

# the aftermarket analyst

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

## Aftermarket Wholesale and Retail Consolidation Accelerates

Although the wholesale and retail side of the auto aftermarket is far more mature and concentrated than the manufacturing side, consolidation by wholesalers and retailers has remained strong and continues to accelerate at a rapid rate. It seems the largest and most powerful players in the aftermarket are loath to concede any of the leverage they enjoy with other industry participants.

Aftermarket wholesalers and retailers have been on a deal making tear this year. Through November 27th, 25 wholesale and retail transactions have taken place, a 56 percent increase over 2004 and a 157 percent increase over 2003. The chart on page 3 details wholesale and retail transactions announced year-to-date.

Some of the larger deals this year include the following:

### Keystone Automotive Operations to acquire Reliable Automotive

As if it weren't the 800 pound gorilla of the industry already, Keystone's pending purchase of Reliable truly makes it an unassailable titan. Customer concentrations for many manufacturers are now likely to climb to the 45 percent-plus range for this industry leader.

The transaction marks the company's second mega deal since being acquired by Bain Capital in September of 2003. Keystone purchased Blacksmith Distributing earlier this year in another significant industry transaction.

### Sumitomo Corporation acquires TBC Corporation

In the largest automotive aftermarket deal so far this year, Sumitomo Corporation, an integrated global trading company,

purchased TBC Corporation, the largest distributor and retailer of tires, for approximately \$1.1 billion.

This transaction is an example of the trend of Asian companies buying upstream into the U.S. market in order to gain a greater presence.

### Parts Depot acquires Tropical International Corp.

Parts Depot's purchase of Tropical cemented its position as the leading auto parts wholesaler in the Southeast. Parts Depot was recapitalized by MapleWood Partners, a Miami-based private equity firm, in August of 2000. Since then, the company has made more than 25 add-on acquisitions and grown to approximately \$375 million in annual sales.

### LKQ Corporation acquires Advanced Auto Recycling, Independent Auto Parts, Mid-State, A&R Auto, and Bodymaster

Since going public in October of 2003, LKQ has been gobbling up replacement parts distributors all over the country at a fast clip. So far this year, the company has made five acquisitions. With its ability to get earnings-accretive deals done, expect this distributor to continue to consolidate the recycled auto parts segment.

### Linsalata Capital Partners recapitalizes Transtar Industries

Linsalata purchased a majority interest in Transtar while allowing Monte Ahuja, chairman and founder of Transtar, to retain a substantial ownership interest and continue as its chairman and chief executive officer.

The acquisition is the first investment completed by Linsalata's sixth and largest buyout fund. Linsalata liked the deal because of its predictable cash flow and recession resistant characters.

No stranger to the aftermarket, Linsalata previously owned

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**RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS**

Announce Date	Acquirer/Investor(s)	Target	Target Description	Firm Value (\$mil.)	Rev. FV / Rev.	EBITDA FV / EBITDA
11/17/2005	MSD Ignition	Racepak	Manufacturer of data acquisition systems for the performance and motorsports industry	—	—	—
11/17/2005	LKQ Corporation	Advanced Auto Recycling, Inc.	Operates a recycled OEM automotive replacement parts facility	—	—	—
11/15/2005	Kohlberg Kravis Roberts & Co. LP	FL Selenia SPA	Manufacturer of automotive lubricants	—	—	—
11/15/2005	Keystone Automotive Operations, Inc.	Reliable Automotive	Distributes over 300 automotive product lines nationally to over 15,000 customers via ten warehouse facilities and seven sales offices	—	—	—
11/2/2005	Plaze Inc., a portfolio company of AEA Investors	Claire-Sprayway Inc.	Makes branded and private-label cleaning agents, disinfectants, air fresheners, adhesives, lubricants, insecticides and automotive detail products	—	—	—
11/1/2005	Parker Hannifin	TTxe	Supplier of hard parts for the automotive transmission aftermarket including Roadmaster (TM) products	—	—	—
10/31/2005	Bell Automotive Products Inc.	Victor Products, a division of Barjan Products LLC	Leader in tire repair, tire hardware and tire gauges and has a strong market position in convenience accessories, safety and emergency products, lighters, exhaust and electrical products	—	—	—
10/17/2005	Carlisle Companies Inc.	ArvinMeritor's Off-Highway Brake Operations	Manufacturer of off-highway brakes	39.0	—	—
10/17/2005	Blue Magic	North American Oil Co.	Manufacturer of automotive specialty chemicals including cleaners, tire care, and performance products	—	—	—
10/7/2005	White Oak Capital, and M.P.Gilles & Associates	Comptech	Manufacturer of Honda and Acura performance parts	—	—	—
10/5/2005	The Parts House (TPH Acquisition)	Automotive Parts and Machine	Seven-store wholesale distributor of auto parts to the professional installer	—	—	—
10/3/2005	Pick-N-Pull Auto Dismantlers (Schnitzer Steel )	GreenLeaf Auto Recyclers	Auto dismantling and recycling business that sells reclaimed auto parts to collision and mechanical repair shops	22.5	—	—
9/30/2005	Jordan Automotive Aftermarket Inc.	Coolstar	Manufactures automotive, heavy truck, off-road, agricultural, aircraft and military air conditioning evaporators and hose assemblies	—	—	—
9/30/2005	Illinois Tool Works	Auto Wax Co.	Manufacturer of automotive reconditioning and refinishing products marketed under the Auto Magic, Clay Magic, and Body Magic brands	—	—	—
9/23/2005	The Carlyle Group	AxleTech International Corp.	Manufacturer of heavy-duty axles, brakes, and aftermarket parts	350.0	—	38.9 9.00x
9/20/2005	Sumitomo Corporation	TBC Corporation	Marketers of automotive replacement tires in the U.S.	1,100.0	1913.8 0.57X	105.3 10.45X
9/19/2005	Allied Lube, Inc.	68 Jiffy Lube International-owned service centers	Fast oil-change service provider	—	—	—
9/15/2005	Advance Auto Parts, Inc.	Autopart International, Inc.	Provides replacement automotive parts to the growing do-it-for-me commercial market, as well as to warehouse distributors and jobbers	—	90.0	—
9/14/2005	The Anderson Group	Hastings Manufacturing	Manufacturer of piston rings	—	—	—
9/7/2005	Parker Hannifin Corp.	Filtran Aftermarket Products Inc.	Supplier of aftermarket components used in the rebuilding of automotive transmissions	—	33.0	—
9/2/2005	LKQ Corp.	Independent Auto Parts and Mid-State Aftermarket Parts	Provide collision automotive replacement parts	13.7	16.6 0.80x	—
9/1/2005	A team of Autospecialty executives	Power Stop line of performance brake products	Manufacturer of performance friction, rotors, caliper, and ceramic brake pads	—	—	—
9/1/2005	Fisher Auto Parts	Cap's Auto Parts	Distributor of auto parts with over 300 locations	—	—	—

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America's Body Company, a \$160 million manufacturer and distributor/upfitter of commercial truck equipment as well as Highland Group Industries, a manufacturer and distributor of automotive aftermarket accessories.

### Allied Capital Corporation recapitalizes Meineke Car Care Centers, Inc.

Allied, a \$4 billion publicly traded business development company and private equity firm, invested \$127 million to finance the management-led recapitalization of Meineke.

Earlier in the year, Allied invested \$40 million in Service Champ, a leading wholesale distributor of parts and equipment to the quick lube industry.

### Leonard Green & Partners takes a minority stake in The Tire Rack

The Tire Rack sold 49% of its business to Leonard Green so that its 79-year-old co-founder and chief owner, Peter Veldman and his wife Velma could retire and keep their family in control of the business. A debt market source estimated that the company was valued at over \$350 million, approximately 5.9 times EBITDA.

