

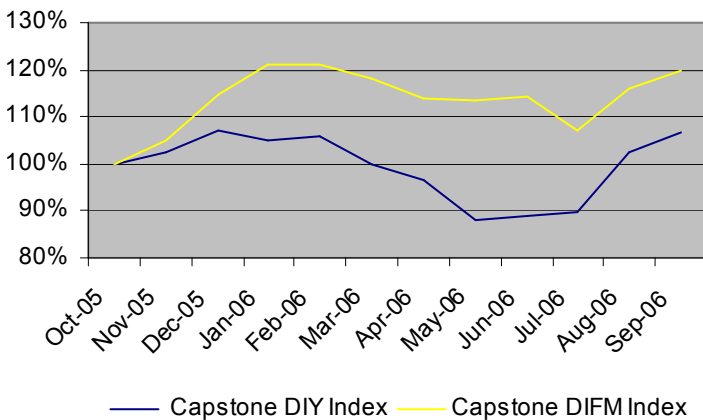
the aftermarket analyst

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

DIFM vs. DIY: A Growing Divergence?

Over the last twelve months, auto aftermarket Do-It-For-Me (DIFM) stocks have significantly outperformed auto aftermarket Do-It-Yourself (DIY) stocks. The reasons for this are no doubt myriad, but we believe it is due mostly to DIFM's growth characteristics relative to DIY.

Last 12 Months Indexed Stock Price Performance (DIY vs. DIFM)



Capstone DIFM index is comprised of Genuine Parts Company (NAPA), O'Reilly Automotive, LKQ Corporation, and Keystone Automotive.

Capstone DIY Index is comprised of AutoZone, Advance Auto Parts and CSK Auto.

As shown in the chart above, the DIFM index has grown 20 percent while the DIY index has increased only 7 percent. Factors contributing to DIFMs higher growth profile relative to DIYs include the following:

- The DIFM market segment is significantly larger than the DIY segment, accounting for 79.4 percent of auto parts market vs. 20.6 percent for DIY;
- DIFM stocks have recently exhibited faster growth rates in revenues and earnings; and
- DIFM companies exhibit stronger growth potential via acquisitions and organic growth.

DIFM Growth Potential via Acquisitions

The commercial distribution market is highly fragmented and presents significant acquisition opportunities. As shown in the following chart, the top six companies, all of which are publicly traded with the exception of CARQUEST, command only 16.4 percent of the market, leaving room for substantial consolidation.

2005 DIFM Sales by Company
(in millions of US Dollars)

	DIFM Parts Sales	Market Share
Genuine Parts Company	3,040	5.9%
General Parts, Inc. (CARQUEST)	2,000	3.9%
Uni-Select Inc.	1,038	2.0%
O'Reilly Automotive, Inc.	960	1.9%
AutoZone Inc.	741	1.4%
Advance Auto Parts, Inc.	660	1.3%

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RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor(s)	Target	Target Description	Firm Value (\$mil.)	FV / Rev.	FV / EBITDA
9/28/06	Allomak Limited	Autolac Newcastle Pty Ltd.	Australian distributor of automotive paints	—	—	—
9/25/06	American Racing Equipment, Inc.	Weld Wheel Industries, Inc.	Manufacturer of alloy wheels	\$25.0	—	—
9/22/06	Greif Inc.	Delta Petroleum Co.	Independent blender of petroleum based lubricants	—	—	—
9/22/06	AADCO Automotive	Dominion Auto Recycling Inc.	Provider of recycled auto parts and rebuilder vehicles	—	—	—
9/22/06	Media Propulsion	Advantage Data Center	Data repository for performance distributors	—	—	—
9/21/06	Weatherly Group LLC	Defiance Metal Products Co.	Supplier of engineered components and assemblies to the commercial vehicle market	—	—	—
9/19/06	SPI Petroleum	Canyon State Oil Co.	Supplier of chemicals	—	—	—
9/18/06	Hospitality Properties Trust	Travel Centers of America	Largest owner of U.S. highway travel centers	1,900.0	826.1 2.3x	—
9/15/06	Regitar-USA	Ludwig Industries	Manufacturer of automotive regulators	—	—	—
9/14/06	Pendergast Partners	Arrington Manufacturing	Manufacturer of engines for NASCAR teams	—	—	—
9/13/06	NASCAR	CASCAR	Canadian Stock Car Racing Series	—	—	—
9/1/2006	Asahi-Tec	Metaldyne	A leading designer and producer of engine, driveline, and chassis products	1,200.0	—	—
8/31/2006	Champion Parts	Tomco	Supplier of remanufactured carburetors	11.0	—	—
8/29/2006	Wrenthead, Inc.	Icarz, Inc.	Provider of web-based point of sale and warehouse solutions for the auto aftermarket	—	—	—
8/28/2006	Graham Capital Partners	Transaxle, LLC	Remanufacturer of transmissions, differentials, and hydraulic pumps for medium and heavy duty trucks	—	—	—
8/23/2006	BLP Products	Roan Manufacturing	Designs and manufactures racing products	—	—	—
8/23/2006	PROformance Technologies	Aftermarket Technology Corp.'s PROformance Powertrain Products	Remanufacturer of engines	—	—	—
8/18/2006	Proquest Business Solutions	Dealer Computer Services Inc.'s CPD business	Electronic Parts Catalog	—	—	—
8/18/2006	Baxter Auto Parts	Davis Auto Parts	Salem, Oregon based auto parts retailer	—	—	—
8/18/2006	Schumacher Electric Corp.	Midtronics, Inc.'s professional battery charger product line	Develop and market innovative technologies for battery management	—	—	—
8/9/2006	Crane Co.	Noble Composites	Manufacturer of premium, high glass finished composite panels used by auto industry	72.0	45.0 1.60x	—
8/8/2006	Allied Capital Corp.	Penn Detroit Diesel Allison Inc.	Provides over the counter parts, original equipment sales and maintenance repair and overhaul services	59.1	—	—
8/3/2006	Mikronite Technologies	Crane Technologies Group	Manufacturers camshafts, engines, and ignition systems	—	—	—
8/2/2006	GKN plc	Stellex Autostructures Inc.	Manufacturer of complex, metal structural components	—	—	—
8/2/2006	GKN plc	Rockford Powertrain, Inc.	Manufacturer of high-speed driveshafts	50.0	62.5 0.8x	—

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Potential Organic Growth

The automotive aftermarket is generally viewed as non-cyclical and resistant to recessions because demand for auto parts is mostly driven by the necessity to maintain and repair vehicles. This non-discretionary service and repair accounts for approximately 80 percent of all automotive aftermarket purchases.

It is this essential non-discretionary segment of the aftermarket that contributes to the industry's stability. Because the DIFM sector is geared to this stable, non-discretionary service and repair, it is five times as large and growing at a faster rate than the DIY segment, as shown in the chart below.

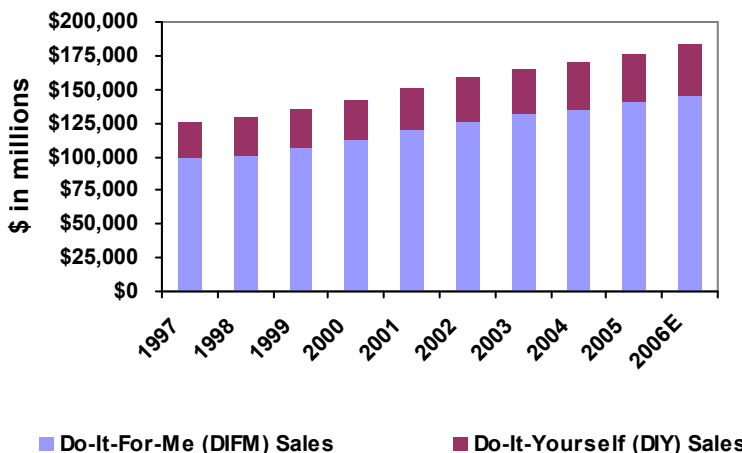
Over the past 10 years, the DIFM segment has achieved a CAGR of 4.42 percent vs. 4.27 percent for DIY. Factors contributing to this higher rate of organic growth include the following:

Vehicle aging: Over the next five years, the number of vehicles age 6 to 10 years old will increase 15 percent to a total of 70 million. Additionally, manufacturers are covering fewer systems under their warranties for a shorter period of time, creating even more demand for DIFM parts and services.

Vehicle technology: New vehicle technology has increased the cost of replacement parts and vehicle complexity. As a result, fewer people are desirous or even capable of repairing their own vehicles – opting instead to have them serviced by professional mechanics, further contributing to the growth of the DIFM market.

Light truck sales: Sales of light trucks have grown dramatically in relation to car sales since 1999. The nine million trucks sold in 2005 represented 53.2 percent of the 16.9 million vehicles sold that year. Light trucks require more maintenance than automobiles, and the repairs for these heavier vehicles are more frequent and expensive. Accordingly, this increasing fleet of light trucks will increase the need for repair parts over the next several years, most of which will be served by the DIFM market.

Retail Consumer Dollars
Automotive Aftermarket Industry Sales 1997 to 2006E



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.

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

Company	Enterprise Value					Last Twelve Months (LTM)			
	Price as of 9/30/06	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
Manufacturers									
Tenneco Automotive Inc.	\$23.39	\$1,068.8	\$1,369.0	\$123.0	\$2,403.5	6/30/06	\$4,514.0	\$380.0	\$51.4
Aftermarket Technology Corp.	17.76	392.6	49.2	5.6	442.7	6/30/06	496.4	68.0	33.4
Directed Electronics, Inc.	15.10	374.0	165.8	15.6	524.1	6/30/06	348.8	31.6	1.8
Standard Motor Products, Inc.	11.99	222.4	291.6	11.2	503.7	6/30/06	835.8	47.6	6.9
Dorman Products, Inc.	10.10	178.8	34.2	4.9	213.8	6/30/06	291.3	35.4	15.1
Milemarker International Inc.	2.45	24.4	5.0	0.3	29.1	6/30/06	23.5	4.2	2.3
Wholesalers & Distributors									
Genuine Parts Company	\$43.29	\$7,415.9	\$500.0	\$189.1	\$7,856.2	6/30/06	\$10,180.5	\$803.5	\$454.5
LKQ Corporation	20.50	1,089.0	107.5	4.2	1,286.0	6/30/06	664.7	75.9	38.6
Keystone Automotive Industries, Inc.	37.53	609.7	0.2	5.4	615.1	6/30/06	651.2	48.1	23.6
The Coast Distribution System, Inc.	9.80	43.3	26.9	0.7	72.4	6/30/06	183.0	10.1	4.7
Retailers									
Autozone, Inc.	\$103.30	\$7,674.6	\$1,825.1	\$84.0	\$9,568.1	5/6/06	\$5,789.9	\$1,102.9	\$567.7
Advance Auto Parts, Inc.	32.94	3,462.5	468.7	13.1	3,973.2	7/15/06	4,484.3	541.4	237.2
O'Reilly Automotive, Inc.	33.27	3,772.6	100.9	55.2	3,916.2	6/30/06	2,185.6	341.3	181.7
The Pep Boys - Manny, Moe & Jack	12.85	697.1	526.9	55.3	1,168.8	7/29/06	2,236.4	71.9	(35.1)
CSK Auto Corporation	14.10	617.8	395.1	19.3	1,000.9	10/30/05	1,594.5	121.9	31.3

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	11.9x	6.3x	11.3x	46.7x	20.8	15.3%	8.4%	1.1%
Aftermarket Technology Corp.	0.9x	8.1x	6.5x	7.7x	13.2x	11.7	22.3%	13.7%	6.7%
Directed Electronics, Inc.	1.5x	20.3x	16.6x	17.6x	NM	NM	30.3%	9.1%	0.5%
Standard Motor Products, Inc.	0.6x	16.2x	10.6x	13.7x	73.5x	32.4	23.8%	5.7%	0.8%
Dorman Products, Inc.	0.7x	7.4x	6.0x	7.5x	14.2x	11.8	35.2%	12.1%	5.2%
Milemarker International Inc.	1.2x	7.5x	6.9x	7.4x	12.6x	10.6	43.1%	17.9%	9.8%
Mean	0.9x	11.9x	8.8x	10.9x	32.0x	17.5x	28.3%	11.1%	4.0%
Median	0.8x	10.0x	6.7x	9.5x	14.2x	11.8x	27.0%	10.6%	3.2%
Wholesalers & Distributors									
Genuine Parts Company	0.8x	10.7x	9.8x	11.2x	17.3x	16.3	31.4%	7.9%	4.5%
LKQ Corporation	1.9x	19.6x	17.0x	32.5x	33.3x	28.2	46.2%	11.4%	5.8%
Keystone Automotive Industries, Inc.	0.9x	16.0x	12.8x	16.9x	26.0x	25.8	44.8%	7.4%	3.6%
The Coast Distribution System, Inc.	0.4x	7.7x	7.1x	8.1x	15.3x	9.1	19.4%	5.5%	2.6%
Mean	1.0x	13.5x	11.7x	17.2x	23.0x	19.9x	35.5%	8.1%	4.1%
Median	0.9x	13.3x	11.3x	14.1x	21.7x	21.1x	38.1%	7.6%	4.0%
Retailers									
Autozone, Inc.	1.7x	9.9x	8.7x	11.6x	16.9x	13.5	48.8%	19.0%	9.8%
Advance Auto Parts, Inc.	0.9x	9.6x	7.3x	12.7x	16.8x	14.6	47.4%	12.1%	5.3%
O'Reilly Automotive, Inc.	1.8x	14.3x	11.5x	32.9x	21.6x	20.8	44.0%	15.6%	8.3%
The Pep Boys - Manny, Moe & Jack	0.5x	NM	16.3x	98.2x	NM	NM	23.2%	3.2%	NM
CSK Auto Corporation	0.6x	11.7x	8.2x	11.1x	32.0x	19.7	45.4%	7.6%	2.0%
Mean	1.1x	11.4x	10.4x	33.3x	21.8x	17.2x	41.7%	11.5%	6.3%
Median	0.9x	10.8x	8.7x	12.7x	19.2x	17.2x	45.4%	12.1%	6.8%

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful