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CAPSTONE FINANCIAL GROUP

AFTERMARKET ANALYST

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

INSIDE THIS ISSUE:

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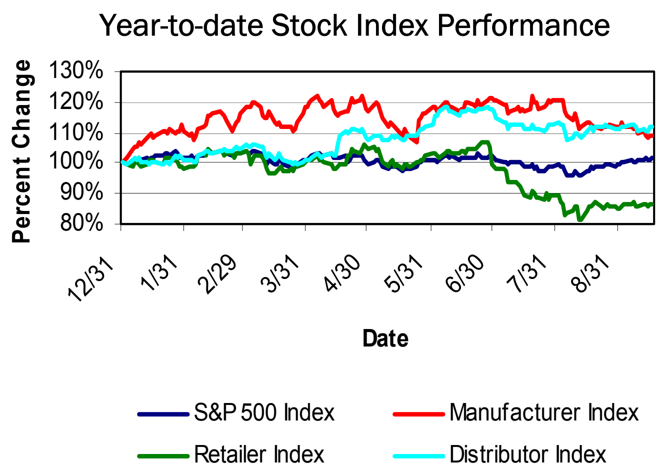
AFTERMARKET STOCK PRICE PERFORMANCE

Buoyed by the strong performance of stocks like Tenneco Automotive and Genuine Parts Company, aftermarket manufacturer and distributor stocks have performed very well so far this year.

In fact, through September 17th, aftermarket distributor and manufacturer indexes have posted gains of 11.9 percent and 8.9 percent, respectively. These gains compared favorably with the performance of aftermarket retailer and S&P 500 indexes, which showed year-to-date changes of -13.5 percent and 1.5 percent, respectively.



Manufactures: *Tenneco Automotive, Decoma International, Standard Motor Products, Aftermarket Technology, R&B, Transpro, Motorcar Parts of America, and Universal Automotive.*

Retailers*: AutoZone, Advance Auto Parts, O'Reilly Automotive, Pep Boys, and CSK Auto.*

Distributors*: Genuine Parts, TBC Corp., Keystone Automotive Industries, LKQ Corp., and Coast Distribution.*

The relatively poor performance of aftermarket retail stocks might be attributable to the recent weakness seen in retail sales statistics. In August, official figures revealed that retail sales fell by 0.3 percent from the previous month, more than the 0.1 percent predicted by Wall Street analysts.

SEE RESULTS OF AFTERMARKET M&A SURVEY

In order to augment its knowledge of the automotive aftermarket and assist industry firms in analyzing relevant trends and forecasting capital needs, Capstone recently launched its first annual aftermarket merger and acquisition survey.

The anonymous and easy-to-take online survey contains 19 questions and seeks to measure the attitudes of auto aftermarket company owners regarding general corporate development and financial strategy.

For example, the survey asks, among other things, whether companies plan to seek additional capital, pursue mergers or make acquisitions in the near future.

We encourage all aftermarket company owners to take the survey, which is accessible at the following web address:

www.capfg.com/survey.asp

If you received the electronic version of this newsletter, you may also click on the link in the accompanying email.

Participants can review the results of the survey instantaneously!

CAPSTONE FINANCIAL GROUP

RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor	Target	Target Description
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	Wescast 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
8/1/2004	Auto Accessories Warehouse	Alamo Trim Industries	Distributes auto parts
7/27/2004	Friend Skoler & Co., LLC	Hopkins Manufacturing	manufacturer of specialized towing products and functional accessories for the automotive and recreational vehicle aftermarkets
7/22/2004	SPX Corp.	Actron Manufacturing Co.	Manufacturer of automotive test equipment and instrumentation
7/12/2004	Michael DeHaas	KC Hilites	Manufactures fog, driving, and high-powered off-road lighting and related equipment
7/8/2004	The Cypress Group	Dana's Automotive Aftermarket Group	Manufactures replacement auto parts
7/6/2004	Lear Corporation	GHW Grote & Hartmann GmbH	Manufacturer of electrical components for the auto industry
6/25/2004	American Capital Strategies, Ltd.	Directed Electronics Inc.	Designer and marketer of consumer branded vehicle security and convenience systems
6/25/2004	Lund International, Inc.	Trenz	Manufacturer of grills and billet aluminum accessories
6/25/2004	O. Victor Edelbrock, Jr.	Edelbrock Corporation	Manufacturer and distributor of performance replacement parts for the automotive and motorcycle aftermarkets
6/21/2004	Chinese investment group called Street Glow (Hong Kong), Ltd.	Street Glow, Inc.	Manufacturer of automotive performance lighting
6/10/2004	Ron Storer	Go Rhino	Manufactures truck accessories including grill guards, side steps, tail light guards and hitch steps
6/2/2004	Hartford Group	Quest Industries	Manufacturer of automotive aftermarket accessories
5/13/2004	Corteco	Precision Automotive Industries	Supplier of bearings and seals

Dan Smith To Speak On Aftermarket M&A At SEMA Show

Dan Smith, President
Capstone Financial Group

Dan Smith, President and Founder of Capstone Financial Group, has been invited to speak at this year's SEMA Show on Mergers & Acquisitions in the auto aftermarket.

His presentation, entitled "Mergers, Acquisitions, and Leveraged Buyouts: How to Buy, Sell, and Value Auto Aftermarket Companies" will discuss, among other things, why the aftermarket landscape is littered with disaster stories of poorly executed deals in spite of the fact that times have never been better to effect buyouts of aftermarket companies. Dan will review many of these transactions and describe how the incredible amount of capital chasing the aftermarket can be used to create valuable platform companies.

Additional topics that will be discussed in the presentation include :

- Current automotive aftermarket M&A trends;
- Macroeconomic factors affecting aftermarket deals;
- Key business value drivers;
- How to develop an aftermarket acquisition program;
- Why some companies shouldn't be bought;
- The M&A process, step by step;
- How to prepare a business for sale;
- Types of buyers and how to find them; and
- Negotiation strategies.

The presentation will take place in the Las Vegas Convention Center on Wednesday, November 3rd from 2:00PM to 3:30PM.

Anyone attending the SEMA Show this fall who is interested in these or other similar topics is encouraged to attend Dan's presentation.

Domestic M&A Market Has Rebounded Sharply In 2004

After several years of weakness, the domestic merger and acquisition market has rebounded quite nicely in 2004. Through the 12 months ended August 31, 2004, 7,630 M&A transactions have been executed, a 16.1% increase over the prior 12 months ended August 31, 2003.

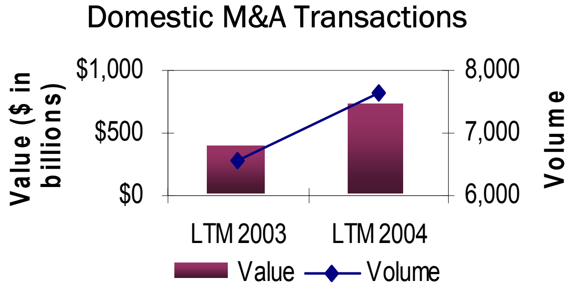
Perhaps most striking has been the surge in M&A transaction value, which is up 94.4% this year to $725.8 billion.

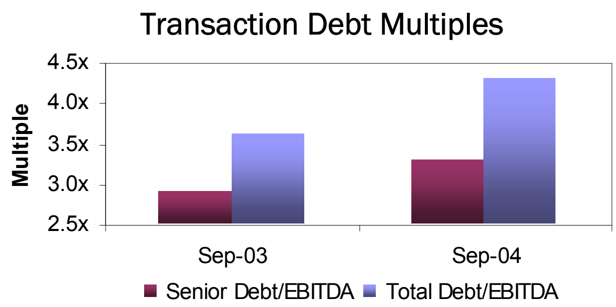
This increased M&A activity can be attributed to a number of factors. The most important considerations include a disequilibrium in the number of buyers and sellers in the marketplace, increased availability of financing, and improved confidence in the economy.

Currently, there are literally hundreds of financial and strategic buyers competing for the same types of transactions. And unfortunately for these buyers, there are only so many quality companies to go around. Therefore, highly competitive auctions are becoming increasingly numerous. The end result is the best business sellers' market since 1999.

The increased availability of financing and leverage has been another important factor driving company valuations. As of September 2004, total debt to EBITDA multiples stand at 4.3x, 19.4% higher than this time last year. Likewise, senior debt to EBITDA multiples have increased substantially, reaching 3.3x, a 13.8% increase over last year.

Finally, the perceived improvement in economic conditions is further bolstering M&A activity.





Whether they should or not, CEOs and dealmakers feel more confident about the economy's direction than they did even a year or two ago.

The upshot for company owners is that now is a great time to take advantage of market conditions. Like most good things, sellers' markets don't last forever. And as the old adage goes, "The best time to sell is when you have a buyer."

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

Company	Price as of 9/20/04	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
	Enterprise Value					Last Twelve Months (LTM)			
Manufacturers									
Tenneco Automotive Inc.	12.81	538.1	1,419.0	166.0	1,852.3	6/30/04	3,995.0	360.0	30.6
Decoma International Inc.	8.02	669.8	341.6	115.1	974.5	6/30/04	2,573.2	257.6	83.1
Standard Motor Products, Inc.	15.20	300.5	240.0	11.2	531.4	6/30/04	816.8	45.7	8.9
Aftermarket Technology Corp.	12.46	260.5	119.4	0.3	385.7	6/30/04	366.0	49.2	20.1
R&B, Inc.	20.50	181.4	43.8	17.9	221.6	6/26/04	234.0	32.9	16.2
Transpro, Inc.	5.10	36.2	50.7	0.3	87.2	6/30/04	249.8	11.6	0.9
Motorcar Parts of America, Inc.	7.50	61.3	1.5	10.7	55.5	6/30/04	156.7	12.5	5.9
Wholesalers & Distributors									
Genuine Parts Company	$37.90	$6,632.2	$1,298.7	$127.7	$7,909.7	6/30/04	$8,769.3	$673.0	$376.4
TBC Corporation	21.02	467.6	318.0	3.4	803.2	6/30/04	1,623.5	92.3	35.4
LKQ Corporation	17.72	357.5	42.4	2.0	429.2	6/30/04	372.7	36.6	17.5
Keystone Automotive Industries, Inc.	21.60	336.1	5.8	5.7	345.4	7/2/04	524.1	33.6	17.6
The Coast Distribution System, Inc.	7.05	32.5	31.9	1.5	65.1	6/30/04	169.2	8.9	4.1
Retailers									
Autozone, Inc.	$75.51	$6,277.9	$1,798.9	$6.8	$8,370.6	5/8/04	$5,630.6	$1,099.1	$561.2
Advance Auto Parts, Inc.	35.44	2,653.3	346.5	19.8	3,075.6	7/17/04	3,691.7	433.2	189.1
O'Reilly Automotive, Inc.	40.95	2,256.7	101.4	88.1	2,332.4	6/30/04	1,617.7	225.9	113.2
The Pep Boys - Manny, Moe & Jack	14.60	846.8	442.0	83.9	1,218.8	7/31/04	2,189.5	121.8	12.1
CSK Auto Corporation	13.40	606.7	501.7	44.6	1,069.0	8/1/04	1,588.2	163.8	55.0

Selected Public Company Multiples and Operating Statistics

Company	Enterprise Value / Revenue	EBIT	EBITDA	Free Cash Flow (2)	Net Income	P / E Ratio	Margins: Gross Margins	EBITDA Margins	Net Margins
Manufacturers									
Tenneco Automotive Inc.	0.5x	9.9x	**5.1x**	8.0x	60.5x	17.6	16.2%	9.0%	0.8%
Decoma International Inc.	0.4x	6.0x	**3.8x**	5.8x	11.7x	8.1	14.3%	10.0%	3.2%
Standard Motor Products, Inc.	0.7x	19.3x	**11.6x**	14.5x	59.7x	33.8	25.7%	5.6%	1.1%
Aftermarket Technology Corp.	1.1x	10.7x	**7.8x**	11.0x	19.2x	13.0	25.0%	13.4%	5.5%
R&B, Inc.	0.9x	7.8x	**6.7x**	9.1x	13.7x	11.2	37.6%	14.0%	6.9%
Transpro, Inc.	0.3x	15.6x	**7.6x**	16.2x	97.9x	40.7	17.8%	4.6%	0.4%
Motorcar Parts of America, Inc.	0.4x	5.5x	**4.4x**	4.4x	9.4x	10.4	14.5%	8.0%	3.8%
Mean	*0.6x*	*10.7x*	*6.7x*	*9.9x*	*38.9x*	*19.2x*	*21.6%*	*9.2%*	*3.1%*
Median	*0.5x*	*9.9x*	*6.7x*	*9.1x*	*19.2x*	*13.0x*	*17.8%*	*9.0%*	*3.2%*
Wholesalers & Distributors									
Genuine Parts Company	0.9x	13.1x	**11.8x**	12.9x	21.0x	17.6	30.9%	7.7%	4.3%
TBC Corporation	0.5x	11.8x	**8.7x**	12.0x	22.7x	13.2	36.2%	5.7%	2.2%
LKQ Corporation	1.2x	14.0x	**11.7x**	29.9x	24.5x	20.4	45.2%	9.8%	4.7%
Keystone Automotive Industries, Inc.	0.7x	12.9x	**10.3x**	16.3x	19.6x	19.1	43.6%	6.4%	3.4%
The Coast Distribution System, Inc.	0.4x	8.2x	**7.3x**	7.8x	15.9x	7.9	18.5%	5.2%	2.4%
Mean	*0.7x*	*12.0x*	*10.0x*	*15.8x*	*20.8x*	*15.7x*	*34.9%*	*7.0%*	*3.4%*
Median	*0.7x*	*12.9x*	*10.3x*	*12.9x*	*21.0x*	*17.6x*	*36.2%*	*6.4%*	*3.4%*
Retailers									
Autozone, Inc.	1.5x	8.4x	**7.6x**	9.3x	14.9x	11.2	48.3%	19.5%	10.0%
Advance Auto Parts, Inc.	0.8x	9.3x	**7.1x**	10.4x	16.3x	14.0	46.2%	11.7%	5.1%
O'Reilly Automotive, Inc.	1.4x	12.7x	**10.3x**	31.0x	20.6x	19.9	42.6%	14.0%	7.0%
The Pep Boys - Manny, Moe & Jack	0.6x	22.9x	**10.0x**	15.3x	100.6x	69.9	27.6%	5.6%	0.6%
CSK Auto Corporation	0.7x	8.3x	**6.5x**	7.6x	19.4x	11.0	47.8%	10.3%	3.5%
Mean	*1.0x*	*12.3x*	*8.3x*	*14.7x*	*34.4x*	*25.2x*	*42.5%*	*12.2%*	*5.2%*
Median	*0.8x*	*9.3x*	*7.6x*	*10.4x*	*19.4x*	*14.0x*	*46.2%*	*11.7%*	*5.1%*

(1) Enterprise Value equals market cap, plus debt, minus cash
(2) Free Cash Flow equals EBITDA less capital expenditure
"NM" is not meaningful