Acquirer	Target <sup>(1) (2)</sup>	Target Description	Firm Value <sup>(3)</sup> / LTM		
			Firm Value <sup>(3)</sup>	Rev.	EBITDA
LKQ Corporation	Advanced Auto Recycling, Inc.	Operates a recycled OEM automotive replacement parts facility	--	--	--
Keystone Automotive Operations, Inc.	Reliable Automotive	Distributes to over 15,000 customers via ten warehouse facilities and seven sales offices	--	--	--
The Parts House	Automotive Parts and Machine	Seven store wholesale distributor of auto parts	--	--	--
Pick-N-Pull Auto Dismantlers	GreenLeaf Auto Recyclers	Auto recycling business that sells reclaimed auto parts	22.5	--	--
Sumitomo Corporation	TBC Corporation	Distributor of automotive replacement tire in the U.S.	1,100.0	0.6x	10.4x
Advance Auto Parts, Inc.	Autopart International, Inc.	61 auto parts stores throughout New England and New York State	--	--	--
LKQ Corporation	Independent Auto Parts and Mid-State Aftermarket Parts	Provider of collision automotive replacement parts	13.7	0.8x	--
Fisher Auto Parts	Cap's Auto Parts	Distributor of auto parts with over 300 locations	--	--	--
Linsalata Capital Partners	Transtar Industries, Inc.	Distributor of transmission repair parts and refinishing products	--	--	--
Advance Auto Parts, Inc.	Lappen Auto's parts division	19 auto parts stores in the greater Boston, MA market	--	--	--
Pilkington	Autostock Distribution	Distributor of replacement glass and aftermarket accessory	--	--	--
Allied Capital	Meineke Car Care Centers	Automotive repair and service outlets	--	--	--
Leonard Green & Partners LP	The Tire Rack	Mail-order and online tire retailer	--	--	--
Keystone Automotive	Blacksmith Distributing, Inc.	Automotive aftermarket accessory distributor	--	--	--
Fred Jones Enterprises	Global Parts Distribution	Distributor of air conditioning parts to the aftermarket	--	--	--
O'Reilly Automotive, Inc.	Midwest Auto Parts Distributors,	Operates 71 auto parts stores	61.0	0.6x	--
Allied Capital	Service Champ Inc.	Distributor of parts and equipment to the quick lube industry	--	--	--
Undisclosed	Four of Genuine Parts Company's Johnson Industries	Distributor of OEM and aftermarket parts, equipment, supplies, and facility services	--	--	--
AirPro Mobile Air LLC	AirPro	Distributor of motor vehicle air conditioning parts	--	--	--
LKQ Corporation	A&R Auto Parts, Inc.	Operates a recycled OEM automotive replacement parts facility	13.4	0.8x	--
Parts Depot, Inc.	Tropical International Corp.	Auto parts distributor	--	--	--
Uni-Select USA	Motor Parts Warehouse	Auto parts distributor	--	--	--
Investcorp	American Tire Distributors, Inc.	Distributor of tires to the replacement tire market in the U.S.	700.0	0.6x	9.3x
LKQ Corporation	Bodymaster Auto Parts, Inc.	Distributor of aftermarket collision auto replacement parts	15.4	0.8x	--
Independent Auto Parts of	Parts Plus	Distributes auto parts	--	--	--
			<b>Median</b>	<b>0.7x</b>	<b>9.9x</b>

(1) Figures in millions and US dollars except when noted as of 11/28/05

(2) All financial data is for continuing operations before non-recurring items

(3) Firm value includes equity value plus LT debt, ST debt, capitalized leases, preferred stock, out-of-the-money convertibles, and minority interest, less equity investments in unconsolidated affiliates, cash & equivalents

### About Capstone

Capstone Financial Group is an investment banking firm which assists owners of middle market companies with their financial needs - including mergers and acquisitions, recapitalizations, private placements, divestitures, and other financial advisory services. Capstone is backed by a highly experienced and knowledgeable team of financial professionals with firsthand knowledge of starting, operating, growing, and selling middle market companies. Visit us online at [www.capfg.com](http://www.capfg.com).

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

Company	Price as of 11/25/05	Market Cap	Enterprise Value			Last Twelve Months (LTM)			
			Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
<b>Manufacturers</b>									
Tenneco Automotive Inc.	\$16.95	\$744.5	\$1,412.0	\$66.0	\$2,159.8	6/30/05	\$4,348.0	\$369.0	\$25.6
Standard Motor Products, Inc.	9.41	186.7	293.0	6.2	473.5	6/30/05	818.3	27.2	(4.9)
Aftermarket Technology Corp.	20.01	430.1	94.0	10.1	523.4	6/30/05	411.5	65.8	30.3
R&B, Inc.	12.49	224.0	40.5	2.1	265.5	6/25/05	259.1	33.7	16.5
Proliance International, Inc.	5.45	83.1	50.7	0.3	134.3	6/30/05	265.6	14.2	3.2
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	\$44.52	\$7,725.2	\$500.9	\$339.5	\$8,020.8	9/30/05	\$9,626.7	\$747.9	\$424.8
LKQ Corporation	33.28	838.4	55.6	4.3	976.4	9/30/05	517.2	55.5	27.7
Keystone Automotive Industries, Inc.	29.50	472.1	0.4	6.6	476.6	9/30/05	573.2	32.5	15.9
The Coast Distribution System, Inc.	6.60	29.2	19.2	0.7	49.2	9/30/05	174.5	8.4	3.8
<b>Retailers</b>									
Autozone, Inc.	\$88.94	\$6,869.4	\$1,914.5	\$77.4	\$9,091.5	5/7/05	\$5,664.4	\$1,119.0	\$573.8
Advance Auto Parts, Inc.	43.50	4,761.8	479.7	175.9	5,150.5	7/16/05	4,020.5	493.2	219.8
O'Reilly Automotive, Inc.	30.96	3,470.0	100.9	51.6	3,519.3	9/30/05	1,958.0	279.7	146.8
The Pep Boys - Manny, Moe & Jack	15.05	814.3	469.3	12.7	1,274.9	7/30/05	2,255.0	104.2	(4.5)
CSK Auto Corporation	15.82	714.4	495.7	97.7	1,123.0	5/1/05	1,577.6	127.3	34.1

**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
<b>Manufacturers</b>									
Tenneco Automotive Inc.	0.5x	11.3x	5.9x	9.4x	84.3x	29.1	15.5%	8.5%	0.6%
Standard Motor Products, Inc.	0.6x	55.8x	17.4x	27.8x	NM	NM	21.9%	3.3%	NM
Aftermarket Technology Corp.	1.3x	10.2x	8.0x	10.3x	17.3x	14.2	25.1%	16.0%	7.4%
R&B, Inc.	1.0x	9.3x	7.9x	12.0x	16.1x	13.6	36.5%	13.0%	6.4%
Proliance International, Inc.	0.5x	16.0x	9.5x	18.6x	41.9x	25.9	20.0%	5.3%	1.2%
<b>Mean</b>	<b>0.8x</b>	<b>20.5x</b>	<b>9.7x</b>	<b>15.6x</b>	<b>39.9x</b>	<b>20.7x</b>	<b>23.8%</b>	<b>9.2%</b>	<b>3.9%</b>
<b>Median</b>	<b>0.6x</b>	<b>11.3x</b>	<b>8.0x</b>	<b>12.0x</b>	<b>29.6x</b>	<b>20.1x</b>	<b>21.9%</b>	<b>8.5%</b>	<b>3.8%</b>
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	0.8x	11.7x	10.7x	12.1x	18.9x	18.2	31.4%	7.8%	4.4%
LKQ Corporation	1.9x	20.5x	17.6x	24.3x	35.3x	30.3	45.4%	10.7%	5.3%
Keystone Automotive Industries, Inc.	0.8x	19.9x	14.7x	16.6x	29.9x	29.6	44.0%	5.7%	2.8%
The Coast Distribution System, Inc.	0.3x	6.5x	5.8x	6.3x	12.9x	7.7	18.5%	4.8%	2.2%
<b>Mean</b>	<b>1.0x</b>	<b>14.7x</b>	<b>12.2x</b>	<b>14.8x</b>	<b>24.2x</b>	<b>21.4x</b>	<b>34.8%</b>	<b>7.3%</b>	<b>3.7%</b>
<b>Median</b>	<b>0.8x</b>	<b>15.8x</b>	<b>12.7x</b>	<b>14.3x</b>	<b>24.4x</b>	<b>23.9x</b>	<b>37.7%</b>	<b>6.7%</b>	<b>3.6%</b>
<b>Retailers</b>									
Autozone, Inc.	1.6x	9.2x	8.1x	10.6x	15.8x	12.0	49.1%	19.8%	10.1%
Advance Auto Parts, Inc.	1.3x	13.5x	10.4x	18.3x	23.4x	21.7	47.1%	12.3%	5.5%
O'Reilly Automotive, Inc.	1.8x	15.6x	12.6x	42.5x	24.0x	23.6	43.3%	14.3%	7.5%
The Pep Boys - Manny, Moe & Jack	0.6x	47.7x	12.2x	NM	NM	NM	25.6%	4.6%	NM
CSK Auto Corporation	0.7x	12.4x	8.8x	11.3x	33.0x	21.0	46.0%	8.1%	2.2%
<b>Mean</b>	<b>1.2x</b>	<b>19.7x</b>	<b>10.4x</b>	<b>20.7x</b>	<b>24.1x</b>	<b>19.6x</b>	<b>42.2%</b>	<b>11.8%</b>	<b>6.3%</b>
<b>Median</b>	<b>1.3x</b>	<b>13.5x</b>	<b>10.4x</b>	<b>14.8x</b>	<b>23.7x</b>	<b>21.3x</b>	<b>46.0%</b>	<b>12.3%</b>	<b>6.5%</b>

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful