



AFTERMARKET ANALYST

A PUBLICATION FOCUSED ON MERGERS, ACQUISITIONS & CORPORATE FINANCE
IN THE AUTOMOTIVE AFTERMARKET INDUSTRY

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“Knowledge is the food of the soul.”

- Plato

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HEARD ON THE FLOORS OF THE SEMA AND AAPEX SHOWS THIS YEAR

While walking the floors of SEMA and AAPEX last week and talking with many aftermarket executives, it became apparent that a number of businesses are currently grappling with many of the same important issues. Some of the more noteworthy of these include the following:

Product differentiation. A number of aftermarket executives mentioned the

importance of developing products which are differentiated for their specialty and mass market customers.

For example, some mentioned difficulties they and other companies have experienced when trying to sell specialty products to the mass retail market and vice versa. Unfortunately, this strategy often backfires by alienating customers and can lead to

cannibalization and/or brand dilution.

It seems that companies achieving the most success selling to multiple distribution channels have developed products with different features, branding, appearance, pricing, etc. for some of their key customers.

Mass customization. Though somewhat of an

oxygen, mass

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NOVEMBER TRANSACTION BRIEFS

Despite both an especially intense Presidential Election season and the aftermarket's biggest event of the year taking place in the first week of November, merger and acquisition activity has been as frenzied as ever this month.

Transactions that have taken place since the end of October include the following:

Transpro Inc. acquires Modine Manufacturing Company's aftermarket business and Modine acquires Transpro's OE supplier business. Seemingly to follow the

lead of other OE suppliers divesting their aftermarket holdings, Modine Manufacturing Company entered into a complex transaction to simultaneously purchase Transpro Inc.'s heavy-duty OE business while selling its aftermarket holdings to Transpro.

Other OE suppliers divesting aftermarket holdings this year include Dana Corp. and Cooper Tire and Rubber Company, which both sold their aftermarket divisions to the Cypress Group.

Currently, ArvinMeritor Inc. has its aftermarket business on the auction

block in order to capitalize on the favorable private capital market climate and pay down some of its debt with the proceeds of the sale.

SPX Corp. acquires AutoXray. One of the more acquisitive companies in the U.S., SPX Corp. acquired its second aftermarket property so far this year. In July, the company acquired Actron Manufacturing, another manufacturer of automotive test equipment and instrumentation. Both acquisitions were made by SPX's Service Solutions unit, which designs,

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RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor	Target	Target Description
11/16/2004	Keystone Automotive Industries, Inc.	Chambers Parts Distributors	Distributor of collision auto parts
11/11/2004	Octagon Holdings	Manik Motors	Manufacturer of off-road accessories
11/8/2004	Truck Accessory Group (J.B. Poindexter & Co.)	Pace Edwards Company	Manufacturer and marketer of retractable tonneau covers for use on pick-up trucks
11/8/2004	VIS Racing	Wings West	Manufacturer of auto aftermarket aerodynamics
11/4/2004	Cash Technologies	Tomco Auto Products	Manufacturer of fuel system components
11/2/2004	SPX Corp.	AutoXray	Manufacturer of automotive testing equipment and instrumentation
11/1/2004	Kohlweiss Auto Parts	Dealers' Truck Parts	Internet and mail order retailer of light- and medium-duty auto parts
10/29/2004	Transpro Inc.	Modine Manufacturing Co.'s aftermarket business	Manufactures replacement radiators, heaters, air conditioning components and other products for automotive, truck and industrial applications
10/29/2004	Modine Manufacturing Co.	Transpro's heavy-duty original equipment business	Manufactures heat exchangers for the heavy-duty truck and industrial original equipment markets
9/29/2004	Core Molding Technologies, Inc.	Keystone Restyling Products, Inc.	Manufacturer and distributor of fiberglass reinforced products for the automotive aftermarket industry
9/20/2004	TruckPro, Inc.	Cravey, Green & Wahlen	Distributor of aftermarket parts for heavy duty trucks
9/3/2004	Uni-Select USA	Middle Atlantic Warehouse Distributor Inc.	Distributes of auto parts
8/31/2004	Cerberus Capital Management, L.P	GenCorp's GDX Automotive business	Manufactures vehicle-sealing systems for original automotive equipment manufacturers
8/24/2004	Wecast Industries Inc.	Linamar Corp.'s stake in a European autoparts maker	Manufactures exhaust manifolds, turbo charger housings and integrated turbo manifolds for light vehicles
8/23/2004	KD Classics Inc.	Ames Performance Engineering	Supplier of classic Pontiac parts
8/23/2004	Parts Depot	Tri-Citi Automotive	Distributes auto parts
8/18/2004	Katzkin Leather, Inc.	DK-Schweizer Leather Trim Inc.	Manufactures leather auto interior products
8/16/2004	Valley Industries (Castle Harlan)	MME Wiring Products	Designer and manufacturer of towing wiring products
8/12/2004	Power Performance Group Inc.	AEM's Big Brake division	Manufactures performance brake rotor systems

Heard At SEMA

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customization is all the rage these days amongst OEMs, aftermarket manufacturers, and consumers. In fact, a plethora of television programs including MTV's "Pimp My Ride," TLC's "Rides" and "Overhulin'," Discovery Channel's "Monster Garage" and "American Hot Rod," Spike's "Ride With Funkmaster Flex," and the Speed Channel's "Chop Cut Rebuild" highlight the popularity of the phenomena.

The appeal of mass customization seems to have few age, gender, or cultural limitations. From baby boomers to hip hop artists to NASCAR moms, America's love affair with the automobile seems as

strong as ever.

OEMs, needing to sell more cars in an increasingly crowded and competitive marketplace, believe they can best customize their products via aftermarket brands and accessories. As a result, a number of aftermarket companies are now cashing in with small production runs for limited edition vehicles.

SEMA vs. AAPEX. It was hard not to notice the number of AAPEX companies with booths at SEMA this year. It seems as though the larger, more mature AAPEX businesses want to glob onto the greater degree of excitement, growth, and success that the SEMA market segment is perceived to have.

Private Equity and M&A. These topics seem to be



Dan Smith speaks at the SEMA Show at the Las Vegas Convention Center

on the minds of many auto executives. Capstone's SEMA Seminar: *Mergers, Acquisitions, and Leveraged Buyouts: How to Buy, Sell, or Value Auto Aftermarket Businesses* proved to be far more popular than anticipated. In fact, more than 100 people showed up to hear Dan Smith, Capstone's

President, discuss the finer points of business valuation, market trends, and investment opportunities in the auto aftermarket.

If you were unable to attend the seminar and would like a copy of Dan's presentation, please contact Jon Taylor at jon@capfg.com.

November

(Continued from page 1)

manufactures, and markets tools, advanced diagnostic and shop equipment, as well as technical information for vehicle servicing and maintenance.

VIS Racing acquires Wings West. Wings West, which was once America's largest aftermarket automotive aerodynamic manufacturer, is the last of the bankrupt PAC Holdings properties to be sold. Its products include spoilers, hoods, fender flares, and other styling accessories

No doubt Prospect Partners, PAC Holding's former owner, is pleased

to have put the bankruptcy behind them.

With its purchase of Wings West, VIS Racing establishes a commanding position in the body kit segment.

J.B. Poindexter & Co. acquires Pace Edwards Company. J.B. Poindexter & Co., a \$500 million diversified manufacturer of transportation and industrial products, paid \$9.9 million for Pace Edwards Company, a manufacturer of retractable tonneau covers, in a hotly contested bankruptcy sale. The veteran deal pros at Poindexter (over 30 deals completed in the last 15 years), having witnessed a lot of changes

in the tonneau cover segment in the last few years, believe there are significant opportunities in this category.

Cash Technologies acquires Tomco Auto Products. In a dubious transaction designed to help Cash Technologies achieve profitability for the first time in its history and salvage its AMEX stock listing (the company was de-listed from the NASDAQ in 2000 following its IPO and the bursting of the dot-com bubble), the developer of e-commerce message management technology purchased 89 percent of Tomco.

The deal is vaguely reminiscent of the Quest Industries-Hartford

Computer Group transaction earlier this year when Quest was acquired by a company far removed from the automotive industry.

The \$2.5 million purchase price for Tomco is less than the net asset value of the company, so Cash Technologies will record extraordinary income of \$5.5 million, making the acquisition accretive to company earnings.

Tibrand Capital, a Los Angeles-based investment banking firm, owns the remaining 11 percent stake not owned by Cash Technologies.

Selected Public Company Capitalization and Operating Figures
(\$ in millions, except per share data)

Company	Enterprise Value				Last Twelve Months (LTM)				
	Price as of 11/18/04	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
Manufacturers									
Tenneco Automotive Inc.	14.76	626.1	1,423.0	203.0	1,920.0	10/31/04	4,079.0	369.0	33.2
Decoma International Inc.	7.92	661.4	341.6	115.1	966.1	6/30/04	2,573.2	257.6	83.1
Standard Motor Products, Inc.	15.61	308.8	226.1	16.9	520.4	9/30/04	805.8	45.1	9.9
Aftermarket Technology Corp.	16.15	337.8	112.5	8.8	452.6	9/30/04	394.6	53.0	22.2
R&B, Inc.	25.00	221.3	43.8	17.9	265.0	6/26/04	234.0	32.9	16.2
Transpro, Inc.	6.09	43.3	44.0	0.5	87.7	9/30/04	256.2	11.7	1.4
Motorcar Parts of America, Inc.	8.00	65.4	1.5	10.7	60.0	6/30/04	156.7	12.5	5.9
Wholesalers & Distributors									
Genuine Parts Company	\$43.82	\$7,652.3	\$1,419.9	\$284.7	\$8,936.2	6/30/04	\$8,769.3	\$673.0	\$376.4
TBC Corporation	26.35	586.7	300.6	3.2	916.5	9/30/04	1,737.5	94.2	36.3
LKQ Corporation	17.35	351.3	36.3	3.1	414.5	9/30/04	395.2	38.5	18.5
Keystone Automotive Industries, Inc.	21.74	339.4	1.5	4.2	346.0	10/1/04	534.9	33.2	17.3
The Coast Distribution System, Inc.	7.00	32.3	22.5	1.2	55.8	9/30/04	169.9	9.7	4.6
Retailers									
Autozone, Inc.	\$87.10	\$6,949.4	\$0.0	\$0.0	\$7,322.8	8/28/04	\$5,637.0	\$1,105.6	\$566.2
Advance Auto Parts, Inc.	42.10	3,095.6	386.8	27.5	3,586.6	10/9/04	3,742.8	447.4	195.7
O'Reilly Automotive, Inc.	40.49	2,231.3	101.4	88.1	2,305.4	6/30/04	1,617.7	225.9	113.2
The Pep Boys - Manny, Moe & Jack	14.39	834.6	442.0	83.9	1,206.2	7/31/04	2,189.5	121.8	12.1
CSK Auto Corporation	15.91	720.4	501.7	44.6	1,186.1	8/1/04	1,588.2	163.8	55.0

Selected Public Company Multiples and Operating Statistics

Company	Enterprise Value /					P / E Ratio	Margins		
	Revenue	EBIT	EBITDA	Free Cash Flow (2)	Net Income		Gross Margins	EBITDA Margins	Net Margins
Manufacturers									
Tenneco Automotive Inc.	0.5x	9.8x	5.2x	8.2x	57.8x	18.8	16.1%	9.0%	0.8%
Decoma International Inc.	0.4x	6.0x	3.8x	5.8x	11.6x	8.0	14.3%	10.0%	3.2%
Standard Motor Products, Inc.	0.6x	19.4x	11.5x	14.4x	52.7x	31.3	25.3%	5.6%	1.2%
Aftermarket Technology Corp.	1.1x	11.4x	8.5x	11.7x	20.4x	15.2	24.1%	13.4%	5.6%
R&B, Inc.	1.1x	9.3x	8.1x	10.9x	16.4x	13.7	37.6%	14.0%	6.9%
Transpro, Inc.	0.3x	15.3x	7.5x	14.5x	62.5x	30.8	18.1%	4.6%	0.5%
Motorcar Parts of America, Inc.	0.4x	5.9x	4.8x	4.8x	10.2x	11.1	14.5%	8.0%	3.8%
Mean	0.6x	11.0x	7.1x	10.0x	33.1x	18.4x	21.4%	9.2%	3.2%
Median	0.5x	9.8x	7.5x	10.9x	20.4x	15.2x	18.1%	9.0%	3.2%
Wholesalers & Distributors									
Genuine Parts Company	1.0x	14.8x	13.3x	14.6x	23.7x	20.3	30.9%	7.7%	4.3%
TBC Corporation	0.5x	13.1x	9.7x	13.2x	25.2x	16.2	37.3%	5.4%	2.1%
LKQ Corporation	1.0x	12.9x	10.8x	30.7x	22.4x	19.0	44.9%	9.7%	4.7%
Keystone Automotive Industries, Inc.	0.6x	13.3x	10.4x	15.5x	20.0x	19.6	43.6%	6.2%	3.2%
The Coast Distribution System, Inc.	0.3x	6.4x	5.8x	6.2x	12.0x	7.0	19.0%	5.7%	2.7%
Mean	0.7x	12.1x	10.0x	16.0x	20.7x	16.4x	35.2%	6.9%	3.4%
Median	0.6x	13.1x	10.4x	14.6x	22.4x	19.0x	37.3%	6.2%	3.2%
Retailers									
Autozone, Inc.	1.3x	7.3x	6.6x	8.0x	12.9x	12.3	48.9%	19.6%	10.0%
Advance Auto Parts, Inc.	1.0x	10.6x	8.0x	12.3x	18.3x	15.8	46.3%	12.0%	5.2%
O'Reilly Automotive, Inc.	1.4x	12.6x	10.2x	30.6x	20.4x	19.7	42.6%	14.0%	7.0%
The Pep Boys - Manny, Moe & Jack	0.6x	22.6x	9.9x	15.2x	99.5x	68.9	27.6%	5.6%	0.6%
CSK Auto Corporation	0.7x	9.2x	7.2x	8.5x	21.6x	13.1	47.8%	10.3%	3.5%
Mean	1.0x	12.5x	8.4x	14.9x	34.5x	26.0x	42.6%	12.3%	5.3%
Median	1.0x	10.6x	8.0x	12.3x	20.4x	15.8x	46.3%	12.0%	5.2%

(1) Enterprise Value equals market cap, plus debt, minus cash

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful