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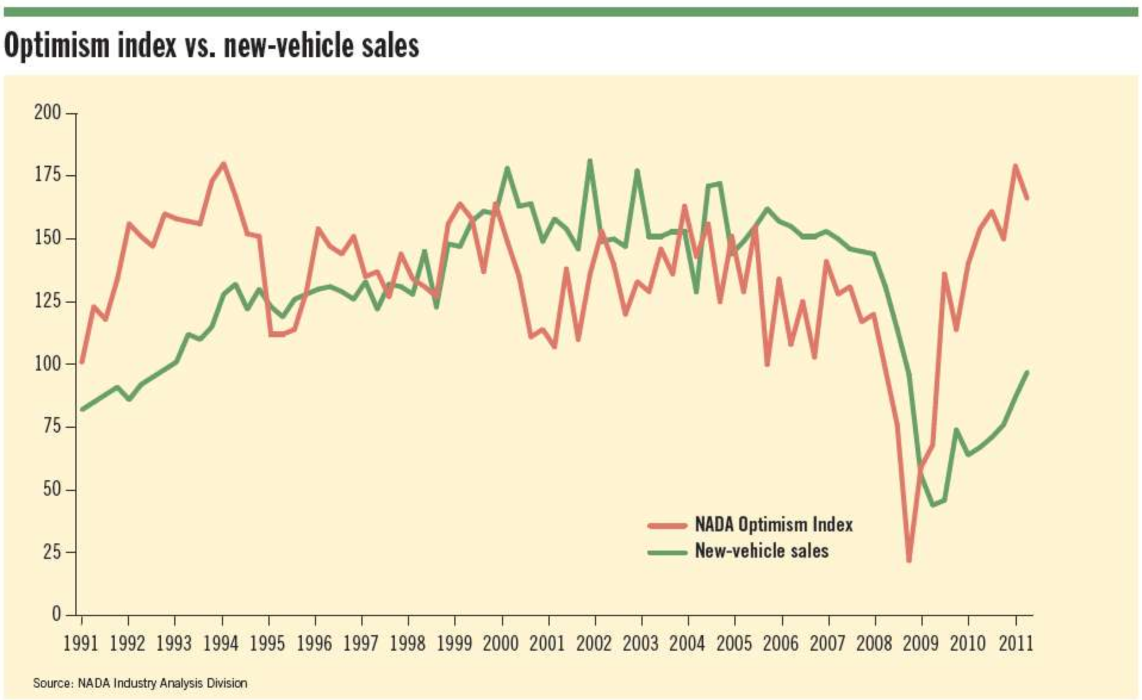
the aftermarket analyst

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

Increasing Vehicle Sales

New car sales in the U.S. are on the rise. Through the first eight months of 2011, light vehicle unit sales were up 10.4 % over the same period last year last year. European and North American OEMs reported increases of approximately 15% while Asian OEMs, still affected by the March 11, 2011 tsunami in Japan, grew only 4% largely on diminished supply. NADA (National Automobile Dealers Association) recently released its 2011 State of the Industry Report which provides a host of data on new vehicle sales and dealership financial trends. Two of the more interesting pieces we found were the NADA Optimism Index and Dealership Financial Trends over the last decade.

2010 ended with the NADA Dealer Optimism Index at 179, the highest point in over 15 years (see graph). This was a large improvement from 140 at the end of 2009. The first quarter of 2011 saw a slight decline to 166 with second quarter numbers not reported yet. Despite the challenges that have been evident in the broader economy over the last 2 quarters, auto sales have continued to rise. While some may say there was no place for auto sales to go but up, a 10% increase year over year with limited supply from Asia's largest OEMs is significant. The economy still features low inflation and historically low interest rates, with forecasted growth in gross domestic product (GDP) of 2.0 percent for 2011. Although NADA's dealer optimism index slipped to 166 in first-quarter 2011, dealer confidence levels suggest that 2011 will see continued improvement in light-vehicle sales and profits.



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CAPSTONE FINANCIAL GROUP

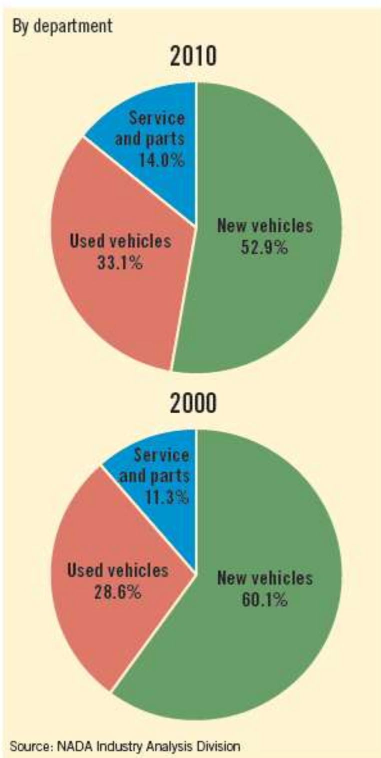
Recently Announced Automotive Aftermarket Transactions

Announce Date	Acquirer/Investor(s)	Target	Target Description
8/31/2011	Timken	Drives LLC	a leading manufacturer of highly engineered drive-chains, roller-chains and conveyor augers for the agricultural and industrial marketplace
8/30/2011	FleetPride	Interstate Turbo Supply	aftermarket distributors of heavy-duty truck and trailer parts located in Denver, CO
8/19/2011	Bosch	Unipoint Group/NSA Brands	a producer of starters, alternators, temperature control parts and wiper blades for the aftermarket.
8/1/2011	Rank Group Limited	Honeywell (Consumer Products Group)	includes four leading consumer automotive brands: FRAM filters, Prestone antifreeze, Autolite spark plugs, and Holts car care products
7/27/2011	Commercial Vehicle Group, Inc.	Stratos Seating	a seat supplier to the Australian military, truck and specialty vehicle markets
7/22/2011	China Auto Parts & Accessories Capital Holding Ltd. (CAPACH)	Century Automotive Mfg., Inc.	a supplier of auto parts and components headquartered in Los Angeles
7/19/2011	Heartland Automotive	multiple entities in the Midwest and West	in the Minneapolis, Minn., area, acquired the assets of Carpenter Lube Centers LLC, also purchased the assets of Fish Enterprises LLC in Seattle, Wash., raising the total number of operating sites to 86 in the greater Seattle market, also purchased stores from Wisconsin Car Care Inc. in the Chicago area, driving its store count to 41 in this market
7/8/2011	Timken	Philadelphia Gear	a provider of gear-drive systems and aftermarket services for the industrial and military marine sectors
6/28/2011	Pep Boys	My Mechanic	seven stores previously operated by My Mechanic, a trusted full-service automotive repair chain in the Houston area since 1989
6/22/2011	Monro Muffler Brake	Vespia Tire Centers	24 Vespia Tire Center locations purchased located in New Jersey and Eastern Pennsylvania.
6/21/2011	Boyd Group	Cars Collision Center of Colorado LLC	includes 28 collision repair shops in Illinois, Indiana and Colorado
6/21/2011	Accuride Corp.	Forgitron Technologies LLC	include an 80,000-square-foot forged aluminum wheel manufacturing facility located in Camden, S.C.
6/17/2011	Johnson Controls	Keiper and Recaro Automotive	Keiper is a leader in recliner system technology and is known for its engineering and manufacturing expertise in metals and mechanisms for automobile seats. The company also produces complete seats for commercial trucks. Recaro Automotive offers complete seats for automakers and as aftermarket equipment.
6/13/2011	Hyosung Corp.	Goodyear Tire & Rubber Co.	its global wire business, which produces tire reinforcement wire from plants in Asheboro, N.C., and Colmar-Berg, Luxembourg, and employs about 600 people.
6/6/2011	ONCAP	Hopkins Manufacturing Corp. (Friend Skolar)	a leading designer, manufacturer and marketer of proprietary branded products for the automotive and RV aftermarkets

(Continued from page 1)

In addition to the results of the NADA Optimism Index, the index as a forerunner of new vehicle sales is evident. The index appears to be a few months ahead of new vehicle sales and as such would be a good indicator of automotive sales over the short term.

Share of total dealership sales dollars



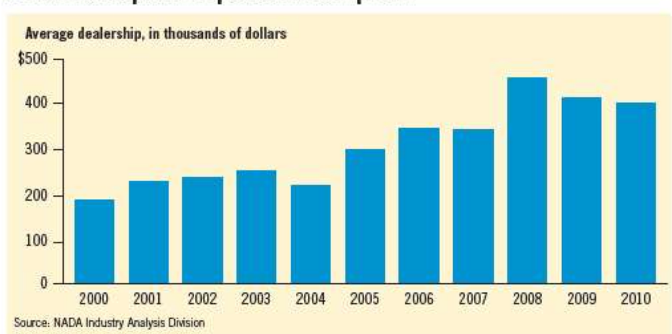
It has often been said that dealerships make their money solely on service and parts. However, in today's economy used cars also serve as an integral part of a dealership's business. In 2000, new vehicle sales accounted for 60% of a dealership's revenue, while today the number is 53% (see graph). The difference has been made up by increases in higher margin used vehicle sales (13.4%) and service and parts. New vehicle sales gross margins have declined to 4.5% from 6% a decade ago. New vehicle sales have become a necessary evil for dealers hoping to capture the more lucrative used car and service business.

With

New-vehicle department net profit

Used-vehicle department net profit

Service and parts department net profit



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

	Enterprise Value					Last Twelve Months (LTM)			
Company	**Price as of 8/31/11**	**Market Cap**	**Debt**	**Cash**	**Enterprise Value (1)**	**LTM Date**	**Revenue**	**EBITDA**	**Net Income**
Manufacturers									
Federal-Mogul Corporation	$17.76	$1,756.5	$2,831.0	$1,042.0	$3,649.5	6/30/11	$6,656.0	$633.0	$198.4
Tenneco Automotive, Inc.	32.81	1,975.4	1,294.0	161.0	3,213.1	6/30/11	6,767.0	558.0	89.0
Dorman Products, Inc.	32.35	583.4	4.2	38.8	567.6	6/25/11	497.8	87.7	50.3
Standard Motor Products, Inc.	13.17	301.5	68.2	13.1	356.6	6/30/11	864.7	74.1	35.7
Wholesalers & Distributors									
Genuine Parts Company	$55.02	$8,625.3	$500.0	$516.7	$8,712.5	6/30/11	$11,917.5	$946.4	$528.8
LKQ Corporation	25.60	3,748.6	586.4	42.3	4,449.4	6/30/11	2,828.0	373.1	187.0
The Coast Distribution System, Inc.	2.79	12.7	12.7	2.8	22.6	6/30/11	107.8	0.3	(1.1)
Retailers									
Autozone, Inc.	$307.00	$12,759.1	$3,171.1	$100.4	$16,393.4	5/7/11	$7,876.1	$1,639.0	$816.4
Advance Auto Parts, Inc.	60.72	4,477.1	566.4	68.8	5,109.4	7/16/11	6,054.5	776.5	358.4
O'Reilly Automotive, Inc.	64.88	8,820.0	498.6	268.8	9,421.9	6/30/11	5,598.3	950.0	474.3
The Pep Boys - Manny, Moe & Jack	9.88	520.4	295.9	100.4	718.9	4/30/11	1,992.1	156.2	35.9
US Auto Parts Network, Inc.	6.32	193.1	21.0	16.2	197.9	7/2/11	324.0	10.4	(18.7)

Selected Public Company Multiples and Operating Statistics

	Enterprise Value /						Margins		
Company	**Revenue**	**EBIT**	**EBITDA**	**Free Cash Flow (2)**	**Net Income**	**P / E Ratio**	**Gross Margins**	**EBITDA Margins**	**Net Margins**
Manufacturers									
Federal-Mogul Corporation	0.5x	11.3x	**5.8x**	12.0x	18.4x	8.9	15.9%	9.5%	3.0%
Tenneco Automotive, Inc.	0.5x	9.3x	**5.8x**	8.4x	36.1x	22.2	16.7%	8.2%	1.3%
Dorman Products, Inc.	1.1x	7.1x	**6.5x**	8.1x	11.3x	11.6	37.0%	17.6%	10.1%
Standard Motor Products, Inc.	0.4x	5.9x	**4.8x**	5.5x	10.0x	8.5	25.6%	8.6%	4.1%
Mean	***0.6x***	***8.4x***	***5.7x***	***8.5x***	***18.9x***	***12.8x***	***23.8%***	***11.0%***	***4.6%***
Median	***0.5x***	***8.2x***	***5.8x***	***8.2x***	***14.8x***	***10.2x***	***21.2%***	***9.0%***	***3.6%***
Wholesalers & Distributors									
Genuine Parts Company	0.7x	10.2x	**9.2x**	10.3x	16.5x	16.3	28.8%	7.9%	4.4%
LKQ Corporation	1.6x	13.6x	**11.9x**	15.3x	23.8x	20.0	43.0%	13.2%	6.6%
The Coast Distribution System, Inc.	0.2x	NM	**82.8x**	NM	NM	NM	16.9%	0.3%	NM
Mean	***0.8x***	***11.9x***	***34.7x***	***12.8x***	***20.1x***	***18.2x***	***29.5%***	***7.1%***	***5.5%***
Median	***0.7x***	***11.9x***	***11.9x***	***12.8x***	***20.1x***	***18.2x***	***28.8%***	***7.9%***	***5.5%***
Retailers									
Autozone, Inc.	2.1x	11.4x	**10.0x**	12.6x	20.1x	15.6	50.8%	20.8%	10.4%
Advance Auto Parts, Inc.	0.8x	8.4x	**6.6x**	9.7x	14.3x	12.5	50.0%	12.8%	5.9%
O'Reilly Automotive, Inc.	1.7x	12.0x	**9.9x**	15.3x	19.9x	18.6	48.6%	17.0%	8.5%
The Pep Boys - Manny, Moe & Jack	0.4x	8.9x	**4.6x**	8.9x	20.0x	14.5	26.1%	7.8%	1.8%
US Auto Parts Network, Inc.	0.6x	NM	**19.1x**	NM	NM	NM	34.0%	3.2%	NM
Mean	***1.2x***	***10.2x***	***10.0x***	***11.6x***	***18.6x***	***15.3x***	***41.9%***	***12.3%***	***6.6%***
Median	***1.3x***	***10.2x***	***9.9x***	***11.2x***	***19.9x***	***15.1x***	***49.3%***	***14.9%***	***7.2%***

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