

the aftermarket analyst

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

The Credit Crunch: By The Numbers

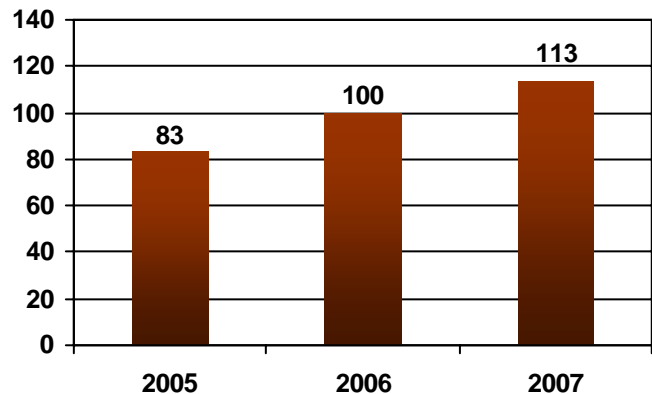
The most frequent question we are asked these days is, "How is the credit crunch affecting M&A transactions in the aftermarket?" To everyone's surprise, our reply is that we have seen little or no effect on M&A deals in the industry. In fact, 2007 will be another record year for aftermarket M&A, with more deals completed through the first eleven months of the year than were completed in all of 2006. Additionally, there is no evidence of a slow-down in M&A activity, the likes of which are apparent in the broader M&A market.

Since sub prime losses and lax lending practices became headline news approximately six months ago, aftermarket M&A has continued to flourish. In the six-month period from June 1, 2007 to November 30, 2007, the aftermarket has experienced 69 transactions, compared to 68 transactions over the same period in 2006 and 47 transactions in the same six month period of 2005

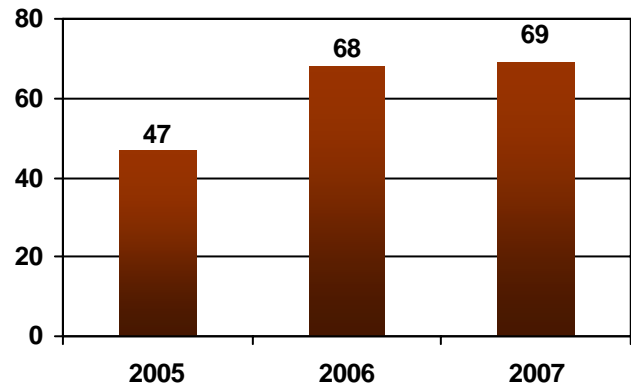
Some skeptics may argue that while the "credit crunch" came to light in June of 2007, its effects were not immediately apparent and, therefore, a more recent analysis of deal volume may show the signs of its consequences. In the three month period from September 1, 2007 to November 30, 2007, 31 reported deals closed, which is one more than the 30 reported deals during the same period in 2006 and

(Continued on page 3)

Aftermarket Deal Volume (YTD November 30)



Last Six Months Aftermarket Deal Volume



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.) | FV / Rev. | FV / EBITDA |
|---------------|---|--|--|---------------------|-----------|-------------|
| 12/11/2007 | American Tire Distributors | Texas' Homann Tire Wholesale | Tire Wholesaler which has some 1,600 customers across Texas and Louisiana. | — | — | — |
| 12/11/2007 | Platinum Equity LLC | Delphi Corp. | Delphi's global steering and halfshaft business | — | — | — |
| 12/11/2007 | ArvinMeritor | Mascot Truck Parts Ltd. | a major remanufacturer of transmissions, drive axle carriers, steering gears and drivelines, based in Mississauga, Ontario, Canada. | — | — | — |
| 12/10/2007 | Sun Capital Partners | Von Weise, Inc. | Von Weise offers two product lines including: (i) Automotive - small motors or actuators for automobiles, and (ii) Specialty Products - electric and recoil small engine starters for garden tractors, lawn mowers and snow blowers. | — | — | — |
| 12/6/2007 | DURA Automotive Jack and Tool Kit Business | Autoline Industries Limited | DURA's jack and tool kit business produces automotive bottle jacks, scissor jacks and related products for automotive jack tool kits. | — | \$ 25.0 | — |
| 12/5/2007 | Commercial Vehicle Group | Short Bark Industries, LLC | a supplier of seat covers and various cut-and-sew trim products. | — | — | — |
| 11/29/2007 | Linsalata Capital Partners Resilience Capital Partners | Lund International | Lund designs, manufactures and markets branded accessories for light and heavy trucks, sport utility vehicles, crossover utility vehicles and passenger cars. | — | — | — |
| 11/29/2007 | American Capital Strategies | Dynojet (Graham Partners) | a research and development company that provides aftermarket performance-enhancing parts and accessories, diagnostic equipment, and software for the automotive, motorcycle and power sports markets. | — | — | — |
| 11/12/2007 | MAHLE Clevite Canada | Canadian Engine Parts 1 Inc. | Engine Parts 1 currently serves the Canadian engine parts market with five warehouses located across the country. | — | — | — |
| 11/16/2007 | Kinderhook Industries | Extang Corporation | manufactures soft tonneau covers for the light truck market | — | — | — |
| 11/16/2007 | Kinderhook Industries | TruXedo | manufactures soft tonneau covers for the light truck market | — | — | — |
| 11/12/2007 | Brembo North America | Hayes Lemmerz' Automotive Brake Components | Hayes Lemmerz' Automotive Brake Components division includes production facilities in Homer and Apodaca, which manufacture brake rotors and drums for the North American passenger car and light truck markets. | \$ 58.0 | 0.5x | — |
| 11/7/2007 | Affinia Group | Brake Pro, Ltd. | Affinia Group has acquired certain assets of Brake Pro, Ltd., purchase includes manufacturing equipment, friction formulations and unrestricted rights to the brand name. | — | — | — |
| 11/6/2007 | Compass Automotive Group, LLC | Alcoa's Automotive Castings business | manufactures a full range of safety-critical suspension and chassis components, including sub-frames, cradles, steering knuckles, engine brackets and control arms | — | 150.0 | — |
| 11/1/2007 | Freudenberg-NOK General Partnership | Precision Industries Corporation | a manufacturer of high quality diaphragms, specializing in fabric-reinforced diaphragms for small engines, fuel systems, irrigation, gaseous fuels, and pneumatic controls | — | — | — |
| 10/30/2007 | Centric Parts | Power Performance Group, Inc. | manufacturer of the Power Slot brand of performance brake products. | — | — | — |
| 10/26/2007 | Franchise Capital | Dr. Gas | Dr. Gas produces 90% of all exhaust systems used in NASCAR, Nextel Cup Series, Busch Grand Nationals, Craftsman Truck Series, and many more. | — | — | — |
| 10/26/2007 | Pilot Automotive | Design Motorsports Engineering | a specialty tuner offering highly engineered performance exhaust, diversion panels and engine dampers | — | — | — |
| 10/26/2007 | Pilot Automotive | DC Sports | DC Sports is a leading performance brand of cat-back exhaust systems, ceramic headers, stainless steel headers and strut tower bars | — | — | — |

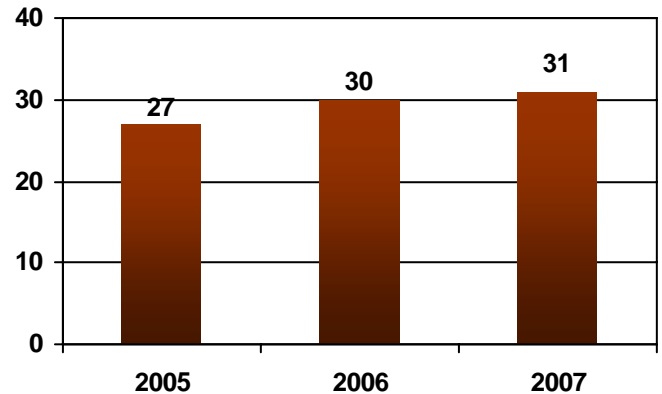
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the 27 deals during the same period in 2005. Taking it one step further and looking solely at the month of November 2007 versus November 2006, it becomes evident that aftermarket M&A is not decreasing on a year over year basis, with 9 November 2007 transactions outpacing the 7 November 2006 transactions.

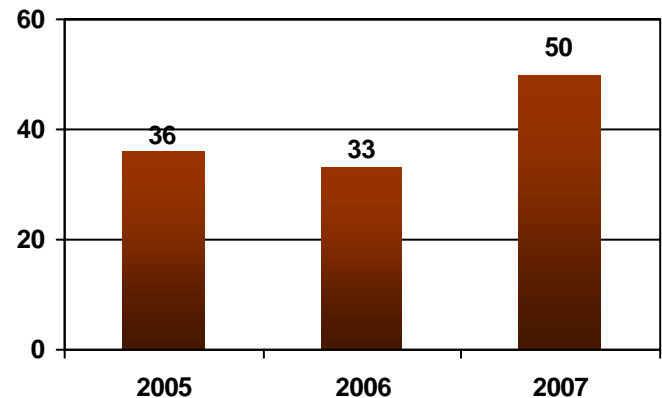
The larger M&A market is still dominated by Private Equity Groups which rely heavily on the debt markets to finance transactions and continue to pour money into the aftermarket. These groups have completed 32 auto aftermarket transactions in the past 6 months, one transaction less than was completed in all of 2006. *Dow Jones Private Equity Analyst* data shows that Private Equity Groups continues to raise substantial funds, with commitments totaling \$199.4 billion through the third quarter of 2007, up from \$154.1 billion raised in the first nine months of 2006.

Based on the data above, we find it impossible to conclude that the credit crunch is negatively affecting the deal environment in the aftermarket. We don't believe the "credit crunch" is a myth or that it has not had an effect on the broader M&A market, especially the mega-deals that require securitized senior loans, but when it comes to the aftermarket, there has been no slowdown in deal volume to date. Our belief is that the demographics of the industry continue to make it very attractive, especially when compared to the broader M&A market.

Last 3 Months Aftermarket Deal Volume



Private Equity Aftermarket Deal Volume



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 11/30/07 | Market Cap | Debt | Cash | Enterprise Value (1) | LTM Date | Revenue | EBITDA | Net Income |
| Manufacturers | | | | | | | | | |
| Tenneco Automotive, Inc. | \$29.59 | \$1,377.9 | \$1,536.0 | \$203.0 | \$2,793.5 | 9/30/07 | \$5,831.0 | \$446.0 | \$84.6 |
| Aftermarket Technology Corp. | 27.92 | 617.6 | 0.0 | 20.7 | 610.1 | 9/30/07 | 523.7 | 78.6 | 40.6 |
| Directed Electronics, Inc. | 1.89 | 47.9 | 309.9 | 5.5 | 352.3 | 9/30/07 | 459.5 | 53.5 | 8.9 |
| Standard Motor Products, Inc. | 7.41 | 136.5 | 344.6 | 19.4 | 461.6 | 9/30/07 | 792.0 | 53.8 | 14.9 |
| Dorman Products, Inc. | 14.00 | 247.7 | 25.7 | 6.1 | 273.9 | 9/30/07 | 321.1 | 42.5 | 20.4 |
| Wholesalers & Distributors | | | | | | | | | |
| Genuine Parts Company | \$48.05 | \$8,067.6 | \$500.0 | \$330.1 | \$8,381.7 | 9/30/07 | \$10,758.9 | \$915.1 | \$499.7 |
| LKQ Corporation | 39.71 | 2,643.8 | 12.5 | 225.3 | 2,613.2 | 9/30/07 | 916.6 | 112.0 | 54.6 |
| The Coast Distribution System, Inc. | 6.71 | 29.8 | 23.0 | 0.9 | 52.0 | 9/30/07 | 164.1 | 2.5 | (0.1) |
| Retailers | | | | | | | | | |
| Autozone, Inc. | \$111.63 | \$7,246.4 | \$2,161.1 | \$79.8 | \$9,416.7 | 11/17/07 | \$6,232.4 | \$1,233.2 | \$604.3 |
| Advance Auto Parts, Inc. | 35.96 | 3,676.1 | 434.4 | 14.8 | 4,144.1 | 10/6/07 | 4,812.2 | 565.6 | 238.9 |
| O'Reilly Automotive, Inc. | 32.86 | 3,781.1 | 100.5 | 109.8 | 3,835.8 | 9/30/07 | 2,476.4 | 370.4 | 193.7 |
| The Pep Boys - Manny, Moe & Jack | 10.93 | 565.4 | 672.2 | 26.2 | 1,211.4 | 11/3/07 | 2,226.4 | 89.5 | (19.2) |
| CSK Auto Corporation | 9.75 | 428.6 | 532.1 | 19.9 | 940.8 | 8/5/07 | 1,908.5 | 130.4 | 21.4 |
| US Auto Parts Network, Inc. | 8.30 | 247.7 | 1.1 | 17.2 | 234.3 | 9/30/07 | 160.4 | 12.5 | 1.9 |

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 | 11.3x | 6.3x | 9.7x | 33.0x | 16.3 | 12.7% | 7.6% | 1.5% |
| Aftermarket Technology Corp. | 1.2x | 9.6x | 7.8x | 10.8x | 15.0x | 15.2 | 24.0% | 15.0% | 7.8% |
| Directed Electronics, Inc. | 0.8x | 8.0x | 6.6x | 7.0x | 39.7x | 5.4 | 31.3% | 11.6% | 1.9% |
| Standard Motor Products, Inc. | 0.6x | 11.8x | 8.6x | 11.7x | 30.9x | 9.1 | 26.4% | 6.8% | 1.9% |
| Dorman Products, Inc. | 0.9x | 7.8x | 6.4x | 7.5x | 13.4x | 12.1 | 34.3% | 13.2% | 6.4% |
| Mean | 0.8x | 9.7x | 7.1x | 9.3x | 26.4x | 11.6x | 25.8% | 10.9% | 3.9% |
| Median | 0.8x | 9.6x | 6.6x | 9.7x | 30.9x | 12.1x | 26.4% | 11.6% | 1.9% |
| Wholesalers & Distributors | | | | | | | | | |
| Genuine Parts Company | 0.8x | 10.1x | 9.2x | 10.5x | 16.8x | 16.1 | 31.5% | 8.5% | 4.6% |
| LKQ Corporation | 2.9x | 26.7x | 23.3x | 35.1x | 47.9x | 48.4 | 45.0% | 12.2% | 6.0% |
| The Coast Distribution System, Inc. | 0.3x | 33.1x | 21.2x | 70.4x | NM | NM | 17.8% | 1.5% | NM |
| Mean | 1.3x | 23.3x | 17.9x | 38.7x | 32.3x | 32.3x | 31.4% | 7.4% | 5.3% |
| Median | 0.8x | 26.7x | 21.2x | 35.1x | 32.3x | 32.3x | 31.5% | 8.5% | 5.3% |
| Retailers | | | | | | | | | |
| Autozone, Inc. | 1.5x | 8.8x | 7.6x | 9.3x | 15.6x | 12.0 | 49.8% | 19.8% | 9.7% |
| Advance Auto Parts, Inc. | 0.9x | 9.9x | 7.3x | 11.5x | 17.3x | 15.4 | 47.9% | 11.8% | 5.0% |
| O'Reilly Automotive, Inc. | 1.5x | 12.6x | 10.4x | 27.1x | 19.8x | 19.5 | 44.4% | 15.0% | 7.8% |
| The Pep Boys - Manny, Moe & Jack | 0.5x | NM | 13.5x | 39.2x | NM | NM | 24.1% | 4.0% | NM |
| CSK Auto Corporation | 0.5x | 10.6x | 7.2x | 10.4x | 44.0x | 20.0 | 47.1% | 6.8% | 1.1% |
| US Auto Parts Network, Inc. | 1.5x | 75.4x | 18.7x | 27.9x | 124.7x | 131.8 | 33.1% | 7.8% | 1.2% |
| Mean | 1.0x | 10.5x | 10.8x | 19.5x | 24.2x | 39.8x | 41.1% | 10.9% | 5.0% |
| Median | 0.9x | 10.2x | 9.0x | 11.5x | 18.6x | 17.5x | 47.1% | 11.8% | 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