

# the aftermarket analyst

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

## 2006 Year in Review

2006 proved to be another big year for merger and acquisition activity in the auto aftermarket. With global and U.S. M&A activity achieving record levels, aftermarket deal making reached an all-time high as strategic buyers became more active and consolidation in the service and repair side of the industry accelerated.

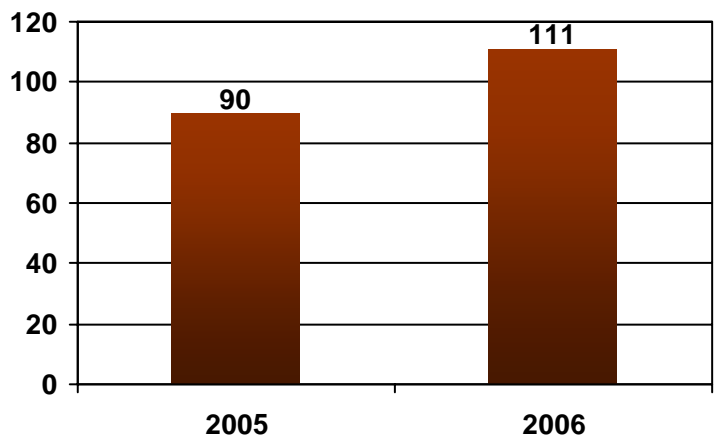
Total aftermarket transaction volume posted another large year-over-year increase last year. In the twelve months ended December 31, 2006, 111 deals were announced, representing an increase of 22.0 % over 2005.

The repair and service segment of the industry was a hot bed of activity last year, as transaction volume rose 325%. The manufacturing and retail sides of the business also experienced increased transaction volume in 2006.

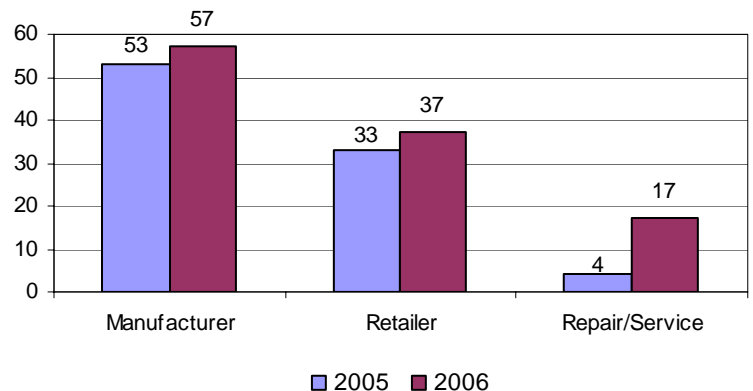
Overall, Manufacturers consummated 57 transactions in 2006, representing 51% of aftermarket deals in 2006. The Retailers and Distributors' 37 transactions comprised 33% of 2006 transactions while the Repair/Service segment rose to 16% of industry transactions last year with its 17 deals.

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Aftermarket Transaction Volume by Year



Aftermarket Transaction Volume by Industry Segment



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## RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

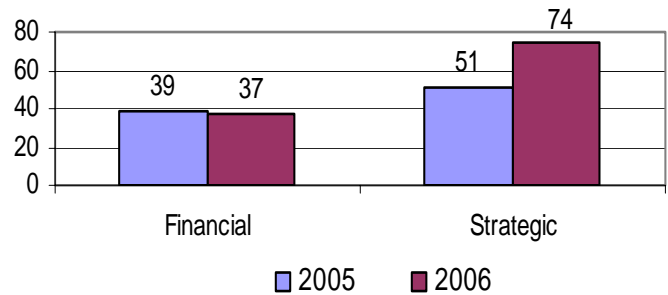
Announce Date	Acquirer/Investor(s)	Target	Target Description	Firm Value (\$mil.)	FV / Rev.	FV / EBITDA
12/27/2006	Nidec Corp.	Valeo S.A.'s Motors & Actuators business unit	manufactures automotive motors and actuators	\$185.0	—	—
12/22/2006	Kelso & Co., GS Capital Partners, ValueAct Capital and Parthenon Capital	ADESA, Inc.	provider of wholesale vehicle auctions and related vehicle redistribution services for the automotive industry in North America	3,700.0	3.5X	13.5X
12/22/2006	Actuant Corp.	Maxima Technologies	electronics company specializing in custom-engineered and standard vehicle instrumentation, components, and systems for low-to-medium applications	91.0	1.4X	—
12/22/2006	Saw Mill Capital Partners	Hawk Corp.'s Precision Components group	supplies friction materials for brakes, clutches and transmissions	90.1	—	—
12/20/2006	Lumiere International Corp.	Air Temp de Mexico	designs and manufactures heat exchangers, radiators, condensers, evaporators, heaters and coolers	—	—	—
12/15/2006	Friend Skoler & Co.	Accessories Marketing, Inc.	makers of Slime tire sealant and tire care products	—	—	—
12/11/2006	CCMP Capital Asia	Repco Corp.	largest retailer of automotive parts in Australia and New Zealand	264.0	0.4X	5.0X
12/11/2006	Uni-Select Inc.	Plastique Royale	distributor of automotive paint and body shop products	—	—	—
12/5/2006	Bridgestone Americas Holding, Inc.	Bandag, Inc.	sells retreading equipment and materials and owns tire retail and service operations	1,050.0	1.1X	10.5X
12/4/2006	Mahle	Dana Corp.'s "non-core" engine hard parts business	product lines include piston rings, engine bearings, cylinder liners and camshafts.	157.0	—	—
12/1/2006	Truck-Lite Co.	United Components Inc.'s Flexible Lamps business	UK manufacturer of lighting systems for commercial vehicles	39.0	—	—
11/30/2006	Olympic Brake Supply	Allied Exhaust Systems' undercar operations	Specialty exhaust warehouse distributor	—	—	—
11/28/2006	Sun Capital Partners Inc.	Big 10 Tire Stores Inc.	Independent tire retailer with more than 100 locations in AL, FL, and GA	—	—	—
11/13/2006	Eurotech SpA	Kairos Autonomi	Manufactures remotely piloted and autonomous vehicles	1.3	—	—
11/13/2006	management buyout	Spectra Premium Industries	Fuel tanks and related components for the automobile and light-truck aftermarkets	79.0	—	—
11/3/2006	Sensata Technologies	Honeywell's First Technology Automotive Products business	Manufacturer of automotive sensors, control devices and crash switch devices.	90.0	—	—
11/3/2006	Star Envirotech	K-Line Industries' EVAP leak detection division	Ultrasonic leak detection technology	—	—	—
11/2/2006	Uni-Select	Tier Parts	Automotive replacement parts, equipment, tools and accessories distributor	—	—	—
10/27/2006	BBB Industries	Genco Auto Electrical	Remanufacturer of starters and alternators	—	—	—
10/27/2006	Snap-On	Proquest Business Solutions	Developer of electronic parts catalogs	527.0	—	—
10/27/2006	Johnson Controls	Fiamm's automotive battery business	Manufacturer of batteries and other automotive components	240.0	1.0X	—
10/23/2006	Martinrea International	ThyssenKrupp Budd's Automotive Body & Chassis Operations	13 North American body and chassis factories	275.0	0.2X	—
10/23/2006	Armor Holdings	SCHROTH Safety Products GmbH	Supplier of gunner restraints for military HMMWV vehicles	28.6	—	—
10/16/2006	Oshkosh Truck Corp.	JLG Industries, Inc.	Manufacturer of aerial work platforms	3,000.0	1.4X	—
10/13/2006	Noble International Ltd.	Pullman Industries, Inc.	Manufacturer of beams, sills, bumpers and door components	120.0	—	—
10/13/2006	Baxter Auto Parts	Nor-Cal Distributors	Independent auto parts distributor in Northern California	—	—	—
10/12/2006	Dewitt Publishing	OAS Inc's <i>Collision News</i>	Magazine covering the collision repair industry in FL, GA, TN, and AL	—	—	—
10/10/2006	Hella KGaA Hueck & Co.	Tolerance A/S	Developer of software for internet based diagnosis and repair services	—	—	—

(Continued from page 1)

While the number of deals led by financial sponsors (private equity groups) remained relatively constant in 2006, strategic or industry sponsors invested in 45 percent more transactions in 2006 than in 2005. This re-emergence of strategic buyers was fostered by low interest rates, strong corporate profits and easy access to capital.

Publicly traded aftermarket companies also had a successful 2006 in terms of stock price performance. Both the Distributors index (up 14.6%) and the Manufacturers index (up 13.6%) outpaced the S&P 500 (up 13.3%) in 2006. The Retail index (up 9.4%), despite being down for much of the year, rebounded during the third and fourth quarter to make up most of the ground it had lost to the S&P 500 earlier in the year.

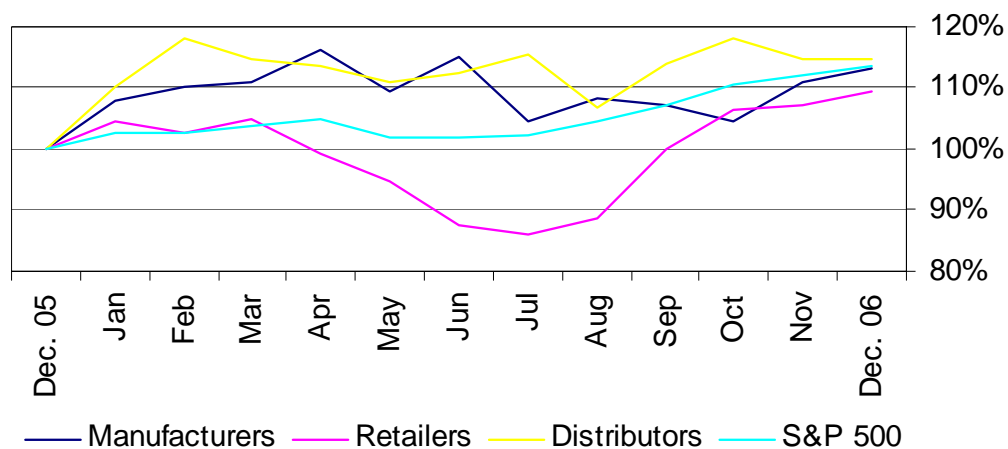
### Aftermarket Transactions by Type of Buyer



### Outlook for 2007

Most experts agree that 2007 is likely to be another record year for M&A activity. Cash-rich corporate balance sheets and institutional investors, along with low interest rates and generous lending terms, have helped to create one of the most favorable M&A markets in recent memory.

### 2006 Aftermarket Stock Performance by Industry vs. S&P 500



Manufacturers—TEN, ATAC, DEIX, SMP, DORM, and MMRK.OB

Retailers—AZO, AAP, ORLY, PBY, and CAO

Distributors—GPC, LKQX, KEYS, and CRV

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

Company	Enterprise Value				Last Twelve Months (LTM)				
	Price as of 12/31/06	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
<b>Manufacturers</b>									
Tenneco Automotive Inc.	\$24.72	\$1,129.5	\$1,403.0	\$116.0	\$2,494.3	9/30/06	\$4,540.0	\$381.0	\$48.1
Aftermarket Technology Corp.	21.28	470.4	38.5	6.8	518.2	9/30/06	507.8	63.1	29.2
Directed Electronics, Inc.	11.45	283.6	306.0	16.3	573.3	9/30/06	363.0	31.0	2.9
Standard Motor Products, Inc.	14.98	277.9	256.2	15.0	520.7	9/30/06	815.1	46.7	5.9
Dorman Products, Inc.	10.83	191.7	31.0	5.0	226.0	9/30/06	292.4	35.5	15.0
Milemarker International Inc.	2.10	20.9	5.4	0.2	26.2	9/30/06	21.9	3.1	1.4
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	\$47.43	\$8,082.2	\$500.0	\$214.4	\$8,506.4	9/30/06	\$10,324.7	\$823.3	\$464.9
LKQ Corporation	22.99	1,225.3	109.2	6.4	1,434.9	9/30/06	728.8	83.3	42.5
Keystone Automotive Industries, Inc.	33.99	554.9	0.2	6.0	554.3	9/30/06	672.8	49.9	24.2
The Coast Distribution System, Inc.	8.65	38.5	21.3	0.8	60.5	9/30/06	181.9	8.9	3.8
<b>Retailers</b>									
Autozone, Inc.	\$115.56	\$8,167.4	\$1,858.9	\$73.4	\$10,091.4	11/18/06	\$6,003.3	\$1,171.8	\$578.8
Advance Auto Parts, Inc.	35.56	3,737.9	450.9	14.0	4,222.3	10/7/06	4,564.1	543.6	233.9
O'Reilly Automotive, Inc.	32.06	3,635.4	100.9	40.8	3,775.2	9/30/06	2,239.9	342.5	190.0
The Pep Boys - Manny, Moe & Jack	14.86	808.3	646.1	22.5	1,431.9	10/28/06	2,233.7	82.1	(34.9)
CSK Auto Corporation	17.15	751.4	395.1	19.3	1,140.5	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
<b>Manufacturers</b>									
Tenneco Automotive Inc.	0.5x	12.3x	6.5x	12.0x	51.9x	23.5	15.0%	8.4%	1.1%
Aftermarket Technology Corp.	1.0x	10.4x	8.2x	10.1x	17.7x	16.1	21.3%	12.4%	5.8%
Directed Electronics, Inc.	1.6x	23.0x	18.5x	19.8x	NM	98.6	30.1%	8.5%	0.8%
Standard Motor Products, Inc.	0.6x	17.2x	11.1x	14.4x	88.6x	47.3	24.4%	5.7%	0.7%
Dorman Products, Inc.	0.8x	7.8x	6.4x	7.5x	15.0x	12.8	35.2%	12.1%	5.1%
Milemarker International Inc.	1.2x	9.6x	8.6x	9.4x	18.3x	14.6	42.3%	13.9%	6.5%
<b>Mean</b>	<b>1.0x</b>	<b>13.4x</b>	<b>9.9x</b>	<b>12.2x</b>	<b>38.3x</b>	<b>35.5x</b>	<b>28.0%</b>	<b>10.2%</b>	<b>3.3%</b>
<b>Median</b>	<b>0.9x</b>	<b>11.4x</b>	<b>8.4x</b>	<b>11.1x</b>	<b>18.3x</b>	<b>19.8x</b>	<b>27.2%</b>	<b>10.3%</b>	<b>3.1%</b>
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	0.8x	11.3x	10.3x	12.1x	18.3x	17.4	31.5%	8.0%	4.5%
LKQ Corporation	2.0x	19.9x	17.2x	32.7x	33.8x	28.9	45.8%	11.4%	5.8%
Keystone Automotive Industries, Inc.	0.8x	13.9x	11.1x	15.9x	22.9x	23.0	44.7%	7.4%	3.6%
The Coast Distribution System, Inc.	0.3x	7.4x	6.8x	7.8x	16.0x	10.2	19.2%	4.9%	2.1%
<b>Mean</b>	<b>1.0x</b>	<b>13.1x</b>	<b>11.4x</b>	<b>17.1x</b>	<b>22.8x</b>	<b>19.8x</b>	<b>35.3%</b>	<b>7.9%</b>	<b>4.0%</b>
<b>Median</b>	<b>0.8x</b>	<b>12.6x</b>	<b>10.7x</b>	<b>14.0x</b>	<b>20.6x</b>	<b>20.2x</b>	<b>38.1%</b>	<b>7.7%</b>	<b>4.0%</b>
<b>Retailers</b>									
Autozone, Inc.	1.7x	9.8x	8.6x	11.0x	17.4x	14.1	49.4%	19.5%	9.6%
Advance Auto Parts, Inc.	0.9x	10.3x	7.8x	14.8x	18.0x	16.0	47.6%	11.9%	5.1%
O'Reilly Automotive, Inc.	1.7x	13.4x	11.0x	33.7x	19.9x	19.1	44.2%	15.3%	8.5%
The Pep Boys - Manny, Moe & Jack	0.6x	NM	17.4x	41.9x	NM	NM	24.0%	3.7%	NM
CSK Auto Corporation	0.7x	13.3x	9.4x	12.7x	36.4x	24.0	45.4%	7.6%	2.0%
<b>Mean</b>	<b>1.1x</b>	<b>11.7x</b>	<b>10.8x</b>	<b>22.8x</b>	<b>22.9x</b>	<b>18.3x</b>	<b>42.1%</b>	<b>11.6%</b>	<b>6.3%</b>
<b>Median</b>	<b>0.9x</b>	<b>11.8x</b>	<b>9.4x</b>	<b>14.8x</b>	<b>19.0x</b>	<b>17.6x</b>	<b>45.4%</b>	<b>11.9%</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

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