

the aftermarket analyst

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

M&A Market Very Strong Through First Half of 2007

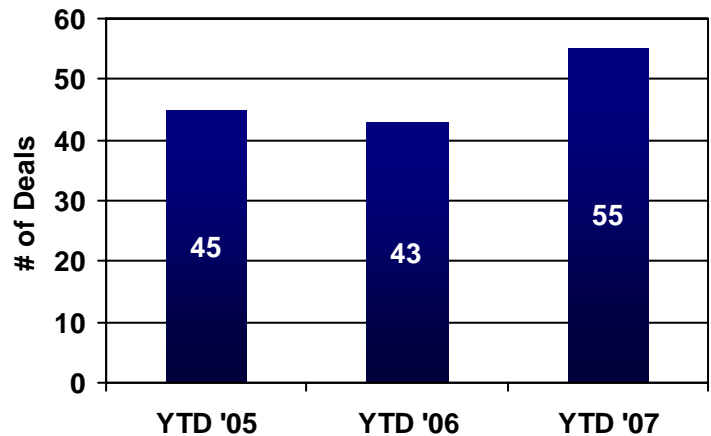
Auto aftermarket merger and acquisition activity continued at a record pace through the first six months of 2007, with 55 total transactions in the year-to-date period ended June 30, 2007. These 55 transactions represent a 27.9 percent increase year-over-year from 2006's 43 transactions and a 22.2 percent increase over 2005's record 45 transactions over the same six month period.

The broader US M&A market is also on a record pace. According to Factset/Mergerstat, \$1.237 trillion of deals have been completed this year, \$480 billion ahead of last year's \$757 billion for the YTD through June 30, 2006. This 63.4% increase year-over-year is attributable to strong corporate profits, "cheap" debt, and abundant investment capital.

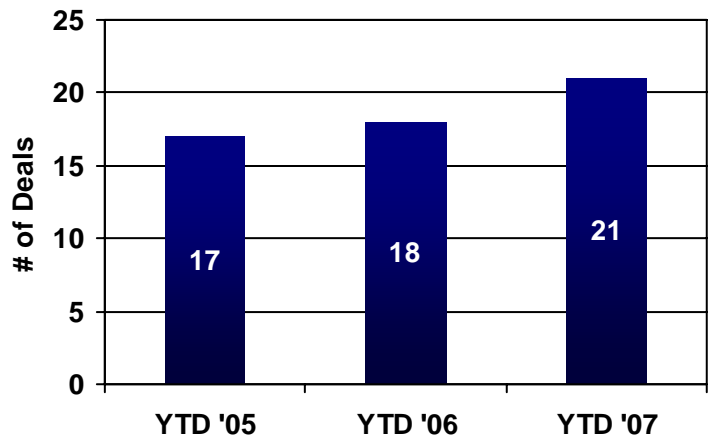
The auto aftermarket continues to see very robust interest from private equity groups (PEGs), which completed 21 of the 55 transactions recorded for the YTD ending June 30, 2007. Through the first six months of 2006 and 2005, PEGs were involved in 18 transactions and 17 transactions respectively. While PEGs have benefited from excess capital and relatively low interest rates as mentioned above, the solid fundamentals of the auto aftermarket and opportunities for consolidation have piqued the interest of these groups.

(Continued on page 3)

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



Aftermarket Deal Volume by Private Equity Groups in Year-to-Date (YTD) 2005, 2006, and 2007



in this issue

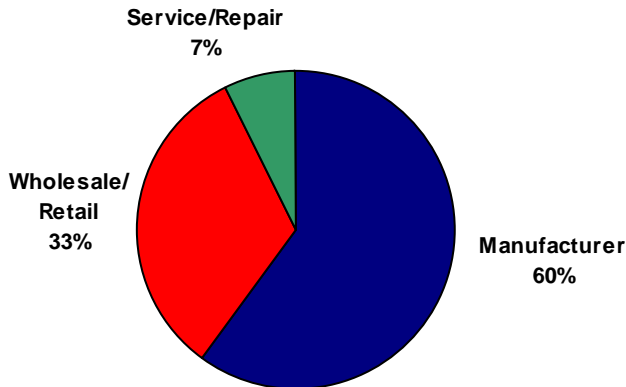
Recently Announced Transactions.....2
 Public Company Valuations.....4



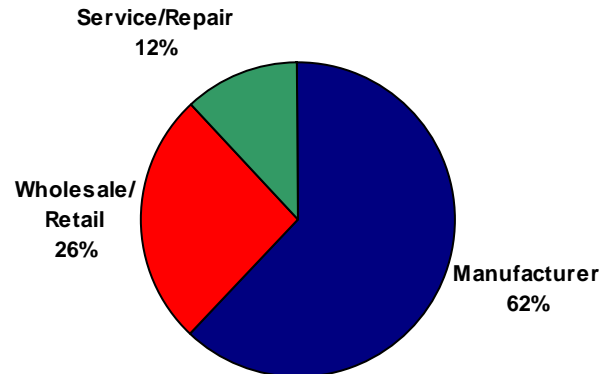
RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor(s)	Target	Target Description	Firm Value (\$mil.)	Rev. FV / Rev.	EBITDA FV / EBITDA
8/1/2007	EPD, Inc., an entity sponsored by Carlyle Partners IV, L.P.	The Goodyear Tire & Rubber Company	substantially all of its Engineered Products business	\$ 1,475.0	—	—
8/1/2007	Michelin North America, Inc.	Oliver Rubber Company	a subsidiary of Cooper Tire & Rubber Company, which produces tread rubber and retreading equipment	69.0	—	—
7/25/07	Continental AG	Siemens VDO	VDO manufactures entertainment systems, safety equipment and sensors for cars	15,700.0	1.10x	11.3x
7/24/2007	GS Capital Partners	Myers Industries	an international manufacturer of polymer products for industrial, agricultural, automotive, commercial and consumer markets.	1,100.0	1.3x	11.2x
7/14/2007	LKQ Corp.	Keystone Automotive Industries	a provider of aftermarket vehicle collision replacement parts	811.0	1.1x	14.0x
7/14/2007	Auto Meter Products, Inc. (Harbour Group)	Stack Limited	a leading global developer and supplier of professional-quality data acquisition systems and instrumentation for automotive racing and other rugged applications	—	—	—
7/11/2007	Warburg Pincus & Co.	Alliance Tire Co. Ltd.	Alliance Tire Company has more than 50 years of experience in developing, manufacturing and marketing a wide range of specialty off-highway tires and passenger vehicle tires for customers in over 65 countries.	150.0	—	—
7/10/2007	LKQ Corp.	Pintendre Autos	recycled parts business which primarily serves the professional repair market for not only automobiles but also for heavy trucks and several types of light-duty vehicles	—	\$ 29.0	—
7/5/2007	American Tire Distributors	Martino Tire	operated five wholesale distribution centers, 27 retail stores and two commercial centers	—	—	—
7/3/2007	Kohlberg & Co.	Trico Products, Inc.	global manufacturer of integrated wiper systems for OEM and aftermarket applications	110.9	378.2	—
7/3/2007	AER Sales, L.P.	Universal Distribution, LLC	Universal distributes remanufactured Ford and Motorcraft branded engine and transmission assemblies and other powertrain related components, mainly to Ford dealerships	—	—	—
6/29/2007	ROL Manufacturing	Corteco	the transaction includes the U.S., Canadian and Mexican assets related to Omega Power Steering Hose and Kits, Mountee Engine and Transmission Mounts and Corteco Gaskets and Seals.	—	—	—
6/28/2007	The Carlyle Group and Onex Corporation	(Allison Transmission) General Motors	Allison Transmission designs and manufactures automatic transmissions for on-highway trucks and buses, off-highway equipment and military vehicles worldwide.	5,600.0	—	—
6/27/2007	Clearlight Partners, LLC	Katzkin Leather, Inc.	a leading designer, manufacturer, and distributor of made-to-order leather interiors for automobiles and light trucks	—	—	—
6/20/2007	Mahle Industries, Inc.	Promec	Promec produces cylinder liners and piston rings for passenger car and heavy duty applications for the OE and Aftermarket businesses	—	67.0	—
6/8/2007	Englefield Capital LLP	Eaton Corp.	mirror controls unit - which is part of Eaton's automotive group, produces mirror actuators and power-fold actuators for external automotive mirror systems	111.0	—	—

YTD 2007 Aftermarket Deals by Seller Type



YTD 2006 Aftermarket Deals by Seller Type



(Continued from page 1)

Manufacturers continued to account for the largest percentage of auto aftermarket M&A transactions this year. In the year-to-date period, 33 manufacturing targets were acquired — six more than last year. In all, manufacturing targets accounted for 60 percent of total aftermarket transactions as compared to 62 percent in the same period last year.

Wholesale and retail deals as a percentage of total aftermarket transactions made significant gains this year. In the year-to-date 2007 period, wholesale and retail deals accounted for 33 percent of total transactions as compared to 26 percent last year.

Service and repair deals decreased over last year — accounting for 7 percent of transactions this year as compared to 12 percent last year.

Outlook for Remainder of 2007

2007 is shaping up to be another record year for both auto aftermarket M&A and the broader US M&A market. As mentioned earlier, the drivers behind this growth are strong corporate profits, relatively “inexpensive” debt and excess capital available to financial buyers.

Corporate profits, which provide capital for strategic buyers, show no signs of weakness with the notable exception of housing and related industries. While credit markets have tightened recently, relatively “inexpensive” debt is still available by acquirers with no apparent short-term plans by the Federal Reserve Board to raise interest rates. Excess capital will continue to be available to financial buyers that are in the enviable cycle of generating excess returns for their partners and being rewarded with additional capital to invest.

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	Price as of 7/31/07	Market Cap	Enterprise Value			Last Twelve Months (LTM)			
			Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
Manufacturers									
Tenneco Automotive Inc.	\$35.30	\$1,634.0	\$1,453.0	\$136.0	\$3,056.5	3/30/07	\$4,952.0	\$392.0	\$47.0
Aftermarket Technology Corp.	30.35	670.6	0.0	22.5	665.0	6/30/07	519.2	72.3	35.0
Directed Electronics, Inc.	7.55	190.4	324.5	14.1	500.7	3/31/07	441.4	58.3	17.6
Standard Motor Products, Inc.	12.45	235.0	361.7	18.3	578.4	3/31/07	801.8	52.2	11.0
Dorman Products, Inc.	14.00	247.6	28.2	7.3	276.7	3/31/07	301.3	37.7	16.2
Wholesalers & Distributors									
Genuine Parts Company	\$49.60	\$8,450.7	\$500.0	\$250.1	\$8,851.1	3/31/07	\$10,553.2	\$884.8	\$483.0
LKQ Corporation	28.43	1,520.6	117.0	5.9	1,776.2	3/31/07	832.6	96.9	48.1
Keystone Automotive Industries, Inc.	46.76	772.7	0.0	20.6	763.2	3/30/07	714.0	57.9	30.3
The Coast Distribution System, Inc.	7.15	31.6	42.7	1.0	74.0	3/31/07	171.2	4.8	1.2
Retailers									
Autozone, Inc.	\$126.81	\$8,532.7	\$1,938.9	\$82.6	\$10,539.0	5/5/07	\$6,106.1	\$1,203.5	\$591.9
Advance Auto Parts, Inc.	34.77	3,701.5	404.2	17.0	4,128.5	4/21/07	4,691.6	556.8	232.7
O'Reilly Automotive, Inc.	33.31	3,801.6	100.7	90.2	3,894.4	3/31/07	2,360.0	359.7	186.1
The Pep Boys - Manny, Moe & Jack	16.93	870.3	746.2	30.8	1,587.3	5/5/07	2,261.6	115.7	(8.9)
CSK Auto Corporation	13.64	599.5	531.5	20.2	1,113.7	2/4/07	1,907.8	148.3	35.7
US Auto Parts Network, Inc.	8.85	264.0	1.2	45.6	219.9	3/31/07	145.8	10.2	1.0

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.	0.6x	15.0x	7.8x	14.3x	65.0x	34.8	13.5%	7.9%	0.9%
Aftermarket Technology Corp.	1.3x	11.6x	9.2x	13.5x	19.0x	19.2	22.6%	13.9%	6.7%
Directed Electronics, Inc.	1.1x	9.9x	8.6x	9.0x	28.5x	10.8	29.8%	13.2%	4.0%
Standard Motor Products, Inc.	0.7x	15.7x	11.1x	13.9x	52.6x	21.4	25.4%	6.5%	1.4%
Dorman Products, Inc.	0.9x	9.0x	7.3x	9.0x	17.1x	15.3	34.7%	12.5%	5.4%
Mean	0.9x	12.2x	8.8x	11.9x	36.4x	20.3x	25.2%	10.8%	3.7%
Median	0.9x	11.6x	8.6x	13.5x	28.5x	19.2x	25.4%	12.5%	4.0%
Wholesalers & Distributors									
Genuine Parts Company	0.8x	10.9x	10.0x	11.6x	18.3x	17.5	31.3%	8.4%	4.6%
LKQ Corporation	2.1x	21.1x	18.3x	29.5x	36.9x	31.6	45.2%	11.6%	5.8%
Keystone Automotive Industries, Inc.	1.1x	16.0x	13.2x	17.2x	25.2x	25.5	44.6%	8.1%	4.2%
The Coast Distribution System, Inc.	0.4x	18.5x	15.4x	18.4x	60.5x	25.8	18.2%	2.8%	0.7%
Mean	1.1x	16.6x	14.2x	19.2x	35.2x	25.1x	34.8%	7.7%	3.8%
Median	1.0x	17.2x	14.3x	17.8x	31.0x	25.7x	38.0%	8.2%	4.4%
Retailers									
Autozone, Inc.	1.7x	10.0x	8.8x	10.9x	17.8x	14.4	49.5%	19.7%	9.7%
Advance Auto Parts, Inc.	0.9x	10.0x	7.4x	13.8x	17.7x	15.9	47.9%	11.9%	5.0%
O'Reilly Automotive, Inc.	1.7x	13.2x	10.8x	34.1x	20.9x	20.4	44.2%	15.2%	7.9%
The Pep Boys - Manny, Moe & Jack	0.7x	59.3x	13.7x	26.7x	NM	NM	25.4%	5.1%	NM
CSK Auto Corporation	0.6x	10.3x	7.5x	10.1x	31.2x	16.8	47.0%	7.8%	1.9%
US Auto Parts Network, Inc.	1.5x	60.7x	21.5x	29.5x	NM	NM	32.5%	7.0%	0.7%
Mean	1.1x	20.6x	11.6x	19.1x	21.9x	16.9x	41.1%	11.1%	5.0%
Median	0.9x	10.3x	9.8x	13.8x	19.4x	16.3x	47.0%	11.9%	6.4%

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful