

# the aftermarket analyst

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

## M&A Market Still Strong Through First Quarter of 2007

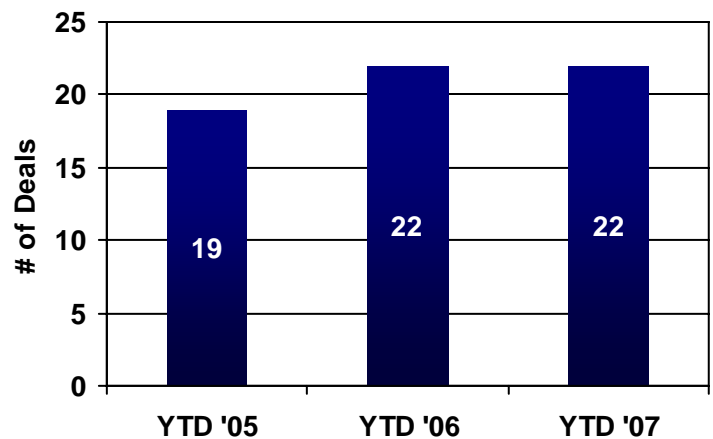
Auto aftermarket merger and acquisition activity continued at a strong pace through the first three months of 2007, with 22 total transactions in the year-to-date period ended March 31, 2007.

By comparison, the 22 transactions recorded in the first quarter of 2007 was the exact same number of transactions as in the first quarter of 2006, a record breaking year in auto aftermarket M&A. The 22 transactions in 2006 and 2007 represent a 16 percent increase from the 19 transactions over the same period in 2005.

Broader U.S. M&A market activity was down in terms of the number of transactions through Q1 2007. In the period ending March 31, 2007, there were 910 transactions — 24 percent fewer than last year's 1125 total. However, YTD value of the transactions was at \$388 billion, up more than 10 percent over last year's \$343 billion. This increase in average deal size is understandable given the large amount of private equity capital that is being raised and the strong balance sheets of strategic buyers.

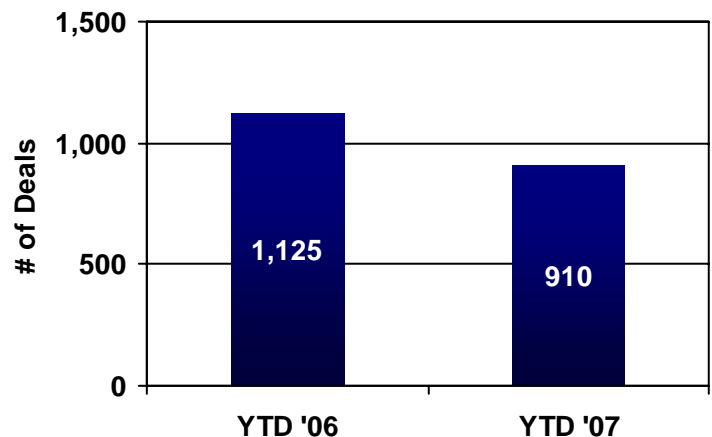
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Aftermarket M&A Deal Volume in Year-to-Date (YTD) 2005, 2006, and 2007



U.S. M&A Deal Volume in Year-to-Date (YTD) 2006 and 2007

Source: FactSet Mergerstat



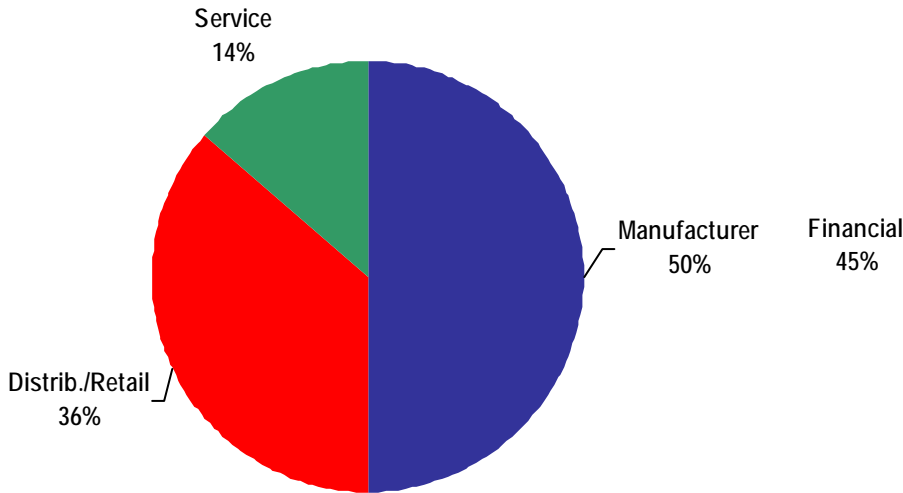
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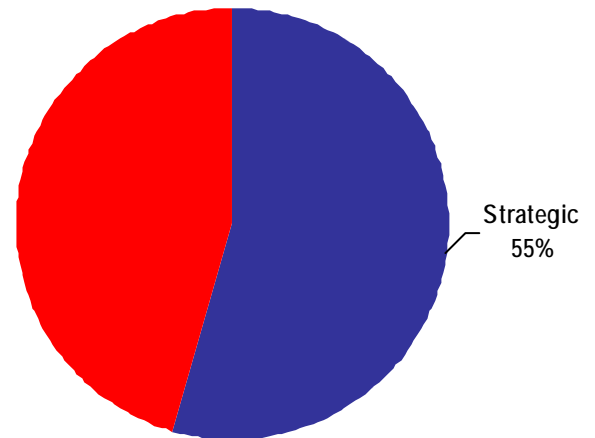
## RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor	Target	Target Description	Firm Value (\$mil.)	Rev. FV / Rev.	EBITDA FV / EBITDA
3/29/2007	Uni-Select	Thompson & Co.	Operates a distribution center in Union, NJ, as well as eight branch locations and one store in New Jersey and Pennsylvania.	—	—	—
3/28/2007	Kinderhook Industries	Koneta, Inc.	Pickup truck bed mat and truck/trailer splashguard manufacturing operation owned by Lancaster Colony.	—	—	—
3/28/2007	Cerberus Capital Management, LP	Tower Automotive, Inc.	Tower Automotive has made successful body structures, lower vehicle structures, suspension components and modules for nearly every major automotive manufacturer in the world.	\$ 1,815.9	—	—
3/26/2007	Carlyle	Goodyear Engineered Products	Goodyear's engineered products division, which includes the aftermarket belts and hoses business	1,480.0	—	—
3/21/2007	The MAHLE Group	Edival	Produces mainly valves, valve guides and valve seat inserts for internal combustion engines supplying to OEM, aftermarket, performance, racing, aircraft and stationary segments.	—	—	—
3/9/2007	The MAHLE Group	Clevite Aftermarket	The engine hard parts business of Dana consists of 39 locations in 10 countries with approximately 5,000 employees.	97.0	0.2x	—
3/5/2007	American Real Estate Partners, LP	Lear Corp.	Automotive Products and Accessories	5,300.0	0.3x	—
3/2/2007	Semcan, Inc.	Forward Precision Tools	precision measuring instruments and machine tool accessories to the metal fabricating industries.	—	—	—
3/2/2007	Trident IV, L.P.	APCO (formerly owned by Ford)	leading marketer and administrator of extended vehicle service contracts and warranties sold by automotive OEMs as well as automobile and recreational vehicle dealers	—	—	—
3/2/2007	Hearst Corporation	Veretech, LLC	operates one of the most successful online vehicle trade-in and sales lead generation applications now used by more than 2,000 consumer retail Web sites, manufacturer sites and Web portals	—	—	—
2/23/2007	Amalfe Brothers Inc.	AutoPartSource	The company supplies filters, brakes, clutches, drums/rotors and related products to warehouse distributors in the automotive aftermarket	—	—	—
2/21/2007	Pilot Automotive	American Products Company (APC)	Wide variety of Aftermarket Automotive products.	—	—	—
2/8/2007	Primedia	Modified Automotive Group	Publisher of Modified Magazine, Modified Luxury and Exotics Magazine, Modified Mustangs Magazine, and their related event partnerships and websites.	—	—	—
2/5/2007	Semcan, Inc.	Ken-Co Industries	Auto Parts distributor based in Burlington, ON.	6.3	—	—
12/22/2006	Actuant Corporation	Maxima Technologies	electronics company specializing in custom-engineered and standard vehicle instrumentation, controls, components, and systems for low-to-medium volume applications	91.0	1.4x	—

**YTD 2007 Aftermarket Deals by Seller Type**



**YTD 2007 Aftermarket Deals by Buyer**



(continued from Page 1)

**Deals by seller type**

Manufacturers continued to account for the largest percentage of auto aftermarket M&A transactions this year. In the year-to-date period, 11 manufacturing targets were acquired — one more than in the same period last year. In all, manufacturing targets accounted for 50 percent of total aftermarket transactions as compared to 45 percent in the same period last year.

Wholesale and retail deals as a percentage of total aftermarket transactions fell slightly this year. In the year-to-date 2007 period, wholesale and retail deals accounted for 36 percent of total transactions, as compared to 41 percent last year.

Service and repair deals remained constant — accounting for 14 percent of transactions this year and last year.

**Deals by buyer type**

Strategic buyers continued to outpace financial buyers in the auto aftermarket. Of the 22 transactions recorded in 2007, 12 of these were purchased by strategic buyers, while 10 were purchased by financial buyers. By comparison, 2006 saw the exact same number of transactions by strategic buyers and financial buyers over the same period.

When compared to 2005, it is evident that the financial buyers have found a home in the auto aftermarket. Of the 19 deals completed in the first three months of 2005, financial buyers were only involved in 5 of these transactions. Over the past two years, financial buyers have increased their participation 20 percentage points— from being involved in 26 percent of the transactions in 2005 to 46 percent in 2006 and 2007.

**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	Enterprise Value					Last Twelve Months (LTM)			
	Price as of 3/31/07	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
<b>Manufacturers</b>									
Tenneco Automotive Inc.	\$25.46	\$1,165.3	\$1,378.0	\$202.0	\$2,416.4	12/31/06	\$4,685.0	\$382.0	\$51.0
Aftermarket Technology Corp.	24.28	530.3	17.8	7.8	548.6	12/31/06	498.0	63.8	28.9
Directed Electronics, Inc.	8.96	225.8	342.2	9.9	558.1	12/31/06	437.8	58.4	21.0
Standard Motor Products, Inc.	17.07	318.9	238.3	22.3	538.0	12/31/06	812.0	52.7	10.3
Dorman Products, Inc.	11.56	204.7	29.2	5.1	235.3	12/31/06	295.8	36.5	15.6
Milemarker International Inc.	1.65	16.4	5.4	0.2	21.7	9/30/06	21.9	3.1	1.4
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	\$49.00	\$8,354.1	\$500.0	\$136.0	\$8,864.0	12/31/06	\$10,457.9	\$870.1	\$475.4
LKQ Corporation	21.86	1,165.4	100.1	4.0	1,357.1	12/31/06	789.4	89.3	44.4
Keystone Automotive Industries, Inc.	33.70	550.4	0.2	6.5	548.5	12/29/06	693.7	53.9	26.4
The Coast Distribution System, Inc.	7.79	34.7	21.3	0.8	56.4	9/30/06	181.9	8.9	3.8
<b>Retailers</b>									
Autozone, Inc.	\$128.14	\$9,056.5	\$1,854.3	\$86.1	\$10,986.0	2/10/07	\$6,049.9	\$1,187.0	\$584.8
Advance Auto Parts, Inc.	38.55	4,073.5	477.2	11.1	4,606.8	12/31/06	4,616.5	542.8	230.7
O'Reilly Automotive, Inc.	33.10	3,772.8	110.5	29.9	3,935.4	12/31/06	2,283.2	347.3	178.1
The Pep Boys - Manny, Moe & Jack	19.09	1,038.4	646.1	22.5	1,668.5	10/28/06	2,233.7	82.1	(34.9)
CSK Auto Corporation	17.20	753.6	395.1	19.3	1,142.8	10/30/05	1,594.5	121.9	31.3
US Auto Parts Network, Inc	5.37	160.2	34.9	3.3	191.8	9/30/06	99.2	12.3	6.1

**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	12.2x	6.3x	11.8x	47.4x	22.8	14.2%	8.2%	1.1%
Aftermarket Technology Corp.	1.1x	11.0x	8.6x	10.6x	19.0x	18.4	21.0%	12.8%	5.8%
Directed Electronics, Inc.	1.3x	10.8x	9.6x	10.0x	26.6x	10.7	28.0%	13.3%	4.8%
Standard Motor Products, Inc.	0.7x	14.5x	10.2x	12.6x	52.3x	31.0	25.3%	6.5%	1.3%
Dorman Products, Inc.	0.8x	7.9x	6.4x	8.1x	15.1x	13.1	35.0%	12.3%	5.3%
Milemarker International Inc.	1.0x	8.0x	7.1x	7.8x	15.1x	11.4	42.3%	13.9%	6.5%
<b>Mean</b>	<b>0.9x</b>	<b>10.7x</b>	<b>8.0x</b>	<b>10.1x</b>	<b>29.2x</b>	<b>17.9x</b>	<b>27.6%</b>	<b>11.2%</b>	<b>4.1%</b>
<b>Median</b>	<b>0.9x</b>	<b>10.9x</b>	<b>7.9x</b>	<b>10.3x</b>	<b>22.8x</b>	<b>15.8x</b>	<b>26.6%</b>	<b>12.6%</b>	<b>5.0%</b>
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	0.8x	11.1x	10.2x	11.9x	18.6x	17.6	31.3%	8.3%	4.5%
LKQ Corporation	1.7x	17.6x	15.2x	25.6x	30.6x	26.3	45.3%	11.3%	5.6%
Keystone Automotive Industries, Inc.	0.8x	12.7x	10.2x	13.9x	20.8x	20.8	44.7%	7.8%	3.8%
The Coast Distribution System, Inc.	0.3x	6.9x	6.3x	7.3x	14.9x	9.2	19.2%	4.9%	2.1%
<b>Mean</b>	<b>0.9x</b>	<b>12.1x</b>	<b>10.5x</b>	<b>14.7x</b>	<b>21.2x</b>	<b>18.5x</b>	<b>35.1%</b>	<b>8.1%</b>	<b>4.0%</b>
<b>Median</b>	<b>0.8x</b>	<b>11.9x</b>	<b>10.2x</b>	<b>12.9x</b>	<b>19.7x</b>	<b>19.2x</b>	<b>38.0%</b>	<b>8.0%</b>	<b>4.2%</b>
<b>Retailers</b>									
Autozone, Inc.	1.8x	10.6x	9.3x	11.7x	18.8x	15.5	49.4%	19.6%	9.7%
Advance Auto Parts, Inc.	1.0x	11.4x	8.5x	16.2x	20.0x	17.7	47.7%	11.8%	5.0%
O'Reilly Automotive, Inc.	1.7x	13.9x	11.3x	33.2x	22.1x	21.2	44.1%	15.2%	7.8%
The Pep Boys - Manny, Moe & Jack	0.7x	NM	20.3x	48.8x	NM	NM	24.0%	3.7%	NM
CSK Auto Corporation	0.7x	13.4x	9.4x	12.7x	36.5x	24.1	45.4%	7.6%	2.0%
US Auto Parts Network, Inc	1.9x	26.7x	15.6x	17.6x	31.4x	26.2	36.8%	12.4%	6.2%
<b>Mean</b>	<b>1.2x</b>	<b>12.3x</b>	<b>12.4x</b>	<b>24.5x</b>	<b>24.3x</b>	<b>20.9x</b>	<b>41.2%</b>	<b>11.7%</b>	<b>6.1%</b>
<b>Median</b>	<b>1.0x</b>	<b>12.4x</b>	<b>10.4x</b>	<b>16.2x</b>	<b>21.0x</b>	<b>19.4x</b>	<b>45.4%</b>	<b>11.8%</b>	<b>6.4%</b>

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful