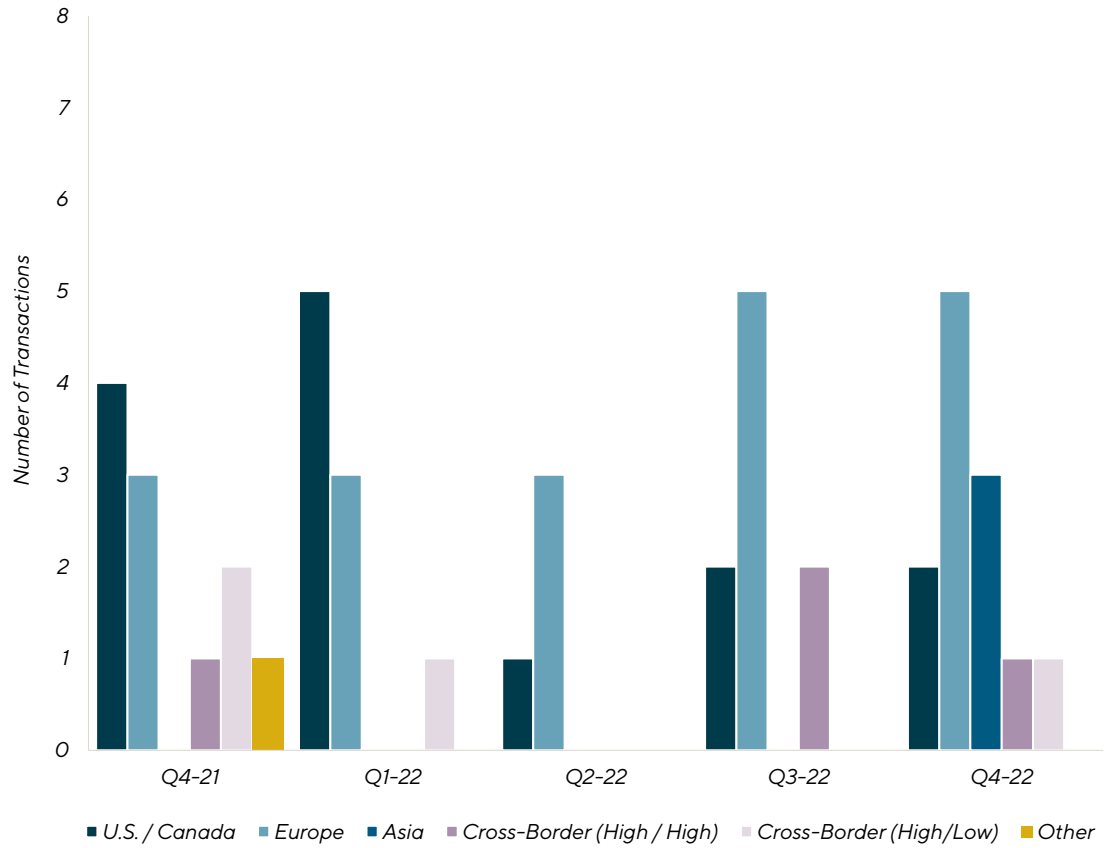
- Large (Tier I)
greater than \$3 billion
- Mid (Tier II)
\$300 million to \$3 billion
- Small (Tier III)
below \$300 million

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.

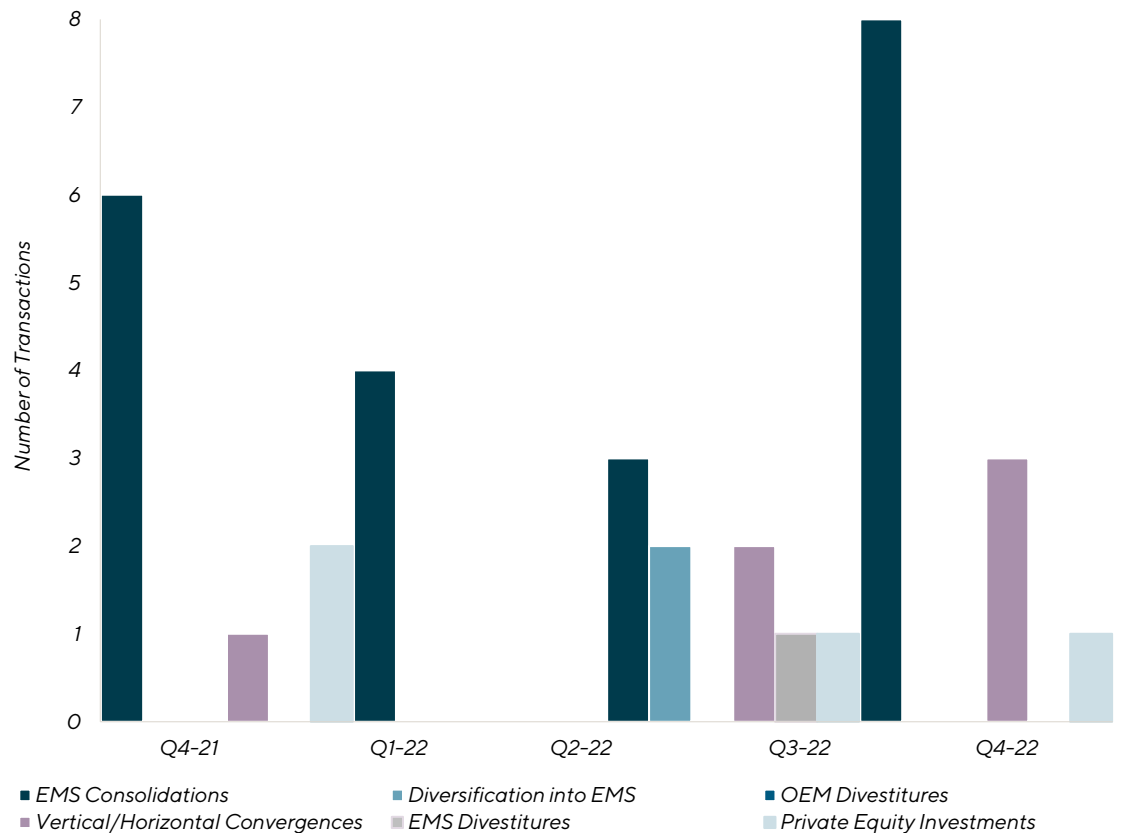
Note: Companies are included in a given tier by falling within the threshold for two consecutive quarters



Quarterly Comparison—EMS M&A by Geography



Quarterly Comparison—EMS M&A by Deal Type



Current EMS Market Highlights

The overall Lincoln EMS Stock Index increased 21.3% from last quarter primarily driven by a significant increase in the large index, which increased by 22.3%. The mid Index also increased by 16.6%. The small index, however, declined by 1.5%.



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 mid 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: Celestica Inc.	34.0%	I
Nasdaq: Kimball Electronics, Inc.	31.7%	II
Nasdaq: Nortech Systems Incorporated	16.2%	III

EBITDA Margins	
Large Tier	6.1%
Mid Tier	5.3%
Small Tier	4.1%

Worst Performers		Tier
NYSE: Jabil Inc.	18.2%	I
Nasdaq: Key Tronic Corporation	7.2%	II
Nasdaq: SigmaTron International, Inc.	(19.2%)	III

Year-over-Year Last Twelve Months Revenue Growth	
Large Tier	21.6%
Mid Tier	15.7%
Small Tier	16.5%

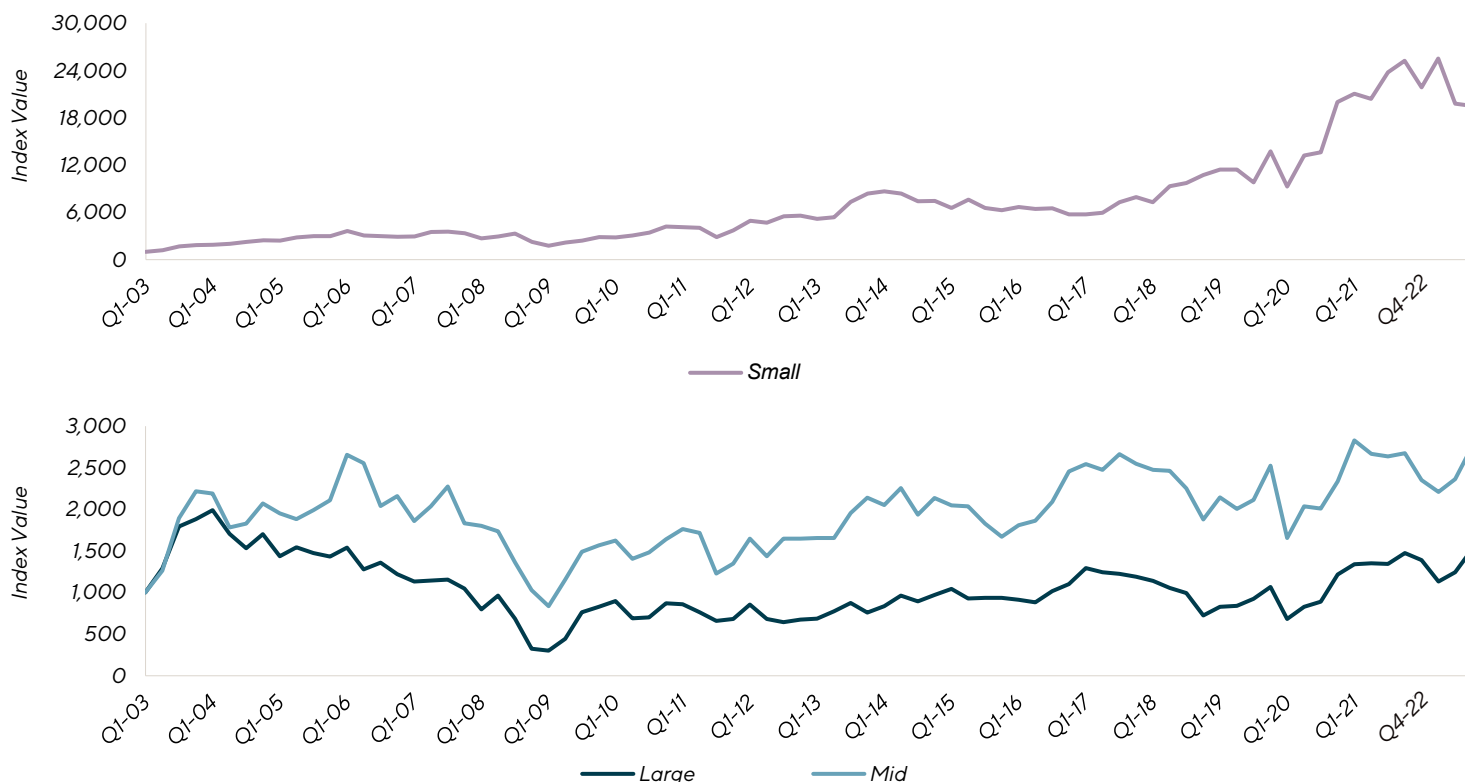
Note: Based on quarter-over-quarter share price performance, as of December 31st, 2022

Source: Capital IQ as of December 31st, 2022
Note: Average for each sector; YOY stands for year-over-year

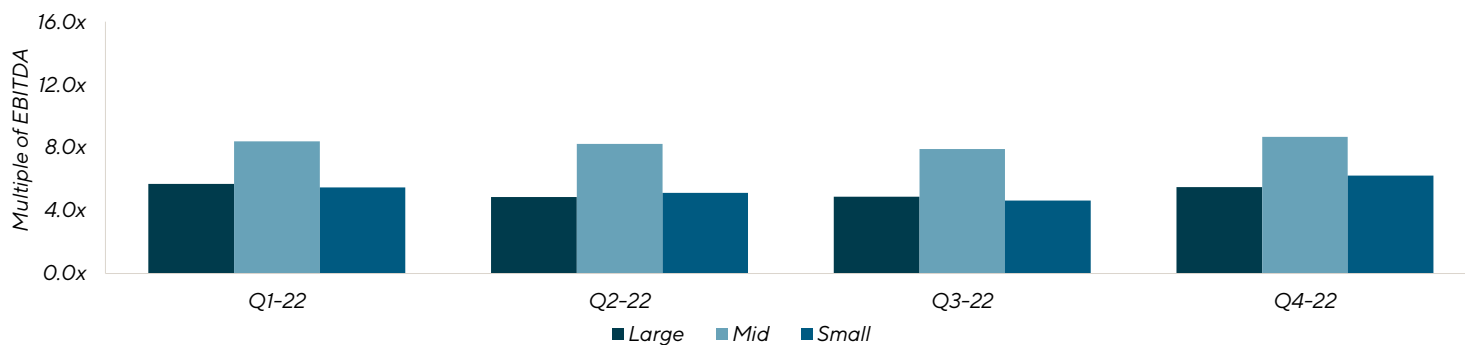
S&P Index vs. EMS Stock Index Quarter Change



EMS Stock Index by Size



Enterprise Value⁽¹⁾ / EBITDA



(1) Enterprise Value is calculated as market cap on December 31, 2022, 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.	\$11.27	\$7,250	\$1.18	111.2	1.4x	4.6x	0.3x	\$1,377	\$412
Flex Ltd.	21.46	29,720	1.76	64.3	1.4x	6.6x	0.4x	9,717	1,950
Jabil Inc.	68.20	34,546	6.89	36.5	1.0x	4.4x	0.3x	9,155	2,258
Sanmina Corporation	57.29	8,495	4.65	59.5	1.7x	6.3x	0.4x	3,290	(393)
Mid									
Benchmark Electronics, Inc.	\$26.69	\$2,886	\$1.91	107.0	2.2x	7.3x	0.4x	\$939	\$204
Key Tronic Corporation	4.33	526	0.38	132.4	2.1x	7.5x	0.3x	47	138
Kimball Electronics, Inc.	22.59	1,463	1.52	96.8	1.9x	8.1x	0.5x	558	213
Plexus Corp.	102.93	4,088	5.53	143.8	1.4x	11.8x	0.8x	2,844	309
Small									
Nortech Systems Incorporated	\$12.25	\$132	\$2.56	91.5	2.2x	7.9x	0.4x	\$33	\$18
SigmaTron International, Inc.	3.84	407	0.03	122.9	2.0x	4.5x	0.3x	23	104

Sources: Bloomberg, Capital IQ and company filings, as of December 31, 2022



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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