

# the aftermarket analyst

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

## M&A Market Still Strong Through First Half of 2006

Auto aftermarket merger and acquisition activity continued at a strong pace through the first six months of 2006, with 43 total transactions in the year-to-date period ended June 28, 2006.

Although this represents a 4.4 percent decrease year-over-year from 2005's record setting 45 transactions volume, the tally represents a 30.3 percent increase from 2004.

Broader U.S. M&A market activity was also down moderately so far this year. In the period ending June 26, 2006, there were 2,030 transactions — 2.1 percent fewer than last year's 2,073 total.

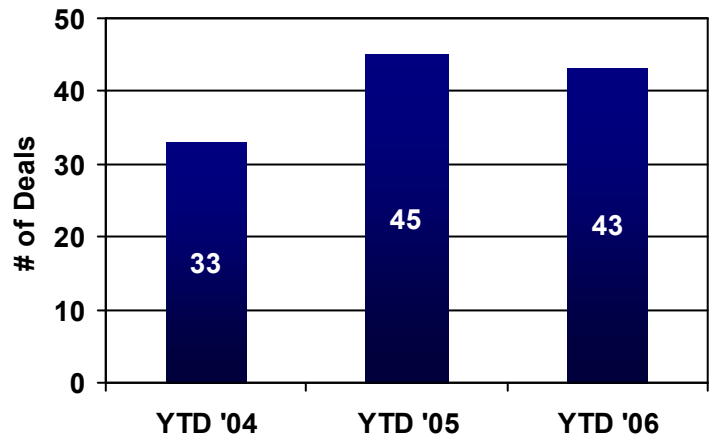
Manufacturers continued to account for the largest percentage of auto aftermarket M&A transaction this year. In the year-to-date period, 27 manufacturing targets were acquired — one fewer than last year. In all, manufacturing targets accounted for 62 percent of total aftermarket transactions as compared to 63

*(Continued on page 3)*

### Correction

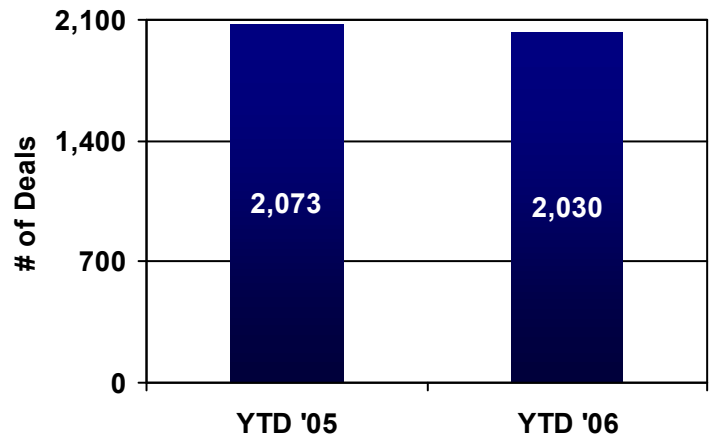
Each edition of The Aftermarket Analyst contains a list of pending or closed aftermarket transactions (see page 2). In last month's issue, we listed the pending acquisition of Crower Cams, which had been reported to us by a reliable source. We were later informed that this transaction did not occur. We apologize for the misunderstanding.

Aftermarket M&A Deal Volume in Year-to-Date (YTD) 2004, 2005, and 2006



U.S. M&A Deal Volume in Year-to-Date (YTD) 2005 and 2006

Source: FactSet Mergerstat



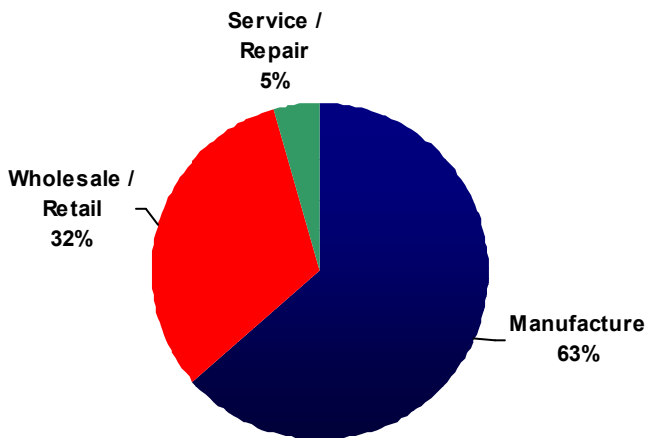
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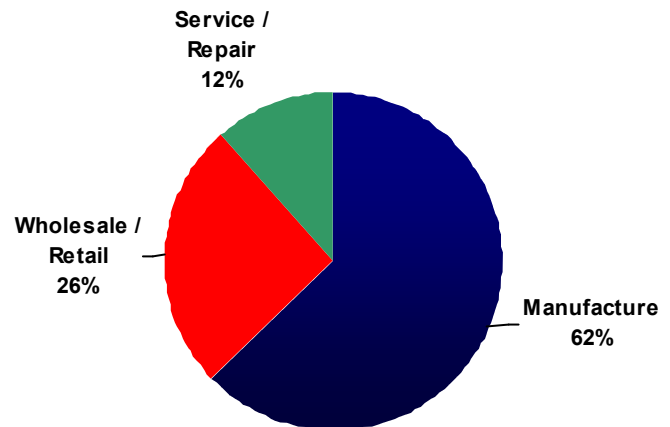
**RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS**

Announce Date	Acquirer/Investor(s)	Target	Target Description	Firm Value (\$mil.)	Rev. FV / Rev.	EBITDA FV / EBITDA
6/23/2006	Oshkosh Truck Corp	AK Specialty Vehicles	Designs, engineers, and constructs mobilized media broadcast, and special purpose vehicles and technologies	140.0	—	—
6/23/2006	Industrial Enterprises of America	Undisclosed	Specialty blender, packager and distributor of motor and lube oils and related auto aftermarket products	—	—	—
6/20/2006	Uni-Select Inc.	Red Rooster Auto Stores, LLC	Six stores that serve both retail and professional service dealer customers	—	11.5	—
6/20/2006	Control Systems Group Limited	Gabriel South Africa	Maker of light vehicle aftermarket ride control systems	12.0	—	—
6/16/2006	Coast to Cost Automotive Products	Precision Automotive Industries	Manufacturer of aftermarket hubs, bearings, and seals	—	—	—
6/16/2006	Littlefuse	Catalina Performance Accessories	Markets and distributes the Smart Glow line of automotive fuses	4.5	—	—
6/8/2006	Investcorp and Bank of America Capital Investors	FleetPride Corp.	Distributor of aftermarket heavy-duty truck and trailer parts	—	—	—
6/5/2006	LKQ Corp.	Global Automotive Parts and two recycled parts businesses	Global is an aftermarket parts business and the other two businesses are recycled parts outfits that sell into both retail and repair shops	20.0	13.0 1.54x	—
6/1/2006	Diamond Triumph Auto Glass, Inc.	Agents Auto Glass	Provides auto glass repair services	—	—	—
5/18/2006	Univercell Holdings Inc.	Daytonabrands, Inc.	Distributor of consumer and OEM focused on the automotive aftermarket and accessories industry	—	—	—
5/17/2006	Thule	Advanced Accessory System's towing system businesses	Includes Brink International BV, a manufacturer and distributor of towing systems, related accessories and specialized trailers; Valley Industries, a supplier of towing systems and related accessories; and SportRack Accessories, Inc., a manufacturer and distributor of roof racks, rooftop cargo boxes and hitch-mounted accessories	—	245.0	—
5/17/2006	Uni-Select Inc.	Auto Craft Automotive Products, LLC	Distributor of automotive replacement parts, equipment, tools and accessories	—	—	—
5/17/2006	KPS Special Situations Funds	Cloyes Gear and Products, Inc.	Supplier of timing systems and components for automotive engines	—	—	—
5/8/2006	Sports Resorts Acquisition Corporation	Sports Resorts International, Inc.	Manufactures high-quality drop-in bedliners and other truck accessories	48.4	—	—
5/5/2006	Proliance International, Inc.	Heater core assets of Standard Motor Products, Inc.'s Four Seasons Division	Includes fixed assets of heater core business	1.8	—	—
5/1/2006	S & H Industries, Inc.	Viking Industries LLC	Manufactures a complete line of US made and imported pneumatic tools and related accessories designed to provide the broadest offering of air tools available from a single source to customers in the automotive, construction, industrial and welding marketplace	—	—	—
4/28/2006	Monro Muffler Brake, Inc.	ProCare Automotive Service Solutions, L.L.C.	75 automotive service stores	14.7	—	—
4/27/2006	B&M Racing and Performance Products	McLeod Industries	Manufactures and distributes a full line of clutch assemblies, flywheels, hydraulic throw-out bearings, bellhousings and rail shifters	—	—	—
4/5/2006	MSD Performance Inc.	Edge Products	Manufacturer of diesel performance modules and controllers	—	—	—
4/1/2006	Trudell Trailers	Quality Truck Equipment	Specializes in collision repair, truck parts and accessories, industrial fishing, boat repair, and aluminum repair	—	—	—

**YTD 2005 Aftermarket Deals by Seller Type**



**YTD 2006 Aftermarket Deals by Seller Type**



(Continued from page 1)

percent in the same period last year.

Wholesale and retail deals as a percentage of total aftermarket transactions fell significantly this year. In the year-to-date 2006 period, wholesale and retail deals accounted for 26 percent of total transactions as compared to 32 percent last year.

Service and repair deals saw the only increase over last year — accounting for 12 percent of transactions this year as compared to 5 percent last year.

### Register Early for the 2006 Aftermarket Financial Symposium

The second annual *Aftermarket Financial Symposium* will provide top speakers and presenters who will address key financial issues and trends in outsourcing, mergers and acquisitions, accounting, fringe benefits, technology, risk management, investments, strategic planning, research and bank financing.

The symposium will be held at the Hyatt Regency O'Hare in Chicago on Tuesday, Sept. 26 and Wednesday, Sept. 27. For more information, contact Susan Medick at 301-654-6664 or e-mail [susan.medick@aftermarket.org](mailto:susan.medick@aftermarket.org).

### 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)			Net Income
	Price as of 6/28/06	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	
<b>Manufacturers</b>									
Tenneco Automotive Inc.	\$25.68	\$1,162.0	\$1,384.0	\$96.0	\$2,549.6	3/31/06	\$4,472.0	\$386.0	\$59.8
Aftermarket Technology Corp.	23.93	520.2	55.3	4.6	585.4	3/31/06	473.4	68.2	33.9
Directed Electronics, Inc.	12.49	309.4	166.2	30.2	445.3	3/31/06	326.8	30.7	(0.1)
Standard Motor Products, Inc.	6.99	129.1	291.5	14.0	406.6	3/31/06	833.2	39.4	2.8
Dorman Products, Inc.	11.00	195.1	36.2	2.5	235.2	4/1/06	285.8	35.8	17.0
Milemarker International Inc.	2.85	28.4	4.4	0.3	32.6	3/31/06	24.6	5.1	2.9
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	\$41.21	\$7,116.1	\$500.0	\$150.2	\$7,582.3	3/31/06	\$9,994.4	\$787.4	\$444.8
LKQ Corporation	17.89	943.2	82.9	4.0	1,106.2	3/31/06	605.7	68.2	34.6
Keystone Automotive Industries, Inc.	40.50	659.8	0.0	4.7	667.1	3/31/06	628.3	44.7	22.3
The Coast Distribution System, Inc.	8.69	38.3	34.3	0.6	74.4	3/31/06	178.0	8.8	3.9
<b>Retailers</b>									
Autozone, Inc.	\$89.21	\$6,627.8	\$1,825.1	\$84.0	\$8,467.2	5/6/06	\$5,789.9	\$1,102.9	\$567.7
Advance Auto Parts, Inc.	35.90	3,804.5	452.5	55.4	4,274.2	4/22/06	4,399.6	540.0	240.2
O'Reilly Automotive, Inc.	33.02	3,737.8	100.6	55.3	3,879.3	3/31/06	2,115.6	321.1	171.6
The Pep Boys - Manny, Moe & Jack	11.67	633.1	581.0	51.7	1,162.4	4/29/06	2,227.6	74.6	(34.2)
CSK Auto Corporation	11.79	516.6	395.1	19.3	896.6	10/30/05	1,594.5	121.9	31.3

**Selected Public Company Multiples and Operating Statistics**

Company	Enterprise Value /						Margins		
	Revenue	EBIT	EBITDA	Free Cash Flow (2)	Net Income	P / E Ratio	Gross Margins	EBITDA Margins	Net Margins
<b>Manufacturers</b>									
Tenneco Automotive Inc.	0.6x	12.1x	6.6x	10.8x	42.6x	19.4	15.2%	8.6%	1.3%
Aftermarket Technology Corp.	1.2x	10.7x	8.6x	11.3x	17.3x	15.3	23.1%	14.4%	7.2%
Directed Electronics, Inc.	1.4x	17.8x	14.5x	15.6x	NM	NM	32.0%	9.4%	NM
Standard Motor Products, Inc.	0.5x	18.1x	10.3x	13.8x	146.9x	46.7	22.9%	4.7%	0.3%
Dorman Products, Inc.	0.8x	7.9x	6.6x	8.0x	13.8x	11.4	35.3%	12.5%	6.0%
Milemarker International Inc.	1.3x	6.8x	6.4x	6.7x	11.1x	9.7	44.1%	20.8%	11.9%
<b>Mean</b>	<b>1.0x</b>	<b>12.2x</b>	<b>8.8x</b>	<b>11.1x</b>	<b>46.3x</b>	<b>20.5x</b>	<b>28.8%</b>	<b>11.7%</b>	<b>5.3%</b>
<b>Median</b>	<b>1.0x</b>	<b>11.4x</b>	<b>7.6x</b>	<b>11.1x</b>	<b>17.3x</b>	<b>15.3x</b>	<b>27.5%</b>	<b>11.0%</b>	<b>6.0%</b>
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	0.8x	10.5x	9.6x	10.9x	17.0x	16.0	31.3%	7.9%	4.5%
LKQ Corporation	1.8x	18.8x	16.2x	30.4x	32.0x	27.3	46.7%	11.3%	5.7%
Keystone Automotive Industries, Inc.	1.1x	18.8x	14.9x	19.4x	30.0x	29.6	44.9%	7.1%	3.5%
The Coast Distribution System, Inc.	0.4x	9.3x	8.5x	9.9x	19.1x	9.8	18.8%	4.9%	2.2%
<b>Mean</b>	<b>1.0x</b>	<b>14.3x</b>	<b>12.3x</b>	<b>17.7x</b>	<b>24.5x</b>	<b>20.7x</b>	<b>35.4%</b>	<b>7.8%</b>	<b>4.0%</b>
<b>Median</b>	<b>0.9x</b>	<b>14.6x</b>	<b>12.3x</b>	<b>15.2x</b>	<b>24.6x</b>	<b>21.6x</b>	<b>38.1%</b>	<b>7.5%</b>	<b>4.0%</b>
<b>Retailers</b>									
Autozone, Inc.	1.5x	8.7x	7.7x	10.3x	14.9x	11.7	48.8%	19.0%	9.8%
Advance Auto Parts, Inc.	1.0x	10.3x	7.9x	14.0x	17.8x	15.8	47.2%	12.3%	5.5%
O'Reilly Automotive, Inc.	1.8x	14.7x	12.1x	34.0x	22.6x	21.8	43.9%	15.2%	8.1%
The Pep Boys - Manny, Moe & Jack	0.5x	NM	15.6x	NM	NM	NM	22.9%	3.3%	NM
CSK Auto Corporation	0.6x	10.5x	7.4x	10.0x	28.6x	16.5	45.4%	7.6%	2.0%
<b>Mean</b>	<b>1.1x</b>	<b>11.1x</b>	<b>10.1x</b>	<b>17.1x</b>	<b>21.0x</b>	<b>16.5x</b>	<b>41.7%</b>	<b>11.5%</b>	<b>6.3%</b>
<b>Median</b>	<b>1.0x</b>	<b>10.4x</b>	<b>7.9x</b>	<b>12.1x</b>	<b>20.2x</b>	<b>16.2x</b>	<b>45.4%</b>	<b>12.3%</b>	<b>6.8%</b>

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful