

AFTERMARKET ANALYST

A publication focused on mergers, acquisitions & corporate finance in the automotive aftermarket industry



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We want your feedback. To discuss and receive more information on automotive aftermarket transactions and the capital markets as they relate to the Automotive Aftermarket Industry, please contact please contact us at (843) 689-6450.

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Secondary Buyouts Bring Increased Liquidity to the Aftermarket

A number of secondary buyouts have recently occurred in the aftermarket. This positive development proves that significant liquidity exists for aftermarket investors.

This liquidity is likely to spur even greater investment in the industry because the aftermarket is now perceived as being a safer and more lucrative place for institutional investors to place their capital.

Secondary buyouts are typically investments made by private equity groups in companies that were previously bought out by other investors.

The auto aftermarket has had a slew of such deals in recent months, allowing earlier investors to harvest their gains and put money back in the hands of their limited partners. Recent secondary buyouts include the following:

Investcorp's purchase of American Tire Distributors (ATD) from Charlesbank Capital Partners. ATD, a national distributor of replacement tires, was originally recapitalized in a management buyout led by Charlesbank Capital Partners in 1999.

At that time, Charlesbank put \$44 million in equity in the company and took a 62% stake in the company.

On February 7th, Investcorp purchased ATD for what is rumored to be a sum of \$700 million, which is roughly 9.3x the company's 2004 EBITDA of \$75 million — a princely valuation by conventional measures.

JH Partners' acquisition of Bell Automotive from Brentwood Associates. Bell, a manufacturer of auto accessories such as air fresheners, seat and steering wheel covers, was sold by its equity sponsor, Brentwood Associates to JH Partners for \$60 million in December of last year.

JH Partners, which closed a new \$200 million fund in that same month, is a newcomer to the aftermarket but has several consumer product investments in personal care and home furnishings companies.

Bell Automotive was the scene of an earlier secondary buyout when Brentwood bought out its previous partner, Charlesbank Capital.

Graham Partners' purchase of Dynojet Research Inc. from The Riverside Company. Riverside reaped windfall profits when it sold Dynojet to Graham in February of last year. Riverside continues to have significant aftermarket holdings in APC, J.C. Whitney, and Stylin' Concepts, which may also be acquisition candidates in the next few years.

Morgenthaler Partners' acquisition of Phillips & Temro Industries from TMB Industries and Chilmark Partners. TMB and Chilmark acquired Phillips & Temro, a supplier of cold start and emissions-control products, from ThyssenKrupp AG in December of 2002.

Although the deal is Morgenthaler's first aftermarket investment, the firm is no stranger to the automotive space, given that it pieced together Precision Parts International from the acquisitions of MPI International, Skill Tool & Die Corp., and Precision Gear.

(Continued on page 3, See "Secondaries")



RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce	Acquirer/Investor	Target	Target Description
2/7/2005	Investcorp	American Tire Distributors, Inc.	Distributor of tires to the replacement tire market in the United States
2/2/2005	Tenneco Automotive	Gabilan Manufacturing, Inc.	Manufactures motorcycle exhaust systems
2/1/2005	LKQ Corporation	Bodymaster Auto Parts, Inc.	Distributor of aftermarket collision automotive replacement parts
1/31/2005	Gryphon Investors (MSD Ignition)	Superchips Inc.	Manufacturer of performance programmers and chips for late model production cars and trucks
1/19/2005	Custom Accessories	Chic Accessories	Manufacturer of air freshener products
1/19/2005	East Penn Manufacturing Co.	Douglas Battery Manufacturing Co.'s Automotive Battery Division	Manufactures automotive batteries
1/14/2005	Independent Auto Parts of America	Parts Plus	Distributes auto parts
1/13/2005	Magna International Inc.	Decoma International Inc.	Manufacturer of automotive exterior components and systems
1/5/2005	Illinois Tool Works Inc.	Permatex, Inc.	Manufacturer and distributor of premium branded specialty-chemical products
1/5/2005	Morgenthaler Partners	Phillips & Temro Industries	Manufactures emissions control products for both engine and motor vehicle OEM and aftermarket segments
1/5/2005	Thayer Capital Partners	Qualitor Inc.	Manufacturer of auto aftermarket parts
1/4/2005	Illinois Tool Works Inc.	Wynn Oil automotive specialty chemicals business unit of Parker Hannifin Corporation	Develops and manufactures chemical car care products and maintenance equipment for the automotive industry
12/28/2004	Accuride Corp.	Transportation Technologies Industries Inc.	Manufactures truck components
12/24/2004	Magna International Inc	Tesma International Inc.	Manufactures automotive engine and transmission parts
12/10/2004	JH Partners LLC	Bell Automotive Products Inc.	Maker of automotive air fresheners, drink holders, cargo racks, cell phone accessories and license plate frames among other items
12/1/2004	The Carlyle Group	Rhythm Corp.	Manufacturer of auto parts
12/1/2004	PartSource	Diamond Auto Parts	Retailer of auto parts and accessories



(Secondaries, Continued from page 1)

Friend Skoler's purchase of Hopkins Manufacturing from Harbour Group. First purchased by Harbour Group in February of 1997, the Kansas-based manufacturer of specialty towing products and functional accessories was flipped to Friend Skoler & Co. in July of last year.

Thayer Capital Partners' acquisition of Qualitor from Wind Point Partners. Thayer, a Washington, DC-based private equity firm whose partners include Dick Snell, former Federal-Mogul CEO, purchased Qualitor Inc., from Wind Point Partners for an undisclosed amount early last month.

Illinois Tool Works Inc.'s (ITW) acquisition of Permatex Inc. from The Jordan Company. ITW announced the acquisition of the manufacturer of premium branded specialty-chemical products last month, along with its acquisition of the Wynn Oil automotive specialty chemicals business unit of Parker Hannifin Corporation.

Candover Investments PLC's purchase of Thule AB from EQT Partners AB. UK-based Candover paid \$595 million for the sports utility transportation product manufacturer in December of 2004.

Manufacturing CFOs' Outlook On 2005

Bank of America recently completed its survey of manufacturing company Chief Financial Officers. The survey revealed a number of interesting findings, including the fact that most of the CFOs believe that companies in their industries are increasing in value, becoming more active in deal making and anticipating more expensive financing in 2005.

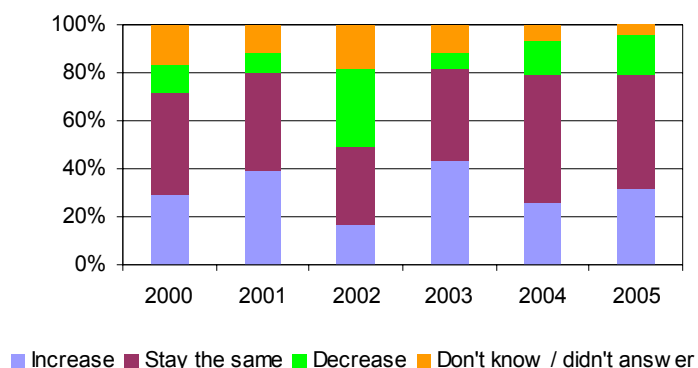
The survey results include a significant increase in the number of CFOs who believe purchase price multiples will increase in their industry in 2005. 32% of those surveyed see an increase in these multiples for 2005, compared to 26% in 2004.

62% of CFOs expect their financing cost of capital to increase in 2005 compared to last year. This figure is a record high for the survey and is up sharply from 2004, when only 41% of CFOs expected this cost to increase. Clearly, rising interest rates are the main concern.

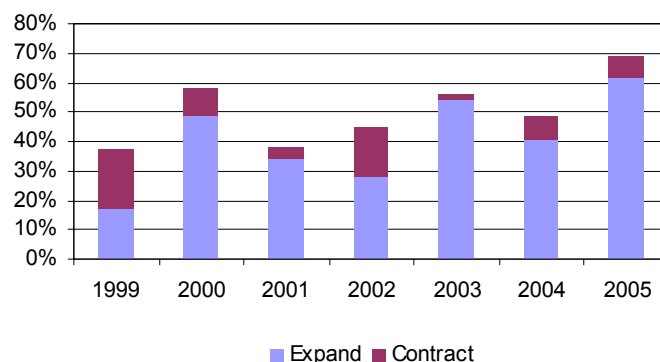
In addition, the percentage of CFOs expecting to participate in a merger or acquisition increased from 14% in 2004 to 23% in 2005.

Some questions and responses from the Bank of America survey are contained in the charts to the right.

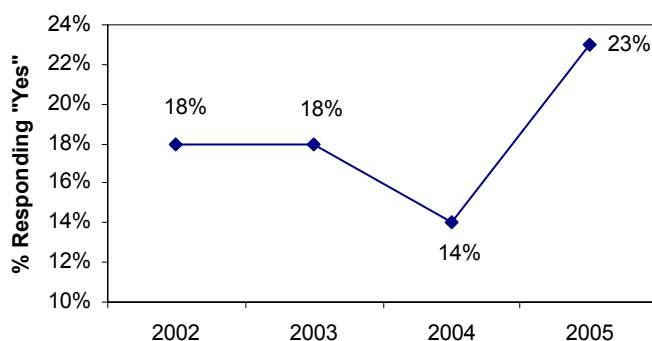
Do you think that the purchase price for companies in your industry as a multiple of EBITDA will increase, decrease, or stay the same in the 2005 compared to 2004?



Do you expect your financing cost of capital to increase, decrease, or stay the same in 2005 compared to 2004?



Will your company participate in any mergers or acquisitions in 2005?



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

Company	Enterprise Value				Last Twelve Months (LTM)				
	Price as of 2/15/05	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
Manufacturers									
Tenneco Automotive Inc.	15.68	665.1	1,423.0	203.0	1,964.5	10/31/04	4,079.0	369.0	33.2
Decoma International Inc.	10.95	914.4	497.9	73.3	1,316.5	9/30/04	2,636.8	237.8	70.1
Standard Motor Products, Inc.	12.60	249.2	226.1	16.9	459.6	9/30/04	805.8	45.1	9.9
Aftermarket Technology Corp.	14.45	302.2	112.5	8.8	414.7	9/30/04	394.6	53.0	22.2
R&B, Inc.	25.37	225.6	35.2	8.3	270.7	9/25/04	240.0	34.1	16.9
Transpro, Inc.	6.75	48.0	44.0	0.5	92.8	9/30/04	256.2	11.7	1.4
Motorcar Parts of America, Inc.	9.75	79.7	1.5	10.7	75.6	6/30/04	156.7	12.5	5.9
Wholesalers & Distributors									
Genuine Parts Company	\$43.91	\$7,668.0	\$1,419.9	\$284.7	\$8,952.2	9/30/04	\$8,929.2	\$684.2	\$386.0
TBC Corporation	28.03	624.1	300.6	3.2	957.6	9/30/04	1,737.5	94.2	36.3
LKQ Corporation	18.17	367.9	36.3	3.1	434.1	9/30/04	395.2	38.5	18.5
Keystone Automotive Industries, Inc.	22.11	345.2	1.5	4.2	352.2	10/1/04	534.9	33.2	17.3
The Coast Distribution System, Inc.	7.19	33.2	22.5	1.2	56.8	9/30/04	169.9	9.7	4.6
Retailers									
Autozone, Inc.	\$95.14	\$7,578.8	\$1,824.8	\$63.9	\$9,763.7	11/20/04	\$5,641.2	\$1,108.5	\$567.0
Advance Auto Parts, Inc.	44.75	3,290.5	386.8	27.5	3,795.8	10/9/04	3,742.8	447.4	195.7
O'Reilly Automotive, Inc.	47.02	2,595.9	101.1	83.6	2,697.2	9/30/04	1,660.7	231.4	116.9
The Pep Boys - Manny, Moe & Jack	17.06	938.1	477.4	35.2	1,400.3	10/30/04	2,248.4	154.1	34.8
CSK Auto Corporation	15.95	717.7	501.3	54.7	1,173.0	10/31/04	1,579.9	159.4	54.7

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	10.1x	5.3x	8.4x	59.1x	20.0	16.1%	9.0%	0.8%
Decoma International Inc.	0.5x	9.4x	5.5x	8.9x	18.8x	13.1	13.4%	9.0%	2.7%
Standard Motor Products, Inc.	0.6x	17.1x	10.2x	12.7x	46.6x	25.3	25.3%	5.6%	1.2%
Aftermarket Technology Corp.	1.1x	10.5x	7.8x	10.7x	18.7x	13.6	24.1%	13.4%	5.6%
R&B, Inc.	1.1x	9.2x	7.9x	12.0x	16.0x	13.4	38.0%	14.2%	7.0%
Transpro, Inc.	0.4x	16.2x	7.9x	15.3x	66.1x	34.2	18.1%	4.6%	0.5%
Motorcar Parts of America, Inc.	0.5x	7.4x	6.1x	6.0x	12.8x	13.5	14.5%	8.0%	3.8%
Mean	0.7x	11.4x	7.3x	10.6x	34.0x	19.0x	21.4%	9.1%	3.1%
Median	0.5x	10.1x	7.8x	10.7x	18.8x	13.6x	18.1%	9.0%	2.7%
Wholesalers & Distributors									
Genuine Parts Company	1.0x	14.5x	13.1x	14.3x	23.2x	19.9	30.9%	7.7%	4.3%
TBC Corporation	0.6x	13.7x	10.2x	13.7x	26.4x	17.2	37.3%	5.4%	2.1%
LKQ Corporation	1.1x	13.5x	11.3x	32.1x	23.4x	19.8	44.9%	9.7%	4.7%
Keystone Automotive Industries, Inc.	0.7x	13.5x	10.6x	15.8x	20.4x	20.0	43.6%	6.2%	3.2%
The Coast Distribution System, Inc.	0.3x	6.5x	5.9x	6.3x	12.2x	7.2	19.0%	5.7%	2.7%
Mean	0.7x	12.4x	10.2x	16.5x	21.1x	16.8x	35.2%	6.9%	3.4%
Median	0.7x	13.5x	10.6x	14.3x	23.2x	19.8x	37.3%	6.2%	3.2%
Retailers									
Autozone, Inc.	1.7x	9.8x	8.8x	10.9x	17.2x	13.4	49.0%	19.7%	10.1%
Advance Auto Parts, Inc.	1.0x	11.2x	8.5x	13.0x	19.4x	16.8	46.3%	12.0%	5.2%
O'Reilly Automotive, Inc.	1.6x	14.3x	11.7x	39.3x	23.1x	22.2	42.7%	13.9%	7.0%
The Pep Boys - Manny, Moe & Jack	0.6x	16.2x	9.1x	15.4x	40.2x	26.9	28.2%	6.9%	1.5%
CSK Auto Corporation	0.7x	9.5x	7.4x	8.5x	21.5x	13.1	48.0%	10.1%	3.5%
Mean	1.1x	12.2x	9.1x	17.4x	24.3x	18.5x	42.8%	12.5%	5.5%
Median	1.0x	11.2x	8.8x	13.0x	21.5x	16.8x	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

